

Annual Report and Balance Sheet





Board of Directors

Mr. Ernest George Bachrach, MBA
Chairman

Mr. Juan Pablo Zucchini, MBA
Vice-Chairman

Dr. Matías Eduardo Campiani
Director

Mr. Mario Fernández, MBA
Director

Mr. José Petrocelli, CPA
Director

Mr. Juan Carlos Torres, M.S.
Director

Mr. Gualberto de León
Director

Mr. Nicolás Sujoy Spiguel, MBA
Director

Mr. Roelf Pieter Eemsing
Director

Executive Staff

Mr. José Fuentes
General Manager

Mr. Horacio Corregge, CPA
Assistant General Manager

Mr. Luis Álvarez, CPA
Controller

Mr. Juan José Baluga, CPA
Finance Manager

Mr. Daniel Leoncini
Corporate Banking Manager

Mr. Alejandro Conforte
International Business and
Financial Entities Manager

Mr. Marcelo Porteiro
Consumer Banking Manager

Mr. Gerardo Sansberro
Credit Cards Manager

Ms. Ivonne Casulo, CPA
Marketing Manager

Mr. Javier Liberman, MBA
Risk and Asset Recovery Manager

Mr. Carlos Tagliaferro, Notary Public
Asset Recovery Manager

Mr. Sergio Burdin
Operations and Systems Manager

Dr. Pablo Varela, Attorney-at-Law
Legal Affairs Manager

Mr. Guillermo Gadola, CPA
Human Resources Manager



Letter from the General Manager





Dear Shareholders,

In compliance with the legal and statutory provisions in force, I am pleased to submit to your consideration the Annual Report, Financial Statements, Audit Committee Report and other documents pertaining to the 7th fiscal year ended as of 31 December 2009.

In the course of the past year we have advanced toward our goals, consolidating our position as a universal bank in every segment we operate in.

While heavy investment has affected the financial results for this period, it has helped strengthen our position and consolidate our leadership in those sectors we have defined as strategic, thus paving the way to the dramatic growth we have set out to achieve.

In 2009 the banking industry faced a challenging global scenario. Indeed, at the beginning of the period there was great uncertainty as to the potential impact of the crisis hitting international markets. At the local level, it translated into a decline in the overall activity of the bank, which only recovered in the second half of the year.

While declining interest rates worldwide and a higher exchange rate, added to heavy investment, did not undermine the financial soundness of our institution, they did affect the financial results for this period.

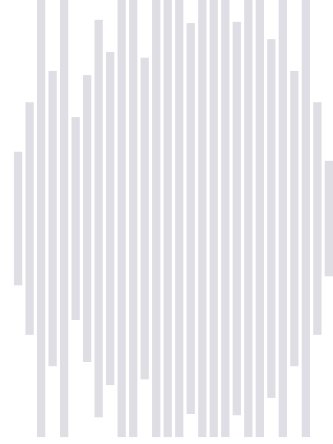
In the area of Consumer Banking several milestones reflect our remarkable performance throughout the year. We have successfully implemented the new service model at all of our agencies and have deepened our alternative channels strategy, so as to come closer to customers. In addition, we have continued to expand our automated terminal and teller machine network with 83 ATMs in operation and new functionalities at our Contact Center. From the commercial point of view, we have launched new products and conducted numerous campaigns, further deepening our relationship with Pronto! as a way to indirectly capture new customers. The Home Loan Centre has had a remarkable performance, exceeding the targets set. All of the actions and initiatives described above have made it possible to record exceptional growth in our consumer credit portfolio, which rose by more than 50%, and also in individual deposits, which increased by more than 20%.

As regards Small- and Medium-sized Enterprise Clients, we were honoured to have their preference and constant support. As a result, we continued to grow in terms of deposits and loans, number of clients and range of services provided, especially in the second half of the year. The different products launched and the various agreements reached have further reinforced our strategic position in this segment.

We would like to thank our Corporate Banking clients, who have chosen us as their strategic partners by entrusting us with the management of their cash flow, payroll and accounts payable, as well as with the assistance in their foreign trade transactions, having in turn increased their deposits in our Institution.

We have also maintained our leadership in the Credit Card business. Indeed, we have renewed long-term agreements with our main strategic partners as a way to ensure our market share in the long run. The successful marketing and card sales campaigns, as well as the agreements signed with prestigious business enterprises have helped us maintain a leading position in this business area.

Beyond any doubt, we have achieved all of the above by adopting a sound, consistent strategy primarily based upon risk management and a risk-awareness culture at the organizational level.



Throughout the business year, we have enhanced our integral risk management model which, in addition to adequate management of credit risks, includes measuring, monitoring and addressing market and operating risks.

We have also engaged in the final stages of AVANZA, a strategic project designed to transform the organization's culture and processes. We expect to complete all stages of the project, including the implementation of the computerised modules, in the first half of 2010.

Our efforts have not gone unnoticed. For the third consecutive time, Nuevo Banco Comercial has been named "Best Bank in Uruguay" by the prestigious specialised magazine Euromoney, an award we deeply appreciate.

Other milestones include the repayment of the remaining USD 534 million on the Certificates of Deposit issued in 2003, and the payment of USD 145 million to our State shareholder, the Ministry of Economy and Finances and the Bank Asset Recovery Funds for the deposits held in our Bank. All of the above payments were made within the framework of a strict financial management structure which allowed us to maintain adequate liquidity ratios.

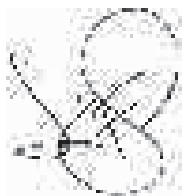
Finally, during the month of December more than 100 employees adhered to an early retirement plan that entailed a great financial effort on the part of our Institution (USD25 million).

The successful implementation of this plan ensures the Bank's sustainability in the medium term, as it promotes operational efficiency, better career opportunities for the personnel currently working for the Institution, and the possibility to hire young, highly-qualified professionals in whose hands lies the future of our Bank.

I would like to express our gratitude for the continued trust of our clients, who allow us to play a major role in their projects; we also deeply appreciate the support we receive from our suppliers, our corresponding banks, other domestic and foreign financial entities and the authorities of the Central Bank of Uruguay.

Finally, in my own name and on behalf of the Board of Directors, I wish to acknowledge the loyalty, high ethical standards, cooperation and professionalism of the Bank's personnel in performing their duties.

Sincerely,



José Fuentes
Chief Executive Officer



Letter from the Board of Directors





Montevideo, 26th March 2010

Dear Shareholders,

In compliance with the provisions in the Articles of Association, we hereby submit to your consideration the Annual Report and Balance Sheet for the fiscal year ended as of 31 december 2009.

During this period Nuevo Banco Comercial continued to consolidate as one of the leading private banks in the Uruguayan financial system. We invested heavily in process and systems enhancement. In addition, we successfully implemented an early retirement plan, which will result in 108 employees retiring in the course of 2010.

The Bank continued to grow sharply in terms of both deposits and loans, reinforcing its risk management culture, maintaining adequate liquidity ratios and implementing critical cultural, commercial and technological changes within the framework of the Avanza Project.

We continued to focus on the Small and Medium-sized Enterprise and Personal Banking segments, with special emphasis on transactional banking. The credit and deposit portfolios in these segments increased sharply; we launched new products, conducted numerous campaigns and entered into long-term agreements with strategic partners.

During 2009 we carried on with the process of continuous enhancement of the corporate governance model. Below are the committees (Board Committees) our members actively participate in:

- Audit Committee
- Compliance Committee
- Risk and Credit Committee
- Human Resources Committee
- Finances Committee
- Integral Risk Management Committee

As far as the Bank's management model is concerned, we carried on with the implementation of cultural, process and IT application changes within the framework of the Avanza Project.

During the fiscal year ended in December 2009 the Bank fulfilled the following tasks:

1. Main developments in the Topaz Banking and Telesoft eCRM systems.
2. Development of the programs needed for the migration of the data in the current systems.
3. Development of various migration simulation and cut over activities.

At the closing of the financial year 2009, we are in the process of testing the entire system, all of its functionalities and their interaction with the various channels, and are also conducting actual operation simulations and cut over activities.

We expect to begin to operate the core banking systems Topaz Banking and Teleport eCRM (for the Default Management and Judicial Collection modules) in the first months of 2010, and will subsequently engage in the production of Pay Ware CMS and Oracle Business Intelligence.

The fiscal year's economic and financial results are summarised by the following indicators:

| Figures in USD million | | |
|-------------------------------|-----------------|-------------|
| | December | |
| | 2009 | 2008 |
| Total Assets | 1.344,5 | 1.360,7 |
| Total Liabilities | 1.165,4 | 1.170,0 |
| Net Worth | 179,1 | 190,7 |
| Profit & Loss Result | -68,2 | 22,1 |

The accrued result as of December 2009, a loss of USD 68.2 million, can be explained by the following:

- Loss on currency exchange position: USD 20.5 million
- Inflation: USD 20.9 million
- Implementation of the early retirement plan: USD 24.9 million
- Liquidity at the end of the fiscal year reached USD 631 million, equivalent to 47% of total assets. The 30-day liquidity ratio (liquid assets over non-financial sector deposits) was 55%.
- Deposits from the non-financial sector reached USD 1049 million, representing an 11.3% market share in the private financial system.
- Total loans to the non-financial sector reached USD 623 million, accounting for a 15.6% market share.
- In terms of portfolio quality, while indicators remained basically stable, they improved as a result of the Bank's strategy to concentrate on the SME and Consumer sectors. Thus, the non-performing loan portfolio stood at 2.51%.
- During the fiscal year, the certificates of deposits were fully paid off.
- The Bank paid USD 145 million to the Ministry of Economy and Finances and the Bank Asset Recovery Funds, within the framework of the orderly withdrawal of the deposits the above institutions kept in the Bank.
- The subsidiary in Brazil recorded a loss of R\$ 5.2 million (USD 3.0 million) this year, as a result of the settlement of a dispute with the Receita Federal, which had started in 2004.

