

The background image is a detailed photograph of a classical building's facade. It features several columns with ornate capitals, likely Corinthian or Composite, adorned with acanthus leaves and scrolls. The facade is decorated with various moldings, including dentils and egg-and-dart patterns. The stone appears aged and weathered. The sky is visible in the upper left corner.

## Presentation of the Bank and Corporate Governance





## PRESENTATION OF THE BANK AND CORPORATE GOVERNANCE

The Banco de la República Oriental del Uruguay (BROU) –established by Law No. 2480 dated August 4, 1896, as a universal bank, originally under the legal form of a corporation– is presently an Autonomous Entity of the commercial domain of the State, governed by Sections XI, XIII and XIV of the Constitution of Uruguay.

Its current Charter was approved by Law No. 18716 of December 24, 2010, setting up a modern regulatory framework, comprehensive and pragmatic, covering every operation of this multiple bank, both a commercial and development bank, all within the constitutional and legal provisions, and the Central Bank regulations in force.

Such law has been regulated by the Executive Branch under Decree 100/013 of April 2, 2013, published on April 10, 2013 in the Official Gazette. This regulation addressed the main aspects of the administrative organization of BROU and its mandate, and the various roles and duties of senior officers and administrative areas are established therein. This completes an updated legislation, in line with present times, even contemplating for instance the use of new technologies for deliberative bodies if necessary.

### MISSION

To provide financial services available to the entire population at reasonable costs, encourage savings and foster the production of goods and services, contributing to the productive, economic and social development of Uruguay.

### VISION

We see ourselves as a multiple national bank, but also unique and competitive, focused on meeting customer needs in a comprehensive way, combining the necessary profitability of business with the fulfillment of its Corporate Social Responsibility, driving financial inclusion, investment, production and Uruguayan exports.

## CORPORATE VALUES

### • Commitment to service

To provide quality financial services to meet the needs of customers and contribute to financial inclusion, and the economic and social development of Uruguay.

### • Ethical performance

Caring for the observance of ethical principles in both personal and institutional actions, as a permanent hallmark in the development of the operations of our Bank.

### • Corporate Governance

Turning the quality of the Bank Corporate Governance into a means for growth and value creation.

### • Team work

Forging a working philosophy that encourages acting as cohesive teams, creating a common vision of our Bank.

Maximizing synergies that emerge from team work, both within areas and with cross-cutting actions that require the unified commitment of the various businesses of our Bank.

### • Professional management

Working professionally, that is, seeking to reach the highest level of quality in everything we do.

### • Mutual respect

Always acting based on the logic of solidarity, banishing confrontations that give birth to paralyzing clashes and fiefdoms.

### • Equity

Providing fair, egalitarian and ethical treatment to all customers, suppliers, associates and workers, ruling out any discriminatory attitude or policy.





#### • Transparency

Turning transparency in management into a true competitive advantage, creating value, reliability and financial stability.

Promoting an organizational culture based on comprehensive and transparent information, subject to the standards in force.

#### • Social Responsibility

Ensuring a strong commitment to the community through social, environmental, ethical and human resources considerations in businesses and transactions.

### CORPORATE GOVERNANCE

The governance and the management of the Bank are entrusted to a Board composed of a Chair and President, and four Directors appointed by the President of the Republic in conformity with the Council of Ministers, prior consent by the Senate to the proposals made by the Executive Branch. Such proposals are based on the personal characteristics, professional qualifications and skills of the nominees. The persons appointed remain in office until their successors are appointed in the same way.

When the Board enters into office, a First Vice-President is appointed to chair in case of absence, resignation or inability of the President, and a Second Vice-President, to act in the case of absence, resignation or inability of the first two. Also, when the requirements of good service so require, the President may delegate his powers to the Vice-President.

The Board Chair and President –assisted by the Secretary General– is the representative of the Bank in all corporate matters, and as concerns property issues of the Bank, the President and the General Manager act jointly as the Bank's representatives.

To carry out its mandate, the Board has the most ample powers. To make decisions, a minimum quorum of three members is required; a simple

majority vote being enough to resolve, except in those cases where the law or the regulations require a special quorum.

