

MEMORY to December 31, 2010



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GLOSSARY

Acronyms

BCU	Central Bank of Uruguay
COPAB	Bank Savings Protection Corporation (Corporación de Protección del Ahorro Bancario)
CRAL	IADI 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 Deposit 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, this means 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.

Message from the President

The Bank Savings Protection Corporation (Corporación de Protección del Ahorro Bancario) has closed its first fiscal year, and will soon reach the end of its second year as an independent institution, performing functions formerly carried out by the Central Bank of Uruguay.

This fiscal year has posed several challenges to the Corporation.

The first, and most structural one, has been the creation of adequate rules for its effective operation. As known, institutions depend on the environment thereof; thus, the Corporation has made an effort to position itself within both the best public and private sector practices. The Corporation is non-government-controlled entity, ruled by private law as regards its contracting regime, while at the same time performing public interest functions which oblige the Corporation to ensure transparency and accountability. Thus the Corporation has initiated a process for the design of performance rules consistent with such features.

The second, and most critical challenge, has been that of building up the capabilities and guidance rules required to fulfill the new responsibilities the law imposes on the deposit insurer. This involves, on the one hand, participating in the resolution of financial institutions that contribute to the Deposit Insurance Fund (Fondo de Garantía de Depósitos Bancarios) and that the Central Bank of Uruguay has declared under Resolution Process. In order to safeguard depositors' interests and the financial system's stability, the Corporation's mission is to search for alternative solutions to winding up, which enable to keep the business as an ongoing concern, minimizing possible loss of value. The application of Fund resources to solution procedures must not imply disbursements higher than those that would result from reimbursement of insured depositors. However in case it is not possible to find a solution the Corporation will be in charge of the liquidation ordered by the Central Bank, and the reimbursement process will be triggered. Progress achieved regarding this issue is described in the Report.

The third, and probably most difficult challenge, has been that of strengthening the risk-assessment capabilities of COPAB regarding those institutions contributing to the deposit insurance system. Without meaning doubling the efforts concerning the system's supervision and regulation carried out by the Central Bank, the Corporation has an obligation to provide an independent view considering the interests it represents as manager of the FGDB. The management of the Fund is now carried out by an autonomous Corporation separated from the Central Bank, which will work to promote the regulator's early intervention, to avoid further losses for depositors and unnecessary risks for the rest of the financial system.

Finally our actions seek to consolidate cooperation and coordination linkages with the other financial safety-net participants. Close interaction with the Central Bank of Uruguay as lender of last resort, and the Financial Services Authority (Superintendencia de Servicios Financieros) as the regulator and supervisor of the system are, in fact, essential in order to enhance the positive external effects of the network's operation.

President
Adela Hounie

Directorio



Adela Hounie
Presidente



Hugo Libonatti
Vicepresidente



Jose A. Pini
Director

Gerencia



Jorge Sanchez
Gerente General



José Sanchez
Asesor



Gabriel Lemus
Asesor



Monge
carbalas

Monge





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.

RESPONSIBILITIES

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.

The first group of responsibilities refer to the Deposit Insurance System as a Paybox, 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 winding up process 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).

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.









Operations Report



Operations Report

Below we present the main aspects of the Corporation's operations since its creation until 31 December 2010.

Throughout this initial period, COPAB focused on:

- strengthening its institutional capacity as a new entity within the financial system;
- managing the Deposit Insurance Fund;
- setting the main guidelines for the new activities provided for by the law concerning the PRB.

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





4 DOMINIOS
34 PROCESOS
210 FUNCIONALIDADES.





3.1

About COPAB



SECRETARÍA
→

CORPORACIÓN
DE PROTECCIÓN DEL
AHORRO BANCARIO
COPAB URUGUAY



3.1 About COPAB

ABOUT COPAB

Since the Corporation's first Board of Directors was appointed, efforts have been focused on the creation of a new distinct organization. At the same time, the Corporation has continued performing the same functions previously carried out within the sphere of the Central Bank of Uruguay.

Pursuant to Law 18,401, the budgets for September-December 2009 and the year 2010 were prepared. The latter was approved by the Executive Power pursuant to Decree N° 593/009 on 28 December 2009.

Furthermore, the concepts of Mission, Vision and Core Values, as well as the Strategic Objectives for 2010-2011, were defined through an interactive process between the staff and the Board of Directors.

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 Receiver of failed financial institutions and their collaterals.

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.



3.1 About COPAB

CORE 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 interested parties.
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.

STRATEGIC OBJECTIVES OF THE CORPORATION

1. Deposit Insurance System
 - 1.1. To analyze and plan improvements regarding FGDB management.
 - 1.2. To analyze and plan risk assessment developments.
 - 1.3. To review and update regulations.
 - 1.4. To develop a communication plan to the public.
2. Bank Resolution
 - 2.1. To analyze the legal and regulatory framework.
 - 2.2. To set an operating plan for bank resolution.
 - 2.3. To agree upon relationships with the SSF throughout the application of solution procedures.
 - 2.4. To define a plan for implementing ongoing bank liquidations transferred from the Central Bank of Uruguay.
3. Organizational Alignment
 - 3.1. To plan its operating autonomy.
 - 3.2. To plan the Corporation's organization and management.
 - 3.3. To analyze and plan human resource management developments.
 - 3.4. To develop institutional communication policies.

AGREEMENTS WITH BCU

In September 2009 two agreements were signed with the Central Bank of Uruguay in order to facilitate, promote, and coordinate general inter-institutional cooperation schemes, according to the following description:

- Framework Collaboration Agreement between both entities;
- Specific Operating Agreement to define required actions aimed at the effective implementation and operation of COPAB.

BCU supported the Corporation in different forms, including facilities and assistance provided by different areas, such as Asset Management, IT, Service and Safety, Human Resources and Organizational Development, Legal, and Institutional Communication.



OPERATIONAL AUTONOMY

One of the Corporation's objectives for 2010 was to achieve operational autonomy, particularly regarding location and technology-related aspects. For this purpose, the Corporation leased its current premises, located in the vicinity of most of the contributing institutions' head offices. Furthermore, required equipment (furniture and IT equipment) was acquired, refurbishing was carried out, and on 1 December 2010 the Corporation separated itself from BCU from the operational point of view.

Notwithstanding the above, BCU agreements regarding assistance provided by the Asset Management Area (investment-related advice) and the IT Area (which continues to provide information on deposits to COPAB on a monthly basis as disclosed by financial institutions that contribute to the FGDB), are still in full force and effect. The chapter concerning the Deposit Insurance System includes a section on the Deposit Information System.

3.1 About COPAB

HUMAN RESOURCES

Throughout this first stage, 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 Organization's core values.

To facilitate the learning process and the exchange of experiences and knowledge with similar international institutions, the Corporation has deemed it relevant to strengthen the staff's English language skills. For this purpose, the services of an English-learning Institute have been hired in order to provide constantly updated training in the English language.

In order to achieve training in management and IT areas, representatives of the Corporation have participated in the following events:

- Distance-learning course on "IAS-IFRS: Regulations for Preparing and Presenting financial statements" by the University Graduates Professional Skills Training and Updating Unit (UPAE), School of Economics and Management, Universidad de la República, May-June 2010;
- Course on "Quality and Integrated Systems Management" organized by UNIT, 31 May to 10 June 2010;
- Seminar on "Close Enemies" organized by ISEDE, Catholic University of Uruguay, 15-16 July 2010;
- Distance-learning course on "Labor Relations: a look from the point of view of case law" conducted by UPAE, 13 September-18 October 2010;
- Seminar on "Companies and Debtor Reorganization Plans in a Changing World", Commercial Law Institute Academic Week, 17 to 19 November 2010;
- Course on "Derivative Instruments Accounting and Valuation" organized by ASBA (Association of Bank Supervisors of the Americas) and conducted by technicians from the Bank of Spain in the Central Bank of Uruguay, 3 to 6 May 2010.



ADMINISTRATION AND INFORMATION TECHNOLOGY (IT)

In order to provide the Corporation with an appropriate infrastructure its management was rationally organized. Thus guidelines for information and document processing and filing as well as for the Board of Directors operations were implemented. Furthermore the authorities intervening in the determination of expenses and payments in connection with the Corporation's contracting regime were defined.

A special aspect was the design and implementation of the IT infrastructure. A Computer Engineer seconded from BCU assisted the authorities of COPAB in the selection of IT equipment and designed the basic activities in coordination with the Central Bank of Uruguay's IT Area.

PARTICIPATION IN INTERNATIONAL ORGANIZATIONS

COPAB continued participating as a member of the International Association of Deposit Insurers (IADI), a position previously held by the BCU Bank Savings Protection Authority. In such capacity, the Corporation has participated in Annual Meetings held in Basel, Switzerland (2009) and Tokyo, Japan (2010).

IADI has created several Regional Committees. COPAB participates in the Regional Committee for Latin America (CRAL) and as a member of such committee, has participated in the Annual Meeting held in Buenos Aires, Argentina, in August 2010.







3.2

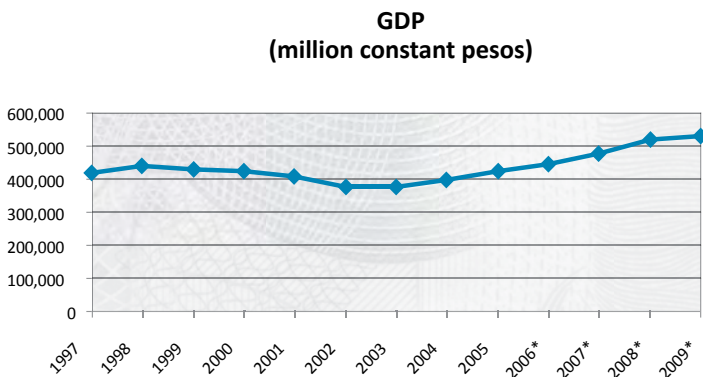
Deposit Insurance
System (SSD)

3.2 Deposit Insurance System (SSD)

Firstly, we present a brief description of the Uruguayan banking system since it provides financial support to SSD activities.

