



#ContigoEnLaigualdad

Message from our Executive President and CEO

“It's time to get enough sleep, to rest what is essential, It is time to get up early, to start each day, lips full of smiles, the seemingly impossible changes in the haze of chills and fear that hide tomorrow's way, the path we dream for our children, it is time then to rise up and not surrender, it is time to love every moment of this mystery that is....life.”

Federico Mayor Zaragoza

It is with great pride and commitment that I share with all our stakeholders Banesco Panama's 2019 Sustainability Report.

This document reflects the balance of our actions in the three dimensions of sustainable development defined by the Global Reporting Initiative (GRI): economic, social and environmental. And the most important thing to highlight is that, through this report, we reaffirm that we remain aligned with the 2030 Agenda for Sustainable Development proposed by the United Nation's Global Compact, reinforcing our firm commitment to the 17 Sustainable Development Goals (SDGs), of which, according to our materiality analysis, we are strongly committed to and contribute to the achievement of 11 of them.

Economically, we are not only accountable for our financial results, but also for the constant effort which allows us to go beyond legal compliance



ALFONSO PRIETO GONZÁLEZ

Executive President and CEO Banesco (Panamá) S.A.

and contribute to sustainability in its broadest sense: to grow profitably, adding social value and mitigating our environmental impact.

In this sense, we expand the scope of our services, as an essential part of the business, connecting economic growth with social innovation, through the development of initiatives that promote bankarization and financial inclusion of the most disadvantaged sectors, offering products adapted to the reality of these audiences, with a supportive approach that contributes to improving their quality of life.

Sustainable development brings with it constant challenges that require the articulated work of all social stakeholders. As a relevant part of the financial sector, we at Banesco Panama are committed to soundly upholding a solid and supportive system that ushers the country's growth opportunities. And we faithfully believe that our impact does not merely sum

up in our management, rather that we must act through it to influence our entire supply chain, promoting development and compliance to the principles of the Global Compact.

We are a reliable, responsible, innovative and quality organization, which features the structures, processes, controls and most importantly, the human capital that allow us to continue advancing in providing the best service to our clients, aiming to achieve our objectives, always keeping as our main goal helping build a better country for everyone.

On the social front, we have the Banesco Entrepreneurs Program, which in its fourth year benefited 11,922 people, as well as the consolidation of our Community Banking, which as of December 31st granted more than two million microcredits to 762 clients, and 54% of them were women.

From the point of view of our commitment to equality, in 2019 we carried out the campaign "With you in Equality" and earned the Seal of Equality in the Gold category, awarded by Ministry of Labor (MITRADEL), United Nations Development Programme (UNDP) and the National Women's Institute of Panama (INAMU), which distinguish us as a bank that is truly betting on inclusion, with a comprehensive perspective. As equality is part of our DNA, we carry out a series of activities that enhance our culture, as the best path to reduce inequalities, promote solidarity and foster peace, through the strengthening of the Network of Youth and Children's Orchestras and Choirs of Panama, in alliance with the Ministry of Culture and UNDP.

With regards to the objectives that we have set for ourselves in the social dimension, we not only feel proud of having met them, but are

also the satisfied and committed to having served a greater number of indigenous and rural populations, compared to 2018.

We know that innovation is a fundamental part of development. That is why we continue to explore the design of new financial products and the establishment of alliances that allow us to transcend time, knowing that changes in banking services are accelerating and streamlined day by day, inviting us to develop new ways of banking responsibly. Our aim is and will always be, to offer differentiated products that result in a positive impact for our clients, always being at the forefront of financial inclusion and ensuring the quality and reliability of our services.

Regarding the environment, we have made specific efforts so that our business and our activities cause a positive impact, creating products that promote responsible practices and trying to reduce our environmental footprint, strengthened by our performance in managing environmental and social risk. Thus, we evaluate the incorporation of eco-friendly products and equipment and we support awareness campaigns on the preservation and care of the environment.

2020 has been an unprecedented year and is full of great challenges that deserve everyone's commitment. Today, I ratify on behalf of myself and each of the people who are part of Banesco Panama, that it is our commitment to be up to these challenges. That is why I wanted to start this letter, with a poem by Federico Mayor Zaragoza, a distinguished Spaniard who directed UNESCO for twelve years, where he reflects the intensity of the moment, the importance of commitment, the value of articulated efforts and the need for responsible, innovative thinking, to really promote the development and well-being that we, as a society, yearn for.

ALFONSO PRIETO GONZÁLEZ

Executive President and CEO Banesco (Panamá) S.A.

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About this report

(GRI 101, 102-12, 32, 45, 48, 49, 50, 51, 52, 53, 54, 55, 56)

This social responsibility report presents, among various things, the programs, activities and initiatives managed from January 1st to December 31st, 2019 that correspond to Banesco (Panamá), S.A. The figures that apply to the economic values produced and distributed are available at the following link of the regulatory body:

www.superbancos.gob.pa. The information reported in the 2018 report was updated taking the above into consideration. Details are specified in the corresponding section.

As in previous years, we have kept the structure of the report aligned with the Sustainable Development Goals (SDGs), it is prepared annually, the last one being for 2018. This report has been prepared in accordance with the Essential option of the GRI Standards, additionally including the GRI Indicators of the Financial Services Sector

Supplement. The GRI content index is included at the end of it.

We are a signatory company of the United Nations Global Compact since 2017, member of the Financial Initiative of the United Nations Environment Program (UNEP FI) since 2017 and we are subscribed to the Principles for the Empowerment of Women (WEPs) since 2018.

The 2019 Sustainability Report has been approved by Alfonso Prieto, Executive Chairman and CEO. The internal verification has been carried out by the person in charge of Banesco (Panama), S.A.'s Audit department, Vice Chairman Pascual Emilio Sousa, psousa@banesco.com. For questions regarding the report or opinions about its content, you can contact the Corporate Affairs manager, Lucía Freites: lfreites@banesco.com.

Events After Report Closure Date

Due to the exceptional circumstances that occurred after the closing date of the company's 2019 fiscal year, and during the draft time of this management report, along with the publication of **Cabinet Resolution # 11 of March 13th, 2020**, which declares the national state of emergency and dictates other provisions for the management of the health crisis situation generated by the coronavirus (COVID-19), and which entered into force on the same day, March 13th, the company has activated the contingency plans contemplated in these circumstances, which have allowed the continuity of the business, trying as far as possible to bring it closer to normality. For this, the implementation of organizational measures for crisis management, both individual and collective (management of contagion or isolation situations), has been put into practice. These measures are compatible with the continuity of

the bank's activity, and it is currently considering extending them.

Information Perimeter

For the purposes of this Report, the company is referred to as:

- "Banesco Panamá" or "Banesco," the Banesco (Panamá), S. A. company
 - "Banesco (Panamá), S. A. and Subsidiaries" which holds the subsidiaries: Banesco Seguros, S. A. (Panama), Banesco Banco Múltiple, S. A. (Dominican Republic) and Banesco N.V. (Curaçao).
- "Group" is the Banesco Holding Latinoamérica, S. A. and the group of companies that make up the Banesco Holding Latinoamérica Group, which can be consulted in the Group's **Consolidated Annual Accounts**.
- "Banesco Internacional" is used to identify all Banesco companies whether or not they are part of the same accounting / commercial group.

Banesco Panamá Profile

(GRI 102-1, 2, 3, 4, 5, 6, 7, 8)

Name: Banesco (Panamá), S. A.

Our “Banesco” brand focuses on the banking business, securities placements and insurance. Our products and services are aimed at these segments: individuals, companies and international banking. We keep detailed and updated information on our products and services on our website at www.banesco.com.pa

Our headquarters are in Marbella, on Aquilino de la Guardia's Street and Bella Vista's 47th Street, Torre Banesco, Panama City, Republic of Panama.



Banesco Panamá is part of Banesco Internacional, which has presence in 14 countries.



ABANCA

- 1 • Mexico
- 2 • Panama
- 3 • Brazil
- 4 • United Kingdom
- 5 • France
- 6 • Germany
- 7 • Venezuela
- 8 • Switzerland
- 9 • United States
- 10 • Portugal
- 11 • Spain

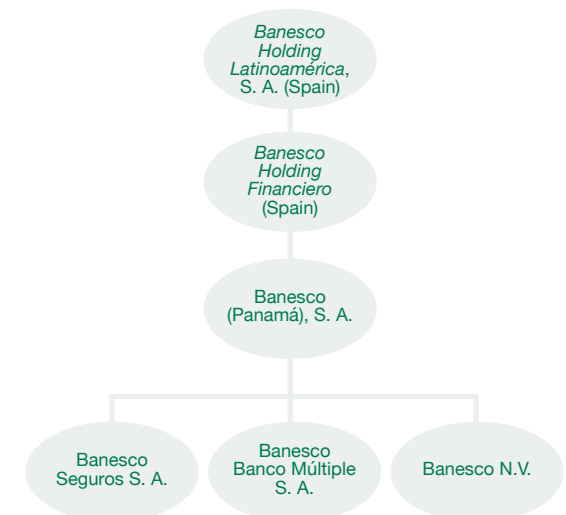
Banesco

- 2 • Panama
- 7 • Venezuela
- 9 • United States
- 12 • Dominican Republic
- 13 • Puerto Rico
- 14 • Curaçao

● Presence of Banesco and Abanca

We are an autonomous, operational and legally constituted financial structure that competes in the Panamanian market and whose entire share capital is owned by Banesco Holding Latinoamérica, S. A. We are part of Banesco Holding Financiero, S.L., established and formed in Spain.

Banesco (Panamá), SA has a general license that allows it to carry out the banking business in any part of the Republic of Panama, as well as carry out transactions that are perfected, used or take effect abroad and carry out those other activities authorized by the Superintendency of Banks of Panama.



We have 22 bank branches in Panama

Banesco Panamá

Panama (Branch location):



- 1 • Headquarters
- 2 • Albrook Mall
- 3 • Altos de Panamá
- 4 • Brisas del Golf
- 5 • Calle 50
- 6 • Costa del Este
- 7 • 12 de Octubre
- 8 • El Dorado
- 9 • La Doña
- 10 • Los Andes
- 11 • Los Pueblos
- 12 • Metromall
- 13 • Multiplaza
- 14 • Vía España
- 15 • Westland Mall
- 16 • La Chorrera
- 17 • Colón
- 18 • Coronado
- 19 • Chitré
- 20 • David
- 21 • Penonomé
- 22 • Santiago



Organization's size*

| | Net Income | Total assets USD | Deposits USD | Equity USD |
|------|------------|---------------------|-----------------|---------------|
| 2018 | 31,000,958 | 4,195,490,515 | 3,495,364,968 | 404,086,043 |
| 2019 | 25,131,258 | 4,254,344,680 | 3,394,506,265 | 434,494,930 |

| | Net loans USD | Investment in CSR USD | Branches | ATMs |
|------|------------------|--------------------------|----------|------|
| 2018 | 2,788,189,463 | 920,623 | 22 | 23 |
| 2019 | 2,907,128,745 | 1,365,130 | 22 | 29 |

*Figures from Audited Financial Statements, Banesco (Panamá), S.A. as of December 31, 2019. For information with the required breakdown in the GRI 102-7 content, including: assets, capital, costs and property, you can consult the [Superintendency of Banks of Panama](#). If you require information on the Consolidated Financial Statements of Banesco (Panamá), S.A. and Subsidiaries as of December 31, 2019, [click here](#)

Products and services



- **Line of Business** • Retail Banking | • Commercial Banking
 ► **Banking:** • Local Banking | • International Banking

Liabilities

- Fixed-term deposit
- Savings Account
- Checking Account with interests
- Checking Account without interests

- Time Deposit
- Savings Account
- Checking Account with interests
- Checking Account without interests

Assets

- Personal Loans
- Pledge Loan
- Mortgage Loan
- Authorized overdraft lines
- Car loan
- Credit Card

- Pledge Loan
- Commercial Mortgage Loan
- Credit Lines
- Authorized overdraft lines
- Letters of Credit
- Commercial auto loan
- Commercial Credit Card
- Commercial Loans

Servicios

- Night Deposit
- Business Worksheet
- Certified Checks
- Management checks
- Collections
- Turns
- International transfers
- Acquisition (Points of Sale)
- Debit cards
- Prepaid cards
- Treasury Operations, purchase and sale of securities, coins
- Trusts

Electronic Channels

- Online bank
- Mobile banking
- ATMST network

Information About Employees and Other Workers

The make-up of our payroll is as follows:

| | 2018 | 2019 |
|-----------------------------|---------|---------|
| ● Total permanent employees | 1,334 + | 1,252 + |
| ● Total temporary employees | 5 | 1 |
| Total | = 1,349 | 1,253 |

Main Events of 2019

(GRI 102-10)

✓ **We received Alfonso Prieto González into the organization**, as the new Executive Chairman and Chief Executive Officer (CEO). Alfonso has an outstanding professional career linked to the banking sector and since 2005, he managed notable work affairs in Abanca of the Banesco Internacional group.

✓ **The launch of institutional campaign "Equality"**, with the objective of awakening in people a sense of equity and respect for each everyone's essence of freedom, positioning Banesco as a bank that has social inclusion as a priority.

✓ **Fitch Ratings increased the investment grade rating of Banesco (Panamá), S.A.** Long-Term BBB + (Pan), with a Stable Outlook. Perspectiva Estable.

✓ **We signed a cooperation agreement with the Ministry of Social Development (MIDES)**, promoting SDG 17, which consists of supporting the training of a thousand people through our Banesco's Entrepreneurs program.

✓ **The Strategic Plan that was developed for 2019-2021**, required us to position ourselves as an innovative agent in the market. To this end, a new, agile, open and flexible organizational structure was required, where the process and incentive maps could be combined in a harmonious way, as well as a solid organizational culture.

✓ **We innovate with the E-learning Entrepreneurs Banesco**, with the intention of reaching all segments of entrepreneurs with this online version, which allows participants to take this free course adapting it to their own schedule, where and whenever they want, with the same benefits as the face-to-face version.

✓ **In August 2019, Banesco Panama took on the great challenge of completing one of the most relevant projects we have executed in recent years: the migration of our banking core**; one of the pillars that will allow us to differentiate ourselves as the human-centric organization that we want to be, with the best experience for our clients.

This project included the work of a specialized team of bank staff and contractors of multiple nationalities, for about 5 years. Its main objective was the optimization of our technological platforms in order to offer our clients

the best possible experience, as well as to achieve greater control over said experiences, them, which would result in the improvement of our processes. Likewise, it considered the total renewal of Online Banking. It is important to highlight that, within the bank, the migration of the banking core was preceded by the migration of the accounting core. Banesco assumed this project responsibly, hand in hand with the Superintendency of Banks of Panama, to ensure that all regulations and requirements were met with regard to clients and regulatory authorities.

Acknowledgements and Certifications

Giving sustainability to the programs that define our performance is a conscientious purpose that challenges and inspires us, as well as creating conditions for inclusion and well-being, which must always start from home; that is why each recognition represents the opportunity to thank and the perfect motivation to continue working.

- Recognition from AMCHAM with Honorable Mention for Sustainable Leadership for our project "Participatory Budgeting."
- We received the Seal of Gender Equality, in the Gold category, a project coordinated by the Ministry of Labor and Social Development with the support of the United Nations Development Programme (UNDP), the National Women's Institute of Panama and the Ministry of Commerce and Industry.



Recognition Award by AMCHAM

Corporate Governance

(GRI 102-16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29)

As part of the Group, Banesco (Panamá), S. A. continues to strengthen Corporate Governance management, adopting best practices, as well as the incorporation of regulatory requirements, issued by the different regulatory entities.

The Vice Presidency of Compliance and Corporate Governance is the area in charge of communicating and guiding the different units of the bank, for compliance with the provisions in banking, fiduciary matters, money laundering and other applicable regulations, thus preventing that products and services offered by the bank may be misused.

We feature the **Banesco (Panamá), S.A. and Subsidiaries Corporate Governance handbook** which features the policies, principles and standards that apply to the operation of the bank's governing bodies. An annual, self-evaluation on the performance of the Corporate Governance bodies is carried out in accordance with best practices.

Our Culture of Ethics and Integrity

Our values, standards and norms of conduct are included in the 58 articles of the **Code of Ethics and Conduct of the Banesco Citizen**, which serves as a guide for our employees, business partners and other stakeholders. The Code of Ethics is a living document, whose purpose is to promote our values and ethical behaviors expected of Banesco Citizens. Every person who joins our institution receives the Code and training about its use.

Additionally, massive certification is planned every two years, the last one was registered in 2018 and 100% of employees participated in it. In 2019, no adjustments were made to its content.

► **Mission:** We are a comprehensive financial services organization, dedicated to knowing our clients' needs and meeting them through relationships based on mutual trust, ease of access and excellence in quality of service. We are leaders in the Personal banking and Commercial sectors, combining tradition and innovation, with the best human talent and advanced technology. We are committed to maximizing profits for our shareholders and the well-being of our community.

► **Vision:** The Banesco customer experience will make the difference in Panamanian banking. Our products and services, channels and processes will be customer-centered and our people's raison d'être. We take on the challenge of evolving to exceed expectations, standing by and for them in a close, long-term relationship. In this way we will stand not only among the most valued banks, but also among the most solid and profitable ones. "Here, serving is our passion."

► **Values:** Quality, Reliability, Innovation and Responsibility

We have the following customer service channels for any reports or complaints:

Customers

- Telephone: 282-2999
- etica_pa@banesco.com
- buzóndeingresosextraordinarios_pa@banesco.com

Employees

- Internal email **Línea directa**
- Voice mail: **Línea directa**
- Intranet mailbox

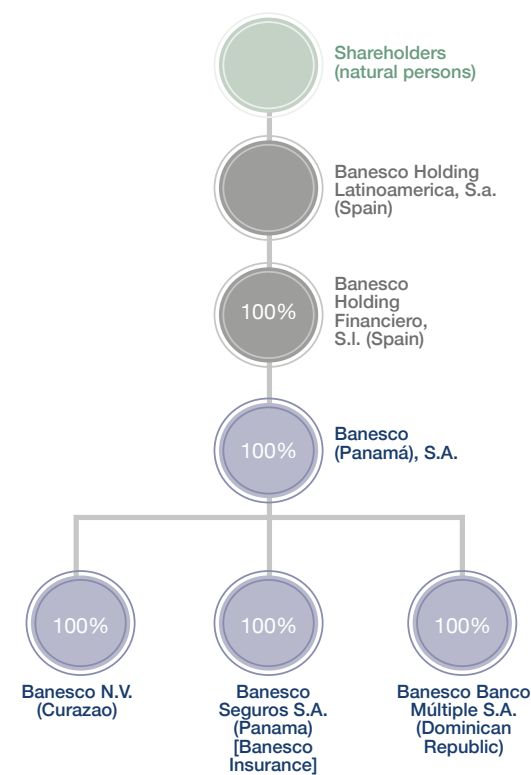


Governance Structure

Shareholding Structure of the Banking Group

As of December 31, 2019, Banesco (Panamá), S. A. participates directly in the following companies:

- Company holding
- Financial Operating Company



Corporate Governance Structure of Banesco (Panamá), S. A.

