

REPORT TO THE SHAREHOLDERS

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2015 Macroeconomic Situation and 2016 Outlook

BRIEF OVERVIEW OF THE GLOBAL AND REGIONAL MACROECONOMIC SITUATION

According to the International Monetary Fund (IMF) and its World Economic Outlook report,¹ the global economy grew by 3.1% in 2015 and is projected to expand by 3.4% this year. The IMF predicts that advanced economies will improve by 2.1% and emerging economies by 4.3% in 2016. The aggregate GDP of Latin America and the Caribbean will contract, although at a lower rate than the 0.3% reported in 2015, "this reflects the recession in Brazil and in other countries in economic distress." In other words, it is expected that advanced economies will slightly progress, while the slowdown of economic activity in the economies of emerging and developing markets will likely continue.

Furthermore, the IMF report highlighted that the escalation of the United States economy and the robust dollar are causing the manufacturing sector to marginally deflate. The risks of reduced growth in emerging and developing economies precisely include a heightened appreciation of the dollar and more restrictive financial conditions. These could pose vulnerability in those markets, with a potentially adverse impact on corporate financial statements and financing problems when there is high dollar exposure, as is the case of Ecuador.

The World Bank predicts that the global economy will expand by 3.3% in 2016.

Premised on World Bank data,² the global economy flourished by 3% in 2015. The prognosis for 2016 is that economic growth will be 3.3% because of "financial volatility, intensifying geopolitical tensions and prolonged stagnation in the euro region or Japan." The World Bank states that the economic expansion of Latin America and the Caribbean was 2.6% in 2015 and predicts that developing economies will inflate by 4.8% in 2016. It also forecasts that the South American economy will shrink in 2016 and then recover in 2017. Its 2016 projections by country are that the GDP of Bolivia and our neighboring countries, Peru and Colombia, will amplify by 3.5%, 3.3%, and 3%, respectively, while Ecuador's GDP will decline by 2.0%. The GDP of dollarized economies, such as El Salvador and Panama, will climb by 2.5% and 6.2%, respectively. Concerning commodities, in January 2016 the World Bank³ pointed out that energy prices fell by 5.3% and non-energy products by 2.3%. The prices of metals, raw materials, and food products also tumbled. On the other hand, the price of precious metals rose by 2.3%.

Based on ECLAC information⁴, the global economy improved by 2.4% in 2015, and in 2016 it is expected to rise at a slightly faster pace, close to 2.9%. Developed economies will

¹ International Monetary Fund, World Economic Outlook: adjusted to lower prices of raw materials, October 2015.

² The World Bank, Global Economic Prospects, January 2016.

³ The World Bank, Special Focus: Commodity Markets Outlook, January 2016.
www.worldbank.org/commodities

⁴ Economic Commission for Latin America and the Caribbean

inch up from 1.9% in 2015 to 2.2% in 2016 and emerging economies from 3.8% to 4.3%. The economy of the Latin America and the Caribbean region will crawl up by 0.2% in 2016 after it had contracted by 0.4% in 2015. The economy of South America is expected to decline by 0.8%, mainly due to the slumping economies of Brazil (-2%) and Venezuela (-7%).

NATIONAL MACROECONOMIC SITUATION

Real Sector

Evolution of the GDP. As a reflection of the global economic deceleration, the growth of the domestic GDP has evolved in the same fashion, diving from 3.7% in 2014 to 0.4% in 2015 (*Graph 1*). Among other factors, plunging oil prices since the last quarter of 2014 have had an impact on these results.

EVOLUTION OF THE GDP (IN THOUSANDS OF DOLLARS AND PERCENTAGES)

SOURCE OF ALL GRAPHS: BCE, MONTHLY STATISTICAL INFORMATION No. 1966, DEC. 2015, AND No. 1967, JANUARY 2016.

GRAPH 1

Variation in real GDP (% , left axis)

Nominal GDP (thousands of \$, right axis)

Real GDP (thousands of \$, 2007, right axis)

On the local level, the Central Bank of Ecuador (BCE) forecasts that the country's economy will develop by 1% in 2016. This prediction is more optimistic than the estimates of the international organizations mentioned above. Nonetheless, certain studies⁵ anticipate that Ecuador's economy will decline by 2%. The growth levels reached and the outlook for the economy's evolution in the mid-term further weaken the country's possibilities of overcoming the "middle-income trap." These also take a punch at the country's ability to step up to the next level of development as a country of high income based on the amount of the GDP per capita achieved, which in 2015 was \$4,302.

Oil Production. Domestic oil production in the period 2010-2014 had been rising at an annual average rate of 3.5%. Production between January and November 2015, however, slid by 2.2% compared to the same period in 2014 (*Graph 2*). According to the BCE, reduced production is associated with falling oil prices at the international market, which prompted the Government to revise investments in the sector and cut production, giving priority to fields that reap better profits or that have lower production costs.

PRODUCTION OF CRUDE OIL AND DERIVATIVES (IN THOUSANDS OF BARRELS)

GRAPH 2

Total (left axis)

State-owned enterprises (left axis)

Private companies (left axis)

Derivatives (left axis)

Average/day (right axis)

ECLAC, Preliminary Balance of the Economies of Latin America and the Caribbean, 2015 (LC/G.2655-P), Santiago, 2015.

⁵ The World Bank, Global Economic Prospects, January 2016.

Jan-Nov

As indicated above, diminishing international oil prices are basically the result of oversupply and deflated consumption by large importers. This situation began in July-August 2014 and continued up to November 2015, prompting the price of Oriente oil price to take a nosedive at about 68% (*Graph 3*).

**AVERAGE PRICES OF ECUADORIAN CRUDE OIL AND INTERNATIONAL MARKET PRICES
(DOLLARS PER BARREL)**

GRAPH 3

Oriente Crude Oil

Reference Cost/OPEC

The delicate situation of the market of one of our main products of exportation has further decayed. The supply of oil has soared by one million barrels a day upon Iran's return to the market. Despite the position of Saudi Arabia, Venezuela, Russia, and Qatar to maintain production levels, it is expected that oil prices will remain low in the short term.

Job Market. The job indicators, presented by INEC ("National Statistics and Census Institute")⁶ in the National Survey of Employment, Unemployment, and Underemployment at December 2015, show that adequate employment across the nation is 46.5% of the economically active population. This represents a statistically significant reduction of 2.8 percentage points compared to the 49.3% reported in December 2014. Inadequate employment at the national level was 48.1% in December 2015, which is an annual increase of 1.4 percentage compared to the 46.7% of the same period in 2014. Finally, the domestic unemployment rate at December 2015 was 4.8%, with a one percentage point variation compared to the 3.8% reported in 2014, and also bears statistical significance. These indicators confirm the opinion of several analysts that one of the immediate effects of economic decline is a lower level of employment.

Concerning the increase in the rates of unemployment and inadequate employment, the national authorities informed that they have approved certain flexibilization measures. These measures would enable the manufacturing sector to hire workers for a specific task. This special form of hiring was discontinued for other sectors, such as tourism, fish processing, and artisan. Furthermore, under analysis is the possibility of businesses having an employment relationship with workers hired by the hour as opposed for a full work shift.

Inflation. The pace reported for inflation at December 2015 slowed down to 3.38% (compared to the 3.67% at December 2014). In the period comprising the years 2010 and 2015, the country's average inflation rate was 3.78% (*Graph 4*).

ANNUAL INFLATION AT DECEMBER OF EACH YEAR (IN PERCENTAGES)

GRAPH 4

Based on the BCE report, the country's inflation was lower than the 4.15% average reported for a group of 16 analyzed countries, most of them from Latin America. The reported

⁶ INEC, Labor Economy Report, December 2015.

3.38% inflation rate is below the rates of neighboring countries, although higher than the rate of El Salvador (0.3%) and the United States (0.17%). The dollar is the currency of both of them and also of Ecuador.

External Sector

Balance of Trade. When comparing the balance of trade with data cut off at January-November of each year, including 2015, the reduced deficit of \$109.72 million achieved in 2014 soared to \$2.02829 billion by November 2015 because of the drastic 61% reduction in the petroleum balance of trade (*Graph 5*).

PETROLEUM AND NONPETROLEUM BALANCE OF TRADE. (IN MILLIONS OF DOLLARS)

GRAPH 5

Jan-Nov

The significant decline in the balance of trade at the end of 2014 forced the Government to beef up the measures taken for foreign trade in 2014 by restricting tariffs and placing importation quotas. Consequently, on January 5, 2015 a bilateral exchange safeguard measure was imposed on imports from Colombia at a rate of 21% and on imports from Peru at a rate of 7%, justifying the application of such measures on the monetary devaluations occurring in those countries. These safeguard measures were only in effect for practically a month and then suspended by the decision of the CAN ("Community of Andean Nations") authorities in response to the plea by the countries involved. The adopted measures were replaced by a safeguard measure in the multilateral balance of payments, pursuant to Resolution 011-2015 of March 6, 2015 from the Ministry of Foreign Trade that entered into effect on March 11. This measure, which qualified as an emergency measure in view of plummeting oil prices and the appreciation of the dollar, resulted in the application of tariff surcharges between 5% and 45% for 2,964 sub-items affecting 32% of imports. The World Trade Organization (WTO) approved the application of the measure in October 2015. Since it is a temporary measure—in effect for 15 months—the WTO also reviewed its dismantling schedule that started in February this year.

Another important aspect regarding trade matters is the ratification of the trade agreement reached with the European Union. With the consent of Colombia and Peru, partners of the Andean Community, the agreement is expected to enter into full force in the second semester of 2016 after it is approved by the European Parliament.

In the present situation where the country has seen its revenue compress, it is imperative to diversify the basket of exportable goods and procure to reach favorable trade agreements with the largest number of markets. In this regard, trade and production authorities have stated that the country's trade priorities focus on markets, such as South Korea, Central American countries (Costa Rica, Honduras, and El Salvador), and the European block called EFTA, formed by Switzerland, Norway, Iceland, and Liechtenstein. In fact, trade discussions with South Korea began at the end of January this year with the expectation of boosting exports to, and attracting investment from, that country, with which Ecuador has reported widening deficits; at November 2015, the deficit was \$538.8 million. Additionally, it was reported that trade discussions with Turkey would begin.

The petroleum balance of trade contracted by 61%.

Foreign Direct Investment (FDI). The FDI reported in the January-September 2015 period was \$516.26 million, which is \$73 million more than the flow achieved in the same period in 2014. As various analysts have repeatedly stressed, the FDI that the country has attracted does not represent an important flow of resources. Premised on an ECLAC report,⁷ the FDI that Latin America and the Caribbean captured in 2014 amounted to \$158.503 billion. From that amount, 75.3% went to South America, 14.4% to Mexico, 6.6% to Central America, and 3.8% to the Caribbean. The flow invested in South America amounted to \$119.502 billion in 2014. Chile received \$22 billion (18.4%), Colombia \$16 billion (13.4%), and Peru close to \$8 billion (6.4%), while the FDI for Ecuador was \$774 million, accounting for 0.7% of the total. A comparison of what FDI flows represent with regard to the GDP of the analyzed countries highlights the importance of this aggregate in the production of recipient countries (*Graph 6*).

FDI/GDP: INTERNATIONAL COMPARISON (PERCENTAGES)

GRAPH 6

Panama, Chile, Peru, Colombia, Ecuador, El Salvador

Monetary Sector and Financial System

International Reserves (IR), Money Supply, and Total Liquidity. The IR level has shown a downward shift in recent years, closing 2015 with a balance of \$2.49596 billion (\$3.94907 billion in 2014), very similar to that reported in 2012, the lowest point of the period (*Graph 7*).

INTERNATIONAL RESERVES (IN MILLIONS OF DOLLARS, AT DECEMBER OF EACH YEAR)

GRAPH 7

Obviously, in a dollarized financial system, such as the Ecuadorian, international reserves are used to cover the coins put into circulation, the bank reserves of the private financial system that are deposited at the BCE, and the deposits at public banks. The temporary purchase of securities from the Finance Ministry is a short-term transaction permitted by law. This kind of purchase totaled \$1.309 billion in December 2015 (despite the limit set at \$800 million).

In the 2011-2015 period, money supply and total liquidity followed an upward trend, at an average rate of 12.2% and 10.7%, respectively. Total liquidity at December 2015 was \$39.59953 billion, out of which currency in circulation (CIC) accounted for 29.7%, and the money supply totaled \$19.04253 billion. The entire period saw the variation in the CIC get bigger and this trend heightened in 2014, when the CIC was 29.5% more than that reported in 2013. In 2015, the CIC grew by 23.2%.

⁷ECLAC, Foreign Direct Investment in Latin America and the Caribbean, 2015.

On the contrary, total liquidity dwindled by 1.3% in 2015 and money supply inched up by a mere 1.9% (*Graph 8*).

MONEY SUPPLY AND TOTAL LIQUIDITY (IN MILLIONS OF DOLLARS)

GRAPH 8

Total liquidity

Money supply

CIC

Money Raised by the Financial System, Portfolio, and Credit Volume. At December 2015, the amount of funds raised by the system decreased at an annual rate of 10.7%, reaping a balance of \$29.21086 billion. The behavior of deposits in the financial system directly mirrors the development of economic activity and its evident deceleration. The behavior of the maturing portfolio, which at December 2015 reached \$25.60279 billion, 4.5% less compared to 2014, responds to the strategy of financial institutions for shielding the system's liquidity. That portfolio accounted for 84.5% of total deposits in the period. Certainly, this ratio will increase in 2016 because the adjustment to the financial system's credit restriction is not automatically, but rather slowly, implemented (*Graph 9*).

FINANCIAL SYSTEM: DEPOSITS AND MATURING PORTFOLIO (IN MILLIONS OF DOLLARS AND VARIATION RATE)

GRAPH 9

Maturing portfolio (variation %, right axis)

Total deposits (variation %, right axis)

Maturing portfolio (in millions of \$, left axis)

Total deposits (in millions of \$, left axis)

Volume of Credit by Segment. In the 2011-2015 period, cut at January-November each year, the volume of credit granted by the private financial system (PFS), by segment, preferably targeted the production segment (60.06% of the total on average) and, inside that segment, *productivo corporativo* (individuals or companies with sales over a certain amount) (40.72%). Next in line is the consumer segment, accounting for 25.54% of loans; then the microcredit segment (11.29%), in which the simple accumulation segment received the most (5.3%); and lastly, the housing segment that got 3.11% of the total. When analyzing the year 2015, and in view of the factors described above, one may appreciate a greater reduction in the volume of credit in the production and consumer segments, 21.9% and 22.86%, respectively, in comparison with 2014 (*Graph 10*).

VOLUME OF CREDIT BY CONSOLIDATED SEGMENTS (IN MILLIONS OF DOLLARS)

GRAPH 10

Production

Consumer

Microcredit

Housing

The most recent available conjectural report by the BCE about macroeconomic statistics is that of January 2016. With respect to the index of change in credit supply, the BCE informs that "during the third quarter of 2015, financial entities (EFI) were more restrictive when it came to granting loans for all of the analyzed segments: production, microcredit, consumer,

and housing. Out of these segments, the production and microcredit segments took the brunt of restrictions by the EFI, resulting in 30% less credit for each."

In conclusion, the regulations issued by the Monetary and Financial Policy and Regulation Board (JPRMF) in March and April 2015 changed the rules for segmenting the loan portfolio of entities from the national financial system and the rules for regulating the setting of maximum loan interest rates, which entered into effect as of January 2016. As a result of those regulations, the eight segments applied before were doubled. In addition, four commercial segments—regular, corporate priority, business priority, and SME priority—and two consumer—regular consumer and priority consumer—were added. Housing was divided into public interest and real estate, and the education and public investment segment was created.

Credit has been targeted at the production sector.

Results of Private Banking and the Portfolio's Nonperforming Loan Rate: The return on equity (ROE) and return on assets (ROA) of banks operating in the financial system experienced a downward shift starting in 2011, when the ROE was 16.98% and the ROA, 1.83%. Compared to December 2015, when the rates were 8.62% and 0.84%, respectively, in 2014 the rates were down by 2.73 and 0.22 percentage points. Obviously, the slackening in economic activity and deposit behavior, which have restricted the availability of funds for granting loans, have had an impact on bank earnings in recent years.

In 2015, the nonperforming loan rate worsened to 3.66% at December for the entire banking system. This situation stems from the downward shift in productive and commercial activities, less availability of family revenue, and the initial effects on employment due to the general economic recession (*Graph 11*).

PRIVATE BANKS: RETURN AND NONPERFORMING LOAN RATES

GRAPH 11

ROE

ROA

Total nonperforming loan rate

Dec.

Compared to 2014, the numbers at December 2015 show an elevated nonperforming loan rate for all segments. When analyzing the nonperforming loan rate by credit segments reported in the period, an upward trend is seen in the consumer and microbusiness indicators. This increase is over one percentage point for the consumer segment and 0.7 percentage points for the microbusiness segment. The education segment has put out numbers since July 2012 and the behavior of the nonperforming loan rate has been very irregular there (*Graph 12*).

PRIVATE BANKS: NONPERFORMING LOAN RATES OF PORTFOLIO BY SEGMENTS (PERCENTAGES)

Total nonperforming loan rate

Commercial

Consumer

Housing

Microbusiness

Dec.

Fiscal Sector

Revenue. Due to plummeting oil prices, at December 2015 petroleum revenue accounted for only 11.1% (18.5% in 2014) of the reported revenue of \$20.34449 billion (\$20.38036 billion in 2014). It is worth noting the behavior of nonpetroleum revenue, triggered mainly by better and amplified tax collection (*Graph 13*).

CENTRAL GOVERNMENT OPERATIONS: REVENUE (IN MILLIONS OF DOLLARS)

GRAPH 13

Total revenue

Nonpetroleum

Non-tax and transfers

Petroleum

Tax

Expenses and Deficit. Expenses in figures at December 2015 that the Finance Ministry presented and the BCE processed totaled \$24.14913 billion, a 9.9% decrease compared to the previous year. The most significant reductions are seen in capital expenses (50.3%) and transfers (30.8%). The numbers for current expenses and other expenses convey a decrease of at least 3.3%. Conversely, the figures for the procurement of goods and services, as well as salaries, swelled by 26.4% and 16.2%, respectively. The deficit reported at December 2015 is \$3.80464 billion (*Graph 14*).

CENTRAL GOVERNMENT OPERATIONS: EXPENSES AND DEFICIT (IN MILLIONS OF DOLLARS)

GRAPH 14

Total expenses

Current expenses

Interest

Salaries

Procurement of goods and services

Others

Transfers

Capital expenses

Deficit

Deficit from the Domestic Sale of Petroleum Derivatives. The historical application of subsidies in the domestic sale of petroleum derivatives posed a series of impacts on the country's economy: an elevated tendency for petroleum derivative consumption at the market, incentives for a larger stock and use of vehicles, and loss of revenue due to the opportunity cost from no longer exporting crude oil and instead using it for the domestic production of derivatives. The bulk of the subsidy, close to \$2 billion, went to diesel, followed by high-octane gasoline at around \$1.4 billion.

One of the effects of the drop in the international prices of oil and petroleum derivatives is a reduced amount of the subsidy that is implicit in domestic sales. The figures for the 2011-2015 period, cut at January to November of each year, reveal that the total subsidy

amounted to \$1.66212 billion in 2015, which means a 54.4% reduction compared to the sum reported for the previous year (*Graph 15*).

DEFICIT FROM THE DOMESTIC SALE OF IMPORTED DERIVATIVES (IN MILLIONS OF DOLLARS)

GRAPH 15

Jan.-Nov.

Difference: revenue and expenses

High-octane gasoline

Diesel

LPG

The domestic price of fuel has approached international prices due to the general price reduction at the market. Some analysts believe that this conjuncture is an opportunity for making the price of petroleum derivatives real and gradually eliminate subsidies, which have put a dent on public finances. Within this ambit, as of October 2015, Petroecuador put into place a monthly increase of two cents per gallon in the sales price of high-octane gasoline until it matches the price set by other distributors. What's more, Petroecuador revealed its plan to transfer its gas stations to the private sector. In addition, at the end of April 2015, the Electricity Regulation and Control Agency raised the electricity rate for the commercial and industrial sector. Lastly, the initiation of energy production by hydroelectric power stations that will start operating this year will trigger the elimination of imported fuel for thermoelectricity generation, which has demanded the use of copious fiscal resources for it to function.

Movement of the Public Debt. Total public spending between 2011 and November 2015 spiraled from \$14.56179 billion to \$32.8475 billion, representing a growth of 125.6% in the period. This increase owes to the behavior of the foreign public debt, which moderately climbed at an average rate of 12% in 2011 and 2012, jumped by 18.8% the following year, and then doubled to 36.1% in 2014. The amount of this debt doubled, from \$10.05534 billion in 2011 to \$20.46172 billion in November 2015. In 2012, the internal public debt rose by 72.7% with respect to 2011 and then in subsequent years at a hefty rate of 27% each year. It escalated from \$4.50645 billion to \$12.38578 billion in the period. Parallel to the public debt movement, the ratio of public debt to the GDP has been on the rise, from 18.4% in 2011 to 33.2% of the GDP in November 2015. This percentage approaches the 40% limit permitted by the Constitution (*Graph 16*).

PUBLIC DEBT (IN MILLIONS OF DOLLARS)

GRAPH 16

Percentage of GDP

Total public debt

Foreign public debt

Internal public debt

Concerning fiscal sector matters, the official response to the slash in cash revenue, due to falling oil prices and the appreciation of the dollar, has been to apply short-term countercyclical measures. These measures include the search for and contracting of more debt, the use of internal liquidity, the delivery of state assets in exchange for fresh resources, and the reduction of subsidies.

GENERAL OUTLOOK FOR 2016

The economic decline outlook used to close the 2014 forecasts became bleaker and then came true in 2015, and the outlook for 2016 is not promising. According to multilateral organizations, the forecasts for global growth in the next few years tell of low expansion rates due to the sluggish recovery of developed economies. Added to this is the minute increase in global trade, with a volume expected to rise by 2.5% in 2016. It is predicted that raw materials will maintain the same prices as reported at the end of last year. Within the scope of financial markets, the forecasts say that the availability conditions of financial flows will become more complex because of reduced global liquidity and a gradual increase in the cost of resources. ECLAC emphasizes the need to boost the region's productivity by complementing countercyclical policies with investment protection and encouragement. In the case of Ecuador, such protection and encouragement have to be directed at private investment and FDI. The trend in this decade has been to give prevalence to public investment, but this can no longer be kept up.

