BANCOLOMBIA SA
Form 20-F
March 27, 2003

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MARCH 27, 2003

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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, 2002

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
Preference Shares	New York Stock Exchange*

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* Bancolombia's Preference Shares are not listed for trading, but only in connection with the registration of American Depositary Shares, which are evidenced by American Depositary Receipts.

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
Preference 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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EXCHANGE RATES; INFLATION

Bancolombia S.A. ("Bancolombia," "BC", the "Bank", "us" or "we") is a banking institution organized under Colombian law. We maintain accounting records in Colombian pesos. The audited consolidated financial statements of BC and its subsidiaries for the years ended December 31, 2000, 2001 and 2002 contained in this Annual Report (collectively, including the notes thereto, the "Financial Statements") are expressed in Colombian pesos ("peso", "pesos" or "Ps"). In this Annual Report, references to "dollar", "dollars," "US$" or "$" are to United States dollars.

This Annual Report translates certain peso amounts into 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 2,814.89 per $1.00, which corresponds to the average of the Tasa Representativa del Mercado ("Representative Market Rate") for December 2002. 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 20, 2002, the Representative Market Rate was Ps 2,955.66 per $1.00.

Colombia experienced two-digit inflation rates until 1999 but has experienced single-digit inflation rates thereafter (8.75%, 7.65% and 6.99% for the years ended December 31, 2000, 2001 and 2002, 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 BC) be adjusted for inflation on a one-month's lagging basis, by applying coefficients of changes in the Colombian middle-income consumer price index ("MCPI") 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.

Financial information in this Annual Report is presented in nominal pesos for the years ended December 31, 2002, 2001 and 2000, without adjustment for inflation. Financial information for all prior periods is reported in constant pesos as of December 31, 2000 ("constant pesos"). Financial information contained in BC's Annual Reports up to and including its Annual Report for the year ended December 31, 2000, was restated to pesos with a purchasing power equal to that of constant pesos, by indexing historical amounts using the MCPI as measured by the Departamento Nacional de Estadistica ("DANE").

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FORWARD LOOKING STATEMENTS

This Annual Report on Form 20-F contains certain forward-looking statements and information relating to us that are based 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" 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. We do not intend, and do not assume any obligation, to update these forward-looking statements.

PART I.

ITEM 1. - IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS.

Not applicable.

ITEM 2. - OFFER STATISTICS AND EXPECTED TIMETABLE.

Not applicable.

ITEM 3. - KEY INFORMATION.

A. SELECTED FINANCIAL DATA

The following data have been derived from financial statements audited by KPMG Ltda., independent accountants. The following information should be read in conjunction with, and is qualified in its entirety by reference to, the Financial Statements.

The Financial Statements included herein have been prepared in conformity with Colombian GAAP, which differ in certain significant aspects from United States generally acceptable accounting principles ("U.S. GAAP"). Note 31 to the Financial Statements provides a discussion of the principal differences between Colombian GAAP and U.S. GAAP as they relate to the Bank, and a reconciliation to amounts calculated in accordance with U.S. GAAP of the Bank's net income and shareholders' equity as of, and for the years ended, December 31, 2000, 2001 and 2002.

In order to provide a better understanding of BC's financial statements, certain reclassifications were made in the consolidated statements of operations for the 1999 and 2000 fiscal years (see the Consolidated Statements of Operations in the Financial Statements). As a result, certain figures provided in this annual report for the years ended December 31, 1999 and 2000, such as net interest income, other operating income, and operating expenses, differ from those reported in the Bank's Annual Report for the years ended December 31, 1999 and 2000. These reclassifications do not affect the Bank's net income for either year.

Following are selected financial data for each of the five fiscal years from 1998 to 2002:

	AS OF AND FOR THE YEAR ENDED DECE			
	1998	1999	2000	2001
	(in millions of pesos and thousands of dollars(1), exc			
CONSOLIDATED STATEMENT OF OPERATIONS:				
COLOMBIAN GAAP:				
Interest income....................	Ps1,561,559	Ps1,227,269	Ps842,633	Ps881,7
Interest expense...................	(1,033,862)	(821,203)	(458,855)	(529,0
NET INTEREST INCOME...............	527,697	406,066	383,778	352,6
Provisions for loans and accrued interest losses(2).................	(150,650)	(250,153)	(152,296)	(73,9
Provision for foreclosed assets and other assets	(22,389)	(50,396)	(112,219)	(63,5
NET INTEREST INCOME AFTER PROVISIONS	354,658	105,517	119,263	215,1
Other operating income.............	368,283	330,436	341,971	620,1
Operating expenses.................	(641,084)	(644,922)	(573,524)	(654,7
NET OPERATING INCOME (LOSS)......	81,857	(208,969)	(112,290)	180,6
Merger expenses....................	(90,756)	(54,268)	(44,828)	(42,2
Net non-operating income (loss).....	45,890	55,362	67,792	51,0
Net monetary inflation adjustment...	(34,680)	(2,401)	4,209	
INCOME (LOSS) BEFORE TAXES........	2,311	(210,276)	(85,117)	189,4
Minority interest (loss)...........	(3,196)	(249)	(767)	(1,3
Income taxes.......................	(11,635)	(29,642)	(28,106)	(31,5
NET INCOME (LOSS)................	PS(12,520)	PS(240,167)	PS(113,990)	PS156,5
Weighted average of Preference and Common Shares outstanding(3)......	234,941,295	249,934,805	542,137,634	576,695,3
Net operating income (loss) per share(3)(4)........................	Ps348	Ps(836)	Ps(207)	Ps3
Net operating income (loss) per ADS.	1,392	(3,344)	(828)	1,2
Net income (loss) per share(3)(4)...	(53)	(961)	(210)	2
Net income (loss) per ADS..........	(212)	(3,844)	(840)	1,0
Cash dividends declared per share(5)	-	-	36	
Cash dividends declared per ADS.....	-	-	144	3
U.S. GAAP:				
Net income (loss)..................	Ps(65,390)	Ps(168,958)	Ps(38,915)	Ps226,
Net income (loss) per share(6)......	(400)	(880)	(119)	

Net income (loss) per ADS..........	(1,600)	(3,520)	(476)	2,

	AS OF AND FOR THE YEAR ENDED DECE			
	1998	1999	2000	2001
	(in millions of pesos and thousands of dollars(1), exc			
CONSOLIDATED BALANCE SHEET				
COLOMBIAN GAAP:				
ASSETS:				
Cash and due from banks............	Ps 570,442	Ps 490,293	Ps 428,466	Ps 536,81
Overnight funds....................	278,763	232,252	291,786	176,66
Investment securities, net..........	1,640,166	1,462,601	1,575,304	2,984,55
Loans, net.........................	4,782,117	4,530,943	4,826,506	5,078,47
Accrued interest receivable on loans, net..............................	167,514	86,635	84,693	77,68
Customers' acceptances and derivatives	24,596	23,251	40,358	39,90
Accounts receivable, net...........	203,431	135,867	106,557	106,76
Premises and equipment, net.........	454,546	445,922	332,120	320,08
Foreclosed assets, net.............	155,182	131,382	99,418	74,65
Prepaid expenses and deferred charges	125,738	154,148	107,848	84,48
Goodwill..........................	248,857	202,750	164,201	141,55
Leasing, net.......................	218,496	211,083	192,883	241,86
Other assets.......................	132,546	105,610	94,884	169,23
Reappraisal of assets..............	345,088	301,992	262,723	241,72
TOTAL ASSETS.....................	PS9,347,482	PS8,514,729	PS8,607,747	PS10,274,45
LIABILITIES AND SHAREHOLDERS' EQUITY:				
Deposits..........................	Ps5,498,454	Ps5,945,510	Ps6,116,022	Ps 7,580,84
Borrowings.........................	1,975,287	1,094,692	908,103	830,65
Other liabilities..................	936,750	704,728	717,739	892,50
Shareholders' equity...............	936,991	769,799	865,883	970,45
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	PS9,347,482	PS8,514,729	PS8,607,747	PS10,274,45
U.S. GAAP:				
Shareholders' equity...............	Ps 798,517	Ps 724,636	Ps 951,191	Ps 1,147,98
Shareholders' equity per share(7)...	3,399	2,899	1,755	1,99
Shareholders' equity per ADS(4).....	13,596	11,596	7,020	7,96

	AS OF AND FOR THE YEAR		
	1998	1999	2000
	(percentages, except fo		
SELECTED RATIOS: (8)			
COLOMBIAN GAAP:			
PROFITABILITY RATIOS:			
Net interest margin(9)	8.45%	6.69%	6.4
Return on average total assets(10)	(0.14)	(2.75)	(1.4

Return on average shareholders' equity(11)	(1.17)	(22.16)	(11.7
EFFICIENCY RATIO:			
Operating expenses as a percentage of net operating income(12)	71.55	87.57	79.0
CAPITAL RATIOS:			
Period-end shareholders' equity as a percentage of period-end total assets	10.02	9.04	10.0
Period-end regulatory capital as a percentage of period-end risk-weighted assets(13) (16)	11.56	9.09	11.0
CREDIT QUALITY DATA:			
Non-performing loans as a percentage of total loans(14)	3.72	6.29	3.5
"C", "D" and "E" loans as a percentage of total loans .	4.81	13.33	10.4
Allowance for loan and accrued interest losses as a percentage of non-performing loans	118.07	119.27	175.9
Allowance for loan and accrued interest losses as a percentage of "C", "D" and "E" loans	91.42	56.27	59.2

	AS OF AND FOR THE YEAR		
	1998	1999	2000
	(percentages, except fo		
Allowance for loan and accrued interest losses as a percentage of total loans	4.40	7.50	6.1
OPERATING DATA:			
Number of branches(15)	376	341	32
Number of employees(17)	9,477	8,539	7,68

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(1) Amounts stated in dollars have been translated at the rate of Ps 2,814.89 to $1.00 which is the average Representative Market Rate for the month of December 2002, as reported and certified by the Superintendency of Banking.

(2) Includes a provision for accrued interest losses amounting to Ps 25,986 million, Ps 48,507 million, Ps 20,178 million, Ps 4,945 million and Ps 4,518 million for the years ended December 31, 1998, 1999, 2000, 2001 and 2002 respectively.

(3) Includes Common Shares and 58,060,558 Preference Shares for 1998; 58,060,562 Preference Shares for 1999; and 178,435,787 Preference Shares for 2000, 2001 and 2002.

(4) Reflects all stock dividends distributed through December 31, 1998. Calculated on the basis of average outstanding shares during the period.

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

(6) Reflects stock dividends distributed up to December 31, 1998. 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 (191 million for 1998; 281 million for 1999; 380 million for 2000, 398 million

for each of 2001 and 2002). See Note 31 to the Financial Statements.

(7) Shareholders' equity per share is calculated based on the number of Common Shares and Preference Shares. Total shares outstanding amounted to 249 million for the year ended December 31, 1998; 339 million for the year ended December 31, 1999; and 577 million for the years ended December 31, 2000; 2001 and 2002.

(8) Ratios were calculated on the basis of daily averages.

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

(10) Net income divided by average total assets.

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

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

(13) 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"

(14) 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.

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

(16) 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.

(17) The number of employees is consolidated.

DIVIDENDS

The declaration, amount and payment of dividends is based on BC's unconsolidated earnings, which include earnings from unconsolidated subsidiaries that are accounted for at cost. 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 common stock dividend 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;

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- second, to the payment of the minimum dividend on the Preference 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.

BC paid dividends on its Common Shares for each year from 1947 through 1997. As a general policy, approximately 60% of BC's legally-available net income was, until 1997, paid annually to shareholders. However, because BC had losses in 1998 and 1999, it was unable to declare and pay a dividend for the years ended December 31, 1998, and December 31, 1999. A dividend per share of Ps 36 was declared in respect of BC's operating and financial results from May 1, 2000 to December 31, 2000 after giving effect to a voluntary balance sheet restructuring at April 30, 2000. See "Item 5. Operating and Financial Review and Prospects - Liquidity and Capital Resources - Capital - Voluntary Balance Sheet Restructuring" and Note 28 to the Financial Statements. A dividend per share of Ps 84 was declared in respect of BC's operating and financial results from January 1, 2001 to December 31, 2001. A dividend per share of Ps 132, to be paid in quarterly installments of Ps 33, was declared in respect of BC's operating and financial results from January 1, 2002 to December 31, 2002.

The following table sets forth the annual cash dividends paid on each Common Share and, where applicable, each Preference Share during the periods indicated.

DIVIDENDS DECLARED WITH RESPECT TO NET INCOME EARNED IN:	CASH DIVIDENDS PER SHARE(1)(2) (IN PESOS)	CASH DIVIDEND PER SHARE(1)((IN DOLLARS
1998	--	--
1999	--	--
2000	36	0.016
2001	84	0.036
2002	132	0.045

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(1) Includes Common Shares and Preference Shares.

(2) Cash dividends for 2000 and 2001 were paid in quarterly installments and cash dividends for 2002 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).

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EXCHANGE RATES

On March 20, 2003 the Representative Market Rate was Ps 2,955.66 per $1.00. The following table sets forth the high and low exchange rates for each month from January 2002 through February, 2003:

RECENT EXCHANGE RATES OF U.S. DOLLARS PER PESO:

	LOW	HIGH
January 2002	2,231.98	2,311.57
February 2002	2,254.98	2,313.13
March 2002	2,261.23	2,306.45
April 2002	2,254.45	2,275.35
May 2002	2,275.43	2,363.28
June 2002	2,321.68	2,398.82
July 2002	2,398.82	2,625.06
August 2002	2,568.80	2,712.46
September 2002	2,677.39	2,828.08
October 2002	2,744.32	2,888.23
November 2002	2,666.41	2,784.21
December 2002	2,782.40	2,864.79
January 2003	2,841.56	2,965.60
February 2003	2,929.64	2,968.88

Source: Superintendency of Banking.

The following table sets forth the average peso/dollar Representative Market Rate for the five most recent fiscal years (calculated by using the average exchange rate during each period), the highest and lowest rates of each period, and the end of period Representative Market Rate for U.S. dollars. The Federal Reserve Bank of New York does not report a noon buying rate for Colombian pesos.

	PESO/US$				
	REPRESENTATIVE MARKET RATE				
	AVERAGE	HIGH	LOW	PERIOD END	% CHANGE FROM PRI PERIOD E
1998	1,426.35	1,599.15	1,293.58	1,542.11	19.21%
1999	1,756.75	2,017.27	1,525.59	1,873.77	21.51%
2000	2,087.57	2,232.24	1,873.77	2,229.18	18.97%
2001	2,299.88	2,378.41	2,219.60	2,291.18	2.78%
2002	2,506.55	2,888.23	2,231.98	2,864.79	25.04%

Source: Superintendency of Banking.

B. RISK FACTORS

The factors referred to below should be considered by investors when reviewing any forward-looking statements contained in this Annual Report, in any of BC'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.

COLOMBIA HAS EXPERIENCED SEVERAL PERIODS OF VIOLENCE AND INSTABILITY

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 cannot provide any assurance that future developments in government policies or in the Colombian economy will not impair its business or financial condition or the market value of its stock.

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 vouched to increase security within a democratic framework, fight corruption and carry economic and social reforms to ensure the reactivation of the Colombian economy. However, the government may not continue its current economy policy 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, the government declared a state of ("conmocion interior") on August 10, 2002, which has been extended until May 6, 2003 by 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.

ECONOMIC ACTIVITY, INFLATION AND INTEREST RATES IN COLOMBIA ARE VOLATILE

In 1998 and 1999, the Colombian economy experienced a severe liquidity crisis, which resulted in one of the worst economic crises in Colombia's history. Colombia's gross domestic product ("GDP") decreased by almost 5% in 1999, which lead to the declaration of an economic emergency.

In the second half of 1999, the government adopted a series of measures to counter the economic crisis and promote an economic turnaround. These included seeking financing from multilateral organizations, relief for mortgage debtors, and financial restructuring of economically viable companies. In addition, in December 1999, Colombia entered into an extended US$2.7 billion fund facility with the International Monetary Fund (the "IMF") to finance shortfalls in Colombia's balance of payments for 2000 through 2002. Despite the fact that the commitments of the initial agreement were not entirely met, on January 15, 2003, Colombia and the IMF signed an agreement, effective December 2002, for an extended fund facility of approximately $2 billion in connection with the government's new two-year macroeconomic program. The facility may be used to support imbalances in Colombia's external accounts, although disbursements under the IMF program are conditional on achieving certain targets. These targets are based on estimates and assumptions, and there can be no assurance that Colombia will be able to achieve all or any of them.

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Interest rates have steadily decreased since November 1998, and Colombia's exchange rate has remained within the range targeted by the Central

Bank. Although a collapse of the economy was avoided, volatility is still significant and the economy remains unstable.

The 1998 - 1999 economic crisis had an adverse impact on BC's results of operations and net-interest margin. Since 2000, the economy has shown slightly positive results, although it has not recovered its historic growth rates. During 2002, the Colombian economy grew close to 1.65% and interest rates and prices remained at low levels (although inflation exceeded the Central Bank's target).

There can be no assurance that the Colombian economy will continue to recover or not return to a state of recession, or that BC's financial condition and results of operations or the market value of BC's stock will not be adversely affected by poor economic conditions, both locally or internationally, increased inflation or increased interest rates.

For more information see "Item 5. Operating and Financial Review and Prospects - A. Operating Results - Economic Activity in Colombia".

THE QUALITY OF THE BANK'S LOAN PORTFOLIO AND OTHER ASSETS MAY DECLINE

While BC has a significant volume of loans to small companies outstanding, BC believes that the future growth of its business will be primarily concentrated in loans to medium-size and large companies. Accordingly, since 1998, BC has targeted medium and large companies, and has actively pursued a change in the composition of its loan portfolio. As a result of this strategy, BC may experience higher levels of past due and non-performing loans than it has in the past, and may be required to increase its allowances for non-performing loans. In particular, loans to medium and large size companies present a different risk profile than loans to small companies, and their credit risk may be more difficult to assess.

Another of BC's business objectives is to increase the participation of consumer credits in its loan portfolio, in order to improve its net interest margin and profitability. As a result, BC can experience detrimental changes in its credit risk levels. See "Item 4. Information on the Company -- B. Business Overview -- Operations -- Retail."

Furthermore, there can be no assurance that BC will maintain its current level of asset quality and credit risk in the future generally.

DEPOSIT CONCENTRATION AND RELIANCE ON SHORT-TERM DEPOSITS MAY INCREASE BC'S FUNDING COSTS

Like most other Colombian banks, BC's principal source of funds are short-term savings and demand deposits. Time deposits represented 35.4%, 39.6% and 34.2% of BC's total funding at the end of 2000, 2001 and 2002, respectively. Since BC relies 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.

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INCREASED COMPETITION MAY HINDER BC'S GROWTH AND PRICING PROSPECTS

The Colombian financial system is highly competitive. Financial sector reforms have increased, and may continue to encourage competition among both

Colombian and foreign financial institutions. In addition, recent consolidations in the banking industry have created larger and stronger banks with which BC must now compete. There can be no assurance that this increased competition will not adversely affect our pricing and growth prospects, and therefore, our results of operations. See "Item 4. Information on the Company - B. Business Overview - Competition" and "Item 4. Information on the Company - B. Business Overview - Supervision and Regulation."

FOREIGN EXCHANGE RISK

Fluctuations in the exchange rate between the peso and the dollar may affect the dollar-equivalence of the peso price of securities traded on Colombian stock exchanges, including the Bank's Preference Shares. As a result, exchange rate fluctuations are likely to affect the market price of BC's stock.

In the ordinary course of business, BC has a percentage of its assets and liabilities denominated in currencies other than pesos, mostly U.S. dollars. Under Colombian regulatory guidelines, the net position in these assets and liabilities should not exceed 50% of regulatory capital. As of February 4, 2003, BC had a dollar-denominated negative net assets position of US$0.709 million, which falls within the aforementioned regulatory guidelines.

Fluctuations in the value of the peso against other currencies may adversely affect BC's profitability or its ability to repay its indebtedness. Until September 1999, the Board of Directors of the Central Bank had a policy of intervening in the foreign exchange market whenever the value of the peso against the U.S. dollar either fell below, or exceeded, a set exchange rate range. Since then, the Board of Directors of the Central Bank eliminated the exchange rate range and the foreign exchange market has floated freely. The Central Bank, however, retains the authority to buy or sell foreign currency to avoid abrupt fluctuations in the value of the peso and foreign currency reserves. 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 smoothening the volatility of the exchange rate.

The foreign currency reserves of the Central Bank totaled US $8 billion, US $10.2 billion and US $10.8 billion as of December 31, 2000, 2001 and 2002, respectively. The government has not imposed prohibitions on the repatriation of dividends, capital investment or other distributions since 1990. While the government does not currently restrict the ability of Colombian persons or entities to convert pesos into U.S. dollars, no assurance can be given that the government will continue this policy or refrain from adopting a more restrictive exchange control policy in the future.

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 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 smoothening the volatility of the exchange rate.

The devaluation of the peso against the dollar for 2000, 2001 and 2002 was 19%, 2.8% and 25%, respectively. Absent modifying circumstances, a future peso devaluation would have a negative impact on the U.S. dollar value of the dividends paid to holders of American Depositary Receipts ("ADRs"). Conversely, a peso revaluation would display a positive effect. Although the foreign exchange market is allowed to float freely, no assurance can be given that the Colombian Central Bank or the government will not intervene in the exchange market in the future.

COLOMBIAN BANKING REGULATIONS DIFFER FROM UNITED STATES BANKING REGULATIONS

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 some of the banking laws and regulations are of recent date, their interpretation, and the manner in which these laws and regulations are applied to financial institutions is still 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.

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

FOREIGN INVESTMENT IN COLOMBIA MAY BE RESTRICTED

Colombia's International Investment Statute (Decree 2080 of 2000), regulates the manner in which foreign-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 Colombian Central Bank and specifies procedures to authorize and administer certain types of foreign investments.

For example, individual investors depositing Preference Shares into the ADR facility for purposes of exchanging them for American Depositary Shares ("ADSs") represented by American Depositary Receipts ("ADRs") would be required, as a condition for acceptance of such deposit by the custodian (Fiducolombia S.A.), to provide, or cause to be provided, certain information to the custodian, to enable it to comply with the registration requirements under the foreign investment regulations relating to foreign exchange. An ADR holder who withdraws the underlying Preference Shares from the ADR deposit facility may under certain circumstances be required to comply directly with certain registration and other requirements under the foreign investment regulations. 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. See "Item 10. Additional Information - C. Taxation".

OWNERSHIP AND OTHER RESTRICTIONS

Pursuant to Decree 663 adopted by the government on April 2, 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 Preference Shares underlying ADSs, 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. Foreign investors are subject to and receive the same treatment as Colombian citizens with respect to the above transactions.

In addition to the above restriction, pursuant to Resolution 400 of 1995, as amended, issued by Colombia's Superintendencia de Valores (the "Superintendency of Securities"), Colombia's securities regulator, any transaction involving the sale of publicly traded stock of any Colombian company, including in the case of BC any sale of the Preference Shares (but excluding any sale of ADSs), for Unidades de Valor Real ("UVR") equivalent to Ps 66,000 or more, must be effected through one of Colombia's stock exchanges. The UVR is an inflation-adjusted monetary index generally used for pricing home-mortgage loans. Separately, Resolution 400 of 1995 also requires prior authorization of the Superintendency of Securities in order to offer to purchase in the public market 10% or more of the issued and outstanding capital stock of any Colombian company (including in the case of BC, Preference Shares and Common Shares), unless the purchaser is acquiring the stock pursuant to a public offer directed to all shareholders of such a company.

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

OUR PREFERENCE SHARES HAVE LIMITED VOTING RIGHTS

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

- amendments to BC's by-laws impairing the Preference Shares rights;

- BC's failure to pay all or part of the dividends on the Preference Shares for one fiscal year (provided the Superintendency of Banking affirms the Preference Shares' right to vote); or

- certain other limited circumstances.

In addition, the holders of Preference Shares have voting rights, voting together with the holders of Common Shares, in relation to BC's prospective dissolution, merger or transformation, or upon a change in BC's business purpose.

Holders of ADRs and Preference 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 laws, BC's shareholders may have fewer or less well-defined rights than they might otherwise have as shareholders of a corporation incorporated in a U.S. jurisdiction.

PREEMPTIVE RIGHTS MAY NOT BE AVAILABLE TO HOLDERS OF ADRS

The Bank's by-laws and Colombian law require BC, whenever it issues new shares of any outstanding class, to offer the holders of each class of shares the right to purchase a number of shares of such class sufficient to maintain their existing percentage of ownership in BC. 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 United States Securities Act of 1933, as amended (the "Securities Act") is effective with respect to those rights, or an exemption from the registration requirement under the Securities Act is available. The Bank intends to consider at the time of any rights offering the costs and potential liabilities associated with any such registration statement, benefits to BC 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 appropriate 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 BC, will have discretion as to the procedure for making preemptive rights available to the holders of ADSs, 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 ADSs, 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.

MARKET FOR ADSS AND PREFERENCE SHARES; RELATIVE ILLIQUIDITY OF THE COLOMBIAN SECURITIES MARKETS

The Bank's ADSs are listed on the New York Stock Exchange ("NYSE") and commenced trading in 1995 under the symbol "CIB". Average daily trading volume of ADSs was 19,500 in 2000, 18,000 in 2001 and 30,067 in 2002. 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 Preference 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. See "Item 9. The Offer and Listing".

There have been recent regulatory reforms that are expected to increase the trading volume on Colombia's stock exchanges. There can be no assurance, however, that this expansion will take place or continue.

The relatively small market capitalization and illiquidity of Colombia's stock exchanges may substantially impair the ability of a holder of ADSs to sell or otherwise transfer the Preference Shares underlying such holder's ADSs.

COLOMBIAN CORPORATE DISCLOSURE AND ACCOUNTING STANDARDS MAY DIFFER FROM THOSE IN THE UNITED STATES

Publicly-available information about securities listed on Colombia's stock exchanges is generally narrower than that regularly published in the United States or certain other countries. Unconsolidated financial statements are presented to our shareholders at the end of each accounting year to serve as a basis for dividend and other distributions, and consolidated financial statements with full footnote disclosure are filed annually with the Superintendency of Banking. Interim quarterly unconsolidated financial information is also filed with the Superintendency of Securities but is limited to a balance sheet and a consolidated statements of operations with minimal footnote disclosure. Because Colombian GAAP differ in certain significant respects from U.S. GAAP and since the financial statements of BC are prepared in accordance with Colombian GAAP, BC's manner of reporting earnings and losses may differ from those of companies in the U.S. and other countries.

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. 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 and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

ITEM 4. INFORMATION ON THE COMPANY.

A. HISTORY AND DEVELOPMENT OF THE COMPANY

The Bank (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 acquired the remaining outstanding shares of Banco de Colombia in exchange for Common Shares and Preference Shares and Banco de Colombia S.A. was merged into BIC (the "Merger"). In connection with the Merger, BIC changed its name to Bancolombia S.A. and its commercial activities, products and services began to be carried out under the commercial name of "Bancolombia".

The Bank was originally established for a fifty-year term, starting on December 9, 1944. This term was extended for fifty more years, until December 8, 2044. Bancolombia is domiciled in Colombia and operates under Colombian laws and regulations as a sociedad comercial por acciones, de la especie anonima. 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.

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

B. BUSINESS OVERVIEW

The Bank provides general banking products and services to large industrial companies, individuals, and to the middle-market sector of small and medium-size companies. Such products and services include personal and corporate loans, deposit-taking, 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 automatic teller machines ("ATMs") in Colombia. BC believes that it has the largest service network of any private financial institution in Colombia, with 340 branch offices operating in 123 cities as of December 31, 2003. For the year ended December 31, 2002, BC had a positive return on average assets of 1.88% and a positive return on average shareholders' equity of 20.42%. See "Item 5. Operating and Financial Review and Prospects."

According to Asobancaria ("Asobancaria"), Colombia's National Banking Association, BC's market share of the Colombian banking market, as of December 31, 2002, was approximately 11.7% measured by total assets and 12.6% measured by total loans; BC held 18% of all checking accounts and 10.4% of all savings accounts measured by deposited amounts.

In order to detect and deter money laundering and in accordance with legal regulations, BC adopted in 1996 a so-called Sistema Integral para Prevencion de Lavado de Activos (an integral plan to prevent money laundering, "SIPLA"). This plan requires training of employees, adoption of policies and procedures designed to enable the Bank to know the identity of and monitor its customers and employees, monitoring of the Bank's operations, and implementation of mechanisms to report suspicious activities to the appropriate governmental authorities. In line with SIPLA, the Bank has developed so called "know your customer" policies and procedures, and has established a strict approval process for deposits. Depositors in time deposits and savings accounts must undergo an identification and screening procedure, and depositors in checking accounts are subject to the same credit review process required for potential borrowers.

OPERATIONS

The following tables set forth Bancolombia's revenues by category for each of the last three financial years:

Year Ended December 31, 2000

	Retail Banking	Commercial Banking	Small Business Banking	Governmental And Institutional Banking	Corporate Headquarters
Revenues from external customers	Ps 125,042	Ps 27,056	Ps 11,439	Ps 11,984	Ps (12,993)
Revenues from transactions with other operating segments of					

the same enterprise	18,344	2,666	340	(3,507)	(8,954)
Interest income	Ps 251,131	Ps 178,68	Ps 82,429	Ps 95,082	Ps 133,440

	Offshore Commercial Banking	Trust	Leasing	Manufacturing	All other Segments	Total
Revenues from external customers	Ps 11,884	Ps 19,215	Ps 22,434	Ps 37,817	Ps 27,937	Ps 281,81
Revenues from transactions with other operating segments of the same enterprise	17,683	(384)	(210)	815	(1,782)	25,0
Interest income	Ps108,579	Ps 5,299	Ps 4,341	Ps 997	Ps 24,524	Ps 884,5

Year Ended December 31, 2001

	Retail Banking	Commercial Banking	Small Business Banking	Governmental And Institutional Banking	Corporate Headquarters
Revenues from external customers	Ps 149,834	Ps 25,125	Ps 12,042	Ps 10,831	Ps (7,463)
Revenues from transactions with other operating segments of the same enterprise	30,138	3,193	3,260	(1,603)	(37,727)
Interest income	Ps 460,671	Ps 78,837	Ps 53,887	Ps 116,933	Ps 217,191

	Offshore Commercial Banking	Trust	Leasing	Manufacturing	All other Segments	
Revenues from external customers	Ps 9,234	Ps 24,309	Ps 26,687	Ps 40,059	Ps 66,167	Ps
Revenues from transactions with other operating segments of the same enterprise	7,170	888	508	1,535	4,903	
Interest income	Ps 132,437	Ps 6,158	Ps 12,385	Ps 1,230	Ps 25,859	Ps1

Year Ended December 31, 2002

	Retail Banking	Commercial Banking	Small Business Banking	Governmental And Institutional Banking	Corporate Headquarters
Revenues from external customers	Ps 176,296	Ps 30,930	Ps 18,975	Ps 7,764	Ps (19,835)
Revenues from transactions with other operating segments of the same enterprise	22,961	14,308	9,034	21,433	(69,367)
Interest income	Ps 338,468	Ps 150,885	Ps 118,925	Ps 71,606	Ps 255,965

	Offshore Commercial Banking	Trust	Leasing	Manufacturing	All other Segments
Revenues from external customers	Ps 6,628	Ps 34,327	Ps 32,884	Ps (14,820)	Ps 48,56
Revenues from transactions with other operating segments of the same enterprise	(31,185)	1,532	(244)	9,275	2,07

Interest income	Ps	93,871	Ps	6,338	Ps	3,848	Ps	1,914	Ps	24,09

Approximately 73.5% of the Bank's revenue is derived from its operations in the Colombian cities of Bogota, Medellin, Barranquilla and Cali. Because of this revenue concentration, and given Colombia's highly centralized economy, regional and local economic factors are unlikely to have a material impact on the composition of the Bank's revenues. For this reason, the Bank does not collect information by revenue segment for each geographic market in which it operates.

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

Revenues	2000	2001	2002
Total revenues for reportable segments	Ps 1,140,653	Ps 1,377,748	Ps 1,292,716
Other revenues	69,034	136,462	254,266
Elimination of intersegment revenues	(25,011)	(12,265)	20,179
Total revenues for reportable segments	Ps 1,184,676	Ps 1,501,945	Ps 1,567,161

Historically, the Bank has experienced some seasonality in checking accounts due to the increase of such accounts at the end of the year when customers need increased liquidity and the decrease of such accounts in the first quarter of the year when customers move their funds from checking accounts to savings and mortgage institutions. Checking accounts represented 25.6% of the Bank's total funding as of December 31, 2002.

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RETAIL

GENERAL

Personal Banking. The Bank had 1,136,737 customers in the personal banking retail segment as of December 31, 2002. Retail customers are categorized into: (a) high income customers (12% of our total retail customers), whose monthly income exceeds 11 minimum monthly salaries (as of December 31, 2002, the minimum monthly salary was Ps 309,000, or approximately US$117), and (b) general customers (88% of total retail customers), who earn between 1 and 11 minimum monthly salaries per month. General customers are further subcategorized into preference customers (9% of general customers), who earn between 5 and 11 minimum monthly salaries per month, middle income customers (14% of general customers) whose monthly income is between 2.5 and 5 minimum monthly salaries per month, and basic customers (78% of general customers) whose monthly income is below three minimum monthly salaries.

Products offered to personal banking customers include checking accounts, savings accounts, Visa, MasterCard and American Express credit cards, debit cards, free-investment credits, time deposits, overdraft lines of credit, home delivery of checkbooks, virtual and telephone banking, and other electronic services. The total amount of personal banking loans, which includes all types of credit extended to personal banking customers, was Ps 909,400 million in 2002.

Intermediate Banking (small- and medium-sized companies). The intermediate banking segment serves businesses and individuals, whose sales or income, as the case may be, in 2003 ranged between Ps 150 million, and Ps 17,150 million in Bogota and Ps 11,400 million in other cities. The Bank has 71,771 such customers, 21,583 of which have managerial accounts. In the last year, this segment has grown 22.72% in loans, 31.82% in deposits and 22.56% in profit.

The main products offered to intermediate banking customers include working capital loans, development loans, foreign trade credit lines, current accounts, and electronic payment and collection services. As of December 31, 2002, the composition of the loan portfolio of intermediate banking customers was 69.65% working capital loans, 27.55% development loans and 2.80% trade financing.

The total retail banking segment (personal banking and intermediate banking combined) accounted for Ps 1,911,829 millions in loans, representing 30.85% of Bancolombia's total loan portfolio as of December 31, 2002.

Customer Development. During 2002, BC launched a new consulting service line. The program began with specific strategies to support the personal banking retail segment.

For the intermediate banking segment a special development strategy was designed, which includes offering technical and administrative advisory services in various fields, such as strategic planning, quality assurance and financial management. In order to perform these services BC established strategic alliances with firms such as Vision and Unidad de Asistencia Tecnica y Consultoria de la Universidad de la Sabana. Through the second half of 2002, 64 companies had contracted BC's consulting services for Ps 850 million.

For high income customers the Bank's strategy has focused on training and encouraging its managers and account executives to recognize, understand and pursue high income customers' exact needs, in order to provide a personalized service to such clients, and satisfy their needs with the Bank's products and services. Thanks to this scheme, at December 31, 2002, the Bank had 45,000 clients approximately whose accounts were personally managed either by an account executive or a manager of

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the Bank ("Managed Customers"). According to market investigations conducted by BC, these clients considered that the service quality provided by the Bank's account executives and managers was superior than expected.

For the general customer segment, our focus has been on offering products tailored to their needs and that satisfy their expectations.

The Bank continues to use its Encouragement Sales Plan program ("ESP") to retain, increase and make more profitable our relationship with intermediate banking clients and high income personal banking customers. The Encouragement Sales Plan has been devised by the Bank to assesses the performance of its executives and managers through a management scorecard that combines the individual's business volumes and his success with product placement.

In addition, BC offered its executives and managers training programs on successful commercial management, and re-defined the role of the sales force. It also developed personal banking and intermediate banking sales programs which integrate sales of products and services, the recovery of the overdue portfolio and customer satisfaction and retention.

RETAIL LENDING

Small Businesses. In order to boost the Colombian economy, for the 12 months starting in September 2003, under a plan promoted by the government, Colombian banks have agreed to open credit lines for small businesses in an aggregate amount exceeding Ps 301,000 million. BC will be the second largest operator of this market having agreed to make available 15% of the total credit lines (Ps 45,000 million).

These resources will be placed with very small businesses either directly by the Bank, or indirectly through Non-governmental Organizations ("NGOs"). In this regard, Colombia's most representative NGOs in terms of credit placements currently hold close to Ps 17,500 million in disbursements with BC.

Personal Banking. BC's primary loan products offered to middle and upper income individuals are personal lines of credit, automobile loans, credit cards, loans by telephone and college education loans. Personal loans range in size from Ps 1 million to Ps 57 million with maturities ranging from one to five years and bearing both interest at fixed and variable rates. Approximately Ps 561,558 million of such loans, or 9.1% of the Bank's total loans, were outstanding as of December 31, 2002, 4.54% of which (or 0.41% of the Bank's total loan portfolio) were past due. Under regulations issued by the Superintendency of Banking, past due loans are loans that are at least 31 days past the actual due date (for more detailed information see "Item 5. Operating and Financial Review and Prospects -- Selected Statistical Information -- Classification of the Loan Portfolio").

Automobile loans bear interest at both fixed and variable rates, have terms of up to 5 years, loan-to-value ratios of at least 99%, and are secured by the respective automobile. As of December 31, 2002, approximately 0.39% of the Bank's total loan portfolio, or Ps 24,476 million, consisted of automobile loans, 2.18% of which were past due by at least 31 days (or 0.0086% of the Bank's total loan portfolio).

Pre-approved loans by telephone range in size from Ps 1 million to Ps 57 million with maturities of up to 3 years. As of December 31, 2002, the Bank had Ps 165,340 million, or 2.67% of the Bank's total loan portfolio, outstanding as pre-approved loans by telephone, 2.28% of which were past due by at least 31 days (or 0.06% of the Bank's total loan portfolio).

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Credit Cards. BC participates in the Colombian credit card market through the issuance of MasterCard,Visa and American Express credit cards. As of December 31, 2002, BC had issued 158,969 MasterCard cards, 100,069 Visa cards and 23,629 American Express cards. Since June 2002, BC is the exclusive Colombian issuer and acquirer agent for American Express credit cards. In October 2002, BC launched three different American Express personal cards: the American Express credit card, the Blue American Express credit card and the American Express Gold credit card. According to information reported by Credibanco Visa and Redeban-Multicolor, these accounted for 11.73% of the Colombian market in terms of outstanding credit cards and 15.79% in terms of total credit card billing. As a result, BC is one of the market leaders in the credit card business. As of December 31, 2002, credit card loans totaled approximately Ps 254,876 million, representing approximately 4.11% of BC's total loan portfolio, 5.86% of which were past due by at least 31 days (or 0.24% of the Bank's total loan portfolio).

In 2002, BC was a major player in the acquirer business, that is, the business of purchasing credit card vouchers from retail stores at a discount, paying Ps 3,487,288 million for debit and credit card sales, representing 39,30% of the acquirer market.

During 2002, Bancolombia charged quarterly maintenance fees to its MasterCard and Visa cardholders, ranging from 25,000 to 35,600 depending on the card class (i.e. Ps 25,000 for Classic cards, Ps 31,900 for Gold and Business cards and Ps 35,600 for Platinum cards). The Bank also charged a separate quarterly maintenance fee for overseas use of the cards (i.e. US$24 for Classic cards, US$30 for Gold, Corporate and Business cards and US$34 for Platinum cards). No maintenance fees were charged for American Express cards during 2002 because as a marketing strategy, BC decided not to charge the first quarterly maintenance fees to its new cardholders.

During 2002, BC continued its loyalty program "Millas Libres Bancolombia" in association with recognized airlines such as Aces, Avianca, Continental and Copa. In July 2002, the Corporate and Business Class cards were added to this program. Unlike other loyalty programs, Millas Libres Bancolombia gives the cardholder the possibility to choose among the various associated airlines for award travel. During the months of November and December of 2002, and January and February of 2003 all personal credit card clients were given the possibility to exchange their accrued miles for Panasonic products.

BC is also participating in e-commerce with MasterCard E-Card and E-Prepago. Master Card E-card is a virtual credit card developed and launched in 2000. As of December 31, 2002, BC had issued 2,012 E-Cards which billed Ps 705,329,455 during 2002. E-Prepago is a virtual pre-paid card developed and launched in 2001. As of December 31, 2002, BC had issued more than 800 E-Prepago cards which billed Ps 586,152,370 during 2002.

BC was the first Colombian bank to issue co-branded credit cards. As of December 31, 2002, BC had issued 15,495 co-branded credit cards with Almacenes Exito, Colombia's largest department-store chain and 17,660 credit cards with Cadenalco, a Colombian supermarket chain.

In addition, the Bank offers the Bancolombia Cayman VISA card, issued and booked through BC's subsidiary in the Cayman Islands. Bancolombia Cayman VISA card's billing was US$15.6 million for the year ended December 31, 2002, with 5,587 cards outstanding as of that date.

The revenues derived from the Bank's credit card business are depend significantly on its Visa, MasterCard and American Express franchises.

DEBIT CARDS

Bancolombia has 2 types of debit cards:

- Bancolombia Maestro: used by clients who have only a savings account with the Bank to debit their savings account. At December 31, 2002, 746,032 such cards issued by Bancolombia were outstanding.

- MasterCard Debit Bancolombia: used to debit checking and savings accounts. At December 31, 2002, 142,615 such cards issued by Bancolombia were outstanding.

80% of BC's savings and checking-account customers have been issued debit cards.

Finally, during the first quarter of 2003, BC introduced Efectivo Seguro, a pre-paid Visa card. Three companies have been testing this product, which is targeted to corporate customers for use as petty cash or to pay their employees' compensation.

INTERMEDIATE BANKING

BC's primary loan products for small companies are working capital loans, loans funded by Colombian development banks and trade financing loans.

Working capital loans to small companies are typically variable rate loans based on the average interest rate for time deposits (the Colombian average certificate of deposit rate equivalent) with maturities of up to 12 months. As of December 31, 2002, 11.27% (Ps 698,160 million) of BC's total loan portfolio consisted of working capital loans, 4.53% of which were past due (or 0.51% of BC's total loan portfolio).

Loans funded by Colombian development banks have variable rates based on time deposit rates or LIBOR and have maturities ranging from six months to five years. For these loans, the Bank receives funding from Colombian development banks, such as IFI, Finagro, and Banco de Comercio Exterior de Colombia S.A. ("Bancoldex"), Colombia's export development bank. BC on-lends such funds in the same currency and with the same maturity at which they were borrowed from the most recent borrower. As of December 31, 2002, 4.46% (Ps 276,157 million) of the Bank's total loan portfolio consisted of loans funded by Colombian development banks, 1.39% of which were past due (or 0.06% of BC's total loan portfolio).

Trade financing loans are typically variable rate loans based on LIBOR with maturities of up to 6 months. As of December 31, 2002, 0.45% (Ps 28,112 million) of BC's total loan portfolio consisted of trade financing, 3.17% of which were past due (or 0.01% of BC's total loan portfolio).

DEPOSITS

BC offers a variety of checking accounts, savings accounts, time deposit accounts and tax collection services to its customers through 340 branches. At December 31, 2002, based on information compiled by the Superintendency of Banking, BC was the largest bank nationwide in terms of deposits, with a total of Ps 6,078,126 million on an unconsolidated basis, representing 12.1% of the Colombian market. 34% of BC's total deposits are in checking accounts, 38% in savings accounts and 28% in time deposits. BC also offers its Colombian retail clients dollar-denominated deposit accounts through Bancolombia Panama, its Panamanian subsidiary.

