





**BANK SAVINGS PROTECTION CORPORATION**  
ANNUAL REPORT AS AT 31<sup>ST</sup> DECEMBER 2013

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## TABLE OF CONTENTS

Directory .....	4
Glossary .....	6
Message from the President .....	7
1. Deposit Insurance in Uruguay.....	12
2. Bank Savings Protection Corporation.....	16
2.1 Responsibilities.....	17
2.2 Leadership.....	17
2.3 Mission.....	17
2.4 Vision .....	17
2.5 Principles and Values.....	18
2.6 Strategic Objectives.....	18
2.7 Organization Chart .....	18
2.8 Outstanding events.....	19
3. Management Report.....	20
3.1 Institutional management.....	21
3.1.1 Agreements with BCU.....	21
3.1.2 Operations.....	21
3.1.3 Human Resources.....	21
3.1.4 General Training .....	24
3.1.5 Participation in International events .....	24
3.2 Deposit Insurance System Management.....	24
3.2.1 Banking System in Uruguay.....	24
3.2.2 Deposit Insurance System (SSD).....	26
3.2.3 Cash and Investments.....	28
3.2.4 Deposits Information System.....	28
3.2.5 Summary of Information about Deposits.....	29
3.2.6 Determination of Contributions.....	31
3.2.7 Risk Analysis .....	31
3.2.8 Specialized Training .....	31
3.2.9 Public awareness.....	31
3.3 Bank Resolution Process (PRB) Management.....	31
3.3.1 Analysis of legal and regulatory framework .....	31
3.3.2 Design of the Bank Resolution Process guidelines.....	31
3.3.3 Relations with SSF and BCU.....	32
3.3.4 Ongoing bank liquidations.....	32
3.3.5 Adaptation of the Share Administration System.....	32
3.3.6 Specialized training.....	32
4. FGDB Financial Statements as at 31st December 2013.....	34
5. COPAB Financial Statements as at 31st December 2013.....	58
6. BANCO COMERCIAL S. A. Bank assets recovery fund.....	80
7. BANCO LA CAJA OBRERA S. A. Bank assets recovery fund.....	94
8. BANCO MONTEVIDEO S. A. Bank assets recovery fund.....	108

## DIRECTORY



Adela Hounie  
**President**

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Hugo Libonatti  
**Vice president**

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José A. Pini  
**Director**

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## MANAGEMENT



José Sanchez  
**Sub - Manager**

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Jorge Sanchez  
**Manager**

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Gabriel Lemus  
**Sub - Manager**

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## GLOSSARY

### ACRONYMS

BCU	Central Bank of Uruguay
CEF	Financial Stability Committee
COPAB	Bank Savings Protection Corporation
CRAL	IADI Regional Committee for Latin America
FGDB	Deposit Insurance Fund
IADI	International Association of Deposit Insurers
MEF	Ministry of Economy and Finance
OTA	Office of Technical Assistance (US Treasury)
PRB	Bank Resolution Process
SIDIIF	Financial Intermediation Institution Deposit Information System
SSD	Deposit Insurance System
SSF	Superintendence of Financial Services (BCU)

### CONCEPTS

**Insured Deposits:** deposits covered in accordance with Article 31 of Law N° 18,401 of 24th October 2008, which means that they generate coverage from FGDB in case the financial intermediation institution goes into liquidation.

**Coverage:** the part of the insured deposit that will be reimbursed to depositors in case the financial intermediation cooperative goes into liquidation, in compliance with Article 5 Decree N° 103/005 of 7th March 2005.

## MESSAGE FROM THE PRESIDENT

At the end of the fourth year of the Corporation, it is worth reflecting upon past activities as well as upon the main challenges ahead.

After the first foundational years, when the emphasis was laid on the construction of basic rules for institutional operation, the year 2013 was characterized by the emphasis on improvement, both in the legal and regulatory framework as in the processes and procedures which are under COPAB's responsibility.

A turning point in the improvement process was the final report of the FSAP Mission, which consisted of specialists from IMF and the World Bank. This report was received at the beginning of 2013. The Mission evaluated the degree of compliance with the Basic Principles for Effective Deposit Insurance Systems, approved by the IADI and the Basel Committee on Banking Supervision. Although the conclusions acknowledge COPAB's high degree of compliance with such principles, some areas of improvement to be dealt with are also mentioned. In particular, the revision of the legal and regulatory framework undertaken by COPAB was enhanced and strengthened by the external analysis carried out in accordance with best international practices. The year ended with a series of reform proposals agreed upon with experts from the Legal Advice Office and the Superintendence of Financial Services from the Central Bank of Uruguay. The corresponding Bill was drafted and the required steps were taken before the Ministry of Economy and Finance in order to introduce it in the National Parliament.

As regards processes and procedures, it is worth pointing out those referred to the area of bank resolution: the Board of Directors has approved the Intervention Manual and the Manual for the Appointment of the Intervention Commission. There are also first drafts for the Solution Procedures Manual, the Liquidation Manual and the Procedural Manual for the Payment of Deposit Insurance. The completion and en-

hancement of this group of handbooks represents a breakthrough in the preparation of COPAB for an eventual crisis in a financial intermediation institution contributing to the Deposit Insurance Fund.

Another fundamental area of improvement mentioned by the Mission is the implementation of a public awareness campaign with reference to the existence and benefits of insurance deposit in Uruguay. In fact, in October 2013, the Uruguayan Household Finance Survey, organized by the Department of Economics from the School of Social Sciences, together with the National Statistics Institute and the financial support of the Ministry of Economy and Finance, the BCU and COPAB, revealed the results of the first phase. They confirmed the high degree of ignorance with reference to the existence and characteristics of deposit insurance in Uruguay. One of the main challenges for COPAB in the coming years will be the establishment of systematic and continuous programs for raising public awareness in this matter.

Adela Hounie  
**President**



Alamo

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ALAMANA



CORPORACIÓN  
DE PROTECCIÓN DE  
AHORRO BANCARIO  
COPAB URUGUAY



TEAM OF COPAB

ANNUAL REPORT AS AT 31<sup>ST</sup>  
DECEMBER 2013

## 1. DEPOSIT INSURANCE IN URUGUAY

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*Law N° 18,401 of 24th October 2008, creates the Bank Savings Protection Corporation (COPAB), which takes on the responsibilities previously assigned to the SPAB, as well as other new ones concerning the management of the process of bank resolution in a failing financial intermediation firm , as well as its subsequent liquidation if applicable.*

Commercial banking was seriously affected by the banking crisis which hit Uruguay in 2002, resulting in the disappearance of some of the most important financial intermediation firms of our country, together with the virtual collapse of the Uruguayan financial system. There was a real failure of the implicit and free deposit insurance, which had thus far operated with financial support from the State almost without exceptions.

In order to deal with this crisis, on 27th December 2002, Law N° 17,613 for the Strengthening of the Banking system was passed. Among other measures, the law establishes the creation of the Superintendence for Bank Savings Protection (hereinafter SPAB), as an independent unit of the Central Bank of Uruguay (BCU). At the same time, the Deposit Insurance Fund (FGDB), fed by the contributions of those financial intermediation firms whose deposits are insured, was created. This fund, which is an independent trust without legal status, would be managed by SPAB, which would exercise its corresponding powers without being its owner, to comply with the law.

SPAB would have to insure the reimbursement of deposits with banks and financial intermediation cooperatives fully authorized under the FGDB, according to conditions stated by the law and its regulation, in every case of liquidations and termination of activities in financial intermediation firms settled in the Uruguayan market. Hence, the first explicit, costly and of compulsory membership banking deposit insurance is established.

On February 1st 2006, short after having started to receive the first contributions to FGDB, the National Cooperative for Savings and Credit (COFAC), one of the contributors to the fund, was closed. Coverage payment was activated as soon as the BCU determined its suspension. About 80.000 depositors from the cooperative received deposit insurance in accordance with Decree 103/005 of 7th March 2005 (up to US\$ 5.000 for all the deposits in foreign currency and up to the equivalent to 250.000 IU<sup>1</sup> in Uruguayan pesos for all the deposits in national currency per individual).

In compliance with the established conditions, an amount of approximately US\$ 47 million was paid. At the time, the FGDB had US\$ 27 million (US\$ 7 million contributed by the banks and US\$ 20 million of preferred capital representing the initial contribution of the State). Additionally, in order to reach the required amount to pay coverage to depositors from COFAC, the SPAB, using the powers available to it by the law, asked the contributors to the FGDB for an advance payment of US\$ 20 million.

The data processing system, previously developed to deal with information concerning the deposits from contributing firms, enabled the payment to depositors to be completed in 10 working days as from March 9th 2006.



It is worth pointing out that, through the subsequent purchase of COFAC by Banco Banes Uruguay S.A, the depositors were able to recover the 100% of their respective savings.

After this incident of insolvency, and amidst a growing stability in the Uruguayan financial market, the SPAB did not need to repeat a similar operation. Instead, it devoted its efforts to the professionalization of its administration and to the achievement of an efficient management of the FGDB, within the powers established by the law.

Subsequently, in the framework of the reform of the BCU, the goal was to enhance the deposit insurance system, by guaranteeing management autonomy from the Central Bank as well as granting it additional functions. It was understood that the clarification of eventual conflicts of interest between deposit insurer, supervisor and system regulator, and lender of last resort, would strengthen the operation of the financial system safety net.

As a consequence, Law N° 18,401 of 24th October 2008, creates the Bank Savings Protection Corporation (COPAB), which takes on the responsibilities previously assigned to the SPAB, as well as other new ones concerning the management of the process of bank resolution in a failing financial intermediation firm, as well as its subsequent liquidation if applicable.

<sup>1</sup>IU: Indexed Unit. Daily adjusted according to the Consumer Price Index. As at 31st December 2013 its value was 1IU= \$ 2.7421





ANNUAL REPORT AS AT 31<sup>ST</sup>  
DECEMBER 2013

## 2. BANK SAVINGS PROTECTION CORPORATION

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*The Bank Savings Protection Corporation is a non- governmental public law entity, created by Law N° 18.401 of 24th October 2008. It starts its operations on September 1st 2009, when the members of the first Board of Directors take office.*

The Bank Savings Protection Corporation is a non- governmental public law entity, created by Law N° 18.401 of 24th October 2008. It starts its operations on September 1st 2009, when the members of the first Board of Directors take office.

The Bank Savings Protection Corporation is part of the financial system safety net, together with the Ministry of Economy and Finance (MEF), the Central Bank of Uruguay (BCU) as lender of last resort and the Superintendence of Financial Services (SSF) as regulator and supervisor of the system. Its presence in the financial system aims at contributing to its stability and public trust, providing protection to users, in particular to those depositors who are less informed, thus having more difficulties when taking the best investment decisions.

## 2.1 RESPONSIBILITIES

Among its objectives, we can identify those already assigned to the SPAB from the BCU after Law N° 17,613 of 27th December 2002 came into force, together with the new responsibilities established by Law N° 18,401 and Decree 224/011, of 23rd June 2011.

In the first group we can find the administration of the Deposit Insurance System (SSD) regarded as a Pay Box System, that is, the management of the Deposit Insurance Fund (FGDB) and the eventual payment of coverage to depositors in banks or financial intermediation cooperatives whose liquidation has been declared by the BCU.

Additionally, the law incorporates the responsibility of COPAB to intervene the financial intermediation firm declared by BCU as being under a Bank Resolution Process (PRB) by the BCU, as well as the application of Solution Procedures. In case that were not possible, COPAB should proceed with the administrative liquidation of the failing institution and its collaterals.

As a consequence, the Corporation assumes the role of deposit insurer with an expanded mandate and is part of the financial system safety net. In particular, the Decree N° 224/011, which creates the Financial Stability Committee (CEF), explains the role that COPAB plays in the preservation of such stability. In fact, the CEF is comprised by the Minister of Economy and Finance, the President of the BCU, the Superintendent of Financial Services, and the President of COPAB. Its creation lies on the fact that financial stability is a public good that requires that the members of the financial safety net systematically identify and supervise the risks posed to the financial activity.

The existence of CEF is of vital importance for COPAB, since it allows

it to strengthen not only its role as a specialized participant in the financial safety net, but also the implementation of mechanisms of coordination with the remaining members of the net.

## 2.2 LEDERSHIP

The management of the Corporation is the responsibility of a Board comprised by a President, a Vice-president and a Director, appointed by the Executive Power with the approval of the Senate. The appointment of the Director should fall upon a candidate from a list of three candidates proposed by the contributing firms to the FGDB. The members of the Board stay in office for a period of eight years, their terms of office being staggered with the objective of enhancing the institutional stability.

Over 2013, the Senate accepted the voluntary resignation of the third member of the Board, José Antonio Pini, who stopped being part of COPAB on June 1st. The Board of COPAB acknowledged his outstanding work in the Corporation, in particular what was related to his field of expertise in management and organization administration. Such post is still vacant.

Being aware of the importance of establishing the mission and institutional vision as pillars over which modern institutions build their strategy, define their aims and plan their short, middle and long term objectives, COPAB proceeded to define these concepts, as well as the principles and values, together with the strategic objectives that guide its actions.

## 2.3 MISSION

To contribute to the stability and public confidence in the financial system, working in cooperation with the Central Bank of Uruguay and, in particular, with the Superintendence of Financial Services. To promote the protection of deposits in banks and financial intermediation cooperatives, through the application of settlement procedures or the payment of coverage with resources from the Deposit Insurance Fund, so that adverse effects of any failure can be minimized. To effectively administer the Fund resources. To act as the liquidator of the financial intermediation firms and their collaterals.

## 2.4 VISIÓN

To be recognised as a professional, trustworthy and efficient entity, transparent in the pursuit of its mission. To be perceived as a specialized participant in the financial safety net, working in cooperation

with the Central Bank of Uruguay and the Superintendence of Financial Services. To be appreciated as an organization that has a competent and devoted workforce, who is also proud of belonging to it.

## 2.5 PRINCIPLES AND VALUES

- 1. Integrity.** To show clear signs of integrity, probity and honesty
- 2. Professionalism.** To provide a service that guarantees the results of excellent quality.
- 3. Efficiency.** To be able to meet the agreed goals and objectives, through the optimization of available resources.
- 4. Commitment.** To meet all its obligations doing more than expected and always being willing to serve others in a collaborative attitude.
- 5. Team work.** To form a group with complementary skills, committed to the institutional project and sharing mutual responsibility.
- 6. Independence.** To adopt decisions freely, aiming at being objective and unbiased in their judgement.
- 7. Responsibility.** To be able to recognize and accept responsibility for their acts and decisions. To be accountable before the society as a whole and other stakeholders.
- 8. Responsible transparency.** To guarantee the persons' right to access to public information, with the exception of the one established as secret, reserved or confidential.
- 9. Confidentiality.** To guarantee that the information will be provided only to those authorised to receive it

## 2.6 STRATEGIC OBJECTIVES

Within the Strategic Plan 2011-2013, the following objectives were established for 2013:

### 1. ADMINISTER THE INSURANCE DEPOSIT SYSTEM

- Strengthen the administration of deposit insurance
- ✓ Execute a periodic supervision plan so as to control the veracity and integrity of the information submitted by contributing institutions to FGDB
- ✓ Develop specific indicators for the periodic analysis of variables of the SSD
- ✓ Update procedure manuals for the payment of coverage.
- Analyse and project improvement in the risk analysis of the contributing firms to FGDB
- ✓ Maintain an advance alert system that helps to anticipate eventual problems in the financial intermediation institutions contributing to the FGDB, taking care not to duplicate the work of the SSF

### 2. IMPLEMENT OPERATING PLANS FOR BANK RESOLUTION SCENARIOS

- Establish policies and procedures for bank resolution
- ✓ Complete the phase of identifying current and potential problems, including the eventual need or convenience of proposing adjustments
- ✓ Promote the approval of legal norms required to enable a more effective and efficient management of the procedures for bank resolution
- ✓ Project the regulatory norms concerning the field of competence of COPAB
- ✓ Design policies and procedure guidelines which determine the organization, responsibilities, functions and procedures of the phases of preparation, intervention, solutions and liquidation to be applied in

the event of a declaration of PRB by the BCU

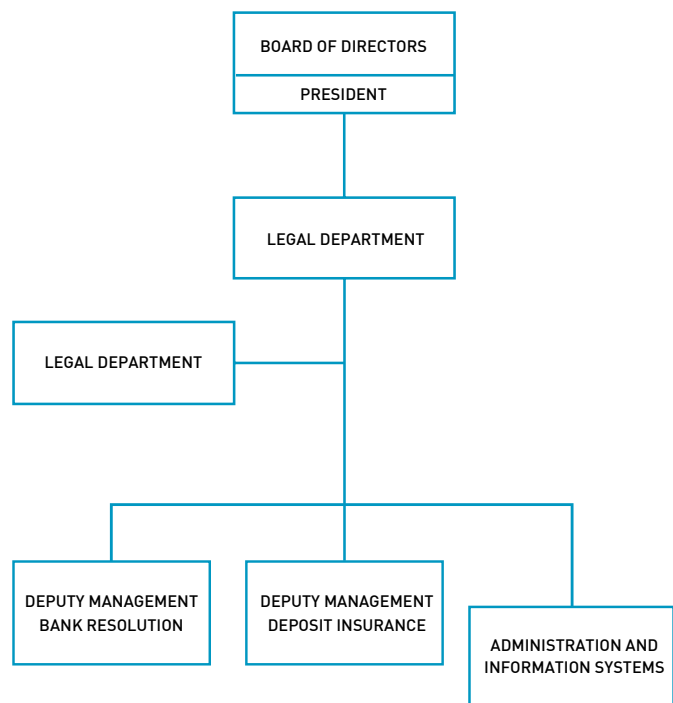
- ✓ Carry out external consulting for the evaluation of designed policies and procedure guidelines, as well as a first simulation, adopting changes if deemed necessary
- Agree on the relations with the other members of the financial safety net in the phase of application of solution procedures
- ✓ Agree on the reciprocal cooperation terms between the SSF and COPAB, so as to guarantee a higher effectiveness in the application of the settlement procedures contemplated in article 41 of Law N° 18,401

### 3. DEVELOP COPAB INSTITUTIONAL STRUCTURE

- Evaluate information technology requirements
- ✓ Carry out a needs analysis of the information technology processing in the Deposit Insurance System
- ✓ Define policies and solutions to be applied in the management of entities undergoing liquidation transferred by the BCU and in the internal management of COPAB
- Continue with the improvement of the internal management of the Corporation
- ✓ Formulate guidelines for administrative procedures
- ✓ Establish a code of ethics and conduct that promotes and develops corporate values
- Establish an appraisal system for the personnel
- ✓ Design and apply policies and procedures for institutional communication
- ✓ Define communication policies and procedures aimed at people, groups and institutions of the sphere in which COPAB operates; keep web pages up to date

## 2.7 ORGANIZATION CHART

Structural organization is established in accordance with the following organization chart:



As show in this diagram, under the Corporation Management, which is in turn accountable to the Board, there are two divisions which are in charge of the core COPAB functions (Deposit Insurance, 4 people and Bank resolution, 3 people), a support role in Administration and Systems (3 people) and one role of Legal Advisory (1 person). The mission and main responsibilities of the aforementioned divisions were determined, as well as those of the higher ranking positions.

## 2.8 OUTSTANDING EVENTS

24th October 2008 – COPAB is created as a non -governmental public law entity by article 14 of Law N° 18,401, which modified the charter of the Central Bank of Uruguay.

1st September 2009 – The first Board is formed with Adela Hounie as its President; Hugo Libonatti as its Vice President and José Antonio Pini as its Director.

23rd June 2001 – The Executive Power creates the Financial Stability Committee, comprised by the Minister of Economy and Finance, the President of the BCU, the Superintendent of Financial Services and the President of COPAB.

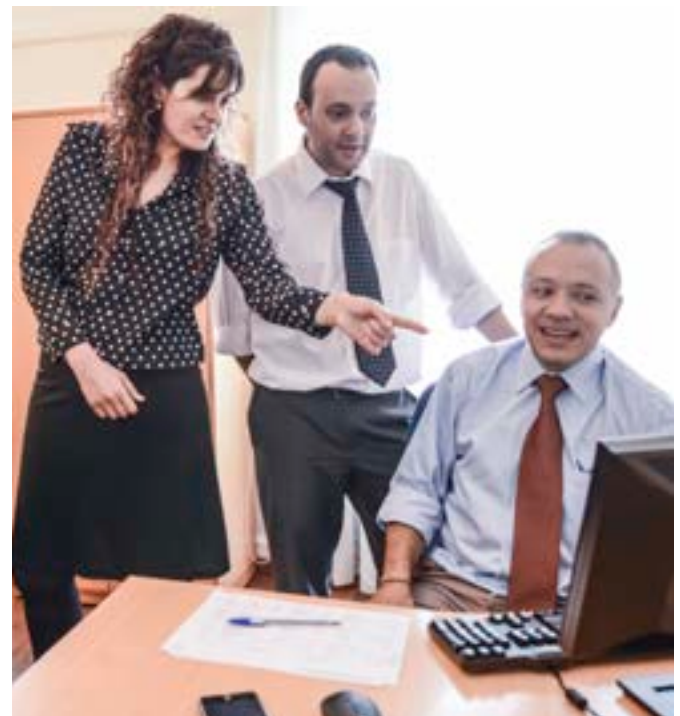
16th December 2011 – The BCU and COPAB agreed on the terms and conditions for the transfer of the financial intermediation firms undergoing liquidation to COPAB (Banco Comercial, Banco de Montevideo, Banco La Caja Obrera, and its respective Bank Assets Recovery Funds and collaterals).

March 2012 – COPAB hosts the IX Meeting of the Regional Committee for Latin America (CRAL) of the IADI(International Association of Deposit Insurers) in Punta del Este. The Conference “Current Strategies for the strengthening of Stability of Financial Systems” took place with the participation of representatives of the national financial safety net, as well as renowned international speakers.

September 2012 – COPAB is visited by the FSAP Mission (Financial System Assessment Program), comprised by IMF and World Bank representatives, in the framework of the evaluation of the Uruguayan financial system.

The objective of the Mission in COPAB was to evaluate the degree to which Core Principles for Effective Deposit Insurance Systems, approved by IADI and the Basel Committee on Banking Supervision, had been met. The final report was received in January 2013, and it acknowledged the high degree of compliance with such principles by the institution.