Our Corporate Governance structure, defined and approved by the Board of Directors, integrates the framework of Control Committees, Steering Committees, Executive Committee and Executive Boards.



Board of Directors

The Shareholders Assembly appoints the Board of Directors *, who in turn executes the provisions or guidelines that are delegated to them, in compliance with the regulatory provisions and best practices of Corporate Governance.

Through their Shareholders Meetings, shareholders are informed by the Board of Directors of the management at the level of Banesco (Panama), S.A. and Subsidiaries.

Among its responsibilities, we can highlight:

- Promoting the bank's safety and soundness.
- Ensuring effective relations with regulatory entities, communicating any significant event in a timely manner.
- Ensuring that adequate working conditions exist for personnel at all levels.
- Establishing and promoting high ethical and integrity standards.
- Establishing an organizational culture, focused on Internal Control and Comprehensive Risk Management.
- Monitoring of risk exposure limits at Group level.

Additionally, there are specific functions established in banking agreements, in aspects of Corporate Governance, Risk, Audit, Credit, Compliance, Technology, among others, as well as other responsibilities established as best practices.










Under no circumstances may the Director carry out activities that may involve a Conflict of Interest in the terms established by the **Director's Code of Ethic**. This information is also widely detailed in the **Directors' Policy**.

Collective Knowledge of the Highest Governance Body

In order to increase knowledge about environmental and social management and international best practices, the members of the Board of Directors received training on "Introduction to Banesco's Environmental and Social Management System (ESMS)", in July 2019. They were presented with the route of the process to follow for the management of social and environmental risk in the organization and its managers. In this sense, the Board of Directors as such, is responsible of providing the necessary resources for the application of the ESMS, knowing and approving the proposed strategies for the management of environmental and social risk of the bank, as well as leading the process of implementing the ESMS.

We maintain a constant relationship with our stakeholders through the Strategic Executive Committee; this committee submits the most relevant issues to the Board of Directors in a consolidated manner on a monthly basis. Likewise, issues related to environmental and social responsibility are reviewed quarterly, through the Executive Control of Strategic Planning, known as CEPE.

Banesco (Panamá), S.A. Board of Director's Structure as of December 31, 2019

| Name |  Miguel Ángel Marcano Director and President |  Juan Carlos Escotet Director |  Carlos Alberto Escotet Director |  Mario Oliva Director |  Marco Antonio Fernández Independent Director |  Alfredo Ramírez Director |  Francisco Javier Conto Independent Director |  María Josefina Fernández Director |  Emilio Durán Independent Director |
|---|---|---|--|--|--|---|--|--|--|
| Independent Yes/No | No | No | No | No | Yes | No | Yes | No | Yes |
| Place of Work | Banesco Internacional | Banesco Internacional | Banesco America Corporation | Banesco América | INDESA | Bufete Alfaro, Ferrer & Ramírez (AFRA) | FC & Asociados | N/A | N/A |
| Position | Corporate Director for Banca América | President | Executive President (CEO) | Director | Associate partner | Associate partner | Founder and President | N/A | N/A |
| Executive/ Non-Executive | Non-Executive | Non-Executive | Executive | Non-Executive | Non-Executive | Non-Executive | Non-Executive | N/A | N/A |
| Number of years as board member | 2 | 12 | 4 | 2 | 12 | 3 | 3 | 2 | 1 |
| Membership on board committee(s) | *ALCO & Investments Committee * Audit Committee *Appointment and Remuneration Committee * Risk Committee | N/A | ALCO & Investments Committee * Audit Committee *Appointment and Remuneration Committee * Risk Committee | ALCO & Investments Committee * Audit Committee *Appointment and Remuneration Committee *Credit Management Committee * Risk Committee | ALCO & Investments Committee * Audit Committee *Appointment and Remuneration Committee Corporate Governance and Ethics Compliance Committee Prevention Committee *Credit Management Committee * Risk Committee | *Audit Committee *Corporate Governance and Ethics Compliance Committee *Committee of Prevention | ALCO & Investments Committee *Credit Management Committee * Risk Committee | *Credit Management Committee * Risk Committee | *Audit Committee *Corporate Governance and Ethics Compliance Committee *Prevention Committee |
| Company name where he/she is a member of Board of Directors | *Banesco Holding Latinoamérica, S.A. (Spain) * Banesco Holding Financiero, S.L.U. (Spain) * Banesco Seguros, S.A. (Panama) * Banesco Bank Multiple, S.A. (Dominican Republic) * Banesco Seguros, S.A. (Dominican Republic) * Banesco Banco Universal, C.A. (Venezuela) | Banesco Holding Latinoamérica, S.A. (Spain) * Banesco Holding Financiero, S.L.U. (Spain) * Banesco Seguros, S.A. (Panama) * Banesco Bank Multiple, S.A. (Dominican Republic) * Banesco Seguros, S.A. (Dominican Republic) | Banesco Holding Latinoamérica, S.A. (Spain) * Banesco Holding Financiero, S.L.U. (Spain) * Banesco Seguros, S.A. (Panama) * Banesco Bank Multiple, S.A. (Dominican Republic) * Banesco Seguros, S.A. (Dominican Republic) * Banesco Banco Universal, C.A. (Venezuela) *Nativa (Panama) | * Banesco Seguros, S.A. (Panama) * Banesco Bank Multiple, S.A. (Dominican Republic) | N/A | N/A | N/A | * Banesco Banco Universal, C.A. (Venezuela) *Nativa (Panama) *Todo Ticket (Venezuela) | |

DIGNITARIES OR OFFICIALS

1. **Miguel A. Marcano** - President of the Board of Directors
2. **Mario Oliva** - Treasurer
3. **Amabel Vargas** – Secretary
4. **Mónica De León**– Sub-Secretary

MAIN EXECUTIVE

1. **Alfonso Prieto González**
Executive President and CEO

Prepared by: Corporate Governance Specialist of Banesco (Panamá), S.A. and Subsidiaries.
Date: April 30th, 2020.

*The professional profile of each of its members can be found [here](#)

Organizational Structure of Banesco (Panamá), S. A.

Senior management is responsible for implementing the strategy, policies and practices approved by the board of directors, consequently, it is responsible for the implementation and application of the structured and comprehensive system of credit risk management and credit administration. For its part, the Strategic Executive Committee is made up of eleven vice-presidencies and the CEO. The main responsibility of this committee is to administer and manage economic, environmental and social affairs.

Economic Affairs

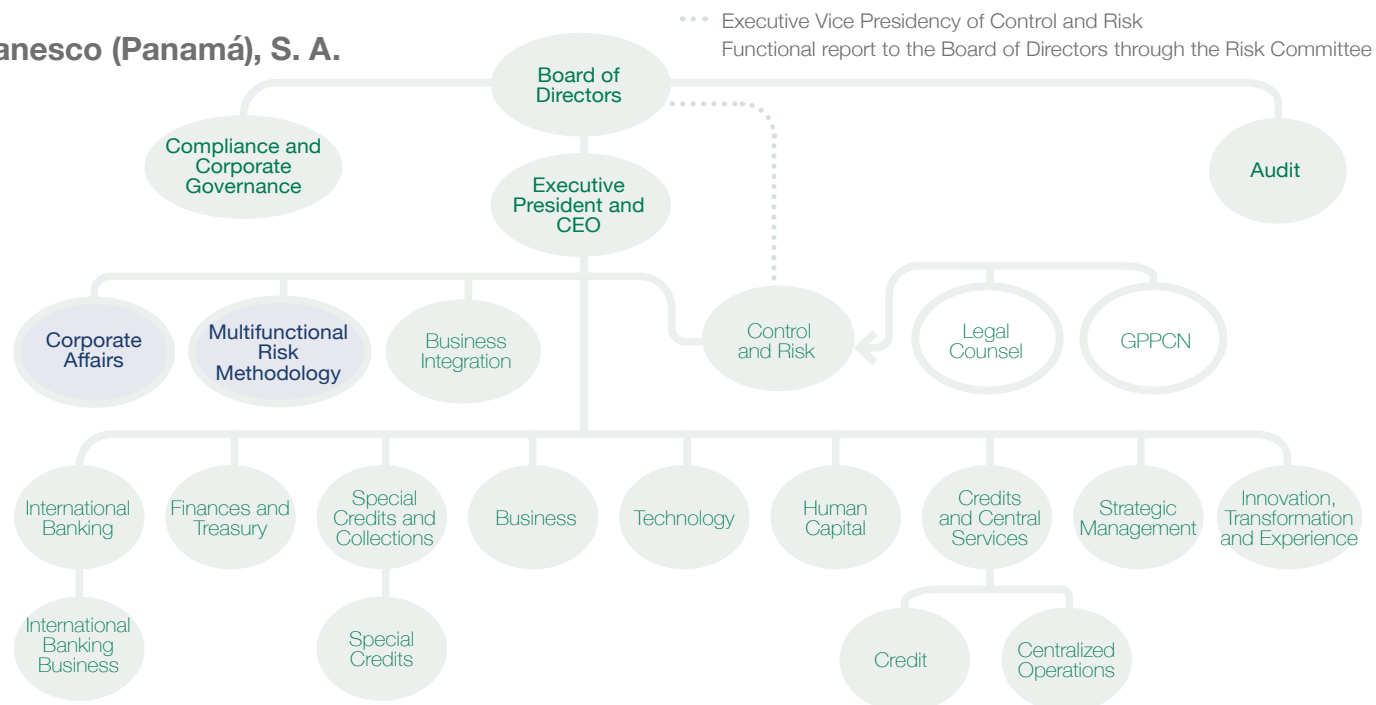
- Executive Vice Presidency of Finance and Treasury
- Executive Vice Presidency of Business Banking
- Executive Vice Presidency of Credit and Central Services
- Executive Vice Presidency of International Banking
- Executive Vice Presidency of Special Credits and Collections

Environmental issues

- Executive Vice Presidency of Control and Risk
- Vice Presidency of Compliance and Corporate Governance
- Vice Presidency of Strategic Management

Social affairs

- Vice Presidency of Human Capital
- Corporate Affairs Management



Corporate Policies

In 2019, the Cybersecurity Policy was incorporated into the Corporate Policies * approved by the Board of Directors on sustainability. The Cybersecurity Policy and the following are maintained:



Anti-corruption: establishes guidelines that direct the bank's conduct in situations that may represent acts of corruption, both internal and external, and also manage their prevention.



Transparency: establishes guidelines based on the timely management of transparency in accordance with the best Corporate Governance practices.



Environmental and Social Management: ensures the sustainable performance of the bank and its subsidiaries, based on the integration of environmental and social dimensions in their strategy.



Reputational Management: establishes guidelines for the administration and management of the reputational management of the bank and its subsidiaries under the highest standards, both internally and externally of the organization and in relations with its interest groups (stakeholders).



Cybersecurity: establishes general guidelines that serve as a reference framework for the management of cybersecurity matters; and that in turn allow to prevent or mitigate the possible events that arise. It is aligned with the strategy and business objectives that seek to protect clients and third parties that interact in the Group's environment, taking best practices.

* Check out the content of our Corporate Policies on our website www.banesco.com.pa or [click here](#)

Our Economic Performance

(GRI 201-1, 102-15)

Soundness and Financial Solvency

In 2019, although our profitability decreased as a result of an increasing provisions strategy, we maintained structural indicators such as net interest margin (3.5%), high liquidity (44.4%), efficiency (61.5%), recurrence of commissions (33.5%) and capital adequacy greater than 13%, which positions us at very competitive place in relation to our peers.

Among the results of our economic performance in 2019, the following stand out:

| | 2018 | 2019 |
|----------------|---------------|---------------|
| ► Net Income | 31,000,958 | 25,131,258 |
| ► Total Assets | 4,195,490,515 | 4,254,344,680 |
| ► Equity | 404,086,043 | 434,494,930 |
| ► Deposits | 3,495,364,968 | 3,394,506,265 |
| ► Net Loans | 2,788,189,463 | 2,907,128,745 |

Cifras en dólares americanos (USD)

FitchRatings

Increase

Investment grade to Banesco
(Panamá), S.A.

Long-Term Ratings
BBB+ (PAN)

Outlook
Estable

Fitch Ratings indicates that the increase is supported by improvements in our funding and liquidity profile, the higher proportion of liquid assets with high credit quality, including investment grade securities, and an increase in local deposits with a higher proportion of term deposits. Likewise, the rating given to Banesco is highly influenced by the development of its franchise and business model in Panama.

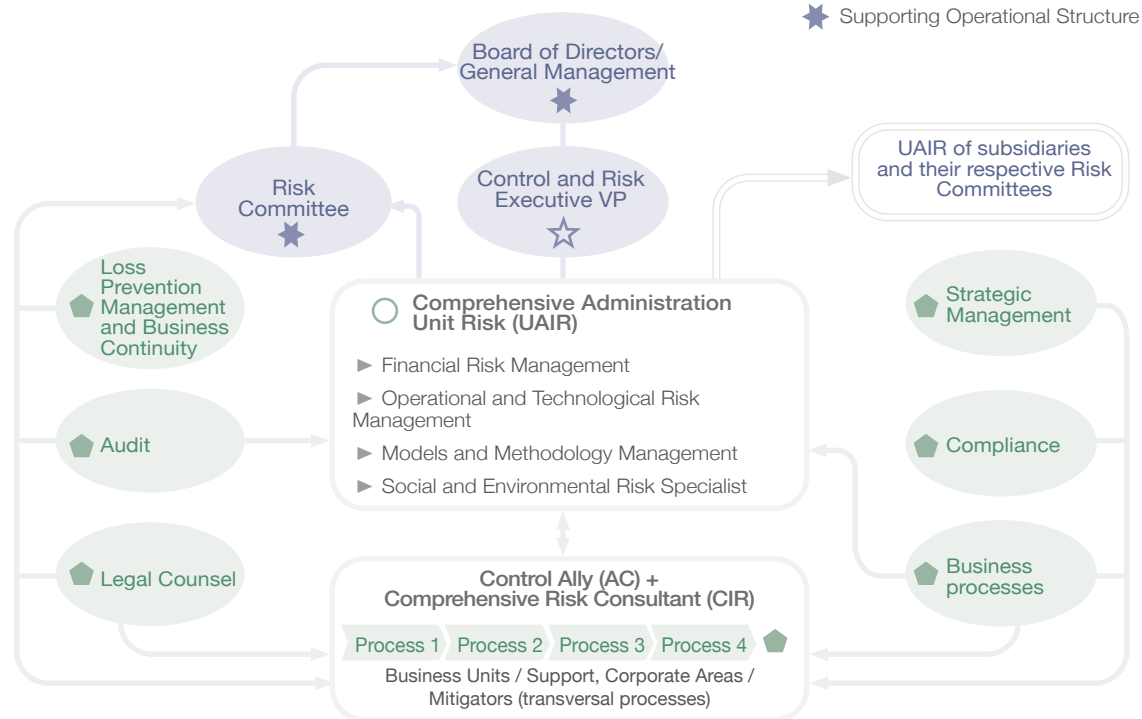
It also points out that “Banesco has a universal banking approach with a growing inclination towards retail banking, while the corporate segment still represents the main component of the loan portfolio. It stands out for its extensive and well-positioned service infrastructure to achieve its strategic objectives. The bank has a competitive advantage in terms of acquisition costs due to its high quality of clients who seek to protect their capital.” In Fitch’s opinion, the bank’s profitability continues to be supported by a net interest margin above the Panamanian banking standard and stable operating efficiency. Banesco maintains stable capitalization metrics, favored by the lower growth in total operations and the non-payment of common dividends.

For more details, you can check out our [Consolidated Financial Statements for Banesco \(Panamá\), S.A.](#) as well as the full [report of Fitch Ratings](#).

Comprehensive Risk Management at All Levels

We have established a Comprehensive Risk Management system, laying the foundations for the incorporation of the Risk Management Culture within the organization, framed within the functions of the Comprehensive Risk Management Unit, which constitutes the management of the different risk types. In this way, risk management at Banesco Panama evolves towards a comprehensive analysis framework that involves both the assessment of Financial and Non-Financial Risks.

The Risk Culture Plan enhances the functional framework that has been designed to carry out Risk Management and can be summarized in the following diagram:



As leaders in banking and insurance services, we comprehensively control and manage the different types of risks to which we are exposed to in the development of our activities through rigorous procedures. Banesco's risk methodology is based on international best practices (Basel, ISO, AIRM, RIMS), but no standard is used as such. We are governed by the provisions of the regulatory entities, including the regulations established by the Superintendency of Banks of Panama and the Superintendency of Insurance and Reinsurance of Panama, as well as the best market practices.

For this, we have comprehensive risk policies that include, among others, the following aspects:



The Comprehensive Risk Management Unit which is responsible for the proper implementation of the Risk Management framework in the organization, including presenting to the Board of Directors, through the Risk Committee, the ideal structure for its management, appointing those responsible for risk management activities, as well as incident reporting.

The business units must identify and assess the inherent risks in all products, services, activities, processes and critical systems of the organization, in accordance with the established methodology. It is necessary to ensure that, before the release of new products, activities, processes and systems, the risk inherent in them is subject to adequate evaluation and approval procedures by the Risk Committee.



All employees have the responsibility of adequately managing the risks in their areas, which include reputational and legal risk, acting diligently and proactively in identifying risks and their control and mitigation strategies, generating alerts and timely informing higher authorities and the unit responsible for Comprehensive Risk Management.

Banesco (Panamá), SA and Subsidiaries have defined global limits for each of the types of risk inherent to the exercise of their financial activity, which are approved by the Risk Committee and ratified by the Board of Directors at Headquarters, who determine the organization's risk appetite. Every month, the Comprehensive Risk Management Unit follows up before the Risk Committee to monitor each risk to which the organization is exposed.

The main risks of the activity to monitor are:

1. **Market Risk:** It is based on the establishment of limits regarding permitted activities and risks to be assumed in terms of positions, results of potential losses, duration and concentration of losses on capital funds. 
2. **Credit Risk:** It is a decentralized concession system that combines individualized expert analysis with the use of sufficiently validated and supervised statistical systems and models in accordance with the policies established by the entity; continuously monitoring the quality of the portfolio. 

-  **3. Liquidity Risk:** Its control is focused on verifying the availability of sufficient liquid assets to face potential situations of liquidity tension and the daily monitoring of the liquidity position, through indicators, alerts and stress analysis.
-  **4. Interest Risk:** to control it, models are used to establish limits and determine the sensitivity of the financial margin to variations in the interest rate..
-  **5. Exchange Risk:** it is based on the analysis of potential losses for the most relevant net foreign currency positions, to control the risk that arises on financial assets and liabilities..
-  **6. Technological risk:** identifies and proactively manages the risks that arise throughout the technological platform to support the entity's activities and businesses..

