



2023 Annual Report

Ecuador



Banco Promerica ★

Guatemala
El Salvador
Honduras
Costa Rica

Banpro ★
Grupo Promerica

Nicaragua

St. Georges Bank ★
Grupo Promerica

Cayman Islands
Panama

Banco Promerica ★

Dominican Republic

Produbanco ★
Grupo Promerica

Ecuador

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Grupo Promerica Strategic Guidelines

Vision

Within Grupo Promerica, we hold the belief that every individual and organisation within our communities should strive to surpass their boundaries to attain the success they rightfully deserve.

Mission

To foster the growth of a banking institution that cultivates meaningful relationships and provides tailored products and services to our communities. We aim to assist them in transcending barriers, be they cultural, economic, personal, or geographical, thereby empowering individuals and organisations to achieve their fullest potential.

Values

- On-going empathy
- Entrepreneurs by nature
- Shared trust
- Common culture

Message from the President

Grupo Promerica



The journey towards progress is a gradual one, marked by unwavering determination and a steadfast purpose guiding our everyday endeavours.

Thirty-two years ago, Grupo Promerica emerged with a bold vision: to foster economic growth and sustainability across our region. Since then, we've spearheaded a continual evolution within the ecosystem of individuals and businesses, not only driving financial prosperity but also nurturing well-being in the nine countries where our footprint extends.

This strategic vision has positioned us as the sole financial group operating in Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, Panama, Dominican Republic, Ecuador, and the Cayman Islands. Moreover, our affiliate bank, Terrabank N.A., expands our reach into the state of Florida, United States.

Our robust presence has propelled us to exceed USD 22.5 billion in total assets, with equity totalling USD 1,888 million and combined annual net profits of USD 234.3 million. These figures establish us as the second most substantial and influential financial group with Central American roots in the region, backed by respected international risk rating agencies like Standard & Poor's (S&P) and Fitch Ratings.

We remain deeply connected to the realities of our region, adapting and evolving alongside the dynamic conditions in each market we serve. As a purpose-driven financial entity, we are committed to serving the best interests of our clients and all those striving to realise their aspirations.

The year 2023 marked a significant milestone in our digital transformation journey. With a clear focus on customer needs, fuelled by research, cutting-edge technology, and top-tier talent, we have evolved to offer financial solutions that meet the digital demands of today's users.

We have introduced 100% digital onboarding for credit approvals, enabling our customers to obtain credit cards in real-time. This positions us as pioneers in delivering an innovative banking experience, setting new standards for service excellence in our industry.

Sustainability serves as the cornerstone

of our strategy. We are committed to driving positive change within our communities, promoting economic, social, and environmental initiatives to inspire awareness, engagement, and commitment to sustainability among companies, organisations, and individuals.

Our success is owed to our more than 16,000 employees, the heart and soul of Grupo Promerica. Therefore, we invest in their continuous development through initiatives like Intrapreneur, fostering innovation and entrepreneurship, and Protagonistas, which nurtures the personal and professional growth of each member of our esteemed family.

In 2024, we will persist in our mission: cultural and digital transformation, delivering memorable experiences to our customers through disruptive technologies and innovative propositions.

We extend our heartfelt gratitude to our over 3.7 million customers, employees, board members, shareholders,

vendors, and the broader community for their unwavering trust and loyalty.

We reaffirm our dedication to a sustainable future, where every stakeholder plays a pivotal role in shaping a better world.

With optimism and resolve, we stride forward, transforming challenges into opportunities, as a financial group that transcends lives.

Warm regards,

A handwritten signature in black ink, appearing to read 'Ramiro Ortiz Mayorga', with a stylized flourish at the end.

Ramiro Ortiz Mayorga
President & CEO
Grupo Promerica

Strategic Planning to 2026

Greater profitability

To become the most profitable bank and consolidate our market share.

Memorable experiences

To create the best digital and non-digital experience for customers in the country's banking sector.

Agile culture of collaboration

To develop an agile culture and consolidate ourselves among the top 3 employers in the financial sector.

Sustainability

Environmental, social and economic. To consolidate the country's leadership in sustainability.

Message from the Chief Executive Officer

Produbanco



It is my privilege to present to you the Annual Report detailing the outcomes, achievements, and advancements of the year 2023, alongside reports that underscore our commitment to transparency and robust corporate governance practices. This report is a testament to the diligent and innovative efforts of over 3,600 employees of Produbanco and its subsidiaries, the unwavering trust of our more than 1.6 million customers, the invaluable support of numerous creditors, the dedicated engagement of our esteemed Board of Directors, and the professional contributions of Promerica Financial Corporation.

Throughout the year, digital leadership remained a cornerstone in our pursuit of delivering experiences that empower our customers to fulfil their objectives, whilst ensuring the requisite technological robustness and reliability. We introduced new functionalities and enhancements across our transactional channels, thereby advancing the digitalisation of the economy and fostering financial inclusion within the nation.

In alignment with our sustainability strategy, we intensified our backing for women-led SMEs and sustainable projects spanning various economic sectors such as agriculture, aquaculture, fisheries, and manufacturing industries, among others. In addition, we supported clients in initiatives aimed at preserving water resources and mitigating climate change

impacts, underscoring our adherence to the Principles for Responsible Banking, UNEP FI initiatives, and the Net-Zero Banking Alliance.

In 2023, Produbanco maintained its pivotal position within the national financial landscape as the second-largest bank by assets. We garnered several accolades, including the Global SME Finance Awards 2023, recognising our steadfast commitment to delivering ex-

cellence in financial products and services to small and medium-sized enterprises led by women. Furthermore, we were honoured with the BCX - Best Customer Experience seal, securing the second position among Ecuadorian financial institutions, conferred by the respected international consulting firm IZO.

As we embark on the journey for 2024, we do so with a new strategic plan that

encapsulates our mission of continually crafting unforgettable experiences for our customers, fostering an agile culture of collaboration, driving greater profitability, and solidifying our leadership in sustainability.

In closing, I extend my heartfelt gratitude to all those who have contributed to the achievements of our endeavours.

Sincerely,

A handwritten signature in black ink, appearing to read 'Rubén Eguiguren Arias', with a large, stylized initial 'R' and a long, sweeping flourish extending to the right.

Rubén Eguiguren Arias
Chief Executive Officer
Produbanco

Board of Directors

Produbanco

Senior Directors

Chairman



Francisco José Martínez Henares

Vice Chairman



Héctor Roberto Neira Calderón

Principal Director



Karla Dolores Icaza Meneses

Board of Directors

Produbanco

Senior Directors

Principal Director



Pablo Mauricio Argüello Godoy

Principal Director



Gustavo Francisco Vásconez Espinosa

Board of Directors

Produbanco

Alternate Directors

Alternate Director



Francisco José Ortiz Gudián

Alternate Director



Denise Marie Henríquez Noriega

Alternate Director



Diego Javier Borrero Andrade

Board of Directors

Produbanco

Alternate Directors

Alternate Director



Juan Manuel Borrero Viver

Alternate Director



Juan Diego Mosquera Pesantes

Principal Executives

Produbanco

Chief Executive Officer



Rubén Eguiguren Arias

Executive Vice President



Martha Cecilia Paredes Díaz

Vice President Corporate Banking



Carolina Andrade Gallegos

Vice President Retail Banking



María Isabel Román Albornoz

Principal Executives

Produbanco

**Vice President
Credit & Debit Cards**



Sebastián Quevedo Holguín

**Vice President
Guayaquil Branch**



José Antonio Costa Viver

**Manager
SME Segment**



Juan Esteban Jijón Nermalceff

**Vice President
Middle Market Segment**



Óscar Iñarrea González

Principal Executives

Produbanco

Vice President Financial Management



Esteban Vásconez Riofrío

Vice President Operational Services



Rafael Roca Moreno

Vice President Credit



Fredy Sandoval Cerda

Principal Executives

Produbanco

**Vice President of Legal,
Compliance and Corporate Affairs**



Jorge Alvarado Carrera

**Vice President
Digital Transformation**



Fabián Garzón Abad

**Vice President
People and Culture**



Lucía Ojeda García

Principal Executives

Produbanco

Vice President Risk Management



Gustavo Orbe Montenegro

Internal Auditor



Pamela Velasteguí Barragán

Anti Money Laundering Officer



Aníbal Salazar Buenaño

Report of the Board of Directors

To Our Esteemed Shareholders,

The year 2023 unfolded within an international milieu characterised by heightened conflict and instability, as multiple crises with economic, social, environmental, and humanitarian ramifications converged. Geopolitical tensions stemming from the Russia-Ukraine conflict, coupled with the recent strife in the Middle East's Gaza Strip, intensified pressures on supply chains and food availability, exacerbating inflationary pressures alongside the aftermath of post-COVID-19 pandemic monetary policies. Credit restrictions and interest rate hikes enacted by major central banks have begun yielding results in curbing inflation in developed economies, albeit with attendant challenges in debt servicing and accessing international financing. The global economy is anticipated to register tepid growth of approximately 2.6%.

Domestically, this period was underscored by governance deficits, culminating in the declaration of a state of

emergency, leading to the announcement of early presidential elections following the dissolution of the National Assembly. Subsequently, President Daniel Noboa assumed office at the end of November, embarking on a term slated to span a year and a half.

The priorities of the new administration revolve around effecting economic reforms to address urgent fiscal deficits in an economy grappling with a deficit exceeding USD 6 billion and a country risk index surpassing 2,000 points by year-end. Concurrently, efforts are directed towards resolving an energy crisis precipitated by inadequate rainfall and underinvestment in the electricity sector, alongside financing the burgeoning costs of countering terrorism and organised crime to mitigate societal insecurity and catalyse economic activity.

Economic growth in 2023 is estimated at approximately 1.5%, significantly below initial projections. Meanwhile, limited formal employment creation

sustained the unemployment rate among the Economically Active Population (EAP) at 3.4%, a level akin to the preceding year, whilst the rate of “adequate” employment remained proximate to 36.0%.

The Economic Balance section of our Annual Report provides a comprehensive analysis of these and other salient facets of the economic landscape.

In the face of challenges accessing new external financing resources for public and private sectors, the financial sector pivoted towards incremental liquidity amidst intense competition for public deposits, precipitating historically elevated passive interest rates. Consequently, the rigid regulated lending rate regime engendered a marked contraction in the intermediation margin.

The banking system witnessed a USD 2,589 million increase in public obligations—an annual growth rate of 5.9%, mirroring 2022 trends—to aggregate USD 46,232 million. With-

in this ambit, the USD 21,802 million time deposit balance, persisting in recent years' growth trajectory, constituted 47%; Savings deposits experienced a mere 2.6% uptick, whereas monetary deposits declined by 1.5%.

Another pivotal source of funding emanated from foreign financial institutions, multilateral organisations, and the National Financial Corporation (CFN), channelled through direct loans, subordinated debt, and other capital market instruments, culminating in a USD 4,868 million aggregate balance with a 6.7% uptick in 2023.

Despite economic liquidity dwindling and prevailing interest rate regime rigidity, bank credit expanded by USD 3,537 million, registering a 9.2% annual growth rate, albeit lower than previous years, signalling a discernible downward trend. The banking system's total gross portfolio reached USD 42,131 million, with 43.9% allocated to the productive portfolio, 41.2% to consumer loans, and approximately 15% to the housing real estate and microenterprise loan portfolios.

In terms of solvency, the banking system recorded a technical equity ratio of 13.79%, underpinned by the robust quality of risk assets and annual prof-

it capitalisation. Total profits for the year amounted to USD 738 million, maintaining profitability indicators at 12.36% in relation to average equity (ROE) and 1.27% concerning average assets (ROA), as per the Superintendency of Banks' methodology.

The Annual Report, accessible to shareholders, customers, and the wider public, furnishes a comprehensive overview of our business segment outcomes, digital transformation, sustainability strategy, holistic risk management, and financial performance of Produbanco and its subsidiaries.

To accentuate key balance sheet accounts, Produbanco retained its status as the second-largest bank in the nation, with USD 7,494 million—reflecting an annual USD 499 million variation—maintaining a 12.3% market share.

Client trust propelled a USD 388 million increment in public deposits, totalling USD 5,727 million, comprising USD 3,221 million in demand deposits and USD 2,506 million in term deposits.

Furthermore, significant lines of credit from multilateral organisations and other international financial institutions augmented our capacity to manage and optimise the Bank's indicators. Dis-

bursements totalled USD 907 million, including financial obligations, bonds, and subordinated debt, registering a USD 65 million annual increase.

The total gross loan portfolio culminated at USD 5,114 million, with a USD 435 million growth, equivalent to a 9.3% annual variation. Of this, USD 2,840 million pertained to the productive portfolio catering to large, medium, and small enterprises, whilst USD 2,274 million were allocated to credit card, consumer, and housing loans.

The Financial Policy and Regulation Board implemented regulatory changes for credit delinquency accounting effective January 2023, amplifying provisioning requirements. The ensuing decline in economic activity, compounded by insecurity and subdued adequate employment creation, directly impacted collection management effectiveness, leading to a surge in non-performing loan portfolios and necessitating higher provisioning expenses for unpaid operations.

In this economic and regulatory milieu, the non-performing portfolio (overdue plus non-interest-bearing) closed at USD 143 million, with a non-performing loan ratio of 2.8%, necessitating a

USD 153 million annual provision for portfolio provisions to ensure adequate coverage.

Despite a 75% increase in financial expenses on deposits and external loans, the financial margin recorded a marginal 4.3% annual variation, attributable to a 24% surge in financial income driven by improved investment returns and modest portfolio active rate repricing.

Annual provision expenses for total risk assets amounted to USD 173 million.

Operating expenses, before contributions and taxes, reached USD 251 million—a USD 28 million year-on-year upsurge, chiefly attributable to increased volumes of digital transactions and credit and debit card processing.

Operating income concluded at USD 126 million, reflecting a USD 22 million increment from 2022, whilst non-operating income remained akin to the previous year at USD 53 million.

Cumulative net income tallied USD 65.8 million, anchoring profitability indicators at 11.5% concerning average ROE and 0.9% concerning average ROA.

Our steadfast commitment to sustain-

able development, digital leadership, innovation, customer-centricity, and financial indicator quality has once again garnered accolades from premier national and international publications, detailed comprehensively in our Annual Report. Notably, for seven consecutive years, we have been recognised as the Best Bank in Ecuador by Global Finance Magazine and as the Best Innovation in Retail Banking by International Banker magazine.

We maintain a nationwide service network encompassing 49 digital and 79 traditional Produbanco branches, 50 transactional branches under the ServiPagos brand, 446 ATMs, and 16,441 ServiPagos Agents. Produbanco inaugurated a new service channel boasting 1,100 Non-Banking Correspondents (CNBs) under the PagoÁgil brand.

We continue working on digital transformation with the aim of providing a better and unique experience to our customers in their interaction with the Bank. In this line of endeavours, we incorporated new products into digital channels, both for the People segments and for the SME and Corporate segments. In this manner, the digital sales indicator through the Mobile App and produbanco.com stood at 73%.

Produbanco remains steadfast in its commitment to the Net-Zero Banking Alliance (NZBA), striving to mitigate carbon emissions from loan and investment portfolios in the financial sector. Consequently, we transitioned from a Green Line Programme to establishing a Sustainable Portfolio, encompassing seven categories aligned with the SDGs. This initiative culminated in disbursing USD 689 million across 698 projects in diverse regions. Notably, we added 13 EDGE certified projects for a total amount of USD 85.5 million under the sustainable construction strategy.

Produbanco retains the distinction of being the sole privately held bank in Latin America certified as a B Corporation. This year witnessed an improvement in our initial score, attributable to enhancements in social and environmental impact measurement and management across Governance, Workers, Environment, Community, and Customer domains.

We were selected as one of 27 global banks collaborating on the new 2030 Principles for Responsible Banking (RBP) Roadmap with the United Nations Environment Programme Finance Initiative (UNEP-FI), tasked with delineating the evolution of the RBP framework in tandem with burgeoning

ambitions, recent global accords, contemporary scientific insights, and sustainability regulations. This initiative prioritises issues encompassing climate, nature, economic inclusion, and human rights.

We advocated an alliance with Conservation International, culminating in significant milestones, including publishing the National Action Plan for the Conservation, Restoration, and Sustainable Utilisation of Moorlands, a joint effort conducted with the Ministry of Environment, Water, and Ecological Transition (MAATE) and releasing the digital and physical book: The Moorlands of Ecuador: Past, Present, and Future.

Produbanco issued its inaugural annual report on the Sustainable Bond issued in 2022, verified by Pacific Corporate Sustainability (PCS), spotlighting the Sustainable Bond framework, resource allocation, and project impact.

In 2023, we concluded the implementation of the Anti-Bribery Management System, adhering to ISO 37001 standards, aimed at managing corruption risks in contracting and procurement processes.

In collaboration with Universidad San

Francisco de Quito, we executed the fourth edition of the *Gente que Inspira* (People Who Inspire) scholarship programme, fostering our employer brand and attracting young talent with high potential.

We sustained steadfast support for the *Su Cambio por el Cambio* (Your Change for Change) Foundation, dedicated to serving children, adolescents, senior citizens, and vulnerable communities.

On the other hand, the Board of Directors was briefed on and fully approved the opinions and reports issued, both by the Internal Auditor and by the External Audit firm PricewaterhouseCoopers del Ecuador Cía. Ltda. PwC, regarding the financial statements as of December 31, 2023, which accompany this report and are published in our Annual Report. The independent audit was conducted in accordance with International Standards on Auditing (ISAs) and current regulatory provisions. The opinion confirms that the balance sheet, income statements, changes in equity, and cash flows reasonably present the financial position of Banco de la Producción S.A. Produbanco and its Subsidiaries, and that they have been prepared in accordance with the accounting standards and practices established by the Superintendency of Banks of Ecuador, the

Financial Policy and Regulation Board, and policies and procedures approved by the Board of Directors.

The Internal Auditor, on the other hand, informed the Board of Directors that, in his opinion, the financial statements of both Produbanco and its Subsidiaries are reasonably presented, in accordance with accounting standards and practices established by the Superintendency of Banks and other regulatory bodies. In addition, he disclosed that the Bank has an adequate level of internal control and that its transactions adhere to banking techniques and comply with policies and procedures approved by the Board of Directors. The Audit Committee has continuously monitored the reports and observations of the internal and external auditors and the Superintendency of Banks, as well as the action plans established by the Administration.

The Board of Directors approved the corresponding report for the year 2023 of the Compliance Unit, as well as the work plan for the year 2024, highlighting the Institution's proper management of activities related to the administration of the risk of money laundering and financing of crimes such as terrorism (ARLAFDT), and compliance with best practices and international stan-

dards, in addition to the provisions of the Superintendency of Banks and the Financial and Economic Analysis Unit (UAFE). Likewise, Produbanco and its Subsidiaries comply with current legislation, including intellectual property regulations and guidelines provided by regulatory bodies.

The Board of Directors also reviewed and approved the Annual Report of the Comprehensive Risk Management Committee (CAIR), which details the exposures and indicators of credit, market, liquidity, and operational risks assumed by the Bank within the scope of comprehensive risk management, as well as the defined limits and recommended control actions for each position, in conjunction with the institutional risk matrix, which is part of the aforementioned report.

The Remuneration Committee, composed of delegates from the General Shareholders' Meeting and other members of the Board of Directors and Management, reviewed the approved remuneration policy for all employees, top executives, and members of the Board of Directors, with no observations to report.

Similarly, the Board of Directors addressed the Report of the Financial

User Service Unit, in which, in addition to the various quality programs, our specialised area reported compliance with time standards, timeliness in the attention and resolution of requirements, service complaints, and others generated by the customers of the business units nationwide.

In another matter, the Board of Directors approved the Financial Education Programme, as part of the institutional Strategic Plan.

The Bank maintains the best Corporate Governance practices, aimed at strengthening the organisation, control, efficiency, independence, and transparency of its administrative structure. This Board of Directors reviewed and approved the Report on Compliance with Good Corporate Governance Practices and Observance of the Code of Ethics and Conduct.

Before concluding this report, it is necessary to share some subsequent events that will have a significant impact on the management and administration of the Bank and its Subsidiaries during the current year. The Organic Law to Confront the Internal Armed Conflict, the Social and Economic Crisis will enter into force as of March once it is published in the Official Register. The

tax reforms are detailed below:

The value-added tax (VAT) will increase from 12% to 13% as of April 1, with the government having the authority to raise it to 15%.

The tax on the exit of foreign currency (ISD) is raised from 3.5% to 5%, and the President of the Republic is empowered to modify the rate by economic sectors. Its application has been in force since April 1.

A Temporary Security Contribution is established for all companies that obtained taxable income during the 2022 financial year. The declaration and payment will be made until March 31 of the 2024 and 2025 tax years and will not be deductible from income tax.

For Banks and Savings and Credit Unions that had a taxable profit during the 2023 tax year, a Temporary Profit Tax is established. The applicable rate varies between 5% and 25%, payment must be made by May 31, and will be non-deductible from income tax.

In the case of Produbanco, we are required to pay 20% of the taxable profit for the year 2023, which was USD 81 million, with which we will have to pay and affect the result for the year around

USD 16.2 million with the corresponding non-deductible expense of USD 4 million that additionally impacts the payment of annual taxes.

Additionally, the Organic Law on Energy Competitiveness eliminated, for a period of one year, the exemption from the tax on the outflow of foreign currency in the payment of principal and interest on loans from abroad by private capital

banks, in addition to an ISD rate of 5%. In the case of the Bank, this will imply an additional expense of approximately USD 6 million which, together with the increase in VAT and new contributions, will impact the 2024 financial year by nearly USD 26 million not budgeted.

We reiterate our gratitude to the shareholders, the members of the board of directors, top management, and all

employees, for their on-going support, commitment, and contribution to the achievement of the proposed results and goals.

Given in Quito, D.M., February 29, 2024, by the Board of Directors and the Administration of Banco de la Producción S.A. Produbanco.



Francisco Martínez Henares
Chairman



Rubén Eguiguren Arias
Chief Executive Officer

Balance of the Economy

After two years of reactivation following the pandemic, the Ecuadorian economy experienced a slowdown throughout 2023 amid a political backdrop of early elections — aimed at completing Guillermo Lasso's original electoral term until 2025. Compounding this situation was the significant and premature decline in water levels starting from September, which necessitated the implementation of partial energy rationing measures nationwide by the authorities. The diminished momentum of the economy stemmed, in part, from reduced liquidity conditions and a deterioration of fiscal accounts. Despite remittances continuing to reach record highs and non-oil exports largely offsetting the decline in oil prices, the public sector experienced decreased revenues, increased expenditures, and a 50% reduction in external financing received by the treasury in 2023 compared to 2022. Given the substantial role of the state in the Ecuadorian economy, the vulnerabilities of public finances within a tighter liquidity environment contributed to a slowdown in

private consumption dynamics. Nevertheless, in a context of elevated funding costs (both domestically and internationally) and caps on active interest rates, credit within the financial system continued to flow in tandem with deposit growth.

At the global level, advanced economies maintained a restrictive monetary policy as inflation, though decreased over the past year, remained above central banks' target of 2%. Conversely, China, Ecuador's largest trading partner, experienced lower-than-expected growth despite government stimulus measures. Meanwhile, in Latin America, central banks concluded the period of interest rate adjustments, with Brazil, Mexico, and Panama driving regional growth.

Real Sector

Politically, the year began with a popular consultation that was not favourable to the Government, contin-

ued with a declaration of the “crossed death” by former President Guillermo Lasso (May 2023) and later early elections were held; these events affected the consumption and investment decisions of households and businesses. Thus, in the third quarter of the year (months of electoral campaigning, first round and a second popular consultation), household spending fell 4.7% annually and gross fixed capital formation (investment) decreased 5.6%. External demand and higher government spending barely offset these results. Thus, the country grew 0.4% annually in the third quarter, driven by a 5.1% increase in government spending, a 7.3% growth in exports and a 14.1% contraction in imports.

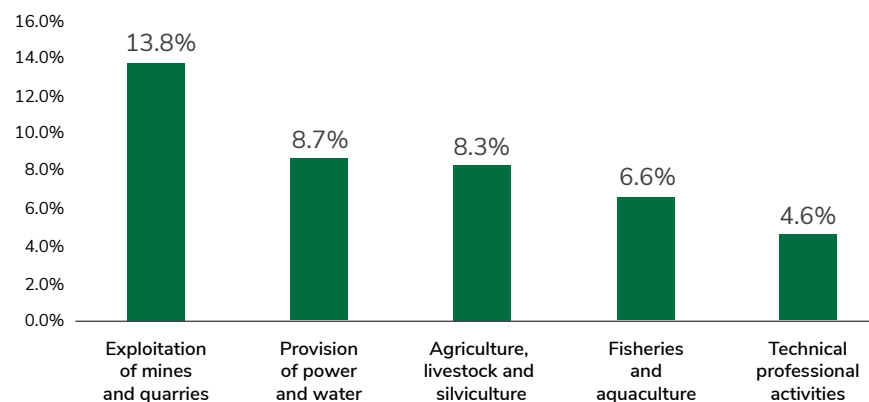
When comparing the economic activities that make up the accumulated Gross Domestic Product (GDP) between the first and third quarters of 2023, with the same period in 2022, it is observed that of the 20 industries that the Central Bank of Ecuador (ECB) monitors each quarter, 14 registered growth.

Mining and quarrying were the fastest growing sectors (13.8% annually), followed by electricity and water supply (8.7%); agriculture, livestock and forestry (8.3%); fisheries and aquaculture (6.6% per year) and professional and technical activities (4.6%), see graph 1. Despite these high growth rates, the industries with the highest share of real GDP that contracted compared to the previous year were trade (-1.1% and a share of GDP of around 15%) and non-food manufacturing (-4.1% and a share of GDP of around 6%) (see chart 2).

Among those with the greatest contribution to economic development, both in terms of their share of more than 5% in GDP and their annual growth, are the mining and quarrying industries (+13.8% per year); agriculture, livestock and forestry (+8.3%); technical professional activities (+4.6%); transportation and warehousing (+4.4%); public administration (+4.2%), and real estate activities (+2.9%).

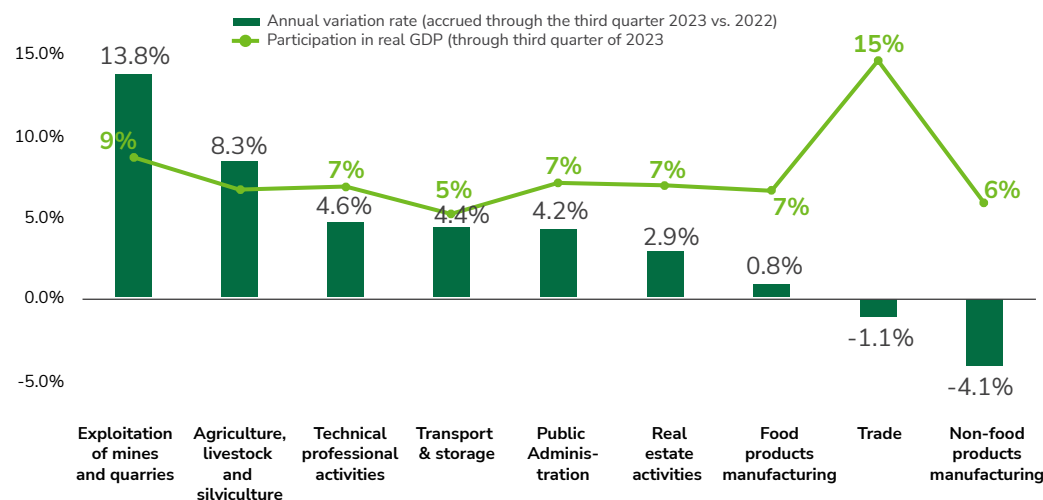
¹ The nine industries considered represent 67.9% of the cumulative real GDP up to the third quarter of 2023.

Graph 1
Industries with the highest annual growth rate accumulated to the third quarter of 2023 vs. the same period of 2022



Source: National Quarterly Accounts – Central Bank of Ecuador

Graph 2
Annual growth according to industries with a participation greater than 5% of the GDP¹



Source: National Quarterly Accounts – Central Bank of Ecuador

The slowdown in the economy was also evident in local sales trends, which in turn affected tax revenues through lower levels of tax collection. After the rebound recorded in 2021 and 2022, local sales slowed the pace of growth over the course of the year. In the cumulative up to December, sales increased 3.3% (see chart 3) whilst tax collection increased by just 1.5% in 2023. Whilst there are specific sectors whose sales registered an extraordinary expansion of between 15% and 18% – power supply, the transport and storage group, and the arts, entertainment, and recreation group – the main sectors of the economy, grew very little. Such is the case of the commerce and agriculture, livestock, forestry and fisheries group, whose cumulative sales up to December increased just 1.3% and 1.5%, respectively. On the other hand, sales of manufacturing industries decreased 1.3%. These three sectors accounted for 65% of total sales.

The economy's performance was lower than the initial outlook. Although at the beginning of 2023, the Central Bank of Ecuador's economic growth forecast was 3.1% for 2023, in the middle of the year, it was revised to 2.6% and finally in September it was adjusted downwards again, to 1.5%.

The forecast described above would not be entirely consistent with the growth figures for the third quarter, since the Central Bank of Ecuador changed the methodology of the national accounts after 16 years of maintaining 2007 as the base year for calculations. The new national accounts figures revealed a sharper drop in the pandemic and a faster recovery in subsequent years. Specifically, according to the new national accounts methodology, the country decreased 9.2% in 2020 and then rebounded to GDP growth rates of 9.8% in 2021 and 6.2% in 2022. On the other hand, according to the previous methodology, the country decreased 7.8% annually in 2020, 4.2% in 2021 and 2.9% in 2022.

The slowdown in domestic consumption limited job creation. In December 2023, the number of employees with a salary above the basic wage and who worked at least 40 hours per week represented 35.9% of the Economically Active Population (EAP), practically the same level as last year (36.0%). The unemployment rate closed the year at 3.4%, an increase of 0.2 percentage points (p.p.) compared to December 2022, mainly explained by a 0.3 p.p. increase in the unemployment rate in urban areas.

Faced with the lower creation of formal employment, the underemployment rate² rose and informal employment rebounded. The number of underemployed in relation to the EAP reached 21.2% in December 2023, an increase of 1.8 p.p. compared to December 2022 derived from an increase of 3.7 p.p. in the underemployment rate in rural areas (see graph 4). On the other hand, the percentage of the population employed in the informal sector, that is, in companies that do not have a Single Taxpayer Registry (RUC), rose from 53.4% in December 2022 to 55.7% in December 2023, the highest level recorded in recent years.

² Underemployed individuals are those who earn less than the minimum wage and/or work less than 40 hours per week and wish to work more

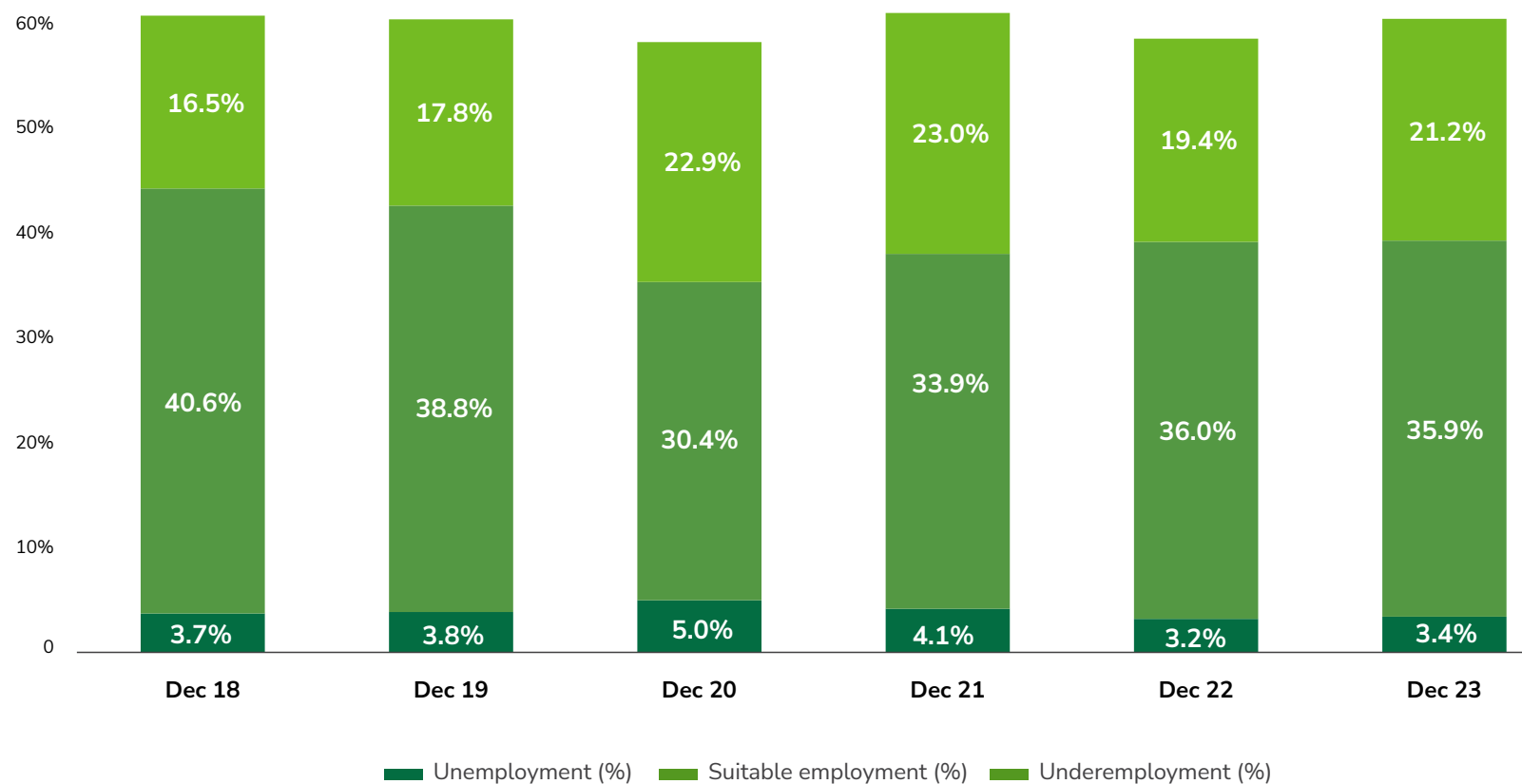
Graph 3

Internal sales annual growth accrued to December of each year



Source: Internal Revenue Service

Graph 4
Full employment rate, unemployment and underemployment



Source: National Institute of Statistics and Censuses

The oil sector faced production challenges in 2023. Protests and blockades by communities surrounding the fields at the beginning and end of the year, the collapse of the bridge over part of the pipeline in the first quarter, and other unforeseen events, prevented the country from meeting production targets set for 2023. Between 2022 and 2023, crude oil production fell 1.2%, from 175.5 million barrels produced in 2022 to 173.4 million barrels produced in 2023. The reduction is explained by a 16.3% decrease in production by private companies, which was partially offset by a 3.1% increase in production by public companies (Petroecuador), which represents 81.4% of the total.

Crude prices fell in 2023 despite efforts by Saudi Arabia and other Organisation of the Petroleum Exporting Countries (OPEC) countries to prop them up through broad production cuts over the course of the year. At the end of the first half of 2023, the price of West Texas Intermediate crude oil – the benchmark for Ecuador – was USD 70.6 per barrel, that is, 12.0% lower than the price recorded at the end of 2022 (USD 80.3) and 33.2% lower than the price at the end of the first half of 2022 (USD 105.8). The collapse of Silicon Valley Bank, bailouts of other banks in the United States and

Europe, and signs of a slowdown in the Chinese economy, affected the price of crude oil in the first half of the year. In the following months, the price of oil recovered, setting a record for the year at the end of September, when it surpassed the USD 90 per barrel barrier. Specifically, on September 27, WTI crude closed at USD 93.7, the highest price since August 29, 2022 (\$97.0 per barrel). Oil's rally began in June 2023 driven by the extension of voluntary cuts by Saudi Arabia and other OPEC countries, which continued through the end of the year.

OPEC's production cut strategy was short-lived and prices fell again during the fourth quarter of the year due to the continuous increase in inventories and crude oil production by the United States, the concern of the markets about lower global demand for oil (especially from China and the US), and the end of the period of tightening of U.S. monetary policy. Other geopolitical factors such as the escalation of the conflict in the Middle East, Angola's exit from the extended group of OPEC (OPEC+) and disruptions in the transit of oil tankers in the Red Sea also contributed to the fall in prices at the end of the year. Thus, WTI crude oil closed the year at USD 71.7 per barrel, that is, 10.7% below that recorded at the end

of 2022 (USD 80.3) and 21.1% below the price at the end of the third quarter of 2023 (USD 90.8).

The average export price of Ecuadorian oil was USD 68.01 per barrel between January and December 2023, a reduction of 20.8% annually in relation to the price of USD 85.84 recorded in the same period of 2022. The lower price of crude oil affected public finances throughout the year, as the average price was barely above the USD 64.8 expected by the Government in the General State Budget (PGE).

