



**Scotiabank Uruguay S.A.**  
**Financial Statements for the year ended**  
**December 31, 2014**

*(Convenient Translation into English of the  
Original Statements Issued in Spanish)*



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### **Abbreviations:**

\$       Uruguayan Pesos

US\$     U.S. Dollars

C.B.U.   Central Bank of Uruguay

Scotiabank Uruguay S.A.

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2014

Amounts in Thousands of Uruguayan Pesos

	Activity in Local Currency	Activity in Foreign Currency	TOTAL
<b>ASSETS</b>	<b>16,463,908</b>	<b>32,189,785</b>	<b>48,653,693</b>
<b>I) Cash and Equivalents</b>	<b>3,237,563</b>	<b>12,183,105</b>	<b>15,420,668</b>
1.- Cash and equivalents	3,237,563	8,801,214	12,038,777
1.1.- Cash	1,296,788	728,528	2,025,316
1.2.- Central Bank of Uruguay	1,454,843	7,689,527	9,144,370
1.3.- Other financial institutions in Uruguay	102,504	20,263	122,767
1.4.- Clearing documents	383,428	362,896	746,324
2.- Other foreign financial institutions	-	3,381,891	3,381,891
<b>II) Securities</b>	<b>125,979</b>	<b>155,815</b>	<b>281,794</b>
1.- Securities held for trading	-	12,868	12,868
1.1.- Uruguayan	-	12,868	12,868
1.2.- Foreign	-	-	-
2.- Securities available for sale	125,979	142,947	268,926
2.1.- Uruguayan	125,979	19,247	145,226
2.2.- Foreign	-	123,700	123,700
3.- Securities held to maturity	-	-	-
3.1.- Uruguayan	-	-	-
3.2.- Foreign	-	-	-
<b>III) Credits (net of provisions)</b>	<b>12,359,961</b>	<b>19,850,726</b>	<b>32,210,687</b>
1.- Outstanding credits	12,029,112	19,348,962	31,378,074
1.1.- Financial sector	2,710,661	1,313,548	4,024,209
1.1.1.- Central Bank of Uruguay	2,710,661	29,786	2,740,447
1.1.2.- Other financial institutions in Uruguay	-	204,550	204,550
1.1.3.- Other foreign financial institutions	-	1,079,212	1,079,212
1.1.4.- Head office, branches and related institutions	-	-	-
1.2.- Non financial sector	9,318,451	18,035,414	27,353,865
1.2.1.- Uruguayan public sector	183,676	445,642	629,318
1.2.2.- Nonresident public sector	-	-	-
1.2.3.- Resident private sector	9,128,777	17,523,110	26,651,887
1.2.4.- Nonresident private sector	5,998	66,662	72,660
2.- Forward contracts	-	-	-
2.1.- Residents	-	-	-
2.2.- Non residents	-	-	-
3.- Overdue	104,320	79,233	183,553
3.1.- Financial sector	-	-	-
3.2.- Non financial sector	104,320	79,233	183,553
3.2.1.- Uruguayan public sector	-	-	-
3.2.2.- Nonresident public sector	-	-	-
3.2.3.- Resident private sector	104,287	78,912	183,199
3.2.3.1.- Overdue loans	71,101	46,317	117,418
3.2.3.2.- Under management for recovery	22,634	13,035	35,669
3.2.3.3.- Delinquent loans	10,552	19,560	30,112
3.2.4.- Nonresident private sector	33	321	354
3.2.4.1.- Overdue loans	2	304	306
3.2.4.2.- Under management for recovery	31	17	48
3.2.4.3.- Delinquent loans	-	-	-
4.- Other accounts receivable	226,529	422,531	649,060
4.1.- Resident	210,938	146,101	357,039
4.2.- Non Resident	15,591	276,430	292,021

Scotiabank Uruguay S.A.

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2014

Amounts in Thousands of Uruguayan Pesos

	Activity in Local Currency	Activity in Foreign Currency	TOTAL
<b>IV) Investments</b>	<b>33,814</b>	<b>139</b>	<b>33,953</b>
1.- Uruguayan	33,814	-	33,814
2.- Foreign	-	139	139
<b>V) Fixed assets</b>	<b>694,189</b>	<b>-</b>	<b>694,189</b>
<b>VI) Intangible assets</b>	<b>12,402</b>	<b>-</b>	<b>12,402</b>
<b>LIABILITIES</b>	<b>13,466,163</b>	<b>31,913,199</b>	<b>45,379,362</b>
<b>I) Obligations</b>	<b>13,466,163</b>	<b>31,913,199</b>	<b>45,379,362</b>
1.- From financial intermediation	12,492,711	31,653,238	44,145,949
1.1.- Financial Sector	224,554	3,762,108	3,986,662
1.1.1.- Central Bank of Uruguay	206,823	2,043	208,866
1.1.2.- Other financial institutions in Uruguay	17,731	102,391	120,122
1.1.3.- Other foreign financial institutions		1,327,105	1,327,105
1.1.4.- Head Office, branches and related institutions		2,330,569	2,330,569
1.2.- Non financial sector	12,268,157	27,891,130	40,159,287
1.2.1.- Uruguayan public sector	16,741	129,426	146,167
1.2.2.- Resident private sector	12,106,147	23,300,523	35,406,670
1.2.3.- Non residents	145,269	4,461,181	4,606,450
2.- Forward contracts	-	-	-
2.1.- Residents	-	-	-
2.2.- Non residents	-	-	-
3.- Other accounts payable	337,160	88,414	425,574
4.- Accrued Expenses	473,886	110,678	584,564
5.- Provisions	162,406	60,869	223,275
<b>SHAREHOLDERS' EQUITY</b>	<b>3,274,331</b>	<b>-</b>	<b>3,274,331</b>
1.- Common Stock	3,210,772	-	3,210,772
2.- Adjustments to shareholders' equity	634,147	-	634,147
3.- Reserves	-	-	-
4.- Retained earnings	(841,158)	-	(841,158)
5.- Current year results	270,570	-	270,570
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>16,740,494</b>	<b>31,913,199</b>	<b>48,653,693</b>
<b>CONTINGENT ACCOUNTS</b>	<b>7,209,898</b>	<b>1,748,009</b>	<b>8,957,907</b>
1.- Credit lines agreed	6,567,801	548,200	7,116,001
1.1.- Credit cards	6,145,157	429,034	6,574,191
1.2.- Current accounts	417,101	119,163	536,264
1.3.- Others	5,543	3	5,546
2.- Guarantees granted	144,804	755,736	900,540
3.- Foreign trade	-	444,073	444,073
4.- Options	-	-	-
5.- Other contingencies	497,293	-	497,293
<b>MEMORANDUM ACCOUNTS</b>	<b>7,421,942</b>	<b>38,997,086</b>	<b>46,419,028</b>
1.- Guarantees received	3,203,359	30,648,553	33,851,912
2.- Custody of goods and securities	2,699,569	6,728,904	9,428,473
3.- Foreign trade	-	744,360	744,360
4.- Other memorandum accounts	1,519,014	875,269	2,394,283

Scotiabank Uruguay S.A.

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31, 2014

Amounts in Thousands of Uruguayan Pesos

	Activity in Local Currency	Activity in Foreign Currency	TOTAL
<b>Financial income before exchange differences and provisions</b>	<b>2,553,817</b>	<b>1,065,706</b>	<b>3,619,523</b>
<b>1) Outstanding credits</b>	<b>2,433,058</b>	<b>1,008,849</b>	<b>3,441,907</b>
1.1.- Financial sector	303,394	13,960	317,354
1.1.1.- Uruguayan financial institutions	303,390	10,013	313,403
1.1.2.- Foreign financial institutions	4	3,947	3,951
1.2.- Non financial sector	2,129,664	994,889	3,124,553
1.2.1.- Uruguayan public sector	39,253	8,654	47,907
1.2.2.- Nonresident public sector	-	-	-
1.2.3.- Resident private sector	2,089,330	981,027	3,070,357
1.2.4.- Nonresident private sector	1,081	5,208	6,289
<b>2) Lease, readjustments and quotation differences of securities</b>	<b>15,115</b>	<b>2,553</b>	<b>17,668</b>
2.1.- Securities held for trading	-	595	595
2.1.1.- Uruguayan	-	595	595
2.1.2.- Foreign	-	-	-
2.2.- Securities available for sale	15,115	1,958	17,073
2.2.1.- Uruguayan	14,685	1,021	15,706
2.2.2.- Foreign	430	937	1,367
2.3.- Securities held to maturity	-	-	-
2.3.1.- Uruguayan	-	-	-
2.3.2.- Foreign	-	-	-
<b>3) Obligations readjustment</b>	<b>10,303</b>	<b>-</b>	<b>10,303</b>
3.1.- Financial sector	-	-	-
3.2.- Non financial sector	10,303	-	10,303
<b>4) Forward contracts</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.1.- Financial sector	-	-	-
4.1.1.- Uruguayan	-	-	-
4.1.2.- Foreign	-	-	-
4.2.- Non financial sector	-	-	-
4.2.1.- Uruguayan public sector	-	-	-
4.2.2.- Resident private sector	-	-	-
4.2.3.- Non residents	-	-	-
<b>5) Overdue loans</b>	<b>95,341</b>	<b>54,304</b>	<b>149,645</b>
5.1.- Financial sector	-	-	-
5.2.- Non financial sector	81,279	34,998	116,277
5.2.1.- Uruguayan public sector	29	-	29
5.2.2.- Nonresident public sector	-	-	-
5.2.3.- Resident private sector	81,208	34,679	115,887
5.2.3.1.- Overdue loans	34,835	28,319	63,154
5.2.3.2.- Under management for recovery	17,974	1,935	19,909
5.2.3.3.- Delinquent loans	28,399	4,425	32,824

Scotiabank Uruguay S.A.

