

SEDESA

Seguro de Depósitos S.A.

General Review
2001

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GENERAL REVIEW

2001

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I. What is SEDESA ?

Seguro de Depósitos Sociedad Anónima (SEDESA) is a private corporation established according to the régime of the Law on Commercial Societies (N° 19,550) and its modifications. In fulfillment of the provisions of Law N° 24,485 (Official Gazette 04.18.95), its creation was provided for by Decree N° 540/95 of the National Government Executive Branch, with the purpose of administering – as trustee – the Deposit Guarantee Fund (DGF), also created by said decree.

On December 2001, through Decree N° 32 (Official Gazette 12.27.01) the creation of the Banking Liquidity Fund (BLF) was established, entrusting to SEDESA its administration in the capacity of trustee of said Fund. Consequently, it was decided to widen the social purpose of SEDESA so that it may fulfil the functions of trustee which the National Government or the Central Bank of the Argentine Republic (BCRA) may entrust to it (section 8, Decree 32/01).

SEDESA's Capital Stock amounts to One million Pesos, each share being of One peso face value. Its shareholders are the National Government and Caja de Valores S.A.

The National Government, through the Banco Central de la República Argentina, holds a Class "A" share.

The remaining 999,999 shares are Class "B" and their holder is Caja de Valores S.A. as trustee owner, in accordance with the Trust Agreement subscribed on August 15, 1995, between the financial entities who wished to take part in the subscription and Caja de Valores S.A.

SEDESA's functions, as Administrator of the Deposit Guarantee Fund, established in its constituting regulations, 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 N° 540/95 and its pertaining modifying and regulatory provisions from the BCRA.
2. To make capital contributions, non-reimbursable contributions or loans to:
 - 2.1. Financial entities subject to a regularization and rehabilitation plan.
 - 2.2. Financial 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 deposits transferred.
 - 2.3. Financial entities which take over or acquire financial entities, in the framework of a plan of regularization and rehabilitation.
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 favor 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 assume obligations to be charged to the Deposit Guarantee Fund.
6. To make, maintain or finance swap programs with foreign banks with the purpose of contributing to the stability of the Argentine financial system.

The applicability of alternatives 2, 3, 4 and 5 is firstly decided by a Steering Committee, a body which is presided over by a representative of the Banco Central de la República Argentina, entitled to the right to opine but without the right to vote, although he has the possibility of veto.

The Deposit Guarantee 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 financial entities authorized to operate in the country contribute monthly.

For its part, the Banking Liquidity Fund (BLF) has been constituted with the purpose of endowing, as an additional mechanism, adequate liquidity to the financial system. SEDESA has entered into, with the National Government, through the BCRA, the trust agreement which establishes the scope of its activity as trustee and administrator of the BLF. The aforementioned Fund shall be in force for five (5) years as from 12/27/2001. The resources of the Fund come from the subscription of certificates of participation (Class A) by the financial entities, in a proportion of the deposits of the private sector that each one of said entities registers as at the month of November 2001. With the same purpose, the National Government shall annually subscribe certificates of participation (Class B) for the equivalent of 50% of the profits of the Central Bank that this Institution transfers freely to it in accordance to the stipulations of its Charter, as from year 2002.

Section 3 of Decree 32/2001 in its last paragraph stipulates: "*Furthermore, other certificates of participation or debt bonds may likewise be issued, subscribed with resources proceeding from financing by multilateral credit organizations or with other resources which may be obtained for the aims foreseen in the present decree*".

Within its functions of administrator of the BLF, SEDESA is entitled to:

1. Grant loans and perform swap transactions with financial entities and acquire their assets.
2. Subscribe and integrate corporation bonds and shares corresponding to capital increases, issued by financial entities.
3. Transfer or receive the trust property of properties belonging to the financial entities or to the Central Bank; to acquire property in guarantee of the credits it may grant, and realize the assets it may acquire.

The investment decisions of the BLF are adopted by the Steering Committee created by section 10 bis of Decree 540/95 and its modifications, applicable to the Deposit Guarantee System.

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

BOARD OF DIRECTORS

Chairman

Dr. José Carlos Jaime

Vice Chairman

Lic. Hernán del Villar

Director

Lic. Martín Lagos

Alternate Directors

Lic. Alberto Patricio Huergo

Dr. Juan Carlos Cassagne

Dr. Eduardo Javier Romero

SYNDICS' COMMITTEE

Syndics

Dr. Hugo Nicolás Luis Bruzone

Dr. Adolfo César Diz

CPA Enzo Agustín Vivian

Alternate Syndics

Dr. Federico Caparrós Bosch

Dr. Carlos Langbehn

CPA Ricardo De Lellis

III. Depositor Protection Systems

1. *Third Symposium on Deposit Insurance organized by SEDESA.*

During 2001, important meetings were held, regarding the new international financial architecture.

The ministers of finance of the G7 and international organizations – basically, the International Monetary Fund (IMF), the Bank for International Settlements of Basle (BIS) and the World Bank – held special meetings to deal with the subject.

In view of this, SEDESA decided to adopt as central subject of its third symposium the role pertaining to the deposit guarantee systems within the concept of new international financial architecture.

Experts from the United States of America, Switzerland, Mexico and Argentina took part in this symposium, held in Buenos Aires on March 15, 2001. Addresses were in charge of the following persons

- V. Sundararajan (Deputy Director of the Monetary and Exchange Affairs Department of the IMF, USA/Washington),
- André Icard (Deputy General Manager of the Finance and International Banking Division –BIS – Switzerland/Basle),
- José Tuya (Director of the International Banking and Finance Division – Office of the Comptroller of Currency – O.C.C. – USA/Washington)
- Martín Lagos (Vice Governor – Central Bank of the Argentine Republic – Argentina/Buenos Aires),
- Arthur J. Murton (Director of the Insurance Division – Federal Deposit Insurance Corporation – FDIC – USA/Washington),
- Carlos Isoard y Viesca (Member of the Board of Government – Institute for the Protection of Banking Savings – IPAB – Mexico/Mexico D.F.),
- Adolfo Diz – (Member of the Board of Directors of SEDESA – Argentina/Buenos Aires) and
- José Carlos Jaime – (Chairman of SEDESA – Argentina/Buenos Aires).

During the development of the symposium, interesting considerations and conclusions were tabled, which are hereinafter commented:

The concept of International Financial Architecture (IFA) refers to an order in the process of construction, rather than to a defined and finished system, which attempts at harmonizing procedures at a universal scale with the purpose of avoiding the undesirable effects of the accelerated globalization of financial markets and obtaining, at the same time, that the emergence of crises be

minimized and that the risk of their generalization diminishes (contagion effect). The reform of existing institutions and the creation of new ones (Basle Committee on Banking Supervision, Payments and Settlements Committee, Financial Stability Forum and generalization of the Deposit Insurance Systems) are concrete actions in this sense, fundamentally based on consensus and persuasion.

Supervision tasks acquire special relevance from the operational point of view, for the safety of the financial systems and in connection with the deposit guarantee regimes. The growing interest that this area attracts is shown by the concerns which in the international and domestic order exist in this respect. As an example, one may mention the action fulfilled by the Financial Stability Forum (FSF) to encourage and strengthen banking control through its recommendations (as is the case with the report on offshore financial centers), as well as the regulatory modifications established in Argentina since the beginning of the nineties.

A good supervision is an important complement for the development of deposit insurance systems. The United States of America experience with the savings and loans institutions show how costly such lack of interaction may be for a deposit insurance system.

The deposit insurance systems, which generally appear in crisis situations, neutralize the possibilities of "banking panics", allowing furthermore to avoid the conflict of objectives between price stability and money creation for the financing of banks through the lender of last resort function of the central banks.

The most frequent guarantee systems are explicit, limited, compulsory, ex ante funded and managed by an independent institution and, although they insure the preferential protection of small depositors, their prior objective is to preserve the payment system, which is an essential monetary aspect in the financial order.

2. *Latin American Seminar on Deposit Insurance*

This important meeting, held from November 5 to November 6, 2001, was attended by highly qualified national and foreign personalities who analyzed in depth the problems of the system and exchanged ideas and experiences.

Representations of the following countries attended the Seminar:

- Bolivia:
Juan Medinaceli Valencia (Central Bank of Bolivia).
- Brazil:
Antonio Bueno de Camargo Sil (Credit Guarantee Fund).
- Chile:
Rodrigo Cifuentes (Central Bank of Chile).

- México:
Carlos Isoard y Viesca (Institute for Banking Savings Protection).
- Perú:
Ricardo Flores Pérez-Reyes (Deposit Insurance Fund).
- Republic of Uruguay:
Eva Holz,
Rosario Medero and
José Licandro (Central Bank of the Republic of Uruguay).
- Venezuela:
J. Annabella Zeman Bordeu (Deposit Guarantee and Banking Protection Fund).

A working paper from the IMF submitted by Mr. David Hoelscher and Mr. Michael Taylor, focussing the role of the safety nets in the prevention of systemic crises, was tabled.

The components of said safety nets are, basically, four: the function of lender of last resort fulfilled by the central bank; regulation and supervision, resolution facing failure situations and depositors' protection. It was specified that since 1980, 130 banking systemic crises exploded in the world, concluding that the specific objective of a deposit insurance system is to protect depositors.

Later interventions indicated as the main purpose of the deposit insurance system that of ensuring the payment system, the latter involving depositor protection.

The requirements for a deposit insurance system to be successful were later pointed out. The first one is that it be part of an adequate safety net. In the dilemma between explicit and implicit systems, they are inclined to the explicit system. It must have as an objective the stability of the system and must be limited to preserve the functioning of market discipline. Furthermore, it must be compulsory to avoid adverse selection and the assessment premium should be risk adjusted.

Later, the analysis went deeper into a more detailed level, pin-pointing a whole series of subjects, such as: the problem of moral hazard, the previous macroeconomic situation, the need to define precisely the functions attributed to it, definition of deposits, coverage limit, the spread that the insurance may have, its design and that of its administration, the assessment by risk, the use of the fund, depositors' reimbursement, decisions regarding the convenience in each case of the survival of an entity and, finally, the recovery of the employed funds.

Moreover, it was indicated that the worse that can happen to a fund is to pay twice for the same thing, trying to save what cannot be saved. The system

must be very transparent. It is not enough that the net contribution be lower than that which would result without its intervention: it must be the minimum contribution.

In an analysis focussed towards the future, it was pointed out that electronic money has already a great penetration in Switzerland, The Netherlands and Hong Kong; a considerable penetration in Germany, Singapore, Belgium and Austria, and a very low penetration in the United States of America.

Much more important is e-banking, i.e. the service offered by the banks to their customers to make banking transfers through Internet. It is an additional and alternative service which is already offered by many banks directly or in joint ventures with large enterprises. Purely virtual banks have not had a great development. Evolution of e-banking has been overwhelming and its perspectives are those of tremendous growth.

An address was also made on the diverse sort of solutions for financial entities in the process of failure.

Finally, the seminar was completed with two work-shops. The first one was dedicated to asset liquidation, and the second one was referred to the legal regime of the insurance system and to its external audit.

PARTICIPATION IN THE FINANCIAL STABILITY FORUM (FSF)

When the authorities of the Group of Seven Countries (G-7) decided to create the Financial Stability Forum (FSF) with the purpose of divulging the sound financial practices to the rest of the world, SEDESA was called, as from the beginning, to integrate the study group which, on Deposit Insurance, was created at the request of the Bank for International Settlements of Basle. Later on, said study group was transformed into a working group, that prepared suggestions with regard to the future development of the activity and that culminated with a report submitted in October of 2001.

Once this task was finished and in view of the possibility of creating a permanent organization under the denomination of IADI (International Association of Deposit Insurers) to be instituted also under the aegis of the Bank for International Settlements, SEDESA was appointed to integrate its organizing committee.

3. Depositor Protection Systems Compared

On the basis of the information submitted by the organizations managing deposit guarantee funds, by the central banks and by the IMF, an up-dated panorama of the explicit deposit insurance systems in force results, which is detailed in Table I, as from next page.

Table I. Main characteristics of some explicit DGS									
Country	Type of System	Management	Administration Characteristics	Assessment Characteristics and Year of Creation	Maximum Protection Level (in the currency of origin)	Maximum Protection Level (in Argentine Pesos) (1)	Maximum Protection Level as % of per capita GDP	Ratio Assessments/ Deposits in basis points (BP)	Contingency Assessments
Argentina	Deposit Guarantee Fund	Seguro de Depósitos S.A. (SEDESA)	PR	Compulsory 1995	Sight or Term Deposits up to 30,000 pesos per account (2)	30,000	386	Between 36 and 72 yearly BP of the average deposits in each entity, depending on its risk premium	SEDESA may borrow funds. The Central Bank may require an assessments advance
Austria	Deposit Guarantee System	Several (3)	PR	Compulsory 1979	20,000 Euros. Partial coverage (90%) for institutional investors	17,618	62	On demand. Prorata ex post	Max. a third of the liabilities' reserves of the member banks. Government backed bonds may be issued, in cases of emergency
Bahamas	Deposit Insurance Fund for Depositor Protection	Deposit Insurance Corporation	PR	Compulsory 1999	500,000 Bahamas Dollars	50,000	559		
Bahrain			JOINT	Compulsory 1993	100% up to 2,000 dinar	100% up to \$ 5,320	54	In charge of the Government (ex post)	It may borrow from the markets or from the Central Bank
Bangladesh	Deposit Insurance Fund		PU	Compulsory 1984	100,000 Taka	1,830	608	0.5 yearly BP	It may borrow from the Government

(1) The rate of exchange prevailing in each country with regard to the US Dollar, as of December 2001, was applied. To that date, the par value Argentine Peso/US Dollar was of 1\$/1U\$.
(2) Deposits receiving a higher yield than that of the rate called "reference rate", established by the Central Bank, are excluded from the guarantee system.
(3) Five schemes are currently operating in Austria, all managed by private entities, covering the activity of commercial banks, savings banks, mortgage banks, and two types of cooperative banks.

Table I. Main characteristics of some explicit DGS (continued)

Country	Type of System	Management	Administration Characteristics	Assessment Characteristics and Year of Creation	Maximum Protection Level (in the currency of origin)	Maximum Protection Level (in Argentine Pesos)	Maximum Protection Level as % of per capita GDP	Ratio Assessments/ Deposits in basis points (BP)	Contingency Assessments
Belgium	Deposits and Financial Instruments' Protection Fund	Fund Management Committee	PU	Compulsory 1974	20,000 Euros	17,618	64	From 2 to 4 yearly BP (4)	There may be additional assessments up to the double of the value of the ordinary assessments
Brazil	Credit Guarantee Fund	Management Council of the Credit Guarantee Fund	PR	Compulsory 1995	20,000 Reais	8,604	266	30 yearly BP	It may borrow funds from the Central Bank
Bulgaria	Bank Deposits Guarantee Fund	Management Board	PU	Compulsory 1998	Partial coverage. Maximum disbursement: 10,000 Leva	Partial coverage. Maximum disbursement: 4,500	298	Initial assessment + 50 yearly BP	Increase and/or advance of the banks' yearly assessments, request of resources from the National Government Budget prior approval by the Legislative Branch
Canada	Canada Deposit Insurance Corporation	Board of Directors of the Fund	PU	Compulsory 1967	60,000 Canadian Dollars	37,470	177	From 4 to 33 yearly BP, depending on risk	It may request additional funds from the Government or request private sector financing
Chile	Responsibility of the Central Bank		PU	Compulsory 1986	90% up to 120 financial units (US\$ 3,600)	90% up to 3,600	80	Responsibility of the financial entities	

(4) It receives an initial capital input from the now extinct Rediscount and Guarantee Fund.

Table I. Main characteristics of some explicit DGS (continued)

Country	Type of System	Management	Administration Characteristics	Assessment Characteristics and Year of Creation	Maximum Protection Level (in the currency of origin)	Maximum Protection Level (in Argentine Pesos)	Maximum Protection Level as % of per capita GDP	Ratio Assessments/ Deposits in basis points (BP)	Contingency Assessments
Colombia	Deposit Insurance	Financial Institutions' Guarantee Fund (FOGAFIN)	PU	Compulsory 1985	75% of 10 million Pesos	75% up to \$4,340	208	30 yearly BP	
Croatia			PU	Compulsory 1997	100,000 Kunas	11,800	(...)	80 yearly BP	The Fund may request loans from the Central Bank
Czech Republic	Deposit Insurance Fund		PU	Compulsory 1994	Partial coverage up to 25,000 Euros	Partial coverage up to 22,020	426	30 yearly BP on total deposits. 10 BP in the case of the denominated "savings" banks (5)	The Central Bank and the Government can make loans to the Fund, with the purpose of covering shortfalls
Denmark	The Guarantee Fund for Depositors and Investors	Board of Directors, with the assistance of the Central bank in the management of operational topics	PR	Compulsory 1987	40,250 Euros	35,460	108	Max. 20 yearly BP	Within certain limits, the Fund may borrow from the Government
Dominican Republic			JOINT	Voluntary 1962	Partial coverage, up to 205,244 pesos	Partial coverage, up to 12,200	584	18.75 yearly BP	
Ecuador		Deposit Guarantee Agency	PU	Compulsory 1998	No Limits (6)			65 BP + risk premium	

(5) Effective as of September 2001, the branches of foreign banks are exempt if they notify their intention of not continuing participating of the DGF system, provided they prove that the Head Office has a system of deposit guarantee which guarantees at least the same level of protection to their customers as the one provided by the DGF system.

(6) During the first year in force as of 13/3/00, the guarantee shall be of 100%. During the second and third year, it shall be of 50% and 25% respectively, but not lower than us\$ 8,000.

(...) Non available.