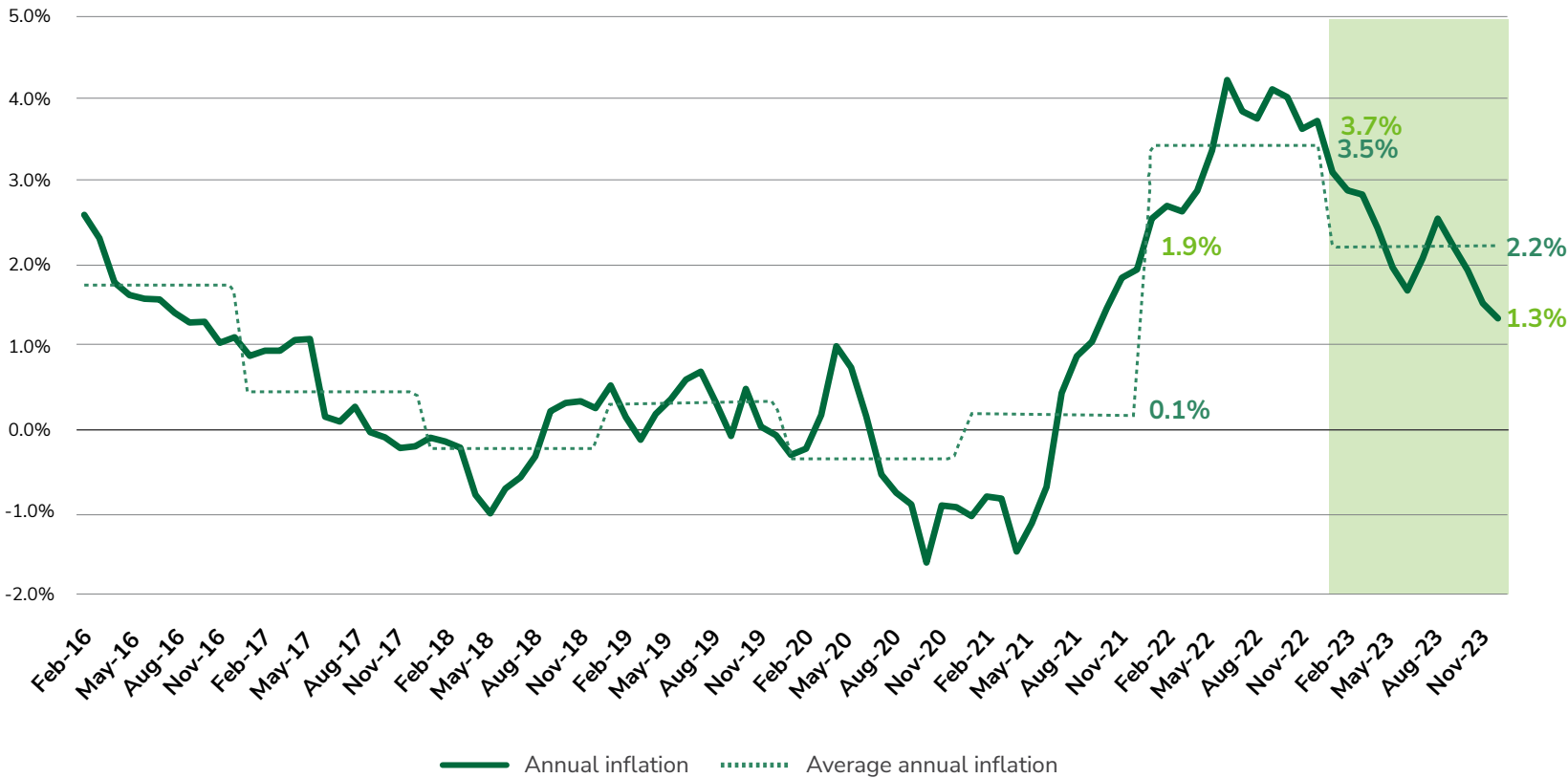
In line with the gradual economic slowdown, local inflation trended downwards. Despite the fact that the price level increased in the third quarter due to the reduction in supply of products such as rice, annual inflation closed 2023 at 1.4%, less than half of that recorded in 2022 (3.7%). Meanwhile, average inflation fell from 3.5% in 2022 to 2.2% in 2023. The consumer divisions with the highest annual variation in prices were: food and non-alcoholic beverages (+4.2%); alcoholic beverages, tobacco and narcotics (+2.9%); furniture and housewares (+1.5%); education (+1.4%), and health (+1.0%). Despite the slight increase in the price level compared to 2022, the cost of the monthly basic family basket in-

creased by 3.0% in the last year, from USD 763.4 in 2022 to USD 786.3 at

the end of 2023. In other words, in the last four years, the basic family basket

rose 10% (USD 715.1 in 2019).

Graph 5
Evolution of annual inflation in Ecuador

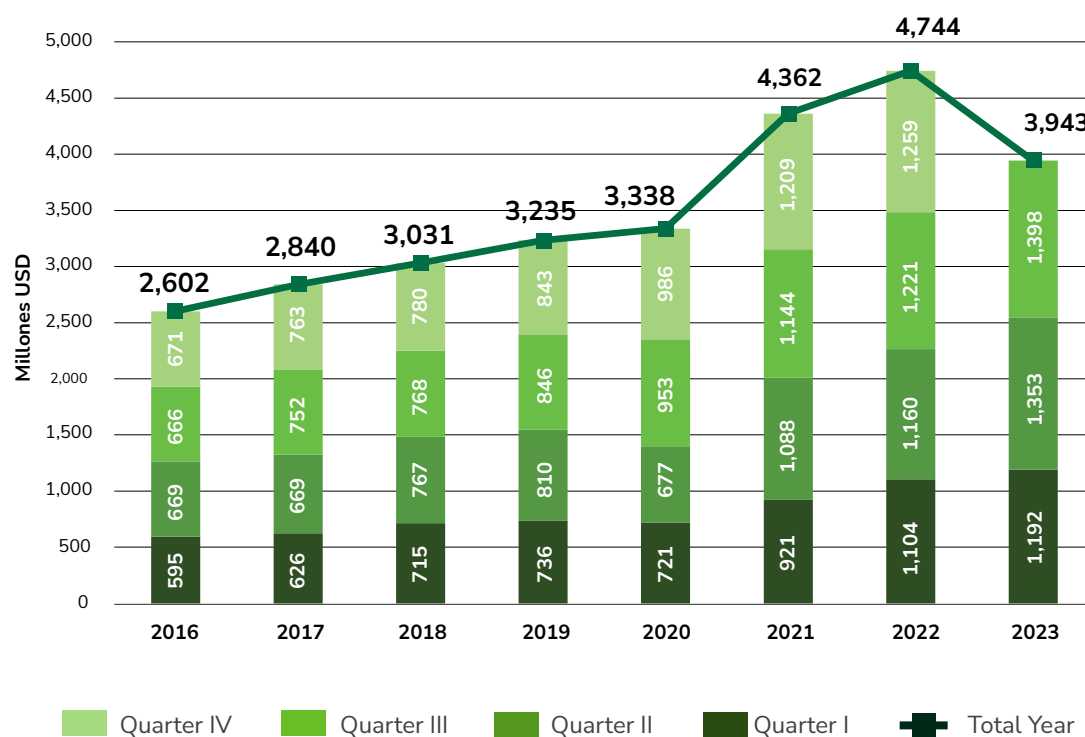


Source: National Institute of Statistics and Censuses

External Sector

Remittances received in 2023 set an all-time high. According to the World Bank, although employment increased due to the reopening of economies after the pandemic, it is important to consider that rising prices in advanced economies had an adverse impact on the real incomes of migrants. The growth of remittances has accelerated since the third quarter of 2020. If the accumulated amounts are compared to the third quarter of each year, the sum of remittances received in 2022 was 7.4% higher than in 2021 and 43.6% higher than in 2020. In the January-September period, remittances grew 13.1% compared to the same period in 2022 (see chart 6). Taking only the third quarter of 2023, remittances received from abroad reached USD 1,398 million, a figure higher than the USD 1,353 million received in the previous quarter and 14.5% more than in the same period of 2022. In the cumulative to the third quarter of 2023, 71.2% of the remittances that entered the country came from the United States (+16.3% year-on-year), whilst 15.9% came from Spain (+7.2% year-on-year).

Graph 6
Evolution of remittances received



Source: Central Bank of Ecuador

On the foreign trade side, the fall in the price of crude oil impacted the total trade and oil balance. In 2023, the cumulative trade balance was USD 1,998.3 million, USD 326.3 million less than the same period of the previous year when the trade balance was USD 2,324.6 million. This reduction compared to 2022 is explained by a 22.7% drop in oil exports, mainly due to a lower price of crude oil and, to a lesser extent, a lower production volume. Thus, the oil trade balance was USD 2,193.1 million in the January-December 2023 period, a decrease of USD 1,762.0 million compared to the same period in 2022.

With the fall in the prices of crude oil and its derivatives, both exports and imports were lower than in 2022, a year in which both exceeded pre-pandemic balances. From January to December 2023, exports totalled USD 31,126.4 million, a reduction of 4.7% compared to the same period in 2022. In turn, the total imported from January to December 2023 was USD 29,128.1 million, a decrease of 4.0%. However, excluding oil and fuels, non-oil exports increased 5.2% and non-oil imports fell 1.5%.

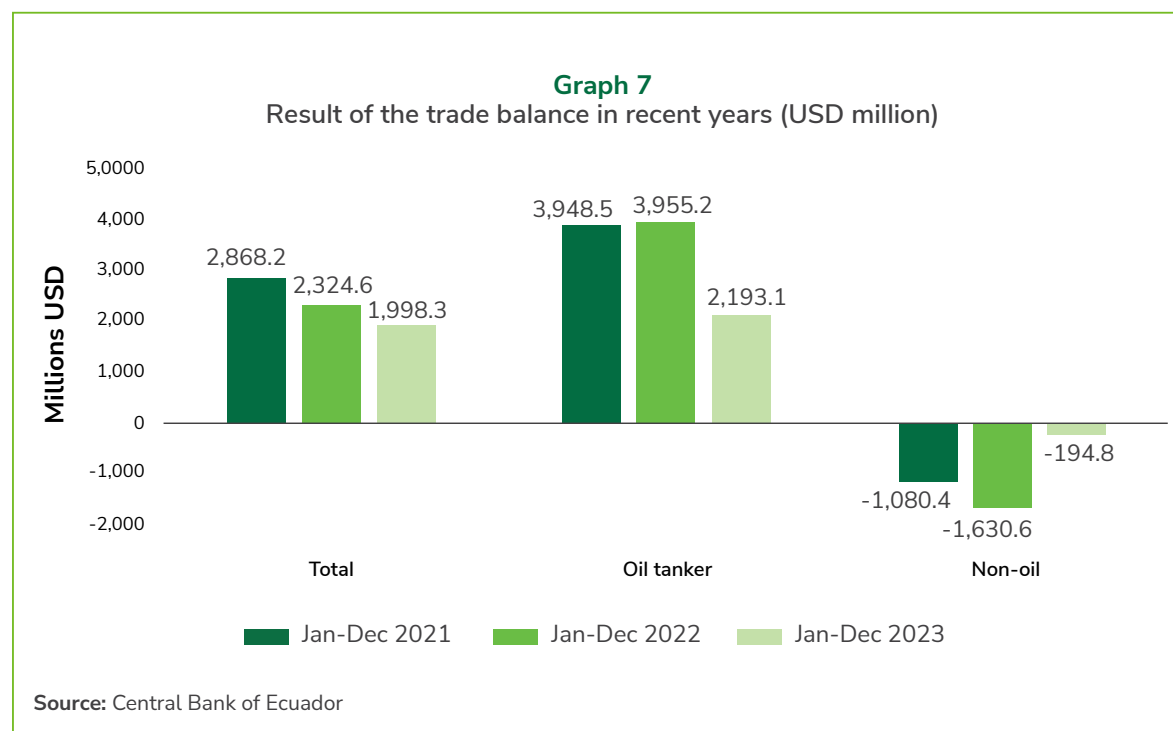
Exports of shrimp, bananas, and mining products took on greater prominence in 2023. In the first half of the year,

shrimp exports even surpassed oil exports due to the effect of lower crude oil prices and continued growth in the volume traded. China was the main destination country for Ecuadorian shrimp, followed by the United States and totalled USD 7.205 billion, which consolidated it as the second largest export product after oil. Of the country's total exports in that period, crude oil accounted for 25.1% (down from 30.7% in 2022), shrimp rose slightly from 22.3% in 2022 to 23.1% in 2023, and bananas 12.1% (up from 10.0% in 2022). On the other hand, the export of

mining products until December 2023 was USD 3,324.4 million, which meant an increase of 20.0% compared to the total exported in 2022, and 58.9% compared to that recorded in 2021.

Fiscal Sector

Fiscal accounts deteriorated over the course of the year, exacerbating financing needs. On the fiscal front, according to statistics from the General State Budget of the Ministry of Finance, revenues closed the year 2023



at USD 19,538.3 million, a reduction of 27.2% compared to those recorded in 2022. These results are explained by a lower volume and price of crude oil during the year and lower tax revenues than last year (in net terms) and lower than budgeted, in line with the slowdown in local sales and income tax change decreed by Guillermo Lasso in July 2023. The decrease in the level of revenue contrasts with the 10.2% drop in total expenses, which in 2023 were USD 25,779.6 million. As a result, the treasury closed the year 2023 with a fiscal deficit of USD 6,241.3 million.

Most tax revenue comes from taxes. In the last two years, tax collections grew as a result of greater economic drive following the pandemic. However, in 2023, gross collections lost pace and closed the year with 95.8% compliance with the goal set by the Internal Revenue Service (SRI). In addition to the slowdown in domestic consumption, in July 2023, Guillermo Lasso reduced the income tax burden for individuals and companies, leaving it at an intermediate point between the tax reform approved in 2022 and the tax regulations prior to it. The implication of this measure was a lower income tax collection compared to what was planned at the beginning of the year. Added to this was the progressive decrease in the

foreign exchange exit tax (ISD), which went from 5.0% at the beginning of the Lasso administration to 3.5% in the last quarter of 2023. This change also meant less revenue from this concept.

Thus, in the accumulated January-December 2023, tax collection in gross terms reached USD 17,419.7 million, an increase of just 1.6% annually. Excluding one-time and temporary contributions, collections reached USD 17,047.6 million through December, an annual growth of 3.7% and USD 615.0 million higher than the same period in 2022. By type of tax, the collection of value added tax (VAT) and global income tax rose 3.8% and 9.0% respectively. On the other hand, the cumulative collection of the ISD fell 14.6% and that of the excise tax (ICE) fell 3.6%.

On the financing side, according to the Central Bank of Ecuador, in 2023, Ecuador received external debt disbursements in the order of USD 2,288.0 million, a significant decrease compared to the previous year when these totalled USD 4,546.0 million, according to figures released by the ECB. Faced with less access to financing, the Government accumulated USD 3,622.5 million in arrears with its suppliers. In the case of fiscal spending, debt service was af-

ected by the incremental cost of funding observed globally. In the last year, the Government has had to allocate an additional USD 2,750.7 million compared to what was recorded in 2022. In 2023, a net outflow of dollars equivalent to USD 1,794.0 million (for external debt service and amortisation) was observed, in contrast to the previous year, when the country recorded a net income of USD 956.7 million of debt.

The post-COVID-19 pandemic reactivation generated inflationary pressures following the fiscal and monetary incentives that governments implemented globally to stimulate economies and accelerate the circulation of liquidity and payment chains. To counter these effects, central banks, particularly those in advanced economies, raised policy interest rates. In the case of the United States, the Federal Reserve (FED) made seven increases in 2022 and four in 2023, which took the rate from 0.25% in March 2022 to 5.25% in July 2023, that is, an increase of 5 p.p. between the two years. After the eleventh increase, the rate of increase in the price of goods and services has slowed down and shown a downward trend. So much so, that annual inflation in the United States went from a peak of 9.1% in June 2022 to 3.4% at the end of 2023. In this context, the Fed is ex-

pected to keep its guideline high until it ensures convergence and maintenance of inflation to the 2.0% target.

To the extent that this happens, central banks will apply an opposite strategy, lowering benchmark values to avoid a potential recession. Whilst the strongest connection for Ecuador is linked through the American economy, it is important to note that the same effects have been experienced in the United Kingdom and the European Union, whose benchmark rates have gone from 0.50% in March 2022 to 5.25% at the end of 2023, and from 0.50% in July 2022 to 4.50% as of December 2023, respectively. In turn, inflation in these economies has also fallen, in the case of the United Kingdom, from a peak of 11.1% in October 2022 to 4.0% at the end of 2023; and, in the euro zone, from 10.6% to 2.9% in the same period.

Within this context, it is worth mentioning that after the International Monetary Fund's (FAF) Extended Facility programme ended in December 2022, Ecuador did not receive disbursements from this organisation in 2023. In December, the International Monetary Fund (IMF) indicated that Ecuador passed the review of the exceptional access to financing programme under the 2020 Extended Facility, a

positive sign that left open the possibility of obtaining additional resources in the future. Specifically, the report states that the programme concluded successfully and that it “fulfilled its objective of restoring macroeconomic stability, against the backdrop of a historic economic slowdown.” In addition, the report highlights that technical assistance helped to strengthen fiscal accounting; that the approval of the reform of the Organic Monetary and Financial Code was an important step towards strengthening the independence of the Central Bank and the dollarisation regime, and that “most of the program’s conditionality was implemented over time, despite certain delays in fiscal and structural reforms.”

The tension between the Executive and Legislative branches at the beginning of the year, added to an environment of (early) elections – after the declaration of cross death – raised Ecuador’s EMBI Emerging Markets Bond Index (country risk) by 805 points, after which it closed 2023 at 2,055 points. Ecuador’s EMBI skyrocketed in the first months of the year, after the February 2023 sectional elections in which the Citizens’ Revolution movement triumphed in the country’s main cities and the government lost in the popular consultation held on the same day. Thus, in just two months,

this indicator went from 1,250 points on December 30, 2022 to 1,765 points on February 28, 2023. Subsequently, the country risk rose to 1,917 points at the beginning of April, reflecting the market’s nervousness in the face of the progress of the impeachment process of the president of the republic. This process concluded on May 17 after the declaration of the “crossed death” by Guillermo Lasso, which implied the dissolution of the National Assembly and the advance of the 2025 presidential elections to August 2023. Thus, the EMBI went from 1,250 points on January 1, 2023 to 1,902 points on June 30, 2023.

In the third quarter of the year, country risk was marked by the context of early elections. On August 3, 2023, the indicator rose to 2,035 points, the highest in 3 years, due to the reduction of the United States’ sovereign rating by the risk rating agency Fitch, which resulted in a negative impact on the price of emerging market bonds. After this event, the index declined.

After the results of the first and second rounds were known, Ecuador’s EMBI went down. After the first round, the international markets welcomed the fact that businessman Daniel Noboa continued the dispute against Luisa

Gonzalez. Thus, at the end of the third quarter, the country risk fell to 1,789 points.

The fourth quarter started with an indicator of 1,798 points and rose to 1,839 on October 13, the Friday before the day of the second round of elections. After the victory of President-elect Daniel Noboa, the EMBI index fell to 1,748 points at the close of Monday, October 16. However, in November, country risk increased after visits by the potential government team to international banks and multilateral organizations and in the face of weakening fiscal figures, reaching 2,054 points on November 15. After the inauguration of President Noboa on November 23, the EMBI dropped to 1,915 points. However, November closed at 2,016 points. The weakness of the fiscal accounts was evidenced by the accumulation of arrears throughout the fourth quarter of the year, which, added to the limited access to external financing, worried international markets, with which the country risk remained above 2,000 points in December, and closed the year 2023 at 2,055 points (see chart 8).

Although the country's political situation was the main channel for the increase of the EMBI indicator, the fall in the price of oil also contributed

given its relevance for public finances and foreign trade. The average export price of Ecuadorian crude oil went from USD 87.69 in the January-November 2022 period (latest available information) to USD 68.38 in the same period of 2023; that is, a drop of 22% per year.

Monetary and Financial Sector

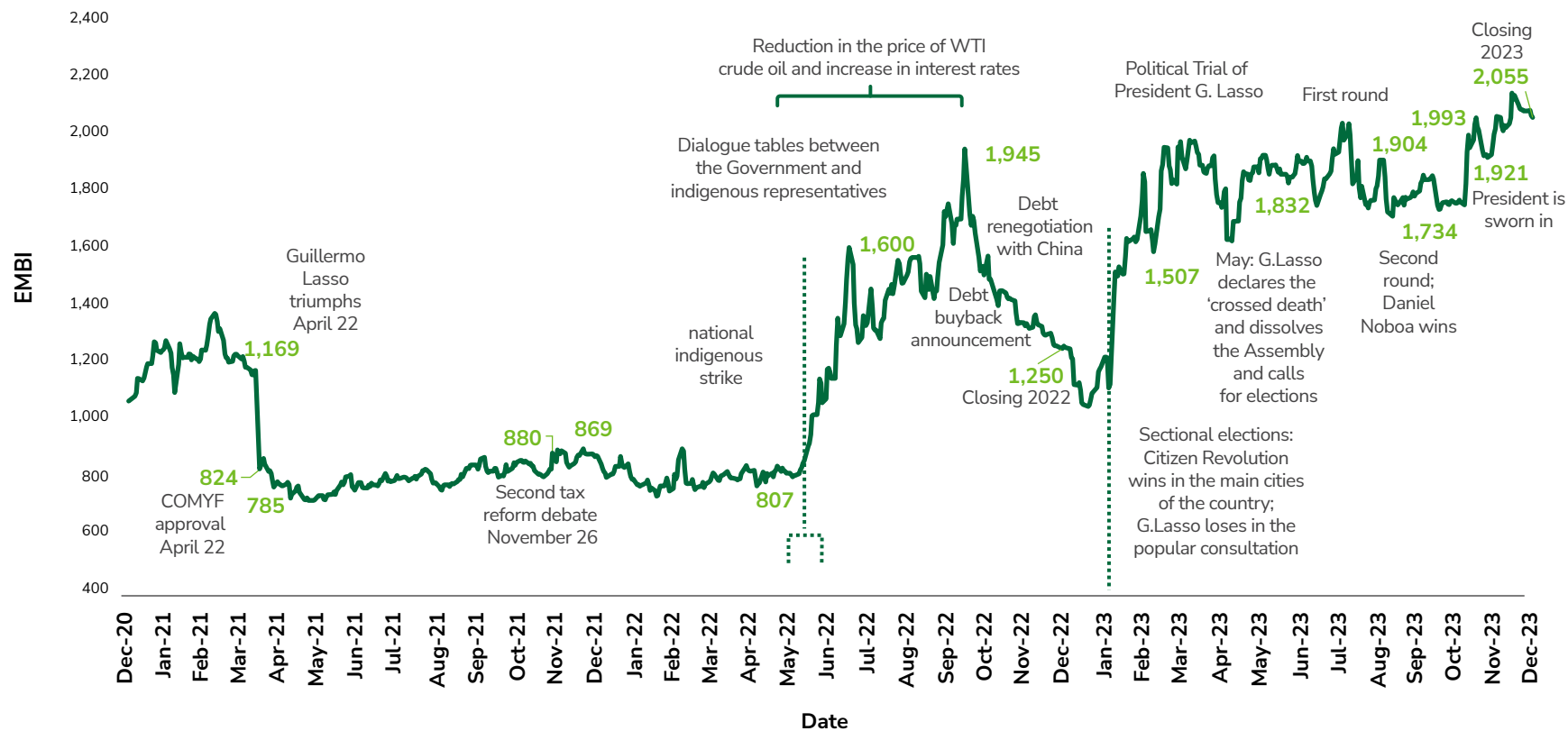
International Reserves (IR) declined over the course of the year after reaching historically high values. The IR balance ended 2023 at USD 4,454.4 million, 47.3% lower than the 2022 closing figure. The reduction is mainly explained by lower external debt disbursements (half of those received in 2022), coupled with a slight increase in debt service and the negative balance of net remittances abroad from the public sector. Thus, compared to December 2022, IRs decreased by USD 4,004.3 million.

The generation and preservation of liquidity, together with permanent support to customers in the financial sector, were the strategies that dominated since 2020. The banking sector remained solid in 2020 and supported the country's productive reactivation in 2021 and 2022. The annual growth

rate of deposits, which remained positive, slowed over the course of the year, in an environment of competition for available liquidity in the market, which is lower than last year due to lower oil prices and lower external outlay flows. Deposits in the financial system (which include banks, segment 1 cooperatives, and mutualists) rose 6.0% in 2023, compared to a growth rate of 8.6% in 2022.

Despite the slowdown in the economy in 2023, the year closed with good results for banks on both the asset and liability side, reaffirming their commitment to the country's development. The increase in bank deposits exceeded the previous year, reaching USD 2,589.3 million in 2023 vs. a cumulative growth of USD 2,437.5 million in 2022. In this regard, it is worth noting the increase in term deposits in the banking system, driven by a notable increase in the banks' passive interest rates in all their maturities due to the environment of greater competition to capture the liquidity available in the market. Thus, banks' term deposits increased by 12.8%, whilst total deposits rose 5.9%. In line with the evolution of deposits, the gross portfolio of the banking system increased 9.2% or USD 3,539.8 million, a figure lower than that reached in 2022 (portfolio

Graph 8
Evolution of the EMBI of Ecuador in 2022



Source: JP Morgan, Bloomberg

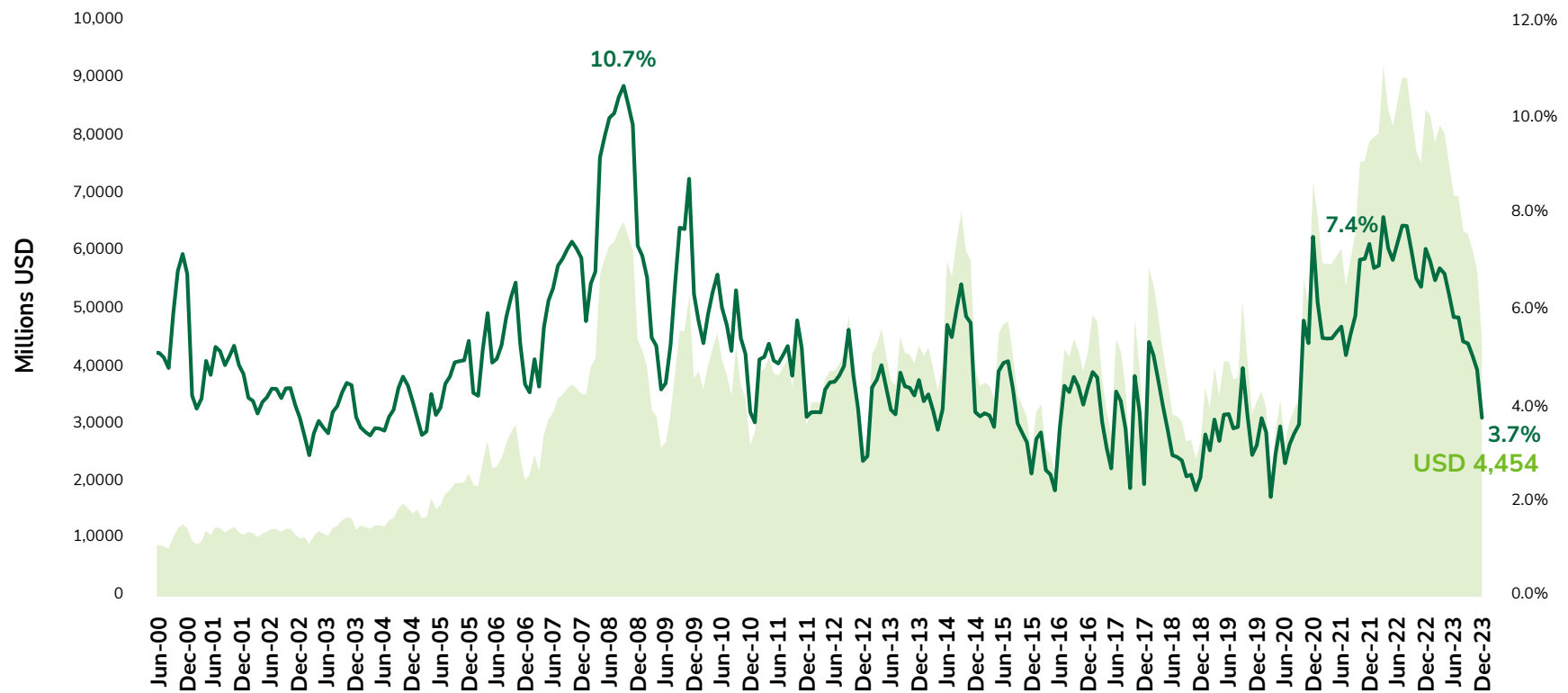
growth of USD 4,929.2 million) in line with the lower liquidity environment.

Extending this summary of results to the entire private financial system (banks, segment 1 cooperatives and mutual societies), deposits of segment 1 cooperatives increased by USD 1,076.7 million (+6.6%) in the year and decreased by USD 22.5 million (-2.1%) in mutual societies. With this, market shares closed at 71.5% for banks, 26.9% for cooperatives (segment 1) and 1.6% for mutual society members. In the case of the gross portfolio, it increased 8.7% for the financial system as a whole (banks, segment 1 cooperatives and mutual societies). In the case of cooperatives, it increased by 8.4%, and in the case of mutual society members, it fell by 6.8% per year. The market share for the gross portfolio stood at 71.7% in the case of banks, 27.1% for cooperatives in segment 1 and 1.2% for mutual societies.

Financial indicators show the soundness of the banking system. During 2023, liquidity gradually continued to be channelled to the economy in line with the flow of deposits, in other words, both portfolios and deposits continued to grow, but at a slower pace. At the end of the fourth quarter of 2023, the liquidity indicator measured

as funds available for short-term deposits (demand and term up to 90 days) was 24.1% for the banking system and 35.4% for Produbanco. In terms of profits and profitability, at the end of 2023, the aggregate profits of the 24 private banking institutions amounted to USD 737.5 million (11.1% more than in 2022). In addition, ROE rose to 12.4% in 2023 from 12.2% in 2022, a significant recovery compared to the 4.5% achieved in 2020. In turn, ROA closed at 1.3% in 2023 compared to 1.2% in 2022 and 0.5% in 2020. In terms of risk management, bank solvency reached 13.8%, the same level reached a year ago, 0.1 percentage points below that of 2021 and 4.8 points above the regulatory requirement of 9.0%. In terms of coverage, the banking system's provisions accounted for 2.1 times the non-performing portfolio. On the other hand, delinquency closed the year at 3.2%, when applying the change in the 31-day delinquency height as of January 2023 for all segments except for the real estate segment, which maintained it at 61 days (see chart 9).

Graph 9
Evolution of the IR balance (USD in millions and % of GDP)



Source: Central Bank of Ecuador

Report by Corporate Governance

The Bank has a robust Corporate Governance system, duly consolidated thanks to the constant reinforcement of governance principles and the channels implemented in terms of transparency and communication, which strengthen the institutional framework at all times.

In addition to the normal development of the meetings of the corporate governing and administrative bodies, the presentations of results and quarterly reports to the Shareholders were held regularly, which are an effective mechanism of accountability, effective governance management, transparency and information. Likewise, throughout the year, the regulatory requirements requested by the control bodies were met.

Produbanco was the first private bank in Latin America to be certified as a B Corporation, which underscores the goal of building a more sustainable and inclusive economy. Being part of this community of companies that comply with high social and environmental impact guidelines, the Bank has applied

continuous improvements according to various performance standards, a purpose-driven culture, factors that led it to increase the score with which it was initially certified. This is a sign of its commitment to ensuring a positive impact on its relations with the different stakeholders.

The sustainable finance landscape has advanced considerably since the creation of the Principles for Responsible Banking (PRB), with new global agreements and an acceleration in interest and action on sustainability issues across all sectors. In this context, Produbanco was selected as one of the 27 banks worldwide to work on the new 2030 Roadmap of the Principles for Responsible Banking with UNEP-FI and to define how the framework of the PRBs should evolve in the context of growing ambition, new global agreements and scientific results, as well as increased regulation and standards related to sustainability.

On the other hand, the Governing Body

implemented the Directory Portal, a technological tool that manages management information and information corresponding to its sessions and those of its regulatory committees. Thanks to this, the reporting processes have been automated and consequently adequate control and accountability have been achieved, which promotes the transparency of information. The Directory Portal is itself a repository and an official means of communication that optimises various administrative activities and simplifies processes, manages the meetings of the Board of Directors and its attached committees, allows it to be tracked, generate calls, and the online subscription of the minutes. All this has improved the efficiency of Good Corporate Governance.

In the procedures and methodology conducted to measure the management and evaluation of the members of the Board of Directors, the appropriate skills, abilities and experience of its members were taken into account, in addition to the knowledge, updating

and understanding of the applicable regulations, as well as the management and control of risks and governance. Likewise, aspects related to the diversity of its members in relation to abilities, university studies, gender, age and professional experience were covered. With regard to the sessions, the efficiency was reviewed in relation to their dynamics, participation, information received, duration and topics discussed. The measurement yielded positive results that indicated a correct application of the principles of good Corporate Governance. Regarding the management and fulfilment of the Executive President's objectives, the Board of Directors spoke highly positively, accrediting the work done and highlighting his leadership in the Organisation.

Similarly, the Bank incorporated the Anti-Bribery Management System under the standards of the ISO 370001:2016 Standard, as a method of control and prevention of acts of bribery and corruption. This implementation has been successful and is fully operational in the Contracting and Purchasing process; In this manner, the good practices of our Corporate Governance have been strengthened. Despite the fact that its implementation is not a regulatory requirement, Produbanco considers that its observance is vital to con-

tinue effectively and transversally in regulatory compliance. The actions of Corporate Governance are periodically reviewed and adjusted, adapting them to changes in the environment, which has resulted in a correct management of the matter.

In order to comply with the provisions of the Organic Law on the Protection of Personal Data, Produbanco appointed a Data Protection Officer, in charge of ensuring compliance with the obligations determined by the regulation, which includes the monitoring, control and management of the effective protection of the data of our customers and financial consumers under the instrumentation of mechanisms, processes and protocols, both technical and organisational, which guarantee an adequate level of security. The Bank is implementing a personal data protection programme in all lines of interaction of the offer of financial products and services, with ongoing training for our employees.

Similarly, periodic monitoring of the Strategic Plan was conducted with the established periodicity. The Bank has a Planning Dashboard, which details the status of the different action plans and the level of compliance, with a corresponding breakdown by units and departments.

With regard to internal control, relevant results were obtained in the self-evaluations performed in the areas of Corporate Governance, Planning, Policies and Procedures, Personnel Administration, Control Systems and Management Information Systems, which was endorsed by Internal Audit.

Sustainability

Sustainability remains an essential, cross-cutting element in all the units and activities of Produbanco and its Subsidiaries, reflecting its strategic commitment. The certification under System B highlights the objective of building a more sustainable and inclusive economy through its business model, and of being part of this community of companies that meet high standards of social and environmental impact.

The four sustainability axes designed with the purpose of promoting the change towards sustainable development have been established in line with the global commitments and standards maintained by Produbanco. They are divided into sustainable DNA, focused on internal ESG commitment; risk management, responsible for managing environmental, social and climate risks of

operations and the portfolio; value provided to customers, which consists of supporting them on their path to sustainability through a sustainable offer; and the last axis, known as building a community focused on promoting the progress of a sustainable ecosystem in the country. Thus, the Bank assumes the responsibility of constantly carrying out activities and programs aligned with its strategic axes, such as the green lines programme and sustainable portfolio; anti-bribery management systems; environmental and social management; technical assistance to customers; financial education and community development program; and its initiative of Conserving Our Water Sources: The Moorlands of Ecuador, among other activities. A fundamental commitment of Produbanco is the execution of its strategy aligned with the Net-Zero Banking Alliance, with which it assumes responsibility for addressing the emissions of its portfolio.

Ethics and Responsible Management

This Committee addresses aspects related to responsible initiatives, equity, diversity and inclusion, education and financial health, social support and employer branding. A culture of respect is fostered to maximise performance and

take advantage of the unique contributions of talent.

On the other hand, in accordance with good Corporate Governance practices, the Ethics Line whistleblowing channel continued to operate normally, guaranteeing anonymity and confidentiality, and employees had the necessary signs of trust to make use of it. This has made it possible to manage more directly and in a timelier manner in the resolution of the cases presented. The collection of relevant information has also contributed to group decision-making and solutions.

At the end of 2023, 40 cases were resolved in the first instance by the members of the respective commission; each of which was analysed and channelled. In this regard, the corresponding corrective measures were taken. During the year, three cases of internal fraud were filed, which were properly managed.

Financial Education

In line with the ongoing commitment to build financial capabilities in customers and the inclusion of the community, the Learn Financial Education Programme has grown continuously. In 2023, it registered over 12,890 beneficiaries among children, younger persons and adults,

and in target groups such as customers, employees, community, beneficiaries of the emblematic programme Conserving Our Water Sources: The Moorlands of Ecuador, and the comprehensive programme in schools. On the other hand, in the Learn Programme, we worked together with the Business and Marketing areas to give talks on planning, savings, management of personal finances in crisis contexts and benefits of digitalisation, aimed mainly at the employees of business and SME clients.

Likewise, face-to-face volunteer activities have been sparked in which Produbanco employees work as a team with students from the school programme, structuring sustainable business ideas with the aim of covering identified needs in their community.

An awareness of responsibility has been fostered to contribute to a much wider range of stakeholders, as the Bank's growth and proper management are closely linked to the well-being of the communities to which it contributes.

In the same manner, as part of Grupo Promerica's regional objectives, the Financial Education Week was developed, through which workshops were held in the community in union with the other banks of the Group.

Remunerations

The Remuneration Committee analysed the current policy for all employees, top executives and directors, with no observations to be reported, along with the salary review conducted in 2023 and the compensation strategy, aligned with the economic conditions of the country and the market.

Customer Service

In reference to the performance of the Financial User Service Unit, which is re-

sponsible for the administration, management and follow-up of complaints and requirements submitted by customers and users, the Report presented and approved by the Board of Directors contains the management indicators, the corresponding breakdown with the analysis of operability, the detail of the values affected and the respective recommendations to continue providing excellent customer service. The Bank has defined policies and a specialised committee for the efficient handling of complaints and measurement mechanisms, based on the quality of service.

In this regard, the Ombudsman has conducted his duties normally and independently.

In accordance with the foregoing, it is resolved to make this Report known with the attached information and its annexes and indicators, mechanisms and activities that are part of the good Corporate Governance system that the Organisation has conducted in compliance with its institutional objectives.



Dr. Jorge Iván Alvarado Carrera
Secretary-general

Report of the Comprehensive Risk Management Committee (CAIR)

Management Model and Risk Control

After gradually overcoming the effects of the COVID-19 pandemic, the Ecuadorian economy began 2023 with the prospect of consolidating new growth opportunities in a favourable business environment; However, these expectations and trends lost pace throughout the year due to a complex political environment, characterized by challenges in governance, the announcement of early elections and a delicate situation of public finances.

The international outlook was no less challenging, with China, our largest trading partner, expanding less than expected despite its government's stimulus measures. For their part, Europe and the United Kingdom continued to have low economic growth figures, whilst the United States performed better than expected (2.5% in 2023 vs. 1.9% in 2022), despite the Federal Reserve raising its policy rate to the highest level in 22 years. Thus, in the

second half of the year, the volatility in the financial markets that had occurred following the failure of Silicon Valley Bank in March and the subsequent bailouts of other regional banks such as First Republic Bank in April, was left behind. Central banks in advanced economies halted interest rate hikes as their inflation rates began to ease over the course of the year. Despite this reduction, inflation is still above the 2% target of the Central Banks of Europe and the United States, so it is expected that in the first half of 2024 the policy rate will remain at its current level. In this scenario, the consumption and investment decisions of households and companies were affected.

In the case of Ecuador, this was compounded by the announcement of the possible arrival of the El Niño phenomenon and a strong drought from September onwards, which forced the authorities and the business sector to apply mitigation measures and energy cuts at the national level. In addition, in contrast to 2022, oil prices were lower

and sources of external financing became scarce. Given the size of the state in the Ecuadorian economy, the weaknesses of public finances in a tighter liquidity environment reduced the drive of private consumption. These negative trends were partially offset by the increase in remittances, which again set a record; non-oil exports maintained their encouraging growth rate; credit continued to flow in line with the increase in deposits, and banks closed the year with adequate levels of solvency, liquidity and non-performing loans.

Within the context described, and as part of our preventive management, we strengthened our risk management processes, always guided by the best international practices, framed in local regulations and the recommendations of the Basel Committee. In this regard, we gave way to the implementation of the three-line of defence model and trained the Bank's tactical and operational levels on the importance of timely risk management, as well as on the role that all employees have in this common

front. This was possible thanks to the teamwork of the business, control and support units.