The Board of Directors wishes to thank all the employees of the Bank for their contribution to the achievement of our goals, and also the members of the Audit Committee for their professionalism in the fulfilment of their duties.



Ernest G. Bachrach
Chairman



Annual Report 2009





Introduction

Introduction

Founded in 2003 by the Uruguay State, Banco Comercial was acquired on 1 June, 2006 by a group of investors comprising Advent International (56%), Morgan Stanley Strategic Investment (24%), DEG (Deutsche Investitions- und Entwicklungsgesellschaft mbH) (10%), and FMO (Financierings-Maatschappij voor Ontwikkelings-landen N.V. (10%).

The Uruguayan State owns 100% of the preferred shares, which account for 40% of the Bank's total paid-in capital.

Since then, it has consolidated as one of the leading private banks in the Uruguayan financial system. It boasts the best liquidity and solvency indicators in the private sector, and its shareholders' equity amounts to 2.1 times the minimum required under Central Bank regulations.

Banco Comercial operates as a universal bank and offers a wide portfolio of financial products and services to over 320 thousand clients, 11.5% more than the previous year.

It boasts the largest financial services distribution network in the private sector, consisting of 50 agencies throughout all 19 departments of Uruguay and covering the main and most representative neighbourhoods in the capital-city of Montevideo.

In addition, Banco Comercial offers its clients online banking through NBCNet and telebanking with Interactive Voice Response (IVR) dedicated phone number 1991, further including personalised operator-managed services.



Corporate Governance

At Nuevo Banco Comercial S.A. we are strongly committed to the transparency of our business. To that end, we have promoted the establishment of sound governance practices with all necessary safeguards to protect the interests of our clients, employees and shareholders. We have thus defined several instances designed to monitor and promote the internal control environment and ensure compliance with the regulations in force.

In line with this practice, our Board of Directors is made up of independent professionals with proven expertise in the banking business.

The duty of the governance body is to establish Banco Comercial's strategic and operating goals with a view to achieving the entity's purposes through the application of the best organizational practices in the industry.

We shall now proceed to describe our corporate governance's purposes, its main committees and their respective duties.

Specific Purposes

- To clarify the importance of observing high corporate governance standards;
- To clarify and supplement regulations as regards the definition of the roles and duties of those involved in the management and oversight of Banco Comercial;
- To clarify the inter-relations existing between such individuals and specify the necessary information flows;
- To define an operating pattern and meetings schedule that is both efficient and effective;
- To illustrate the operating pattern of the management and oversight team through the mediation of committees.

The above purposes are designed to achieve excellence through a pattern that is:

- Efficient
- Effective
- Transparent

The implementation of this corporate governance system has both external and internal effects on Banco Comercial's operation and dynamics.

External Effects

- We ensure that Banco Comercial is managed on the basis of sound business criteria.
- We enhance our appeal for both investors and lenders;
- We build the credibility that is necessary for shareholders, society at large and clients to support and trust Banco Comercial's management.

Internal Effects

- We ensure an efficient and effective control system.
- We ensure that the General Manager will centralise managerial power over all areas of the organization.
- We promote a result-based culture where indicators are monitored.
- We instil transparency, efficiency and effectiveness criteria into the organization.

In our opinion, corporate governance excellence should help define:

- a pattern where the roles and duties of all management members are clearly defined;
- a control pattern that will ensure that all rules and regulations in force will be duly complied with.

We shall now describe the main issues considered in order to define the roles and duties of the committees involved.

Strategy and Planning

- Defining and implementing the business strategy;
- Designing and approving business plans and budgets

Business Management

- Defining deposit-raising policies and management;
- Defining business policies and management;
- Defining loan approval policies and management;
- Defining investment and balance sheet policies and management (Asset and Liability Management Committee, ALCO);
- Defining procurement policies and management;
- Defining human resources policies and management;
- Defining operating policies and management;
- Defining branding policies and management

Business and Results Monitoring

- Defining the key indicators to be monitored;
- Overseeing and controlling the development of the business;
- Managing the communication of results

Board Management

- Approving the agenda
- Monitoring Banco Comercial's corporate governance;
- Monitoring the internal control system;

Management Performance

- Designing key performance indicators;
- Assessing performance;

Audit and Compliance Committees

- Controlling and designing compliant processes;
- Controlling the implementation of ethical standards and values;
- Coordinating internal and external control duties;
- Overseeing the ongoing updating of and compliance with the Manual to Prevent and Control Asset Laundering and the Code of Business Conduct in line with the changes introduced to the applicable rules and regulations in force and Banco Comercial's business practices.

External Relationships

- Defining external relationship policies;
- Defining communication channels;
- Implementing communication strategies.

We shall now describe the committee structure established by Nuevo Banco Comercial to effectively fulfill the Board's duties:

Audit Committee

- Overseeing the operation of the integrated internal control system and evaluating its quality;
- Evaluating the working and reporting quality of the Internal Audit staff;
- Examining the comments submitted by the Internal Audit staff;
- Evaluating and approving remedial actions;
- Coordinating the internal and external control functions having inter-connected effects on Banco Comercial;
- Approving the Internal Audit Area Plan, examining the External Audit Plan, and engaging in their follow up;
- Preparing reports to the Board of Directors at least every two months;

- Keeping fluent communications with external auditors, overseeing their independence, and approving the appointment of external auditors and the determination of their remuneration;
- Ensuring compliance with all regulations issued by the Central Bank of Uruguay (Banco Central del Uruguay, "BCU").

Compliance Committee

- Coordinating the tasks of the sectors where situations deserving special consideration may arise, striving to enhance the implementation of mechanisms designed to prevent asset laundering;
- Examining the remarks issued by the Board of Directors;
- Evaluating and approving remedial actions;
- Preparing reports to the Board of Directors at least every two months;

Risk and Credit Committee

- Approving risk management policies;
- Defining general lending policies;
- Approving any amendment to the Lending Manual;
- Approving loans exceeding USD 2 million within 48 hours following their approval by the Management Lending Committee.

Human Resources Committee

- Considering and motioning general human resources policies;
- Motioning appointments and designations of first-line managers;
- Motioning appointments for management positions and equivalent first-level positions;
- Examining and considering the performance evaluations submitted by the General Manager for first-line managers;


- Monitoring goal definition and performance evaluation processes for first-line managers;
- Considering and motioning remuneration and incentive plans;
- Submitting to the Board of Directors the Committee's findings at its meetings.

Finance Committee

- Considering and motioning Asset and Liability Management (ALM) policies and ceilings;
- Motioning ceilings for:
 - Investments in domestic securities and assets for trading, sales, and investment;
 - Positions in foreign securities and assets involving different issuers and risks;
 - Break-even position in foreign currency designed to cover the shareholders' equity;
 - Mismatching levels for different risks (rates, prices, currencies, liquidity).

Integral Risk Management Committee

- Approving integral risk management policies and procedures;
- Approving risk exposure ceilings;
- Approving mechanisms to implement remedial actions and for those special cases or circumstances where both global and specific risk exposure ceilings may be exceeded;
- Examining on half-yearly basis the development of risk exposure ceilings for each risk type and, at least on annual basis, the purposes, guidelines, policies, and operating and control procedures underlying Banco Comercial's integral risk management;
- Assessing on half-yearly basis the risk exposure assumed by Banco Comercial and its possible negative impacts, as well as any deviation from the predetermined risk exposure ceiling and risk tolerance level;
- Ensuring Management takes the necessary action



to manage each risk pursuant to the above mentioned strategies and policies and has all necessary resources available to such effects;

- Obtaining the information that may be necessary to oversee Management's performance in this connection;
- Submitting to the approval of the Board of Directors Management's annual report on the integral management of risks as required under Section 36.3 of the Compilation of Rules for the Regulation and Control of the Financial System (Recopilación de Normas de Regulación y Control del Sistema Financiero, RNRCSF”).



Branding and Positioning

In 2009 we set out to be a multi-channel bank, according to the latest trends in customer and bank dynamics, and focused on the achievement of this objective.

To that end, we relied on:

- The 80 automated teller machines the Bank operates across the country through the Banred ATM network.
- The 24-hour service areas at the lobbies in our agencies and branches throughout the country
- The self-service support teams at every agency
- The 1991 Comercial Aló hotline offering personalised customer service and IVR
- The e-bank services provided through our Internet Agency.

We have developed activities designed to promote the use of alternative channels, with a view to providing more and better services to our own Clients and the general public.

To assess the results of the actions aimed at portraying the Bank as a modern, transactional financial institution, this year we conducted yet another branding and positioning survey.

