

BANCOLOMBIA SA
Form 20-F
July 08, 2008

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AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JULY 8, 2008

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 20-F

(Mark One)

- o REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**
OR
- þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2007
OR
- o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____
OR
- o SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
Date of event requiring this shell company report _____
Commission file number: 001-32535
BANCOLOMBIA S.A.
(Exact name of Registrant as specified in its charter)
N/A
(Translation of Registrant's name into English)
Republic of Colombia
(Jurisdiction of incorporation or organization)
Calle 50 No. 51-66
Medellin, Colombia
(Address of principal executive offices)
Juan Esteban Toro Valencia, Investor Relations Manager
Calle 50 No. 51 66, Medellín, Colombia
Tel. +574 510 8866, Fax. + 574 510 8871, e-mail: juatoro@bancolombia.com
(Name, Telephone, E-Mail and/or Facsimile number and Address of Company Contact Person)
Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each Class
American Depositary Shares
Preferred Shares

Name of each exchange on which registered
New York Stock Exchange
New York Stock Exchange*

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

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

Not applicable
(Title of Class)

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

Not applicable
(Title of Class)

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

Common Shares	509,704,584
Preferred Shares	278,122,419

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 of 15(d) of the Securities Exchange Act of 1934

Yes No

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 No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If "Other" has been checked in response to the previous question indicate by check mark which financial statement item the registrant has elected to follow

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

Yes No

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CERTAIN DEFINED TERMS

Unless otherwise specified or if the context so requires, in this annual report:

References to the Annual Report refer to this annual report on Form 20-F.

References to Bancolombia , BC , the Bank , us or we refer to Bancolombia S.A., a banking institution organized under the laws of the Republic of Colombia, which may also act under the name of Banco de Colombia S.A., including its Subsidiaries on a consolidated basis, unless otherwise indicated or the context otherwise requires.

References to Banagrícola refer to a company incorporated in Panamá and authorized to operate as a bank holding company under the laws of the Republic of El Salvador, including its subsidiaries on a consolidated basis, unless otherwise indicated or the context otherwise requires.

References to Banco Agrícola refer to Banco Agrícola S.A., a banking institution organized under the laws of the Republic of El Salvador, including its subsidiaries on a consolidated basis, unless otherwise indicated or the context otherwise requires.

References to Conavi refer to Conavi Banco Comercial y de Ahorros S.A. as it existed immediately before the Conavi/Corfinsura merger (as defined below).

References to Corfinsura refer to Corporacion Financiera Nacional y Suramericana S.A., as it existed immediately before the Conavi/Corfinsura merger, taking into account the effects of its spin-off of a portion of its investment portfolio effective July 29, 2005.

References to the Conavi/Corfinsura merger refer to the merger of Conavi and Corfinsura with and into Bancolombia S.A., with Bancolombia S.A. as the surviving entity, which took effect on July 30, 2005 pursuant to a Merger Agreement dated February 28, 2005.

References to peso , pesos or Ps refer to the lawful currency of Colombia.

References to SMMLV refer to *Salario Mínimo Mensual Legal Vigente*, the effective legal minimum monthly salary in Colombia.

References to Subsidiaries refer to subsidiaries of Bancolombia S.A. in which Bancolombia S.A. holds, directly or indirectly, 50% or more of the outstanding voting shares.

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References to Representative Market Rate refer to Tasa Representativa del Mercado, the U.S. dollar representative market rate, certified by the Superintendency of Finance. The Representative Market Rate is an economic indicator of the daily exchange rate on the Colombian market spot of currencies. It corresponds to the arithmetical weighted average of the rates of purchase and sale of currencies of interbank transactions of the authorized intermediaries.

The term billion means one thousand million (1,000,000,000).

The term trillion means one million million (1,000,000,000,000).

References to billing or billings refer to credit card balances.

References to Central Bank refer to the Central Bank of Colombia.

References to Colombia refer to the Republic of Colombia.

References to SFC or Superintendency of Finance refer to the Colombian Superintendency of Finance (Superintendencia Financiera de Colombia).

References to U.S. or United States refer to the United States of America.

References to U.S. dollar , U.S. dollars , and US\$ refer to the lawful currency of the United States.

References to UVR refer to *Unidades de Valor Real*, a Colombian inflation-adjusted monetary index calculated by the board of directors of the Central Bank and generally used for pricing home-mortgage loans.