-  **7. Risk of money laundering:** financing of terrorism and the proliferation of weapons of mass destruction: prevent the institution from being used, intentionally or not, for criminal purposes, applying the model of the three lines of defense established by Basel, the 40 FATF recommendations and the comprehensive application of the regulations of each of the countries where it is present. The necessary Corporate Governance instances have been established according to the issues related to Prevention of BC / FT / PADM and respective Compliance Units for the correct application of said regulations.
-  **8. Environmental and Social Risk:** is based on anticipating possible adverse environmental and social impacts, ensuring that these negative impacts are avoided or minimized as much as possible, while stimulating positive impacts.

Our Management in Social Responsibility

In our sustainability management, we adhere to the concept of the ISO 26000 Standard: "It is the responsibility of an organization, in the face of the impacts that its decisions and activities cause on society and the environment." Hence, our central focus is to generate conditions for inclusion, with the aim of promoting a culture that contributes to the creation of social, cultural, economic and environmental values from within, in a sustainable way for employees, clients, shareholders, suppliers and communities in which we operate.

In terms of investment in social responsibility, we work through four lines of action:

Environment: environmental conservation is one of our pillars, framed in the Planet sphere of the SDGs and taking as a reference the principles established in the framework of the United Nations Global Compact (UN Global Compact).

Culture: in the genesis of our organization is the certainty that culture is the best tool for social integration and interaction. Any cultural



manifestation is inclusive, because it is freely appreciated.

Education: for Banesco Internacional, support for education is a priority that is present in each of the countries where we have operations. No condition is more necessary for personal development, social mobility and guarantee of sustainability than education.

Entrepreneurship: Banesco is the product of entrepreneurship, it is in our DNA to promote an entrepreneurial culture because we know that it is the right way.

Relationship with our Stakeholders

(GRI 102-40, 42, 43, 44)

Banesco Panama creates lasting relationships, generates strategic alliances and maintains a constant dialogue with its stakeholders. Based on the analysis of the sector in Panama in 2018, which remains current, we identify and define our stakeholders according to their level of participation and influence. The following graph shows these stakeholders and their key concerns conveyed, as well as the main communication channels with the company:

| Interest Groups | Key Concerns | Participation of stakeholders, channels of dialogue and frequency (*) |
|-----------------------------------|---|--|
| Shareholders | Sustainable profitability | <ul style="list-style-type: none">• Telephone, intranet, website, email, Banesco News• WhatsApp, online banking (BanescOnline)• Reporting channels (internal and external)• Committees, boards, meetings• Meetings, forums, fairs and sales expo• Customer surveys (annually)• Performance evaluation (annually)• Press, direct and indirect advertising• Social networks: Facebook, Twitter, Instagram, YouTube, LinkedIn• Reports and reports (monthly, quarterly, yearly)• Training• Banesco Blog "With you today" (www.contigohoy.com)• Free hotline 800-1300• Email: sgas@banesco.com• Financial information (quarterly, annually)• Sustainability Report (annually) <p>(*) The frequency is permanent, except where periodicity is otherwise indicated in brackets.</p> |
| Employees | Well-being, quality of working life | |
| Customers | Quality of products and services | |
| Banesco Entrepreneurs | Timely attention to inquiries, complaints or claims | |
| Regulatory Bodies/ Authorities | Legal Authorities or compliance | |
| Suppliers | Sustainable partnership | |
| Social Partners, NGO | | |
| Communities where we operate | Socially Responsible Management | |
| Society | | |

Materiality Analysis

(GRI 102-46)

Materiality focuses on analyzing the business and its impacts, focusing attention on the most important issues for sustainable development. The first materiality exercise produced in Banesco was in 2017 and a consultation was held with our most outstanding stakeholders: Social Partners and the participants of our Banesco Entrepreneurs training program, Ampyme, Cervecería Nacional ("Responsible Business" program for training suppliers' agreement) and with clients of Banesco Community Banking. Similarly, information was collected from different exercises carried out with our internal stakeholders. In 2018, the materiality analysis took place through a comprehensive process that started from the identification,

prioritization and validation of the most relevant SDGs for Banesco and its stakeholders, which was reported in the 2018 Sustainability Report. The process continued in force in 2019, since the materiality was validated by the Board of Directors, with CEPE's quarterly monitoring; which allows the current structure to be used to define the contents of the Report and its coverage.

As of the exercise carried out in 2018, the material issues for the organization were reported, which were endorsed for their validity in 2019 by Mazars (a Spanish auditing firm, in charge verifying the Report of the Non-Financial Statements of the Group), having as a reference **KPMG's validation in 2018**.

The prioritized topics included in the Report and in the

management strategy were validated with the Executive Committee and approved by the Executive Chairman and CEO. Subsequently, they were presented to the KPMG firm for external verification.

Banesco has had as a structural axis of its management the orientation framed in the SDGs. It and its results are presented in this report.

The following steps were followed:

1. Identification. SDG Material based on:

- Sustainability strategy and investment lines of Banesco (Panamá), S.A.'s social responsibility. Investment priorities are based on selected

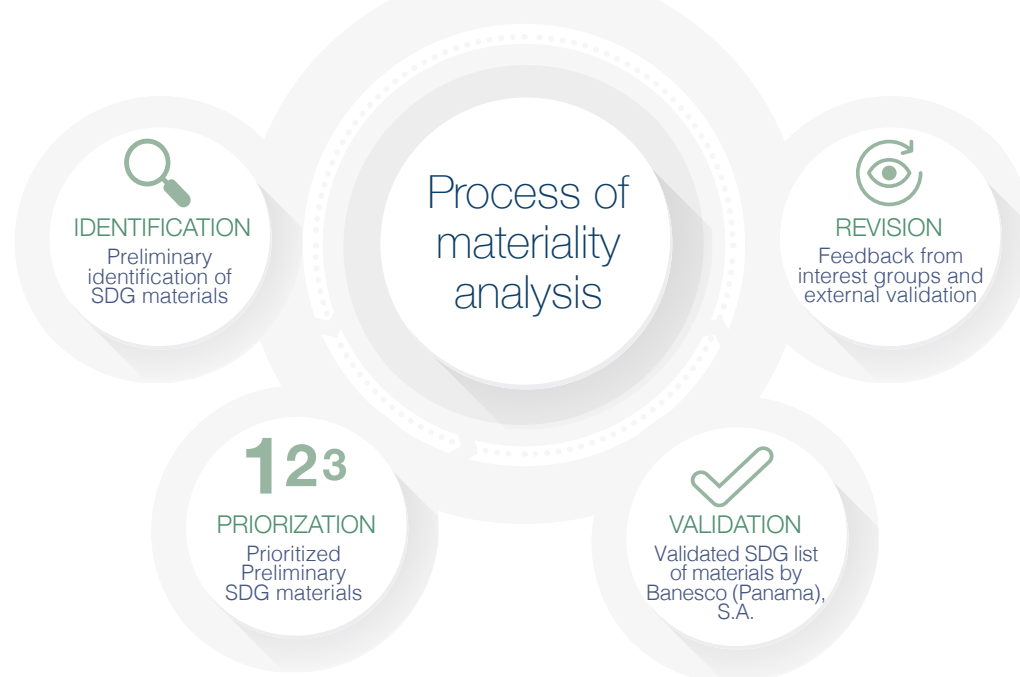
social programs or initiatives where Banesco focuses on environment, culture, education and entrepreneurship.

- Information collected from identified stakeholders.
- Sustainable Development Goals, State Vision 2030 of the National Strategic Plan.
- 2018 Sustainability Report and KPMG's 2018 Report on verified findings and suggestions. The ISO 26000 Standard was taken as a reference: 2010, Social Responsibility Guide and other recognized instruments, such as the SDG Compass, which provides guidance to companies on how to align their strategies, measure and manage their contribution to the SDGs.

2. Prioritization. In this process, the SDGs and their related matters are prioritized, assessing the SDGs according to the strategic importance to the bank based on its mission, vision, values, policies, strategies, management system and the relevance for its stakeholders as result of the analysis of their concerns and perspectives.

3. Validation. The prioritized topics included in the Report and in the management strategy were validated with the Executive Committee and approved by the Executive Chairman and CEO. Subsequently, they were verified by Banesco Panama's the Vice Presidency of Audit.

4. Review. We received feedback from the different units and from our stakeholders. Additionally, we incorporated improvements as a result of the reported findings and suggestions in KPMG's verified 2018 Report.



The result of the materiality analysis based on the SDGs, is presented in the following matrix:



Alignment with the Global Sustainability Strategy

(GRI 102-47, 103-1)

In the following diagram we detail the link of the material GRI indicators with the SDGs and the Principles of the Global Compact. This relationship has been

established taking as a reference the **SDG Compass** online tool and other recognized sources, including Global Compact guides, with the objective of comparatively showing each issues' relevance vis-à-vis our stakeholders.

| Importance of the topic for Banesco | GRI Standar | SDG | Global Compact Principle | Shareholder | Employees | Customers | Communities | Suppliers | Environment | Relationship |
|--|--|-------------|--------------------------|-------------|-----------|-----------|-------------|-----------|-------------|--|
| ECONOMIC | | | | | | | | | | |
| Profitability and stability are essential to build socially responsible economies. We contribute to the communities with a participatory budget model. | Economic performance 201-1 Direct economic value generated and distributed. | 1, 5, 8, 10 | 1, 2, 10 | ✓ | ✓ | ✓ | ✓ | ✓ | | Direct relationship with our activities. |
| We promote social impact projects in the communities where we operate, linked to the areas of action of our CSR management and the material SDGs applicable to our business. | Product Portfolio FS 6 Percentage of the portfolio for business lines by specific region, size (e.g. micro/ SME/ large) and by sector. | 1, 2 | 1, 2 | ✓ | | ✓ | ✓ | | | |
| We seek the financial inclusion of the non-banking sectors and in popular areas. | Community FS13 Access points in low-populated or economically disadvantaged areas by type. FS14 Initiatives to improve access to financial services for disadvantaged people. | 1 | 1, 2 | ✓ | | ✓ | ✓ | | | |
| Hiring local staff contributes to the strengthening and development of the country. | Presence in the market 202-2 Proportion of senior management hired from the local community. | 8 | 1,2,10 | ✓ | ✓ | | ✓ | | | |
| Supporting micro entrepreneurs through access to financial services, contributes to development. | Indirect economic impacts 203-1 Infrastructure investments and services supported. | 2,9 | 1,2,10 | ✓ | | ✓ | ✓ | | | |

| Importance of the topic for Banesco | GRI Standar | SDG | Global Compact Principle | Shareholder | Employees | Customers | Communities | Suppliers | Environment | Relationship |
|---|---|-----|--------------------------|-------------|-----------|-----------|-------------|-----------|-------------|--|
| The criteria for acquisitions must be aligned with our sustainability strategy. | Acquisition practices 204-1 Proportion of spending on local suppliers. | 8 | 1,2,10 | ✓ | | | ✓ | ✓ | | |
| We manage the risks associated with the prevention of corruption, bribery and money laundering to prevent our institution from being used, intentionally or not, for criminal purposes. | Anti-corruption 205-2 Communication and training about anti-corruption policies and procedures. 205-3 Confirmed incidents of corruption and actions taken. | 16 | 10 | ✓ | ✓ | ✓ | ✓ | | | Direct relationship with our activities |
| ENVIRONMENTAL | | | | | | | | | | |
| The consumption of energy in our operations is significant due to the nature of the activities we carry out. | Energy 302-1 Energy consumption within the organization. | 12 | 7,8,9 | ✓ | | | ✓ | | | Direct relationship with our activities |
| The savings in water consumption have been included as one of the key points to fulfill our commitment as a responsible company. | Water 303-1 Interactions with water as a shared resource. | 12 | 7,8,9 | ✓ | ✓ | | | | ✓ | |
| Our ESMS contemplates the analysis of our financing in biodiversity. | Biodiversity 304-2 Significant impacts of activities, products, and services on biodiversity. | 12 | 7,8,9 | ✓ | ✓ | | | | ✓ | Direct relationship with our activities, and indirect through financing and associations |
| In order to carry out the fight against climate change, it is our interest to measure the GHG emissions related to our energy consumption and fossil fuels. | Emissions 305-1 Direct (Scope 1) GHG emissions. | 13 | 7,8,9 | ✓ | ✓ | | ✓ | | ✓ | |
| | 305-2 Energy indirect (Scope 2) GHG emissions. | 13 | 7,8,9 | ✓ | ✓ | | ✓ | | ✓ | |
| We encourage the adequate management (donations) of discarded computing equipment in good condition. | Effluents and waste 306-2 Waste by type and disposal method. | 12 | 7,8,9 | ✓ | ✓ | | ✓ | | ✓ | |

| Importance of the topic for Banesco | GRI Standar | SDG | Global Compact Principle | Shareholder | Employees | Customers | Communities | Suppliers | Environment | Relationship |
|--|--|-----|--------------------------|-------------|-----------|-----------|-------------|-----------|-------------|--|
| As part of our Corporate Environmental and Social Management Policy, we ensure good performance in the management of the risks associated with these matters. | Environmental Compliance 307-1 Non-compliance with environmental laws and regulations. | 12 | 7,8,9 | ✓ | | | ✓ | | ✓ | Direct relationship with our activities, and indirect through financing and associations |
| We expect our suppliers to respect the environmental legislation applicable to their activities, products or services, and that they follow best practices to operate in an environmentally and socially responsible manner. | Suppliers Environmental Compliance 308-1 New suppliers were screened for evaluation and selection using environmental criteria. | 13 | 7,8,9 | ✓ | ✓ | | | ✓ | ✓ | |
| SOCIAL | | | | | | | | | | |
| We value the generation of direct and indirect jobs with decent wages according to the national reality. | Employment 401-1 New employee hires and employee turnover. 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees. 401-3 Parental leave. | 3,8 | 4 | ✓ | ✓ | | | | | Direct relationship with our activities |
| Human talent is the most valuable resource. We promote a culture of well-being focused on healthy lifestyles and an efficient management in occupational health and safety. | Health and Safety at Work 403-2 Hazard identification, risk assessment, and incident investigation. | 3 | 1,2, 4 | ✓ | ✓ | | | ✓ | | |

| Importance of the topic for Banesco | GRI Standar | SDG | Global Compact Principle | Shareholder | Employees | Customers | Communities | Suppliers | Environment | Relationship |
|--|--|-----|--------------------------|-------------|-----------|-----------|-------------|-----------|-------------|--|
| The education, training and capacity building of personnel is a key success factor. | Product Portfolio | | | | | | | | | |
| | FS4 Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines. | 12 | 6 | | | | | | | |
| | Capacity and Development | | | | | | | | | |
| | 404-1 Average hours of training per year per employee. | | | ✓ | ✓ | | | | | |
| | 404-2 Programs for upgrading employee skills and transition assistance programs. | 4,9 | 5 | | | | | | | Direct relationship with our activities |
| | 404-3 Percentage of employees receiving regular performance and career development reviews. | | | | | | | | | |
| | Diversity and equal opportunities | | | | | | | | | |
| We seek balance in terms of gender and age in the different levels of the organization. | 405-1 The Make up of governing bodies and breakdown of the workforce by category: professional, sex, age, minority group affiliation and other diversity indicators. | 5 | 6 | ✓ | ✓ | | | | | |
| | No discrimination | | | | | | | | | |
| Our ESMS for operations and finances includes the evaluation of human rights emphasizing in its exclusion list and in the evaluation criteria, the fundamental labor rights. We are signatories of the United Nations Global Compact, we have incorporated these principles into the bank's management model. | 406-1 Incidents of discrimination and corrective actions taken. | 5 | 6 | ✓ | ✓ | | ✓ | | | Direct relationship with our activities, and indirect through financing and associations |
| | | | | | | | | | | |

| Importance of the topic for Banesco | GRI Standar | SDG | Global Compact Principle | Shareholder | Employees | Customers | Communities | Suppliers | Environment | Relationship |
|---|--|-------------|--------------------------|-------------|-----------|-----------|-------------|-----------|-------------|---|
| Our ESMS for operations and finances includes the evaluation of human rights emphasizing in its exclusion list and in the evaluation criteria, the fundamental labor rights. We are signatories of the United Nations Global Compact, we have incorporated these principles into the bank's management model. | Freedom of association and collective bargaining 407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk. | 12 | 3 | ✓ | ✓ | ✓ | | ✓ | | Direct relationship with our activities, and indirect through financing and associations. |
| | Child labor 408-1 Operations and suppliers with significant risk of cases of child labor. | 12 | 5 | ✓ | ✓ | ✓ | ✓ | ✓ | | |
| | Forced or compulsory labor 409-1 Operations and suppliers with significant risk of cases of child labor. | 12 | 4 | ✓ | ✓ | ✓ | ✓ | ✓ | | |
| | Rights of indigenous peoples 411-1 Cases of violations of the rights of indigenous peoples. | 12 | 1, 2 | | | | | | | |
| | Evaluation of human rights 412-1 Operations that have been subject to human rights reviews or impact assessments. | 13 | 1, 2 | ✓ | ✓ | ✓ | ✓ | ✓ | | |
| | | | | | | | | | | |
| We contribute with initiatives and programs in environment, culture, education and entrepreneurship. | Local communities 413-1 Operations with local community engagement, impact assessments, and development programs. | 1, 4, 8, 10 | 1, 2 | ✓ | | | ✓ | | | Direct relationship with our activities, and indirect through financing and associations. |
| Reliability is a value of Banesco Citizen. | Labeling of Products and Services FS16 Initiatives to enhance financial literacy by type of beneficiary. | 4, 8 | 1, 2, 10 | | ✓ | ✓ | ✓ | | | Direct relationship with our activities |
| | Customer privacy 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data. | 16 | 1, 2 | ✓ | ✓ | ✓ | | | | |

| Importance of the topic for Banesco | GRI Standar | SDG | Global Compact Principle | Shareholder | Employees | Customers | Communities | Suppliers | Environment | Relationship |
|---|---|------|--------------------------|-------------|-----------|-----------|-------------|-----------|-------------|---|
| Our management and decision-making model contemplate compliance with legal requirements, assumed obligations and ethical principles accepted voluntarily. | Socioeconomic compliance 419-1 Non-compliance with laws and regulations in the social and economic area. | 16 | 1, 2, 10 | ✓ | ✓ | ✓ | ✓ | | | |
| The ESMS incorporates policies / procedures in social and environmental matters. | Product Portfolio FS1 Policies with specific environmental and social components applied to business lines. FS2 Procedures for assessing and screening environmental and social risks in business lines. FS7 Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose. | 3,12 | 1, 2, 10 | ✓ | ✓ | ✓ | ✓ | | | Direct relationship with our activities, and indirect through financing and associations. |
| The ESMS incorporates policies / procedures in social and environmental matters. | Audit FS9 Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures. | 12 | 1, 2, 4, 5, 7, 10 | ✓ | ✓ | ✓ | ✓ | | | |
| Estamos atentos a promover nuestros productos y servicios y asesoramiento de un modo justo y razonable. | Labeling of Products and Services FS15 Policies for the fair design and sale of financial products and services. | 16 | 1, 2, 10 | ✓ | ✓ | ✓ | | | | |

Our performance: Contribution to Sustainable Development Aligned to the SDGs

(GRI 103-1, 2, 3)



Committed to ending poverty

We promote the financial inclusion of unbanked sectors and in popular areas, through our Community Banking and the incentive for SMEs, thus expanding the opportunities for entrepreneurs and micro-entrepreneurs, who generate jobs and in turn drive the country's economic growth. We are committed to creating opportunities small productive units and less favored sectors of the population with banking products that generate income and positively impact their living conditions.