URUGUAYAN BANKING SYSTEM

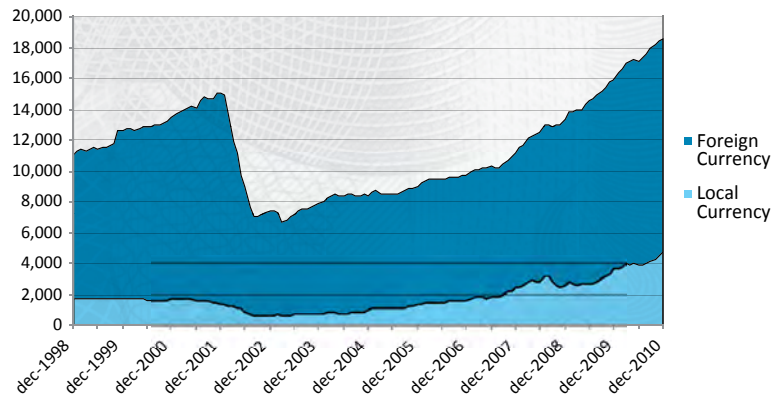
The Uruguayan economy has undergone sustained growth in the course of the last years. GDP levels have greatly surpassed those prior to the 2002 crisis, as it can be seen in the chart below:



According to market expectations surveyed by BCU, the economy is expected to end 2011 with a 6.4% growth; while for 2012 a growth of around 4.7% is foreseen. This dynamism occurs in a context of incipient recovery of the world economy and a weak dollar, with considerable pressures on price levels, and an estimated inflation of 7.5% for the current year.

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

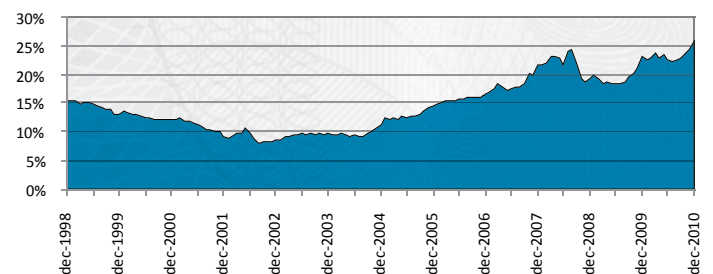
Evolution of deposits within the Banking System Bancario (million US\$)



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

As far as deposits denominated currency is concerned, there has been an increasing participation in domestic currency deposits, ranging from 9.2% in December 2001 up to 26% by the end of December 2010 (see chart below).

Participation of domestic currency deposit

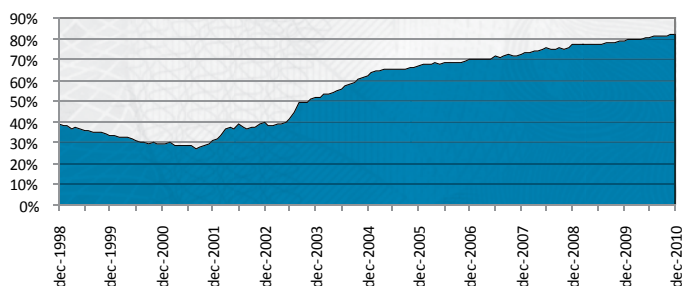


Source: BCU

The reasons for this situation should include the interest rate and devaluation differential of the last years, which has caused a negative real yield of deposits in dollars. Further reasons are official stimuli to domestic currency placements whether by using indexed units or by guaranteeing a wider insurance coverage for such currency.

Another relevant aspect of banking system deposits is the increased use of demand deposits, which represent, as at December 2010, 82% of the total, as it can be seen in the chart below:

Participation of demand deposits

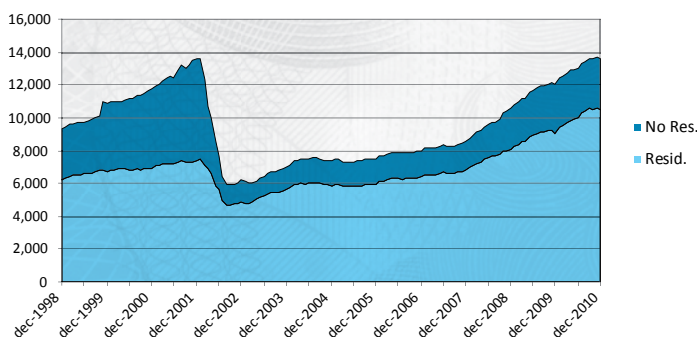


Source: BCU

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 (consistent with international rates).

Considering the factors contributing to greater volatility of deposits within our system, non-residents 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.

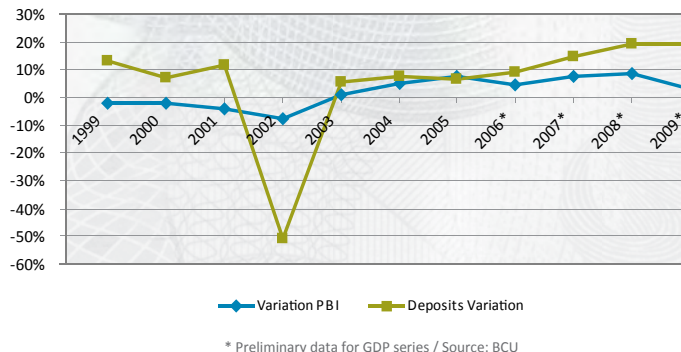
Evolution of deposits within the Banking System in Foreign Currency according to Residence (million US\$)



Source: BCU

The amount of total deposits has grown at a higher rate than our economy, having experienced a sharp decrease during the 2002 financial crisis.

GDP Variation and Deposits Variations



* 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.

DEPOSIT INSURANCE SYSTEM (SSD)

The SSD is funded by the FGDB, which is an independent and unseizable patrimony of affectation (patrimonio de afectación). 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 preference capital contributed by the Government; f) recoveries corresponding to subrogation rights upon payment of insured deposits in the event of liquidation of banks or financial cooperatives; and g) income arising from penalties and surcharges.

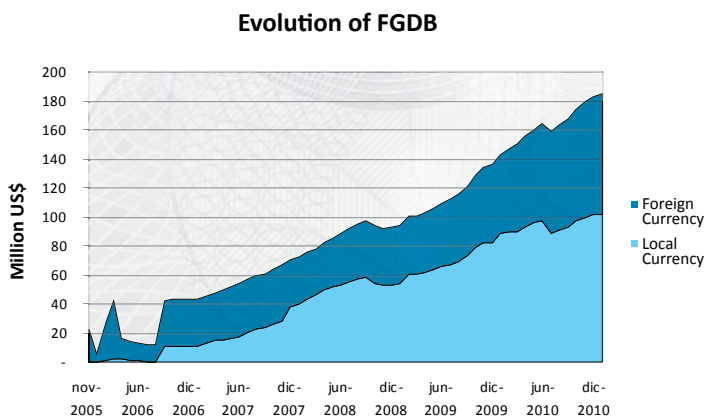
Pursuant to applicable legal regulations, the purpose of the FGDB is: a) to guarantee deposits of any nature, made by individuals or legal entities from the non-financial sector -with the exception of any deposits made by the Central Government and the Social Security Bank- in banks and financial cooperatives; b) to contribute to the application of 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, as from commencement of the activities, are described in the FGDB Financial Statements as at 31 December 2009 and 2010, included in this Report.

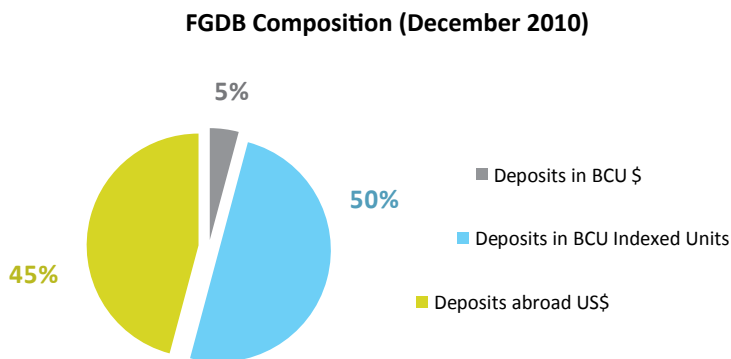
3.2 Deposit Insurance System (SSD)

LIQUID ASSETS AND INVESTMENTS

As at 31 December 2010 available funds within the FGDB increased to US dollars 186.2 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 55% of the total amount), while foreign currency liquid assets are placed in foreign financial institutions with the best risk rating.



DEPOSIT INFORMATION SYSTEM

Contributing institutions submit to COPAB, at the end of each month, an itemization of the deposits held by each of them, in order to provide the required information for potential coverage of insured deposits, according to the legal amounts. This information is received by an IT system called the Financial Institutions Deposit Information System (SIDIIF), which has been acting since 2006. The information is then processed by BCU according to our inter-institutional agreements. 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.

