



Annual Report as at 31 December 2011



We would like to thank Deposit Insurance Member Institutions for allowing us to include their institutional images in this Memory. Presentation is given in alphabetical order.

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Glossary

Acronyms

BCU	Central Bank of Uruguay
COPAB	Bank Savings Protection Corporation(Corporación de Protección del Ahorro Bancario)
CRAL	ADI Regional Committee for Latin America
FGDB	Deposit Insurance Fund (Fondo de Garantía de Depósitos Bancarios)
IADI	International Association of Deposit Insurers
PRB	Bank Resolution Process
SIDIIF	Financial Institutions Deposits Information System
SSD	Deposit Insurance System
SSF	Financial Services Authority (Superintendencia de Servicios Financieros)

Concepts

Insured deposits: Deposits covered pursuant to section 31 of Law N° 18,401 dated 24 October 2008, that is, covered by the FGDB in the event of liquidation of the respective financial institution.

Insurance coverage: The portion of the insured deposit to be reimbursed to depositors in the event of liquidation of the financial institution, pursuant to section 5 of Decree N° 103/005 dated 7 March 2005.



1. Message from the President

The Corporation's second full fiscal year has concluded and now it is time to think about the phase we are currently going through. In that sense, we can say that the year 2011 has been marked by significant events, both externally and internally.

Externally, we should highlight the creation, last June, of the Financial Stability Committee (CEF), which comprises the Minister of Economy and Finance, the President of the Central Bank of Uruguay (BCU), the Financial Services Superintendent and the President of COPAB. COPAB's participation in this Committee is undoubtedly a valuable opportunity to strengthen cooperation with the other members of the Uruguayan financial system's safety net. It also provides a chance to reflect the deposit insurer's point of view and the interests of less-informed depositors, as well as to contribute to preserve the system's stability. Briefly, the CEF provides a privileged opportunity for exchange and coordination that seeks to aid organizations in efficiently performing their roles.

The launch of the institutional website in July was a significant event at internal level, though clearly involving external projection and responsibility. The website enables COPAB to keep updated and permanent contact with the general public as well as with –especially- our stakeholders. It is our principal means for communicating with the population and the depositors, while facilitating government-controlled and non-government-controlled public entities' transparency in terms of their administrative functions. Furthermore, the Corporation published its first Annual Report (for the 2010 fiscal year) on the basis of the management report submitted to the Parliament pursuant to the law.

At more strictly internal level, we should highlight the approval by the Government of the Corporation's General Regulation prepared by its Board of Directors, also pursuant to the law under which COPAB was created. This regulation includes the main guidelines that govern the Corporation's activity.

Moreover, from the management point of view, the preparation and approval of the 2011-2013 Triennial Strategic Plan, setting forth the mission, vision, principles and core values and strategic guidelines for the above period, was also a significant event. The Operating Plan for priority strategic objectives was also approved. We understand both tools are crucial to modern and effective management of the national deposit insurance system.

To summarize, significant progress has been made during this year in terms of creating an organization able to face the multiple challenges that lie ahead. In the nearest future, we have identified as our main challenges the preparation of banking resolution process manuals, the implementation of an early warning system, and the development of coordination mechanisms with the system's regulator and supervisor, to ensure the best possible resolution in the event of insolvency affecting an institution that contributes to the Deposit Insurance Fund managed by COPAB.

President
Adela Hounie

Board of Directors



Adela Hounie
President & CEO



Hugo Libonatti
Vice President



José A. Pini
Director

Management



Jorge Sánchez
Manager



José Sánchez
Deputy Manager



Gabriel Lemus
Deputy Manager



Banco Bandes Uruguay S.A.



Banco Bilbao Vizcaya Argentaria Uruguay S.A.



2

The Bank Savings
Protection
Corporation



2. The Bank Savings Protection Corporation

The Bank Savings Protection Corporation (COPAB) is a non-government-controlled legal person ruled by public law, created pursuant to Law 18,401 dated 24 October 2008. It began its activities on 1 September 2009, when the members of the First Board of Directors took office.

2.1 Mission

To contribute to the stability of the financial system and to public confidence, cooperating with the Central Bank of Uruguay, and particularly, with the Financial Services Authority. To protect depositors, conducting the bank resolution process or reimbursing insured depositors, in order to minimize the impact of crisis situations. To effectively manage the Fund's resources. To act as a Receiver of failed financial institutions and their collaterals.

2.2 Vision

To be recognized as a professional, reliable, efficient, and transparent institution as regards fulfillment of its mission. To be perceived as a specialized participant in the financial safety net, operating in cooperation with the Central Bank of Uruguay and the Financial Services Authority. To be appreciated as an organization relying on a competent and committed staff, proud to belong to this organization.



2.3 Corporate Values

- 1. Integrity.** To evidence a sense of rectitude, probity and honesty.
- 2. Professionalism.** To provide service excellence.
- 3. Efficiency.** To achieve objectives and goals, optimizing available resources.
- 4. Commitment.** To perform its obligations surpassing expectations, being constantly willing to serve and to collaborate with others.
- 5. Teamwork.** To build a team with supplementary capabilities, committed with the institutional project, sharing mutual responsibility.
- 6. Independence.** To make independent decisions, seeking objectiveness and impartiality.
- 7. Responsibility.** To be able to recognize and accept the consequences of its actions and decisions. To be accountable to the community as a whole as well as to other stakeholders.
- 8. Responsible Transparency.** To guarantee people's right to access public information, excluding any secret, restricted, or confidential information.
- 9. Confidentiality.** To ensure information is only disclosed to duly authorized parties.

2.4 Corporate Objectives

Some of the Corporation's responsibilities had been previously assigned to the Bank Savings Protection Authority (Superintendencia de Protección del Ahorro Bancario), a decentralized unit housed at the Central Bank of Uruguay. In addition, new responsibilities were assigned to the Corporation pursuant to Law 18,401 and Decree N° 224/011.

The first group of responsibilities refer to the Deposit Insurance System (SSD) as a Pay Box, that is, management of the Deposit Insurance Fund, and reimbursing depositors in case the corresponding entities enter into liquidation.

Additionally, Law 18,401 includes among COPAB's responsibilities that of acting during a bank crisis, whether through the application of solution procedures or undertaking the liquidation of the financial institution deemed inviable by BCU.

Consequently, the Corporation performs the role of a deposit insurer with full powers set by law, and takes also part of the financial safety net, jointly with the lender of last resort (BCU) and the system's supervisor and regulator (BCU Financial Services Authority).

It should be noted that on 23 June 2011, the Government issued Decree N° 224/011 whereby the Financial Stability Committee (CEF),

comprising the Minister of Economy and Finance, the President of the Central Bank of Uruguay, the Financial Services Superintendent, and COPAB's President, was created.

This Committee's creation is based on the fact that financial stability is considered a public good, which requires members of the financial safety net to systematically identify and monitor the risks to which financial activity is exposed.

Furthermore, considering regulatory responsibility in a broad sense, and taking into account the need to protect the interests of small, non-sophisticated agents and to preserve the payment system's healthy operation, the following have been defined as the abovementioned Committee's purposes:

- To exchange information and visions regarding the situation and prospects for the financial system, using a systemic and macro-prudential approach;
- To promote research aimed at identifying and measuring those systemic risks that affect the financial system;
- To propose strategies to manage the identified risks, thus contributing to each organization's improvement of its specific mandate.



2. The Bank Savings Protection Corporation

- To support the use of tools aimed at effectively preventing and managing crises with potentially systemic consequences, including contingency plans and early warning systems;
- To foster coordination with regional or international organizations in financial stability-related issues, whether through the exchange of information or the organization of working teams, in order to enable better fulfillment of the objectives set.

CEF's creation is of vital importance to COPAB, in that it has strengthened both COPAB's role as a specialized participant in the financial safety net as well as the implementation of coordination mechanisms with other members of the net, thus contributing to preserve our financial system's stability.



2.5 Leadership

The Corporation is run by a Board of Directors comprising a President, a Vice President, and a Director, appointed by the Executive Power with the Senate's approval. The Director is selected from a list of three candidates proposed by the institutions which make contributions to the Fund. The members of the Board of Directors hold their offices for an 8-year term, after having been appointed for diverse-length periods throughout their first term of office, which allows for staggered termination of individual terms of office, thus contributing to the corporation's stability.





Banco de la Nación Argentina



Banco de la República Oriental del Uruguay



3

Operations
Report

3. Operations Report

Below we present the main aspects of the Corporation's operations during 2011.

Throughout this period, COPAB focused on:

- Establishing its regulatory framework as an independent institution;
- Strengthening SSD management;
- Designing projects for both policies and operational manuals regarding the activities assigned to the Corporation under the law, in connection with the Bank Resolution Process (PRB), considering the current period of stability that makes it possible to anticipate situations requiring resolution whenever a financial institution in crisis needs to be intervened;
- Decided financial institutions' liquidation proceedings formerly decided by the Central Bank of Uruguay.

Below we describe the main features of COPAB's operations regarding its institutional status, the SSD and the PRB.







Banco Hipotecario del Uruguay



Banco Itaú Uruguay SA



3.1

About COPAB



3.1. Capacity Building

COPAB's institutional status has been strengthened in 2011 due to the approval of the Corporation's General Regulation (Government Decree N° 427/011 dated 8 December 2011). This regulation governs the Corporation's legal regime, its relationships with the lender of last resort and the bank regulator and supervisor, the characteristics of public information access, the Board of Directors' powers, operations, the Board of Directors' President's powers, the general features of the Corporation's staff's working regime, and the general features of the administrative procedures, appealing processes, the action for declaration of illegitimate acts, and the contracting of goods and services.

Furthermore, it should be noted that, pursuant to Law N° 18,401, the 2011 Budget was prepared in September 2010, and approved by the Government through Decree N° 406/010 dated 29 December 2010. This budget's main features are as follows: 1) the projected

income arises almost exclusively from the funds contributed by the FGDB pursuant to section 23 of Law N° 18,401, 2) staff costs reflect a minimal stable structure (3 Directors and 11 employees), 3) operation expenditure, as well as staff costs, are the ones required to provide the necessary resources for attaining the strategic objectives set, and 4) an infrastructure cost item was included, which allowed for appropriate fitting of the Corporation's new offices.

The proposed Budget for 2012 was prepared in 2011. It was approved by the Government pursuant to Decree N° 467/011 dated 27 December 2011.

Moreover, by means of an interactive process involving the staff and the Board of Directors, the Strategic Objectives for 2011-2012 were defined and a Strategic Plan was prepared for the 2011-2012 period.



3.1.1 Agreements with BCU

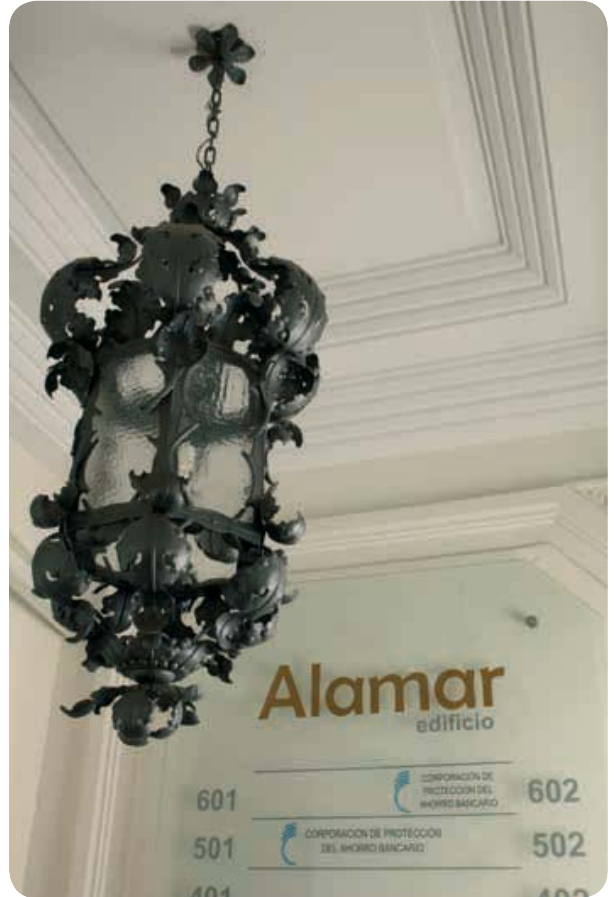
The agreements with BCU regarding assistance by the Asset Management and IT Areas remained in force throughout the 2011 Fiscal Year.

The Asset Management Area advises COPAB regarding foreign currency investments with FGDB resources.

The IT Area provides COPAB with assistance regarding reception of information on deposits submitted on a monthly basis to COPAB by FGDB-contributing financial institutions, as well as on the management of computer storage media used for managing the entities under liquidation transferred to COPAB.

3.1.2 Operational Autonomy

The Corporation began to operate from its current office as from 1 December 2010, which marked the beginning of its independent existence from the BCU from the operational point of view. One of the objectives set by the Corporation for 2011 was to consolidate its operational autonomy regarding location and technology-related aspects. In this sense, the installation of autonomous IT servers in BCU for managing COPAB's reception of information from FGDB-contributing institutions, was completed during this period. Furthermore, the Corporation's own website began to be produced in July.





3.1. About COPAB

3.1.3 Human Resources

Initially, the Corporation employed BCU-seconded staff. This staff already performed the functions transferred pursuant to Law 18,401.

Additionally, it became necessary to hire staff directly; the services of a specialized firm were thus required. The selection process was carried out by means of an open invitation to fill positions within the organization, aimed at hiring qualified staff with experience in this area, according to the Corporation's core values.

On 1 September 2011, after two years in service, five employees that were part of the BCU-seconded staff, made use of the option

contemplated by Law N° 18,401 and became part of the Corporation's permanent staff, reserving their positions at BCU during a 3-year period.

Consequently, by the end of 2011 only two BCU employees were seconded staff: for one of them, the period for exercising the incorporation option expired in March 2012, and this employee chose to remain at COPAB. The other employee is still part of the seconded staff, since he has been assigned to the management of entities under liquidation transferred from BCU as from 16 December 2011.

