



BANCO DE INVERSIONES S.A.

**ANNUAL REPORT 2010
XV ANNIVERSARY**

CONTENTS

Milestones

Financial Results Highlights

Executives

Banco de Inversiones S.A. Performance Evolution

Main economic results - 2010

Anti-money laundering and anti-terrorism financing policies

Human Resources

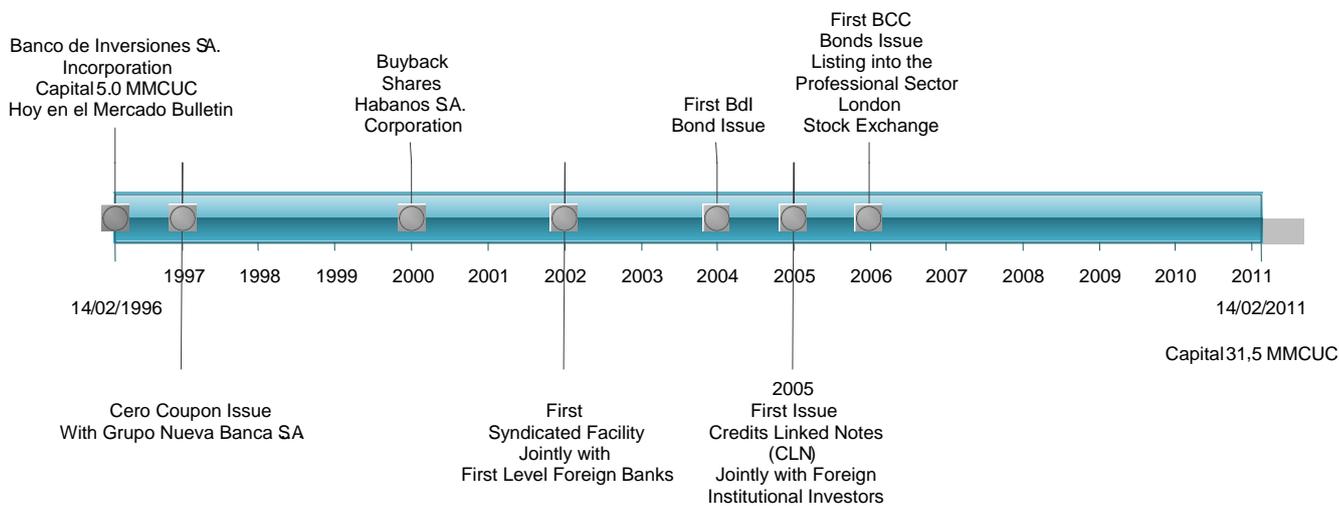
Quality Management System

Directors' Report

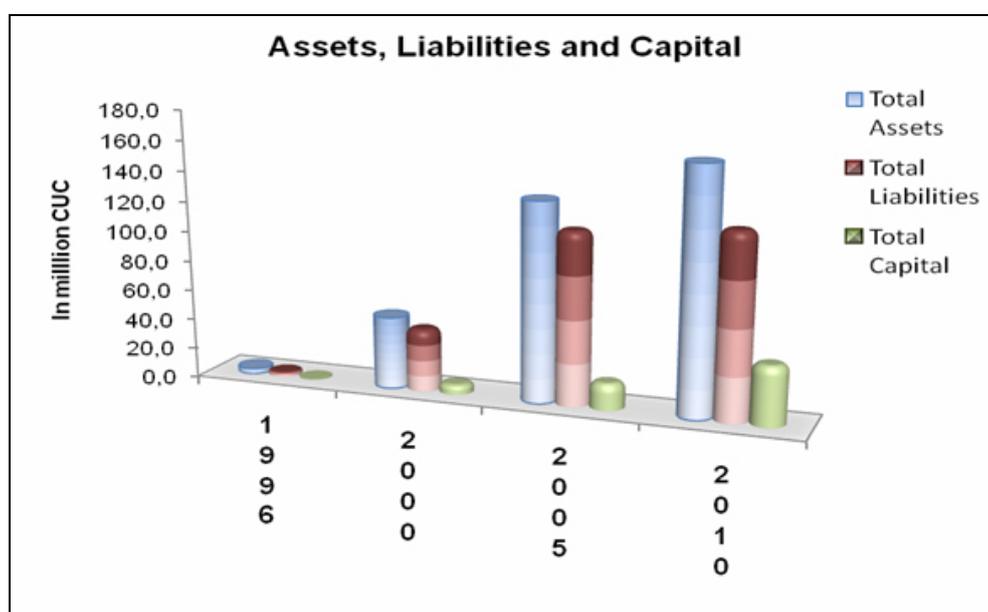
Statement of Directors Responsibilities in respect of the Consolidated Financial Statements

