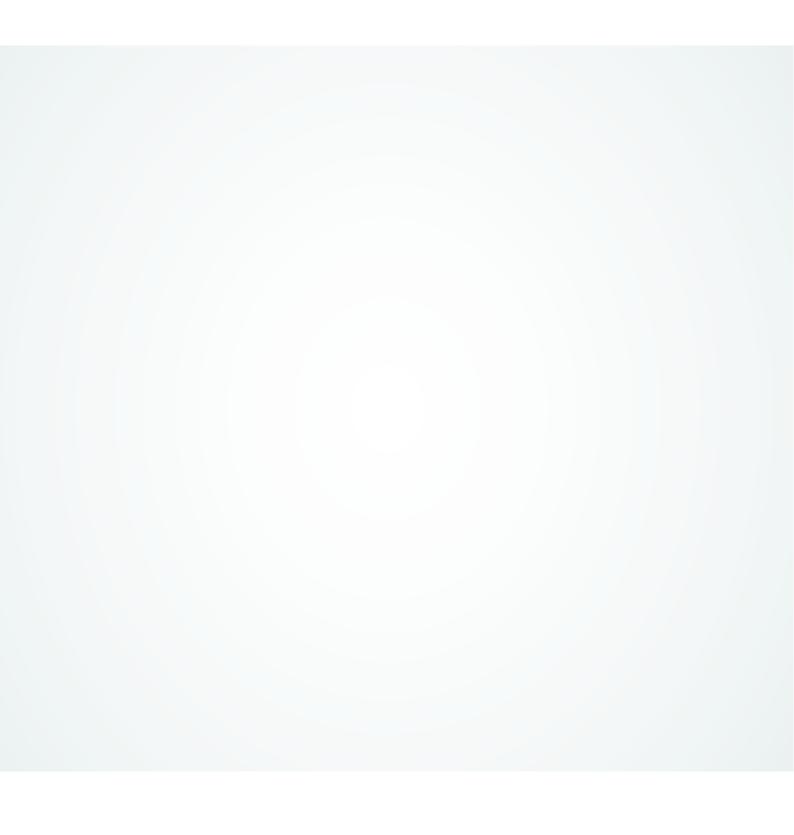






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MESSAGE FROM THE PRESIDENT GRUPO PROMERICA



It is an honor for me to address you in this Annual Report, which presents the work of Produbanco - Grupo Promerica in 2016.

We are extremely satisfied with what we have achieved this year, as Grupo Promerica (Promerica Financial Corporation) celebrated 25 years of successful operations supporting the economic growth of the societies where we work. We are now one of the top financial groups in Latin America, operating in nine countries: Ecuador, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama, the Cayman Islands and the

Dominican Republic. The main shareholders of Grupo Promerica also run Terrabank, N.A., a commercial bank based in southern Florida, USA.

Grupo Promerica accomplished great things in 2016: total assets of USD 12,644.3 million at December 31, and total equity of USD 1,171.9 million. It extended its coverage to 315 agencies, serving the public in the nine countries in which we operate. With the support of its committed human team of 11,200 employees, the Group set the standard of excellence in service as one of its strategic pillars.

Furthermore, IFC (International Financial Corporation), a member of the World Bank Group, granted long-term financing of USD 92.5 million to four financial institutions belonging to Grupo Promerica: Banco Promerica in Costa Rica, El Salvador, Guatemala; and Banpro in Nicaragua. The funds will be used to facilitate access to financing for small and medium enterprises, in line with our commitment to sustainability by which we support companies in the region with funds for efficient energy projects.

At the end of the year, we concluded the acquisition of Banco Citibank de Guatemala S.A. and Cititarjetas de Guatemala Limitada, which encompassed financial products such as personal and business loans, credit cards, deposit accounts and a network of 61 bank agencies, with 191,000 clients and 1,530 employees. This takeover has strengthened the position of Grupo Promerica in Guatemala's financial sector, making it one of the fastest-growing financial groups in the country and the region.

In each of the countries where we operate, we have a strong focus on Corporate Social Responsibility with a high impact on society. The causes we support include the fight against breast cancer, to which we attach great importance since each woman is a cornerstone of the family unit. We also champion education through financial education programs that teach individuals and families how to manage their money responsibly. Furthermore, we promote art and culture in each country by means of exhibitions of the works of world-recognized artists.

Turning to Ecuador, we are pleased with our financial results and the fact that this November, celebrating its 38 years of successful banking, Produbanco inaugurated its new head office in Quito, in Ekopark Business Center. As part of this celebration, it also presented its new corporate

image, incorporating a more dynamic appearance that is closer to the different stakeholders with which we interact, and at the same time identifying it better with Grupo Promerica.

I would like to offer my special thanks to the large team of professionals who make up Produbanco – Grupo Promerica for their hard work throughout the year, which plays a huge role in the ongoing and future success of this distinguished organization.

Ramiro Ortiz Mayorga

President of the Board Promerica Financial Corporation

REGIONAL PRESENCE



STRATEGIC GUIDELINES GRUPO PROMERICA

Corporate Philosophy

At our essence are solid, lasting relations with our customers and staff. We are committed to the development and future of the region.

Corporate Values

Borderless, Winning Attitude, Commitment, Respect, the Extra Mile, Talent.

Mission

To provide financial products and services that respond to the local needs of our customers in the region, in a dynamic, accessible and attentive manner, based on a relationship of mutual trust.

Vision

We are building the best financial group in the region.

- Regional strategy and local implementation
- Financial discipline
- Productivity
- Ability to adapt fast
- Continuous growth

Main Strategic Objectives

Financial

To achieve profitable growth in the Group.

Business

To achieve sustained growth in all the components of the Group.

Risk

To turn integrated risk management into a strategic element for the Financial Group's business development.

Technology

To use technology efficiently so as to provide innovative services to customers.

Image

To project the Group's corporate image at regional level.

Corporate Governance

To achieve and consolidate the practice of good corporate governance as part of our way of doing banking.

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MESSAGE FROM THE EXECUTIVE PRESIDENT PRODUBANCO - GRUPO PROMERICA



It is a pleasure for me to share with you our achievements, which we could not have attained without your confidence and commitment this year.

In the course of 2016, Produbanco secured major results on various fronts thanks to our staff's teamwork and ongoing commitment to the Bank's objectives.

We celebrated the Bank's 38th anniversary, opening a new head office and introducing a new corporate image, which is not only more powerful but also closer to the stakeholders with which we interact. This image furthermore reflects our strategy of being a customer-focused organization that strives to create outstanding

experiences for its customers and staff, and has aligned our corporate image with that of Grupo Promerica.

As a result of our work, with the participation of various international financial institutions and the leadership of FMO (Netherlands Development Finance Company), a credit line of USD 60 million was secured on the international market, providing us with external funds so that we can offer our business customers loans on attractive terms. In this way we continue to support the development of the production sector and contribute to the country's sustainability. Our commitment to the environment has led us to introduce Green Lines, a financing program with preferential conditions for the business sector, targeting various productive sectors in the country. It supports improvements in the use of resources, environmental mitigation and energy efficiency. The FMO additionally granted a USD 10 million facility to bolster this program. On another front, for the second time, we obtained the Carbon Neutral certification, ratifying our ongoing encouragement of action to reduce CO2 emissions and foster the conservation and care of protected forests in the Ecuadorian Amazon to offset environmental impact.

Responding to our customers' diverse needs, we launched the SME VISA Credit Card, an excellent option allowing small and medium businesses to optimize their cash flows. We developed and introduced the country's first digital account, "be Produbanco", to help digital users with their personal finance by means of an app that can be downloaded from digital stores. This allows for a digital account can be opened without going to any branch or agency, and transactions can then be made 24/7 on a smartphone. We also extended our alliance with PayPhone, an app that allows our customers to make payments and collections in commercial establishments through a mobile device, using dematerialized VISA or Mastercard credit and debit cards. At the end of its first year of operations in Ecuador, Payphone had over 3,500 businesses affiliated and 4,700 active users.

Turning to our coverage, we opened nine agencies in towns such as Guaranda, Playas and El Puyo to cover parts of the country where we did not have any physical presence. Our head office moved to its new, modern and functional building in Ekopark Business Center, a strategic commercial district of Quito.

As for Corporate Social Responsibility, we continued to support Aprende, the financial education program which raises awareness and trains different social groups on topics related to daily finance. Meanwhile over 6,000 children and adolescents in Ecuador have benefited from our 26 years of support for the Su Cambio por el Cambio (Change for Change) Foundation. In Quito, the foundation has responded to the educational, social, health, psychological and sports needs of 6 to 18-year-olds

who have been victims of violence or neglect, have lived on the street and/or do not go to school. In Guaranda, the foundation works for the integrated development of San Simón community through projects in education, nutrition, production, self-management and community action.

We launched our Service Quality Program, Building a Culture of Excellence. The goal is to strike a clear competitive difference based on the creation of a culture of quality service. The program is based on seven corporate service values: attention to detail, image and order, teamwork, a positive attitude, empathy, punctuality, and kindness and courtesy. These are the guiding principles that underpin the daily work of all the Bank's staff, with the aim of providing excellence in service, one of the Bank's traditional priorities that we continue to enhance.

Our outlook for 2017 is one of optimism and opportunity. There is no doubt that our great success is due to the confidence and loyalty of our customers, as well as the impressive professionalism, experience, dedication and technical skills of our executives, who have been a key factor in our progress.

Ricardo Cuesta Delgado

Executive President
Produbanco - Grupo Promerica

BOARD PRODUBANCO - GRUPO PROMERICA

Principal Directors



Francisco Martínez Henares
Principal Director
President



Héctor Neira Calderón
Principal Director
Vice-President



Oscar Soto Brenes
Principal Director



Luis Rivas Anduray
Principal Director



Francisco Rodríguez Vásconez **Principal Director**

Deputy Directors



Karla Icaza Meneses **Deputy Director**



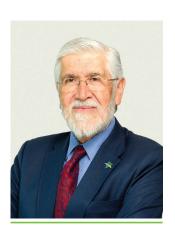
Jaime Dávalos Fernández-Salvador **Deputy Director**



Mauricio Argüello Godoy **Deputy Director**



Gustavo Vásconez Espinosa **Deputy Director**



Diego Mosquera Pesantes **Deputy Director**

OFFICERS PRODUBANCO - GRUPO PROMERICA



Ricardo Cuesta Delgado **Executive President**



Martha Cecilia Paredes Díaz **Executive Vice-President**



Juan Manuel Borrero Viver **Executive Vice-President**



Rubén Eguiguren Arias Vice-President, Business Banking



José Ricaurte Vela Vice-President, Retail Banking



Fredy Sandoval Cerda **Internal Auditor**



Gustavo Orbe Montenegro **Vice-President, Risk**



Fabián Garzón Abad **Vice-President, Marketing**



Jorge Alvarado Carrera **Vice-President, Legal**



Eduardo Lafebre Quirola Vice-President, Human Resources



Esteban Vásconez Riofrío **Vice-President, Finance**



Carolina Andrade Gallegos Vice-President, Treasury



Sebastián Quevedo Holguín Vice-President, Payment Channels



Rafael Roca Moreno **Vice-President, Operations**



Javier Hidalgo Estévez **Vice-President, Technology**



José Antonio Costa Viver **Regional Vice-President, Guayaquil**

REPORT OF THE BOARD

The year 2016 saw major milestones in the institutional life of Banco de la Producción S.A. Produbanco, and its subsidiaries: *Externalización de Servicios S.A. Exsersa* and *Trámites Profesionales S.A. Protrámites*. The Bank consolidated its corporate image as the third largest bank in Ecuador and one belonging to Grupo Promerica with coverage in nine countries in Latin America and the Caribbean. The assets managed by the Group total over USD 13,000 million, while its human team consists of nearly 11,200 members of staff.

We continued our work towards the objectives set out in the five-year strategic plan, creating experiences for our customers, marking a clear difference from our competitors, and strengthening relations that boost our results. With the implementation of our program "Building a Culture of Excellence", our employees now have tools that make quality service a priority in daily operations. We regularly measure the results of our action to improve the experience of our customers, with various indicators such as level of satisfaction and percentages of recommendation and repeat business. The 2016 customer service survey on banks published in Ekos magazine shows Produbanco to have the highest indicators of the large banks, and of all the banks in Ecuador.

Our brand strength and excellent results in 2016 have earned us several international recognitions, such as *Best Commercial Bank of the Year 2017* and *Best Bank for Innovation among Retail Banks in 2017*, both awarded by the financial journal International Banker, belonging to the London Finance Publishing group. Additionally, the printed and digital newspaper specializing in economics and finance, *Capital Finance International* (cfi.co), also based in London, awarded Produbanco the recognition of *Best Bank in Ecuador in Corporate Governance*.

The international backdrop in 2016 was not an easy one, following the end of the raw materials boom and the dramatic crash in oil prices as of mid-2014. The appreciation of the dollar resulting from the USA's economic recovery and the gradual rise in interest rates, the sluggish growth of the euro zone exacerbated by the UK's decision to leave the European Union, and reduced global demand for goods and services have all meant a curtailment of capital flows towards emerging economies, leaving Latin America as one of the regions with the worst economic performance, as shown by an overall contraction of -1%.

In this context, the forecasts made for Ecuador by ECLAC and multilateral organizations predicted an approximate contraction of -2.3% in Gross Domestic Production (GDP) for 2016, whilst the projections made by the Ecuadorian Central Bank estimated a reduction of -1.7%.

The 7.8 magnitude earthquake that seriously damaged the provinces of Manabí and Esmeraldas in April left over 600 dead and 20,000 non-fatal casualties. It destroyed much of the road and service infrastructure, with losses of roughly USD 3,000 million (according to unofficial estimates by the authorities), aggravating the contraction of the economy and sharpening the fall in household consumption.

In the wake of this natural disaster, the National Assembly passed the "Act of Solidarity and Joint Citizen Responsibility for the Reconstruction and Reactivation of the Areas affected by the Earthquake of April 16, 2016," which generated additional revenue of nearly one billion dollars for the National Government in the 12 months following its enactment. The taxes introduced by this law were:

- Increase in Value Added Tax (VAT) from 12% to 14% for a one-year period
- 3% on company profits earned in 2015 tax year

Note: Throughout the document, in all figures, monetary or otherwise, the thousands are separated from with a comma and the decimals with a point.

- Solidarity contribution from individuals of 1-8 days' salary for those earning USD 1,000 or more
- One-off tax of 0.9% for individuals with equity of USD 1 million or more

• 1.8% on real estate and capital representation rights in Ecuador on real estate belonging to companies based in tax havens or other overseas jurisdictions.

In December 2016 annual inflation fell to 1.1% as a result of the continuing fall in demand.

The labor market reflects the consequences of over two years' economic contraction. According to the National Institute for Statistics and Census (INEC), the national unemployment rate reached 5.2%, up 0.4 percentage points (52,549 people) on the indicator at December 2015. Meanwhile the underemployment rate rose to 19.9% (514,179 people swelled the underemployment figures in the year), while the adequate employment rate remained stable at 41.2%. In other words, 243,816 people moved out of adequate employment to join other forms of employment, including underemployment.

Oil prices experienced two very distinct periods in the year. In January and February, WTI crude, the reference for Ecuador, recorded its lowest prices in the last ten years. However, this downward spiral was turned around in March, with prices rising steadily to reach over USD 50 per barrel in December. The average price of WTI crude in 2016 was USD 43, while the basket of Ecuadorian crude recorded an annual average of USD 37.

The country risk, the international sovereign risk indicator, stood at 647 points at the year end, in strong correlation with the evolution of the export price of Ecuadorian crude.

