Banks
Uruguay
Annual Report

# Nuevo Banco Comercial S.A.

## International Rating

| | |
|---|---|
| Nuevo Banco Comercial S.A. | |
| Long Term FC: | BB- |
| Long Term LC: | BB- |
| Support Rating: | 4 |

## National Rating

| | |
|---|---|
| Long Term: | AA(ury) |

## Sovereign Risk

| | |
|---|---|
| Long Term in FC: | BB- |
| Long Term in LC: | BB |

## Outlook

| | |
|---|---|
| Nuevo Banco Comercial S.A. | Stable |
| Sovereign: | Positive |

## Financial Data

| | 31 12 09 | 31 12 08 |
|---|---|---|
| Assets in m USD | 1,319.1 | 1,336.8 |
| Assets in m UYU | 25,889.5 | 32,550.0 |
| Net Equity | 3,514.3 | 4,643.6 |
| Net Income | -1,338.5 | 536.9 |
| ROA (%) | -4.58 | 1.74 |
| ROE (%) | -32.81 | 11.74 |
| Equity/Assets (%) | 13.57 | 14.27 |

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## Criteria Applied

- Global Financial Institutions Rating Criteria, 29 December 2009
- Methodology registered with the Uruguayan Central Bank

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## Assessment

- Nuevo Banco Comercial (NBC)'s ratings reflect its strong national franchise, its good asset quality, adequate liquidity and capitalization as well as the positive evolution of its performance. Also factored into the rating is the effect on profitability of its asset position in US dollars stemming from the decision of the controlling shareholder to maintain the value of the Uruguayan Government equity stake in that currency.
- In 2009, the bank reported net losses due to extraordinary expenses arising from a retirement incentive plan, the impact of the peso appreciation in regard to the dollar position and the adjustment for inflation. Operating revenues evolved favourably despite a decline in loans. Fee income and revenues from exchange rate differences continued to reflect the growth of recent years, and income from securities increased in tandem with the portfolio. Fitch expects the bank's income to continue rising on the back of expected loan growth, particularly in the bank's target segments, and commensurate with economic expansion.
- NBC's asset quality is good and its indicators have shown an improvement. Although at end-December 2009 15.2% of the loans were rated in higher risk categories (categories 3, 4 and 5), only 2.7% of the loan book was in arrears (60 days or more overdue). Loan loss reserves covered 8.9% of total loans and 238.4% of past due loans.
- NBC's funding is mainly through deposits and liquidity is high (liquid assets-to-deposits and short term funds: 45.4%). The bank's capitalization is sound. At December 2009, total equity represented 13.57% of assets and was more than two times capital requirements. These ratios are expected to decline as lending continues to rise and as a result of the bank's dividend policy of distributing 100% of the income.

## Support

- Fitch understands that NBC's shareholders would be willing to support the bank if necessary. However, Fitch is not in a position to determine whether it would have the ability to do so.
- Although the Uruguayan Central Bank (BCU) has the authority to act as lender of last resort, Fitch believes that the likelihood of state support is limited.

## Rating Outlook

NBC's ratings have a stable outlook. An improvement in profitability maintaining good liquidity and capital could give rise to an upgrade. On the other hand, downward pressure could stem from recurring net losses and the event of a considerable fall in the bank's capitalization.

## Background

- NBC's domestic market presence is significant in all segments and it is the third largest private bank in terms of assets with 6.1% of the market. A consortium of foreign investors led by Advent International controls 60% of the bank's equity, with the Uruguayan state owning the other 40% in the form of preferred stock.

- NBC is the third largest private bank in terms of loans and deposits.
- It was created with the assets of three entities liquidated in 2002.
- A consortium of foreign investors led by Advent International controls 60% of the bank's equity.

## Profile

NBC was created in 2003 with part of the assets of Banco Comercial, Banco Montevideo and Banco Caja Obrera, banks suspended following the 2002 crisis and subsequently liquidated. The bank was organised with the Uruguayan state as the sole shareholder, with the ultimate aim of its privatisation. Payment was made through the issue of Certificates of Deposits (CDs) for the amount of USD 825 million, to be repaid over a six-year period. Of the original amount, USD 120 million was capitalized by the Uruguayan state and the bank paid the last instalment in March 2009.

Banco Comercial was one of Uruguay's largest private sector banks in terms of assets and deposits, and was the sole leader in retail banking. Banco Montevideo was an aggressive competitor in the consumer and corporate banking segments, and Banco Caja Obrera focused on inland services to the agricultural sector. Initially, NBC concentrated on the organization of its business, the management and recovery of credits acquired, as well as retaining its customer base and managing liquidity.

In June 2006, a consortium of investors led by Advent (see below), and with the participation of Morgan Stanley Alternative Investments, DEG (a German financial development company) and FMO (Netherlands Development Finance Company), acquired 60% of NBC's shares from the Uruguayan state. These shares represent 100% of the voting rights. The other 40% of the shares remained in the hands of the state in the form of preferred shares entitled to an annual fixed dividend of 4% and the right to elect one member on the bank's surveillance committee. Advent has a 7-year term call option which it may exercise at any time, and the Uruguayan state has a put option which it may only exercise at the end of that term.

Advent is an investment fund with offices in 15 countries and 8 affiliates in other countries, over 150 qualified investment staff from 27 nations. Since 1984 it has invested in over 500 companies in different sectors and stages of development, in 39 countries. In Latin America, it has invested an aggregate amount of over USD 6 bn in 39 companies since 1996. Since start-up, Advent has taken capital from over 200 institutional and corporate investors for over USD 24 bn. Investors are mostly public and private pension funds, financial entities, and insurance companies, university funds and corporations.