According to the findings of the above annual survey, Banco Comercial continues to be perceived as a modern bank that provides good services and offers a wide range of quality products, and as the bank of choice for operating, especially among individuals and SMEs.

Some of the strengths described include:

- The employees display efficiency, willingness to assist Clients and deep knowledge of the products and services offered by the Bank.

- It is a modern, high-tech bank where Clients can operate fast, taking advantage of self-service.
- Alternative channels: the ATM and self-service terminal network throughout the country, Home Banking and the Contact Center are greatly appreciated by customers as they facilitate efficient access to the Bank's services.

For Clients, the Bank's greatest asset consists of the streamlined day-to-day operations; during the second half of 2009, the effort to switch from the traditional customer service to the alternative channels was a resounding success. During this campaign, Clients were informed about the advantages of such channels, which allow them to operate faster and for an extended period of time.



The End of Fiscal Year 2009

The end of fiscal year 2009

The following indicators summarise Nuevo Banco Comercial's soundness and main strengths as of the end of the fiscal year:

| | |
|-------------------|---------------------|
| Total Assets | USD 1,344.5 million |
| Total Liabilities | USD 1,165.4 million |
| Net Worth | USD 179.1 million |

2009 has been a very special year for our Institution. Indeed, while some milestones have had an impact on P&L figures, they have laid the foundations for many years of success.

One of the first milestones was the early repayment of the last of the 24 instalments of the certificates of deposit issued at the time the Bank was established. By doing so, we honoured the commitment we had assumed in 2003 toward depositors and the Uruguayan society. Moreover, this was the starting point of a new stage in the history of our institution. Based on heavy investment in technology, the structure of the Bank has been brought up to date, so as to place it in an unbeatable competitive position.

We have one of the largest current portfolios of loans to the non-financial sector in the Private Banking industry, amounting to USD 623 million (USD 29 million more than the previous year). The Bank leads the market in Consumer Banking, Credit Cards and SME Banking, the three strategic business segments we have focused on over the past three years.

We have captured resources in instalments and in suitable currencies to finance the wide range of products we offer our Clients. We have continued to widen our customer base in assets and liabilities. In the latter case, we obtained new resources for USD 40 million directly from Clients.

In addition, we have worked with multilateral credit institutions and institutional investors. As a result, we have widened our correspondent base and obtained new resources in the medium and long term for trade and working capital.

NBC's USD 179.1 million net worth is one of the greatest in the private financial system and 110% above the minimum required under Banco Central del Uruguay regulations, and represents the best ratio in the Uruguayan private financial system.

The transaction level continues to increase year after year, and further translates into a 33% rise in net commissions in the year 2009.

We would like to point out that, in the first months of 2010 we expect to implement the technological changes we have been working on. Such changes will have a strong impact on the quality and efficiency of customer service by improving processes and control mechanisms within the system itself.

In addition, we will have a Business Intelligence and Planning tool for obtaining information on Clients' transactions and operations, so as to take decisions based on comprehensive, up-to-date data.

We have also invested in our people, offering career development opportunities to the younger employees while ensuring a fair retirement for those who have worked with us for many years.



Business Report

International Banking

As expected, 2009 was an extremely difficult year for the international economy. The financial crisis of 2008 was followed by recession in the world's principal economies and the spill-over of its effects on emerging countries.

Faced with this situation, we continued to apply a highly conservative policy with regard to both the Bank's assets and its liabilities.

During the first half of the year we continued the policy adopted in late 2008 with regard to diminishing the Bank's exposure in companies in Brazil. We endeavoured to collect on credit extended to client companies and did not add any new Brazilian clients to our books.

This led to a reduction of the Brazilian portfolio on the Bank's books from USD 30 million in early 2009 to USD 15 million at the end of the year.

With regard to placements, we continued to act cautiously in the face of risks which involved our correspondent banks. We implemented constant checks of lines and risks assumed, favouring safety over profitability.

In the same conservative vein regarding international financial and economic events, we sought to broaden our liabilities base with lines of credit with solid institutions willing to establish a lasting relationship.

Thus, over the course of 2009 we were able to establish:

- A trade line for USD 20 million with IDB
- A long-term working capital line for USD 15 million with DEG
- An AB-long line for USD 16 million with IIC

- A credit extension of up to USD 25 million with Commodity Credit Corporation
- A quota of USD 5 million with EDC

These lines are in addition to those of our correspondent banks and cover our needs with regard to foreign trade, guarantees and liquid assets.

In our opinion, the international and regional situation appears to be calmer and more predictable in 2010, and we shall therefore be able to resume active trading, in keeping with our strategy.

Corporate Banking

This Banco Comercial business unit specialises in providing advice, services, and funding to large domestic, multi-national, and public-sector commercial, industrial, and service companies, as well as to agricultural undertakings, agribusinesses, and cattle-breeding establishments.

Throughout FY 2009 we continued to follow up and monitor the profiles that had been established during the negotiations for the portfolio and assets acquisition which resulted in the organisation of the Bank.

In this respect, we should point out that we obtained excellent results in terms of collections under existing payment agreements, with a high level of performance, which is reflected in our low non-performing loan rates.

The streamlined portfolio containing certificates of deposit issued by Banco Comercial as security was paid off in full as the redemption process for the certificates of deposit was concluded.

We continued to extend and grant new credit lines to the productive sector, with a strong emphasis on the funding of exporters, agribusinesses, industrial

companies, meat-packing industries and logistics companies, leaning particularly towards the funding of reciprocal commercial relations in which the Bank's services are put to use and which display healthy profitability indicators.

In this regard, we started by raising our lending rates, thus favouring profitability over volume, and reducing our involvement in the funding of those corporate relationships which only borrow funds at strongly preferential rates and eschew any reciprocity in business.

This policy redounded in a greater level of reciprocity and, essentially, in the significant increase of corporate deposits. Following the outbreak of the financial crisis in the northern hemisphere in the final quarter of 2008, we strengthened our strategy of extreme prudence with a strong emphasis on our development pillars, based on the attention we devote to RISK, LIQUIDITY, and PROFITABILITY.

We continued to increase our participation in the agricultural and agribusiness sector, providing funds during the sowing and harvesting seasons and the subsequent sale of crops on local and foreign markets. In the opportunities afforded by the continued growth of the warrant system, producers and/or traders have found a tool which they can use to sell their produce out of season.

We retained and broadened our significant portfolio of products and funding lines for foreign trade, working capital and fixed asset investments, but above all, we showed sufficient flexibility to design solutions through made-to-measure products which meet the specific needs of our clients.

SMEs Banking

Improved expectations with regard to the global economy has, in the last few months, led to a reversal of the flight to quality which occurred in late 2008, causing the weakening of the dollar worldwide.


In Uruguay, this process led to a drop in the rate of exchange while at the same time export prices continued to be relatively high in historical terms. Together with the outlook for a faster and more energetic recovery of the Uruguayan economy, our currency underwent additional upward-tending pressures, all of which caused Small and Medium Enterprises to continue to be the driving force of the country's economy and thus, the principal source of jobs in Uruguay. A reduced variation of the unemployment rate was observed throughout the year.

In 2009 we focused on strengthening relations with our clients by providing comprehensive services which make it possible for Small and Medium Enterprises to grow. We also provided the personalised service which is our distinguishing characteristic, as well as alternative channels in order to increase the volume of transactions and enable us to improve our competitiveness and increase profitability.

During FY 2009 we increased the number of Cuenta Plus (Plus Accounts for SMEs) clients by approximately 20%, with a growth in placements of USD 15.6 millions and an increase of deposits of USD 41.9 millions.

It should be noted that we have developed significant reciprocal activity (deposits-placements) amongst our SMEs clients, leading to a ratio of 182%; an increase of 5.3% with regard to the previous year.

In the area of communications, Cuenta Plus SMEs was our lead product in terms of advertising campaigns,



since it contains all the necessary tools to satisfy that segment's main needs.

With a view to strengthening relations and adding to the comprehensive services we provide, we entered into a series of agreements with companies for the financing of suppliers and other costs. We also took part in several shows and exhibitions including, in particular, the Rural del Prado (the main agricultural fair in Uruguay) which enabled us to reaffirm the Bank's presence within the agricultural sector.

Finally, the participation of Banco Comercial in the new National System of Guaranties should be noted, as the Bank has played a significant role in this system, which was developed and administered by the National Corporation for Development.

Personal Banking

Despite a noticeable slow-down between January and March 2009, Uruguay was able to avoid the recession, as evidenced by the growth of GDP during the second quarter. As in recent years, the Uruguayan economy expanded during the past financial year. Private spending continued to be a basic element in the growth of our economy and leveraged the demand for consumer loans.

Our product Crédito Instantáneo Sí! (Instant Credit), used at the level of both our agency network and our direct marketing campaigns, is still one of our star products in our efforts to meet the demand for credit by Uruguayan families. A great deal of work was put into strengthening Client-Bank relations through widespread cross-selling campaigns. For example, payroll client accounts constituted one of the campaigns' focus points, as it is one of the principal forms of instilling banking habits in the general public. Credit for a total of USD 2.5 million was placed in this way.

