

Annual Report



BANCO  
**INTERNACIONAL**

*Queremos ser más*

2018

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# 1

## CHIEF EXECUTIVE OFFICER'S LETTER

2018 was remarkably a challenging year for our country due to difficult political and economic settings which, in the financial system, were turned into a modest growth in deposits from the public and a larger increase in credit line, especially consumption.

In this sense, Banco Internacional has remained firm in its purpose of supporting the country's economic development by means of a transparent and cautious management of the resources entrusted by our clients. Along these lines, 80% of our credit line was assigned to the production sector and we maintained the leadership in the Foreign Trade business, both exports and imports.

The constant effort to strengthen our branch network, both in infrastructure and service, as well as providing our clients with new digital channels, has allowed us to gain the trust of 53,000 new clients.

Regarding the financial environment and value generation to our stockholders, the bank stands out again because of its efficiency, profitability, portfolio quality and coverage, showing better indicators in all levels compared to the market average.

The bank was awarded by the Great Place to Work Institute as the best financial institution to work for in the country under the category of those with more than 500 collaborators. This is an evidence of how important the collaborators are to the bank and how important return conviction in productivity is when work environment is outstanding.

The financial strength of this institution, characterized by a high level of mediation and a rigorous cost control, allowed us to maintain our AAA rating (the highest one granted to bank entities in the country), as well as to be considered the Bank of the Year 2018 in Ecuador by the London magazine *The Banker*, a recognition that makes us feel proud and engages us to keep contributing to the development of the people and companies that trust us.

The aforementioned has been possible thanks to the support of shareholders, Board of Directors, and the effort and commitment made by the 1,300 collaborators that are part of the bank, to whom I am sincerely grateful.



Francisco Naranjo Martínez  
**Chief Executive Officer**

# 2

## BOARD OF DIRECTORS AND MANAGEMENT TEAM



**BOARD OF DIRECTORS 2018****President of the Board of Directors**

Dr. Antonio José Cobo Mantilla

**Directors**

Ing. José Enrique Fuster Camps

D. Juan Manuel Ventas Benítez

Sr. Dr. Augusto del Pozo Zabaleta

Sr. Dr. Giuseppe Marzano, Phd

Econ. María Paulina Burbano de Lara

D. Roberto Coronel Jones

D. Rafael Pazmiño Holguín

D. Dominic Channer

D. Víctor Laso

**MANAGEMENT 2018**

Francisco Naranjo Martínez  
**Chief Executive Officer**

George Lalama Rovayo  
**Executive Vice President**

Carlos Burgos Jácome  
**Vice President Finance Controller**

Carlos Maldonado Reszka  
**Vice President Corporate Banking**

Guillermo Moreano Guerra  
**Vice President Operations & Technology**

Mariella Inés Letamendi Garino  
**Vice President Human Resources**

Mauricio Larrea Arregui  
**Vice President Risk**

Pablo Peralta Chiriboga  
**Vice President Credit**

Renato Cumsille Capponi  
**Vice President Marketing**

Sebastián Cárdenas Burbano de Lara  
**Vice President Commercial Banking**

Ivonne Repetto Dobronski  
**Internal Auditor**

Norman Romero Romero  
**Vice President Security**

# 3

## MANAGEMENT REPORT



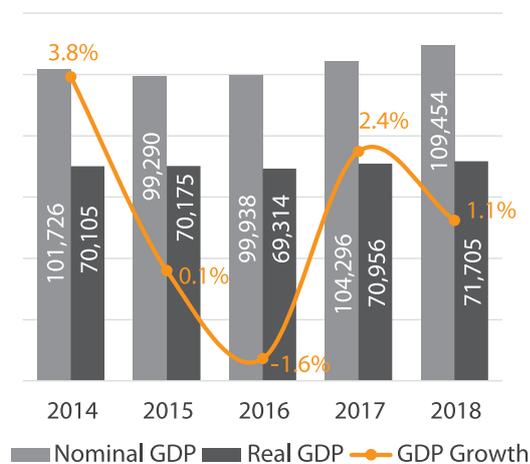
## THE ECUADORIAN ECONOMY IN 2018

### REAL SECTOR

Ecuador's GDP increased at both real (1.1%) and nominal (4.95%) terms to achieve \$109,454 billion, mostly influenced by the increase in household spending (3.1%).

#### GROSS DOMESTIC PRODUCT

Annual variation rate

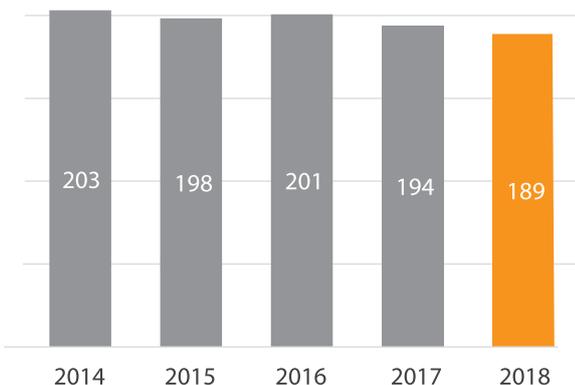


Source: Central Bank of Ecuador

The level of oil production was 189 million barrels, decreased slightly by 2.7% compared to 2017. The average price per barrel was 32% greater than 2017, with a volatility influenced by the uneven signals concerning the announcement of sanctions from the United States against Iran, the oil shale production increase in the United States, among others.

#### OIL PRODUCTION

Millions of Barrels

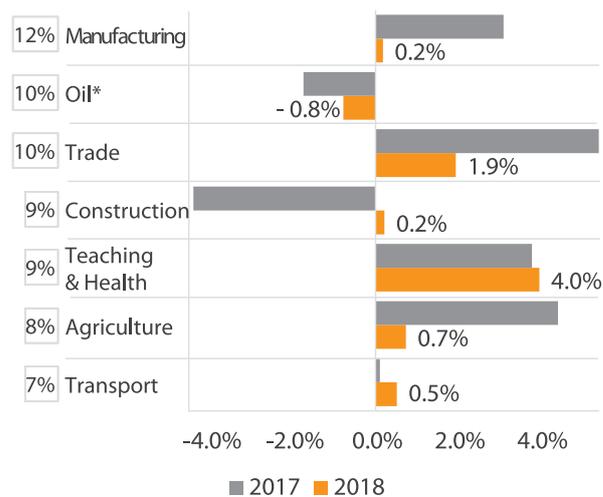


Source: Central Bank of Ecuador

As for the non – oil sector, manufacturing was the most important industry, with 12% of GDP, followed by trade and construction with 10% and 9%, respectively. During 2018 the economy witnessed a lower growth among all the sectors, compared to 2017.