The IMF asserts that the dilemma that developing countries are facing is to keep up demand despite a relaxed growth and to minimize the vulnerabilities created by a not so propitious external environment. Given the differences in terms of growth, macroeconomic conditions, sensitivity to the shocks in the price of raw materials, and external, financial, and fiscal vulnerabilities of economies, the leeway for applying policies is highly variable. The IMF points out that in petroleum exporting countries without room for maneuvering in the taxation field (such is the case of Ecuador), any decrease in petroleum revenue will call for curtailing public spending. Countries that have leeway to adjust their fiscal situation little by little must nonetheless draw up plans and initiate them in the midterm in order to keep their policies credible. It ends by saying that public debt cuts should be directed at ascribing greater efficiency in spending and that, in many economies, structural reforms are urgently needed for bringing about a dynamic and innovative business climate, strengthening human capital and boosting productivity while eliminating production bottlenecks. Expanding local capital markets, enhancing the mobilization of fiscal revenue, and diversifying exports by moving away from raw materials, will continue to be challenges for many developing economies, including Ecuador.

The World Bank (WB) predicts that the risks for growth in the Latin America and Caribbean region in 2016 include the potential resurgence of financial volatility, a prolonged decline in the region's largest economies, a steeper stagnation of the main trading partners, a more profound debilitation of the price of raw materials, and the potential adverse effects of the El Niño phenomenon. The WB recommends the longed-for economic diversification of the region, known for being an exporter of primary goods, through the support of the public and private sectors for promoting specialization based on comparative advantages and for encouraging participation in the value chains among countries. The WB concludes by saying that, in order to find new engines for growth, initiatives promoted by investment-friendly environments, building up the skills of the labor force, and the

momentum of physical and communications infrastructure will be crucial for developing the private sector.

Global growth shifted downwards.

Within the national arena, the 2016 budget was approved at the close of 2015 with a 17.8% reduction, by applying more realistic conditions as compared with the year before. The Organic Law of Public-Private Partnership Initiatives and Foreign Investment (PPA Law) was issued. These two facts implied raising awareness about the conjuncture that the economy is experiencing and the need for support in terms of private investment to overcome the situation. However, the projections for the petroleum market show that it will take more time to define a balance between supply and demand. In fact, the WTI benchmark price at the end of January 2016 was \$33.63 (local crude oil is sold at a discount), making the budgeted price of \$35 the barrel seem overly optimistic.

On the other hand, the need to narrow the gap in the 2015 budget in order to finance the deficit in the 2016 budget, amounting to \$6.6 billion, makes it imperative to contract foreign debt, which is now scarce and very expensive. Added to this is the country's B credit rating and its 1574-point country risk rating at January 2016. In addition, the government's actions for confronting a reduced revenue scenario lack clarity.

In the current environment, the private financial sector should prioritize building up depositor confidence, the most important asset forged since the 1999-2000 crisis, so that customers will continue to make deposits. Deposits are important because they contribute to the grant of loans and the multiplication of money. Moreover, this sector should have greater responsible risk management and should prioritize intensifying the dissemination and reach of its financial services.

GRUPO FINANCIERO PICHINCHA

In 2015, international economic activity was subdued by the sluggish pace of the Chinese economy, a stronger dollar, the drop in the prices of raw materials, and the economic and political tensions felt by the main economies of emerging markets.

The countries where Grupo Pichincha is present had to perform under these dynamics and their economies shrunk for having to adapt to the new balance in place. This is the case of Peru; its GDP growth rate was 2.7%, its inflation rate surged to 4.4%, and the sol suffered a 14.2% devaluation compared to the U.S. dollar. The Colombian economy saw an almost 3% decline in its growth rate, while its inflation rate rose to 6.77%. As a consequence of this last variable and also the peso's 40% devaluation, the monetary policy leaned towards becoming countercyclical.

In 2015, total assets amounted to \$13.18794 billion, representing a 6.56% decrease compared to last year (\$14.11446 billion), given the economic conjuncture. The main reduction is found in the loan portfolio (-5.49%), accounting for 66.77% of total assets. The present portfolio experienced a reduction of around \$526 million. The nonperforming loan rate was 4.05%, which is higher than the 3.67% reported in 2014. Despite the increase in the past-due portfolio, its coverage was 217.08%. This demonstrates the strength of Grupo Financiero Pichincha (GFP) in terms of risk control and protection.

Grupo Financiero Pichincha is formed by Banco Pichincha C. A., Headquarters in Ecuador, and five local companies: ALMESA, PAGUE-YA, BPAC, CREDI FE, and VASERUM. The latter company became a stock company in order to comply with the rules of the Financial Monetary Organic Code. GFP also includes a foreign branch—Miami Branch—and three offshore subsidiaries: Banco Financiero del Perú, Banco Pichincha S. A. Colombia, and Banco Pichincha España.

Placements by subsidiary is a specific business strategy that addresses the characteristics of the market where the subsidiary does business. Banco Pichincha C. A. services customers in all segments, from credit groups to Communal Banking to large corporations. Pichincha Ecuador accounts for 67.18% of the total GFP portfolio and Banco Financiero del Perú, with 20.79%, mainly focuses on the commercial portfolio. During the year 2015, it built up its value proposition in the retail segment, becoming a Diners Club International credit card issuer. Banco Pichincha S. A. in Colombia has a 6.51% share and its business mainly targets consumer loans (70% of its placements), especially credit cards.

The total liabilities of GFP contracted by 7.25%, amounting to \$12.14409 billion in total. Liabilities to the public fell by 9.78%, which meant \$949.64 million less than in 2014. This drop is mainly explained by the dynamics of the deceleration that Banco Pichincha experienced in 2015; in addition, deposits diminished by 12.03%, from \$8.26505 billion in 2014 to \$ 7.27052 billion in 2015.

The funding composition for Banco Pichincha C.A. is mainly formed by sight deposits (68.82%) and time deposits represent 27.1%, mirroring an expanded share of the total. On the other hand, time deposits in Banco Financiero del Perú had a 62.54% share and sight

deposits, 28.06%. That bank holds sixth place in terms of deposits in the Peruvian banking system. The same situation is true for Colombia (68.13% and 31.87%, respectively). It is worth noting the financing transaction for the equivalent in Colombian pesos of \$40 million, between Banco Pichincha S. A. in Colombia and the International Finance Corporation (IFC).

The operative business is locally supported on the execution of projects bearing great importance. This has resulted in an improvement in the efficiency index, from 69.89% to 71.14%. Our conservative coverage policy for a provision equaling 8.79% of total portfolio has been maintained. In addition, coverage is also provided with respect to the exchange rate for the Colombian peso and the Peruvian sol.

Net profits of the period totaled \$56.63 million, a \$22.33 million decrease compared to the profits earned in 2014. The return on equity (ROE) was 5.4% and on assets (ROA), 0.41%.

In terms of solvency, GFP's equity amounted to \$1.04385 billion, placing the technical equity index at 11.47%, compared to the 10.5% attained in 2014. That level is adequate and even surpasses the 9% statutory minimum.

During the economic recession stage, GFP will procure to diversify funding sources with new debt issues, engage in financing operations with other financial entities, and diversify the raising of money at each place where it is present, while achieving an adequate control of the level of spending. This is for supporting the industry and trade by placing credit in order to ensure that profitability is maintained even when mitigating the effects of the deceleration. Besides, the commercial strategy should focus on a single vision of the customer. GFP's value proposition should be accompanied by a model for quick and reliable service, thus assuring a greater increase in financial activities.

The section of this *Report* about GFP subsidiaries provides a detailed explanation of the results achieved by them in 2015 and their projects for 2016.

GRUPO PICHINCHA PORTFOLIO

SOURCE: GRUPO PICHINCHA BALANCE SHEETS

GRAPH 1

Maturing portfolio (in millions of \$)

Maturing portfolio index

COVERAGE

GRAPH 2

Provisions/Unproductive portfolio (%)

Provisions/Total portfolio (%)

TOTAL PORTFOLIO BY SUBSIDIARY

GRAPH 3

<i>Pichincha Ecuador</i>	<i>67.2%</i>
<i>Financiero del Peru</i>	<i>20.8%</i>
<i>Pichincha Colombia</i>	<i>6.5%</i>
<i>Pichincha España</i>	<i>4.2%</i>
<i>Pichincha Miami</i>	<i>1.3%</i>

DEPOSITS BY SUBSIDIARY

GRAPH 4

<i>Pichincha Ecuador</i>	72.2%
<i>Financiero del Peru</i>	13.5%
<i>Pichincha Colombia</i>	5.9%
<i>Pichincha España</i>	5.6%
<i>Pichincha Miami</i>	2.8%

RETURN ON EQUITY (PERCENTAGE)

GRUPO PICHINCHA

GRAPH 5

TECHNICAL EQUITY GRUPO PICHINCHA (PERCENTAGE)

GRAPH 6

BANCO PICHINCHA

FINANCIAL EVOLUTION

Despite the economic contraction since 2015 in the majority of the country's economic and productive sectors, Banco Pichincha has taken the measures necessary to maintain its solvency, liquidity, and solid coverage to appease credit and market risks for keeping up consumer confidence and security, while weighing the Bank's profitability.

For this reason, Banco Pichincha's assets in 2015 show a 9.7% decrease, from \$9.883 billion in 2014 to \$8.928 billion in 2015, mirroring a 29.91% share in the banking system (0.38% less than the previous year).

Since mid-2015, deposits in the financial system gradually waned. At Banco Pichincha, liabilities to the public contracted by 12%, totaling \$7.2705 billion, with a 28.78% market share (0.17 fewer percentage points than in 2014). Sight deposits dropped by 17.7% to \$1.0711 billion, for a total of \$4.9912 billion by the end of the year. Conversely, time deposits and commercial paper were the only ones to grow, by 3.1%, closing the year at \$2.2387 billion.

Another consequence of the country's economic situation can be seen in the nonperforming loan rate, which at the banking sector level expanded by 0.79%, from 2.87% to 3.66%. Banco Pichincha grew by 0.43 percentage points compared to 2014, closing at 4.05% in 2015. In line with the Bank's policies concerning credit risks, the provision coverage index jumped from 10.7% to 11.5% for the total portfolio and swelled by 284.2% with regard to the past-due portfolio.

The level of liquidity of available funds for all short-term deposits was 29.59% at December 2015, compared to the 16.03% index of 2014.

At the close of the year 2015, Banco Pichincha reported \$58.5 million in net profits, with a return on equity (ROE) and on assets (ROA) of 7.0% (10.1% in 2014) and 0.6% (0.9% in 2014), respectively.

Credit restriction, which had to be taken as a liquidity measure, larger provisions, and the cost incurred for completing certain bank projects were the main reasons for the \$21.2 million reduction in profits (26.7% less than in 2014).

At the end of 2015, the technical equity index was 13.1%, which is higher than the 9% required by banking oversight institutions. In addition, the level of free capital, an indicator determining the percentage of the Bank's own resources for supporting its business, closed at 59.81% (54.7% in 2014), which is higher than the 53% of the banking system.

2015 PORTFOLIO DIVERSIFICATION

SOURCE: BANCO PICHINCHA BALANCE SHEETS

GRAPH 1

Commercial: 38.0%

Consumer: 35.8%

Housing: 13.3%

Microcredit: 12.9%

TOTAL PORTFOLIO: PROVISIONS AND NONPERFORMING LOAN RATE

GRAPH 2

Nonperforming loan rate (% , left axis)

Provisions/Total portfolio (% , left axis)

Total portfolio (in millions of \$, right axis)

PROVISIONS/UNPRODUCTIVE PORTFOLIO (PERCENTAGES)

GRAPH 3

Pichincha

System

RETURN AND EFFICIENCY

GRAPH 4

Efficiency (% , right axis)

ROE (% , left axis)

ROA (% , left axis)

FREE CAPITAL & TECHNICAL EQUITY (PERCENTAGE)

GRAPH 5

Free capital

Technical equity

PRODUCTS AND INNOVATION

Digital Channels

In order to maintain high levels of competitiveness, in July 2014 the Bank acquired a cutting-edge technology platform called the Universal Payment Platform (UPP), which allows for achieving the flexibility and expeditiousness needed for integrating and standardizing charges and payments.

In October 2015, this tool was implemented with the support of a multidisciplinary team formed by the Technology, Marketing, and PMO, as well as the Banred and TCS, areas. The UPP provides for online payments through any channel, currency, or network, while meeting the objective of allowing products and offers to reach the market in the most efficient manner. This is a payment engine that acquires, changes, routes, and authorizes transactions from different sources, enabling the establishment of business parameters and thus achieve flexible reconciliation and balance configuration.

The Bank has different platforms (19 transactional switches) that were put into use as new needs surfaced during the course of its business. They are now integrated with a unified and concentrated reconciliation and standard compensation process. Customers notice the improvements from the new platform.

The expected benefits are:

- Maintenance, continuity, and increase in collections.
- Better time in implementing new businesses and services.
- Reduction of time market (response time for new needs and service offered 24/7 for the comfort of businesses).
- Reduction of time in implementing new collections for businesses.
- Customer facing solution: receipts, company vouchers, and common displays through call center channels, ATMs, kiosks, Mobile Banking, Internexo, bank windows, and NBCs (Non-Banking Correspondents).
- Daily automated reconciliation.

Telephone Application.

Pichincha Mobile Banking

All financial sector growth forecasts point to developing mobile banking. Banco Pichincha has not ignored this situation. In order to improve and maximize strategies in the digital customer's user experience, the Bank launched a new version of the Pichincha Mobile Banking for smartphones that includes a use scheme to further simplify customer transactions. This scheme is practical, intuitive, and more interactive.

By the end of 2015, of the 231,000 customers using Mobile Banking, 181,000 recurrently carried out transactions through the different services offered by this channel (SMS, interactive mobile banking, and app). The number of active app users shot up from 20,000 to close to 45,000 in the last quarter. This shows that the demand for the accessibility, comfort, and ease of doing financial transactions from a smartphone and the use of this kind of device by the population continue to escalate. Two million transactions were made in this same period.

Non-Banking Correspondents (NBCs)

The Non-Banking Correspondents, *Pichincha Mi Vecino* ("Pichincha, My Neighbor"), form the largest network of financial and banking services in Ecuador since 2012. This network of over 12,000 NBCs offers financial solutions to society's different members during extended hours, Monday to Sunday.

In its value proposition, *Pichincha Mi Vecino* offers a wide range of transactions. This has generated a reduction in the Bank's operating costs, while also saving time for customers and contributing to the productive activities of the Microbusiness, Corporate, PES, and SME segments.

The number of transactions between 2014 and 2015 increased from 18 to 29 million. Deposits and withdrawals account for 64% of all transactions made through this channel, and total \$1.4 billion. The NBC network enabled 182,261 new customers to have access to banking services and hence accomplished this channel's primary goal of developing banking services and promoting financial inclusion.

In 2015, the first customer loyalty campaign was carried out and focused on our correspondents called *Mi mejor vecino* ("My best neighbor"). The campaign reaped significant results in terms of a sense of belonging and a considerable increase in transactions.

Customer Commitment through the Social Media

The digital transformation process is guided by the construction of an ecosystem that uses social networks for boosting customer loyalty to the maximum. We are working towards a model based on enhanced multichannel experiences for interacting with users and satisfying their needs. For this purpose, we have executed a *Social Customer Engagement* project, which is a business strategy supported on social platforms for engaging the customer in a collaborative conversation in order to produce mutual benefits within an environment of trust and transparency.

This project has enabled Banco Pichincha to become a leader even in the main social networks. In platforms, such as Facebook, in which we have a significant number of followers, but especially in the interactions produced, customer engagement is five times more than our competition's. We have achieved up to 16,000 interactions a week.

On this social network, we have three pages: Banco Pichincha (620,000 fans), Banco Pichincha Visa/MasterCard (147,000), and Xperta (227,000). In Twitter, the number of followers exceeds 100,000 and YouTube subscribers add up to more than 7,000. By using specific applications through Facebook, it is possible to apply for the Xperta debit card, request checkbooks, and apply to be part of the NBC *Pichincha Mi Vecino* network.

Customers and followers may ask questions through Facebook and Twitter. Currently, we service an average of 2,000 cases—questions (1,500) and product requests (500)—a month, Monday to Sunday. Depending on the complexity of the problem, resolution time may range from two minutes to two hours. The level of satisfaction is high: 99% of messages are positive regarding this service channel.

IMPACT PROJECTS

During 2015, the Bank developed and incorporated a series of strategic and institutional initiatives for leveraging and transforming service experience and operational excellence. For customer-focused Service Improvement, we have incorporated new products and services, creating new digital channels and new financial transactions through them. With respect to the strategy for raising operating efficiency, we have made great strides in applying the ERP program. In the first quarter of 2016, the implementation of the vertical portion of accounting and administrative processes will be completed. This will substantially contribute to the comprehensive simplification and automation of these processes. It is important to highlight the ongoing efforts for intensifying security through the incorporation of new technologies and mechanisms for guaranteeing the highest operating standards.

Concerning the projects related to channels, customers, and products, the main ones developed in 2015 were authorizing advance payments on deposit certificates, developing the *Ahorro Futuro Décimos* ("Future Savings-Additional Salaries") project for customers and bank employees, and enabling transactions for the USSD banking channel.

In 2015, infrastructure was made available for maximizing charge and payment service transactions. The first companies available under this collection scheme are Cenel, Municipality of Guayaquil, and DirecTV in the Internexo, Web Teller, and Mobile Banking channels. For the ATM channel, the base infrastructure was improved by migrating from Windows XP to Windows 7. This will allow for leveraging the channel's growth and future innovations. The project included the ability to charge commissions for printing out balance inquiries.

In terms of improving application quality and reducing project delivery time, certain initiatives were implemented for enhancing project management, reinforcing application development units, quality (tests) assurance, automating the application lifecycle, standardizing application documentation, and automating test cases.

Inasmuch as security is concerned, communications and security infrastructure was reinforced by changing the core and border IPS, as well as the core firewall, in order to

heighten level of security and maintain the Bank's transactional continuity and growth in the next five years.

With respect to monitoring transactional behavior, the NBC, WebTeller, and ATM platforms can send notices and alerts to customers in order for immediate corrective actions to be taken and thereby minimize exposure to fraud. Other security-related initiatives focus on installing an antivirus across the company, in both employee PCs and mobile devices, as well as in distributed and centralized platform services and customer end-use devices, such as ATMs.

In addition, the Electronic Banking channel was ascribed greater security by applying a waiting time for transfer transactions in order to minimize attacks targeting our customers.

Lastly, as part of the strategic projects, the treasury platform is being replaced and the Cash Management application updated in the Bank's portfolio. Moreover, a Process Project Management was implemented to generate better efficiency in the Bank's operations.

CASH SECURITY AND LOGISTICS

For safeguarding the integrity of our customers and the Bank, the cash Security and Logistics Unit conducts ongoing follow-up and control measures for identifying opportunities for improvement and action plans. The following are the highlights of 2015:

- Physical change of the new Command Center with significant improvements in emergency protocols and actions, such as the initiation of the migration to the new standardized, comprehensive alarm system.
- Execution of 100% of security studies on the Bank's offices, where all of the aspects of minimizing risks, gathering information, and improvement measures were reviewed.
- Important support with police, Prosecutor's Office, and other authorities jointly working with the Bank's Investigation Unit, resulting in the prosecution of criminal organizations (i.e., *sacapintas* ("unsuspicious, well-dressed thieves at ATMs or inside banks"), credit card cloners, and so on).
- Our cash distribution centers are certified as compliant with ISO standards and internal and independent oversight audits in order to guarantee the integrity and transparency of the critical process described above.

NEW FOCUS OF STRATEGIC PLAN

The year 2015 was an important one in terms of changes in our organization that involved significantly relevant matters, such as the renewal of the strategic plan in effect up to 2018 that is executed employing methods with overall hierarchy. Through such methods, Banco Pichincha conveys its intention to become a fair bank that is close to its customers, is centered on the customer service experience, and that has a rigorous ability for efficiency and organizational synergy.

Concurrently, the Bank updated its Overall Performance Evaluation (OPE) model that focuses on and simplifies two of its previous variables, the Budget Execution Index and Objective-Based Performance, into just one called Management Dimension. This simple but formidable, high-impact model is pillared on innovative concepts and tools, such as the Results variable concerning the reporting team (impact of supervised staff's work on supervisors) and the new Supervisor Evaluation Model (based on a combination of concepts from Cornell University and Harvard).

During 2016, we will solidify these new concepts and methodologies, attuning them until they become the Bank's strategic allies.

OUTLOOK

For 2016, Banco Pichincha will continue its austerity and resource optimization policy in all spheres. For this reason, the corrective action plan committees (COPAC), formed during 2015 for analyzing improvements and executing initiatives that ensure positive economic results for the Bank, play a fundamental role. They will produce significant savings for 2016, in view of the automation, improvement, and efficiency of processes and the use of resources in every line of business.

In addition, given the evident deterioration of the portfolio, strategic measures have already been taken to prevent further decline. Throughout the entire organization, we are working to offer better solutions to our customers and to accompany them in the adverse economic situations they might be facing and that are preventing them from meeting their obligations with the Bank.

We are aware of the difficulties and the adverse economic scenario for this year. Banco Pichincha has clear strategies that will help to reduce the economic impact on the results expected for the close of the year, in benefit of the people who form part of this Bank and all of our customers who rely on, and put trust in, our track record and good management.

SUSTAINABILITY REPORT

PRESENTATION

G4-3, G4-7

For a decade now, Banco Pichincha C. A. has been reporting on the organization's economic, social, and environmental performance in its *Sustainability Report*. This exercise of transparency gives us the opportunity to show the results from measures taken, evaluate acquired commitments, and set new goals and challenges for future years. This document contains topics relevant to both stakeholder groups and the bank for cultivating the relationship between them to make it withstand the passing of time.

