



Process of Change
2020 Vision



PROCESS OF CHANGE 2020 VISION

During the last decade BROU has gone through a continuous process of improving management, asset restructuring and increased turnover.

Recently, against a backdrop of increased competition in the banking industry and financial business, with the emergence of new players, a higher concentration of competitors, and regulatory and legal changes, it was essential to update the technological architecture, acquiring tools that allow standardization and implementation of best practices in business processes and the addition of new functionalities to manage products and services.

Based on this need we decided to survey the alternatives available in order to put in place a process of change of the Core banking system. This process was completed in 2014 with the election of the BANTOTAL tool and the developing of its implementation in 2015.

Concurrently with the start of the Core Project, the need is recognized that the organization must address a large number of organizational "issues/concerns" that are not within the scope of this project but are significant for the purposes of adapting to the new economic, legal, regulatory and competitive context.

This is why the Board decided to commence a process of discussion with the senior management of the Bank in order to identify the main challenges envisioned and relevant alternative solutions.

Accordingly, a work scheme was set up, with the following steps:

- Analysis of the current situation
 - BROU market position
 - BROU internal situation
- Exchange of views and joint definition of the main challenges to work on

- Prioritization of challenges - Identification of "great opportunities" which were called "Aims and Purposes"
- Envisioning "banking" in the future.
- Identification of the main implementation challenges
- Design of an integrated Work Program consisting of several projects and managed by an appropriate structure.
- Preparing a Transformation Plan, called BROU 2020 Plan

Following the proposed methodology, a set of "levers" was identified to support the transformation process; in summary:

- Increased lending to the non-financial sector with a focus on small and medium-size enterprises. With a full review of how to address this segment, redesigning products and processes, enhancing the branch network as points of service near such customers throughout the national territory.
- Promote savings among Uruguayans under the model of financial inclusion.
- In relation to the services provided by our Bank, the challenge was:

To improve "customer experience" through both personalized service and digital channels.

To promote services with higher perceived value.

"La Carreta" Monument, by José Belloni
Montevideo





• Regarding the Distribution and Sales Network:

To focus on a deeper commercial role of branches and alternative channels, continuing the shift from low value-added transactions to correspondents and digital channels so that the branches may enhance their role of "business centers", increasing credit product sales, deposit taking and services to individuals and businesses.

Review the structure of branches and channels in general, in order to facilitate the development of such commercial role.

Review the operation processes to improve response times and service quality.

- Continue to deepen the management model by objectives, defining indicators and targets to measure progress of the different projects.
- Review the organizational structure to make it easier and more strategy-oriented.
- Streamlining costs, in order to improve the level of profitability.
- Promote improvements in internal communication in order to facilitate the implementation of changes

This process began by changing the organizational structure, with a small

senior management team, prone to teamwork and a cross-cutting unified vision of our Bank.

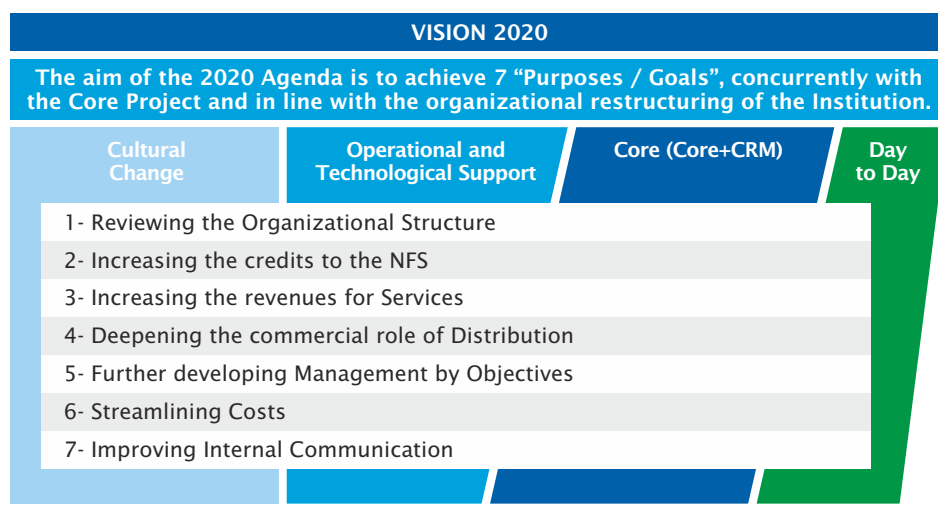
Along these lines, a new organizational chart was approved, where:

- The number of reports to the General Management was reduced (18 to 6), by creating 4 Assistant General Managements.
- A functional structure was created at the top reporting level, linking all business areas under one management and contributing to a comprehensive view of "customer".
- The concept of having a "distribution" area was reaffirmed, which in turn would be organized first per Channel and then per geographical location.
- Support areas were integrated, in order to be optimized.

In parallel, some changes in the management model were implemented contributing to an integrated work among areas.

The challenges identified by the Senior Management team, were summarized in 7 **Purposes/Goals** that seek to "meet" the challenges identified.

For each of such Purposes/Goals a high level Vision was sought, to be reached by 2020.





At the end of 2015, most projects have already made progress and the first macro definition level has been reached. Work on developing these definitions is under way through the design of new work processes, and accordingly of the organizational structure.

All projects related to the improvement of business aspects have been prioritized, with significant progress during 2015. This progress shall be visible through specific campaigns to be conducted during 2016.

Progress has been made in the redesign of the business strategy and business model, defining criteria for customer portfolio segmentation and designing specific packages including deposit-taking, credit and service products for each defined segment.

In parallel, the model of customer service was revised and adjusted, defining the channels and the most effective form of service to each segment. This included the redefinition of service covered geographical regions across the country, enhancing the business role

of branches, adjusting roles and profiles of officials and promoting the use of electronic channels and alliances with correspondents.

In a complementary manner, the processes involved in customer service are being redesigned, with strong focus on the credit process, so as to improve care response times and quality.

Likewise, hand in hand with the creation of the Areas of Processing and Operations, a review of necessary processing started in order to carry out the planned business strategy and service model.

Also, the need for coordinated work among the different entities that make up the "BROU Group" led the organization to create a unit responsible for this coordination and begin to envision the opportunities for synergy and coordination among companies.

The Core Project is also making progress in coordination with "Vision 2020", so that the new system is consistent with the "BROU 2020" vision.



Port of Buqueo - Montevideo