



**BANCO
PICHINCHA**

**Annual Report and
Sustainability Report**

2020

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Management Letter

Dear Shareholder:

The year 2020 was undoubtedly one of the most difficult years the country and the world have ever experienced. The health emergency caused by covid-19 strongly impacted all societies, confining entire populations in order to stop the massive contagion. The pandemic brought economic activity to an abrupt and dramatic halt, causing business to close, with the obvious increase in the level of unemployment, in addition to the human pain caused by the growing number of infections and deaths as a result of the virus.

Many countries took fiscal and monetary policy measures to mitigate the impact by injecting liquidity into their economies, but the delicate domestic fiscal situation prevented the Government of Ecuador from taking measures to directly help its population and companies. This scenario was compounded by the rupture of the oil pipeline and the abrupt fall in oil prices, which had a significant impact on oil exports. According to forecasts of Banco Central del Ecuador, the Ecuadorian economy contracted by 8.9% in 2020 as a result of the generalized fall in economic activity.

Despite the decrease in oil exports, the trade balance was in surplus in 2020 (USD3.125 billion as of November 2020) due, on the one hand, to the strong growth in traditional exports and the increase in mining exports and, on the other hand, to the drastic reduction in imports.

As a consequence of the pandemic, Ecuador reached a positive agreement with the IMF, which allowed it to carry out an external debt swap and obtain fresh resources under favorable conditions. This fact made it possible to reschedule debt payments and alleviate its service for 2020 and the next few years, but without yet achieving a solution to the delicate fiscal situation.

Despite the drop in economic activity, the trade balance surplus and disbursements from abroad contributed to an increase of USD3.847 billion (+11.4%) in total liabilities to the public recorded in the banking system. The credit portfolio, on the other hand, decreased by USD491 million (-1.6%), generating liquidity accumulation in several banks in the country. Due to the pandemic, some sectors of the economy were affected, which reduced their appetite for credit and reduced their capacity to pay. Authorities and banks promoted deferral and refinancing schemes to ease the credit burden of their customers.

Banco Pichincha maintains its leadership in the banking system, with a 27% participation in obligations to the public and 24.4% in the loan portfolio. Public deposits grew 12.8% at Banco Pichincha, which allowed it to surpass the historical milestone of ten billion in deposits. The portfolio, on the other hand, decreased 7.2% as a result of the slowdown in the economy. However, the 8.8% growth in the microenterprise portfolio is noteworthy, a segment that showed great resilience and capacity to react during the pandemic. Loan portfolio delinquency ended at 3.5%, as a result of coordinated collection management and the refinancing arranged by the Bank's management.

The difference caused by the growth in deposits and the decrease in the portfolio generated a significant increase in the Bank's liquidity level. Profit was impacted by the important provisions we made in the face of the uncertainty scenario caused by the pandemic. This was reflected in the increase in the coverage of provisions over the total portfolio to 12.7%. The fall in revenues caused by the economic contraction was offset by a significant reduction in operating expenses. Technical equity strengthened to 13.4%. A solid level of liquidity, together with coverage and solvency, position Banco Pichincha very well in the new normal.

Given the mobility restrictions caused by the pandemic, new digital service channels have become relevant, such as the new mobile banking and the new web banking. At present, about 70% of all transactions, and 35% of monetary transactions, are carried out through Banco Pichincha's digital channels. Moreover, the extensive network of non-bank correspondents and ATMs allowed customers to access their cash with ease.

At the same time, and aware of the needs that arose during the health emergency, Banco Pichincha donated ten million dollars for the purchase of medical supplies and equipment that were promptly distributed throughout the country to support the work of the Ministry of Health.

In 2020, the Bank received USD150 million from the U.S. Development Finance Corporation (DFC). This funding is being earmarked for loans to micro, small and medium-size business owners.

Banco Pichincha obtained several awards during 2020, among which the following stand out:

- Most sustainable company in Ecuador in the ranking conducted by Ypsilom;
- Progressive Inclusive Seal of the Metropolitan District of Quito;
- Company Committed to Corporate Social Responsibility in Latin America;
- Two recognitions for its good practices in sustainable development, contributing to the United Nations Sustainable Development Goals, related to poverty reduction and environmental care;
- Ecuadorian environmental recognition "Punto Verde" for good environmental practices;
- Recognition by CEMEFI - "Bio, we are a bank that gives life";
- Recognition from the Financial Alliance for Women;
- New Market Green Pioneer: Ecuador.

The Bank has successfully completed the first stage of its transformation by year-end 2020, with the implementation of nearly 350 initiatives focused on improving efficiency, enhancing current capabilities and strengthening the customer experience. The main initiatives included systematization in all commercial teams, the use of LEAN methodology in operations, the strategic sourcing model, and the strengthening of control environments. In addition, we closed the year with eleven agile cells operating in the digital center, focused on innovating and designing the Bank's digital offerings for its customers.

Beyond the achievements of each initiative, the transformation process has made us question ourselves, challenge ourselves and break paradigms to be very fast and agile in making adjustments and changes at all levels. Faced with the pandemic, the teams were able to reorganize quickly, change priorities and adjust to the new

reality. These are results that cannot be reflected in the financial indicators, but they are a fundamental part of our desire to achieve what we aspire to, and they lay the foundations for continuing our evolution in the new stage of transformation.

After having made history in 2019, with the first green bond issuance in the stock market, Banco Pichincha started 2020 with the ambitious goal of placing the USD150 million obtained from this issuance in alignment with our initiative: "Bio: we are a bank that gives life" and our biocredit offering. Although the pandemic made this goal a more complex challenge, we have maintained our commitment to sustainable financing, particularly in the areas of construction, transportation, sustainable agriculture, waste management and energy efficiency. As a result of our coordinated work with our customeres, Banco Pichincha not only exceeded the placement of these USD150 million, but also benefited 30,825 customers, the final recipients of this green financing.

ANTONIO ACOSTA ESPINOSA
PRESIDENT

In terms of financial inclusion, it is noteworthy that this was the Ecuadorian bank that grew the most in 2020 in the microenterprise segment, which has a significant component of rural and women customers. In addition, Banco Pichincha continues to strengthen its alliance with Rabobank, a Dutch bank of worldwide prestige, to serve the agricultural segment. We expect to offer this type of product to the market very soon. The Bank remains committed to contributing significantly to financial inclusion in Ecuador, and to its necessary agricultural development.

All of us at Banco Pichincha start 2021 with great optimism and energy to continue contributing to the development of the country, through an offer of products and services with high added value. We will continue to strive to be a simple and close Bank that offers the best customer experience in the Ecuadorian financial market, and we will always remember that we not only want to be the largest, but the best.

SANTIAGO BAYAS PAREDES
GENERAL MANAGER

VISION

Be the largest and the best Bank.



Purpose

Inspire and reward trust.

INSTITUTIONAL VALUES

Coherence

Be and Seem.

- We act with integrity, honesty and transparency with customers, employees, suppliers, shareholders and the community.
- We foster sustainability relationships with customers in the segments in which we operate, seeking to be decisive, agile and consistent.
- We are reciprocal with our employees based on business results and individual performance.

Responsability

Be aware of the importance of what and how.

- We take charge of our actions and inactions, decisions and commitments assumed, being open to accountability.
- We act within our management scope considering the impact we have on our customers, employees and organization.
- We promote a culture of autonomous, committed, diligent and decisive action.

Effort

Be better to be better.

- We act with excellence in everything we do, defining clear and challenging objectives that exceed the expectations of our customers, employees and shareholders.
- We promote a high performance culture that differentiates the excellent contribution, generating development and growth of people.
- We constantly challenge ourselves, identifying business opportunities, taking calculated risks to generate sustainable results.

Trascendence

Be future.

- We get involved in the community, being responsible with it, promoting inclusion and generating development.
- We accompany our customers throughout their life cycle with financial solutions and long-term vision.
- We act as "business owners" promoting the sustainability of our actions with the aim of building the legacy.

ACKNOWLEDGEMENTS

2020

FIRST PLACE IN THE RANKING OF SUSTAINABLE COMPANIES ECUADOR 2020

The Sustainable Development and Corporate Responsibility consulting firm Ypsilom prepared a ranking of sustainable companies operating in the country based on sustainable business management, recognition, membership in associations and the opinion of sustainability specialists.

PROGRESSIVE INCLUSIVE SEAL OF THE MDQ

Distinctive that the Municipality of the Metropolitan District of Quito awards to public and private entities, establishments and companies for their good practices of inclusion and social responsibility. The purpose of the distinction is to recognize establishments as inclusive and free of discrimination for all social groups living in the DMQ.

It is free of charge and, being progressive, it is approved with at least 17 of the 27 criteria that measure the inclusion of the establishment, that is, with 60%. It is valid for one year and for its renewal must show the permanence of the criteria that made it worthy, and even the increase of new criteria.

COMPANY COMMITTED WITH CORPORATE SOCIAL RESPONSIBILITY IN LATIN AMERICA -CEMEFI

This recognition is maintained for the second consecutive year for the work done and the Bank's commitment to sustainable development, focusing management on the financial growth of customers, incorporating social and environmental criteria in the design and distribution of products and services offered, creating shared value with stakeholders, mainly with customers, the raison d'être of the institution.

CNB'S INTEGRAL DEVELOPMENT PROGRAM

The United Nations Global Compact, in its second edition of SDG awards for good practices in sustainable development, recognizes the program for its contribution to SDG 1: End Poverty. This initiative promotes financial inclusion in highly vulnerable areas, bringing more than 300,000 people into the formal financial system.

BIO: WE ARE A BANK THAT GIVES LIFE

The United Nations Global Compact, in its second edition of SDG awards for good practices in sustainable development, recognizes the program for its contribution to

SDG 12: Responsible production and consumption. This initiative promotes management models based on environmental protection, encouraging the efficient use of natural resources and sustainable financing.

***PUNTO VERDE
FOR GOOD ENVIRONMENTAL
PRACTICES FOR THE QUITO
HEADQUARTERS BUILDING***

Recognition of the Ministry of the Environment to the Quito Main Building as a building that complies with good environmental practices, for example: separation and proper waste management (work with environmental managers), paper recycling, energy efficiency projects (LED lighting system), efficiency in water consumption, among others.

***BIO: WE ARE A BANK THAT GIVES LIFE
-CEMEFI***

Recognition in the category Care and preservation of the environment, for the practices of SERMS (SARAS), bio products, non-financial value offer, issuance of the first green bond in the country and internal eco-efficiency practices.

***AWARD FROM THE FINANCIAL
ALLIANCE FOR WOMEN -
IMPACT CHAMPION AWARD***

Each year it awards prizes to institutions that are members of the alliance and that are working to better serve their customers, providing them with comprehensive solutions that meet their needs. The 2020 Women's.

Economy Champions reflected the global nature of the alliance's work from diverse markets in six different regions. Banco Pichincha received the Impact Champion Award for its work in favor of women's economic empowerment in Ecuador. 311 million dollars given to small and medium – sized enterprises led by women from January to August 2020

***NEW MARKET GREEN PIONEER:
ECUADOR***

Recognition at the fifth annual Climate Bonds Awards and winners in the New Market Pioneer category.

CORPORATE GOVERNANCE

HONORARY LIFE PRESIDENT

Dr. Fidel Egas Grijalva

PRESIDENT

Mr. Antonio Acosta Espinosa

ALTERNATE DIRECTOR OF THE PRESIDENT

Dr. Adolfo Callejas Ribadeneira

SENIOR DIRECTORS

Dr. Carlos Suárez Bucheli

Mr. Andrés Pérez Espinosa

Dr. Juan Fernando Moscoso Corral

Ec. Fanny Mariana Torres Gavela

ALTERNATE DIRECTOR

Dr. Wilson Ayala Gomezjurado

SECRETARY OF THE BOARD

Lcdo. Simón Acosta Espinosa

CONTROLLER OF THE BOARD

Mr. Rodrigo Sánchez Zambrano

The Board of Directors is the body that establishes the Bank's general operating policies, under which the other administrators develop their actions. It is composed of the president, senior directors and alternate directors; there is also an alternate director to the president whose function is to substitute the president in case of absence. The Board of Directors meets monthly in ordinary sessions and on an extraordinary basis if necessary.

Banco Pichincha maintains committees in which members of the Board of Directors and management executives participate, the purpose of which is to assess compliance with the policies established in the entity and ensure the effectiveness of controls.

Among the Bank's committees are the regulatory committees, which are the Audit, Ethics, Compensation and Corporate Governance, Comprehensive Risk Management, Risk Asset Rating, Information Technology, Compliance, Business Continuity, Information Security and Safety Policies, and Occupational Health. Further details can be found in the Corporate Governance section of the *Sustainability Report*.

It is worth mentioning that, through the Shareholders Office, Banco Pichincha C. A. is constantly in contact with its shareholders, responding promptly to their queries and requirements.

SENIOR EXECUTIVES, SUBSIDIARIES AND AFFILIATES IN THE COUNTRY AND ABROAD, STRATEGIC ALLIANCES AND FOUNDATION

SENIOR MANAGEMENT

ANTONIO ACOSTA ESPINOSA	PRESIDENT
SANTIAGO BAYAS PAREDES	GENERAL MANAGER
SIMÓN ACOSTA ESPINOSA	VICEPRESIDENT

SUBSIDIARIES

SUBSIDIARIES IN THE COUNTRY

VERÓNICA GAVILANES VEJAR, General Manager	CREDI FE DESARROLLO MICROEMPRESARIAL S. A.
JORGE MARCHÁN RIERA, General Manager	PICHINCHA SISTEMAS ACOVI C. A. (PAGUE YA)
GINA MARÍA SOTELO PUGA, Special Attorney	ALMACENERA DEL ECUADOR S. A. ALMESA
IGNACIO MALDONADO DEL REAL, Executive President	AMERAFIN S. A.
OSWALDO DOMÍNGUEZ BUCHELI, General Manager	VASERUM S. A.

SUBSIDIARIES, AFFILIATES AND AFFILIATES ABROAD

JOSÉ LUIS ABELLEIRA MÉNDEZ, General Manager	BANCO PICHINCHA ESPAÑA S. A.
JAIME ORLANDO ARANGO RESTREPO, President	BANCO PICHINCHA S. A. - COLOMBIA
EVAN ACOSTA, General Manager	BANCO PICHINCHA C. A. - AGENCIA MIAMI
JULIO MALO VÁSCONEZ, General Manager	BANCO PICHINCHA PERÚ S. A.

STRATEGIC ALLIANCES

JOSÉ FRANCISCO PAREDES, General Manager	BANCO GENERAL RUMIÑAHUI S. A.
LEONARDO BURNEO MULLER, General Manager	BANCO DE LOJA S. A.

FOUNDATION

PAÚL ARIAS GUEVARA, General Manager	FUNDACIÓN CRISFE
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ANNUAL REPORT

FINANCIAL GROUP COMPANIES AND INSTITUTIONS IN THE COUNTRY

CREDI FE **DESARROLLO MICROEMPRESARIAL S. A.**

It is the company of Grupo Financiero Pichincha that manages the strategy of Banco Pichincha C.A.'s microenterprise segment.

CREDI FE's purpose and raison d'être is to promote the progress of our customers through a responsible, efficient and sustainable operation, which allows us to enhance their development, generating greater well-being for our customers, their families and the community.

The business model is based on the following pillars:

1 The relationship, proximity and personalized attention to customers by our field sales force. We have national coverage in urban, urban-marginal and rural areas, because it is important not only to include them in the financial system, but also to accompany them in their growth and development.

2 A comprehensive value offering of quality financial and non-financial products and services. These products have been designed based on the voice of the customer. The value proposition is channeled with certified customer

protection practices and is oriented to satisfy their needs and contribute to their well-being and financial health.

3 An ecosystem of innovative solutions that facilitate access and use of products and services to customers. We have digital tools that allow our executives to provide immediate response times to customers in an agile and secure manner. Our wallet DeUna! facilitates financial inclusion and monetary transactions of microentrepreneurs, expanding the opportunity to receive and issue payments online.

The total portfolio balance reached USD 1,195 million and the stock of liabilities was USD 285 million. Of the total number of customers managed by the commercial force, more than 225,000 maintain an active microcredit operation, with a total specialized portfolio balance of USD 1,123 million, aimed at financing trade, production, agriculture and service activities, complemented by a comprehensive offer of financial and non-financial products.

The global health emergency during 2020 represented a great challenge for Microfinance operations; however, our commitment to our customers and to the country, and the personalized work that characterizes us, has allowed us to quickly provide solutions to support the reactivation of the economy.

We have worked hand in hand with our customers, understanding their personal and business situations, advising them to find payment solutions and reactivate their productive activities.

The initiatives implemented in the segment this year have been benchmarks of resilience, sustainability and customer focus:

- During 2020, the Microfinance commercial team disbursed USD957 million in 246 thousand operations, of which more than 80% was directed to the economic reactivation of our customers' businesses to cover working capital and fixed asset needs. Thanks to this strategy, thousands of customers have been able to overcome the impacts caused by the pandemic.
- Covid-19 affected many of our customers, who lost their businesses and saw their income limited. Faced with this reality, we created various financial relief measures, such as credit deferrals and payment solutions fully adapted to the particular needs of each customer.
- We implemented a comprehensive occupational health and safety program to safeguard the health of our employees; we developed several actions that allowed them to work with all the biosafety protocols: health emergency manuals, training in biosafety standards and psychosocial intervention workshops.
- Women are the key to development and have been more severely affected by the effects of the sanitary emergency, but we deeply believe that their inclusion and progress will allow us to build a better society. This year we received a second disbursement of USD150 million from the International Development Finance Corporation (DFC), and as of December the stock of microcredit oriented to women microentrepreneurs amounted to USD608 million, in more than 150 thousand operations.
- We hosted the All Stars Academy, an international event of the Financial Alliance for Women, aimed at promoting the inclusion of women and focusing products and services on their needs.
- Faced with our work in favor of women's economic empowerment, we were recognized as an Impact Champion by the Financial Alliance for Women.
- The strategic alliance with ACCION-Mastercard will positively boost our contribution to financial inclusion, through the design of a strategy that seeks to provide access to the unbanked through well-designed financial products, and promoting the financial health and well-being of the customers, with the goal of becoming a benchmark for financial inclusion, building an ecosystem with innovative solutions that improve the lives of our customers.
- Recertification in The Smart Campaign Customer Protection Principles. For the second time we were certified in this important international standard, demonstrating our commitment to clients, contributing to a closer, more responsible and stable microfinance sector, even more so in the current situation.

2021 GOALS

CREDI FE is projected as a strategic partner in the development and growth of our customers by leading the Ecuadorian market. We are a benchmark in financial inclusion and customer protection, all of this framed in institutional values and in the development and growth of the talent of our teams, always maintaining a cohesive and synergic work with all units of the organization.

PICHINCHA SISTEMAS ACOVI C. A. (PAGUE YA)

In 2020, facing the challenges of the global health emergency and the consequent impact on the country's economy, PAGUE YA achieved a result of USD8.77 million, which exceeds the value planned for the pandemic scenario by 13%. The company's sales profit has been able to sustain itself during the year, showing a slightly positive annual growth of 0.5%, an evolution explained by the growth in operating income, derived from the recovery of its own portfolio, which grew by 36%, thus offsetting the impact of the reduction in income from collection management of Banco Pichincha customers, who entered into payment deferral processes to obtain financial relief in months in which collection management continued without the possibility of generating income.

PAGUE YA maintained a focus on the search for timely payment solutions in accordance with our customers' situation, working jointly with Banco Pichincha in the proposal and execution of a dynamic, innovative and flexible collection policy, and in the opening of other digital channels within the customer's reach.

We adapted our service and operation model throughout the national territory, in such a way as to make it possible to manage the customer in person and remotely. The company's operation did not stop during the periods of confinement and sanitary alert.

The company's technological investment was aimed at acquiring state-of-the-art equipment, *software* and consulting services to

to ensure the continuity of the company's operations. We developed a web-based tool that allows remote customer management and sets the necessary basis to project a more agile virtual customer service alternative. We migrated the *call center* to the latest version that optimizes the predictive dialing algorithm and supports remote management with the customer, guaranteeing the backup of the interactions with the customer.

This set of actions has allowed us to meet the budgetary requirements of our main client, Banco Pichincha, in terms of recovering the past-due and written-off portfolio.

Operating expenses amounted to USD15.03 million, a 4% annual decrease. PAGUE YA achieved an improvement of 2.3 points in the efficiency ratio, 43.8% in Dec. 2019 vs. 41.5% in Dec. 2020.

2021 GOALS

- The challenges are focused on maintaining the search for efficiency in our operation at the forefront of recovery processes through alternative channels that guarantee security and allow us to be more assertive in the channel of arrival to the customer, as well as offering access channels to generate recovery with appropriate solutions.

ALMACENERA DEL ECUADOR S. A. ALMESA



Almesa is a subsidiary of Banco Pichincha C.A., whose experience acquired in its 51 years of uninterrupted operation has earned the trust of its customers to meet the demand for storage and

warehousing of goods and services aligned to the supply chain and logistics. Almesa fulfills the objectives that underlie both the vision and mission of the company, serving as a strategic ally for our customers, operating in the main cities and ports of the country: Guayaquil, Quito and Manta.

2020 was a complex year, as the pandemic due to covid-19 affected many market sectors and, despite the fact that the initial expectation was not met, a net profit of USD983,000 was achieved, -18.3% of what was budgeted and -19.8% in relation to 2019. The net margin obtained was 17.6%, which represents an ROE of 4.3% and an ROA of 4%, with an operating efficiency ratio value of 69%.

The company had a 31% market share, with the following main sectors served: automotive (67.8%), commerce (22.2%), industry (3.3%), financial (3.1%), construction (2.2%) and food and beverages and others (1.4%).

The service offered was focused on the following: 14.8% in warehousing certificates of deposit, 15.1% in simple warehousing, 57.4% in bonded warehousing and 12.7% in other additional services.

Three significant projects were also implemented:

1 A new ERP (Enterprise Resource Planning) system was acquired, which will allow the automation of processes, with 83% progress, subject to changes due to its restructuring.

2 Support processes were aligned and unified with Banco Pichincha's guidelines as head of the Financial Group, optimizing the Internal Audit and Human Resources areas.

3 The institutional image was changed with the company's new logo.

Almesa implemented the new teleworking modality, for which it acquired top of the line equipment at the national level, such as the Polycom videoconferencing system, connection via MS Teams, Zoom, video surveillance system (IP cameras), IP Voice telephony system and optimization of the technological infrastructure, which allowed us to respond quickly and efficiently during the pandemic, without suspending services.

2021 GOALS

- Conclude the development phase of the ERP system and then continue with the implementation phase, updating processes, traceability and change of technology in the operations of reception, inventory management, accounting and financial control.

- Optimize the processes, making the customer service quality orientation prevail, in accordance with our objectives and goals.

- Implement certifications in production processes, such as BPA (good storage practices).

AMERAFIN S.A.

Amerafin S.A. (BPAC) is an auxiliary services Company of the financial system and is part of the group led by Banco Pichincha C.A., the company's main shareholder.

In February 2011 Amerafin S.A. took as its main activity the purchase of portfolio from automotive dealers that generate credit sales, to

Subsequently sell it to Banco Pichincha, in addition assuming its administration, in accordance with its corporate purpose.

In September 2017 Amerafin S.A. reformed its corporate purpose to include as one of its services the generation of automotive portfolio. It currently provides this service to Banco Pichincha, also assuming the administration of such portfolio.

After a favorable market in 2017 and 2018, as a result of the elimination of import quotas and safeguards, in addition to the tariff relief, a consequence of the agreement with the European Union, revenues were affected in 2019 by the political and social events that occurred in October, which impacted the normal performance of the country's economic activities, resulting in a sale of 132,208 units, which represented a 4% drop compared to 2018.

After the beginning of the confinement due to the covid-19 pandemic, Amerafin took immediate technological measures to facilitate teleworking for all employees, providing each one with remote access to the different applications and strengthening the technological infrastructure by replacing the UPS of the servers.

Likewise, to maintain the quality of service and communication with our customers, the telephone exchange was updated, which now allows us to maintain permanent connectivity with the IVR, from wherever the collaborator is.

With the confinement and the crisis derived from it, the economic situation of the customers was affected, and the past due portfolio grew, so that all the company's personnel worked on the execution of the deferral of 4,177 operations for

USD38,3 million, as well as the refinancing and restructuring of 311 credits for USD 9.6 million, which alleviated the credit situation of customers.

By virtue of the decrease in income, as a consequence of the reduction in the placement of automotive loans by Banco Pichincha, work was carried out on the renegotiation of the tariffs for goods and services with suppliers to reduce expenses and leverage a positive economic result.

All these actions allowed Amerafin to be prepared for the reactivation of the automotive market in the second half of 2020, generating a total of 3,224 financing operations, for USD77.5 million, which represents a fall of 11% compared to the generation of the previous year.

Of the USD77.5 million, USD52.7 million were generated in the second semester, which allowed having sufficient income to absorb the losses generated in the months of greatest impact and finally obtaining an after-tax profit of USD88,441.

2021 GOALS

- Given the expectation of an automotive industry that will sell 100,000 units in 2021, BPAC's strategy will be aimed at strengthening commercial relationships with allied dealers and facilitating the placement of differentiated products designed specifically for Banco Pichincha's customers, as well as generating alliances with external suppliers that will allow us to serve a wider range of customers.

- With this commercial actions, together with automation and process improvement initiatives, we are confident that we will continue to contribute favorable to Banco Pichincha's growth and efficiency strategy.



VASERUM S. A.

In 2020, the covid-19 pandemic negatively affected all economic projections for the country and the world. The changes derived from the pandemic made companies contemplate new threats, being the health of their employees one of the biggest challenges.

Vaserum was forced to adapt its facilities so that the biosafety standards and processes would guarantee, as far as possible, the health of the employees.

The strategies adopted made it possible to ensure continuity of service to our customers, whose activity is critical within the framework of the national economy.

The company, being authorized to provide the specialized service of transporting monetary specie and securities for the national financial system, despite all the difficulties during this year, entered new customers, which allowed it to optimize the use of its installed capacity and compensate for the reduction in income due to the pandemic.

On the financial side, total revenues went from USD9.6 million in 2019 to USD7.9 million in 2020, a reduction of 21%. Despite this strong impact, the company generated a profit of USD322,000, a positive result taking into account the adversities of 2020.

This result was achieved largely due to the established policy of optimizing costs in all of the company's processes and activities. Compliance with the standard has always been a priority for

the company, therefore, all efforts were made to maintain the permits and authorizations required by all control agencies, which are the best guarantee of our service.

Vaserum S. A. has maintained every year a policy of continuous improvement in its risk management and control. This year, in addition, it incorporated the necessary biosecurity protocols to face the pandemic and not to suspend its services for a single day.

2021 GOALS

- Build the company's new facilities in Guayaquil.
- Incorporate four new light armored units to the fleet in order to improve logistical capacity.
- Comply the Budget approved by the Board of Directors for the year 2021.
- Incorporate new customers in order to improve profitability.
- Continuously improve quality, safety and occupational health management practices.
- Be a strategic ally of the Bank in the logistics of cash handling, collection, transportation and integral operation of the ATMs and islands under its responsibility.

FINANCIAL GROUP COMPANIES AND INSTITUTIONS ABROAD

BANCO PICHINCHA ESPAÑA S. A.



Banco Pichincha España completed its three-year strategic plan in 2020, which has involved a profound transformation of its governance, internal control and business model. Since 2018, the Bank has multiplied its assets by 2.13 times and its liabilities by 2.20 times, to reach a total turnover of EUR3,452 million.

The Bank has also substantially improved its risk profile, implementing solid governance, management and control models, supported by a robust internal regulatory framework. This has allowed it to grow with an adequate level of control. In the last three years, the Bank has doubled its market share in lower-risk products and has considerably reduced its exposure to those products that will have a greater impact during the crisis.

With regard to the year 2020, Banco Pichincha España has demonstrated its capacity to adapt, facing the impacts derived from the pandemic, without affecting its operations or its key financial indicators, including the annual result, which improves the budget forecast.

2020 ENVIRONMENT

The obvious impact on growth and the expected impact on credit, due to covid-19, has been mitigated from a national and European environment. The European Commission and the Spanish government have set up various programs to mitigate the impacts and to boost economic recovery. In addition, the European Central Bank has continued to inject liquidity into the financial system.

At the national level, the government has implemented guarantee programs for companies through ICO guarantees and has promoted a series of moratoriums on the payment of loans to individuals and companies. Likewise, financial institutions have benefited from a regulatory easing that has also helped to mitigate the negative effects of the pandemic during 2020.

The institution has managed to maintain its activity and its planned schedule despite the environment, growing its earning assets by EUR373 million and deposits by EUR436 million, representing growth of 32% and 38%, respectively. Deposits at the end of 2020 amounted to EUR1,503 million, the loan portfolio closed at EUR1,162 million and the investment portfolio at EUR364 million.

Under the measures promoted by the authorities, the Bank granted EUR32.5 million in moratoriums, thus confirming its commitment to its customers in these difficult times

The Pichincha Individuals business unit has continued to strengthen its relationship with Ecuadorian customers, deepening and boosting the remittance business with Ecuador.

Pichincha Individuals has taken advantage of the above-mentioned circumstances to boost non-face-to-face customer service models. In the Pichincha Corporate business unit, solid growth rates were maintained, amounting to EUR184 million. The growth in Comex operations with the Group's banks was significant. The Pibank direct banking business unit, launched just over two years ago, has seen a notable growth in deposits of 386 million euros, reaching 828 million euros. The mortgage portfolio also continued to grow to EUR201 million.

2020 RESULTS

The Bank maintained excellent liquidity during 2020, reflected in a liquidity coverage ratio (LCR) of 1228% and a liquidity ratio (LTD) of 7.84%. The solvency ratio stands at 13.85%, which represents a significant surplus with respect to regulatory capital. The final annual result is -3.7 million euros, beating the target set for 2020. The Bank's non-performing assets decreased to EUR23 million from EUR30 million in the previous year, resulting in a significant improvement in the NPL ratio on loans and advances to 1.97% compared to 3.57% at the end of 2019. All this has contributed to a cost of risk of 0.16%.

BANCO PICHINCHA S. A.
COLOMBIA



Banco Pichincha Colombia has a history of more than 50 years in the country, it

started as Inversora Pichincha and, as of 2011, as a Bank. The organization is characterized by being niche, mainly focused on the payroll, vehicle and educational lines, where it concentrates approximately 76% of the entire portfolio. It has 46 offices, distributed in the city of Bogotá, and in the departments of Antioquia, Costa Atlántica, Valle, Santander and Norte de Santander, as well as a correspondent channel of more than 7,000 points.

As of August 2020, the Bank has a new president, who will focus his efforts on the development of the Bank's strategic plan 2021-2025, seeking to take the entity to positive grounds in terms of profitability, strengthening commercial management under the standards of adequate risk.

2020 ENVIRONMENT

The year 2020 will surely be remembered as one of the most challenging years for the population and the world economy. The unexpected pandemic of the coronavirus caused unprecedented confinements at a global level and brought with it a decrease in economic activity to which Colombia was no exception. The analysts' expectations for the beginning of the year showed an economic growth close to 3.5% for 2020; however, the measures taken to contain COVID-19 showed a slowdown of around 7.2%. The leading indicators of the economy showed a strong deterioration since March, employment registered levels above 20%, the peso was devalued to 4,150 per dollar and oil, in an unprecedented event, reached negative prices on the commodity exchanges.

These events marked important volatilities in the financial markets; debt securities showed devaluations of 300 basis points throughout the curve in March and April, but after the emergency measures implemented by Banco de la República and the Ministry of Finance, they were once again seen as attractive investment instruments by local and foreign agents. In extraordinary meetings, Banco de la República lowered its intervention rate from 4.25% to 1.75%, the lowest level in history. This was a reactive measure in response to the increase in unemployment and the decrease in local economic activity that the country faced due to the confinements that lasted for almost six continuous months.

The sectors that have suffered the greatest impact are tourism, transportation and lodging, construction and entertainment. Jobs were highly affected in these sectors and led the government to establish support programs for debtors of the financial system, in order to generate relief in the consumer and commercial portfolios so that the indicators of non-performing loans are not so affected in the short term. However, the reality of the financial system is already showing and, according to estimates by Superintendencia Financiera of Colombia, the overdue portfolio will reach 10% by the end of 2021, a figure that means an increase of more than double that presented at the end of 2020.

The government's challenges for this new year should focus on fiscal reforms to reduce the deficit acquired as a result of higher public spending to support the current economy. Employment should also be on the government's main agenda and has been favored with subsidy programs for housing acquisition, which will reactivate several sectors of the economy.

Additionally, the implementation of a vaccination program and prevention of increased contagion will be a key point so that, from the second quarter of the year, the country can regain the confidence that was lost and attack the economic detriments left by the coronavirus.

2020 RESULTS

2020 was a complicated year in terms of results for the Bank, due to the effect of prolonged quarantines and low commercial dynamics. This is reflected in the loan portfolio balance, which fell by Ps. 239 billion, as a result of lower disbursements of Ps. 923 million. The above trend begins to improve as of September 2020 and is expected to be maintained in 2021.

However, the indicators related to the portfolio improve substantially with respect to those presented in December 2019, due to the recovery of the past-due portfolio, the application of reliefs under the country's regulatory regulations and the higher provisions on the portfolio at risk made by the Bank. Thus, the indicator of overdue portfolio over 30 days over the total portfolio goes from 6.8% to 4.8% and the ratio of portfolio capital provisions over the overdue portfolio presents a better result, going from 120% in December 2019 to 166% in December 2020, anticipating possible greater portfolio impairments in 2021, being these two indicators better than those of the Colombian banking system.

In terms of deposits, although there were some months of tight liquidity at the beginning of the pandemic (March 2020), there was finally a growth of 51 billion pesos, allowing liquidity indicators at 30 days or IRL of 2.3 times the required. The solvency ratio stood at 14.5%, an indicator similar to that recorded in December 2019.

Given the lower portfolio growth, interest income showed a significant decrease in 2020 of almost 40 billion pesos which, together with higher provisions in the last months of the year of more than 20 billion pesos, represented a loss of 33 billion pesos.

2021 GOALS

The year began with the implementation of a new five-year strategic plan that seeks, in its first year, to put the Bank on the path to self-sustainability, focusing its actions on the customer, through massive engagement in market niches, systematic business growth, operating efficiency, adequate risk management and the development of an organizational culture aligned with the objectives.

To this end, activities have been defined from the commercial, financial, operational, human talent, innovation and transformation outlook, which are framed within the organization's risk and profitability appetites.

BANCO PICHINCHA C. A.
AGENCIA MIAMI



The year opened "normally", with expectations of growth for the Agency, especially to increase its placements. But a few months later, the global pandemic changed the schemes and priorities, and forced the organization to redesign the workstations to be able to work remotely. Fortunately, the Agency had initiated the necessary technological investments that served to support the remote work that we still do with most of the Agency's functions.

2020 ENVIRONMENT

Although 2020 was not easy, the Agency recorded a positive profitability of USD4.3 million, supported by growth in the loan portfolio, an increase in the volume transacted by correspondent banks and a stable, non-maturity loan portfolio, accompanied by the control of operating expenses during the year.

2020 RESULTS

Third-party loan portfolio growth was USD17.5 million, representing 11%, excluding related transactions, with no past-due loans.

Personal banking managed to increase time deposits by USD6.2 million, a growth of 3.2%, confirming the Agency's commitment to personalized, efficient and quality service for its customers.

High levels of liquidity were maintained, with a loan-to-deposit ratio of 46%.

Retained earnings, as the Agency's main equity item, grew by USD6.8 million (28%).

Expense control was maintained. Operating expenses increased 7% in 2020, resulting in a year-end efficiency ratio of 56.9%, ROA of 1.0% and return on equity (ROE) of 11.71%.

2021 GOALS

The Agency's challenge for 2021 is to monetize the liquidity on its balance sheet through placements and short-term investments, always maintaining the quality of its assets, selectively attracting correspondents and bringing new business to the Agency.

BANCO PICHINCHA PERÚ S. A.



Banco Pichincha Perú is a bank focused on the corporate, personal and microfinance business. To serve its customers, the bank has a network of 29 branches in Lima and Callao, and 19 branches in the provinces. In addition, through a strategic alliance with the Carsa chain of home appliance stores, it has eight additional branches located inside the chain's main offices nationwide. The customer service network is complemented by the agreement with the Globokas network of correspondent ATMs.

The Bank's strategy is to develop long-term relationships of trust with its customers in order to grow in a profitable and sustainable manner. This strategy is based on the management of specific market segments, where its value proposition, products and channels are tailored to each of its customers' needs. Banco Pichincha Peru aspires to be the leading bank in offering financial solutions to its target market, providing quality service, efficiency and timeliness.

2020 ENVIRONMENT

Despite the complex political, economic and social situation unleashed during 2020 as a result of covid-19, the Bank maintained its position as one of the 10 banks with the best reputation and deepened its commitment to Peru. Thus, it prioritized investment in technological transformation projects to offer its customers a higher level of efficiency, better service and digital channels, aligned with the new consumption habits of financial services. This effort will be maintained over the following years; an example of this is the recent launch of the Bank's app for Personal Banking.

Aware of the difficult social context also caused by the health crisis, the Bank not only organized support campaigns for families living in Peru in a vulnerable situation, but also accompanied solidarity actions to benefit Ecuadorians stranded in the country due to the border closure. It also joined forces with the NGO Enseñame Voluntariado, through which a group of volunteers from the Bank dedicated 155 hours to strengthen the education of children without access to quality education.

The Bank continues to strengthen its organizational culture -based on the pillars of purpose and values shared by the business units that make up the Pichincha Group- and during 2020 prioritized cultural management as part of the transformation process, as well as the renewal of the company's organizational structure towards a model that favors the consolidation of commercial management.

2020 RESULTS

Faced with the social panorama described above, the government implemented an unprecedented expansionary monetary policy.

The Central Reserve Bank of Peru (BCRP) used tools and mechanisms to reduce the interest rate to historically low levels and facilitate access to liquidity for the different economic actors, in order to dynamize the economy and mitigate the impact of the crisis. Similarly, Superintendencia de Banca, Seguros y AFP (SBS) facilitated, among other things, the rescheduling and freezing of loans so as not to affect the credit rating of clients and their access to credit. This was done in order to delay, in a controlled manner, the impact on portfolios.

Banco Pichincha Perú was one of the first to attend the main economic reactivation program (Reactiva Perú), through which the BCRP provided liquidity to companies and assumed a majority of shared risk. The Bank disbursed loans for approximately one billion soles and played an active role in the FAE MYPE program, aimed at granting credit facilities to small and medium-size companies.

Banco Pichincha managed to maintain its market share, even in an environment marked by uncertainty. As a result of a cooling economy and historically low interest rates throughout 2020, the Bank exceeded 950 million soles in revenues.

As of December 2020, the Bank reached assets totaling 11.07 billion soles, a variation of 1.4 billion soles (14.5%) compared to the end of the previous year. The main variation is explained by 855 million soles (11%) in gross loans and advances. Specifically, the Bank's loan portfolio recorded a balance of 8,000 million soles at the end of 2020.

On the liabilities side, the Bank focused on strengthening its funding with stable and diversified sources. As a result, the Bank's total liabilities amounted to 10,129 million soles, an increase of 1,361 million soles compared to December of the previous year. The

variations are mainly due to the growth of 1,787 million soles in savings accounts (134%).

In terms of risks, the coverage ratio at the end of 2020 was 144%, an improvement of 135.4% compared to the end of the previous year. For its part, the heavy coverage ratio was 84.2% as of December 2020 versus 74.8% in 2019.

In terms of solvency, the Bank received a capital contribution from its main shareholders (Banco Pichincha C. A. and Pichincha Holding LLC) for USD35 million (the equivalent in soles) to strengthen its equity. The contribution was aimed at meeting the higher provisioning needs generated as a result of the economic downturn. Thus, an equity adequacy ratio (global leverage) of 12.80% was achieved at the end of the year, above the level set by the Board of Directors. At year-end 2020, the Bank's equity amounted to 947 million soles, an increase of 42 million soles compared to year-end 2019.

2021 GOALS

In 2021 Banco Pichincha Peru will continue to align itself with a strategic plan defined in the execution of initiatives that strengthen its capacity for innovation and improve its technological infrastructure to serve the three major business segments: companies, individuals and microfinance.

The Bank will prioritize initiatives to strengthen portfolio quality and long-term solvency. In 2021, the Bank will continue to seek synergies with Grupo Pichincha, in order to deepen the differential value that the company offers its clients and continue to strengthen its position in the Peruvian market.

STRATEGIC ALLIANCES

BANCO DE LOJA S. A.



During the year 2020, several plans were formulated to deepen the relationship with the customer, which followed their course, despite the difficulties arising from the pandemic, but within a framework of strengthening a digital transformation strategy that circumstances boosted, as well as by competitive and market demands, maintaining the pillars of institutional performance, especially in terms of financial solvency and liquidity.

In service management, in an effort to improve the means of service and generate greater proximity to the customer, we eliminated deposit and withdrawal slips in the cashier area. In order to facilitate Internet purchases for debit cards, this functionality was implemented through the payment button. In addition, in loan management, the online credit service was incorporated through electronic banking.

In channel management, we developed and improved forms of access to mobile banking with biometric knowledge through *face ID* (face recognition) and *touch ID* (fingerprint recognition),

while new and modern offices were opened in the cities of Quito and Zamora. In an effort to overcome the barriers of mobility and geographic distance and to maintain proximity to the customer, humanizing the service with the support of technological tools, a virtual customer service called "live advisor" was implemented.

A relevant milestone in the digital transformation process was the implementation of an innovation management model, the purpose of which is to develop a systematic and disciplined effort that allows the financial business to evolve in a sustainable manner, adding value to customers, the institution and society in general.

In the same line, and promoting objective and information-based decision making, the Data Governance Office was established as responsible for the management of data availability, integrity, usability and security.

In addition, as part of the management of internal processes and in order to improve the level of operating efficiency, the implementation of "robots" began in some tasks, such as ATM operational matching, which will reduce ATM response time and improve the quality of service in this channel. At the same time, tools for monitoring online transactions were incorporated, improving risk management in aspects related to internal and external fraud.

In financial terms, although the national economy experienced a strong contraction, total deposits increased 10.37% annually, with savings deposits growing 18.61%, followed by monetary deposits with 6.41%, and time deposits with 4.59%.

Although the financing needs of companies and individuals were reduced, the loan portfolio declined by only 1%, keeping the supply of credit open and thus seeking to promote economic

activity under prudent credit risk standards.

To address customers' financial difficulties, a relief program was established in all segments, through deferrals, refinancing, restructuring, renewal and, in several cases, the granting of additional liquidity. For loan deferrals, a total of USD115 million in 8,000 transactions were completed; for normal refinancings and restructurings and in accordance with resolutions of the control agency, USD10 million and 754 transactions were completed. At the end of 2020, a stock of 34.93% of the total portfolio remained with extraordinary deferrals and 17.59% between refinanced and restructured loans.

The unproductive portfolio registered an indicator of 2.81% of the total portfolio; provision coverage was 9.29% and 329% in relation to the unproductive portfolio, as USD9.3 million were allocated to specific and generic provisions. This decision, together with the capitalization of 67% of the results of fiscal year 2019, allows us to maintain an equity to risk-weighted assets ratio of around 18%, strengthening institutional financial solvency.

With the objective of maintaining prudent liquidity levels, the ratio of available funds to total deposits was above 30%, without recording periods with a liquidity position at risk, with sufficient coverage in the different time bands and in the different stress scenarios.

In conclusion, in the face of the challenges presented by 2020, Banco de Loja was able to respond in a timely manner from the commercial, technological, operational and risk point of view and, above all, it generated a sort of learning process for complex and uncertain periods in the economy, while maintaining active customer-oriented projects that will contribute to face the challenges of 2021.

BANCO GENERAL RUMIÑAHUI S. A.



2020 will undoubtedly be remembered as one of the most complex years we have experienced in recent times. Covid-19 had an enormous impact. All economic activities have been affected, some more than others, and banking was undoubtedly significantly affected. Despite the circumstances, BGR ended the year with positive results in terms of our strategic objectives: maintaining a solid financial position, providing a unique service experience to our customers and maintaining an adequate work environment.

In the financial area, despite having practically three months of almost paralyzed activities, we ended the year with a 2.7% growth in the size of our balance sheet and reached a record total assets of USD993 million. The loan portfolio, however, contracted by 1.4% as a result of the economic slowdown. In terms of non-performing loans, BGR closed with a very good indicator: 1.44%, which -if viewed under the PAR 15 regulations in force before the pandemic- would be 2.6%. Although there is a deterioration compared to 2019 (1.83%), it is a very good indicator of non-performing loans, considering the current economic situation.