Regarding our Loans for Car Purchases product, agreements were entered into with the representatives

of the principal vehicle manufacturers for reduced-rate financing. We also continued to implement Compra Inteligente (Smart Purchase), a leasing arrangement for individuals which had been launched very successfully in the previous year.

House loans constituted a major business focus for the Bank. Our Service Centre for Real Estate Transactions, a specialised department working to a more extended schedule, was firmly established as an advisory centre for the general public, leading placement growth in this sector with 200 loans for a total of USD 6.5 millions. Deposits continued to grow, as in previous years; 5,226 new accounts were opened and our balance increased by USD 68.7 millions.

In addition, in the second quarter we launched our Cuenta Ahorro Plus (Savings Account Plus), which focused on meeting a market need which had been detected for deposits greater than USD 10,000. Clients who are looking for liquidity and profitability can use this product, which pays a higher than usual interest rate, on the condition that funds are not touched for a period of 90 days. Should the funds need to be withdrawn before that term, an at-sight transaction market rate is paid in compensation. The Cuenta Ahorro Plus has become one of our most attractive products, and has achieved a good rate of placement.

Finally, as in previous years, our Cuenta Plus and payroll accounts were our star products as regards attracting deposits, and the benefits offered by Cuenta Plus (car assistance, theatre and cinema tickets, basketball and football seats) still constitute a major selling-point in the market.

Private Banking - Investments

Financial markets over the course of 2009 continued to stabilise after the crisis unleashed more than a year

earlier. In this scenario, the North American economy continued to strengthen slowly but surely, confirming forecasts which saw a strengthening of the dollar against the euro.

Despite low rates throughout the year, both in Europe and in the United States, as the risk of a worsening worldwide crisis receded, we began to perceive a growing eagerness for investments in the capital market.

With a view to increasing business volume and expanding our services to other areas of the city, we reinforced the structure of our Investment Centres, adding the Tres Cruces Investment Centre and the Plaza Varela Investment Centre to those already operating.

With regard to financial instruments issued by third parties, we achieved a growth of 12% from the close of the previous financial year (December 2008), and a similar growth of 13% in deposit accounts.

In general terms, we achieved excellent results with regard to transactions: we traded for a total volume of USD 95 million, exclusively with clients.

Despite being faced with a scenario of low returns, we maintained a firm policy with regard to commissions for services and achieved a net growth of 16% compared to the previous financial year.

One of the Bank's main focus points was complying with the new regulations for business transactions which came into force in the middle of the year. In this respect, we not only reviewed all of our processes in order to bring them into line with the new requirements, but we also certified all of our staff in this field, through the Certificate in Investment Consultancy programme (CAI, for its acronym in Spanish), held at the University of Montevideo.

Agricultural Business

During FY 2009 we continued our policy of serving the agricultural sector, in view of its significant role as a generator of wealth in the primary sector of this country's economy.

Producers in all of the country's agricultural sub-sectors found a major source of support in the Banco Comercial, both for their credit transactions and for the sale of their products.

In this respect, the Bank provided a package of credit lines for crops, livestock and dairy farming which together with its traditional financial services constituted the profile for the "tool" which the Bank offers this sector every year.

The Bank participated actively in several landmark commercial events involving the agricultural sector.

The Aberdeen Angus Gala: this auction was held in the Montecarlo Room of the Conrad Hotel and sponsored by the Bank. This was the event's fifth year and it has become a point of reference for Aberdeen Angus breeders and for the sector, due to the high genetic quality on offer. The best of the breed in the region (Argentina and Brazil) take part in this event.

Expoactiva: the Bank had a stand at this annual exhibition of agricultural machinery and supplies in which state-of-the-art agricultural technology is on show. We received clients who participated in the exhibition and sponsored conferences by well-known specialists.

Expo Prado 2009 (the main agricultural fair in Uruguay): We supported the Asociación Rural del Uruguay (the Agricultural Association) once again in its traditional agricultural show. We took part with a stand and as



administrators of the sales held during the show we received visits from clients from all over the country.

This agro-industrial and commercial show was visited by over 400,000 people during the ten days it was open and the best of all breeds participated. Farmers and stockbreeders of all of the animal breeds visited our stand on the show's main thoroughfare. Business deals were struck and members of the agricultural press were entertained.

Stockbreeders' Auction Season: October and November saw the Bank taking an active part in the cattle auctions held at that time of the year. The major stockbreeding ranches in the country sell their bulls every season and our Bank has kept its leadership with regard to the administration of auctions.

Auction Administration: Banco Comercial administered a significant number of cattle and machinery sales during FY 2009. Farmers at a great many local fairs throughout the country were able to use the Bank's services to sell their cattle. We offered our financial tools to both buyers and sellers in order to facilitate their business deals.

The on-screen cattle sales carried out by the Lote 21 consortium should be noted; they reached their 39th auction with a very positive volume of sales. Their auctions continued to be held at the Maroñas racecourse and were broadcast live to twenty telecentres throughout the country.

Credit and Debit Cards

1. American Express Club Card Launched

In November, American Express, Tienda Inglesa and Banco Comercial joined forces in order to issue a new credit card: American Express Club Card.

In addition to participating in the Puntos de Club Card (points obtained by using a credit card) loyalty programme with purchases made in Tienda Inglesa (a leading up-market supermarket chain in Uruguay) and other retail outlets, users gain access to the recognition and benefits obtained through American Express, as well as a wide variety of exclusive benefits.

With this alliance, American Express and Banco Comercial have strengthened their commitment and expansion in the credit card market in this country, and provided a high-value plan for their members and affiliated businesses.

2. Local Launch of the American Express Selects Incentives Programme

American Express Selects is a global platform with special offers, which American Express has developed for its cardholders in over 60 countries, including United States, Canada, Europe, Latin America and the Pacific area, and now, Uruguay, through Banco Comercial.

The programme has been carefully designed in order to reward valuable American Express members for using their card, both in Uruguay and abroad. American Express Selects is an innovative high perceived value proposal which contains a wide variety of offers involving travelling, restaurants, entertainment and shopping, amongst others.

3. Development of Incentive Campaigns together with Businesses

Banco Comercial credit cards – Visa, American Express and MasterCard – have continued to offer their cardholders a large variety of benefits in many different areas through high-level commercial agreements.

These benefits for cardholders have been achieved

through direct communication with our clients and through the mass media, which has enabled us to continue strengthening “las Tarjetas del Comercial” (“Comercial Credit Cards”) and its claim “Querer es poder” (“Where there's a will there's a way”).

4. Contracts Renewed with Montevideo Shopping and Shopping Tres Cruces (shopping malls)

We renewed our contracts with two of the principal shopping malls in the country and extended them for a further five years. This renewal is evidence of their interest and their commitment to developing activities and projects which aim at customer loyalty, through Banco Comercial credit cards.

5. Contract Renewed with Tienda Inglesa

After working together as strategic partners for thirteen years, Banco Comercial and Tienda Inglesa renewed their contract for the Puntos de Club Card prizes programme until 2027. This renewal reaffirms the trust which binds our two companies.

Branch and Agency Network

During FY 2009, our Agency Network continued to participate actively with regard to business volume and transactions based on the financial services we offer.

Despite the slow-down caused by the international crisis, the network was able, nonetheless, not only to maintain its level of business but also to grow, both in placements and deposits. We maintained all levels of Banco Comercial's multi-product approach and aimed to meet the needs of the different areas of the country's economy both with our products and with our services.

In general terms, and on the basis of our Agency Network, we consolidated our leadership with regard to

serving Small and Medium Enterprises (SMEs) financially and we also continued to meet the requirements of our family clients.

We maintained our Agency Network both in the interior of the country and in Montevideo.

Our agencies implemented specific commercial activities in accordance with the strategy determined by our Board of Directors.

Network Management was responsible for the structure established on the basis of our New Business Management Model, which divided the network into two regions and four zones in order to improve its administration.

FY 2009 was a year of consolidation with regard to both the Business Management Model and the various services the agencies offer on the market.


Consolidation of the Agency Service Model

We reported that during 2008 we carried out all of the lay-out changes in our Agencies as well as the roll-out of the whole network with regard to services logistics.

During FY 2009 we implemented the service model with regard to its strategic guidelines: to direct client flow in agencies towards service posts with sales expertise in a variety of products within the commercial platform. Thus clients are streamed to service posts which are appropriate to their needs, according to their profiles.

Our Business Management Model

We held monthly management meetings throughout the year, in which we shared commercial transaction monitoring results, as well as the various operational focal points, with all Agency Managers.



Interviews with Managers were also carried out – some at Head Office, others at the Agencies themselves – in order to come into contact with issues affecting the Agencies within the venue with which they were concerned. Both Heads of Operations and SMEs Officers were included in the management meetings in order to involve the individuals who support Managers directly in their commercial and operational tasks. As usual, each Agency's Business Plan was evaluated at every interview, and deviations were analysed by business line, as were the corrective actions proposed.

Support for the Implementation of Avanza

During FY 2009 we formed a team of highly-qualified staff members from the Agency Network, in order to initiate a testing process for the applications of the Avanza project. These staff members – known as “key users” – contributed all of their experience to the project and as it advanced they themselves became trainers for their colleagues.

Gradually, all agency personnel took part in different types of training events, according to the action modules defined.