Financial inclusion through our Community Banking

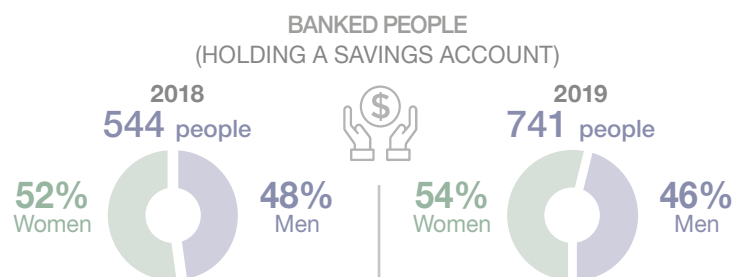
(GRI FS13, FS14)

The purpose of Banesco Community Banking is to promote banking access by accompanying the microentrepreneur in the development of their ongoing business, in addition to promoting its formalization, through assessments, orientation, training and guidance from the team of advisors in charge of visiting and getting to know their needs, to give an effective course to the requirements of their businesses and provide the conditions to expand their products and services.

Banesco Community Banking Figures

ACTIVE BALANCE IN SAVINGS ACCOUNTS

| | | |
|----------------------|---|------------------|
| 2018 |  | 2019 |
| USD 308,906 M | | USD 369 M |



PEOPLE RECEIVED CREDIT

2018

295 People



2019

253 People

PEOPLE WITH ACTIVE CREDIT

508

ACTIVE CREDIT BALANCE

USD **1,056 M**

1 NO POVERTY



Current composition of # credits granted by branch

| LOS ANDES | LOS PUEBLOS | CHORRERA | SANTIAGO /CHITRÉ | DAVID | OTHERS |
|------------|-------------|-----------|------------------|------------|-----------|
| 121 | 59 | 63 | 115 | 120 | 30 |

The following areas are served by our Community Banking advisers:

PANAMA CITY

24 Diciembre
Alcalde Díaz
Bethania
Calidonia
Chilibre
Don Bosco
Juan Díaz
Las Cumbres
Las Mañanitas
Pedregal
Pueblo Nuevo
San Miguelito
Tocumen
Río Abajo

LA CHORRERA

Arraiján Cabecera
Burunga
Nuevo Chorrillo
Vista Alegre
Valle Hermoso
Centro de Chorrera
Guadalupe
El Coco
La Mitra
El Espino
Puerto Caimito
Cerro Silvestre
Capira
Bejuco
Gorgona
Coronado

SANTIAGO

Atalaya
San Antonio
La Colorada
Los Algarrobos
Cañazas
Montijo
Santa Fe
Soná
San Francisco

CHITRÉ

Ocú
La Arena
Monagrillo
Las Tablas
Villa de los Santos
Guararé
Agua Dulce
Divisa

DAVID

Dolega
Dival
Puerto Armuelles
Boquete
Cerro Punta
Pedregal

COLÓN

El 20
San Juan
Gatuncillo
Limón
Sabanitas
Buena Vista
Cristóbal
Salamanca

Investments in the community

(GRI 201-1, 413-1)

Our investment in CSR includes contributions to charities or NGOs, funds to support community infrastructure, and direct costs of social programs, such as cultural and training events.



The year 2019 was key for Panama because it was the 500th anniversary of the Foundation of Panama City. This milestone was vital to promote everything related to the diversity and universality of Panama as a hub. To this end, the CSR budget was increased to heighten the importance of Panama's culture. For this reason, we created the Banesco Panama Editorial Fund, to honor and showcase the work of nationals and foreigners who help forge the country, with the book **"Panama: faces that dream up the city"**, We also sponsored the audiovisual series **"Routes and colors of Panama"**, masterfully prepared by Artacruz and we

accepted with great honor Banesco's nomination to join the National Theater's Board of Trustees.

The criteria for the selection of CSR foundations and beneficiary organizations consider the analysis of their alignment with the investment lines approved by the General Management and the Executive Direction. Once there is evidence that the program / event / talk / activity is aligned with CSR management, it is submitted for approval and evaluation for sponsorships and donations. The initiatives and beneficiaries selected by line of action during 2019 were:



Small and Medium-sized Enterprises (SME) Incentive

(GRI FS6)

We assume the commitment to apply first level, internationally accepted standards both for our own operations and those of our clients, as well as to support the analysis of environmental and social risks to the credits requested by SMEs, which ensures that the operations financed by the bank and the operational activities for its own operation are environmentally and socially sustainable.

In 2019, the growth of the Active Portfolio was the focus of the Commercial and SME segments through the creation of an agile process, as well as the review of the flows and the credit policies for segment products. The same approach was taken with Liabilities, focusing on prospecting for new clients and the current portfolio, which would result in Asset growth. The sales of products that generate Liabilities (POS); as well as others (credit cards). By the end of December, we began promoting financing the Women's SME Program (Pyne Mujer).

The value of the SME portfolio as a percentage of the total or as a total monetary value, based on the assets listed on the balance sheet is USD119,377,787.

SME Assets and Liabilities 2019

Composition by product type (in millions of USD)



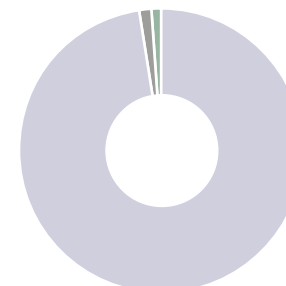
Assets

| | |
|------------------|----------------|
| ► Comercial (*) | 116,719,754.72 |
| ► Comercial Auto | 1,533,632.55 |
| ► Overdraft | 1,124,399.55 |

Total

119,377,787

*A commercial loan consists of the following products: Commercial and equipment, commercial mortgage, line of credit and SME express.



Account Type

| | |
|------------|------------|
| ► Checking | 60,905,115 |
| ► Savings | 30,114,308 |
| ► Deposit | 58,539,238 |

Total

149,558,661



Committed to zero hunger

Promotion of Agriculture

(GRI FS6)

Banesco's objective is to support the agricultural sector not only in the financing of its activities but also with the accompaniment and supervision of investment plans, in which advisory work is carried out to clients, favoring national production and generation of direct and indirect jobs.

From a process and standards point of view, we have the appropriate technical profiles for the management of this particular economic sector, which requires specialized supervision that we manage through an agricultural technical team; said management has adequate segregation of functions to guarantee that the financing sale process is detached from the advice and supervision required by our clients.

Our product offering



- Subsidized agricultural loans
- Agricultural loans with traditional subsidies
- Unsubsidized agricultural loans









This specialized service is offered in six branches: David, Santiago, Chitré, Penonomé, La Chorrera and La Doña.

Agricultural Banking reported a total portfolio of USD74,380,745.11. The same is divided into non-rotating lines for an amount of UDS 63,939,395.11 and rotating lines for USD10,441,350.00. At the end of December 2019, it represents 2.5% of the total Banesco Panama loan portfolio.

The value of the portfolio for each business line as a percentage of the total or as a value total monetary, we reflect it in the following table

2 ZERO HUNGER



| ACTIVITIES | DEC-31ST- 19 | % | |
|---|----------------------|--------|-------------|
|  Rice | 2,316,132.68 | 3.11% | <div></div> |
|  Poultry farming | 14,832,474.43 | 19.94% | <div></div> |
|  Beef cattle | 44,606,698.35 | 59.97% | <div></div> |
|  Coffee | 1,775,657.00 | 2.39% | <div></div> |
|  Corn | 1,546,509.02 | 2.08% | <div></div> |
|  Other crops | 1,840,753.63 | 2.47% | <div></div> |
|  Pig farming | 2,351,222.81 | 3.16% | <div></div> |
|  Tomato | 3,641,385.28 | 4.90% | <div></div> |
| Other items | 1,469,911.91 | 1.98% | <div></div> |
| TOTAL | 74,380,745.11 | | |

An essential element to project approval is the environmental impact study request, especially those that involve sewage treatment due to the activity itself (poultry, pigs, etc.).

Financing is given only at the national level, ruling out restricted areas (counties, protected areas, national parks) and places with little accessibility.

Committed to good health and well-being

3 GOOD HEALTH AND WELL-BEING



The way to contribute to improving the quality of life of our people is to promote, foster and implement comprehensive programs and plans for the enjoyment and well-being of all employees and their families.

Well-being of our employees

(GRI 401-2, 3, 403-2, 9)

Human capital is the most valuable resource for Banesco Internacional, which is why an efficient management of occupational health and safety are ensured and a culture of well-being is promoted, focused on healthy lifestyles.

During 2019, the actions focused on:

Health management

Among the benefits granted to employees is life and health insurance, which covers 1,263 employees. In 2019, 94 of them benefited from bonuses - financial support - of emergency advance.

Additionally, training in emergency response and simulation was carried out in branches of David, Chitré, Santiago, Penonomé and Coronado. A workshop on correct hand washing also took place in our call center and a course on the use of fire extinguishers in Panama City.

The medical care of our collaborators continues in operation through the clinic. During 2019, three (3) screenings were carried out in coordination with Palig (two in Torre Banesco, call center and in provincial branches).

Wellness Activities

Health, sports and recreation activities are carried out for employees and their families:

| Activity | N° of participants |
|---|---|
| Drill and training in emergency management | Branch David 14 participants Santiago branch 11 participants Chitré Branch 13 participants Penonomé Branch 11 participants Coronado Branch 5 participants |
| Health and Safety at the workplacee | Course of correct use of fire extinguishers 13 brigade members Business medical clinic 1,755 people served Screenings carried out with the company PALIG 3 training days (two in Torre Banesco, call center and inland branches) |
| Sports | City Circuit (7 races) 30 per race Kilothon 44 Women's banking league 11 Bowling League 60 Internal Football League 180 (12 teams made up of 8 men and 4 women) |



Course on the use of fire extinguishers



Screening in Penonomé



Active breaks workshop



Women's Soccer League



Men's Soccer League



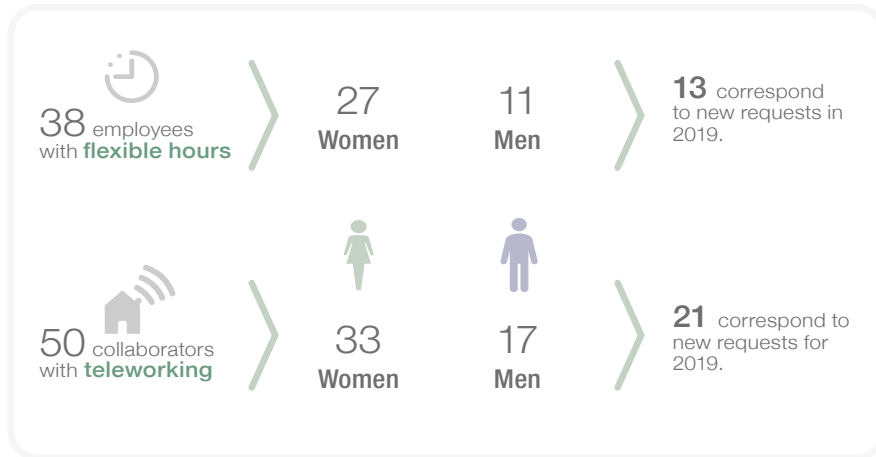
David Kilothon, 2019

- **Maternity and Parental Leave**

In 2019, as established by Panamanian legislation, 73 employees enjoyed maternity leave. In addition, promoting gender equality, 27 employees received the paternity bonus and 11 of them took advantage of the paternity leave that grants 5 days of paid leave.

- **Flexible Hours and Telecommuting Programs**

Working arrangements popularly known as Flexitime and Telework have been established, which allow employees to efficiently distribute their time and contribute to balancing work and family life. Depending on the requirements of their job profile, employees can fulfill their working hours under these modalities. For 2019, the benefited employees include:



- **Family Wellness at Banesco's Summer Camp**



We provided a week full of adventures at Veranito Banesco, with the participation of 90 children and a total of 40 hours in this activity, whose day was from 8:00 a.m. to 5:00 p.m. for 5 days. In addition, as every year, in July an activity was carried out to celebrate Children's Day with the participation of 472 people (between adults and infants) in the city and in the interior.

- **Wellness area "The Floor"**

We boast an entire section of the building called "El Piso" (The Floor), a flexible space with a unique concept where employees can gather during their work hours. They can take their computers there and work while interacting with other associates, take a break and relax a little, play at the pool table or meet for strategic sessions



El Piso (The Floor relaxation and work area)

- **Study grants**

In 2019, school scholarships were awarded that benefited 41 children of employees, of which 22 were for the primary level and 19 for the secondary level.



Scholarship Awards

- **Lactation room**

We keep our agreement with AVENT, who supports us in the lactation room, in order to maintain adequate improvements to cover the breastfeeding needs of newborns in the care of their mothers, harmonizing our employees' work and family life. In 2019, we had 24 women on maternity / breastfeeding leave and 11 of those mothers benefited from the use of the room.

- **Accident Registration and Analysis**

To preserve the health, safety and occupational hygiene of all our stakeholders, we have a policy that guides and processes that establish our management in order to identify, control and mitigate all risks and create a safe work culture.

Below is a breakdown of the number of registered work accidents, broken down by sex:

| Accident | Women | Men |
|----------------------------------|-------|-----|
| ► Work accidents with sick leave | 2 | 1 |

No occupational illnesses have been registered in 2019.

To calculate accident rates, an approximation has been made, taking into account the annual hours per worker (1,792 hours / year) and the workforce at closing. Days of work lost have been counted according to gender. The following table shows the frequency and severity rates broken down by gender:



* Frequency rate: number of work accidents with sick leave / number of hours worked * 1,000,000.

** Severity index: number of days lost / number of hours worked * 1,000.

The number of hours of absenteeism due to common contingency is 20,566 and due to work accidents 368.

Our Banesco Family Supports Pro Niños de Darién

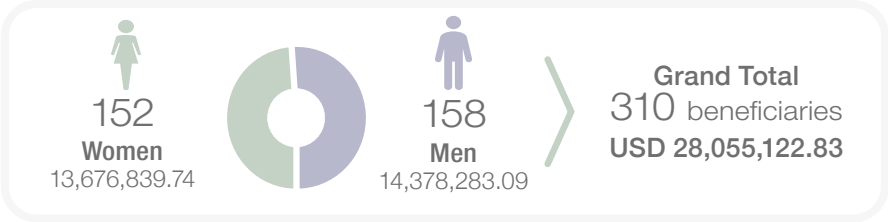
We participated in the “Blue Friday” activity, whose purpose was to support the nutrition and health program of the Pro Niños de Darién Foundation and continue with our motto of equality. That day, we dressed in blue and a voluntary contribution of USD1.00 was given. A total of USD1,291.45 was collected and used to purchase Intrafer (iron) supplement tablets to boost the health of 2,580 boys and girls.



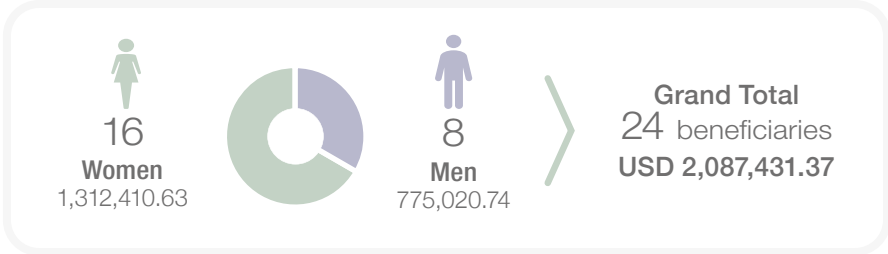
"Blue Friday" Activity by Pro Niños del Darién

Accessible Credit Plans for Home Purchasing with Preferential Interests

We have granted credit and easy payment plans for the acquisition of the main home, back by the Mandatory Housing Savings Fund (FAOV). In 2019, the beneficiaries list went up to 310 clients for a total of USD28,055,122.83, broken down as follows:



Of these, 24 are employees received this benefit in the amount of USD2,087,431.37, as it appears in the following graph:



Committed to quality education

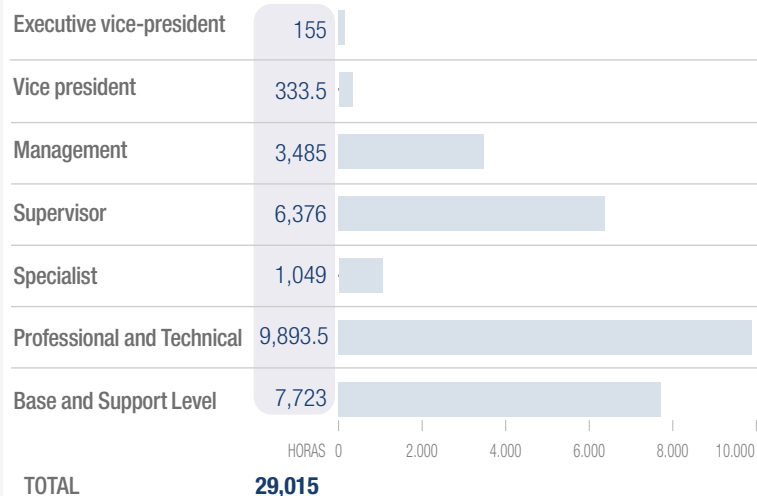
The definition of CSR for Banesco is based on understanding the environment in which it operates. One of the priority issues for Panama is quality in education, as a fundamental axis for the progress of any country. For this reason, within our social responsibility program, we form alliances to comprehensively address the challenges posed by a quality education, based on the goals established in SDG 4.

Training for our employees

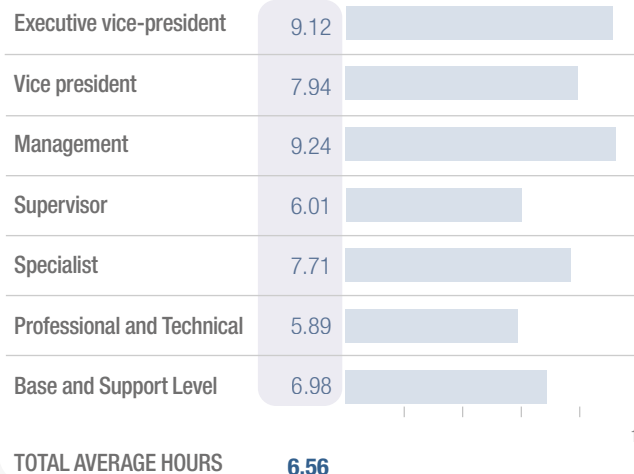
(GRI 404-1, 2, 3)

As a Group policy, the training of employees represents an essential aspect of fair work and a means to ensure productivity and competitiveness. Taking into consideration the needs of each of the business areas and their career plans. In 2019, our investment in training reached USD216,853.38, for a total of 29,015 hours of training.

