



BBVA



Annual  
Report  
2016



Creando Oportunidades



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# Call for the ordinary general shareholders meeting

Shareholders are hereby called to the Ordinary General Shareholders Meeting to be held on April 28th, 2017 at 3 pm at our corporate headquarters at 25 de Mayo N° 401, Montevideo. The Agenda for the meeting shall be the following:

## **Agenda:**

1. Appointment of Chairman and Secretary for the Meeting
2. Consideration of General Balance Sheet (Balance Sheet and Income Statement), Proposal for Profit Distribution, Board of Directors Report and Audit Reports corresponding to the fiscal year ended on December 31st, 2016
3. Appointment of members of the Board of Directors and their corresponding replacements
4. Determination of the Board of Directors' remuneration
5. Appointment of Auditor
6. Consideration of Audit Report
7. Appointment of a shareholder to sign the Minutes of the Meeting

Shareholders are hereby warned that they shall not be allowed to participate in the Meeting, unless they comply with provisions established in Art. 350 of Law No. 16.060.

Requests for the registration of shares must be carried out no later than three working days prior to the date of the Meeting, at the Corporate Headquarters (Art. 26 of Corporate By-Laws).

The Board of Directors

# Management Bodies

## Board of Directors

As of December 31st, 2016

Chairman	Mr. Antonio Alonso Granada
Director Secretary	Mr. Gerardo Cedrola
Director	Mr. Alejandro Vínetz
Directors	Mr. Gustavo Licandro Mr. Santiago Pérez del Castillo Mr. José Antonio Blanco Hierro Mr. Rafael González Moya

## Auditing Committee

Permanent Auditor	CCA. José Luis Rey
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## Management Committee

As of December 31st, 2016

Chairman	Mr. Antonio Alonso Granada
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## Business and Support Units

Commercial Management	Ms. María del Rosario Corral
Business Management and Digital Transformation	Mr. Juan Carlos Alonso
Global Risk Management	Mr. Marcelo González
Resources, Services and Legal Advice Management	Mr. Gerardo Cedrola
Financial Management	Mr. Alejandro Vínetz
Media Management	Ms. Adriana Ocampo
Compliance	Ms. Mónica Znidaric

## Staff

Internal Audit	Mr. José Antonio Díez
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# Ceo's letter to shareholders

## Dear shareholder:

In a complex international macroeconomic context, BBVA has achieved good results, making important decisions to improve the Group's growth potential, aiming at a new standard for banking services, to create more and better opportunities for our customers, who are the true beneficiaries of BBVA's technological progress and transformation.

Year 2016 has been, once again, a very good business year for BBVA. In this complex environment, benefits have increased in almost 32%, improving the risk profile and reinforcing the capital base. BBVA Group earned more than 3,475 million Euros, the highest figure since 2010. The main factors explaining this growth were the positive evolution of recurrent income, the moderation of expenses and the decrease of write-downs.

In South America - a key region for the Group and where an ambitious growth plan is being implemented - activities continued to grow, both in terms of investment as of resources, although at a slower pace, due to the macroeconomic downturn experienced by the region. This growth favored a solid evolution of recurrent income. The interest margin increased in 11.4% year-to-year, while there was an 8.2% increase in commissions. All of this, as well as the good behavior of financial operations results, led to a 10.3% increase in the gross margin in 2016. The high inflation in some countries of the region and the evolution of exchange rates resulted in a 17.5% increase in expenses in 2016. Still, the net margin showed a 4.7% increase. As for credit rating, the main credit risk metrics were slightly deteriorated, as expected, due to the macroeconomic context. There was a 2.9% delinquency rate. In 2016, attributable profit increased in 1.1% amounting to 771 million Euros.

As a result of the 2016 business year, BBVA Uruguay had losses amounting to \$117.7 million, compared to \$407.9 million obtained in the 2015 business year. Without taking into consideration the adjustment on account of inflation, results amounted to \$309 million (-62.7%) which implies a 5.4% return on equity at the beginning of the business year. In general, the banks performance was slightly above the general performance of the private banking system: Credit investment (in average and in local currency) increased in 1.6% during the business year. Compared with 2015, BBVA's market share with respect to the industry went from 20.92% to 21.18%, amounting to \$54.760 million.

As for deposits, they reached \$88,227 million in local currency, which represents an average fall of 1.1%; taking into account the currency of origin, they increased in 0.6% in the same period. Just as with credit investment, BBVA was slightly above the industry average: taking deposits into account, the market share went from 17.59% to 17.83%.

In terms of investments, we have continued to implement an ambitious plan which is focused on improving customers' experience in relation to the Bank, and our objective is to be the best bank for our customers. With this purpose, we have comprehensively remodeled various branches and we continue to make progress in our digital customer project; therefore, investments in technology have been significant during this fiscal year and will continue to be so during the next years.

In 2016, BBVA was selected as one of the best places to work in Uruguay. This award was granted by the organization Great Place to Work®, ranking the bank among the top 16 companies in 2016. Furthermore, not only was BBVA the only bank included in this important list, but it was also ranked 5th in the category of companies with more than 150 employees, and it received a special mention for its transformation process.

Finally, I would like to acknowledge the effort of each one of BBVA's collaborators, who have made it possible for BBVA to be one of the best places to work in the country and to achieve an excellent situation, ready to face any challenges ahead. Together, we will be able to differentiate ourselves from our competitors and build the best bank in Uruguay.

Kind regards,

Antonio Alonso Granada  
CEO BBVA Uruguay





# Annual report of the fiscal year ended on december 31<sup>st</sup> 2016

## Dear shareholders:

According to regulations in force, the Board of Directors of Banco Bilbao Vizcaya Argentaria Uruguay S.A. hereby submits the Annual Report, the Financial Statements and the Auditor's and Auditing Committee's Reports corresponding to the fiscal year closed on December 31st, 2016, for consideration by the Shareholders' Meeting.

## Economic-Financial Context

Business year 2016 was a relatively calm year at the level of international markets. As for interest rates, there was a slight increase by the Fed near the end of the business year, which had already been mostly assimilated by markets. The Fed is expected to continue with its monetary policy normalization approach for the main economy in the world, which would imply reference rate increases.

In addition, the victory of the Republican candidate in the US presidential elections brings about new challenges and uncertainties in relation to global economy and trade.

At a local level, the current national government completed its first year in office. The business year ended with an increase of fiscal deficit amounting to 4% of the GDP, a situation which economic authorities expect to begin to revert in 2017 with a number of fiscal consolidation measures including tax increases and public tariff increases, among other things.

## Main Financial Indicators

The level of activity is expected to close with a slight increase of over 1%, which, even if it still places the country in the path towards growth, is a lower growth figure than those shown in recent years. Within this context, a fall in activities has been recorded in the construction and power generation sectors, countered by an increase in the industry, transport and communications sectors.

In terms of foreign trade, in 2016 there was a raise in the trade surplus, which will end around 1,150 million Dollars. However, both exports and imports decreased (7% and 15% respectively) in a context of economic stagnation. Current account deficit was reduced to 0.7% of the GDP, as a result of an improvement in the trade balance of services (tourism).

With regard to the labor market, unemployment rate showed an increase to 7.74% as of December, compared to 7.40% at the same time the previous year. These figures are in line with the economy's activity level which, although it has not decreased, is still not dynamic.

The Peso/Dollar exchange rate showed a 2% end-to-end decrease, after three consecutive years of increases. This evolution took place within the context of a slowdown of the strengthening of the Dollar at a global level, due to the fact that the FED did not make the progress expected at the beginning of the year in terms of the monetary policy normalization. More specifically, at the beginning of 2016 around four rate adjustments by the US monetary authority were expected, but only one was finally carried out in the last meeting of the year. In addition, at a local level the interruption of the strengthening of the Dollar was also the result of a contractionary policy to control inflation.

As for inflation, after the first half of the year where it reached 11%, the contractionary policy added to the positive evolution of other variables (power generation, exchange rate evolution) resulted in a slowdown of its growth rate, reaching 8.1% in December, representing a decrease with respect to the 9.44% observed in 2015.



## Projections for 2017

The reaction of markets to the victory of the Republican candidate in the US presidential elections leads us to predict a scenario with higher interest rates and a stronger Dollar at a global level for 2017. This context poses risks for emerging economies, in particular if it comes together with protectionist actions by the world's main economy.

The members of the FED have given signs that reference interest rate increases might take place in a more significant manner in the following years; a 1.4% average rate is expected at the close of 2017 (compared to the 0.5%-0.75% at the end of 2016).

This would result in an appreciation of the Dollar with respect to other currencies, especially the Uruguayan Peso, in the medium term.

As for the region, actions to liberalize capital markets are expected to continue in Argentina after the tax amnesty ("blanqueo") measures implemented in 2016. Thus, a 50% reduction of the growth rate of prices is expected, which is an additional sign of the alignment with international standards by the neighbor country.

In Brazil, economic growth stimulus measures are expected to start showing results after an uneven year and turbulent periods at the political-institutional level.

Within this context and starting with a fiscal deficit that reached 4% of the GDP in 2016, our country's economic authorities have the great challenge of closing the gap between state income and expenses. For such purpose, a number of changes were passed at the level of taxes, together with administrative measures mainly related to utility rates. The negative effect that may arise from the fiscal adjustment, together with the persistence of very low levels of competitiveness generate risks that may result in a worse performance than expected.

## Management Report

The 2016 business year ended with a negative result of \$117.7 million, compared with \$407.9 million of profit obtained in the previous business year. Without taking into consideration the adjustment on account of inflation, results amounted to \$309 million (-62.7%) which implies a 5.4% return on equity at the beginning of the business year.

The performance of credit investment matched the rest of the industry. In fact, in average and measured in local currency, credit investment increased in 1.6% during the business year (+3.17% measured in currency of origin). Although meager, this growth is still slightly higher than that of the market. Actually, BBVA's market share with respect to the private banking system went from 20.92% in December 2015 to 21.18% at the end of 2016, amounting to \$54,760 million.

On the other hand, deposits amounted to \$87,227 million at the close of the business year, which represents an average fall of 1.1% with regard to the previous year. Taking into account the currency of origin, deposits increased in 0.6% during the same period. As observed in credit investment, this behavior matched the trend of the market. BBVA's market share with respect to the private financial system taking into account deposits went from 17.59% at the end of 2015 to 17.83% in December 2016.

## Financial Margin

The interest margin remained in the same figures as in the previous business year, amounting to \$3,339 million. The increase of income resulting from the higher number of credits in local currency is compensated by the increase in the costs of attraction in said currency, specifically in the wholesale market.

## Net Result for Services

Net commissions received by the entity increased in 11.7% regarding those obtained in the previous business year. The contribution of the following items is worth pointing out: payment methods, account maintenance and wires and transfers.

## Results for Financial Operations

As a result of the exchange difference, arising from the evolution of the dollar throughout the business year and the institution's policy regarding exchange rate positions, results of financial operations amount to \$173 million in 2016, figure \$123 million lower than what was obtained in the previous business year.

Given the financial margin's behavior, together with results for services and results for financial operations, the gross margin amounts to \$4,063 million for this business year, which implies a 0.5% decrease regarding year 2015.

## Administrative Expenses

Administrative expenses amounted to \$3,190 million, which represents a 9.2% increase regarding 2015. Taking into account that the staff expenses component was increased in 12.95% in 2016 compared with 2015, the remaining expenses of the entity showed moderate growth, even below the 8.1% inflation recorded in the 2016 business year.

The growth of expenses, together with gross margin behavior, lead to a total net margin of \$873 million, which represents a 24.9% fall regarding the previous business year.

## Loan-loss Provisions

Loan-loss provisions remained practically at the same levels as in the previous business year, amounting to \$452 million in 2016. It is worth mentioning the fall in statistic forecasts which amounted to \$5 million in the exercise, as a result of the low dynamics in credit investment.

## Corporate Tax

The charge for income tax was 81% higher than the previous business year, amounting to \$530 million in 2016. The decreasing evolution of the dollar with regard to the Uruguayan peso (and its impact on expense association) together with fiscal measures implemented at the end of 2015, had a very negative impact on the institution's Corporate Income Tax (IRAE), determining a 63% effective rate over earnings before taxes and without adjustments on account of inflation.

## Business Areas

### Commercial Management

During 2016, the Commercial Management area continued to work on the implementation of commercial distribution functions, focused on the increase of productivity, the deployment of a new quality plan, and the incorporation of digital products and channels, adding a new channel: **Remote Management**, for the individual customers segment.

Thus, the three sections focused on the various types of businesses managed to keep up with the dynamism shown in previous years:

- a) **The Branches Unit**, with a network of 33 offices dedicated to the individuals and SMEs segments, which managed a business volume of USD 2,530 million, with an NPL ratio of 1.65% (at the end of December 2016). During the 2016 business year, corporate customers of the network were reallocated, therefore a (net) business volume of USD40 million was transferred to the Corporate unit.
- b) **The Corporate Unit**, specialized in big companies (companies with an annual turnover of more than USD5 million), ended the business year with a business volume of USD 1,967 million, and with a NPL ration of 0.50% (indicator of the Wholesale Risk Portfolio at the closing of December 2016).
- c) **The Premium Unit**, dedicated to the Private Banking business, with a total business volume of USD 975 million.

During 2016, the dynamism of placements was maintained, achieving a 5.5% year to year growth in the national currency portfolios and maintaining balances in foreign currency. This growth had to be handled very carefully, within a context of demands of higher return for placements, rigidity in the national currency market and a significant increase of competition. The entire commercial unit exceeded estimates set for placements.

Total growth reported a year-to-year growth of 26 basis points of market share, achieving a 21.18 % among private banks, ranking second place.

As for Deposits, a 17.83% share was achieved, with a 24 basis points growth, ranking BBVA Uruguay third among private banks in the country (climbing one position). This growth in business volumes was reached together with the digital transformation of the Bank, achieving a 25% growth in the number of digital customers and a 117% increase in mobile customers in 2016. During the second semester of the year, the digital sale of products was launched.

Business growth resulted in a 0.1% increase of the net financial margin (due to an 11.7% improvement in financial income, but with a significant increase in costs, resulting from greater efforts in national currency acquisition), and an 11% increase in net commissions charged, both in current pesos.

The increase in commissions perceived was achieved through a greater number of customers, business volume increase, and an increase of transactionality, but also through analysis centralization measures, customer exemptions control and adaptation of rates in force.

**Quality** was another one of the axes addressed by distribution networks, achieving a 32% Net Promoter Score at the level of the entire bank, ranking it second among surveyed banks. At the level of branches, a 71% total score was achieved among customers of such channel; the evaluation of the previous year was the same in general terms.

**Productivity:** During 2016 the VBP (Value-Based Productivity) model was implemented. Through this model, account managers for the individuals segment were assessed recognizing the different value contributions of the Bank's products. This resulted in a more dynamic sale of such products (reflected in the figures mentioned above). During the second semester, work was coordinated with other areas to expand this model to SMEs account managers and to Branch Managers. This is projected for the beginning of 2017.

**Massive Sales Force:** Models for conducting and following up on sales force were strengthened, in the search for better productivity and care of segments chosen for management. Processes were optimized, coordinating with central departments of the Bank, and providing multi-product advice.

**Remote Account Managers:** This new channel, which was launched in the last term of 2016, has a portfolio of more than 1000 customers.

## Business Development and Digital Transformation Management

### Individuals

As for services offered to Individuals, it is worth pointing out the increased offer of digital products that can be hired through the Bank's website or directly through BBVA net. New services available include the possibility to obtain Personal Loans and previously approved Credit Cards, directly through BBVA net.

This way, the percentage of digital products is growing compared to those hired in branch offices. Digital requests are led by personal loans, credit cards and fixed-term deposits.

On the other hand, the Law on Financial Inclusion deepened the country's level of access to banking services and BBVA played a leading role during 2016, substantially increasing the number of companies that pay wages through accounts with the Bank. Another aspect worth pointing out was the explosive rise in purchases with debit cards and the payment of bills through BBVA net.

In line with the aim of getting closer to customers, services provided through correspondents (payment networks) were extended, incorporating account deposit methods, disbursement of loans through the signing of documentation and cash withdrawals.

The Bank is still a market leader in Vehicle Loans and is still very dynamic in Mortgage Loans, in both cases with a market share significantly higher than its total share in loans.

### Cards:

The aim for 2016 was to increase the number of active cards of the customer portfolio and increase the level of purchases. This change, added to the focus on promotions and the development of channels resulted in a significant increase in the purchase volume.



## **SMEs and Corporate**

The Bank continues to work on the development of products for the management of companies, with the aim of complementing our value offer and achieving a differential for each segment. In this sense, during 2016, an account targeted at small enterprises was launched, aimed at promoting transactional management and making the relation with the bank and access to credit easier. In addition, a web channel was developed, through which companies can request the opening of accounts in a simpler manner.

In the same line and focusing on the SMEs segment, we have developed the 2nd edition of the Way to Success (Camino al Éxito) Program. This year, thirty scholarships were awarded to take part in the on-site business training program delivered through ORT University.

In the SMEs segment, we defended the Bank's second place in terms of market share for credits among private banks.

In the Corporate segment, we worked towards the development of transactional products aimed at complementing our value offer and achieving a product offering solutions to corporate management.

In this sense, in 2016 we launched the Comprehensive Collection System (Sistema Integral de Cobranzas - SIC). This system offers companies the consolidated management of their collection of accounts receivable through a multichannel service.

It is an innovative tool that is added to our collection offer and which makes the management of collection of accounts receivable easier for companies. The new proposal was developed with the aim of significantly minimizing risks associated with the transportation of valuables and to simplify the reconciliation of payments and collections, making companies more efficient in their processes. The product is targeted at medium and large companies seeking to optimize their collection systems.

## **BBVA Distribuidora de Seguros SRL**

In compliance with article 92 of Law No. 16.060, the Board of Directors of BBVA Distribuidora de Seguros SRL (hereinafter, the "Company") hereby submits for consideration by shareholders this Annual Report, explaining financial statements prepared as of December 31st, 2016.

At the closing, total assets amounted to \$U 119,478,530 and Liabilities amounted to \$U 5,260,449. Assets are mainly made up of Monetary Regulation Bills and debtors on account of services. There was a 35% increase in assets due to the higher level of activities of the Company, with a 19% increase in sales, with respect to the same period last year.

Income after taxes for the business year were positive, amounting to \$U 51,540,742.

Commissions paid to BBVA Uruguay S.A. (the "Bank") and to Emprendimientos de Valor S.A. amounted to \$U 21,517,599 for insurances linked to credit cards and loans of their portfolio, which implies an 8.4% increase. The fulfillment of projected aims resulted in a 13% increase in earnings after taxes.

During 2016, the Company continued to extend its marketing network, intensified the sale of insurances in the Bank's network, incorporating insurances to be sold through SME advisers.

