



Management Report



MANAGEMENT REPORT

On December 31, 2015, BROU Assets amounted to **USD 15,122 million**, which represented an increase of 1% in dollars compared to the end of 2014.

Cash on hand and financial credits account for 64% of total assets, amounting to USD 9,658 million; non-financial sector credits (private and public) represent 32%, while the remaining 4% were fixed assets and other assets.

Assets grew by USD 103 million as a result of an increase in **Financial**

Investments (USD 833 million), and decreases in **Cash on hand** (USD 443 million) which are mainly Current Accounts with BCU (USD 392 million), and the **Credits to the Non-Financial Sector** (USD 247 million).

Financial Investments reached USD 6,137 million, with a growth in investment securities (USD 625 million) and deposits abroad (USD 418 million) in foreign currency, and a decrease in term deposits with BCU in local currency (USD 259 million). These are composed of: securities (47%), investments with the New York Branch (33%) and investments with foreign banks (15%).

BALANCE SHEET - ASSETS						
USD millions						
	2013	2014	2015	Breakdown by currency 2015		
				Pesos	I.U.	Fgn. Curr.
Cash on hand	3.425	3.964	3.521	781	0	2.740
Financial Investments	5.463	5.304	6.137	181	285	5.670
Investments Financial sector	25	19	1	0	0	1
Net Investments Non Financial sector	4.737	5.132	4.884	887	1.657	2.341
Corporate Banking Division	1.694	2.039	1.899	240	284	1.376
Retail Banking	2.130	2.094	1.980	697	1.265	18
Agricultural Division	813	1.007	1.100	14	2	1.083
Trust and Agreements with MEF	411	332	245	0	237	8
Others (1)	-311	-340	-339	-64	-131	-144
Fixed Assets	218	208	171	171	0	0
Investments	178	194	198	92	0	106
Other Assets	253	198	211	148	1	62
Total Liabilities	14.299	15.019	15.122	2.260	1.943	10.920

(1) Provisions for Bad Debts Included

NON-FINANCIAL SECTOR INVESTMENTS			
USD millions			
	2013	2014	2015
Gross Investments - Resident Private Sector	4.413	4.577	4.648
Gross Investments - Public Sector	617	885	564
Trust	13	12	12
Others (1)	31	33	31
Provisions for Bad Debts	-337	-375	-371
Net Investments Non Financial sector	4.737	5.132	4.884

(1) Foreign Private Sector and Accrued Interest Included

The net credits to the **non-financial sector** amounted to USD 4,884 million (gross number of USD 5,255 million minus provisions of USD 371 million). There was a decrease of USD 247 million compared to December 31, 2014, with a drop in the public sector (USD 321 million), while the private sector showed an increase of USD 70 million. 89% were Private sector credits and 11% were credits to the Public sector. Financial Trusts had a balance of USD 11.5 million at December 31, 2015.

Gross lending to private sector residents (excluding trusts) reached USD 4,648 million. In 2015 there was an increase of 2%, including: "Refinancing" (USD 81 million), "Development" (USD 38 million), "Agriculture" (USD 32 million) and "Delinquent" (USD 19 million), these increases were mitigated by the drop in "Social" (USD 127 million). This drop when measured in US dollars is a result of the increase of the US dollar value by 22.8% in relation to local currency.

The balance of credits to the public sector (USD 564 million) fell by USD 321 million due to lower overdraft of the Central Government in pesos (USD 300 million).

The non-performing credits to the private and public Non Financial Sector (excluding trusts) amounted to USD 171.1 million, representing 3.3% of the gross amount. This index was higher than the one recorded at year-end 2014 (2.4%) due to the increase in the past due portfolio of USD 43 million.



In the remaining chapters of the assets there were not any significant changes.

Liabilities amounted to USD 13.89 billion, increasing by 1% compared to Dec. 31, 2014.