In order to strengthen our forward-looking management, we analyse the methodologies we maintain for emerging risks, the content of which was reviewed by the regulator and subsequently reconstructed in collaboration with senior management; systemic risk, for which monitoring was formalised through the publication of its methodology with emphasis on financial interconnections with other entities in the financial system, and strategic risk, for which we deepened the monitoring with the formalisation of mitigating actions before the Comprehensive Risk Management Committee (CAIR). Thus, in all three cases, the Bank has strengthened its risk management framework, incorporating high-level discussions, evidencing trends to deal with events and/or scenarios that occur in new or unknown conditions, and informing collegiate bodies in a timely manner.

We have ratified our principles, which are reproduced below:

- **A strong commitment of employees to the risk management process, based on the model of the three lines of defence:** which is

based on the roles and responsibilities clearly defined and assigned to all members of the Bank as active managers of risk behaviour.

- **Risk appetite and tolerance:** supported by consolidated quantitative and qualitative indicators, thresholds, limits and methodologies, which are reviewed and disseminated periodically.
- **Establishment of operational structures with a risk-based approach:** through which employees apply practices that leverage the achievement of the business strategy and objectives.
- **Comprehensive view of risk:** which allows for timely detection of risks and their impacts throughout the Organisation and, therefore, generates optimal, dynamic and flexible mitigation and response strategies.
- **Proactivity in risk management:** with a focus on anticipating emerging, systemic and strategic risks, and identifying the effects that these could have on the different activities conducted by the institution.
- **Robust methodologies aligned with best practices in risk man-**

agement: incorporating state-of-the-art quantitative and qualitative models, complemented by stress scenario analysis and backtesting to strengthen efficient decision-making based on comprehensive and timely information.

- **Mature internal control system:** which makes it possible to progressively improve the effectiveness and efficiency of processes, improve the controls applied and reduce residual risk.
- **Timely management information system:** which is the fundamental basis for supporting senior management's decision-making on a daily basis.

As of December 2023, the Bank recorded a low level of residual risk with a stable trend:

Type of Risk	Inherent Risk (IR) Rating	IR Trend	Mitigation Capacity (CM) Rating	CM Trend	Residual Risk Rating (RR)	RR Trend
Liquidity	Moderate	Low ▼	Meaningful Compliance	Stable ►	Low	Low ▼
Market	Moderate	Stable ►	Successful Fulfillment	Stable ►	Low	Low ▼
Credit	Significant	Stable ►	Meaningful Compliance	Stable ►	Moderate	Rise ▲
Operational, Business Continuity and Information Security	Significant	Rise ▲	Meaningful Compliance	Stable ►	Low	Rise ▲
Business	Moderate	Stable ►	Successful Fulfillment	Stable ►	Low	Stable ►
Reputational	Moderate	Stable ►	Meaningful Compliance	Stable ►	Low	Stable ►
Residual Risk Profile					Low Risk	Stable ►

Source and Elaboration: Produbanco

Liquidity and Market Risk

A financial institution's business model carries implicit liquidity risk, which comes from mismatches between assets and liabilities. Produbanco has developed efficient and effective management and control schemes for these scenarios. Within our comprehensive management framework, we have strategies, policies, methodologies, processes, procedures, instruments and limits that make it possible to identify, measure, control, mitigate, monitor and communicate in a timely manner the liquidity risks to which the Bank is exposed internally, to the control bodies and to Promerica Financial Corporation (PFC).

Produbanco finances its activities through funding from Corporate Banking and Retail Banking, which have a characteristic of stability and high diversification, and from various complementary sources, including the national stock market and foreign operations, financial obligations, bond issuance and subordinated debt. Funding management was highly competitive in the last year, both due to local and international factors; however, the Bank disbursed loans in the Ecuadorian market for USD 434.6 million, a figure equivalent to an annual variation rate of 9.3%,

which exceeded the 9.2% of the system.

On the other hand, at the end of 2023, our obligations to the public closed at a balance of USD 5,726.5 million, i.e., with a positive year-on-year variation of USD 387.5 million (7.3%). The increase was greater than that of the banking system, which had a rate of 5.9%. On the other hand, demand deposits went from USD 3,230.9 million (December 2022) to USD 3,229.7 million (December 2023), a slight reduction of USD 1.1 million or -0.03%. At the same time, term deposits increased by USD 369.6 million to reach USD 2,354.6 million (annual variation of 18.6%), representing a 41.1% share of the Bank's total deposits.

In line with the strategy of diversification of funding sources, Produbanco received a loan for USD 50.0 million from the Japan International Cooperation Agency (JICA), becoming the first bank in Ecuador to receive a loan from this organisation; In addition, Invest in Visions with a disbursement of USD 20.0 million maturing in 2027, and Norfund with USD 16.5 million maturing in December 2031, joined as new funders. On the other hand, Produbanco obtained additional disbursements of around USD 185.0 million from other

multilaterals and bilateral entities. All these achievements were made after demanding due diligence processes of these institutions, and are a recognition of the solidity of our institution and its excellent image within the international financial community.

Produbanco continued with the strategy of maintaining a prudent liquidity position, expanding its liquid assets and its coverage of short-term liabilities. The liquidity indicator – ratio between available funds and demand deposits and up to 90 days term – registered a value of 35.4% at the end of 2023, a percentage higher than the system average, which marked an indicator of 24.1%.

At the same time, liquidity monitoring was intensified through the use of new tools for better decision-making; the implementation of macro and microeconomic assumptions for the calculation of gaps; scenario simulations; stress analysis and backtesting, and risk measurements of this type based on Basel III recommendations, with the intention of measuring the impact of balance sheet asset, liability and risk management strategies.

With regard to the liquidity management of the investment portfolio, the

strategy for allocating the resources managed by the Treasury focused on high-quality liquid assets, with a scheme of periodic short-term maturities, so that Produbanco could quickly cash in on its assets to meet any requirement in this line from its customers. At the end of the year, 91% of the assets under management by the Treasury were convertible into cash in less than 30 days and 97% in up to 90 days.

With regard to compliance with requirements and limits, both internal and those issued by control bodies and PFCs, Produbanco presented ample coverage of its indicators, in addition to a comfortable liquidity position.

From a market risk perspective, Produbanco focuses on a portfolio investment strategy that considers a defensive position and liquidity support; the maintenance of high-quality assets; the application of the diversification principle to mitigate counterparty risks; the search for the preservation of capital at all times, and the permanent monitoring of the macroeconomic situation and the health of the Ecuadorian financial market as well as the countries where resources are placed. All these factors are key tools for the investment decision-making process.

Regulatory	
Indicator	Limit Compliance
Liquidity Ratio	✓
Liquidity Reserves	✓
Liquidity Fund	✓
Domestic Liquidity Ratio	✓
Structural Liquidity Ratio – 1st line	✓
Structural Liquidity Ratio – 2nd line	✓
Structural Liquidity Ratio – Minimum Indicator	✓
Group	
Indicator	Limit Compliance
Liquidity days	✓
Liquidity Match Over Equity	✓
Liquidity Coverage Ratio (LCR)	✓
Liquidity Index	✓

Source and Preparation: Produbanco

During 2023, the cost of local funding had an increasing trend; The financial system's benchmark passive interest rate stood at 7.7%, 1.3 percentage points above that presented at December 2022 (6.4%), and the highest in the last seven years.

Faced with this market situation, the benchmark lending rate was also adjusted upwards and closed 1.5 percentage points above the 2022 value. In the first half of 2023, the average spread was 2.0%; In the second half of the year, it maintained an average of 2.1% – as of July, as a result of the implementation of the regulations that modified the methodology for defining the maximum effective rates for loans in the corporate productive segment and business productive segment – and closed December with a value of 2.2% – the month in which the reform to the methodology for defining maximum effective rates for the SME productive credit subsegment was applied. The latter was the third lowest percentage compared to the values of the same month in the last seven years.

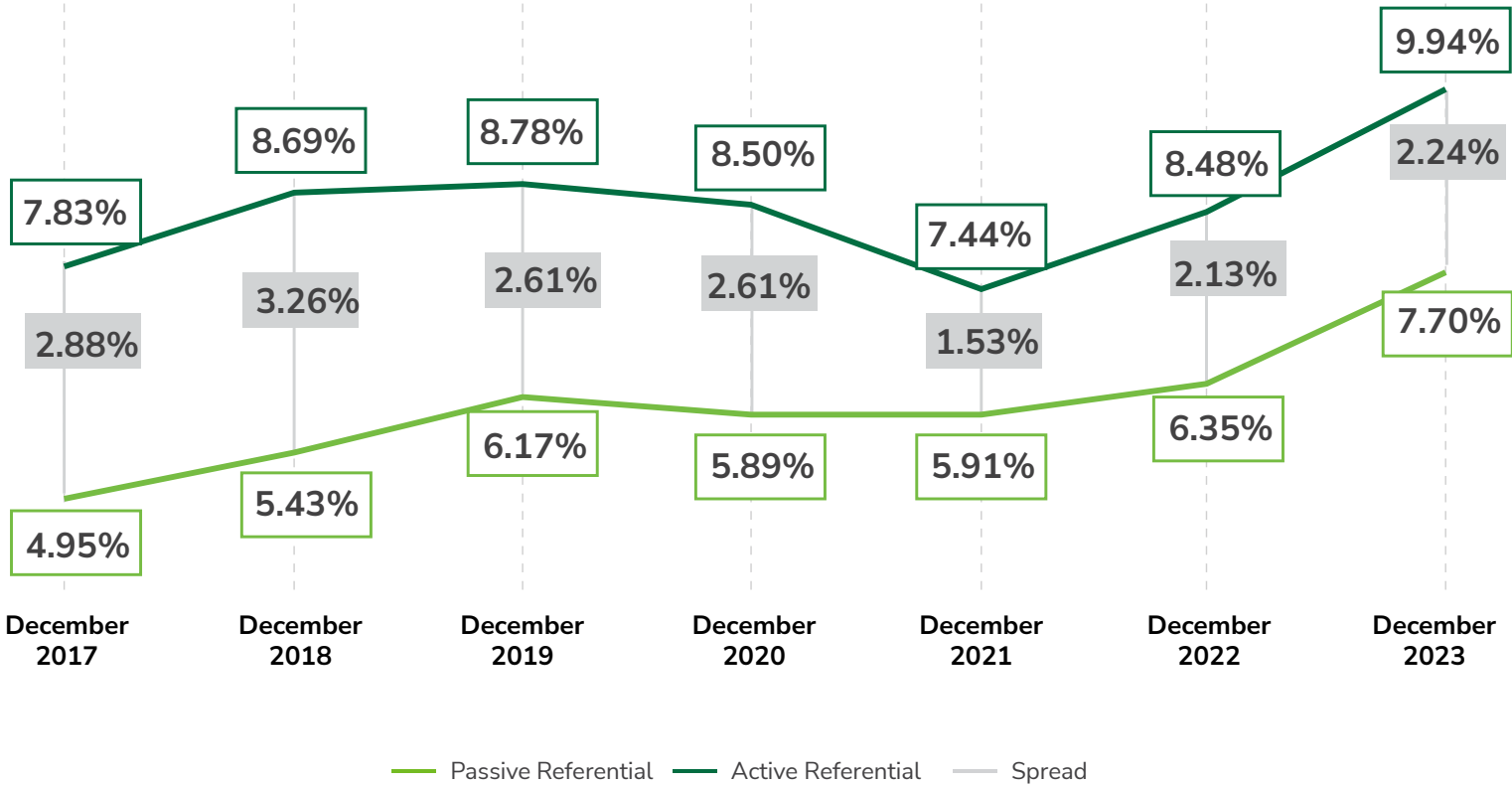
Produbanco's balance sheet structure maintained a conservative trend in terms of the duration of assets and liabilities; this allowed fluctuations in interest rates to have a reduced impact

on the financial margin and equity value. Faced with a 100-basis point vari-

ation in rates, the sensitivity was 2.1% and 1.3%, respectively; both indicators

are considerably below the established internal limits.

Graph 10
Evolution of referential rates



Source: Central Bank of Ecuador
Elaboration: Produbanco

Credit Risk

Digital transformation means that all the processes of an institution are analysed in depth, in order to determine new ways of execution that are more efficient and effective.

This was the basis on which the work plan was executed in terms of credit controls, preventive monitoring, as well as the development of technical-statistical models for portfolio rating and

Regulatory	
Indicator	Compliance with respect to the limit
Sensitivity to Financial Margin	✓
Equity Sensitivity	✓
Group	
Indicator	Compliance with respect to the limit
Sensitivity +/- 1% interest rate	✓
Interest rate risk in the investment portfolio	✓

Source and Preparation: Produbanco

determination of provisions, which together helped to provide agile customer service and maintain the quality of the portfolio.

A strengthened and joint scheme at all stages was essential for a close follow-up of the different warning signs that customers could present in the event of a possible impact by the El Niño phenomenon, so that in a preventive way credit facilities are generated that support the financial reality of our customers.

On the other hand, in accordance with institutional risk appetite and considering best practices, a new model was implemented, duly approved by the regulator, for the rating and determination of provisions in the productive portfolio, which is based on statistical techniques and measurements, with the aim of adequately forecasting customer risk and ensuring the soundness of the institution.

In 2023, the productive sector felt the benefits of the reestablishment of the payment chain, the normalisation of the global logistics service and a relative stabilisation of commodity prices. The recovery of local and international demand remained a challenge, as well as the risks implicit in exogenous factors

such as the reactivation of the activity of the Cotopaxi volcano, the presence of the El Niño phenomenon and, in recent months, the insecurity factor. In this context, the Bank's efforts focused on meeting the specific needs of its clients whilst safeguarding the quality of its productive portfolio. In all our segments – corporate, business and SME – we were very close to customers, with visits and continuous accompaniment, which allowed us to attend to them in a timely manner and have an update on the comprehensive vision of the major exhibitions, as well as to timely detect the challenges faced by customers, especially in the SME and business segments.

This year we invested extraordinary efforts to rethink our service model in the SME segment, with which we achieved excellent results in the placement of new products, in the implementation of new methodologies, in the increase of the approval rate and portfolio placement. The goal is to reduce response times for customers and optimise internal processes. In the business segment, we are beginning to replicate these improvements and anticipate very favourable results in 2024 that will translate into benefits for our customers.

On the side of the recovery of the com-

mercial portfolio – whose management model considers personalised negotiation processes for each client – it is important to note that despite the political instability; the security problems faced by small, medium and large entrepreneurs; After an inclement winter experienced in the coastal area of Ecuador, and having the constant threat of the arrival of the El Niño phenomenon, we have focused our arduous management and continue to promote the follow-up of collection, applying collection management completely personalised for each situation, looking closely at the sector to which the client belongs, reviewing its future projections, and considering the guarantees we have, without neglecting the compliance of the analysed client versus other financial institutions.

We closed 2023 with an increase in delinquency levels due to specific cases in the SME and business segments. For these, an action plan has been defined for 2024; some already have alternatives through refinancing, restructuring or through the courts, among which the possibility of settlements through reaching agreements is not ruled out.

It should also be noted that in terms of the recovery of the offset portfolio of Commercial Banking, we have achieved

a recovery that exceeded USD 2 million.

It is relevant to note that this year, thanks to robotisation, we launched the automatic generation of reports such as the assignment of portfolios for team members in order to be able to execute their daily tasks. We hope to achieve further optimisation in this field in 2024, in order to reduce the operational burden on the unit's officers.

With regard to the control and monitoring of judicial processes, the reinforcement of the team and the incorporation of the report that measures the speed and effectiveness of our external lawyers, became important milestones. A dashboard was created to visualise this information and have better decision-making and recovery projections.

With respect to the non-commercial portfolio, Produbanco worked on a comprehensive financial risk control scheme, tied to the origination strategy of the portfolio of individuals, which identifies sources of risk, analyses and defines policies and methodologies aimed at controlling and mitigating exposures, without neglecting the placement of products through the different channels: digital, face-to-face and cutting-edge, within the strategic model of the phygital Bank (physical and digital

acronym) that seeks to promote greater financial inclusion. The latter reached an indicator of 85% in Ecuador by 2023, as a result of an environment with a solid financial system, adequate product offerings, and access to physical and digital transactional channels.

Among the highlights of the consumer credit strategy are:

- a. updating and calibrating the origination model for the non-commercial portfolio, which allows prospects to be segmented into 'dirty' (with a history of defaults) and 'clean' (no defaults in history) groups, adjusting the risk of each cluster, with the aim of improving the quality of placements;
- b. the development of a new model for assigning credit card quotas according to the customer's ability to pay, considering debt variables in the financial system, the relationship between the quota and the income and the score rating (scoring system), and maintaining the value offer of the product in relation to the determined quota;
- c. the monitoring of credit card clusters with recurring use of cash advances and with progressive reductions of

quotas according to the recurrence of use and over-indebtedness score;

- d. analysis of the campaign process for each of the products: card, Direct Amortisation Table (DTA), Employee Credit (CPE), taking into account the quality of the portfolio through variables that allow monitoring its performance based on the expected loss, such as the quota-to-income indicator, over-indebtedness score, origination score cut-off;
- e. The credit risk management scheme for the non-commercial portfolio is based on an in-depth analysis and high adaptability to market conditions, which constitutes a catalytic factor for the placement and quality monitoring of the different products.

In the first half of 2023, USD 1,000 million in credit card portfolio balances were reached, which undoubtedly contributes to the expansion and financial inclusion of more Ecuadorians. In the Automotive Loan product, driven by the need to respond to requests in less time, the improvement of the approval process was incorporated through robotic process automation (RPA) and artificial intelligence (AI) to receive, qualify and respond to these requests automatically and digitally.

In 2023, in addition to the economic impacts mentioned above, the ability to pay the obligations of certain customers was also affected by different causes: unemployment, decreased income, reduced sales, among others.

In terms of collection, management was strengthened through the incorporation of tools that increased productivity: the Genesys Cloud scoreboard, which provides greater technology and efficiency to the customer service flow, and the update of the version of Creditforce that combines the judicial module with the automation of processes and follow-ups to the different instances. These changes are complemented in a transversal manner with data analysis and advanced analytics, thanks to which it was possible to apply focused strategies to meet the needs of customers based on their ability to pay, as well as macroeconomic factors that grant financial relief for the payment of their obligations, in accordance with current regulations.

During 2023, the Collection Optimisation Project (POC) was completed, coordinated regionally with PFC and Ernest & Young. For Ecuador, 19 initiatives were launched in the Smart Collections programme, which identifies best practices to optimise, streamline

and enhance collections. Fifty percent of these initiatives were launched in the course of 2023, and the remaining 50% are in planning for 2024.

Following a thorough technical review of the performance metrics of our 2022 non-commercial portfolio origination models, we made adjustments to each in 2023. The models make it possible to analyse customers, whether or not they have credit experience within our institution. In addition, they have the customer as the unit of analysis and not the product demanded. Towards the end of the year, all the steps were completed: certification, internal dissemination, review with teams involved and reporting to the regulator on the process concluded.

As part of our anticipatory management and with the aim of strengthening origination methodologies, we began a process of refining our revenue inference models, parameterised and ran a pilot for the prospective credit analysis of alternative data, as well as the assumptions of our clients' ability to pay.

The various tasks addressed during the year made it possible for Produbanco to maintain a lower NPL ratio than the financial system at the end of 2023. It is worth mentioning that, as of January

1, 2023, the calculation of the overdue indicator considers a default peak of 61 days for the real estate segment, and 31 days for the rest of the credit segments, as defined by the control entity. For this reason, the NPL indicator at the end of 2022 is not comparable to that at the end of 2023.

Reputational Risk

The management of Produbanco's reputational risk is an ongoing process, which is leveraged on a management structure led by several teams, such as:

- Reputational risk subsystems
- Alerting Team
- First Responders
- Reputational Crisis Committee

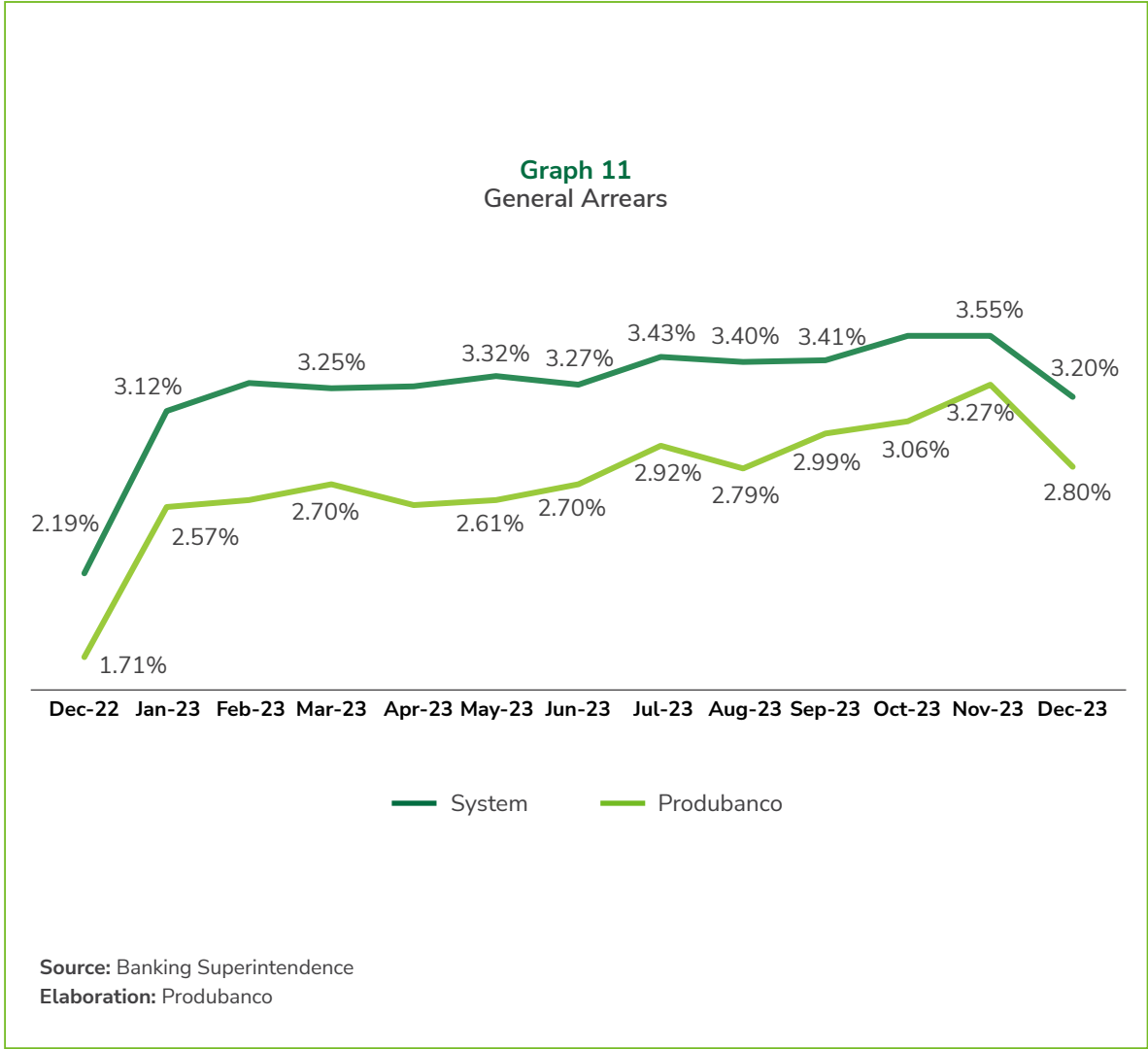
The management of each team responds to formal action protocols which are activated according to various risk exposures. This year, a complete review and update of all these protocols was conducted in conjunction with each of the subsystems identified in the Bank; the formalisation of the documentation was conducted in the last quarter.

One of the fundamental aspects of de-

cision-making support is the orderly management of communication, which is why in 2023 the official launch of a reputational risk dashboard was held, which handles comparative statistical

information from social networks and online media.

Finally, the reputational risk management model was implemented in five



of the nine countries in which the PFC group operates, with positive results. This process is planned for completion by mid-2024.

Operational Risk

Our operational risk management system focuses on the identification and assessment of risks in processes, regardless of whether they have materialised or not. Together with the participating teams, mitigation measures and action plans are determined and monitored until they are fulfilled; this ensures that the risks identified are managed in a timely and appropriate manner. In this regard, the Bank formally defined the scheme of three lines of defence for operational risk management, which will be part of the strategy for communicating risk behaviour in the coming years.

In addition, at the end of 2023, the operational risk management methodology was homologated with the PFC countries regarding the implementation of a new tool for its administration in the Bank.

The main operational risk management tools are listed below:

- **Risk Appetite:** there is a clearly defined risk statement for operational risk, business continuity and information security events.
- **Self-assessment of risks and controls:** which are put into practice through periodic training with the owners of the processes and, additionally, risk identification workshops are conducted. Over the course of the year, the criteria for measuring potential risks were updated, as well as materialised, and the analysis of technological risk was deepened as a result of new digital transformation processes and projects.
- **Databases:** The Bank has historical information on operational risk events, which facilitates the implementation of quantitative risk measurement methodologies.
- **Scenario analysis:** in order to map risks that, despite having a low probability of occurrence, may impact the institution's operations and propose proactive response strategies.
- **Key risk indicators:** Constitute an early warning system. The Bank has a system of indicators that are

periodically reported by the process owners and monitored by the operational risk subdepartment.

- **Measurement methodology:** Potential losses are measured through a Value-at-Risk model.
- **Strengthening the commitment of employees to the management of operational risk and risk behaviour:** Through training conducted through mechanisms such as digital courses, dashboards through Power BI, and the dissemination of advice or recommendations on operational risk and business continuity issues with the support of the institutional communication channel *Al Día*.

Exposure to operational risk remained at a low level during the year and within acceptable limits of appetite for this type of risk.

Business Continuity

Produbanco's business continuity management system is mainly based on the ISO 22301 standard, as well as the regulations stipulated in Ecuadorian legislation. International best practices are continuously reviewed with the aim of

incorporating them into related methodologies, policies and procedures. An up-to-date Business Impact Analysis (BIA) is available, with its thresholds for accepting potential losses and days of interruption.

During 2023, the continuity and contingency plans of the current critical processes were reviewed, updated, disseminated and tested, for which new scenarios and strategies were considered, whose main purpose is to guarantee the continuity of operations and serve the different stakeholders.

As technology is the cornerstone for critical processes to remain operational, periodic tests were conducted on all the technological contingency and continuity components in order to guarantee their operation in case their activation was necessary. In addition, complementary services were implemented in the alternate data centre to ensure continuity of operations, and activation tests were scheduled and executed as part of the preventive management conducted by the Bank. As a complement, the activation scenarios of the Disaster Recovery Plan (DRP) were reviewed and updated and the objective recovery times (RTOs) were adjusted according to the type of event.

In circumstances of unavailability of the physical infrastructure of the administrative buildings, the contingency centre is kept operational in conditions that can respond immediately to the materialisation of the contemplated scenarios; this is ensured by regular tests that are conducted from this centre.

As part of the business continuity management, work was conducted to update the methodology and automate the due diligence procedure for service providers that support the Bank's critical processes in order to ensure the continuity of the contracted services. The list of services that leverage critical processes in order to continue with management was also updated in an environment that increasingly demands proactivity and timely reaction to potential risks.

In addition, it is important to mention that high priority and periodic monitoring have been given to issues related to technological contingency and the different events that have arisen at the country level, such as: the El Niño phenomenon, possible eruption of the Cotopaxi volcano, power outages scheduled by order of the national government, among others; in light of this, timely actions have been taken through

the Crisis Committee and the different response teams, which are activated according to the type of event in order to guarantee the continuity of operations, protect the integrity of employees and ensure service to our customers.

Modelling

This year, calibrated scores were implemented for the origination of new non-commercial portfolio operations, with which we were able to improve the risk profile of the clients to whom we grant credit. In addition, we work on the construction, regulation and fine-tuning of our own revenue inference models.

The process of modifying credit card quotas has been consolidated once the automation of several components of the process went into production.

Since 2023, modelling has moved towards transactional risk mitigation. In this sense, we work in coordination with the Payment Methods Monitoring team in order to promote statistical rules for the following products.

- Limits by country on transfers sent abroad.

- Billing limits to acquiring merchants.
- Calibration of fraud prevention rules for the card-not-present channel.
- With the aim of controlling fraud, we made progress in the construction of an institutional proposal for the robust implementation of a new transactional monitoring of our clients.

Information Security

The protection of the Bank's and our clients' information assets from potential threats and cyberattacks remains a priority for the institution.

During the course of 2023, a significant increase in attempted cyberattacks on individuals and companies took place worldwide, with different typologies, including phishing (obtaining confidential information through deception via email), malware (malicious programmes), ransomware (data hijacking), social engineering, spoofing (electronic identity theft), among others

The Computer Security Incident Response Team (CSIRT) managed 3,874 cyber threats through the year.

To meet the primary objective of pro-

tecting information assets, vulnerability visualisation and management, are paramount. For this reason, constant control was maintained of security elements such as the firewall, in which no significant threats were found, and of the anti-DDoS (Distributed Denial of Service) solution, in which no critical or high-risk events or incidents were recorded.

In addition, our vulnerability hunting solution has increased the number of computers in the Bank's critical infrastructure to be scanned, providing a more extensive outlook.

Teleworking has remained a new way of working, in addition to being an important tool to maintaining the continuity of operations in light of unexpected external events. That is why the controls defined for this operating methodology have been maintained as part of usual monitoring processes.

Ethical Hacking was conducted on the Bank's services and applications: four mobile applications, four web applications (grey box tests), 50 IP addresses, 19 web applications (black box tests), two apps (short for software applications), two ATMs and a kiosk, through which we obtained points for improvement through phishing, smishing and

vishing exercises (social engineering techniques via email, phone or SMS message).

Continuous training for employees and customers continues to be a mainstay to address the different cyber risks. In our permanent awareness programme, we sought to identify the degree of knowledge of employees and their action in the event of possible attacks through the execution of focused social engineering exercises (phishing, vishing and smishing), which has led us to strengthen our understanding of the matter.

A new information security e-learning was developed that provides the discernment needed to protect information. Compliance was obtained from 99.1% of the employees who completed the re-induction and passed the course.

Computer security awareness campaigns aimed at users of companies using the Cash Management service were also maintained.

In the same vein, publications were made on the Bank's social networks, which have led us to expand the level of dissemination of recommendations to prevent our customers from possible attacks by cybercriminals.

During the year, four meetings of the Information Security Committee were held, in accordance with the quarterly periodicity established by the regulation. Through these meetings, the Bank

reaffirmed the priority that management has defined for the protection of its own and its clients' information assets. Throughout 2023, constant support was maintained for the initiatives

and projects presented with the purpose of improving the security of institutional information.

A handwritten signature in black ink, appearing to read 'Diego Borrero', enclosed within a large, stylized, hand-drawn oval shape.

Diego Borrero
Chair of the Management Committee
On the Comprehensive Risk
Management System (CAIR)

Annual Report Concerning the Management and Governance of Money Laundering Risks Related to Asset Handling and Financing of Criminal Activities, Including Terrorism

As of December 31, 2023

The Compliance Unit is responsible for overseeing the management of the risk of money laundering and the financing of crimes such as terrorism (ARLAFDT in Spanish), proliferation of weapons of mass destruction and compliance with sanctions within the context of the highest regulatory standards at the national and international levels. In this regard, the annual report as of December 31, 2023 is presented here, along with the initiatives implemented, the controls conducted and the most relevant aspects for the Organisation.

For risk management and administration, the Bank has implemented several initiatives to prevent, detect and deter financial crimes related to money laundering. Produbanco has policies that define the governance and supervisory structure for the ARLAFDT. These form the basis for the implementation of the compliance programme so that it is

proportional to the strategies, business activities and risk profiles of the Bank and each subsidiary company that makes up the financial group. These instruments seek to strengthen, with a coherent and integrated approach, the ARLAFDT and the proliferation of weapons of mass destruction.

The Bank and its Subsidiaries have improved their systems by incorporating state-of-the-art tools, which has made it possible to execute a consistent, effective and efficient compliance programme that detects sophisticated typologies and warning signs of highly complex financial crimes. In addition, the Bank has invested in its staff, hiring specialists in the detection and prevention of financial crimes, and training all its employees, thus facilitating the exchange of up-to-date information.

We continuously seek to improve the control scheme, in accordance with international standards, requirements

and expectations of international organisations as well as regulators, the Financial Action Task Force (FATF), the Wolfsberg Group, among others, to support and strengthen the trust of our clients and society.

Organisational Structure & Culture

The responsibility of the ARLAFDT lies with the Board of Directors, which guarantees the independence of the actions of the management of this risk.

The Bank and its Subsidiaries have implemented a compliance programme which is part of the organisational culture, in which the Governing Body, the legal representatives, the Compliance Officer and each of the employees have specific roles and responsibilities for the observance of obligations.

In addition, the Bank has a Compliance

Committee, which aims to be a supervisory body that supports the management of the Institution and in turn recommends new policies and processes on ARLAFDT and the proliferation of weapons of mass destruction. Its composition is defined in accordance with the current regulations issued by the Superintendency of Banks (SB), the Financial and Economic Analysis Unit (UAFE) and following the best international practices. During 2023, the meetings of the Compliance Committee were held on the established dates, on a monthly basis, in accordance with Ecuadorian legislation.

The risk management system has been structured through policies and procedures that constitute fundamental tools for the prevention, detection and reporting of operations related to money laundering and the financing of crimes such as terrorism, in compliance with the legal provisions in force in Ecuador.

Comprehensive Prevention Scheme

Know Your Customer – Monitoring

For the monitoring of its customers, Pro-dubanco has methodologies developed

based on statistical models, segmentation according to their economic activity and market behaviour and transactional profile; this allows identifying unusual behaviours in transactions. In this manner, the Bank manages the highest risk cases by applying due diligence procedures focused on the level of risk of each client.

As part of the execution of the processes described above, and in observance of the Know Your Customer policy, close to 8,000 cases were opened in 2023 that required additional analyses by the Business Units. The year ended with 96% of these cases closed.

Market Knowledge

The Bank has programming and modelling tools that allow identifying those economic activities in which a greater risk has been identified when compared to typologies related to money laundering.

The warning signs regarding unusual behaviours generated by this methodology stem from the comparison of the usual characteristics of the market, which are determined according to the volume of sales, revenues, investments, macroeconomic variables, eco-

nomic cycles or seasonality.

In this regard, the Bank conducted the analysis of 14 high-risk alerts generated by the model, applying extended due diligence procedures.

Correspondent Knowledge

Over the course of the year, all extended due diligence requirements were met with respect to customer information with fund transfers to or from abroad. In the same manner, certifications such as the USA Patriot Act, Obligated Subject certifications – to those from local and international banks and institutions – and the Wolfsberg form were delivered. Likewise, established procedures for Correspondent Knowledge were applied to the entities with which there is an international correspondent relationship for certain treasury and foreign trade operations, which comply with the delivery and custody of information and documentation in accordance with current legal regulations.

Supplier Knowledge

In accordance with the provisions of the legislation, the application of due diligence was fully executed to suppliers of goods and services, especially those

considered to be strategic. Greater emphasis was placed on goods and services related to control and ARLAFDT. Within this process, the delivery and custody of the documentation complied with the provisions of the legislation.

Shareholder Knowledge

The use of the established policies and procedures made it possible to identify and ascertain the basic information of all Produbanco shareholders. For those holding six percent (6%) or more of the Bank's subscribed and paid-in capital, more rigorous procedures were used to collect their information.

Employee Knowledge

The Organisation's partners play a key role in ARLAFDT. All are responsible for complying with the policies on the subject set forth in the Code of Ethics and Conduct, as well as in the procedural manuals implemented for the Bank and its Subsidiaries.

Similarly, as part of the process of analysing the transactional movements of the Bank's employees and its subsidiaries, and based on the transactional monitoring methodology, the People and Culture area requested

the corresponding justification from the employees who presented a significant variation. The results of these analyses have the exculpatory documentation established in the current legal regulations.

In addition, in 2023, the control was applied to the declaration of assets made by all employees for the year 2022.

Training

In keeping with the planning of activities and the report of the People and Culture area, the induction course "Prevention of Money Laundering and Financing of Crimes such as Terrorism" for Produbanco and its Subsidiaries was imparted to a total of 533 employees, and its re-induction to 3,577 people who subsequently took an evaluation of the knowledge acquired.

Reports to Agencies and Competent Authorities

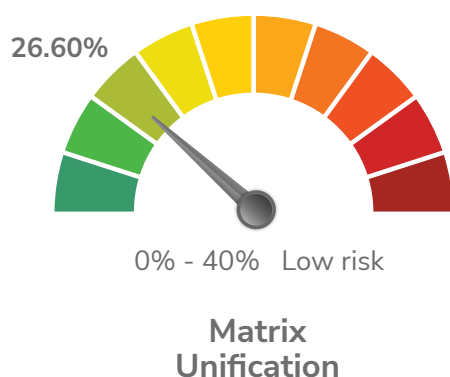
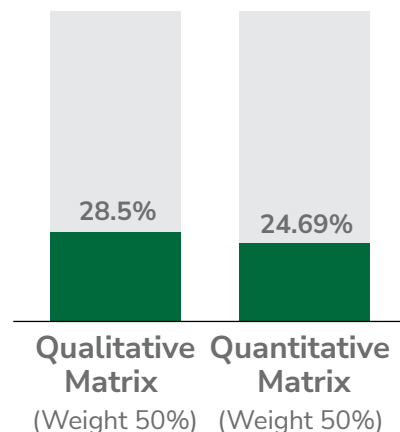
It is the policy of the Bank and its Subsidiaries to cooperate fully and within the parameters of the law with the competent authorities that conduct in-

vestigations of crimes related to money laundering, financing of crimes such as terrorism and the proliferation of weapons of mass destruction. In this regard, the Reports of Transactions Exceeding the Threshold (RESU) and the Reports of Suspicious Transactions (ROS) were sent in a timely manner to the Financial and Economic Analysis Unit (UAFE) within the deadlines provided for in the regulations. Similarly, the information structures requested by the Superintendency of Banks were sent within the time established for that purpose.

Normative Compliance

For the management of money laundering and financing of crimes such as terrorism, models and procedures have been implemented to identify, measure, control, mitigate and monitor their exposure to this risk, both in their operational and business processes. According to the methodology implemented, the results of the qualitative and quantitative risk matrices are as follows:

Graph 12
Results of the Qualitative and Quantitative Risk Matrices



Internal Audit, External Audit, Regulators & Others

Internal Audit has designed a work plan to evaluate the elements of the ARLAFDT; each review assesses the associated risks by element, effectiveness of controls and regulatory compliance.

On March 14, 2023, the Sub-Directorate of Money Laundering Risks of the Superintendency of Banks notified the result of the supervision on money laundering risks, which considers the application of the Control Standard for the Management of the Risk of Money Laundering and Financing of Crimes such as Terrorism (ARLAFDT), and other applicable provisions, in addition to providing the matrix of recommendations for the implementation of the action plans that were delivered within the established deadlines.