Additionally, the level of provisions was strengthened, going from a coverage over the total portfolio in 2019 of 6.76% to 8.09% in 2020; the coverage over the portfolio at risk exceeds 500% and is one of the highest in the system. The bank's profitability fell significantly compared to 2019; however, we remain one of the most profitable banks in the system. Net income was USD6.9 million and ROE was 8.3%. The bank's liquidity remains very solid, with indicators above the system average. In general, most of the financial goals expected for the year were exceeded.

In the "experience" strategic pillar, we exceeded the goal set for "customer loyalty", reaching a level of 87.7% and a satisfaction index of 92%. This indicates that customers feel very comfortable with the level of service and experience they have at BGR, which commits us to continue improving in this area.

The work environment is measured through the Habits survey, which allows us to evaluate the well-being of our employees from three different outlooks: CARE (related to care in personal activities, balance and nutrition), WORK (in terms of leadership, equipment and tools) and ORGANIZATION (which measures the level of pride of our employees, environment and culture). An overall result of 84.6/100 was obtained, 3.4% below 2019, which is a reflection of the difficult personal and professional year; however, it is an indicator that ratifies the good working environment managed within BGR. There is no doubt that employee motivation is an important factor for the success of organizations, and for BGR the work environment is a strategic pillar for the sustained achievement of its objectives.

The bank's priority will continue to be to offer the best customer experience through a high-performance team committed to its strategic objectives. We will constantly seek to use financial resources as efficiently as possible. We must adapt to new business models that allow us to be more efficient, agile and flexible, and thus better respond to the challenges presented by today's dynamic and changing world.

REPORT

TO THE SHAREHOLDERS

The economic outlook remains highly uncertain. After the unprecedented shock in the first half of the year, with global GDP in Q2 2020 10% lower than at the end of 2019, output rebounded sharply in Q3 as containment measures became less strict, businesses reopened and household spending resumed. Despite the positive rebound, output in advanced economies remained around 4.5% below pre-pandemic levels in the third quarter, close to the peak drop experienced during the global financial crisis. Without the quick and effective policy support introduced in all economies to cushion the impact on household and corporate incomes, output and employment would have been substantially weaker in the third quarter.

MACROECONOMIC SITUATION 2020 AND OUTLOOK FOR 2021

Brief overview of global and regional macroeconomic situation

1

GLOBAL RECOVERY REMAINS PARTIAL AND UNEQUAL

Following the easing of containment measures, the pace of recovery has moderated recently, especially in Europe, but production may fall again. Daily mobility measures remain below pre-pandemic levels and have begun to decline again in advanced economies, with tighter

containment measures being implemented to address new outbreaks of the virus. As seen in the second quarter of 2020, tighter containment measures and lower mobility are associated with weaker economic activity outcomes. The initial rebound in some business surveys has also weakened, especially in services. Among countries with monthly estimates of economic activity for the entire economy, slightly more than two-thirds of the decline in output between January and April had been restored by September. Despite a very uncertain outlook, financial conditions have largely normalized since the peak of the crisis, following rapid and radical responses by central banks. The rapid spread of the pandemic and stringent containment measures led to historic falls in financial asset prices and a general increase in volatility in March and April, with some markets ceasing to function properly. Since then equity prices have recovered across the board and volatility indicators have returned to historical standards.

Long-term government bond yields have remained low in many advanced economies, after hitting record lows, at the time of massive monetary policy easing and a flight to safe assets. With some exceptions, currencies have also recovered against the US dollar in major advanced and emerging market economies, reflecting both improved global risk feeling and concerns about a worsening US covid-19 crisis.

It is important to note that financial stability concerns have diminished in the more fragile segments of the market. Capital flows to emerging market economies have recovered rapidly after the March sell-off, easing the funding pressures faced by many sovereign borrowers with massive fiscal needs. Stresses have also eased in the corporate sector in both advanced and emerging market economies, with large companies taking advantage of the markets to raise cash; corporate bond spreads have returned to their pre-crisis level for investment-grade borrowers. However, a number of lower-rated corporate and sovereign borrowers still face high borrowing costs and/or have delayed new issuance. So far, banks in the major advanced economies have held up thanks to strong capital and liquidity buffers. But bank share prices have remained significantly below pre-crisis levels, profitability has declined, credit standards have tightened, and banks will continue to suffer losses if economic activity in specific sectors remains subdued or contracts further. Money market funds and mutual funds have also experienced significant liquidity problems.

A GRADUAL RECOVERY DESPITE PERSISTENT UNCERTAINTY

Moderate growth is expected to continue, provided that the pandemic can be effectively contained. A gradual but uneven recovery of the global economy is projected to persist over the next two years. After a 4.25% decline in 2020, global GDP is projected to recover by 4.25% in 2021 and another 3.75% in 2022. Organization for Economic Co-operation and Development (OECD) GDP is forecast to increase by around 3.5% per year in 2021 and 2022, after falling by around 5.5% in 2020. By the end of 2021, it is estimated that the level of global production will have

returned to the level at the end of 2019, although this will not be the case in all countries

Production is expected to remain persistently weaker than projected before the pandemic, suggesting that the risk of enduring pandemic costs is high. These deficits are expected to be relatively low in China, Korea, Japan, and some northern European economies, between 1 and 2% in 2022. The average advanced and emerging market economy could have lost the equivalent of four to five years of real per capita income growth by 2022. Initial estimates of potential production growth after the pandemic also highlight the likelihood of ongoing costs of the outbreak, with potential output growth in OECD economies projected to slow to just over 1.25% per year in 2021-22, half a percentage point weaker than immediately before the crisis.

Considerable heterogeneity is expected to persist in the evolution of major economies, both among advanced and emerging market economies and between regions. The economic impact of the pandemic has been relatively well contained in many Asia-Pacific and northern European economies, reflecting effective protective measures, including adequately resourced testing, monitoring and isolation systems, and familiarity with precautionary measures to protect against communicable disease risks. On the contrary, measures to control virus outbreaks in other parts of Europe and in other emerging market economies have been prolonged and implied much deeper declines in production.

In the United States, GDP growth is forecast to be between 3.25% and 3.5% over the next two years, following an output decline of 3.75% in 2020. High uncertainty, high unemployment and new localized virus outbreaks are likely to limit the pace of recovery, particularly in the near term, but an additional fiscal package assumed in early 2021 should help support household income and spending. Accommodative monetary policy will continue to boost activity, especially housing.

A gradual recovery is underway in Japan, with GDP growth expected to be around 2.25% in 2021 and 1.5% in 2022, following a 5.25% decline in production 2020. Improving external demand will help exports strengthen, but a weakness in personal income will slow private consumption. Strong fiscal measures have helped cushion activity this year, but a tighter fiscal position in 2021, despite the new supplementary pre- assumption announced in November, will slow the pace of recovery.

In the euro zone, GDP has declined 7.5% this year and the near-term production is weak. Production is expected to fall by about 3% in the fourth quarter of 2020, reflecting the recent reintroduction of strict containment measures in most countries. Provided that virus outbreaks can be effectively contained in the near term and confidence is restored, a moderate recovery is projected in 2021-22. However, pre-pandemic production levels may not fully recover until after 2022. With considerable support this year, fiscal policy is expected to be broadly neutral in 2021 and slightly restrictive in 2022, despite the modest production, but EU grants should help support investment in the hardest-hit economies over the projection period.

Continued recovery is expected in China, with GDP growth estimated to be around 8% in 2021 and 5% in 2022. Monetary stimulus is now being withdrawn, but fiscal policy will

remain supportive. Strong real estate and infrastructure investment, leveraged by policy stimulus, stronger credit growth and improved export performance, are driving recovery and external demand in many commodity producing economies and key supply chain partners in Asia. However, progress in rebalancing the economy has slowed and significant financial risks from shadow banking and high corporate sector debt persist.

National macroeconomic situation

2

REAL SECTOR

GDP EVOLUTION

GDP in 2019 remained at the same level as in 2018, registering a 0% growth rate. This performance is attributable to the decrease in domestic demand, which had a negative contribution of -0.9% to the increase in GDP, offset by the growth of external demand (exports), which contributed 1% to GDP. When analyzing the components of domestic demand, its fall is explained by the negative contribution of gross fixed capital formation (GFCF) (-0.8%), followed by government consumption (-0.3%), while household consumption contributed positively to the growth of the economy (0.2%).

Up to the third quarter of 2020, the accumulated GDP decreased 7.7% compared to the previous year, when in the same period of 2019 it had a growth of 0.5%. Although there are no official figures from the national accounts at the time of this publication for the fourth quarter of 2020, the latest forecast of Banco Central of Ecuador (BCE) of November 2020 shows that the Ecuadorian economy would have suffered a decrease of -8.9% in 2020¹. The contraction of GDP in 2020 derives from the consequences of the pandemic on the Ecuadorian economy, whose effects began in March 2020, when the government decreed the suspension of most economic activities and mobility of citizens, in order to contain the spread of the virus. In this context of paralyzed activities, up to the third quarter of 2020, the contribution of domestic demand to GDP was -9.6%, and external demand was -1.1%. Domestic demand was mainly affected by a reduction in household consumption (contribution of -4.2% to GDP growth) and gross fixed capital formation FBKF (contribution of -2.7%), while government consumption had a contribution of -0.9%. The estimates of the International Monetary Fund (IMF) and the World Bank (WB) foresee a GDP decrease in 2020 of -9.5% and -7.4%²,

¹ BCE, "Ecuador's economy to recover 3.1% in 2021", 2020, <https://www.bce.fin.ec/index.php/boletines-de-prensa-archivo/item/1394-la-economia-ecuatorial-se-recuperara-3-1-en-2021#:~:text=El%20Banco%20Central%20del%20Ecuador,%25%20y%209%2C6%25/>.

² World Bank, "Ecuador", 2021, <https://datos.bancomundial.org/pais/ecuador/>.

Cepal, "Latin America and the Caribbean: growth projections, 2020-2021", https://www.cepal.org/sites/default/files/pr/files/tabla_prensa_pib_balancepreliminar2020-esp.pdf.
International Monetary Fund, "Ecuador, First Review Under the Extended Arrangement", 2020, <https://www.imf.org/en/Publications/CR/Issues/2020/12/23/Ecuador-First-Review-Under-the-Extended-Arrangement-Under-the-Extended-Fund-Facility-and-49980/>.

respectively, and those of the Economic Commission for Latin America and the Caribbean (ECLAC) of -9%.

The average GDP growth rate over the last six years -including the 2020 projection- is -1.28%, which is lower than the average population growth for the same period (1,38%)³ (GRAPH 1, Pg. next.). Thus, GDP per capita in constant 2007 dollars has risen in 2014 to USD4,374 to USD3,816.5 in 2020, according to figures projected by BCE⁴.

The fall in domestic demand during 2020 is explained in the context of the global pandemic, which caused a decrease in household consumption up to the third quarter of 2020 of -6.8%, as the different economic activities were paralyzed or significantly reduced, and many Ecuadorian families lost or saw their sources of income generation limited. For its part, the Ecuadorian government suffered a decrease in revenues due to the drop in oil prices and the decrease in the volume of oil exports, together with the drop in tax revenues derived from the lower economic activity. This, combined with the absence of fiscal reserves to face moments of internal or external crisis and the limited access to sources of financing, led to a reduction in public sector spending, which also had a negative impact on domestic demand.

Indeed, non-financial public sector (NFPS) spending, with data through October 2020, declined by USD3,426.4 million compared to 2019; of which, USD1,900.8 million was decreased in current spending and

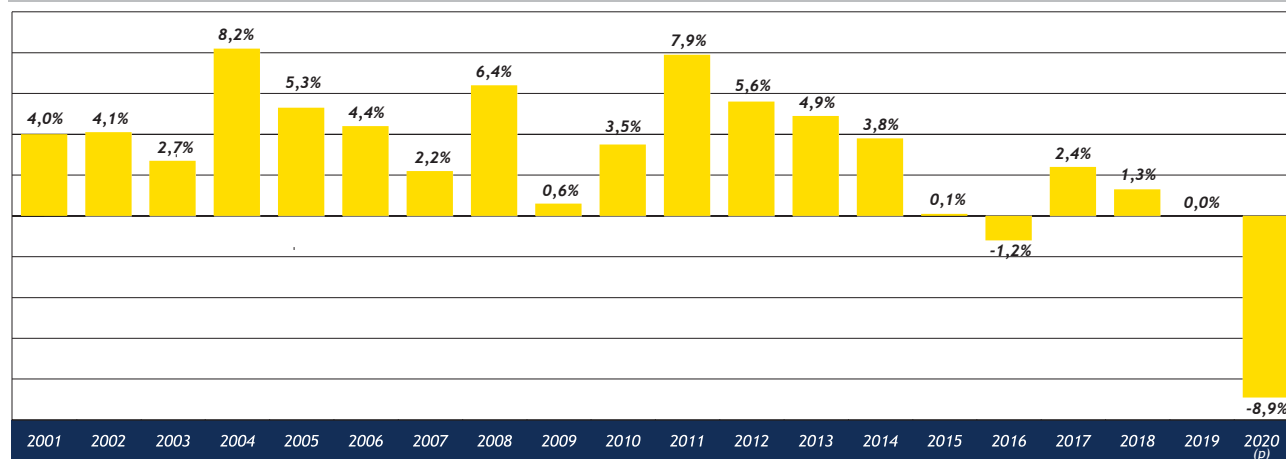
³ Ecuador en Cifras, "Statistics", February 2021, <https://www.ecuadorencifras.gob.ec/estadisticas/>.

⁴ BCE, *Monthly Statistical Information* n° 2026. IEM 4.4.1., 2020, <https://contenido.bce.fin.ec/home1/estadisticas/bolmensual/IEMensual.jsp/>.

GRAPH 1

ANNUAL GDP GROWTH (PERCENTAGE RATE OF CHANGE)

SOURCE: BCE, MONTHLY STATISTICAL INFORMATION N° 2026, DECEMBER 2020,
[HTTPS://CONTENIDO.BCE.FIN.EC/HOME1/ESTADISTICAS/BOLMENSUAL/IEMENSUAL.JSP/](https://contenido.bce.fin.ec/home1/estadisticas/bolmensual/iemensual.jsp/).



1,535.4 million dollars in so-called capital expenditure, which is part of the economy's total investment, measured by gross fixed capital formation (GFCF). Not only did the fall in public investment contribute to the fall in total investment or FBKF of the economy, but private investment would also have decreased in 2020, according to estimates by Banco Pichincha (BP), by approximately 6.7% in real terms.

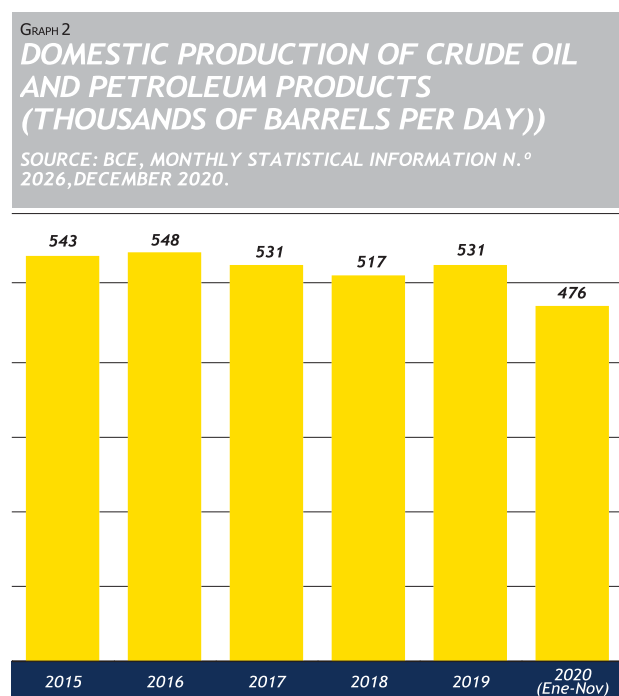
In the case of external demand, the negative contribution of exports to growth in 2020 breaks down, with official foreign trade data through November 2020, into a -6.6% annual drop in the volume exported in metric tons of petroleum products and a 7.5% annual increase in the volume exported of non-petroleum products. The volume exported of crude oil, Ecuador's main oil export product, decreased by -6.2% annually, a fall that is partly explained by the landslide that occurred in April 2020, which destroyed a large part of the transportation infrastructure and caused a reduction in production of more than 60% annually in that month.

The non-oil industries that stood out for their high export performance in 2020, in terms of volume, were non-oil mining products, with a growth of 91.5%; cocoa, whose exports in metric tons increased by 21.6% annually; coffee, with a volume growth of 16.2% annually; bananas, which increased 6.9% annually in metric tons; and shrimp, whose exports expanded 5.6% in metric tons. Exports of flowers were less dynamic, with an annual volume increase of 0.6%.

OIL PRODUCTION

Up to November 2020, domestic crude oil production decreased by -9.8% annually compared to the same period in 2019, from 531 thousand barrels per day in 2019 to 476 thousand barrels per day in 2020. This performance contrasted with that of 2019, when production increased by 2.5%. Ecuador has recorded drops in oil production in recent years, as in the period 2014-2018, with the exception of the year 2016.

Between 2014 and 2018, average daily production fell from 557 thousand to 517 thousand barrels (GRAPH 2). The increase in Ecuadorian crude oil production during 2019 occurred despite the fact that an agreement of the member countries of the Organization of Petroleum Exporting Countries (OPEC) was in force since December 7, 2018, which was renewed in July 2019 and which established restrictions on Ecuador's production, restrictions to which the country did not abide. Finally, Ecuador left OPEC in January 2020, in order to achieve its fiscal sustainability goals according to the government announcement at the time. Although Ecuador was no longer subject in 2020 to the restrictions imposed by the OPEC member countries' agreements, it was unable to increase its production in that year due to the landslide that occurred in April, as well as the lack of investment in the sector. In 2020, both the production of public companies (Petroecuador) and the production of private companies operating in the country decreased.



LABOR MARKET

Since 2016, there has been a deterioration in the quality of employment in Ecuador, measured by the rate of full or adequate employment. According to official figures presented by Instituto Nacional de Estadística y Censos (INEC)⁵, national adequate/full employment fell from 46.5% of the economically active population (EAP) in December 2015 to 38.8% in December 2019. In parallel, the inadequate employment rate, which encompasses the rates of underemployment, unpaid employment and other non-full employment, increased from 48.1% in December 2015 to 56.7% in December 2019. This deterioration in EAP employment conditions worsened during 2020, the result of the covid-19 pandemic and the resulting drop in economic activity.

As of September 2020, adequate/full employment reached 32.1% of the EAP, more than six percentage points below the December 2019 figure, while inadequate employment stood at 60.4% of the EAP, and the unemployment rate increased to 6.6% of the EAP (GRAPH 3, PG. NEXT). As of the date of this publication, labor market figures as of December 2020 are not available, as they have not been published by INEC on the corresponding date, according to the entity's official publication schedule.

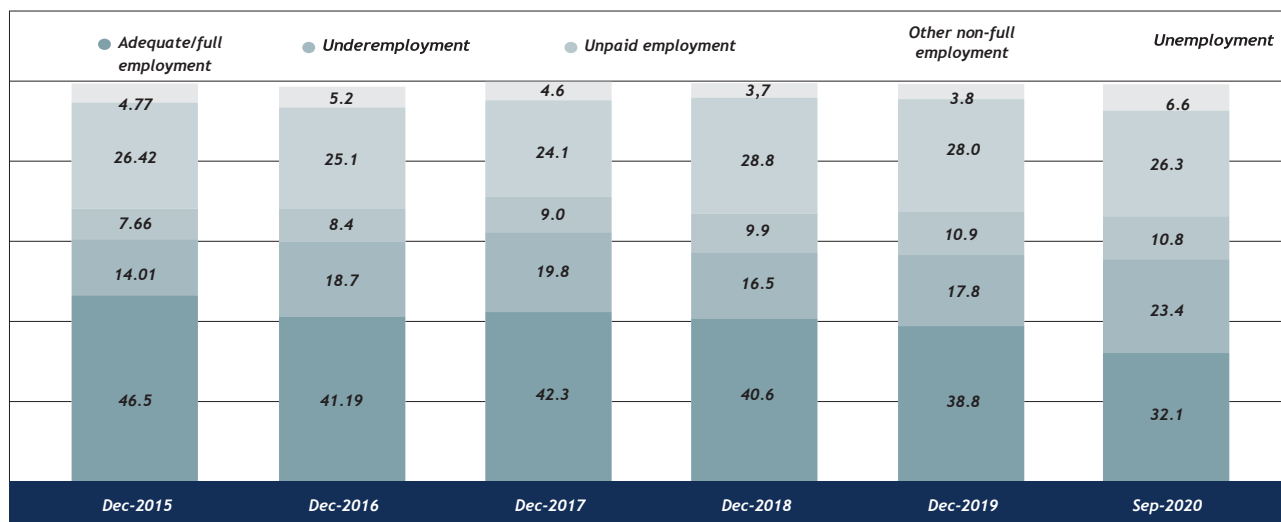
The deterioration in the quality of employment during the reference period is consistent with the reduction in the country's economic growth rate, since the drop in oil prices in 2015 and the concomitant decrease in public spending. This structural situation that the country has experienced since 2015 was exacerbated in 2020 by the paralysis of economic activities in response to the pandemic.

⁵ INEC, *Statistical Information, Tabulations and Historical Series*, September 2020, <https://www.ecuadrencifras.gob.ec/empleo-septiembre-2020/>.

GRAPH 3

LABOR MARKET INDEXES (PERCENTAGES)

SOURCE: INEC, NATIONAL SURVEY OF EMPLOYMENT, UNEMPLOYMENT AND UNDEREMPLOYMENT (ENEMDU), LABOR INDICATORS.



As mentioned, this reduced the government's revenues and also its expenditures, as it did not have fiscal reserves to adequately address the health crisis and sustain public spending at the same level as 2019.

To address the pandemic from the point of view of reducing job losses, as well as temporarily protecting the incomes of unemployed and vulnerable people, some measures were taken during 2020, in which USD1.2 billion were invested. These measures included emergency cash transfers to poor families for USD250 million, distribution of food baskets, temporary relaxation of eligibility requirements for unemployment insurance for USD372 million, and additional spending in the health sector for USD550 million. In addition, payments to social security, pensions, health insurance, basic services and housing were deferred, as well as temporary price controls on basic foodstuffs. The possibility of mutual agreements for changes in labor contracts was implemented and, on a temporary basis, a shorter work week was authorized.

The deterioration of labor market conditions, caused by the covid-19 pandemic, has increased poverty rates in Ecuador and puts a greater number of families at risk of falling into poverty. According to Unicef studies, the poverty rate would have increased by 10 percentage points in the country during 2020, which would represent 1.8 million more people living in poverty. Ecuadorian authorities are working with the WB on a strategy to double the coverage of government cash transfers, from the current coverage of 37% of families in the three lowest income deciles to 80% by December 2021. This is one of the objectives contemplated in the agreement with the IMF, signed by the government in August 2020, determines that, currently, there is an inefficient use of resources because part of the transfers is delivered to families that do not meet the requirements to receive them and other families that should receive them, do not. Achieving this increase in coverage requires updating and purging the Social Registry in order to adequately target the delivery of transfers.

INFLATION

Ecuador closed 2020 with annual inflation of -0.93% (GRAPH 4). With the exception of the first months after the beginning of the pandemic, that is, from March to June, 2020 was a year in which there was deflation in annual terms in all months. The period of positive inflation from March to June was influenced by the declaration of a state of emergency in March and the consequent closure of businesses, which may have led to a decrease in the supply of goods and services, and a demand accentuated by the need to stock up on goods considered vital for the population. The fall in prices accelerated until October 2020, when an annual deflation of -1.60% was reached. In November and December, there was greater economic activity due to the Christmas holidays, although there was deflation, it was lower.

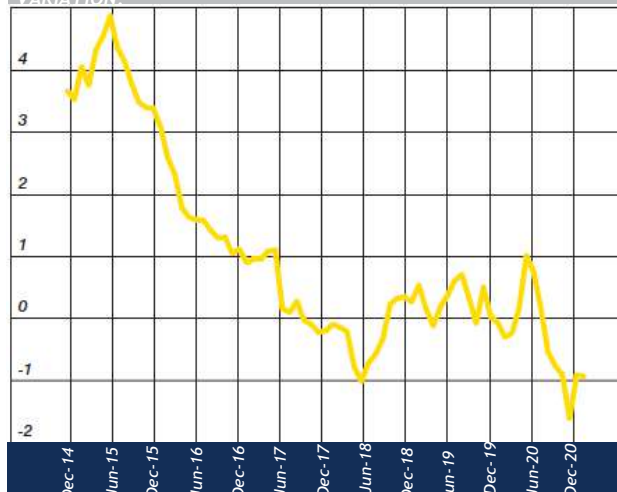
Price deflation is a characteristic of an economy in recession because, as demand for goods and services falls, prices are adjusted downward, particularly for non-tradable goods, i.e. those not traded with the rest of the world. The deflationary behavior observed during 2020 is consistent with the fall in GDP during that year. If we analyze the inflation of goods according to their classification between tradable and non-tradable goods, deflation of non-tradable goods is observed as of July. In the case of tradable goods, which are subject to trade with the rest of the world, and the inflation of non-tradable goods, there was deflation of non-tradable goods, which would support the recession hypothesis (GRAPH 5). Since the same month, there was deflation in tradable goods, which may be caused by a component of imported deflation via international trade. In other words, imported

goods at a lower price may reduce the amount of this type of goods sold in the local market. This last phenomenon also seems to have happened in Ecuador in 2020, since the unit value or price of the country's FOB imports, in the period January-November 2020, decreased by -11% in relation to the import unit value in 2019.

GRAPH 4

ANNUAL INFLATION

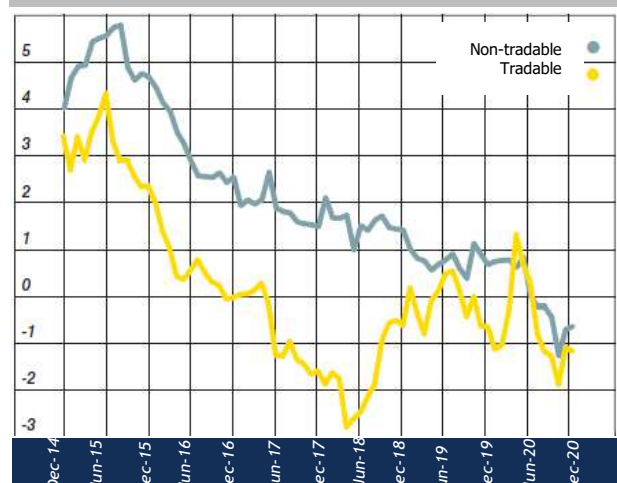
SOURCE: INEC, CONSUMER PRICE INDEX, ANNUAL VARIATION



GRAPH 5

ANNUAL INFLATION: TRADABLE AND NON-TRADABLE

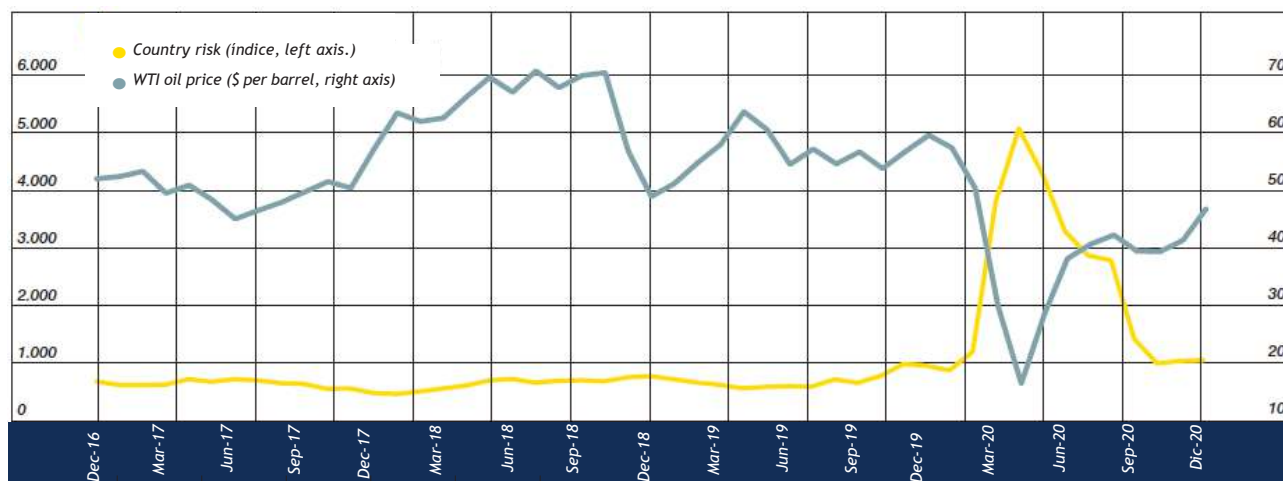
SOURCE: INEC, CONSUMER PRICE INDEX, DESCRIPTIVE INDICATORS



GRAPH 6

AVERAGE PRICE OF ECUADORIAN CRUDE OIL AND WTI OIL (\$ PER BARREL) AND COUNTRY RISK (INDEX)

SOURCE: EMBI, U.S. ENERGY INFORMATION ADMINISTRATION Y BCE, MONTHLY STATISTICAL INFORMATION N° 2026, DECEMBER 2020.



This imported deflation contributed to the decline in prices, particularly for tradable goods in Ecuador. The entry into force of the trade agreement with the EU as of January 2017, which provides for gradual tariff relief for various products and economic sectors, may have contributed to this fall in unit value or import price, since during 2020 the process of gradual tariff relief continued (GRAPH 5, Previous Page).

The deflation of 2020 has contributed to avoid a further deterioration of the competitiveness of the different productive sectors of the country, by containing a potential appreciation of Ecuador's real exchange rate against its trading partners (see analysis of the real exchange rate in the section related to the external sector of the economy).

EXTERNAL SECTOR

The price of oil on the international market fell in 2020 compared to 2019, as a result of the drop in demand for crude oil, derived from the lower economic activity induced by the global covid-19 pandemic.

The WTI barrel price averaged USD39.2 in 2020, more than USD17 below the average price in 2019 (USD57). In parallel, with this fall of WTI at world level, the price of a barrel of crude oil exported by Ecuador decreased from USD55.6 in 2019 to USD35.1 in 2020, representing a decrease of more than USD20 per barrel, with official data for the Oriente and Napo basket of crude oil exported by Ecuador until November 2020.

In 2020, Ecuador's country risk, as measured by the Emerging Market Bonds Index (EMBI), remained at an average level of approximately 1,021.9 basis points until February, and increased in the following months until reaching a peak of 5,078.3 basis points on average in April. This increase was due to the fall in the price of oil, given the dependence of the country's export revenues and fiscal revenues on the price of crude oil. Since May 2020, the country risk began to decrease as the price of crude oil increased, reaching 1,041 basis points as of December 2020 (GRAPH 6).

REAL EXCHANGE RATE

The real exchange rate declined in 2019 and 2020 (GRAPH 7), signaling lower levels of Ecuador's competitiveness vis-à-vis its main trading partners. The appreciation of the real exchange rate was -1.2% in 2019 and -1% in 2020. This occurred despite the fact that the country had inflation close to 0 during 2019 and deflation during most of 2020, i.e., the appreciation against the currencies of our trading partners would have been higher, had it not been for the low Ecuadorian inflation. Indeed, during 2020 and with data up to November, the currencies of several of our main trading partners depreciated: the Colombian peso by 13.2%, the Chilean peso by 12.7% and the Peruvian sol by 4.8%. Another important trading partner, the euro zone, on the other hand, appreciated its currency by 1.7%.

In order for real exchange rate appreciation not to affect a country's competitiveness, it must be offset by productivity gains in the tradable sector (economic sectors subject to foreign trade) of the economy. There is no official

national accounts data available until the end of 2020 that would allow us to calculate labor productivity. In 2019, as a reference, Ecuador increased labor productivity in the tradable sector, according to BP's own estimates, by 2.1%.

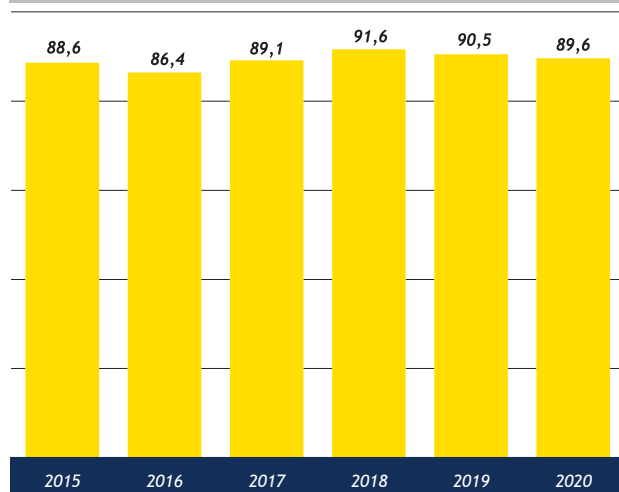
TRADE BALANCE

During 2020 and accumulated until November, the country presented a positive balance in its trade balance of USD3,124.6 million, higher than the trade balance surplus recorded in 2019 in the January-December period, which was US\$820.1 million (CHART 8). The trade balance surplus in January-November 2020 is a reflection of a drop in exports of -9.4% annually in that period, compared to the same period in 2019, and a larger drop in imports, which contracted by -23.1% during that same period. The decline in imports in 2020 is consistent with the fall in the economy's domestic demand, recorded with data through the third quarter of 2020, compared with

GRAPH 7

REAL EFFECTIVE EXCHANGE RATE (BASE YEAR 2014=100)

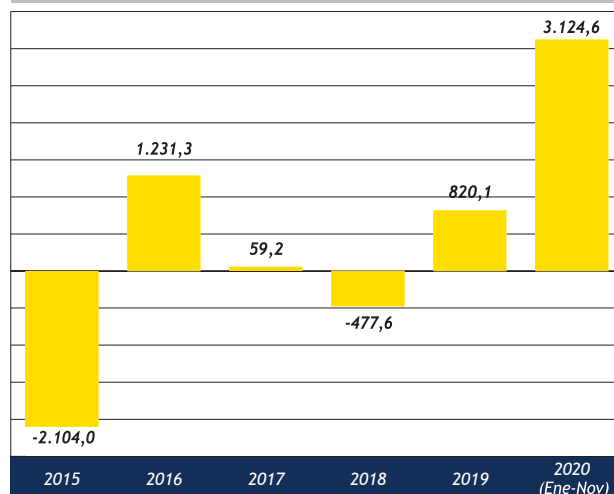
SOURCE: BCE, MONTHLY STATISTICAL INFORMATION N° 2026, DECEMBER 2020.



GRAPH 8

TRADE BALANCE (MILLIONS OF \$)

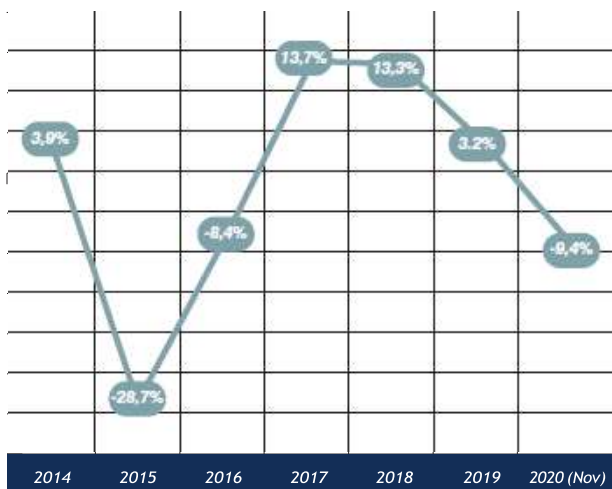
SOURCE: BCE, MONTHLY STATISTICAL INFORMATION N° 2026, DECEMBER 2020.



GRAPH 9

ANNUAL VARIATION RATE OF TOTAL EXPORTS (PERCENTAGES)

SOURCE: BCE, MONTHLY STATISTICAL INFORMATION N° 2026, DECEMBER 2020



same period of 2019. The economy's domestic demand, accumulated up to the third quarter, contracted by -9.5% annually in 2020 (as a reference data, in 2019, with data accumulated up to the third quarter, such annual variation was 0%).

EXPORTS

In 2020 and with accumulated data up to November, exports in FOB value recorded an annual decrease of -9.4%, a drop that contrasted with the growth of exports in 2019 of 3.2% (GRAPH 9).

This deceleration in the growth of exports originated in the fall of oil sales in 2020, which in FOB value decreased by -41.2% (GRAPH 10). The fall in the FOB value of oil exports is explained by the drop in the price per barrel exported in 2020 and the fall in the volume exported by -6.2%.

On the other hand, non-oil exports in FOB value had their fourth consecutive year of expansion, with an annual variation of 11,1% in January-November 2020, above the expansion

GRAPH 10

ANNUAL RATE OF CHANGE IN OIL VS. NON-OIL EXPORTS (PERCENTAGES)

SOURCE: BCE, MONTHLY STATISTICAL INFORMATION N° 2026, DECEMBER 2020



of 2019 in the same period (5.7%). The growth in FOB value of non-oil exports in 2020 had a greater contribution from the so-called primary products without crude oil, whose shipments expanded 14.9% in January-November 2020, a greater dynamism than in the same period of comparison in 2019, when they increased by 10.2%.

The primary products -without oil- that stood out in the growth of their exported FOB value in 2020 were mining products, whose exported FOB value increased by 205.7%, from USD264.8 million exported in January-November 2019 to USD809.7 million in the same period of 2020. This would be explained by the start of production of several large mining projects since the end of 2019, such as the Fruta del Norte mining project, which has been in production since November 2019, and the Mirador project, which has been in production since July 2019. Other non-oil primary products that increased their FOB value exported during 2020 were cocoa, with a 25.8% annual growth in the January – November period; coffee, with a 20.2% growth,

and bananas, with 14.2% growth. On the other hand, industrialized products without petroleum derivatives, although they did not present a high dynamism, with a growth in the FOB value of exports of only 0.3% in January-November 2020, had a better performance than in 2019, when they decreased by -5.4% in the same period. Therefore, together with non-oil mining products, which in 2020 stood out for their growth dynamics, the traditionally most significant exports in the country's export structure, such as bananas, shrimp, flowers, cocoa, coffee, tuna and fish, were the ones with the most dynamic growth in 2020, in relation to industrial export products.

It should be noted that the growth of non-oil exports in FOB value was due to a growth in the volume exported and a growth in the unit value or average export price. In terms of exported volume, non-oil exports grew by 7.5% in January-November 2020 compared to the same period of 2019, exceeding the growth achieved in 2019, a period in which growth was 1.5% compared to 2018.

Within non-oil exports, the growth of mining exports during 2020 should be highlighted. Information from the BCE's foreign trade database shows that these exports in metric tons would have increased 91.5% in January-November 2020 compared to the same period in 2019. Some traditional export products also stand out for their dynamism in the volume exported: cocoa is the most outstanding among traditional export products, with an annual growth in export volume of 21.6% between January and November 2020; as well as coffee had a significant dynamism, with a growth of 16.2%; bananas grew by 6.2%, and shrimp by 5.6%.

Expectations of growth in Ecuadorian exports in the following years are based, in part, on the approach of trade liberalization adopted by the current government and continued during 2020, through the negotiation of free trade agreements. The government set as a goal since 2018 to make Ecuador a full member of the Pacific Alliance. Within this framework, in December 2020, during the XV Presidential Summit of the Pacific Alliance, Ecuador signed with the members of such alliance the terms of reference and to advance in future negotiations for the country's incorporation as an associate member⁶. In order for Ecuador to become a full member of such regional bloc, it must have trade agreements with the four member countries, with only an agreement with Mexico remaining to be signed, a country with which Ecuador has been in negotiations since December 2019. In August 2020, Ecuador signed its last agreement with countries of the bloc, when it signed a trade agreement with Chile.

At the same time, the government had set itself the goal of signing a series of agreements with other countries and regional blocs. In 2018 Ecuador signed the Trade Agreement with the European Free Trade Association (EFTA), the pact was approved by the National Assembly in April 2020, and ratified by the President of the Republic in June of that year. The agreement entered into force on November 1, 2020, as a window to a potential market of 14 million consumers with high purchasing power

⁶ Primicias, "Ecuador signs terms of reference to join the Pacific Alliance", 2020, <https://www.primicias.ec/noticias/economia/ecuador-firma-terminos-alianza-pacifico/>.

made up of the inhabitants of Switzerland, Norway, Liechtenstein and Iceland⁷. In addition, Ecuador signed a first-phase trade agreement with the United States in December 2020. This type of agreement does not require the approval of the U.S. Congress and does not include negotiation of market access and agricultural products, unlike a traditional free trade agreement. Specifically, the agreement facilitates international trade between the two countries; it promotes good regulatory practices, reduction and simplification of customs procedures for SMEs, and anti-corruption in international trade processes. The first two points of the agreement will be implemented gradually until 2022, while the last two are immediately applicable.⁸

⁷ Ministry of Foreign Trade, Investment and Fisheries, "Approval of the EFTA Agreement allows Ecuador to consolidate its position in the European market", 2020, <https://www.produccion.gob.ec/aprobacion-del-acuerdo-efta-permite-a-ecuador-consolidarse-en-el-mercado-europeo/>.

⁸ Primicias, "Ecuador and United States sign first-phase trade agreement", 2020, <https://www.primicias.ec/noticias/economia/ecuador-estados-unidos-firma-acuerdo-fase/>.

IMPORTS

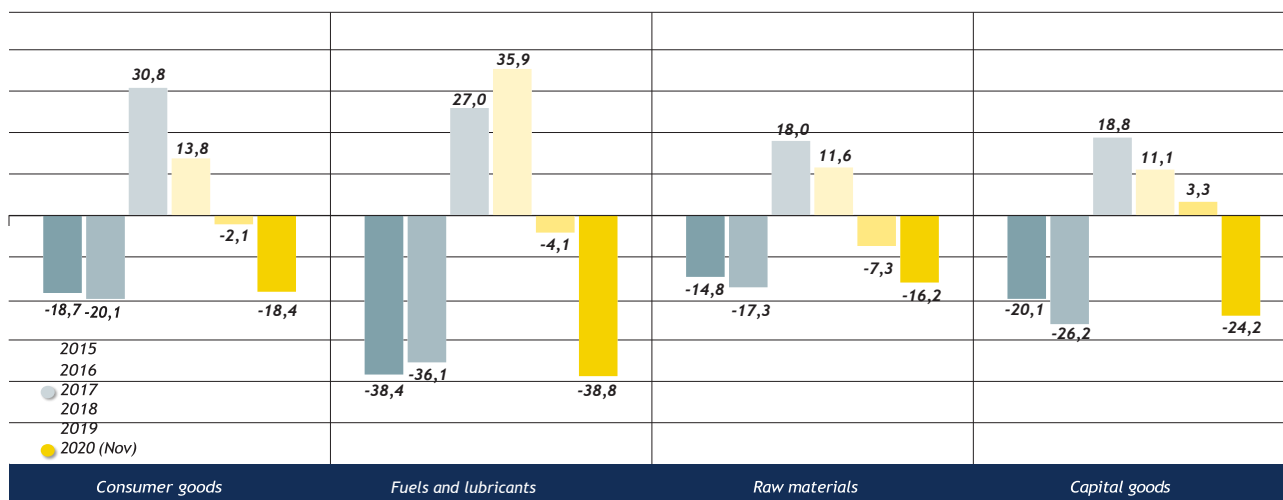
The FOB value of imports, with cumulative data up to November 2020, decreased -23.1% compared to the same period of 2019. The drop in imports is consistent with the slowdown in domestic demand, verified in the National Accounts published with data up to the third quarter of 2020.

The drop in imports occurred in all types of goods, classified according to their economic destination (GRAPH 11). Imports of capital goods fell -24.2%, in contrast to 2019 in which they increased by 3.3%; imports of consumer goods decreased -18.4% (a greater drop than 2019 of -2.1%); those of fuels by -38.8% (-4.1% drop in 2019), and those of raw materials contracted by -16.2% (-7.3% drop in 2019). This behavior of imports by economic destination is a reflection of the fall in all components of domestic demand, investment, household consumption and government consumption.

GRAPH 11

IMPORTS BY USE OR DESTINATION (ANNUAL PERCENTAGE CHANGE)

SOURCE: BCE, MONTHLY STATISTICAL INFORMATION N° 2026, DECEMBER 2020.



REMITTANCES AND FOREIGN DIRECT INVESTMENT (FDI)

Income from workers' remittances received by Ecuador decreased by 1.7% annually in the first three accumulated quarters of 2020, compared to the same period of 2019. This represented a drop of USD39.8 million in income to the country. This decrease, although small compared to the overall size of remittances and their representativeness in the Ecuadorian economy, was the expected trend, due to the worldwide pandemic. Workers' remittances increased relative to GDP from 2.2% in 2019 to 2.4% in 2020, due to the fall in GDP in 2020.