The new shareholders kept on most of NBC's management team and, in general terms, maintained the bank's strategy. However, at the beginning of 2010 some changes were made to the structure and management with a focus on increasing the bank's commercial drive. The main changes include the general manager, three new directors and the incorporation of two commercial managers, one for retail banking and SMEs, and another to take on wholesale banking.

The bank's main strategy targets SMEs and consumer lending, segments in which it is a market leader, broadening the range of services to new upper- and lower-end segments as banking services expand together with the country's economic growth. Product cross-selling and transactional services are also key to the bank's strategy in order to continue developing fee income. In this context, seeking to enhance consumer banking, NBC launched a new branch-network model and acquired a new IT platform which was deployed in March 2010, enabling increased commercial capacity and enhanced efficiency as it frees employees from operating tasks.

At end-December 2009 NBC had 47 branches and 810 employees. It has a strong credit card business unit (Visa, MasterCard and American Express) and owns Brazil-based NBC Bank Brasil, a small bank with headquarters in the city of Porto Alegre and three branches in Southern Brazil. The bank's assets totaled R$ 220.7 million and equity was R$ 51.9 million at December 2009.

Given NBC's broad customer base and range of products, its strong franchise in target sectors and extensive geographical coverage coupled to its good performance and the relatively benign growth forecasts for the Uruguayan economy, Fitch estimates that the bank is in a favourable position to meet its growth objectives.

**Uruguay Sovereign Rating:**
**IDR Foreign Currency:** 'BB-'
**IDR Local Currency:** 'BB'
**Country Ceiling:** 'BB+'
**2010 GDP Growth forecast:** 3.8%

**Challenges ahead:**
- High indebtedness
- Dollarised debt and financial system
- Lower growth prospects

## Performance

**Sovereign Risk.** Uruguay's long term Foreign Currency IDR rating is "BB-" and its Local Currency IDR is "BB", both with a positive outlook since July 13, 2009. Uruguay's credit quality is based on its manageable financial needs, the improvement in the country's sovereign debt dynamics and prudent macroeconomic policies, which have allowed for stability supported by high growth rates and a reduction of external vulnerabilities. In addition, a comparatively high income per capita base, political stability and good social indicators lead to the expectation of sustainable economic growth.

On the other hand, Uruguay's main economic weaknesses continue to be the high foreign debt burden, lower prospects of growth, a weaker peso, exchange rate exposure of the public debt, the fiscal situation and relatively low levels of external liquidity.

Following a period of strong GDP growth with an average 6.7% expansion rate over a 5-year period up to 2008, the Uruguayan economy saw a slowdown in 2009 as a result of the global recession and a fall in domestic demand; nevertheless, real growth stood at 1.9% for the year. Fitch expects the growth cycle to continue at a pace of 3.8% in 2010.

Inflation in 2009 was 5.9% and Fitch expects it to be 6.0% in 2010, within the range targeted by the BCU (7% - 3%).

Finally, the country has reduced its vulnerabilities to external shocks through a series of variables: the reduction of its needs for external financing, diversification of export destinations, and conservative prudential regulation of the financial system. Furthermore, historically high international reserves, greater flexibility in exchange rates compared to former crises and a stronger financial system have helped the country to overcome the 2008 external shocks without any major disruption. Nevertheless, the country continues to be vulnerable to any strong fall in commodity prices and to currency risks, as well as a severe deterioration of the Argentine economy.

According to Fitch's Bank Systemic Risk (BSI) report, the Uruguayan financial system is rated in category "E", which is assigned to very weak systems.  However, its Macro Prudential Indicator (MPI) is **"1"**, which implies low potential vulnerability to current systemic crises.

The private banks' profitability ratios measured in Uruguayan pesos were negative for 2009, largely as a result of the high appreciation of the Uruguayan peso and inflation adjustment. Service margins and income from securities were positive, and enabled the banks' operating income to grow almost 32% despite a slowdown in loan growth, a rise in provisioning (mainly anticyclical provisions) and the rise in costs. Accordingly, the private banks' ROE and ROA ratios at end-December 2009 were -8.3% and -0.8%, respectively.

In 2009 loans to the non financial sector of the system increased 5.9%, mainly during the surge seen in the last quarter of the year. Asset quality remained sound and delinquency was 1.1% at December 2009 (December 2008: 1.0%). Deposits of the non financial sector increased by 17.9%, showing steady growth both in resident and non resident deposits; most of these are still sight deposits (80.1% at end-December 2009).

The system's liquidity and capitalization continue to be very high, with liquid assets and interbank loans covering 56.2% of liabilities at December 2009. The system's regulatory capital accounted for 16.7% of risk-weighted assets and was more than two times the minimum requirements at end-December 2009.

- The bank's results were negative due to extraordinary personnel expenses, the appreciation of the peso and inflation adjustment.
- Operating revenues showed a favourable evolution.
- Spending was high and any significant improvement in efficiency is unlikely in the short term.

**Entity Performance**. NBC's net result in 2009 showed a significant fall compared to the previous year, recording net losses. The bank's profitability was severely affected by exchange rate variations (as in the previous years), inflation adjustment reinstated by the BCU in 2009 and extraordinary expenses resulting from a retirement incentive plan to which 108 employees subscribed (see below).

Operating revenues showed a favourable evolution despite the fall in loans (influenced by the appreciation of the peso) which affected the interest margin (see below). Net fees and revenue from exchange rate differences maintained the upward trend of recent years, and income from securities increased reflecting portfolio growth.

Hence, if the effect of exchange rate differences (UYU 546.3 million included on Line 29 of the income statement attached), the inflation adjustment (UYU 457.6 million, on the same line), not performed in 2008, and the extraordinary human resources expense are excluded, the bank's net result would have totaled UYU 156.1 million (equivalent to USD 8 million), i.e., 39.5% below the figure for the previous year, or 24.5% in dollars. Additionally, the market value of the securities registered as available for sale was a positive UYU 257.3 million (equivalent to USD 13.1 million) for the year, which if considered as income for the year, adjusted profits for 2009 would have stood at UYU 413.4 million (USD 21.1 million), well above the UYU 48.2 million of 2008 on a comparable base.