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As of December 31, 2002, on an unconsolidated basis, BC had approximately 396,645 checking accounts totaling Ps 2,085,981 million, 74,503 time deposit accounts totaling Ps 1,686,350 million, and 1,138,431 savings accounts totaling Ps 2,305,795 million.

BANCASSURANCE ("BANCASEGUROS")

During 2002, Bancolombia continued to focus on the insurance business ("Bancassurance"), selling through its network life and home insurance policies of Suramericana de Seguros. In 2002 the Bank achieved excellent sales and premium collection results, receiving approximately Ps 21,786 million in premiums compared to Ps 17,061 million during 2001. Also, 67,940 life insurance policies "Plan Vida" and "Plan Vida Ideal" were sold in 2002. BC's Bancassurance business had 128,083 customers as of December 31, 2002.

BANK PENSION ("BANCA PENSION")

In 2002 the bank introduced "Banca Pension", which consists of voluntary pension plans. Fiducolombia S.A., a subsidiary of the Bank, administers the pension fund. During 2002 the Bank sold pension plans to 5,798 customers in an aggregate amount of Ps 26,607 million.

OTHER

BC receives fee income from electronic banking services, debit cards, telephone banking and from its internet "Virtual Branch" service. Retail clients can use debit cards for withdrawals, deposits, transfers among accounts (both between BC accounts and between BC and Banco Hipotecario Conavi ("Conavi") accounts), balance information, and third-party payments. With the exception of withdrawals and deposits, the same services are provided over the telephone and electronically. Debit cards can be used at any ATM of BC or Conavi, or at any ATM that is part of the Redeban-Multicolor, CIRRUS or Visa Plus networks. BC receives a commission of Ps 1,400 for each transfer between accounts in the same geographic location. BC also receives a commission of Ps 1,511 for ATM payments to customers of other banks but charges no commission to BC's customers for ATM transactions at its own tellers or at Conavi's tellers.

CORPORATE

GENERAL

In order to offer customized services and products, provide for price segmentation, and to focus the Bank's commercial efforts and personalize its relationship with corporate customers, BC has divided its corporate customers into four different segments:

- Corporate: clients with annual sales over Ps 50,000 million;

- Enterprise: medium size clients with annual sales over Ps 11,400 millions and below Ps 50,000 millions;

- Institutional: clients subject to the supervision of the Superintendency of Banking, the Superintendency of Securities, or the Superintendency of Health, Family Subsidy; and corporations from the electricity and public utilities sector and Financial Corporations; and

- Government: public sector entities.

BC's Regional Managers, Account Managers and Assistant Account Managers are responsible for sales efforts targeted at our corporate clients. During 2002 the Bank conducted an exhaustive review in order to design strategies to increase the number of corporate clients and the amount of business with them. One of the conclusions of this review was that the sales force should be increased, and consequently, between July 2002 and November 2002, the number of Account Managers was raised from 45 to 57 and the number of Assistant Account Managers increased from 25 to 43. Account Managers and Assistant Account Managers are supervised by four Regional Managers. Another result of the Bank's review was the creation of a Sector Analysis department, which should support the sales force and provide information and knowledge on the various economic sectors relevant to the Bank's corporate clients.

BC's growth strategy in the corporate market is based on increasing its client base and raising the amount of revenue derived from each client. This can be achieved by offering a specialized sector analysis, focus on low risk products and increasing the amount of the commissions charged by the Bank. Services like strategic cash management performed by BC's Account Managers, coupled with our information system and the integrated services offered through our subsidiaries respond to the Bank's strategy.

CORPORATE LENDING

BC provides a range of products and services covering the needs of its corporate banking customers, such as working capital loans, trade financing, loans funded by Colombian development banks, foreign exchange, cash management services and electronic payments. BC also offers non-banking services to its corporate clients such as zero balance cash management, payroll management and electronic account access via personal computers.

Working capital lending is the most common type of lending in the corporate credit market. Interest rates for working capital loans are predominantly variable, based on the interest rate for time deposits which is reset every three months. As of December 31, 2002, working capital loans totaled approximately 3,650,585 million, representing approximately 58.9% of BC's total loan portfolio, 2.06% of which were past due (or 1.22% of the Bank's total loan portfolio).

Trade finance loans are typically dollar-denominated, variable rate loans, and as of December 31, 2002, BC's trade financing loans totaled approximately Ps 166,620 million. They represented 2.69% of the Bank's total loan portfolio, 0.09% of which were at least 31 days past due (or 0.002% of the Bank's total loan portfolio. Due to legal restrictions, this portfolio can only have maturities of six months or less, whereas some capital assets are financed up to 3 years.

Loans funded by Colombian development banks are variable rate loans, with interest rates based on time deposit rates or LIBOR, and maturities ranging from six months to five years. As of December 31, 2002, BC's loans funded by Colombian development banks totaled approximately Ps 376,378 million, representing 6.07% of the Bank's total loan portfolio, 0.36% of which were at least one day past due (or 0.02% of the Bank's total loan portfolio).

BC generally requires greater security coverage from Managed Customers than from large corporate customers. BC usually obtains mortgages, warehouse receipt endorsements, equipment liens, and other collateral to secure loans to managed customers. In addition, BC frequently requires personal guarantees from the shareholders of Managed Customers. As of December 31, 2002, approximately 62.46% of BC's corporate lending was unsecured and approximately 37.54% was considered secured or guaranteed.

One of BC's competitive advantages in corporate banking is its emphasis on long-term relationships with clients, together with its ability to provide a full array of services to meet their needs. In addition, BC is focused on providing fee income-generating products to large corporate customers, developing products and services in foreign exchange, international trade financing and cash management, and expanding its products and services to the growing market of medium-size corporations.

CREDIT ANALYSIS

BC's credit standards and policies are aimed at achieving a high level of credit quality in the Bank's loan portfolio, efficiency in the processing of loans, strict monitoring of outstanding loans and the specific assignment of responsibilities for credit risk.

To achieve high levels of credit quality and to manage the risks arising from our lending activities, we have established general policies on:

- credit evaluation;

- lending limits to single customers or business groups, as required by law;
- the level of management authority required for loan approvals;
- maximum terms of loans; and
- security requirements for certain types of loans and their valuation.

The bank has a specialized and centralized department to carry out credit-risk analysis for the different segments in which customers are classified. See "Item 5.- Selected Statistical Information-Credit Review Policies." BC's loan approval policies require that the following factors be analyzed for every loan:

- the character, reputation and credit history of the borrower;
- the type of business in which the borrower is engaged;
- the borrower's ability to repay the loan;
- the coverage and suitability of the proposed security for the loan;
- the information received from the credit risk center;
- the borrower's debt service ability;
- compliance with the loan terms; and
- for overseas credits, the country risk of the country where the debtor is headquartered.
- In addition, the Bank continuously monitors the different economic sectors to which our corporate borrowers belong and has established guidelines for analyzing the financial condition of borrowers, and for participating in investment projects, both in Colombia and overseas.

In compliance with the requirements of the Superintendency of Banking, BC monitors its outstanding commercial loan portfolio every six months and its outstanding consumer and mortgage loan portfolios on a monthly basis. In addition, BC carries out during the months of May and November a biannual evaluation of all debtors whose indebtedness for the various credit types exceeds 300 minimum monthly salaries (equivalent to Ps 99.6 million for 2003). Also, past due credits are evaluated monthly based on the days they are past due. In order to monitor outstanding loans with terms in excess of one year, the Bank periodically requires borrowers to provide, and examines, current cash flow statements.

DISTRIBUTION NETWORK

GENERAL

BC owns a variety of distribution channels through which it sells financial products and services, executes transactions, and provides information to its clients. As of December 31, 2002, these distribution channels included 340 branches located in 123 Colombian cities, a network of 449 ATMs owned by BC, and a network of 516 ATMs owned by Conavi (with which the Bank has a strategic alliance). All ATMs are linked to the national Redeban and Red Multicolor Networks, as well as the worldwide CIRRUS network. In 2002, our ATMs performed over 45 million transactions. Other distribution channels include telephone banking, internet banking, PC Banking, banking via electronic devices at our branch offices, and banking at third-party commercial establishments through debit cards or electronic passwords.

BRANCH NETWORK

The increase in our branch network is largely due to our strategic expansion into supermarket and client on-site branches. To date, BC operates 23 supermarket branches, each of which employs about six workers. In addition to ordinary teller banking services, supermarket branches are able to transact in US dollars, allowing our customers to receive MoneyGram fund wires, buy and sell US dollars, purchase travelers checks, and transfer funds to BC's offshore subsidiaries. Client on-site branches, on the other hand, currently account for 24 of the Bank's branches, 8 of which were opened on client premises during 2002.

Out of BC's 340 branches, 38 branches were "NOVA"-type branches as of December 31, 2002. Nova branches are generally of medium or small-size, characterized by versatile employees and the availability of multiple electronic services. Also, during 2002, the Bank increased its network of ATMs from 418 in 2001 to 449, and launched a drive-in automated service called "Autobanco" in three of its branches.

The administration of the Bank's network is divided into 5 regions: Antioquia, with 57 branch offices; Bogota and Sabana, with 107 offices; the Southern Region, with 68 offices; the Northern Region with 45 offices; and the Central Region, with 63 offices. Each region is further divided into several zones to facilitate administration, management and supervision. All branches use the same on-line and real-time technology to process transactions, making information immediately available to all our branches.

ELECTRONIC AND INTERNET BANKING

General. Bancolombia has an extensive network of electronic distribution channels, enabling quick, cost-effective and safe transactions. Since 1998, the Bank has tried to transfer customer transactions from branch offices to electronic distribution channels, thereby decongesting BC's branch offices, improving service and decreasing operational expenses. During 2002, the Bank continued to enhance its electronic distribution channels by setting target milestones, developing new transactions and

by offering training to its customers in using electronic services. The volume of transactions processed through electronic distribution channels increased from 66% of the Bank's overall transaction volume in 2001 to 71% in 2002.

Automatic Teller Machines. With over 449 units, Bancolombia has one of the largest networks of electronic ATMs in the country. Approximately 75% are located at the Bank's offices, and 25% are located at shopping centers, gas service stations, retail stores and similar locations throughout 123 cities and towns. BC's clients can access their accounts at all of the existing ATMs in Colombia through the Redeban and Red Multicolor networks, and can access their accounts in approximately 105 countries worldwide through the CIRRUS network. A strategic alliance with Conavi gives BC's customers access to additional 516 ATMs, which can be used by the Bank's clients, at no additional cost.

BC's ATMs accept cards from all banking institutions affiliated with the domestic network and with international networks affiliated with CIRRUS and Plus. BC charges its clients Ps 4,000 for withdrawals at any non-BC or non-Conavi ATM. BC assesses no charges to its customers on withdrawals performed at BC or Conavi ATMs. In 2002, there were 45 million transactions on BC ATMs.

Automatic Payment Systems. Bancolombia's customers may place standing payment orders and pre-register payments, which are debited automatically and periodically from their accounts. The Bank's automatic payment system also enables its customers to effect transactions with any banking institution in Colombia because it is connected to the two authorized clearinghouses existing in Colombia, namely ACH and ACH Cenit.

Internet Banking. BC estimates that approximately 11% of the Bank's transactions with its customers are carried over the Internet. To decrease operating costs and free up branch networks, BC has implemented programs oriented to increase the use of electronic banking, by training its employees and clients in the use of such technology.

BC consolidated its Internet transaction systems in 1998 into a "Virtual Branch". The Virtual Branch offers services 24 hours a day, including balance inquiries, savings and credit card information, payment of credit cards, disbursement of pre-approved loans, blocking of credit cards, counter-order of checks, transfers among BC accounts and to Conavi accounts, requests for products and services, payment of bills for more than 350 companies, purchases on commercial vendor websites, and customer services.

During 2002, a monthly average of 91,500 users used BC via the Internet which compares positively to the 65,500 monthly average users during 2001. Approximately 1,851,000 transactions were conducted monthly via the Internet during 2002 compared to 946,000 during 2001.

Bancolombia has also developed special Internet banking products, which can be acquired on its Virtual Branch:

- MasterCard E-Card - the first virtual credit card in Colombia. Application, approval, invoicing, blocking, payment and use are only carried out through the Internet;

- Virtual Investment - a certificado de deposito a termino (term deposit or "CDT") that can be opened only through the Internet. Clients can choose amount, term and interest payment periods, which are paid at a fixed rate that is higher than traditional CDTs; and

- E-Prepago - a credit card number that can be charged and discharged from deposit accounts for use only over the Internet. The virtual number can be changed several times allowing secure on-line transactions and reducing the risk of fraud.

BC has continued developing a special Internet banking service for its corporate clients, the "Corporate Virtual Branch", which features payment capabilities and cash management services. As of December 31, 2002, a total of 6,300 clients are using the service compared to 2,600 as of December 2001. With this product, BC wants to improve its on-line Banking service, giving its corporate customers internet banking products that are tailored to their needs.

Bancolombia has developed the first Internet corporate banking product, which can be acquired on its Corporate Virtual Branch. Credipagos Virtual is a revolving credit facility specifically marketed to small corporate clients. These loans can be disbursed 24 hours a day, only through the Corporate Virtual Branch.

TODO1 Alliance. During 2002, Bancolombia continued with TODO 1 Services ("TODO 1") through the alliance with Mercantil Servicios Financieros of

Venezuela and Banco Del Pichincha of Ecuador. TODO 1 is coordinating the development of Web-based products and services for individual consumers and corporate clients. This alliance enables Bancolombia to improve its e-business development and to provide superior services to its customers.

Facturanet. Recently, TODO 1 has developed an electronic bill presentment and payment system ("EBPP") available for Conavi and BC's customers through the Internet. At this site, BC's customers can logon to make monthly payments. It features a notification process that alerts the customer via e-mail when a new bill is available for payment. At December 31, 2002, more than 15,000 bills had been paid through Facturanet since its inception in September. BC expects that by December, 2003, customers who are using the Virtual Branch bill payment feature will migrate to Facturanet.

PC Banking. In addition to retail banking via the Internet, BC offers a PC Banking service to select corporate clients which allows such clients to access account information and transfer funds within their BC accounts or to accounts at other financial institutions. The service operates through software that has to be installed on a client's information technology system and enables clients to make their payroll payments, pay their suppliers electronically and draw individual checks. As of December 31, 2002, the Bank's PC Banking service had 4,450 customers.

Bancolombia - Conavi Strategic Alliance. Bancolombia continued its strategic alliance during 2002 with Conavi in order to take advantage of commercial opportunities, reduce costs and create new joint ventures. This alliance allows real-time transfers between the two banks through Conavitel, an electronic transactions system for customers of Bancolombia and Conavi.

TECHNOLOGY

During 2002, BC invested some Ps 24,293 million in technology, mainly to update its hardware, enhance security, purchase new software and develop new products.

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COMPETITION

Following the deregulation of the Colombian financial system in 1993, competition increased considerably. Significant merger and acquisition activity in the Colombian financial sector, mostly through 2000, contributed to its consolidation and the creation of larger and more competitive banks. This consolidation has resulted in the number of financial institutions decreasing from 112 as of December 31, 1998 to 72 as of December 31, 2002. The most significant event during 2002 was the loss of market share by foreign banks, relative to domestic Colombian banks. According to information provided by the Superintendency of Banking, foreign banks' market share decreased by 7.8%, measured by total assets, and by 1.33% measured by total loans, while Colombian banks' market share increased by 10.8%, measured by total assets, and by 7% measured by total loans. BC believes its principal competitors in the corporate market include Banco de Bogota, Citibank and Banco de Occidente.

BC believes its principal competitors in the retail market, based on their distribution network and customer service, are Citibank, Banco de Bogota, Davivienda, Banco Popular and Conavi. The Bank believes it is competitive in the retail market because of its high quality client base, technology and information systems.

THE COLOMBIAN FINANCIAL SYSTEM

GENERAL

As of December 31, 2002, 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 public banks); 7 public and private finance corporations; 17 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, 2002, 53.41% of the total assets of the financial system were held by private entities, 32.83% were held by state-owned or state-controlled entities and the balance of 13.75% was held by foreign investors. Specifically, of the total assets of the banking system alone, private Colombian banks had a share of 62.32%, private foreign banks 18.64% and state-owned or state controlled banks 19.03%. With respect to deposits in the banking system, private Colombian banks had a share of 65.74%, private foreign banks had a 17.62% share and state-owned or state controlled banks had a 16.64% share.

As a consequence of the consolidation of the Colombian financial system, the three private banks that, on average in 2002, aggregated most of the total checking accounts in the banking system were BC, Banco de Bogota and BBVA Banco Ganadero, with market shares of 18%, 15.3% and 11.1%, respectively, and a 44.4% combined market share. In terms of average savings in 2002, the three largest banks were Conavi, with a 10.6% share, BC, with a 10.4%, and Davivienda, with a 8.4%, respectively, and a 29.4% combined market share. In terms of time deposits, BC had the largest market share with 10.8%, Davivienda, had the second largest market share with 10% and Granahorrar had the third largest market share with 9.2%. Together, these three banks had a combined time deposit market share of 30%. This data is based on statistics released by Asobancaria.

Historically, the Colombian financial system was 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. Also, foreign investment was permitted 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, prescribe the rules governing intervention and established the instruments that the government may use. Furthermore, savings and loan banks were authorized to expand their lending activities beyond the construction sector (which they were historically involved in), were allowed to participate as foreign exchange intermediaries, and were permitted to offer interest bearing savings accounts as well as credit and debit cards.

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. Notably, under Law 546 of 1999, savings and loan banks were required to convert into commercial banks.

REGULATORS

The principal bodies regulating the Colombian financial system are the Ministry of Finance, the Board of Directors of the Central Bank, the Superintendency of Banking and the Superintendency of Securities. Colombia's National Congress prescribes the general framework under which the government may regulate the financial system. The Superintendency of Banking regulates and supervises all financial institutions, and the Superintendency of Securities supervises brokerage houses and stock exchanges and monitors and regulates the market for publicly-traded securities.

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 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 Fogafin to intervene on behalf of economically troubled companies. The main objective of Law 510 was, and continues to be, 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. The main objective of Law 795 is to broaden the scope of activities to be performed by state-owned financial institutions and to adopt the Basel Committee principles. Law 795 also increased the minimum capital requirements in order to incorporate a financial institution (for more information see "Minimum Capital Requirements" in this Item 4) and authorized the Superintendency of Banking to take precautionary measures, consisting mainly

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in preventive interventions with respect to financial institutions whose capital has fallen 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.

More recently, on January 14, 2003, the Colombian Congress passed Law 795 which further broadened the scope of activities permitted to financial institutions, including state owned institutions. The Law also mandates compliance with the management responsibility rules of the Basel Commitee on Banking Regulations and Supervisory Practices of the Bank for International Settlement; and sets forth new mechanisms through which the Superintendency of Banking may increase the solvency and stability of financial institutions. See "Supervision and Regulation - General".

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 less than 90 days (commercial banks only), 90 to 180 days, 181 to 360 days, and more than 360 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. The DTF is the weighted average interest rate paid by finance corporations, commercial banks, savings and loan banks and commercial finance companies during the second week preceding its publication. As of March 20, 2003, the DTF was 7.65% and the TCC was 8.25%.

CENTRAL BANK

The Central Bank was created in 1923 and is the second oldest central bank in Latin America. 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 the fiscal agent of the government and 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.

SUPERVISION AND REGULATION

GENERAL

To implement and enforce the provisions described in the preceding section "Regulators", 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

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

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, savings and loan banks, financial services companies (such as trust companies, warehouse companies, and pension and severance pay administration companies) and insurance companies. Decree 2359 of 1993 provides the Superintendency of Banking's legal framework. Financial institutions must seek the authorization of the Superintendency of Banking before initiating new operations.

Violations of Laws 510, 795 and specified provisions of Decree 663 and their underlying regulations are subject to administrative sanctions and, in some cases, criminal penalties. The Superintendency of Banking may inspect Colombian financial institutions on a discretionary basis, and has the authority to fine such institutions, their directors and officers for violations of Colombian laws, regulations, or such financial institutions' own by-laws.

Since BC's Common Shares and Preference Shares are publicly traded on the Colombian Stock Exchange, certain aspects of BC's operations are supervised by the Superintendency of Securities.

The Ministry of Finance and the Board of Directors of the Central Bank, which have significant influence over domestic interest rates, issue most regulations governing the financial system and are responsible for Colombia's fiscal and monetary policy.

BC files periodic reports with the Superintendency of Banking, the Superintendency of Securities and the Central Bank. In addition, the Superintendency of Banking makes on-site inspections of Colombian banks, including BC, on a regular basis.

CAPITAL ADEQUACY REQUIREMENTS

Capital adequacy requirements for Colombian financial institutions are based on the standards of the Basel Committee on Banking Regulations and Supervisory Practices of the Bank for International Settlements. The regulations establish four categories of assets, each being 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 primarily 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 financial subsidiaries, other capital investments in financial institutions and certain other items.

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 provision; and

- the difference between the surplus capital account from donations and the investment devaluation account.

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 BC's capital adequacy as of December 31, 2002:

	As of December 31, 2002 (In millions of pesos, except percentages)
Subscribed capital	Ps 355,119
Legal reserve and other reserves	566,187
Unappropriated retained earnings	51,136
Net Income	132,413
Less:	
Long-term investments	(131,280)
Non-monetary inflation adjustment	(178,029)
Primary capital	Ps 795,546
Reappraisal of assets	Ps 74,079
Provision loans	66,640
Non-monetary inflation adjustment	102,057
Computed secondary capital	Ps 242,776
Primary capital	Ps 795,546
Secondary capital (up to an amount equal to primary capital)	242,776

Technical Capital	Ps1,038,322
Capital ratios	
Primary capital to risk-weighted assets	8.90%
Secondary capital to risk-weighted assets	2.71%
Technical capital to risk-weighted assets	11.61%

As of December 31, 2002, the Bank's Technical Capital ratio was 11.61%, thereby exceeding the requirements of the Colombian government and the Superintendency of Banking by 261 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. However, the Bank expects to be able to continue to meet all capital adequacy requirements under Colombian law.

In April 2001, the Superintendency of Banking issued External Circular 014 which eliminated the use of inflation adjustments in all financial-statement accounts beginning January 1, 2001. See Note 2(b) to the Financial Statements.

Until 2001, market and liquidity risks were regulated by the Superintendency of Banking's Resolution 001 of January, 1996. While liquidity risks are still regulated by Resolution 001, since 2001, market risks are governed by External Circular 042 of 2001 and External Circulars 003 and 007 of 2002. These circulars define 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, the Bank has 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. 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. BC has met all such requirements. As of December 31, 2002, BC's total capital consisted of Ps 355,119 million of paid-in capital stock and Ps 566,187 million of legal and other reserve funds.

FOREIGN CURRENCY POSITION REQUIREMENTS

Until January 1, 1996, commercial banks were required by the Central Bank's Board of Directors to maintain a minimum foreign currency position equal to a specified percentage of each bank's foreign currency-denominated liabilities.

Effective January 1, 1996, Resolution 28 of 1995 of the Board of Directors of the Central Bank abolished the minimum foreign currency position requirement and allowed a commercial bank to borrow funds denominated in foreign currency and to make peso-denominated loans therewith. Resolution 26 of 1996 of the Board of Directors of the Central Bank (amended by Resolution 4 of 2001) provides that the sum of the bank's foreign currency-denominated assets and liabilities (including any off-balance sheet items) cannot, if assets are greater than liabilities, exceed 50% of the bank's Technical Capital, except that currency exchange intermediaries are permitted to hold negative foreign currency positions not exceeding the equivalent of 5% of its Technical Capital (with penalties being payable after the first day). As of February 4, 2003, BC had a dollar-denominated negative net assets position of US$0.709 million, which falls within the aforementioned regulatory guidelines. See Note 3 to the Financial Statements.

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 Requiremen
Private demand deposits......................................	13
Government demand deposits...................................	13
Other deposits and liabilities...............................	13
Savings deposits...	6
Time deposits (1)..	0 - 2.5

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

FOREIGN CURRENCY LOANS

Resolution 08, dated May 5, 2000, of 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. The Bank is not required to register with the Central Bank to make foreign currency loans, but must submit a

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report of all foreign currency loans made by the Bank, subject to certain exceptions for loans to finance imports, capital goods, foreign investments and credit card debt.

BAD LOAN ALLOWANCE

The Superintendency of Banking has issued guidelines on bad loan allowances for Colombian credit institutions. See "Item 5. Operating and Financial Review and Prospects -- G. 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, BC 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 BC's capital stock exceed 20% of BC's Technical Capital. In addition, no loan to a single financial institution may exceed 30% of BC's Technical Capital. As of December 31, 2002, BC's lending limit per borrower on an unconsolidated basis was Ps 82,333 million for unsecured loans and Ps 205,832 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, 2002, the Bank was in compliance with these limitations.

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.

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, on a consolidated basis. Risk exposure includes loans, leasing transactions and equity and debt investments.

OWNERSHIP RESTRICTIONS

BC is organized as a limited liability stock corporation 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 BC to have at least five shareholders at all times and provides that no single shareholder may own 95% or more of BC's subscribed capital stock. Article 262 of the Colombian Commerce Code prohibits BC and its directly owned subsidiaries (but not its indirect subsidiaries) from acquiring capital stock of BC.

Pursuant to Decree 663 adopted by the government on April 2, 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 Preference Shares underlying ADSs, 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.

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Foreign investors are subject to and receive the same treatment as Colombian citizens with respect to the above transactions.

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 BC, any sale of the Preference Shares (but excluding any sale of

ADSs), for UVR equivalent to Ps 66,000 or more, must be effected through one of Colombia's stock exchanges. Separately, Resolution 400 of 1995 also requires prior authorization of the Superintendency of Securities in order to offer to purchase in the public market 10% or more of the issued and outstanding capital stock of any Colombian company (including in the case of BC, Preference Shares and Common Shares), unless the purchaser is acquiring the stock pursuant to a public offer directed to all shareholders of such a company.

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

DEPOSIT INSURANCE

To protect the customers of commercial banks and certain financial institutions, Resolution 1 of 1988 of the Board of Directors of Fogafin, as amended ("Resolution 1"), requires mandatory deposit insurance. Under Resolution 1, banks must pay an annual premium of 0.3% of total funds received on deposit and checking accounts, certificates of deposit and bonds. 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; or
- fails to comply with the adopted recovery programs.

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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.

C. ORGANIZATIONAL STRUCTURE

The following is a list of Bancolombia's significant subsidiaries:

COLOMBIAN SUBSIDIARIES

FIDUCOLOMBIA S.A.

Fiducolombia S.A. is a trust company, 85.93% owned by BC (consolidated), formed upon the merger in December 1998, of the trust companies of BIC, Banco de Colombia, Sufibic and Fiducolombia. Fiducolombia's services include financial, guarantee, real estate, management and administration trusts. As of December 31, 2002 Fiducolombia managed approximately Ps 7,000 billion in assets from approximately 39,800 customers.

Fiducolombia is the leader in the mutual fund and public trust market in Colombia and has been approved by Morgan Guaranty Trust and The Bank of New York to act as custodian for ADRs and GDRs.

In 2002, Duff and Phelps of Colombia rated Fiducolombia "AAA" for the strength in portfolio management. Also, BCR Investor Services rated Fiducolombia "AAA" in counterpart risk. Moreover, IQNet, the international certification network, extended Fiducolombia's certificate with NTC/ISO 9001:2000 on Quality Management for management and investment procedures in mutual funds, individual portfolios and trust operation.

Fiducolombia's headquarters are located in Bogota, and the company has branches in Medellin, Cali and Barranquilla and offices in Manizales, Pereira and Bucaramanga.

ALMACENAR S.A.

Almacenar S.A., (Almacenar), which is a 98.25% owned subsidiary of BC (consolidated), was formed upon the merger, in May 1998, of the bonded warehousing subsidiaries of BIC, Banco de Colombia, Almabic and Almacenar. Almacenar, which is certified under ISO 9002/94, carries out bonded warehousing, freight forwarding, customs agency operations and other logistics services in Colombia.

Almacenar has a reputation for being the leading logistics operator in Colombia, with 848 employees and 17 offices throughout the country.

In line with Almacenar's strategy, its logistics business (international trade, inventory management and distribution) grew 58% in 2002 reaching a 66% share of total market revenues.

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As of December 2002, Almacenar had increased its total revenue by 19.8% from the prior year. During the year ended December 31, 2001, Almacenar's total income increase by 20.13% compared to the previous year.

COLCORP S.A.

Colcorp S.A. ("Colcorp"), a financial corporation established in 1994, is BC's largest Colombian subsidiary. As of December 31, 2002, BC beneficially owned 100% of Colcorp's capital stock.

Colcorp engages primarily in asset management and investment banking services. As of December 31, 2002, Colcorp S.A. had over Ps 201,000 million assets under management, invested in a diversified portfolio of Colombian economic sectors, including agriculture, telecommunications and public infrastructure.

As part of its investment banking activities, Colcorp S.A. offers specialized advisory services to private companies and government entities in areas such as mergers and acquisitions, project finance, syndicated loans and debt restructuring, both in Colombia and abroad.

For the year ended December 31, 2002, Colcorp had a net income after taxes of Ps 7,252 million.

LEASING COLOMBIA S.A.

Leasing Colombia S.A. ("Leasing Colombia") was a subsidiary of Banco de Colombia S.A. before the Merger and has been operating since the 1970s. Leasing Colombia, which is now 99.98% beneficially owned by BC (consolidated), provides lease financing and other leasing products for the industrial and corporate markets, as well as automobile leases and other such leasing products for the consumer market. Its headquarters are in Bogota, with offices in Medellin, Cali, Barranquilla, Pereira Manizales and Bucaramanga.

As of December 31, 2002, Leasing Colombia had approximately Ps 308,046 million in real estate and equipment under lease. Leasing Colombia arranges lease financing primarily for the public works and transportation sectors, but also for the construction, trade, manufacturing, cargo transport and electricity sectors. Leasing Colombia is the third largest leasing company in Colombia (based on amount of lease receivable) with a market share of approximately 12% at December 31, 2002, as reported by the Superintendency of Banking.

COMISIONISTA DE COLOMBIA S.A.

Comisionista de Colombia S.A. ("Comisionista de Colombia"), which is 99.99% beneficially owned by BC (consolidated), is a brokerage house that operates in both the equity and debt markets and is a member of the Colombian Stock Exchange. In addition, Comisionista de Colombia manages its own mutual fund ("Opcion Colombia"). As of December 31, 2002, it had assets totaling approximately Ps 16,822 million, gross revenues for the year was approximately Ps 12,804 million and net income for the year was approximately Ps 1,412 million. As of December 31, 2002 Comisionista de Colombia managed approximately Ps 417,167 million in assets for more than 65,500 clients. In 2002, Duff and Phelps rated Comisionista de Colombia AA- (with positive outlook) for portfolio management risk and for its mutual fund Opcion Colombia and 4/AA+ for market and credits risks.

OFF-SHORE SUBSIDIARIES

BC's international banking operations were established to support and enhance the domestic business of the Bank. They are conducted through the Bank's head office in Medellin, and through its wholly-owned direct and indirect bank subsidiaries (Bancolombia Panama, Bancolombia Cayman, Sinesa, Sinesa Holding and Future Net, Inc.) based in Panama, Cayman Islands and British Virgin Islands. In addition, the Bank has a banking license in Venezuela. During 2002, BC completed the voluntary liquidation of its banking license in Montserrat.

Bancolombia Panama was established in 1972 and provides a complete line of banking services mainly outside Panama, including loans to Colombian private sector companies, trade financing, lease financing, financing for industrial projects and a complete portfolio of products for private banking clients. Leasing operations relate mainly to equipment and machinery purchases for technological modernization and for expansion of the production capacity of its customers in Colombia.

As of December 31, 2002, Bancolombia Panama and its wholly-owned subsidiaries had total consolidated assets of US$962 million. Bancolombia Panama's consolidated loans outstanding to borrowers in Colombia, Brazil, Costa Rica, the United States, Panama, the Dominican Republic and Venezuela, as of December 31, 2002, were US$303.2 million, US$3.4 million, US$2.1 million, US$2 million, US$1.3 million, US$1.5 million, and US$10.3 million, respectively. Funding sources included demand deposits of US$259 million and time deposits of US$585 million. As of December 31, 2002, Bancolombia Panama had an investment portfolio of US$530 million and shareholder's equity of US$102 million. Bancolombia Panama had consolidated net income for the fiscal year ended December 31, 2002 of US$21 million. (This financial information has been provided under Colombian GAAP).

Through its affiliates Bancolombia Panama and Bancolombia Cayman, Bancolombia offers its customers investment opportunities denominated in dollars, such as checking accounts, money market accounts, savings accounts, time deposits and investment funds.

OTHER INVESTMENTS AND INTERESTS

In addition to investments in the foregoing subsidiaries, the Bank has made several equity investments, which in accordance with Colombian law are limited to financial companies. As of December 31, 2002, the sum of the book value of the issuers of the securities representing these investments and dividends received amounted to Ps 118,874 million.

The following table sets forth information regarding BC's investments in such financial companies as of, and for the year ended December 31, 2002:

Company	Business	% Shares Owned (Direct or indirectly)
Conavi (1)	Saving and Loans Banking	28.52
Proteccion (Sociedad Administradora de Fondos de Pensiones y Cesantias S.A.)	Severance and Pension Fund Management	7.42
Deceval (Deposito Central de Valores S.A.)	Securities Depositary	6.97
Corfinsura (Corporacion Financiera Suramericana S.A.)	Finance Corporation	4.62
Bladex (Banco Latinoamericano de Exportaciones)	Export Finance	0.43

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(1) BC increased its ownership in CONAVI from 23.91% on December 31, 2000 to 28.52% on December 31, 2000 and 2001 respectively, after BC purchased 1,922,007,608 common shares. At and for the year ended December 31, 2002, CONAVI had total assets of Ps 3,958,936 million (nominal Pesos), total shareholders' equity of Ps 349,463 million (nominal pesos) and net income of Ps 67,498 million (nominal pesos).

Bancolombia is also a shareholder of Multienlace S.A. ("Multienlace"). Multienlace provides technical and administrative services to the Bank and other entities, including Conavi, Fiducolombia, Suramericana de Seguros de Vida and Suramericana de Capitalizacion and Proteccion. Although Multienlace is not a financial entity, Colombian law allows a financial institution such as BC to invest in companies that provide services that are related to the operations of a financial institution. As of December 31, 2002, BC owned 49.44% of the voting stock of Multienlace, which had total assets of Ps 28,406 million (nominal pesos), total shareholders' equity of Ps 16,172 million (nominal pesos) and a net income for the year of Ps 1,854 million (nominal pesos).

D. PROPERTY, PLANT AND EQUIPMENT

BC owns its principal executive offices, located at Calle 50, No. 51-66, Medellin, Colombia. As of December 31, 2002, BC had 340 office locations throughout Colombia, of which 176 were owned and 164 were leased. BC also owns and leases properties in various locations across Colombia for the storage of documents and for back-office and administrative operations.

Bancolombia Panama owns its principal executive offices, which are located in Panama City, Panama.

As of December 31, 2002, the net book value of all premises and equipment owned by the Bank was approximately Ps 317,724 million.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS.

A. OPERATING RESULTS

IN GENERAL

The following discussion should be read in conjunction with the Bank's audited consolidated financial statements attached to this Annual Report. The financial statements have been prepared in accordance with Colombian GAAP.

As of January 1998, BC had purchased 51% of the outstanding capital stock of Banco de Colombia in connection with the Merger. As a result of this majority ownership, BC's results of operations for the year ended December 31, 1998, include amounts attributable to Banco de Colombia's results of operations for such period and BC's financial position as of December 31, 1998, includes the assets and liabilities of Banco de Colombia as of that date. The Merger was completed in April 1998 through the exchange of shares of BC for the remaining 49% of the outstanding capital stock of Banco de Colombia. Since the Bank's results of operations for the years ended December 31, 1998, December 31, 1999, December 31, 2000, December 31, 2001 and December 31, 2002, reflect amounts recognized from the combined operations for such period, they cannot be divided between or attributed directly to either of the former entities nor can they be directly compared to prior periods. Any financial information herein for the year ended December 31, 1997, does not give effect to the Merger and, as such, reflects only the results of operations and financial condition of the former BIC and cannot be directly compared with future periods. In accordance with Colombian GAAP, the Bank began to consolidate its financial statements to include the results of operations of Banco de Colombia as of January 1, 1998.

ADJUSTMENTS FOR INFLATION

The consolidated financial statements, as previously required by law, were adjusted for the effects of inflation occurring from January 1, 1992 to December 31, 2000. See "Exchange Rates; Inflation."

Accordingly, the "non-monetary inflation adjustment" reported in the Bank's consolidated statements of operations for the year ended December 31, 2000 is the result of netting or offsetting the following items:

- a credit (or income entry) for inflation affecting non-monetary assets;
- a charge (or expense entry) for inflation affecting non-monetary liabilities and shareholders' equity; and
- charges and credits (for expense and income entries) representing inflation adjustments made to expenses and revenues, respectively.

Monetary balances were not adjusted for inflation because they reflect the purchasing power of the currency at the date of the balance sheet. Publicly traded equity securities were not adjusted for inflation because they were recorded at their fair market value. Permanently held securities, however, were adjusted for inflation until September 30, 1998. Foreign currency balances were not adjusted since they were (and continue to be) translated into Colombian pesos at the date of the balance sheet and reflect the purchasing power of the currency on that date. The inflation-adjusted cost of the Bank's non-monetary assets may not exceed the net market value of such assets.

The net loss from exposure to inflation for the year ended December 31, 2000, is reflected as "Net monetary inflation adjustment" in the Bank's Consolidated Statements of Operations.

Our profitability depends principally on the difference between interest earned on loans and investments and the interest paid on deposits and borrowings and on our ability to earn commissions. In addition, our profitability depends significantly on factors such as regulation, competition, interest rates, taxes, foreign exchange rates, securities market conditions and general local and global economic conditions.

Below is a description of the economic situation in Colombia, followed by a description of the relevant conditions of the Colombian financial system.

ECONOMIC ACTIVITY IN COLOMBIA

IN GENERAL

Since 1950 and until 1998, Colombia enjoyed positive real gross domestic product ("GDP") growth in every year (ranging from a low of 0.6% in 1998 to a high of 8.47% in 1978) and relatively stable rates of inflation (with a low of 2.2% in 1955 and a high of 32.6% in 1963). In 1997, Colombia registered real GDP growth of 3.4%. During 1998, as a consequence of sharply higher domestic interest rates, the effects of the El Nino weather phenomenon on the agricultural sector, the negative effects of the financial crisis in Asia and Russia and the significant decline in international crude oil and other commodities prices, the Colombian economy suffered a severe slowdown, growing by just 0.6% during the year. The economy worsened in 1999, registering negative real growth of 4.2%, the deepest recession in Colombian economic history. Inflation, as measured by the change in the consumer price index, averaged 17.7% in 1997, 16.7% in 1998 and 9.2% in 1999. In 2000 and 2001, the economy resumed economic growth, with GDP increasing by 2.7% and 1.6% in real terms, respectively, at the same time that inflation declined to 8.8% in 2000 and 7.7% in 2001. According to preliminary figures, real GDP growth for the year ended December 31, 2002 was 1.65%. Real GDP growth was 0.47%, 2.31%, 1.91% and 2.18% during the first, second, third and fourth quarters of 2002, respectively. The sectors of the economy that experienced the largest increases in real growth during 2002 were construction and financial services. The Government's current official projection for real GDP growth for 2003 is approximately 2%.

Colombia's ratio of debt to gross domestic product ("GDP") increased from 39.0% in 1999 to 45.1% in 2000 and to 47.7% in 2001. Official figures for 2002 have not yet been released, but the ratio of debt to GDP is expected to have exceeded 50% in 2002. In December 2002, Congress authorized the issuance of up to $16.5 billion in external debt over the next four years. Although Congress approved tax, pension and labor reform legislation on December 20, 2002, and the Government has proposed additional legislation to reduce Government expenditures, the debt to GDP ratio is expected to continue to increase due to slow economic growth and the current level of government spending. For a further discussion of the reforms passed by Congress, see "Public Sector Finances-Recently Enacted Fiscal Reforms."

On November 16, 2002, President Uribe's administration announced its intention to propose to Congress a four-year national development plan entitled "Hacia un Estado Comunitario" (Towards a Communitarian State). The proposed plan, seeks to increase annual real GDP growth and reduce the unemployment rate and the public sector deficit through economic growth incentives. The proposed plan calls for total expenditures of Ps 108 trillion, of which Ps 65.7 trillion would be spent on social programs, Ps 27.6 trillion would be spent on infrastructure improvements and Ps 3.2 trillion would be spent on defense. As part of its goal to reduce the fiscal deficit and modernize the State, the plan calls for the Government to trim the public workforce by an estimated 40,000 employees. The Government's development plan has been submitted to Congress, but no assurances can be given that it will be adopted in the form proposed by the Government, if at all, or that it will achieve its stated objectives.

INTERNAL SECURITY

Due to continued attacks by rebel groups against the Colombian population, the Government extended the State of Emergency until May 6, 2003. See "Item 3. Key Information - B. Risk Factors - Colombia Has Experienced Several Periods of Violence and Instability".

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EMPLOYMENT AND LABOR

Employment suffered a considerable decline during the past ten years. In 2002, the unemployment rate reached 18%. A labor reform approved by Congress in December, 2002 and a higher economic growth are expected to improve the unemployment situation.

INTEREST RATES AND INFLATION

The DTF was 7.8% in December 2002, as compared to 11.4% in December 2001. Interest rates slightly decreased in 2003, with the DTF registering 7.6% on March 20, 2003.

Consumer inflation (as measured by the change in the consumer price index, or "CPI") for the twelve months ended December 31, 2002 was 7.0%, as compared to 7.7% for the twelve months ended December 31, 2001, and 8.8% for the twelve months ended December 31, 2000.

Producer price inflation (as measured by the change in the producer price index, or "PPI") for the twelve months ended December 31, 2002 was 9.3%, as compared to 6.9% for the twelve months ended December 31, 2001.

The following table sets forth changes in the consumer price index (CPI), the producer price index (PPI) and average 90-day deposit rates (DTF) during 2002.

INFLATION AND INTEREST RATES IN 2002

	CONSUMER PRICE INDEX (CPI)(1)	PRODUCER PRICE INDEX (PPI)(1)	SHORT-TERM REFERENCE RATE (DTF)(2)
2002			
January..............	7.4%	5.5%	11.2%
February............	6.7	4.0	10.8
March................	5.9	3.5	10.6
April................	5.7	2.5	10.0
May..................	5.8	2.3	9.1
June.................	6.3	2.9	8.4
July.................	6.2	3.8	7.9
August...............	6.0	4.8	7.9
September...........	6.0	6.8	7.9
October..............	6.4	8.9	7.9
November............	7.1	9.0	7.9
December............	7.0	9.3	7.8

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(1) Percentage change over the previous twelve months at the end of each month indicated.

(2) Average for each month of the short-term composite reference rate (depositos a termino fijo or "DTF", as calculated by the Superintendency of Banks

Sources: DANE and Banco de la Republica.

INTERNATIONAL RESERVES

International Reserves. Net international reserves increased from $10.2 billion at December 31, 2001 to $11 billion at February 28, 2003.

PUBLIC SECTOR ACCOUNTS

The Government revised its 2002 Central Government deficit target to 6.4% of GDP, from the 4.8% target included in its previous agreement with the International Monetary Fund ("IMF"). Preliminary figures indicate that the Central Government deficit for the first nine months of 2002 totaled

Ps 7.9 trillion, a 64.5% increase as compared to the Ps 4.8 trillion deficit registered in the same period of 2001.