Table of Contents**PRESENTATION OF CERTAIN FINANCIAL AND OTHER INFORMATION****Accounting Principles**

The accounting practices and the preparation of the Bank's consolidated financial statements follow the special regulations of the *Superintendencia Financiera de Colombia* (the Superintendency of Finance), or, in the absence of such regulations, generally accepted accounting principles in Colombia (Colombian GAAP). Together, these requirements differ in certain significant respects from generally accepted accounting principles in the United States (U.S. GAAP). Note 31 to the Bank's audited consolidated financial statements included in this Annual Report provides a description of the principal differences between Colombian GAAP and U.S. GAAP as they relate to the Bank's audited consolidated financial statements and provides a reconciliation of net income and shareholders' equity for the years and dates indicated herein. References to Colombian GAAP in this Annual Report are to Colombian GAAP as supplemented by the applicable rules of the Superintendency of Finance.

For consolidation purposes under Colombian GAAP, financial statements of the Bank and its Subsidiaries must be prepared under uniform accounting policies. In order to comply with this requirement, financial statements of foreign Subsidiaries were adjusted as required by Colombian regulations with regard to investments, loans and leased assets. For 2007, the Bank's consolidated financial statements include companies in which it holds, directly or indirectly, 50% or more of outstanding voting shares. The consolidated financial statements of the Bank's subsidiary Bancolombia Panamá S.A. (Bancolombia Panamá) includes the following companies: Bancolombia Cayman S.A., Sistema de Inversiones y Negocios S.A., Sinesa Holding Company Limited, Future Net S.A., Suleasing International, USA, Inc., Suleasing Internacional do Brasil Locação de Bens S.A. and Banagrícola S.A. (which in turn consolidates Banco Agrícola Panamá S.A, Inversiones Financieras Banco Agrícola S.A., Banco Agrícola S.A., Arrendadora Financiera S.A., Credibac S.A. de C.V., Bursabac S.A. de C.V., AFP Crecer S.A., Aseguradora Suiza Salvadoreña S.A. and Asesuisa Vida S.A.). The consolidated financial statements of the Bank's subsidiary Banca Inversión Bancolombia S.A. Corporacion Financiera (Banca Inversión Bancolombia), includes the following companies: Inmobiliaria Bancol S.A., Valores Simesa S.A., Inversiones Valsimesa S.A., Fundicom S.A., Inversiones CFNS Ltda. and Todo Uno Colombia S.A. The consolidated financial statements of the Bank's subsidiary Leasing Bancolombia S.A. Compañía de Financiamiento Comercial (Leasing Bancolombia), include the following companies: Renting Colombia S.A. (which in turn consolidates Renting Perú S.A.C. and Tempo Rent a Car S.A.). The consolidated financial statements of the Bank's subsidiary Valores Bancolombia S.A. Comisionista de Bolsa (Valores Bancolombia) includes Suvalor Panamá S.A.

Currencies

The Bank maintains accounting records in Colombian pesos. The audited consolidated financial statements of Bancolombia (including its Subsidiaries) for the years ended December 31, 2005, 2006 and 2007 (collectively, including the notes thereto, the Financial Statements) contained in this Annual Report are expressed in pesos.

This Annual Report translates certain peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. Unless otherwise indicated, such peso amounts have been translated at the rate of Ps 2,014.76 per US\$ 1.00, which corresponds to the Representative Market Rate calculated on December 31, 2007 the last business day of the year. The Representative Market Rate is computed and certified by the Superintendency of Finance, 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 Finance 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, U.S. dollars at that rate or any other rate. On May 31, 2008, the Representative Market Rate was Ps 1,744.01 per US\$ 1.00.

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Rounding Comparability of Data

Certain monetary amounts, percentages and other figures included in this Annual Report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be the arithmetic aggregation of the figures that precede them, and figures expressed as percentages in the text may not total 100% or, as applicable, when aggregated may not be the arithmetic aggregation of the percentages that precede them.

Information included on or accessible through BC's internet site is not part of this Annual Report

This Annual Report refers to certain websites as sources for certain information contained herein. Information contained in or otherwise accessible through these websites is not a part of this Annual Report. All references in this Annual Report to these and other internet sites are inactive textual references to these URLs, or uniform resource locators, and are for your informational reference only.

The Bank maintains an internet site at www.grupobancolombia.com. In addition, certain of the Bank's subsidiaries referred to in this Annual Report maintain separate internet sites. For example, Banco Agrícola maintains an internet site at www.bancoagricola.com.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

Information regarding important factors that could cause actual results to differ, perhaps materially, from those in the Bank's forward-looking statements appear in a number of places in this Annual Report, principally in Item 3. Key Information D. Risk Factors and Item 5. Operating and Financial Review and Prospects, and include, but are not limited to:

- changes in general economic, business, political, social, fiscal or other conditions in Colombia or changes in general economic or business conditions in Latin America;
- changes in capital markets or in markets in general that may affect policies or attitudes towards lending;
- unanticipated increases in financing and other costs or the inability to obtain additional debt or equity financing on attractive terms;
- inflation, changes in foreign exchange rates and/or interest rates;
- sovereign risks;
- liquidity risks;
- increases in defaults by the Bank's borrowers and other loan delinquencies;
- lack of acceptance of new products or services by the Bank's targeted customers;
- competition in the banking, financial services, credit card services, insurance, asset management, remittances business and other industries in which the Bank operates;
- adverse determination of legal or regulatory disputes or proceedings;
- changes in official regulations and the Colombian government's banking policy as well as changes in laws, regulations or policies in the jurisdictions in which the Bank does business;
- regulatory issues relating to acquisitions; and
- changes in business strategy.