**Operating Revenues:** Since 2008, net interest revenue have been under pressure as a result of a fall in international interest rates, which affected NBC's sizeable volume of placements with foreign banks, the rise in liquidity requirements (see Funding and Liquidity, below) and the decision by the BCU to stop compensating the latter. Despite this, the bank has managed to keep a stable financial margin on its loan portfolio, which benefitted from its strategic focus on consumer loans and SMEs. Interest paid declined due to the fall in the volume of deposits (partly due to the appreciation of the peso) and the drop in interest rates mentioned above. Therefore, the financial margin-to-assets ratio increased during the year to 6.2% (5.6% at December 2008). Fitch expects net interest revenue to continue to be favourable in 2010 on the back of expected loan growth, particularly in the bank's target segments, and commensurate with economic expansion.

For several years, seeking to generate higher service income, the bank has strategically targeted increased product cross-selling to a broad customer base. Thus, these fees reported a good evolution and increased by 12.7% during the year (39.8% if stated in dollars, due to the appreciation of the peso). Still, these revenues continue to be low as a proportion of total revenues. Even though this is common to the whole of the financial system, it is a weakness, and Fitch believes that success in the diversification of revenues will be important to the bank in the face of narrowing spreads.

In addition, the bank decided to place a portion of its surplus funds in Latin American government and corporate securities, all of which have an international investment grade rating, seeking a somewhat higher yield as high liquidity has an adverse effect on the financial margin.

Other Income and Expenses, in Line 5 of the attached spreadsheets, mostly includes income from foreign exchange transactions, as well as income from trading and valuations of other assets and liabilities and other operating revenue that have evolved favourably due to significantly volatile exchange rates during the last two years.

**Loan Loss Provisions:** Since the bank's organization up to 2008 these charges were reversed due to a strong recovery of loans acquired from the liquidated banks. Naturally, as collection efforts succeeded, the recoveries have dwindled and in 2009 they were surpassed by provisions, although these are still low compared to the portfolio (1.24% at end-December 2009), reflecting its good asset quality. Fitch expects these charges to increase as credit rebounds, particularly consumer loans, and portfolios mature, though remaining low as no significant increase in bad debt is expected.

**Non-Interest Expense:** The bank's cost base was high (costs-to-assets: 8.9% at end-December 2009). The bank's management is aware of this situation and is making efforts to control costs and improve its cost efficiency ratios. Nevertheless, because of the nature of the market, many of the costs cannot be reduced. The retirement incentive plan mentioned above was implemented in 2009 to this end, with 108 employees adhering to it, which signified an extraordinary expense of around UYU 490.7 million (USD 25 million), which the bank estimates will be repaid in roughly 3 years. This explains the greater part of the hefty surge in costs during the year, to which is added the appreciation of the peso and inflation. If extraordinary expenses are excluded, total costs rose 12.8% compared to December 2008. Fitch expects the Banks cost base to show a gradual improvement in the coming years as the expected loan growth and the savings from the retirement plan materialise.

Losses from exchange rate differences worth UYU 546.3 (some USD 27.8 million) that caused the appreciation of the Uruguayan peso (2008 posted a profit of USD 11.4 million) had an impact on the active position in US dollars which is maintained in accordance with the the bank's policy. Throughout 2009 this figure was between USD 80 and USD 100 million (USD 88.4 million at end-December 2009). This is due to NBC's main shareholder's decision to maintain the value of the state-owned equity in US dollars, hence the bank's profitability will continue to be influenced by the evolution of the exchange rate.

**Outlook:** The Uruguayan financial system has been showing signs of greater dynamics in recent years, with lending to the private sector starting to grow strongly, particularly in the consumer segment. Nevertheless, in light of the economic slowdown and the international crisis in 2009, credit growth slowed. The economy is expected to rebound more vigorously in 2010 and therefore loans should follow suit. In this sense, Fitch expects the composition of NBC's operating income to continue evolving favourably. Therefore, it will be important for the bank to continue to increase fee income and keep its costs under control. In addition, as was seen over the last two years, NBC's final income could be strongly influenced by the evolution of the exchange rate and inflation.

## Risk Management

- The bank's main risk is credit risk although it is also exposed to market risk due to its active position in USD.
- Asset quality is improving and levels of past due loans are low.
- Assets and liabilities are highly dollarized, as with the financial system as a whole.

Because of the nature of the bank's business activity, its main risk is of a credit nature. Market risk exposure is moderate and consists mostly of foreign exchange risk resulting from the bank's highly dollarised assets and liabilities. However, NBC's main shareholder's decision to maintain a significant open position in USD generates a high market risk and adds a volatile element to the bank's profitability.

The bank has implemented a comprehensive risk management model in order to adapt to the BCU's Minimum Management Standards for financial institutions. Accordingly, the bank set up a Comprehensive Risk Management Committee with an end to administrating the different risks it could be exposed to, including credit, market, liquidity, country, operating, compliance, and reputation risks.

**Credit Risk:** The general guidelines of the bank's credit policy are set out in the credit risk manual. This manual also includes the different levels of credit authority including all the stages from the analyst to the board of directors.

In the Personal and SME Banking units, approval is through an electronic scoring system. In Corporate Banking, loans of up to USD 500,000 are approved by a credit committee, those between USD 500,000 and USD 2 million require the approval of the general manager, and those exceeding that amount are submitted to the decision of the Board.

At December 2009, NBC's total loan book comprised 64.4% of lending to the non financial sector and 35.6% to the financial sector. These indicators reflect a significant change compared to FY 2008 (55% and 45%, respectively) as the bank reduced its exposure to financial entities in view of the sharp fall in international rates coupled to the financial crisis.