Commercial Actions

Together with all of these operational efforts, the Agencies continued to be the Bank's “commercial nerve centre”, carrying out their activities in various regional economies.

Trade, agriculture, families and businesses, all found in the Banco Comercial a useful tool with which to achieve both their commercial and their personal objectives. We offered products which sought to provide support to individuals at every stage of their lives and to businesses whenever they need financial assistance and other types of services.

Alternative Channels

It was our objective this year to actively offer our clients Alternative Channels. It was a year for steering clients towards a wide range of opportunities for efficient, fast and safe self-service at their convenience.

Automation

Automation was the first steering campaign we addressed in 2009, in order to provide our clients with a wider range of choices.

In this respect, we completed the installation of round-the-clock banking lobbies in all of our agencies, we worked on improving the availability of our ATMs and reached 97% by year-end, a figure which exceeds the average availability of Banred (an ATM network)

Together with our management of quality improvement, we launched an information campaign for clients on the benefits provided by Automation and the flexibility of round-the-clock access.

Home Banking

We launched our new web site in May, with a renovated look and feel; with updated and more user-friendly browsability. Together with the web site launch we carried out a steering campaign, which included a promotional draw for twelve notebooks for clients who used the web site.

Our clients were very receptive to these changes and our web site users increased by 30% as compared to 2008. In addition, the number of transactions increased by 15% in the same period.

We shall be working on the second stage of the project during 2010, including a package of functions aimed at SMEs and corporations.

Customer Contact Center

In mid-2009 we changed our Contact Centre management system, which enabled us to improve our control of the operation. By the end of the year our level of service exceeded 80%, with a desertion rate below 5%, in all Contact Centre areas.

Incoming and outgoing calls increased and we improved our handling and our response times to claims. In order to achieve this we streamlined positions and trained operators.

Real Estate Transactions Service Centre

Forty-six per cent of the total number of mortgages placed throughout the year in the Bank was handled through the Real Estate Transactions Service Centre (CCI for its acronym in Spanish). Advertising campaigns had a positive impact on the numbers of clients visiting the CCI and contributed to exceeding our initial target of handling 23% of the total of these operations through the CCI.

Claims System

Our constant endeavours to provide our clients with better services, based on the prior installation and fine-tuning of our CRM, enabled Banco Comercial to comply with the new regulations on "Client Relationship and Information Transparency" issued by the Central Bank of Uruguay. To this end, Banco Comercial implemented a Claims System as from 1 July, with the purpose of watching over the rights of our clients (which are recognised in the legal and regulatory frameworks which govern banking matters); guaranteeing the autonomy and impartiality of the decisions taken by the Bank, and avoiding conflict of interest between the different sectors of the Bank and our clients. Procedures include identifying every

claim in order to enable users to follow it up, as well as time limits and response mechanisms.

Beyond the strictly formal aspects involved, these procedures and their application have been instituted with the Banco Comercial's commitment to use them as a tool to ensure the quality of the products and services we offer and, in particular, to learn how these products and services are received by the beneficiaries of our daily efforts. "To analyse and respond to each letter and each request" is the motto which guides a relationship which, notwithstanding the celebration of contracts and banking operations, involves an ethical content which goes beyond strictly formal commitments.


In June, the Board approved a Code of Good Banking Practice which will act as a framework in every matter which involves the Banco Comercial's relationship with its clients.

Finance

The principal objective of the Finance area is to administrate the Bank's resources and optimise our risk/return ratio.

Throughout FY 2009 we maintained a good level of general liquidity by allocating adequate amounts on reasonable terms to our different business lines, and by timely and duly meeting our liabilities, in particular those associated with the quarterly payments on the Certificates of Deposits we paid in advance, the last instalment of which was paid in March.

This was a significant landmark in the history of Banco Comercial, since it implied the final cancellation of the CDs issued at the start (June 2003); in total, over USD 530 million have been redeemed.



During the year we also paid a total of USD 145 million according to the schedule agreed with the Ministry of Finance and the FRPBs (liquidated banks trust funds), for the return of funds which belonged to them.

We have handled time and currency discrepancies, so as to obtain the highest possible return within the pre-determined range and, at the same time, limit the risks assumed. In addition, we took measures to safeguard our equity, in US dollar terms.

This policy, which was established by the Board, led to a significant negative impact when submitting our statements in peso terms, according to the regulations of the Central Bank. As, on average, positions acquired in foreign currency for a little over USD 100 million were held, and as the local currency appreciated (or the USD fell) over 19% as compared to the close of the previous year (Dec. '09 USD 1/ \$19.627, Dec '08 USD 1/\$24.35), valuation results were negative by approximately USD 20.5 million.

However, if Statements of Accounts are expressed in US dollars, the shareholders' operating currency, this impact is netted off and equity in dollars terms is maintained or even increased, which is precisely the purpose of keeping the position.

In general, the economic situation this year improved in most countries, and even showed a slight tendency to recover from the previous year's severe financial crisis. In emerging countries, the principle variables evolved better than had initially been anticipated and in some markets in particular, such as Brazil, performance was very good.

This allowed us to lessen and practically neutralise the negative effects of the global crisis locally, within a macroeconomic framework which was quite a bit better than expected in terms of activities, employment, consumption and other relevant variables.

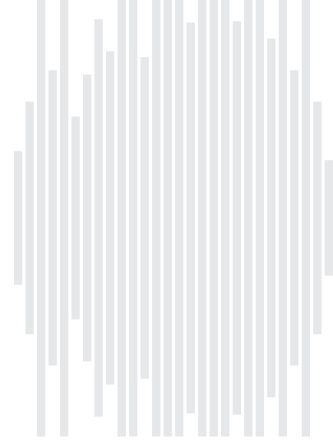
Even so, in the financial sector, the abundance of liquidity and an insufficient demand for credit to absorb it, together with a continuing extremely low level of international rates, made it difficult to achieve profitability and financial margins on liquid assets were very limited.

The Bank maintained a conservative policy as regards the investment of its available funds, with a very restricted choice of counterparts, and with limited amounts in placements, in view of the uncertainties which still prevailed during most of the financial year; particularly with regard to many of the financial institutions overseas. We continued to diversify our placements, favouring investment risk and liquidity over profitability.

As regards local factors, the Central Bank maintained its provisional reserve system for practically the whole year (10% for most foreign currency deposits), over and above already high basic levels (25%) and the non-remuneration of all of these stationary resources, which once again negatively affected financial margins.

In order to mitigate these negative impacts, we adjusted our lending and borrowing rates, and channelled our investments towards instruments and segments that would provide a higher return, such as local currency transactions and transactions involving SMEs and individuals, thus enabling us to maintain the spread over loans to the non-financial sector.

In addition, we significantly increased (74%) our securities portfolio, from USD 74 million in December 2008 to USD 129 million at the close of 2009. This portfolio is diversified in terms of both issuer and currency. The highest portion was made up of Uruguayan public debt securities in local currency, both nominal and index-linked, but we also included regional sovereign securities from countries such as Chile and Brazil, investment grade corporate bonds and FDIC covered bonds.



Stock market operations showed good returns, both from trading operations and from the revaluation of bonds held, due to the significant improvement of risk in several countries, Uruguay amongst them.

We maintained significant levels of foreign currency purchase and sale transactions, in terms of both volume and profitability, although a lower volume of foreign trade and a less volatile exchange market prevented us from attaining the extraordinary levels of the previous year.

The Distribution of Liquid Assets Products sector began to operate in mid-2009, with the purpose of providing a more professional and personalised financial advisory service for selected corporate clients.

In late 2009, we issued variable-rate Certificates of Deposit for USD 10 million, according to an international index, which were placed successfully on the market, with institutional investors. We also participated in support of the local issue of some of the Bank's clients, on the capital market.

At the close of 2009, the Bank's Liquid Assets were approximately USD 500 million, whereas deposits amounted to a total of USD 1,049 million. Liquidity ratios (liquid assets over past due deposits) amounted to 55% for a 30-day term and 53% for a 91-day term.

Risk and Recovery Department

Risk management activities come within the purview of the Risk and Recovery Department, which comprises the specific areas of Credit Risk, Risk Management Control, Market Risk, Operating Risk, and Assets Restructuring. These sectors operate with full independence from the business areas, in order to achieve an appropriate balance between business and risk issues.

Continuing our plan to bring the Bank into line with the Minimum Standards for the Management of Financial Entities, the Committee for the Comprehensive Management of Risks operates within our Corporate Governance structure,


with the purpose of addressing the different risks to which Banco Comercial is exposed and to ensure that transactions adequately fulfil the purposes, policies, and procedures designed to promote the comprehensive management of risk. This Committee, which meets twice a year, oversees all issues related to credit, market, liquidity, country, operational, compliance, and branding risks.

Credit Risk

The task of analysing credit given by the Bank is based mainly on clients' repayment capacity, with a view to future capacity rather than past performance.

To this end, we have developed a financial analysis and projection system for corporate loans which includes stress testing, the consideration of different scenarios, uni- and multi-parameter analyses, resilience tests, etc., which has already been implemented for our different banking operations (corporate, SMEs, and agricultural establishments). As regards consumer loans, we have implemented a credit scoring system in the whole of our agency network, developed specifically for this type of portfolio.