This process is dynamic and participative for learning about the expectations of our surroundings and finding sustainable paths for satisfying identified needs. It is an instrument for consulting and an opportunity for achieving a general understanding of the institution. In addition, the results are presented after having worked under the four priorities of our sustainability Management Model, which is directed at generating shared value for society and the organization.

SUSTAINABLE MANAGEMENT MODEL

SUSTAINABLE MANAGEMENT

Environmental Protection

Ethics and Transparency

Human Rights in the Value Chain

Responsible Finances

<i>In the Sustainability Report, we inform about our social, economic, and environmental performance.</i>

The Sustainable Management Model is pillared on the trends identified in the Dow Jones Sustainability Index, which measures the Bank's performance and our stakeholder groups' expectations in the different dialogue processes we conduct. The model is divided into four priorities that identify each one of the chapters of this report. These are:

Ethics and Transparency. We promote a culture pillared on principles and values. We carry out frequent awareness campaigns about codes of ethics and regulations, procuring to align our customers and suppliers with these initiatives. We build strategic alliances with different entities that validate our performance in sustainability and governance issues.

Responsible Finances. We incorporate social and environmental criteria in the design and distribution of our products and services so that our portfolio offering will satisfy the needs of our customers and boost the inclusion of vulnerable groups in the financial sector. We apply customer protection principles to build up customers' loyalty to the Bank and to support the development of their businesses and their families.

Human Rights in the Value Chain. We are committed to respect for Human Rights. We work on topics, such as inclusion, gender, a balance between job and family, training, and development in the Value Chain. We willingly acceded to the United Nations Global Compact and, this year, we signed the seven women's empowerment principles of the Women's UN.

Environmental Protection. We monitor our operations to measure our environmental footprint and take action for becoming more efficient in the use of resources, such as water, energy, and paper, mainly to achieve a reduction in the organization's impact on Climate Change. We promote a culture of respect for the environment by sharing our good practices with the Value Chain, in terms of taking preventive measures that enhance their performance and minimize risks.

REPORT STANDARDS AND MANAGEMENT

G4-30, G4-32

The *Sustainability Report* is drawn up each year under the Global Reporting Initiative (GRI) Guidelines for Preparing a Sustainability Report, version G4, with the "in accordance"-core option and the Financial Sector Supplement.

The indexes reported on are found under each title. At the end of the document is a complete index, as well as a verification report performed by our independent auditors.

SCOPE AND COVERAGE

G4-18, G4-28, and G4-29

This document contains the social, economic, and environmental indicators regarding the work carried out in Ecuador in 2015 (January-December). It also describes the work done for our Microfinance customers through our CREDI FE affiliate and provides the indicators of social investment programs carried out with the CRISFE Foundation, our ally in social responsibility to the community.

Whenever possible, biennial comparative indicators are provided to compare results, in this case with our Sustainability Report published in the year 2014.

<i>We use the Dow Jones Sustainability Index to compare our sustainability practices with those of the most renowned companies worldwide.</i>

SUSTAINABILITY CHALLENGES

G4-2

2015-2018 Strategy

Aware of the new challenges posed in the sector, Banco Pichincha resolved to implement a new strategic planning scheme premised on five drivers: financial sustainability, organizational synergy, customer-centric approach, focused growth, and improvement in operational efficiency aimed at accomplishing the following strategic goal:

"To become the most recognized Bank in Ecuador because of our capacity to service customers with justice and proximity and to outstandingly manage their experience with the Bank."

As part of this new vision, we have begun to implement three important projects that will be consolidated in 2016:

ERP (*Enterprise Resource Planning*): achieves efficiency in purchase and payment processes, administrative and accounting processes, and balancing and reconciliations, in order to rely on updated information and to ease decision-making.

Document Management: helps to secure efficient and technical document management for reducing paper and mitigating the comprehensive risks inherent to banking activities.

Processes Management: boosts productivity and efficiency in processes for evolution under a new work model that ensures greater efficiency and efficacy for a quicker response to customers.

Sustainable Development Objectives

As a Global Compact signatory, the organization supports the initiative to meet the new Sustainable Development Goals (SDGs), which seek to mitigate extreme poverty, fight against inequality and injustice, and protect the environment. The corresponding Development Goals icon is placed in the opening of each chapter. Our sustainability programs, aligned with the GRI G4 Guide, point to these goals.

THE GLOBAL COMPACT AND SUSTAINABLE DEVELOPMENT GOALS

SOURCE: GLOBAL COMPACT, UN.

- 1 NO POVERTY
- 2 ZERO HUNGER
- 3 GOOD HEALTH AND WELL-BEING
- 4 QUALITY EDUCATION
- 5 GENDER EQUALITY
- 6 CLEAN WATER AND SANITATION
- 7 AFFORDABLE AND CLEAN ENERGY
- 8 DECENT WORK AND ECONOMIC GROWTH
- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
- 10 REDUCED INEQUALITIES
- 11 SUSTAINABLE CITIES AND COMMUNITIES
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
- 13 CLIMATE ACTION
- 14 LIFE BELOW WATER
- 15 LIFE ON LAND
- 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
- 17 PARTNERSHIPS FOR THE GOALS

SUSTAINABLE DEVELOPMENT GOALS.

<i>We are one of the first companies to align their sustainability strategy with the Sustainable Development Goals.</i>

Social Development / The Smart Campaign

The Microfinance industry has substantially grown around the globe. The sector's challenge has been centered on offering products and services that correspond to the specific needs of this vulnerable segment of the population, in terms of quality, efficiency, and accessibility.

At the vanguard of this trend, the Bank has worked on aligning this segment's operations with the seven customer protection principles proposed by *The Smart Campaign*. Additionally, it has set the goal of implementing a global strategy that is based on social performance, thus ascribing comprehensive added value for quantifying the social impact on customers from this segment.

Environmental Management System

Our concern about environmental impact has prompted us to work on a process for applying an Environmental Management System within the organization. By monitoring key indicators, we can strive for constant improvement in environmental performance and achieve significant savings in resources as a result.

INFORMATION AND COMMENTS

G4-31

For more information, comments, or suggestions about the contents of the Sustainability Report, please contact the Sustainable Development Area, telephone no. (593 2) 298 0980 ext. 594738 or via email: desarrollo.sostenible@pichincha.com.

For matters concerning the Annual Report, you may contact Maria Isabel Tufiño, Shareholders Office, telephone no. (593 2) 298 0980 ext. 593400, or email: mtufino@pichincha.com.

ACCURACY AND ASSURANCE

G4-33

The independent firm Deloitte & Touche verified the data contained in the Report (*Chart 1*) in order to confirm data accuracy and transparency.

KEY NUMBERS

Chart 1
G4-9

2,345 Shareholders	3,051,223 Customers	98.3% local 1.7% international Suppliers	5,838 Employees 14,260 Service points
109 Years in the market	1,440,536 Credit transactions	4,125,182 Sheets saved in internal paper consumption	100% National Coverage including the Galapagos Islands 153.59 Tons of waste managed
		32.39 training hours per employee	

Total hours of employee training: 189,108.5

STAKEHOLDER GROUPS

G4-25

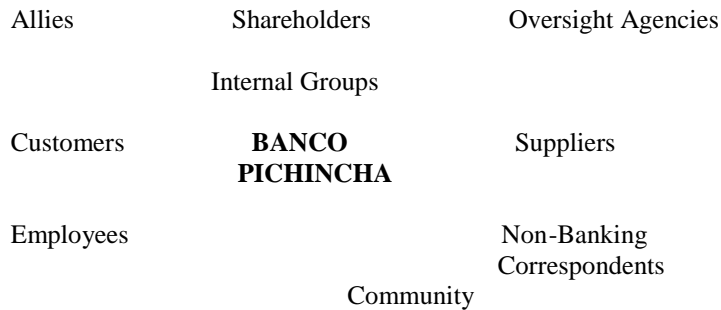
Stakeholder groups are identified based on different criteria that enable us to define their relationship of dependence on, and influence in, the organization and vice versa. This exercise let's us plot strategies for attaining a comprehensive and strategic relationship, aimed at satisfying the expectations of stakeholder groups (*Graph 1*).

MAP OF PRIORITY GROUPS

GRAPH 1

G4-24

EXTERNAL GROUPS



RELATIONSHIP WITH STAKEHOLDER GROUPS

G4-26

We rely on communication tools for maintaining an ongoing relationship with our internal and external stakeholder groups. These include the email address: desarrollo.sostenible@pichincha.com, the Shareholders office, and permanent communication with oversight entities.

We maintain an important relationship with our stakeholder groups in order to know their expectations and seek action that satisfies their needs.

These channels are used to know what the stakeholder groups think and to address their suggestions and requirements about the Bank's business.

During 2015, the following dialogue processes were conducted to learn what stakeholder groups think about the sustainability issues to be informed in the Report:

- Telephone surveys with customers from different segments in Quito, Guayaquil, Cuenca, Ibarra, and Manta.
- Focus groups with staff members and surveys sent by email nationwide.
- Interviews with Non-Banking Correspondents (NBCs) in Quito, Cuenca, and Ibarra.
- Surveys conducted on local suppliers of different services.

- Interviews with allies, such as the Global Compact, World Bank, UNHCR, and so on.

METHOD FOR SELECTING CONTENTS OF THE REPORT

G4-18, G4-22, and G4-FS5

In order to define the relevant matters to be published in this Report, we performed a materiality study that took two criteria into account: the opinion of stakeholder groups and the opinion of Bank employees.

The consulted topics are proposed in the GRI G4 guidelines and the Financial Sector Supplement, and topics that are strategic for the Bank (*Chart 2*).

METHOD FOR SELECTING CONTENTS

CHART 2

01	Review	The 2014 Report was released at the Annual Shareholders Meeting, on the Bank's webpage, on the Global Compact's website, and among staff through the intranet. A new materiality process was followed in 2015.
02	Definition of Topics	Taken from the GRI G4 Guidelines. Identification of topics by group.
03	Prioritization	Prioritizing topics for both groups and the Bank's strategy. The indicators were reported based on the data obtained across the country.
04	Validation	Verification of relevant topics with Senior Management in the Corporate Governance, Competence and Sustainability Committee, and Deputy Chairman's Office.
05	Review	This year, the Report will be released to more stakeholder groups. Two interaction channels—email and telephone—are available to learn about the impact.

RELEVANT TOPICS

G4-19, G4-20, G4-27

Chart 3 provides a list of topics consulted with stakeholder groups and the Bank, with an evaluation of each one and classified by the four priorities of our Sustainable Management Model.

RELEVANT TOPICS FOR STAKEHOLDER GROUPS AND THE BANK								
CHART 3								
	TOPICS	GROUPS	BANK	SUPPLIERS	CUSTOMERS	EMPLOYEES	NBC	ALLIES
No.	ETHICS AND TRANSPARENCY							
1	Goods/services procurement practices	MEDIUM	HIGH	X				X
2	Anticorruption and anti-money laundering	HIGH	HIGH	X	X		X	X
3	Fair competition and antitrust practices	MEDIUM	HIGH				X	X
4	Marketing communications	MEDIUM	HIGH		X		X	
5	Customer privacy	HIGH	HIGH		X		X	X
6	Product regulatory compliance	MEDIUM	MEDIUM					X
7	Culture, job climate, and organizational ethics	MEDIUM	HIGH	X	X	X		X
No.	RESPONSIBLE FINANCES							
8	Market share and economic performance	HIGH	HIGH	X	X		X	X
9	Social investment programs	HIGH	MEDIUM	X			X	X
10	Designed products tailored to customers' needs	MEDIUM	HIGH		X		X	X
11	Financial inclusion of vulnerable groups	MEDIUM	HIGH		X		X	X
12	Financial education	HIGH	LOW	X	X		X	X
13	Customer service	MEDIUM	HIGH		X		X	
14	Microfinance customer protection principles	MEDIUM	HIGH		X		X	X
15	Coverage of services and distribution channels	MEDIUM	LOW		X		X	
No.	HUMAN RIGHTS IN THE VALUE CHAIN							
16	Our human resources	MEDIUM	LOW					
17	Employee benefits	MEDIUM	LOW					
18	Communication between management and employees	LOW	MEDIUM					
19	Occupational Safety & Health	MEDIUM	HIGH	X				
20	Professional education and development	MEDIUM	LOW		X			
21	Employee performance evaluation	MEDIUM	LOW					
22	Recognition of employee effort	MEDIUM	LOW					
23	Claim mechanisms regarding employment practices	LOW	MEDIUM					X
24	Child labor by suppliers	MEDIUM	LOW					X
25	Human rights promotion	HIGH	MEDIUM	X	X		X	X
26	Initiatives for women's empowerment	MEDIUM	MEDIUM	X				X
27	Good practices with suppliers	MEDIUM	HIGH	X				
28	Employee salary and compensation	MEDIUM	LOW					
No.	ENVIRONMENTAL PROTECTION							
29	Paper consumption	MEDIUM	MEDIUM		X	X		X
30	Energy consumption	MEDIUM	MEDIUM					X
31	Water consumption	MEDIUM	LOW					X
32	Carbon footprint	LOW	MEDIUM					
33	Correct waste management	MEDIUM	HIGH					
34	Environmental evaluation of suppliers	MEDIUM	MEDIUM	X				
35	Environmental management system and environmental policy	MEDIUM	HIGH					
36	Evaluation of customers with regard to environmental matters	MEDIUM	HIGH		X			X

Based on the results obtained in Chart 3 above, the following graphs their importance in a double-entry diagram: in the first level, the relevance for our stakeholder groups is rated and, in the second, the relevance for our organization is shown.

In this Sustainability Report, we report on topics rated as medium and high for our different stakeholders (*Graph 2*)

CHART OF RELEVANT TOPICS
GRAPH 2

RELEVANCE FOR STAKEHOLDER GROUPS
 Responsible Finances
 Environmental Protection
 Ethics and Transparency
 Human Resources in our Value Chain

RELEVANCE FOR THE BANK
 Responsible Finances
 Environmental Protection
 Ethics and Transparency
 Human Resources in our Value Chain

In addition, topics not rated priority for our groups, but that are important for the Bank with respect to the law or because they are part of the indicators built on in the Environmental Management System are also shown.

OUR VALUE CHAIN
GRAPH 3
 G4-12

We place special emphasis on our Value Chain in order to respond to the confidence our shareholders have in us, to stimulate local production, to cover the demand by our customers, to create jobs for our staff, and to close the process by giving back to the community. By identifying our stakeholder groups in the Value Chain, we may create projects that contribute to our products and services to make them more efficient and to achieve better quality.

	Shareholders 2,345	
Allies	Corporate Governance 22 committees	Oversight Entities
Suppliers 98.3% local 1.7% international	Banco Pichincha	Customers 3,051,223
	Employees 5,838	
	Social Investment CRISFE Fundación 53,331	NBCs 12,839

ETHICS AND TRANSPARENCY

SHAREHOLDERS 2,345 shareholders in our Bank.	DECISIONS 15 committees in charge of making decisions in social, economic, and environmental issues.	SUPPORT 6 support units for the Oversight and Internal Affairs Area.
ETHICS We do not hire anyone under 18 .	MEASUREMENTS We apply 2 sustainability standards: Dow Jones Index and <i>The Smart Campaign</i> .	ORGANIZATIONAL CHART 4 Management levels in our organizational chart: management, strategic, tactical, and operational.
TRAINING 100% of employees trained in procedures regarding anti-money laundering and the deterrence of the financing of terrorism and other crimes.		GLOBAL ACCESSION 7 cases of voluntary accession prove we are commitment to the sustainability initiatives that companies currently manage.
TRANSPARENCY 64 branches in Quito are evaluated and monitored for fraud prevention.	SUPPORT 7 committees supporting tactical and operational management.	SECURITY 1,055 employees trained in good fair competition and antitrust practices.

*We want our **Ethics and Transparency** to set us apart in our relationship with our stakeholder groups, based on our work pillared on a culture of principles and values.*

G4-DMA

Year after year, we strive to meet statutory standards, while always looking to be one step ahead in order to stand out and to achieve that our stakeholder groups have greater confidence in us. The topics discussed in this chapter are for meeting the following Sustainable Development Goals:

- 5 GENDER EQUALITY
- 8 DECENT WORK AND ECONOMIC GROWTH

12 RESPONSIBLE CONSUMPTION AND PRODUCTION
16 PEACE, JUSTICE AND STRONG INSTITUTIONS

2015 CHALLENGES	2015 ACCOMPLISHMENTS	2016 CHALLENGES
To raise awareness among 100% of critical suppliers and staff members involved in the goods and services procurement process, with regard to the Code of Ethics.	We started the first phase of dissemination and accomplished 100% of our goal. We held events with suppliers and employees and showed an animated video containing relevant information. In addition, we included a clause in our supplier contracts about their mandatory compliance.	To raise awareness about the code among 100% of employees and suppliers, and to start a mandatory process for learning about and complying with the code at both the internal and external levels.
To direct internal control using methodologies that allow for defining standardized activities, with periodic tests on the effectiveness of their design and operation.	We implemented a standardized model with activities for reinforcing internal control in both design and application, as well as ongoing monitoring.	To craft a self-evaluation model for identifying efficacy/efficiency opportunities in implementing controls.
To create an ethical line for employees to report unfair labor practices and the violation of human rights.	The ethical line is in operation as a communication channel via electronic mail. Additionally, employees may consult through their supervision line, consultant, or the Social Work area.	To timely address our personnel's requirements received through the channels available to employees. If any inquiry is made at InfoRRHH, to direct them to the reporting channel via e-mail.
		To provide training to Pichincha Microfinance and to the personnel working in collections, on the application of the Code of Ethics and the Code of Responsible Collections. To promote Social Performance Management within the organization.

ORGANIZATIONAL CULTURE

G4-HR3, G4-HR5, and G4-HR6

Our organization encourages an organizational culture that respects people and their fundamental rights, seeks gender equality and equity, and rejects all kinds of forced labor and child labor (the Bank employs only individuals over 18). Moreover, we avoid all kinds of discrimination because of race, skin color, gender, religion, age, origin, social status, or other significant forms of discrimination affecting Human Rights.

Our conduct aligned with codes of conduct and sustainability principles and initiatives are anchored on institutional values. We take measures to disseminate them

among our stakeholder groups, by informing the best practices and defining clear rules for building up relationships in the supply chain. Thanks to these measures, there has been no evidence of discrimination cases during the reported period.

ORGANIZATIONAL STRUCTURE

G4-34

Board of Directors and General Meeting of the Shareholders

The Bank's highest decision-making and administrative organ is the Board of Directors, headed by the Chairman. It is formed by members elected by the General Meeting of the Shareholders and qualified by the Superintendency of Banks. The Board of Directors holds general meetings once a month and special meetings when required. The directors define the main directives and strategy for the organization's management. We had 2,345 shareholders at the close of the year 2015 (*Graph 1*).

BANK'S ORGANIZATIONAL STRUCTURE

GRAPH 1

MANAGEMENT LEVEL

BOARD OF DIRECTORS

CHAIRMAN OF THE BOARD

Antonio Acosta E.

COMPTROLLER

Rodrigo Sánchez

AUDITING

Víctor Ojeda

STRATEGIC LEVEL

DEPUTY CHAIRMAN

Fidel Esteban Egas

DEPUTY VICE-PRESIDENT

Simón Acosta E.

SECRETARY GENERAL

SHAREHOLDER MANAGEMENT

CONTROL AND INTERNAL AFFAIRS

Fredi Gudiño

INTERNATIONAL INVESTMENTS

GENERAL MANAGER

Fernando Pozo C.

BUSINESS SENIOR VICE-PRESIDENT

Guido Cordero

SENIOR VICE-PRESIDENT FINANCES AND RISKS

Santiago Bayas

SENIOR VICE-PRESIDENT SERVICES

Jorge Chiriboga

HUMAN RESOURCES VICE-PRESIDENT

Luciano Guerrero

TACTICAL LEVEL
MICROFINANCE
Verónica Gavilanes

RETAIL BANKING VICE-PRESIDENT
Rolando Ochoa
CORPORATE BANKING VICE-PRESIDENT
Juan Carlos Berrú
MARKETING VICE-PRESIDENT
Fabián Mora
PAGUE-YA
Diego Vargas

FINANCIAL CONTROL
TREASURY
RISK

ADMINISTRATIVE SERVICES
TECHNOLOGY
CHANNELS
LEGAL VICE-PRESIDENT
Gonzalo Orellana

OPERATIONAL LEVEL

Corporate Governance

G4-56

Corporate Governance ensures the accomplishment of the Bank's vision and mission based on principles highlighting our organizational culture and ethics.

Codes

We have different codes and policies conveying our values for building ethical and transparent relationships with our stakeholder groups. These include the Code of Ethics for Employees, Internal Labor Regulation, Occupational Health & Safety Regulation, and the Corporate Governance Code. Each one of them has been disseminated and published on our different means of communication.

We are convinced of the work that we perform internally with regard to the conduct parameters relayed through these codes. We realized that there was a need to design the following documents as guidelines on how to act inside and outside of our organization:

Code of Ethics for Suppliers.⁸ In an event held in October, we informed 50 companies, with whom we have a direct business relationship, about the Code of Ethics for Suppliers. The purpose of the code is to align the work by our supply chain with that of the Bank in order to mitigate potential risks and create opportunities for ongoing improvement.

Code of Ethics for Microfinance Employees. A guide was drawn up exclusively for CREDI FE and is focused on offering quality service to Microfinance segment customers for maintaining their sustainability and ensuring that their rights are protected and not violated, following the international guidelines of *The Smart Campaign* certification.

⁸ For more information, see the Human Rights chapter, Good Practices with Suppliers section.

*Our Code of Ethics provides a guide on conduct when establishing business relationships between employees and suppliers.
We align ourselves with ethical and transparent values and also Banco Pichincha's principles.*

Code of Responsible Collections. A code was prepared to ensure the dissemination of good collection practices throughout Grupo Pichincha. This document forms a special part of the training received by the entire collections staff in the country.

Committees and Senior Management

In order to support Good Corporate Governance work, we have 15 committees with decision-making powers in different topics, fortifying the organization while promoting its sustainable development.

For providing support to the Bank's tactical and operational work, we rely on 7 additional committees (*Chart 1*).