NBC's loans to the non financial sector, stated in pesos, declined by 18.4% over the last year, largely due to the appreciation of the peso since in US dollars they remained stable. It should be emphasised that 71.7% of the loan book is US dollar-denominated. Furthermore, 88.1% of the portfolio corresponded to resident loans at end-December 2009, which was considerably higher than the average for the financial system, and resulted from the bank's strategy to focus on business activities with local customers.

A breakdown of total loans shows corporate customers accounting for 45.9%, SMEs 26.8%, consumer loans 22.2%, loans granted by NBC Bank Brasil 3.3% and the remainder consists of loans to employees and others. In recent years, the bank has been seeking to increase its market share in the consumer loans segment in Uruguay and its overall share has grown (at December 2008 it was 17.6%), a tendency which should continue. In this respect, during the last fiscal years, the bank acquired several portfolios mostly in the lower-end segments. In 2009 these acquisitions totaled around UYU 371 million.

Levels of concentration in the loan book are acceptable. At December 2009, the twenty major exposures accounted for 22.8% of the total loan book, falling below the levels of the previous year (25%), which resulted from the appreciation of the peso, since the major portion of loans is US dollar-denominated, and the rise in consumer loans. The major exposure accounted for only 11.4% of the bank's equity, which reflects NBC's customer profile, where the corporate loan book is actually largely made up of medium and large companies. All these exposures' loans were current at end-December 2009 and were rated in categories 1 or 2, except for 2 customers who were rated in lower categories but whose debt was covered by liquid guarantees.

The loan-classification rules established by the BCU include subjective criteria and stress tests with stringent assumptions. This leads to a high proportion of non-performing loans falling into the riskier categories (categories 3, 4 and 5) in the case of almost all the banks. Despite this, a considerable portion of the portfolio is making timely payments, which is reflected in the substantially lower past-due portfolio (see below).

Accordingly, NBC's nonperforming-to-total loans ratio was 15.2% at end-December 2009 and, though this is still high for the reasons explained above, it has shown continued improvement over the last few years if compared to 31.6% recorded at end-December 2006. In addition, past-due loans (60 days or more overdue) also showed a positive evolution based on improved economic conditions. Nevertheless, nonperforming loans increased during 2009 due to the economic slowdown and the maturing portfolio, accounting for 2.66% of total loans at end-December 2009 (1.7% in December 2008). Despite this rise, Fitch considers that NBC's bad debt base is low in view of its retail profile. With this in mind, coupled to consumer loan growth in recent years and delinquency at historically low levels in Uruguay, Fitch believes that past due loans will increase gradually as the loans mature.

Although reserves cover 58.5% of the portfolio rated in categories 3, 4 and 5, Fitch believes this level to be adequate considering that these loans have admissible guarantees covering 54.9%, the low delinquency level of the portfolio and that total reserves represent around 8.9% of total loans (including a statistical loan loss reserve of UYU 428.6 million (USD 21.8 million). In addition, charge offs have remained at a low base (1.1% of the portfolio at December 2009).

Interbank loans were largely placed as follows: 67.1% of total loans at end-December 2009 with the BCU; 27.8% with foreign banks of high international rating; and 4.4% with NBC Bank Brasil.

NBC's security portfolio increased considerably during 2009 as a result of the bank's policy to place a large portion of its liquidity in corporate and sovereign securities of other Latin American countries seeking greater returns. At end December 2009, these were only 9.6% of assets. Uruguayan government securities represented around 39.0% of this book and 23.3% included international agencies and government securities issued by Chile, Brazil, Argentina, Peru and Colombia, and the reamaining 36.4% mainly represented private issuers of Brazil and USA. At year-end most of these assets were marked to market, with 89.6% available for sale and 9.2% for trading. It should be emphasised that the variation in market value of the securities recorded as available for sale had a positive effect on equity worth UYU 257.3 million (equivalent to USD 13.1 million) for the year.

**Market Risk:** Although NBC operates with relatively well matched currencies, currency risk is high, as it is for most of the banks, due to the highly dollarised nature of the Uruguayan economy. At December 2009, around 68.9% of assets and 72% of deposits were USD denominated, with a net asset position of USD 88.4 million, equivalent to 49.4% of the bank's equity. This position is above that of NBC's peers since, as mentioned above, it arises from the main shareholder's decision to maintain its investment in USD.

NBC's interest rate risk is fairly low, given the generally short term nature of assets and liabilities in the Uruguayan financial system, which allows for a quick adjustment of interest rates. At December 2009, 81.9% of total loans (including interbank loans) and almost all the deposits had maturities under one month.

The bank measures its portfolio interest rate risk using a VaR methodology at 99% level of confidence and a 10-day time horizon. At end-December 2009, the regulatory capital requirement on interest rate risk for the securities portfolio was USD 9 million, equivalent to only 4.4 % of equity.

## Funding and Capital

- The bank's funding is mainly through deposits.
- Good liquidity and capitalization levels.

**Funding and Liquidity:** The bank's liabilities are largely made up of non financial sector deposits, which represented 78.0% of assets at December 2009. Although these deposits declined throughout the year by 17.7% measured in pesos, in US dollars (73.1% of deposits are dollar-denominated) theyincreased by 2.1% despite having amortised the last CD installment (USD 20 million) and the return of state deposits for some USD 150 million originated at the time the bank was incorporated.

NBC's liquidity is ample. Liquid assets (cash assets, deposits with the BCU, national government securities for trading and available for sale, and interbank loans) repesented 45.4% of total deposits and short term funds. It should be emphasized that in June 2008, the BCU raised minimum reserve requirements to 25% for deposits in local currency and 35% in foreign currency (from 17% and 25%, respectively). In March 2010 the BCU returned them to their previous base.