## Digital Bank

Main actions carried out during 2016 include the following:

- One-click digital hiring of credit cards and loans for customers approved based on risks.
- One-click hiring of pre-paid cards for customers with monetary accounts.
- One-click hiring of extensions for credit and pre-paid cards.
- Digital sales requests through public webs and BBVA net. Until December 2015, digital sale was only available through credit card forms. In April 2015, the digital sales sector was created and new product request forms were released.
- Launching of the BBVA Payments APP for the payment of services.
- The Cash Deposit Machine replacement project was begun. (Recyclers)
- Implementation of improvements to the Redpagos Collection Service: Online service and incorporation of deferred cheques.
- Implementation of withdrawal and deposit functions in Redpagos.
- Digital campaigns (digital sales, active mobile customers, transactionality). Campaigns had the expected results and objectives were met beyond expectations.

## Institutional Communication

The relation with and management of the media has allowed maintaining BBVA's position as a benchmark institution in the local market.

## Responsible Business

BBVA Uruguay is committed, through its Corporate Responsibility policies, with the social development of the country and, in this sense, implements initiatives focused on supporting education, sports, culture, the environment and voluntary work, in the belief that all of these allow for greater opportunities for our society and a better future for all of us.

## Customer Care Channel

After a long tender process initiated during 2015 and completed at the beginning of 2016, in June 2016 operations were migrated to the awarded supplier, ATENTO.

The new work methodology is strongly based on the COPC® international standard, the most prestigious and rigorous measurement instrument in the industry of Call and Contact Centers. This standard establishes a number of high performance good practices that help increase the quality of service and customer satisfaction, while reducing operational costs.

The first stage of implementation was mainly focused on achieving quality care levels defined by BBVA, meeting such aim as from September 2016.

The second stage was focused on stabilizing these care levels throughout months. The key to achieve this objective is the correct prediction of calls and the planning and scheduling of the necessary staff, as well as a solid quality plan with constant call monitoring and a recurrent training plan that corrects any deviations detected.

We are currently at a stage strongly focused on the quality of proceedings carried out that will go on for the duration of the operation, aiming at improvement.

## Quality

Year 2016 was a year with significant changes in terms of our customers' experience.

BBVA has defined Quality as the main pillar to build long-term relations with its customers. We want to be a benchmark bank in terms of customer experience, which translates into being the most recommended bank by customers in all geographic areas where it operates. The recommendation degree is an indicator of the level of satisfaction of customers with the Bank.

The tool used to know our customers' recommendation intention is known as IReNE (Net Recommendation Index) which is inspired in the world known methodology Net Promoter® Score (NPS).

## 2016 IReNe Results

The Bank's leading position in the Peer Group Quality Ranking, measured through the IRENE benchmark, was maintained. We ended the second semester of 2016 in a technical tie with another banking entity. The Bank managed to maintain a considerable distance regarding the rest.

Even though we managed to keep our ranking position, there was a clear fall in the indicator for the second semester of 2016 compared with the same period in 2015 (for all banks) resulting to a certain extent from the fall in other indicators of the population's perception of the country's and the region's economic situation (the Consumer Confidence Index, personal economic situation, the perception of the country's economic situation, the willingness to buy durable goods, among other indicators).

With regard to the IReNe for channels (Branches, Call Center and BBVA net), we see a slight fall of the indicator in the second semester of 2016 with respect to the same period in 2015. In spite of this, BBVA is very well positioned in the comparative ranking of the competition regarding Branches and Call Center.

# Global Risk Management

## Risks

BBVA's risk management system is mainly aimed at managing risk as a basis for sustained, profitable and integrated growth in business management, with a moderate, diversified risk profile, aimed at preserving capital and the recurrence of results, based on a deep knowledge of each one of the risks individually considered and of their interrelation, taking into account customers' specific needs.

In addition, it is based on a corporate governance scheme that begins with the risk appetite statement, within a strategic framework, allowing the separation of functions and responsibilities and a set of tools, circuits and procedures that make up management schemes. The evolution of various types of risks identified in the Bank's activities in the country and improvements implemented in the risk management systems are presented periodically within the Risk Commission, appointed by the Board of Directors.

The Entity's risks may be classified as follows:

- Credit risks
- Market risks (liquidity, interest and foreign exchange)
- Operational risk

During the 2016 fiscal year, we have continued to work intensely on the evolution of tools associated with individuals risk management.

These tools cover the scoring of various products for individuals and the WEBPyME platform (Businesses and SMEs), as well as the update of the behavioral scoring for individuals. Under the premise of offering fast solutions to the financial needs of customers, efforts were specifically dedicated to the credit origination process, with the purpose of multiplying the product offer and making the hiring process easier through multiple channels, maintaining a high credit quality.

On the other hand, work towards the improvement of the collection process and its integration with service providers continued.

In terms of wholesale investment, the area has worked on supporting commercial management in the funding of the best prospects, on strengthening follow-up circuits and on controlling the bank's global portfolio.

BBVA is currently the second private bank in the loan ranking, with a 21.2% market share in private banking as of December 2016.

On the other hand, and as a result of plans mentioned above, delinquency remained in 0.78% at the close of the business year, the best indicator in private banking. All of this was achieved in the context of a domestic economy with low activity levels and volatile international markets.

As for market risks, tools which contribute to the Institution's management have been maintained, such as the exchange risk measurement model based on the VaR, the structural exchange rate measurement model, the model to measure the impact of reference rate movements on economic value, the corporate liquidity risk and medium-term risk measurement models with stress analysis and the model for the control of pricing and impact related to public securities holding.

Finally, in terms of Operational Risk Management, the management model has been consolidated, with a view towards decentralizing the task and focusing on the prevention, admission and follow-up stages of these risks.



# Management of Resources, Services and Legal Matters

## Human Resources

During year 2016, the Human Resources department carried out the following actions:

- Analysis and submission of results of the 2015 Work Environment Survey, at institutional level and by specific area with the corresponding people responsible.
- Survey and development of the Cross-cutting Action Plan for Improvement of the Work Environment 2016.
- Meetings by area for feedback on initiatives.
- Beginning of Work Environment Workshops for Heads and middle management.
- Internal survey on benefits, to value them and focus communication actions towards the most valued third.
- GPTW survey, carried out at a local level - Promotion of participation - Explanatory glossary to answer correctly.
- Awarded as one of the Best 16 Companies to work at, with a special mention for the Transformation Process.

### Management:

- Communication of transfers and changes in structure, through personalized interviews.
- Follow-up on unused leave; follow-up of actions for the reduction of days. Implementation and follow-up of feedback interviews of the Performance Assessment.
- Participation in the design of a new commercial incentives system for Account Managers.
- Support to sports activities developed by staff (Training Group, "Despejar" Tournament, workplace exercise).
- Human Resources Newsletter: communications directly related to staff, promotion of commercial agreements, birthdays, births, etc.
- Internal reputation survey.
- Implementation of the New Variable Remuneration Model.
- Leadership survey.
- Gallup survey, aimed at measuring engagement.
- New health system, access to a clearer and more transparent platform. Conditions of benefits were reviewed and adapted to the needs of internal customers.

## Main Training Actions:

- Personalized training plans according to collectives.
- Support for post-graduate studies.
- 2nd Edition of 'Gladiadores del Saber' (Knowledge Gladiators) for the branch network.
- Digital skills workshops.
- Negotiation and sales workshops.
- Work environment workshops.

## Legal

During the 2016 fiscal year, BBVA Uruguay S.A. Legal Services carried out various actions, including among others:

### 1. Institutional Advice:

- i. Providing support to the Bank's Management in terms of competence and powers of corporate bodies. .
- ii. Providing advice and management in connection with Central Bank-related issues.
- iii. Proceedings for the appointment of Mr. Rafael González Moya as Independent Director and of Mr. José Antonio Blanco Hierro as Vice-Chairman of the Board of Directors.

### 2. Business advice and support:

- i. Preparation of contracts and bank forms.
- ii. Carrying out proceedings related to court and administrative authorities' requirements.
- iii. Legal implementation of new banking products:
  - a. One-click credit cards and loans, which can be hired on-line, through BBVA Net.
  - b. Livestock trust: Guarantee for funding of rural producers, for the purchase of livestock and feed, with the aim of re-breeding and fattening for shipment to meat processing plants.
- iv. Legal and formal control of communications and advertisements of products of the Bank in various press media, within the framework of campaigns and commercial promotions.
- v. Legal instrumentation of tender processes and formal regularization of existing contracts with critical service providers: systems testing and development, security, among others.

vi. Bank staff training on securities, with special reference to promissory notes, given the weaknesses detected: essential requirements, domicile, signatures, filling-in of blank promissory notes.

### **3. Legal advice and implementation of Strategic Projects:**

i. TCR: Transparent, Clear and Responsible communications project, according to which the General and Specific Hiring Conditions Agreement was changed, with the purpose of making it easier for customers to understand them, by using a simpler language and structure.

ii. HUB - South America Regional Provisioning: Regional coordination and unification of non-banking hiring models.

iii. Cross-border On-boarding: Project to enable global customers, aimed at improving the account opening process for non-resident companies that are already customers of the Group

### **4. Institutional Relations::**

i. Monthly reporting video-conferences with Corporate Legal Services.

ii. Bimonthly video-conferences for the follow-up of digital banking projects.

iii. Monthly report of expenses to Corporate Legal Services.

### **5. Litigation Advice:**

Advice, representation and intervention in court litigations.

### **6. Institutional and commercial**

advice to Emprendimientos de Valor S.A. and BBVA Distribuidora de Seguros S.R.L, collateral companies owned by the BBVA Group.

## **Notarial Advice**

Main actions carried out during 2016 include the following:

- Execution of transactions related to the Bank's usual operations within the framework of legal security.
- Participation throughout the process of constitution of guarantees in favor of the Bank requested from customers. The department assesses guaranties, it controls documents and it intervenes in the delivery thereof. Most commonly constituted guarantees include mortgages, assignment of receivables as security, pledges, leasing, bank warrants, etc.
- Preparation and control of documents and agreements related to the Recovery area, which implies the drafting of agreements and other documents requested by law firms pursuing legal actions against delinquent customers, as well as to the sale of non-performing loan portfolios, and the sale of goods recovered by the Bank through court proceedings.
- Support to central areas in anything requiring notarial certification. For example: Collaboration with the Real Estate and Services area in the sale of property owned by

the Bank (lot in Lagomar, garages, etc.) and in matters related to works in or remodeling of branches; also to the migration of safe deposit boxes, etc.; with the areas of Business Development and Marketing and Communications in notarial proceedings required for raffles within the framework of campaigns carried out by the Bank (e.g. BBVA 7k race, Digital Customer raffles, etc.) as well as campaigns that promote funding by BBVA.

- Internal advice and advice to external customers and participation in Building Projects financed by the Bank. For instance: "FORUM Puerto del Buceo" building, "Nostrum Centenario" building, etc.
- Preparation of institutional documents required by the Board of Directors, such as powers of attorney, powers of attorney for litigation, statements, documents to submit before public bodies (DGI, BPS, BROU), etc.
- Documents required by the regulating body (Central Bank of Uruguay), such as certified copies of Board of Directors minutes, certificates of the destruction of promissory notes, preparation of reports required to record guarantees, etc.
- Advice to the various areas of the Bank on technical matters, as well as to Notaries who provide services to branches outside the capital of the Country.
- Elaboración del presupuesto del área, y ajuste del mismo en el marco del ajuste de costos solicitado. (Se estuvo todo el año dentro del presupuesto y hasta por debajo del mismo).
- Preparation of budgets per area and adjustment thereof within the framework of cost adjustments requested. (We remained within and below budget throughout the year).
- Support and catering for demands by companies related to the Bank: BBVA Dise SRL and Emprendimientos del Valor S.A.
- Preparation of guidelines for Bank operations and adjustment thereof according to changes required by changes in regulations.

## **Real Estate and Services**

### **Sustainable Energy in Canelones:**

In line with our strong commitment with the environment, on January 25th, 2016, the first bank branch run on photo-voltaic energy in Uruguay was inaugurated in the city of Canelones This project required the installation of 52 250W solar pannels.

### **Dolores:**

After the tornado that took place on 04/15/2016, the Real Estate and Services area was there for the city of Dolores.

During the weekend we took our mobile generator, so that ATMs would remain operational. During the week, work was carried out to transform the mobile classroom into an office and on Monday, April 25th, in compliance with all safety measures established by RE.NA.EM.SE. and BCU, the Mobile Branch began to operate, providing all services. Afterwards, the works to rebuild the premises began, which took 60 days.



## Others:

- We remodeled the Carrasco and Young branches, with the purpose of improving our customers' experience and the quality of services.
- UPS (Uninterruptible Power Supply) equipment was bought for branches that still did not have this system.
- The Malvin branch was closed and documents and safe deposit boxes kept there were moved to the WTC branch.
- We sold the Lagomar lot, obtaining extraordinary earnings amounting to USD 135,000.
- We started and completed works in the new Jacinto Vera (former Mercado Modelo) branch, which was inaugurated on 01/16/2017 with the new corporate furniture model and innovating with a high technology Spider lock security system.

## Engineering Management

**Business Process Engineering:** Participation in **strategic projects** in order to contribute with a global vision with the purpose of boosting, facilitating and mobilizing BBVA Uruguay's transformation through cross-cutting and strategic changes.

***The following are the main projects promoted by the Transformation sector in 2016:***

- Collection System
- Implementaiton of Red Pagos payment network as a new channel
- Implementation of the Remote Accounts Manager (BBVA Contigo) as a new channel
- Implementation of first purchase without credit card
- Re-design of the payroll process and massive account opening
- Integration of Risk tools and the Core for the purpose of simplifying unique data entry at the moment of approval of credits and update of accounting information.

***Additionally, the following initiatives were supported, contributing mainly with the processes vision:***

- Implementing changes required by the Law on Financial inclusion.
- Net and Web product hiring (one-click resuming the process in centralized sector).
- Participation in the process of unification of credit card processing companies.

### **Other activities added to the sector in 2016:**

- Work was begun on the **Processes Plan**, aimed at detecting and solving offices' weak points in order to speed up operations (efficiency and productivity), improve customers' experience and optimize controls. Inputs for such purpose include visits to branches, IRENEs, a survey carried out in the network and central areas and a focus group with control experts.
- Work was begun on the **Regulatory Plan**, aimed at simplifying regulations in force, improving end-to-end processes and improving the search of regulations and forms.
- Work was begun on implementing **Process Architecture** in Uruguay, in accordance with the Holding methodology.

This provides us with a unique knowledge basis, which may then be queried both through the network as through other Head Office sectors and which allows:

- Knowing all the elements involved in a process (who is the owner of the process, what applications are being used to carry it out, what roles are involved, related information: commercial guides, protocols, brochures, regulations, forms, etc)
- Having the detailed flow of the process.

## **Project Management Office**

- Acted as facilitator in the set-up of the Bank's Annual Projects Plan.
- Ensured the correct operation of the Demand Management process by areas (Demand Management Committee).
- Followed up the Projects Plan, managing the scope, risks, budget and implementation terms thereof.
- Kept the Bank's management informed about progress on compliance with the Plan (Projects Committee).
- Provided work teams participating in the project with an updated work methodology.

## **Systems:**

During 2016, the Systems area worked on the following projects (grouped by topic):

In the **Architecture area**, the sector's mission was consolidated, both in the role as solution architect for projects of the strategic plan as in the area's transforming mission.

### **Main projects or initiatives include:**

- Implementation of the service cataloging tool
- Automatization of CTRL-M processes

- Adaptation of the classic waterfall methodology to Lean Waterfall methodology
- Implementation of code repositories
- Expediting of the allocation of permits in start-up and commissioning
- Applications log-in
- Generation of PDF through API
- Global transformation projects
- Analysis and design of solutions of the strategic projects plan together with development areas.

The **Technology** area took part in local as well as global projects.

***Local projects include:***

- Monitoring of applications and infrastructure
- Change of 100% of lines to IP telephony
- Migration to BPM version 8.5
- Participation in the setup of the Avanza call center
- Installation of the new storage flash disk technology that decreased data access times in 30%.
- Upgrade of the operational system from AS400 to V7R1
- Back-up through VTL
- Installation of Icluster for the backup of online data in the contingency site.

***Global projects include:***

- NAC Project
- Athlas and Synapse
- Webex for videoconferences
- Upgrade of the global Active directory

In addition, the HelpDesk sector continued with its customer care task through the telephone help desk and on-site when required.

The **Maintenance and Support** sector divided its tasks between support and address of tickets and incidents and the maintenance of systems through evolutionary maintenance of smaller dimension (less than one month) as well as project-type evolutionary maintenance. In addition, they participated as functional analysts in some projects of the strategic plan.

***As for evolutionary projects, main projects include:***

- Viewing check images in e-Manager
- Improvements to the closure chain for the reduction of times
- New SPO based on CTRL-M
- New service architecture and update of data in the requests system
- MIS evolutionary projects
- IFRS project for accounting regulations
- Online collector of pending payments and loans
- New list of overdrafts by the Clearing House
- Arrears fine
- Improvement in current account and ATM account overdrafts
- Automatic update of BPS goodstanding certificate
- Change of criteria for the disabling of accounts in daily closure
- Change in the registration of Derivatives Operations (IFRS Project)
- Cancellation of closure chain entries in branches
- Liquidity Coverage Ratio
- Improvements to quotations
- Change of approval of loans calendar vs. commercial (360 vs 365)
- Final beneficiaries for individuals
- New transactions re-structured loans
- Discharge of dpf encumbered as guarantee
- Participation in the analysis and design of the payroll project solution
- CRS/Fatca
- Improvements to the investment system

The Testing and Control area continued to coordinate the testing service in projects and maintenance; in addition, it fulfilled a role in budget planning and management and participated in the following projects:

- CCR Assessment with Mexico, looking for potential improvements to the area
- Tenders for suppliers. A tender for the testing and development services was carried out together with the procurement area and, in addition, the transition process was planned and carried out.
- NEW BBVA Operating System
- IT Metrics
- Closure of Malvin branch

The **Channels** sector participated actively in the strategic projects plan, contributing to the main objective of increasing digital sales. Main projects include:

- New functionalities of BBVA Net
- Campaign Manager in e-Manager
- Improvements to the payroll system
- Collection model
- Automation of detailed report
- Mailing system (SalesForce Marketing Cloud)

The other development area focused on core projects is **Design and Development**.

## Operations

Following the same line as in previous years, during 2016 work of all operational sectors was mainly focused on Customer Experience and Service Quality. Actions were jointly focused on using resources in an increasingly efficient manner.

***The following are the main milestones of the year:***

- **Treasury** We managed to change the relation with transport companies, conducting a strict follow-up of defined service levels, as well as monthly coordination meetings with the main supplier. Concrete actions were implemented with the purpose of making a more efficient use of the appointed budget, achieving excellent results with significant savings.
- **Drafts and Transfers/ Back Desk:** As a result of the Law on Financial Inclusion, we experienced a significant increase in the volume of local transfers, both sent and received; however, this did not affect compliance with service levels defined. The Drafts and Transfers sector was awarded for the second consecutive year the Quality Recognition Award by JP Morgan, for its overseas transfer operations. BBVA was the only bank that received this recognition. reconocimiento.