COMMITTEES SUPPORTING GOOD CORPORATE GOVERNANCE

15 promote Sustainable Development and 7 tactical and operational work

CHART 1

COMMITTEE-ALCO

Follows up on the decisions defined for commercial businesses in line with the risk tolerance declaration.

COMPREHENSIVE RISK MANAGEMENT COMMITTEE

Ensure the Bank's soundness and solvency in the short-, medium- and long-terms, with the Board of Directors' knowledge and approval.

RISK ASSET RATING COMMITTEE

Reviews and rates the Bank's risk assets and defines levels of provision required for protecting such assets.

COMPLIANCE COMMITTEE

Contributes to the compliance with the rules and policies on the deterrence of money laundering, the financing of terrorism, and other crimes.

AUDITING COMMITTEE

Contributes to the optimum operation of internal control systems, to the accomplishment of institutional objectives and goals, and to the achievement of better financial results.

EXECUTIVE COMMITTEE

Ensures the adequate operation of Bank management's administration and operation.

STRATEGY COMMITTEE

Warrants that the Bank has institutional strategies that guarantee the execution of the strategic plan related to budget preparation and execution.

ETHICS COMMITTEE

Oversees compliance with the principles, organizational values, and Senior Management's guidelines, as well as observance of the Code of Ethics.

FINANCE AND RISK COMMITTEE

Ensures that the Bank's strategic definitions in the short-, medium- and long-terms are consistent with robust financial performance standards for warranting soundness and solvency.

BUSINESS COMMITTEE

Encourages the appropriate marketing of products and services, as well as the definition of policies, planning, budget, and commercial strategies in the different lines of business.

HUMAN RESOURCES COMMITTEE

Contributes to efficiency, high performance, and sustainability by assessing, monitoring, and overseeing compliance with human resources management policies and processes.

RETRIBUTION AND GOOD GOVERNANCE COMMITTEE

Manages formal and informal practices for building relationships among the shareholders, the Managing Board, the Board of Directors, and the Bank's management.

SERVICES COMMITTEE

Aimed at building up the Bank's capability and procedures for continuous improvement in customer service and in the quality of the services that the Bank provides to its external and internal customers.

INFORMATION TECHNOLOGY COMMITTEE

Maximizes the return on technological investment by accomplishing the Bank's strategic goal, aligned with services strategy and corporate guidelines.

STRATEGIC OVERSIGHT COMMITTEE

Ensures that the accomplishment of defined strategies contributes to reaching strategic planning goals by monitoring and overseeing the complete scorecard.

MANAGEMENT COMMITTEE

Oversees the completion of tasks and fulfillment of responsibilities, in coordination with the vice-presidencies. Makes coordinated decisions.

PORTFOLIO RATING COMMITTEE

On behalf of the Board of Directors, reviews the quarterly reports by the Risk Asset Rating Committee and levels of estimated provisions for asset protection. Each quarter, reviews the evolution and quality of the Bank's risk assets.

OCCUPATIONAL HEALTH AND SAFETY COMMITTEE

Keeps the Bank healthy, safe, environmentally respectful, socially responsible, and with top quality service standards.

PROCUREMENT COMMITTEE

Approves projects, remodeling, construction, and the procurement of goods and services requested by the Bank.

TECHNICAL PROJECT COMMITTEE

Monitors the execution of projects in their different stages to address needs based on the standards defined by both Banco Pichincha and Tatasolution Center S. A.

COMPETITION AND SUSTAINABILITY COMMITTEE

Analyzes, investigates, and make recommendations for complying with the rules, Market Power Control Regulation, and the Sustainable Management Model.

LEGAL COMMITTEE

Ensures correct legal advice and application of the legal framework through timely and precautionary analyses in order to minimize the legal risks for the Banks and its officers.

SUSTAINABILITY PRINCIPLES AND INITIATIVES

G4-15, G4-16, G4-HR4, and G4-HR8

Accession

We ratified our commitment with the following global initiatives to which the Bank has willingly acceded:

- United Nations Global Compact;
- United Nations Environment Program (UNEP FI);
- Global Banking Alliance for Women;
- Ecuadorian Consortium for Social Responsibility (CERES);
- Association of Private Banks of Ecuador (ABPE);
- Ecuadorian-American Chamber of Commerce.

In addition, in 2015 we became the first Ecuadorian company to sign the public commitment promoted by Women's UN: ***Women's Empowerment Principles***.⁹ The accession implies the effort for promoting and applying gender equality and wellbeing, both internally and externally.

Sustainability Standards

Dow Jones Sustainability Index. Measuring the Bank's economic, social, and environmental work up against this index continues to challenge our organization when comparing ourselves with companies rated in the same fashion as the best in their sustainability practices. With this voluntary rating, we have identified innovative practices applicable to our situation.

The Smart Campaign Customer Protection Principles. We have worked on an action plan for aligning the operations of the Pichincha Microfinance segment with the principles of this international standard.¹⁰

Informational Reports

Each year, we report on our social, economic, ethical, and environmental performance through the *Annual Report* and *Sustainability Report*. These reports are audited and are available to the public in general through our Bank's webpage, in two languages: Spanish and English.

<i>Banco Pichincha is the first Ecuadorian company to sign the Women's UN</i>

⁹ More information may be found in the Human Rights in the Value Chain chapter.

¹⁰ More information may be found in the Responsible Finances chapter.

commitment and the 7 women's empowerment principles.

ANTI-MONEY LAUNDERING AND ANTICORRUPTION

Anti-Money Laundering

G4-SO3, G4-SO4, G4-SO5

The Bank's anti-laundering policies and procedures for deterring money laundering, the financing of terrorism, and other crimes, are disseminated nationwide. One hundred percent of our staff—including the Board of Directors and Senior Management — have been trained, thus complying with current rules and our own internal policies. In addition, training is provided to the employees of strategic partners with whom we have a direct relationship, for minimizing potential risks. These include:

BUSINESS PARTNERS	<i>Number of employees of business partners</i>	<i>Values in percentages</i>
SOURCE: BANCO PICHINCHA		
TATA SOLUTION GATES	112	100%
SECURITY COMPANIES	1,090	100%
SUBSIDIARIES	1,815	100%

Anticorruption

We follow the philosophy of zero tolerance for corruption. For this purpose, we have a Control and Internal Affairs Area that ensures reinforcement of our employees' ethical conduct.

Reinforcement of advisor's role; continuous monitoring concept.

<i>100% of the Quito Agency Network is monitored for fraud prevention.</i>
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The Internal Control System follows a prevention and advice approach, complying with the established rules. This allows for improving performance and governability, while helping to reduce risks related to the business's complexity. Furthermore, it conducts ongoing validation to guarantee the system's efficacy.

The Control and Internal Affairs Area is supported by the following units:

Institutional Internal Control. Monitors the Bank's sensitive accounts on its balance sheet in order to achieve that reconciliation entries are managed under completeness and accuracy principles. In addition, it offers improvements to internal processes manuals, thus ensuring that they contain indispensable controls, such as separation of duties, levels of authorization, alert flowchart, and so on.

Internal Control for Branches. Through on-site reviews, monitors activities, oversees compliance with policies and procedures, prevents internal fraud events, and performs ongoing follow up, together with the management areas in charge for securing adequate environmental control.

Internal Control for Group Microfinance. Performs on-site control of operational processes for portfolio placement and recovery, as well as administrative and commercial management activities for all of its segments.

Regional Internal Control. Validates compliance with business policies and procedures for Corporate Banking and Retail Banking in the coastal region.

Banking Policy Support. Manages risks of reported policy incidents and identifies improvements in processes in order to mitigate the recurrence of similar events that could cause financial losses to the Bank.

Internal Affairs. Procures to cultivate the ethical behavior of employees in terms of their ability to prevent and detect anything not normal; manages reporting channels, such as telephone line, e-mail, and a technological tool for anonymously reporting unusual behavior. With forensic methods, conducts evaluations, investigations, and analyses of cases. Defines mechanisms for deterring internal fraud and has put the organizational culture of *Juntos hacemos lo correcto* (“Together we do what is right”) into practice through e-learning programs and on-site training.

All of the units of this area procure to boost the ability to safeguard the Bank's assets based on a preventive and proactive approach with the organization's different stakeholders.

GOODS AND SERVICES PROCUREMENT PRACTICES

G4-EC9

We encourage transparency in the procurement and contracting process. Once the need for a good or service is identified, the process follows an activities and approval flowchart in order to rigorously control the selection parameters, as well as meet the time to keep the price promised to the user. There is an expert team in charge of processing purchases and bids with the same conditions for all bidders in order to encourage fair and equitable competition for suppliers who have been previously rated to confirm that their internal practices are consistent with the Bank's policies.

Local suppliers are preferred over international suppliers as a way to contribute to the creation of local jobs, economic development, and so on.

FAIR COMPETITION AND ANTITRUST PRACTICES

G4-SO7

We have a Competition Subcommittee, which is the internal body with the authority to advise on the current rules. It is in charge of strictly following the *Manual for Complying with Competition Legal Rules*. We have focused our efforts on further studying the Market Power Control rules and application of good fair competition and anti-competitive practices by employees. For this purpose, we provided an e-learning workshop on this topic to 1,055 employees, during the first stage. In the year 2016, we will cover the remaining personnel.

<p><i>Juntos hacemos lo correcto (“Together we do what is right”) is an internal control program for minimizing the risks of fraud in our Bank.</i></p>

RESPONSIBLE FINANCES

CATEGORIZATION	SUPPORT TO WOMEN ENTREPRENEURS	CUSTOMER SERVICE
No. 1 Banco Pichincha nationwide.	47% of Microfinance customers are micro-businesswomen, heads of their households.	14,260 service channels.
STAKEHOLDER GROUPS	LOCAL INVESTMENT	COVERAGE
\$1.07 billion distributed among our stakeholder groups.	98.3% of spending went to local suppliers.	24 of the country's provinces are covered by the Bank.
FINANCIAL EDUCATION		TRAINING
4,032 employees trained in the financial education program.		249 beneficiaries trained and instructed in entrepreneurship topics for improving their projects.
SCHOLARSHIPS	SOLIDARITY	EFFICIENCY
The level of approved scholarship recipients is 86% .	2,082 hours of volunteer work at Banco Pichincha and affiliates.	82% of claims processed within 8 days.

*We believe that **Responsible Finances** is the efficient and sustainable venue for offering our customers treatment that is fair and appropriate and by which they feel the Bank is close to them.*

G4-DMA

We work on incorporating social and environmental criteria into the design and distribution of the products and services we offer for satisfying the needs of our customers, especially those regarded as vulnerable groups.

The topics discussed in this chapter are for meeting the following Sustainable Development Goals:

- 1 NO POVERTY
- 2 ZERO HUNGER
- 5 GENDER EQUALITY
- 7 AFFORDABLE AND CLEAN ENERGY
- 8 DECENT WORK AND ECONOMIC GROWTH
- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
- 10 REDUCED INEQUALITIES
- 11 SUSTAINABLE CITIES AND COMMUNITIES
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

2015 CHALLENGES	2015 ACCOMPLISHMENTS	2016 CHALLENGES
To align the operations of the Pichincha Microfinance segment with the customer protection principles of <i>The Smart Campaign</i> certification.	We made a self-diagnosis and met 100% of the work plan. We have undergone a pre-qualification with excellent results.	To be certified in <i>The Smart Campaign's</i> Customer Protection Principles.
To promote the financial insertion of the refugee segment of the population.	We have made more points of sale available to the customers of this segment, reaching 535 beneficiaries.	To craft a products portfolio for women entrepreneurs.
To have specialized methods for offering financial education to the target public, in alliance with the CRISFE Foundation.	We have implemented a financial culture program for contributing to the economic welfare of our employees' families.	To review the impact of the financial education program, based on developed methods and to identify opportunities for improvement.
		To conduct a diagnosis of the work by the Social Performance area and, on the basis thereof, design an action plan.

MARKET SHARE AND ECONOMIC PERFORMANCE

G4-8

At the close of 2015, the Bank held first place in the private banking sector for another year. As market leaders, we have a huge responsibility with the country's economic development. For this reason, we have focused our work on the sustainable growth of the business, creating shared value with our stakeholder groups, mainly our customers, who are the reason behind our business (*Graph 1*).

MARKET SHARE, TOTAL PORTFOLIO

SOURCE: SUPERINTENDENCY OF BANKS.

GRAPH 1

	2015 2014
<i>Pichincha</i>	30.09% 31.34%
<i>Bank 1</i>	14.77% 12.15%
<i>Bank 2</i>	10.43% 10.81%
<i>Bank 3</i>	10.80% 11.72%
<i>Bank 4</i>	8.69% 8.07%
<i>Bank 5</i>	7.40% 7.43%
<i>Bank 6</i>	4.73% 4.72%
<i>Other banks</i>	13.09% 13.76%

ECONOMIC VALUE

G4-EC1 and G4-EC9

Economic Value Generated

The revenue generated by Banco Pichincha jumped by 4.7%, \$50.4 million, compared to last year. The financial revenue generated by banking operations (interest, commissions earned, and financial profits) account for 77.7% of the Bank's earnings (*Chart 1*).

ECONOMIC VALUE GENERATED

CHART 1

	2015 Thousands of \$	Share %	2014 Thousands of \$	Share %
<i>Financial Revenue</i>	879,523.70	77.67%	852,701.80	78.81%
<i>Revenue from Services</i>	123,892.60	10.94%	110,154.70	10.18%
<i>Other operational revenue</i>	87,811.40	7.75%	72,013.90	6.66%
<i>Non-operational revenue</i>	41,222.80	3.64%	47,145.70	4.36%

<i>Total</i>	<i>1,132,450.50</i>	<i>100.00%</i>	<i>1,082,016.10</i>	<i>100.00%</i>
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Economic Value Distributed

Despite the economic slowdown in 2015 and the declining dynamism in the growth of our revenue, projects aimed at enhancing the Bank's operational efficiency have continued to be executed. In this context, the level of operating expenses climbed by 7.6% (\$42.5 million), with a 76.4% efficiency index, which is two percentage points above that of last year (*Chart 2*).

ECONOMIC VALUE DISTRIBUTED

CHART 2

	<i>2015 Thousands of \$</i>	<i>Share %</i>	<i>2014 Thousands of \$</i>	<i>Share %</i>
<i>Payments made to savings accountholders and investors</i>	<i>190,200.56</i>	<i>17.71%</i>	<i>178,793.50</i>	<i>17.80%</i>
<i>Payments to Employees</i>	<i>170,034.53</i>	<i>15.83%</i>	<i>155,601.70</i>	<i>15.50%</i>
<i>Salaries</i>	<i>122,504.46</i>		<i>112,093.70</i>	
<i>Mandatory employment benefits</i>	<i>31,293.29</i>		<i>29,204.80</i>	
<i>Investment in health and food</i>	<i>8,254.00</i>		<i>8,170.30</i>	
<i>Other employment benefits</i>	<i>6,421.18</i>		<i>4,302.60</i>	
<i>Investment in training</i>	<i>1,561.61</i>		<i>1,830.40</i>	
<i>Payments to goods and services suppliers</i>	<i>333,704.76</i>	<i>31.07%</i>	<i>307,460.10</i>	<i>30.70%</i>
<i>Social investment in the community</i>	<i>3,921.16</i>	<i>0.37%</i>	<i>4,545.50</i>	<i>0.50%</i>
<i>Public Administration (taxes)</i>	<i>98,300.38</i>	<i>9.15%</i>	<i>98,247.20</i>	<i>9.80%</i>
<i>Operating expenses</i>	<i>257,852.06</i>	<i>24.01%</i>	<i>236,991.20</i>	<i>23.60%</i>
<i>Other non-operating expenses</i>	<i>19,986.34</i>	<i>1.86%</i>	<i>20,645.60</i>	<i>2.10%</i>
<i>Total</i>	<i>1,073,999.79</i>	<i>100.00%</i>	<i>1,002,284.80</i>	<i>100.00%</i>

Payments made to Savings Accountholders and Investors. The payments are for interest earned by our customers on deposits and investments, interest paid to financial institutions, and debenture stocks. In 2015, there was a 6.4% increase with respect to the previous year.

Payments to Employees. This encompasses payments made to all of our staff and this item has expanded by 9.3% (\$14.4 million).

Payments to goods and services suppliers. This includes costs and expenses related to fees, innovation, technology, security, advertising services, insurance, complementary services, and so on. Our commitment with the country is reflected in the percentage of domestic purchases—this year, spending rose by 98.3%, equal to \$291 million, versus the 1.7% international spending, equal to \$5 million. As a result, indirect jobs have been created and our suppliers have further developed (*Chart 3*).

WE CONTRIBUTE TO LOCAL DEVELOPMENT

CHART 3

	2015		2014	
	Thousands of \$	%	Thousands of \$	%
<i>Domestic payments</i>	291,495,094.19	98.30%	358,196,223.27	96.58%
<i>Offshore payments</i>	5,045,777.72	1.70%	12,686,161.32	3.42%
<i>Total</i>	296,540,871.91	100%	370,882,384.59	100.00%

Social Investment in the Community. We are aware of our responsibility with the community and, for this reason, we have sponsored and made donations to the CRISFE Foundation in the amount of \$3 million.

Taxes. The total amount of taxes paid in 2015, \$98.3 million, was similar to that of last year. That amount accounts for 9% of the economic value distributed (*Chart 4*).

TAXES

CHART 4

<i>Item</i>	<i>2015 Thousands of \$</i>	<i>Share %</i>
Cosede (formerly AGD (Deposit Insurance Agency))	44,252.90	45.02%
Income tax (IRS)	20,082.00	20.43%
VAT on purchases	11,174.80	11.37%
Superintendency of Banks	4,117.00	4.19%
Taxes on foreign assets	14,024.90	14.27%
0.15% tax (municipal)	629.50	0.64%
Money Outflow Tax	358.00	0.36%
Other institutions	50.90	0.05%
Municipal patents	1,794.50	1.83%
Property taxes	210.70	0.21%
Other	1,369.70	1.39%
0.2% tax, University hospital	220.40	0.22%
Superintendency of Companies	15.10	0.02%
Total	98,300.40	100.00%

Operating expenses. This amount mainly includes i) risk asset provisions required by the Superintendency of Banks; ii) financial losses and other operational expenses; and, ii) depreciation and amortization. Operating expenses represent 24% of the total economic value distributed.

Retained Financial Value: Earnings

The year 2015 was economically difficult for the entire country, including for Banco Pichincha. Our earnings suffered a 27% reduction, equal to \$19 million (*Chart 5*).

RETAINED FINANCIAL VALUE

CHART 5

	2015 Thousands of \$	2014 Thousands of \$	Variation
Net earnings	58,450.69	79,731.32	(21,280.63)
Legal reserve	5,845.07	7,973.13	(2,128.06)
Earnings available for shareholders	52,605.62	71,758.19	(19,152.57)

OUR BANK

G4-8, G4-FS6

Service Coverage and Distribution Channels

We service all banking segments through our network of service channels distributed in 100% of the country's provinces, reaching approximately 3,051,223 customers who use our products and services (*Chart 6*).

CUSTOMER DISTRIBUTION BY REGION AND CITY

CHART 6

Regions	Retail		Corporate*		Total	
	2015	2014	2015	2014	2015	2014
Quito	819,668	840,147	186,148	173,977	1,005,816	1,014,124
Guayaquil	464,309	493,527	137,617	139,567	601,926	633,094
Northern Coast	279,304	277,288	144,465	145,066	423,769	422,354
Central Sierra	149,990	146,874	77,865	79,597	227,855	226,471
Northern Sierra	120,327	124,458	51,482	52,595	171,809	177,053
Central Coast	140,352	133,977	61,951	63,356	202,303	197,333
Cuenca	123,296	125,147	43,552	43,686	166,848	168,833
Machala	87,443	85,965	37,202	36,702	124,645	122,667
Eastern Zone	74,841	69,198	29,983	29,131	104,824	98,329
Spain	21,368	22,368	60	39	21,428	22,407
Total	2,280,989	2,318,949	770,325	763,716	3,051,223	3,082,665

*Includes large companies, small and medium companies (SME), microbusinesses, and legal persons.

The number of individuals fell because of the change in the definition of active customer, after reviewing the trend of products validating such condition.

The number of corporate customers rose as a result of the new segmentation model.

Banking Segments. We divide our customers into segments in order to offer specific products and services in line with the customers' characteristics, condition, and needs.

(Chart 7).

BANKING SEGMENTS							
CHART 7							
<i>Type of Customer</i>	<i>SEGMENT</i>	<i>Total Portfolio</i>		<i>Number of Transactions</i>		<i>Number of Customers</i>	
		<i>2015 (\$)</i>	<i>2014 (\$)</i>	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
<i>Corporate</i>	<i>Large Companies</i>	1,635,335,705	1,812,844,985	7,280	7,162	2,207	2,550
	<i>Legal Persons</i>	12,569,681	3,447,047	276	372	258	338
	<i>Micro-businesses</i>	960,494,635	942,842,138	417,331	433,139	315,364	316,838
	<i>Small Businesses</i>	1,166,567,284	1,383,441,175	83,479	95,355	51,392	55,871
<i>Retail</i>	<i>Natural Persons</i>	1,839,479,034	2,016,202,586	932,170	921,798	758,838	743,268
<i>Total General</i>		5,614,446,339	6,158,777,931	1,440,536	1,457,826	1,128,059	1,118,865

Service Channels. We have 14,260 points of service comprising physical and electronic sites for customers to carry out their transactions. We reduced our service channels by 10.5%, mainly the Non-Banking Correspondents (NBCs) because the distribution of this channel was improved in terms of better efficiency and productivity (Chart 8).

SERVICE CHANNELS

CHART 8

<i>Physical Channels</i>						<i>Electronic Channels</i>			
	<i>Branches</i>	<i>Special offices</i>	<i>Services Windows and TRX points</i>	<i>Transactional Branches</i>	<i>NBCs</i>	<i>Automatic Teller Machines</i>	<i>Depositories</i>	<i>Kiosks</i>	<i>Total</i>
<i>2015</i>	238	15	30	10	12,835	972	78	82	14,260
<i>2014</i>	236	13	39	9	14,558	916	77	81	15,929

DESIGNED PRODUCTS TAILORED TO OUR CUSTOMERS' NEEDS

G4-4, G4-FS7, G4-FS15

Through the Products Unit, we permanently focus on the innovation of products and services, as well as the optimization of our current portfolio, customer service, and the generation of economic value for all stakeholder groups. For creating products, we take into account the credit policies of the bank's different segments, getting-to-know-your-customer policies, anti-money laundering policies, and the rules, internal policies, and legal resolutions by the different oversight entities.