With regard to regulations, at the end of November the Monetary and Financial Policy and Regulation Board (JPRMF by its initials in Spanish) issued a number of resolutions that lack technical grounds and together pose a risk to liquidity, solvency, risk diversification and lending. The main changes are described below:

- Increase in the Regulatory Reserve Deposit from 2% to 5%: This measure discriminates against larger banks, demanding a higher percentage of cash holdings from Banks with assets of USD 1 billion. It seeks to immobilize part of the liquidity held by private banks in the Central Bank (Res. 302-2016-F).
- Change in the calculation of the Domestic Liquidity Coefficient (DLC): -This resolution provides
 that the Private Banking Liquidity Fund, managed by the COSEDE (Corporation for the Insurance
 of Deposits, Liquidity Fund and Private Insurance Fund), should no longer be considered domestic
 but be classified as "international" liquidity. This change means that funds available overseas
 must be repatriated to cover the DLC (Res. 303-2016-M). The entry into force of this resolution
 was postponed by 90 days.
- Constitution of the Cooperative Liquidity Fund with bank funds: -The JPRMF allows the Liquidity Fund of the Private Financial System, composed of USD 2,300 million in contributions from banks, to lend up to 20% of its reserves to the Liquidity Fund of the People's Solidarity Financial System (Cooperatives). Both funds have so far been managed separately and independently by the COSEDE, but this resolution could result in a contagion of risk between both systems as the idea is to use part of the contributions of the Private Financial System to finance possible liquidity needs of the Cooperative System (Res.298-2016-F).

The stabilization of oil prices, along with the substantial upswing in the Government's indebtedness and the positive result of the balance of trade, together enabled the banking system to recover the deposit and liquidity levels it had lost the previous year. Thus obligations with the public reached USD 28,697 million, up USD 4,277 million on 2015 and even higher than the USD 27,616 million deposited in 2014.

The shrinking of the Ecuadorian economy led to a fall in credit demand. Loans grew significantly less than deposits from the public. Total gross loans of the banking system accounted for USD 20,395 million, an annual increase of USD 1,442 million.

The banking system continued to work on obtaining financing from overseas, and achieved this thanks to the support of major international financial institutions and multilateral credit organizations, which trust Ecuadorian banks that have excellent indicators of solvency, liquidity and asset quality. These lines rose by USD 187 million to reach a total of USD 1,866 million, enabling us to offer financing on better terms to support the development of the productive sector.

At the close of the 2016 financial year, Produbanco managed assets of USD 4,000 million, making it the third largest of the 23 banks in the system. Thanks to the confidence of our customers, deposits from the public reached USD 3,337 million, in other words an 11.2% market share, a USD 310 million increase on 2015. It is a historical precedent for the bank to hold liquidity coverage indicators for the twenty-five and one hundred highest depositors above the average level in the banking system.

With the support of Grupo Promerica and the financial strength of the brand, Produbanco increased its financing lines from overseas by a further USD 95 million. These funds have been allocated to credit lines for small, medium and large companies.

Our asset quality and high liquidity levels allowed us to step up initiatives to attend to all our client sectors. Hard work in credit placement resulted in a USD 209 million increase in loans, the equivalent of 11%, leading us to manage a total USD 2,101 million net of provisions. In the course of 2016, we designed and offered *Líneas Verdes* (Green Lines), a financing program for the business sector, aimed to foster the optimal use of resources, encourage the mitigation of environmental impact and achieve energy efficiency.

On another front, we launched the *Tarjeta de Crédito VISA PYME* (SME VISA Credit Card) as an option for financing and cash flow management for small and medium companies.

Despite the challenging arena of the economy as a whole, our strategic focus on preventive loan recovery, along with careful and prompt attention to overdue loans, returned a past-due loan indicator of 2.3%, down on the 2.6% returned the previous year, and much lower than the 3.6% average reported by the Large Banks group.

Our expenditure on provisions for bad debts and other risk assets reached record levels at USD 48 million, causing the indicator of coverage for outstanding loans to soar from 129.4% to 171.9%.

Total equity closed at USD 338 million, with subscribed paid-up capital of USD 260 million. The regulatory capital indicator, a pointer of solvency and equity capacity, rose to 11.5% at the year end.

Turning to the income statement, the financial margin fell by USD 13 million, mainly due to the increased financial expense needed to sustain the growth in deposits from the public and in overseas financial obligations, combined with a lower level of interest income owing to the slowdown in credit growth.

Operating expenses saw an annual fall of USD 13.3 million (8%), reflecting major optimization and permanent control, by which we improved our efficiency indicator (operating expenses / average assets) to 4.2%.

Our tax burden rose due to the 3% tax on profits introduced to tackle the aftermath of the earthquake, which translated into an additional outflow of USD 1 million.

Operating income rose by USD 10.2 million (19.3%). Despite the changes in regulations, which have reduced and even eliminated charges for financial services, the bank has made a substantial effort to increase transactions, offer new services and improve the quality of existing ones.

We met our targets with regard to the recovery of written-off assets, earning USD 11 million in the year, thanks to the effective work done by our subsidiary Protrámites.

After complying with the legal obligation to set aside reserves for profit-sharing with employees and income tax, net profit for the financial year was USD 26 million. This is 8.4% of average equity, as reported in the bulletin of the Superintendence of Banks.

The risk-rating companies BankWatch Ratings and Pacific Credit Rating have ratified our AAA-rating on a quarterly basis, confirming our excellent financial indicators and ability to meet our obligations in the short, medium and long term.

Pressing ahead with our focus on innovation and technology, we launched the country's first digital account, "be Produbanco". This provides customers with the opportunity to open accounts and make bank transactions without the need to visit a branch or agency, all by means of our smartphone app.

As part of our strategy to extend and improve access to different channels of payment, we furthered our alliance with *PayPhone*, the first mobile payment system. This enables consumers to pay for purchases by phone, eliminating the need for a physical card. We now have over 3,500 affiliated establishments and nearly 5,000 users.

Produbanco boasts a service network of 104 branches and agencies, 11 service points, 306 ATMs, and 101 automated consultancy terminals, in addition to our Call Center (open Monday to Sunday), our website *Produbanco enlínea*, and our mobile apps for smartphones. Moreover, through our subsidiary Exsersa we provide our services in a further 69 Servipagos transaction offices and 1,515 Pagoágil service points countrywide.

Attached to this report is the unqualified opinion of our external auditing firm, Deloitte & Touche on the individual and consolidated financial statements, prepared pursuant to international auditing standards and the regulations in force. This includes the scope and key areas of the audit, the procedures applied and the results obtained.

The Internal Auditor informs the shareholders that Produbanco complies with current legal provisions and has a suitable level of internal control. It assures that the structure and procedures in place for said internal controls reasonably protect the bank's assets and that there are controls to ensure the appropriate authorization and recording of transactions. The Audit Committee has regularly followed up on the reports and observations of the Internal and External Auditors and the Superintendence of Banks, as well as the action plans drawn up by Management. After examining the internal control setting, it issued the following opinion, which was presented to the Board, on the sufficiency of the internal control systems in force and the adequate application of risk management:

"Based on the reports submitted and the various aspects examined in meetings, as well as the annual evaluation report on the internal control system issued by internal auditing, the Audit Committee informs that the internal control structure is appropriate to the size and complexity of the organization's operations. There is no evidence of circumstances that could constitute major weaknesses in the Bank's internal control system. Pursuant to the requirements of Resolution No. JB-2003-586 of October 21, 2003 and subsequent amendments thereto, the Committee confirms that it has followed up on the observations and reports of internal and external auditors as well as the Superintendence of Banks. It further states that there is no evidence or knowledge of acts of suspicious or irregular conduct or conflict of interest, in the terms of Article 7 of said resolution." This opinion was accepted by the Board.

The Board read and accepted in their totality and without reservations the opinions issued by the Internal Auditor and the independent External Auditor on the financial statements at December 31, 2016. Said opinions hold that the Balance Sheet and Income Statement of Produbanco at the

mentioned date are reasonably presented pursuant to the accounting standards and practices set by the Ecuadorian Superintendence of Banks, complying with current legal provisions in addition to the policies and procedures passed by the Board.

We ratify that Produbanco complies with current legislation, including that on intellectual property, and the rules and regulations set by control bodies, and that it keeps in place the necessary controls to prevent money laundering and the financing of crime, based on best international practices and the provisions of the Superintendence of Banks and the Financial and Economic Analysis Unit (UAFE by its initials in Spanish).

The Board similarly approved the 2017 annual work plan of the Compliance Unit regarding the prevention of money laundering, along with said unit's 2016 report, both of which are put at the disposal of the General Shareholders' Meeting.

The Board thus acknowledged and approved the reports of Internal Audit and External Audit, as well as that submitted by the Compliance Officer on the prevention of money laundering and the financing of terrorism. On the basis of these reports and at its own responsibility, it endorses the reasonableness of the financial statements of Banco de la Producción S.A. Produbanco and its subsidiaries, as well as the sufficiency of the internal control system for preventing illegal activities, including money laundering and the financing of crime such as terrorism. The Board similarly acknowledged and approved the Report of the Integrated Risk Management Committee (IRMC), which summarizes the main risk positions held by the bank within its integrated risk management. This report specifically mentions credit, market, liquidity and operational risks, along with the control actions recommended to minimize such positions. Said report ratifies the appropriate observance of procedures for identifying, measuring, controlling, mitigating and monitoring the different types of risk; the organizational structure with regard to processes, functions and responsibilities; and the degree of dependence and interrelation among the Bank's different departments.

Throughout the year, the Board received the monthly summary from the IRMC, describing the main developments of follow-up indicators as well as action taken by management in integrated risk management.

Consequently, the Board approves the policies set by the Bank in its establishment of integrated risk management for the Bank's business strategy, policies and exposure limits. It furthermore endorses the Bank's procedures for identifying, measuring and controlling the different types of risk based on a functional, well-defined structure to this end.

The Committee for Structure, Compensations, Benefits and Remuneration informs the General Shareholders' Meeting that the remuneration policy set for all employees, officers and members of the Board satisfactorily complies with the agreed levels, with no exceptions to report.

The Board reviewed the Report of the Customer Service Unit, informing on compliance with time and promptness standards for processing and settling requests and complaints. This work is done through our department specializing in complaints on service and other issues reported by customers in all the business units nationwide, as well as through our various service quality programs.

In 2016, the Bank adopted an integrated Corporate Social Responsibility (CSR) approach, encompassing economic, social and environmental projects while keeping open diverse channels of communication with its various interest groups. We produced our ninth Corporate Social Responsibility Report, based on the guidelines of the G4 version of the Global Reporting Initiative (comprehensive option), which lays down an integrated framework for the presentation of information on sustainability. Furthermore, we obtained our second certification from the company Soluciones Ambientales Totales (Total Environment Solutions) for the Bank's Amazonas building (former head office in Quito) and our Main Branch in Guayaquil, making us a carbon-neutral organization. Since September, we have belonged to Global Compact, the worldwide network promoting a CSR culture with the aim of disseminating, respecting and fostering action in line with United Nations principles and the achievement of the Sustainable Development Goals (SDG).

The Bank continues to apply Good Governance practices as a way to strengthen the organization,

control, efficiency, independence and transparency of its administrative structure and the working of the Bank's various committees. The indicators on the evaluation of Good Governance practices are attached in the form required by the relevant regulations.

Finally, the Board acknowledged Official Letter No. SB-DS-2016-0380 of December 19, 2016, signed by the Superintendent of Banks. Said document stipulates Produbanco's right to distribute up to 25% of its 2016 profits to its shareholders and its obligation to establish a special reserve for future capitalizations with the remainder.

The Board recommends to the General Shareholders Meeting that the 10% legal reserve be constituted from the net profits of 2016, in other words USD 2,603,643.49 based on profits of USD 26,036,434.89, leaving the remainder (USD 23,432,791.40) at the disposal of the shareholders. Of this, it recommends that 25% (USD 5,858,197.85) should be distributed in cash dividends, and the difference set aside for future capitalizations in line with the provision of the Superintendence of Banks.

The Board further recommends that, out of the reserves for future capitalizations, the sum of USD 18,212,160.00 (USD 17,574,593.55 from this year and the difference from previous years) should be allocated to an increase in subscribed and paid-up capital, thereby bringing Produbanco's subscribed and paid-up capital to USD 278,450,000.00.

Our Annual Report, available to shareholders, customers and the public in general, describes in further detail the subjects discussed in this report

Our thanks go out to our shareholders, members of the Board, Management and our great team of employees for their permanent contribution to our success.

Ricardo Cuesta Delgado

Executive President
Produbanco - Grupo Promerica

Francisco Martínez Henares

President of the Board Produbanco - Grupo Promerica

THE ECONOMY IN 2016

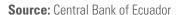
Real Sector

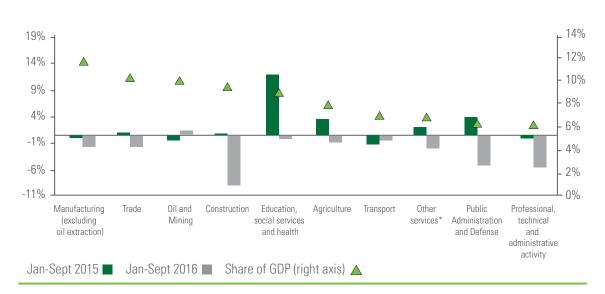
2016 was a year of challenges for Ecuador due to diverse internal and external situations. The fall in oil prices in the first quarter, stemming from an oversupply on international markets, combined with the appreciation of the dollar following the economic recovery of the USA, contributed to the slowdown of the economy. At home the most salient event was the earthquake in the province on Manabí on April 16, which seriously impaired economic activity in the affected regions. In this setting, the Ecuadorian Central Bank forecast a 1.7% downturn in GDP growth for 20161, while other more conservative multilaterals bodies predicted a decrease of 2.3%.

GDP GROWTH



ANNUAL GROWTH OF INDUSTRIAL GDP (Industries with a share of over 6% in GDP)



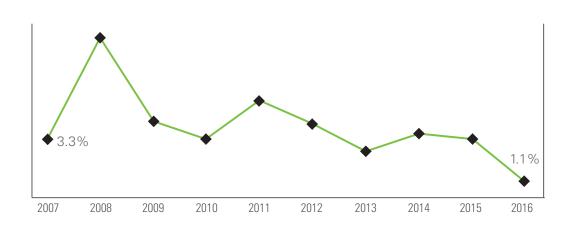


Looking at the different sectors of the economy, oil refining was the most dynamic from January to September 20161 with a 48.5% increase over the same period in 2015. This surge was driven by the reopening of the Esmeraldas Refinery, which came on line at full capacity on completion of the modernization works. Post & Communications and Construction, however, fell by 15.7% and 9.2% respectively, the latter due to the fall in accumulated demand and the safeguards applied to various supplies used by the sector. Manufacturing and Trade held their places as the sectors with the largest share of GDP, despite shrinking by 2.2% and 3.6% respectively in the first nine months of 2016 against the same previous-year period.

The slump in economic activity was also evident in internal demand. End household consumption and Government expenditure each saw a 3.3% fall against the same 2015 period. Furthermore, both public and private investment in fixed capital dropped by 9.9% in the first nine months of 2016, 6.5 percentage points down on the 2015 rate.

The inflation rate took a dip, reflecting the slide in cumulative demand. Annual inflation at December 2016 was 1.1%, down 2.3 percentage points on December 2015.

ANNUAL INFLATION



Source: National Institute of Statistics and Census

The cost of the family basket stood at USD 701, while family income, defined as that of a four-member family with 1.6 earners, reached USD 683.2, in other words 97.5% coverage of the cost.

Turning to the labor market, the National Institute of Statistics and Census reported the national unemployment rate as 5.2% at December 2016, up 0.4 percentage points (52,549 people) on the December 2015 indicator. The underemployment rate rose to 19.9% (514,179 people joined the ranks of the underemployed during the year), while the adequate employment rate stayed at 41.2%. This means that 243,816 people left adequate employment to swell the ranks of other forms of employment, including underemployment.

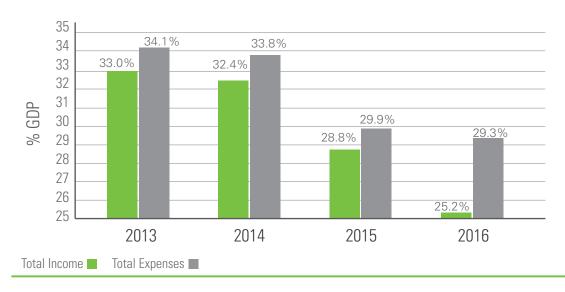
¹ Last period with national account information available at closing date for this Report.

Fiscal Sector

With a year of economic shrinkage affecting tax income and thus total revenue in the Non-Financial Public Sector (NFPS), the Government focused strongly on securing external loans to fund its budget.