3.1.4 General Training

Consistent with the purpose of ensuring that the Corporation's staff remains updated and aligned with the best practices, the following general training activities were undertaken in 2011:

- "Governance Implementation Guide Using COBIT and Val TI" Course, organized by ISACA in Montevideo, 28 and 29 April 2011;
- "Advanced Financial Research" Course, organized by the US Treasury's Office of Technical Assistance (OTA) in Montevideo, 23 to 25 May 2011;
- Microsoft Project Course, organized by a Microsoft specialist during July and August 2011;
- "Assessment of Core Principles for Effective Deposit Insurance Systems Implementation" Seminar, organized by IADI in Basel, Switzerland, September 6 to 8, 2011.

In order to strengthen English language skills among COPAB's staff, different English language courses have been organized according to the skills displayed by the different staff members. These courses have been implemented by local well-known language educational centers. The purpose of these courses is to prepare staff members for international exams (BEC Preliminary, BEC Vantage and BEC Higher).



3.1.5 Participation in International Organizations

The International Association of Deposit Insurers (IADI) has created several Regional Committees, and COPAB is a member of the Regional Committee for Latin America (CRAL). In such capacity, COPAB participated at the 8th Annual meeting of the Regional Committee for Latin America held in Cartagena, Colombia, in March 2011. On that occasion, COPAB's proposal to designate Uruguay as the venue for the 9th Annual Meeting of the Regional Committee for Latin America was accepted.

Consequently, in 2011, this event began to be organized. Plans

were to hold the meeting in Punta del Este in March 2012, with the presence of representatives from several countries as well as well-known international speakers.

In its capacity as member, the Corporation took part in the 10th Annual Conference of IADI held in Warsaw, Poland, in October, at which several theme relating to the activity of the Association and the best practices regarding deposit insurance were discussed. The event's central issue was summarized as: "Beyond the crisis: the need to strengthen financial stability framework".





Banco Santander S.A.



Banque Heritage (Uruguay) S.A.



3.2

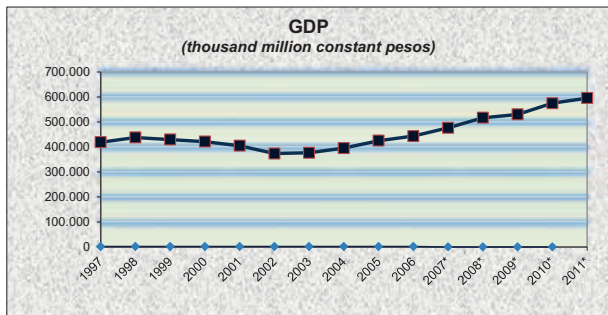
Deposit
Insurance System

3.2. Deposit Insurance System

Firstly, we present a brief description of the Uruguayan banking system, since it provides financial support to SSD activities. Then we describe the evolution of the deposits included in the system, the FGDB, and other related variables.

3.2.1 Uruguayan Banking System

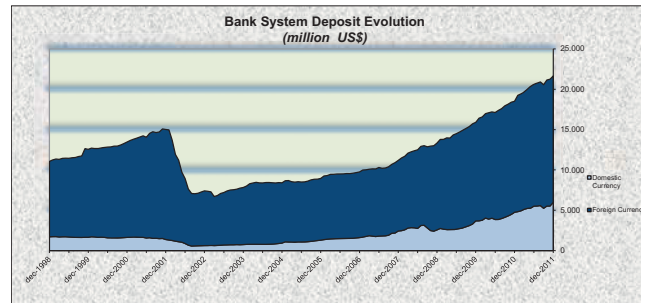
The Uruguayan economy has been growing steadily in the course of the last years. GDP levels have greatly surpassed those prior to the 2002 crisis, as it can be seen in the chart below:



* Preliminary Data
Source: BCU

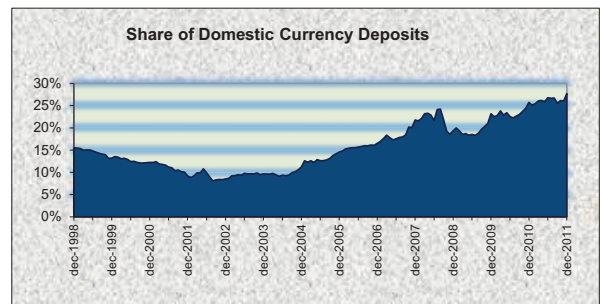
In 2011, the Gross Domestic Product grew 5.7%, a dynamism that takes place in a context of great instability of the world economy and weakened currencies, while, locally, there is strong pressure on price levels.

In this context, financial system deposits have grown, reaching levels one third above the maximum levels prior to the 2002 crisis (measured in current dollars):



Source: BCU, deposits in the banking system of the private and public sectors (not including Central Government or Social Security Bank)

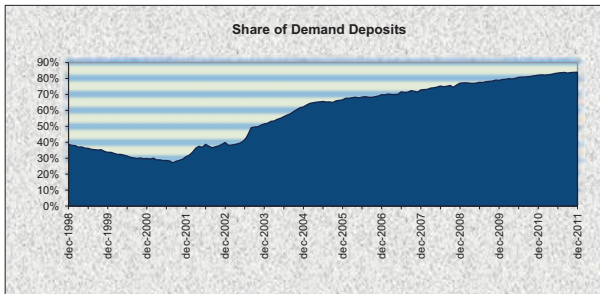
As far as deposits' denominated currency is concerned, there has been an increasing participation of domestic currency deposits, ranging from 9.2% in December 2001 up to 28% by the end of December 2011 (see chart below):



Source: BCU

This is partially explained by the interest rate and devaluation differential observed in the last years, which has resulted in bank deposits in dollars yielding negative real returns, as well as by official measures aimed at stimulating domestic currency deposits through the use of indexed units, or by means of greater insurance coverage for domestic currency deposits.

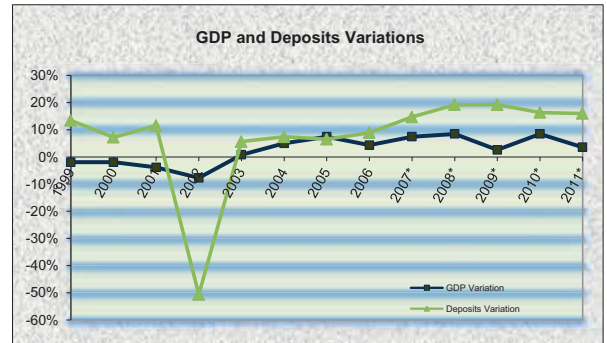
Another relevant aspect is the increased use of demand and call deposits, which represent, as at December 2011, 84 % of the total, as it can be seen in the chart below:



Source: BCU

This important participation of demand deposits, which is consistent with crisis times, has remained, and even increased lately, despite the strength of domestic banking institutions. A possible factor influencing this situation could be the extremely low level of interest rates paid by banks in the system (consistent with international rates).

Considering the factors contributing to greater volatility of deposits within our system, non-resident deposits have decreased, from approximately 46% prior to the crisis (historically they represented a third of the total), to the current 21% figure. Most of these deposits are considered less stable since they include a provision component in the event of any problems arising in their countries of origin.



*Preliminary Data for GDP Series
Source: BCU

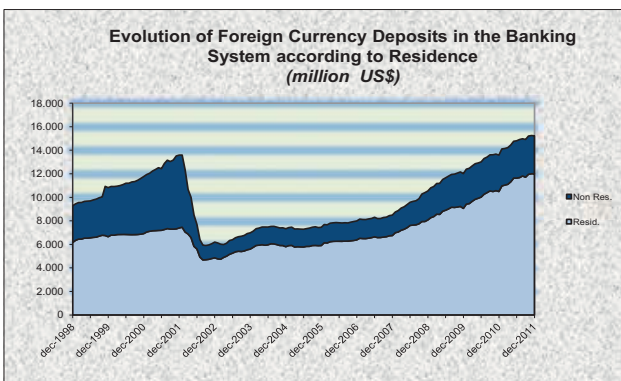
The Economic Expectations Survey (BCU) for 2011-2012 suggests an economic growth scenario, which might lead to an increase in the amount of deposits in the financial system. Additionally, government measures against inflation might include an increase in interest rates within a context of monetary policies implemented for such purpose, which in turn would make deposits in domestic currency more attractive.

3.2.2 Deposit Insurance System

The SSD is funded by the FGDB, which is an independent and unseizable patrimony of affectation. The FGDB receives funds from the following sources: a) contributions made by banks and financial cooperatives; b) returns yielded by the respective placements; c) proceeds from loans; d) the Corporation's net profits; e) the preferred capital contributed by the Government; f) recoveries corresponding to subrogation rights upon payments of insured deposits in the event of liquidation of banks or financial cooperatives; and g) income arising from penalties and surcharges.

Pursuant to applicable legal regulations, the purpose of the FGDB is: a) to guarantee deposits of any nature, made by individuals or legal entities from the non-financial sector -with the exception of any deposits made by the Central Government and the Social Security Bank- in banks and financial cooperatives; b) to contribute to the application of the Solution Procedures in the event of any crisis affecting contributing entities; and c) to provide the necessary funding for the Corporation's budget.

The Corporation's mandate is to manage the FGDB, that is, adequately manage its resources and the use thereof. The results of such management during 2011 are described in the FGDB Financial Statements as at 31 December 2011, included in this Report.



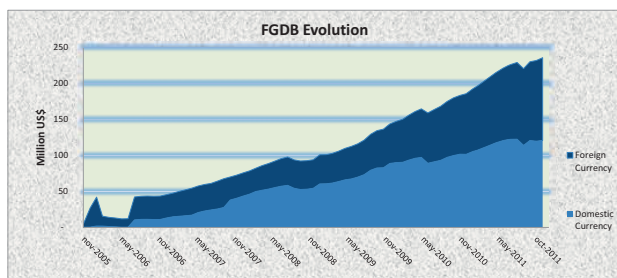
Source: BCU

As it can be seen in the following chart, the amount of total deposits has grown at a higher rate than our economy, having experienced a sharp decrease during the 2002 financial crisis.

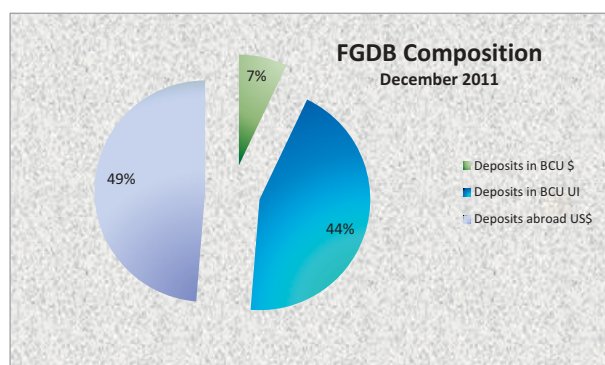
3.2. Deposit Insurance System

3.2.3 Liquid Assets and Investments

As at 31 December 2011 available funds within the FGDB increased to US dollars 236.2 million. The chart below illustrates the evolution of the FGDB resources since the fund was created in November 2005.



The FGDB's Liquid Assets in domestic currency are placed in the Central Bank of Uruguay (approximately 51% of the total), while foreign currency liquid assets are placed in foreign financial institutions with the best risk rating.



3.2.4 Deposits Information System

In order to deal with the appropriate information required for providing coverage to insured deposits, within the amounts provided for by regulations in force, FGDB-contributing institutions submit, at the end of each month, an itemization of the deposits held in each of them. This information is received by the Financial Institutions' Deposits Information System (SIDIIF), which is being used since 2006 and is processed by BCU according to our interinstitutional agreement. This system includes the necessary mechanisms to ensure strict confidentiality of all information on deposits' holders.

The SIDIIF provides, on a monthly basis, information on the amount of coverage that the FGDB should provide in case a financial institution enters in a Bank Resolution Process. Moreover, this system includes an audit unit to monitor the quality of such information as regards compliance with COPAB regulations.

3.2.5 Deposits Information Summary

The next chart and graphs include the amounts of insured deposits¹ and the corresponding insurance coverage², by currency and for the system in its entirety, at the closing date of each fiscal year:

1. Insured deposits: Deposits covered pursuant to section 31 of Law N° 18,401 dated 24 October 2008, that is, covered by the FGDB in the event of liquidation of the respective financial institution.

2. Insurance coverage: The portion of the insured deposit to be reimbursed to depositors in the event of liquidation of the financial institution, pursuant to section 5 of Decree N° 103/005 dated 7 March 2005.

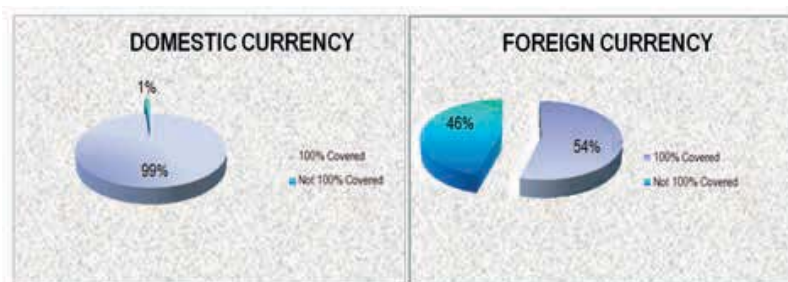
Coverage to deposits included in the SSD

(millions)

	Domestic Currency					Foreign Currency in US\$			Total in US\$		
	Insured Deposits		Insurance Coverage		%	Insured Deposits	Insurance Coverage	%	Insured Deposits	Insurance Coverage	%
	\$	in US\$	\$	in US\$							
dec-06	33.582	1.376	17.420	714	52%	7.979	1.572	20%	9.355	2.286	24%
dec-07	60.228	2.801	25.031	1.164	42%	8.638	1.632	19%	11.440	2.796	24%
dec-08	71.876	2.952	30.977	1.272	43%	10.705	1.751	16%	13.657	3.023	22%
dec-09	76.192	3.882	36.020	1.835	47%	11.991	1.884	16%	15.873	3.719	23%
dec-10	93.298	4.643	46.009	2.290	49%	13.523	2.001	15%	18.166	4.291	24%
dec-11	117.396	5.900	56.385	2.834	48%	15.242	2.088	14%	21.142	4.922	23%
jun-12	124.257	5.670	60.582	2.765	49%	16.503	2.088	13%	22.173	4.853	22%

Percentage of Persons with totally-covered deposits

(December 2011)



According to the insurance limits in force and considering our system's deposit structure, there is a significant total insurance coverage provided to depositors, which reaches 99% in the case of persons holding domestic currency deposits.