DEPOSIT INFORMATION SUMMARY

The next table includes the amounts of insured deposits and the corresponding covered amount, by currency and for the system in its entirety, at the closing date of each fiscal year:

Coverage to deposits included in the SSD (millions)

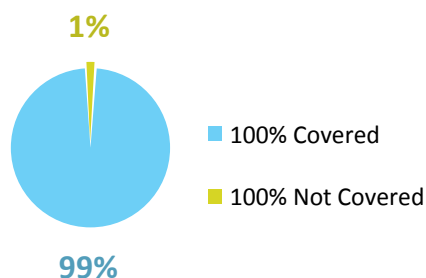
	Domestic Currency in \$					Foreign Currency in US\$			Total en US\$			
	Insured Deposit		Insurance Coverage		%	Insured Deposit	Insurance Coverage	%	Insured Deposit		Insurance Coverage	%
	\$	in US\$	\$	in US\$					Insured Deposit	Insurance Coverage		
dec-06	33,582	1,376	17,420	714	52%	7,979	1,572	20%	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%	

Regarding coverage by currency, the insurance coverage for domestic currency deposits exceeds the insurance coverage for foreign currency deposits, reaching almost 50% of the deposits included in the system.

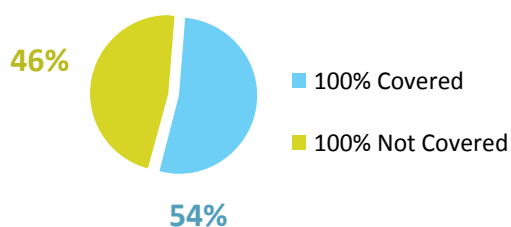
Another relevant aspect is that, according to the insurance limits in force and considering our system's deposit structure, there is a significant total insurance coverage provided to depositors, which reaches 99% in the case of persons holding domestic currency deposits:

Percentage of persons with totally-covered deposits (December 2010)

DOMESTIC CURRENCY



FOREIGN CURRENCY



DETERMINATION OF CONTRIBUTIONS

The SIDIIF 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 an annual rate on the annual average amount of all deposits of the non-financial sector (except those from the Central Government and the Social Security Administration). Currently, this rate is set at 1‰ for domestic currency deposits and 2‰ 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 to 2‰.

During the 2005-2009 period, financial institutions were required to submit every December, a calculation of the contributions they should have to pay the following year.

Since December 2010 said calculation is made directly by the Corporation, using the information of the previous year. Thus the amount of information financial institutions have to submit has diminished and the information provided by SIDIIF is considered sufficient for determining contributions.

3.2 Deposit Insurance System (SSD)

RISK ASSESSMENT

As it has been mentioned above the Corporation has adopted a Risk Assessment Methodology in order to assess the risk affecting the soundness and solvency of financial institutions. Pursuant to this Methodology each institution contributing to the FGDB is assigned a particular risk category.

In order to strengthen COPAB's risk assessment capabilities, the support of the US Treasury's Office of Technical Assistance (OTA) was requested. This organization has made recommendations which are in the process of being implemented.

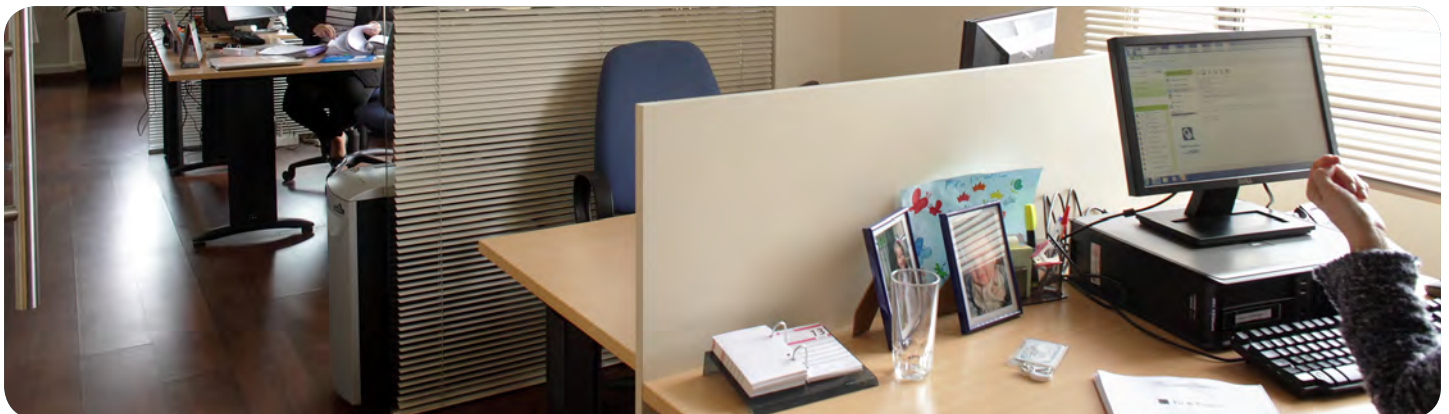
MEMORANDUM OF UNDERSTANDING WITH SSF

Since both COPAB and the Financial Services Authority belong to the financial safety-net, they entered into a Memorandum of Understanding in order to coordinate actions and to prevent duplication of efforts in the monitoring process. This agreement aims at facilitating and coordinating information exchange and activities,

as well as contributing to the effective pursuit of common goals. Pursuant to said agreement, COPAB and SSF have undertaken to make use of every opportunity arising from their joint cooperation to contribute to the pursuit of their particular and common goals, subject to their respective confidentiality obligations.

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.



SPECIFIC TRAINING

The Corporation's staff has participated in several training courses in order to strengthen their capabilities regarding SSD management, among them, the following:

- Advice on Early Detection aspects by specialized staff from the OTA, October 2009;
- Distance-learning course on "Risk Assessment and Rating of Banks and Financial Institutions" sponsored by the Latin American Association of Development Financing Institutions (ALIDE), 22 February to 3 April 2010;
- International Workshop on Financial Education organized by the Financial Institutions Insurance Fund (Fogafin) of Colombia (Cartagena, Colombia, 9-11 March, 2010);
- Course on "Claims Management: Reimbursement to Insured Depositors" organized by the International Association of Deposit Insurers (IADI) in Kuala Lumpur, Malaysia, in November 2009 and in Arlington, United States of America, in July 2010;
- Course on "Market Risk" organized by OTA, at BCU, 28 and 30 September 2010;
- Course on "Operating Risk" organized by OTA, at BCU, 27-29 July 2010.

PUBLIC AWARENESS

Until 2010, COPAB's activity, and particularly all aspects concerning the deposit insurance system, was announced on the BCU website. In 2010 a firm was hired to create a new website specifically for the Corporation, which was available in July 2011.

Última Actualización: 08/11/2011

Menú General

- Inicio
- ¿Quiénes somos?
- Contáctenos
- Novedades
- Preguntas Frecuentes

IX Comité Regional de América Latina

El Comité Regional de América Latina (CRAL) de la Asociación Internacional de Aseguradores de Depósitos (IADI) celebrará su IX Reunión, organizada por la COPAB, en la ciudad de Punta del Este, Uruguay, los días 21 y 22 de marzo de 2012.

Ver más

¿Quiénes somos?

La Corporación de Protección del Ahorro Bancario (COPAB) es una persona jurídica de derecho público no estatal, creada por el artículo 14 de la Ley N° 18.401 de 24 de octubre de 2008, que reformó la Carta Orgánica del Banco Central del Uruguay (BCU)...

Últimas actualizaciones

IADI - Asamblea General Anual en Varsovia

Entre los días 17 y 21 de octubre de 2011 se realizó, en la ciudad de Varsovia, Polonia, la 10ª Asamblea General Anual de la IADI conjuntamente con la Conferencia Anual sobre el tema "Más allá de la Crisis: La necesidad de un esquema fortalecido de estabilidad financiera".

IX Comité Regional de América Latina

El Comité Regional de América Latina (CRAL) de la Asociación Internacional de Aseguradores de Depósitos (IADI) celebrará su IX Reunión, organizada por la COPAB, en la ciudad de Punta

Preguntas Frecuentes

¿Qué depósitos están garantizados?

Calendario para Instituciones Aportantes

Creación de COPAB Ley N° 18.401 (Títulos III y IV)



Alamar

edificio

601



CORPORACIÓN DE
PROTECCIÓN DEL
AHORRO BANCARIO

602

501



CORPORACIÓN DE PROTECCIÓN
DEL AHORRO BANCARIO

502



3.3

Bank Resolution Process



3.3 Bank Resolution Process

Throughout 2010 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 strategic objective.

ANALYSIS OF LEGAL AND REGULATORY FRAMEWORK

The data-gathering stage concerning legal and regulatory framework on bank resolution has been completed. As a result of this work, the need to propose certain legal amendments has arisen. For this task, the advice of a well-known Banking Law expert has been ensured.

All amendments proposed will be submitted for the analysis and evaluation of the other participants of the financial safety net (Central Bank of Uruguay and Financial Services Agency), as well as the authorities of the Ministry of Economy and Finance.

DESIGN OF THE BANK RESOLUTION OPERATING PLAN

Throughout 2010 the Corporation's professional team assigned to this area has worked under the advice of a consultant from the OTA in the design of bank resolution operating plans. This consultancy

will continue during 2011, and it is expected to end in 2012 with the preparation and further approval of policies, manuals, and instructions for the different processes.