Training hours by professional category



Average hours of training by job category



4 QUALITY EDUCATION



Average hours of training
Per employee
24.84



Average hours of training by gender



Regarding the training hours that are within our training program, they pointed directly to the strategy and development of the organization. They focused on four important themes:

| Topic | Cumulative Sum of Hours |
|------------------------------------|-------------------------|
| ► Strategic Training | 5,440.5 |
| ► Legal and Regulatory Training | 1,182 |
| ► Operative and Technical Training | 1,531.5 |
| ► Transformational Projects | 20,861 |
| Total amount | 29,015 |

- **Performance Evaluation**

We carried out the performance evaluation for the 2018 period to 1,166 employees, corresponding to 100% of active personnel with a minimum of three months within the organization. We have a variable remuneration program based on recognition schemes for our employees, based on the established goals.

Support for initiatives to benefit Panamanian education

(GRI 413-1)

During 2019, we reiterate our support for education, as the axis of action of Banesco Panama's sustainability strategy. These were the initiatives:



- **Foundation for the Promotion of Educational Excellence (FPPE).**

Whose purpose is to create conditions for the continuous improvement of public education. This foundation is the creator of the Contest for Educational Excellence (CNEE). The annual contribution for three consecutive years is USD140,000.00.



- **Robotics Olympics 2019.**

The event is organized by Fundesteam, a non-profit, national NGO, committed to the promotion and development of education in Science, Technology, Engineering, Arts and Mathematics (STEAM), aimed at children and young people through the support of innovative educational programs. Contribution of USD15,000.00.



- **Latin American Laboratory for Citizen Action (LLAC).**

First year as participants in this initiative organized by the United for Education Foundation, whose purpose is to train young leaders in the development and promotion of projects and / or communicational experiences of citizen advocacy. Donation of USD8,000.00.

- **Internship Program.**

Like every year, a professional internship program is implemented for students in careers related to administration, banking and finance, in order to provide a meaningful learning experience that eases their entry into the workforce. In 2019 we received 26 interns, 12 of which came from high schools, 10 from universities and 4 as voluntary interns.

Committed to gender equality

Gender equality continues to be a fundamental challenge. We know that the achievement of this goal will contribute decisively to progress on all goals and targets. In 2019 there were interesting milestones that allowed us to reinforce our commitment to this SDG.

Diversity and equal opportunities for our people

(GRI 102-8, 202-1, 405-1, 2, 406-1)

Banesco Panamá strives to maintain equality between women and men, favoring conditions so that gender does not pose an obstacle when it comes to accessing levels of decision or greater responsibility.

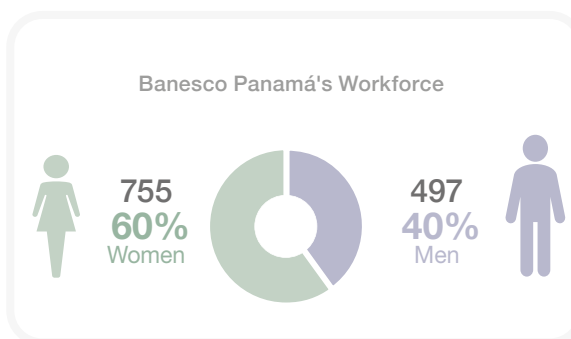
Since 2018 and at the invitation of the Ministry of Labor, we began with the evaluation process aligned with good practices, to adapt and improve certain aspects that made possible the favorable transformation in pursuit of gender equality in our organization. With the help of the United Nations Development Program (UNDP) and with the purpose of achieving the Gender Equality Seal, we received training and awareness-raising on gender and workplace harassment, among others, which extended during the 2019.

It should be noted that the Banesco Citizen Code of Ethics and Conduct establishes the equal treatment of all people, which implies a considerate and equitable behavior regardless of ethnic group, nationality, socioeconomic status, marital status, age, physical appearance, disability, political affinity, religious creed (or absence of it), sexual orientation or any other particularity of other people. Transparent personnel recruitment and selection processes are carried out, promoting equal opportunities for

both women and men. Although there is a negative difference in the average salary of women compared to the average at each organizational level associated with the distribution of the workforce, the Banesco works for salary equity. During the period covered by this report, we did not present cases of discrimination.

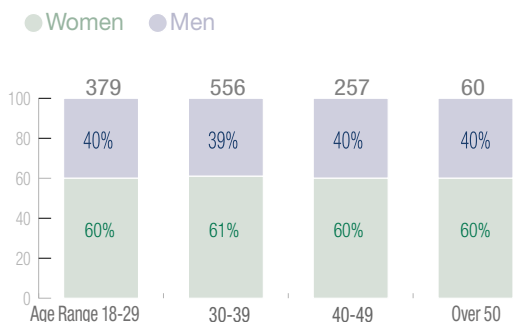
Our people

Our payroll is made up of 1,252 employees distributed as follows:



Percentage of employees by sex and age group

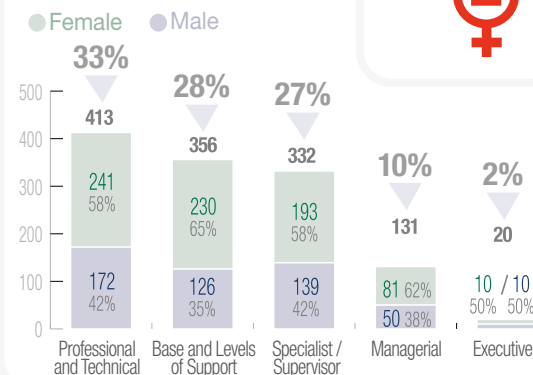
We feature a balanced staff in terms of age and organizational level:



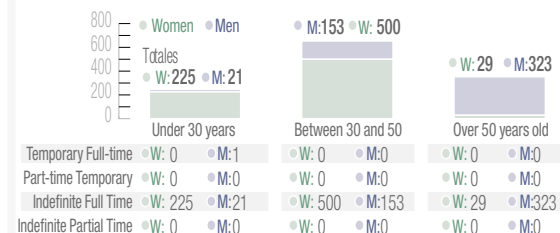
5 GENDER EQUALITY



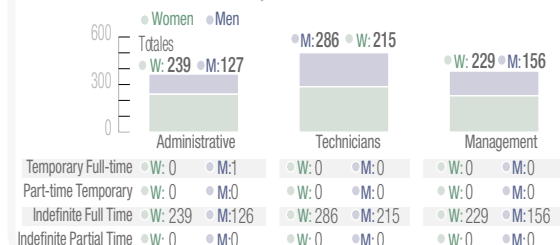
Percentage of Personnel Distributed by Gender Organizational Level



Total Number of Employees and Age Range Distribution, by Gender and Types of Employment Contract as of December 31, 2019



Total Number of Employees and Professional Category Distribution, by Gender and Work Contract Modalities at the end of December 31, 2019



Remuneration

It is important to note that the salary analysis and salary comparison criteria are carried out entirely by position, functions, competencies and responsibilities with equal opportunities. Gender is not a criterion.

The criteria for the selection of the employees' initial salary is the following:

National minimum wage - a minimum wage is used in the financial sector, regardless of the area.

- **MERCER charge valuation**
 - Descriptive map of the position (job description)
 - International Job Evaluation System (IPE)
- **MERCER Market Analysis Criteria**
 - Panama's Large Bank Market. There is no segmentation by geographical area.
 - P50 band minimum adjustment by IPE.
- Annual budget planned for the position.

Minimum Wage Ratio*

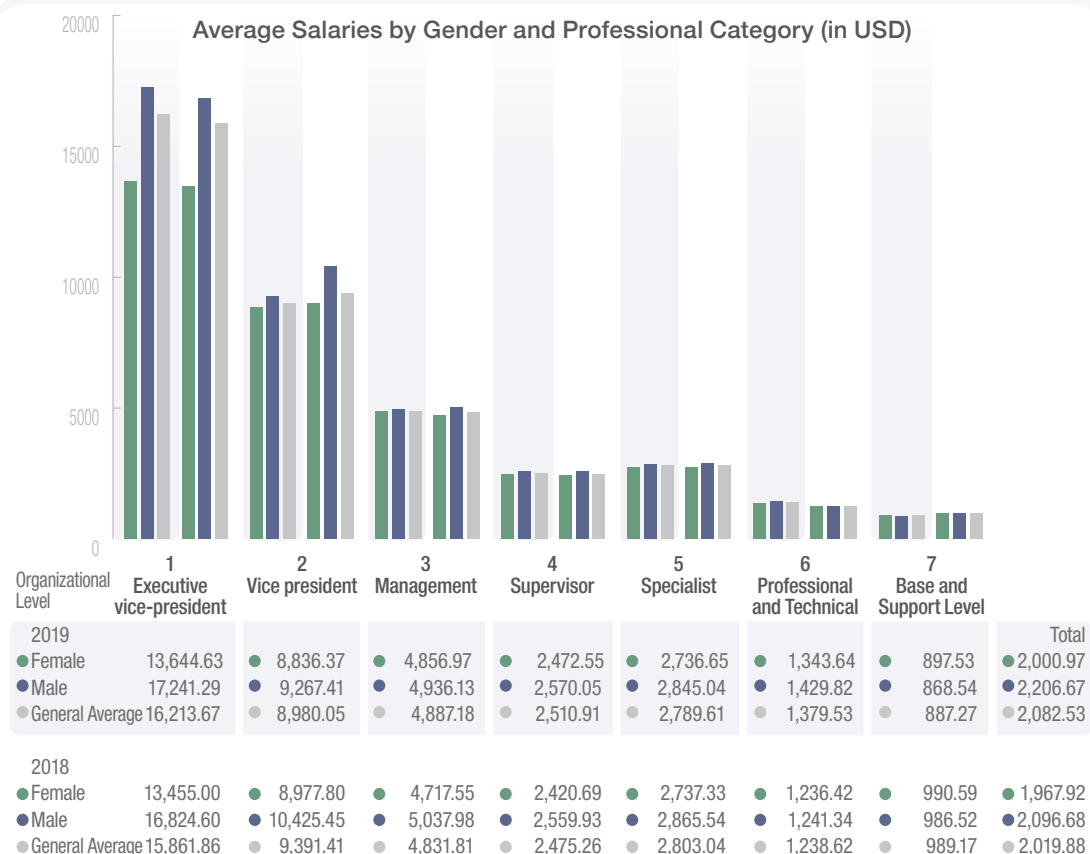
| | 2018 | 2019 |
|--|--------|--------|
| ► Minimum Wage Paid by Banesco Panama | 660.00 | 660.00 |
| ► Minimum Wage Paid in Panama's Financial Sector | 659.36 | 659.36 |
| % Paid above Minimum Wage in Panama | 0.10% | 0.10% |

*Information taken from Official Gazette No. 28433-A, issued on Wednesday, December 27th, 2017.

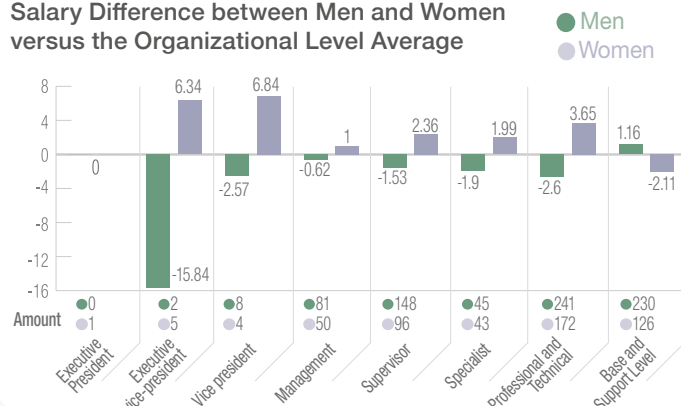
Average salaries by gender, age range and professional category (in USD)

| Remunerations measured by age | Women | Men | 2019 | 2018 |
|-------------------------------|----------|----------|----------|----------|
| Less than 30 years old | 1,163.32 | 1,222.66 | 1,187.43 | 2,460.44 |
| Between 30 and 50 years old | 2,241.70 | 2,604.65 | 2,384.15 | 1,235.31 |
| Older than 50 years old | 4,389.72 | 2,749.87 | 3,700.98 | 3,639.00 |

Average Salaries by Gender and Professional Category (in USD)



Salary Difference between Men and Women versus the Organizational Level Average



This table presents the salary difference for men and women versus the general average for each organizational level.

It is important to highlight that, even when a salary difference exists at the organizational level, the average salary for women is higher than the average salary for men in 10 out of the 20 areas of the bank's activity.

Bank Areas Where Women Earn More than Men

| |
|---|
| VP Audit |
| VP Human Capital |
| VP Legal Consulting |
| VP Compliance and Corporate Governance |
| VP Centralized Operations |
| VP Loss Prevention and Continuity of business |
| VPE Control and Risk |
| VPE Credit and Central Services |
| VPE Finance and Treasury VPE Technology |

Bank Areas Where Men Earn More Than Women

| |
|---|
| Presidency and General Management |
| VP Credit |
| VP Special Credits |
| VP Strategic Management |
| VP Business Integration |
| VP of International Banking Business |
| VPE International Banking |
| VPE Special Credits and Collections |
| VPE Innovation, Transformation and experience |
| VPE Business |

Undoubtedly, we are delighted to have achieved the UNDP's 2019 Gender Equality Seal in the "Gold," category, which recognizes us as a company that implements and develops experiences based on good labor practices with gender equality, mainly in the dimensions of: recruitment and selection, promotion and professional development, training, remuneration and salary, balance between work and family life, preventing / remedying sexual and work harassment, promoting good occupational health and work environment, as well as gender-neutral business communications.

This process required the creation of a Gender Equality Board, made up of executive personnel and specialists from different areas that fall within its competence, under a formal government structure that includes regulations, minutes and other formalities, which involve a permanent follow-up of actions that lead us to improve our performance, for example, being attentive to the conditions of salary parity, equal effort, equal remuneration; all of this is guided by the Technical Standard for

the implementation of the Gender Equality Management System (SGIG) in companies and private organizations, prepared by the General Directorate of Standards and Industrial Technology of the Ministry of Commerce and Industries. Also, adjustments in the Environmental and Social Policy, in addition to multiple actions and activities. In June, our Headquarters received a visit from certified external auditors to validate compliance with gender equality within the organization. We received this recognition together with 5 other companies, pioneers in Panama. For more details, see www.contigohoy.com.



"This external recognition endorses a way of doing things, the Banesco way, as it comes naturally to us. Meritocracy is the compass that guides our management".

Lucía Freites
CORPORATE AFFAIRS MANAGER



Recognition ceremony for the Seal of Gender Equality in the Gold category.



"We Carried Out the "Equality" Institutional Campaign

In order to raise awareness about equality and respect for each other's freedom as essence, in 2019 we launched a powerful image campaign entitled "Equality," with the hashtag #contigoenlaigualdad. We want to go further and positively influence Panamanian society, so that the public is aware of the importance of achieving quality of life, through equity and equality.

The value proposition is to contribute to the construction of a better country, where the symbol of equality is part of its progress. Issues such as social inclusion, gender equity, respect

for diversity in capacities, origin and sexual preferences, are featured in this campaign to achieve a society with equal opportunities. In addition, the diversity and labor inclusion policy implemented within the bank is reinforced and can be evidenced in a staff membership with gender and age balance.

We wanted to position Banesco as a bank whose priority is social inclusion. Mass media (television, press, billboards, muppies, buses and digital media) were used as communication platforms. Not including digital, the reach in multimedia extended to 97.5%.



“Banesco takes pride in this campaign since it is a bank built on diversity, in a country that was also built on diversity. When you make two people see eye to eye, regardless of how different their views are, they are humbled by each other, and I believe this is one of the most beautiful human virtues”.

Carlos Alberto Escotet
CEO BANESCO LATIN AMERICA



“I think that Banesco is making a difference and will be a leader for other organizations, which may be a little more conservative and suddenly say: 'You know what? If Banesco does it, we can do it too'. And that is what makes a difference both for Panama and for the world”.

Monalisa Arias
ACTIVIST

Participation in "Panama in a Day"

This initiative provided an opportunity to reinforce our spirit as a community bank where the value of equality and inclusion prevails; where we not only communicate it, but we live it internally. We supported the production of the film that shows the most extraordinary facets of daily life in Panama City during its 500 years anniversary. It was broadcasted in digital and mass (TV and radio) media, with a TV reach of 77.89%. [Panamá in a day Banesco](#).

Talent Beyond Gender

Keeping in balance with our "do as you say," philosophy, since 2019 events support personnel contractors including the services of aides/hosts and hostesses alike.

We Continue to Promote Female Empowerment

77% of the attendees to the Banesco Entrepreneurs Program in its face-to-face version are female. The same occurs with the E-learning Emprendedores Banesco (the free online training program): by the end of 2019, 59% of participants were women.

6 CLEAN WATER AND SANITATION



Disclaimer: SDG 6 and 7 have not been included as a material topic. However, we are aware of the importance of contributing to the achievement of these objectives and avoiding actions that may go against their fulfillment. With respect to the relationship of these SDGs with the bank's management, they are reported in SDG 12, on the subject related to the ESMS.

7 AFFORDABLE AND CLEAN ENERGY



| Committed to decent work and economic growth

Our commitment is to increase productivity and investment, by stimulating a responsible and sustainable economy. We promote decent work and apply all measures within the framework of respect and promotion of human rights.

At Banesco, we foster the hiring of local employees and purchases from local suppliers, as well as participating in numerous local alliances and investing in numerous local projects. It is important for us to contribute to the economic development of Panama, so we have a Policy for the Administration of Purchases of Goods and Services based on a Governance process for said purchasing process.

Employment Generation

(GRI 202-2, 401-1)

The Human Capital team seeks to attract the best talent, ensuring that they comply with the values and fit of Banesco's culture. For the process of attracting talent, external sources such as Konzerta, LinkedIn or referrals are used, but the focus is to give opportunities to our people. For this, we continuously launch internal competitions, thus promoting our employees' growth. This is supported by a promotion's policy, change of job positions and employee succession.

We respect the domestic legislation that regulates the minimum wage and we strive to provide competitive and fair remuneration, career development, health and safety in the activities carried out and to promote a work environment that attracts new talent.

Of the total staff holding executive positions, 39% are of nationals and 61% are foreigners.

In 2019, most of the 239 employees were hired as replacements. In addition to that, we had a significant number of entries to strengthen the Collections area, which responded to an organizational strategy. There were 322 discharges corresponding to the employees who left the organization voluntarily, due to dismissal, retirement or death.