3.2.6 Determination of Contributions

The SIDIF enables to determine the contributions to be paid to the FGDB by banks and financial cooperatives by applying fixed and variable rates pursuant to the regulations in force. The fixed rate is calculated by applying a rate on the annual average amount of all deposits of the non-financial sector (except those from the Central Government and Social Security Bank). Currently, this rate is set as 1‰ (annual) for domestic currency deposits and 2‰ (annual) for foreign currency deposits. The variable rate is additional to the fixed one and is applied according to the risk category assigned to each institution by the Methodology defined by the Corporation, said rates ranging from 0 and 2‰.

During the 2005-2010 period, financial institutions were required to submit every year in December, a calculation of the contributions they should have to pay the following year. In order to decrease the amount of information to be submitted by financial institutions and considering that the SIDIF provides the necessary information for determining the contributions, in December 2010 it was resolved said calculation would be made directly by the Corporation, which began to be implemented in 2011.



3.2. Deposit Insurance System

3.2.7 Risk Assessment

In order to conduct a permanent assessment of the risk affecting the strength and solvency of financial institutions, the Corporation applies the Risk Assessment Methodology defined in 2006, according to which each institution is assigned a particular risk category.

In order to strengthen the assessment of the risks affecting FGDB-contributing institutions, indicators continued to be developed through the incorporation of tools used throughout the different training stages as well as the best practices at international level.

3.2.8 Regulation Updating

Regulations regarding the Deposit Insurance System were duly reviewed. This process ended in 2011 with the approval of a new

version of the Bank Savings Protection Compiled Regulations included in Circular N° 1, of 16 May 2011.



3.2.9 Specific Training

Several training courses have been implemented in order to strengthen the capabilities of the Corporation's staff regarding SSD management, among them the following:

- “Deposit Insurance Assessment and Fund Management” Seminar, 5 to 7 April, 2011, in Washington, USA;
- “Financial Crisis, The Role of Deposit Insurance”, Basel, 8 and 9 June, 2011;
- “Mejores Prácticas en Gestión de Riesgo”, Course organized by UPAE in Montevideo, 15 to 24 June, 2011;
- “Pasantía en Instituto para Protección del Ahorro Bancario”, Mexico, 18 to 20 July, 2011;
- “Como entender la coyuntura uruguaya: Indicadores y Principales Tendencias” Course, organized by UPAE in Montevideo, 3 to 10 November, 2011;
- “Supervisión de Conglomerados Financieros” Course, organized at BCU, 12 to 15 December, 2011.

3.2.10 Public Awareness

Until 2010, COPAB's activities, and particularly, all aspects concerning the deposit insurance system, were announced on the BCU website. In 2011, a new website for the Corporation –the design of which had begun in 2010- was created. This website includes all relevant information related to the Corporation's activities (institutional information, as well as information on regulations, financial statements, examples of coverage options for depositors, links to related organizations, and news, among other items).





Citibank N.A. Sucursal Uruguay



Cooperativa de Ahorro y Crédito FUCEREP



3.3

Bank Resolution
Process



3.3. Bank Resolution Process

Throughout 2011 the Corporation has carried out activities in connection with the PRB strategic objectives. Different levels of progress were attained, depending on the scope and complexity of each objective.

3.3.1 Analysis of Legal and Regulatory Framework

An analysis of legal and regulatory provisions regarding banking resolution has been carried out, and it has been concluded that certain legislation changes need to be implemented. Therefore, the advice of a Banking Law expert has been requested. All amendments proposed

will be submitted for analysis and evaluation to the other members of the financial safety net (Central Bank of Uruguay and Financial Services Authority), as well as to the authorities of the Ministry of Economy and Finance.

3.3.2 Bank Resolution Operating Plan

Throughout this fiscal year, bank resolution operating plans have been developed jointly with a consultant from the US Treasury's Office of Technical Assistance (OTA).

3.3.3 Relationships with SSF

A Memorandum of Understanding (MOU) proposal has been issued within COPAB, to be signed with the Financial Services Authority. The purpose of this agreement is to create a coordinated action plan to facilitate communication and execution of activities in a harmonized and consistent way, between both entities. This MOU is necessary considering the vicinity of their mandates and public policy objectives, always within the context of members of the financial safety network.



3.3.4 Current Bank Liquidations transfer

Pursuant to section 50 of Law N° 18,401 dated 24 October 2008, and within the framework of the related agreements on terms and

conditions with BCU, as from 16 December 2011 COPAB is responsible for managing the following institutions under liquidation:

Banco Comercial S.A. (under liquidation)

Banco de Montevideo S.A. (under liquidation)

Banco La Caja Obrera S.A. (under liquidation)

Banco Comercial – Fondo de Recuperación de Patrimonio Bancario

Banco de Montevideo – Fondo de Recuperación de Patrimonio Bancario

Banco La Caja Obrera – Fondo de Recuperación de Patrimonio Bancario

Comercial Administradora de Fondos de Inversión S.A.

BM Administradora de Fondos de Inversión S.A.



3.3.5 Specific Training

- “Mejores Prácticas en Gestión de Riesgo” Course, organized by UPAE in Montevideo, 15 to 24 June, 2011;

- “Pasantía en Instituto para Protección del Ahorro Bancario”, Mexico, 18 to 20 July, 2011. On this occasion, the following aspects were discussed with different professionals and managers from IPAB: plans to reform legal regimes in force regarding bankruptcy, legal analysis

and practical application of bank resolution procedures contemplated by the legislation, reimbursement procedures aimed at depositors, management and recovery of assets in liquidation procedures and supervision of trusts and managing entities.

- “Derecho Bancario” Course, organized at the School of Law of Universidad de Montevideo, 15 September to 22 November, 2011.



Discount Bank (Latin America) S.A.



HSBC Bank (Uruguay) S.A.

234	113	215	876	234	113	215	876
34	216	745	345	34	216	745	345
657	410	465	890	312	906	321	145



234	113	215	876	234	113	215	876
34	216	745	345	34	216	745	345
657	410	465	890	312	906	321	145
1233	432	412	523	412	234	753	1236
987	113	745	876	978	432	215	2315
234	216	465	345	34	216	745	876
34	410	987	890	312	906	321	145
657	432	412	523	412	234	753	1236
1233	523	215	876	978	432	215	2315
987	113	745	345	34	216	745	876
234	216	465	890	312	906	321	145
34	410	987	876	234	113	215	876
657	432	412	523	412	234	753	1236
1233	523	215	876	978	432	215	2315
987	113	745	345	34	216	745	876

4

FGDB Financial Statements as at 31 December 2011

DEPOSIT INSURANCE FUND (FONDO DE GARANTÍA DE DEPÓSITOS BANCARIOS)**FINANCIAL STATEMENTS AS AT 31 DECEMBER 2011 (COMPARATIVE TO THE PREVIOUS FISCAL YEAR)****CPA-FERRERE**

Mendiburu Battistessa Nelson, Cerisola Cardoso Andrés Miguel y Otros.

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INDEPENDENT AUDITOR'S REPORT

The Directors of the **BANK SAVINGS PROTECTION CORPORATION** (“*Corporación de Protección del Ahorro Bancario*”)

Dear Sirs,

We have audited the attached financial statements of the DEPOSIT INSURANCE FUND (hereinafter “FGDB” or “the Fund”), managed by the Bank Savings Protection Corporation (hereinafter “COPAB” or “the Corporation”), which include the Statement of Financial Position as at 31 December, 2011, the respective Profit and Loss Statement, Statement of Changes in Equity, and Source and Application of Funds Statement for the fiscal year ended on the abovementioned date, as well as the respective explanatory notes.

Management's Responsibility Regarding Financial Statements

The Corporation's Management is responsible for preparing and reasonably presenting the financial statements attached hereto, pursuant to the appropriate accounting standards and Ordinance N° 81 of the Court of Audit (“*Tribunal de Cuentas*”) of the Republic of Uruguay. This responsibility includes the design, implementation, and maintenance of an appropriate internal control system to ensure that financial statements are reasonably prepared and presented, and that they are free of significant mistakes caused by either fraud or error, the selection and application of appropriate accounting policies, and the preparation of reasonable accounting estimates according to the circumstances.

Auditor's Responsibility

Our responsibility is to issue an opinion in connection with the abovementioned financial statements based on our audit. Our audit was carried out according to the international auditing standards issued by the International Federation of Accountants (IFAC). These standards require compliance with ethical requirements, as well as planning and auditing procedures required to obtain reasonable certainty that the financial statements are free of any significant mistakes.

An audit involves carrying out certain procedures in order to obtain audit evidence of financial statements' amounts and disclosures. The selected procedures depend on the Auditor's opinion, including the assessment of risks regarding the existence of significant mistakes in the financial statements, whether due to fraud or error. When assessing risks, the Auditor takes into consideration internal-control aspects deemed relevant for reasonably preparing and presenting the Fund's financial statements, in order to design audit procedures according to the circumstances, but not with the purpose of expressing an opinion on the effectiveness of the corporation's internal control. An audit also implies assessing the degree of suitability of the accounting policies applied, and the reasonability of the accounting estimates issued by the Board of Directors, as well as assessing the general presentation of the financial statements.

We believe the evidence yielded by this audit provides a sufficient and appropriate basis to support our opinion.

FONDO DE GARANTÍA DE DEPÓSITOS BANCARIOS
("DEPOSIT INSURANCE FUND")

Opinion

In our opinion, the abovementioned financial statements reasonably present, in all material respects, the asset position of the DEPOSIT INSURANCE FUND as at 31 December 2011, the results of its operations, changes in equity, and source and application of funds for the fiscal year ended on the abovementioned date, pursuant to the Appropriate Accounting Standards and Ordinance N° 81 of the Court of Audit of the Republic of Uruguay.

Emphasis on issues not affecting our opinion

The financial statements as at 31 December 2010, presented only for comparative purposes, were examined by other auditors, whose report relating thereto, dated 16 March 2011, presents an unqualified opinion.

Montevideo, 15 March, 2012

CPA FERRERE

NELSON MENDIBURU. Partner. Public Accountant. University Graduates Retirement Fund
N°: 42,226.

FONDO DE GARANTÍA DE DEPÓSITOS BANCARIOS ("*DEPOSIT INSURANCE FUND*")
 STATEMENT OF FINANCIAL POSITION (COMPARATIVE WITH PREVIOUS FISCAL YEAR)
 AS AT 31 DECEMBER 2011
 (expressed in Uruguayan pesos purchasing power as at 31 December 2011)

ASSETS	2011	2010
CURRENT ASSETS		
Liquid Assets (Note 2.14)	4,252,629	6,080,639
Temporary Investments (Note 3.4.1)	4,715,599,137	3,948,962,499
TOTAL CURRENT ASSETS	<u>4,719,851,766</u>	<u>3,955,043,138</u>
NON-CURRENT ASSETS		
Long-term Investments (Note 3.4.2)	22,589,087	187,988,520
TOTAL NON-CURRENT ASSETS	<u>22,589,087</u>	<u>187,988,520</u>
TOTAL ASSETS	<u>4,742,440,853</u>	<u>4,143,031,658</u>

Notes 1 to 11 attached hereto are an integral part of the financial statements.

FONDO DE GARANTÍA DE DEPÓSITOS BANCARIOS
("DEPOSIT INSURANCE FUND")

FONDO DE GARANTÍA DE DEPÓSITOS BANCARIOS ("DEPOSIT INSURANCE FUND")

STATEMENT OF FINANCIAL POSITION (COMPARATIVE WITH PREVIOUS FISCAL YEAR)
AS AT 31 DECEMBER 2011
(expressed in Uruguayan pesos purchasing power as at 31 December 2011)

LIABILITIES	2011	2010
 CURRENT LIABILITIES		
Financial Debts (Note 3.4.3)	47,607,924	59,484,939
Miscellaneous Debts (Note 4)	3,938,410	3,364,393
TOTAL CURRENT LIABILITIES	51,546,334	62,849,332
 NON CURRENT LIABILITIES		
Financial Debts (Note 3.4.4)	318,368,000	392,797,512
TOTAL NON CURRENT LIABILITIES	318,368,000	392,797,512
TOTAL LIABILITIES	369,914,334	455,646,844
 EQUITY		
Retained Earnings	3,687,384,814	2,890,636,895
Fiscal Year Earnings	685,141,705	796,747,919
TOTAL EQUITY	4,372,526,519	3,687,384,814
TOTAL LIABILITIES AND EQUITY	4,742,440,853	4,143,031,658

Notes 1 to 11 attached hereto are an integral part of the financial statements.

**FONDO DE GARANTÍA DE DEPÓSITOS BANCARIOS ("DEPOSIT INSURANCE FUND")
PROFIT AND LOSS STATEMENT (COMPARATIVE WITH PREVIOUS FISCAL YEAR) AS AT
31 DECEMBER 2011**

(expressed in Uruguayan pesos purchasing power as at 31 December 2011)

	2011	2010
Contributions of Financial Institutions (Note 2.13)	805,863,268	806,483,322
GROSS INCOME	805,863,268	806,483,322
Administrative Expenses (Note 5)	(29,236,749)	(28,027,920)
OPERATING INCOME	776,626,519	778,455,402
Miscellaneous Income	(20,116)	(21,786)
Financial Income (Note 6)	(91,464,698)	18,314,303
FISCAL YEAR EARNINGS	685,141,705	796,747,919

Notes 1 to 11 attached hereto are an integral part of the financial statements.