RELATIONSHIPS WITH SSF

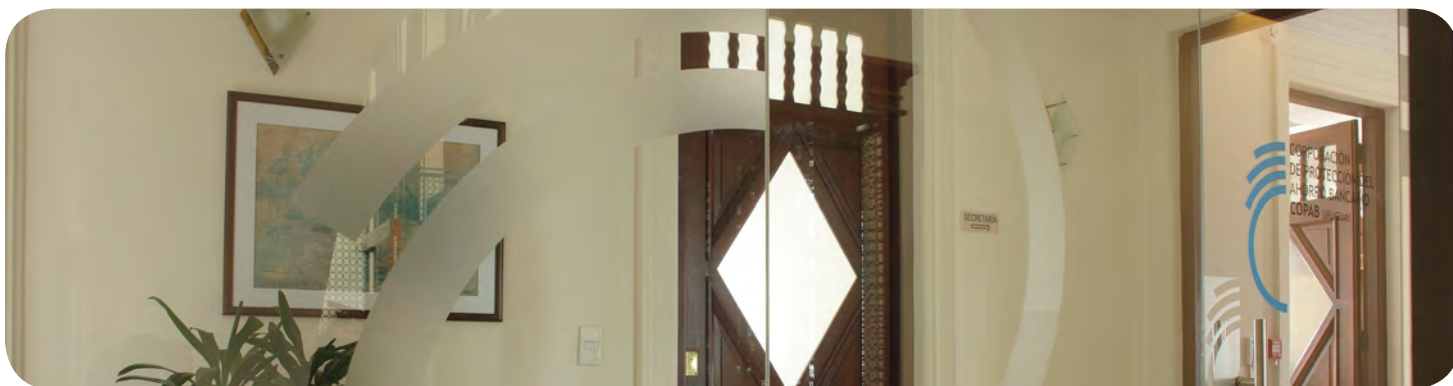
Progress has also been achieved in connection with the agreements to be entered into with the Financial Services Authority for participation during the solution procedures application stage. Certain details are still to be adjusted before the authorities sign the respective Memorandum of Understanding.



PLAN FOR TRANSFER OF BANKS UNDER CURRENT LIQUIDATION

The COPAB and BCU authorities have entered into an agreement establishing the terms and conditions for transfer of management of those failed financial institutions currently under liquidation, pursuant to section 50 of Law N° 18,401 of 24 October 2008. Details are being adjusted for an effective transfer.

Since the terms and conditions for the transfer have been agreed, any new case of a failed financial institution to be liquidated will be managed by COPAB, according to the abovementioned section 50.



SPECIFIC TRAINING

The following training courses were undertaken in connection with Bank Resolution issues:

● Seminar on “Crisis Program for Central Bankers, Financial Regulators & Supervisors, and Deposit Insurers”, organized by the Toronto Leadership Centre in association with the World Bank, at BCU, 8-11 September 2009;

● Consultancy on Bank Resolution aspects by experts from the OTA, October 2009;

● Seminar on “Resolution of Problem Banks” organized by IADI in Arlington, United States of America, April 2010;

● Course on Mergers and Acquisitions organized by UPAE, School of Economics and Management, Universidad de la República, April 2010.





Current Assets for FGDB

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

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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 of December 27, 2002, is an independent patrimony of affectation (“*patrimonio de afectación*”¹) with no legal personality. The object of the FGDB is to provide insurance to deposits in banks and financial cooperatives under the conditions provided for by the Law and its regulatory regime. Law N° 18,401 amends the BCU’s Organic Chart creating 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 previously managed by the 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.

The financial statements audited as at 31 December 2009 were used for comparative purposes only.

1.2 Deposit 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 the FGDB resources pursuant to one of the Solution Procedures provided for by the same Law. Law 18,401 further 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

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.

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the exception of any deposits made by the Central Government and the Social Security Administration /*Banco de Previsión Social*/ (BPS)- in any of the financial institutions referred to by section 17bis of Decree-Law N° 15,322 of 17 September 1982, as amended by section 2 of Law N° 16,327 of 11 November 1992 (banks and financial cooperatives).

Section 5 of Decree N° 103/005 of 7 March 2005 is still in force, that is: the FGDB covers up to US\$ 5,000 (equivalent, as at 31 December 2010 to \$ 100,470) 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, 2010 to \$ 534,750) 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 resources shall be composed of:

1. contributions of banks and financial cooperatives,
2. proceeds and repayment of placements made by COPAB in pursuance of its legal object,
3. 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 preference capital provided by the Government.

The Fund further includes:

- a) recoveries obtained by the Fund corresponding to its subrogation rights upon payment of the insured deposits of any depositor, against the liquidated bank or financial cooperative concerned (Section 36, Law N 18401).
- b) amounts received on account of fines imposed (Section 16, Paragraph E, Law

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N 18401).

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

Section 47 of Law N° 17,613 and section 4 of Decree N° 103/005 provided the BCU's obligation to prepare for the Executive Power approval a system for establishing specific contributions according to each financial institution risk rating. Decree N° 328/006 of 18 September 2006 set the rates for additional contributions, equal for each currency, for the different risk categories.

Hence in 2006 each contributing financial institution was assigned a risk rating, according to the Risk Assessment Methodology approved pursuant to Agreement N° 2006/014 of July 27, 2006 of the Bank Savings Protection Commission¹. Such risk rating was used for the application of variable contributions to be paid during the 2007 fiscal year.

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

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

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

Section 39 of Law N° 18,401 provides that contributions from banks and financial cooperatives will be set by COPAB, between 1‰ (one per mill) and 30 ‰ (thirty

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per mill) of the annual average of non-financial sector deposits excluding deposits made by the Central Government and the Social Security Administration, according to the risk rating assigned to each institution.

Hence the Board of Directors of the BCU resolved, on December 26, 2008 (D/702/2008), pursuant to sections 39 and 55 of Law N° 18,401 that the contributions established by Decrees N° 103/005 and N° 328/006 hereinabove mentioned are still those to be applied. Furthermore, the Board set at an annual 1‰ (one per mill) the contribution rate applicable to non-financial sector non-insured deposits (excluding Central Government and Social Security Administration) kept in each banking institution or financial cooperative, whether in national or foreign currency, to which the additional contributions provided for by Decree N° 328/006 according to each institution risk rating do not apply.

Additionally, section 39 of Law N° 18,401 provides that, in case relevant disbursements are required, COPAB may request contributing entities the advanced payment of up to the equivalent of three years contributions, pursuant to the applicable regulations.

Contributions in the respective currencies shall be suspended if the FGDB reaches the maximum amount specified by section 5 of Decree N° 328/006 dated 18 September 2006, and will be resumed whenever the Fund resources fall below such maximum amount. This maximum amount is 5% of all insured deposits, both in national and foreign currency (See Note 10).

The abovementioned regulations regarding contributions of financial institutions are still in full force and effect.

Section 11 of Decree N° 103/005 provides that, in order to support the creation of the FGDB, the Government shall pay in advance, as preference capital, the maximum amount of US\$ 20,000,000, and shall provide a loan of up to US\$ 40,000,000, which shall be determined by the Ministry of Economy and Finance (MEF). Said section further provides that repayment of the amounts actually paid in advance shall be borne by the FGDB, under mutually-agreed conditions. (See Note 11)

1.4 Approval of Financial Statements

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These financial statements have been prepared by COPAB's staff and have been approved by the Board of Directors on 16 March, 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, applied in a manner consistent with the one used 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 financial statements have been prepared under the historical cost basis restated to closing values, as it is explained hereinafter.

2.2 Functional Currency

The FGDB financial statements as at 31 December 2010 were prepared using the Uruguayan Peso as functional currency, and have been adjusted by inflation pursuant to IAS 29, as provided by the TCR Resolution dated 1 April 2009.

2.3 Changes in price levels

Financial statements' balances include the corresponding adjustments required to take into consideration currency purchasing power variations.

For restatement of the financial statement's currency as at the closing date, the "Consumer Price Index" (CPI) published by the National Statistics Institute was used. Its values were the following:

Date	CPI
December 2009	282,43
December 2010	302,01

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Balances as at 31 December 2009, which are presented for comparative purposes only, were restated according to the abovementioned procedure, as provided for by Ordinance N° 81 of the TCR.

2.4 Foreign Currency

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

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

Date	US Dollar Exchange Rate
December 2009	19,627
December 2010	20,094

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.

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.

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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 2009 and 31 December 2010 were classified as "held-to-maturity permanent investments".

2.7 Credits

Credits are reported at their cost minus any impairment loss. (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 2010 no provisions for bad debtors had been made, since there were no outstanding credits.

2.8 Impairment

The accounting values of 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

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value between the sale net price and the use value. Impairment loss is recognized in the Profit and Loss Statement when the accounting value of an asset or its cash-generating unit exceeds its recoverable amount.

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

From the revision made as at 31 December 2009 and as at 31 December 2010, 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 insured entities, COPAB shall promptly execute the deposit insurance this fund provides, as long as the FGDB resources have not been allocated pursuant to one of the Solution Procedures contemplated by the Law. Said section further stipulates that COPAB will set the rules that, within the framework established by the Law, will provide the terms and conditions of the coverage.

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

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

As at December 31, 2010 no insured entity liquidation had been decided.

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2.12 Equity

Total Equity, at the beginning of the fiscal year, was restated at closing value of money.

The Retained Earnings restatement is charged to the respective account.

2.13 Net Income

Net income for the 1 January-31 December 2010 period is the difference between the initial equity and the closing equity, both measured in the purchasing power currency corresponding to the last mentioned date.

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

Operating income comprises contributions made by financial institutions as from January 1, 2010 and until December 31, 2010, pursuant to section 4 of Decree N° 103/005.

Financial income includes interests received for invested funds, according to Notes 2.6, interests paid for the loan granted by the MEF as preference capital, exchange differences and monetary devaluation results (RDM) as per the following itemization.

Item	December 2010	December 2009
Interests Received	81,887,273	30,712,353
Interests Paid	(14,469,797)	(8,419,893)
Exchange Differences and RDM	(50,553,477)	(79,090,710)
Financial Income	16,863,999	(56,798,250)

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:

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Item	December 2010	December 2009
Liquid Assets	5,599,115	5,270,253
Temporary Investments (Note 3.4)	3,636,245,395	2,590,263,538
Total	3,641,844,510	2,595,533,791

2.15 Use of accounting estimates

Preparation of financial statements as at a particular date requires estimates and assumptions that affect the amounts reported of assets and liabilities, contingent assets and liabilities as at the date of this financial statements and inflows and outflows recorded during the fiscal year

Estimates are made to calculate provisions (among other estimates) at a particular time. Actual results could differ from these estimates and assumptions.

