

SEDESA

Seguro de Depósitos S.A.

**Annual Report
and Financial Statements
1996**

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**Annual Report and Financial Statements
as at December 31, 1996**

approved by the Ordinary Assembly held on April 2, 1997

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SEDESA

Seguro de Depósitos Sociedad Anónima

SEDESA is a private corporation created by provision of Decree 540/95 (Official Gazette 18.04.95) of the National Executive Power, further amended by Decree 1292/96 (O.G. 18.11.96), having as sole and exclusive object the administration - as trustee - of the Deposit Insurance Fund created by Law N° 24.485 (O.G. 18.04.95).

The face value of SEDESA's Capital Stock amounts to One million Pesos, each share being of One peso face value. Its shareholders are the National Government and a trust agreement constituted by financial entities authorized to operate in the Argentine financial system wishing to be a part of said legal instrument. The National Government, through the Central Bank of the Argentine Republic, holds a Class "A" share. The remaining 999,999 shares are Class "B" and belong to the entities which are part of the trust in the proportion of the deposits that said entities hold annually.

SEDESA's functions, as Administrator of the Deposit Insurance Fund, are as follows:

1. To make payable the amount of the guarantee coverage to the depositors, whenever it pertains according to the provisions of Decree 540/95 and its modifying and/or regulatory provisions;
2. It may also make capital contributions, non-reimbursable contributions or loans to:
 - 2.1 Entities subject to a regularization and restructuring plan.
 - 2.2 Entities which purchase assets and take charge of the payment of the deposits of another entity, when this were convenient to compensate the insufficiency of said assets with regard to the total amount of the deposits transferred.
 - 2.3 Entities which take-over or acquire financial entities, in the framework of a plan of regularization and restructuring.
3. In the case of entities which acquire assets and take charge of the payment of the deposits of another entity, to enter into a sale option contract in favour of the acquiring entity, with regard to the whole or part of the transferred assets.
4. To acquire deposits of suspended banks, surrogating itself in the rights of the depositors.
5. To enter into obligations to be charged to the Deposit Insurance Fund.
6. To make, maintain or finance swap programmes with foreign banks with the purpose of contributing to the stability of the Argentine financial system.

The applicability of alternatives 2, 3 and 4 is decided by an "ad hoc" Steering Committee, a body in which the Central Bank of the Argentine Republic is represented.

The Deposit Insurance Fund belongs to the National Government, as well as the income proceeding from its investment. Said Fund is constituted by the obligatory assessments which all entities authorised to operate in the financial system contribute monthly.

Composition of the Board of Directors and of the Syndics' Committee

As at June 30, 1997

BOARD OF DIRECTORS

Chairman

Dr. José Carlos Jaime

Vice Chairman

Lic. Hernán del Villar

Director

Dr. Juan Carlos Fossatti (1)

Alternate Directors (2)

Dr. Juan Carlos Cassagne

Dr. Eduardo Javier Romero

SYNDICS' COMMITTEE

Syndics

Dr. Luis García Martínez

C.P.A. Enzo Agustín Vivian

Dr. Carlos María Tombeur (3)

Alternate Syndics

Dr. Carlos Langbehn

C.P.A. Eduardo Gabriel Ferrari

Lic. Daniel Tillard

- (1) Up to March 18, 1997, Lic. Alejandro Ephyteos hold the position of Director.
- (2) Up to April 2, 1997, Dr. Norberto W. López Isnardi hold the position of Alternate Director.
- (3) Up to May 13, 1997, Dr. Alberto D. Quintín Molinario hold the position of Syndic.

Evolution of the activity in the world

Different systems. Evolution.

On the basis of an international comparison, there appear three important aspects:

1. The main explicit systems are founded on the assessments of the financial entities and, among them, the new legislations are enrolled in what the Bank for International Settlements (BIS) has called "depositor protection".

2. The European Union, in its last guideline on the subject (May 1994), reaffirms the preceding concept and aims at the unification of the assessments in order not to distort the competitiveness.

3. The Federal Deposit Insurance Corporation (FDIC) has been working on the basis of assessments near to 2 monthly basis points and a fund whose amount represents no more than 1.25% on the total amount of deposits. It must be pointed out that, in the United States of America, the percentage of deposits covered by the insurance represents a 76% of the total amount of deposits.

It is difficult to find identical systems of deposit insurance; the substantial differences arise when we try to classify them between implicit and explicit systems. A recent research conducted by the International Monetary Fund (IMF) proved that, on 102 systems examined, 55

were implicit and 47 were explicit. This last type shows a clear preponderance in countries of Western Europe and of America.

Within the explicit systems, it can be established with certainty that 40 of them obtain their funding from the assessments of the entities which constitute the financial system.

Different types of assessments

The assessments, as well as their calculation, are made in different ways.

Most systems take as a calculation basis the deposits existing in the financial entities, very few are based on the assets, and scarce are those who refer to the total amount of liabilities.

As regards the modes of assessment, they vary between cash assessments or payment promises. This last modality is scarcely applied and may be found in those countries where there exists a financial system substantially concentrated in local banks using the mechanism of depositor protection as a legal instrument for "cartelization".

It can also be stated that the characteristics of the assessments are much influenced by the functioning of the central banks as last instance lender and by the degree of concentration of the financial system.

Particular cases in different countries

Examining those systems which are based in cash assessments to an insurance fund, calculated on deposits basis, we may find the following values.

Annual Basis Points (hundredth part of per cent) per country.		Countries by order of yearly Basis Points.	
Bangladesh	4	Venezuela	100
Canada	16	Nigeria	94
Colombia*	<i>between 9 and 15</i>	Mexico	75
Czech Republic	50	Czech Republic	50
Denmark	<i>up to 20</i>	Iceland*	<i>between 20 and 50</i>
Germany	3	Kenya	<i>up to 40</i>
Hungary	<i>up to 20</i>	Turkey	<i>up to 30</i>
Iceland*	<i>between 20 and 50</i>	United Kingdom	<i>up to 30</i>
India	4	Denmark	<i>up to 20</i>
Ireland	<i>up to 20</i>	Hungary	<i>up to 20</i>
Japan	1	Ireland	<i>up to 20</i>
Kenya	<i>up to 40</i>	Portugal	<i>up to 20</i>
Lebanon*	<i>between 2 and 5</i>	Uganda	<i>up to 20</i>
Mexico	75	United States of America	17
Nigeria	94	Canada	16
Philippines	1.2	Taiwan	15
Portugal	<i>up to 20</i>	Colombia*	<i>between 9 and 15</i>
Taiwan	15	Tanzania	10
Tanzania	10	Lebanon*	<i>between 2 and 5</i>
Turkey	<i>up to 30</i>	Bangladesh	4
Uganda	<i>up to 20</i>	India	4
United Kingdom	<i>up to 30</i>	Germany	3
United States of America	17	Philippines	1.2
Venezuela	100	Japan	1

* according to type of bank

Two peculiar aspects

From the revision and follow up carried on, there arise two aspects which, in our view, deserve to be pointed out: that of the FDIC, and Rule 94/19/CE of the European Parliament and Council dated May 30, 1994.

● The United States of America

The FDIC has worked with variable rates, which have increased as from the last crisis of banks and savings and loan associations of the second half of the eighties.

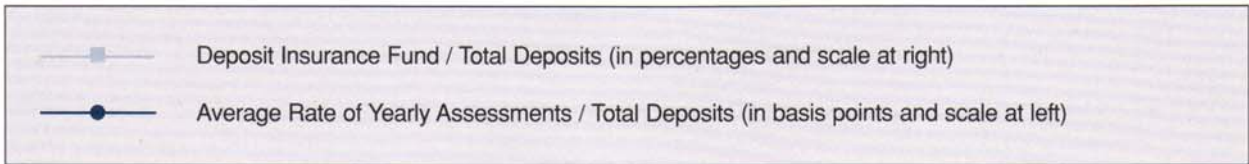
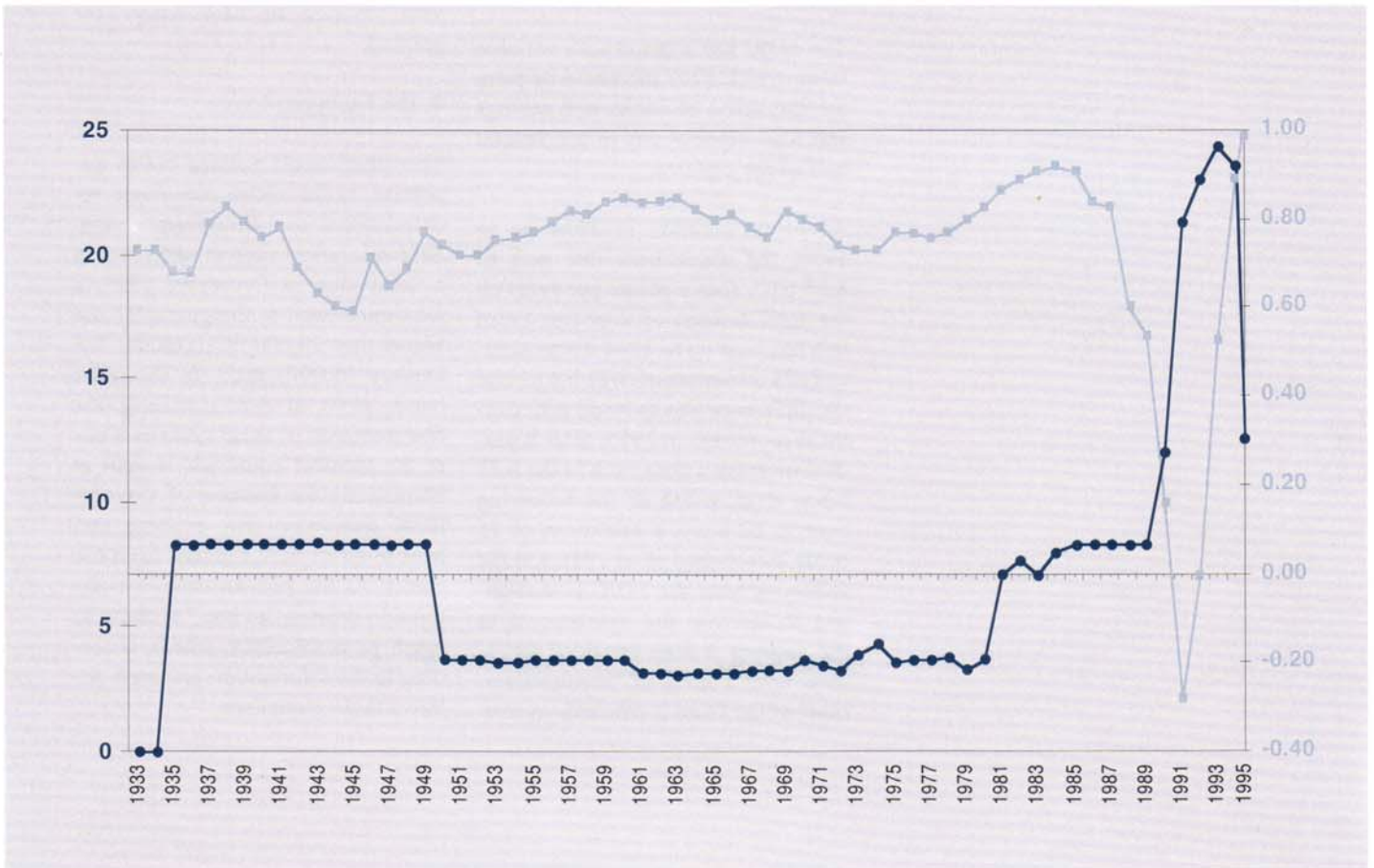
As of its creation in 1934 up to 1950, the assessment rate was of 8.33 b.p.y (basis points per year) on the total amount of deposits. From this last year up to 1984 it was reduced to a minimum of 3.73 b.p.y., and the difference was covered with payment promises. In 1985, after a gradual increase it goes back to the 8.33 b.p.y. level, going on the following year to 12 b.p.y, a minimum of 15 being established as of 1991. On the following year the FDIC is authorized to increase the assessments to the amount it may consider necessary, until a level of "re-capitalization" of the Fund is reached, equiva-