In April 2023, the firm Pricewaterhouse Coopers del Ecuador Cía. Ltda. (PWC), external auditors, delivered the fair assurance report. Based on the procedures conducted and the evidence obtained, it indicates that the Bank reasonably complies, in all important aspects, with the regulatory requirements established in Chapter VI - Con-

trol Standard for the Management of the Risk of Money Laundering and Financing of Crimes such as Terrorism (ARLAFDT), Title IX of Risk Management and Administration. Book I Control Standards for Entities of the Public and Private Financial Sectors of the Codification of the Rules of the Superintendence of Banks and with the criteria described in Annex A, for the year ended December 31, 2022.

The review by the external audit firm for 2023 is in the process of evaluation and the assurance report for the Board of Directors will be submitted on March 31, 2024.

Conclusions

For the management of money laundering risk, there are methodologies that allow the establishment of an integrated control scheme by the qualitative and quantitative risk matrix, evaluation of the behavioural and transactional profile of customers, market segmentation into risk factors, and criteria for natural and legal persons, as well as detection of unusual and unjustified operations. Similarly, extended and simplified due diligence processes are executed for the knowledge of the

customer, shareholder, supplier, employee and correspondent, as stated in this Report.

The Code of Ethics and Conduct estab-

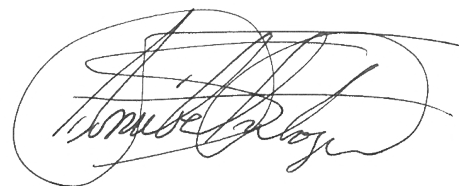
lishes the obligation to comply with the ARLAFDT Manual.

The activities were executed by the Unit in accordance with the provisions

of the 2023 Work Plan approved by the Compliance Committee and the Bank's Board of Directors.



Diego Mosquera Pesantes
Chair of the Compliance Committee



Aníbal Eduardo Salazar Buenaño
Anti Money Laundering Officer

Service Unit Report

Financial User Service

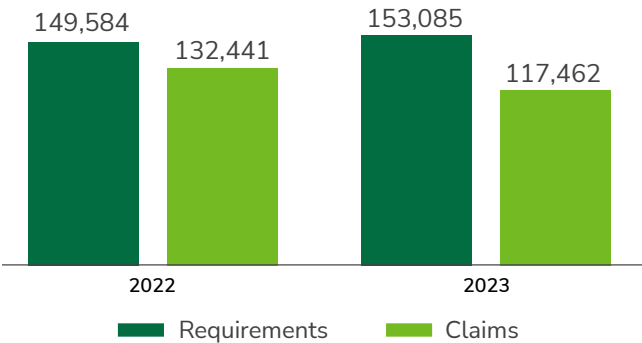
Requirements and Claims

In 2023, through the Customer Service department, we processed a total of 270,547 cases, 4.07% less than in 2022 (282,025).

Of the cases admitted during the year, 153,085 (56.58%) were requests, and 117,462 (43.42%) were complaints.

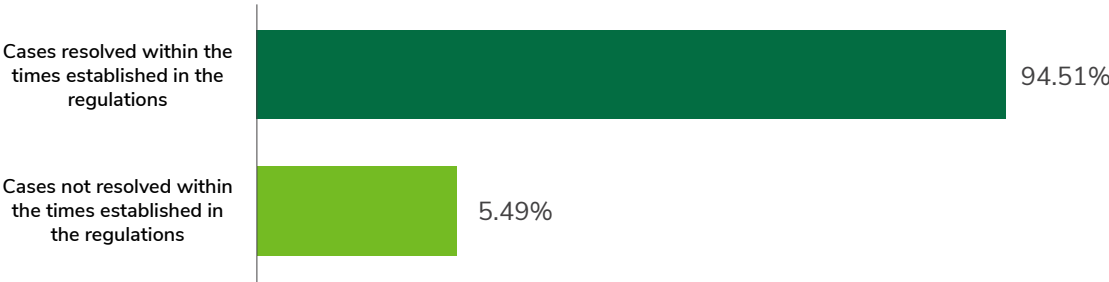
At the end of 2023, of the total number of cases registered, 265,800 (98.25%) were solved. Of these, 94.51% were resolved within the time established in the regulations.

Graph 13
Evolution of Requirements and Claims for 2022-2023



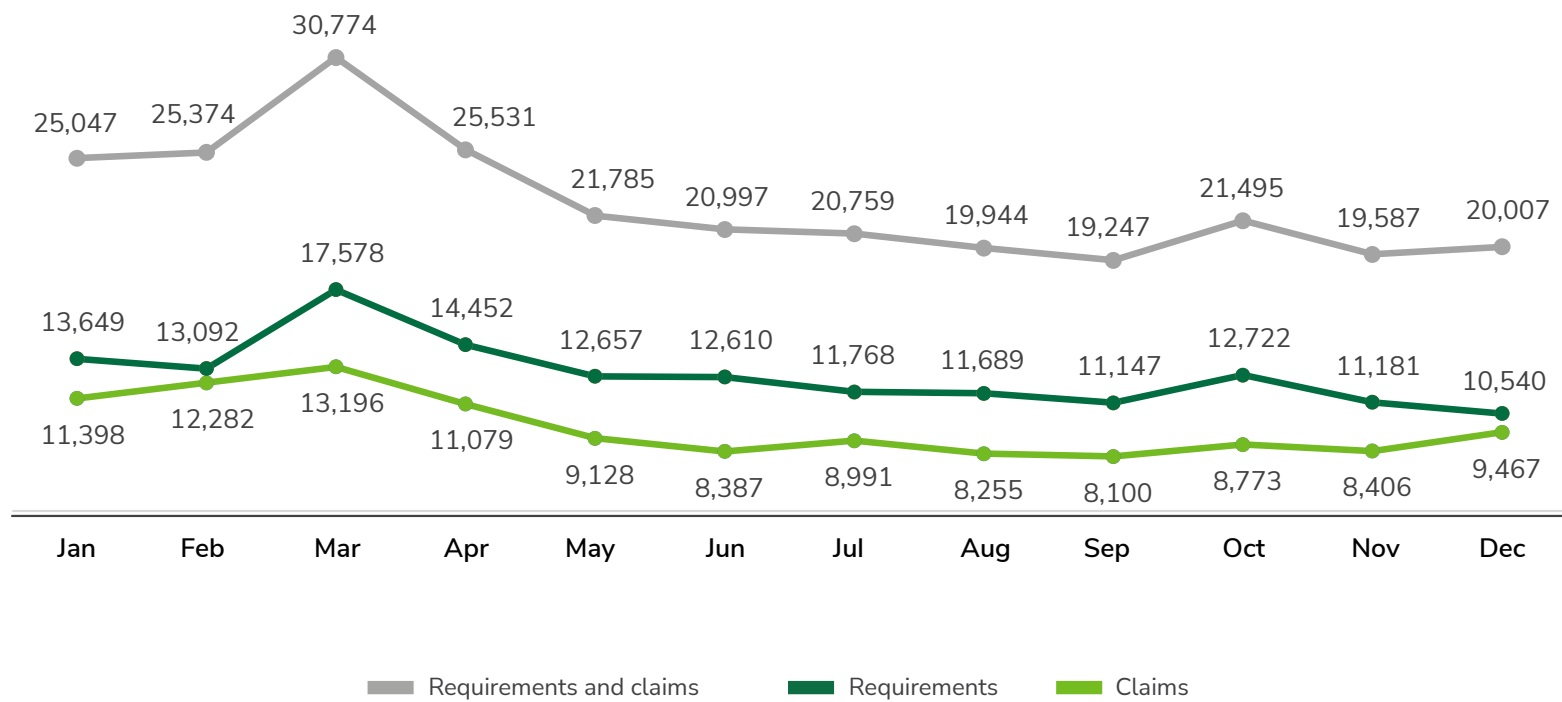
Source: Produbanco

Graph 14
Cases Resolved in 2023



Source: Produbanco

Graph 15
Evolution of Requirements and Claims 2022-2023



Source: Produbanco

Operability

Through the Requirements and Claims (R&R) tool, cases are processed at three levels of attention:

Level 1

Solutions are provided to customers on the front of attention, on the first contact.

Level 2

The Financial Consumer Service department is responsible for resolving the cases that are referred to it by the first level.

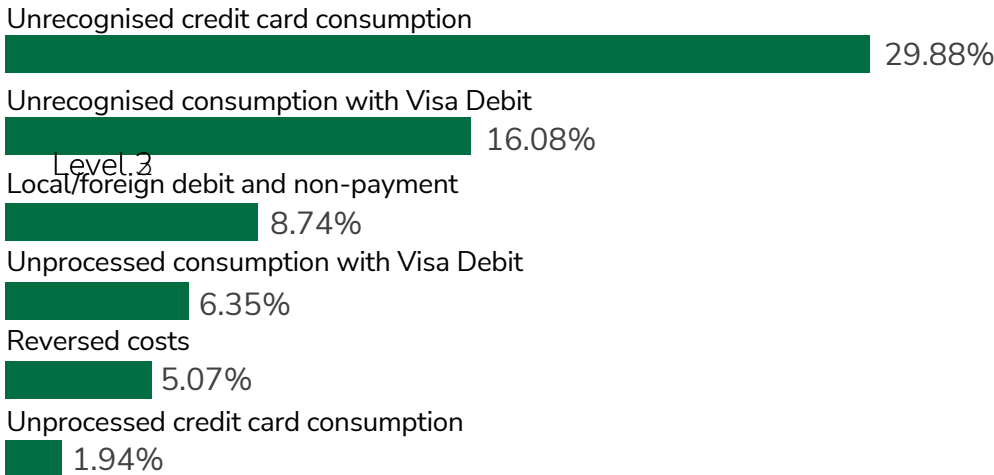
Level 3

In this instance, the Operational and Technology areas – specialised in their fields – are the ones that manage the events. In addition, this level of attention has the constant support of Legal Counsel for cases that require it.

The 265,800 resolved cases were handled as follows:

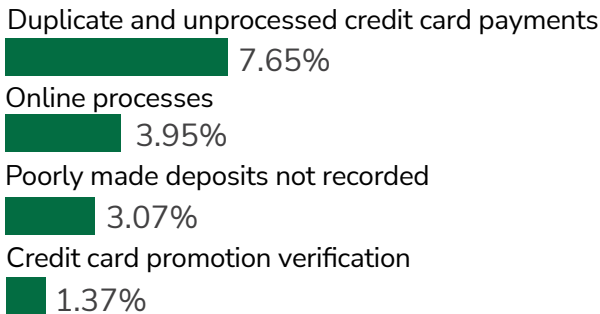
Graph 16

Claims for 2023 with the highest incidence of economic impact



Graph 17

Claims for 2023 with the highest incidence without economic impact



Graph 18

2023 requirements of greatest economic incidence

Cancellation requests, secure backups and reversals



Debit and credit note backups



Credit card replacement



Credit card delivery



Transfer verification



Web user unlock



Visa Debit replacement



Credit card debit novation



Request for account movements



Request for certified documents



María Dolores Prócel
Financial User Service Unit

Client Culture and Experience

The on-going change in the financial industry, the evolution of digital banking and the presence of new products, services and channels have changed the behaviour and manner customers relate to them.

Within this context and in line with the institutional strategy of providing memorable customer experiences, the Bank's focus in 2023 was on innovation, continuous portfolio improvement and service excellence, with the aim of building customer loyalty and creating an important link between them and the brand. To do this, we rely on the Customer Experience programme.

Our main objective was to implement new management models and solutions that, in real time, make it easier to invite the voice of customers – both internal and external – in order to identify the root causes of problems and develop close-the-loop strategies to act in compliance and thus avoid future incidents.

Over the course of 2023, 32,958 surveys were conducted through the Voice of the Customer programme, distributed in Retail Banking (54.9%), Business Banking (0.6%), Digital Channels and Products (36%), Internal Customer (8.6%). The feedback obtained allowed us to learn about the transactional and relational experience experienced by customers and to implement actions identified as opportunities for improvement.

As a result of the management developed, we meet the proposed annual objectives. Our performance has positioned us as the benchmark institution in quality of service and customer experience.

The indicators achieved reflect a positive evolution and organic growth, a sign of the trust of our customers and the experience of a customer-centric organisational culture by our collaborators. We closed the year with a Net Brand Recommendation Index (NPS) of 92.3%; a Net General Satisfaction In-

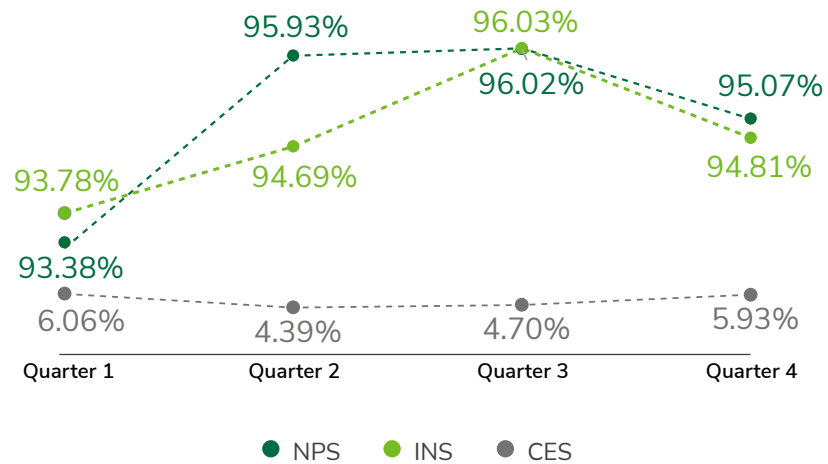
dex (NSI) of 95.2%; a Customer Effort Index (CES) of 1.9%, and a Net Contributor Recommendation Index (eNPS) of 80.6%.

For the seventh consecutive year, Corporación Ekos recognised Produbanco as the Best Bank in Quality of Service in the country. For its part, the International Consulting firm IZO awarded us the BCX Best Customer Experience seal for second place, in the category of Financial Institutions in Ecuador.

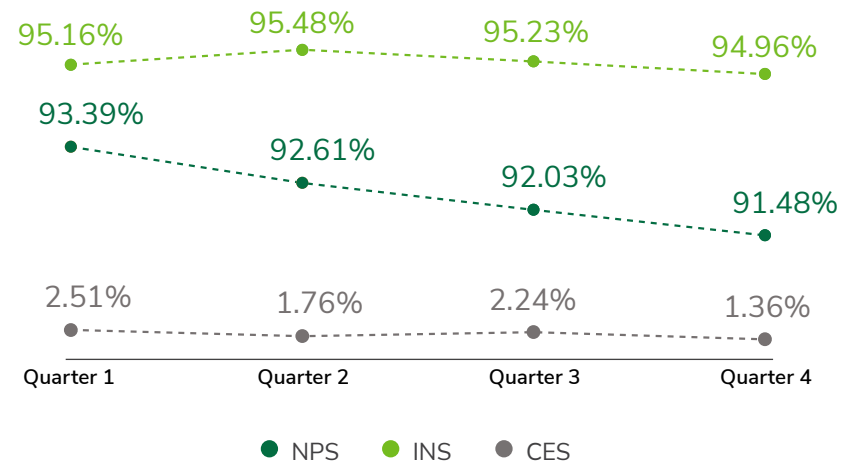
Results Indicators Customer Experience - 2023

On the following pages are the graphs corresponding to the results of the welcome and loyalty, ghost customer, app, web and contact centre channels, complaints, and internal customer surveys.

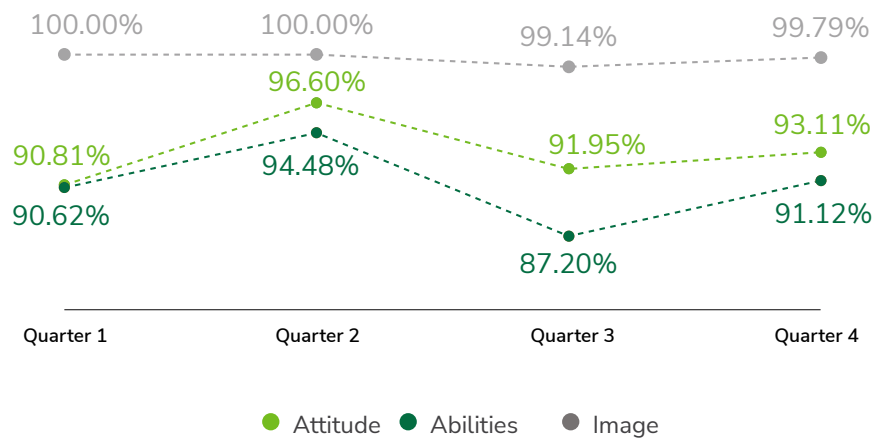
Graph 19
Welcome Survey



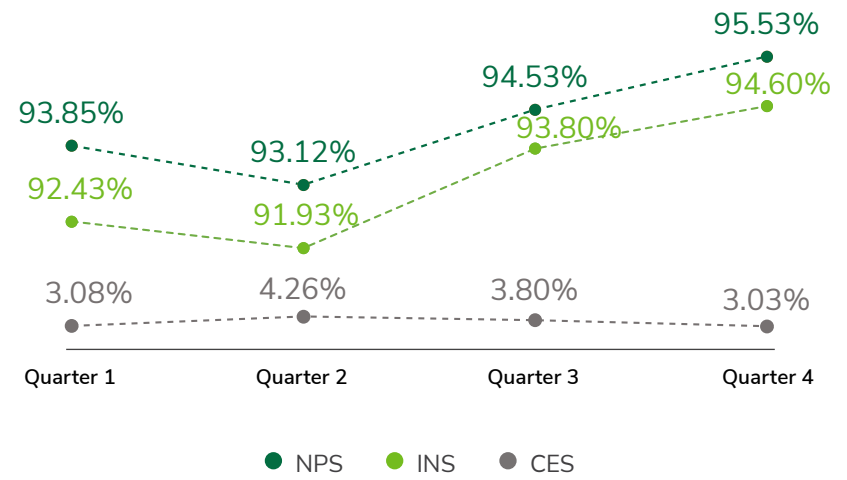
Graph 20
Loyalty Survey



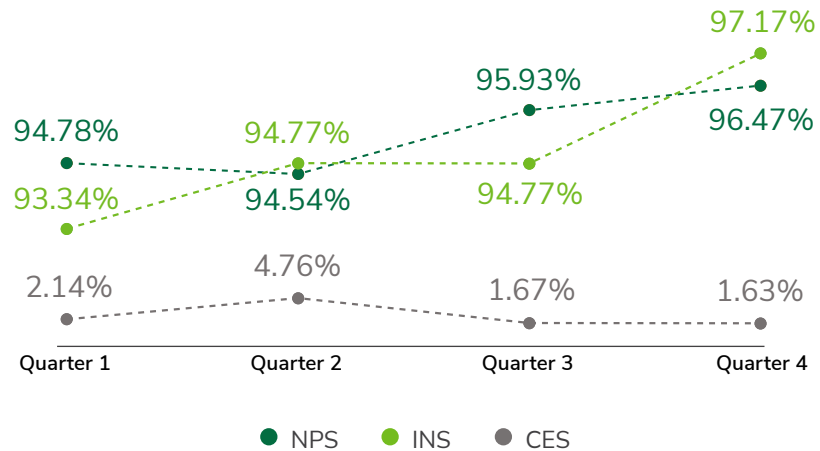
Graph 21
Ghost Client



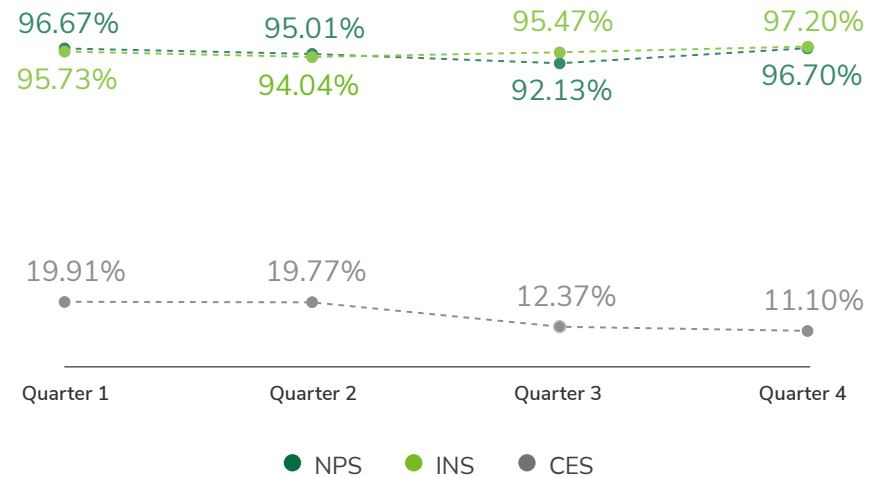
Graph 22
Mobile App



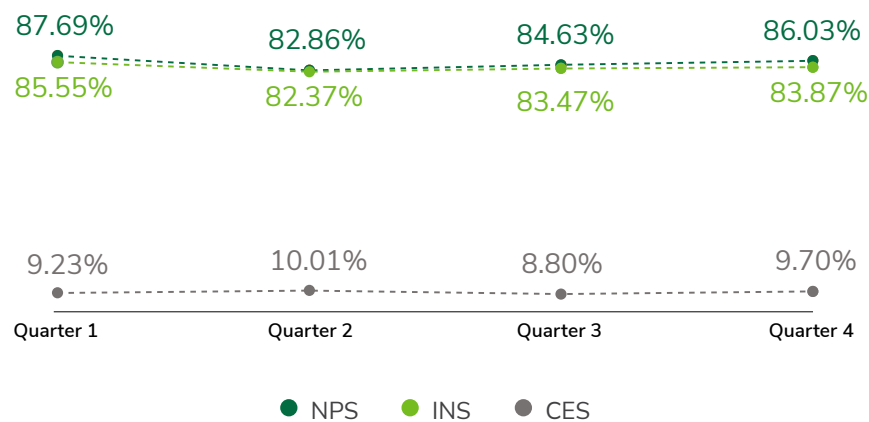
Graph 23
produbanco.com



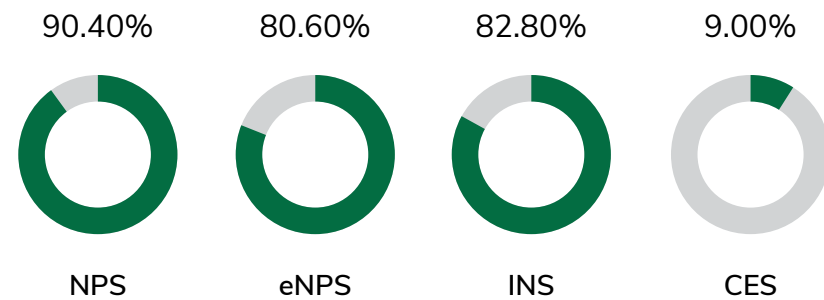
Graph 24
Contact Center



Graph 25
Claims



Graph 26
Internal Customer



Report of the Ethics Committee and Responsible Management

The administration conducted by the Ethics and Responsible Management Committee throughout 2023 is aligned with best practices whilst complying with labour regulations. This report addresses aspects related to responsible equity, diversity, inclusion, education and financial health projects, including support for the *Su Cambio por el Cambio* Foundation and the promotion of an employer brand that promotes the values, culture and job opportunities of Produbanco and its Subsidiaries.

Equity, Diversity & Inclusion

This year, the Bank conducted several academic and social programs and workshops, in which the inclusion and diversity of its employees was promoted as well as their participation in the community. Among the most outstanding are: Protagonistas; Leadership Women's Edition; Mentoring 2023 edition; the conferences Stewardship – Women Protagonists, Attitude Change, Results Change; Get Ready to Be Fit,

and the workshop, “The Business Case for Gender Equality in the Private Sector in Ecuador”. These initiatives strengthen personal and professional leadership skills. They focus on respect and collaboration among family members, whilst encouraging women's participation in the workforce, and address issues such as decision-making, business environment, sustainability, multi-generational leadership, among others.

A number of national and international organisations contributed to the implementation of the above-mentioned projects, such as the International Finance Corporation (IFC) and the IDE Business School.

On the other hand, thanks to its outstanding participation and determination, Produbanco was invited as a speaker at the All-inclusive Business Forum – DE&I Best Practices. It also had the honour of taking part in the 2023 ceremony organised by the Chamber of Industries and Production, Ministry of Labour and German Techni-

cal Cooperation (GIZ), to motivate other companies in the acquisition of the Safe Company Seal as a workplace free of violence and discrimination against women. This distinction was received by Produbanco in the first edition two years ago.

Among the projects conducted, the MasterPro Programme stands out, which is inspired by the talent of employees aged 45 and over, in order to recognise the experience, knowledge and wisdom of their generation. Several topics relevant to their growth were taught, such as: agile tools, personal branding, change management, time management, 'grow' mindset and personal leadership. Throughout the process, two MasterPros were chosen, who for 15 days conducted their work in strategic areas of the Bank and thus presented two projects of institutional interest: ABC with International Business and Increase in the Use of Digital Channels in the City of Machala, the same ones that are currently underway.

Financial Health & Education

Over the course of the year, *Mi Produ-banco* supported the construction of the wealth of 453 employees through the offer of housing, mobilisation, education and health solutions, which prioritised their financial health and boosted savings. Regarding the per capita indicator, between 2018 and 2023, the amount of credit per employee increased by 175% and deposits by 60%.

Produbanco held the first automotive and eco-sustainable fair aimed at employees at the national level, to which those of the companies that are part of the Ekopark community, where the Bank's headquarters building is located, were also invited. Among the exhibitors were companies providing sustainable mobility solutions, certified construction companies and solar panel suppliers.

In all these activities, a quality service is always promoted, which is evidenced in recommendation, satisfaction and effort indicators.

People Who Inspire Programs and Perseverance

The strategic alliance between Pro-

dubanco and the Universidad San Francisco de Quito (USFQ) generated revenue and attracted talent to the Organisation. The cognitive and practical development of the students was fostered through the People Who Inspire initiative. Within the framework of this agreement, USFQ allocates funds to scholarships for top students, and Produbanco participates in the selection of the beneficiaries, who also have the opportunity to conduct internships at the Bank and join in the future according to their performance. So far, five of the beneficiaries have already joined as employees of the Bank.

People Who Inspire have also allowed us to incorporate new non-traditional careers into hiring in banking in general, which has generated great value from diversity and has expanded the fields of work for professionals.

On the other hand, we gave continuity to the Perseverance Development for Future Leaders programme that we launched in 2022. With the aim of promoting the professional growth of our best talents, this year we present its second edition, inspired by NASA's new JUICE - Jupiter Icy Moon Explorer by Perseverance mission, which will explore the three icy moons of Jupi-

ter to study their elements in order to consider the possible development of human life in these new territories. Using this setting, we present this second phase in which 29 of our employees will participate in high-performance training: those at the strategic level will attend the Management Competencies event of the IESE Business School and the University of Navarra, and those in the tactical category will be part of the Development of Future Leaders programme at the IDE Business School and Florida International University (FIU).

Customer Culture and Experience

As for the measurement of the internal customer, which is conducted twice a year, the Net Employee Recommendation Index (eNPS) is calculated, an indicator that aims to ascertain the degree of loyalty that employees have with the brand and turn them into promoters of the Organisation, which qualifies Produbanco as a good place to work.

The eNPS result in July 2023 was 77.9%, and in the December measurement, it increased by 2.7%, reaching 80.6%. Of the total number of employees surveyed, 83.6% were promoters, 13.4% were neutral and 3.0% were detractors.

The effectiveness in the December measurement, in which 2,820 people participated, was 78.4%.

Responsible Initiatives

This year, certain activities were managed that contributed to the well-being of employees and their families, such as the 50k Marathon, which consisted of 10 5-kilometer races nationwide, and A Day at Work with Mom and Dad, which consisted of the visit of our employees' children to their parents' offices. Similarly, activities such as the holiday camp for the children of the employees, between the ages of 5 and 12, were managed; the soccer championship in which 28 men's and 14 women's teams participated, and the Getting to Know the Cotopaxi Volcano contest, which included the development of an emergency plan according to the reality of the participants' families.

This year marked the anniversary of the Sustainable Mobility Programme, thanks to which 22,314 kg of CO₂ were avoided; employees saved USD 6,647 in transportation and 94.76 km in commuting through carpooling, and 3,096 bicycle and pedestrian routes were

published. Likewise, the Pro-Estudios Becas Produbanco – USFQ project was managed, through which both institutions awarded four half-scholarships for undergraduate studies to children of employees who will attend their first year of college.

In addition, as part of the Wellness proposal, the campaign “We turn off the elevator, we turn on your heart” was executed, which impacted 2,200 people who work in the Bank's largest buildings. This is also how the Heart Fair was organised to promote a space of care and health for employees. In addition, the walking challenge was promoted, in which 3,214,518 steps were taken by 40 different teams. Finally, food was donated to the *Su Cambio por el Cambio* Foundation (Your Change for Change Foundation) for each healthy habit achieved by Betterfly users; a total of 2,045 plates of food were donated to the social cause.

In November 2023, the Bank received the Healthy Company distinction in the Large Company category of the Prevention Awards, for its contribution to improving the health, safety and well-being of its employees in a significant and comprehensive manner. This award is organised by the SEK Inter-

national University of Ecuador (UISEK) and the Institute of Occupational Safety and Welfare of Spain (ISBL).

Fundación Su Cambio por el Cambio

The Social Project *Su Cambio por el Cambio* (Your Change for Change) served 183 children and adolescents from 6 to 18 years of age, with daily food and regular education from the second grade of Elementary School through the second grade of Middle School.

In 2023, it was authorised to develop the Unified Technical General Baccalaureate programme, in trade workshops (carpentry, hospitality, fabric cutting and sewing). For the 2023-2024 school year, it has 13 students in the freshman year of High School and 5 in the sophomore year of High School.

Thanks to the alliance with the Alfalit Foundation, we have teaching materials, texts, workbooks and training for teachers, to overcome the school lag in reading, writing and mathematics of our beneficiaries.

The sewing, carpentry and bakery

workshops were operational, conducting initiatives for both self-consumption and self-management of our project. In addition, in 2023, the uniforms were delivered to the workers of our two projects and the development of an initiative with INDUCALSA (Bunky) was initiated, to produce a new line of sports shoes (textile) for the brand. The point of sale of baked bread, which is operating three times a week in Carollo Park, opened its doors to the public. Towards the end of September, the Products with a Social Footprint initiative was launched, which included the lemon and oatmeal cookies produced at the bakery workshop.

At the San Simón de Guaranda Social Training and Community Development Project, 70 older adults and 75 children and adolescents in highly vulnerable situations were assisted. Daily food was provided, along with health care, physical and emotional rehabilitation on a weekly basis for the elderly, and accompaniment in the performance of tasks and work for children.

Within agricultural productive activities, 1,000 kilos of white cabbage, 200 kilos of Chinese turnip, 300 kilos of beets and 100 kilos of turnips were delivered to Corporación Favorita. It is

important to mention that all crops are certified by AGROCALIDAD.

Ethics Line

The whistleblowing channel operated normally during 2023. It should be noted that 72% of the complaints entered in accordance with the provisions of the Open Door Policy, which ratifies the signs of confidence with respect to the Ethics Line. This allows for a more direct and timely management in the resolution of cases, as well as the collection of relevant information that contributes to group decision-making and solutions. This year, 3 cases of internal fraud were reported.

We registered 40 cases solved in the first instance, with the participation of the members of the Ethics Line Commission. The average resolution time was 9 days per case. Among the relevant actions taken to solve them are the following:

- Meeting and follow-up with department leaders to reinforce leadership styles and feedback to the team.
- Feedback to headquarters and definition of comprehensive development plans.

- Compliance with policies and procedures.
- Employee disengagement.
- Work environment studies, dissemination of results and formulation of improvement plans.

Kind regards,



Diego Mosquera Pesantes
Chair of the Ethics and
Responsible Management Committee

Report of the Sustainability Committee

The Sustainability Committee presents its 2023 annual activity report, highlighting the following actions:

- **Continuous process of improvement as a Certified B Corporation.** Produbanco is the first private bank in Latin America to be certified as a B Corporation. It stands out for its continuous commitment to improvement, guided by performance standards and a purpose-driven culture. During the year, it strengthened its Environmental and Social Management System with policies, tools, programmes and action plans to manage impacts and risks. Likewise, it implemented the Anti-Bribery Management System in its contracting and purchasing process.
- **Principles for Responsible Banking (PRB).** PRBs are aligned with our strategic axes. Principles 1 and 2 use tools to assess portfolio impacts on environmental, social and governance (ESG) factors. Principle 3 focuses on customers and

users, in line with the Green Lines Programme and training programs. Principle 4 focuses on consultation and collaboration with stakeholders; Principle 5, on the governance structure for better allocation of roles and responsibilities, and finally Principle 6, on Transparency, which is reflected in public reporting and accountability.

- **Sectoral strategies to achieve SMART³ objectives of the PRBs.** The priority impact areas are resource efficiency and climate. Our Green Lines Programme focuses primarily on the agriculture and manufacturing sectors. Regarding the second climate-related goal, the Net-Zero Banking Alliance Roadmap was defined, to meet the Bank's emissions reduction targets for 2030 and 2050.
- **Participation in the update of the PRBs.** In 2023, Produbanco

³ SMART: Specific, Measurable, Achievable, Realistic, and Time-bound.

was chosen from among 27 banks worldwide to be part of the core group that develops the new roadmap for banking.

- **Update of strategic sustainability axes.** Four sustainability axes were defined, aligned with acquired commitments and global standards: Sustainable DNA, Internal ESG commitment, Risk management: Environmental, social and climate risk management of the operation and portfolio; Value for our clients: Sustainable accompaniment to our clients, and Building Community: Promotion of the development of a sustainable ecosystem in the country.
- **Environmental and Social Management System.** This system has been strengthened, with its policies, tools, products and actions, which allow for the management of significant impacts and risks.

- **Carbon Footprint Reduction Plan aligned with the Net Zero Banking Alliance.** To address the Bank's operational emissions, a reduction target of 46.2% was set for scopes 1 and 2, and 45.5% for scope 3. This plan incorporates eight key strategies, among which the following stand out: employee mobilisation, energy efficiency and waste management.
- **Recognition Programme.** The *Gente PRO* (PRO People) programme was launched to connect employees with the organisational purpose and facilitate their growth and development. It includes related aspects such as the recognition of the Champions Sustainability team and volunteering initiatives.
- **Update of the Environmental and Social Risk Analysis System.** The policy, manual, methodology, scope of transactions that comply with an analysis under the IFC Performance Standards, and the exclusion list were updated to have a more effective environmental and social analysis.
- **Georeferencing of the E&S Environmental and Social Portfolio.** An internally developed tool was implemented to geolocate customer

facilities. This project aims to determine the physical and climate risks associated with geographic locations to improve analyses and align with initiatives such as the Task Force on Climate Related Financial Disclosures (TCFD).

- **Physical and Climate Risk Analysis.** The georeferencing analysis tool has incorporated new layers of physical and climatic risk analysis, which process information on guarantees and production establishments. Two analyses have been conducted, in which the possible effects of the El Niño phenomenon and the risk of eruption of the Cotopaxi volcano are evaluated.
- **Green Lines Programme and Sustainable Portfolio.** We have gone from a Green Lines Programme to having a Sustainable Portfolio, adding seven categories aligned with the SDGs. Produbanco reached disbursements of USD 689 million in more than 698 projects in various regions. In terms of the sustainable construction strategy with 13 EDGE-certified projects, we totalled USD 85.5 million in the green portfolio at the end of 2023.
- **SME Community.** Produbanco

maintains an SME Community with its customers with the aim of generating a non-financial offering in which the Bank is an integral ally. One of these offers is technical assistance for the strengthening of SMEs which provides them with efficient support on their path to sustainability. Technical advisors are certified in the United Nations Development Programme (UNDP) Growing with Your Business methodology. As of November 2023, 12 companies have been serviced.

- **Green Talks.** In 2023, 300 clients from sectors such as flower production, fisheries, construction, livestock and food and the beverage manufacturing industry, participated in these sustainability-related spaces.
- **Technical Assistance in Blue Finance.** In collaboration with the IFC, Produbanco conducted a series of trainings on blue finance applied to wastewater treatment plants and small fish farmers. Around 80 employees from the business segment were trained. In addition, a pilot project with two SME aquaculture clients in the province of El Oro received the Aquaculture Stewardship Council (ASC) certification.

- **Sustainable Portfolio for individuals.** Produbanco offers a range of sustainable financial products. The Green Mortgage incorporates benefits for individuals and builders. The demand for these credits shows a growth in the local industry. Automotriz Verde's product rewards customers with a capital repayment bonus and offers preferential rates in partnership with allied brands. This funding is up 98% from 2022. Also, the Green Conscience account or investment products, which contribute to financing sustainable projects at no additional cost to the client, experienced notable growth with 72,405 accounts and a balance of more than \$40 million.
- **First Sustainable Bond Report.** In 2023, Produbanco launched its first annual report on the Sustainable Bond issued in 2022. The report, verified by Pacific Corporate Sustainability (PCS), highlights the Sustainable Bond framework, the use of resources and the impact of financed projects.
- **Implementation of an Anti-Bribery Management System in accordance with the ISO 37001 standard.** This allows the management

of corruption risks focused on the contracting and purchasing process. To this end, manuals were developed and adjusted, and a dissemination plan was established that includes a whistleblowing channel that guarantees anonymity, transparency and communication with stakeholders.

- **Aprende (Learn) Financial Education Programme.** Which has grown continuously and benefited over 12,890 people in 2023; it encompasses clients, employees, the community and beneficiaries of the Conserving Our Water Sources: The Páramos (Moorlands) of Ecuador programme and a comprehensive programme in schools.
- **Conserving Our Water Sources Initiative: The Páramos of Ecuador – Supports conservation agreements through economic incentives to communities.** The partnership with Conservation International has been key to achieving important milestones, including the publication of the National Action Plan for the Conservation, Restoration and Sustainable Use of the Páramos, in support of MAATE, the printing and digital publication of the book The

Páramos of Ecuador: Past, Present and Future.

- **Volunteering.** Employees participated in the reforestation of endemic plants in the páramos of Quito and contributed to the clean-up of Santay Island in Guayaquil, as part of Promericanos Volunteering. Through the Learn Financial Education Programme, schools were supported in the structuring of sustainable businesses.
- **Signatory of the Task Force on Climate-Related Financial Disclosures (TCFD).** In June 2022, Produbanco signed as a signatory to the TCFD and is currently working on the strategy. The first report was published in 2023, in the 2022 Sustainability and Social Responsibility Report.
- **Signing of the Sustainable Finance Protocol 2.0.** Produbanco participated in the renewal of the private banking sector's commitment to address climate change, reduce social inequalities and face new challenges in terms of inclusive development in Ecuador.