Finally, at the beginning of 2009 the BCU eliminated the additional requirements it established for NBC since its organization and the bank's requirements were set at the same level as for the other banks. In addition, the bank had to make a 100% reserve for the payment of the CD instalments 90 days in advance, which ended with the payment of the last amortization installment.

**Capital:** NBC's capitalization is sound. At December 2009, total equity represented 13.57% of assets and 17.0% risk-weighted assets. Likewise, the bank's regulatory capital was 2.1 times in excess of the BCU's minimum requirement. These indicators are above the average for private sector banks (9.6% and 16.7%, respectively).

The bank's dividend policies contemplate a full distribution of the profits considering its ample capitalization. In this respect, Fitch estimates that the declining trend seen in the bank's capitalization ratios shall continue in the next few years, though it will be gradual and the bank will continue to show adequate capitalization.

Finally, NBC must pay a fixed dividend of 4% on 40% of its capital which was converted to preferred shares (approximately UYU 1.453 million or USD 70 million) and is still owned by the Uruguayan State. Dividends are subject to the distribution of profits and are not accumulative.

## OPINION

The Rating Committee held on April 28, 2010, has decided to confirm the following ratings of Nuevo Banco Comercial S.A.:

- Foreign Currency Long Term Issuer Default Rating: BB-.

- Local Currency Long Term IDR: BB-

- National Long Term Rating: AA(ury).

- Support Rating: 4.

The Outlook is Stable.

At the same time, the AA(ury) rating on the Certificates of Deposits was withdrawn as the certificates have been fully repaid.

**Category BB is defined as follows:**

Speculative. 'BB' ratings indicate that there is a possibility of credit risk developing, particularly as the result of adverse economic change over time; however, business or financial alternatives may be available to allow financial commitments to be met. Securities rated in this category are not investment grade

**Support Rating 4 is defined as follows:**

A bank where support is likely but not sure.

**Category AA(uy) is defined as follows:**

'AA' national ratings denote a very strong credit risk relative to other issuers or issues in the same country. The credit risk inherent in these financial commitments differs only slightly from the country's highest rated issuers or issues.

The modifiers "+" or "-" may be appended to a national rating to denote relative status within the corresponding category, and do not alter the definition of the category to which they are appended.

Lorna Martin
Attorney

## Nuevo Banco Comercial S.A.
## Income Statement

| | 31 Dic 2009 | | | 31 Dic 2008 | | 31 Dic 2007 | | 31 Dic 2006 | |
|---|---|---|---|---|---|---|---|---|---|
| | Year End USDm Original | Year End UYUm Original | As % of Earning Assets | Year End UYUm Original | As % of Earning Assets | Year End UYUm Original | As % of Earning Assets | Year End UYUm Original | As % of Earning Assets |
| 1. Interest Income on Loans | 71,1 | 1.395,1 | 6,62 | 1.424,6 | 6,63 | 1.549,7 | 6,25 | 1.272,1 | 5,41 |
| 2. Other Interest Income | 7,2 | 141,6 | 0,67 | 148,3 | 0,69 | 224,2 | 0,90 | 197,8 | 0,84 |
| 3. Dividend Income | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| **4. Gross Interest and Dividend Income** | **78,3** | **1.536,6** | **7,29** | **1.572,8** | **7,32** | **1.773,9** | **7,16** | **1.469,9** | **6,25** |
| 5. Interest Expense on Customer Deposits | 8,3 | 162,9 | 0,77 | 218,7 | 1,02 | 247,8 | 1,00 | 231,8 | 0,99 |
| 6. Preferred Dividends Paid & Declared | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 7. Other Interest Expense | 2,5 | 50,0 | 0,24 | 70,1 | 0,33 | 43,2 | 0,17 | 14,9 | 0,06 |
| **8. Total Interest Expense** | **10,8** | **212,8** | **1,01** | **288,9** | **1,34** | **291,0** | **1,17** | **246,6** | **1,05** |
| **9. Net Interest Income** | **67,4** | **1.323,8** | **6,28** | **1.284,0** | **5,97** | **1.482,9** | **5,98** | **1.223,3** | **5,20** |
| 10. Net Gains (Losses) on Trading and Derivatives | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 11. Net Gains (Losses) on Other Securities | 11,4 | 223,3 | 1,06 | 199,3 | 0,93 | 297,0 | 1,20 | 363,4 | 1,54 |
| 12. Net Gains (Losses) on Assets at FV through Income Statement | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 13. Net Insurance Income | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 14. Net Fees and Commissions | 22,5 | 441,7 | 2,10 | 392,0 | 1,82 | 332,7 | 1,34 | 311,7 | 1,33 |
| 15. Other Operating Income | 23,5 | 461,4 | 2,19 | 185,6 | 0,86 | 391,8 | 1,58 | 378,5 | 1,61 |
| **16. Total Non-Interest Operating Income** | **57,4** | **1.126,4** | **5,35** | **777,0** | **3,61** | **1.021,5** | **4,12** | **1.053,6** | **4,48** |
| 17. Personnel Expenses | 88,0 | 1.728,1 | 8,20 | 1.096,5 | 5,10 | 1.009,9 | 4,07 | 827,9 | 3,52 |
| 18. Other Operating Expenses | 44,8 | 879,6 | 4,18 | 705,2 | 3,28 | 838,2 | 3,38 | 855,9 | 3,64 |
| **19. Total Non-Interest Expenses** | **132,9** | **2.607,7** | **12,38** | **1.801,7** | **8,38** | **1.848,1** | **7,45** | **1.683,8** | **7,16** |
| 20. Equity-accounted Profit/ Loss - Operating | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| **21. Pre-Impairment Operating Profit** | **-8,0** | **-157,4** | **-0,75** | **259,3** | **1,21** | **656,3** | **2,65** | **593,1** | **2,52** |
| 22. Loan Impairment Charge | 9,0 | 176,1 | 0,84 | -32,3 | -0,15 | 39,6 | 0,16 | -170,2 | -0,72 |
| 23. Securities and Other Credit Impairment Charges | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| **24. Operating Profit** | **-17,0** | **-333,6** | **-1,58** | **291,6** | **1,36** | **616,7** | **2,49** | **763,3** | **3,24** |
| 25. Equity-accounted Profit/ Loss - Non-operating | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 26. Non-recurring Income | 0,1 | 2,3 | 0,01 | 6,7 | 0,03 | 11,6 | 0,05 | n.a. | - |
| 27. Non-recurring Expense | 0,2 | 3,2 | 0,02 | 2,0 | 0,01 | 2,3 | 0,01 | 29,1 | 0,12 |
| 28. Change in Fair Value of Own Debt | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 29. Other Non-operating Income and Expenses | -51,1 | -1.003,9 | -4,77 | 278,8 | 1,30 | -427,7 | -1,73 | -326,5 | -1,39 |
| **30. Pre-tax Profit** | **-68,2** | **-1.338,4** | **-6,35** | **575,0** | **2,67** | **198,4** | **0,80** | **407,7** | **1,73** |
| 31. Tax expense | 0,0 | 0,1 | 0,00 | 38,1 | 0,18 | 0,1 | 0,00 | 84,2 | 0,36 |
| 32. Profit/Loss from Discontinued Operations | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| **33. Net Income** | **-68,2** | **-1.338,5** | **-6,35** | **536,9** | **2,50** | **198,4** | **0,80** | **323,5** | **1,37** |
| 34. Change in Value of AFS Investments | 13,1 | 257,3 | 1,22 | -234,0 | -1,09 | -97,0 | -0,39 | -55,4 | -0,24 |
| 35. Revaluation of Fixed Assets | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 36. Currency Translation Differences | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 37. Remaining OCI Gains/(losses) | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| **38. Fitch Comprehensive Income** | **-55,1** | **-1.081,2** | **-5,13** | **302,9** | **1,41** | **101,4** | **0,41** | **268,1** | **1,14** |
| 39. Memo: Profit Allocation to Non-controlling Interests | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 40. Memo: Net Income after Allocation to Non-controlling Interests | -68,2 | -1.338,5 | -6,35 | 536,9 | 2,50 | 198,4 | 0,80 | 323,5 | 1,37 |
| 41. Memo: Dividends Relating to the Period | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| Exchange rate | USD1 = UYU19.62700 | | | USD1 = UYU24.35000 | | USD1 = UYU21.50000 | | USD1 = UYU24.40000 | |