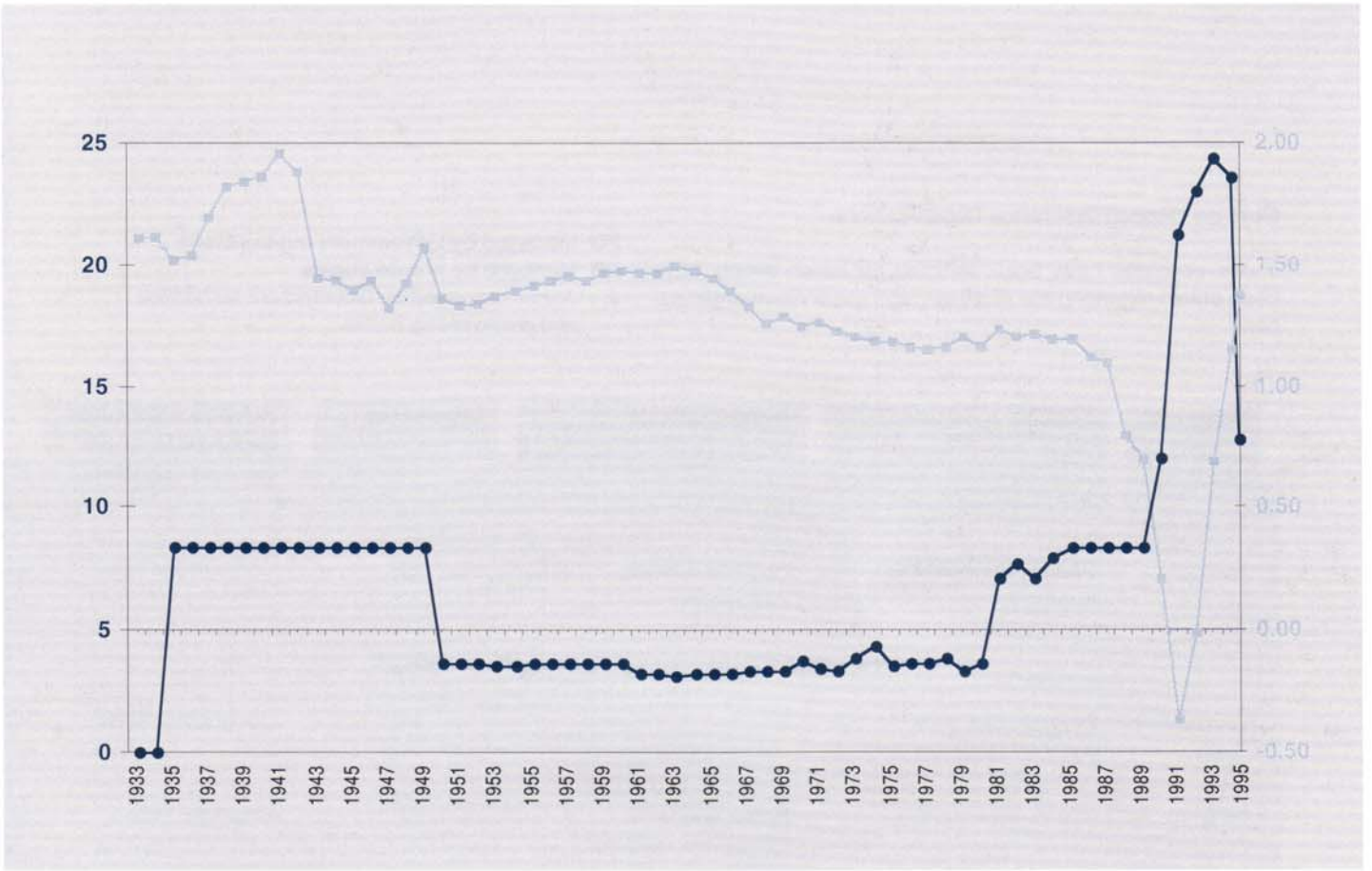
lent to 1.25% of the total amount of deposits of the banks adhering to the system. In 1993, a system of prizes for risk is adopted, which lead it to determine assessments which could oscillate between 23 and 31 b.p.y. As of May 1995, when the recapitalization amount was reached, the basic rate was reduced to 18.6 b.p.y. and in September of the same year an amount of 1.5 billion, and therefore the effective assessment for that year resulted in 12.4 b.p.y. (see graphs).

● The European Union

The other aspect pointed out as important, is the above mentioned resolution of the European Union. Said resolution aims at adopting, in a delay due in December 1999, a maximum limit to the guarantee not higher than 20,000 ECU (around US Dollars 25,000) and, on the other hand, aims at homogenising the functioning of these systems within the member countries. It aims at eliminating the systems of Government guarantee still existing and tend to an explicit funding from the banks. At the present time, a commission created "ad hoc " is about to reach its conclusions, which, according to the information gathered, follows these guidelines.

Federal Deposit Insurance Corporation (FDIC)





Deposit Insurance Fund / Total Deposits (in percentages and scale at right)
 Average Rate of Yearly Assessments / Total Deposits (in basis points and scale at left)

Summarization of the characteristics of the Main Deposit Insurance Organizations

Note on Deposit Insurance Organisations

Those countries have been selected for which details have been obtain regarding the monetary and supervision organisations.

PU Managed by Government organisations.

PR Managed by private bodies.

J Jointly managed by Government authorities and participating banks.

Country	Type of system	Management	Character	Assessment characteristic and year of creation
Austria	Deposit Insurance Fund.	Austrian Banking Association.	PR	Compulsory 1987
Bangladesh	Deposit Insurance Fund.		PU	Compulsory 1984
Belgium	Intervention Fund. ²	Rediscount and Guarantee Institute.	J	Voluntary 1985
Canada	Deposit Insurance Corporation of Canada.	Deposit Insurance Corporation of Canada.	PU	Compulsory 1967

¹ Rates of exchange with regard to the Argentine Peso as of December 31, 1996.

² The Intervention Fund was created through a protocol signed by the Institute for Rediscount and Guarantee and the Belgian Banking Association. The

Institute, intermediary of the National Bank of Belgium, has two functions: grant the rediscount of commercial invoices on short term which may be submitted to it by financial entities, which are forwarded to the National Bank, and

Protection level	Level in \$ ₁	Assessment system	Contingency Assessments
ASh 200,000	18,518	On demand.	Max. a third of the liabilities reserves of the member banks; Government bonds may be issued.
Tk 60,000	1,550	0.04% semi-annually on deposits in Tk.	
BF 500,000	15,773	0.02% per annum of deposits in BF.	None; the insurance is limited to the assets existing in the fund.
C\$ 60,000	43,796	0.16% per annum on deposits denominated "protected deposits".	It may enter into loans of up to C\$ 6 billion without authorization; and additional loans subject to Parliamentary approval.

manage the Intervention Fund. However, the Institute requires the approval of the Intervention Fund Committee, integrated by representatives of the contributing banks, for important decisions, such as rescue transactions.

Country	Type of system	Management	Character	Assessment characteristic and year of creation
Czech Republic	Deposit Insurance Fund.		PU	Compulsory 1994
Denmark	Deposit Insurance Fund.	Danish Insurance Agency.	PU	Compulsory 1987
Finland	Deposit Guarantee Fund of the Commercial Banks. ³	Board of Government.	PR	Compulsory 1969
France	Deposit Insurance Fund.	French Banking Association.	PR	Compulsory 1980

³ The Deposit Guarantee Fund of the Commercial Banks is an independent institution owned by its members (commercial banks) and has

its own governing board. In addition, there are similar guarantee funds owned by savings banks and co-operative banks.

Protection level	Level in \$ ₁	Assessment system	Contingency Assessments
Kē 100,000 per individual up to 20% of the deposits which do not surpass this amount	3,565	0.5% per annum of the total of deposits.	The Central Bank and the Government may lend to the Fund, in which case the assessment is doubled until the loan is cancelled.
DC 250,000	42,445	0.2% per annum of non banking deposits until the Fund reaches a total of DC 3 billion.	Loan form the banks, with possible guarantee from the Ministry of Industry.
No limit	No limit	Between 0.01% and 0.5% per annum of the total assets.	
FF 400,000	77,071	On demand on a regressive scale, "calls" up to FF 200 million per year (\$ 40,766,408).	Extra "calls" of up to FF 1,000 million may be made with regard to a five year period.

Country	Type of system	Management	Character	Assessment characteristic and year of creation
Germany	Deposit Insurance Fund.	Federal German Banking Association.	PR	Voluntary ⁴ 1966
Hungary	National Deposit Insurance Fund.	Board of Government.	J	Compulsory 1993
India	Society of Deposit Insurance and Credit Guarantee.	Society of Deposit Insurance and Credit Guarantee.	PU	Compulsory 1962
Ireland	Deposit Protection Fund.	Central Bank of Ireland.	PU	Compulsory 1989

⁴ Voluntary, but de facto compulsory, since a banking licence will not be issued to a bank that does not participate in a depositor protection scheme.

Protection level	Level in \$ 1	Assessment system	Contingency Assessments
Up to 30% of the core capital of the bank per depositor	Up to 30% of the core capital of the bank per depositor	0.03% per annum of the total deposits.	The yearly assessment may be doubled.
H 1,000,000 per client	9,000	A base of 0.5% of the capital and a quarterly payment of 0.2 to 0.3% per annum on the deposits.	
Rs 30,000	836	0.04% per annum on total of deposits.	Government support through the Reserve Bank subject to prior parliamentary approval.
80% of the first 5,000 I£; 70% of the following 5,000 I£; 50% of the following 5,000 I£	9,447	0.2% of the total deposits in I£.	The Fund is recalculated every year.