2002-2004 INTERNATIONAL MONETARY FUND PROGRAM

On January 15, 2003, Colombia and the International Monetary Fund ("IMF") signed an agreement, effective December 2002, for an Extended Fund Facility of approximately US$2 billion in connection with the Government's new two-year macroeconomic program. The facility may be used to support imbalances in Colombia's external accounts, although disbursements under the IMF program are conditional on achieving certain targets. These targets are based on estimates and assumptions, and there can be no assurance that Colombia will be able to achieve all or any of them.

The agreement's macroeconomic goals include:

MACROECONOMIC FRAME	2003 GOAL
Economic growth..	between 2.0% and 2.5%
Inflation..	between 5% and 6%
Current Account Deficit................................	0.8% of GDP
Consolidated Public Sector Deficit.....................	2.5% of GDP
Primary Surplus..	3% of GDP

RECENTLY ENACTED FISCAL REFORMS

The Government has committed to a sustained reduction of the fiscal deficit and to that end Congress approved the following reforms in December 2002:

Pension Reform: This bill modifies the official retirement age and increases payroll taxes in order to reduce the rate of growth of pension expenditures.

Tax Reform: The Government expects to increase its revenues and reduce its fiscal deficit through this reform, which seeks to increase Central Government revenues by Ps 2.6 trillion in 2003 and by Ps 10.6 trillion over the next four years. This law will phase out most tax exemptions over the next five years; impose a surcharge of 10% over the marginal income tax rate; increase the value-added tax ("VAT") to 7% for certain products; institute, as of 2005, a 2% VAT on products currently exempt from VAT; introduce a 5% VAT on gambling; and toughen tax evasion penalties.

Labor Reform: This bill legislates changes to the hiring process and modifies the laws regarding work hours and overtime pay.

PROPOSED REFORMS

Constitutional Referendum: In November and December 2002, Congress approved a proposed referendum, which would submit eighteen issues to a vote of the Colombian population. Some of the economic measures proposed would freeze wages of high-ranking civil servants for a four-year period and limit the pensions of former Presidents of the Republic and other high-ranking officials. The President has signed the bill into law and the Constitutional Court must now determine whether the law is constitutional. If the legislation is deemed constitutional, it will be voted upon in a national referendum in the second quarter of 2003. No assurances can be given that this referendum will be adopted, or that it will be adopted in the form proposed by the Government.

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FINANCIAL SECTOR

Colombia's financial sector had a total gross loan portfolio of Ps 50.2 billion at December 31, 2002, as compared to Ps 47.6 trillion at December 31, 2001 and Ps 47.2 trillion at December 31, 2000. Past-due loans amounted to Ps 4.3 trillion at December 31, 2002, consistent with a similar amount of Ps 4.6 trillion at December 31, 2001 and as compared to Ps 5.2 trillion at December 31, 2000. As a percentage of total loans, past-due loans fell from 11% at December 31, 2000 to 9.7% at December 31, 2001 and further decreased to 8.7% at December 31, 2002. The provisions covering past-due loans increased from 49.6% at December 31, 2000 to 74.7% at December 31, 2001 and to 86.3% at December 31, 2002.

In 2002, the financial sector had aggregate earnings of Ps 1.1 trillion (excluding results of special government-owned development banks), compared to Ps 0.3 trillion in 2001, after sustaining a loss of Ps 1.8 trillion in 2000.

The following tables show the results of the financial sector as of, and for the year ended December 31, 2002.

SELECTED FINANCIAL SECTOR INDICATORS
(IN MILLIONS OF PESOS AS OF, AND FOR THE YEAR ENDED, DECEMBER 31, 2002)

	ASSETS	LIABILITIES	NET WORTH
Private Sector Institutions	Ps72,451,066	Ps63,866,793	Ps8,584,27
Cooperatives	412	311	10
State-Owned Institutions(1)	16,826,268	15,442,137	1,384,13
Total	Ps89,277,746	Ps79,329,241	Ps9,968,50

Totals may differ due to rounding.

(1) Includes Special Financing Institutions.

Source: Superintendency of Banking.

GROSS DOMESTIC PRODUCT - FINANCIAL ACTIVITY (ANNUAL PERCENTAGE VARIATIONS)

	1999	2000	2001	20	
	ANNUAL	ANNUAL	ANNUAL	1ST QUARTER	2ND QUARTER
Financial Intermediation Services......................	(15.31%)	(1.47%)	(1.85%)	(2.76)%	(7.77%)
Imputed Banking Services......	(19.54%)	(0.29%)	(6.14%)	(10.39%)	4.4%
Gross Domestic Product........	(4.2)%	(2.74%)	1.4%	0.47%	2.31%

* Estimated

Source: DANE

The financial sector showed significant growth in the return on equity indicator, from 3.1% in 2001 to 10.8% in 2002, similar to the levels shown before the financial crisis.

Other financial management indicators followed a similar trend. The administration expenses over total assets indicator for the entire financial system, including depreciations and amortizations, dropped from 7.15% to 6.89% between 2001 and 2002.

The growth of assets, although still far from the rates experienced before the crisis, has recovered and shows positive results with Ps 89.3 trillion at December 31, 2002, compared to Ps 84.5 trillion in 2001 and Ps 80.4 trillion in 2000. The most significant growth rate was recorded for investments, with

13.2% for the financial system in the December 2001 to December 2002 period. For banks only, the growth rate was even higher (15.8%).

The government has taken measures to facilitate loan financing. Recently, the financial reform authorized the Superintendency of Banking to differentiate interest rates by type of loan, which is expected to encourage intermediaries to lend resources to sectors with high risk rating.

Loan quality and coverage also showed improvement. While as of December 2001, the financial system's loan coverage was 74.7% and loan quality was 9.7%, as of December 2002, the coverage was 86.3% and the loan quality 8.73%. For December 2001, coverage for the banking sector alone was 73.4% and loan quality was 10.3%; for December 2002, the coverage was 82.84% and loan quality was 9.47%.

The implementation of loan risk management systems has strengthened the financial system's reliability. The calculation of expected losses when granting a loan and the establishment of the provision needed to protect the equity at risk are crucial in modern banking management.

The solvency index for the financial system in the aggregate was 12.57% as of December 31, 2002, without considering market risk, or 13.33% considering such risk. Such levels are significantly better than those immediately after the 1998 and 1999 crisis, when amounts observed were slightly above 9.0%. Although the solvency indicator of December 2002, is slightly lower than the solvency indicator before the crisis, it should guarantee the financial system's stability and should be able support an eventual recovery of loan growth. With the current equity values, the financial system's capital adequacy is able to support additional risk assets for a little more than 30% of the risk assets it currently has, without reducing below 10% its solvency ratio, including market risk.

Value-added services related to financial activity, which decreased by 1.47% in 2000, and by 1.85% in 2001, increased by 1.18% in the third quarter of 2002. An annual growth of 2.52% is expected for 2002.

Imputed banking services, which reflect the value of financial intermediation, dropped 19.54% in 1999 and 0.29% in 2000, and 10.98% in the third quarter of 2002. A further 6.46% reduction is estimated for 2002.

RESULTS OF OPERATIONS FOR THE THREE YEARS ENDED DECEMBER 31, 2002

The Bank's operating and financial review and prospects are based on the Bank's consolidated financial statements, which have been prepared in accordance with Colombian GAAP. The use of Colombian GAAP as opposed to U.S. GAAP has an impact on the Bank's critical accounting policies and estimates. The application of U.S. GAAP would have affected the determination of consolidated net income (loss) for the period ended December 31, 2002 and the determination of consolidated stockholders' equity and consolidated financial position as of December 31, 2002. Note 31 to the Financial Statements provides a reconciliation to U.S. GAAP of the Bank's results of operations, stockholders' equity and certain other selected financial data.

RESULTS OF OPERATIONS

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 is mainly explained by the decreasing growth rate of the Bank's operational expenses and by the reduction of expenses related to the Merger. Operational expenses increased 10.4% in 2002 compared to 14.2% in 2001, and expenses related to the Merger were

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Ps 33,028 in 2002, that is, Ps 9,179 million lower than in 2001. Although the net interest income - determined negatively as a result of the market's rate reduction - dropped 22.9%, other operational income increased 33.7%.

	YEAR ENDED DECEMBER 31,		
	2000	2001	2002
	(in millions of pesos)		
NET INCOME (LOSS):			
Net interest income	Ps383,778	Ps352,683	Ps271,961
Provision for loan and accrued interest losses .	(152,296)	(73,953)	(115,154)
Provision for foreclosed assets and other assets	(112,219)	(63,537)	(71,212)
Other operating income	341,971	620,188	828,977
Non-operating income (expense)	67,792	51,000	79,787
Net monetary inflation adjustment	4,209	--	--
Operating expenses	(573,524)	(654,756)	(722,773)
Merger expenses	(44,828)	(42,207)	(33,028)
Income (loss) before taxes	(85,117)	189,418	238,558

Minority interest	(767)	(1,310)	14,440
Income tax	(28,106)	(31,575)	(42,618)
Net income (loss)	Ps(113,990)	Ps156,533	Ps210,380

Net income from Personal Banking and Intermediate Banking was Ps 249,518 million in 2002, mostly as a result of higher intermediation margins, larger commissions, increased revenues from affiliates, and a reduced allocation of operational costs under a new cost allocation model implemented by the Bank in 2002. Net income from Corporate Banking was Ps 55,125 million in 2002, affected by an increased allocation of operational costs under the new cost allocation model implemented by the Bank in 2002. Net income from Enterprise Banking was Ps 46,581 million in 2002 due to higher commissions and higher revenues from affiliates. Net income from Institutional Banking increased to Ps 55,566 million in 2002 mostly as a result of business transacted through Bancolombia Panama, the Bank's Panamanian subsidiary. Finally, income from trustee services rendered through Fiducolombia S.A. was Ps 12,363 in 2002. Since the foregoing information for 2002 reflects the use of a new cost allocation model, it is not directly comparable to similar information from prior periods.

INTEREST INCOME

Gross Interest Income

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.

BC's interest income increased 4.6% in 2001, from Ps 842,633 million in 2000 to 881,757 million in 2001. The volume effect of higher interest-earning assets (26.3%) basically influenced this increase, since the rate effect was negative due to the decrease in the average nominal interest rate of these assets (from 14.2% to 11.7%). The average nominal interest rate of the peso-denominated loans did increase (from 17.5% to 18.2%) but was counteracted by the rate reductions of other interest-earning assets.

Interest Expenses

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%.

BC's interest expenses increased 15.3% in 2001, from Ps 458,855 million in 2000 to Ps 529,074 million in 2001. This increase is explained by the higher volume of interest-bearing liabilities (increasing an average of 20.9% between 2000 and 2001), since the total average nominal interest rate decreased between both periods, from 8.6% to 8.2%. This decrease was caused by the lower dollar-denominated average nominal interest rate, which decreased from 6.6% to 4.8% because the corresponding peso-denominated increased from 9.8% to 10.1%.

Net Interest Income

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.

BC's net interest income was Ps 352,683 million in 2001 compared to Ps 383,778 million in 2000. This decrease was caused by the decline of the net interest margin ("NIM"), from 6.5% in 2000 to 4.7% in 2001. Nevertheless, NIM does not include gains on sales of investment securities, which amounted Ps 159,883 million in 2001 and are aggregated in other operating income. During year 2000, gains on sales of investment securities were Ps 30,335 million.

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

	YEAR ENDED DECEMBER 31,		
	2000	2001	2002
	(in millions of pesos)		
INTEREST INCOME:			
Loans	Ps678,583	Ps811,446	Ps726,112
Investment securities	145,575	48,658	247
Overnight funds	18,475	21,653	11,825
Total interest income	842,633	881,757	738,184
INTEREST EXPENSE:			
Time deposits and checking accounts	276,451	326,339	273,253
Savings deposits	87,629	113,156	106,825
Borrowings from domestic development banks	41,530	40,722	49,317
Interbank borrowings	42,094	20,160	9,404
Amortized premium on investments	7,714	27,120	26,645
Long-term debt	3,437	1,577	779
Total interest expense	458,855	529,074	466,223
Net interest income	Ps383,778	Ps352,683	Ps271,961

YEAR ENDED DECEMBER 31,

	2000	2001	2002
	(in millions of pesos)		
Average nominal interest rates on loans	15.5%	15.8%	13.4%
Average nominal interest rates on time deposits ..	10.3%	10.2%	7.3%
Average nominal interest rates on savings deposits	6.3%	6.6%	4.9%

PROVISIONS FOR LOAN AND ACCRUED INTEREST LOSSES

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, 2002, 70.68% 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 316.80% in 2002, and 122.95% in 2001 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, 2000, 2001 and 2002, the allowances for loan losses existing under Colombian GAAP were Ps 285,565 million, Ps 271,729 million and Ps 332,324 million, respectively, and the allowances that would have been required under U.S. GAAP were Ps 227,247 million, Ps 223,227 million and Ps 339,612 million, respectively.

OTHER OPERATING INCOME

The following table summarizes the components of the Bank's other operating income for the period under review:

	YEAR ENDED DECEMBER		
	2000	2001	
	(in millions of pesos		
OTHER OPERATING INCOME:			
Fees and service charges, net..............................	Ps218,035	Ps265,382	P
Foreign exchange gain (loss), net..........................	12,451	20,345	
Dividend income(1)...	5,223	2,665	
Forward contracts..	(4,020)	52,890	
Financing leases...	33,671	35,410	
Revenues from commercial subsidiaries......................	32,362	47,619	
Gains on sales of investments, net.........................	30,335	159,883	
Other..	13,914	35,994	
Total other operating income............................	Ps341,971	Ps620,188	P

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

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Fees and service charges, one of the largest component of other operating income, consist of service charges, credit card merchant fees, credit and debit card annual fees, checking fees, warehouse services, commissions and fees from fiduciary activities and letters of credit. The most significant component is service charges, which primarily consist of income money transfer fees, remittances, bank acceptances and automated services.

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 is mainly explained by a 133.2% increase in net gains from the sales of investments (Ps 212,910 million), which became the largest non-operating income component in the Financial Statements for 2002. Net income from fees and service charges increased 10.1%, from 265,382 in the year 2001 to 292,308 in 2002, and net income from foreign exchange transactions increased by 358.9%, from 20,345 million in 2001 to 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.

Other operating income increased 81.4%, from Ps 341,971 million in 2000 to Ps 620,188 million in 2001. The most significant item (representing almost 43% of the other operating income in 2001), fees and service charges, increased 21.7%, due to higher commissions from banking services, and commissions and fees from fiduciary activities and warehouse services; the second item of importance, gains on sales of investments, increased from Ps 30,335 million to Ps 159,883 million, mainly due to higher turnover of investment securities portfolio; realized and unrealized gains (losses) on forward contracts, increased from a negative figure of Ps 4,020 million to a positive figure of Ps 52,890 million, due to higher earnings from forward contracts resulting from the offer to BC's clients of interest rates coverage in local currency thanks to higher levels of the investment portfolio; and revenues from commercial subsidiaries increased 47.1%, similar to the total average growth.

The Bank did not recognize any income from the marking-to-market of trading equity investment securities due to Communication 070 of the Superintendency of Banking, which gives the option that such investments be classified as permanent investments and changes in fair value be recorded as a separate component of shareholders' equity.

OTHER OPERATING EXPENSES

BC's operating expenses increased 10.4% in 2002, from Ps 654,756 million in 2001 to Ps 722,773 million in 2002, while in 2001, BC reported an increase of 14.2% compared to 2000. This lower increase in total operating expenses was due to the performance of administrative and other expenses and depreciation, which together increased 7.5% between 2001 and 2002 as opposed to 17% between 2000 and 2001. Underlying the growth of salaries and employee benefits is the hiring of 63 employees and a reduction in labor compensation of Ps 5,439 million in 2002 compared to 2001.

BC's operating expenses increased 14.2% between 2000 and 2001, climbing from Ps 573,524 million to Ps 654,756 million. Salaries and employee benefits for 2001 include the effect of the collective bargaining agreement signed with

Bancolombia's Union, effective beginning November 1, 2001. The rest of the staff, not covered by this agreement, received salary increases in the months of January and February 2001. Likewise, the administrative and other expenses increased 21.2%, from Ps 274,966 in 2000 to Ps 333,321 in 2001. This rise in expenses was driven by the increase of: amortization of deferred charges, which includes expenses for special projects to improve efficiency levels; insurance, due to higher premiums of insurance policies; communication, postage and freight, which includes cash transportation expenses resulted from the preference of cash payments caused by the tax on financial transactions; professional fees, which includes the payment of the consultancy firm for the comprehensive efficiency program performed by BC during 2000 and 2001; and advertising, among others.

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The following table summarizes the principal components of BC's operating expenses in the relevant periods:

	YEAR ENDED DECE	
	2000	2001
	(in millions of	
OPERATING EXPENSES:		
Salaries and employee benefits..................................	Ps230,651	Ps250,4
Severance benefits..	27,192	35,0
Expense for transition to new severance benefits law.............	124	
Administrative and other expenses...............................	274,966	333,3
Depreciation..	40,591	35,9
Losses on sales of loans, net...................................	--	
Total operating expenses..................................	Ps573,524	Ps654,7

MERGER EXPENSES

On April 3, 1998, the Merger of the Bank and Banco de Colombia S.A. was completed.

For the fiscal year of 2002, merger-related expenses aggregated Ps 33,028 million, which consisted 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 Bank incurred a charge for the year ended December 31, 2001 for merger-related expenses aggregating Ps 42,207 million, which consisted of:

- Ps 22,649 million for the amortization of goodwill recorded in connection with the Merger;

- Ps 11,654 million in severance payments for reduction of personnel; and

- Ps 7,904 million in general merger expenses.

The syndicated loan of US$265 million BC obtained to finance the cash portion of the Merger was fully prepaid in the beginning of 1999.

Goodwill as of December 31, 2002 was Ps 118,903 million, which is being amortized in an amount of Ps 22,649 million each year for the ten years following the Merger.

NON-OPERATING INCOME (EXPENSES)

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.

Net non-operating income decreased 24.8%, from Ps 67,792 million in 2000 to Ps 51,000 million in 2001. This drop was the result of low growth of non-operating income (2.1%) compared to the sharp increase of non-operating expenses (75.4%).

The following table summarizes the components of BC's non-operating income (expenses) for the relevant periods:

	YEAR ENDED DECEMB	
	2000	2001
	(in millions of	
NON-OPERATING INCOME (EXPENSES):		
Other income..	Ps92,651	Ps94,597
Other expenses......................................	(24,859)	(43,597)
Total non-operating income (expenses), net....	Ps67,792	Ps51,000

NET MONETARY INFLATION ADJUSTMENT

While in 2000 the Bank recorded a net monetary inflation adjustment of Ps 4,209 million, in 2001 and 2002, no net monetary inflation adjustment was recorded since the Superintendency of Banking issued External Circular 014 in April 2001, which eliminated the use of inflation adjustments in every account of the financial statement from January 1, 2001.

INCOME TAX EXPENSES

BC's income tax expenses in 2002 amounted to Ps 42,618 million, displaying a 35.0% increase compared to Ps 31,575 million for 2001. This Ps 11,043 million increase is mainly explained by 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 is also explained by a 200 basis point increase in the income tax of Bancolombia, Leasing Colombia, Fiducolombia and Colcorp pursuant to the special tax stability regime.

BC's income tax expenses in 2001 amounted to Ps 31,575 million, a 12.3% increase compared to Ps 28,106 million in 2000. This increase was mainly due to the enactment of Law 633 of 2000, which raised the presumed income tax rate from 5% to 6%, and BC's higher taxable fiscal income for 2001 compared to 2000, calculated on the basis of presumed income.

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 which affect net income include the methods of accounting for income taxes, inflation, employee benefit plans and allowances for loan losses. For a summary of the most significant adjustments required to calculate net income under U.S. GAAP, see Note 31 to the Financial Statements.

ASSET AND LIABILITY MANAGEMENT

The Bank's policy on asset and liability management is to maximize its net interest income and return on assets and equity, while providing for adequate liquidity, capital and effective risk management. BC has an asset and liability committee which decides funding strategies, sets interest rate levels and terms for both assets and liabilities (in pesos and dollars) and makes decisions regarding maturities and pricing of assets and liabilities. The asset and liability committee is comprised of five Vice Presidents, the

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Product Manager, the Market Risk Manager, and the Treasurer and is chaired by BC's Vice President of Finance; it meets on a weekly basis.

The following tables represent the breakdown of the Bank's assets and liabilities by currency as of December 31, 2001 and December 31, 2002. Most of the Bank's foreign currency assets and liabilities are denominated in dollars.

		AS OF DECEMBER 31, 20	
	PESO-DENOMINATED	FOREIGN CURRENCY-DENOMINATED	TO
	(in millions of pesos, except		
ASSETS			
Cash and due from banks.........................	Ps 433,360	Ps 103,453	Ps
Other assets(1):			
Less than 1 year............................	4,501,463	1,019,634	5
From 1 to 4 years...........................	628,728	870,595	1
More than 4 years...........................	647,565	666,773	1
Bank premises and equipment and other...........	1,385,499	289,118	1
Allowances for loan losses......................	(235,091)	(36,638)	
Total assets.........................	Ps7,361,524	Ps2,912,935	Ps10
Percentage of total assets......................	71.65%	28.35%	

LIABILITIES AND SHAREHOLDERS' EQUITY			
Non-interest-bearing deposits....................	Ps2,358,121	Ps 93,408	Ps 2
Other liabilities(2):			
Less than 1 year.............................	3,882,411	2,268,960	6
From 1 to 4 years............................	578,613	63,437	
More than 4 years............................	41,910	17,148	
Total liabilities....................	6,861,055	2,442,953	9
Percentage of total liabilities.................	73.74%	26.26%	
Shareholders' equity............................	847,357	123,094	
Total liabilities and shareholders' equity	Ps7,708,412	Ps2,566,047	Ps10
Percentage of total liabilities and Shareholders' equity.......................................	75.02%	24.98%	

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(1) Includes loans and investment securities.

(2) Includes time deposits, savings deposits and overnight funds, interbank borrowings, and borrowings from domestic development banks.

	AS OF DECEMBER 31,		
	PESO-DENOMINATED	FOREIGN CURRENCY-DENOMINATED	
	(in millions of pesos, except		
ASSETS			
Cash and due from banks.........................	Ps 552,981	Ps 90,424	Ps
Other assets(1):			
Less than 1 year.............................	3,179,466	1,056,540	4
From 1 to 4 years............................	2,723,789	1,618,791	4
More than 4 years............................	1,404,206	557,981	1
Bank premises and equipment and other..........	1,411,136	336,592	1
Allowances for loan losses.....................	(271,486)	(60,838)	
Total assets.........................	Ps9,000,092	Ps3,599,490	Ps12
Percentage of total assets....................	71.43%	28.57%	
LIABILITIES AND SHAREHOLDERS' EQUITY			
Non-interest-bearing deposits....................	Ps2,608,622	Ps99,088	Ps 2
Other liabilities(2):			
Less than 1 year.............................	5,008,887	2,717,894	7
From 1 to 4 years............................	511,673	140,907	
More than 4 years............................	228,163	--	
Total liabilities....................	8,357,345	2,957,889	11
Percentage of total liabilities................	73.86%	26.14%	
Shareholders' equity..........................	1,003,752	280,596	1

Total liabilities and shareholders' equity	Ps9,361,097	Ps3,238,485	Ps12
	===========	===========	====
Percentage of total liabilities and shareholders' equity............................	74.30%	25,70%	

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(1) Includes loan and investment securities.

(2) Includes time deposits, savings deposits and overnight funds, interbank borrowings and borrowings from domestic development banks.

Other assets with a term of less than 1 year, expressed as a percentage of total assets, decreased from 53.74% in 2001 to 33.62% in 2002, while Bank premises and equipment and others dropped from 16.30% in 2001 to 13.87% in 2002. On the other hand, other liabilities with a term of less than one year increased from 59.87% in 2001 to 61.33% in 2002, non-interest-bearing deposits increased from 23.86% in 2001 to 21.49% in 2002, and equity increased from 9.45% in 2001 to 10.19% in 2002.

INTEREST RATE SENSITIVITY

A key component of BC's asset and liability policy is the management of interest rate sensitivity. Interest rate sensitivity is the relationship between market interest rates and net interest income due to the repricing characteristics of assets and liabilities. For any given period, the pricing structure is matched when an equal amount of assets and liabilities reprice. A mismatch in the maturity or repricing of the Bank's assets or liabilities results in a gap.

The Bank's interest-earning assets and interest-bearing liabilities are shown in the following table as of December 31, 2002. Variations in interest rate sensitivity may exist within the repricing period presented due to differing repricing dates within the period. Variations may also arise among the different currencies in which interest rate positions are held. The Bank's liabilities are primarily fixed-rate but with short maturities while assets are primarily variable-rate and reprice in general every three months, although BC does have some fixed-rate retail loans.

The Bank has a gap for a significant portion of its balance sheet, particularly related to maturities of less than three months and, therefore, an increase in interest rates should normally have a negative

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impact on net interest income. Thus, in a rising interest rate environment, the Bank's liabilities have been repricing faster than its assets with a resulting negative effect on net interest margin in the short term. If the rate increase is permanent, the effect in the net interest income is positive due to interest-earning assets being greater than interest-bearing liabilities. A declining interest rate environment, however, can normally be expected to have a positive effect on net interest margin in the short term as the Bank should be able to take advantage of decreased funding costs more quickly than its assets reprice. If the rate decrease is permanent, the effect in the net interest income is negative due to interest-earning assets being greater than interest bearing liabilities. The Bank manages the risk of maintaining a negative gap through the pricing of its interest-earning assets and hedging its exposure to interest rate risk by entering into transactions such as interest rate contracts designed to reduce the Bank's risk profile.

	EARLIER OF REMAINING MATURITY OR REPRICING AS OF DECEMBER 31, 2002			
	OVERNIGHT TO 3 MONTHS	FROM 3 TO 6 MONTHS	FROM 6 MONTHS TO 1 YEAR	FROM 1 TO 4 YEARS
	(in millions of pesos)			
INTEREST-EARNING ASSETS				
OVERNIGHT FUNDS				
Peso-denominated................	Ps 55,500	Ps --	Ps --	Ps --
Dollar-denominated..............	152,184	--	--	--
Total.......................	207,684	--	--	--
Investment securities				
Peso-denominated................	205,196	88,427	195,985	1,490,336
Dollar-denominated	80,512	142,129	53,000	787,870
Total.......................	285,708	230,556	248,985	2,278,206
Loans				
Peso-denominated................	4,170,768	31,388	69,591	213,863
Dollar-denominated..............	981,175	45,439	19,719	103,935
Total.......................	5,151,943	76,827	89,310	317,798
Total interest-earning assets				
Peso-denominated................	4,431,464	119,815	265,576	1,704,199
Dollar-denominated..............	1,213,871	187,568	72,719	891,805
Total.......................	Ps5,645,335	Ps307,383	Ps338,295	Ps2,596,004
INTEREST-BEARING LIABILITIES				
Checking accounts (1)				
Peso-denominated................	Ps 207,917	Ps --	Ps --	Ps --
Dollar-denominated..............	607,462	--	--	--
Total.......................	815,379	--	--	--
Time Deposits				
Peso-denominated................	1,115,084	351,049	270,182	222,340
Dollar-denominated..............	1,052,443	336,937	148,811	105,592
Total.......................	2,167,527	687,986	418,993	327,932
Savings Deposits				
Peso-denominated................	2,294,374	--	--	--
Dollar-denominated..............	104,352	--	--	--
Total.......................	2,398,726	--	--	--
Overnight funds				
Peso-denominated................	550,807	--	--	--
Dollar-denominated..............	59,351	--	--	--

Total	610,158	--	--	--
Borrowings from domestic development banks and Interbank				
Peso-denominated	161,523	22,608	35,273	255,622
Dollar-denominated	295,627	93,985	22,308	31,441
Total	457,150	116,593	57,581	287,063
Total interest-bearing liabilities				
Peso-denominated	4,329,705	373,657	305,455	477,962
Dollar-denominated	2,119,235	430,922	171,119	137,033
Total	Ps6,448,940	Ps804,579	Ps476,574	Ps 614,995
Asset/liability gap				
Peso-denominated	101,759	(253,842)	(39,879)	1,226,237
Dollar-denominated	(905,364)	(243,354)	(98,400)	754,772
Total	Ps(803,605)	Ps(497,196)	Ps(138,279)	Ps1,981,009

EARLIER OF REMAINING MATURITY OR REPRICING PERIOD AS OF DECEMBER 21, 2002

(in millions of pesos, except percentages)

	OVERNIGHT TO 3 MONTHS	FROM 3 TO 6 MONTHS	FROM 6 MONTHS TO 1 YEAR	1-4 YEARS
Cumulative gap				
Peso-denominated	Ps 101,759	Ps (152,083)	Ps (191,962)	Ps1,034,
Dollar-denominated	(905,364)	(1,148,718)	(1,247,118)	(492,
Total	Ps(803,605)	Ps(1,300,801)	Ps(1,439,080)	Ps 541,
Gap as a % of total interest earning assets				
Peso-denominated	2%	(212)%	(15)%	
Dollar-denominated	(75)%	(130)%	(135)%	
Total	(14)%	(162)%	(41)%	
Cumulative gap as a % of cumulative total interest-earning assets				
Peso-denominated	2%	(127)%	(72)%	
Dollar-denominated	(75)%	(612)%	(1715)%	(
Total	(14)%	(423)%	(425)%	

MARKET RISK

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 officers.

The measurement of market risk, the performance, the results of the Bank's investment portfolio and the compliance with policies are reported to the Bank's senior officers, specifically to the Assets and Liabilities Management Committee ("CAP"), to the Risks Committee and also to the Board of Directors.

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 Financial and Accounting Norm (Norm 100 of 1995) of 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;
- exchange rate risk; and
- stock price risk.

Following is a brief explanation of the methodology used by Bancolombia to calculate the VaR based on interest rate risk, exchange rate risk and stock price risk.

INTEREST RATE RISK

Bancolombia calculates the interest rate risk for local currency, foreign currency and UVR in accordance with Chapter XXI of the Basic Financial and Accounting Norm. 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 on 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"), 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: Is the 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, the duration enables to measure the sensitivity of the price of a position regarding interest rate changes.

Delta-i: Maximum probable variation of the interest rate for the instrument or position of the balance.

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		VALUE AT RISK FOR	
		VPN	DUR
ASSETS			
Overnight Funds	Ps	55,000.13	0.07
Trading Securities Issued by the Colombian Government - TES IPC Rate		30,406.03	12.99
Trading Securities Issued by the Colombian Government - TES Fixed Rate		535,249.51	23.30
Other Trading Securities Issued by the Colombian Government		20,153.33	6.40
Trading Securities Issued by Financial Institutions		254,731.91	1.98
Other Marketable Trading Securities		29,637.28	1.77
Held to Maturity Securities Issued by the Colombian Government - TES Fixed Rate		230,808.46	16.11
Available for Sale Issued by the Colombian Government - TES Fixed Rate		15,249.15	30.11
Available for Sale Issued by Financial Institutions		22,576.74	0.92
Commercial Loans - Fixed Rate		630,265.73	4.65
Commercial Loans - Variable Rate		3,296,619.60	2.09
Mortgage Loans in Pesos		1,457.97	17.95
Consumer Loans - Fixed Rate		406,791.16	6.17
Consumer Loans - Variable Rate		542,839.38	2.92
Small business loans - Fixed Rate		26,689.74	12.43
Small business loans - Variable Rate		65,039.97	4.63
Other Assets		48,351.44	30.41
Contingencies		251,700.40	6.26
Rights Buyback Trading Securities Issued by the Colombian Government - TES IPC Rate		998.89	11.08
Rights Buyback Trading Securities Issued by the Colombian Government - TES Fixed Rate		82,981.65	20.40
Rights Buyback Other Trading Securities Issued by the Colombian Government (TES not included)		634.97	8.27
Rights Buyback Trading Securities Issued by Financial Institutions		180,888.73	1.38
Rights Buyback Other Marketable Trading Securities		15,451.41	3.65
Rights Buyback Held to Maturity Securities Issued by the Colombian			

Government - TES Fix Rate	167,676.87	14.72
Rights Buyback Available for Sale Issued by the Colombian Government - TES Fixed Rate	400,506.46	30.04
Total	Ps7,312,706.88	
LIABILITIES		
Non-Interest Bearing Checking Accounts	Ps1,950,231.69	21.57
Interest Bearing Checking Accounts	135,748.99	2.55
Time Deposits	1,981,953.02	2.09
Savings Deposits	134,546.71	0.29
Saving Deposits	2,171,306.97	0.90
Overnight Funds	6,512.41	0.50
Repurchase Agreements	670,190.68	0.39
Bank Acceptances Outstanding	3,077.52	1.28
Interbank Borrowings	529,191.18	2.27
Long Term Debt	29,730.07	3.70
Total	Ps7,612,489.24	
INTEREST RATE DERIVATIVES		
Forward Contracts Rights Issued by the Colombian Government - TES DTF Rate	Ps 3,563.30	1.82
Forward Contracts Rights Issued by the Colombian Government - TES IPC Rate	963.10	1.13
Forward Contracts Rights Issued by the Colombian Government - TES Fixed Rate	49,620.36	17.58
Forward Contracts Rights Issued by Financial Institutions	11,955.81	5.94
Forward Contracts Commitments to Discount	(64,761.01)	0.63
Forward Contracts Commitments Issued by the Colombian Government - TES IPC Rate	(17,506.44)	6.61
Forward Contracts Commitments other Securities	(11,592.29)	5.08
Forward Contracts Rights to Discount	79,508.38	1.40
Total	Ps 51,751.21	
FOREIGN EXCHANGE FORWARD CONTRACTS		
Foreign Exchange Contracts Rights in Local Currency	Ps 651,485.90	2.87
Foreign Exchange Contracts Commitments in Local Currency	(253,303.63)	1.98
Total	Ps 398,182.27	

	VALUE AT RISK FOR F	
	VPN	DUR
ASSETS		
Overnight Funds	1,150,001.19	0.07
Trading Securities Issued by the Colombian Government - TES INDEX TRM	6,694,212.97	63.88
Trading Securities Issued by the Colombian Government - TES YANKEES	3,842,689.54	37.11
Other Trading Securities Issued by the Colombian Government		

(Other Than TES)	33,868,156.95	16.63
Other Marketable Trading Securities..................................	1,013,088.44	36.82
Held to Maturity Securities Issued by the Colombian Government - TES YANKEES..	9,093,002.19	25.39
Other Held to Maturity Securities Issued by the Colombian Government (TES not included)	60,147,015.60	30.48
Other Available for sale Issued by the Colombian Government (TES not included)	1,663,343.57	45.32
Commercial Loans - Fixed Rate..	8,718,414.72	7.08
Commercial Loans - Variable Rate.....................................	170,132,565.41	1.22
Consumer Loans - Fixed Rate..	10,490,078.63	0.90
Consumer Loans - Variable Rate.......................................	1,460,325.74	1.31
Small Loans - Variable Rate..	25,637.49	0.17
Rights Buyback Other Trading Securities Issued by the Colombian Government (TES not included)	11,520,054.12	6.03
Rights Buyback Other Available for Sale Issued by the Colombian Government (TES not included)	18,027,567.60	45.32
	337,846,154.16	
LIABILITIES		
Other	3,674,445.44	0.03
Overnight Funds..	10,000,000.00	0.03
Repurchase Agreements..	21,493,564.69	0.25
Interbank Borrowings	192,156,339.60	2.64
	227,324,349.74	
INTEREST RATE DERIVATES		
Forward Contracts Rights Issued by the Colombian Government - TES YANKEES..	1,009,131.11	1.20
Forward Contracts Commitments to Discount............................	(1,016,918.45)	1.20
	(7,787.34)	
FOREIGN EXCHANGE FORWARD CONTRACTS		
Foreign Exchange Contracts Rights in Foreign Currency...............	92,330,063.59	1.97
Foreign Exchange Contracts Commitments in Foreign Currency..........	(238,509,347.62)	2.82
	(146,179,284.03)	

		UVR
	VPN	DUR
Trading Securities Issued by the Colombian Government - TES Fixed Rate	Ps192,323,308.43	36.47
Other Trading Securities Issued by the Colombian Government (Other than TES)..	737,611,099.00	103.03
Trading Securities Issued by Financial Institutions.................	317,069,299.88	13.38
Other Marketable Trading Securities..................................	21,773,200.00	105.91
Rights Buyback Other Available for Sale Issued by the Colombian Government (Other than TES)..	78,088,200.00	120.22

Total..	Ps1,346,865,107.31	
INTEREST RATE DERIVATIVES		
Forward contracts Rights to Discount...............................	10,642,404.35	0.07

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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 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"), 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, whatever 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 Banking Superintendency.

For publicly traded stocks:

VaR = PosA* Delta-p

For non-publicly traded stocks:

VaR = PosA* 1.2 * Delta-p

EXCHANGE RATE SENSIVITY

	P. NETA	DI	VER
PRICE RISK			
U.S Dollars	(279,561)	0.0285	(7,968)
Japanese Yen	149	0.0587	9
British Pound	(98)	0.0587	(6)
Venezuelan Bolivar	4	0.0285	0
Canadian Dollars	163	0.0285	5

Swiss Franc	252	0.0587	15
Euro	476	0.0587	28
Krona	24	0.0587	1
Krone	27	0.0587	2
	--------	------	------
			(7,914)
UVR			
French Without Uvr	17,593	0.0390	6,861
SHARES			
Available for Sale	118,173	0.0808	9,548

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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. Such market risk VaR is included in the solvency calculation in accordance with Decree 1720 of 2001.

[MATHEMATICAL FORMULA]

The Bank's aggregate market risk VaR, as of December 31, 2002, was Ps 47.3 billion.

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.

B. LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY AND FUNDING

The Bank requires liquid funds in order to honor withdrawals of deposits, to make repayments upon maturity of other liabilities, to extend loans or other forms of credit to its customers and to meet its own working capital needs. The minimum amount of liquidity required is determined by the reserve requirements established by the Central Bank. The Bank's policy is to ensure that sufficient liquidity is available to meet funding requirements, including the replacement of existing funds as they mature or are withdrawn and the satisfaction of demand for additional borrowings. These requirements are met by

maintaining a proper balance between maturity distribution and diversity of sources of funds. BC believes that its working capital is sufficient for its present requirements.

In the short term, the Bank has a negative gap position in terms of maturities. The gap is eliminated and reverses as maturities are extended. This is a systemic characteristic inherent to the Colombian financial system, which historically resulted from the unavailability of medium-to long-term funding instruments in Colombia.

Traditionally, Colombian banks, unlike U.S. banks, have not had access to longer-term funding as a result of the high inflation rates in Colombia and the uncertainty caused by the volatility of the interest rates, even though during the last years those rates have been decreasing. Accordingly, investors in Colombia require liquidity and have a preference for short-term investments. BC's deposit base is primarily short term; however, the stable nature of its deposit base has enabled the Bank to offer longer-term loans, such as automobile loans. As a consequence of the development of Colombia's capital markets, the Bank believes that longer-term funding will become available so as to enable credit institutions to minimize liquidity risks, although no assurances can be made in this regard.

BC has various sources of liquidity such as short-term and marketable investments; domestic interbank credit lines, international commercial bank credit lines, interbank borrowings and securities repurchase transactions. The Bank's marketable investments are very liquid in the Colombian market and within BC this kind of securities have high-level rotation. In addition, the Bank generally has access to funds from the Central Bank, which have been used from time to time on a short-term basis.

The share of total Checking deposits has decreased to 25.6% in 2002 from 29.1% and 26.8% as of December 31, 2000 and 2001 respectively.

Another important source of funding are time deposits which represented 35.4%, 39.6% and 34.2% of the Bank's total funding at the end of 2000, 2001 and 2002, respectively. Furthermore, the Bank relies on short-term deposits for its funding which means that 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 levels of funding without incurring higher funding costs or liquidation of certain assets.

Cash flows for the Bank include net cash provided by operating activities, net cash used in investing activities and net cash provided by financing activities. For the years ended December 31, 2000, 2001 and 2002, net cash provided by operating activities equaled Ps 13,425 million, Ps 371,755 million and Ps 546,935 million, respectively. For the years ended December 31, 2000, 2001 and 2002, net cash used in investing activities equaled Ps 793,270 million, Ps 1,720,964 million and Ps 2,315,976 million, respectively. This increase was mainly due to a net increase in the loan portfolio and purchases of investment securities. For the years ended December 31, 2000, 2001 and 2002, net cash provided by financing activities equaled Ps 835,687 million, Ps 1,342,436 million and Ps 1,906,651 million, respectively. This increase was mainly the result of an increase in deposits.

The Bank's principal sources of funds are customer deposits (consisting of time deposits, checking accounts and savings deposits), interbank borrowings, overnight funds, development fund borrowings, and bank acceptances outstanding. Below is a breakdown of the Bank's funding as of December 31, 2000, 2001 and 2002:

	AS OF DECEMBER 31,				
	2000	% OF TOTAL FUNDING	2001	% OF TOTAL FUNDING	2
	(in millions of pesos, except percentages)				
Checking deposits					
Peso-denominated	Ps1,708,423	23.4%	Ps1,805,085	20.9%	Ps 2,
Dollar-denominated	417,204	5.7%	512,577	5.9%	
Total	2,125,627	29.1%	2,317,662	26.8%	2,
Time deposits					
Peso-denominated	1,519,316	20.9%	2,112,815	24.4%	1,
Dollar-denominated	1,055,896	14.5%	1,313,814	15.2%	1,
Total	2,575,212	35.4%	3,426,629	39.6%	3,
Savings deposits					
Peso-denominated	1,317,036	18.1%	1,700,913	19.7%	2,
Dollar-denominated	47,023	0.7%	68,951	0.8%	
Total	1,364,059	18.8%	1,769,864	20.5%	2,
Other deposits					
Peso-denominated	29,346	0.4%	39,664	0.5%	
Dollar-denominated	21,778	0.3%	27,029	0.3%	
Total	51,124	0.7%	66,693	0.8%	
Interbank Borrowings					
Peso-denominated	--	0.0%	--	0.0%	
Dollar-denominated	564,368	7.8%	399,595	4.6%	
Total	564,368	7.8%	399,595	4.6%	
Overnight funds					
Peso-denominated	211,764	2.9%	202,994	2.3%	
Dollar-denominated	--	0.0%	--	0.0%	
Total	211,764	2.9%	202,994	2.3%	
Domestic development bank					

borrowings					
Peso-denominated	248,774	3.4%	376,450	4.4%	
Dollar-denominated	94,961	1.3%	54,609	0.6%	
Total	343,735	4.7%	431,059	5.0%	
Bank acceptances outstanding					
Peso-denominated	7,246	0.1%	8,185	0.1%	
Dollar-denominated	38,595	0.5%	22,881	0.3%	
Total	45,841	0.6%	31,066	0.4%	
Total funding					
Peso-denominated	5,041,905	69.2%	6,246,106	72.2%	7,
Dollar-denominated	2,239,825	30.8%	2,399,456	27.8%	2,
Total	Ps7,281,730	100.0%	Ps8,645,562	100.0%	Ps10,

The Bank obtains funding from official institutions such as Bancoldex for development projects and export financing. These institutions have historically been the primary sources of long-term funding in Colombia. The originating entity will usually prescribe the use to which the funds will be put but will not impose any other lending criteria. The Bank conducts its own credit analysis in deciding whether to act as intermediary for these on-lending activities and is obligated to repay the loan regardless of the performance of the borrower.

