



Titularizadora
COLOMBIANA

www.titularizadora.com



TITULARIZADORA COLOMBIANA

REPORT OF THE PRESIDENT AND BOARD OF DIRECTORS TO THE ORDINARY GENERAL SHAREHOLDERS MEETING

MARCH 2021



TABLE OF CONTENTS

1. GENERAL	7
1.1. EVOLUTION 2020	7
1.2. OUTLOOK	11
2. CAPITAL MARKETS	11
2.1. INTERNATIONAL MARKETS	11
2.2 NATIONAL MARKETS	14
3. ISSUES 2020	17
3.1. TIL PESOS L-4 ISSUE	18
4. PERFORMANCE OF ISSUES AND LOANS	19
4.1. SECURITIZED LOANS PORTFOLIO	21
4.2. LOAN PREPAYMENT	24
4.3. PAYMENTS TO LOAN PORTFOLIOS	26
4.4. ASSETS RECEIVED AS PAYMENT (REO)	28
4.5. SECURITIZED LOAN SERVICERS	29
4.6. MASTER SERVICING INTERNAL PROCESSES	31
4.7. OUTREACH AND MARKETING	31
5. REAL ESTATE SECURITIZATION	32
5.1. PORTFOLIO COMPOSITION AND DIVERSIFICATION	32
5.2. BUSINESS MANAGEMENT	33
5.3. YIELD	34
5.4. TIN SECURITIES UNDERWRITING	36
5.5. SECONDARY MARKET PERFORMANCE	37
6. OTHER PROJECTS	38
6.1. NEW ORIGINATORS	38
6.2. TITULARIZADORA DOMINICANA	39
7. MANAGEMENT AND HUMAN RESOURCES	40
7.1. HUMAN RESOURCES	40
7.2. QUALITY MANAGEMENT	41



8. REGULATORY AND LEGAL ASPECTS	42
8.1. REGULATORY ISSUES	42
8.2. LEGAL CONTINGENCIES	44
8.3. LEGAL ISSUES	44
9. RISK MANAGEMENT	45
9.1. MANAGEMENT REPORT OF ASSET LAUNDERING AND TERRORISM FINANCING PREVENTION AND CONTROL (SARLAFT) ACTIVITIES	45
9.2. OPERATING RISK MANAGEMENT	45
9.3. RISK DISCLOSURE	47
10. TECHNOLOGY	48
10.1. INFORMATION SECURITY AND CYBERSECURITY	48
10.2. TECHNOLOGICAL DEVELOPMENT AND EVOLUTION	50
11. OTHER	51
11.1. INTERNAL CONTROL SYSTEM	51
11.2. EVALUATION OF DISCLOSURE AND CONTROL SYSTEMS	54
11.3. REPORT OF OPERATIONS WITH SHAREHOLDERS AND MANAGEMENT	54
11.4. GRATUITOUS TRANSFER OF OWNERSHIP	54
11.5. ASSETS IN OTHER COUNTRIES	54
11.6. PAYMENTS TO DIRECTORS, CONSULTANTS, ADVERTISEMENT, AND PUBLIC RELATIONS	55
11.7. IMPLEMENTATION OF INTERNATIONAL STANDARDS	55
11.8. FREE CIRCULATION OF INVOICES	55
11.9. FORESEEABLE EVOLUTION	55
12. FINANCIAL STATEMENTS	55
12.1. BALANCE SHEET MAIN FIGURES	56
12.2. INCOME STATEMENT	57
12.3. FINANCIAL AND OPERATIONAL INDICATORS	57
12.4. CERTIFICATION OF THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020	57



INTRODUCTION

Year 2020 was a year marked by a challenging scenario on account of the public health emergency caused by COVID-19 around the world. At a macroeconomic level, the growth fall, the unemployment rate increase, the poverty rate growth, the raw material price collapse, and the fiscal accounts' deterioration were just a few elements that seasoned the landscape and pressed the materialization of certain risks inherent to loan portfolios, financial assets and real estate portfolios.

Nevertheless, the underlying assets managed by Titularizadora Colombiana showed quite a favorable performance during the fiscal year. Although almost two thirds of the securitized portfolios entered into the temporary relief mode in March and April, the expiration of those benefits in the last trimester led to a recovery close to the levels preceding the pandemic both in collection flows and in the levels of maturity default of loans. This news is relevant by reflecting the quality of the standards of the origination and servicing by other Colombian credit institutions, as included in the policies of the entities' risk management and the financial regulation resulting out of the economic crises undergone by the country in the past. In addition, the good performance of the loans allowed the various securities of the *Universalidades* to keep the perfect record in payment of their obligations. All the credit ratings of the securities held by the institutional market has remained in top levels throughout the year. In general, loan securitization has constituted a vehicle that has helped not only to promote the deepening of financing households (mortgage and consumption loans), but also to consolidate a social asset of a high value: financial stability. Assets managed in real estate securitization in turn showed a positive performance both in individual valuation and in the generation of leases. As of year closing, the asset value exceeded 6.5% the value in December 2019, whereas the levels of contractual flow collection neared 100% of the total. This situation enabled TIN Securities to improve in 2020 the performance in profitability and flows stability at a national level as against other alternatives of like real estate investment.

Management Report 2020



2002	2003	2004	2005
TIPS UVR	TIPS UVR	TIPS UVR	TIPS UVR
E1 \$479mm	E3 \$464mm	E5 \$345mm	E7 \$424mm
E2 \$588mm	E4 \$328mm	E6 \$574mm	TECH
		TECH	E3 \$119mm
		E1 \$521mm	
		E2 \$518mm	
2006	2007	2008	2009
TIPS UVR	TIPS UVR	TIPS UVR	TIPS Pesos
E8 \$781mm	E9 \$313mm	E10 \$238mm	E10 \$505mm
TIPS Pesos	TIPS Pesos	TIPS Pesos	E11 \$443mm
E1 \$268mm	E3 \$334mm	E6 \$208mm	E12 \$386mm
E2 \$355mm	E4 \$377mm	E7 \$370mm	E13 \$246mm
	E5 \$312mm	E8 \$385mm	
		E9 \$401mm	
2010	2011	2012	2013
TIPS UVR	TIPS Pesos	TIPS Pesos	TIPS Pesos
E11 \$181mm	N1 \$239mm	N4 \$385mm	N7 \$428mm
E12 \$360mm	N2 \$303mm	N5 \$399mm	
E13 \$345mm	N3 \$379mm	N6 \$382mm	
TIPS Pesos			
E14 \$518mm			
E15 \$613mm			
E16 \$2.4bn			
2014	2015	2016	2017
TIPS Pesos	TIPS UVR	TIPS Pesos	TIPS UVR
N8 \$154mm	U1 \$435mm	N12 \$413mm	U2 \$274mm
N9 \$503mm	TIPS Pesos	N13 \$353mm	TIPS Pesos
N10 \$359mm	N11 \$374mm	TIS Pesos	N14 \$423mm
	TIL Pesos	H1 \$46mm	N15 \$456mm
	L1 \$15mm	TER IPC	N16 \$385mm
		R1 \$234mm	TIL Pesos
			L2 \$123mm
2018	2019	2020	
TIPS UVR	TIPS UVR	TIL Pesos	
U3 \$506mm	U4 \$355mm	L4 88mm	
TIPS Pesos	TIPS Pesos	Tin	
N17 \$315mm	N18 \$361mm	\$105 mm	
TIL Pesos	N19 \$407mm		
L3 \$102mm	N20 \$458mm		
TIS Pesos	TIV		
H2 \$48mm	V1 \$100mm		
Tin			
\$163mm			

Chart 1. History of Issues
Source: TC



1. GENERAL

1.1. EVOLUTION 2020

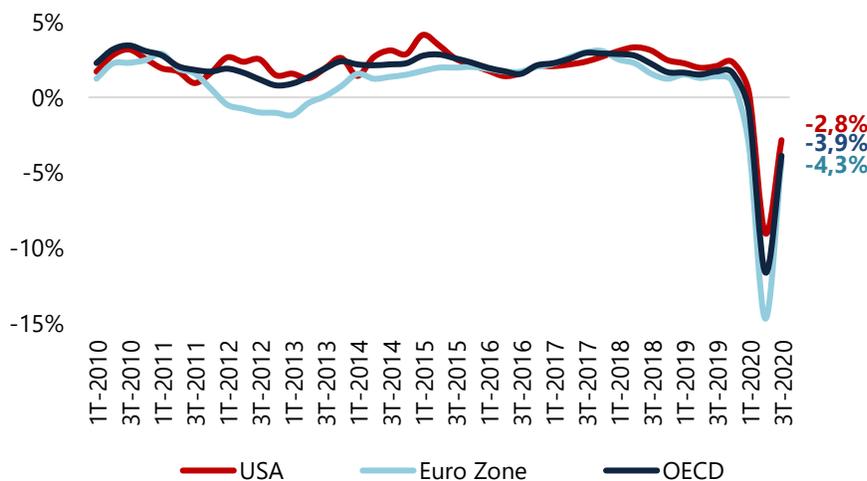
1.1.1. MACROECONOMIC ENVIRONMENT

INTERNATIONAL MARKET

Year 2020 had the global economy confronting the greatest challenge recorded in the last century, the COVID-19 spread declared a pandemic by the WHO in March 2020 which represented the closing of borders, industries, commerce, and businesses, leading to economic activity contractions at a global level, major job losses, and a resulting global growth of poverty.

Most of the economies recorded the highest contraction in their economic activity during 2020-2Q, a time in which the confinement periods were mandatory and very few activities were exempted; afterwards, some sectors have been cautiously activated. As a consequence, the job market has deteriorated significantly, the employment rate in the Euro Zone reached 8.7% in July 2020, from 7.4% in December 2019; the USA's top was reached in April with 14.7%, well above the 3.5% recorded in the months prior to the start of the pandemic and it already showed signs of recovery in December with 6.7%.

Chart 2. Global GDP (Annual Variation, %) Source: OECD





Latin America has been also harshly hit by the COVID-19 arrival, the economic activity in Mexico contracted by 18.7% annual in 2020-2Q; followed by a -8.6% variation in the subsequent quarter. In turn, the economic activity reduction in Chile was lower in 2020-2Q (-14%) and it contracted by 10.3% in the 2020-3Q. Finally, in Brazil the activity fell by 10.9% in 2020-2Q, and by 3.9% annual in 2020-3Q.

Most of the economic activity contractions are explained by reductions in private consumption and in investment, which has been scarcely offset by the growth of public expenditure. The most frequent measures in fiscal policy of 2020 include cash transfers to informal workers and unemployed people, debt rescheduling, government guarantees supporting the loan flow, and temporary tax exemptions for businesses, amongst others.

The monetary policy had turned expansionist at a global level combining interest rate reductions and non-conventional policies, the interest rate of the Federal Reserve monetary policy ranging from 1.50-1.75 % at the beginning of year 2020 and quickly reacting in a downward trend to close the year in 0-0.25 %. In turn, the European Central Bank kept unaltered its 0% monetary policy interest rate. Both Banks have increased the purchase of debt instruments.

The Central Bank of Chile consistent with its purpose of injecting liquidity to the economy, accepted private instruments as collaterals in monetary operations; the Central Bank of Peru reduced its reserves, injected liquidity through repo operations and using government guarantees.

LOCAL MARKET

The arrival of the pandemic in the country meant a harsh blow to the economic activity, the closing of commerce and tourism, migrating to teleworking in service businesses, low production for industrial companies, and a nil progress in construction works resulting of the strict quarantine undergone by the country since the end of March; later certain activities gradually were retaken by considering the measures adopted by the national and mayor offices' governments, in which sectorized quarantines and curfews were held all over the year.

As a consequence, during the 2020-2Q the activity contracted by 15.8% followed by a smaller fall of 8.5% in 2020-3Q and 3.6% of 2020-4Q. All over the year, a 6.8% GDP reduction was recorded; the most impacted sectors include construction (-27.7%), mining (-15.7%), and commerce (-15.1%). In turn, only four activities show positive variations in the value of their product, namely, agriculture and livestock (+2.8%), financial activities (+2.1%), real estate activities (+1.9%), and public administration (+1.0%).

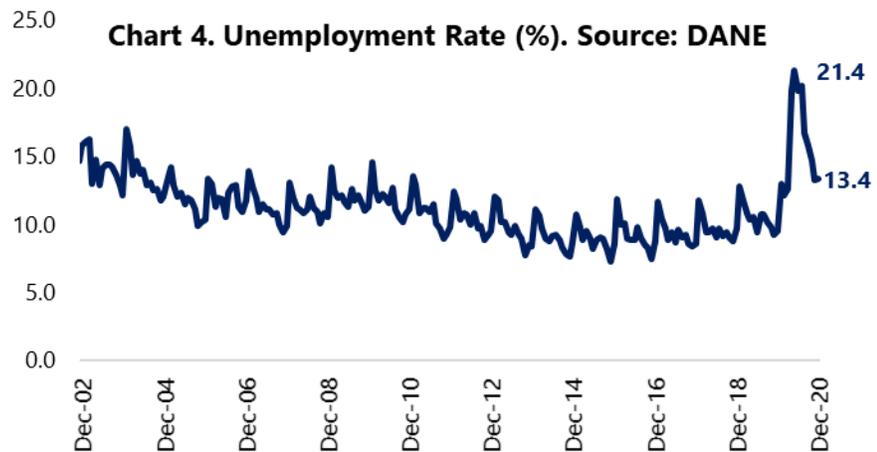
Chart 3. GDP Evolution (Annual Variation, %) Source: DANE



With the contraction in the economic activity, the job market has suffered a major deterioration in 2020, the unemployment rate reached a maximum in May, 21.4% from the strict confinement; since August recovery was observed in that variable for 13.4% in December. Since May, the loss of jobs has decreased more and more with respect to 2019; in April the number of working population in the country dropped by 5.4 million people and in December by 1.4 million; as of the

year closing 21.4 million people are working vs. 16.5 million recorded for April 2020; in turn, the number of unemployed population grew by 907 thousand people and closed the year with a total 3.3 million jobless people.

Chart 4. Unemployment Rate (%). Source: DANE



Measures taken by Government to face the pandemic in the matter of fiscal policy include the creation of the *Fondo Nacional de Mitigación de Emergencia* (National fund for emergency mitigation); credit facilities to provide businesses with liquidity in the tourism industry and for payroll payment; strengthening of the National Guarantee Fund; extension of tax payment date; strengthening of the solidarity income aid, amongst others.

Banco de la Republica (the Central bank) in the monetary policy arena reduced the intervention rate from 4.25% to 1.75%; injected liquidity by means of the repo operations,

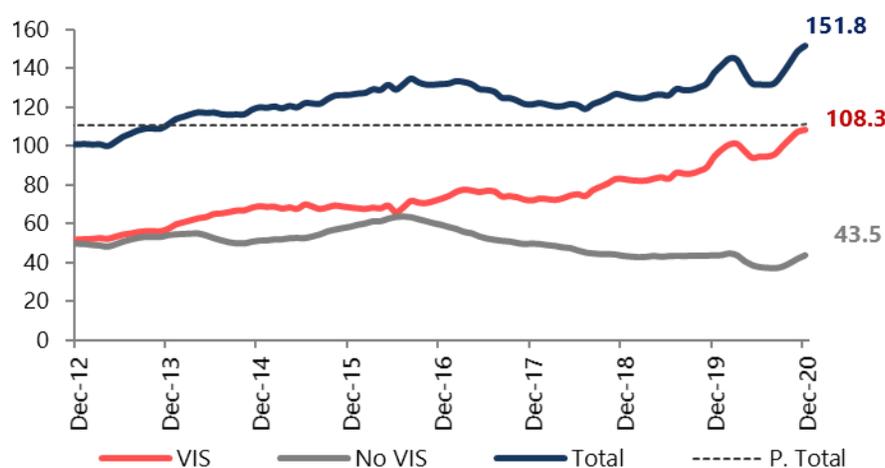
let itself transact repos with private debt securities and loan-backed securities, increased the limit and periods of the repo operations, in addition to the reduction of reserves.