Constitution Square - Montevideo

BALANCE SHEET - LIABILITIES						
USD millions						
Liabilities	2013	2014	2015	Breakdown by currency 2015		
				Pesos	U. I.	Fgn. Curr.
Deposits	12.704	13.374	13.189	2.814	523	9.853
Private Sector	10.331	10.904	11.094	2.047	383	8.664
Foreign Sector	479	542	615	7	1	607
Public Sector	1.858	1.895	1.439	733	139	567
Banking Sector	37	32	41	26	0	15
Sundry Liabilities	63	58	341	25	0	315
Other Liabilities	315	330	359	287	23	49
Total Liabilities	13.082	13.762	13.889	3.126	546	10.217
Equity	1.217	1.258	1.233	-866	1.397	703

These liabilities were composed of 80% deposits by the resident private sector, 10% public sector deposits and 4% foreign sector. Other liabilities and sundry liabilities accounted for the remaining 6%.

The resident and non-resident **Private Sector Deposits** grew by 2% (USD 262 million). Balances in foreign currency (USD 739 million) increased for all products primarily in savings accounts, and decreased in local currency. The products with greater liquidity (savings and sight accounts) concentrated 83% of total sectoral deposits (67% savings and 16% sight),

while the remaining 17% were Term Deposits. In terms of currencies, the increase was concentrated in foreign currency deposits, which grew by 9%; deposits in national currency decreased by 17% and those in inflation-indexed units decreased by 15%.

The share of foreign currency deposits from resident depositors of the private sector amounted to 78%, 5% higher than Dec. 31, 2014. In Uruguayan pesos, the share amounted to 18% (down 5%) and denominated in inflation-indexed units remained at 4%.



"Casa Pueblo", by Carlos Páez Vilaró
Punta Ballena, Maldonado



The **Public Sector Deposits** showed a balance of USD 1,439 million, a drop of 24% compared to Dec. 31, 2014, and this drop occurred in all currencies.

In 2015, the **Equity** of BROU decreased by USD 25 million (2%) in US dollar terms. The increase in the income for the year (USD 198 million) was absorbed by the reduction in equity when measured in US dollars as a result of the increase of the US dollar value relative to the local currency, and the contribution to general revenue made on June 2, 2015 for UYU

1,960 million corresponding to the profit of 2014.

The Net Capital Adequacy was 24% above the minimum capital adequacy, slightly lower than December 31, 2014 (28%).

Provisioning for total gross non-performing credits amounted to 66.39% (similar to Dec. 31, 2014 - 65.93%), while our own non-performing receivables reached 20.83%, lower than the previous year (28.16%) due to the increase in past due credits.

Economic Results

INCOME STATEMENT			
USD millions ¹			
	2013	2014	2015
Financial Gains	916	913	898
Financial Expenses	-141	-155	-165
Gross Financial Margin	775	758	733
Provisions for Bad debts	-53	-96	-95
Net Financial Margin	722	663	637
Revenues for Services	74	82	94
Expenses for Services	-13	-14	-13
Gross Profit	783	731	718
Operating Gains	84	86	72
Other Gains for Exchange Rate Differences	36	32	38
Other Gains	48	54	34
Operating Expenses	-581	-562	-527
Wages and social charges	-324	-306	-312
Depreciations	-23	-21	-19
Taxes, Rates and Contributions	-48	-50	-49
Other Losses & Expenses	-186	-185	-145
Operating Result	286	255	264
Extraordinary Income	2	0	0
Results of Previous Periods	4	-1	-4
Inflation Results	0	-94	-106
Currency Translation Difference from Valuation	33	59	116
Adjustment for Restatement of Results in USD	-13	-8	-17
Results Before Income Tax	312	211	254
Income Tax	-22	-42	-56
Income for the Year	290	170	198

¹ - Average exchange rate per year: year 2013: USD 1 - UYU 20,46 / year 2014: USD 1 - UYU 23,20 / year 2015: USD 1 - UYU 27,49

BROU obtained in 2015 a profit equivalent to USD 197.8 million, USD 28.2 more than the previous year. The increase is mainly due to higher profits from exchange differences in valuation and services, and lower operating losses, offset by a decline in financial margin.