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Forward-looking statements speak only as of the date they are made and are subject to change, and the Bank does not intend, and does not assume any obligation, to update these forward-looking statements in light of new information or future events arising after the date of this Annual Report.

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

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PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. SELECTED FINANCIAL DATA

The selected consolidated financial data as of December 31, 2006 and 2007, and for each of the three fiscal years in the period ended December 31, 2007 set forth below has been derived from the Bank's audited consolidated financial statements included in this Annual Report. The selected consolidated financial data as of December 31, 2003, 2004 and 2005, and for each of the two fiscal years in the period ended December 31, 2004 set forth below have been derived from the Bank's audited consolidated financial statements for the respective periods, which are not included herein.

The Bank's consolidated financial statements for each period were prepared in accordance with Colombian GAAP. The selected consolidated financial data should be read in conjunction with the Bank's consolidated financial statements, related notes thereto, and the report of the Bank's independent registered public accounting firm.

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	<i>As of and for the year ended December 31,</i>					
	2003	2004	2005⁽⁹⁾	2006	2007⁽¹⁰⁾	2007⁽¹⁾
	<i>(In millions of Ps and thousands of US\$⁽¹⁾, except per share and per American Depositary Share (ADS) amounts)</i>					
CONSOLIDATED STATEMENT OF OPERATIONS:						
Colombian GAAP:						
Interest income	Ps 1,537,818	Ps 1,803,108	Ps 3,200,084	Ps 3,013,732	Ps 4,810,408	US\$ 2,387,584
Interest expense	(480,513)	(585,743)	(1,150,274)	(1,246,229)	(2,002,090)	(993,711)
Net interest income	1,057,305	1,217,365	2,049,810	1,767,503	2,808,318	1,393,873
Provisions for loans and accrued interest losses, net of recoveries ⁽²⁾	(130,356)	(61,423)	(123,575)	(195,361)	(617,868)	(306,671)
Provision for foreclosed assets and other assets, net of recoveries ⁽³⁾	(51,943)	(5,201)	(7,465)	45,179	20,833	10,340
Net interest income after provisions	875,006	1,150,741	1,918,770	1,617,321	2,211,283	1,097,542
Fees and income from services and other operating income, net ⁽⁴⁾	515,325	574,453	962,277	1,139,094	1,477,234	733,206
Operating expenses	(850,768)	(912,421)	(1,654,805)	(1,871,000)	(2,271,712)	(1,127,535)
Net operating income	539,563	812,773	1,226,242	885,415	1,416,805	703,213
Total non-operating income (expense), excluding minority interest	(7,874)	7,140	4,650	45,346	45,247	22,457
Minority interest (loss)	330	(2,425)	(6,496)	(6,352)	(13,246)	(6,574)
	532,019	817,488	1,224,396	924,409	1,448,806	719,096

**Income before
income taxes**

Income taxes	(62,635)	(238,810)	(277,515)	(174,880)	(361,883)	(179,616)
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Net income	Ps	469,384	Ps	578,678	Ps	946,881	Ps	749,529	Ps	1,086,923	US\$	539,480
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Weighted average
of Preferred and
Common Shares
outstanding⁽⁵⁾

576,695,395	576,695,395	652,882,756	727,827,005	758,313,771
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Basic and Diluted
net operating
income per share⁽⁵⁾

Ps	857	Ps	1,297	Ps	1,878	Ps	1,217	1,868	US\$	0.93
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Basic and Diluted
net operating
income per ADS⁽¹¹⁾

3,427	5,189	7,513	4,866	7,473	3.71
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Basic and Diluted
net income per
share⁽⁵⁾

814	1,003	1,450	1,030	1,433	0.71
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Basic and Diluted
net income per
ADS⁽¹¹⁾

3,256	4,012	5,800	4,119	5,733	2.85
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Cash dividends
declared per
share⁽⁶⁾

272	376	508	532	568	0.28
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Cash dividends
declared per
share⁽⁶⁾ (stated in
US Dollars)

0.10	0.16	0.22	0.24	0.28
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Cash dividends
declared per
ADS⁽¹¹⁾

1,088	1,504	2,032	2,128	2,272
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Cash dividends
declared per ADS
(stated in US
Dollars)