#### GDP BY INDUSTRY

Annual variation rate



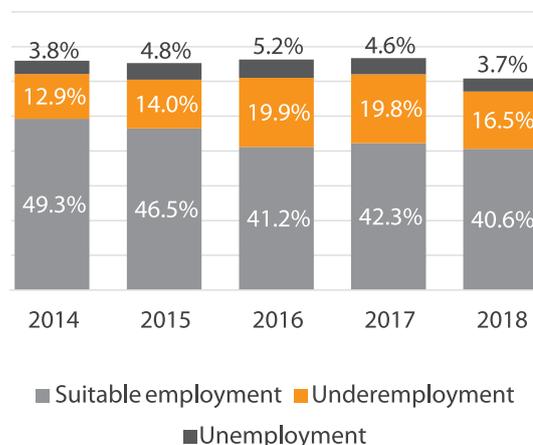
Source: Central Bank of Ecuador

\* Includes Mines and Oil Refining

Suitable employment was reduced by 1.7 percentage points, a reflection of lower capacity in the market to recruit in an economy that experienced deceleration.

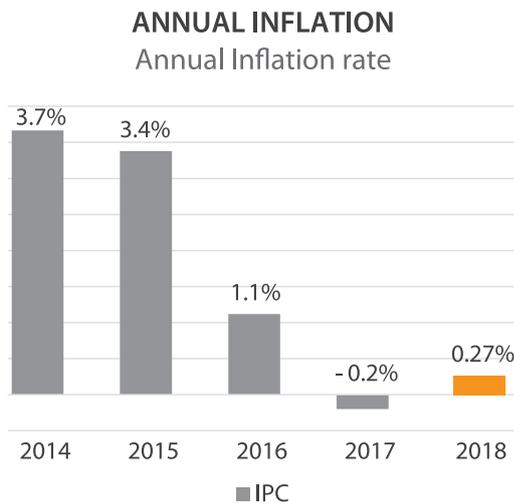
#### LABOR MARKET

Data to December as % of PEA



Sources: Ecuador Statistics and Census Institute

Although the annual inflation rate was 0.27%, its negative indicator was maintained until August, month in which the first review regarding gas, fuel subsidy was evaluated. The effect of this new measure could be observed with an increase in Goods and Services, and Transport by 0.11% and 0.10%, respectively, among the most relevant.



Sources: Ecuador Statistics and Census Institute

## EXTERNAL SECTOR

In general, the world economy increased during 2018, which benefited the propensity to consume Ecuadorian products and services at a higher relative price or in larger quantities. Export sectors, such as oil, shrimp and banana, mainly, showed growth; thus, promoting a total export increase by 13%.

Reviewing the composition of the export offering corresponded to: Oil 41%, primary products (non - oil) 42%, and industrialized goods 17%.



Source: Central Bank of Ecuador

Oil export reached 8,802 billion. The USD 1,888 billion increase (27%) is due to the barrel average price growth, rather than a production increase.

### PRICE OF OIL EXPORTS

USD/b

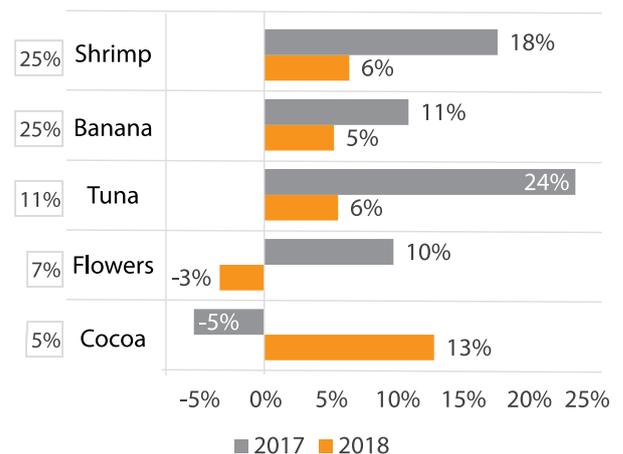


Source: Central Bank of Ecuador

Non - oil exports reached USD 12,804 billion; USD 596 million (5%) greater than 2017. Food basket remains stable within the traditional offer; whereas shrimp - for the second consecutive year - is the major export product after 40 years of banana trade domain.

### NON - OIL EXPORTS

Annual Variation Rate

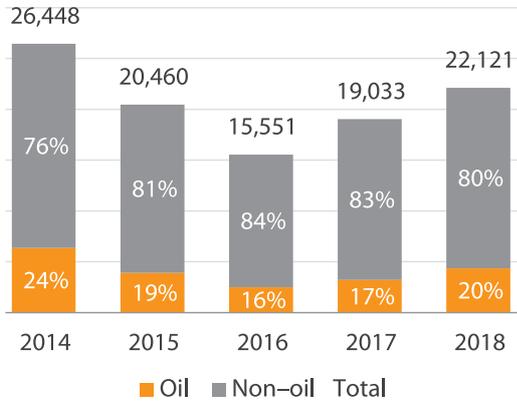


Source: Central Bank of Ecuador

The strengthening of the US dollar, the gradual elimination of safeguards and the oil price increase, among other factors, generated a 16% increase in imports reaching USD 22,121 billion. Out of the imports, oil companies totaled USD 4,358 billion (20% of the total), with an annual increase of 36%. Whereas, non - oil imports reached USD 17,763 billion (80% of the total) incrementing by 12% compared to 2017.

## IMPORTS

Millions of USD and Composition

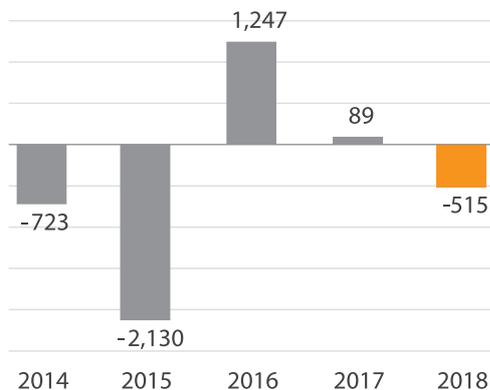


Source: Central Bank of Ecuador

The balance of trade re incorporates a deficit of USD 515 million after two years of surplus.

## TRADE BALANCE

Millions of USD



Source: Central Bank of Ecuador

Remittance reached USD 3,03 billion (3% of GDP), with a 7% increase compared to 2017. In turn, Direct Foreign Investment was USD 819 million, 32% compared to 2017; despite the increase, there is a modest participation within the GDP (0.7%).

## FISCAL SECTOR

In 2018 the Central Government revenue reached USD 20,28 billion (19% of GDP), which meant a growth of 11% compared to 2017. From the figures given above, 74% came

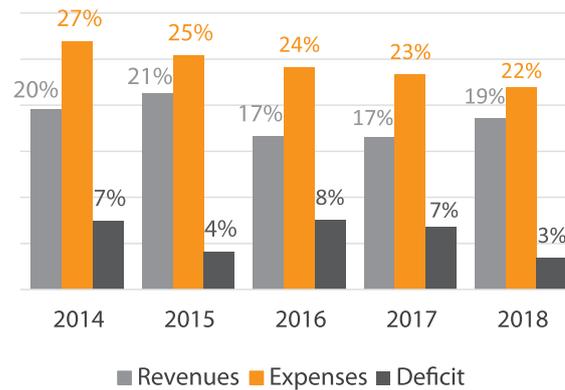
from tax revenue (USD 15 billion) which increased by 8% compared to 2017, influenced mainly by 25% growth VAT collection and USD 1,268 billion in remittance tax. Additionally, non-permanent revenues for USD 1,979 billion were registered due to crude oil pre-sell.