The Bank also uses domestic credit lines from other banks as a source of overnight funding for short-term investments and for covering temporary reserve shortages. This source of funds constituted 2.9%, 2.3% and 5.8% of total funding at December 31, 2000, 2001 and 2002, respectively. At January 31, 2003, domestic credit lines constituted 4.7% of BC's total funding.

Interbank borrowings from foreign banks and from domestic banks in U.S. dollars (such as Bancoldex dollar-denominated development borrowings) are based on LIBOR. Interbank peso

borrowings are based on the domestic market rate in effect at that time. Peso-denominated development fund borrowings are based on DTF. Almost all such borrowings are on a floating rate basis. BC also has a correspondent banking network with other banks in Latin America and elsewhere. As of December 31, 2002, the Bank had international trade lines with 60 international banks providing credit facilities for up to US$1,000 billion.

In the event that the Bank has a liquidity shortfall, it might be required to increase liquidity by selling assets at a discount. The Bank manages this risk by analyzing the maturity of assets, liabilities and off-balance sheet positions. In addition, management believes that the relatively high volume and quality of the net liquid assets owned by the Bank helps it to maintain its liquidity position and its ability to meet its commitments when due. However, no assurance can be given that in the event of a liquidity shortfall, the Bank would not be required to sell assets at a discount.

OFF-BALANCE SHEET ARRANGEMENTS

We do not have any transactions, arrangements or other relationships with unconsolidated entities or other persons that are reasonably likely to have a material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or our access to our requirements for capital resources. In addition, we do not have relationships with any unconsolidated entities that are contractually limited to narrow activities that facilitate our transfer of or access to assets.

CAPITAL EXPENDITURES

The Bank has made significant capital expenditures in advanced computer systems and other technology over the last three years to further increase the efficiency and volume of its operations, the range of services offered to its customers and its productivity, while maintaining a streamlined work force. The Bank intends to continue to invest in the development of such systems and technologies during 2003.

In 2002, of a total budget of Ps 54,700 million (US$21.8 million) for capital expenditures, the Bank spent Ps 24,300 million (US$9.7 million) updating its computer and telecommunications networks, system software technology and in other technology investments. For 2003, the Bank has budgeted Ps 76,200 million for further capital expenditures, of which approximately Ps 47,000 million are intended for further investments in technology, part of which may be acquired through purchases and the rest through leasing. The Bank may also make additional capital expenditures, for which no amounts have yet been budgeted.

During 2002, BC sold fixed assets of Ps 34,247 million (US$13.7 million), of which 93% were foreclosed assets.

CAPITAL

SHAREHOLDERS' EQUITY

As of December 31, 2002, the Bank's shareholders' equity was Ps 1,284,348 million, a 32.3% increase from Ps 970,451 million as of December 31, 2001. BC's shareholders' equity is comprised of subscribed and paid-in capital, retained earnings and surplus (which is comprised of the reappraisal of

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assets; see Note 2 to the Financial Statements). The main cause for the increase in shareholders' equity was an increase in retained earnings and a gross unrealized gain on investments available for sale.

CAPITALIZATION PROGRAM

In connection with a capitalization program completed on March 28, 2000 under which additional capital was raised to approximately $176 million, Bancolombia entered into several agreements with Capital International Global Emerging Markets Private Equity Fund, L.P., a limited partnership organized under the laws of Delaware, and certain of its affiliates (collectively, "CIPEF"). Under a stock subscription agreement with Bancolombia, CIPEF, for a consideration of approximately Ps 81.4 billion, acquired approximately 77.6

million of the total of 120,375,229 Preference Shares issued in the capitalization program. All such Preference Shares were registered for resale through the Bank's ADR facility with the United States Securities and Exchange Commission (the "Commission"), under a registration statement on Form F-3 (File No. 333-12658), which went into effect on October 12, 2000. Furthermore, the Bank, under a shareholder rights agreement, granted CIPEF certain management information and consulting rights as well as consent rights for certain material transactions of the Bank. All such agreements with CIPEF were filed with the Commission as exhibits to Bancolombia's Annual Report on Form 20-F for 1999.

VOLUNTARY BALANCE SHEET RESTRUCTURING

In the second quarter of 2000, following the successful completion of the capitalization program, and with the concurrence of the Superintendency of Banking, the Bank approved a voluntary balance sheet restructuring program (saneamiento voluntario), which enabled it, pursuant to Colombian law, to use some of the new funds received under the capitalization program to offset charges on the balance sheet. As of April 30, 2000, Bancolombia had made allowances and write-offs under the voluntary balance sheet restructuring program of approximately Ps 196,558 million, which amount was transferred from the capital surplus account, for past due loans, non-performing loans and foreclosed assets. As a result, Bancolombia had a coverage ratio of 116% for past-due loans and of 156%, on an unconsolidated basis, for non-performing loans, as well as a Technical Capital (expressed as a percentage of risk weighted assets) of 11%. In addition, the balance sheet restructuring carried out by BC helped to improve the relation of interest-earning assets to interest-bearing liabilities. See Note 28 to the Financial Statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified the accounting policies that are critical to our business operations and the understanding of its results of operations. These critical accounting policies are those which involve the most complex or subjective decisions or assessments, and relate to loan loss allowances and the determination of the fair value of financial assets and liabilities, including impairment charges and foreclosed asset allowances and are discussed in detail under "C. Selected Statistical Information -- "Investment Securities"; "Classification of the Loan Portfolio"; "Allowance for Loan Losses"; and "New Provision System" below.

In each case, the determination of these items is fundamental to our financial condition and results of operations, and requires management to make complex judgments based on information and financial data that may change in future periods. As a result, determinations regarding these items necessarily involve the use of assumptions and subjective judgments as to future events and are subject to change, and the use of different assumptions or data could produce materially different results.

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C. SELECTED STATISTICAL INFORMATION

The following information should be read in conjunction with "Item 5. Operating and Financial Review and Prospects" and the Financial Statements included in this Annual Report.

AVERAGE BALANCE SHEET AND INTEREST RATE DATA

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 would be smaller than the nominal average interest rate if the inflation rate were positive, and the real average interest rate would be greater than the nominal average interest rate if the inflation rate were negative (i.e., becomes a deflation rate). 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, 2000, 2001 and 2002, 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 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 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.

	YEAR ENDED DECEMBER 31,					
	2000					
	AVERAGE BALANCE	INTEREST EARNED	AVERAGE NOMINAL INTEREST RATE	AVERAGE REAL INTEREST RATE	AVERAGE BALANCE	INTER EARN
					(in millions of p	
ASSETS(1)						
INTEREST-EARNING ASSETS(2):						
Overnight Funds						
Peso-denominated	Ps 56,061	Ps 11,992	21.4%	11.6%	Ps 16,060	Ps 13
Dollar-denominated	129,513	6,483	5.0%	5.0%	238,230	8
Total	185,574	18,475	10.0%		254,290	21
Investment securities						
Peso-denominated	630,779	106,486	16.9%	7.5%	889,566	12
Dollar-denominated	760,927	39,089	5.1%	5.1%	1,241,754	35
Total	1,391,706	145,575	10.5%		2,131,320	48
Loans(3)						
Peso-denominated	3,368,956	589,911	17.5%	8.1%	4,099,831	747
Dollar-denominated	999,663	88,672	8.9%	8.9%	1,024,660	63
Total	4,368,619	678,583	15.5%		5,124,491	811
Total interest-earning assets(4)						
Peso-denominated	4,055,796	708,389	17.5%	8.0%	5,005,457	773
Dollar-denominated	1,890,103	134,244	7.1%	7.1%	2,504,644	108
Total	5,945,899	842,633	14.2%		7,510,101	881
NON INTEREST-EARNING ASSETS:						
Cash due from banks and Central Bank						
Peso-denominated	318,021				362,048	
Dollar-denominated	31,129				44,474	
Total	349,150				406,522	
Allowance for loan losses						
Peso-denominated	(286,182)				(251,987)	
Dollar-denominated	(26,689)				(44,873)	
Total	(312,871)				(296,860)	
Non-performing loans						
Peso-denominated	165,861				110,935	

Dollar-denominated	25,646	26,301
Total	191,507	137,236
Customers' acceptances		
Peso-denominated	3,465	4,575
Dollar-denominated	26,330	34,480
Total	29,795	39,055
Accounts receivable, net		
Peso-denominated	160,853	165,394
Dollar-denominated	15,646	12,003
Total	176,499	177,397

	YEAR ENDED DECEMBER 31,			
	2002			
	AVERAGE BALANCE	INTEREST EARNED	AVERAGE NOMINAL INTEREST RATE	AVERAGE REAL INTEREST RATE
ASSETS(1)				
INTEREST-EARNING ASSETS(2):				
Overnight Funds				
Peso-denominated	Ps 14,221	Ps 9,730	68.4%	57.4%
Dollar-denominated	226,535	2,095	0.9%	0.9%
Total	240,756	11,825	4.9%	
Investment securities				
Peso-denominated	1,908,293	6,352	0.3%	-6.3%
Dollar-denominated	1,663,565	(6,105)	-0.4%	-0.4%
Total	3,571,858	247	0.0%	
Loans(3)				
Peso-denominated	4,355,031	671,657	15.4%	7.9%
Dollar-denominated	1,046,841	54,455	5.2%	5.2%
Total	5,401,872	726,112	13.4%	
Total interest-earning assets(4)				
Peso-denominated	6,277,545	687,739	11.0%	3.7%
Dollar-denominated	2,936,941	50,445	1.7%	1.7%
Total	9,214,486	738,184	8.0%	
NON INTEREST-EARNING ASSETS:				
Cash due from banks and Central Bank				
Peso-denominated	386,770			
Dollar-denominated	28,403			
Total	415,173			
Allowance for loan losses				
Peso-denominated	(250,972)			

Dollar-denominated	(42,164)
Total	(293,136)
Non-performing loans	
Peso-denominated	130,228
Dollar-denominated	44,536
Total	174,764
Customers' acceptances	
Peso-denominated	(3,799)
Dollar-denominated	23,980
Total	20,181
Accounts receivable, net	
Peso-denominated	166,091
Dollar-denominated	6,801
Total	172,892

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	YEAR ENDED DECEMBER 31,					
	2000					
	AVERAGE BALANCE	INTEREST EARNED	AVERAGE NOMINAL INTEREST RATE	AVERAGE REAL INTEREST RATE	AVERAGE BALANCE	INTER EARN
	(in millions of p					
Foreclosed assets, net						
Peso-denominated	106,356				94,636	
Dollar-denominated	112				-	
Total	106,468				94,636	
Premises and equipment, net						
Peso-denominated	478,172				454,825	
Dollar-denominated	109,561				97,981	
Total	587,733				552,806	
Other assets						
Peso-denominated	806,317				780,607	
Dollar-denominated	43,914				63,684	
Total	850,231				844,291	
Total non interest-earning assets						
Peso-denominated	1,752,863				1,721,033	
Dollar-denominated	225,649				234,050	
Total	1,978,512				1,955,083	
TOTAL ASSETS	PS7,924,411	PS842,633			PS9,465,184	PS881

	YEAR ENDED DECEMBER 31,			
	2002			
	AVERAGE BALANCE	INTEREST EARNED	AVERAGE NOMINAL INTEREST RATE	AVERAGE REAL INTEREST RATE
Foreclosed assets, net				
Peso-denominated	74,314			
Dollar-denominated	1,050			
Total	75,364			
Premises and equipment, net				
Peso-denominated	490,785			
Dollar-denominated	152,897			
Total	643,682			
Other assets				
Peso-denominated	671,958			
Dollar-denominated	85,997			
Total	757,955			
Total non interest-earning assets				
Peso-denominated	1,665,375			
Dollar-denominated	301,500			
Total	1,966,875			
TOTAL ASSETS	PS11,181,361	PS738,184		

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

Throughout this analysis, the nominal rate for the dollar-denominated activity is also considered to be the real 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 component interest rate subtotals are based on weighted averages using the average balances of the components.

Includes performing loans only.

Interest income and expenses resulting from the inflation adjustments are distributed to the individual asset/liability components for the purpose of determining the nominal and real rates.

YEAR ENDED DECEMBER 31,

2000

	AVERAGE BALANCE	INTEREST EARNED	AVERAGE NOMINAL INTEREST RATE	AVERAGE REAL INTEREST RATE	AVERAGE BALANCE
			(in millions of pesos, except per		
LIABILITIES AND SHARE-HOLDERS' EQUITY(1)(2)(3)					
INTEREST-BEARING LIABILITIES:					
Checking deposits					
Peso-denominated	Ps 177,619	Ps 11,195	6.3%	(2.3)%	Ps 102,257
Dollar-denominated	397,140	20,345	5.1%	5.1%	506,098
Total	574,759	31,540	5.6%		608,355
Time deposits					
Peso-denominated	1,505,107	187,292	12.4%	3.4%	1,802,223
Dollar-denominated	871,572	57,619	6.6%	6.6%	1,165,018
Total	2,376,679	244,911	10.3%		2,967,241
Savings deposits					
Peso-denominated	1,353,366	85,810	6.3%	(2.2)%	1,646,305
Dollar-denominated	32,844	1,819	5.5%	5.5%	64,045
Total	1,386,210	87,629	6.3%		1,710,350
Overnight funds					
Peso-denominated	89,173	7,714	8.7%	(0.1)%	321,138
Dollar-denominated	-	-			-
Total	89,173	7,714	8.7%		321,138
Borrowings from domestic development banks					
Peso-denominated	213,487	32,467	15.2%	5.9%	259,401
Dollar-denominated	148,610	9,063	6.1%	6.1%	110,993
Total	362,097	41,530	11.5%		370,394
Interbank borrowings					
Peso-denominated	-	-			-
Dollar-denominated	535,748	42,094	7.9%	7.9%	472,975
Total	535,748	42,094	7.9%		472,975
Long-term debt					
Peso-denominated	22,082	3,437	15.6%	6.3%	11,991
Dollar-denominated	-	-			-
Total	22,082	3,437	15.6%		11,991
Fiduciary deposits					
Peso-denominated	-	-			-
Dollar-denominated	-	-			-
Total	-	-			-
Total interest-bearing liabilities					
Peso-denominated	3,360,834	327,915	9.8%	0.9%	4,143,315
Dollar-denominated	1,985,914	130,940	6.6%	6.6%	2,319,129
Total	5,346,748	458,855	8.6%		6,462,444
NON-INTEREST-BEARING LIABILITIES:					

Checking accounts		
Peso-denominated	1,080,749	1,182,007
Dollar-denominated	33	23
Total	1,080,782	1,182,030
Other deposits		
Peso-denominated	17,859	130,692
Dollar-denominated	24,369	40,278

	YEAR ENDED DECEMBER 31,			
	2002			
	AVERAGE BALANCE	AVERAGE NOMINAL INTEREST EARNED	AVERAGE REAL INTEREST RATE	INTEREST RATE
	(in millions of pesos, except percentages)			
LIABILITIES AND SHARE-HOLDERS' EQUITY(1)(2)(3)				
INTEREST-BEARING LIABILITIES:				
Checking deposits				
Peso-denominated	Ps 90,332	Ps 2,962	3.3%	-3.4%
Dollar-denominated	576,933	10,013	1.7%	1.7%
Total	667,265	12,975	1.9%	
Time deposits				
Peso-denominated	2,167,388	211,375	9.8%	2.6%
Dollar-denominated	1,386,388	48,903	3.5%	3.5%
Total	3,553,776	260,278	7.3%	
Savings deposits				
Peso-denominated	2,077,699	105,442	5.1%	-1.8%
Dollar-denominated	83,796	1,383	1.7%	1.7%
Total	2,161,495	106,825	4.9%	
Overnight funds				
Peso-denominated	363,623	22,569	6.2%	-0.7%
Dollar-denominated	81,474	4,076	5.0%	5.0%
Total	445,097	26,645	6.0%	
Borrowings from domestic development banks				
Peso-denominated	436,132	43,722	10.0%	2.8%
Dollar-denominated	77,540	5,595	7.2%	7.2%
Total	513,672	49,317	9.6%	
Interbank borrowings				
Peso-denominated	-	-		
Dollar-denominated	505,832	9,404	1.9%	1.9%
Total	505,832	9,404	1.9%	1.9%
Long-term debt				
Peso-denominated	20,776	779	3.7%	-3.1%
Dollar-denominated	-	-		

Total	20,776	779	3.7%	3.7%
Fiduciary deposits				
Peso-denominated	-	-		
Dollar-denominated	-	-		
Total	-	-		
Total interest-bearing liabilities				
Peso-denominated	5,155,950	386,849	7.5%	0.5%
Dollar-denominated	2,711,963	79,374	2.9%	2.9%
Total	7,867,913	466,223	5.9%	
NON-INTEREST-BEARING LIABILITIES:				
Checking accounts				
Peso-denominated	1,437,429			
Dollar-denominated	21			
Total	1,437,450			
Other deposits				
Peso-denominated	48,331			
Dollar-denominated	50,513			

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YEAR ENDED DECEMBER 31,

	2000				
	AVERAGE BALANCE	INTEREST EARNED	AVERAGE NOMINAL INTEREST RATE	AVERAGE REAL INTEREST RATE	AVERAGE BALANCE
	(in millions of pesos, except per				
Total	42,228				170,970
Bank Acceptances Outstanding					
Peso-denominated	5,064				4,607
Dollar-denominated	26,330				34,480
Total	31,394				39,087
Fiduciary deposits					
Peso-denominated	44,750				22,860
Dollar-denominated	-				-
Total	44,750				22,,860
Other liabilities					
Peso-denominated	366,901				484,984
Dollar-denominated	41,581				29,019
Total	408,482				514,003
Shareholders' equity					
Peso-denominated	967,150				1,002,941

Dollar-denominated	2,877		70,849
Total	970,027		1,073,790
Total non-interest bearing liabilities			
Peso-denominated	2,482,473		2,828,091
Dollar-denominated	95,190		174,649
Total	2,577,663		3,002,740
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	PS7,924,411	PS458,855	PS9,465,184

	YEAR ENDED DECEMBER 31,			
	2002			
	AVERAGE BALANCE	INTEREST EARNED	AVERAGE NOMINAL INTEREST RATE	AVERAGE REAL INTEREST RATE
	(in millions of pesos, except percentages)			
Total	98,844			
Bank Acceptances Outstanding				
Peso-denominated	4,243			
Dollar-denominated	23,980			
Total	28,223			
Fiduciary deposits				
Peso-denominated	-			
Dollar-denominated	-			
Total	-			
Other liabilities				
Peso-denominated	673,000			
Dollar-denominated	45,472			
Total	718,472			
Shareholders' equity				
Peso-denominated	939,774			
Dollar-denominated	90,685			
Total	1,030,459			
Total non-interest bearing liabilities				
Peso-denominated	3,102,777			
Dollar-denominated	210,671			
Total	3,313,448			
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	PS11,181,361	PS466,223		

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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 rate for the dollar-denominated

activity is also considered to be the real 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. Individuals component interest rate subtotals are based on weighted averages using the average balances of the components.

(3) Includes performing loans only.

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

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

The following table allocates changes in the Bank's net interest income between 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, 2002 compared to the fiscal year ended December 31, 2001; and the fiscal year ended December 31, 2001 compared to the fiscal year ended December 31, 2000. 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 rate have been allocated to volume.

	2000-2001 INCREASE (DECREASE) DUE TO CHANGES			INC D
	VOLUME	RATE	NET CHANGE	VOLUME
			(in millions of pesos)	
INTEREST-EARNING ASSETS:				
Overnight funds				
Peso-denominated	(33,364)	34,767	1,403	(1,258)
Dollar-denominated	3,769	(1,994)	1,775	(108)
Total	(29,595)	32,773	3,178	(1,366)
Investment securities				
Peso-denominated	3,711	(97,442)	(93,731)	3,391
Dollar-denominated	13,902	(17,088)	(3,186)	(1,549)
Total	17,613	(114,530)	(96,917)	1,842
Loans				
Peso-denominated	133,264	24,368	157,632	39,358
Dollar-denominated	1,559	(26,328)	(24,769)	1,154
Total	134,823	(1,960)	132,863	40,512
Total interest-earning assets				
Peso-denominated	103,611	(38,307)	65,304	41,491

Dollar-denominated	19,230	(45,410)	(26,180)	(503)
TOTAL	122,841	(83,717)	39,124	40,988
INTEREST-BEARING LIABILITIES:				
Checking accounts				
Peso-denominated	(3,074)	(3,950)	(7,024)	(391)
Dollar-denominated	3,909	(6,098)	(2,189)	1,229
Total	835	(10,048)	(9,213)	838
Time deposits				
Peso-denominated	39,277	11,672	50,949	35,613
Dollar-denominated	16,566	(8,414)	8,152	7,809
Total	55,843	3,258	59,101	43,422
Savings deposits				
Peso-denominated	19,720	5,298	25,018	21,893
Dollar-denominated	1,134	(625)	509	326
Total	20,854	4,673	25,527	22,219
Overnight funds				
Peso-denominated	19,590	(184)	19,406	2,637
Dollar-denominated	-	-	-	4,076
Total	19,590	(184)	19,406	6,713
Borrowings from domestic development banks				
Peso-denominated	6,309	(3,133)	3,176	17,719

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	2000-2001 INCREASE (DECREASE) DUE TO CHANGES			INC D
	VOLUME	RATE	NET CHANGE	VOLUME
			(in millions of pesos)	
Dollar-denominated	(1,721)	(2,263)	(3,984)	(2,414)
Total	4,588	(5,396)	(808)	15,305
Interbank borrowings				
Peso-denominated	-	-	-	-
Dollar-denominated	(2,676)	(19,258)	(21,934)	611
Total	(2,676)	(19,258)	(21,934)	611
Long-term debt				
Peso-denominated	(1,328)	(532)	(1,860)	329
Dollar-denominated	-	-	-	-
Total	(1,328)	(532)	(1,860)	329

Fiduciary deposits				
Peso-denominated	-	-	-	-
Dollar-denominated	-	-	-	-
Total	-	-	-	-
Total interest-bearing liabilities				
Peso-denominated	80,494	9,171	89,665	77,800
Dollar-denominated	17,212	(36,658)	(19,446)	11,637
TOTAL	97,706	(27,487)	70,219	89,437

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, 2000, 2001 and 2002, respectively.

	YEAR ENDED DECEMBER 3	
	2000	2001
	(in millions of pesos, except	
Total average interest-earning assets		
Peso-denominated	Ps 4,055,796	Ps 5,005,457
Dollar-denominated	1,890,103	2,504,644
Total	5,945,899	7,510,101
Average yield on average interest-earning assets		
Peso-denominated	17.4%	15.5%
Dollar-denominated	8.9%	4.3%
Total	14.7%	11.7%
Net interest earned(1)		
Peso-denominated	Ps 380,474	Ps 356,113
Dollar-denominated	3,304	(3,430)
Total	383,778	352,683
Net interest margin(2)		
Peso-denominated	9.4%	7.1%
Dollar-denominated	0.2%	(0.1)%
Total	6.5%	4.7%
Interest spread(3)		
Peso-denominated	7.7%	5.4%
Dollar-denominated	0.5%	(0.5)%
Total	5.6%	3.6%

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(1) Defined as interest income less interest paid and includes interest earned on investments.

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

assets.

(3) Defined as the difference between the average yield on interest-earning assets and the average rate paid on interest-bearing liabilities.

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ASSETS

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

	Y
	2000
Net income as a percentage of:	
Average total assets	(1.44)
Average shareholders' equity	(11.75)
Dividends per share as a percentage of net income per share(1)	--
Average shareholders' equity as a percentage of average total assets	12.24
Return on interest-earning assets(2)	14.2

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

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

INVESTMENT SECURITIES

The Bank acquires and holds investment securities for liquidity and other strategic purposes, or when it is required by law to do so. Under Colombian law, prior to 1995, banks were restricted from holding equity securities in their investment securities portfolio. Effective April 28, 1995, however, equity securities of liquid, publicly traded Colombian financial institutions may be held by banks as investment securities. See Note 2 to the Financial Statements. Equity investments are recorded at cost, adjusted for inflation from January 1, 1992 to December 31, 2002. See Note 2 to the Financial Statements. As of April 28, 1995, debt securities held by Colombian financial institutions are required to be marked to market monthly. See Note 2 to the Financial Statements. As of December 31, 2002, the value of BC's dollar-and peso-denominated portfolio on a consolidated basis was Ps 4,089,685 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.

The following table indicates the different categories of investments securities and the maximum face value for these to be recorded.

LONG - TERM CLASSIFICATION	MAXIMUM FACE VALUE (%)
BB+, BB, BB-	Eighty (80)
B+, B, B-	Sixty (60)
C	Fourty (40)
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"-

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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.

The following investments are excluded from this evaluation: (a) mandatory investments and investments held in reserve against deposits and securities issued or guaranteed by the Colombian Government or issued by the Central Bank; and (b) securities that are classified "high and medium liquidity" by the Superintendency of Securities as long as they maintain their rating categories. See Note 2 to the Financial Statements.

As of September 1, 2002, investment are to be classified as "trading", "available for sale" and "held to maturity". Trading investments may have fixed interest or variable yield. Available for sale investment securities must be held in the Bank's portfolio at least one year after such classification. These securities have to be recorded at cost and market value adjustments will be recorded in shareholder's equity. Held to maturity securities remain in the Bank's portfolio until maturity. These investments have since September 1, 2002 been recorded at cost. Later on, the present value of said investments are recorded as an increased value of the investment and the difference is recorded in the statement of operations.

As of December 31, 2002, most of the investment securities held by BC were classified as "A", except for two that were classified as "D", and five as "E". See Note 5 to the Financial Statements.

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

A
2000(1)(2)
(in

DOLLAR-DENOMINATED	
Securities issued or secured by the Colombian Government	Ps 621,171
Euronotes and Eurobonds	140,101
Securities issued by foreign governments	54,950
Others	140,886
Subtotal	957,108
PESO-DENOMINATED	
Securities issued or secured by the Colombian Government	222,716
Securities issued or secured by the Central Bank	6,718
Securities issued or secured by government entities	99,465
Securities issued or secured by other financial entities	186,106
Accounts receivable discounted	896
Others	14,937
Subtotal	530,838
Total	Ps 1,487,946

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(1) Includes debt securities only. The Bank's total long-term investments, net in equity securities were Ps 87,358 million, Ps 184,755 million and Ps 253,774 million for 2000, 2001 and 2002, respectively.

(2) These amounts are net of allowances for decline in value which were Ps 1,646 million for 2000, Ps 3,168 million for 2001 and Ps 10,313 million for 2002.

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As of December 31, 2002, the Bank did not have any investment that exceeded 10% of its shareholders' equity.

INVESTMENT SECURITIES PORTFOLIO MATURITY

The following table analyzes the maturities and weighted average nominal yields of the Bank's investment securities as of December 31, 2002:

	AS OF DECEMBER 31, 2002				
	MATURITY LESS THAN 1 YEAR		MATURITY BETWEEN 1 AND 5 YEARS		MATURITY MOR THAN 5 YEAR
	BALANCE(1)	YIELD %	BALANCE(1)	YIELD %	BALANCE(1)
	(in millions of pesos, except yi				
DOLLAR-DENOMINATED:					
Securities issued or secured by the Colombian government	Ps 91,447	5.79%	Ps 742,381	8.85%	Ps 488,643
Time deposits in financial entities	--	--	--	--	--
Loans bought at a discount	--	--	--	--	--

Euronotes and Eurobonds	117,454	6.57%	248,587	8.24%	7,298
Securities issued by foreign governments	--	--	--	--	--
Others	--	--	81,597	9.13%	10,572
Subtotal	208,901	6.23%	1,072,565	8.73%	506,513
PESO-DENOMINATED					
Securities issued or secured by the Colombian government	111,373	13.11%	1,317,193	13.94%	264,251
Securities issued or secured by the Central Bank	2,725	17.49%	9,036	11.23%	6
Securities issued or secured by government entities	49,366	12.35%	77,187	11.77%	7,966
Securities issued or secured by other financial entities	130,919	10.90%	114,798	12.23%	15,549
Accounts receivable discounted	--	--	--	--	--
Other	158,140	6.20%	38,027	10.40%	5,170
Subtotal	452,523	10.03%	1,556,241	13.60%	292,942
Total	Ps 661,424		Ps 2,628,80		Ps 799,455

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(1) These amounts are net of allowances for decline in value which were Ps 10,313 million in 2002.

LOAN PORTFOLIO

On October 5, 2000, through External Circular 070, the Colombian Superintendency of Banking introduced new modifications to Chapters II and III of External Circular No. 100 of 1995 (Basic Accounting and Financial), relating to the system of provisions for supervised institutions, and the role of guarantees in their incorporation process.

The Superintendency of Banking requires that banks in Colombia separate their loan portfolio into three categories, commercial, consumer, small business loan and mortgage, for purposes of determining allowances for loan losses and the non-performing loan portfolio. The commercial loan portfolio is defined as all peso- and dollar-denominated loans, even if to an individual, with a principal amount exceeding 300 minimum monthly salaries, or approximately Ps 99.6 million nominal pesos (approximately US$35,383), and small- and medium-sized commercial customer loans. The commercial loan portfolio also includes loans funded by discounting with the Central Bank and Bancoldex for lending to projects that those institutions approve and loans that are secured through real estate, unless they are classified as mortgage loans, independent of the size of the loan. In a similar way, the Bank may classify loans of less than 300 minimum monthly salaries as commercial loans according to its internal policies.

A consumer loan was defined by the Superintendency of Banking as a loan with a principal amount of less than or equal to 300 minimum monthly salaries, or approximately Ps 99.6 million nominal pesos, that may be made to individuals. These loans include all credit card loans and any other loans granted to an individual for purposes of financing the acquisition of consumer goods or the payment of services.

Each of the commercial and consumer loan portfolios is segregated into secured and unsecured loans. A secured loan is one the repayment of which is secured by real property or certain other types of property, whereas an unsecured loan is supported by an undertaking from the borrower or a third-party guarantor, but does not involve the creation of a security interest in property. Mortgage loans are loans secured by real property where such property serves as collateral to secure all or a part of its purchase price.

In October 2001, the Superintendency of Banking issued External Circular 050, which modified the classification of loan portfolios in financial statements beginning March 2002. This new classification was ratified by External Circular 011 all of March 5, 2002, which introduced new amendments regarding management of credit risk. External Circular 050 and External Circular 011, require classification of loans into four categories: mortgage, consumer, small business loans and commercial (which involves ordinary, preferential and treasury loans).

- Mortgage loans are loans, independent of the amount, granted to individuals to acquire new or used homes, or for the construction of individual homes.

- 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 ("microloans") are loans granted to very small corporations with indebtedness levels with the corresponding entity not higher than 25 minimum monthly legal salaries (US$2,949) (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 minimum monthly legal salaries (US$59,090)).

- Commercial loans are all loans except mortgage, consumer and small business loans, as defined above.

These categories are used in order to determine the required review and classification of the non-performing loan portfolio.

As of December 31, 2002, BC's commercial loan portfolio aggregated Ps 5,219,460 million, a 19.87% increase from December 31, 2001. As of December 31, 2001, BC's commercial loan portfolio amounted to Ps 4,354,031 million, which was an increase of 1.58% from December 31, 2000.

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:

	AS OF DECEMBER 3		
	1998	1999	2000
		(in millions of pe	
Commercial	Ps 3,890,545	Ps 3,962,890	Ps 4,286,220
Consumer	1,038,272	827,816	792,573
Small business loans	--	--	--
Mortgage	35,592	35,253	33,278
Total Loans	4,964,409	4,825,959	5,112,071
Allowance for Loan Losses	182,292	295,016	285,565
Total Loans, net	Ps 4,782,117	Ps 4,530,943	Ps 4,826,506

The Bank segregates its loan portfolio into:

- corporate loans, which include loans to medium and large corporations;
- retail loans, which include loans to individuals, such as personal lines of credit, automobile loans and credit card 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 by corporate, retail and mortgage:

	AS OF DECEMBE		
	1998	1999	2000
		(in millions of	
CORPORATE			
Trade financing	Ps 256,073	Ps 91,987	Ps 92,2
Loans funded by domestic development banks	277,708	320,250	303,7
Working capital loans	2,688,291	2,735,692	3,053,5
Credit cards	2,084	7,704	4,4
Overdrafts	53,478	63,449	51,1
Other	7,050	716	--
Total corporate	3,284,684	3,219,798	3,505,0
RETAIL (1)			
Credit cards	185,021	185,981	199,3
Personal loans	300,068	376,080	354,2
Automobile loans	41,288	49,916	32,2
Overdrafts	92,362	60,588	58,1
Loans funded by domestic development			

banks	95,538	70,065	79,4
Trade financing	40,562	24,650	25,4
Working capital loans	889,294	803,627	824,8
Total retail	1,644,133	1,570,907	1,573,7
MORTGAGE	35,592	35,254	33,2
Total loans	4,964,409	4,825,959	5,112,0
Allowance for loan losses	(182,292)	(295,016)	(285,5
Total loans, net	Ps 4,782,117	Ps 4,530,943	Ps 4,826,5

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

In 2002, the Bank's total loan portfolio increased 15.83% to Ps 6,197,315 million from Ps 5,350,205 million in 2001, due primarily to a recovery of the Colombian economy. The Bank's total

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loan portfolio increased 4.66% in 2001 to Ps 5,350,205 million from Ps 5,112,071 million in 2000 primarily due to a recovery of the customers' economic situation.

In 2002, total corporate loans increased 22.11% to Ps 4,247,392 million due primarily to a 20.06% increase in working capital loans and a 74.20% increase in trade financing. In 2001, total corporate loans decreased 0.76% to Ps 3,478,260 million from Ps 3,505,089 million in 2000 due primarily to a 55.50% reduction in overdraft. As of December 31, 2000, 2001 and 2002, total corporate loans represented 69%, 65% and 69% respectively, of the Bank's total loan portfolio.

Total retail loans increased 4.05% in 2002 to Ps 1,911,829 million, 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 cards. In 2001, total retail loans increased 16.76% to Ps 1,837,434 million from Ps 1,573,704 million in 2000 primarily due to a 29.2% increase in personal loans, a 74.26% increase in loans funded by domestic development banks and a 6.88% in working capital loans. As of December 31, 2000, 2001 and 2002 retail loans represented 31%, 34% and 31% respectively, of the Bank's total loan portfolio.

As of December 31, 2002, the aggregate outstanding principal amount of the Bank's 25 largest borrowing relationships represented approximately 20% of the total loan portfolio, and no single borrowing relationship represented more than 1.81% of the total loan portfolio. Approximately 11.80% of such loans are denominated in foreign currencies. 100% of these loans are corporate loans and, as of December 31, 2002, 69.44% of these borrowing relationships were classified as "A" credits, 10.72% as "B", 3.87%, as "C", 3.22% as "D" and 12.73% as "E" credits.

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, 2002						
	1998	%	1999	%	2000	%	2001
Agricultural	Ps 166,825	3.4%	Ps 57,675	1.2%	Ps 100,346	2.0%	Ps 136,
Mining products and oil	20,195	0.4%	38,997	0.8%	10,199	0.2%	43,
Food, beverage and tobacco	320,401	6.5%	361,164	7.5%	449,171	8.8%	68,
Chemical production	147,390	3.0%	106,873	2.2%	264,633	5.2%	-
Other industrial and manufacturing products	749,986	15.1%	582,168	12.1%	816,477	16.0%	1,550,
Government	616,444	12.4%	278,367	5.8%	657,050	12.8%	91,
Construction	161.370	3.2%	106,572	2.2%	160,095	3.1%	181,
Trade and tourism	453,599	9.1%	412,231	8.5%	731,099	14.3%	712,
Transportation and communications	158,323	3.2%	100,894	2.1%	213,519	4.2%	302,
Public services	217,786	4.4%	104,931	2.2%	297,329	5.8%	284,
Consumer services	477,732	9.6%	532,386	11.0%	303,937	5.9%	1,619,
Commercial services	1,474,358	29.7%	2,143,601	44.4%	1,108,216	21.7%	360,
Total loans	Ps 4,964,409	100.0%	PS 4,825,959	100.0%	Ps 5,112,071	100.0%	Ps 5,350,

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MATURITY AND INTEREST RATE SENSITIVITY OF LOANS

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

	AS OF DECEMBER 31, 200		
	DUE IN ONE YEAR OR LESS	DUE FROM ONE TO FIVE YEARS	DUE AFT FIVE YE
	(in millions of pesos)		
PESO-DENOMINATED LOANS:			
Corporate			
Trade financing	Ps 6.538	Ps 1,679	Ps
Loans funded by domestic development banks	85,684	70,131	32,
Working capital loans	1,749,478	604,941	372,
Credit cards	1,467	2,314	
Overdrafts	48,591	-	
Other	-	-	
	-	-	
Total corporate	1,891,758	679,065	405,

Retail (1)			
Credit cards	132,333	81,150	
Personal loans	244,245	306,715	3,
Automobile loans	12,887	11,570	
Overdrafts	68,368	-	
Loans funded by domestic development banks	123,299	102,750	48,
Trade financing	6,180	6,205	
Working capital loans	456,522	171,746	45,
Total retail	1,043,834	680,136	98,
Mortgage	1,310	935	35,
Total peso-denominated loans	Ps 2,936,902	Ps 1,360,136	Ps 539,
DOLLAR-DENOMINATED LOANS			
Corporate			
Trade financing	Ps 158,403	Ps -	Ps
Loans funded by domestic development banks	43,017	145,007	
Working capital loans	457,325	432,844	33,
Credit cards	711	726	
Overdrafts	-	-	
Other	-	-	
	-	-	
Total corporate	659,456	578,577	33,
Retail (1)			
Credit cards	30,810	10,583	
Personal loans	6,141	442	
Automobile loans	-	-	
Overdrafts	122	-	
Loans funded by domestic development banks	1,630	-	
Trade financing	15,383	-	
Working capital loans	24,274	-	
Total retail	78,360	11,025	
Mortgage	-	-	
Total dollar-denominated loans	737,816	589,602	33,
Total loans	Ps 3,674,718	Ps 1,949,738	Ps 572,

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

(2)

As of December 31, 2002, approximately 59.30% 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 as of December 31, 2002:

	AS OF DECEMBER 31, 2002 (in millions of pesos)
LOANS WITH TERMS OF 1 YEAR OR MORE:	
VARIABLE RATE	
Peso-denominated	Ps 1,587,325
Dollar-denominated	357,188
Total	1,944,513
FIXED RATE	
Peso-denominated	312,497
Dollar-denominated	265,587
Total	578,084
LOANS WITH TERMS OF LESS THAN 1 YEAR:	
Peso-denominated	2,936,902
Dollar-denominated	737,816
Total	3,674,718
TOTAL LOANS	Ps 6,197,315

CREDIT REVIEW POLICIES

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.

Loan applications, depending on their amount, are presented for approval to (i) branch managers, (ii) the appropriate zone or regional managers, (iii) the appropriate vice presidents, (iv) the President, (v) the Credit Committee and (vi) the Board of Directors of BC. In general, loan application decisions are made by bank managers in committee. Loan applications up to a maximum of 200 minimum monthly salaries or approximately Ps 66.4 million (approximately US $23,589) also have to be submitted for approval to the Bank's centralized credit scoring department.

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	
	UNSECURED LOANS (2)	SEC
	(in U.S. dollar amounts)	

AUTHORIZATION LEVEL:		
Branch Managers	$5,228	
Zone Managers	62,243	
Regional Managers Corporate Banking	270,000	
Middle-corporate and Personal Banking Regional Managers	360,000	
Middle-corporate and Personal Banking Vice Presidents	900,000	
Corporate Banking, Finance and International Vice Presidents	900,000	
President	2,100,000	
Credit Committee	Any loan not requiring approval of the Board of Directors, within the limits established by law.	Any approv Directors, e

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(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 management as referred to in (ii) above would also require approval from the branch managers mentioned in (i) above.

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

BC's policies require that every credit 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 Colombia and outside Colombia. The Bank applies the lending limits established under Colombian law, which require that:

- an uncollateralized loan to a single customer or economic group may not exceed 10% of the Bank's Technical Capital (the Bank's largest such loan as of December 31, 2002 is for Ps 61,444 million and is current and performing in accordance with its terms);

- a collateralized loan to a single customer or economic group may not exceed 25% of the Bank's Technical Capital (the Bank's largest such loan as of December 31, 2002 is for Ps 103,842 million 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 (the Bank's largest such loan as of December 31, 2002 is for Ps 10,455 million and is current and performing in accordance with its terms); 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, 2002 is for Ps 5,009 million 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.

The Bank has established policies for the valuation of collateral received as well as for the determination of the maximum loan that can be granted against the value of the collateral. The Bank undertakes annually a valuation of collateral held as security for a loan. In addition, when a loan becomes 60 days past due, the loan is given to the Collections Department where various steps are taken to recover on the loan. However, jointly with the Commercial area, the Asset Recovery Unit may begin the 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 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 minimum legal monthly salaries (US$35,383). Additionally, these credits, and those which do not meet this condition, are evaluated monthly based on the days they are past due. When reviewing loans, BC evaluates and updates their risk classification and make corresponding adjustment in the provision, if needed. When monitoring outstanding loans, the Bank examines current financial statements including, for those material loans that are for 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 automobile loans, credit cards and personal lines of credit. In addition, the Bank has a list of loans it reviews every month and carries out a credit audit process that reviews the 200 largest debtors and randomly reviews a selection of its other debtors.

OLD METHOD FOR CLASSIFICATION OF THE LOAN PORTFOLIO

External Circular 070 of 2000, which was amended by External Circular 050 of October 2001, required Colombian financial institutions to grade 100% of their commercial, consumer and mortgage loan portfolios according to the risk classification described below. The risk classification for all loans was based on their past due status and an analysis of the borrower's ability to repay the loan. The risk classification for consumer and mortgage loans was further based on the individual terms of each such loan, as well as any bankruptcy proceedings to which a borrower was a party or any insolvency judgments entered against a borrower. If a loan to a borrower was downgraded by the Bank to a classification of "B", "C", "D" or "E," all loans to that client were similarly downgraded. In addition, the Superintendency of Banking could require additional allowances under certain circumstances.

The loan portfolio was classified, with a frequency determined by the type of loan, in accordance with the following categories:

	EVALUATION CRITERIA	
RISK CLASSIFICATION	CONSUMER LOANS AND SMALL BUSINESS LOANS	COMMERCIAL LOANS
"A" Normal	Current loans and loans 1-30 days past due	Current loans and loans past due up to 30 da not present non-collection risk.
"B" Subnormal	31-60 days past due	Loans more than 30 and up to 90 days past du with an inadequate amortization plan accordi borrowers' cash flow, borrowers with incompl outdated information, adverse conditions aff borrower's economic sector and weaknesses in financial condition of the borrower, which c temporarily or permanently the borrower's ca the ability to repay the loan.
"C" Deficient	61-90 days past due	Loans more than 91 and up to 180 days past d current loans which present deficiencies in borrower's ability to repay the loan, or in of the project being financed by such loan, jeopardizes the normal and agreed collection
"D" Doubtful Recovery	91-180 days past due	Loans to borrowers more than 181 and up to 3 due which present serious deficiencies in th ability to repay the loan and which make nor highly doubtful.
"E" Unrecoverable	More than 180 days past due	Loans past due more than 360 days and any lo uncollectible.

For purposes of classifying commercial loans, the Bank first determined whether the loan was past due and then classified the loan according to the number of days past due. In addition, whether or not it was past due, the Bank analyzed the loan, to determine if there were "potential weaknesses", "deficiencies" or "serious deficiencies" based on the existence and magnitude of the following factors:

- inadequacy of borrower's payment plan;
- insufficient or outdated loan documentation;
- adverse market conditions negatively affecting borrower's industrial sector;
- adverse trends in borrower's financial condition negatively affecting borrower's cash flow;
- failure to comply with BC's internal lending policies; and
- inadequate supervision of the loan as determined by BC's internal credit

and audit departments.