FDI saw an increase in foreign exchange inflows to the country in 2020, with cumulative data through the third quarter. FDI inflows in that period were USD897.2 million, compared to USD619.8 million in the same period of 2019, which represented an increase of 45%. The growth in FDI inflows, together with the economic downturn in 2020, determined that FDI relative to GDP will increase from 0.6% in 2019 to 0.9% in 2020.

MONETARY SECTOR AND FINANCIAL SYSTEM

INTERNATIONAL RESERVES (IR), MONEY SUPPLY AND TOTAL LIQUIDITY

As of December 2020, the IR balance reached US\$7,195.7 million, 111.7% higher than that recorded in December 2019 (GRAPH 12). This level of RI was also higher than the balance of deposits held by the Other Depository Corporations (ODC) at the BCE as of that date (USD6,556.1 million). As a result, the percentage of coverage of deposits held by DSOs at the BCE with liquid reserves reached 109,8%, with an excess of IR over such deposits of USD639.1 million.

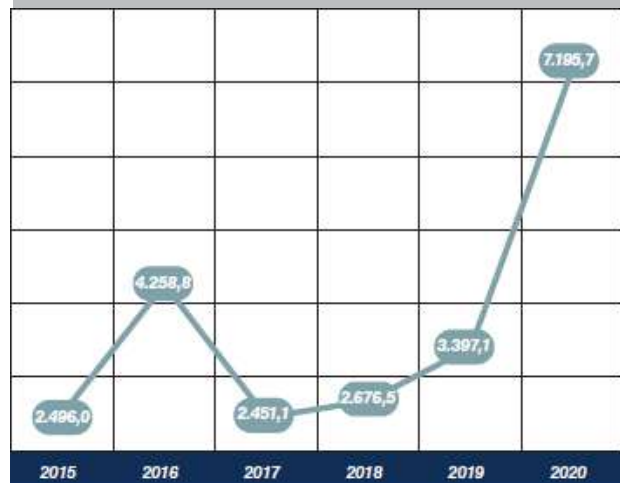
On the liabilities side of BCE's balance sheet, the increase in IR by USD3,799 million during 2020, relative to the balance recorded at the end of 2019, is disaggregated by an increase in deposits of DSOs at BCE between December 2019 and December 2020 by USD3,028.9 million; an increase in deposits of other financial corporations at BCE by USD1,214 million; and an increase in deposits of other central government entities by USD832 million. The growth in DSO deposits at BCE is a product of the increase in deposits in the financial system between 2019 and 2020, which increased the liquid reserves held by the financial system at BCE.

BCE's liabilities, which decreased between December 2019 and December 2020, were deposits from public enterprises and local governments, with a drop of -USD537 million, and deposits from the national treasury, which decreased by -USD476 million.

GRAPH 12

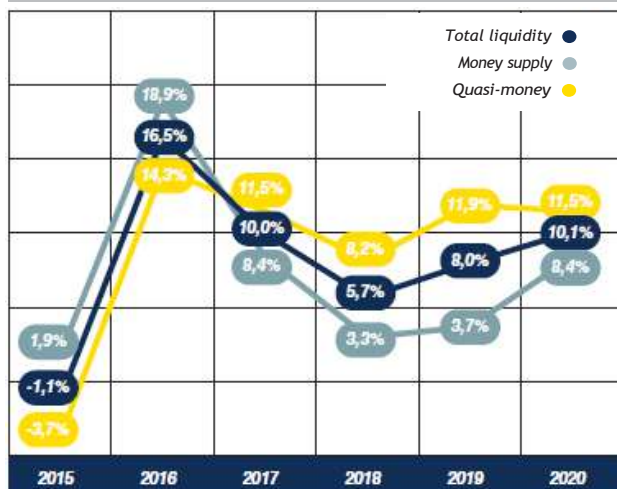
INTERNATIONAL RESERVES (MILLIONS OF \$)

SOURCE: BCE, MONTHLY STATISTICAL INFORMATION N° 2026, DECEMBER 2020.



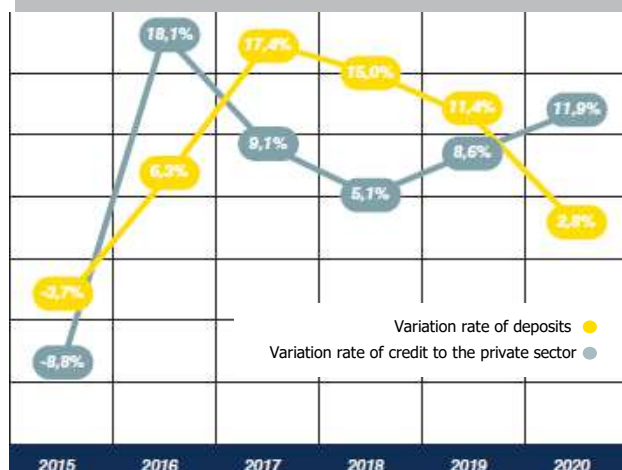
GRAPH 13
MONEY SUPPLY, TOTAL LIQUIDITY AND
QUASI-MONEY (PERCENTAGE CHANGES)
(PERCENTAGE CHANGE)

SOURCE: BCE, MONTHLY STATISTICAL INFORMATION N° 2026,
DECEMBER 2020.



GRAPH 14
OSD: DEPOSITS AND REDIT
TO THE PRIVATE SECTOR
(ANNUAL PERCENTAGE
CHANGE)

SOURCE: BCE, MONTHLY STATISTICAL INFORMATION N° 2026,
DECEMBER 2020.



The increase of deposits in the Ecuadorian financial system between December 2019 and December 2020 had its origin in the fall of spending on imports at the macroeconomic level, which reduced the outflow of foreign currency from the

Ecuadorian economy to the rest of the world, increasing the country's liquidity, measured by the different monetary aggregates.

The monetary aggregate M1 (money supply) accelerated its growth in 2020 compared to 2019, increasing 8.4% annually compared to 3.7% annual growth in 2019. The M2 monetary aggregate, referred to as total liquidity by the BCE, as of December 2020 grew 10.1% compared to 2019, higher than the 8% growth in 2019 (GRAPH 13). The other component of total liquidity, quasi-money, also increased in 2020, with a growth of 11.5%, similar to 2019's 11.9%. It is worth noting that, within the money supply, demand deposits increased by 13.3%, higher than the 2019 growth of 11.9%; while outstanding monetary specie (OMS) had an increase of 5.9% in 2020, lower than the 6.6% growth in 2019.

CAPTATIONS OF OTHER DEPOSITORY AND LENDING INSTITUTIONS GRANTED TO THE PRIVATE SECTOR (COMPANIES AND HOUSEHOLDS)⁹

Financial liabilities (deposits) of the DSOs¹⁰ grew by 11.9% annually in 2020, increasing their dynamics compared to 2019, when they increased by 8.6%. In turn, credit granted by DSOs to the private sector (companies and households) increased by 2.8% in the same period, lower than the 2019 increase of 11.4% (GRAPH 14). DSOs accumulated deposits during 2020 in the face of lower demand for credit from the private sector, as a result of the fall in economic activity and in the income of individuals and households.

⁹BCE, *Weekly Monetary Bulletin*, vol. 675, 2020.

¹⁰ DSOs include private banks, finance companies, mutuals, cooperatives, credit cards, Banco Nacional de Fomento (BNF) (until May 6, 2016) and BanEcuador (as of May 13, 2016).

The growth of credit granted to the private sector, less dynamic in relation to the increase in deposits during 2020, caused the ratio of the balance of credit granted to the private sector, to the balance of deposits, to decrease from 1.04 in December 2019 to 0.96 in December 2020. An analysis of the sectoral balance sheet of the DSOs reveals that the balance of loans granted by them increased by USD1,197.2 million in 2020, while financial liabilities (deposits) grew by an amount exceeding USD4,860.5 million.

DEPOSITS AND CREDIT GRANTED BY PRIVATE BANKS

Private banks recorded an annual growth in their obligations to the public of 11.4% in 2020, reflecting a greater dynamism than in 2019 when such liabilities increased by 7.7% annually¹¹. Within liabilities with the public, demand deposits presented greater growth dynamics, with 14% annual variation compared to time deposits¹², whose increase reached 10% per annum. On the other hand, the gross credit portfolio granted by private banks decreased by -1.6% in 2020, in contrast to the 9.9% annual growth in 2019. The ratio of credit to deposits (obligations to the public) of private banks went from 0.84 at the end of 2019 to 0.73 at the end of 2020.

By segments of the gross portfolio, the one that presented the highest growth dynamics in 2020 was the productive one, whose portfolio balance grew 31.3% in the year. The gross portfolio balance of the microenterprise segment showed an annual variation of only 0.5%.

On the contrary, the remaining credit segments experienced a fall in the gross portfolio balance, due to the reduction in the demand for bank credit caused by the decrease in GDP and personal and household income. Indeed, the gross portfolio balance of the commercial segment decreased by 10.8%; the balance of the educational segment declined by 7.9%; that of the consumer segment decreased by 2.1%; and, finally, the balance of the real estate and public housing segment decreased by 1.8%.

The quality of the portfolio granted by private banks did not deteriorate in 2020 (GRAPH 15, following page). The non-performing portfolio went from representing 2.7% of the gross portfolio at the end of 2019 to a similar rate of 2.6% at the end of 2020. This so-called extended delinquency, analyzed by segment, only increased in the case of the housing segment, which went from 3% in December 2019 to 4.2% in December 2020. In the other credit segments, the extended delinquency decreased, with a greater impact in the microenterprise segment, where it went from 4.7% to 4%. It should be noted that the change in this accounting indicator of extended delinquency does not necessarily reflect the reality of the performance of the non-performing portfolio in the banking segment during 2020 since, due to the covid-19 pandemic, Superintendencia de Bancos relaxed and unified for the different credit segments the number of days after which customers are considered in delinquency, and these standards will be maintained until July 2021. Additionally, it is noteworthy that during 2020 private banks granted different credit deferral processes to their customers, to provide financial relief to individuals and companies affected by the pandemic.

¹¹ Superintendencia de Bancos, *Monthly series bulletins. Private Banks Series*, 2020, http://estadisticas.superbancos.gob.ec/portalestadistico/portalestudios/?page_id=415.

¹² Corresponds to the growth of account 2103 (time deposits) in the balance sheets of private banks.

In order to act prudently in the face of the natural increase in credit risk due to the country's economic weakening, the banking system increased its provisions, which reached USD439 million as of December 2020, increasing by USD376 million compared to December 2019. Technical equity was raised to 14.53% over risk-weighted contingents, increasing from 13.47% in December 2019.

FISCAL SECTOR

In February 2019, the Republic of Ecuador signed an agreement for the country to access a USD4.2 billion package under the Extended Fund Facility (EFF) of the IMF (IMF, Extended Fund Facility). These resources were to be part of a larger package to be provided by the international financial community, which would contribute approximately an additional USD6 billion.

The resources were expected to be disbursed over the course of the next three years: USD4.6 billion in 2019, USD3.1 billion in 2020 and USD2.5 billion in 2021.

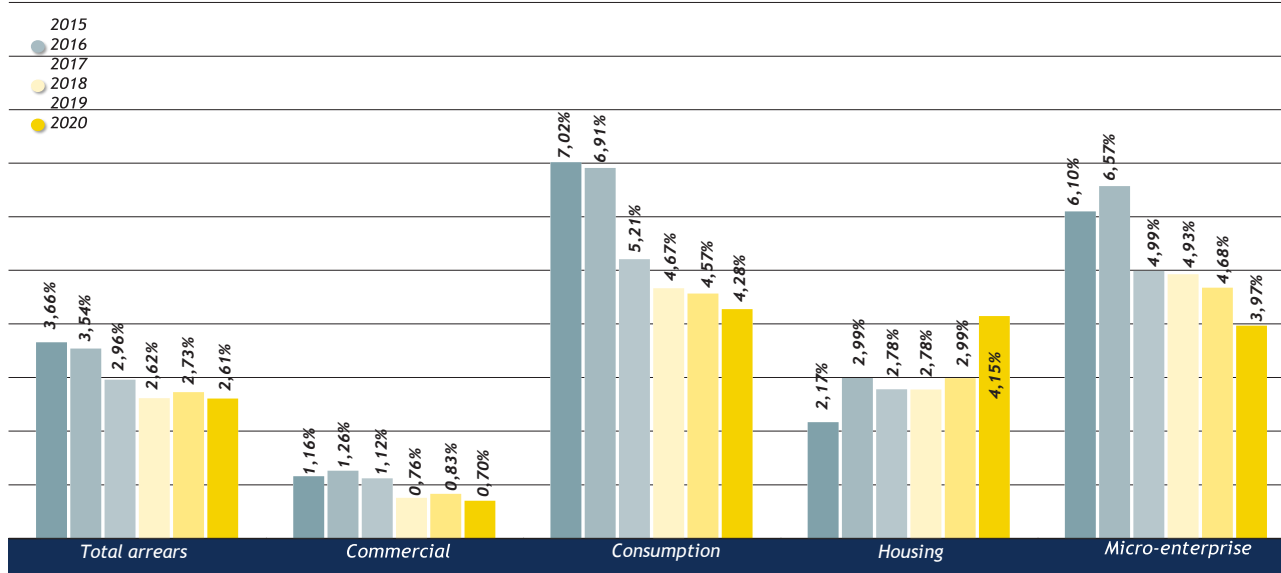
In December 2019, Ecuador submitted an updated letter of intent and Memorandum of Economic and Financial Policies to the IMF, requesting the completion of the second and third re-visioning of the agreement and the disbursement of an additional USD498 million; also requesting a waiver for non-compliance with the objectives of the agreement in terms of net IR, given the low macroeconomic impact of this non-compliance. Under the updated letter of intent submitted by the Ecuadorian government to the IMF in December 2019, the IMF disbursed an additional USD498 million.

At the same time, the IMF determined that there were inconsistencies in the calculation of the

GRAPH 15

PRIVATE BANKS: NPLAY FOR PORTFOLIO BY SEGMENT (PERCENTAGES)

SOURCE: SUPERINTENDENCIA DE BANCOS.



fiscal deficit at the non-financial public sector level and this, together with the deterioration of the fiscal situation caused by the pandemic since March 2020, led to the suspension of the agreement reached in December 2019. In May 2020 the IMF disbursed to the country a total of USD643 million, to support the government in urgent expenditures due to the health emergency.

In May 2020, the Government of Ecuador approved a reform to the operation of the fuel and diesel subsidy, which ties the sale price of such oil derivatives to the cost incurred by the government to provide or offer them. The reform eliminated the fuel subsidy, but contemplates a gradual adjustment of the internal price of fuels to changes in their supply cost, in order to avoid abrupt price adjustments. This is an important structural modification for public finances, given the problems related to the inefficient use of resources associated with the untargeted subsidy that successive governments of Ecuador have maintained for decades, creating a regressive subsidy, smuggling and inefficient use of public resources. This measure will free up important public resources in future government budgets, which can be better utilized in the provision of education, health, and targeted subsidies.

In July 2020 Ecuador approved the Organic Code of Public Finance Planning, which was a planned reform under the IMF agreement suspended at the beginning of 2020. This law establishes a limit on the ratio of public debt to GDP of 40%, a limit to be reached by 2032, with intermediate targets of 57% of GDP by 2025 and 45% by 2030. The law contemplates fiscal operating rules at the central government level, with the purpose of directing the non-financial public sector towards compliance with the

public debt-to-GDP target and reduce discretionary public spending.

In August 2020, the Government of Ecuador reached a new agreement with the IMF to access a credit program for USD6.5 billion, distributed in disbursements of USD4 billion in 2020, USD1.5 billion in 2021 and USD1 billion in 2022. That agreement was approved by the IMF Executive Board in September 2020 under the IMF's Extended Fund Facility (EFF). In 2020, USD4 billion of the total credit program was disbursed. The agreement aims to provide the government with financing to redirect and strengthen public spending toward social protection for the most vulnerable groups, who have lost jobs and income due to the pandemic, and to pay arrears, while the economy benefits, which in itself will imply a strengthening of public finances by increasing tax revenues again.

In the medium term, it implies making structural reforms to ensure the sustainability of public finances, building on the foundation laid by the Government of Lenin Moreno when it successfully closed the process of restructuring and exchange of USD17.4 billion of sovereign debt bond balance in September 2020, with the consent of more than 98% of bondholders. The restructuring of Ecuador's sovereign debt included savings in interest payments of USD1.5 billion in 2021 alone; principal payments were deferred until 2026, the bond coupon was reduced from 9.25% to 5.25%, and the duration of the bonds was increased by ten years. In addition, USD417 million of debt maturities were deferred from 2020-2021 with the China Development Bank to 2022-2024.

Within this general framework, the agreement with the IMF contemplated the following specific commitments and objectives: regarding the commitments to increase the amount and coverage of support to vulnerable people affected by the pandemic, the National Government has committed to increase spending on social bonds from USD1,022 million in 2020 to more than USD1,500 million in 2021¹³. While spending on social vouchers was increased during 2020, from USD811 million in 2019 to USD1.022 billion due to the creation of emergency vouchers for those most vulnerable to the economic effects of the pandemic, the IMF and the government determined that such spending was insufficient to protect people from falling into or deepening poverty. The government's planned social spending for 2021 includes a new unemployment bonus, which consists of a one-time USD500 bonus to 570,000 people who lost their formal employment during the pandemic. In addition, two additional phases of the family protection voucher will be activated, which would deliver USD120 one-time to 480,000 families. And until March 2021, the government will increase the number of additional 250,000 families to the Social Protection Network of the Human Development Bond.

The program with the IMF proposes a reduction in the fiscal deficit equivalent to 5.5 percentage points of GDP for the period 2019-2025¹⁴, with a similar improvement in the non-oil primary deficit, including fuel subsidies in line with the public debt targets of the Organic Code of

Public Finance Planning.

The government expects that this policy, together with the sovereign bond swap reached in 2020 and the financial support from multilateral agencies, will put public debt on a downward trend. Although this adjustment will have a negative effect on economic growth, the program with the IMF aims to offset this with the positive effect on confidence created by placing the country on a path of fiscal sustainability, together with the protection of the most vulnerable social sectors through the increased targeted social spending contemplated in the program.

A reduction in the fiscal deficit is expected in 2021 due to interest savings from the sovereign bond swap, the elimination of the fuel subsidy implemented in 2020, and the expected increase in tax and oil revenues, as economic activity reactivates and oil prices improve. A more planned and structural process of fiscal deficit reduction is expected to begin in September 2021, with the approval of a tax reform, which would be implemented starting in 2022. The reform would include an increase in permanent government revenues equivalent to 2.5 percentage points of GDP and a reduction in expenditures equivalent to 2.9 percentage points of GDP. On the revenue side, the reform would increase VAT by 3 percentage points, and would eliminate the VAT exemption for universities and the VAT reimbursement for senior citizens, measures that would increase revenue by 1.38 percentage points of GDP; it would include a series of reforms to the personal income tax to make it more progressive and increase the tax base, including over-salaries in the calculation. In the case of corporate income tax, measures equivalent to 0.10 percentage points of GDP would be included. Finally, other taxes, which include the creation of an

¹³ Primicias, "The Government will assign USD1,500 million for social bonds in 2021", 2021, <https://www.primicias.ec/noticias/economia/ecuador-millones-bonos-sociales/>.

¹⁴ IMF Country Report n° 20/286.

environmental tax on CO₂ emissions, would represent an increase in revenue of 0.39 percentage points of GDP. On the public spending side, measures would include extending until May 2021 the temporary reduction of working hours of public sector employees that was implemented during the pandemic, and in the medium term it is contemplated that new hires will be made with lower salaries, freezes and rationalizations to the processes of new hires in sectors not considered critical. It is planned to generate savings of 0.7 percentage points of GDP, through improvements in the procurement and contracting process of public goods and services, until 2025. The 0.9 percentage points of GDP estimated to be saved by the government up to 2025 from the elimination of the fuel subsidy would be refocused on the increase in social spending expected from the expansion of the coverage of social transfers. On the capital expenditure side, the program considers that the country already has a robust capital stock, and public sector spending will be moderated, saving 2.1 percentage points of GDP over the next five years, prioritizing spending on projects that generate more employment and economic growth.

The program also aims to strengthen the institutional environment to contribute to the sustainability of public finances, through the independence of the BCE and give it a legal mandate not to finance the central government, a reform that was not approved at the end of 2019. The intended reform would imply changes to the current Monetary and Financial Code, and has been presented as an urgent economic project to the National Assembly, on February 8, 2021. According to the IMF's diagnosis, the BCE is currently not independent, lacks a clear

mandate, has weak governance, low coverage of financial sector deposits with liquid assets, and a role that is not clearly defined in terms of stability of the financial system.

DEFICIT, REVENUES AND EXPENDITURES OF THE NON-FINANCIAL PUBLIC SECTOR (NFPS)

The NFPS deficit decreased three consecutive years between 2017 and 2019, due to the fall in oil prices since 2015 and the unsustainability of the level of public spending and indebtedness achieved in the oil boom years. The NFPS deficit decreased from 7.3% of GDP in 2016¹⁵ to 4.5% in 2017 and in 2019 it dropped to 2.8% (GRAPH 16, following page).

In 2020, the downward trend in the NFPS deficit could not be maintained, due to the drastic reduction in tax revenues triggered by the pandemic, accompanied by increased spending pressure to address the health emergency and protect vulnerable segments of the population. As a result, the 2020 fiscal outcome, with data up to November, is looser than in the same period of 2019; while in January-November 2020 the NFPS recorded an overall deficit of -USD3,772.8 million, equivalent to -3.9% of GDP, in the same period of 2019 the deficit was -USD867.9 million, equivalent to -0.80% of GDP.

Public sector expenditures present a strong historical seasonality, with an increase in December in relation to other months of the year, so 2020 is expected to close with a deficit equivalent to 5.3% of GDP, according to BP's own estimates.

¹⁵ The NFPS is a broader and more comprehensive measure of the public sector and includes the central government, nonfinancial public companies, the IESS, and decentralized autonomous governments (GAD).

The increase in the NFPS fiscal deficit in 2020 is broken down into a drop in tax revenues of USD6,622.1 million through November, which represented a reduction of 3.2 percentage points in terms of GDP. NFPS expenditures also fell in the face of fiscal restraint by USD3,508.9 million, which was equivalent to an increase of 0.1 percentage points in terms of GDP.

The most important decrease occurred in oil revenues, at -2.2% of GDP or USD2,905 million, followed by the operating surplus of non-financial public enterprises, which declined by -0.7% of GDP or USD942 million, and finally non-oil revenues, with a reduction of -0.1% of GDP or USD2,592.4 million. The drop in non-oil revenues was mainly due to the reduction in tax revenues as a result of the slump in economic activity; such revenues fell by USD2,147.2 million during the period under analysis.

Public spending went from 31.5% of GDP in January-November 2019 to 31.6% of GDP in the same period of 2020. Although it increased

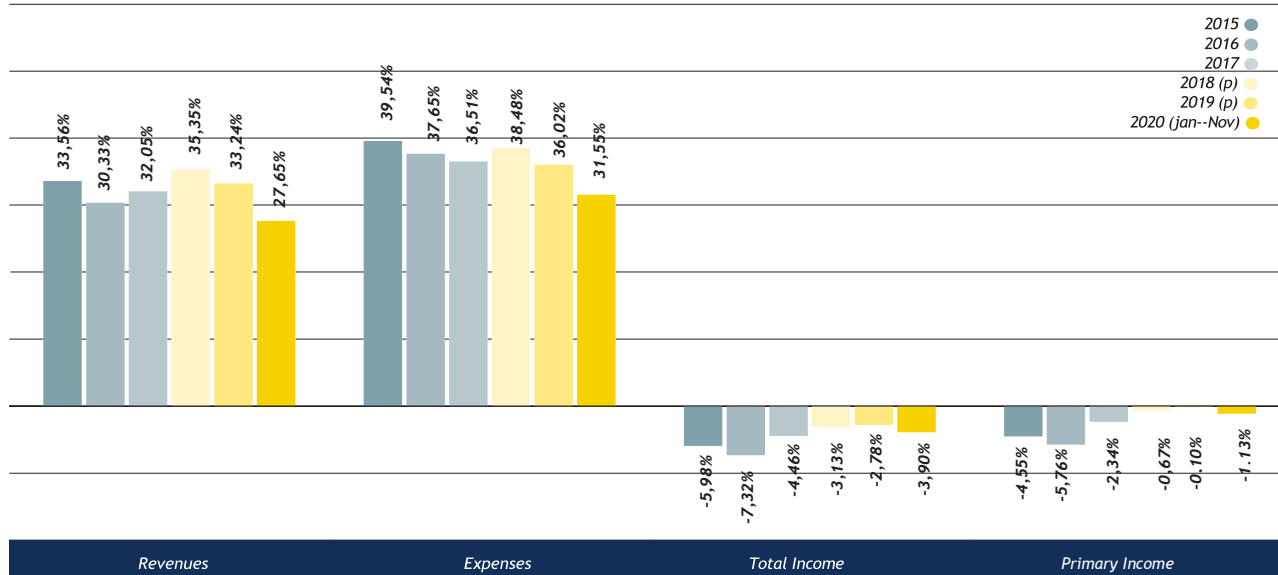
in relation to GDP, this is explained by the fall in GDP in 2020 and not by an increase in public spending, which decreased by USD3,508.9 million. The main drop was in current spending, which fell by USD2,273.7 million, mostly due to the decrease of USD1,610.4 million in other current spending, largely explained by lower spending on fuel subsidies due to the fall in oil prices. Purchases of goods and services and salaries also fell in the period under analysis by USD562.8 million and USD460.8 million, respectively. Meanwhile, capital expenditure decreased by USD1,271.6 million.

At the primary level, consecutive deficits were recorded since 2012, which rose to 5.8% of GDP in 2016. This upward trend of the primary deficit was unsustainable; and from 2017 to 2019 it decreased from -2.3% of GDP to -0.1% of GDP, respectively. In January-November 2020, due to the effects of the pandemic, the primary deficit widened again to -1.1%, when in the same period of 2019 a surplus at the primary level of 1.6% of GDP was obtained.

GRAPH 16

NON-FINANCIAL PUBLIC SECTOR OPERATIONS (ACCRUAL BASIS AS A PERCENTAGE OF GDP)

SOURCE: BCE, MONTHLY STATISTICAL INFORMATION N° 2026, DECEMBER 2020.



The National Government decided to reduce and focus its fuel subsidy policy as of Decree 490, in force since August 27, 2018, in which it raised the price of super gasoline by 41.90%. In addition, with Decree 619, which came into force on December 26, 2018, it raised the value of extra and ecopaís fuel by 28.21%, establishing the delivery of a quota of these fuels with subsidy to public and commercial transport vehicles (cabs and vans). This decree stated that the price of super fuel for the automotive sector will be determined according to costs, linking it to the international price. Regarding diesel, the government maintained the subsidy for agricultural, small industry and artisanal activities, although it reduced the volume of subsidized diesel by 500 gallons per month.

In 2019, Decree 883 of October sought to eliminate the fuel subsidies that were still in place, and to grant a compensatory mechanism to Ecuador's poorest families, through an expansion of the coverage and amount of the Human Development Bonus (Bono de Desarrollo Humano). President Moreno repealed this decree in response to the social mobilizations that took place. In the context of the pandemic, in May 2020, Decree 1154 created a banding system, which links the price of fuel and diesel to the cost of supplying such fuels in the domestic market, including the cost of importation and, therefore, prices increase if the price of oil does. The band system includes a ceiling of 5% on the monthly variation of domestic fuel prices, to avoid abrupt price changes, and includes a gradual adjustment to oil price fluctuations in the international market that exceed this threshold.

If this reform is maintained over time, it is a very relevant structural change that would free resources in the budget to focus subsidies on people with lower incomes and investment in projects of economic and social return.

MOVEMENT OF PUBLIC DEBT

Total public debt as of December 2020 reached USD63,163.5 million or 65.3% of GDP, increasing the ratio of public debt balance to GDP by 11.9 percentage points compared to the ratio observed in December 2019, which was 53.4%. In absolute terms, the increase in public indebtedness was USD5,846.5 million between December 2019 and December 2020. In November 2018, the Ministry of Economy and Finance modified the methodology for calculating public external debt, in accordance with Resolution MEF-2018-0134¹⁶. The fourth transitory provision of such resolution established that in 360 days the historical statistical series of the debt with this new methodology should be published. The debt bulletins of the Ministry of Economy and Finance have published the historical series with the new methodology since January 2018.

The external public debt of the public sector increased from 38.6% of GDP in December 2019 to 46.9% in December 2020, reaching a balance of USD45,367.3 million as of the latter date. In the case of domestic public debt, it increased from 14.7% of GDP in 2019 to 18.4% of GDP at the end of 2020.

¹⁶ The BCE, in footnote 6 of Table 3.3.1 of the Monthly Statistical Information for December 2019, mentions that, as of January 2019, the Ministry of Economy and Finance modified the calculation methodology of external public debt, according to Resolution No. MEF-2018-0134.

GRAPH 17

TOTAL PUBLIC DEBT (PERCENTAGE OF GDP)

SOURCE: BCE, MONTHLY STATISTICAL INFORMATION N° 2015, DECEMBER 2020.



For the 2018-2021 period, and until the debt limit established in the macro-fiscal regulations defined in the Organic Code of Public Finance Planning is reached, the debt limit of 40% of GDP does not apply, as determined by the seventeenth transitory provision of the Law for Productive Promotion, Investment Attraction, Employment Generation and Fiscal Stability and Balance approved in 2018 (GRAPH 17).

General Outlook for 2021

3

For 2021, the U.S. Energy Information Administration (EIA) forecasts a WTI oil price of USD49.7 per barrel¹⁷, ten dollars above the average price for 2020. The average value per barrel exported by Ecuador will depend on the discount applied by the market, but assuming that

of 2020 is maintained, the average price per barrel of oil exported by the country would be around 46.2 dollars. An oil export price at these levels would be above the one used to establish the General State Budget for 2021 (USD37). This price projection may be affected by different levels of response to covid-19 globally and by progress in vaccination levels achieved in different countries, as this affects economic activity, consumer behavior, energy demand and the price of oil.

World economic growth in 2021 is forecast by the IMF at 5.5%, recovering part of the decrease in 2020 (-3.5%, according to the IMF itself)¹⁸; likewise,

¹⁷ U. S. EIA, *Short term energy Outlook*, 202, 12 de enero de 2021. <https://www.eia.gov/outlooks/steo/>.

¹⁸ International Monetary Fund, *World Economic Outlook*, January 2020, <https://www.imf.org/en/Publications/WEO/Issues/2020/01/20/weo-update-january2020/>. <https://www.imf.org/en/Countries/ECU/>.

the WB forecasts a growth in 2021 of 4%, after a decrease of -4% estimated in 2020¹⁹. These organizations warn that these projections are subject to a high level of uncertainty associated with the new variants of covid-19, the policies adopted by the different countries to face the pandemic, the success and coverage of the vaccination processes, and how the different countries balance the fiscal restrictions they face with the level of indebtedness they can access and the degree of speed with which they apply fiscal adjustments, characterized by lower levels of expenditure incurred to face the pandemic. This expected global growth by 2021 would create a favorable environment for increased Ecuadorian exports, although, as noted, there are risks associated with country responses to covid-19 and the speed and coverage of the global population vaccination process.

In this international context, it is expected that Ecuador will follow the trend of recent years of increasing its non-oil exports, even though a large part of this growth - as mentioned in this document - is concentrated in traditional export products and, in 2020, in non-oil mining products. It would therefore be desirable to increase the diversification of Ecuador's export basket. The need for the country to increase and diversify its exports cannot be underestimated. First, because it is a dollarized country that can only generate foreign exchange in a sustainable way through exports and foreign direct investment, and is characterized by having a small domestic market, dependent on foreign exchange earnings from the export of primary goods. Second, because the

economic complexity of a country, which is a measure that captures the complexity of the export basket or productive matrix of a place, is considered the best predictor of its future economic growth²⁰ and, therefore, the possibilities of job creation and future economic growth are determined by Ecuador's capacity to increase the complexity of its productive and export structure. Increasing such capacity is crucial, even more so when the structural situation of high unemployment and underemployment rates in the Ecuadorian economy have been adversely affected by the pandemic. This indicator seeks to quantify in diversity measures the productions and exports, understood as the collective *know-how* of a country²¹.

According to the Harvard Growth Lab, Ecuador's economic growth in the next decade would be 2.7% annually, as it is at low levels of economic complexity, as measured by the Economic Complexity Index in which Ecuador ranked 112th in 2018, worsening 13 positions in the ranking in the last decade, which defines it as a less complex country than it should be for its income level. Therefore, policies for the development of the productive sector and exports in particular should be a priority of the current and future governments. The opening of new markets must be complemented with policies for the growth and diversification of exports, in order to generate foreign exchange, along with greater employment and economic growth from private sector investments. Public sector investments in this regard should be strategic, prioritized and focused

¹⁹ BM, *Global Economic Prospects January 2020*, <https://www.world-bank.org/en/publication/global-economic-prospects/>.

²⁰ Ricardo Hausmann et al., *The Atlas of Economic Complexity*, 2013, <https://growthlab.cid.harvard.edu/publications/atlas-economic-complexity-mapping-paths-prosperity/>.

²¹ It is calculated based on the diversity of a country's exports and its ubiquity, that is, the number of countries that are also in a position to produce them.

should be strategic, prioritized and focused on promoting private sector competitiveness.

In the fiscal area, the expectation is that the new government that takes office in May 2021 in Ecuador will continue with the commitments related to meeting the fiscal sustainability goals as well as the goals of greater coverage and more focused support for vulnerable social sectors, which are set out in the agreement with the IMF signed in August 2020. Although the agreement establishes the need to reduce the NFPS deficit, it also provides sufficient flexibility for the adjustment towards more sustainable levels of public sector revenues and expenditures to be gradual, in order to reach the macro-fiscal targets for public debt in relation to GDP in the medium term. This mitigates the need for a relatively large adjustment in the short term, which would have a higher cost in terms of economic growth and employment. The exchange of sovereign bonds in 2020, as well as the price band adopted in that year, which links domestic fuel prices to the cost of supplying them, as well as the actions proposed in the agreement with the IMF to clean up the Social Registry and increase the coverage of poor families receiving government cash transfers, are actions aimed at the sustainability of public finances, but at the same time free up budget resources for a more effective and efficient use of public spending through the targeting of subsidies and greater protection of the most vulnerable.

The pandemic has increased the levels of poverty in the country, so a good use of public resources to support the most vulnerable population, and provide educational and health services of broad coverage and efficiency, will contribute to reduce the high human cost and to economic growth, which will leave the pandemic to the Ecuadorian society in the coming years. The

political uncertainty at the time of writing this document is high, as it is unknown who will win the presidency of the country in this second round of elections, and what decisions will be taken in relation to the agreement with the IMF, although clearly they will have to weigh the fiscal reality on the one hand, with the goals in the area of spending, and the electoral promises of their campaign period, on the other.

The medium- and long-term fiscal horizon focuses on strengthened sustainability, which will gradually begin to operate the fiscal rules approved in 2018 within the Law for Productive Promotion, Investment Attraction, Employment Generation and Fiscal Stability and Balance. This law establishes that, although the public debt balance ceiling of 40% of GDP would not apply in the 2018-2021 period, from 2022 onwards, four-yearly schedules will be applied, in order for the debt/GDP ratio to decrease until reaching the established limit of 40%. This law established the obligation to create a fiscal stabilization fund, focused on sustainability and on protecting health and education expenses, a fund that would be created with the revenues from the exploitation of non-renewable resources that exceed the budget. The aforementioned law does not require the creation of this fund until 2021.

Ecuador will face BCE three specific challenges in 2021 in terms of the sustainability of its public finances. First, to achieve the approval by the National Assembly of the draft Law for the Defense of Dollarization that reforms the Organic Monetary and Financial Code. The purpose of this bill is to provide the with autonomy, in order to avoid political manipulations that use international reserves to finance State expenditures, establishing the prohibition for BCE to lend directly or indirectly

to the government or the public sector. In addition, according to the bill, the current Monetary and Financial Policy and Regulation Board would become the Financial Policy and Regulation Board, an independent body in charge of issuing the prudential regulatory framework to which financial, securities and insurance institutions will be subject, in addition to formulating policies to promote financial inclusion²². This reform was part of the Economic Development Law draft presented by the Executive to the National Assembly on October 18, 2019, which was rejected; moreover, it was a commitment adopted in the previous agreement with the IMF, reached in December 2019, and is part of the August 2020 agreement with the IMF. This reform is necessary to increase security and strengthen institutionality in terms of protecting the dollarization system. Second, a political consensus must be achieved in the National Assembly around a tax reform, whose proposal must be presented by September 2021, according to the commitments of the agreement with the IMF, for its implementation as of 2022. In this case, the aim is to approve changes that will increase the permanent income of the State, through modifications in the personal and corporate tax tables, as well as in the VAT, and the creation of a tax on CO₂ emissions. This is another necessary element to provide sustainability to public finances, beyond the ups and downs of oil prices. Third, political approval must be achieved by defining which expenditures will be reduced or redirected to contribute to fiscal sustainability. The agreement with the IMF contemplates extending until May 2021 the temporary reduction of working hours of public

employees that was implemented during the pandemic and, in the medium term, it is contemplated that new hires will be made with lower salaries, and that freezes and rationalizations will be implemented for new hires in sectors not considered critical. It is also planned to generate savings of 0.7 percentage points of GDP through improvements in the process of purchasing and contracting public goods and services through 2025; to refocus the 0.9 percentage points of GDP that the government is estimated to save by eliminating the fuel subsidy on increasing social spending; and to moderate public sector capital spending, saving 2.1 percentage points of GDP over the next five years, prioritizing spending on projects that generate more employment and economic growth.

Growth prospects for the Ecuadorian economy in 2021, according to BCE projections, are for an increase of 3.1%, similar to those predicted by multilateral organizations (3.5% in the case of the IMF, 4.1% WB and 1% Cepal²³). BP's own forecasts are similar to the aforementioned projections. Economic growth in 2021 and the coming years will depend on the level and diversification of investment and exports achieved by the private sector, given Ecuador's new fiscal reality, which has changed from a country whose growth depended mainly on public sector consumption and investment spending to a country that must gradually achieve sustainability of its public finances.

²³ International Monetary Fund, *IMF DataMapper. Real GDP Growth, 2020*, https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/ECU?year=2020/.

BM, *Global Economic Prospectus January 2020*, <https://www.world-bank.org/en/publication/global-economic-prospects/>.

Cepal, *Preliminary overview of the economies of Latin America and the Caribbean 2019*. Ecuador, 2019, http://repositorio.cepal.org/bitstream/handle/11362/45000/75/BPE2019_Ecuador_es.pdf/.

²² *El Comercio*, "Country risk and social risk", February 2021, <https://www.elcomercio.com/opinion/riesgo-pais-riesgo-social-opinion.html/>.

It is expected that the National Government and the private sector will collaboratively solve the problems that would be hindering a greater attraction and diversification of domestic and foreign investment, and that public investment will be prioritized taking on a strategic character focused on increasing the competitiveness of the private sector.

Achieving greater export diversification and growth in exports of non-traditional products will require additional efforts and cooperation between the national government, local governments and the private sector in order to eliminate disincentives to investment. The objective should be for the country to generate competitiveness based on high levels of productivity and the generation of added value in its production, which implies the need for sustained actions and policies in a medium and long term process.

In terms of legislation, progress was made in 2020 with respect to the simplification of procedures for the creation of companies, with the issuance of the Organic Law on Entrepreneurship and Innovation, and the Superintendency of Companies regulated simplified corporations to allow the incorporation of small companies with few bureaucratic procedures. At the end of 2020, the Law for the Modernization of the Corporations Law was approved, aimed at changing the rules that have received criticism in the World Bank's Doing Business report.

In 2020 banks and the financial system in general prudently managed their liquidity levels, provisions and the level of credit risk assumed. This leaves the financial system prepared to continue boosting the growth of the economy in 2021, by responsibly delivering credit to meet the demand that is expected to reactivate in 2021.

Indeed, in the economic growth scenario expected for 2021 based on the projections of the BCE and the BP itself, the financial system will face a greater demand for credit and has the resources to meet this demand, fulfilling its role of financial intermediation, adequately managing the associated risks.

PICHINCHA FINANCIAL GROUP

Pichincha Financial Group (PFG), as of December 2020, maintained its leadership in the Ecuadorian market. It is made up of the following subsidiaries at the local level: Almesa, PAGUE YA, Vaserum, CREDI FE and Amerafin (BPAC), and at the international level it has banking presence in Spain, Colombia and the United States, with Agencia Miami.

In 2020, the group's results reflect an increase in assets of 12.3% over 2019, reaching USD15,641 million. The loan portfolio decreased by 3.3% and the past-due portfolio ratio is at 3.4%.

Based on its conservative provisioning policy, PFG achieved 307.6% coverage on the non-performing portfolio and 10.5% on the total loan portfolio, facing possible payment risks and insuring its depositors' money.

The group's total loan portfolio is made up of Banco Pichincha, which represents 74.3%, Banco Pichincha España, with 16.8%, followed by Banco Colombia and Agencia Miami, with a share of 6.7% and 2.1%, respectively. Each institution ensures the soundness of its portfolio, focusing its management on the real needs of customers and market structure.

Obligations to the public recorded an increase of 15.9% over the previous year, reaching an amount of USD12.85 billion. This structure is composed as follows: 78.8% by Banco Pichincha; Spain contributes 14.3%, and Colombia and Agencia Miami with 3.8% and 3.1%, respectively.

At the end of 2020, PFG obtained a net profit of USD42.3 million, which represents a reduction of 68.4% compared to the previous year.

GRAPH 1

PICHINCHA GROUP PORTFOLIO

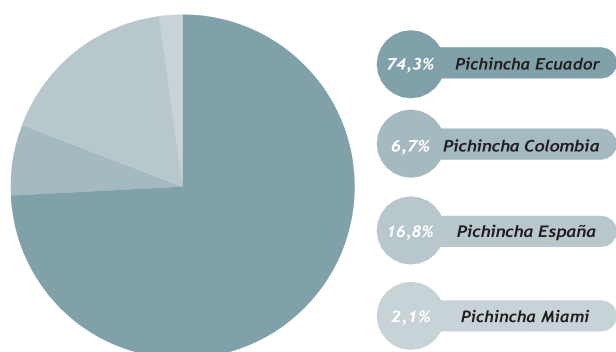
SOURCE: PICHINCHA GROUP BALANCE SHEET.



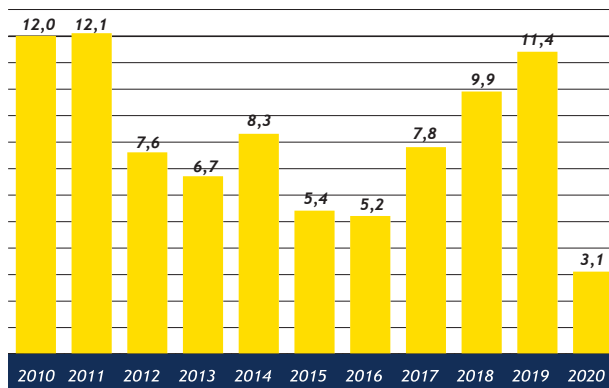
GRAPH 2
COVERAGE
(PERCENTAGES)



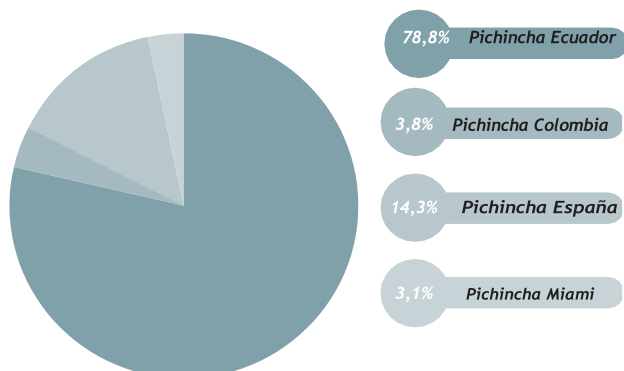
GRAPH 3
LOAN PORTFOLIO BY SUBSIDIARY
(PERCENTAGES)



GRAPH 5
PROFIT ON EQUITY
PICHINCHA GROUP (PERCENTAGES)



GRAPH 4
OBLIGATIONS WITH THE PUBLIC
PER SUBSIDIARY (PERCENTAGES)



This is largely explained by the constitution of provisions, in order to protect the group against the adverse environment. Return on equity was 3.1% and return on assets was 0.3%.

The group is starting 2021 very optimistic, with a view to a gradual economic recovery that will allow individuals and companies to grow healthily in the years to come. The group will contribute to this recovery through the work and innovation of its employees, the commitment of its shareholders and support for the needs of its customers.

PICHINCHA GROUP

In 2020, the country and the world faced one of the worst crises in its history, both from a health and economic point of view.