December 2013 – The Memorandum of Agreement between the Central Bank of Uruguay, the Superintendence for Financial Services and the Bank Savings Protection Corporation is approved. It deals with the coordination of operations in case of the PRB and the utilization of the mechanisms of lender of last resort in the case of contributing firms to the FGDB that might require it.



ANNUAL REPORT AS AT 31<sup>ST</sup>  
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### 3. MANAGEMENT REPORT

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*Over the year 2013, the process of management strengthening continued, advancing in the creation of guidelines and policies and administering the liquidation of financial intermediation firms transferred by BCU.*

Over the year 2013, the process of management strengthening continued, advancing in the creation of guidelines and policies and administering the liquidation of financial intermediation firms transferred by BCU.

The main activities, divided into those referred to institutional management, the SSD and the PRB, are presented below.

## 3.1 INSTITUTIONAL MANAGEMENT

It is worth pointing out that the 2013 Budget was formulated in September 2012 and approved by the Executive Power by Decree N° 420/012 of 26th December 2012. Its main characteristics are: 1) anticipated income corresponds to financing provided by the FGDB, according to what is established in article 23 of Law N° 18,401; 2) personnel costs correspond to a minimum stable structure (3 directors and 11 employees); 3) overheads are the ones required to contribute, together with personnel costs, to the provision of resources for the achievement of the formulated strategic objectives.

Likewise, over 2013 the Budget project for 2014 was formulated, and it was approved by the Executive Power by Decree N° 392/013 of 6th December 2013.

Furthermore, the Strategic Plan for the term 2014-2016, which includes the various activities and objectives defined as crucial for the continuous growth of the Institution, was approved in November 2013. The Operating Plan for 2014 was also approved; such plan establishes those objectives regarded as priorities to be executed over that year.

### 3.1.1 AGREEMENTS WITH BCU

Agreements with BCU in connection with assistance in the area of Asset Management and Information Technology continued to be in force during 2013. The Asset Management area assists COPAB with respect to foreign currency investments which make use of resources from the FGDB.

The Information Technology Area assists COPAB in the reception of information monthly submitted by contributing financial intermediation firms to the FGDB, as well as in the administration of information support systems for the management of liquidated entities which are transferred to COPAB. Through collaborative work between experts from COPAB and their peers from BCU, important improvements have been achieved through the migration of information to new servers,

belonging to COPAB. Such improvements are based on the use of more powerful hardware, thus resulting in more modern data processing systems.

### 3.1.2 OPERATIONS

Los principales aspectos a destacar en el plano operativo son los siguientes:

- Improvement of the Corporation Intranet, incorporating information for human resources management;
- Approval of the Information Security Policy, which at the same time comprises the incident management policy, the general norms of security and the regulation of the use of the Corporation information systems and services. These documents contain general norms of security and protection of the information handled by the institution, with confidentiality agreements for the employees in COPAB and those who are hired or provide services. They also appoint a person who will be responsible for Information Security, that is, someone who will be in charge of the guidance, implementation and maintenance of the system;
- Approval of the Code of Ethics and Conduct of COPAB, which defines all the principles and ethical values, as well as the norms of conduct for all the people who fulfil a role or provide a service related to the objectives of the institution.

### 3.1.3 HUMAN RESOURCES

The Corporation was constituted in September 2009 with personnel from BCU who already performed the activities that were transferred by the enforcement of Law N° 18,401. After two years, they could choose to be incorporated to COPAB, while they were able to hold their posts in the BCU for a period of three years. Additionally, it was necessary to hire personnel, which was facilitated by a specialized personnel recruitment firm. Following the principles and values defined for the institution, there were open calls for filling in those vacancies, which led to the hiring of qualified personnel with experience in the field.

To date, the five employees who had held their posts in the BCU are still working in COPAB. Moreover, one employee who was assigned to the management of liquidated entities transferred by the BCU as from 16th December 2011 abandoned her position in such institution on June 16th 2013, to join the workforce of COPAB.

On the other hand, it is important to note that the Collective Agreement between COPAB and the Association of Bank Employees of Uruguay, dated 11th October 2012 for a period of three years, is still in force. The agreement regulates the labour conditions of the Corpora-





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tion, including it in Group N° 14 “Financial Intermediation, Insurance and Pensions”, Sub-Group N° 01 “Banks and other financial firms”. Uruguay con fecha 11 de octubre de 2012 por un período de tres años, el cual regula las condiciones laborales de la Corporación, incluyéndola en el Grupo N° 14 “Intermediación Financiera, Seguros y Pensiones”, Sub-Grupo N° 01 “Bancos y otras empresas financieras”.

### 3.1.4 GENERAL TRAINING

Over the year 2013, the Corporation participated in the following event of general training:

- Workshop on “Coaching” – ISEDE – Business School from UCU and ACDE. Montevideo 12 and 13th December 2013.

On the other hand, English tutoring continued to be offered, given its importance for training opportunities and exchange experiences with other important institutions and important organizations. In this context, several employees took international examinations.

### 3.1.5 PARTICIPATION IN INTERNATIONAL EVENTS

The Corporation participated in the X Annual Meeting of the Regional Committee for Latin America (CRAL) of IADI, held in the city of San Salvador, El Salvador, between 5th and 7th March 2013. This event included the Conference “Strengthening the capacity of Deposit Insurance Systems for an Effective Bank resolution”.

Likewise, we participated in the XII Conference and Annual General Meeting of IADI held in Buenos Aires between 4th and 7th November 2013. On such occasion the Conference “Navigating through the Financial Reform Landscape” was offered, and it involved outstanding speakers from many parts of the world.

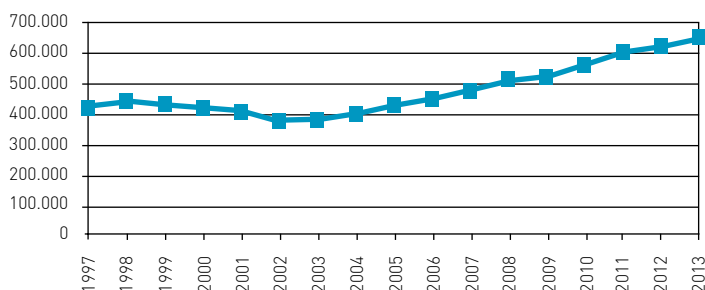
## 3.2 DEPOSIT INSURANCE SYSTEM MANAGEMENT

In the first place, there will be a brief description of the Uruguayan banking system, since it represents the framework in which the SSD is immersed, and then the evolution of deposits, the FGDB and other related variables will be presented.

### 3.2.1 BANKING SYSTEM IN URUGUAY

Los niveles alcanzados por el Producto Bruto Interno han superado ampliamente los previos a la crisis del año 2002, reafirmando una tendencia de crecimiento sostenido de la economía uruguaya, tal como puede observarse en el siguiente gráfico:

GDP (thousands of millions constant pesos)

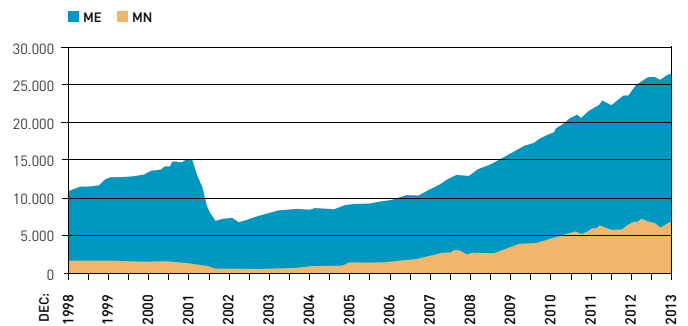


\* Preliminary data  
Source: BCU

As for the year 2013, the GDP grew by 4,4%, 0,4% on top of anticipated figures for that year. This dynamism has occurred amidst an international context characterized by weak growth and uncertainty, whereas at the local level, there is persistent pressure over the level of prices.

In this context, deposits in the financial system, both in local as in foreign currency, have shown a growing trend, reaching levels almost three fourth higher than the peak reached prior to the crisis in 2002 (measures in current dollars):

Evolution of Deposits in the banking System (US\$ millions)

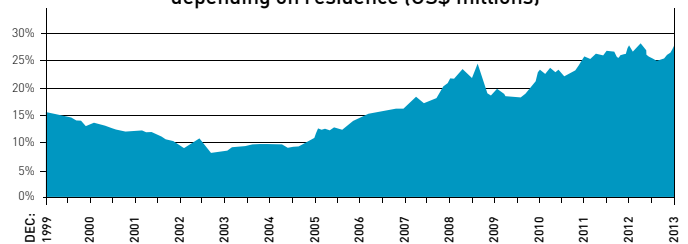


\* Source: BCU.

Deposits in the entire Bank System of the public and private sectors (with the exception of the Central Government and Social Security).

Regarding currencies, it is worth pointing out the constant growth of deposits in local currency, moving from a minimum of 9,2% of the total in December 2001, to a 28% at the end of 2013, as can be appreciated in the following graph:

Evolution of deposits in Foreign Currency in the Banking System depending on residence (US\$ millions)

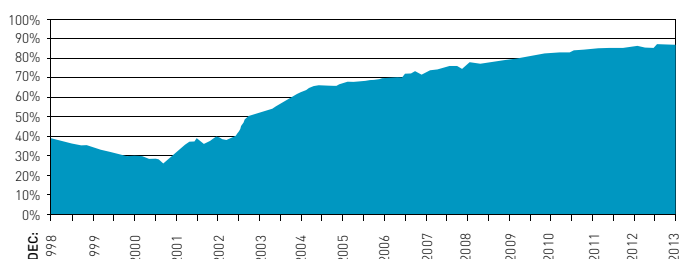


\* Source: BCU

To explain this phenomenon, it is important to consider the differential interest rates and devaluation taking place over the last years, which has led deposits in dollars to have negative profitability, as well as the official stimulus for loans in local currency, through the creation of the indexed unit or a higher coverage for that currency in the deposit insurance.

Another relevant aspect is represented by the strong participation of demand deposits, accounting for 86% of the total as at December 2013, as can be appreciated in the following graph:

Participation of demand deposits



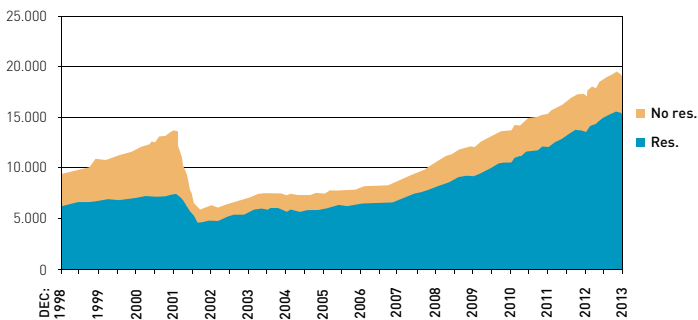
\* Source: BCU



This important participation, regarded as natural in times of crisis, has remained constant and even become stronger over the last few years, in spite of the strengths shown by the local banking institutions. In relation with this phenomenon, it is worth mentioning the very low passive rates of the system (in concordance with international rates).

In relation to factors that might determine higher volatility of deposits in our system, the following graph shows that the participation of non residents has decreased, from approximately 46% before the crisis (it had historically represented one third of the total) to the present 20%. It is understood that these deposits, in general, are less stable due to the fact that they have a safety component in the face of possible problems in the countries of origin.

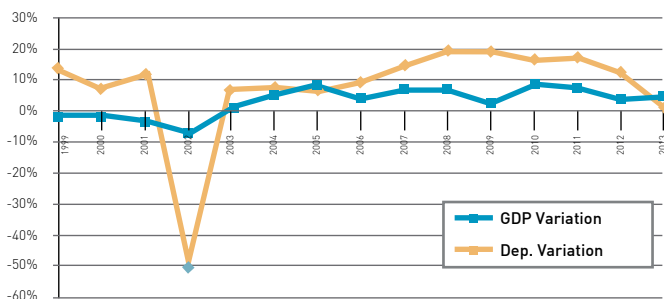
Evolution of deposits in Foreign Currency in te Banking System depending on residence (US\$ millions)



\* Source: BCU

In general terms, as can be appreciated in the next graph, deposits have accompanied the growth of the level of activity of our economy after the crisis. However, 2013 shows a decrease in their growth rate, in contrast with trends of the previous years, over which they had grown at a faster rate than the product growth in our economy.

Variation de PBI y depósitos



Source: BCU

According to data revealed by the Survey of Economic Expectations of the BCU, the year 2014 is projected as a scenario of economic growth, which could maintain the increase of deposits in the system.

From the point of view of the contributing firms to the FGDB, there were two important transactions over 2013:

- Acquisition of Lloyds TSB Bank plc Uruguay subsidiary by Banque Heritage (Uruguay) S.A. through the universal transfer of assets and liabilities;

- The sale of the Consumer Banking portfolio in Uruguay from Citibank N.A. Uruguay Subsidiary to Banco Itaú Uruguay S.A.

As a result of those transactions, only a slight growth in the concentration of deposits per institution in the Uruguayan financial system is observed.

### 3.2.2 DEPOSIT INSURANCE SYSTEM (SSD)

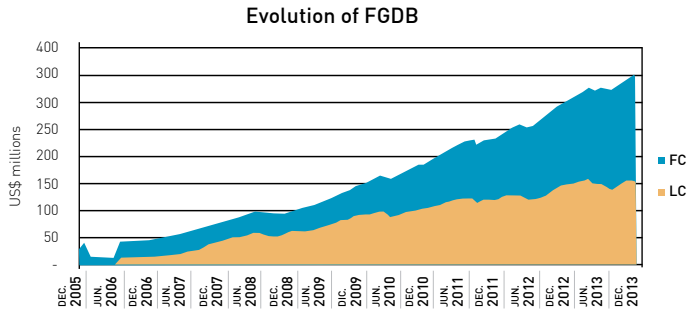
The SSD is financed by the FGDB, which is an independent and unseizable trust. This Fund has the following resources: a) contributions made by banks and financial intermediation cooperatives; b) yield from investments; c) income from loans; d) net profit of the Corporation; e) preferred capital provided by the State; f) recovery of payments with subrogation of guarantee in the event of a liquidation process; and g) income from fines and additional payments.

In accordance with legal norms, the aim of the FGDB is to: a) insure deposits of any nature constituted by individuals or legal entities from the non-financial sector (except those of the Central Government and the Social Security Bank, and those belonging to individuals expressly excluded by the law), in banks and financial intermediation cooperatives; b) contribute to the application of Solution Procedures in the case of failing contributing entities; and c) finance the Corporation budget. The Corporation has the responsibility of administering the FGDB, which implies effective management and use of its resources. The results of such management are set out in detail in the Financial Statements of the FGDB as at 31st December 2013, audited by CPA and by the Court of Auditors, which are part of this annual report.

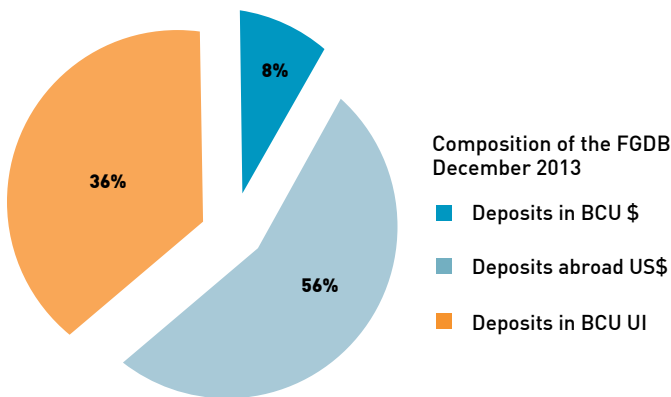


### 3.2.3 CASH AND INVESTMENTS

As at 31st December 2013, the amount available of the FGDB reached the equivalent of US\$ 350,5 million. The evolution of the amount of the FGDB from its creation in November 2005 is presented in US\$ in the graph below



Cash from the FGDB in domestic currency is invested in the BCU (approximately 44% of the total), whereas the one in foreign currency is invested in financial institutions abroad with the best risk qualification.



### 3.2.4 DEPOSITS INFORMATION SYSTEM

In order to count on appropriate information for the eventual coverage of insured deposits according to amounts established by the prevailing regulations, contributing firms to the FGDB submit, within fifteen working days after each monthly closing, the detail of deposits constituted in each one of them. This information is received by the Deposit Information System of the Financial Intermediation Institutions (SIDIIF), which has been used since 2006 and is processed through the BCU, in compliance with agreements with that institution. It is worth mentioning that this system has the necessary security safeguards to ensure the confidentiality of data on the ownership of deposits.

Each month the SIDIIF provides information regarding the amount of coverage that the FGDB should deal with in case a financial intermediation firm was declared in a Bank Resolution Process. Likewise, this system has an auditing module that enables the evaluation of such information with reference to the compliance with regulations established by COPAB.

The supervision phase regarding the quality of information submitted by each institution, which started during the previous term, was pursued by means of in situ audits.

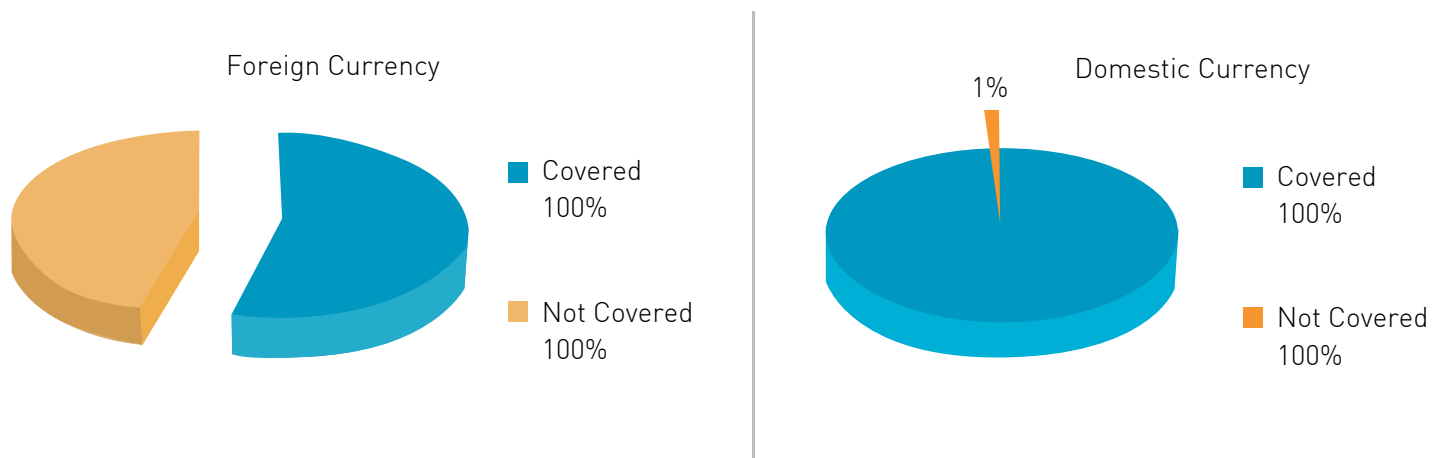


### 3.2.5 SUMMARY OF INFORMATION ABOUT DEPOSITS

The following chart shows, per currency and for the entire system, the amounts insured<sup>2</sup> and the corresponding coverage<sup>3</sup> at the end of each year:

	Local Currency					Foreign currency in US\$			Total expressed in US\$		
	Insured		Amount		%	InsuredA	mount		Insured	Amount	
	Deposits		Covered								
	LC	US\$	LC	US\$							
dec - 06	33.582	1.376	17.420	7145	1,87%	7.979	1.572	19,71%	9.355	2.286	24,44%
dec - 07	60.228	2.801	25.031	1.164	41,56%	8.638	1.632	18,89%	11.440	2.796	24,45%
dec - 08	71.876	2.952	30.977	1.272	43,10%	10.735	1.751	16,35%	13.657	3.023	24,13%
dec - 09	76.192	3.882	36.020	1.835	47,28%	11.991	1.884	15,71%	15.873	3.719	23,43%
dec - 10	93.298	4.643	46.009	2.290	49,31%	13.523	2001	14,80%	18.166	4.291	23,62%
dec - 11	117.396	5.900	56.385	2.834	48,03%	15.242	2088	13,70%	21.142	4.922	23,28%
dec - 12	127.318	6.563	64.164	3.308	50,40%	17.194	2237	13,01%	23.757	5.545	23,34%
dec - 13	148.253	6.931	75.235	3.517	50,76%	17.104	2353	12,32%	26.035	5.870	22,66%

It is worth noting that, given the prevailing maximum coverage and the deposit structure of our system, there is an important coverage which amounts to 99% for individuals with deposits in local currency, and up to 52% for those in foreign currency.



<sup>2</sup> Insured Deposits: those which are covered in accordance with article 31 Law N° 18,401 of 24th October 2008, which means they generate coverage with the FGDB in case the financial intermediation firm goes into liquidation.

<sup>3</sup> Coverage: the part of the insured deposit which will be reimbursed to depositor in case of liquidation of the financial intermediation firm, in accordance with article 5 of Decree N° 103/005 of 5th March 2005.



### 3.2.6 DETERMINATION OF CONTRIBUTIONS

As for the determination of the annual contributions to the FGDB from banks and financial intermediation cooperatives, it is possible to calculate the amounts through the application of rates resulting from the regulation in force and the use of information periodically submitted by the referred institutions to the SIDIIF.

The fixed contributions is calculated by applying a rate on the annual average amount of deposits of the non-financial sector (except the Central Government and the Social Security Bank). At present, such rate is an annual 1‰ for deposits in domestic currency, and an annual 2‰ for deposits in foreign currency. The variable contribution is additional to the fixed one and is applied in relation to the risk level of each institution according to the Methodology established by the Corporation. It varies between 0 and 2‰, in compliance with Decree N° 328/06 of 18th September 2006.

### 3.2.7 RISK ANALYSIS

With a view to permanently assess the risk posed to the soundness and solvency of the financial intermediation firms contributing to the FGDB, the Corporation applies the Methodology for Categorization of Risk ranks defined in 2006, by means of which each institution is assigned a risk category.

Moreover, the Early Warning System (SAT), developed with the objective of strengthening the risk analysis and detecting potentially problematic situations, has been applied since 2012. It works with monthly submitted information, calculating a series of predetermined indicators to assess the activity levels, the quality of the portfolio, the liquidity, yield and solvency of financial institutions contributing to the FGDB. This tool allows for the permanent analysis of every particular situation and its evolution over time, as well as offers an overall picture of the entire banking system.