Acknowledgments received

- **Impact Assessment B.** Produbanco maintains its certification as a B Corporation. It incorporates improvements according to its performance standards reflected in the rating of its platform.
- **Renewal of the Carbon Neutrality Certification.** Produbanco successfully renewed its Carbon Neutrality Certification for the 2022 footprint for the fourth consecutive year of measurement. After Bureau Veritas' audit, goals and actions of the Emissions Reduction Plan were confirmed, highlighting the commitment to mitigate climate change and generate a positive environmental impact.
- **Global Finance Awards.** Produbanco was distinguished in the Sustainable Finance Awards category of the 2023 Country and Territory Award, which recognises global and regional leadership in sustainable finance, and highlights financial institutions that promote the financing of initiatives for a more sustainable future.
- **Best Financial Institution for Women Entrepreneurs.** Honourable

Mention awarded by the SME Finance Forum in September 2023.

- **Socially Responsible Company Distinction.** For the third consecutive year, Produbanco received the Socially Responsible Company distinction from CEMEFI in Mexico, awarded in Ecuador by CERES. This recognition highlights the Bank's commitment to corporate social responsibility and sustainable development, in areas such as business ethics, quality of life in the company, community ties, environment and social responsibility management.
- **Recognition as Allies for Collective Transformation.** Produbanco received recognition as Allies for Collective Transformation from the SPPACT (Partnerships for Collaboration and Social Transformation), USAID (United States Agency for International Development) and the Sistema B Initiative.
- **Recognition of Best Practices in Sustainable Development.** The Global Compact recognised Produbanco for its outstanding practices that contribute to the advancement of the Sustainable Development Goals in Ecuador. Recognitions were

received in SDG 5 for the Protagonists Programme, and in SDG 13 for the management of the carbon footprint towards achieving net-zero emissions by 2050.

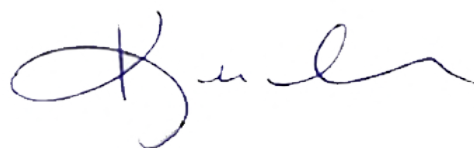
- **IFC Certificate.** The International Finance Corporation presented Produbanco with a certificate in recognition of its leadership in financing the fight against climate change in the region. This recognition was given in the category of highest percentage of climate loans disbursed versus the commitment target for fiscal year 2023. The percentage was 494%.
- **SACHA Awards.** It is an initiative that recognises organisations that contribute to positive climate action and their dedication to building a more conscious and sustainable society.

Social Investment 2022

Below are the figures for social and commercial investments made in 2023 in terms of sustainability:

Comprehensive Education and Community Development	473,334	
Your Change for Change Foundation	465,334	<i>Social Support</i>
United for Education	8,000	<i>Community Investment</i>
Water & Moorlands	224,775	
Páramo Conservation Programme	200,000	<i>Community Investment</i>
Conservation International	15,000	<i>Community Investment</i>
Páramos Initiative	5,775	<i>Community Investment</i>
Water Security Coalition	4,000	<i>Community Investment</i>
Sustainability	119,078	
B Corp	47,500	
Carbon and Water Footprint Management / Carbon Certification	25,729	
Partnerships (Global Compact, UNEP FI, CERES, PUCE)	16,056	
Commercial Initiative Role-Players	28,644	<i>Business Initiative</i>
ESR Recognition	1,150	<i>Business Initiative</i>
Commercial Sponsorships	31,800	
Forbes Summit Sustainability: progress in the country on the development of climate change	12,000	<i>Business Initiative</i>
Ecuador's First Sustainable Finance Forum	12,000	<i>Business Initiative</i>
CEES Sustainability in Construction	5,000	<i>Business Initiative</i>
Other	2,800	<i>Business Initiative</i>

Other Social Sponsorships	70,490	
Fudrine (cerebral palsy)	24,000	Social Support
El Apuntador Foundation	18,000	Social Support
Atucucho (medical dispensary)	14,400	Social Support
Christmas 2023	5,000	Social Support
San Juan de Dios Shelter	3,014	Social Support
Resurgere Foundation	1,500	Social Support
Miscellaneous	2,744	Social Support
Other Sponsorships	1,832	Social Support
Learn Financial Education Programme	98,748	Community Investment
Sustainability and Social Responsibility Report	10,985	Business Initiative
Volunteering	15,463	Community Investment
Total Investment 2023	1,044,674	



Karla Icaza
Chair of the Sustainability Committee

TCFD Report

2023 Period

1. Introduction

In April 2015, G20 finance ministers and central bank governors asked the Financial Stability Board (FSB) to review how the financial sector could address climate change issues. In response to this request, the FSB created the International Task Force on Climate-related Financial Disclosures (TCFD), which in 2017, published its recommendations and disclosure framework.

The TCFD's recommendations emphasise prospective assessments under science-based scenarios. Climate risk becomes a threat to financial stability when it significantly affects the payment capacity and solvency of their customers, and therefore the portfolios of financial institutions. That is why, through the recommendations of the TCFD, it seeks to promote the identification and management of the risks and opportunities of the financial sector in the face of climate change.

According to IDB Invest, the financial

risks generated by climate change have certain distinctive elements, such as the uncertainty associated with the scope, breadth and magnitude of their impacts, the long-time horizons in which they operate, and their dependence on short-term actions. Transitional, and/or physical climate risks can translate into impacts on the performance of economies and the stability of a country's financial system.

2. Commitments & Partnerships

Partnering with relevant stakeholders helps the Bank reduce negative impacts and amplify positive impacts. In this manner, we promote the implementation of the ten ethical principles promoted by the United Nations Global Compact, the Principles for Responsible Banking, the actions to meet the objectives of the Net Zero Banking Alliance and the guidelines of good practices of B Corporations, whose commitments and progress are mentioned in the Re-

port of the Sustainability Committee in this document.

Likewise, Produbanco works with public and private sector actors to promote joint initiatives that lead to the establishment of social and environmental standards at the local level; it also actively participates in panel discussions and other dialogue forums specialising in sustainable issues.

3. Governance

Produbanco has a governance model that integrates the issue of Climate Change at the highest levels of decision-making. Our approach to environmental matters is based on the prevention of risks, both inherent to the business in terms of the activities that the Clients conduct with the financing, and those arising from the institutional operation.

Produbanco will continue to strengthen its regional leadership in environmental

and social sustainability to contribute to the business, the environment and society. Therefore, on March 25, 2021, the Shareholders' Meeting approved an amendment to the Bank's Articles of Association in order to introduce the best environmental practices related to Produbanco and its stakeholders: all this without limiting the attributions of the legal representative and the motivation or support to exercise them, and without implying the creation of special rights for third parties. Therefore, this Bylaw governs the rights and obligations of the Shareholders and the legal representative within the Bank and their actions towards third parties, but without opening the possibility of any type of enforceability from third parties to the shareholders, the legal representative or the Bank, other than those established in the Law. Therefore, the Bank, in compliance with its corporate purpose and as a guiding principle of its activity, must seek a positive material impact on society and the environment, considered as a whole; this will be evaluated taking into consideration the standards of an independent third party specialised in the matter.

Along with this amendment to the by-laws, the Sustainability Committee was created with the approval of the Shareholders' Meeting, thus expanding its

agenda to the various aspects and procedures conducted by the Bank in its role of responsible banking. In addition, against the background of the amendment to the Bank's Bylaws, other lower-ranking internal rules were adapted. In particular, the Corporate Governance Code and the Committee and Commission Policy, were adapted.

Another of its actions was to create the Sustainability Policy and a Climate Change Policy, in which the strategic sustainability axes, the transparency policy and the indicators were updated, in addition, considering the new climate change policies contemplated in the operation of Produbanco and subsidiaries in such a way that it approaches the management of climate risks from the perspective of the direct impacts on its operation as a company, but also indirect ones, through the management of its portfolio.

In 2023, the policy, manuals, methodology, and scope of transactions analysed under the IFC Performance Standards and the exclusion list, were updated. Similarly, the 8 fundamental conventions of the International Labour Organisation were included in the Environmental and Social Risk Analysis System (SARAS), and an internal procedure was established between the

E&S risk department and the Comprehensive Environmental and Social Risk department to manage the follow-up and action plan of the identified clients.

We also have a General Environmental and Social Risk Policy, approved on November 24, 2021, whose objective is to promote compliance with the strategic objectives defined by the Bank through the implementation of responsible and sustainable good practices that contribute to institutional decision-making, as well as to implement a Comprehensive Environmental and Social Risk System applied transversally in Produbanco and its Subsidiaries to identify, measure, control/mitigate, monitor and report potential environmental and social risks and negative impacts arising from the operation of the Institution.

To fulfil our purpose as agents of change for sustainable development, 4 sustainability axes were defined, aligned with acquired commitments and global standards:

- **"Sustainable DNA":** internal ESG commitment;
- **"Risk management"** means environmental, social and climate risk management of the operation and its portfolio;

- **“Value for our customers”:** Sustainable support for our customers;
- **“Building Community”:** Promotion of the development of a sustainable ecosystem in the country.

We also have a dedicated sustainability team, called Sustainability Champions, which is a cross-functional team of employees who interact transversally between the different units of the bank, with the aim of implementing the organisation’s sustainability plan, which includes climate change actions.

It also has a Transparency Policy, which is committed to disseminating relevant and truthful financial and non-financial information on the economic, social, and environmental performance of the activities of Produbanco and Subsidiaries through its transparency reports based on the standards and clauses of contracts with multilaterals: GRI, SABS, Dow Jones Sustainability Index, PRB, TCFD, CDP, SDGS, IFRS 1, 2 and B Corp Standards.

On the other hand, the Climate Change Policy covers the operation of Produbanco and its Subsidiaries in such a way that Produbanco addresses the management of direct climate risks



of its operation, but also indirect risks through its portfolio management. Climate risk is understood as the probability of the occurrence of climatic events that may cause adverse impacts on the operation or financial situation of the Bank's customers.

These policies were approved by the Board of Directors on June 29, 2021 and are monitored through the Sustainability Committee, which bimonthly presents the actions and results of the Strategic Sustainability Plan and discusses any opportunities for improvement that may arise.

To assess, supervise and control the risks and opportunities of climate change, Produbanco has two Committees that deal with the issues of risks and opportunities of climate change.

The Sustainability Committee meets bimonthly and is made up of two members of the Board of Directors, the Legal Representative, eight members of management, the Sustainability and Social Responsibility Advisor and the bank's sustainability champions, as needed. The purpose of this committee is to:

- Assist the Board of Directors in the supervision of the sustainability

strategy and initiatives related to the Sustainable Banking Programme with respect to governance, labour standards, resource eco-efficiency, SARAS (Environmental and Social Risk Analysis System) and impact measurement, Green Lines Programme and supply chain management.

- Review policies and programs for sustainability, climate change, human rights, and other material aspects of ESG (environmental, social, and corporate governance) with stakeholders.
- Monitor the implementation of the Principles for Responsible Banking, Net Zero Banking Alliance, B Corp Standards and other sustainability commitments made by the Bank.
- Analyse and follow up on the strategies and technical assistance received to enhance sustainability initiatives, as well as financial solutions to allocate the resources obtained from DFIs (Development Finance Institutions), as well as liaise with own or regulatory committees as needed.
- Monitor compliance with the Social Responsibility plan, volunteering,

financial education and activities with employees and prepare an annual report on accountability on management, and make it known to the Board of Directors and the general public through its website.

There is also a Comprehensive Risk Management Committee whose purpose is to design and propose policies, systems, methodologies, models and procedures for efficient and comprehensive risk management. This committee meets monthly and is made up of 2 members of the Board of Directors, Legal Representative and 13 members of the Administration.

For Produbanco, it is important to stay up-to-date on the risks and opportunities of climate change, which is why, in September 2023, a training session was held for the members of the Board of Directors on ESG Trends-Climate Risks. It is worth mentioning that 2 of the directors are members of the Sustainability Committee and two other directors participate as members of the Comprehensive Risk Management Committee. Likewise, our members of the Board of Directors and committees are advised by our employees who are experts in these matters at the time it is necessary or required.

In 2023, 21 employees between the SME and Credit segment were accredited by the United Nations Development Programme (UNDP) as technicians in the “Growing with your Business” methodology, training in the environmental and social sustainability component with a focus on climate change. In addition, since August, a technical assistance Programme for SME clients with a focus on sustainability was initiated, where commercial advisors were specialised to deliver a non-financial value offering and increase financing opportunities in Green Lines.

In addition, Produbanco has the GentePro Recognition Programme for employees, whose objective is to connect people with the Organisation’s values, such as sustainability, in their day-to-day work. The Programme includes the Sustainability Champions, as the aim is to recognise the people who meet the sustainability objectives as well as the executives of each bank who have contributed the most to the generation of green lines, not to mention the participants of some initiatives related to environmental and social issues fostered by the Bank as volunteers. These recognitions are made through the Motivly plat-

form and in prominent cases allow you to earn points that can be redeemed in commercial establishments locally.

4. Strategy

Produbanco is working to identify the current and potential impacts of climate risks and opportunities. Presently, Produbanco has a georeferencing tool that allows it to identify the physical risks to which a portion of its portfolio of companies is exposed. The clients currently mapped, through this tool, are those that, based on the SARAS, are classified as EDD (Extended Due Diligence) due to their exposure and activity. Initially, natural physical hazards such as earthquakes, volcanic eruptions and seasonal floods have been included in this analysis.

The environmental and social risks sub-department of the Credit and Collections unit is in the process of integrating information related to climate change and its projections into the tool. This is done through the incorporation of information from the System of Information, Projections, Risk and Adaptation to Climate Change (SPRACC)

developed by the Ministry of Environment, Water and Ecological Transition (MAATE).

On the other hand, as part of its commitment as a founding signatory of the “Net Zero Banking Alliance”, Produbanco has estimated its decarbonisation goals for 2030 and 2050 for 5 prioritised sectors based on carbon monetary intensity targets (i.e. GHGs issued for deflated revenues). These 5 sectors are:

- Agriculture, livestock, hunting and others
- Fisheries and aquaculture
- Power supply
- Activities in support of oil exploitation
- Processing of foodstuffs

This information was published in October 2022, on Produbanco’s website at the following link: [Compromisos y Aliados - Produbanco \(Commitments and Allies\)](#).

In 2022, these 5 sectors accounted for 60% of the scope 1 and 2 issuances of Produbanco’s productive credit portfolio, representing the issuance of 322 thousand tCO₂e⁴.

⁴ The quantification of the carbon footprint of Produbanco’s customers corresponds to the calculation of scope 1 and 2 emissions. The calculation and emission factors are used from the PCAF Global methodology.

This has been the result of the work conducted in 2022, with Base Consulting consultants with the aim of aligning with the requirements of the Net Zero Banking Alliance. In this consultancy, the decarbonisation goals were defined and a roadmap was also developed to enable them to be met. In addition, topics of opportunities and risks related to climate change were included.

The decarbonisation targets of the 5 prioritised sectors were built based on the Guide for the Definition of Climate Objectives prepared by the United Nations Environment Programme Finance Initiative (UNEPFI), the national context and available scientific resources based on a global warming scenario of no more than 1.5°C. These targets were based on 3 main climate scenarios: Ecuador's conditional NDC, IPCC and IEA scenarios.

In addition, Produbanco is committed to periodically reviewing its goals and objectives, which is why it is presently working to incorporate decarbonisation goals in other sectors.

Through the quantification of the Carbon Footprint in its scope 1, 2 and 3, we obtained the Carbon Neutrality certification, a process verified according to the requirements of ISO 14064-1

/14064-3 and the GHG Protocol. In addition, in line with NZBA's commitment, Produbanco has defined its emission reduction goals in accordance with the Science Based Targets, setting an Organisational Carbon Footprint Reduction Plan for 2030.

The establishment of decarbonisation objectives constitutes an opportunity to accompany the Bank's clients on their path to sustainability and the decarbonisation of their productive activities through green credits. By 2023, loans have been granted to 196 clients for their investments in green/sustainable and climate change mitigation projects, which represents a portfolio balance of USD 275.45 MM. By 2023, 698 green line credits have been placed, representing a total disbursement of USD 689.41 MM.

During 2023, Produbanco has received new financing from multilaterals and DFIs whose destination has been related to climate issues in the order of US\$32MM, within a total of US\$154MM directed to the placement of a sustainable portfolio.

The terms and conditions of the operations have been framed in the market situation; however, Produbanco's negotiation capacity related to its com-

mitment to sustainability has allowed it to achieve improved conditions.

Likewise, it is important to mention that finance planning is conducted annually according to the situation of the country's economy and the existing opportunities in the market in such a way as to be tied to the Bank's budget. For example, this year, Produbanco obtained technical assistance from the International Finance Corporation (IFC) in blue finance with the aim of understanding the blue economy to promote sustainable products.

During this assistance, commercial advisors from the SME, Business and Corporate segment, SME and business credit, finance and marketing, were trained. In addition, we closed financing contracts whose destination is related to climate issues, which is how on March 27, 2023, a contract was signed with JICA (Japan International Cooperation Agency), which is the DFI of Japan. The operation of this entity is the first directed to a private Ecuadorian financial institution and the second in Latin America.

Climate scenarios are a requirement of the TCFD and a tool that allows banks to carry out an analysis of the possible transition and physical risks that cli-

mate change poses to their portfolios, which can be transformed into financial risks. These are based on a set of assumptions and variables applicable worldwide, such as: government policies around the energy system, economic and demographic growth and social factors regarding climate change, as well as possible energy prices and national and international sustainability commitments. These scenarios play an important role in the bank's planning exercises, and drive decision-making in business strategy and risk management.

Presently, Produbanco is in the process of establishing the scenarios that will be adopted for the climate risk analysis. These scenarios should present different scenarios according to the possible results of the applicable policies, taking into consideration that there are three types of scenarios:

- Strict scenarios that assume the early introduction of climate policies that gradually become stricter. Transition risks are high.
- Moderate scenarios explore moderate transition risks due to policy delays or divergence across countries and sectors (NDCs).

- “Hot world” scenarios assume that some climate policies are implemented in some jurisdictions, but global efforts are insufficient to stop climate change. The scenarios give rise to serious physical risks that include irreversible impacts, such as sea level rise.

Once the scenarios are established, Produbanco will seek to consider transition and physical risks in the short, medium and long term in its analysis.

5. Risk Management

Produbanco identifies, evaluates and manages risks related to Climate Change. To this end, the Environmental and Social Risks subdepartment of the Credit and Collections unit has developed a georeferencing tool that in the future seeks to include information on physical risks related to climate change or its projections in the decision-making process for granting credit at the local level.

This internally developed tool for geolocating client facilities aims to determine the physical and climate risks associated with geographic locations to improve analysis and align with initiatives such as the Task Force on Climate

Related Financial Disclosures (TCFD).

The georeferencing analysis tool has incorporated new layers of analysis, physical and climatic risks, processing information on guarantees and productive establishments. Two analyses have been conducted evaluating the effects of the “El Niño Phenomenon” and the risk of eruption of the Cotopaxi volcano.

Likewise, the environmental and social risk matrix is in the process of being formalised with the objective of implementing it as a tool for identifying and analysing potential risks that may generate relevant impacts on the operation of the Institution in the event that they materialise and, in this manner, be able to determine action plans and strategies that contribute to the mitigation of the potential risks identified.

At the moment, there are neither established procedures for the identification and evaluation of climate risks, nor has the level of residual risk been established as acceptable for identified climate change risks with a material impact.

6. Indicators and Metrics

The carbon footprint of an organisation refers to the total greenhouse gas

(GHG) emissions that are emitted directly or indirectly by it.

GHG emissions can be generated at various points in an organisation's value chain, and, according to the GHG Protocol Corporate Accounting and Reporting Standard, these can be direct or indirect emissions. Direct emissions are characterised by coming from controlled sources or the organisation's own; whilst indirect emissions are emissions that are a consequence of the organisation's operations but that are not controlled or owned. This is why 3 scopes have been defined:

- **Scope 1:** They are direct GHG emissions, generally stemming from combustion in boilers, ovens, and vehicles, among others.
- **Scope 2:** They are indirect GHG emissions associated with the generation of electricity that is consumed by the organisation.
- **Scope 3:** They are other indirect emissions that can be generated upstream or downstream of the organisation's operation. In the case of financial institutions, the most relevant are the emissions resulting

from financing, which on average could be 700 times greater than their direct emissions.

Produbanco developed its Eco-efficiency and Resource Use Program: a fundamental part of this program is the Corporate Carbon Footprint that Produbanco has measured and certified since 2019 based on ISO14064-1 and the GHG Protocol, and both of which allowed determining the reduction potential of carbon emissions as well as the prioritisation of actions for its management and those responsible, which are actions executed in tandem with the best practices that Produbanco has already incorporated into its operation. The results obtained in 2022 were:

Emission Type	Activity	Consumption	Measure	tCO ₂ e emissions	tCO ₂ e per employee	Participation	Annual 2021-2022	Base year variant
Direct	Fuels	15,196.6		141.67	0.059	2.90%	0.37%	15.33%
	Diesel in generators	1,382.20	gl	13.77	0.005	0.28%		
	Gasoline mobilisation of own vehicles	10,909.11	gl	97.89	0.037	2.00%		
	Diesel mobilisation of own vehicles	2,905.30	gl	30.01	0.011	0.61%		
	Refrigerants	337.00		294.72	0.111	6.02%	106.10%	28.66%
	R-410	337.00	lb	294.72	0.111	6.02%		
	Fire	2,448.00		2.45	0.001	0.05%	36.00%	155.00%
	Recharging CO ₂ extinguishers	2,448.00	lb	2.45	0.001	0.05%		
	Total Direct Emissions (Scope 1)			438.84	0.16	8.97%	53.47%	24.36%
Indirect	Electric power	6,812,931.85		1,181.31	0.443	24.14%	27.81%	-8.56%
	Electrical energy consumption at service points	6,529,353.75	Kw/h	1,132.14	0.425	23.14%		
	Electrical energy consumption at ATMs	283,578.10	Kw/h	49.17	0.018	1.00%		
		6,812,931.85	Kw/h					
		24,526.56	Gj					
	Indirect Emissions (Scope 2)			1,181.31	0.44	24.14%	27.81%	-8.56%
	Losses due to transportation and	652,999.08	Kw/h	113.23	0.04	2.31%	23.03%	-14.50%

Emission Type	Activity	Consumption	Measure	tCO ₂ e emissions	tCO ₂ e per employee	Participation	Annual 2021-2022	Base year variant
Indirect	Mobilisation	11,312,301.94		1,816.05	0.681	37.12%	8.55%	-42.38%
	Gasoline business trips by taxi	483,675.24	km	108.58	0.041	2.22%		
	Diesel business trips by taxi	66,701.17	km	16.90	0.006	0.35%		
	Gasoline interprovince land trips	367,847.12	km	82.58	0.031	1.69%		
	Diesel interprovince land trips	50,727.88	km	12.86	0.005	0.26%		
	Gasoline mobilisation of employees own vehicle (commuting)	5,071,503.77	km	1,138.50	0.427	23.27%		
	Diesel mobilisation of employees own vehicle (home-work-home)	699,385.03	km	177.25	0.066	3.62%		
	Diesel mobilisation of bus employees (commuting)	3,742,945.44	km	94.29	0.035	1.93%		
	Diesel mobilisation of shared van employees (commuting)	743,355.57	km	11.77	0.004	0.24%		
	Gasoline mobilisation of employees on shared motorcycle (commuting)	86,160.72	km	11.15	0.004	0.23%		
	Air Transport	1,728.00	pasajeros	162.16	0.061	3.31%		
	Transport of valuables	901,813.76		165.17	0.062	3.38%	21.43%	10.76%
	Diesel stock transport	901,813.76	km	165.17	0.062	3.38%		
	Messenger service	763,011.69		122.84	0.046	2.51%	52.13%	-31.72%
	Diesel courier							
	Internal courier gasoline	729,598.50	km	80.70	0.030	1.65%		
	Gasoline interprovincial courier	33,413.19	tkm	42.14	0.016	0.86%		

Emission Type	Activity	Consumption	Measure	tCO ₂ e emissions	tCO ₂ e per employee	Participation	Annual 2021-2022	Base year variant
Indirect	Waste	128,238.37		134.17	0.050	2.74%	58.05%	32.66%
	Common Waste	127,307.70	kg	134.03	0.050	2.74%		
	Clinical waste incineration	930.67	kg	0.14	0.000	0.00%		
	Lodging	2,658.00		36.68	0.014	0.75%	-11.37%	12.47%
	Lodging	2,658.00	# noches	36.68	0.014	0.75%		
	Telecommuting	456,212.51		79.10	0.030	1.62%	32.67%	-32.81%
	Electrical energy consumption for teleworking	456,212.51	Kw/h	79.10	0.030	1.62%		
	Acquisition of goods and supplies	100,530.30		805.38	0.030	16.46%	144.58%	144.58%
	Gasoline transport paper	9,773.16	tkm	8.41	0.003	0.17%		
	Diesel transport paper	13,955.29	tkm	1.29	0.000	0.03%		
	Paper consumption	76,579.85	kg	70.41	0.026	1.44%		
	ATM acquisition	222.00	# ATMs	725.27	n/a	14.82%		
	Indirect Emissions (Scope 3)			3,272.61	0.96	66.89%	31.06%	-11.89%
Total Emissions				4,892.77	1.56	100.00%		

The emission sources with the greatest contribution are: employee mobility, electricity consumption, flights and taxis for business trips.

Scope	Source flow	2019	2020	2021	2022	Annual variant	Base year variant
1	Refrigerants	4.3%	8.3%	3.9%	6.0%	106.1%	28.7%
1	Own vehicles	2.1%	3.3%	3.5%	2.6%	-1.4%	15.0%
1	Diesel in generators	0.2%	0.4%	0.3%	0.3%	12.5%	18.6%
1	CO ₂ extinguishers	0.0%	0.1%	0.1%	0.1%	37.5%	155.0%
2	Electricity facilities and ATM	24.1%	31.5%	24.9%	24.1%	27.4%	-8.6%
2	Mobilisation of employees	49.5%	34.9%	40.3%	29.3%	-4.4%	-45.9%
3	Business flights	4.8%	0.9%	0.9%	3.3%	399.7%	-36.5%
3	Taxis	4.6%	3.5%	2.9%	2.6%	15.0%	-48.9%
3	Telecommuting		3.7%	1.60%	1.62%	32.7%	N/A
3	Hotel accommodation for business trips		1.0%	1.1%	0.8%	-10.9%	N/A
3	Land travel (long distance)		0.6%	0.9%	2.0%	191.1%	N/A
3	Paper transport			1.0%	0.2%	-73.1%	N/A
3	Losses due to transportation and distribution of electricity	2.5%	3.2%	2.5%	2.3%	22.7%	-14.5%
3	Messenger service	3.4%	2.4%	1.8%	1.7%	18.3%	-55.1%
3	Transport of valuables	2.8%	4.1%	3.7%	3.4%	21.4%	10.8%
3	Common waste	1.9%	2.2%	2.3%	2.7%	58.2%	32.5%
3	Clinical waste	0.0%	0.0%	0.0%	0.0%	-15.5%	1251.9%
3	Interprovince messaging			0.3%	0.9%	238.0%	N/A
3	Paper consumption			2.0%	1.4%	-4.6%	N/A
3	ATMs acquisition			6.1%	14.8%	221.7%	N/A
		100.0%	100.0%	100.0%	100.0%		

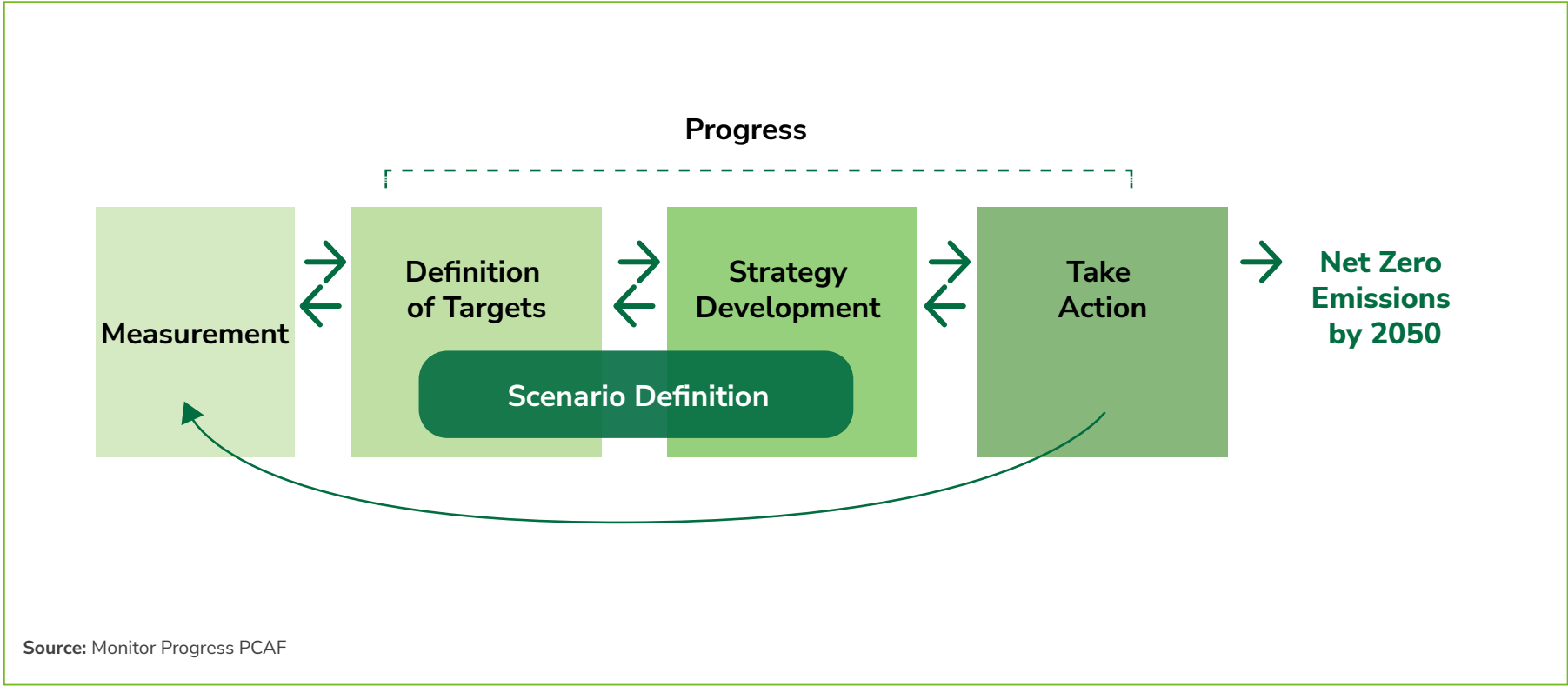
Note: The data corresponding to the 2023 period will be verified by an external party in June 2024.

Thanks to the development of its Eco-efficiency and Resource Use Program, Produbanco, in 2023, managed to achieve the Carbon Neutrality certification through the quantification of Produbanco's Carbon Footprint, a process verified according to the requirements of ISO 14064-1/14064-3 and the GHG Protocol. Furthermore, aligned with the NZBA commitment, Produbanco has updated its emissions reduction goals in accordance with the Science Based Targets (SbTi), establishing an Organ-

isational Carbon Footprint Reduction Plan by 2030.

Framed in its commitment to climate change, since 2021, Produbanco is committed to annually quantifying the emissions of its productive portfolio based on the methodology "The Global GHG Accounting and Reporting Standard for Financed Emissions" developed by the Partnership for Carbon Accounting Financials (PCAF). Produbanco's financed emissions are report-

ed under Scope 3, Category 15 "Investments" of the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard. This with the objective of driving the achievement of net zero emissions by 2050, and in addition, to identify and manage transition risks related to climate change.



The inventory of greenhouse gas (GHG) emissions reported in this document corresponds to fiscal year 2022 (From 01/01/2022 to 12/31/2022). Within its scope, the organisational limits are defined through the financial control approach. Produbanco, based on the PCAF's "Business loans" methodology, estimates Scope 1 and 2 of the emissions of its productive portfolio, which includes its banking clients: SMEs, business, corporate and institutional, which represents 60% of the Bank's portfolio.

Table X. Emissions (tCO₂e) by activity

Activity	Total outstanding balance (x 1000 USD)	Emissions Scope 1 and 2 (tCO₂e)	Data quality (Highest quality = 1, Lowest quality = 5)
Manufacturing	724,370	180,630	4.5
Agriculture, livestock and fisheries	259,880	153,517	4.6
Power generation	103,843	73,287	4.0
Retail and wholesale trade and vehicle repair	769,998	54,4223	4.6
Transportation and storage	61,541	22,439	4.7
Construction	119,177	4,332	4.7
Mining exploitation	2,106	1,470	4.5
Real estate	302,724	2,077	4.6
Oil and gas	14,833	30,001	4.8
Others	324,557	12,139	4.4

Table X. Summary of emissions (tCO₂e) of Category 15: Investments

Total GHG emissions	2021	2022
Scope 1	496,737	525,944
Scope 2	12,526	10,395
Scope 3*	N/A	N/A
Total emissions	509,263	536,339

* Given the quality and insufficiency of the information available, Scope 3 emissions have not been quantified or considered for the preparation of this report.

* Emissions reported in tCO₂e.

With respect to the 5 activities prioritised by Produbanco as part of its commitment to the Net Zero Banking Alliance (NZBA), the calculation of the monetary intensity emissions in tCO₂e / USD that they consider is detailed below, considering GHG emissions based on current sales (multiplied by a deflator to eliminate the effect of inflation).

Table X. Monetary intensity emissions (tCO₂e) of the prioritised sectors

Sectors	CIIU Activity	Emissions (Scope 1 and 2)	Sales (Millions)	Deflator	Monetary Intensity Ratio (tCO ₂ e / M USD)
Agriculture and livestock	A01	102,929	1,033	105.05	948
Fisheries and aquaculture	A03	48,018	753	97.04	657
Oil exploitation	B06	10,376	27	110.12	3,450
Food manufacturing	C10	87,826	8,331	109.01	97
Electrical power	D35	73,287	150	111.72	4,369

Produbanco is working on the strategy to define and manage opportunities and as part of its commitments to NZBA, PCAF and TCFD, Produbanco will annually estimate its Corporate Carbon Footprint and the emissions of its productive credit portfolio.

In addition, Produbanco, through the JIM PCAF tool and consulting with FinDev Canada, is verifying the quantified emissions of its portfolio of companies corresponding to 2022. The methodology is the same, nonetheless the aim is to have an improvement in the quality of the data for the use of GTAP emission factors for

Ecuador. Preliminarily, it can be mentioned that the results are quite similar, presenting a variation of 2% in the total GHG emissions (Scope 1 and 2).

Produbanco Emissions Reduction Curve

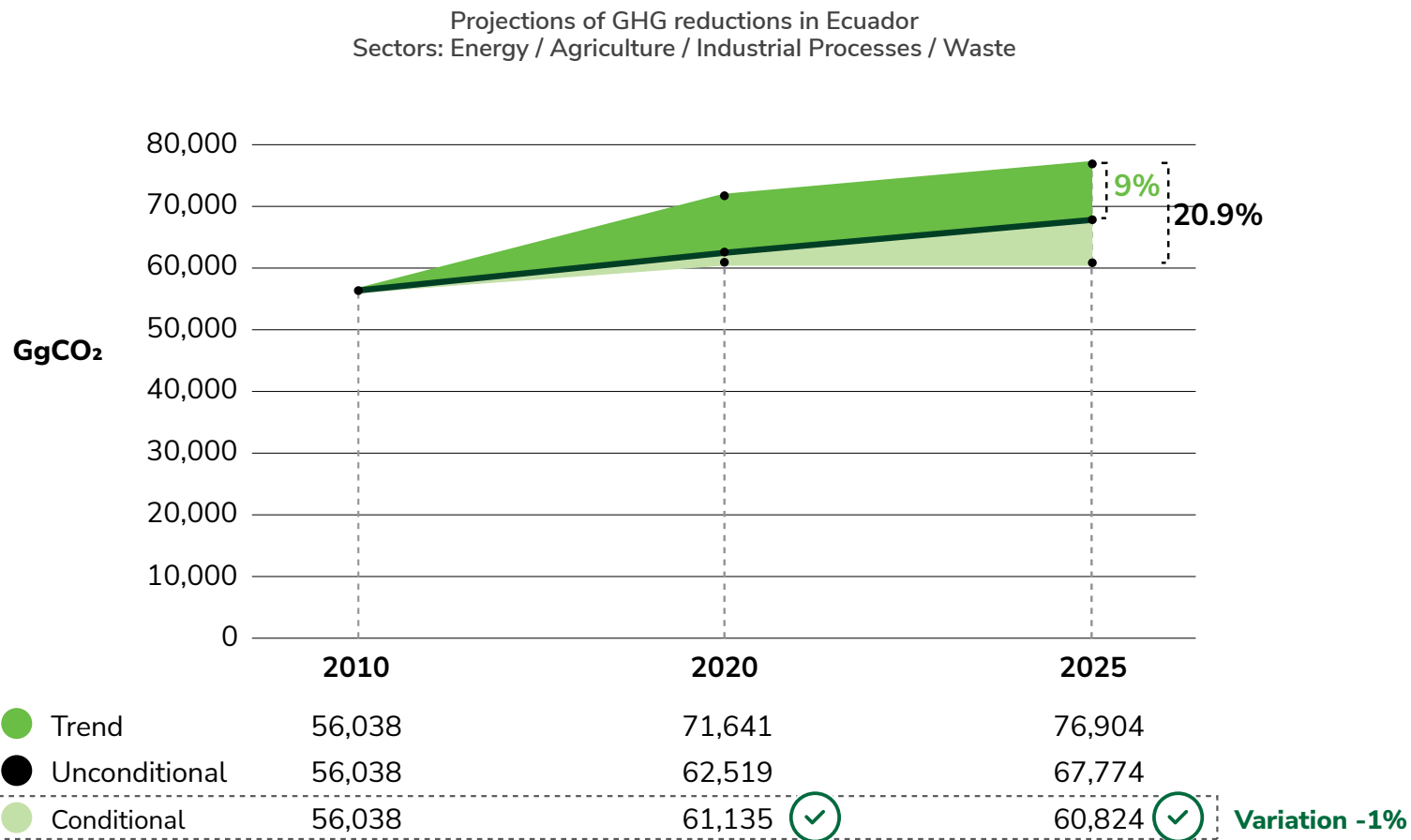
To define Produbanco's emissions reduction curve, global (IPCC and IEA) and national (CDN⁵) scenarios were used as a reference. For the period between 2020 and 2025, Produbanco applies to the conditional scenario of the national Determined Contribution (CDN) of Ecuador (2019)⁶.

The CDN shows the commitment of the Ecuadorian Government to reduce greenhouse gases and adapt to climate change. Ecuador manages two types of goals: unconditional (without external support) and conditional (with external support). Ecuador's NDC proposes a reduction through the unconditional goal of 9% of its GHG emissions for the energy, industrial processes, agriculture and waste sectors, whilst the conditional goal on international support and co-operation, the commitment amounts to 20.9% between 2010 and 2025.

