

## CORPORATE AREA

### Business Banking

The purpose of the Business Banking Area is to provide quality services to industrial, trade and service companies, prioritizing support to production, investments and exports, and promoting economic growth through permanent service dynamics that consolidate our profile as a safe, self-sufficient and competitive Bank.

As a part of a multiple bank, this Area is a market leader, combining profitability, environmental advocacy and social advancement in the definition of business, by promoting investment, exports and financial inclusion.

The specialized business units of this Area cover all segments of the market, thereby providing specific solutions to both micro and small businesses, as well as medium and large businesses, whether their production be intended for the domestic and/or the international market.

For this, it offers a full range of short, medium and long-term credit lines, financial services, and deposits, which fully cover customer needs: credit support for cash needs, working capital, sales financing, import and export financing, leasing, fixed asset acquisition, technological entrepreneurship, cleaner production, investment projects, assistance in the financing of quality certification processes, management of all documents relating to business abroad, business services (payroll, suppliers, etc), and other financial



BROU Businesses Building

services related to the management and profitability of surplus (current accounts, savings account, term deposits, etc.).

The volume of credits granted by the Business Unit represents 24% of the total credits granted to the Non-Financial Private Sector.

The lending balance at December 31, 2015 stood at USD 1,879 million, decreasing by USD 160 million compared to the end of the previous year, as a result of the reduction in public sector assistance to cover temporary cash misalignments, with an increase of private sector financing. If the Public Sector is not considered, lending grew about 10%.

#### CORPORATE CREDIT BY PURPOSE

Balance in millions of US Dollars

Purpose	2013	2014	2015	Breakdown by currency 2015		
				Pesos	I.U.	Fgn. Curr.
Manufacturing	601	593	635	32	8	595
Construcion Industry	91	87	103	38	7	59
Trade	248	235	246	26	78	142
Service	520	568	641	77	130	434
Public Sector	234	556	254	67	61	126
<b>Total</b>	<b>1.694</b>	<b>2.039</b>	<b>1.879</b>	<b>240</b>	<b>284</b>	<b>1.355</b>

As regards the structure of credits by currencies, the share of credits in inflation-indexed units rose from 10% to 15% as a result of long-term financing of projects for trade, while the share of national currency lending decreased as a result of the mentioned drop in cash assistance to the Public Sector; foreign currency credits accounted for 72% of the total credits, growing six percentage points over the previous year.

CORPORATE CREDITS BY TYPE			
Balance in USD millions			
Type	2013	2014	2015
Working Capital	349	658	334
Investment	669	808	893
Foreign Trade	575	462	470
Exports	382	296	331
Imports	193	167	139
Refinancing	100	109	182
Other	1	2	0
<b>Total</b>	<b>1.694</b>	<b>2.039</b>	<b>1.879</b>

As for the breakdown by credit purpose, there was deeper support to investment and foreign trade, while the short-term assistance was significantly reduced by the improved performance of liquidity management in the Public Sector.

The number of credit customers continued to rise, reaching 7,279, 54% of which are small enterprises, which are served by the Area of Micro and Small Enterprises, specialized in the service and promotion of this type of productive units.

With regard to deposits, at year-end, the balance in demand accounts and term deposits reached USD 3 billion, deposited in 326,876 accounts.

#### MAIN ACTIONS DEVELOPED IN 2015

Actions successfully implemented in previous periods continued:

- Credit assistance to the most dynamic sectors of the economy.
- New funding to customers in the same currency of their income, so as to minimize credit risk.
- Flexible management of rates applied to loans.
- Continuous monitoring of the credits and guarantees portfolio, so as to maintain and enhance the high quality standard reached in recent fiscal years.
- As it is customary, the Bidding for Investment Projects was conducted again. In its tenth edition and as already mentioned in the section about Corporate Social Responsibility, 51 entrepreneurship projects were presented for investments exceeding USD 417 million. Of these projects, 24 were selected for a total of USD 94 million, and the Bank approved financing a total of USD 46 million. These proposals were ranked considering different factors such as belonging to an attractive business sector, job creation, geographic decentralization, domestic value added of exports, use of cleaner production processes, quality and/or traceability systems and emphasis on their contribution to economic and social development.