In 2013 a revision of SAT indicators referred to credit provisioning was undertaken, with the aim of improving its adjustment to the specific situation of the institutions of the Uruguayan financial system.

### 3.2.8 SPECIALIZED TRAINING

Various training instances have been carried out with a view to strengthening the capacities and skills of the Corporation personnel regarding the SSD management. Some of them were:

- Seminar about “Claims Management: reimbursement to Insured Depositors” organized by IADI, between 16th and 18th July 2013, in the headquarters of the Federal Deposit Insurance Corporation (FDIC), Arlington, USA;
- Course about “Central banking regulation of interest to Public Accountants” – Unit of advanced training and recycling of Graduates (UPAE) of the School of Economics and Administration of the Universidad de la República - between 22nd and 31st October 2013.

### 3.2.9 PUBLIC AWARENESS

Relevant information about the Deposit Insurance System and the Corporation can be found in the site [www.copab.org.uy](http://www.copab.org.uy): institutional information, transparency, regulations, financial statements, frequently asked questions with examples of coverage to depositors, links to other related institutions, and administration of the Bank Assets Recovery Fund, among others.

Throughout 2013, the organization has continued to work on the improvement of various web site features with a view to making it more user-friendly with reference to its access and navigability. At the same time, the priority has been to keep it updated so as to make sure that users will be properly informed.

## 3.3 BANK RESOLUTION PROCESS (PRB) MANAGEMENT

Work has continued on the strategic objectives referred to the PRB over 2013, having achieved different levels of progress in terms of the range and degree of complexity of each of them.

### 3.3.1 ANALYSIS OF LEGAL AND REGULATORY FRAMEWORK

Regarding the revision of the legal and regulatory framework applicable in a PRB, the analysis and appraisal of reform proposals was finalized during the term. It was conducted together with the Legal Advisory unit and the Superintendence of Financial services of the Central bank of Uruguay. The final result was conclusive as to the relevance of most of the legal reforms proposed by COPAB. Therefore, the corresponding Bill was drafted and the required steps were taken before the Ministry of Economy and Finance in order to introduce it in the National Parliament.

### 3.3.2 DESIGN OF THE BANK RESOLUTION PROCESS GUIDELINES

In the light of the policies and operating procedures for the different stages in which COPAB is involved as manager of the Bank Resolution Process and with the support of an OTA consultant, the Intervention Manual and the Manual for the Appointment of the Intervention Commission have been formulated and approved by the Board. Likewise, the first versions of the Solution Procedures Manual, the Liquidation Manual and the Procedural Manual for the Payment of Deposit Insurance have been elaborated. These documents are to be submitted to the Central Bank of Uruguay and expert consultants for their opinion.

### 3.3.3 RELATIONS WITH SSF AND BCU

On December 20th 2013, a Memorandum of Agreement was signed with the Central Bank of Uruguay and the Superintendence of Financial Services, for the coordination of actions in the event of a Bank Resolution Process and the use of loans of last resort, with respect to financial intermediation institutions contributing to the Deposit Insurance Fund.

The objective of the Memorandum is to count on a coordinated action plan that facilitates communication and execution of activities between the parties, taking into account the adjacencies of their legal mandates and the public policy objectives.

### 3.3.4 ONGOING BANK LIQUIDATIONS

At present, the management of the following institutions are under the responsibility of COPAB: Banco Comercial S.A. - Bank Assets recovery Fund (in liquidation), Banco de Montevideo S.A. -Bank Assets Recovery Fund (in liquidation) and Banco la Caja Obrera S.A. - Bank Assets Recovery Fund (in liquidation). In this respect, the execution of the plan for the realization of remaining assets has been pursued and the Financial Statements of each Fund have been published in COPAB website, together with the report of the external auditor including opinion without exceptions.

### 3.3.5 ADAPTATION OF THE FUND PARTICIPATIONS ADMINISTRATION SYSTEM

The work on the strategic objective of adapting the Fund Participation Administration System was carried out through a project which involved aligning the system with the current legal framework for deposit insurance coverage payment, which is applied per person, per currency and with preferred subrogation payment to the FGDB. The new system will allow COPAB to efficiently transfer the required information for the administration of balances and transactions in the various creditors' categories in the event of liquidation of a financial intermediation firm.

### 3.3.6 SPECIALIZED TRAINING

Over 2013, we participated in a seminar about "Claims Management: reimbursement to Insured Depositors" organized by IADI, between 16th and 18th July 2013, in the headquarters of the Federal Deposit Insurance Corporation (FDIC), Arlington, USA.



# TEAMWORK

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ANNUAL REPORT AS AT 31<sup>ST</sup>  
DECEMBER 2013

**FGDB FINANCIAL STATEMENTS  
AS AT 31<sup>ST</sup> DECEMBER 2013**

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of BANK SAVINGS PROTECTION CORPORATION

We have audited the accompanying financial statements of the DEPOSIT INSURANCE FUND (hereinafter FGDB or "the Fund") administered by the Bank Savings Protection Corporation (hereinafter COPAB or the Corporation) that comprise the income statement as at 31<sup>st</sup> December 2013, those corresponding to the profit and loss account, statement of changes in equity and sources and application of funds for the year ending on such date, together with the explanatory notes.

Management's Responsibility for the Financial Statements.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the generally accepted accounting standards and Ordinance N° 81 from the Court of Auditors (TCR). Such responsibility involves the design, implementation and maintenance of an internal control system which is suitable for the preparation and fair presentation of the financial statements which are free from significant misstatements, due to fraud or error. It also includes the selection and application of suitable accounting policies and the realization of accounting estimates which go in line with the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements, based on our auditing process. Our audit was conducted in accordance with International Accounting Standards issued by the Federation of International Accountants (IFAC). Those standards demand that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The selected procedures depend upon the auditor, including the assessment of risk of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, we consider the internal control relevant to the preparation and fair presentation of the financial statements of the Fund, to design auditing procedures that are appropriate in the circumstances, but not to express our opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the DEPOSIT INSURANCE FUND as at 31<sup>st</sup> December 2013 and the results of its operations, changes

in its net equity and sources and application of funds of the year then ending in accordance with generally accepted Accounting Standards and Ordinance Nº 81 of the Court of Auditors.

Montevideo

March 12<sup>th</sup> 2014

## REPORT

The Court of Audit has examined the accompanying financial statements of the Deposit Insurance Fund (FGDB) submitted by the Bank Savings Protection Corporation (COPAB). The financial statements comprise the Balance Sheet as at 31<sup>st</sup> December 2013, the corresponding Income statement, Sources and Application of Funds and Changes in Equity for the year then ending, as well as Annexure and Notes on significant Accounting Policies and other explanatory notes to the financial statements. The Court of Audit has also audited the FGDB's compliance with prevailing statutory provisions concerning the financial statements to be evaluated.

### Management's responsibility for the financial statements

COPAB Directors are responsible for the preparation and fair presentation of the FGDB financial statements in accordance with generally accepted accounting standards and with Ordinance N<sup>o</sup> 81 from the Court of Audit. This responsibility includes the design, implementation and maintenance of an internal control system relevant to the preparation of the financial statements that give a true and fair view and are free from material misstatement whether due to fraud or error. It also implies the selection and application of suitable accounting policies and the realization of fair accounting estimates given the circumstances.

### Auditor's responsibility

The responsibility of the National Audit Office is to express an opinion on these financial statements based on our audit. This audit was conducted in accordance with the Auditing Main Principles (ISSAI 100 and 200) and the Directives from Financial Auditing (ISSAI 1000 to 1810) of the International Organization of Supreme Audit Institutions (INTOSAI). Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the financial statements are free from significant misstatements.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The selected procedures depend on the auditor's judgement, including the assessments of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and reasonable presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of giving an opinion on the effectiveness of the company's internal control. An audit also implies evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates carried out by the Management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the FGDB as at 31<sup>st</sup> December 2013, income statement and

cash flow corresponding to the year then ending, in accordance with generally accepted accounting standards and with Ordinance Nº 81 of the Court of Audit.

According to the prevailing statutory and regulatory provisions concerning the financial statements, no irregularities were observed during the course of our audit.

Montevideo 30<sup>th</sup> May 2014.

**DEPOSIT INSURANCE FUND****BALANCE SHEET**

As at 31st December 2013

COMPARED TO PREVIOUS PERIOD

(Figures presented in Uruguayan pesos)

<b>ASSETS</b>	<b>2013</b>	<b>2012</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (Note 2.14)	4.616.492	26.204.634
Short term investments (Note 3.4.1 and 2.14)	6.967.562.027	5.801.264.358
<b>TOTAL CURRENT ASSETS</b>	<b>6.972.178.519</b>	<b>5.827.468.992</b>
<b>NON-CURRENT ASSETS</b>		
Long-term Investments (Note 3.4.2)	551.880.450	
<b>TOTAL NON-CURRENT ASSETS</b>	<b>551.880.450</b>	
<b>TOTAL ASSETS</b>	<b>7.524.058.969</b>	<b>5.827.468.992</b>

Accompanying Notes 1 to 11 are an integral part of these consolidated financial statements.

**DEPOSIT INSURANCE FUND**

**BALANCE SHEET**

As at 31<sup>st</sup> December 3013

COMPARED TO PREVIOUS PERIOD

(Figures presented in Uruguayan pesos)

<b>LIABILITIES</b>	<b>2013</b>	<b>2012</b>
<b>CURRENT LIABILITIES</b>		
Financial Liabilities (Notes 3.4.3 and 3.6)	45.135.902	41.726.260
Other Current Liabilities (Note 4)	4.011.149	3.601.005
<b>TOTAL CURRENT LIABILITIES</b>	<b>49.147.051</b>	<b>45.327.265</b>
<b>NON-CURRENT LIABILITIES</b>		
Financial Liabilities (Note 3.4.4 and 3.6)	256.668.000	271.586.000
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>256.668.000</b>	<b>271.586.000</b>
<b>TOTAL LIABILITIES</b>	<b>305.815.051</b>	<b>316.913.265</b>
<b>EQUITY</b>		
Retained earnings	5.510.555.727	4.372.256.519
Net Income for the year	1.707.688.191	1.138.029.208
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>7.218.243.918</b>	<b>5.510.555.727</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>7.524.058.969</b>	<b>5.827.468.992</b>

Accompanying Notes 1 to 11 are an integral part of these consolidated financial statements.

**DEPOSIT INSURANCE FUND****INCOME STATEMENT**FOR THE YEAR ENDING ON DECEMBER 31<sup>ST</sup> 2103

COMPARED TO PREVIOUS PERIOD

(Figures presented in Uruguayan pesos)

	<b>2013</b>	<b>2012</b>
Income from Financial Institutions (Note 2.13)	1.130.276.264	991.163.125
<b>GROSS PROFIT</b>	<b>1.130.276.264</b>	<b>991.163.125</b>
Operating Expenses (Note 5)	-39.930.654	-35.507.977
<b>OPERATING INCOME</b>	<b>1.090.345.610</b>	<b>955.655.148</b>
Other Income	-24.351	-5.556
Financial Income (Note 6)	617.366.932	182.379.616
<b>NET PROFIT FOR THE YEAR</b>	<b>1.707.688.191</b>	<b>1.138.029.208</b>

Accompanying Notes 1 to 11 are an integral part of these consolidated financial statements.

**DEPOSIT INSURANCE FUND**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

FOR THE YEAR ENDING December 31<sup>st</sup> 2013

COMPARED TO PREVIOUS YEAR

(Figures presented in Uruguayan pesos)

	<b>RETAINED EARNINGS</b>	<b>TOTAL EQUITY</b>
<b>BALANCE AS AT 31ST December 2011</b>	<b>4.372.526.519</b>	<b>4.372.526.519</b>
Net income	1.138.029.208	1.138.029.208
<b>SUBTOTAL</b>	<b>1.138.029.208</b>	<b>1.138.029.208</b>
 <b>BALANCE AS AT 31ST DECEMBER 2012</b>		
Unallocated income	5.510.555.727	5.510.555.727
<b>TOTAL *</b>	<b>5.510.555.727</b>	<b>5.510.555.727</b>
 Net income	1.707.688.191	1.707.688.191
<b>SUBTOTAL</b>	<b>1.707.688.191</b>	<b>1.707.688.191</b>
 <b>BALANCE AS AT 31ST DECEMBER 2013</b>		
Unallocated income	7.218.243.918	7.218.243.918
<b>TOTAL</b>	<b>7.218.243.918</b>	<b>7.218.243.918</b>

Accompanying Notes 1 to 11 are an integral part of these consolidated financial statements.

**DEPOSIT INSURANCE FUND**  
**STATEMENT OF SOURCES AND APPLICATION OF FUNDS**

FOR THE PERIOD ENDING ON DECEMBER 31<sup>ST</sup> 2013

COMPARED TO THE PREVIOUS PERIOD

(Figures presented in Uruguayan pesos)

	2013	2012
<b>1. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit for the year	1.707.688.191	1.138.029.208
Plus/ (minus) items not involving fund transactions		
Accrued Interest	-5.281.466	
Accrued Expenses	2.392.914	2.654.226
Exchange rate differences and Adjustments for Currency Devaluation	-531.617.481	-113.855.919
Changes in assets and liabilities		
Variation in operating liabilities	410.144	-337.405
<b>Cash flow from operating activities</b>	<b>1.173.592.302</b>	<b>1.026.490.109</b>
<b>2. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Changes in long term investments	-519.409.843	20.198.030
Interest income		3.169.289
<b>Funds from investments</b>	<b>-519.409.843</b>	<b>23.367.319</b>
<b>3. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Financial Debts paid	-43.046.000	-38.798.000
Interests paid	-3.249.932	-7.537.890
<b>Funds applied to financing activities</b>	<b>-46.295.932</b>	<b>-46.335.890</b>
<b>4. NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>607.886.527</b>	<b>1.003.521.528</b>
<b>5. CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>5.827.468.992</b>	<b>4.719.851.766</b>
Exchange rate differences and Adjustments for Currency Devaluation of cash and cash equivalents	536.823.000	104.095.688
<b>6. FINAL BALANCE IN CASH AND CASH EQUIVALENTS</b>	<b>6.972.178.519</b>	<b>5.827.468.992</b>

Accompanying notes 1 to 11 are an integral part of these consolidated financial statements.

**DEPOSIT INSURANCE FUND**NOTES TO THE FINANCIAL STATEMENTS AS AT 31<sup>ST</sup> DECEMBER 2013

(Figures presented in Uruguayan pesos)

**NOTE 1 – LEGAL ORGANIZATION, REGULATORY FRAMEWORK AND OPERATING CONTEXT****1.1 Legal Organization and aims**

The Deposit Insurance Fund (hereinafter FGDB), created by article 45 of Law N° 17.613 dated 27th December 2002, operates like an independent trust, without legal status. The objective of the FGDB is to insure bank and financial intermediation cooperatives deposits according to conditions established by the Law and its enforcement. The Law N° 18.401 of 24th October 2008 introduces modifications to the charter of the Central Bank of Uruguay (BCU) and creates the Bank Savings Protection Corporation (hereinafter COPAB) as a non-governmental public law entity, one of its aims being the administration of the FGDB, which was previously under the control of the BCU.

On September 1st 2009 the Board of COPAB took office, thus becoming responsible for the administration of the FGDB.

**1.2 Deposit insurance**

Article 35 of Law N°18.401 establishes that payment for the deposit insurance will operate when one of the financial intermediation institutions comprised in the regulated system goes into liquidation, and as long as FGDB resources were not applied through one of the Solution Procedures stipulated by the same law. Likewise, COPAB is to specify the regulations that, within the framework established by the law, define the terms and conditions for the FGDB coverage to be offered to depositors.

Article 31 of the aforementioned law states that the FGDB will insure deposits of any nature constituted by individuals or/and legal entities from the non-financial sector, except those of the Central Government and the Social Security Bank (hereinafter BPS), in financial intermediation firms referred to in article 17 bis of Decree-Law N° 15.322 of 17<sup>th</sup> September 1982, effected in article 2 of Law N° 16.327 of November 11<sup>th</sup> 1992 (banks and financial intermediation cooperatives).

At present, according to Article 5 Decree N° 103/005 of March 7<sup>th</sup> 2005, the FGDB covers up to US\$ 5.000 (equivalent to \$ 106.945 at 31<sup>st</sup> December 2013) for all the deposits in foreign currency per individual or/and legal entity, per institution comprised in this system, and up to Indexed Units 250.000 (equivalent to \$ 685.525 at 31<sup>st</sup> December 2013) for all the deposits in national currency per individual or legal entity, per institution.

**1.3 Fund resources**

According to Article 5 of the Compilation of Bank Savings Protection Standards, the FGDB will be constituted by the following resources:

- a) Contributions from institutions defined in article 7 of the aforementioned compilation,

- b) Yield and reimbursements from the FGDB resource investments that are managed by COPAB.
- c) Income from loans with national, foreign and international financial entities that COPAB requires in order to meet its goals,
- d) Net profit of COPAB in every annual operation,
- e) Preferred capital provided by the State,
- f) Recovery of FGDB credits originated in subrogation payments made with its resources, with respect to deposits in banks or financial intermediation institutions in case they go into liquidation,
- g) Income from fines and additional payments applied by COPAB.

At the same time, Article 4 from Decree Nº 103/005 establishes that the contribution from banks and financial intermediation cooperatives has been fixed at an annual 2‰ (2 per thousand) on the average of the total amount of deposits in foreign currency, corresponding to the previous civil year in each institution, and an annual 1‰ (1 per thousand), on the average deposits in local currency over the same basis, after deduction of deposits excluded from the benefit of the guarantee.

Article 47 of Law Nº 17.613, and article 4 Decree Nº 103/005 recommended the BCU to propose a system of variable contributions in relation to the risk level of the financial intermediation institutions. Decree Nº 328/006 of 18<sup>th</sup> September 2006 established additional contribution rates, for different currencies alike, for the different risk categories.

In this respect, during 2006 each contributing institution was assigned a risk category, according to the Methodology for Categorization of Risk Ranks, established in article 15 of the Compilation of Bank Savings Protection Standards, so that variable aliquots should be applied each semester.

The variable factor, applied both to deposits insured in local as well as foreign currency, is calculated in relation to the different risk categories defined and the aliquots presented below:

- Risk I: 0 ‰ (zero per thousand) annually
- Risk II: 0,5 ‰ (half per thousand) annually
- Risk III: 1 ‰ (one per thousand) annually
- Risk IV: 1,5 ‰ (one and a half per thousand) annually
- Risk V: 2 ‰ (two per thousand) annually

The above categorization is revised every semester.

Article 39 of Law Nº 18.401, establishes that contribution from banks and financial intermediation cooperatives will be fixed by COPAB, between 1‰ (one per thousand) and 30‰ (thirty per thousand) of the annual average of deposits from the non financial sector, except for those from the Central Government or BPS, in terms of the various risk categories the institutions might be ranked into.

In that regard, on 26<sup>th</sup> December 2008 (D/702/2008), the BCU Board decided that, according to Articles 39 and 55 of Law N° 18.401, the aliquots over insured deposits established in Decrees N° 103/005 and N° 328/006 will continue to be applied. Likewise, the contribution rate to be applied to deposits from non financial, non guaranteed sector (except for those from Central Government and BPS) was fixed at an annual 1‰ (one per thousand) for each banking institution or financial intermediation cooperative, both for local and foreign currency. Such deposits do not generate the additional aliquots established in Decree N° 328/006 in terms of the risk categories of each institution.

Moreover, Article 39 of Law N° 18.401, stipulates that, in case important and justified expenditure is required, COPAB might demand the institutions to advance payment of their contributions amounting to up to three years, according to regulations.

Contributions in respective currency will be cancelled when the FGDB reaches the maximum established by Article 5 of Decree N° 328/006 of 18<sup>th</sup> September 2006, and will be resumed when it falls under that maximum. Such figure corresponds to 5% of the total insured deposits, in local as well as in foreign currency. (See Note 8)

Article 11 of Decree N° 103/005 establishes that, in order to facilitate the initial constitution of the FGDB, the State will advance up to US\$ 20 million as preferred capital, and up to US\$ 40 million as a loan. The Ministry of Economy and Finance (MEF) will be responsible for the determination of such amounts. Article 11 also states that the reimbursement of those advanced amounts will be financed by the FGDB resources and according to conditions that will be mutually agreed. (See Note 9)

#### **1.4 Approval of Financial Statements**

The current financial statements were formulated by COPAB personnel and approved by the Board on March 12<sup>th</sup> 2014.

### **NOTE 2 - MAIN APPLIED ACCOUNTING PRACTICES AND POLICIES**

#### **2.1 Bases for the preparation**

The financial statements have been prepared according to appropriate accounting standards used in Uruguay and the Ordinance N° 81 of the Court of Auditors (hereinafter TCR). Such Ordinance establishes that sources for accounting standards should follow the following order of priority:

- a) Standards stipulated by the TCR itself,
- b) Decree N° 103/91 of February 27<sup>th</sup> 1991,
- c) International Accounting Standards adopted by IASB (International Accounting Standard Board)

Financial statements have been prepared on the basis of historical costs.

#### **2.2 Functional Currency**

The financial statements of the FGDB as at 31<sup>st</sup> December 2013 were prepared taking the Uruguayan peso as the functional currency.

### 2.3 Permanence of Accounting Criteria

The Accounting policies and criteria applied in the valuation of assets and liabilities as well as in the acknowledgement of income and expenditure for the year ending on 31<sup>st</sup> December 2013 are similar to the criteria applied in the previous year.

### 2.4 Foreign currency and indexed units

Transactions in US dollars and indexed units are converted into local currency using exchange rates provided by the Foreign Exchange Desk of the BCU at the time of the transaction.

US dollar-denominated assets and liabilities are converted into local currency according to the interbank rate of the Average Fund Dollar provided by the Foreign Exchange Desk at the end of the year. Assets and liabilities in indexed units are converted into local currency using the exchange rate of such currency at the end of the year.

Exchange rates at the closure of the financial statements of US Average Fund Dollar and indexed units with respect to the local currency are the following:

Date	US Dollar exchange rate	IU exchange rate
December 2012	19,399	2,5266
December 2013	21,389	2,7421

### 2.5 Cash and cash equivalents

Cash and cash equivalents are presented at their nominal value, which does not differ from their fair value.