For the period between 2025 and

⁵ Nationally Determined Contributions

⁶ Ministry of the Environment, Water and Ecological Transition (2020), Nationally Determined Contribution: ECUADOR, <https://www.ambiente.gob.ec/wp-content/uploads/downloads/2022/02/Folleto-NDC-2020-2025.pdf>



Taken from: Ministry of the Environment, Water and Ecological Transition (2020), Nationally Determined Contribution: ECUADOR, p. 9

2030, Produbanco considers scenario C2 of the IPCC - The Intergovernmental Panel on Climate Change of 2022.

This institution is part of the United Nations and analyses the science related to climate change and provides guid-

ance to world leaders as they develop and refine climate policies. Scenario C2 proposes a scenario that limits warm-

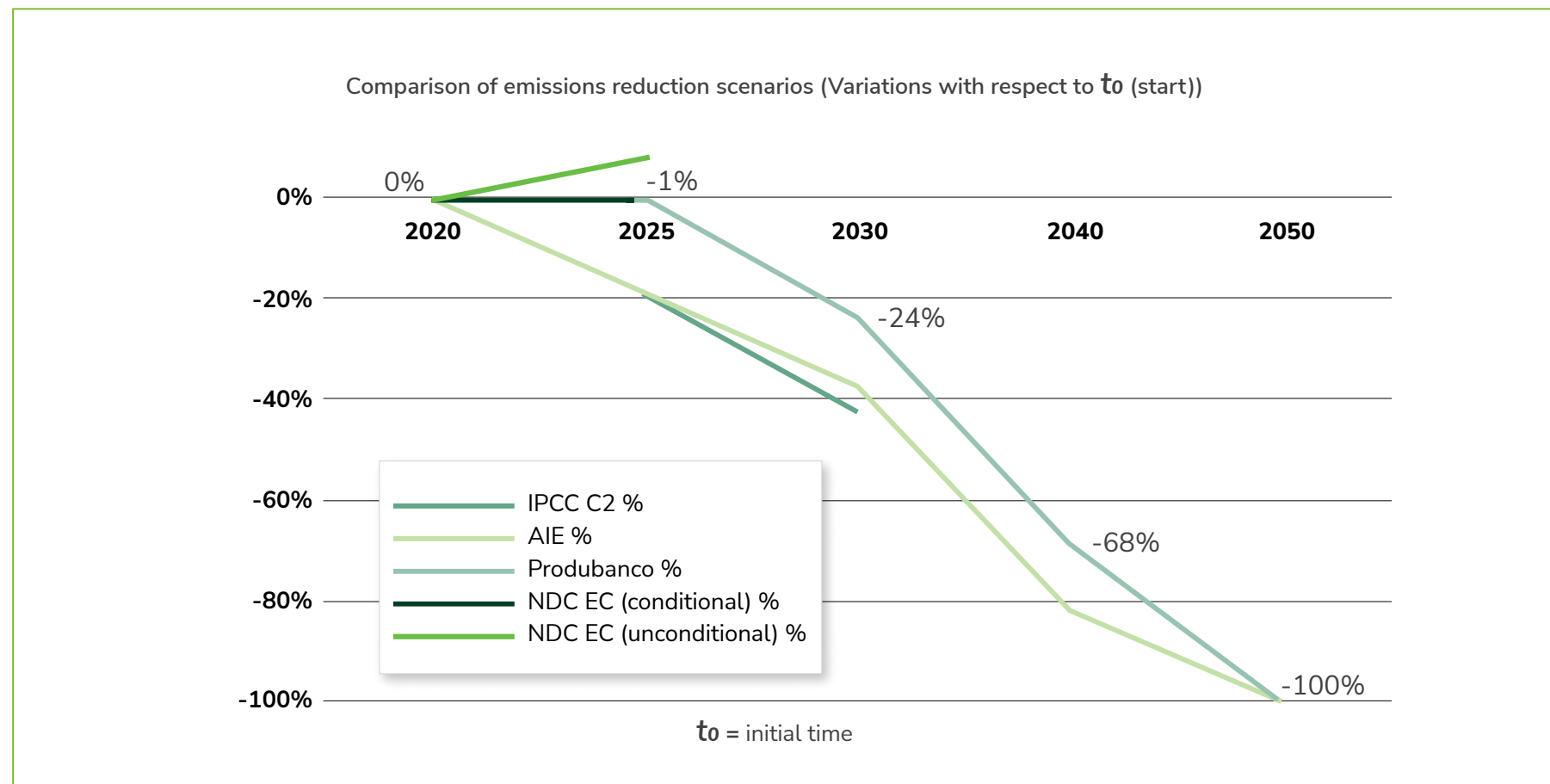
ing to 1.5°C through 2100 with possible exceedances between 0.1 to 0.3°C. With this scenario, a reduction of -24% is proposed.⁷

For the period between 2030 and 2040, the IEA - International Energy Agency scenarios are considered. The

IEA works with governments and industry to shape a secure and sustainable energy future, providing analysis, data, policy recommendations and real-world solutions. Its scenarios refer to the global and country-specific projection of CO₂ emissions to 2050⁸. For the year 2040, based on the IEA projec-

tion for Ecuador, a reduction of -68% is estimated.

Finally, from 2040 to 2050, a projection of the curve is made considering reaching a point of zero net emissions.



⁷ IPCC (2000), Climate Change 2022: Mitigation of Climate Change, https://report.ipcc.ch/ar6/wg1/IPCC_AR6_WGI_FullReport.pdf, Table SPM.2 p. 22

⁸ IEA (2021), Net Zero by 2050 Scenario, <https://www.iea.org/data-and-statistics/data-product/net-zero-by-2050-scenario#tables-for-scenario-projections>

7. Next Steps

Governance

Short Term (through 2025)	Medium Term (through 2030)
It is proposed to conduct such courses and training related to climate change for Board of Directors members, which will allow them to acquire knowledge for the correct decision-making arising from, and concerning, risks and opportunities derived from it.	We will continue developing workshops and trainings for Board members that will allow them to acquire knowledge for correct decision-making regarding risks and opportunities derived from climate change.
We will continue drafting annual reports regarding climate statements in keeping with TCFD recommendations which will establish the current state and action plan related to risk management and climate change opportunities.	We will divulge annually the progress made in regard to climate change based on TCFD recommendations.
The committees will continue meeting in agreement with the periodicity established to fulfil the purpose for which they were created and thus promote the strategy of responsible banking, sustainability and culture at Produbanco.	We will include topics related to climate change risks and opportunities during Produbanco committee sessions. If deemed necessary, their functions will be modified to address the issue of climate change.
Produbanco, as a result of changes in its structure and acquired commitments, is developing an ambitious strategic plan that contemplates climate change as an action that allows us to permanently conduct a risk analysis and identify new relevant opportunities for the Bank. Each year, Produbanco, together with the People and Culture unit and area leaders, raise the training needs of the various units. Therefore, we will continue to incorporate into this plan topics of climate issues necessary for the appropriate identification of the risks and opportunities derived from climate change, as well as taking advantage of the workshops offered to us by the various multilaterals and organisations of which Produbanco forms a part.	Every year, Produbanco together with the People and Culture unit and the area leaders, raise the training needs of the various units. Therefore, we will continue to incorporate into this plan topics of climate issues necessary for the correct identification of the risks and opportunities derived from climate change, as well as taking advantage of the tools offered by the various multilaterals and organisations of which Produbanco is a member.
Meetings have been held with public and private sector entities and companies to gather more local information on climate change.	Monitor, through the Sustainability Committee, compliance with the policies established and approved by the Board of Directors and the defined strategic plan. Continue strengthening our participation in both private and public settings so that in a collaborative manner we may achieve actions that contribute to climate change.

Strategy

Short Term (through 2025)

Use the SARAS georeferencing tool for the climate risk analysis of the Bank's portfolio.

It was decided to end the year with a balance of USD 230 million in placement of green credits. The construction sector and the agricultural sector have been promoted with the financing of sustainability certifications. In addition, Produbanco is managing a consultancy to establish a 2.0 version of the Green Lines, which is aligned with international taxonomies, and establishes a policy and methodologies. Likewise, through external consultants, Produbanco is evaluating green technologies that can be applied by clients to reduce the use of natural resources and greenhouse gas (GHG) emissions.

Based on the consulting conducted with Base Consulting, a roadmap aligned with the objectives of Net Zero Banking Alliance is being established.

Work will be conducted on new financing contracts with DFIs and multilateral organisations whose destination of funds, among others, includes climate issues.

Medium Term (through 2030)

Opportunities associated with sectors of interest for Produbanco will be identified, as well as the physical and transitional risks to which certain sectors or clients that imply a high risk for Produbanco may be exposed. In addition, climate scenarios will be incorporated for decision-making.

A 50% increase in green credits aimed at agricultural sectors and industries is proposed, which will be measured annually until the objective is reached. In addition, the annual financing planning will aim to incorporate a greater amount of financing related to climate change according to the situation of the country's economy, the existing opportunities in the market and the Bank's budget.

Climate risk analysis will be incorporated for decision-making and customer qualification.

Periodically review the roadmap established for the transition to a low-carbon economy and update it according to the local context and the requirements of stakeholders and investors.

Risk management

Use the SARAS georeferencing tool, through the incorporation of layers related to climate risk in Ecuador to include it in the credit analysis requiring DDA.

Cover the entire companies' portfolio in the SARAS georeferencing tool to incorporate climate risk into decision-making.

Establish new tools/procedures for the identification and analysis of loans requiring climate risk assessment.

Define acceptable risk appetite for climate change risks identified as having a material impact.

Indicators and metrics

Prioritise more sectors in accordance with quantified GHG emissions for 2022 and UNEP FI requirements.

Annually, the emissions of Produbanco's companies' portfolio will be calculated. These data will allow us to evaluate the progress of the action plan to reach net zero by 2050.

Report of the Remunerations Committee

The Remunerations Committee learned about the salary review and payment of variable remunerations executed in 2023. It approved the compensation strategy, which is aligned with the country's economic and market conditions.

The adjustment to the compensation was made considering the government guidelines regarding minimum and sectoral wages for the year 2023; thus, the methodology of increases was applied combining the performance of employ-

ee and the salary band of the position.

The Committee also learned about the voluntary turnover rates of the Bank and its Subsidiaries, which are at healthy single-digit levels.



Karla Icaza Meneses
Chair of the Remuneration Committee

Our Subsidiaries

Externalización de Servicios S.A. Exsersa

Over the course of 2023, the Exsersa subsidiary executed, through its commercial area, various action plans for the growth of the customer portfolio and strategic alliances with public and private companies, through which we offer users a greater range of services and products at ServiPagos agencies. As a result of this management, negotiations were concluded with 28 new clients.

Two relevant events that influenced our operation this year were the transfer of the PagoÁgil brand by Exsersa to Produbanco and the launch of the Bank's new face-to-face service channel called PagoÁgil Non-Banking Correspondents (CNB) Produbanco, a process in which some of the former PagoÁgil points migrated to the CNBs. In turn, those who until 2022 were ServiPagos' Ágil Payment Agents, as of 2023 changed their name to ServiPagos Agents.

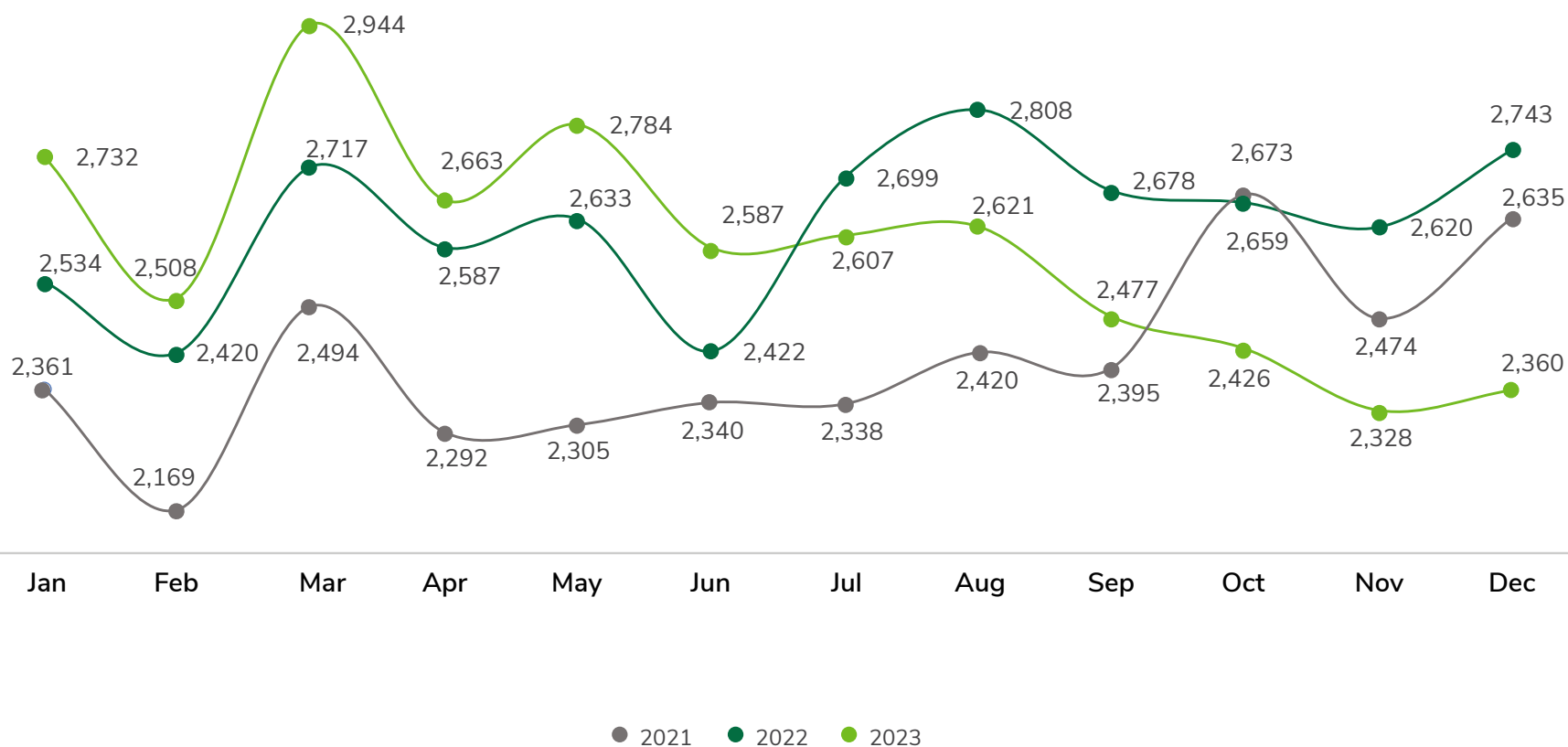
With this background, the business growth strategy applied by Exsersa was based on two axes: the expansion of ServiPagos Agents service points in the national territory, and the expansion of the ServiPagos transactional switch channel.

Regarding the former, the size of the network, following the enrolment of new members, grew by 1% in relation to the 16,284 points with which it ended 2022. As for the transactional switch channel – which allows private and financial companies to offer our collection products directly to their customers from any channel, face-to-face or digital – in 2023, it incorporated six new macro agents. These are companies with a large volume of points nationwide, which become ServiPagos Agents.

Within this scenario, we ended the year with 50 ServiPagos agencies throughout the country and with 16,441 ServiPagos Agent points.

In 2023, Exsersa's transaction volume decreased due to the political and economic instability that the country experienced throughout the year along with the reduction in transactions caused by the transfer of a group of the former PagoÁgil points to Produbanco's new PagoÁgil CNB network.

Graph 27
2021-2023 Evolution of transactionality in Exsersa
(thousands of transactions)



For all these reasons, the total number of transactions processed by Exsersa (which includes those of the ServiPagos Agents network and those of the ServiPagos agencies) decreased by 1.5%, compared to the volume reached in 2022.

The total number of transactions processed by the ServiPagos Agents network in 2023 was 1.3% lower than in 2022.

On the other hand, the total number of transactions processed by ServiPagos agencies decreased by 7.6%. Faced with the change in transactional behaviour in our network of agencies, we proceeded to close three offices (Carpungo, Multiplaza Los Chillos and Totoracocha). In this way, we ended the year with 50 ServiPagos agencies compared to 53 the previous year).

On the other hand, Exsersa's total revenues grew by 3.60% compared to 2022. In part, this is due to the support that the subsidiary provided to Produbanco in the processing of PayPhone transactions until December 2023.

Finally, the profit generated by Exsersa amounted to USD 848,116. This result, which is lower than in 2022, was influenced by the additional expenses that had to be incurred for the closure of the aforementioned agencies.

Total Exsersa Transactions

2021	2022	2023	Variation vs. 2022 (USD)	Variation vs. 2022 (%)
28,898,291	31,520,022	31,039,909	-480,113	-1.52%

Total Exsersa Revenue

2021 (USD)	2022 (USD)	2023 (USD)	Variation vs. 2022 (USD)	Variation vs. 2022 (%)
16,435,472	18,057,608	18,707,164	649,555	3.60%

December Accrued Profits

2021 (USD)	2022 (USD)	2023 (USD)	Budget	Variation vs. budget
1,435,737	1,392,348	848,116	1,025,719	-17.3%

Protramites Trámites Profesionales S.A.

Introduction

The year 2023 was a challenging period for Protramites Trámites Profesionales S.A. As an essential part of the operation, we focused on two fundamental aspects: the management of non-performing loans and the recovery of the written-off or charged-off portfolio of Digital Banks and People Plus. Despite the difficult circumstances we faced as a country, Protramites maintained its focus on operational excellence and innovation.

Impact of the Crisis and Strategic Responses

Over the course of the year, the recovery of non-performing loans was severely affected by the national fiscal, security and political crisis. These factors created a challenging environment that required a strategic and adaptive response from the subsidiaries.

Technological Innovation

One of the highlights of the year was the release of Phase II of the 'Collection' recovery system in July. This stage focused on the judicial management of

the delinquent portfolio, which encompasses both the follow-up of ongoing trials, as well as the preparation for new cases of lawsuits. The implementation of this cycle strengthened our ability to more effectively address the legal challenges associated with the recovery of the non-performing portfolio.

At the same time, the Bank's communications system was migrated to Genesys Cloud. This cloud-based service proved to be more robust and efficient, with substantial improvements in communications. Of particular note is the implementation of the automatic dialer, which significantly optimised the customer contact process.

The migration was successfully completed in November, and since then, the system has been fully operational. To maximise the synergy between the communication and collection systems, a comprehensive connection was established between them. The link facilitated a more agile and coordinated management, which enhanced the operational efficiency of Protramites.

Specialised Equipment for Improving the Customer Experience

In order to ensure excellence in customer service, the quality control team

was created. It focuses on providing the best experience, reducing complaints, and ensuring high standards of service.

In addition, the preventive management team was integrated to operate within Early Default. This is in charge of making payment reminders to customers with a high risk of falling into arrears, which not only generates benefits for Protramites but also prevents adverse financial situations for the customer.

Portfolio Management

The Early Default and Middle Default teams played a key role in the collection of the overdue portfolio as a result of which considerable performance has been evidenced. With an average of 233,000 monthly transactions, 47,000 customers were impacted each month; this represents an impressive growth of 30.5% compared to the previous year.

Despite maintaining a monthly customer locator rate of an average of 64.7%, difficulties were faced due to the country's security crisis, especially in the coastal region and, notably, in the city of Guayaquil. This situation forced the application of alternative and safe means to establish contact with customers, among which the adaptability and responsiveness of the teams stand out.

In addition, the rates of payment commitments collected and fulfilled were 66.5% and 52.22%, respectively, a notable decrease from last year. To cope with this reduction, financial relief was implemented adapted to the economic situation of the clients. In an additional effort to cope with the growth of non-performing customers, a strategic decision was made to minimise the operational work of collection managers. This measure included the modification of the management model and the creation of a team specialised in operational negotiation, in charge of structuring and finalising special solutions with customers.

Regarding the recovery of the written-off portfolio managed by Advanced Default, an outstanding result of USD 33.7 million was achieved. This performance exceeded budgeted expectations by 12%, which contributed significantly to Produbanco's non-operating income. These achievements are a testament to the effectiveness of the strategies employed, as well as the ability to adapt and the constant search for effective solutions in a dynamic financial environment.

Operational Management

The Operational Management platform has proven itself by successfully pro-

cessing a total of 19,629 special solutions during 2023. These were generated as a result of the negotiations conducted by the Early, Medium and Advanced Default teams and represented an increase of 54.5% compared to the previous year. This demonstrated the team's ability to constantly evolve and adapt to changing market needs.

The increase in the number of special solutions processed highlights Operational Management's ongoing commitment to effectively managing the challenges that arise in overdue portfolio management. The ability to negotiate and provide specific solutions reflects the agility and efficiency of the system, which allows performance to be maintained and improved over time.

This success also underscores the importance of the strategies implemented in the Early, Medium and Advanced Default platforms which have directly contributed to the increase in the generation of special solutions. The collaboration between these teams demonstrates effective synergy in end-to-end portfolio management, where each stage is strategically connected for optimal results.

Own Portfolio

The portfolio recovery acquired by Protramites, under the responsibility of

Own Portfolio, resulted in an income of USD 719,041 in 2023, which considers both profit and interest generated. This represents an increase of 30.3% compared to 2022 and highlights the success of the investment and management strategies adopted by the bank.

Legal Procedures

The Legal Procedures platform was an essential pillar for the Business area of Retail Banking and the SME Segment. Its efficiency was seen in the reduction of the execution time of procedures such as the constitution of mortgages. In 2023, this work generated a fee income of USD 457,328.

Conclusions

Despite the drawbacks, Protramites has demonstrated adaptability and innovation. The successful implementation of Collection Phase II, migration to Genesys Cloud, and building dedicated teams demonstrate our commitment to continuous improvement.

Looking ahead, we will continue to monitor the economic and political environment, and adjust strategies as needed. We will explore opportunities to continue to innovate and deliver exceptional service to our customers.

EcuaPayphone C.A.

For EcuaPayphone C.A., 2023 was a period of encouraging outcomes, the result of the continuous effort, dedication and efficiency of the entire team that is part of the subsidiary.

Number of Users

Payphone's goal is to provide a collection and payment solution by dematerialised credit or debit card through a smartphone to any merchant or person who needs it.

Having interoperability within the platform in the use of cards issued by several banking entities brings us closer to the concept of Open Banking, which supports a massive acceptance of banking services to unbanked users, also enabling businesses and entrepreneurs who today do not have access to a physical point-of-sale (POS) terminal to receive transactions.

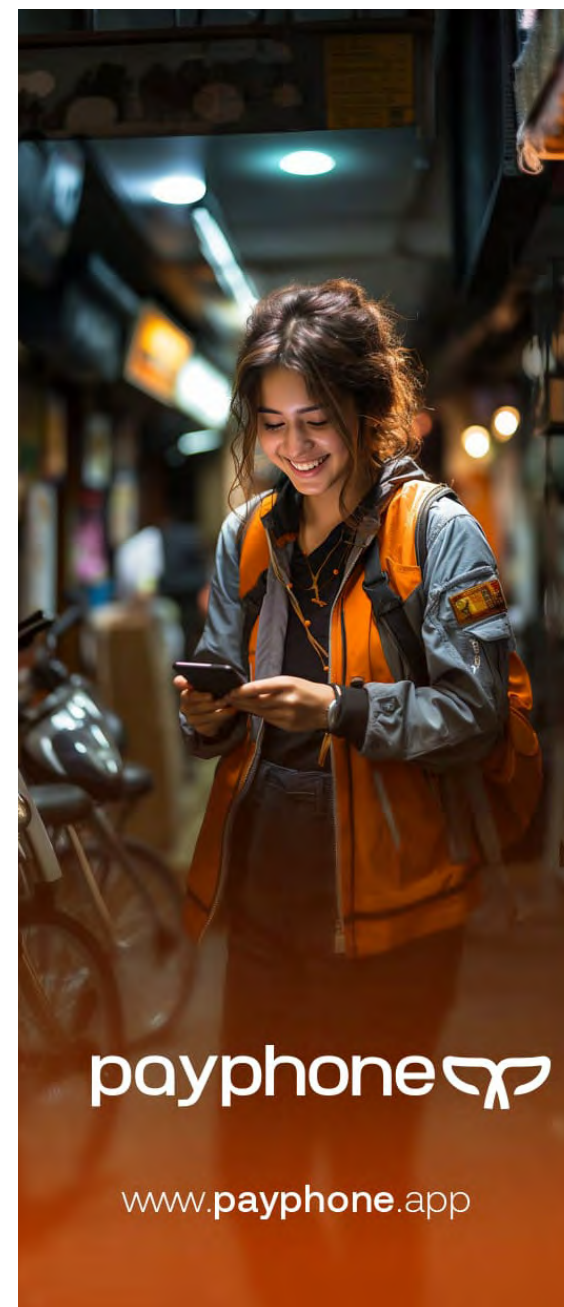
In 2023, we continued to consolidate the number of users of the Payphone platform. We achieved a growth of 29% compared to 2022. This result has come hand-in-hand with the increase in the number of affiliated businesses,

which already exceeded 50 thousand establishments by the end of 2023.

Transactionality

The increase in transactionality during 2023 is also the result of greater digital adoption in the country, and is synonymous with a profitable collection and payment ecosystem.

Regarding the number of transactions on the Payphone platform, during 2023, an outstanding growth of 81% was achieved compared to the previous year. In the amount transacted, a significant increase of 55% was also achieved compared to 2022.



ProContacto Soluciones Inteligentes S.A.

In 2023, this subsidiary provided its services to Produbanco and Ecuapayphone C.A. through telephone, video call, email, chat and WhatsApp channels in its five lines of business: inbound (for customer service); outbound (management of new customer welcome campaigns, satisfaction surveys on the service received, confirmation and collections); product sales (mass campaigns to promote the use of the products or services, as well as for their marketing); monitoring of interactions for control, and follow-up of commercial campaigns.

In addition to this, through the Distribution Centre, ProContacto also provided its support with the personalised delivery of documents and/or products to Produbanco customers in the cities of Quito, Guayaquil, Ambato and Cuenca. In addition, it provided support in the distribution of material for Marketing, Automotive and the subsidiary Protrámites Trámites Profesionales S.A., with excellent results. We improved control, follow-up and customer service in this activity in which we obtained an effectiveness of 95%.

At the end of 2023, 87% of contact centre staff were working in person to prevent service from being affected by power outages. The human resource in charge of delivering documents and/or products performed their duties in person. The subsidiary's employees were distributed in Quito and Guayaquil in the Iñaquito and Pacifica Centre Buildings, respectively.

ProContacto Soluciones Inteligentes S.A. closed the year with a volume of more than 3 million interactions, i.e., 23% more than in 2022.

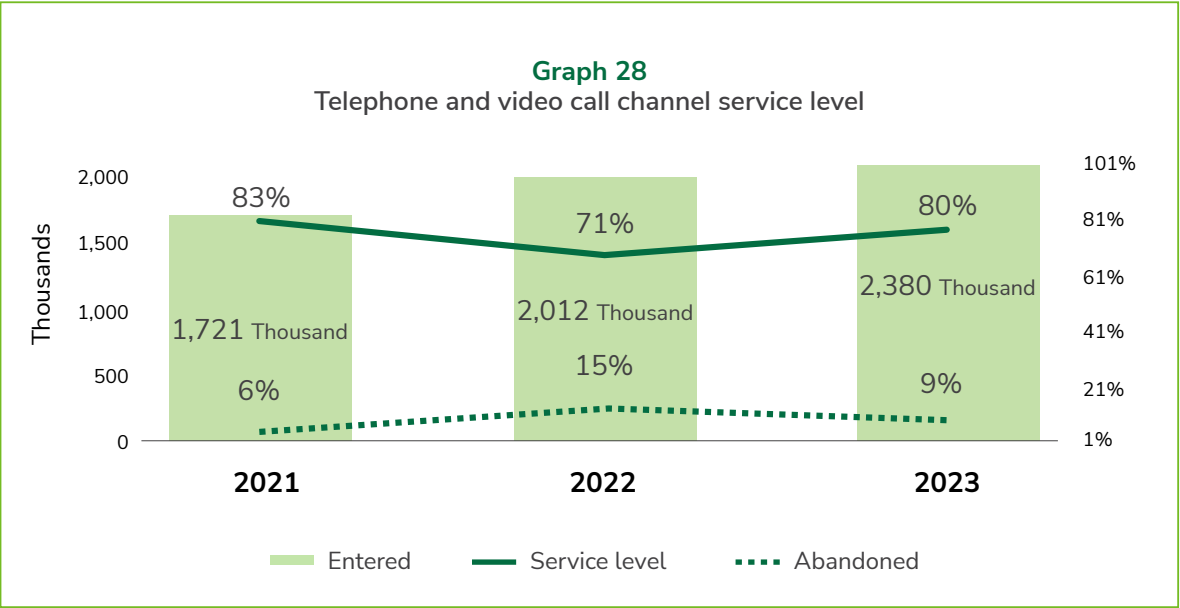
Telephone and video call channels

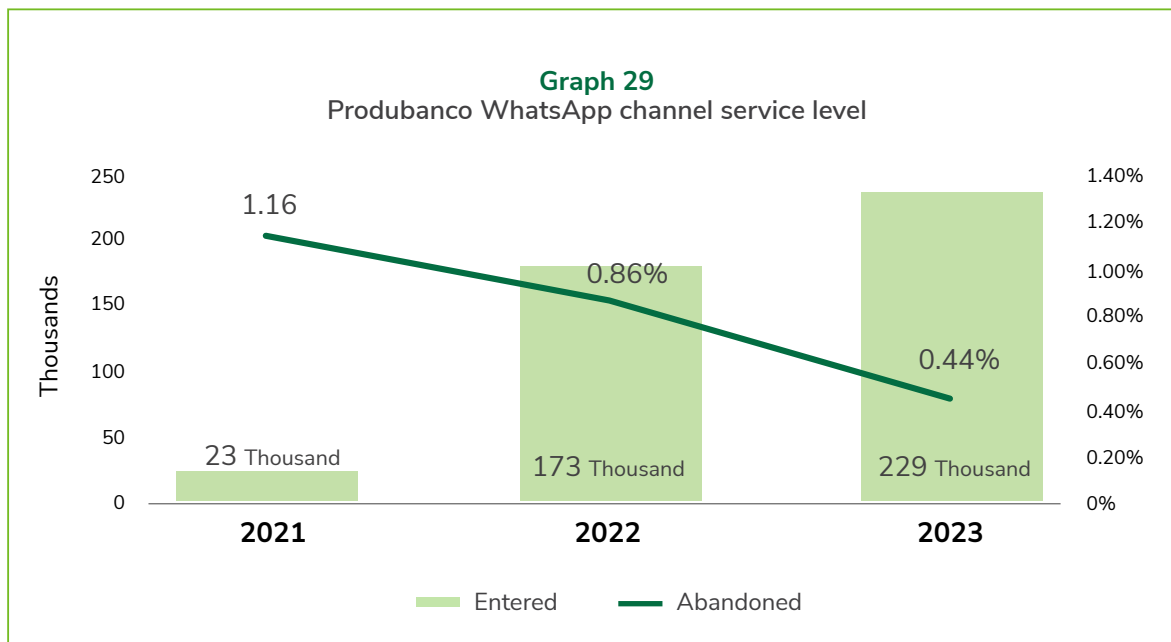
grew by 18%, compared to 2022 (see chart 28).

Produbanco's WhatsApp channel, the main outlet of the telephone channel when demand increases, experienced a growth of 32% (see graph 29), On the other hand, the service provided to Ecuapayphone (PayPhone) through the WhatsApp channel closed with 131 thousand interactions (see graph 30).

On the other hand, the chat channel registered an increase of 37% in the first half of the year (see graph 31).

The email channel increased by 18%





compared to 2022, with a response rate of 83% within a time of no more than four hours and thirty minutes (see chart 32).

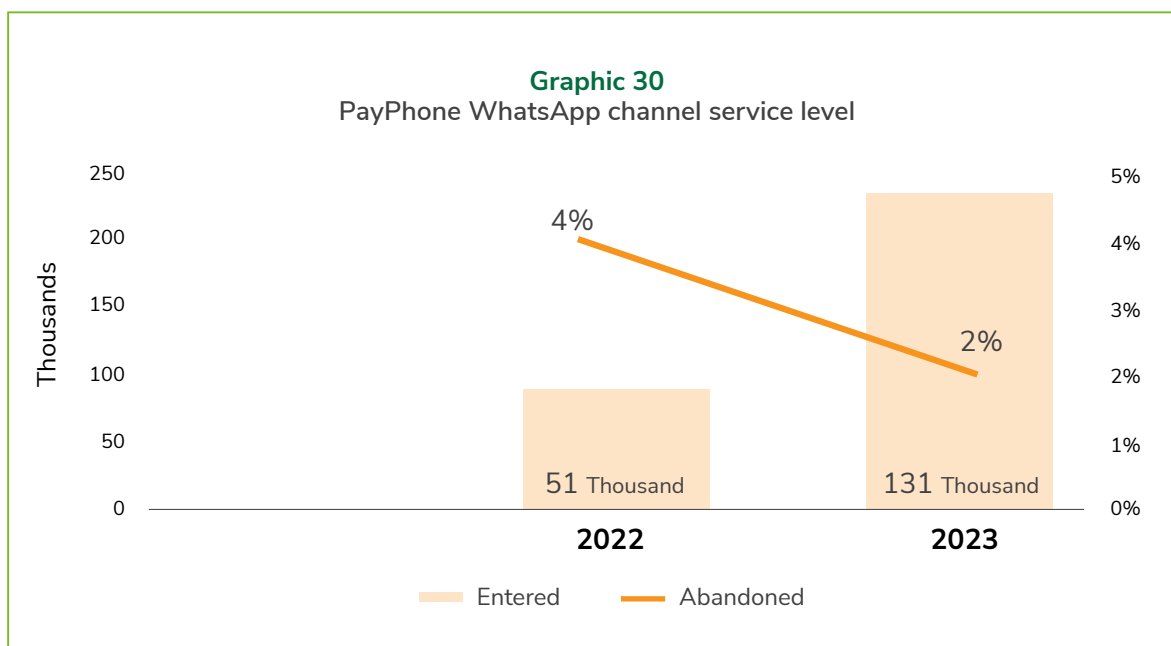
With regard to customer service in telemarketing campaigns, the volume of registrations decreased by 25%. Credit card promotion was the activity with the highest demand, with a share of 81% (see graph 33).

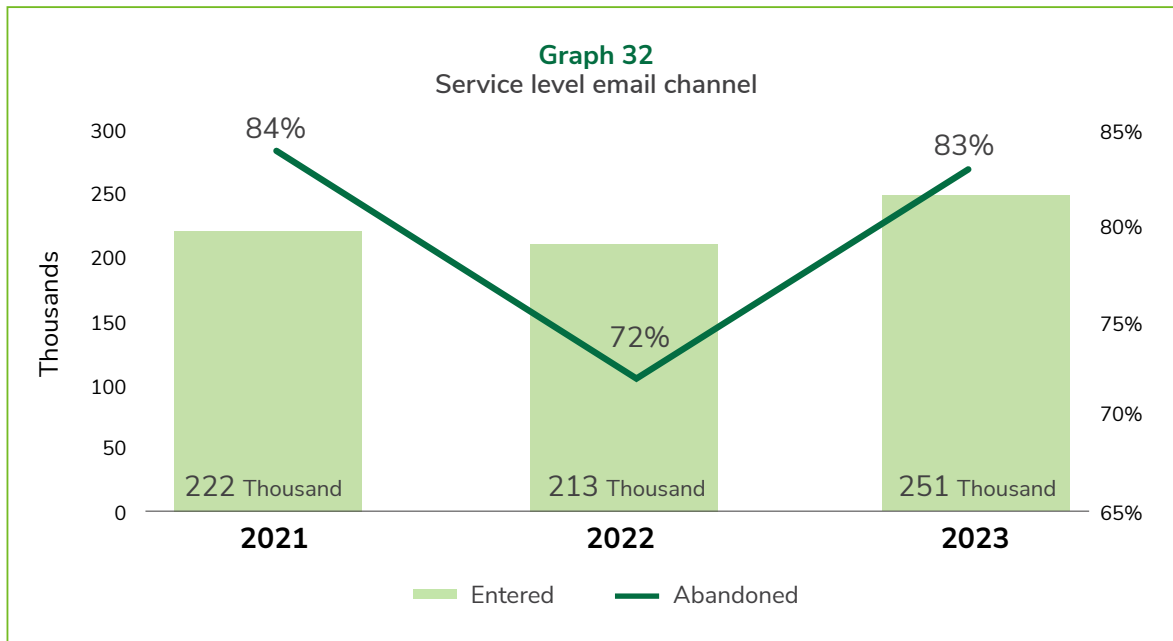
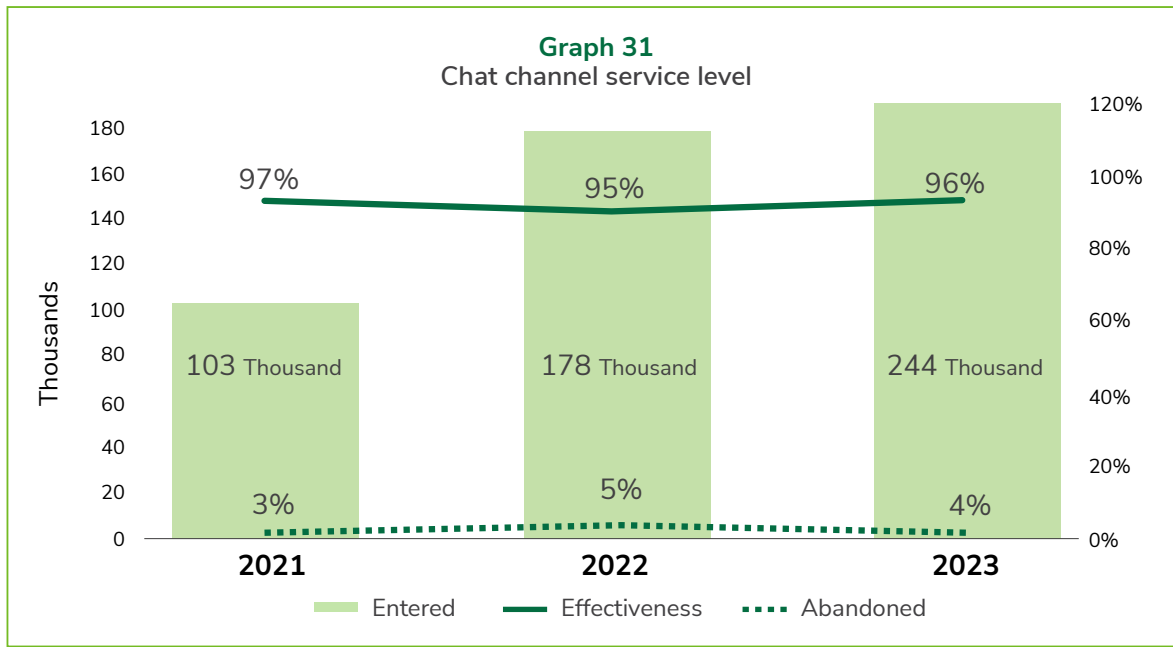
During this year, the number of records in the database used for the sale of credit cards was maintained. Placement effectiveness reached 15%, one point above the 2022 result (see graph 34).