NOTE 3 – RISK MANAGEMENT

3.1 Relationship with the Central Bank of Uruguay

Pursuant to Resolution D/703/2005 dated 30 November 2005 the Board of Directors of the Central Bank of Uruguay entrusted the International Operations Department (*Área de Operaciones Internacionales*) (currently Asset Management Department [*Área de Gestión de Activos – AGA*]) with the duty of providing information on investment instruments available according to SPAB's objectives for investing FGDB assets, and with the duty of providing assistance to ensure the effective investment of the abovementioned Fund's assets. Said resolution further states that these services shall be provided pursuant to the terms and conditions established in the document entitled "Conditions for the Provision of Services".

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

3.2 Criteria regarding risks assumed

The Commission for the Protection of Bank Savings decided to implement the best available options for the investment of cash aimed at attaining the objectives of

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ensuring capital preservation and maintenance of liquidity, while also reasonable returns.

The following guidelines, which are still in force, were defined regarding risks:

Credit Risk: To be conservative with respect to the instruments' credit quality. 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 the terms and conditions for each time horizon.

3.3 Investments Management Policy

The investments management policy guidelines in force as at 31 December 2009 are still applied.

In Agreement 2005/016 dated 8 December 2005, the Bank Savings Protection Commission defined the investment management policy (PAI) of the FGDB. 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 efficient decision-making -within control procedures- regarding purchase and sale of investments, in order to take full advantage of market opportunities.
3. PAI Dynamism to ensure limits can be adjusted when there are abrupt variations in key variables (e.g.: resources level, higher-risk insured deposits level, coverage payment, etc.).
4. Clearly-defined functions and responsibilities concerning the FGDB resources management.

Currently, according to the agreement dated 3 September 2009, entered into

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between COPAB and BCU, the following guidelines apply:

“The BCU Economic Policy and Markets Management will provide professional, technical, and administrative support to COPAB including:

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 deposits required by COPAB determining the applicable interest rate for each case according to the yield curves prepared by the Monetary and Liabilities Management Area. In order to ensure transparency and objectivity in the determination of the applicable interest rates, the Monetary and Liabilities Management Area shall accept any enquiries from COPAB promptly providing the required information.

c) Early cancellation of the deposits mentioned in the previous paragraph, only exceptionally for the payment of FGDB coverage which could not be expected as at the date the deposit was made and provided the COPAB duly communicates this aspect in writing.

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 and Liabilities Management Area used as at the date the deposit was made, but for the effective term thereof.

d) Authorize 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 facilities provided by BCU (such as overnight deposits in Uruguayan Pesos) under the same conditions in force for financial institutions.”

3.4 Itemization of Interest-accruing Financial Assets and Liabilities

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

Financial Assets

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Short term held - to - maturity permanent investments	December 2010				December 2009			
	Maturity date	Amount	Rate	Accrued Interests	Maturity date	Amount	Rate	Accrued Interests
Deposits in BCU in UI	31/01/2011	69,474,720	3.6653%	10,525,635	29/01/2010	25,674,111	3.4390%	1,719,994
Deposits in BCU in UI	31/01/2011	26,309,700	3.5676%	2,833,440	29/01/2010	43,474,829	11.8521%	4,707,066
Deposits in BCU in UI	28/02/2011	84,704,400	5.0300%	3,976,589	26/02/2010	17,116,074	3.6825%	1,176,566
Deposits in BCU in UI	31/03/2011	81,388,950	4.0600%	2,582,742	26/02/2010	35,483,762	5.0879%	594,649
Deposits in BCU in UI	29/04/2011	45,410,970	3.0800%	631,424	26/02/2010	179,290,878	4.000%	2,350,703
Deposits in BCU in UI	31/05/2011	45,410,970	3.0800%	831,424	26/03/2010	60,017,647	3.5000%	715,714
Deposits in BCU in UI	29/06/2011	62,244,900	3.5629%	8,137,533	31/03/2010	28,369,893	3.8771%	1,656,723
Deposits in BCU in UI	29/07/2011	143,740,800	2.0000%	1,469,350	30/04/2010	96,919,771	4.7100%	12,680
Deposits in BCU in UI	29/07/2011	217,108,500	2.500%	2,321,854	31/05/2010	42,683,210	6.979%	2,228,112
Deposits in BCU in UI	31/08/2011	205,344,000	1.9500%	1,356,981	31/05/2010	32,608,122	8.6651%	1,658,924
Deposits in BCU in UI	30/09/2011	132,618,000	1.4100%	477,866	01/06/2010	31,022,685	3.1970%	2,630,546
Deposits in BCU in UI	31/10/2011	210,905,400	1.7500%	645,697	30/08/2010	96,919,771	4.7650%	12,815
Deposits in BCU in UI	30/11/2011	85,560,000	3.5701%	9,787,559	30/07/2010	100,631,819	5.6673%	2,360,576
Deposits in BCU in UI	30/11/2011	49,410,900	5.4000%	2,935,007	31/08/2010	36,628,399	3.6900%	3,236,679
Deposits in BCU in UI	30/11/2011	94,757,700	1.2300%	100,364	31/08/2010	179,290,878	4.4000%	2,585,773
Deposits in BCU in UI	07/12/2011	25,432,710	3.6006%	2,858,257	28/09/2010	43,849,243	3.7402%	3,794,610
Deposits in BCU in UI	30/12/2011	125,559,300	1.5200%	5,301	30/09/2010	60,017,647	4.6000%	940,652
Deposits in BCU in UI					29/10/2010	54,129,585	4.6000%	428,827
Deposits in BCU in UI					31/10/2010	16,602,592	3.6379%	1,338,511
Deposits in BCU in UI					30/11/2010	104,408,053	3.3264%	7,381,834
Deposits in BCU in UI					30/11/2010	49,422,665	5.2000%	221,304
Deposits in BCU in UI					13/12/2010	23,534,602	3.3304%	1,602,720
Subtotal		1,705,381,920		51,677,232		1,398,094,436		43,654,173
Deposits in BCU in \$	03/01/2011	3,574,000	6.000%	571				
Deposits in BCU in \$	31/01/2011	186,000,000	6.000%	29,696				
Subtotal		189,574,000		30,266				
Deposits in US\$ in FLAR	31/01/2011	832,147,834	0.23000%	5,316	28/01/2010	569,686,424	0.21000%	1,869
Deposits in US\$ in Zuercher	31/01/2011	857,421,920	0.29000%	6,907	29/01/2010	578,823,229	0.12000%	3,376
Subtotal		1,689,569,754		12,223		1,148,509,653		5,275
Total		3,684,625,674		51,719,721		2,546,604,089		43,659,449

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Long term held - to - maturity permanent investments	December 2010				December 2009			
	Maturity date	Amount	Rate	Accrued Interests	Maturity date	Amount	Rate	Accrued Interests
Deposits in BCU in UI	28/02/2012	48,854,760	4.0250%	7,995,771	31/01/2011	69,491,262	3.6663%	7,696,146
Deposits in BCU in UI	09/04/2012	11,229,750	4.1780%	1,853,071	31/01/2011	26,315,964	3.5676%	1,629,981
Deposits in BCU in UI	02/05/2012	17,967,600	3.9710%	2,759,209	29/06/2011	62,259,720	3.5629%	5,717,510
Deposits in BCU in UI	30/07/2012	54,619,365	3.9600%	7,762,972	30/11/2011	85,580,371	3.5701%	6,502,441
Deposits in BCU in UI	28/02/2013	17,967,600	3.9560%	2,091,670	30/11/2011	49,422,665	5.4000%	229,615
Deposits in BCU in UI					07/12/2011	25,438,765	3.6006%	1,675,482
Deposits in BCU in UI					28/02/2012	48,866,392	4.0250%	5,737,456
Deposits in BCU in UI					09/04/2012	11,232,424	4.1780%	1,328,705
Deposits in BCU in UI					02/05/2012	17,971,878	3.9710%	1,968,051
Deposits in BCU in UI					30/07/2012	54,632,370	3.9600%	5,388,013
Deposits in BCU in UI					28/02/2013	17,971,878	3.9560%	1,328,640
Total		150,639,075		22,462,693		469,193,689		39,644,220

Financial Liabilities

Item	December 2010	December 2009
Financial Current Debts with MEF	40,188,000	0
Financial Non Current Debts with MEF	361,692,000	419,753,586
Accrued Interests	14,586,344	21,319,337
Total	416,466,344	441,072,923

(*) Pursuant to the capitalization agreement dated 16 November 2005, the Ministry of Economy and Finance shall receive the annual profits arising from Fund applications, proportionally to its contribution. (See Note 11)

3.5 Reasonable Value

The accounting value of financial assets and liabilities does not significantly differ from their reasonable values.

NOTE 4 – FOREIGN CURRENCY AND INDEXED UNITS POSITION

The following are the foreign currency and indexed units balances for assets and liabilities:

FONDO DE GARANTÍA DE DEPÓSITOS BANCARIOS (DEPOSIT INSURANCE FUND)

NOTES TO THE INFLATION-ADJUSTED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2010 AND 31 DECEMBER 2009

(stated in Uruguayan Pesos purchasing power as at 31 December 2010)

Item	December 2010			December 2009		
	u\$s	UI	Total equivalent in Uruguayan \$	u\$s	UI	Total equivalent in Uruguayan \$
Liquid Assets	278,616		5,598,500	153,392	0	3,219,351
Temporary Investments	84,083,904	821,439,529	3,446,641,129	54,723,293	673,868,825	2,590,263,530
Total Current Assets	84,362,520	821,439,529	3,452,239,629	54,876,685	673,868,825	2,593,482,881
Long-Term Investments		80,926,493	173,101,768	0	237,833,935	508,847,913
Total Non Current Assets	0	80,926,493	173,101,768	0	237,833,935	508,847,913
Total Assets	84,362,520	902,366,022	3,625,341,397	54,876,685	911,702,760	3,102,330,794
Financial Debts	2,725,905		54,774,344	1,015,802	0	21,319,336
Total Current Liabilities	2,725,905	0	54,774,344	1,015,802	0	21,319,336
Financial Debts	18,000,000		361,692,000	20,000,000	0	419,753,586
Total Non Current Liabilities	18,000,000	0	361,692,000	20,000,000	0	419,753,586
Total Liabilities	20,725,905	0	416,466,344	21,015,802	0	441,072,923
Net Position	63,636,615	902,366,022	3,208,875,053	33,860,883	911,702,760	2,661,257,871

NOTE 5 - CREDITS

There are no outstanding credits as at 31 December 2010.