### 2.6 Investments

The FGDB classifies its investments according to NICs 32 and 39 in the following categories: investments at fair value with changes in results, held-to-maturity investments, and investments available for sale. The classification depends on the purpose for which the investments were made. The FGDB determines the classification of investments initially and reconsiders them at the end of the term.

a) *Investments at fair value with changes in net income:*

They correspond to investments acquired so as to be sold in the short term and are evaluated according to their fair value. Variations in fair values are recognised in the income statement.

b) *Held-to-maturity investments*

They correspond to investments of fixed maturity that COPAB has the intention and financial capacity to keep until they reach maturity. They are initially recognised at their fair value and, throughout the period of possession, they are evaluated at its amortized cost applying the effective interest method, minus provision for devaluation, in case it corresponds to do so.

*c) Investments available for sale:*

They correspond to assets which do not fall into any of the previous categories. Their fair values are recognised and variations in those values are directly accounted for in the equity accounts within Adjustments to Equity. In the year in which these investments are sold or impaired, the accumulated amount of respective adjustments to the fair value is accounted for in the Income Statement.

The investments that were still in force as at 31<sup>st</sup> December 2013 and 31<sup>st</sup> December 2012 were classified as “held-to-maturity investments”.

## **2.7 Credits**

Credits are presented at their cost minus any loss due to deterioration.

Allowance for bad debts is only accounted for when there is objective evidence that the FGDB will not be able to recover the indebted amounts according to the originally agreed terms. The amount for allowances is the difference between their assets book value and the current value of future estimated cash flow, after deducting the effective interest rate. This amount is accounted for in the income statement.

As at 31<sup>st</sup> December 2013 and 31<sup>st</sup> December 2012 there were no allowances for bad debts since there were no uncollected credits.

## **2.8 Deterioration**

The accounting values of the FGDB assets are revised on the date of each accounting statement to determine whether there is evidence of deterioration. If any evidence were to be identified, the recoverable amount of the asset is estimated as the highest between the net sale price and its use value. A loss for deterioration is accounted for in the Income Statement when the accounting value of the asset or its cash generating unit exceeds its recoverable amount.

A loss for deterioration is reversed, up to an amount that does not exceed the accounting value that would have been fit if the deterioration had not been recognised, when there is a later increase in the estimated recoverable amount.

The revision completed as at 31<sup>st</sup> December 2013 and 31<sup>st</sup> December 2012 showed that there were no impaired assets.

## **2.9 Financial Debts**

The financial debts are accounted for at their amortized value. Any difference between the cost and its cancellation value is acknowledged in the Income Statement during the financing period by means of effective interest rates.

## 2.10 Miscellaneous

Miscellaneous debts are presented at their amortized cost.

## 2.11 Provisions

According to article 35 Law N° 18.401, in case any of the institutions covered by the FGDB is liquidated, COPAB will cover the deposit insurance provided by the Fund, only if FGDB resources have not been used in any of the Solution Procedures contemplated in the law. Likewise, the aforementioned article establishes that COPAB will stipulate the regulations that, within the framework defined by the Law, determine the terms and conditions of the coverage to be provided by the FGDB to depositors.

As a result, the FGDB faces liabilities due to coverage of deposit guarantee, in case insured institutions are liquidated.

In case one of the institutions covered by the FGDB should be liquidated by the end of the year, an allowance for payment amounting to the estimated coverage will be accounted for. This will be based on the information emerging from records managed by COPAB at the latest available date.

No liquidation had been declared by 31<sup>st</sup> December 2013 and 31<sup>st</sup> December 2012.

## 2.12 Equity

Equity is exclusively constituted by Retained Earnings.

## 2.13 Determination of income

Income for the year was obtained through the difference between equity at the beginning and at the end of the term.

The acknowledgment of income and charge allocations was prepared in compliance with the accrual-based principle.

Operating Income represent the contributions made by financial institutions according to what is established in Article 4 Decree N° 103/005.

## 2.14 Fund definition

For the preparation of the Sources and Application of Funds, cash and cash equivalents together with temporary investments with maturity under a year were defined as funds.

The next table shows cash and cash equivalents:

Item	December 2013	December 2012
Cash and cash equivalents	4.616.492	26.204.634
Temporary investments (Note 3.4.1)	6.967.562.027	5.801.264.358
<b>Total</b>	<b>6.972.178.519</b>	<b>5.827.468.992</b>

## 2.15 Use of accounting estimates

The preparation of the financial statements for a certain date demands for estimates and evaluations that affect the amount of assets and liabilities recorded, as well as contingent assets and liabilities revealed at the time of the preparation of the present statements.

Estimates are used to calculate provisions, among others, for a specific date. Real future income may differ from estimates and evaluations made at the time the current financial statements were prepared.

### NOTE 3 – FINANCIAL RISK MANAGEMENT

#### 3.1 Relationships with the Central Bank of Uruguay (BCU)

As a result of a resolution by the Board of the BCU D/703/2005 of 30<sup>th</sup> November 2005, the International Operations Area, current Area of Assets and Liabilities Management, was assigned to provide the information service over alternatives of available investment instruments. This was done in accordance with the objectives set for the investment of the FGDB assets and the assistance service for the execution of the operations deemed necessary for making the investments of said fund effective. Likewise, the services should be provided according to the conditions and procedures settled in the document “Conditions for the provision of service” mentioned in the aforementioned Board resolution.

On September 3<sup>rd</sup> 2009, COPAB entered into an agreement with the BCU so as to continue receiving those services.

#### 3.2 Criteria on assumed risks

COPAB decided in due course to go ahead with the best investment options for its assets with the fundamental objective of preserving its capital and maintaining its liquidity, without dismissing the possibility of obtaining, at the same time, a reasonable yield. In that sense the following criteria in relation to assumed risks were established and continue to be applied until now:

**Credit risk:** To be conservative with respect to the credit value of the instruments. The FGDB investments should be guided towards the diversified purchase of investments with the best risk qualifications.

**Liquidity risk:** To accept liquid instruments in the sense of not being subject to any loss or punishment in the accrued interest for anticipated interruption.

**Interest rate risk:** To look for the accumulation of short term instruments, through the agreement over temporary conditions with the Area of Assets and Liabilities Management.

#### 3.3 Investment Administration Policy

Guidelines from the Investment Administration Policy (hereinafter PAI), settled on 31<sup>st</sup> December 2009, continue to be applied.

The Policy is based on:

1. Resource security and liquidity. Once these criteria have been met, the objective is to maximize their yield.
2. Enough flexibility so that, within control entities and procedures, the decision process regarding purchase and sale of investments may become more agile and efficient, so as to take advantage of market opportunities.
3. Dynamism in the PAI so that limit management may be adjusted in the face of drastic variations in key variables (e.g.: level of resources, level of higher risk guaranteed deposits, payment for coverage, etc.).
4. Transparency in the functions and responsibilities in all the stages comprising the management of the FGDB resources.

At present, and according to the agreement between COPAB and BCU of 3<sup>rd</sup> September 2009, the following guidelines are applied:

“The Market and Economic Policy Management of BCU will provide COPAB with professional, technical and administrative assistance, which will be effected through the provision of the following services:

- a) Information over alternatives of available investment instruments, according to objectives set by COPAB for investments in US dollars of the FGDB, and assistance in the executions of the operations deemed necessary for making such Fund investments effective.
- b) Acceptance of deposits required by COPAB, determining interest rates to be applied in each case, according to yield curves elaborated by the Assets and Liabilities Management Area. So as to grant objectivity and transparency to the fixation of rates with which to pay deposits, the Assets and Liabilities Management Area will be at COPAB’s disposal for clearing doubts and providing information required by the Corporation.
- c) Anticipated cancellation of deposits referred to in the previous point, only in the event of exceptional circumstances resulting from the obligations for the payment of FGDB coverages which could not have been anticipated at the time of deposit constitution. This aspect should be duly notified in writing by COPAB to that area. The deposits which are cancelled in advance due to exceptional circumstances will not be paid at the original agreed rate, but at the one resulting from the application of the yield curve elaborated by the Assets and Liabilities Management Area, used at the time of the deposit constitution, but for its effective term.
- d) Entitlement of COPAB to participate in tenders of debt instruments issued by the monetary authority in the primary value market and to participate in the facilities offered by BCU (such as overnight deposits in local currency) under the same conditions of the financial institutions.”

### **3.4 Detail of financial assets and liabilities that accrue interest**

The detail of assets and liabilities that accrue interest with their maturity dates and effective annual rates are presented below:

#### **3.4.1 Short term financial assets**

Held-to-maturity Short-term Permanent Investments	December 2013			
	Due date	Amount	Rate	Accrued Interests
Deposits in BCU in IU	31/01/2014	177.962.290	1,3400%	2.212.466
Deposits in BCU in IU	28/02/2014	128.973.302	1,3400%	1.469.006
Deposits in BCU in IU	31/03/2014	80.891.950	1,6900%	1.040.495
Deposits in BCU in IU	30/04/2014	302.426.209	1,3900%	2.860.868
Deposits in BCU in IU	30/05/2014	158.356.275	1,3300%	1.251.982
Deposits in BCU in IU	30/06/2014	244.046.900	1,3900%	1.752.663
Deposits in BCU in IU	31/07/2014	296.695.220	0,9300%	1.172.688
Deposits in BCU in IU	01/09/2014	341.391.450	2,8000%	3.265.978
Deposits in BCU in IU	30/09/2014	249.092.364	3,4000%	2.164.336
Deposits in BCU in IU	31/10/2014	103.377.170	4,0600%	711.177
Deposits in BCU in IU	28/11/2014	103.925.590	4,1000%	378.751
Subtotal		2.187.138.720		18.280.410
Deposits in BCU in \$	02/01/2014	104.900.000	2,0000%	5.691
Deposits in BCU in \$	03/01/2014	470.000.000	10,3800%	3.702.403
Sub total		574.900.000		3.708.094
Deposits in US\$ FLAR	31/01/2014	2.024.470.238	0,1000%	5.624
Dep. in US\$ ZUERCHER	31/01/2014	2.159.049.345	0,1600%	9.596
Sub total		4.183.519.583		15.220
Total		6.945.558.303		22.003.724

December 2012			
Due date	Amount	Rate	Accrued Interests
31/01/2013	69.481.500	1,7500%	1.131.486
28/02/2013	159.933.780	1,2400%	1.685.702
28/02/2013	21.223.440	3,9560%	4.385.178
29/03/2013	85.626.474	0,9800%	643.340
30/04/2013	36.004.050	1,2300%	301.384
31/05/2013	496.729.560	1,9700%	5.816.979
28/06/2013	432.553.920	2,4000%	5.334.832
31/07/2013	107.590.208	2,1000%	960.243
30/08/2013	276.776.397	1,0900%	1.022.381
30/09/2013	305.971.260	1,3600%	1.086.538
31/10/2013	196.291.554	1,2300%	409.104
29/11/2013	92.726.220	1,2000%	95.817
30/12/2013	79.587.900	1,0700%	7.097
	2.360.496.263		22.880.079
03/01/2013	6.471.000	6,0000%	4.340
31/01/2013	475.000.000	6,0000%	318.604
	481.471.000		322.944
31/01/2013	1.448.158.321	0,2300%	190.309
31/01/2013	1.487.889.164	0,2900%	27.277
	2.936.047.485		45.586
	5.778.014.748		23.249.610

### 3.4.2 Long term financial assets

Held-to-maturity Long term Permanent investments	December 2013			
	Due Date	Amount	Rate	Accrued Interests
Deposits in BCU in IU	30/04/2015	302.426.209	1,5000%	3.087.268
Deposits in BCU in IU	30/06/2015	244.046.900	1,84%	2.320.073
Total		546.473.109		5.407.341

December 2012			
Due date	Amount	Rate	Accrued Interests

### 3.4.3 Short term financial liabilities

Item	December 2013	December 2012
Current Financial Debt with MEf	42.778.000	38.798.000
Accrued Interests*	2.357.902	2.928.260
<b>Total</b>	<b>45.135.902</b>	<b>41.726.260</b>

(\* see Note 9)

### 3.4.4 Long term financial liabilities

Item	December 2013	December 2012
Non-current financial Debt with MEC	256.668.000	271.586.000
<b>Total</b>	<b>256.668.000</b>	<b>271.586.000</b>

### 3.5 Position in foreign currency and indexed units

Balances in foreign currency and indexed units of assets and liabilities at the end of each term are:

Item	December 2013			December 2012		
	US\$	IU	Total equivalent in \$	US\$	IU	Total Equivalent in \$
Cash & Cash equivalents	214.301		4.583.681	1.350.803		26.204.227
Temporary Investments	195.592.819	804.281.074	6.338.953.933	151.352.857	943.313.680	5.319.470.415
<b>Total Current Assets</b>	<b>195.807.120</b>	<b>804.281.074</b>	<b>6.393.537.614</b>	<b>152.703.660</b>	<b>943.313.680</b>	<b>5.345.674.642</b>
Long Term Investments		201.261.970	551.880.450			
<b>Total Non-current Assets</b>		<b>201.261.970</b>	<b>551.880.450</b>			
<b>Total Assets</b>	<b>195.807.120</b>	<b>1.005.543.044</b>	<b>6.945.418.064</b>	<b>152.703.660</b>	<b>943.313.680</b>	<b>5.345.674.642</b>
Financial Debt	2.110.239		45.135.902	2.150.949		41.726.260
<b>Total Current Liabilities</b>	<b>2.110.239</b>		<b>45.135.902</b>	<b>2.150.949</b>		<b>41.726.260</b>
Financial Debt	12.000.000		256.668.000	14.000.000		271.586.000
<b>Total Non-current liabilities</b>	<b>12.000.000</b>		<b>256.668.000</b>	<b>14.000.000</b>		<b>271.586.000</b>
<b>Total Liabilities</b>	<b>14.110.239</b>		<b>301.803.902</b>	<b>16.150.949</b>		<b>313.312.260</b>
<b>Net Position</b>	<b>181.696.881</b>	<b>1.005.543.044</b>	<b>6.643.614.162</b>	<b>136.552.711</b>	<b>943.313.680</b>	<b>5.032.362.382</b>

### 3.5.1 Sensitivity analysis

If at 31<sup>st</sup> December 2013 the local currency had weakened by 10% with respect to the US dollar, the other variables being constant, the net income for the period would have increased by approximately \$ 389 million (as at 31<sup>st</sup> December 2012 it would have increased by approximately \$265 million), when applying such variation of the exchange rate to the US dollars at the end of each term. On the contrary, if it had appreciated by 10% with respect to the US dollar, the other variables being constant, the net income for the period would have decreased by approximately \$389 million as at 31<sup>st</sup> December 2013 (\$265 million as at 31<sup>st</sup> December 2012).

### 3.6 Detail of maturity of financial liabilities

The detail of financial debt in Uruguayan peso is the following

Item	December 2013				
	Under 1 year	Between 1 & 3 years	Between 3 & 5 years	More than 5 years	Total
Interest Provision Preferred Capital	2.357.902				2.357.902
Financial Debt with MEF	42.778.000	85.556.000	85.556.000	85.556.000	299.446.000
<b>Total</b>	<b>45.135.902</b>	<b>85.556.000</b>	<b>85.556.000</b>	<b>85.556.000</b>	<b>301.803.902</b>

Item	December 2012				
	Under 1 year	Between 1 & 3 years	Between 3 & 5 years	More than 5 years	Total
Interest Provision Preferred Capital *	2.928.260				2.928.260
Financial Debt with MEF	38.798.000	77.596.000	77.596.000	116.394.000	310.384.000
<b>Total</b>	<b>41.726.260</b>	<b>77.596.000</b>	<b>77.596.000</b>	<b>116.934.000</b>	<b>313.312.260</b>

(\*see Note 9)

### 3.7 Fair value

Accounting values of financial assets and liabilities do not significantly differ from their fair values.

### NOTE 4- MISCELLANEOUS DEBTS

Detail of miscellaneous debts at the end of the term is shown below:

Item	December 2013	December 2012
Amounts to be transferred to COPAB	4.011.149	3.601.005
<b>Total</b>	<b>4.011.149</b>	<b>3.601.005</b>

**NOTE 5- ADMINISTRATIVE EXPENSES**

Administrative expenses financed by FGDB transferred to the COPAB are as follows:

Item	December 2013	December 2012
COPAB Administrative Expenses	39.930.654	35.507.977
<b>Total</b>	<b>39.930.654</b>	<b>35.507.977</b>

Article 23, Law 18.401 establishes that the COPAB operating budget is financed by the FGDB resources. As a consequence, allocations for administrative expenses correspond to transfers made by the FGDB to meet COPAB's administrative costs.

**NOTE 6 - FINANCIAL RESULTS**

The financial results include interests gained through invested funds; interests lost originated by the MEF loan in the concept of preferred capital, and the exchange rate variations as shown in the table below:

Item	December 2013	December 2012
Earned Interest	80.728.420	71.451.956
Lost Interest	-2.357.902	-2.928.260
Exchange rate variations	538.996.414	113.855.920
Financial Income	617.366.932	182.379.616

**NOTE 7- FISCAL POLICY**

The FGDB operates like an independent trust without legal status. It does not perform activities levied by taxes collected by the General Tax Authority (hereinafter DGI). According to article 26 Law N° 18.401, the COPAB and the FGDB are exempt from any type of national taxation, even those comprised in special laws, with the exception of social security contributions.

**NOTE 8 – CONTINGENCY**

Article 31, Law N° 18.401 establishes that the Fund will guarantee the deposits, irrespective of their nature, constituted by individuals or legal entities of the non financial sector, except those of the Central Government and the BPS, in the financial intermediation companies referred to in article 17 bis of Decree Law N° 15.322, effected in article 2 Law N° 16.327 (banks and financial intermediation cooperatives).

Likewise, according to article 34 of the aforementioned law, maximum coverage will be set per individual, per institution and per currency in which the amount is payable, be it local or

foreign. At the same time, the deposits which are part of independent trusts without legal status are regarded as independent units from any other equity.

At present, according to article 5 Decree N° 103/005, the FGDB will cover up to US\$ 5.000 (equivalent to \$ 106.945 as at 31<sup>st</sup> December 2013) for the total amount of foreign currency deposits, and up to IU 250.000 (equivalent to \$ 685.525 as at 31<sup>st</sup> December 2013) for the total amount of deposits in national currency constituted by any individual or legal entity in each financial intermediation institution.

According to the information provided by the institutions as at 31<sup>st</sup> December 2013, comprised in the Deposit Information System of the Financial Intermediation Institutions (hereinafter SIDIIF), the coverage amounts to:

Item	December 2013	December 2012
Deposit Coverage in local currency	75.234.621.180	64.163.999.901
Deposit Coverage in foreign currency	50.320.604.884	43.387.089.303
<b>Total Coverage</b>	<b>125.555.226.064</b>	<b>107.551.089.204</b>

Article 47 of Law N° 17.613, effected in article 39 of Law N° 18.401, establishes that the Executive Power, on justified request by COPAB, will fix the top reserves in each currency with which the FGDB is formed. Contributions in each of the currencies will be suspended when the FGDB reaches the maximum set up for each of them and they will be resumed when they fall under such maximum.

At present, the maximum for reserves was established by article 5 Decree N° 328/006, at an amount equivalent to 5% of the total insured deposits, both in local and foreign currency. Therefore, the comparison of the maximum top reserves defined by the law and the effectively collected amount appears in the following table.

Item	December 2013	December 2012
Total Insured Deposits	556.862.617.462	460.865.507.173
Top reserve Decree N° 328/006 of 18th September 2006	27.843.130.873	23.043.275.359
Fund Equity	7.218.243.918	5.510.555.727

In case of an eventual coverage by the FGDB, the resources available are:

Item	December 2013	December 2012
FGDB Equity	7.218.243.918	5.510.555.727
Preferred Capital from MEF	299.446.000	310.384.000
Credit line agreed with MEF	855.560.000	775.960.000
Contributions from financial institutions corresponding to 3 years (estimated amount)*	3.390.828.792	2.973.489.375
<b>Total available resources</b>	<b>11.764.078.710</b>	<b>9.570.389.102</b>

(\*) Article 39 of Law N° 18.401 establishes that, in case important and justified expenditure is required, the COPAB might demand the institutions to advance payment of their contributions amounting to up to three years.

#### **NOTE 9 – AGREEMENT WITH THE MINISTRY OF ECONOMY AND FINANCE**

Article 11 of Decree N° 103/005 establishes that, in order to help the initial constitution of the Fund, the State will advance up to US\$ 20 million as preferred capital and up to US\$ 40 million as a loan. Its determination will be made effective by the MEF.

On 16<sup>th</sup> November 2005, the MEF contributed an amount of US\$ 20 million as preferred capital, fixing the reimbursement of such capital in ten annual and consecutive instalments as from the moment the Fund reaches the 20% of the maximum defined by article 9 of Decree N° 103/005. Such percentage was achieved during 2011 and the first instalment of US\$ 2million was repaid. As at 31<sup>st</sup> December 2013, the outstanding balance amounts to US\$ 14 million.

Within the framework of this agreement it is stated that the MEF will collect the annual earnings generated by the application of the Fund, proportionately to its contribution.

On December 17<sup>th</sup> 2012 COPAB and MEF signed a new agreement over the procedure for interest payment. Such agreement stated that interests to be paid to the MEF will be calculated as the result of interests earned by the FGDB, minus overheads, by the percentage of the average contribution of the MEF in the FDGB.

#### **NOTE 10 – BALANCES AND TRANSACTIONS WITH RELATED PARTIES.**

Balances with related parties correspond to the balances with COPAB which is the administrative entity for FGDB.

Such balances at the end of each term are presented below:

<b>Item</b>	<b>December 2013</b>	<b>December 2012</b>
Amount to be transferred to COPAB	4.011.149	3.601.005
COPAB operating expenses	39.930.654	35.507.977

#### **NOTE 11 – LATER INCIDENTS**

There have been no later incidents which might affect the consolidated financial statements approved as at December 31<sup>st</sup> 2013.

ANNUAL REPORT AS AT 31<sup>ST</sup>  
DECEMBER 2013

**COPAB FINANCIAL STATEMENTS AS  
AT 31<sup>ST</sup> DECEMBER 2013**

## INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors of**

**BANK SAVINGS PROTECTION CORPORATION**

We have audited the accompanying financial statements of BANK SAVINGS PROTECTION CORPORATION (hereinafter COPAB or "the Corporation"). These financial statements comprise the balance sheet as at 31<sup>st</sup> December 2013, the income statement, the statement of changes in shareholders' equity, the cash flow statement and the table of changes in current assets and intangibles for the year then ending, as well as the notes to significant accounting policies together with other explanatory notes.