- **Clearing:** Improvements were made to massive processing operations of checks deposited by preferential Corporate Banking customers, which allow the provision of differential services to said customers.

The report on account overdrafts on account of Clearing House movements was distributed through digital channels to commercial areas, in order to conduct the task more efficiently.

- **Guarantees:** Building up on the centralized guarantees management process, in order to ensure the correct processing of guarantees and to contribute to the reduction of operational work carried out at branches, operations relating to credit assignments, warrants, stand by, joint and several bonds of overseas companies and guarantee letters from the national government were centralized.
- **Management and Control of Files:** The tracking of payroll account folders was implemented, which allows for the traceability of such folders. The new system for the approval of salaries was implemented and the ACL support system began to be used to control and send folders.

The opening control was implemented for ATM accounts in Branches, addressing an observation by the Audit.

- **Cards/Reconciliation and Controls:** In October, reconciliation operations were incorporated to the Payment Methods and Services sector, creating the Reconciliation and Controls section. Tasks previously carried out by the Cards Sector were transferred to other sectors (CAR/AOC/CPO). A strict follow up of service levels established for couriers was carried out, applying the corresponding penalties in case of non compliance.

Work was carried out on the implementation of the EMV Chip. All processes were implemented both in the Bank as in the embossing and processing plant, issuing the first EMV plastics in December. With regard to the credit card processing companies unification project, an agreement was signed with FirstData and systems began to be developed.

## Complaint Response Center

Our main objective is customer care service quality. In this sense, service levels established were complied with, the internal IRENE showed positive results for the second consecutive year, and the Bank was ranked second, exceeding our objective for the previous year.

- New types of complaints were incorporated, for the purpose of concentrating and therefore improving management quality.
- Procedures were homogenized
- Complaints appointed to other sectors were controlled and followed up, for the purpose of complying with terms established.
- A total of 28,309 requests were addressed in 2016, with an average resolution time of 4 days.



## **IT Risk, Fraud & Security.**

During 2016, the following projects implemented by the Engineering Risk & Corporate Assurance sector are worth pointing out:

### **1. SI, Seguro 2016**

Awareness-raising campaign about information security. The target audience will be both internal bank employees as suppliers carrying out tasks within the institution.

### **2. Cyber Exercises for Senior Management/ Technical Team**

Theoretical cyber exercises on logic security, for the purpose of rehearsing what to do in different situations, from different points of view: Response to press, internal management.

### **3. Project 1.1.2 - PDSI 4.0 - Systems for the Detection of Anomalies in Infrastructure and Internal Applications**

Implementation of monitoring mechanisms and early detection of advanced attacks on cyber-security (APT). Identification of anomalies caused both by APTs as by malicious users, centralizing all the traffic of applications and systems to be monitored.

4. Implementation of DELL SecureWorks as a detection system for anomalies in infrastructure and internal applications.

### **5. Project 1.1.5 - PDSI 4.0 - IPS Sourcefire**

Deployment of IPS Sourcefire (Cisco Fire Power) in the Group, with the aim of having a homogeneous technology and providing a monitoring and response service in a centralized manner.

### **6. Project 1.7 - PDSI 4.0 - Windows Platform Protection**

Review of the current security situation in Windows environments and design/execution of an action plan to address aspects detected in the situation assessment. The Control Application deployment was carried out within the McAfee Endpoint suite.

### **7. Project 1.10 - PDSI 4.0 - Protection Infrastructure for Advanced Malwares:**

Deployment and update of anti-malware protection devices, to detect advanced threats (Ransomware). A module was incorporated to the IPS Sourcefire Cisco FirePower for the detection of this sort of threats.

### **8. Crisis Management**

Preparation of guides for the management of security incidents associated with specific selected IT attacks. Possible IT attack scenarios will be selected and actions to be taken will be documented:

- Detection, Validation, Classification
- Crisis Management
- Technical Analysis

- Impact Assessment
- Communications Management
- Legal Analysis
- Closure and Follow-up

## **9. Risk Model of BBVA Group – EVSA:**

Survey of Emprendimientos de Valor S.A. - company 100% owned by BBVA Group - in such manner as to identify technological risks and incorporate them to the Group's risk model. Registration in STORM.

## **Procurement**

The Procurement area carries out daily supply-related tasks, aimed at supplying or providing the bank with all goods and services required for the correct operation of the business at the lowest cost possible, ensuring compliance with the corporate model.

The task is carried out in a coordinated manner with the "Procurement HUB", a regional supply center for South American countries.

During 2016, efforts were mainly focused on complying with the expenses and investments budget, systematizing the search for savings. In addition, work was aimed at improving quality levels for each service hired to support the transformation process.

## **Financial Management**

### **Financial and Treasury Management**

This year brought great volatility in the dollar exchange rate, with a significant increase during the first months of the year and then a sustained fall until the closing in December. Thus, the price of the American currency peaked at +8.1% above the closing of 2015 in February, but then it ended the year at -2.1% below the price of December 2015. From the point of view of balance sheet management, the focus was once again on covering capital in hard currency, through the management of the net position in this currency and trying to minimize the impact of the fall of the exchange rate on results, as well as working to optimize risk-weighted assets.

On the other hand, the Central Bank maintained its inflation control policy, based on extended monetary aggregates, with persistent strong volatility in the local currency market, with a trend towards high yields for bills of exchange in this currency and, in some months, high interest rates in the interbank market.

In addition, and in a conservative manner, the Bank maintained its funding policy, through the issue of medium-term financial acquisitions, without having to use the short market, apart from very specific cases and for small amounts, and even taking part in many sessions through the granting of funding.

Finally, general price policies were affected by this context, suffering strong volatility in the local currency market, but with an upward trend. As for the dollar market, the high liquidity in the local market and low FED rates resulted in another year with very low acquisition prices and stable/slightly negative in terms of credit placement prices. A new increase in the US FED rates in the last month of the year seems to indicate the beginning of a more accelerated rate increase cycle, although uncertainty in the direction of US politics after the change of president casts a doubt about the pace of the next adjustments.

## Management Control and MIS

During year 2016, efforts were focused on information about customer profitability, developing together with the Systems and Financial Management area a MIS Financial Margin module in line with the corporate criteria for the calculation of profitability, which will serve to measure each customer with its transfer rate per operation, currency and term. This will allow us to follow the line of corporate work, incorporating other data requirements (profitability over capital consumed by corporate customer and per product in the retail segment).

Work was also carried out in the project to determine delinquency under the IFRS regulation (international accounting standards) which will be applied to the BBVA Group as from the 2018 business year. This project will require a significant effort throughout year 2017, not only by this area, but also from other sectors such as Accounting, Risks and Systems.

## Accounting

Year 2016 implied a big challenge in terms of regulatory changes. In this sense, the most important ones were the following:

- Liquidity Coverage Ratio (LCR): the calculation and reporting system for this ratio was established, which began to be reported in parallel in June 2016, and will become effective as of 2017.
- IFRS Adoption: a number of changes in information requirements were made, and the entry into force of such regulations was postponed until January 2018.
- Financial information exchange system: although the system will become effective during 2017, work on operational and system suitability had to be carried out during 2016.

In addition, progress was made on long-term projects such as electronic invoice and Comprueba (information system in view of information for the consolidated balance sheet of BBVA).

## Control Area

Saving plans were developed in collaboration with account managers of the expenses lines, and they were reflected in an actual decrease in the entity's general expenses with regard to the budget.

In addition, the Efficiency governance was updated, incorporating new delegation levels and scopes of approval according to the project typology.

The Internal Financial Control model was updated to incorporate new processes and risks and controls defined were followed-up accordingly, so as to ensure an adequate control environment in the financial area.

## Compliance

BBVA Uruguay has an Anti-Money Laundering and Terrorist Financing system (AMLTF) in line with corporate and local regulations.

With the purpose of strengthening AMLTF risk control and to fully comply with regulations in force, there is a global annual plan for permanent improvement.

In this sense, the main aspects of improvement implemented by the Unit in 2016 are explained below:

### 1. **Policies and Procedures**

- Internal AMLTF internal regulations were reviewed and updated.

### 2. **Mitigation Process**

- The importance of reviewing and assessing customers qualified as **High Risk** at the moment of establishing a relation with them continued to be strongly emphasized.
- The Unit remains focused on procedures related to the **treatment of alerts** arising from the monitoring system, aiming at a deeper knowledge by the Bank about customers and their operations.
- Work continued to be carried out on permanent adjustments and reviews of customers' **Transactional Profiles**.
- The process to **update customer files** was continued.

### 3. **Technological Infrastructure**

- We have completed the implementation of the online RBA (Risk Based Approach) corporate tool, which allows classifying customers according to their asset laundering risk (High, Medium, Low), through the analysis of a number of pre-determined parameters, with the purpose, among others, of requesting differential information and/or documentation as well as requesting different levels of authorization for the relation.

### 4. **Training.**

During the fiscal year, several training sessions were carried out, aimed at commercial areas, central services as well as the Board of Directors and the Management Committee.

## Internal Audit

Internal Auditing in the BBVA group is a continuous, independent and objective activity, which consists of the enquiry and evaluation of the institution's internal control and risk management systems, with the purpose of adding value, improving operations and supporting the Group in the achievement of its objectives. This is a global function and implies that the local Audit Director reports to the Group's Audit Director, notwithstanding compliance with reporting obligations to the Local Audit Commission.

In Uruguay, internal audits are in line with the BBVA Group standards which include, among others, the use of defined and standardized methodologies and procedures, supported by various documentation tools to record each job.

The audit complied with the 2016 Activities Plan. The following reviews are worth pointing out:

- Activities in the Branch Network, both on site and remotely
- Banking processes for the management of products such as Payroll Accounts
- Processes of control activities such as Anti-Money Laundering and Terrorist Financing activities and outsourced activities.
- Operational processes such as contracting, administration and liquidation of operations with the foreign exchange desk.
- Credit quality of the agricultural portfolio and related sectors.
- Recovery plans for systems in contingency situations.
- Compliance with regulatory requirements regarding reporting to COPAB (Bank Savings Protection Corporation) on insurance deposits and operational risk management.

Detailed follow-up of all observations made by supervising bodies (Uruguayan Central Bank), external and internal audits.

In general terms, the internal control situation in BBVA Uruguay is adequate, and programs for the follow-up of recommendations present high levels of participation from affected areas and Management.

## Proposal for the distribution of earnings

Business year closed on December 31st 2016 resulted in a loss amounting to **\$ 117.687.871,16** therefore, the legal reserve corresponding to article 93 of Law No. 16.060 is not established.

### The Board of Directors suggests the following reallocation of such results:


Results for fiscal year 2016 (117.687.871,16)

To: Retained earnings (117.687.871,16)

On the other hand, a distribution of cash dividends of \$92,697,542 by charge to retained earnings is proposed.

### If the project proposed is approved, the constitution of equity as of December 31st, 2016, taking into account the reallocation and distribution of dividends, shall be the following

Paid-in Capital	4.060.080.756,52
Adjustments to Equity	1.107.784.607,05
Voluntary Reserves	143.214.659,00
Retained Earnings	455.025.057,33
<b>TOTAL EQUITY</b>	<b>5.766.105.079,90</b>



# Financial Statements as of December 31<sup>st</sup>, 2016 and Independent Auditor's Report

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### **Section I**

- Financial Statements as of December 31st, 2016 and Independent Auditor's Report

### **Section II**

- Consolidated Financial Statements as of December 31st, 2016 (Resolution 98/5 of the Central Bank of Uruguay - Banco Central del Uruguay) and Independent Auditor's Report



# Financial Statements as of December 31<sup>st</sup>, 2016 and Independent Auditor's Report

## Section I

### Contents

- Balance Sheet
- Income Statement
- Statement of Changes in Equity
- Statement of Cash Flows
- Notes to Financial Statements
- Independent Auditor's Report

# Balance Sheet as of December 31<sup>st</sup>, 2016

(Figures in thousands of Uruguayan pesos)

	Activity in L/C	Activity in F/C	Total
<b>ASSETS</b>	<b>26.203.581</b>	<b>70.395.823</b>	<b>96.599.404</b>
<b>I) Cash on hand</b>	<b>3.754.410</b>	<b>19.851.676</b>	<b>23.606.086</b>
1.-Coins, bills and local correspondents	3.754.410	18.230.997	21.985.407
1.1.-Coins and bills	2.086.683	1.521.403	3.608.086
1.2.-Central Bank of Uruguay	930.512	16.363.910	17.294.422
1.3.-Other local financial institutions	139.197	32.886	172.083
1.4.-Documents for compensation	598.018	312.798	910.816
2.-Other foreign financial institutions	-	1.620.679	1.620.679
<b>II) Investment securities</b>	<b>1.410.291</b>	<b>8.845.959</b>	<b>10.256.250</b>
1.- Securities held for trading	887.377	-	887.377
1.1.- Local	887.377	-	887.377
1.2.- Foreign	-	-	-
2.- Securities available for sale	522.914	8.845.959	9.368.873
2.1.- Local	522.914	368.444	891.358
2.2.- Foreign	-	8.477.515	8.477.515
3.- Securities held-to-maturity	-	-	-
3.1.- Local	-	-	-
3.2.- Foreign	-	-	-
<b>III) Loans (net of provisions)</b>	<b>19.981.065</b>	<b>41.696.130</b>	<b>61.677.195</b>
1.-Outstanding from financial intermediation	19.030.662	39.905.005	58.935.667
1.1.-Financial sector	1.716.022	2.242.921	3.958.943
1.1.1.-Central Bank of Uruguay	1.716.022	-	1.716.022
1.1.2.-Other local financial institutions	-	6.497	6.497
1.1.3.-Other foreign financial institutions	-	2.221.803	2.221.803
1.1.4.-Headquarters, offices and related institutions	-	14.621	14.621
1.2.-Non-Financial sector	17.314.640	37.662.084	54.976.724
1.2.1.-Local public sector	1.383.560	796.763	2.180.323
1.2.2.-Foreign public sector	-	-	-
1.2.3.-Resident private sector	15.922.784	36.760.353	52.683.137
1.2.4.-Non-resident private sector	8.296	104.968	113.264

	Activity in L/C	Activity in F/C	Total
2.-Operations to be liquidated	229.394	1.285.263	1.514.657
2.1.-Residents	228.392	-	228.392
2.2.-Non- resident	1.002	1.285.263	1.286.265
3.-Overdue	86.137	73.539	159.676
3.1.-Financial sector	-	-	-
3.2.-Non-Financial sector	86.137	73.539	159.676
3.2.1.- Local public sector	-	-	-
3.2.2.- Foreign public sector	-	-	-
3.2.3.- Resident private sector	86.122	73.013	159.135
3.2.3.1.- Overdue placements	42.757	23.471	66.228
3.2.3.2.- Non-performing loans	9.353	20.268	29.621
3.2.3.3.- Delinquent loans	34.012	29.274	63.286
3.2.4.- Non-resident private sector	15	526	541
3.2.4.1.- Overdue placements	15	526	541
3.2.4.2.- Non-performing loans	-	-	-
3.2.4.3.- Delinquent loans	-	-	-
4.-Other assets	634.872	432.323	1.067.195
4.1.-Resident	634.871	354.313	989.184
4.2.-Non- resident	1	78.010	78.011
<b>IV) Investments</b>	<b>125.478</b>	<b>2.058</b>	<b>127.536</b>
1.- In the country	125.478	2.058	127.536
2.- abroad	-	-	-
<b>V) Fixed assets</b>	<b>630.440</b>	<b>-</b>	<b>630.440</b>
<b>VI) Intangible assets</b>	<b>301.897</b>	<b>-</b>	<b>301.897</b>
<b>LIABILITIES</b>	<b>22.461.857</b>	<b>68.278.744</b>	<b>90.740.601</b>
<b>I) Liabilities</b>	<b>22.461.857</b>	<b>68.278.744</b>	<b>90.740.601</b>
1.-For financial intermediation	19.199.210	67.398.586	86.597.796
1.1.-Financial sector	6.465	2.359.464	2.365.929
1.1.1.-Central Bank of Uruguay	-	4.970	4.970
1.1.2.-Other local financial institutions	6.465	5.015	11.480
1.1.3.-Other foreign financial institutions	-	916.086	916.086
1.1.4.-Headquarters, offices and related institutions	-	1.433.393	1.433.393
1.2.-Non-Financial sector	19.192.745	65.039.122	84.231.867
1.2.1.-Local public sector	18.464	362	18.826
1.2.2.-Resident private sector	18.996.232	48.579.441	67.575.673
1.2.3.-Non- resident	178.049	16.459.319	16.637.368

	Activity in L/C	Activity in F/C	Total
2.-Operations to be liquidated	1.633.080	-	1.633.080
2.1.-Residents	200.000	-	200.000
2.2.-Non- resident	1.433.080	-	1.433.080
3.-Other liabilities	942.664	78.292	1.020.956
4.- Provisions	431.516	210.511	642.027
5.- Allowances	255.387	591.355	846.742
<b>EQUITY</b>	<b>5.858.803</b>		<b>5.858.803</b>
1.- Paid-in capital	4.060.081	-	4.060.081
2.- Equity adjustments	1.107.785	-	1.107.785
3.- Reserves	143.215	-	143.215
4.- Retained earnings	665.410	-	665.410
5.- Net income for the year	(117.688)	-	(117.688)
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>28.320.660</b>	<b>68.278.744</b>	<b>96.599.404</b>
<b>CONTINGENT ACCOUNTS RECEIVABLE</b>	<b>4.412.140</b>	<b>5.024.870</b>	<b>9.437.010</b>
1.-Agreed credit lines	3.371.959	286.954	3.658.913
1.1.-Credit cards	2.615.415	-	2.615.415
1.2.-Current accounts	756.544	286.954	1.043.498
1.3.-Other	-	-	-
2.-Guarantees granted	765.419	3.897.551	4.662.970
3.-Overseas business	-	840.365	840.365
4.-Options	-	-	-
5.-Other contingent accounts receivable	274.762	-	274.762
<b>MEMORANDUM ACCOUNTS RECEIVABLE</b>	<b>24.543.756</b>	<b>184.424.880</b>	<b>208.968.636</b>
1.- Guarantees received	9.512.943	153.206.597	162.719.540
2.- Custody of goods and securities	10.050.608	22.783.153	32.833.761
3.- Overseas business	1.180	3.324.129	3.325.309
4.- Other memorandum accounts receivable	4.979.025	5.111.001	10.090.026

The accompanying notes 1 to 10 are an integral part of these financial statements.