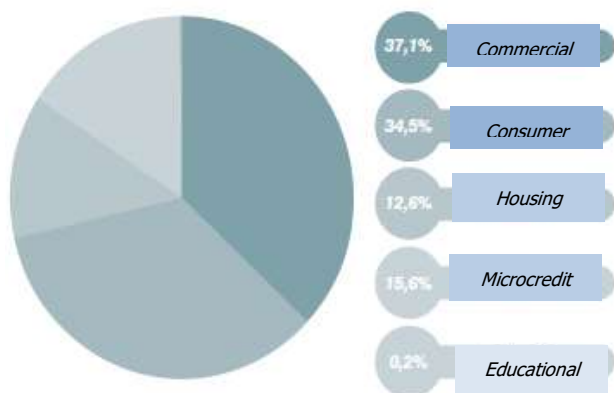
FINANCIAL EVOLUTION

Despite the pandemic, the financial results of the Ecuadorian banking system as a whole, as well as Banco Pichincha in particular, were relatively good, taking into account the adverse environment. The banking system's assets increased 8.7% from 2019 to 2020; the total loan portfolio had an annual decrease of 1.6% and the profit was USD233 million, 62.2% less than in December 2019.

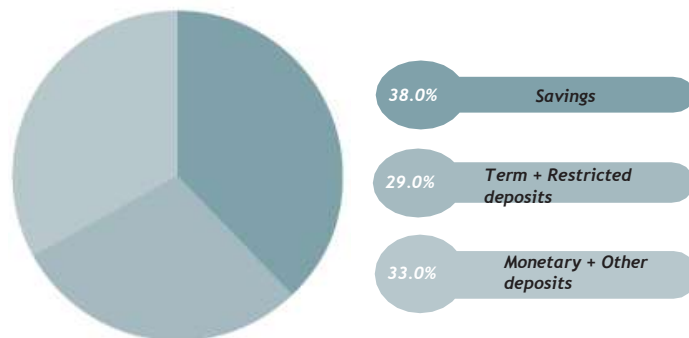
Banco Pichincha continues to lead the market share in total assets, with 26% of the banking system, which in dollars represents 12,615 million, an increase of 0.4% over the previous year. The composition of Banco Pichincha's loan portfolio is diversified and serves all market segments, reaching the different sectors of the Ecuadorian economy. The portfolio is distributed as follows: commercial 37.1%, consumer 34.5%, housing 12.6%, microcredit 15.6% and educational 0.2%.

As a consequence of the pandemic and economic inactivity, Banco Pichincha's total portfolio decreased by 7.2% with respect to the previous year. The commercial, consumer and housing portfolios decreased by 14.3%, 7.3% and 1.6%, respectively, while the microenterprise portfolio increased by 8.8%. Despite being one of the segments most impacted by the pandemic, microenterprise customers were able to reinvent their businesses and move forward in a different environment. Educational lending, with a small share of 0.2%, increased by 58.2%.

GRAPH 1
PORTFOLIO BY DESTINATION
(PERCENTAGES)



GRAPH 2
DEPOSITS BY TYPE
(PERCENTAGES)



One of Banco Pichincha's main achievements in 2020 was the management of the quality of its loan portfolio. Through deferral, normalization and refinancing schemes, the Bank achieved a 3.5% delinquency ratio at the end of the year.

To strengthen coverage in this adverse environment, the results obtained in 2020 allowed the Bank to increase its already solid coverage of provisions over total portfolio from 10.3% in 2019 to 12.7%. The coverage of provisions over non-performing loans was 359.7%, allowing the Bank to enter 2021 on a firm basis.

Obligations to the public rose 12.8% compared to the previous year, significantly increasing liquidity, which reached 32.7% at the end of 2020. Liabilities to the public are distributed in savings deposits 37.9%, monetary and other deposits 33%, and time deposits plus restricted deposits 29.2%.

The transformation process that Banco Pichincha initiated in 2019 is progressing strongly, generating significant changes in agility, efficiency, customer experience, digital media and commercial systematics. The transformation was a key factor that enabled Banco Pichincha to successfully face the challenges of 2020.

SERVICE

Banco Pichincha closed 2020 nationwide with 238 branches, 1,272 ATMs and more than 8,000 transactional points in non-bank correspondents Pichincha Mi Vecino. Below are the main achievements by channel.

AGENCIES CHANNEL

In 2020, the agency channel closed with 52.8 million transactions, i.e. 29% less than in 2019 due to the pandemic; however, 32% of the amount of channel transactions moves through this channel. In order to protect the health of our customers and following government recommendations, we implemented differentiated service hours, biosecurity measures (taking temperature at the entrance, markings on the floor to ensure distance and the use of alcohol) and a remote service model to solve the main requirements of our customers, without the need for them to visit the offices. This channel, in spite of the difficult times the country was going through, did not stop working, taking care at all times of the health and well-being of our customers and employees. Despite the difficulties, three offices were opened in 2020: Agencia Centro Comercial Iñaquito (Quito), Cuxibamba (Loja) and Mall del Sol (Guayaquil). In 2021, there are plans to reconfigure the agency network.

CALL CENTER CHANNEL

This year the call center channel carried out 17.8 million transactions, 10% more than in 2019. In May and June, we received the highest volumes of calls, which caused a backlog in the solution of customer requirements that was quickly resolved. It is worth to mention that 100% of the officials work from their homes through remote attention. The call center was focused on resolving our customers' requirements in relation to debt refinancing. We improved critical processes, achieving a 6% increase in customer satisfaction. Finally, we implemented improvements in customer self-management, as well as in the migration of certain requirements to digital channels, seeking to improve the user experience and the efficiency of the channel.

NON-BANK CORRESPONDENT CHANNEL (NBC)

In 2020, this channel closed with 78.3 million transactions. It was the channel that recovered its transactional rhythm the fastest; thus, as of October it returned to transactional growth. To support and provide security to shopkeepers and their customers, Banco Pichincha donated digital thermometers to the main correspondents nationwide. In terms of innovation, and with the aim of reaching the most distant places in Ecuador, Banco Pichincha began to install and open satellite CNBs, which enable it to meet the financial needs of distant populations.

Likewise, new shopkeepers began to interact with the Bank through the Don Pepe *bot*, which allows digital interaction between the correspondent and the Bank without the need for physical contact. With respect to technology upgrades, the Bank completed the replacement of equipment with the latest generation devices.

In the same year, the channel received an award for best practices for its CNB Integral Development Program, granted by Pacto Global - Red Ecuador, an initiative of the United Nations. This initiative promotes financial inclusion in highly vulnerable areas, serving populations that are normally excluded.

SELF-SERVICE CHANNEL

In 2020 we imported 333 new multifunction equipment for the growth of our fleet, in addition to 254 multifunction equipment for spare parts due to obsolescence; these equipments are being located in strategic locations that allow 24/7 attention. In addition to serving our customers' needs for withdrawals, cash and check deposits, and coin returns, they will support the agency channel

for transactional migration. This channel closed with 20.8 million transactions. In terms of efficiency, we were able to reduce the level of operational costs, among other actions, by negotiating with our main suppliers.

WEB CHANNEL

In an atypical year such as 2020, as a result of the pandemic, we had the opportunity to boost this channel with a transactional growth of 32% compared to 2019, making it the preferred channel for our customers. It has gone from being a transactional channel to a commercial channel, generating credit placement sales of USD3.4 million in less than two months and investment capture sales of USD67 million. We included new functionalities, such as updating contact data and rating the customer's experience in the use of the web. In 2021, we will implement new value transactions with more robust security methods that build trust with our customers.

APP CHANNEL

Taking advantage of the 2020 situation, the mobile banking channel achieved growth in digital adoption of 59% and transactional growth of 19% compared to 2019. We enhanced our customers' experience with new value-generating functionalities, making it much easier to use and implementing visual schemes to produce a better customer relationship.

Mobile banking evolved into commercial banking, generating credit placement sales of USD4 million in the last month; likewise, 9,951 accounts were opened in all of 2020. In this way, the channel continues to increase its capabilities and generate better experiences for our customers.

CASH MANAGEMENT

In 2020, the cash management business generated USD42.4 million in revenue, a net growth of USD700 thousand over last year, processing 211 million transactions. In addition, 61,000 customers were affiliated, 5% more than in 2019. Due to the pandemic situation, 1,613 customers were reactivated, thus boosting the use of electronic banking and the decrease in check writing, as well as cash payments.

We supported three NGOs with ATM payments through the Bono Migrante service, as these organizations received international funds to support vulnerable migrants.

In the area of innovation, this area worked as a pilot to incorporate electronic signatures in enabling documents.

PRODUCTS AND INNOVATION

In the middle of a different and complex year due to the situation brought about by covid-19, the Products area focused all its efforts on putting the customer at the center of operations, guaranteeing a responsible offer that is adaptable to the needs of the moment.

KEY ACTIVITIES, ACHIEVEMENTS AND AWARDS

The year 2020 was very important to consolidate our products in their digital versions, as well as the launch of others that were necessary in the face of the pandemic. Our digital account, programmed savings and consumer credit exceeded 75% in *share digital* of product sales compared to other channels.

In consumer credit, 317 million dollars were placed through the digital channel, representing

70% of the total disbursements made in 2020. With respect to new digital products, we launched the flow of digital investments in web banking, as well as the possibility of refinancing and standardization of the digital portfolio.

In the commercial area, the main achievements include the implementation of the *always on* in the programmed savings product, with which the Bank achieved greater proximity with customers and constant monitoring for the generation of new opportunities (savings-constant-bonus). In addition, a new system for managing obligations was implemented for the treasury area, which facilitates their control, follow-up and operation.

The new investment product for private banking called Bienestar Futuro was launched, as well as the micro-collections project with the ARCA window and the collection of counterparts through CNB. This year also saw the launch of the Digital Deposit from the *cash management* app, a service for the corporate segment. On the other hand, the project for adjusting local and international transfers was approved, with a significant investment for optimizing the entire transfer ecosystem.

Another achievement was the implementation of the Liquidez Plus product for the corporate and SME segments, with USD13.8 million. In addition, the promotion of BIO products, with 30 thousand loans granted in the first year of issuance of green bonds for USD150 million. These projects generate a positive impact on the environment and strengthen the environmental culture, being the first and only financial institution to issue green bonds in Ecuador. Finally, the Ballon product obtained a placement of USD5.5 million for 2020. In addition, the POA product is expected to start operations in January 2021, with a projection of USD26 million.

TECHNOLOGY AND OPERATIONS

2020 was a year of great effort to meet the great challenges we had to face due to covid-19, especially because of the adaptations that were made and continue to be made to face this new reality.

The Vice Presidency was restructured with a view to strengthening the team, reducing time to market, securing processes, strengthening our platforms, minimizing risks, generating efficiencies, and delivering value to the business and the customer in a faster and more effective manner. All business units achieved important milestones in 2020.

BUSINESS RELATIONSHIP MANAGEMENT (BRM)

We guaranteed the efficient use (99.81%) of development resources, through a demand management model coordinated with the business, ensuring the execution of strategic initiatives in an efficient and sustainable manner. We worked on 16 emergency initiatives to mitigate the impact of the pandemic on our customers (refinancing, deferral and portfolio normalization), investing a total of 50 thousand development hours.

OPERATIONS AND CENTER OF EXCELLENCE

In 2020, the organization decided to create the Bank's Operations area, in order to take control of its operational processes and maximize productivity indicators, operational quality and risk mitigation, with a high focus on customer experience, optimal response times with agile, automated and self-manageable processes.

We set up the process improvement cell (automation through workflows and robotization). One of its achievements was a 30% reduction in the customer service cycle, improving customer experience and increasing productivity in operational management by 45%; on the other hand, thanks to the automations developed, we improved the attention of claims, reaching 10 thousand claims per month. We also achieved a 70% reduction in the cost of card delivery compared to 2019.

With the adjustment of the virtual training model for cash customers in their affiliation, we reduced average service times from ten to two or three days. This modification of the affiliation model significantly reduced the response time and there was also a 72% drop in the cost of this process compared to 2019.

We promoted the migration to digital account statements, which meant a reduction in distribution expenses of approximately 40% with respect to the previous year. Likewise, in 2020 claims decreased by 10.23% compared to 2019.

ARCHITECTURE AND APPLICATION DEVELOPMENT / DATA ARCHITECTURE

In 2020, we were able to shut down 21 obsolete applications that represented a high risk for the continuity of the Bank's services. On the other hand, 180 microservices and 410 code repositories were built in the cloud, which meant a significant reduction *in time to market* from 67 to 45 days in the delivery of new services and/or technological capabilities.

Deployment speed decreased from six hours to eleven minutes, using DevOps *pipelines* for new developments in *cloud* technologies. We defined and designed the outsourcing model for banking capabilities, enabling the developer portal

and APIs for deposits, withdrawals, queries, advances and payments. We enabled the developers' *cloud* portal for the creation of virtual machines to promote self-service in their daily activities.

As part of Digital Transformation 2.0, we established a future data architecture capable of supporting Big Data, artificial intelligence and advanced analytics. In addition, the obsolescence of data components in the storage layer of the current architecture was reduced by 90%.

INFRASTRUCTURE

During 2020 we had infrastructure stabilization, modernization and standardization objectives. Additionally, we eliminated single points of failure in our platform architecture. To improve the experience of our internal and external customers, we focused on improving our incident response, monitoring and root cause analysis processes. We were able to reduce critical incidents by 80% and went from 56% to 81% in terms of effectiveness in determining the root cause.

In addition, we advanced in an aggressive strategy for the elimination of obsolescence, forming dedicated cells and executing multiple projects for this purpose. We eliminated obsolescence in our critical active directory and e-mail platforms, and reduced our infrastructure obsolescence rates by an average of 30% over the previous year.

As part of our upgrade strategy, we improved the process of implementing security updates in our infrastructure to mitigate related risks. We increased patching of servers from 48% to 97% and of end-user operating systems from 28% to 95%. We restructured the technological infrastructure area, generating four new managers with a focus on new skills such as cloud,

reliability, networks and end-user experience.

IT GOVERNANCE AND CONTROL

We created a new IT Governance and Control structure, which aims to manage IT processes, continuous improvement, IT budget control, ensuring compliance with projects and indicators, and technology risk management. The main achievements were as follows:

- We ensured the delivery of tools for telework enablement, reassessment of IT risks based on the new reality, follow-up and monitoring of critical technology suppliers, technology platform performance and capacity, and cybersecurity risks.
- We closed 79 audit observations, representing 95% of the total, and implemented 104 action plans to mitigate all the operational risks found, achieving 90% compliance.
- We executed 100% of the technological projects and achieved an 8% efficiency in spending with respect to the previous year.

SUSTAINABILITY REPORT

INTRODUCTION

BANKING WITH PURPOSE

[102-4] [102-43]

We are Banco Pichincha, the largest banking institution in the country, with presence also in Peru, Colombia, Spain, the United States and Panama.

Being flexible to the changes demanded by a more global and competitive environment, since 2018 we have taken on a new challenge: to evolve to an international banking model, simple and efficient, that at the same time inspires and rewards trust and is solid, values that have characterized us in our 114 years of history.

We seek to develop the best human team, because our employees are our agents of change, who face the new challenges of a market that demands simple, diverse, inclusive, digital banking, with individualized and sustainable products and services.

Our customers are the basis of our corporate model. We serve various sectors of the Ecuadorian economy, providing products and services focused on people, appropriate to each segment and need, offering the best experience in every interaction with us.

Our business model contemplates inclusive and sustainable management as a pillar for our success. Therefore, we are committed to the purpose of promoting a positive and fair impact on society.

From this model, in the year 2020, we will lead our institution accompanying and responding to the needs of our stakeholders, in the midst of the current crisis that covid-19

has caused, being aware of the interconnection between our institution and the economic, social and environmental development of the community in which we operate. The actions we execute in support of our public and Ecuadorian society are reflected in this Annual Report.

VISION: CHALLENGES AND OPPORTUNITIES

[102-15]

Our transformation process aims to adapt to the new banking environment, characterized by challenges and opportunities that we have set out in our strategic plan:

- A complex macroeconomic environment.
- An industry with strong regulatory pressure.
- The presence of geopolitical risk.
- A change in customer needs and expectations, demanding higher value services, with an agile, transparent and simple relationship mode.
- The *Big Data* challenge as a strategic asset to know the customer and have the necessary processes and systems to protect their personal and financial data, in order to minimize risks and maintain their trust.
- The global and national trend to promote banking with a focus on sustainable finance, through products and services with a social approach, such as financial inclusion and support for women, and an environmental approach, through green products, green bonds and environmental incentives such as certifications and strengthening of management skills in customers.
- The need for well-designed human capital management models, not only to ensure that the entity has the right skill set to

execute the business strategy, but also that it develops, attracts and retains employees, an issue of great importance in the middle of digital transformation.

In this context, our strategy focuses on five *drivers* (GRAPH 1).

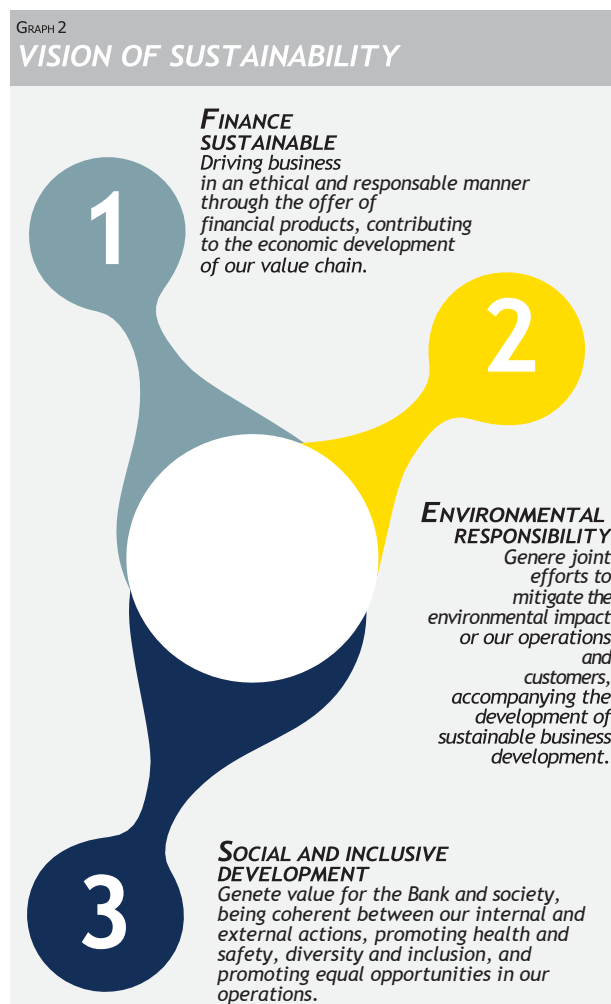


These challenges will continue during 2021 and new challenges that arose as a result of the health emergency will be added, such as accompanying the country's economic recovery in a sustainable manner, boosting credit while protecting depositors' resources, being close to our customers through financial relief products and measures, boosting the economy from the bottom of the pyramid through microcredit, and strengthening our focus on sustainable finance.

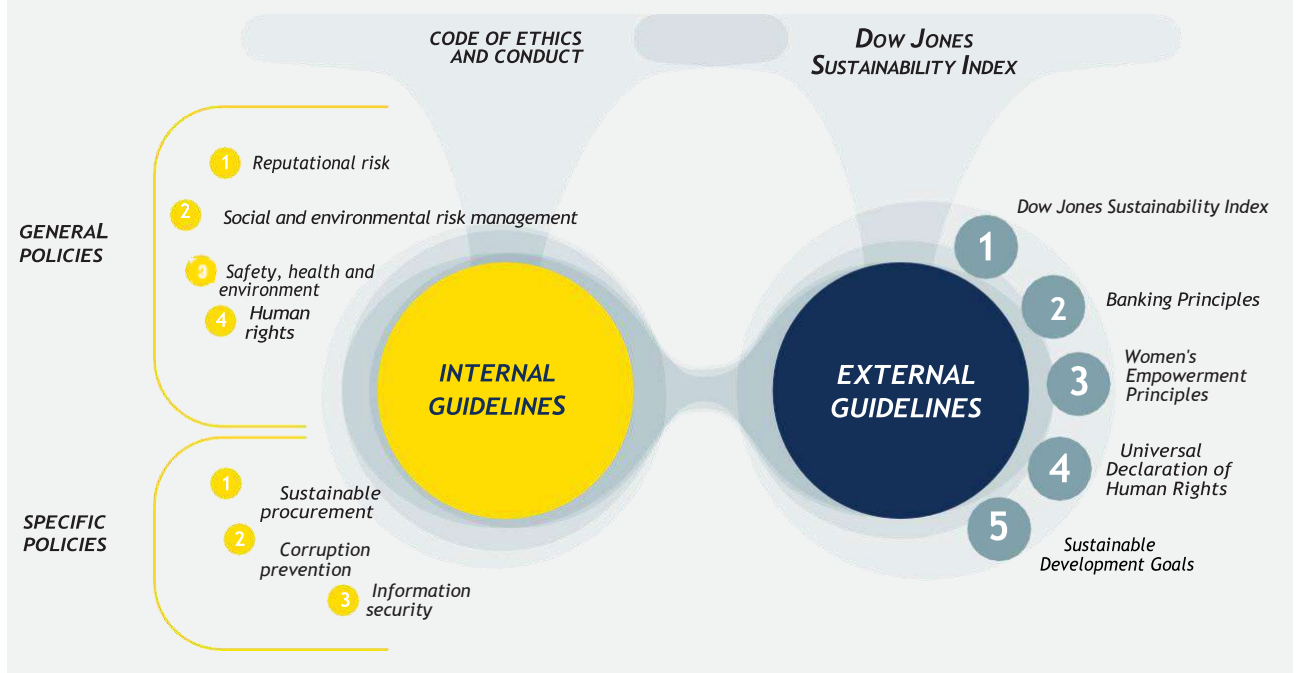
SUSTAINABLE MANAGEMENT

Our sustainability model has also evolved, seeking to maintain direct alignment with our business strategy. This report is developed based on the new strategic pillars.

Our vision of sustainability is based on the management of risks and opportunities before our stakeholders in economic, social and environmental issues, derived from Banco Pichincha's operations, which strengthen our corporate reputation and financial responsibility. (GRAPH 2)



THEORETICAL FRAMEWORK OF REFERENCE FOR OUR SUSTAINABILITY MODEL



IMPACT OF THE SUSTAINABILITY MODEL ON OUR STAKEHOLDERS



LOCAL AND INTERNATIONAL INITIATIVES RELATED TO SUSTAINABILITY

[102-12] [102-13]

We maintain the following voluntary memberships to global and local initiatives that strengthen our commitment to sustainable development:

- United Nations Global Compact;
- United Nations Environment Program - Finance Initiative (UNEP FI)
 - Principles for Responsible Banking;
- Global Alliance of Banks for Women;
- UN Women Women's Empowerment Principles;
- Consorcio Ecuatoriano para la Responsabilidad Social (Ceres);
- Metropolitan Council for Social Responsibility and Sustainability;
- Asociación de Bancos Privados del Ecuador, Sustainable Finance Committee (Asobanca);
- Ecuadorian-American Chamber of Commerce, Corporate Responsibility Committee;
- ISO 20.400 sustainable Purchasing;
- Sistema de Gestión Integrado de SSA: ISO 14.001 e ISO 45.001;
- Partnership for Carbon Accounting Financials - PCAF.

In addition, we voluntarily measure ourselves under international standards such as the following:

- Certification in Client Protection Principles- The Smart Campaign;
- Social Performance Management Rating;
- Dow Jones Sustainability Index;
- Certification as a Family-Responsible Company.

OUR RESPONSE TO THE PANDEMIC FROM OUR SUSTAINABLE MANAGEMENT MODEL

Banking worldwide was affected by the direct impact of the pandemic on the economy. However, our sustainability commitments in economic, social and environmental matters remained firm and, in some cases, were strengthened.

Our efforts to adapt our processes and align them with preventive measures to care for the health of our employees and customers, our support to society through the donation of important funds, support to manage the emotions of our employees and their families, products to provide financial relief to our customers, and the creation of the #SumarJuntos campaign are some of the actions we undertook to help our stakeholders face the health crisis and contribute directly to Ecuador's health system. These and other responses we provided, aligned with our business, are presented throughout this report.

OUR STAKEHOLDERS

[102-40] [102-42] [102-43]

To determine the content of the Report, we took as a basis the stakeholder identification process we conducted in 2017, considering the relationship of dependence and influence with our organization and vice versa.

At the end of 2020, we conducted dialogues with four of our priority stakeholders: employees, customers, non-bank correspondents (CNBs) and suppliers. These were conducted by third parties, so their answers

were anonymous and independent. Through these interaction spaces, we identified expectations and perceptions regarding our economic, social and environmental performance. With this information we conducted a materiality analysis that support

this inform.

As part of our objectives for 2021, we are committed to updating our stakeholder map next year (GRAPH 5).

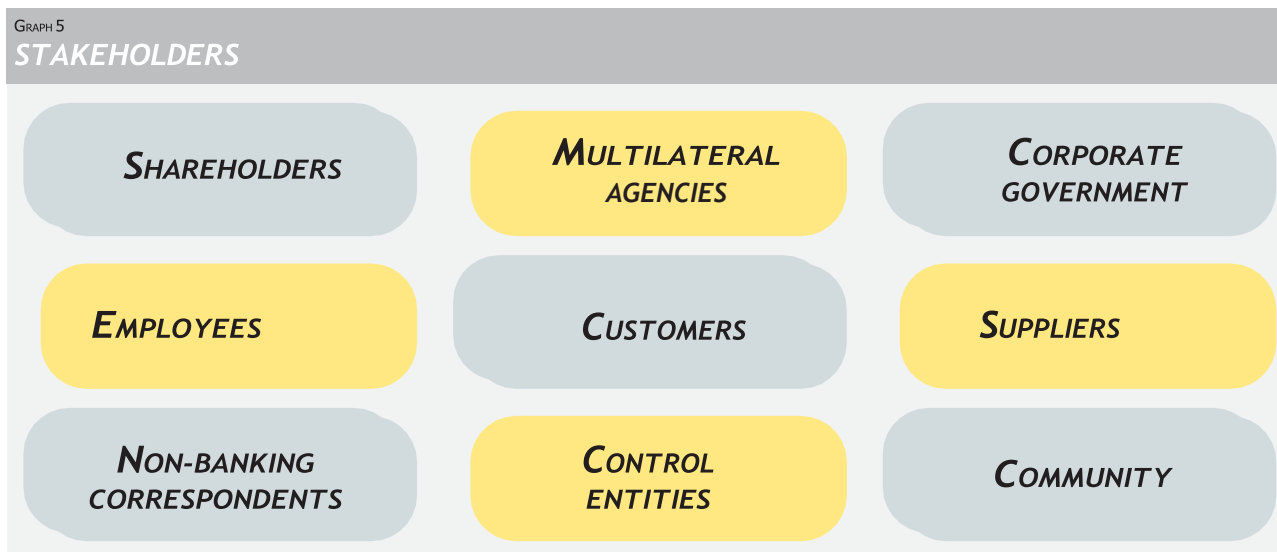
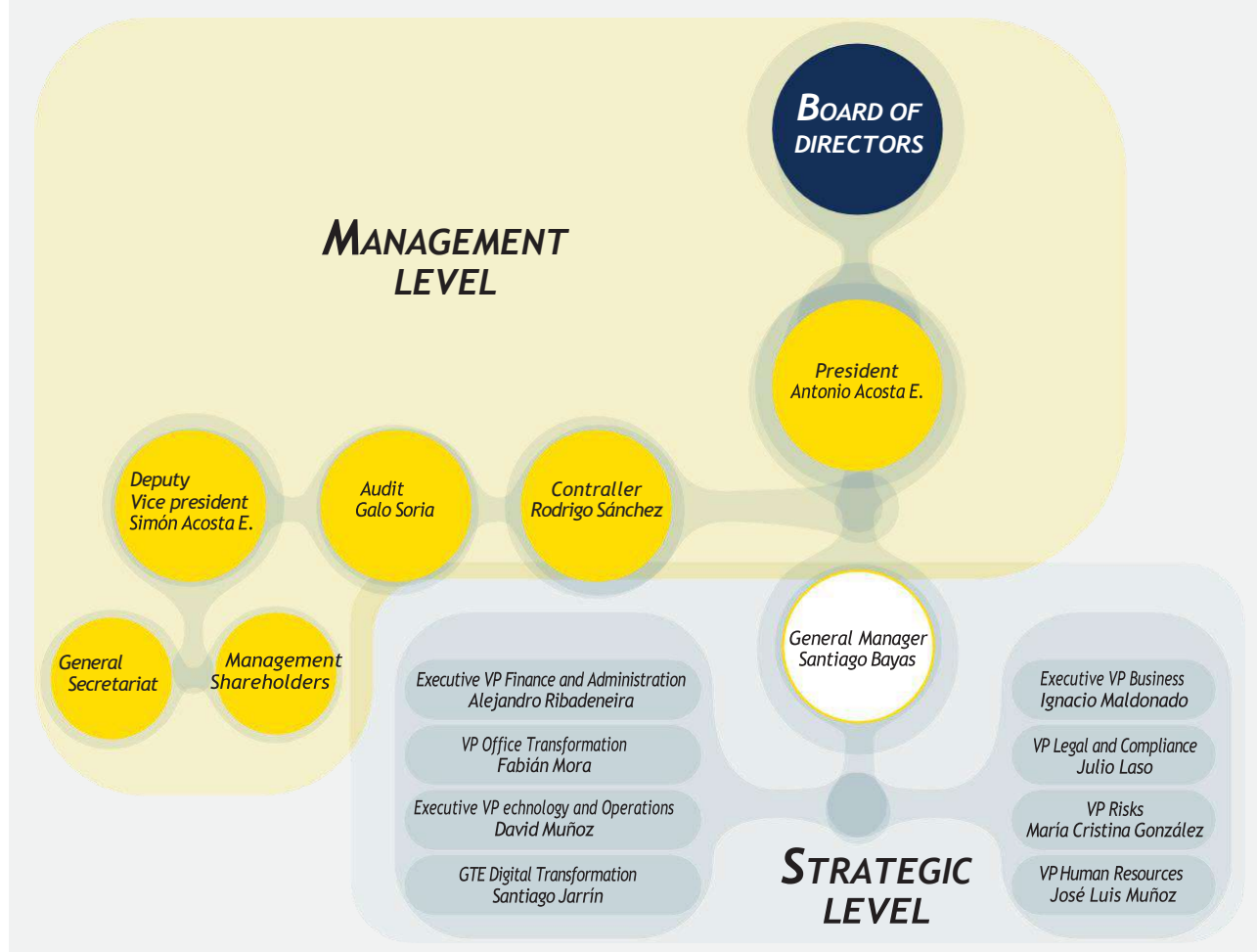


CHART 1
CHANNELS OF RELATIONSHIP WITH OUR KEY STAKEHOLDERS

STAKEHOLDERS	Dialogue channels
SHAREHOLDERS	<ul style="list-style-type: none"> • General meeting of shareholders • Ordinary and extraordinary sessions
CORPORATE GOVERNMENT	<ul style="list-style-type: none"> • Committees and subcommittees • Intranet • WorkPlace
EMPLOYEES	<ul style="list-style-type: none"> • Intranet • Digital newsletter • Surveys • Joint Committes • WorkPlace
CUSTOMERS	<ul style="list-style-type: none"> • Internet • Satisfaction surveys through the Client tool • E-mail
SUPPLIERS	<ul style="list-style-type: none"> • Internet • E-mail • Qualification of external certifier
COMMUNITY	<ul style="list-style-type: none"> • Fundación CRISFE

GENERAL ORGANIZATION CHART (DECEMBER 2020)



CORPORATE GOVERNMENT

[102-18]

The highest body of our institution is the General Shareholders' Meeting, which ordinarily meets once a year.

The Board of Directors is the body that establishes the Bank's general operating policies, under which the other administrators will develop their actions. It is composed of the president and alternate director, four or six principal directors and an equal number of alternate directors. The members of the Board of Directors are qualified by Superintendencia de Bancos and

elected by the General Shareholders' Meeting, in accordance with the Bank's bylaws, for a term of one year and may be reelected.

100% of the directors are independent, do not hold executive positions and meet monthly in ordinary sessions.

The directors are the Bank's main decision makers in economic, social and environmental matters; however, there are approval levels and amounts for the Executive Committee given by the Bank's statutes and other delegates of the Bank's credit committees.

The President is the main authority of the Bank and also of the General Meeting and the Board of Directors, without exercising legal representation. The Bank's functional organizational structure contemplates three organizational levels: managerial, strategic and

tactical. Sustainability issues are managed from the Sustainable Development area, which reports to the Business Executive Vice-Presidency (GRAPH 6, PREVIOUS PAGE).

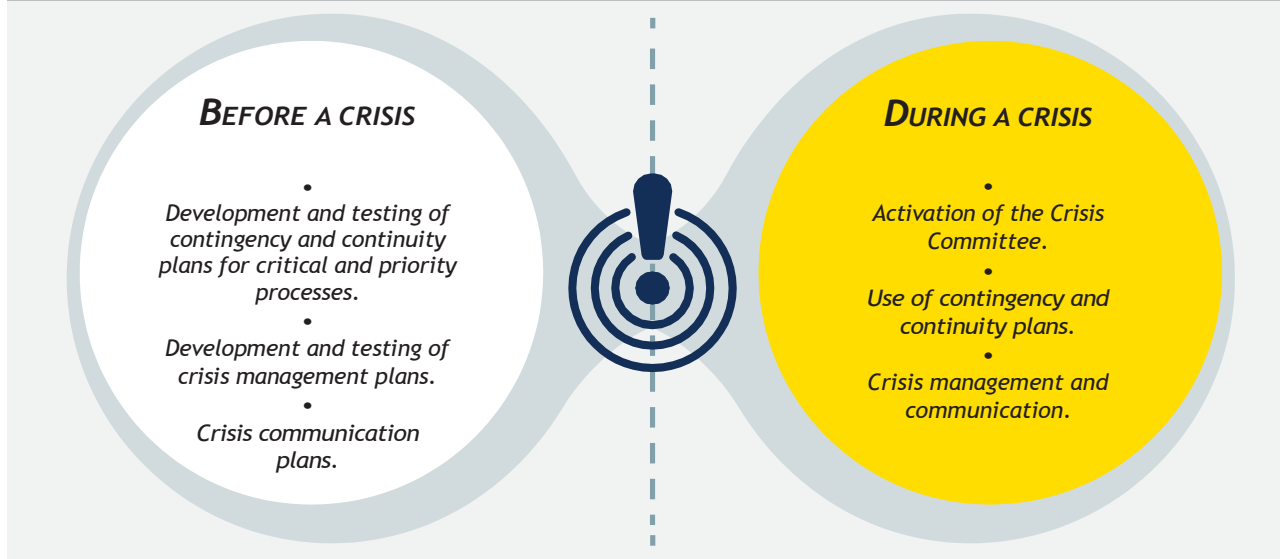
The 13 active committees that supported the management of Senior Management in 2020 are detailed in CHART 2.

CHART 2

SENIOR MANAGEMENT COMMITTEES

ALCO COMMITTEE	Focuses on commercial business in line with risk tolerance.
BUSINESS CONTINUITY COMMITTEE	Minimizes the economic and operational impact of crisis events by strengthening the Business Continuity Plan.
INFORMATION SECURITY COMMITTEE	Administers the Information Security Management System through the fulfillment of the institutional strategic objectives.
INTEGRATED RISK MANAGEMENT COMMITTEE	Supports the soundness and solvency of the institution with the approval of the Board of Directors.
ASSET QUALIFICATION COMMITTEE	Determines risk assets and the provisioning levels required for their protection.
COMPLIANCE COMMITTEE	Oversees compliance with regulations and policies for the prevention of money laundering, financing of terrorism and other crimes.
AUDIT COMMITTEE	Oversees the optimal functioning of internal control systems, objectives, institutional goals and superior financial results
EXECUTIVE COMMITTEE	Observes the proper functioning and management of the administration and operations of the Bank's senior management.
STRATEGIC COMMITTEE	Develops institutional strategies for the fulfillment of the strategic budget plan.
ETHICS COMMITTEE	Follows up on compliance with institutional principles and values and the guidelines of the Code of Ethics.
LEGAL COMMITTEE	Oversees and monitors the legal security of the organization and the decisions taken.
REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE	Observes the relationship between shareholders, the Shareholder Meeting, the Board of Directors and the Bank's management.
INFORMATION TECHNOLOGY COMMITTEE	Maximizes return on technology investment aligned to the service strategy and corporate guidelines.

RISKS OF BUSINESS INTERRUPTION



RISK AND CRISIS MANAGEMENT

[103-1, 103-2, 103-3]

We respond quickly to any type of crisis, in order to timely and effectively reduce or avoid negative impacts on the Bank and its stakeholders.

We live a culture of risk prevention that we leverage through internal policies, communication, training and evaluation. This management allows us to identify the weaknesses and risks to which we are exposed during the execution of our processes, especially critical ones such as the use of systems and information, the participation of employees and customers, the use of assets and physical infrastructure that support our organization, and unexpected external events.

Crisis management has these objectives:

- Protect the integrity of employees, customers and other people who may be affected during a crisis.
- Protect the Bank's reputation.
- Minimize the consequences of disruption to operations and finances.
- Minimize the negative impact on organizational strategy.

We have evaluation mechanisms in place through periodic testing of crisis, contingency and continuity management plans. In addition, we monitor key risk indicators, conduct crisis simulation role plays and internal audits to identify opportunities for improvement.

In 2020, we strengthened the risk scenarios for the development of contingency and continuity plans, we incorporated more complex simulation tests (*role plays*) to test crisis management plans, and updated communication strategies in crisis (GRAPH 7).

CULTURE OF BRIBERY, CORRUPTION AND FRAUD PREVENTION

We prevent, detect and manage risks associated with misconduct by employees and stakeholders, based on the principle of zero tolerance for the commission of crimes.

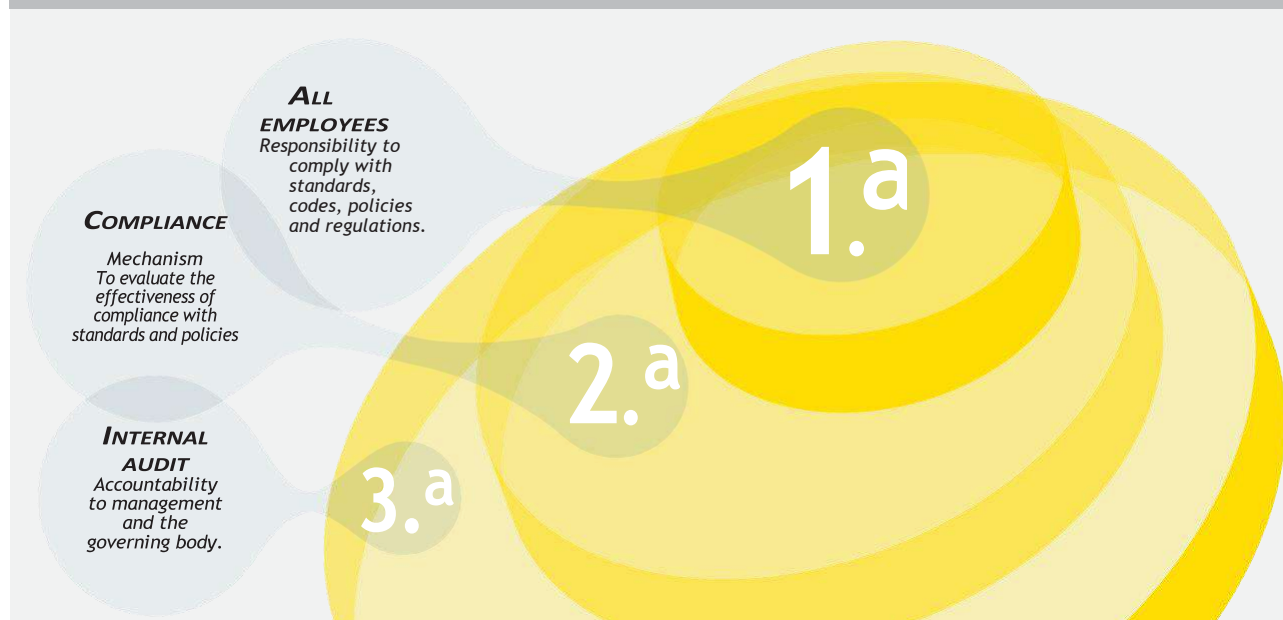
Protecting the interests and assets of our stakeholders and the Bank is an institutional priority. Our ethical culture is based on documents that must be complied with by all our personnel, such as the Code of Ethics and Conduct, Compliance Policy, Conflict of Interest Policy, Nepotism Policy, Money Laundering Control and Prevention Manual, among others. We also have a Code of Ethics for Suppliers.

Communication and training processes on anti-bribery, corruption and fraud issues help

CHART 2
ANTI-CORRUPTION COMMUNICATION AND TRAINING
YEAR 2020

	# total	# reached	%
Employees to whom the organization's anti-corruption policies and procedures have been communicated.	5.131	5.131	100%
Members of the governing body who have received anti-corruption training	15	15	100%
Employees who have received anti-corruption training	5.050	4.755	94%

GRAPH 8
3 LINES OF RESPONSIBILITY (3LR) MODEL



to reinforce desired behaviors and reduce the economic and social impact, enabling the organization to achieve its objectives and leverage its reputation and transparency. We have conducted awareness campaigns for the prevention and timely detection of improper acts; recreational and feedback activities on bribery and corruption prevention and compliance with internal policies, risk management culture, corporate citizenship and coherence; as well as the communication and updating of the Code of Ethics and Conduct, Internal Work Regulations and related policies and procedures.

We are currently implementing the 3 Lines of Responsibility (3LR) Model (GRAPH 8, PREVIOUS PAGE) which is part of the Bank's Corporate Governance system. This model structures the entire organization to effectively manage, control and monitor all risks. Banco Pichincha's Compliance Program is designed to be continuously improved, based on the results of the evaluation of internal indicators, reports from control entities, regulatory changes and best practices in the field.

CULTURE OF ZERO TOLERANCE FOR THE COMMISSION OF CRIMES

As part of the Compliance Program, we have reporting channels for employees, customers and suppliers; we investigate and deal with cases of bribery, corruption and fraud. Cases are classified into four typologies: unauthorized activities, bribery and corruption, fraud, and inappropriate use of information. Cases are subject to rigorous internal analysis to determine whether improper acts have been committed in order to apply the corresponding disciplinary

measures based on the Internal Work Rules.

We have had no public legal cases brought against the organization or its employees, nor cases in which contracts with business partners have been terminated or not renewed for corruption-related violations. There are no significant or recurring risks.

SUSTAINABLE FINANCE

SUSTAINABLE FINANCE

[103-1, 103-2, 103-3]

Sustainable finances are those that seek to boost the country's economic growth in an ethical manner, including social and environmental factors that reduce pressure on the environment and generate fairer societies. This is materialized in an offer of products and services that seek to mitigate climate change and environmental impacts, as well as reduce inequalities, increase financial inclusion and social investment. In this way, we align our operations with the Sustainable Development Goals (SDGs), the Principles of Responsible Banking, the Paris Agreement, the Women's Empowerment Principles, the Universal Standards of Social Performance, among others.

Sustainable Finance is one of the pillars of our Sustainability Model, which consists of the following components:

- Biocredit offer for all business segments, applied in the destinations of renewable energies, energy efficiency, cleaner and more

efficient production, sustainable construction, sustainable transportation, solid and liquid waste management, and sustainable agriculture.

- Non-financial offer of biocredits, including technical assistance, advisory services, sustainable certifications and bonds at no cost to our customers.
- Analysis of our customers' environmental and social risks.
- Integral offer for micro-entrepreneurs with financial and non-financial products and services, including financial education and the Bank's approach to communities, through individual and group methodologies.
- Offer for women through a broad and diverse product portfolio that supports their integral development, and has lines of credit with preferential conditions.
- Product for the agricultural value chain, which is currently being designed in alliance with Rabobank, including sustainability as one of the important axes.

In order to improve our sustainable finance practices, we are subject to several external auditing processes, including the annual measurement against the Dow Jones Sustainability Index, due diligence processes carried out by multilateral organizations and verification by Sustainalytics, a Green Bond Principles (GBP)-qualified entity.

Among the corrective measures we adopted in 2020 is the updating and improvement of the Social and Environmental Risk Management System – SERMS (SARAS), integrating the evaluation of social and not only environmental aspects, including international risk standards and best practices in the sector.

SUSTAINABLE FINANCE

In our view, being the largest and the best Bank implies promoting shared value with our stakeholders because we know that their growth and integral development depend on our growth and development.