1.1.2. HOUSING MARKET AND MORTGAGE SECTOR

Construction was one of the most impacted sectors by the pandemic; confinement brought a negative effect on the evolution of building works added to a delay in project starts, meaning the putting off of a significant part of the deliveries previously estimated for 2020.

Chart 5. New housing units sold (12-month accumulative, thousands of units).

Source: Galería Inmobiliaria.



However, against any forecast made in March when sales were expected to decrease by around 20% in 2020¹, the sales of new housing had an exceptional year and reached historic tops, with 176 thousand units sold in the main 15 cities, 8% above the 2019 closing, an increase due mostly to the dynamic behavior of the VIS segment where sales grew by 11% while the NO-VIS segment remains in consolidation period and its contraction stopped (+0.3%).

The foregoing resulted of the major reduction in interest rates of mortgage loans, the average interest rates offered by the credit institutions in 2019 for the purchase of NO VIS Housing closed around 10.3% and by December 2020 they reached historic minimums circa 9.5%. In 2020 NO VIS housing purchase subsidies were activated for up to 500 million COPs.

On another note, the gross balance of the mortgage loan portfolio is COP 85.2 trillion as of November 2020, which despite having shown a 5.4% nominal growth and 3.9% real growth, also showed a considerable deceleration with respect to the historical behavior. The non-

¹ Galería Inmobiliaria forecast

performing loan portfolio grew 16.3% annual nominal, thus placing the loan portfolio quality indicator (ratio of non-performing loans to total outstanding loans) in 3.7% as of November, a figure that although grew in 2020 (December 2019: 3.3%) fell quite below the estimated as of the beginning of the pandemic. The reliefs provided for mortgage loan borrowers as a response to the economic emergency include grace periods and debt renegotiation.

1.2. OUTLOOK

1.2.1. MACROECONOMIC ENVIRONMENT

The International Monetary Fund is expecting a 3.5% contraction of the economic activity for 2020 followed by a 5.5% rebound in 2021. Emerging and developing economies would move from a -2.4% variation in 2020 to a +6.3% variation in 2021, where Latin America and the Caribbean would grow at a 4.1% annual rate after having contracted 7.4 the previous year.

In average, the market expects a 4.9% rebound of the Colombian economy in 2021 as a consequence of a recovery of the GDP expenditure components, namely private consumption (-7.0% in 2020 vs. +5.1% in 2021), investments (-17.9% in 2020 vs. +8.2% in 2021), exports (-17.0% in 2020 vs. +7.5% in 2021), and imports (-16.8% in 2020 vs. +8.2% in 2021); public expenditure is expected to grow by 2.9% in both years.

The estimated unemployment rate is 14.1% as of 2021 closing, while the market is forecasting a 2021 inflation of 2.8%, near the target of the Banco de la Republica.

1.2.2. HOUSING MARKET AND MORTGAGE SECTOR

For 2021, an estimation of COP 18.1 trillion are expected to be disbursed for the purchase of housing by credit institutions, which is equivalent to a 15.3% annual growth.

Furthermore, as of the 2021 closing, the mortgage loan portfolio gross balance is expected to be COP 91.5 trillion, which means a nominal growth of 10.5% in 2021.

2. CAPITAL MARKETS

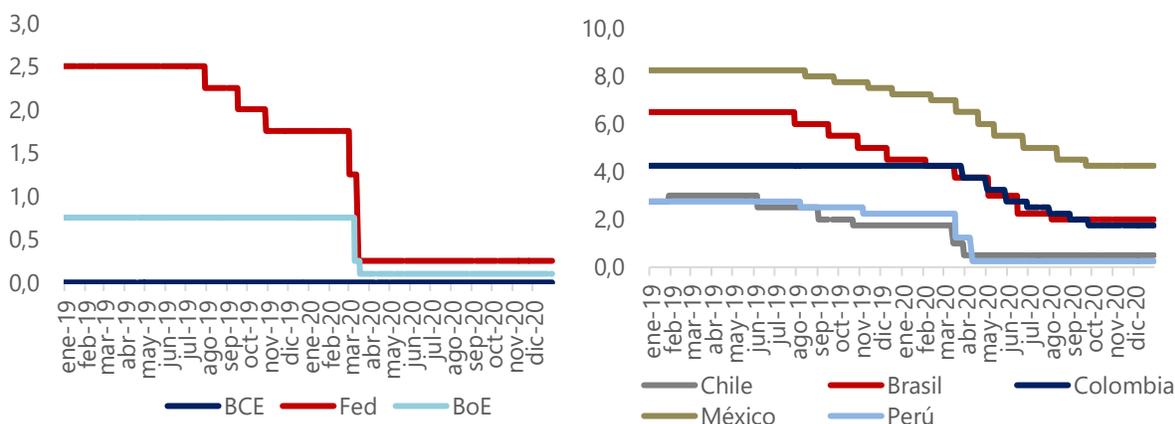
2.1. INTERNATIONAL MARKETS

The pandemic undergone by the world in 2020 caused deep impacts in capital markets around the world. Since March, the uncertainty about the impact on economic and social indicators grew, which reflected on the value of fixed-income and variable-income financial assets, precipitating a strong volatility and large loss in investment portfolios.

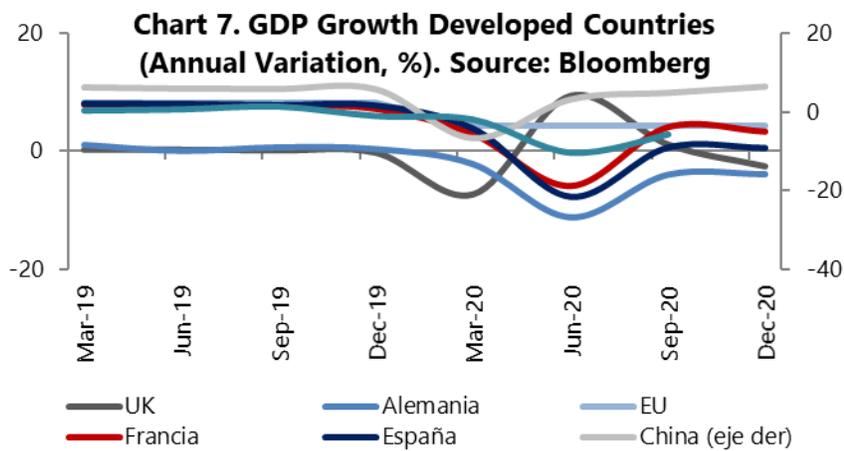


Central banks in several countries reacted with conventional measures through a strong and fast reduction of intervention rates (Chart 6) aimed to promote a higher economic growth, as well as non-conventional measures aimed to guarantee the liquidity of the various participants and the flows to the real economy. This way, in addition to the interest rate reduction, other measures were taken such as purchasing public and private fixed-rate assets; extending the range of collaterals allowed in operations of expansionary monetary policy, and participation of other than the traditional entities; new funding facilities for financial entities and even for the real sector directly; and flexibilization of regulations, amongst others.

Chart 6. Monetary Policy interest rates. Source: Bloomberg



In addition to the measures taken by the central banks, there were government fiscal measures to promote economic stimulus packages to face the economic growth deterioration and the unemployment increase, seeking to partly preserve households' income and to offset by way of subsidies, fiscal aids, and regulatory changes, the economic recession caused by the pandemic (Chart 7).





The ample liquidity generated by highly expansive monetary policies and the overall reduction in intervention rates produced a strong increase in value of fixed-rate assets after the volatility episode in the first quarter, reaching historic low interest rate levels, both for developed and emerging countries (Chart 8). Correspondingly, the ample liquidity motivated an increase in price of the variable-rate assets, particularly those who mostly benefit from higher sales and earnings, amidst the global mobility restrictions and of a change in consumption and work customs that accelerated the recent trends (Chart 9).

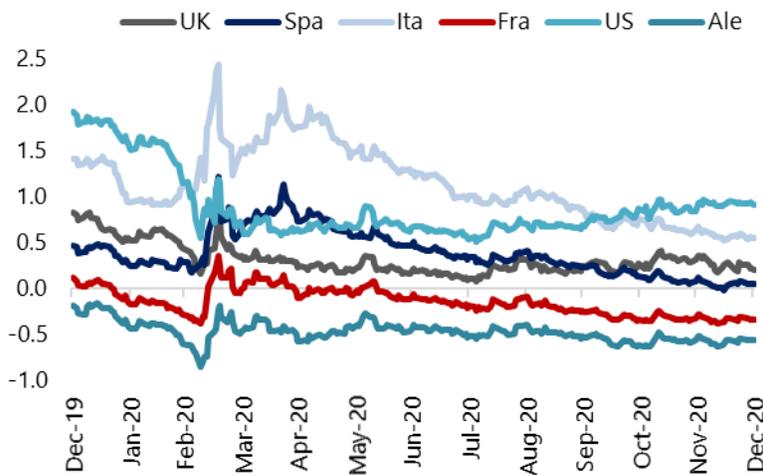
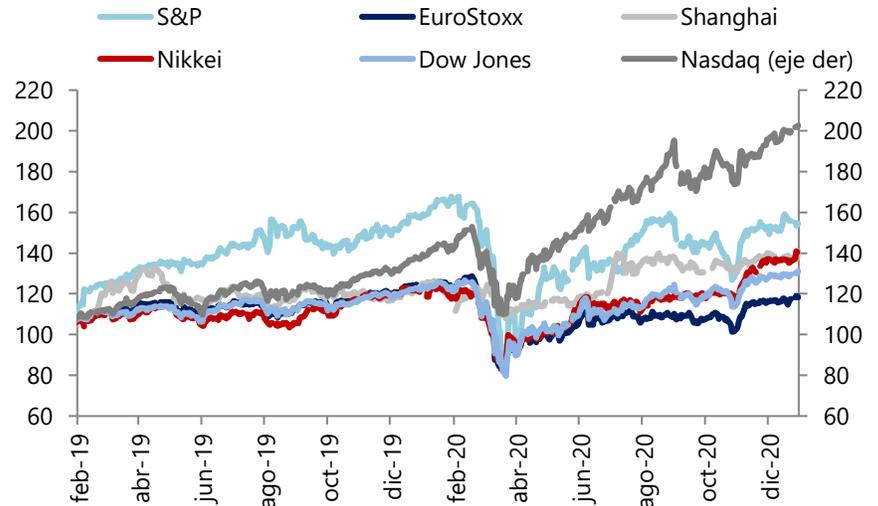


Chart 8. 10-year Sovereign Bonds - Developed Countries. Source: Bloomberg

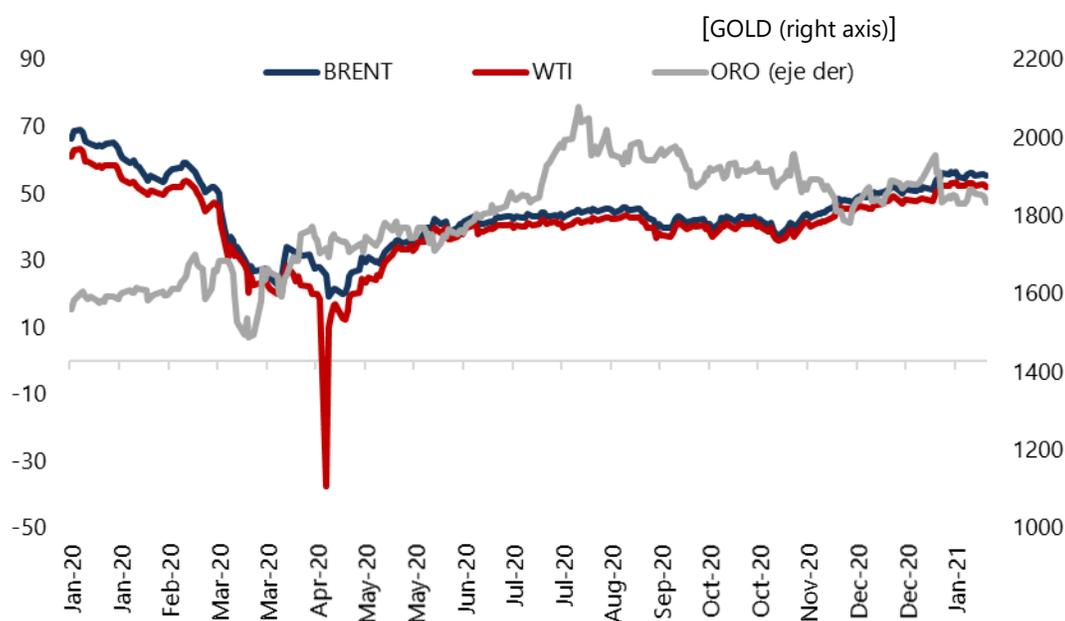
Chart 9. Stock Indices - Developed Countries Source: Bloomberg





The commodities market was not entirely unrelated to volatility. Oil prices had strong falls as restrictions to movement increased in the various countries and therefore a reduction in the demand and a significant impact on economic growth were projected. By half-year, prices stabilized as restrictions were reduced and the producing countries decreased their supply. At another level, gold underwent strong increases in price as it was deemed a safe haven asset in face of the pervasive uncertainty, the volatility, the widened liquidity, and the low levels of interest rates.

Chart 10. Evolution of Commodities. Source: Bloomberg

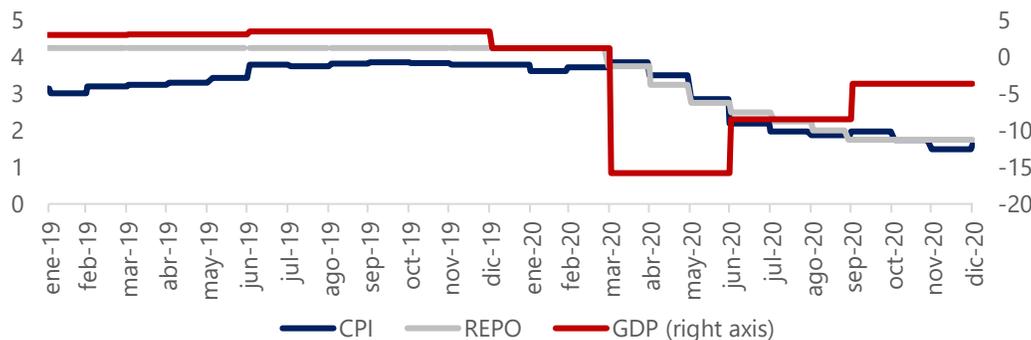


2.2 NATIONAL MARKETS

Local capital markets as the international performed with a strong volatility in March resulting from the pandemic and the measures taken by the Central Government. Interest rates of the public debt securities increased by around 300 basis points between the end of February and mid-March, and private debt assets showed like movements, while the peso depreciated and the stock exchange had strong falls. At the same time, the economy gave early signs of contraction reflected in indicators as the GDP growth, retail sales, unemployment, and inflation (Chart 11).