***Management's responsibility for the Financial Statements***

The Corporation Board is responsible for the preparation and fair presentation of these financial statements in accordance with appropriate accounting standards and Ordinance Nº 81 of the Court of Auditors. This responsibility involves: designing, implementing and maintaining an internal control system which is appropriate for the preparation and fair presentation of the financial statements that are free from significant material misstatement, whether due to fraud or error; selecting and applying appropriate accounting standards; and evaluating the reasonableness of accounting estimates in the circumstances.

***Auditor's responsibility***

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

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

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

***Opinion***

In our opinion, the aforementioned financial statements give a true and fair view of the financial position of the BANK SAVINGS PROTECTION CORPORATION as at 31<sup>st</sup> December 2103, and the result of its operations, changes in shareholders' equity, and cash flow statements for the year then ending, in accordance with generally accepted Accounting Standards and Ordinance N° 81 of the Court of Auditors.

***Other matters***

Our report on the financial statements as at 31<sup>st</sup> December 2012, issued on March 15<sup>th</sup> 2013, included a limitation to the scope with reference to the provision of audit advice on the financial statements as at 31<sup>st</sup> December 2012 corresponding to the Institutions Undergoing Liquidation which are managed by COPAB.

The financial statements corresponding to the referred institutions as at 31<sup>st</sup> December 2013, and whose equity is included in Note 11 to the present financial statements, were audited by another auditor, the unqualified report having been issued on 28<sup>th</sup> February 2014.

Montevideo

March 12<sup>th</sup> 2014

## REPORT

The Court of Auditors has examined the accompanying financial statements of the Bank Savings Protection Corporation (COPAB). These financial statements comprise the Balance Sheet as at 31<sup>st</sup> December 2013, the corresponding Income statement, Sources and Application of Funds and Changes in Equity for the year then ending, as well as Annexure and Notes on significant Accounting Policies and other explanatory notes to the financial statements, as well as the Balance of Budget Allocation for 2013.

The Court of Auditors has also audited COPAB's compliance with prevailing statutory provisions concerning the financial statements to be evaluated.

### **Management's responsibility for the financial statements**

COPAB Directors are responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting standards and with Ordinance N<sup>o</sup> 81 from the Court of Auditors. This responsibility includes the design, implementation and maintenance of an internal control system relevant to the preparation of the financial statements that give a true and fair view and are free from material misstatement whether due to fraud or error. It also implies the selection and application of suitable accounting policies and the realization of fair accounting estimates given the circumstances.

### **Auditor's responsibility**

The responsibility of the Court of Auditors is to express an opinion on these financial statements based on the audit carried out. This audit was conducted in accordance with the Auditing Main Principles (ISSAI 100 and 200) and the Directives for Financial Auditing (ISSAI 1000 to 1810) of the International Organization of Supreme Audit Institutions (INTOSAI). Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the financial statements are free from significant misstatements.

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

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

#### Opinion

In the opinion of the Court of Auditors, the aforementioned financial statements present fairly, in all material respects, the financial position of COPAB as at 31<sup>st</sup> December 2013, income statement and cash flow corresponding to the year then ending, in accordance with generally accepted accounting standards and with Ordinance N° 81 of the Court of Auditors, as well as budget allocation corresponding to 2013 in compliance with dispositions contemplated by TOCAF, and applicable legal norms.

According to the prevailing statutory and regulatory provisions concerning the financial statements, no irregularities were observed during the course of our audit.

Montevideo 12<sup>th</sup> May 2014.

## BANK SAVINGS PROTECTION CORPORATION

## BALANCE SHEET

As at 31st December 2013

COMPARED TO PREVIOUS PERIOD

(Figures presented in Uruguayan pesos)

<b>ASSETS</b>	<b>2013</b>	<b>2012</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (Note 2.5)	1.121.660	918.359
Credits (Note 4)	5.212.765	4.041.815
<b>TOTAL CURRENT ASSETS</b>	<b>6.334.425</b>	<b>4.960.174</b>
<b>NON-CURRENT ASSETS</b>		
Long-term Credit (Note 4)	583.093	521.942
Fixed and Intangible assets	1.644.803	2.319.169
<b>TOTAL NON-CURRENT ASSETS</b>	<b>2.227.896</b>	<b>2.841.111</b>
<b>TOTAL ASSETS</b>	<b>8.562.321</b>	<b>7.801.285</b>

Accompanying Notes 1 to 12 are an integral part of these financial statements.

## BANK SAVINGS PROTECTION CORPORATION

## BALANCE SHEET

As at 31<sup>st</sup> December 3013

COMPARED TO PREVIOUS PERIOD

(Figures presented in Uruguayan pesos)

LIABILITIES	2013	2012
<b>CURRENT LIABILITIES</b>		
Commercial Debts (Note 5)	291.338	569.709
Financial Debts	68.100	17.160
Other Debts (Note 6)	5.476.988	4.373.304
<b>TOTAL CURRENT LIABILITIES</b>	<b>5.836.426</b>	<b>4.960.173</b>
<b>TOTAL LIABILITIES</b>	<b>5.836.426</b>	<b>4.960.173</b>
<b>EQUITY</b>		
Retained Earnings	2.841.112	3.630.291
Net Income for the year	(115.217)	(789.179)
<b>TOTAL EQUITY</b>	<b>2.725.895</b>	<b>2.841.112</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>8.562.321</b>	<b>7.801.285</b>

Accompanying Notes 1 to 12 are an integral part of these consolidated financial statements.

**BANK SAVINGS PROTECTION CORPORATION****INCOME STATEMENT**FOR THE YEAR ENDING ON DECEMBER 31<sup>ST</sup> 2103

COMPARED TO PREVIOUS PERIOD

(Figures presented in Uruguayan pesos)

	<b>2013</b>	<b>2012</b>
Income from the FGDB (Note 1.2)	39.930.654	35.507.977
<b>GROSS PROFIT</b>	<b>39.930.654</b>	<b>35.507.977</b>
Operating Expenses (Note 7)	(40.175.028)	(36.508.818)
<b>OPERATING INCOME</b>	<b>(244.374)</b>	<b>(1.000.841)</b>
Financial Income (Note 2.12)	131.770	67.777
Other Income	(2.613)	143.885
<b>NET PROFIT FOR THE YEAR</b>	<b>(115.217)</b>	<b>(789.179)</b>

Accompanying Notes 1 to 12 are an integral part of these financial statements.

## BANK SAVINGS PROTECTION CORPORATION

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDING December 31<sup>st</sup> 2013

COMPARED TO PREVIOUS YEAR

(Figures presented in Uruguayan pesos)

	RETAINED EARNINGS	TOTAL EQUITY
<b>BALANCE AS AT 31ST December 2011</b>	<b>3.630.291</b>	<b>3.630.291</b>
Net income	(789.179)	(789.179)
<b>SUBTOTAL</b>	<b>(789.179)</b>	<b>(789.179)</b>
<b>BALANCE AS AT 31ST DECEMBER 2012</b>		
Unallocated income	2.841.112	2.841.112
<b>TOTAL</b>	<b>2.841.112</b>	<b>2.841.112</b>
Net income	(115.217)	(115.217)
<b>SUBTOTAL</b>	<b>(115.217)</b>	<b>(115.217)</b>
<b>BALANCE AS AT 31ST DECEMBER 2013</b>		
Unallocated income	2.725.895	2.725.895
<b>TOTAL</b>	<b>2.725.895</b>	<b>2.725.895</b>

Accompanying Notes 1 to 12 are an integral part of these financial statements.

BANK SAVINGS PROTECTION CORPORATION  
**STATEMENT OF SOURCES AND APPLICATION OF FUNDS**  
 FOR THE PERIOD ENDING ON DECEMBER 31<sup>ST</sup> 2013  
 COMPARED TO THE PREVIOUS PERIOD  
 (Figures presented in Uruguayan pesos)

	2013	2012
<b>1. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit for the year	(115.217)	(789.179)
Plus/ (minus) items not involving fund transactions		
Amortization of current and intangible assets	866.538	863.743
Exchange rate differences and Adjustments for Currency Devaluation	(117.406)	(67.790)
Changes in assets and liabilities		
Variation in operating assets	(1.170.950)	(91.566)
Variation in operating liabilities	876.256	417.910
<b>Cash flow allocated to operating activities</b>	<b>339.221</b>	<b>333.118</b>
<b>2. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Payments for purchase of fixed and intangible assets	(192.172)	(20.261)
Funds allocated to investment activities	(192.172)	(20.261)
<b>3. CASH FLOW FROM FINANCING ACTIVITIES</b>		
<b>4. INCREASE/DECREASE IN NET CASH FLOW</b>	<b>147.049</b>	<b>312.857</b>
<b>5. CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>918.359</b>	<b>592.014</b>
Exchange rate differences and Adjustments for Currency Devaluation of cash and cash equivalents	56.252	13.488
<b>6. FINAL BALANCE IN CASH AND CASH EQUIVALENTS</b>	<b>1.121.660</b>	<b>918.359</b>

Accompanying notes 1 to 12 are an integral part of these financial statements.

BANK SAVINGS PROTECTION CORPORATION  
 TABLE OF FIXED AND INTANGIBLE ASSETS  
 FOR THE PERIOD ENDING ON DECEMBER 31<sup>ST</sup> 2013  
 COMPARED TO THE PREVIOUS PERIOD  
 (Figures presented in Uruguayan pesos)

MAIN ACCOUNT	2013							2012
	OPENING VALUE	INCREASES	CLOSING VALUE	DEPRECIATIONS			NET AT THE YEAR END	NET AT THE YEAR END
				ACCUMMULATED AT THE BEGINNING	OVER THE YEAR	ACCUMULATED AT THE CLOSE		
Improvements to rented buildings	1,495,249		1.495.249	679.538	326.284	1.005.822	489.427	815.711
Office furniture	870.409	13.228	883.637	468.989	174.964	643.953	239.684	401.420
Equipment	1.416.189	126.840	1.543.029	543.177	284.813	827.990	715.039	873.012
Software	402.383	52.104	454.487	173.357	80.477	253.834	200.653	229.026
<b>TOTALS 2013</b>	<b>4.184.230</b>	<b>192.172</b>	<b>4.376.402</b>	<b>1.865.061</b>	<b>866.538</b>	<b>2.731.599</b>	<b>1.644.803</b>	<b>2.319.169</b>
<b>TOTALS 2012</b>	<b>4.163.969</b>	<b>20.261</b>	<b>4.184.230</b>	<b>1.001.318</b>	<b>863.743</b>	<b>1.865.061</b>	<b>2.319.169</b>	

Accompanying notes 1 to 12 are an integral part of these consolidated financial statements.

## **BANK SAVINGS PROTECTION CORPORATION**

NOTES TO FINANCIAL STATEMENTS AS AT 31<sup>ST</sup> DECEMBER 2013

(Figures presented in Uruguayan pesos)

### **NOTE 1 – LEGAL ORGANIZATION, REGULATORY FRAMEWORK AND OPERATING CONTEXT**

#### **1.1 Legal Organization and aims**

The Bank Savings Protection Corporation (COPAB) is a non-governmental public law entity created by Law N° 18,401 of 24<sup>th</sup> October 2008, Article 14.

Its responsibilities are: A) To promote bank savings protection in the financial intermediation institutions, B) To manage the resources of the Deposit Insurance Fund (FGDB) and C) To be the liquidator of the firms included in the financial intermediation system, as well as its respective collaterals (article 15, Law N° 18,401).

In compliance with article 50 of Law N° 18,401, the Central Bank of Uruguay (BCU) and COPAB agreed upon the terms and conditions for the transfer of ongoing liquidations of the financial intermediation institutions. Accordingly, the transfer act was signed on 16<sup>th</sup> December 2011. This act establishes the transfer of the responsibility of the following liquidations: Banco Comercial Bank Assets Recovery Fund, Banco de Montevideo Bank Assets Recovery Fund, Banco La Caja Obrera Bank Assets Recovery Fund, Banco Comercial S.A. (in liquidation), Banco de Montevideo S.A. (in liquidation), Banco La Caja Obrera S.A. (in liquidation), Comercial AFISA and BM Funds AFISA. As from that date the management of those entities is under the responsibility of COPAB. (See Note 11)

The management and high administration of COPAB is the responsibility of a Board comprising a President, a Vice President and a Director, appointed by the Executive Power with approval of the Senate (article 17, Law N° 18,401).

The representation of COPAB falls upon the President assisted by the Manager or a deputy Manager, in terms of what is established in article 22 of Law N° 18.401 and the resolution of the Board of COPAB (Resolution N° 15/2010 dated 23<sup>rd</sup> March 2010). In case of absence of the President, he is transitorily substituted by the Vice President (article 20, Law N° 18,401).

#### **1.2 Resources and Expenses**

COPAB's budget for salaries, expenditure and investments is formulated and approved in accordance with article 23 of Law N° 18,401 and is financed by the Deposit Insurance Fund (FGDB).

In compliance with the regulation in force, the budget for 2013 was approved by the Executive Power (Decree N° 420/012 of 26<sup>th</sup> December 2012).

**BANK SAVINGS PROTECTION CORPORATION**NOTES TO FINANCIAL STATEMENTS AS AT 31<sup>ST</sup> DECEMBER 2013

(Figures presented in Uruguayan pesos)

**1.3 Approval of financial statements**

The current financial statements were formulated by COPAB personnel and approved by the Board on March 12<sup>th</sup> 2014.

**NOTE 2 - MAIN APPLIED ACCOUNTING PRACTICES AND POLICIES****2.1 Bases for the preparation**

The financial statements have been prepared according to the appropriate accounting standards used in Uruguay and Ordinance N° 81 of the Court of Auditors from Uruguay (TCR). Such Ordinance establishes that sources for accounting standards should follow the order of priority stated below:

- a) Standards stipulated by the TCR itself,
- b) Decree N° 103/91 of February 27<sup>th</sup> 1991,
- c) International Accounting Standards adopted by the IASB (International Accounting Standard Board)

Financial statements have been prepared on the basis of historical costs.

**2.2 Functional currency**

The financial statements of COPAB as at 31<sup>st</sup> December 2013 were prepared taking the Uruguayan peso as the functional currency.

**2.3 Permanence of Accounting Criteria**

The Accounting policies and criteria applied in the valuation of assets and liabilities as well as in the acknowledgement of income and expenditure for the year ending on 31<sup>st</sup> December 2013 are similar to the criteria applied in the previous year.

**2.4 Foreign currency**

Transactions in US dollars are converted into local currency using exchange rates provided by the Foreign Exchange Desk of the BCU at the time of the transaction.

US dollar-denominated assets and liabilities are converted into local currency according to the interbank rate of the Average Fund Dollar provided by the Foreign Exchange Desk at the end of the year.

## BANK SAVINGS PROTECTION CORPORATION

### NOTES TO FINANCIAL STATEMENTS AS AT 31<sup>ST</sup> DECEMBER 2013

(Figures presented in Uruguayan pesos)

Exchange rates at the closure of the financial statements of US Average Fund Dollar with respect to the local currency are the following:

Date	US\$
December 2012	19,399
December 2013	21,389

#### 2.5 Cash and Cash equivalents

Cash and cash equivalents are presented at their nominal value, which does not differ from their fair value, and they correspond to the balances of Fixed Funds and the accounts in the BCU and BROU according to the following detailed information:

Item	December 2013			December 2012		
	\$	US\$	Total in \$	\$	US\$	Total in \$
Fixed Fund	30.000	500	40.695	30.000	500	39.700
BCU	103.881	6.290	238.427	1.669	16.353	318.907
BROU	465.362	17.634	842.538	458.922	5.198	559.752
Total	599.243	24.424	1.121.660	490.591	22.051	918.359

#### 2.6 Credits

Credits are presented at their cost minus any loss due to deterioration.

Allowance for bad debts is only accounted for when there is objective evidence that the indebted amounts will not be recovered according to the originally agreed terms. The amount for allowances is the difference between their assets book value and the current value of future estimated cash flow, after deducting the effective interest rate. This amount is accounted for in the Income Statement.

As at 31<sup>st</sup> December 2013 and 31<sup>st</sup> December 2012 there were no allowances since there was no objective evidence of bad debts.

## 2.7 Fixed and Intangible Assets

Fixed assets and intangibles acquired before 31<sup>st</sup> December 2011 are valued at their acquisition cost expressed at the currency of such date by means of the application of the **BANK SAVINGS PROTECTION CORPORATION**

### NOTES TO FINANCIAL STATEMENTS AS AT 31<sup>ST</sup> DECEMBER 2013

(Figures presented in Uruguayan pesos)

Consumer Price Index (IPC) variation. On the other hand, fixed assets and intangibles acquired after such date are valued at their acquisition cost.

Amortization is calculated as from the month after the incorporation of the assets. It is done on the basis of constant rates on the estimated life span of the different assets which are described below:

Item	Life span in years
Furniture	5
Equipment	5
Intangibles	5

Life span of improvements in rented premises is established as the smaller between 5 years and the remaining term of the lease.

## 2.8 Deterioration

The accounting values of the assets are revised on the date of each accounting statement to determine whether there is evidence of deterioration. If any evidence were to be identified, the recoverable amount of the asset is estimated as the highest between the net sale price and its use value. A loss for deterioration is accounted for in the Income Statement when the accounting value of the asset or its cash generating unit exceeds its recoverable amount.

A loss for deterioration is reversed, up to an amount that does not exceed the accounting value that would have been fit if the deterioration had not been recognised, when there is a later increase in the estimated recoverable amount.

The revision completed as at 31<sup>st</sup> December 2013 and 31<sup>st</sup> December 2012 showed that there were no impaired assets.

## 2.9 Commercial and miscellaneous debts

Commercial and miscellaneous debts are presented at their amortized cost, each difference between the cost and its cancellation value being acknowledged in the Income Statement during the validity term of the debt, on the basis of effective interest rates.

## **BANK SAVINGS PROTECTION CORPORATION**

NOTES TO FINANCIAL STATEMENTS AS AT 31<sup>ST</sup> DECEMBER 2013

(Figures presented in Uruguayan pesos)

### **2.10 Provisions**

The provisions required to meet the obligations in the labour issues, taxation and other issues identified as likely to occur in the future are constituted at the end of the year.

### **2.11 Equity**

Equity is exclusively constituted by Retained Earnings.

### **2.12 Determination of Income**

Income for the year is obtained through the difference between equity at the beginning and at the end of the term.

The acknowledgment of income and charge allocations was prepared in compliance with the accrual-based principle.

Operating Income is constituted exclusively by contributions from the FGDB in terms of what is stated in Article 23 of Law N° 18,401.

Financial income includes differences in exchange rates.

It is worth mentioning that contributions from the FGDB accounted for in the Income Statement (Operating Income) finance not only administrative costs recorded in such Statement, but also acquisition of assets presented in the chapter of Fixed Assets of the Balance Sheet.

### **2.13 Fund definition**

For the preparation of the Sources and Application of Funds, cash and cash equivalents are defined as funds.

As at 31<sup>st</sup> December 2013, cash and cash equivalents amounted to \$1,121,660, and as at 31<sup>st</sup> December 2012, they amounted to \$918,359.

### **2.14 Use of accounting estimates**

The preparation of the financial statements for a certain date demands for estimates and evaluations that affect the amount of assets and liabilities recorded and contingent revealed at the time of the preparation of the present statements, as well as income and expenditure registered over the term.

Real future income may differ from estimates and evaluations made at the time the current financial statements were prepared.

## BANK SAVINGS PROTECTION CORPORATION

NOTES TO FINANCIAL STATEMENTS AS AT 31<sup>ST</sup> DECEMBER 2013

(Figures presented in Uruguayan pesos)

**NOTE 3 – FOREIGN CURRENCY POSITION**

Balances in foreign currency at the end of each term are:

Item	December 2013		December 2012	
	US\$	Total Equivalent in \$	US\$	Total Equivalent in \$
Cash & Cash equivalents	24.425	522.426	22.051	427.769
Insurance paid in advance	1.113	23.807		
Services paid in advance	12.035	257.417		
Total Current Assets	37.573	803.650	22.051	427.769
<b>Total Assets</b>	<b>37.573</b>	<b>803.650</b>	<b>22.051</b>	<b>427.769</b>
VISA card payable	3.062	65.493	762	14.774
<b>Total Liabilities</b>	<b>3.062</b>	<b>65.493</b>	<b>762</b>	<b>14.774</b>
<b>Net Position</b>	<b>34.511</b>	<b>738.157</b>	<b>21.289</b>	<b>412.995</b>

**NOTE 4 – CREDITS**

The following credits are included in the Current Assets:

Item	December 2013	December 2012
Insurance paid in advance	240.579	229.198
Services paid in advance	257.417	-
Receivables from the FGDB	4.011.149	3.601.005
Recoverable amount FRPB	703.620	211.612
<b>Total</b>	<b>5.212.765</b>	<b>4.041.815</b>

Recoverable amounts from the Bank Assets Recovery Fund (FRPB) correspond to salary costs paid for by COPAB. At the time these financial statements were issued COPAB had already collected those amounts.

The deposit denominated in Adjustable Rental Units (UAR) made in the BHU as lease collateral for the Head Office premises is included as long term Credit in the Noncurrent Assets. The value of

**BANK SAVINGS PROTECTION CORPORATION**NOTES TO FINANCIAL STATEMENTS AS AT 31<sup>ST</sup> DECEMBER 2013

(Figures presented in Uruguayan pesos)

the UAR as at 31<sup>st</sup> December 2013 is \$19.0254 (it was \$17.0301 as at 31<sup>st</sup> December 2012).