BIOCREDIT 2020

\$ 114'170,004 million

represent 2,29% of the total portfolio

beneficiary customers

5,474

81

beneficiary customers of the non-financial offer

64

customers trained in sustainability issues

MAIN INDICATORS GREEN BOND ISSUE

\$150 M



First green bond issue in Ecuador

30.335 beneficiary customers

\$48.5 M



Climate change mitigation and energy efficiency

30.153 beneficiary customers

\$93.8 M



Sustainable construction and housing

97 beneficiary customers

\$6.3 M



Sustainable agriculture

8 beneficiary customers

314 thousand m² of construction projects certified with EDGE.

7,2 thousand tons of CO₂ avoided.

20.515 MWh of energy reduction.

271,5 thousand m³ water savings.

"SUMAR JUNTOS"

\$16'440,456.24
total collected



\$ 10'000,000
Banco Pichincha



\$ 5'581,726.41
Companies contribution



\$ 858.729,83
Individual contributions

In the annual measurement against the Dow Jones Index, our *ranking* in the sustainable finance dimension has improved. This year we scored 70 points, which is 19 points higher than in 2019.

BANKING WITH ENVIRONMENTAL FOCUS

[FS1] [FS2] [FS3] [FS4] [FS5] [FS8] [FS9] [FS10]

SOCIAL AND ENVIRONMENTAL RISK MANAGEMENT POLICY AND SYSTEM

In 2020 Banco Pichincha created the Social and Environmental Risk Management Policy for Loans. This policy integrates social and environmental considerations in credit management, which allow us to identify, evaluate, mitigate and monitor this type of risks of our customers, in order to avoid undesirable

events in the credit portfolio that affect the reputation, guarantees and cash flow of the organization.

The scope of this policy is for all productive credit products offered by the Bank in Ecuador. It includes the following main commitments:

1. Not to grant loans to those customers whose commercial activities are included in the list of activities that are not financed.
2. Include the results and recommendations of the environmental and social risk assessment in the decision making process for granting loans.

We reduce negative environmental and social impacts of our customers' operations.

DIGITAL TRANSFORMATION



New Mobile Banking

1.1 million

active users.

25.5 million
monthly transactions.

18.000
active users.

SOCIAL IMPACT



New line of credit

\$ 250 million

to women.

80 vulnerable
communities served
with **Mi Vecino**
satellites.



48% of the Bank's customers are women.

3. Encourage customers to comply with national legislation on occupational health and safety, environmental and social issues, as well as best practices in their sector.

The policy is published on the organization's intranet with access to all our employees.

We have had SERMS (SARAS) in place since 2015. In 2019, we began the process of updating it with the help of an international consultant selected by the multilateral FMO, which finished in 2020, with the aim of leveraging compliance with this policy.

The policy determines that SERMS (SARAS) 2.0 will be subject to internal and external audit mechanisms. In 2021 it will be audited by an external consultant and annually the system is evaluated by multilateral funding agencies through due diligence and reporting processes.

SERMS (SARAS) 2.0 incorporates the best practices of the financial sector regarding environmental and social risk assessment, such as the catalog of economic activities of the European Bank for Reconstruction and Development (EBRD) and the performance standards of the International Finance Corporation (IFC). It contemplates the identification, categorization, evaluation and management of risks.

The scope of the system applies to all productive credit operations over USD1 million, and categorizes the socio-environmental risk of the economic activity based on the amount of credit requested and the risk categorization determined.

The system has been integrated into the entire credit process, from prospecting to follow-up and monitoring. To this end, roles and responsibilities have been defined in the areas involved:

Business, Credit Risk, Risk Management and Monitoring, Legal and Sustainable Development.

The results of the socio-environmental assessment and opinion are considered in the decision making process for the granting of credit. In the case of projects that involve an analysis with IFC performance standards, we have hired a consultant who performs social and environmental due diligence.

The system contemplates that, when it is determined that the social and environmental risks are not justified and need to be mitigated, a social and environmental action plan is prepared, which describes the mitigation measures that the customer commits to comply with. This document has a term equal to that of the loan to be granted, includes the application of legal socio-environmental agreements, and is followed up and monitored on an annual basis. Failure to comply with this plan will affect future loan disbursements or the granting of a new operation.

1. Capacity building

To accompany the updating of SERMS (SARAS) 2.0 system, improvements have been made in governance, and as a fundamental part of this process, capacity building on the IFC Performance Standards has been provided to Bank staff, with the objective of strengthening the management of the system and the credit process.

Through the eco.business Fund, we contracted EcoConsulta and Centro Ecuatoriano de Eficiencia de Recursos y Producción Más Limpia (CEER) to train 93 employees from senior management and areas involved with the system at the national level. In addition, specialized training was provided to 16 key decision-makers in the process.

Together with Asociación de Bancos Privados of Ecuador, we prepared the first phase of sectoral social and environmental risk guides for the agriculture and food sector, in coordination with eco.business Fund.

2. Accompanying our customers

Aware that generating a culture of prevention and mitigation of socio-environmental risks in our customers is achieved step by step, we have four moments of accompaniment so that they can adopt the best practices in their business:

- Social and environmental due diligence to clients or projects to be financed, with the objective of identifying the risks managed

correctly and those that must be mitigated. We use questionnaires, site visits, meetings, etc. (CHART 1).

- Monitoring of compliance with the socio-environmental action plan.
- Non-financial offer of biocredit that includes the payment of training, technical assistance and sustainable certifications to customers, with the objective of promoting green investment.
- Recognition of outstanding customers for their investments in environmentally beneficial issues, as well as commercial executives who promote biocredits.

During the year, we trained 43 customers in biosafety with respect to covid-19, led by eco.business Fund.

CHART 1

SOCIO-ENVIRONMENTAL RISK ASSESSMENT

Actions	2020	2019
# of environmental questionnaires admitted* for loans greater than or equal to USD40,000	3,874	6,062
# of credit operations with minimal and low social and environmental risk that enter the SERMS (SARAS) flow	2,667	4,600
# of credit operations with medium and high social and environmental risk entering the SERMS (SARAS) stream	392	633
# of operations assessed with medium and high social and environmental risk	128	239
Credit operations granted from USD40,000 and above	17,018	19,705
Operations approved with SERMS (SARAS)**	3,791	5,854
Amount of operations approved under SERMS (SARAS)	\$ 558'168,103.99	\$1.940'166,161.66
% of the Bank's portfolio assessed through SERMS (SARAS)	22.28%	29.7%

* The number of questionnaires entered is equal to the number of categorized and non-categorized questionnaires recorded in the system.

** The number of operations approved with SERMS (SARAS) includes those questionnaires that do not register environmental categorization in the system.

The figures correspond to the SERMS (SARAS) system that remained in force during 2020; however, it will cease to operate in 2021 due to the upgrade to SERMS (SARAS) 2.0 previously indicated.



CHART 2

INTERACTIONS WITH CUSTOMERS ON ENVIRONMENTAL AND SOCIAL ISSUES

	2020	2019
Total number of customers with operations	17,018	19,705
Total number of customers in the portfolio with whom we have interacted on environmental and social issues	3,791	5,854
Percentage of customers who have interacted with on environmental and social issues	22.28%	29.71%

The summary of the interactions we have had with our customers is reflected in CHART 2 and the decrease is mainly due to the pandemic, and to the fact that only medium and high risk economic activities were assessed in the SERMS (SARAS) 2.0 system. Starting next year, when the system update is completed, we will return to measuring low risk.

3. Green Bond and biocredits

In 2019 Banco Pichincha marked a milestone in the country by generating the first green bond issue in Ecuador for an amount of USD150 million. As a result, our biocredit offering was strengthened with a focus on construction, transportation and sustainable agriculture, waste management and energy efficiency. By the end of 2020, we completed the placement of the entire bond. A total of 30,335 customers benefited.

4. Banking with a social focus

[FS7]

The *raison d'être* of the Microfinance segment is to promote the progress of our customers, through a responsible, efficient and sustainable operation that allows us to enhance their development, generating greater welfare for customers, their families and the community. We provide a comprehensive value offer of financial and non-financial products and services that have been designed based on the voice of the customer, and digital tools that allow our executives to provide immediate response times to customers in an agile and secure manner.

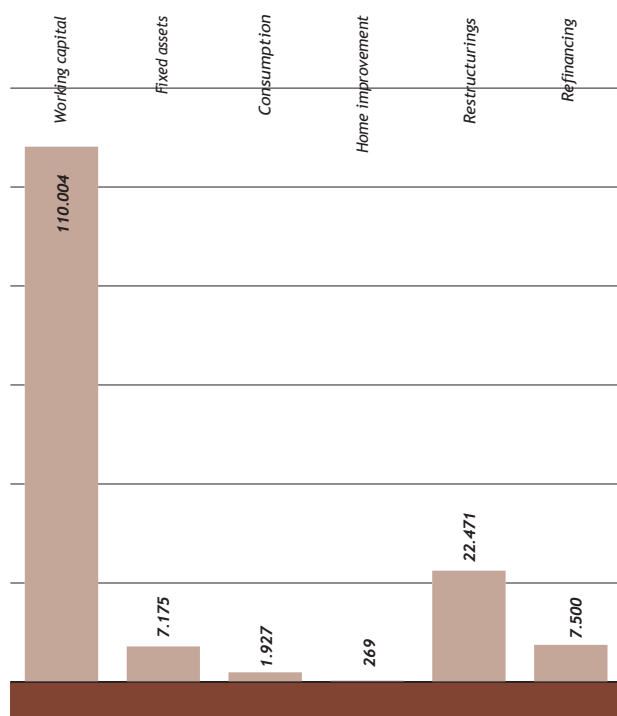
In 2020 we served 263,431 microentrepreneurs; the total portfolio balance reached USD1'235,220 and the stock of liabilities was USD285 million; we disbursed USD957 million in 246 thousand operations, of which more than 80% was directed to the economic reactivation of our customers' businesses to cover working capital and fixed asset needs. Thanks to this strategy, thousands of customers overcame the impacts caused by the pandemic. We created various financial relief measures, such as credit deferrals and payment solutions tailored to the particular needs of each customer (CHARTS 3 y 4, GRAPHS 1 y 2, FOLLOWING PAGE).

CHART 3

SCOPE OF INDIVIDUAL MICROFINANCE

Product	Detail	# operations 2020	# operations 2019
Working capital	Credit to finance working capital needs.	110,004	131,286
Fixed assets	Credit to finance fixed asset investment needs.	7,175	9,535
Consumption	Credit to finance consumption needs.	1,927	5,905
Home improvement	Credit to finance home improvement needs of the debtor or co-debtor for the debtor's own home or that of a relative in the first degree of consanguinity.	269	861
Restructuring	Normalization.	22,471	1,347
Refinancing	Normalization.	7,500	4,776
Total		149,346	153,710

GRAPH 1

**OPERATIONS BY PRODUCT
INDIVIDUAL MICROFINANCE**

GRAPH 2

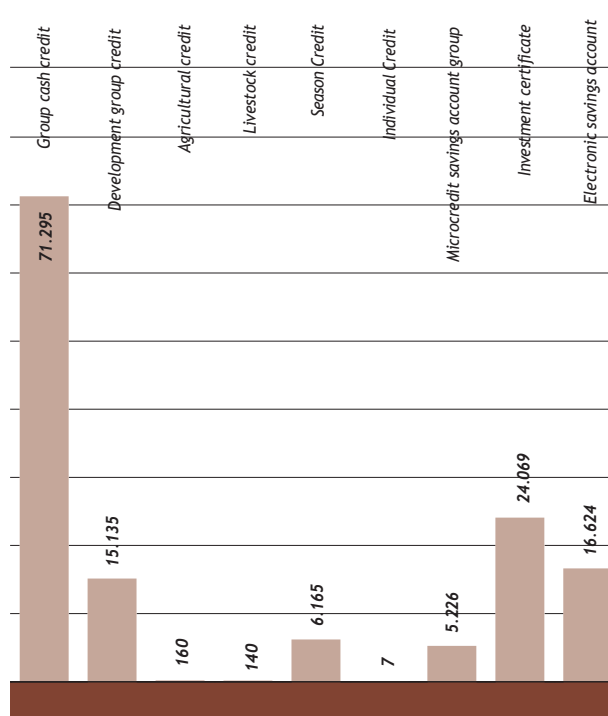
**OPERATIONS BY PRODUCT
GROUP MICROFINANCE**

CHART 4

GROUP MICROFINANCE SCOPE

Product	Detail	# operations 2020	# operations 2019
Group Cash Credit	Product intended to cover investment needs of working capital and/or fixed assets for customers that are part of the Group Cash Credit profile.	71,295	100,376
Development group credit	Product intended to cover the working capital and/or fixed asset investment needs of customers who are part of the Development Group profile.	15,135	12,472
Agricultural credit	Product intended to cover investment needs in short-cycle agricultural activities.	160	263
Livestock credit	Proceeds to cover investment needs in livestock activities.	140	70
Season credit	Multipurpose product, designed to meet the different needs that customers may have.	6,165	9,768
Individual credit	Product intended to cover the need for investment of working capital or fixed assets in a particular way.	7	21
Microcredit savings account group	Savings product aimed at groups, the purpose of which is to meet the savings and payment needs of the groups.	5226	5440
Investment certificate	Investment product aimed at customers who are members of groups.	24,069	19,816
Electronic savings account	Product to cover savings and installment payment needs on a personal basis.	16,624	13,008
RT2*	Product that allows the consolidation of all debts of a customer and consolidates them into one, can handle capital grace to give financial relief to the customer.	802	n/a

* Product created in 2020 in response to provide financial relief to our customers due to the health emergency.

WE PROMOTE WOMEN-LED BUSINESSES

Our financial inclusion program with a focus on women was strengthened this year, because they have been more severely affected by the effects of the health emergency, and we recognize that they are the fundamental pillar of Ecuador's economic recovery.

Women represent 48% of the Bank's customers; however, in the Microfinance segment their share rises to 55%, and their share in the microcredit portfolio rises to 51%.

The value proposition is comprehensive and includes financing solutions to promote the reactivation of women-led businesses in the Micro, SME and Medium-Sized Enterprise segments. At the end of the year, the stock of our total portfolio in these segments reached USD921 million in more than 150 thousand operations granted.

In our non-financial offer, we highlight the program to support small businesses Reinventémonos Juntos

(Let's Reinvent Ourselves Together) and the donation of expert hours to support businesses. Our work in favor of women's economic empowerment was recognized as an Impact Champion by the Financial Alliance for Women (GRAPHS 3 AND 4).

PORTFOLIO

[FS6] [FS11]

Our value proposition includes a portfolio of products and services for all market segments, so we cater to their every need. During 2020, the distribution of our portfolio maintained the same trend in the composition by region and by segment. The variations in the data in relation to 2019 are due to the fact that the Bank did not stop portfolio disbursements, but only lowered the placement dynamics in certain months, in accordance with the prudence that characterizes it. The growth of the Microfinance portfolio reflects the Bank's interest in supporting micro-entrepreneurs in these complex times (CHARTS 5 AND 6, FOLLOWING PAGE.)

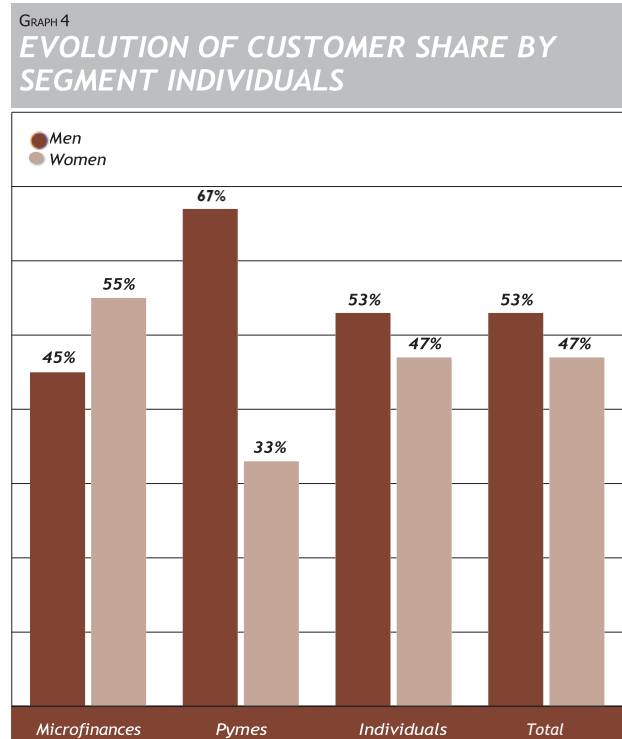
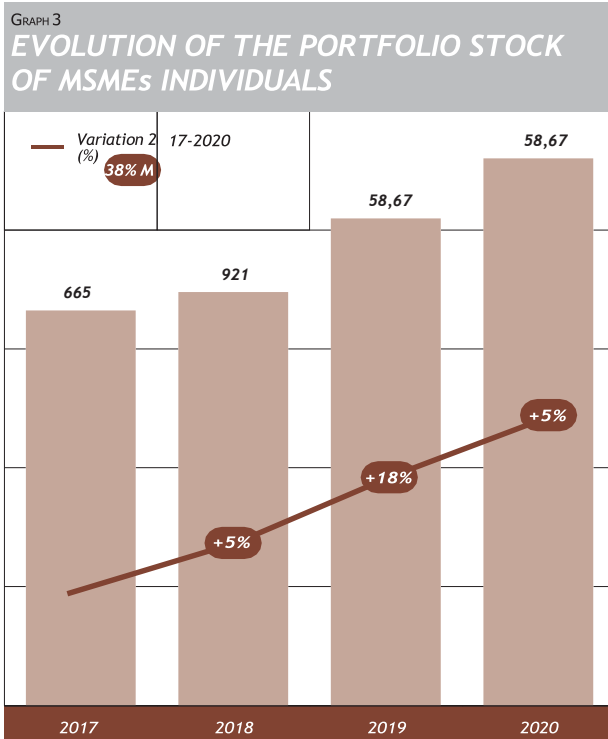


CHART 5

CUSTOMERS BY REGION

Region	2020				2019			
	Companies	Individuals	Microfinances	Total	Companies	Individuals	Microfinances	Total
Coast	38,773	1'139,297	206,928	1'384,998	40,326	1'047,806	176,921	1'265,053
Headquarters	3,660	23,117	103	26880	3,204	22,316	89	25,609
Center Region	14,691	576,705	159,446	750,842	15,863	531,682	140,872	688,417
North Region	33,935	1'271,552	136,553	1'442,040	32,927	1'215,420	126,405	1'374,752
South Region	6,645	177,862	25,716	210,223	6,722	162,798	22,681	192,201
Virtual	187	18,838	8	19,033	6.00	9,038.00	6.00	9,050.00
Total	97,891	3'207,371	528,754	3'834,016	99,048	2'989,060	466,974	3'555,082

CHART 6

CUSTOMERS WITH ACTIVE CREDIT OPERATIONS

Bank	Subsegment	2020				2019			
		# customers	# operations	Total portfolio (\$)	%	# customers	# operations	Total portfolio (\$)	%
Company	Large companies	2,478	12,216	1'883,272	25	2,633	11,166	2'353,622	29
	Small companies	39,275	65,945	1'455,083	19	41,277	67,111	1'434,260	18
	Legal persons	676	794	8,380	0	749	903	8,300	0
Microfinances	Microenterprise	263,431	352,749	1'235,220	16	240,431	357,232	1'149,172	14
Individuals	Natural Persons	876,329	1'052,384	3'063,329	40	986,651	1'219,584	3'211,644	39
Total		1'182,189	1'484,088	7'645,284	100	1'271,741	1'655,996	8'156,998	100

SOCIAL AND ENVIRONMENTAL

FOCUS IN OUR PORTFOLIO

During this year the total assets subject to Environmental and/or social inclusion criteria amounted to \$1,071'170,003.91, which is equivalent to 21,51% of our total portfolio (CHART 7).

We continue strengthening our portfolio of products and services with a social and environmental focus, for which we have obtained the following lines of credit with multilateral organizations:

CHART 7

TOTAL ASSETS WITH SOCIAL AND ENVIRONMENTAL FINANCING

Social assets	\$ 957'000,000.00
Environmental assets	\$ 114'170,003.91
Total assets with social and environmental focus	\$ 1,071'170,003.91
Total assets 2020	\$ 4,979'402,439.70

- **Focus on women:** USD250 million line of credit from the U.S. Development Finance Corporation (DFC), to reactivate small and medium-size enterprise (MSMEs) segments that are owned or led by women. This loan was particularly important because of the needs arising from the health crisis caused by covid-19.
- **Agricultural banking:** this year's advances in the agreement with Rabobank were mainly the construction of the value chain proposal with a focus on the banana sector and the work of a multidisciplinary team from the areas of business, risk, *marketing* and sustainability. In addition, the Global Alliance against TR4¹, was signed, an initiative made up of nearly 25 institutions around the world and led by the Inter-American Institute for Cooperation on Agriculture, with the aim of contributing to the construction of solutions and concrete actions to address the commercial and food safety challenges of the banana sector.
- **Environmental and social risk management:** we maintain lines of credit with Finance in Motion, Responsibility and FMO, which contributed to the SERMS (SARAS) 2.0 update consultancy, in which FMO was the structurer and leader of the process.

FINANCIAL INCLUSION

[103-1, 103-2, 103-3]

In Ecuador, according to *Global Findex 2017*, 49% of people over the age of 15 are excluded from the financial system, a situation that makes them economically and socially vulnerable. For this reason, one of the Bank's strategic pillars is to promote banking penetration.

¹ Banco Pichincha is now part of the Global Alliance Against Tropical Race 4 (TR4), a fungus that threatens the growth and vitality of banana and plantain plantations around the world and impacts producers and food security.

Our financial inclusion strategy is mainly framed within *The Smart Campaign* and aims to achieve the following objectives:

- Provide access to the unbanked.
- Promote the use and adoption of financial products designed based on customers' needs.
- Promote the financial health and well-being of our customers.

Each year we set ambitious goals to reach new customers; these are evaluated on a monthly basis and the results are presented in the MSME segment boards, as well as in the different work sessions with the regional teams that the organization holds. In addition, the Business Vice-Presidency and Senior Management receive information on the segment's performance on an ongoing basis. After these sessions, improvement actions and best practices are taken into account in order to generate greater financial inclusion.

Our purpose is to actively contribute to reduce poverty, reducing the number of people excluded from the financial system and the inequality gaps that exist in the country.

This year the Commercial Alliances Management was created, whose functions include strengthening the financial inclusion strategy. Another fundamental pillar for healthy financial inclusion is the Financial Education

Program, which we describe in greater depth in the chapter on Social and Inclusive Development.

Attention in every corner of the country
[102-6][FS13]

In 2020 we had 7,138 Mi Vecino non-bank correspondents in every canton of the country, of which 3,011 are in rural areas. Through this channel we offer products and services that leverage our banking penetration strategy and the execution of financial and non-financial transactions.

This year we entered the Elite Program, which consists of the installation of CNBs satellite where all the transactions available in the channel can be performed. They are located in 80 remote communities, where the signal of the mobile

CHART 8

SERVICE POINTS

Agencies	238
ATMs	1,272
Mi Vecino non-bank correspondents	7,138
Total	8,648

CHART 9

CUSTOMERS BY REGION

Region	Segment		
	<i>Companies</i>	<i>Individuals</i>	<i>Microenterprises</i>
Coast	✓	✓	✓
Headquarters	✓	✓	✓
Center Region	✓	✓	✓
North Region	✓	✓	✓
South Region	✓	✓	✓

Operators in low or non-existent. We are the only financial institution in the country with this type of correspondents. In 2021 we intend to maintain and measure the growth of these CNBs.

The objective is to improve the quality of life of populations in vulnerable areas by providing them with security, proximity to financial services, economic and social development, training and financial education. In addition, the CNBs benefit from training, empowerment and positioning of their businesses.

CUSTOMER EXPERIENCE

[103-1, 103-2, 103-3] [102-2] [102-7] [102-6] [BP3]

We are transforming ourselves to become a simpler, more efficient and closer Bank, placing the customer at the center of our operation.

We serve customers and non-customers in the 24 provinces of Ecuador, through 8,648 points of attention located in urban and rural areas, including agencies, ATMs and Mi Vecino non-bank correspondents (CHARTS 8 AND 9).

We offer a broad portfolio of financial products, with the objective of guaranteeing a responsible offer, adapting them to meet the customer's needs. In the creation of a product we work hand in hand with several areas of the Bank to generate value for the customer and the organization, always considering internal and external policies and the regulations of the different control agencies. We work with the Agile methodology, designed to respond to change, and to produce and deliver value offers for the

Customer quickly, but always maintaining the integral vision regarding the creation of the product, technological impact, profitability and product life cycle.

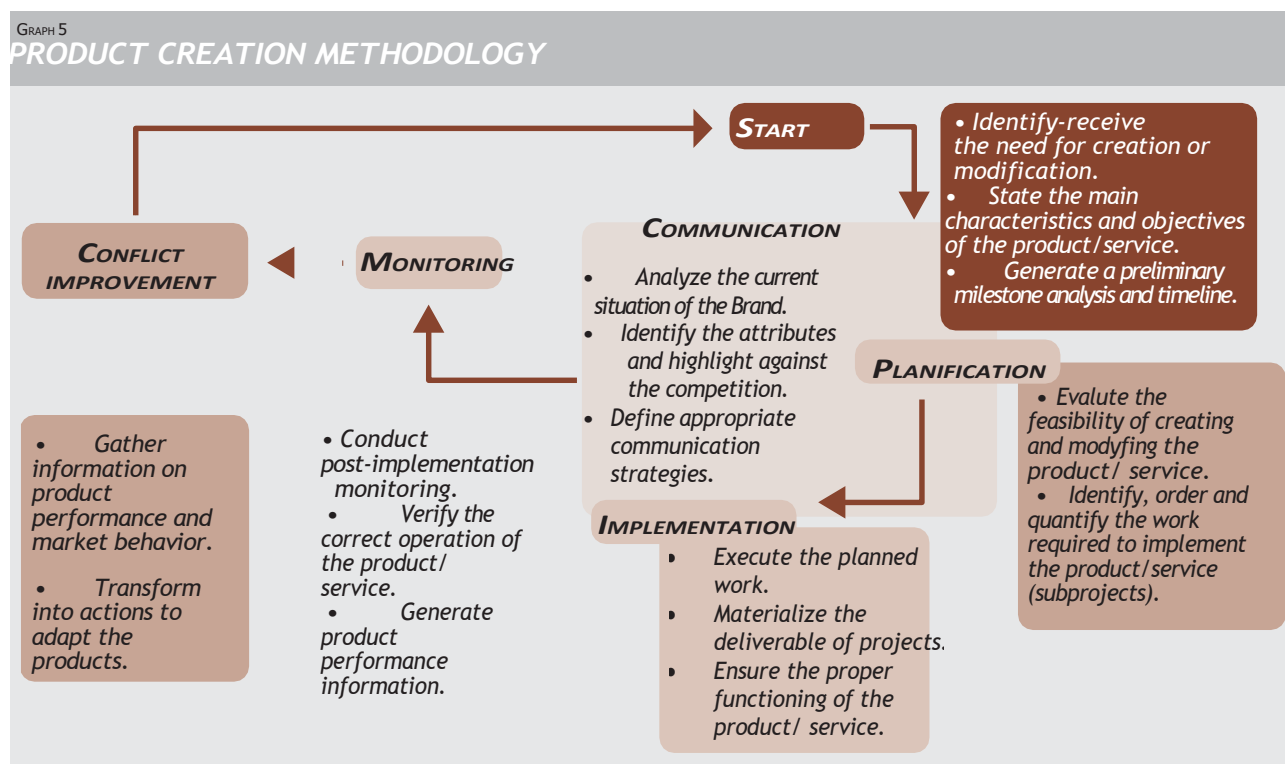
The offer is accompanied by clear and transparent communication, with the aim of facilitating an informed decision making process for the customer and strengthening the relationship with the Bank (GRAPH 5 AND CHART 10, FOLLOWING PAGES). During the last few years, as an organization we have undergone a profound digital transformation process aimed at generating a customer-centric culture. For this reason, improving our users' experience is one of our strategic pillars. Increasing the level of loyalty of our customers generates economic impacts in the medium and long term; as well as more fluid and pleasant experiences for the customer increase their level of satisfaction and reduce operating costs. The customer experience is managed from two sides:

• **The voice of the customer:** which includes the collection of the data through various channels, the classification, analysis and processing of this information.

• **The survey, design and redesign:** of customer journeys when using our products and services.

Within the Transformation Office (TO), the Customer Experience Front was created to strengthen its scope. It includes a multidisciplinary team at the managerial, strategic and tactical levels. We highlight the following initiatives within the TO:

- Diagnosis of the customer experience management system.
- Diagnosis of *journeys*, archetypes and maturity of customer experience management.
- Diagnosis of customer experience culture.



PRODUCTS AND SERVICES

	<i>Credits</i>	<i>Accounts and investments</i>	<i>Foreign trade</i>	<i>Services</i>
INDIVIDUALS	<p>CONSUMTION</p> <ul style="list-style-type: none"> Precise Precise mortgage Open line Crediback <p>MORTGAGE</p> <ul style="list-style-type: none"> New or used housing, of public interest for construction, remodeling, expansion. Multi-mortgage Land Migrant housing <p>STUDENT</p> <ul style="list-style-type: none"> Postgraduate educational Undergraduate educational 	<p>SAVINGS ACCOUNT</p> <ul style="list-style-type: none"> Traditional savings Electronic savings Xperta Account Compatriot savings Euro savings Confianza electronic account <i>e-teens</i> electronic account Investment account Euro investment account <p>PROGRAMMED SAVINGS ACCOUNT</p> <ul style="list-style-type: none"> Future Savings Plan Future Savings Reserve Plan Youth Future Savings Plan Tenth Future Savings Plan <p>CHECKING ACCOUNT</p> <ul style="list-style-type: none"> Personal current account <p>INVESTMENT</p> <ul style="list-style-type: none"> Armadollar Plazodollar Certificates of Deposit with advance interest payments Europlazo 		<ul style="list-style-type: none"> Domestic cashier's checks Foreign certified checks Domestic local or interbank wire transfers Drafts abroad Foreign currency negotiation House bills of exchange Online account statements Bank certificates Online bank certificates Receipt of remittances Overdrafts, automatic payment system Collections and recoveries Digital account opening Digital credits CNR auto-affiliation Engaged couples plan
COMPANIES	<p>PRODUCTIVE</p> <ul style="list-style-type: none"> Productive credit Supplier-distributor credit Crediback Discounts on valued documents <p>MORTGAGE</p> <ul style="list-style-type: none"> Real estate <p>BIO CREDITS</p> <ul style="list-style-type: none"> Productive Builder 	<p>SAVINGS ACCOUNTS</p> <ul style="list-style-type: none"> CNB legal entity savings account Commercial house account <p>CHECKING ACCOUNT</p> <ul style="list-style-type: none"> Business checking account <p>PROGRAMMED SAVINGS ACCOUNT</p> <ul style="list-style-type: none"> Productive Assets Saving Plan <p>INVESTMENT</p> <ul style="list-style-type: none"> Certificate of deposit euros Armadollar Plazodollar Certificates of deposit with advance interest payments Europlazo 	<ul style="list-style-type: none"> Guaranty Letters of credit Bank guarantees Custom guarantees Import/export collection service. 	<ul style="list-style-type: none"> Collection and payment services <i>cash management</i> Collections of public institutions Overdrafts, payment system Domestic cashier's checks Foreign certified checks Domestic, local or interbank wire transfers Drafts abroad Foreign currency negotiation House bills of exchange Online account statements Bank certificates Xpress check Microcollections Corporate bank references <i>Factoring</i>

MICROFINANCE	INDIVIDUAL MICROFINANCE <ul style="list-style-type: none">• Consumer credit for microentrepreneurs• Fixed asset loans• Working capital loans• Biocredit• Housing• Flexible Credit• Women ´s credit• Microcredit value chains	SAVINGS ACCOUNT <ul style="list-style-type: none">• Microcredit savings• Traditional savings• Electronic savings• Xperta Account• Xperta refugee account PROGRAMMED SAVINGS ACCOUNT <ul style="list-style-type: none">• Future Growth Savings Plan CURRENT ACCOUNT <ul style="list-style-type: none">• Personal checking account INVESTMENT <ul style="list-style-type: none">• Armadollar• Plazodollar• Microcredit term	<ul style="list-style-type: none">• Domestic cashier’s checks• Foreign certified checks• Domestic, local or interbank wire transfers• Drafts abroad• Foreign currency negotiation• House bills of exchange• Online account statements• Bank certificates• Receipt of remittances• Overdraft, payment system• Collections and recoveries	
	GRUPAL MICROFINANCE <ul style="list-style-type: none">• Group Cash• Individual credit• Agricultural credit• Special seasonal credit• Consumption credit• Emerging credit			
OTHERS	<ul style="list-style-type: none">• Purchased portfolio• Scheduled payment service (electricity, water, telephone)			

CHART 11

NET RECOMMENDATION RATIO (NPS)

Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
General	56.99%	56.41%	55.19%	55.96%	54.65%	56.81%	51.84%	51.73%	55.20%	57.70%	59.82%	57.93%	55.86%
Surveys	11,001	9,000	8,897	10,502	9,500	11,000	11,500	10,000	11,000	10,500	9,500	10,967	109,900

As a result of these studies, we have designed a series of initiatives to be implemented in 2021.

In order to know the loyalty of our customers, we measure the Net Recommendation Index (NPS), which in 2020 was 55.85%, a decrease of 1.12% compared to the previous year. We have a measurement system through telephone surveys and personalized *e-mails*. The data is classified and analyzed by means of a specialized service, and finally, through the Power BI tool, the data is obtained. The entire process has quality controls to ensure consistency. This indicator is

monitored on a monthly basis in the Strategy Committee, where the main findings are analyzed and actions are proposed (CHART 11).

1. Digital transformation

[BP5]

During this year we continued with the transformation process to put the customer at the center of our operations, so that the Bank becomes a simpler and more efficient version for our stakeholders and especially for our customers.

At the end of the year, the Digital Center has 12 cells that work collaboratively to synchronize efforts and generate greater impact. The main work focus is on the *onboarding* process, individual credit and digital channels.

The scope of the impact we seek with the digital transformation is for digital users, as well as for users of the agency network, in which we highlight the solutions developed in the flow of account creation, disbursements and normalization.

PRODUCTS

The digital product sales participation indicator had a great performance, as we closed the year with 48.40%, which means an increase of 31.22% compared to 2019. In 2021, we have set ourselves the target of reaching 75%. According to the 2019 Finalta study, this indicator is 47% in digital leaders. The detail of the evolution of this indicator for each of our products is shown in CHART 12.

The products that were transformed are as follows:

- **Digital flow of opening investments through web banking:** we relaunched the flow and from this we have captured more than USD240 million and achieved a stock of USD60 million.

CHART 12

SHARE OF SALES OF DIGITAL PRODUCTS

	2020	2019
Savings accounts	79.52%	35.19%
Programmed savings	74.40%	12.77%
Investments	15.36%	NA
Consumption credit	75.46%	14.93%
Total	48.40%	17.18%

- **Financial relief:** due to the pandemic, we strengthened our integral portfolio normalization strategy, through the construction of refinancing and normalization flows, with the objective of offering our customers financial relief. Thanks to this, we were able to help more than 21 thousand customers for a refinanced portfolio amount of USD152 million.
- **Deuna! payment application:** we launched this application with the aim of reducing the use of cash, especially in times of pandemic. The application is an alternative payment method for small business customers. To date, more than 100 thousand downloads have been registered, with 18 thousand active users and more than 300 thousand payment and collection transactions.

CHANNELS

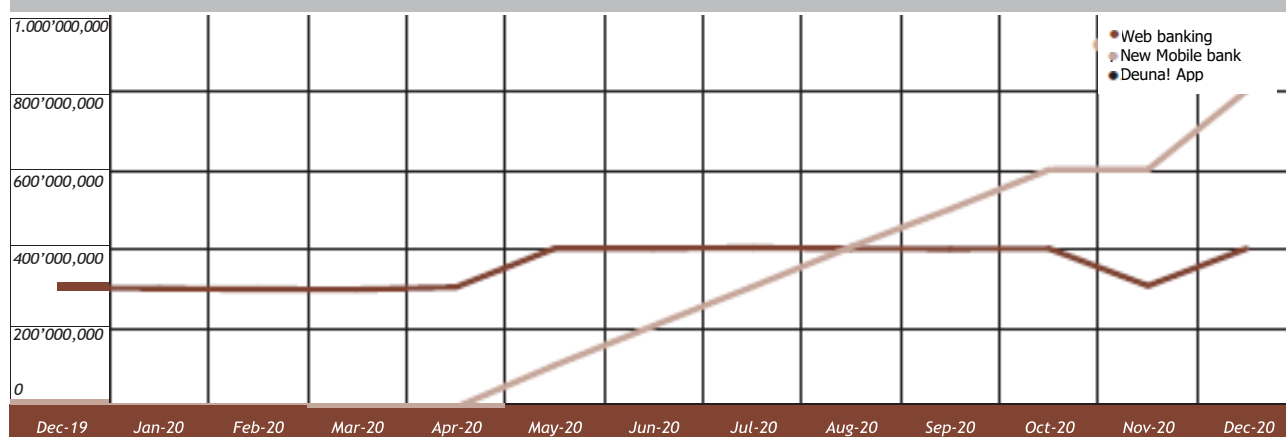
This year our digital channels grew significantly due to covid-19 and the improvements we have made, which has allowed us to increase the number of digital users and financial transactions.

In digital user migration, we have grown from a proportion of 33% in 2019 to 42% in 2020, which is equivalent to an increase of 424 thousand customers who are active in any of our digital channels. By 2021 we have set our sights on reaching 45%.

Our financial transactions, those involving money movement in the channel, have registered considerable growth, as in 2019 they were 5.7

GRAPH 6

TRANSACTIONS IN DIGITAL CHANNELS (MILLIONS)



million and in 2020 they amounted to 12.5 million, which is equivalent to going from 20% to 37% of transactions with respect to the total in all channels (GRAPH 6). In 2021 we plan to reach 50%. Finally, this year we launched the new mobile banking, whose migration of users from the old application to the new one was successfully completed in September. Currently, we have more than 1.1 million active users in this channel, who carry out 25.5 million transactions per month for an amount of USD1.4 billion. Thanks to the new user-based design, we have managed to increase the number of active users by 350 thousand.

More than 860 thousand customers have purchased a product in digital, living a better experience.

The new mobile banking has been rated by our customers as the best financial application in the country, with a rating of 4.4 out of 5 in the iOS and Android stores.

Our account creation and credit flows have been very well received by our customers, who rate them 3.5 and 4.6 out of 5 points, respectively.

2. Best practices for customer satisfaction

[BP6]

As part of our philosophy of understanding the customer and knowing their needs, aspirations and dreams, we have aligned ourselves with international standards that strengthen our customer service model and development accompaniment strategy for our customers. The process of living external audits to maintain these standards allows us to continuously improve in a consistent and rigorous manner. In 2020 we ratified the following:

• Social Performance Management (SPM).

Through an exhaustive process of aligning our microfinance practices with the six working dimensions of this standard, we have materialized our segment mission, which is "To serve the low-income population and microentrepreneurs with appropriate financial products and services in a timely and sustainable manner". The measurement of social impact indicators allows us to evaluate, in a real way, the fulfillment of our mission.

In 2021 we will conduct a new audit process, since in 2020 it was not possible due to the health emergency.

• **Certification in Customer Protection Principles.**

Since 2016 we have had this certification granted by *The Smart Campaign*, which consists of seven principles that promote an offer of appropriate financial products for the micro-entrepreneur and the construction of transparent, respectful and sustainable commercial relationships. This year we were audited and certified again for four more years.

2020 MILESTONES

- **Launch of the good insurance referral campaign "Así es más seguro" ("This way is safer"), which promotes transparent practices to ensure that the customer knows all the characteristics of the product offered and makes a wise voluntary decision.**
- **Training in responsible collections for 421 PAGUE YA executives, focused on fair and respectful treatment, confidentiality of customer data and assertive attention.**
- **Launch of the digital tool Sistema Inteligente de Movilidad Avanzada (SIMA), which is used by Microfinance staff to streamline the credit granting process in remote communities and avoid the use of paper.**
- **Workplace certification for Microfinance executives focused on corporate identity, business model, customer-centered culture, products, services and financial risk, and technological tools.**
- **Implementation of the Commercial Systematics Model, which contributes to**

a change in the culture of the commercial forces, through the standardization of processes and daily management, the creation of spaces for communication and constant feedback, and commercial training. The focus is on increasing the organization's productivity and profitability, caring for employees and generating positive customer experiences.

- **Creation of the financial inclusion strategy.**

CHART 13

SEVEN PRINCIPLES OF CUSTOMER PROTECTION

- Appropriate product design and distribution
- Prevention of over-indebtedness
- Transparency
- Responsible pricing
- Fair and respectful treatment
- Data privacy
- Complaint resolution mechanism

- **Dow Jones Sustainability Index.** Our Sustainability Model is fed and strengthened by the annual measurement compared to this index. In 2020 we obtained a rating of 57, which represents an improvement of eight points compared to 2019. Comparing our management to banks around the world allows us to be at the forefront in economic, social, environmental and corporate governance issues.

2020 MILESTONES

- **Development and publication of the green bond *framework* that describes the methodology and guidelines to be followed by Banco Pichincha to comply with the issuance of green bonds.**

- **Adherence to the Partnership for Carbon Accounting.**
- **Initial implementation of the Principles of Responsible Banking.**
- **New Sustainability Model and construction of sustainability indicators and goals.**
- **Publication on the web of the Compliance Program, Human Rights Declaration, Occupational Health and Safety Policy, Banco Pichincha's Bylaws and the human rights study of suppliers.**
- **Updating of Banco Pichincha's Code of Ethics and Conduct.**
- **Updating of Good Corporate Governance indicators.**

3. Complaint management

[BP4]

During this year the total number of transactions made through all our channels was 360'172,205, and the number of claims we had was 138,011, which represents a rate of 0.038% (CHART 14, FOLLOWING PAGE).

ECONOMIC PERFORMANCE

[103-1, 103-2, 103-3]

We go beyond financial results; we lead with a social and environmental vision to generate wealth for all our stakeholders.

The economic initiatives that Banco Pichincha has implemented to boost the country's development include the issuance of green bonds to support the development of the productive and business sector with a focus on environmental care; credits to enhance rural and agricultural development; and partnerships to support women entrepreneurs, small and medium-sized enterprises that are owned, led, or supported by women.

In the middle of the health emergency, Banco Pichincha created the humanitarian initiative #SumarJuntos and donated USD10 million for the purchase of medical supplies through the administration of the Ministry of Health. The resources were channeled through trusts to make the purchase and distribution processes transparent. The Bank also opened an account to collect supplementary donations, totaling USD16.4 million.

Despite the strong impact of the Ecuadorian economy this year, Banco Pichincha continues to serve the community with responsible management and achieved positive results for the organization, maintaining adequate levels of liquidity, coverage and solvency. We constantly monitor the achievement of product placement and deposit gathering goals, as well as the level of income and financial costs, in order to improve efficiency levels.

During this year we continued with the support of an external consultant to work in two areas: operational efficiency and organizational health, which allows us to adapt to the changing demands and trends of the market. We have current contractual commitments with multilateral organizations that trust us, thanks to our high standards of economic performance.

CHART 14

COMPARATIVE BY TYPE AND NUMBER OF BASIC TRANSACTIONS

<i>Channel</i>	<i>Type of transaction</i>	<i>Number of transactions</i>		<i>Annual Variation (%)</i>
		<i>2020</i>	<i>2019</i>	
Web Banking	Transfers	33'555,215	26'545,138	26.4%
	Payments	14'059,863	7'889,433	78.2%
Mobile Banking	Transfers	44'111,426	14'280,286	208.9%
	Payments	5'658,015	2'210,794	155.9%
Agencies	Deposits	26'012,260	37'059,135	-29.8%
	Payments	7'664,469	11'034,339	-30.5%
	Withdrawals	14'289,147	20'992,624	-31.9%
Self-service	Deposits	6'581,963	7'110,642	-7.4%
	Payments	574,323	876,932	-34.5%
	Withdrawals	69'920,608	96'256,234	-27.4%
Transactions in non-bank correspondents	Deposits	36'311,917	36'462,013	-0.4%
	Payments	15'050,851	19'007,592	-20.8%
	Withdrawals	21'892,616	20'258,179	8.1%
Means of payment	Debit card consumption	40'490,163	35'160,677	15.2%
	Credit card consumption	23'999,369	28'259,949	-15.1%
Total transactions		360'172,205	363'403,967	-0.9%
Total claims		138,011	153,741	-10.2%
Claims/transaction ratio		0.038%	0.042%	-9.4%

Each year we set economic performance goals that are evaluated and monitored on an ongoing basis, allowing us to adapt our strategy to market, micro- and macroeconomic conditions. Internally, evaluation is carried out through forums and committees such as ALCO, executive and business committees, the Management Committee, the Strategy Committee, boards of directors and internal audits.