Chart 11. Inflation and Repo Rate, Economic Growth. Source: Bloomberg



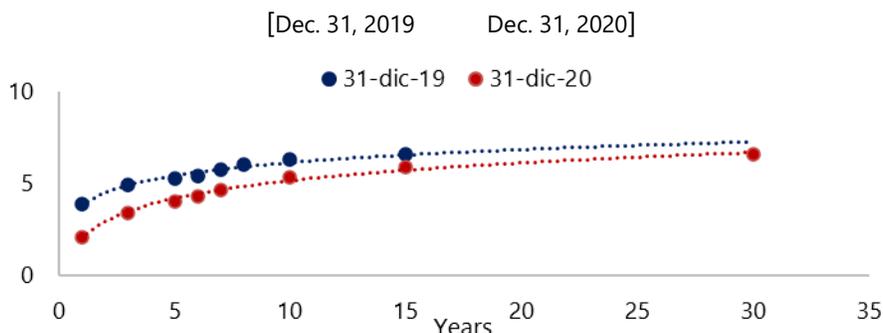
Banco de la República was forced to implement a quick intervention, not only by reducing the policy interest rate, which ended the year in historic low levels (1.75% AE), but also by providing ample liquidity to the different market actors, both in dollars and pesos, in a transitory manner with the Open Market Operations allowing the use as collaterals of government debt instruments, ordinary bonds, term deposit certificates, commercial papers, securities from securitizations, and even securities from receivable operations (promissory notes) in legal currency. Accordingly, Banco de la República promoted the definite expansion through the purchase of public debt instruments and ordinary bonds and term deposit certificates issued by financial institutions with 3 or less years of maturity and by reducing three (3) percentage points of the reserve requirement on checking and savings accounts (from 11% to 8%) and one (1) percentage point for term deposit certificates to less than 18 months (from 4.5% to 3.5%).

In the matter of regulation, the mandatory temporary investment of credit institutions (except for the Special official entities, IOEs) in Solidarity Bonds (TDS) also stood out, the purpose of which was to raise funds for facing the economic and social consequences of decreeing the Economic, Social, and Ecological State of Emergency. Solidarity Bonds are denominated in pesos and with a 1-year term renewable in full or in part for equally long terms, automatically as per the request of the *Ministerio de Hacienda y Crédito Público* (Ministry of Finance).

As a consequence of the decrease of inflation and intervention rate, the favorable evolution of the liquidity of market participants and the positive interest rate differential between local and foreign assets, the local fixed rent assets had a major increase in value since the third trimester and up to the year end, reversing the loss for valuation of the portfolios and reaching historic low levels at the end of the year (Chart 12).

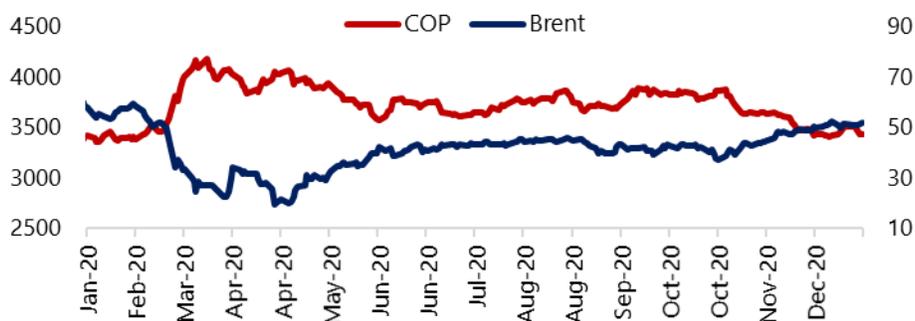


Chart 12. Fixed Rate TES yield curve. Source: Bloomberg.



As to the exchange rate, the Colombian peso had a 4.3% devaluation YTY, which does not reflect the volatility occurred over the year, considering that it depreciated 27% in March as against the 2019 closing, reaching levels of COP 4,180 per USD 1. Since the end of March, the trend was the currency appreciation, impacted favorably by the oil price stabilization by half year and by the increase thereof in the last quarter. Accordingly, local currency benefited from capital flows toward emerging countries seeking investment alternatives and higher yields as the aversion to risk decreased, as well as remittances increased (Chart 13).

Chart 13: Colombian Peso –Brent. Source: Bloomberg



Fixed interest rate issues placed an amount of COP 40.5 trillion in TES bonds through auctions and agreed operations with and forced investments in public entities, 67% above 2019. COP 35.9 trillion out of it correspond to auctions and COP 4.5 trillion to public entities. The appetite for fixed-income assets from emergent countries in the second half of the year, allowed the Ministry of Finance to prolong the fixed-income yields curve considerably by issuing the first 30-year reference through TES bonds with 2050 maturity, which for the first time were allocated through the offering book building mechanism with the participation of both local and international investors.



Through the Stock Exchange, the fixed income issues amounted to COP 12.9 trillion in 2020, 5.3% below 2019 (COP 13.7 trillion). The issues of the financial sector entities added up to COP 4.6 trillion; non-financial sector, COP 7.4 trillion; and public entities COP 0.9 trillion.

3. ISSUES 2020

The year started very busy for issues, the first issue by the Bolsa de Valores (stock exchange) in January with the securitization of consumption loans with drafts originated by Compensar and then the issue of the Tranche 2 of TIN securities in February.

In March both the local and international markets were hit by the pandemic, giving way to a strong volatility in prices and interest rates of the financial assets, a reduction in transacted volumes, less liquidity in investment portfolios, and high uncertainty as to the economic and social impact, thus affecting the investors trust.

The local regulation issued by the Finance Superintendence allowing to offer reliefs to borrowers by means of grace periods created a reduction in collection of the outstanding issues and the consequent liquidity risk. The financial structure of the issues provides for a partial credit facility of Titularizadora, which would have mitigated this risk if it had materialized; however, the collection evolution was favorable and there was no need to resort to the facility for any issue. In any case, the investment market was watching the evolution of economic indicators as well as particularly the evolution of reliefs and issues delinquency indicators and in general of the loan portfolio, maintaining the positions of securities, but with caution in face of the increase in exposure through a new issue.

In the last quarter of the year, in a quieter environment of recovery of the economic activity, most reliefs were ended and a normalization in the collection was seen as well as a favorable evolution of the issue indicators (LTV, coverage, ratings, paid principal, and default), there was a higher market willingness to consider new issues.

Owing to the difficulty to conduct issues all through the year, the activities with investors focused on keeping a direct and timely communication with investors (both risk and loan management areas), underwriters, and research areas, with the purpose of communicating the impact and risks generated in the issues by the pandemic historic juncture, as well as the mitigation mechanisms of the financial structure. Over the year, information was shared as to the favorable evolution of reliefs, collection, and indicators of outstanding issues, through a detailed monthly report, one to one meetings with various entities in several opportunities, and a virtual event that allowed comparing the current crisis with the UPAC crisis of the end of the 90's. Furthermore, deepening workshops were conducted in financial structure (portfolio valuation, eligibility, coverage mechanisms, etc.) and in the certification of



originators, which let us explain the favorable behavior of issues despite the stress generated by the economic situation undergone for most of last year.

3.1. TIL PESOS L-4 ISSUE

The **TIL PESOS L-4** issue took place in January backed by consumption loans with drafts loans originated and serviced by COMPENSAR, which was the first issue Titularizadora launched with this type of assets and the third issue for the originator. Below is the issue summary:

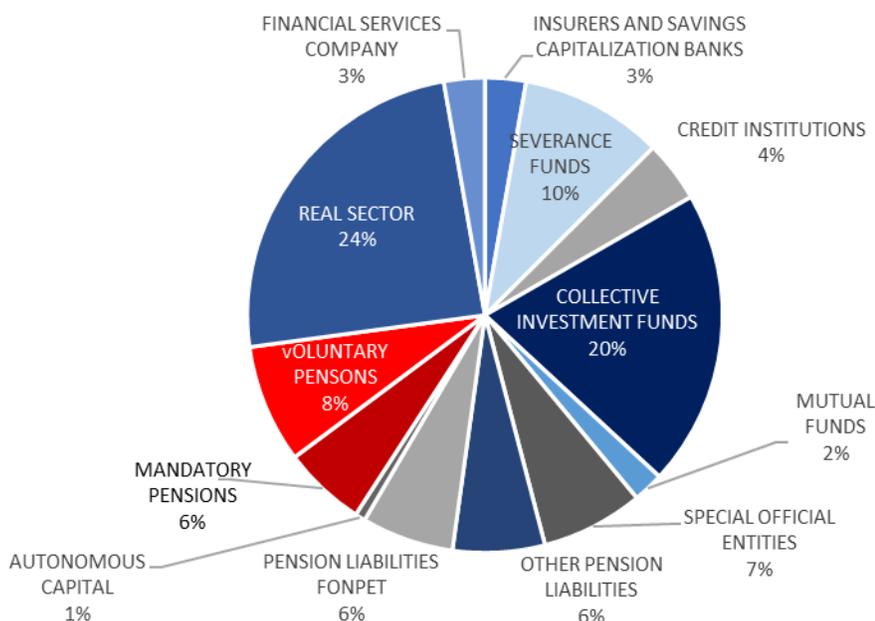
Table 1. Issues 2020 Compensar Source: TC

	Loans	Series A Securities	Subordinated Securities	Total Amount Issued
TIL Pesos L-4	\$86,558	\$71,843	\$16,273	\$88,116

Figures in million COPs

Fitch Ratings gave the issue an AAA (Col) rating and the mechanism was book of offering through the Stock Exchange in the second market. Series A lowest amount was COP 70 billion and the highest amount was COP 83 billion. Investors' demand amounted to COP 161.5 billion for a 2.31 bid-to-cover ratio. Cutoff rate equaled 6.38% AE. The investors' segments that were awarded the securities are shown below:

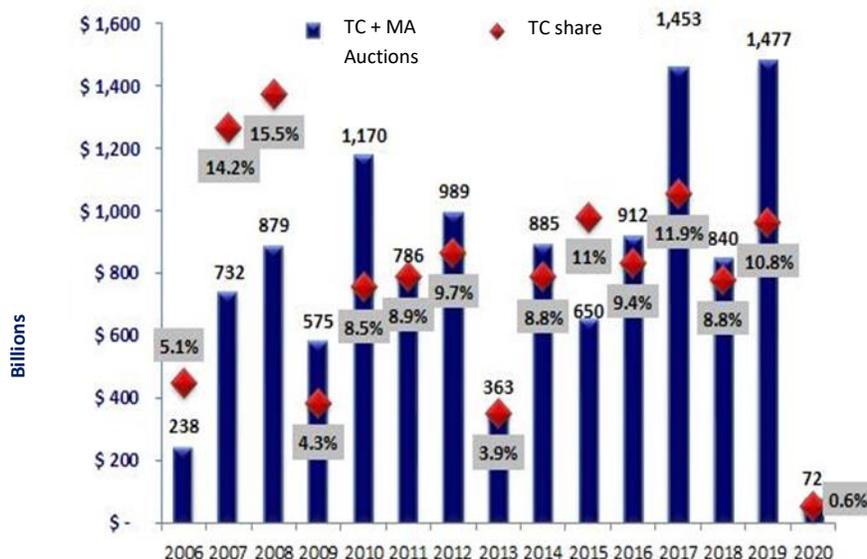
Chart 14. Allocation of TIL Pesos L-4. Source: TC





In 2020 due to the lessened activity of issues in the market, Titularizadora's participation in fixed income issues of the Stock Exchange decreased significantly to 0.6%.

Chart 15. Bolsa de Valores de Colombia share of Issues. Source: BVC



Including the issue of 2020, Titularizadora completed 66 issues of credit-backed securities for a total COP 24.2 trillion loan portfolio and a COP 4.3 trillion balance of serviced loans as of December 2020.

4. PERFORMANCE OF ISSUES AND LOANS

Ending 2020, the company reached COP 24.16 trillion in issues out of which, 64.95% were mortgage backed securities in pesos, 29.54% by mortgage loans in UVR currency, 1.68% by non-performing loans in UVRs, 1.36% corresponds to securities backed by consumption loans with drafts, 0.97% to commercial loan backed securities, 0.41% backed by vehicle loans, and 1.09% to securities backed by real estate assets. Ending 2020, the securities balance is COP 3.9 trillion (Table 2).

In 2020, an issue of securities backed by consumption loans with drafts took place; a tranche of securities backed by real estate assets was issued, and the termination of the VIS E-1 Issue and TIL Pesos L-1 Issue was processed.



**Table 2. Balance and Outstanding Percentage of Securities
(Figures in Billion Colombian pesos) Source: TC**

Product Line	Balance Issued	Current Balance	Share	% to be Amortized
Mortgage-backed in Pesos	15,693	2,455	64.95%	15.6%
Mortgage-backed in UVR	7,137	947	29.54%	9.3%
TECH	405	0	1.68%	0.0%
With Drafts	328	138	1.36%	42.0%
Commercial consumer price index	234	42	0.97%	17.9%
Vehicles	100	59	0.41%	58.5%
Real estate	263	276	1.09%	
Total	24,160	3,916	100.00%	

**Table 3. Issue Composition of securities.
(Figures in Million Colombian pesos) Source: TC**

Issue	A	B	MZ	C	Total
U-1	74,653	56,213	19,462	2,555	152,883
U-2	127,535	28,984	5,507	3,623	165,648
U-3	283,655	29,075	13,180	5,179	331,089
U-4	255,303	34,385	4,446	2,851	296,985
Pesos N-1		2,235	4,662	1,165	8,062
Pesos N-2		1,425	5,913	1,478	8,816
Pesos N-3		5,674	9,207	1,841	16,722
Pesos N-4		15,749	9,344	1,869	26,962
Pesos N-5		22,717	9,712	1,937	34,367
Pesos N-6		13,753	11,040	1,845	26,638
Pesos N-7		38,678	16,305	1,937	34,367
Pesos N-8	7,780	15,069	3,014		25,863
Pesos N-9	61,240	54,617	3,676	2,483	122,016
Pesos N-10	24,291	45,923	5,299		75,513
Pesos N-11	41,706	47,723	7,342		96,771
Pesos N-12	83,665	53,632			137,297
Pesos N-13	113,564	38,832			152,396
Pesos N-14	116,091	44,881	5,428		166,400
Pesos N-15	126,095	45,789	6,701	2,234	180,819
Pesos N-16	133,867	37,681	6,785	1,884	180,217
Pesos N-17	118,917	30,788	6,004	1,539	157,249
Pesos N-18	218,739	34,807	1,785	1,785	257,116
Pesos N-19	254,454	37,410	5,000	2,000	298,864
Pesos N-20	320,084	38,845	4,950	2,250	366,129



Issue	A	B	MZ	C	Total
Pesos H-1	14,383	8,769			23,152
Pesos H-2	26,715	7,855			34,570
Pesos L-2	1,890	22,172			24,062
Pesos L-3	35,456	16,504		1,850	53,810
Pesos L-4	43,873	14,715		1,558	60,146
TIV V-1	45,536	13,000			58,536
TER IPC R-1	12,539	29,238			41,777
TIN	276,500				276,500
Total	2,818,533	887,135	164,759	46,004	3,916,432

4.1. SECURITIZED LOANS PORTFOLIO

Ending 2020 closing, the securitized loan assets comprise mortgage loans, discounted consumption loans through drafts, vehicle loans, and commercial loans. Below are the loans balance and general features and characteristics.