Consequently, if one or more of these factors were present, a current loan could be classified "B," "C" or "D" and a past due loan could be further downgraded.

The Bank's policy with respect to the accrual of interest for non-payment of principal or interest (and in accordance with Superintendency of Banking regulations) is that if an installment of principal or interest is for (i) a commercial or a consumer loan that is more than 90 days past due, or (ii) a mortgage loan that is more than 120 days past due, the Bank classifies the loan as non-performing. 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 Bank continues to accumulate interest on a loan until it is considered non-performing even though the interest has not been received. Once a loan is non-performing, an allowance is established for 100% of the interest recorded as income but not received and the Bank stops recording interest on that loan in its consolidated statements of operations but does record it in memorandum accounts. See Note 6 to the Financial Statements.

NEW RISK CLASSIFICATION SYSTEM

External Circular 050 of 2001, modified by External Circular 011 of 2002 effective in financial statements beginning March 2002, provides that to determine risk classification, it is necessary to consider, in addition to whether a loan is past due:

- the expected ability of payment of a debtor and co-debtor, or the project to be financed, analyzing the flows of income 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 of the current and past compliance of the debtor's obligations;

- the timely payment of all quotas or 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;

- 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; and

- for loans made abroad, an in-house and market analysis of the risk of the country where the debtor is domiciled, with the purpose of identifying the risks of transfer and exchange of the currencies required to serve the loan and the legal, operating and strategic risks of spreading that the ability to pay of the debtor or the project to be financed may be exposed to.

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. The debtor's financial statements or the project cash flows, as well as any other credit information, reflect adequate paying capacity (based on the amount of debt and the debtor's source of money).

LOAN TYPE	NO. OF MONTHS PAST DUE (RANGE)
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 and protected, but there are WEAKNESSES which may potentially affect, on a transitory or permanent basis, the debtor's paying capacity or the project cash flows, to the extent that, if not timely corrected, would affect the normal collection of credit or contracts.

LOAN TYPE	NO. OF MONTHS PAST DUE (RANGE)
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.

LOAN TYPE	NO. 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.

LOAN TYPE	NO. 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.

LOAN TYPE	NO. OF MONTHS PAST DUE (RANGE)
Mortgage	more than 18
Consumer	more than 6
Small business loans	more than 4
Commercial	more than 12

The Bank's policy with respect to the accrual of interest for non-payment of principal or interest (and in accordance with Superintendency of Banking regulations) is that if an installment of principal or interest is for (i) a commercial loan that is more than 90 days past due, (ii) a consumer loan that is more than 60 days past due (iii) a small business loan that is more than 60 days past due, or (iv) a mortgage loan that is more than 120 days past due the Bank classifies the loan as non-performing. 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 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,						
	1998	%	1999	%	2000	%	20
	(in millions of pesos, except percentage						
"A" Normal	Ps4,644,383	93.6%	Ps3,466,011	71.8%	Ps4,017,027	78.6%	Ps4,22
"B" Subnormal	81,333	1.7%	716,707	14.9%	560,961	11.0%	60
"C" Deficient	50,321	0.9%	210,658	4.4%	209,851	4.1%	10
"D" Doubtful Recovery	88,602	1.8%	141,539	2.9%	135,536	2.6%	25
"E" Unrecoverable	99,770	2.0%	291,044	6.0%	188,696	3.7%	15
Total	Ps4,964,409	100.0%	Ps4,825,959	100.0%	Ps5,112,071	100.0%	Ps5,35
Loans classified as "C," "D" and "E" as a percentage of total loans		4.8%		13.3%		10.5%	

Note: In 1999, the Bank reported the loan portfolio classified by individual risk according to past due term. In 2000, it reported the loan portfolio classified according to the risk category considering the past due term and additional subjects such as debtor's capacity of payment, debt service, and information from external risk agencies. However, in this report, provisions for both years were based on the latter method. For 2001, the loan portfolio was reported in the same fashion as in 2000, as described above.

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.

The following table indicates the breakdown of the Bank's past due 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,						
	1998	%	1999	%	2000	%	2001
	(in millions of pesos, except percentages						
PERFORMING PAST DUE LOANS:(1)							
Consumer loans past due 31 to 60 days	Ps 64,595	53.4%	Ps34,755	30.5%	Ps18,108	32.4%	Ps19,543
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)	56,230	46.5%	79,011	69.5%	37,576	67.3%	59,066
Mortgage loans past due 31 to 90/120 days	190	0.1%	21	0.0%	171	0.3%	202
Total performing past due loans	121,015	100.0%	113,787	100.0%	55,855	100.0%	78,811
NON-PERFORMING PAST DUE LOANS:.							
Consumer loans past due 61 to 180 days	28,850	15.6%	21,664	7.1%	9,660	5.4%	9,711
Small business loans past due from 61 to 180 days	--	0.0%	--	0.0%	--	0.0%	--

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	AS OF DECEMBER 31,						
	1998	%	1999	%	2000	%	2001
	(in millions of pesos, except percentages						
Consumer loans past due more than 180 days	32,624	17.7%	68,783	22.7%	40,161	22.3%	10,019
Small business loans past							

due from 91 to 180 days	--	0.0%	--	0.0%	--	0.0%	--
Commercial loans past due more than 120/90 days	122,821	66.5%	212,259	69.9%	128,740	71.6%	224,024
Mortgage loans past due more than 91 days	523	0.2%	767	0.3%	1,190	0.7%	138
Total non-performing past due loans	184,818	100.0%	303,473	100.0%	179,751	100.0%	243,892
Total past due loans	Ps305,833		Ps417,260		Ps235,606		Ps322,703
Total non-performing past due loans	184,818		303,473		179,751		243,892
Allowance for loan losses	(182,292)		(295,016)		(285,565)		(271,729)
Foreclosed assets	181,264		173,897		193,009		180,737
Allowance for estimated losses on foreclosed assets	(26,083)		(42,515)		(93,591)		(106,081)
Other accounts receivable more than 180 days past due	14,181		30,190		22,573		17,875
Allowance for accounts receivable and accrued interest losses	(56,725)		(98,319)		(50,350)		(42,707)
Total non-performing assets, net	Ps115,163		Ps 71,710		Ps(34,173)		Ps 21,987
Loans at least one day past due as a percentage of total loans		6.2%		8.6%		4.6%	
Allowance for loan losses as a percentage of loans at least one day past due		59.6%		70.7%		121.2%	
Allowance for loan losses as a percentage of loans classified as "C," "D" and "E"		76.4%		45.9%		53.5%	
Percentage of performing loans to total loans		96.3%		93.7%		96.5%	

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

(2) 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" ("Microloan").

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 31,		
	2000	2001	2002
	(in millions of pesos, except percentages)		
Loans secured by real guarantees as a percentage of total loans	35.4%	44.8%	37.5%
Loans classified as "A" as a percentage of total loans .	78.6%	79.0%	82.6%
Loans classified as "B as a percentage of total loans ..	11.0%	11.3%	7.7%
Loans classified as "C," "D" and "E" as a percentage of total loans	10.5%	9.7%	9.7%
Total allowance for loan losses as a percentage of non-performing loans	158.9%	111.4%	303.1%
Total allowance for loan losses as a percentage of loans classified as "C," "D" and "E"	53.5%	52.4%	55.2%
Non-performing loans as a percentage of total loans	3.5%	4.6%	1.8%
Loans classified as "C," "D" and "E"	Ps534,083	Ps518,889	Ps601,997
Total non-performing loans	179,751	243,892	109.659

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

	AS OF DECEMBER 31,							
	1998	%	1999	%	2000	%	2001	%
	(in millions of pesos, except percentages)							
CORPORATE								
Trade financing............	Ps 2,760	0.9%	Ps 6,172	1.5%	Ps 9,329	4.0%	Ps 5,398	1
Loans funded by domestic development banks.......	5,336	1.7	5,931	1.4	10,073	4.3	7,950	2
Working capital loans......	68,656	22.4	238,602	57.2	145,506	61.8	210,281	65
Credit cards...............	112	0.0	117	0.0	48	0.0	103	0
Overdrafts.................	6,823	2.2	7,233	1.7	1,408	0.6	1,583	0
Other......................	309	0.1	29	0.0	--	0.0	--	0
Total corporate.........	83,996	27.5%	258,084	61.8%	166,364	70.6%	225,315	69
RETAIL (1)								
Credit cards...............	23,821	7.8	17,435	4.2	11,686	5.0	10,606	3
Personal loans.............	26,045	8.5	36,006	8.6	10,734	4.6	17,442	5
Automobile loans...........	2,836	0.9	3,455	0.8	1,402	0.6	323	0
Overdrafts.................	16,249	5.3	8,327	2.0	8,924	3.8	8,491	2
Loans funded by domestic development banks..........	12,104	4.0	3,695	0.9	--	0.0	6,843	2
Trade financing............	4,226	1.4	4,935	1.2	1,320	0.6	1,841	0
Working capital loans......	136,480	44.6	84,536	20.3	33,815	14.4	50,563	15
Total retail...........	221,761	72.5	158,389	38.0	67,881	28.8	96,109	29
MORTGAGE...................	76	0.0	787	0.2	1,361	0.6	1,279	0
Total past due loans.......	Ps305,833	100.0%	Ps417,260	100.0%	Ps235,606	100.0%	Ps322,703	100

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

The foregoing tables reflect the quality of the Bank's loan portfolio over the five years ended December 31, 2002.

The past due portfolio decreased by 51.92% between 2001 and 2002, from Ps 322,703 million at December 31, 2001 to Ps 155,144 million at December 31, 2002, mainly due to a recovery of past due corporate working capital loans, which decreased from Ps 210,281 million at December 21, 2001 to Ps 75,333 million at December 31, 2002. This recovery was primarily caused by an improvement of our customer's economic situation, coupled with measures by the Bank to recover the portfolio through a specialized department for asset recovery.

The 36.97% increase in past due loans in 2001 compared to 2000 was mainly the result of a deterioration of the corporate loans for working capital.

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,						
	1998	%	1999	%	2000	%	2001
	(in millions of pesos, except percentag						
SECURED							
Current....................	Ps1,569,781	31.6%	Ps1,502,187	31.1%	Ps1,701,775	33.3%	Ps2,203,
Past due from 31 to 60 days (consumer)..............	--	0.0	--	0.0	--	0.0	
Past due from 61 to 90 days (consumer)..............	10,280	0.2	6,879	0.2	2,903	0.1	4,
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	21	0.0	171	0.0	
Past due from 91 to 180 days (consumer).........	4,991	0.1	4,487	0.1	1,572	0.0	1,
Past due from 91 to 180 days (small business loans)..................	--	0.0	--	0.0	--	0.0	
Past due from 91 to 180 days (mortgage)	102	0.0	13	0.0	3	0.0	
Past due from 31 to 90 days (commercial)(1).........	--	0.0	54,519	1.1	14,268	0.3	51,

	AS OF DECEMBER 31,						
	1998	%	1999	%	2000	%	2001
	(in millions of pesos, except percentag						
Past due from 31 to 120 days (commercial).......	31,752	0.6	--	0.0	--	0.0	
Past due from 181 days to 360 days (consumer).....	4,350	0.1	8,331	0.2	2,784	0.1	2,
Past due from 31 days to 120 days (small business loans).................	--	0.0	--	0.0	--	0.0	
Past due from 181 days to 360 days (mortgage).....	165	0.0	421	0.0	1,083	0.0	
Past due from 91 to 180 days (commercial)(1) ...	--	0.0	13,921	0.3	29,198	0.6	35,
Past due from 121 to 360 days (commercial).......	32,014	0.7	40,178	0.8	10,368	0.2	47,
Past due more than 360 days	43,797	0.9	43,744	0.9	43,321	0.8	50,
Total................	Ps1,697,253	34.2%	Ps1,674,701	34.7%	Ps1,807,446	35.4%	Ps2,398,
UNSECURED(2)							
Current....................	Ps3,088,795	62.2%	Ps2,906,512	60.2%	Ps3,174,690	62.1%	Ps2,823,
Past due from 31 to 60 days (consumer).............	54,315	1.1	27,876	0.6	15,205	0.3	15,
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 91 to 180 days (consumer).........	23,860	0.5	17,177	0.4	8,088	0.2	7,
Past due from 91 to 180 days (small business loans).................	-	0.0	-	0.0	-	0.0	
Past due from 31 to 90 days (commercial)(1)....	-	0.0	24,492	0.5	23,308	0.4	7,
Past due from 31 to 120 days (commercial).......	24,647	0.5	-	0.0	-	0.0	
Past due from 181 days to 360 days (consumer)....	23,740	0.5	49,625	1.0	31,649	0.6	7,
Past due from 181 to 360 days (small business loans).................	-	0.0	-	0.0	-	0.0	
Past due from 91 to 180 days (commercial)(1)....	-	0.0	13,822	0.3	5,537	0.1	3,
Past due from 121 to 360 days (commercial)	24,699	0.5	29,186	0.6	7,001	0.1	34,
Past due more than 360 days	27,100	0.5	82,568	1.7	39,147	0.8	52,
Total................	Ps3,267,156	65.8%	Ps3,151,258	65.3%	Ps3,304,625	64.6%	Ps2,951,
TOTAL CURRENT LOANS........	Ps4,658,576	93.8%	Ps4,408,699	91.3%	Ps4,876,465	95.4%	Ps5,027,

Past due from 31 to 60 days (consumer).............	64,595	1.3	34,755	0.8	18,108	0.4	19,
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	21	0.0	171	0.0	
Past due from 31 to 90 days (commercial)(1)....	-	0.0	79,011	1.6	37,576	0.7	59,
Past due from 31 to 120 days (commercial).......	56,399	1.1	-	0.0	-	0.0	
Past due from 91 to 180 days (consumer)	28,851	0.6	21,664	0.5	9,660	0.2	9,
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).........	102	0.0	13	0.0	3	0.0	
Past due from 91 to 180 days (commercial)(1) ...	-	0.0	27,743	0.6	34,735	0.7	39,
Past due from 121 to 360 days (commercial)	56,713	1.2	69,364	1.4	17,369	0.3	81,
Total Past due from 181 days to 360 days (consumer).............	28,090	0.6	57,956	1.2	34,433	0.7	10,
Total past due from 181 to 360 days (small business loans).................	-	0.0	-	0.0	-	0.0	
Past due from 181 days to 360 days (mortgage).....	165	0.0	421	0.0	1,083	0.0	
Total past due more than 360 days...............	70,897	1.4	126,312	2.6	82,468	1.6	102,
Total past due loans..	305,833	6.2	417,260	8.7	235,606	4.6	322,
Total gross loans..........	4,964,409	100.0	4,825,959	100.0	5,112,071	100.0	5,350,
Allowance for loan losses..	(182,292)	(3.7)	(295,016)	(6.1)	(285,565)	(5.6)	(271,
Total loans, net......	Ps4,782,117	96.3%	Ps4,530,943	93.9%	Ps4,826,506	94.4%	Ps5,078,

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(1) Includes loans with personal guarantees.

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

ALLOWANCE FOR LOAN LOSSES

The Bank believes that it is in compliance with Colombian regulations regarding allowances for loan losses, 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 minimum legal monthly salaries (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. BC's directors review BC's results of operations and financial condition monthly as to whether the loan classification system and allowance formula have been applied in accordance with the regulations issued by the Superintendency of Banking. The Bank reviews commercial loans every six months, and consumer and mortgage loans monthly. In addition, the Bank's loan policy units perform an ongoing review of the loan portfolio from time to time so that if there were an occurrence that required a change in the classification of a loan in between regular review periods, the Bank would be able 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).

Commercial, smallest business ("microloan"), consumer and mortgage loans classified as:

"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 loans that are secured, whether such security is real or personal. The largest percentage of allowances is allocated to consumer, commercial and small business loans ("microloans") that are supported by personal security. The allowance for loan losses is calculated including the value of the underlying security. The new regulation 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 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%

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%

There are special requirements for the required allowance 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 warranted. As of December 31, 2002, the Bank had not made any such additional allowances with respect to its outstanding loans. 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,			
	1998	1999	2000	2001
	(in millions of pesos)			
Balance at beginning of period (BIC).................	Ps 31,896	Ps182,292	Ps295,016	Ps285,565
Balance at beginning of period (Banco de Colombia)...	83,248	--	--	--
Provisions for loan losses (1).......................	145,680	180,711	264,756	86,793
Effect of revaluing to constant pesos (3)	(18,458)	(15,403)	(19,008)	--

Effect of difference in exchange rate (4)	--	--	--	--
Charge--offs...	(45,207)	(51,113)	(148,056)	(83,586
Recovering from former fiscal years.................	(14,867)	(1,471)	(107,143)	(17,043
Balance at end of period (2).........................	Ps182,292	Ps295,016	Ps285,565	Ps271,729

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(1) The provision for past due accrued interest receivable, which is not included in this item, amounted to Ps 25,986 million, Ps 48,507 million, Ps 20,178 million, Ps 4,965 and Ps 4,518 million for the years ended December 31, 1998, 1999, 2000, 2001 and 2002, respectively.

(2) The allowance for past due accrued interest receivable, which is not included in this item, amounted to Ps 35,920 million, Ps 66,939 million, Ps 30,771 million, Ps 27,011 million and Ps 15,074 million for the years ended December 31, 1998, 1999, 2000, 2001 and 2002 respectively.

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

(4) For years 1998, 1999, 2000 and 2001, the effect of difference in exchange 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:

	AS OF DECEMBER 31,						
	1998	%	1999	%	2000	%	2001
	(in million of pesos, except percentage						
CORPORATE							
Trade financing....................	Ps 898	0.5%	Ps 1,402	0.5%	Ps 1,413	0.5%	Ps 4
Loans funded by domestic development banks..............	1,021	0.6	5,598	1.9	1,972	0.7	8
Working capital loans.............	51,065	28.0	143,419	48.6	180,470	63.2	177,1
Credit cards......................	43	0.0	57	0.0	46	0.0	
Overdrafts........................	409	0.2	2,158	0.7	923	0.3	
Other.............................	6,384	3.5	--	0.0	--	0.0	
Total corporate................	59,820	32.8	152,634	51.7	184,824	64.7	178,4
RETAIL (1)							
Credit cards......................	9,359	5.1	12,978	4.4	8,039	2.8	5,8
Personal loans....................	9,055	5.0	26,996	9.2	14,316	5.0	5,9
Automobile loans..................	656	0.3	1,832	0.6	741	0.3	
Overdrafts........................	5,781	3.2	6,615	2.2	3,332	1.2	2,7
Loans funded by domestic development banks..............	1,615	0.9	2,468	0.8	847	0.3	8
Trade financing...................	1,947	1.1	1,774	0.6	734	0.3	3
Working capital loans.............	93,932	51.5	75,694	25.7	46,132	16.1	30,9
Total retail......................	122,345	67.1	128,357	43.5	74,141	26.0	46,7

MORTGAGE..........................	127	0.1	843	0.3	1,667	0.6	1,1
GENERAL(2)........................	--	0.0	13,182	4.5	24,933	8.7	45,4
Total allowance for loan losses	Ps182,292	100.0%	Ps295,016	100.0%	Ps285,565	100.0%	Ps271,7

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

(2) This is a provision established in 1999 by Circular 044.

As of December 31, 2002, the allowance for loan losses increased Ps 60,595 million compared to December 31, 2001 due primarily to an increase in general provisions. As of December 31, 2001, the allowance for loan losses decreased 4.84% compared to December 31, 2000 due primarily to adequate management of asset recovery.

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,				
	1998	1999	2000	2001	2002
	(in millions of pesos)				
Commercial	Ps123,327	Ps210,695	Ps212,428	Ps178,471	Ps243,835
Consumer	58,838	70,296	46,537	46,723	22,668
Small business loans	--	--	--	--	1,260
Mortgage	127	843	1,667	1,116	849
General(1)	--	13,182	24,933	45,419	63,712
Total allowance for loan losses	Ps182,292	Ps295,016	Ps285,565	Ps271,729	Ps332,324

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(1) This is a provision established in 1999 by Circular 044.

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 Accounting and Financial), regarding management of credit risk, the Superintendency of Banking requires entities 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.

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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 D
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 o
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
III	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 the methodology.	June 27 o

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 which would 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, if

applied, 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 given default" or loss before default

CHARGE-OFFS

The following table shows the allocation of the Bank's charge-offs by type of loan as of December 31, 1998, 1999, 2000, 2001 and 2002:

	YEAR ENDED DECEMBER 31,				
	1998	1999	2000	2001	2002
	(in millions of pesos)				
Trade financing	Ps --	Ps --	Ps 54	Ps --	Ps24,470
Loans funded by domestic development banks	--	--	--	--	--
Working capital loans	32,006	15,734	111,652	49,460	36,022
Credit cards	5,061	4,592	20	--	517
Personal loans	4,558	24,246	16,366	17,338	9,140
Automobile loans	902	1,089	2,377	506	35
Overdrafts	2,657	5,332	13,563	13,902	1,086
Other	23	120	4,024	2,380	322
Total charge-offs	Ps45,207	Ps51,113	Ps148,056	Ps83,586	Ps71,592

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 pursue the collection process to judgment. 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 satisfied.

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 and the Superintendency of Banking. Recoveries have not been significant in any of the periods presented.

CROSS-BORDER OUTSTANDING

Total cross-border outstanding amounted to approximately US$160.41 million as of December 31, 2002, of which US$129.28 million were investments and US$31.13 million were loans granted to banks and corporate clients. Total cross-border outstanding represented 3.6% of total assets as of December 31, 2002.

Loans from correspondent banks to BC amounted to approximately US$173.2 million (Ps 399,555 million).

AVERAGE LIABILITIES

The Bank's deposits consist of checking deposits, time deposits and savings deposits. During 2002, checking deposits, time deposits and savings deposits represented an average of 26%, 45%, and 27%, respectively, of the Bank's total deposits.

AVERAGE MATURITY OF DEPOSITS

As of December 31, 2002, the average balance of maturities of customers' deposits were as follows:

	YEAR ENDED DECEMBER 31, 2002							
	UP TO 90 DAYS	%	91 TO 180 DAYS	%	181 TO 360 DAYS	%	MORE THAN 360 DAYS	%
	(in millions of pesos, except percentages)							
NON-INTEREST BEARING DEPOSITS:								
Checking accounts								
Peso-denominated............	Ps1,437,429	18%	Ps --		Ps --		Ps --	
Dollar-denominated..........	21	0%	--		--		--	
Total....................	1,437,450	18%	--		--		--	
Other deposits and fiduciary								
Peso-denominated............	48,331	1%	--		--		--	
Dollar-denominated..........	50,514	1%	--		--		--	
Total....................	98,845	2%	--		--		--	
INTEREST BEARING DEPOSITS:								
Checking accounts								
Peso-denominated............	90,332	1%	--		--		--	
Dollar-denominated..........	576,933	7%	--		--		--	
Total....................	667,265	8%	--		--		--	
Time deposits								
Peso-denominated............	1,108,543	14%	417,135	5%	298,563	4%	343,147	4%
Dollar-denominated..........	884,361	11%	284,210	4%	125,481	2%	92,336	1%
Total....................	1,992,904	25%	701,345	9%	424,044	6%	435,483	5%
Savings deposits								
Peso-denominated............	2,077,699	26%	--		--		--	
Dollar-denominated..........	83,795	1%	--		--		--	
Total....................	2,161,494	27%	--		--		--	
Long-term debt								
Peso-denominated............	18	0%	--	0%	--	0%	20,757	0%
Dollar-denominated..........	--	0%	--	0%	--	0%	--	0%
Total....................	18	0%	--	0%	--	0%	20,757	0%
Total deposits								
Peso-denominated............	4,762,352	60%	417,135	5%	298,563	4%	363,904	4%
Dollar-denominated..........	1,595,624	20%	284,210	4%	125,481	2%	92,336	1%

Total deposits(1	Ps6,357,976	80%	Ps701,345	9%	Ps424,044	6%	Ps456,240	5%

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(1) There is a seasonality in checking accounts that results in an increase in checking accounts in the last quarter of the year.

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The following table shows the composition of the Bank's deposits for 2000, 2001 and 2002:

	AS OF DECEMBER 31,		
	2000	2001	2002
	(in millions of pesos)		
NON-INTEREST BEARING DEPOSITS:			
Checking accounts.............	Ps1,451,425	Ps1,709,575	Ps1,876,026
Other deposits................	51,124	66,693	94,573
Total....................	1,502,549	1,776,268	1,970,599
INTEREST BEARING DEPOSITS:			
Checking accounts.............	674,202	608,087	815,367
Time deposits.................	2,575,212	3,426,629	3,603,466
Savings deposits..............	1,364,059	1,769,864	2,398,726
Total....................	4,613,473	5,804,580	6,817,559
TOTAL DEPOSITS...........	Ps6,116,022	Ps7,580,848	Ps8,788,158

The following table shows the time deposits in excess of Ps 281.5 million (the equivalent of $100,000 at the Representative Market Rate as of December 31, 2002) held by the Bank as of December 31, 2002, by amount and by maturity:

	AS OF DECEMBER 31, 2002		
	PESOS	DOLLARS	TOTAL
	(in millions of pesos)		
Up to 3 months	484,740	818,809	1,303,549
From 3 to 6 months	191,263	257,415	448,678
From 6 to 12 months	220,295	115,951	336,246
More than 12 months	217,036	107,524	324,560
Time deposits less than Ps 281.5 million	845,857	344,576	1,190,433

TOTAL	1,959,191	1,644,275	3,603,466
	=========	=========	=========

INTERBANK BORROWINGS

The following table sets forth the Bank's short-term interbank borrowings for the periods indicated:

	AS OF DECEMBER 31,					
	2000		2001		2002	
	AMOUNT	RATE(1)	AMOUNT	RATE(1)	AMOUNT	RATE(
	(in millions of pesos, except percentages)					
End of period.........................	Ps564,368	7.80%	Ps399,595	2.88%	Ps403,962	2.44
Average during period.................	535,748	7.90%	472,975	4.30%	505,832	1.86
Maximum month-end balance.............	686,476		474,653		594,810	
Month of maximum balance..............	September		March		September	
Interest paid during the year.........	42,094		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.

RECENT U.S. GAAP PRONOUNCEMENTS

In June 2002, the FASB issued Statement No. 146 "Accounting for Costs Associated with Exit or Disposal Activities", This Statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity." This Statement requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. A fundamental conclusion is that an entity's commitment to a plan, by itself, does not create a present obligation to others that meets the definition of a liability. Therefore, this Statement eliminates the definition and requirements for recognition of exit costs in Issue 94-3. This Statement also establishes that fair value is the objective for initial measurement of the liability. The provisions of this Statement are effective for exit or disposal activities that are initiated after December 31, 2002, early application encouraged. BC is evaluating the impact Statement 146 may have on its future Consolidated Financial Statements.

In October, 2002, the FASB issued Statement No. 147 "Acquisitions of Certain Financial Institutions". Except for transactions between two or more mutual enterprises, this Statement requires that acquisitions of certain financial institutions be accounted for in accordance with FASB Statements No. 141, "Business Combinations", and No. 142, "Goodwill and Other Intangible Assets". Thus, the requirement to recognize (and subsequently amortize) any excess of the fair value of liabilities assumed over the fair value of tangible and identifiable intangible assets acquired as an unidentifiable intangible asset no longer applies to acquisitions within the scope of this Statement. In addition, this Statement amends FASB Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", to include in its scope long-term customer-relationship intangible assets of financial institutions such as depositor and borrower-relationship intangible assets and credit cardholder intangible assets. The Effective Date of This Statement about the application of the purchase method of accounting, is effective for acquisitions for which the date of acquisition is on or after October 1, 2002. This Statement may have an impact on BC if another business combination would take place.

In November, 2002, the FASB issued the Financial Accounting Standards Board Interpretation No. 45, "Guarantor's Accounting and Disclosure requirements for Guarantees Including Indirect Guarantees of Indebtedness of Others." The Interpretation expands on the accounting guidance of Statements No. 5, 57, and 107 and incorporates without change the provisions of FASB Interpretation No. 34, which is being superseded. The Interpretation elaborates on the existing disclosure requirements for most guarantees, including loan guarantees such as standby letters of credit. It also clarifies that at the time a company issues a guarantee, the company must recognize an initial liability for the fair value, or market value, of the obligations it assumes under that guarantee and must disclose that information in its interim and annual financial statements. This guidance does not apply to certain guarantee contracts, such as those issued by insurance companies or for a lessee's residual value guarantee embedded in a capital lease. The provisions related to recognizing a liability at inception of the guarantee for the fair value of the guarantor's obligations would not apply to product warranties or to guarantees accounted for as derivatives. The initial recognition and initial measurement provisions apply on a prospective basis to guarantees issued or modified after December 31, 2002, regardless of the guarantor's fiscal year-end. The disclosure requirements in the Interpretation are effective for financial statements of interim or annual periods ending after December 15, 2002. BC is evaluating the impact FIN 45 may have on its future Consolidated Financial Statements.

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In January, 2003, the Financial Accounting Standards Board (FASB) has issued Interpretation No. 46, Consolidation of Variable Interest Entities. Many variable interest entities have commonly been referred to as special-purpose entities or off-balance sheet structures, but the guidance applies to a larger population of entities. Consolidation by a primary beneficiary of the assets, liabilities and results of activities of variable interest entities will provide more complete information about the resources, obligations, risks and opportunities of the consolidated company. To further assist financial statement users in assessing a company's risks, the Interpretation also requires disclosures about variable interest entities that the company is not required to consolidate but in which it has a significant variable interest. The consolidation requirements of Interpretation 46 apply immediately to variable interest entities created after January 31, 2003. The consolidation requirements apply to older entities in the first fiscal year or interim period beginning after June 15, 2003. Certain of the disclosure requirements apply in all financial statements issued after January 31, 2003, regardless of when the variable interest entity was established. The interpretation FIN 46 will have no impact on net income or stockholders' equity.

In December, 2002, FASB issued Statement No. 148 "Accounting for Stock-Based Compensation -- Transition and Disclosure -- an amendment of FASB Statement No. 123". This Statement provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this Statement require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. This Statement permits two additional transition methods for entities that adopt the preferable method of accounting for stock-based employee compensation. Both of those methods avoid the ramp-up effect arising from prospective application of the fair value based method. In addition, this Statement does not permit the use of the original Statement 123 prospective method of transition for changes to the fair value based method made in fiscal years beginning after December 15, 2003. Also, in the absence of a single accounting method for stock-based employee compensation, this Statement requires disclosure of comparable information for all companies regardless of whether, when, or how an entity adopts the preferable, fair value based method of accounting. In addition, this Statement improves the timeliness of those disclosures by requiring their inclusion in financial reports for interim periods. BC evaluated the impact Statement 148 and determined it will have no impact on net income or stockholders equity.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES.

A. DIRECTORS AND SENIOR MANAGEMENT

On December 31, 2002, the following persons acted as current and alternate directors of BC:

DIRECTORS

NAME	FIRST ELECTED TO THE BOARD	TERM EXPIRES	AREAS OF EXPERIENCE	PRINC OU
Nicanor Restrepo Santamaria	1984	2004	Chairman of the Board	Presi
Carlos Enrique Piedrahita Arocha	1994	2004	Finance	Presi Nacio
Juan Manuel Ruiseco Vieira	2000	2004	Engineering	Presi Cemen
Jose Alberto Velez Cadavid	1996	2004	Finance	Presi de S
Ricardo Sierra Moreno	1996	2004	Finance	Gener Produ

Dr. Nicanor Restrepo Santamaria has been the President of Suramericana de Inversiones S.A. since 1984. Mr. Restrepo Santamaria served previously as the Governor of the Department of Antioquia from 1983 to 1984. He was President of Corporacion Financiera Nacional form 1982 to 1983, and Vice

President of Finance of Compania Suramericana de Seguros y Filiales from 1979 to 1982. Before serving as president of Corporacion Financiera Suramericana from 1976 until 1979, Mr. Restrepo Santamaria held management positions at Ospinas y Cia S.A. from April, 1976, to December, 1976, Emcoper S.A. from 1973 until 1976, Caja de Credito Agrario form 1971 to 1973, Celanese Colombiana from 1968 to 1971, and Primavera from 1966 to 1968.

Dr. Carlos Enrique Piedrahita Arocha, President of Compania Nacional de Chocolates since 1999 was president of Corfinsura.

Dr. Juan Manuel Ruiseco Vieira, is an engineer, and is President of Compania De Cemento Argos since 1999, was president of Cementos del Caribe from 1957 to 1999 prior to his current presidency.

Dr. Jose Alberto Velez Cadavid assumed the Presidency of Suramericana de Seguros S.A. in 2000 and is currently also the President of Inversura S.A.. He previously served as Vice President of Investments at Suramericana de Seguros S.A. from 1996 to 2000, and prior to that, held various other managerial positions at Suramericana de Seguros S.A. since 1984. Among others, he was Vice President of Enterprise Development, and Vice President of Marketing and Sales.

Dr. Ricardo Sierra Moreno, General Manager of Production Distrihogar S.A. since 1989, became Vice President of Finance at Suramericana de Seguros S.A. in 1982 and served in this capacity until 1989. Prior to this, Mr. Sierra Moreno served as Regional Manager at Corporacion Financiera Suramericana from 1979 to 1982.

ALTERNATE DIRECTORS

NAME	FIRST ELECTED TO THE BOARD	TERM EXPIRES	AREAS OF EXPERIENCE	PRINCIPAL OC OUTSIDE THE
Luis Mariano Sanin	2002	2004	Engineering	President of Tejicondor-F
Hector Arango Gaviria	1988	2004	Finance	Finance Vice Compania Nac Chocolates S
German Botero Arango	2002	2004	Engineering	General Mana Cementos el
Juan Sebastian Betancur Escobar	1994	2004	Law	Vice Preside region of Su deSeguros S.
Federico Echavarria Restrepo	2002	2004	Engineering	General Mana Merilectrica

Luis Mariano Sanin is an engineer, holds a Masters degree from the Massachusetts Institute of Technology and is the President of Tejicondor-Fabricato S.A. Mr. Sanin has previously served as President of Tejicondor (since 1996) and President of Fabricato (since 2001).

Hector Arango Gaviria is a business administrator and Finance Vice-president of Compania Nacional de Chocolates S.A.

German Botero Arango is an engineer and is the General Manager of Cementos El Cairo S.A. since 1986.

Juan Sebastian Betancur Escobar is an attorney and is Vice-president of Bogota de Suramericana de Seguros since 1991.

Federico Echavarria Restrepo is an industrial engineer, holds a Master in Business Administration from Harvard University, and is the General Manager of Merilectrica y Cia. SCA since 1997.

SENIOR MANAGEMENT

NAME	FIRST JOINED THE BANK	FUNCTION
PRESIDENT		
Jorge Londono Saldarriaga	1996	President of Bancolombia S.A
VICE PRESIDENTS		
Leonardo Hincapie Naranjo	1983	Risk Management
Santiago Perez Moreno	1989	Personal and Middle-Corporate Ma Banking
Jaime Alberto Velasquez Botero	1989	Finance
Leonardo Uribe Correa	1984	Legal/General Secretary
Gabriel Jaime Agudelo Tobon	1973	Technology
Gonzalo Toro Bridge	1988	Corporate and International Bank
Federico Ochoa Barrera	1984	Executive
Hernan Dario Ramirez Giraldo	1985	General Auditor
Luis Fernando Montoya Cusso	1973	Operations
Jairo Burgos de la Espriella	1990	Human Resources

B. COMPENSATION

BC compensates each of its directors with Ps 500,000 per meeting. The directors receive no other compensation or benefit. 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, 2002 was Ps 3,928 million.

C. BOARD PRACTICES

BC is managed by its Board of Directors and President. BC's Board of Directors consists of five directors and their respective alternate directors. Alternate directors participate in and are entitled to vote at meetings of the Board of Directors only when their respective principal directors announce that they will not attend directors' meetings for longer than a month. If a director misses meetings for more than three consecutive months, that director will be removed and replaced with such director's alternate for the remainder of the term. The directors (together with their respective alternate directors) are elected every two years at a general meeting of BC's Shareholders. In addition, on the first occasion a person is elected to the Board of Directors, such person must supply the Superintendency of Banking with specified information (including the person's prior professional and credit history) and must be approved by the Superintendency of Banking in order to assume office. Directors may be re-elected indefinitely. The Chairman of the Board of Directors is Nicanor Restrepo Santamaria.

Under the Colombian Code of Commerce and the By-laws of BC, directors are re-elected in accordance with the "proportional representation" voting system (electoral quotient system). In general, under the proportional representation voting system, holders of Common Shares are able to elect a director each time the number of votes cast meets a specified quota of votes, even though the quota represents a minority of the total votes cast.

Neither Bancolombia nor its subsidiaries have any service contracts with

BC's directors providing for benefits upon termination of employment.

Decree 663 and the By-laws of BC require that the Board of Directors holds at least one meeting each month. A quorum for a Board of Directors' meeting consists of a majority of directors or their alternates and action may be taken by a minimum of three directors. In the event of a tie, a proposal is considered rejected. If the tie occurs during a nomination, a second vote is taken. If the second vote produces another tie, the nomination is suspended. Pursuant to the By-laws of BC, BC's President and his alternate are elected by the Board of Directors and serve at the Board's discretion. The President has the power to appoint and remove the Vice Presidents and the regional managers. The Directors and the President must be confirmed by the Superintendency of Banking before assuming their office.

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At a General Shareholders' Meeting, BC's Shareholders elect BC's statutory auditor for a two-year term. The statutory auditor is entitled to select a principal representative auditor and one alternate auditor. Under Colombian law, the duties of the statutory auditor include, among other things, the examination of the operations, books, records and any other documents of BC as well as the presentation of a report of such examination at the Annual General Shareholders' Meeting. Before assuming office, the statutory auditor must be approved by the Superintendency of Banking. At BC's 1996 annual general shareholders' meeting, BC replaced Price Waterhouse and retained KPMG Ltda. as its statutory auditor, beginning with respect to BC's financial statements for the fiscal year ended December 31, 1997. This change was not made as a result of any disagreement with Price Waterhouse on any matter of accounting principles or practices, financial statements disclosure or auditing scope or procedures. KPMG Ltda. appointed Gustavo Avendano Luque and Gabriel Marcelo Calderon to serve as principal representative auditor and alternate auditor, respectively. At BC's 2003 annual general shareholders' meeting, held on February 27, 2003, BC replaced KPMG Ltda. and retained Deloitte & Touche Ltda. as its statutory auditor. This change was not made as a result of any disagreement with KPMG Ltda. on any matter of accounting principles or practices, financial statements disclosure or auditing scope or procedures.

Bancolombia has an audit committee the main purpose of which is to support the Board of Directors in supervising the effectiveness of the Bank's internal controls. The committee consists of three members who are elected by the Board of Directors for a period of two years. The current members are Hector Arango Gaviria, Jose Alberto Velez Cadavid, and Ricardo Sierra Moreno.

D. EMPLOYEES

The following table sets forth the number of employees of Bancolombia 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 directly
2000	7,688	6,518
2001	7,518	6,258
2002	7,581	6,364

On December 31, 2002, Bancolombia and its consolidated subsidiaries had 7,581 employees of which 6,364 were employed directly by the Bank. Of the 6,364 employees, approximately 30.51% belong to a labor union called Sintrabancol and 15.60% are members of an industry union called Uneb. A collective bargaining agreement with both unions has been in effect since November 1, 2001 and expires on October 31, 2003. The bank is satisfied with the existing collective bargaining agreement, both for the labor costs it implies and for the amicable relationship it has helped to develop with the labor unions and BC employees. Although labor relationshipsare harmonious within BC, certain tax, labor and social security reforms enacted in 2002 have irritated labor unions, which may attempt to extract greater concessions in the upcoming collective bargaining process to offset the effect of such reforms. In preparation for such a scenario, with the participation of labor union leaders, the Bank has prepared an agenda of the items that need to be studied by both parties in advance of the collective bargaining process.

Of the 6,364 employees approximately 27% were located in Bogota Region, 16% in the South Region, 13% in the Antioquia Region, 20% in the Medellin headquarters, 13% in the Central Region and 11% in the North Region.

Law 50 of 1990 established a significant change in the system for severance payments. According to this law, for employees hired after January 1, 1991, this benefit is calculated every year by

the employer on December 31 and is deposited in a fund management company. The new scheme is mandatory for all employees hired after January 1, 1991. Employees hired prior to that date are given the option of continuing with the previous system or switching to the new one. On December 31, 2002, 67.28% of the employees were under by the new payment system.

BC established an incentive compensation plan in the first semester of 2002 that a award 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 the meeting by its executives of individual goals. Depending on the amount awarded, the bonuses are payable solely 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 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 triggering such bonuses have been sustained over time, and were not the result of a particular, extraordinary transaction that does not really reflect better performance, according to guidelines designed by the Bank.

E. SHARE OWNERSHIP

No director or executive officer of Bancolombia owned any Preference Shares in BC as of December 31, 2002. The following directors and managers owned Common Shares in BC as of December 31, 2002: Nicanor Restrepo Santamaria, Fabio Rico Calle, Ricardo Sierra Moreno, Santiago Vaquez Haupt, Hector Arango Gaviria, Juan Sebastian Betancur Escobar, Jorge Londono Saldarriaga, Luis Santiago Perez Moreno, and Gonzalo Toro Bridge. None of their shareholdings, individually or in the aggregate, exceeded one percent of Bancolombia's outstanding Common Shares. As of December 31, 2002, Bancolombia had no outstanding options to acquire any of its Common or Preference Shares outstanding.

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 as of December 31, 2002, by each person known to BC to own beneficially more than 5% of each class of BC's outstanding capital stock. A beneficial owner includes anyone who has the power to receive the economic benefit of ownership of the securities.

NAME	COMMON SHARES	PREFERENCE SHARES	% OWNERSHIP OF COMMON SHARES(1)	% OWNERSH PREFERE SHARES
Suramericana de Inversiones S.A. (2)	60,891,371		15,3%	-
Portafolio de Inversiones Suramericana S.A. (3)	43,687,875		10.96%	-
Fideicomiso cititrust-Suramericana-IFC	39,170,000		9.8%	-
Cementos del Valle S.A.	29,658,125	4,120,038	7.4%	2.3%
Holding de Inversion Mercantil de Colombia S.A.	27,984,714	4,120,038	7.%	-
Emmery Equity Corporation	24,387,619		6.1%	-
Compania de Cemento Argos S.A	24,375,687	3,386,177	6.1%	1.9%

NAME	COMMON SHARES	PREFERENCE SHARES	% OWNERSHIP OF COMMON SHARES(1)	% OWNERSH PREFERE SHARES
Lorange Industrial Corporation	20,612,331		5.2%	-
Proteccion	6,944,368	14,912,239	1.74%	8.35
BIC ADR Program Sufibic		136,743,128		76.6

(1) Common Shares have one vote per share; Preference Shares have limited voting rights under certain circumstances specified in the Estatutos of Bancolombia 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.

(3) Suramericana de Inversiones S.A. owns 94.8% of Portafolio de Inversiones Suramericana S.A.'s voting stock.

As of December 31, 2002, a total of 398,259,608 Common Shares and 178,435,787 Preference Shares were registered in the Bank's shareholder registry in the name of 13,675 shareholders. As of December 31, 2002, a total of 136,743,128 Preference Shares, representing 76.63% of outstanding Preference 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.

Under Colombian law, BC has no controlling entities.