This initiative is among the best proposals for long-term funding in the market and it is a benchmark for investment grade nationally. In these ten years, 294 projects have been selected representing a USD 2,820 million investment and a USD 1,205 million financing, among which there are large infrastructure and renewable energy projects, aligning the Bank with the energy matrix transformation policies of Uruguay.

#### BIDDING FOR INVESTMENT PROJECT FINANCING

Projects submitted at the end of each call

Bidding	2008	2009	2010	2011	2012	2013	2014	2015
<b>Number of Projects Submitted</b>	<b>41</b>	<b>48</b>	<b>69</b>	<b>43</b>	<b>74</b>	<b>60</b>	<b>51</b>	<b>51</b>
Amount of Investment (USD millions)	227	340	570	550	990	1.011	608	417
Funding Requested (USD millions)	138	177	336	197	480	373	321	199
<b>Number of Projects Selected</b>	<b>17</b>	<b>33</b>	<b>35</b>	<b>28</b>	<b>41</b>	<b>35</b>	<b>33</b>	<b>24</b>
Amount of Investment (USD millions)	94	214	244	325	675	538	394	94
Funding Requested (USD millions)	51	95	120	139	290	203	165	46

According to our Bank's commitment to adhere to the Equator Principles, every project exceeding a USD 10 million investment was evaluated taking into account the performance standards of the International Finance Corporation.

- In reaffirmation of our commitment to sustainable development, BROU continued to be a member of the Finance Initiative - United Nations Environmental Program, UNEP-FI, adhering to the collective effort to anticipate and prevent the possible adverse impact of financial activity on the environment and the community.
- Financial assistance deepened in the form of Project Finance and co-financing with the involvement of organizations such as the IDB and ICO-FIEM.
- The use of the National Guarantee Fund -SiGa- was encouraged through more than 600 new loans backed by this tool, thus renewing our

commitment to the development of more businesses and therefore a greater distribution of resources in the largest segment of the economy, the MSEs.

- As regards staff training, in-house courses designed to improve the skills required for proper job performance and for the incorporation of new technologies and business continued:
- Courses were given on the use of e-BROU for businesses, a milestone critical to the consolidation of mobile banking in the industry.
- There was one training event on Corporate Credit Cards targeting Business Support and another one aimed at Officers of the Business Unit.
- With the support of Retail Banking, Training and Distribution Network, training and actions by staff groups were coordinated for company visits within the framework of the Financial Inclusion Act.

Independencia Square - Montevideo



### Agricultural Banking

Agricultural Banking is aimed at contributing to the development, growth and sustainability of the agricultural production units by strengthening the agribusiness networks to which they belong, and by providing products and services in a timely and efficient manner, with a professional service, at our Branches and specialized Platforms.

Agricultural Banking is regarded as a business unit with a strong position in the market, achieved by detecting good business opportunities and by building longstanding relationships with customers.

According to the MGAP Agricultural Planning and Policy Office (Spanish acronym OPYPA), in 2015 the

agricultural sector faced a less favorable external scenario relative to the previous years. Prices of food and raw materials dropped and major trading partners such as China and Brazil have been decelerating. Also, dairy exports fell in terms of prices and volumes, and weather factors created difficulties in the areas of wheat and corn.

The main impact was in grain production, where the price decline caused a reduction in sown areas.

The expansion occurred with the forestry-driven pulp production demand and the setting up of a second pulp plant in Uruguay and the production of beef cattle which increased the slaughtering by 8%. In this context, the farming industry grew by 4%.



During 2015, an active management by Business Officers, Coordinators, and Managers achieved an increase of USD 94 million in the agricultural portfolio balance, maintaining the target delinquency level of 3.5% as of December 2015.

At year- end, the amount of credits to the Agricultural Area reached USD 1.1 billion, a slowdown in the growth rate (9%), relative to 2014, given the situation outlined.

In this regard, serious efforts were made to address the difficult situation faced by the dairy sector, since this is a government objective and the dairy sector is very important within the agricultural portfolio.