External Auditor's Report

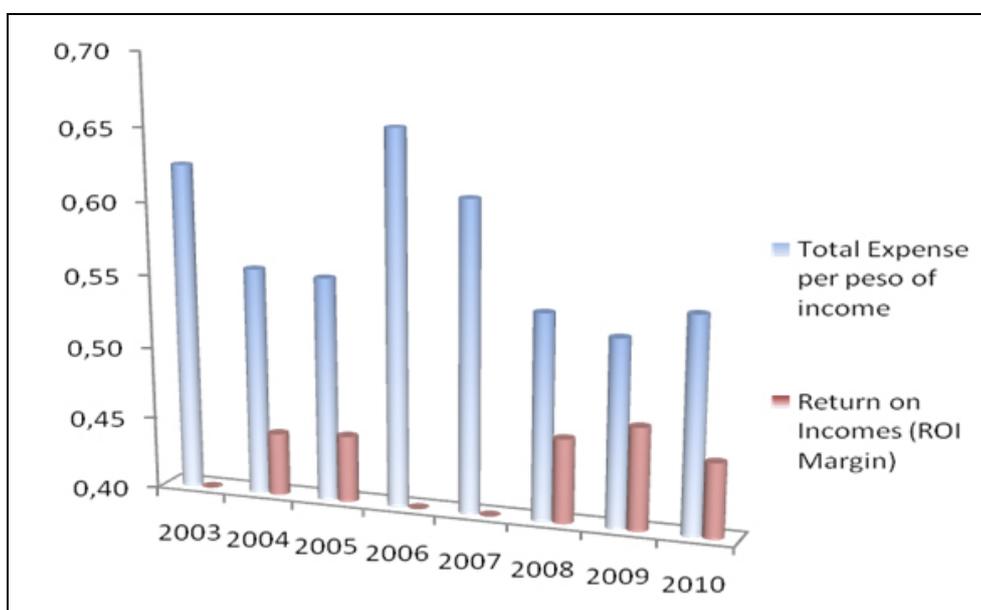
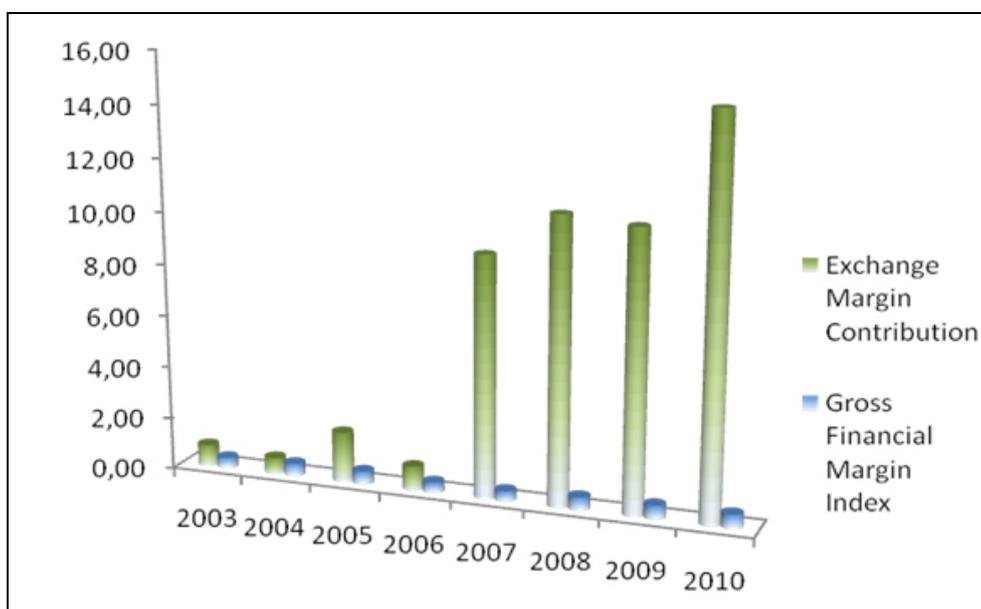
MILESTONES