# Income Statement for the fiscal year ended on December 31<sup>st</sup>, 2016

(Figures in thousands of Uruguayan pesos)

	Activity in L/C	Activity in F/C	Total
<b>Financial gains before exchange differences and provisions</b>	<b>3.605.348</b>	<b>1.733.608</b>	<b>5.338.956</b>
<b>1) Outstanding loans from financial intermediation</b>	<b>2.921.735</b>	<b>1.595.352</b>	<b>4.517.087</b>
1.1.- Financial sector	166.831	65.708	232.539
1.1.1.- Local financial institutions	166.831	18.763	185.594
1.1.2.- Foreign financial institutions	-	46.945	46.945
1.2.- Non-financial sector	2.754.904	1.529.644	4.284.548
1.2.1.- Local public sector	169.713	33.202	202.915
1.2.2.- Foreign public sector	-	-	-
1.2.3.- Resident private sector	2.584.552	1.491.794	4.076.346
1.2.4.- Non-resident private sector	639	4.648	5.287
<b>2) Revenues, readjustments and quotation differences in investment securities</b>	<b>619.386</b>	<b>76.234</b>	<b>695.620</b>
2.1.- Securities held for trading	13.955	7.514	21.469
2.1.1.- Local	13.955	1.151	15.106
2.1.2.- Foreign	-	6.363	6.363
2.2.- Securities available for sale	605.431	68.720	674.151
2.2.1.- Local	414.159	25.719	439.878
2.2.2.- Foreign	191.272	43.001	234.273
2.3.- Securities held-to-maturity	-	-	-
2.3.1.- Local	-	-	-
2.3.2.- Foreign	-	-	-
<b>3) Liabilities readjustments</b>	<b>18.098</b>	<b>-</b>	<b>18.098</b>
3.1.- Financial sector	-	-	-
3.2.- Non-financial sector	18.098	-	18.098
<b>4) Operations to be liquidated</b>	<b>26.340</b>	<b>42.342</b>	<b>68.682</b>
4.1.- Financial sector	16.061	42.342	58.403
4.1.1.- In the country	3.956	-	3.956
4.1.2.- Abroad	12.105	42.342	54.447
4.2.- Non-financial sector	10.279	-	10.279
4.2.1.- Local public sector	-	-	-
4.2.2.- Resident private sector	10.279	-	10.279
4.2.3.- Non-Resident	-	-	-

	Activity in L/C	Activity in F/C	Total
<b>5) Overdue Loans</b>	<b>19.789</b>	<b>19.680</b>	<b>39.469</b>
5.1.- Financial sector			
5.2.- Non-financial sector	16.281	7.645	23.926
5.2.1.- Local public sector	-	-	-
5.2.2.- Foreign public sector	-	-	-
5.2.3.- Resident private sector	16.256	7.619	23.875
5.2.3.1.- Overdue placements	7.135	3.690	10.825
5.2.3.2.- Non-performing loans	1.762	641	2.403
5.2.3.3.- Delinquent loans	7.359	3.288	10.647
5.2.4.- Non-resident private sector	25	26	51
5.2.4.1.- Overdue placements	-	-	-
5.2.4.2.- Non-performing loans	-	26	26
5.2.4.3.- Delinquent loans	25	-	25
5.3.- Debtors to be refinanced according to law 16243	-	-	-
5.4.- Recovery of Non-performing loans	3.508	12.035	15.543
<b>Financial expenses before exchange differences and provisions</b>	<b>1.635.483</b>	<b>186.973</b>	<b>1.822.456</b>
<b>1) Liabilities</b>	<b>859.374</b>	<b>182.351</b>	<b>1.041.725</b>
1.1.- Financial sector	2.385	101.324	103.709
1.1.1.- Local financial institutions	2.382	698	3.080
1.1.2.- Financial institutions abroad	3	100.626	100.629
1.2.- Non-financial sector	856.989	81.027	938.016
1.2.1.- Local public sector	-	-	-
1.2.2.- Resident private sector	852.015	42.607	894.622
1.2.3.- Non-Resident	4.974	38.420	43.394
<b>2) Readjustments and quotation differences in investment securities</b>	<b>505.281</b>	<b>4.622</b>	<b>509.903</b>
2.1. Securities held for trading	1.891	4.622	6.513
2.1.1.- Local	1.891	587	2.478
2.1.2.- Foreign	-	4.035	4.035
2.2. Securities available for sale	503.390	-	503.390
2.2.1.- Local	315.481	-	315.481
2.2.2.- Foreign	187.909	-	187.909
2.3. Securities held-to-maturity	-	-	-
2.3.1.- Local	-	-	-
2.3.2.- Foreign	-	-	-
<b>3) Loans Readjustments</b>	<b>55.985</b>	<b>-</b>	<b>55.985</b>
3.1.- Outstanding	55.685	-	55.685
3.2.- Overdue	300	-	300



	Activity in L/C	Activity in F/C	Total
<b>4) Operations to be liquidated</b>	<b>214.843</b>	<b>-</b>	<b>214.843</b>
4.1.- Financial sector	214.518	-	214.518
4.1.1.- In the country	15.361	-	15.361
4.1.2.- Abroad	199.157	-	199.157
4.2.- Non-financial sector	325	-	325
4.2.1.- Local public sector	-	-	-
4.2.2.- Resident private sector	325	-	325
4.2.3.- Non-Resident	-	-	-
<b>I) Financial Margin before Exchange Rate Differences and Provisions</b>	<b>1.969.865</b>	<b>1.546.635</b>	<b>3.516.500</b>
<b>Gain / (Loss) for exchange rate difference in the valuation of assets and liabilities for financial intermediation</b>	<b>(83.028)</b>	<b>-</b>	<b>(83.028)</b>
1.- Revenues	76.216.011	-	76.216.011
2.- Expenses	76.299.039	-	76.299.039
<b>II) Financial margin before provisions</b>	<b>1.886.837</b>	<b>1.546.635</b>	<b>3.433.472</b>
<b>PROVISIONS</b>	<b>(128.856)</b>	<b>(242.385)</b>	<b>(371.241)</b>
<b>Release in Provision for impairment losses and loan revaluation</b>	<b>597.556</b>	<b>1.160.598</b>	<b>1.758.154</b>
1.- Release of provisions	553.245	1.160.598	1.713.843
1.1.- Resident	544.489	1.112.599	1.657.088
1.2.- Non-Resident	8.756	47.999	56.755
1.3.- General Provisions	-	-	-
2.- Loan revaluation	44.311	-	44.311
<b>Provision for impairment losses charge and loan devaluation</b>	<b>726.412</b>	<b>1.402.983</b>	<b>2.129.395</b>
1.- Allowances	693.410	1.402.983	2.096.393
1.1.- Resident	689.302	1.350.607	2.039.909
1.2.- Non-Resident	4.108	52.376	56.484
1.3.- General Provisions	-	-	-
2.- Loan devaluation	33.002	-	33.002
<b>III) Financial Margin</b>	<b>1.757.981</b>	<b>1.304.250</b>	<b>3.062.231</b>
<b>REVENUES FOR SERVICES</b>	<b>588.253</b>	<b>751.485</b>	<b>1.339.738</b>
1.- Resident	555.684	543.969	1.099.653
2.- Non-Resident	32.569	207.516	240.085
<b>EXPENSES FOR SERVICES</b>	<b>483.419</b>	<b>78.667</b>	<b>562.086</b>
1.- Resident	483.030	63.477	546.507
2.- Non-Resident	389	15.190	15.579

	Activity in L/C	Activity in F/C	Total
<b>Margin from Services</b>	<b>104.834</b>	<b>672.818</b>	<b>777.652</b>
<b>INCOME FROM FOREIGN EXCHANGE OPERATIONS</b>	<b>367.496</b>	<b>8.668</b>	<b>376.164</b>
1.- From foreign exchange and arbitrage operations	363.934	8.668	372.602
1.1.- Revenues	1.169.229	27.596	1.196.825
1.2.- Expenses	805.295	18.928	824.223
2.- From the valuation of other assets and liabilities in f/c	3.562	-	3.562
2.1.- Revenues	578.977	-	578.977
2.2.- Expenses	575.415	-	575.415
<b>IV) Gross Profit</b>	<b>2.230.311</b>	<b>1.985.736</b>	<b>4.216.047</b>
<b>OPERATING GAINS</b>	<b>412.062</b>	<b>89.069</b>	<b>501.131</b>
1.- Gains for sundry loans	1.067	8.930	9.997
1.1.- Resident	1.067	8.930	9.997
1.2.- Non-Resident	-	-	-
2.- Investments in local equity securities	51.541	-	51.541
3.- Offices abroad	-	-	-
4.- Revenues	-	-	-
5.- Other Gains	336.016	80.139	416.155
5.1.- Resident	335.555	76.977	412.532
5.2.- Non-Resident	461	3.162	3.623
6.- Gains from other accounting adjustments	-	-	-
7.- Gains from inflation adjustment	23.438	-	23.438
<b>OPERATING EXPENSES</b>	<b>3.709.060</b>	<b>507.063</b>	<b>4.216.123</b>
1.- Wages and social security contributions	1.902.736	214.146	2.116.882
2.- Insurances	85.212	5.435	90.647
3.- Amortizations	222.656	-	222.656
4.- Taxes, levies and contributions	523.957	-	523.957
5.- Other operating expenses	513.801	281.648	795.449
6.- Other expenses	10.581	5.834	16.415
7.- Investments in local equity securities	-	-	-
8.- Offices abroad	-	-	-
9.- Losses from other accounting adjustments	-	-	-
10.- Losses from inflation adjustment	450.117	-	450.117
11.- Other obligations	-	-	-
<b>V) Operating Margin</b>	<b>(1.066.687)</b>	<b>1.567.742</b>	<b>501.055</b>
<b>EXTRAORDINARY INCOME</b>	<b>(549)</b>	<b>(12.021)</b>	<b>(12.570)</b>
1.- Revenues	4.550	3.721	8.271
2.- Expenses	5.099	15.742	20.841

	Activity in L/C	Activity in F/C	Total
<b>ADJUSTMENT TO PRIOR YEARS NET INCOME</b>	<b>(75.929)</b>	-	<b>(75.929)</b>
1.- Revenues	129	-	129
2.- Expenses	76.058	-	76.058
<b>VI) Net income before Income Tax (I.R.A.E.)</b>	<b>(1.143.165)</b>	<b>1.555.721</b>	<b>412.556</b>
Income Tax (I.R.A.E.)	530.244	-	530.244
<b>VII) Net income after Tax (I.R.A.E.)</b>	<b>(1.673.409)</b>	<b>1.555.721</b>	<b>(117.688)</b>

The accompanying notes 1 to 10 are an integral part of these financial statements.

# Statement of Changes in Equity for the Fiscal Year ended on December 31<sup>st</sup>, 2016

(Figures in thousands of Uruguayan pesos)

Movements	Pain-in capital	Non-capitalized contributions	Equity adjustments	Reserves	Accumulated earnings	Total Equity
<b>Balance at December 31st, 2015</b>	<b>4.060.081</b>	-	<b>638.134</b>	<b>122.817</b>	<b>892.808</b>	<b>5.713.840</b>
<b>Capital Contributions</b>	-	-	-	-	-	-
<b>Distribution of Profits</b>	-	-	-	<b>20.398</b>	<b>(227.398)</b>	<b>(207.000)</b>
<b>Profits Advance</b>	-	-	-	-	-	-
<b>Other adjustments:</b>	-	-	<b>469.651</b>	-	-	<b>469.651</b>
- Fixed assets revaluation	-	-	-	-	-	-
- Income adjustment for inflation	-	-	426.679	-	-	426.679
- Fair value variation of Securities available for sale	-	-	42.972	-	-	42.972
- Investments value variation on account of changes in equity in controlled companies and branches	-	-	-	-	-	-
<b>Net income</b>	-	-	-	-	<b>(117.688)</b>	<b>(117.688)</b>
<b>Balance at December 31st, 2016</b>	<b>4.060.081</b>	-	<b>1.107.785</b>	<b>143.215</b>	<b>547.722</b>	<b>5.858.803</b>

The accompanying notes 1 to 10 are an integral part of these financial statements.

# Statement of Cash Flows for the year Ended December 31<sup>st</sup>, 2016

(Figures in thousands of Uruguayan pesos)

	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
<b>Net income (Loss)</b>	<b>(117.688)</b>
<b>Adjustments to reconcile net income to net cash generated by operating activities:</b>	
Depreciation of fixed assets	76.042
Amortization of intangible assets	146.614
Effect of inflation adjustment and valuation exchange rate differences	506.146
Quotation differences and readjustments of investment securities, held for trading and available for sale	(109)
Adjustment to cost of investment securities held-to- maturity	-
Impairment of investment securities	-
Uncollected revenues accrued from securities	(32.052)
Reserves	81.775
Uncollected accrued financial products	(212.024)
Impairment provisions for bad debts	415.553
Uncollected accrued income	(1.888)
Unpaid accrued financial charges	192.506
Income collected not accrued	-
Financial charges paid and not accrued	-
Gain from the sale of fixed assets	(7.572)
Gain from real estate valuation at market value	-
<b>(INCREASE) DECREASE IN OPERATING ASSETS</b>	
Investment Securities (held for trading and available for sale)	(1.147.873)
Credits for Interm. Financial - Financial sector (*)	(1.835.920)
Credits for Interm. Financial - Non-Financial sector (*)	(2.809.017)
Other assets	(307.864)
<b>INCREASE (DECREASE) IN OPERATING LIABILITIES</b>	
Liabilities for Interm. Financial - Financial sector (*)	(252.688)
Liabilities for Interm. Financial - Non- Financial sector (*)	(1.408.882)
Other liabilities	327.624
<b>Net variation of operations to be liquidated</b>	<b>610.885</b>
<b>Net cash generated by (used in) operating activities</b>	<b>(5.776.432)</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>	
Net flow of investment securities held-to-maturity	-
Net flow of fixed assets	(41.114)
Increase in intangible assets	(158.896)
Net flow of special investments	43
Net flow of other investments	(30.995)
<b>Net cash generated by (used in) investment activities</b>	<b>(230.962)</b>

<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	
Contribution (redemption) of capital/ (Dividend distribution)	(207.000)
Net flow of subordinated obligations	(38.871)
Issue (redemption) of negotiable instruments	-
Other obligations originated by financing activities	-
<b>Net cash generated by (used in) financing activities</b>	<b>(245.871)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(6.253.265)</b>
Exchange rate difference generated by Cash	(356.791)
<b>Cash and cash equivalents at the beginning of the year</b>	<b>30.216.142</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>23.606.086</b>

(\*) Except for operations to be liquidated

(\*\*) Except for subordinated and negotiable obligations and operations to be liquidated  
The accompanying notes 1 to 10 are an integral part of these financial statements.

# Notes to Financial Statements for the Year Ended on December 31<sup>st</sup>, 2016

(Figures in thousands)

## Note 1 - Consideration by Shareholders Meeting

These Financial Statements have not yet been considered by the General Ordinary Shareholders' Meeting which shall be called within the terms set forth in Article 344 of Law N° 16.060 dated September 4th, 1989.

## Note 2 - Information about the Financial Intermediation Company

### 2.1- Legal Nature

Banco Bilbao Vizcaya Argentaria Uruguay S.A. ("the Bank") is a corporation which works as a financial intermediation company in Uruguay, in accordance with law-decree N° 15.322 dated September 17th, 1982 and subsequent amendments thereof.

The Central Bank of Uruguay (BCU) supervises the authorized companies and enforces compulsory requirements related to bank reserves, holding of public securities, provision for credit risks and equity responsibility.

### 2.2- Basis for the Preparation of Financial Statements

These Financial Statements have been prepared according to accounting standards, valuation and risk classification criteria and requirements established by the BCU (Central Bank of Uruguay).

According to what is stated in BCU's Resolution 2010/021, the criteria through which financial statements are adjusted on account of inflation (accumulated inflation of the three previous calendar years is over 25%) were complied with in year 2016.

This way, equity accounts were valued at their historical costs, except for the account Adjustments to Equity - Result on account of Inflation, which represents a global monetary correction of equity as of December 31st 2016.

Consolidated financial statements are prepared according to what is stated in BCU's Resolution 98/5.

### 2.3- Capital and Stock Composition

As of December 31st, 2016, the total corporate capital amounts to \$5,000,000, of which \$4,060,081 has been paid in. In addition, the Bank does not have any subscriptions pending to be paid-in.



Integration of stock may be broken down by type of shares as follows:

Shareholder	Percentage of Stock	Number and Type of Shares	Nominal Value
Banco Bilbao Vizcaya Argentaria S.A. (Spain)	100%	406,008 ordinary registered shares and provisional certificates for \$ 0.7	4,060,081
			4.060.081

Information about the company's ownership structure is included as part of the Corporate Governance Annual Report (unaudited) required by article 477 of the Compilation of Regulation and Control Standards for the Financial System, available for consultation at [www.bbva.com.uy](http://www.bbva.com.uy) before March 31st each year.

## 2.4- List of Directors and Senior Management

The following is the list of Directors and Senior Management, as per definition included in article 536 of the Compilation of Regulation and Control Standards for the Financial System:

Alonso García, Juan Carlos	Business Development Manager
Alonso Granada, Antonio	CEO
Blanco Hierro, José Antonio	Director
Cabrera Lapitz, Juan José	Substitute Auditor
Cedrola Spremolla, Gerardo Marcelo	Director-Secretary-Manager, Resources and Services Unit
Corral Pérez, María del Rosario	Commercial Direction Manager
Diez Franco, José Antonio	Internal Auditor - Member of the Auditing Committee
Espalter Masoller, Haroldo José	Auditing Committee Member
Gonzalez Moya, Rafael Angel	Director
Gonzalez Sararols, Marcelo	Risk Manager
Jourdan Gilles, Daniel	General Accountant
Licandro Bosc, Gustavo	Director
O'Neill Buzzini, Eduardo Brian	Financial Management and Treasury
Ocampo Taboada, Adriana	Media Manager
Pérez del Castillo Algorta, Santiago Máximo	Director - Member of the Auditing Committee
Rey Villanueva, José Luis	Syndic
Trujillo Vela, Andrea Catalina	Claims Manager
Vinetz Tuchszer, Alejandro	Director - Financial Manager
Znidaric Rimolo, Mónica	Person in Charge of Information

The name of the compliance officer is not provided since this information is confidential.

Additional information about the company's management and control structure is included as part of the Corporate Governance Annual Report (unaudited) required by article 477 of the Compilation of Regulation and Control Standards for the Financial System, available for consultation at [www.bbva.com.uy](http://www.bbva.com.uy) before March 31st each year.

## Note 3 - Information Regarding Assets and Liabilities

### 3.1- Valuation of Foreign Currency

Assets and liabilities in foreign currency are translated into U.S. dollars using arbitrations and quotations provided by the BCU Foreign Exchange Desk, at the closing date of each fiscal year.

The resulting amounts in US dollars are then expressed in local currency using the average exchange rate at the end of the fiscal year (\$ 29,256 per US\$ 1).