Central Government expenditure reached USD 24,027 billion (22% of GDP), 1% lower compared to 2017. The current spending, accounting for 71% of the total, increased by 10% compared to 2017, while capital spending decreased by some 21%, reaching USD 6,859 billion.

As a result of the figures stated above, fiscal deficit reached USD 3,747 billion (3% of GDP), that added to other items such as debt repayment, payment for cash advances for oil sales and other liabilities, required the Government to obtain financing for about USD 10 billion.

## CENTRAL GOVERNMENT OPERATIONS

Percentage in terms of GDP



Source: Tax Policy Observatory

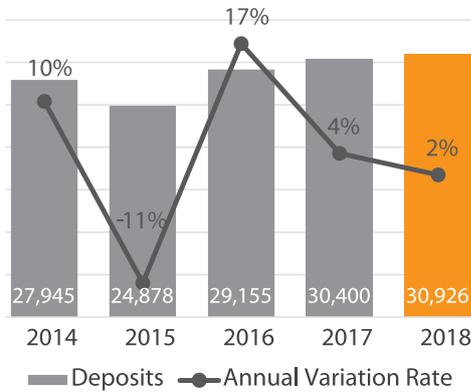
Under these conditions, the public debt increased by 6% during the year, reaching up to USD 49,429 billion (45% of GDP), 72% of which was external debt.

## MONETARY AND FINANCIAL SECTOR

Liquidity in the economy was affected by the tax burden and public debt decrease. Bank deposits as of December 2018 reached USD 30,926 million (28% of GDP), with a 2% annual growth.

### BANK DEPOSITS

Millions of USD and Annual variation rate

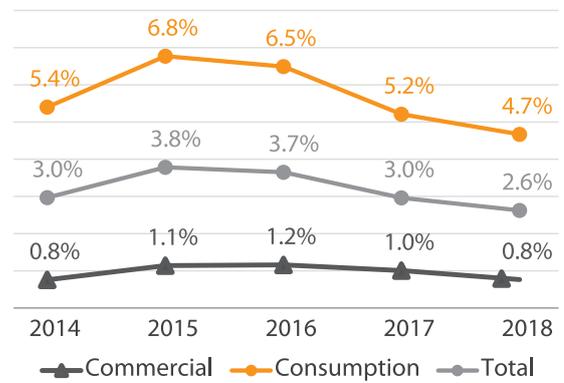


Source: Superintendence of Banks

The credit portfolio grew at a higher dynamic compared to deposits with an 11% annual growth rate setting to USD 27,325 million (25% of GDP). At a segment level, credit portfolio had a greater dynamic with 16% annual growth, followed by Trade portfolio with 9.5%, Mortgage loans 5%, Small business credit 9.2% and Educational -7.4%.

### DELINQUENCY RATE BY SEGMENT

Data to December

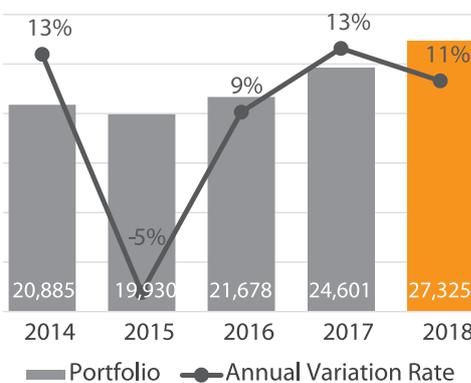


Source: Superintendence of Bank

The interest margin at the close of 2018 showed an increase compared to the previous year: the Benchmark Lending Rate reached 8.7% while the Benchmark Passive Rate 5.4%.

### CREDIT PORTFOLIO

Millions of USD and Annual variation rate

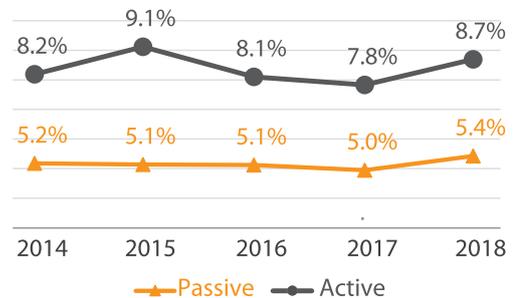


Source: Superintendence of Bank

Despite the risks in macroeconomic environment, the non - performing portfolio showed a rate of 2.6% lower by 0.3 percentage points. The NPL ratio of the trade portfolio was 0.8% as of end year, while the consumption default rate reached 4.7%.

### BANKING MARKET

BCE Referential Interest rate



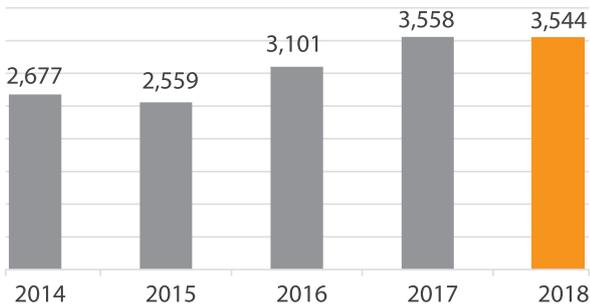
Source: Central Bank of Ecuador

**BANCO INTERNACIONAL IN 2018**

**FINANCIAL STATEMENTS**

As of 2018, Banco Internacional total assets reached USD 3,544 billion, with a variation of -0.39% compared to 2017 due to the decrease of available funds and investments.

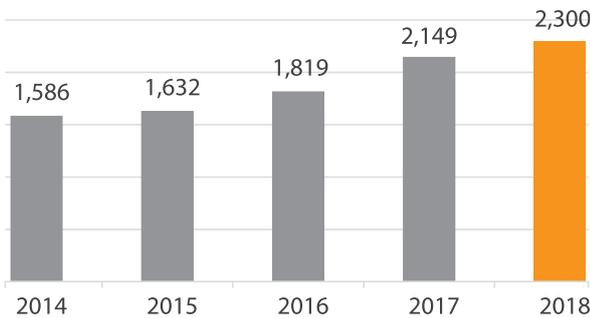
**TOTAL ASSETS**  
In Millions of USD



Source: Superintendencia of Bank

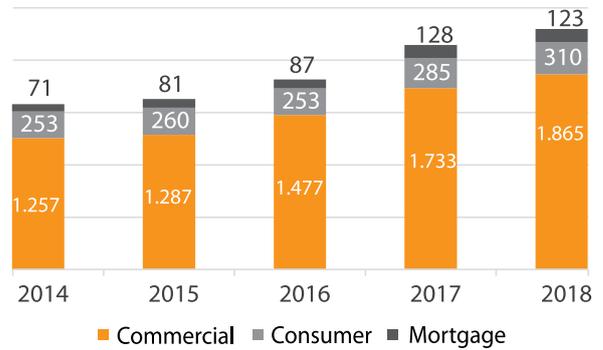
In spite of the aforementioned, Credit Portfolio increased by USD 151 million reaching up to USD 2,3 billion; that is to say, 7% larger than the 2017 balance. From this figure, USD 1,865 billion (81%) corresponds to Trade Portfolio, USD 310 million (13.5%) corresponds to Consumer Credit Portfolio and USD 123 million (5.4%) to Mortgage Loan Portfolio.