We follow the *Project Management Office (PMO)* methodology, based on a process warranting a comprehensive vision of product creation, technological impact, profitability, and the project's life cycle.

PROJECT DESIGN PROCESS

1. Definition of needs and impacts of project development.
2. Analysis of return, risks, mitigation, and goals of the project.
3. Model system for estimating costs, effort, and deadlines.
4. Approval, implementation, follow-up, and support.

Portfolio of Products and Services

Retail	Microfinance	Corporate	Other Services
<ul style="list-style-type: none"> • Savings account (traditional, electronic, Xperta). • Checking account and overdraft. • Future Savings Plans. • Armadólar Investments, Plazodólar, and with interest paid in advance. • Savings account and investments in Euros. • Consumer loans: Preciso credit, Preciso mortgage, Open Line, and Crediback • Loans for homes, new or not, public-interest housing, for construction, remodeling, additions, construction, multi-mortgage, land purchase, and housing for migrants. 	<ul style="list-style-type: none"> • Savings account (traditional, electronic, Xperta, Xperta for refugees). • Checking account and overdraft. • Future Savings Account "Creceer" • Armadólar Investments, Plazodólar, and with interest paid in advance. • Group micro loans. • Personal micro loans for working capital and/or investment in customer's business, consumer loans, housing, agriculture, ecological. 	<ul style="list-style-type: none"> • Capital integration account • Savings Account • Corporate checking account • Savings plan productive goods • Certificate of Deposit Euros • Investments (Armadólar Investments, Plazodólar, Certificates of Deposit with interest paid in advance). • Europlazo. • Productive loans, Crediback, real estate, supplier-distributor. • Discount value documents. • Foreign Trade (letters of credit, bank bonds, stand-by, and guarantees. 	<ul style="list-style-type: none"> • Local cashier's check. • Offshore certified checks. • Domestic, local, or interbank transfers. • International wire transfers. • Currency exchange. • Home delivery. • Online bank statements. • Bank certificates. • Receipt of remittances. • Overdraft, automatic payment system. • Charges and collections.

- Cash Management Collections and payments.

Key Products of the Year

G4-4

In 2015, we created and enhanced certain products responding to the different scenarios and needs of our customers. These products are highlighted below:

Housing with Public Interest. On April 1, 2015, the Monetary and Financial Policy and Regulation Board resolved to approve the Policy for Financing Housing with Public Interest. The financing is done through mortgage-secured loans, at a yearly nominal rate of 4.87% that is adjustable quarterly, for new homes from \$40,000 to \$70,000. The price per square meter cannot exceed \$890 and the loan is for a maximum term of 20 years, with a 5% down payment (*Graph 2*).

PLACEMENT IN HOUSING WITH PUBLIC INTEREST

GRAPH 2

\$182,301.02	\$852,420.71	\$787,028.20	\$2,276,262.39	\$2,911,180.45	\$3,209,283.14	\$5,005,225.18
June	July	August	September	October	November	December
2015						

Product: Future Savings of Extra Salaries. This product came about from a rule contained in the Labor Justice Law. The law gives workers the authority to freely choose whether mandatory extra thirteenth and fourteenth salaries will be paid to them each month through payroll or otherwise in one lump sum, as done before.

In order to enhance the culture of saving, two specific products have been created:

- Future Savings Plan for Extra Salaries, targeted at customers;
- My Fourteenth Extra Salary Counts, targeted at employees.

The Future Savings of Extra Salaries products enable the user to obtain daily capitalized interest from the monthly value of extra salaries and receive a bonus at the end of the period for having stuck to the savings plan. Furthermore, it allows the user to add up the sums and use them for the purposes for which the extra salaries were created: start of the school year in the Coast or in the Sierra and the Christmas Season (*Chart 9*).

PLACEMENT FUTURE SAVINGS OF EXTRA SALARIES

CHART 9

	<i>Employee figures</i>	<i>Customer Figures</i>
<i>Number of accounts</i>	1,572	3,151
<i>Values in savings (\$)</i>	668,226	1,271,459
<i>Bonus value (\$)</i>	17,331.63	4,133.09

Xperta Account for Refugees. This is a basic savings product offering refugee customers the possibility of gaining access to the financial system. In 2015, we worked with UNHCR representatives to offer this product to customers holding a temporary refugee applicant certificate. At the close of 2015, 939 refugee customers registered for the Xperta Account and were serviced at 16 branches in different cities across the country.

Banking for Women. This is a comprehensive portfolio designed for 47% of the women micro entrepreneurs and female heads of households forming the Microfinance segment. The objective is to contribute to family and economic development with the grant of loans at preferential rates, programmed savings accounts, and health insurance policies to cover breast, ovarian, and uterine cancer cases. This year we achieved 1,277 loan transactions nationwide and 2,644 complementary products that include Ahorro Futuro Crecer, Xperta Card, and cancer insurance, with \$2 million disbursed.

FINANCIAL INCLUSION

G4-FS7, G4-FS13

Pichincha Microfinance

Financial inclusion at Banco Pichincha means that the Bank's products and services are designed to cover the needs of vulnerable sectors and have the specific features facilitating their use and access. In addition, its products and services should be accompanied by financial advice and education, contributing to the adequate management of these sectors' personal and family finances, as well as their businesses.

This population segment is composed of micro-business owners and dependents with monthly income equal to one base salary. The segment is serviced through two commercial supports specialized in credit methodology: Individual and Group, through the network of Banco Pichincha offices. This segment has nationwide coverage through the Pichincha Mi Vecino ("*Pichincha, My Neighbor*") Correspondent Network, reaching urban and rural populations.

*Pichincha Microfinance services **1,131,943** customers and represents **11.52%** of our Value Chain.
47% of customers are micro-businesswomen, heads of their households.*

Portfolio Balance: \$960 million
Pichincha Microfinance
Out of total of 1,131,943 customers:
\$860 million in total disbursed
351 thousand transactions made

COVERAGE

CHART 10

	% of provinces serviced	% of parish districts serviced	% of cantons serviced	Total number of offices
Group Microfinance	91.66% (22 of 24)	54.86% (682 of 1,243)	75% (165 of 220)	14
Individual	100%	72.88%	96.81%	138

Microfinance	(24 of 24)	(906 of 1,243)	(213 of 220)	
NBCs	100% (24 of 24)	54.38% (676 of 1,243)	100% (220 of 220)	N/A

Products for Micro-Businesses

G4-4

We have a wide range of products adjusted to the needs of the target population and that generate a socioeconomic benefit to the smallest of our customers, thanks to the conditions with which they are designed.

*We increased disbursements by **15.89%**, added **41** anchor businesses, and achieved a portfolio balance of **155.5 million**.*

Value Chain

We drive the development of the Value Chain of our corporate and business customers, by offering flexible financing alternatives for boosting the growth of our micro customers and small business distributors or suppliers of corporate and business companies. For this purpose, we have two products:

Distributor Loan. Allows the anchor business to have a strategic partner for optimizing the financing process and for collecting commercial invoices from their customers-distributors.

Supplier Loan. Allows the anchor business to have a strategic partner for optimizing the financing process and for paying their suppliers' commercial invoices.

Group Method	Individual Method
We supported the formation of communal banks of individuals who carry out productive activities, at places where people know each other and back each other in solidarity.	In urban and rural areas, we provide customers at the base of the pyramid with access to our products through a loan officer.
Products: Micro-loans for working capital Micro-loans for farmers Health insurance Farmers' insurance Payment protection insurance	Products: Individual Micro-loans: Ahorro Futuro Crecer Medintegral Insurance (medical expenses and hospitalization) Multi-Risk Insurance Más Vida Segura (Life Insurance) Cancer Insurance
Number of customers: 75,085 (customers with active loans)	Number of customers serviced 148,547
Portfolio balance: \$55 million	Portfolio balance: \$650 million

% of women 64.75%	% of women: 47.04%
% of customers living in rural areas 51.99%	% of customers living in rural areas: 45.27%

¡PICHINCHA MI VECINO!

Undoubtedly, Non-Banking Correspondents (NBCs) have become an important factor for achieving financial inclusion of the least-favored segments, placing at the disposal of customers and non-customers the means necessary for accessing services from the financial sector.

Presently, there are 12,835 ¡Pichincha Mi Vecino! correspondents, strategically located in all of the country's provinces.

On behalf of Banco Pichincha, NBCs, who are individuals or companies (business and services), provide transactional and business assistance to customers and users. Their services are connected through previously authorized and identified data transmission systems that meet all internal control, security, information technology, and other conditions.

In 2015, activities for reinforcing the network were carried out. These include:

- An important contribution in terms of coverage and capillarity, significantly closing the gap of access to on-site channels through an adequate structure and with ongoing training for NBCs.
- 100% of channel agents certified, putting heuristic training into place for a group of correspondents.
- A study on 13,300 NBCs was conducted in order to identify customer satisfaction, perception, and experience with our products and the quality of service that correspondents have received from the bank.

We have identified and evidenced correspondents with a strong service vocation, high leadership potential and, above all, an elevated level of trust in Banco Pichincha, as well as customers pleased with the benefits of what being a Non-Banking Correspondent means to them.

For 2016, the challenge is to make major improvements in identified opportunities and motivation for using correspondents. The most significant are increasing the number of NBCs for providing quality services, improving customer service through more transactional channels, decongesting branches by having low-sum transactions done in other means, and developing processes in the service value chain.

FINANCIAL EDUCATION

G4-FS16

In 2015, the CRISFE Foundation was our strategic ally in the design and execution of the Financial Education Program. The program complies with the rules encouraged and overseen by the Superintendency of Banks. Furthermore, the program has an internal reach as it involves our staff and their families, and an external reach because it includes customers and the community in general.

The program focuses on developing and building a structured and continuous system of education to enable individuals to improve the management of their resources,

have access to sound financial products, and make the right financial decisions during their lifetimes.

Internal Program

In coordination with the Human Resources Division, a Financial Culture Program for contributing to the family economic welfare of the Bank's employees was implemented. Through the different communication channels, each week financial ideas are relayed so that employees can put them into practice and therefore create positive habits and behavior for properly managing finances.

We reach customers in rural areas through ¡Pichincha Mi Vecino!

External Program

Corporate Customers. Within this customer segment, we have forged alliances to train their Value Chains with methods adapted to each population. Through good practices, we have achieved excellent results that include an enhanced relationship and reputation with stakeholders, mitigation of internal and external risks, stronger business relationships, better knowledge and, therefore, greater use of the financial sector. The topics discussed in these training modules were financial system, savings, and financial goals.

Microfinance Customers. During 2015, on-site group training was provided to the Microfinance segment for contributing to its development. Savings and budget topics were emphasized (*Chart 11*).

KEY FIGURES OF THE FINANCIAL EDUCATION PROGRAM

CHART 11

<i>Employees trained through Banco Pichincha's e-learning</i>		
	2015	2014
<i>Invited staff</i>	5,715	5,923
<i>Approved Staff</i>	4,032	4,500
<i>Employees who received on-site training from Grupo Pichincha</i>		
<i>Entity</i>	<i>Participants</i>	
<i>Banco Pichincha</i>	1,381	
<i>Affiliates</i>	234	
<i>Total</i>	1,615	
<i>Value chains and refugees</i>		
<i>Entity</i>	<i>Participants</i>	
<i>UNHCR (refugees)</i>	775	
<i>Transmar (cacao growers)</i>	678	
<i>Pronaca (maize growers)</i>	23	
<i>Total</i>	1,476	

<i>Customer Education</i>	
<i>Microfinance segment through advisors</i>	32,654
<i>Non-Customer Ludic Activities</i>	
<i>On-site and online shows (financial theater) targeting children, teens, and teachers</i>	986
<i>Total</i>	986

SOCIAL INVESTMENT PROGRAMS

G4-SO1

Entrepreneurship

Through CRISFE, we sponsor Empredefe and Young Entrepreneurs programs throughout the country. In this process, the beneficiaries cultivate their personal growth and contribute to producing wealth, thus improving their quality of life.

Empredefe. This proposal identifies potential entrepreneurs who have a prototype of their product or service and offers them support in terms of training and/or financing and assistance.

Individual Empredefe (Chart 12):

- An open invitation was made through the website www.empredefe.org.
- 249 entrepreneurs received advice and training.
- 22 received financial support.

Registration
Commitment
Facilitation
Business Model
Evaluation
Assistance

KEY FIGURES INDIVIDUAL EMPRENDEFE

CHART 12

<i>Process variables</i>	<i>Unit</i>	<i>2015</i>
<i>Training provided</i>	<i>Number</i>	<i>12</i>
<i>Hours of training</i>	<i>Hours</i>	<i>192</i>
<i>Hours of technical assistance</i>	<i>Hours</i>	<i>342</i>
<i>Trained Entrepreneurs</i>	<i>Number</i>	<i>249</i>
<i>Entrepreneurs technical assistance</i>	<i>Number</i>	<i>37</i>
<i>Financed Entrepreneurs</i>	<i>Number</i>	<i>22</i>
<i>Average amount of undertaking</i>	<i>\$</i>	<i>12,590</i>

KEY FIGURES ASSOCIATION EMPRENDEFE

CHART 13

--	--	--

<i>Process variables</i>	<i>Unit</i>	<i>2015</i>
<i>Associations trained</i>	<i>Number</i>	<i>4</i>
<i>Training provided</i>	<i>Number</i>	<i>5</i>
<i>Hours of training</i>	<i>Hours</i>	<i>70</i>
<i>Average amount of financial support</i>	<i>\$</i>	<i>8,688.60</i>
<i>Direct beneficiaries trained</i>	<i>Number</i>	<i>49</i>
<i>Indirect beneficiaries</i>	<i>Number</i>	<i>147</i>
<i>Financed Associations</i>	<i>Number</i>	<i>1</i>

Main allies supporting entrepreneurs

1. Municipality of Guayaquil
2. Universidad Técnica Particular de Loja
3. Conquito
4. Buen Trip
5. Universidad Casa Grande
6. Fundación Unidos por el Respeto Mutuo
7. Universidad San Francisco de Quito
8. Asociación de Jóvenes Emprendedores
9. Alianza para el Emprendimiento e Innovación (AEI)
10. Universidad Andina Simón Bolívar

Young Entrepreneurs. Entrepreneurship is addressed from a comprehensive, economic-productive view, building up transversal and interdisciplinary entrepreneurship skills. Training is provided through soft skills workshops that use ludic methodology. A practical project for exchanging and validating ideas was done. (*Chart 14*):

KEY FIGURES YOUNG ENTREPRENEURS

CHART 14

<i>Variables</i>	<i>Unit</i>	<i>2015</i>
<i>Trained Teachers</i>	<i>Number</i>	<i>142</i>
<i>Training provided</i>	<i>Number</i>	<i>6</i>
<i>Hours of Training</i>	<i>Hours</i>	<i>240</i>
<i>Educational Institutions</i>	<i>Number</i>	<i>41</i>
<i>High-school and college students</i>	<i>Number</i>	<i>6,436</i>

CRISFE earned recognition in two categories:
Greater number of financed projects and more active private Ally.

- Together with Universidad San Francisco de Quito, the *El viaje del Emprendedor* ("Entrepreneur's Journey") method was designed and implemented.¹¹

¹¹ Entrepreneur's Journey is a methodology based on Joseph Campbell's book *The Hero's Journey*, in which the central hero of the story is an entrepreneur who conquers and overcomes obstacles to reach his goal. Methodology adapted for schools.

- 142 high-school and college teachers trained.
- 5,024 high-school juniors and seniors and 1,412 college students benefited.

Main allies in entrepreneurship education

1. Universidad San Francisco de Quito
2. Pontificia Universidad Católica based in Esmeraldas
3. Universidad Casa Grande
4. Universidad Nacional del Chimborazo
5. Decentralized Autonomous Government of the Province of Esmeraldas
6. Fe y Alegría
7. Social and Financial Education Network
Aflatoun

EDUCATION / SCHOLARSHIPS

In 2015, the network of services was maintained for the continuous education of individuals, who because of their socioeconomic situation, do not have access to a high-school or college education, in order to build up their professional skills. This is done through scholarships and an assessment of academic profiles, ensuring that individuals start, remain in, and complete their education for them to become trained professionals (*Chart 15*).

SCHOLARSHIPS GRANTED ***CHART 15***

<i>Institution</i>	<i>Scholarships</i>	<i>Drop-Outs</i>	<i>Approved</i>
<i>High-School Scholarships</i>			
<i>Irfeyal</i>	<i>1,162</i>	<i>152</i>	<i>87%</i>
<i>Funder</i>	<i>311</i>	<i>45</i>	<i>86%</i>
<i>Fuvia</i>	<i>409</i>	<i>120</i>	<i>71%</i>
<i>EINA</i>	<i>20</i>	<i>2</i>	<i>90%</i>
<i>Subtotal</i>	<i>1,902</i>	<i>319</i>	
<i>College Scholarships</i>			
<i>Universidad Técnica Particular de Loja (UTPL)</i>	<i>100</i>	<i>0</i>	<i>100%</i>
<i>Universidad Politécnica Salesiana (UPS)</i>	<i>112</i>	<i>11</i>	<i>81%</i>
<i>Subtotal</i>	<i>212</i>	<i>11</i>	
<i>Average Approved</i>			<i>86%</i>

Corporate Volunteers

The corporate volunteers program for the Sponsorship of Communities and Organizations¹² seeks to instill a culture of voluntary participation in employees, with regard to projects and initiatives for community reinforcement. This promotes and assists the CRISFE Foundation, fostering the comprehensive development of beneficiaries and volunteers (*Graph 3*).

PROCESS FOR PARTICIPATING IN THE PROGRAM FOR SPONSORING COMMUNITIES AND ORGANIZATIONS
GRAPH 3

Process of Participation

Selection of Community or Organization/ Serviced Groups priority
 Approach with Selected Community
 Volunteer Induction
 Diagnosis / Survey
 Action Plan
 Community Socialization / Dates of Intervention
 Execution / Evaluation

- a) Logistics and tools
- b) Technical Assistance
- c) Building up skills
- d) Follow-up and monitoring
- e) Evaluation

Program Description. Framed within an educational process for volunteers to carry out their activities with quality, combining their work and personal growth simultaneously, with insertion in a social transformation process.

The CRISFE Foundation and corporate volunteers identify the demands of communities. The diagnosis is focused on key areas of intervention, contributing to the reduction of fundamental educational needs. For this purpose, corporate volunteers accompany and process the educational reinforcement of beneficiaries, increase in family revenue, training of local stakeholders, and improvement in living conditions, especially in terms of access to basic services. In addition, an action and intervention plan for implementation have been drawn up (*Chart 16*).

CORPORATE VOLUNTEERS
CHART 16

<i>Action</i>	<i>Variables</i>	<i>Unit</i>	<i>2015</i>	<i>2014</i>
<i>CRISFE coordinates volunteer work.</i>	<i>Coordinated activities</i>	<i>Number</i>	82	37
	<i>Number of hours of volunteer work by Banco Pichincha and affiliates</i>	<i>Hours</i>	2,082	2,276
	<i>Registered volunteers from Banco Pichincha and affiliates</i>	<i>Number</i>	467	455
	<i>Communities/Beneficiary</i>	<i>Number</i>	21	37

¹² Volunteer's solid commitment to accompany beneficiaries in the entire process for implementing a proposal until the defined goal is accomplished, building up skills through "learning-by-doing."

	<i>Organizations</i>			
	<i>Total number of beneficiaries*</i>	<i>Number</i>	<i>3,047</i>	<i>3,557</i>
	<i>Investment</i>	<i>\$</i>	<i>43,600</i>	<i>69,419.83</i>
*The reduction in the number of beneficiaries stems from our decision to concentrate on fewer communities in order to invest more in them and create a bigger impact. This represents savings in terms of our actions.				

<p><i>CRISFE Foundation volunteer program received an award by Ceres.</i> Thank you,</p>
--

CUSTOMER SERVICE

The customer is the reason behind our Bank. Consequently, one of the pillars in the Bank's new strategy is "customer-centric." In 2015, we paid special attention to satisfying customers' financial needs and going beyond the attention and service we offer.

Customer Protection Principles

In 2015, we executed 100% of the plan for improvement in order to align the operations of the Bank's Microfinance with the seven customer protection principles of *The Smart Campaign* international certification. Key milestones were reached in terms of customer loyalty to the Bank and an elevated level of empowerment of our commercial operations by applying good customer-centric practices.

At the end of the year, we conducted a pre-qualification process with excellent compliance results. We present the highlights of our actions in 2015 (*Graph 4*).

CUSTOMER PROTECTION PRINCIPLES ***GRAPH 4***

1. Appropriate design and distribution of products
 - Formalization of the process
 - Innovation, research, and development of products / services*, including customer feedback.
 - Customer desertion study.
2. Avoidance of Over-Indebtedness
 - Updated credit policy, highlighting the description of over-indebtedness and crossed-borrowing.
3. Transparency
 - Highlighting in flyers, at branches, and so on, certain data, such as interest rate, late payment interest, automatic debit, and payment protection,
4. Fair prices
 - Our prices are regulated by the appropriate entity and Ecuadorian legal rules. Price are made public through different channels, i.e. webpage.
5. Fair treatment and respect for customer.
 - Development of the Code of Responsible Collections for CREDIFE.
6. Customer Data Privacy
 - Drawing up three-page leaflets and cards with main customer rights and obligations.

7. Complaint resolution mechanisms

- Disseminating information about complaint service channels and requirements of the Bank.

In order to ensure that our employees know and comply with each principle, we carried out an information campaign through demonstrative videos and training nationwide.

Service to Disabled Customers

G4-FS14, G4-PR1, G4-EC7

In our endeavor to offer a better experience to our disabled customers and in compliance with legal rules, we applied parameters in the design of new branches to make it easier for customers to move about at our establishments. Consequently, no customer health and safety issues were reported. In addition, local development was promoted in terms of more jobs created because of the operations in each city.