## 3.2- Foreign Currency Position

Assets and liabilities corresponding to each currency are exposed, determining the individual net position and the position arbitrated to US dollars:

Currencies	Assets in F/C	Liabilities in F/C	Net Position in F/C		Equivalent position in US dollars
			Assets	Liabilities	
US Dollar	2.344.982	2.273.776	71.206	-	71.206
Arg. Peso	2.204	1.130	1.074	-	68
Real	607	100	507	-	156
Euro	56.163	56.401	-	238	(251)
Others	1.768	583	1.185	-	1.185
<b>Total</b>					<b>72.364</b>

## 3.3- Investment Securities

Investment Securities are classified according to the purpose for which they are kept in the various portfolios, as follows:

- Securities held for trading
- Securities available for sale
- Securities held to maturity

Investment Securities are valued according to General Regulation 2.2 of the Accounting Standards and Plan of Accounts for Financial Intermediation Companies (Normas Contables y Plan de Cuentas para las Empresas de Intermediación Financiera), as amended per update N° 181, according to which:

- Securities held for trading are valued according to their market value, including transaction costs and deducting accrued interest;
- Securities available for sale are calculated according to their reasonable value (market value of one or many securities with similar characteristics or according to market prices significant to the specific case), including transaction costs and deducting accrued interest;
- Securities held to maturity are valued at their purchase cost, including transaction costs and deducting accrued interest, adjusted by the difference between the purchase price and the nominal value accrued on a straight line basis over the remaining term until maturity.

As of December 31st, 2016 securities for investment are integrated by the following:

Investment Securities	Currency of Issue	Figures in thousands of Uruguayan pesos	
		Accounting Value	Market Value
<b>• Securities held for trading</b>		<b>887.377</b>	<b>887.377</b>
LOCAL GOVERNMENT SECURITIES		869.434	869.434
- Treasury Notes	UI	869.434	869.434
RENDA DE VALORES PARA NEGOCIACION		17.943	17.943
- Local Government Securities Income	UI	17.943	17.943
<b>• Securities available for sale</b>		<b>9.368.873</b>	<b>9.368.873</b>
LOCAL GOVERNMENT SECURITIES		869.247	869.247
- Treasury Bonds	US\$	272.638	272.638
- Treasury Bonds	€	89.096	89.096
- Treasury Notes	\$	505.796	505.796
- Treasury Notes	UI	1.717	1.717
FOREIGN GOVERNMENT SECURITIES		7.879.662	7.879.662
- USA	US\$	7.294.462	7.294.462
- Argentina	US\$	80	80
- Sweden	US\$	585.120	585.120
PRIVATE SECURITIES		584.982	584.982
- USA	US\$	584.982	584.982
INCOME OF SECURITIES AVAILABLE FOR SALE		34.982	34.982
- Local Government Securities Income	\$	15.377	15.377
- Local Government Securities Income	US\$	3.923	3.923
- Local Government Securities Income	€	2.788	2.788
- Local Government Securities Income	UI	23	23
- Foreign Government Securities Income	US\$	12.610	12.610
- Private Paper Income	US\$	261	261
<b>• Securities held to maturity</b>		<b>-</b>	<b>-</b>
<b>Total Investment Securities</b>		<b>10.256.250</b>	<b>10.256.250</b>
<b>Investment Securities Issued by BCU (Central Bank of Uruguay) (1)</b>			
• Securities held for trading	\$	1.318.094	1.318.094
• Securities available for sale	\$	382.740	382.740
• Securities held to maturity		-	-
<b>Total Investment Securities Issued by BCU</b>		<b>1.700.834</b>	<b>1.700.834</b>

(1) Included as outstanding loans for financial intermediation – Financial sector.

### 3.4- Limitations to the Free Availability of Assets or Equity and Restrictions to Property Rights

Additionally, the following securities are encumbered as collateral:

- Deposit with the Central Bank of Uruguay in UI (Indexed-Based Units), encumbered as collateral (fiduciary), amounting to UI 2,640 (equivalent to \$ 9,260).
- Series 5 Treasury Notes in pesos amounting to a face value of \$89,000 as guarantee in the Uruguayan Central Bank (BCU) to increase the operational limit of ALADI agreements
- Series 5 Treasury Note for \$222,527 affected to repo operations with the Central Bank of Uruguay.

- Sight deposit with Foreign Banks encumbered as operational collateral for the Institution's credit cards, amounting to US\$ 9.836 (equivalent to \$ 287,762).
- Treasury bond of USD 200 (equivalent to \$5,851) as bank guarantee corresponding to court litigations.

### 3.5- Assets and Liabilities with Readjustment Clause

The following are assets and liabilities with a readjustment clause:

Readjustment Factor	Assets	Liabilities
Consumer Price Index	2.525	-
Index-Based Unit	12.935.047	5.487.968
<b>Total</b>	<b>12.937.572</b>	<b>5.487.968</b>

### 3.6- Credit Risks - Financial Sector and Non-financial Sector

The credit portfolio has been classified according to regulation 3.8 of the Accounting Standards and Plan of Accounts for Financial Intermediation Companies.

The Bank has set up the necessary provisions against eventual losses derived from bad debts, in accordance with regulation 3.12 of the Accounting Standards and Plan of Accounts for Financial Intermediation Companies. With the purpose of determining the amount to be provisioned, guarantees determined by regulations 3.16 and 3.17 of said Accounting Standards were deducted.

#### Non-financial Sector Risks

Risk Classification	Loans L/C	Loans F/C (equivalent in L/C)	Contingencies	Total Risk	Accountable Guarantees	Provisions (1)		Risks Net of Provisions
						Minimum %	Amount	
1A	330.184	3.138.288	678.621	4.147.093	4.144.798	0%	-	4.147.093
1C	12.491.063	18.717.669	4.384.809	35.593.541	9.722.313	0,5%< <1,5%	434.994	35.158.547
2A	2.583.401	8.113.094	878.041	11.574.536	2.042.025	1,5%< <3%	143.037	11.431.499
2B	2.052.761	7.673.969	244.843	9.971.573	3.470.167	3%< <17%	194.964	9.776.609
3	321.883	427.241	25.891	775.015	459.503	17%< <50%	67.371	707.644
4	61.849	74.003	1.422	137.274	47.410	50%< <100%	44.918	92.356
5	155.216	165.728	422	321.366	75.959	100%	245.270	76.096
<b>Subtotal (2)</b>	<b>17.996.357</b>	<b>38.309.992</b>	<b>6.214.049</b>	<b>62.520.398</b>	<b>19.962.175</b>	-	<b>1.130.554</b>	<b>61.389.844</b>
Other accounts	588.892	323.387	-	912.279	-	-	-	912.279
<b>Minus:</b> Credit risk equivalent operations to be settled and conting. rights purchase-sale options	-	-	-	-	-	-	-	-
<b>Plus:</b> Operations to be settled and conting. rights purchase-sale options	-	-	-	-	-	-	-	-
Other debtor contingencies	-	-	-	-	-	-	-	-
<b>Total</b>	<b>18.585.249</b>	<b>38.633.379</b>	<b>6.214.049</b>	<b>63.432.677</b>	<b>19.962.175</b>	-	<b>1.130.554</b>	<b>62.302.123</b>

(1) Provisions made for some operations are not in accordance with Regulation 3.12.

(2) Only items reported to the Risk Central are included, taking into consideration the credit risk equivalent of operations to be settled and options

## Composition of Non-financial Sector Risk

Risk Classification	Outstanding Loans	Provisions for Outstanding Loans	Overdue Loans	Provisions for Overdue Loans	Other Loans	Provisions for Other Loans	Contingencies	Provisions for conting.
1A	3.468.355	-	-		117	-	678.621	-
1C	31.155.885	415.531			52.847	14	4.384.809	19.449
2A	10.696.123	131.117			372	2	878.041	11.918
2B	9.699.744	189.388			26.986	228	244.843	5.348
3	685.242	59.303	63.590	4.464	292	22	25.891	3.582
4	75.739	18.017	59.949	26.276	164	48	1.422	577
5	11.985	2.993	308.141	241.265	818	602	422	410
<b>Subtotal (1)</b>	<b>55.793.073</b>	<b>816.349</b>	<b>431.680</b>	<b>272.005</b>	<b>81.596</b>	<b>916</b>	<b>6.214.049</b>	<b>41.284</b>
Other accounts	-	-	-	-	912.279	-	-	-
<b>Minus:</b> Credit risk equivalent operations to be settled and conting. rights purchase-sale options	-	-	-	-	-	-	-	-
<b>Plus:</b> Operations to be settled and conting. rights purchase-sale options	-	-	-	-	-	-	-	-
Other debtor contingencies	-	-	-	-	-	-	-	-
<b>Total</b>	<b>55.793.073</b>	<b>816.349</b>	<b>431.680</b>	<b>272.005</b>	<b>993.875</b>	<b>916</b>	<b>6.214.049</b>	<b>41.284</b>

(1) Only items reported to the Risk Central are included, taking into consideration the credit risk equivalent of operations to be settled and options.

## Financial Sector Risks

Risk Classification	Demand Deposits L/C	Demand Deposits F/C	Loans L/C	Loans F/C (equivalent in L/C)	Contingencies	Other Loans	Total Risk	Accountable Guarantees	Previsiones constituidas (1)		Riesgos netos de provisiones
									Importe		
1A	1.069.709	18.017.176	15.188	2.195.206	2.568.454	36.259	23.901.992	-	0,0%	-	23.901.992
1B	-	299	-	32.609	458.886	-	491.794	-	0,2%< <0,5%	964	490.830
1C	-	-	-	16.723	95.212	-	111.935	-	0,5%< <1,5%	560	111.375
2A	-	-	-	-	72.596	-	72.596	-	1,5%< <3%	1.089	71.507
2B	-	-	-	-	27.813	-	27.813	-	3%< <17%	8	27.805
3	-	-	-	-	-	-	-	-	17%< <50%	-	-
4	-	-	-	-	-	-	-	-	50%< <100%	-	-
5	-	-	-	-	-	-	-	-	100%	-	-
<b>Subtotal (2)</b>	<b>1.069.709</b>	<b>18.017.475</b>	<b>15.188</b>	<b>2.244.538</b>	<b>3.222.961</b>	<b>36.259</b>	<b>24.606.130</b>	<b>-</b>	<b>-</b>	<b>2.621</b>	<b>24.603.509</b>
Other loans	-	-	-	-	-	37.976	37.976	-	-	-	37.976
<b>Minus:</b> Credit risk equivalent operations to be settled and conting. rights purchase-sale options	-	-	-	(1.474)	-	-	(1.474)	-	-	-	(1.474)
<b>Plus:</b> Operations to be settled and conting. rights purchase-sale options	-	-	229.394	1.285.263	-	-	1.514.657	-	-	-	1.514.657
Otras contingencias deudoras	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1.069.709</b>	<b>18.017.475</b>	<b>244.582</b>	<b>3.528.327</b>	<b>3.222.961</b>	<b>74.235</b>	<b>26.157.289</b>	<b>-</b>	<b>-</b>	<b>2.621</b>	<b>26.154.668</b>

(1) Provisions made for some operations are not in accordance with Regulation 3.12.

(2) Only items reported to the Risk Central are included, taking into consideration the credit risk equivalent of operations to be settled and options. Securities for investment issued by the Central Bank of Uruguay (BCU) mentioned in Note 3.3 are not included.

### Composition of Total Gross Risk with the Financial Sector

Risk Classification	Demand Deposits	Outstanding Loans	Overdue Loans	Conting.	Other Loans	Total Risk
1A	19.086.885	2.210.394	-	2.568.454	36.259	23.901.992
1B	299	32.609	-	458.886	-	491.794
1C	-	16.723	-	95.212	-	111.935
2A	-	-	-	72.596	-	72.596
2B	-	-	-	27.813	-	27.813
3	-	-	-	-	-	-
4	-	-	-	-	-	-
5	-	-	-	-	-	-
<b>Subtotal (1)</b>	<b>19.087.184</b>	<b>2.259.726</b>	<b>-</b>	<b>3.222.961</b>	<b>36.259</b>	<b>24.606.130</b>
Other accounts	-	-	-	-	37.976	37.976
<b>Minus:</b> Credit risk equivalent operations to be settled and conting. rights purchase-sale options	-	(1.474)	-	-	-	(1.474)
<b>Plus:</b> Operations to be settled and conting. rights purchase-sale options	-	1.514.657	-	-	-	1.514.657
Other debtor contingencies	-	-	-	-	-	-
<b>Total</b>	<b>19.087.184</b>	<b>3.772.909</b>	<b>-</b>	<b>3.222.961</b>	<b>74.235</b>	<b>26.157.289</b>

(1) Only items reported to the Risk Central are included, taking into consideration the credit risk equivalent of operations to be settled and options. Securities for investment issued by the Central Bank of Uruguay (BCU) mentioned in Note 3.3 are not included.

## 3.7- Provision

The following table shows movements in the asset offset account "Bad Debts Provision", of other loans, of liabilities "Provision for Contingency Accounts" and the "Credit Risk Statistical Provision Fund":

Bad Debts Provision	Balance at the Beginning of the Year	Increase	Release	Write-offs	Other Net Movements	Balance as of 12/31/2016
Outstanding loans to the Financial sector (1)	1.039	5.194	5.816	-	(275)	142
Outstanding loans to the Non-financial sector	798.987	1.546.748	1.428.856	-	(100.530)	816.349
Other loans	512	131.702	4.355	-	(126.943)	916
Overdue loans to the Financial sector	-	-	-	-	-	-
Overdue loans to the Non-financial sector	22.603	83.521	41.161	-	(50.767)	14.196
Non-performing loans	12.950	156.657	28.613	-	(106.171)	34.823
Delinquent loans	133.754	61.634	79.935	104.754	212.286	222.985
Conting.	62.163	106.342	125.105	-	363	43.763
Statistical Provisions	807.141	4.594	-	-	(16.036)	795.699
General Provisions	-	-	-	-	-	-
<b>Total</b>	<b>1.839.149</b>	<b>2.096.392</b>	<b>1.713.841</b>	<b>104.754</b>	<b>(188.073)</b>	<b>1.928.873</b>

(1) Includes Demand Deposits

## 3.8- Restructured Troubled Credit Operations

The following table shows in detail restructured troubled loans, according to the regulations set forth by the Central Bank of Uruguay:

Restructured Troubled Loans	Number of Operations Restructured during the current Year	Balances at the End of the Year
Outstanding Loans	-	39
Overdue Loans	-	220
<b>Total Restructured Troubled Loans</b>	<b>-</b>	<b>259</b>

### 3.9- Investments

Concept	Total in F/C
Assets acquired through credit recovery	6.531
Participation in share capital authorized by BCU	118.947
Other Investments	2.058
<b>Total</b>	<b>127.536</b>

The following table shows participation in other corporations' equity as of December 31st, 2016:

Name of Corporation	Controlled/Related	Amount	Equity interest%	Currency
Redbanc S.A.	Related	1.817	25,00	\$
B.E.V.S.A.	Related	1.448	15,38	\$
Compañía Uruguaya de Medios de Procesamiento S.A.	Related	871	6,71	\$
Sistarbanc S.R.L.	Related	593	20,00	\$
BBVA Distribuidora de Seguros	Controlled	114.218	99,99	\$
<b>Total</b>		<b>118.947</b>		

### 3.10- Fixed Assets

Fixed assets are valued at their cost, deducting accumulated amortization, applying a straight line basis method of amortization and considering the useful life as determined by regulations in force. For assets acquired before January 2013, the cost is the accounting value as of December 31st 2012 (acquisition cost re-valued up to that date according to the Consumer Price Index (IPC) published by the National Institute of Statistics). The following table shows a detailed list of fixed assets:

Concept	Revaluated Cost Value	Annual Amortization Rate (in %)	Accumulated Amortization	Amortization for the Fiscal Year	Value Net	Market Value	Accounting Value
<b>Company owned</b>	<b>973.496</b>		<b>343.056</b>	<b>76.042</b>	<b>630.440</b>		<b>630.440</b>
Real Estate – Land	23.258				23.258	559.228	23.258
Real Estate - Buildings	593.288	2	178.487	18.300	414.801		414.801
Furniture, fixtures and facilities	79.889	10	36.447	7.953	43.442		43.442
IT equipment	124.480	20	60.490	24.540	63.990		63.990
Safety boxes and treasury	46.473	2	11.466	929	35.007		35.007
Transportation material	10.845	20	7.956	2.169	2.889		2.889
Improvements to leased buildings	95.263	10	48.210	22.151	47.053		47.053
<b>In financial lease</b>	<b>-</b>		<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>
<b>Buildings under construction</b>	<b>-</b>				<b>-</b>		<b>-</b>
<b>Total</b>	<b>973.496</b>		<b>343.056</b>	<b>76.042</b>	<b>630.440</b>		<b>630.440</b>

### 3.11- Intangible Assets

Concept	Initial Net Balance	Increases	Fiscal Year	Final Net Balance
Application software	208.586	158.896	130.674	236.808
Goodwill (1)	81.029	-	15.940	65.089
<b>Total</b>	<b>289.615</b>	<b>158.896</b>	<b>146.614</b>	<b>301.897</b>

(1) The goodwill value is depreciated linearly in 120 monthly installments starting the month following its incorporation.

### 3.12- Subordinated liabilities

The Bank undertook subordinated liabilities, with previous authorization by the Central Bank of Uruguay. Such liabilities are taken into consideration to determine the net equity responsibility defined by BCU standards, since they comply with the conditions required by article 63 of the Compilation of Regulations and Control Standards for the Financial System, i.e. their original term is over 5 years, they may not be redeemed in advance without previous consent by the Central Bank of Uruguay and they are not affected as collateral.

It was expressly established that in the event of Bank liquidation, holders shall waive their rights to participate in the body of creditors and shall have preference exclusively with regards shareholders and equal conditions with regards other subordinated shareholders.

On January 13th 2011, in accordance with authorization NE/4/2010/2203 of December 13th 2010, the Bank undertook another obligation subordinated to the other liabilities for US\$ 22,000 with Banco Bilbao Vizcaya Argentaria S.A.

On the other hand, on December 20th 2012, in accordance with authorization NE/4/2012/2310 of December 17th, 2012, the Bank undertook a liability subordinated to the other liabilities for US\$ 26.000 thousands with Banco Bilbao Vizcaya Argentaria S.A.

In addition, on December 19th, 2014, in accordance with authorization NE/4/2014/2944 of December 16th, 2014, the Bank undertook a liability subordinated to the other liabilities for US\$ 15,000 with the Inter-American Investment Corporation.

Subordinated liabilities (capital) as of December 31st, 2016 consist of the following::

<b>Term to expiration</b>	<b>L/C</b>	<b>F/C (L/C Eq.)</b>	<b>Total</b>
Less than 12 months	-	-	-
Between 12 and 24 months	-	-	-
Between 24 and 36 months	-	-	-
Between 36 and 48 months	-	-	-
More than 48 months	-	1.843.128	1.843.128
<b>Total</b>	-	<b>1.843.128</b>	<b>1.843.128</b>

### 3.13- Guarantees Granted on Liabilities

There are no guarantees granted on liabilities.