INCOME AND EXPENSES OF NON-FINANCIAL PUBLIC SECTOR (JANUARY-OCTOBER)



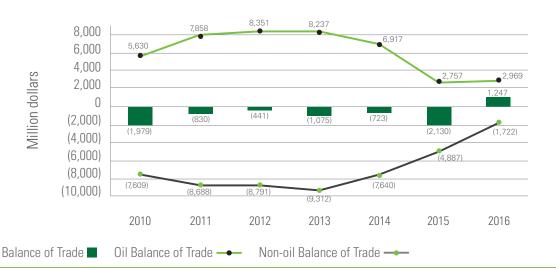


Notably income in the January-October 2016 period fell by 12.4% (in real terms) against the same previous-year period. Oil revenue slumped by 27%, while non-oil earnings took a 6% tumble. Spending in the Non-financial Public Sector edged down 1.9%. This added up to a 255% hike in the overall deficit, with the latter accounting for 4.2% of GDP in 2016, against the previous-year figure of 1.2%. Against this background, the public debt saw a growth of USD 4,337 million until October, when it reached USD 37,108 million (38.6 % of GDP).

External Sector

BALANCE OF TRADE (JANUARY-DECEMBER)

Source: Central Bank of Ecuador



On the international front, oil prices experienced two clear stages in 2016. In January and February, West Texas Intermediate (WTI), the reference crude for Ecuador, recorded the lowest prices in the last ten years. However, the downward spiral was halted in March, when prices took an upswing to surpass the USD 50/barrel mark in December. This generated USD 5,459 million in oil exports, down USD 1,201 million on 2015 revenue, and down USD 7,817 million against 2014 earnings. The result of the oil balance of trade was positively offset by the improvement in the non-oil balance and in particular by the drop in non-oil imports destined to industrial goods, materials and consumer goods. (This decline resulted from the dynamics of demand along with the extension of the application of tariff surcharges for one further year to keep import figures under control.) The overall balance of trade was USD 1,247 million, contrasting with the deficit of USD 2,130 million returned in 2015.

Monetary and Financial Sector

The financing secured by the Government, added to the balance of trade result, led to the 16.5% increase in the overall liquidity of the economy, as measured by the M2 Monetary Aggregate.

With regard to the private financial sector, obligations with the public stood at USD 28,697 million at the close of 2016, an annual growth of 17.5% (USD 4,277 million). At the same time, gross loans (including those held with the Liquidity Fund Guarantee Trust) also returned an increase of 7.8% (USD 1,442 million). Nonetheless, due to the economic contraction reflected in the lower demand for credit, the rise in loans was significantly lower than the increase in obligations with the public.

This had repercussions on the profits of the private banking system. Return on Equity (ROE) was 6.7%, while Return on Assets (ROA) stood at 0.6%, against previous-year respective figures of 9% and 0.9%.

Lastly, the Free Availability International Reserve reached a balance of USD 4,259 million at 2016 year end, some USD 1,763 million up on December 2015.

FREE AVAILABILITY INTERNATIONAL RESERVE



REPORT OF THE INTEGRATED RISK MANAGEMENT COMMITTEE

2016 was an unusual year for the Ecuadorian financial system, characterized by two stages: volatile oil prices and the funding secured by the Government, most notably in the second half of the year.

The approach to liquidity management changed from that of 2015 while still remaining a priority. Liquidity in 2016 saw a significant surplus, principally due to an increase in deposits from the public, new lines of funding from overseas and the low demand for credit.

Asset quality monitoring continued to be a key issue. The Bank channeled considerable resources into both the commercial and consumer segments in its endeavor to optimize the early warning systems as well as to enhance different recovery strategies according to the type of client and product.

Integrated Risk

2016 was a better year in economic terms. Deposits grew and the portfolio quality improved. Nonetheless, operations faced testing challenges in the wake of the earthquake that hit the Ecuadorian coast in April.

The Unit focused on undertaking a thorough follow-up of the economic situation and anticipating effects on the Bank's balance sheet and the financial system, particularly with respect to the liquidity contingency and the quality of its credit portfolio. Additionally, operational risk management was strengthened by creating a risk assessment and monitoring platform, thus empowering the process owners. Similarly, the off-site IT center was improved as part of a continuous fine-tuning of the technology contingency system.

Credit Risk-

Sector studies continued to be a priority in our commercial credit analysis. Some specific sectors and companies required continuous monitoring as well as close support in order to ensure that new requirements were met and the quality of the Bank's credit portfolio was safeguarded.

In the SME segment, priority was given to developing and adjusting credit analysis tools. In addition, verification processes were incorporated to achieve a better understanding of the credit profile of these clients and to support the Bank's procedures for expanding the use of banking services in this economic segment.

We continued to interact closely with the Control, Monitoring and Valuation Department in an effort to ensure appropriate portfolio tracking and follow-up, prioritizing an early warning system.

In 2016, the Personal Banking segment was given high priority, with the aim of continuing to build a diversified portfolio for the Bank's balance sheet. Efforts focused on reassessing the different analytical perceptions of the segment by seeking opportunities in an environment similar to that experienced during the year. Work continued with the Department of Information Management to further enhance analysis of client data.

Following the same line, the Integrated Risk Department undertook a far-reaching analysis of the different products in the consumer segment and their different socio-demographic parameters. The purpose of this follow-up was to further identify early warnings and thus to be able to adjust origination in line with market changes.

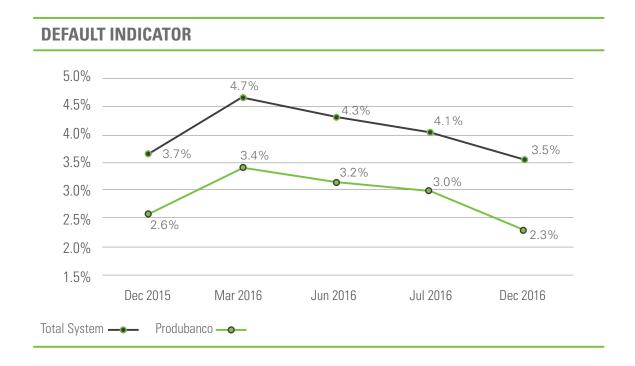
With respect to collection results, 2016 was without doubt one of the most dynamic years.

For the Consumer segment, focused strategies were developed to achieve a more efficient and effective collection process. The use of IT tools, as well as the implementation of contactability processes with a deeper segmentation, led to improved levels of efficiency.

Attention focused on designing tracking and control tools for the integrated collection management strategy. This enabled us to perform a daily comparative analysis of the portfolio performance and thus more efficiently streamline and segment our operations. The performance of all the stakeholders involved in recoveries could then be analyzed under different variables (collection score, geographical area, product and aging) while taking into account each stage of the defined functional model: preventive, early, middle and high. Each has its own stakeholders, processes, tools and indicators with continuous measurement and monitoring, set within the framework of best international practices.

Similarly, recovery management in the commercial segment retained the case-by-case analysis system. Coordination with the business units was intense. Emphasis was placed on making a joint approach to clients as a means of identifying the best solutions to satisfy the new circumstances of each case.

The final results in the two segments evidenced the effectiveness of the different strategies implemented during the year. The evolution of the 2016 default indicator is shown below:

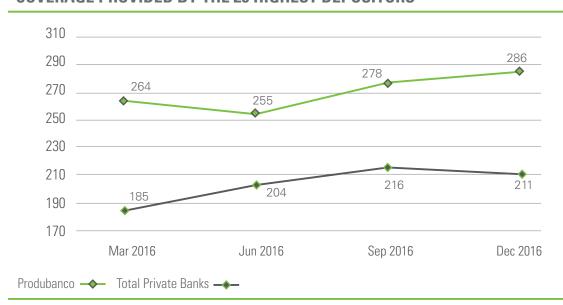


Liquidity and Market Risk

2016 saw deposits recover in contrast to the previous year, which was marked by a significant fall. During the year, several external sector factors sparked an increase in liquidity, in both the financial system and Produbanco. In this setting, the Bank maintained its prudent liquidity position – one of its greatest strengths. One of the key indicators of the Bank's liquidity position is its liquidity coverage measured by the 25 and 100 highest depositors. Results for the year are included below:

Produbanco also strengthened its monitoring of the monetary and financial sector through macroeconomic consistency models while developing a methodology for monitoring liquidity, focusing on the short term and stress or contingency scenarios. These monitoring processes enabled the Bank to fine-tune its balance sheet projection in a changing environment while, at the same time, ensuring appropriate preparation for any adverse event.





COVERAGE, 100 HIGHEST DEPOSITORS



With respect to Market Risk, modeling procedures were maintained this year to measure the possible impacts on equity and the financial margin of potential changes in market prices. In addition, a conservative strategy was maintained with regard to the duration of assets. A 1% increase in rates could impact only 0.5% of equity.

Operational Risk

For the current year a project was designed to further the integral assessment of the Bank's critical

processes. The plan included an analysis of operational and legal risk, and recovery capacity in a major event, as well as an evaluation of information assets, money laundering prevention and associated providers. By working on each risk analyzed with a team of experts, as well as auditors, and the leaders and owners of each process, we identified various areas of improvement for mitigating risks. In addition, the contingency plans were updated and tested.

In terms of contingencies, the Bank had to cope with the effects of the earthquake that hit the Ecuadorian coast on April 16. The Emergency Committee was convened for several months and successfully activated contingency plans, created control processes and, most importantly, ensured the well-being of personnel in the affected areas. Specialized consultancy services were also hired from a Chilean company to improve all contingency mechanisms in natural events or other damage to facilities.

Turning to technology risk, the back-up site was strengthened by hiring a housing service from an external company with a Tier 4 data center. The existing infrastructure and services were tested in December, with additional testing regularly scheduled as part of a continuous improvement plan.

Information Security

In 2016, we maintained coordination with the Information Security Committee, the main collegiate forum, where follow-up was given to the agreed plans for strengthening different areas related to IT security.

Working with the Technology Department and in coordination with all the Bank departments, we carried out various initiatives related to best security practices, based on Grupo Promerica's rules and regulations, the most important of which are summarized below:

PFC Security Domains

1. Human Resources

- a. Awareness raising for staff on IT security standards. Face-to-face training.
- b. Social engineering: workshops, feedback and dissemination to key personnel.
- c. Bulletins through internal communication channels sent to all personnel.

2. Domain Settings

a. Implementation of logistics security in officers' equipment.

3. Internet Browsing

- a. Assignment and control of restricted browsing system.
- b. Review of malware in Internet urls.

4. Emails

- a. Attachment filters by extensions.
- b. FTP program for exchanging files with third parties.
- c. Digital signatures for institutional email.

5. Physical access to devices

a. Assignment and control for the use of CD drives and USB ports.

6. Hardware and Software Inventory

a. Asset management tool.

7. Updates

a. Regular updating system for computers.

8. Logs

a. Increased log storage capacity and incorporation of active directory alerts.

9. Databases

a. Sensitive information masking system.

Various

1. Security Evaluations

- a. Security breaches in different areas were analyzed based on best security practices.
- b. Evaluation and hiring of qualified company for institutional ethical hacking.
- c. Risk analysis of cloud services.
- d. Compilation and classification of information assets based on critical processes identified and prioritized by the Institution.

2. Phishing

- a. Evaluation and reassessment of the anti-phishing service.
- b. Optimization of monitoring and operating system for fraudulent transactions caused by phishing events.

Gustavo Vásconez Espinosa

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President of the Integrated Risk Management Committee

REPORT ON THE PREVENTION OF MONEY LAUNDERING, FINANCING OF TERRORISM AND OTHER CRIMES

AT DECEMBER 31, 2016

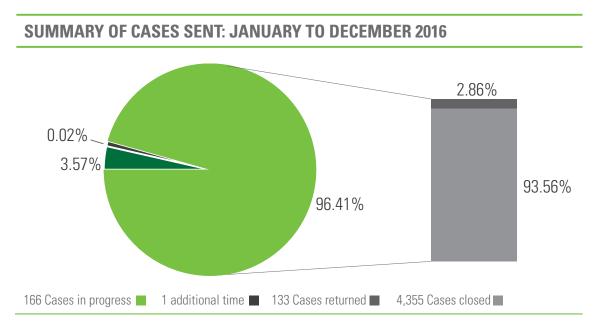
Produbanco is compliant with the rules governing the Prevention of Money Laundering, Financing of Terrorism and Other Crimes (AML/CFT) as required under the Monetary and Financial Code. The respective provisions of Book I, article 244 of the Monetary and Financial Code state: "Entities within the national financial system are obliged to establish internal control systems for crime prevention, including money laundering and the financing of crimes such as terrorism, in all financial operations." This report sets out the main actions implemented during 2016 to ensure that Produbanco is not used for money laundering, financing terrorism and other crimes.

Know Your Customer and Market Policy – Monitoring

During 2016, processes were introduced to monitor our clients using the Bank's specialized software. This system triggers alerts on possible patterns of money laundering and financing of terrorism based on rules that establish specific control conditions. Significant transaction deviations from clients' stated transactional and behavioral profile are scrutinized. We likewise pay close attention to the application of the AML/CFT risk methodology designed by the Bank.

The analysis is based on a comprehensive evaluation of the customer's overall relationship with the Bank, examining all the products and services active at the date of the review. Low, medium or high risk alerts can be raised.

A total of 4,355 cases were subjected to verification as part of the *Know Your Customer* monitoring policy.



As evidenced by the above graph, procedures undertaken with clients by our executives enabled 93.56% of cases to be substantiated and closed in 2016. A further 6.44% are being processed within the timeframe established by the Business Units.

In addition, the Bank's main transactional system (core banking) provides for online preventive controls, which include:

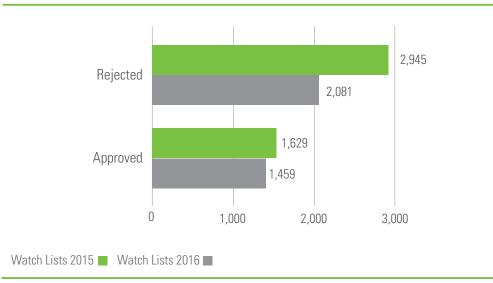
- Risk Activities: Prior to registering and accepting clients, controls identify and trigger alerts on clients in a certain market segment or activity considered high risk (according to international standards on the Prevention of Money Laundering). 1,765 cases were reviewed.
- We included or updated in our watch lists the names of 326,338 people who the media (press, internet, alert e-mails) have linked to serious crimes.



International watch lists, such as OFAC, INTERPOL, the Federal Bureau of Investigation (FBI), the United Nations (UN), and the European Union (EU), among others, are continuously updated. This process is performed through interfaces that are incorporated into our Core Banking with specialized software.

- Match Alerts: Alerts are generated by matches with names on local and international watch lists, as well as Politically Exposed Persons, among others, who therefore require particular due diligence and supporting documentation. There were 14,112 cases in 2016. These control processes are carried out in:
 - Creation or updating of customers: If matches occur, alerts are triggered through approval flows received by the Compliance Unit for the respective analysis. Last year a total of 3,540 cases were analyzed; authorization was granted to start a business relationship with 1,459 of these, based on the necessary supporting documentation.

WATCH LISTS 2015 AND 2016 – CLIENTS APPROVED AND REJECTED



International transfers sent and received: Alerts are automatically raised for matches on watch lists of Payers, Beneficiaries and High risk countries. During 2016, 10,572 cases were reviewed: 1,635 for transfers received and 8,937 for transfers remitted.

Know Your Correspondent Policy

In 2016, the Bank complied with the *Due Diligence, Patriot Act Certification* and *Know Your Customer* requirements of correspondent banks and financial institutions. SWIFT codes were exchanged for sending or receiving funds and we responded to specific customer information queries concerning funds recurrently transferred to or from other countries.

We also requested compliance with the KYC (Know Your Customer) requirement by the national and foreign banks and financial institutions with which we do business to ascertain whether they maintain policies and procedures for the Prevention of Money Laundering and the Financing of Terrorism and Other Crimes.

Know Your Staff Policy

We conducted the annual update of Produbanco staff information in coordination with the Human Resources Department; this is subsequently verified by the line managers of all employees and officers.

In addition, during 2016 we requested 1,692 employees to justify and report on non-payroll income deposited in their accounts that exceeds established limits.

Control procedures were also applied to staff joining or leaving the Bank, in line with the *Know Your Staff* policy.

Training

The Compliance Unit, in coordination with the Human Resources Department, provided face-to-face induction training to personnel joining Produbanco, regardless of their work department.