Country	Type of system	Management	Character	Assessment characteristic and year of creation
Italy	Interbank Deposit Protection Fund. ⁵	Interbank Deposit Protection Fund Council.	PR	Voluntary 1987
Japan	Deposit Insurance Corporation. ⁶	Deposit Insurance Corporation.	J	Compulsory 1971
Kenya	Deposit Insurance System.		PU	Compulsory 1985
Luxembourg	Deposit Guarantee. ⁷	Association for the Guarantee of Deposits.	PR	Voluntary 1989
Nigeria	Society of Deposit Insurance.	Society of Deposit Insurance.	PU	Compulsory 1988

⁵ The Interbank Deposit Protection Fund is organised as a banks' consortium under the aegis of the Italian Banking Association and the Banca d'Italia.

⁶ The Governor of the Deposit Insurance Corporation is Vice-Governor of the Bank of Japan. The management also includes representatives of the private financial institutions, who are members of it.

Protection level	Level in \$ ¹	Assessment system	Contingency Assessments
100% of the first L 200 million; 75% of the following L 800 million	131,752	On demand. Max. of 1% of total deposits; the amount cannot exceed L 2 billion (\$ 1,258,653). The aim of the Fund is to reach 4,000 billion L (2,527 million of \$).	There is no contingency support if that of the Fund is insufficient. Two options possible: to defer payment or to diminish the compensation to be paid.
¥ 10 million	86,207	0.12% per annum of the deposits in Yens made in Japanese territory.	Loans of up to ¥ 500 billion from the Bank of Japan subject to approval by the Ministry of Finance.
KSh 100,000	2,100	A fix amount of KSh 100,000 (\$2,100) up to a 0.4% per annum on the total deposits.	
LF 500,000	16,938	On demand, max. of 5% per annum of own funds.	
N 50,000 ⁸	2,270	Annual rate of 0.9375 % of the deposits.	

⁷ It is a mutual, non-profit making association.

⁸ It only covers deposits on current account and savings deposits in local currency and excludes interbanking deposits.

Country	Type of system	Management	Character	Assessment characteristic and year of creation
Norway	Commercial Banks' Contingency Fund. ⁹	Commercial Banks' Contingency Fund Board.	J	Compulsory 1961
Peru	Deposit Insurance Fund.	Central Bank.	PR	Compulsory 1993
Philippines	Permanent Insurance Fund.	Philippines Deposit Insurance Corporation. ¹²	PU	Compulsory 1963
Spain	Deposit Insurance Fund. ¹³	Bank of Spain.	PU	Voluntary 1977
Switzerland	Convention XVIII. ¹⁵	Swiss Bankers' Association.	PR	Voluntary 1984

⁹ The Contingency Fund is an independent legal identity and its activities are administered by a board of directors comprising seven members. Five of the members are elected by the member banks, while one member is appointed by the Bank of Norway and the last member is the director of the Banking, Insurance and Securities Commission.

¹⁰ The Commercial Banks' Contingency Fund has no formal obligation to cover the losses of all depositors in a failing bank ; the law states that the board decides on the degree of coverage in each individual

case. But in practice, deposits have always been covered in full.

¹¹ Per depositor and only up to two deposits in two different institutions per year.
¹² The Philippines Deposit Insurance Corporation' Board is chaired by the Central Bank Governor, with the PDIC president and the Undersecretary of Finance as members.

¹³ The Deposit Insurance Fund is a branch of the Bank of Spain, and is engaged in preventing bank crises and in insuring deposits. The first type of intervention includes the surveillance activity on a problem bank from the fund, take-over operations and finally the possibility of selling troubled banks.

Protection level	Level in \$ ¹	Assessment system	Contingency Assessments
No limits ¹⁰	No limits	0.015% per annum of the total assets until the Fund reaches 2% of the total deposits.	Guarantees issued by the member banks in proportion to their non-bank deposits; these guarantees are collateralized with cash or Government bonds deposits with the Bank of Norway.
S 4,600 ¹¹	2,100	Up to 0.75% per annum.	
P 40,000	1,521	0.083% per annum of the total deposits.	Government backing subject to approval by the Senate.
Pts 1,500,000	12,333	0.2% per annum of the deposits, complemented by a contribution from the Bank of Spain. ¹⁴	Government backing through the Bank of Spain, subject to approval by Royal Decree.
SF 30,000	22,388	On demand.	Subscribed by the member banks.

In addition, the Banking Corporation was created with the objective to acquire a majority shareholding in troubled banks, to re-establish sound management and a secure base for operations and ultimately to sell back the shareholding to the private sector. If it is clear that a bank cannot be returned to a healthy state, then it is liquidated. However, it was decided to enlarge the Deposit Insurance Fund, which was considered to be a more satisfactory means of dealing with ailing banks.

¹⁴ As of 1994, the Bank of Spain has ceased its contribution to the Deposit Insurance Fund.

¹⁵ The so-called Convention XVIII is an agreement among the members of the Swiss Bankers' Association under which banks mutually guarantee savings deposits. The convention does not provide the depositor with a legal claim. Although it has therefore no legal status as deposit insurance, we rank the convention under deposit insurance agencies, as its purpose is to provide deposit protection.

Country	Type of system	Management	Character	Assessment characteristic and year of creation
Taiwan	Central Society of Deposit Insurance.	Board integrated by the Ministry of Finance and the Central Bank.	PU	Voluntary 1985
The Netherlands	Collective Guarantee Scheme. ¹⁶	Bank of The Netherlands.	J	Compulsory 1980
Trinidad Tobago	Deposit Insurance Society.		PU	Compulsory 1985
Uganda	Deposit Insurance.	Central Bank.	PU	Voluntary 1995

¹⁶ The Collective Guarantee Scheme is established in joint co-operation between the banks and the Bank of The Netherlands.

Protection level	Level in \$ 1	Assessment system	Contingency Assessments
NT\$ 1,000,000 per individual depositor	38,500	Premium of 0.0150% on deposits.	
DFI 40,000	23,121	On demand, max. of 5% per annum on own funds.	Government backing subject to parliamentary approval.
TT\$ 50,000	8,500	Contribution of 0.2% per annum on total deposits.	
US\$ 3,000,000	3,000	Premium in charge of the Banks, of 0.2% per annum on deposits. Equal amount in charge of the Government.	

Country	Type of system	Management	Character	Assessment characteristic and year of creation
United States of America	Federal Deposit Insurance Corporation.	Federal Deposit Insurance Corporation. ¹⁷	PU PR	Voluntary ¹⁸ 1934
United Kingdom	Deposit Protection Fund.	Board of the Deposit Protection Fund. ¹⁹	J	Compulsory 1979
Venezuela	Deposit Insurance and Banking Protection Fund (FOGADE).		J	Compulsory 1985

¹⁷ The Corporation is run by a three member Board of Directors. Two Directors are appointed by the President for a six-year term and third is the Comptroller of the Currency, an ex-officio member.

¹⁸ Compulsory for FED members and national banks.

¹⁹ The Deposit Protection Board consists of the Governor of the Bank of England as Chairman, two other ex-officio members of the Bank of England, three members of contributory entities, together with a number of officers of the Bank of England.

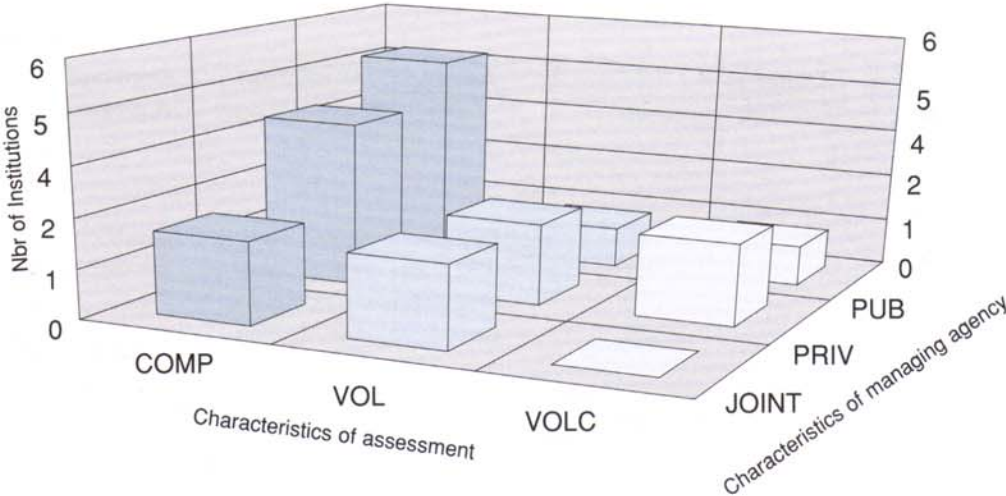
Protection level	Level in \$ ₁	Assessment system	Contingency Assessments
100,000	100,000	Between 0.23% and 0.31% per annum of the total deposits made in the United States of America, depending on the risk rating assigned (average value on 31.12.94 was of 0.239% per annum).	Loans up to 30 billion granted by the Treasury.
75% of the first 20,000 £ per depositor	25,650	Initial contribution plus "calls" subject to a max. of 0.3% of deposits in £.	Parliament can raise the maximum payable percentage; facility of advancement of £ 125 million by the Bank of England.
Bs 1,000,000 per deposits in Bs		Contribution of 0.5% of deposits of the previous semi-annual period in two semi-annual payments.	

Sources: OECD (1987), Prudential Supervision in Banking (Paris) - Several Central Banks - O.C.C. - F.D.I.C. - B.I.S. - I.M.F.

