Fitch Ratings-New York-21 June 2010: Fitch Ratings has today upgraded Bancolombia's ratings as follows:

--Foreign Currency Long-Term Issuer Default Rating (IDR) to 'BBB-' from 'BB+';
--Local Currency Long-Term IDR to 'BBB-' from 'BB+';
--Foreign Currency Short-Term IDR to 'F3' from 'B';
--Local Currency Short-Term IDR to 'F3' from 'B';
--Individual Rating to 'C' from 'C/D';
--Support Floor to 'BB' from 'BB-';
--Subordinated debt to 'BB+' from 'BB'.

Fitch also affirmed the following rating for Bancolombia:

--Support Rating at '3'.

The Rating Outlook is Stable.

Fitch's upgrade of Bancolombia's Individual rating and IDRs reflect the sustained improvement of the bank's solvency and reserve coverage ratios and the resilience to the crisis it showed by maintaining good asset quality, stable profitability and strong earnings generation. Having successfully taken over and consolidated Banco Agricola's operations, Bancolombia evolved into a regional player showing solid performance through the crisis. The bank achieved profitability and healthy growth over the past few years and proved it has the diversification, tools and expertise to manage through a downturn. Hence it emerges from the crisis not only bigger but also better positioned and poised to resume growth within a more benign economic scenario.

Bancolombia's IDRs are driven by its Individual rating, and this reflects its strong franchise, strong earnings generation, ample deposit and customer base, diversified loan portfolio and revenues, good asset quality, adequate reserve coverage and strong liquidity. The IDRs also factor in the relatively higher costs, somewhat lower efficiency, higher loan loss provisions expenses and capital which, while improving, still compares unfavorably to higher rated regional peers.

Given the systemic importance of Bancolombia, there is, in Fitch's opinion, a moderate probability of support from Colombia's central bank, whose ability to provide such support is reflected in Colombia's sovereign rating ('BB+' with a Stable Outlook).

Bancolombia's IDRs would benefit from stronger capitalization, controlled costs, improved efficiency and better asset quality. The ratings would be pressured downwards if asset quality deteriorates beyond reasonable levels, performance declines significantly and/or the bank's capital/reserves cushion weakens.

Bancolombia's performance during 2009 and into 2010 reflected the decline of loan portfolio volumes that was partially offset by improving margins and strong non-interest revenues. Efficiency declined as operating costs increased faster than operating revenues, but loan loss provisions stabilized, albeit at a still high level. Positively, the bank achieved a positive and still flattering profitability while improving its solvency and coverage ratios and dealing with declining asset quality.

Asset quality declined but remains adequately covered and within reasonable levels, comparing well to that of its regional peers. Deposits grew, compensating for a decline in foreign funding and
reducing funding costs while capital ratios, which had become a weakness of the bank, consolidated their improvement thanks to retained earnings and slower asset growth.

As economic prospects brighten, Bancolombia's loan portfolio should resume a moderate growth (8%-10% per annum) during the second half of 2010; margins should remain resilient, underpinned by low funding costs, but they are likely to start a slow decline from 2011. Costs, which were well contained during the boom years, should play a little catch-up, but loan loss provisions could become less pressing as the effects of the crisis wind down. Overall profitability should stabilize around 20% (ROAE) or close to 2.1% (ROAA) thus sustaining adequate capital and reserve coverage ratios; in particular, Fitch expects Bancolombia to maintain its Fitch eligible capital ratio around its current level.

Bancolombia is the country's largest universal bank, and after several years of strong organic growth and strategic acquisitions holds about 20% of the banking system's assets as of March 2010. Bancolombia has developed a strategic plan to become a regional player; it included the acquisition of Banco Agricola (El Salvador's largest bank, rated 'BB+' with a Negative Outlook by Fitch). Bancolombia is controlled by a conglomerate of companies; its main shareholders are Grupo Suramericana and Inversiones Argos.

Applicable criteria used in this rating action can be found at 'www.fitchratings.com' including: --'Global Financial Institutions Rating Criteria', dated Dec. 29, 2009.

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