And externally through risk ratings, public opinion, Superintendencia de Bancos of Ecuador, among others. In September we obtained the AAA risk rating granted by Pacific Credit Ranking and AAA- granted by Bankwatch Rating S. A., which takes into account some aspects such as economic solvency, performance, profitability and risk. This rating is performed on a quarterly basis.

1. Economic value generated

[102-7][201-1]

Despite the national economic recession caused by the covid-19 pandemic, the income generated by Banco Pichincha was maintained

showing a slight decrease of 3% with respect to the previous year. The generation of income conserves the same structure: 77.1% is produced by financial intermediation such as interest, commissions earned and financial profits (CHARTS 15).

CHART 15

ECONOMIC VALUE GENERATED

Concept	2020 (\$thousands)	Particip. (%)	2019 (\$thousands)	Particip. (%)	Var. anual (\$)	Var. anual (%)
Financial income	1'004,214.47	77.09%	1'023,054.00	75.82%	-18,839.53	-2%
Income from services	142,875.28	11%	163,773.00	12.14%	-20,897.72	-13%
Other operating income	82,460.21	6%	90,086.00	6.68%	-7,625.79	-8%
Non-operating income	73,122.72	6%	72,354.00	5.36%	768.72	1%
Economic value generated	1'302,672.68	100%	1'349,267.00	100%	-46,594.32	-3%

CHART 16

ECONOMIC VALUE DISTRIBUTED

Concept	2020 (\$thousands)	2020 (%)	2019 (\$thousands)	2019 (%)	Annual Var. (\$thousands)	Annual Var. (%)
Payment to savers and investors	259,442	21%	213,362	18%	46,079.78	22%
Payment to employees	150,315	12%	178,525	15%	-28,210.01	-16%
<i>Remunerations</i>	111,254		116,210		-4,955.66	-4%
<i>Mandatory social charges</i>	31,731		50,720		-18,989.26	-37%
<i>Investment in food and health care</i>	5,068		6,864		-1,796.30	-26%
<i>Other employee benefits</i>	1,551		3,579		-2,027.65	-57%
Investment in training	711	0%	1,152	0%	-441.14	-38%
Suppliers of goods and services	316,942	25%	396,437	33%	-79,495.00	-20%
Social investment in the community	13,332	1%	2,927	0%	10,404.84	355%
Public administration (taxes and contributions)	107,279	9%	126,053	10%	-18,774.44	-15%
Operating expenses	391,618	31%	292,730	24%	98,888.47	34%
Other non-operating expenses	13,670	1%	8,620	1%	5,050.41	59%
Economic value distributed	1'252,598	100%	1'218,654	100%	33,944.06	3%

CHART 17

TAXES AND CONTRIBUTIONS

Concept	2020 (\$thousands)	2020 (%)	2019 (\$thousands)	2019 (%)	Annual var. (\$thousands)	Annual Var. (%)
Cosede (former AGD)	53,623.37	50%	50,509.50	40.07%	3,113.87	6%
Income tax (SRI)	14,730.01	14%	37,574.90	29.81%	-22,844.89	-61%
<i>Superintendencia de Bancos</i>	13,315.23	12%	12,647.40	10.03%	667.83	5%
<i>Tax on foreign assets</i>	1,066.86	1%	1,101.30	0.87%	-34.44	-3%
<i>VAT on purchases (charged to expense)</i>	13,905.49	13%	15,520.90	12.31%	-1,615.41	-10%
<i>Foreign currency outflows</i>	2,167.73	2%	2,314.50	1.84%	-146.77	-6%
Other taxes	2,339.53	2%	639.70	0.51%	1,699.83	266%
Other institutions	141.39	0%	261.30	0.21%	-119.91	-46%
1,5 per thousand tax (municipal)	3,594.96	3%	2,978.70	2.36%	616.26	21%
2 per thousand tax (university hospital)		0%	206.40	0.16%	-206.40	-100%
Municipal patents	1,572.78	1%	1,506.70	1.20%	66.08	4%
Property taxes	821.21	1%	791.70	0.63%	29.51	4%
Superintendencia de Compañías		0%		0.00%		0%
Taxes and contributions	107,278.56	100%	126,053.00	100%	-18,774.44	-15%

2. Distributed economic value

[201-1]

Banco Pichincha has made an important effort to optimize organizational expenses, thus increasing the total economic value distributed by 3% annually.

Payments to savers and investors represent the interest earned by our customers on deposits and investments, interest paid to financial institutions and on bonds convertible into shares. This item had an annual growth of 22%, mainly due to the increase in obligations to the public. An annual decrease of -20% is reflected in the item of suppliers of goods and services and a significant increase of 355% in social investment in the community, mainly due to the #SumarJuntos initiative.

Operating expenses represent 31% of the economic value distributed, and mainly include provisions for risk assets required by Superintendencia de Bancos and the conservative hedging policy maintained by the Bank; financial losses and other operating expenses, and depreciation and amortization. This item presented an annual growth of 34% (CHART 16, Previous page).

3. Retained economic value

[201-1]

This year taxes and contributions represented 9% of the economic value distributed, with a total of USD107.2 million, 15% less than the previous year, caused mainly by the lower payment of income tax due to the drop in results as a result of the economic situation (TABLA 17).

2

SOCIAL AND INCLUSIVE DEVELOPMENT

Generating value for our shareholders, society and other stakeholders is a priority in our daily work, through our internal and external actions, which promote safety and health, diversity and inclusion, and the promotion of equal opportunities in all our operations.

HUMAN CAPITAL

[103-1] [103-2] [103-3]

Human talent management is important to provide strategic direction in the employee agenda and help drive transformation, aligned with our objectives and values. We do this by analyzing the human resources, legal regulations and the work environment, using *insights* to understand current issues and anticipate future challenges, so that we develop and implement specific initiatives to attract and retain the best talent.

Our purpose in this material matter is framed around actively building the capability of the human talent we possess. In doing so, we consider long-term strategic workforce and resource planning, driving change in talent management practices, advising on the implications of

organizational change on people, and keeping up to date with the latest human resource and leadership trends.

Our employee management has evolved to be strategically integrated and involved with commercial and business activities through four axes: human talent development, business influence, organizational effectiveness and data analysis.

In addition, our institution has a family culture, in which we seek to enable people to develop their full potential to achieve great results, supported by equal opportunities, without neglecting the balance between their work and personal lives. To this end, we offer an optimal work environment, an emotional salary, internships, programs and opportunities that allow them to have a good quality of personal and professional life.

We have a team of specialists in the Vice-Presidency of Human Resources that works under objectives aligned with the strategic plan and has the necessary budget to meet the goals of a series of indicators that measure their performance.

Our employee management has evolved to be strategically integrated and involved with commercial and business activities through four axes: human talent development, business influence, organizational effectiveness and data analysis.

FAMILY RESPONSIBLE COMPANY

QUALITY IN EMPLOYMENT

96%

Contract
employees

TEMPORARY FLEXIBILITY

57%

Hybrid day
employees

PERSONAL DEVELOPMENT

458

Promotions in 2020

64%

Male

36%

Female

EQUAL OPPORTUNITIES

694

Recruitment

52%

Male

48%

Female

COVID CONTEXT

FAMILY SUPPORT

8

Emotional management
workshops with
supervision lines

96%

Employees in
Emotional
Management
workshops

Safety check

125 individual
approaches
118 referrals to
specialists

SOCIAL COMPONENT



Customers

Approval by the Purchasing
Committee of the Sustainable
Purchasing Policy and Sourcing
Strategy.



Employees

Maintenance of EFR certification //
Covid approach- provision of
emergency health supplies to all
employees.



Community

3'382.467 people sensitized and
32.335 people trained in
financial education.

We evaluate the effectiveness of our management, mainly through an internal performance evaluation model, an *engagement* survey focused on commitment, the organizational health index and occupational risk measurements.

In 2020, these measurements showed positive results such as 87% satisfaction in the general health index and a high percentage of people *engagement* and commitment. In the performance evaluation process, we achieved the following results:

- 10% of employees in groups of excellence;
- 25% of employees in high performance groups;
- 55% of employees in good performance.

In addition, we have several general internal and external legal policies, such as our Organizational Development; Culture, Climate and Change; Human Rights; Benefits; and the Incorporation Manual. All of them set the guidelines for managing this material issue in our organization.

FAMILY-RESPONSIBLE CULTURE

At Banco Pichincha we are interested in being recognized for our work-life balance practices and the protection and support of families. In this way, we create a humanistic, family-oriented and responsible culture, which shows the human face of our business.

In 2019, we implemented the Family-Responsible Company (EFR) management model, awarded by the Másfamilia Foundation, which has five dimensions: quality in employment, temporal and spatial flexibility, family support, personal and professional development, and equal

opportunities. All of these cover a set of guidelines that enable us to provide support and protection to our employees and their families.

Throughout this chapter, we will present our management based on the EFR dimensions (INFOGRAPHY, PREVIOUS PAGE).

During 2020, for the second consecutive year, an internal audit was conducted to monitor the implementation of this standard. The process serves to ensure that our organization complies with the legal aspects of work-life balance, standards and requirements to determine the effective establishment and implementation of the management model, as well as to identify opportunities for improvement. At the closing date of the Report, the results of the 2020 audit were not yet available.

QUALITY IN EMPLOYMENT DIMENSION

[102-7] [102-8] [401-1] [405-1]

At the end of 2020, there were 5,113 employees; 63% are women and 96% are working under permanent contracts. By professional categories, due to the line of business, personnel in base positions (assistants/auxiliaries) represent 28.67%, together with supervisors, coordinators and specialists, with 22.45%.

Likewise, our team reflects an important diversity of backgrounds and ages, which allows us to enhance the performance of our talent.

On the following page CHART 1 and its components above mentioned.

CHART 1

GENERAL INDICATORS OF OUR PEOPLE ^a

		2020		2019	
		Number	%	Number	%
Gender	Women	3,246	63%	3,315	64%
	Men	1,867	37%	1,855	36%
Age	Employees under 30 years old	1,782	34.85%	2,029	39%
	Employees between 30 and 50 years old	3,173	62.05%	2,956	57%
	Employees over 50 years old	158	3.09%	185	4%
Region	Coast and Galapagos	1,803	35.26%	1,935	37%
	Sierra and Amazonía	3,310	64.74%	3,235	63%
Professional category	Asistente/auxiliary	1,466	28.67%	1,608	31%
	Supervisor/coordinator/specialist	1,272	24.88%	1,250	24%
	Technician/analyst/executive/support	1,044	20.42%	1,115	22%
	Chief/expert/administrator	1,148	22.45%	1,023	20%
	Responsible/manager/vice-president	183	3.57%	174	3%
Type of contract	Total permanent-indefinite contracto	4,903	95.89%	5,027	97.2%
	Total emergent	203	3.97%	0	0%
	Total temporary	7	0.14%	143	2.8%
Type of contract by gender	Permanent – indefinite women	3,141	61.43%	3,230	62.48%
	Permanent – indefinite men	1,762	34.46%	1,797	34.76%
	Emergente mujeres	103	2.01%	0	0%
	Emergent men	100	1.96%	0	0%
	Temporary women	2	0.04%	85	1.64%
	Temporary men	5	0.10%	58	1.12%
Type of contract by region	Permanent - indefinite Coast/Galápagos	1,756	34.34%	1,855	35.88%
	Permanent - indefinite Sierra/Amazonía	3,147	61.55%	3,172	61.35%
	Emergent Coast/Galápagos	47	0.92%	0	0%
	Emergent Sierra/Amazonía	156	3.05%	0	0%
	Temporary Coast/Galápagos	0	0%	80	1.55%
	Eventual Sierra/Amazonía	7	0.14%	63	1.22%

Type of working day	Full time	5,091	99.57%	5,140	99.42%
	Part-time	22	0.43%	30	0.58%
Type of working day by gender	Full time women	3,230	63.17%	3,294	63.71%
	Full time men	1,861	36.40%	1,846	35.71%
	Part-time women	16	0.31%	22	0.43%
	Part-time men	6	0.12%	8	0.15%

NEW HIRES^b

	2020		2019	
	Number	Rate	Number	Rate
Rate of new hires ^c	694	13.57%	914	17.68%
Hiring of women	359	51.73%	518	56.67%
Hiring of men	335	48.27%	396	43.33%
Hiring under 30 years of age	459	66.14%	652	71.33%
Hiring from 30 to 50 years old	232	33.43%	262	28.67%
Hiring over 50 years old	3	0.43%	0	0%
Hiring Coast and Galápagos	182	26.22%	296	32.39%
Hiring Sierra and Amazonía	512	73.78%	618	67.61%

ROTATION^d

	2020		2019	
	Number	Rate	Number	Rate
Rotation rate ^e	488	9.54%	860	13.42%
Undesired rotation rate ^f	135	2.6%	305	6%
Retreat of women	267	54.71%	559	65%
Retreat of men	221	45.29%	301	35.00%
Retreat under 30 years old	170	34.84%	462	53.72%
Retreat from 30 to 50 years old	290	59.01%	352	40.93%
Retreats over 50 years old	28	6.15%	46	5.35%
Retreats in Coast and Galapagos	195	39.96%	-	-
Retreats in Sierra and Amazonia	293	60.04%	-	-

^a The information is obtained from the internal head count database as of December 31, 2020. From the Genera program, information is taken on active employees by type of contract and working day as of that date.

^b In addition to permanent, emergent and partial contracts, income includes temporary contracts and internship contracts. The basis for calculating this indicator is 5,113 employees.

^c Number of new employees (694)/total number of employees at year-end (5,113).

^d This analysis does not include departures of interns or temporary contracts, since by their nature they do not imply remaining in a permanent position.

^e Number of employees who left the organization (488)/total number of employees at the end of the year (5,113).

^f Number of employees that the organization did not want to leave (135)/total number of employees at the end of the year (5,113).

ORGANIZATIONAL HEALTH

[BP-1]

Organizational health is based on "how an organization aligns, executes with excellence and renews itself to achieve performance aspirations in a sustainable manner." If we take care of the level of employee engagement and burnout, we will be focused on generating:

- Differentiating value factor;
- Contribution to business impact (competitive);
- Ease of reaching sustained productivity levels.

During 2020, we conducted the second organizational health measurement through the consulting firm McKinsey & Company. We focused on a model that measures nine dimensions.

87

The measurement yielded an outstanding result of 87% overall. We highlight that seven dimensions increased: Management, Coordination and Control, Work Environment, Innovation and Learning, Motivation, Responsibility, and Leadership. In the dimensions of Capabilities and External Orientation, the score was maintained.

With these results, action plans were drawn up for 2021, in workshops held jointly with each vice-president and its direct team. In addition, Human Resources has developed several actions focused on strengthening the prioritized practices (strategic clarity, talent development and career opportunities, consultative leadership and risk management) to favor the increase in the results of the organizational health assessment.

OUTPLACEMENT PROGRAM

[404-2]

We offer all our former employees -whose terminations are not related to poor performance or non-compliance with codes, policies and/or procedures- an **outplacement** program. This program is financed by the Bank through the hiring of experts. In 2020 we had 71 participants nationwide who rated their level of satisfaction with 94.8%.

TEMPORARY AND SPATIAL FLEXIBILITY DIMENSION

We seek to develop labor practices and programs that promote talent retention, increase the emotional salary, generate interest in the new generations, allow the reintegration of mothers and the balance between personal and professional life. All of this with the objective of having an attractive value proposition for our employees, which includes the well-being of our employees and their families.

In this regard, we have three schemes:

- Mixed working day: mixed work between home and office for support areas.
- Part-time: part-time work for cashiers who help out during peak hours in agencies, as well as replacements in absences.
- Shared working day: replacement of full-time work of one person by two people on a part-time basis.

Due to the pandemic, the number of teleworking employees increased significantly.

We present the results achieved in this regard, in two phases:

- Before the health emergency (as of December 2019): 100 employees.
- During the health emergency (as of December 2020): 2,892 employees.

Having a labor flexibility model developed and tested during 2019 allowed us to promote in an agile way the adoption of teleworking massively for administrative staff during the health emergency. To this end, we focused on building the work model as a mixed working day, with different internal specialists on the subject.

FAMILY SUPPORT DIMENSION

From our institution, we seek to generate social change and cultural transformation by promoting a work-life balance. To this end, in 2019, we were certified as a Family Responsible Company (FRC), being the first company to achieve this distinction in Ecuador.

This dimension became part of our priorities in the context of the pandemic. Our employees and their families faced a series of challenges, starting with managing their emotions. In response, we developed two actions to support our work teams:

- Eight emotional management workshops with supervision lines, reaching 96% of the employees.
- *Safety check* Program: 125 individual approaches and 118 referrals to specialists.

We also have a number of family support programs:

FAMILY PROGRAM

The objective of the program is to provide a space for sharing and learning with talks, videos and educational and motivational activities, and thus achieve a better life balance. In 2020, the following topics of interest to employees were discussed:

- Being a parent is being the money provider within the home?
- Life purpose;
- Love as a couple with children at home;
- Family communication;
- Social networking at home;
- Achieving results;
- Couple's coexistence during the quarantine;
- Facing an unfamiliar situation.

OUR CHILDREN VISIT US PROGRAM

We seek to encourage employees' commitment to the institution by allowing their children to get to know the Bank closely. Due to the health emergency situation, this program has been temporarily suspended.

PARENTHOOD PROGRAM

[401-3]

The purpose of this program is to support fathers and mothers of the institution during pregnancy, breastfeeding, maternity and paternity.

As pregnant women and nursing mothers are one of the vulnerable groups in the face of the covid-19 pandemic, our support has been aimed at providing them with security and work flexibility, allowing them to take care of their health, that of their unborn child, and to reconcile their personal and professional lives. The following activities were carried out in 2020:

- Talk on humanized childbirth and breastfeeding, presented at Workplace at the national level for this target group;
- Internal communication campaign supporting breastfeeding;
- 100% teleworking during the pandemic for this group.

(CHARTS 2 & 3).

2021 GOALS

- **Breastfeeding centers nationwide;**
- **Video of congratulations and wellness tips for new mothers;**
- **Video welcoming mothers after the maternity period;**
- **Talks on humanized childbirth and breastfeeding;**
- **Implementation of the work flexibility measure, shared working day.**

PERSONAL AND PROFESSIONAL DEVELOPMENT DIMENSION

[404-1] [404-2]

The development and training of our employees is a priority in the strategy of the Human Resources area. In 2020 we had an average of 49.05 hours of training provided to each employee. We use tools and processes that allow us to manage and administer the education, training, technical updating and personal and professional development of our talent:

- Evaluation methodology given by Kirkpatrick (return on investment or ROI of training), which aims to measure the impact on traditional training programs.

CHART 2

PARENTAL LEAVE

	2020		2019	
	M	W	M	W
Employees who have been entitled to parental leave	76	207	81	220
Employees who have taken parental leave	76	207	81	220
Employees who have returned to work after termination of parental leave	76	205	81	220
Employees who have returned to work after termination of parental leave and who were still employed 12 months after returning to work	75	205	79	198

CHART 3

RETURN AND RETENTION RATES PARENTAL LEAVE

	2020	
	M	W
Rate of return to work after parental leave ends	100%	99%
Rate of work retention after parental leave	93%	93%

- Analysis - design - development - implementation - evaluation scheme (Addie), understood as a systematic method for the creation of learning experiences for the development of skills and knowledge.
- Constructivist learning method 70-20-10, which indicates that a professional's learning is composed of 70% of what will be achieved through practice or experience, 20% through **feedback** and only 10% through courses or fully structured programs.

Based on the area's policies and procedures, each employee has at his or her disposal a wide range of training processes, both transversally and specifically for each area of action within the organization. We carry out annual evaluations that seek to generate a dynamic of continuous improvement.

In 2020 we developed several action plans aimed at developing talent and career opportunities. We seek to develop employees' knowledge and skills and offer career and development opportunities to motivate employees.

We highlight the following programs:

TALENTOS PRO: through this initiative, we have identified knowledge gaps in high-performance employees, for which we hold monthly follow-up meetings to evaluate and maintain the impact on management results.

LÍDER PRO: program focused on the development of leadership behaviors at the executive level of the organization.

MAPA DE TALENTO: A program in which, from communication to supervisory lines, career interests have been raised, back up programs, assessment centers for alignment and mobility follow-ups.

To leverage career opportunities, we also launched the Future Leaders program. A selection process began in July and today we have 22 **trainees**, who contribute to the transformation process and are trained as key leaders for the organization.

Also, in order to strengthen the practice of consultative leadership, which seeks that "leaders involve and empower employees through communication, consultation and delegation", the Top team effectiveness initiative was developed. At this point, an alignment meeting was held with the General Management and a virtual workshop for building trust with emphasis on closeness and orientation to others, a workshop focused on collaboration for new priorities and a workshop on courageous conversations (CHARTS 4 AND 5, FOLLOWING PAGE).

EQUAL OPPORTUNITY DIMENSION

This dimension is developed further in the Gender Intelligence chapter.

CHART 4

TRAINING PROVIDED TO EMPLOYEES BY PROFESSIONAL CATEGORY

		<i>Average hours men</i>	<i>Average hours women</i>	<i>Total average hours</i>
Total employees		43.53	52.23	49.05
Professional category	Senior Management	8.67	10.0	8.77
	Managers	28.79	39.48	32.74
	Chief/expert/administrator	39.42	50.29	45.52
	Supervisor/coordinator/specialist	47.67	55.0	52.44
	Technician/Analyst/Executive/Manager	43.54	46.99	45.90
	Assitant/auxiliary/operator	43.07	50.25	47.97
	Not defined	17.50	15.00	16.00

CHART 5

PERFORMANCE EVALUATION ⁷ RATE OF EMPLOYEES RECEIVING PERIODIC PERFORMANCE EVALUATION

		<i>Evaluated</i>	<i>Without evaluation</i>
Employees		90%	10%
Gendre	Women	91%	9%
	Men	88%	12%
Professional category	Senior Management	77%	23%
	Managers	90%	10%
	Chief/expert/administrator	92%	8%
	Supervisor/coordinator/specialist	94%	6%
	Technician/Analyst/Executive/Manager	94%	6%
	Assitant/auxiliary/operator	83%	17%

⁷The data corresponds to the 2019 performance evaluation, which closed in March 2020.

⁸The base for this calculation is 5,208 employees. The performance evaluation is generated for all employees who comply with the policy, i.e., have a minimum of six working months.

GENDER INTELLIGENCE

[103-1] [103-2] [103-3]

In 2015 we were the first company in Ecuador to subscribe to the UN Women's

Empowerment Principles. Since then we have only reaffirmed our purpose of inclusion, equity and support for the progress of women, mainly our employees and customers.

This year we hosted the Financial Alliance for Women's All Stars Academy, an international event where we strengthened the professional capacities of our team, which leads the gender approach, and of different actors in Latin America, with the aim of promoting the inclusion of women and focusing products and services on their needs.

Internally, this year we continued with our Gender Intelligence program, which aims to create an organizational culture that understands and values differences of any kind, with programs that ensure the well-being of our employees in order to generate a work environment of respect, tolerance and inclusion. All of this within a framework of policies that promote democracy and equal opportunities for all.

The program has the commitment of Senior Management, the Gender Intelligence Committee, different *sponsors* distributed throughout the organization, and an operational team that works strategically with the necessary resources (financial, human and technological) to meet this challenge.

Among the guidelines that drive this material issue within our organization are the Human Rights Policy, the Code of Ethics and Conduct, and the signing of the UN Women Women's Empowerment Principles.

Internally we are evaluated each year with our management model for this program, through the Family Responsible Company certification. In addition, this year we participated in the PAR Ranking evaluation, a tool that measures performance in gender equity and diversity in private companies, public entities and SMEs. The results of these evaluations are detailed below under the heading External measurements.

"Creating an organizational culture that understands and values differences".

EQUAL OPPORTUNITIES

[405-1]

Our Gender Intelligence Program has the support of the International Finance Corporation (IFC) and is deployed in five stages:

1. DIAGNOSIS

- a) Self-diagnosis;
- b) Diagnosis endorsed by a third party (IFC).

2. INTERNAL ALIGNMENT

- a) Understanding of the social cause of the gender approach at the institutional level;
- b) Internal alignment with internal communication campaigns, activations, lectures and workshops;
- c) Execution of actions to close gaps based on the results of the diagnosis.

3. INTERNAL STRATEGY

- a) Definition of a model;
- b) Review of HR processes (selection, promotion, evaluation);
- c) Work-life balance management system.

4. EXTERNAL DISSEMINATION

- a) Sharing best practices with *stakeholders*;
- b) Participation in forums, events and SDG5 working groups.

5. RECOGNITION

- a) Obtain environmental recognition;
- b) Certification as a Family-Responsible Company.

(CHARTS 6 AND 7, FOLLOWING PAGE)

TABLA 6

PARTICIPATION BY GENDER IN EACH LABOR CATEGORY

	2020		2019	
	W	M	W	M
Vice president/managers/managers	39.89%	60.11%	40.22%	59.78%
Chief/expert/administrator	55.31%	44.69%	58.84%	41.15%
Chief/expert/administrator	65.17%	34.83%	64.88%	35.12%
Technician/analyst/executive/manager	68.30%	31.70%	67.36%	32.64%
Assistant/auxiliary/operator	67.94%	32.06%	67.23%	32.77%

CHART 7

PARTICIPATION BY AGE IN EACH LABOR CATEGORY

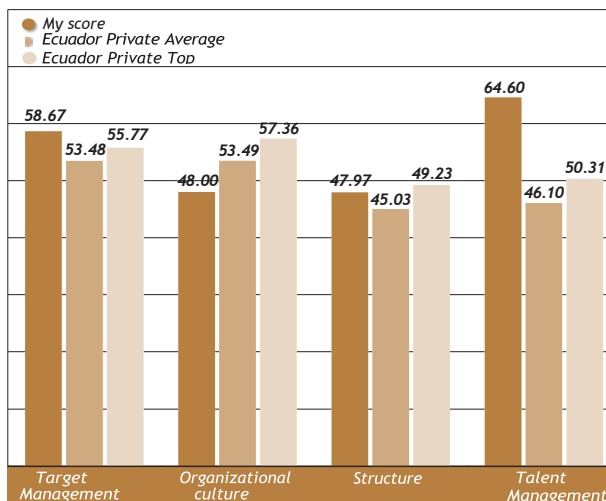
	2020	2020	2020
	Less tan 30 years old	From 30 to 50 years old	More tan 50 years old
Vice president/managers/managers	0%	2.93%	0.65%
Chief/expert/administrator	2.17%	19.26%	1.02%
Chief/expert/administrator	5.36%	19.07%	0.45%
Technician/analyst/executive/manager	7.28%	12.79%	0.35%
Assistant/auxiliary/operator	20.05%	8.00%	0.63%
Total	34.85%	62.05%	3.10%

EXTERNAL MEASUREMENTS

Our Family-Responsible Company management model includes an equal opportunity dimension and is certified by an external party that endorses its compliance. During 2020 we conducted an internal audit with certified auditors from Icontec, with the objective of measuring our internal progress for the next recertification. At the close of that report (December 2020) we did not have the results for publication.

We also participated in the PAR Ranking evaluation, an annual diagnostic tool that measures the implementation of labor practices

GRAPH 1

RATING RANKING BY CATEGORY

to promote gender equity and diversity in private companies, public entities and SMEs.

The measurement yielded a score of 58.25%, measured by: management of objectives, organizational culture, structure and talent management (GRAPH 1, PREVIOUS PAGE).

The results of this measurement have led us to develop a work plan for 2021, which includes an annual diagnostic for follow-up, measurable indicators, communication campaigns and ongoing training in the institution.

SUPPORTING WOMEN-LED BUSINESSES

Women's economic progress is fundamental to the country's sustainable growth, which is why financial inclusion and the development of women-led businesses are our priority. We detail the strategy's actions for our customers in the Sustainable Finance chapter.

SUSTAINABLE PROCUREMENT [103-1] [103-2] [103-3]

As part of our sustainability commitments, we promote the integration of social and environmental criteria in our relationship with our suppliers. To this end, we have aligned our purchasing management with the ISO 20,400 Sustainable Purchasing Guidelines.

Our objective is to administer, manage and improve the organization's purchasing decisions by integrating and evaluating economic, social and environmental risks and opportunities.

We have a Sustainable Procurement Policy, Sourcing Strategy and Code of Ethics for Suppliers,

which mainly establish our commitments and the management of our relationship with suppliers, from selection to procurement and monitoring. As of the closing date of this report, these three documents are in the process of being published.

This material issue is managed by the Procurement area, with the support of the Sustainable Development team and an external consultant with their respective resources.

In addition, we have a special channel for suppliers to report irregularities in the procurement of goods and/or services: <https://www.pichincha.com/portal/transparencia/canal-etico-proveedores>.

Compliance with sustainability requirements is verified externally through the supplier qualification process (see results CHART 9, FOLLOWING PAGE). This external qualification is carried out for those suppliers that we have classified as important, critical and strategic¹.

“Administer, manage and improve the organization's purchasing decisions by integrating and evaluating economic, social and environmental risks and opportunities”.

¹ Note: **Critical**, based on continuity (sensitive for the organization, direct impact on functionality). Example: TCS. Direct impact on critical processes established by the Bank. Level 1 and 2. **Strategic**: they are in function of continuity, but their responsibility is not in function of the critical ones. Level 3 and 4. Regulatory aspect. Turnover amount greater than 1 M dollars in a year. A robust rating. **Significant**: based on turnover amount of USD20,000 or more per year. Intermediate rating.

OUR SUPPLIERS

[102-9]

Through our purchases, we become a dynamic agent of the local economy, since our value chain is mainly composed of suppliers of national origin (small, medium and large companies) (CHART 8).

Our suppliers are classified as important, critical and strategic suppliers.

SUSTAINABLE PURCHASING PROGRAM

[414-1] [414-2] [308-1]

We have integrated the Sustainable Purchasing Program into our supplier management, using ISO 20,400 as a guide. This standard describes in detail the different environmental, social and economic aspects that must be addressed for a successful purchasing process that is aligned with the organizational strategy.

This program allows us to identify, control and manage risks and opportunities generated in the purchasing process, in order to avoid acts of corruption, prevent economic losses in operations, contribute to cost reduction, and seek greater productivity and efficiency.

We pursue the objective of generating positive impacts on society, the economy and the environment through these actions:

- Ensure transparency in decision making through accountability.
- Ensuring the ethical behavior of our employees.
- Generate full and fair business opportunities for all suppliers.
- Respect the principles of human rights and legal regulations in force.
- Continuously improve the purchasing process.

(CHART 9)

CHART 8

PAYMENTS TO SUPPLIERS

	2020		2019	
	<i>Ammount</i>	<i>%</i>	<i>Ammount</i>	<i>%</i>
Local	326'779,851.14	86.42%	343'733,930.80	86.60%
International	51'340,689.35	13.58%	53'354,632.30	13.40%
Total payments	378,120,540.49	100.00%	397,088,563.00	100.00%

CHART 9

NEW SUPPLIERS THAT HAVE PASSED SELECTION FILTERS IN ACCORDANCE WITH HEALTH, SAFETY AND ENVIRONMENT (HSE) CRITERIA

<i>Detail</i>	<i>National</i>
	2020
Number of new suppliers	139
New suppliers evaluated with health, safety, and environmental (HSE) criteria	16
Percentage of suppliers evaluated with HSE criteria	11,5%

Under the Sustainable Procurement Program, there is a supply chain risk matrix. No suppliers have been identified with negative impacts in terms of safety, health, environment or social issues. During 2020, the number of new suppliers evaluated with health, safety and environmental criteria was 16.

HUMAN RIGHTS ASSESSMENT IN THE VALUE CHAIN

[414-1] [414-2]

During 2020 we invited all our suppliers to participate in a survey to assess human rights and ethics compliance. Responses were obtained from 23 suppliers of goods and services.

The survey focused on whether the suppliers applied ethical conduct in the development of their activities, were aware of and complied with the laws and regulations in force in labor, occupational health and safety and environmental matters. The main results obtained from the survey were as follows:

- 87% of the interviewees indicated that they have a written code of ethics.
- 100% of suppliers stated that ethics is part of the company's mission and vision.
- 96% of suppliers stated that they always comply with the laws in force.
- 96% of suppliers stated that there have never been expressions of disrespect or violation of human rights towards their employees.

2021 GOALS

- **Disseminate the Sustainable Purchasing Program.**

- **Obtain the ISO 20400 seal of conformity (first company in Ecuador to have a sustainable purchasing program).**
- **Socialize the Supplier Training Program.**

HEALTH AND SAFETY

[103-1] [103-2] [103-3] [403-1] [403-7] [403-8]

"Occupational health and safety management seeks to minimize or eliminate existing occupational risks in order to avoid accidents or occupational diseases".

We seek to foster an increasingly humane, safe, healthy and sustainable work environment. Therefore, within the framework of our Social and Inclusive Development strategic pillar, we have implemented the necessary measures to eliminate or minimize risks at work, promote health among employees, and comply with the legal requirements established by national and international regulations in this area, always thinking of our employees and all those who visit our facilities.

Our purpose is to eliminate or minimize existing occupational risks, in order to avoid accidents or occupational diseases.

The Safety, Health and Environment area manages this issue through a series of professionals specialized in this area and occupational physicians, who follow the guidelines defined in the Integrated Health, Safety and Environment Management System (HSE), based on ISO 45.001 and ISO 14.001

current national regulations². Its scope includes all our employees, suppliers and other interested parties, as well as all facilities, activities, products and services in Ecuador. Exceptions to this scope are the ATM islands.

The system has a policy through which Senior Management demonstrates its commitment and leadership on this issue, assuming accountability through the annual publication of this *Report*.

The organization evaluates the SSA through internal reviews, led by the Audit area. The last internal audit was conducted in 2018. As a result, 18 non-conformities were raised. During 2019 and

2020 the closure of these major findings was managed.

COVID-19 EMERGENCY

This material issue became more relevant during our 2020 management, due to the health emergency we faced due to covid-19. Thanks to our constant work to promote a culture of safety and health prevention in our organization, we were able to address the challenge presented by this pandemic.

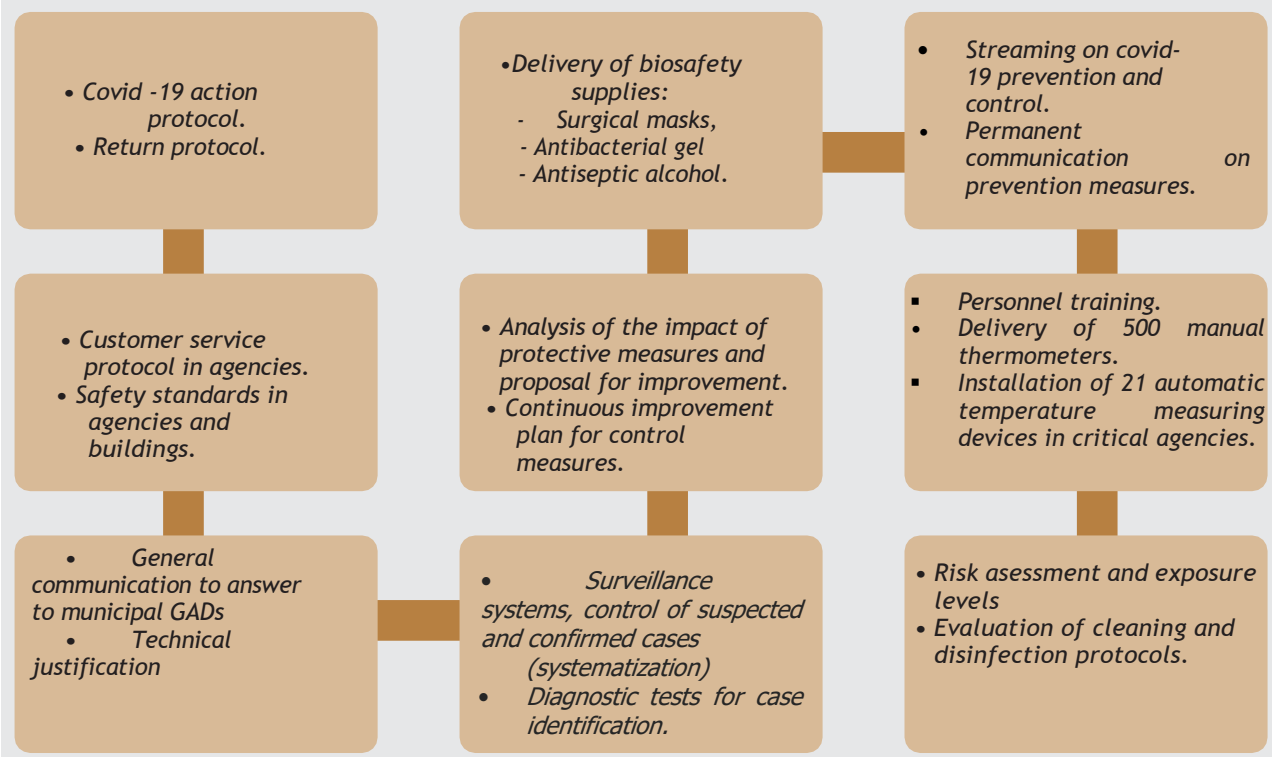
During 2020, we developed several actions focused on prevention in the face of the crisis, always prioritizing people's health and safety (GRAPH 2).

² The legal requirements of the management system are detailed in the GRI table.

GRAPH 2

COVID-19 EMERGENCY

The area of Safety, Health and Environment faced the health emergency on the front line, being these the main pillars:

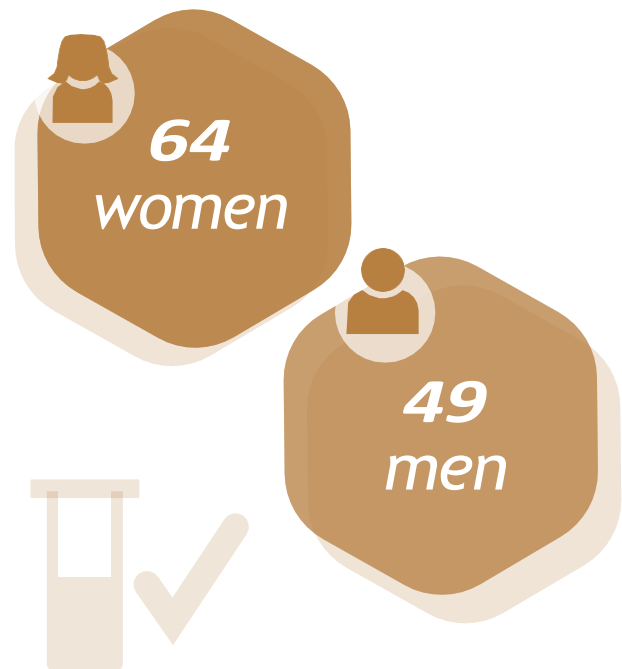


Creation of the health emergency return plan, a document that establishes the specific and essential rules for returning to work for the duration of the health emergency.



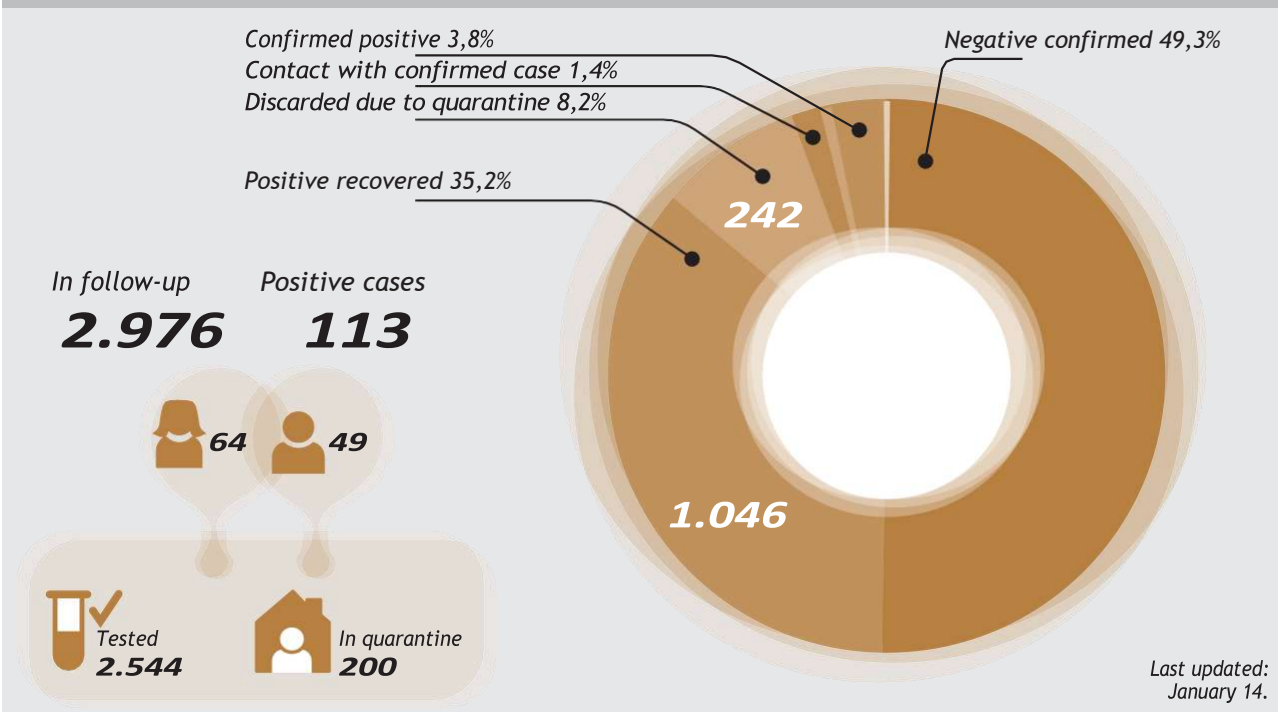
Creation of a surveillance and control system for suspected and confirmed cases (systematization) of daily attention (GRAPH 3).

At the close of this Report, these are the numbers we have in the attention of employees with covid-19:

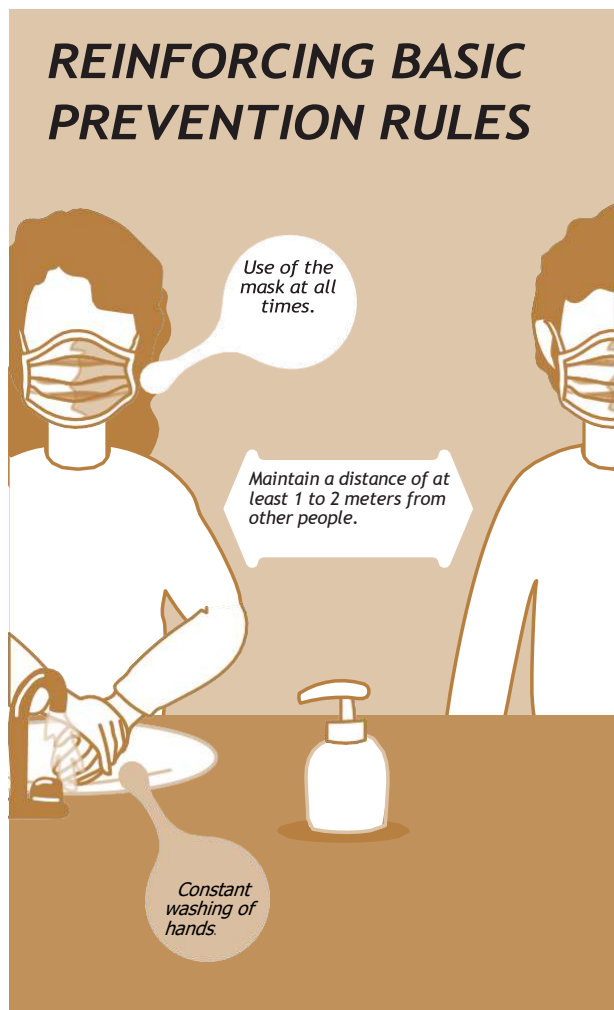


GRAPH 3

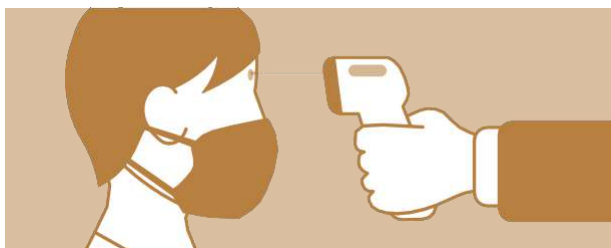
RESULTS OF THE SURVEILLANCE AND CASE CONTROL SYSTEM



Our protocols reinforce three basic prevention rules:



In addition, we adopted temperature measurement as a protection for both internal and external customers. 51 automatic detection systems were installed in 48 facilities, including main buildings and agencies.



HAZARD IDENTIFICATION AND RISK ASSESSMENT [403-2]

Our occupational health and safety specialists developed the hazard identification and risk assessment matrix for all processes and workstations, using the Colombian methodology GTC 45, approved by the Ministry of Labor. The results of the risk assessments allow us to implement control and prevention measures that improve working conditions with respect to the assessed risks.

