

**CORPORATE GOVERNANCE REPORT
 TITULARIZADORA COLOMBIANA S.A.
 2016**

INTRODUCTION

Titularizadora Colombiana is a mortgage and non-mortgage asset securitization conduit created in 2001 with the initial purpose of promoting the development of a secondary mortgage market in Colombia by issuing securities that would allow channeling a considerable percentage of the institutional savings toward financing home purchase. Afterwards, Titularizadora was enabled by Law 1753-2015 §169—National development plan, PND—for conducting the securitization of non-mortgage assets as a funding mechanism in the capital markets, thus expanding its business and framework of action, and helping strengthen its role as an issuer in the exchange market.

Titularizadora has placed 49 issues since the incorporation and as of 31 December 2016, it manages 36 issues. During this year, Titularizadora conducted 4 issues highlighted below:

Non-mortgage assets

Issue	Originator	Date of issue	Underlying asset	Issue amount
TER IPC R-1	Financiera de Desarrollo Territorial - FINDETER	19 May 2016	Rediscount loans	\$233,900,740,721

Mortgage assets

Issue	Originator	Date of issue	Underlying asset	Issue amount
TIPS Pesos N-12	Banco Davivienda Banco Caja Social	14 September 2016	Mortgage loans	\$412,553,648,750
TIPS Pesos N-13	Banco Caja Social Banco Davivienda	1 December 2016	Mortgage loans	\$353,016,313,907
TIPS Pesos H-1 (Schedule of issues)	Confiar Cooperativa Financiera	7 December 2016	Mortgage loans	\$46,149,485,959

Titularizadora's active role in the exchange market gained it the *Superintendencia Financiera de Colombia's* recognition of its capacity as a renowned and recurrent issuer in September of 2015, a condition that it retained during 2016 by fulfilling the corresponding legal and regulatory requirements.

Regarding Titularizadora's governance structure, shareholders are financial institutions, insurance companies, or parties related to these eight shareholders, of Colombian nationality, of good standing and renowned in the local and regional markets, permanently and actively interacting with Titularizadora's Board of Directors and Management.

With respect to the relationship with investors, Titularizadora has pursued a constant, agile, timely, and sufficient interaction since its incorporation. The Investor Care Office in the Investment Director's office and the corporate website www.titularizadora.com provide a permanent communication channel for investors to receive proper guidance about financial information of the issues, portfolio loans performance and valuation, risk analysis, relevant information, and cash flow projections, amongst others, which enable investors to manage their investment and make informed decisions. In like manner, the Articles of Association provide for an Investors Committee that comprises representatives of the institutional investors community, with an active role that includes the follow up to the legal compliance with the Corporate Governance Code and the awareness at all times of the situation of the Company, the outstanding issues, and the underlying assets of the issues.

As to Titularizadora's effort about investors, for the fourth consecutive year the Colombian stock exchange (Bolsa de Valores de Colombia) granted the IR certification to Titularizadora. This recognition is obtained among others for providing an easily reachable website with information in Spanish and English that can be accessed for looking up relevant matters of the Company and business such as (i) shareholding structure, (ii) composition of the Board of Directors, (iii) financial information of the Company and the issues, (iv) corporate documents, and (v) relevant information.

It is worth of noting that since its incorporation, Titularizadora has aimed at implementing appropriate good governance standards as a fixed income securities issuer to provide shareholders and investors with tools, mechanisms, and information that allow them knowing sufficiently the performance of the Company and the *universalidades* managed by the Company. In this framework this report reflects the way the corporate governance related activities developed during 2016, by describing in detail the following main aspects: (i) ownership structure of the company; (ii) general shareholders meeting; (iii) management structure; (iv) operations with related parties and conflict of interest; (v) risk management system; (vi) interaction with investors; (vii) relationship with the statutory audit (*revisoria fiscal*); (viii) report of best corporate practices implementation; and (ix) amendments to corporate documents.

I. Ownership Structure of the Company

Below are described Titularizadora's capital, structure, shareholding composition, and type of shares in 2016:

1. Capital

The subscribed and paid-in capital of the Company amounted to COP 59,855,375,000.00 represented in 59,855,375 ordinary shares, each entitled to equal rights.