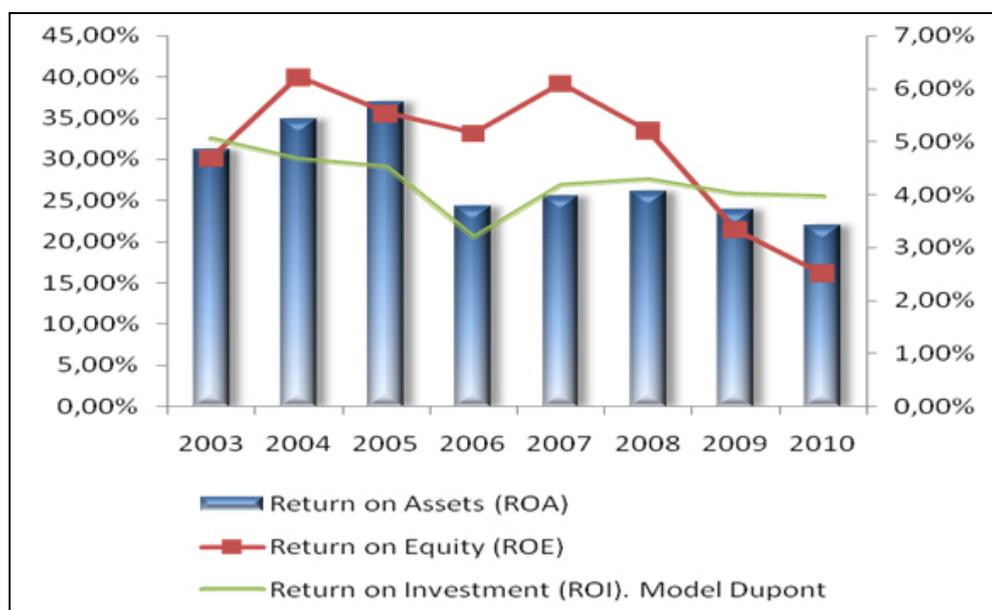
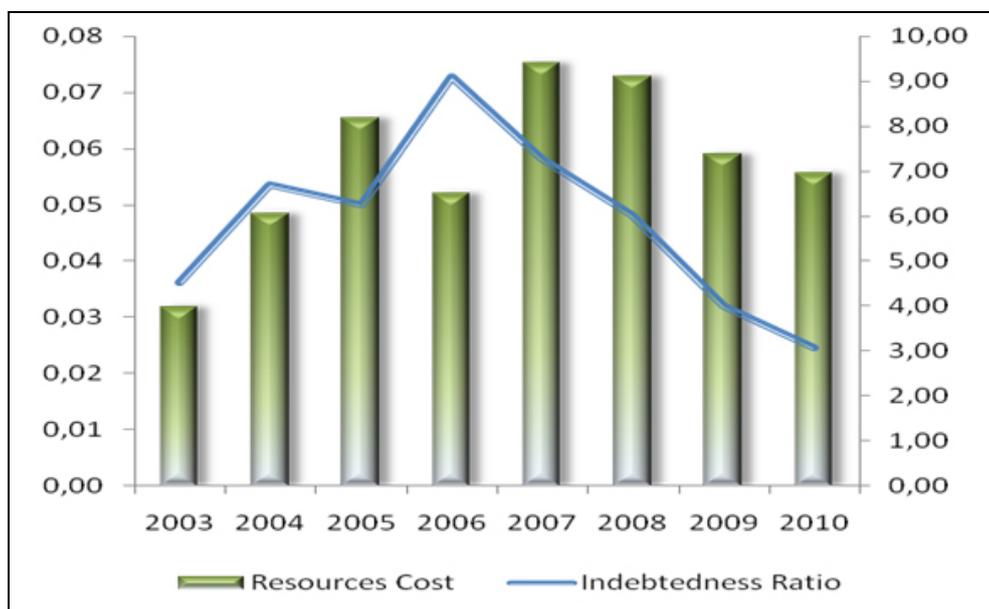
Financial Results-Highlights