Item	December 2013	December 2012
Lease Collateral Deposit	583.093	521.942
<b>Total</b>	<b>583.093</b>	<b>521.942</b>

**NOTE 5 – COMMERCIAL PAYABLE DEBTS**

Commercial debts correspond to liabilities incurred in through the procurement of professional and other services according to the following table:

Item	December 2013	December 2012
Maintenance of Deposit System payable	74.530	68.879
Financial information system payable	11.403	-
Electricity payable	11.868	10.985
Fixed Telephone services payable	7.432	8.848
Common expenses payable	23.366	26.376
Cleaning services payable	24.525	21.483
Web site services payable	-	2.395
Internet services payable	10.320	10.320
Training payable	21.870	-
Professional fees payable	17.193	406.045
Translation services payable	77.651	-
Other services payable	11.180	14.378
<b>Total</b>	<b>291.338</b>	<b>569.709</b>

## BANK SAVINGS PROTECTION CORPORATION

NOTES TO FINANCIAL STATEMENTS AS AT 31<sup>ST</sup> DECEMBER 2013

(Figures presented in Uruguayan pesos)

**NOTE 6- MISCELLANEOUS DEBTS**

Miscellaneous debts correspond to liabilities related to personnel costs and other provisions according to the following table:

Item	December 2013	December 2012
Tax creditors	490.665	394.577
Payroll tax creditors	1.622.376	1.354.982
Deduction creditors	101.551	-
Labor provisions	3.262.396	2.585.924
Tickets payable	-	37.821
<b>Total</b>	<b>5.476.988</b>	<b>4.373.304</b>

**NOTE 7 – ADMINISTRATIVE EXPENSES**

The items included in administrative expenses are presented in the following table:

Item	December 2013	December 2012
Staff remunerations	23.633.552	20.564.751
Payroll taxes	8.425.237	7.262.373
Training	715.879	717.147
Overheads	245.485	222.532
Hired services	6.288.338	6.878.271
Fixed asset depreciation	786.060	783.266
Intangible depreciation	80.477	80.478
<b>Total</b>	<b>40.175.028</b>	<b>36.508.818</b>

The personnel working for COPAB over 2013 that was contemplated in the approved Budget comprises: three members of the Board (President, Vice President and Director), one Manager, two Deputy Managers, one Technician 1, three Technicians 2, an Administrative Secretary, an Administrative officer, a Lawyer and a Systems Engineer.

Under hired services we include the cost of various services directly procured by COPAB, among which we highlight lawyers' fees, the lease of the Head Office premises as from July 1<sup>st</sup> 2010, and the maintenance contracts for the different information systems.

## BANK SAVINGS PROTECTION CORPORATION

### NOTES TO FINANCIAL STATEMENTS AS AT 31<sup>ST</sup> DECEMBER 2013

(Figures presented in Uruguayan pesos)

#### NOTE 8 – FISCAL POLICY

According to Article 26 of Law Nº 18,401, COPAB is exempt from any type of national taxation, even those comprised in special laws, with the exception of social security contributions.

#### NOTE 9 – BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Balances and transactions with related parties basically correspond to balances with the FGDB, an independent trust managed by COPAB, balances with FRPB and Board remunerations.

Those balances and transactions are:

Item	December 2013	December 2012
Credits –Receivables from FGDB	4.011.149	3.601.005
Income – Contributions by FGDB	39.930.654	35.507.977
Recoverable salaries FRPB	703.620	211.612
Board Remunerations	6.994.938	7.574.979

It is worth noting that the decrease under heading “Board remunerations” with respect to the year 2012 results from the fact that the Director’s position remained vacant from June 2013 to the end of the term.

#### NOTE 10 – EQUITY OF THE INSURANCE DEPOSIT FUND

The amount managed by COPAB corresponding to the equity of the Deposit Insurance Fund at the end of each year is:

Item	December 2013	December 2012
FGDB equity	7.218.243.918	5.510.555.727

#### NOTE 11 – EQUITY OF FINANCIAL INSTITUTIONS UNDERGOING LIQUIDATION

The amount managed by COPAB corresponding to the equity of financial institutions undergoing liquidation as at 31<sup>st</sup> December 2013 and 31<sup>st</sup> December 2012 amounts to US\$ 13.262.068 and US\$ 14.981.577 respectively according to the information below:

## BANK SAVINGS PROTECTION CORPORATION

NOTES TO FINANCIAL STATEMENTS AS AT 31<sup>ST</sup> DECEMBER 2013

(Figures presented in Uruguayan pesos)

Institution	US\$ December 2013	US\$ December 2012*
Banco Comercial FRPB	5.361.496	13.142.739
Banco Montevideo FRPB	6.932.336	978.568
Banco La Caja Obrera FRPB	968.236	860.270
<b>Total</b>	<b>13.262.068</b>	<b>14.981.577</b>

(\*) Equity as at 31<sup>st</sup> December 2012 according to audited financial statements.

**NOTE 12 – LATER INCIDENTS**

There have been no later incidents which might affect the consolidated financial statements approved as at 31<sup>st</sup> December 2013.



**BANCO COMERCIAL S.A.**  
**BANK ASSETS RECOVERY FUND**

(UNDERGOING LIQUIDATION)

FINANCIAL STATEMENTS CORRESPONDING TO THE YEAR ENDING ON  
31ST DECEMBER 2013 AND INDEPENDENT AUDITORS' REPORT

## Independent Auditor's report

To the Board of Directors

Corporation for Bank Savings Protection

We have audited the accompanying financial statements of Banco Comercial S.A. - Bank recovery Fund (undergoing liquidation). These financial statements comprise the balance sheet as at 31<sup>st</sup> December 2013, the income statement, cash flow statement and statement of changes in shareholders' equity for the year then ending, as well as the notes to significant accounting policies together with other explanatory notes.

### Management's responsibility for the Financial Statements

The Corporation for Bank Savings Protection (COPAB), which administers the process of liquidation of Banco Comercial S.A. - Bank Assets recovery Fund, is responsible for the preparation and fair presentation of these financial statements in accordance with accounting standards set by the Fund Operating Regulation. What is not contemplated in the Regulation is carried out in compliance with accounting standards similar to the ones issued by the Central Bank of Uruguay for the regulation and control of financial intermediation institutions, in the relevant aspects referred to in Note 2. This responsibility involves: designing, implementing and maintaining an internal control system which is appropriate for the preparation and fair presentation of the financial statements that are free from significant material misstatement, whether due to fraud or error; selecting and applying appropriate accounting standards; and evaluating the reasonableness of accounting estimates in the circumstances.

### Auditor's responsibility

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

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend upon the auditor's professional judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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Deloitte provides audit, consulting, financial advisory, and tax services to public and private entities in a variety of industries. With a global network of member firms in over 150 countries, Deloitte offers its world-class skills and vast local experience to help its clients achieve success wherever they operate. Over 195,000 Deloitte professionals are committed to becoming the standard of excellence.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

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

#### Opinion

In our opinion, the aforementioned financial statements give a true and fair view of the financial position of Banco Comercial S.A. –Bank Asset Recovery Fund (undergoing liquidation) as at 31<sup>st</sup> December 2013, of its income statement and cash flows corresponding to the year then ended, in accordance with accounting standards set by the Fund Operating Regulation. What is not contemplated in the Regulation is done in compliance with accounting standards similar to the ones issued by the Central Bank of Uruguay for the regulation and control of financial intermediation institutions, in the relevant aspects referred to in Note 2.

#### Emphasis of matter

Without this representing an exception to our view, we would like to mention the following matters:

Standards and criteria mentioned in the paragraph under Opinion in this report represent the standards comprised in the Fund Operation Regulation and, what is not contemplated in it, by similar accounting standards issued by the Central Bank of Uruguay for the regulation and control of financial intermediation institutions, in the relevant aspects referred to in Note 2. Differences eventually resulting between these financial statements and those presented in accordance to International Standards of Financial Information, and in compliance with standards and criteria established by the Central Bank of Uruguay, have not been quantified or determined.

As presented in Note 1 a), 31<sup>st</sup> December 2012 was the due date for the period for which the Fund had been created; therefore the Management decided to communicate its process of dissolution and liquidation

28<sup>th</sup> February 2014

José Luis Rey

Partner, Deloitte S.C.

## Banco Comercial S.A. - Bank Assets recovery Fund (undergoing liquidation)

Balance Sheet as at 31<sup>st</sup> December 2013

(In US dollars)

<b>Assets</b>	<b>Note</b>	<b>2013</b>
Cash and cash equivalents	3	5.063.393
Temporary investments	4	19
Assets for sale	5	338.000
<b>Total assets</b>		<b>5.401.412</b>
<b>Liabilities and Fund Participants</b>		
Liabilities		
Diverse liabilities	6	39.916
<b>Total liabilities</b>		<b>39.913</b>
<b>Fund Participants</b>		
Initial capital	7	566.483.395
Payments to Fund Participants	8	(527.182.375)
Adjustments to equity		29.262.993
Retained earnings		(55.421.275)
Net income		(7.781.242)
<b>Total Fund Participants</b>		<b>5.361.496</b>
<b>Total liabilities and Fund Participants</b>		<b>5.401.412</b>
<b>Debit Memorandum and contingency accounts</b>	10	646.566.785
<b>Credit Memorandum and contingency accounts</b>	10	646.566.785

The accompanying Notes are an integral part of these financial statements.

The report dated 28<sup>th</sup> February 2014

is extended in attached document.

Deloitte S.C.

## Banco Comercial S.A. - Bank Assets Recovery Fund (Undergoing liquidation)

## Income Statement

For the year ending on 31<sup>st</sup> December 2013

(in US dollars)

	<u>Note</u>	<u>2013</u>
<b>Net operating income</b>		
Financial gains		38.952
Income from sale of assets available for sale		61.912
Other operating income		<u>122.175</u>
		<b>223.039</b>
<b>Administrative Expenses</b>		
Losses for legal proceedings		(160)
Professional fees		(47.840)
Hired services		(13.577)
Other operating expenses		<u>(76.554)</u>
		<b>(138.131)</b>
<b>Diverse income</b>		
Earnings from diverse income		26.374
Reversal of provisions	9	301.123
Losses for constitution of allowances	4	(8.164.913)
Other income		<u>3.792</u>
		<b>(7.833.624)</b>
<b>Financial income</b>		
Exchange rate differences	2f	37.038
Banking expenses		<u>(69.564)</u>
		<b>(32.526)</b>
<b>Net income for the year</b>		<u><u><b>(7.781.242)</b></u></u>

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

The report dated 28<sup>th</sup> February 2014

is extended in attached document.

Deloitte S.C.

## Banco Comercial S.A.- Bank Assets Recovery Fund (Undergoing liquidation)

## Cash Flow Statement

For the year ended on 31<sup>st</sup> December 2013

(in US dollars)

	<u>2013</u>
<b>Cash flow from operating activities</b>	
Net income for the year	(7.781.242)
<b>Adjustments for:</b>	
Net loss for allowances.	7.535.989
Income from sale of fixed assets	(61.912)
Income from variation in securities price	242.809
Yield from securities	(279.086)
Difference closing price	3.212
Other expenses payable	(26.370)
	<u>7.414.642</u>
Changes in assets and liabilities	
Changes in operating assets	335.998
Changes in operating liabilities	(78.470)
<b>Net cash flow from operations</b>	<u>(109.072)</u>
<b>Cash flow from investing activities</b>	
Proceeds from sale of fixed assets	302.920
Interest income and other financial income	279.086
<b>Net cash flow from investing activities</b>	<u>582.006</u>
<b>Net flow of funds</b>	<b>472.934</b>
Changes in cash and cash equivalents	(3.212)
<b>Funds at beginning of year</b>	<b>4.593.671</b>
<b>Net funds at end of year</b>	<b>5.063.393</b>

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

The report dated 28<sup>th</sup> February 2014

is extended in attached document.

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Banco Comercial S.A. - Bank Assets Recovery Fund (Undergoing liquidation)

Statement of changes in shareholders' equity

For the year ended on 31<sup>st</sup> December 2013

(in US dollars)

Item	Opening equity	Payment to Fund Participants	Adjustments to equity	Retained earnings	Total Fund Participants
<b>Opening balance</b>					
Opening Equity	333.859.745				333.859.145
Payments to Fund Participants		-294.558.125			-294.558.125
Adjustments to equity			29.262.993		29.262.993
Retained earnings				-55.421.275	-55.421.275
	<b>333.859.745</b>	<b>-294.558.125</b>	<b>29.262.993</b>	<b>-55.421.275</b>	<b>13.142.738</b>
<b>Changes for the year</b>					
Opening equity	232.624.250				232.624.250
Release of third party funds		-232.624.250			-232.624.250
Net income for the year				-7.781.242	-7.781.242
	<b>232.624.250</b>	<b>-232.624.250</b>		<b>-7.781.242</b>	<b>-7.781.242</b>
<b>Closing balance</b>					
Opening equity	566.483.395				566.483.395
Payments to Fund Participants		-527.182.375			-527.182.375
Adjustments to equity			29.262.993		29.262.993
Retained earnings				-63.202.517	-63.202.517
<b>Total</b>	<b>566.483.395</b>	<b>-527.182.375</b>	<b>29.262.993</b>	<b>-63.202.517</b>	<b>5.361.496</b>

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

The report dated 28<sup>th</sup> February 2014

is extended in attached document.

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Banco Comercial - Bank assets recovery Fund (undergoing liquidation)

## Notes to financial statements for the year ending on 31<sup>st</sup> December 2013

(in US dollars)

### **Note 1 - Basic information about the company**

#### **a. Legal considerations**

Banco Comercial S. A. – Bank Assets Recovery Fund -undergoing liquidation- (hereinafter the Fund) is a recovery fund for banking assets created by Law N° 17.613 of 27<sup>th</sup> December 2002, which is ruled by Law N° 16.774 of 27<sup>th</sup> September 1996 and its amendment law N° 17.202 of 24<sup>th</sup> September 1999, as well as by the Fund Regulation approved by resolution of the Central Bank of Uruguay D/932/002 of 31<sup>st</sup> December 2002 and its amendment D/493/003 of 14<sup>th</sup> August 2003.

The Fund is not a legal entity.

Article 50 of Law N° 18.401 dated 28<sup>th</sup> October 2008 establishes that undergoing liquidations of financial intermediation institutions will be administered by the Central Bank of Uruguay and the Corporation for Bank Savings Protection. In view of this disposition and through a transfer Act dated 16<sup>th</sup> December 2011, the Board of Directors of both entities agreed on the administration of various processes of liquidation, among which we can find Banco Comercial S.A. – Bank Assets Recovery Fund (undergoing liquidation).

The Fund was constituted for a 10-year period, valid as from the effective transfer of assets (31<sup>st</sup> December 2002), which could be extended if assets had not been recovered by the end of the term. Given that expiry date was on 31<sup>st</sup> December 2012 and that the amount of remaining liquid assets pending realization did not justify its prolongation (forth and twelfth clauses of the Fund Regulation), the dissolution and ensuing Fund liquidation started on such date. Following the resolution of the Corporation for Bank Savings Protection D/43/2012 of 28<sup>th</sup> December 2012, the general public was informed of the dissolution and liquidation of the Fund, and corresponding publications were made on the Official Newspaper and national circulation newspapers.

#### **b. Main activity**

The objective of the Fund is to deal with the management and liquidation of its assets, within the authority granted by Law N° 17.613 of 27<sup>th</sup> December 2002. The Fund assets are the ones received by Banco Comercial S.A. (undergoing liquidation) by virtue of the rightful transfer stipulated by article 24 of the aforementioned Law, and the resolution of the Central Bank of Uruguay that declares the dissolution and liquidation of such bank (D/932/002 of 31<sup>st</sup> December 2002).

The report dated 28<sup>th</sup> February 2014

is extended in attached document.

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The Fund can only undertake obligations when, according to its administrator, they are deemed convenient for its operation.

## **Note 2 - Main accounting policies**

### **a. Basis for the preparation of the financial statements**

The financial statements have been prepared in accordance with the Fund Regulation and, in matters not contemplated in it, by the analogous accounting standards issued by the Central Bank of Uruguay for the regulation and control of financial intermediation institutions as well as the criteria specified below.

### **b. General assessment criterion**

For asset valuation, the Fund Regulation states that the criterion to be applied will be that of market prices, or reference value (valuation, contract value, book value, rateable value, etc.) in case the other one is not available.

### **c. Equity**

The Fund equity was determined as the reclassification of computable liabilities for the creation and constitution of Fund Participants:

- Plus/minus income from equity adjustments of the balance sheet as at 31<sup>st</sup> December 2002
- Plus/minus retained earnings from the beginning of the Fund operations until 31<sup>st</sup> December 2013,
- Minus payments made to Fund Participants up to 31<sup>st</sup> December 2013 (redemption)

### **d. Determination of income**

The determination of income for the term was prepared in compliance with the accrual-based accounting principle, both for acknowledgement of income and expense allocation.

### **e. Measurement unit**

In accordance with what was stated by Resolution of the Central Bank of Uruguay D/493/003 dated 14<sup>th</sup> August 2003 (Amendment to the Regulation), the measurement unit to determine the value of sFudn participants is the US dollar, and the same currency is used for the remaining items of the financial statements.

The report dated 28<sup>th</sup> February 2014

is extended in attached document.

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**f. Accounts in currencies other than the measurement unit**

Operations carried out in a different currency are accounted for in their US dollar equivalent, in terms of prevailing exchange rates at the time when transactions are made.

Income resulting from the use of exchange rates other than the ones in force at the time when assets or liabilities originated have been accounted for over the term and are presented under the heading Exchange rate Differences.

Balances in assets and liabilities in currencies other than the US dollar have been converted to this currency, applying the prevailing rates at the end of the term according to the following details:

- Balances in local currency at the rate of \$1= 0,0467 US\$, which means 1US\$ = \$21,389
- Balances in Euros, considering arbitraje 1 Euro = US\$ 1,38045

**g. Estimate reserve for future contingencies**

Article 24 of Law Nº 17.613 of 27<sup>th</sup> December 2002 stipulated the creation of an additional Fund Participation of liabilities assigned to future contingencies, which will be at the disposal of the liquidator. In accordance with the fifteenth clause of the Fund Regulation, so as to estimate the aforementioned additional Fund Participation for future contingencies, the resources, claims and lawsuits formulated over the inclusion (or exclusion) of certain assets and liabilities in the balance of Banco Comercial S.A. as at 31<sup>st</sup> December 2002, were taken into consideration.

In view that the share for future contingencies is determined through an estimate, its value is periodically revised so as to take into account the impact of variations in the initial conditions. In that sense, following a resolution of the Central bank of Uruguay D/257/007 dated 13<sup>th</sup> June 2007, it was stated that such revision would operate annually, on 31<sup>st</sup> October each year. Therefore, in order to estimate the amounts and probabilities of firm resolutions which might be unfavourable for the Fund, all the resources, claims and lawsuits have been considered, together with the reports by the corresponding legal advisors.

During the term over which the Fund was in force, the Administrator invariably agreed on the maintenance of the respective Fund Participation value for future contingencies, without releasing the liquid funds resulting from rescue operations that have been earmarked for such participations.

In view of the dissolution and ensuing liquidation of the Fund as of 31<sup>st</sup> December 2012, the Corporation for Bank Savings Protection in its resolution D/43/2012 of 28<sup>th</sup> December 2012, regarding the additional Fund Participation for future contingencies stated in its third sub section: 3) "to maintain at the disposal of the liquidator, the liquid funds that are to date earmarked to the additional Fund Participation for future contingencies.

is extended in attached document.

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Such funds will be used to deal with expenses resulting from legal lawsuits of the regional procedures pending resolution (article 24 Law N° 17.613 of 27<sup>th</sup> December 2002)". Likewise, subsection 4) states the following: "to maintain at the disposal of the liquidator the liquid funds that are to date earmarked to the share corresponding to liabilities resulting from the issuing of Negotiable Debt Securities".

Balance of the liquid funds mentioned in subsection 3 of the resolution of the Corporation for Bank Savings Protection D/43/2012 of 28<sup>th</sup> December 2012, is deducted under the heading Cash and Cash equivalents for an amount of US\$ 5.720.608 (Note 3)

#### **h. Definition of funds for the Cash Flow Statement**

For the preparation of the Cash flow Statement the definition of Funds was understood as cash and cash equivalents.

#### **Note 3 – Cash and cash equivalents**

The breakdown of balance is as follows:

Local Correspondents	2.255.377
Central Bank of Uruguay	8.220.213
Banco de la República Oriental del Uruguay (BROU)	309.111
	<u>10.704.751</u>
BROU guaranteed funds	(700)
Earmarked for estimates for future contingencies (Note 2g)	<u>(5.720.608)</u>
	<u><b>5.063.393</b></u>

Correspondent banks balances correspond to current and savings accounts opened in the Nuevo Banco Comercial S.A.

Taking into account that it is the Fund itself who administers the amounts received by the Fund Participations for future contingencies, a sum of US\$ 5.720.608 was earmarked for cash and cash equivalents.

Guaranteed funds in the Banco de la República Oriental del Uruguay (BROU) correspond to the amortization of securities guaranteed by such bank.

#### **Note 4 – Temporary Investments**

Break down of balance is as follows:

Public securities - Adjustable Mortgage Bonds BROU (4.1)	330.469
Provision Public Securities- Adjustable Mortgage Bonds BROU (4.1)	(330.450)
Other Investments BCU guaranteed deposits (4.2)	7.837.111
Provision - Other Investments BCU Guaranteed deposits (4.2)	<u>(7.837.111)</u>
	<u><b>19</b></u>

The report dated 28<sup>th</sup> February 2014

is extended in attached document.

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(4.1) It corresponds to Adjustable Mortgage Bonds (OHR) deposited with the Banco de la República Oriental del Uruguay (BROU). The securities are affected by guarantees granted by the Banco Comercial S.A. (undergoing liquidation) before various public entities. As a consequence, balance forecasts were constituted over the present term.

The Fund administration is still dealing with the cancelation of such guarantees and the disassociation of provisions each time OHRs are released.

(4.2) It corresponds to public securities and cash resulting from the amortization of such securities, which are deposited with the Central Bank of Uruguay. The referred assets are earmarked with collateral security in favour of the Central Bank of Uruguay, for the credit resulting from the operations carried out by the Banco Comercial S.A. (undergoing liquidation) over the year 1996, within the Agreement for reciprocal payments of the Latin American Integration Association (ALADI), which were put into question by the Central Bank of Argentina. The balance has been provisioned by 100% in the current year, due to the fact that there is no hope for recovery, given the available information about the situation of said operations.

#### Note 5 – Fixed Assets for sale

Breakdown for the changes in balance over the term is presented below:

Heading	Source Values			Values at the end of the fiscal year
	Values at the start of the fiscal year	Additions	Withdrawals	
<b>Property</b>				
Acquired in credit recovery				
Own assets as at 31/12/02	579.008		(241.008)	338.000
<b>Total</b>	<b>579.008</b>		<b>(241.008)</b>	<b>338.000</b>

The receivables correspond to the sale of assets over the year.

Closing balance is constituted by the only property belonging to the Fund to date. It is recorded in registry N° 30.898 from the department of Montevideo, and it is appraised by the price appearing in the purchase contract of 20<sup>th</sup> December 2005 (US\$ 338.000). To this day, the aforementioned property is still earmarked for the deposit of social and accounting documents of the Banco Comercial S.A. (undergoing liquidation) and the Fund, in whose respect the ward must be maintained, in accordance with legal and regulatory dispositions in force.