### 3.14- Distribution of Loans and Liabilities for Financial Intermediation According to their Effective Maturity

The following table shows outstanding loans and obligations from financial intermediation, classified according to the term remaining for their effective maturity:

<b>Concept</b>	<b>Operations reaching maturity in:</b>			<b>Total</b>
	<b>Less than 1 year</b>	<b>Between 1 year and less than 3 years</b>	<b>More than 3 years</b>	
Outstanding Loans Financial sector (1)	21.345.436	-	-	21.345.436
Outstanding Loans Non-financial sector (2)	35.846.878	9.679.975	10.266.218	55.793.071
Outstanding Loans from op. to be liquidated	285.906	-	1.228.752	1.514.658
<b>Total Outstanding Loans</b>	<b>57.478.220</b>	<b>9.679.975</b>	<b>11.494.970</b>	<b>78.653.165</b>
Liabilities Financial sector (2)	521.438	1.096	1.843.395	2.365.929
Liabilities Non-financial sector (2)	79.730.071	3.704.108	797.687	84.231.866
Liabilities from op. to be liquidated	347.250	-	1.285.830	1.633.080
<b>Total Liabilities</b>	<b>80.598.759</b>	<b>3.705.204</b>	<b>3.926.912</b>	<b>88.230.875</b>

(1) Demand deposits are included. Does not include Operations to be liquidated, other accounts and securities for investment issued by BCU.

(2) Does not include Operations to be liquidated or other accounts.



### 3.15- Concentration of Credit Risk in the Non-Financial Sector

	Net Amount of Products in Suspense Before Provisions							
	Outstanding	%	Overdue	%	Contingencies	%	Total	%
10 highest risks	8.282.244	15	-	-	540.305	9	8.822.549	14
50 highest risks	23.237.365	42	-	-	944.120	15	24.181.485	39
100 highest risks	29.471.882	53	-	-	1.681.284	27	31.153.166	50
<b>Total portfolio</b>	<b>55.793.073</b>	<b>100</b>	<b>431.680</b>	<b>100</b>	<b>6.214.049</b>	<b>100</b>	<b>62.438.802</b>	<b>100</b>

For the purpose hereof, risk is understood as the risk presented by each individual or legal entity with the economic group it eventually integrates, in accordance with the definition of economic group established by Article 271 of the Compilation of Standards for the Regulation and Control of the Financial System.

### 3.16- Concentration of Credit Risk in the Non-financial Sector According to Credit Application

Credit Application	Amounts Before Provisions				
	Outstanding	Overdue	Other Loans	Contingencies	Total
Public Sector (1)	793.410	-	162	-	793.572
Agriculture	6.730.042	55.389	282	275.697	7.061.410
Manufacturing Industry	13.823.187	61.749	256	748.377	14.633.569
Construction	4.850.458	29.528	749	591.222	5.471.957
Trade	11.571.518	95.472	850	1.345.889	13.013.729
Hotels and Restaurants	744.667	103	34	46.320	791.124
Transport, Storage and Communications	3.352.762	57.398	227	287.762	3.698.149
Financial Services	1.138.971	5	1.458	55.959	1.196.393
Other Services	1.835.006	22.554	71.076	542.817	2.471.453
Families	10.837.805	108.714	3.557	2.103.864	13.053.940
Other	20	-	-	84	104
<b>Subtotal Resident Loans</b>	<b>55.677.846</b>	<b>430.912</b>	<b>78.651</b>	<b>5.997.991</b>	<b>62.185.400</b>
Non-Resident	115.227	768	2.945	216.058	334.998
<b>Subtotal Loans to Non-fin. Sect. (2)</b>	<b>55.793.073</b>	<b>431.680</b>	<b>81.596</b>	<b>6.214.049</b>	<b>62.520.398</b>
Other accounts	-	-	912.279	-	912.279
<b>Minus:</b> Credit risk equivalent operations to be settled and conting. rights purchase-sale options	-	-	-	-	-
<b>Plus:</b> Operations to be settled and conting. rights purchase-sale options	-	-	-	-	-
Other debtor contingencies	-	-	-	-	-
<b>Total Loans to Non-financial Sector</b>	<b>55.793.073</b>	<b>431.680</b>	<b>993.875</b>	<b>6.214.049</b>	<b>63.432.677</b>

(1) Within the Public Sector, all loans with public companies, Central Administration and Local Governments are reported, regardless of their area of activity.

(2) All items reported to the Risk Central are included, taking into consideration the credit risk equivalent of operations to be settled and options.

### 3.17- Concentration of Non-financial sector Deposits

Number of depositors	Total deposits in L/C and F/C (including financial charges)			
	Residents		Non-Resident	
	Amount	%	Amount	%
10 highest depositors	9.109.706	14	1.175.409	7
50 highest depositors	14.424.242	21	1.382.481	8
100 highest depositors	17.497.101	26	1.705.615	10
<b>Total deposits</b>	<b>67.150.084</b>	<b>100</b>	<b>16.634.372</b>	<b>100</b>

### 3.18- Classification by Type of Deposit of the Non-Financial Non-Public Sector

The following table shows outstanding deposits for the non-financial non-public sector, classified according to the type of deposit:

Type of Deposit	Residents				Non-Resident				Total	
	L/C	F/C	Total	Variation compared to the previous year	L/C	F/C	Total	Variation compared to the previous year	Amount	%
Current Accounts	6.955.311	17.716.965	24.672.276	2%	90.615	1.443.106	1.533.721	49%	26.205.997	31,3
Demand Deposits	70.594	74.485	145.079	(32)%	603	50.779	51.382	(28)%	196.461	0,2
Savings Accounts	3.652.458	23.377.307	27.029.765	5%	51.131	11.975.017	12.026.148	(26)%	39.055.913	46,6
Fixed term deposits	1.727.073	2.824.147	4.551.220	(14)%	17.424	2.385.807	2.403.231	(54)%	6.954.451	8,3
Other	5.976.421	4.459.455	10.435.876	29%	18.126	598.614	616.740	(24)%	11.052.616	13,2
Financial Charges	311.448	4.420	315.868	161%	150	3.000	3.150	(52)%	319.018	0,4
<b>Total non-financial sector deposits</b>	<b>18.693.305</b>	<b>48.456.779</b>	<b>67.150.084</b>	<b>6%</b>	<b>178.049</b>	<b>16.456.323</b>	<b>16.634.372</b>	<b>(29)%</b>	<b>83.784.456</b>	<b>100</b>

During the year, the institution has not used non-financial sector funding sources other than deposits.

### 3.19- Distribution of Loans and Liabilities from Financial Intermediation with Non-Residents By Country

Concept	Capital and Products Net of Interest in Suspense						Total
	Demand Deposits	Loans Financial sector (1)	Loans Non-financial sector (1)	Operations to be liquidated (2)	Other Loans		
Argentina	-	-	79.800	-	64	79.864	
Brazil	-	-	2.250	-	99	2.349	
US	1.090.824	2.103.136	49	-	38.348	3.232.357	
Spain	-	-	-	1.418	-	1.418	
Luxemburg	322.346	-	-	-	-	322.346	
Others (4)	207.508	133.430	33.897	56	694	375.585	
<b>Subtotal (3)</b>	<b>1.620.678</b>	<b>2.236.566</b>	<b>115.996</b>	<b>1.474</b>	<b>39.205</b>	<b>4.013.919</b>	
Other accounts	-	-	-	-	38.820	38.820	
<b>Minus:</b> Credit risk equivalent of credit operations to be settled	-	-	-	(1.474)	-	(1.474)	
<b>Plus:</b> Operations to be liquidated	-	-	-	1.286.265	-	1.286.265	
<b>Total</b>	<b>1.620.678</b>	<b>2.236.566</b>	<b>115.996</b>	<b>1.286.265</b>	<b>78.025</b>	<b>5.337.530</b>	

Concept	Capital and Financial Charges			Total
	Liabilities Financial sector	Liabilities Non-financial sector	Liabilities from op. to be liquidated	
Argentina	6.370	13.219.999	-	13.226.369
Brazil	57.552	785.616	-	843.168
US	710.878	119.498	-	830.376
Spain	1.413.976	283.851	51.385	1.749.212
United Kingdom	-	22.055	1.381.696	1.403.751
Others (4)	160.702	2.206.349	-	2.367.051
<b>Total</b>	<b>2.349.478</b>	<b>16.637.368</b>	<b>1.433.081</b>	<b>20.419.927</b>

(1) Does not include operations to be liquidated or other loans.

(2) The credit risk equivalent of operations to be liquidated of the outstanding credits chapter is informed.

(3) Includes only areas reported to the Risk Central (direct loans).

(4) Credits and liabilities with non-residents corresponding to countries with a participation below 10% of the total corresponding to each column are included, except for those that are required by regulations to be presented separately.

## 3.20- Transactions with Related Parties

Pursuant to the definition of economic group provided by section 1 of article 210 and articles 271 and 223 of the Compilation of Regulations and Control Standards for the Financial System, the nature and amount of transactions with related parties, as well as the results deriving from said transactions are as follows:

	Figures in thousands of Pesos (L/C and equivalent of F/C in L/C)			
	Placements (1)	Investment Securities	Liabilities	Profit (Loss)
<b>Financial Sector</b>	<b>259.975</b>	-	<b>1.476.682</b>	<b>(66.741)</b>
Companies in the country	-	-	-	-
Headquarters, branch offices and subsidiaries of the Headquarters abroad	-	-	-	-
Controlling entity, Branch offices and subsidiaries of the controlling entity abroad	245.309	-	1.475.935	(68.869)
Branches abroad	-	-	-	-
Subsidiaries abroad	-	-	-	-
Banks and other related foreign institutions	14.666	-	747	2.128
<b>Non-financial sector</b>	<b>20.844</b>	-	<b>90.877</b>	<b>(58.901)</b>
Credit Management Companies	-	-	9.867	(75.027)
Other Individuals	20.844	-	80.795	1.056
Other Legal Entities	-	-	215	15.070
<b>Net profit with related parties:</b>				<b>(125.642)</b>

(1) Demand deposits are included

Most results with credit managing companies are related to portfolio purchase operations carried out during the fiscal year.

## 3.21- Other Relevant Notes

### A) ALADI Operations

Banco Exterior de América, as well as other local financial institutions that carried out similar operations, deducted in previous years promissory notes from Argentinean banks amounting to approximately US\$ 14,500. These promissory notes come from foreign trade operations guaranteed by the central bank of the country member of the reciprocal payment agreement of the Latin American Integration Association (ALADI), which provides for the refund and guarantee of operations through member countries' central banks.

The Argentinean banks which issued said promissory notes were intervened by the Central Bank of the Argentinean Republic (BCRA) and the reimbursement of the abovementioned operations was questioned by said institution. Until now, these operations were being reviewed and would be subject to a process of arbitration between BCU and BCRA, in order to determine their validity.

As of December 31st, 2015, in compliance with a resolution by the Central Bank of Uruguay (BCU), the Bank held US bonds encumbered as collateral amounting to US\$ 4,343 (equivalent to \$ 129,738).

On July 29th 2016, the Bank was notified of the agreement reached between the Central Bank of Uruguay and the Central Bank of the Argentinean Republic in relation to these operations. According to said agreement, on August 4th 2016, the Bank paid the sum of US\$ 4,312, releasing the abovementioned collateral and putting an end to the disagreement.

The result of the transaction was recorded as "constitution of provisions" given its origin in bad debts, according to the treatment validated by the Central Bank of Uruguay in communication dated August 9th 2016.

## B) Staff Retirement Incentive Plans

The Bank keeps a \$ 13,997 reserve to meet contractual commitments undertaken with regards to the payment of contributions to the Banking Retirement Fund (Caja de Jubilaciones y Pensiones Bancarias) to early retired staff members.

## Note 4 - Equity

### 4.1- Capital Adequacy

Central Bank regulations require maintaining a Net Equity Responsibility consisting of an Essential Net Equity (which includes common stock and additional capital, provided that the additional capital may not exceed one third of common stock) and a Complementary Net Equity, provided that the latter may not exceed one third of the Essential Net Equity. In accordance with Art. 158 of the Compilation of Regulations for the Control of the Financial System (RNRCFSF), the Net Equity Responsibility cannot be lower than the highest of the following three parameters:

- Basic Capital Requirement: consisting of the Basic Equity Responsibility as indicated in article 159 of the RNRCFSF,
- Assets and Contingencies Capital Requirement: Equivalent to 4% of total assets and contingencies, in accordance with article 158 of the RNRCFSF,
- Risk Capital Requirement: made up of the Credit Risk Capital Requirement (article 160 of the RNRCFSF), the Market Risk Capital Requirement (article 162 of the RNRCFSF), the Operational Risk Capital Requirement (article 172 of the RNRCFSF) and the Systemic Risk Capital Requirement (article 173 of the RNRCFSF).

The minimum net equity responsibility is shown below:

Concept	L/C
<b>Net Essential Equity (N.E.E.)</b>	<b>5.554.848</b>
• <b>Common Stock</b>	<b>5.554.848</b>
- Paid-in capital (+)	4.060.081
- Non-capitalized contributions (+)	0
- Adjustments to equity (+)	681.105
- Reserves (+)	143.215
- Accumulated and business year's results (+)	974.402
- Intangible Assets (-)	301.897
- Special Investments (-)	2.058
• <b>Additional Capital</b>	<b>0</b>
<b>Net Supplementary Equity (N.S.E.)</b>	<b>1.843.128</b>
- Subordinated Obligations - Cap of 1/3 of common capital (+)	1.843.128
- General provisions on loans from Financial intermediation (up to 1.25% of assets and contingencies weighed by risk) (+)	0
<b>Net Equity Responsibility (N.E.R. = E. N. E. + C. N. E.)</b>	<b>7.397.976</b>
<b>Minimum Net Equity Responsibility (greatest of 1, 2, 3)</b>	<b>6.412.754</b>
• Risk Capital Requirement (1):	6.412.754
- Credit Risk (Art. 160 RNRCFSF)	5.177.635
- Market Risk (Art. 162 RNRCFSF)	272.755
- Operational Risk (Art. 172 RNRCFSF)	638.762
- Systemic Risk (Art. 173 RNRCFSF)	323.602
- 4% assets and contingencies (Art. 158 RNRCFSF) (2)	4.179.840
- Basic Equity Responsibility (Art. 159 RNRCFSF) (3)	456.001
<b>N. E. R. / M. N. E. R.</b>	<b>1,15</b>
<b>N. E. R. / Assets weighed by credit risk + 12.5* (Market Risk + Operational Risk)</b>	<b>0,10</b>

## Note 5 - Information Regarding Earnings

### 5.1- Recognition of Gains and Losses

Income and expenses are recognized on an accrual basis.

However, according to regulation 3.3 of the Accounts Plan, liquidating financial products as profits is not allowed - unless they are perceived in cash - when the holders fall in categories 3, 4 and 5. When, according to regulations in force, an operation needs to be re-classified in some of the abovementioned categories, financial products liquidated as profit during the year and not perceived, are returned with credit to regulating accounts of the asset "Pending Financial Products":

The non-financial sector credit portfolio which does not accrue interests as per the BCU regulations amounts to \$1,205,920 as of December 31st 2016.

### 5.2- Income from Services

	L/C	F/C
<b>REVENUES FOR SERVICES</b>	<b>588.254</b>	<b>751.484</b>
Guarantees Granted	6.311	41.584
Credit cards	209.591	80.498
Overseas business	8	54.397
Other gains from services	372.344	575.005
<b>EXPENSES FOR SERVICES</b>	<b>483.419</b>	<b>78.667</b>
Commissions paid to foreign correspondents	-	18
Brokerage	298	-
Rural Business	-	-
Other losses from services	483.121	78.649

## Note 6 - Taxes

The following table shows the charge to earnings corresponding to the closed fiscal year for each tax affecting the Institution's activity:

Concept	Charges to Net Income
Corporate Income Tax	530.244
Property Tax	187.694
Added Value Tax	109.717
Tax for the regulation of the financial system -	74.285
Other	152.261
<b>Total</b>	<b>1.054.201</b>

## Note 7 - Operations with Derivative Instruments

Derivatives operated by the Bank are mainly purchases, sales and currency arbitrage in future contracts. The aim of said operations is to comply with customer requests and cover risks in the Institution's balance sheet. The following table shows operations in force according to their aim:

Aim	Number of Operations	Assets	Liabilities
Customer requests	-	-	-
Own coverage	6	1.514.657	1.633.080
<b>Total</b>	<b>6</b>	<b>1.514.657</b>	<b>1.633.080</b>

Accounting policies comply with criteria established by the Accounting Standards and Chart of Accounts Plan for Financial Intermediation Companies, according to which unrealized profits and losses in future purchases, sales or arbitrage contracts, are calculated according to the arbitrage exchange rate differences agreed in the contract and those in cash. Unrealized results are deferred in the term of the corresponding contracts.

## Note 8 - Comprehensive Risk Management System

According to article 477 of the Compilation of Regulations and Control Standards for the Financial System, the Corporate Government Annual Report (unaudited), which includes a description of the comprehensive risk management system adopted, must be available at [www.bbva.com.uy](http://www.bbva.com.uy) before March 31st each year.

## Note 9 - Trusts

The Bank acts as:

- Trustee in the following trusts:
  - Financial Trust for the extension of Bvar. Batlle y Ordóñez. The Trust is aimed at the investment of debt instruments issued or to be issued by Grinor S.A. in favor of the Bank, as well as the assigned credits which guarantee the payment thereof (and promissory notes of the Municipal Government of Montevideo (IMM) documenting such), said credits having been assigned by Grinor to this Trust. For the purpose thereof, the trustee issues under a schedule of successive series of debt certificates, for a sum of up to US\$ 8.4 million (the "Issue Amount").

In this trust the Bank acts in its capacity as trustor and trustee. The value of the trust portfolio by December 31st, 2016 amounts to US\$ 399 (equivalent to about \$ 11,681), amount which corresponds to its current value as of said date, as defined in the Trust agreement.

As a result of the spin-off agreement between Grinor S.A. and Abarca S.A. executed on May 17th, 2010, and the subsequent approval by the IMM of the assignment of all rights and obligations, Abarca SA is currently the holder of all rights and obligations set forth under the Financial Trust for the Extension of Bvar. Batlle y Ordóñez which originally corresponded to Grinor S.A.

- Guaranty Trusts for amounts of money deposited and to be deposited in certain customer accounts as guaranty. As of December 31st, 2016 Trust equity amounts to US\$ 29,392 (equivalent to about \$ 859,901).
- Trustee in negotiable liabilities issued by ISUSA, which as of December 31st 2016 had a circulation of US\$ 8,000, corresponding to series 3

## Note 10 - Events After the Fiscal Year Closure

No events took place after the balance sheet date which may require an adjustment of financial statements or which should be included therein.

