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This study provides new evidence on the relationship between abnormal loan growth and banks' risk taking behavior, using data from a rich panel of Colombian financial institutions. We show that abnormal credit growth during a prolonged period of time leads to an increase in banks' riskiness, supported by a reduction in solvency and an increase in the ratio of non-performing loans to total loans. We also show that abnormal credit growth played a fundamental role in the bank-failure process during the late 1990s financial crisis in Colombia. Our results have important implications for financial regulation and macro-prudential policy