Refresher courses were held for 221 officers on the Prevention of Money Laundering and the Improved Due Diligence Policy for High-Risk Economic Activities, which included staff from the Management Team, the Compliance Unit and commercial departments, as well as members of the Board of Directors.

Review of Controls to Prevent Money Laundering

Various agencies were visited in 2016 to review controls established for beginning a business relationship (opening of products) and during the relationship (source of funds and transaction forms) to ensure compliance with current legislation related to the *Know Your Customer* Policy, as stipulated in the Codification of Resolutions of the Superintendence of Banks for the Prevention of Money Laundering, Financing of Terrorism and Other Crimes.

Reports to Competent Organizations and Authorities

During 2016, Produbanco submitted its monthly reports to the Financial and Economic Analysis Unit (UAFE) within the set timeframe. Before sending the reports, which encompass 22 transaction types, the information contained was subjected to validation controls.

We verified the daily structure (E02) that details all types of inbound and outbound money transfers, which is sent to the Central Bank of Ecuador (CBE). This analysis validates Prevention of Money Laundering controls, especially matches with watch lists. No significant anomalies were identified.

Every month we also submitted the requested information to the Superintendence of Banks, contained in the following structures:

- E04 (a statistical report based on information provided to the UAFE)
- E21 (customers recorded as active in the institution reviewed)

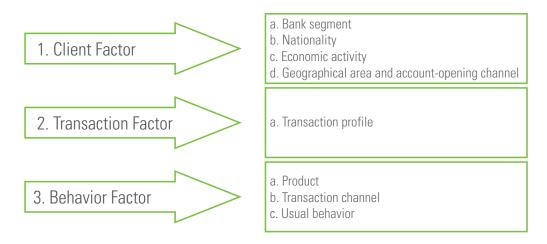
On behalf of the Compliance Committee, the Compliance Officer reported 17 cases considered to be unjustified or unusual transactions to the Financial and Economic Analysis Unit.

Through the Superintendence of Banks, we also responded to 1,996 requests from judges, prosecutors, the UAFE, and other regulatory bodies with respect to individuals under investigation in relation to serious crimes.

Routine Processes – Regulatory

Produbanco incorporated into its procedures and manuals new regulations, directives or circulars on the prevention of money laundering, issued by the respective regulatory bodies.

The components of the risk matrix used by the Bank for the Prevention of Money Laundering, Financing of Terrorism and other Crimes were updated, based on regulations passed by the Superintendence of Banks and the guidelines of Promerica Financial Corporation PFC. The main factors are:



Routine Processes – Operating

Compliance worked on implementing the requirements and certifications of new products or financial services introduced by Produbanco to ensure that control standards on the prevention of money laundering are maintained.

We also verified the alliances and customers of our subsidiary Exsersa S.A. and raised alerts on cases that failed to meet the requirements of the control entities, ensuring compliance with the policies and controls established to this end.

The Declaration of Origin of Funds provides for automatic control of cash received from single transactions exceeding USD 5,000 or accumulated monthly transactions exceeding USD 10,000. In this way we are able to record the description of the source of income for it to be included in the analysis made by the Compliance Unit of the customer's behavioral and transactional in the event of any deviation.

We performed specific checks on 233 customers who manage high cash volumes due to the nature their business. These customers were subsequently authorized to sign the annual Fund Legitimacy form to facilitate their daily operations.

We played an active role in meetings with both the Financial and Economic Analysis Unit and the Compliance Officers Committee of the Association of Ecuadorian Banks (ASOBANCA), where recommendations for improving regulations, directives, training and similar topics were discussed.

ALADI – SUCRE Agreement

The Compliance Unit reviewed the transactions made by customers under the ALADI - SUCRE agreements (both principals and beneficiaries are analyzed as well as the goods traded) and transactions were authorized or refused according to the results.

Produbanco conducts these transactions at the request of known customers, usually from the Corporate Sector, who produce goods for export.

Audits

Internal Audit conducts regular audits of the Compliance Unit and subsequently issues recommendations and observations, which are applied by the Unit in coordination with the departments involved.

Officers from the Superintendence of Banks made an on-site visit and reviewed procedures for the Prevention of Money Laundering, Financing of Terrorism and Other Crimes based on current legislation.

Our External Audit is conducted by Deloitte. In early 2017, the audit firm will present the results of its audit at the close of 2016. Deloitte is currently evaluating compliance with AML/CFT regulations and policies.

Attention to Corporate Commitments

During September 2016, the Bank attended to the requirements of a specialized firm reviewing procedures for the prevention of money laundering and the financing of terrorism based on the Bank Secrecy Act-BSA (U.S. regulations to prevent money laundering in financial institutions).

Conclusions

The work of the Compliance Unit was carried out in accordance with the annual work plan and was reported to the Compliance Committee in the monthly reports submitted by the Compliance Officer.

During the year, our AML/CFT control processes saw new improvements to ensure Produbanco's appropriate compliance with AML controls.

Diego Mosquera Pésantes

President of the Compliance Committee

María Cristina Mosquera **Compliance Officer**

REPORT OF THE CUSTOMER SUPPORT UNIT

Quality Service Program

One of Produbanco's key goals is to establish a clear competitive difference based on delivering service excellence.

To fulfil this institutional strategy, whose goal is Focus on the Customer, our management strategy consists of an integrated structure that fosters a culture of service. This includes indicators and standards for measuring achievement, as well as technical tools that provide for ongoing monitoring while maintaining constant communication between customers and the Bank.

Our different evaluation programs indicate positive developments in 2016 according to the principal indicators:

Ekos Customer Satisfaction Index (IESC by its initials in Spanish)

IESC is an external measurement made by Corporación Ekos and obtained via random telephone surveys in Quito and Guayaquil that assess customers' perception of value and satisfaction with different service sectors. The indicators evaluated are listed below.

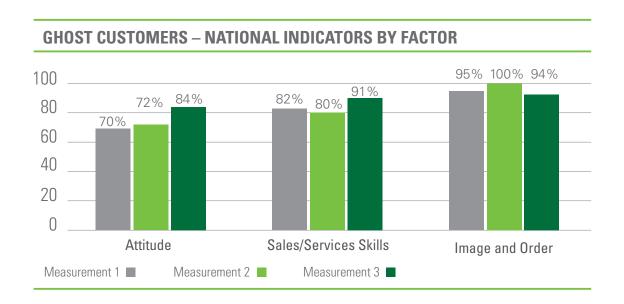
CUSTOMER SATISFACTION INDEX RESULTS (IESC) - SECOND HALF OF 2016

	Indicadores	Produbanco	Sector Average 81.0%	
	Overall Satisfaction	87.5%		
Value	Perception of Value (satisfaction/price ratio)	77.3%	71.6%	
and	Intention to recommend	75.3%	70.1%	
Loyalty	Intention to repurchase	80.6%	74.9%	
	Loyalty	44.2%	37.4%	
	IESC	88.2% 🖊 # 1	77.6%	
		<u> </u>		
	% Customers without problems	93.2%	90.5%	
Service	% Customers with problems	7.8%	10.3%	
Problems	% Customers who reported problems	88.9%	80.9%	
	% Problem solution rate	66.7%	52.2%	

Produbanco ranked first in the Ekos Customer Satisfaction Index in both the first and the second half of 2016.

Ghost Client

This technique assesses service levels provided by executives in real conditions, enabling preventive and corrective actions to be taken and a customer-based approach to be established.

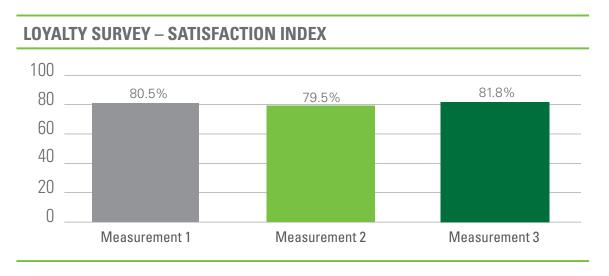


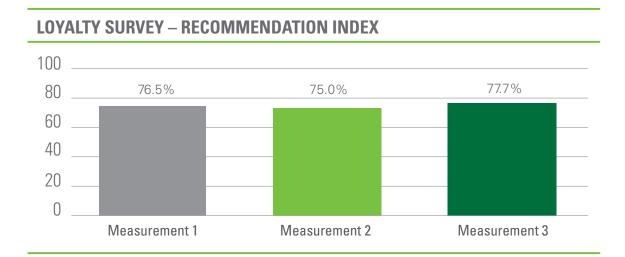
Welcome Surveys

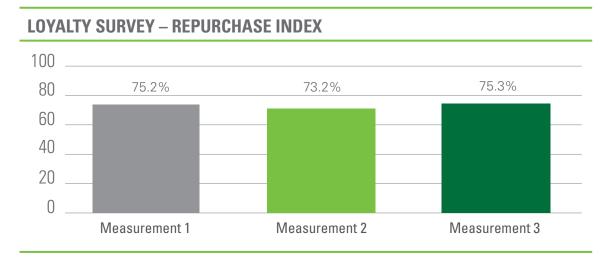
This tool, applied by telephone, welcomes new customers and measures their satisfaction with service when they opened checking and/or savings accounts.



Loyalty Surveys



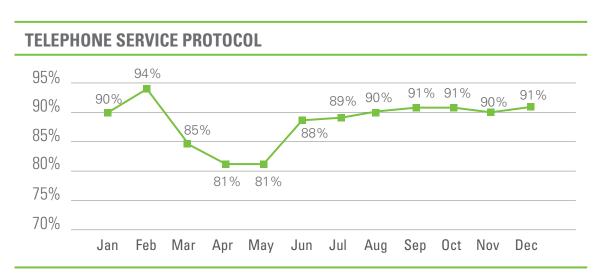




This instrument measures satisfaction, recommendation and repurchase indicators. Its underlying premise is that satisfied customers are loyal customers who will recommend the Bank to their circle of influence and share their willingness to continue to purchase more products and services.

Telephone Service Protocol

A quality telephone service is a differentiating service factor. Adhering to internal policies and following the institutional script in each telephone contact contributes to the creation of a culture of excellence.



By establishing standards and permanently monitoring compliance with indicators and teamwork, we attained satisfactory telephone service levels by the end of 2016. These positive results have spurred us to further our efforts to reach our goals.

Requests and Complaints

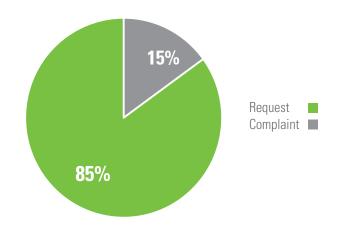
Produbanco's Customer Service Unit, known as the *Requests and Complaints Cell*, logged 274,121 events in 2016. Of this total, 85% were requests (234,367) and 15% complaints (39,754). Compared to 2015, complaints fell from 41,007 to 39,754, a 1,253 decrease in events.

A total of 93% were solved within the timeframes established in the internal service system, with an average of 2.35 days required for solutions.

Cases recorded each month by category are shown in the table below.

REQUESTS AND COMPLAINTS RECORDED							
Month	Requests	Complaints	Total				
January	18.819	3.874	22.693				
February	19.937	3.210	23.147				
March	22.445	3.523	25.968				
April	21.216	3.917	25.133				
May	19.938	3.733	23.671				
June	19.982	3.520	23.502				
July	19.269	2.845	22.114				
August	20.086	2.920	23.006				
September	18.453	2.899	21.352				
October	19.654	3.140	22.794				
November	17.906	2.929	20.835				
December	16.662	3.244	19.906				
Total	234.367	39.754	274.121				

REQUESTS AND COMPLAINTS 2016

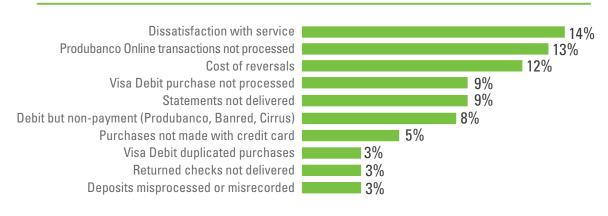


MONTHLY VARIANCES IN REQUESTS AND COMPLAINTS 2016

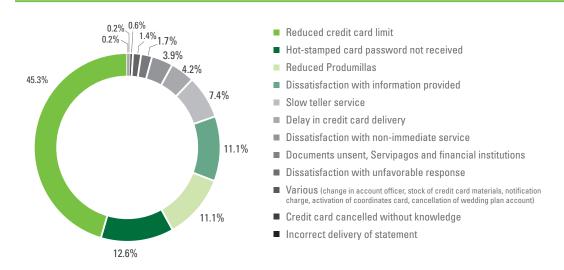


The most frequent complaints during the year, along with the breakdown of major categories, are shown below.

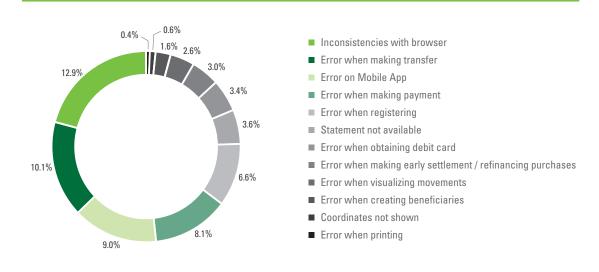
PRINCIPAL COMPLAINTS IN 2016



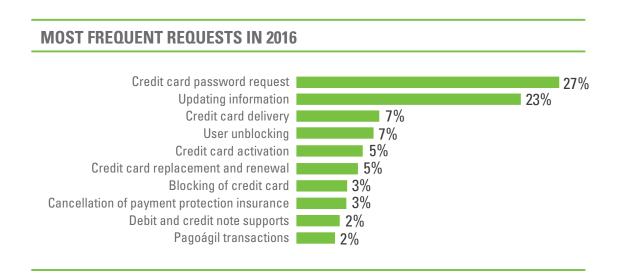
BREAKDOWN OF DISSATISFACTION WITH SERVICE



BREAKDOWN OF UNPROCESSED PRODUBANCO ONLINE TRANSACTIONS



The most frequent requests during 2016 are shown in the following graph. By transferring requests to the Produbanco online website, customers were able to resolve their problems directly through the platform, thus providing for greater agility. User unblocking is one of the best examples of transactions moved to a self-assisted solution method.

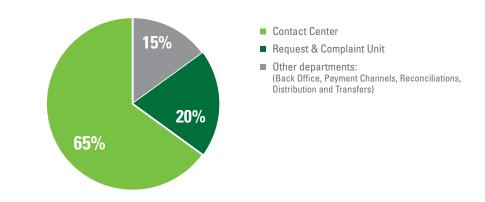


Operability

In 2016, 273,734 complaints and requests were resolved: 65% (177,621) through Contact Center executives (level 1), 20% (54,053) through the Requests and Complaints Cell (level 2), and 15% (42,060) through other areas such as Back Office, Payment Channels, Reconciliations, Distribution and Transfers (level 3).

Cases pending resolution at December 31, 2016 totaled 387.

REQUEST AND COMPLAINT SOLUTION LEVEL



Recommendations

For the Bank to progress towards the achievement of its strategic goals, the Customer Service Unit recommends that it:

- Continue to ensure quality in service by improving processes.
- · Encourage more options for the use of self-assisted (electronic) channels, ensuring permanent availability and high security.
- Constantly train staff from all departments to reinforce knowledge of the Bank's products and services.
- · Maintain appropriate levels of communication within the Bank to ensure all employees have updated knowledge of changes and instructions implemented.
- · Review the procedures currently in place for processing customer interactions with the Bank in order to enhance efficiency and reduce response times.
- Include all the Bank's resolution departments in the Requests and Complaints' service system, to ensure prompt and timely service.

Dou Ciral

María Dolores Prócel **Customer Support Unit**

REPORT OF THE COMMITTEE FOR ETHICS AND CORPORATE SOCIAL RESPONSIBILITY 2016

During 2016, we consolidated our integrated approach to Corporate Social Responsibility, which encompasses initiatives in the economic, social and environmental spheres, by keeping open the various communication channels with our different stakeholders.