**CREDIT PORTFOLIO**  
In Millions of USD



Source: Superintendencia of Bank

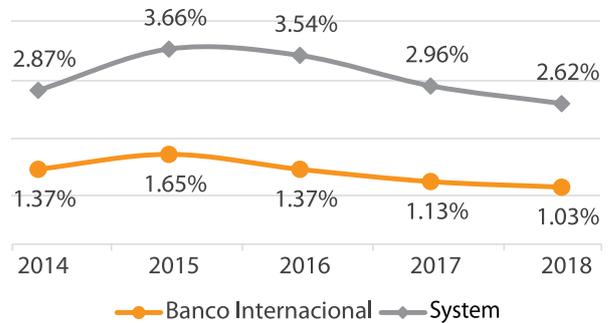
**PORTFOLIO GROWTH**



Source: Superintendencia of Bank

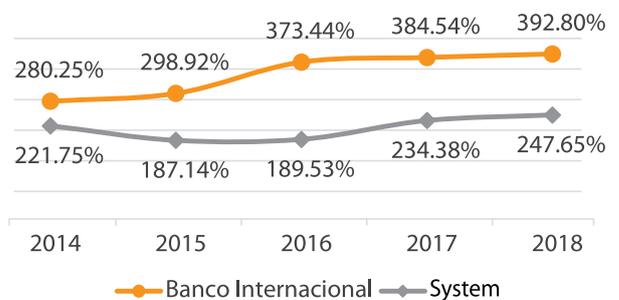
At the close of 2018 fiscal year, the quality portfolio of Banco Internacional reflects the default rate at 1.03%, 10 basis points lower than that of the previous year, and below the average indicator of the Financial System (2.62%). The NPL coverage at the close of the year was 392.80%, far superior to the System's average (247.65%).

**DELINQUENCY**



Source: Superintendencia of Bank

**COVERAGE**

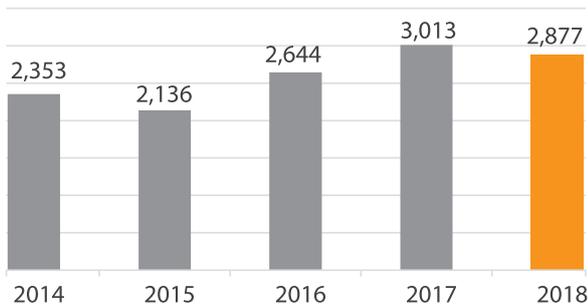


Source: Superintendencia of Bank

The leadership position of Banco Internacional with regard to Ecuadorian Foreign Trade is reflected in the contingent operations balance (securities, guarantees, letters of credit), reaching USD 729 million at the close of the year.

Public liabilities account for USD 89.94% of the Bank's total sources of funding with USD 2,877 billion balance at the close of 2018 and 4.5% reduction compared to the previous year. Out of this total, the deposits at sight reached USD 1,789 billion and fixed - term deposits USD 1,003 billion. This is mainly explained due to a lower concentration of deposits. The rate of the 100 greatest depositors over the total of public liabilities decreased by 4 percentage points.

### LIABILITIES TO THE PUBLIC In Millions of USD



Source: Superintendencia of Bank

During 2018 loan facilities with multilateral organization and foreign financial institutions were managed in order to rely on more stable and long - range sources of funding. Liabilities balance at the end of the year reached USD 204 million.

### DEBT FROM FINANCIAL INSTITUTIONS In Millions of USD

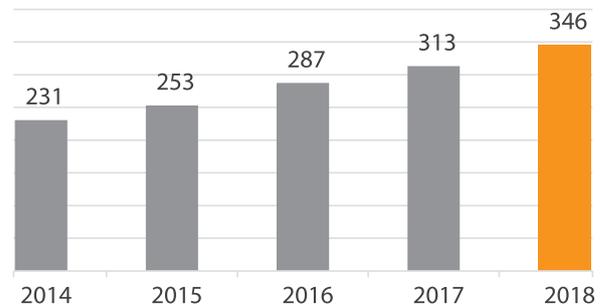


Source: Banco Internacional

With regard to the entity's solvency, paid - in capital registered an increase of USD 24.7 million, reaching USD 237.6 million, due to the capitalization of the results and reserves from the previous year. The Bank's patrimony increased by 10.36% reaching a total of USD 345.58 million, including the profits for the period.

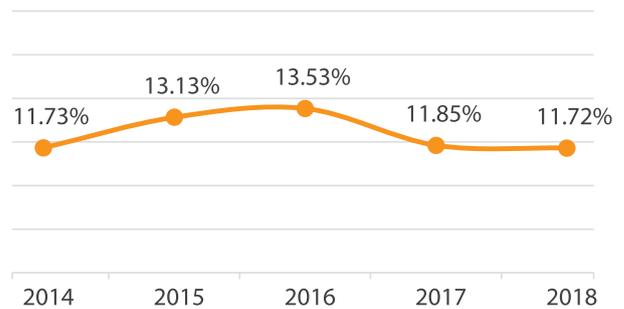
The technical equity ratio, which relates the bank's constituted technical equity with risk - weighted risk and contingents, reached 11.72% as of December 2018, similar to what was observed in 2017. This indicator reached 2.72% percentage points above the regulatory minimum.

### EQUITY In Millions of USD



Source: Superintendencia of Bank

### TECHNICAL EQUITY

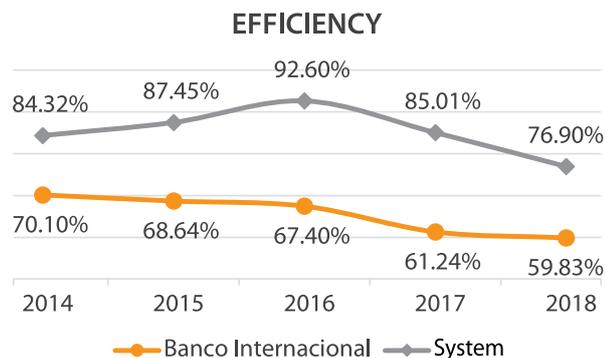


Source: Superintendencia of Bank

### RESULTS STATEMENT

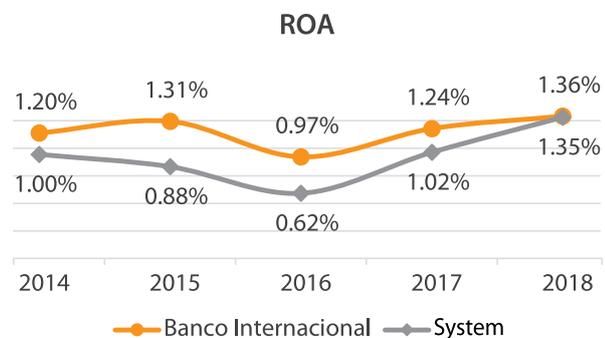
The Gross Financial Margin, which comprises net interests, net commissions, service revenue, and the outcome of financial operations, increased by 6.9% reaching USD 201.3 million as of December 31. The operating cost reached USD 109.8 million (6.4% greater than previous year), and USD 17.68 million were allocated to provisions.