In July, a special credit line "Assistance to Dairy Producers Financial Loan" was approved by the Bank Board, so as to allow them to afford expenses incurred to maintain production after facing weather problems, and to provide new funds to plant pasture or summer forage crops with an initial grace period until October 31, 2016 and 8 - 12 payments depending on the milk volume supplied for processing.

This assistance was carried out in the framework of the Government negotiations for the creation of the Dairy Sector Sustainable Development and Financing Fund (Spanish acronym FFDSAL).

In October, in view of the financial needs of producers and the delayed procedures for the creation of the Trust, the Bank Board approved a USD 45 million cash advance credit line for the legal entity FFDSAL -DAIRY SECTOR SUSTAINABLE DEVELOPMENT AND FINANCING FUND - an operation whereby such amount was distributed among nearly 3,000 producers benefiting from such trust according to the list provided by the authorities of FFDSAL.

#### Balance of Credits in the Agricultural Portfolio

The structure of credits by currency remained stable over the past fiscal years, concentrated mainly in foreign currency (99%). Most business, except for Farms, sell their production in foreign currency, and the BCU requirement is to avoid damaging customer rating, by matching the loan currency with the currency of the customer sales.

Although **new credits** maintained a sustained growth, in line with the dynamism of this sector, in the last year the growth was lower, standing at 8%, with the short-term funding to the most significant agricultural companies being 62% of the total.

The list below shows the values of recent years:

**2013 - USD 994 million**  
**2014 - USD 1,181 million**  
**2015 - USD 1,279 million**

#### Structure of Credits by Activity



AGRICULTURE CREDITS BY PURPOSE						
Balance in USD millions						
Purpose	2013	2014	2015	Breakdown by currency 2015		
				Pesos	I.U.	Fgn. Curr.
Livestock	258	273	275	2	0,3	273
Dairy	70	116	189	6	0,2	183
Agriculture and Livestock	181	241	243	2	0,2	241
Farm	53	57	53	5	1	47
Services	109	130	146	1	0	145
Rice growing	72	107	110	0	0	110
Agriculture	68	80	82	0	0	82
Forest	2	3	3	0	0	3
<b>Total</b>	<b>813</b>	<b>1.007</b>	<b>1.101</b>	<b>15</b>	<b>2</b>	<b>1.084</b>



At the end of 2015 a significant increase in the balance of credits to **Dairy, Livestock and Services** can be observed, whereas lending to the Agricultural production and Farms decreased.

The **Livestock and Dairy** sectors were the most affected by weather conditions; autumn drought conditioned many producers to implement rationing for feeding the most sensitive categories, calves/heifers and cows and pregnant heifers.

There was an important contribution in this regard by the MGAP, distributing animal feed rations to family farmers, subsidizing part of the cost, but many of the other producers opted for loans for the purchase of animal feed and supplements.

Activities related to agriculture and farms, showed no increase.

Depressed commodity prices in the agricultural year, of both wheat and soybeans, resulted in a reduced area planted by companies in the fields under lease. Under these conditions, the crop margins were not attractive.

#### Structure of the Balance by Type of Credit

Throughout 2015, the trend of declining balances continued in the **debt rescheduling of zero coupon bonds**. However, an increase in reprofiling and agreements can be observed, as a consequence of the management action in order to recover credits to agricultural companies with significant arrears.

In connection with the **business portfolio**, the largest balance increase occurred in investment products USD 61 million (including the USD 45 million advance to FFDSAL), whereas working capital financing for companies increased nearly USD 30 million.

#### AGRICULTURAL CREDITS BY TYPE

Balance in USD millions

Type	2013	2014	2015
Working capital	407	482	512
Investments	383	499	560
Refinancing	22	26	29
<b>Total</b>	<b>812</b>	<b>1.007</b>	<b>1.101</b>

#### Number of Customers Update

The number of customers served by the Agricultural Unit at the end of 2015 was 6,781, showing no significant change as compared to the previous year.

The sectors with greatest variation were Farms, where there was a fall in the number of customers, and Dairy, with an increase.