Financial Results—Highlights



Financial Results—Highlights



Executives

Arminda García González	Executive President since August 2011, as per Resolution issued by the Executive Committee of the Council of Ministers, dated June the 29th/2011. Graduated in National Economic Planning, Havana, 1985.
MsC. Maricela Azcue González	Executive Vice President since 2003. Graduated in International Economic Relations, Havana, 1987. Master Degree in Finance, Havana 2010. Joined Bdl in August, 2003.
Julio L. González Pérez	Executive Vice President since 2007. Graduated in Economic Control, Havana, 1977. Joined Bdl in December, 2007.
Sandro Isaac Vázquez del Río	Secretary of the Board of Directors since May 2005. Graduated in Law, Havana, 1999. Joined Bdl in December, 2004.
Zoia Palomino Curbelo	Operations Director since May, 2007. Operations Manager from 2004 to April, 2007. Graduated in Transport Economy in 1986. Joined Bdl in August, 2001.
Juan José Mulkay Gunther	Administration Director since February, 2006. Administrative Manager from 1997 to January, 2006. Graduated as Accounting Technician in 1984. Joined Bdl in October, 1997.
MsC. Rafael Guerra Orfila	Business Director since October, 2011. Legal Adviser from 2009 to October, 2011. Graduated in Law, Havana, 1999. Master Degree in Foreign Affairs, mention in Foreign Politics Affairs, Havana, 2002. Joined Bdl in December, 2009.
Eduardo Ruiz Cruz	Accounting Director since October, 2011. Graduated in Accounting and Finances, Havana, 1993. Joined Bdl in February, 2010.

Banco de Inversiones S.A. Performance Evolution

In a very complex context for the development of the financial activity, Banco de Inversiones S.A. managed to reach positive results in its performance. The business strategy conducted by the management of the Bank and its staff, has allowed the Bank get adapted to the environment and to diversify the range of service offers to the Cuban entrepreneurial sector.

Along this period, the Bank developed an intense intermediation activity in favour of its clients in the search of reasonable solutions to their financial problems and external commitments, reaching agreements with their foreign counterparts in some cases and conciliating positions in other more complex processes.

The insigne service of the Bank, the bulletin “Hoy en el Mercado”, pioneer publication in the country, over 15 years of editing, specialized in financial information and stock products, managed to consolidate and improve its added values, making able the Bank to design new services and to get new clients.

Risks analysis activity went through the implementation of new norms set by the Oficina de Supervisión Bancaria (Banking Supervision Office), for the management and control of the liquidity risk, which worked as the basis of the elaboration of the Stress Tests, integrating them to the current risks strategy. The elaboration of the Map of Risks, allowed the Bank to identify as the main risks, the liquidity risk, exchange rate, portfolio concentration and legal risks, setting the Contingencies Plan to mitigate their impact in a suitable and opportune way.

By the end of 2010, the Bank approved its quinquennial projections for the period of 2011 – 2016, focused in reaching new challenges, where the new services of engineer and banking evaluation of investment projects, which facilitate the control, tracking and recovery of the external financial resources received by the country and addressed to the development and execution of the prioritize investments, leads the work in the context of the Cuban economic model updating, as per the Guidelines of the Economic and Social Policy of Cuba.

The bank has demonstrated its capacity of adapting itself to the environment and keeping the growing line of its results, as shown in the elevation of the quality standards in its services, as expressed by its traditional customers.

Main Economic Results – 2010

Bdl assets, as of the end of 2010, reached 160.5 million convertible pesos, 25.79% less when compared to the previous year, as a result of the diminishing of the liquidity availability and the Loans Portfolio in 4.2 and 33.2 million CUC, respectively. The mainly impact of the assets falls on the Loan Portfolio, keeping a high level of concentration in traditional customers. The productive assets represent the 69.65 % of total assets.

The liabilities, reached 121.5 million convertible pesos, being the Obligations with financial institutions the main financing source for the entity.

The share capital increased in 57.50%, through the capitalization of profits, reaching 31.5 million convertible pesos, from which 98% belongs to Bancholding S.A. and 2% to Banco Internacional de Comercio S.A. (BICSA). The patrimonial reserves decreased in 2.4 million convertible pesos when compared with 2009.

The net financial margin, as of the end of 2010 was 14.97%, while the operational margin, 17.73%, diminished due to the inferior behaviour of the incomes when compared to the previous year, although their performance finished over what planned.

The result before taxes on the profits of 2009 was 8.1 million convertible pesos. The efficiency on the average paid capital in 2010 was lower in a 24.94%, because the profits were 6.4 million convertible pesos and the average paid capital was 39.6 million convertible pesos.

The expense per peso of income increased in 2 cents when compared with 2009, due to a higher increasing on a percentage basis of the Total Expenses in respect to the increase on percentage basis of Total Incomes. The proportion of administrative expenses respect to the Total Incomes behaved similarly, since the 1 cent increasing when compared to the previous year.