Table I. Main characteristics of some explicit DGS (continued)									
Country	Type of System	Management	Administration Characteristics	Assessment Characteristics and Year of Creation	Maximum Protection Level (in the currency of origin)	Maximum Protection Level (in Argentine Pesos)	Maximum Protection Level as % of per capita GDP	Ratio Assessments/ Deposits in basis points (BP)	Contingency Assessments
El Salvador			PU	1991	55,000 Colones	6,285	297	Between 10 and 30 BP	
Finland	Deposit Guarantee Fund of the Commercial Banks (7)	Board of Government	PR	Compulsory 1970	150,000 Markkaa (approx. 25,000 Euros)	28,400	114	Between 5 and 30 yearly BP on insured deposits, depending on capitalization degree	The Fund may borrow funds. The Government appoints a representative to the Board should Government guarantee a loan
France	Deposit Guarantee Fund (8)	Management Committee, under the supervision of a Commission formed by representatives of the member banks	PR	Compulsory 1980	70,000 Euros	61,660	255	Initial assessment and yearly assessment according to requirements	
Germany	Private System: Deposit Protection Fund	The Association of Private Banks (9)	PR	Voluntary 1976	Up to 30% of the core capital of the bank per depositor	Up to 30% of the core capital of the bank per depositor		From 3 to 6 yearly BP	The yearly assessment may be doubled
	Public System: Investors' Protection and Deposit Guarantee System	The Association of Private Banks and Federal Association of Public Banks, per delegation	PR	Compulsory 1998	Partial coverage (90%) of up to 20,000 Euros	17,618	78	3 yearly BP	It may establish special assessments and borrow funds
<p>(7) 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.</p> <p>(8) Up to the month of June 1999, each banking association had its own protection scheme and all entities belonging to said associations had to be contributors to said systems. As from the above mentioned date, a single deposit guarantee system under the form of a private association has been established.</p> <p>(9) Each type of financial entities' association – commercial banks, savings banks and credit co-operative institutions – has its own guarantee scheme.</p>									

Table I. Main characteristics of some explicit DGS (continued)

Country	Type of System	Management	Administration Characteristics	Assessment Characteristics and Year of Creation	Maximum Protection Level (in the currency of origin)	Maximum Protection Level (in Argentine Pesos)	Maximum Protection Level as % of per capita GDP	Ratio Assessments/ Deposits in basis points (BP)	Contingency Assessments
Greece	Deposit Guarantee Fund Savings Protection	Greek Banks' Association	JOINT	Compulsory 1995	20,000 Euros as from year 2000	17,618 as from year 2000	150	Initial assessment + from 0.25 to 12.5 yearly BP, depending on the amount of deposits per entity	It may request additional assessments and request loans from member institutions or from other sources
Guatemala	Savings Protection Fund	Bank of Guatemala	PU	Compulsory 1999	20,000 quetzales	2,600	159	100 yearly BP of the deposits	The Fund may request extraordinary contributions to the Government of the Republic
Honduras	Deposit Insurance Fund (FOSEDE)	Administrative Board	JOINT	Compulsory 1999	150,000 lempiras	9,740	1,156	10 yearly BP of deposits on closing date of previous financial year	The Central Bank must have a contingency line with FOSEDE
Hungary	National Deposit Insurance Fund	Government Board	JOINT	Compulsory 1993	4,165 Euros	3,670	79	Premium varies between 16 and 19 yearly BP, depending on the size of deposits of the entity	The Government guarantees the loans that the Fund may request from the Central bank or other credit institutions
Iceland	It has two systems of protection: for commercial banks and for savings banks. Both are monitored by the Supervision Agency		PU (commercial) and PR (savings)	Compulsory 1985	20,000 Euros	17,618	57	15 BP	

Table I. Main characteristics of some explicit DGS (continued)

Country	Type of System	Management	Administration Characteristics	Assessment Characteristics and Year of Creation	Maximum Protection Level (in the currency of origin)	Maximum Protection Level (in Argentine Pesos)	Maximum Protection Level as % of per capita GDP	Ratio Assessments/ Deposits in basis points (BP)	Contingency Assessments
India		Deposit Insurance and Credit Guarantee Corporation	PU	Compulsory 1961	100,000 Rupees	2,500	568	5 yearly BP on total deposits	Government support through the Reserve Bank subject to prior parliamentary approval
Ireland	Deposit Protection Fund	Central Bank	PU	Compulsory 1989	Partial coverage (90%). Maximum disbursement: 20,000 Euros as from year 2000	Partial coverage (90%). Maximum disbursement: 17,618 as from year 2000	71	Initially, 20 yearly BP on total deposits in Pounds. Presently, extraordinary assessments only	The Central Bank may request special assessments and lend funds
Italy	Interbank Deposit Protection Fund (10)	Council of the Interbank Deposit Protection Fund	PR (all decisions must be approved by the Central bank)	Compulsory 1987	103,291 Euros	91,000	446	On demand. Between 40 and 80 yearly BP	Should the Fund be insufficient, there is no contingency support. In such a case, two options are possible: to defer payment or to diminish the compensation to be paid
Jamaica	Deposit Insurance System		PU	Compulsory 1998	200,000 Jamaica Dollars	4,390	159	10 yearly BP	The Fund may borrow money from the market or from the Government

(10) The Interbank Deposit Protection Fund is organized as a banks' consortium under the aegis of the Italian Banking Association and the Banca d'Italia. Being a member of this fund is a pre-requisite to be able to perform banking activities. Though the guarantee scheme has private characteristics, many decisions must be approved by the Central Bank. There also exists a Co-operative Credit Depositors' Guarantee Fund, which has the membership of a great number of mutual associations.

Table I. Main characteristics of some explicit DGS (continued)

Country	Type of System	Management	Administration Characteristics	Assessment Characteristics and Year of Creation	Maximum Protection Level (in the currency of origin)	Maximum Protection Level (in Argentine Pesos)	Maximum Protection Level as % of per capita GDP	Ratio Assessments/ Deposits in basis points (BP)	Contingency Assessments
Japan	Deposit Insurance Fund (11)	Deposit Insurance Corporation	PU	Compulsory 1971	Without limits up to April 2002	Without limits up to April 2002		8.4 yearly BP on deposits in Yens	It may request loans of up to 1,000 billion Yens from the Central Bank and from other financial entities
Jordan		Deposit Insurance Corporation	PU	Compulsory 2000	10,000	14,100	1130	25 yearly BP	
Kenya	Deposit Guarantee System		PU	Compulsory 1985	100,000 Shillings	1,275	354	15 yearly BP	The Central Bank can make loans to the Deposit Guarantee System
Korea	Deposit Insurance System	Korea Deposit Insurance Corporation	PU	Compulsory 1996	50 mill.won	37,700		5 yearly BP for commercial banks and 15 yearly BP for other financial non-banking intermediaries	The Fund may request the loan of resources from the Government or the Central Bank, subject to prior approval of the Ministry of Finance
Latvia			PU	Compulsory 1998		870 up to year 2000 (12)	N/a	30 yearly BP	
Lebanon			JOINT	Compulsory 1967	5,000,000 Lebanese pounds	3,317	N/a	5 yearly BP in charge of the entities + 5 BP in charge of the Government	The Central Bank can make loans interest-free

(11) 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 also members. There is another deposit protection scheme for special financial institutions, such as agricultural and fishery co-operative associations.

(12) In Latvia, the coverage will be gradually increased until reaching 20,000 ECU in year 2008.

Table I. Main characteristics of some explicit DGS (continued)

Country	Type of System	Management	Administration Characteristics	Assessment Characteristics and Year of Creation	Maximum Protection Level (in the currency of origin)	Maximum Protection Level (in Argentine Pesos)	Maximum Protection Level as % of per capita GDP	Ratio Assessments/ Deposits in basis points (BP)	Contingency Assessments
Lithuania	Deposit Guarantee Fund		PU	Compulsory 1996	100% up to 10,000 lats; above this, partial coverage	100% up to 2,500; above this, partial coverage	86	150 yearly BP up to Dec. 1999. As from Jan.2000, 100 BP	The Government can contribute additional resources
Luxembourg	Deposit Guarantee System	Luxembourg Association for Deposit Guarantee (13)	PR	Compulsory 1989	20,000 Euros as from year 2000	17,618 as from year 2000	41	On demand, and it may not exceed, each year, 5% of the capital of the contributing entities	The Association may request advances from the contributing entities
Mexico	System of Protection of Bank Savings	Institute for the Protection of Bank Savings	PU	Compulsory 1986	Without limits (14)	Without limits		40 yearly BP plus a premium according to risk level	The addition of ordinary and extraordinary assessments shall not exceed 80 yearly BP
Morocco	Collective Deposit Guarantee Fund	Central Bank	PU	Compulsory 1993	50,000 Dirhams	4,300	347	Max.: 25 yearly BP	The Central Bank may decide that additional assessments be effected, up to the maximum allowed
Netherlands	Collective Guarantee System (15)	The Netherlands Bank	PU	Compulsory 1978	20,000 Euros (16)	17,618	73	On demand, ex post. It cannot exceed, yearly, 10% of corporate equity	The Central Bank may grant loans, if it so wishes

(13) It is a mutual, non-profit making association.

(14) A transition régime is in force in Mexico, during which the maximum amount guaranteed to the depositor will go from the present non-limit value, to 400,000 Investment Units as from 01.01.05 (approx. 112,000 dollars as at December 1999).

(15) The Collective Guarantee System is established in joint co-operation between the banks and the Bank of the Netherlands.

(16) In year 2000 this maximum amount shall be fixed again taking into account the variation in price indices as from year 1995.

Table I. Main characteristics of some explicit DGS (continued)

Country	Type of System	Management	Administration Characteristics	Assessment Characteristics and Year of Creation	Maximum Protection Level (in the currency of origin)	Maximum Protection Level (in Argentine Pesos)	Maximum Protection Level as % of per capita GDP	Ratio Assessments/ Deposits in basis points (BP)	Contingency Assessments
Nigeria	Deposit Insurance Corporation	Deposit Insurance Corporation of Nigeria	PU	Compulsory 1988	50,000 Naira (17)	440	77	93.75 yearly BP	The Government may grant loans, if it so wishes
Norway	Commercial Banks' Contingency Fund (18)	Commercial Banks' Contingency Fund Board	PR	Compulsory 1961	2,000,000 Kroner	220,300	640	1 yearly BP plus a premium according to risk level	Guarantees issued by the member banks in proportion to their non-covered deposits; said guarantees have sureties in cash or in deposits of Government bonds at the Bank of Norway
Oman	Subject to the administrative and financial supervision of the Central Bank	Bank Deposits' Insurance System Fund	PU	Compulsory 1995	Partial coverage (75%) up to 20,000 rials Omani	Partial coverage (75%) up to 52,000	820	Initial assessment plus 2 yearly BP on deposits. The Central Bank makes assessments, also	It may borrow funds from the Government, the Central Bank and the contributing banks
Peru	Deposit Guarantee Fund	Superintendence of Banks and Insurance	JOINT	Compulsory 1992	65,200 Nuevos Soles (19)	18,950	920	From 45 to 145 BP, depending on risk	The Fund may request loans from the Treasury

(17) It only covers deposits on current accounts and savings deposits in local currency and excludes interbank deposits.

(18) The Contingency Fund is an independent legal entity 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. A similar régime to that of the commercial banks exists for the savings banks; this last scheme is obligatory since 1924.

(19) Adjustable according to inflation. Per depositor and only up to two deposits in two different institutions per year.

Table I. Main characteristics of some explicit DGS (continued)

Country	Type of System	Management	Administration Characteristics	Assessment Characteristics and Year of Creation	Maximum Protection Level (in the currency of origin)	Maximum Protection Level (in Argentine Pesos)	Maximum Protection Level as % of per capita GDP	Ratio Assessments/ Deposits in basis points (BP)	Contingency Assessments
Philippines	Philippines Deposit Insurance Corporation	Philippines Deposit Insurance Corporation (20)	PU	Compulsory 1963	100,000 Pesos Filipinos	1,953	272	20 yearly BP on total deposits	Any additional contribution requires legislative sanction. In cases of urgency it is authorized to borrow from the Central Bank or from other banks that have been appointed fiscal agents or government depositories
Poland	Fund for the Protection of Bank Deposits	Fund for Banking Guarantee	PU	Compulsory 1995	100% up to 1,000 Euros + 90% for amounts comprised between 1,000 and 4,000 Euros	100% up to 880 + 90% for amounts between 881 and 3,524	87	Up to 40 yearly BP (21)	
Portugal	Deposit Guarantee Fund (22)	Board of three members. The Central Bank provides the administrative support	PU	Compulsory 1992	25,000 Euros in year 2000	22,020	194	Initial assessment + between 8 and 12 yearly BP, depending on the entity's capitalization level	The Minister of Finance can establish special contributions from the member entities

(20) The Philippines Deposit Insurance Corporation Board is chaired by the Secretary of Finance, with the President of the Corporation acting as Alternate. The Central Bank Governor and two representatives of the private banks constitute this five-member board.

(21) The Banks with Government guarantee contribute up to 20 BP.

(22) The agricultural credit banks have their own guarantee scheme.

Table I. Main characteristics of some explicit DGS (continued)

Country	Type of System	Management	Administration Characteristics	Assessment Characteristics and Year of Creation	Maximum Protection Level (in the currency of origin)	Maximum Protection Level (in Argentine Pesos)	Maximum Protection Level as % of per capita GDP	Ratio Assessments/ Deposits in basis points (BP)	Contingency Assessments
Romania	Deposit Guarantee System	Banking System Deposits' Guarantee Fund	JOINT	Compulsory 1996	Up to 56,200 Lei, adjustable every six months according to inflation	Up to 1,955, adjustable every six months according to inflation	130	Initial contribution plus between 30 and 60 yearly BP, depending on risk level	The Fund may request from the banks a special assessment, which cannot be more than double the yearly contribution (23)
Slovak Republic	Deposit Protection Fund	Fund Committee	JOINT	Compulsory 1996	7,100 Euros	6,255	171	From 10 to 30 yearly BP, depending on the type of entity	The Central Bank may make loans, if it so wishes
Slovenia	Care of the Central Bank	Agency of the Republic of Slovenia for the Insurance of Deposits in Banks and Savings Banks	PU	Compulsory 1999	3,700,000 Tolars	14,611	645	Explicit: underwritten by the financial entities	
Spain	Deposit Guarantee System (24)	Fund of Guarantee of Deposits in Banking Institutions	JOINT	Compulsory 1977	20,000 Euros	17,618	117	10 Yearly BP (25)	Only with an exceptional character, a Fund may receive contributions from the Bank of Spain, in which case the amount must be provided for by law

(23) In case of need, the Deposit Guarantee Fund of the Romanian Banks could obtain additional funds from the Government, the Central Bank and from other financial institutions.

(24) In the Spanish banking system, there are three bodies, created in the five year period of 1977/82, which are in charge of the functions of deposit insurance and guarantee of the system's stability. These are the "Fondo de Garantía de los Depósitos en Establecimientos Bancarios (FGDEB)" (Fund of Guarantee of Deposits in Banking Institutions), the "Fondo de Garantía de Depósitos en Cajas de Ahorro (FGDCA)" (Fund of Guarantee of Deposits in Savings Banks) and the "Fondo de Garantía de los Depósitos en Cooperativas de Crédito (FGDCC)" (Fund of Guarantee of Deposits in Credit Co-operative Institutions), funds which are made up with assessments from their respective institutions.

Table I. Main characteristics of some explicit DGS (continued)									
Country	Type of System	Management	Administration Characteristics	Assessment Characteristics and Year of Creation	Maximum Protection Level (in the currency of origin)	Maximum Protection Level (in Argentine Pesos)	Maximum Protection Level as % of per capita GDP	Ratio Assessments/ Deposits in basis points (BP)	Contingency Assessments
Sri Lanka	Deposit Insurance System	Central Bank	PU	Voluntary 1987	100,000 Sri Lanka Rupees	1,090	129	15 yearly BP	
Sudan	Deposit Guarantee Fund	Banking Deposits Guarantee Fund	JOINT	1996	100 Dinars	385	141	20 yearly BP	It may request loans
Sweden	Deposit Insurance System	Deposit Guarantee Committee	PU	Compulsory 1992 (26)	28,663 Euros	25,250	94	50 yearly BP; then 10 BP according to capitalization level	It may borrow from the National Government
Switzerland	Convention XVIII (27)	Swiss Bankers' Association	PR	Voluntary 1984	30,000 Francs	17,750	49	On demand	Subscribed by the member banks
Taiwan	Central Corporation of Deposit Insurance	Board integrated by the Ministry of Finance and the Central Bank	PU	Compulsory 1985	NT\$ 1,000,000, for deposits in local currency	28,700	N/a	From 5 to 6 (depending on risk) yearly BP on deposits	The Central bank may grant loans
Tanzania	Deposit Insurance Fund	Deposit Insurance Board	PR	Compulsory 1994	250,000 Shillings	281	106	10 yearly BP on average deposits	The Central Bank may grant loans

(25) Level of contribution corresponding to year 1998.

(26) Prior to 1992, Sweden had not implemented a depositor protection scheme. Financed with public funds, it introduced a provisional scheme of total guarantee of banking deposits during the crisis, and replaced it with a formal system, according to the European Union guidelines, on January 1996.

(27) 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 depositors with a legal claim. Although it has therefore no legal status as a deposit guarantee, we have ranked the Convention under deposit insurance agencies, as its over-riding purpose is to provide deposit protection.

Table I. Main characteristics of some explicit DGS (continued)

Country	Type of System	Management	Administration Characteristics	Assessment Characteristics and Year of Creation	Maximum Protection Level (in the currency of origin)	Maximum Protection Level (in Argentine Pesos)	Maximum Protection Level as % of per capita GDP	Ratio Assessments/ Deposits in basis points (BP)	Contingency Assessments
Trinidad & Tobago	Deposit Insurance Fund	Deposit Insurance Corporation	PU	Compulsory 1986	50,000 TT Dollars	8,000	169	Initial assessment (40 BP) and yearly premium (20 BP)	With the authorization of the Ministry of Finance, it may request a special assessment from the entities (28)
Turkey	Deposit Insurance Fund	Central Bank	PU	Compulsory 1983	Without limits	Without limits		100 yearly BP	It may borrow from the Central Bank, upon request from the Minister in charge of Economic Affairs
Uganda	Deposit Insurance	Central Bank	PU	Compulsory 1994	3,000,000 Shillings	1,680	525	20 yearly BP on deposits from the banks. Same amount from the Government	The Government may grant loans, if it so wishes
United Kingdom	Deposit Protection Fund (29)	Board of the Deposit Protection Fund (30)	PU	Compulsory 1982	Partial coverage (90%). Max. disbursement: 18,000 Pounds Sterling or 20,000 Euros (whichever is higher)	26,160	104	Initial assessment plus further limited contributions which cannot be above 30 BP on guaranteed deposits	The Board may request special assessments and may apply for loans

(28) The Central Bank of Trinidad & Tobago contributes with an amount equal to that of the initial assessment and to the special assessment of the member entities.

(29) In June 1998, the Bank of England supervisory functions were transferred to Financial Services Authority – FSA. There is the intention, when a new Financial Markets and Services Act is passed, one only compensation scheme be established in replacement of those presently existing, including the present Deposit Protection System. This might happen during year 2000.

(30) The Board has three seats which belong in a permanent way to the Chairman and the Executive Director of the Financial Services Authority – FSA, and to the Vice-Governor of the Bank of England. The first named is also Chairman of the Board and has appointed another Executive Director of the FSA, as a member of the Board. Finally, there are three ordinary members in representation of the contributing entities.

Table I. Main characteristics of some explicit DGS (continued)

Country	Type of System	Management	Administration Characteristics	Assessment Characteristics and Year of Creation	Maximum Protection Level (in the currency of origin)	Maximum Protection Level (in Argentine Pesos)	Maximum Protection Level as % of per capita GDP	Ratio Assessments/ Deposits in basis points (BP)	Contingency Assessments
United States	Bank Deposits' Insurance Fund	Federal Deposit Insurance Corporation (31)	PU	Compulsory 1933	100,000 Dollars	100,000	277	Between 0 and 27 yearly BP on total deposits, depending on the entity's capitalization level	It may request from the Treasury of the United States loans of up to a maximum amount of 30 billion
Venezuela	Fund of Deposit Guarantee and Bank Protection (FOGADE)		PU	Compulsory 1985	1,000,000 Bolívars for deposits in Bolívars	1,320	26	200 yearly BP	The Government and the Central Bank have absorbed losses of the Fund

(31) The Corporation has a Board of five members, appointed by the President of the United States of America, with the advice from, and the approval of, the Senate. The Comptroller of the Currency and the Director of the Financial Entities' Supervisory Office are two of these five Directors. The FDIC administers the guarantee funds of the Banking Deposits and of the Savings and Loans' associations.

IV. The Argentine Financial System

1. Monetary Aggregates

The wide monetary aggregate M2 declined 23.0% during 2001.