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. At January 31, 2003, BC's largest direct shareholder Suramericana de Inversiones S.A., had a total amount of Ps 29,103 million in loans from BC outstanding. Other related parties (for purposes of United States securities laws), had a total amount of Ps 37,208 million in loans from BC outstanding. Transactions between BC and related parties have been conducted on an arms-length basis. Under decree 633 and Decrees 2360 and 2653 of 1993, transactions with affiliates and other related parties may not exceed certain limits, based on, among other things, a percentage of BC's assets. BC has to date complied with all such regulatory limitations on affiliate and other related party transactions.

As of January 31, 2003, an aggregate of Ps 51,815 million in loans to BC employees was outstanding. These loans represented 0.83% of BC's total net loans as of December 31, 2002.

Certain directors, alternate directors and officers of BC have been involved in credit transactions with BC as permitted by Colombian law. The Code of Commerce and certain Colombian laws, including Decree 663, allow a company to enter into transactions with its officers, directors and other affiliates if such transaction is in accordance with prevailing market conditions and is approved by such company's board of directors. Additionally, the granting of credit to persons or entities affiliated with BC is subject to the regulations of the Colombian Government. Such regulations set limits on the amount of credit that can be extended to affiliates based on, among other things, a percentage of BC's net worth. Decree 663 requires that loans to directors, principal shareholders, officers and other related entities must be granted on an equal basis with respect to rates, tenor and guarantees as loans granted to the general public.

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Decree 663 regulates and limits transactions with related parties and affiliates. Loans to a holder of 5% or more of a financial institution's shares, directors, certain principal executive officers, or relatives of any such person must be approved unanimously by the company's board of directors. Except for loans extended to employees as part of their health, housing, education and transportation benefits, loans to related parties may not contain better terms than those provided for in loans to non-related parties. Additionally, the granting of credit to persons or entities affiliated with the Bank is subject to the regulations of the Central Bank. Such regulations set limits on the amount of credit that can be extended to affiliates based on, among other things, a percentage of BC's net worth. Financial institutions are prohibited from extending loans to financial services subsidiaries. They may, however, extend loans to non-financial services subsidiaries. Loans to non-financial subsidiaries and to BC's officers and employees are subject only to the general lending limits on loans to single borrowers described above.

ITEM 8. FINANCIAL INFORMATION.

A. CONSOLIDATED FINANCIAL STATEMENTS

Reference is made to pages F-1 through F-96.

B. DIVIDEND POLICY

See "Item 3. Key Information - A. Selected Financial Data - Dividends"

C. SIGNIFICANT CHANGE

There has not been any significant change since the date of the annual financial statements included in this document.

D. CHANGE IN EXTERNAL AUDITORS

As discussed in the Bank's current report on form 6-K filed with the Commission on March 5, 2003, a majority of the shareholders represented at the annual shareholders meeting held on February 27, 2003, approved that Deloitte & Touche Ltda. replaced KPMG Ltda. as the Bank's independent auditors for the fiscal year 2003. KPMG Ltda. reported on the Bank's financial statements for the fiscal years ended December 31, 1999, 2000, 2001 and 2002. KPMG Ltda. did not resign or refuse to stand for re-election, and none of its reports on such financial statements contained an adverse opinion, disclaimer, modification or qualification. BC's Audit Committee and Board of Directors approved the decision to change the independent auditors.

E. 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, 2002 amounting to Ps 445,350 million. A portion of these liabilities are covered by Fogafin Ps 16,717 million at December 31, 2002. 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 of pesos at December 31, 2002.

OTHER LEGAL PROCEEDINGS

As of the filing date of this Annual Report, the claims and lawsuits made in the United States and Colombia by Jaime Gilinski and Isaac Gilinski, Bancol y Cia. and several other entities controlled by them (as former controlling shareholders of Banco de Colombia) ("the Plaintiffs") against Bancolombia and certain directors and officers ("the Defendants") regarding the acquisition and merger of Banco de Colombia by BIC in 1998, are as follows:

IN THE UNITED STATES:

In March 1999, Plaintiffs filed a lawsuit against the Defendants in the United States District Court in New York claiming damages in excess of US$76 million for alleged market manipulation, misrepresentations and fraudulent concealment by the defendants in connection with the Bank's Merger with Banco de Colombia in 1998. Plaintiffs allege that the defendants manipulated the market price of the Bank's ADRs during the Merger negotiations so as to misrepresent the value of the ADRs the plaintiffs were effectively to receive as consideration for a portion of plaintiffs' Banco de Colombia Common Shares. In addition, plaintiffs allege that the defendants represented that they would raise additional equity to fund a portion of the Merger and that the defendants failed to disclose an alleged plan to operate Banco de Colombia and the merged entity in violation of Colombian law and sound banking practices. On December 18, 2000, the Court held that claims must be asserted in arbitration in Bogota, Colombia, according to the merger and acquisition agreement. No additional events have occurred as of the date of the filing of this Annual Report.

IN COLOMBIA:

Superintendency of Banking. Plaintiffs filed several requests for investigation against the Bank in order to determine whether there were self-loans, undue use of funds received from customers, insufficient capitalization, real estate and investment portfolio sales from BIC (renamed Bancolombia in 1998) to Banco de Colombia, which allegedly occurred at the end of 1997 and in midyear 1998. The Superintendency of Banking fined Bancolombia on March 15, 2001 with a fine of Ps 44 million, for one inter-banking loan facility on March 16, 1998 between former Banco de Colombia to former BIC. The rest of the claims were dismissed. Bancolombia has appealed the fine before the "Consejo de Estado" (administrative jurisdictional authority). As of the date of the filing of this Annual Report, a final decision has not yet been issued.

General Prosecutor's Office: There is a denunciation (Exp 542480) on the grounds described above against Bancolombia's officers Jorge Londono Saldarriaga and Federico Ochoa Barrera. There also are four civil actions pending within the criminal proceedings against Jorge Londono, Federico Ochoa Barrera and the Bank itself as responsible on the grounds of civil liability. Both the criminal and civil actions are currently pending and no final decisions have yet been issued.

Chamber of Commerce of Bogota. By letter dated May 31, 2001, plaintiffs requested the Chamber of Commerce of Bogota, Colombia, to appoint arbitrators based on the rules of the Inter-American Commercial Arbitration Commission (IACAC rules), although these were not the rules agreed by the parties on the acquisition and merger agreement. The Chamber of Commerce declined "to admit" the Plaintiffs' request for appointment of arbitrators until a number of procedural deficiencies were remedied. To the Bank's knowledge, the Plaintiffs have not yet rectified these procedural defects.

BANCOLOMBIA'S CLAIMS AGAINST JAIME GILINSKI

There is a lawsuit pending (filed by Bancolombia on December 1, 2000 with the Chamber of Commerce of Bogota) against Jaime Gilinski to enforce a pledge granted by him in connection with the acquisition and merger of Banco de Colombia by BIC for hidden liabilities. Both notification and appointment of arbitrators are still pending. The Chamber of Commerce of Bogota admitted the lawsuit.

Bancolombia has rejected Jaime Gilinski's and the Plaintiffs' claims and has opposed and will oppose any claim related to the acquisition and merger of Bancolombia by BIC. Amounts claimed by Jaime and Isaac Gilinski and the Plaintiffs have no grounds and therefore have also been rejected.

CLASS ACTION.

A civil attorney filed a class action lawsuit with the Chamber of Commerce of Bogota against Bancolombia and its significant shareholders, regarding the exchange ratio used for the merger and acquisition of Banco de Colombia by BIC. The Chamber of Commerce admitted such action on September 26, 2001 the arbitrators were appointed and the arbitration commenced.

OTHER ACTION ("POPULAR ACTION")

Another lawsuit was filed in Colombia by the same attorney who filed the above mentioned class action. The "Tribunal Administrativo" (administrative jurisdictional authority) admitted the lawsuit on December 11, 2002 and began the proceeding. In this action the defendants are the Superintendency of Banking, the Superintendency of Securities and Bancolombia as one party.

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 Preference 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 average daily trading volume, of the ADSs on the NYSE for the periods indicated.

	MEDELLIN/ COLOMBIA STOCK EXCHANGE			NEW YORK STOCK EXCHANGE		
	Ps PER PREFERENCE SHARES		TRADING VOLUME (NUMBER OF SHARES)	$ PER ADS		TRADING VO (NUMBER OF
	HIGH	LOW		HIGH	LOW	
	(in nominal pesos)					
2001						
First quarter	1,300	1,300	21,727	3.22	2.0	317,3
Second quarter	1,177	1,177	76,914	2.50	1.36	1,068,1
Third quarter	--	--	--	2.25	1.05	891,0
Fourth quarter (Colombia Stock Exchange)	1,015	649	2,881,504	1.74	1.00	2,425,9

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	MEDELLIN/ COLOMBIA STOCK EXCHANGE			NEW YORK STOCK EXCHANGE		
	Ps PER PREFERENCE SHARES		TRADING VOLUME (NUMBER OF SHARES)	$ PER ADS		TRADING VOL (NUMBER OF
	HIGH	LOW		HIGH	LOW	
	(in nominal pesos)					
2002						
First quarter	1,200	1,025	725,997	2.45	1.55	1,090,7

Second quarter	1,600	1,061	720,874	2.88	1.65	1,923,3
Third quarter	1,589	1,360	1,870,660	2.5	1.35	2,100,3
Fourth quarter	1,800	1,233	8,847,306	2.34	1.37	2,703,0

Sources: Medellin Stock Exchange, Colombia Stock Exchange, Bloomberg Financial Services Commodities News.

	MEDELLIN STOCK EXCHANGE		NEW YORK STOCK EXCHANGE		
	Ps PER PREFERENCE SHARE		$ PER ADS		
	HIGH	LOW	HIGH	LOW	TRADING VOLUME (NUMBER OF ADSS)
YEAR ENDING					
December 31, 1998	4,600	4,050	15.5	4.3	6,555,600
December 31, 1999	2,372	1,820	7.4	3.0	7,883,000
December 29, 2000	1,550	1,550	4.9	1.8	5,304,200
December 31, 2001(until July 3, 2001)	1,300	1,177	3.2	1.0	4,702,300
December 31, 2002	1,800	1,025	2.88	1.35	7,817,300

Source: Bloomberg Financial Services Commodities News, Medellin Stock Exchange, and Colombia Stock Exchange.

	COLOMBIA STOCK EXCHANGE		NEW YORK STOCK EXCHANGE		
	Ps PER PREFERENCE SHARE		$ PER ADS		
	HIGH	LOW	HIGH	LOW	TRADING VOLUME (NUMBER OF ADSS)
MONTH					
September 2002	1,370	1,370	1.8	1.35	383,500
October 2002	1,400	1,233	1.9	1.37	447,700
November 2002	1,599	406	2.16	1.83	348,500
December 2002	1,800	1,450	2.34	1.95	1,906,800
January 2003	1,200	1,025	2.86	2.32	497,400
February 2003	1,200	1,100	2.45	1.50	651,100

Source: Bloomberg Financial Services Commodities News, Medellin Stock Exchange, 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. MARKETS

BC's ADSs, each of which represents the right to receive four Preference Shares deposited in Colombia with the Custodian under the Deposit Agreement (as defined below), have been listed on the NYSE since July 1995. The Preference 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 Preference Shares.

On September 30, 1998, BC filed a registration statement with the Commission to register the Preference Shares issued in the Capitalization Program, in the form of ADRs, for resale by the holders into the U.S. public market from time to time. The SEC declared this registration statement effective on October 12, 2000.

On December 31, 2002, 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 Preference Shares outstanding, of which 136,743,128 were directly held by record holders in the United States (represented by 34,185,782 ADSs). Because certain of the Preference Shares and ADSs are held by nominees, the number of record holders may not be representative of the number of beneficial owners.

The Medellin Stock Exchange was the principal non-U.S. trading market for the Preference Shares before the Stock Exchanges merged into the Colombian Stock Exchange on July 3, 2001. As of December 31, 2002, the market capitalization for Bancolombia's Preference Shares on the Colombian Stock Exchange was Ps 315,653 million. The Medellin Stock Exchange, founded in 1961, had 51.2% of aggregate equity trading, based on value, on the Colombian Stock Exchanges during the six months ended June 30, 2001. There are no official market makers or independent specialists in the Medellin Stock Exchange or 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, 2002, was approximately Ps 31,231,059 million, with 110 companies listed as of that date. A substantial portion of the trading on the Colombian Stock Exchanges consists of trading in debt securities.

ITEM 10. ADDITIONAL INFORMATION.

A. 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.

B. 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 and Decree 2080 of 2000 issued by Departamento Nacional de Planeacion, 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 Preference 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 Preference 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 Preference Shares. For a detailed discussion of ownership restrictions see "Item 4. Information on the Company -- B. Business Overview -- Supervision and Regulation -- Ownership Restrictions".

C. 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 ADSs through the Depositary, all distributions by BC made on account of Preference 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 Preference Shares (as distinguished from the ADSs representing such Preference Shares) who is not a resident of Colombia, as defined below, and who holds the Preference Shares in his own name, rather than through another institutional or individual fund, will be subject to Colombian income taxes at a flat rate of 7% for 1998 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%, 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

Preference Shares with respect to any amount properly so withheld and paid over.

In the event that a holder of ADSs who is not resident in Colombia chooses to surrender its ADSs and withdraw the underlying Preference 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 Preference Shares through either an "institutional fund" or an "individual fund" under foreign investment regulations, in which case dividends payable with respect to the Preference Shares would receive the same preferential treatment accorded the ADSs.

For purposes of Colombian taxation, a natural person 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 person other than a natural person is a resident of Colombia if it is organized under the laws of Colombia.

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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 Preference Shares including by way of redemption or liquidation (as distinguished from sales or other dispositions of ADSs representing such Preference 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. Deposits and withdrawals of Preference 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 Preference 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 Preference Shares or ADSs, as the case may be, sold or disposed of by the holder. The Tax Basis of Preference 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 Preference Shares immediately before such withdrawal. The Tax Basis of ADSs received by a holder in exchange for a deposit of Preference Shares immediately after such deposit shall equal the holder's Tax Basis in the Preference Shares deposited in exchange for such ADSs immediately before such deposit. The Tax Basis of additional Preference Shares or ADSs distributed to a holder of Preference 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 Preference 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 Preference Shares (as distinguished from the ADSs representing such Preference 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 Preference Shares transferred. There are no Colombian stamp, issue, registration, transfer or similar taxes or duties payable by holders of Preference 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.

D. PUBLICLY AVAILABLE DOCUMENTS

Bancolombia files periodic reports and other information with the Commission. You may read and copy any document that Bancolombia 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.

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ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The information required by this item is contained in "Item 5. - Operating and Financial Review and Prospects" herein under the headings "Interest Rate Sensitivity," "Interest Rate Market Risk," "Exchange Rate Sensitivity" and "Liquidity and Funding."

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES.

Not Applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES.

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS.

None.

ITEM 15. CONTROLS AND PROCEDURES

Within the 90-day period prior to the date of the filing of this annual report, an evaluation was carried out, under the supervision and with the participation of BC's management, including President Jorge Londono Saldarriaga, and 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 and Vice-President Jaime Alberto Velasquez Botero, concluded that our disclosure controls and procedures are effective.

There have been no significant changes in our internal controls or other factors that could significantly affect internal controls subsequent to the date of the evaluation, nor were any corrective actions taken with regard significant deficiencies and material weaknesses.

ITEM 16. [RESERVED]

PART III-

FINANCIAL STATEMENTS.

We have responded to Item 18 in lieu of responding to this Item.

ITEM 17. FINANCIAL STATEMENTS.

Reference is made to pages F-1 through F-94.

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ITEM 18. EXHIBITS

The following exhibits are filed as part of this annual report.

1. Corporate charter (estatutos) of the registrant, as amended through April 22, 2002, together with an English translation.

2. Consent of KPMG Limited.

3.1 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.

3.2 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.

3.3 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 3.1, 3.2 and 3.3 have been filed with the Commission together with Bancolombia's Annual Report on Form 20-F for the fiscal year 1999 and are incorporated by reference into this Annual Report.

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SIGNATURE

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

Dated: March 27, 2003

BANCOLOMBIA S.A.

By: /s/JAIME ALBERTO VELASQUEZ B.

Name: Jaime Alberto Velasquez B.
Title: Vice President, Finance

CERTIFICATION

I, Jorge Londono Saldarriaga, certify that:

1. I have reviewed this annual report on Form 20-F of Bancolombia S.A.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

(a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

(c) Presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

(a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that

could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 27,2003

Name: Jorge Londono Saldarriaga

Title: Chief Executive Officer

CERTIFICATION

I, Jaime Alberto Velasquez Botero, certify that:

1. I have reviewed this annual report on Form 20-F of Bancolombia S.A.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

(a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

(c) Presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

(a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that

could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date March 27, 2003

Name: Jaime Alberto Velasquez Botero
Title: Chief Financial Officer

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[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, 2001 and 2002, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the years in the three-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, 2001 and 2002, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2002, in conformity with accounting principles generally accepted in Colombia for financial institutions.

As discussed in Note 2b to the financial statements, the Colombia Superintendency of Banking issued External Circular 014 which eliminated inflation accounting effective January 1, 2001, and, as discussed in Note 2g, 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 Untied States of America would have affected consolidated results of operations and consolidated stockholders' equity for each of the years in the three-year period ended December 31, 2002, to the extent summarized in Note 31 to the consolidated financial statements.

/s/ KPMG

Medellin, Colombia
January 21, 2002, except as to the 2003 column in note 21 and note 31, which are as of March 12, 2003

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BANCOLOMBIA S.A. AND SUBSIDIARIES
Consolidated Balance Sheets
December 31, 2001 and 2002
(Stated in millions of pesos and thousands of U.S. dollars)

Assets	2001	2002
Cash and cash equivalents:		
Cash and due from banks (Note 4)	Ps 536,813	Ps 643,405
Overnight funds	176,666	207,684

Total cash and cash equivalents	713,479	851,089
Investment securities (Note 5):		
Trading securities	2,720,718	1,688,404
Nontrading securities:		
Mandatory and reserve-against-deposits investments	130,525	--
Equity securities, net	109,925	--
Permanent investments	23,384	--
Available for sale, net	--	2,047,073
Held to maturity, net	--	607,981
Total investment securities	2,984,552	4,343,458
Loans (Note 6 and 27):		
Commercial	4,354,031	5,219,460
Consumer	961,663	870,898
Small business loans	--	68,863
Mortgage	34,511	38,094
	5,350,205	6,197,315
Less allowance for loan losses (Note 7)	(271,729)	(332,324)
Loans, net	5,078,476	5,864,991
Accrued interest receivable on loans:		
Accrued interest receivable on loans	104,692	98,533
Less allowance for accrued interest losses (Note 7)	(27,011)	(15,074)
Interest accrued, net	77,681	83,459
Customers' acceptances and derivatives (Note 8)	39,907	(15,662)
Accounts receivable, net (Note 9 and 27)	106,764	181,663
Premises and equipment, net (Note 10)	320,080	317,724
Leases, net (Note 10)	241,866	341,791
Prepaid expenses, deferred charges and other assets (Note 11)	395,271	293,959
Foreclosed assets, net (Note 12)	74,656	77,299
Reappraisal of assets (Note 13)	241,727	259,811
	Ps 10,274,459	Ps 12,599,582
Memorandum accounts (Note 22)	Ps 40,117,252	Ps 46,798,693

See accompanying notes to consolidated financial statements.

BANCOLOMBIA S.A. AND SUBSIDIARIES
Consolidated Balance Sheets
December 31, 2001 and 2002
(Stated in millions of pesos and thousands of U.S. dollars)

Liabilities and Stockholders' Equity	2001	
Deposits (Note 27)		
Non-interest bearing:		
Checking accounts	Ps 1,709,575	Ps 1
Other	66,693	
Interest bearing:		
Checking accounts	608,087	
Time deposits	3,426,629	3
Savings deposits	1,769,864	2
Total deposits	7,580,848	8
Overnight funds	202,994	
Bank acceptances outstanding	31,066	
Interbank borrowings (Note 14)	399,595	
Borrowings from domestic development banks (Note 15)	431,059	
Accounts payable	271,297	
Accrued interest payable	81,323	
Other liabilities (Note 16)	135,623	
Long-term debt (Note 17)	8,523	
Accrued expenses (Note 18)	102,501	
Minority interest in consolidated subsidiaries	59,179	
Total liabilities	9,304,008	11
Stockholders' equity (Notes 19 and 21):		
Subscribed and paid in capital:		
Nonvoting preference shares	101,579	
Common shares	253,540	
Retained earnings:		
Appropriated (Note 20)	438,718	
Unappropriated	156,533	
Reappraisal of assets (Note 13)	20,081	
Gross unrealized gain or loss on investments	--	
Stockholders' equity	970,451	1
Commitments and contingencies (Note 23)		
	Ps 10,274,459	Ps 12
Memorandum accounts (Note 22)	Ps 40,117,252	Ps 46

See accompanying notes to consolidated financial statements.

BANCOLOMBIA S.A. AND SUBSIDIARIES
Consolidated Statements of Operations

Years ended December 31, 2000, 2001, 2002
(Stated in millions of pesos and thousands of U.S. dollars, except per share data)

	2000	2001	2002
Interest income:			
Loans in local currency	Ps 589,911	Ps 747,543	Ps 671,
Loans in foreign currency	88,672	63,903	54,
Total interest on loans	678,583	811,446	726,
Investment securities	145,575	48,658	
Overnight funds and other (1)	18,475	21,653	11,
Total interest income	842,633	881,757	738,
Interest expense:			
Checking accounts	31,540	22,327	12,
Time deposits	244,911	304,012	260,
Savings deposits	87,629	113,156	106,
Total interest on deposits	364,080	439,495	380,
Interbank borrowings	42,094	20,160	9,
Borrowings from domestic development banks	41,530	40,722	49,
Amortized premiums on investments	7,714	27,120	26,
Long-term debt	3,437	1,577	
Total interest expense	458,855	529,074	466,
Net interest income	383,778	352,683	271,
Provision for loans and accrued interest losses, net of recoveries (Note 7)	152,296	73,953	115,
Provision for foreclosed assets and other assets	112,219	63,537	71,
Net interest income after provision for loans and accrued interest losses	119,263	215,193	85,
Other operating income:			
Fees and service charges, net (Note 24)	218,035	265,382	292,
Foreign exchange gains, net	12,451	20,345	93,
Dividend income (Note 5)	5,223	2,665	19,
Forward contracts	(4,020)	52,890	(62,
Financing leases	33,671	35,410	39,
Gains on sales of investments, net	30,335	159,883	372,
Revenues from commercial subsidiaries	32,362	47,619	52,
Other	13,914	35,994	21,
Total other operating income	341,971	620,188	828,

BANCOLOMBIA S.A. AND SUBSIDIARIES

Consolidated Statements of Operations
Years ended December 31, 2000, 2001, 2002
(Stated in millions of pesos and thousands of U.S. dollars,
except per share data)

	2000	2001	2002
Operating expenses:			
Salaries and employee benefits	Ps 230,651	Ps 250,456	Ps 286,30
Severance benefits	27,192	35,014	29,57
Expense for transition to new severance benefits law (Note 16)	124	--	-
Administrative and other expenses (Note 25)	274,966	333,321	362,49
Depreciation (Note 10)	40,591	35,965	34,44
Losses on sales of loans, net	--	--	9,95
Total operating expenses	573,524	654,756	722,77
Merger expenses	44,828	42,207	33,02
Non-operating income (expense):			
Other income	92,651	94,597	131,02
Other expense	(24,859)	(43,597)	(51,23
Total non-operating income	67,792	51,000	79,78
Net monetary inflation adjustment (Note 26)	4,209	--	-
Income (loss) before minority interest and provision for income taxes	(85,117)	189,418	238,55
Minority interest	(767)	(1,310)	14,44
Provision for income taxes (Note 18)	28,106	31,575	42,61
Net income (loss)	Ps (113,990)	Ps 156,533	Ps 210,38
Earnings (loss) per share	Ps (210)	Ps 271	Ps 36

See accompanying notes to consolidated financial statements.

(1) Includes Interest Income on Mandatory Deposits.

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BANCOLOMBIA S.A. AND SUBSIDIARIES
Consolidated Statements of Stockholders' Equity
Years ended December 31, 2000, 2001 and 2002
(Stated in millions of pesos and thousands of U.S. dollars,
except share and per share data)

Non Voting Preference Shares Voting Common

	Number	Value	Number
Balance at December 31, 1999	58,060,562	39,477	280,988,338
Net loss	--	--	--
Transfer to appropriated retained earnings	--	--	--
Issuance of preference and common shares	120,375,225	62,102	117,271,270
Valuation of investment	--	--	--
Decrease during year	--	--	--
Other	--	--	--
Balance at December 31, 2000	178,435,787	101,579	398,259,608
Net Income	--	--	--
Transfer to appropriated retained earnings	--	--	--
Valuation of investment	--	--	--
Dividends Declared	--	--	--
Other	--	--	--
Balance at December 31, 2001	178,435,787	101,579	398,259,608
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
Balance at December 31, 2002 (Unaudited)	178,435,787	US$ 36,086	398,259,608

	Retained earnings	
	Appropriated	Unappropriated
Balance at December 31, 1999	674,084	(240,167)
Net loss	--	(113,990)
Transfer to appropriated retained earnings	(240,167)	240,167
Issuance of preference and common shares	134,861	--
Valuation of investment	--	--
Decrease during year	--	--
Other	8,619	--
Balance at December 31, 2000	Ps 577,397	(113,990)
Net Income	--	156,533
Transfer to appropriated retained earnings	(113,990)	113,990

Valuation of investment	--	--
Dividends Declared	(20,760)	--
Other	(3,929)	--
Balance at December 31, 2001	438,718	156,533
Net Income		210,380
Transfer to appropriated retained earnings	156,533	(156,533)
Valuation of investment	--	--
Dividends Declared	(48,442)	--
Other	19,378	--
Balance at December 31, 2002	Ps 566,187	Ps 210,380
Balance at December 31, 2002 (Unaudited)	US$ 201,140	US$ 74,738

	Surplus		
	Reappraisal of assets	Cumulative translation adjustments	Gross unrealiz gain or loss on investmen
Balance at December 31, 1999	95,422	7,943	
Net loss	--	--	
Transfer to appropriated retained earnings	--	--	
Issuance of preference and common shares	--	--	
Valuation of investment	(48,065)	--	
Decrease during year	--	(7,943)	
Other	--	--	
Balance at December 31, 2000	Ps 47,357	--	
Net Income	--	--	
Transfer to appropriated retained earnings	--	--	
Valuation of investment	(27,276)	--	
Dividends Declared	--	--	
Other	--	--	
Balance at December 31, 2001	20,081	--	
Net Income	--	--	
Transfer to appropriated retained earnings	--	--	
Valuation of investment	17,287	--	115,2
Dividends Declared	--	--	
Other	--	--	
Balance at December 31, 2002	Ps 37,368	PS --	Ps 115,2
Balance at December 31, 2002 (Unaudited)	US$ 13,275	US$ --	US$ 40,9

See accompanying notes to consolidated financial statements.

BANCOLOMBIA S.A. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Years ended December 31, 2000, 2001, 2002
(Stated in millions of pesos and thousands of U.S. dollars)

	2000	2001	2
Cash flows from operating activities:			
Net income (loss)	Ps (113,990)	Ps 156,533	Ps 2
Adjustments to reconcile net income to net cash provided (used) by operating activities:			
Depreciation	40,591	35,965	
Amortization	60,008	67,177	
Minority interest	(16,147)	18,027	
Provision for loans, accrued interest and accounts receivable losses	287,577	95,497	1
Provision for foreclosed assets	81,630	21,321	
Provision for losses on investment securities and equity investments	7,816	11,446	
Provision for premises and equipment	19,163	24,924	
Provision for other assets	3,610	5,732	
Reversal of provision for investments	(161)	(3,076)	(
Reversal of provision for loans and accounts receivable	(135,281)	(21,544)	(
Reversal of provision for foreclosed assets	(16,582)	(8,248)	(
Reversal of provision for other assets	(5,466)	(534)	
Reversal of provision for premises and equipment	(1,135)	(9,606)	
Unrealized foreign exchange gain	(7,943)	--	
Loss (gain) on sales of premises and equipment	(1,181)	(2,236)	
Loss (gain) on sales on investments securities	(9,730)	76	
Realized and unrealized loss (gain) on derivative financial instruments	4,020	(52,890)	
Loss (gain) on sales on foreclosed assets	4,122	3,106	
Valuation (gain) loss on investment securities	(163,640)	(59,055)	
Foreclosed assets donation	5,522	4,280	
Net monetary inflation adjustment	(4,209)	--	
(Increase) decrease in accounts receivable	14,619	(638)	(
Increase in other assets	(144,364)	(110,197)	
Increase (decrease) in accounts payable	46,482	131,824	
Increase (decrease) in other liabilities	(10,994)	5,040	
Other	69,088	58,831	(
Net cash provided by operating activities	13,425	371,755	5

(Continued)

BANCOLOMBIA S.A. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Years ended December 31, 2000, 2001, 2002
(Stated in millions of pesos and thousands of U.S. dollars)

	2000	2001	
Cash flows from investing activities:			
Increase in loans	(902,025)	(334,665)	
(Increase) decrease in customers' acceptances	3,661	38,567	
Proceeds from sales of premises and equipment	73,799	6,782	
Proceeds from sales of foreclosed assets	44,126	19,740	
Purchases of premises and equipment	19,574	(92,771)	
(Purchases) sales of investment securities	(53,241)	(1,419,345)	(
Proceeds from sales of long term investments	20,836	60,728	
Net cash used in investing activities	(793,270)	(1,720,964)	(
Cash flows from financing activities:			
Shares issued	Ps 257,463	Ps --	Ps
Dividends paid	--	(20,760)	
Increase in deposits	648,886	1,464,826	
Increase (decrease) in long-term debt	2,067	(15,412)	
Increase (decrease) in overnight funds	25,781	(8,770)	
Increase (decrease) in interbank borrowings and borrowings from domestic development banks	(98,510)	(77,448)	
Net cash provided by financing activities	835,687	1,342,436	
Increase in cumulative translation adjustments and effect of revaluing to constant pesos	(55,842)	--	
(Decrease) increase in cash and cash equivalents	(2,293)	(6,773)	
Cash and cash equivalents at beginning of year	722,545	720,252	
Cash and cash equivalents at end of year	Ps 720,252	Ps 713,479	Ps
Supplemental disclosure of cash flows information:			
Cash paid during the year for:			
Interest	Ps 767,209	Ps 517,123	Ps
Income taxes	Ps 4,804	Ps 1,130	Ps

See accompanying notes to consolidated financial statements.

BANCOLOMBIA S. A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

(1) ORGANIZATION AND BACKGROUND

Bancolombia S.A., ("the Bank") previously known as "Banco Industrial Colombiano S.A." is a private commercial bank incorporated under Colombian law on January 24, 1945. On April 3, 1998, Banco Industrial Colombiano S.A. merged with Banco de Colombia S.A., with the surviving entity being renamed Bancolombia S.A. The registered office of the Bank is in Medellin.

The Bank has 6,364 employees and operates through 340 branches.

The attached financial statements consolidate the assets, liabilities, earnings, contingent accounts and memorandum accounts of the Bank and subsidiaries in which it holds, directly or indirectly, 50% or more of the outstanding voting shares. The consolidated subsidiaries are:

ENTITY	LOCATION	BUSINESS	PARTICIPATION PERCENTAGE
Almacenes Generales de Deposito Mercantil S.A. Almacenar	Colombia	Warehousing	98.25%
Fiducolombia S.A.	Colombia	Trust	85.93%
Bancolombia Panama S.A.	Panama	Banking	100%
Bancolombia Cayman S.A.	Cayman Islands	Banking	100%
Leasing Colombia S.A.	Colombia	Leasing	99.98%
Colcorp S.A. Corporacion Financiera	Colombia	Finance	100%
Comisionista de Colombia S.A.	Colombia	Securities Brokerage	99.99%
Abocol S.A.	Colombia	Chemical	92.14%
Valores Simesa S.A	Colombia	Various Comercial investments	71.69%
Inmobiliaria Bancol S.A.	Colombia	Real estate broker	98.95%
Fundicom S.A.	Colombia	Metals engineering	79.86%
Todo UNO Colombia	Colombia	e-commerce	53.92%
Unicargo de Colombia S.A.	Colombia	Freight service	98.35%
C.T.I. Cargo S.A.	Colombia	Freight service	93.32%
Sistema de Inversiones y Negocios S.A.	Panama	Comercial entity	100%
Sinesa Holding Company	British Virgin Is	Holding	100%
Future Net Inc.	Panama	e-commerce	60.02%
Compania Metalurgica Colombiana S.A COMECOL (1)	Colombia	Metals engineering	39.62%
Sociedad Portuaria Mamonal S.A.	Colombia	Customs office	92.52%
Abocol Costa Rica S.A.	Costa Rica	Chemical products comercial	92.25%
Fertillanos Ltda.	Colombia	Chemical Products commercial	55.28%

(1) Controlled through other subsidiaries

BANCOLOMBIA S. A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

(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 Colombian Superintendency of Banking, or, in the absence of such regulations, the accounting practices 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 S.A., Sistema de Inversiones y Negocios S.A., Sinesa Holding Company and Future Net. The Bank's subsidiary Almacenar S.A. consolidates Unicargo de Colombia S.A. and C.T.I. Cargo S.A. The subsidiary Colcorp S.A. consolidates Inmobiliaria Bancol S.A., Abocol S.A., Valores Simesa (a company resulting from a spin-off by Simesa S.A. at December 31, 2000), Fundicom S.A. and Todo Uno Colombia.

The Bank's subsidiary Colcorp S.A. Corporacion Financiera has investments in Industrias Metalmecanicas Forum S.A. and Venrepa C.A. which represent 0.35% of the consolidated portfolio of the Bank; these companies are not included in the subconsolidation since the intention is to hold them only temporarily. There are provisions of 100% against Forum and 60% against Venrepa in the Colcorp financial statements.

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 Columbian 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 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 or expenses, and the financial statements for the preceding period did not have to be re-expressed.

Beginning January 1, 2001, the Superintendency of Banking eliminated inflation adjustments for accounting purposes. This led to an increase in consolidated expenses of Ps 18,578 in 2001.

BANCOLOMBIA S. A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

(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. The rates were $2,186.21 on December 31, 2000, $2,306.90 on December 31, 2001 and $2,814.89 on December 31, 2002.

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 $2,087.92, $2,299.89 and $2,504.68 per dollar, respectively. These were the average TRMs between January 1 and December 31, 2000, January 1 and December 31, 2001 and January 1 and December 31, 2002 respectively.

(D) CASH AND CASH EQUIVALENTS

The statement of cash flows was prepared using the indirect method. Inter-bank 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. Actual results could differ from those estimates.

(F) INTERBANK 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

As of September 2002, as required by the Superintendency of Banking, investments are classified as "trading investments", "investments available for sale" and "investments held to maturity". The first two of these groups are further subclassified as "debt" or "equity" investments.

Debt investments 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.

Up to and including August 2002, investments were classified as "marketable", "non-marketable", "held to maturity", "permanent" or "hedging". Marketable and non-marketable investments were further sub-classified into "fixed-income" and "variable-income" investments.

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.

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 no 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.

2. VALUATION

The purpose of valuation is to calculate and disclose a fair market price for a given investment.

2.1 DEBT SECURITIES

Debt securities are valued daily and the result of the valuation is recorded daily. The Bank and its subsidiaries use the following parameters to establish the value of these investments:

- Simple projection, to establish future funds flows;
- The initial margin is established on date of purchase;
- The Superintendency's base rate TBS is used for fixed-rate securities.

Debt securities held to maturity are valued exponentially on the basis of the internal rate of return calculated at the time of purchase.

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 the security has been traded.
- Low/minimum-turnover or unquoted: 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.

3. RECORDING

3.1 TRADING INVESTMENTS

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.

3.2 INVESTMENTS HELD TO MATURITY

Present value is added to the value of the investment and credited to earnings.

3.3 INVESTMENTS AVAILABLE FOR SALE

3.3.1 DEBT SECURITIES

Changes to the values of these securities are recorded as follows:

- The difference between present value on valuation date and the previous 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) and fixed-rate Treasury paper is calculated by application of the base rate, which are the UVR internal rate of return (IRUVR) and the Treasury rate for CETES(Curva estimada de los TES) considered curve of the TES-CETES, respectively.

Subsequently, the difference between market value and present value affects the investment and a separate account in the equity section.

3.3.2 EQUITY INVESTMENTS

The changes in the value of these securities are recorded as follows:

- If market value is higher than book value the difference is first credited to the provision or write-down until that account is exhausted. Any excess is recorded as revaluation surplus.

- If market value is lower than book value, the difference is first charged to the revaluation surplus until that is exhausted. Any excess is charged to write-downs of that investment in the equity section.

Up to August 2002, the Bank and its subsidiaries used the following methods to value variable-income investments:

Non-trading and permanent investments with low/minimum exchange turnover or unquoted: equity value, on financial statements not more than 12 months old at then time of valuation, or the most recent known account.

Trading investments of high and medium turnover, on the basis of the weighted average trading price on the exchange over at least the last 10 and at most the last 90 days. If there was no trading, the latest value recorded is maintained.

4. PROVISIONS OR LOSSES DUE TO CREDIT RISK CLASSIFICATION

Investments are classified for credit risk as A-Normal Risk, B-Acceptable Risk, Above Normal, C-Appreciable Risk, D-Significant Risk or E-Risk of Unrecoverability.

The value of debt and equity investments with low/minimum turnover or unquoted is adjusted at each valuation date in terms of risk, as follows:

- Investments classified as B may not be recorded for more than 80% of the face value of debt

securities, net of any amortizations made, or of the cost of acquisition of equity securities. Investments classified as C may not be recorded for more than 60% of that value; those classified as D for not more than 40%; and those classified as E are written down to zero.

- Government and FOGAFIN Fondo de Garantias de Instituciones Financieras (Financial Institutions Guarantee Fund, "Fogafin") issues and issues guaranteed by them, and Central Bank issues, are not subject to these adjustments.

Until August 25, 2002 investments classified as C could not be recorded for more than 80% of face value, including uncollected yields or excluding yields received in advance, for fixed-income securities or equity value for variable income investments; and not for more than 50% of that value for investment classified as D. Investments classified as E were written down to zero.

(H) LOANS AND LEASING CONTRACTS

These accounts record loans and leasing contracts made by the Bank and its subsidiaries in the various modes 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 2003. The method takes account of probabilities of deterioration of loans and estimates of expected losses.

Until the new method is approved by the Superintendency and introduced, the Bank and its subsidiaries will continue to apply the Superintendency's existing regulations.

1. CLASSIFICATION

Beginning on January 1, 2002 loans were classified 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 subsidiaries. Its characteristics are therefore not described here. Total loans of this type accounted for 0.61% of 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.

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.

Until December 31, 2001 the classifications and relevant definitions were as follows:

COMMERCIAL

Loans made for over 300 National Minimum Monthly Salaries (NMMS); those made for less than 300 NMMS which the Bank internally considers to be commercial and are not specifically designated as Consumer or Home mortgage loans; discounts, regardless of amount; and loans secured by mortgage and not classified as Home Mortgage loans, regardless of amount. Commercial loan-related amounts receivable were treated as commercial accounts.

CONSUMER

All loans made through credit cards, commissions and other receivables for a total of not more than 300NMMS which the Bank did not consider to be "commercial".

HOME-MORTGAGE

These are loans regardless of amount which complied with the provisions of Law 546/99 made or purchased from other banks for the building of new and used housing, repairs, remodeling, extension, improvements and subdivision of the borrower's home; and the purchase of plots with services.

2. FREQUENCY OF EVALUATION

The Bank and its subsidiaries make continuous evaluations of lending risk, modifying loan classifications when necessary.

Since January 1, 2002 the Bank and its subsidiaries evaluate all commercial loans in arrears after restructuring, those made for more than 300 NMMS at the time of evaluation, and debtors who have total indebtedness of more than 300 NMMS, in May and November; and the result of the evaluation is recorded in the following month.

Up to December 2001, the Bank and its subsidiaries evaluated all commercial loans in May and November and results were recorded at the close of the following month. Evaluations were updated monthly and related provisions were recorded.

3. EVALUATION CRITERIA

The Bank and its subsidiaries evaluate commercial loans on the following minimum criteria required by the Superintendency:

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	Y	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	N	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 provided for analysis is sufficient

3 - Compliance with debt-servicing

4 - Loans overdue by aging

5 - Highly doubtful recovery

6 - Unrecoverable

Up to March 31, 2002 the criteria for evaluation were:

- Ability of the debtor/codebtors to pay, project cash-flow, on the basis of updated and related documentation and financial information

- Debt servicing and compliance with agreed terms (payment of installments when due on any loan operation on any given date, regardless of the nature of the payment (capital, interest, other)).

- Information from credit bureaus consolidated with the system, and other available sources of information, and

- Country risk for the country of domicile of the debtor. This identifies specific risks of transferability or currency convertibility connected to loan servicing.

The classification of loans and characteristics was as follows:

	Characteristics						
Classification	1	2	3	4	5	6	7
A- Normal	Y	Y	Y	N	Y	N	N
B- Acceptable	Y	N	Y	Y	Y	N	N
C- Deficient	N	N	N	Y	Y	N	N
D- Doubtful	N	N	N	Y	Y	Y	N
E- Unrecoverable	N	N	N	Y	Y	Y	Y

Characteristics :

Y - Applies
N - Does not apply

Characteristics :

1 - Appropriate structure and debt servicing

2 - Financial information and funds flows suggest appropriate capacity to pay and financial information for analysis is sufficient

3 - Complies with debt servicing requirements

4 - Adverse market/geographical conditions

5 - Loans overdue by aging

6 - Doubtful recovery

7 - Recovery highly improbable

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

Characteristics may be associated or individual.

The evaluation of consumer and home mortgage loans was based solely on debt-servicing, with the same classifications as were used to evaluate commercial loans.

4. CLASSIFICATION

The Bank and its subsidiaries classify loans on the basis of the above criteria into the following categories:

CATEGORY	COMMERCIAL	CONSUMER
"A"- Normal Risk	current - and up to 1 month past due	current and up to 1 month past due
"B"- Acceptable Risk, Above Normal	1-3 months past due	1-2 months past due
"C"- Appreciable Risk	3-6 months past due	2-3 months past due
"D"- Significant Risk	6-12 months past due	3-6 months past due
"E"- Risk of Unrecoverability	Over 12 months past due	Over 6 months past due

	SMALL BUSINESS LOANS	HOME MORTGAGE
"A"- Normal Risk	current - and up to 1 month past due	current - and up to 2 months past du
"B"- Acceptable Risk, Above Normal	1-2 months past due	2-5 months past due
"C"- Appreciable Risk	2-3 months past due	5-12 months past due
"D"- Significant Risk	3-4 months past due	12-18 months past due
"E"- Risk of Unrecoverability	Over 4 months past due	Over 18 months past due

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 Commercial Code, will receive the same classification as the parent entity unless the lender can show to the Superintendency that there are good reasons for maintaining it/them in a lower risk category.

BANCOLOMBIA S.A. AND SUBSIDIARIES

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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 effected with the permission of the Superintendency. 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

As of March 2002, interest, monetary correction, exchange adjustments, 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

Up to March 2002, if a home mortgage or commercial loan was classified as C or a consumer loan as D, accruals were no longer made in the profit and loss accounts for interest, monetary correction, exchange adjustment, lease payments or other items of income. Amounts were recorded in memorandum accounts until effective payment was received.

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 :

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

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	Interest/ Other	Cap
B- Acceptable Risk, Above Normal	1	1	1	1	1	1	
C- Appreciable Risk	20	100	20	20	20	100	1
D- Significant Risk	50	100	50	100	50	100	2
E- Risk of Unrecoverability	100	100	100	100	100	100	3

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 - depending on whether the security is a mortgage or not and the percentage of security value applied:

% Cover of security	Time elapsed from default	
	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.