MORTGAGE LOAN PORTFOLIO

The loan balance of the issues amounted to COP 3.9 trillion as of the December 2020 closing. The balance is represented by 95,823 individual mortgage loans with 82% in NO-VIS mortgage loans and 18% in VIS mortgage loans.

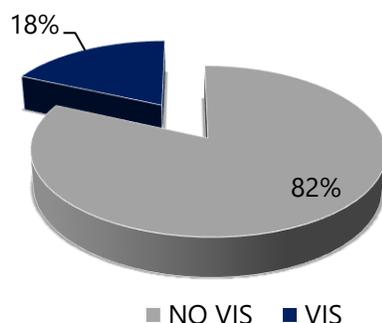


Chart 16. Loan portfolio breakdown by type

Source: TC Calculations

In 2020, there are 26 issues structured upon FRECH subsidized mortgage loans, with securitized mortgage loans representing 16.89% share on the total balance. FRECH (Fund of reserve and stabilization of mortgage loans) is a benefit offered by the national government to cover a percentage of the remunerative interest rate agreed for the mortgage loans, in



abundance by the law. The performance of FRECH mortgage loans shows a sustained good performance.

Below is the breakdown of the mortgage loans per issue:

Table 4. Loan portfolio breakdown by type
Source: TC
Principal Balance ending December 31, 2020 (COP Million)

ISSUE	UVRs	%	COPs	%	Total General	%
E-1	489	0%	-	-	488.51	0%
E-8	3,914	0%			3,914.13	0%
E-9	5,044	0%			5,044.15	0%
E-10	5,385	1%			5,385.50	0%
E-11	5,028	0%			5,028.40	0%
E-12	22,765	2%			22,764.79	1%
E-13	36,666	4%			36,665.67	1%
UVR U-1	160,244	16%			160,243.97	4%
UVR U-2	160,660	16%			160,659.86	4%
UVR U-3	326,671	32%			326,670.61	8%
UVR U-4	286,379	28%			286,379.37	7%
PESOS E-6			2,240	0%	2,239.83	0%
PESOS E-7			5,591	0%	5,591.19	0%
PESOS E-8			4,150	0%	4,150.06	0%
PESOS E-9			5,124	0%	5,123.98	0%
PESOS E-10			7,550	0%	7,550.15	0%
PESOS E-11			6,576	0%	6,576.38	0%
PESOS E-12			5,389	0%	5,389.39	0%
PESOS E-13			3,032	0%	3,031.74	0%
PESOS E-14			18,318	1%	18,317.94	0%
PESOS E-15			32,351	1%	32,351.09	1%
PESOS E-16			142,769	5%	142,768.52	4%
PESOS N-1			21,042	1%	21,042.24	1%
PESOS N-2			30,914	1%	30,914.27	1%
PESOS N-3			32,601	1%	32,601.47	1%
PESOS N-4			42,849	2%	42,848.75	1%
PESOS N-5			44,999	2%	44,998.90	1%
PESOS N-6			26,044	1%	26,043.78	1%
PESOS N-7			69,889	2%	69,888.67	2%
PESOS N-8			34,925	1%	34,925.32	1%
PESOS N-9			140,985	5%	140,984.59	4%
PESOS N-10			84,943	3%	84,942.63	2%
PESOS N-11			103,099	4%	103,098.92	3%
PESOS N-12			144,695	5%	144,695.39	4%
PESOS N-13			157,844	6%	157,844.19	4%
PESOS N-14			168,501	6%	168,500.67	4%
PESOS N-15			185,965	7%	185,965.26	5%



ISSUE	UVRs	%	COPs	%	Total General	%
PESOS N-16			177,414	6%	177,414.11	5%
PESOS N-17			154,932	5%	154,932.34	4%
PESOS N-18			244,902	9%	244,901.59	6%
PESOS N-19			286,762	10%	286,761.97	7%
PESOS N-20			345,212	12%	345,212.47	9%
PESOS H-1			23,807	1%	23,807.26	1%
PESOS H-2			35,164	1%	35,163.83	1%
TECH E-1			45,525	2%	45,524.65	1%
TECH E-3			6,393	0%	6,393.34	0%
TOTAL	1,013,245	99%	2,842,497	100%	3,855,742	100%

Regarding the risk profile for these issues, a favorable loan to value ratio is sustained; ending the year, LTV <50% for 84.99% of the loan portfolio, 50%-70% LTV for 13.03%, and 70%-80% LTV for only 1.98%.

Table 5. Portfolio Balance of TIPS issues by LTV. Source: TC Principal Balance ending December 31, 2020 (COP Million)

LTV Range	Balance	%
0%-50%	3,276,855	84.99%
50%-70%	502,549	13.03%
>70%	76,338	1.98%
Total Loan Portfolio	3,276,855	100%

The performance of the collection of mortgage loans securitized in 2019 allowed to honor the scheduled principal and interest payments of each issue, as per the expected scenarios and as set out in the respective issue prospectuses.

PORTFOLIO OF CONSUMPTION LOANS WITH DRAFTS

Ending 2020, the balance of consumption loans with drafts originated by Compensar for the TIL Pesos L-2 issue, the TIL Pesos L-3 issue, and the TIL Pesos L-4 issue was COP 149 billion represented in 19,670 loans with a distribution of operational agreements of 76.10% with private companies, 7.03% with public entities, and only 0.42% with mixed companies.

The mechanism of successive purchases defined for the TIL Pesos L-3 issue is in effect until August 2020 and the mechanism of successive purchases defined for the TIL Pesos L-4 issue remains in effect until January 2022 in accordance with the prospectus and rules of issue.

In July of 2020, the Procedure for winding-up the Universalidad TIL Pesos L-1 of Colsubsidio originator was released.



COMMERCIAL LOANS

The TER IPC R-1 issue closes 2020 with COP 43 billion commercial loan balance represented in 5 rediscount loans serviced by FINDETER.

VEHICLE LOANS

The loan balance of the issue amounted to COP 64 trillion ending December 2020. The balance is represented in 3,624 loans originated by Finanzauto, where 90.48% are private vehicles and 9.52% public service vehicles.

The successive purchase mechanism defined for TIV Pesos V-1 issue is in effect until October 2022 as defined in the prospectus and rules of each issue.

4.2. LOAN PREPAYMENT

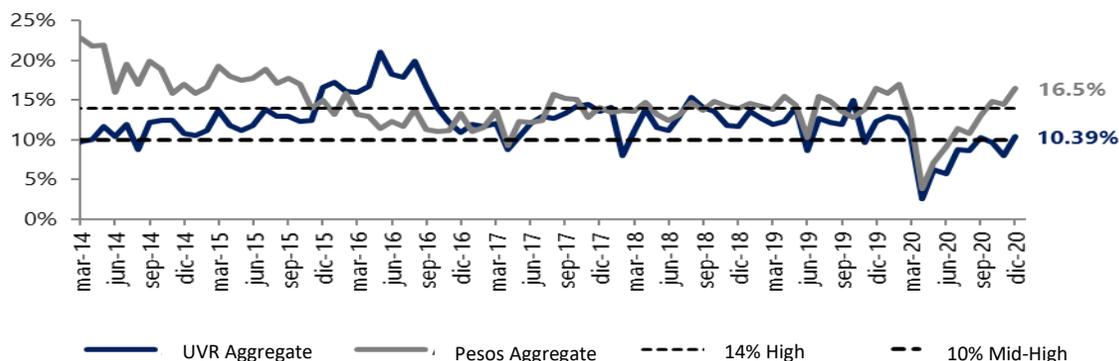
“Prepayment” means the partial or full payment in advance to the principal balance of the loans that back an issue and for a securitized portfolio it is measured by an annualized index (value of principal prepayment as against principal value of loans at the start of the period).

MORTGAGE LOAN PORTFOLIO

The average prepayment over the last 12 months was 12.2% for pesos issues, which was below the 12.2% average of the immediately preceding year that was 14.1% due to the collection reduction created by the pandemic.

The mortgage loans in UVR sustained the prepayment level recording an 8.9% average index in 2020 compared to the 12.2% of the immediately preceding year, with a performance where the recomposition towards the pesos type persists.

Chart 17. Annualized prepayment index for PESOS and UVR Issues Source: TC





PORTFOLIO OF CONSUMPTION LOANS WITH DRAFTS

Consumption loans with drafts show an annualized average prepayment of 22.1% in the previous 12 months, 700 basis points below the level of 2019 resulting from the collection reduction happening since the second trimester because of the pandemic, and prepayment distribution being reflected mostly by prepayment in full and in a smaller proportion in cases of refinancing.

For L-3 and L-4 issues, the successive purchases mechanism was used to mitigate the prepayment effect on the maturity of the securities; as of the closing, loan purchases had been made for COP 94.23 billion.

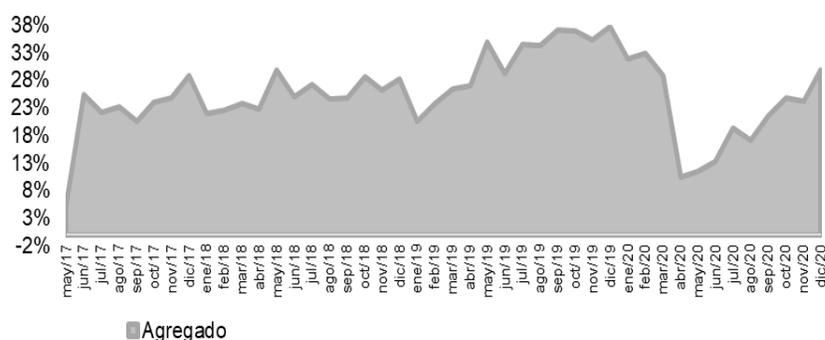


Chart 18. Annualized prepayment index for Loans with Drafts. Source: TC

COMMERCIAL LOANS

In 2020 there were not prepayments in commercial loans as opposed to the average in 2019 with an average index of 12.8%.

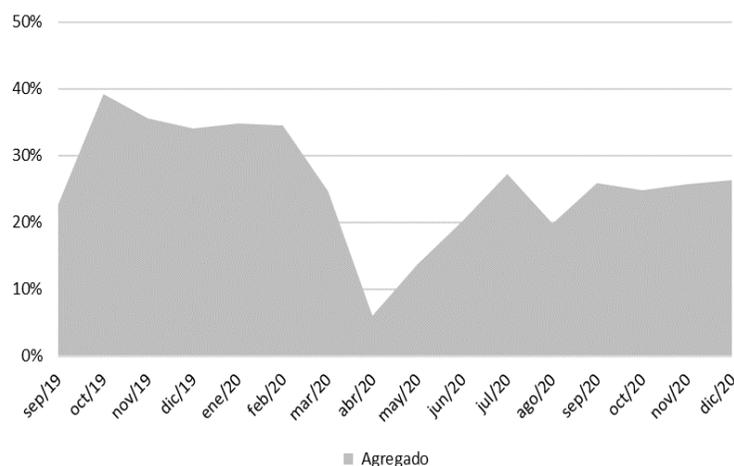
VEHICLE LOANS

For vehicle loans the prepayment level observed was 23.22% average for 2020, below the record of the last quarter of 2019 with an index of 31.9% average. Prepayment reduction is collateral to the collection reduction resulting of the pandemic.

To the effect of mitigating the prepayment effect on the maturity of the securities; as of the closing, loan purchase has been made for COP 33.21 billion.



Chart 19. Annualized prepayment index for Vehicle loans. Source: TC



2020 RELIEFS

Considering the rulings delivered by the National Government aimed to mitigate the economic effects brought by the COVID-19 pandemic, Titularizadora worked jointly with servicers in understanding the operational implementation of Circular Letters 007 and 014 issued by the Finance Superintendence, deciding in general to grant grace periods between two and six months, charging interest and insurance in most cases.

Subsequently, the Finance Superintendence issued Circular letter 022 providing directions about the program of borrower accompaniment in a joint work with the entities in order to define in specific cases the operational management of past due securities in the restructuring offered for extending the maturity term and additional grace periods.

Circa 52% of the securitized portfolio received some kind of relief in 2020 and the relevant monitoring was sustained for daily and monthly processes and for the rest of loans.

4.3. PAYMENTS TO LOAN PORTFOLIOS

4.3.1. MORTGAGE LOANS

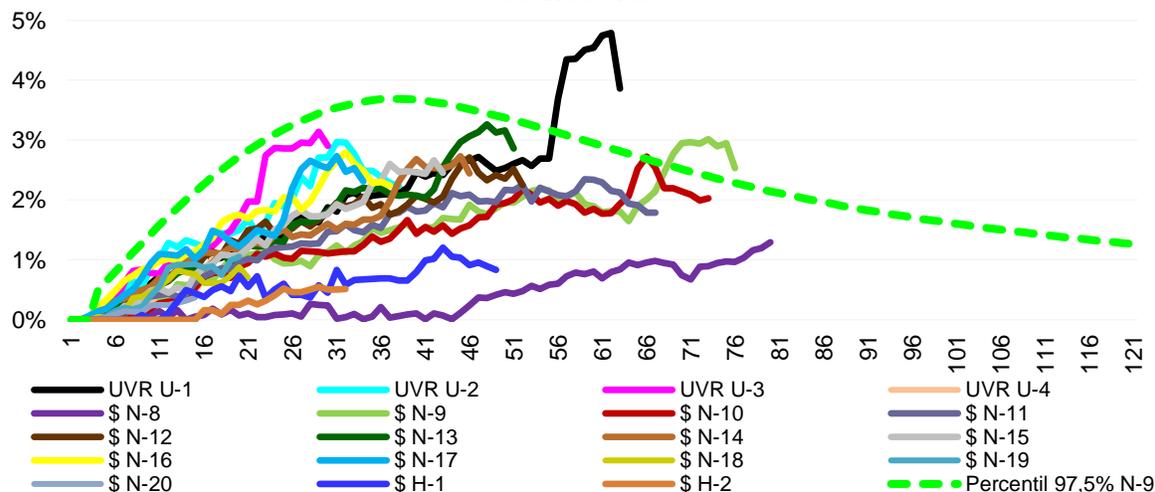
Given the economic situation arising from the COVID-19 public health emergency, loan management in 2020 was characterized by the adoption and follow up of higher order measures adopted in External Circular Letters 007 and 014 of 2020, allowing to establish grace periods or installment extensions to borrowers, and a second group of supplementary directions such as the accompaniment program to borrowers (PAD) for them to redefine



their loan conditions in the light of the new reality of their income and payment ability.

The following chart reflects the more than 120-day delinquency loans with respect to the projected levels in the top deterioration scenario for each effective month of both Pesos and UVR issues, standing out the excellent performance of securitized loans during 2020.