NOTE 6 – FINANCIAL DEBTS

The itemization of Financial Debts, in Uruguayan Pesos, is as follows:

Item	December 2010				
	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Total
Provision for Preference Capital Interests	14,586,344				14,586,344
Financial Debt w ith MEF	40,188,000	80,376,000	80,376,000	200,940,000	401,880,000
Total	54,774,344	80,376,000	80,376,000	200,940,000	416,466,344

Item	December 2009				
	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Total
Provision for Preference Capital Interests	21,319,336				21,319,336
Financial Debt w ith MEF		83,950,717	83,950,717	251,852,152	419,753,586
Total	21,319,337	83,950,717	83,950,717	251,852,152	441,072,924

FONDO DE GARANTÍA DE DEPÓSITOS BANCARIOS (DEPOSIT INSURANCE FUND)

NOTES TO THE INFLATION-ADJUSTED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2010 AND 31 DECEMBER 2009

(stated in Uruguayan Pesos purchasing power as at 31 December 2010)

Financial Debts with less than a year maturity include the first amortization of the loan provided by the MEF according to the agreed terms and conditions as explained in Note 11.

NOTE 7 – MISCELLANEOUS DEBTS

The itemization of miscellaneous debts is as follows:

Item	December 2010	December 2009
Items to be repaid	16,299	18,142
COPAB Provision	3,081,670	1,562,370
Total	3,097,969	1,580,512

The amount recorded as COPAB Provision corresponds to the resources to be transferred to COPAB in order to meet commitments assumed during the 2010 fiscal year to be cancelled in 2011.

NOTE 8 – ADMINISTRATIVE EXPENSES

Administrative expenses incurred by the Fund are as follows:

Item	December 2010	December 2009
COPAB Operating Expenses	25,808,397	6,913,373
Total	25,808,397	6,913,373

On September 1, 2009, COPAB was incorporated 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 correspond to remittances made from FGDB to meet COPAB's operating expenses.

Furthermore, as at August 31, 2009, only the remuneration of members of the FGDB Special Management Commission and certain specific expenses such as the cost of the Bloomberg contract were borne by the FGDB. However, as from 1 September 2009, FGDB finances all COPAB's budget including salaries, expenses, and investments.

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

NOTES TO THE INFLATION-ADJUSTED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2010 AND 31 DECEMBER 2009

(stated in Uruguayan Pesos purchasing power as at 31 December 2010)

NOTE 9 – TAX REGIME

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 Service taxes (IRIC [Industry and Trade Income Tax], IP [Net Worth Tax], or VAT). Pursuant to section 26 of Law N° 18.401, COPAB and FGDB are both exempt from all national taxes, even those contemplated by special laws, except social security contributions.

NOTE 10 - CONTINGENCIES

Section 31 of Law N° 18.401 provides that the Fund shall 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 Administration (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 insured amounts will be set considering each creditor, each institutional debtor, and the 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 up to US\$ 5,000 (equivalent, as at December 31, 2010 to \$ 100,470) for the total amount of foreign currency deposits, and up to the equivalent of 250,000 Indexed Units (equivalent, as at 31 December 2010 to \$ 534,750) 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 2010 (except for the BHU for which balances as at November 2010 are considered given the unavailability of balances as at December 2010) included in the Financial Institutions Deposit Information System (SIDIIF), the covered amount is as follows:

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FONDO DE GARANTÍA DE DEPÓSITOS BANCARIOS (DEPOSIT INSURANCE FUND)

NOTES TO THE INFLATION-ADJUSTED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2010 AND 31 DECEMBER 2009

(stated in Uruguayan Pesos purchasing power as at 31 December 2010)

Item	December 2010	December 2009
Coverage of Deposits in Uruguayan Pesos	46,000,301,172	36,019,797,167
Coverage of Deposits in Foreign Currency (in US\$)	2,001,526,953	1,883,512,145
Total Coverage (in Uruguayan Pesos)	86,218,983,766	72,987,490,037

Section 47 of Law N° 17.613, as amended by section 39 of Law N° 18.401, states that, upon COPAB's duly justified request, the Executive Power will set the maximum amount of reserve for each currency the FGDB should have. Contributions in the respective currencies will be suspended when FGDB reaches the maximum amount established for each currency, and will be resumed whenever the FGDB resources fall below such 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 national and foreign currency.

Therefore, the comparison of the maximum limit stipulated by Law with the actual collected amounts yields the following result:

Item	December 2010	December 2009
Amount of insured deposits	365,181,661,012	333,135,995,738
Maximum amount decree N 328/006 dated 18th september 2006	18,259,083,051	16,656,799,597
Total amount in the Fund	3,395,381,965	2,661,728,265

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

FONDO DE GARANTÍA DE DEPÓSITOS BANCARIOS (DEPOSIT INSURANCE FUND)

NOTES TO THE INFLATION-ADJUSTED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2010 AND 31 DECEMBER 2009

(stated in Uruguayan Pesos purchasing power as at 31 December 2010)

Item	December 2010				Total
	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	
Provision for Preference Capital Interests	14,586,344				14,586,344
Financial Debt with MEF	40,188,000	80,376,000	80,376,000	200,940,000	401,880,000
Total	54,774,344	80,376,000	80,376,000	200,940,000	416,466,344

Item	December 2009				Total
	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	
Provision for Preference Capital Interests	21,319,336	-	-	-	21,319,336
Financial Debt with MEF	-	83,950,717	83,950,717	251,852,152	419,753,586
Total	21,319,337	83,950,717	83,950,717	251,852,152	441,072,924

NOTE 11 – 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 preference capital, and a maximum amount of US\$ 40,000,000 as a loan, to be determined by the MEF.

On 16 November 2005, the MEF contributed the amount of US\$ 20,000,000 as preference capital, agreeing such capital would be returned in ten annual consecutive installments once the Fund reaches 20% of the maximum amounts defined by section 9 of Decree N° 103/005. It is expected that during the 2011 fiscal year such percentage shall be attained, and hence this liability shall commence to be amortized.

NOTE 12 – RELATED PARTIES BALANCES AND TRANSACTIONS

Related parties balances are those existing with COPAB, the FGDB's managing entity.

Said balances are as follows:

Item	December-10	December-09
COPAB Provisions	3.081.670	1.562.370
COPAB Operating Expenses	25.808.397	6.913.373
Total	28.890.067	8.475.743

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

NOTES TO THE INFLATION-ADJUSTED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2010 AND 31 DECEMBER 2009

(stated in Uruguayan Pesos purchasing power as at 31 December 2010)

NOTE 13 – SUBSEQUENT EVENTS

There have been no subsequent events between December 31, 2010 and the date of approval of the current Financial Statements leading to any changes in such financial statements.

1. Subsequently named Deposit Insurance Fund Special Management Commission.

FONDO DE GARANTÍA DE DEPÓSITOS BANCARIOS ("DEPOSITS INSURANCE FUND")
INFLATION-ADJUSTED STATEMENT OF CHANGES IN EQUITY
(expressed in Uruguayan pesos purchasing power as at 31 December 2010)

	Retained Earnings	Total Equity
BALANCE AS AT 09/01/2009	2,344,133,953	2,344,133,953
CHANGES IN ACCOUNTING POLICY	17,560,308	17,560,308
EARNINGS OF THE PERIOD 09/01/09 to 12/31/09	127,468,064	127,468,064
BALANCE AS AT 12/31/2009	2,489,162,325	2,489,162,325
CHANGES IN ACCOUNTING POLICY	172,565,940	172,565,940
EARNINGS OF THE PERIOD 01/01/10 to 12/31/10	733,653,700	733,653,700
BALANCE AS AT 12/31/2010	3,395,381,965	3,395,381,965

Notes 1 to 13 attached hereto are an integral part of the financial statements.
Signed for the purpose of its identification with our report dated 16 March 2011
STAVROS MOYAL Y ASOCIADOS S.R.L.