0.39	0.63	0.88	0.95	1.13
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U.S. GAAP:⁽⁷⁾

Net income

Ps	474,419	Ps	642,126	Ps	891,121	Ps	941,183	Ps	1,015,644	US\$	504,102
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Basic and Diluted
net income per
common share⁽⁸⁾

1,070	1,445	1,715	1,619	1,683	0.84
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Basic and Diluted
net income per
ADS⁽⁸⁾ ⁽¹¹⁾

4,280	5,780	6,860	6,476	6,732	3.34
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(1) Amounts stated
in U.S dollars

have been translated at the rate of Ps 2,014.76 to US\$ 1.00, which is the Representative Market Rate calculated on December 31, 2007 (the last business day of 2007), as reported and certified by the Superintendency of Finance.

- (2) Represents the provision for loan, accrued interest losses and other receivables, net and recovery of charged-off loans. Includes a provision for accrued interest losses amounting to Ps 5,316, Ps 4,483, Ps 12,379, Ps 14,825 and Ps 34,543 for the years ended December 31, 2003, 2004, 2005, 2006 and 2007, respectively.
- (3) Represents the provision for foreclosed assets and other assets and the recovery of provisions for foreclosed assets and other assets.

(4)

Represents the total fees and income from services, net and the total other operating income.

- (5) The weighted average of preferred and common shares outstanding for fiscal years 2003 and 2004 included 178,435,787 preferred shares and 398,259,608 common shares. For fiscal year 2005, it included 198,261,641 preferred shares and 454,621,115 common shares. For fiscal year 2006, it included 218,122,421 preferred shares and 509,704,584 common shares. For fiscal year 2007, it included 253,300,502 preferred shares and 509,704,584 common shares.
- (6) This data is presented on an annualized basis.
- (7) Refer to Note 31 to the Financial Statements included in this Annual Report for the reconciliation with U.S. GAAP.

- (8) Under U.S. GAAP, these shares are considered outstanding since the beginning of the earliest period presented. Net income per share under U.S. GAAP is presented on the basis of net income available to common stockholders divided by the weighted average number of common shares outstanding (398,258,607 for each of 2003 and 2004; 454,621,115 for 2005 and 509,704,584 for 2006 and 2007). See Note 31 to the Financial Statements included in this Annual Report.
- (9) The consolidated statement of operations for the year ended December 31, 2005, includes Conavi and Corfinsura s results since the beginning of the year.
- (10) The consolidated statement of operations for the year ended

December 31,
2007 includes
Banagrícola s
results since the
beginning of the
year.

- (11) Each ADS is
equivalent to
four preferred
shares of
Bancolombia

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	<i>As of and for the year ended December 31,</i>					
	2003	2004	2005⁽⁵⁾	2006	2007⁽⁶⁾	2007⁽¹⁾
	<i>(In millions of Ps and thousands of US\$⁽¹⁾, except per share and per American Depositary Share (ADS) amounts)</i>					
CONSOLIDATED BALANCE SHEET						
Colombian GAAP:						
Assets:						
Cash and due from banks	Ps 848,052	Ps 768,514	Ps 1,241,435	Ps 1,548,752	Ps 3,618,619	US\$ 1,796,055
Overnight funds	598,409	480,846	488,587	457,614	1,609,768	798,987
Investment securities, net	4,336,724	5,250,211	8,459,703	5,677,761	5,774,251	2,865,975
Loans and financial leases, net	7,642,405	9,600,861	17,920,370	23,811,391	36,245,473	17,989,971
Accrued interest receivable on loans, net	103,209	121,276	198,266	255,290	398,560	197,820
Customers acceptances and derivatives	1,539	43,894	133,420	166,395	196,001	97,283
Accounts receivable, net	163,310	173,875	590,313	562,598	716,106	355,430
Premises and equipment, net	337,964	346,243	623,729	712,722	855,818	424,774
Operating leases, net ⁽⁴⁾	537,207	8,311	143,974	167,307	488,333	242,378
Foreclosed assets, net	27,676	12,206	31,360	18,611	32,294	16,029
Prepaid expenses and deferred charges	27,831	15,950	26,898	46,462	137,901	68,445
Goodwill	99,910	73,607	50,959	40,164	977,095	484,968
Other assets	198,480	315,394	563,588	675,265	580,642	288,194
Reappraisal of assets	253,413	267,941	330,915	348,364	520,788	258,486
Total assets	Ps 15,176,129	Ps 17,479,129	Ps 30,803,517	Ps 34,488,696	Ps 52,151,649	US\$ 25,884,795
Liabilities and shareholders equity:						
Deposits	Ps 10,231,997	Ps 11,862,116	Ps 18,384,982	Ps 23,216,467	Ps 34,374,150	US\$ 17,061,164