Any employee can (by e-mail, phone call or by directly contacting the health and safety officer at his or her workplace) report an occupational hazard situation that puts personnel at risk³. In addition, if an employee wishes to withdraw from a situation that he/she believes may cause injury, illness or disease, he/she must inform his/her superior, who, according to the Health, Safety and Environment Regulations, must prohibit or stop work in which there is an imminent risk of accidents, when it is not possible to use the appropriate means to avoid them.

On the other hand, the process of investigating work incidents, including the identification of hazards and risk assessment, is led by the Health, Safety and Environment officers, who carry out the accident investigation to determine the causes and propose corrective actions to be implemented.

³ The employee who reports an unsafe condition has the full protection of the legislation and our Internal Occupational Health and Safety Regulations.

In cases of serious or recurring incidents, the participation of committee delegates and joint subcommittees is included in the establishment of the necessary improvements to be added to the occupational health and safety management system.

DRILLS IN AGENCIES

A total of 169 mock drills were conducted at the national level in our agencies around the country. Each agency manager is designated as emergency manager and is in charge of conducting the drills. At the end of the activity, the information must be entered into a system created exclusively for this exercise, in which the exercise is evaluated and the report to be submitted to the control entities is obtained (GRAPH 4).

HEALTH PROMOTION

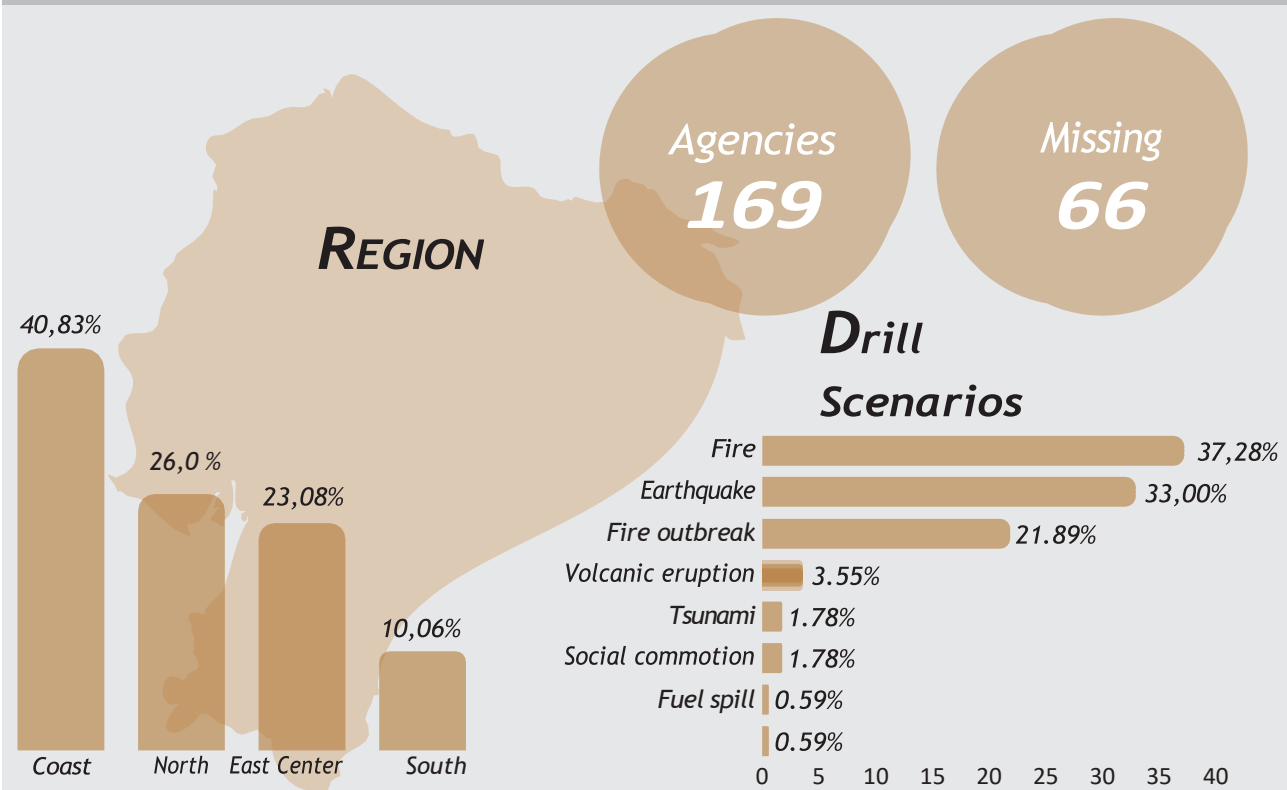
[403-6] [401-2]

100% of our employees with permanent and emergency contracts (at least six months' duration) have private insurance co-payments for themselves and their families. Temporary and emergency personnel (less than six months) have a health insurance policy with benefits similar to those of permanent contracts. Among the benefits is coverage for covid-19.

In addition, we provide life insurance for 100% of employees with permanent and emergency contracts (at least six months), as well as free speech, physical and psychological therapies (up to six sessions), and PCR tests for employees with a minimum co-payment of 10%. In the case of business trips, travel insurance is provided.

GRAPH 4

DRILLS



NUTRITIONAL HEALTH

As a result of the health emergency, we had to make adjustments to our food service and, among the measures adopted, we produced a guide of nutritious cold recipes for employees to eat healthily at lunch, and thus avoid the use of certain areas of the cafeterias. Additionally, for safety reasons, lunches have been delivered in biodegradable packaging.

HEALTH AND SAFETY TRAINING

[403-5]

Our management of this material issue includes training for employees. The training needs are determined by the internal Health, Safety and Environment team, based on the applicable legal requirements and continuous training on prevention issues. Due to the emergency, during 2020 we focused mainly on training our entire team in knowledge and prevention of covid-19, reaching 4,523 employees.

EMPLOYEE PARTICIPATION IN HEALTH AND SAFETY MATTERS

[403-4]

We have a Central Joint Committee made up of three employee representatives and three employer representatives, each with their respective alternates. This committee meets monthly. The occupational physician and the head of Health, Safety and Environment also participate in the meetings, with voice but no vote.

Seven sub-committees have also been established at the country level, which meet every two months and are formed in relation to the

commercial organization, in order to reach the entire territory where we have a presence.

The committees address issues related to safety, health and environment, and are a space for the active participation of employees. We also maintain an open channel for all employees through an e-mail box, so that they can submit any request or consultation regarding these issues. We also have communication tools (e-mail and internal social network) in which topics related to occupational risk prevention are disseminated.

SAFETY OF OUR EMPLOYEES AND CUSTOMERS

All our offices, branches, agencies and ATMs have a security certificate granted by the Ministry of the Interior, which is issued after an audit led by this body, thus guaranteeing that our facilities comply with current security regulations.

The Business Continuity Management Protocol defines the actions to be taken before, during and after an emergency event. Within this framework, according to the analysis and magnitude of the event, post-event actions are coordinated, which may be of social aid or crisis intervention to contribute to the balance and resilience of those affected.

In addition, financial institutions (due to their own line of business) face a series of specific risks that include robberies and assaults to the facilities, or attacks and aggressions (verbal or physical) by customers or others. Taking into account this context, we have a Physical Security area, primarily aimed at protecting people (employees and customers) and, additionally, assets and image.

To ensure the protection of our facilities and the people who occupy them, we have developed complex security schemes.

Our employees are trained to respond quickly and appropriately, as they are familiar with the protocols to be followed in the event of such emergencies.

HEALTH AND SAFETY INDICATORS IN 2020

[403-9] [403-10]

During 2020 the health emergency strengthened our commitment to the health and safety of our stakeholders. Our work was strongly focused on developing various actions to promote safe and healthy work environments that contribute

to the strengthening of a self-care culture. and healthy work environments that contribute to strengthening a culture of self-care and the well-being of our employees in the face of the crisis. This year, the main work-related injuries were: dislocation of the clavicle and musculoskeletal injuries to the lower limbs. Our health and safety indicators are shown in CHART 10⁴.

Note: We emphasize that any employee of our institution can report incidents or near misses through the e-mail usrpseso@pichincha.com. Incidents may involve our employees, visitors, contractors, suppliers in agencies and establishments.

⁴ The number of hours worked in 2020 on which the indicators were calculated is 11'033,616.

CHART 10

REACTIVE INDICATORS (OCCUPATIONAL ACCIDENTS)

Accidents by gender	2020		2019	
	W	M	W	M
Number of accidents by gender	6	2	9	4
Accidents by region	2020		2019	
	No	%	No	%
Coastal Region	1	12,5%	3	23%
Country Region	1	12,5%	1	8%
Quito Region	6	75%	9	69%
General health and safety indicators			2020	2019
			Rate	Rate
Accident frequency rate			0.15	0.23
Severity rate			1.25	1.33
Risk rate			8.63	5.69
Illness rate			0	0
Absenteeism rate			5.85	2.02

The report should be made by the agency manager or administrator using the same channel described above.

CONTRACTOR HEALTH AND SAFETY

[403-7] [403-8]

Within our Health, Safety and Environmental Management System, guidelines are established to mitigate risks for contractors. These are requested once the supplier is going to start its services through contracting and are described in the civil contracts.

As main points we can mention that we require suppliers to identify the hazards and risks of their activity, as well as the notification of accidents in case of occurrence within our facilities.

Currently, we follow processes in which mandated suppliers also participate in supporting the management system, as in the case of the 395 security guards and in the execution of actions of the 423 people who perform cleaning activities.

2021 GOALS

- **Achieve that at least 90% of the personnel take the SSA e-learning course.**
- **Update 100% of agency emergency plans nationwide.**

COMMUNITY ENGAGEMENT

[103-1, 103-2][413-1]

During this year Banco Pichincha's focus on social intervention continued with the same commitment and greater effort than in past years. During this year of sanitary emergency in which Ecuador faced a severe crisis due to the

due to the spread of covid-19, whose effects have affected thousands of families in the country, the Bank's Board of Directors approved the creation of the #SumarJuntos trust fund, with an initial contribution of USD10 million to mitigate the spread of the virus, facilitate protection mechanisms for the country's priority groups and contribute to the national effort to combat the pandemic.

Through Fundación CRISFE we have channeled the actions and administration of this great initiative. In addition, thanks to the foundation's focus on improving the living conditions of vulnerable groups, we have joined efforts in the areas of school scholarships and financial education. For CRISFE Foundation the health emergency meant great challenges, as well as opportunities to execute new ways of supporting the development of the beneficiaries of both lines of intervention, achieving very positive results.

"We are protagonists of the economic and social reactivation of the country, through the sum of a humanitarian effort with a willingness to serve".

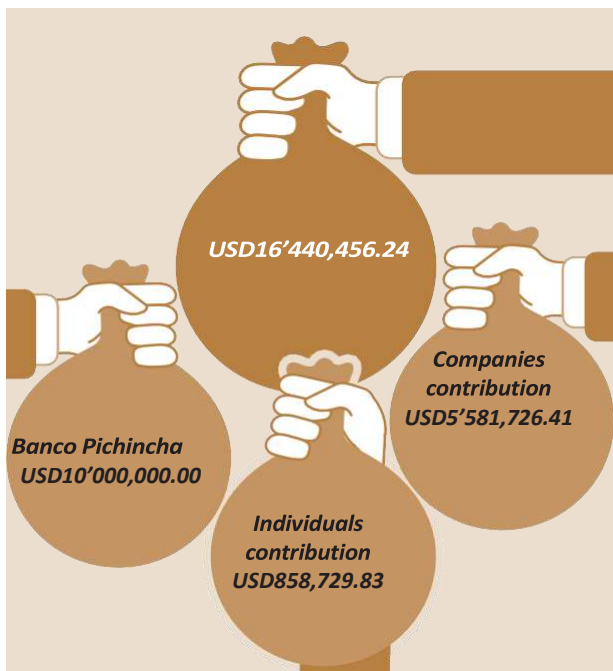
#SUMARJUNTOS

[103-3]

#SumarJuntos is a great institutional effort that, in addition to providing essential equipment and supplies to the healthcare system, represents a humanitarian initiative that is anchored in Banco Pichincha's values. The legacy that #SumarJuntos intends to leave goes beyond donations, as it seeks to set a historical precedent of fruitful public-private cooperation.

All actions promoted or executed by the trust are audited by the firm PriceWaterhouseCoopers (PwC) and as an exercise in transparency we publish periodically (monthly or bimonthly) the progress made in the administration of the fund, the health centers benefited, the people attended, the amount of medical supplies, the geographic coverage, among others, in the following link of our website <https://www.pichincha.com/portal/sumar-juntos>.

Numerous organizations and individuals who are aligned with the objectives of this effort have contributed nationwide. The contributions achieved are as follows:



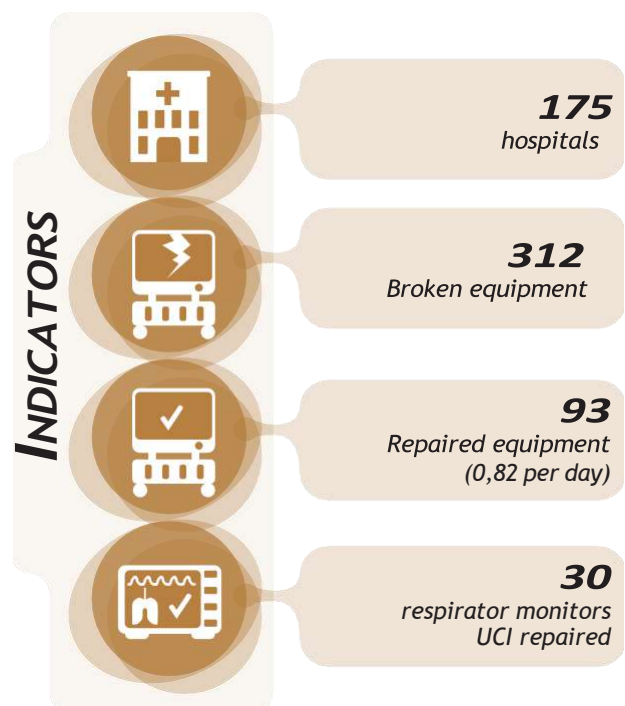
By understanding the axes in which the trust's contribution could generate greater impacts, we built the #SumarJuntos trust management model, focused on four management dimensions:

1. BIOSECURITY: its objective is to guarantee the integral protection of the specialists and

technicians of the first line of care against covid-19, through supplies such as masks, gloves, gowns, masks, among others.

2. DIAGNOSTIC: its objective is to strengthen the installed capacity of the molecular biology laboratories of the universities, through the equipment and supply of the necessary inputs for the timely identification of infected persons and the establishment of epidemiological fences to prevent the spread of the virus. It included the participation of the country's universities, which were provided with new equipment for their laboratories and more personnel to increase the taking and processing of samples and slow down the speed of the spread of the disease.

3. EQUIPMENT: aims to improve the quality of intensive care units in public hospitals, for which new equipment was provided, respirators were repaired and new ventilators were acquired.



4. MEDICINE: medical supplies have been distributed to hospitals of the National Public Health Network, universities, organizations such as the National Police and the Armed Forces, and decentralized autonomous governments.

EDUCATION FOR OUR PEOPLE

[103-3]

Fundación CRISFE leads the Educational Scholarship Program, which aims to promote the academic insertion of priority groups, such as children, young people, women and adults in general of very limited economic resources from urban and rural areas interested in accessing the middle and higher education system, in order to later be able to enter the labor market. The program includes the participation of students who are behind in school.

Program compliance is measured using the logical framework methodology, which includes management and impact indicators. Among the most important goals for 2020 were the following: maintaining school desertion rates at 7%, reaching 3,281 direct beneficiaries (77.9% achieved) and budget execution (92.75%).

The program focuses on the following educational levels:

- General Basic Education (EGB);
- Unified General High School (BGU);
- Occupational training;
- Higher technical/technological education and university education.

The scholarships include non-refundable financial support to the student in an educational institution or organization allied to CRISFE, so that it can carry out its academic or professional studies, as long as it meets the

Requirements established in the program's policy. The scholarship includes the total or partial financing of tuition and fees, as the case may be. There are two types of scholarships available for EGB, BGU or for technical-technological and university studies:

1. **ACCESS SCHOLARSHIPS:** economic support aimed at people who enter any of the educational levels of the program and belong to poverty quintile 1 and 2, determined by Fundación CRISFE, through the application of a socioeconomic record.
2. **PERMANENCE SCHOLARSHIPS:** economic support aimed at people who are already attending some level of education, have an academic performance of 8/10, and belong to poverty quintile 1 and 2.

During 2020 we awarded 2,926 scholarships and the dropout rate was 7.98%, 3.75% less than in 2019. In addition, we initiated a pilot program of special sponsorships for the careers of people with artistic, sports and ancestral knowledge talents, among others. Currently, we are sponsoring four high-performance athletes from Azuay, Morona Santiago and Imbabura, with the aim of making them role models for other young people. We expect to increase these sponsorships in 2021.

Due to the suspension of on-site classes in educational institutions nationwide, CRISFE provided Internet access to the Machalilla parish, specifically to the communities of Agua Blanca, Pueblo Nuevo and San Isidro, where students did not have access, making it difficult for them to continue their studies online. In addition, a computer center was equipped with 45 machines donated by the Bank, which serves 200 boys and girls in these communities (CHART 11, FOLLOWING PAGE).

CHART 11

SCHOLARSHIPS 2019-2020

<i>Academic Year 2019-2020</i>	<i>Scholarships awarded</i>	<i>Approved</i>	<i>Failed</i>	<i>Deserters</i>	<i>Graduates</i>	<i>Pending</i>	<i>Desertion Rate</i>
EGB- high school scholarships	2,094	1,859	3	232	570	0	11.08%
University scholarships	205	180	5	0	18	20	0.00%
Higher education scholarships: technical/technological	334	322	11	1	128	0	0.30%
Continuing education scholarships	313	241	72	0	241	0	0.00%
Total	2,926	2,602	91	233	952	20	7.96%

CHALLENGES IN THE FACE OF THE HEALTH EMERGENCY

During this school year, the Fundación CRISFE faced some challenges in an innovative way. Thinking about the needs of the teachers of the allied educational networks, the offer of continuous training was opened for them. The training needs of the teachers were diagnosed and they were articulated with educational networks so that they could participate in the required courses with two recognized universities specialized in teacher-tutor training in online education, fundamentals of online teaching and development of digital competencies.

In order to know the situation of the scholarship recipients during the pandemic, at the General Basic Education and High School level, Fundación CRISFE promoted work, communication and support networks between students, representatives and educational institutions, through WhastApp, e-mails, calls and videoconferences.

In addition, emergency scholarships

were provided to the partner Fe y Alegría to prevent students from abandoning their education in pandemic situations, considering socioeconomic level as the only criteria.

The partner institutions made individual plans for students with disabilities and weekly on-site accompaniment, taking into account the necessary biosafety standards.

For third level scholarships, information was collected on student desertion and labor insertion in the different academic offerings and information and development of virtual tools for student follow-up based on three aspects:

- Academic;
- Connectivity and accessibility to electronic devices;
- Emotional.

STRENGTHENING FINANCIAL HEALTH

[FS16] [103-3]

The financial education program aims to strengthen the skills and competencies of the Bank's customers and non-customers on money

management and care, so that they use financial products and services tailored to their reality throughout their life cycle.

Compliance with this program is evaluated through its planning and annual goals, which are measured based on two axes: training and awareness. This planning is approved by Banco Pichincha's Board of Directors and, as part of an accountability scheme, a report on results is submitted every six months to the Board of Directors, annually to the Shareholders' Meeting and to the Superintendency of Banks.

Seeking to go beyond the regulations, in 2020 the goals were overachieved, despite the fact that according to Resolution SB-2020-0754 this year's performance was not supposed to have increases in relation to 2019, due to the pandemic. This program is managed with two approaches:

1. **AWARENESS RAISING:** communication process that seeks to create awareness about the contents of the financial education program in a clear and simple way, through basic knowledge and tips for the proper management of resources.
2. **TRAINING:** structured and continuous educational process comprising a series of methodologies and modalities to strengthen the beneficiaries' knowledge, skills and behaviors.

The thematic areas addressed by the program are the following:

- **Budgeting:** a tool for organizing finances, with an income planning and expenditure control plan.

- **Savings and financial goals:** a tool for developing a savings plan aimed at meeting goals and dealing with unexpected events.
- **Responsible indebtedness:** tool to take advantage of investment opportunities based on the analysis of indicators such as payment capacity/debt income.
- **Investments and insurance:** a tool for knowing the value of money over time, assuming risks and protecting savings and assets through the use of insurance.
- **Financial system and financial user protection:** tool to discriminate financial system institutions according to the control entity, knowing the principles of financial user protection.
- **Banking security:** skills to avoid being a victim of criminal modalities that affect transactional activities.

OUR BENEFICIARIES

During 2020 we increased by 77% the scope of awareness, largely through the use of media such as radio and television, because the subject matter was of great interest to the media, and by 18% the scope of training compared to last year (CHARTS 12, AS WELL AS 13 AND 14 IN THE FOLLOWING PAGE).

CHART 12

APPROACHES

	2020	2019
	<i>Beneficiaries</i>	<i>Beneficiaries</i>
Awareness	3'382,467	777,115
Training	32,335	26,473

CHART 13

AWARENESS

Beneficiaries	Action	# beneficiaries
Microfinance Segment Customers	Financial education messages	3'382,467
Personal Banking Customers	Savings product	
Trusted Payroll Customers	Awareness workshops	
Commercial Alliances	Awareness workshops	
Radio	<i>Economics of daily life</i> program and on-demand interviews	
Television	On-demand interviews	
Print Media	Newsletters	
Social Networks	Facebook	

CHART 14

TRAINING

Beneficiaries	Financial education program	Methodology	# beneficiaries
HIAS –Acnur Commercial Alliances	Family	On-site	107
		Virtual	47
	Financial culture	Virtual	28
Non-banking Correspondents	Financial culture	Virtual	6,287
Trusted Payroll Companies	Virtual	On-site and virtual	635
Banco Pichincha Employees and subsidiaries	Financial culture	Virtual	6,693
Fundación CRISFE Scholarship Holders	Financial culture	Virtual	306
General Public – Youth and Adults	Family	On-site	3,759
General Public – Youth and Adults	Financial culture	Virtual	11,503
General Public – Senior citizens	Senior Citizens	On-site	81
Children and teenagers	Aflatoun	Virtual	2,749
Facilitator trainer	Trainer of trainers	Virtual	140
Total			32,335

The program's initiatives include the following:

Business Alliances

This initiative is implemented in partnership with the United Nations Refugee Agency (UNHCR), through HIAS, an organization that protects refugees whose lives are in danger. The objective is to promote financial inclusion for people in human mobility. During this year we trained 182 people.

General Public – Youth and Adults

Pichincha Mi Vecino

Through our executives of the Non-Banking Correspondents channel, we strengthen the skills, competencies and behaviors of customers in the management of resources, in order to maintain a differentiation between the financial management of the family and that of the business. We trained 6,287 correspondents.

Trusted Payroll

We trained 635 employees of companies in the Trusted Payroll channel through the Financial Culture virtual course, which has a synchronous and an asynchronous phase.

Banco Pichincha and Subsidiaries Employees

During this year, 6,693 employees of Banco Pichincha and its subsidiaries were trained in order to become ambassadors to customers and their families to encourage good financial practices.

Fundación CRISFE Scholarship Holders

This initiative is implemented in coordination with Fundación CRISFE's scholarship program, in which 306 scholarship holders and applicants have been trained.

General public-youth and adults

This year 15,343 young people, adults and senior citizens have been trained.

Children and teenagers

Convinced that financial education should start from childhood, this year 2,749 children and teenagers from 3 to 18 years of age received training through strategic allies and educational units.

Facilitator training

In order to enhance the impact of this program, CRISFE trained 140 teachers from educational units and external trainers of the foundation. In the process, the assistants are provided with methodologies and playful resources to strengthen their skills and competences to implement the different financial education programs.

3

ENVIRONMENTAL RESPONSIBILITY

We are committed to reducing our ecological footprint through eco-efficiency practices, both in our operations and in the activities of our customers and suppliers. We have a Safety, Health and Environment Policy, applicable to all our stakeholders, and addresses commitments on environmental pollution and continuous improvement management.

ENVIRONMENTAL IMPACTS

[103-1, 103-2, 103-3] [102-11]

We have a Safety, Health and Environment System, based on ISO 14.001 and ISO 45.001 standards, which aims to minimize impacts, manage legal requirements and promote good performance through continuous improvement in our processes. Through the system we monitor, measure, analyze and evaluate the different objectives and indicators established, as well as the internal audit process.

During this year our environmental indicators have been impacted by the health emergency, which is why we decided not to evaluate the system until 2021.

The management of environmental impacts has the human and economic resources

to comply with the annual goals set, as well as with formal internal (infosostenibilidad@pichincha.com) and external (reclamos@pichincha.com) communication mechanisms.

PAPER CONSUMPTION

[301-1]

Our management of materials is oriented towards their rational and efficient use, through an approach that includes our value chain. Due to our line of business, stationery and packaging materials are the most relevant in the development of our activities; paper is specifically involved¹. For this reason, one of the actions we have implemented is the use of paper from a renewable source, made from sugarcane bagasse.

In 2020, we reduced the consumption of this material per employee by 3,198 sheets, which represents approximately six reams. This positive result responds to actions that we have been developing for several years, although the health emergency also contributed to the reduction in the use of this resource for internal consumption.

In 2021, we will continue to implement actions to minimize our environmental impact. The consumption of this resource is reported in CHARTS 1 AND 2 (Pg.128).

We are committed to reduce our resource consumption through eco-efficiency in our operations.

¹ We do not use non-renewable materials for the production and packaging of our products and services.

ENVIRONMENTAL RESPONSIBILITY

PAPER

Each employee reduced its use
by **3,198 sheets**

*In digital credits
we saved*

514,370
sheets

*In account statements
we saved*

38'954,886
sheets



ENERGY

106

*Environmentally
friendly air
conditioning
systems.*

984

*Motion
and light
sensors
installed.*

7,450

*Energy-
efficient
computer
equipment.*

WASTE

We recycle

27,574.77 kg
Paper and cardboard.



*Adhering to the United
Nations Principles for
Responsible Banking, which
provide the framework for a
sustainable banking system.*

*We are part of the
CORE TEAM of the
Partnership for Financial
Carbon Accounting Association.*



CHART 1

INTERNAL PAPER CONSUMPTION (ADMINISTRATIVE MANAGEMENT)

Materials	2020		2019	
	Number of sheets	# of reams	Number of sheets	# of reams
Paper for internal consumption *	25'208,334	50,417	47'055,641	94,111
Paper consumed per employee**	4,403	9	7,601	15

* Corresponds to the number of printouts made by Banco Pichincha and CREDI FE operations. Equivalent to 50,416.67 kg of paper.

** Calculation obtained by dividing the total internal paper consumption (25'208,334 sheets) by the average number of employees 2020 of Banco Pichincha and CREDI FE (5,725).

CHART 2

INTERNAL PAPER CONSUMPTION (PAYMENTS TO SUPPLIERS)

Materials	2020	2019
	Quantity	Quantity
Paper for printing internal checks for suppliers *	131	1,021

* Corresponds to checks printed for Quito's suppliers from the internal payment area.

During the health contingency, business continuity was maintained through a remote service model; more than 12,000 customers were attended and more than 25,500 requests were received, saving 20,534 sheets of paper. In addition, several initiatives were implemented in the agency network, saving a total of 387 reams of paper:

- Elimination of savings account application for individuals.
- Elimination of the pre-printed form (manually) for the prohibition of checks in cases of declaration without effect, revocation and temporary suspension of payment when requested by the account holder or co-holder.

- Elimination of the use of the manual form for emergency check request.
- Automation of the registration of differences in nickel deposits over USD30 (authorized agencies).

Since 2016 we have been promoting a new way of granting banking products and services to our customers, through the use of electronic channels with the aim of progressively reducing paper printouts. The results achieved during 2020 are shown in GRAPH 1 (Following Page).

INTERNAL ENERGY CONSUMPTION [302-1]

Energy consumption was affected by the confinement that occurred due to the health crisis

caused by the coronavirus and by some mitigation measures carried out.

The data on internal energy consumption corresponds to diesel used in 123 electric generators at the national level, which operate only in the event of power outages, and to the consumption of electric energy from Ecuador's interconnected system².

In order to comply with the reduction of greenhouse gas emissions, we have carried out the following actions:

- Installation of 984 motion and light sensors in low-circulation spaces.
- Installation of 106 environmentally friendly air conditioning systems.

² We do not consume or sell energy for cooling, heating or steam.

CHART 3

ENERGY INTENSITY PER EMPLOYEE

2020	2019
8.89	13.41

- Installation of 805 programmable thermostats.
- Acquisition of 7,450 energetically efficient computer equipment (Energy Star and Epeat Gold certification).

By 2021, the goal is to achieve a 3% reduction with respect to 2019.

The annual internal energy consumption data by source and total are presented in GRAPHS 2 and 3 (Following page), and the calculation of energy intensity per employee in Chart 3).

GRAPH 1

2020 RESULTS

DIGITAL CREDITS

51,437

transactions disbursed.

514,370

sheets saved.

With an average of
10 sheets
per digital credit.

ELECTRONIC STATEMENTS FOR CHECKING ACCOUNTS AND CREDIT CARDS

12'158,557

Unprinted account statements.

38'954,886

sheets saved.

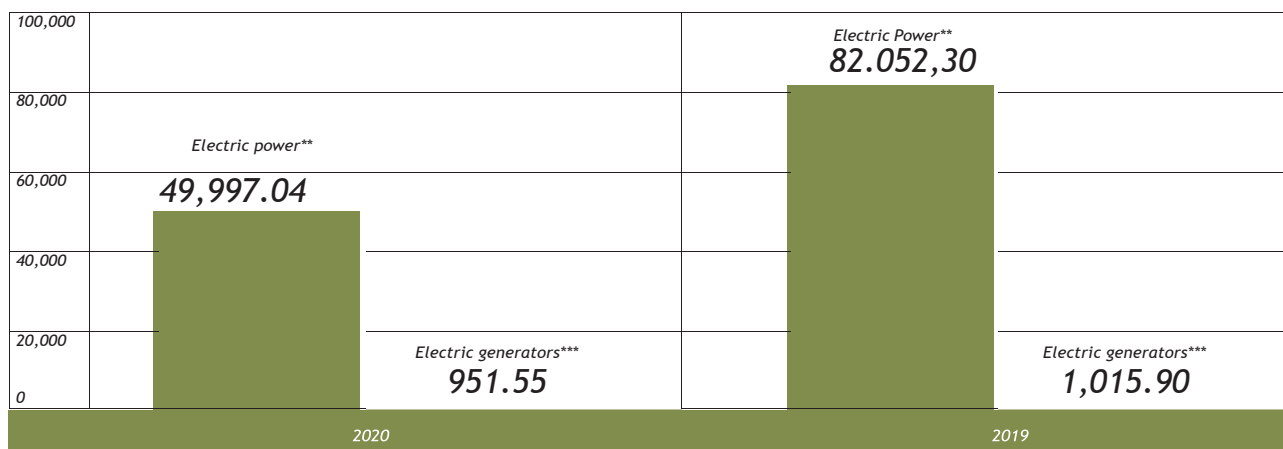
With an average of FOUR
SHEETS for current account statements and THREE for credit cards.

TOTAL SAVINGS

39'469,256 sheets saved in processes with customers.

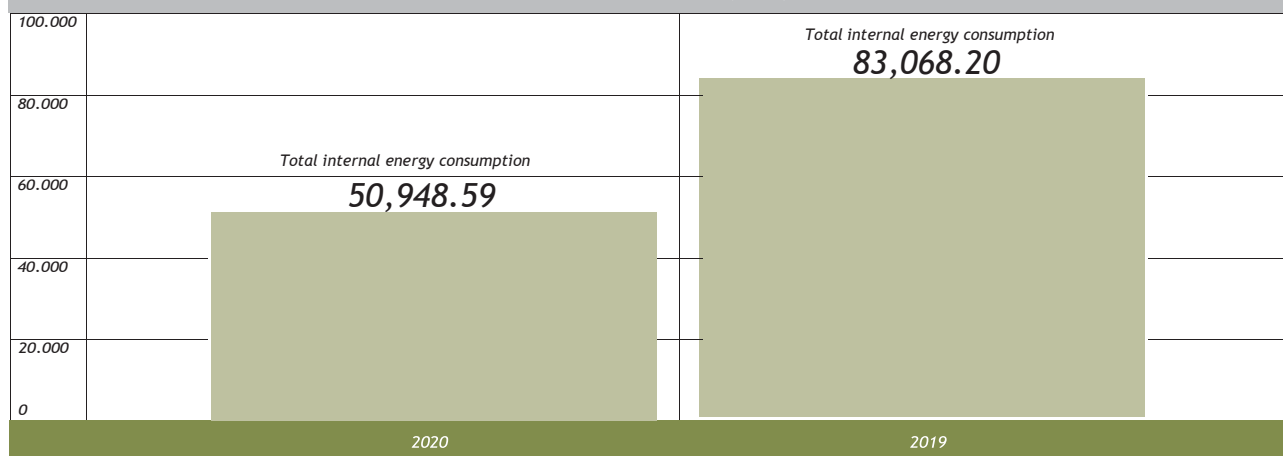
GRAPH 2

ANNUAL DOMESTIC ENERGY CONSUMPTION (GJ*) BY SOURCE



GRAPH 3

TOTAL ANNUAL INTERNAL ENERGY CONSUMPTION (GJ*)



* Gigajoule: unit of energy measurement that represents the consumption of gallons of fuel.

** For the calculation of energy consumption in GJ, the conversion factor of 1 kWh = 0.0036 GJ/ton was used.

*** The 2020 figure is an approximate figure; it has a range of 90%.

It is not comparable with that of 2019, since it is not being measured on the same number of establishments.

ENERGY INTENSITY

[302-3]

To calculate this figure, two factors were taken into consideration: internal energy consumption (electrical energy and fuel consumed in generators) and the total number of employees of Banco Pichincha and CREDI FE (5,725 people).

WATER CONSUMPTION³

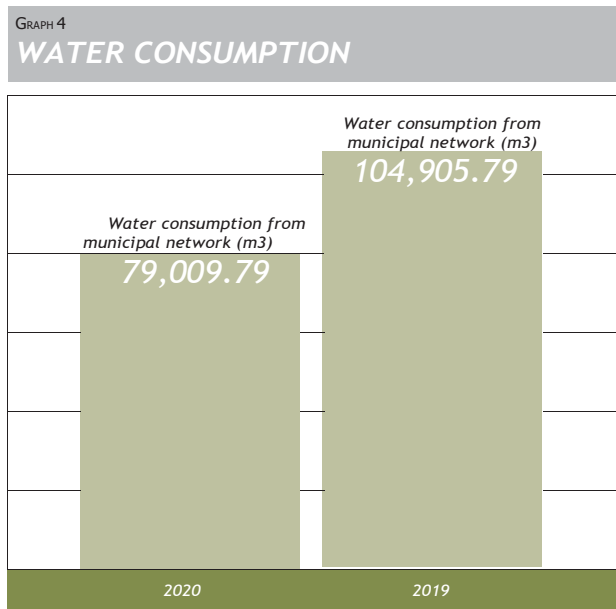
[303-5]

In order to make efficient use of water resources, the consumption of this indicator is monitored by Banco Pichincha's administrative

³ The data were collected from water consumption bills for 90% of the agencies and main buildings throughout the country (Coast, Sierra, Amazon and Galapagos).

area, which defines preventive maintenance and control mechanisms⁴.

The data for 2020 is approximate, it has a scope of 90% of the agencies and main buildings throughout the country. It is not comparable with that of 2019 since it is not measuring the same number of establishments. By 2021, the goal is to reach a 2% reduction with respect to 2019 (GRAPH 4).



⁴ No water is stored

WASTE MANAGEMENT

[306-2]

We make an effort to minimize the generation of waste and manage it correctly throughout our value chain, which is why during the year we maintained waste reduction, reuse and recycling programs, and its final disposal was through environmentally qualified companies.

During 2020 we implemented a differentiated recycling project in the Centro Financiero Building in Quito, providing each floor with bio-stations for recycling plastic, paper and common waste.

This year we recycled 27,574.77 kg of paper and cardboard, equivalent to 13'787,385 sheets. This figure increased in relation to 2019, due to the management of the passive archive of the Document Management area.

For 2021 the goal is to reach a waste reduction of 1% with respect to 2019, and to increase 2% in paper and cardboard recycling. The main figures for non-hazardous and hazardous waste managed during the year are shown in CHART 4.

Chart 4
WASTE MANAGEMENT*

	Type	Method of elimination	2020	2019
Non-hazardous waste	Toners (kg)	Recycling	1,615	3,842
	Paper and cardboard (kg)	Recycling	27,574.77	9,649.94
Hazardous and special waste	Hospital (kg)	Incineration	18.6	24.5
	Fluorescentes (kg)	Recovery	1,783	1,063.48

* The unit value of toner and fluorescent waste was modified to be comparable to the 2020 figure. Toners are collected from all our facilities with the support of our print service provider. Fluorescent and hospital waste is managed through qualified environmental managers

We adhere to the Principles of Responsible Banking to strengthen our commitment against climate change, minimizing the impact of our operations and customers.

CLIMATE CHANGE

[103-1, 103-2, 103-3]

Climate change is one of the main strategic challenges we face. As a result, we seek to positively impact our value chain and contribute to achieving the Sustainable Development Goals (SDGs).

Based on the Environmental Responsibility axis of our Sustainability Model, we seek to mitigate the environmental impact of our operations and those of our customers, accompanying them in the development of sustainable businesses. To this end, we finance initiatives that mitigate the effects of climate change through our offer of BIO products, which are low-carbon (these products are explained in greater detail in the Sustainable Finance chapter, P. 76).

We have managed to avoid third-party emissions through the implementation and strengthening of digital platforms such as Mobile Banking, Web Banking and customer proximity channels (ATMs, virtual offices and Mi Vecino Non-Banking Correspondents). These channels make it possible to reduce our customers' emissions by reducing or eliminating their trips to the agencies.

During 2020, we worked hand in hand in hand with the United Nations Environment Program Finance Initiative (UNEP-FI) in the implementation of the United Nations Principles

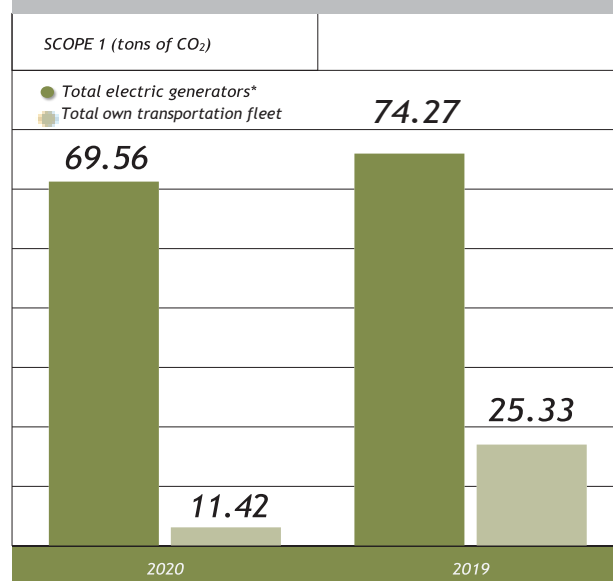
for Responsible Banking, an initiative that provides the framework for a sustainable banking system in relation to the SDGs and the Paris Agreement.

In addition, Banco Pichincha is part of the *Core Team* of the Partnership for Carbon Accounting Finance (PCAF), which this year developed the global greenhouse gas (GHG) accounting and reporting standard for six asset classes: mortgages, commercial loans and unlisted equities, listed equities and corporate bonds, vehicle loans, project finance, and commercial real estate. The official document was launched in November.

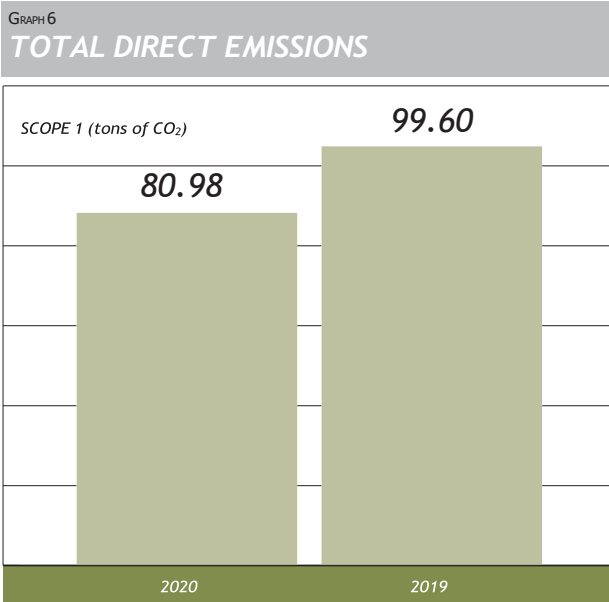
As part of our internal environmental management, each year we conduct an internal carbon footprint measurement, which consists of quantifying our direct Scope 1 and indirect Scope 2 and Scope 3 GHG emissions.

GRAPH 5

DIRECT EMISSIONS BY SOURCE



Note: The value for 2019 was modified since the information for 34 generators was delivered in February 2020. The FE conversion factor (Defra, 2016) was used to calculate the total emissions from electric generators. The Banco Pichincha EMS environmental indicator reporting tool, which uses data from the Intergovernmental Panel on Climate Change and the International Energy Agency, was used to calculate total emissions from the company's own transportation fleet. Total emissions were calculated based on the emission factor (353 g CO₂/kWh) of the International Energy Agency 2016.



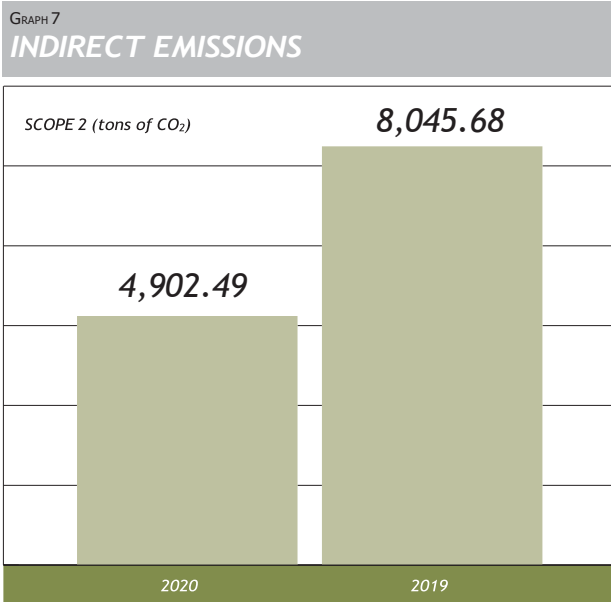
Note: Total emissions were calculated based on the emission factor (353 g CO₂/kWh) from the International Energy Agency 2016.

An important input that has allowed us to improve our environmental management is the Bank's annual measurement against the Dow Jones Sustainability Index. Based on these results, we designed an action plan with environmental, social and governance (ESG) measures to address shortcomings detected during the measurement.

GREENHOUSE GAS MANAGEMENT (GHG)

We annually account for and report direct and indirect (Scope 1, Scope 2 and Scope 3) GHG emissions from operations over which we have full authority to introduce and implement operational policies (the operational control approach was applied for the consolidation of emissions). The base year for the study is 2019.

Among the results for this year, it was concluded that the main GHG emitted by our operations is carbon dioxide (CO₂). During 2021



Note: Total emissions were calculated based on the emission factor (353 g CO₂/kWh) from the International Energy Agency 2016.

we will continue to work on the analysis of our energy consumption and greenhouse gas inventory, with the purpose of designing a work plan for their reduction and prioritizing actions.

Direct Emissions

[305-1]

The 2020 figure decreased by 18.7% compared to 2019, due to the fact that during the confinement we did not use our own transportation and the data reported corresponds only to the fuel accumulated in the 123 emergency generators (GRAPH 5 PREVIOUS PAGE AND GRAPH 6).

Indirect Emissions

[305-2]

In 2020, emissions derived from the use of electricity purchased and consumed by the organization for lighting, use of electrical appliances, among others, were the most representative, with 89% of the total emissions inventory (GRAPH 7).