Jorge Sánchez
General Manager
Corporación de Protección
del Ahorro Bancario

Adela Hounie
President
Corporación de Protección
del Ahorro Bancario

FONDO DE GARANTÍA DE DEPÓSITOS BANCARIOS ("DEPOSIT INSURANCE FUND")
INFLATION-ADJUSTED PROFIT AND LOSS STATEMENT
FOR THE PERIOD 1 JANUARY- 31 DECEMBER, 2010 AND 1 SEPTEMBER-31 DECEMBER 2009

(expressed in Uruguayan Pesos purchasing power as at 31 December 2010)
INFLATION-ADJUSTED PROFIT AND LOSS STATEMENT

	1/1/10 to 31/12/10	Four-month period 1/9/09 to 31/12/09
	\$	\$
INCOME FROM OPERATIONS		
Contributions from Financial Institutions	742,618,159	200,024,715
GROSS INCOME	742,618,159	200,024,715
ADMINISTRATIVE EXPENSES (Note 8)	-25,808,397	-6,913,373
OTHER INCOME	-20,061	-8,060
FINANCIAL INCOME (Note 2.13)	16,863,999	-56,798,250
NET INCOME	733,653,700	136,305,032

Notes 1 to 13 attached hereto are an integral part of the financial statements.
Signed for the purpose of its identification with our report dated 16 March 2011
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Adela Hoanic
President
Corporación de Protección
del Ahorro Bancario

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

INFLATION-ADJUSTED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010 AND 31 DECEMBER 2009

(expressed in Uruguayan pesos purchasing power as at 31 December 2010)

EQUITY

	dec-10 \$	dec-09 \$
Retained Earnings	2,661,728,265	2,525,423,233
Earnings of the Period	733,653,700	136,305,032
TOTAL EQUITY	3,395,381,965	2,661,728,265
TOTAL LIABILITIES AND EQUITY	3,814,946,278	3,104,381,700

Notes 1 to 13 attached hereto are an integral part of the financial statements.
Signed for the purpose of its identification with our report dated 16 March 2011
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FONDO DE GARANTÍA DE DEPÓSITOS BANCARIOS ("DEPOSIT INSURANCE FUND")

INFLATION-ADJUSTED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010 AND 31 DECEMBER 2009

(expressed in Uruguayan pesos purchasing power as at 31 December 2010)

STATEMENT OF FINANCIAL POSITION

LIABILITIES

Current Liabilities	dec-10 \$	dec-09 \$
Financial Debts (Note 6)	54,774,344	21,319,337
Miscellaneous Debts (Note 7)	3,097,969	1,580,512
Total Current Liabilities	57,872,313	22,899,849
Non-Current Liabilities		
Financial Debts (Note 6)	361,692,000	419,753,586
Total Non-Current Liabilities	361,692,000	419,753,586
TOTAL LIABILITIES	419,564,313	442,653,435

Notes 1 to 13 attached hereto are an integral part of the financial statements.
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FONDO DE GARANTÍA DE DEPÓSITOS BANCARIOS ("DEPOSIT INSURANCE FUND")

INFLATION-ADJUSTED

AS AT 31 DECEMBER 2010 AND 31 DECEMBER 2009

(expressed in Uruguayan pesos purchasing power as at 31 December 2010)

STATEMENT OF FINANCIAL POSITION

ASSETS

Current Assets	dec-10 \$	dec-09 \$
Liquid Assets	5,599,115	5,270,253
Temporary Investments (Note 3.4)	3,636,245,395	2,590,263,538
Credits (Note 5)	-	-
Total Current Assets	3,641,844,510	2,595,533,791
Non-Current Assets		
Long-term Investments (Note 3.4)	173,101,768	508,847,909
Total Non-Current Assets	173,101,768	508,847,909
TOTAL ASSETS	3,814,946,278	3,104,381,700

Notes 1 to 13 attached hereto are an integral part of the financial statements.

Signed for the purpose of its identification with our report dated 16 March 2011

STAVROS MOYAL Y ASOCIADOS S.R.L.

 Jorge Sánchez
 General Manager
 Corporación de Protección
 del Ahorro Bancario

 Adefa Hounie
 President
 Corporación de Protección
 del Ahorro Bancario

FONDO DE GARANTÍA DE DEPÓSITOS BANCARIOS ("DEPOSIT INSURANCE FUND") INFLATION-ADJUSTED SOURCE AND APPLICATION OF FUNDS STATEMENT FOR THE FISCAL YEARS ENDED ON 31 DECEMBER 2010 AND 31 DECEMBER 2009

(expressed in Uruguayan pesos purchasing power as at 31 December 2010)

DEFINITION OF FUNDS : Liquid Assets and Equivalents	1/1/10 to 12/31/10	Four-month period 9/1/09 to 12/31/09
	\$	\$
CASH FLOW ARISING FROM OPERATING ACTIVITIES		
Earnings of the Period	733,653,700	136,305,032
<i>Adjustment for</i>		
Uncollected Accrued Interests	-6,647,002	-36,302,371
Unpaid Accrued Charges	14,957,778	8,419,894
Real Exchange Difference	43,676,629	85,836,472
RDM /Inflation Exposure Result//	19,215	15,861
<i>Changes in Assets and Liabilities</i>		
Variation in operating assets	-	-
Variation in operating liabilities	1,517,456	134,011
TOTAL FUNDS FROM OPERATING ACTIVITIES	787,177,776	194,408,899
CASH FLOWS FROM INVESTMENTS		
(Increase) / Decrease in long term investments	519,181,170	139,103,317
Collected interests and other financial income	23,884,799	36,302,371
TOTAL FUNDS FROM INVESTMENTS	343,065,969	175,406,188
CASH FLOWS FROM FUNDING		
Increase/(Decrease) in financial liabilities	-	-85,657,162
Interests paid	-20,414,725	69,792,186
TOTAL FUNDS FROM FUNDING	-20,414,725	-15,865,276
INCREASE / DECREASE IN NET CASH FLOW	1,109,829,020	353,949,811
INITIAL CASH BALANCE	2,595,533,791	2,397,228,403
Effect of exchange gains or losses and restatement due to cash and cash equivalents inflation		
Real Exchange Difference	-63,499,086	-155,628,762
Provision RDM Liquid Assets and Equivalents	-19,215	-15,861
FINAL CASH BALANCE	3,641,844,510	2,595,533,791

Notes 1 to 13 attached hereto are an integral part of the financial statements.
Signed for the purpose of its identification with our report dated 16 March 2011
STAVROS MOYAL Y ASOCIADOS S.R.L.

Jorge Sánchez
General Manager
Corporación de Protección
del Ahorro Bancario

Adela Hounie
President
Corporación de Protección
del Ahorro Bancario

Stavros Moyal y Asociados
AUDITORS – CONSULTANTS
Pza. Independencia 822 of. 101
Tel / Fax: 29001018 / 29085813
E-mail: sma@moyal.com.uy
MONTEVIDEO - URUGUAY
Montevideo, March 16, 2010
Re: 78/090/03-11

Russell Bedford

AUDITORS' REPORT

The Members of the Bank Savings Protection Corporation
(“Corporación de Protección del Ahorro Bancario”)

Dear Sirs,

We have audited the Bank Deposits Guarantee Deposit Insurance Fund’s (“Fondo de Garantía de Depósitos Bancarios”) Statement of Financial Position as at 31 December 2010, 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, adjusted by inflation, as well as the respective Explanatory Notes N° 1 to 13. The abovementioned financial statements are the responsibility of the Bank Savings Protection Corporation, and have been initialled by us for identification purposes only.

The Board of Directors' Responsibility Regarding Financial Statements

The Bank Savings Protection Corporation 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

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appropriate internal control system to ensure that financial statements are presented free of significant mistakes, caused by either fraud or error, applying appropriate accounting policies and reasonable accounting estimates according to the circumstances.

Auditor's Responsibility

Our responsibility is to carry out the corresponding audit in connection with the abovementioned financial statements, and to issue the respective Audit Report based on such 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 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 audit procedures according to the circumstances, but not with the purpose of expressing an opinion on 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.

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

Opinion

In our opinion, the abovementioned financial statements, considered together with their respective explanatory notes, reasonably present, in all material respects, the financial and net worth position of the Deposit Insurance Fund as at 31 December 2010, the results of its operations and 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 of the Republic of Uruguay.

STAVROS MOYAL Y ASOCIADOS

Pablo Moyal, CPA. University Graduates Retirement Fund N°: 78,670.

COURT OF AUDIT (*TRIBUNAL DE CUENTAS*)

REPORT

1. The Court of Audit has reviewed the financial statements of the Deposit Insurance Fund (*Fondo de Garantía de Depósitos Bancarios*) (FGDB) submitted by the Bank Savings Protection Corporation (COPAB), attached hereto. Said statements include the Statement of Financial Position as at December 31, 2010, 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, as well as the Annexes and notes regarding significant accounting policies and other explanatory notes to the financial statements.

The Court of Audit has also audited the Deposit Insurance Fund'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 financial statements of the Deposit Insurance Fund, pursuant to the appropriate accounting standards and 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.

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 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 Deposit Insurance Fund as at December 31, 2010, 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, May 10 2011.

ELIZABETH M. CASTRO, Notary Public. /Illegible/





Current Assets for the COPAB

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

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

NOTES TO THE INFLATION-ADJUSTED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2010

(stated in Uruguayan Pesos purchasing power as at 31 December 2010)

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 Corporation governed by public law created pursuant to Law N° 18,401 of 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 (FGDB) and C) To wind down financial institutions deemed inviable or insolvent and their respective collateral entities (Section 15, Law N° 18,401).

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 Executive Power, 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° 15/2010 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).

**CORPORACIÓN DE PROTECCIÓN DEL AHORRO BANCARIO (BANK
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(stated in Uruguayan Pesos purchasing power as at 31 December 2010)

Pursuant to the regulations in force, the 2010 budget was approved by the Executive Power (Decree N° 593/2009 dated 28 December 2009).

1.3 Approval of Financial Statements

These financial statements have been prepared by COPAB's staff and have been approved by the Board of Directors on 16 March, 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 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 financial statements have been prepared under the historical cost basis restated to closing values as explained hereinafter.

2.2 Functional Currency

These financial statements have been prepared in Uruguayan Pesos, 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

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

NOTES TO THE INFLATION-ADJUSTED FINANCIAL STATEMENTS AS AT 31
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Financial statements' balances include the corresponding adjustments required to take into consideration currency purchasing power variations.