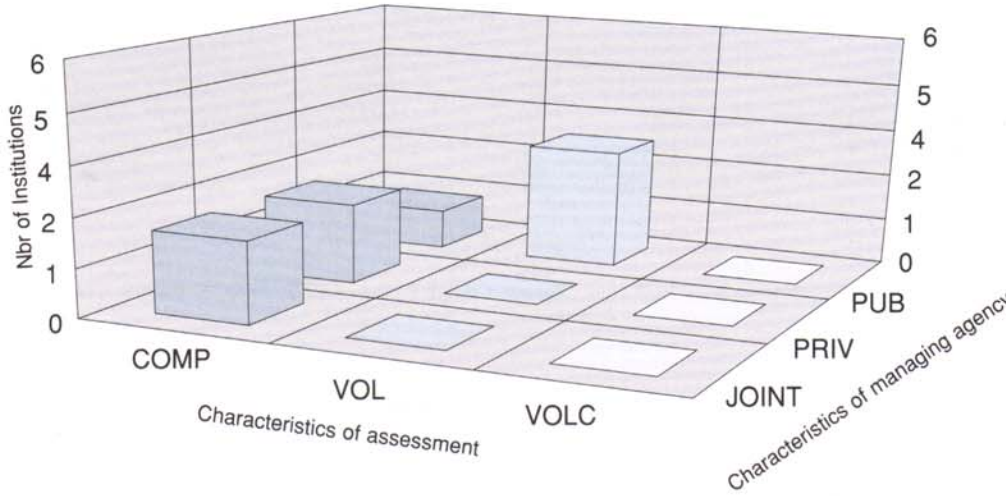
Guarantee Regimes according to the Assessment characteristics and to those of the Agency which manages de Deposit Insurance Fund

PUB = Public **PRIV = Private** **JOINT = Joint system**
COMP = Compulsory **VOL = Voluntary** **VOLC = Voluntary Compulsory**

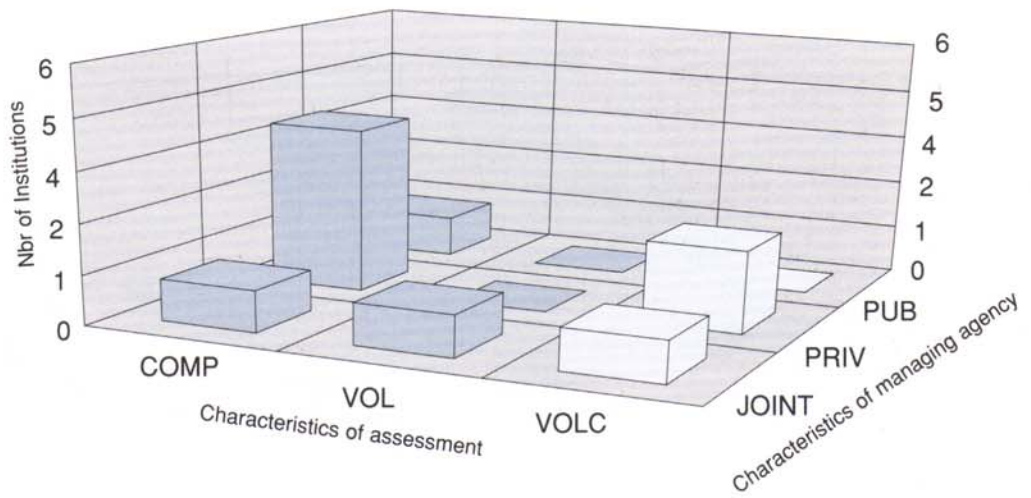
Western Europe



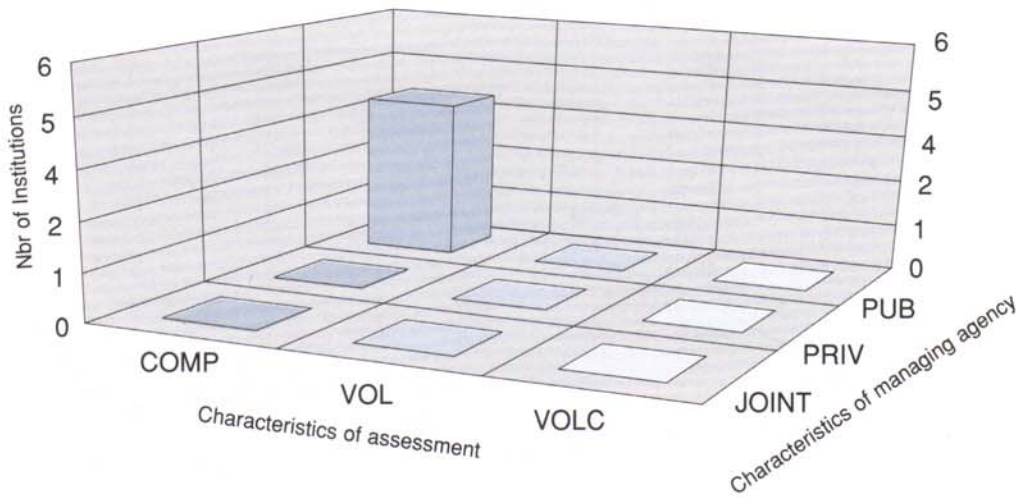
Asia and Middle East



Americas



Africa



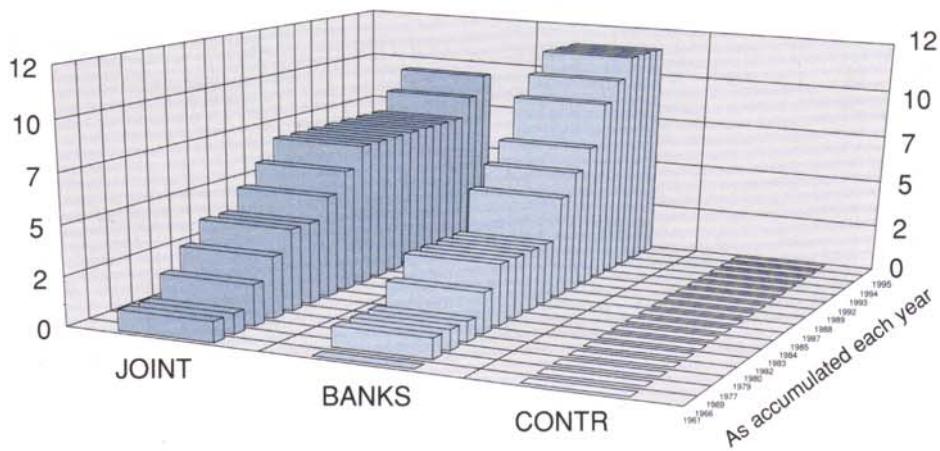
Characteristics of the Assessment to the Fund according to Institution subject to contribution

JOINT = Banks and Government

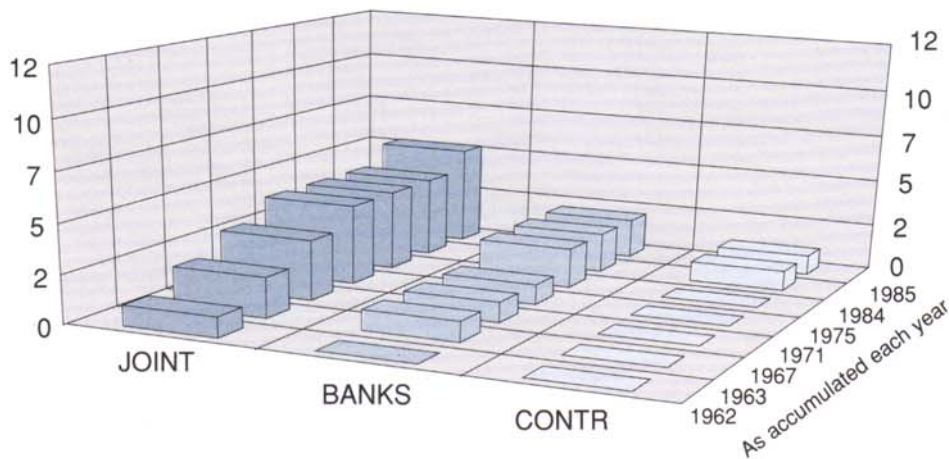
BANKS = Banks

CONTR = Contributor

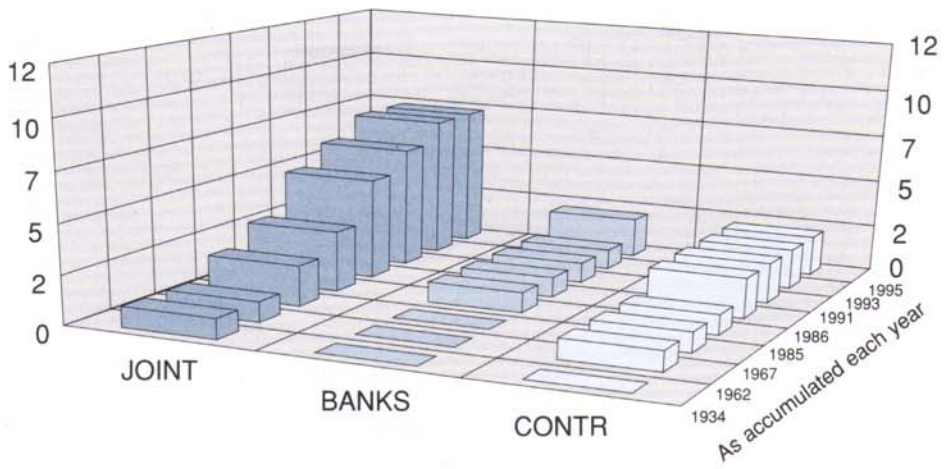
Western Europe



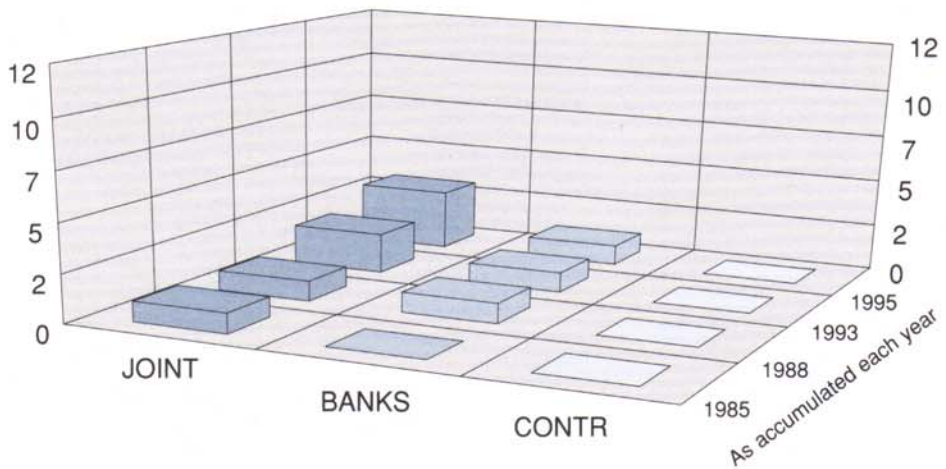
Asia and Middle East



Americas



Africa



Cases taken care of by SEDESA

During the present fiscal year, our corporation, in its capacity of manager of the Deposit Insurance Fund, had to cover the reimbursement of funds, within the legal stipulations, to the depositors of the Caja de Crédito Pavón, the liquidation of which was decided by the Central Bank of the Argentine Republic.

In order to fulfil the stipulated legal mandate, the Board of Directors provided for a series of steps to be undertaken prior to the payment, so as to determine the legitimacy of the rights which might correspond to the depositors. Among other aspects, the measures adopted conducted to the following results.

Over a total amount of deposits for 3,651,045.70 pesos, 1,045,334.52 pesos were theoretically covered by the guarantee regime. Out of this last amount, after a final verification, an amount of 662,334.55 pesos was paid.