The Return on Investments (ROI) reached the 3.96% in 2010, being possible to reach a result of 4% at the end of 2009. In the case of the Return on Equity (ROE), there was a performance of 16.08%, which was inferior than the one obtained in 2009, 21.42%.

Anti-money laundering and anti-terrorism financing policies

The Bank has implemented the procedures which allow it to select and to know its clients, being habitual or occasional, to whose benefit any kind of banking services are offered, paying special attention to unusual transactions or to those suspects of not having a licit economic objective that may result a laundering money operation, or being guessed, on reasonable basis, that some fund is related or is going to be utilized in terrorist acts, and the Bank also makes itself sure that the juridical persons interested in transferring money or values are duly registered in the country, according to what regulated by the current Cuban legislation.

In accordance with such control and preventing measures there has not been detected in the Bank, any case or attempts of utilizing its services for the operations detailed above.

Human Resources

During 2010, the Bdl continued working in the development of its Integrated Management System of Human Resources, as a strategic objective to be continued in the next years. Bdl has an approved staff structure of 77 workers, average age of 41 year old, from which women cover the 60.50% and men the 39.50%. The 69% is graduated from universities and the 9.09% reaches post grade levels.

The training activity is fundamental in the development of Bdl performance, and to this regard, the activities planned were fulfilled in a 100%.

Quality Management System

The Bdl has implemented a Quality Management System, endorsed by the Sociedad Clasificadora de Buques de Cuba (Classifying Ships Society of Cuba), and such a system is part of a Quality Policy which leads the continue improving actions of the selected services to reach the total satisfaction of the clients requirements.

Directors' Report

The Directors present their annual report and the consolidated financial statements of the concluded exercise as of December the 31st, 2010.

Activities

The main activities of Banco de Inversiones S.A. during the exercise were leaded to the financial intermediation for supporting the solution of the major financial difficulties of its principal clients and the offer of specialized services to the public sector, being authorized to operate with convertible pesos and other hard currencies, as well as to utilize Cuban pesos in certain operations.

Results

The profit of the exercise, once deducted the provisions and taxes, reached 2.8 million convertible pesos. The paid taxes reached 1.6 million convertible pesos.

Contributions

The obliged contribution to the State, earned during 2010, reached 1.4 million convertible pesos. Some contributions were made through 2010 as per the retained profits in the previous exercise.

The Executives and their interests

The Directors with no participation in the share capital of the society are the following:

Executive President: Arminda García González

Executive Vice-President: Maricela Azcue González

Executive Vice-President: Julio Leopoldo González Pérez

Secretary: Sandro Vázquez del Río

Auditors

The General Board of Shareholders ratified as its auditors the society Interaudit S.A.

Statement of Directors Responsibilities in respect of the Consolidated Financial Statements

The Directors has determined to prepare the accounts of the 2010 annual exercise in a way they may offer a true and fear vision about the situation the business of the entity are and the results of the period.

When preparing these financial statements, it is required from the Directors:

- To choose the suitable accounting policies and that such policies be consciously applied;
- To have judgments made and to execute estimates, both reasonable and proper;
- To indicate if they have applied the acknowledged accounting regulations, and that any deviation has been duly reported and explained in the books;
- To prepare the norms on basis of continuity, except it is improper to presume the entity will continue operating.

The Directors have assumed the responsibility that the account registries are worked out in a proper way, so that they show with a reasonable certitude at any time, the financial position of the entity, allowing them to make sure they are acting according to law. They are also responsible for protecting the entity's assets and for taking all necessary steps to prevent and detect frauds or any other irregularity.

INDEPENDENT AUDITOR'S REPORT

**To the board of Directors
Banco de Inversiones, S.A**

We have examined Banco de Inversiones S.A.'s, Financial Statements, including the Balance Sheet, and Profit and Loss Statement, for the period finished in December 31, 2010, as well as a summary of the notes to such Statements.

Management's Responsibility for the Financial Statements

The Management is responsible for the preparation and fair presentation of the Statement in accordance with the provisions of the accounting policies set out in Note 2 to the Statement. This responsibility includes: designing, implementation and maintaining internal control relevant to the preparation and fair presentation of the Statement that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an independent opinion on these Financial Statements based on our audit. We conducted our audit in accordance with the Cuban Norms of Audit. Those norms require that we comply with ethical requirements and plan perform audit to obtain a reasonable assurance whether the Statement is free from material misstatement.