2. Shareholding Structure

a. Shareholders:

Titularizadora's shareholders as of 31 December 2016 held the following number of shares and equity share in the Company:

Shareholder	Number of shares	Share
Bancolombia S.A.	16,151,497	26.98%
BCSC S.A.	16,072,773	26.85%
Banco Davivienda	16,072,773	26.85%
Banco Comercial AV Villas S.A.	7,570,225	12.65%
Banco Colpatría - Red Multibanca Colpatría S.A.	3,800,369	6.35%
Compania de Seguros Bolívar S.A.	78,723	0.13%
Compania Inversora Colmena S.A.	78,723	0.13%
Compania de Seguros de Vida Alfa S.A.	30,292	0.05%
Total	59,855,375	100.00%

b. Management owned stock

Neither any of the members of the Board of Directors nor any of the members of Titularizadora's Management own any Company's shares. The Corporate Governance Code includes restrictions to the Directors or Managers' purchase of shares or securities issued by this Company.

The current capital percentage breakdown, shareholding structure, and related matters of the Company as updated from time to time as applicable, are available to any interested party at the corporate website www.titularizadora.com

c. Shareholders Agreement

Titularizadora has a Shareholders Agreement in effect since 2001, to which all the Company's shareholders are parties. This Agreement defines the shareholders' responsibilities and Titularizadora's corporate governance structure, operation, and general outline. The Shareholders Agreement is published and available to investors on the corporate website www.titularizadora.com

II. General Shareholders Meeting

During 2016, Titularizadora's General Shareholders Meeting sessions took place in accordance with the Articles of Association, the Corporate Governance Code, and any other applicable rules that determine how this body's sessions operate and develop.

The main aspects of Titularizadora's Shareholders Meeting sessions held in 2016 are:

1. Ordinary Shareholders' Meeting

a. Notice of the meeting

The Ordinary Shareholders Meeting took place on 29 March 2016 upon prior notice of the meeting sent in writing by the President of the Company to each shareholder on 2 March 2016 by physical and e-mail, in compliance with all the requirements specified in the corporate documents and in accordance with the provisions of the new Code of Commerce and other relevant regulations.

By the notice of the meeting the following was submitted to the shareholders for consideration, (i) proposed agenda stating point for point the subjects to be addressed at the meeting; (ii) proposed agreements for each item of the agenda related to the Shareholders' Agreement; (iii) two exhibits of special powers of attorney, one general power whereby the shareholder grants wide powers to the power-holder for participating and voting in any proposals submitted to the Shareholders' Meeting for consideration and the other exhibit of power of attorney for shareholders to indicate specifically their vote in for the Agreement Proposals received. The information necessary to the exercise of the right to inspection under the applicable laws and regulation is also available to the Shareholders.

The notice of the meeting also states that the shareholders may submit new Proposed Agreements to the President of the Company within 4 calendar days after the date of receipt of the notice of the meeting, along with the applicable justification. Let it be noted that no new proposed agreement was received within the term indicated in the notice of the meeting.

Finally, by the notice of the meeting, shareholders were informed that under article 21 of the Articles of Association and article 1.3.2 of the Corporate Governance Code of Titularizadora, shareholders may propose the introduction in the agenda of one or more subjects for discussion, by submitting their proposal to the President of the Company within five calendar days after the receipt date of the meeting notice, which should be accompanied by the corresponding justification. Let it be set for the record that no proposal was received within the established period.

b. Attendance

The ordinary General Shareholders Meeting was held on 29 March 2016 within the term provided for in the Articles of Association and the Code of Commerce, and was attended

by all the shareholders that represented 59,855,375 shares equivalent to 100% of the subscribed capital of the Company.

In addition, the following Bondholders' Legal Representatives of Titularizadora's mortgage-backed securities issues received the notice of and attended the meeting, Alianza Fiduciaria S.A. and Helm Fiduciaria S.A.

The firm PricewaterhouseCoopers Ltda., Titularizadora's statutory auditor (*revisor fiscal*) was convened to and attended the meeting.

c. Principal Decisions of the Shareholders Meeting

The General Shareholders Meeting of Titularizadora considered and approved unanimously the following matters at their ordinary session in 2016:

- i) Report of Activities
- ii) Report on Audit Committee's activities and Internal Control System performance
- iii) Corporate governance report
- iv) Report of the Revisor Fiscal (Statutory Auditor)
- v) Main Financial Statements as of 31 December 2015
- vi) Profit Distribution Project
- vii) Policy on the designation and compensation of the Board of Directors

d. Relevant Information

The notice of the meeting and the decisions adopted by the Shareholders Meeting were duly published as relevant information in accordance with Decree 2555 of 2010 §5.2.4.1.5.

2. Special Meetings

No special Shareholders' Meeting was held in 2016.