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31, 2014

Amounts in Thousands of Uruguayan Pesos

	Activity in Local Currency	Activity in Foreign Currency	TOTAL
5.2.4.- Nonresident private sector	42	319	361
5.2.4.1.- Overdue loans	29	315	344
5.2.4.2.- Under management for recovery	11	-	11
5.2.4.3.- Delinquent loans	2	4	6
5.3.- Debtors refinanced under law 16.243	-	-	-
5.4.- Recoverability of doubtful debtors	14,062	19,306	33,368
<b>Financial losses before exchange differences and provisions</b>	<b>(382,358)</b>	<b>(131,233)</b>	<b>(513,591)</b>
<b>1) Obligations</b>	<b>(308,786)</b>	<b>(130,859)</b>	<b>(439,645)</b>
1.1.- Financial sector	(24,649)	(80,041)	(104,690)
1.1.1.- Uruguayan financial institutions	(24,649)	(1,654)	(26,303)
1.1.2.- Foreign financial institutions	-	(78,387)	(78,387)
1.2.- Non financial sector	(284,137)	(50,818)	(334,955)
1.2.1.- Uruguayan public sector	(12,349)	(31)	(12,380)
1.2.2.- Resident private sector	(271,144)	(46,622)	(317,766)
1.2.3.- Non residents	(644)	(4,165)	(4,809)
<b>2) Readjustments and quotation differences of securities</b>	<b>(5,014)</b>	<b>(374)</b>	<b>(5,388)</b>
2.1. Securities held for trading	-	(374)	(374)
2.1.1.- Uruguayan	-	(374)	(374)
2.1.2.- Foreign	-	-	-
2.2. Securities available for sale	(5,014)	-	(5,014)
2.2.1.- Uruguayan	(4,473)	-	(4,473)
2.2.2.- Foreign	(541)	-	(541)
2.3. Securities held to maturity	-	-	-
2.3.1.- Uruguayan	-	-	-
2.3.2.- Foreign	-	-	-
<b>3) Credits readjustment</b>	<b>(51,245)</b>	<b>-</b>	<b>(51,245)</b>
3.1.- Outstanding	(50,150)	-	(50,150)
3.2.- Overdue	(1,095)	-	(1,095)
<b>4) Forward contracts</b>	<b>(17,313)</b>	<b>-</b>	<b>(17,313)</b>
4.1.- Financial sector	(10,123)	-	(10,123)
4.1.1.- Uruguayan	(10,123)	-	(10,123)
4.1.2.- Foreign	-	-	-
4.2.- Non financial sector	(7,190)	-	(7,190)
4.2.1.- Uruguayan public sector	-	-	-
4.2.2.- Resident private sector	(7,190)	-	(7,190)
4.2.3.- Non residents	-	-	-

## STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31, 2014

Amounts in Thousands of Uruguayan Pesos

	Activity in Local Currency	Activity in Foreign Currency	TOTAL
<b>I) Financial margin before exchange differences and provisions</b>	<b>2,171,459</b>	<b>934,473</b>	<b>3,105,932</b>
<b>Foreign exchange differences from financial intermediation assets and liabilities valuation</b>	<b>5,281</b>	-	<b>5,281</b>
1.- Income	21,379,021	-	21,379,021
2.- Losses	(21,373,740)	-	(21,373,740)
<b>II) Financial margin before provisions</b>	<b>2,176,740</b>	<b>934,473</b>	<b>3,111,213</b>
<b>PROVISIONS</b>	<b>(606,373)</b>	<b>(118,845)</b>	<b>(725,218)</b>
<b>Decrease of provisions and credit revaluation</b>	<b>721,388</b>	<b>644,168</b>	<b>1,365,556</b>
1.- Decrease of provisions	710,638	644,168	1,354,806
1.1.- Residents	709,748	619,277	1,329,025
1.2.- Non residents	890	24,891	25,781
1.3.- General provisions	-	-	-
2.- Credit revaluation	10,750	-	10,750
<b>Increase of provisions and credit depreciation</b>	<b>(1,327,761)</b>	<b>(763,013)</b>	<b>(2,090,774)</b>
1.- Provisions	(1,320,608)	(763,013)	(2,083,621)
1.1.- Residents	(1,315,026)	(720,847)	(2,035,873)
1.2.- Non residents	(5,582)	(42,166)	(47,748)
1.3.- General provisions	-	-	-
2.- Credits depreciation	(7,153)	-	(7,153)
<b>III) Financial margin</b>	<b>1,570,367</b>	<b>815,628</b>	<b>2,385,995</b>
<b>COMMISSION INCOME</b>	<b>1,248,594</b>	<b>558,989</b>	<b>1,807,583</b>
1.- Residents	1,227,624	503,056	1,730,680
2.- Non residents	20,970	55,933	76,903
<b>COMMISSION EXPENSES</b>	<b>(608,239)</b>	<b>(232,943)</b>	<b>(841,182)</b>
1.- Residents	(520,146)	(178,334)	(698,480)
2.- Non residents	(88,093)	(54,609)	(142,702)
<b>Commission margin</b>	<b>640,355</b>	<b>326,046</b>	<b>966,401</b>
<b>OTHER RESULTS FROM EXCHANGE DIFFERENCES</b>	<b>189,357</b>	<b>5,597</b>	<b>194,954</b>
1.- From operations	180,066	5,597	185,663
1.1.- Income	484,886	11,461	496,347
1.2.- Losses	(304,820)	(5,864)	(310,684)
2.- From valuation of other assets and liabilities in foreign currency	9,291	-	9,291
2.1.- Income	188,003	-	188,003
2.2.- Losses	(178,712)	-	(178,712)
<b>IV) Gross result</b>	<b>2,400,079</b>	<b>1,147,271</b>	<b>3,547,350</b>

Scotiabank Uruguay S.A.

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31, 2014

Amounts in Thousands of Uruguayan Pesos

	Activity in Local Currency	Activity in Foreign Currency	TOTAL
<b>OPERATING INCOME</b>	<b>43,041</b>	<b>87,750</b>	<b>130,791</b>
1.- Income from other accounts receivable	-	-	-
1.1.- Residents	-	-	-
1.2.- Non residents	-	-	-
2.- Investment in local shares	-	-	-
3.- Foreign branches	-	-	-
4.- Leases	-	-	-
5.- Other operating income	29,151	87,750	116,901
5.1.- Residents	22,206	80,663	102,869
5.2.- Non residents	6,945	7,087	14,032
6.- Income from accounting restatements	-	-	-
7.- Income from inflation adjustment	13,890	-	13,890
<b>OPERATING LOSSES</b>	<b>(3,237,987)</b>	<b>(287,233)</b>	<b>(3,525,220)</b>
1.- Personnel expenses and social charges	(1,871,505)	(28,890)	(1,900,395)
2.- Insurance expenses	(5,885)	(5,976)	(11,861)
3.- Depreciations	(81,045)	-	(81,045)
4.- Taxes and duties	(320,289)	-	(320,289)
5.- Other operating expenses	(474,309)	(252,184)	(726,493)
6.- Losses from other operations	(286,888)	(183)	(287,071)
7.- Investments in local shares	-	-	-
8.- Foreign branches	-	-	-
9.- Losses from accounting restatements	-	-	-
10.- Losses from inflation adjustment	(198,066)	-	(198,066)
11.- Other accounts payable	-	-	-
<b>V) Exploitation margin</b>	<b>(794,867)</b>	<b>947,788</b>	<b>152,921</b>
<b>EXTRAORDINARY RESULTS</b>	<b>8,184</b>	<b>109,563</b>	<b>117,747</b>
1.- Extraordinary income	8,856	110,617	119,473
2.- Extraordinary losses	(672)	(1,054)	(1,726)
<b>ADJUSTMENTS TO PREVIOUS YEAR RESULTS</b>	<b>-</b>	<b>-</b>	<b>-</b>
1.- Income	-	-	-
2.- Losses	-	-	-
<b>VI) Results for the current year before income tax</b>	<b>(786,683)</b>	<b>1,057,351</b>	<b>270,668</b>
Income Tax	(98)	-	(98)
<b>VII) Results for the current year after income tax</b>	<b>(786,781)</b>	<b>1,057,351</b>	<b>270,570</b>