On October 18, 1996, the Central

Bank of the Argentine Republic requested SEDESA's opinion with regard to an operation of portfolio acquisition of the Banco de Caseros S.A. for an amount of 74,000,000 pesos, to be performed with the eventual acquirer of said institution, to which procedure the Board of Directors of SEDESA granted its agreement.

This decision, made known to the Central Bank of the Argentine Republic on October 22, required an intensive economic and legal examination.

The transfer of assets and privileged liabilities of said entity to the Banco de Crédito Argentino having been decided upon by the authorities, the Board of Directors decided to carry on the above mentioned portfolio acquisition through an agreement, the signature of which, at the closing of the present fiscal year, was being discussed by the parties.

Evolution of the Deposit Insurance Fund

The evolution registered in the different economic variables during 1996, had an influence in the growth registered in the deposit level. This was reflected in an increase of absolute

assessments to the Deposit Insurance Fund, which, at the end of the present fiscal year, including interests, reached the amount of US Dollars 282,368,692.51.

ASSESSMENTS TO THE DEPOSIT INSURANCE FUND (year 1996, in US Dollars)

Month	Entities assessments	Accumulated assessments	Monthly assessments over deposits in the financial system, as a percentage (1)	DIF on total deposits in the financial system, as a percentage (2)
		100,382,855.06 *		
January	13,082,803.29	113,465,658.35	0.034967	0.267065
February	13,039,485.25	126,505,143.60	0.033168	0.283510
March	13,725,580.78	140,230,724.38	0.033621	0.302833
April	13,881,371.32	154,112,095.70	0.034275	0.334922
May	14,660,387.63	168,772,483.33	0.035653	0.360911
June	16,265,372.92	185,037,856.25	0.038091	0.381618
July	15,601,667.10	200,639,523.35	0.036436	0.411373
August	16,191,022.14	216,830,545.49	0.037146	0.437823
September	14,583,853.67	231,414,399.16	0.033087	0.463564
October	17,664,415.45	249,078,814.61	0.040174	0.498901
November	16,516,254.99	265,595,069.60	0.037398	0.527865
December	16,031,699.00	281,626,768.60	0.035922	0.553555

* Balance on 31-12-95.

(1) Calculated on the basis of the assessments of the entities which contribute to the DIF, at the end of each month.

(2) Calculated on the total deposits of the financial system, at the end of each month.

Financial Statements

Comments on the Financial Statements for fiscal year 1996

According to the provisions of Section 66 of Law 19.550, this Board of Directors informs that:

1. No significant variations of assets and liabilities have occurred.
2. There are no extraordinary earnings.
3. The reserve constitution answers to strictly legal and statutory reasons.
4. There are no associated or controlled societies.
5. All other requirements contained in the above mentioned section are set down in this Report.

Profits of fiscal year 1996

Net Profit before taxes, per quarter (in Argentine Pesos).

Qtr	Net Profit	Accumulated Net Profit
I	1,513,587.92	1,513,587.92
II	2,068,962.82	3,582,550.74
III	2,588,042.26	6,170,593.00
IV	1,893,848.00	8,064,441.00

* Decree 1292/96 (Official Gazette 18.11.96) provided, in its section 3, that SEDESA shall receive no compensation whatsoever on account of its administration of the DIF.

Per cent variation of Net Profit before taxes, per quarter.

Qtr	Variation regarding previous quarter	Variation regarding first quarter
I		
II	36.69	36.69
III	25.08	70.98
IV	(26.82)	25.12

Proposal on destination of the results of the fiscal year

In view of the transformation produced in the activity of the Corporation by virtue of Decree 1292/96, already analysed, particularly with regard of its acting as trustee of the Central Bank of the Argentine Republic and its activity as paying agent of the commitment fees for transactions aiming at contributing to the stability of the Argentine financial system, as well as the possibility of entering into obligations on future flows of the Deposit Insurance Fund, this Board of Directors considers it convenient to constitute, with the total amount of profits for the fiscal year closed on December 31, 1996, a reserve for future contingencies, after assigning the amount corresponding to legal reserve and after discounting the amount pertaining to the administration and fiscalization bodies.

Proposed distribution of profits

In accordance with the statutory provisions, this Board of Directors proposes the following distribution of the profits of the fiscal year:

To Legal Reserve Fund, in accordance to the provisions of section 20, paragraph a) of our by-laws :

Pesos 138,362.67

once the compensation of the Directors and Syndics is defined, the remainder will go to the Non-Assigned Results account.

Financial Statements as at December 31, 1996
(in Argentine Pesos)

ASSETS

CURRENT ASSETS

Cash and due from banks	103,974	
Investments	8,884,462	
Other Receivables	<u>377,816</u>	
Total Current Assets		<u>9,366,252</u>

NON CURRENT ASSETS

Other Receivables	11,400	
Premises and Equipment	<u>26,286</u>	
Total Non-Current Assets		<u>37,686</u>

Total Assets

9,403,938

LIABILITIES

CURRENT LIABILITIES

Accounts payable	453,471	
Salaries and Social Security Contributions	5,912	
Tax Burden	<u>2,350,254</u>	
Total Current Liabilities		<u>2,809,637</u>

NON-CURRENT LIABILITIES

Other Liabilities	<u>3,000</u>	
Total Non-Current Liabilities		<u>3,000</u>

Sub-total		<u>2,812,637</u>
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SHAREHOLDERS' EQUITY

Capital Stock	1,000,000	
Legal Reserve	61,637	
Retained earnings	<u>5,529,664</u>	
Total Shareholders' Equity		<u>6,591,301</u>

Total Liabilities and Shareholders' Equity		<u>9,403,938</u>
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MEMORANDUM ACCOUNTS

DEPOSIT INSURANCE FUND		<u>282,368,693</u>
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Income Statements as at December 31, 1996
(in Argentine Pesos)

Operational Income	8,863,552
Administrative Expenses	(794,426)
Other Expenses	<u>(4,685)</u>
Net Profit (before Income Tax)	8,064,441
Income Tax	<u>(2,705,887)</u>
Fiscal Year Profit	<u>5,358,554</u>

The financial statements are audited by the accountants firm Finsterbusch Pickenhayn Sibille, a branch of KPMG International.

Contadores Públicos

Leandro N. Alem 1050 - 5º Piso
(1001) Buenos Aires
Argentina

Teléfono: 54(1) 313-9633
Telefax: 54(1) 311-7117

AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

To the Chairman and Directors of
SEGURO DE DEPOSITOS SOCIEDAD ANONIMA

We have examined the financial statements of SEGURO DE DEPOSITOS SOCIEDAD ANONIMA as at December 31, 1996, and the corresponding income statements and statement of changes in shareholders' equity, together with the accompanying notes 1 to 9 and schedules I to IV for the fiscal year closed on that date. The preparation of these financial statements is the responsibility of the Board of Directors of the Corporation. Our responsibility is to express an opinion on said financial statements based on our audit task.

Our examinations were conducted in accordance with prevailing auditing standards. Said standards require that we plan and perform the audit to obtain a reasonable assurance that the financial statements do not contain significant errors. The audit process implies the examination, on a test basis, of the evidence supporting the figures and statements included in the financial statements. As a part of the audit, the assessing of the accounting standards used for preparing the financial statements, the significant estimates made by the Board of Directors and the presentation of the financial statements as a whole. We consider that our examination provides a reasonable basis to issue our professional opinion.

In our opinion, the financial statements mentioned present fairly, in all material aspects, the information on the net worth and financial position of SEGURO DE DEPOSITOS SOCIEDAD ANONIMA as at December 31, 1996, as well as the results of its operations and the changes in the shareholders' equity in the fiscal year closed on such date, in accordance with professional accounting standards.

In compliance with existing regulations, we report that:

- the financial statements arise from certified accounting books carried formally in accordance to legal standards;
- On December 31, 1996, the charges accrued in favour of the National Pension Fund System amounts to \$ 5,745.72 and were not yet due at that date.

Buenos Aires, January 24, 1997

FINSTERBUSCH PICKENHAYN SIBILLE
Professional Registration of the Firm: CPCECF T° 2 F° 6

Carlos Langbehn
Partner
Public Accountant (U.B.A.)
C.P.C.E.C.F. T° XXII F° 237

Report of the Syndics' Committee

Buenos Aires, January 31, 1997

To the Shareholders of
Seguro de Depósitos Sociedad Anónima

In fulfilment of the mission entrusted by the Assembly and of the legal and statutory regulations in force, this Committee has carried out its specific activity in permanent contact with the management of the Corporation during its second fiscal year ended on December 31, 1996, and has taken intervention in those matters on which it has been called in the sphere of the duties and attributions of the function.

In one of its aspects, such activity was reflected in the attendance of its members to the meetings of the Board of Directors, as shown on the pertinent minutes.

Also, the accounting and the vouchers of the line of business were checked with the required frequency and periodicity.

On the other hand, it was endeavoured to co-ordinate the activities of the Committee with the tasks of the External Audit of the Corporation, which carries out periodically cash audits of the funds and securities, of investments with their supporting documentation and other assets, rights and liabilities connected with the society management, as shown by the pertaining working papers and reports related to the checking carried out.

Finally, the Financial Statements, Inventory and Income Statement were verified, and it was confirmed that they actually show the shareholders' equity and financial situation of the Corporation, and likewise that they have been prepared in accordance with the legal provisions in force and to the accountant norms on the matter.

We must also point out our agreement with the statements set forth by the Board of Directors in the Annual Report, since in our opinion they reveal a fair valuation of the economic, financial and shareholders' equity situation of the Corporation, of the main aspects and facts of the Corporation management and, essentially, of the specific income.

Based on the above, we recommend to the Shareholders the approval of the activities fulfilled by the Board of Directors and of the documents submitted to their consideration.

Luis García Martínez
Doctor in Economic Sciences
Chartered Public Accountant

Alberto D.Q. Molinario
Attorney-at- Law

Enzo A. Vivian
Chartered Public Accountant

Legal and regulation framework

a) Law N° 24.485

Through Section 1 of said Law the Deposit Insurance System was created, with the purpose of covering risks in bank deposits, and the Central Bank of the Argentine Republic was authorized to conduct its organization and to put it into operation.

b) Decree N° 540/95 and Decree N° 1292/96

Through Decree N° 540/95 published in the O.G. on 18.04.95, the Deposit Insurance System was regulated and the basis of its functioning, as well as that of SEDESA, were established.

The enactment, on November 18, 1996, of Decree N° 1292/96, represented a significant modification, for the regulatory framework of the corporation as well as for its statutory provisions. By virtue of said legal instrument, changes were brought in that led to a modification of SEDESA's by-laws.

Section 1 of Law N° 24.485, the text of Decree N° 540/95 with the amendments brought in by Decree 1292/96, as well as SEDESA's by-laws presently in force are included in this Report.