The increase of the brokerage margin and the income for transactional services, in addition to a conservative cost management regarding income and expenses, allowed Banco Internacional to optimize its performance indicator by 1.41 points reaching 59.83%, significantly greater than the presented by the financial system in the same year.

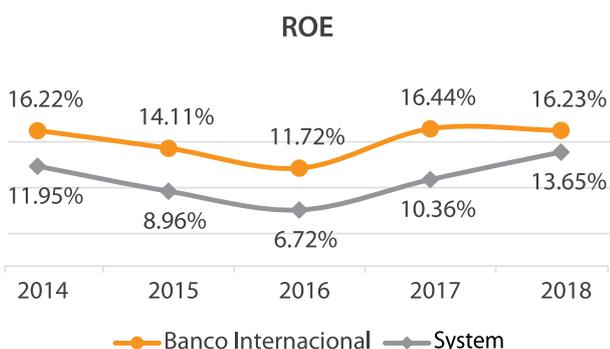


Source: Superintendence of Bank

Thus, at the close of 2018 fiscal year, Banco Internacional's net profit was USD 48.2 million, which accounts for 9.1% of growth compared to that registered in 2017. ROA was 1.36%, whereas ROE was 16.23%.



Source: Superintendence of Bank



Source: Superintendence of Bank

## BUSINESS MANAGEMENT

The need to accompany Ecuador's productive sector, without overlooking the management of inherent risks, demanded new and greater efforts in the management from the financial system. In this sense, Banco Internacional has achieved both qualitative and quantitative results presented in this report by accomplishing its organizational values: financial strength, exemplariness, closeness and assertive decision-making; and a technical and prudent risk management, as a differentiating element.

Our "Plan Estratégico 20|20 (20/20 Strategic Planning)" continues its vision of ongoing improvement to become the best bank of Ecuador; with a solid and profitable growth, supported in the pillars of high standards of service, outstanding levels of efficiency and productivity of our processes and, as mentioned previously, always being prudent in the integral risk management. All these under a professional and committed human talent management.

We continue to improve our network to offer greater comfort to our customers: three branches in Quito were refurbished as well as Quevedo, Babahoyo and Parque California in Guayaquil. We now have available 75 offices, 13 extension tellers distributed in 18 provinces and 32 cities across the country, in addition to 396 ATMs, 20 of which are the so-called "Depósito Rápido (Quick Deposit)" allowing users make account deposits and credit card payments without needing to stand in line at the tellers. At the close of 2018, branches that have these service points derived 25% of total transactions to said tellers.



Panamericana Norte Branch

Besides our branches' appearance improvement, processes were reviewed and simplified allowing waiting times and customer service be controlled. In addition, we permanently carry out on-site satisfaction surveys and protocol compliance for ongoing improvement for each office, reaching 84.9% Customer Satisfaction Index.

Followed by a multi-channel strategy, at the beginning of 2018 we launched the new "Banca Móvil (Mobile Banking)"; electronic channel that allows our customers to have the bank in their hands from any mobile device to check their accounts, transfer money and pay for services. It is important to highlight that in the future the technological platform used for this APP will allow all available banking services in Internet to be used in any device, offering alternatives to serve customers under a multi-channel concept.



We also updated the technological tool for Foreign Trade, aiming to ease internal processes and enhance customer service through Internet regarding letters of credit. We closed the year with 14.12% market share in issuance of Import Letters of Credit, securities and warranties.

We are convinced that during 2018 these actions contributed to 53,000 new customers, where 96% of them are natural persons and 4% are legal entities.

The renewal of the Management Information System continued, enabling the administration have eight new dashboards allowing for the monitoring of day-to-day performance at the bank.

## RISK AND COMPLIANCE MANAGEMENT

Banco Internacional's Risk Management is mainly based on the principles of discipline, prudence and independence, aligned to achieving strategic business objectives ensuring its liquidity in the short, medium and long term. In 2018, Banco Internacional focused its efforts to strengthen both financial and non-financial risk prudent management.

With regard to the management, risk appetite framework was implemented to define the standards, Government schemes and key application processes, as well as quantitative indicators and qualitative statements, which, by being associated to relevant risks, specify its risk appetite at the highest level.

Such framework has allowed the bank to strengthen liquidity and market risk management, with scenarios that operate the existing contingency plans.

Additionally, the credit risk control environment was reinforced through the implementation of tools oriented to enhance the service for small and medium - size companies (Pymes), by developing statistical methods for trade credits and credit cards follow-up.

Conversely, an Operational Risk Management Committee was implemented as well as SARO (Operative Risk Management System); thus, boosting communication channel, monitoring, rating and timely management of events.

Operative risk management also includes the carrying out of an array of policies, processes and controls in order to prevent our institution from being used as a tool to commit crime, such as asset laundering, among other illegal activities. The Compliance Unit, in the interest of continuous improvement, has combined efforts to reinforce the Monitoring project. This strategy was applied in connection with the purpose of setting up the monitoring rules of the tool as well as implementing control that allows us to continually guarantee the correct reception of information from each transactional channel, and to timely identify events.

Aligned with our internal control systems, based on three defense lines, we are permanently committed to training all the collaborators on the importance to prevent illegal activities. This outlook is supported by the Board of Directors as well as the management team at all levels in the institution.

As a result, the Risk Rating report that was prepared in June 2018 by Bank Watch Ratings and Class International Rating has awarded Banco Internacional with the local rating AAA- and AAA, the highest one obtained by an Ecuadorian bank.



## HUMAN TALENT

We work with our institutional values that, together with specific strategic guidelines, allow us to reach our goals, by working from individual to collective.

Our collaborators' constant development strengthens our organizational culture. This is the reason why we train 417 leaders on programs focused on management skills and personal leadership, providing them with tools that make it possible to develop management skills, high performance and equipment management.

So as to systematize the cycle of Human Resources Management; and this way, to accompany our collaborators' progress, the platform JUNTOS, based on the SAP-Success Factor technology, was set up. This application allows us to thoroughly manage all the Human Resources processes, including performance assessment.

In 2018 the program called Calidad de Vida (Life Quality) was launched and by means of which personal and professional growth activities were encouraged with the commitment to protecting our collaborators' physical, mental and relational aspect; hence, life-work balance can be improved.

These measures, in addition to the constant interest on the part of the management team in maintaining an adequate work environment, resulted for second year in a row in a recognition awarded to Banco Internacional by the Great Place to Work Institute as one of the best companies to work in Ecuador, obtaining a second place among the companies with more than 500 collaborators, which allows us to be the best financial institution in this ranking.



## CORPORATE SOCIAL RESPONSIBILITY AND FINANCIAL EDUCATION

Not only does Banco Internacional concern about value generation in terms of its business goals, but also about carrying out responsible management. Consequently, we work according to the Sustainable Development Goals proposed by the United Nations, especially the eight one that states as follows: "Promote sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all".

In this context, since 2013 the Financial Education Program that is aimed at clients, suppliers and community in general is performed, reaching up to 2,200 people in 2018 by means of costless workshops.

Likewise, the Project "Learning to Start up", which began in 2015 through an alliance with Plan Internacional as well as the contribution on the part of the volunteers from the institution, has successfully finished in 2018, leaving as legacy a Community Cultural Center that is self-sustainingly managed by women and more than 1,000 young people trained in Financial Education.