Scotiabank Uruguay S.A.  
 STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED  
 DECEMBER 31, 2014  
 Amounts in Thousands of Uruguayan Pesos

	COMMON STOCK	ADDITIONAL PAID IN CAPITAL	ADJUSTMENTS TO SHARE-HOLDERS' EQUITY	RESERVES	RETAINED EARNINGS	TOTAL SHARE-HOLDERS' EQUITY
<b>Balances as at 12.31.2013</b>	3,210,772	-	423,773	-	(841,158 )	2,793,387
<b>Capital contributions</b>	-	-	-	-	-	-
<b>Capitalization</b>	-	-	-	-	-	-
<b>Profit allocation</b>	-	-	-	-	-	-
<b>Advanced payment of results</b>	-	-	-	-	-	-
<b>Restatements:</b>						
- Revaluation fixed assets	-	-	-	-	-	-
- Inflation adjustment	-	-	184,176	-	-	184,176
- Variation in the fair value of available for sale securities	-	-	26,198	-	-	26,198
-Variation in the value of investments due to equity adjustments in controlled companies and branches	-	-	-	-	-	-
<b>Current year result</b>	-	-	-	-	270,570	270,570
<b>Balances as at 12.31.2014</b>	3,210,772	-	634,147	-	(570,588)	3,274,331

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2014

Amounts in Thousands of Uruguayan Pesos

	<b>12.31.2014</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
<b>Income for the year</b>	<b>270,570</b>
<b>Adjustments that reconcile the net profit for the year to net cash from operating activities:</b>	<b>496,665</b>
Depreciation of fixed assets	58,280
Amortization of intangible assets	22,765
Effects of the inflation adjustment and foreign exchange differences from valuation	169,605
Difference in quotations and value readjustments for securities held for trading and securities available for sale	(5,948)
Adjustment to cost of securities held to maturity	-
Securities provisions	-
Securities income accrued not received	(552)
Accrued expenses	(77,465)
Accrued interest income not received	(290,652)
Provision for doubtful debtors	735,968
Accrued income not received	(14,634)
Accrued interest expense not paid	17,074
Not accrued income received	-
Not accrued interest paid	-
Result from sales of fixed assets	(117,776)
Result from booking premises at their market value	-
<b>(INCREASE) DECREASE IN OPERATING ASSETS</b>	<b>(1,491,231)</b>
Securities (held for trading and available for sale)	(32,562)
Credits – Financial Sector <sup>1</sup>	(499,895)
Credits – Non Financial Sector <sup>1</sup>	(827,521)
Other assets	(131,253)
<b>INCREASE (DECREASE) IN OPERATING LIABILITIES</b>	<b>4,151,488</b>
Obligations – Financial Sector <sup>2</sup>	201,693
Obligations – Non Financial Sector <sup>2</sup>	3,958,968
Other liabilities	(9,173)
<b>Net variation of forward contracts</b>	<b>5,037</b>
<b>Net cash from operating activities</b>	<b>3,432,529</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Net cash flow of securities held to maturity	-
Net cash flow of fixed assets	69,174
Increase in intangible assets	(9,810)
Net cash flow of special investments	-
Net cash flow of other investments	37,092
<b>Net cash from investing activities</b>	<b>96,456</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Capital contribution (rescue) / (profit allocation)	-
Net cash flow of subordinated loans	135,424
Issuance (amortization) of debentures and certificates of deposit	-
Other obligations originated by financing activities	-
<b>Net cash from financing activities</b>	<b>135,424</b>
<b>Net increase in cash and cash equivalents</b>	<b>3,664,409</b>
Exchange differences generated from cash and equivalents	<b>1,118,628</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>10,637,631</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>15,420,668</b>

<sup>1</sup> Except forward contracts.<sup>2</sup> Except subordinated loans, debentures and forward contracts.

# **Notes to the Financial Statements for the year ended December 31, 2014**

## **Note 1 - Approval by the Shareholders' Meeting**

Financial Statements for the year ended December 31, 2014, have not been considered yet by the Ordinary Shareholders' Meeting in accordance with article 344 of Law N° 16.060 dated September 4, 1989.

## **Note 2 - Information about the financial institution**

### **2.1 Legal nature**

Scotiabank Uruguay S.A. ("the Bank") is a corporation that operates in the financial sector of the República Oriental del Uruguay under the legal regime established by Law N° 15.322 dated September 17, 1982 and its subsequent amendments. In compliance with articles 32, 33, and 35 of Law N° 17.613 dated December 27, 2002, the Executive Power resolved the incorporation of Nuevo Banco Comercial S.A. on December 31, 2002. It was authorized to operate as a bank by the Central Bank of Uruguay (C.B.U.) on March 19, 2003.

As a result of the reform of statutes approved by resolution of the Executive Power dated June 11, 2014, it was approved among other things, the change of the name of the Bank which was renamed Scotiabank Uruguay S.A.

Central Bank of Uruguay exercises control on banks and monitors compliance with minimum requirements regarding legal cash reserves, credit provisions and capital adequacy.

### **2.2 Accounting basis**

Financial statements are presented in compliance with the regulatory provisions in force in Uruguay and prepared in accordance with accounting standards, valuation, risk classification criteria and presentation regulations established by the Central Bank of Uruguay.

Financial statements were prepared based on historical costs, except for assets and liabilities in foreign currency, assets and liabilities with restatement clause, securities and fixed assets, which are valued according to the criteria expressed in Note 3, and the result of the year, which has been corrected to reflect the effects of inflation based on a simplified inflation adjustment methodology indicated by the Central Bank of Uruguay.

Said methodology, consists in applying an integral monetary adjustment using up to December 31, 2009 the Wholesale Price Index ("WPI") and then the Consumer Price Index ("CPI") both published by the National Institute of Statistics. The result of this adjustment is exposed in the Statement of Profit and Loss in the accounts "Income from inflation adjustment" and "Losses from inflation adjustment"; and in the Statement of Financial Position in "Adjustments to Shareholders' Equity".

The Central Bank of Uruguay Communication N° 2011/021 establishes that financial statements must be corrected to reflect the effects of inflation when cumulative CPI in the three previous calendar years exceeds 25%. The results for the year ended on December 31, 2013 were not corrected to reflect the effects of inflation. Because of the cumulative change in the CPI in three years exceeded 25% at December 31, 2013, in the year 2014 the financial statements were corrected to reflect the effects of inflation as explained in the previous paragraph.

For the preparation of the Statement of Cash Flows, cash and cash equivalents were defined as cash and due from banks.

## 2.3 Capital and shares

As at December 31, 2014, the authorized capital amounts to thousands \$ 5,000,000 and the paid-in capital amounts to thousands \$ 3,210,772. It is represented by a share certificate of 3,210,771 registered shares worth \$ 1,000 each and a provisional certificate of registered shares worth \$ 579.76 held by Scotia Uruguay Holding S.A.

Additional information regarding the Bank's ownership structure is included in the Corporate Government's Annual Report (non audited information) required by article 477 of the Compilation of Central Bank Regulations, which is available on the Bank's website.

## 2.4 Board of Directors and Executive Staff

As at December 31, 2014, the Bank's Board of Directors is comprised as follows:

Carlos González Taboada	President
Diego Patricio Masola	Vice President
Juan Cabrera Ferreyros	Director
César Calderón Herrada	Director and member of the Internal Audit Committee
Martín Guerra Aguirre	Director

The Executive Staff, in accordance to the stipulated in article 261 of the Compilation of Central Bank Regulations, is also comprised of:

Horacio Enrique Correge	General Manager
Juan Cabrera Ferreyros	Administration and Services Manager
Roberto Gelber Barki	Treasury and Capital Markets Manager
Luis Álvarez Perazzo	Financial Manager
Juan José Baluga Bello	Retail Products Manager
Gabriel Esteban Barandiarán Cubitto	Customer's Claims Responsible
María Fernanda Brignoni Rodríguez	Human Capital Manager
Alejandro Conforte Mariano	Foreign Relations Manager
Gervasio Fernández Vázquez	General Accountant
Ana Laura Gatti Dura	Internal Audit Manager
Federico Veiga Fernández	Risks and Asset Recovery Manager
Antonio Luongo Caselli	Foreign Exchange Operator
Gustavo Alejandro Manriquez Vázquez	Personal Banking Manager
Armando Sergio Pensatori Aurucci	Operations Manager
María del Luján Rodríguez Chanquet	Compliance Officer
Alejandro Federico Suzacq Fiser	Wholesale Banking Manager
Maximiliano Saporito Veneri	Strategic Planning, Compliance and Controls Manager

Subsequent to year-end, Gustavo Alejandro Manriquez Vázquez resigned to his position in the bank. Accordingly, subject to regulatory approvals, Mr. Diego Masola has been appointed General Manager and Mr. Horacio Correge has been appointed Manager of Retail Banking and SMEs, Deputy General Manager and Director of the Bank.