Mr. Antonio Alonso  
CEO



# Independent auditor's report

## **To the Shareholders and Directors of Banco Bilbao Vizcaya Argentaria Uruguay S.A.**

We have audited the accompanying financial statements of Banco Bilbao Vizcaya Argentaria Uruguay S.A., which comprise the balance sheet as at December 31, 2016, and the income statement, cash flow statement, and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## **Management's Responsibility for the Financial Statement**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting principles in Uruguay, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing adopted by the Supervisory Authority (Central Bank of Uruguay). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Banco Bilbao Vizcaya Argentaria Uruguay S.A. as at December 31, 2016, its financial performance and its cash flows for the year then ended in accordance with accounting principles issued by the Supervisory Authority (Central Bank of Uruguay).

## Other information

Management is responsible for the other information. The other information comprises: the Corporate Governance Annual Report required by Article 477 of the Compilation of Regulatory and Control Standards for the Financial System of the Central Bank of Uruguay for the year ended on December 31, 2016 and the Annual Report for the year then ended (but does not include the financial statements and our auditor’s report thereon), which we have obtained prior to the date of this auditor’s report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

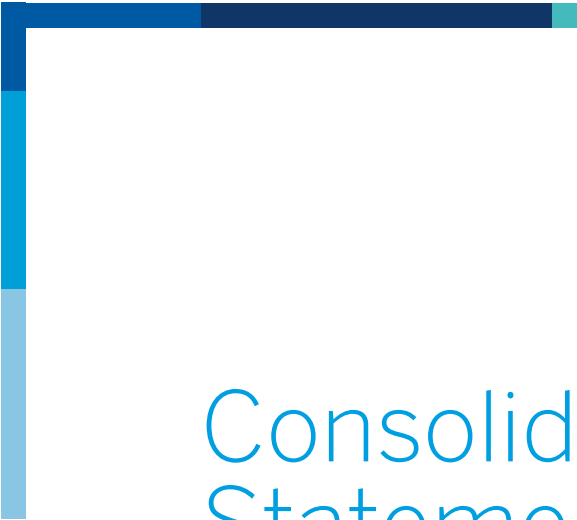
If, based on the work we have performed on the other information that we obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Other matters

The aforementioned standards and criteria are the legal accounting standards in force in the Republic of Uruguay, applicable to the submittal of financial statements of companies in the business of financial intermediation governed by the Central Bank of Uruguay. There has been no determination, nor quantification, as to the differences that might possibly arise between these Financial Statements and those that could be prepared based on International Financial Reporting Standards.







# Consolidated Financial Statements as of December 31<sup>st</sup>, 2016 (Resolution 98/5 of the Central Bank of Uruguay) and Independent Audit Report

## **Section II**

### Contents

- Consolidated Financial Statements
- Notes to Consolidated Financial Statements
- Independent Audit Report on Consolidated Financial Statements

# Consolidation of Financial

## Statements with Branches Abroad and Subsidiaries

Code	Financial Statements	Head Office	Balance Sheet	Eliminations	Consolidated	
		Balance Sheet	of Branches Abroad and Subsidiaries		Balance Sheet	
		1	2	3 4	5	6
<b>BALANCE SHEET</b>						
<b>010 000</b>	<b>ASSETS</b>	<b>96.599.404.405,28</b>	<b>119.478.529,53</b>		<b>(114.433.474,10)</b>	<b>96.604.449.460,71</b>
<b>011 000</b>	<b>AVAILABLE</b>	<b>23.606.086.269,23</b>	<b>215.393,47</b>		<b>(215.393,47)</b>	<b>23.606.086.269,23</b>
011 010	Cash	3.608.086.004,29				3.608.086.004,29
011 020	Precious Metals	-				-
101 001	Gold	-				-
103 001	Other precious metals	-				-
011 030	Central Bank of Uruguay	17.294.422.645,08				17.294.422.645,08
011 040	Other Central Banks	-				-
011 050	Other financial institutions	1.792.762.181,20	215.393,47		(215.393,47)	1.792.762.181,20
105 001	Uruguayan public financial institutions	110.354.587,80				110.354.587,80
107 001	Private financial institutions in Uruguay	61.729.009,97	215.393,47		(215.393,47)	61.729.009,97
109 001	Banks outside Uruguay	1.426.263.196,43				1.426.263.196,43
111 001	Head Office and Branches	194.415.387,00				194.415.387,00
113 001	Other financial institutions outside Uruguay	-				-
011 060	Cheques and other documents to be cleared	910.815.438,66				910.815.438,66
<b>012 000</b>	<b>NEGOTIABLE SECURITIES</b>	<b>10.256.249.876,41</b>				<b>10.256.249.876,41</b>
012 010	Government Securities	9.671.005.948,88				9.671.005.948,88
115 000	Uruguayan Government Securities	-				-
115 002	Of central government and Central Bank	1.778.734.706,02				1.778.734.706,02
115 004	Of other public financial institutions	-				-
115 006	Of local governments and other public companies	-				-
117 000	Non-Uruguayan Government Securities	-				-
117 003	Of central government and Central Bank	7.892.271.242,86				7.892.271.242,86
117 005	Of other public financial institutions	-				-
117 007	Of local governments and other public companies	-				-
012 020	Private Securities	585.243.927,53				585.243.927,53
119 000	Securities of private financial institutions	-				-
119 002	Financial institutions in Uruguay	-				-
119 003	Financial institutions outside Uruguay	585.243.927,53				585.243.927,53
121 001	Private companies securities	-				-
123 001	Equity in investment funds	-				-
012 090	(Provision for devaluation)	-				-
137 091	(Provision on government securities)	-				-
139 091	(Provision on private securities)	-				-
<b>013 000</b>	<b>OUTSTANDING LOANS FROM FINANCIAL INTERMEDIATION - FINANCIAL SECTOR</b>	<b>5.473.600.935,96</b>	<b>105.786.250,00</b>		<b>-</b>	<b>5.579.387.185,96</b>
013 010	Central Bank of Uruguay	1.700.833.977,50	105.786.250,00			1.806.620.227,50
013 020	Other Central Banks	-				-
013 030	Other financial institutions - Placements	2.239.862.566,81		-		2.239.862.566,81
147 001	Uruguayan public financial institutions	-				-
149 001	Private financial institutions in Uruguay	4.192.947,96		-		4.192.947,96
151 001	Banks outside Uruguay	2.221.068.994,87				2.221.068.994,87
153 001	Head Office and Branches	14.600.623,98				14.600.623,98
155 001	Other financial institutions outside Uruguay	-				-
013 040	Correspondents for documentary credits	2.745.370,44				2.745.370,44
157 001	Uruguayan public financial institutions	-				-

Code	Financial Statements	Head Office	Balance Sheet of Branches			Eliminations	Consolidated
		Balance Sheet	Abroad and	Subsidiaries			Balance Sheet
		1	2	3	4	5	6
159 001	Private financial institutions in Uruguay	2.280.793,36					2.280.793,36
161 001	Banks outside Uruguay	464.577,08					464.577,08
163 001	Head Office and Branches	-					-
165 001	Other financial institutions outside Uruguay	-					-
013 050	Forward operations	1.514.657.559,97					1.514.657.559,97
167 001	Uruguayan public financial institutions	228.392.410,27					228.392.410,27
169 001	Private financial institutions in Uruguay	-					-
171 001	Banks outside Uruguay	1.235.305.573,23					1.235.305.573,23
173 001	Head Office and Branches	50.959.576,47					50.959.576,47
175 001	Other financial institutions outside Uruguay	-					-
013 060	Assets sale and repurchase agreements	-					-
177 000	Uruguayan Government Securities	-					-
177 002	Of central government and Central Bank	-					-
177 004	Of other public financial institutions	-					-
177 006	Of local governments and other public companies	-					-
179 000	Non-Uruguayan Government Securities	-					-
179 003	Of central government and Central Bank	-					-
179 005	Of other public financial institutions	-					-
179 007	Of local governments and other public companies	-					-
181 001	Securities of private financial institutions in Uruguay	-					-
183 001	Securities of private financial institutions outside Uruguay	-					-
185 001	Private companies securities	-					-
013 080	Accrued financial products	15.642.982,65		-			15.642.982,65
187 081	Accrued financial products	15.642.982,65		-			15.642.982,65
189 081	Income accrued from assets sale and repurchase agreements	-					-
013 090	(Provision)	(141.521,41)					(141.521,41)
191 091	(Provision for bad debts - placements)	(141.521,41)					(141.521,41)
193 091	(Provision for bad debts - forward operations)	-					-
<b>014 000</b>	<b>OUTSTANDING LOANS FROM FINANCIAL INTERMEDIATION - NON-FINANCIAL SECTOR</b>	<b>54.976.723.926,06</b>					<b>54.976.723.926,06</b>
014 010	Private sector loans	52.664.754.623,57					52.664.754.623,57
195 001	Fixed term loans	25.799.589.914,09					25.799.589.914,09
197 001	Amortized loans - Mortgage	6.156.108.423,55					6.156.108.423,55
199 001	Amortized loans - Others	20.709.056.285,93					20.709.056.285,93
014 020	Loans to public sector	2.493.251.741,62					2.493.251.741,62
201 001	Uruguayan	2.493.251.741,62					2.493.251.741,62
203 001	Non-Uruguayan	-					-
014 030	Debtors for documentary credits	261.479.186,27					261.479.186,27
205 000	Public Sector	-					-
205 002	Uruguayan	-					-
205 003	Non-Uruguayan	-					-
207 001	Private Sector	261.479.186,27					261.479.186,27
014 040	Forward operations	-					-
209 000	Public Sector	-					-
209 002	Uruguayan	-					-
209 003	Non-Uruguayan	-					-
211 001	Private Sector	-					-
014 050	Assets sale and repurchase agreements	-					-
213 000	Uruguayan Government Securities	-					-
213 002	Of central government and Central Bank	-					-
213 004	Of other public financial institutions	-					-
213 006	Of local governments and other public companies	-					-
215 000	Non-Uruguayan Government Securities	-					-
215 003	Of central government and Central Bank	-					-
215 005	Of other public financial institutions	-					-

Code	Financial Statements	Head Office	Balance Sheet	Eliminations		Consolidated
		Balance Sheet	of Branches Abroad and Subsidiaries	3	4	Balance Sheet
		1	2	5	6	6
215 007	Of local governments and other public companies	-	-	-	-	-
217 001	Securities of private financial institutions in Uruguay	-	-	-	-	-
219 001	Securities of private financial institutions outside Uruguay	-	-	-	-	-
221 001	Private companies securities	-	-	-	-	-
014 080	Accrued financial products	373.587.765,42	-	-	-	373.587.765,42
229 081	Accrued financial products	373.587.765,42	-	-	-	373.587.765,42
231 081	Income accrued from assets sale and repurchase agreements	-	-	-	-	-
014 090	(Provision)	(816.349.390,82)	-	-	-	(816.349.390,82)
233 091	(Provision for bad debts - placements)	(816.349.390,82)	-	-	-	(816.349.390,82)
235 091	(Provision for bad debts - forward operations)	-	-	-	-	-
<b>015 000</b>	<b>OTHER LOANS</b>	<b>1.067.194.314,26</b>	<b>13.237.664,81</b>	-	-	<b>1.080.431.979,07</b>
237 001	Advance payments for Uruguayan taxes	837.827.556,65	-	-	-	837.827.556,65
239 001	Other loans	230.039.222,81	13.237.664,81	-	-	243.276.887,62
241 081	Debtors of accrued products	243.249,69	-	-	-	243.249,69
243 091	(Provision for other loans)	(915.714,89)	-	-	-	(915.714,89)
<b>016 000</b>	<b>MATURED CREDITS FROM FINANCIAL INTERMEDIATION</b>	<b>159.675.418,19</b>	-	-	-	<b>159.675.418,19</b>
016 010	Overdue loans - Non-financial private sector	431.017.865,93	-	-	-	431.017.865,93
245 001	Non-performing investment	80.962.020,80	-	-	-	80.962.020,80
249 001	Non-performing loans	64.443.744,93	-	-	-	64.443.744,93
251 001	Delinquent loans	285.612.100,20	-	-	-	285.612.100,20
016 020	Overdue Loans - Public sector	-	-	-	-	-
253 001	Uruguayan	-	-	-	-	-
255 001	Non-Uruguayan	-	-	-	-	-
016 030	Overdue Loans - Financial sector	-	-	-	-	-
016 080	Accrued financial products	662.254,50	-	-	-	662.254,50
016 090	(Provision)	(272.004.702,24)	-	-	-	(272.004.702,24)
<b>017 000</b>	<b>INVESTMENTS</b>	<b>127.535.962,62</b>	-	<b>(114.218.080,63)</b>	-	<b>13.317.881,99</b>
017 010	Assets acquired through credit recovery	6.530.562,97	-	-	-	6.530.562,97
017 020	Other assets	-	-	-	-	-
017 030	Equity in complementary companies	118.947.660,18	-	(114.218.080,63)	-	4.729.579,55
017 040	Special investments	2.057.739,47	-	-	-	2.057.739,47
257 001	Branches abroad	-	-	-	-	-
259 001	Investments in shares	-	-	-	-	-
261 001	Other investments	2.057.739,47	-	-	-	2.057.739,47
017 090	(Provision for investments)	-	-	-	-	-
<b>018 000</b>	<b>FIXED ASSETS</b>	<b>630.440.364,66</b>	-	-	-	<b>630.440.364,66</b>
018 010	Fixed Assets	630.440.364,66	-	-	-	630.440.364,66
018 020	Fixed assets taken in financial lease	-	-	-	-	-
<b>019 000</b>	<b>DEFERRED CHARGES</b>	<b>301.897.337,89</b>	<b>239.221,25</b>	-	-	<b>302.136.559,14</b>
019 010	Deferred charges	301.897.337,89	239.221,25	-	-	302.136.559,14
<b>020 000</b>	<b>LIABILITIES</b>	<b>(90.740.601.783,38)</b>	<b>(5.260.448,90)</b>	<b>215.393,47</b>	-	<b>(90.745.646.838,81)</b>
<b>021 000</b>	<b>LIABILITIES FROM FINANCIAL INTERMEDIATION - FINANCIAL SECTOR</b>	<b>(3.999.009.281,81)</b>	-	-	-	<b>(3.999.009.281,81)</b>
021 010	Deposits	(288.679.182,81)	-	-	-	(288.679.182,81)
100 001	Central Bank of Uruguay	(4.931.428,50)	-	-	-	(4.931.428,50)
102 001	Other Central Banks	-	-	-	-	-
104 001	Financial institutions in Uruguay	(11.479.769,28)	-	-	-	(11.479.769,28)
106 001	Head Office and Branches	-	-	-	-	-
108 001	Financial institutions outside Uruguay	(272.267.985,03)	-	-	-	(272.267.985,03)
021 020	Subordinated liabilities	-	-	-	-	-
110 001	Financial institutions outside Uruguay	(1.843.128.000,00)	-	-	-	(1.843.128.000,00)
021 030	Other negotiable obligations	-	-	-	-	-
112 001	Financial institutions in Uruguay	-	-	-	-	-
114 001	Financial institutions outside Uruguay	-	-	-	-	-

Code	Financial Statements	Head Office	Balance Sheet	Eliminations			Consolidated
		Balance Sheet	of Branches Abroad and Subsidiaries	3	4	5	Balance Sheet
		1	2	3	4	5	6
021 040	Correspondents accepting deferred documentary credits	(225.073.520,42)					(225.073.520,42)
116 001	Financial institutions in Uruguay	-					-
118 001	Head Office and Branches	(21.009.358,49)					(21.009.358,49)
120 001	Financial institutions outside Uruguay	(204.064.161,93)					(204.064.161,93)
021 050	Forward operations	(1.633.080.358,11)					(1.633.080.358,11)
122 001	Financial institutions in Uruguay	(200.000.000,00)					(200.000.000,00)
124 001	Head Office and Branches	(51.384.588,11)					(51.384.588,11)
126 001	Financial institutions outside Uruguay	(1.381.695.770,00)					(1.381.695.770,00)
021 060	Assets purchase and resale agreements	-					-
021 080	Accrued financial charges	(9.048.220,47)					(9.048.220,47)
<b>022 000</b>	<b>LIABILITIES FROM FINANCIAL INTERMEDIATION - NON-FINANCIAL SECTOR</b>	<b>(84.231.867.190,05)</b>				<b>215.393,47</b>	<b>(84.231.651.796,58)</b>
022 010	Private sector deposits	(83.465.438.081,72)				215.393,47	(83.465.222.688,25)
128 001	Sight deposits	(67.094.212.431,36)				215.393,47	(67.093.997.037,89)
130 001	Fixed term deposits	(9.487.434.549,16)				-	(9.487.434.549,16)
132 001	Transferable deposits certificates	(6.883.791.101,20)					(6.883.791.101,20)
022 020	Public sector deposits	(18.825.658,16)					(18.825.658,16)
134 001	Sight deposits	(18.825.658,16)					(18.825.658,16)
136 001	Fixed term deposits	-					-
022 030	Negotiable obligations	-					-
138 001	Subordinated liabilities	-					-
140 001	Other negotiable obligations	-					-
022 040	Creditors for deferred documentary credits	(4.354.164,02)					(4.354.164,02)
022 050	Other obligations from financial intermediation	(424.231.483,07)					(424.231.483,07)
022 060	Forward operations	-					-
142 001	Private Sector	-					-
144 001	Public Sector	-					-
022 070	Assets purchase and resale agreements	-					-
022 080	Accrued financial charges	(319.017.803,08)					(319.017.803,08)
<b>023 000</b>	<b>OTHER OBLIGATIONS</b>	<b>(1.020.956.035,19)</b>	<b>(5.012.132,83)</b>			-	<b>(1.025.968.168,02)</b>
023 010	Tax creditors	(820.970.971,31)	(2.750.918,32)				(823.721.889,63)
023 020	Corporate creditors	(72.204.100,83)					(72.204.100,83)
023 030	Payable dividends	-					-
023 040	Other obligations	(127.780.963,05)	(2.261.214,51)			-	(130.042.177,56)
023 080	Accrued financial charges	-					-
<b>024 000</b>	<b>RESERVES</b>	<b>(642.026.796,30)</b>	<b>(248.316,07)</b>				<b>(642.275.112,37)</b>
024 010	RESERVES	(642.026.796,30)	(248.316,07)				(642.275.112,37)
<b>025 000</b>	<b>PROVISIONS</b>	<b>(846.742.480,03)</b>					<b>(846.742.480,03)</b>
025 010	Provision	(846.742.480,03)					(846.742.480,03)
							-
<b>026 000</b>	<b>MINORITY INTEREST</b>						
<b>030 000</b>	<b>EQUITY</b>	<b>(5.858.802.621,90)</b>	<b>(114.218.080,63)</b>			<b>114.218.080,63</b>	<b>(5.858.802.621,90)</b>
030 010	Pain-in capital	(4.060.080.756,52)	(11.021.900,00)			11.021.900,00	(4.060.080.756,52)
030 020	Non-capitalized contributions	-		-		-	-
146 001	Share premiums	-					-
148 001	Irrevocable advance payments to capital payments account	-					-
150 001	Irrevocable advance payments to share premiums account	-					-
030 030	Equity adjustments	(1.107.784.607,05)		-		-	(1.107.784.607,05)
152 001	Adjustment from revaluation of fixed assets	-		-		-	-
154 001	Adjustments due to exchange rate profits	-					-
156 001	(Adjustments due to exchange rate loss)	-					-
158 001	Other adjustments	(1.107.784.607,05)					(1.107.784.607,05)
030 040	Reserves	(143.214.659,00)	(2.204.380,00)			2.204.380,00	(143.214.659,00)
160 001	Statutory reserves	-					-
162 001	Voluntary reserves	(143.214.659,00)					(143.214.659,00)
164 001	Legal reserves	-	(2.204.380,00)			2.204.380,00	-