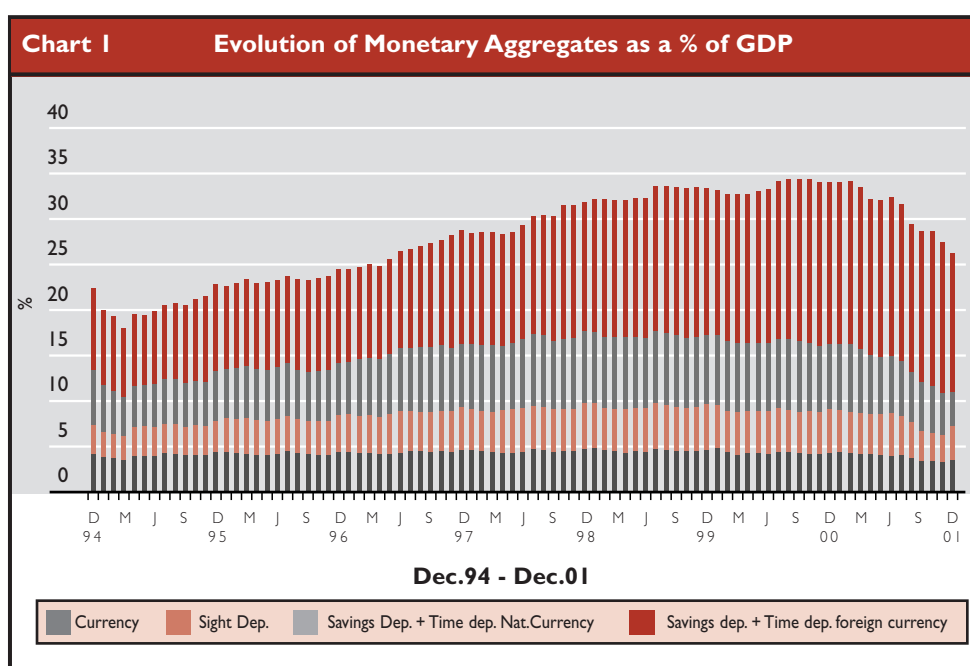
During the year and in an economic context characterized by the continuity of a recessive situation and of a large fiscal deficit, while the behavior of the diverse economic variables showed the effects of a growing uncertainty, one may discern different stages in the evolution of the monetary aggregates.

In nominal values, in the first two months of the year M2 shows a growth of 1.7% with regard to the previous month of December. The trend reverses later and in March and April a decline of 5.6% may be observed. Although the month of June shows a recovery of 1.4%, in the two following months a larger decline takes place, since in July 4.2% was lost and in August, 6.6%. In the two following months the decline continued, though at a slower pace, to end in November and December with declines of 4.4% and 5.6%, respectively. In view of this sharp decline of the total monetary aggregates, ample restrictions to the withdrawal of deposits were established (Table II and Chart I).

Monetary Aggregates	Millions of \$	As % of GDP
Currency	9,439	3.42
Sight Deposits, in National Currency	6,267	2.28
Sight Deposits, in Foreign Currency	4,096	1.49
M1	19,802	7.19
Savings Deposits in National Currency	4,501	1.62
Time Deposits in National Currency	5,797	2.12
Savings Deposits in Foreign Currency	9,508	3.45
Time Deposits in Foreign Currency	32,724	11.89
M2	72,332	26.28

* Monthly average

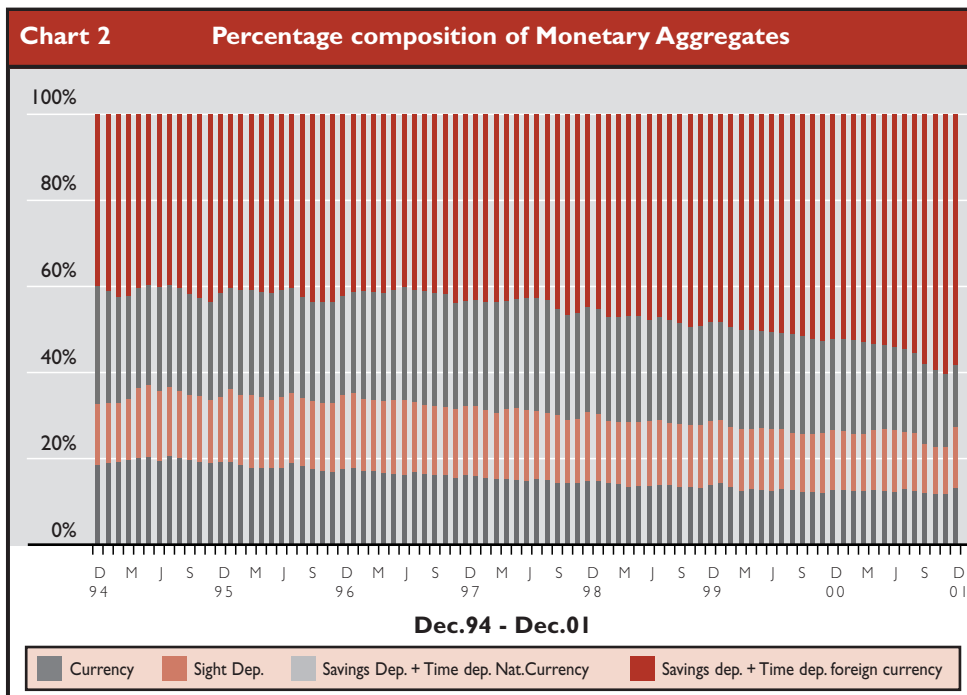
Source: SEDESA on the basis of data from the BCRA.



Source: SEDESA on the basis of data from the BCRA.

When analyzing the participation of the diverse aggregates in the total and when comparing this with the values observed one year before, one may note a slight growth in the participation of cash money, a continuity in the level of sight deposits and a slight decline in time deposits and savings deposits as a whole.

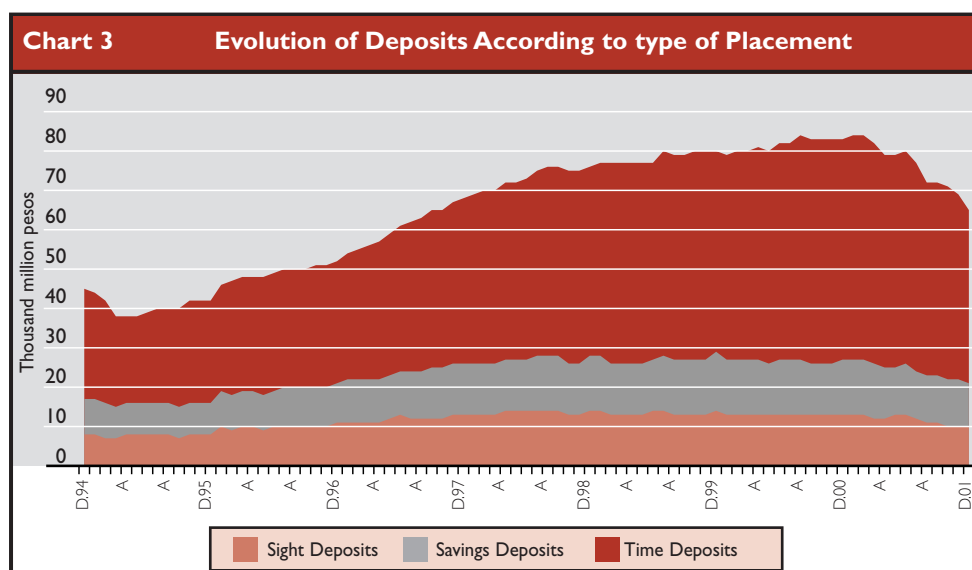
At the end of 2001, the participation of currency in the total is of 13.0%, that of the sight deposits of 14.3% and that of time deposits plus savings deposits, of a 72.7% (Chart 2).



Source: SEDESA on the basis of data from the BCRA.

The above-mentioned restrictions to the withdrawals of deposits significantly limited the cash withdrawals, while transfers between accounts were allowed, a situation which led to an important transfer from time deposits to savings accounts deposits, since limited withdrawals from these were allowed.

In nominal values, during 2001, savings deposits have grown by 3.5%, while sight deposits and time deposits have declined by 27.5% and 30.7%, respectively.



Source: SEDESA on the basis of data from the BCRA.

With regard to the currency chosen, during the whole year the public continued preferring to make placements in foreign currency, as was the case in previous years.

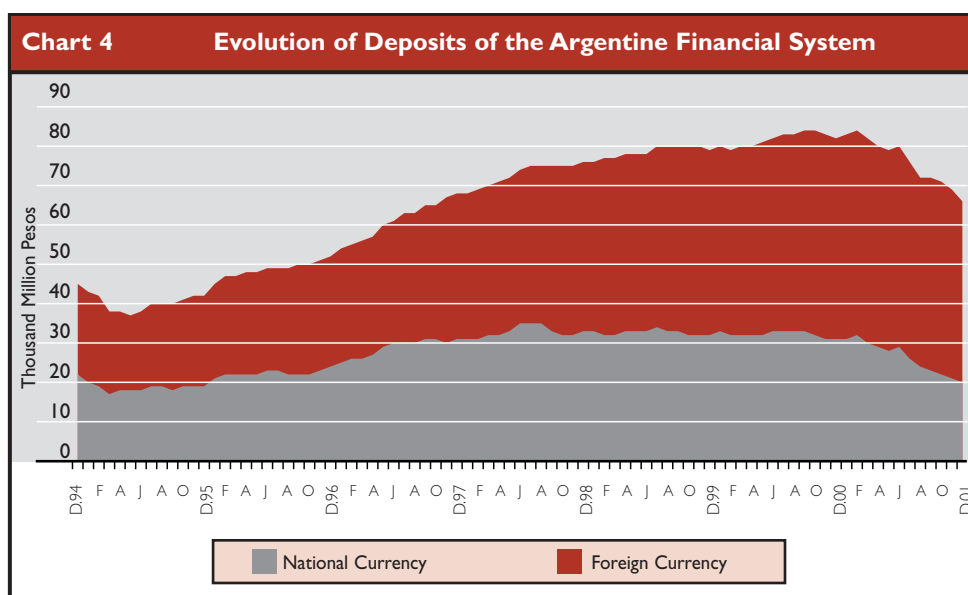
This choice, owing to the aforementioned reasons, is shown with higher emphasis during the month of December.

The yearly nominal decline of deposits made in national currency was of a 47%, while in the case of deposits made in foreign currency, it was of a 9.6%.

The percentage composition by type of deposit and currency in December last, is as follows:

Table III. Deposits according to currency			
Type of Deposit	Total	National Currency	Foreign Currency
Time Deposits	61.2	35.0	70.6
Savings Deposits	22.3	27.2	20.6
Sight Deposits	16.5	37.8	8.8
TOTAL	100.0	100.0	100.0

In December 2001, within the total deposits, a weighting of 73.7% corresponds to those made in foreign currency, while in December 1994 they had represented a 51.0%, in 1997 a 55.0%, in 1999 a 59.0% and in 2000 a 62.0% (Chart 4):



Source: SEDESA on the basis of data from the BCRA.

2. Reference Rates

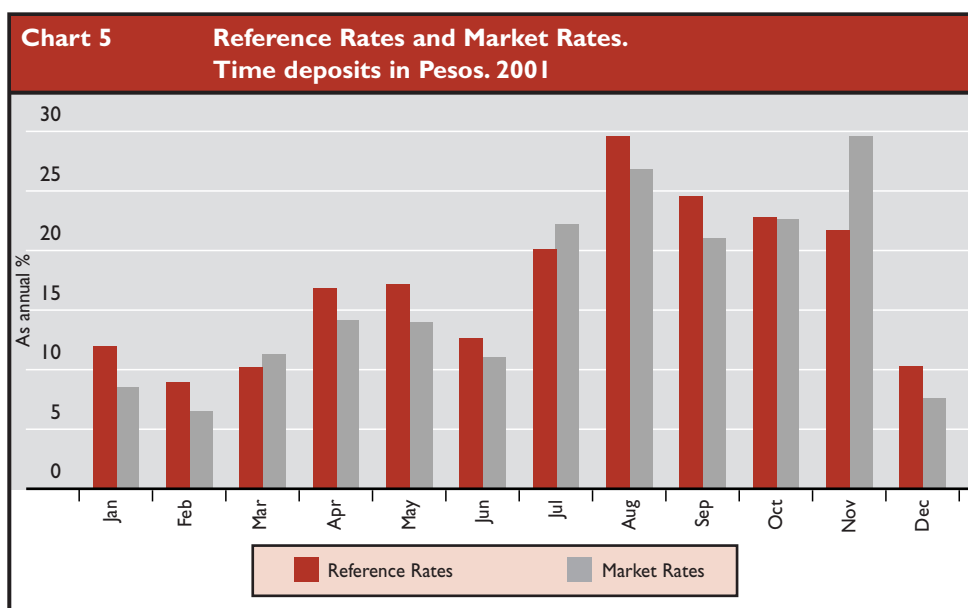
Reference rates represent the maximum level at which a deposit must be placed to be within the framework of the guarantee regime.

Said rates are periodically published by the BCRA. Late in 2001 the methodology applied for their determination was modified. Until November 8 said rate was determined by adding two yearly percentage points to the moving average of the last five banking working days of the actual rates surveyed by the BCRA. As from November 9, instead of considering the total amount of deposits, the survey is limited to those of up to \$ 100,000 (or its equivalent in other currencies).

With regard to their behavior during 2001, as from March –month in which the withdrawal of deposits starts– one may observe an important growth in said rates, for time deposits, as an attempt by the financial entities to retain deposits.

Month	Rates of Reference	Market Rates (2)	Month	Rates of Reference	Market Rates (2)
Jan.	11.9	8.5	Jul.	20.1	22.2
Feb.	8.9	6.5	Aug.	29.6	26.8
Mar.	10.2	11.3	Sept.	24.6	21.0
Apr.	16.8	14.1	Oct.	22.8	22.7
May	17.2	14.0	Nov.	21.7	29.6
Jun.	12.7	11.1	Dec.	10.3	7.6

(1) Weighted average as per days in force
 (2) In force in the market, surveyed by the BCRA



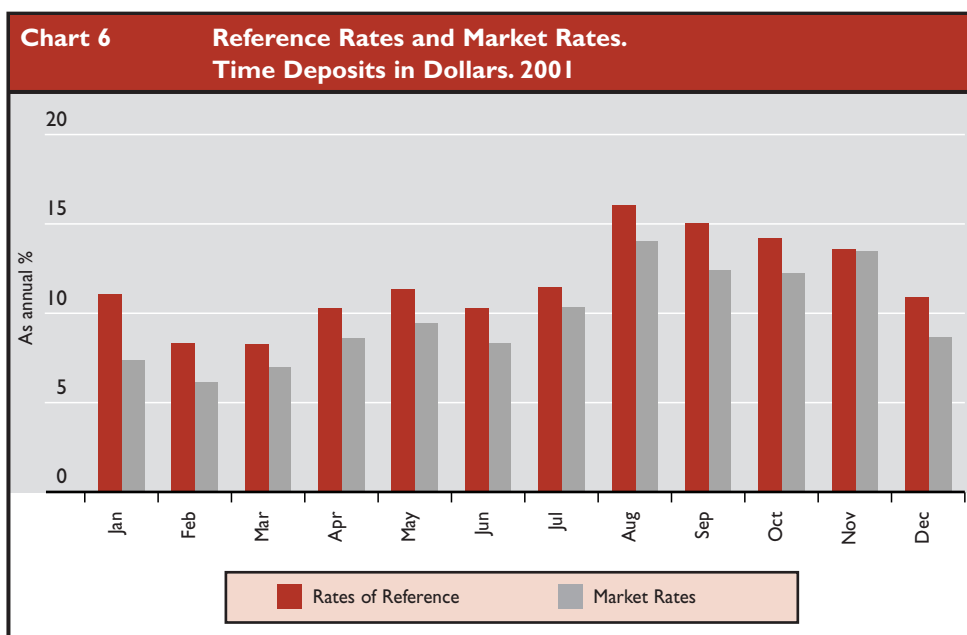
Source: SEDESA on the basis of data from the BCRA.

As in the previous case, placements made in foreign currency show, as from March, important increases, and a differential always exists between placements in Pesos and in Dollars. The important growth observed in it should be underlined, since the average for 2000 had been of 15.8% and in 2001 it reached 47.1%.

Table V. Rates of interest for time deposits in Dollars (as annual %, 2001) (1)

Month	Rates of Reference	Market Rates (2)	Month	Rates of Reference	Market Rates (2)
Jan.	11.0	7.4	Jul.	11.4	10.3
Feb.	8.3	6.2	Aug.	16.0	14.0
Mar.	8.2	7.0	Sept.	15.0	12.4
Apr.	10.3	8.6	Oct.	14.2	12.2
May	11.3	9.5	Nov.	13.6	13.5
Jun.	10.3	8.3	Dec.	10.9	8.6

(1) Weighted average as per days in force
(2) In force in the market, surveyed by the BCRA



Source: SEDESA on the basis of data from the BCRA.

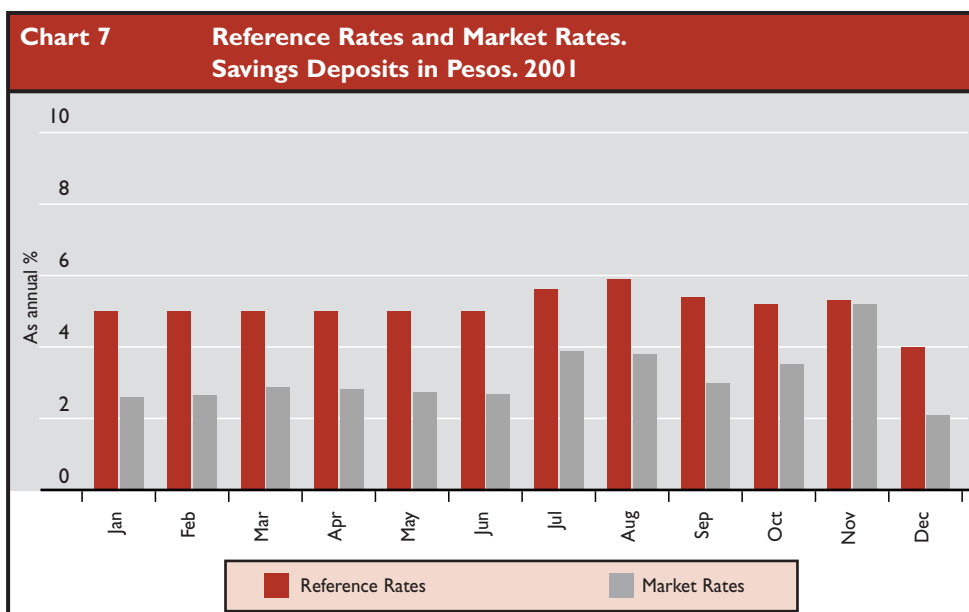
Through June the reference rates for saving deposits in pesos remained unchanged with regard to the previous year. Increases began since July, but these have been of little significance.

In this type of placement, the rates observed in the market behaved in a different manner, since as from June one may observe a higher pace of increases, as deposit retention policy from the entities.

Table VI. Rates of Interest for Savings Deposits, in Pesos
(as annual %, 2001) (1)

Month	Rates of Reference	Market Rates (2)	Month	Rates of Reference	Market Rates (2)
Jan.	5.0	2.6	Jul.	5.6	3.9
Feb.	5.0	2.7	Aug.	5.9	3.8
Mar.	5.0	2.9	Sept.	5.4	3.0
Apr.	5.0	2.8	Oct.	5.2	3.5
May	5.0	2.7	Nov.	5.3	5.2
Jun.	5.0	2.7	Dec.	4.0	2.1

(1) Weighted average as per days in force
(2) In force in the market, surveyed by the BCRA



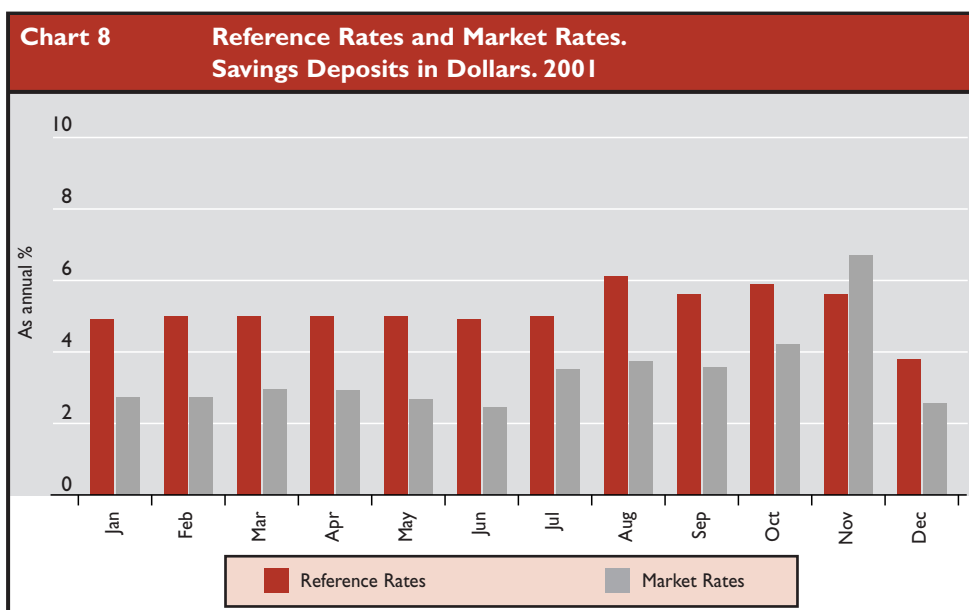
Source: SEDESA on the basis of data from the BCRA.