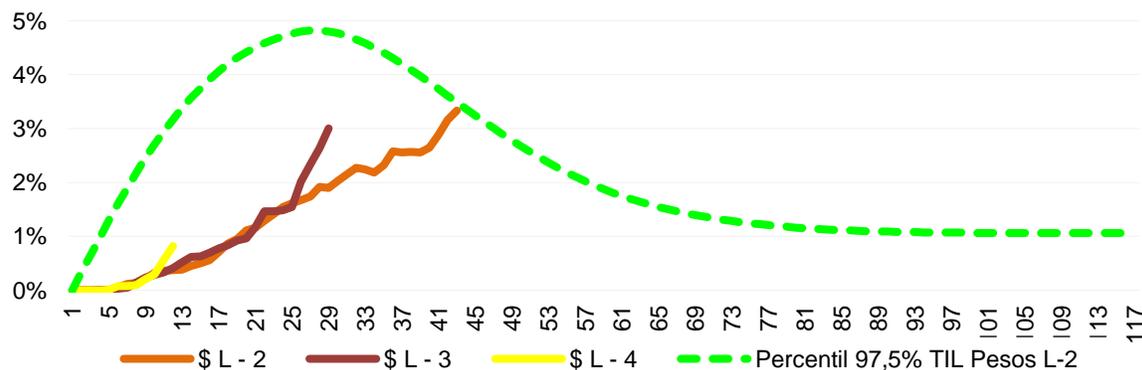
Chart 20. Reference Scenario for Loan Pools with >120 days delinquency – PESOS and UVR Issues
Source: TC



4.3.2. CONSUMPTION LOANS WITH DRAFTS

The portfolio of securitized consumption loans with drafts, ending 2020 evidenced good payment behavior considering the current economic climate arising from the COVID-19 public health emergency, thus allowing deterioration levels to remain similar to the expected delinquency levels far from affecting the payment to principal for associated securities.

Chart 21. Evolution of >90-day delinquency for TIL Pesos on balance as of the issue date – with recovery. Source: TC

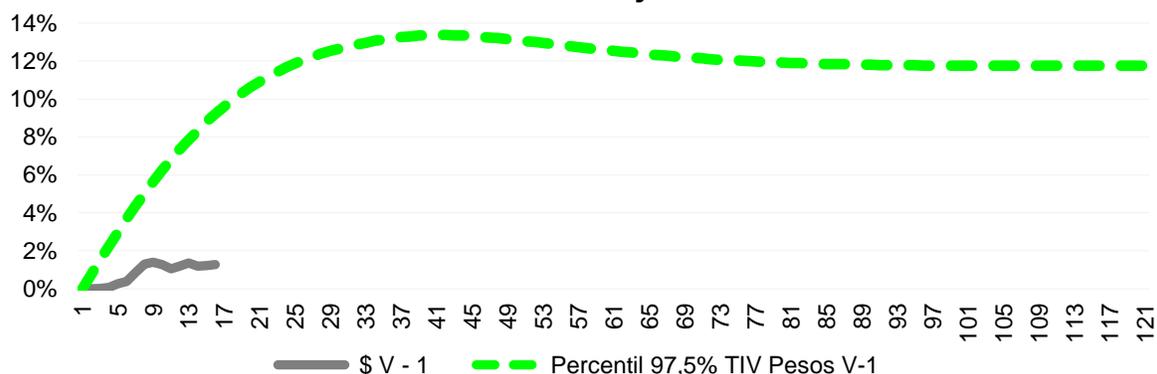




4.3.3. CONSUMPTION VEHICLES LOANS

The portfolio of securitized consumption vehicle loans ending 2020 evidenced excellent payment behavior considering the current economic climate arising from the COVID-19 public health emergency, thus allowing deterioration levels to remain similar to the expected delinquency levels far from affecting the payment to principal for associated securities.

Chart 22. Evolution of >90-day delinquency for TIV Pesos on balance as of the issue date – with recovery. Source: TC



4.3.4. COMMERCIAL LOANS

Ending 2020, securitized commercial loans showed optimum performance levels for TER R-1.

**Table 6. TER R-1
Delinquency
Source: TC
(COP million)**

Delinquency Range TER R-1		
Delinquency Ranges	Loans Qty	Balance
Performing	5	42,674
31 to 60	-	-
61 to 90	-	-
91 to 120	-	-
Greater than 120	-	-
Total	5	42,674

4.4. ASSETS RECEIVED AS PAYMENT (REO)

Assets received as payment (REO: Real estate owned) result from the repayment of a loan in full or in part, either upon the borrower's request (deed in lieu) or by right of action (foreclosure sale or award, or insolvency agreement).



As of 2020 closing, Titarizadora's inventory comprised of twenty-one (21) real properties with a book value of COP 3.06 billion, broken down by issue.

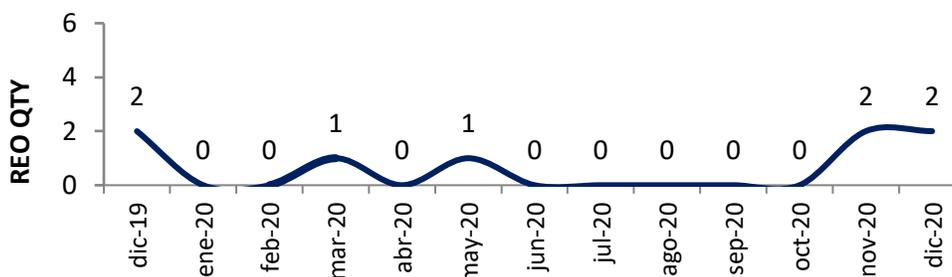
Table 7. REO by Issue (COP million). Source: TC

ISSUE	REO QTY	MARKET VALUE
PESOS E-16	4	368
PESOS N-2	1	102
PESOS N-3	1	192
PESOS N-4	2	387
PESOS N-6	2	599
PESOS N-7	2	212
PESOS N-9	3	438
PESOS N-5	3	250
PESOS N-10	2	265
PESOS N-12	1	250
Total	21	3,063

The marketing of the real estate owned REO- portfolio recorded a moderate performance with 6 real properties sold over the year.

Chart 23. REO Sales Performance 2019 -Units

Source: TC



4.5. SECURITIZED LOAN SERVICERS

4.5.1. SECURITIZED MORTGAGE LOAN SERVICERS

Below is the mortgage loan distribution per Servicer for mortgage-backed securities issues as of December 2020:



Table 8. Securitized Mortgage Loan Servicers. Source: TC

SERVICER	PRINCIPAL *	LOAN QTY	PRINCIPAL %
BANCO DAVIVIENDA S.A.	1,768,258	43,676	46%
BANCO CAJA SOCIAL	808,164	26,133	21%
BANCOLOMBIA	796,515	19,701	21%
FONDO NACIONAL DEL AHORRO	283,371	9,666	7%
BBVA COLOMBIA	92,660	2,384	2%
CONFIAR– Cooperativa Financiera	58,971	2,213	2%
ITAU CORPBANCA COLOMBIA S.A.	36,235	459	1%
BANCO COLPATRIA S.A.	7,751	281	0%
BANCO AV VILLAS S.A.	3,817	224	0%
Total loan portfolio	3,855,742	104,737	100%

* Figures in COP million

The results of management indicators during the year and of the recertification process for each entity ensure that the asset servicing remains within the standards and levels established in the initial certification.

4.5.2. SERVICERS OF SECURITIZED CONSUMPTION LOANS WITH DRAFTS

Ending 2020, the portfolio for issues backed by consumption loans with drafts was:

Table 9. Servicers of Securitized Consumption Loans with Drafts. Source: TC

SERVICER	PRINCIPAL *	LOAN QTY
COMPENSAR	148,853	19,670

*Figures in million COPs

The performance and servicing of this servicer are sustained within the standards and levels established upon examination of the resulting indicators defined for the loan portfolio servicing processes and the servicer recertification process.

4.5.3. SECURITIZED COMMERCIAL LOAN SERVICERS

The performance and activities of FINDETER (Financiera de Desarrollo Territorial S.A.), the servicer of the commercial loans, fall within the standards and levels established in the initial certification in 2017, according to the resulting performance indicators defined for loan servicing processes.



4.5.4. SECURITIZED VEHICLE LOAN SERVICERS

Loan Servicing for the portfolio securitized by FINANZAUTO meets the management standards according to the performance indicators and remains at the levels established in the initial certification in 2019.

4.6. MASTER SERVICING INTERNAL PROCESSES

Titularizadora held activities and processes with servicers over the year, which let Titularizadora review and maintain the servicing standards and determine points of improvement, without they affecting essentially the operation. The outcome of the external and internal indicators allows us assert that the master servicing of issues has been strengthened in general even during the quarantine periods of 2020.

4.6.1. SUPPORT TO MORTGAGE SECTOR

In 2020, Titularizadora Colombiana kept the strategy of creating added value for the mortgage sector in matters related to the standardization of processes and the identification of best practices with respect to:

- ◆ Administrative and Judicial Collection: Event of recognition to the collection activities, granting a distinction to securitized loan servicers that due to their activity stood out by their results in the previous year. A forum where they shared experiences and best practices for recovery in administrative and judicial collection, that allowed for standing out in the results of securitized loans collection.
- ◆ Custody Processes: All through the year, the company worked with the entities in understanding the documentary digitalization processes, new technologies, processes and schemes of the document virtualization.

4.7. OUTREACH AND MARKETING

Titularizadora's plan of outreaching the market and the general public focused on positioning the mortgage loan securitization as a tool essential to financing through capital markets, development of the housing sector in Colombia, housing finance, fund raising for non-banking originators, innovation in financial structures to back securities, as well as highlighting the benefits of the securities in terms of diversification, security, and return for investment portfolios.



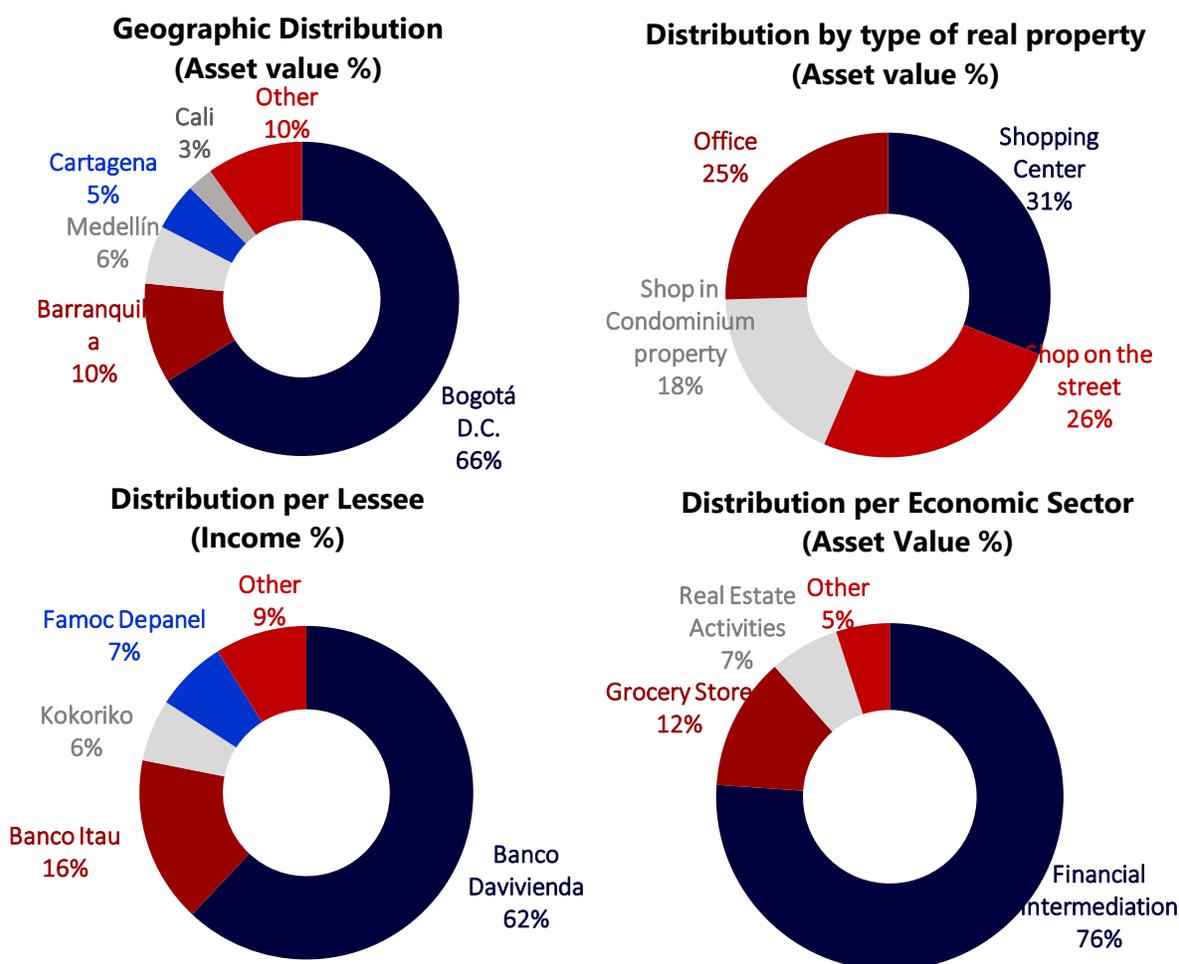
5. REAL ESTATE SECURITIZATION

5.1. PORTFOLIO COMPOSITION AND DIVERSIFICATION

The current asset portfolio is comprised of 84 real properties distributed in 19 Colombian cities and municipalities for COP 289.91 billion.

The prospect sets forth concentration limits per industry, geographical location, number of lessees, type of property, and minimum investment value; aimed to mitigate industry-specific contingencies in adverse economic periods. The real estate portfolio does not meet these limits currently because after the first issue, the program is allowed five years to meet them (a term changed from three to five years by the shareholders' meeting of 2020), which is being achieved by way of tranche 2 purchases and tranche 3 purchases, of which a new portfolio is in place, comprised of 13 commercial establishments in the "Ventura Terreros" shopping center purchased in February 2020.

Chart 24. Portfolio composition. Source: TC





QUALITY AND FEATURES OF THE THIRD TRANCHE ASSETS

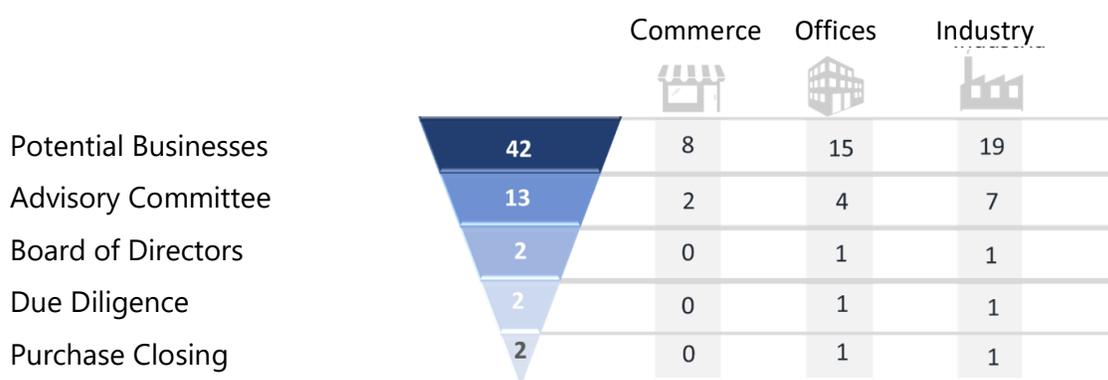
The third tranche that as of the year closing was still being consolidated affected by the pandemic, fulfills the Investment Policies of the vehicle both for use (commercial) and for the profile of the lessees that comprise the portfolio.