An audit includes procedures to obtain audit evidence on the figures and revelations in the Statement. An audit considers the application of a procedure to get evidence related to the figures and revelations from the Financial Statement.

The selected procedures depend on our professional approach, including the evaluation of the risks of important errors of the Statement, derived of fraud or error. To evaluate the risks we have taken into account the internal control for the elaboration and reasonable presentation of the balances of the Financial Statements to design audit procedures that are convenient according to the circumstances, but it doesn't stop the purpose of expressing an opinion on the internal control. An audit also includes evaluating the convenience of the used accounting policies, the reasonable of the accounting estimates issued by the management and the presentation of the Financial Statements.

We consider that the audit evidence that we have obtained is enough and appropriate to base our opinion of the audit.

Opinion

In our opinion, the above mentioned Financial Statements reasonably show the financial position of Banco de Inversiones, S.A., up to December 31, 2010 and the result of its operations, for such period, in conformity with the Cuban Norms of Financial Information.

INTERAUDIT

**Dra. Elvira Armada Trabas
General Director**

La Habana, february, 4th 2011

Note:

It is a free translation from the original in Spanish. In case of any discrepancy, the Spanish version shall prevail.

**Authorization: Resolution No. 32, dated November the 22nd, 1994.
Ministry of Finances and Prices, Republic of Cuba.**

Banco de Inversiones, S.A.



Balance Sheet

As of December the 31st 2010

Expressed in Cuban pesos (CUP)

	2010	2009
ASSET		
<i>Availabilities</i>	33,007,275	37,165,617
<i>Temporary Investments</i>	16,582,625	16,744,655
<i>Loans Portfolio</i>	88,513,368	121,710,619
<i>Other Accounts Receivable</i>	7,862	54,927
<i>Permanent Investments</i>	20,650,158	24,937,670
<i>Tangible Fixed Asset (Net Accounting Value)</i>	69,646	77,307
<i>Other Assets</i>	1,681,641	1,301,342
TOTAL ASSET	160,512,575	201,992,137
LIABILITIES AND CAPITAL		
<i>Obligations with the Public</i>	24,899,769	35,329,356
<i>Obligations with Banco Central</i>	1,836,192	2,583,610
<i>Obligations with Financial Institutions</i>	78,666,225	90,695,633
<i>Obligations as per Other Financings</i>	12,298,357	29,994,562
<i>Other Accounts Payable</i>	71,275	78,006
<i>Subordinated Obligations</i>	1,496,386	1,496,386
<i>Other Liabilities</i>	2,211,384	1,909,487
TOTAL LIABILITIES	121,479,589	162,087,040
CAPITAL	39,032,986	39,905,097
TOTAL LIABILITIES AND CAPITAL	160,512,575	201,992,137

Banco de Inversiones, S.A.



Profit and Loss Statement As of December the 31st 2010 Expressed in Cuban pesos (CUP)

	2010	2009
<i>Income per Interests</i>	8,246,250	10,701,362
<i>Less: Expenses per Interests</i>	(5,209,257)	(7,271,103)
Net Income per Interests	3,036,993	3,430,259
<i>Other Financial Income</i>	5,605,279	5,868,235
<i>Less: Other Financial Expenses</i>	(441,971)	(284,380)
Gross Financial Margin	5,163,308	5,583,855
	8,200,301	9,014,114
<i>Income per Recovery of Financial Assets</i>	54,045	492,875
<i>Less: Expenses per Financial Assets provisions</i>	(590,039)	(186,658)
Net Financial Margin	(535,994)	306,217
	7,664,307	9,320,331
<i>Income per Services</i>	49,798	53,573
<i>Less: Expenses per Services</i>	(7,975)	(7,128)
Operational Margin	41,823	46,445
	7,706,130	9,366,776
<i>General and Management Expenses</i>	(1,404,212)	(1,331,892)
Total Operation Expenses	(1,404,212)	(1,331,892)
Net Operational Margin	6,301,918	8,034,884
Other non Operational Incomes and Expenses		
<i>Other Income</i>	132,662	58,747
<i>Other Expenses</i>	(70,602)	(5,676)
Total, Other Incomes and Expenses	62,060	53,071
Income before Taxes	6,363,978	8,087,956
<i>Taxes on Profits</i>	(1,637,980)	(2,219,177)
Income after Taxes on Profits	4,725,998	5,868,779