There follows a summary of our activities during the year:

Investment

We invested a total of USD 707,000 in 2016 in the communities we support through the following programs:

SOCIAL INVESTMENT 2016		
	Amount	%
Su Cambio por el Cambio (Change for Change) Foundation	317,542	44.9%
Fundeporte	213,194	30.1%
PEF	45,181	6.4%
CSR Report	29,303	4.1%
Fudrine – Rehabilitation of Special Children	24,000	3.4%
El Apuntador Foundation	19,500	2.8%
Atucucho Medical Clinic	15,600	2.2%
Cultural and economic sponsorship	12,275	1.7%
Sports sponsorship	9,146	1.3%
Carbon Neutral	9,034	1.3%
San José Foundation - gerontology care	4,800	0.7%
San Juan de Dios Shelter – homeless people	3,409	0.5%
Christmas candy bags: Congrega Foundation, Tumbaco GAD, Eugenio Espejo Zone Administration, Vencedores School	2,500	0.4%
Manta telethon	1,500	0.2%
Ambato Healthcare Days	500	0.1%
Total	707,485	100%

Social Sphere

Su Cambio por el Cambio (Change for Change Foundation)

We continue to support Su Cambio por el Cambio Foundation, which has helped over 6,000 children and adolescents in Ecuador during its 26 years of existence. This is one of the main investments annually reflecting Produbanco's concern for the development of vulnerable groups in society.

The contribution to the project in Quito has benefited more than 300 people through education, social

development, health, psychology and sport. The beneficiaries are principally children aged 6 to 18 who have been victims of violence or neglect, live on the street and/or do not go to school.

The Guaranda project promotes the integrated development of the San Simón community. Through projects in education, nutrition, production, self-management and community action, the quality of life of approximately 400 families has been improved.

The output of dairy products has made great strides and these are now sold in Ecuador's largest supermarket chain. By continually promoting food products organically produced in Guaranda and Quito, our collaborators are not only opting for a healthy diet but also help the Foundation through their purchases.

For the second consecutive year we ran the *Apadrina* Christmas campaign, in which our employees voluntarily sponsored 177 children aged 12 or under and 65 grandparents by donating a gift.

Other Contributions

Also in the social sphere, our contributions enabled various organizations to help different causes, such as Fudrine, which prepares children with physical or motor disabilities to have the best possible involvement and inclusion in society.

The Atucucho community provided health services to its inhabitants through the clinic that we sponsor.

In the field of gerontology, we provided support to the San José Foundation. We furthermore delivered a monthly supply of food to the San Juan de Dios Shelter for the homeless.

At Christmas, we donated bags of candies to the Atucucho community as well as to the Eugenio Espejo Zone Administration, Fundación Congrega, Tumbaco District Council (GAD) and the San Juan de Dios Shelter.

Humanitarian Aid

In the face of the terrible aftermath of the earthquake in April, we responded on three fronts. The first, led by the Human Resources department, called upon the solidarity of our employees, whose immediate response enabled us to send a truckload of 3,057 donated items. Financial contributions totaling USD 17,580 were earmarked to cover the immediate needs of the families of employees who were affected: funeral services, medical care and housing reconstruction.

The second consisted of a direct contribution from Produbanco, which resulted in 2,000 kits, including a mattress and set of sheets, being distributed to the affected areas in 4 provinces. This was done in conjunction with the NGO Plan International.

Finally, we set up the *Earthquake Victims Solidarity* savings account to which our customers and the general public could make donations. The USD 126,884.97 raised was channeled through the Ecuadorian Red Cross for housing reconstruction and social support in the hardest-hit zones.

Cultures

Through our sponsorship of El Apuntador Foundation we continued to support the creativity and global reach of Ecuadorian artists, in line with the Bank's interest in contributing to Ecuador's cultural development.

In addition, we were present as sponsors at traditional and cultural events in Azogues, Cuenca and Ambato.

Sports

Fundeporte continued to be another notable example of social investment through which Produbanco has generated social inclusion. This is a place where inhabitants of the south of Quito, especially children and adolescents, can spend their leisure time, do sport and build healthy social relations. The complex is also home to the *Su Cambio por el Cambio* school.

We were also present as sponsors of the *Liceo Los Andes 5k* race in Guayaquil and the *Produbanco triathlon team*. In the latter, Bank employees participated in various competitions throughout the year, the most important being *IRONMAN Ecuador*, held in Manta in July.

Environment and Sustainability

The company Soluciones Ambientales Totales (SAMBITO) awarded Produbanco the second certification for the Amazonas building (the former Quito Head Office) and the Principal Guayaquil Branch building. We thus became a Carbon Neutral institution due to our continued support of the natural forest in Limón Indanza, Province of Morona Santiago, as part of our practice of offsetting the carbon footprint produced by our business.

In our Iñaquito building, we ran the pilot recycling campaign "Recycling with Produbanco, moving steadily towards sustainability". The campaign eliminates individual trash cans, replacing them with recycling stations on each floor where employees are encouraged to separate waste. The campaign's results and experiences have been replicated in new building in Ekopark Business Center and will serve as a basis for implementation in other Bank buildings.

In August, we implemented the *Green Line* Program, which promotes eco-friendliness by funding projects in energy efficiency, renewable energy and environmental protection measures, with the aim of supporting the country's productive and sustainable sector. The program was supported by the CAF and FMO and, by the end of 2016, had disbursed USD 15 million in green credits to customers.

Since September, we have been part of *Global Compact*, a United Nations initiative through which Produbanco has voluntarily committed to align its operations and strategies with the universal principles of human rights, labor and environmental standards and the fight against corruption - all issues closely linked to the 2030 Agenda for Sustainable Development Goals (SDG).

Finally, we should add that in November we opened our new head office building in Ekopark Business Center. Its design and equipment were conceived with the vision of being an environmentally friendly building with high energy efficiency.

Financial Education

Within Produbanco's Financial Education Program, *Aprende*, we successfully met the target set for year 2016. Some 3,344 people, including children, adolescents, adults and seniors, in both urban and rural areas, were trained through various activities including face-to-face workshops, virtual simulators and e-learning tools. Our employees also benefited from this program.

Transparency and Communication

In 2016 we presented our ninth annual Corporate Social Responsibility Report, which was prepared in accordance with the guidelines of the Global Reporting Initiative (GRI), G4 version, through which we reported to our stakeholders on our work in 2015 on social, economic and environmental aspects.

We also have the GRI Materiality Disclosures certification that endorses the correct presentation of all the material aspects contained in the report.

Ethics

Lastly, in another field requiring special attention from the Committee, 25 breaches of the Code of Ethics occurred in 2016, involving 19 Produbanco and 6 Servipagos staff members. After the respective analysis and investigation, the implicated staff members were relieved of their duties in the Bank and the relevant measures were taken in each specific case.

The Code of Ethics and Conduct was updated for the consideration of the General Shareholders' Meeting.

Diego Mosquera Pesantes

President of the Committee for Ethics and Corporate Social Responsibility

REPORT OF THE COMMITTEE FOR STRUCTURE, COMPENSATION, BENEFITS AND REMUNERATION

The Committee for Structure, Compensation, Benefits and Remuneration has reviewed and approved the Bank's general policy of salary management and has approved the pay rises for 2017 following an analysis of the country's economic situation and market conditions. The remuneration policy for senior management is in line with Resolutions No. JB-2013-2694 of November 19, 2013 and No. JB-2014-2755 of January 15, 2014, which set out the salary ranges for managers and legal representatives of institutions in the private financial system, as well as for all the Bank's staff. It was finally decided to keep in place the policy of allowances for Board members.

Jaime Dávalos Fernández – Salvador

President of the Committee for Structure, Compensation, Benefits and Remuneration

SUBSIDIARIES SERVIPAGOS AND PROTRÁMITES

Exsersa S.A.

2016 was a year of profound strategic changes, which enabled us to achieve outstanding results and put the company in an excellent financial and operating position to face future challenges.

Servipagos channels were made more profitable through a wide range of measures, leading profits to increase 2.81 times, from USD183,000 to USD 515,000.

Servipagos Agency Network

The steering of transactions to Pagoágil by opening service points in the vicinity of Servipagos agencies brought about two basic changes, namely the optimization of the network structure and the introduction of a new model in the service hall, with differentiated services for customers arriving to make financial transactions.

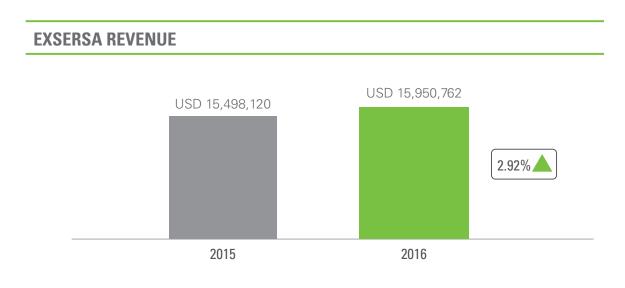
This year we also introduced the option of sending transfers overseas by Moneygram, which generated a 147% rise in transaction volume (from 20,219 transfers in 2015 to 49,995 in 2016).

Pagoágil

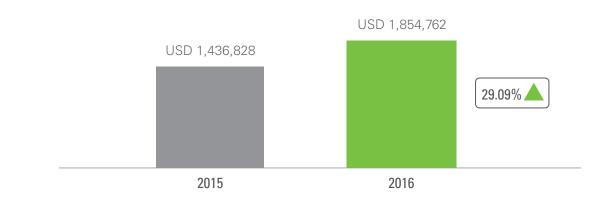
The increase in service points in shops and the creation of alliances with commercial and cooperative networks with wide national coverage consolidated the presence of this service cannel throughout the country, while gaining greater loyalty from agents by making them intrinsic partners of Servipagos. Some 38.3% of Servipagos transactions were carried out at the existing 1,515 Pagoágil points of service.

At the close of the year, Servipagos was providing its services to 30 companies in the financial sector, 28 in the public sector, and 396 in the private sector, making a total of 454 clients, representing a 3.65% growth in the portfolio.

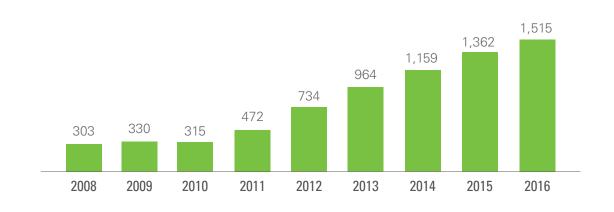
Other Salient Data



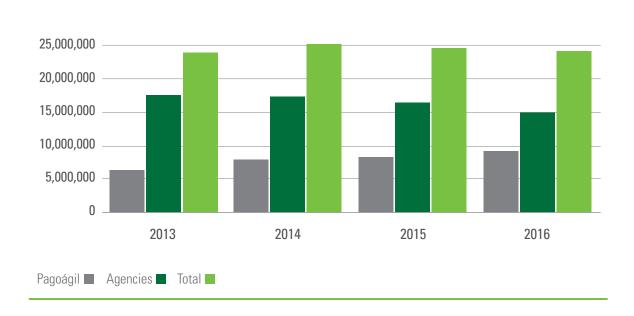
COMMISSIONS PAID TO AGENTS



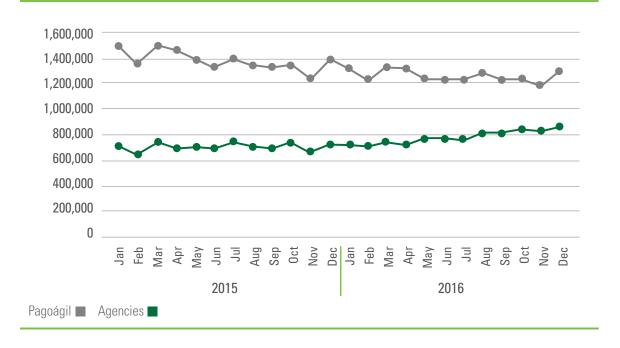
EVOLUTION OF NUMBER OF PAGOÁGIL SERVICE POINTS PER YEAR



TRANSACTIONS PER CHANNEL



MONTHLY TRANSACTIONS PER CHANNEL



Trámites Profesionales S A

In 2016 the subsidiary Trámites Profesionales S.A. Protrámites was requested by Produbanco to manage the collection of USD 46 million of bad debt from Personal Banking. By applying focused procedures and coordinating a team specialized in negotiations of late stage delinquency Protrámites contributed to the Bank's results by generating USD 8.5 million in windfall income. It furthermore managed to achieve a substantial improvement in the total gross delinquency indicator compared with 2015. This closed at 2.3%, the lowest of the four largest banks in the country.

Protrámites based its strategy on the creation of the Late Stage Delinquency Unit, responsible for managing the collection of bad debt and administrating the contract signed by Produbanco and 23 external lawyers in charge of the payment demands issued to past-due debtors (approximately 8,000 cases).

During the year Protrámites took on a larger percentage of Produbanco's loans, compared to the other companies providing services to the Bank. In December, it was managing 85% of the Personal Banking portfolio. In the third quarter, Protrámites was additionally given the responsibility of managing the Overdraft product.

To work on these two important fronts, Protrámites introduced new collection techniques and expanded its organizational structure, incorporating a technical level. All these steps enabled the company to improve the skills of its team, boost results, establish new incentive programs in the Loan Containment Management Unit and increase the frequency of supervision, bringing in daily controls.

With the aim of strengthening itself as a company and boosting its profits, Protrámites decided to start to buy bad debt from Produbanco. The first purchase was made at the end of the year, for USD 1.5 million. This business line is expected to become a regular occurrence in 2017.

The Collection Intelligence process introduced in 2015 was consolidated in 2016 and became the strategic center from which all operations were conceived, allowing for the achievement of the above-mentioned results.

THE BUSINESS UNITS

Company Banking

Corporate Segment

2016 was a successful year for the Corporate segment, whose mission is to manage the portfolio of companies with turnover exceeding USD 20 million. The characteristics of the corporate portfolio require its teams of officials and executives to seek integrated solutions that facilitate the continuity of the clients' business operations. Speed and flexibility are at the heart of this model, and it is attention to these factors that has kept Produbanco at the top end of this sector year after year.

Corporate business had over 1,700 clients at the end of December, with a penetration of over 80% in the largest companies.

The segment's obligations with the public grew by 24%, while its share in the Bank's overall deposits rose by 20%. As for loans, a significant 20% growth was achieved, leading the segment to account for 39% of overall loans. One highlight was the origination of USD 127 million allocated to finance companies with import and export business, central to boosting the country's foreign trade.

Business segment

In 2016 Business Banking, our unit for legal entities with a turnover of USD 5-20 million maintained its presence in Quito, Guayaquil and Ambato through its excellent team of executives. The main focus is value creation by developing personalized solutions and providing timely advice.

At the close of the period, 1,388 clients (4% more than in 2015) belonged to this segment, which accounted for 5% of the Bank's obligations with the public. The share of Business Banking in Produbanco's overall liabilities has remained stable in the last few years.

This business unit originated 1,708 credit operations with priority given to lending for the productive sector, which represents 37% of its overall loans. Overall 84% of the clients of this unit recorded credit exposure of under USD 1 million, clearly reflecting the emphasis placed on diversifying the portfolio. The credit portfolio managed in 2016 accounted for 8% of the Bank's overall loans.

Lastly, in line with the strategic objective of attending to the whole value chain in this segment, the number of clients using the payroll creation service through Produbanco rose by 14%. There was likewise an increase in the extent of the offer of Cash Management services.

Retail Banking

During 2016 we continued to draw up value proposals and design strategies seeking to build long-term relations with customers. One of the cornerstones of this banking unit is the use of business models that are differentiated for each of its client segments: individuals (*Plus, Preferential, Personal, Virtual, Microcredit*) and companies in the SME segment.

The year-end results of Retail Banking were extremely satisfactory. Looking at the figures, deposits in the *Plus, Preferential, Personal* and *Virtual* segments grew by USD 119 million. Total deposits rose to USD 1,569 million: USD 690 million in savings, USD 249 million in monetary, and USD 631 million in fixed-term deposits. Overall loans reached USD 726 million, of which USD 220 million corresponded to credit cards. The SME segment totaled USD 446 million in deposits and USD 307 million in loans.

National coverage continued to expand with the opening of agencies in nine towns, such as Playas, Puyo and Guaranda. At the close of 2016, the network consisted of 104 offices serving Produbanco customers, as well as the more than 694,000 customers in this banking segment.

As for quality of service, we carried out a process of selecting and training the agency hosts, who are in charge of welcoming clients when they arrive and guiding them to obtain the product or service they need, explaining how to use the self-service channels for relevant transactions, or directing them to where they can receive the service they require, always abiding by the official protocol and standards of service.