#### Credits by Accounting Tier

The portfolio quality is one of the main indicators constantly monitored in order to maintain levels within the financial system average.

Credits in Tiers 3, 4 and 5 amounted to USD 44 million, representing 3.5% of the total portfolio. During 2015, there was an increase of USD 22 million, which are under collection management and/or debt rescheduling by the Agricultural Recovery Department.

#### NUMBER OF AGRICULTURE CUSTOMERS

Breakdown by Credit Purpose

Purpose	2013	2014	2015
Livestock	2.976	3.012	3.016
Dairy	1.043	1.027	1.033
Agriculture and Livestock	1.026	1.028	550
Farm	796	806	1.037
Services	529	552	240
Rice Growing	250	239	84
Agriculture	81	86	796
Forest	28	25	25
<b>Total</b>	<b>6.729</b>	<b>6.775</b>	<b>6.781</b>

### Main Actions carried out in 2015

As usual, our Bank, along with the Rural Association of Uruguay, participated in the two most significant events of the farming sector in general, the "Expo Activa" (March 18 - 21), main trade show for machinery of our country, held annually in the Department of Soriano, and the Agribusiness and Trade Show "Expo Prado 2015" (September 9 - 20).

At the "Expo Activa" of Mercedes, a joint presentation by the Minister of Agriculture, Mr. Tabaré Aguerre (Agricultural Engineer) and BROU President, Mr. Julio César Porteiro (CPA) was organized by our Bank.

The significance of progress in an irrigation policy and the opportunities for production increases resulting from water use in certain products were highlighted by the Minister; meanwhile BROU President stressed the beneficial conditions and interest rates provided by our Bank for such purposes to our customers.

As in previous editions of the "Expo Prado", there was an award ceremony "Trofeo Banco República" to the best of the following breeds. The "Grand Champion" awards were: Hereford (Cabaña El Ceibal), Polled Hereford (Cabaña Las Anitas), Aberdeen Angus (Sociedad Ganadera El Yunque) and Corriedale (Granja Roland).

This year, for the first time, our Bank participated in the "Expo Melilla" (April 15 - 19), held in the Department of Montevideo at a venue belonging to the Association of Rural Producers of Uruguay, ARU. This trade show was planned and driven considering the needs of small and medium-sized producers, promoting and validating new technologies available for the livestock, dairy and farm areas. There was a stand served by BROU employees of the Las Piedras branch.

All these events were opportunities to continue promoting the bidding process for investment projects, incorporating some form of use of water resources associated with

irrigation (water sources, water piping, irrigation equipment, power generation), aligned with the policy promoted by the MGAP.

In June, in conjunction with the National Association of Milk Producers (Spanish acronym ANPL), Board Members and top officers of the Agricultural Area, launched joint lines of work with ANPL, TAMBO JOVEN and VIVIENDA RURAL. Such lines of work were developed for young producers with experience and expertise in dairy farming to have opportunity to access credit with maturities -20 years- longer than those currently available to carry out production projects, and also to provide the possibility of financing suitable housing for families of dairy farmers, allowing a better quality of life in dairy farms. For this purpose, ANPL, jointly with the University Department of Architecture (UDELAR), based on a selection, shortlisted building contractors to work with.

At the end of June, Bank Directors and Managers of the Agricultural Area took part in the opening of the second collection, distribution and seed production plant of the firm KILAFEN S.A. located in the village of Goñi, north of the Department of Florida, a plant financed by our Bank, like the first plant.

The Agricultural Area continued providing customer service at Breeder Auctions and Livestock Fairs, both throughout the country and those held through screen auctions jointly with the firm Plaza Rural in Montevideo.

The amounts traded in Auctions and Fairs (total sales) in 2015 reached USD 102 million, in 385 auctions in total.

In training, the courses provided during 2015 were varied, where the 3 modules by the University Department of Agriculture must be emphasized: Dairy Workshop (May 27 - 28), Forest Workshop (June 17), and Fruit and Vegetable Production Workshop (October 8), for the Technical Staff of our Bank.



BROU's stand at Expo Prado - Montevideo