FONDO DE GARANTÍA DE DEPÓSITOS BANCARIOS ("*DEPOSIT INSURANCE FUND*")
 STATEMENT OF CHANGES IN EQUITY FOR THE FISCAL YEAR ENDED ON 31 DECEMBER
 2011 (COMPARATIVE WITH PREVIOUS FISCAL YEAR)
 (expressed in Uruguayan pesos purchasing power as at 31 December 2011)

	RETAINED EARNINGS	TOTAL EQUITY
BALANCES AS AT 31 DECEMBER 2009	2,890,636,895	2,890,636,895
Fiscal Year Earnings	796,747,919	796,747,919
SUB TOTAL	796,747,919	796,747,919
BALANCES AS AT 31 DECEMBER 2010		
Non-Assigned Earnings	3,687,384,814	3,687,384,814
TOTAL	3,687,384,814	3,687,384,814
Fiscal Year Earnings	685,141,705	685,141,705
SUB TOTAL	685,141,705	685,141,705
BALANCES AS AT 31 DECEMBER 2011		
Non-Assigned Earnings	4,372,526,519	4,372,526,519
TOTAL	4,372,526,519	4,372,526,519

Notes 1 to 11 attached hereto are an integral part of the financial statements.

**FONDO DE GARANTÍA DE DEPÓSITOS BANCARIOS ("DEPOSIT INSURANCE FUND")
SOURCE AND APPLICATION OF FUNDS STATEMENT FOR THE FISCAL YEAR ENDED ON
31 DECEMBER 2011 (COMPARATIVE WITH PREVIOUS FISCAL YEAR)
(expressed in Uruguayan pesos purchasing power as at 31 December 2011)**

	2011	2010
1. CASH FLOWS FROM OPERATING ACTIVITIES		
Fiscal Year Earnings	685,141,705	796,747,919
Plus / (Less) Items not representing fund movements		
Accrued and Non-Collected Interests	(859,618)	(7,218,644)
Accrued and Non-Paid Charges	7,161,317	16,244,146
Exchange Rate Differences and RDM /Inflation Exposure Results/	145,007,591	47,453,687
Changes in Assets and Liabilities		
Variation in operating liabilities	574,016	1,647,957
Funds Applied In Operations	837,025,011	854,875,065
2. CASH FLOW FROM INVESTMENTS		
Variation of Long-Term Investments	144,448,742	346,630,751
Collected Interests	22,051,852	25,938,892
Funds Obtained From Investments	166,500,594	372,569,642
3. CASH FLOW FROM FUNDING		
Payment of Financial Debts	(41,248,242)	
Payment of Interest Charges	(14,364,580)	(22,170,391)
Funds Applied to Funding	(55,612,822)	(22,170,391)
4. INCREASE OF NET CASH AND CASH EQUIVALENTS FLOW	947,912,783	1,205,274,316
5. INITIAL CASH AND CASH EQUIVALENTS FLOW	3,955,043,138	2,818,749,697
Exchange Rate Difference and RDM for cash and cash equivalents	(183,104,155)	(68,980,875)
6. FINAL CASH AND CASH EQUIVALENTS BALANCE	4,719,851,766	3,955,043,138

Notes 1 to 11 attached hereto are an integral part of the financial statements.

FONDO DE GARANTÍA DE DEPÓSITOS BANCARIOS ("DEPOSIT INSURANCE FUND")

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2011

(stated in Uruguayan Pesos purchasing power as at 31 December 2011)

NOTE 1 - LEGAL NATURE, REGULATORY FRAMEWORK AND OPERATIONAL CONTEXT

1.1 Legal Nature and Object of the Deposit Insurance Fund

The Deposit Insurance Fund (*Fondo de Garantía de Depósitos Bancarios*) (FGDB) created pursuant to section 45 of Law N° 17,613 dated December 27, 2002, is an independent patrimony of affectation ("*patrimonio de afectación*") with no legal personality. The object of the FGDB is to guarantee the deposits of banks and financial cooperatives under the conditions provided for by the Law and its regulatory regime. Law N° 18,401 amends the Central Bank of Uruguay's (BCU) Organic Chart and creates the Bank Savings Protection Corporation (*Corporación de Protección del Ahorro Bancario*) (COPAB) as a non-government-controlled entity governed by public law, one of the purposes of which is to manage the FGDB (which was formerly managed by BCU).

On September 1, 2009, the members of the Board of Directors of COPAB took office, and the Board became, as from said date, responsible for the management of the FGDB.

1.2 Deposits Insurance

Pursuant to Section 35 of Law N° 18,401 in the event of liquidation of any of the financial institutions contemplated by this Law the reimbursement process will be triggered, provided there has been no allocation of FGDB resources pursuant to one of the Solution Procedures provided for by the same Law. Furthermore, this Law provides that COPAB will approve the regulations (within the framework established by the abovementioned Law) required in order to set the terms and conditions of the coverage to be provided by the FGDB to depositors.

Section 31 of the abovementioned Law states that the FGDB will insure deposits of any nature, made by individuals or legal entities from the non-financial sector -with the exception of any deposits made by the Central Government and the Social Security Bank / *Banco de Previsión Social* / (BPS)- in any of the financial institutions referred to by section 17bis of Decree-Law N° 15,322 dated 17 September 1982, as amended by section 2 of Law N° 16,327 dated 11 November 1992 (banks and financial cooperatives).

Currently, the provisions of section 5 of Decree N° 103/005 dated 7 March 2005 continue to apply, that is: the FGDB covers up to US\$ 5,000 (equivalent, as at 31 December 2011 to \$99,490) for the total amount of foreign currency deposits made by each individual or legal entity in each financial institution contemplated by this regime, and up to the equivalent of 250,000 Indexed Units (equivalent, as at December 31, 2011 to \$ 579,275) for the total amount of domestic currency deposits made by each individual or legal entity in each of said financial institutions.

1.3 Fund Resources

Pursuant to section 46 of Law N° 17,613 and section 38 of Law N° 18,401, the FGDB will be formed with the following resources:

1. the contribution made by banks and financial cooperatives,
2. the proceeds and repayments of placements made by COPAB in pursuance of its legal object,
3. the proceeds of loans agreed by and between COPAB and any national, foreign, or international financial entity, in order to carry out its objectives, whether with Fund resources or in order to obtain such resources,
4. COPAB's net profits,
5. the preferred capital provided by the Government.

Section 4 of Decree N° 103/005 provides that the contribution from banks and financial cooperatives will be an annual 2‰ (two per thousand) of the average amount of all foreign currency deposits kept in financial institutions during the previous calendar year, and an annual 1‰ (one per thousand) of the total average domestic currency deposits on the same basis, upon deduction of the deposits excluded from the guarantee benefit.

Section 47 of Law N° 17,613 and section 4 of Decree N° 103/005 provided that BCU was in charge of proposing to the Government a system for establishing specific contributions according to the financial institutions' risk rating. Decree N° 328/006 dated 18 September 2006 set the rates for additional contributions, equal for each currency, for the different risk categories.

Therefore, during the 2006 fiscal year, a risk rating was assigned to each contributing financial institution, according to the Risk Assessment Methodology provided for in section 15 of the Bank Savings Protection Compiled Regulations, for the application of the variable rates to be paid in each half-year period.

¹ The patrimony of affectation is a patrimony, or legal entitlement, that can be divided for a purpose, as being distinct from the general patrimony of the person. It is similar to the common law concept of the trust in some aspects. The property remains outside the patrimony of the grantor.

FONDO DE GARANTÍA DE DEPÓSITOS BANCARIOS ("*DEPOSIT INSURANCE FUND*")

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2011

(stated in Uruguayan Pesos purchasing power as at 31 December 2011)

The variable portion, applied both to deposits insured in domestic currency and deposits insured in foreign currency, is calculated according to the different risk categories defined, and the following rates:

- Risk I: 0‰ (zero per thousand) annual
- Risk II: 0.5‰ (half per thousand) annual
- Risk III: 1‰ (one per thousand) annual
- Risk IV: 1.5‰ (one and a half per thousand) annual
- Risk V: 2‰ (two per thousand) annual

The abovementioned categories are reviewed on a half-yearly basis.

Section 39 of Law N° 18,401 provides that the contribution from banks and financial cooperatives will be set by COPAB, between 1‰ (one per thousand) and 30 ‰ (thirty per thousand) of the annual average of non-financial sector deposits excluding those deposits made by the Central Government and the Social Security Bank, according to the risk range to which each institution is exposed.

In connection with the above, the BCU Board of Directors resolved, on December 26, 2008 (D/702/2008), pursuant to sections 39 and 55 of Law N° 18,401, that, with respect to rates on insured deposits, the provisions of Decrees N° 103/005 and N° 328/006 hereinabove would continue to apply. Furthermore, the Board resolved to set at an annual 1‰ (one per thousand) the contribution rate applicable to non-financial sector non-guaranteed deposits (excluding Central Government and Social Security Bank deposits) kept in each banking institution or financial cooperative, whether in local or foreign currency. The additional rates provided for by Decree N° 328/006 according to each institution's risk ratings do not apply to these deposits.

Additionally, section 39 of Law N° 18,401 provides that, in case it is necessary to incur in certain relevant disbursements, COPAB may request contributing entities to pay the equivalent of up to three years of their contributions in advance, pursuant to the applicable regulation.

Contributions in the respective currencies will be suspended when the FGDB reaches the maximum amount specified in section 5 of Decree N° 328/006 dated 18 September 2006, and will be resumed when the fund goes below such maximum amount. This maximum amount is the equivalent to 5% of the total amount of insured deposits, both in local and foreign currency (See Note 10).

The abovementioned regulation regarding contributions paid by financial institutions is in full force and effect.

Section 11 of Decree N° 103/005 provides that, in order to facilitate the initial creation of the FGDB, the Government will pay in advance, as preferred capital, the maximum amount of US\$ 20,000,000, plus the maximum amount of US\$ 40,000,000 as a loan, which shall be determined by the Ministry of Economy and Finance (MEF). Said section further provides that the amounts actually paid in advance will be repaid out of FGDB resources, and under mutually-agreed conditions. (See Note 9)

1.4 Approval of Financial Statements

These financial statements have been prepared by COPAB staff and have been approved by the Board of Directors on 15 March, 2012.

FONDO DE GARANTÍA DE DEPÓSITOS BANCARIOS ("DEPOSIT INSURANCE FUND")

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2011

(stated in Uruguayan Pesos purchasing power as at 31 December 2011)

NOTE 2 – MAIN ACCOUNTING POLICIES AND PRACTICES

2.1 Basis for the preparation of the Financial Statements

These financial statements have been prepared according to the appropriate accounting standards used in Uruguay, and pursuant to Ordinance N° 81 of the Court of Audit of the Republic of Uruguay (*Tribunal de Cuentas de la República Oriental del Uruguay*)(TCR), approved on December 17, 2002, and applied in a manner consistent with the procedure used for the previous fiscal year. Said Ordinance establishes the following standards to be used by order of priority:

- a) TCR own standards, including mandatory inflation adjustment,
- b) Decree N° 103/991 dated 27 February 1991,
- c) the International Accounting Standards adopted by IASB (International Accounting Standard Board)

The accounting standards have been prepared on the basis of historical costs restated to closing values, as it is explained hereinafter.

2.2 Functional Currency

The FGDB financial statements as at 31 December 2011 were prepared using the Uruguayan Peso as functional currency, and are inflation-adjusted pursuant to IAS 29.

2.3 Changes in price levels

Financial statements' balances include the corresponding adjustments required to calculate currency purchasing power variations.

For the restatement of the financial statement's currency as at the closing date, the ratios deriving from the "Consumer Price Index" (CPI) published by the National Statistics Institute were used. Their values are as follows:

Date	CPI	Annual Variation
December-09	93.52	
December-10	100.00	6.93%
December-11	108.60	8.60%

Balances as at 31 December 2010, which are presented for comparative purposes only, were restated according to the abovementioned procedure, as provided for by Ordinance N° 81 of the Court of Audit of the Republic of Uruguay.

2.4 Foreign Currency and Indexed Units

Transactions in foreign currency are translated at the exchange rate in force on the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into Uruguayan Pesos at the Central Bank's interbank buying rate of the date of the financial statements. The resulting exchange rate differences appear in the Profit and Loss Statement.

The following are the Uruguayan Peso to US dollar and the Uruguayan Peso to Indexed Unit exchange rates as at the closing date of the financial statements:

Date	US\$	IU (Indexed Units)
December-10	20.094	2.1390
December-11	19.898	2.3171

2.5 Liquid Assets

Liquid Assets are reported at their face value, which does not differ from their reasonable value.

2.6 Investments

The FGDB classifies its investments, according to IAS 32 and 39, in the following categories: negotiable investments, held-to-maturity permanent investments, and available-for-sale financial assets. Classification depends on the purpose for which the investments were made. COPAB determines the classification of its investments upon initial recognition thereof, and reconsiders the same on the closing date of each fiscal year.

FONDO DE GARANTÍA DE DEPÓSITOS BANCARIOS ("*DEPOSIT INSURANCE FUND*")

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2011

(stated in Uruguayan Pesos purchasing power as at 31 December 2011)

a) *Negotiable Investments:*

These are investments acquired for their sale in the short term, valued at their reasonable value; variations affecting reasonable values are recognized in profit and loss accounts.

b) *Held-to-Maturity Permanent Investments:*

These are fixed-maturity investments, which COPAB has the intention and financial capacity to hold until maturity. These are initially recognized at their reasonable value and throughout the period they are held they are valued at their amortized cost by applying the effective interest method, minus a provision for impairment, if applicable.

c) *Available-for-sale Financial Assets:*

These are assets that have not been classified in any of the previous categories. They are recognized at their reasonable values and variations in such values are directly recognized in equity accounts under Adjustments to Equity. In the fiscal year wherein these investments are sold or their value undergoes depreciation, the total accumulated amount of the respective adjustments at reasonable value is recognized in the profit and loss statement.

Investments in effect as at 31 December 2010 and 31 December 2011 were classified as "held-to-maturity permanent investments".

2.7 Credits

Credits are reported at their cost minus any loss for impairment (Note 2.8).