For loans to small businesses (both commercial and agricultural), we have strengthened and implemented a scoring model which provides a better assessment of the acceptance and qualification of risk, together with its harmonisation throughout our organisation, as it is a model that may be used on a decentralised basis.



At the same time, we have continued our training plan for our work team, whose members have participated in a series of workshops on Risk Analysis for the financial and non-financial sector, as well as courses and seminars on Consumer Credit Management, Collections, etc.

For the purpose of credit risk analysis, there are specific units for every client segment: corporations, SMEs, agricultural establishments, consumers and the financial sector.

In terms of the portfolio as a whole, a Portfolio Stress and Projection Model for Bad Debt Provision has been implemented, which has enabled us to assess the impact of a variety of adverse scenarios on our assets. With regard to our portfolio, loans to the non-financial sector at year's end amounted to USD 637 million, which implies a 5.6% net growth as compared to the close of the previous year.

The performing portfolio represents 97.49% of the whole portfolio, with a default rate (over 60 days) of 2.51% at the end of FY 2009.

Below is a breakdown of the provision ratios for the non-financial sector portfolio:

Specific provision / Total portfolio = 4.5%
(Specific provision + Statistical provision) / Total portfolio = 8%
Overdue portfolio provision / Overdue loans = 72%

During 2009 we included an analysis of environmental and social risk in our credit analysis process, with the support of external consultants and at the urging of FMO. To this end we carried out the following activities:

- The SARAS system was applied to clients with credit exceeding USD 1 million (50% of the Bank's

total portfolio) and to clients with credit exceeding USD 300 thousand who carry out activities in the vicinity of natural and heritage areas protected by law, or are involved in the leather industry (tanning and processing), or in industrial and logistics activities involving solvents or explosives and/or smelting and heavy-metal plating (chromium, lead, cadmium).

- An environmental coordinator was appointed within the risk area.
- Risk and Commercial Areas staff was trained, with a programme organised by UNEP-FI.
- Legal clauses were established which will enable us to mitigate client risk.
- The system designed was validated and tested.
- Accounts officers, managers and credit analysts received SARAS training.
- SARAS was included in the Banco Comercial Credit Handbook.

Policies Adopted with regard to Environmental and Social Risk:

- Banco Comercial seeks to mitigate environmental social risk in its financial transactions.
- The Bank undertakes to uphold and apply environmental and social management mechanisms and practices when evaluating financial proposals for activities carried out by its clients.
- The Bank will evaluate and monitor the activities it finances during their life cycle, with the purpose of:
 - ensuring that they are in line with the Bank's financing and risk objectives.

- ensuring that they fulfil the expectations of the Bank's investors and commercial partners.
- avoiding unnecessary (undue) risk for communities and countries in which they operate.
- This will apply to credit transactions financing activities or projects being carried out or to be carried out within the territory of Uruguay, in which the Bank acts as a direct borrower. In the case of other credit transactions, the Bank undertakes to make its best efforts to comply with the established guidelines for environmental and social policy.

Market Risk

The Bank has a specific unit answering to the Risk Department, whose objective is to monitor risk related to interest rates, rates of exchange and prices, in support of decision-making within the Finance Committee.

During the final quarter of the year, after the implementation of the IPM Project, these risks began to be measured under the supervision of the Administrative Management, following the methodology determined previously by the Board, and reporting results to the Risk Department in order to control them.

Market risk capital requirement estimations are made both in accordance with the regulatory standards of the Central Bank of Uruguay and in keeping with internal models (using VAR methodology).

In accordance with the standard method (Central Bank of Uruguay), capital requirement as at 31/12/2009 for rate of exchange risk is USD 6,075 millions, which represents 3.47% of the Bank's equity, and USD 8,726 millions (5% of equity) for interest rate risk (securities).

If the VAR method is applied (directly comparable to the standard method in the way it establishes positions), the rate of exchange risk is USD 2,707 millions (1.55% of equity).

The Board's strategy with regard to these risks is managed through the existence of concentration limits, VAR, Duration, etc., which are explained in detail in the Market Risk Strategic Framework paper.

Liquidity Risk

Regular analysis of the temporal assets and liabilities structure shows a balanced situation within each temporal scale, as well as a significant positive accumulated gap.

The Bank has a Liquidity Contingency Plan which determines appropriate actions and procedures in the face of a variety of scenarios involving possible liquidity problems.

Operating Risk

The Bank has a specialised Operating Risk unit, which is responsible for measuring, watching over, controlling and reporting on the operational risk levels to which the Bank is exposed.

Banco Comercial is genuinely interested in applying cutting-edge methodology in administering its business. In this regard, and in keeping with current legislation, the Bank has implemented:

A Comprehensive Risk Management Model, which determines policies, procedures, structure, roles and responsibilities for the identification, dissemination and handling of risk.

A Handbook for Operating Risk Management, which

establishes strategic guidelines, policies and procedures for managing operating risk.

A procedure to improve data-gathering of events and losses linked to operating risk. The purpose of this database is to generate awareness regarding the level and nature of events and operating losses, identify and mitigate operating risk, quantify the impact of operating events and adapt to the market's best practices.

The Operating Risk Self-Evaluation process continues, for the qualitative evaluation of operating risk, assigning responsibility for identification and appraisal measures, as well as for the planning of steps to mitigate risk, to operating and business units.

Progress has been made in the design of Operating Risk Indicators which will allow the different areas to monitor and establish levels of tolerance to risk.

A process for launching new products or services, as well as changes to existing products and services, with requirements for their analysis and approval.

A process for the identification and handling of external events which influence the Bank's interests.

Operations, Systems and Technology

During 2009 we continued to work on the Avanza project, according to plan. This project was initiated on 2 May 2007 with the purpose of cooperating in the relaunch of the Bank on the basis of process changes and new technological solutions applied to business.

These technological solutions are:

- Topaz Banking; our central system
- Telesoft CRM; a client relations administration system

- Topaz Trace; a tool to prevent money laundering
- PAYware CMS; a credit and debit card processor
- Oracle; a business intelligence database and tool

The project is now mature enough to be put into operation during January of next year. The state of progress and the most significant objectives achieved with regard to each of the software business solutions are detailed below.

Topaz Banking

The detailed design of all of the Bank's business processes and sub-processes was completed.

We are now in the process of completing the system tests, both by unit and comprehensively, for the new solutions. Test cases for the new processes designed by the project team have been produced.

We have approved the unit tests for the first system modules delivered by the solution supplier.

We have completed the construction and testing of the indispensable migration programmes required in order to transfer client information to the new system; seven migration cycles have been executed, all of them successfully.

We have finished testing the necessary interfaces for the operation of the new systems with the channels and with other entities.

All the Bank's personnel have been trained.

Telesoft eCRM:

We have consolidated the Bank's processes with regard to its clients.

The Default and Claim Recovery modules are operational.

We have constructed and tested the modules needed to link this application with the Topaz System.

PAYware CMS:

The system is operating as expected with the Pronto! products.

We are within the installation plan time limit; the estimated date for the start of production is September 2010.

Oracle BI:

We have begun to test the DataWarehouse interface with the Topaz System.

Hyperion Planning:

We continue to work on the Bank's budgeting model, which will have the support of the Hyperion tool.

New Purchasing, Payments and Inventory and Fixed Assets System

During the course of the year we have made the necessary changes and tests in order to incorporate this application to the Topaz System.

New HR Management System

Over the year the Bank has developed the interfaces needed to make this solution compatible with the Topaz System.

New Data Centre

We have inaugurated the new Data Centre, which will achieve its maximum installed capacity when Topaz is operational.

Agency Network Automation

We have carried out the necessary adjustments in order to make the automated platform compatible with the Topaz System.

Human Resources

Trainees for the Risk and Credit Cards Area

Faced with the needs of these areas we have initiated a process for the selection of trainees for the CREDIT RISK and CREDIT CARD AREA (AMEX). They will take part in the analysis of credit applications received, in accordance with established policies and procedures, and in the commercial development of the affiliation and service of outlets associated to AMEX.

We are looking for young people interested in the trainee experience as part of their training and development. It was determined that a certain number of the trainees should be the children of bank personnel.

EARLY RETIREMENT INCENTIVE PLAN

We have decided to offer our staff a Voluntary Early Retirement Incentive Plan which will, on the one hand, ensure the achievement of an exemplary retirement for people who have been working at the Bank for many years, and on the other, generate opportunities for growth and development for younger employees.

The plan was made available to Bank employees who were 50 years old as of 1 January 2010 and had worked in banking for 30 years or more.

The plan was a success; over one hundred employees took this opportunity to retire.



TRAINING ACTIVITIES

A New Training Tool COLLABORATE

As a form of optimising the process of internalising new systems, the Collaborate tool was placed at the disposal of all Bank personnel on the Intranet. This tool enables self-training at any work station.

Certification in Investment Consultancy

Staff with client service responsibilities and their managers attended the Certificate in Investment Consultancy (CAI) programme at the University of Montevideo, which provides training in the process of providing investment advice. Staff in the areas of risk, finance and back office also took part in this training programme.

This is the only specialised programme in this field in the country and combines theoretical training with practical cases, with special emphasis on risk profiles and client needs with regard to appropriate investment products or portfolios.