Additionally, an alliance with LAB XXI, a development lab for education and training in benefit of young people with low income under the YPD (Young Potential Development) methodology, was signed. This alliance counted on the participation of 70 volunteers from Quito and Guayaquil that have actively collaborated in the transfer of this methodology to 6 high schools, 12 teachers and 3,120 students; as well as a Technical Center with 54 poorly educated young people that were benefitted from this program.



Alliance with LAB XXI

## ACKNOWLEDGEMENT

To conclude, all that is left for me to do is to thank our Stockholders for the trust they have granted to the Bank's Management one more year. I am convinced that they have a well-prepared institution to respond to the important challenges that future may bring.

The continuous support of the Board of Directors, the commitment and professionalism of the Executive Committee and, clearly, the effort and dedication on the part of the more than 1,300 collaborators have been and will be the successful key of this great institution. I would like to extend my gratitude to everyone.

A handwritten signature in black ink, appearing to read 'Francisco Naranjo Martínez', is written over a set of horizontal lines that resemble a signature strip or a document header.

Francisco Naranjo Martínez  
**Executive President**

# 4

## FINANCIAL INFORMATION



## Balance Sheet <sup>\*</sup>(In U.S. Dollars)

### VARIATION

	DEC. 17	DEC. 18	USD	%
<b>ASSETS</b>	3,558,412,076.62	3,544,477,378.07	(13,934,698.55)	(0.39%)
Available Funds	718,100,464.83	621,001,621.35	(97,098,843.48)	(13.52%)
Investment	606,751,496.04	537,403,088.88	(69,348,407.16)	(11.43%)
Credit Portfolio	2,055,122,957.83	2,207,073,870.49	151,950,912.66	7.39%
Current Credit Portfolio	2,124,447,783.50	2,276,346,109.36	151,898,325.86	7.15%
Credit Portfolio That Does not Accrue Interests	14,712,724.63	12,414,201.30	(2,298,523.33)	(15.62%)
Overdue Credit Portfolio	9,651,346.41	11,243,951.87	1,592,605.46	16.50%
Uncollectible Provision	(93,688,896.71)	(92,930,392.04)	758,504.67	(0.81%)
Accounts Payable	30,522,785.16	32,579,321.44	2,056,536.28	6.74%
Assets Awarded as Payment	3,960,983.03	4,297,336.50	336,353.47	8.49%
Property and Equipment	42,150,067.34	40,524,822.87	(1,625,244.47)	(3.86%)
Other Assets	101,803,322.39	101,597,316.54	(206,005.85)	(0.20%)
<b>LIABILITIES</b>	3,245,275,851.43	3,198,900,452.44	(46,375,398.99)	(1.43%)
Obligations to the Public	3,013,198,599.03	2,877,239,228.95	(135,959,370.08)	(4.51%)
Immediate Obligations	2,774,279.63	5,858,004.07	3,083,724.44	111.15%
Accounts Payable	97,004,865.95	111,484,596.58	14,479,730.63	14.93%
Financial Obligations	131,500,000.00	204,072,172.67	72,572,172.67	55.19%
Securities in Circulation	0.00	0.00	0.00	0%
Other Liabilities	798,106.82	246,450.17	(551,656.65)	(69.12%)
<b>EQUITY</b>	313,136,225.19	345,576,925.63	32,440,700.44	10.36%
Social Capital	212,918,762.00	237,625,501.00	24,706,739.00	11.60%
Reserves	33,791,227.35	38,213,181.13	4,421,953.78	13.09%
Surplus by Valuations	21,378,508.65	20,556,284.46	(822,224.19)	(3.85%)
Cumulative Results	828,189.36	931,739.87	103,550.51	12.50%
Financial Year Results	44,219,537.83	48,250,219.17	4,030,681.34	9.12%
Contingent Accounts	792,338,643.89	729,181,530.05	(63,157,113.84)	(7.97%)
Memoranda Accounts	10,766,597,570.90	11,696,387,573.54	929,790,002.64	8.64%

\* Internal Presentation Format

## Results Statement \* (In U.S. Dollars)

	VARIATION			
	DEC. 17	DEC. 18	USD	%
<b>Financial Income</b>				
Interest Earned	199,841,977	219,643,761	19,801,784	9.91%
Commissions Earned	21,308,063	22,555,846	1,247,783	5.86%
Financial Profit	2,842,885	3,437,278	594,393	20.91%
Service Income	30,001,077	31,096,907	1,095,830	3.65%
	<b>253,994,002</b>	<b>276,733,792</b>	<b>22,739,790</b>	<b>8.95%</b>
<b>Financial Expenditures</b>				
Accrued Interest	62,031,916	71,492,827	9,460,911	15.25%
Accrued Commission	2,093,746	2,107,814	14,068	0.67%
	<b>64,125,662</b>	<b>73,600,641</b>	<b>9,474,979</b>	<b>14.78%</b>
Financial Gross Margin	<b>189,868,340</b>	<b>203,133,151</b>	<b>13,264,811</b>	<b>6.99%</b>
Provisions for Risk Assets	(19,678,449)	(17,684,205)	1,994,244	(10.13%)
Financial Gross Margin After Provisions	170,189,891	185,448,946	15,259,055	8.97%
Operating Costs	(103,263,325)	(109,862,578)	(6,599,253)	6.39%
Other Income and Operating Costs	316,836	660,678	343,843	108.52%
Net Operating Cost	<b>67,243,402</b>	<b>76,247,046</b>	<b>9,003,644</b>	<b>13.39%</b>
Non-Operating Income and Expenses, net	(1,710,321)	(1,263,171)	447,150	(26.14%)
Profit Before Taxes and Profit Sharings Among Employees	65,533,082	74,983,875	9,450,794	14.42%
Employee Profit Sharings	(9,829,962)	(11,247,581)	(1,417,619)	14.42%
Income tax	(11,483,581)	(15,486,075)	(4,002,494)	34.85%
Annual net Profit	<b>44,219,538</b>	<b>48,250,219</b>	<b>4,030,681</b>	<b>9.12%</b>

\* Internal Presentation Format

## Financial Indicators\*

	DEC. 16		DEC. 17		DEC. 18	
	Bank	System	Bank	System	Bank	System
<b>ASSET QUALITY</b>						
Productive Assets / Total Assets	82.99%	80.03%	83.62%	84.38%	88.36%	86.01%
<b>CREDIT RISK</b>						
Default Rate	1.37%	3.54%	1.13%	2.96%	1.03%	2.62%
<b>PROFITABILITY</b>						
Return on Assets	0.97%	0.62%	1.24%	1.02%	1.36%	1.35%
Return on Equity	11.72%	6.72%	16.44%	10.36%	16.23%	13.65%
<b>MANAGEMENT EFFICIENCY</b>						
Operating Cost / Financial Margin	67.40%	92.60%	61.24%	85.01%	59.83%	76.90%
Operating Cost / Average Asset	3.48%	5.19%	3.15%	5.27%	3.20%	5.17%
Personnel Expenses / Average Asset	1.24%	1.71%	1.11%	1.70%	1.16%	1.63%
<b>LIQUIDITY</b>						
Available Funds / Short-term Deposits	30.00%	33.89%	27.36%	29.41%	25.62%	27.89%