The provision for bad debtors is recognized when there is objective evidence that the FGDB will not be able to collect all sums due pursuant to the originally agreed terms. The total amount of the provision is the difference between the assets' book value and the current value of estimated future cash flows, discounted at the effective interest rate. The provision charge is recognized in the profit and loss statement.

As at 31 December 2011 and 31 December 2010, no provisions for bad debtors had been made, since there were no outstanding credits.

2.8 Impairment

The accounting values of the FGDB assets are revised on the date of each financial statement to determine whether there is indication of impairment. If there is any indication of impairment, the asset's recoverable amount is estimated at the higher value between the sale net price and the use value. A loss for impairment is recognized in the Profit and Loss Statement when the accounting value of an asset or its cash-generating unit exceed its recoverable amount.

A loss for impairment is reversed, up to an amount not exceeding the accounting value that would have existed if the impairment had not been recognized, when subsequently there is an increase in the estimate of the recoverable amount.

From the revision made as at 31 December 2010 and as at 31 December 2011, no asset revealing indication of impairment was determined to exist.

2.9 Financial Debts

Financial debts are reported at their amortized cost, any difference between the cost and cancellation value thereof being recognized in the Profit and Loss Statement during the financing term, using effective interest rates.

2.10 Miscellaneous Debts

Miscellaneous Debts are reported at their amortized cost.

2.11 Provisions

Pursuant to section 35 of Law N° 18,401, in the event of liquidation of any of the entities covered by the FGDB, COPAB will immediately execute the deposit insurance this fund provides, provided the FGDB resources have not been allocated pursuant to one of the Solution Procedures contemplated by the Law. Furthermore, said section provides that COPAB will set the rules that, within the framework established by the Law, will provide for the terms and conditions of the coverage provided by the FGDB to depositors.

Consequently, the FGDB has an obligation to act as guarantor of deposits, in case any of the entities covered by the FGDB is liquidated.

FONDO DE GARANTÍA DE DEPÓSITOS BANCARIOS ("DEPOSIT INSURANCE FUND")

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2011

(stated in Uruguayan Pesos purchasing power as at 31 December 2011)

If, at the fiscal year closing, an order has been issued for the liquidation of a FGDB-covered entity, a provision for coverage amounts payable, for the respective estimated total, will be recognized. This shall be calculated on the basis of data arising from COPAB's records, as at the last available date.

As at December 31, 2011 and December 31, 2010, no insured entity liquidation had been ordered.

2.12 Equity

Equity comprises Retained Earnings exclusively. The Retained Earnings restatement is charged to the respective account.

2.13 Earnings Determination

The fiscal year earnings are the difference between the initial equity and the closing equity, both measured in the purchasing power currency at the fiscal year closing date.

For income recognition and expense allocation, the accrual basis was applied.

Operating Income comprises contributions made by financial institutions pursuant to section 4 of Decree N° 103/005.

2.14 Definition of Funds

For preparation of the Source and Application of Funds Statement, the combination of liquid assets and temporary investments with less than a year maturity were defined as funds.

The following is the itemization for cash and cash equivalents:

Item	December-11	December-10
Liquid Assets	4,252,629	6,080,639
Temporary Investments (Note 3.4.1)	4,715,599,137	3,948,962,499
Total	4,719,851,766	3,955,043,138

2.15 Use of accounting estimates

The preparation of financial statements as at a particular date requires estimates and assessments that affect the total amount of assets and liabilities recorded, and contingent assets and liabilities disclosed as at the date of these financial statements, as well as inflows and outflows recorded during the fiscal year.

Estimates are made to calculate provisions (among other estimates) at a particular time. Actual future earnings may differ from the estimates and assessments made as at the date of issue of these financial statements.

FONDO DE GARANTÍA DE DEPÓSITOS BANCARIOS ("DEPOSIT INSURANCE FUND")

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2011

(stated in Uruguayan Pesos purchasing power as at 31 December 2011)

NOTE 3 – FINANCIAL RISK MANAGEMENT

3.1 Relationship with the Central Bank of Uruguay

Pursuant to Resolution D/703/2005 dated 30 November 2005 approved by the Board of Directors of the Central Bank of Uruguay, the International Operations Department (*Área de Operaciones Internacionales*) (currently Asset Management Department [*Área de Gestión de Activos* – AGA]), was ordered to provide information on investment instruments available according to the objectives stated by it regarding placement of FGDB assets, as well as to assist in the execution of operations required to ensure effective placement of the abovementioned Fund's assets. Moreover, said resolution states that these services are to be provided pursuant to the terms, conditions and procedures established in the document entitled "Conditions for the Provision of Services" referred to in the abovementioned Resolution.

On 3 September 2009 COPAB entered into an agreement with BCU in order to continue receiving these services.

3.2 Criteria regarding risks to be assumed

The Commission for the Protection of Bank Savings decided to implement the best available options for investing cash, with the main purpose of ensuring capital preservation and maintenance of liquidity, while also ensuring reasonable returns.

The following guidelines were defined regarding the risks to be assumed. To this date, these guidelines continue to be implemented:

Credit Risk: To be conservative with respect to the instruments' credit quality. The FGDB investments must be targeted towards the purchase of diversified investments with the best risk ratings.

Liquidity Risk: Accept liquid instruments, i.e., not subject to any loss or penalty charge on interests accrued due to early interruption.

Interest Rate Risk: Try to accumulate short-duration instruments in these initial stages of the FGDB, agreeing with AGA on the terms and conditions for each time horizon.

3.3 Investments Management Policy

The investments management policy guidelines (PAI) in force on 31 December 2009 are still applied.

This policy is based on:

1. Safe and liquid resources. Only if these goals are met, efforts are made in order to ensure maximum return.
2. Sufficient flexibility, to ensure fast and effective decision-making within control entities regarding purchase and sale of investments, in order to take full advantage of market opportunities.
3. PAI Dynamism to ensure that limits can be adjusted when there are sharp variations in key variables (i.e.: resource level, higher-risk insured deposits level, coverage payment, etc.)
4. Clearly-defined functions and responsibilities in the instances that form part of the FGDB resources management.

Currently, according to the agreement dated 3 September 2009, entered into between COPAB and BCU, the following guidelines apply:

"The BCU Economic Policy and Markets Management will provide professional, technical, and administrative assistance to COPAB, which shall encompass the following services:

- a) Information on available investment instruments, according to the objectives set by COPAB for placement of the portion in US dollars of the Deposit Insurance Fund (FGDB) and assistance in the execution of required operations for the effective implementation of said placements.
- b) Acceptance of the deposits required by COPAB, including applicable interest rate in each case, according to the yield curves prepared by the Monetary Management and Liabilities Area. In order to ensure the objectivity and transparency of the process to determine the rates according to which the deposits will be remunerated, the Monetary Management and Liabilities Area shall make itself available to COPAB for consultation and to provide the corresponding information required by the Corporation.

FONDO DE GARANTÍA DE DEPÓSITOS BANCARIOS ("DEPOSIT INSURANCE FUND")

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2011

(stated in Uruguayan Pesos purchasing power as at 31 December 2011)

c) Early cancellation of the deposits mentioned in the previous paragraph, only in exceptional cases concerning obligations for the payment of FGDB coverages which could not be anticipated as at the date on which the deposit was made. This shall be duly notified in writing by COPAB to the appropriate department.

Early-cancelled deposits, on the exceptional grounds described hereinabove, will not be paid at the originally agreed rate, but at the rate arising from application of the yield curve prepared by the Monetary Management and Liabilities Area used as at the date the deposit was made, but for the effective term thereof.

d) Authorization to COPAB to intervene in calls for bids relating to debt instruments issued by the monetary authority on the primary securities market, and to participate in the facilities provided by BCU (such as overnight deposits in Uruguayan Pesos) under the same conditions in force available for financial institutions."

3.4 Itemization of Interest-accruing Financial Assets and Liabilities

The itemization of interest-accruing financial assets and liabilities, their maturity date and their effective annual interest rates in Uruguayan Pesos, is as follows:

3.4.1 Short-term Financial Assets

Short-term held-to-maturity Investments	December-11				December-10			
	Maturity Date	Capital Amount(*)	Rate	Accrued Interests(*)	Maturity Date	Capital Amount(*)	Rate	Accrued Interests(*)
Deposits in BCU in IU /Indexed Units/	31/10/2012	71,250,825	0.8400%	555,281	31/01/2011	75,449,546	3.6863%	11,430,840
Deposits in BCU in IU	28/02/2012	52,922,584	4.0250%	11,140,284	31/01/2011	28,572,334	3.5676%	3,077,117
Deposits in BCU in IU	29/02/2012	102,575,700	0.3500%	305,163	28/02/2011	91,988,978	5.0300%	4,318,576
Deposits in BCU in IU	30/03/2012	45,646,870	0.7500%	261,519	31/03/2011	88,388,400	4.0800%	2,804,859
Deposits in BCU in IU	09/04/2012	12,164,775	4.1780%	2,599,476	29/04/2011	49,316,313	3.0800%	902,927
Deposits in BCU in IU	30/04/2012	66,848,335	0.5000%	228,398	31/05/2011	49,316,313	3.0800%	902,927
Deposits in BCU in IU	02/05/2012	19,463,640	3.9710%	3,880,542	29/08/2011	67,597,961	3.5629%	8,837,361
Deposits in BCU in IU	31/05/2012	87,354,670	0.9300%	482,926	29/07/2011	156,102,509	2.0000%	1,595,715
Deposits in BCU in IU	29/06/2012	368,187,180	1.5400%	2,898,042	29/07/2011	235,779,831	2.5000%	2,521,534
Deposits in BCU in IU	30/07/2012	59,187,149	3.9600%	11,085,371	31/08/2011	223,003,584	1.9500%	1,473,682
Deposits in BCU in IU	31/07/2012	292,719,243	2.0400%	2,571,051	30/09/2011	144,023,148	1.4100%	518,963
Deposits in BCU in IU	31/08/2012	119,458,091	1.7500%	708,453	31/10/2011	229,043,264	1.7500%	701,445
Deposits in BCU in IU	28/09/2012	237,502,750	1.7500%	1,062,165	30/11/2011	92,918,160	3.5701%	10,629,289
Deposits in BCU in IU	31/10/2012	272,259,250	1.7500%	807,324	30/11/2011	53,660,237	5.4000%	3,187,418
Deposits in BCU in IU	30/11/2012	167,526,330	1.7500%	252,453	30/11/2011	102,906,882	1.2300%	108,996
Deposits in BCU in IU	28/11/2012	83,879,020	1.7500%	4,077	07/12/2011	27,619,923	3.6006%	3,104,068
					30/12/2011	136,357,400	1.5200%	5,757
Sub-total		2,058,926,401		38,842,525		1,852,044,765		56,121,474
Deposits in BCU in \$	02/01/2012	3,437,000	8.2500%	747	03/01/2011	3,881,364	6.0000%	620
Deposits in BCU in \$	31/01/2012	329,000,000	8.2500%	71,462	31/01/2011	201,996,000	6.0000%	32,249
Sub-total		332,437,000		72,209		205,877,364		32,869
Deposits in US\$ FLAR	31/01/2012	1,155,658,009	0.0800%	2,569	31/01/2011	903,712,547	0.2300%	5,774
Deposits in US\$ ZUERCHER	31/01/2012	1,129,654,149	0.2000%	6,276	31/01/2011	931,160,205	0.2900%	7,501
Sub-total		2,285,312,158		8,844		1,834,872,753		13,275
Total		4,676,675,559		38,923,579		3,892,794,882		56,167,617

(*) Capital amounts and interests accrued as at 31 December 2010 are stated in Uruguayan pesos, adjusted to purchasing power currency on 31 December, 2011

FONDO DE GARANTÍA DE DEPÓSITOS BANCARIOS ("DEPOSIT INSURANCE FUND")

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2011

(stated in Uruguayan Pesos purchasing power as at 31 December 2011)

3.4.2 Long-term Financial Assets

Long-term held-to-maturity investments	December-11				December-10			
	Maturity Date	Capital Amount	Rate	Accrued interest	Maturity Date	Capital Amount*	Rate	Accrued interest*
Deposits in BCU in IU	28-02-2013	19,463,640	3.9560%	3,125,447	28-02-2012	53,056,269	4.0250%	8,683,408
					09-04-2012	12,195,509	4.1780%	2,012,436
					02-05-2012	19,512,814	3.9710%	2,996,501
					30-07-2012	59,316,630	3.9600%	8,430,587
					28-02-2013	19,512,814	3.9560%	2,271,554
Total		19,463,640		3,125,447		163,594,035		24,394,485

(*) Capital amounts and interests accrued as at 31 December 2010 are stated in Uruguayan pesos, adjusted to purchasing power currency on 31 December, 2011

3.4.3 Short-term Financial Liabilities

Item	December-11	December-10
Current Financial Debts to MEF*	39,796,000	43,644,168
Accrued Interests*	7,811,924	15,840,771
Total	47,607,924	59,484,939

(*) See Note 9.

3.4.4 Long-term Financial Liabilities

Item	December-11	December-10
Non-Current Financial Debts to MEF	318,368,000	392,797,512
Total	318,368,000	392,797,512

FONDO DE GARANTÍA DE DEPÓSITOS BANCARIOS ("*DEPOSIT INSURANCE FUND*")

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2011

(stated in Uruguayan Pesos purchasing power as at 31 December 2011)

3.5 Position in Foreign Currency and Indexed Units

The following are the balances in foreign currency and in indexed units for assets and liabilities at each fiscal year closing date:

Item	December-11			December-10		
	US\$	IU	Total Equivalent in \$	US\$	IU	Total Equivalent in \$*
Liquid Assets	213,682		4,251,843	278,616	-	6,079,971
Temporary Investments	114,851,794	905,342,422	4,383,089,928	84,083,904	821,439,529	3,743,052,266
Total Current Assets	115,065,476	905,342,422	4,387,341,771	84,362,520	821,439,529	3,749,132,237
Long-term Investments		9,748,862	22,589,087	-	80,926,493	187,988,520
Total Non-Current Assets	-	9,748,862	22,589,087	-	80,926,493	187,988,520
Total Assets	115,065,476	915,091,284	4,409,930,858	84,362,520	902,366,022	3,937,120,757
Financial Debts	2,392,598		47,607,924	2,725,905	-	59,484,939
Total Current Liabilities	2,392,598	-	47,607,924	2,725,905	-	59,484,939
Financial Debts	16,000,000		318,368,000	18,000,000	-	392,797,512
Total Non-Current Liabilities	16,000,000	-	318,368,000	18,000,000	-	392,797,512
Total Liabilities	18,392,598	-	365,975,924	20,725,905	-	452,282,451
Net Position	96,672,878	915,091,284	4,043,954,934	63,636,615	902,366,022	3,484,838,306

(*) Foreign currency and indexed units are translated to domestic currency at the exchange rate on 31 December 2010 and are adjusted to purchasing power currency as at 31 December 2011.