Trade Finance Facilitation Programme

We provided a training course on Financing for Foreign Trade Transactions, sponsored by the Inter-American Development Bank (IDB), through its Trade Finance Facilitation Programme, in cooperation with the Banco Comercial.

Instruments, Uses, Risks and Practices.

Addressed to a group of clients and employees of the Banco Comercial, it made it possible to broaden knowledge of foreign trade, and led to an opportunity to strengthen ties between clients and the Bank's commercial staff, which in turn led to new business opportunities.

In addition, we held a second module with a focus on operations/administration aimed at personnel in the areas of foreign trade, legal counselling, risk, auditing and international trade.

Workshop: The 7 Habits of Highly Effective People

A workshop based on Stephen R. Covey's bestseller, The 7 Habits of Highly Effective People (corporate version) was held in-company on several occasions. This workshop enabled participants to apply the principles of effectiveness in both their personal and their professional lives, focusing on continuous improvement processes and team work with a shared vision, mission and purpose, the basic principles for the increase of success.



Control Areas

Security

During 2009 we have continued to work in order to guarantee the privacy of personal data and the security of all of the information handled by the Bank. To that end, we have participated in every security-related project and have contributed solutions in this area.

As regards training, we have organised various educational events, such as the Secure Sales Program for AMEX Stores employees throughout the country, and presentations on credit card security for law enforcement officers in the provinces.

In the course of 2009 we have carried on with the ISO 27000 Certification project, and have also participated in the creation of CUSEBA (the Uruguayan Bank Security Committee), made up of Financial System Security Managers, which we are a member of.

Regarding our relations with the community, we have taken part in different district committees engaged in Citizens' Security issues.

Internal Audit

Internal Audit reports directly to the Board of Directors through the Audit Committee. Thus, it is independent from the other Departments in the Organisational Structure of the Bank.

Internal Audit's participation in the Operating Risk and Compliance Committees, as well as in the Integral Risk Management Committee, consolidated in the course of this year, helping coordinate efforts with risk management and other control areas of the Bank while achieving its core objectives.

Within the framework of the Internal Audit Plan approved by the Audit Committee and the Board of

Directors, we carefully examined different business and support areas, in particular that of Prevention of Asset Laundering and the Financing of Terrorism. Such scrutiny comprised centralised processes, as well as processes in the agency network and in the subsidiary NBC Bank Brasil.

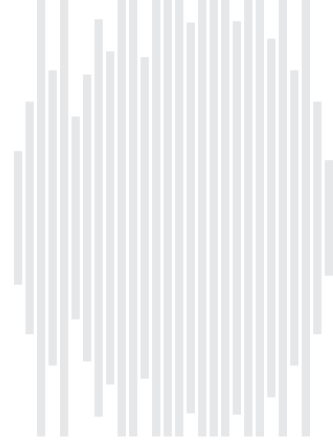
At the same time, we continued to monitor the implementation of the new systems of the Bank, which will have a strong impact on the operations and activities to be developed next year.

Compliance

The Compliance Department is responsible for proposing and developing policies, procedures and controls aimed at preventing asset laundering and the financing of terrorism, in accordance with the local rules and regulations and the best international practices on the matter. It provides advice and training aimed at preventing the Bank from being used for laundering assets from illegal activities or the financing of terrorism.

The Compliance Officer is appointed by, and reports to, the Board of Directors. In collaboration with 3 specially-designated directors and 2 directors who are members of the Statutory Audit Committee, this Officer assists the Compliance Committee responsible for assessing the performance of the Integral Asset Laundering Prevention System, approving the annual work plan to be submitted to the Board, and deciding on the control measures adopted in connection therewith.

He is also a member of the Operational Compliance Committee jointly with the Chief Executive Officer and the Sales, Corporate Banking, Risk and Legal Advice Managers. The purpose of this committee is to scrutinise and evaluate suspicious operations brought to its attention by the Compliance Officer, report them to



the Information and Financial Analysis Unit and decide whether or not to continue their relationship with such clients. The Operational Compliance Committee further provides advice to the Compliance Officer during the process of analysing and evaluating policies, procedures, internal regulations and management reports to be submitted to the Compliance Committee for approval.

As regards operation monitoring, during this year we have tightened our controls on higher-risk-profile clients or clients who have significantly deviated from the profile assigned to them. As a result, a number of suspicious operations were unveiled and reported to the Uruguyan financial authority Banco Central del Uruguay, and in other cases NBC decided to discontinue its relationship with high-risk clients such as Financial Investment Corporations that failed to submit the documentation required under the Bank's policy aimed at adequately identifying clients and justifying their operations.

Furthermore, we continued to work in order to improve the efficiency of the monitoring tools, so that they are finetuned by the time the overall change in the Institution's Systems is finally implemented.

Operational activities have mainly focused on controlling higher-risk transactions (international transfers from and into Uruguay, cash deposits, etc.), and on analysing major deviations from the monitoring profile. Compliance was assigned the task to define and adjust the monitoring profiles of those considered high-risk clients as regards asset laundering, and, jointly with the management of the relevant commercial area, it authorised the opening of accounts for new customers.

The Compliance Department further processed and answered requests for information submitted by the regulatory authority Banco Central del Uruguay.

We organised training workshops on Prevention of Asset Laundering and the Financing of Terrorism for the personnel in the commercial, international business, risk, human resources and internal audit areas, which were conducted by the Argentine firm Banking Consulting Services and the Compliance Officer.

At our subsidiary NBC Bank Brasil we apply asset laundering prevention compliance programmes that meet local rules and regulations, and suit the size of this subsidiary.

As regards the responsibility to monitor Compliance risk, we have implemented a procedure for following up regulatory changes affecting our Institution, recording the most important events, designating the officers in charge of implementing the new rules and regulations, and regularly monitoring them, so as to guarantee actual compliance by the time they come into force.



Legal and Notarial Services

Asesoría Legal y Notarial

Considering the changes in the rules and regulations primarily made by the Regulatory Authority during this period, and in order to duly fulfil the department's mission to provide legal advice, we have increased the resources assigned to the Area, so as to meet the new requirements regarding products and processes.

As far as Legal Advice Services are concerned, we have fully complied with the many rules and regulations established by the Central Bank with regard to customer service and sales processes, as well as to the agreements and forms to be completed and signed in order to use the Bank's products and services.

All of the above has been done in close coordination with the different areas affected by the regulatory changes. As a result of such interaction, we have been able to duly meet the new requirements in a timely manner.

All of the claims made against the Bank, which were processed with resources from this Department, have resulted in judicial decisions favouring our interests.

We have drafted all the agreements signed with both Clients and suppliers within the time frame required by the business in question.

We have taken active part in all the legal advisers meetings called by the Asociación de Bancos Privados del Uruguay (Uruguayan Private Banks Association).

The Consumer's Defence Officer continued to control the contractual clauses, as well as the publicity of our products, in order to meet the regulations in force on the matter.

The Department has further provided legal support to the Officer in Charge of Customer Claims, a position created under Circular Letter No 2016.

The Legal Advice Area has also worked in close collaboration with the Compliance Officer, in order to meet the requirements for controlling asset laundering and the financing of terrorism.

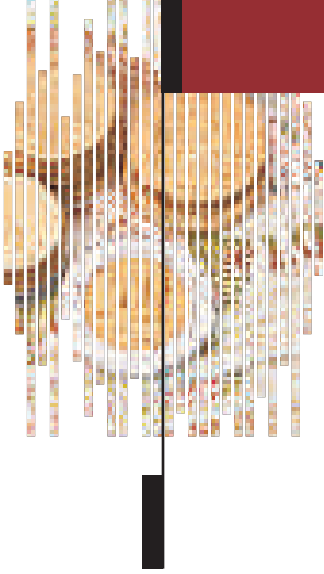
In addition, it has assisted the Operational Risk and Operations Management in identifying and dealing with events entailing risk for the Bank.

Relevant bills of law discussed in Parliament are monitored until they are finally enacted, so as to anticipate their impact on products and services.

As regards Notarial Advice Services, we have successfully satisfied the increased demand for home loans with mortgage guarantees and Warrant operations.

We also covered within the time frame required the growing number of leasing operations, as well as the review and entry of corporate agreements and powers of attorney submitted by Clients.

Team work, training and specialisation have been our essential tools for fulfilling the objectives set.



NBC Bank Brasil

NBC Brasil started to operate as a MULTIPLE BANK on 16 May, 2007, and has been licensed to engage in all kinds of financial and commercial transactions on the Brazilian market.

With premises in Porto Alegre, the capital-city of the state of Rio Grande do Sul, NBC Brasil also has branches in the cities of Caxias do Sul (Rio Grande do Sul) and Londrina (Parana), as well as a representation office in Joinville (Santa Catarina). Thus, NBC Brasil is present in three southern Brazil states whose 25 million inhabitants account for 25% of Brazil's GDP.

The bank is managed by experienced local professionals who formerly worked for major domestic and international banks, and its Board is composed of two members, as required by the Brazilian law.

Target Clients

NBC Brasil primarily aims to raise funds from individuals and legal entities through Bank Deposit Certificates (BCDs), grant loans to SMEs operating on the Brazilian market, provide a various financial products and working capital for investment projects, and offer tailor-made services, as well as a convenient range of products to meet customers' needs.