3. Mechanisms of Communication with Shareholders

Shareholders' requests are processed through the Shareholder Care Office of the General Secretariat of the Company, which is in charge of responding the requests filed under Corporate Governance Code Chapter 8.

III. Management Structure of the Company

1. Board of Directors

Titularizadora's Board of Directors consists of five principal directors and five alternate directors, who were designated by the General Shareholders' Meeting at the ordinary session held on 27 March 2015 for a two-year period. The composition of the Board of Directors was modified by the Ordinary Shareholders' Meeting in 2016 designating Hernan

Alfonso Alzate as alternate member for the first line of the Board of Directors in the place of Maria Cristina Arrastia.

As of 31 December 2016, the Board of Directors is composed as follows:

Line	Principal Director	First designation date	Alternate Director	First designation date	Line attendance * %
1	Jose Humberto Acosta Martin	2014	Hernán Alzate Arias	2016	90%
2	Efrain Forero Fonseca	2001	Alvaro Carrillo Buitrago	2001	100%
3	Juan Mario Laserna**	2014	Oscar Eduardo Gomez C.	2014	100%
4	Diego Fernando Prieto Rivera	2013	Jorge Alberto Linares	2014	100%
5	Juan Camilo Angel	2008	Santiago Perdomo Maldonado	2001	70%

* The recording of this data started the first meeting of the Board of Directors in 2016, and the attendance was taken by line.

** Doctor Juan Mario Laserna died in 2016.

In 2016, the Chair of the Board of Directors was Efrain Forero Fonseca and the Secretary was Ricardo Molano Leon, Secretary General of Titularizadora. The functions of the Chair and Secretary of the Board of Directors are set forth in the Articles of Association of the Company.

a. Meetings of the Board of Directors

During 2016, the Board of Directors of Titularizadora met as follows:

Date	Meeting Type	Minutes of the meeting No.
21 January 2016	Personal Attendance	163
18 February 2016	Personal Attendance	164
17 March 2016	Personal Attendance	165
21 April 2016	Personal Attendance	166
19 May 2016	Personal Attendance	167
16 June 2016	Personal Attendance	168
21 July 2016	Personal Attendance	169
18 August 2016	Personal Attendance	170
15 September 2016	Personal Attendance	171
20 October 2016	Personal Attendance	172
17 November 2016	Personal Attendance	173
15 December 2016	Personal Attendance	174

The meetings of the Board of Directors included the analysis of (i) financial information of the Company, (ii) performance of issues, (iii) risk management reports and reporting, (iv) local market performance, (v) international markets and housing sector, and (vi) the strategic follow up of new products, among other matters related to issues underwritten by the Company during 2016.

b. Professional Profile

The Directors have wide experience in management positions, knowledge and leadership relevant to their activities and to economic sectors aligned with the Company's corporate purpose.

The Succession Policy and the profile of the Directors are published on the Titularizadora's website www.titularizadora.com

c. Compensation

The remuneration of the Board of Directors consists in a fixed component paid as fees for the Directors attendance to the meetings, which is submitted for consideration to and fixed by the Shareholders Meeting usually every other year at the time the new Board of Directors is appointed. The remuneration of the Board of Directors meets the criteria established in the Remuneration Policy and the Corporate Governance Code, and does not include any recognition in the form of variable components related to the good performance of the Company. In 2016, the total sum paid to the Directors for participation in the Board was COP 86,400,000 and for taking part in the different committees amounted to COP 8,448,000.

The Remuneration Policy of the Board of Directors is published on Titularizadora's website www.titularizadora.com

d. Evaluation

During 2016, the Board of Directors conducted a self-evaluation for each Director to provide a rate and qualifications of the activities of this body.

e. Attributes of the members of the Board of Directors

Titularizadora considers important that a person designated as member of the Board of Directors has the professional competencies, good standing, and experience required for the proper performance of its corporate purpose and adequate operation of the corporate governance. The profile of the Directors is published on Titularizadora's website www.titularizadora.com

2. Board of Directors' Support Committees

Titularizadora's Board of Directors has four committees composed of members of the Board to support the Board's activities, namely:

Composition	Audit Committee	Investment Committee	Appointment, Compensation and Ethics Committee	Corporate Governance Committee
Directors	Hernán Alzate Arias Jorge Alberto Linares Alvaro Carrillo Buitrago	Alvaro Carrillo Buitrago Jorge Alberto Linares Hernán Alzate Arias	Efrain Forero Fonseca José Humberto Acosta	Diego Fernando Prieto José Humberto Acosta
Management	-----	Mauricio Amador Andrade Alberto Gutierrez Bernal	Alberto Gutierrez Bernal	Alberto Gutierrez Bernal

The purpose of the committees is to deepen the analysis, the supervision, and the development of the policies outlined by the Board of Directors for the critical operational

areas assigned to each committee; functions and duties are set forth in the Corporate Governance Code and respective committee rules of operation.