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

Date	CPI
December 2009	282,43
December 2010	302,01

2.4 Foreign Currency

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

The Uruguayan Peso to US dollar exchange rates as at the closing date of the financial statements were the following:

Date	US Dollars exchange Rate
December 2009	19,627
December 2010	20,094

2.5 Liquid Assets

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

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Account	December 2010			December 2009		
	Uruguayan Pesos	Dollars	Total amount in Uruguayan Pesos	Uruguayan Pesos	Dollars	Total amount in Uruguayan Pesos
Fixed Fund	30,000	500	40,047	10,693	500	21,187
BCU	16,980	1,705	51,248			
BROU	182,752	8,295	349,436			
Total	229,732	10,500	440,729	10,693	500	21,187

* Foreign currency is translated into domestic currency at the exchange rate in force on December 31, 2009, and then adjusted according to the CPI variation as at December 31, 2010.

2.6 Credits

Credits are reported at their cost minus any impairment loss.

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 2010 no provisions for bad debtors were made, since there was no objective evidence of the existence of any uncollectable sums.

2.7. Fixed Assets (Property, Plant and Equipment)

Property, Plant and Equipment are recorded by the acquisition value thereof, and, following one month after their acquisition, the value of Property, Plant and Equipment is adjusted at the end of each month according to the impact of monetary devaluation, by applying the Consumer Price Index (CPI) variation, the difference being reported in the Profit and Loss Statement.

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One year after acquisition thereof, a 20% annual straight-line amortization of their restated value is applied.

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. Impairment loss is recognized in the Profit and Loss Statement when the accounting value of an asset or its cash-generating unit exceed its recoverable amount.

Impairment loss 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 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 their cost and cancellation value is 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 potential labor or tax-related obligations, or any other eventual obligations, are made at the end of the fiscal year.

2.11 Equity

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

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Equity comprises only Retained Earnings.

2.12 Net Income

Net income is the difference between the initial equity and the closing equity, both measured in the purchasing power currency corresponding to the last mentioned date.

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

Income from Operations 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 FGDB and included in the Profit and Loss Statement (Income from Operations) 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, total liquid assets were defined as funds.

As at December 31, 2010, liquid assets amounted to \$ 440,729.

2.14 Use of accounting estimates

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Preparation of financial statements as at a particular date requires estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes, as well as inflows and outflows recorded during the fiscal year.

Actual results could differ from these estimates and assumptions.

NOTE 3 – FOREIGN CURRENCY POSITION

Foreign currency balances are as follows:

Item	December 2010		December 2009	
	u\$s	Total in \$	u\$s	Total in \$
Liquid Assets	10,500	210,987	500	10,493
Credits		0	13,661	286,712
Total Current Assets	10,500	210,987	14,161	297,205
Total Non Current Assets	0	0	0	0
Total Assets	10,500	210,987	14,161	297,205
Commercial Debts			12,336	258,910
Total Current Liabilities	0	0	12,336	258,910
			0	0
Total Non Current Liabilities	0	0	0	0
Total Liabilities	0	0	12,336	258,910
Net Position	10,500	210,987	1,825	38,295

* Foreign currency is translated into domestic currency at the exchange rate in force on December 31, 2009, and then adjusted according to the CPI variation as at December 31, 2010.

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NOTE 4 – CREDITS

Current Assets include the following Credits:

Account	December 2010			December 2009		
	Uruguayan Pesos	Dollars	Total in \$	Uruguayan Pesos	Dollars	Total in \$
Advances to Suppliers	0		0	0	1,325	27,809
Items to be repaid	5,605		5,605			0
Items to be received from FGDB	3,081,670		3,081,670	1,303,460	12,336	1,562,370
Total	3,087,275	0	3,087,275	1,303,460	13,661	1,590,179

* Foreign currency is translated into domestic currency at the exchange rate in force on December 31, 2009, and then adjusted according to the CPI variation as at December 31, 2010.

Non-Current Assets include as Long Term Credits the deposit made with the BHU as guarantee for the Head Office lease contract.

NOTE 5 – COMMERCIAL DEBTS

Commercial debts correspond to obligations arising from refurbishing the Head Office, contracting several services and from the operating agreement with the Central Bank of Uruguay (BCU), as per the following itemization:

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Account	December 2010	December 2009
Mosca	476	-
Praxis	58,725	-
Operating Agreement with BCU	106,950	74,280
Obligations arisen from Head Office Refurbishing	84,168	-
Electricity Charges Payable	11,247	-
Press Sums Payable	3,865	-
Praxis BCU	69,463	-
Telephone Charges Payable	32,436	-
Condominium Expenses Payable	19,087	-
Cleaning Services Payable	23,891	-
Web Services Payable	66,075	-
Cellular Telephone Charges Payable	5,324	-
Deloitte	-	128,866
Metropolitana	-	2,571
HM Office	-	258,910
Total	481,707	464,627

NOTE 6 – MISCELLANEOUS DEBTS

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

Account	December 2010	December 2009
Salaries & Wages Payable	116,859	68,690
Tax Creditors	219,184	13,388
Social Security Charges Creditors	778,882	426,723
Creditors for Withheld Amounts	40,397	19,524
Labor Provisions	1,851,738	560,739
Tickets Payable	37,293	-
Ancel (Cellular Phone Company) Provisions	-	8,679
	-	-
Total	3,044,353	1,097,743

NOTE 7 – ADMINISTRATIVE EXPENSES

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Administrative expenses include the following items:

Account	December 2010	December 2009
Salaries & Wages	11,681,367	3,228,620
Social Security Contributions	4,224,415	1,022,617
Training	435,646	165,704
Other Operating Expenses	232,888	49,216
Contracted Services	6,108,229	1,577,248
Head Office Refurbishing	16,897	310,475
Amortizations	105,892	-
	-	-
Total	22,805,334	6,353,880

The payroll of COPAB in 2010 included in the approved Budget comprises: three members of the Board of Directors (President, Vice President, and Director), the General Manager, two Advisors, four Technicians, a Computer Engineer, an Executive Secretary, and an Administrative Officer.

This payroll includes officers of the BCU seconded to COPAB pursuant to Section 54 of Law N° 18,401 (one of the Advisors, three Technicians, the Computer Engineer, the Executive Secretary, and the Administrative Officer).

These “seconded” officials continue to be remunerated by the BCU. However, the difference between the remuneration that corresponds to the functions they perform in COPAB and the remuneration that corresponds to their functions in the BCU is paid by COPAB.

Salaries & wages and social security contributions included as Administrative Expenses are fully paid by the FGDB.

Contracted services include the following items:

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- services provided by BCU, pursuant to the Operating Agreement dated 3 September 2009. Pursuant to said agreement, the BCU provided during 2010 some services, including: use and enjoyment of facilities, technical, professional, and administrative assistance.
- several services directly hired by COPAB including lawyers' fees, head office rent as from the 1st of July 2010, and computer system maintenance agreements.

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 – RELATED PARTIES BALANCES AND TRANSACTIONS

Related parties balances refers to balances existing with FGDB, which is an independent patrimony of affectation (*patrimonio de afectación*) managed by COPAB.

Said balances are as follows:

Account	December 2010	December 2009
Credits - Items to be received from FGDB	3,081,670	1,562,370
Income - FGDB Contributions	25,808,397	6,913,373
	0	0
Total Related Parties Balances	28,890,067	8,475,743

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NOTE 10 – DEPOSIT INSURANCE FUND EQUITY

The Deposit Insurance Fund equity managed by COPAB as at December 31, 2010 amounts to \$ 3,395,381,966.

NOTE 11 – SUBSEQUENT EVENTS

There have been no subsequent events between December 31, 2010 and the date of approval of the current Financial Statements leading to any changes in these financial statements.

STAVROS MOYAL Y ASOCIADOS

PABLO MOYAL

Certified Accountant

N CJPRU 78670

Stavros Moyal y Asociados
AUDITORS – CONSULTANTS
Pza. Independencia 822 of. 101
Tel / Fax: 29001018 / 29085813
E-mail: sma@moyal.com.uy
MONTEVIDEO - URUGUAY

Russell Bedford

Montevideo, March 16, 2011
Re: 84/089/03-11

AUDITORS' REPORT

**The Members of the Bank Savings Protection Corporation
(“Corporación de Protección del Ahorro Bancario”)**

Dear Sirs,

We have audited the Bank Savings Protection Corporation's Statement of Financial Position as at December 31, 2010, the respective Profit and Loss Statement, Source and Application of Funds Statement, Property, Plant, and Equipment Chart, and Statement of Changes in Equity for the fiscal year ended on the abovementioned date, adjusted by inflation, as well as the respective Explanatory Notes Nº 1 to 11. The abovementioned financial statements are the responsibility of the Bank Savings Protection Corporation, and have been initialled by us for identification purposes only.

The Board of Directors' Responsibility Regarding Financial Statements

The Bank Savings Protection Corporation is responsible for preparing and reasonably presenting the financial statements attached hereto, pursuant to the appropriate accounting standards and Ordinance Nº 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

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presented free of significant mistakes, caused by either fraud or error, applying appropriate accounting policies and reasonable accounting estimates according to the circumstances.

Auditor's Responsibility

Our responsibility is to carry out the corresponding audit in connection with the abovementioned financial statements, and to issue the respective Audit Report based on such 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 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 audit procedures according to the circumstances, but not with the purpose of expressing an opinion on 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.

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

Opinion

In our opinion, the abovementioned financial statements, considered together with their respective explanatory notes, reasonably present, in all material respects, the financial and net worth position of the Bank Savings Protection Corporation as at 31 December 2010, the results of its operations and 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 of the Republic of Uruguay.

STAVROS MOYAL Y ASOCIADOS

Pablo Moyal, CPA. University Graduates Retirement Fund N°: 78,670.

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, 2010, 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 2010.

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 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, 2010, 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 2010, 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, May 10 2011.

ELIZABETH M. CASTRO, Notary Public. /Illegible/