The financial margin amounted to USD 733 million and showed a slight decline of 3.4% (USD 25.8 million) due to a reduction in financial income in domestic currency and an increase in financial losses in foreign currency.

In 2015 there was a loss of USD 95 million for the net establishment of allowances for bad debts, similar to the one of 2014.

Revenues for services (USD 94 million) increased by 15%, entirely in local currency, impacted by the entry into force of the financial inclusion act.

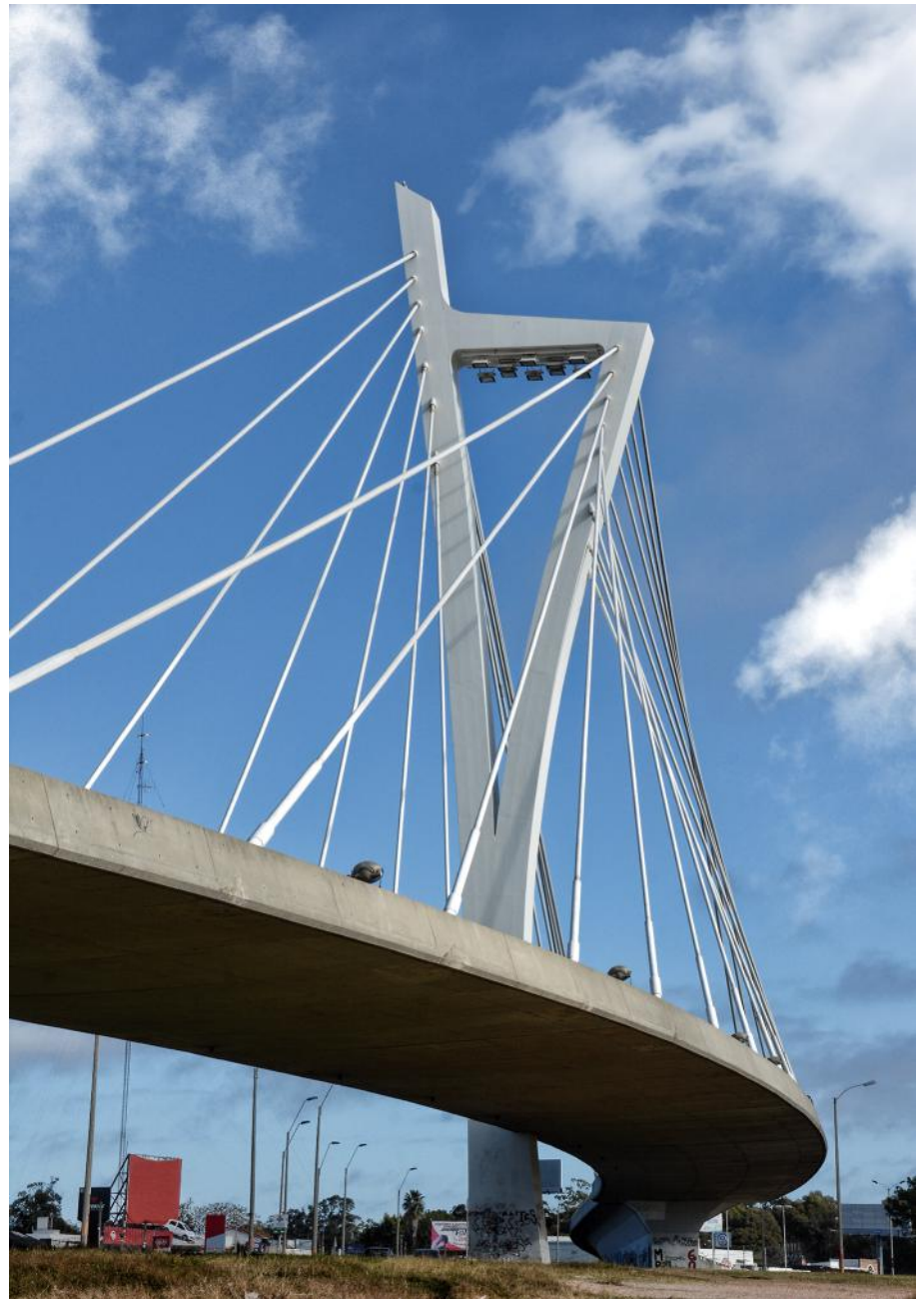
The **gross result** (financial margin net of provisions plus income from services) amounted to USD 718 million, declining slightly (1.7%) as a result of the lower financial margin which was partially offset by the increase in revenues for services.