Additional information regarding the Bank's management and control structure is included in the Corporate Government's Annual Report (non audited information) required by article 477 of the Compilation of Central Bank Regulations, which is available on the Bank's website.

### Note 3 - Information regarding assets and liabilities

#### 3.1 Assets and liabilities denominated in foreign currency

Assets and liabilities denominated in foreign currency are translated into U.S. Dollars at the exchange rates published by the foreign exchange desk of the Central Bank of Uruguay as at the end of the year.

The resulting amounts in U.S. Dollars are then translated into local currency at the exchange rate as at the end of the year (US\$ 1 = \$ 24.333).

#### 3.2 Foreign currency position

The global position in foreign currency as at December 31, 2014 is broken down as follows:

In thousands

Currency	Assets in foreign currency	Liabilities in foreign currency	Net position in foreign currency		Equivalent net position in US\$
			Asset	Liability	
U.S. Dollars	1,310,157	1,299,047	11,110	-	11,110
Argentine Pesos	276	133	143	-	17
Brazilian Reales	443	-	443	-	167
Euros	10,218	10,236	-	18	(22)
Other	-	-	-	-	95
<b>TOTAL</b>					<b>11,367</b>

#### 3.3 Securities

Securities are valued in accordance with criteria established in Rule 2.2 of the Accounting Standards and Chart of Accounts for Financial Institutions as described below.

The securities held for trading are valued at their market value including transaction costs and deducting accrued interests. Market value adjustments are included into the Profit and Loss Account of the fiscal year.

The securities available for sale are valued at their fair value, including transaction costs and deducting accrued interests. Fair value adjustments are included directly into the Equity until said securities are sold or reimbursed, and at that moment, the adjustments are inputted in the result of the fiscal year.

The securities held to maturity are valued at their acquisition cost including transaction costs and deducting accrued interests, adjusted for the difference between the acquisition price and face value, which is accrued on a lineal basis for the remaining time to maturity.

Accrued interests are included in the results for the fiscal year.

The composition of the securities portfolio as at December 31, 2014 is as follows:

SECURITIES	Currency of issuance	Amounts in thousands of Uruguayan Pesos	
		Book value	Market value
<b>Securities held for trading</b>		<b>12,868</b>	<b>12,868</b>
<i>Uruguayan Government Securities</i>		<i>12,868</i>	<i>12,868</i>
- Treasury Bonds	U.S. Dollars	12,668	12,668
Accrued interest Uruguayan Government Securities		200	200
<b>Securities available for sale</b>		<b>268,926</b>	<b>268,926</b>
<i>Uruguayan Government Securities</i>		<i>134,468</i>	<i>134,468</i>
- Treasury Bonds	U.S. Dollars	5,854	5,854
- Global Bonds	Indexed Units	20	20
- Global Bonds	U.S. Dollars	3,064	3,064
- Treasury Bonds	Indexed Units	117,239	117,239
- Treasury Bonds	Uruguayan Pesos	8,291	8,291
<i>Foreign Government Securities</i>		<i>75,267</i>	<i>75,267</i>
- U.S.A.	U.S. Dollars	75,267	75,267
<i>Private Securities</i>		<i>58,423</i>	<i>58,423</i>
- Uruguayan	U.S. Dollars	10,000	10,000
- U.S.A.	U.S. Dollars	48,423	48,423
Accrued interest Uruguayan Government Securities		597	597
Accrued interest Foreign Government Securities		6	6
Accrued interest Private Securities		165	165
Impairment Provision		-	-
<b>Securities held to maturity</b>		<b>-</b>	<b>-</b>
<b>TOTAL SECURITIES</b>		<b>281,794</b>	<b>281,794</b>

SECURITIES ISSUED BY THE C.B.U. <sup>3</sup>	Currency of issuance	Amounts in thousands of Uruguayan Pesos	
		Book value	Market value
<b>Securities held for trading</b>		<b>-</b>	<b>-</b>
<b>Securities available for sale</b>		<b>2,710,661</b>	<b>2,710,661</b>
- Monetary Regulation Bills	Uruguayan Pesos	1,637,217	1,637,217
- Monetary Regulation Bills	Indexed Units	979,452	979,452
Accrued interest Securities issued by C.B.U.		93,992	93,992
<b>Securities held to maturity</b>		<b>-</b>	<b>-</b>
<b>TOTAL SECURITIES ISSUED BY C.B.U.</b>		<b>2,710,661</b>	<b>2,710,661</b>

<sup>3</sup> Recorded under Outstanding credits to the Financial Sector.

### 3.4 Limitations to the free disposal of assets or equity and restriction to property rights

As at December 31, 2014, the chapter “Securities – Securities available for Sale” includes thousands \$ 66,672 (thousands of Indexed Units 22,500 nominal value) corresponding to Treasury Notes in indexed units in guarantee of transactions through the Payment and Reciprocal Credit Agreement of ALADI.

### 3.5 Assets and liabilities with restatement clause

The amounts of assets and liabilities subject to restatement clause are as follows:

**In thousands of Uruguayan pesos**

<b>Restatement Index</b>	<b>Restated Assets</b>	<b>Restated Liabilities</b>
Consumer Price Index (C.P.I.)	1,368,079	-
Indexed Units (Unidades indexadas)	3,859,726	2,450,247
<b>TOTAL</b>	<b>5,227,805</b>	<b>2,450,247</b>

### 3.6 Financial Sector and Non-Financial Sector Credit Portfolio

Receivables include the receivable capital amount of each transaction and the corresponding interest accrued thereon.

The credit portfolio has been classified in accordance with criteria established in Rule 3.8. and the transitory standards of the Accounting Standards and Chart of Accounts for Financial Institutions.

Unpaid transactions of the Non Financial Sector are booked in “Overdue loans” after a period of 60 days from their expiration. Consumer loans are booked in “Under management for recovery” after a period of 90 days from their expiration, and they are transferred to “Delinquent loans” after 120 days from their expiration. In the case of Mortgage Loans, they are booked in “Under management for recovery” after a period of 180 days from their expiration, and transferred to “Delinquent loans” after 240 days from their expiration. Finally, Commercial Loans are booked in “Under management for recovery” after a period of 120 days from their expiration, and they are transferred to “Delinquent loans” after 180 days from their expiration.

Financial Sector loans overdue for 1 day or more are booked in “Overdue loans”, after a period of 120 days from their expiration, they are booked in “Under management for recovery” and after 180 days from their expiration, they are booked in “Delinquent loans”.

The necessary provisions have been booked to cover eventual losses derived from bad debts, in accordance with Rule 3.12 of the Accounting Standards and Plan of Accounts for Financial Institutions. In order to determine the amount to be provisioned, guarantees admitted by Rules 3.16 and 3.17 of said Accounting Standards have been deducted.

## Risks of Non-Financial Sector

In thousands of Uruguayan pesos

Risk Categories	Credits local currency	Credits foreign currency (equiv. local currency)	Contingencies	Total Risks	Computed guarantees	Constituted Provisions <sup>4</sup>		Balance after provisions
						Minimum %	Amount	
1A Op. with liquidity collateral	47,544	184,374	53,779	285,697	285,665	0%	-	285,697
1C Debtors with strong repayment capacity	7,525,902	9,667,233	7,108,179	24,301,314	3,823,043	Equal to or more than 0,5% and less than 1,5%	102,397	24,198,917
2A Debtors with acceptable repayment capacity	1,018,259	4,932,200	467,721	6,418,180	1,360,135	Equal to or more than 1,5% and less than 3%	75,816	6,342,364
2B Debtors with potential repayment problems	596,466	3,029,287	248,254	3,874,007	1,225,985	Equal to or more than 3% and less than 17%	79,676	3,794,331
3 Debtors with compromised repayment problems	345,118	440,052	99,805	884,975	255,997	Equal to or more than 17% and less than 50%	107,034	777,941
4 Debtors with highly compromised repayment problems	83,100	167,489	28,395	278,984	88,314	Equal to or more than 50% and less than 100%	95,311	183,673
5. Irrecoverable	707,113	167,681	8,124	882,918	42,590	100%	839,659	43,259
<b>SUBTOTAL <sup>5</sup></b>	<b>10,323,502</b>	<b>18,588,316</b>	<b>8,014,257</b>	<b>36,926,075</b>	<b>7,081,729</b>		<b>1,299,893</b>	<b>35,626,182</b>
Other accounts receivable	151,621	331,218	-	482,839				482,839
Minus: Credit risk equivalent of forward contracts and trading options contingent rights	-	-	-	-	-	-	-	-
Plus: Forward contracts and trading options contingent rights	-	-	-	-	-	-	-	-
Other contingencies	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>10,475,123</b>	<b>18,919,534</b>	<b>8,014,257</b>	<b>37,408,914</b>	<b>7,081,729</b>	-	<b>1,299,893</b>	<b>36,109,021</b>

<sup>4</sup> In accordance with Rule 3.12 of the Accounting Standards and Plan of Account for Financial Institutions, some transactions are not provisioned.