In 2015, under these parameters, branches were moved to new places and a total of 11 branches were created, including in San Rafael, Mall del Río, Shushufindi, Atarazana, El Coca, Cayambe, Puyo, San Carlos, Santo Domingo de los Tsáchilas, Mercado Mayorista, and Ficoa.

In compliance with the Disabilities Act, 92.8% of branches in need of accommodations for customer access have been altered. At the close of 2015, they had access ramps, proper signs, and elevators for greater customer ease. The reason for the 7.2% not altered is that it was not technically feasible to implement these changes; however, in 2016, a more specialized service will be put into place for this segment.

Claims Management

We focus our efforts on quickly and efficiently addressing claims, identifying their causes, and implementing corrective measures that allow us to improve our commercial and service processes.

As part of our compliance with current rules, claims are processed within the timeframe set by the regulatory agency. Additionally, claims forwarded by the customer advocate are also processed.

Banco Pichincha has various options for customers to make complaints. These include:

- 293 point of service and branches nationwide;
- Electronic banking www.pichincha.com;
- Call center: 24 hours a day, 7 days a week;
- Interaction on social networks: Facebook and Twitter;
- For smartphones, a form is available for submitting questions and making suggestions.

During 2015, over 260 million basic transactions were made. Compared with 2014, there was an 8% increase in the use of channels, such as Internet Banking, Non-Banking Correspondents, and especially Mobile Banking. This reinforced our strategy to bring the Bank closer to its customers and to facilitate the customer's use of financial products and services while decentralizing branch use (*Chart 17*).

TYPE AND NUMBER OF BASIC TRANSACTIONS

CHART 17

SOURCE: DATAWARE HOUSE, INFORMATION MANAGEMENT UNIT.

NUMBER OF TRANSACTIONS					
Channel	Type of Transaction	2015	2014	Variation (%) 2015-2014	
Internet Banking	Payments	3,804,199	3,363,559	↑	13.10%
	Transfers	11,279,477	10,074,509	↑	12.00%
Teller Windows	Deposits	47,913,282	49,263,279	↓	-2.7%
	Payment of Checks	11,815,648	12,514,815	↓	-5.6%
	Withdrawals	16,224,079	16,476,266	↓	-1.5%
Automatic Teller Machines	Deposits	246,072	319,074	↓	-22.9%
	Payments	10,425	13,206	↓	-21.1%
	Withdrawals	116,445,870	111,409,475	↑	4.5%
NBC Transactions		29,483,395	21,507,582	↑	37.1%
Mobile Banking		26,645,116	18,665,075	↑	42.8%
Total Transactions		263,867,563	243,606,840	↑	8.3%
Total Claims		117,526	115,626	↑	1.6%

In 2015, we received and processed 117,526 claims, which represent 0.045% of the total transactions made in the year (*Graph 5*). Through December 31, 99.6% of these claims, meaning 117,061, were resolved; the remaining 0.4% are claims still being analyzed (*Chart 18*).

RATIO BETWEEN CLAIMS RECEIVED AND NUMBER OF TRANSACTIONS

GRAPH 5

		Index Transactions
263,867,563	243,606,840	208,48,469
0.045%	0.047%	0.053%
Year 2015	Year 2014	Year 2013

ACCEPTED CLAIMS

CHART 18

SOURCE: CLAIMS TOOL AND REQUIREMENTS.

Type of Claim	Composition 2015	No. of claims received 2015	Composition 2014	No. of claims received 2014	Variation (%) 2015-2014	
Credit card claims	33.30%	39,164	31.90%	36,896	↑	6.10%
Withdrawals at ATMs	28.60%	33,584	27.20%	31,429	↑	6.90%
Xperta card purchases	17.30%	20,318	8.50%	9,817	↑	107.00%
Inconsistencies in transactions	4.30%	5,062	5.40%	6,291	↓	-19.50%
Fraud, scams, and losses	3.10%	-3,648	5.20%	5,980	↓	-39.00%
Online transactions	2.80%	3,323	2.20%	2,593	↑	28.20%
Undelivered Account Statements	1.80%	2,108	12.50%	14,450	↓	-85.40%
Claims, NBC inconsistencies	3.90%	4,538	0.40%	466	↑	873.80%
Other	1.30%	1,487	2.80%	3,268	↓	-54.50%
Claims through oversight agencies	1.10%	1,283	1.20%	1,348	↓	-4.80%
Complaints	1%	1,161	0.70%	781	↑	48.70%
Returned checks not received	0.70%	830	0.90%	1,066	↓	-22.10%

<i>Special Cases (UAC)</i>	0.50%	600	0.40%	518	↑	15.80%
<i>Collection claims</i>	0.40%	420	0.60%	723	↓	-41.90%
<i>Total</i>	100.00%	117,526	100.00%	115,626	↑	1.60%
<i>Transactions</i>	263,867,563		243,606,840.00		↑	8.30%
<i>Ratio between claims/transactions</i>	0.05%		0.05%		↓	-6.20%

In order to reduce the number of ATM complaints and improve customer management and service, on October 26, 2015 a new process was implemented for solving debit and non-payment complaints, taking into account that they represent 28.6% of all complaints. After the measures were implemented, the result was that out of all of the complaints made through the call center in the period comprising October 26 and December 31, 2015, the number of complaints fell by 30.18%. In total, 982 cases were solved through the new process (*Graph 6*).

***CLAIMS MADE THROUGH THE ATM CALL CENTER
AND RESULTS OF THE LAST QUARTER BECAUSE OF THE PROJECT
SOURCE: CLAIMS TOOL AND REQUIREMENTS***

GRAPH 6

January	653
February	567
March	575
April	729
May	1,576
June	1,484
July	1,348
August	783
September	1,142
October	883
November	711
December	637
October	33
November	574
December	265

We rely on an antivirus protection system available to our customers at no charge, in order to protect their interests and the trust they have placed in us.

**Monetary Claims
(fraud and scams)**

For preventing our customers from falling victims to computer fraud and fraud from diverse ways of using the Internet, significant measures to reduce the number fraud cases were taken. These include implementing a delay in transaction time (waiting time for processing a transaction) and a one-time password an access security code for electronic banking (OTP), sending alert notices and messages to our customers, and the inability to update information directly on electronic banking. These measures are complemented with the permanent monitoring of transactions made through automatic teller machines, electronic banking, and Non-Banking Correspondents.

Additionally, and in order to protect our customers from common crime, the data updating process at branches and the call center were improved for preventing identity theft.

This year the number of fraud and scam claims fell by 40%. Fraud and scam occurring at automatic teller machines saw the greatest reduction due to the massive change of credit and debit cards for cards with new chip technology. This was done to comply with the parameters set by the oversight entity and to meet international standards. (*Chart 19*).

FRAUD AND SCAM CLAIMS RESOLVED

CHART 19

SOURCE: CLAIMS TOOL AND REQUIREMENTS

Type of fraud	2015	2014		Variation 2015-2014 (%)
Fraud in ATM transactions	1,514	4,332	↓	-65%
POS purchase frauds*	335	458	↓	-27%
Cases under investigation: payment of checks and withdrawals with inconsistent signatures, etc.	1,643	1,067	↑	54%
Total	3,492	5,857	↓	-40%
*Point of sale (purchases at stores)				

Out of the total number of fraud and scam claims solved, 22.19% were approved, 67.64% denied after the respective analysis, and 10.17% partially resolved in favor of the customer (*Chart 20*).

NUMBER OF CLAIMS AND CLAIM AMOUNTS

CHART 20

SOURCE: CLAIMS TOOL AND REQUIREMENTS

Type	Number of Claims				Claim Amount (\$)			
	Approved	Denied	Partial	Total	Approved	Denied	Partial	Total
Frauds in ATM Transactions	158	1,329	27	1,514	56,174.68	602,937.73	23,139.10	682,251.51
Frauds in POS Purchases	87	245	3	335	40,913.18	82,686.61	5,782.36	129,382.15
Cases under investigation	530	788	325	1,643	840,838.64	1,803,046.36	489,257.09	3,133,142.09
Total	775	2,362	355	3,492	937,926.50	2,488,670.70	518,178.55	3,944,775.75
	22.19%	67.64%	10.17%	100.00%	23.78%	68.09%	13.14%	100.00%

HUMAN RIGHTS IN THE VALUE CHAIN

EMPLOYEES	TRAINING	GENDER
5,838 employees nationwide	The Bank provides 32.39 hours of training to each employee per year.	63.79% of personnel are female.
ETHICS	EFFICIENCY	YOUTH

99.59% of employees under permanent contracts.	Absenteeism rate is 1.13% .	We are interested in young professionals; 61.64% of personnel are between 18 and 33.
LEGALITY 297 employees went on maternity and paternity leave.		MODERNITY 5,218 employees are trained in OHS topics through e-learning.
TRANSPARENCY 40 projects formed part of the Employee Recognition Program.	EDUCATION We signed the 7 women empowerment principles.	COMMITMENT 100% of managers and vice-presidents are Ecuadorian.

G4-DMA

Our employees represent a key piece within our organization. They are in charge of reaching the goals set for customer satisfaction. For this reason, we work internally on their training and development, placing our interest on offering them equitable and fair conditions in a good job climate that enables them to grow professionally and encouraging them to stay with Banco Pichincha. The topics discussed in this chapter are for meeting the following Sustainable Development Goals:

- 3 HEALTH AND WELFARE
- 4 QUALITY EDUCATION
- 5 GENDER EQUALITY
- 8 DECENT JOBS AND ECONOMIC GROWTH
- 16 PEACE, JUSTICE, AND SOLID INSTITUTIONS

2015 CHALLENGES	2015 ACCOMPLISHMENTS	2016 CHALLENGES
To evaluate critical suppliers based on the Code of Ethics for Suppliers.	We shared our code of ethics with our suppliers to build our business relationships on ethics.	To implement a supplier development plan, with social and environmental critical risks that include an evaluation based on the code.
To strengthen the organizational culture, focusing on supervising skills through training, which will have a positive impact on the work environment and the accomplishment of results.	We executed the Supervision Skills program (355 employees) and the Managerial Development Program (636 employees). We worked mainly on skills rated as priority in job climate results (teamwork, leadership, and communication).	To continue managerial development programs. To train employees through e-learning training in updating and specialization topics in their banking education.
		To promote actions for beefing up women's empowerment through the Mujer por Mujer Pichincha ("Pichincha Woman

		by Woman") program.
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HUMAN RIGHTS IN THE VALUE CHAIN

We are committed to respecting Human Rights. We strive to accomplish new goals year after year, always in line with international treaties, such as the United Nations Global Compact, which promotes protection principles focused on the dignity of human beings. This year we took on a new challenge: to process the seven women's empowerment principles, being the first company in the country to sign this initiative fostered by the Women's UN, in pursuit of gender equity and wellbeing.

OUR HUMAN RESOURCES

G4-10, G4-EC6, G4-LA12

The year 2015 was one of economic contraction for the country. This stopped us from creating new jobs; however, compared to last year, we downsized by just 4.59%, closing the year with 5,838 employees. It is worth noting that the reduction stems from not renewing contingent contracts and not filling positions as they became vacant because of voluntary employee resignations.

Nationwide Distribution of Employees

Thanks to our national presence, our personnel are distributed throughout all of the country's regions: Sierra ("Highlands"), Coast, Amazon, and Islands, with a greater presence in the Sierra where our operations headquarters are located (*Graph 1*).

DISTRIBUTION OF EMPLOYEES ACROSS THE NATION

GRAPH 1

	2015		2014	
Sierra	2,168	1,302	2,261	1,375
Islands and Coast	1,477	793	1,526	839
Amazons	79	19	99	19
Total	3,724	2,114	3,886	2,233

Job security is important for employees to safely develop in a positive environment and focused on the performance of their duties. 99.59% of employees had permanent contracts under a relationship of employment and 0.41% under temporary contracts.

5,814 Permanent Contracts
24 Temporary Contracts

We Foster the Hiring of Women and Young Adults

Both women and young adults are a priority for our Bank. Therefore, we encourage their hiring and procure to empower them in their duties and offer them career opportunities over time. 63.79% of our labor force are women and 36.21%, men. In 2014, these percentages were 63.51% for women and 36.49% for men. Furthermore, the Bank attracts young talent who are given the opportunity to cultivate their professional careers and have opportunities for growth in all levels. In 2015, 61.69% of the entire staff were young adults between the ages of 18 and 33 (*Charts 1 and 2*).

CORPORATE COMPOSITION BY GENDER

CHART 1

Professional category	Women		Men		Total	Total %
Assistant/Auxiliary	1,182	20.25%	668	11.44%	1,850	31.69%
Technical Analyst / Executive / Support	985	16.87%	447	7.66%	1,432	24.53%
Supervisor / Coordinator/ Specialist	1,095	18.76%	601	10.29%	1,696	29.05%
Chief / Expert / Administrator	417	7.14%	305	5.22%	722	12.37%
Manager in Charge	45	0.77%	80	1.37%	125	2.14%
General Manager / Vice-President		0.00%	13	0.22%	13	0.22%
Total	3,724	63.79%	2,114	36.21%	5,838	100.00%

CORPORATE COMPOSITION BY AGE

CHART 2

Professional category	18-25	26-33	34-41	42-49	Over 50	General Total
Assistant/Auxiliary	765	791	155	88	51	1850
Technical Analyst/ Executive / Support	206	775	335	91	25	1432
Supervisor/ Coordinator/ Specialist	97	824	541	187	47	1696
Chief / Expert / Administrator	1	139	288	227	67	722
Individual in Charge / Manager		4	36	52	33	125
General Manager / Vice-President*			1	3	9	13
General Total	1,069	2,533	1,356	648	232	5,838

*100% of Manager/Vice-President group is Ecuadorian.

Diversity at our Bank

Our team is reinforced with 230 disabled persons, who work in different areas and contribute to the accomplishment of the Bank's goals. Presently, three of them hold positions of trust or are managers (*Chart 3*).

COMPOSITION OF PERSONNEL WITH DISABILITY

CHART 3

<i>Professional category</i>	<i>Women</i>	<i>Men</i>	<i>General Total</i>
<i>Assistant/Auxiliary</i>	58	102	160
<i>Technical Analyst/ Executive / Support</i>	29	20	49
<i>Supervisor/ Coordinator/ Specialist</i>	3	10	13
<i>Chief / Expert / Administrator</i>	2	3	5
<i>Individual in Charge / Manager</i>	2	1	3
<i>General Total</i>	94	136	230

In order to promote inclusivity at our Bank, we train our staff to communicate in sign language, which will provide for better communication with our hearing-impaired coworkers.

NEW HIRES AND TURNOVER

G4-LA1

In 2015, we hired 889 new employees, out of which 307 of them came from the organization. Only resignations by our personnel under permanent contracts, representing a turnover rate of 34.53%, were taken into account (*Graphs 2 and 3*).

NEW HIRES BY REGION AND BY GENDER

GRAPH 2

	<i>2015</i>	<i>2014</i>
<i>Sierra</i>	529	927
<i>Islands and Coast</i>	333	575
<i>Amazons</i>	27	66
<i>Total</i>	889	1,568

<i>2015</i>		<i>2014</i>	
559	330	982	586

NEW HIRES BY AGE

GRAPH 3

<i>2014</i>									
<i>2015</i>									
934	540	491	275	116	55	20	15	7	4
<i>18-25</i>		<i>26-33</i>		<i>34-41</i>		<i>42-49</i>		<i>Over 50</i>	

*Each employee received an average of **32.39** hours of training during the year 2015.*

*We have provided a total of **189,108.5** hours of online and on-site training, which translates to **12,506.5** hours more than in 2014.*

TRAINING AND PROFESSIONAL DEVELOPMENT

G4-LA9

We are concerned about the personal and professional development of our employees. Each year our priority is centered on offering ongoing training to accomplish the goals set out. We surveyed the needs by area to determine the necessary training processes, besides offering topics targeted at meeting strategic goals and complying with legal rules and the Bank's projects (*Chart 4*).

ONGOING TRAINING FOR OUR EMPLOYEES AND INFOGRAPHICS OF HOURS OF TRAINING BY GENDER

CHART 4

Professional category	Hours of on-site and online training	Number of employees	Average Number of Hours	
			2015	2014
Assistant/Auxiliary	19,380	1,850	10.48	5.26
Technical Analyst/ Executive / Support	47,685.5	1,432	33.30	50.57
Supervisor/ Coordinator/ Specialist	61,734	1,696	36.40	13.4
Chief/ Expert / Administrator	51,546	722	71.39	64.45
Individual in Charge / Manager	8,191	125	65.53	115.09
General Manager / Vice-President	572	13	44	59.86
Total	189,108.5	5,838	32.39	28.86

2015		2014	
64.0%	36.0%	60.6%	39.4%

PROFESSIONAL DEVELOPMENT PROGRAMS

G4-LA10

Supervision Skills. This program is designed to offer the tools, skills, and knowledge necessary for supervisors to achieve the adequate management of the resources under their charge. It consists of two phases: the first is through e-learning, with 12 modules, and the second is on-site and is focused on teaching more specific knowledge, such as the following:

- Self-knowledge and emotional intelligence;

- Managing people;
- Handling change;
- Development of people.

Managerial Development. In 2015, the Managerial Development Program was implemented and consists of workshops about the seven organizational competencies under which performance is evaluated. This is designed for closing the gaps found in the results of the 360° Evaluation applied to 1,200 lines of supervision.

Work was done on Level 2 by conducting 58 workshops nationwide, with the participation of 636 lines of supervision. These were the competencies worked on: leadership, communication, teamwork, customer service and customer-centric, planning, organization, and control, achieving results, and a vision of value.

HUMAN RIGHTS EDUCATION

G4-HR2, G4-HR9

As a bank that has willingly acceded to the Global Compact, we have made Human Rights commitments and are working internally for the disseminating human rights and raising awareness about them among our staff. In 2015, we trained 100 people for a total of 218 hours nationwide. We also provided training in related topics, based on the breakdown below (*Chart 5*).

NUMBER OF HOURS OF TRAINING IN HUMAN RIGHTS TOPICS

CHART 5

<i>Topics</i>	<i>Number of Hours</i>	<i>Number of employees</i>
<i>Fraud Prevention</i>	<i>11,676</i>	<i>5,838</i>
<i>Corporate Governance</i>	<i>70</i>	<i>133</i>

Besides the completed programs described herein, we conducted a national survey that was based on the Ruggie Human Rights Framework, with a response rate of 1,206 employees in different positions. With these results, we created a baseline on which we will work on in 2016 to heighten the dissemination and application of this topic within our organization.

INITIATIVES FOR WOMEN EMPOWERMENT

We are convinced of the importance of gender equality in all spheres and look for women's complete development and participation within our organization. Therefore, the Bank took of the challenge to accede to the UN initiative and to sign the seven women's empowerment principles. Premised on this new commitment, we conducted awareness days and launched an internal communication campaign.

The Seven Women's Empowerment Principles

1. Establish high-level corporate leadership for gender equality.
2. Treat all women and men fairly at work—respect and support human rights and nondiscrimination.
3. Ensure the health, safety and well-being of all women and men workers.
4. Promote education, training and professional development for women.
5. To engage in managerial development practices, supply chain, and marketing favoring women's empowerment.
6. To promote equality through community and lobbying initiatives.
7. To assess and disseminate the progress made in favor of gender equality.

We work on programs for fortifying the commitment made for Human Rights issues with our stakeholder groups.

STAFF BENEFITS

G4-LA2

In addition to the benefits provided for in legal rules, we offer different benefits and programs to our employees for their complete wellbeing as well as that of their families. These benefits include uniforms, food, commissary card, life and accident insurance, medical assistance through our providers, daycare bonus for children up to 4 years old, and employee loans. Furthermore, we work in programs contributing to their health, appearance, education, and so on.

ACTÚA (“ACT”) for Your Wellbeing

During 2015, we boosted this program nationwide through different activities and campaigns promoting fitness and comprehensive wellness.

ACTÚA (“ACT”) for Your Wellbeing

DANCE FITNESS

180 employees benefited

Quito 120 employees

El Carmen 20 employees

Santo Domingo 40 employees

Campaign encouraging to take the stairs instead of the elevator.

QUITO

ESMERALDAS

CUENCA

Health Fairs

- Gyms

- Health prevention and support centers

- Free vaccinations

- Free examinations: weight control, measuring height, body mass, blood pressure, and so on.
- Personal Appearance Tips
- Nutrition Advice

QUITO
MANTA
AMBATO

We foster a balance between work and family life of our employees.

Recognition of Staff's Efforts

In order to recognize the effort and dedication of our staff, in 2015 the Banco Pichincha Initiative Recognition Program was created with the participation of 40 projects and more than 300 employees involved. The jury was formed by the Corporate Governance, Competence, and Sustainability Committee and the Sustainability Subcommittee. The following are the categories in which the projects were rated: Innovation, Inter-Areas, Return, Organizational Reputation, Sustainability, and Service Quality.

Our Children Visit Us Program

For the second year in a row, we conducted the Our Children Visit Us Program in the cities of Quito, Guayaquil, and Cuenca, with a total of 93 kids coming to our facilities to get to know the Bank better and the work environment in which their parents do their jobs day after day.

Maternity and Paternity

G4-LA3

In the year 2015, 249 employees took maternity leave for 12 weeks, pursuant to the law in effect. In the case of multiple births, the leave is extended for another ten days. Once the leave is over, employees have to return to their jobs but for a special work shift of six hours a day until the child turns one. The 48 employees who took paternity leave were given 10 days for normal births, with another five days for multiple births or birth by Caesarian. 100% of personnel returned to work within the year once their leave was over.

MATERNITY AND PATERNITY LEAVE IN 2015

Women: **249**

Men: **48**

OCCUPATIONAL SAFETY AND HEALTH

G4-LA6, G4-LA7

The Occupational Health and Safety Unit (OHS) does permanent work, procuring the safety and health of everyone in the organization. Its preventive work has been key for identifying and minimizing occupational hazards inherent to the operations carried out in our different areas.