## Nuevo Banco Comercial S.A.
## Balance Sheet

| | 31 Dic 2009 | | | 31 Dic 2008 | | 31 Dic 2007 | | 31 Dic 2006 | |
|---|---|---|---|---|---|---|---|---|---|
| | Year End USDm Original | Year End UYUm Original | As % of Assets Original | Year End UYUm Original | As % of Assets Original | Year End UYUm Original | As % of Assets Original | Year End UYUm Original | As % of Assets Original |
| **Assets** | | | | | | | | | |
| **A. Loans** | | | | | | | | | |
| 1. Residential Mortgage Loans | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 2. Other Mortgage Loans | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 3. Other Consumer/ Retail Loans | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 4. Corporate & Commercial Loans | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 5. Other Loans | 649,1 | 12.740,0 | 49,21 | 15.609,6 | 47,96 | 13.232,3 | 45,36 | 12.004,7 | 43,41 |
| 6. Less: Reserves for Impaired Loans/ NPLs | 57,8 | 1.133,7 | 4,38 | 1.232,1 | 3,79 | 1.192,5 | 4,09 | 1.361,2 | 4,92 |
| **7. Net Loans** | **591,3** | **11.606,3** | **44,83** | **14.377,5** | **44,17** | **12.039,8** | **41,27** | **10.643,4** | **38,49** |
| **8. Gross Loans** | **649,1** | **12.740,0** | **49,21** | **15.609,6** | **47,96** | **13.232,3** | **45,36** | **12.004,7** | **43,41** |
| 9. Memo: Impaired Loans included above | 98,7 | 1.937,2 | 7,48 | 2.598,1 | 7,98 | 2.133,2 | 7,31 | 3.353,2 | 12,13 |
| 10. Memo: Loans at Fair Value included above | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| **B. Other Earning Assets** | | | | | | | | | |
| 1. Loans and Advances to Banks | 330,5 | 6.486,7 | 25,06 | 4.818,4 | 14,80 | 10.535,2 | 36,11 | 8.911,0 | 32,23 |
| 2. Trading Securities and at FV through Income | 11,8 | 232,3 | 0,90 | 444,6 | 1,37 | 118,9 | 0,41 | 197,1 | 0,71 |
| 3. Derivatives | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 4. Available for Sale Securities | 115,8 | 2.273,1 | 8,78 | 1.322,8 | 4,06 | 1.326,5 | 4,55 | 3.017,2 | 10,91 |
| 5. Held to Maturity Securities | 1,5 | 29,0 | 0,11 | 36,1 | 0,11 | 196,5 | 0,67 | 220,7 | 0,80 |
| 6. At-equity Investments in Associates | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 7. Other Securities | 22,4 | 439,8 | 1,70 | 498,4 | 1,53 | 574,3 | 1,97 | 535,7 | 1,94 |
| **8. Total Securities** | **151,5** | **2.974,3** | **11,49** | **2.301,9** | **7,07** | **2.216,2** | **7,60** | **3.970,8** | **14,36** |
| 9. Memo: Government Securities included Above | n.a. | n.a. | - | 444,6 | 1,37 | 1.641,9 | 5,63 | n.a. | - |
| 10. Investments in Property | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 11. Insurance Assets | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 12. Other Earning Assets | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| **13. Total Earning Assets** | **1.073,4** | **21.067,3** | **81,37** | **21.497,9** | **66,05** | **24.791,2** | **84,98** | **23.525,2** | **85,08** |
| **C. Non-Earning Assets** | | | | | | | | | |
| 1. Cash and Due From Banks | 164,5 | 3.229,0 | 12,47 | 9.270,9 | 28,48 | 2.561,2 | 8,78 | 2.563,5 | 9,27 |
| 2. Memo: Mandatory Reserves included above | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 3. Foreclosed Real Estate | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 4. Fixed Assets | 45,6 | 894,2 | 3,45 | 872,0 | 2,68 | 854,1 | 2,93 | 737,5 | 2,67 |
| 5. Goodwill | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 6. Other Intangibles | 3,8 | 75,5 | 0,29 | 61,5 | 0,19 | n.a. | - | n.a. | - |
| 7. Current Tax Assets | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 8. Deferred Tax Assets | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 9. Discontinued Operations | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 10. Other Assets | 31,8 | 623,5 | 2,41 | 847,8 | 2,60 | 966,3 | 3,31 | 824,8 | 2,98 |
| **11. Total Assets** | **1.319,1** | **25.889,5** | **100,00** | **32.550,0** | **100,00** | **29.172,7** | **100,00** | **27.651,1** | **100,00** |
| **Liabilities and Equity** | | | | | | | | | |