Code	Financial Statements	Head Office	Balance Sheet		Eliminations	Consolidated
		Balance Sheet	of Branches	Abroad and		Balance Sheet
		1	2	3 4	5	6
030 050	Accumulated earnings	(547.722.599,33)	(100.991.800,63)		100.991.800,63	(547.722.599,33)
166 001	Accrued profit	(665.410.470,49)	(49.451.059,08)		49.451.059,08	(665.410.470,49)
168 001	(Accrued loss)	-			-	-
170 001	Financial year income	-	(51.540.741,55)		51.540.741,55	-
172 001	(Financial year loss)	117.687.871,16			-	117.687.871,16
174 001	(Profits Advance)	-				-
<b>041 000</b>	<b>CONTINGENCY ACCOUNTS</b>	<b>9.437.010.447,41</b>				<b>9.437.010.447,41</b>
041 010	Deducted documents	-				-
601 001	Uruguayan public financial institutions	-				-
603 001	Private financial institutions in Uruguay	-				-
605 001	Banks outside Uruguay	-				-
607 001	Head Office and Branches	-				-
609 001	Other financial institutions outside Uruguay	-				-
611 001	Non-financial sector	-				-
041 020	Guarantees Granted	4.662.970.491,99				4.662.970.491,99
613 001	Uruguayan public financial institutions	-				-
615 001	Private financial institutions in Uruguay	-				-
617 001	Banks outside Uruguay	1.538.872.828,93				1.538.872.828,93
619 001	Head Office and Branches	1.248.464.304,78				1.248.464.304,78
621 001	Other financial institutions outside Uruguay	24.575.040,00				24.575.040,00
623 001	Non-financial sector	1.851.058.318,28				1.851.058.318,28
041 030	Documentary credits	840.365.065,88				840.365.065,88
625 001	Uruguayan public financial institutions	-				-
627 001	Private financial institutions in Uruguay	10.481.363,09				10.481.363,09
629 001	Banks outside Uruguay	86.839.566,58				86.839.566,58
631 001	Head Office and Branches	38.965.754,53				38.965.754,53
633 001	Other financial institutions outside Uruguay	-				-
635 001	Non-financial sector	704.078.381,68				704.078.381,68
041 040	Credit lines	3.658.912.865,18				3.658.912.865,18
637 001	Uruguayan public financial institutions	-				-
639 001	Private financial institutions in Uruguay	-				-
641 001	Banks outside Uruguay	-				-
643 001	Head Office and Branches	-				-
645 001	Other financial institutions outside Uruguay	-				-
647 001	Non-financial sector	3.658.912.865,18				3.658.912.865,18
041 050	Financial options	-				-
649 001	Uruguayan public financial institutions	-				-
651 001	Private financial institutions in Uruguay	-				-
653 001	Banks outside Uruguay	-				-
655 001	Head Office and Branches	-				-
657 001	Other financial institutions outside Uruguay	-				-
659 001	Non-financial sector	-				-
041 060	Other contingencies	274.762.024,36				274.762.024,36
661 001	Uruguayan public financial institutions	-				-
663 001	Private financial institutions in Uruguay	-				-
665 001	Banks outside Uruguay	274.762.024,36				274.762.024,36
667 001	Head Office and Branches	-				-
669 001	Other financial institutions outside Uruguay	-				-
671 001	Non-financial sector	-				-
<b>051 000</b>	<b>MEMORANDUM ACCOUNTS</b>	<b>208.968.635.218,55</b>				<b>208.968.635.218,55</b>
051 001	Received guarantees	162.719.539.543,31				162.719.539.543,31
673 001	Accountable guarantees - Deposit pledge	2.006.864.133,37				2.006.864.133,37
675 001	Other accountable guarantees	17.955.310.895,26				17.955.310.895,26
677 001	Non-accountable Guarantees	142.757.364.514,68				142.757.364.514,68
051 020	Custody of goods and securities	32.833.761.363,32				32.833.761.363,32
051 030	Other accounts	13.415.334.311,92				13.415.334.311,92

Code	Financial Statements	Head Office	Balance Sheet	Eliminations		Consolidated
		Balance Sheet	of Branches Abroad and Subsidiaries	3	4	Balance Sheet
		1	2	5	6	6
<b>Profit (Loss)</b>						
<b>061 000</b>	<b>FINANCIAL REVENUES</b>	<b>(83.257.134.702,43)</b>	<b>(11.439.159,45)</b>			<b>(83.268.573.861,88)</b>
061 010	Outstanding loans from financial intermediation - Financial sector	(301.169.605,94)	(11.439.159,45)			(312.608.765,39)
700 001	Products and readjustments due to placements	(232.488.833,13)	(11.439.159,45)			(243.927.992,58)
702 001	Revenues from forward operations	(68.680.772,81)				(68.680.772,81)
704 001	Income accrued from assets sale and repurchase agreements	-				-
061 020	Outstanding loans from financial intermediation - Non-Financial sector	(4.228.913.353,59)				(4.228.913.353,59)
706 001	Products and readjustments due to loans	(4.228.913.353,59)				(4.228.913.353,59)
708 001	Revenues from forward operations	-				-
710 001	Income accrued from assets sale and repurchase agreements	-				-
061 030	Revenues from overdue loans from financial intermediation	(23.626.210,87)				(23.626.210,87)
061 040	Revenues from valuation	(76.234.108.573,75)				(76.234.108.573,75)
061 050	Release of provisions	(1.729.384.062,76)				(1.729.384.062,76)
061 060	Income, readjustments, quotation difference and release of provisions for depreciation of negotiable securities	(739.932.895,52)				(739.932.895,52)
712 001	Income, readjustments and quotation differences of negotiable securities	(739.932.895,52)				(739.932.895,52)
714 001	Release of provisions for negotiable securities depreciation	-				-
<b>071 000</b>	<b>FINANCIAL LOSS</b>	<b>80.194.902.819,02</b>				<b>80.194.902.819,02</b>
071 010	Loss from outstanding loans from financial intermediation - Financial sector	318.226.854,40				318.226.854,40
701 001	Charges and readjustments from deposits	3.157.316,52				3.157.316,52
703 001	Charges and readjustments from issued obligations	100.552.456,56				100.552.456,56
705 001	Loss from forward operations	214.517.081,32				214.517.081,32
071 020	Loss from obligations from financial intermediation - Non-Financial sector	938.339.102,87				938.339.102,87
707 001	Charges and readjustments from deposits	938.013.768,31				938.013.768,31
709 001	Charges and readjustments from outstanding issued obligations	-				-
711 001	Loss from forward operations	325.334,56				325.334,56
071 030	Loss from valuation	76.299.039.121,25				76.299.039.121,25
071 040	Loss from bad debts and loan devaluation	2.096.391.988,12				2.096.391.988,12
713 001	Loss from establishment of provisions for bad debts	2.096.391.988,12				2.096.391.988,12
071 050	Readjustments, quotation differences and establishment of provisions for depreciation of negotiable securities	542.905.752,38				542.905.752,38
715 001	Income and quotation differences of negotiable securities	542.905.752,38				542.905.752,38
717 001	Loss from the establishment of provisions for negotiable securities depreciation	-				-
<b>062 000</b>	<b>REVENUES FROM SERVICES</b>	<b>(1.339.736.913,83)</b>	<b>(87.529.592,51)</b>	<b>15.414.678,85</b>		<b>(1.411.851.827,49)</b>
062 010	Revenues from services	(1.339.736.913,83)	(87.529.592,51)	15.414.678,85		(1.411.851.827,49)
716 001	Revenues from documentary credits and other imports and exports services.	(54.395.172,58)				(54.395.172,58)
718 001	Other revenues from services	(1.285.341.741,25)	(87.529.592,51)	15.414.678,85		(1.357.456.654,91)
<b>072 000</b>	<b>EXPENSES FROM SERVICES</b>	<b>562.085.229,01</b>				<b>562.085.229,01</b>
072 010	Loss from the use of services	562.085.229,01				562.085.229,01
<b>063 000</b>	<b>OTHER OPERATING REVENUES</b>	<b>(2.276.934.139,73)</b>	<b>(458.811,35)</b>	<b>51.540.741,55</b>		<b>(2.225.852.209,53)</b>
063 010	Revenue from various credits	(9.997.668,32)				(9.997.668,32)
063 020	Revenue from other operations	(1.248.365.966,38)		51.540.741,55		(1.196.825.224,83)
063 030	Other revenues	(416.155.754,66)				(416.155.754,66)
063 040	Revenues from adjustments	(23.437.527,82)				(23.437.527,82)
063 050	Revenues from valuation	(578.977.222,55)	(458.811,35)			(579.436.033,90)
<b>073 000</b>	<b>OTHER OPERATIONAL LOSS</b>	<b>6.146.006.429,66</b>	<b>47.886.821,76</b>	<b>(15.414.678,85)</b>		<b>6.178.478.572,57</b>

Code	Financial Statements	Head Office	Balance Sheet	Eliminations	Consolidated	
		Balance Sheet	of Branches Abroad and Subsidiaries		Balance Sheet	
		1	2	3 4	5	6
073 010	Operating Expenses	4.296.250.715,30	47.106.859,49		(15.414.678,85)	4.327.942.895,94
719 001	Wages and social security contributions	2.116.881.915,34	3.218.471,67			2.120.100.387,01
721 001	Insurances	90.647.547,56				90.647.547,56
723 001	Depreciation of fixed assets	76.042.310,09	-			76.042.310,09
725 001	Depreciation of fixed assets taken in financial lease	-				-
727 001	Depreciation of deferred charges	15.940.071,60				15.940.071,60
729 001	Taxes, levies and contributions	1.054.200.815,33	17.701.723,00			1.071.902.538,33
731 001	Other operating expenses	926.122.665,73	26.186.664,82		(15.414.678,85)	936.894.651,70
733 001	Other loss	16.415.389,65				16.415.389,65
073 020	Loss from other operations	824.223.757,53			-	824.223.757,53
073 030	Loss from adjustments	450.117.204,88				450.117.204,88
073 040	Loss from valuation	575.414.751,95	779.962,27			576.194.714,22
073 050	Loss from various obligations	-				-
<b>064 000</b>	<b>EXTRAORDINARY REVENUE</b>	<b>(8.270.865,54)</b>				<b>(8.270.865,54)</b>
<b>074 000</b>	<b>EXTRAORDINARY LOSS</b>	<b>20.840.992,64</b>				<b>20.840.992,64</b>
<b>065 000</b>	<b>ADJUSTMENT TO PRIOR YEARS NET INCOME - REVENUES</b>	<b>(128.807,64)</b>				<b>(128.807,64)</b>
<b>075 000</b>	<b>ADJUSTMENT TO PRIOR YEARS NET INCOME - LOSS</b>	<b>76.057.830,00</b>				<b>76.057.830,00</b>
<b>066 000</b>	<b>REVENUE ACCOUNTABLE TO MINORITY INTEREST</b>	-				-
<b>076 000</b>	<b>LOSS ACCOUNTABLE TO MINORITY INTEREST</b>	-				-
<b>067 000</b>	<b>FINANCIAL YEAR INCOME</b>	<b>(86.882.205.429,17)</b>	<b>(99.427.563,31)</b>		<b>66.955.420,40</b>	<b>(86.914.677.572,08)</b>
<b>077 000</b>	<b>FINANCIAL YEAR LOSS</b>	<b>86.999.893.300,33</b>	<b>47.886.821,76</b>		<b>(15.414.678,85)</b>	<b>87.032.365.443,24</b>

## DETAILED VALUATION ADJUSTMENTS

Company: BBVA Uruguay S.A.  
Subsidiary: BBVA.DI.SE. S.R.L.  
Information as of: December 2016

Item	Balance	Adjustment	Adjusted balance	Reason for adjustment
Fixed Assets	-	-	-	BCU regulations implied revaluation according to CPI
Fixed assets revaluation	-	-	-	Adjustment due to revaluations
Amortization	-	-	-	

## Detailed List of Eliminations Carried Out to Consolidated Financial Statements

Company: BBVA Uruguay S.A.  
Subsidiary: BBVA.DI.SE. S.R.L.  
Information as of: December 2016

Code	Amount	Reason
107001	-215.393,47	Subsidiary current account
128001	215.393,47	Subsidiary current account
17030	-114.218.080,63	Equity in subsidiary
030000	114.218.080,63	Subsidiary's assets
718001	15.414.678,85	Revenue from commissions charged to subsidiary
731001	-15.414.678,85	Revenue from commissions paid to subsidiary
63020	51.540.741,55	Net income from investment in subsidiary
73020	-	Net income from investment in subsidiary



# Notes to Consolidated Financial Statements for the Year Ended on December 31st, 2016

(Figures in thousands)

## Note 1 - Financial Statements Preparation

These consolidated financial statements were prepared for the purpose of complying with requirements established by the Central Bank of Uruguay in Communication 98/05.

These notes to the financial statements are considered additional to those notes included in the individual financial statements of the Bank.

## Note 2 - Basis for the Preparation of Consolidated Financial Statements

Name	Country of Residence	Fiscal Year Closing	Participation	Controlled or Related
BBVA Distribuidora de Seguros S.R.L	Uruguay	December 31st	99,99%	Controlled

Consolidated financial statements were prepared according to guidelines established in Communication 98/05, Article 513 of the Compilation of Financial System Regulation and Control Standards and related regulations issued by the Central Bank of Uruguay based on a "line by line" addition of the abovementioned entities' financial statements. Therefore, the following was deleted:

- a) BBVA Uruguay S.A.'s investment on its subsidiary.
- b) The balances and earnings of operations between the consolidated companies.
- c) Earnings arising from operations between companies included in the final assets balances.
- d) Earnings recorded by BBVA S.A. corresponding to the investment in its subsidiary, with the net result of said subsidiary's individual statements.

## Note 3 - Interest in other Non-Consolidated Companies

BBVA Uruguay S.A. has a minority interest in the following companies (which are not consolidated):

Name	Country of Residence	Fiscal Year Closing	Participation	Controlled or Related
Bolsa Electrónica de Valores S.A.	Uruguay	December 31st	15.38%	Related
Compañía Uruguaya de Medios de Procesamiento S.A.	Uruguay	December 31st	6.71%	Related
Sistarbanc S.R.L.	Uruguay	December 31st	20.00%	Related
Redbanc S.A.	Uruguay	October 31st	25.00%	Related

## Note 4 - Limitations on the Free Disposal of Assets and Equity and Any Restriction to the Ownership Right.

Additionally, the following securities are encumbered as collateral:

- Deposit with the Central Bank of Uruguay in UI (Indexed-Based Units), encumbered as collateral (fiduciary), amounting to UI 2,640 (equivalent to \$ 9,260).
- Series 5 Treasury Notes in pesos amounting to a face value of \$89,000 as guarantee in the Uruguayan Central Bank (BCU) to increase the operational limit of ALADI agreements.
- Series 5 Treasury Note for \$222,527 affected to repo operations with the Central Bank of Uruguay.
- Sight deposit with Foreign Banks encumbered as operational collateral for the Institution's credit cards, amounting to US\$ 9.836 (equivalent to \$ 287,762).
- Treasury bond of USD 200 (equivalent to \$5,851) as bank guarantee corresponding to court litigations.

## Note 5 - Subsidiary's Accumulated Earnings

Accumulated earnings of BBVA Distribuidora de Seguros S.R.L. do not count by resolution of the external Auditor.



Mr. Antonio Alonso  
CEO

# Independent auditor's report

## To the Shareholders and Directors of Banco Bilbao Vizcaya Argentaria Uruguay S.A.

We have audited the accompanying consolidated financial statements of Banco Bilbao Vizcaya Argentaria Uruguay S.A., which comprise the consolidated balance sheet as at December 31, 2016, the consolidated income statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with generally accepted accounting principles in Uruguay, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing adopted by the Supervisory Authority (Central Bank of Uruguay). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Banco Bilbao Vizcaya Argentaria Uruguay S.A. as at December 31, 2016 and its consolidated financial performance for the year then ended in accordance with accounting principles issued by the Supervisory Authority (Central Bank of Uruguay).

## Other information

Management is responsible for the other information. The other information comprises: the Corporate Governance Annual Report required by Article 477 of the Compilation of Regulatory and Control Standards for the Financial System of the Central Bank of Uruguay for the year ended on December 31, 2016 and the Annual Report for the year then ended (but does not include the financial statements and our auditor’s report thereon), which we have obtained prior to the date of this auditor’s report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Other matters

The aforementioned standards and criteria are the legal accounting standards in force in the Republic of Uruguay, applicable to the submittal of financial statements of companies in the business of financial intermediation governed by the Central Bank of Uruguay. There has been no determination, nor quantification, as to the differences that might possibly arise between these Financial Statements and those that could be prepared based on International Financial Reporting Standards.



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**José Luis Rey**  
Contador Público

## Report by the Syndic


To the Shareholders of  
Banco Bilbao Vizcaya Argentaria Uruguay S.A.

Upon receipt of the balance-sheet -as of December 31, 2016- corresponding to Banco Bilbao Vizcaya Argentaria Uruguay S.A., together with the related income statement for the fiscal year then ended, and the Annual Report by the Board of Directors (including a proposal for the distribution of profits) corresponding to the same fiscal year. I have proceeded, in compliance with the requirements set forth in second paragraph of Article 95 and subsection 3 of Article 402 of Law Nr. 16,060, to examine said documents.

The aforementioned financial statements have been prepared pursuant to Article 526.1 of the Compilation of Regulatory and Control Standards for the Financial System of the Central Bank of Uruguay, in the format set forth under Communication N° 2012/228. Those financial statements have been audited by the firm Deloitte S.C., whose independent Certified Public Accountants have issued an audit opinion on March 29, 2017. As a result of the task performed, I consider Deloitte S.C.'s audit opinion as sufficient grounds for submitting said financial statements for consideration by the Meeting of Shareholders.

From the analysis of said documents and upon the referred advisory opinion, together with the Annual Report issued by the Board of Directors, I have found no elements discordant with the knowledge that I myself have in regards to the Bank's present situation.

April 21, 2017



Don Luis  
José Luis Rey  
Syndic