Also to provide the dynamic management required by present-day entities, the new Charter empowers the President, in exceptional circumstances, to make an early decision in those cases where the law does not impose a special majority, the Board being bound to consider such decision in the next meeting.

With the same purpose of providing flexibility and efficiency to the Bank, the Board has delegated its decision making to several Committees composed of Board members, the General Manager, and Executive Managers of the areas directly involved. In this regard, such Committees include the following:

Detail of the entry doorframe  
BROU Head Office







Agricultural Market - Montevideo

### **The Technology Committee**

The main purpose of this Committee is to define Information Technology guidelines and objectives, providing the means for their achievement and follow-up.

The Financial Investments Committee  
This Committee is for the discussion and definition of financial investment policies and the Bank's interest rates. This is where the financial goals are determined, as well as the means to achieve them and monitoring procedures.

### **The Administration Committee**

Final resolutions in all administrative matters exceeding the powers of each service are adopted by this Committee, provided that the proposed actions do not require a special majority of the Board of Directors.

### **The Asset Recovery Committee**

Final resolutions on matters relating asset recovery are adopted by this Committee when special majorities are not required. This Committee is empowered to grant deductions in the amount of delinquent loans. The releases of guarantees and attachments, assignments and/or

substitution of loans, as well as payment agreements are authorized by this Committee, determining -within its authority- the currencies and amounts for paying off such amounts.

### **The Audit Committee**

Analyzing the advisory opinions of the Internal Audit Office corresponds to this Committee, along with monitoring the implementation of recommendations for changes to procedures made by such Office. Additionally, it is responsible for the coordination of the internal and external controls interacting at the Bank, and for the supervision of the financial reporting process. Furthermore, this Committee is in charge of monitoring the proper operation of the integrated internal control system.

### **The Anti-Money Laundering and Counter-Terrorism Financing Committee**

Within the comprehensive framework of the Anti-Money Laundering and Terrorism Financing Prevention, this committee regularly examines the proper operation of the system and discusses and approves the plans and reports on the subject prepared by the Anti-Money Laundering Unit.





### Other aspects of Corporate Governance

The Bank has an organizational structure with operational lines of command where the Secretary General and the General Manager report to the Board. The General Secretariat, the Civil-Law Notary Services and Legal Services report to the Secretary General. The Executive Managers report to the General Manager, as well as the following Area Managers: Business (Corporate Banking, Retail Banking and Finance report to this manager), Sales and Distribution (Distribution Network and Cash Logistics report to this Manager), Accounting (comprising Budget, and Accounting and Control), and Resource Management (including the Information Technology, Processes, Operations and Infrastructure areas). Additionally, Human Resource Management and Strategic Planning report directly to the General Manager as advisory units. In turn, the Anti-Money Laundering Unit, Risk Control and Policies, the Internal Audit Office, and Corporate Communications and the unit dedicated to the Cluster, they all report to the President (such unit dedicated to the Cluster coordinates with the remaining entities that belong to BROU)

Considering its special dual status as a commercial bank and a State-owned entity, BROU is under the control of the Central Bank of Uruguay (BCU) and its Superintendence of Financial Institutions. Likewise, it is under the supervision of the National Accounting Office, which, among other things, monitors the financial management of the Bank and the legality of expenditure and payments. Concerning credit risk within the non-financial sector, the Bank must comply with the limits set forth by the BCU regulations and those set forth by its own Charter, which are even more restrictive. The limit for credits to individuals or legal entities was set at 5% of Equity, i.e. USD 53,800,000.00 for 2015, except in the case of credits to industrial and business entities of the public sector (as referred to in

Section 221 of the Constitution of Uruguay) for which the limit is 10% of Equity, (USD 107,600,000.00 for 2015). Also, if any of these individuals, companies or entities belongs to an economic group, the above limits will remain, but the total amount of credits or loans to the economic group may not exceed such limits by more than 50%.

For qualified lending, following the best practices of Corporate Governance, resolutions are adopted by corporate professional bodies composed of several members in order to assure greater security and objectivity. In this regard, notwithstanding those loans or credits for which the Board is legally responsible, due to the amount or the special number of votes required, all the remaining credit decisions are taken by Committees and their final resolutions need to be taken by a unanimous vote.