The committees performed the corresponding management and activities according to their respective rules of operation and the Corporate Governance Code.

a. Attendance

The attendance of Directors to the committee meetings during 2016 was as follows:

Committees	Meeting dates	Committee members who attended the meetings
Audit Committee	18 February 2016	Alvaro Carrillo Buitrago Jorge Alberto Linares
	11 July 2016	Alvaro Carrillo Buitrago Jorge Alberto Linares Hernán Alzate Arias
	20 October 2016	Jorge Alberto Linares Hernán Alzate Arias
	15 December 2016	Alvaro Carrillo Jorge Alberto Linares
Investment Committee	18 August 2016	Jorge Alberto Linares Hernán Alzate Arias Alvaro Carrillo Buitrago Alberto Gutierrez Bernal Mauricio Amador Andrade
Appointment, Compensation and Ethics Committee	26 April 2016	Efraín Forero Fonseca José Humberto Acosta Alberto Gutierrez Bernal
	23 June 2016	
Corporate Governance Committee	9 November 2016	José Humberto Acosta Diego Fernando Prieto Alberto Gutierrez Bernal

(i) Corporate Governance Committee

The Corporate Governance Committee was created with the Corporate Governance Code amendment of December 2015 and the first meeting took place on 9 November 2016. The main topics addressed in that session were: (i) approval of the committee's internal rules of operation; (ii) validation of the corporate governance report 2015 approved by the Board of Directors and overall orientation of the subjects to be included in the report of 2016; (iii) consideration of the annual evaluation process of the Board of Directors; (iv) approval of the Board of Directors set up process; (v) analysis and recommendations on the internal audit of corporate governance conducted by the internal control area; and (vi) definition of the criteria to be submitted to the Board of Directors to be included in the Corporate Governance Code regarding operations with linked and related parties.

(ii) Risk Management System

The functions and activities related to the Company's risk management remain in charge of the Board of Directors supported by the committees described above and additional committees created by the Company (Operational committee–SARO and Asset and Liability Management Committee–ALCO) to carry out the activities and provide an appropriate coverage of risks associated with the Company and its businesses.

Titularizadora has policies, procedures, and an organizational structure in place as required for the management, measurement, and control of the risks of market, credit, operation, and asset laundering and terrorism financing. Risk management includes the mechanisms necessary to guarantee a proper management of the risks inherent in the securitization process and considers that the creation of different specialized committees is an essential tool for supporting the Board of Directors in the assessment and monitoring of those risks.

The risk of asset laundering and terrorism financing is managed by the Compliance Officer supported by the different departments and areas of the Company, reporting directly and permanently to the Board of Directors, and this officer is responsible for evaluating and studying the actions taken by the Company to maintain the AL/TF risk levels within the limits set by the Board of Directors.

IV. Transactions with Related Parties and Conflict of Interest

At the meeting held the 17 November 2016, Titularizadora's Board of Directors amended the Corporate Governance Code by including a chapter about operations with linked and related parties. The following matters are established specifically: (i) definition of linked party and related party; (ii) criteria for action; (iii) classification rules of these operations; and (iv) operation disclosure.

The principle is that any operations with related parties may be conducted only under transparent financial conditions that correspond with or are determined according to the market prices and conditions. The notes to the financial statements ending the fiscal year of the Company include the details of the transactions with related parties and the payments made to members of the Board of Directors.

Titularizadora's policy on Conflict of Interest is included in the Corporate Governance Code, whereby criteria and procedures are set for distinguishing and managing conflicts of interest that might arise about any of the Directors and/or the other managers working either on a permanent or on a sporadic basis.

A conflict of interest event occurred at the Board of Directors meeting of 18 August 2016, where the proposed amendment of Titularizadora's Financial Resources Manual was submitted to the Board of Directors for consideration, an amendment aimed to approve the opening of funds in Credicorp Capital and Corredores Davivienda. Upon analysis of the proposal related to the opening of funds with Corredores Davivienda, Alvaro Carrillo Buitrago abstained from participating in the decision as he stated that there was a conflict of interest because that entity was an affiliate of Banco Davivienda, with which he has an

employment relationship. Consequently, the proposal was analyzed by the other Directors present at the meeting, who unanimously approved the proposal.