The same behavior may be observed in the analysis of the rates of interest for savings deposits in foreign currency (USA Dollars), both in the analysis of the reference rates as in that of the market rates.

Table VII. Rates of Interest for Savings Deposits in Dollars (as annual %, 2001) (1)

Month	Rates of Reference	Market Rates (2)	Month	Rates of Reference	Market Rates (2)
Jan.	4.9	2.7	Jul.	5.0	3.5
Feb.	5.0	2.7	Aug.	6.1	3.7
Mar.	5.0	3.0	Sept.	5.6	3.6
Apr.	5.0	2.9	Oct.	5.9	4.2
May	5.0	2.7	Nov.	5.6	6.7
Jun.	4.9	2.5	Dec.	3.8	2.6

(1) Weighted average as per days in force
 (2) In force in the market, surveyed by the BCRA



Source: SEDESA on the basis of data from the BCRA.

3. Financial Entities

As in previous years, 2001 has shown a decline in the number of institutions.

As may be observed in the following table, during the aforementioned period a Government bank, two private banks and three non-banking financial intermediaries ceased to exist.

At the end of 2001, the composition, according to ownership, is determined with 13 Government banks, 73 private banks and 22 non-banking financial institutions.

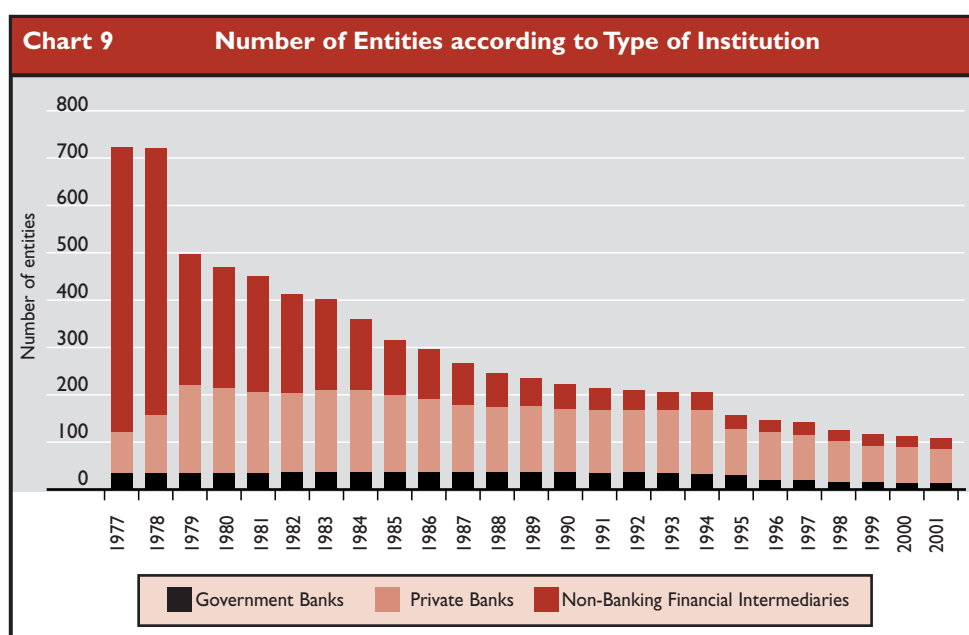
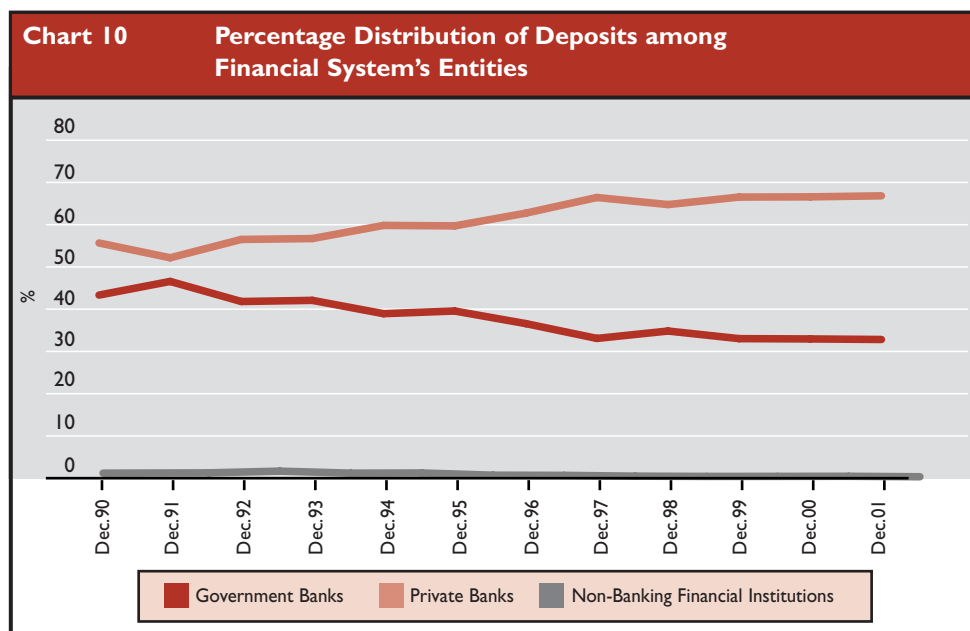


Table VIII. Number of Entities According to Type of Institution

Month/Year	Government Banks	Private Banks	Non-Banking Financial Intermediaries	TOTAL
Dec-77	35	85	603	723
Dec-78	35	122	564	721
Dec-79	35	184	277	496
Dec-80	35	179	255	469
Dec-81	35	171	243	449
Dec-82	36	168	209	413
Dec-83	36	174	192	402
Dec-84	36	174	150	360
Dec-85	37	161	117	315
Dec-86	37	154	105	296
Dec-87	36	142	89	267
Dec-88	36	139	70	245
Dec-89	36	141	59	236
Dec-90	36	134	51	221
Dec-91	35	132	47	214
Dec-92	36	131	43	210
Dec-93	34	133	39	206
Dec-94	33	135	37	205
Dec-95	30	97	31	158
Dec-96	20	100	27	147
Dec-97	20	95	27	142
Dec-98	16	86	23	125
Dec-99	16	76	24	116
Dec-00	14	75	24	113
Dec-01	13	73	22	108

Source: SEDESA on the basis of data from the BCRA.

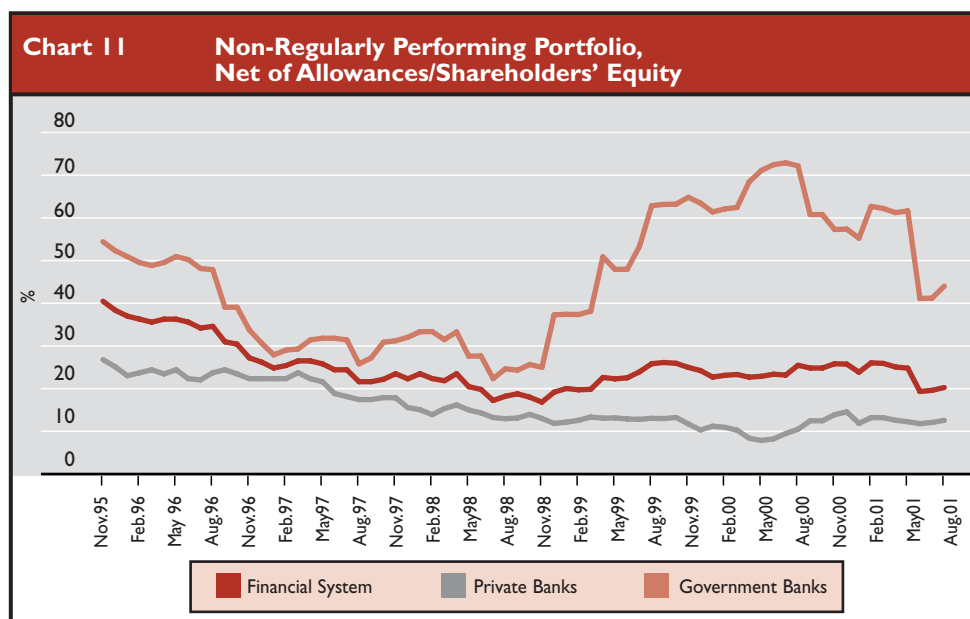
With regard to the system's deposit distribution according to the nature of the institutions, a growing participation of private banks during the years, may be observed. As at December 2001, private banks total participation is of a 66.8%, while government banks obtain a 32.8% on the total and the balance of 0.4% corresponds to the non-banking financial institutions.



Source: SEDESA on the basis of data from the BCRA.

In October 2001, with regard to the regulations from the BCRA referred to the rating of non-regularly performing portfolio of the financial institutions, net of allowances and as a percentage of shareholders' equity, an improvement may be observed as compared with the last two years.

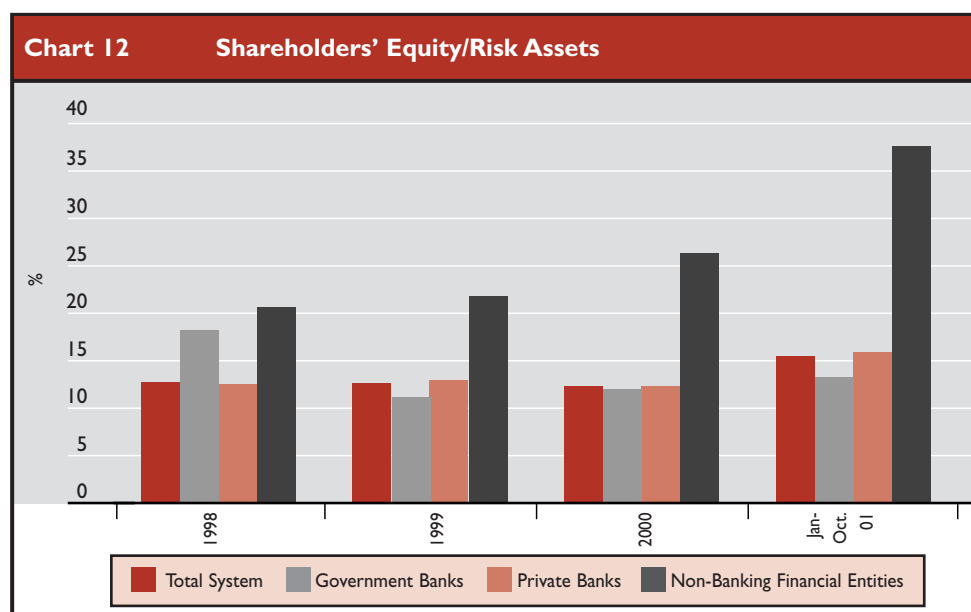
If we make a distinction between government and private institutions, while the first ones decreased their participation in the total 57.4%, observed in December 2000, to 45.9% in October 2001, the second ones showed no modifications between the aforementioned periods.



Source: SEDESA on the basis of data from the BCRA.

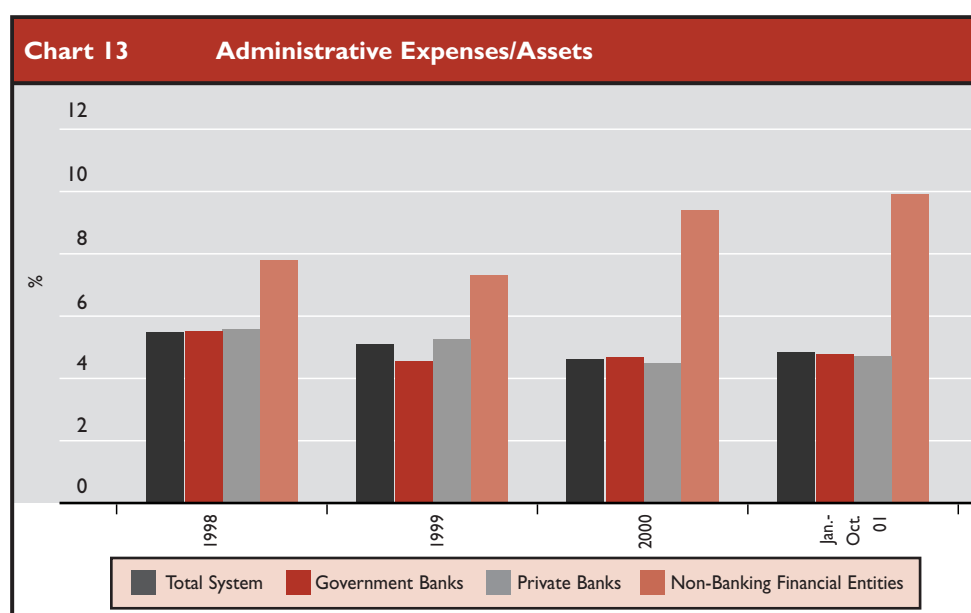
As regards the capitalization of the financial intermediaries, measured as the percentage of shareholders' equity regarding risk assets, a favorable evolution may be observed in the last three years, going from a 12.7% at the end of 1998, for the financial system as a whole, to a 15.4% on October 2001.

The performance of the private banks and that of the government banks is entirely opposed, since while the private sector went from a 12.5% in December 1998 to a 15.9% in October 2001, the government banks show a severe worsening of this capitalization indicator, going from 18.1% in December 1998 to 13.3% in October 2001.



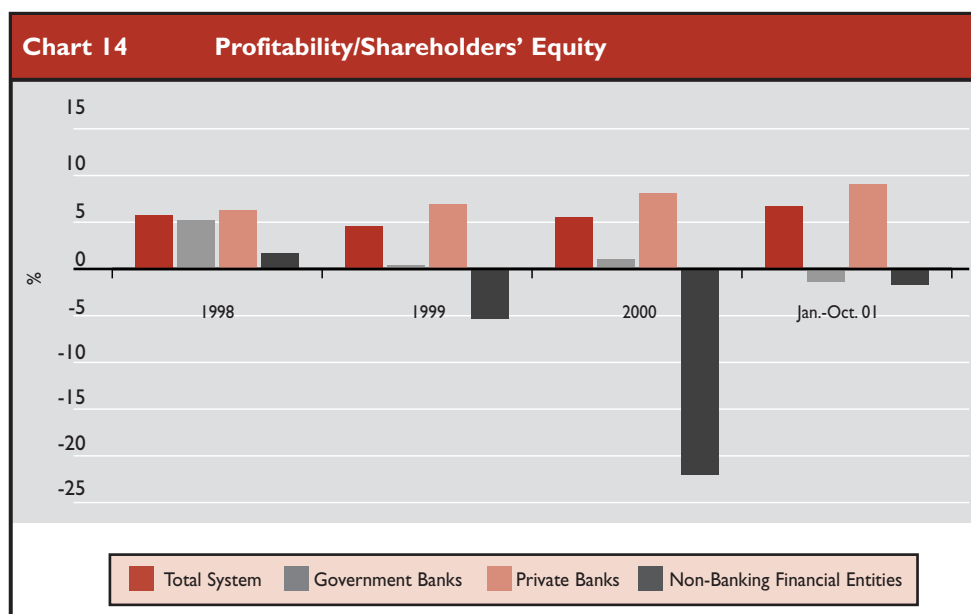
Source: SEDESA on the basis of data from the BCRA.

Using as an indicator of efficiency of the financial system the ratio between administrative expenses and total assets, one may observe a slight increase during the first ten months of this year with regard to 2000, after three consecutive declines in the above-mentioned ratio. This trend is observed both in the government banks and in the private banks.



Source: SEDESA on the basis of data from the BCRA.

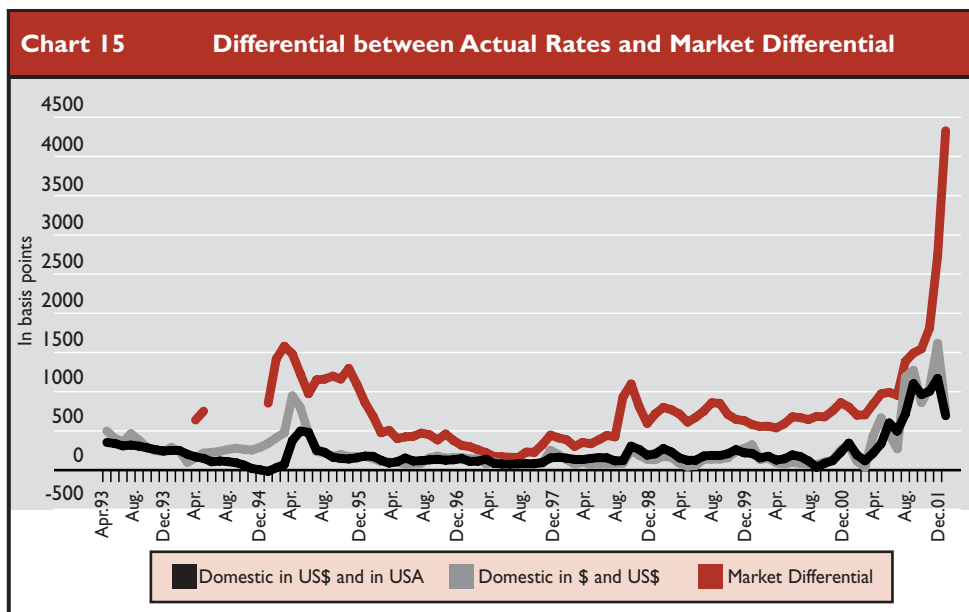
If one analyzes the profitability of the system, although government banks have shown an important fall in their investment return, which became negative during the first ten months of 2001, private banks show a constant increase, since from a 6.3% in 1998, they went up to a 9.0% in the present period.



Source: SEDESA on the basis of data from the BCRA.

Given the difficulties the Argentine economy went through during this year, the possibility of obtaining credits in the international market was hindered in a constant and growing manner, a situation which was expressed by a very important increase in the market differential (difference between the rates of interest of Argentine bonds as compared with similar bonds of the United States of America Treasury). This was particularly accentuated as from the month of July, reaching 4300 basis points at the end of the year.

Also, both what we could call "exchange risk", i.e. the interest rates differential between placements in pesos and in USA Dollars in the local market, as the "systemic risk", i.e. the domestic rates of interest differential for placements in Dollars, versus the equivalent in the United States of America, have shown large increases. The first ones went from 344 basis points in December 2000 to 693 basis points in December 2001 and the second ones went from 317 basis points to 756 basis points between the aforementioned periods.



Source: SEDESA on the basis of data from the BCRA.

V. Allocation of the Resources of the DGF Financial Trust Agreements and other Forms

1. General Comment

SEDESA, in its capacity of administrator of the DGF and as from the beginning of its activities, has contributed financially to the solution of problems posed by troubled financial entities, through diverse mechanisms foreseen in the provisions of the legal regime in force. Thus, it made effective the guarantee by reimbursing directly the deposits covered in one (1) single opportunity; it assisted with non-reimbursable contributions three (3) entities, and granted loans in two other opportunities.

However, the most frequently employed form is related to the solutions derived from the application of the provisions of Section 35 bis of the Law of Financial Entities. In such cases, it is attempted that other entities assume the privileged liabilities (deposits) of the troubled entity and trust agreements are constituted with the assets of said entity excluded from its balance sheet. SEDESA assists financially in such cases and, as the other intervening financial entities and, if it were the case, the BCRA, it is beneficiary of the trust agreement, receiving the certificates of participation issued by the trustee.