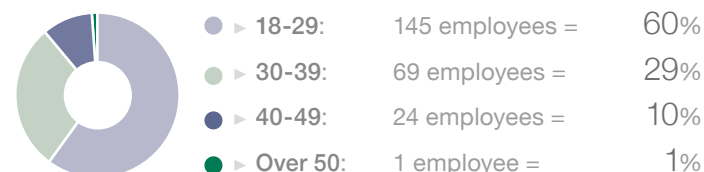
8 DECENT WORK AND ECONOMIC GROWTH



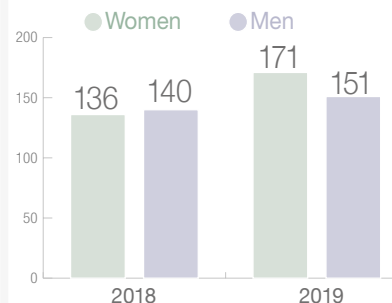
Income Distributed by Gender



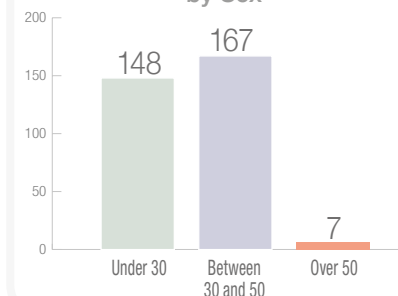
Income Distributed by Age Range



Expenditures Distributed by Sex



Expenditures Distributed by Sex



Complaints Over Human Rights Violation Cases

(GRI 412-1)

As signatories of the Global Compact, the principles of Human Rights have been incorporated into the organization's management model:

- **Principle 1:** We support and respect the protection of fundamental Human Rights, recognized internationally.
- **Principle 2:** We make sure that we are not complicit in the violation of Human Rights..

In the period covered by this report, five (5) complaints over Human Rights violations were reported and they were resolved under existing policies and the corresponding disciplinary measure was taken (termination of employment).

Promoting the Local Economy

(GRI 102-9, 204-1, 408-1, 409-1)

• Supply Chain

Suppliers are the conduit to implement many of the activities that touch the interests of both customers and our staff; hence the importance of establishing close, solid and lasting relationships that allow us to manage without risks of any kind and safeguarding the necessary confidentiality, the scope of our mission and vision.

The criteria established in relations with suppliers include the signing of a framework contract for services and confidentiality, compliance with the civil liability policy and payment of social security to its employees. The Policy to Manage Purchases of Goods and Services explicitly indicates that suppliers must comply with environmental, social and Human Rights criteria.

For the selection of suppliers, a quantitative and qualitative evaluation of the submitted proposals is carried out. Initially, it is sought among local suppliers, but if the service or good does not meet the required scope, foreign suppliers are chosen. On the other hand, it should be noted that 85% of Banesco Panama's suppliers are local. And the percentage of the procurement budget at the local level is 77%.

Our supply chain is made up of 659 suppliers and contractors, out of which 571 have been hired more than 3 times. Our supply chain is structured as follows:

| Suppliers | Products & services | Customers |
|-------------------------------|--------------------------|---|
| ► Infrastructure | ► Deposits | ► People (Panamanians & country residents), businesses and international clients |
| ► Payment methods | ► Loans | |
| ► Information Technology (IT) | ► Securities' Placements | |
| ► Marketing | | |
| ► Travel | | |
| ► Professional services | | |

Promoting Entrepreneurship

(GRI 203-2, 413-1, FS16)

• Banesco Entrepreneurs

As the flagship program of Banesco's Social Responsibility management, in 2019 we certified 1,514 entrepreneurs, which adds up to a total of 11,922 women and men in the 10 provinces of Panama since 2015, representing more than 450,000 thousand hours of training and one investment of USD2,384,200.00 in the training of entrepreneurs nationwide. All this with the support of the Social Partners, who are the executing arm of this initiative.

We are proud to ratify our focus on SDG 5 on Gender Equality, since 77% of participants are women and also on inclusion, since 16% are in indigenous regions. It is a free program, with a duration of 32 academic hours and contains 8 modules that cover from personal development and leadership, to control of income, expenses and preparation of business plans. Banesco Volunteering has been an integral part of these educational workshops, offering their skills and further showcasing our employees' social outlook.

• Banesco E-learning Entrepreneurs

In order to innovate and reach all segments of entrepreneurship, we launched our online program in November 2019, which allows participants to take the course adapting it to their availability, wherever and whenever they want, with the same benefits as the face-to-face version. At the end of the year, we had 125 participants.

• Impact Measurement - Banesco Entrepreneurs

In order to evaluate the work carried out beyond the scope and understand the incidents based on this experience with certified participants, an impact measurement of the Banesco Entrepreneurs program was conducted in 2019, with the support of Cuantix. It was a planned and arduous process, which included previous training sessions, analysis, and a real-time, adaptable, implementation calendar.



Financial Well-Being

The program aims at improving educational quality, personal financial inclusion and business levels, to better respond emergencies and financial planning.



Relations with Beneficiaries

By improving the beneficiaries' quality of life, we expect to improve relationships with them and their perceptions on banking entities.



Entrepreneurship

An effort to improve the rate of new ventures within the following year when the program concludes, as well as increase the rate survival of consolidated businesses to 2 years or more.

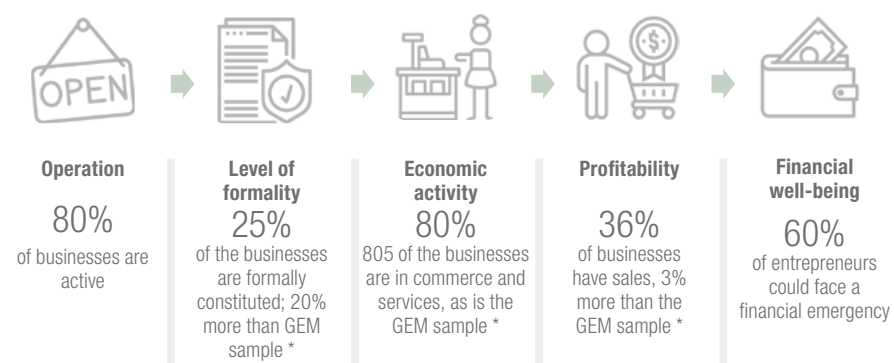


Previously discussed and agreed upon indicators were selected:

- Demographic and socioeconomic
- Entrepreneurship and employability
- Financial inclusion

The methodology was based on contactability, with a database of ten thousand people (2015 - 2019), which included an analysis of the 2015-2018 program graduates, plus a baseline of certified beneficiaries between January and August 2019. The first contact made by Whatsapp helped survey 8,148 people. And the second contact made by telephone helped reach 7,756 people.

The results were surprisingly positive, which allows for the development of new strategies and shows the way forward for continuous improvement to the program:



* Reference from the Banesco Quantix Report for Entrepreneurs, extracted from the Global Entrepreneur Monitor, Panama chapter



Banesco Entrepreneurs



2019 Banesco Entrepreneurs



Regarding the issue of bankarization from the perspective of financial inclusion, 32% of entrepreneurs said they had a bank account (14% less than the GF * sample). Meanwhile, 14% of entrepreneurs hold a credit card, 3% more than the GF * sample. And in terms of profitability, 52% of the businesses have access to banking services.

The benefits reported by the training are summarized as follows:



Of the 170 who answered "Others", 112 specified what specific benefit they received, and out of these, 50 used the word "knowledge", being the only word that stands out significantly. The second most important word was "business", which is generally associated with "knowledge" and other words that indicate improvement in management.

* Reference to the Banesco Quantix Report for Entrepreneurs, extracted from the Global Index 2017.

The measure of the program has made it possible to know its impact, providing insightful results for continuous improvement:

- Training is positively evaluated by most of the entrepreneurs.
- Business survival rate is high.
- The proportion of banking entrepreneurs is lower than the average for Panama. However, the proportion is the same as the poorest 40%, so it is a positive sign.
- A relevant source of access to credit for entrepreneurs is informal.

Committed to industry, innovation and infrastructure

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



The focus towards a culture of Innovation and Transformation in Banesco's strategy seeks to bring a different vision for doing things to all areas of the organization; it aims to create a culture of innovation, where new ways of working begin to be implemented, through swift plans, innovation methodologies, service design, customer experience design models, among others; without losing sight of the customer-centric approach that distinguishes our organization.

Open Innovation

During 2019, one of the approaches that was given greater relevance within the Vice Presidency of Innovation, Transformation and Experience was promoting open innovation by putting forth numerous projects developed through strategic alliances with multiple organizations.



- We began a relationship with NGO HIAS, an organization in charge of refugee protection in Panama. The objective of this inter-institutional alliance is to develop a project related to the financial and social inclusion of the migrant segment in Panama.



Meditation space with members of IDB and IOM

- An alliance was reached with Universidad del Istmo (UDI), leading Banesco to explore new opportunities for placing financial products in new market niches, such as university students. Together with the UDI, the "University Student Experience Map in Panama" was built, a project that resulted in important insights about the bank's various opportunities in this market segment today.

- Through training and education in agile methodologies, design thinking, and innovation design, we sought to foster new, commercial relationships with the public and private sectors, with the objective of building new corporate cultures of innovation, transformation and change. With a focus on the transfer of best practices and the creation of innovation cultures in traditional industries in companies like ENSA and the Panama Canal Authority (ACP).

Improvements in Comprehensive Business Management



In order to enable information at all levels of the bank, to optimize the relationship with the client, improve internal management and decision-making, we promoted initiatives intended to:

- Promote the availability of information in a comprehensive, reliable and timely manner, as part of the activities of the Data & Analytics Information Management Team, using advanced analytics to drive the use of data as a source for decision-making and daily management within the organization.
- The implementation of a customers' behavioral patterns model to help identify their disposition for a credit card or a personal loan, through an analytical model.
- The display of a strategic dashboards' library with daily and automatic updates, increasing the frequency and quality of the

information handled by the organization's leaders.

- The development of a customer profiling model that allowed segmentation into nine pillars, both demographic and behavioral, so we can get to know them better and improve their experience.

- 13 customer experience maps were drawn up for products such as Savings Account, Credit Card, Personal Loan, Online Banking, SME Credit Line, bank branch visits; to better understand the customer's perspective in the step-by-step experience of our products, sales channels, services, to acquaint ourselves with their expectations, emotions, the effort each step of the process takes, and listen to their recommendations to improve or make new proposals.

- The Banesco employee experience map was drawn up through interviews, where people shared key moments of their experience at the bank, their expectations, emotions and recommendations to transform that internal experience. Actions were undertaken from this survey to make improvements internally.

Digital Transformation



Its purpose is to guide our culture towards digital transformation and change, always focused on the customer's entire experience.

New digital transformation strategies were implemented, resulting in more efficient processes and improvements in every project that each of our internal and external clients experienced.

- The implementation and massification of the link channel for new clients using biometric technologies. The automatic generation of a customer debit card was also integrated into the linking platform. Through this initiative, we were able to reach all corners of the country through digital means. This tool was also enabled as a lever for operational processes in bank branches, resulting in more efficient processes and the best of customer experiences.



Training Workshop in Design Thinking MIDES



Conversation on Innovation Strategies for ENSA



Digital Transformation Cells



BanESCO Employee Experience

Committed to reduced inequalities

Complying with this SDG is inherent to the very origin of Banesco. Closing the existing gap in the management of opportunities that must be offered to a society is one of the key elements for true inclusion. The activities that we promote to mitigate the burden of one of the most noticeable inequalities in Latin America is a human-centered approach that takes into account everything from a person's skills and potential to their impact on the group, beginning with their immediate environment.

Participatory Budgeting - Banesco Panama

(GRI 203-1, 413-1)

Banesco's Participatory Budget is a donation fund intended for projects with common welfare as a purpose, that is, with a collective scope and impact, which results in the improvement to the quality of life in communities with social vulnerability indicators.

For the second year in a row, we carried out this initiative with fifteen participating projects, whose representatives were trained for 28 hours, getting them prepared and their corresponding budgets, to then have



2019
Participatory
Budget Award
Winners

them participate in a General Assembly where five winning projects received a collective fund of USD100,000.00:

10 REDUCED INEQUALITIES



| Position | Association or Group Name | Project Name | Location | Amount Assigned |
|--------------|---|---|----------------|-----------------|
| First Place | Comedor Claret | Remodeling and equipment | Colon | 27,420.00 |
| Second Place | Mi Voz para tus Oídos Foundation (My Voice For Your Ears) | Strengthening socio-cultural and academic inclusion of Guna boys, girls and adolescents through the "Comprehensive Mother Tongue Development Program," for recording audio books. | Western Panama | 25,000.00 |
| Third Place | Senshi (Fundesen) Development Foundation | Development Foundation Finished equipping and remodeling the 1st center for inclusive high performance. | Panama | 25,000.00 |
| Fourth Place | FundeSteam | Inclusion of autistic boys, girls and adolescents (NNA) in Science, Technology, Engineering, Arts and Mathematics through this project-based learning program (ABP). | Panama | 15,000.00 |
| Fifth Place | Dai Ichi Karate Kai | Arts Program for citizen training and prevention. | Colon | 7,580.00 |

It is important to note that the budget assigned to each project is non-refundable. It is considered a donation to the organization or group. However, the use of these funds is subject to financial and social audit and supervision by the representatives of the bank, of Sinergia 507 and the project's beneficiaries themselves, in order to guarantee their proper use and the desired social impact.

All projects were completed by December 31st, 2019. Details on these projects can be viewed [here](#).

Inclusion of People with Disabilities

Banesco Panama maintains a Diversity and Labor Inclusion Policy. Some spaces have been adapted for accessibility to people with disabilities. The spaces in "El Piso" (the place for active work breaks), have been adapted to ensure accessibility and adaptation for the workplace in order to facilitate mobility, particularly for women, children, the elderly and people with disabilities. The bathrooms at "El Piso" have also been adapted for people with reduced motor capacity.

In 2019, we have three (3) certified employees with physical disabilities. However, the integration of people with disabilities is a pending issue and staff will continue to be incorporated into the team to comply with Law 42 of 1999, which establishes the equality of opportunity for people with disabilities.

Contribution to the Fight against Cancer

To contribute in closing the geographic inequality gap and in commemoration of the 500 years of Panama, the Banesco family donated 500 mammograms, (valued at USD12,500.00) to FundaCáncer, so women who live in areas of poor accessibility and scarce resources could take the preventive examination and have an early detection.



500 mammogram donation to FundaCáncer



Disclaimer: ESDG 11 has not been included as a material issue, however we are aware of the importance of contributing to the achievement of this objective and avoiding actions that may go against its fulfillment. On the relationship of these SDGs with the bank's management, it is reported in SDG 12 on the subject related to ESMS.

Committed to responsible consumption and production

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



Within the framework of our CSR management, with an outlook on ethics, transparency and good corporate practices, we are committed to generating sustainable actions by acting responsibly in environmental preservation, economic and social development, taking as reference the principles established in the framework of the United Nations Global Compact (UN Global Compact).

Environmental and Social Management System

(GRI FS1, FS2, FS4, FS9, 304-2, 412-1, 307-1, 102-11, 408-1, 409-1)

Banesco Panamá is permanently committed to sustainable management. The Environmental and Social Management System (ESMS) analyzes the risks of the activities according to its business scheme, identifying those that may generate environmental and social impacts, to prevent and / or mitigate them; considering local regulations and international standards, as well as management and prevention policies.

During this period, the **Corporate Social and Environmental Management Policy** is kept and approved by the Board of Directors since April 2018, incorporating aspects of gender equality and financing for category A projects of environmental and social risk in its modifications. The Policy ensures the bank's sustainable performance, to identify, evaluate, mitigate and monitor environmental and social risks, thus minimizing its possible impacts, and reducing the probability of costs- associated-risks. It is the regulatory framework for decision-making, and is

for its faithful compliance by all bank employees. As part of the **Policy's Annex, an Exclusion List** was elaborated, detailing all the activities or services that will not be financed, focusing on the search for activities, projects and businesses that seek social well-being, environmental conservation and favor our stakeholders.

Based on the commitment to document the Corporate Policy and The Environmental and Social Management System Manual, the associated process ensures compliance with national legislation on environmental and social issues, as well as with the fundamental labor agreements of the International Labor Organization (ILO), ratified by Panama and the IFC performance standards, in aspects that are relevant to the banking sector.

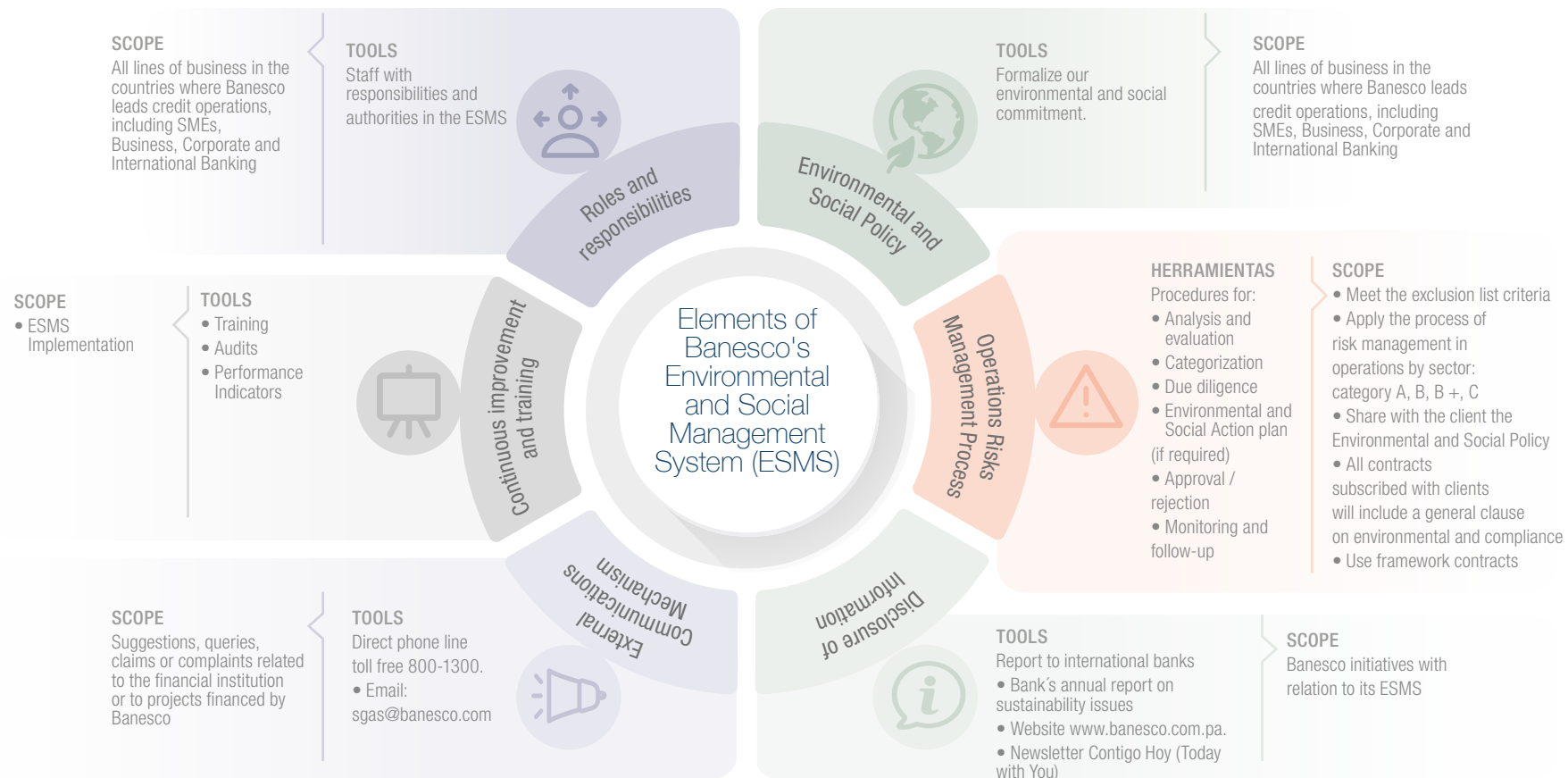
The Precautionary Principle or Approach is integrated into our ESMS, to avoid negative impacts on health and the environment. Our management

seeks to ensure that, throughout the credit process, the lack of absolute scientific certainty is not used to postpone the adoption of effective measures when identifying a serious or irreversible damage risk to health or the environment. Based on the operations carried out, the Group does not contemplate any foreseeable or current effect of the company's activities on the environment. There were no fines or sanctions for environmental issues in 2019.