<sup>5</sup> It corresponds only to accounts included in the Credit Risk Information, forward contracts are included at their credit risk equivalent.

## Risks Composition of Non-Financial Sector

In thousands of Uruguayan pesos

Risk Categories	Outstanding	Provisions	Overdue credits	Provisions	Other accounts receivable	Provisions	Contingencies	Provisions
1A Op. with liquidity collateral	231,917	-	-	-	1	-	53,779	-
1C Debtors with strong repayment capacity	17,063,416	66,935	-	-	129,719	567	7,108,179	34,895
2A Debtors with acceptable repayment capacity	5,931,951	69,074	-	-	18,508	278	467,721	6,464
2B Debtors with potential repayment problems	3,624,709	73,241	-	-	1,044	31	248,254	6,404
3 Debtors with compromised repayment problems	662,570	73,444	122,411	17,756	189	22	99,805	15,812
4 Debtors with highly compromised repayment problems	152,492	37,259	76,832	34,059	21,265	10,633	28,395	13,360
5. Irrecoverable	310,967	304,211	558,403	522,278	5,424	5,423	8,124	7,747
<b>SUBTOTAL <sup>6</sup></b>	<b>27,978,022</b>	<b>624,164</b>	<b>757,646</b>	<b>574,093</b>	<b>176,150</b>	<b>16,954</b>	<b>8,014,257</b>	<b>84,682</b>
Other accounts receivable	-	-	-	-	482,839	-	-	-
Minus: Credit risk equivalent of forward contracts and trading options contingent rights	-	-	-	-	-	-	-	-
Plus: Forward contracts and trading options contingent rights	-	-	-	-	-	-	-	-
Other contingencies	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>27,978,022</b>	<b>624,164</b>	<b>757,646</b>	<b>574,093</b>	<b>658,989</b>	<b>16,954</b>	<b>8,014,257</b>	<b>84,682</b>

<sup>6</sup> It corresponds only to accounts included in the Credit Risk Information, forward contracts are included at their credit risk equivalent.



## Risks of Financial Sector

In thousands of Uruguayan pesos

Risk Categories	Demand Deposits Local Currency	Demand Deposits Foreign Currency	Credits Local currency	Credits Foreign currency (equiv. local currency)	Contingencies	Other accounts receivable	Total Risk	Computed guarantees	Constituted Provisions <sup>7</sup>		Net risk of provisions
									Minimum %	Amount	
1A Outstanding resident debtors or non-residents BBB+ or higher	1,557,347	11,091,681	-	729,827	913,619	3,803	14,296,277	220	0%	-	14,296,277
1B Non-resident debtors with very strong repayment capacity	-	-	-	555,260	241,335	3,228	799,823	-	Equal to or more than 0,2% and less than 0,5%	1,374	798,449
1C Non-resident debtors with strong repayment capacity	-	-	-	29,360	10,735	-	40,095	-	Equal to or more than 0,5% and less than 1,5%	200	39,895
2A Non-resident debtors with acceptable repayment capacity	-	-	-	-	-	-	-	-	Equal to or more than 1,5% and less than 3%	-	-
2B Non-resident debtors with potential repayment problems	-	-	-	-	-	-	-	-	Equal to or more than 3% and less than 17%	-	-
3 Non-resident debtors with compromised repayment problems	-	-	-	-	-	-	-	-	Equal to or more than 17% and less than 50%	-	-
4 Non-resident debtors with highly compromised repayment problems	-	-	-	309	-	-	309	-	Equal to or more than 50% and less than 100%	-	-
5. Irrecoverable	-	-	-	-	-	-	-	-	100%	-	-
<b>SUBTOTAL<sup>8</sup></b>	<b>1,557,347</b>	<b>11,091,681</b>	<b>-</b>	<b>1,314,756</b>	<b>1,165,689</b>	<b>7,031</b>	<b>15,136,504</b>	<b>220</b>		<b>1,574</b>	<b>15,134,930</b>
Other accounts receivable	-	-	-	-	-	-	-	-		-	-
Minus: Credit risk equivalent of forward contracts and trading options contingent rights	-	-	-	-	(719,332)	-	(719,332)	-		-	(719,332)
Plus: Forward contracts and trading options contingent rights	-	-	-	-	497,293	-	497,293	-		-	497,293
Other contingencies	-	-	-	-	-	-	-	-		-	-
<b>TOTAL</b>	<b>1,557,347</b>	<b>11,091,681</b>	<b>-</b>	<b>1,314,756</b>	<b>943,650</b>	<b>7,031</b>	<b>14,914,465</b>	<b>220</b>		<b>1,574</b>	<b>14,912,891</b>

<sup>7</sup> In accordance with Rule 3.12 of the Accounting Standards and Plan of Account for Financial Institutions, some transactions are not provisioned.

<sup>8</sup> It corresponds only to the line items reported to the Credit Risk Information, considering forward contracts for the equivalent credit risk. Excludes investment securities issued by the BCU, as detailed in Note 3.3.

## Risks Composition of Financial Sector

In thousands of Uruguayan pesos

Risk Categories	Demand Deposits	Outstanding Credits	Overdue Credits	Contingencies	Other accounts receivable	Total Risks
1A Outstanding resident debtors or non-residents BBB+ or higher	12,649,028	729,827	-	913,619	3,803	14,296,277
1B Non-resident debtors with very strong repayment capacity	-	555,260	-	241,335	3,228	799,823
1C Non-resident debtors with strong repayment capacity	-	29,360	-	10,735	-	40,095
2A Non-resident debtors with acceptable repayment capacity	-	-	-	-	-	-
2B Non-resident debtors with potential repayment problems	-	-	-	-	-	-
3 Non-resident debtors with compromised repayment problems	-	-	-	-	-	-
4 Non-resident debtors with highly compromised repayment problems	-	309	-	-	-	309
5. Irrecoverable	-	-	-	-	-	-
<b>SUBTOTAL <sup>9</sup></b>	<b>12,649,028</b>	<b>1,314,756</b>	<b>-</b>	<b>1,165,689</b>	<b>7,031</b>	<b>15,136,504</b>
Other accounts receivable	-	-	-	-	-	-
Minus: Credit risk equivalent of forward contracts and trading options contingent rights	-	-	-	(719,332)	-	(719,332)
Plus: Forward contracts and trading options contingent rights	-	-	-	497,293	-	497,293
Other contingencies	-	-	-	-	-	-
<b>TOTAL</b>	<b>12,649,028</b>	<b>1,314,756</b>	<b>-</b>	<b>943,650</b>	<b>7,031</b>	<b>14,914,465</b>

<sup>9</sup> It corresponds only to the line items reported to the Credit Risk Information, considering forward contracts for the equivalent credit risk. Excludes investment securities issued by the BCU, as detailed in Note 3.3.

### 3.7 Allowance for loan losses

The amounts constituted as at December 31, 2014 for thousands \$ 1,439,085 are presented:

- Thousands \$ 1,216,418 deducted from the respective assets accounts;
- Thousands \$ 85,041 corresponding to contingencies and thousands \$ 137,626 corresponding to the “Statistical Reserve” are shown in the liability.