3.5.1 Sensitivity Analysis

If, on 31 December 2011, the local currency had depreciated 10% with respect to the US dollar, and the remaining variables had remained constant, earnings for this period would have increased by \$ 192 million, approximately (as at 31 December 2010 they would have increased by \$ 127 million approximately), applying such exchange rate variation to the position in US dollars at each fiscal year's closing date. On the contrary, if it had appreciated 10% with respect to the US dollar, and the remaining variables had remained constant, earnings for this period would have decreased by \$ 192 million, approximately, as at 31 December 2011 (as at 31 December 2010 they would have decreased by \$ 127 million approximately).

FONDO DE GARANTÍA DE DEPÓSITOS BANCARIOS ("DEPOSIT INSURANCE FUND")

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2011

(stated in Uruguayan Pesos purchasing power as at 31 December 2011)

3.6 Financial Liabilities Maturity Itemization

The itemization of financial debts, in Uruguayan Pesos, is as follows:

Item	December-11				Total
	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	
Preferred Capital Interests Provision*	7,811,924				7,811,924
Financial Debts to MEF*	39,796,000	79,592,000	79,592,000	159,184,000	358,164,000
Total	47,607,924	79,592,000	79,592,000	159,184,000	365,975,924

Item	December-10				Total
	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	
Preferred Capital Interests Provision*	15,840,771	-	-	-	15,840,771
Financial Debts to MEF*	43,644,168	87,288,336	87,288,336	218,220,840	436,441,680
Total	59,484,939	87,288,336	87,288,336	218,220,840	452,282,451

(*) See Note 9.

3.7 Reasonable Value

Financial Assets and Liabilities accounting values do not differ significantly with respect to their reasonable values.

NOTE 4 - MISCELLANEOUS DEBTS

The itemization of miscellaneous debts at each fiscal year's closing date is as follows:

Item	December-11	December-10
Items to be repaid	16,299	17,699
Items to be transferred to COPAB	3,922,111	3,346,694
Total	3,938,410	3,364,393

FONDO DE GARANTÍA DE DEPÓSITOS BANCARIOS ("*DEPOSIT INSURANCE FUND*")

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2011

(stated in Uruguayan Pesos purchasing power as at 31 December 2011)

NOTE 5 – ADMINISTRATIVE EXPENSES

Administrative expenses incurred by the Fund are as follows:

Item	December-11	December-10
COPAB Expenses from Operations	29,236,749	28,027,920
Total	29,236,749	28,027,920

On September 1, 2009, COPAB was formed pursuant to Law N° 18,401. Section 23 of said Law states that the budget required for COPAB's operation is funded with FGDB resources. Consequently, administrative expenses charges correspond to remittances made from the FGDB to meet COPAB's expenses from operations.

Furthermore, as at August 31, 2009, the FGDB was only in charge of the remuneration of members of the FGDB Special Management Commission and of certain specific expenses. However, as from 1 September 2009, the FGDB finances all COPAB's budget including salaries, expenses, and investments.

NOTE 6 – FINANCIAL RESULTS

Financial Results include interests earned by invested funds as per Notes 2.6, lost interests generated by the loan made by the Ministry of Economy and Finance as preferred capital, exchange rate differences and the inflation exposure results (RDM), according to the following itemization:

Item	December-11	December-10
Earned Interests	61,126,414	88,929,578
Lost Interests	(7,583,521)	(15,714,200)
Exchange Rate Difference and RDM	(145,007,591)	(54,901,076)
Total	(91,464,698)	18,314,302

NOTE 7 – TAX REGIME

The FGDB is an independent patrimony of affectation ("*patrimonio de afectación*") with no legal personality. It does not carry out any activity subject to Internal Revenue Board taxes. Pursuant to section 26 of Law N° 18.401, COPAB and the FGDB are both exempt from all national taxes, even those contemplated by special laws, except for social security contributions.

NOTE 8 - CONTINGENCIES

Section 31 of Law N° 18.401 provides that the Fund will insure deposits of any nature, created by individuals or legal entities from the non-financial sector -except deposits made by the Central Government and the Social Security Bank (BPS)- in financial institutions referred to by section 17 bis of Decree-Law N° 15,322, as amended by section 2 of Law N° 16,327 (banks and financial cooperatives).

Furthermore, pursuant to section 34 of the abovementioned Law, the maximum covered amounts will be set by creditor, by debtor, and by currency of the debt (national or foreign currency). Deposits made by an independent patrimony of affectation ("*patrimonio de afectación*") with no legal personality are considered independent from any other patrimony.

Currently, pursuant to section 5 of Decree N° 103/005, the FGDB covers deposits of up to US\$ 5,000 (equivalent, as at December 31, 2011 to \$99,490) for the total amount of foreign currency deposits, and up to the equivalent of 250,000

FONDO DE GARANTÍA DE DEPÓSITOS BANCARIOS ("*DEPOSIT INSURANCE FUND*")

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2011

(stated in Uruguayan Pesos purchasing power as at 31 December 2011)

Indexed Units (equivalent, as at 31 December 2011 to \$ 579,275) for the total amount of domestic currency deposits made by each individual or legal entity in each financial institution.

According to the information provided by financial institutions as at 31 December 2011, included in the Financial

Institutions Deposits Information System (SIDIIF), the covered amount totalizes:

Item	December-11	December-10
Domestic Currency Deposits Coverage	56,384,892,450	49,956,327,073
Foreign Currency Deposits Coverage (stated in US\$)	2,088,421,587	2,001,526,953
Total Coverage (stated in \$)	97,940,305,188	90,175,009,666

Section 47 of Law N° 17.613, as amended by section 39 of Law N° 18.401, states that, upon COPAB's duly founded request, the Government will set the maximum amount of reserve for each currency that the FGDB will have. Contributions in the respective currencies will be suspended when the FGDB reaches the maximum amount established for each currency, and will be resumed when the FGDB goes below the maximum amount.

Current maximum reserve amounts have been set according to Section 5 of Decree N° 328/006, and are equivalent to 5% of the total insured deposits, both in local and foreign currency. Therefore, the comparison of the maximum limit stipulated by Law with the actual collected amount, yields the following result:

Item	December-11	December-10
Total Insured Deposits	420,689,989,657	396,587,283,859
Maximum Limit Decree N° 328/006 of 18 September 2006	21,034,499,483	19,829,364,193
Fund's Equity	4,372,526,519	3,687,384,814

In the event of coverage by the FGDB, available resources are as follows:

Item	December-11	December-10
FGDB Equity	4,372,526,519	3,687,384,814
MEF Preferred Capital	358,164,000	436,441,680
Facility agreed with MEF (Note 9)	795,920,000	872,883,360
Contributions of financial institutions corresponding to 3 years (estimated total based on last fiscal year's contributions)*	2,417,589,807	2,649,613,415
Total available resources	7,944,200,326	7,646,323,269

(*) Section 39 of Law N° 18,401 provides that, in case it is necessary to incur in certain relevant disbursements, COPAB may request contributing entities to pay the equivalent of up to three years of their contributions in advance.

NOTE 9 – AGREEMENT WITH THE MINISTRY OF ECONOMY AND FINANCE

Section 11 of Decree N° 103/005 establishes that, in order to facilitate the initial formation of the Fund, the Government of Uruguay will advance a maximum amount of US\$ 20,000,000 as preferred capital, and a maximum amount of US\$ 40,000,000 (facility) as a loan, to be determined by the MEF.

On 16 November 2005, the MEF contributed the amount of US\$ 20,000,000 as preferred capital, agreeing upon the return of such capital in ten annual consecutive installments once the Fund reaches 20% of the maximum amounts defined by section 9 of Decree N° 103/005. During the 2011 fiscal year this percentage was attained and the first capital installment was amortized for a total of

FONDO DE GARANTÍA DE DEPÓSITOS BANCARIOS ("*DEPOSIT INSURANCE FUND*")

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2011

(stated in Uruguayan Pesos purchasing power as at 31 December 2011)

US\$ 2,000,000. As at 31 December 2011 the respective capital balance pending amortization totalizes US\$ 18,000,000.

Within the framework of this agreement, the Ministry of Economy and Finance shall collect annual earnings arising from Fund applications, in proportion to their contribution.

NOTE 10 – BALANCES AND TRANSACTIONS INVOLVING RELATED PARTIES

Balances with related parties are balances existing with COPAB, the FGDB's managing entity.

Said balances as at each fiscal year's closing date, are as follows:

Item	December-11	December-10
Items to be Transferred to COPAB	3,922,111	3,346,694
COPAB Expenses from Operations	29,236,749	28,027,920

NOTE 11 – SUBSEQUENT EVENTS

There have been no subsequent events between December 31, 2011 and the date of approval of the current Financial Statements which could have caused any changes in such financial statements.

FONDO DE GARANTÍA DE DEPÓSITOS BANCARIOS ("*DEPOSIT INSURANCE FUND*")

COURT OF AUDIT (*TRIBUNAL DE CUENTAS*)

REPORT

1. The Court of Audit has reviewed the financial statements of the Bank Deposit Insurance Fund (*Fondo de Garantía de Depósitos Bancarios*) (FGDB), sent by the Bank Savings Protection Corporation (COPAB), which are attached hereto. Said statements include the Statement of Financial Position as at December 31, 2011, the respective Profit and Loss Statement, Source and Application of Funds Statement, and Statement of Changes in Equity for the fiscal year ended on the abovementioned date, the Annexes and notes regarding significant accounting policies and other explanatory notes to the financial statements.

The Court of Audit has also audited the FGDB's compliance with legal regulations in force relating to the financial statements under review.

2. Board of Directors' Responsibility Regarding Financial Statements

COPAB's Directors are responsible for preparing and reasonably presenting the FGDB's financial statements pursuant to the appropriate accounting standards and to Ordinance N° 81 of the Court of Audit. This responsibility includes the design, implementation, and maintenance of an appropriate internal control system for preparing and reasonably presenting financial statements free of significant mistakes, caused by either fraud or error. It also includes selecting and applying appropriate accounting policies and preparing reasonable accounting estimates according to the circumstances.

3. Auditor's Responsibility

The Court of Audit's responsibility is to express an opinion regarding the abovementioned financial statements based on the conducted audit. This audit was carried out according to the auditing standards issued by the International Organization of Supreme Audit Institutions (INTOSAI). These standards require compliance with ethical requirements, as well as planning and auditing procedures required to obtain reasonable certainty that the financial statements are free of any significant mistakes.

FONDO DE GARANTÍA DE DEPÓSITOS BANCARIOS ("*DEPOSIT INSURANCE FUND*")

An audit involves carrying out certain procedures to obtain evidence of accounting amounts and disclosures. The selected procedures depend on the Auditor's professional opinion, including the assessment of risks regarding the existence of significant mistakes in the financial statements, whether due to fraud or error. When assessing risks, the Auditor takes into consideration internal-control aspects of the entity deemed relevant for reasonably preparing and presenting the financial statements in order to design auditing procedures according to the circumstances, but not with the purpose of providing an opinion on the effectiveness of the entity's internal control. An audit also implies assessing the degree of suitability of the accounting policies applied, and the reasonability of the accounting estimates issued by the Board of Directors, as well as assessing the general presentation of the financial statements.

It is considered that the evidence yielded by this audit provides a sufficient and appropriate basis to support the opinion below.

4. Opinion

In the opinion of the Court of Audit, the abovementioned financial statements reasonably present, in all material respects, the financial position of the FGDB as at December 31, 2011, the results of its operations, and the cash flows corresponding to the Fiscal Year ended on that date, pursuant to the appropriate accounting standards and Ordinance N° 81 of the Court of Audit.

With respect to the legal and regulatory provisions governing the audited financial statements, no violations were observed.

Montevideo, 2 June, 2011.

ELIZABETH M. CASTRO, Notary Public. GENERAL SECRETARY







Lloyds TSB

Lloyds TSB Bank plc



Nuevo Banco Comercial S.A.

CORPORACIÓN
DE PROTECCIÓN DEL
AHORRO BANCARIO
COPAB URUGUAY

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COPAB Financial
Statements as at
31 December 2011

CPA-FERRERE

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INDEPENDENT AUDITOR'S REPORT

The Directors of the **BANK SAVINGS PROTECTION CORPORATION**
("Corporación de Protección del Ahorro Bancario")

Dear Sirs,

We have audited the attached financial statements of the BANK SAVINGS PROTECTION CORPORATION (hereinafter "COPAB" or "the Corporation"), which include the Statement of Financial Position as at 31 December, 2011, the respective Profit and Loss Statement, Statement of Changes in Equity, Source and Application of Funds Statement, and Evolution of Fixed and Intangible Assets Chart, for the fiscal year ended on the abovementioned date, as well as the respective explanatory notes.

Management's Responsibility Regarding Financial Statements

The Corporation's Management is responsible for preparing and reasonably presenting the financial statements attached hereto, pursuant to the appropriate accounting standards and Ordinance N° 81 of the Court of Audit ("*Tribunal de Cuentas*") of the Republic of Uruguay. This responsibility includes the design, implementation, and maintenance of an appropriate internal control system to ensure that financial statements are reasonably prepared and presented, and that they are free of significant mistakes caused by either fraud or error, the selection and application of appropriate accounting policies, and the preparation of reasonable accounting estimates according to the circumstances.