This year we highlight the following measures:

OCCUPATIONAL HEALTH AND SAFETY AT BANCO PICHINCHA

We work hard to implement a health and safety culture. We encourage prevention not only in the work environment, but also in the personal and family spheres, through the following measures:

- Campaigns and prevention plans for responding to emergencies in natural disasters, with drills conducted nationwide, but mainly in risk zones of the Cotopaxi volcano and the El Niño phenomenon.
- Over 1,500 individuals comprising suppliers and security personnel are invited to receive training in OHS topics.
- Participation in institutional events, such as fairs, meetings, inductions, talks, and so on.
- Contests and trivia games for relaying valuable information to employees about caring for their health and safety at the Bank and in their homes.
- Recommendations disseminated for minimizing risk factors.
- Tips for preventing psycho-social hazards, on how to build up the relationship between a couple, encouraging child development, enhancing memory, avoiding stress, and other topics for improving our surroundings in and out of the workplace.
- Care for pregnant women; we promote breastfeeding.
- Occupational medicine at the disposal of our people.
- Workshops for disabled individuals.

OUR PEOPLE

Our staff represent a key piece within the organization. They are in charge of accomplishing the Bank's goals. Therefore, we work on creating a better environment, offering them opportunities to contribute to the balance between their jobs and family life. Our people work under the ethical principles and values conveyed in the codes that are disseminated through the Bank's communication channels.

Since we have acceded to the United Nations Global Compact, we promote the application and respect for Human Rights in our company and our Value Chain. We are the first company in Ecuador to have signed the commitment concerning the seven women's empowerment principles of Women's UN for the encouragement of gender equality and equity.

Care for pregnant women; we promote breastfeeding.
Workshops for disabled individuals.
We are involved in all Human Rights processes.
Occupational Medicine at the disposal of our people.

Occupational Health and Safety ensures compliance with current legal rules through ongoing audits, both internal and external, and inspections by oversight entities; progress has been notably evident. At December 2015, 68.47% compliance with the SART ("Occupational Hazard Audit Management System") was reported.

GOOD PRACTICES WITH OUR SUPPLIERS

G4-56, G4-HR11, and G4-SO9

The organization wages on maintaining long-term relationships with its supply chain. For this reason, we share with our stakeholder groups the good practices derived from applying our codes of conduct, policies, or regulations that are disseminated through our different communication channels. In 2015, we drew up a Code of Ethics for Suppliers, serving as a guide of conduct that procures to share the ethical and transparent values promoted by the Bank with its suppliers.

The code takes into account the laws in force in our country, the principles of the International Labour Organization (ILO), the Universal Declaration of Human Rights, fair business practices, the eradication of child labor, as well as the Principles of the United Nations Global Compact.

We shared this code with our suppliers in an event held together with 50 representatives of different companies with which we have business relationships.

This group was selected based on an analysis on the relevance in our supply chain, thus reaching 100% of the priority group for sustainable management. In 2016, we will continue to pursue the development of this important stakeholder group in social and environmental topics.

PREVENTION AND VACCINATION CAMPAIGNS IN THE MAIN CITIES

CHART 6

<i>Prevention</i>	<i>Participants</i>	<i>Vaccination</i>	<i>Participants</i>
<i>Fatty liver</i>	466	<i>Influenza</i>	1,681
<i>Parasite prevention</i>	310	<i>Diphtheria and tetanus</i>	212
<i>Diabetes</i>	82	<i>Chickenpox and pneumonia</i>	115
<i>Oral health</i>	118	<i>Hepatitis</i>	836
<i>Osteoporosis</i>	248	<i>Yellow fever</i>	70
<i>Hearing loss</i>	242		
<i>Dermatitis</i>	133		
<i>Dyslipidemias</i>	154		
<i>Total</i>	4,667 beneficiaries		

OCCUPATIONAL HEALTH AND SAFETY INDICATORS

CHART 7

<i>Indicator</i>	<i>Value</i>	<i>Number of employees</i>	<i>Description of indicator</i>
<i>Frequency rate</i>	5.22	6.56	<i>Number of injuries over man-hours worked, multiplied by 200,000.</i>
<i>Index of seriousness</i>	10.97	22.67	<i>Number of days lost over man-hours worked, multiplied by 200,000.</i>
<i>Risk rate</i>	24.87	5.16	<i>Index of seriousness over the frequency rate.</i>
<i>Sickness rate</i>	4	3	<i>Number of accidents</i>
<i>Absenteeism rate</i>	1.13	0.66	<i>Total number of days lost due to illness during the period over the total number man-hours worked by the group in the same period, multiplied by 200,000.</i>

<i>Death toll</i>	<i>0</i>	<i>0</i>	<i>Total number of deaths.</i>
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Raising awareness, prevention, and cooperation are part of our occupational health and safety culture.

ENVIRONMENTAL PROTECTION

BANK Environmental Management Policy and System for our operations, customers, and suppliers. .	TECHNOLOGY Computer tool for analyzing environmental and social risks for customers.	INVESTIGATION 125 customers with socio-environmental risks analyzed.
EVALUATIONS 40 suppliers with socio-environmental risks assessed in the project pilot.	RECYCLING 3,337 Toners Recycled	MODERNIZATION 343,146 sheets of paper saved due to improvements in administrative processes with customers.
AWARENESS \$26,401.16 in savings due to reduction in paper consumption, equal to 4,125,182 sheets of paper.		PARTICIPATION 87 employees filmed 17 videos for the ACTÚA Campaign: You can protect the planet.
WASTE 153.59 tons of waste with correct environmental management.	IMPACT Climate change trend tool for measuring the impact on our loan portfolio.	SAVINGS 39% in savings in direct energy consumption and greenhouse gas emissions for the use of fleet and

		generators.
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G4-DMA

We added strategies to our activities enabling us to reduce our environmental impact. Furthermore, we incorporated these criteria into our Value Chain in order to align performance goals and make the process of using resources more efficient. The topics discussed in this chapter are for meeting the following Sustainable Development Goals:

- 3 HEALTH AND WELFARE
- 6 CLEAN WATER AND SANITATION
- 7 ACCESSIBLE AND NON-POLLUTANT ENERGY
- 8 DECENT JOBS AND ECONOMIC GROWTH
- 10 REDUCTION OF INEQUALITIES
- 12 RESPONSIBLE PRODUCTION AND CONSUMPTION
- 13 ACTION FOR CLIMATE
- 14 UNDERWATER LIFE
- 15 LIFE OF TERRESTRIAL ECOSYSTEMS

2015 CHALLENGES	2015 ACCOMPLISHMENTS	2016 CHALLENGES
To provide information and to implement the environmental policy with respect to 100% of employees.	We socialized the environmental policy with all employees.	To assess the implementation of EMS (Environmental Management System) with accompaniment and advice in the Bank's significant areas.
To implement the tool to report four environmental indicators nationwide.	We designed a tool for reporting water, electricity, and energy consumption due to use of the fleet and generators, as well as CO ₂ emissions.	To generate reports on the four environmental indicators for efficient management and savings in the use of resources.
To prepare a pilot program with customers identified as having high environmental and social risks in their productive activities.	We conducted a pilot project using the Saras ("System of Administrative, Environmental, and Social Risks") technological tool with 18 customers. We are currently in the execution phase.	To expand coverage in terms of socio-environmental risk analyses for the Microfinance segment through a project pilot.
To expand the statistical-econometric model at the	On the national level, we measure the behavior of	

provincial level and in the country's main economic activities. In this way, it will be an alert regarding the activities most affected by climate change and variations.	precipitation and temperature variables. By analyzing 90 potentially affected activities and using sector ratings and/or past-due portfolio, we identified the 12 most affected activities.	
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We developed our activities based on a culture of respect for the environment, thus allowing us to reduce the impact by climate change in the operations of both the Bank and our stakeholder groups, by applying the Environmental Management System (EMS) and policy.

ENVIRONMENTAL MANAGEMENT AND POLICY SYSTEM (EMS)

G4-14, G4-EN6, G4-EN27, G4-FS9

We have an environmental policy that defines the general framework for taking action in environmental issues. The policy is consistent with the organization's commitment to protecting our surroundings, procure to monitor the operations of the business in order to mitigate environmental risks and identify opportunities for improvement. The policy was approved and disseminated among our employees and suppliers through our Internet portal.

Our suppliers have the obligation to know the environmental policy for them to be rated. For this reason, clauses related to compliance with the policy were included in contracts. In 2016, technical-environmental instructions will be introduced for certain suppliers who manage risk activities with the Bank.

The policy will be applied through the Environmental Management System (EMS) to be implemented in 2016. As a result, the organization will have consumption and management indicators for evaluating opportunities for savings and efficiency.

Environmental Audits

In order to provide follow-up on the EMS, environmental criteria were included in the internal auditing processes for their evaluation. For this reason, 38 employees from the Audit area were trained in the relevant topics and two employees were certified as ISO 14.001 Internal Auditors.

Environmental Culture

We disseminated the environmental awareness program among all employees, encouraging the participation of work teams nationwide. In 2016, we conducted a campaign with different activities for reinforcing this culture at the Bank (*Graph 1*).

EMS OPERATIONS

GRAPH 1

EMS Environmental Policy
To reduce socio-environmental risks
Environmental Culture
Climate Change

Customers
Suppliers
Indicators
Efficiency
Operations

Legal framework, compliance
Environmental prevention

With the ACTÚA program, we move progress in meeting the EMS goals and efficiency in the use of resources, such as paper, water, energy, and waste.

CLIMATE CHANGE MANAGEMENT

G4-EN19, G4-FS8

Climate change is addressed from two fronts (*Graph 2*).

CLIMATE CHANGE AND AREAS OF WORK

GRAPH 2

External management	Internal management
Statistical Model of Climate Change impact trends.	Carbon Footprint on the atmosphere due to emissions.
Ecological products.	

EXTERNAL MANAGEMENT

Trend Statistical Model

Since 2014, we have had a statistical model on the impact of climate change trends in productive activities, measuring the behavior of precipitation and temperature variables in order to analyze the impact on our loan portfolio and thus prevent risks.¹³ In 2015, we applied the model in 100% of the provinces of Ecuador, taking into account the 90 most potentially affected economic activities for the analysis. In addition, we measured the

¹³ The model was based on data from the National Meteorology and Hydrology Institute (Inamhi) with different historicity levels.

impact on 12 activities most affected by climatic variables and that are financed by our Bank. For this purpose, we used sector ratings and/or past-due portfolio.

Results from climate change impact by provinces		Results from the impact of climate change, by economic activities	
Influence by temperature change	Influence by change in precipitation	Past-due portfolio	Sector rating
- Azuay: $1^{\circ} \text{ C } \uparrow$ $-0.20188 \Delta \text{CS}^*$. - Bolívar: $1^{\circ} \text{ C } \uparrow$ $-0.1429 \Delta \text{CS}^*$. - Chimborazo: $1^{\circ} \text{ C } \uparrow$ $-0.343 \Delta \text{CS}^*$.	- Santa Elena: \uparrow $0.04 \Delta \text{CS}^*$. - Guayas: \uparrow $0.004 \Delta \text{CS}$. - Imbabura: \uparrow $-0.002 \Delta \text{CS}$.	- Dairy Cattle Business: \uparrow in precipitation, the past-due portfolio diminishes by 0.17% - Flower \uparrow in temperature, past-due portfolio of this business by 5%. - Chickens and Egg Business: not affected.	- Flower Business (rose plantations): \uparrow in temperature, sector rating improves by 0.0557. - Shrimp Business: \uparrow in temperature, sector rating falls by 0.06811. - Rice Business: \uparrow in precipitation, sector rating drops by 0.0003.
*ACS sector rating variation.			

Ecological Products

We offer our customers products that satisfy their needs and contribute to environmental care. For this purpose, we worked on redesigning ecological loans, focusing on two lines:

Low Emission Vehicles. We have a product portfolio for purchasing hybrid cars and hope to expand this service to low CO₂ emission vehicles or compensate them.

Sustainable Construction. We conducted a market study to learn about our customers' perception of sustainable construction. A tool was crafted and includes socio-environmental variables in the design and construction phases. The results show that over 90% of constructors that we finance already apply sustainable construction practices. In 2016, we conducted a sustainable construction evaluation pilot program.

INTERNAL MANAGEMENT

Carbon Footprint

G4-EN15, G4-EN16, G4-EN19, G4-EN30

We reduced direct greenhouse gas (GHG), with a scope 1,¹⁴ due to a process of efficiency in the use of fleets, by retiring unnecessary vehicles. Although we have increased the number of electric generators, emissions are lower due to the proper use of resources and also to situations beyond the control of the organization (*Graph 3*).¹⁵

¹⁴ Emissions of scope 1 come from greenhouse gas sources owned or controlled by the organization. In this case, use of the Bank's own transportation fleets and electric generators.

¹⁵ Reduction of power outages by electricity generation companies.

REDUCTION IN THE DIRECT CARBON FOOTPRINT
GRAPH 3

<i>We reduced our direct Carbon Footprint!</i> <i>by 92.57 tons of CO2e*</i>					
<i>Electric generators</i> <i>Bank's own transportation fleet</i> <i>Total direct emissions</i>					
<i>122.15</i>	<i>23.09</i>	<i>145.24</i>	<i>130.39</i>	<i>107.42</i>	<i>237.81</i>
<i>2015</i>			<i>2014</i>		
<i>NOTE: THE GHG PROTOCOL (2014) WAS USED FOR CALCULATING THE GHG . TON CO2E IS THE UNIT OF MEASURE OF THE CARBON FOOTPRINT AND CONSISTS OF EMISSIONS FROM BURNING FOSSIL FUELS.</i>					
<i>* EQUIVALENT TONS OF CARBON DIOXIDE.</i>					

We expanded coverage of the GHG measurement in scope 2,¹⁶ corresponding to the consumption of electricity, compared to the previous year (*Chart 1*).

INDIRECT GREENHOUSE GAS EMISSIONS
CHART 1

<i>Indirect greenhouse gas (GHG) emissions*</i>	<i>Unit</i>	<i>2015**</i>	<i>2014</i>
<i>Emissions generated by electricity consumption</i>	<i>CO₂e tons</i>	<i>7,803.93</i>	<i>8,474</i>
<p><i>* Data not comparable with that of other years due to difference in the scope of calculations.</i></p> <p><i>**Approximate consumption of electricity of 92.45% coverage nationwide, representing 294 establishments where 94.93% of our employees work. For the calculation, we multiplied electricity consumption by the factor for electrical emissions for Ecuador, based on the data from the International Energy Agency (350 tons of CO₂/GWH) in its CO₂ emissions Report for 2013.</i></p>			

Carbon Footprint Compensation
G4-FS10

We participated in the Siembratón reforestation day organized by the Ministry of the Environment. Around 400 people, including employees, family members, and friends, planted 1,500 native trees, including carob, cholán, and huarango trees, on the Catequillas hill. Our suppliers Fesa and Lexmark also took part. With this measure, we contributed to

¹⁶ Emissions of scope 2 are produced when generating electricity, heating, refrigeration, and steam acquired from other organizations for consumption.

biodiversity, reduced the Climate Change impact on our country, and saved electricity and 3 million sheets of paper in the city of Quito.

RISK ASSESSMENT ENVIRONMENTAL AND SOCIAL

G4-FS1, G4- FS2, G4-FS3, G4-FS4

Customers

In 2015, we implemented the System of Administrative, Environmental, and Social Risks (Saras), migrating from a manual analysis model to environmental information systemization. The objective is to raise awareness among our customers about adverse impacts by their businesses. They were informed about the need to prevent and mitigate such impacts, and were encouraged to comply with local legislation.

The implementation of the system implies the following modifications to our environmental loan policy:

1. Environmental permit requested solely for the activities rated as a medium or high environmental risk.
2. Inclusion of an environmental questionnaire, which defines the risk rating for the customer's business and Saras computer tool.
3. Socio-environmental analysis in loan transactions for amounts starting at \$40,000; previously, the base amount was \$200,000.

The technical team draws up the socio-environmental assessment reports based on information provided by the customer. The analysis includes on-site visits when detected that the customer does not have the proper environmental permit, is unaware of the application of good practices, or causes a high environmental impact, and does not have the means for compensating such impact.

ENVIRONMENTAL ANALYSIS

BUSINESS CUSTOMERS
Environmental questionnaire

ADVISORS \$40,000

125 CASES ANALYZED
MEDIUM AND HIGH RISK

RISK OFFICERS

Suppliers

G4-EN32, G4-EN33

In order to mitigate potential environmental impacts caused by the businesses of our suppliers, we apply the Saras risk analysis to our supply chain. We started the first phase with a pilot plan for those suppliers identified as critical and recurring for the organization. The rating covers socio-environmental criteria related to compliance with the

environmental policy and good practices in the use of natural resources, proper chemical handling, and waste management (*Graph 4*).

SARAS PILOT PLAN FOR SUPPLIERS

GRAPH 4

Minimum environmental risk: 80.0%

Low risk: 17.5%

Medium risk: 2.5%

<i>1,097 employees trained in using Saras.</i>
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In the second phase of the project, we will define the technical criteria for ensuring that the risks inherent to our suppliers' businesses do not bear repercussions on the Bank. We will also follow up on the improvement by our suppliers through the Development Program that covers social and environmental topics.¹⁷

Paper Consumption

G4-EN1, G4-EN27

We continued to use paper made from sugarcane bagasse and ECF¹⁸ whitened pulp. We decreased paper consumption in total and by each employee. These savings were achieved thanks to the implementation of certain initiatives for efficiency in processes and to the awareness raised about the responsible use of this resource (*Chart 2 and Graph 5*).

INTERNAL CONSUMPTION OF PAPER DELIVERED TO CUSTOMERS AND SUPPLIERS

CHART 2

	<i>2015</i>	<i>2014</i>
<i>Total number of sheets of paper*</i>	<i>73,672</i>	<i>91,424</i>
<i>* Paper is used for printing checks for customers and suppliers from the internal payment area.</i>		

CONSUMPTION OF INTERNAL PAPER

** G4-22: THE METHOD FOR CALCULATING PAPER CONSUMPTION WAS CHANGED WITH RESPECT TO THE YEAR 2014*

GRAPH 5

<i>Saving in paper consumption!</i>	<i>18.03% more savings in paper consumption per employee!</i>
<i>Total number of sheets of paper consumed internally</i>	<i>Total number of sheets of paper consumed per employee in the year 2015.</i>

¹⁷ More information may be found in the Human Rights chapter in the Value Chain.

¹⁸ ECF (elemental chlorine free) is paper bleached without using elemental chlorine gas, which prevents the formation of dioxins.

8,250 reams of paper saved	59,563,489 sheets	640 fewer sheets per employee	7,968
55,438,308 sheets		7,328	
2015	2014	2015	2014
<i>Note: Paper consumption is calculated using the number of printouts by Grupo Pichincha operations, including affiliates. The number of printouts concerning two technology and messenger service providers were not included.</i>		<i>Note: The calculation for 2015 was obtained by dividing the total amount of paper consumed internally (55,438,308) by the average number of employees of the Grupo Pichincha (7,565).</i>	

We highlight the following initiatives for savings and efficiency in paper use:

Document Management Project

The objective is to ensure the efficient and technical management of documents. On the one hand, this is for protecting the data contained in documents and, on the other, for fostering a paper reduction culture. The customer is given access to products and services making it unnecessary to print out digital and/or electronic documents, as much as possible. The project's key milestones during 2015 are shown in *Graph 6*.

DOCUMENT MANAGEMENT PROJECT

GRAPH 6

- 1 Document Management Model**
- 2 Specialized technological platform**
- 3 Raising awareness among employees**
- 4 Implementation of Supplier Contract Management process**

For 2016, the model will be applied to products with the greatest demand of documents, such as asset and money-raising products, or to the processes of internal areas. It is estimated that the number of printouts decreased by 7%.

Loan Disbursements

By the end of 2014, we had eliminated loan cost informational documents. The use two pages for consumer loans and four sheets for mortgage-secured loans was decreased.

We also made a change nationwide with respect to loans backed by Mutuum Contracts and Promissory Notes. Loan documents were homologated; the contract assignment, acknowledge of signature, and collection pages eliminated; and space optimized (*Graph 7*).

Campaigns for Savings in Terms of Account Statements

We plotted certain strategies with customers, employees, and our technology provider in order to reduce the number of printouts of checking and savings account statements (*Graph 7*).

PAPER SAVED IN COST REPORTS

GRAPH 7

Paper saved from improvements in customer processes.

201,225 fewer sheets in account statements

107,948 fewer sheets in loan cost reports

32,973 sheets saved in loan documents.

Total **342.146** fewer sheets

Energy Consumption

G4-EN3, G4-EN6

We reduced direct energy consumption due to the factors indicated in *Graph 8*.

REDUCTION IN DIRECT ENERGY CONSUMPTION

GRAPH 8

<i>We reduced direct energy consumption!*</i> <i>in gigajoules**</i>					
<i>Electric generators</i>					
<i>Bank's own transportation fleet</i>					
<i>Total energy</i>					
<i>1,726.13</i>	<i>330.98</i>	<i>2,057.11</i>	<i>1,842.79</i>	<i>1,526.40</i>	<i>3,369.19</i>
<i>2015</i>			<i>2014</i>		
<i>*G4-22 The method for calculating energy used in the Bank's own transportation fleet was changed compared to that employed in the year 2014.</i>					
<i>For calculating, GRI protocol conversion factors were used.</i>					
<i>** The gigajoule is the unit of measure of energy, representing the consumption of gallons of fuel.</i>					

We expanded the scope of measurement of indirect energy in which electrical power¹⁹ from sources outside the organization is the most consumed.

In order to reduce the consumption of electricity, we purchased 1,309 energy efficient computers,²⁰ increasing that number compared to last year when 839 with the same characteristics were purchased (*Chart 3*).

¹⁹ The establishments included in the measurement of electricity consumption are agencies, self-service banks, payment points, service windows, and administrative offices; ATMs not included.

ELECTRICITY CONSUMPTION

CHART 3

<i>Indirect energy consumption (GJ or gigajoules)*</i>	<i>2015**</i>	<i>2014</i>
<i>Electricity</i>	<i>80,269.02</i>	<i>82,926.54</i>
<i>Electricity per employee</i>	<i>13.75</i>	<i>13.55</i>
<i>* Data not comparable with that of other years due to differences in the scope of calculations. ** Comprises approximately 92.45% of coverage nationwide, which represents 294 establishments that operated year round and where 94.93% of our employees work.</i>		

Water Consumption

G4-EN8

We expanded the scope of measurement of the water consumption indicator, thanks to improvements made for gathering information. For 2016, we increased data quality and coverage by implementing the environmental indicators tool (*Chart 4*).