To put the ESMS into operation, it was necessary to carry out a pilot plan, which is nothing more than its implementation, with the intention of considering the terms of said implementation and thus evaluate the necessary adjustments from a sample or segment of our client portfolio. During the execution of the pilot plan, environmental and social risk analysis were carried out, where E&S risk triggers were identified and E&S compliance covenants were established with clients, which will be monitored within the corresponding period.

Staff training on ESMS





• Evaluation of Environmental and Social Risk

During 2019, the implementation of the ESMS pilot plan for the bank's loan portfolio was completed, evaluating twelve clients from the agro-industrial, construction, wholesale (industrial) and SME sectors. This process occurred with

due environmental and social diligence to the client and the corresponding information request (permits, records of due environmental and social management, client relationship with the community and / or authorities).

| Client # | E&S Risk Category | Category Type | Sector | Types of Service or Sub-Sectors |
|----------|-------------------|----------------------------|---------------------|--|
| 1 | B+ | Medium to High Risk | Agro-industry | Industry dedicated to processing and selling rice grains. |
| 2 | | | Industrial | Food product elaboration. |
| 3 | | | Industrial | Metallurgy Industry. |
| 4 | | | Agro-industry | Meat Industry through cattle fattening, slaughter, packing and marketing nationally and internationally. |
| 5 | | | Agro-industry | Industry dedicated to prawn commercialization. |
| 6 | | | Agro-industry | Industry dedicated to alcohol production and rums, sugar cane crops and grinding. |
| 7 | | | Construction | Residential Project Development |
| 8 | | | | |
| 9 | | | | |
| 10 | B | Medium Risk | Services/ Wholesale | Company dedicated to imports and exports of nuts and bolts in general. |
| 11 | C | Low Risk | SMES | Services |
| 12 | | | | Commercial Loan |

The purpose of evaluating these clients within the pilot plan was to identify the most relevant environmental and social aspects within their activity, conducting an environmental and social risk analysis, using the tools and formats of the initial procedure manual, to carry out the corresponding modifications once the pilot concluded. Likewise, these analyses were collected and presented to the corresponding range, as part and parcel of the customer's credit evaluation.

- **During 2019, adjustments were made to the original version of the ESMS Procedure Manual, including**

The scope of the ESMS implementation was progressively included:

- ▶ Starting in December 2019, new credit and review operations were already granted by local Specialized Banking.
- ▶ For SMEs, the review of operations associated with the agricultural and construction sector will begin, and in July 2020, will continue with the rest of the SME portfolio, as established in the policies.

Adaptation of implementation responsibilities for the ESMS in the business area and environmental and social risk specialist.

Updated risk pre-categorization table according to its economic sector.

Development of an Excel tool for the categorization of environmental and social risks. Improvements and elimination of duplicate formats that were redundant during the pilot implementation.

Improvements in the process flowcharts of all categories of environmental and social risk, including the high risk category "Cat. A ", which was not part of the bank's evaluation, since we do not have clients under this category within the loan portfolio. However, it was

contemplated in order to know its evaluation process when presenting a client with an activity that does merit it.

Improvements in the result format of the environmental and social risk analysis.

It is important to note that once the pilot was completed, it resulted in a refreshed Procedure Manual, a comprehensive training program for those responsible for managing the ESMS within the bank (with 116 people trained), an updated ESMS Corporate Policy and analysis of clients from different economic sectors of the bank.

The SGAS Banesco training program is aimed at presenting the fundamental concepts, procedures and tools for the management of environmental and social risk analysis of the activities by the bank's clients.

During 2019, no internal audits were carried out, as the pilot plan was being implemented. With regard to external audits, the bank has worked with KPMG in cooperation with other bank units. And for the moment, no green financing has been carried out.

Responsible Consumption and Production

(GRI 301-1, 302-1, 4, 303-5, 306-2)

De manera generalizada, los principales aspectos ambientales teniendo en culn general, the main environmental aspects, taking into account the bank's activity, would be electricity and water consumption, fuel consumption from people's own vehicles, as well as office consumables such as paper, toner, packaging, cardboard, batteries, fluorescent and electronic equipment. On the other hand, no significant soil and water pollution, atmospheric emissions (NOx, SOx, particles, etc.), noise or light pollution due to the type of activity carried out were identified.

In 2019 we focused our efforts on the development of the internal 5R campaign (reduce, repair, reuse, recycle, regulate), under the motto "You have the cure for the planet," whose objective was based on creating awareness in the Banesco Citizen about his role in preserving the environment and thereby, achieve a change in attitude. Very specific actions and indicators were

established, such as: raising awareness about energy consumption (% KWH), recycling and reducing the consumption of sheets of paper, taking care of our resources (facilities and furniture) and communicating the Environmental and Social Management Policy.

Regarding the reduction in the use of paper, by company type, all banking service activities generate a high consumption of paper, which is why the implementation of a strategy to reduce paper consumption has been one of the pending elements that need to be worked on in collaboration with the regulatory body. However, Banesco Panama's paper consumption added up to 6,371 reams of paper, at a rate of 500 pages per ream, which represents a 7% reduction in relation to paper consumption in 2018. In relation to the data on toner consumption, no data is available because it is an external or outsourced service (printer rental).

• Energy Consumption in our Facilities

As far as direct energy consumption, the main fuel consumption corresponds to gasoline from our own vehicles, while the fuel used in generator sets that produce electricity when there are drops in the electricity grid is not reported because it is not very significant. We do not consume other types of fuels (for example, natural gas in the offices) and the size of our own vehicle fleet is very limited.

| Fuel Type | Consumption (in liters) |
|------------|-------------------------|
| ► Gasoline | 7,013 |
| ► Diesel | 2,952.2 |

Regarding indirect energy consumption, the registered electrical energy consumption is detailed below:

| Unit of measure | | | |
|-------------------|-----------|-----------|-----------|
| ► Consumption KWh | 2017 | 2018 | 2019 |
| | 4,260,132 | 4,426,319 | 3,959,209 |

In 2019, energy consumption decreased by 11% compared to 2018. This decrease is due to:

- Change in the working hours of the air conditioners from 08:00 a.m. to 05:30 p.m.
- Thermostat guard facilities on each floor.
- Change from fluorescent to LED lights in corporate buildings (since June) and in bank branches (since October).

• Water Consumption in our Facilities

BanESCO Panama's water consumption in 2019 was 14,057.21m³, with the exception of the six bank branches, where this cost is included in the maintenance plan. Said records do not include the consumption of all offices and branches, because they are physically located inside shopping centers or under the regulations of a private building, where an overall, fixed maintenance fee is charged so that specific consumption is not detailed.

| | 2018 | 2019 |
|------------------------------|--------|-----------|
| ► Consumption m ³ | 15,214 | 14,057.21 |

• Waste Generation

Regarding the waste we generate, the process of identifying some materials used in our activities began in 2019. Local recycling managers like the company ERC were hired to guarantee lower environmental impacts. From April to December, 7,039.2 kilos of waste were produced and 6,662.5 kilos of materials were recycled, including: paper, cardboard, tetra brick, glass, plastic, among others. This implementation was also part of the 5R campaign. For 2020, we started the battery collection initiative for recycling purposes.



| Paper and Cardboard (Kg) | |
|--------------------------|----------------|
| ► White | 3250.6 |
| ► Cardboard | 2100.6 |
| Total | 5,351.2 |



| Plastics and metals (Kg) | |
|--------------------------|----------------|
| ► Tetrabrick | 75.1 |
| ► Plastics and metals | 697.6 |
| ► Glass | 174 |
| ► Iron | 39.4 |
| ► Aluminum | 325.7 |
| Total | 1,311.8 |



| Non recyclable (Kg) | |
|---------------------|--------------|
| ► Non recyclable | 333.2 |
| ► Toner | 13.6 |
| Total | 346.8 |

On the other hand, due to the type of activity and the need to permanently update technology, equipment was discarded, therefore donation programs have been implemented to contribute and prioritize CSR activities such as education. At the same time, creating a culture of reusing and recycling electronic material, which makes for a sustainable use of resources. In 2019, sixty (60) computer devices were delivered and distributed as follows:

- 30 complete desktop computers for the Immaculate Concepción Ecclesiastical Center (Chiriquí). Library and World Youth Day activities.
- 30 complete desktops for Fundesteam.

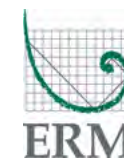
Good sustainability practices for purchasing goods and services

In the Purchase of Goods and Services Management Policy, we have established the guidelines and principles for our suppliers, which include good sustainability practices and the requirements that suppliers must meet and ensure in their company and settings. The agreements include clauses where the supplier acknowledges and accepts that the bank may request, at any time, the documentation it deems appropriate and necessary, to verify compliance according to the regulations that are applicable to them regarding environmental protection. In applicable cases, depending on the service, suppliers are asked for certifications and / or origin of the supplies.

• Partners and Alliances on Environmental and Social Risk

Deutsche Investitions und Entwicklungsgesellschaft (DEG)

The DEG has been key in the development of the ESMS, hence the adoption of the Environmental and Social Management Policy and the creation of the Environmental and Social Management System's Manual (ESMS), through the technical support of external consultant ERM (Environmental Resources Management). The latter was designated by the DEG to support us in the execution process, already in its 3rd and 4th phases. In January 2019, together with the SGAS specialist from BanESCO, ERM made a field visit to a client with a category B + operations. Additionally, 45 people were given training on ESMS, including representatives of the Credit, Commercial, Legal, Risk, Human Capital and Communication teams.



By September and October, Banesco staff received updated training with an emphasis on roles and responsibilities, with the objective of obtaining final feedback from staff on the process, as well as finalizing the update and revision of the ESMS manual. A total of 41 people participated in the sessions, including representatives from the Credit, Business and Risk teams. It should be noted that throughout the year, an external consultant paralleled the work for the clarification of technical concepts, evaluation of challenges, opportunities for improvement and consultations on the different areas involved in the process.

UNEP FI

This relationship is focused on the adoption of sustainability criteria as part of the business structure. For this reason, UNEP provides the opportunity

to participate in: training (webinars), exchange experiences, updated information on financial issues related to responsible banking, follow-up calls, among others. The exchange of information and experiences between local and foreign banks will allow Banesco, a younger firm, to establish goals and objectives that will reflect E&S impact within the bank's loan portfolio. Support for the development of these goals and implementation monitoring will be carried out during 2020, with follow-up calls, work groups, training, tools, among others.



Among the 2019 activities, we can point out:

- Participation in the "Responsible Banking Table" meeting (June 2019) with UNEP FI representatives and different country banks that make up the delegation of sustainable banking in Panama, to learn the guidelines of each bank related to the E&S issues of their loan portfolio, which allows UNEP FI to promote alliances related to the "Principles of Responsible Banking".
- The Principles of Responsible Banking seek alignment with society objectives expressed in the Paris Agreement on Climate, the Sustainable Development Goals (SDGs) and the relevant national frameworks. To that end, Banesco signed the alliance to these principles, becoming a founding member to them in August, 2019.

- Our specialist in E&S Risk participated in a training program on "Analysis of Environmental and Social Risks," organized by UNEP FI and INCAE



Committed to climate action

Environmental conservation is one of the lines of action of the Corporate Social Responsibility strategy, framed in the Planet sphere of the SDGs. Tackling the challenge it represents for a banking institution to show its real impact beyond recycling, energy saving and responsible water consumption, it is essential that it fosters environmental education, involving not only its staff, but also its customers. Promoting and oversight to secure genuine operations of client companies that cause environmental impact to grant credits, is an essential step for every financial institution.

Greenhouse Gas Emissions

(GRI 305-1, 2)

Due to the type of activity we carry out, the Group's main climate change initiatives focus on improving the energy efficiency of buildings, reducing energy consumption and the future use of energy from renewable sources.

In relation to CO2 emissions, from Banesco Panama, taking into account the energy consumption indicated above and the Scope

defined in the tables, the Scope 1 and 2 CO2 emissions are reflected in the following table:

Greenhouse Gas Emissions

| Emission Type | Units | 2018 | 2019 |
|-------------------|--------|--------------|--------------|
| Scope 1 emissions | tCO2eq | 42 | 21 |
| Scope 2 emissions | tCO2eq | 1,869 | 1,236 |
| TOTAL | | 1,911 | 1,257 |

To calculate GHG emissions, we have used the 2018 updated fuel emission factors from the United States Environmental Protection Agency (EPA) as reference, as well as the emission factors data estimated by the National Dispatch Center of Panama and the Secretary of Energy 2018.

At the Group level, no medium and long-term voluntary reduction goals have been established to reduce greenhouse gas emissions, but work will be done on this in the coming years.

13 CLIMATE ACTION



14 LIFE BELOW WATER



Disclaimer: SDG 14 "Committed to Life Underwater" has not been included as a material topic. However, we are aware of the importance of contributing to the achievement of this objective and avoiding actions that may go against its fulfillment.

15 LIFE ON LAND



Disclaimer: SDG 15 "Committed to Life on Land" has not been included as a material topic. However, we are aware of the importance of contributing to the achievement of this objective and avoiding actions that may go against its fulfillment.

Due to the nature of our operations, significant impacts on biodiversity can be generated through financing. In this sense, the ESMS considers the identification

of environmental and social aspects applicable in financing, with special emphasis on the conservation of biodiversity and natural resources. We have consolidated the information from the ESMS in SDG 12. Within the [Exclusion List](#) and in the risk analysis, factors like scale, location, sensitivity and magnitude of a project's impacts, must be considered.



Committed to peace, justice and strong institutions



Goal 16 to promote inclusive, just and peaceful societies and responsible institutions is an SDG that surpasses the rest of the SDGs and serves as the basis for the entire 2030 Agenda. We underline the need to promote peaceful and inclusive societies to achieve sustainable development and to build effective, inclusive and accountable institutions at all levels. **“Good governance, the rule of law, human rights, fundamental freedoms, equal access to impartial justice systems and measures to fight corruption and curb illicit financial flows will be essential in our efforts.”** Addis Abeba Action Agenda for the Third International Conference on Financing for Development.

While participatory development of SDG implementation plans is an important first step, experience has shown that ongoing monitoring, review and redefinition of such plans will be critical to ensure that they remain on track and achieve real progress, on all for SDG 16, which represents so much for the banking sector in Panama. The regulatory entity itself is a body that encourages this "accountability at all levels"; hence the importance of fostering a full understanding of the risks and damages of illicit financial activities that threaten the honest, transparent and legal management of the money in savings accounts, which is the fundamental basis of bank management.

Transparency and responsibility

(GRI 205-2, 3, 419-1)

Our **Anti-Corruption Policy**, a complement to the Code of Ethics, establishes the guidelines for situations that may represent acts of corruption, both internal and external to the organization, and also manages their prevention. This policy has an annual review period, corresponding to an update for internal guidelines and best corporate governance practices in April 2020.



The Anti Corruption Policy includes reporting channels, both via web and telephone. The cases (in the event they arise), are managed through the Human Capital area, who are in charge of the investigations and of escalating the results to the Compliance, Corporate Governance and Ethics Committee. All reports are anonymous. **The guidelines of the Code of Ethics and Conduct** are public, in order to maintain the greatest possible transparency.

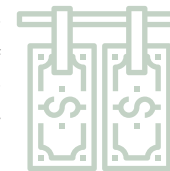
We comply with the provisions of the Superintendency of Banks of Panama (SBP) and the Superintendency of Securities of Panama (SMV). Detailed information on the types of Risk is included in the published **Consolidated Financial Statements of Banesco (Panama), S.A. and Subsidiaries**.

There were no cases of issues related to corruption and bribery activities in 2019.

Fight Against the Legitimation of Money Laundering and Terrorist Financing

(GRI 205-1, 2)

Within the framework of the Prevention of Money Laundering, we have Prevention Manuals, Policies of Know Your Client, Know your Employee and Know your Supplier; due diligence management and other related documentation, which allows us to manage prevention activities and ensure compliance with the rules and principles established in matters of ethics and conduct.



During 2019, we successfully completed the annual training plan, complying with the provisions of our regulation, which establishes that banks must provide continuous training to employees at least once a year. We were able to train 100% of the bank's employees, 316

employees from the front areas (Local Banking, Specialized Banking and International Banking), and 1,268 virtually (annual training plan). At the same time, face-to-face sessions were held to strengthen knowledge on the Prevention of Money Laundering, Financing of Terrorism and Financing of the Proliferation of weapons of destruction to the business staff of the 22 branches, as well as International Banking and Specialized Banking , who are the organization's first line of defense.

To guarantee the transparency of the management, a set of guidelines have been established considering the incorporation of the Corporate Values, Strategic Objectives, Code of Ethics and Conduct of the Banesco Citizen, Directors Code of Ethics and assignment of responsibilities, establishing the Mission, Vision and a balanced Comprehensive Strategic Planning process, in which Shareholders, the Board of Directors and Senior Management participated.

As part of the commitment in the fight against money laundering and terrorist financing, the Code of Ethics and Conduct of Banesco Citizen is a common thread. Among the staff, three requirements are fostered:

- Obtaining all the necessary information from clients.
- Maintaining a proactive attitude in crime prevention.
- Identifying and reporting any suspicious activity in a timely manner.

The necessary measures are also adopted to prevent products, services, operations and / or transactions from being carried out with funds or on funds from activities related to the crimes of Money Laundering (BC), Terrorism Financing (FT) or Financing the Proliferation of Weapons of Mass Destruction (FPADM). To monitor our clients' operations we use the Financial Crime Mitigation (FCM) tool.

From the analysis we carry out on our clients' operations, we make reports to the Financial Analysis Unit (UAF) for allegedly being involved in money laundering cases, according to the warning signs established in the different regulatory agreements.