As of January 1, 2002 calculations of provisions took no account of the value of collateral in the form of pledges of the debtor's places of business or trade, real property forming part of those premises, or mortgages on property where the business operates. Security taken on these assets prior to that date were gradually reduce in value: 50% at December 31, 2000 and 30% at December 31, 2001.

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, 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.

In any case, loans for which the authority pledges revenues are classed as "D" if there is no reasonable way of ascertaining that those revenues have already been pledged to secure another obligation, if revenues pledged are not sufficient to cover the loan or if the loan has been used for purposes other than those permitted by law. Loans secured by pledges of revenues already pledged to secure another lender and loans covered by Art. 8 of Decree 696/98 which lack the necessary authorization will be classed as "E".

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 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 issues 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.

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 property 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 .

PROVISION FOR FORECLOSED ASSETS

Individual provisions are made to all kinds of foreclosed assets as of the time they are received:

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

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.

The Bank and its subsidiaries record revaluations when market value is higher than book value, provided that they exceed the minimum amount to be provided and it makes additional provisions when a valuation shows a loss greater than the amount provided.

The Bank has no method approved by the Superintendency to estimate the maximum expected loss on sale of foreclosed assets, and therefore follows the practice established by the Superintendency.

(K) LOAN FEES

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

(L) PROPERTY AND EQUIPMENT

This account records tangible assets acquired, constructed or in the process of importation or construction and permanently used in the course of the Bank's, business 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 2001 and 2002 the Bank had insurance cover for fidelity and financial risks. And civil liability cover for risks inherent to its business. Other policies protect assets against fire, earthquake, explosion, civil disturbance, riot, terrorism, damage to computers and vehicles.

Maintenance policy:

Corrective maintenance provides for the immediate replacement of parts 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.

- 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.

(O) LEASED ASSETS

The affiliates Leasing Colombia S.A. and Bancolombia Panama S.A. record the value of assets delivered under financial leases.

Since January 1, 1996 record 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 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 January 1, 1996 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) REVALUATIONS

This account records revaluations of permanent investments in non-marketable variable-income securities, property and equipment, foreclosed assets and works of art and culture.

Up to August 2002, the revaluations of non-trading variable income investments and permanent investments were recorded in this account.

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

(Q) INTERBANK FUNDS PURCHASED AND REPURCHASE AGREEMENTS

This account records funds obtained by the Bank from other financial institutions to satisfy transient liquidity needs. These transactions have a maximum term of 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.

(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.

(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

Interest income is recognized by the Bank when accrued, except for Category "C" or higher risk, for commercial, consumer and small business loans, and Category "B" or higher risk for home mortgage loans, or when income accruals are suspended. Interest on past due loans is controlled in contingent accounts (debtor) and is recorded as income only when collected. (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. Since December 2000, the reciprocal operations of the Bank and its subsidiaries have been recorded here, and since September 2001, inflation adjustments on non-monetary assets and equity have been included for fiscal purposes.

(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, 2000, 2001 and 2002 the average was 542,137,634, 576,695,395 and 576,695,395, respectively.

(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

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

Colombia and abroad.

(AA) LEGAL RESERVE

Banks are required to appropriate 10% of net income for each period to a Legal Reserve until the reserve reaches 50% of subscribed capital. The reserve may be used to absorb losses in excess of undistributed profits, but may not be used to pay dividends or cover costs or losses while the Bank has undistributed losses.

Share premium, which is the difference between the par value and the amount actually paid for a share, is also recorded in this account.

(AB) CONVENIENCE TRANSLATION TO US DOLLARS (UNAUDITED)

The Bank maintains its accounting records and prepares its financial statements in Colombian pesos. The US 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 2,814.89 per US$1, which is approximately the exchange rate, in effect at December 31, 2002. This translation may not be construed to represent that the Colombian peso represents or has been or could be converted into dollars at that or any other rate.

(3) TRANSACTIONS IN FOREIGN CURRENCY

The Superintendency of Banking sets limits on the amount of foreign currency assets and liabilities. As of December 31, 2001 and 2002, the Bank was in compliance with these relevant rules.

Substantially all foreign currency holdings are in U.S. dollars. The consolidated foreign currency assets and liabilities of the Bank at December 31, 2001 and 2002 were as follows:

	2001	200
Assets:		
Cash and due from banks	US$ 44,845	US$ 32
Overnight funds	63,818	54
Investment securities	685,542	665
Loans	405,985	461
Customers' acceptances	9,918	9
Accounts receivable	5,467	16
Premises and equipment, net	40,596	37
Other assets	5,528	1
Total foreign currency assets	US$ 1,261,699	US$ 1,278
Liabilities:		
Deposits	833,314	847

Bank acceptances outstanding	9,918	9
Borrowings from domestic development banks	23,672	13
Interbank borrowings	173,217	133
Other liabilities	18,855	45
Total foreign currency liabilities	1,058,976	1,050
Net foreign currency asset position	US$ 202,723	US$ 227

The Bank's unconsolidated net foreign currency asset position amounted to US $ 167,000 and US $

BANCOLOMBIA S. A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

132,995 at December 31, 2001 and 2002, 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, 2001 and 2002 consisted of the following:

	2001	2002
Colombian peso denominated:		
Cash	Ps296,899	Ps368,734
Due from the Colombian Central Bank	83,981	137,644
Due from domestic banks	18,078	9,976
Remittances of domestic negotiated checks in transit	34,516	36,653
Provision	(114)	(26)
Total local currency	433,360	552,981
Foreign currency:		
Cash	13,730	17,154
Due from the Colombian Central Bank	7,397	9,734
Due from foreign banks	77,082	58,454
Remittances of foreign negotiated checks in transit	5,244	5,082
Total foreign currency	103,453	90,424

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

Total cash and due from banks	Ps536,813	Ps643,405

Restricted cash and deposits at the Central Bank amounted to Ps 360,364 and Ps 492,445 at December 31, 2001 and 2002, 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, 2001 and 2002 consisted of the following:

Trading Securities	2001	2002
Colombian peso denominated:		
Colombian government	Ps 688,919	Ps 887,804
Colombian Central Bank	1,969	515
Government entities	81,826	36,457
Financial institutions	341,509	508,678
Corporate bonds	14,167	--
Other marketable equity securities	10,852	42,419
Total local currency denominated	1,139,242	1,475,873
Foreign currency denominated:		
Colombian government	1,170,569	109,833
Euronotes and Eurobonds	178,604	27
Foreign governments	2,552	--

Goverment entities	189,157	97,107
Other marketable equity securities	40,594	5,564
Total foreign currency denominated	1,581,476	212,531
Total trading securities	Ps2,720,718	Ps1,688,404

The foreign currency denominated securities issued or secured by the Colombian government are bonds denominated in U.S. dollars, purchased at par value, with annual average interest rates of 9.99% and 8.73 % for 2001 and 2002, respectively.

The Bank had pledged Ps 246,495 and Ps 483,884 as collateral to secure lines of credit at international banks as of December 31, 2001 and 2002, respectively.

The Bank sold Ps 26,936,496 and Ps 58,673,102 of investment securities during the years ended December 31, 2001 and 2002, respectively.

Non-trading Securities	2001
Mandatory and reserve-against-deposit investments:	
Colombian peso denominated:	
Colombian government	Ps 65,200
Government entities	65,325
Total mandatory and reserve-against-deposit investments	Ps130,525

Investment securities amounting to Ps 81,077 and Ps 137,251 as of December 31, 2001 and 2002 respectively, were restricted under "reserve-against-deposits" agreements.

Available for sale - Debt Securities	2002
Colombian peso denominated:	
Colombian Government	425,812
Financial institutions	22,270
Total local currency denominated	448,082
Foreign currency denominated:	
Colombian government	1,017,651
Financial institutions	229,462
Other marketable equity securities	190,943
Total foreign currency denominated	1,438,056
Total available for sale securities	1,886,138

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Notes to Consolidated Financial Statements

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

Available for Sale - Equity Securities	Participation percentage at December 31, 2002	2001	
Corporacion Nacional de Ahorro y Vivienda S.A. Conavi	28.52%	Ps 88,585	P
Todo Uno Services	38.43%	--	
Corporacion Financiera Suramericana S.A Corfinsura(2)	4.62%	--	
Urbanizacion Chico Oriental No. 2 Ltda (1)	24.37%	7,848	
Carreteras Nacionales de Meta S.A.	8.44%	9,464	
Sociedad Administradora de Fondos de Pensiones y de Cesantias Proteccion S.A.	7.42%	7,014	
Sociedad de servicios tecnicos y administrativos Multienlace S.A.(2)	48.60%	--	
Fideicomiso Devinorte	10.31%	--	
Industrias Forum S.A.	100.00%	3,671	
Concesiones CCFC S.A.	25.50%	4,358	
Venrepa C.A.	99.62%	2,604	
Transmetano ESP S.A.	6.87%	2,673	
Banco Latinoamericano de exportaciones BLADEX S.A.	0.45%	2,143	
Deposito Centralizado de Valores de Colombia Deceval S.A.	6.97%	979	
Cia de Inversiones Bogota S.A.	13.00%	653	
3001 S.A.	4.87%	15	
Urbanizacion las Sierras del Chico Ltda. (1)	0.55%	203	
Other		5,115	
Total equity securities		135,325	
Allowance for other-than-temporary impairment In value Equity securities, net		(25,400)	
		Ps109,925	P

(1) Allowance was increased in compliance with instructions of Superintendency of Banking.

(2) This investment in 2001 is classified as"Permanent securities".

Dividends received from equity investments amounted to Ps 5,223, Ps 2,665, and Ps 19,491 for the years ended December 31, 2000, 2001 and 2002, respectively.

Most of the equity investments were classified as Category "A". The following investments are classified in categories other than "A":

BANCOLOMBIA S. A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

	2001		20
	Category	Valuation allowance	Category
Todo Uno Services	-	Ps -	D
Urbanizacion Chico Oriental No. 2 Ltda.	D	7,848	E
Urbanizacion Las Sierras del Chico Ltda.	D	203	E
Industria Colombo Andina Inca S.A.	E	405	E
Industrias Forum S.A.	D	2,914	E
Venrepa C.A.	D	1,302	D
Compania de Inversiones Bogota S.A.	E	653	E
Other investments with participation of less than 10%	D	3	-

Permanent Securities	Participation percentage at December 31, 2001	2001
Corporacion Financiera Suramericana S.A. Corfinsura	4.6%	Ps16,642
Terminal Maritimo Muelles El Bosque	8.8%	4,632
Other		2,110
Total Permanent Investments		Ps23,384

Held to Maturity Securities	2001	2002

Colombian peso denomitaded:

Colombian government	Ps --	Ps 596,438
Government entities	--	6,232
Financial institutions	--	5,311
Other	1,987	1,987
Total Held to maturity securities, net	Ps 1,987	Ps 609,968
Allowance for other-than-temporary Impairment in value	(1,987)	(1,987)
Total Held to maturity securities, net	Ps --	Ps 607,981

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

(6) LOANS

The following represents the classification of the total loan portfolio as of December 31, 2001 and 2002 in accordance with the provisions of the Superintendency of Banking:

December 31, 2001

Classification	Mortgage	Commercial	Consumer	Small business loan	Total
A Normal Risk	Ps33,327	Ps3,304,550	Ps890,371	Ps --	Ps4,228,
B Acceptable Risk	126	578,066	24,876	--	603,
C Appreciable Risk	119	92,551	11,091	--	103,
D Significant Risk	61	246,633	13,117	--	259,
E Unrecoverable	878	132,231	22,208	--	155,
Total loans	Ps34,511	Ps4,354,031	Ps961,663	Ps --	Ps5,350,

December 31, 2002

Classification	Mortgage	Commercial	Consumer	Small business loan	Total
A Normal Risk	Ps37,210	Ps4,209,753	Ps803,705	Ps 65,221	Ps5,115,
B Acceptable Risk	21	454,955	23,138	1,315	479,

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

C Appreciable Risk	118	131,588	10,539	537	142,
D Significant Risk	20	167,916	12,290	404	180,
E Unrecoverable	725	255,248	21,226	1,386	278,
Total loans	Ps38,094	Ps5,219,460	Ps870,898	Ps 68,863	Ps6,197,

Loans amounting to Ps 431,024 and Ps 652,535 at December 31, 2001 and 2002, respectively have been pledged as collateral under borrowings from domestic development banks.

The following represents a summary of restructured loans as of December 31, 2001 and 2002:

	2001	2002
Ordinary restructurings	Ps 481,707	Ps 602,977
Extraordinary restructurings	88,367	48,435
Under law 550	73,073	71,291
Under law 617	158,592	123,477
Creditor agreement proceedings	12,241	13,653
Interest and other receivable items	72,361	26,315
	886,341	886,148
Allowances for loan losses	(147,367)	(206,263)
Net of restructured loans	Ps 738,974	Ps 679,885

(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, 2000, 2001 and 2002 is as follows:

	2000	2001
Balance at beginning of year	Ps 295,016	Ps 285,565

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

Provision	264,756	86,793
Charge-offs	(148,056)	(83,586)
Effect of restating to constant pesos (1)	(19,008)	--
Effect of difference in exchange rate (2)	--	--
Reversal of provisions and Recoveries	(107,143)	(17,043)
Balance at end of year	Ps 285,565	Ps 271,729
Ratio of charge - offs to average outstanding loans	3.49%	1.69%

(1) On January 1, 2001, the integral inflation adjustment system, which provided for mandatory inflation adjustments, was eliminated.

(2) For years 2000 and 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, 2000, 2001 and 2002 is as follows:

		2000		2001	
Balance at beginning of year	Ps	66,939	Ps	30,771	Ps
Provision		20,178		4,965	
Charge-offs		(29,687)		(4,255)	
Reversal of provisions and Recoveries		(21,273)		(4,470)	
Effect of difference in exchange rate (2)		-		-	
Effect of restating to constant pesos (1)		(5,386)		-	
Balance at end of year	Ps	30,771	Ps	27,011	Ps

(1) On January 1, 2001, the integral inflation adjustment system, which required inflation adjustments, was eliminated.

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

(8) CUSTOMER ACCEPTANCES AND DERIVATIVES

The net fair value of the Bank's customer acceptances and rights and commitments from derivatives operations as of December 31, 2001 and 2002 were as follows:

		2001	
CUSTOMER ACCEPTANCES			
Current	Ps	28,944	Ps
Overdue		1,731	
Total		30,675	
DERIVATIVES:			
(Fair value of derivatives instruments)			
FORWARD CONTRACTS			
Foreign exchange rights contracts to buy	Ps	769,328	Ps
Foreign exchange rights contracts to sell		1,187,524	
Financial instruments rights to buy (local currency)		65,444	
Financial instruments rights to sell (local currency)		88,362	
Total rights		2,110,658	
Foreign exchange commitments contracts to buy	Ps	778,932	Ps
Foreign exchange commitments contracts to sell		1,168,913	
Financial instruments commitments to buy (local currency)		65,821	
Financial instruments commitments to sell (local currency)		87,760	
Total obligations		(2,101,426)	
Total		9,232	
FUTURES CONTRACTS			
Foreign exchange rights contracts to buy	Ps	-	Ps
Foreign exchange rights contracts to sell		-	
Total rights		-	
Foreign exchange commitments contracts to buy		-	
Foreign exchange commitments contracts to sell		-	
Total obligations		-	
Total customer acceptances and derivatives	Ps	39,907	Ps

The Bank currently has an investment portfolio in local and foreign currency 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 portfolio. These derivatives help protect the Bank against exchange-rate fluctuation and increases the predictability of the Bank's yield on foreign-currency investments.

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

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 income statement.

During the year for forward contracts, the average cost of rights and commitments relating to the purchase of financial instruments is 13.12% with a maturity of 10 days and the average yield from rights and commitments relating to the sale of financial instruments is 9.21% with a maturity of 3 days.

During the year the average yield from rights and commitments relating to the sale of foreign currency is 5.05% annually with a maturity of 63 days. The average yield from rights and commitments relating to the purchase of foreign currency is 4.2% annually with a maturity of 53 days.

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

The average value of the hedging portfolio during the year 2002 was US$137.529 and the average yield was 5.05%.

(9) ACCOUNTS RECEIVABLE

As of December 31, 2001 and 2002, accounts receivable consisted of the following:

		2001	
Credit card operations	Ps	23,951	Ps
Due from other banks		3,818	
Accrued interest on investment securities		1,170	
Advances to contractors and employees		14,270	
Remittances in transit		2,314	
Commissions		5,959	
Warehousing services		6,947	
Dividends		258	
Leasing		4,555	
Services and properties sells		28,792	

Employee advances		1,734	
Claims to insurance companies		1,961	
Credit card compensation		-	
Other receivables		26,731	
Total accounts receivable		122,460	
Allowance for accounts receivable losses		(15,696)	
Accounts receivable	Ps	106,764	Ps

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The activity in the allowance for accounts receivable during the years ended December 31, 2000, 2001 and 2002 is as follows:

		2000		2001	
Balance at beginning of year	Ps	31,380	Ps	19,580	Ps
Provision for uncollectible amounts		2,643		3,739	
Charge-offs		(5,053)		(7,592)	
Recoveries		(6,865)		(31)	
Allowance used		-		-	
Effect of difference in exchange rate (2)		-		-	
Effect of restating to constant pesos (1)		(2,525)		-	
Balance at end of year	Ps	19,580	Ps	15,696	Ps

(1) As of January 1, 2001, the integral inflation adjustment system, which provided for mandatory inflation adjustments, was eliminated.

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

(10) PREMISES AND EQUIPMENT AND LEASE

At December 31, 2001 and 2002 premises and equipment consisted of the following:

	2001	2002

	----	----
Premises and equipment		
Land	Ps 57,209	Ps 53,930
Buildings	229,302	222,444
Warehouses	14,049	20,081
Furniture, equipment and fixtures	101,046	103,215
Computer equipment	145,836	150,851
Vehicles	3,640	3,897
Construction in progress	17,156	10,376
Machinery and equipment	99,165	101,361
Equipment in - transit	4,281	11,456
Rural premises	208	1,091
Total	671,892	678,702
Less accumulated depreciation	(317,733)	(331,694)
Allowance	(34,079)	(29,284)
Premises and equipment, net	Ps 320,080	Ps 317,724

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

		2001	
Leases			
Machinery and equipment	Ps	168,766	Ps
Vehicles		27,451	
Furniture, equipment and fixtures		3,467	
Ships, trains and livestock		718	
Computer equipment		9,607	
Real goods		43,308	
Total		253,317	
Less accumulated depreciation		(7,597)	
Allowance		(3,854)	
Lease, net	Ps	241,866	Ps

Depreciation expense for the years ended December 31, 2000, 2001 and 2002, amounted to Ps 40,591, Ps 35,965 and Ps 34,444, respectively.

(11) PREPAID EXPENSES, DEFERRED CHARGES AND OTHER ASSETS

At December 31, 2001 and 2002, prepaid expenses, deferred charges and other assets consisted of the following:

		2001	
Prepaid expenses:			
Insurance premiums	Ps	4,354	P
Interest		1,623	
Other		1,231	
Total prepaid expenses	Ps	7,208	P
Deferred charges:			
Goodwill	Ps	141,552	P
Studies and projects		19,207	
Computer programs		10,070	
Remodeling		3,046	
Organization and preoperating expenses		3,880	
Leasehold improvements		4,733	
Deferred taxes nonbanking entities		806	
Stationery and supplies		365	
Taxes		-	
Contributions		10	
Other		35,159	
Total deferred charges	Ps	218,828	P

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

		2001	
Other assets:			
Value added tax deductible and withholding taxes	Ps	110,718	P
Investment in Trust		49,109	
Deposits		657	
Furniture and fixtures in storage		2	
Other		8,749	

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

Total other assets		169,235	
Total	Ps	395,271	P

The activity of the goodwill account during the years ended December 31, 2000, 2001 and 2002 is as follows:

		2000		2001	
Balance at beginning of year	Ps	202,750	Ps	164,201	Ps
Amortization		(22,649)		(22,649)	
Effect of restating to constant pesos (1)		(15,900)		-	
Balance at end of year	Ps	164,201	Ps	141,552	Ps

(1) On January 1, 2001, the integral inflation adjustment system, which provided for mandatory inflation adjustments, was eliminated.

(12) FORECLOSED ASSETS

At December 31, 2001 and 2002, foreclosed assets consisted of the following:

		2001	
Equity securities	Ps	39,290	Ps
Real estate		121,369	
Other assets		20,078	
		180,737	
Allowance		(106,081)	
Total foreclosed assets, net	Ps	74,656	Ps

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

		2001	
Urbanizacion las Sierras del Chico Ltda	Ps	11,567	Ps
Chico Oriental Numero 2 Ltda		14,052	
Banco Davivienda S.A.(1)		4,055	
Pizano S.A.		3,663	
Convertible Securities Pizano S.A.		3,221	
Patrimonio Lineas Agromar		-	
Other		2,732	
	Ps	39,290	Ps

(1) This investment was sold in the 2002.

The activity of the valuation allowance foreclosed assets during the years ended December 31, 2001 and 2002 is as follows:

		2000		2001	
Balance at beginning of year	Ps	42,515	Ps	93,591	P
Provision		81,630		21,321	
Adjustment according to Circular 073 of 2000		1,759		-	
Charge-offs		(18,106)		(583)	
Reversals of previously recorded provisions		(16,582)		(8,248)	
Effects of revaluating to constant pesos (1)		2,375		-	
Balance at the end of year	Ps	93,591	Ps	106,081	P

(1) On January 1, 2001, the integral inflation adjustment system, which provided for mandatory inflation adjustments, was eliminated.

(13) REAPPRAISAL OF ASSETS

The following is a detail at December 31:

		2001	
Asset revaluations	Ps	241,727	P
Less: proportional equity revaluations		(195,554)	
Less: minority interests		(26,092)	
Total equity revaluations	Ps	20,081	P

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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.

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(14) INTERBANK BORROWINGS

Interbank borrowings, primarily denominated in U.S. dollars, at December 31, 2001 and 2002 are summarized as follows:

		2001	
Foreign banks:			
Short-term	Ps	356,998	Ps
Long-term		42,597	
Total	Ps	399,595	Ps

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 2.88% and 2.44% in 2001 and 2002, respectively.

(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, 2001 and 2002, borrowings from domestic development banks received from certain Colombian government agencies consisted of the following:

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

		2001	
Fondo para el Financiamiento del Sector Agropecuario	Ps	83,180	P
Banco de Comercio Exterior de Colombia ("Bancoldex")		181,858	
Findeter		39,976	
Instituto de Fomento Industrial, IFI		31,113	
Colombian Central Bank		22,866	
Other		72,066	
Total	Ps	431,059	P

Interest rates on borrowings from domestic development banks averaged 13.5% and 7.98% in 2001 and 2002, respectively, in local currency and 8.4% and 3.44% in 2001 and 2002, respectively, in foreign currency. Maturities at December 31, 2002 were as follows:

2003	Ps	255,805
2004		45,120
2005		143,011
2006		70,490
2007		99,786
2008 and thereafter		98,841
Total	Ps	713,053

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

(16) OTHER LIABILITIES

As of December 31, 2001 and 2002, other liabilities consisted of the following:

		2001	
Unearned income	Ps	6,370	P
Accrued severance Law 50, net of advances		3,308	
Accrued severance pre-Law 50, net of advances to employees of Ps 10,360 and Ps 11,502 in 2001 and 2002, respectively		11,459	
Accrued payroll and other severance benefits		13,704	
Accrued pension obligations net of deferred cost		62,228	
Negative Goodwill		10,444	
Deferred interest on restructured loans		18,624	
Other		9,486	
Total	Ps	135,623	P

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. The total payout under the proposal for the transition to the new severance benefits law amounted to Ps 124, Ps -0- and Ps -0- for the years 2000, 2001 and 2002, respectively. Those amounts are included as "operating expenses" in the income statement.

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

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 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 and 2002:

		Projected pension liability		Deferred cost	
Balance at December 31, 1999	Ps	81,427	Ps	(14,325)	P
Adjustment per actuarial valuation		7,967		(7,967)	
Benefits paid		(6,715)		-	
Pension expense		-		9,847	
Effect of revaluing to constant pesos		(12,003)		784	
Balance at December 31, 2000		70,676		(11,661)	
Adjustment per actuarial valuation		10,357		(10,357)	
Benefits paid		(8,050)		-	
Pension expense		-		11,263	
Balance at December 31, 2001		72,983		(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)	P

The present value of the obligation for pensions as of December 31, 2000, 2001, and 2002 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, 2000, 2001 and 2002 were as follows:

	2000	2001	2002
Discount rate	29.73%	27.30%	24.82%
Future pension increases	23.42%	19.06%	17.14%

(17) LONG TERM-DEBT

The scheduled maturities of long term-debt at December 31, 2002 are as follows:

2003	Ps	70
2004		10,088
2005		6,124
2006		17,500
2007		23,500
2008		5,500
	Ps	62,782

Long term debt consists of bonds issued by Leasing Colombia S.A. in 1999 and 2000 bearing interest at an average rate of 10.25%; and bonds issued by Abocol in 2002 bearing interest at an average rate of CPI+ 8%.

(18) ACCRUED EXPENSES

As of December 31, 2001 and 2002, accrued expenses consisted of the following:

		2001	
Interest payable	Ps	73	P
Income tax payable		29,200	
Fines and sanctions (1)		40,096	
Labor obligations		1,030	
Other		32,102	
Total	Ps	102,501	P

(1) See note 23(d) as it refers to Bancolombia.

The statutory income tax rate for 2000 and 2001 was 35%. For 2002, the statutory income tax was 37% for Bancolombia, Leasing Colombia, Colcorp and Fiducolombia according to an agreement of tax stability and 35% for the other subsidiaries.

The Bank's tax liability is calculated based on the greater of (i) net taxable income and (ii) presumed income, which, in 2002 is 6% of stockholders' equity.

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The following is a reconciliation of taxable income before income taxes for the years ended December 31, 2000, 2001 and 2002:

		2000		2001
(Loss) income before income taxes	Ps	(85,884)	Ps	188,108
Adjustments for consolidation purposes, net		(88,235)		(29,546)
Difference between net operating loss carry-forwards and presumed income		211,936		56,569
Non-deductible provisions, costs and expenses		10,399		120,115
Nontaxable or exempt income		(916)		(218,406)
Difference between monetary correction for tax purposes and for financial reporting purposes		(140)		(26,546)
Taxable income		47,160		90,294
Statutory tax rate (1)		35%		35%
Estimated current income tax	Ps	16,506	Ps	31,603

(1) The statutory income tax rate for 2002 was 37% for Bancolombia, Leasing Colombia, Colcorp and Fiducolombia, according to the agreement of tax stability and 35% for the other subsidiaries.

For the years ended December 31, 2000, 2001 and 2002, income tax expense consisted of the following:

		2000		2001
Current income tax expense	Ps	16,506	Ps	31,603
Deferred income tax expense (benefit)		11,600		(28)
Total	Ps	28,106	Ps	31,575

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Income taxes for the years ended December 31, 2001 and 2002 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:

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	Fiscal losses to amortize	Excess of presumed income over ordinary income
2003	Ps 5,249	Ps 4,977
2004	137,400	4,445
2005	102,722	4,776
2006	465	7,260
2007	4,330	77,856
	Ps 250,166	Ps 99,314

(19) SUBSCRIBED AND PAID-IN CAPITAL

Subscribed and paid-in capital consisted of the following:

	2000	2001
Authorized shares	670,000,000	670,000,000
Issued and outstanding:		
Common shares with a nominal value of 500 pesos	398,259,608	398,259,608
Preference shares with a nominal value of 500 pesos	178,435,787	178,435,787

In order to effect the capitalization of the Bank, 207,182,884 common and 120,375,225 preference shares were issued in 2000.

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.

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   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

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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 542,137,634 in 2000, and 576,695,395 in 2001 and 2002.

(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.

Appropriated retained earnings consist of the following:

		2000		2001	
Legal reserve	Ps	436,873	Ps	291,133	Ps
Additional paid-in capital		107,359		107,359	
Other reserves		33,165		40,226	
Total	Ps	577,397	Ps	438,718	Ps

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

In addition, paid-in capital of Ps 107,359 at December 31, 2000, 2001 and 2002 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 2001, 2002 and 2003 as indicated below:

	2001	2002	
Preceding year's unconsolidated earnings (losses)	Ps (159,983)	Ps 90,123	Ps
Dividends in cash	36 pesos per share payable in four quartely installments of 9 pesos from March 2001 on 398,259,608 and 178,435,787 common and preference shares, respectively.	84 pesos per share payable in four quartely installments of 21 pesos per share from April 2002 on 398,259,608 and 178,435,787 common and preference shares, respectively.	132 pes payable install per sha on 398, 178,435 prefere respect
Total dividends declared	Ps 20,760	Ps 48,442	Ps
Dividends payable at December 31	Ps 7,823	Ps 15,322	

(22) MEMORANDUM ACCOUNTS

At December 31, 2001 and 2002, memorandum accounts consisted of the following:

	2001
Trust:	

Investment trusts	Ps 6,251,978	P
Commitments:		
Unused credit card limits	788,598	
Civil litigation against the Bank	83,707	
Issued and confirmed letters of credit	136,307	
Uncommitted lines of credit	161,331	
Bank guarantees	193,912	
Approved credits not disbursed	8,044	
Other	103,710	
Total	7,727,587	
Other memorandum accounts:		
Memorandum accounts receivable:		
Tax value of assets	7,647,226	
Assets and securities given in custody	472,228	
Negotiable investments in debt titles	--	
Written-off assets	752,396	
Quotas of leasing for receive	203,489	
Investments held to maturity	--	
Adjustments for inflation of assets	179,730	
Accounts to receive yields negotiable investments in debts titles	--	
Investments available for sale in debt titles	--	
Remittances sent for collection	15,298	
Securities secured by government and financial institution	1,524,630	
Other memorandum account receivable	1,888,501	
Total	12,683,498	
Memorandum accounts payable:		
Assets and securities received as collateral	9,501,786	
Qualification commercial loans	--	
Assets and securities received in custody	375,915	
Tax value of shareholders' equity	1,471,670	
Qualification consumer loans	--	
Adjustment for inflation of Equity	500,538	
Qualification consumer loans	--	
Merchandise in owned warehouses	63,928	
Merchandise in third-party warehouses	32,776	
Other memorandum account payable	7,759,554	
Total	19,706,167	
Total memorandum accounts	Ps40,117,252	P

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(23) COMMITMENTS AND CONTINGENCIES

THE BANK

a) Contingencies Covered by Fogafin:

As part of the privatization process of Banco de Colombia (merged into Bancolombia S.A. in 1998), which ended on January 31, 1994, ("Fogafin") agreed to assume liabilities derived from contingencies referring to events that occurred prior to the sale of the shares, provided that claims were submitted within the following five years. The Fogafin guarantee covers 80% of the first Ps10,000, net of provisions, and 100% thereafter. This figure is adjusted every year by the change in the CPI.

The guarantee agreement commits Banco de Colombia to transfer to Fogafin the rights it then held in Sierras del Chico Ltda and Chico Oriental Numero Dos Ltda. for net less than book value at December 31, 1993, adjusted for inflation and excluding revaluations. The validity and enforceability of the commitment has been challenged in court. No decision has yet been issued.

On December 31, 2001 and 2002, the civil contingencies covered by the guarantee amounted to approximately Ps 24,006 and Ps 20,897, respectively, with provisions in the amounts of Ps 3,643 and Ps 1,288. Labor liabilities totaled Ps 695 and Ps 475, with provisions for Ps 408 and Ps 238, respectively.

b) Legal Actions:

As of December 31, 2001 and 2002, in addition to the contingencies disclosed in item (a) above, there were several labor-related legal actions with claims for approximately Ps 8,343 and Ps 8,803, respectively. The final outcome of these lawsuits is unsure due to the controversial nature of the obligations. The provisions for contingencies at December 31, 2001 and 2002 were Ps 3,505 and Ps 4,208, respectively.

On December 31, 2001 and 2002, there were ordinary civil suits and enforcement actions pending against the Bank for amounts totaling approximately Ps 59,734 and Ps 87,405 respectively. Progress in these cases did not require further material provisions to be made in addition to the amounts of Ps 769 and Ps 1,904 already reserved.

Provisions are accounted for when a decision is issued against the Bank in the lower court, or on the basis of an opinion of counsel.

The Superintendency of Banking has fined the Bank Ps 245. This amount was fully provisioned, despite the fact that the Bank's arguments against the decision were sufficiently solid.

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c) Contingency Related to Purchase of 51% of Banco de Colombia S.A.

The corporations that sold their majority shares in the former Banco de Colombia S.A. ("Sellers") set up a guarantee trust fund in the name of the Bank through Fiduanglo (now Lloyds Trust), against

Bancolombia shares, to cover the contingencies and liabilities of the Bank that had been sold. The guarantee covers claims between US$ 7,500 and US$ 60,000.

The Bank submitted, within the appropriate terms, a number of claims against this trust fund, and but the claims were rejected by the Sellers. The Bank petitioned the Bogota Chamber of Commerce to set up an arbitration court to decide on the admissibility of those claims and enforce the above-mentioned guarantee. The amount claimed in the suit is Ps 46,947. The case continues despite the many obstacles produced by the defendants.

THE GILINSKI CASE

The Gilinski family has entered the criminal investigation ordered by the Prosecution Service against the Bank as a civil party for individual and collective interests, and is attempting to implicate the Bank as a third party with civil liability.

The contingency of a loss is considered remote, since the entire process of acquisition and merger was in accordance with applicable law, and business ethics.

Further, in the administrative courts, the Bank challenged the Superintendency of Banking's fine of Ps 44, imposed due to the fact that former Banco de Colombia made an interbank loan to Banco Industrial Colombiano when the two banks were merging. The other complaints of the Gilinsky family were rejected by the Superintendency of Banking, and their appeal against that decision was also denied.

LUIS ALBERTO DURAN

The process continued with the claims of a class action initiated by Luis Alberto Duran against Bancolombia and certain stockholders, and a popular action initiated by Maximiliano Echeverri against the Bank, the Superintendency of Banking and the Superintendency of Securities.

The contingency of a loss is considered remote, since the entire process of acquisition and merger was in accordance with applicable law and business ethics.

d) Income Tax and Other Assessments

The Bank has contested income tax assessments for 1996 and transaction tax assessments. The amount in dispute totals Ps 29,261 and provisions total Ps 17,540.

FIDUCOLOMBIA:

Enforcement proceedings for non-material amounts have been brought against this trust company a subsidiary of the Bank. In the opinion of both management and counsel, the decisions are not likely to be unfavorable to Fiducolombia S.A.

At December 31, 2002 a civil suit against Banco de Colombia and Sociedad Fiduciaria was pending in the 12th Civil Court, Bogota. The plaintiff in that action is Mr. Carlos Paz Mendez. Notice of this suit was served on July 16, 1993. On November 5, 1998 the court ruled in favor of Fiducolombia and ordered the defendant to pay costs. The plaintiff appealed and the appeal was admitted on December 14, 1998. On appeal, counsel for Bancolombia and Fiducolombia requested the hearing permitted by Art. 360 of the Civil Procedure Code to be held; and it was duly held on May 9, 2001. The case was referred to the Superior Tribunal of Bogota on May 24, 2001.

This process is expressly covered by the passive contingency agreement signed with Fogafin, as contained in Public Deed No. 0182 dated January 18, 1994 and recorded with the Second Notary Public of Bogota D.C, according to a schedule included in the above-mentioned documents as Attachment # 1. Management and legal counsel for the fiduciary company believes that the probability is high for a favorable decision. Therefore, Fiducolombia has not made any provisions for this item.

As a consequence of the operation of an escrow agreement ("Silvania"), the trustor corporation Gallego Inmobiliaria S.A. sued Fiducolombia S.A before the Colombian Arbitration Court as provided in the commitment clause of the trust agreement. On February 18, 1999 the Arbitration Court ruled in favor of Fiducolombia S.A. The award was challenged by the trustor, who appealed. On April 27, 2000 this court ruled confirming the tribunal's award.

There are also six ordinary lawsuits based on the Trust agreement mentioned above pending in the civil courts of the Bogota Circuit. Management based on advice of counsel, believes that no liability exists for the events alleged in the suits. The claims made by the plaintiffs total approximately Ps 1,910.

The "Grupo Grancolombiano" trust fund, which was managed by Banco de Colombia S.A. and liquidated on June 29, 1990 is subject to contingencies, including some labor-related, through the Contingency Fund managed by the Fiduciary Company, certain sums deposited by former trustors of the "Grupo Grancolombiano" trust fund, with the intention of covering such contingencies. Following advise of counsel, and in compliance with the purpose established as part of the Memorandum of Liquidation of Grupo Grancolombiano, 24 of the 29 ongoing cases were settled in court and there remaining five were settle out-of-court, charged to funds held in the Group Contingency Fund. In the case of Jorge Euclides Garcia, a hearing was held on December 4, and the next stage of process is a court decision. The cases of Jose del Carmen Racero, Pedro Antonio Alvarez and David Salcedo were not settled by conciliation since the employment relationship ended when the premises in which they worked were the property of Compania Nacional de Chocolates S.A. and the plaintiffs implicated that company as litis consortium. A hearing was set for January 2, 2003. The management of the trust company and legal counsel believe that there will be

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

no additional liabilities that should be accounted, if any should arise nevertheless, they would directly affect the reserve fund established by the trust and not Fiducolombia.

Arbitration Tribunal called by Comerintegral Ltda. The Bogota Chamber of Commerce has informed Fiducolombia that it should receive service of notice of arbitration and try to settle the dispute. The intention is that the tribunal should order termination of the trust established on August 26, 1994 between Sufiducia, now Fiducolombia, and the trustors as provided for in Section 1260.3 of the Colombian Commercial Code and that Fiducolombia be ordered to deliver to Comerintegral funds held in a unit investment fund in proportion to the latter's interest in the 1994 trust. Fiducolombia received service on March 2, 2001 and entered a plea for reconvention.

On December 12, 2001 the two curators appointed by the Chamber of Commerce Arbitration and Conciliation Center to represent the plaintiffs, accepted their appointments. On January 31, 2002 counsel for the Bank contested the exceptions proposed and requested evidence. The conciliation hearing was set for February 28. On May 30, 2002 the Arbitration Tribunal was installed. On November 26 a hearing was held for pleadings, and the court set January 29, 2003 as the date for issuing its decision. There is no need to make provisions for future disbursements because the amount of funds to be handed over as a result of the arbitration decision is the same amount as was delivered for the operation of the trust, now under dispute in arbitration, plus yields accrued.

In Civil Court 6, Bogota, Invico sued Bancolombia S.A. and Fiducolombia S.A. The plaintiff alleges that the defendants are obliged to exercise the alternative rights provided for in Art. 1948 of the Civil Code with regard to the plot of land "Granjita" under the terms of the trust agreement. The amount of the claims is Ps 4,000. The case went before the judge on November 9, 2001 to resolve preliminary exceptions. An order of January 17, 2002 declared that the preliminary exception was not proven, and awardsed costs against the petitioner. An order of July 16, 2002 called for a conciliation hearing on November 5, 2002. Conciliation failed. Nonetheless, given the situation of this case, it is premature to offer an opinion on the result.

Civil Court 9, Bogota has received a suit brought by Invico against the same defendants, claiming the production of accounts during their stewardship as trustee of its assets, by reason of the appointment made by Invico and its creditors. The claims total Ps 3,000. On December 4, 2001 the conciliation hearing was opened, and declared a failure since there was no desire to conciliate. The case came before the court on November 27, 2001 for evidence to be ordered. The lower court finding of November 19, 2002 published on November 25 found in favor of Fiducolombia S.A. and the Bank. The plaintiff appealed. Management believes, based on advise of counsel, that Fiducolombia S.A. and the Bank have a good chance of success.

LEASING COLOMBIA S.A:

At December 31, 2002, there were some legal actions brought against the company. According to counsel, they do not entail any risk of loss that could affect the company's results in the future.

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ALMACENAR S.A.:

At December 31, 2002 there were cases pending against the company in the labor and civil courts.

CTI CARGO S.A.:

The company is facing several civil actions:

Ordinary action brought by Maersk Colombia S.A. for the amount of Ps 2,759 (US$ 963), arising from funds that CTI Cargo is withholding as a consequence of the unfair termination of the commercial agency agreement with Sea Land Service. The process awaits the setting of a date for a reconciliation hearing. Counsel believe that the probability of an unfavorable outcome is 50%. The Company has made a provision for the amount of the claim to provide against an unfavorable decision.

CTI Cargo sued SL Service (formerly Sea Land Service Inc) to obtain payment of the benefits of Art. 1324 of the Commercial Code ("commercial severance") for about Ps 228 and an indemnity to be estimated by experts plus monetary correction totaling Ps 1,200 plus monetary correction to be offset against the amounts withheld. The case was brought on July 4, 2001 before Civil Court 24, Bogota.

Civil case against Leasing Colpatria S.A., in which that company sued CTI Cargo and Yusen Air & Sea Service France, asking for Ps 200 in damages. The case went to the Superior Tribunal, Bogota, and was appealed by CTI Cargo. The company considers that if the court finds against CTI Cargo, CTI could demand payment from YUSEN Air & Sea Service - France.

Ordinary process by CTI Cargo against the State requesting that Resolutions No. 911 of May 25, 1999 and 649 of April 22, 2000, issued by the tax authority DIAN to call on the company's performance guarantee on the grounds that an obligation guaranteed had not been performed, the company having failed to provide evidence that goods had arrived in another country in accordance with the client's requirements. The amount of the guarantee is Ps 62. Final pleadings have been entered, and counsel consider that there is a 60% chance of success.

Civil suit, Calderon Cardona Ltda v. CTI Cargo, to establish breach of a contract of carriage and therefore payment of damages. A conciliation hearing was held in court. Agreement was reached and the case was closed in 2002.

(24) FEES AND SERVICE CHARGES

For the years ended December 31, 2000, 2001 and 2002 fees and service charges consisted of the following:

BANCOLOMBIA S. A. AND SUBSIDIARIES

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	2000	2001	
Service charges	Ps 110,953	Ps 132,410	P
Credit card fees	32,885	39,960	
Credit and debit card annual fees	29,256	39,662	
Checking fees	34,783	37,674	
Warehouse services,net	26,930	32,973	
Commissions and fees from fiduciary activities	20,766	27,101	
Commissions on letters of credit	2,558	2,346	
Commissions expense	(40,096)	(46,744)	
Total	Ps 218,035	Ps 265,382	P

(25) ADMINISTRATIVE AND OTHER EXPENSES

Administrative and other expenses for the years ended December 31, 2000, 2001 and 2002 consisted of the following:

	2000	2001	2002
Public services	Ps 17,640	Ps 20,025	Ps 21
Advertising	10,151	13,361	12
Industry and trade, property, vehicle and other taxes	33,670	35,372	50
Communication, postage and freight	25,572	29,586	34
Insurance	24,752	39,750	41
Security services	14,473	16,705	18
Stationery and supplies	13,148	13,924	14
Amortization of deferred charges	37,360	44,529	35
Rent	20,082	21,781	14
Maintenance and repairs	19,104	21,126	21
Contributions and membership dues	10,300	7,693	9
Temporary services	4,697	5,839	5
Travel expenses	4,187	6,190	8
Professional fees	8,696	28,410	14
Donations	6,003	4,363	9
Call center services	8,253	9,934	13
Information processes outsourcing	2,241	4,631	7
Other	14,637	10,102	29
Total	Ps 274,966	Ps 333,321	Ps 362

(26) NET MONETARY INFLATION ADJUSTMENT

The net monetary inflation adjustment for the years ended December 31, 2000 consisted of the following:

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		2000
Inflation adjustment related to:		
Net book value of equity investments	Ps	32,285
Net book value of premises and equipment		32,324
Net book value of other assets		18,738
Shareholders' equity		(79,138)
Net monetary inflation adjustment	Ps	4,209

The effect of inflation adjustments on the Bank's net income for the year ended December 31, 2000 was as follows:

		2000
Expense associated with Inflation adjustments to of balance sheet accounts	Ps	(4,209)
Tax deductions:		
Monetary inflation adjustment of balance sheet accounts		(4,209)
Difference between tax-related monetary inflation adjustment and monetary inflation adjustment for book purposes		(140)
Total tax deductions		4,349
Statutory income tax rate		35%
Decrease in net income for the year	Ps	(2,826)

The consolidated financial statements were adjusted for the effect of inflation occurring after January 1, 1992 on the basis of changes in the official Colombian middle income consumer price index ("MCPI") until

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

December 31, 2000. The net effect of such adjustments was accounted for as gain or loss in the consolidated income statement. As a consequence of the elimination of the integral inflation adjustments system, the consolidated income statements for the years 2001 and 2002 do not contain this net effect.