WATER CONSUMPTION

CHART 4

<i>Water Consumption (m³)</i>	<i>2015**</i>	<i>2014</i>
<i>Water Consumption</i>	<i>127,017</i>	<i>136,090</i>
<i>Water per employee</i>	<i>21.76</i>	<i>22.24</i>
<i>* Data not comparable with that of other years due to differences in the scope of calculations. ** Comprises approximately 52.83% of coverage nationwide, which represents 168 establishments that operated year round and where 60.38 % of our employees work.</i>		

Correct Waste Management

G4-EN23

We foster the reduction, reuse, and recycling of our waste, which is delivered to qualified companies for proper final waste disposal. For 2016, we will start a paper recycling project at branches nationwide (*Graph 9*).

NATIONWIDE PAPER WASTE MANAGEMENT

GRAPH 9

<i>We correctly increased managed paper recycling! in kilograms</i>					
<i>Passive File Waste Paper and Cardboard Total recycled paper</i>					
<i>121,583.00</i>	<i>31,966.74</i>	<i>153,549.74</i>	<i>31,830</i>	<i>22,689.65</i>	<i>54,519.65</i>

²⁰ **Energy Star** and **EPEAT Gold** certified, guaranteeing that devices have high performance and low-energy consumption. The computers are under the name of Banco Pichincha and are used by our staff and the technology provider.

2015	2014
<i>Note: Paper waste is recycled and managed through a qualified environmental manager.</i>	

We have continued our used toner collection and recycling program in all establishments through our printing services provider. We recycled 38 fewer toners than last year because the supplies of the renovated printing equipment have a greater useful life and resulted in fewer pieces of equipment (*Graph 10 and Graph 11*).

TONER RECYCLING
GRAPH 10

2014 – 3,299 units
2015 – 3,337 units

Note: In 2015, 3,958.8 kg were recycled, which are fewer than last year when 4,247.09 kg were recycled; represents a 7% reduction.

HAZARDOUS WASTE MANAGEMENT
GRAPH 11

Correct hazardous waste management!			
		Fluorescent lighting*	
		Hospital waste**	
43.50 Kg	6,461 units	56.2 kg	1,951 units
2015		2014	
*Generation at two main buildings. Managed by a qualified manager who provides thermic treatment.			
** Generation at two main buildings. Managed by a qualified manager who provides thermic treatment.			

By auctioning and donating our assets, we encourage employees and different beneficiaries to reuse. In total, approximately 7,327 kg of assets were managed (*Graph 12*).

ASSET MANAGEMENT
GRAPH 12

Auction – 157 assets
Donation – 230 assets

Note: The assets include chairs, filing cabinets, tables, desks, and so on.
Approximately 2,702 kg auctioned off and 4,625 kg donated.

153.59 tons of waste treated with correct environmental management.
We granted ecological loans for the purchase of **61** hybrid vehicles, for a sales price of **1,657,432.72**.

CONTENT INDEX – GLOBAL REPORTING INITIATIVE VERSION G4					
General content	Description	Chapter/Section	Topic/Response	Page	External Assurance
GENERAL BASIC CONTENT					
STRATEGY AND ANALYSIS					
G4-1	Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization.	Annual Report	Manager’s Letter	5	✓
G4-2	Description of the key impacts, risks, and opportunities.	Presentation of the Report	Sustainability Challenges	53	✓
		Annual Report	Report to the Shareholders	28	✓
ORGANIZATIONAL PROFILE					
G4-3	Name of the Organization	Presentation of the Report	Sustainability Report	51	✓
G4-4	Primary brands, products, and services.	Responsible Finances	Products Designed Specifically for our Customers	72	✓
			Key Products of the Year	74	✓
			Products for Micro-businesses	76	✓
G4-5	Location of the organization’s headquarters.		Av. Amazonas 45-60 and Pereira, Quito, Ecuador	-	-
G4-6	Number of countries where the company operates and the names of countries where either the company has significant operations or that are specifically relevant to the sustainability topics covered in the report.	Annual Report	Companies and institutions of Grupo Financiero	21	✓
G4-7	Nature of ownership and legal form.	Presentation of the Report	Sustainability Report	51	✓
G4-8	Markets served (including geographical breakdown, sectors served, and types of customers)	Responsible Finances	Market Share and Economic Performance	70	✓
			Our Bank	71	✓
G4-9	Report the scale of the organization, including <ul style="list-style-type: none">- Number of employees- Total number of operations- Net sales- Total	Presentation of the Report	Key Numbers	54	✓

	capitalization broken down in terms of debt and equity				
G4-10	Report on the following employment information: - Number of employees by employment contract and gender. - Number of permanent employees by employment type and gender. -Total workforce by employees and supervised workers and by gender. -Total workforce by region and gender -Report whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors. -Report any significant variations in employment numbers.	Human Rights in the Value Chain	Our Human Resources	88	✓
G4-11	Percentage of employees covered by collective bargaining agreements.		There are no collective bargaining agreements in Banco Pichincha.	-	-
G4-12	Organization's supply chain	Presentation of the Report	Our value chain	59	✓
G4-13	Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain.		There have been no significant changes.	-	-
G4-14	How the precautionary principle is addressed by the organization.	Presentation of the Report	Environmental management and policy system	98	✓
G4-15	Externally developed economic, environmental and	Ethics and	Sustainability		

	social principles or other initiatives to which the organization subscribes or which it endorses.	Transparency	Principles and Initiatives	64	✓
G4-16	Associations and national or international advocacy organizations to which the organization belongs.	Ethics and Transparency	Sustainability Principles and Initiatives	64	✓
MATERIAL ASPECTS AND BOUNDARIES					
G4-17	List all entities included in the organization's consolidated financial statements AND equivalent documents.	Annual Report	Report to Shareholders	16	-
G4-18	Process for defining the report content and aspect boundaries.	Presentation of the Report	Scope and coverage	52	✓
			Methodology for Selecting the Contents of the Report	52	✓
G4-19	List all material aspects identified in the process for defining report content.	Presentation of the Report	Relevant Topics	58	✓
G4-20	For each material aspect within the organization.	Presentation of the Report	Relevant Topics	58	✓
G4-21	For each material issue, report the aspect boundary outside the organization.		N/A	-	-
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.	Presentation of the Report	Method for selecting contents of the Report.	56	✓
G4-23	Significant changes from previous report in the scope and aspect boundaries.		No significant changes from previous report in the scope and MATERIAL aspect boundaries.	-	-
STAKEHOLDER ENGAGEMENT					
G4-24	List of stakeholder groups engaged by the organization.	Presentation of the Report	Map of Priority Groups	55	✓
G4-25	Report the basis for selection of stakeholder groups with whom the Bank engages.	Presentation of the Report	Stakeholder groups	55	✓
	Organization's approach to stakeholder engagement, including				

G4-26	frequency of engagement by types and by stakeholder groups, or an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	Presentation of the Report	Relationship with Stakeholder groups	55	✓
G4-27	Key concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics.	Presentation of the Report	Relevant Topics	58	✓
REPORT PROFILE					
G4-28	Reporting period for information provided	Presentation of the Report	Scope and Coverage	52	✓
G4-29	Date of most recent previous report.	Presentation of the Report	Scope and Coverage	52	✓
G4-30	Reporting Cycle (Annual – Biennial, etc.)	Presentation of the Report	Reporting and work standard	52	✓
G4-31	Contact point for questions regarding the report or its contents.	Presentation of the Report	Information and Comments	54	✓
G4-32	Report “the in accordance” with the GRI method the organization has chosen (Core-comprehensive). Report GRI Content Index and External Assurance reference.	Presentation of the Report	Reporting and Work Standard	52	✓
G4-33	Report the organization’s policy or current practice with regard to seeking external assurance for the report.	Presentation of the Report	Accuracy and Assurance	54	✓

GOVERNANCE					
G4-34	Governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental, and social impacts.	Ethics and Transparency	Organizational Structure	62	✓
ETHICS AND INTEGRITY					
G4-56	Describe the organization’s values, principles, standards and norms of behavior, such as codes of conduct and codes of ethics.	Ethics and Transparency	Corporate Governance	62	✓
		Human Rights in the Value Chain	Goods Practices with our Suppliers	95	✓
SPECIFIC BASIC CONTENT					
MATERIALS ASPECTS AND COVERAGE	INFORMATION ABOUT MANAGEMENT FOCUS AND INDICATORS	CHAPTER/SECTION		SECTION/RESPONSE	
CATEGORY: ECONOMIC					
ECONOMIC PERFORMANCE					
G4-EC1	Direct economic value generated and distributed	Responsible Finances	Economic Value	70	✓
G4-EC4	Significant financial assistance received from governments.		No significant assistance received from governments registered in our accounts.	-	✓
MARKET PRESENCE					
G4-EC6	Proportion of senior management hired from the local community at significant locations of operations.	Human Rights in the Value Chain	Human Resources	88	✓
INDIRECT ECONOMIC IMPACT					
G4-EC7	Development of infrastructure investments and services supported.	Responsible Finances	Service to Disabled Customers	81	✓
PROCUREMENT PRACTICES					
G4-EC9	Proportion of spending on local suppliers at significant locations of operation.	Ethics and Transparency	Goods and Services Procurement Practices	67	✓
		Responsible Finances	Economic Value	70	✓

CATEGORY: ENVIRONMENTAL
MATERIALS

G4-EN1	Materials by weight or volume	Environmental Protection	Paper Consumption	102	✓
ENERGY					
G4-EN3	Energy consumption within the organization	Environmental Protection	Energy Consumption	103	✓
G4-EN6	Reduction of energy consumption	Environmental Protection	Environmental Management and Policy system	98	✓
			Energy Consumption	103	✓
WATER					
G4-EN8	Total water withdrawal by source	Environmental Protection	Water Consumption	104	✓
EMISSIONS					
G4-EN15	Direct greenhouse gas (GHG) emissions	Environmental Protection	Internal Carbon Footprint Management	100	✓
G4-EN16	Indirect greenhouse gas emissions	Environmental Protection	Internal Carbon Footprint Management	100	✓
G4-EN19	Reduction of greenhouse gas emissions	Environmental Protection	Climate Change Management	99	✓
			Internal Carbon Footprint Management	100	✓
EFFLUENTS AND WASTE					
G4-EN23	Total weight of waste by type and disposal methods	Environmental Protection	Correct Waste Management	104	✓
PRODUCTS AND SERVICES					
G4-EN27	Impact mitigation of environmental impacts of products and services	Environmental Protection	Environmental Management and Policy System	98	✓
			Paper Consumption	102	✓
REGULATORY COMPLIANCE					
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.		No fines	-	✓
TRANSPORTATION					
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce.	Environmental Protection	Internal Carbon Footprint Management	100	✓
GENERAL					
GE-EN31	Total environmental protection expenditures		\$948,758.76	-	✓

	and investments by type.				
SUPPLIER ENVIRONMENTAL ASSESSMENT					
G4-EN32	Percentage of new suppliers that were screened using environmental criteria.	Environmental Protection	Supplier	101	✓
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken.	Environmental Protection	Supplier	101	✓
ENVIRONMENTAL GRIEVANCE MECHANISMS					
G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms.		No grievances	-	✓
CATEGORY: SOCIAL PERFORMANCE					
LABOR PRACTICES AND DECENT WORK					
EMPLOYMENT					
G4-LA1	Total number and rates of new employee hires and median employee turnover by age group, gender, and region.	Human Rights in the Value Chain	New Hires and Employee Turnover	89	✓
G4-LA2	Employment benefits for full-time employees that are not provided to temporary or part-time employees, by significant locations of operation.	Human Rights in the Value Chain	Staff Benefits	92	✓
G4-LA3	Return to work and retention rates after parental leave, by gender	Human Rights in the Value Chain	Maternity and Paternity	93	✓
OCCUPATIONAL HEALTH AND SAFETY					
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender		Occupational Health and Safety	93	✓
G4-LA7	Workers with high incidence or high risk of diseases.		Occupational Health and Safety	93	✓
TRAINING AND EDUCATION					
G4-LA9	Average hours of training per year per employee by gender, and by employee category	Human Rights in the Value Chain	Professional Education and Development	90	✓
G4-LA10	Programs for skills managements and lifelong learning that	Human Rights in the Value Chain	Professional Development Programs	90	✓

	support the continued employability of employees and assist them in managing career endings.				
DIVERSITY AND EQUAL OPPORTUNITY					
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	Human Rights in the Value Chain	Human Resources	88	✓
LABOR PRACTICES GRIEVANCE MECHANISMS					
GA-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms.		No grievances.	-	✓
HUMAN RIGHTS					
INVESTMENT					
G4-HR2	Total hours of employee training on human rights policies AND procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained,	Human Rights in the Value Chain	Training in Human Rights	91	✓
NON-DISCRIMINATION					
G4-HR3	Number of incidents of discrimination and corrective measures taken.	Ethics and Transparency	Organizational Culture	62	✓
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING					
G4-HR4	Centers and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk.	Ethics and Transparency	Sustainability Principles and Initiatives	64	✓
CHILD LABOR					
G4-HR5	Centers and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	Ethics and Transparency	Organizational Culture	62	✓

FORCED LABOR					
G4-HR6	Centers and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	Ethics and Transparency	Organizational Culture	62	✓
INDIGENOUS RIGHTS					
G4-HR8		Ethics and Transparency	Sustainability Principles and Initiatives	64	✓
EVALUATION					
G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments.	Human Rights in the Value Chain	Training in Human Rights	91	✓
SUPPLIER HUMAN RIGHTS ASSESSMENT					
G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken.	Human Rights in the Value Chain	Good Practices with our Suppliers	95	✓
SOCIETY					
LOCAL COMMUNITIES					
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	Responsible Finances	Social investment programs	78	✓
ANTI-CORRUPTION					
G4-SO3	Number and percentage of operations assessed for risks related to corruption and the significant risks identified.	Ethics and Transparency	Anticorruption and anti-money laundering	66	✓
G4-SO4	Communication and training on anticorruption policies and procedures	Ethics and Transparency	Anticorruption and anti-money laundering	66	✓
G4-SO5	Confirmed incidents of corruption and actions taken.	Ethics and Transparency	Anticorruption and anti-money laundering	66	✓
ANTI-COMPETITIVE BEHAVIOR					
G4-SO7	Number of legal actions for anti-competitive behavior, antitrust, and monopoly practices and their outcomes.	Ethics and Transparency	Fair Competition and Antitrust Practices	67	✓

SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY					
G4-S09		Human Rights in the Value Chain	Good Practices with our Suppliers	95	✓
PRODUCT RESPONSIBILITY					
CUSTOMER HEALTH AND SAFETY					
G4-PR1		Responsible Finances	Service to Disabled Customers	89	✓
MARKETING COMMUNICATIONS					
G4-PR6	Sale of banned or disputed products		We do not have banned or disputed products or services.	-	✓
G4-PR7	Number of incidents of noncompliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes.		We have not had incidents or fines for noncompliance with regulations concerning marketing communications and advertising.	-	✓
CUSTOMER PRIVACY					
G4-PR8	Number of substantiated complaints regarding breaches of customer privacy and losses of customer data.		No complaints	-	✓
LEGAL COMPLIANCE					
G4-PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services.		No fines.	-	✓
FINANCIAL SUPPLEMENT INDICATORS					
PRODUCT PORTFOLIO					
G4-FS1	Policies with specific environmental and social components applied to business lines.	Environmental Protection	Evaluation of Social and Environmental Risks	101	✓
G4-FS2	Procedures for assessing and screening environmental and social risks in business lines.	Environmental Protection	Evaluation of Social and Environmental Risks	101	✓
G4-FS3	Processes for monitoring customers' implementation of and compliance with environmental and social requirements included in agreements or transactions.	Environmental Protection	Evaluation of Social and Environmental Risks	101	✓
G4-FS4	Process(es) for	Environmental	Evaluation of Social	101	✓

	improving staff competency to implement the environmental and social policies and procedures as applied to business lines.	Protection	and Environmental Risks		
G4-FS5	Interactions with clients/investees/business partners regarding environmental and social risks and opportunities.	Presentation of the Report	Method for Selecting Reporting Content	56	✓
PRODUCT PORTFOLIO					
G4-FS6	Percentage of portfolio for business lines by specific region, size, and sector.	Responsible Finances	Our Bank	71	✓
G4-FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line, broken down by purpose.	Responsible Finances	Products Specifically Designed for our Customers	72	✓
			Financial Inclusion	75	✓
G4-FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line, broken down by purpose.	Environmental Protection	Climate Change Management	99	✓
AUDIT					
G4-FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures.	Environmental Protection	Environmental Management and Policy System	98	✓
ACTIVE OWNERSHIP					
G4-FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues.	Environmental Protection	Carbon Footprint Compensation	100	✓
COMMUNITY					
G4-FS13	Access points in low-populated or economically disadvantaged areas by type.	Responsible Finances	Financial Inclusion	75	✓
G4-FS14	Initiatives to improve access to financial services for	Responsible Finances	Service to Disabled Customers	81	✓

	disadvantaged people.				
PRODUCT AND SERVICE LABELING					
G4-FS15	Policies for the fair design and sale of financial products and services	Responsible Finances	Products Specifically Designed for our Customers	72	✓
G4-FS16	Initiatives to enhance financial literacy by type of beneficiary.	Responsible Finances	Financial Education	77	✓

INDEPENDENT LIMITED ASSURANCE REPORT ON THE SUSTAINABILITY REPORT FOR THE YEAR ENDED DECEMBER 31, 2015

To the Board of Directors and Stockholders of Banco Pichincha C.A.:

Scope of our assurance

We have performed an assurance on the Year 2015 Sustainability Report of Banco Pichincha C.A. for the year ended December 31, 2015. Our work consisted of verifying the following:

- Adaption of the content of the Year 2015 Sustainability Report to the Guidelines for preparation of Sustainability Reports of the Global Reporting Initiative – GRI 4.0 version (G4)
- The Information provided at the beginning of each of the chapters of the 2015 Sustainability Report with respect to progress on the Year 2015 Corporate Responsibility objectives, which are described from page 54 thereafter in the Annual Report

Responsibility of the Group for the Year 2015 Sustainability Report

Preparation of the Year 2015 Sustainability Report, and its contents, are the responsibility of the Governance Entities of Banco Pichincha C.A, which are also responsible for defining, adapting and maintaining the management systems and internal control from which information is obtained.

Auditors Responsibility

Our responsibility is to issue an independent conclusion based on the procedures applied in our assurance work.

Standards and verification process

We have performed our assurance work in accordance with ISAE 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the International Auditing and Assurance Standard Board – IAASB of the International Federation of Accountants – IFAC)

Our verification work comprises inquiries of Banco Pichincha C.A. personnel who participated in the preparation of the Year 2015 Sustainability Report, and by applying certain analytical procedures and test of verification through sampling as described below:

- Meeting with Banco Pichincha C.A. personnel to learn of the applied management principles, systems and approaches.
- Analysis of processes to compile and validate presented data.
- Ensure that the content of the Year 2015 Sustainability Report is not contrary to any relevant information provided by Banco Pichincha C.A. and compare with information issued in 2014.
- Analysis of the adaptations of the content of the Year 2015 Sustainability Report to the recommendations of G4 Sustainability Reporting Guidelines and the Financial Services Supplement and verify that the core indicators comply with GRI G4 Guidelines and that non-applicable and non-viable indicators are stated.

- Verify, through test of verification based on a selected sample, quantitative and qualitative information with respect to GRI indicators included in the Year 2015 Sustainability Report
- For certain key indicators identified in the "GRI Index" additional procedures were performed during visits to branches of Banco Pichincha C.A..

Independence

We performed our work in accordance with the independence standards required under the Code of Ethics of the International Federation of Accountants (IFAC).

Conclusions

The assurance process was performed using established indicators based on the materiality process undertaken by the entity, which were identified, prioritized and validated. The indicators verified at the date were as follows:

General Basic Content

[G4-2][G4-3][G4-4][G4-7][G4-8][G4-9][G4-10][G4-12][G4-14][G4-15][G4-16][G4-18][G4-19][G4-20][G4-22][G4-24][G4-25][G4-26][G4-27][G4-28][G4-29] [G4-30] [G4-31] [G4-32] [G4-33] [G4-34] [G4-56].

Specific Basic Concept

[G4-EC1] [G4-EC6] [G4-EC7] [G4-EC9] [G4-EN1] [G4-EN3] [G4-EN6] [G4-EN8] [G4-EN15] [G4-EN16] [G4-19] [G4-EN23] [G4-27] [G4-29] [G4-30] [G4-31] [G4-32] [G4-33] [G4-34] [G4-LA1] [G4-LA2] [G4-LA3] [G4-LA6] [G4-LA7] [G4-LA9] [G4-LA10] [G4-LA12] [G4-LA16] [G4-HR2] [G4-HR3] [G4-HR4] [G4-HR5] [G4-HR6] [G4-HR8] [G4-HR9] [G4-HR11] [G4-SO1] [G4-SO3] [G4-SO4] [G4-SO5] [G4-SO7] [G4-SO9] [G4-PR1] [G4-PR6] [G4-PR7] [G4-PR8] [G4-PR9] [G4-FS1] [G4-FS2] [G4-FS3] [G4-FS4] [G4-FS5] [G4-FS6] [G4-FS7] [G4-FS8] [G4-FS9] [G4-FS13] [G4-FS14] [G4-FS15] [G4-FS16]

As a consequence of our assurance work, no matter what came to our attention that causes us to believe that the Sustainability Report contains significant errors or has not been prepared in accordance with the Guide for the Preparation of Sustainability Report of Global Reporting Initiative (G4) in its essential version.

Observations and Recommendations

In addition, we have provided Management of Banco Pichincha C.A. with our recommendations with respect to improvements in the management of Corporate Responsibility and Sustainability, the report on which is issued separately.

Translation of this report into English has been made solely for the convenience of international readers.

Quito, March 17, 2016