The report dated 28<sup>th</sup> February 2014

is extended in attached document.

**Note 6 – Diverse securities**

The balance in this case is broken down as follows:

Diverse securities (6.1)	(39.684)
Fiscal creditors (6.2)	(232)
	<u>(39.916)</u>

(6.1) This corresponds to outstanding balances with suppliers and unaccounted payments.

(6.2) This corresponds to the balance of withholdings due.

**Note 7 - Opening Equity**

Opening equity is constituted as follows:

Opening equity without adjustments	628.638.583
Adjustments to opening equity	(34.510.424)
Other adjustments	(435.468)
Results	(27.209.296)
Opening equity	<u>566.483.395</u>

Opening unadjusted equity was determined as the difference between the balance of assets and non computable liabilities for the creation of the shares, resulting from the final balance of Banco Comercial S.A. as at 31<sup>st</sup> December 2002.

During the current period a change in the accounting criterion was adopted so as to directly reflect the total amount paid to Fund Participants in one single equity-heading, whether redemption has been achieved through cash or Deposit Certificates of the Nuevo Banco Comercial S.A.

To that effect, the balance of the account “Payment to Fund Participants with certificates” was settled within the heading “Opening equity” with a counter-entry in the heading “Payment to shareholders” (US\$ 232.624.250).

**Note 8 – Payment to shareholders**

The balance represents the total amount paid to Fund Participants, whether redemption was produced in cash or with Deposit Certificates of the Nuevo Banco Comercial S.A. In the previous year the balance only represented the total amount paid to shareholders in cash (Note 7).

Over the year 2013, there were no redeemed shares.

is extended in attached document.

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### **Note 9 – Financial Income - Untying of provisions**

The balance corresponds in full to the untying of provisions for labour-related claims, over which favourable sentences for the Fund were made.

### **Note 10 – Memorandum and contingency accounts**

Balance for this heading is broken down as follows:

Fund Participants (10.1)	646.564.502
Administration third party assets	2.283
	<u>646.566.785</u>

#### **10.1 Fund Participants**

This corresponds to the balance payable to depositors according to the following composition:

Beneficiaries Art. 27	81.379.554
State	380.021.474
Central Bank of Uruguay	36.620.953
Contingency	6.575.753
Bondholders	112.339.355
Negotiable securities	1
Other Creditors	29.627.412
	<u>646.564.502</u>

#### **10.3 Administration of third party assets**

The Balance corresponds to payments received through partial redemption of Fund Participations belonging to the State, earmarked to provide resources for the application of article 27 law Nº 17.613 of 27<sup>th</sup> December 2002, whose amounts are managed by the Fund and are deposited in savings accounts with the Nuevo Banco Comercial S. A.

The report dated 28<sup>th</sup> February 2014

is extended in attached document.

Deloitte S.C.

**BANCO LA CAJA OBRERA S.A.  
BANK ASSETS RECOVERY FUND**

(UNDERGOING LIQUIDATION)

FINANCIAL STATEMENTS CORRESPONDING TO THE YEAR ENDING ON  
31ST DECEMBER 2013 AND INDEPENDENT AUDITORS' REPORT

## Independent Auditor's report

To the Board of Directors

Bank Savings Protection Corporation

We have audited the accompanying financial statements of Banco La Caja Obrera S.A. - Bank Assets Recovery Fund (undergoing liquidation). These financial statements comprise the balance sheet as at 31<sup>st</sup> December 2013, the income statement, cash flow statement and statement of changes in shareholders' equity for the year then ending, as well as the notes to significant accounting policies together with other explanatory notes.

### Management's responsibility for the Financial Statements

The Bank Savings Protection Corporation (COPAB), which administers the process of liquidation of Banco La Caja Obrera S.A. - Bank Assets Recovery Fund, is responsible for the preparation and fair presentation of these financial statements in accordance with accounting standards set by the Fund Operation Regulation. What is not contemplated in the Regulation is carried out in compliance with accounting standards similar to the ones issued by the Central Bank of Uruguay for the regulation and control of financial intermediation institutions, in the relevant aspects referred to in Note 2. This responsibility involves: designing, implementing and maintaining an internal control system which is appropriate for the preparation and fair presentation of the financial statements that are free from significant material misstatement, whether due to fraud or error; selecting and applying appropriate accounting standards; and evaluating the reasonableness of accounting estimates in the circumstances.

### Auditor's responsibility

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

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The selected procedures depend upon the auditor's professional judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as the overall presentation of the financial statements.

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

### Opinion

In our opinion, the aforementioned financial statements give a true and fair view of the financial position of Banco La Caja Obrera S.A. –Bank Assets Recovery Fund (undergoing liquidation) as at 31<sup>st</sup> December 2013, of its income statement and cash flows corresponding to the year then ended, in accordance with accounting standards set by the Fund Operation Regulation. What is not contemplated in the Regulation is done in compliance with accounting standards similar to the ones issued by the Central Bank of Uruguay for the regulation and control of financial intermediation institutions, in the relevant aspects referred to in Note 2.

### Emphasis of matter

Without this representing an exception to our view, we would like to mention the following matters:

Standards and criteria mentioned in the paragraph under Opinion in this report represent the standards comprised in the Fund Operation Regulation and, what is not contemplated in it, by similar accounting standards issued by the Central Bank of Uruguay for the regulation and control of financial intermediation institutions, in the relevant aspects referred to in Note 2. Differences eventually resulting between these financial statements and those presented in accordance to International Standards of Financial Information, and in compliance with standards and criteria established by the Central Bank of Uruguay, have not been quantified or determined.

As presented in Note 1 a), 31<sup>st</sup> December 2012 was the due date for the period for which the Fund had been created; therefore the Management decided to communicate its process of dissolution and liquidation.

28<sup>th</sup> February 2014

José Luis Rey

Partner, Deloitte S.C.

Banco La Caja Obrera S.A. - Bank Assets Recovery Fund (undergoing liquidation)

Balance sheet as at 31<sup>st</sup> December 2013

(in US dollars)

<b>Assets</b>	<b>Note</b>	<b>2013</b>
Cash and cash equivalents	3	1.039.988
Assets for sale	4	9.705
<b>Total assets</b>		<b>1.049.693</b>
<b>Liabilities and Fund Participants</b>		
Liabilities		
Other liabilities	5	81.457
<b>Total liabilities</b>		<b>81.457</b>
<b>Fund Participants</b>		
Initial equity	6	143.742.075
Payments to Fund Participants	7	(132.069.717)
Adjustments to equity		(7.823.366)
Retained earnings		(2.988.721)
Net income for the year		107.965
<b>Total Fund Participants</b>		<b>968.236</b>
<b>Total liabilities and Fund Participants</b>		<b>1.049.693</b>
<b>Debit Memorandum and contingency accounts</b>	9	69.532.247
<b>Credit Memorandum and contingency accounts</b>	9	69.532.247

The accompanying Notes are an integral part of these financial statements.

The report dated 28<sup>th</sup> February 2014  
is extended in attached document.

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Banco La Caja Obrera S.A.- Bank Assets Recovery Fund (Undergoing liquidation)

## Income Statement for the year ending on 31<sup>st</sup> December 2013

(in US dollars)

	Note	2013
<b>Net operating income</b>		
Income from sale of fixed and current assets		10.172
Other operating income		14.044
Financial gains		694
		<b>24.910</b>
<b>Administrative Expenses</b>		
Professional fees		(4.438)
Taxes, rates and contributions		(5.768)
Other operating expenses		(21.442)
Judicial expenses		(269)
Hired services		(11.551)
		<b>(43.468)</b>
<b>Other income</b>		
Reversal of provisions	8	113.909
		<b>113.909</b>
<b>Financial income</b>		
Exchange rate differences	2f	12.911
Banking expenses		(297)
		<b>12.614</b>
<b>Net income for the year</b>		<b>107.965</b>

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

The report dated 28<sup>th</sup> February 2014

is extended in attached document.

Deloitte S.C.

Banco La Caja Obrera S.A.- Bank Assets Recovery Fund (undergoing liquidation)

## Cash Flow Statement for the year ended on 31<sup>st</sup> December 2013

(in US dollars)

	<u>2013</u>
<b>Cash flow from operating activities</b>	
Net income for the year	107.965
<b>Adjustments for:</b>	
Reversal of provisions	(113.909)
Income from sale of fixed assets	(10.172)
Yield of securities	(148)
Change in cash and cash equivalents	2.806
	<u>(121.423)</u>
Changes in assets and liabilities	
Changes in operating assets	262
Changes in operating liabilities	(41.789)
<b>Net cash flow from operations</b>	<u>(54.985)</u>
<b>Cash flow from investing activities</b>	
Proceeds from sale of fixed assets	10.172
Interest income and other financial income	11.847
<b>Net cash flow from investing activities</b>	<u>22.019</u>
<b>Net flow of funds</b>	<u>(32.966)</u>
Changes in cash and cash equivalents	(2.806)
<b>Funds at the beginning of year</b>	<b>1.075.760</b>
<b>Funds at end of year</b>	<b>1.039.988</b>

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

The report dated 28<sup>th</sup> February 2014 is extended in attached document.

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Banco La Caja Obrera S.A. - Bank Assets Recovery Fund (undergoing liquidation)

Statement of changes in Fund Participants for the year ended on 31<sup>st</sup>  
December 2013

(in US dollars)

	Opening equity	Payment to Fund Participants	Adjustments to equity	Retained earnings	Total Fund Participants
<b>Opening balance</b>					
Opening Equity	83.489.979				83.489.979
Payments to Fund Participants		(71.817.621)			(71.817.621)
Adjustments to equity			(7.823.366)		(7.823.366)
Retained earnings				(2.988.721)	(2.988.721)
	<b>83.489.979</b>	<b>(71.817.621)</b>	<b>(7.823.366)</b>	<b>(2.988.721)</b>	<b>860.271</b>
<b>Changes for the year</b>					
Opening equity	60.252.096				60.252.096
Payment to Fund Participants		(60.252.096)			(60.252.096)
Net income for the year				107.965	107.965
	<b>60.252.096</b>	<b>(60.252.096)</b>		<b>107.965</b>	<b>107.965</b>
<b>Closing balance</b>					
Opening equity	143.742.075				143.742.075
Payments to Fund Participants		(132.069.717)			(132.069.717)
Adjustments to equity			(7.823.366)		(7.823.366)
Retained earnings				(2.880.756)	(2.880.756)
<b>Total</b>	<b>143.742.075</b>	<b>(132.069.717)</b>	<b>(7.823.366)</b>	<b>(2.880.756)</b>	<b>968.236</b>

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

The report dated 28<sup>th</sup> February 2014 is extended in attached document.

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Banco La Caja Obrera S.A. - Bank Assets Recovery Fund (undergoing liquidation)

## Notes to financial statements for the year ending on 31<sup>st</sup> December 2013

(in US dollars)

### **Note 1 - Basic information about the company**

#### **a. Legal considerations**

Banco La Caja Obrera S. A. – Bank Assets Recovery Fund -undergoing liquidation- (hereinafter the Fund) is a recovery fund for banking assets created by Law N° 17.613 of 27<sup>th</sup> December 2002, which is ruled by Law N° 16.774 of 27<sup>th</sup> September 1996 and its amendment Law N° 17.202 of 24<sup>th</sup> September 1999, as well as by the Fund Regulation approved by resolution of the Central Bank of Uruguay D/934/002 dated 31<sup>st</sup> December 2002 and its amendment D/493/003 of 14<sup>th</sup> August 2003.

The Fund is not a legal entity.

Article 50 of Law N° 18.401 dated 28<sup>th</sup> October 2008 establishes that management of undergoing liquidations of financial intermediation institutions will be transferred from the Central Bank of Uruguay to the Bank Savings Protection Corporation. In view of this disposition and through a transfer Act dated 16<sup>th</sup> December 2011, the Board of Directors of both entities agreed on the administration of various processes of liquidation, among which we can find Banco La Caja Obrera S.A. – Bank Assets Recovery Fund (undergoing liquidation).

The Fund was constituted for a 10-year period, valid as from the effective transfer of assets (31<sup>st</sup> December 2002), which could be extended if assets had not been recovered by the end of the term. Given that expiry date was on 31<sup>st</sup> December 2012 and that the amount of remaining liquid assets pending realization did not justify its prolongation (forth and twelfth clauses of the Fund Regulation), the dissolution and ensuing Fund liquidation started on such date. Following the resolution of the Bank Savings Protection Corporation D/45/2012 of 28<sup>th</sup> December 2012, the general public was informed of the dissolution and liquidation of the Fund, and corresponding publications were made on the Official Newspaper and national circulation newspapers.

#### **b. Main activity**

The objective of the Fund is to deal with the management and liquidation of its assets, within the authority granted by Law N° 17.613 of 27<sup>th</sup> December 2002. The Fund assets are the ones received from Banco La Caja Obrera S.A. (undergoing liquidation) by virtue of the rightful transfer stipulated by article 24 of the aforementioned Law, and the resolution of the Central Bank of Uruguay that declares the dissolution and liquidation of such bank (D/934/002 of 31<sup>st</sup> December 2002).

The report dated 28<sup>th</sup> February 2014 is extended in attached document.

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The Fund can only undertake obligations when, according to its administrator, they are deemed convenient for its operation.

## **Note 2 - Main accounting policies**

### **a. Basis for the preparation of the financial statements**

The financial statements have been prepared in accordance with the Fund Regulation and, in matters not contemplated in it, by the analogous accounting standards issued by the Central Bank of Uruguay for the regulation and control of financial intermediation cooperatives, as well as the criteria specified below.

### **b. General assessment criterion**

For asset valuation, the Fund Regulation states that the criterion to be applied will be that of market prices, or reference value (valuation, contract value, book value, rateable value, etc.) in case the other one is not available.

### **c. Equity**

The Fund equity was determined as the reclassification of computable liabilities for the creation and constitution of Fund Participations:

- Plus/minus income from equity adjustments of the balance sheet as at 31<sup>st</sup> December 2002
- Plus/minus retained earnings from the beginning of the Fund operations until 31<sup>st</sup> December 2013,
- Minus payments made to Fund Participants up to 31<sup>st</sup> December 2013 (redemption)

### **d. Determination of income**

The determination of income for the term was prepared in compliance with the accrual-based accounting principle, both for acknowledgement of income and expense allocation.

### **e. Measurement unit**

In accordance with the Fund Regulation (Resolution of the Central Bank of Uruguay D/493/003 dated 14<sup>th</sup> August 2003), the US dollar is the measurement unit to determine the Fund' equity and the value of Fund Participations, and the same currency is used for the remaining items of the financial statements.

The report dated 28<sup>th</sup> February 2014

is extended in attached document.

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### **f. Accounts in currencies other than the measurement unit**

Operations carried out in a different currency are accounted for in their US dollar equivalent, according to prevailing exchange rates at the time when transactions were made.

Income resulting from the use of exchange rates other than the ones in force at the time when assets or liabilities originated have been accounted for over the term and are presented under the heading Exchange rate Differences.

Balances in assets and liabilities in currencies other than the US dollar have been converted to this currency, applying the prevailing rates at the end of the term according to the following details:

- Balances in local currency at the rate of \$1= 0,0467 US\$, which means 1US\$ = \$21,389

**g. Estimate reserve for future contingencies**

Article 24 of Law Nº 17.613 stipulated the creation of an additional Fund Participation of liabilities assigned to future contingencies, which will be at the disposal of the liquidator. In accordance with the fifteenth clause of the Fund Regulation, so as to estimate the aforementioned additional Fund Participation for future contingencies, we took into consideration the resources, claims and lawsuits formulated over the inclusion (or exclusion) of certain assets and liabilities in the balance of Banco La Caja Obrera S.A. as at 31<sup>st</sup> December 2002.

In view that the share for future contingencies is determined through an estimate, its value is periodically revised so as to take into account the impact of variations in the initial conditions. In that sense, following a resolution of the Central bank of Uruguay D/257/007 dated 13<sup>th</sup> June 2007, it was stated that such revision would operate annually, on 31<sup>st</sup> October each year. Therefore, in order to estimate the amounts and probabilities of firm resolutions which might be unfavourable for the Fund, all the resources, claims and lawsuits have been considered, together with the reports by the corresponding legal advisors.

During the term over which the Fund was in force, the Administrator invariably agreed on the maintenance of the respective Fund Participation value for future contingencies, without releasing the liquid funds resulting from rescue operations that have been earmarked for such participations.

In view of the dissolution and ensuing liquidation of the Fund as of 31<sup>st</sup> December 2012, the Bank Savings Protection Corporation stated in the third subsection of its resolution D/44/2012 of 28<sup>th</sup> December 2012, regarding the additional Fund Participation for future contingencies: 3) "To maintain at the disposal of the liquidator, the liquid funds that are to date earmarked to the additional Fund Participation for future contingencies. Such funds will be used to deal with expenses

The report dated 28<sup>th</sup> February 2014

is extended in attached document.

resulting from legal lawsuits of the regional procedures pending resolution (Article 24 Law Nº 17.613 of 27<sup>th</sup> December 2002)”.

Balance of the liquid funds mentioned in the third subsection of the resolution of the Bank Savings Protection Corporation D/43/2012 of 28<sup>th</sup> December 2012, is deducted under the heading Cash and Cash equivalents for an amount of US\$ 1.567.829 (Note 3).

#### h. Definition of funds for the Cash Flow Statement

For the preparation of the Cash flow Statement the definition of Funds was understood as cash and cash equivalents.

#### Note 3 – Cash and cash equivalents

The breakdown of balance is as follows:

Local Correspondents	755.904
Central Bank of Uruguay	1.851.913
<b>Sub Total</b>	<b>2.607.817</b>
Earmarked for estimates for future contingencies (Note 2g)	<u>(1.567.829)</u>
<b>Total</b>	<b><u>1.039.988</u></b>

Local Correspondents balances represents current and savings accounts opened in the Nuevo Banco Comercial S.A.

Taking into account that it is the Fund itself that administers the amounts received by the Fund Participations for future contingencies, a sum of US\$ 1.567.829 was earmarked for cash and cash equivalents.

The report dated 28<sup>th</sup> February 2014  
is extended in attached document.

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**Note 4 – Fixed Assets for sale**

Breakdown for the changes in balance over the term is presented below:

Heading	Values as at		Withdrawals	Values as at	
	31. 12.2012	Additions		31.12.2013	
Property					
Own assets	9.705				9.705
<b>Total</b>	<b>9.705</b>				<b>9.705</b>

The balance represents the only property pending realization in the Fund. It comprises 40% of the undivided share of registries N° 1287 and 1463 from the department of Maldonado (Cerro de los Burros – Playa Hermosa). While various procedures for the realization of these assets have failed, and notwithstanding the fact that the Fund has under-a-year-old valuations, it is maintained for the equivalent in US dollars of the real value registered with the Land Registry Office.

**Note 5 – Other securities**

The balance in this case is broken down as follows:

Other securities	81.457
------------------	--------

This corresponds to outstanding balances with suppliers and unallocated debt collection.

**Note 6 - Opening Equity**

Opening equity is constituted as follows:

Opening equity without adjustments	181.625.284
Adjustments to opening equity	371.860
Redistribution of certificates	(19.682.671)
Other adjustments	(345.177)
Results	<u>(18.227.221)</u>
Opening equity	<u><b>143.742.075</b></u>

Opening unadjusted equity was determined as the difference between the balance of assets and non computable liabilities for the creation of the Fund Participations, resulting from the final balance of Banco La Caja Obrera S.A. as at 31<sup>st</sup> December 2002.

The report dated 28<sup>th</sup> February 2014

is extended in attached document.

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During the current period, a change in the accounting criterion was adopted so as to directly reflect the total amount paid to Fund Participants in one single equity-heading, whether redemption has been achieved through cash or Deposit Certificates of the Nuevo Banco Comercial S.A.

To that effect, the balance of the account "Payment to shareholders with certificates" was settled within the heading "Opening equity" with a counter-entry in the heading "Payment to Fund Participants" (US\$ 232.624.250).

#### **Note 7 – Payment to Fund Participants**

The balance represents the total amount paid to Fund Participants, whether redemption was produced in cash or with Deposit Certificates of the Nuevo Banco Comercial S.A. In the previous year the balance only represented the total amount paid to Fund Participants in cash (Note 6).

Over the year 2013, there were no redeemed Fund Participations.

#### **Note 8 – Financial Income - Untying of provisions**

The balance corresponds in full to the untying of provisions for labour-related claims, over which favourable sentences for the Fund were made.

#### **Note 9 – Memorandum and contingency accounts**

Balance for this heading is broken down as follows:

Fund Participants (9.1)	69.531.932
Administration third party cash (9.2)	315
<b>Total</b>	<b><u>69.532.247</u></b>

The report dated 28<sup>th</sup> February 2014

is extended in attached document.

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### 9.1 Fund Participants

This corresponds to the balance payable to depositors according to the following composition:

Beneficiaries Art. 27 Law Nº 17.613	28.701.102
State	35.236.568
Central Bank of Uruguay	2.958.328
Contingency	955.785
Other Creditors	1.680.149
<b>Total</b>	<b><u>69.531.932</u></b>

### 9.2 Administration of third party cash

Balance corresponds to payments received through partial redemption of Fund Participations belonging to the State, earmarked to provide resources for the application of Article 27 Law Nº 17.613 of 27<sup>th</sup> December 2002, whose amounts are managed by the Fund and are deposited in savings accounts in Nuevo Banco Comercial S. A.

The report dated 28<sup>th</sup> February 2014

is extended in attached document.

Deloitte S.C.

**BANCO MONTEVIDEO S. A.**  
**BANK ASSETS RECOVERY FUND**

(UNDERGOING LIQUIDATION)

FINANCIAL STATEMENTS CORRESPONDING TO THE YEAR ENDING ON  
31ST DECEMBER 2013 AND INDEPENDENT AUDITORS' REPORT

## Independent Auditor's report

To the Board of Directors

Bank Savings Protection Corporation

We have audited the accompanying financial statements of Banco de Montevideo S.A. - Bank Assets Recovery Fund (undergoing liquidation). These financial statements comprise the balance sheet as at 31<sup>st</sup> December 2013, the income statement, cash flow statement and statement of changes in shareholders' equity for the year then ending, as well as the notes to significant accounting policies together with other explanatory notes.