# 5

**INCORPORATED TECHNICAL EQUITY**



REPUBLIC OF ECUADOR  
SUPERINTENDENCE OF BANKS  
NATIONAL FINANCIAL INSTITUTION ADMINISTRATION

Form. 229

RELATION BETWEEN TECHNICAL EQUITY AND ASSETS  
AND RISK WEIGHTED CONTINGENTS  
(IN U.S. DOLLARS)

**INSTITUTION:** Banco Internacional S.A.  
**OFFICE IN :** Quito

**OFFICE CODE:** 1023  
31-dic-18

CODE	DESCRIPTION	AMOUNT
<b>PRIMARY TECHNICAL EQUITY</b>		
31	Social Capital	237,625,501.00
3201	Paid-in Capital	0.00
3301	Legal Reserve	38,213,181.13
3302	General Reserves	0.00
330310	Special Reserves - for future capitalization	0.00
34-340210-3490	Other equity contributions minus donations - in assets minus others	0.00
3601	Accumulative Profits or Surplus-Audited Balances (1)	0.00
3602	Accumulated Losses- Audited Balances (1)	0.00
2608	Subordinated Loan	0.00
2802	Contributions for Future Capitalizations (2)	0.00
Minus:		
190530	Goodwill	
3202	Discount in terms of Paid-in Capital	
<b>A</b>	<b>TOTAL PRIMARY TECHNICAL EQUITY</b>	<b>275,838,682.13</b>
<b>SECONDARY TECHNICAL EQUITY</b>		
2801	Convertible Liabilities (3)	0.00
2803	Fixed-term Subordinated Debt (7)	0.00
3303	Special Reserves	0.00
3305	Reserves due to appreciation of Equity	0.00
3310	45% Reserves due to Non-operational Results	0.00
35	45% Surplus by Valuation	9,250,328.01
3601	Accumulative Profits or Surplus (1)	931,739.87
3602	Accumulative Losses (1)	0.00
3603	Financial Year Profit or Surplus (4)	48,250,219.17
3604	Financial Year Loss (4)	0.00
5-4	Income minus Expenses (5)	0.00
More		
149980	Provisions for Uncollectible Loans- Generic Provision for credit Technology (6)	3,901,851.45
149989	Provisions for Uncollectible Loans- Voluntary Generic Provision (6)	0.00
2912	Other Liabilities- Badwill (10)	0.00
Minus:		
37	Equity Devaluation	0.00
1613	Early Dividend Payment	0.00
<b>B</b>	<b>TOTAL SECONDARY TECHNICAL EQUITY</b>	<b>62,334,138.50</b>

C=A+B (**)	TOTAL TECHNICAL EQUITY TOTAL	338,172,820.63
Minus:	Capital assigned to a branch overseas will be deducted from the total technical equity: and also the invested capital; that is, the value of its market share paid-in capital plus reserves, except those that come from asset appreciation, in a subsidiary or affiliated institution.	2,278,035.72
	When a subsidiary registers investment in other financial institutions, that turn them into a subsidiary to this institution, such amounts will be deducted according to what was set me forth in the previous paragraph of the Headquarter's Technical Equity.	
	The balances registered in the subaccount 1611 "Advance for Share Acquisition" when corresponding to investments in shares, advances in capitalization or incorporation of subsidiary or affiliated companies.	956,429.00
D	DEDUCTIONS FROM TOTAL TECHNICAL EQUITY	3,234,464.72
E=C-D	INCORPORATED TECHNICAL EQUITY	334,938,355.91

#### RISK WEIGHTED ASSETS AND CONTINGENTS

	CWeighted assets with 0.00	-
	Weighted assets with 0.10	6,154,584.81
	Weighted assets with 0.20	69,336,665.61
	Weighted assets with 0.40	50,650,502.87
	Weighted assets with 0.50	61,515,495.62
	Weighted assets with 1.00	2,421,583,402.88
	Weighted assets with 2.00	248,106,019.36
F	TOTAL RISK WEIGHTED ASSETS AND CONTINGENTS	2,857,346,671.14

#### POSITION, REQUIREMENT AND RELATION OF EQUITY

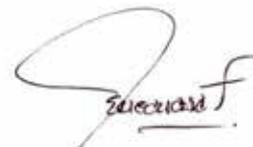
G=F*9%	REQUIRED TECHNICAL EQUITY	257,161,200.40
H=E-G	REQUIRED TECHNICAL EQUITY SURPLUS OR DEFICIT	77,777,155.50
	TOTAL ASSETS AND CONTINGENCY * 4%	170,946,356.32

#### REGULATORY COMPLIANCE

Art. 190 COFM	CTE / RISK WEIGHTED ASSETS AND CONTINGENTS	11.72%
Art. 190 COFM	CTE / TOTAL ASSETS AND CONTINGENTS	7.84%
	FIXED ASSET / CONSTITUTED TECHNICAL EQUITY	12.10%



DR. JOSE ROMERO SORIANO  
VICE PRESIDENT LEGAL REPRESENTATIVE



FABIAN ENCALADA  
GENERAL ACCOUNTANT

# 6

## OFFICE NETWORK



QUITO - VALLES	ADDRESS
Main Office	Av. Patria E4-21 y Av. 9 de Octubre
La Niña Branch	La Niña E9-64 y Av. 6 de Diciembre, frente al C.C. Multicentro
Iñaquito Branch	Av. Amazonas N36-147 y Corea, frente al C.C. Iñaquito
La Y Branch	Av. Gaspar de Villaroel SN y Londres, esquina
Meditrópoli Branch	Av. Mariana de Jesús Oe84 y Av. Mariscal Sucre , Edif. Centro Médico Meditrópoli
Los Shyris Branch	Av. De Los Shyris N35-174 y Suecia, esquina
El Condado Branch	Av. Mariscal Sucre y Av. La Prensa C.C. El Condado, local 230
Quito Tennis Branch	Av. Brasil N42-134 y Mariano Echeverría
La Carolina Branch	Av. General Eloy Alfaro y Av, Mariana de Jesús, Edf. Gaia, Local 2 PB
Tumbaco Branch	Av. Interoceánica Oe6-192 y Fco. de Orellana C. C. Ventura Mall
Cumbaya Branch	Av. Interoceánica y Av. Diego de Robles, C. C. Plaza Cumbayá, local 8
Paseo San Francisco Branch	Av. Interoceánica y Francisco de Orellana, C. C. Paseo San Francisco, local 153 (154-155)
12 de Octubre Branch	Av. 12 de Octubre N24-660 y Francisco Salazar, Edf. Concorde
El Inca Branch	Av. 6 de Diciembre N51-64 e Isaac Barrera
Panamericana Norte Branch	Av. Galo Plaza Lasso N74-14 y Antonio Basantes, Pana. Norte Km 7 1/2
Villaflora Branch	Av. Alonso de Angulo Oe1-100 y Francisco Gómez
San Rafael Branch	Av. Gral. Enriquez e Isla Genovesa, C.C. Rumiñahui
Santa Rita Branch	Av. Mariscal Sucre 6762 y calle La Maná
Mariscal Sucre Branch	Av. Mariscal Sucre 2023 y Calle Quitus, esquina
Plaza Santo Domingo Branch	Guayaquil y Bolívar, esquina
Maldonado Branch	Av. Maldonado S28-40, entre Ria Zabaleta y Borbón
Santa Prisca Branch	Santa Prisca OE2-10 y Manuel Larrea
Sangolqui Branch	Venezuela y Montúfar esquina, Edf. Jijón y Caamaño, Parque Turismo