The following chart shows the movements in the asset accounts “Allowance for doubtful debtors” and in the liability accounts “Allowance for contingency accounts”. “General Provisions” and “Statistical Reserve”:

In thousands of Uruguayan pesos

Allowance for doubtful debtors	Opening balances	Additions	Deductions	Write offs against debt	Other net movements	Final balances
Outstanding Credits – Financial Sector <sup>10</sup>	1,925	1,806	2,601	-	77	1,207
Outstanding Credits – Non Financial Sector	553,027	933,271	619,831	-	(242,308)	624,159
Other accounts receivable	7,912	25,359	16,768	-	457	16,960
Overdue loans – Financial Sector	-	-	-	-	-	-
Overdue loans – Non Financial Sector	34,108	61,609	42,892	-	(11,622)	41,203
Under management for recovery	35,045	59,998	41,771	-	(13,147)	40,125
Delinquent loans	355,563	736,805	512,963	95,740	9,099	492,764
Provisions for Contingencies	73,530	127,158	117,981	-	2,334	85,041
General Provisions	-	-	-	-	-	-
Statistical Reserve	-	137,616	-	-	10	137,626
<b>TOTAL</b>	<b>1,061,110</b>	<b>2,083,622</b>	<b>1,354,807</b>	<b>95,740</b>	<b>(255,100)</b>	<b>1,439,085</b>

<sup>10</sup> Includes Demand Deposits.

### 3.8 Restructured problematic credit

The following chart shows the problematic credits transactions restructured in the current year and the final balance of restructured credits.

<b>RESTRUCTURED PROBLEMATIC CREDITS</b>	<b>Number of credits restructured in the current year</b>	<b>Final Balance (Thousands \$)</b>
Outstanding credits	853	159,386
Overdue credits	438	26,520
<b>Total restructured problematic credits</b>	<b>1,291</b>	<b>185,906</b>

### 3.9 Investments

The composition of investments as at December 31, 2014 is as follows:

**In thousands of Uruguayan pesos**

<b>Concept</b>	<b>Total in local currency</b>
Assets received in exchange for loan claims	-
Idle premises	30,556
Participations in capital authorized by the Central Bank of Uruguay	3,397
Foreign branches	-
Investments in shares	-
Other investments	-
Investment provision	-
<b>TOTAL</b>	<b>33,953</b>

The balance of the account “Participations in capital authorized by the Central Bank of Uruguay” corresponds to the Bank’s share in the following companies:

<b>Company</b>	<b>Amount of the participation Thousands \$</b>	<b>Currency in which the investment is calculated</b>
<b>Participations in capital authorized by the Central Bank of Uruguay</b>		
REDBANC S.A. - (participation 20% - related party)	635	Uruguayan Pesos
C.U.M.P.S.A. - (participation 19.89% - related party)	1,517	Uruguayan Pesos
B.E.V.S.A. - (participation 20.83% - related party)	1,105	Uruguayan Pesos
S.W.I.F.T. - (nominative participation)	139	Euros
EUROCLEAR OPERATION CENTER - (nominative participation)	1	Euros
<b>TOTAL</b>	<b>3,397</b>	

### 3.10 Fixed assets

The fixed assets are valued at their acquisition cost restated for inflation applying up to December 31, 2012, minus accumulated depreciation. Until December 31, 2009, fixed assets were adjusted by the variation of the Wholesale Price Index and then the variation of the Consumer Price Index both published by the National Institute of Statistics upon deduction of the corresponding accumulated depreciation. The net variation generated by the restatement of the year (increase or loss) is booked with credit or debit to the respective equity account (on May 31, 2013 the balance of said account was capitalized).

In compliance with Communication 2012/234 of the Central Bank of Uruguay, the restatement for inflation of fixed assets it is no longer applicable from fiscal year 2013.

Depreciations over the year are computed on restated values as at the end of the year, using the percentages set forth by the Central Bank of Uruguay, as follows:

	<b>Annual depreciation rate</b>
Buildings and safekeeping	2 %
Furniture, fixtures and fittings	10 %
Vehicles	20 %
Computer equipment	20 %
Improvements and installations in leased properties	20 %

Costs of repair and maintenance are debited to the results of the year.

In compliance with Communication 2004/021, the Bank proceeded to compare the book value of its premises with their market value at the end of the year, booking them by the latter in those cases in which the valuations were lower than 90% of their revaluated cost, net of depreciations.

We detail below the breakdown of the corresponding balances:

**In thousands of Uruguayan pesos**

Concept	Inflation restated value	Annual depreciation percentages %	Accumulated depreciation	Depreciation over the year	Net Value	Market Value	Book Value
<b>Owned Fixed Assets</b>	<b>1,627,279</b>		<b>859,923</b>	<b>47,227</b>	<b>767,356</b>	<b>1,142,777</b>	<b>629,642</b>
Premises - Lands		-	-	-			
Premises - Buildings	821,492	2 a 10	159,255	11,389	662,237	1,142,777	524,522
Furniture, fixtures and fittings	303,227	10	264,086	7,366	39,141		39,141
Computer equipment	449,529	20	422,872	26,833	26,657		26,657
Safekeeping boxes	32,726	2	7,691	655	25,035		25,035
Vehicles	5,204	20	5,192	240	12		13
Improvements and installations on leased properties	15,101	20	827	744	14,274		14,274
<b>Taken in financial leasing</b>	<b>441,955</b>		<b>377,408</b>	<b>11,053</b>	<b>64,547</b>		<b>64,547</b>
Computer equipment	394,571	20	335,061	10,921	59,510		59,510
Vehicles	-	20	-	-	-		-
Other	47,384	2 a 10	42,347	132	5,037		5,037
<b>Buildings under construction</b>	-				-		-
<b>TOTAL</b>	<b>2,069,234</b>		<b>1,237,331</b>	<b>58,280</b>	<b>831,903</b>		<b>694,189</b>

### 3.11 Intangible assets

The acquisition costs of application software, regarding the Bank's project to change its information technology infrastructure, include the software license and implementation costs. Those deferred charges are amortized during 60 months as of the date each system is promoted into production.

We detail below the corresponding amounts:

In thousands of Uruguayan Pesos

Concept	Net opening balance	Increases	Fiscal year amortization	Net ending balance
Goodwill	-	-	-	-
Application software	25,358	9,809	22,765	12,402
Authorized by the Central Bank of Uruguay	-	-	-	-
<b>TOTAL</b>	<b>25,358</b>	<b>9,809</b>	<b>22,765</b>	<b>12,402</b>

### 3.12 Subordinated debentures

The composition of subordinated debentures as at December 31, 2014 is as follows:

In thousands of Uruguayan Pesos

Terms to maturity	Local currency	Foreign currency	Total
Less than 12 months	-	-	-
Between 12 y 24 months	-	-	-
Between 24 y 36 months	-	-	-
Between 36 y 48 months	-	-	-
More than 48 months	-	1,119,318	1,119,318
<b>Total</b>	<b>-</b>	<b>1,119,318</b>	<b>1,119,318</b>

On July 26, 2012, became effective a subordinated loan agreement with The Bank of Nova Scotia, previously approved by the CBU, in order to finance the rescue of the preferred shares of the Bank.

The total loan amount is 26,000,000 U.S. Dollars for a term of eight years, accruing interest at Libor plus 4.5% payable quarterly.

On July 26, 2012, was received the first payment of 15,000,000 (fifteen million U.S. Dollars), which was considered for the Net Equity Responsibility of the bank.

On December 13, 2012, was received the second payment of 11,000,000 (eleven million U.S. Dollars), which was considered for the Net equity Responsibility of the bank.

On March 2, 2013, became effective a new subordinated loan agreement with The Bank of Nova Scotia, previously approved by the CBU, of a total amount of 20,000,000 U.S. Dollars for a term of eight years from the date of the first disbursement, accruing interest of Libor plus 4.5%.

### 3.13 Guarantees granted on liabilities

As at December 31, 2014 there are no guarantees granted on liabilities.

### 3.14 Distribution of loans and financial intermediation obligations by their maturity based on the remaining period

The loans and obligations of the Bank as at December 31, 2014, by their maturity based on the remaining period, are exposed in the following chart.

In thousands of Uruguayan Pesos

Concept	Amounts by maturity terms			
	Less than 1 year	From 1 to 3 years	More than 3 years	Total
Outstanding Credits - Financial Sector <sup>11</sup>	13,963,784	-	-	13,963,784
Outstanding Credits - Non Financial Sector <sup>12</sup>	17,764,858	7,996,857	2,216,307	27,978,022
Outstanding Credits from forward contracts	-	-	-	-
<b>Total Outstanding Credits</b>	<b>31,728,642</b>	<b>7,996,857</b>	<b>2,216,307</b>	<b>41,941,806</b>
Obligations - Financial Sector <sup>12</sup>	2,431,076	429,714	1,125,872	3,986,662
Obligations - Non Financial Sector <sup>12</sup>	38,251,117	159,882	1,748,288	40,159,287
Obligations from forward contracts	-	-	-	-
<b>Total Obligations</b>	<b>40,682,193</b>	<b>589,596</b>	<b>2,874,160</b>	<b>44,145,949</b>

With regard to operations that imply payments in installments, each term includes only the installments with effective maturity in its term.