Up to now, SEDESA has participated in fifteen (15) trust agreements.

The total contributions for these concepts amount to US\$ 1,266.8 million (including US\$ 110.4 million of non-reimbursable contributions). See Table X . Total of Cases administered, on page 43. More than 60% of the total contributions of the DGF, took place during fiscal years 1998 (36.7%) and 1999 (26.1%).

Another fact to be emphasized is the improvement in SEDESA's operational capacity aiming at opportunely providing the assistance required. As a matter of fact, the time applied, in the majority of the cases solved during fiscal year 2001, has not been longer than five (5) calendar days, as from the moment when the termination of activities of a troubled entity is decided. Practically, over a weekend the depositors of an entity in difficulties may have their situation solved and start operating normally again.

2. Cases administered during Fiscal Year 2001

2.1. Trust Agreements constituted.

During the fiscal year two trust agreements were constituted:

2.1.1. At the end of 2000, the Board of Directors of the BCRA decided the restructuring of Banco Mercobank S.A.

A group of ten (10) banks submitted to Banco Mercobank S.A. and to the authorities of the B.C.R.A. an offer for the assumption of certain privileged liabilities and the transfer to a trust agreement of the assets of the entity, requesting a contribution from SEDESA, as administrator of the DGF, for a total amount of US\$ 130 million.

On January 5th, 2001, SEDESA, with resources from the DGF, acquired a certificate of participation in the trust agreement to be constituted with the assets of the aforementioned entity for US\$ 130 million.

2.1.2. At the beginning of the month of September 2001, the Board of Directors of the BCRA decided the restructuring of the Banco de Balcarce S.A.

A group of five (5) banks submitted an offer to the Board of Directors of the Banco de Balcarce S.A. and to the B.C.R.A. to proceed to the assumption of certain privileged liabilities and the transfer to a trust agreement of assets of the entity, requesting at the same time, the assistance of SEDESA for an amount of US\$ 18.9 million.

On September 7th, 2001, SEDESA decided the acquisition of a certificate of participation in the trust agreement to be constituted, for an amount of US\$ 16.3 million.

2.2. Other Contributions

During 2001, SEDESA also performed diverse financial contributions in the case of two (2) entities: Caja de Crédito Varela S.A. and Caja de Crédito Floresta Luro Velez Coop. Ltda.

In the first case, Caja de Crédito Cooperativa La Capital del Plata Ltda. assumed the privileged liabilities of Caja de Crédito Varela S.A., after this entity accepted the offer made to it on the basis of the restructuring stipulated by the Board of Directors of the B.C.R.A.

The amount requested to SEDESA in its capacity of administrator of the DGF was of US\$ 1.7 million. Said assistance was decided on May 4th, 2001.

In the second case, after the Board of Directors of the BCRA stipulated the restructuring of Caja de Crédito Floresta Luro Vélez Coop. Ltda. in the terms of Section 35 bis of the Law of Financial Entities, the Banco Ciudad de Buenos Aires submitted an offer to the authorities of the entity for the assumption of the privileged liabilities of the former entity and the acquisition of certain assets requesting –given the special circumstances of the transaction– SEDESA’s assistance for US\$ 9.4 million as a non-reimbursable contribution.

3. *Trustees’ Management*

In the case of trust agreements constitution, the appointment of the trustees being a trust commitment has mainly fallen on financial entities, also taking into account that this is one of the activities that legislation has naturally reserved for this type of institutions. In a few cases other specialized societies, having the respective authorization of the National Securities Commission, but which are connected to financial entities, have been appointed for this function.

SEDESA, as administrator of the DGF and beneficiary of said trust agreements, has closely followed the appointed trustees management through the examination of the statements of accounts and of the elements gathered in verifications it conducts, aiming at checking whether their activities are in agreement to the fulfillment of the respective trust agreements contracts. In the exercise of this task, which only pursues the defense of the interests involved, SEDESA has noted some negligences which in the majority of cases it has managed to correct and, only in an exceptional way, through legal action.

In view of the experience gained, and given the importance of the interests at stake, as well as their effects on the financial system and the fact that the trustees are financial entities or companies connected to them, in October 2001 it was requested to the BCRA that, with the purpose of preventively improving the control over the trustees, the minimum regulations on internal control and external audits in force for the financial entities be modified, stating with higher accuracy the control tasks which in this regard must be fulfilled by the trustees in the financial trust agreements of which SEDESA is beneficiary.

4. *Summary of Cases*

Table IX details the annual assistance disbursed by SEDESA in its capacity of administrator of the DGF:

Table IX. Annual Assistance Disbursed		
Fiscal Years	Million	Percentage
Year 1995	-	-
Year 1996	-	-
Year 1997	276.5	21.8%
Year 1998	464.9	36.7%
Year 1999	330.0	26.1%
Year 2000	38.0	3.0%
Year 2001	157.4	12.4%
TOTALS	1,266.8	100.0%

5. *Main Characteristics of Trust Agreements*

Table X describes the main characteristics of the trust agreements of which SEDESA is beneficiary. Likewise, it points out the assistance to financial entities as non-reimbursable contributions, granting of loans, purchase of the credit portfolio of a former entity and also one case in which payment of the guarantee to the depositors was made (Section 10 bis, Decree 540/95 Text Amended).

Table X.		Total Cases Administered				
Entity	Date of the Assistance Decision	Disbursement Date	Type of Transaction	Additional Considerations	Guaranteed Deposits (in million dollars)	Amount of the assistance (in million dollars)
Banco de Caseros S.A.	10/22/1996	04/24/97 to 07/22/97	Trust agreement, on credits of doubtful recovery from Banco de Caseros S.A.	The Banco de Crédito Argentino S.A. acquired assets and took charge of the payment of deposits of Banco Caseros S.A.	76.6	73.7
Caja de Crédito Pavón Coop. Ltda.	11/21/1996	12/01/96 to 01/10/97	Payment of the Guarantee		1.0	0.7
Banco Unión Comercial e Industrial S.A. (BUCI)	02/11/1997	02/18/97	Partial acquisition of Deposits			23.7
	05/08/1997	05/12/97	Trust Agreement on BUCI's portfolio	Corp Banca acquired assets and took charge of the payment of deposits of the BUCI	118.0	94.2
Banco Coopesur Coop. Ltda.	02/28/1997	06/20/97 to 09/25/97	Trust Agreement, on portfolio of doubtful recovery from Banco Coopesur C.L.	Banco Credicoop C.L. acquired assets and took charge of the payment of deposits from Banco Coopesur C.L.	43.2	39.8
Nuevo Banco de Azul S.A.	05/08/1997	05/23/97	Loan convertible into Corporate Bonds	Loan granted to the Nuevo Banco Industrial de Azul S.A. with the purpose of strengthening in its computable shareholders' equity, as said bank offered to acquire assets and liabilities from the Nuevo Banco de Azul S.A.	12.4	2.0
	05/08/1997	08/05/97 to 01/12/99	Trust Agreement, on credits of doubtful recovery from the Nuevo Banco de Azul S.A.	The Nuevo Banco Industrial de Azul S.A. acquired assets and took charge of the payment of deposits from the Nuevo Banco de Azul S.A.		7.0

Table X.		Total Cases Administered (continued)				
Entity	Date of the Assistance Decision	Disbursement Date	Type of Transaction	Additional Considerations	Guaranteed Deposits (in million dollars)	Amount of the assistance (in million dollars)
Banco Platense S.A.	05/08/1997	06/10/97	Non-Reimbursable Contribution	The Banco Municipal de La Plata acquired assets and took charge of the payments of deposits from Banco Platense S.A.		13.0
	05/08/1997	06/10/97	Loan Convertible into Corporate Bonds	The Banco Municipal de La Plata acquired assets and took charge of the payment of deposits of Banco Platense S.A.		5.0
Banco de Crédito Provincial S.A. (BCP)	09/18/1997	10/06/97 to 11/28/97	Partial Acquisition of Deposits (non- Reimbursable Contribution)	Mercobank S.A. acquired assets and took charge of the payment of deposits of BCP	117.0	17.4
		05/11/98	Non- Reimbursable Contribution			70.6
			Trust Agreement (participation on real estate)			7.8
Banco Argencoop Coop. Ltda.	12/12/1997	01/02/98	Trust Agreement on credits of doubtful recovery of Banco Argencoop C.L.	Banco Credicoop C.L. acquired assets and took charge of the payment of deposits of Banco Argencoop C.L.	88.7	60.2
Banco Patricios S.A.	03/20/1998	04/01/98 to 06/22/98	Partial Acquisition of Deposits		138.0	26.1
	06/19/1998	07/06/98 to 07/20/98	Trust Agreement on credits and non-credit assets of Banco Patricios S.A.	Banco Mayo CL acquired assets and took charge of the payment of deposits of Banco Patricios S.A.		95.2
Banco Mayo C.L.	10/23/1998	12/02/98 to 12/01/99	Trust Agreement on assets from Banco Mayo C.L.	Citibank N.A. subscribed Participation Certificates in a Trust Agreement and took charge of the payment of deposits of Banco Mayo CL	360.4	350.0

Table X.		Total Cases Administered (continued)				
Entity	Date of the Assistance Decision	Disbursement Date	Type of Transaction	Additional Considerations	Guaranteed Deposits (in million dollars)	Amount of the assistance (in million dollars)
Banco Almafuerite C.L.	11/26/1998	12/01/98 to 10/27/99	Trust Agreement on assets from Banco Almafuerite C.L.	The Banks BBV Francés, Bisel, Credicoop, Galicia, Macro Misiones, de Río Negro, de San Juan and Suquía, subscribed certificates of participation in a Trust Agreement and took charge of the payment of the deposits of Banco Almafuerite C.L.	98.5	60.0
Banco Israelita de Córdoba S.A.	02/11/1999	03/05/99 to 12/05/99 (1)	Trust Agreement on assets of the Banco Israelita de Córdoba S.A.	The Banks Bisel, Macro Misiones, Nazionale del Lavoro, Suquía, Sudameris Argentina and Supervielle Société Générale subscribed certificates of participation in a trust agreement and took charge of the payment of the deposits of Banco Israelita de Córdoba S.A.	145.9	60.0
Banco Mendoza S.A.	04/14/1999	04/21/99 to 12/21/99 (2)	Trust Agreement on assets from the Banco Mendoza S.A.	The Banks BBV Francés, Citibank N.A., Credicoop, Galicia, Nación, de San Juan, Macro Misiones, Suquía, HSBC Roberts and Velox, subscribed certificates of participation in a Trust Agreement and took charge of the payment of the deposits of Banco Mendoza S.A.	201.7	100.0
Cía. Financiera Luján Williams S.A.	05/23/2000	06/13/00	Trust Agreement on assets of Cía. Financiera Luján Williams S.A.	The Banco Sudameris Argentina S.A. subscribed certificates of participation in a Trust Agreement and took charge of the payment of the deposits of Cía. Financiera Luján Williams S.A.	7.4	3.0

(1) 2 quotas year 2000: 5.000.000 x 2 = 10.000.000.-

(2) 3 quotas year 2000: 8.330.000 x 3 = 24.990.000.-

Table X.		Total Cases Administered (continued)				
Entity	Date of the Assistance Decision	Disbursement Date	Type of Transaction	Additional Considerations	Guaranteed Deposits (in million dollars)	Amount of the assistance (in million dollars)
Mercobank S.A.	12/26/2000	01/09/2001	Trust Agreement on assets of Mercobank S.A.	The Banks BBVA Francés, Credicoop; Galicia, Nación, Suquia, Sudameris, Bisel, Río de la Plata, Ciudad and BNL subscribed certificates of participation in a trust agreement and took charge of the payment of the deposits of Mercobank S.A.	138.8	100.0
	12/28/2000	04/03/2001				30.0
Caja de Crédito Varela S.A.	05/07/2001	05/21/01	Credit Cession and Collection Management Contract with Caja de Crédito Cooperativa del Plata Ltda.	Assets transfer from Caja de Crédito Varela and assumption of liabilities	2.3	1.7
Banco de Balcarce S.A.	09/07/2001	09/12/01	Trust Agreement on assets of Banco de Balcarce S.A.	The Banks Credicoop, Galicia, Sudameris, San Luis and N.B.I.A. subscribed certificates of participation in a trust agreement and took charge of the payment of the deposits of the entity	19.4	16.3
Caja de Crédito Floresta Luro Vélez Coop. Ltda.	11/23/2001	12/5/01	Non- reimbursable contribution	The Banco de la Ciudad de Buenos Aires assumed the total liabilities (deposits for 14.5 m)	10.0	9.4
TOTAL					1,579.3	1,266.8

Summary of cases administered since the beginning of SEDESA's activities (in million USA dollars) Decree 540/95 (T.A.) Section 10 bis	
Payment of the guarantee to the depositors	0.7
Non-reimbursable contributions	110.4
Loans to Financial Entities	7.0
Trust Agreements Constitution	1,147.0
Other cases	1.7
TOTAL	1,266.8

VI. Deposit Guarantee Fund (DGF)

1. *Passive Transactions*

During fiscal year 2001, SEDESA, as trustee of the DGF, fulfilled all the obligations emerging from the "Loan Granting Contract" subscribed with 93 financial entities at the beginning of year 2000, by virtue of the provisions of the B.C.R.A. (Resolution N° 29 of January 20, 2000 and Comunicués "A" 3064 and "A" 3068) in the sense of reducing the assessments of the entities granting loans to SEDESA, in special terms and conditions, destined to the DGF.

The obligations referred to were:

- Payment of the interests on the day stipulated in the contract, through credit to the entity's account in the BCRA.
- Communication of the rate of interest applicable to each of the periods to the entities that accepted to take part in the offer.

As was already commented in the previous Report, on August 24, 2000, SEDESA communicated to the entities that had accepted the offer, that as from that date it would receive no more "Disbursements", making use of the right granted by Section Three of the "Accepted Offer".

Owing to their cessation of activities, three entities requested to SEDESA the anticipated reimbursement of the loans. The applications were considered by SEDESA's Board of Directors, who decided that capitals be reimbursed with the previous accreditation by the applicant entity that deposits had been totally cancelled.

On December 31, 2001, the debt in concept of capital for loans received from the financial entities amounted to \$ 106.5 million.

2. *Evolution of the DGF*

The total income of the DGF in 2001 was of \$ 206.7 million, according to the following detail:

	Millions \$	%
• Monthly assessments of the financial entities	178.2	86.2
• Recoveries from financial trust agreements and collection of credits transferred in favor of SEDESA	14.8	7.2
• Financial income for investment of funds	10.9	5.3
• Other concepts	2.8	1.3
Totals	206.7	100.0

The monthly average of assessments from financial entities during 2001 was of US\$ 14.9 million. It should be pointed out that the B.C.R.A. decided, as from the month of December, to double the percentage of assessments to the DGF, which went from 0.015% to 0.03% of the deposits covered by the guarantee (Communiqué "A" 3358). Among the reasons in support of the measure is the possibility of raising the coverage limit presently in force, established at \$ 30,000.

On the other hand, the total expenditures of the DGF amounted to \$ 189.2 million during 2001 and the main concept was "Contributions to Financial Entities" performed within the framework of the forms foreseen in the matter of financial assistance in Section 10 bis of Decree 540/95 (T.A.), with a total of \$ 157.7 million (83.4%).

The presence of critical situations in four financial entities, as has been commented in Chapter V, led to the fact that the "Balance Available" roughly increased during fiscal year 2001 by \$ 17.5 million, closing, as at December 31, at \$ 270.9 million.

The ratio Balance Available/Deposits showed, during the year, an average of 0.29% with regard to 0.19% registered in the previous fiscal year.

3. Origin and Allocation of Funds

The DGF received as from the beginning of the regime, in May 1995, assessments from the entities for \$ 1,491.2 million (88.7% of its resources); adding other concepts (see Tables XI and XII), its total income amounts to \$ 1,681.0 million.

Three-quarters of those resources were allocated to cover requirements from troubled financial entities, mainly under the forms of participation in trust agreements (68.2%) and non-reimbursable contributions (6.6%).

Within the remainder the most significant item – as may be appreciated in Charts 16 and 17 – were fees linked to the Stand-By Repo's Facilities Program implemented with the B.C.R.A. (7.4% of the total origin of the funds) which, with regard to the previous year, showed a decline of 27.16% (\$ 32.4 million in year 2000 against \$ 23.6 million in year 2001).

This program admitted successive renewals while an event of default of Argentina with regard to its foreign debt did not take place; in the month of January 2002 the BCRA made known the cancellation of the transaction upon its due date, through which important expenditures from the DGF are avoided.

Table XI. Origin and allocation of funds of the DGF (up to 12/31/2001) Amounts expressed in million dollars		
(From May 1995 to December 2001)	Amount	%
Origin		
Assessments from Entities	1,491.2	88.7
Loans from Entities	106.6	6.3
Financial Income	50.0	3.0
Income proceeding from sale of real estate	2.4	0.2
Collection of loans	3.2	0.2
Income from recovery in financial Trust Agreements	27.1	1.6
Income from recovery of credits transferred in favor of SEDESA	0.4	0.0
Other income	0.1	0.0
Total	1,681.0	100.0
Allocation		
Payment of Guarantees	0.7	0.0
Contributions to entities (Sect. 10 bis Decree 540/95 (T.A.))		
Detail		
For contributions to Trust Agreements	1,147.2	68.2
For Non-Reimbursable Contributions	110.4	6.6
For Loans Convertible into Corporate Bonds	5.0	0.3
For Loans	2.0	0.1
For transfer of credits	1.7	0.1
Payments of Stand-By Repo's Facilities Program (BCRA)	123.7	7.4
Financial Interests	8.4	0.5
Anticipated reimbursement of loans	0.0	0.0
Administrative Expenses	8.7	0.5
Other expenses	2.3	0.2
Total Allocations	1,410.1	83.9
Balance of the DGF as at December 31,2001	270.9	16.1
Total	1,681.0	100.0