Of such Committees, the main one is the Credit Committee, composed of the General Manager, the Assistant General Manager of Business, the Executive Manager of Risk Control and Policies and the Executive Managers of the business units involved. The Credit Committee adopts the final resolution about credits for up to USD 1.2 million exceeding the powers of the credit committee of the respective area. As for credits granted by branches overseas, the Credit Committee is empowered up to USD 400,000.

Under Article 24 of the Bank Charter, "the State is directly liable for the deposits and the transactions made by the Bank". Additionally, like all other financial entities, the deposits with our Bank are also guaranteed by the Bank Deposits Guarantee Fund, created by Art. 45 of Law No. 17,613 dated December 27, 2002, under the management of the Corporation of Bank Savings Protection.

In terms of transparency it should be noted that the Bank also has the Coordination Unit on Corporate





Information. Within the limits of the legal framework relating to bank secrecy and confidentiality, the Unit is responsible for the exchange of information with external bodies, and aims to ensure fundamental rights of persons to access public information, and of protection of personal information, promoting transparency in the management of the entire Bank.

This Unit also coordinates the preparation of information needed to be included in the reports required by the Central Bank of Uruguay, mainly the Corporate Governance Annual Report, and the questionnaire of the CERT evaluation process, etc.

Moreover, the BROU Cluster Unit was created by Board Resolution of July 2, 2015 using the best practices of corporate governance. This unit has been mandated mainly to support the coordinated, professional and integrated management of the different companies and organizations that make up the BROU Group.

Finally, as established by the Central Bank of Uruguay in Article 184.11 of the Securities Market Rules, since BROU is licensed to issue publicly offered securities, this report must include the information required by such provision. In this regard, according to the legal framework in force, the remuneration of the President and remaining Directors is the same as Ministers and Under-Secretaries of State, respectively, at Jan 1, 2010, updated according to the increases applicable to salaries of the Central Government. The resulting amounts are reported by the national Planning and Budget Authority. The wages of the remaining Bank officials are regulated based on a single standard scale that applies to all Public banks. Also, according to the provisions of the Staff Rules and existing collective agreements, officials can come to perceive a reward of up to two additional salaries, subject to certain conditions: a) a positive result for the year, that allows to maintain the assets in constant values in relation to the previous year

and that the total payment does not affect the integrity of the Bank's equity; b) meeting the goals established in the strategic planning, regarding corporate, division and personal targets, approved by the Board before the year started, and that their design and implementation do not merit objections of the national Planning and Budget Authority.

During the year 2015 the following changes in the Senior Staff took place: In compliance with Executive Branch resolutions dated April 15, 2015, on April 21, 2015, Mr. Julio César Porteiro Dobal assumed the Presidency of BROU, while Mr. Jorge Andrés Pisano Polgar took office as Vice President; Ms. Sylvia Naveiro Carrizo who served as Vice President, took office as Second Vice President, and Ms. Adriana Rodríguez Cabrera who served as Second Vice President, assumed the position of Director. On the same date, according to the provisions of Law No. 17,865 of March 21, 2005, the position of Mr. Alejandro Irastorza Mautone, as a member of the outgoing Board, came to an end with the appointment of the majority of the Board. On July 14, 2015 Mr. Eduardo Elinger Mello took the position of Director, having been designated for this purpose by resolution of the Executive Branch dated June 7, 2015. On June 9, 2015 Mr. Fernando Di Bello Mango took office as Assistant General Manager in the Resources Management Division, replacing Mr. Daniel García Azpiroz. Also, within the framework of the Bank transformation process towards the consolidation of its BROU 2020 Vision, from January 1, 2015, Ms. Monica Galli Domínguez was appointed as Executive Manager of the Finance Department; Mr. Gustavo Gomila Díaz as Executive Manager of the Distribution Network, Mr. Germán Rodríguez Barcos as Executive Manager of Operations, Ms. Silvia Noguez Trapik as Executive Manager of Budget, Mr. Favio Calabuig Rodríguez as Executive Manager of the Process Division and Ms. Carla Angelero Bonino as Executive Manager of Accounting and Control.





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