Considering efficiency in information management a fundamental factor for decision making, we also introduced more commercial intelligence tools during the year.

Plus, Preferential, Personal and Virtual segments

Retail Banking continued to innovate in service with the vision of providing its customers with a better experience. New systems have been developed to give the user greater autonomy when making transactions via digital channels, enhancing availability and ease of access.

In the same line, on November 30 we launched the digital account "be", an app for mobile devices whereby products can be safely opened without the need for the customer to physically go to the Bank. The "be" account targets millennials in particular, a segment that Produbanco is interested in expanding in the future.

As part of our commercialization strategy, we maintained our approved loans campaigns in 2016, through which we made proactive sales using our qualified client databases. A total of USD 13.5 million was granted in consumer credits as a result.

With regard to Credit for Employees, for those receiving their salaries via the Cash Management platform, 11,500 loans were granted in 2016, amounting to USD 68 million.

On all our consumer and commercial loans for individuals in this banking segment, we have introduced insurance coverage for payment protection and unemployment, providing customers with security when they take out a loan. Income from this insurance grew by 22% over the previous year.

As for *Vehicle Credit*, major changes were made in both the approval model and the product itself with a view to increasing placement. The main modification in the credit analysis system was a fine-tuning of policies without increasing risk, based on a better understanding of the segments, which led to a rise in the approval rate. Credit adjustments were made above all for our strategic ally General Motors; we achieved a significant improvement in costs, turning vehicle credit into the most competitive in the market and further consolidating our strong alliance with GM, which will be continued throughout 2017.

The above-mentioned changes led to a notable increase in the number and value of loans granted, in market share and in service to end customers and distributors.

Retail Banking applied the Business Process Management (BPM) methodology, spurring a clear improvement in service with the optimization of response times in the opening of new products.

We included a new indicator in the appraisals of our sales executives, called the Customer Relation Index, which measures the average number of products held with the Bank by a customer. Following the results of this indicator, we took action to promote a wider offer and sale of personalized solutions in line with the client's needs, thus strengthening our relations with each one. This measurement was introduced in October, with the index starting at 1,409 products per customer and ending the year at 1,414.

SME and Microcredit segments

SME

One of the innovations we implemented for the SME segment in 2016 was preferential service at strategically located service counters in Quito and Guayaquil branches, allowing our clients from this segment to have speedy access to services.

On another front, working in coordination with the Risk Department, we held campaigns to draw borrowers to our Credit for Suppliers and Working Capital loans, opening up attractive business opportunities. This boost to Credit for Suppliers led to loan placements of USD 10 million, against USD 2 million the previous year.

Another important milestone was the launch of the SME Credit Card, giving executives the possibility of obtaining cash advances for working capital via the webpage. The introduction of this useful financial tool was celebrated with various successful events in both Quito and Guayaquil.

The second half of the year saw the first results of *Líneas Verdes* (Green Lines), launched with funds from the FMO (Dutch Development Bank). The product provides capital and knowledge for companies, projects and financial institutions aiming to reduce environmental impact. We placed a total of USD 15 million in operations assessed by the Ecuadorian Center for Resource Efficiency (CEER), which works with the support of UNIDO, the United Nations Industrial Development Organization.

Loan quality in the SME segment closed the year with a delinquency rate of 4.10%, up just 0.11% on 2015. New indicators have been introduced for stricter control in the early management of collections and high delinquency cases.

As for processes, we started to regularize regional credit commissions in all our branches with the aim of providing a better service to clients in branches outside Quito and Guayaquil.

Microcredit

The Microcredit segment grew in the period thanks to greater knowledge of the product and the nature of the segment itself, which helped us to further streamline some processes and provide a more timely service. This experience also proved worthwhile in loan recovery as our past-due rate saw a reduction at the close of 2016.

We standardized and optimized commercial and operating processes nationwide this year, paving the way for the highest originations in the history of this product, with monthly average disbursements of USD 600,000.

Lastly, extending the coverage of the Microcredit segment, we opened an office in Cuenca, with highly positive results.

Private Banking

High equity clients are served through a personalized financial advice model. The team of professionals in charge of the 1,853 clients that comprise this segment are based in Quito, Guayaquil, Cuenca and Ambato.

Our range of products and services includes investment options specially configured in line with the needs, aim, investment horizon and risk tolerance profile of each investor. We maintain a conservative philosophy towards both fund and risk management.

As part of the added value, our clients are permanently provided with relevant up-to-date information on local and international financial markets, essential for good and timely decision-making.

A proactive approach, commitment to the creation of tailor-made solutions for individual needs, and our high standards of service and confidentiality have all been key factors in forging long-term relations.

Payment Channels

Credit Cards

2016 was a year when we surpassed our targets and objectives for credit cards. These highly satisfactory results were due to our well-chosen strategy of targeting upmarket clients and to the different courses of action applied in Portfolio Development.

With regard to new products, in March we launched our *SME VISA card*, which offers credit for working capital to small and medium enterprises. By December we had activated cards for 657 clients.

This year we also continued to sponsor the Ecuadorian start-up *PayPhone*, a mobile payment solution allowing Produbanco cardholders to make physical or virtual purchases without needing to carry a physical card. Transactions are made by smartphone on which the VISA or Mastercard credit or debit card has been registered. By the close of 2016, the number of affiliated outlets had risen to 3,547 and the number of users with active cards to 4,682.

Produbanco closed the year with 133,889 credit cards (74,486 Mastercard and 59,403 VISA), of which 79.13% were cards with a balance.

ARD TYPES – PERCENTAGES OF OVERALL SHA	ARE
Tarjeta	% Share
Classic	41%
Gold and Platinum	44%
Black, Signature and Infinite	13%
Corporate	2%
Total	100%

The credit card portfolio reached USD 220 million, up 18.9% (USD 34.9 million) on 2015 results, a growth significantly higher than the market average of 3.93% recorded in December 2016. The variation in credit balance per card type is summarized in the table below.

CARD TYPES - CREDIT

Card	USD in 2016	% Growth
Classic	39,167,256	-23%
Gold and Platinum	102,004,526	14%
Black, Signature and Infinite	69,145,339	87%
Corporate	9,919,843	31%
Total	220,236,964	19%

Various major campaigns were run over the year, including one called *Jueves Produbanco* (Produbanco Thursdays). This promotion, run from May to December in 35 restaurants nationwide, offered 25% discount for payments made with Produbanco cards every Thursday.

A variety of promotions were offered throughout 2016. These included special deferred payment plans; benefits in retail outlets; differentiated point earning, such as *Triple ProduMilla* and *Doble MaxiDólar* among others; and several client loyalty events in December. Over 220 activation activities were generated in total. As a result of these actions, Produbanco cardholders billed an additional USD 58 million to the USD 458 million returned in 2015, a 12.6% increase. Of the overall amount billed, purchases in establishments accounted for 81%, and cash advances 19%. Average monthly billing in the year rose to USD 43 million.

Debit Cards

Produbanco closed the year with 396,000 debit cards (89% Classic and 11% Gold). The number of cards grew by 6% against 2015.

Total annual purchases made with debit cards reached USD 200 million, with an average monthly figure of USD 40 for Classic cards and USD 72 for Gold. At December, 31% of clients had used their debit cards for purchases in retail outlets.

Among the innovations introduced in 2016 is the hot-stamping process, enabling us to give customers replacement cards on the spot in bank branches.

Cash Management

The number of Cash Management clients totaled 3,348 in 2016 (up 6% on the previous year). A total of 11.9 million transactions were conducted via the platform, generating income of USD 7.2 million, a 10% growth over 2015.

This year we started to migrate to a new version of the platform which will allow us to improve service with a much more user-friendly system. We also launched new collection transactions for the electricity companies and the Ecuadorian National Customs Service (Senae).

Lastly, we are currently developing a transactional switch to reduce the implementation time of new collections, in line with the omnichannel concept that will govern Produbanco services in the future.

Produbanco online

We processed 134 million transactions for Produbanco customers through our Produbanco Online service channels in 2016 (13% of these were made in Bank branches and the remaining 87% via virtual channels).

The most noteworthy product of the year was the Digital Deposit Certificate, launched in late 2015. This option, enabling customers to open fixed-term deposits online, brought about an average monthly growth of 10%.

Following our strategy of boosting the Mobile App channel, we introduced the pre-registration of mobile devices on our webpage, meaning that customers can only access the app from authorized devices. This innovation further heightened security of access, of paramount importance as the Mobile App is our fastest growing channel, with over one million transactions per month and a 176% surge in money movement transactions.

We continued to extend the coverage of our ATM network, closing 2016 with 306 terminals, 46 of which are multifunction machines that can receive both cash and check deposits. These units, which recorded over one million deposits, are located in branches with the highest number of transactions.

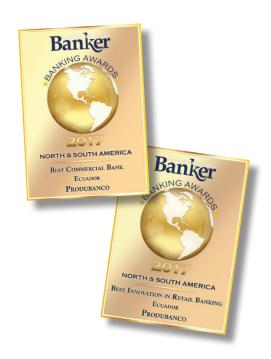
Finally, looking to enhance service for our customers and optimize the use of produbanco.com, we have made updates to the page platform, which will improve the users' experience in terms of functions, availability and sustainability in 2017.

RECOGNITIONS RECEIVED

Best Commercial Bank and Best Bank for Innovation in Retail Banking 2017

International Banker journal, a recognized publication specializing in banking and finance, belonging to the London Finance Publishing group, awarded Produbanco the distinctions of Best Commercial Bank of the Year 2017 and Best Bank for Innovation in Retail Banking 2017, based on our results and brand strength in 2016.

International Banker's 2017 awards are granted to individuals or organizations which set new standards and raise the bar for performance in the financial industry.



Best Bank in Ecuador for Corporate Governance

Capital Finance International (cfi.co), a printed and digital magazine, also based in London, known for its expert analysis of world trends influencing the economy, selected Produbanco as recipient of the award for Best Ecuadorian Bank in Corporate Governance.



First Place among Big Banks In the Ekos index of Customer Service Satisfaction

The Economic and Market Research Unit of Ekos Corporation compiles the *Ekos Customer Satisfaction Index*. This external measurement, conducted via telephone surveys in different cities, seeks to obtain an evaluation of overall satisfaction with service, willingness to recommend, repeat purchase, value perception and identification of brand problems.

Produbanco held first place in the *Ekos Customer Satisfaction Index* in both semesters of 2016 in the Big Bank category.



AAA- Risk Rating -

Risk raters BankWatch Ratings and PCR Pacific Credit Rating upheld their AAA- rating for Produbanco.

This is one of the highest ratings in the national financial system and is assigned only to very few financial institutions.



Corporate Social Responsibility Report **Materiality Disclosures Certification**

In 2016 Produbanco published its ninth Corporate Social Responsibility Report, pursuant to the Comprehensive Option of the G4 Sustainability Reporting Guidelines, within the Global Reporting Initiative (GRI).

The report received the *Materiality Disclosures* Certification issued by GRI, which attests that the material aspects are clearly identified.



CONSOLIDATED BALANCE SHEET

Thousands of US\$

Produbanco and Subsidiaries

	2015	2016	% Growth
ASSETS			
Available funds and investments	1,389,198	1,632,561	18%
Loans	1,892,373	2,101,280	11 %
Clients' liabilities under acceptance	273	4,008	1371%
Accounts receivable	25,043	23,854	-5%
Foreclosed assets	11,141	10,486	-6%
Property and equipment	24,999	60,872	143%
Other assets	211,812	167,178	-21%
Total Assets	3,554,840	4,000,238	13%
LIABILITIES			
Obligations with the public	3,026,159	3,335,146	10%
Interbank operations		10,000	
Immediate obligations	28,682	23,358	-19%
Acceptances in circulation	273	4,008	1371%
Accounts payable	83,032	93,875	13%
Financial obligations	89,348	183,932	106%
Other Liabilities	15,760	12,173	-23%
Total Liabilities	3,243,254	3,662,492	13%
TOTAL RESERVES	311,586	337,746	8%
TOTAL LIABILITIES AND RESERVES	3,554,840	4,000,238	13%
CONTINGENCIES	553,456	590,992	7%

INCOME STATEMENT

Thousands of US\$

Produbanco and Subsidiaries

	2015	2016	% Growth
INCOME			
Interest and discounts earned	228,116	224,162	-2%
Commissions earned	12,788	12,957	1%
Financial profit	8,070	15,291	89%
Income from services	62,764	69,927	11 %
Other operating income	1,354	4,871	260%
Other income	15,726	16,927	8%
Total Income	328,817	344,134	5%
EXPENSES			
Interest expense	72,564	84,100	16%
Commissions paid and accrued	1,579	1,822	15%
Financial losses	1,430	983	-31%
Provisions	30,352	48,422	60%
Operating expenses	180,275	166,054	-8%
Other operating losses	690	2,126	208%
Other expenses and losses	246	260	6%
Total Expenses	287,136	303,766	6%
Income before employee profit sharing and income tax	41,681	40,368	-3%
Provision for employee profit sharing	6,269	6,136	-2%
Income before income tax	35,412	34,232	-3%
Provision for income tax	7,895	7,933	0%
NET INCOME	27,517	26,299	-4%

TAXES AND CONTRIBUTIONS PAID

Thousands of US\$

Produbanco and Subsidiaries

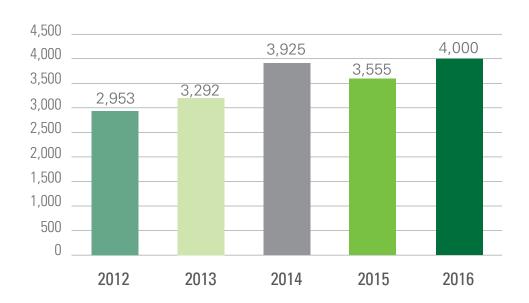
	Dec-15	Dec-16	Variance
Income tax	7,895	7,933	38
Contributions to COSEDE	19,391	18,911	-480
Contributions to Superintendence of Banks	4,324	4,413	89
Municipal taxes	943	1,113	170
Other taxes and contributions	5,264	2,848	-2,416
VAT on purchases	8,907	10,625	1,719
Solidarity Contribution Taxes on profit	0	1,022	1,022
TOTAL DIRECT TAXES	46,723	46,865	141
Payment of employees income tax	2,745	1,238	-1,507
Payment of employees Social Security contributions	8,554	7,163	-1,391
TOTAL INDIRECT TAXES AND CONTRIBUTIONS	11,299	8,401	-2,898
	Dec-15	Dec-16	Variance Percentage Points
Direct tax burden/ Group earnings	170%	178%	8
Burden of direct and indirect taxes and contributions / Group earnings	211%	210%	
NET EARNINGS	27,517	26,299	-1,218

TOTAL ASSETS AND NET LOANS

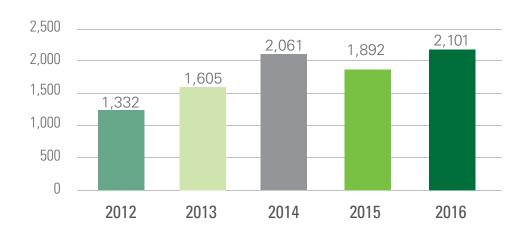
Thousands of US\$

Produbanco and Subsidiaries

TOTAL ASSETS



NET LOANS

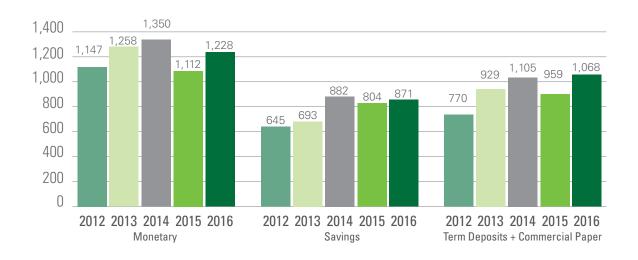


OBLIGATIONS WITH THE PUBLIC AND COMMERCIAL PAPER, RESERVES AND NET EARNINGS

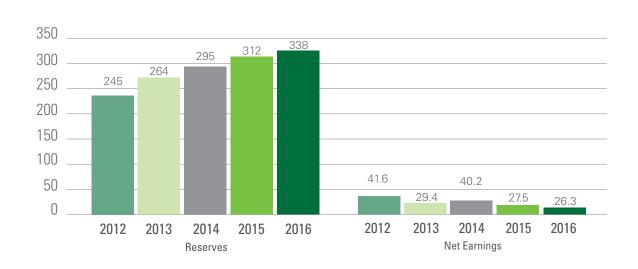
Thousands of US\$

Produbanco and Subsidiaries

OBLIGATIONS WITH THE PUBLIC AND COMMERCIAL PAPER



RESERVES AND NET EARNINGS



PRINCIPAL ACCOUNTS AND FINANCIAL INDICATORS

Thousands of US\$s

Produbanco and Subsidiaries

	2015	2016	Variance
ACCOUNTS			
T	0.554.040		100/
Total Assets	3,554,840	4,000,238	13%
Available funds and investments	1,389,198	1,632,561	18%
Loans	1,892,373	2,101,280	11 %
Obligations with the public	3,026,159	3,335,146	10%
Reserves	311,586	337,746	8%
Net earnings	27,517	26,299	-4%
Contingencies	553,456	590,992	7%
Assets + Contingencies	4,108,296	4,591,229	12%
INDICATORS			
Capital Adequacy			
Net Regulatory Capital / Risk-weighted assets and contingencies	11.41%	11.59%	0.18*
Asset Quality			
Total gross delinquency	2.61%	2.31%	-0.30*
Administrative Management			
Productive assets / Interest-bearing liabilities	151.96%	142.45%	-9.51*
Profitability			
Return/Equity (ROE)	9.69%	8.43%	-1.25*
Liquidity			
Available funds / Total short-term deposits	26.27%	33.26%	6.99*