The entire current portfolio is leased, with weighted terms of 6.8-year lease contracts, to Banco Davivienda S.A. (Davivienda), Banco Itau, Kokorico, and Famoc Depanel, amongst others.

5.2. BUSINESS MANAGEMENT

Throughout 2020, Titularizadora received 42 real estate business opportunities that were assessed by the Real Estate Manager. This office presented 42 of these business opportunities to the Internal Committee and Titularizadora's President's office. The committee selected 13 to be submitted to the Advisory Committee, which in turn recommended 2 real estate businesses to the Board of Directors for purchase. The Board of Directors approved the Due Diligence initiation and negotiation of the purchase conditions for 2 businesses for 2021. With respect to 2019, a 47% reduction of the number of businesses analyzed occurred because of the deceleration in the procurement market arisen from the effects of COVID 19.

Chart 25. Procurement process. Source TC





5.3. YIELD

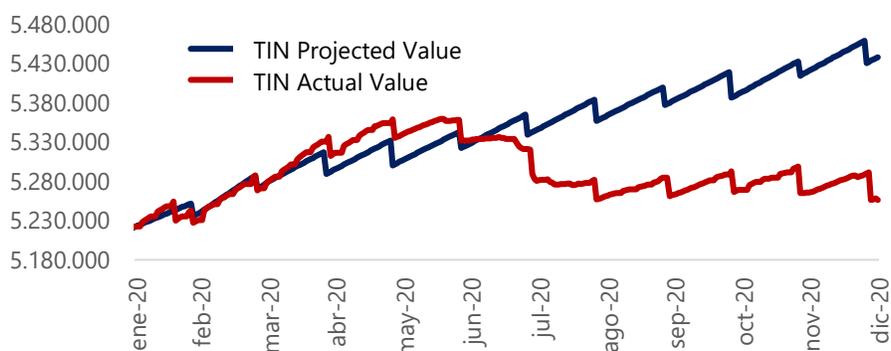
5.3.1. SECURITY'S YIELD

The value of the security for the investor as of 31 December 2019 amounted to COP 5,256,147 as against COP 5,201,202 that started the year. During this period, the return provided by the *Universalidad* including the distributed profits, was 7.0% AE comprised by 83% for cash flow and 17% for markup. It is worth noticing that the profitability was 8.3% AE since the *Universalidad* started until 31 December 2020 comprised by 20.5% for markup and 79.5% for cash flow.

As to the security value projections made in 2020, a less favorable performance was evidenced due to three factors: (i) different inflation (1.6% real vs. 4% projected), (ii) lower perceived income due to the collateral effects of the measures of isolation for the pandemic, (iii) a mark-up in price of certain real properties falls below the inflation or a devaluation resulting from the appraisals.

The chart below compares projected vs. implemented value.

Chart 26. Security value performance Source: TC



Note that ending 2020 the profitability of the vehicle since the beginning, *i.e.*, IPC+5.29% continues converging towards the value projected initially, *i.e.*, IPC+6.33% (IPC consumer price index in Spanish).

5.3.2. OPERATIONAL OUTCOMES

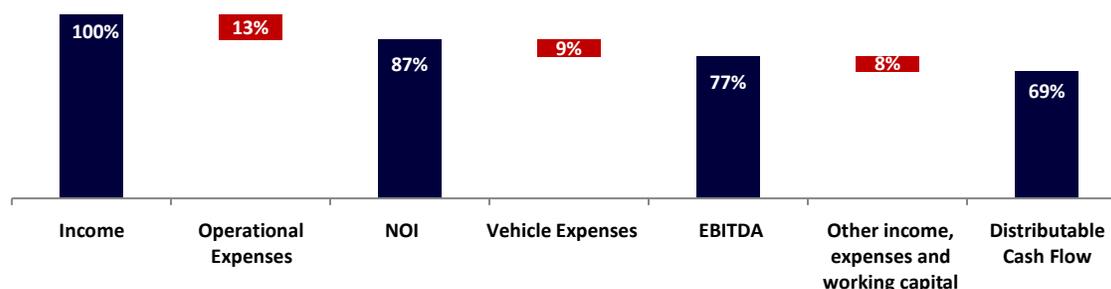
As to the operation of the vehicle, in 2020 the *Universalidad* earned income from the lease contracts for COP 23.05 billion. In the year implementation the 87% NOI margin stands out, where the higher operational expenses were real estate property tax, insurance, and real



estate management fees. Also, COP 15.1 billion resulting from operation were distributed to the investors.

The chart below shows the main operational margins of the Universalidad.

Chart 27. Operational cash flow performance 2020. Source: TC



In turn, the dividend yield indicator was 6.2% in 2020 calculated as follows: distributed yields on the security average value over the year. It is worth underlining that this indicator includes yields of the periods corresponding to November and December 2108. It entails a very favorable outcome for the vehicle in the current COVID-19 situation considering that the Universalidad had the capacity to continue distributing an attractive sum for the investors and that, in the most critical months the income was affected only by 10%-12%, which timely recovered to levels like those before the pandemic (94%-96% as of the year closing).

5.3.3. APPRAISAL RESULTS

The appraisals of the real estate portfolio of the Universalidad were updated in 2020 and, compared to the appraisals in 2019 the assets' value increased by 1.46% i.e., a markup in price of the IPC over the same period.

Nonetheless, with respect to the portfolio purchased from Ventura Terreros, we could see that compared to the value of purchase, the most recent appraisal conducted at the end of the year reflected a markup in price above the IPC. It resulted of a positive management of the portfolio purchase as compared to what the expert appraisers deem to be their market value.



Table 10. Purchase Value vs. Market Appraisal. Source: TC

Portfolio	Purchase Value	2020 Last Appraisal Value	%
Ventura Terreros	COP 12,550,000,000	COP 12,977,000,000	3.4%

5.4. TIN SECURITIES UNDERWRITING

In February 2020 took place the issue of TIN real estate equity securities Tranche 2 of Titularizadora Colombiana, named TIN Securities. The underwriting was conducted through in firm demand with pro rata allocation through the Stock Exchange under a three round format carried out in different days. In the first round, 10% of the securities were offered and it targeted investor clients other than TIN holders. In the second round, the remaining 90% of the securities were offered to TIN holders and corresponded to the exercise of the preemptive underwriting right. In the third round, the balance not exercised in the second round was offered and it targeted the general public.

The features and characteristics of the offer and the placement results are shown in the table below:

Table 11. TIN underwriting outcomes. Source: TC

	First Round	Second Round	Third Round
Amount Offered	COP 10,497	COP 84,486	COP 10,015
Amount Demanded	COP 120,344	COP 84,486	COP 236,060
Amount Allocated	COP 10,497	COP 84,486	COP 10,015
Number of Demands	235	260	212
Number of Allocations	153	260	123
Bid-to-cover	11.5	1	23.6

Figures in million COPs

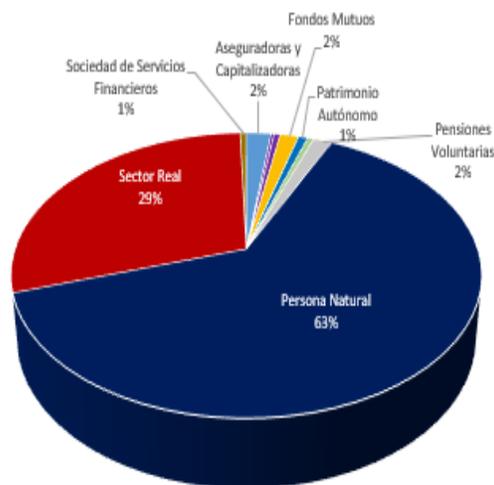
Overall, 395 investors were allocated, out of which, 187 were new bondholders. In the second round, 89% of the preemptive underwriting rights were exercised and out of these, 74% were exercised in their own right and 15% by assignment.

The consolidated share per segment of the three rounds is shown below:

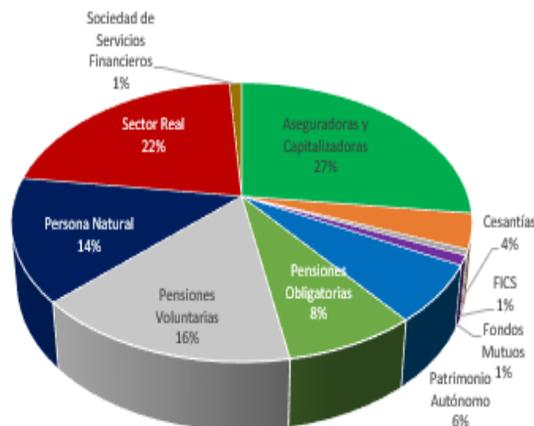


Chart 28. Tranche 2 Investors participation. Source: TC

Investors Participation by Number



Investors Participation by Amount



5.5. SECONDARY MARKET PERFORMANCE

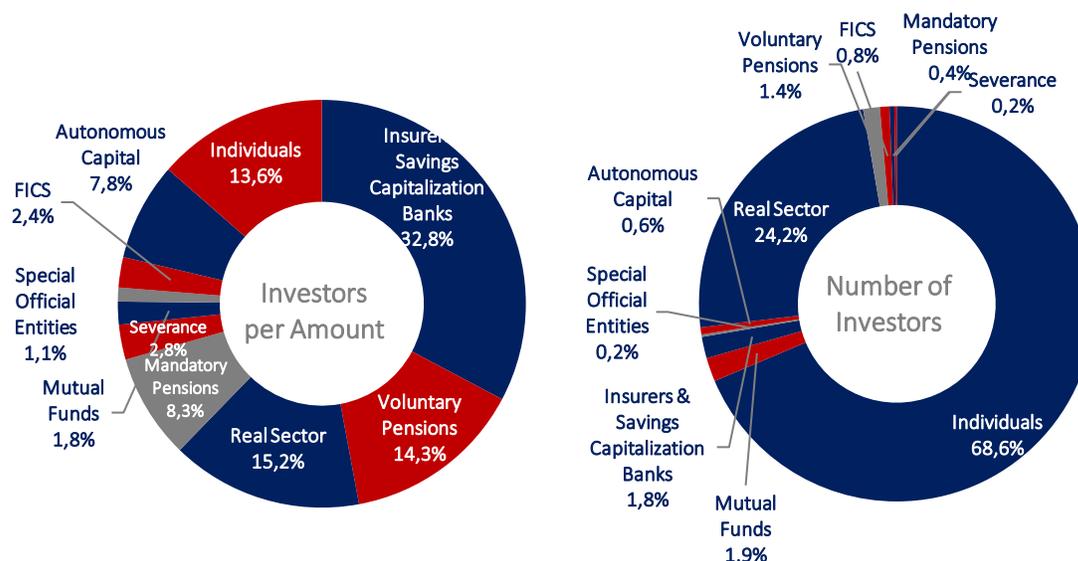
In 2020 a total of COP 56.6 billion were traded in 115 operations through the system of the Bolsa de Valores de Colombia (Colombian Stock Exchange). The monthly average amount was COP 4.72 billion with 9.6 operations monthly average. Daily average amount was COP 231 million. The security was traded on 16.0% of the stock exchange business days.

Securities' weighted average price was 101.45 in 2020 and 57% of the operations were transacted at par value or with premium with respect to the equity value of the security.

The vehicle has 513 TIN investors, where the most representative segments per amount are the Insurers and Savings capitalization banks with 32.8%, the Pension fund management companies with 22.6%, and the Real Sector banks with 22.6% and 13.6%. The three most representative sectors per number of investors are: Individuals (68.6%), Real Sector (24.2%), and Mutual Funds (1.9%).



Chart 29. Composition by investors. Source: TC



6. OTHER PROJECTS

6.1. NEW ORIGINATORS

6.1.1. MORTGAGE LOAN PORTFOLIO OF NON-BANKING ORIGINATORS

The identification of the prefeasibility of securitizing mortgage loans from three non-banking originators progressed over the second half of 2020. It rendered a positive feasibility and in the first two months of 2021 the securitization processes oriented towards one "multi-originator" issue were enabled with a significant amount of mortgage loans resulting of combining the portfolios of the three entities.

6.1.2. MORTGAGE LOAN SECURITIZATION - SWAP & HOLD

This type of securitization aims at changing assets such as the mortgage loan portfolio for securities resulting from a securitization of said mortgage loan portfolio with the purpose of enhancing the liquidity profile of a credit institution assets insofar as the securities are eligible for conducting monetary expansionary operations with the Banco de la Republica for up to 90 days and in addition to be sold in the exchange market.

6.1.3. HOUSING LEASING - BANKING ORIGINATORS

This task started in 2019 continued in 2020 by completing the product design with the development of the financial, legal, and operational structure and confirming the participation in the process of one of the biggest Banks in the market of Housing Leasing



contracts as the Originator/Servicer for conducting the securitization of Housing Leasing loans in 2021.

6.1.4. VEHICLE LOAN PORTFOLIO OF NON-BANKING ORIGINATORS

The second securitization of vehicle loans originated by Finanzauto was structured, to be allocated in the capital markets in the first quarter of 2021.

6.1.5. CONSUMPTION LOANS WITH DRAFTS OF BANKING AND NON-BANKING ORIGINATORS

In the first quarter of 2020 took place the fourth issue of TIL-L4 Securities for a value of COP 71.84 billion, the underlying asset being the consumption loans with drafts originated by Compensar, a non-banking originator with which two previous issues of similar characteristics had been conducted.

The development of the financial, legal, and operational structure of the securitization of consumption loans with drafts granted by banking originators progressed in the second half of 2020. Progress was achieved jointly with one of the Banks with the highest share in this type of assets.

Titularizadora expects to carry out a securitization of consumption loans with drafts in the first half of 2021 with banking originators and then continue the remaining part of the year with the automated securitization process for non-banking originators' loans.

6.1.6. INFRASTRUCTURE LOANS

A significant progress was made in 2020 as to the structure of the securitization of infrastructure loans by including high-level strategic allies for starting a joint analysis and development of a preliminary financial structure of the product. Also, a poll among financial sector originators rendered the identification of the interest in securitizing this type of asset.

There is a plan for 2021 to bring to a closing the activities aiming the final structure of the product, consolidate the participation of varied strategic allies, and bring in relevant originators of the market with the purpose of launching an issue at the end of the year backed by infrastructure loans.

6.2. TITULARIZADORA DOMINICANA



In 2020 took place the first mortgage-backed securitization in the Dominican Republic for a value of circa USD 20 million, which included the sale of mortgage loans by the *Banco Hipotecario*



Dominicano – BHD Leon and the Asociación Nacional de Ahorros y Préstamos- ALNAP which were certified as originators and servicers of securitized loans and which will be performing the master servicing with Titularizadora Dominicana S.A using HITOS software. As of the closing of December 2020, Titularizadora Colombiana S.A. remains a shareholder of this company in the Dominican Republic.