Main modifications introduced by Decree 1292/96 to Decree 540/95

The ownership of Class "A" share of this Corporation is transferred from the Ministry of Economics and Public Works and Services to the Central Bank of the Argentine Republic.

SEDESA is given the condition of trustee in accordance to the Trust Agreement to be entered into with the Central Bank of the Argentine Republic.

The character of the management of the Deposit Insurance Fund by SEDESA will be on a free-of-charge basis, and the income proceeding from the investment of said Fund shall be returned to it.

To the operations that SEDESA may perform, are added, among others, that of performing, as manager of the Deposit Insurance Fund, the following: a) to acquire deposits of suspended entities; b) to make capital contributions, non-reimbursable contributions or loans, to (i) entities which are subject to a restructuring plan, so as to support its fulfilment; (ii) entities which acquire assets and take over the payment of the deposits of an entity subject to Section 35 bis of the Law on Financial Entities; (iii) entities absorbing or acquiring another entity in the frame-work of a restructuring plan, and (c) enter into a contract of sale option on the whole or part of the assets transferred in favour of entities which acquire assets and take over the payment of the deposits of an entity subject to Section 35 of the Law on Financial Entities.

To enter into obligations on account of the Deposit Insurance Fund for an amount equal to up to two years of the total assessments inflow.

To perform, maintain or finance "swap" programmes with foreign banks, having as purpose to contribute to the stability of the financial system.

The creation of an "ad hoc" Steering Committee having as exclusive purpose to decide on the use of determined SEDESA's contributions within the provisions of the legal framework.

Law N° 24.485

Creation. Modification of the Central Bank of the Argentine Republic Act and of the Law on Financial Entities.

Passed: April 5, 1995

Partially Enacted: April 12, 1995

The Senate and the Lower House of the Argentine Nation together forming the Congress, etc, pass with legal enforcement:

Section 1: The System of Deposit Insurance Guarantee is created, which will be limited, binding and which funding is covered just by the financial entities, with the purpose of covering the risks of the bank deposits, in a subsidiary and complementary manner with regard to the system of privileges and deposit protection established by the Law on Financial Entities, without jeopardising the resources of the Central Bank of the Argentine Republic nor those of the National Treasury. The Central Bank of the Argentine Republic is authorised to organise the system created by the present section and to bring it into operation.

Amended text of Decree 540/95 (Official Gazette of 18.04.95) with the modifications originated in Decree 1292/96 (Official Gazette of 18.11.96)

Section 1: The “DEPOSIT INSURANCE FUND” (DIF) is created with the purpose of covering the banking deposits with the scope foreseen in this Decree. The constitution of the corporation “SEGURO DE DEPOSITOS SOCIEDAD ANONIMA” (SEDESA) is decided, with the exclusive purpose of holding the functions of trustee of the Trust Agreement to be opportunely entered into between SEDESA and the NATIONAL GOVERNMENT, through the CENTRAL BANK OF THE ARGENTINE REPUBLIC, for the management of the DIF.

Section 2: The approval of the Charter and By-Laws of the corporation “SEGURO DE DEPOSITOS SOCIEDAD ANONIMA” (SEDESA), is delegated to the MINISTRY OF ECONOMY AND PUBLIC WORKS AND SERVICES. The corporation shall have as partners the CENTRAL BANK OF THE ARGENTINE REPUBLIC, with one share as a minimum, and whoever results to be trustee in the Trust Agreement to be entered into by the financial entities authorised to operate in the ARGENTINE REPUBLIC which may express their will to be part of said Trust Agreement, in the proportion which for each one shall be determined by the CENTRAL BANK OF THE ARGENTINE REPUBLIC on the basis of their

assessments to the DIF. Until SEDESA is constituted, the assessments to the DIF will be deposited to the account and entity that the CENTRAL BANK OF THE ARGENTINE REPUBLIC may determine.

Section 3: SEDESA shall receive no compensation whatsoever with regard to its activities as trustee of the DIF. The operational expenses of the corporation shall be those strictly necessary to operate and must be covered with the income of the DIF. The amendment of its by-laws or of its capital stock shall require at least the favourable vote of the shares belonging to the CENTRAL BANK OF THE ARGENTINE REPUBLIC.

Section 4: The charter and by-laws of SEDESA, as well as any proceedings which must be given the rank of public deed, are ordered to be registered through the OFFICE OF THE GENERAL NOTARY PUBLIC OF THE NATION, without this implying any expense whatsoever.

Section 5: The GENERAL INSPECTION OF JUSTICE is instructed to grant the respective agreements or authorisations and to take note of the inscription of SEDESA in the registry it keeps.

Section 6: The financial entities authorised to operate in the ARGENTINE REPUBLIC shall deposit with the DIF a normal monthly assessment to be determined by the CENTRAL BANK OF THE ARGENTINE REPUBLIC between a minimum of ZERO DECIMAL POINT ZERO FIFTEEN PER CENT (0.015%) and a maximum of ZERO DECIMAL POINT ZERO SIX PER CENT (0.06%) of the average of the daily balances of deposits in pesos and foreign currency constituted with the financial entities, and with the additional assessments that the CENTRAL BANK OF THE ARGENTINE REPUBLIC may establish for each entity on the basis of the risk indicators it may deem appropriate. In no case the additional assessment of an entity shall exceed the equivalent of a normal assessment.

With regard to the calculation of the average of the daily balances of deposits in pesos and in foreign currency, the deposits corresponding to national official accounts opened

with the BANCO DE LA NACION ARGENTINA are excluded.

The CENTRAL BANK OF THE ARGENTINE REPUBLIC may determine that the payment of the assessment be in cash, or through the assumption of the commitment of making said payment, implemented under the conditions and formalities that the CENTRAL BANK OF THE ARGENTINE REPUBLIC may determine, and the contributing financial entities, in this last case, shall comply with the rules in force pertaining to minimum capital requirements. Said commitments may not be over the FIFTY PER CENT (50%) of the pertaining assessment to be made.

Section 7: The CENTRAL BANK OF THE ARGENTINE REPUBLIC shall determine the due date of the obligation to deposit the assessments. The financial entities shall punctually deposit their assessments as a condition for operating regularly. All financial entities who start to operate in the ARGENTINE REPUBLIC may join the trust referred to in Section 2 of this Decree and those who cease operating shall lose the condition to integrate it, making cession of their right to the face value of SEDESA's shares. The Authority of Application shall establish annually the proportion in the trust for each financial entity, and the transfers corresponding to the face value of the shares shall be effected immediately.

Section 8: When the DIF reaches the amount of TWO THOUSAND MILLION PESOS (\$ 2,000,000,000) or FIVE PER CENT (5%) of the total of the deposits to the financial system, should such proportion be higher, the CENTRAL BANK OF THE ARGENTINE REPUBLIC may suspend or reduce the obligation of making assessments to the DIF, totally or partially restoring said obligation when the DIF diminishes from said amount or proportion. To the purposes of this Section, only the cash assessments made by the financial entities shall be computed. The CENTRAL BANK OF THE ARGENTINE REPUBLIC may adapt the total amount that the DIF must reach, when it considers that the accumulated amount is prudent in relation to the financial market situation and to the functions of the DIF.

Section 9: At any moment the CENTRAL BANK OF THE ARGENTINE REPUBLIC may require from the financial entities the advance payment of the deposit of up to two years of the minimum foreseen for the normal assessments, whether it be totally in cash or including the assessment commitments up to the maximum authorised by Section 6 of the present Decree, and they will be obliged to do so. The CENTRAL BANK OF THE ARGENTINE REPUBLIC may, at SEDESA's requirement, debit directly to the financial entities who do not pay their assessments, normal or additional, from the funds deposited by them with said Institution. It may proceed likewise in case the assessment commitments foreseen in Section 6 of the present Decree are not complied with.

Section 10: The resources of the DIF shall be invested in similar conditions to those set for the placement of the international foreign currency reserves of the CENTRAL BANK OF THE ARGENTINE REPUBLIC. Notwithstanding this, the CENTRAL BANK OF THE ARGENTINE REPUBLIC may authorise that up to FIFTY PER CENT (50%) of the assets composing the DIF is invested in government public bonds. The earnings of the DIF shall be a part of same and shall be reinvested in the same conditions. SEDESA shall inform monthly the public and the SUPERINTENDENCY OF FINANCIAL AND FOREIGN EXCHANGE ENTITIES the balance of the DIF.

Section 10 bis: SEDESA may perform, with the resources of the DIF, the following transactions:

a) To make effective the coverage of the guarantee to the depositors, with the limits and conditions set forth in these presents and its regulatory, complementary and clarifying provisions.

b) To make capital contributions, non reimbursable contributions or loans to:

(I) The financial entities which are subject to a regularization and restructuring plan and to the effect of supporting the fulfilment of same.

(II) The financial entities which acquire assets and take in charge the payment of the deposits of another entity subject to the regime of Sec-

tion 35 bis and concordant of Law on Financial Entities N° 21.526 and its modifying laws, when it were convenient to compensate the inadequacy of said assets with regard to the whole of the deposits transferred; or

(III) The financial entities which take over or purchase financial entities in the framework of a regularization and restructuring plan.

Enter into a contract of sale option in favour of the entity acquiring the whole or a part of the assets transferred, in the case of financial entities acquiring assets and taking charge of the payment of the deposits of another entity subject to the regime of Section 35 bis and concordant of Law N° 21.526 and its modifying laws.

d) To acquire deposits of banks suspended under Section 49 of Law N° 24.144, up to the amount of the guarantee foreseen by Section 13 of the present Decree, surrogating itself in the rights of the depositors.

e) To enter into obligations in charge of the DIF, in its capacity of administrator of same, and with the guarantee of all the contributing financial entities, for up to an amount equivalent to TWO (2) years of total cash-flows of present assessments, including the cash assessments and those which may be made with the guarantees of the financial entities in accordance with the applicable provisions. The guarantee to be granted by the financial entities shall be determined in accordance to the amounts which may individually correspond to it, and shall be effective on first requirement and under the conditions and formalities that the CENTRAL BANK OF THE ARGENTINE REPUBLIC may set forth in this regard.

f) To perform, maintain or finance swap programmes with foreign banks having the purpose of contributing to the stability of the Financial System, with the previous agreement of the CENTRAL BANK OF THE ARGENTINE REPUBLIC, and with charge to the DIF.

The application of the alternatives foreseen in the preceding paragraph b), c) and d) shall be exclusively decided by a Steering Committee, the decisions of which shall be binding to SEDESA. Such Committee shall be composed by a representative of the CENTRAL BANK OF THE ARGENTINE REPUBLIC and

a number of members to be determined in the Trust Agreement between a minimum of four and a maximum of seven representatives of the financial entities which contribute to the DIF.