The number of records in the database for changing credit card BIN (bank identification number) increased by 47%, with a placement effectiveness of 39% (see graph 35).

The highlights of the 2023 operation are summarised below:

- Change and implementation of the Contact Centre management and administration platform.
- Application of a modification in the training model to reduce from 4 to 2 weeks the start time of the man-

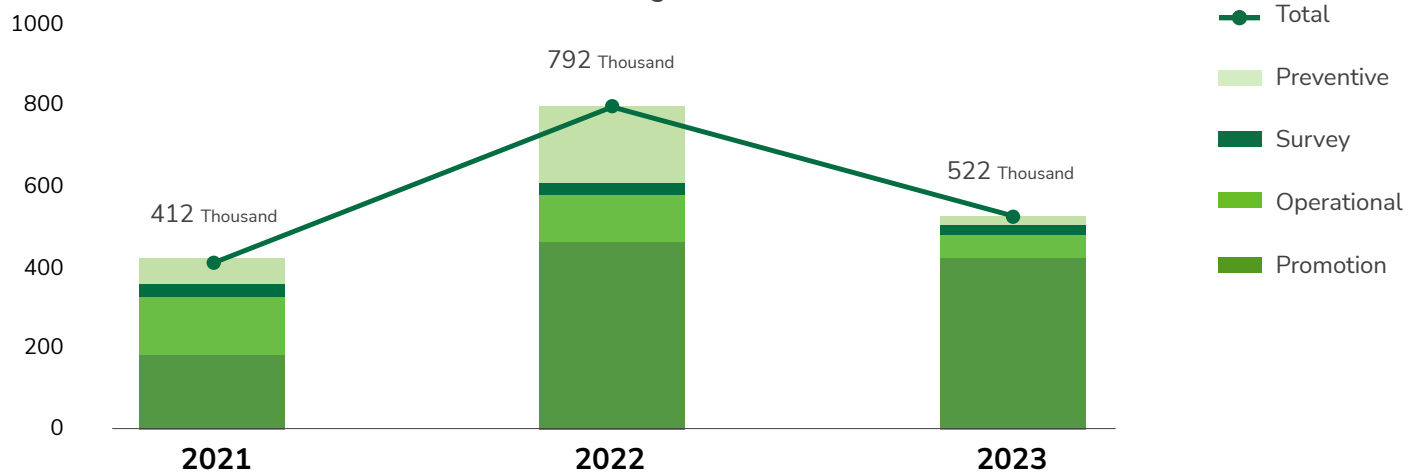




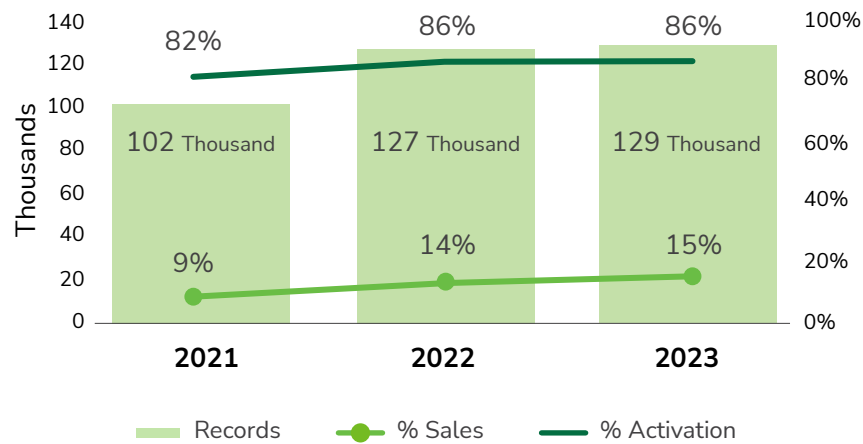
agement of a manager in the inbound service.

- Development of 26 virtual training modules for the onboarding of employees who are newly integrated and those who need to reinforce their knowledge in the topics raised.
- Launch of services to be conducted at the first level of customer service to improve their experience (mainly in the credit card product), enabling digital channels, and reporting banking emergencies.
- Reduction of conversation time by the end of 2023 through the redesign of scripts and improvements in processes, which enhanced the reaction and response capacity of the Customer Service Centre.
- Optimisation of our head count according to the demand of interactions received
- Fulfilment of the objectives set (focused on providing an agile and effective response to the customer) in each of the services.

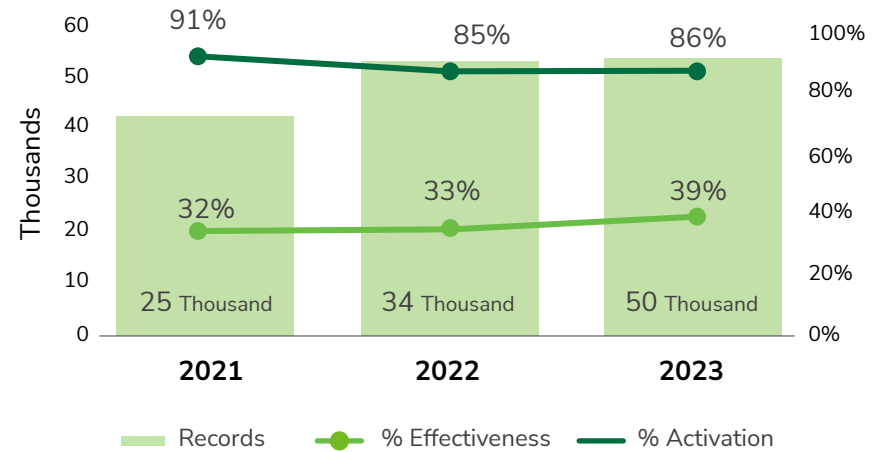
Graph 33
Telemarketing service volume



Graph 34
Effectiveness in credit card placement



Graph 35
Effectiveness in the management of credit card bin change



Management of Business Units

Corporate Banking

In the corporate, business and institutional segments, relationships are managed with focused commercial teams and differentiated products that, together with network and transactional services, have allowed us to build a robust base of deposits, portfolio and contingents. The corporate, business and institutional segments are significant contributors of funds with total obligations to the public of USD 2,170 million, 4% more than in 2022. Consolidated deposits in the segment accounted for 38% of the Bank's total deposits.

The strategic placement of credit led us to a balance of USD 2,293 million at the end of 2023, and a 45% participation in the Bank's loan portfolio, which is a demonstration of the permanent commitment to the productive sector and job creation.

With great success, the commercial segment started the year off with the

incorporation of Machala as a new service centre.

In favour of sustainability, in 2023, USD 173 million were placed in credits aimed at supporting the construction, agricultural, forestry, shrimp and industrial sectors for energy efficiency, renewable energy, agro-sustainable practices, recycling, among others. The sustainable portfolio balance amounted to USD 226 million this year.

In terms of offering digital solutions, we raised USD 41 million in term deposits that our clients manage directly through our web produbanco.com channels and Mobile App; we recorded a 20% increase in the turnover of customers in the segment through our acquisitions, and consolidated the experience of our commercial customers in a single portal with produbanco.com and Cash Management services.

Equity Segment

This segment offers personalised ad-

vice and professional accompaniment, with the highest standards of confidentiality, to our clients and their families.

We have a team of prepared executives to provide our clients with the products and solutions they require for the safe and profitable management of their wealth over time, as well as the different stages and transitions of their families and companies.

As part of our demand for quality of service, we provide our clients with up-to-date, timely and relevant information on the situation of the national and international markets to serve as input for decision-making regarding their investments or indebtedness. The sum of all these factors has led us to establish solid and lasting relationships.

From the digital experience, the secure module was implemented in the Mobile App channel, a solution co-created with the segment's customers.

Institutional Segment

Correspondents and Multilaterals

During 2023, we completed significant financing operations with foreign entities for a total of USD 270 million, to reach an amount of USD 906 million in foreign financing received through senior loans, subordinated debt and other capital market instruments.

Through these resources, we contribute to the development of small and medium-sized enterprises with the growth of green and blue businesses, those led by women and young entrepreneurs, of companies in economic sectors in which the percentage of employees who have not completed their basic education is high, and with the strengthening of our clients' foreign trade operations.

Among the long-term financing obtained, we highlight the USD 50 million loan from the Japan International Cooperation Agency (JICA) – this institution's first investment in an Ecuadorian bank and the second in one in the region, the resources received from the FMO and Proparco for USD 44 million and USD 40 million, respectively, and two loans with other development entities, for USD 40 million.

In terms of the short term, among other operations, IDB Invest led several structures, including a syndicated structure for a total of USD 41 million.

In addition, these partners have accompanied us with technical assistance on various sustainability issues.

The Correspondents and Multilaterals team managed relationships with global and regional banks that allowed us to support the business of our exporting and importing clients with letters of credit, guarantees, pledges and collections.

Retail Banking

People & Digital Segment

Throughout 2023, the segment recorded a solid financial performance, with total deposits increasing by 6% year-on-year. This growth is mainly attributed to the 19% increase in term deposits, the balance of which exceeded one billion dollars. This positive result was achieved despite a challenging economic environment, marked by fluctuations in interest rates.

The total portfolio also experienced a significant expansion of 22%, driven

mainly by credit cards, which had an increase of USD 274 million, as well as the increase of USD 121 million in loans granted.

Digital sales contributed a large part to the result of the portfolio. Digitally placed consumer loans accounted for 83% (up 15 points year-on-year) and credit card loans accounted for 16% (up 9 points from 2022).

With respect to vehicle loans, during the first quarter, the Green Automotive Credit was launched focused on the financing of hybrid and electric cars, as part of our actions to support the transition to a green economy.

Looking to the future, Produbanco continued to promote the sustainable product portfolio. In March, the Green Awareness process was launched in the acquisition of digital policies, in addition to the rest of the solutions such as savings accounts with green awareness, green automotive credit and green mortgage credit, which totalled 48,400 active products at the end of 2023.

Another important event this year was the launch at the end of August of the digital programmed savings product FlexiAhorro, with an interest rate of 5% and no minimum term of permanence;

its significant growth in the year is a reflection of the high acceptance of our customers as a solution to their financial savings needs.

As for payroll clients, in 2023 we continue to offer differentiated financial solutions, personalised services, and economic growth opportunities, all designed to help them achieve their goals. This made it possible to increase the number of clients of this type and to have a significant increase in payroll payments month after month, reaching record levels of accreditations.

Committed to the development of youth, a more prosperous society and the future of the country, Produbanco implemented the *Hay Match* (There's a Match) career guidance programme, aimed at high school students who are about to finish high school. Through lectures and activities, students have a hands-on experience at the Bank, which aims to help them understand the application of various careers in real work and to form an idea of what they would like to study in college. This programme is expected to have a long-term positive impact by contributing to the formation of a more competent, satisfied, and productive workforce.

This year continued to introduce value

offerings designed to empower, enrich the experience of our female customers and support them to make informed and confident financial decisions. Along these lines, the Academy for Women Entrepreneurs (AWE), a women's empowerment programme, was launched in partnership with the Quito Chamber of Commerce and the American Embassy, with the purpose of strengthening the necessary skills to generate growth and business development.

This year, insurance and assistance were placed as a guarantee for credit operations along with optional products that complemented the financial portfolio of our clients. We offer our clients a wide portfolio of personal and family coverage, among which the following stand out: tax relief, unemployment and protection for financed assets, card protection, home assistance, funeral services, dental, income for accidents, student scholarships and ambulatory medical coverage, among others.

Finally, as part of the comprehensive strategy aimed at improving accessibility and convenience for our customers, the Bank expanded its network of agencies, with the opening of the new Business Centre in the city of Quito, the Plaza Lagos Digital office located in

the Samborondón canton, and the new branch in Cuenca. The Bank ended the year with 128 branches nationwide.

SME Segment

During 2023, a process of adjustment to the commercial structure was launched, accompanied by the reorganisation of the customer service model, with the aim of deepening existing commercial relationships, complementing the understanding of the life cycle of companies and improving the product offering.

Produbanco was the benchmark for a pioneering digital offer for SMEs in the country. In May, the Pro Pyme digital account was launched for SAS (Simplified Stock Companies). It is the first checking account for businesses in the country with a 100% digital opening process through the web channel and without the need to visit an agency, which reduces opening times; thus, 70% of new accounts were opened through the digital channel.

In the same vein, the segment achieved record figures for originating and hiring digital products in 2023, such as 52% of policies captured and 54% of products marketed; likewise, with a view to promoting the digital transformation of

the segment's financial services, we increased credit operations instrumented through virtual promissory notes with certified electronic signatures.

The SME Segment ended the year with a portfolio of USD 538 million and 4,304 operations, of which 36% corresponded to operations in cities other than Quito and Guayaquil, which demonstrates Produbanco's firm commitment to the development of the local economy in the cantons where it operates.

A total of 7,294 accounts were opened to new small and medium-sized enterprises nationwide, which comprise more foundations in the purpose of being allies of entrepreneurs.

In terms of obligations to the public, the SME Segment reached USD 702 million, 11% more than the previous year.

In terms of sustainability-related aspects, in the course of 2023, the training of our commercial advisors in the Growing with Your Business methodology, a joint initiative with UNDP, aimed at strengthening the accompaniment of clients on their path to sustainability, was successfully concluded. On the other hand, the Green Lines portfolio

closed the year with USD 275 million, which represented a growth of USD 85 million compared to 2022. This result is a sign of Produbanco's commitment to sustainability.

Payment Methods

Credit Card

In 2023, the Payment Methods area focused on strengthening its growth strategy accompanied by the search for alliances with establishments that have modern digital channels, in accordance with market preferences.

Short- and medium-term placement management has been the key to maintaining the expansion trend achieved. This year, nearly 90,000 new customers were incorporated, with a successful acquisition strategy focused on the medium and high-value segments, with more competitive quotas and better category cards.

For its part, the loan portfolio maintained the sustained growth recorded in 2022. By the end of 2023, its balance was USD 1,210 million, a variation of USD 283 million compared to last year.

On the other hand, the turnover of our acquiring merchants totalled USD 1,735

million, an increase of 26% compared to 2022, and in turn represented 93% of the turnover of Produbanco credit cards. Of this volume, 20% was conducted on digital platforms.

In 2023, the Mastercard Black Aurea card was launched, a product with differentiated service and exclusive benefits, designed for our very high-value customers.

In addition, the new Black Tipti Supermaxi MasterCard was added to the credit card portfolio. With an attractive rewards plan and exclusive benefits that provides the possibility of accumulating MaxiDollars for each purchase, which can be accumulated and redeemed through the well-known Ecuadorian e-commerce application Tipti.

On the other hand, this year also saw the launch of certain initiatives that contributed to the Bank's value proposition, including: the implementation of new digital services such as Pay with Rewards, and in digital channels we improved design and usability and incorporated new functionalities, including digital onboarding (integration) to obtain a credit card, without having to present any physical documents.

In addition, taking advantage of the incentive agreements with franchises, campaigns were conducted to promote consumption based on challenges.

Debit Cards

Invoicing with this means of payment grew by 11% versus 2022, thanks to the Bank's sales force and consumer incentive campaigns segmented according to the characteristics of cardholders, as a result of which the accumulated invoicing totalled USD 736 million.

At the end of 2023, the Bank's debit portfolio amounted to 1.32 million cards, 18% more than in 2022.

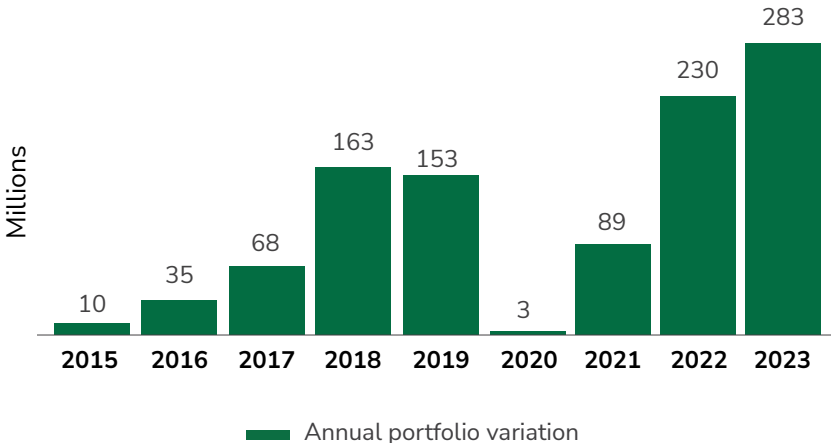
In addition, the ratio of debit card purchase transactions to cash withdrawals continued to grow during the year.

Digital Channels

The number of monetary transactions conducted through the Bank's digital channels grew by 31% compared to the previous year.

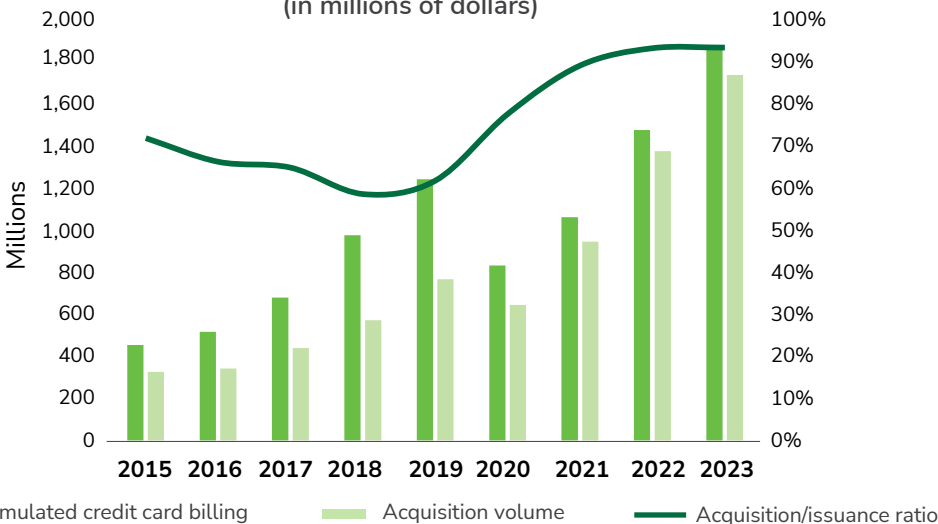
The channels that had the best evolution during 2023 were the Mobile App, whose transactional volume increased

Graph 36
Historical Growth of the Credit Card Portfolio
(in millions of dollars)



Annual portfolio variation

Graph 37
Produbanco credit card billing
(in millions of dollars)



Accumulated credit card billing

Acquisition volume

Acquisition/issuance ratio

by 39%, be Produbanco by 47% and the web produbanco.com by 21%, compared to 2022.

Over the course of this year, we have dedicated a great deal of effort to improving the digital experience of our customers in the Mobile App and produbanco.com web channels. Based on processes of understanding user needs, prototyping and testing, we implemented new functionalities in transactional digital channels. On the one hand, we redesigned the entire credit card module as well as making improvements to the transfer module, among which are: the completion of this transaction by mobile number, history consultation, download of receipts, scheduled trans-

fers, integration of beneficiaries in contacts, transfers abroad and validation of online contacts.

As for the WhatsApp channel, we have applied the same user experience principles as in the rest of the channels of our digital ecosystem. Thanks to the new features of the app, we have implemented automatic support transactions, which can be easily and securely accessed by customers, such as checking balances and transactions, thus expanding our services on our digital channels.

Cash Management

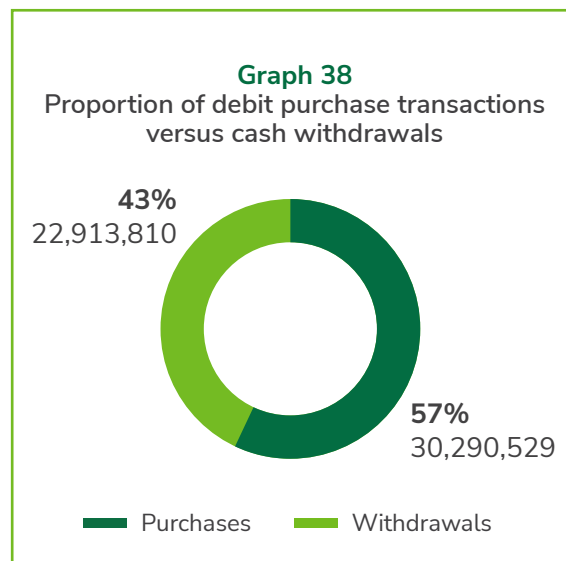
Through this technological tool, we offer our business clients a range of specialised and low-cost solutions for the efficient management of their main treasury operations. Its availability, processing method, accuracy and ease of use – features designed with the needs of service users in mind – have strengthened our relationship with our customers and made us merit their trust. Our value proposition, backed by personalised service, has allowed us to support the client in a timely and efficient manner.

In 2023, we conducted important technological developments to improve

the experience of our customers, such as the possibility for them to conduct by themselves, the download of ACK certificates – confirmation of the successful sending of the transfer abroad. This solves the need for importers to have, in the shortest possible time, the SWIFT certificate that accredits payment to their foreign supplier.

In the course of this year, we also dedicated efforts to the direct connection between companies' systems and our processing tool; this made it possible for us to provide service to customers with international systems and protocols that guarantee the security in the transmission of their payment orders.

As for the collections service, throughout this year, we continue to expand in produbanco.com and Cash Management the variety of payment options aimed at customers, both individuals and legal entities. Likewise, we continue to implement collection transactions through our electronic and physical channels for public and private companies. Of these, 45 new collection options were increased in the largest number of points affiliated to our ServiPagos network.



Recognitions Received



Best Bank Ecuador
2023 / 2022 / 2021 / 2020
2019 / 2018 / 2017

Best Digital Bank
2022 / 2021 / 2020 / 2019 / 2018 / 2017

World's Best Investment Banks
2022

The Innovators
2021

**Sustainable Finance Awards in the
Country & Territory Awards category
for Latin America for Ecuador**
2023

**Sustainable Finance Leadership
in Ecuador**
Outstanding Leadership in ESG Related Loans
in LA
Financial Leadership in Sustaining
Communities in LA
2022

**Outstanding Leadership in Resource
Management Financial Leadership in
Green Loans**
2021



Best Innovation in Retail Banking
2023 / 2022 / 2021 / 2020
2019 / 2018 / 2017

**Customer Service
Provider of the Year South America**
2020 / 2019

Best Commercial Bank
2017

Recognitions Received



Global SME Finance Awards
2023

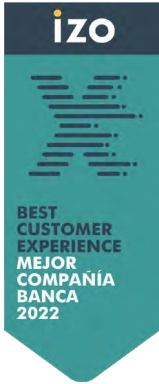


Certified B Corp
2022 / 2023



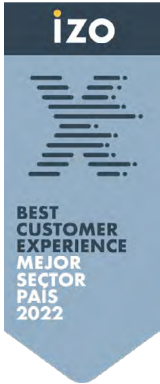
Bank of the Year
2022 / 2021 / 2020
2019 / 2018 / 2017
2015 - 2009 / 2007 / 2002

Recognitions Received



Best Customer Experience (BCX)

Best Company
Banking Sector in Ibero-America
2022 / 2021



Best Customer Experience (BCX)

Second Place Company
Banking Sector
Ecuador
2023

Best Company
Banking Sector Ecuador
2022 / 2021



Best Customer Experience (BCX)

Third Place
Best Company
Country
2022 / 2021

Certifications & Recognitions

Sustainability



ESR® Badge
Socially Responsible Company
2022 / 2021



Edge Certification
Guayaquil Branch Building
2021

Edge Advanced Certification
Ekopark and Iñaquito Buildings
2021



Reduction Certification
Carbon Footprint
Ecuador Zero Carbon
First Company in Ecuador
2022

Certificaciones y Reconocimientos de Sostenibilidad



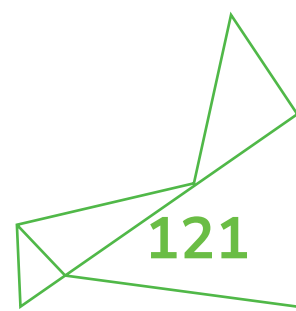
Safe Company Recognition
2022



Certification of
Carbon Neutrality SGS
2020 / 2019



Certification of
Carbon Neutrality Bureau Veritas
2022 / 2021



Consolidated Balance Sheet Banco de la Producción S.A. and Subsidiaries

Thousands of USD dollars

	2022	2023	% Growth
Asset			
Available Funds & Investments	2,145,709	2,194,305	2.26%
Loan portfolio	4,465,756	4,893,504	9.58%
Receivables for acceptances			
Accounts Receivable	71,603	79,798	11.45%
Realisable assets, awarded for payment	20,409	15,532	-23.90%
Properties & Equipment	91,083	100,933	10.81%
Other Assets	207,412	218,096	5.15%
Total Assets	7,001,972	7,502,168	7.14%
Liability			
Obligations to the public	5,330,514	5,715,240	7.22%
Interbank transactions			
Immediate Obligations	35,953	30,209	-15.98%
Acceptances in circulation			
Accounts Payable	208,865	212,019	1.51%
Financial Obligations	583,191	656,904	12.64%
Outstanding securities	50,000	41,112	-17.78%
Subordinated debt	208,500	208,500	0.00%
Other liabilities	29,983	42,334	41.19%
Total Liabilities	6,447,007	6,906,318	7.12%
Total Equity	554,965	595,850	7.37%
Total Liabilities and Equity	7,001,972	7,502,168	7.14%
Contingents	1,740,081	2,021,951	16.20%

Profit and Loss Statement Banco de la Producción S.A. and Subsidiaries

Thousands of USD dollars

	2022	2023	% Growth
Revenue			
Interest and Discounts Earned	451,656	554,754	22.83%
Commissions Earned	29,720	33,567	12.95%
Financial Profit	16,177	29,258	80.87%
Service Revenue	107,030	127,673	19.29%
Other Operating Revenue	12,708	16,767	31.95%
Other Revenue	50,648	51,798	2.27%
Total Revenue	667,938	813,817	21.84%
Expenses			
Interest Caused	137,330	241,167	75.61%
Commissions caused	2,560	3,406	33.04%
Financial Losses	1,099	880	-19.94%
Provisions	113,917	172,994	51.86%
Operating Expenses	277,120	288,172	3.99%
Other Operating Losses	2,072	3,584	73.03%
Other Expenses and Losses	511	1,429	179.66%
Total Expenditures	534,608	711,632	33.11%
Earnings before provision for staff participation and income tax	133,330	102,185	-23.36%
Provision for Staff Profit Sharing	20,278	15,792	-22.13%
Earnings before income tax provisions	113,052	86,394	-23.58%
Provision for income tax	30,212	21,441	-29.03%
Net Income	82,840	64,953	-21.59%

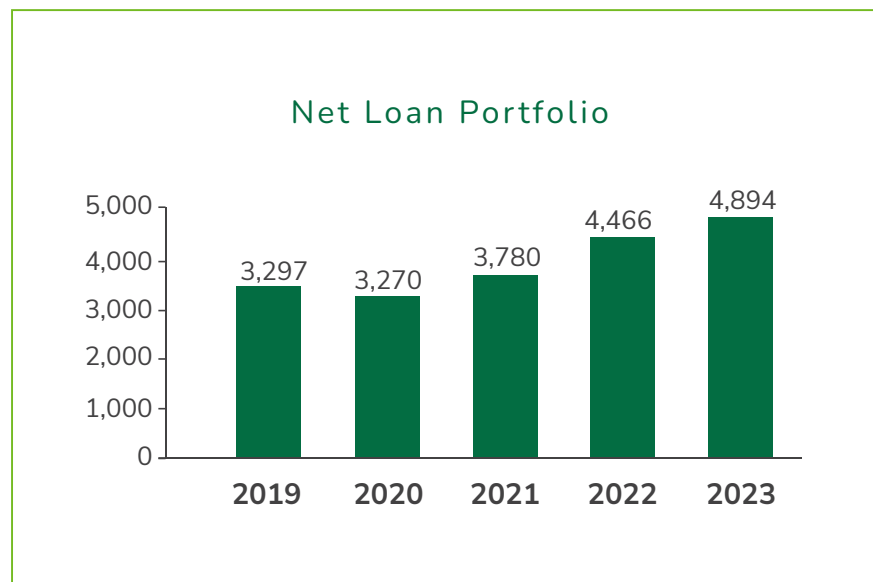
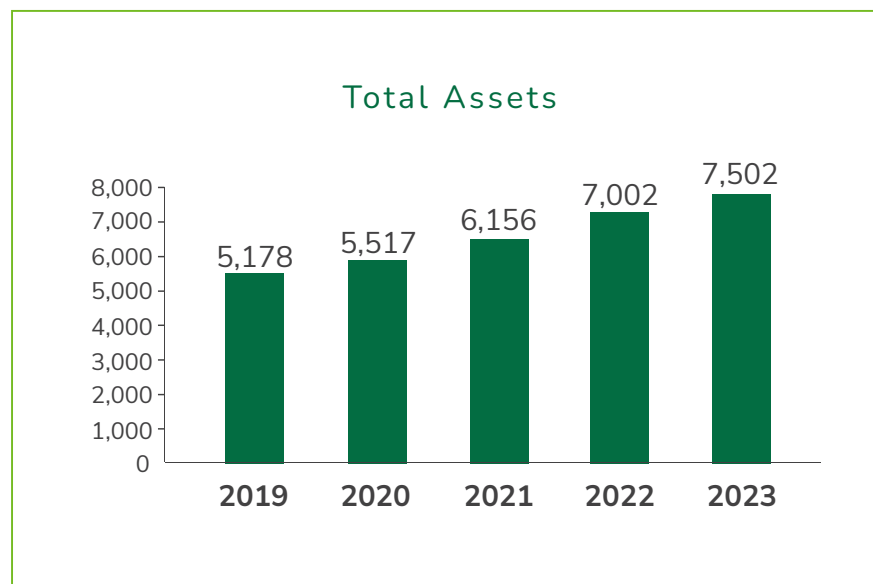
Taxes, Contributions and Fees Paid Banco de la Producción S.A. and Subsidiaries

Thousands of USD dollars

	Dec 2022	Dec 2023	Variation
Income tax	30,212	21,441	-8,771
COSEDE Contributions	22,741	4,073	-18,668
Contributions Bank Superintendency	7,208	8,159	951
Municipal Taxes	2,521	2,848	327
Other taxes and contributions	2,366	3,471	1,105
VAT on purchases	17,751	19,898	2,147
Total Direct Taxes	82,799	59,890	-22,910
Payment of income tax for employees	0	0	0
Payment of IESS employee contributions	6,363	7,036	673
Total Indirect Taxes and Contributions	6,363	7,036	673
	Dec 2022	Dec 2023	Variation- Points Percentage
Direct Tax Burden / Group Profit	99.95%	92.20%	-7.75
Direct, Indirect and Indirect Tax Burden Contributions / Group Utility	107.63%	103.04%	-4.59
Net Income	82,840	64,953	-17,887

Total Assets and Net Loan Portfolio Banco de la Producción S.A. and Subsidiaries

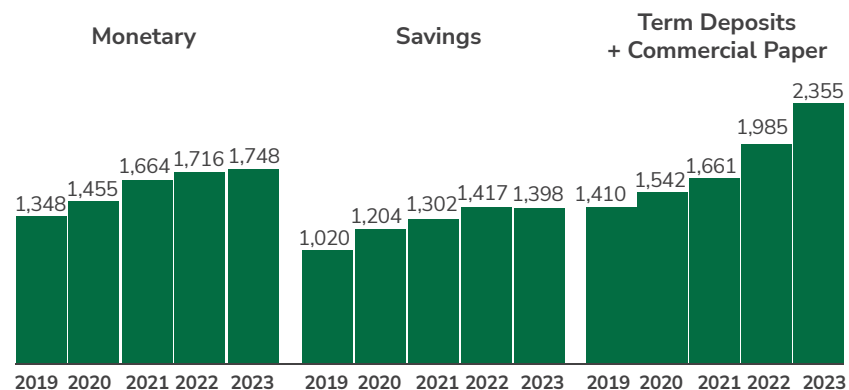
Millions of USD dollars



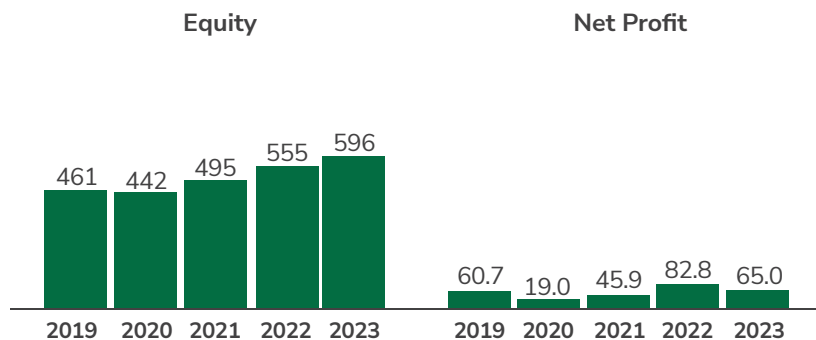
Obligations to the Public and Commercial Paper, Equity and Net Profit Banco de la Producción S.A. and Subsidiaries

Millions of USD dollars

Obligations to the Public and Commercial Paper



Equity and Net Income



Main Accounts and Financial Indicators Banco de la Producción S.A. and Subsidiaries

Thousands of USD dollars

Accounts

	2022	2023	% Growth
Total Assets	7,001,972	7,502,168	7.14%
Available Funds & Investments	2,145,709	2,194,305	2.26%
Credit Portfolio	4,465,756	4,893,504	9.58%
Obligations to the Public	5,330,514	5,715,240	7.22%
Equity	554,965	595,850	7.37%
Net Income	82,840	64,953	-21.59%
Contingents	1,740,081	2,021,951	16.20%
Assets + Contingents	8,742,052	9,524,119	8.95%

Indicators

Solvency

	2022	2023	Variation
Incorporated Technical Equity / Assets and Risk-Weighted Contingencies	14.29%	13.90%	-0.40*

Asset Quality

	2022	2023	Variation
Total Gross Delinquency	1.71%	2.80%	1.10*

Administrative Management

	2022	2023	Variation
Productive Assets / Cost Liabilities	136.62%	137.99%	1.37*

Profitability

	2022	2023	Variation
Performance / Equity - ROE	17.08%	12.02%	-5.06*

Liquidity

	2022	2023	Variation
Available Funds / Total Short-Term Deposits	39.30%	35.47%	-3.84*

Note (*): The increase/decrease is expressed in percentage

Balance Sheet Banco de la Producción S.A.

Thousands of USD dollars

	2022	2023	% Growth
Asset			
Available Funds & Investments	2,142,525	2,192,147	2.32%
Loan portfolio	4,465,854	4,893,531	9.58%
Receivables for acceptances	0	0	0.00%
Accounts Receivable	70,924	79,476	12.06%
Realisable assets, awarded for payment	20,409	15,532	-23.90%
Properties & Equipment	84,311	94,674	12.29%
Other Assets	210,767	218,440	3.64%
Total Assets	6,994,792	7,493,800	7.13%
Liability			
Obligations to the public	5,339,005	5,726,522	7.26%
Interbank transactions	0	0	0.00%
Immediate Obligations	35,953	30,209	-15.98%
Acceptances in circulation	0	0	0.00%
Accounts Payable	193,367	191,687	-0.87%
Financial Obligations	583,191	656,904	12.64%
Outstanding securities	50,000	41,112	-17.78%
Subordinated debt	208,500	208,500	0.00%
Other liabilities	29,934	42,291	41.28%
Total Liabilities	6,439,951	6,897,225	7.10%
Equity			
Paid-in capital	423,960	478,820	12.94%
Premium on share placement	1,105	1,105	0.00%
Legal Reserves	62,680	70,940	13.18%
Valuation surplus	-16,097	-20,303	26.13%
Retained Earnings	598	262	-56.14%
Earnings for the year	82,595	65,751	-20.39%
Total Equity	554,841	596,575	7.52%
Total Liabilities and Equity	6,994,792	7,493,800	7.13%
Contingents	1,740,081	2,021,951	16.20%

Profit and Loss Statement Banco de la Producción S.A.

Thousands of USD dollars

	2022	2023	% Growth
Revenue			
Interest and Discounts Earned	451,530	554,615	22.83%
Commissions Earned	29,720	33,567	12.95%
Financial Profit	16,100	29,152	81.07%
Service Revenue	91,586	110,665	20.83%
Other Operating Income	14,489	18,934	30.67%
Other Revenue	50,889	52,893	3.94%
Total Revenue	654,314	799,826	22.24%
Expenses			
Interest Caused	137,075	240,989	75.81%
Commissions caused	2,560	3,406	33.04%
Financial Losses	1,099	880	-19.94%
Provisions	113,916	172,821	51.71%
Operating Expenses	265,193	275,426	3.86%
Other Operating Losses	2,179	3,634	66.77%
Other Expenses and Losses	511	1,429	179.71%
Total Expenditures	522,533	698,585	33.69%
Earnings before provision for staff participation and income tax	131,781	101,241	-23.17%
Provision for Staff Profit Sharing	19,764	15,186	-23.16%
Earnings before income tax provisions	112,018	86,055	-23.18%
Provision for income tax	29,423	20,304	-30.99%
Net Income	82,595	65,751	-20.39%

Equity Movement (January to December 2023)
Banco de la Producción S.A.

Thousands of USD dollars

	Capital	Legal Reserve	Special Reserve	Premiums or discounts on share placements	Valuation surplus	Accrued Profit	Profits for the Year	Total
Balances as of December 31, 2022	423,960,000	62,680,189	-	1,104,774	-16,097,066	598,084	82,594,679	554,840,660
Valuation of shares and participations					589,719			589,719
Valuation of investments in Financial Instruments					-4,536,288			-4,536,288
Capital, legal reserve, reserve for revaluation of assets								0
Future Capitalisation			54,264,704			-54,264,704		0
Contributions Dividend Payment						-20,070,507		-20,070,507
Transfer to Retained Earnings						82,594,679	-82,594,679	0
Appropriation of Legal Reserve		8,259,468				-8,259,468		0
Depreciation year 2023 valued portion of assets					-259,544	259,544		0
Reverse Valuation by Sale of Assets								
Valuation Assets								
Capital increase	54,860,000		-54,264,704			-595,296		0
Profit for the year							65,750,948	65,750,948
Balances as of December 31, 2023	478,820,000	70,939,656	-	1,104,774	-20,303,180	262,332	65,750,948	596,574,531

Ratio of Total Technical Equity to Risk-Weighted Assets and Contingents (December 2022 - 2023)
Banco de la Producción S.A.