Chart 16 Origin and allocation of funds of the DGF up to 12/31/2001

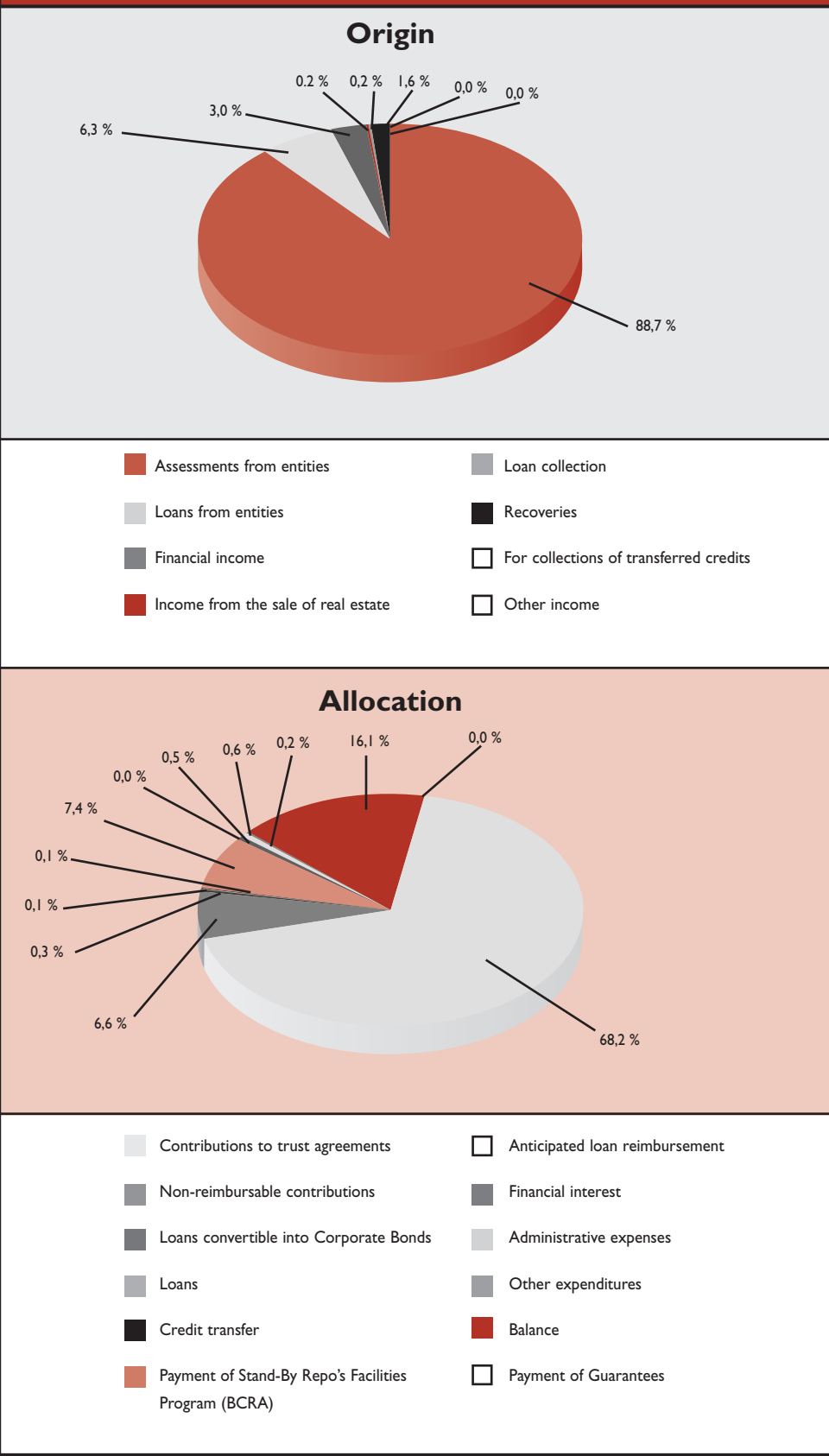
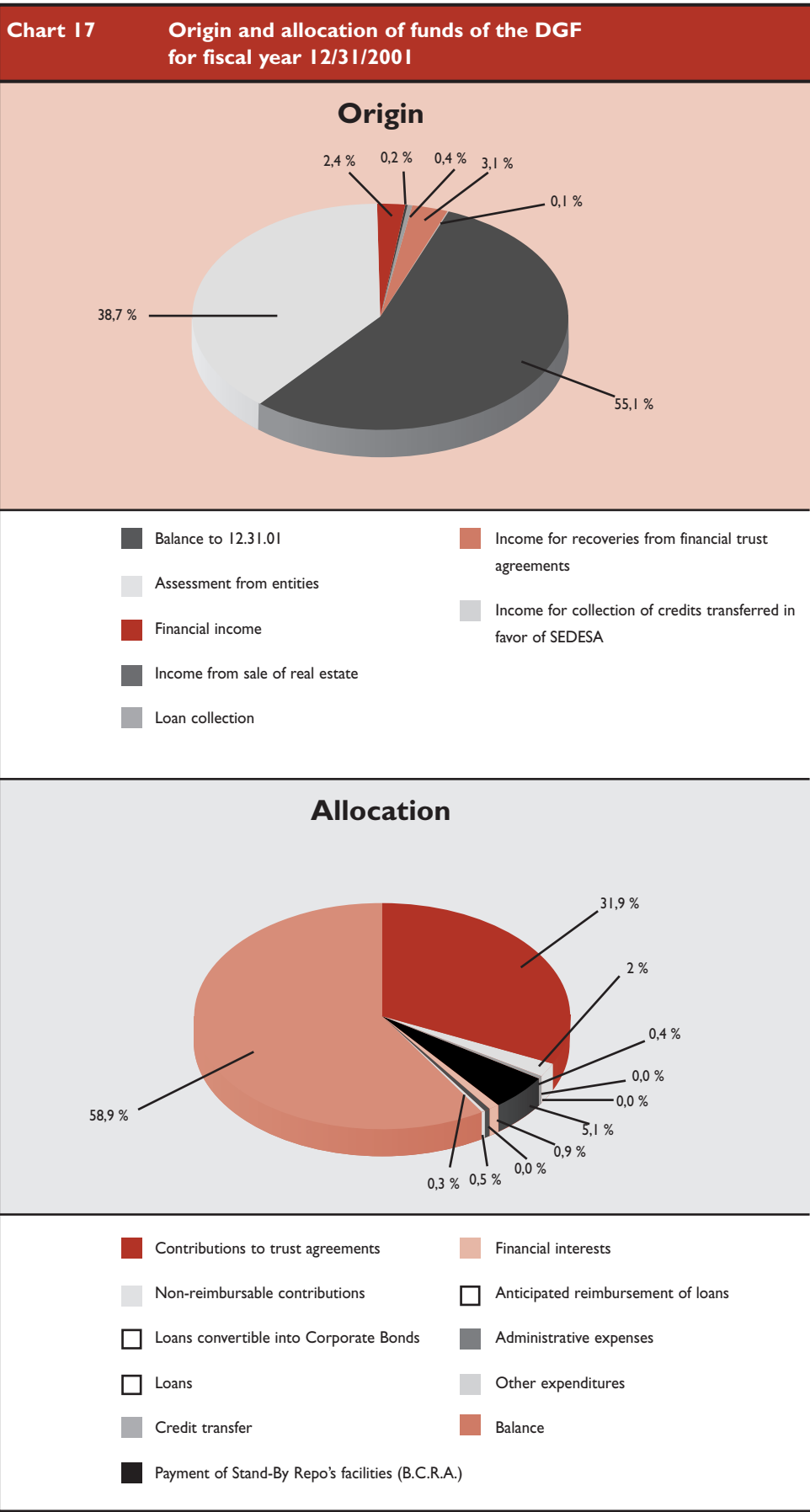


Table XII. Origin and allocation of funds of the DGF (for fiscal year 2001) Amounts expressed in million dollars		
	Amount	%
Balance of the DGF up to December 31,2000	253.4	55.1
Origin		
Assessments from Entities	178.2	38.7
Financial Income	10.9	2.4
Income proceeding from sale of real estate	1.0	0.2
Collection of loans	1.8	0.4
Income from recovery in financial Trust Agreements	14.4	3.1
Income from recovery of credits transferred in favor of SEDESA	0.4	0.1
Total	460.1	100.0
Allocation		
Contributions to entities (Sect. 10 bis Decree 540/95 (T.A.))		
Detail		
For contributions to Trust Agreements	146.6	31.9
For Non-Reimbursable Contributions	9.4	2.0
For Loans Convertible into Corporate Bonds	-	0.0
For Loans	-	0.0
For transfer of credits	1.7	0.4
Payments of Stand-By Repo's Facilities Program (BCRA)	23.6	5.1
Financial Interests	4.2	0.9
Anticipated reimbursement of loans	0.0	0.0
Administrative Expenses	2.1	0.5
Other expenses	1.6	0.3
Total Allocations	189.2	41.1
Balance of the DGF as at December 31,2001	270.9	58.9
Total	460.1	100.0



VII. Other Activities and Tasks

1. Administration and Finance

The seventh fiscal year of SEDESA having been completed, substantial and continued progress has been made by its organization and management. Such progress has allowed the Corporation to successfully perform its daily tasks and face the periodic challenges that result from the changing circumstances of the Argentine financial system, within a framework of efficiency and economy.

Having said this, it may be convenient to describe certain aspects in detail:

INFORMATION DISCLOSURE AND CONTROL

At the first meeting of its Board of Directors, SEDESA's authorities decided to follow the most advanced concepts of information disclosure and control of bodies that manage public funds.

Although this was not specifically provided for by legal regulations, the Board of Directors of SEDESA decided, at its first meeting, to adopt a system of external audit to be provided by a firm of relevant international prestige. Thus, all its financial statements, both annual and quarterly and including the balance of the deposit guarantee fund, which is monthly communicated to the public, are duly audited.

From another point of view, SEDESA's financial statements have always been characterized by a meticulous detail of its shareholders' equity statement and statement of results, as well as the publicity of its information has adhered, since its beginning (1999), to the information publicity prescribed by the so-called "Data Dissemination" prescribed and advised for by the International Monetary Fund.

1.1. New Premises

As from August 27, 2001, SEDESA's premises have been relocated at Av. Corrientes 311, 10th floor, Buenos Aires.

The floor –property of SEDESA– is an excellent downtown location and has been endowed with updated functional facilities, including security and logic for documents and other information. Space available is approximately similar to that of the previous premises, but with a much-improved layout and design.

Among other improvements, the new office has an entry and exit identification system for both staff and third parties and a fireproof filing rooms for the safekeeping of the Corporation's essential documents and other elements.

1.2. Updating of Organization and Procedures Handbooks

The task started last year was continued, updating the Handbook of Rulings and Procedures so as to maintain and optimize the internal control of the Corporation.

Diverse regulations were incorporated or modified in connection with the following subjects:

- Symposia Organization
- Shareholders' Meeting Organization.
- Administration and control of check-books in stock.
- Taxes.
- BCRA Communiqués
- Other.

Furthermore, it was decided to hire the services of a system (navigator) to consult the circulars and amended texts in force and up-dated of the norms of the BCRA and the National Securities Commission.

1.3. System of Information on Investments

The financial administration of the DGF is carried out in real time on the corresponding positions, owing to the fact that this is allowed so by the information link between operators and contributors. An internal investment committee maintains at the same time a permanent follow-up of the financial placements of the DGF so as to optimize their profits.

2. Technical Assistance Granted

An intense advisory activity was developed with El Salvador, in the process of passing a new law framing the present deposit guarantee system.

Invited by the Deposit Guarantee System of said country, and at the request of the IMF, a group of officers of SEDESA's different areas traveled to the Republic of El Salvador where a working group was integrated with the authorities of the above-mentioned Institute and the participation of representatives from the Central Bank and the Banking Superintendence of El Salvador.

At the end of said operation, it was agreed to start new contacts when the law in project is more advanced in its legislative treatment.

Also, during the fiscal year frequent consultations have been received from the Financial Institutions Guarantee Fund (FOGAFIN-Colombia), in connection with SEDESA's management.

Moreover, consultations have been received from other deposit ensuring bodies and from students of diverse universities of Argentina and from foreign countries.

3. Corporation Aspects

The Ordinary Shareholders' Assembly took place at SEDESA's headquarters on May 15, 2001. At said meeting the report, the financial statements and other documents submitted to its consideration pertaining to the fiscal year ended on December 31, 2000 were approved. It also granted its agreement to the task fulfilled during said fiscal year by the Board of Directors and to the report of the Syndics' Committee. As it is known, the Board of Directors of the Corporation was chosen by the Assembly which took place in 1998, for a three-year period.

SEDESA's international relationships were intensified, not only owing to the performance of the Annual Symposia (as detailed in Chapter III) and to the technical assistance briefly described in the previous section, but also owing to the direct links derived from the activities of the Chairmanship (see box on page 56).

4. General Secretariat

During this fiscal year the activities of the Secretariat have maintained an intense rhythm, reflected in the movement of correspondence with 783 incoming notes and 492 communications sent during year 2001. Moreover, it was also in charge of the drafting of 50 Minutes of the Board of Directors, 7 Minutes of the Steering Committee (whose meetings do not have a defined periodicity but are held on the basis of requirements posed). One should also point out the carrying-out of translations (Annual Report and Symposia documents), the assistance in the Trust Agreements follow-up tasks and other administrative activities.

The distribution of the above mentioned correspondence is as follows:

Incoming			
Bcra	Trust Agreements	Other	Total
723	52	8	783

Outgoing			
Bcra	Trust Agreements	Other	Total
326	71	95	492

INTERNATIONAL CONNECTIONS

During 2001 the international activities of SEDESA were noteworthy, concerning the attendants to the Third Symposium on Deposit Insurance and to the Latin American Seminar or other visitors received, as well as owing to the Chairman's visits to foreign countries. Thus, close links were maintained with institutions directly connected with the corporation's activities and the administration of resources of the DGF. A list of the institutions follow:

Asociación Española de Banca Privada
Banca D'Italia
Banco de España
Inter-American Development Bank
Bank for International Settlements
Brookings Institution
Federal Deposit Insurance Corporation
Financial Stability Forum
Financial Stability Institute
Fondo de Garantía de Instituciones Financieras (Colombia)
Fondo Interbancario di Tutela dei Depositi
International Monetary Fund
Institute for International Finance
Instituto de Garantía de los Depósitos (El Salvador)
Instituto para la Protección al Ahorro Bancario (México)
Organization for Economic Cooperation and Development (OECD)
The World Bank

5. Systems

During 2001 the information technology area developed and implemented several services with regard to the needs and requirements which SEDESA had to face. Among them, and according to their importance, we should mention:

- Revision and adequacy of deposit bases for the calculation of the guarantee, in the requirements posed by the situation of the entities Caja de Crédito Varela S.A., Banco de Balcarce S.A. and Caja de Crédito Floresta Luro Vélez S.A. In the two last cases, members of the area staff traveled to the entities with the purpose of verifying the databases delivered with the guaranteed deposits.
- Permanent updating of the databasis that administers the assessments made by the different financial entities of the DGF system.
- Maintenance of the Internet website. Moreover, during the year the planning, design, development and implementation of a new version of the mentioned website were carried out.
- Considerable growth in the level of security of the information network.
- General administration of the information technology platform of SEDESA.
- Increase in the number of visitors to our website, which raised the registers to 2296 visitors during the present fiscal year.

VIII. Financial Statements as at December 31, 2001

Seguro de Depósitos Sociedad Anónima

Registration Number at the Supervisory Body of Legal Entities: 8662

I. Balance Sheet as at December 31, 2001 and 2000 (in Argentine Pesos)

Assets	2001	2000
Current Assets		
Cash And Banks	443,380	120,971
Investments	5,552,944	7,306,093
Other Receivables	87,352	120,924
Total Current Assets	6,083,676	7,547,988
Non-Current Assets		
Investments	1,173,302	-
Fixed Assets	570,762	-
Other Assets	-	63,302
Total Non-Current Assets	1,744,064	63,302
Total Assets	7,827,740	7,611,290
Liabilities		
Current Liabilities		
Accounts Payable	70,368	59,818
Social Security Charges Payable	20,527	19,329
Taxes Payable	32,756	73,096
Total Current Liabilities	123,651	152,243
Non-Current Liabilities		
Other Liabilities	3,000	3,000
Total Non-Current Liabilities	3,000	3,000
Total Liabilities – Sub-Total	126,651	155,243
Shareholders' Equity (As Per Pertaining Statement)	7,701,089	7,456,047
TOTAL	7,827,740	7,611,290

See our report dated:
February 12, 2002

Finsterbusch Pickenhayn Sibille
Prof.Assoc. Reg. CPCECABA T° 2 F° 6

Ricardo E. De Lellis
Partner
Public Chartered Accountant (U.B.A.)
C.P.C.E.C.A.B.A. T° XCIV F° 166

Enzo Agustín Vivian
Syndic
for Syndics' Committee

José Carlos Jaime
Chairman

Seguro de Depósitos Sociedad Anónima

Registration Number at the Supervisory Body of Legal Entities: 8662

**2. Statement of Income for fiscal year ended December 31, 2001
in comparison with the previous fiscal year (in Argentine Pesos)**

	<u>2001</u>	<u>2000</u>
Investment Income	665,617	531,622
Administrative Expenses	(840,737)	(613,533)
Plus:		
Expenses Recovery	<u>560,294</u>	<u>415,735</u>
Net Profit (before Income Tax)	385,174	333,824
Income Tax	<u>(140,132)</u>	<u>(23,058)</u>
Fiscal Year Profit	<u><u>245,042</u></u>	<u><u>310,766</u></u>

See our report dated:
February 12, 2002

Finsterbusch Pickenhayn Sibille
Prof.Assoc. Reg. CPCECABA T° 2 F° 6

Ricardo E. De Lellis
Partner
Public Chartered Accountant (U.B.A.)
C.P.C.E.C.A.B.A.T° XCIV F° 166

Enzo Agustín Vivian
Syndic
for Syndics' Committee

José Carlos Jaime
Chairman

Seguro de Depósitos Sociedad Anónima

Registration Number at the Supervisory Body of Legal Entities: 8662

3. Statement of Changes in Shareholders' Equity for the fiscal years ended December 31, 2001 and 2000 (in Argentine Pesos)

	Shareholders' Contribution	Reserved Earnings			Retained Earnings	Total on 12-31-01	Total on 12-31-00
	Capital stock	Legal Reserve	Optional Reserve	Total			
Balances at the Beginning of the Fiscal Year	1,000,000	200,000	5,220,191	5,420,191	1,035,856	7,456,047	7,145,281
Profit of the Fiscal Year as per Income Statement	-	-	-	-	245,042	245,042	310,766
Balances on the Closing of the Fiscal Year	<u>1,000,000</u>	<u>200,000</u>	<u>5,220,191</u>	<u>5,420,191</u>	<u>1,280,898</u>	<u>7,701,089</u>	<u>7,456,047</u>

See our report dated:
February 12, 2002

Finsterbusch Pickenhayn Sibille
Prof.Assoc. Reg. CPCECABA T° 2 F° 6

Ricardo E. De Lellis
Partner
Public Chartered Accountant (U.B.A.)
C.P.C.E.C.A.B.A.T° XCIV F° 166

Enzo Agustín Vivian
Syndic
for Syndics' Committee

José Carlos Jaime
Chairman

4. Auditors' Report on the Financial Statements

To the Chairman and Board of Directors
SEGURO DE DEPOSITOS SOCIEDAD ANONIMA
Av. Corrientes 311, Piso 10°
Buenos Aires

We have examined the balance sheet of SEGURO DE DEPOSITOS SOCIEDAD ANONIMA as of December 31, 2001 and the related statement of income and changes in stockholders' equity, notes 1 to 15 and the Exhibits I to III for the fiscal year then ended, submitted in comparison with the previous fiscal year. These financial statements are the responsibility of the Board of Directors of the Corporation. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with generally accepted auditing standards in force in the Argentine Republic. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting standards used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our professional opinion.

The Corporation has quantified the effect of the devaluation in the liquidation of the transactions in foreign currency on the basis of the legislation known up to the moment of the issuance of the financial statements, as is stated in note 14, on later facts. The effects of the economic instability, as well as the impact that the new economic framework shall have on the future functioning of the Argentine financial system, cannot be presently determined.

In our opinion, the aforementioned financial statements present fairly, in all material aspects, the financial position of SEGURO DE DEPOSITOS SOCIEDAD ANONIMA as of December 31, 2001 and 2000, as well as the results of the operations and the changes in stockholders' equity for the fiscal years ended on those dates, in conformity with generally accepted accounting standards in force in the Argentine Republic.

In accordance with current regulations, we inform that:

- a) The financial statements arise from the accounting records of the Corporation, kept, in their formal aspects, in conformity with the applicable statutory rules;

- b) As it is explained in Note I, the provisions of Decree 316/95 and of General Resolution N° 272 of the National Securities Commission have been complied with;
- c) Liabilities accrued in favor of the National Social Security Administration, as of December 31, 2000, according to the accounting records, amounted to \$ 19,510.78, none of which were past due at that date.

The financial statements which are the object of this audit report have been prepared in accordance with the accounting standards in force in the Argentine Republic and, therefore, could differ, in significant matters, from financial statements prepared under standards and practices in force in other countries. Therefore, the users of the financial statements that are the subject of this report should be familiar with the accounting standards in force in the Argentine Republic.

Buenos Aires, February 12, 2002

Finsterbusch Pickenhayn Sibille
Prof. Assoc. Reg. CPCECABA T° 2 F° 6

Ricardo E. De Lellis
Partner
Chartered Public Accountant (U.B.A.)
C.P.C.E.C.A.B.A.T° XCIV F° 166

5. Report of the Syndics' Committee

Buenos Aires, April 26, 2002

To the
Shareholders of SEDESA
Seguro de Depósitos S.A.