7. MANAGEMENT AND HUMAN RESOURCES

7.1. HUMAN RESOURCES

Since the March 16, 2020, the declaration of public health emergency due to the COVID-19 pandemic resulted in the type of teleworking from home being implemented for 100% of the employees. Our efforts have been focused on the accompaniment to officers and their families to guarantee the adoption of good practices in health care for everyone: COVID-19 prevention, care, exercises for health and ergonomics of working from home, psychological accompaniment and a weekly and permanent monitoring of the job environment, the house and the health condition. Accompanied by the occupational safety entity, the programs were conducted successfully for 100% of the officers. In addition, premises were remodeled to implement all the biosecurity measures to guarantee the work in person in optimal biosecurity conditions. We are ready to receive our staff in our facilities as we determine so, according to the pandemic development, under optimal public health and safety conditions.

The company continued the development of ***INNOVA Program “where your job and contributions become visible,”*** the base of the digital transformation aimed to update and build up the productivity, the balance of personal life and work life and the innovation in the light of the new trends. The target in 2020 of the basic program of this cultural transformation was to complete the implementation of digital processes and the formulation of the project of HITOS + the business core application. Fostering of staff participation in online training programs, intensification of accompaniment of supervisors in the performance management system, and development of virtual programs for employees and for their families.

Regarding environmental sustainability, the program ***“Think green: Committed to sustainability,”*** was strengthened with emphasis on the practices to follow at home in recycling, power saving, water saving. In general, the company was motivated to *“leave a footprint for the planet”* with favorable results.



7.2. QUALITY MANAGEMENT

7.2.1. QUALITY MANAGEMENT SYSTEM – MASTER SERVICING OF ISSUES

Titularizadora's Quality Management System is a management tool that allows efforts to be focused on pursuing excellence through continuous improvement supported by process and procedure standardization and focus on the stakeholders.

The activities in 2020 were focused on ensuring process efficacy, efficiency, and continuity and achieving the ISO 9001:2015 recertification from the certifying entity ICONTEC for the 2020-2022 period.

The external audit rendered excellent results, zero findings, and the following highlighted strengths:

- ◆ The sensitivity analysis about the company performance according to the potential macroeconomic scenarios and the organizational context for the next years, because it allows to establish strategies to ensure the financial performance, make better decisions and allocate resources appropriately.
- ◆ Software implementation for the quality management system because it facilitates a centralized management, communication enhancement, and teamwork.
- ◆ Adjustment of procedures to the effects of COVID-19 pandemic because it facilitates the adaptation to the contingency.
- ◆ Measurement oriented indicators; follow up and analysis of three relevant aspects; information management, quality, and timeliness; in the performance of the activities of processes related to the master servicing of the securitization issues because it facilitates determining trends and taking decisions and actions that ensure the fulfillment of objectives and goals.
- ◆ The activities of staff training and professional development, because they contribute to the company's growth and competitiveness by way of a uniform view of the cultural model, promoting to share knowledge, fostering commitment, trust, and technical capacity in order to improve the individual performance as per the achievement and outcome-oriented management.



- ◆ The performance shown by area staff, with their commitment and responsibility in the performance of working from home activities because they have proved to be more efficient as well as their improved teamwork capacity towards higher productivity.
- ◆ Strategies of digital transformation and innovation, integrating new technologies into the business operations because they allow optimizing processes, enhancing competitiveness, promoting collaborative work, strengthening capacity for response in a changing environment, offering new business opportunities, facilitating communication, improving experience, and offering greater added value to customers and stakeholders.

8. REGULATORY AND LEGAL ASPECTS

8.1. REGULATORY ISSUES

◆ **Declaration of the Public Health and Economic, Social, Ecological, and Environmental Emergency**

Due to the crisis arising from the COVID-19 spread in Colombia, the economic, social, ecologic, and environmental emergency was declared by Decree 417 of 2020 and the public health emergency was declared by Resolution 385 of March 12, 2020 (extended by Resolution 2230 of November 27, 2020 until February 28, 2021). In this framework, certain measures were taken, which caused a general impact on the economy and the actors thereof.

◆ **Program of Accompaniment to Borrowers (PAD)**

In the foregoing context, the Finance Superintendence of Colombia (*Superfinanciera*) issued Circular Letters 007 and 014 of March of 2020, whereby the credit institutions were allowed to establish grace periods for the payment of obligations of the affected borrowers. Furthermore, considering that collateral effects of the pandemic persisted, in June of same year Superfinanciera released External Circular Letter 022, whereby the Program of Accompaniment to Borrowers (PAD) and provided additional instructions with the purpose of the credit institutions to determine the conditions for the redefinition of the obligations of those borrowers that have had their income affected by the current situation. The effects of the External Circular Letter 022 were extended until June 30, 2021 by the External Circular letter 039 of 2020. On this matter, it is worth to mention that the above External Circular Letters cause an impact in the activities of the Company, given that their provisions are applicable to the loans that comprise the securitized mortgage loans of TIPS Issues.



◆ Possibility of a Unilateral Termination of the Lease Contracts

Likewise, Decree 797 of 2020 was issued to regulate on an extraordinary and temporary manner, the unilateral termination of lease contracts of commercial establishments, the lessees of which, due to the crisis brought by COVID-19 were not able to conduct their economic activity. With this in mind, the Decree allowed lessees to unilaterally terminate their lease contracts until August 31, 2020, being able to pay a third of the amount of the penalty clause agreed upon in the contract and, in the case of absence thereof, the amount corresponding to a rent installment. Decree 797 was declared unenforceable by Judgment C-409 of September 17, 2020 entering into effect as of same date and keeping valid the acts conducted before the same.

◆ Corporate Aspects

On the corporate subject, Decrees 398 and 434 of 2020 were issued, whereby the getting together was regulated for meetings held without presence of the shareholders in annual meetings, boards of directors, and other decision-making bodies, with the aim to mitigate the spread of COVID-19, which rulings were taken into account in the development of the meetings of the various corporate bodies in 2020.

◆ Rules of Issue of Securities and Investment Regime

In September of 2020, the Unit of financial regulation (URF) issued Decree 1235, amending Decree 2555 of 2010 as to the rules of issues in the stock exchange market. On this matter, it is appropriate to highlight that this regulation allowed the underwriting agents and investors to act as bondholders' legal representatives provided the conflict of interest is substituted and managed. Moreover, the issue and underwriting programs term was extended to five (5) years. Furthermore, it must be considered that Decree 1291 of 2020 amended certain criteria to be accredited in order to be deemed as professional investor, thus allowing more people to classify to that category. In like manner, this Decree allowed professional investors to request advisory, and an investor customer, which makes the regime more flexible as to their conceptualization and application.

At another level, Decree 1393 of October 2020 amended the investment regime of the mandatory pension and severance management funds, the insurance entities, and the capitalization vehicles. In this respect, it becomes relevant to mention that by said decree, the 30% top limit of investment in the issue of securities was eliminated given that said limit was allowed to be approved by the Board of Directors in the Investment Policy, both for Pension Fund Management Companies and for the insurance entities and the capitalization vehicles.



Regulatory Outlook

Finally, it is important to mention that in October of 2020 the Ministry of Finance released the Public Policy for a higher development of the financial system, including the formulation of the National Government's objectives for the financial system development for 2020-2025. It is relevant that this document anticipates regulatory reforms for issue of licenses, rules regarding the issue and offer of securities, regime of investors of the Mandatory Pension Management Funds, integration of markets of the Pacific Alliance members, information disclosure in the stock exchange market and the contributions to the operation of the Unit of financial regulation URF.

8.2. LEGAL CONTINGENCIES

With respect to the legal contingencies of the company throughout 2020, none occurred.

8.3. LEGAL ISSUES

8.3.1. "CODIGO PAIS" SURVEY

Titularizadora complied with the reporting of the best corporate governance practices implementation for 2020 and implemented in that period the applicable corporate governance standards as per the recommendations of the new "Codigo Pais" and to the 2015 amendments to the Articles of Association and to the Corporate Governance Code of the Company.

8.3.2. KNOWN AND RECURRENT ISSUER

In September 2015, the *Superintendencia Financiera de Colombia* granted Titularizadora the capacity as a renowned and recurrent issuer for its compliance with requirements indicated in item 6 of the External Circular 029 of 2014 Part II Title I Chapter II and other applicable laws and regulations. This condition was held throughout 2020 by timely complying with the requirements set forth in items 6.1.1-6.1.6 of the regulation cited above, according to the official letter number 2020015637-004-000 dated March 4, 2020 of the *Superintendencia Financiera de Colombia*.

8.3.3. RELATIONSHIP WITH INVESTORS

Upon adoption of the best practices in the matter of information disclosure to and the relationship with investors, Titularizadora was certified by the Bolsa de Valores de Colombia by granting the IR Issuer Recognition to the Company. This recognition was sustained



throughout year 2020 for the compliance with the requirements established in the Only Circular of the Bolsa de Valores de Colombia.

9. RISK MANAGEMENT

9.1. MANAGEMENT REPORT OF ASSET LAUNDERING AND TERRORISM FINANCING PREVENTION AND CONTROL (SARLAFT) ACTIVITIES

During 2020, the risk management system operated in abidance by the applicable laws and regulations and the methodological framework defined by the Company; the policies and procedures defined in its Asset laundering risk management system (SARLAFT) were duly applied, which prevented its being used directly or through its operations as an instrument for asset laundering and/or for channeling resources toward perpetrating terrorist activities.

Risks were periodically assessed and reviewed jointly with the leaders of processes with the highest exposure to the AL/TF risk, which allowed verifying an adequate qualification of the risks; in addition, the control measures applied to mitigate these risks were profiled and the residual risk levels were validated with the aim of ensuring that they are sustained in the acceptance levels established by the Company.

Regarding the key activities of asset laundering risk prevention applied to the securitization processes, it is worth highlighting the prior verification of SARLAFT criteria as to the assets to be securitized, the annual confirmation and validation every year of the compliance with the regulation by the issue underwriting agents and the annual review of the compliance by loan originators and servicers as to the agreements defined for SARLAFT.

Finally, the company complied with its legal duty of reporting under the applicable laws and regulations, and timely addressing the requirements from control bodies.

9.2. OPERATING RISK MANAGEMENT

Consistently with the goals and the working plan for 2020, the operational risk management enabled the detailed assessment of the main risks identified in the company's processes, the incorporation of risks associated with market and liquidity risk in the consolidated matrix; the review of operational risks identified for real estate securitization; and the performance validation of control actions.

In turn, every risk event was duly recorded as per the applicable laws and regulations; the SARO Committee assessed such risk events and preventive actions were taken as required. Losses from operational risk amounted to COP 1,351,750 mostly originated by the failure to timely file the District tax return.



🔗 COVID-19 Management

In order to address the public health emergency declared by the central government to tackle the COVID-19 effects, the company examined the emerging risks from the operational adjustments implemented for working from home, assessed the chief control measures applied to processes and activities of the highest criticality and relevance for Titularizadora, and made the appropriate operational changes. It allowed continuing the process execution within the regulatory frames and internal policies; and complying with the requirements on reporting and report release to control bodies, to investors, and to the general public.

🔗 Fraud Risks

Fraud risks were particularly watched, and the mitigation measures and residual risk level were considered. Therefore, these risks were re-rated to sustain in the mid-level criticality. During 2020, no events materialized in this risk category.

🔗 As to the Business Continuity Plan

1. The alternate processing center migrated to the Oracle's Cloud infrastructure in the IaaS (infrastructure as a service) scheme in 2020-1Q, thereby transferring the hardware related risks to the service provider.
2. Upon completion of the migration, the acceptance tests were conducted by the analysts of the continuity team, in April 2020.
3. Scheduled contingency tests were conducted on management support applications for the securitized assets and the investment portfolio, including:
 - a. Plan of recovery enabling upon crash of any of the internet channel providers. This test took place on June 24, 2020 unplugging the principal internet channel and verifying that the traffic towards internet from the user intranet is routed through the alternate channel, rendering satisfactory results.
 - b. Errors in databases and application servers simulating service unavailability. The tests were conducted on:
 - 🔗 PORFIN application: 7/10/2020
 - 🔗 APOTEOSYS application: 7/28/2020
 - 🔗 HITOS application: 9/12/2020



- c. Successful backup restore of the elements of Titularizadora's backup system, such as databases, active directory, and directory/file structure, amongst others. The required quarterly backup of production databases was made on:
 - i. Hitos Multiproducto database: 1/19/2020
 - ii. Hitos Hipotecario database: 2/2/2020
 - iii. PORFIN database: 5/2/2020
 - iv. APOTEOSYS database: 8/1/2020
 - v. Filesystem recovery: 5/21/2020, 6/25/2020, 9/14/2020.
4. Simulation of cyberattack scenarios. On November 25, a continuity simulation exercise was carried as a test to the response to a cyberattack and damages to servers.
5. On October 28, high availability tests were applied to the infrastructure of physical servers, to core switches, and to the virtualization platform, rendering satisfactory results; including the simulation of failures such as fiber disconnection and crashing of certain electric circuits in the various devices that comprise the infrastructure.

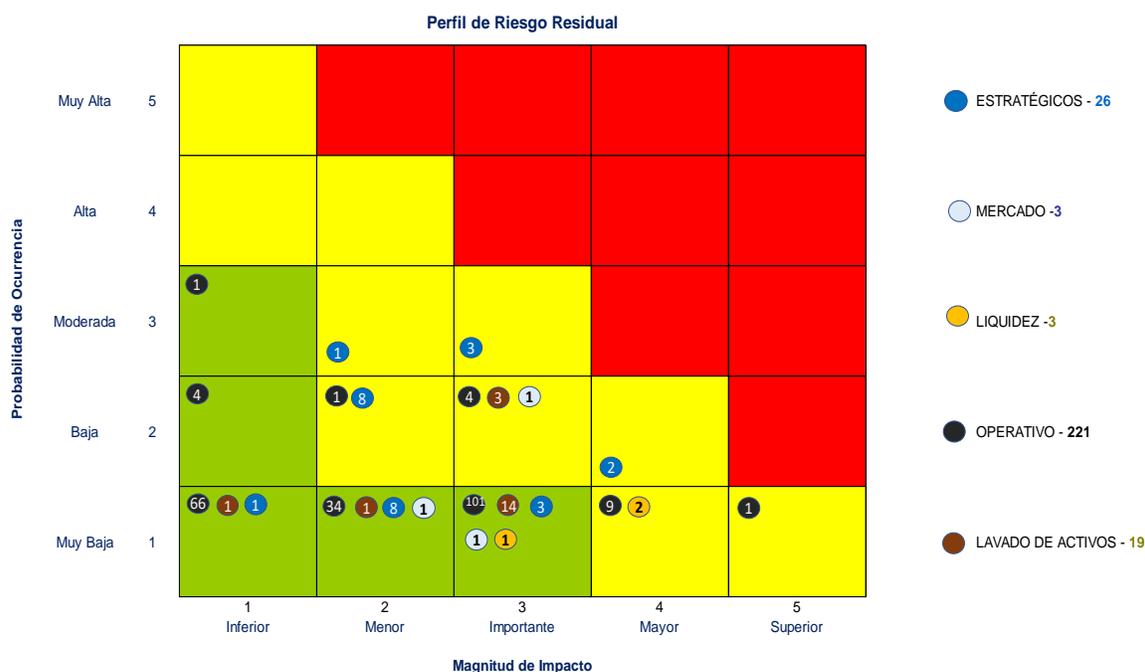
The test results were satisfactory and are duly documented. Also, action plans were prepared for strengthening the new environment in Oracle Cloud, for correction of the improvement opportunities observed which have allowed to reach a higher level in the test results, and for strengthening the business continuity plan.