USD Units

Description	Dec 2022	Dec 2023
Total Primary Technical Equity	485,180,265	549,426,802
Total Secondary Technical Equity	288,189,450	269,679,711
Total Technical Equity	773,369,714	819,106,513
Deductions to Total Technical Assets	10,269,602	10,155,074
Incorporated Technical Equity	763,100,113	808,951,440
Total Risk-Weighted Assets and Contingents	5,387,539,422	5,864,004,620
Technical Equity Required (9%)	484,878,548	527,760,416
Surplus or Deficiency of the Technical Assets Required	278,221,565	281,191,024
Total and Contingent Assets x 4%	349,394,889	380,630,036
Solvency Ratio (Technical Equity / Risk-Weighted Assets and Contingents)	14.16%	13.80%

Summary of Loan and Contingent Portfolio Rating and Provisioning - Page 1 of 6
Banco de la Producción S.A. (as of December 31, 2023)

USD Units

231 A.1 | Productive Credit

Category Scoring	Total	Credits backed with Self-Liquing Warranties	Balance Subject To Rating	% Participation	% Provision	Required Provisions	Provisions made	Difference between required and incorporated	Mitigated provisions for mortgage guarantees	Surplus or deficit provisions
A1	1,956,375,428	26,402,698	1,929,972,730	60.51%	0.75%	21,028,186	14,627,902	6,400,284	6,400,284	0
A2 Normal Risk	439,834,325	16,323,019	423,511,306	13.60%	1.37%	8,986,004	6,032,144	2,953,860	2,953,860	0
A3	624,268,508	8,461,679	615,806,829	19.31%	2.26%	22,068,112	14,138,119	7,929,993	7,929,993	0
B1 Potential Risk	10,684,607	262,509	10,422,097	0.33%	4.24%	862,300	452,891	409,409	409,409	0
B2	8,228,404	305,507	7,922,898	0.25%	8.20%	1,142,064	674,961	467,103	467,103	0
C1 Deficient	3,734,958	0	3,734,958	0.12%	15.73%	1,009,974	587,554	422,420	422,420	0
C2	4,523,900	0	4,523,900	0.14%	43.72%	1,977,687	1,977,687	0	0	0
D Dubious Collection	11,601,599	0	11,601,599	0.36%	79.29%	9,199,055	9,199,055	0	0	0
E Loss	15,990,310	0	15,990,310	0.49%	100.00%	15,990,310	15,990,310	0	0	0
AL 100% Self-Liquidating Guarantees	157,665,037	157,665,037	0	4.88%	0.00%	0	0	0	0	0
Total	3,232,907,076	209,420,449	3,023,486,627	100.00%	1.97%	82,263,691	63,680,622	18,583,069	18,583,069	0

Summary of the Credit and Contingent Portfolio Rating and Provisioning - Page 2 of 6
Banco de la Producción S.A. (as of December 31, 2023)

USD Units

231 A.2 | Consumer Credit

Category Scoring	Total	Loans covered by self-liquoring guarantees	Balance Subject To Rating	% Participation	% Provision	Required Provisions	Provisions made	Over -or under-provisioning
A1	1,648,301,867	761,398	1,647,540,469	82.92%	1.00%	16,483,033	16,475,419	-7,614
A2 Normal Risk	73,224,889	2,329	73,222,560	3.68%	2.00%	1,464,499	1,464,453	-47
A3	40,488,278	9,037	40,479,241	2.04%	3.00%	1,214,649	1,214,378	-271
B1 Potential Risk	48,558,144	1,120	48,557,023	2.44%	6.00%	2,913,488	2,913,421	-67
B2	29,655,490	606	29,654,885	1.49%	10.00%	2,965,551	2,965,491	-61
C1 Deficient	24,176,597	1,087	24,175,509	1.22%	20.00%	4,835,319	4,835,102	-217
C2	25,361,156	1,102	25,360,054	1.28%	40.00%	10,144,463	10,144,022	-441
D Dubious Collection	34,080,989	557	34,080,431	1.71%	60.00%	20,448,594	20,448,259	-334
E Loss	47,701,440	92	47,701,348	2.40%	100.00%	47,701,440	47,701,348	-92
AL 100% Self-Liquidating Guarantees	16,385,330	16,385,330	0	0.82%	0.00%	0	0	0
Total	1,987,934,179	17,162,659	1,970,771,520	100.00%	5.44%	108,171,036	108,161,892	-9,144

Summary of the Credit and Contingent Portfolio Rating and Provisioning - Page 3 of 6
Banco de la Producción S.A. (as of December 31, 2023)

USD Units

231 A3 | Real Estate Credit

Category Scoring	Total	Loans covered by self-liquoring guarantees	Balance Subject to Rating	% Participation	% Provision	Required Provisions	Provisions made	Over -or under-provisioning
A1	252,611,247	91,612	252,519,635	84.95%	1.00%	2,526,113	2,525,197	-916
A2 Normal Risk	15,660,859	0	15,660,859	5.27%	2.00%	313,217	313,217	0
A3	12,803,872	0	12,803,872	4.31%	3.00%	384,116	384,116	0
B1 Potential Risk	3,823,839	0	3,823,839	1.29%	6.00%	229,430	229,430	0
B2	1,830,055	0	1,830,055	0.62%	10.00%	183,006	183,006	0
C1 Deficient	2,598,512	0	2,598,512	0.87%	20.00%	519,702	519,702	0
C2	974,903	0	974,903	0.33%	40.00%	389,961	389,961	0
D Dubious Collection	2,155,750	0	2,155,750	0.72%	68.37%	1,473,870	1,473,870	0
E Loss	4,771,003	0	4,771,003	1.60%	100.00%	4,771,003	4,771,003	0
AL 100% Self-Liquidating Guarantees	125,200	125,200	0	0.04%	0.00%	0	0	0
Total	297,355,241	216,812	297,138,429	100.00%	3.63%	10,790,418	10,789,502	-916

Summary of the Credit and Contingent Portfolio Rating and Provisioning - Page 4 of 6
Banco de la Producción S.A. (as of December 31, 2023)

USD Units

231 A4 | Microcredits

Category Scoring	Total	Loans covered by self-liquering guarantees	Balance Subject to Rating	% Participation	% Provision	Required Provisions	Provisions made	Over -or under-provisioning
A1	20,752,951	63,660	20,689,291	81.13%	1.00%	207,529	206,893	-637
A2 Normal Risk	1,182,086	0	1,182,086	4.62%	2.00%	23,642	23,642	0
A3	308,647	0	308,647	1.21%	3.00%	9,259	9,259	0
B1 Potential Risk	263,748	0	263,748	1.03%	6.00%	15,825	15,825	0
B2	406,445	0	406,445	1.59%	10.00%	40,645	40,645	0
C1 Deficient	213,048	0	213,048	0.83%	20.00%	42,610	42,610	0
C2	130,023	0	130,023	0.51%	40.00%	52,009	52,009	0
D Dubious Collection	249,961	0	249,961	0.98%	60.00%	149,977	149,977	0
E Loss	603,091	0	603,091	2.36%	100.00%	603,091	603,091	0
AL 100% Self-Liquidating Guarantees	1,469,810	1,469,810	0	5.75%	0.00%	0	0	0
Total	25,579,812	1,533,470	24,046,341	100.00%	4.47%	1,144,587	1,143,950	-637

Summary of the Credit and Contingent Portfolio Rating and Provisioning - Page 5 of 6
Banco de la Producción S.A. (as of December 31, 2023)

USD Units

231 A6 | Educational

Category Scoring	Total	Loans covered by self-liquering guarantees	Balance Subject to Rating	% Participation	% Provision	Required Provisions	Provisions made	Over -or under-provisioning
A1	645,774	0	645,774	88.44%	1.00%	6,458	6,458	0
A2 Normal Risk	13,570	0	13,570	1.86%	2.00%	271	271	0
A3	9,101	0	9,101	1.25%	3.00%	273	273	0
B1 Potential Risk	11,227	0	11,227	1.54%	6.00%	674	674	0
B2	28,049	0	28,049	3.84%	10.00%	2,805	2,805	0
C1 Deficient	22,493	0	22,493	3.08%	20.00%	4,499	4,499	0
C2	0	0	0	0.00%	0.00%	0	0	0
D Dubious Collection	0	0	0	0.00%	0.00%	0	0	0
E Loss	0	0	0	0.00%	0.00%	0	0	0
AL 100% Self-Liquidating Guarantees	0	0	0	0.00%	0.00%	0	0	0
Total	730,216	0	730,216	100.00%	2.05%	14,980	14,980	0

Summary of the Credit and Contingent Portfolio Rating and Provisioning - Page 6 of 6
Banco de la Producción S.A. (as of December 31, 2023)

USD Units

Grand Total

Total	Loans covered by self-liquering guarantees	Balance Subject to Rating	% Participation	% Provision	Required Provisions	Provisions made	Over -or under-provisioning
5,544,506,523	228,333,389	5,316,173,133	100.00%	3.31%	202,384,712	183,790,946	-10,697

Summary of the Rating of Investments and Other Assets and Provisioning- Page 1 of 3
Banco de la Producción S.A. (as of December 31, 2023)

USD Units

231 B.1

Code	Investments	Nominal Value	Market Value	Specific Provisions	General Provisions for Investments
1301	At fair value through changes in the income statement of private sector agencies	0.00	0.00	0.00	0.00
1302	At fair value through changes in the income statement of public sector agencies	0.00	0.00	0.00	0.00
1303	Available for sale from private sector agencies	36,924,787.48	36,563,620.02	35,000.00	35,000.00
1304	Available for sale from state or public sector agencies	285,143,869.48	255,157,273.13	0.00	0.00
	Total	322,068,656.96	291,720,893.15	35,000.00	35,000.00

Code	Investments	Book Value	Market Value	Specific Provisions	General Provisions for Investments
1202	Repo transactions with financial institutions	0.00	0.00	0.00	0.00
1305	Held to maturity with the private sector	0.00	0.00	0.00	0.00
1306	Held at maturity with the state or public sector agencies	226,759,545.89	226,759,545.89	0.00	0.00
1307	Restricted availability	78,930,176.17	78,930,176.17	0.00	0.00
190205	Fiduciary Rights - Investments	89,576.10	89,576.10	0.00	0.00
	Total	305,779,298.16	305,779,298.16	0.00	0.00

Summary of the Rating of Investments and Other Assets and Provisioning- Page 2 of 3
Banco de la Producción S.A. (as of December 31, 2023)

USD Units

231 B.2

Category: Other Assets		Total	% Risk	Required Provisions	Provisions made	Provisions surplus or deficit
A1	Normal Risk	41,733,338.61	78.34%	280,272.40	280,886.62	614.22
A2		6,401,347.10	12.02%	128,026.94	128,112.95	86.01
A3		1,012,830.34	1.90%	40,513.21	40,513.21	0.00
B1	Potential Risk	357,816.61	0.67%	26,836.34	26,836.34	0.00
B2		215,039.05	0.40%	31,180.75	31,180.75	0.00
C1	Deficient	340,279.92	0.64%	100,382.70	100,382.70	0.00
C2		1,348,701.46	2.53%	671,832.65	671,945.42	112.77
D	Dubious Collection	394,276.72	0.74%	313,450.09	313,450.09	0.00
E	Loss	1,466,403.27	2.75%	1,466,403.27	1,466,403.27	0.00
	Assessed	53,270,033.08	100.00%	0.00	0.00	0.00
	Not Evaluated	0.00	0.00%	0.00	0.00	0.00
Total		53,270,033.08	100.00%	3,058,898.35	3,059,711.35	813.00
% of other assets assessed [(assessed / total) 100] =						100.00%
% of other assets risk assessed [(provision required/assessed) 100] =						5.74%
Estimated loss other assets [total x risk other assets assessed] =						

Summary of the Rating of Investments and Other Assets and Provisioning- Page 3 of 3
Banco de la Producción S.A. (as of December 31, 2023)

USD Units

231 B.3

Goods in Dation	Total	Required Provisions (a)	Provisions required by appraisal (b)	Total Required Provisions	Provisions made	Provisions surplus or deficit
Riesgos	7,922,126.29	4,157,133.77	78,067.68	4,235,201.45	4,242,613.73	7,412.28
Total	7,922,126.29	4,157,133.77	78,067.68	4,235,201.45	4,242,613.73	7,412.28

(a) Required Provisions

Article 195 of the Organic Monetary and Financial Code.

(b) Provisions Required by Appraisal

Second paragraph, numeral 3, article 5, section II, chapter XVIII, title II, book 1 of the Codification of Monetary, Financial, Securities and Insurance Resolutions.

Balance Sheet Externalización de Servicios S.A. Exsersa

Thousands of USD dollars

	2022	2023	% Growth
Asset			
Available Funds & Investments	2,126	1,442	-32.16%
Interbank transactions and investments	1,020		-100.00%
Loan portfolio			
Receivables for acceptances			
Accounts Receivable	967	588	-39.16%
Realisable assets, awarded for payment			
Property & Equipment (*)	7,072	6,383	-9.75%
Other Assets	3,614	7,132	97.33%
Total Assets	14,800	15,545	5.04%
Liability			
Obligations to the public			
Interbank transactions			
Immediate Obligations			
Acceptances in circulation			
Accounts payable (*)	9,087	10,049	10.59%
Financial Obligations			
Outstanding securities			
Debentures convertible into shares and			
Contributions for future capitalizations			
Other liabilities			
Total Liabilities	9,087	10,049	10.59%
Total Equity	5,713	5,496	-3.80%
Total Liabilities and Equity	14,800	15,545	5.04%
Note (*):			
In 2019, the implementation of the IFRS 16 on Leases came into effect, thus, in application thereof, these items include the registry of Assets under Right of Use and Liabilities under Leasing.			

Profit and Loss Statement Externalización de Servicios S.A. Exsersa

Thousands of USD dollars

	2022	2023	% Growth
Revenue			
Interest and Discounts Earned			
Commissions Earned			
Financial Profit	35	36	4.23%
Service Revenue	17,904	18,469	3.16%
Other Operating Revenue			
Other Revenue	119	202	69.93%
Total Revenue	18,058	18,707	3.60%
Expenses			
Interest Caused	507	590	16.33%
Commissions caused			
Financial Losses			
Provisions	2		-100.00%
Operating Expenses	15,439	16,730	8.36%
Other Operating Losses			
Other Expenses and Losses			
Taxes & Employee Participation			
Total Expenditures	15,948	17,320	8.60%
Earnings before provision for staff participation and income tax	2,110	1,387	34.24%
Provision for Staff Profit Sharing	326	210	-35.55%
Earnings before income tax provisions	1,783	1,177	34.00%
Provision for income tax	391	329	-15.84%
Net Income	1,392	848	-39.09%

Balance Sheet Protramites Trámites Profesionales S.A.

Thousands of USD dollars

	2022	2023	% Growth
Asset			
Available Funds & Investments	1,085	938	-13.55%
Available-for-sale assets - portfolio	1,389	2,639	89.99%
Bought			
Receivables for acceptances			
Accounts Receivable	10	13	30.00%
Realisable assets, awarded for payment			
Property & Equipment (*)	768	886	15.36%
Other Assets	915	1,172	28.09%
Total Assets	4,167	5,648	35.54%
Liability			
Obligations to the public			
Interbank transactions			
Immediate Obligations			
Acceptances in circulation			
Accounts payable (*)	2,483	3,097	24.73%
Financial Obligations	47	0	-100.00%
Contributions for future capitalizations			
Other liabilities			
Total Liabilities	2,530	3,097	22.41%
Total Equity	1,637	2,551	55.83%
Total Liabilities and Equity	4,167	5,648	35.54%
Note (*):			
In 2019, the implementation of the IFRS 16 on Leases came into effect, thus, in application thereof, these items include the registry of Assets under Right of Use and Liabilities under Leasing.			

Profit and Loss Statement Protramites Trámites Profesionales S.A.

Thousands of USD dollars

	2022	2023	% Growth
Revenue			
Interest and Discounts Earned	142	146	2.82%
Commissions Earned			
Financial Utilities			
Service Revenue	4,374	5,619	28.46%
Other Operating Revenue	411	576	40.15%
Other Revenue	69	88	27.54%
Total Revenue	4,996	6,429	28.68%
Expenses			
Interest Caused	62	101	62.90%
Commissions caused			
Financial Losses			
Provisions			
Operating Expenses	4,141	4,761	14.97%
Other Operating Losses		1	
Other Expenses and Losses	190	480	152.63%
Taxes & Employee Participation			
Total Expenditures	4,393	5,343	21.63%
Earnings before provision for staff participation and income tax	603	1,086	80.10%
Provision for Staff Profit Sharing	83	156	87.95%
Earnings before income tax provisions	520	930	78.85%
Provision for income tax	204	377	84.80%
Net Income	316	553	75.00%

Balance Sheet Ecuapayphone C.A.

Thousands of USD dollars

	2022	2023	% Growth
Asset			
Available Funds & Investments	5,769	8,869	54%
Loan portfolio			
Receivables for acceptances			
Accounts Receivable	191	662	247%
Realisable assets, awarded for payment			
Properties & Equipment	26	59	124%
Other Assets	353	587	66%
Total Assets	6,340	10,178	61%
Liability			
Obligations to the public			
Interbank transactions			
Immediate Obligations			
Acceptances in circulation			
Accounts Payable	4,969	8,359	68%
Financial Obligations	52	27	-47%
Contributions for future capitalizations			
Other liabilities			
Total Liabilities	5,021	8,386	67%
Total Equity	1,319	1,792	36%
Total Liabilities and Equity	6,340	10,178	61%

Profit and Loss Statement Ecuapayphone C.A.

Thousands of USD dollars

	2022	2023	% Growth
Revenue			
Interest and Discounts Earned	204	371	81%
Commissions Earned			
Financial Utilities	13	23	74%
Service Revenue	3,635	6,438	77%
Other Operating Revenue			
Other Revenue	13	99	678%
Total Revenue	3,865	6,931	79%
Expenses			
Interest Caused	6	4	-39%
Commissions caused			
Financial Losses			
Provisions		173	
Operating Expenses	3,680	5,928	61%
Other Operating Losses			
Other Expenses and Losses			
Taxes & Employee Participation			
Total Expenditures	3,687	6,104	66%
Earnings before provision for staff participation and income tax	178	827	364%
Provision for Staff Profit Sharing	26	117	355%
Earnings before income tax provisions	153	710	365%
Provision for income tax	75	248	232%
Net Income	78	462	493%

Balance Sheet ProContacto Soluciones Inteligentes C.A.

Thousands of USD dollars

	2022	2023	% Growth
Asset			
Available Funds & Investments	1,250	1,752	40.16%
Loan portfolio			
Receivables for acceptances			
Accounts Receivable	4	9	133.79%
Realisable assets, awarded for payment			
Property & Equipment (*)	626	732	17.03%
Other Assets	152	316	107.71%
Total Assets	2,032	2,810	38.27%
Liability			
Obligations to the public			
Interbank transactions			
Immediate Obligations			
Acceptances in circulation			
Accounts payable (*)	1,310	1,753	33.81%
Financial Obligations			
Outstanding securities			
Debentures convertible into shares and			
Contributions for future capitalizations			
Other liabilities			
Total Liabilities	1,310	1,753	33.81%
Total Equity	722	1,057	46.35%
Total Liabilities and Equity	2,032	2,810	38.27%
Note (*):			
In 2019, the implementation of the IFRS 16 on Leases came into effect, thus, in application thereof, these items include the registry of Assets under Right of Use and Liabilities under Leasing.			

Profit and Loss Statement ProContacto Soluciones Inteligentes C.A.

Thousands of USD dollars

	2022	2023	% Growth
Revenue			
Interest and Discounts Earned			
Commissions Earned			
Financial Utilities	15	25	68.17%
Service Revenue	4,004	6,008	50.04%
Other Operating Revenue			
Other Revenue	29	42	45.90%
Total Revenue	4,048	6,075	50.08%
Expenses			
Interest Caused	44	75	69.89%
Commissions caused			
Financial Losses			
Provisions			
Operating Expenses	3,452	5,156	49.35%
Other Operating Losses			
Other Expenses and Losses			
Taxes & Employee Participation			
Total Expenditures	3,496	5,231	49.61%
Earnings before provision for staff participation and income tax	552	844	53.07%
Provision for Staff Profit Sharing	80	123	53.59%
Earnings before income tax provisions	472	722	52.98%
Provision for income tax	120	183	52.95%
Net Income	352	539	52.98%

Report by Independent Auditors Banco de la Producción S.A. and Subsidiaries



(Free translation from the original issued in Spanish)

REPORT OF THE INDEPENDENT AUDITORS

To the Shareholders and Members of the Board of Directors

Banco de la Producción S.A. Produbanco y subsidiarias

Quito, March 1, 2024

Opinion

We have audited the consolidated financial statements of the Banco de la Producción S.A. Produbanco and subsidiaries hereinafter (the Group), which comprise the consolidated balance sheet as of December 31, 2023 and the corresponding consolidated statements of income, changes in equity and cash flows for the year ended on that date, as well as the explanatory notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Banco de la Producción S.A. Produbanco and subsidiaries as of December 31, 2023, the performance of their operations and their cash flows for the year ended on that date, in accordance with accounting standards and specific provisions established by the Superintendency of Banks of Ecuador and the Policy and Financial Regulation.

Basis for the opinion

Our audit was carried out in accordance with International Auditing Standards. Our responsibilities under those standards are described below in the section "Auditor responsibilities in connection with the audit of the consolidated financial statements."

We believe that the audit evidence we have obtained provides a sufficient and appropriate basis for expressing our audit opinion.

Independence

We are independent of Banco de la Producción S.A. Produbanco and subsidiaries in accordance with the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants, and we have fulfilled our ethical responsibilities in accordance with these requirements.

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Banco de la Producción S.A. Produbanco y Subsidiarias
Quito, March 1, 2024

Significant audit matters

The significant audit matters, according to our professional judgment, were those matters of greatest importance identified in our audit of the consolidated financial statements of the current period. These matters have been discussed during the performance of our audit and in forming our opinion on the financial statements as a whole, and we do not express a separate opinion on these matters.

1. Rating of risk and contingent assets

The classification of risk and contingent assets is considered the most significant estimate because the regulations related to the determination of provisions are complex due to the high number of variables that must be considered, as described in Note 2 h) to the financial statements and the amounts involved.

How we focus the matter of our audit

We understood, evaluated and validated the design of the relevant controls associated with the credit portfolio qualification process.

We have segmented our tests for the various types of assets such as: Investments, Loan portfolio, Accounts receivable, and Other assets, in addition to contingent accounts. Within each of these items, subcategories have been segmented according to what is determined by current regulations.

We obtained the databases for the classification of the Group's risk and contingent assets and we have validated the accuracy and integrity of said database in the aspects that are relevant for the calculation of the provisions established.

We reprocess the information contained in the databases and validate the appropriateness of the classification and the correct application of the qualification criteria for each type of risk asset and contingents.

Other information

The Administration is responsible for the preparation of other information. Other information includes the "Report of the Board of Directors and Annual Report 2023" (which does not include the consolidated financial statements or the audit report thereon). Such information is expected to be available after the date of our audit report.

Our opinion on the consolidated financial statements of the Group does not include such information and we do not express any form of assurance or conclusion regarding it.

In connection with the audit of the consolidated financial statements, our responsibility is to read the "2023 Board of Directors and Annual Report" when available, and in doing so, consider whether this information contains material inconsistencies in relation to the consolidated financial statements or our knowledge obtained during the audit, or if it is otherwise materially distorted.

Report by Independent Auditors Banco de la Producción S.A. and Subsidiaries



Banco de la Producción S.A. Produbanco y Subsidiarias
Quito, March 1, 2024

If, upon reading the "Board Report and Annual Report 2023", we conclude that there are material inconsistencies in this information, we must report this fact to the Shareholders and Members of the Board of Directors.

Responsibilities of Bank Management for the consolidated financial statements

The Administration of Banco de la Producción S.A. Produbanco and subsidiaries are responsible for the preparation and fair presentation of these attached consolidated financial statements in accordance with accounting standards and specific provisions established by the Superintendency of Banks of Ecuador and the Financial Policy and Regulation Board and for the internal control necessary to allow the preparation of financial statements that are free from material misstatement, due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as appropriate, matters related to going concern and using the going concern accounting principle, unless that the Administration intends to liquidate the company or cease its operations, or there is no other more realistic alternative to avoid the closure of its operations.

The Board of Directors is responsible for supervising the process of preparing the Group's financial information.

Auditor's responsibilities in relation to the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high degree of assurance, but it does not guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material error when it exists. Material errors may arise from fraud or error and are considered material if, individually or in the aggregate, these could reasonably influence the economic decisions that users make based on the consolidated financial statements.

As part of an audit performed in accordance with International Standards on Auditing, we exercise professional judgment and maintain an attitude of professional skepticism throughout the audit.

Also, as part of our audit:

- We identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement due to fraud is higher than that of a material misstatement due to error, as fraud may involve collusion, forgery, intentional omissions, intentional misstatements, or a breach of internal control.

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Banco de la Producción S.A. Produbanco y Subsidiarias
Quito, March 1, 2024

- We obtain knowledge of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and not for the purpose of expressing an opinion on the efficiency of the entity's internal control.
- We evaluate whether the accounting policies applied are appropriate and that the accounting estimates are reasonable, as well as the respective disclosures made by Management.
- We conclude on the appropriateness of Management's use of the going concern accounting principle and, based on the audit evidence obtained, conclude on whether or not a material uncertainty exists related to events or conditions that may raise doubts, on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the corresponding disclosures in the financial statements or, if such disclosures are inadequate, to express a modified opinion. Our conclusions are based on audit evidence obtained up to the date of our audit report. However, future events or conditions may result in the Group not continuing as a going concern.
- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the relevant transactions and events in a manner that achieves fair presentation.
- We obtain sufficient and appropriate evidence in relation to the financial information of the Group's entities or business activities to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group's audit and, consequently, for the audit opinion..

We communicate to those responsible for Group Corporate Governance regarding, among other matters, the scope and timing of the planned audit and significant audit findings, as well as any significant deficiencies in internal control that we identify in the course of the audit. the auditor's.

We also provide those responsible for Group Corporate Governance with a statement that we have complied with the applicable ethical requirements in relation to independence and communicated with them about all relationships and other matters that could reasonably be expected to affect our independence and, where appropriate, the corresponding safeguards.

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Report by Independent Auditors Banco de la Producción S.A. and Subsidiaries



Banco de la Producción S.A. Produbanco y Subsidiarias
Quito, March 1, 2024

Among the matters that have been the subject of communication with those responsible for the Corporate Governance of the entity, we determined the most significant in the audit of the consolidated financial statements of the current period and which are, consequently, the significant matters of the audit. We describe these matters in our audit reports unless law or regulation prohibits public disclosure of these matters or, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences could reasonably be expected to outweigh the benefits of public interest thereof.

PricewaterhouseCoopers

Registration N. with the Superintendency
of Banks: AE-9101

Juan Carlos Sáenz P.

Juan Carlos Sáenz P.
Partner
Professional License N: 17-223

Report by Independent Auditors Banco de la Producción S.A.



(Free translation from the original issued in Spanish)

REPORT OF THE INDEPENDENT AUDITORS

To the Shareholders and Members of the Board of Directors

Banco de la Producción S.A. Produbanco

Quito, February 29, 2024

Opinion

We have audited the individual financial statements of Banco de la Produccion S.A. Produbanco (hereinafter "the Bank"), which include the individual balance sheet as of December 31, 2023 and the corresponding individual statements of results, changes in equity and cash flows for the year ended on that date, as well as the explanatory notes to the individual financial statements, which include a summary of the material accounting policies.

In our opinion, the attached individual financial statements present fairly, in all material respects, the financial position of Banco de la Produccion S.A. Produbanco as of December 31, 2023, the performance of its operations and its cash flows for the year ended on that date, in accordance with accounting standards and specific provisions established by the Superintendency of Banks of Ecuador and the Financial Policy and Regulation Board.

Basis for the opinion

Our audit was carried out in accordance with International Auditing Standards. Our responsibilities under those standards are described below in the section "Auditor responsibilities in connection with the audit of the individual financial statements."

We believe that the audit evidence we have obtained provides a sufficient and appropriate basis for expressing our audit opinion.

Independence

We are independent of Banco de la Produccion S.A. Produbanco in accordance with the Code of Ethics for Accounting Professionals of the International Ethics Standards Board for Accountants, and we have fulfilled our ethical responsibilities in accordance with these requirements.

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Banco de la Producción S.A. Produbanco
Quito, February 29, 2024

Significant audit matters

The significant audit matter, according to our professional judgment, was that matter of greatest importance identified in our audit of the individual financial statements of the current period. This matter has been addressed during the performance of our audit and in forming our opinion on the financial statements as a whole, and we do not express a separate opinion on this matter.

1. Rating of risk and contingent assets

The classification of risk and contingent assets is considered the most significant estimate because the regulations related to the determination of provisions are complex due to the high number of variables that must be considered, as described in Note 2 h) to the financial statements and the amounts involved.

How we approach the issue in our audit

We understood, evaluated and validated the design of the relevant controls associated with the credit portfolio qualification process.

We have segmented our tests for the various types of assets such as: Investments, Loan portfolio, Accounts receivable, and Other assets, in addition to contingent accounts. Within each of these items, subcategories have been segmented according to what is determined by current regulations.

We obtained the databases for the qualification of the Bank's risk and contingent assets and have validated the accuracy and integrity of said database in the aspects that are relevant for the calculation of the provisions established.

We reprocess the information contained in the databases and validate the appropriateness of the classification and the correct application of the qualification criteria for each type of risk asset and contingents.

Other matters

Consolidated Financial Statements

As mentioned in Note 1, Banco de la Produccion S.A. Produbanco must also present consolidated financial statements with its subsidiaries. The aforementioned consolidated financial statements will be presented separately.

Report by Independent Auditors Banco de la Producción S.A.



Banco de la Producción S.A. Produbanco
Quito, February 29, 2024

Other information

The Administration is responsible for the preparation of other information. Other information includes the "Report of the Board of Directors and the 2023 Annual Report" (which does not include the individual financial statements or the audit report thereon). Such information is expected to be available after the date of our audit report.

Our opinion on the Bank's individual financial statements does not include such information and we do not express any form of assurance or conclusion regarding it.

In connection with the audit of the individual financial statements, our responsibility is to read the "Report of the Board of Directors and Annual Report 2023" when available, and in doing so, consider whether this information contains material inconsistencies with respect to the individual financial statements or with our knowledge obtained during the audit, or if it is otherwise materially distorted.

If, upon reading the "Board Report and Annual Report 2023", we conclude that there are material inconsistencies in this information, we must report this fact to the Shareholders and Members of the Board of Directors.

Responsibilities of Bank Management for the financial statements

The Administration of Banco de la Producción S.A. Produbanco is responsible for the preparation and fair presentation of these attached individual financial statements in accordance with accounting standards and specific provisions established by the Superintendency of Banks of Ecuador and the Financial Policy and Regulation Board and for the internal control necessary to allow the preparation of statements financial statements that are free from significant distortions, due to fraud or error.

In preparing the individual financial statements, the Bank's management is responsible for evaluating the Bank's ability to continue as a going concern, disclosing, as appropriate, matters related to going concern and using the going concern accounting principle, unless the Administration intends to liquidate the company or cease its operations, or there is no other more realistic alternative to avoid the closure of its operations.

The entity's Board of Directors is responsible for supervising the process of preparing the Bank's financial information.

Auditor's responsibilities in relation to the audit of the financial statements

The objectives of our audit are to obtain reasonable assurance about whether the individual financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high degree of assurance, but it does not guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material error when it exists. Material misstatements may arise from fraud or error and are

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Banco de la Producción S.A. Produbanco
Quito, February 29, 2024

considered material if, individually or in the aggregate, these could reasonably influence the economic decisions that users make based on the individual financial statements.

As part of an audit performed in accordance with International Standards on Auditing, we exercise professional judgment and maintain an attitude of professional skepticism throughout the audit. Also as part of our audit:

Identify and assess the risks of material misstatement of the individual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- The risk of not detecting a material misstatement due to fraud is higher than that of a material misstatement due to error, as fraud may involve collusion, forgery, intentional omissions, intentional misstatements, or a breach of internal control.
- We obtain knowledge of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and not for the purpose of expressing an opinion on the efficiency of the entity's internal control.
- We evaluate whether the accounting policies applied are appropriate and that the accounting estimates are reasonable, as well as the respective disclosures made by Management.
- We conclude on the appropriateness of Management's use of the going concern accounting principle and, based on the audit evidence obtained, conclude on whether or not a material uncertainty exists related to events or conditions that may raise doubts on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the corresponding disclosures in the financial statements or, if such disclosures are inadequate, to express a modified opinion. Our conclusions are based on audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Bank not to continue as a going concern.
- We evaluate the overall presentation, structure and content of the individual financial statements, including the disclosures, and whether the individual financial statements represent the relevant transactions and events in a manner that achieves fair presentation.

We communicate to those responsible for the Bank's Corporate Governance regarding, among other matters, the scope and timing of the planned audit and significant audit findings, as well as any significant deficiencies in internal control that we identify in the course of the audit. the auditory.

We also provide those charged with Corporate Governance with a statement that we have complied with applicable ethical requirements regarding independence and communicated with them about all relationships and other matters that could reasonably be expected to affect our independence and, where appropriate, the corresponding safeguards.

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Banco de la Producción S.A. Produbanco
Quito, February 29, 2024

Among the matters that have been the subject of communication with those responsible for the Corporate Governance of the entity, we determine the most significant in the audit of the individual financial statements of the current period and which is, consequently, the significant matter of the audit. We describe this matter in our audit report unless law or regulation prohibits public disclosure of this matter or, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences could reasonably be expected to outweigh the benefits of public interest thereof.

PricewaterhouseCoopers

Registration N. with the Superintendency
of Banks: AE-9101

Juan Carlos Sáenz P.

Juan Carlos Sáenz P.
Partner
Professional License N: 17-223



INTERNAL AUDIT REPORT

Quito, February 29, 2024

To the

SHAREHOLDERS

BANCO DE LA PRODUCCIÓN S.A. PRODUBANCO

Quito

To the Shareholders:

In my capacity as Internal Auditor, appointed by the General Shareholders' Meeting of the Bank, and in compliance with current provisions, I issue the following report:

This report contains the opinion on the financial statements as of December 31, 2023, the degree of compliance with legal and statutory provisions, internal regulations, and the regulations established by the control bodies, as well as on the quality of the internal control system.

My opinion is supported by the reviews, tests and control evaluations performed during year 2023. The reviews were undertaken in accordance with auditing standards, which require that the relevant ethical requirements be met, an audit be planned and performed to obtain reasonable certainty as to whether the financial statements contain no material errors. An audit includes examining, on a test basis, evidence supporting the amounts in the financial statements and the evaluation of the internal control system, as well as the evaluation of the accounting practices applied, the principles used, and significant estimates performed by Management. I believe that the tests performed, which were executed in accordance with the annual work plan approved by the Audit Committee and the Bank's Board of Directors and reported to the Superintendency of Banks, provide a reasonable basis to express an opinion:

1. With respect to the financial statements:

- a. In the loan portfolio, I confirmed that loan operations were granted in compliance with the legal provisions and current regulations; and applying the policies approved by the Board of Directors.

The provisions established satisfy the requirements determined through regulations established by the Superintendency of Banks.

As of October 2023, the Bank began to use the statistical model to estimate the provision for risk assets of productive loans under the regulations for the Qualification of Risk Assets and Establishment of Provisions, which states that in



order to classify credit risk, an internal model may be used as described in the section "Methodologies and/or internal productive credit rating systems." This internal model was approved the Superintendency of Banks through official communication No. SB-DCP2-2021-0396-O of December 13, 2021, and ratified on November 28, 2022, through official communication SB-DCP3-2022-0340-O. The statistical model applied has the required technical support, whose indicators show behavior reasonable for the productive portfolio, which are within the theoretical limits for this type of model. Its application in 2024 will enable its performance to be evaluated, a review of which is incorporated into this year's Internal Audit work plan.

As of January 1, 2023, in compliance with the provisions of the Superintendency of Banks through Resolution SB-2022-1606 of August 29, 2022, the Bank modified the parameter for the transfer to the past-due portfolio on loan operations 31 days past due for productive, consumer, educational and microcredit portfolios; and 61 days past due for the real estate portfolio.

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

- b. Investments in securities have been made based on the quotas and limits approved by the Board of Directors.
- c. The Bank has complied with the standard on information transparency in both borrowing and lending operations.
2. Produbanco's first-line liquidity index had an average annual level of 23.86%, which exceeds the minimum established by the Superintendency of Banks each month.
3. The ratio of the Bank's technical equity to risk-weighted assets presented, at the end of the year, a surplus position of USD 281.19 million, the equivalent to a solvency indicator of 13.80%, which is higher than the required minimum of 9%.
4. Tax and labor obligations in general are appropriately adhered to.
5. The Bank and its Subsidiaries maintain a reasonable internal control system for their transactions and processes, enabling them to provide an adequate degree of security in their operations.
6. With respect to the control system of the Bank and its Subsidiaries for the prevention of money laundering and financing of crimes such as terrorism, I conclude that such generally adheres to the requirements established under current legal provisions and the regulations established by both the Superintendency of Banks as well as the Financial and Economic Analysis Unit (UAFE). Such system covers the entity's operations, is applied in all offices, and is disseminated to all personnel through the means available to the Bank.

Report of the Internal Auditor Banco de la Producción S.A. and Subsidiaries



7. With respect to comprehensive risk management standards, in general the Bank has complied with the terms and deadlines established by the Superintendency of Banks. The Bank's Management issued the necessary policies and procedures for the implementation of comprehensive risk management. An adequate evaluation of the exposures to the different risks is performed and the Board of Directors is informed with the periodicity established by the Superintendency of Banks with respect to such administration. The Bank is working to implement the last update undertaken in 2023 of the Operational Risk Standard provisions. I should mention that, as of the issue date of this report, the Bank's Management has applied the provisions of the Control Entity regarding the provisions of paragraph 21 of article 27 of the referred regulations related to securities in electronic channels.
8. I should also point out that the balance of the "Recovery of the written-off loan portfolio" account, which stood at USD 33,208,845 during 2023, includes USD 22,275,298 of the restructured written-off portfolio during the period, which is provisioned for in its entirety without impacting the final profit for the year.

OPINION

The financial statements are the responsibility of the Bank's Management. My responsibility as Internal Auditor is to express an opinion on the reasonableness of the referred financial statements based on the audit tests performed.

In my opinion, the balance sheet, as well as the profit and loss statement as of December 31, 2023, of both Produbanco and its Subsidiaries are presented fairly, in accordance with accounting standards and practices established by the Superintendency of Banks and other regulatory and control bodies.

I report that Produbanco and its Subsidiaries have an adequate level of internal control. In general, Produbanco and its Subsidiaries comply with current legal provisions and their transactions related to banking techniques and comply with policies and procedures approved by the Board of Directors. The entity is working to implement the last update undertaken in 2023 of the Operational Risk Standard provisions.

Yours truly,

Dra. Pamela Velastegui
INTERNAL AUDITOR

