

Moody's

INVESTORS SERVICE

Announcement: Moody's upgrades Banco de la República Oriental del Uruguay S.A.'s bank financial strength rating

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Buenos Aires, April 29, 2011 -- Moody's Investors Service upgraded Banco de la República Oriental del Uruguay S.A.'s (BROU) bank financial strength rating (BFSR) to D+ from D, and affirmed the bank's local and foreign currency deposit ratings on both global and national scales. The outlook for all the ratings is now stable.

The following rating of Banco de la República Oriental del Uruguay S.A was upgraded:

Bank Financial Strength Rating to D+ from D, stable outlook

The following ratings were affirmed:

Long- and short-term global local-currency deposit ratings of Baa2 and Prime-2, stable outlook

Long- and short-term global foreign-currency deposit ratings of Ba1 and Not Prime, stable outlook

National Scale Local Currency Deposit Rating of Aaa.uy

National Scale Foreign Currency Deposit Rating of Aa2.uy

RATINGS RATIONALE

Moody's said that the upgrade of BROU's stand-alone BFSR captures the strengthening of the bank's balance sheet during the past few years, as illustrated in improved asset quality and risk-weighted capitalization. The bank's nonperforming loans declined to 1.2% of total loans as of year end 2010 from 1.32% in 2009, and reserve coverage improved to 443% from 383%, partly due to more stringent regulatory requirements. BROU has also recovered Ur\$1 billion (US\$ 50 million) of impaired loans that the bank had taken over from failed banks at the behest of the Central Bank.

The upgrade recognizes the bank's continued strong deposit and earnings growth which have benefited from its dominant franchise in the Uruguayan market, reflected in loan and deposit market shares of 45% and 42% respectively, and in particular from its low cost and highly granular deposit base. Moody's noted that almost half of BROU's profit growth has come from its private sector lending activities which have also generated strong fee income for the bank. Operating efficiency has also displayed an improving trend, resulting from the bank's greater focus on alternative and lower cost distribution channels, the opening of new Mini BROU branches, and encouraging the use of home banking and telephone banking, thus fostering economies of scale.

BROU nevertheless remains challenged by a high and increasing level of competition in the Uruguayan market as the international banks consolidate their positions and gear up to take advantage of stronger loan demand. The relatively high level of dollarization of its balance sheet also exposes BROU to additional credit risk when lending US dollars to non-US dollar generators.

Moody's noted that BROU's Baa2 and Ba1 local and foreign currency deposit ratings reflect the bank's 100% ownership by the Republic of Uruguay, which also guarantees the bank's obligations.

Banco de la República Oriental del Uruguay is headquartered in Montevideo, with Ur\$204.5 billion (US\$ 10.2 billion) in assets, Ur\$174 billion in deposits and Ur\$22.1 billion in equity as of December 2010.

Moody's National Scale Ratings (NSRs) are intended as relative measures of creditworthiness among debt issues and issuers within a country, enabling market participants to better differentiate relative risks. NSRs differ from Moody's global scale ratings in that they are not globally comparable with the full universe of Moody's rated entities, but only with NSRs for other rated debt issues and issuers within the same country. NSRs are designated by a ".nn" country modifier signifying the relevant country, as in ".uy" for Uruguay. For further information on Moody's approach to national scale ratings, please refer to Moody's Rating Implementation Guidance published in August 2010 entitled "Mapping Moody's National Scale Ratings to Global Scale Ratings."

Please see ratings tab on the issuer/entity page on Moodys.com for the last rating action and the rating history.