Auditor's Responsibility

Our responsibility is to issue an opinion in connection with the abovementioned financial statements based on our audit. Except as indicated in the paragraph relating to Issues Qualifying the Auditor's opinion, our audit was carried out according to the international auditing standards issued by the International Federation of Accountants (IFAC). These standards require compliance with ethical requirements, as well as planning and auditing procedures required to obtain reasonable certainty that the financial statements are free of any significant mistakes.

An audit involves carrying out certain procedures in order to obtain audit evidence in connection with financial statements' amounts and disclosures. The selected procedures depend on the Auditor's opinion, including the assessment of risks regarding the existence of significant mistakes in the financial statements, whether due to fraud or error. When assessing risks, the Auditor takes into consideration internal-control aspects deemed relevant for reasonably preparing and presenting the Corporation's financial statements in order to design audit procedures according to the circumstances, but not with the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also implies assessing the degree of suitability of the accounting policies applied, and the reasonability of the accounting estimates issued by the Board of Directors, as well as assessing the general presentation of the financial statements.

We believe the evidence yielded by this audit provides a sufficient and appropriate basis to support our opinion.

Matters Qualifying the Auditor's Opinion

The instrument assigning responsibility over Institutions Under Liquidation formerly managed by the Central Bank of Uruguay (BCU) to COPAB was signed on 16 December, 2011. As from this date, management of these institutions is under COPAB's responsibility. As stated in Note 11, the assets managed in connection with the abovementioned institutions as at 31 December 2011 totalizes US\$ 15,181,597. We have not yet obtained an auditor's opinion regarding the financial statements of the managed institutions as at 31 December 2011.

Opinion

In our opinion, except for any amendments to the financial statements as a result of the situation previously described, the abovementioned financial statements reasonably present, in all material respects, the asset position of the BANK SAVINGS PROTECTION CORPORATION as at 31 December 2011, the results of its operations, changes in equity, and source and application of funds for the fiscal year ended on that date, pursuant to the Appropriate Accounting Standards and Ordinance N° 81 of the Court of Audit of the Republic of Uruguay.

Emphasis on issues not affecting our opinion

The financial statements as at 31 December 2010, presented only for comparative purposes, were examined by other auditors, whose report relating thereto, dated 16 March 2011, presents an unqualified opinion.

Montevideo, 15 March, 2012

CPA FERRERE

NELSON MENDIBURU. Partner. Public Accountant. University Graduates Retirement Fund N°: 42,226.

**CORPORACIÓN DE PROTECCIÓN DEL AHORRO BANCARIO ("BANK SAVINGS PROTECTION CORPORATION")
STATEMENT OF FINANCIAL POSITION (COMPARATIVE WITH PREVIOUS FISCAL YEAR) AS AT 31 DECEMBER 2011**

(expressed in Uruguayan pesos purchasing power as at 31 December 2011)

ASSETS	2011	2010
Current Assets		
Liquid Assets (Note 2.5)	592,014	478,632
Credits (Note 4)	3,950,250	3,352,782
Total Current Assets	<u><u>4,542,264</u></u>	<u><u>3,831,414</u></u>
Non-current Assets		
Long-term Credits (Note 4)	467,640	451,712
Fixed Assets and Intangible Assets	3,162,650	3,481,794
Total Non-current Assets	<u><u>3,630,290</u></u>	<u><u>3,933,506</u></u>
TOTAL ASSETS	<u><u>8,172,554</u></u>	<u><u>7,764,920</u></u>

Notes 1 to 12 attached hereto are an integral part of the financial statements.

**CORPORACIÓN DE PROTECCIÓN DEL AHORRO BANCARI
("BANK SAVINGS PROTECTION CORPORATION")
STATEMENT OF FINANCIAL POSITION (COMPARATIVE
WITH PREVIOUS FISCAL YEAR) AS AT 31 DECEMBER 2011**
(expressed in Uruguayan pesos purchasing power as at 31 December
2011)

LIABILITIES	2011	
Current Liabilities		
Commercial Debts (Note 5)	997,371	9
Financial Debts	3,913	
Miscellaneous Debts (Note 6)	3,540,979	3,5
	<hr/>	<hr/>
Total Current Liabilities	4,542,263	3,5
	<hr/> <hr/>	<hr/> <hr/>
Total Liabilities	4,542,263	3,5
 EQUITY		
Retained Earnings	3,933,509	6
Earnings of the Period	(303,218)	3,3
	<hr/>	<hr/>
TOTAL EQUITY	3,630,291	3,9
	<hr/> <hr/>	<hr/> <hr/>
TOTAL LIABILITIES AND EQUITY	8.172.554	7,7

**CORPORACIÓN DE PROTECCIÓN DEL AHORRO BANCARIO
("BANK SAVINGS PROTECTION CORPORATION")
PROFIT AND LOSS STATEMENT (COMPARATIVE WITH
PREVIOUS FISCAL YEAR) AS AT 31 DECEMBER 2011**

(expressed in Uruguayan pesos purchasing power as at 31 December 2011)

	2011	2010
Contributions of the Bank Deposit Insurance Fund (Note 1.2)	29,236,749	28,027,920
GROSS INCOME	29,236,749	28,027,920
ADMINISTRATIVE EXPENSES (Note 7)	(29,564,708)	(24,766,594)
OPERATING INCOME	(327,959)	3,261,326
FINANCIAL INCOME (Note 2.12)	24,741	43,975
FISCAL YEAR EARNINGS	(303,218)	3,305,301

Notes 1 to 12 attached hereto are an integral part of the financial statements.

**CORPORACIÓN DE PROTECCIÓN DEL AHORRO BANCARIO
 ("BANK SAVINGS PROTECTION CORPORATION")
 STATEMENT OF CHANGES IN EQUITY (COMPARATIVE
 WITH PREVIOUS FISCAL YEAR) AS AT 31 DECEMBER 2011**
 (expressed in Uruguayan pesos purchasing power as at 31 December
 2011)

BALANCES AS AT 31 DECEMBER 2009	628,208	628,208
Fiscal Year Earnings	3,305,301	3,305,301
SUB-TOTAL	3,305,301	3,305,301
BALANCES AS AT 31 DECEMBER 2010		
Non-Assigned Earnings	3,933,509	3,933,509
TOTAL	3,933,509	3,933,509
Fiscal Year Earnings	(303,218)	(303,218)
SUB-TOTAL	(303,218)	(303,218)
BALANCES AS AT 31 DECEMBER 2011		
Non-Assigned Earnings	3,630,291	3,630,291
TOTAL	3,630,291	3,630,291

Notes 1 to 12 attached hereto are an integral part of the financial statements.

**CORPORACIÓN DE PROTECCIÓN DEL AHORRO BANCARIO
("BANK SAVINGS PROTECTION CORPORATION")
SOURCE AND APPLICATION OF FUNDS STATEMENT
(COMPARATIVE WITH PREVIOUS FISCAL YEAR) AS AT 31
DECEMBER 2011**

(expressed in Uruguayan pesos purchasing power as at 31 December 2011)

	2011	2010
1. CASH FLOW FROM OPERATING ACTIVITIES		
Fiscal Year Earnings	(303,218)	3,305,301
Plus / (Less) Items not representing fund flows		
Amortization of fixed and intangible assets	886,320	114,999
Exchange Rate Differences and RDM /Inflation Exposure Results/	82,068	(14,915)
Changes in Assets and Liabilities		
Variation in operating assets	(597,468)	(1,625,847)
Variation in operating liabilities	710,851	2,134,679
Funds Applied In Operations	778,553	3,914,217
2. CASH FLOW ASSOCIATED WITH INVESTMENTS		
Payments for purchase of fixed and intangible assets	(567,176)	(3,021,797)
Other Investments	-	(440,612)
Funds Applied to Investments	(567,176)	(3,462,409)
3. CASH FLOW ASSOCIATED WITH FUNDING	-	-
4. INCREASE (DECREASE) OF NET CASH FLOW	211,377	451,808
5. INITIAL CASH FLOW	478,632	23,009
Exchange Rate Difference and RDM for cash and cash equivalents	(97,994)	3,815
6. FINAL CASH BALANCE	592,014	478,632

Notes 1 to 12 attached hereto are an integral part of the financial statements.

**CORPORACIÓN DE PROTECCIÓN DEL AHORRO BANCARIO
("BANK SAVINGS PROTECTION CORPORATION")
FIXED AND INTANGIBLE ASSETS CHART FOR THE FISCAL
YEAR ENDED ON 31 DECEMBER 2011 (COMPARATIVE WITH
PREVIOUS FISCAL YEAR)**

(expressed in Uruguayan pesos purchasing power as at 31 December
2011)

MAIN ACCOUNT	2011						2010	
	INITIAL VALUE	INCREASES	CLOSING VALUE	RETAINED AT BEGINNING	FISCAL YEAR	RETAINED AT CLOSING	NET VALUE AT CLOSING	NET VALUE AT CLOSING
Improvements to leased real property	1,353,601	141,647	1,495,249	-	353,254	353,254	1,141,994	1,353,601
Office Furniture	723,840	130,969	854,809	114,999	180,168	295,167	559,641	608,841
Equipment	1,125,176	286,352	1,411,528	-	260,017	260,017	1,151,511	1,125,176
Software	394,176	8,208	402,384	-	92,880	92,880	309,504	394,176
TOTAL 2011	3,596,793	567,176	4,163,969	114,999	886,320	1,001,319	3,162,650	3,481,794
TOTAL 2010	574,996	3,021,797	3,596,793	-	114,999	114,999	3,481,794	

Notes 1 to 12 attached hereto are an integral part of the financial statements.

CORPORACIÓN DE PROTECCIÓN DEL AHORRO BANCARIO (*BANK SAVINGS PROTECTION CORPORATION*)

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2011

(stated in Uruguayan Pesos purchasing power as at 31 December 2011)

NOTE 1-LEGAL NATURE, REGULATORY FRAMEWORK AND OPERATIONAL CONTEXT

1.1 Legal Nature and Object of the Bank Savings Protection Corporation.

The Bank Savings Protection Corporation (*Corporación de Protección del Ahorro Bancario*) (COPAB) is a non-government-controlled legal entity ruled by public law, created pursuant to Law N° 18.401 dated 24 October 2008, Section 14.

Its object is: A) To promote the protection of bank savings in financial institutions B) To manage the resources of the Deposit Insurance Fund and C) To act as administrative receiver of the entities belonging to the financial system and their respective collateral entities (Section 15, Law N° 18.401).

Pursuant to Section 50 of Law N° 18,401, BCU and COPAB agreed upon the terms and conditions for the transfer of the Financial Institutions under liquidation. The respective transfer instrument was signed on 16 December 2011. The same provides for the transfer of responsibility over the following liquidation cases: Banco Comercial Fondo de Recuperación de Patrimonio Bancario, Banco de Montevideo Fondo de Recuperación de Patrimonio Bancario, Banco La Caja Obrera Fondo de Recuperación de Patrimonio Bancario, Banco Comercial S.A. (under liquidation), Banco de Montevideo S.A. (under liquidation), Banco La Caja Obrera S.A. (under liquidation), Comercial AFISA and BM Fondos AFISA. As from the abovementioned date, management of these entities is under the responsibility of COPAB (See Note 11).

COPAB's Direction and Top Management functions are exercised by a Board of Directors comprising a President, a Vice President, and a Director appointed by the Government, with the approval of the Senate (section 17, Law N° 18,401).

COPAB is represented by its President, assisted by the General Manager or an Advisor, pursuant to section 22 of Law N° 18,401 and the resolutions of the Board of Directors of COPAB (Resolution N° 15/10 dated 23 March, 2010). In absence of the President, this office will be temporarily filled by the Vice President (Section 20, Law N° 18,401).

1.2 Resources and Expenses

COPAB's budget for salaries, expenses and investments is issued and approved pursuant to section 23 of Law N° 18.401, and is funded by the Deposit Insurance Fund (FGDB).

Pursuant to the regulations in force, the 2011 budget was approved by the Government (Decree N° 406/2010 dated 29 December 2010).

1.3 Approval of Financial Statements

These financial statements have been prepared by COPAB staff and have been approved by the Board of Directors on 15 March, 2012.

NOTE 2 – MAIN ACCOUNTING POLICIES AND PRACTICES

2.1 Basis for the preparation of the Financial Statements

These financial statements have been prepared according to the appropriate accounting standards used in Uruguay and pursuant to Ordinance N° 81 of the Court of Audit of the Republic of Uruguay (*Tribunal de Cuentas de la República Oriental del Uruguay*) (TCR), approved on 17 December 2002. Said Ordinance establishes the following standards, to be used by order of priority:

- a) TCR own standards, including mandatory inflation adjustment,
- b) Decree N° 103/991 dated 27 February 1991,
- c) the International Accounting Standards adopted by IASB (International Accounting Standard Board)

The accounting standards have been prepared on the basis of historical costs restated to closing values as explained hereinafter.

2.2 Functional Currency

These financial statements have been prepared using the Uruguayan Peso as functional currency, and have been adjusted by inflation pursuant to IAS 29, as established by the TCR Resolution dated 1 April 2009.

2.3 Changes in price levels

Financial statements' balances include the corresponding adjustments required to calculate currency purchasing power variations.

For the restatement of the financial statement's currency as at the closing date, the ratios deriving from the "Consumer Price Index" (CPI) published by the National Statistics Institute were used. Their values are as follows:

Date	CPI	Annual Variation
December-09	93.52	
December-10	100.0	6.93%
December-11	108.60	8.60%

2.4 Foreign Currency and Indexed Units

Transactions in foreign currencies are translated using the exchange rate in force on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into Uruguayan Pesos at the Central Bank's interbank buying rate on the financial statements' date. The resulting exchange rate differences appear in the Profit and Loss Statement.