The representative of the CENTRAL BANK OF THE ARGENTINE REPUBLIC shall be the President and will have a right of veto, but no right to vote.

The members shall have a right of vote in proportion to the assessments made to the DIF by the entities they represent and in accordance to the provisions of the Trust Agreement.

The Steering Committee shall decide on the application of some of the alternatives foreseen in the preceding paragraphs b), c) and d) when, on the basis of estimates which may be made at the time when the decision must be made, their adoption implies a direct cost on the DIF lower than that which would result in charge of the DIF in case the authorisation to operate of the affected entity were revoked and the payment to the depositors foreseen in the preceding paragraph a) were to be effected, for which purpose the equity capital situation of the affected entity shall have to be taken into account and the possible recovery of SEDESA's disbursements by way of subrogation.

Any aspect referring to the Steering Committee shall be foreseen in the Trust Agreement to be entered into by the CENTRAL BANK OF THE ARGENTINE REPUBLIC and SEDESA.

Up to the moment when the Steering Committee foreseen in Section 10 bis of the Decree N° 540/95 is constituted, its functions shall be performed by the Board of Directors of SEDESA, with the advice of the SUPERINTENDENCY OF FINANCIAL AND EXCHANGE ENTITIES of the CENTRAL BANK OF THE ARGENTINE REPUBLIC.

Section 11: The deposits in PESOS and in foreign currency constituted with the participating entities under the form of checking accounts, savings accounts, certificates of deposit or other forms that the CENTRAL BANK OF THE ARGENTINE REPUBLIC determines and which meet the requirements set forth herein and the other requirements to be decided by the Authority of Applica-

tion, shall benefit from the coverage offered by the system.

Section 12: The following do not benefit from the coverage of the guarantee system:

- a) deposits of financial entities with other intermediaries, including the certificates of deposit acquired by secondary negotiation.
- b) deposits made by persons connected, directly or indirectly, with the entity, according to the established guidelines or to those guidelines to be established in future by the CENTRAL BANK OF THE ARGENTINE REPUBLIC.
- c) certificates of deposit of securities, acceptances or guarantees.
- d) deposits constituted after July 1 of this year, on which there had been agreed a rate of interest higher by two yearly percentage points to the deposit interest rate for equivalent terms of the BANCO DE LA NACIÓN ARGENTINA corresponding to the day prior to that of the deposit. The CENTRAL BANK OF THE ARGENTINE REPUBLIC may modify the reference rate set forth in this clause, communicating it with an advance of FIVE (5) banking working days.
- e) all other deposits which the Authority of Application may exclude in future.

Section 13: The guarantee will cover the reimbursement of the sight deposits or of the certificates of deposit constituted for less than NINETY (90) days up to the amount of TEN THOUSAND PESOS (\$ 10,000) or of the certificates of deposit constituted for NINETY (90) days or more, up to the amount of TWENTY THOUSAND PESOS (\$ 20,000). The deposits for amounts higher than the above mentioned are also included in the guarantee regime up to the minimum limit resulting from applying the aforementioned stipulations, according to the term which may correspond.

Section 14: The reception by the depositors of the amounts disbursed by SEDESA with the funds available in the DIF, implies the legal subrogation in favour of SEDESA in the rights to collect from the liquidation or bankruptcy of the entity, with the privileges corresponding to the depositors and with collection priority over them up to reaching the

amounts paid by SEDESA in accordance with the provisions of Section 13 of the present Decree.

Section 15: The guarantee is in force on equal conditions both for natural and juridical persons. In order to determine the amount benefiting from the guarantee and its reimbursement to the depositor, the total amount of the deposits that each person has with the entity on the date of revocation of the authorisation to operate shall be computed. In the accounts and certificates of deposit in the name of TWO (2) or more persons, it is understood that only one of them benefits from the guarantee, and the same shall be distributed on a pro-rata basis among the participants.

Section 16: When there concurrently exists certificates of deposits for terms of NINETY (90) days or more, and sight deposits or certificates of deposit for shorter terms, the guarantee shall be paid in first place with regard to the latter up to the maximum amount that may correspond to them. If the addition of said deposits were inferior to TEN THOUSAND PESOS (\$ 10,000), the remaining deposits shall be guaranteed by the difference of non-used coverage up to the maximum foreseen in section 13.

Section 17: The guarantee shall be paid in a subsidiary and complementary manner to the reimbursement of deposits by application of the privilege set forth in the law on financial entities, within the term of THIRTY (30) working days counted as of the day following that of the revocation of the authorisation to operate of the entity, provided the depositors meet the established requirements and the DIF has funds available. On the request of SEDESA, the CENTRAL BANK OF THE ARGENTINE REPUBLIC may authorise the extension of said term when the number of beneficiaries in process of settlement so justifies it. When the resources of the DIF were insufficient to cover the payment of the amounts guaranteed, the reimbursement shall be made through the distribution of the available funds on a pro-rata basis. The balance shall be paid within a term of THIRTY (30) days counted as of the date when the DIF reports the existence of finan-

cial availability. In these cases and when there were more than one entity whose authorisation had been revoked, the payment priority shall be governed by the chronological order resulting from the beginning of the counting of the term of payment of the guarantee. In no case shall the DIF cover or acknowledge interests for the period going from the original due date of the deposits and the date of payment of the guarantee.

Section 18: Payment of the amounts guaranteed shall be made in pesos or in foreign currency, according to the proportion of each type of currency resulting from the total of capital deposited. With this last purpose and in order to equalise the balances of the total deposited when dealing with deposits in foreign currency, its equivalent in pesos shall be taken according to the seller rate of exchange for bills of the BANCO DE LA NACIÓN ARGENTINA, corresponding to the day prior to that of the revocation of the authorisation to operate of the entity concerned.

Section 19: SEDESA may reject or postpone until its judicial recognition the request for coverage of the guarantee when the respective deposits do not meet the formal or substantial requirements set forth in the present regulations or other provisions that the CENTRAL BANK OF THE ARGENTINE REPUBLIC may issue.

Section 20: SEDESA may exercise the pertaining legal actions when in its judgement there were real possibilities of recovering the amounts disbursed.

Section 21: The regime established herein will be in force with regard to certificates of deposit constituted or renewed as from April 18, 1995, and with regard to the sight deposits existing in the balances corresponding to the closing of that day, constituted in financial entities which were not suspended by the CENTRAL BANK OF THE ARGENTINE REPUBLIC or whose authorisation to operate had not been revoked.

Section 22: The CENTRAL BANK OF THE ARGENTINE REPUBLIC shall be the Authority of Application of the system created by Law 24.485 and regulated herein, it being author-

ised to issue the necessary rules of interpretation and application.

Section 23: The Board of Directors of SEDESA shall inform the SUPERINTENDENCY OF FINANCIAL AND FOREIGN EXCHANGE ENTITIES depending from the CENTRAL BANK OF THE ARGENTINE REPUBLIC its opinion regarding the financial entities which, in its judgement, had credit or commercial policies considered of a risk higher than normal. It shall equally be possible to request its opinion with regard to the applications for authorisation to operate or of transformation under consideration by the CENTRAL BANK OF THE ARGENTINE REPUBLIC.

Section 24: The present Decree shall be in force as of the date of its publication in the Official Gazette.

Section 25: To be communicated, published, given to the National Direction of Official Registry and filed.

By-Laws of SEDESA

As per Charter of August 18, 1995, and modifications approved by the Special General Meeting held on January 20, 1997

Section One: Denomination and address: The corporation is denominated SEGURO DE DEPOSITOS SOCIEDAD ANONIMA, hereinafter the "Corporation", with legal address in the jurisdiction of the Federal Capital. The Corporation is constituted in accordance with the regulations established by Law N° 19.550 and its modifications, Section Third, and with the provisions of its Chapter III, Title V, sections 163 to 307.

Section Two: Term of duration: Its term of duration is of THIRTY FIVE (35) years, as of the date of its constitution. By unanimous resolution adopted by the Special Meeting this term may be extended or reduced.

Section 3: Purpose: The Corporation has as exclusive purpose the administration, as trustee, of the DEPOSIT INSURANCE GUARANTEE FUND created by Law 24.485 and in accordance to Decree N° 540/95 of

the NATIONAL EXECUTIVE POWER and modifying and/or regulatory provisions, and the Trust Agreement which for such purpose it shall enter into with the CENTRAL BANK OF THE ARGENTINE REPUBLIC.

To such purpose, the Corporation has full juridical capacity to acquire rights, to enter into obligations and to execute the actions which are not forbidden by the laws or by these By-Laws.

Section 4: Capital: The capital stock is of ONE MILLION PESOS (\$ 1,000,000) in ordinary shares of ONE PESO (\$ 1) par value each share. The capital stock may not be modified without the affirmative vote of Class A share. One share shall be Class A and shall correspond, with its differential rights, exclusively to the CENTRAL BANK OF THE ARGENTINE REPUBLIC; all other shares shall be Class B shares.

Section 5: Shares: The shares shall not be represented by stock certificates, but shall be registered in accounts carried in the name of their owners at the Corporation. The limitations as to property and transferability of the shares derive from Decree 1292/96 and its modifying or regulating provisions and shall be stated on the certificates issued by the Corporation.

Section 6: Right to Vote: Each underwritten ordinary share entitles to ONE (1) vote.

Section 7: Preferential Right: The shareholders shall have preferential right proportionally to their holdings, for the underwriting of new shares which may be issued. This right shall have to be exercised within the term of THIRTY (30) days, as of the last publication provided for by section 194 of Law N° 19.550 and its modifications.

Section 8: Registration: The Board of Directors shall keep the registry foreseen by section 208 of Law N° 19.550 and its modifications. The vouchers which are granted in account of the book-entry shares in favour of their owners, shall be signed by a Director and a Syndic. Should any one of the aforementioned be absent, he will be replaced

by the person whom the Board of Directors shall appoint to this effect.

Section 9: Capital Integration: In case of delay in the integration of the capital, the Board of Directors is authorised to proceed according to any of the proceedings stipulated by section 193 of Law N° 19.550 and its modifications.

Section 10: Management. Compensation. Requirements: The management of the Corporation shall be entrusted to a Board of Directors composed of three members, with a one year commission and who are re-eligible. The Assembly may appoint substitutes in a number equal or minor to that of the permanent members and for the same term in order to fill the vacancies that may occur, in the order of their election. In their first session, the Directors shall have to appoint a Chairman and a Vice-Chairman. The Board of Directors functions with the presence of the majority of its members and adopts decisions through majority of the votes present at the meeting, except in those cases for which the legal provisions require a larger number. The Permanent and Alternate Directors whose commission will have ended shall remain in office until their replacements are appointed. The Assembly shall establish their compensation taking into account the functions fulfilled, and these shall be charged to general expenses, unless there were profits, in which case the procedure established in Section Twenty of these By-Laws shall be applied. In case of death, resignation, hindrance or disability of one or more permanent or alternate directors, the Syndics will have to appoint one or more Permanent and/or Alternate Directors in their replacement. The Syndics shall make this appointment within the term of thirty calendar days after receiving notice of the vacancy, whichever the cause of it may be. The Director so appointed shall last in office until the date of the first General Ordinary Assembly which may be held.