Lastly, it is important to mention that Titularizadora does not belong to a conglomerate or interest group subject to the control of any of its shareholders.

V. Risk Management System

During 2016, the company continued the stringent application of the elements of the internal control system and the risk management applicable to the Company, such as for market risk, operational risk, and asset laundering risk highlighting that tolerance levels and enhancement plans were evaluated at the appropriate committees and departments, and were reported to the Board of Directors on a periodic basis.

The report of the main activities carried out regarding risk management is included in the management report of 2016. The report on the performance of the control system components is issued. Both documents were submitted to the Board of Directors for consideration and will be submitted to the Ordinary General Shareholders' Meeting in 2017.

The above-mentioned reports describe in detail the procedures performed in Titularizadora's internal control system and the activities carried out in the integral framework of the Company's risk management. The financial statements include the disclosure of the policies applied and the risk levels determined by the Board of Directors of Titularizadora Colombiana.

VI. Interaction with Investors

Since its incorporation, Titularizadora has kept constant communication with its investors by training underwriters (brokers and financial analysts) and investors (in front office and middle office areas) permanently through the Investor Care Office of the Investment Director's office. Additional steps are taken in the Roadshow carried out for each issue allowing a greater and more specialized contact with investors.

Titularizadora timely and accurately published on its website the financial information related to the outstanding issues of the Company and the information about corporate documents' revisions (Articles of Association and Corporate Governance Code) carried out in 2016.

On the whole, Titularizadora is provided with an Investors Committee whose members are designated by the Company's Board of Directors upon criteria that ensure an appropriate representation of the different communities of institutional investors. In 2016, the composition of the Investors Committee was:

INVESTORS COMMITTEE COMPOSITION (Investors representatives)	
Representatives of Institutional Investors	Bondholders' Legal Representatives
Juan Pablo Cordoba Committee Chair Bolsa de Valores de Colombia	Leopoldo Romero Galvez Helm Fiduciaria S.A.
Jorge Humberto Botero Fasecolda	
Santiago Montenegro Trujillo Asofondos	Titularizadora's Representatives
Santiago Castro Gomez Asobancaria	Efrain Forero Fonseca Santiago Perdomo Maldonado Member of the Board of Directors
Stella Villegas de Osorio Asofiduciarias	Alberto Gutierrez Bernal Chair

Titularizadora's Investors Committee held the following meetings in 2016:

Date	Meeting Type	Minutes of the meeting No.
3 February 2016	Personal Attendance	085
2 March 2016	Personal Attendance	086
1 July 2016	Personal Attendance	087
7 September 2016	Personal Attendance	088
2 November 2016	Personal Attendance	089

The mission of this committee is to follow up the compliance with the standards contained in the Corporate Governance Code by obtaining information about the position of the Company, the issues, and their underlying assets, maintaining permanent communication with Titularizadora.

VII. Revisoria Fiscal (Statutory Audit)

In 2016, PricewaterhouseCoopers Ltda. was Titularizadora's Statutory Auditor (*Revisor Fiscal*) and *universalidades*' External Auditor and for these services received the following fees:

Revisoria Fiscal (Statutory Audit) (Company)	External Audit (<i>Universalidades</i>)	Firm Participation Percentage * (Titularizadora Statutory Audit)	Firm Participation Percentage * (Titularizadora External Audit)
\$124,000,000	\$484,000,000	0.127%	0.496%

*These values are referred to the firm's total revenues from external audits or statutory audits provided to Titularizadora with 0.127% and 0.496% respective participation percentages.

VIII. Report of Best Corporate Practices Implementation

Under External Circular 028 of 2014, Titularizadora submitted to the Colombian Finance Superintendence the “Report of Best Corporate Practices Implementation—Nuevo Código Pais” within the term provided by the Circular for such purpose. The survey was completed taking into consideration the corporate governance practices maintained by the Company since its incorporation and the amendments to the Articles of Association and the Corporate Governance Code made in 2016, which included some of the recommendations provided by the Nuevo Código Pais from the perspective of an issuer of fixed income securities.

The report is published on the Company's website www.titularizadora.com

IX. Amendments to Corporate Documents

The Articles of Association were not changed in this period. The Corporate Governance Code was amended (i) by changing the number of members of the Investment Committee to comprise a majority of members of the Board of Directors, from two to three and (ii) by including a chapter about operations with linked and related parties. The document with the indicated changes is published on the Company's website www.titularizadora.com