^(*) Increase/decrease expressed in percentage points

CONSOLIDATED BALANCE SHEET

Thousands of US\$

		Produb	Produbanco		
	2015	2016	% Growth		
ASSETS					
Available funds and investments	1,389,156	1,632,559	18%		
Loans	1,892,122	2,100,911	11 %		
Clients liabilities under acceptance	273	4,008	1371%		
Accounts receivable	24,885	23,267	-7%		
Foreclosed assets	11,141	10,486	-6%		
Property and equipment	23,425	59,544	154%		
Other assets	213,224	168,978	-21%		
Total Assets	3,554,226	3,999,753	13%		
LIABILITIES					
Obligations with the public	3,027,028	3,336,892	10%		
Interbank operations		10,000			
Immediate obligations	28,682	23,358	-19%		
Acceptances in circulation	273	4,008	1371%		
Accounts payable	81,867	91,845	12%		
Financial obligations	89,348	183,932	106%		
Other Liabilities	15,481	12,054	-22%		
Total Liabilities	3,242,679	3,662,090	13%		
RESERVES					
Paid in capital	238,000	260,238	9%		
Issue premium	1,105	1,105			
Legal reserve	34,660	37,405	8%		
Appreciation surplus	9,761	12,236	25%		
Accumulated profit	567	642	13%		
Net income	27,454	26,036	-5%		
Total Reserves	311,547	337,663	8%		
TOTAL LIABILITES AND RESERVES	3,554,226	3,999,753	13%		
CONTINGENCIES	553,538	590,992	7%		

INCOME STATEMENT

Thousands of US\$

		Produbanco	
	2015	2016	% Growth
INCOME			
Interest and discounts earned	228,100	224,125	-2%
Commissions earned	12,788	12,957	1%
Financial earnings	8,070	15,291	89%
Income from services	51,938	58,740	13%
Other operating income	1,490	5,356	259%
Other income	15,334	16,875	10%
Total Income	317,720	333,344	5%
EXPENSES			
Interest expense	72,564	84,101	16%
Commissions paid and accrued	1,579	1,822	15%
Financial losses	1,430	983	-31%
Provisions	30,352	48,407	59%
Operating expenses	169,413	156,110	-8%
Other operating losses	690	2,126	208%
Other expenses and losses	246	251	2%
Total Expenses	276,274	293,800	6%
Income before employee profit sharing and income tax	41,446	39,554	-5%
Provision for employee profit sharing	6,217	5,932	-5%
Income before income tax	35,229	33,612	-5%
Provision for income tax	7,775	7,576	-3%
NET INCOME	27,454	26,036	-5%

RESERVE TRANSACTIONS

Millions of US\$

Produbanco

JANUARY TO DECEMBER 2016

	Capital	Legal Reserve	Special Reserve	Issue Premium or Discount	Appre- ciation Surplus	Accumu- lated Income	Net Income	Total
Balance at 31 - Dec - 2015	238,000,000	34,660,025	0	1,104,774	9,761,430	566,722	27,454,123	311,547,075
Valuation of stocks and shares					-105,498			-105,498
Value of investments in financial instruments					286,610			286,610
Future equity contributions			22,237,840			-22,237,840		0
Dividends paid						-2,470,871		-2,470,871
Transfer to Retained Earnings						27,454,123	-27,454,123	0
Appropriation of Legal Reserve		2,745,412				-2,745,412		0
2016 depreciation of valued assets					-75,493	75,493		0
Valuation of assets					2,369,053			2,369,053
Capital increase	22,237,840		-22,237,840					0
Net income							26,036,435	26,036,435
Balances at 31 - Dec - 2016	260,237,840	37,405,437	0	1,104,774	12,236,102	642,215	26,036,435	337,662,804

RATIO OFTOTAL REGULATORY CAPITAL AND RISK-WEIGHTED ASSETS AND CONTINGENCIES

US\$ units

Produbanco

DECEMBER 2015 - 2016

	Dec -15	Dec -16
Total Primary Regulatory Capital	259,092,660	285,876,560
Total Secondary Regulatory Capital	36,994,788	46,119,426
TOTAL REGULATORY CAPITAL	296,087,448	331,995,985
Deductions from Total Regulatory Capital	4,491,247	4,712,065
NET REGULATORY CAPITAL	291,596,202	327,283,920
Total Risk-weighted Assets and Contingencies	2,577,263,250	2,845,519,082
REGULATORY NET WORTH (9%)	231,953,693	256,096,717
Required Regulatory Capital Surplus or Deficit	59,642,509	71,187,203
Total Assets and Contingencies x 4%	164,310,544	183,629,765
Capital Adequacy (Regulatory Capital/ Risk-weighted assets and contingencies)	11.31%	11.50%

RATING OF RISK ASSETS LOANS AND CONTINGENCIES

US\$ units

Produbanco

AT DECEMBER 31, 2016

PRIORITY COMMERCIAL CREDIT

		Total	Loans covered with self- liquidating collateral	Balance subject to rating	% Share	% Provision	Provisions Required	Provisions Recorded	Difference between required and recorded	Provisions offset by mortgages	Provisions surplus or deficit
A1		271,064,469	17,179,841	253,884,629	19.07%	0.85%	3,619,262	2,291,079	1,328,182	1,328,182	0
A2	Normal Risk	724,242,484	12,449,454	711,793,030	50.94%	1.54%	19,531,096	11,132,440	8,398,655	8,398,655	0
АЗ	THOK	194,755,756	997,813	193,757,943	13.70%	2.75%	7,133,802	5,347,393	1,786,409	1,786,409	0
B1	Potential	28,478,593	642,210	27,836,383	2.00%	4.87%	2,240,875	1,387,053	853,822	853,822	0
B2	Risk	14,486,144	0	14,486,144	1.02%	8.18%	2,036,131	1,184,587	851,544	851,544	0
C1	D. C. L.	831,269	0	831,269	0.06%	17.57%	147,106	146,044	1,062	1,062	0
C2	Deficient	2,531,203	0	2,531,203	0.18%	34.61%	876,120	876,120	0	0	0
D	Doubtful Recovery	13,401,283	0	13,401,283	0.94%	58.63%	7,856,975	7,856,975	0	0	0
Е	Loss	8,884,265	0	8,884,265	0.62%	100.00%	8,884,265	8,884,265	0	0	0
AL	100% Self- liquidating guarantees	162,987,775	162,987,775	0	11.46%	0.00%	0	0	0	0	0
	Total	1,421,663,239	194,257,092	1,227,406,147	100.00%	2.75%	52,325,631	39,105,956	13,219,676	13,219,676	0

ORDINARY COMMERCIAL CREDIT

		Total	Loans covered with self- liquidating collateral	Balance subject to rating	% Share	% Provision	Provisions Required	Provisions Recorded	Difference between required and recorded	Provisions offset by mortgages	Provisions surplus or deficit
A1		27,775,013	2,502,027	25,272,986	30.71%	0.82%	448,127	227,855	220,272	220,272	0
A2	Normal Risk	48,720,075	500,000	48,220,075	53.88%	1.60%	1,135,547	780,525	355,022	355,022	0
АЗ	THOR	13,933,220	0	13,933,220	15.41%	2.36%	338,898	328,624	10,274	10,274	0
В1	Potential	0	0	0	0.00%	0.00%	0	0	0	0	0
В2	Risk	0	0	0	0.00%	0.00%	0	0	0	0	0
C1	Deficient	0	0	0	0.00%	0.00%	0	0	0	0	0
C2	Delicient	0	0	0	0.00%	0.00%	0	0	0	0	0
D	Doubtful Recovery	0	0	0	0.00%	0.00%	0	0	0	0	0
Е	Loss	0	0	0	0.00%	0.00%	0	0	0	0	0
AL	100% Self- liquidating guarantees	0	0	0	0.00%	0.00%	0	0	0	0	0
	Total	90,428,309	3,002,027	87,426,282	100.00%	1.48%	1,922,572	1,337,005	585,567	585,567	0

PRODUCTIVE CREDIT

		Total	Loans covered with self- liquidating collateral	Balance subject to rating	% Share	% Provision	Provisions Required	Provisions Recorded	Difference between required and recorded	Provisions offset by mortgages	Provisions surplus or deficit
Α1		16,068,066	130,648	15,937,418	11.51%	0.82%	217,974	131,089	86,885	86,885	0
A2	Normal Risk	116,559,422	0	116,559,422	83.49%	1.48%	3,202,543	1,729,257	1,473,287	1,473,287	0
АЗ	THOK	5,940,948	0	5,940,948	4.26%	2.96%	186,689	175,925	10,765	10,765	0
В1	Potential	0	0	0	0.00%	0.00%	0	0	0	0	0
В2	Risk	221,092	0	221,092	0.16%	9.76%	43,166	21,583	21,583	21,583	0
C1	D.C.L.	10,039	0	10,039	0.01%	14.13%	1,419	1,419	0	0	0
C2	Deficient	0	0	0	0.00%	0.00%	0	0	0	0	0
D	Doubtful Recovery	0	0	0	0.00%	0.00%	0	0	0	0	0
Е	Loss	0	0	0	0.00%	0.00%	0	0	0	0	0
AL	100% Self- liquidating guarantees	802,579	802,579	0	0.57%	0.00%	0	0	0	0	0
	Total	139,602,146	933,227	138,668,919	100.00%	1.48%	3,651,791	2,059,272	1,592,519	1,592,519	0

Continued...

RATING OF RISK ASSETS, LOANS AND CONTINGENCIES

US\$ units

Produbanco

AT DECEMBER 31, 2016

ORDINARY CONSUMER CREDIT

		Total	Loans covered with self-liqui- dating collateral	Balance subject to rating	% Share	% Provision	Provisions Required	Provisions Recorded	Provisions surplus or deficit
A1		36,797,616	3,000	36,794,616	93.49%	0.99%	364,267	364,267	0
A2	Normal Risk	397,878	0	397,878	1.01 %	1.99%	7,918	7,918	0
АЗ	_	1,181,734	0	1,181,734	3.00%	2.99%	35,334	35,334	0
B1	- Potential Risk	431,398	0	431,398	1.10%	5.99%	25,841	25,841	0
В2	- Potentiai Risk	122,628	0	122,628	0.31%	9.99%	12,251	12,251	0
C1	- Deficient	136,758	0	136,758	0.35%	19.99%	27,338	27,338	0
C2	- Deticient	117,076	0	117,076	0.30%	39.99%	46,819	46,819	0
D	Doubtful Recovery	22,969	0	22,969	0.06%	60.00%	13,782	13,782	0
Е	Loss	138,694	0	138,694	0.35%	100.00%	138,694	138,694	0
AL	100% Self-liquidating guarantees	13,848	13,848	0	0.04%	0.00%	0	0	0
	Total	39,360,598	16,848	39,343,750	100.00%	1.71%	672,241	672,241	0

PRIORITY CONSUMER CREDIT

		Total	Self-liquidating collateral	Balance subject to rating	% Share	% Provision	Provisions Required	Provisions Recorded	Provisions surplus or deficit
A1		381,452,804	495,010	380,957,795	84.99%	0.99%	3,771,483	3,771,483	0
A2	Normal Risk	5,643,891	0	5,643,891	1.26%	1.99%	112,314	112,314	0
АЗ		14,629,742	52,853	14,576,890	3.26%	2.98%	435,849	435,849	0
В1	Detected Diel	6,998,341	11,832	6,986,508	1.56%	5.98%	418,350	418,350	0
B2	- Potential Risk	4,793,542	524	4,793,018	1.07%	9.99%	478,822	478,822	0
C1	D. C. L.	4,089,867	0	4,089,867	0.91%	19.99%	817,564	817,564	0
C2	- Deficient	4,590,453	0	4,590,453	1.02%	39.99%	1,835,722	1,835,722	0
D	Doubtful Recovery	4,252,277	0	4,252,277	0.95%	59.92%	2,547,982	2,547,982	0
Е	Loss	8,425,080	0	8,425,080	1.88%	100.00%	8,425,080	8,425,080	0
AL	100% Self-liquidating guarantees	13,946,494	13,946,494	0	3.11%	0.00%	0	0	0
	Total	448,822,491	14,506,712	434,315,779	100.00%	4.20%	18,843,166	18,843,166	0

REAL ESTATE CREDIT

		Total	Self-liquidating collateral	Balance subject to rating	% Share	% Provision	Provisions Required	Provisions Recorded	Provisions surplus or deficit
A1		197,990,502	54,086	197,936,417	80.97%	0.99%	1,959,571	1,959,571	0
A2	Normal Risk	19,620,562	0	19,620,562	8.02%	1.99%	390,449	390,449	0
А3	_	15,269,600	0	15,269,600	6.24%	2.99%	456,561	456,561	0
В1	B	3,517,908	0	3,517,908	1.44%	5.99%	210,723	210,723	0
B2	- Potential Risk	2,009,521	0	2,009,521	0.82%	9.99%	200,751	200,751	0
C1	Deficient	275,067	0	275,067	0.11%	19.99%	54,986	54,986	0
C2	- Deficient	787,505	0	787,505	0.32%	39.99%	314,923	314,923	0
D	Doubtful Recovery	2,269,049	0	2,269,049	0.93%	56.07%	1,272,212	1,272,212	0
Е	Loss	2,759,373	0	2,759,373	1.13%	100.00%	2,759,373	2,759,373	0
AL	100% Self-liquidating guarantees	28,973	28,973	0	0.01%	0.00%	0	0	0
	Total	244,528,060	83,059	244,445,001	100.00%	3.12%	7,619,549	7,619,549	0

MICROCREDIT

		Total	Self-liquidating collateral	Balance subject to rating	% Share	% Provision	Provisions Required	Provisions Recorded	Provisions surplus or deficit
A1		7,363,897	2,655	7,361,242	84.70%	0.99%	72,877	72,877	0
A2	Normal Risk	226,497	0	226,497	2.61%	1.99%	4,507	4,507	0
A3	-	185,294	0	185,294	2.13%	2.99%	5,540	5,540	0
B1	Detected Diel	237,112	0	237,112	2.73%	5.99%	14,203	14,203	0
B2	- Potential Risk	80,937	0	80,937	0.93%	9.99%	8,086	8,086	0
C1	- Deficient	96,502	0	96,502	1.11%	19.99%	19,291	19,291	0
C2	Delicient	86,996	0	86,996	1.00%	39.99%	34,790	34,790	0
D	Doubtful Recovery	114,012	0	114,012	1.31%	60.00%	68,407	68,407	0
Е	Loss	170,041	0	170,041	1.96%	100.00%	170,041	170,041	0
AL	100% Self-liquidating guarantees	133,276	133,276	0	1.53%	0.00%	0	0	0
	Total	8,694,565	135,931	8,558,634	100.00%	4.57%	397,742	397,742	0