### Management's responsibility for the Financial Statements

The Bank Savings Protection Corporation (COPAB), which administers the process of liquidation of Banco de Montevideo S.A. - Bank Assets Recovery Fund, is responsible for the preparation and fair presentation of these financial statements in accordance with accounting standards set by the Fund Operating Regulation. What is not contemplated in the Regulation is carried out in compliance with accounting standards similar to the ones issued by the Central Bank of Uruguay for the regulation and control of financial intermediation institutions, in the relevant aspects referred to in Note 2. This responsibility involves: designing, implementing and maintaining an internal control system which is appropriate for the preparation and fair presentation of the financial statements that are free from significant material misstatement, whether due to fraud or error; selecting and applying appropriate accounting standards; and evaluating the reasonableness of accounting estimates in the circumstances.

### Auditor's responsibility

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

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The selected procedures depend upon the auditor's professional judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as the overall presentation of the financial statements.

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

#### Opinion

In our opinion, the aforementioned financial statements give a true and fair view of the financial position of Banco de Montevideo S.A. –Bank Assets Recovery Fund (undergoing liquidation) as at 31<sup>st</sup> December 2103, of its income statement and cash flows corresponding to the year then ended, in accordance with accounting standards set by the Fund Operating Regulation. What is not contemplated in the Regulation is done in compliance with accounting standards similar to the ones issued by the Central Bank of Uruguay for the regulation and control of financial intermediation institutions, in the relevant aspects referred to in Note 2.

#### Emphasis of matter

Without this representing an exception to our view, we would like to mention the following matters:

Standards and criteria mentioned in the paragraph under Opinion in this report represent the standards comprised in the Fund Operation Regulation and, what is not contemplated in it, by similar accounting standards issued by the Central Bank of Uruguay for the regulation and control of financial intermediation institutions, in the relevant aspects referred to in Note 2. Differences eventually resulting between these financial statements and those presented in accordance to International Standards of Financial Information, and in compliance with standards and criteria established by the Central Bank of Uruguay, have not been quantified or determined.

As presented in Note 1 a), 31<sup>st</sup> December 2012 was the due date for the period for which the Fund had been created; therefore the Management decided to communicate its process of dissolution and liquidation.

28<sup>th</sup> February 2014

José Luis Rey

Partner, Deloitte S.C.

Banco de Montevideo S.A. - Bank Assets Recovery Fund (undergoing liquidation)

Balance sheet as at 31<sup>st</sup> December 2013

(in US dollars)

<b>Assets</b>	<b>Note</b>	<b>2013</b>
Cash and cash equivalents	3	1.572.416
Temporary investments	4	144.295
Other Credits	5	5.741.865
<b>Total assets</b>		<b>7.458.576</b>
<b>Liabilities and Fund Participants</b>		
Liabilities		
Other liabilities	6	238.236
Allowances	7	288.004
<b>Total liabilities</b>		<b>526.240</b>
<b>Fund Participants</b>		
Initial equity	8	160.407.691
Payments to Fund Participants	9	(187.407.816)
Adjustments to equity		28.327.206
Retained earnings		(348.512)
Net income		5.953.767
<b>Total Fund Participants</b>		<b>6.932.336</b>
<b>Total liabilities and Total Fund Participants</b>		<b>7.458.576</b>
<b>Debit Memorandum and contingency accounts</b>	12	567.043.356
<b>Credit Memorandum and contingency accounts</b>	12	567.043.356

The accompanying Notes are an integral part of these financial statements.

The report dated 28<sup>th</sup> February 2014  
is extended in attached document.

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Banco de Montevideo S.A. - Bank Assets Recovery Fund (undergoing liquidation)

## Income statement for the year ending on 31<sup>st</sup> December 2013

(in US dollars)

	Note	2013
<b>Net operating income</b>		
Income from sale of assets		5.713
Variation in securities price		(58.644)
Loan recovery	11	992.429
		<b>939.498</b>
<b>Administrative Expenses</b>		
Professional fees		(4.951)
Taxes,rates and contributions		(4.729)
Judicial expenses		(93)
Hired services		(8.900)
Other operating expenses		(52.057)
		<b>(70.730)</b>
<b>Diverse income</b>		
Other income		149.195
Reversal of provisions	10	4.938.267
		<b>5.087.462</b>
<b>Financial income</b>		
Exchange rate differences	2f	30.753
Banking expenses		(33.216)
		<b>(2.463)</b>
<b>Net income for the year</b>		<b>5.953.767</b>

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

The report dated 28<sup>th</sup> February 2014

is extended in attached document.

Deloitte S.C.

Banco de Montevideo S.A.- Bank Assets Recovery Fund (undergoing liquidation)

## Cash Flow Statement for the year ended on 31<sup>st</sup> December 2013

(in US dollars)

	<u>2013</u>
<b>Cash flow from operating activities</b>	
Net income for the year	5.953.767
<b>Adjustments for:</b>	
Reversal of provisions	(4.938.267)
Income from variation in securities price	70.225
Income from sale of fixed assets	(5.713)
Yield and amortization of securities	(11.295)
Change in cash and cash equivalents	2.050
Income from operations before changes in operating items	<u>1.070.767</u>
Changes in assets and liabilities	
Changes in operating assets	19.309
Changes in operating liabilities	118.216
<b>Net cash flow from operations</b>	<u><b>1.208.292</b></u>
<b>Cash flow from investing activities</b>	
Proceeds from sale of fixed assets	5.713
Interest income and other financial income	26.295
<b>Net cash flow from investing activities</b>	<u><b>32.008</b></u>
<b>Net flow of funds</b>	<u><b>1.240.300</b></u>
Changes in cash and cash equivalents	(2.050)
<b>Funds at the beginning of year</b>	<b>334.166</b>
<b>Funds at end of year</b>	<b>1.572.416</b>

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

The report dated 28<sup>th</sup> February 2014 is extended in attached document.

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## Banco de Montevideo S.A.- Bank Assets Recovery Fund (undergoing liquidation)

Statement of changes in Fund Participants for the year ended on 31<sup>st</sup>  
December 2013

(in US dollars)

Item	Opening equity	Payment to Fund Participants	Adjustments to equity	Retained earnings	Total Fund Participants
<b>Opening balance</b>					
Opening Equity	102.632.994				102.632.994
Payments to Fund Participants		(129.633.119)			(129.633.119)
Adjustments to equity			28.327.206		28.327.206
Retained earnings				(348.512)	(348.512)
	<b>102.632.994</b>	<b>(129.633.119)</b>	<b>28.327.206</b>	<b>(348.512)</b>	<b>978.569</b>
<b>Changes for the year</b>					
Opening equity	57.774.697				57.774.697
Payment to Fund Participants		(57.774.697)			(57.774.697)
Net income for the year				5.953.767	5.953.767
	<b>57.774.697</b>	<b>(57.774.697)</b>		<b>5.953.767</b>	<b>5.953.767</b>
<b>Closing balance</b>					
Opening equity	160.407.691				160.407.691
Payments to Fund Participants		(187.407.816)			(187.407.816)
Adjustments to equity			28.327.206		28.327.206
Retained earnings				5.605.255	5.605.255
<b>Total</b>	<b>160.407.691</b>	<b>(187.407.816)</b>	<b>28.327.206</b>	<b>5.605.255</b>	<b>6.932.336</b>

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

The report dated 28<sup>th</sup> February 2014

is extended in attached document.

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Banco de Montevideo S.A. - Bank Assets Recovery Fund (undergoing liquidation)

Notes to financial statements for the year ending on 31<sup>st</sup> December 2013

(in US dollars)

## **Note 1 - Basic information about the company**

### **a. Legal considerations**

Banco de Montevideo S. A. – Bank Assets Recovery Fund -undergoing liquidation- (hereinafter the Fund) is a recovery fund for banking assets created by Law N° 17.613 of 27<sup>th</sup> December 2002, which is ruled by Law N° 16.774 of 27<sup>th</sup> September 1996 and its amendment Law N° 17.202 of 24<sup>th</sup> September 1999, as well as by the Fund Regulation approved by resolution of the Central Bank of Uruguay D/932/002 of 31<sup>st</sup> December 2002 and its amendment D/493/003 of 14<sup>th</sup> August 2003.

The Fund is not a legal entity.

Article 50 of Law N° 18.401 dated 28<sup>th</sup> October 2008 establishes that management of undergoing liquidations of financial intermediation cooperatives will be transferred from the Central Bank of Uruguay to the Bank Savings Protection Corporation. In view of this disposition and through a transfer Act dated 16<sup>th</sup> December 2011, the Board of Directors of both entities agreed on the administration of various processes of liquidation, among which we can find Banco de Montevideo S.A. – Bank Assets Recovery Fund (undergoing liquidation).

The Fund was constituted for a 10-year period, valid as from the effective transfer of assets (31<sup>st</sup> December 2002), which could be extended if assets had not been recovered by the end of the term. Given that expiry date was on 31<sup>st</sup> December 2012 and that the amount of remaining liquid assets pending realization did not justify its prolongation (forth and twelfth clauses of the Fund Regulation), the dissolution and ensuing Fund liquidation started on such date. Following the resolution of the Corporation for Bank Savings Protection D/43/2012 of 28<sup>th</sup> December 2012, the general public was informed of the dissolution and liquidation of the Fund, and corresponding publications were made on the Official Newspaper and national circulation newspapers.

### **b. Main activity**

The objective of the Fund is to deal with the management and liquidation of its assets, within the authority granted by Law N° 17.613 of 27<sup>th</sup> December 2002. The Fund assets are the ones received by Banco de Montevideo S.A. (undergoing liquidation) by virtue of the rightful transfer stipulated by Article 24 of the aforementioned Law, and the resolution of the Central Bank of Uruguay that declares the dissolution and liquidation of such bank (D/932/002 of 31<sup>st</sup> December 2002).

The report dated 28<sup>th</sup> February 2014  
is extended in attached document.

The Fund can only undertake obligations when, according to its administrator, they are deemed convenient for its operation.

## **Note 2 - Main accounting policies**

### **a. Basis for the preparation of the financial statements**

The financial statements have been prepared in accordance with the Fund Regulation and, in matters not contemplated in it, by the analogous accounting standards issued by the Central Bank of Uruguay for the regulation and control of financial intermediation cooperatives, as well as the criteria specified below.

### **b. General assessment criterion**

For asset valuation, the Fund Regulation states that the criterion to be applied will be that of market prices, or reference value (valuation, contract value, book value, rateable value, etc.) in case the other one is not available.

### **c. Equity**

The Fund equity was determined as the reclassification of computable liabilities for the creation and constitution of Fund Participations:

- Plus/minus income from equity adjustments of the balance sheet as at 31<sup>st</sup> December 2002
- Plus/minus retained earnings from the beginning of the Fund operations until 31<sup>st</sup> December 2013,
- Minus payments made to Fund Participants up to 31<sup>st</sup> December 2013 (redemption)

### **d. Determination of income**

The determination of income for the term was prepared in compliance with the accrual-based accounting principle, both for acknowledgement of income and expense allocation.

### **e. Measurement unit**

In accordance with the Fund Regulation ( Resolution of the Central Bank of Uruguay D/493/003 dated 14<sup>th</sup> August 2003), the US dollar is the measurement unit to determine the Fund' s equity and the value of Fund Participations, and the same currency is used for the remaining items of the financial statements.

The report dated 28<sup>th</sup> February 2014  
is extended in attached document.

Deloitte S.C.

**f. Accounts in currencies other than the measurement unit**

Operations carried out in a different currency are accounted for in their US dollar equivalent, according to of prevailing exchange rates at the time when transactions were made.

Income resulting from the use of exchange rates other than the ones in force at the time when assets or liabilities originated have been accounted for over the term and are presented under the heading Exchange rate Differences.

Balances in assets and liabilities in currencies other than the US dollar have been converted to this currency, applying the prevailing rates at the end of the term according to the following details:

- Balances in local currency at the rate of \$1= 0,0467 US\$, which means 1US\$ = \$21,389
- Balances in Euros, with arbitrage 1 Euro = US\$ 1,38045

**g. Estimate reserve for future contingencies**

Article 24 of Law Nº 17.613 of 27<sup>th</sup> December 2002 stipulated the creation of an additional Fund Participations of liabilities assigned to future contingencies, which will be at the disposal of the liquidator. In accordance with the fifteenth clause of the Fund Regulation, so as to estimate the aforementioned additional Fund Participation for future contingencies, the resources, claims and lawsuits formulated over the inclusion (or exclusion) of certain assets and liabilities in the balance of Banco de Montevideo S.A. as at 31<sup>st</sup> December 2002, were taken into consideration.

In view that the share for future contingencies is determined through an estimate, its value is periodically revised so as to take into account the impact of variations in the initial conditions. In that sense, following a resolution of the Central bank of Uruguay D/257/007 dated 13<sup>th</sup> June 2007, it was stated that such revision would operate annually, on 31<sup>st</sup> October each year. Therefore, in order to estimate the amounts and probabilities of firm resolutions which might be unfavourable for the Fund, all the resources, claims and lawsuits have been considered, together with the reports by the corresponding legal advisors.

During the term over which the Fund was in force, the Administrator invariably agreed on the maintenance of the respective Fund Participation value for future contingencies, without releasing the liquid funds resulting from rescue operations that have been earmarked for such participations.

In view of the dissolution and ensuing liquidation of the Fund as of 31<sup>st</sup> December 2012, the Bank Savings Protection Corporation, in its resolution D/44/2012 of 28<sup>th</sup> December 2012, regarding the additional Fund Participation for future contingencies, stated in its third sub section: 3) "to maintain at the disposal of the liquidator, the liquid funds that are to date earmarked for the additional Fund Participation for future contingencies.

The report dated 28<sup>th</sup> February 2014  
is extended in attached document.

Such funds will be used to deal with expenses resulting from legal lawsuits of the regional procedures pending resolution (article 24 Law N° 17.613 of 27<sup>th</sup> December 2002)". Likewise, subsection 4) states the following: "to maintain at the disposal of the liquidator the liquid funds that are to date earmarked for the share corresponding to liabilities resulting from the issuing of Negotiable Debt Securities".

Balance of the liquid funds mentioned in subsection 3 of the resolution of the Bank Savings Protection Corporation D/44/2012 of 28<sup>th</sup> December 2012, is deducted under the heading Cash and Cash equivalents for an amount of US\$ 27. 255.579 (Note 3).

#### h. Definition of funds for the cash flow statement

For the preparation of the Cash flow Statement the definition of Funds was understood as cash and cash equivalents.

### Note 3 – Cash and Cash Equivalents

Breakdown of balance is as follows:

Local Correspondents	1.230.930
Central Bank of Uruguay	27.561.625
Banco de la República Oriental del Uruguay	205.917
<b>Subtotal</b>	<b>28.998.472</b>
Earmarked for estimates for future contingencies (Note 2g)	(27.255.579)
BROU guaranteed funds	(170.477)
<b>TOTAL</b>	<b>1.572.416</b>

Local Correspondent balances represents current and savings accounts opened in the Nuevo Banco Comercial S.A.

Taking into account that it is the Fund itself which administers the amounts received by the Fund Participations for future contingencies as well as the reserves for the presentation of negotiable debt securities, a sum of US\$ 27.255.579 was earmarked for cash and cash equivalents, in accordance with the Board resolution 621/003 of the Central Bank of Uruguay.

Guaranteed funds in the Banco de la República Oriental del Uruguay (BROU) correspond to the amortization of securities guaranteed by such bank.

The report dated 28<sup>th</sup> February 2014

is extended in attached document.

#### Note 4 – Temporary Investments

Balance as at 31<sup>st</sup> December 2013 corresponds to securities in the Central Bank of Uruguay and securities in custody in the Banco de la República Oriental del Uruguay (the latter ones are provisioned for their full amount).

Securities in the Central Bank of Uruguay have been appraised at the market value resulting from the price vector of the Central Bank of Uruguay at the close of the financial year.

#### Note 5 – Other credit

Balance breakdown is as follows:

Deposit certificates - BII Creditanstalt (5.1)	2.445.185
Provision for Deposit Certificates - BII Creditanstalt (5.1)	(2.445.185)
Guaranteed Deposits	821.907
Credit... Trade & Commerce Bank (TCB) (5.3)	81.447.339
Provision for Credit ... Trade & Commerce Bank (TCB) (5.3)	(81.447.339)
Receivable credit Trade & Commerce Bank (TCB) auctioned assets	4.919.958
<b>Total</b>	<b><u>5.741.865</u></b>

- (5.1) Corresponds to credit in BII Creditanstalt liquidation, which is 100% provisioned due to the fact that in view of the information available about its liquidation, there is no likelihood of it being recovered.
- (5.2) Corresponds to securities assigned as collateral for precautionary measures, which are held in custody with the Banco de la República Oriental del Uruguay.
- (5.3) Corresponds to credit in the liquidation of the Trade & Commerce Bank (TCB), which is totally provisioned due to the fact that, to date, there is no likelihood of it being recovered, in view of the information available about the liquidation process. Collateral granted at the time by such credit is undergoing judicial prosecution. (Sub section 5.4)
- (5.4) Liquid income estimates resulting from the judicial auction of assets affected by collateral for credit against Trade & Commerce Bank (TCB) are presented below

The report dated 28<sup>th</sup> February 2014

is extended in attached document.

Deloitte S.C.

Description of asset	Amount US\$
21 bearer securities (shares) that represent 21,80% of Puerto Sur S.A. (Hotel Balmoral) capital Auction completed	502.041
9 registered securities (shares) from Fosforescencia S.A. (Free Shop at Laguna del Sauce Airport) Collateral execution under way	
Rural registries Nº 8517, 8519, 8520 and 8521 from the Department Of Tacuarembó Auction completed	4.417.917
Undivided one third share of registry 3171 from the Department of Montevideo Mortgage execution under way	
<b>Total</b>	<b>4.919.958</b>

The execution of the detailed assets is conducted within the framework of the following judicial procedures:

- Main executive lawsuit, case entitled “Banco Central del Uruguay c/TCB – Execution of Negotiable Instruments – File Nº 2-2132/2006” which is studied in the Court of First Instance.
- Foreclosure procedures of rural registries Nº 8517, 8519, 8520 and 8521 from the Department of Tacuarembó - File Nº 24-18/2008.
- Collateral procedures for 21 bearer securities (shares) of Puerto Sur S.A. (Hotel Balmoral) – File Nº 24-16/2008
- Foreclosure procedures for the third undivided share of registry 3171/301 from the Department of Montevideo – File Nº 24-17/2008
- Collateral procedure for 9 registered securities (shares) from Fosforescencia S.A. (Free Shop at Laguna del Sauce Airport) –File Nº24-15/2008

#### Note 6 – Other securities

Balance of this item is broken down as follows:

Other securities (6.1)	238.069
Fiscal Creditors (6.2)	167
	<u>238.236</u>

(6.1) Corresponds to outstanding balances with suppliers and unallocated debt collection.

(6.2) Corresponds to balance of retentions payable.

The report dated 28<sup>th</sup> February 2014

is extended in attached document.

Deloitte S.C.

#### Note 7 – Provisions

The balance corresponds to labour-related claims which to date have not been resolved.

### Note 8 – Opening equity

Opening equity is constituted as follows:

Opening equity without adjustments	174.011.862
Results	<u>(13.604.171)</u>
Opening equity	<u><b>160.407.691</b></u>

Opening unadjusted equity was determined as the difference between the balance of assets and non computable liabilities for the creation of the Fund Participations, resulting from the final balance of Banco de Montevideo S.A. as at 31<sup>st</sup> December 2002.

During the current period a change in the accounting criterion was adopted so as to directly reflect the total amount paid to shareholders in one single equity-heading, whether redemption has been achieved through cash or Deposit Certificates of the Nuevo Banco Comercial S.A.

To that effect, the balance of the account “Payment to shareholders with certificates” was settled within the heading “Opening equity” with a counter-entry in the heading “Payment to Fund Participants” (US\$ 57.774.697).

### Note 9 - Payment to shareholders

The balance represents the total amount paid to shareholders, whether redemption was produced in cash or with Deposit Certificates of the Nuevo Banco Comercial S.A. In the previous year the balance only represented the total amount paid to Fund Participants in cash (Note 8).

Over the year 2013, there were no redeemed shares.

The report dated 28<sup>th</sup> February 2014

is extended in attached document.

Deloitte S.C.

### Note 10 – Other income - Reversal of provisions

Balance includes US\$ 4.919.958 for the untying of provisions of the credit against Trade & Commerce Bank (TCB), corresponding to estimates of receivable income resulting from the auction conducted within the framework of executions of collateral warranties of the referred credit (Note 5.4)

#### **Note 11 – Net operating income – Loan Recovery**

Balance includes US\$ 990.594 that corresponds to collection of credit against the Ministry of Economy and Finance resulting from its condition as warrantor for price adjustment in the sale of the Fund Participations of Banco La Caja Obrera S. A. (in liquidation) according to the agreement for the trade of shares of 3<sup>rd</sup> December 2001 (File N° 2010/005/001/0000/0/458/0 from the Ministry of Economy and Finance)

#### **Note 12 – Memorandum accounts and contingency**

Balance for this heading is broken down as follows:

Fund Participants(12.1)	547.701.651
Administration third party cash (12.2)	973.624
Administration third party assets (12.3)	18.368.081
	<u>567.043.356</u>

#### **12.1 Fund Participants**

This corresponds to the balance payable to depositors according to the following composition:

Beneficiaries Art. 27 Law N° 17.613	42.268.624
State	318.181.788
Central Bank of Uruguay	28.798.348
Contingency	77.501.390
Other creditors	15.185.361
Bondholders	65.355.209
Negotiable securities	410.931
<b>Total</b>	<u><b>547.701.651</b></u>

The report dated 28<sup>th</sup> February 2014

is extended in attached document.

Deloitte S.C.

### **12.2 Administration of third party cash**

The Balance corresponds to payments received through partial redemption of Fudn Participations belonging to the State, earmarked to provide resources for the application of article 27 law Nº 17.613 of 27<sup>th</sup> December 2002, whose amounts are managed by the Fund and are deposited in savings accounts with the Nuevo Banco Comercial S. A.

### **12.3 Administration of third party securities**

Balance in this case corresponds exclusively to third party securities informed by the Nuevo Banco Comercial S.A., identified in the agreements made by the Fund as well as securities informed by the Deutsche Bank.

The report dated 28<sup>th</sup> February 2014

is extended in attached document.

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