In fulfillment of the mission entrusted to this Committee by the Ordinary Assembly and in compliance with the legal and statutory regulations in force, this Committee has developed its specific activity in permanent contact with the management of the Corporation during the course of the Seventh Fiscal Year, ended as at December 31, 2001, and has had intervention in those matters on which it has been called in the sphere of the duties and attributions of its responsibility. 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 in the pertinent minutes.

Also, the accounting and the vouchers of the line of business, as well as all the administrative management in its capacity of trustee of the Deposit Guarantee Fund (DGF) Trust, were checked with the required frequency and regularity according to the pertaining contract. Likewise, with regard to the Banking Liquidity Fund (BLF) created by Decree N° 32/01 of the National Executive Branch on December 26, 2001, through which its administration was entrusted to the Corporation as trustee of the same, with the scope foreseen in the trust agreement entered into on January 17, 2002 with the Banco Central de la República Argentina, acting on behalf of the National Government and by order and account of the Financial Entities authorized to operate in the Argentine Republic. On the other hand, it was endeavored to coordinate 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 controls effected.

Finally, the Balance Sheet, Inventory and Income Statement, the State of Evolution of Stockholders' Equity, the Statement of Origin and Allocation of Funds, the notes and Exhibits to the Financial Statements, as at December 31, 2001 were verified, and it was confirmed that they show in a correct and adequate way, the stockholders' equity and financial situation of the Corporation. Said Statements were prepared in accordance with the legal provisions in force and to the accountancy norms on the matter. In like manner, we performed the same functions with regard to the Financial Statements of the Deposit Guarantee Fund (DGF) and of the Bank Liquidity Fund (BLF) for the period ended as of December 31, 2001, verifying that they reasonably show the shareholders' equity and financial position of said Trust Agreements.

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 Deposit Guarantee Fund and of the Bank Liquidity Fund (BLF), 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.

On behalf of the Syndics' Committee:

C.P.A. Enzo A. Vivian

Dr. Hugo N. Bruzone

Dr. Adolfo C. Diz

Fondo de Garantía de los Depósitos

6. Balance Sheet as at December 31, 2001 and 2000 (in Argentine Pesos)

Assets	<u>2001</u>	<u>2000</u>
Current assets		
Cash and banks	1,386,343	305,110
Investments	269,500,718	253,166,949
Receivables	1,454,160	1,545,101
Other receivables	103,679	-
Other assets	<u>2,696,260</u>	<u>4,076,653</u>
Total current assets	<u>275,141,160</u>	<u>259,093,813</u>
Non-current assets		
Receivables	2,400,000	4,200,000
Other receivables	<u>160,526</u>	<u>-</u>
Total non-current assets	<u>2,560,526</u>	<u>4,200,000</u>
Total assets	<u><u>277,701,686</u></u>	<u><u>263,293,813</u></u>
Liabilities		
Current liabilities		
Loans	119,089	363,794
Other liabilities	<u>99,369</u>	<u>252,790</u>
Total current liabilities	<u>218,458</u>	<u>616,584</u>
Non-current liabilities		
Loans	<u>106,514,034</u>	<u>106,552,217</u>
Total non-current liabilities	<u>106,514,034</u>	<u>106,552,217</u>
Total liabilities	<u>106,732,492</u>	<u>107,168,801</u>
Shareholders' equity (as per pertinent statement)	<u>170,969,194</u>	<u>156,125,012</u>
TOTAL	<u><u>277,701,686</u></u>	<u><u>263,293,813</u></u>

See our report dated:
February 12, 2002

Finsterbusch Pickenhayn Sibille
Prof.Assoc. Reg. CPCECABA T° 2 F° 6

Ricardo E. De Lellis
Partner
Public Chartered Accountant (U.B.A.)
C.P.C.E.C.A.B.A. T° XCIV F° 166

Enzo Agustín Vivian
Syndic
for Syndics' Committee

José Carlos Jaime
Chairman

Fondo de Garantía de los Depósitos

7. Statement of Income for Fiscal Years ended on December 31, 2001 and 2000 (in Argentine Pesos)

	<u>2001</u>	<u>2000</u>
Income for collection of receivables transferred in favor of SEDESA	453,654	-
Income for recoveries of financial trust agreements net of related expenses	13,447,143	9,706,553
Income from accrued interests	10,841,618	11,029,255
Assistance to financial entities written down by 100%	(157,683,543)	(37,990,000)
Expenses owing to financial interests	(3,988,470)	(4,396,241)
Debt owing to the Swap Program handled by the B.C.R.A	(23,588,400)	(32,444,835)
Administrative Expenses	(2,140,441)	(1,929,628)
Other Income and Expenses	(317,507)	(105,413)
Ordinary Loss	(162,975,946)	(56,130,309)
Extraordinary Results	(371,960)	(1,530,485)
Fiscal Year Loss	<u>(163,347,906)</u>	<u>(57,660,794)</u>

See our report dated:
February 12, 2002

Finsterbusch Pickenhayn Sibille
Prof.Assoc. Reg. CPCECABA T° 2 F° 6

Ricardo E. De Lellis
Partner
Public Chartered Accountant (U.B.A.)
C.P.C.E.C.A.B.A.T° XCIV F° 166

Enzo Agustín Vivian
Syndic
for Syndics' Committee

José Carlos Jaime
Chairman

Fondo de Garantía de los Depósitos

8. Statement of Changes in Shareholders' Equity for the Fiscal Years ended December 31, 2001 and 2000 (in Argentine Pesos)

	Contributions from Financial Entities	Retained Earnings	Fiscal Year ended	
			12/31/2001 Total Shareholders' Equity	12/31/2000 Total Shareholders' Equity
Balances at the Beginning of the Fiscal Year	1,312,969,733	(1,156,844,721)	156,125,012	50,011,427
Contributions from Financial Entities	178,192,088	-	178,192,088	163,774,379
Loss of the Fiscal Year as per Statement of Income	-	(163,347,906)	(163,347,906)	(57,660,794)
Balances at the Closing of the Fiscal Year	<u>1,491,161,821</u>	<u>(1,320,192,627)</u>	<u>170,969,194</u>	<u>156,125,012</u>

See our report dated:
February 12, 2002

Finsterbusch Pickenhayn Sibille
Prof.Assoc. Reg. CPCECABA T° 2 F° 6

Ricardo E. De Lellis
Partner
Public Chartered Accountant (U.B.A.)
C.P.C.E.C.A.B.A. T° XCIV F° 166

Enzo Agustín Vivian
Syndic
for Syndics' Committee

José Carlos Jaime
Chairman

9. Auditors' Report on the Financial Statements

To the Chairman and Board of Directors of
SEGURO DE DEPOSITOS SOCIEDAD ANONIMA
Av. Corrientes 311, Piso 10°,
Buenos Aires

We have examined the balance sheet of FONDO DE GARANTIA DE LOS DEPOSITOS as of December 31, 2001 and the related statement of income, changes in stockholders' equity and of origin and allocation of funds, notes 1 to 14 and the Exhibits I to III for the fiscal year then ended, submitted in comparison with the previous fiscal year. These financial statements are the responsibility of the Board of Directors of the Corporation. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with generally accepted auditing standards in force in the Argentine Republic. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting standards used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our professional opinion.

The Fondo has quantified the effect of the devaluation in the liquidation of the transactions in foreign currency on the basis of the legislation known up to the moment of the issuance of the financial statements, as is stated in note 13, on later facts. The effects of the economic instability, as well as the impact that the new economic framework shall have on the future functioning of the Argentine financial system, cannot be presently determined.

In our opinion, the aforementioned financial statements present fairly, in all material aspects, the financial position of FONDO DE GARANTIA DE LOS DEPOSITOS as of December 31, 2001 and 2000, as well as the results of the operations, the changes in stockholders' equity and the origin and allocation of funds, for the fiscal years ended on those dates, in conformity with generally accepted accounting standards in force in the Argentine Republic.

In accordance with current regulations, we inform that:

- a) The financial statements arise from the accounting records of the Fondo kept in their formal aspects, in conformity with the applicable statutory rules;

- b) As it is explained in Note 2, the provisions of Decree 316/95 and of General Resolution N° 272 of the National Securities Commission have been complied with;
- c) As of December 31, 2001, there are no liabilities accrued in favor of the National Social Security Administration according to the accounting records as of that date.

The financial statements which are the object of this audit report have been prepared in accordance with the accounting standards in force in the Argentine Republic and, therefore, could differ, in significant matters, from financial statements prepared under standards and practices in force in other countries. Therefore, the users of the financial statements that are the subject of this report should be familiar with the accounting standards in force in the Argentine Republic.

Buenos Aires, February 12, 2002

Finsterbusch Pickenhayn Sibille
Prof.Assoc. Reg. CPCECABA T° 2 F° 6

Ricardo E. De Lellis
Partner
Public Chartered Accountant (U.B.A.)
C.P.C.E.C.A.B.A.T° XCIV F° 166

Fondo de Liquidez Bancaria (FLB)**10. Balance Sheet as at December 31, 2001 (in Argentine Pesos)**

	<u>2001</u>
Assets	
Current assets	
Cash and banks	507,378,958
Total assets	<u>507,378,958</u>
Shareholders' equity (as per pertaining statements)	<u>507,378,958</u>
TOTAL	<u>507,378,958</u>

See our report dated:
March 9, 2002

Finsterbusch Pickenhayn Sibille
Prof.Assoc. Reg. CPCECABA T° 2 F° 6

Ricardo E. De Lellis
Partner
Public Chartered Accountant (U.B.A.)
C.P.C.E.C.A.B.A.T° XCIV F° 166

Enzo Agustín Vivian
Syndic
for Syndics' Committee

José Carlos Jaime
Chairman

Fondo de Liquidez Bancaria**II. Statement of Income for Fiscal Year N° I ended on December 31,
2001 (in Argentine Pesos)**

	<u>2001</u>
Income owing to Financial Interests	-
Expenses owing to Financial Interests	<u>-</u>
Fiscal Year Results	<u><u>-</u></u>

See our report dated:
March 9, 2002

Finsterbusch Pickenhayn Sibille
Prof.Assoc. Reg. CPCECABA T° 2 F° 6

Ricardo E. De Lellis
Partner
Public Chartered Accountant (U.B.A.)
C.P.C.E.C.A.B.A.T° XCIV F° 166

Enzo Agustín Vivian
Syndic
for Syndics' Committee

José Carlos Jaime
Chairman

Fondo de Liquidez Bancaria

12. Statement of Changes in Shareholders' Equity for Fiscal Year N° 1 ended on December 31, 2001 (in Argentine Pesos)

	Contributions from Financial Entities	Retained Earnings	Total Shareholders' Equity to 12/31/2001
Contributions from financial entities	507,378,958	-	507,378,958
Results of the Fiscal Year as per Statement of Income	-	-	-
Balances at the Closing of the Fiscal Year	<u>507,378,958</u>	<u>-</u>	<u>507,378,958</u>

See our report dated:
March 9, 2002

Finsterbusch Pickenhayn Sibille
Prof.Assoc. Reg. CPCECABA T° 2 F° 6

Ricardo E. De Lellis
Partner
Public Chartered Accountant (U.B.A.)
C.P.C.E.C.A.B.A. T° XCIV F° 166

Enzo Agustín Vivian
Syndic
for Syndics' Committee

José Carlos Jaime
Chairman

13. Auditors' Report on the Financial Statements

To the Chairman and Board of Directors
SEGURO DE DEPOSITOS SOCIEDAD ANONIMA
Av. Corrientes 311, Piso 10°
Buenos Aires

We have examined the balance sheet of FONDO DE LIQUIDEZ BANCARIA as of December 31, 2001 and the related statement of income, changes in stockholders' equity and of origin and allocation of funds, notes 1 to 8 and the Exhibit I for the irregular fiscal year, started December 27, 2001 and ended on December 31, 2001. These financial statements are the responsibility of the Board of Directors of the Corporation. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with generally accepted auditing standards in force in the Argentine Republic. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting standards used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our professional opinion.

The Fondo has quantified the effect of the devaluation in the liquidation of the transactions in foreign currency on the basis of the legislation known up to the moment of the issuance of the financial statements, as is stated in note 7.1, on later facts. The effects of the economic instability, as well as the impact that the new economic framework shall have on the future functioning of the Argentine financial system, cannot be presently determined.

It should be noted that on the date of issuance of the present financial statements, the Certificates of Participation corresponding to the assessments made by the financial entities on December 31, 2001, are pending issuance owing to the fact that the Banco Central de la República Argentina has not yet determined the amount, rate of interest and other conditions of the certificates of the Fondo. As a consequence, the pertaining accrued interests are not registered in the financial statements.

In our opinion, subject to the effect, on the financial statements, of the accrual of the interests of the Certificates of Participation as stated in the preceding paragraph, the aforementioned financial statements present fairly, in all material aspects, the financial position of FONDO DE LIQUIDEZ BANCARIA as of December 31, 2001, the results of its operations, the changes in stockholders'

equity and the origin and allocation of funds, for the irregular fiscal year ended on that date, in conformity with generally accepted accounting standards in force in the Argentine Republic.

In accordance with current regulations, we inform that:

- a) The financial statements arise from the accounting records of the Fondo kept, in their formal aspects, in conformity with the applicable statutory rules;
- b) As it is explained in Note 2, the provisions of Decree 316/95 and of General Resolution N° 272 of the National Securities Commission have been complied with;
- c) As of December 31, 2001, there are no liabilities accrued in favor of the National Social Security Administration according to the accounting records as of that date.

The financial statements which are the object of this audit report have been prepared in accordance with the accounting standards in force in the Argentine Republic and, therefore, could differ, in significant matters, from financial statements prepared under standards and practices in force in other countries. Therefore, the users of the financial statements that are the subject of this report should be familiar with the accounting standards in force in the Argentine Republic.

Buenos Aires, March 9, 2002

Finsterbusch Pickenhayn Sibille
Prof.Assoc. Reg. CPCECABA T° 2 F° 6

Ricardo E. De Lellis
Partner
Public Chartered Accountant (U.B.A.)
C.P.C.E.C.A.B.A.T° XCIV F° 166

Annex

Regulatory and Legal Framework

1. Banking Deposits Insurance Guarantee System

- Passed by Law 24,485 - Section 1°
- Partially enacted by Decree 538/95
- Modified by Law 25,089 (O.G. 5/14/99)
- Regulated by Decree 540/95 (4/12/95)
- Modified by Decree 177/96 (2/21/96)
- Modified by Decree 1,292/96 (11/15/96)
- Modified by Decree 1,127/98 (O.G. 9/28/98)
- Modified by Decree 1,292/99 (O.G.11/11/99)
- Modified by Decree 32/01 (O.G. 12/27/01)

1.1. Law 24,485

Section 1: The System of Deposit Insurance Guarantee is created, which will be limited, binding and whose funding is covered exclusively 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 of 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.

When the Central Bank provided for the total or partial suspension of operations or the revocation of the authorization to function of a financial entity, the System of Deposit Guarantee shall provide for the reimbursement to their holders of the amounts deposited in the special accounts for payment of salaries, established by virtue of the provisions contained in Section 124 of Law 20,744 (text amended in 1976), in a term not longer than five (5) working days as from the date of the suspension or the revocation of the authorization to function.

1.2. Decree N° 540/95

Section 1: The "DEPOSIT GUARANTEE FUND" (DGF) is created with the purpose of covering the banking deposits with the scope foreseen in this Decree.

The constitution of the corporation "SEGURO DE DEPÓSITOS SOCIEDAD ANÓNIMA" (SEDESA) is decided, with the exclusive purpose of holding the functions of trustee which shall be entrusted to it at the right moment by the NATIONAL GOVERNMENT or by the BANCO CENTRAL DE LA REPUBLICA ARGENTINA.

1 - Decree N° 32/2001, section 8.

Section 2: The approval of the Charter and by-laws of the corporation "SEGURO DE DEPÓSITOS SOCIEDAD ANÓNIMA" (SEDESA), is delegated to the MINISTRY OF ECONOMY AND PUBLIC WORKS AND SERVICES. The corporation shall have as partners the BANCO CENTRAL DE LA REPÚBLICA ARGENTINA, with one share as a minimum, and whoever results to be trustee in the Trust Agreement to be entered into by the financial institutions authorized 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 BANCO CENTRAL DE LA REPÚBLICA ARGENTINA, on the basis of their assessments to the DGF. Until SEDESA is constituted, the assessments to the DGF shall be deposited to the account and entity that the BANCO CENTRAL DE LA REPÚBLICA ARGENTINA may determine.

Section 3: SEDESA shall receive no compensation whatsoever for its activities as trustee of the DGF. The operational expenses of the corporation shall be those strictly necessary to operate and must be covered with the income of the DGF. The amendment of its by-laws or of its capital stock shall require at least the favorable vote of the shares belonging to the BANCO CENTRAL DE LA REPÚBLICA ARGENTINA.

Section 4: The charter and by-laws of SEDESA, as well as any proceedings which must be given public deed rank, 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 SUPERVISORY BODY OF LEGAL ENTITIES is instructed to grant the respective agreements or authorizations and to take note of the recording of SEDESA on the registry kept by said body.

Section 6: The financial entities authorized to operate in the ARGENTINE REPUBLIC shall be obliged to deposit with the DGF a normal monthly assessment to be determined by the BANCO CENTRAL DE LA REPÚBLICA ARGENTINA 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 institutions, and with the additional assessments that the BANCO CENTRAL DE LA REPÚBLICA ARGENTINA 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.

In what refers 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 BANCO CENTRAL DE LA REPÚBLICA ARGENTINA may

2 - Decree N° 1292/96, section 3

determine that the payment of the assessment be in cash, or through the assumption of the commitment to make said payment, implemented under the conditions and formalities that the BANCO CENTRAL DE LA REPÚBLICA ARGENTINA 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 FIFTY PER CENT (50%) of the pertaining assessment to be made.

³**Section 7:** The BANCO CENTRAL DE LA REPÚBLICA ARGENTINA shall determine the deadline of the obligation to deposit the assessments. The financial entities shall punctually deposit their assessments as a condition for operating legally. All financial entities that start to operate in the ARGENTINE REPUBLIC may join the trust referred to in Section 2 of the present Decree, and those which cease operating shall lose their capacity to integrate it, making cession of their right to the face value of SEDESA's shares. The Authority of Application shall annually establish the proportion of participation in the trust for each financial entity and the transfers corresponding to the face value of the shares shall be immediately effected.

⁴**Section 8:** When the DGF reaches the amount of TWO THOUSAND MILLION PESOS (\$ 2,000,000,000) or FIVE PER CENT (5%) of the total deposits of the financial system, should such a proportion be higher, the BANCO CENTRAL DE LA REPÚBLICA ARGENTINA may suspend or reduce the obligation of making assessments to the DGF, totally or partially restoring said obligation when the DGF decreases from said amount or proportion. To the purposes of this Section, only the cash assessments made by the financial entities shall be computed. The BANCO CENTRAL DE LA REPÚBLICA ARGENTINA may adapt the total amount that the DGF must reach, when it considers that the accumulated amount is sound in relation to the financial market situation and to the functions of the DGF.

⁵**Section 9:** At any time, the BANCO CENTRAL DE LA REPÚBLICA ARGENTINA may require from the financial institutions the advance payment of the contribution of up to TWO (2) years of the minimum foreseen for the normal assessments, whether it be totally in cash or including the assessment commitments up to the maximum authorized by Section 6 of the present Decree. It may also demand from whatever contributing financial entity the constitution of collaterals for the operations referred to in Paragraph e) of Section 10 bis of the present Decree. The BANCO CENTRAL DE LA REPÚBLICA ARGENTINA may, at SEDESA's requirement, debit directly the normal or additional assessments due by the financial entities, from the funds deposited by these with said Institution. It may proceed likewise in case the assessment commitments foreseen in Section 6 of the present Decree are not complied with.