(27) RELATED PARTY TRANSACTIONS

Significant balances and transactions with related parties were as follows:

		Shareholders with Participating stock equal To or higher than 10% of Bank's capital		Non-consolidated subsidiaries		Bank's officers and Board of directors
2000						
Balance Sheet:						
Loans	Ps	--	Ps	10,745	Ps	1,245
Accounts receivable		--		143		16
	Ps	--	Ps	10,888	Ps	1,261
Deposits	Ps	113	Ps	25,341	Ps	114
Transactions:						
Income:						
Dividends received	Ps	--	Ps	2,731	Ps	--
Interest		--		1,211		260
Other		--		20		--
Total	Ps	--	Ps	3,962	Ps	260
Expenses:						
Dividends paid	Ps	--	Ps	--	Ps	--
Interest		15		168		2
Fees		--		--		75
Total	Ps	15	Ps	168	Ps	77

2001

Balance Sheet:						
Loans	Ps	51,300	Ps	749	Ps	1,083
Accounts receivable		1,262		26		37
	Ps	52,562	Ps	775	Ps	1,120
Deposits	Ps	486	Ps	40,403	Ps	226
Transactions:						
Income:						
Dividends received	Ps	--	Ps	1,775	Ps	--
Interest		4,895		1,978		167
Other		--		54		--
Total	Ps	4,895	Ps	3,807	Ps	167

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

		Shareholders with Participating stock equal To or higher than 10% of Bank's capital		Non-consolidated subsidiaries		Bank' office and Bo of direc
Expenses:						
Interest	Ps	--	Ps	190	Ps	
Other		--		--		
Total	Ps	--	Ps	190	Ps	
2002:						
Balance Sheet:						
Loans	Ps	28,300	Ps	7,584	Ps	
Accounts receivable		653		218		
Total	Ps	28,953	Ps	7,802	Ps	
Deposits	Ps	575	Ps	16,201	Ps	
Accounts Payable		--		7		
	Ps	575	Ps	16,208	Ps	

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

Income:						
Dividends received	Ps	--	Ps	11,279	Ps	
Interest		5,838		1,077		
Other		2		300		
Total	Ps	5,840	Ps	12,656	Ps	
Expenses:						
Interest	Ps	28	Ps	140	Ps	
Other		--		9,160		
Total	Ps	28	Ps	9,300	Ps	

(28) VOLUNTARY BALANCE SHEET RESTRUCTURING PROGRAM

In 2000, the Bank established two reporting periods in connection with a balance sheet restructuring. In the first reporting period from January 1 - April 30, 2000, the Bank accrued additional allowances for loans losses, foreclosed assets and others thereby reducing the amount that had to be accrued in the second reporting from May 1 - December 31, 2000. The total amount accrued during the two periods was equal to that which would otherwise have been accrued over the twelve month reporting period ended December 31, 2000.

The voluntary Balance Sheet Restructuring program was carried out for protection proposes and aimed at enhancing the financial structure of the Bank (non-consolidated), affected in the prior two years by the country's economic situation.

The effects of the voluntary restructuring are summarized as follows:

		April	December	Year
Net income (loss) at the end of the period	Ps	(201,129)	41,146	(159,98
Plus net income of the year from the Subsidiaries after eliminations		11,503	34,490	45,99
Consolidated accumulated losses of the year		(189,626)	75,636	(113,99
Application against legal reserve approved by stockholder's meeting on August 2000		201,129	--	201,12

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

Consolidated net addition to unappropriated retained earnings	Ps	11,503	75,636	87,13

(29) PURCHASE OF ASSETS AND LIABILITIES

As a growth strategy, the Bank purchased net assets for the years ended at December 31, 2001 and 2002 of the following entities:

	2001		
	Corficafe	Corfinorte	Total
Loans in local currency	Ps 4,197	17,706	21,903
Loans in foreign currency	US$ 1,648	723	2,371
	Ps 3,802	1,668	5,470

The price of the loans purchased from Corficafe, was established according with percentage of 85% and 100% for local currency loans at amount of $683 and $3,514 respectively and a percentage of 100% for foreign currency loans.

The price of the loans purchased from Corfinorte was established according to a percentage fixed by the parties, which averaged 82.41% and 96.93% for local and foreign currency loans, respectively.

			2002				
Type of Asset	Banco Santander	IFI	Corfinsura	Banco de Credito	Corfinorte	Bancolombia Panama	C
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 funded 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 and 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 purchase of liabilities for PS 1,376 and US$263 respectively, corresponding to loans funded by other institutions.

Loans purchased from Bancolombia-Panama 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.

(30) 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. The reclassifications were as follows:

BANCOLOMBIA S. A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

2001

BALANCE SHEET

	Report to Stockholders	Reclassifications		SEC Fo
Assets				
Loans	Ps 5,033,008	Ps 45,468	(1)	Ps 5,
Accounts Receivable	182,130	(75,366)	(2) and (3)	
Interest Receivable	--	77,681	(3)	
Other Assets	443,054	(47,783)	(1) and (2)	
Property and Equipment	561,946	(241,866)	(4)	
Assets Leased	--	241,866	(4)	

Equity			
Capital	288,348	(288,348)	(5)
Ordinal Shares	--	101,579	(5) and (6)
Preference Shares	--	253,540	(5) and (6)
Reserves	205,036	233,682	(6) and (6)
Surplus	255,320	(235,239)	(6)
Earnings from previous Profit (loss) for the period	65,214	(65,214)	(6) and (7)

2002

BALANCE SHEET

	Report to Stockholders	Reclassifications		SEC Fo
Assets				
Loans	5,813,675	51,316	(1)	5,86
Accounts Receivable	264,294	(82,631)	(2) and (3)	18
Interest Receivable	--	83,459	(3)	8
Other Assets	346,103	(52,144)	(1) and (2)	29
Property and Equipment	659,515	(341,791)	(4)	31
Assets Leased	--	341,791	(4)	34
Equity				
Capital	288,348	288,348	(5)	
Ordinal Shares	--	101,579	(5) and (6)	10
Preference Shares	--	253,540	(5) and (6)	25
Reserves	242,084	324,103	(6)	56
Surplus	388,909	(351,541)	(6)	3
Earnings from previous Profit (loss) for the period	154,627	(154,627)	(6) and (7)	

(1) Employee loans are Other Assets in Colombian GAAP, and Loans under US GAAP.

(2) Unconfirmed remittances in transit are Other Assets under Colombian GAAP and Accounts Receivable under US GAAP.

(3) Interest receivable is part of Accounts Receivable in Colombian GAAP and is stated separately under US GAAP.

(4) Assets leased are part of Property and Equipment under Colombian GAAP and are stated separately in US GAAP.

(5) Capital is a single figure in Colombian GAAP; Ordinary and Preference shares are stated separately in US GAAP.

(6) In the Annual Report on Form 20-F the global amount of revaluations is distributed to each of the equity accounts affected.

(7) Previous years' earnings are a separate item under Colombian GAAP; they are classified as unappropriated Earnings under US GAAP.

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Notes to Consolidated Financial Statements

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

STATEMENT OF EARNINGS

The Report to Stockholders shows operating income and expenses as separate items. Form 20-F shows only the net figure between the two. In addition, for 2000, the following reclassification was made: The provision for leasing, foreclosed assets and other assets are stated in a separated item which were part of the administrative and other expenses.

(31) DIFFERENCES BETWEEN COLOMBIAN ACCOUNTING PRINCIPLES FOR BANKS AND U.S. GAAP

The Bank's financial statements are prepared in accordance with generally accepted accounting principles and practices prescribed by the Superintendency of Banking and other legal provisions (Colombian GAAP). Because these principles and regulations differ in certain significant respects from U.S. GAAP, this note presents a reconciliation of net income and stockholders' equity to U.S. GAAP as applicable particularly to financial institutions.

A) RECONCILIATION OF NET INCOME (LOSS):

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, 2000, 2001 and 2002:

		2000		2001	
Consolidated net income (loss) under Colombian GAAP:	Ps	(113,990)	Ps	156,533	Ps
a) Deferred income taxes		10,121		62,252	
b) Employee benefit plans		(8,675)		(9,846)	
c) Inflation adjustment		1,556		(187)	
d) Revaluation of assets		--		--	
e) Allowance for loan losses		45,037		14,120	
f) Loan origination fees and costs		(240)		11,312	
g) Interest recognition on non-accrual loans		--		--	
h) Deferred charges		8,239		(8,224)	
i) Investment securities		--		(5)	
j) Investments in unaffiliated companies		(350)		(193)	
k) Investments in affiliates		11,045		7,650	
l) Lessee accounting		--		81	
m) Business combinations		2,767		(1,870)	
n) Foreign currency translation adjustment		--		--	
o) Other		5,575		(5,575)	
Consolidated net income (loss) under U.S. GAAP	Ps	(38,915)	Ps	226,048	Ps

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BANCOLOMBIA S. A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

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, 2000, 2001 and 2002:

	2000	2001
Consolidated stockholders' equity under Colombian GAAP	Ps 865,883	Ps 970,451
a) Deferred income taxes	22,530	82,138
b) Employee benefit plans	(23,059)	(24,168)
c) Inflation adjustment	43,403	43,216
d) Revaluation of assets	(47,357)	(20,081)
e) Allowance for loan losses	98,434	112,554
f) Loan origination fees and costs	7,365	18,677
f) Interest recognition on non-accrual loans	--	--
h) Deferred charges	(43,385)	(51,609)
i) Investment securities	--	(1,189)
j) Investment in unaffiliated companies	(6,043)	(6,236)
k) Investments in affiliates	43,946	42,126
l) Lessee accounting	--	81
m) Business combination	(16,101)	(17,971)
n) Foreign currency adjustment	--	--
o) Other	5,575	--
	85,308	177,538
Consolidated stockholders' equity under U.S. GAAP	Ps 951,191	Ps 1,147,989

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, 2000, 2001 and 2002:

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

	2000	2001	
Balance at beginning of year	Ps 724,636	Ps 951,191	Ps
Shares issued	257,463	--	
Net income (loss)	(38,915)	226,048	
Dividends declared	--	(20,760)	
Other comprehensive income (loss)	(1,295)	(4,561)	
Other	9,302	(3,929)	
Balance at end of year	Ps 951,191	Ps 1,147,989	Ps

D) STATEMENT OF COMPREHENSIVE INCOME (LOSS):

	2000	2001	
Net Income (loss)	Ps (38,915)	Ps 226,048	
Other comprehensive income, net of tax:			
Foreign currency translation adjustments	(5,163)	--	
Components of other comprehensive from equity method investees	--	(9,470)	
Unrealized gain or loss on securities available for sale	--	(770)	
Additional minimum pension liability offset to shareholder's equity	3,868	5,679	
Foreign currency translation adjustment	--	--	
Other comprehensive income (loss)	(1,295)	(4,561)	
Comprehensive income (loss)	Ps (40,210)	Ps 221,487	P

Other comprehensive income

	2000		
	Before-Tax Amount	(Tax Expense) or Benefit	
Foreign currency translation adjustment	Ps (7,943)	Ps 2,780	P
Additional minimum pension liability	5,951	(2,083)	

Other comprehensive income	Ps (1,992)	Ps 697	P

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

	2001	
	Before-Tax Amount	(Tax Expense) or Benefit
Components of other comprehensive from equity method investees	Ps (14,570)	Ps 5,100
Unrealized gain or loss on securities available for sale	(1,185)	415
Additional minimum pension liability	8,737	(3,058)
Other comprehensive income	Ps (7,018)	Ps 2,457

	2002	
	Before-Tax Amount	(Tax Expense) or Benefit
Components of other comprehensive from equity method investees	Ps 14,570	Ps (5,100)
Unrealized gain or loss on securities available for sale	115,294	(42,659)
Additional minimum pension liability	1,122	(393)
Foreign currency translation adjustment	4,534	--
Other comprehensive income	Ps 135,520	Ps (48,152)

Accumulated other comprehensive income

Additional	Foreign	Unrealizable	Components of other comprehensive income from

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

	Minimum Pension Liability	Currency Translation Adjustment	Gains On Securities	equity method investees
Beginning balance 2000	Ps (12,036)	Ps 5,163	Ps --	Ps --
Current-period change	3,868	(5,163)	--	--
Ending balance 2000	(8,168)	--	--	--
Beginning balance 2001	(8,168)	--	--	--
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	Ps (1,760)	Ps 4,534	Ps 71,865	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 Accounting Principles Board Opinion No. 11.

Under U.S. GAAP, deferred tax assets or liabilities must be recorded for 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, 2000, 2001 and 2002:

	2000	2001	
Current income tax expense	Ps 16,506	Ps 31,603	Ps
Deferred income tax (benefit) expense	1,479	(62,280)	
Total	Ps 17,985	Ps (30,677)	Ps

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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, 2001 and 2002 were as follows:

	2001
Deferred tax assets and liabilities	
Deferred tax assets:	
Accrual of employee benefits	Ps 8,458
Preoperating expenses	18,062
Unrealized loss on investment securities	415
Allowance for loan losses	712
Fixed assets	42,016
Net operating loss carry forwards	121,746
Excess of presumed income over taxable income	27,290
Other	63,675
Total gross deferred tax assets	282,374
Less valuation allowance	(136,620)
Net deferred tax asset	145,754

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

	2001
Deferred tax liabilities:	
Unrealized gain on investment securities	--
Inflation adjustment	15,126
Allowance for loan losses	26,574
Lease financing	28
Other	23,242
Total deferred liabilities	64,970
Net deferred asset	80,784

The valuation allowance for deferred tax assets as of December 31, 2002 and 2001 was Ps 61,256 and Ps 136,620 respectively. The net change in the total valuation allowance for the years ended December 31, 2002 and 2001 was a decrease of Ps 75,364 and Ps 63,962, 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, 2002. 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 carryforward period are reduced.

The 35% income tax nominal rate differs from (44.9%) and (6.2)% effective rate for years 2001 and 2002, due to the following:

	2001	
Profit before tax U.S. GAAP	Ps 195,371	Ps 2
35% tax	68,380	
Nondeductible items/provisions	32,001	
Nontaxable income	(46,829)	(
Increase/(decrease) valuation allowance	(76,429)	(
Decrease tax readjustments to fixed assets	3,795	
Deductible item	(9,291)	
Effective tax rate changes	--	
Tax discounts for donation	(2,304)	
Income tax (income)	Ps (30,677)	Ps (

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

As of December 31, 2002, 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, 2000, 2001 and 2002 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 resulting transition obligation 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 this 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, 2002, there were 1,099 participants covered by the Plan.

While Colombian GAAP requires calculation of the estimated liability using actuarial methodology given by the law, the actuarial assumptions, based on nominal discount, salary and pension increase rates, and the method of computing the net periodic pension costs differ from those required by U.S. GAAP.

SEVERANCE OBLIGATION

Under Colombian labor regulations, employees are entitled to receive one month's salary for each year of service. This benefit accumulates and is paid to the employees upon their termination or retirement from the Bank; however, employees may request advances against this benefit at any time. In 1990, the Colombian government revised its labor regulations to permit companies, subject to the approval of the employees, to pay the severance obligation to their employees on a current basis. Law 50, 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.

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

As of December 31, 2002 there were 2,119 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, 2000, 2001 and 2002 are summarized below:

	2000	2001	2002
Change in benefit obligation			
Unfunded benefit obligation at beginning of year	Ps 118,024	Ps 113,243	Ps 107,061
Service cost	1,777	1,911	1,663
Interest cost	28,154	28,444	26,482
Advances	(7,968)	--	--
Actuarial gain (loss)	(745)	(18,191)	(7,088)
	2000	2001	2002
Benefits paid	(11,580)	(18,346)	(20,861)
Divesture Simesa	(6,670)	--	--
Effect to restating to constant pesos	(7,749)	--	--
Unfounded benefit obligation at end of year	Ps 113,243	Ps 107,061	Ps 107,257
Funded status	Ps(113,243)	Ps(107,061)	Ps(107,257)
Unrecognized net transition loss	9,687	8,638	7,588
Unrecognized net actuarial loss (gain)	21,803	3,252	(3,841)
Unrecognized prior service cost	1,289	1,146	1,002
Accrued benefit cost under U.S.GAAP	(80,464)	(94,025)	(102,508)
Accrued benefit cost under Colombian GAAP	(69,972)	(73,687)	(79,668)
Difference to be recognized under U.S. GAAP	(10,492)	(20,338)	(22,840)

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

Additional minimum pension liability offset to Stockholders' equity	(12,567)	(3,830)	(2,708)
Total difference to be recognized under U.S.GAAP Stockholders' equity	Ps (23,059)	Ps (24,168)	Ps (25,548)

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:

	2000	2001	2002
Discount rate	8%	8%	8%
Rate of compensation increases	2%	2%	2%
Rate of pension increases	0%	0%	0%
Components of net periodic benefit cost			
Service cost	Ps 1,777	Ps 1,911	Ps 1,663
Interest cost	28,154	28,444	26,482
Amortization of prior service	143	143	143
Amortization of unrecognized net transition obligation	1,048	1,048	1,048
Amortization of actuarial unrecognized net gain (loss)	913	360	7
Net periodic pension cost under U.S.GAAP	32,035	31,906	29,343

	2000	2001	2002
Net periodic pension cost under Colombian GAAP	Ps 23,360	Ps 22,060	Ps 26,841
Difference to be recognized under U.S. GAAP	Ps (8,675)	Ps (9,846)	Ps (2,502)

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

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 represent the cumulative inflation adjustment on the Bank's non-monetary assets for inflation occurring prior to January 1,1992, less depreciation expense.

Under Colombian GAAP, the Bank updates the market value of properties, plant and equipment and recognizes this effect of revaluation in the equity, and in Statement of Operations when the market value is less than the book value. The last valuation was in December 2001.

The components of the pro-forma adjustments to net income are as follows:

	2000	2001	2002
Additional inflation adjustment on non-monetary assets and stockholders' equity	Ps 1,859	Ps --	Ps --
Additional depreciation of inflation adjustments related to non-monetary assets	(303)	(187)	--
Increase (decreased) in net income	Ps 1,556	Ps (187)	Ps --

The components of the adjustments to stockholders' equity are as follows:

	2000	2001	2002
Effects of indexation on non-monetary assets:			

Premises and equipment	Ps42,892	Ps42,705	Ps42,705
Equity investments	511	511	511
	Ps43,403	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". 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.

U.S. GAAP requires a specific valuation allowance for impaired loans. Impaired loans are non-homogeneous loans that are evaluated individually for impairment and that are not performing in accordance with their contractual terms. An impaired loan is to be measured based on the present value of expected future cash flows discounted at the loan's effective interest rate, or at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. Troubled debt restructurings are evaluated in this manner.

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, 2000, 2001 and 2002:

	2000	2001	2002

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

Allowance for loan losses under Colombian GAAP			
Allowance for loan losses	Ps 285,565	Ps 271,729	Ps 332,324
Allowance for other receivable (1)	--	28,463	18,073
Allowance for lease rentals and related receivable	6,243	6,746	8,832
Allowance for foreclosed assets	93,591	106,081	107,962
	Ps 385,399	Ps 413,019	Ps 467,191
Allowance for loan losses under U.S. GAAP			
Allowance for loan losses and other receivables	Ps 227,247	Ps 223,227	Ps 339,612
Allowance for lease rentals and related receivable	2,223	7,792	8,890
Allowance for foreclosed assets	57,495	69,446	72,235
	Ps 286,965	Ps 300,465	Ps 420,737
Additional allowance for loan losses under U.S. GAAP	Ps (98,434)	Ps(112,554)	Ps (46,454)

(1) For the year 2000, this allowance was not presented separately.

At December 31, 2000, 2001, and 2002, the carrying value of loans considered to be impaired, under SFAS No. 114 (not including restructured loans) was approximately Ps 189,368, Ps 196,983 and Ps 136,718 respectively, and the related allowance for loan losses on those impaired loans totaled Ps 146,211, Ps 134,679 and Ps 121,253, respectively.

For the years ended December 31, 2000, 2001 and 2002, the Bank recognized interest income of approximately Ps 17,266, Ps 5,741 and Ps 5,594, respectively on such impaired loans.

f) Loan origination fees and costs

The Bank earns 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 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.

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, was included as accrued interest. Interest income from past due mortgage loans between 91 and 120 days, was reversed.

h) Deferred charges

The Bank and its subsidiaries have deferred certain preoperating 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 proforma effects.

The effect of the change on net income under Colombian GAAP for the year ended December 31, 2002 is as follows:

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

	2002	Per share amounts
Consolidated net income under Colombian GAAP, before change in accounting method for investment securities	Ps230,773	Ps400,16
Effect of change in valuation method for investment securities at September 2, 2002, net of tax	(20,393)	(35,36)
Consolidated net income (loss) under Colombian GAAP as reported	Ps210,380	Ps364,80

Under US 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, 2000 the Bank classified its portfolio as trading and held to maturity investments and at December 31, 2001 and 2002 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:

	Gross	Gross

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

	Fair value	unrealized gains	unrealized losses	Cost basis
AVAILABLE FOR SALE:				
December 31, 2001				
Securities issued or secured by Colombian government	Ps1,320	Ps --	Ps 428	Ps1,748
Securities issued or secured by Government entities	5,636	--	755	6,391
Total	Ps6,956	Ps --	Ps1,183	Ps8,139

	Fair value	Gross unrealized gains	Gross unrealized losses
AVAILABLE FOR SALE:			
December 31, 2002			
Securities issued or secured by Colombian government	Ps1,443,463	Ps 107,632	Ps 292
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
	Ps1,886,138	Ps 119,131	Ps 1,404

	Fair value	Gross unrealized gains	Gross unrealized losses	Amortize Cost
HELD TO MATURITY:				
December 31, 2001				
Securities issued or secured by Colombian government	Ps 57,768	Ps 3,929	Ps 11,078	Ps 64,91

Securities issued or secured by Central Bank	11	--	1	1
Securities issued or secured by Government entities	46,810	10,214	20,815	57,41
Total	Ps104,589	Ps 14,143	Ps 31,894	Ps122,34
HELD TO MATURITY				
December 31, 2002				
Securities issued or secured by Colombian government	Ps600,414	Ps 4,069	Ps 93	Ps596,43
Eurobonds and Euronotes	5,001	--	2,297	7,29
Other investments	4,245	--	--	4,24
	Ps609,660	Ps 4,069	Ps 2,390	Ps607,98

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BANCOLOMBIA S. A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

The scheduled maturities of debt securities at December 31, 2002 were as follows:

	Held to maturity		Available for sale	
	Amortized Cost	Fair Value	Cost Basis	Fair Value
Due in one year or less	Ps 10,941	Ps 10,944	Ps 137,264	Ps 141,
Due from one year to five years	586,397	590,354	1,087,969	1,153,
Due from five years to ten years	10,643	8,362	543,178	591,
Total	Ps 607,981	Ps 609,660	Ps1,768,411	Ps1,886,

As of December 31, 2000 and 2001, investments classified as held to maturity for purposes of U.S. GAAP were mandatory investments, which were required by law depending on the level of deposits.

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 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.

Investments in non marketable equity securities:

j) Investment in unaffiliates companies. High and Median quotation investments securities classified as "Available for sale " under Colombian GAAP.

For purposes of Colombian GAAP, an investment in low, minimum exchange or unquoted equity securities of an investee is recorded using the average price published by the exchange. The result of

the valuation is recorded as unrealized gain or loss in shareholders' equity. The investee also records common stock dividends as income.

Under U.S. GAAP, an investment in non-marketable equity securities of an investee is also recorded at cost if the investor cannot exercise significant influence. However, common stock dividends 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 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 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. The impact of this accounting method on the results of operations is substantially the same as under U.S. GAAP.

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

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, 2001 and 2002:

	2001	2002
Total minimum lease payments to be received	Ps 324,505	Ps 469,895
Estimated residual values of leased property	26,862	32,987
Less: Unearned income	(75,046)	(102,721)
Net investment in direct financing leases	Ps 276,321	Ps 400,161

The following schedule shows the future minimum lease payments to be received on direct financing leases for each of the succeeding later years, through 2008:

Year ending December 31:	
2003	Ps149,413
2004	117,249
2005	83,277
2006	58,807
2007	37,140
Later years, through 2008	24,009
Total minimum future lease payments to be received	Ps469,895

Lessee accounting

Colombian accounting practice for operating and financial leasing operations are as follows for the lessee:

(1) Financial leases are those involving land, sale-and-leaseback and short-term operations:

- Real estate operations under five years.
- Machinery and equipment operations under three years
- Furniture and fittings operations under three years
- Vehicles and equipment operations under two years

(2) All other leasing contracts are operating leases.

Financial leases are treated as intangible assets matched by a liability equal to the cost of the asset net of the financing component. The asset is amortized or depreciated over its useful life.

Payments under operating leases are charged to operating expenses.

Under U.S. GAAP financial leases must meet one of the following conditions:

- Ownership is transferred
- There is a purchase option
- The contract is for 75% or more of the useful life of the asset
- The present value of the contract is 90% or more of the value of the asset.

Financial contracts are recorded as an asset with a matching liability for the value of the asset leased, and the asset is depreciated in the same way as other owned assets.

Depreciation is charged over the useful life of the asset if ownership is transferred or if the lease contains a purchase option. In other cases, the asset is depreciated over the life of the contract.

A constant rate of interest is established to charge off the financial component to expenses. A portion of each payment is charged as an interest expense and the balance reduces the liability. For operating leases the lessee records an expense on a straight-line basis.

m) Business combination

The purchase method of accounting under U.S. GAAP requires that (i) the purchase price be allocated to the 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.

Effective July 1, 2001, the bank adopted the provisions of SFAS No. 141, and certain provisions of SFAS No. 142, as required for goodwill and intangible assets resulting from business combinations consummated after June 30, 2001. The new rules required that all business combinations consummated after June 30, 2001 be accounted for under purchase method. The nonamortization provisions of the new rules affecting good will and intangible assets with indefinite lives are effective for all business combinations completed after June 30, 2001.

On January 1, 2002, the Bank adopted the remaining provisions of SFAS No. 142. Under the new rules, effective January 1, 2002, goodwill is no longer amortized, but is subject to annual impairment test. The bank believes it does not have intangible assets with indefinite lives.

The Bank has performed the required impairment test of goodwill and there was no impairment of goodwill. Pursuant to the application of the new rule, the Bank reversed the amortization of goodwill from Colombian GAAP for the year ended 2002. See note 31 r), for proforma disclosures related to the adoption of SFAS No.142 on net income (loss) and earnings (loss) per share.

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 US GAAP they are expensed as incurred.

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

n) Foreign currency translation adjustment

For Colombian GAAP the translation adjustment 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 adjustment shall be reported as a component of stockholders' equity.

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.

p) Estimated fair value of financial instruments

As required by U.S. GAAP, the estimated fair value of the Bank's financial instruments, their carrying values and the major assumptions and methodologies used to estimate fair values at December 31, 2001 and 2002 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, 2001		December
	Carrying Amount	Estimated Fair value	Carrying Amount

Financial assets:			
Cash and cash equivalents	Ps 713,479	Ps 713,749	Ps 851,089
Investment securities	2,799,791	2,780,849	4,227,410
Loans, net	5,078,476	5,035,592	5,864,991
Foreign exchange and forward Contracts - gain (loss)	9,232	9,232	(46,334)
Accrued interest receivable on loans	77,681	77,681	83,459
Customers' acceptances	30,675	30,675	30,672
Financial liabilities:			
Deposits	7,580,848	7,580,848	8,788,158
Overnight funds	202,994	202,994	610,158
Bank acceptances outstanding	31,066	31,066	31,050
Interbank borrowings	399,595	399,595	403,962
Borrowings from domestic development banks	431,059	431,059	713,053
Long term debt	8,523	8,523	62,782
Off Balance Sheet Instruments:			
Commitments to extend credit	7,727,587	--	9,692,273

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, time deposits in financial entities, customers' acceptances, accrued interest receivable and bank acceptances outstanding.

INVESTMENT SECURITIES

In general, the estimated fair values of these financial instruments were determined using either quoted market prices or dealer quotes where available, or quoted market prices of financial instruments with similar characteristics. Investment securities carried by the Bank to comply with legal provisions, were valued at their carrying amounts since they had no readily available market prices.

LOANS

Estimated fair values have been determined for loan portfolios with similar financial characteristics. Loans were segregated by type such as commercial and consumer, 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 2001 and 2002, 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 considering the criteria established by SFAS 114.

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:

It must estimate the purchase or sale value of the exchange rate, then obtain the net value in foreign currency at valuation day and calculate the net gain or loss.

Financial Instruments forward contracts:

It is estimated the fair value without yields, then it must to value the agreed amount to present value and calculate the net gain or loss.

Futures Contracts:

The fair value of future contracts and other derivatives traded in stock markets are calculated by the respective stock market where BC's 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 mature. 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. and Abocol S.A. Buyers of this bonds are Colombian Pension Funds and it's price of negotiation is similar to the carrying amount.

p) 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.

q) 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.

r) 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 also 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. As of December 31, 2000, 2001 and 2002, the Bank had a simple capital structure. Therefore, no difference between Basic or Diluted EPS existed as of these dates.

The following summarizes information related to the computation of basic earning(loss) per share for the years ended December 31, 2000, 2001 and 2002 (millions of pesos, except per share data):

	2000	2001	2002
U.S. GAAP net income (loss)	Ps(38,915)	Ps226,048	Ps207,152
Less preferred share dividends	6,424	14,989	23,554

BANCOLOMBIA S. A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

Income (loss) attributable to common stockholders	Ps(45,339)	Ps211,059	Ps183,598
Weighted average number of common shares outstanding used in basic EPS calculation (in millions)	380	398	398
Basic earnings (loss) per share	Ps(119.31)	Ps 530.30	Ps 461.30

Pro-forma net income (loss) and basic earnings (loss) per share for the years ended December 31, 2000, 2001 and 2002, adjusted to exclude amortization expense (net of tax) related to goodwill is as follows:

	2000	2001	2002
Income (loss) attributable to common stockholders	Ps(45,339)	Ps211,059	Ps183,598
Goodwill amortization	14,722	14,722	--
Adjusted Income (loss) attributable to common stockholders	Ps(30,617)	Ps225,781	Ps183,598
Basic earning (loss) per share:			
Reported basic earnings (loss) per share	Ps(119.31)	Ps 530.30	Ps 461.30
Goodwill amortization	38.74	36.99	--
Adjusted basic earnings (loss) Per share	Ps (80.57)	Ps 567.29	Ps 461.30

s) Merger expenses

The indirect costs of the merger of Ps 33,028 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.

BANCOLOMBIA S. A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

t) Segments Disclosure

The following presents certain information about reported segment profit or loss, and segment assets:

2000

	Retail Banking	Commercial Banking	Small Business Banking
Revenues from external customers	Ps 125,042	Ps 27,056	Ps 11,439
Revenues from transactions with other operating segments of the same enterprise	18,344	2,666	340
Interest income	251,131	178,684	82,249
Interest expense	155,366	16,267	10,800
Net interest revenue	95,765	162,417	71,629
Depreciation and amortization expense	--	--	--
Provision for loans losses	53,492	7,942	4,865
Administrative and other expense	303,243	22,737	18,396
Net monetary inflation adjustment	--	--	--
Income tax expense or benefit	--	--	--
Other income or expense, net	21,424	494	996
Merger expenses	--	--	--
Segment profit before distribution of income (expense) for treasury funds	(96,160)	161,954	61,143
Distribution of income (expense) for treasury funds (1)	146,545	(107,214)	(42,974)
Segment profit	Ps 50,385	Ps 54,740	Ps 18,169

Segments assets	Ps 1,681,547	Ps 1,441,311	Ps 669,758

	Offshore Commercial Banking	Trust	Leasing	Manufacturing
Revenues from external customers	Ps 11,884	Ps 19,215	Ps 22,434	Ps 37,817
Revenues from transactions with other operating segments of the same enterprise	17,683	(384)	(210)	815
Interest income	108,579	5,299	4,341	997
Interest expense	81,766	1	18,043	16,560
Net interest revenue	26,813	5,298	(13,702)	(15,563)
Depreciation and amortization expense	460	1,144	3,173	1,119
Provision for loans losses	10,435	925	7,435	333
Administrative and other expense	1,632	13,108	4,381	25,056
Net monetary inflation adjustment	--	(2,947)	142	3,727
Income tax expense or benefit	--	2,455	1,007	315
Other income or expense, net	3,486	1,591	2,474	789
Merger expenses	--	--	--	--
Segment profit before distribution of income (expense) for treasury funds	47,339	5,141	(4,858)	762
Distribution of income (expense) for treasury funds (1)	--	--	--	--
Segment profit	Ps 47,339	Ps 5,141	Ps (4,858)	Ps 762
Segments assets	Ps 1,661,136	Ps 52,424	Ps 128,417	Ps 225,219

(1) Those costs are calculated base on the funds that segments use or provide. Those do not have an impact in the final result

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

2001

	Retail Banking	Commercial Banking	Small Business Banking	Gov Inst B
Revenues from external customers	Ps 149,834	Ps 25,125	Ps 12,042	Ps
Revenues from transactions with other operating segments of the same enterprise	30,138	3,193	3,260	
Interest income	321,459	210,010	112,038	
Interest expense	162,625	14,195	9,903	
Net interest revenue	158,834	195,815	102,135	
Depreciation and amortization expense	--	--	--	
Provision for loans losses	31,142	2,890	(2,630)	
Administrative and other expense	305,183	25,790	20,334	
Net monetary inflation adjustment	--	--	--	
Income tax expense or benefit	--	--	--	
Other income or expense, net	24,295	1,456	1,275	
Merger expenses	--	--	--	
Segment profit before distribution of income (expense) for treasury funds	26,776	196,909	101,008	
Distribution of income (expense) for treasury funds(1)	139,212	(131,173)	(58,151)	
Segment profit	Ps 165,988	Ps 65,736	Ps 42,857	Ps
Segments assets	Ps 1,960,065	Ps 1,652,670	Ps 843,872	Ps

Offshore

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

	Commercial Banking	Trust	Leasing	Manufacturing
Revenues from external customers	Ps 9,234	Ps 24,309	Ps 26,687	Ps 40,059
Revenues from transactions with other operating segments of the same enterprise	7,170	888	508	1,535
Interest income	132,437	6,158	12,385	1,230
Interest expense	86,357	--	28,328	11,622
Net interest revenue	46,080	6,158	(15,943)	(10,392)
Depreciation and amortization expense	699	1,299	907	1,519
Provision for loans losses	16,790	946	4,608	876
Administrative and other expense	4,319	14,369	5,630	28,026
Net monetary inflation adjustment	--	--	--	2,761
Income tax expense or benefit	--	4,047	304	1,203
Other income or expense, net	6,950	(378)	2,953	1,537
Merger expenses	--	--	--	--
Segment profit before distribution of income (expense) for treasury funds	47,626	10,316	2,756	3,876
Distribution of income (expense) for treasury funds(1)	--	--	--	--
Segment profit	Ps 47,626	Ps 10,316	Ps 2,756	Ps 3,876
Segments assets	Ps 2,159,016	Ps 64,020	Ps 201,312	Ps 226,300

(1) Those costs are calculated base on the funds that segments use or provide. Those do not have an impact in the final result

2002

	Retail Banking	Commercial Banking	Small Business Banking	Governmental And Institutional Banking
Revenues from external customers	Ps 176,296	Ps 30,930	Ps 18,975	Ps 7,764
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	--	--	--	--
Allowance for loans losses	17,269	5,851	3,187	231
Administrative and other expense	254,704	34,542	29,203	30,170
Net monetary inflation adjustment	--	--	--	--
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
Segments assets	Ps 2,334,832	Ps 1,606,634	Ps 1,137,409	Ps 717,142

	Trust	Leasing	Manufacturing	All other Segments
Revenues from external customers	Ps 34,327	Ps 32,884	Ps (14,820)	Ps 48,564
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
Interest expense	2,047	20,943	5,036	22,631
Net interest revenue	4,291	(17,095)	(3,122)	1,468
Depreciation and amortization expense	1,078	809	1,023	5,247
Allowance for loans losses	647	3,446	329	6,415
Administrative and other expense	21,594	7,177	21,686	54,215
Net monetary inflation adjustment	--	--	--	--
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
Merger expenses	--	--	--	--
Segment profit before distribution of income (expense) for treasury funds	12,363	4,334	(12,516)	19,389
Distribution of income (expense) for treasury funds (1)	--	--	--	--
Segment profit	Ps 12,363	Ps 4,334	Ps (12,516)	Ps 19,389
Segments assets	Ps 74,151	Ps 308,046	Ps 225,413	Ps 530,270

(1) Those costs are calculated base on the funds that segments use or provide. Those do not have an impact in the final result

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.

	2000	2001	
Revenues			
Total revenues for reportable segments	Ps 1,140,653	Ps 1,377,748	Ps
Other revenues	69,034	136,462	
Elimination of intersegment revenues	(25,011)	(12,265)	
Total revenues for reportable segments	Ps 1,184,676	Ps 1,501,945	Ps

	2000	2001	
Profit or Loss			
Total profit or loss for reportable segments	Ps (111,599)	Ps 154,697	Ps
Other profit or loss	7,123	9,756	
Elimination of intersegment profits	(9,514)	(7,920)	
Net income (loss)	Ps (113,990)	Ps 156,533	Ps
Assets			
Total assets for reportable segments	Ps 9,061,262	Ps 10,688,406	Ps 1
Other assets	430,396	517,967	
Elimination of intersegment assets	(883,911)	(931,914)	(
Consolidated total	Ps 8,607,747	Ps 10,274,459	Ps 1

The following sumarizes the Bank's revenues and long-lived assets attributable to Colombia and other foreign countries:

	2002	
Geographic Information	Revenues	Long Lived-Assets
Republic of Colombia	1,477,668	582,318

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

Republic of Panama	69,314	93,915
Total	1,546,982	676,233
Eliminations	20,179	(2,333)
Total, net	1,567,161	673,900

RECENT U.S. GAAP PRONOUNCEMENTS

In June 2002, the FASB issued Statement No. 146 "Accounting for Costs Associated with Exit or Disposal Activities", This Statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity." This Statement requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. A fundamental conclusion is that an entity's commitment to a plan, by itself, does not create a present obligation to others that meets the definition of a liability. Therefore, this Statement eliminates the definition and requirements for recognition of exit costs in Issue 94-3. This Statement also establishes that fair value is the objective for initial measurement of the liability. The provisions of this Statement are effective for exit or disposal activities that are initiated after December 31, 2002, early application encouraged. BC is evaluating the impact Statement 146 may have on its future Consolidated Financial Statements.

In October, 2002, the FASB issued Statement No. 147 "Acquisitions of Certain Financial Institutions". Except for transactions between two or more mutual enterprises, this Statement requires that acquisitions of certain financial institutions be accounted for in accordance with FASB Statements No. 141, "Business Combinations", and No. 142, "Goodwill and Other Intangible Assets". Thus, the requirement to recognize (and subsequently amortize) any excess of the fair value of liabilities assumed over the fair value of tangible and identifiable intangible assets acquired as an unidentifiable intangible asset no longer applies to acquisitions within the scope of this Statement. In addition, this Statement amends FASB Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", to include in its scope long-term customer-relationship intangible assets of financial institutions such as depositor and borrower-relationship intangible assets and credit cardholder intangible assets. The Effective Date of This Statement about the application of the purchase method of accounting, is effective for acquisitions for which the date of acquisition is on or after October 1, 2002. This Statement may have an impact on BC if another business combination would take place.

In November, 2002, the FASB issued the Financial Accounting Standards Board Interpretation No. 45, "Guarantor's Accounting and Disclosure requirements for Guarantees Including Indirect Guarantees of Indebtedness of Others." The Interpretation expands on the accounting guidance of Statements No. 5, 57, and 107 and incorporates without change the provisions of FASB Interpretation No. 34, which is being superseded. The Interpretation elaborates on the existing disclosure requirements for most guarantees, including loan guarantees such as standby letters of credit. It also clarifies that at the time a company issues a guarantee, the company must recognize an initial liability for the fair value, or market value, of the obligations it assumes under that guarantee and must disclose that information in its interim and annual financial statements. This guidance does not apply to certain guarantee contracts, such as those issued by insurance companies or for a lessee's residual value guarantee embedded in a capital lease. The provisions related to recognizing a liability at inception of the guarantee for the fair value of the guarantor's obligations would not apply to product warranties or to guarantees accounted for as derivatives. The initial recognition and initial measurement provisions apply on a prospective basis to guarantees issued or modified after December 31, 2002, regardless of the guarantor's fiscal year-end. The disclosure requirements in the Interpretation are effective for financial statements of

interim or annual periods ending after December 15, 2002. BC is evaluating the impact FIN 45 may have on its future Consolidated Financial Statements.

In January, 2003, the Financial Accounting Standards Board (FASB) has issued Interpretation No. 46, Consolidation of Variable Interest Entities. Many variable interest entities have commonly been referred to as special-purpose entities or off-balance sheet structures, but the guidance applies to a larger population of entities. Consolidation by a primary beneficiary of the assets, liabilities and results of activities of variable interest entities will provide more complete information about the resources, obligations, risks and opportunities of the consolidated company. To further assist financial statement users in assessing a company's risks, the Interpretation also requires disclosures about variable interest entities that the company is not required to consolidate but in which it has a significant variable interest. The consolidation requirements of Interpretation 46 apply immediately to variable interest entities created after January 31, 2003. The consolidation requirements apply to older entities in the first fiscal year or interim period beginning after June 15, 2003. Certain of the disclosure requirements apply in all financial statements issued after January 31, 2003, regardless of when the variable interest entity was established. The interpretation FIN 46 will have no impact on net income or stockholders' equity.

In December, 2002, FASB issued Statement No. 148 "Accounting for

Stock-Based Compensation -- Transition and Disclosure -- an amendment of FASB Statement No. 123". This Statement provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this Statement require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. This Statement permits two additional transition methods for entities that adopt the preferable method of accounting for stock-based employee compensation. Both of those methods avoid the ramp-up effect arising from prospective application of the fair value based method. In addition, this Statement does not permit the use of the original Statement 123 prospective method of transition for changes to the fair value based method made in fiscal years beginning after December 15, 2003. Also, in the absence of a single accounting method for stock-based employee compensation, this Statement requires disclosure of comparable information for all companies regardless of whether, when, or how an entity adopts the preferable, fair value based method of accounting. In addition, this Statement improves the timeliness of those disclosures by requiring their inclusion in financial reports for interim periods. BC evaluated the impact of applying FASB 148, and determined it will have no impact on net income or stockholders' equity.