### 3.15 Loan portfolio concentration to the Non-Financial Sector

We detail below the loan portfolio concentration (including contingencies) to the Non Financial Sector as at December 31, 2014. To these effects, a risk is conformed by that of an individual or legal entity together with those of the economic group they belong to, as established in article 271 of the Compilation of Central Bank Regulations.

In thousands of Uruguayan Pesos

	Amounts before provisions (net of financial interests in suspense)							
	Outstanding	%	Overdue	%	Contingencies	%	Total	%
10 main risks	4,962,784	18	-	-	342,996	4	5,305,780	14
50 main risks	10,114,107	36	60,712	8	690,106	9	10,864,925	30
100 main risks	12,593,431	45	60,712	8	905,526	11	13,559,669	37
<b>Total portfolio</b>	<b>27,978,022</b>		<b>757,646</b>		<b>8,014,257</b>		<b>36,749,925</b>	

<sup>11</sup> Includes demand deposits. Forward contracts, other accounts receivable and securities issued by the Central Bank are not included.

<sup>12</sup> Forward contracts and other accounts receivable are not included.

### 3.16 Loan portfolio concentration by economic activity to the Non-Financial Sector

We detail below the loan portfolio concentration by economic activity to the Non Financial Sector as at December 31, 2014.

In thousands of Uruguayan Pesos

Loan destination	Amounts before provisions				
	Outstanding	Overdue	Other credits	Contingencies	Total
Public Sector <sup>13</sup>	907,429		5,400	781	913,610
Agriculture	3,822,637	44,651	20	136,533	4,003,841
Industry	3,087,263	28,173	4,444	167,492	3,287,372
Construction	969,384	63,563		200,342	1,233,289
Commerce	5,269,457	53,811	2,641	537,168	5,863,077
Hotels and Restaurants	337,511	1,769		10,284	349,564
Transportation, warehouse and communication	2,454,829	12,978	117	221,121	2,689,045
Financial services	98,415		81,614	127,482	307,511
Other services	4,464,400	57,210	27,876	582,800	5,132,286
Families	6,491,996	484,925	3,508	5,983,731	12,964,160
Other	-	-	-	-	-
<b>Credits to Residents' total</b>	<b>27,903,321</b>	<b>747,080</b>	<b>125,620</b>	<b>7,967,734</b>	<b>36,743,755</b>
Non residents	74,701	10,566	57,559	46,569	189,395
<b>Credits to Non Financial Sector's total <sup>14</sup></b>	<b>27,978,022</b>	<b>757,646</b>	<b>183,179</b>	<b>8,014,303</b>	<b>36,933,150</b>
Other accounts receivable	-	-	482,841	-	482,841
Minus: Credit risk equivalent of forward contracts and trading options contingent rights	-	-	-	-	-
Plus: Forward contracts and trading options contingent rights	-	-	-	-	-
Other contingencies	-	-	-	-	-
<b>TOTAL</b>	<b>27,978,022</b>	<b>757,646</b>	<b>666,020</b>	<b>8,014,303</b>	<b>37,415,991</b>

<sup>13</sup> The Public Sector includes all credits maintained with state owned companies or with the Central Administration, independently from their sector of activity.

<sup>14</sup> It corresponds to all accounts included in the Credit Risk Information, forward contracts are included at their credit risk equivalent.

### 3.17 Non-financial Sector deposits' concentration

We detail below the deposit concentration of the non-financial sector as at December 31, 2014.

In thousands of Uruguayan Pesos

	Deposits in local and foreign currency (includes interest accrued)			
	Residents	%	Non Residents	%
10 main depositors	3,893,496	11	-	0
50 main depositors	6,570,122	19	225,282	5
100 main depositors	8,125,710	24	358,877	8
<b>Total deposits</b>	<b>34,520,313</b>		<b>4,347,712</b>	

In addition, the account Deposits of Non Financial Sector includes thousands \$ 1,145,095 from other obligations of the Non Financial Sector.

### 3.18 Classification by type of deposit of the non-financial and non-public sector

We are including below the breakdown of the non-financial sector's deposits:

In thousands of Uruguayan Pesos

Type of deposit	Residents		Total residents	Annual variation	Non Residents		Total non-residents	Annual variation	Total	
	Local Currency	Foreign Currency			Local Currency	Foreign Currency			Amount	%
Current accounts	4,698,752	9,523,234	14,221,986	2,520,431	45,550	467,756	513,306	169,005	14,735,292	38
Sight deposits	92,739	147,352	240,091	(54,756)	2,806	106,802	109,608	63,709	349,699	1
Savings accounts	2,730,926	10,736,048	13,466,974	1,947,907	7,932	2,944,292	2,952,224	468,968	16,419,198	42
Time deposits	1,517,639	1,367,209	2,884,848	675,687	6,064	695,462	701,526	139,453	3,586,374	9
Others	2,333,264	1,360,291	3,693,555	819,050	-	69,849	69,849	21,526	3,763,404	10
Accrued interest	8,958	3,902	12,860	6,955	45	1,153	1,198	185	14,058	0
<b>Total</b>	<b>11,382,278</b>	<b>23,138,036</b>	<b>34,520,314</b>	<b>5,915,274</b>	<b>62,397</b>	<b>4,285,314</b>	<b>4,347,711</b>	<b>862,846</b>	<b>38,868,025</b>	<b>100</b>

Additionally, under Deposits of the Non Financial Sector there are included thousands \$ 1,145,095 from other obligations in the Non Financial Sector.

### 3.19 Distribution of loans and obligations for financial intermediation with non-residents by country

We detail below the credit and financial obligations distribution with non-residents by country as at December 31, 2014.

In thousands of Uruguayan Pesos

Concept	Capital and accrued interests (net of suspended interests)					Total
	Demand Deposits	Credits Financial Sector <sup>15</sup>	Credits Non Financial Sector <sup>15</sup>	Forward Contracts <sup>16</sup>	Other accounts receivable	
Argentina	309	-	16,618	-	21,265	38,192
Brazil	-	45,796	3,850	-	3,228	52,874
U.S.A.	1,117,534	851,732	58	-	30,007	1,999,331
Canada	2,128,704	-	11	-	-	2,128,715
Caiman Islands	-	121,673	-	-	-	121,673
Other	135,344	61,219	64,730	-	3,059	264,352
<b>Subtotal <sup>17</sup></b>	<b>3,381,891</b>	<b>1,080,420</b>	<b>85,267</b>	<b>-</b>	<b>57,559</b>	<b>4,605,137</b>
Other accounts receivable	-	-	-	-	245,250	245,250
Minus: Credit risk equivalent of forward contracts and trading options contingent rights	-	-	-	-	-	-
Plus: Forward contracts and trading options contingent rights	-	-	-	-	-	-
<b>TOTAL</b>	<b>3,381,891</b>	<b>1,080,420</b>	<b>85,267</b>	<b>-</b>	<b>302,809</b>	<b>4,850,387</b>

In thousands of Uruguayan Pesos

Concept	Capital and accrued interests			Total
	Obligations Financial Sector <sup>13</sup>	Obligations Non Financial Sector <sup>13</sup>	Obligations Forward Contracts	
Argentina	3,051	3,008,618	-	3,011,669
Brazil	27,073	596,310	-	623,383
U.S.A.	725,508	159,927	-	885,435
Canada	1,613,837	-	-	1,613,837
The Bahamas	1,194,160	-	-	1,194,160
Other	94,045	841,595	-	935,640
<b>TOTAL</b>	<b>3,657,674</b>	<b>4,606,450</b>	<b>-</b>	<b>8,264,124</b>

<sup>15</sup> Forward contracts and other accounts receivable are not included.

<sup>16</sup> It includes the credit risk equivalent of forward contracts include in Outstanding Credits.

<sup>17</sup> It corresponds to all accounts included in the Credit Risk Information.



### 3.20 Transactions with related parties

Related parties are individuals or companies, from the country or abroad, which form an economic group with the Bank, in accordance with the definition of article 210 and article 271 of the Compilation of Central Bank Regulations.

At the end of the year, the balances and the results originated by transactions with related parties were as follows:

Thousands \$ (local currency and foreign currency equiv. in local currency)				
	Placements <sup>18</sup>	Securities	Obligations	Result
<b>Financial Sector</b>	<b>2,131,723</b>		<b>2,346,148</b>	<b>(76,494)</b>
Local companies	-	-	-	-
Head Office, foreign branches and subsidiaries of Head Office	-	-	-	-
Controlling entity, branches and subsidiaries of the foreign controlling entity	2,131,723	-	2,346,148	(76,494)
Foreign branches	-	-	-	-
Foreign subsidiaries	-	-	-	-
Related banks and other foreign institutions	-	-	-	-
<b>Non Financial Sector</b>	<b>17,216</b>	-	<b>131,156</b>	<b>(291,718)</b>
Pension fund managers	-	-	-	-
Investment funds	-	-	-	-
Credit administrators	3,898	-	2,835	36,176
Others - individuals	5,181	-	57,306	(314)
Others - companies	8,137	-	71,015	(327,580)
			Net result with related parties \$	<b>(368,212)</b>

### 3.21 Acquisition of Discount Bank (Latin America) S.A.

On December 18, 2014, the Bank signed a Universal Transfer Agreement for the assets and liabilities of Discount Bank (Latin America) S.A. of Uruguay, subject to approval by the Central Bank of Uruguay. Such approval is pending at December 31, 2014 having been submitted the required documentation to the Central Bank of Uruguay on February 27, 2015.