9.3. RISK DISCLOSURE

Ending 2020 as per Titularizadora's risk management systems in place, 227 identified and assessed risks were reported for the strategic market, liquidity, operation, and asset laundering fronts.



Chart 30. Consolidated Risk Profile. Source: TC



For each risk identified, any necessary control measures are kept and applied, thus allowing to sustain risks at the acceptance levels established by the Company.

The disclosure of criteria, policies, and procedures used in the evaluation, management, measurement, and control of the risks associated with Titularizadora Colombiana’s business are reported in the note to the Financial Statements pertaining Risk administration and management.

10. TECHNOLOGY

10.1. INFORMATION SECURITY AND CYBERSECURITY

Further to plans and actions pursuing information availability, integrity, and confidentiality, in 2020 the company focused on strengthening the information security management and cybersecurity, as well as strengthening the controls and developed the top subjects considering the current situation of teleworking and the contingency plan triggered by the effects of the COVID-19 pandemic. About this system it is worth of highlighting:

- ◆ **Compliance with laws and regulations:** We continued strengthening the control as issued by the Superfinanciera in External Circular Letters 007 and 008 about



Cybersecurity, and the implementation of new standards was initiated as to the security incidents included in external circular letter 033.

🏠 **Security reviews: All over the year, the following actions were taken:**

1. Ethical hacking: a test was run in June-July of 2020 on 100% of the company servers; the cloud alternate operation center; the core communication equipment of Titularizadora's premises; and the website, the extranet, and the Webserver publications: The detected vulnerabilities evidenced that not one materialized and the mitigation plan was executed in the second half of the year.
2. The Cyberattack simulation exercise was run allowing to assess the impact and the occurrence of incidents that might affect availability and operation of products and services. The simulation outcomes led to adopt minor adjustment measures aimed to continue monitoring the cyberspace.
3. Service provision contracts were revised and contracts with critical providers were entered into, with the terms and conditions that protected the information security and cybersecurity.
4. Over the year, a permanent analysis was conducted on the requirements and incidents occurred, which were addressed and submitted for evaluation to the information security and cybersecurity committees held every semester. We did not record any incident materialized.

🏠 **Training of collaborators in Information Security and Cybersecurity:** Periodically the company deploys a communication campaign targeting officials with the aim to educate and sensitize them about the importance of cybersecurity and the identification of cyberattacks and of the best practices in cybersecurity.

🏠 **Implementation, update, and strengthening of controls. We continue progressing based** on the ISO 27001 standard and implemented new controls to ensure the confidentiality, the availability, and the integrity of the information assets. In addition, strengthening was provided to perimetral protection and traffic control between segments of our firewall.



10.2. TECHNOLOGICAL DEVELOPMENT AND EVOLUTION

Further to the plans seeking innovation and digital transformation with efficiency, projects framed in the ***Innova program*** were supported, such as:

- ◆ The alternate processing center migrated to the cloud in the IaaS (infrastructure as a service) scheme, thereby transferring the hardware related risks to the service provider.
- ◆ The deployment of the collaboration tools and the migration of the company email service to this platform, seeking to improve the efficiency of the company processes.
- ◆ Strengthening of the control over the traffic routing between the intranet segments toward the company firewall thus creating rules to control that traffic, reducing thereby the possibility of internal attacks and the reduction of unwanted traffic.
- ◆ The company internet channels were enhanced to offer a better user experience and ensure remote connections.
- ◆ The HITOS system was evaluated by an external subject matter expert advisor and the plan of application innovation and adjustment was formulated.
- ◆ The new BIA was reformulated and launched in the contingency website.
- ◆ New electric networks were installed in the data center infrastructure to provide the UPS (uninterruptible power supply) with support equipment.

Over the year, the technology area indicators were satisfactory within the service levels agreed and no incidents occurred which included loss of or unauthorized changes to information.

◆ HITOS 2020

Several requirements were put into operation in 2020, helping reduce risks and operational loads, such as:

1. Daily settlement and accounting of the securities' interest, accounting of the creation of securities in each issue, and accounting of the payment in the monthly settlement (moving from PORFIN to HITOS).
2. Settlement and payment schedule of the servicing fees.
3. Control over changes to loan interest rate.



4. Retrieving other income and expenditure recorded solely in APOTEOSYS for completing the cash flow, in particular for real estate.
5. Improvements to the report that controls the daily reconciliation of collection to transactions.
6. Change in real estate appraisal methodology.
7. Structures for purchase and leasing management.

In addition, the application security controls suggested by the consultant were implemented (Ethical Penetration Testing - vulnerabilities.)

11. OTHER

11.1. INTERNAL CONTROL SYSTEM

Titularizadora Colombiana is provided with an internal control system (SCI) consistent with its corporate purpose, the nature of its operations, and in the framework of the regulatory requirements and standards established by the regulators on that matter.

During 2020 and in accordance with the SCI principles, the Board of Directors led a strategic planning process, conducted periodic monitoring to the fulfillment of goals and plans established by the Company, and with the aid of the committees that support its activities reviewed and validated the application of investment management policies, analyzed the parameters for remuneration of the Board of Directors and Senior Management, verified the process of evaluation of Directors, supervised the compliance and implementation of general standards of corporate governance, risk management and handling, and was informed of the internal control system performance and the actions taken toward its reinforcement.

Particularly due to the public health emergency declared by the central government to address the COVID-19 effects, the Board of Directors was informed of the Management's permanent monitoring on the COVID-19 related risks, the development of the processes of the Company, the actions taken as to mitigation, biosecurity and health, including reports on the performance of the technological and information security infrastructure.

The actions taken by the company for COVID-19 ensured that the internal control system elements were applied in accordance with the applicable regulatory frame, standing out the



performance of the activities listed below:

- (I) **Control Setting:** General governance policies, including the code of ethics and conduct, have been duly updated and released to all the company officers.

Periodic review of the processes that allowed to keep process manuals up to date; reinforce the documentation of key activities and controls; and comply with the requirements established by the Quality Management System adopted by the Company.

The organizational chart and each job's description and responsibilities have been defined, formalized, and updated. Personnel training and education were conducted as per the annual plans in place; also, the performance management system was continuously evaluated for all the executives of the Company.

In the development and implementation of the risk management system for liquidity risk, the necessary adjustments were made to the policies and applicable internal rules, process manuals, and function manuals.

- (II) **Risk Management:** During 2020 in addressing the COVID-19 effects, Titularizadora run activities to identify and assess the current risks and those from the emergency and particular attention was given to the strategic, market, liquidity, and operational risks with the purpose of taking the required actions for a suitable and timely mitigation thereof.

In particular, the Company formalized and released its risk management system for liquidity risk, encompassing the phases and elements for both the company and the *universalidades* under its management. Relevant matters include the policies governing said risk management system; functions and responsibilities assigned; methodology of identification, measurement, and monitoring; and the liquidity contingency plan; all of it consolidated and duly included in the corresponding procedure manual.

The criteria for identification and rating of strategic risks were unified allowing thereby their consolidation in the risk map; the methodology used to determine credit and counterparty limits within the risk management system for market risk was updated; the update plan for operational risk matrices was executed; and the risk management for the risk of information security and cybersecurity was adjusted to the existing criteria and definitions in this matter.



(III) **Control Activities:** During 2020, the stringent application of the controls in place in the company was sustained, and with the purpose of tackling COVID-19 effects that required to perform the operations in the teleworking mode, the chief mitigation actions taken in processes were evaluated; and the activities of higher criticality and relevance to Titularizadora were reviewed. This enabled the process execution to remain in the frameworks of regulations and internal policies; and to facilitate a timely tracking of the performance of controls.

(IV) **Information and Communication:** Information processing, generation, and release complied with the confidentiality, integrity, and availability criteria; each report and communication that Titularizadora issued both internally and addressed to the control bodies and general public, complied with the regulatory requirements for the outreach thereof.

In like manner, interest groups were periodically informed through the communication channels in place, of the actions and measures implemented in the COVID-19 management. Reporting applicable to the company was fulfilled by releasing information classified as relevant; and the requirements of the RNVE (Colombian Registry of securities and intermediaries) were fulfilled as well.

(V) **Monitoring:** Ongoing supervision by process owners and the periodic follow up by the president's office have allowed to verify the performance quality of the internal control and to validate the achievement of the control objectives.

It is worth highlighting the specific monitoring of risks identified from the COVID-19 and of the actions implemented by each instance inside the company to ensure the continuity of operations.

The evaluation of the internal control system's efficiency was conducted by the statutory auditor, the external auditor, and the internal control role as well as supplemented by the internal and external quality assessments performed in the framework of the company's Quality Management System in place.

The results of the reviews performed by the internal control area, the internal audit, and the statutory audit have been informed periodically to the Audit Committee which has given its opinion on the action plans defined by Management and has been kept informed of the progress of the recommendations' closing.



11.2. EVALUATION OF DISCLOSURE AND CONTROL SYSTEMS

The Company applied this year the disclosure and control procedures defined for preparing and releasing the company financial statements, including both the validation by the Financial Control area and the President's office and the evaluations by the statutory auditor and the internal control function, which all collectively confirmed that the preparation, presentation, and disclosure of the financial information as of the fiscal period closing abide by the law and reasonably present the financial position of the Company.

The results of periodic reviews of the company's control actions specified in the accounting, financial, and operational procedures led to conclude that such procedures were correctly applied and provided a reasonable assurance that Titularizadora's financial information has been properly recorded, processed, and presented. They also show that the financial statements and other reports disclosed to the public do not contain any defects, inconsistencies, or material errors that might prevent understanding the actual position of the equity or the status of the operations transacted during 2020.

11.3. REPORT OF OPERATIONS WITH SHAREHOLDERS AND MANAGEMENT

Under Law 603 of 2000 article 1, item number 3, the Note 27 to the financial statements lists the operations transacted between Titularizadora and its shareholders and managers.

11.4. GRATUITOUS TRANSFER OF OWNERSHIP

Gratuitous transfers of assets were made for COP 15.5 million in this year. This operation includes a donation to the *Fundación Cardioinfantil*, one to the *Asociación Nuevo Futuro de Colombia*, the latter being a non-for-profit association supported by the Colombian institute of family welfare (ICBF), which works with quality and transparency in the integrated protection of children, teenagers, and young people whose rights have been vulnerated.

11.5. ASSETS IN OTHER COUNTRIES

Ending 2020, the company records foreign investments for COP 382 million corresponding to shares in Titularizadora Dominicana.

In 2019 the reduction of the subscribed and paid-in capital was approved with the purpose of restoring the balance between the Subscribed and Paid-In Capital and the Shareholders Equity of the Company affected by cumulative losses. For 2020, Titularizadora has been



assessing that investment using the share method. In turn, Titularizadora Dominicana launched its first issue in December.

11.6. PAYMENTS TO DIRECTORS, CONSULTANTS, ADVERTISEMENT, AND PUBLIC RELATIONS

The expenditure in salaries, fees, travel and lodge, and any other remuneration received by company's executives and consultants, as well as advertisement and PR expenses incurred by Titularizadora Colombiana are set forth in detail in an attachment to the financial statements.

11.7. IMPLEMENTATION OF INTERNATIONAL STANDARDS

The application of international standards was given the periodic review, the effects of IFRS 16 leases were tackled, assessed, and recorded, particularly as to the amendment to this IFRS. In May 2020, the IASB released an amendment to IFRS 16 denominated "Covid-19 Related Rent Concessions" aimed to provide lessees with an accounting recognition of potential amendments to lease contracts arising from the COVID-19 pandemic.

11.8. FREE CIRCULATION OF INVOICES

In abidance by the requirement of Law 1676 of 2013 article 87, Titularizadora Colombiana has established compliance policies for the regulations on free circulation of invoices issued by vendors or providers with which a commercial relationship is kept, thus avoiding the engagement in anticompetitive practices.

11.9. FORESEEABLE EVOLUTION

Under Law 603 of 2000 item number 2, over the next year Titularizadora will continue the consolidation of the objectives and goals defined by the Board of Directors that will enable an increasing commitment to the process of asset mobilization to help Colombia's growth as well as remaining a solid, efficient institution, leader of the financial system.

12. FINANCIAL STATEMENTS

The company financial statements as of December 31, 2020 are presented in accordance with the Accounting and financial information standards accepted in Colombia (NCIF in Spanish). The financial statements reflect the following information:



12.1. BALANCE SHEET MAIN FIGURES

ASSETS

138,8	2020
147,5	2019
-6,0	Variación

Ending December 2020, Titularizadora Colombiana's total assets amounted to COP 137.85 billion, a 6% reduction with respect to 2019 closing. Assets mostly comprise Financial investment assets (68%), trade creditors (3%), investment properties (17%), cash equivalent (5%), and assets kept for sale (3%).

The chief variation of accounts as against the previous year is observed in the trade creditors due to the reduction of funding of initial expenses from securing new businesses of the *Universalidades*; the reduction of the item described above and of cash equivalent is explained in the growth of financial investment assets.

LIABILITIES

9,7	2020
12,2	2019
-20,0	Variación

The company leverage at the fiscal period closing is 7%.

The primary liabilities correspond to the obligation recognized for IFRS 16 leases.

The highest variation with respect to the previous year is the payment of the income tax and amortization for recognition of the IFRS 16.

EQUITY

129,1	2020
135,3	2019
-5,0	Variación

The equity of Titularizadora Colombiana decreased by 5% with respect to the previous year as a result of the lesser value of earnings of this fiscal year as compared to the 2019 fiscal year. The company closed 2020 with a COP 129.09 billion worth equity.



12.2. INCOME STATEMENT

The operational income corresponds to 93% of the total income, and results from structuring, servicing, guarantee, and underwriting fees of the issues for COP 17.15 billion and from financial income represented in the yields of investments and loan portfolios for COP 7.69 billion.

Operational income shows 34% reduction in fees with respect to 2019 and 16% decrease of financial yields associated with the behavior of the investment portfolios.

Other income for COP 1.92 billion corresponds to income for rents and recoveries mostly.

Company's expenses amounted to COP 16.89 billion. Operating expenses show 2% growth and non-operating expenses show 96% reduction in financial expenses mostly.

Net earnings during the 2020 fiscal period amounted to COP 6.76 billion.

12.3. FINANCIAL AND OPERATIONAL INDICATORS

ROE before taxes corresponds to 8.1% as of December 2020. ROE after taxes varied from 11.6% in 2019 to 5.4% in December 2020.

The operational efficiency indicator changed from 47% in 2018 to 59% in 2019.

12.4. CERTIFICATION OF THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

Pursuant to Law 964 of 2005 article 46, for the preparation of financial statements and any other reports for the general public, Titularizadora Colombiana established, implemented, and evaluated disclosure and monitoring procedures and systems that ensure an adequate presentation of the financial information. The financial statements collectively do not contain any defects, inconsistencies, or errors that could preclude the understanding of the actual position of the equity or operations of the Company.