The following are the Uruguayan Peso to US dollar and the Uruguayan Peso to Indexed Unit exchange rates as at the closing date of the financial statements:

Date	US\$	IU (Indexed Unit)
December-10	20,094	2.1390
December-11	19,898	2.3171

2.5 Liquid Assets

Liquid Assets are reported at their face value, which does not differ from their reasonable value. They correspond to Fixed Fund's balances and BCU and BROU accounts, according to the following itemization:

Account	December-11			December-10		
	\$	US\$	Total in \$	\$	US\$	Total in \$*
Fixed Fund	30,000	500	39,950	32,580	500	43,491
BCU	85,653	13,468	353,642	18,440	1,705	55,653
BROU	162,701	1,795	198,422	198,469	8,295	379,487
Total	278,364	15,763	592,014	249,489	10,500	478,632

*Foreign currency is translated to domestic currency at the exchange rate on 31 December 2010, and then adjusted according to CPI evolution as at 31 December 2011.

2.6 Credits

Credits are reported at their cost minus any loss for impairment.

The provision for bad debtors is entered only if there is objective evidence it will not be possible to collect all sums due pursuant to the originally agreed terms. The total amount of the provision is the difference between the assets' book value and current value of estimated future cash flows, discounted at the effective interest rate. The provision charge is recognized in the Profit and Loss Statement.

As at 31 December 2011 and 31 December 2010, no provisions for bad debtors had been made, since there was no objective evidence of the existence of any uncollectable sums.

2.7. Fixed and Intangible Assets

Fixed and Intangible Assets are recorded by the acquisition value thereof, restated to 31 December, 2011 currency, by applying the Consumer Price Index (CPI) variation.

The amortization is calculated as from one month following the date of incorporation of the respective assets, at constant rates, based on the useful life estimated for the different items of property, according to the following itemization:

	Years
Furniture and Fixtures	5
Equipment	5
Software	5

The useful life of the improvements made to leased property is defined as the shortest period between 5 years and the remaining term of the respective lease agreement.

2.8. Impairment

The accounting values of the assets are revised on the date of each accounting statement to determine whether there is indication of impairment. If there is any indication of impairment, the asset's recoverable amount is estimated at the higher value between the sale net price and the use value. A loss for impairment is recognized in the Profit and Loss Statement when the accounting value of an asset or its cash-generating unit exceed its recoverable amount.

A loss for impairment is reversed, up to the corresponding accounting value that would have been reached if the impairment had not been recognized, whenever there is a subsequent increase in the estimate of the recoverable amount.

As at 31 December 2011 and 31 December 2010, no assets revealing indication of impairment were determined to exist.

2.9 Commercial and Miscellaneous Debts

Commercial and miscellaneous debts are recognized at their amortized cost, any difference between the cost and their cancellation value being recognized in the Profit and Loss Statement for the term of duration of the debt, using effective interest rates.

2.10 Provisions

Provisions required to meet any labor or tax-related obligations, or any other potential obligations, are made at the end of the fiscal year.

2.11 Equity

Equity comprises only Retained Earnings. Retained earnings' restatement is charged to the respective account.

2.12 Earnings Determination

The fiscal year earnings are the difference between the initial equity and the closing equity, both measured in the purchasing power currency corresponding to the closing date.

For income recognition and cost and expense allocation the accrual basis was applied.

Operating Income comprises only FGDB contributions pursuant to section 23 of Law N° 18,401.

Financial income includes exchange rate differences and inflation exposure results. The latter includes the effect of inflation on monetary items or items exposed to the loss of currency purchasing power and the results by monetary assets held and accrued during the fiscal year.

All Profit and Loss Statement amounts are restated at closing value of money.

Contributions received from the FGDB and included in the Profit and Loss Statement (Operating Income) are to finance both administrative expenses disclosed in said Statement and purchases of goods disclosed in the Statement of Financial Position's Fixed Assets Chapter.

2.13 Definition of Funds

For preparing the Source and Application of Funds Statement, the total liquid assets were defined as funds.

As at 31 December 2011, liquid assets amounted to \$ 592,014 and as at 31 December 2010, to \$ 478,632.

2.14 Use of accounting estimates

Preparation of financial statements as at a particular date requires estimates and assessments affecting the amount of recorded and contingent assets and liabilities disclosed as at the date of these financial statements, as well as the inflows and outflows recorded during the fiscal year.

Actual future earnings may differ from estimates and assessments made as at the date these financial statements were prepared.

NOTE 3 – FOREIGN CURRENCY POSITION

Foreign currency balances at the closing date of each fiscal year are as follows:

Item	December-11		December-10	
	US\$	Equivalent in \$	US\$	Equivalent in \$
Liquid Assets	15,763	313,652	10,500	229,132
Total Current Assets	15,763	313,652	10,500	229,132
Total Assets	15,763	313,652	10,500	229,132
Total Liabilities				
Net Position	15,763	313,652	10,500	229,132

* Foreign currency is converted to domestic currency at the exchange rate in force on 31 December 2010, and then adjusted according to the evolution of the CPI as at 31 December 2011.

NOTE 4 – CREDITS

The following credits in Uruguayan Pesos are included under Current Assets:

Account	December-11	December-10
Items to be Repaid	-	6,088
Items to be Received from the FGDB	3,922,111	3,346,694
AFISA [Investment Fund Managing Corporations] Items to be Recovered	10,988	-
FRPB [Funds for the Recovery of Bank Assets] Items to be Recovered	17,151	-
Total	3,950,250	3,352,782

AFISA Items to be Recovered correspond to AFISA's taxes paid by COPAB. FRPB (FRPB stands for "Funds for the Recovery of Bank Assets") Items to be Recovered correspond to salary costs in connection with such funds, paid by COPAB. As at the date of these financial statements these items have already been collected by COPAB.

Non-current Assets include under Long-Term Credits the deposit made in BHU /State Mortgage Bank/ as guarantee for the lease of the Head Office.

NOTE 5 – COMMERCIAL DEBTS

Commercial debts correspond to obligations arising from refurbishing of the Head Office, hiring of several services, and the operating agreement with BCU, as per the following itemization:

Account	December-11	December-10
Professional Fees Payable	393,606	-
Publications Payable	224,846	-
BCU Operational Agreement Payable	106,950	116,148
Services rendered by BCU Payable	69,463	75,437
Maintenance of Deposit System Payable	63,780	63,775
Training Payable	33,720	-
Fixed Fund Replenishment Payable	23,574	-
Condominium Expenses Payable	22,737	20,728
Cleaning Services Payable	18,279	25,946
Internet Services Payable	14,013	-
Electricity Bills Payable	10,514	12,214
Fixed Telephone Bills Payable	6,483	35,225
Head Office Refurbishing Payable	-	91,406
Website Services Payable	-	71,757
Mobile Telephone Bills Payable	-	5,782
Other Miscellaneous Services Payable	9,206	4,714
Total	997,371	523,132

NOTE 6 – MISCELLANEOUS DEBTS

Miscellaneous debts correspond to obligations arising from staff costs and other provisions as per the following itemization:

Account	December-11	December-10
Remunerations Payable	-	126,909
Tax Creditors	260,236	238,034
Social Security Charges Creditors	1,016,974	845,866
Creditors for Withheld Amounts	49,062	43,871
Labor Provisions	2,214,707	2,010,967
Tickets Payable	-	40,500
Total	3,540,979	3,306,167

NOTE 7 – ADMINISTRATIVE EXPENSES

Administrative expenses include the following items:

Account	December-11	December-10
Salaries & Wages	15,404,873	12,685,965
Social Security Charges	5,407,217	4,587,715
Training	733,935	473,112
Head Office Refurbishing	9,264	18,350
General Operating Expenses	471,001	252,916
Hired Services	6,652,098	6,633,537
Fixed Asset Amortizations	793,440	114,999
Intangible Asset Amortizations	92,880	-
Total	29,564,708	24,766,594

The payroll of COPAB in 2011 included in the approved Budget comprises: three members of the Board of Directors (President, Vice President, and Director), one General Manager, two Advisors, four 2nd Technicians, a Computer Engineer, an Executive Secretary, and an Administrative Officer.

This payroll also includes the following officers of the Central Bank of Uruguay seconded to COPAB pursuant to Section 54 of Law N° 18,401: an Advisor, three 2nd Technicians, a Computer Engineer, an Executive Secretary, and an Administrative Officer.

These seconded BCU officials continued to be remunerated by their original employer. However, the difference between the remuneration that corresponded to the functions they performed in COPAB and the remuneration that corresponded to their functions in the BCU was paid by COPAB.

Salaries & Wages and social security charges included as administrative expenses correspond to the amounts actually funded by the FGDB.

On 1 September 2011, pursuant to Section 54 of Law N° 18,401, the term expired for the 2nd Technicians, the Executive Secretary, and the Administrative Officer to work as seconded staff. All of them chose to remain at COPAB, while also serving at BCU. As at 31 December 2011 the only employee working as seconded staff was the BCU officer holding the position of Advisor.

Hired Services includes the cost of several services directly hired by COPAB, among which, lawyers' fees, rent of the head office as from 1 July 2010, and contracts relating to computer system maintenance.

NOTE 8 – TAX REGIME

Pursuant to section 26 of Law N° 18,401, COPAB is exempt from all national taxes, even those contemplated by special laws, except social security contributions.

NOTE 9 – BALANCES AND TRANSACTIONS INVOLVING RELATED PARTIES

Balances and transactions involving related parties comprise, basically, balances existing with the FGDB, which is an independent patrimony of affectation (*patrimonio de afectación*)¹ managed by COPAB, and Board of Directors remunerations.

Said balances are as follows:

Account	December-11	December-10
Credits-Items to be Received from the FGDB	3,922,111	3,346,694
Income – FGDB Contributions	29,236,749	28,027,919
Board of Directors salaries & Wages	6,402,292	6,740,504
AFISA Taxes to be Recovered	10,988	-
FRPB Salaries to be Recovered	17,151	-

NOTE 10 –DEPOSIT INSURANCE FUND EQUITY

The Bank Deposit Guarantee Fund equity managed by COPAB as at December 31, 2011 amounts to \$ 4,372,526,519, and as at 31 December, 2010, to \$ 3,687,384,814.

NOTE 11 – EQUITY OF FINANCIAL INSTITUTIONS UNDER LIQUIDATION

The equity of financial institutions under liquidation managed by COPAB as at December 31, 2011 amounts to US\$ 15,181,597, according to the following itemization:

Fund	US\$
Banco Comercial FRPB	12,233,935
Banco Montevideo FRPB	2,474,304
Banco La Caja Obrera FRPB	473,358
Total	15,181,597

Banco Comercial FRPB and Banco Montevideo FRPB are the exclusive shareholders of Comercial AFISA and BM Fondos AFISA, respectively.

NOTE 12 – SUBSEQUENT EVENTS

There have been no subsequent events between December 31, 2011 and the date of approval of the current Financial Statements which could have caused any changes in these financial statements.

¹ The patrimony of affectation is a patrimony, or legal entitlement, that can be divided for a purpose, as being distinct from the general patrimony of the person. It is similar to the common law concept of the trust in some aspects. The property remains outside the patrimony of the grantor.

COURT OF AUDIT (TRIBUNAL DE CUENTAS) REPORT

1. The Court of Audit has reviewed the financial statements of the Bank Savings Protection Corporation (Corporación de Protección del Ahorro Bancario) (COPAB), attached hereto. Said statements include the Statement of Financial Position as at December 31, 2011, the respective Profit and Loss Statement, Source and Application of Funds Statement, and Statement of Changes in Equity for the fiscal year ended on the abovementioned date, the Annexes and notes regarding significant accounting policies and other explanatory notes to the financial statements, and the Budget Execution Balance Sheet for 2011.

The Court of Audit has also audited COPAB's compliance with legal regulations in force relating to the financial statements under review.

2. Board of Directors' Responsibility Regarding Financial Statements

COPAB's Directors are responsible for preparing and reasonably presenting these financial statements pursuant to the appropriate accounting standards, Ordinance N° 81 of the Court of Audit, and the TOCAF [Accounting and Financial Management Code], if applicable. This responsibility includes the design, implementation, and maintenance of an appropriate internal control system for preparing and reasonably presenting financial statements free of significant mistakes, caused by either fraud or error. It also includes selecting and applying appropriate accounting policies and preparing reasonable accounting estimates according to the circumstances.

3. Auditor's Responsibility

The Court of Audit's responsibility is to express an opinion regarding the abovementioned financial statements based on the conducted audit. This audit was carried out according to the auditing standards issued by the International Organization of Supreme Audit Institutions (INTOSAI). These standards require compliance with ethical requirements, as well as planning and auditing procedures required to obtain reasonable certainty that the financial statements are free of any significant mistakes.

An audit involves carrying out certain procedures to obtain evidence of accounting amounts and disclosures. The selected procedures depend on the Auditor's professional opinion, including the assessment of risks regarding the existence of significant mistakes in the financial statements, whether due to fraud or error. When assessing risks, the Auditor takes into consideration internal-control aspects of the entity deemed relevant for reasonably preparing and presenting the financial statements in order to design auditing procedures according to the circumstances, but not with the purpose of providing an opinion on the effectiveness of the entity's internal control. An audit also implies assessing the degree of suitability of the accounting policies applied, and the reasonability of the accounting estimates issued by the Board of Directors, as well as assessing the general presentation of the financial statements.

It is considered that the evidence yielded by this audit provides a sufficient and appropriate basis to support the opinion below.

4. Opinion

In the opinion of the Court of Audit, the abovementioned financial statements reasonably present, in all material respects, the financial position of COPAB as at December 31, 2011, the results of its operations, and the cash flows corresponding to the Fiscal Year ended on that date, pursuant to the appropriate accounting standards and Ordinance N° 81 of the Court of Audit, and the respective budget execution for 2011, pursuant to the TOCAF and other applicable provisions.

With respect to the legal and regulatory provisions governing the audited financial statements, no violations were observed.

Montevideo, 30 July 2012.

ELIZABETH M. CASTRO, Notary Public. GENERAL SECRETARY



CORPORACIÓN
DE PROTECCIÓN DEL
AHORRO BANCARIO
COPAB URUGUAY