## Note 4 - Equity

### 4.1 Changes in Equity

The changes in equity accounts is shown in the corresponding statement.

### 4.2 Capital Adequacy

The Central Bank regulations require the maintenance of a Net Equity Responsibility comprised of the “Essential Net Equity” and the “Complementary Net Equity”, with the condition that the “Complementary Net Equity” should not exceed a third of the “Essential Net Equity”.

Essential Net Equity comprises common equity and additional equity, where the additional should not exceed a third of the common equity.

The Net Equity Responsibility should not be lower than the highest of three parameters, as established by Article 158 of the Compilation of Central Bank Regulations (C.C.B.R.). The parameters are:

- Capital requirement for Credit Risk, Market Risk, Operational Risk and Systemic Risk.
- Basic Equity Responsibility, determined by article 159 of the C.C.B.R., or in case of lapsed 7 or more years since the authorization to operate, the lower between the Basic Equity requirement and double of the Capital requirement for Risks.
- 4% of the total assets and contingencies, net of provisions.

As at December 31, 2014 the net equity responsibility of the Bank (essential net equity plus complementary net equity) amounts to thousands \$ 4,271,415, higher than the minimum required by the Central Bank of Uruguay of thousands \$ 3,613,069, which corresponds to requirement for credit and market risks, operational risk and systemic risk.

**In thousands of Uruguayan Pesos**

<b>Concept</b>	<b>Local currency</b>
<b>Essential Net Equity (E.N.E)</b>	<b>3,203,561</b>
<b>Common equity</b>	3,203,561
- Common stock	3,210,772
- Additional paid in capital	-
- Adjustments to equity	444,513
- Reserves	-
- Retained earnings	(439,322)
- Intangible assets	(12,402)
- Special investments	-
- Credit with Head Office and subsidiaries	-
<b>Additional equity</b>	-
- Preferred shares	-
- Cooperative shares with interest (regulated by law N° 17.613)	-
- Minority interest	-
<b>Complementary Net Equity (C.N.E.)</b>	<b>1,067,854</b>
- Subordinated loans (up to 50% C.N.E.)	1,067,854
- General provisions (up to 1.25% assets and contingencies weighed by credit risk)	-
<b>Net Equity Responsibility (N.E.R. = E.N.E. + C.N.E.)</b>	<b>4,271,415</b>
<b>Minimum Net Equity Responsibility (M.N.E.R)</b>	<b>3,613,069</b>
- Risk capital requirement:	3,613,069
- Credit (article 160 C.C.B.R.)	2,902,355
- Market (article 162 C.C.B.R.)	180,705
- Operational (art. 172 C.C.B.R.)	530,009
- Systemic <sup>20</sup> (art. 173 C.C.B.R. )	-
- 4% of assets and contingent accounts (art. 158 C.C.B.R.)	2,329,340
- Basic Equity Responsibility (article 159 C.C.B.R)	385,216
<b>(N.E.R. +S.L.M.R.) / M.N.E.R.</b>	<b>1.18</b>
<b>N.E.R. / (Assets weighted according to their risk+1/X <sup>21</sup>*(market risk + operational risk)</b>	<b>0.09</b>

<sup>19</sup> Only in consolidation.

<sup>20</sup> Applies only to banks.

<sup>21</sup> Where "X" is the minimum capital ratio for credit risk including systemic risk for each type of institution.

## Note 5 - Information regarding results

### 5.1 Recognition of gains and losses

Income and expenses are recognized based on the accrual principle. Nonetheless, according to Rule 3.3 of the Accounting Standards and Chart of Accounts for Financial Institutions, financial products may not be recognized as profit – unless received in cash – when the debtors are classified as “Debtors with compromised repayment problems”, “Debtors with highly compromised repayment problems” or “Irrecoverable Debtors”. When, in accordance with regulations in force, a transaction must be reclassified in any of the categories mentioned above, financial products recognized as profit during the period and not effectively collected should be adjusted with credit to the accounts “Financial products in suspense”.

Loans include thousands \$ 1,910,862 that do not accrue interest in accordance with Central Bank regulations.

The Income Tax calculated corresponds to the current tax.

### 5.2 Result from services

In thousands of Uruguayan Pesos

	Local currency	Foreign currency
<b>COMMISSION INCOME</b>	<b>1,248,594</b>	<b>558,989</b>
Guarantees granted	-	13,205
Credit Cards	782,109	203,985
Foreign trade	-	23,808
Other commissions income	466,485	317,991
<b>COMMISSION EXPENSES</b>	<b>608,239</b>	<b>232,943</b>
Commissions paid to foreign banks	-	-
Brokerage commissions	1,786	-
Rural business	-	-
Other commission expenses	606,453	232,943

## Note 6 - Taxes

We detail below the results corresponding to each of the taxes levied on the Bank’s activities:

In thousands of Uruguayan Pesos

Concept	Charge to result of the period
Income Tax	98
Capital Tax	99,006
Value Added Tax	156,998
Regulatory oversight of the Financial System Duty	39,655
Other	24,630
<b>TOTAL</b>	<b>320,387</b>

## Note 7 - Operations with derivatives

Derivatives used by the bank are purchases, sales and arbitrages of foreign currency forward contracts. Unrealized income and losses of these contracts are calculated based on the difference between the rate agreed and the rate at the closing of the contract and are deferred in accordance with the term of the respective contracts.

Derivatives are used by the Bank for hedge position transactions, being the NDF (non-deliverable forward) the most frequently used. As at December 31, 2014, there were no forward transactions in force.

## **Note 8 - Integral Risk Management System**

The Bank has a Risk Area, which operates independently from the Commercial Areas with the objective of obtaining an adequate equilibrium between commercial and risk factors.

In addition, the Bank has an Integral Risk Management Model, which documents the policies, procedures, structure, roles and responsibilities required for the identification, disclosure and management of the different risks the Bank is exposed to, maximizing efforts to suit to the requirements of the Minimum Standards for Financial Institutions Management. For this, the Risk Control Committee works within the Corporate Government.

Additional information regarding the Bank's Integral Risk Management System is included in the Corporate Government's Annual Report (non audited information) required by article 477 of the Compilation of Central Bank Regulations, which is available on the Bank's website.

## **Note 9 - Trusts**

During this year, the Bank has not transferred loans to financial trusts nor acted as trustee.

## **Note 10 - Subsequent events**

No significant events occurred after the date of the financial statements that must be mentioned.

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Juan Cabrera Ferreyros  
Director



Diego Patricio Masola  
Vice President



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## Independent Auditors' Report

To the Board of Directors of  
Scotiabank Uruguay S.A.

We have audited the accompanying financial statements of Scotiabank Uruguay S.A., which comprise the statement of financial position as at December 31, 2014, and the corresponding statements of profit or loss, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting standards and valuation criteria, risk classification criteria and presentation regulations established by the Central Bank of Uruguay, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

### *Auditors' 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 and with standards established by Central Bank of Uruguay. Those standards require that we comply with relevant 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 our 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, we consider 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 principles 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*

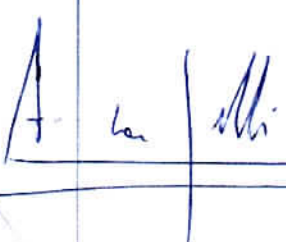
In our opinion the financial statements present fairly, in all material respects, the financial position of Scotiabank Uruguay S.A. as at December 31, 2014 and of its financial performance and its cash flows for the year then ended in accordance with accounting standards and valuation criteria, risk classification criteria and presentation regulations established by the Central Bank of Uruguay.

*Emphasis of matter*

The regulations and criteria mentioned in the preceding paragraph constitute the legal accounting standards in force in Uruguay for the presentation of financial statements of entities regulated by the Central Bank of Uruguay. The differences that could eventually arise between these financial statements and those which could be prepared in accordance with International Financial Reporting Standards (IFRS) have not been determined nor quantified.

Montevideo, March 24, 2015

KPMG

  
Alvaro Scarpelli  
Partner  
C.J. y P.P.U. 46.892