Section 11: Meetings of the Board of Directors: The Board of Directors shall meet at least once every THREE (3) months. The Chairman or his statutory replacement may convene meetings whenever he may

deem it convenient or whenever any Director in functions or the Syndics may so request. All Directors must be convened through an authoritative means with indication of the agenda to be dealt with, the day, time and place of the meeting, to the address that each member indicates when taking office or accepting the position, at least THREE (3) days in advance. Subjects not included in the agenda may be dealt with if the presence of all the Permanent Directors and their unanimous vote takes place. The Directors shall be able to vote through letter of attorney in representation of another Director and the constituent shall be responsible, in this case, as if he had voted personally. The constituent, however, shall not be counted to the effects of quorum.

Section 12: Director's Guarantee: The Directors must provide a ONE THOUSAND PESOS (\$ 1,000) cash guarantee.

Section 13: Obligations and Abilities of the Board of Directors: a) to manage the properties which constitute the DEPOSIT INSURANCE FUND and to authorise any act or contract that may have as subject matter the management of same; b) to inform every month to the public and to the SUPERINTENDENCY OF FINANCIAL AND FOREIGN EXCHANGE ENTITIES the balance of the DEPOSIT INSURANCE FUND; c) to request the CENTRAL BANK OF THE ARGENTINE REPUBLIC to debit directly, from the funds deposited with it by the financial entities, the normal or additional assessments that said entities would not have paid; d) to make investments according to the provisions of Decree 1292/96 and its modifying and/or regulating provisions; e) to analyse and resolve on applications for coverage by applying the regulations in force; f) to request the CENTRAL BANK OF THE ARGENTINE REPUBLIC to authorise the extension of the THIRTY (30) days term to make payment of the guarantee in a manner subsidiary and complementary to the refund of deposits through the adjudication of the privileges and payment priorities established in the Law on Financial Entities, when this might be justified by the number of beneficiaries in process of settle-

ment; g) to make, whenever this were pertaining according to the provisions of Decree 1292/96 and its modifying and/or regulating provisions, payment to the depositors of the sums guaranteed by the DEPOSIT INSURANCE FUND in pesos or in foreign currency; h) to reject the application for coverage of the guarantee when the respective depositors do not meet the requirements established by Decree 1292/96 and its modifying and/or regulating rules; i) to perform, on behalf of the DEPOSIT INSURANCE FUND the operations foreseen by Decree 1292/96 and its modifying and/or regulating rules and in the Trust Agreement which to this effect it shall enter into with the CENTRAL BANK OF THE ARGENTINE REPUBLIC, including those decided for by the Steering Committee in the cases foreseen in the Trust Agreement; j) to surrogate the Corporation in the rights and privileges established in the Law on Financial Entities in favour of the depositors for payments cashed owing to the guarantee granted; k) to exercise any pertaining legal action when in its opinion there are real possibilities of recovering the amounts disbursed; l) to communicate to the SUPERINTENDENCY OF FINANCIAL AND FOREIGN EXCHANGE ENTITIES, depending from the CENTRAL BANK OF THE ARGENTINE REPUBLIC, its opinion with regard to the financial entities which, according to its opinion, have credit or trade policies involving a risk higher than the normal risk; ll) to communicate to the SUPERINTENDENCY OF FINANCIAL AND FOREIGN EXCHANGE ENTITIES, depending from the CENTRAL BANK OF THE ARGENTINE REPUBLIC, whenever required, its opinion regarding the applications for authorisation to operate or for transformation which are under consideration of the CENTRAL BANK OF THE ARGENTINE REPUBLIC; m) to decide, if it considered it convenient and necessary, the creation of the Executive Committee and of other Committees of the Board of Directors, to establish the functions and limits to their activity within the faculties granted by the present By-Laws and to issue their internal rules of procedure; n) to appoint one or more Managers who will be in

charge of management executive functions; ñ) to engage the auditing, legal and technical services which were necessary or convenient for the better fulfilment of the corporation purpose; o) to keep the Corporation shareholders register; p) to send to the shareholders, to their last address registered with the Corporation, copy of the summons to Assembly, of the pertaining agenda and, if applicable, of the recommendations of the Board of Directors in this regard, immediately after having decided of such summons, or, as the case may be, of having known of such summons; q) in case of termination of the DEPOSIT INSURANCE FUND regime, to make delivery of moneys and the assets which compose it to the ARGENTINE NATIONAL GOVERNMENT in order to constitute the substituting guarantee regime or, failing such regime, to be distributed among the financial entities included in the last annual communication issued by the CENTRAL BANK OF THE ARGENTINE REPUBLIC, indicating the participation of the financial entities in the DEPOSIT INSURANCE FUND and, r) to resolve on any matter which, within its legal, regulatory or statutory sphere of competence, is related to the interests of the Corporation. The foregoing enumeration is not restrictive and the Board of Directors has all the faculties to manage and dispose of the properties of the corporation according to the legal, regulatory and statutory rules in force, including those for which the law requires special powers in accordance to section 1882 of the Civil Code and section 9th of Decree-Law N° 5965/63. Consequently, it may, on behalf of the Corporation, enter into any type of legal act aiming at the fulfilment of the corporation purpose, among which, to operate with the banks BANCO DE LA NACION ARGENTINA, DE LA PROVINCIA DE BUENOS AIRES, DE LA CIUDAD DE BUENOS AIRES and other official or private credit entities, inside and/or outside the country; to establish agencies, branches or any other type of representation, inside or outside the country; to grant to one or more persons legal powers -including the power to charge criminal complaints- with the purpose and the scope it may deem convenient.

Section 14: Representation. Functions of the Chairman. Replacement: The legal representation of the corporation corresponds to the Chairman of the Board of Directors or to the Vice-Chairman, in case of absence or of vacancy of the Chairmanship. The Chairman or whoever replaces him shall in addition have the following functions: (i) to preside over the sessions of the Assembly and the Board of Directors; (ii) to look after the faithful fulfilment of the By-Laws and of the resolutions made by the Board of Directors; (iii) in cases of urgency, to take the steps he may deem necessary, submitting these to the approval of the Board of Directors in the ordinary meeting immediately following or in the special meeting he shall have to convene should the seriousness of the case so require; (iv) to sign the inventories and balance sheets of the Corporation once approved by the Board of Directors; (v) to delegate the legal representation, including that of replying to interrogatories or cross-examinations by parties or principal in a suit; and (vi) to exercise all the other faculties conferred on him by the By-Laws and the legal rules.

Section 15: Summons to Assemblies: The Assemblies shall be summoned through publications during a period of FIVE (5) days, with THIRTY (30) days of advance at least, in the Official Gazette. There shall be made mention of the nature of the Assembly, its date, time, place of meeting and agenda. The Assembly in second summons, should the first have failed, shall be convened within the subsequent period of THIRTY (30) days, and the publications shall be made during a period of THREE (3) days with at least FIFTEEN (15) days of advance and no more than THIRTY (30) days of advance. The Assembly may be held without publication of summons when shareholders, representing the total capital stock, meet and decisions are taken by unanimity of the shares entitled to right of vote.

Section 16: Representation in Assemblies: In accordance with Section 6, each share grants the right to ONE (1) vote. The shareholders may have themselves represented in the Assemblies, in accordance to the legal provisions in force.

Section 17: Presidency of Assemblies: The Assemblies shall be presided over by the Chairman or the Vice-Chairman of the Board of Directors and, in case of their absence, by the Director whom the Assembly may appoint or by ONE (1) of the Syndics.

Section 18: Quorum and Majorities: Sections 243 and 244 of Law N° 19.550 and its modifications govern with regard to quorum and majorities in ordinary and special assemblies, it being established, however, that these By-Laws or the capital stock of the Corporation shall not be modified without the affirmative vote of the Class A share.

Section 19: Control: The control of the corporation shall be entrusted to THREE (3) syndics and THREE (3) alternate syndics, elected ONE (1) permanent syndic and ONE (1) alternate syndic on behalf of Class A, and TWO (2) permanent syndics and TWO (2) alternate syndics on behalf of Class B, who shall be in office for the term of ONE (1) year and will be re-eligible. Their resolutions shall be adopted by majority and their abilities and duties are those established by the legal provisions in force. For the fulfilment of these abilities and duties they shall meet at least once every THREE (3) months or whenever it may be requested by any syndic leaving record on a minutes book of the meetings held and the decisions agreed upon. All the meetings shall be notified in writing to the address that each syndic indicates when taking office. In case of absence, disability or death of a syndic, such syndic shall be replaced by his respective alternate, who shall remain in office until the permanent syndic reincorporates or until the due date of the term for which the alternate was elected. The compensation of the syndics shall be determined by the Assembly which appoints them, said compensation to be charged to general expenses, unless there were profits, in which case the procedure established by Section 20 of these By-Laws shall apply.

Section 20: Fiscal Year. Use of Profits: The fiscal year shall end on

December 31 of each year. To that date, the financial statements are to be prepared according to the provisions in force and the technical rules on the subject. The Assembly may modify the date of ending of the fiscal year, registering the pertaining resolution in the Public Registry of Commerce. The earned and net profits shall be used: a) FIVE PER CENT (5%) up to reaching TWENTY PER CENT (20%) of the underwritten capital, shall be destined to the legal reserve fund; b) to compensation of the members of the Board of Directors and Syndics; c) the balance, as a whole or in part, shall be destined to dividend of the ordinary shares, or to optional reserve fund or provision fund or to the use the Assembly may determine.

Section 21: Authority of Enforcement: The Corporation shall be subject to the control of the CENTRAL BANK OF THE ARGENTINE REPUBLIC, which shall be entitled to issue regulatory rules with regard to the procedure of the Corporation.

Section 22: Dividends: The dividends shall be paid to the shareholders, proportionally to their respective integrations, exclusively in cash, within THREE (3) months of their approval. The dividends in cash approved by the Assembly and not collected prescribe in favour of the Corporation after the expiration of a THREE (3) years term as from the putting of the dividends at disposal. In such case they will integrate a special reserve, the use of which shall be decided by the Board of Directors.

Section 23: Winding-up of the Corporation. The winding-up of the Corporation may be performed by the Board of Directors or by the liquidator or liquidators appointed by the Assembly, under the monitoring of the Syndics. Once the liabilities are cancelled and the capital is reimbursed, the amount outstanding shall be distributed among the shareholders, with the priorities indicated in the preceding section.

1) The Board of Directors is authorized all acts included in its purpose during the period in which the Corporation is being constituted.

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