Other operating results showed a net loss of USD 454 million, 4% lower than the previous year, impacted by the lower operating costs in US dollar terms (both personnel costs and operational expenses).

Operating result (gross income minus other operating income) amounted to USD 264 million, an increase of 3% resulting from the lower operating cost mentioned above.

The net valuation result was a loss of USD 7 million including loss on inflation adjustment (USD 106 million) and currency translation of results (USD 17 million), and profits from exchange differences in valuation (USD 116 million).

Results before income tax amounted to USD 254 million, an increase of 20% responding mainly to increased profits from exchange differences in valuation. The Business Income Tax paid amounted to USD 56 million.



The efficiency ratio (prepared by the Economic Analysis Advisory Services) reached 58%, better than 2014 (61%).

Indicators of average return on equity (ROE) and average return on assets (ROA) amounted to 17.23% and 1.45% respectively, showing an improvement over the previous year (ROE 14.12% and ROA 1.22%) due to fiscal year increased profit.

"Puente de las Américas"
by Santiago Calatrava - Canelones



GENERAL INFORMATION			
Number	2013	2014	2015
Branches	137	141	139
Foreing Branches	3	3	3
Employees	4.225	4.192	4.058
Self-services Terminals	3.087	3.288	3.565
ATMs	313	351	376
Small Indoors ATMs	2.611	2.743	2.951
Deposit Talking ABMs	115	138	171
Web Terminals	48	56	67
RedBROU Cards	1.068.586	1.171.693	1.168.827
E-Banking Customers	250.175	322.148	428.417
Non-Fin Sector Deposits Customers	1.048.681	1.118.579	1.084.765
Non-Fin Sector Inv. Customers	445.174	454.588	466.664

FINANCIAL AND INCOME STATEMENT			
USD millions			
	2013	2014	2015
Assets	14.299	15.019	15.122
Liabilities	13.082	13.762	13.890
Equity	1.217	1.258	1.233
Operating Result	287	256	264
Income for the Year	290	170	198

FUNDS AND INVESTMENTS			
USD millions			
	2013	2014	2015
Non-Financial Sector Deposits	12.667	13.342	13.148
Local Currency	3.682	3.332	2.788
Inflation-Indexed units (IU)	704	689	523
Foreign Currency	8.281	9.321	9.838
Net Investments Non Financial Sector	4.737	5.132	4.884
Local Currency	909	1.229	887
Inflation-Indexed units (IU)	1.764	1.699	1.657
Foreign Currency	2.064	2.204	2.341

MANAGEMENT INDICATORS			
Indicators	2013	2014	2015
Profitability			
ROE	23,5%	14,1%	17,2%
ROA	2,2%	1,2%	1,5%
Solvency			
Tier 1 Capital Ratio - (Tier 1 Capital / Risk-Weighted Assets)	13%	13%	12%
Tier 1 Capital / Minimum Tier 1 Capital (N° times)	1,3	1,3	1,2
Credit Risk			
Delinquency Rate	1,7%	2,3%	3,2%
Total Provisioning	7,2	7,3	7,7
Own Coverage - Total non performing loans (N° times)	40	28	21
Prov. Total gross non performing loans	56%	66%	66%
Efficiency			
Efficiency Ratio	58%	61%	58%