| **D. Interest-Bearing Liabilities** | | | | | | | | | |
| 1. Customer Deposits - Current | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 2. Customer Deposits - Savings | 1.048,9 | 20.586,8 | 79,52 | 25.017,0 | 76,86 | 22.365,5 | 76,67 | 21.241,3 | 76,82 |
| 3. Customer Deposits - Term | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| **4. Total Customer Deposits** | **1.048,9** | **20.586,8** | **79,52** | **25.017,0** | **76,86** | **22.365,5** | **76,67** | **21.241,3** | **76,82** |
| 5. Deposits from Banks | 27,6 | 542,1 | 2,09 | 1.354,1 | 4,16 | 631,9 | 2,17 | 509,2 | 1,84 |
| 6. Other Deposits and Short-term Borrowings | 8,6 | 168,2 | 0,65 | 830,5 | 2,55 | 1.178,8 | 4,04 | 795,0 | 2,88 |
| **7. Total Deposits, Money Market and Short-term Funding** | **1.085,1** | **21.297,1** | **82,26** | **27.201,6** | **83,57** | **24.176,1** | **82,87** | **22.545,5** | **81,54** |
| 8. Senior Debt Maturing after 1 Year | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 9. Subordinated Borrowing | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 10. Other Funding | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| **11. Total Long Term Funding** | **n.a.** | **n.a.** | **-** | **n.a.** | **-** | **n.a.** | **-** | **n.a.** | **-** |
| 12. Derivatives | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 13. Trading Liabilities | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| **14. Total Funding** | **1.085,1** | **21.297,1** | **82,26** | **27.201,6** | **83,57** | **24.176,1** | **82,87** | **22.545,5** | **81,54** |
| **E. Non-Interest Bearing Liabilities** | | | | | | | | | |
| 1. Fair Value Portion of Debt | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 2. Credit impairment reserves | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 3. Reserves for Pensions and Other | 39,2 | 769,3 | 2,97 | 225,1 | 0,69 | 178,4 | 0,61 | 168,1 | 0,61 |
| 4. Current Tax Liabilities | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 5. Deferred Tax Liabilities | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 6. Other Deferred Liabilities | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 7. Discontinued Operations | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 8. Insurance Liabilities | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 9. Other Liabilities | 15,7 | 308,9 | 1,19 | 479,7 | 1,47 | 313,7 | 1,08 | 331,9 | 1,20 |
| **10. Total Liabilities** | **1.140,0** | **22.375,2** | **86,43** | **27.906,5** | **85,73** | **24.668,3** | **84,56** | **23.045,4** | **83,34** |
| **F. Hybrid Capital** | | | | | | | | | |
| 1. Pref. Shares and Hybrid Capital accounted for as Debt | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 2. Pref. Shares and Hybrid Capital accounted for as Equity | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| **G. Equity** | | | | | | | | | |
| 1. Common Equity | 185,2 | 3.634,0 | 14,04 | 3.634,0 | 11,16 | 3.634,0 | 12,46 | 3.634,0 | 13,14 |
| 2. Non-controlling Interest | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 3. Securities Revaluation Reserves | 13,1 | 257,3 | 0,99 | -234,0 | -0,72 | -97,0 | -0,33 | -55,4 | -0,20 |
| 4. Foreign Exchange Revaluation Reserves | n.a. | n.a. | - | n.a. | - | n.a. | - | n.a. | - |
| 5. Fixed Asset Revaluations and Other Accumulated OCI | -19,2 | -377,0 | -1,46 | 1.243,6 | 3,82 | 967,4 | 3,32 | 1.027,0 | 3,71 |
| **6. Total Equity** | **179,1** | **3.514,3** | **13,57** | **4.643,6** | **14,27** | **4.504,4** | **15,44** | **4.605,6** | **16,66** |
| **7. Total Liabilities and Equity** | **1.319,1** | **25.889,5** | **100,00** | **32.550,0** | **100,00** | **29.172,7** | **100,00** | **27.651,1** | **100,00** |
| 8. Memo: Fitch Core Capital | 179,1 | 3.514,3 | 13,57 | 4.643,6 | 14,27 | 4.504,4 | 15,44 | 4.605,6 | 16,66 |
| 9. Memo: Fitch Eligible Capital | 179,1 | 3.514,3 | 13,57 | 4.643,6 | 14,27 | 4.504,4 | 15,44 | 4.605,6 | 16,66 |
| Exchange rate | | USD1 = UYU19.62700 | | USD1 = UYU24.35000 | | USD1 = UYU21.50000 | | USD1 = UYU24.40000 | |