OVERALL T O T A L

Total	2,393,099,408	212.934.896	2,180,164,512	100.00%	0	85,432,692	70.034.931	0
	Total	Self-liquidating collateral	Balance subject to rating	% Share	% Provision	Provisions Required	Provisions Recorded	Provisions surplus or deficit

SUMMARY OF RATING OF INVESTMENTS AND OTHER ASSETS AND RECORDING OF PROVISIONS

US\$ units

Produbanco

AT DECEMBER 30, 2016

231 B.1

Code	Investments	Nominal Value	Market Value	Specific Provisions	General Provisions for Investments
1301	At reasonable value with changes in income statement - private sector		0	N/A	N/A
1302	At reasonable value with changes in income statement - public sector		10,034,326	N/A	N/A
1303	Available-for-sale - private sector		318,838,691	18,013	0
1304	Available-for-sale - state or public sector		130,057,152	0	0
	Total	458,575,770	458,930,168	18,013	0
Code	Investments	Book Value	Market Value	Specific Provisions	General Provisions for Investments
1202	Repo operations with financial institutions	0	0	0	0
1305	Held-to-maturity - private sector	6,687,500	6,687,500	145,968	0
1306	Held-to-maturity - state or public sector	215,288,526	215,288,526	162,000	0
1307	Restricted availability	18,003,451	18,003,451	0	0
190205	Trust rights - investments	0	0	0	0

231 B.2

Code	Other Assets	Total	% Risk	Provisions Required	Provisions Recorded	Provisions Surplus / Deficit
A1		16,931,751	77.75%	68,654	163,827	95,173
A2	Normal risk	578,882	2.66%	5,789	5,789	0.00
АЗ		45,578	0.21%	912	912	0.00
B1	D: 10: 1	1,959,834	9.00%	78,393	78,393	0.00
B2	— Potential Risk —	25,417	0.12%	1,906	1,906	0.00
C1	Deficient	14,577	0.07%	2,114	2,114	0.00
C2	— Deficient —	43,385	0.20%	12,799	12,799	0.00
D	Doubtful Recovery	266,624	1.22%	185,304	185,304	0.00
Е	Loss	1,911,343	8.78%	1,911,343	1,911,343	0.00
	Assessed	21,777,391	100.00%	0	0	0.00
	Unassessed	0.00	0.00%	0	0	0.00
	Total	21,777,391	100.00%	2,267,213	2,362,386	95,173
	% OF OTHER ASSET	ΓS ASSESSED [(Ass	sessed / Total) 100] =		100.00%
	% RISK OTHER ASS	ETS ASSESSED ((P	rov Required / Ass	sessed) 100 l =		10.41%

231 B.3

Foreclosures	Total	Provisions Required (a)	Provisions Required per Valuation (b)	Total Provisions Required	Provisions Recorded	Provisions Surplus or Deficit
Risks	10,401,499	5,858,146	0.00	5,858,146	5,904,046	45,901
Total	10,401,499	5,858,146	0.00	5,858,146	5,904,046	45,901

- (a) Provisions Required: Art. 195 of the Monetary and Financial Code.
- **(b) Provisions Required per Valuation:** Subsection 2, number 3, article 5, section II, chapter II, title IX, book 1 of the Codification of Resolutions of the Superintendence of Banks and Insurance Companies of the Banking Board.

CONSOLIDATED **BALANCE SHEET**

Thousands of US\$

		Exsersa S	.A.
	2015	2016	% Growth
ASSETS			
Available funds	296	1,018	244%
Interbank operations and investments			
Loans			
Clients' liabilities under acceptance			
Accounts receivable	1,243	1,243	0%
Foreclosed assets			
Property and equipment	1,565	1,317	-16%
Other assets	1,340	1,328	-1%
Total Assets	4,445	4,905	10%
Obligations with the public			
Interbank operations			
Immediate obligations			
Acceptances in circulation			
Accounts payable	1,688	1,784	00/
The state of the s			6%
Financial obligations			6%
Acceptances in circulation			6%
-			6%
Acceptances in circulation Convertible securities and			6%
Acceptances in circulation Convertible securities and equity contributions	1,688	1,784	6%
Acceptances in circulation Convertible securities and equity contributions Other Liabilities	1,688 2,757	<i>1,784</i> 3,121	

INCOME STATEMENT

Thousands of US\$

		Exsersa S.A.		
	2015	2016	% Growth	
INCOME				
Interest and discounts earned	11	12	11 %	
Commissions earned				
Financial earnings				
Income from services	14,856	15,564	5%	
Other operating income				
Other income	632	325	-48%	
Total Income	15,498	15,901	3%	
EXPENSES				
Interest expense				
Commissions paid and accrued				
Financial losses				
Provisions				
Operating expenses	15,150	14,944	-1%	
Other operating losses				
Other expenses and losses				
Taxes and employee profit sharing				
Total Expenses	15,150	14,944	-1%	
Income before employee profit sharing and income tax	348	958	175%	
Provision for employee profit sharing	50	150	203%	
Income tax	298	807	171%	
Provision for income tax	115	293	155%	
NET INCOME	183	515	181%	

CONSOLIDATED **BALANCE SHEET**

Thousands of US\$

Trámitoe	Profesional	Ine S A	. Protrámites
- 11 0111111123			

	2015	2016	% Growth
ASSETS			
Available funds	337	612	82%
Interbank operations and investments			
Loans	325	511	57%
Clients' liabilities under acceptance			
Accounts receivable			
Foreclosed assets			
Property and equipment	8	11	38%
Other assets	80	73	-9%
Total Assets	<i>750</i>	1,207	61%
Obligations with the public			
Obligations with the public			
Obligations with the public Interbank operations			
Interbank operations			
Interbank operations Immediate obligations	352	758	115%
Interbank operations Immediate obligations Acceptances in circulation	352	758	115%
Interbank operations Immediate obligations Acceptances in circulation Accounts payable	352 285	758	115%
Interbank operations Immediate obligations Acceptances in circulation Accounts payable Financial obligations Convertible securities and			115%
Interbank operations Immediate obligations Acceptances in circulation Accounts payable Financial obligations Convertible securities and equity contributions			115% 64%
Interbank operations Immediate obligations Acceptances in circulation Accounts payable Financial obligations Convertible securities and equity contributions Other Liabilities	285	285	

INCOME STATEMENT

Thousands of US\$

Trámites Profesionales S.A. Protrámites

			%
	2015	2016	Growth
INCOME			
Interest and discounts earned	4	26	550%
Commissions earned	0	0	0%
Financial profit	0	0	0%
Income from services	736	1,969	168%
Other operating income	43	91	112%
Other income	8	25	213%
Total Income	791	2,111	167%
EXPENSES			
Interest expense	0	0	0%
Commissions paid and accrued	0	0	0%
Financial losses	0	0	0%
Provisions		15	
Operating expenses	767	1,736	126%
Other operating losses	0	0	0%
Other expenses and losses	0	8	0%
Taxes and employee profit sharing	0	0	
Total Expenses	767	1,759	129%
Income before employee profit sharing and income tax	24	352	1368%
Provision for employee profit sharing	2	54	2600%
Income before income tax	22	298	1256%
Provision for income tax	6	65	983%
NET INCOME	16	233	1358%

REPORT OF THE INDEPENDENT AUDITORS

Produbanco and Subsidiaries



Deloitte & Touche Ecuador Cía. Ltda. Av. Amazonas N3517 Telf: (593 2) 381 5100 Quito - Ecuador

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INFORME DE LOS AUDITORES INDEPENDIENTES SOBRE ESTADOS FINANCIEROS CONSOLIDADOS

A la Junta de Accionistas y Miembros del Directorio de Banco de la Producción S.A. Produbanco:

Los estados financieros consolidados resumidos de Banco de la Producción S.A. Produbanco y Subsidiarias los cuales incluyen el balance general consolidado resumido al 31 de diciembre de 2016 y el estado de resultados consolidado resumido por el año terminado en esa fecha, se derivan de los estados financieros consolidados auditados del Banco de la Producción S.A. Produbanco por el año terminado el 31 de diciembre de 2016.

En nuestra opinión, los estados financieros consolidados resumidos adjuntos presentan razonablemente un resumen de los estados financieros consolidados auditados preparados de acuerdo con normas y prácticas contables establecidas por la Superintendencia de Bancos del Ecuador.

Estados financieros consolidados

Los estados financieros consolidados resumidos no contienen todas las revelaciones requeridas de acuerdo con normas y prácticas contables establecidas por la Superintendencia de Bancos del Ecuador. Por lo tanto, la lectura de los estados financieros consolidados resumidos y de este informe del auditor independiente, no sustituye la lectura de los estados financieros consolidados auditados y del respectivo informe del auditor independiente.

Estados financieros consolidados auditados y nuestro respectivo informe

Nosotros expresamos una opinión no calificada sobre los estados financieros consolidados auditados en nuestro informe de fecha Febrero 22 del 2017. Dicho reporte también incluye:

- Un párrafo que hace referencia a la Nota 2, que explica que los estados financieros consolidados han sido preparados sobre la base de normas y prácticas contables establecidas por la Superintendencia de Bancos del Ecuador, las cuales difieren de las Normas Internacionales de Información Financiera - NIIF.
- La comunicación de asuntos clave de auditoría. Asuntos clave de auditoría son aquellos aspectos que en nuestro juicio profesional fueron de mayor significatividad en nuestra auditoria de los estados financieros del período actual.

Responsabilidad de la administración por los estados financieros consolidados

La administración del Banco de la Producción S.A. Produbanco es responsable de la preparación de estos estados financieros consolidados resumidos de acuerdo con normas y prácticas contables establecidas por la Superintendencia de Bancos del Ecuador, las cuales difieren de las Normas Internacionales de Información

Responsabilidad del auditor

Nuestra responsabilidad es expresar una opinión sobre si los estados financieros consolidados resumidos son consistentes, en todos los aspectos materiales, con los estados financieros consolidados auditados basados en nuestros procedimientos, los cuales fueron efectuados de acuerdo con la Norma Internacional de Auditoría 810 Revisada (NIA 810) "Compromisos para reportar sobre Estados Financieros Resumidos".

Deloitte & Foudle
Quito, Febrero 22, 2017

RNAE-8816

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Produbanco



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INFORME DE LOS AUDITORES INDEPENDIENTES SOBRE ESTADOS FINANCIEROS RESUMIDOS

A la Junta de Accionistas y Miembros del Directorio de Banco de la Producción S.A. Produbanco:

Opinión

Los estados financieros resumidos de Banco de la Producción S.A. Produbanco, los cuales incluyen el balance general resumido al 31 de diciembre de 2016 y el estado de resultados resumido por el año terminado en esa fecha, se derivan de los estados financieros auditados del Banco de la Producción S.A. Produbanco por el año terminado el 31 de diciembre de 2016.

En nuestra opinión, los estados financieros resumidos adjuntos presentan razonablemente un resumen de los estados financieros auditados preparados de acuerdo con normas y prácticas contables establecidas por la Superintendencia de Bancos del Ecuador.

Estados financieros resumidos

Los estados financieros resumidos no contienen todas las revelaciones requeridas de acuerdo con normas y prácticas contables establecidas por la Superintendencia de Bancos del Ecuador. Por lo tanto, la lectura de los estados financieros resumidos y de este informe del auditor independiente, no sustituye la lectura de los estados financieros auditados y del respectivo informe del auditor independiente.

Estados financieros auditados y nuestro respectivo informe

Nosotros expresamos una opinión no calificada sobre los estados financieros auditados en nuestro informe de fecha Febrero 22 del 2017. Dicho reporte también incluye:

- Un párrafo que hace referencia a la Nota 2, que explica que los estados financieros han sido preparados sobre la base de normas y prácticas contables establecidas por la Superintendencia de Bancos del Ecuador, las cuales difieren de las Normas Internacionales de Información Financiera - NIIF.
- La comunicación de asuntos clave de auditoría. Asuntos clave de auditoría son aquellos aspectos que en nuestro juicio profesional fueron de mayor significatividad en nuestra auditoría de los estados financieros del período actual.

Responsabilidad de la administración por los estados financieros resumidos

La administración del Banco de la Producción S.A. Produbanco es responsable de la preparación de estos estados financieros resumidos de acuerdo con normas y prácticas contables establecidas por la Superintendencia de Bancos del Ecuador, las cuales difieren de las Normas Internacionales de Información Financiera.

Responsabilidad del auditor

Nuestra responsabilidad es expresar una opinión sobre si los estados financieros resumidos son consistentes, en todos los aspectos materiales, con los estados financieros auditados basados en nuestros procedimientos, los cuales fueron efectuados de acuerdo con la Norma Internacional de Auditoría 810 (NIA 810) "Compromisos para reportar sobre Estados Financieros Resumidos".

Deloitte & Fouche Quito, Febrero 22, 2017

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INTERNAL AUDIT REPORT

Produbanco and Subsidiaries

March 9th, 2017

To the **SHAREHOLDERS** of **BANCO DE LA PRODUCCIÓN S.A. PRODUBANCO**

As Internal Auditor, appointed by the Bank's shareholders, and pursuant to the provisions in force, I issue the following report:

This report contains the opinion on the financial statements at December 31, 2016; the degree of compliance with legal and statutory provisions and internal regulations; and the directives issued by Control Bodies; along with the quality of the internal control system.

My opinion is based on the reviews, tests and control assessments carried out throughout 2016. The reviews were conducted in accordance with auditing standards, which call for relevant ethical requirements to be met, and for an audit to be planned and implemented in order to obtain reasonable certainty that the financial statements do not contain any material misstatement. An audit also includes, on the basis of tests, the examination of the evidence underpinning the figures in the financial statements, and the evaluation of the internal control system, along with an assessment of the accounting practices applied, the principles used and any significant estimates made by Management. I believe that the tests conducted provide a reasonable basis to express an opinion.

- In the annex I present the comparative financial statements (December 2015 to December 2016).
 - a. With regard to loans, I verified that credit operations were granted pursuant to legal provisions and regulations in force, while applying the policies approved by the Board.

The provisions recorded satisfy the requirements established by the regulations issued by the Superintendence of Banks.

During this period no operations granted to related parties were identified.

- Investments in securities were made on the basis of the quotas and limits approved by the Board.
- The Bank observed standards of transparency of information in both lending and borrowing operations.
- d. The results of the financial period disclose a profit of twenty-six million and thirty-six thousand dollars (USD 26,036m).
- 2. The annual average of Produbanco's first-line liquidity rate was 40.57%, exceeding the minimum set by the Superintendence of Banks in all months of the year.

- The ratio of the Bank's Regulatory Capital to Risk-weighted Assets shows a surplus of USD 71.19 million, setting the solvency indicator at 11.5%, higher than the 9% minimum required.
- 4. Tax and labor obligations are suitably observed.
- The Bank and its Subsidiaries maintain a reasonable internal control system for their transactions and processes, thereby providing their operations with an appropriate degree of security.
- 6. Turning to the control system of the Bank and its Subsidiaries to prevent the laundering of money originating from illegal activities, I can conclude that this meets the requirements established by current legal provisions and the regulations passed by both the Superintendence of Banks and the Financial and Economic Analysis Unit (UAFE). It likewise covers the entity's operations, is applied in all the offices, and is disseminated to all the staff through the means at the Bank's disposal.
- 7. Regarding standards of integrated risk management, the Bank has in general complied with the terms and conditions set by the Superintendence of Banks. The Bank Management has issued the policies and procedures necessary for the implementation of an integrated management of risk. There is generally adequate evaluation of exposure to the different risks and the Board is informed with the regularity set by the Oversight Board.

OPINION

The financial statements are the responsibility of the Management of the Bank. My responsibility as Internal Auditor is to express an opinion on the reasonableness of said financial statements based on the audits conducted.

In my opinion, the balance sheet and the income statement of Produbanco and its Subsidiaries at December 31, 2016 are reasonably presented, in conformity with the accounting standards and practices established by the Superintendence of Banks and other regulatory and control bodies.

I can further report that Produbanco and its Subsidiaries have an adequate level of internal control and comply with current legal provisions; and that their transactions adhere to professional banking techniques and are aligned with the policies and procedures approved by the Board, as well as the legal framework.

Sincerely,

Ing. Fredy Sandoval Internal Auditor



Coordination Marketing Produbanco

Cover and Graphic Line

Grupo Promerica

Editing and Design Solange Luna

Photography Produbanco

Printing Imprenta LP

March 2017

