



Competitive Banking
Environment

COMPETITIVE BANKING ENVIRONMENT

At the end of 2015, the Uruguayan financial system consisted of one public commercial bank, 9 private commercial banks, 1 public mortgage bank and 8 non-bank financial institutions.

The total financial system assets totaled USD 37,708 million at the end of 2015, growing 1% in US dollar terms in the year, which represented a 70% of the GDP.

Commercial Banking System

The commercial banking system assets amounted to USD 35,343 million in 2015, representing a 1.6% annual increase in US dollar terms, based on the general increase in the system. BROU is the leading financial institution in the country, with an asset share of 42.8% of the total, slightly lower compared to the end of 2014.

Gross Credits to the Non-Financial Sector totaled USD 13,847 million at the end of 2015, representing 39% of the assets of the commercial banking system. In the fiscal period, there was a balance decrease of 2% measured in US dollars.

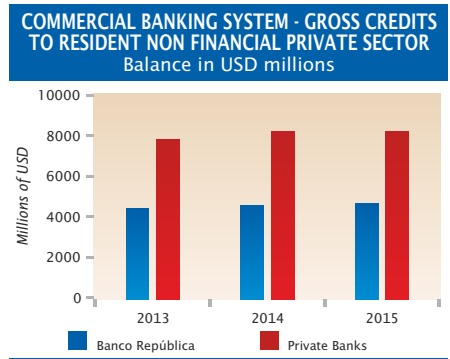
URUGUAYAN FINANCIAL SYSTEM							
Assets, Liabilities and Equity at december 31, 2015 - In millions of USD and percentage share							
Type of institution	Nº	Assets	%	Liabilities	%	Equity	%
Commercial Banking System	10	35.343	94%	32.836	96%	2.507	75%
BROU	1	15.122	40%	13.889	40%	1.233	37%
Private Banks	9	20.221	54%	18.947	55%	1.274	38%
Others Financial Intermediaries	8	2.365	6%	1.532	4%	833	25%
Banco Hipotecario (Mortgage Bank)	1	1.610	4%	899	3%	711	21%
Financial Cooperatives	1	22	0,1%	16	0,05%	6	0,2%
Deposit Taking Institutions	3	172	0,5%	145	0,4%	26	1%
Offshore Financial Institutions	2	538	1%	450	1%	88	3%
Savings Associations	1	23	0,1%	21	0,1%	3	0,1%
Total	18	37.708	100%	34.368	100%	3.340	100%

URUGUAYAN COMMERCIAL BANKING SYSTEM				
Activity level indicators				
	2013	2014	2015	% 2015
Gross Loans to the Non-Financial Sector (% of GDP)	24%	26%	26%	
Gross Loans to the Non-Financial Sector (USD millions)	13.226	14.123	13.847	100%
BROU	5.048	5.480	5.223	38%
Private Banking	8.178	8.643	8.624	62%
Non-Financial Sector Deposits (% of GDP)	48%	51%	54%	
Non-Financial Sector Deposits (USD millions)	26.695	28.235	28.931	100%
BROU	12.667	13.342	13.149	45%
Private Banks	14.028	14.893	15.782	55%



The amount of gross credits to the Resident Non Financial Private Sector, meanwhile, reached USD 12,827 million, 1% higher than 2014. This growth spanned the entire system, meaning a slowdown compared to 2014, when the growth had been 4%.

The delinquency rate for the entire banking system stood at 2.01%, remaining at a low level, a figure slightly higher than the rate at the end of 2014.



In 2015, the liabilities of the commercial banking system reached a balance of USD 32,836 million, implying an annual increase of 2.2% measured in US dollars. This growth was primarily due to increased deposits in the Resident Private Sector, with a greater proportion of foreign currency.

At year end 2015 the bank liabilities were formed primarily by Non-Financial Sector Deposits, which accounted for nearly 91% of the total liabilities.

The share of BROU liabilities in the total banking liabilities was 42%, slightly lower than the share of 2014.

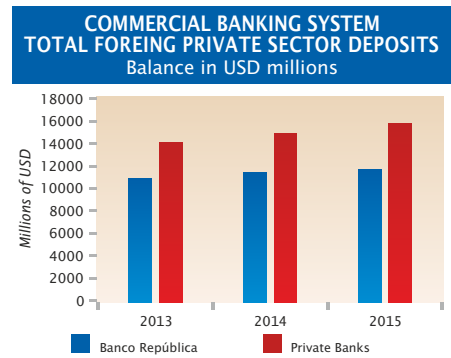
The balance of the Non Financial Sector Deposits as of December 2015 amounted to USD 29,819 million, an annual increase of 3% measured in US dollars.

The structure per term continued to show a stronger concentration in short-term deposits. Like the previous year, 87% are deposited for less than 30 days, 9% for 31 days to 1 year, and the remaining 4% for more than 1 year.

BROU maintains a lower concentration in the short term. In this sense, the term deposits greater than one year in BROU accounted for 6%, while in the case of private banks this ratio stood at 3%.

The Deposits of the Non Financial Resident Private Sector totaled USD 23,671 million, 3% higher than 2014, with a dollarization level of 78%.

The balance of deposits in the Non Resident Private Sector grew by 9% relative to the previous year, representing 15% of the total Private Sector deposits in the system.



Lobos Island - Maldonado





The equity of the commercial banking system amounted to USD 2,507 million measured in US dollars at year end 2015, decreasing 5.5% in the year. The equity of BROU slightly increased its share in the total system, reaching 49% of the total equity.

The solvency of the banking system remained at a good level, which was reflected in the net capital adequacy of the banking system, 22% above the minimum required by regulatory standards. Such ratio was 1.24 times for BROU and 1.21 times for the private banks.

The annual operating income of the commercial banking system reached USD 413 million in 2015, USD 16 million lower than the previous year's operating result. BROU recorded an operating income of USD 266 million, which represents 64% of the overall result.

The economic result of the commercial banking system in 2015 was USD 316 million, an increase compared to the previous year. BROU recorded an economic result in 2015 of USD 198 million, the largest in the system.

Overall, the improved economic performance in 2015 compared to the performance in 2014 was the result of higher gains from the exchange rate. Such effect was partially tempered by the increased loss on inflation and the tax burden, and the decline in operating income.

The profitability indicators improved in the year. The rate of return on equity (ROE) of the banking system was 13%, while the rate of return on assets (ROA) was 1%.

COMMERCIAL BANKING INDICATORS

Indicators	2013	2014	2015
ROE Return on Equity	19,0%	11,7%	13,0%
ROA Return on Assets	1,5%	0,9%	1,0%
Delinquency Rate	1,3%	1,5%	2,0%
Solvency - Tier 1 Risk-Weighted Assets	11,5%	11,6%	11,1%



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