The Government structure ensures the correct application of the policies and regulations that govern this matter, also considering the risk

levels of customers, their geographical location, activity, profession, products or services, among others. It is made up of: the Compliance and Corporate Governance Committee and the Vice Presidency of Compliance and Corporate Governance.

Focus on Requests and Claims Resolution

(GRI FS15, 417-2, 3)



The Group makes efforts to plan, design and develop financial and insurance products in a responsible manner. In this sense, the focus on claims and requests is essential to verify their proper implementation, in addition to providing a feedback conduit for the improvement of processes. Banesco Panama features a "Customer Claims and Requests Management Policy."

The case management model seeks to fulfil all customer cases through the usual contact channels, allowing greater handling, measurement and control of current customer response processes, guiding them to solve cases at first contact while reducing response times as well as the number of claims.

The model is enabled through the case management tool that allows the entry and registration of each customer interaction from the different contact channels. In some cases, the solution and closure will be immediate (inquiries and claims). In others, it will be escalated (requests and claims). In addition, this tool helps to check the service history, monitor and follow-up on cases from any contact channel, from the request to the response.

In 2019, Banesco received 8,687 claims, 90% corresponds to credit cards, debit cards, and savings accounts. The highest percentage of claims are related to complaints about annuity / membership fees, investigation of fraudulent card transactions in transit, unrecognized transfers, and disagreements in applied charges. It is important to note that the increase in the number of claims compared to the previous year is due to the entry of the new Banking Core.

| Concept | Claims | % | Cumulative % |
|------------------|--------------|-------------|--------------|
| Credit card | 3848 | 44% | 44% |
| Debit card | 3634 | 42% | 86% |
| Savings Account | 354 | 4% | 90% |
| Personal Loans | 189 | 2% | 92% |
| Prestacard | 169 | 2% | 94% |
| Mortgages | 129 | 1% | 96% |
| Checking Account | 111 | 1% | 97% |
| Online banking | 102 | 1% | 98% |
| Points of Sale | 55 | 1% | 99% |
| Car loan | 44 | 1% | 99% |
| Móvil Pay | 33 | 0% | 100% |
| Time Deposit | 10 | 0% | 100% |
| Business Loan | 9 | 0% | 100% |
| TOTAL | 8,687 | 100% | |

As far as non-compliance cases related to information and labeling of products / services, we presented seven (7) cases for products and services by the end of 2019, which were sanctioned by the Authority for Consumer Protection and Competition Defense (ACODECO) , of which six (6) are pending appeal and one (1) paid a penalty fee. Likewise, there were two (2) claims of misleading advertising in marketing communications. One is going through an appeal process and the other paid a penalty fee in the month of December.

Customers have access to these channels follow up on their requests, queries or claims:



Information Security, Privacy

(GRI 418-1)

Protecting and preserving the privacy, integrity and availability of our clients' data and operations is a transversal axis in the Code of Ethics and Conduct.

Regarding privacy violations, there are privacy guidelines, which include the use of the information collected, a ban on information sharing, user options and responsibilities regarding applications and clients. In addition, the use of the information collected is only for analyzing the customers' traffic in their electronic banking services and adapting its contents according to the information needed on products and services offered. However, the customer can choose to receive this data in the future or not. We publish alerts to raise awareness about the safe use of our products and services, and to avoid possible forms of financial fraud.

In addition to this, as of 2019 we hold a **Cybersecurity Policy**, whose main objective is to establish the guidelines and serve as a frame of reference for the management of cybersecurity matters, to prevent or mitigate possible events that may occur.

It should be noted that **Law No. 81 of March 26, 2019, on Protection of Personal Data**, will be implemented two years after the enactment of the law, that is starting 2021, and its main purpose is to regulate the use of personal data of Panamanian citizens, respecting the full exercise of the fundamental rights of data owners and the powers recognized by said law.

During 2019, no substantiated claims were received regarding violations of customer privacy and loss of customer data.

Strengthen National Institutions Through International Cooperation to Prevent Violence

The purpose of this initiative is to promote classical music learning opportunities for those children and young people who are in popular districts; promoting teamwork and fostering a culture of peace. For the fourth consecutive year, Banesco supported them with an annual contribution of USD50,000.00.

The report presented by the United Nations Development Program (UNDP), an active partner of La Red, highlights the following:

An increase in programs, from 41 in 2018 to 46. A 50% increase in enrollment of children and youth. The number of current participants on La Red is 2,361. In 2019, 120 concerts were offered. We want to offer them several angles of the impact that The Network has had on its beneficiaries from different points of view, the true protagonists, represented by students, families and teachers:

“*In here, something very curious happens. There is healthy competition, because of the Network itself, the way we handle ourselves, has befriended us, brothers even”.*

Student of La Red
SAN MIGUELITO MODULE

“*Many change. A boy told me: ‘Look teacher, I was on drugs and this changed my life. Now, my mind is on rehearsing, listening to the music, practicing!’.*

Teacher at La Red
KUNA NEGA MODULE.

“*My son had already reached puberty, an age of development (12 years old) and I noticed he was having trouble studying, some attention deficit and behavior problems at school. My son is now 14 years old and in two years, I have noticed how extremely intelligent he really is. They have already congratulated me at school pointing out that my son is the honor roll. It was a 360 ° change. Now, he is organized, studious, and shows his good nature. (...) Music changed him. (...) He already knows what he wants to study, and he sees himself with a broader, future vision of what he wants to be. And I owe that to the music”.*

Student’s Mother of La Red
SAN MIGUELITO MODULE



“*Music sensitizes you, it makes you become a better person. And this is where I have learned it best”.*

Student of La Red
SAN MIGUELITO MODULE



Committed to partnerships for the goals

Sustainability is built by everyone (companies, governments, civil society, NGOs, unions). This maxim does not escape Banesco's actions, which is why many of its programs are

always developed hand in hand with a social partner. Thus, we are able to comply with all the initiatives that make up our four lines of action.

17 PARTNERSHIPS
FOR THE GOALS



Our alliances (GRI 102-12)

Below are the partnerships, associations and initiatives that Banesco Panama participated in 2019:

| Start | Partner | Initiative | ¿What do they do? | ¿What do we do together? | Start | Partner | Initiative | ¿What do they do? | ¿What do we do together? |
|-------|---|--|---|---|-------|---|--|--|--|
| 2018 | Panamanian Banking Association | Sustainability Committee | Establish mechanisms to build and promote a sustainable finance strategy. | We participate as a member | 2016 | Micro, Small and Medium Enterprise Authority (AMPYME) | National Council of Entrepreneurship for the Republic of Panama. | Support the tactical and operational work carried out by the entrepreneurial ecosystem in Panama, to materialize a concrete, specific, achievable and measurable work plan with a 2020 vision, focused on real entrepreneurship needs. | We are part of the 41 organizations that make up the ecosystem for entrepreneurship in Panama. |
| 2018 | Panamanian Banking Association | Sustainable Finance Protocol | This Protocol consists of five components: Governance, Environmental and Social Risks, Green Products, Eco-efficiency and Disclosure. | We continue to be part of the "Sustainable Finance Protocol" | 2017 | Panama Canal Authority (ACP) | Collective Impact Strategy of the Canal Basin | Join efforts and resources to generate impacts and shared results in the area of influence of the Panama Canal Watershed and other areas of the country. | Support with our sustainability / CSR programs, as a member of this alliance. |
| 2018 | National Association for Conservation (ANCON) | Help mitigate the effects of Climate Change | The National Association for the Conservation of Nature (ANCON) is a non-governmental organization dedicated to promoting projects for the conservation of protected areas in Panama. | Active partners of this NGO. Annual contribution of USD3,000.00 | 2019 | Panama Canal Authority (ACP) | Latin American Laboratory for Citizen Action (LLAC) | Organized by the ACP and the United for Education Foundation, whose purpose is to train young leaders in the development and promotion of communicational projects and / or experiences of citizen incidence. | Support from professional volunteering in the training of the 150 boys from all over the country who were shortlisted to live this experience and assistance during the camp. In addition to a USD8,000.00 contribution. |
| 2016 | Micro, Small and Medium Enterprise Authority (AMPYME) | Business Development Fund. AMPYME Seed Capital Program and our "Banesco Entrepreneurs" Training Program. | Empower small entrepreneurs as an essential part of the Panamanian entrepreneurial ecosystem. | We signed a cooperation alliance and are signatories of the National Pact for Entrepreneurship. | | | | | |

| Start | Partner | Initiative | ¿What do they do? | ¿What do we do together? |
|-------|--|---|--|--|
| 2016 | AVENT | Lactation Room | Renowned company in baby products, from birth to early childhood. | We keep an agreement with AVENT, who supports us in the lactation room, to maintain adequate improvements for the feeding needs of newborns in the care of their mothers, harmonizing our employees' work and family life. |
| 2015 | American Chamber of Commerce and Industries of Panama (AMCHAM) | Participation in various AMCHAM activities. | Promote sustainable business practices with AmCham member companies. | Sustainability Committee presidency handover in 2019. |
| 2017 | DEG Deutsche Investitions und Entwicklungsgesellschaft (DEG) | | DEG fosters private sector development in developing and transition countries, to achieve sustainable growth and long-lasting improvement of people's lives. | The Environmental and Social Management System (ESMS) was created and its implementation began in 2019. |
| 2010 | Latin American Federation of Banks (FELABAN) | | It brings together more than 623 banks and financial entities in Latin America to promote and facilitate contacts and insights. | We are members of this association. |
| 2017 | Foundation for the Promotion of Educational Excellence | Competition for Educational Excellence | It is an initiative that seeks to create quality education, highlighting educational excellence in schools, promoting a culture of evaluation and improving the performance of teachers. | We are partners seeking to create conditions for the continuous improvement of public education. Our annual contribution is USD140,000. |

| Start | Partner | Initiative | ¿What do they do? | ¿What do we do together? |
|-------|-----------------------------|--------------------------------------|--|--|
| 2018 | FundeSteam | Robotics Olympics | NGO committed to the promotion and development of education in Science, Technology, Engineering, Arts and Mathematics (STEAM), aimed at children and young people at the national level, through the support of innovative educational programs. | We sponsored the 2019 Robotics Olympics, an event organized by Fundesteam. |
| 2016 | "Tocando Madera" Foundation | Guataca Nights | Strengthen cultural ties and friendship through music. The platform's objective is to spread emerging Venezuelan musical talent, promote their projects, support their initiatives in Venezuela and around the world. | BanESCO is a permanent sponsor of monthly meetings where Panamanian and Venezuelan artists converge, to provide us with a wide repertoire. In 2019 we had 3,499 viewers in 11 sessions. To date, we have sponsored 38 editions with the participation of more than 7,000 attendees. BanESCO's annual contribution is USD42,000 |
| 2018 | Ministry of Labor/UNDP | (SI Género) | Seal of Equality that promotes the entry of more women into the workforce and improves the quality of their employment, with tools that contribute to closing the gender gap in companies and institutions. | We were certified with the Gold Seal category, a recognition that we received along with 5 other companies, in June 2019. |
| 2016 | Municipality of Panama | Cultural Program "Africa in America" | This activity is organized during the month of May, "Black Ethnicity Month". In 2019, it served an audience of more than 6,800 people, both in Panama City and in surrounding areas. | We are sponsors of this yearly activity with an annual contribution of USD23,000. |

| Start | Partner | Initiative | ¿What do they do? | ¿What do we do together? |
|-------|--------------------------------------|--|---|--|
| 2018 | UN Women / Global Compact | Women's Empowerment Principles WEPs | This initiative proposes the creation of development opportunities for women within public and private companies, their participation in leadership and decision-making. | We are active members. |
| 2017 | United Nations, ONU | United Nations Global Compact | This initiative seeks the implementation of 10 principles on Human Rights, Labor Practices, Environment and Anti-corruption, derived from United Nations Declaration on Human Rights and other universally accepted topics like labor, environment and anti-corruption regulations. | We incorporate the Ten Principles of the United Nations Global Compact and annually report progress through our Sustainability Report. |
| 2019 | National Theater's Board of Trustees | Benefactors of the National Theater | Manages, guards, protects and preserves the National Theater. | We participate as a member of the Board of Directors of this board of trustees with a contribution of USD50,000. |
| 2017 | UNDP / Ministry of Culture | Network of Youth and Children's Orchestras and Choirs of Panama (La Red) | This initiative is led by the Ministry of Culture, with the support of the United Nations Development Program (UNDP), and its purpose is to provide opportunities for classical music learning for those children and young people who are in popular districts; seeking teamwork and fostering a culture of peace. | We promote actions to strengthen and provide sustainability strategies. |
| 2014 | SUMARSE | Active member | Enable the incorporation of social responsibility and the principles of the Global Compact among its members for the construction of a more just and sustainable society. | We join forces to achieve a collective impact that makes the development of Panama more sustainable. |

| Start | Partner | Initiative | ¿What do they do? | ¿What do we do together? |
|-------|--|--|---|--|
| 2018 | The United Nations Environment Program | (UNEP FI) Financing Initiative | UN Environment Financial Initiative. UNEP FI is an alliance between the UN Environment and the global financial sector, with the objectives of involving the financial sector in the transition towards sustainable development. A network of more than 200 financial | We joined the UNEP FI network on August 8, 2018. Ratifying our commitment to sustainability to expand and share knowledge and experiences among the different sector stakeholders, segments and institutions. |
| 2016 | Foundation for the Integral Development of Women and the Family (FUNDADER) | Social Partners of the Banesco Entrepreneurs Program | NGO that seeks to contribute to the human development of vulnerable populations, through the execution of programs and comprehensive projects on education and values, that provide knowledge, life skills and opportunities to face social inequalities, strengthen the family unit and development for the country. | They are our partners and executing arm to open up the Banesco Entrepreneurs program throughout the Panamanian territory, establishing direct contact with the program's beneficiaries and grassroots community organizations. |
| 2016 | Panamanian Solidarity and Development Foundation (FUSODEP) | Social Partners of the Banesco Entrepreneurs Program | It brings opportunities, both humanitarian and solidarity solutions to vulnerable populations in the Province of Veraguas and the Ngäbe-Buglé Region. | They are our partners and executing arm to open up the Banesco Entrepreneurs program throughout the Panamanian territory, establishing direct contact with the program's beneficiaries and grassroots community organizations. |

| Start | Partner | Initiative | ¿What do they do? | ¿What do we do together? |
|-------|--|--|---|--|
| 2015 | University Institute of Management and Technology (IUGT) | Social Partners of the Banesco Entrepreneurs Program | Continuing education center with updated training programs for companies and communities. | They are our partners and executing arm to open up the Banesco Entrepreneurs program throughout the Panamanian territory, establishing direct contact with the program's beneficiaries and grassroots community organizations. |
| 2019 | Arrocha, Castrellón & Asociados (AROC) | Cooperation agreement for the promotion of "intellectual property"-based | AROC is a Panamanian law firm completely focused on counseling on and protecting Intellectual property. It is also the consulting firm for the World Intellectual Property Organization in Panama. | Through this partnership, it was possible to promote activities that foster entrepreneurship, innovation, creativity, culture and sustainable development based on Intellectual Property through talks at universities, chambers of commerce and participating in events and national fairs in the whole country. |
| 2019 | Ministry of Social Development (MIDES) | Training for families and individuals from social assistance programs | Foster human development, through participation and promotion of equity, as well as the organization, administration, coordination of policies and plans, programs and actions aimed at strengthening the family and the community, and achieving social integration and poverty reduction. | In August 2019, a three-year cooperation agreement was signed with MIDES to promote SDG 17, which will allow support for a thousand people (2020) who will be trained through the Banesco Entrepreneurs program. Also, an innovation workshop was offered to the directors of said institution and office equipment was donated. |



Signature of the MIDES agreement

Our Corporate Volunteering

In 2019, we worked on the relaunch of the Banesco Corporate Volunteering Program, which represented a process of identifying challenges and setting indicators/goals, focus, interviews, co-creation workshops and design of the Volunteer Manifesto, as well as collecting data and conceptualizing the corresponding duties and rights.

Hence, the number of volunteer hours reported during this period were reduced in relation to 2018, from 1,021 to 208. It should be noted that within the framework of International Volunteer Day, the relaunch of corporate volunteering was celebrated. It was the right time to present an internal campaign, the new methodology and to recognize those volunteers who stood out for their volunteer service hours.



The initiatives carried out in 2019 were based on our lines of action and contribution to projects that promote the development of a culture of health and well-being, focused on healthy lifestyles.

These included:

| Project | Participating Volunteers | Volunteering Hours |
|--|--------------------------|--------------------|
| Banesco Entrepreneurs Program | 7 | 75.5 |
| Blood Bank | 14 | 42 |
| Competition for Educational Excellence (CNEE) | 12 | 67.5 |
| Participatory Budget | 4 | 16 |
| Latin Americaqn Laboratory for Citizen Action (LLAC) | 2 | 7 |
| Total Volunteer Hours | | 208 |



Volunteer Program Relaunch



2019 Volunteers of the Year

Other Memberships or Associations

(GRI 102-13)

Banesco Panamá is an active participant in different associations and organizations that reinforce its management in wide range of interest:



ABP

Panama Banking Association – ABP
(for its Spanish acronym)



ACAMS

Advancing Financial Crime Professionals
Worldwide



ALARYS

Latin American Risk Management Foundation-
ALARYS (for its Spanish acronym)



FIBA

Florida International Bankers Association



ICC Panama International Chamber of

Commerce – The world business organization



IGCP

Corporate Governance Institute– Panamá

| As signatory of the Global Compact we adopt as our own the ten principles in its 4 central concepts:



HUMAN RIGHTS

PRINCIPLE 1: we support and respect the protection of internationally proclaimed Human Rights.

PRINCIPLE 2: we ensure that they are not complicit in human rights abuses.



ENVIRONMENT

PRINCIPLE 7: we maintain that businesses should support a precautionary approach to environmental challenges.

PRINCIPLE 8: we undertake initiatives to promote greater environmental responsibility.

PRINCIPLE 9: we encourage the development and diffusion of environmentally friendly technologies.



LABOR PRACTICES

PRINCIPLE 3: we uphold the freedom of association and the effective recognition of the right to collective bargaining.

PRINCIPLE 4: we uphold the elimination of all forms of forced and compulsory labor.

PRINCIPLE 5: we support the effective abolition of child labour.

PRINCIPLE 6: we support the elimination of discrimination in respect of employment and occupation.



ANTI-CORRUPTION

PRINCIPLE 10: we fight against corruption in all its forms, including extortion and bribery.

The ten principles of the UN Global Compact derive from the Declaration of Human Rights, the Declaration of the World Trade Organization, the Rio Declaration on the Environment and Development and; the United Nations Convention against Corruption.

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#ContigoEnLaigualdad



This sustainability report 2018 can be consulted in digital format
in the Web pages of:

- **Banesco (Panamá), S.A.** www.Banesco.com.pa
- **Pacto Mundial** www.globalcompact.com
- **Global Reporting Initiative** www.globalreporting.org