#### GUAYAQUIL - PERIFERIA

Guayaquil Main Branch	Av. 9 de Octubre 117, entre Pichincha y Malecón
Alborada Branch	Av. Rodolfo Baquerizo Nazur y Demetrio Aguilera Malta, esquina
Sonesta Branch	Av. Joaquín Orrantía y Av. Leopoldo Benítez, Edf. Sonesta, local 9-10-11
Albán Borja Branch	Av. Carlos Julio Arosemena y Llanes, C. C. Albán Borja, Local 18
Hilton Colón Branch	Av. Francisco de Orellana Mz. 111, Hotel Hilton Colón Local 18 P.B.
Urdesa Branch	Av. Víctor Emilio Estrada 425 y Ébanos
Durán Branch	Autopista Durán-Bolicho Km. 3 1/2, C. C. Paseo Shopping Durán, local 9
Los Ceibos Branch	Vía a la Costa kms 6 1/2, C. C. Río Centro los Ceibos, local A14
Samborondón Branch	Av. Malecón y García Moreno esquina, Edificio Jacindros local Nro. 1, PB
Vía Samborondón Branch	C. C. Village Plaza Km. 1.5, Vía Samborondón, local 1, PB
9 de Octubre Branch	Av. 9 de Octubre 2002, entre Los Ríos y Tulcán
La Bahía Branch	Chile 805 y Colón
Portete Branch	Portete 4415 y Calle 19
Parque California Branch	Km. 11 1/2 vía Daule, Parque Comercial California Uno, Bodega 4
Mall del Sur Branch	Av. 25 de Julio entre José de la Cuadra y Ernesto Albán, C.C. Mall del Sur, local 19-20
Mercado Central Branch	Av. 6 de Marzo 829 y Clemente Ballén
Centro Branch	Av. Pichincha 332 y Elizalde
Terminal Terrestre Branch	Av. Benjamín Rosales SN y A. de las Américas, Terminal Terrestre, C.C. Outlet, local 51
Puerto Marítimo Branch	Av. 25 de Julio, vía Puerto Marítimo de Guayaquil
El Dorado Branch	C. C. Riocentro El Dorado, local 20, PB; Vía a La Aurora Km. 10 1/2

**AUSTRO**

Cuenca Branch	Presidente Borrero 784 y Sucre, Edif. Banco Internacional
España Branch	Av. España 314 y Sebastián de Benalcázar
Remigio Crespo Branch	Av. Remigio Crespo Toral 5-182 y Remigio Romero
Azogues Branch	Bolívar 621 y 10 de Agosto
Loja Branch	Bolívar y Azuay, esquina

**SIERRA**

Otavalo Branch	Sucre y Panamericana Norte
Cayambe Branch	Av. Bolívar 605 entre Morales y Restauración
Ibarra Branch	Pedro Moncayo N 754 entre Olmedo y Sánchez y Cifuentes
La Plaza Branch - Ibarra	Av. Mariano Acosta 21-47 y Víctor Gómez Jurado, C. C. La Plaza Shopping, local 4
Ambato Branch	Bolívar 1632 entre Martínez y Mera
Cevallos Branch - Ambato	Av. Cevallos 665 y Unidad Nacional, esquina
Atahualpa Branch	Av. Atahualpa y Nery Pillahuazo
Riobamba Branch	10 de Agosto y García Moreno, esquina
Daniel León Borja Branch - Riobamba	Av. Daniel León Borja 44-43 y Epicachima
Latacunga Branch	Quijano y Ordóñez N 4-151 y General Maldonado esquina

**COSTA**

Babahoyo Branch	Gral. Barona y Rocafuerte
Machala Branch	Vía Machala - Pasaje Km 2 , C. C. Paseo Shopping Machala, local 17A
Manta Branch	Av. Malecón y Calle 13, esquina
Tarqui Branch	Av.107 No. 219-221 y Calle 102, Parroquia Tarqui
Portoviejo Branch	Av. América y calle Pedro Zambrano Izaguirre, esquina
Santo Domingo Branch	Av. Quito y Río Blanco esquina
La Concordia Branch	Av. Simón Plata Torres 052 y Quito
El Colorado Branch	Vía a Quevedo 114 y Av. Chone, por la "Y" del Indio Colorado
Quinindé Branch	Av. Simón Plata Torres 351 y Cuarta Transversal
Esmeraldas Branch	Calle 10 de Agosto, lote 6, entre Bolívar y Sucre. Parque central 20 de Marzo
Quevedo Branch	Av. 7 de Octubre 336 y la Cuarta
Ventanas Branch	Av. Velasco Ibarra 406 y Seminario

**ORIENTE**

Puyo Branch	Av. General Villamil SN y Francisco de Orellana
Lago Agrio Branch	12 de Febrero y Av. Quito
Shushufindi Branch	Av. Policía Nacional y Unidad Nacional
El Coca Branch	Av. Cuenca y 9 de Octubre
Joya de los Sachas Branch	Av. De los Fundadores y G. Moreno

# 7

## INTERNATIONAL PARTNER BANKS



BANK	COUNTRY
Banco Do Brasil	Brazil
BNDES	Brazil
Banco de Comercio Exterior de Colombia - Bancoldex	Colombia
Banco de Occidente	Colombia
Ebna Bank	Curacao
Banco del Estado de Chile	Chile
Banco Security Chile	Chile
Standard Chartered Bank	England
Deutsche Bank	Germany
Commerzbank	Germany
Landesbank	Germany
Interbanco	Guatemala
UniCredit	Italy
Bank of Tokyo - Mitsubishi	Japan
Banco Nacional de México - Banamex	Mexico
Banco Internacional de Costa Rica BICSA	Panama
Banco Latinoamericano de Exportaciones - Bladex	Panama
Multibank	Panama
BanBif	Peru
Banco Sabadell	Spain
Santander Central Hispano	Spain
BBVA	Spain
Banco Popular Español	Spain
Caixabank	Spain
Rabobank	The Netherlands
BID	U.S.A.
Citibank	U.S.A.
IFB International Finance Bank	U.S.A.
Wells Fargo	U.S.A.
Eastern National Bank	U.S.A.
IFC	U.S.A.
U.S. Century Bank	U.S.A.
Corporación Andina de Fomento - CAF	Venezuela
Banesco	Venezuela
Banco Exterior	Venezuela
Banco Provincial BBVA	Venezuela

# 8

RELATED BANKS



## CURACAO

**EBNA BANK**[www.ebnav.com](http://www.ebnav.com)

Ebna Bank n.v.

## GUATEMALA

**BANCO INTERNACIONAL**[www.bancointernacional.com.gt](http://www.bancointernacional.com.gt)

## PERÚ

**BANBIF**[www.banbif.com.pe](http://www.banbif.com.pe)

## UNITED STATES

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