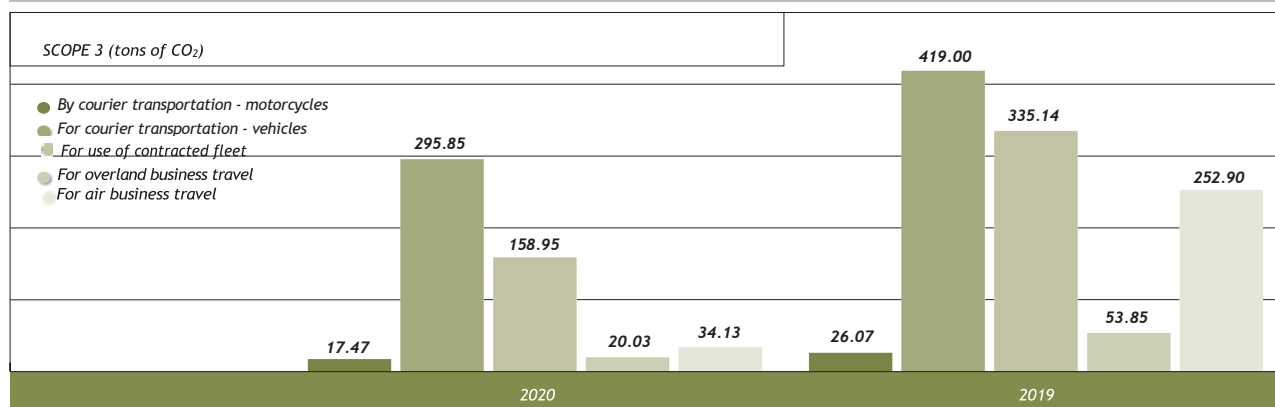
Other indirect emissions

[305-3]

(GRAPHS 8, 9 AND CHART 5)

GRAPH 8

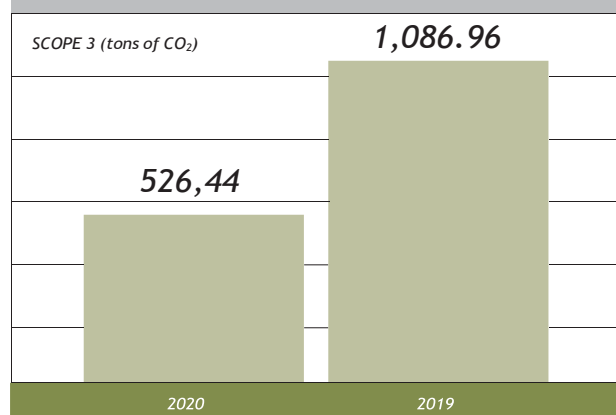
INDIRECT EMISSIONS BY SOURCE



Note: The Banco Pichincha SSA environmental indicator reporting tool, which uses data from the Intergovernmental Panel on Climate Change and the International Energy Agency, was used to calculate total emissions from business trips by land, air, and contracted fleet. For air travel, the emission factor was calculated without radioactive force. For the total calculation of emissions from courier transport, the FE conversion factor was used (Defra, 2016).

GRAPH 9

TOTAL INDIRECT EMISSIONS



Climate change is one of our main strategic challenges. We strive to have a positive impact on our value chain and contribute to achieving the Sustainable Development Goals (SDGs).

Internal environmental management performs an annual internal carbon footprint measurement, which consists of quantifying our direct and indirect GHG emissions.

CHART 5

TOTAL EMISSIONS (TON CO₂)

Emissions	2020		2019	
	Ton CO ₂	%	Ton CO ₂	%
Total direct emissions Scope 1	80.98	1%	99.60	1%
Total indirect emissions Scope 2	4,902.49	89%	8,045.68	87%
Total indirect emissions Scope 3	526.44	10%	1,086.96	12%
Total	5,509.91	100%	9,232.24	100%

Intensity of GHG emissions

[305-4]

We have determined an emissions rate per employee, located at 0.962 ton CO₂/employee in 2020, i.e. a lower value of 0.528 ton CO₂/employee compared to 2019. The reduction of this indicator is largely due to the containment measures that were carried out during this year due to the pandemic.

To calculate this figure, two factors were considered: total CO₂ emissions (Scope 1, Scope 2, Scope 3) and the total number of employees of Banco Pichincha and CREDI FE (5,725 people) (CHART 6).

CHART 6 EMISSION INTENSITY		
	2020	2019
Total emissions intensity (ton CO ₂ e/employee)	0.962	1.49

ABOUT THIS REPORT

SCOPE, COVERAGE AND PERIODICITY

[102 - 50] [102 - 52]

Our Annual Sustainability Report contemplates the economic, social and environmental strategy and its results generated between January 1 and December 31, 2020 of our operation in Ecuador. In this way, based on an articulated work among the Bank's areas, we communicate our sustainable business model, our value drivers, our strategic pillars and how we generate value for society and our different stakeholders.

REPORTING AND VERIFICATION FRAMEWORKS

[102 - 54] [102 - 55] [102 - 56]

In the publication we use the guidelines of the Global Reporting Initiative (GRI) and the additional information applicable and retained in the financial sector supplement in its G4 version. We therefore consider that the report has been prepared in accordance with GRI standards, which is an essential option. The GRI Content Index can be found at the end of the report.

The financial information is presented in accordance with current regulations authorized by Superintendencia de Bancos and the International Financial Reporting Standards (IFRS); it has also been audited by an independent external firm.

The non-financial information is verified by PricewaterhouseCoopers, an independent auditing firm that follows the guidelines of the international standard for verification work ISAE 3000.

For the reader's understanding, an iconography has been designed to identify the GRI contents.

- General contents [101-2].
- Material issues [301-1] [SF1].

REVIEW OF INFORMATION

[102-10] [102-48] [102-49]

With respect to previous reports, no relevant information has been reformulated; although it is possible that data has been updated or that the calculation formula for a specific indicator has changed. In such cases, the changes are noted in the corresponding section. Likewise, there have been no significant changes in our size, structure, ownership or supply chain during the reporting period. Nor have there been any significant changes with respect to previous reporting periods or in the list of material topics and topic coverage.

QUESTIONS

[102-53]

We welcome inquiries, opinions or suggestions through the various available channels:

SUSTAINABLE DEVELOPMENT OF BANCO PICHINCHA



Av. Amazonas 45-45 and Pereira



(593 2) 298 0980, ext. 594750



desarrollo.sostenible@pichincha.com

PRINCIPLES FOR THE PREPARATION OF THE REPORT

[102-46]

The integrity and thoroughness of the information in this *Sustainability Report* are

guaranteed by the Executive Vice-Presidency of Finance and Risk and by Sustainability Management, through an internal reporting process that ensures the application of the GRI principles of content and quality:

Content

- The introductory chapter details the stakeholders and explains how Banco Pichincha has responded to their expectations and interests.
- For each of the material topics, the sustainability context in which each issue is developed and managed is described.
- For the construction of the Report, a materiality analysis was carried out from a double perspective: relevance for our stakeholders and importance for our organization. The preparation process and results of this analysis are shown in the following pages.
- We indicate the material aspects and their coverage, scope and time in an exhaustive manner, reflecting the significant economic, environmental and social effects.

Quality

- **ACCURACY:** data measurement techniques and bases of calculations used to report indicators are detailed in explanatory notes. Qualitative statements are consistent with available evidence.
- **BALANCE:** we present the positive and negative aspects of our performance.
- **CLARITY AND TIMELINESS:** all information is presented in a clear and timely manner.
- **COMPARABILITY:** the report presents data from the previous year to evaluate the evolution of performance and compare it with that of other organizations.
- **RELIABILITY:** during the information gathering process, the original sources of the data included have been identified and supported by documentation subject to internal controls and external verification.

MATERIALITY ANALYSIS

[102 - 15] [102 - 44] [102 - 46] [102 - 47]

We annually update our Material Issues Matrix, a management tool that allows us to increase our understanding of the environmental, social and economic risks and opportunities of our company; to know the expectations of our stakeholders, and thus consider these issues in the strategy.

This work was carried out in the stages shown in CHART 1.

The issues identified as a result of this process were placed in a two-axis matrix:

1. Relevant to our stakeholders.
2. Relevant to our strategy, resulting in a list of material issues to be included in the Report. This matrix was reviewed and approved by Sustainability Management. (GRAPH 1, FOLLOWING PAGE).

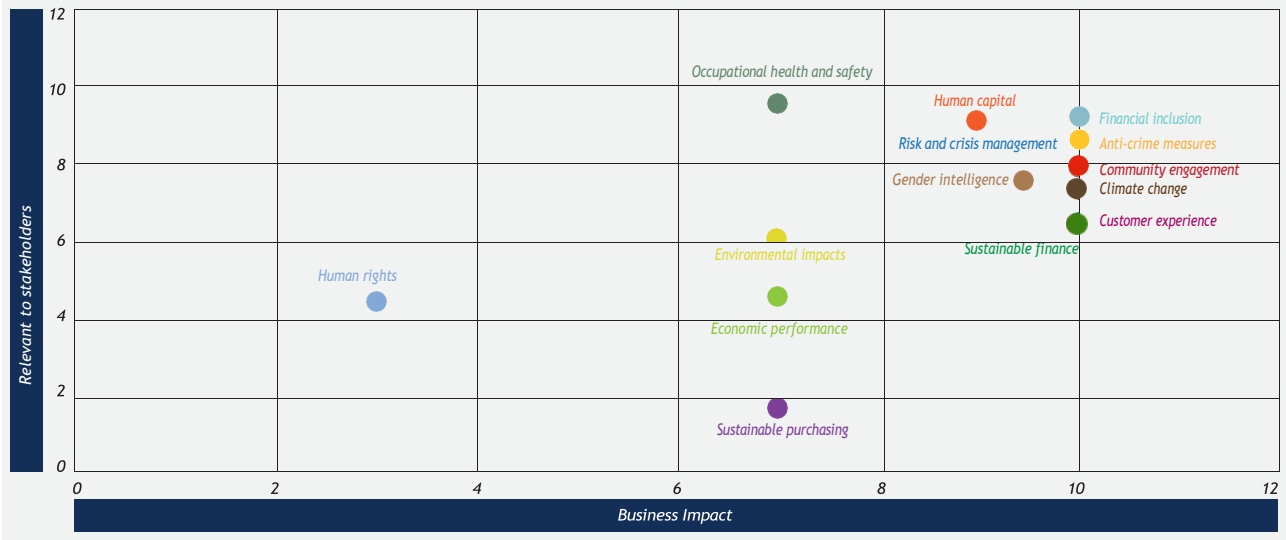
CHART 1

MATERIALITY MATRIX

	Impact analysis and assessment
1	<ul style="list-style-type: none"> • Analysis of materiality studies of the sector companies. • Review of our strategic objectives related to sustainable development. • Assessment of impacts related to sustainable development.
	Internal validation and prioritization
2	<p>Working session with the Sustainable Development Area.</p>
	Identification of stakeholder expectations
3	<ul style="list-style-type: none"> • 102 <i>online</i> employee surveys. • <i>Focus group</i> with 6 microfinance clients (4 groupal and 2 individuals). • <i>Focus group</i> with 8 suppliers. • <i>Focus group</i> with 12 CNB (non-bank correspondents). • Surveys to 4 mass clients. • <i>Focus group</i> with 9 SME customers.
	Prioritization of material issues
4	<ul style="list-style-type: none"> • We prioritized the topics by means of an internal analysis (strategic for Banco Pichincha) and an external analysis (material for stakeholders and the sector). • Processing of all the information gathered. • Definition of the contents of the Report.

GRAPH 1

MATERIALITY MATRIX



[103-1]

The description of the material topics and their coverage is detailed in ANNEX 3.

GRI CONTENT INDEX

GRI standar	Disclosure	# of page, url or response	Omission	Verification
GRI 101: FOUNDATION 2016				
GENERAL DISCLOSURES				
GRI 102: GENERAL DISCLOSURE 2016	Profile of the organization			
	102-1 Name of the organization	Banco Pichincha C.A.		✓
	102-2 Activities, brands, products, and services	P. 87-89		✓
	102-3 Location of headquarters	Av. Amazonas and Pereira		✓
	102-4 Location of operations	P. 66		✓
	102-5 Ownership and legal form	P. 10-11		✓
	102-6 Markets served	P. 87		✓
	102-7 Scale of the organization	P. 87-96-100		✓
	102-8 Information on employees and other workers	P.100-102		✓
	102-9 Supply chain	P. 111		✓
	102-10 Significant changes to the organization and its supply chain	P. 136		✓
	102-11 Precautionary Principle or approach	P. 126		✓
	102-12 External initiatives	P. 69		✓
	102-13 Membership of associations	P. 69		✓
	Strategy			
	102-14 Statement from senior decision-maker	P. 3-5		✓
	102-15 Key Impacts, risks, and opportunities	P. 66-67		✓
	Ethics and integrity			
	102-16 Values, principles, standards and norms of behaviour	P. 102-51		✓
	102-18 Governance structure	P. 71		✓
	Stakeholder engagement			
	102-40 List of stakeholder groups	P. 69-70		✓
	102-41 Collective bargaining agreements	We do not have collective negotiation agreements		✓
	102-42 Identifying and selecting stakeholders	P. 69-70		✓
	102-43 Approach to stakeholder engagement	P. 69-70		✓
	102-44 Key topics and concerns raised	P. 138-139		✓

GRI 102: GENERAL DISCLOSURE 2016	Reporting practice			
	102-45 Entities included in the consolidated financial statements	P. 56-57		✓
	102-46 Defining report content and topic Boundaries	P. 137-139		✓
	102-47 List of material topics	P. 138-139-146		✓
	102-48 Restatements of information	P. 136		✓
	102-49 Changes in reporting	P. 136		✓
	102-50 Reporting period	P. 136		✓
	102-51 Date of most recent report	Sustainability Report 2019		✓
	102-52 Reporting cycle	P. 136		✓
	102-53 Contact point for questions regarding the report	P. 136		✓
	102-54 Claims of reporting in accordance with the GRI Standards	P. 136		✓
	102-55 GRI Content Index	P. 140		✓
	102-56 External assurance	P. 156-157		✓

GRI CONTENT INDEX

GRI standar	Disclosure	# of page, url or response	Omission	Verification
MATERIAL TOPIC				
Climate change				
GRI 103: MANAGEMENT APPROACH 2016	103-1 Assessing the management approach	P. 132-133-146		✓
	103-2 The management approach and its components	P. 132-133		✓
	103-3 Evaluation of the management approach	P. 132-133		✓
GRI 305: EMMISSIONS 2016	305-1 Direct (Scope 1) GHG emissions	P. 133-134		✓
	305-2 Energy indirect (Scope 2) GHG emissions	P. 133-134		✓
	305-3 Other indirect (Scope 3) GHG emissions	P. 134		✓
	305-4 GHG emissions intensity	P. 135		✓
	305-5 Reduction of GHG emissions	The reduction in 2020 compared to 2019 was 3,722.33 tons CO ₂ . The greatest reduction was in Scope 2, with 3,143.19 ton CO ₂ , and in Scope 3, with 560.52 ton CO ₂ . However, we cannot attribute the entire result to the actions taken due to the health emergency.		✓
Human capital				
GRI 103: MANAGEMENT APPROACH 2016	103-1 Assessing the management approach	P. 98-100		✓
	103-2 The management approach and its components	P. 98-100		✓
	103-3 Evaluation of the management approach	P. 98-100		✓
GRI 401: EMPLOYMENT 2016	401-1 New employee hires and employee turnover	P. 100-102		✓
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees.	P. 116		✓
	401-3 Parental leave	P. 104-105		✓
GRI 404: TRAINING AND EDUCATION 2016	404-1 Average hours of training per year per employee	P. 105-107		✓
	404-2 Programs for upgrading employee skills and transition assistance programs	P. 103-105-106		✓
	404-3 Percentage of employees receiving regular performance and career development reviews.	P. 107		✓
BANCO PICHINCHA INDICATOR	BP1 organizational health index	P. 103		
Compras sostenibles				
GRI 103: MANAGEMENT APPROACH 2016	103-1 Assessing the management approach	P. 110-146		✓
	103-2 The management approach and its components	P. 110		✓
	103-3 Evaluation of the management approach	P. 110-111		✓
GRI 414: SUPPLIER SOCIAL ASSESSMENT 2016	414-1 New suppliers that were screened using social criteria	P. 110-112		✓
	414-2 Negative social impacts in the supply chain and actions taken	P. 110-112		✓

Economic Performance				
GRI 103: MANAGEMENT APPROACH 2016	103-1 Assessing the management approach	P. 94-146		✓
	103-2 The management approach and its components	P. 94		✓
	103-3 Evaluation of the management approach	P. 94-95		✓
GRI 201: ECONOMIC PERFORMANCE 2016	201-1 Direct economic value generated and distributed	P. 96-97		✓
BANCO PICHINCHA INDICATOR	BP2 Optimization of the Bank's financial performance in terms of profitability, liquidity and solvency			✓
Customer experience				
GRI 103: MANAGEMENT APPROACH 2016	103-1 Assessing the management approach	P. 87-88-146		✓
	103-2 The management approach and its components	P. 87-88		✓
	103-3 Evaluation of the management approach	P. 87-88		✓
BANCO PICHINCHA INDICATOR	BP3 Customer satisfaction index	P. 87-88-90		✓
	BP4 Complaints and claims management	P. 94-95		✓
	BP5 Digital transformation	P. 94-95		✓
	BP6 External measurement of value offer of products and services	P. 92-94		✓
Sustainable finance				
GRI 103: MANAGEMENT APPROACH 2016	103-1 Assessing the management approach	P. 76-146		✓
	103-2 The management approach and its components	P. 76		✓
	103-3 Evaluation of the management approach	P. 76-78		✓
FINANCIAL SERVICES SECTOR SUPPLEMENT GRI G4 PRODUCT PORTFOLIO	FS1 Policies with specific environmental and social components applied to business	P. 78-79		✓
	FS2 Procedures for assessing and screening environmental and social risks in business lines	P. 78-81		✓
	FS3 Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions	P. 78-81		✓
	FS4 Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines	P. 78-80		✓
	FS5 Interactions with clients/investees/business partners regarding environmental and social risks and opportunities	P. 78-80-81		✓
	FS6 Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector	P. 84-86		✓
	FS7 Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	P. 81-84		✓
	FS8 Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	P. 78-81		✓
FINANCIAL SERVICES SECTOR SUPPLEMENT GRI G4 AUDIT	FS9 Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	P. 78-81		✓

FINANCIAL SERVICES SECTOR SUPPLEMENT GRI G4 ACTIVE OWNERSHIP	FS10 Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues	P. 78-81		✓
	FS11 Percentage of assets subject to positive and negative environmental or social screening	P. 84-85		✓
Risk and crisis management				
GRI 103: MANAGEMENT APPROACH 2016	103-1 Assessing the management approach	P. 78-146		✓
	103-2 The management approach and its components	P. 73		✓
	103-3 Evaluation of the management approach	P. 73		✓
FINANCIAL SERVICES SECTOR SUPPLEMENT GRI G4 PRODUCT PORTFOLIO	FS2 Procedures for assessing and screening environmental and social risks in business lines	P. 78-81		✓
Environmental impacts				
GRI 103: MANAGEMENT APPROACH 2016	103-1 Assessing the management approach	P. 126-146		✓
	103-2 The management approach and its components	P. 126		✓
	103-3 Evaluation of the management approach	P. 126		✓
GRI 301: MATERIALS 2016	301-1 Materials used by weight or volume	P. 126-128-129		✓
GRI 302: ENERGY 2016	302-1 Energy consumption within the organization	P. 128-130		✓
	302-3 Energy intensity	P. 129-130		✓
	302-4 Reduction of energy consumption	The reduction in 2020 compared to 2019 was 32,119.61 gigajoules. However, we cannot attribute the entire result to the actions taken, due to the health emergency.		✓
GRI 303: WATER AND EFFLUENTS 2018	303-5 Water consumption	P. 130-131		✓
GRI 306: EFFLUENTS AND WASTE 2016	306-2 Waste by type and disposal methodology	P. 131		✓
Financial inclusion				
GRI 103: MANAGEMENT APPROACH 2016	103-1 Assessing the management approach	P. 86-87-146		✓
	103-2 The management approach and its components	P. 86-87		✓
	103-3 Evaluation of the management approach	P. 86-87		✓
FINANCIAL SERVICES SECTOR SUPPLEMENT GRI G4 ACTIVE OWNERSHIP	FS13 Access points in low-populated or economically disadvantaged areas by type	P. 87		✓
	FS16 Initiatives to enhance financial literacy by type of beneficiary	P. 122-125		✓
Gender intelligence				
GRI 103: MANAGEMENT APPROACH 2016	103-1 Assessing the management approach	P. 107-108-146		✓
	103-2 The management approach and its components	P. 107-108		✓
	103-3 Evaluation of the management approach	P. 107-108		✓

GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016	405-1 Diversity of governance bodies and employees	P. 100-108-109		✓
Culture of bribery, corruption and fraud prevention				
GRI 103: MANAGEMENT APPROACH 2016	103-1 Assessing the management approach	P. 74-75-146		✓
	103-2 The management approach and its components	P. 74-75		✓
	103-3 Evaluation of the management approach	P. 74-75		✓
GRI 205: ANTICORRUPTION 2016	205-1 Operations assessed for risks related to corruption	P. 74		✓
Health and security				
GRI 103: MANAGEMENT APPROACH 2016	103-1 Assessing the management approach	P. 112-113-146		✓
	103-2 The management approach and its components	P. 112-113		✓
	103-3 Evaluation of the management approach	P. 112-113		✓
GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2018	403-1 Occupational health and safety management system	P. 112-113 Note 1		✓
	403-2 Hazard identification, risk assessment, and incident investigation	P. 115-116		✓
	403-4 Worker participation, consultation, and communication on occupational health and safety	P. 117		✓
	403-5 Worker training on occupational health and safety	P. 117		✓
	403-6 Promotion of worker health	P. 116-117		✓
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	P. 112-113-119		✓
	403-8 Workers covered by an occupational health and safety management system	P. 112-113-119		✓
	403-9 Work-related injuries	P. 118		✓
	403-10 Work-related ill health	P. 118		✓
Community engagement				
GRI 103: MANAGEMENT APPROACH 2016	103-1 Assessing the management approach	P. 119-146		✓
	103-2 The management approach and its components	P. 119		✓
	103-3 Evaluation of the management approach	P. 119-120		✓
GRI 413: LOCAL COMMUNITIES 2016	413-1 Operations with local community engagement, impact assessments, and development programs	P. 119-122		✓
FINANCIAL SERVICES SECTOR SUPPLEMENT GRI G4 ACTIVE OWNERSHIP	FS16 Initiatives to enhance financial literacy by type of beneficiary	P. 122-125		✓

Note 1: Legal requirements of the Safety, Health and Environment Management System: Labor Code, Executive Decree 2393, Resolution 957 Regulation to the Andean Instrument for Safety and Health at Work, Decision 584 Andean Instrument for Safety and Health at Work, Resolution CD 513 General Regulation of Labor Risks, Ministerial Agreement 1404 Regulation for the Operation of Medical Services of Companies, Resolution CD 517 Regulation of Employer's Liability, Ministerial Agreement 135 Instructions for the Compliance of Employers' Obligations, Official Record no. 16. Regulation for the Eradication of Discrimination in the Workplace, Official Gazette 114 Regulation for Fire Prevention, Mitigation and Protection.

Annex 3

REPORTING PROCESS AND MATERIALITY

			Coverage							
MATERIAL ISSUE	Concern expressed by		Where does the impact occur?					Banco Pichincha		
	Internal Stakeholders	External Shareholders	Inside the organization		Outside the organization		Produced by products or services	Produce s	Contributes	Is linked by its business activity
			Shareholders	Employees	Value Chain	Community				
Sustainable Finance	x	x	x		x	x	x	x		x
Culture of bribery, corruption and fraud	x	x	x	x	x					x
Risk and crisis management	x	x	x	x	x		x			x
Economic performance	x	x	x	x	x		x	x		
Human capital	x	x		x				x		
Financial inclusion	x	x			x	x	x	x		
Costumer experiencie	x	x		x	x		x	x		
Commnity engagement	x	x				x		x		
Sustainable purchasing	x	x			x					x
Occupational health and safety	x	x		x	x		x	x		x
Gender Intelligence	x	x		x	x		x	x		x
Climate change	x	x				x	x	x		
Environmental impacts	x	x				x		x		

REPORT ON THE IMPACT OF THE GREEN BOND ISSUANCE

<i>Indicators</i>	<i>Unit of measure</i>	<i>Value</i>	<i>Number</i>
FINANCIAL			
Number of beneficiaries (customers)	# beneficiarios	30,335	= number of beneficiaries
Average loan value	\$	5,050.51	= amount disbursed/number of beneficiaries
Disbursement by category of eligible projects	\$	153'207,210.69	= amount disbursed (by project category)
Energy efficiency	\$	48'469,368.18	
Sustainable construction	\$	96'325,287.66	
Sustainable transportation	\$	1'989,343.85	
Waste management	\$	100,000.00	
Sustainable agriculture	\$	6'323,211.00	
Amount of funds not yet used	\$	0	= amount not disbursed
Types of temporary placements of funds not yet allocated ¹	%	0%	= amount not disbursed/types of placements
Refinancing portion	%	59%	
OBJETIVES			
Objective 3 of Axis 1 of Ecuador's PND	\$	153'207,210.69	= amount disbursed for projects in all categories
Objective 5 of Axis 2 of Ecuador's PND	\$	104'737,842.51	= amount disbursed for projects in categories b, c, d, e, f and g
Objective 6 of Axis 2 of Ecuador's PND	\$	6'323,211.00	= amount disbursed for projects in category g
OUTCOME AND IMPACT INDICATORS			
a) Energy efficiency through biocredits			
Annual reduction in energy consumption	KWh	13'486,745.35	= KWh consumed (annually) prior to project implementation
Number of certified products	#	35'299,368.18	= number of appliances certified through one of the eligible seals
Annual reduction in GHG emissions (avoided emissions)	tCO ₂ eq	3,282.67	= annual reduction in energy consumption x average emission factor of Ecuador's energy matrix
d) Sustainable construction			
Number of buildings constructed with eligible seals	# buildings	97	= number of buildings and/or houses constructed with eligible stamps
Savings in energy consumption in certified buildings	KWh	7'028,560.00	= KWh (annual) consumption of the certified building/KWh (annual) consumption of a similar non-certified building
Savings in water consumption in certified buildings	m ³	271,450.76	= m ³ (annual) consumption of the certified building/m ³ (annual) consumption of a similar non-certified building

e) Sustainable transport

Number of hybrid vehicles, electric and/or biofuel-powered vehicles financed	# vehicles	78	= number of vehicles
Annual reduction in GHG emissions	tCO ₂ eq	56.10	= estimated (or measured) average vehicle use x emissions per km of use of a traditional vehicle

f) Solid and liquid waste control and recycling

Integrated waste management solutions developed	Tons/year	60.00	= solid waste storage/treatment capacity in tons
Increased efficiency in water and waste treatment	%	95%	= project's water (waste) treatment capacity/capacity of traditional water (waste) treatment plant

g) Sustainable agriculture and sustainable land use²

Certified production area	Hectareas	1,572.20	= hectares of certified productive area
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¹Total resources raised by the bond minus the amount of projects already financed with its resources.

²No impact indicator is reported for this category because these are not projects but certified sustainable farms.

RESPONSIBLE BANKING PRINCIPLES REPORTING MATRIX

<i>Reporting Requirements and Self-Assessment</i>	<i>High-level Summary of the Bank's Response</i>	<i>Reference(s)/link(s) to the Bank's full response Bank's response/relevant information</i>
PRINCIPLE 1: ALIGNMENT We will align our business strategy to be consistent with and contribute to people's needs and societal goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.		
1.1 Describe (at a high level) your bank's business model, including the main customer segments served, the types of products and services provided, the main sectors and the types of activities where relevant, the technologies financed in the main geographies in which your bank operates or offers operations or offers products and services.	Banco Pichincha C.A. is a financial institution present in all Ecuadorian territory, providing banking services to customers and non-customers through several service points strategically deployed among branches, ATMs and non-bank correspondents (CNB) Mi Vecino. Our customers are grouped into three main segments: Individuals, Companies and Microfinance, for which we offer products such as loans, accounts and investments, and we offer a variety of services. In addition, we have green loans for financing construction, housing and sustainable agriculture; hybrid, electric and less polluting vehicles, and productive activities that incorporate sustainable practices.	Sustainability Report 2020: Banking with purpose, p. 66. Products and services, p. 89.
1.2 Describe how your bank has aligned and/or plans to align its strategy to be consistent with and contribute to societal goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement and national and regional frameworks.	In order to strengthen our commitment to sustainability, we maintain various memberships in global and local initiatives, such as the United Nations Global Compact; the United Nations Environment Program Finance Initiative (UNEP FI) - Principios de Banca Responsable (PBR); Global Alliance of Banks for Women; UN Women's Empowerment Principles; Consorcio Ecuatoriano para la Responsabilidad Social (Ceres); Consejo Metropolitano de Responsabilidad Social y Sostenibilidad; Asociación de Bancos Privados del Ecuador, Comité de Finanzas Sostenibles (Asobanca); Ecuatorian-American Chamber of Commerce Corporate Responsibility Committee, and Partnership for Carbon Accounting Financials (PCAF). We use as a international management framework, international standards as ISO 20,400 Sustainable Purchasing; SSA Integrated Management System: ISO 14,001 and ISO 45,001; Performance Standards of the International Finance Corporation (IFC, por su sigla en inglés), among others. In addition, we work hard to reach the highest international standards. We voluntary measures ourselves under the following standards: The Smart Campaign Customer Protection Principles, Social Performance Management, Dow Jones Sustainability Index and certification as a Family-Responsible Company. All of these initiatives will enable us to meet society's objectives and align ourselves with the SDGs, the Paris Climate Agreement and relevant national and international frameworks.	Sustainability Report 2020: Local and international initiatives, p. 69.

PRINCIPLE 2: IMPACT AND TARGET SETTING

We will work to continually increase our positive impacts and manage the risks to people and the environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts

2.1 Impact analysis: Demonstrate that your bank has identified the areas in which it has the most significant positive and negative impact (potential) through an analysis that meets the following elements:

<p>a) Scope: The Bank's main business areas, products and services in the main geographies in which it operates have been, as described in 1.1. considered in the scope of the analysis.</p> <p>b) Scale of exposure: when identifying its areas of most important impact, the bank has considered where its core business is located its core activities in terms of industries, technologies and geographies.</p> <p>c) Context and relevance: your bank has taken into account the most relevant changes and priorities related to sustainable development in the countries / regions where it operates.</p> <p>d) Scale and intensity / importance of impact: in identifying your most significant areas of most significant impact, the bank has considered the scale, intensity and importance of the (potential) social, economic and environmental impacts resulting from the activities and the provision of products and services (your bank should have engaged with relevant stakeholders to help inform your analysis under elements c y d). Show that, based on this analysis, the bank:</p> <ul style="list-style-type: none">• Identified and disclosed its areas of most important positive and negative impact. (potential).• Identified strategic business opportunities in relation to increasing positive impacts and reducing negative impacts.	<p>In order to carry out a self-assessment of the relevant positive and negative impacts of the sectors financed by Banco Pichincha C.A. during 2020, we have worked on the compilation of the relevant positive and negative impacts of the sectors financed by Banco Pichincha C.A. during 2020, we have worked on the compilation of information needed to fill out the Portfolio Impact Analysis Tool for Banks, which has been developed by the UNEP FI and upgraded by the impact analysis working group, of which this Bank is a member, adapting this tool to the Ecuadorian Banking context and the needs of the country. Using the data collected during fiscal year 2020, the impact analysis will be conducted in 2021, the results will be presented and the two priority areas will be defined.</p>	<p>https://www.unep-fi.org/banking/bankingprinciples/resources-for-implementation/impact-analysis-guidance-and-tool/</p>
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During the year 2021, the Impact Analysis will be performed, considering the portfolio data of fiscal year 2020.

2.2 Target configuration

Show that the bank has established and published a minimum of two specific measurable (can be qualitative or quantitative), achievable, relevant and time-bound (SMART) objectives that address at least two of the most significant identified areas of impact resulting from its activities and the provision of products and services.

- Show that these targets are linked to and drive alignment and further contribution to appropriate SDGs, Paris Agreement targets and other relevant international, national or regional frameworks. The bank should have identified a baseline (assessed against a particular year) and set targets against this baseline.
- Demonstrate that the bank has analyzed and recognized the significant (potential) negative impacts of the set targets on other dimensions of the SDGs / climate change / societal goals and has established relevant actions to mitigate them to the possible extent to maximize the net positive impact of the set targets.

During 2020 Banco Pichincha C.A. has worked hand in hand with UNEP FI within the Goal Setting group focused on Financial Inclusion, which will allow it to establish SMART objectives aligned with the PBR. This group has determined the reference framework and the needs of Ecuador based on current indicators of financial inclusion, both in terms of access to the financial system and financial health. Once the results of the impact analysis have been obtained, specific objectives will be defined to boost positive impacts and mitigate relevant negative impacts

During 2021, based on the results of the Impact Analysis, specific objectives will be defined to boost positive impacts and mitigate relevant negative impacts.

2.3 Plans for implementation and monitoring of objectives

- Show that your bank has defined actions and milestones to meet the established objectives.
- Show that your bank has established the means to measure and monitor progress against stated objectives. The definitions of key performance indicators, any changes to these definitions and any rebasing of baselines should be transparent.

The work plan for the implementation and monitoring of the objectives will be established during 2021, following the setting of objectives related to the Impact Analysis.

The work plan for the implementation and monitoring of the objectives will be established during 2021, following the setting of objectives related to the Impact Analysis.

2.4 Progress in the implementation of objectives

For each objective separately:	The work plan for the implementation and monitoring of the objectives will be established during 2021, following the setting of objectives related to the Impact Analysis.
<ul style="list-style-type: none"> • Show that your bank has implemented the actions you had previously defined to meet the stated objective. • Explain why the actions could not be implemented, whether they needed to be modified, and how your bank is adapting its plan to meet its stated objective. • Report on your bank's progress over the past 12 months (up to 18 months in your first report after becoming a signatory) toward achieving each of the stated objectives and the impact of your progress (where feasible and appropriate, banks should include quantitative disclosures). 	

The work plan for the implementation and monitoring of the objectives will be established during 2021, following the setting of objectives related to the Impact Analysis.

PRINCIPLE 3: CUSTOMERS (OF GOODS AND SERVICES)

We will work responsibly with our customers to promote sustainable practices and enable economic activities that generate shared prosperity for current and future generations.

3.1 Provide an overview of the policies and practices your bank has implemented and/or plans to implement to promote responsible customer relationships. This should include high-level information on the programs and actions implemented (and/or planned), their scale and, where possible, their results.	<p>Banco Pichincha C.A. promotes responsible and sustainable finances, betting on a banking system that supports financial inclusion and promotes biocredits.</p> <p>The Sustainable Development area administers environmental and social management, and works transversally in the organization, providing support and training to other areas of the Bank to promote sustainable finance, offering green products and/or loans with minimum socio-environmental risk to current and potential customers.</p> <p>The Microfinance segment promotes a responsible, efficient and sustainable operation that allows empowering the progress of customers, generating greater welfare for them, their families and the community.</p>	<p>Sustainability Report 2020: Banking with an environmental focus, pp. 78-79-80-81-84.</p> <p>https://www.pichincha.com/portal/desarrollo-sostenible/finanzas-responsables</p>
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3.2 Describe how your bank has worked and/or plans to work with its customers to promote sustainable practices and enable sustainable economic activities. This should include information on actions planned, implemented, products and services developed, and, where possible, impacts achieved.	Banco Pichincha C.A. maintains a Social and Environmental Risk Management System – SERMS (SARAS), through which social and environmental risks present in our customers' activities are identified, categorized, evaluated and managed as an integral part of the credit process. During 2020, this system was updated to incorporate the best environmental and social practices established by international organizations such as the IFC. Likewise, we support our customers in understanding the environmental and social aspects that need to be improved and that require compliance with the necessary actions to prevent, mitigate and remediate impacts. This will enable our customers to comply with best practices in their sectors of operation as well as with applicable national and local environmental and social legislation. Thanks to the issuance of the green bond, from 2019 to 2020, Banco Pichincha C.A. promoted and financed loans with an environmental focus, thus achieving a placement of more than USD150 million in the categories of energy efficiency, sustainable construction, sustainable transportation, integrated waste management and sustainable agriculture.	Sustainability Report 2020: Sustainable Finance, pp. 76-79-81. https://www.pichincha.com/portal/transparencia/bonos-verdes
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PRINCIPLE 4: STAKEHOLDERS

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve the company's objectives.

4.1 Describe which stakeholders (or stakeholder groups/types) your bank has consulted, engaged, collaborated or partnered with in order to implement these principles and improve their impacts. This should include a high-level overview of how your bank has identified relevant stakeholders and what issues were addressed and what results were achieved.	Banco Pichincha C.A. always seeks to maintain the trust of its stakeholders. In this way, customers, employees, shareholders, investors, government, suppliers and society in general contribute actively in the Bank's decisions and actions, which allows us to remain at the forefront in environmental and social aspects, also aligning ourselves with the best practices of the financial sector. The stakeholders identified, considering their relationship of dependence and influence with the organization and vice versa, were consulted on material economic, environmental and social issues, in order to know their opinions, expectations and needs, and to analyze the impact of these on the Bank's strategy.	Sustainability Report 2020: Our stakeholders, p. 69. Analysis materiality analysis, p.138.
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PRINCIPLE 5: GOVERNANCE AND CULTURE

We will implement our commitment to these principles through effective governance and a responsible banking culture.

<p>5.1 Describe the relevant governance structures, policies and procedures that your bank has implemented and/or is planning to implement to manage significant positive and (potential) negative impacts and support the effective implementation of the principles.</p>	<p>In our financial institution, sustainability is one of the pillars of the strategic framework. In addition, we have a vision and a Sustainable Management Model that seeks to internalize and externalize sustainability, involving all stakeholders. Similarly, the environmental and social risk management policy for loans seeks to promote responsible finance in the culture of our employees. Currently, the Sustainability Policy is in the process of approval.</p> <p>Banco Pichincha C.A. has a Sustainable Development area responsible for proposing, implementing and promoting sustainable finance and sustainability best practices with stakeholders. As part of the Business Vice-Presidency, it seeks to establish sustainability in the bank's DNA.</p> <p>Currently, we are forming the Governance and Sustainability Committee of Banco Pichincha C.A., which will be transversal to the organization and will be responsible for implementing and making decisions in working chapters, and thus promote compliance with the PBR.</p>	<p>Sustainability Report 2020: Sustainable Management, pp. 67-68. Sustainable Finance, p. 76.</p>
<p>5.2 Describe the initiatives and measures your bank has implemented or is planning to implement to foster a responsible banking culture among its employees. This should include a high-level overview of capacity building, inclusion in remuneration and performance management structures, and leadership communication, among others.</p>	<p>The Bank's general manager and the executive vice-president of Business are interested in incorporating sustainability into the business approach and aligning all employees with this objective. Accordingly, employees from different areas (Commercial, Risks, etc.) are permanently trained in sustainability issues and especially in the management of environmental and social risks. In 2020, 109 employees strengthened their skills in sustainability issues through training promoted by the eco.business Fund.</p>	<p>Sustainability Report 2020: Capacity Building, p. 79.</p>
<p>5.3 Governance structure for the implementation of the principles: Demonstrate that your bank has a governance structure in place for the implementation of the RBBs, including: a) Establishment of targets and actions to achieve the established targets. b) Corrective actions in case targets or milestones are not achieved, or unexpected negative impacts are detected.</p>	<p>As the Sustainability Committee is still in the beginning stage, the governance structure has not yet been defined. During 2021 the Sustainability Committee will be responsible for interpreting the results of the Impact Analysis to establish targets and corrective actions for when applicable.</p>	

Currently, the Sustainable Development area is in charge of managing sustainable finance in the Bank; however, during 2021, the Sustainability Committee will be formed, a multidisciplinary team in charge of implementing the Principles of Responsible Banking, among other functions.



PRINCIPLE 6: TRANSPARENCY AND ACCOUNTABILITY

We will periodically review our individual and collective implementation of these principles and be transparent and accountable for our positive and negative impacts and our contribution to societal goals.

6.1 Progress in implementing the principles for responsible banking:

- Show that your bank has made progress in implementing the six principles in the last 12 months (up to 18 months in your first report after becoming a signatory), in addition to setting and implementing targets in a minimum of two areas (see 2.1-2.4).
- Show that your bank has considered existing and emerging international and/or regional best practices relevant to the implementation of the six RBBs. Based on this, you have defined priorities and ambitions to align with good practices.
- Show that your bank has implemented and/or is working on implementing changes to existing practices to reflect and be in line with existing and emerging international and/or regional good practices and has made progress in implementing these principles.

Throughout 2020 Banco Pichincha C.A. was part of several working groups for the implementation of the RBBs, such as the Impact Analysis, Target Setting, Reporting and Assurance, and Customer Engagement and Peer Exchange groups created by the UNEP FI to involve all member banks. In addition, we are part of the core group of the PCAF, an initiative that enables financial institutions to assess and report greenhouse gas emissions from their loans and investments. In November 2020, PCAF published *The Global GHG Accounting and Reporting Standard for the Financial Industry*, developed by the core group, which provides detailed methodological guidance for measuring and reporting greenhouse gas emissions associated with six assets: listed equity and corporate bonds, commercial loans and unlisted equity, project finance, commercial real estate, mortgages and vehicle loans.

<https://carbonaccountingfinancials.com/standard>



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INDEPENDENT REPORT ON LIMITED VERIFICATION OF THE 2020

To the members of the Board of Directors and Shareholders

Banco Pichincha C.A.

Quito, Marh 5, 2021

We have been hired to carry out limited verification work on the content of information and indicators, identified with the symbol “✓” presented in the SUsustainability Report 2020 (hereinafter “the Report”) per year to en don December 31, 2020 of Banco Pichincha (hereinafter “the Bank”).

Management’s Responsibility for the 2020 Sustainability Report

The Management of Banco Pichincha C.A. is responsible for the preparation of the Report for the year to end on December 31, 2020 in accordance with the content guidelines and indicators of the Global Reporting Initiative GRI Standards in its essential compliance option. This responsibility includes the design, implementation and maintenance of relevant internal controls necessary to allow the preparation and presentation of the indicated report that is free from significant distortions, due to fraud or error.

Independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Board of Ethics Standards for Accountants, which is based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies International Standard on Quality Control 1 and, accordingly, maintains a comprehensive quality control system that includes documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

Auditor’s responsibility

Our responsibility is to express a conclusion on whether the information included in the Sustainability Report for the year ending December 31, 2020 has been prepared in accordance with the content and indicator guidelines of the Global Reporting Initiative GRI Standards in your option to essential compliance, based on our work and the scope we describe in the following paragraphs.

It should be noted that this verification report is not intended to assess, nor does it assess, the unemployment of Banco Pichincha C.A. in relation to sustainable development.

Our work was carried out in accordance with the International Standard on Assurance Engagements ISAE 3000, issued by the International Federation of Accountants (IFAC). This standard requires that we comply with ethical requirements, including independence requirements, and that we plan and carry out our verification work to obtain limited assurance that no issues have arisen that suggest that the information presented in the Sustainability Report, taken as a whole, it is not free of relevant distortions.

In a limited review work, the evidence obtained from the procedures performed is more limited than in a reasonable verification work, therefore, less security is obtained in these works than in those of verification to obtain reasonable certainty. If we had carried out a reasonable review work, which is intended to issue an opinion, we could have identified other issues or possible distortions that could affect the Sustainability Report; therefore, we do not express an opinion on the aforementioned information.

The selected verification procedures depend on the auditor's judgment including the assessment of the risk of material non-compliance with the report preparation criteria. Within the scope of our work, we have carried out, among others, the following procedures: i) interviews with Banco Pichincha C.A.; ii) procedures and tests based on samples of data collection sources and indicators; and iii) reading and observing the processes and procedures used to compile the information.

Within this framework, we carry out our verification at the main offices of Banco Pichincha C.A. through the following activities:

- Interviews with Banco Pichincha C.A. staff who was responsible for the generation and compilation of the information and indicators subject to our review;
- Review of the relevant procedures and documentation used to collect and consolidate the information;
- Review of the consistency of the information presented in the Sustainability Report;
- Review of formulas, arithmetic accuracy and graphical representation of information;
- Review that the financial information included in the Sustainability report is consistent with the audited financial statements as of December 31, 2020;
- Review of the presence or absence in the Information Sustainability Report and indicators according to the criteria defined in the Global Reporting Initiative GRI Standards in their essential conformity option, selected as the most relevant (material), presented in the Report.

Conclusion

Based on the results of the application of the limited verification procedures described above, nothing has caught our attention that makes us think that the Sustainability Report for the year ending December 31, 2020, has not been prepared in accordance with the content guidelines and indicators of the Global Reporting Initiative GRI Standards in your essential compliance option.

PricewaterhouseCoopers del Ecuador Cía. Ltda



Juan Carlos Sáenz
Partner

® BANCO PICHINCHA 2021
General Management: Executive Vice Presidency of Finance and
Risks Sustainable Report: Vice President RRHH

MULTIPLICA
Art and Design: Estefanía Rivas
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Quito - Ecuador