Strategic Plan

In the medium-to-long term, the strategic plan of NBC Brasil provides for the following:

- a) Raising savings through BCD sales;
- b) Issuing Commercial Papers;
- c) Engaging in bilateral business between Brazil and Uruguay, taking advantage of Banco Comercial's prominent position in the Uruguayan banking system for corporations and individuals, and of the attractive potential market in southern Brazil;

- d) Providing long-term funding at preferential rates through lines granted by Banco Nacional de Desenvolvimento Econômico e Social (the Brazilian development bank);
- e) Providing short-term funding through working capital facilities, document discounts, letters of credit, export pre-payment, etc.;
- f) Offering industrial machinery and equipment leasing opportunities to companies, as well as car, bus and lorry loans to individual and corporate customers either directly or through agreements.

Liquidity

NBC Brasil's liquidity as of 31/12/2009 amounted to USD 25.7 million, representing 86% of its Shareholders' Equity and nearly 20% of its total assets. These figures reflect the conservative policy adopted by the Bank, especially during the first half of the year, in order to encompass the evolution of the global economic and financial crisis.

Loan portfolio

Current credits as of 31/12/2009 totalled USD 72,867,598 million, accounting for 58% of the subsidiary's Total Assets and 1.74% of its Net Worth.

During the financial year 2009 we continued to work in order to change the quality of our credit portfolio by improving the risk-return profile in line with the objective set in the business plan.

Such change is mainly evidenced in the profile of the new corporate clients captured in our direct presence in nearly thirty different areas of activity.

Brazil - Uruguay bilateral business

The strategic position of NBC in Uruguay and its subsidiary in Brazil (NBC Bank Brasil S.A.) makes it possible to capture bilateral business between both countries. During the fiscal year 2009 we carried out credit operation in Brazil for a total of USD 17.9 million, which were directly recorded in the Books of NBC – Uruguay as set forth in Circular Letter No. 4131 and in Pre-Pagamento (pre-payment) mode.

NBC Brasil raises its own funds

Breaking away from NBC Brasil's policy, as from the last quarter of FY 2008 a specific Management unit was created to structure and supplement a system to raise the subsidiary's own funds from individuals and legal entities.

As a result of the execution of the medium- and long-term plan, at the closing of the 2009 financial year we had raised USD 37.2 million by placing Bank Deposit Certificates, thus exceeding the targets set for the period.

Issue of Commercial Papers

Both the Brazilian and the Uruguayan Central Banks have authorised NBC Bank – Brazil to issue Commercial Papers for a total of USD 40 million.

Considering that the funds raised by the Subsidiary exceeded the targets set for FY 2009 and that trade commerce lines obtained from international banks, especially through the IFC programme, grew apace, we decided to speed down the process of placing Commercial Papers.

Consequently, of the total authorised to operate in this mode, we decided to temporarily issue only USD 8 million.

NBC Brasil'Austin Rating rating

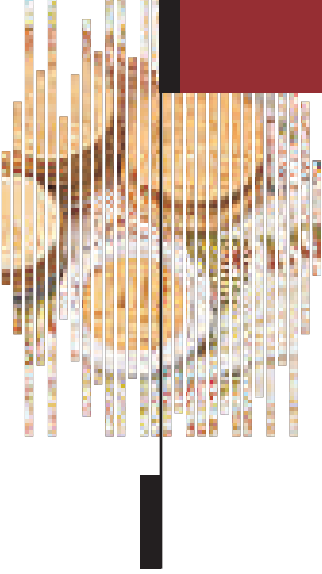
On 15/04/2009, and based on the 2008 balance sheet data, Austin Rating's Risk Rating Committee assigned NBC Bank Brazil a 'BBB' rating. This means that: 'The Bank displays intrinsic and adequate financial soundness. Normally, these are institutions whose assets have coverage. Such Banks boast a sound, stable financial situation.'

The above half-yearly rating was renewed in October 2009 based on the data obtained from the balance sheet as of 30/06/2009.

Regulations regarding risk

According to the regulations and directions established by Banco Central do Brasil, NBC Brasil falls within the minimum capital and net worth compatible with the degree of risk of its asset structure.

As regards risk regulations, the Bank has in place a suitable structure for managing operational risk, market risk, audit and compliance.



Corporate Social Responsibility

1. The quality of life at work

Over-45 football team - employees

We have organised a sport team seeking to conquer the leading positions, and, at the same time, a superb group of people. The new members who keep joining in will most certainly contribute to both the team and the group.

This year the team travelled to Porto Alegre, Brazil to play a match with their colleagues at NBC Bank Brasil. The sport event itself and the social activities associated with it were a resounding success.

World Hypertension Day

Within the framework of the campaign launched in our country on occasion of the 3rd Hypertension Week leading in the World Hypertension Day (17 May 2009), and in line with the goals set in the Programme Más Salud (Better Health), we adhered to this campaign by setting up blood pressure check booths in several of our agencies, with the support of the Consigna health professionals team.

In addition to performing blood pressure checks, the purpose of this initiative is to impart information on prevention, early detection and treatment of the disease.

Workshop on how to deal with stress

This workshop was designed to improve the quality of life of our employees by imparting information on stress, its causes, its physical and emotional symptoms, explaining how to distinguish positive from negative stress, and raising awareness about this serious problem both personally and at work.

THE AGORA PROGRAMME - Job opportunities and undertakings

This was a successful training and working experience for visually disabled people, which was developed in coordination with the AGORA Programme and the Uruguayan Association of the Blind. By now, 19 people participating in the programme have worked for the Bank. We support self-employment and micro business enterprise alternatives among the visually disabled.

The Bank makes a cash contribution to the Agora Programme management fund.

CPR and AED training

Seeking to enhance quality of life, and considering cardiovascular diseases are the first cause of death in Uruguay, we purchased 2 automatic external defibrillators, which have been placed at Head Office and Business Banking, and have further given cardiopulmonar resuscitation (CPR) and AED training courses.

Better Health – Quilate Programme, 2nd edition Alimentarte para potenciarte (Power eating)

Under the motto Get started, we invite employees to join in the programme. In addition to weight loss and shape up, this edition includes professional advice to improve the nutrition habits of our employees and their families.

After each individual evaluation, the nutritionist informs them on their current condition, their ideal weight, their current good habits and other good habits they could adopt, and the treatment of pathologies associated with overweight (hypertension, gastritis, high level of 'bad' cholesterol, hyperinsulinemia).



Blood pressure check booth

In the course of 2009, a larger number of employees had their blood pressure monitored. These checks were performed every fortnight, in order to follow up certain cases detected.

Cardiovascular check in The Heart Week

We again adhered to The Heart Week , performing cardiovascular checks at several of our agencies with the support of the Consigna Corporate Well-Being professional team.

THE 2009 DERES CAMPAIGN

Eat smart for a healthy start

The 2009 Campaign Work Group, which we took active part in, proposed a CSR theme related to the pillar 'Quality of Life at Work': healthy eating everyday. The Do yourself good campaign promotes healthy eating as a way to improve the quality of life at work, in line with our messages and with the actions taken within the framework of our Integral Health Plan.

2. THE ENVIRONMENT

Responsible consumption – Taking care of water is everyone's duty

Carrying on with the campaign started in the previous year we adhered to DERES's initiative to reinforce the messages regarding environmental care, in order to raise awareness about how and to what extent water resource development contributes to economic productivity and social well-being.

World Environment Day

10 tips for an environmentally friendly business

In line with our messages and with the actions taken, in June we adhered to the World Environment Day celebration under the motto Your planet needs you! Unite to combat climate change, i.e. take action to be part of the solution.

3. Educating youths for a competitive world.

Entrepreneuring 2009. DESEM in the provinces

The entrepreneuring experiences took place in different towns in the provinces. Participants included secondary, technical and agrarian school students.


The project involved imparting and promoting entrepreneurial skills: listening, planning, observation, leadership, delegation and innovation.

DESEM – PARTNERS FOR ONE DAY

Once again, we participated in the Programme Partners for one day, where higher secondary education students from the capital and the provinces share a full day of work with a professional specialising in the field they wish to devote to in the future.

DESEM – Junior Business Undertakings

We again supported the Junior Achievement Programme, seeking to promote the entrepreneurial spirit among Uruguayan youths. Because we are thoroughly convinced that development potential lies within the students themselves, year after year we sponsor this 'learning-through-action' experience.



Participants include 15 to 17 year old youths in Public and Private Schools throughout the country, and each Junior Business Undertaking is created and managed by a group of youths between 15 and 25 years of old.

Sport – 2nd Banco Comercial Secondary School Basketball League

For the second consecutive year, we sponsored the Banco Comercial Secondary School Basketball League, which was organised by the Uruguayan Basketball Federation with the support of the Ministry of Tourism and Sport and the Board of Secondary Education.

The purpose of Banco Comercial Secondary School Basketball League is to promote the practice of this sport amongst 11 to 18 year old children and teenagers in different public and private schools throughout the country, thereby fostering healthy competition and a sense of belonging in a fun social and sport event.

The staff in the various branches of the Bank has participated in the development of the local stages of the League by assisting in the organisation and prompting the entire community to join in the event.