# Nuevo Banco Comercial S.A.
## Summary Analytics

| | 31 Dic 2009 | 31 Dic 2008 | 31 Dic 2007 | 31 Dic 2006 |
|---|---|---|---|---|
| | Year End | Year End | Year End | Year End |
| | % | % | % | % |
| | Original | Original | Original | Original |
| **A. Interest Ratios** | | | | |
| 1. Interest Income on Loans/ Average Gross Loans | 9,84 | 9,88 | 12,28 | 11,41 |
| 2. Interest Expense on Customer Deposits/ Average Customer Deposits | 0,71 | 0,92 | 1,14 | 1,17 |
| 3. Interest Income/ Average Earning Assets | 7,22 | 6,80 | 7,34 | 6,51 |
| 4. Interest Expense/ Average Interest-bearing Liabilities | 0,88 | 1,12 | 1,25 | 1,18 |
| 5. Net Interest Income/ Average Earning Assets | 6,22 | 5,55 | 6,14 | 5,42 |
| 6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets | 5,39 | 5,69 | 5,97 | 6,17 |
| **B. Other Operating Profitability Ratios** | | | | |
| 1. Non-Interest Income/ Gross Revenues | 45,97 | 37,70 | 40,79 | 46,28 |
| 2. Non-Interest Expense/ Gross Revenues | 106,43 | 87,42 | 73,79 | 73,95 |
| 3. Non-Interest Expense/ Average Assets | 8,92 | 5,84 | 6,50 | 6,43 |
| 4. Pre-impairment Op. Profit/ Average Equity | -3,86 | 5,67 | 14,41 | 13,21 |
| 5. Pre-impairment Op. Profit/ Average Total Assets | -0,54 | 0,84 | 2,31 | 2,26 |
| 6. Loans and securities impairment charges/ Pre-impairment Op. Profit | -111,88 | -12,46 | 6,03 | -28,69 |
| 7. Operating Profit/ Average Equity | -8,18 | 6,37 | 13,54 | 17,00 |
| 8. Operating Profit/ Average Total Assets | -1,14 | 0,94 | 2,17 | 2,91 |
| 9. Taxes/ Pre-tax Profit | -0,01 | 6,62 | 0,03 | 20,65 |
| **C. Other Profitability Ratios** | | | | |
| 1. Net Income/ Average Total Equity | -32,81 | 11,74 | 4,36 | 7,21 |
| 2. Net Income/ Average Total Assets | -4,58 | 1,74 | 0,70 | 1,23 |
| 3. Fitch Comprehensive Income/ Average Total Equity | -26,51 | 6,62 | 2,23 | 5,97 |
| 4. Fitch Comprehensive Income/ Average Total Assets | -3,70 | 0,98 | 0,36 | 1,02 |
| 5. Net Income/ Av. Total Assets plus Av. Managed Assets | n.a. | n.a. | n.a. | n.a. |
| **D. Capitalization** | | | | |
| 1. Fitch Eligible Capital/ Regulatory Weighted Risks | n.a. | n.a. | n.a. | n.a. |
| 2. Tangible Common Equity/ Tangible Assets | 13,32 | 14,10 | 15,44 | 16,66 |
| 3. Tangible Common Equity/ Total Business Volume | 13,28 | 14,08 | 15,44 | 16,66 |
| 4. Tier 1 Regulatory Capital Ratio | n.a. | n.a. | n.a. | n.a. |
| 5. Total Regulatory Capital Ratio | n.a. | n.a. | n.a. | n.a. |
| 6. Fitch Eligible Capital/ Tier 1 Regulatory Capital | n.a. | 107,65 | n.a. | n.a. |
| 7. Equity/ Total Assets | 13,57 | 14,27 | 15,44 | 16,66 |
| 8. Cash Dividends Paid & Declared/ Net Income | n.a. | n.a. | n.a. | n.a. |
| 9. Cash Dividend Paid & Declared/ Fitch Comprehensive Income | n.a. | n.a. | n.a. | n.a. |
| 10. Net Income - Cash Dividends/ Total Equity | n.a. | n.a. | n.a. | n.a. |
| **E. Loan Quality** | | | | |
| 1. Growth of Total Assets | -20,46 | 11,58 | 5,50 | 11,70 |
| 2. Growth of Gross Loans | -18,38 | 17,97 | 10,23 | 16,72 |
| 3. Impaired Loans(NPLs)/ Gross Loans | 15,21 | 16,64 | 16,12 | 27,93 |
| 4. Reserves for Impaired Loans/ Gross loans | 8,90 | 7,89 | 9,01 | 11,34 |
| 5. Reserves for Impaired Loans/ Impaired Loans | 58,52 | 47,42 | 55,90 | 40,59 |
| 6. Impaired Loans less Reserves for Imp Loans/ Equity | 22,87 | 29,42 | 20,88 | 43,25 |
| 7. Loan Impairment Charges/ Average Gross Loans | 1,24 | -0,22 | 0,31 | -1,53 |
| 8. Net Charge-offs/ Average Gross Loans | 1,16 | 0,64 | 1,12 | 0,00 |
| 9. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed Assets | n.a. | n.a. | n.a. | n.a. |
| **F. Funding** | | | | |
| 1. Loans/ Customer Deposits | 61,88 | 62,40 | 59,16 | 56,52 |
| 2 . Interbank Assets/ Interbank Liabilities | 1.196,67 | 355,85 | 1.667,33 | 1.749,95 |