The collaterals to be granted by the financial entities, in accordance to the provisions of the preceding paragraph, shall be determined on the basis of the

3 - Decree N° 1292/96, section 3

4 - Decree N° 1292/96, section 3

5 - Decree N° 1292/99, section 1

amounts that individually pertain to them and shall be at first request and in the conditions and formalities stipulated in this regard by the BANCO CENTRAL DE LA REPÚBLICA ARGENTINA.

6Section 10: The resources of the DGF shall be invested in similar conditions to those set for the placement of the international foreign currency reserves of the BANCO CENTRAL DE LA REPÚBLICA ARGENTINA. Notwithstanding this, the BANCO CENTRAL DE LA REPÚBLICA ARGENTINA may authorize that up to FIFTY PER CENT (50%) of the assets composing the DGF is invested in government public bonds. The earnings of the DGF shall be a part of it and shall be reinvested in the same conditions. SEDESA shall on a monthly basis inform the public and the SUPERINTENDENCY OF FINANCIAL AND FOREIGN EXCHANGE INSTITUTIONS the balance of the DGF.

7Section 10 bis: SEDESA may perform, with the resources of the DGF, 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 their regulatory, complementary and clarifying provisions.
- b) To make capital contributions, non reimbursable contributions or loans to:
 - (I) The financial institutions which are subject to a regularization and restructuring plan and to the effect of supporting the fulfillment of same;
 - (II) The financial institutions which acquire assets and assume the responsibility for the payment of the deposits of another institution subject to the regime of Section 35 bis and concordant of Law of 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 institutions which take over or purchase financial institutions in the framework of a regularization and restructuring plan.
- c) To enter, with 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 modifications, a contract of sale option in favor of the acquiring entity, on the whole or part of the assets transferred.

The transaction foreseen in this paragraph may be performed through the constitution of a trust agreement to which the assets of an entity subject to the regime of Section 35 bis of the above mentioned Law are transferred and in which SEDESA, in its capacity of administrator of the DGF, acquires beneficiary right on the proceeds of the sale or of the liquidation of the assets transferred to the trust agreement.

6 - Decree N° 1292/96, section 3

7 - Decree N° 1292/99, section 2

- d) To acquire deposits of banks suspended under Section 49 of Law N° 24,144, up to the amounts of the guarantees foreseen in Section 13 of the present Decree, surrogating itself in the rights of the depositors.
- e) To borrow or to receive loans or to enter whatever other credit operation on account of the DGF, in its capacity of administrator of same, up to an amount not higher than the total amount of the monthly normal and additional assessments of the financial entities referred to in Section 6, be it cash or through the assumption of the commitment to contribute in accordance with the provisions of Section 6, during the period of TWO (2) years effective as from the moment when the loan or the credit transaction is initiated. To the effect of determining the total assessments during the above-mentioned TWO (2) year term, the amount of the monthly assessments of each entity at the time of contracting the loan or performing the credit transaction, shall be computed.
- f) To perform, maintain or finance swap programs with foreign banks, with the purpose of contributing to the stability of the Financial System, with the previous agreement of the BANCO CENTRAL DE LA REPÚBLICA ARGENTINA and on account of the DGF.

The application of the alternatives foreseen in the foregoing paragraphs b), c) and d) as well as the transactions to which paragraph e) refers, shall be exclusively decided by a Steering Committee, the decisions of which shall be binding to SEDESA. A representative of the BANCO CENTRAL DE LA REPÚBLICA ARGENTINA and a number of members to be determined in the Trust Agreement between a minimum of FOUR (4) and a maximum of SEVEN (7) representatives of the financial entities which contribute to the DGF shall make up said Committee.

The representative of the BANCO CENTRAL DE LA REPÚBLICA ARGENTINA 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 DGF by the institutions they represent and in accordance with 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 taken, their adoption implies a direct cost to the DGF lower than that which would result on account of the DGF in case the authorization to operate of the affected institution 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 institution and the possible recovery of SEDESA's disbursements by way of subrogation shall have to be taken into account.

Exceptionally, and in case it is reckoned that the revocation of the authorization to operate of the affected entity could endanger the stability of other financial entities or of the financial system as a whole, the application of some of

the alternatives foreseen in the preceding paragraphs b), c) and d) may be admitted even though this may imply a higher direct cost for the DGF than the one resulting from the application of the alternative foreseen in paragraph a); however, in no way such cost may be higher than the total amount of the guaranteed deposits constituted at the affected financial entity.

Any aspect referring to the Steering Committee shall be foreseen in the Trust Agreement to be entered into by the BANCO CENTRAL DE LA REPÚBLICA ARGENTINA and SEGURO DE DEPÓSITOS SOCIEDAD ANÓNIMA.

Section 11: The deposits in PESOS and in foreign currency constituted with the participating entities under the form of checking accounts, saving accounts, certificates of deposit or other forms that the BANCO CENTRAL DE LA REPÚBLICA ARGENTINA determines and which meet the requirements set forth herein and the other requirements to be decided by the Authority of Application, shall benefit from the insurance 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 certificates of deposit acquired by secondary negotiation.
- b) Deposits made by persons connected, directly or indirectly, to the entity, according to the established guidelines or to those guidelines to be established in future by the BANCO CENTRAL DE LA REPÚBLICA ARGENTINA.
- c) Certificates of deposit of securities, acceptances or guarantees.
- d) Deposits constituted after July 1 of the present 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 BANCO CENTRAL DE LA REPÚBLICA ARGENTINA may modify the reference rate set forth in this clause, communicating it with an anticipation 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 up to the amount of THIRTY THOUSAND PESOS (\$ 30,000).

The BANCO CENTRAL DE LA REPÚBLICA ARGENTINA may decide, at any time and with a general character, the modification of said coverage amount of the guarantee system, on the basis of the evolution that the process of

consolidation of the financial system shows and of other pertinent economic indicators it may care to consult.

Deposits for amounts higher than the amount of the coverage are also included in the guarantee regime up to the maximum limit mentioned above.

9Section 14: The reception by the depositors of the amounts disbursed by SEDESA with the funds available in the DGF, implies the legal subrogation in favor 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 to 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 institution on the date of revocation of the authorization to operate shall be computed. In the accounts and certificates of deposit made 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.

10Section 16:

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 of financial entities, within the term of THIRTY (30) working days as of the day following that of the revocation of the authorization to operate of the entity, provided the depositors meet the established requirements and the DGF has funds available. At SEDESA's request, the BANCO CENTRAL DE LA REPÚBLICA ARGENTINA may authorize the extension of said term, when the number of beneficiaries in process of settlement so justifies it. When the resources of the DGF are 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 DGF reports the existence of financial availability. In these cases and when there were more than one entity whose authorization 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 DGF 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 capital deposited. With this last objective in mind and in order to

9 - Decree N° 1292/96, section 3

10 - Repealed by Decree N° 1127/98, section 2

equalize the balances of the total deposited when dealing with deposits in foreign currency, its equivalent in pesos shall be applied 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 authorization to operate of the entity concerned.

¹¹**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 BANCO CENTRAL DE LA REPÚBLICA ARGENTINA may issue.

¹²**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 balance sheets corresponding to the closing of that day, constituted in financial entities which were not suspended by the BANCO CENTRAL DE LA REPÚBLICA ARGENTINA or whose authorization to operate had not been revoked.

Section 22: The BANCO CENTRAL DE LA REPÚBLICA ARGENTINA shall be the Authority of Application of the system created by Law 24,485 and regulated herein, it being authorized 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 BANCO CENTRAL DE LA REPÚBLICA ARGENTINA its opinion regarding the financial entities which, in its judgement, have 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 authorization to operate or of transformation under consideration by the BANCO CENTRAL DE LA REPÚBLICA ARGENTINA.

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.

11 - Decree N° 1292/96, section 3

12 - Decree N° 1292/96, section 3

1.3. Rules issued by the BCRA on the application of the Deposit Guarantee Insurance System (Communiqué "A" 2337 and complementary)

Table of Contents

- a) Trust agreement shareholder of SEDESA.
- b) Normal assessment.
- c) Additional assessment.
- d) Integration of assessments.
- e) Scope of the guarantee.
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 - e.2) Exclusions.
 - e.3) Coverage. Amount and formalities.
- f) Instrumentation.
- g) Determination of additional assessment.
 - g.1) Entities with "CAMELS" rating.
 - g.2) Entities without "CAMELS" rating.

- a) Trust Agreement Shareholder of SEDESA.

The participation in the Trust Agreement that acts as shareholder of the corporation Seguro de Depósitos S.A. (SEDESA), arises from apportioning the assessment contributed by each entity with regard to the assessments collected from the whole system, pertaining to each calendar year. Should one entity not make use of the participation option, a proportional increase in the participation of the other entities shall be determined.

- b) Normal Assessment.

The entities comprised in the Law of Financial Entities shall each month destine to the Deposit Guarantee Fund (DGF) a normal assessment equivalent to 0.03% of their monthly average of daily balances of the items listed in point e.1), registered in the second month immediately preceding. To this purpose the Banco de la Nación Argentina shall adjust itself to the provisions of the second paragraph of Section 6 of Decree 540/95 (text as per Decree 1292/96 – Section 3).

The Banco Central de la República Argentina may request the integration, as an advance, of the equivalent of up to twenty-four (24) minimum normal assessments, with no less than thirty calendar days beforehand, to cover the Fund's resource requirements.

- c) Additional assessment.

Apart from the normal assessment referred to in point b), the entities shall

have to make an additional differential assessment according to the result obtained from the weighting of the following factors, on the basis of the methodology contained in point g).

- c.1) The rating assigned to the entity as per the evaluation made by the Superintendence of Financial and Foreign Exchange Entities.
- c.2) The ratio of excess of integration of computable shareholders' equity responsibility with regard to the minimum capital requirement. To this effect, to the computable shareholders' equity responsibility, shall be added the provisions for risk of non-collection constituted in excess of the minimum established in the pertinent norms.
- c.3) The rating of the active portfolio measured by:
 - c.3.1) Minimum provisions required for non-collection risk with regard to financing.
 - c.3.2) Computable assets to determine the required minimum capital, weighted as per the provisions of the rules on "Financial entities' Minimum Capital" with regard to the total assets.

The additional contribution arising from the application of the above-mentioned factors shall not exceed one time the normal assessment.

d) Integration of assessments.

The normal, additional and advance assessments shall be debited from the sight accounts of the entities with the Banco Central de la República Argentina no later than the 12th day of the corresponding month.

In case up-dated information to establish the pertinent calculation basis is not available, the amount shall be determined as per the last available data, increasing by 10% the basis thus obtained.

e) Scope of the Guarantee.

e.1) Included deposits.

The coverage offered by the system shall reach the deposits in Pesos and foreign currency constituted in the participating entities under the following forms:

- e.1.1) Sight accounts.
- e.1.2) Savings accounts.

- e.1.3) Time deposits.
- e.1.4) Salary and Special payments.
- e.1.5) Term investments.
- e.1.6) Immobilized balances proceeding from the preceding concepts.
- e.2) Exclusions.
 - e.2.1) Transferable time deposits, whose ownership has been acquired by way of endorsement, even though the last endorser is the original depositor.
 - e.2.2) The placements obtained through systems offering incentives or additional stimulations over the agreed rate of interest, whatever is the denomination or the form they adopt (insurance, drawing lots, tourism, lending of services, etc.).
 - e.2.3) Deposits on which rates of interest higher than the reference rates of interest are agreed. The reference rates are periodically divulged by the Banco Central de la República Argentina, through Comunicués "B", and are determined by adding two percentage annual points to the moving average to the last five banking working days of the actual rates which, for fixed term deposits and balances of sight accounts (checking account and savings account) of up to \$100,000 (or its equivalent in other currencies) arise from a survey carried out by the Banco Central de la República Argentina.
 - e.2.4) Deposits of financial entities in other intermediaries, including the certificates of deposit acquired by secondary negotiation.
 - e.2.5) Deposits made by persons connected, directly or indirectly, to the entity according to the standards defined in point 4.2 of Chapter I of Circular OPRAC-1 in point 1.1. of Annex I to Comunicués A-2140.
 - e.2.6) Time deposits of securities, acceptances or guarantees.
 - e.2.7) Immobilized balances proceeding of deposits and other excluded transactions.
- e.3) Coverage. Amount and formalities.
 - e.3.1) The guarantee shall cover the reimbursement of the deposited capital and its interests, accrued up to the date of revocation of the authorization to function or up to the date of

suspension of the entity by application of Section 49 of the Charter of the Banco Central de la República Argentina, should this measure have been adopted prior to the former, without exceeding –for both concepts- \$ 30,000.

e.3.2) In the accounts and impositions constituted in the name of two or more persons, the limit of the guarantee shall be of \$ 30,000, whatever is the number of holders, and the amount of the corresponding guarantee shall be distributed pro-rata among the holders.

e.3.3) The total guaranteed to one determined person, owing to accumulation of accounts and deposits reached by the coverage, as provided for beforehand, shall not exceed the limit of \$ 30,000 established in Section 13 of Decree 540/95 (text as per Decree 1127/98).

e.3.4) SEDESA shall reject or postpone until its judicial recognition the request for coverage by application of this guarantee regime when the deposits do not meet the requirements established by the applicable rules or when the depositors do not produce titles materially and formally valid.

e.3.5) SEDESA may require, prior to liquidating the guarantee, that the depositors justify the origin and availability of the funds deposited through evidence proving the verisimilitude of same and/or that the effective deposit with the institution with regard to each transaction covered by the regime has been verified.

Furthermore, the above-mentioned corporation shall make the pertinent complaint when it observes irregularities or penal illegalities in order to obtain the improper collection of the guarantee.

f) Implementation.

All documents covering the passive transactions (certificates, deposit vouchers, statement of accounts, etc.) must show, in a visible way and printed on the face or the reverse of same, the following statement:

"The deposits in Pesos and in foreign currency benefit from a guarantee of \$ 30,000. In transactions made in the name of two or more persons, the guarantee will be distributed on pro-rata basis among its holders. In no case the total guarantee per person shall exceed \$ 30,000, whatever the number of accounts and/or deposits may be. Law 24,485, Decree 540/95 and Comunicado A-2337 and their modifications and complementary regulations. Those attracted at rates higher than the reference rate and those that have had special incentives or stimulations additional to the rate of interest, are excluded".

Should one of the cases referred to above take place, the following statement shall be placed in a visible way and printed on the face of the documents:

"Deposit without guarantee"

This last requirement shall not be applicable when the transactions are done through ATM belonging to nets that make possible the operational interconnection of the financial entities.

The entities shall keep at the disposal of their customers the complete texts of Law 24,485, of Decree 540/95 (text amended) and of the present rules.

Furthermore, in the publicity that the financial institutions make in connection with the deposits they attract, a statement shall be made regarding the existence of a limited guarantee for their reimbursement.

In the notice boards where the rates offered to the customers are shown, there shall be transcribed in a visible way the scope of the guarantee (type of deposits covered, percentage and amount guaranteed, exceptions, etc.).

Until the new documents containing the printed statements are available, the requirement may be fulfilled by the printing of stamps with the following statements: "The deposits benefit of a limited guarantee for their reimbursement. Law 24,485, Decree 540/95 and rules on "Application of the deposit insurance guarantee system" issued by the Banco Central de la República Argentina", or "Deposit without guarantee" for each case, respectively.

g) Determination of the additional assessment.

The normal assessment shall be corrected according to the results obtained for each entity through the application of an index that, built in function of the factors pointed out in point 3, shall fluctuate between 1 and 2.

g.1) Entities with "CAMELS" rating.

It shall arise from the following expression:

$$I_c = \{(I_{pr/f} + I_{ar/a} + 2 * I_{camels})/4\} - I_{rpc}/K_{min}$$

where:

$I_{pr/f}$: indicator referred to in point c.3.1) which shall take the value arising from the following expression:

$$I_{pr/f} = (V_i/0.04)^{1,20}$$

where:

Vi: ratio between the minimum provisions required according to point 2.1. of Section 2. of the rules on "Minimum provisions for non-collection risk" and the total financing included (Section 2. of the rules on "Debtors Rating"). Said concept includes the balances of the guarantees granted for liabilities assumed on behalf of third parties, registered on the last day of the pertinent month, according to the rating informed on the debtors' situation.

The value of the index shall be limited between 1 and 2.5. Which means that in the cases in which the result of the expression is, respectively, lower or higher than those inferior or superior limits, 1 or 2.5 shall be taken, as the case may be.

Iar/a: Indicator to which point c.3.2) refers, which shall take the value arising from the following expression:

$$Iar/a = (Vi/0.70)^{1.30}$$

where:

Vi: ratio between the risk assets of the entity and the total assets. Assets are defined as risk assets when they add up the total of the concepts "Ais", "Aif", "Vrf" and "Vrani" – in these last two cases computed as per their weighted value- in the terms to which item 3.1 of Section 3 of the rules on "Minimum Capital of the Financial Entities" and as total of assets those adding the concepts "Ais", "Aif", "f" and of those other non-immobilized assets not included in "f" –included in "Vrani-."

The value of the index shall be limited between 1 and 2. This means that, when the result of the expression was, respectively, lower or higher than those inferior and superior limits, 1 or 2 shall be taken, as the case may be.

Icamels: Indicator to which point c.1) refers. The value arising from the following table shall be taken:

Rating	Index
1	1.00
2	1.33
3	1.66
4	2.00
5	2.00

The rating which the Superintendence of Financial and Foreign Exchange Entities may assign to the financial entity shall be taken into account with the purpose of the calculation of the assessments to the Deposit Guarantee Fund which are liable to be demanded as from the third month following the month in which the pertinent notification took place.

Irpc/Kmin: Indicator to which point c.2) refers. The value arising from the following table shall be taken:

Ratio CER/minimum capital requirement	Index
Up to 0.90	-0.50
More than 0.90 to 0.95	-0.25
More than 0.95 to 1.00	-0.10
More than 1.00 to 1.10	0.00
More than 1.10 to 1.20	+0.05
More than 1.20 to 1.30	+0.10
More than 1.30 to 1.50	+0.20
Superior to 1.50	+0.30

The value of the index I_c shall be limited between 1 and 2. This means that, in those cases when the result of the expression was, respectively, lower or higher than those inferior and superior limits, 1 or 2 shall be taken, as the case may be.

For the calculation of the ratios the amounts corresponding to the third month prior to the due date of the assessments shall be taken.

g.2) Entities without "CAMELS" rating.

While the rating of the Superintendence of Financial and Foreign Exchange Entities is not available ("CAMELS") the calculation of the correction index shall arise from the following expression:

$$I_c = \{(I_{pr}/f + I_{ar}/a)/2\} - I_{rpc}/K_{min}$$

For its application, the definitions of the terms as per point g.1) shall be taken into account.

Note: CAMELS

After an inspection to a financial entity by the Superintendence of Financial

and Foreign Exchange Entities (S.E.F. y C.) of the Banco Central de la República Argentina, a global evaluation of the entity's situation is carried out, which is turned into a system of numerical rating which uses the acronym CAMELS (on the basis of the initials in English of its components: Capital, Assets, Management, Earning, Liquidity and Sensitivity) and which takes values between 1 and 5 (1 corresponds to the entity with best rating and 5 to that with the worse rating).

The CAMELS Rating System grants a general framework for the evaluation of the soundness of the financial entities supervised by the S.E.F. y C. and of the fulfillment of the laws and rules in force.

2. Banking Liquidity Fund

2.1. Decree N° 32/2001

Section 1: The BANKING LIQUIDITY FUND (BLF) is created, with the purpose of endowing with adequate liquidity the banking system with the scope foreseen in the present decree. To this purpose the BLF shall be able to:

- a) grant loans to financial entities, convertible or not into shares;
- b) acquire assets from financial entities;
- c) make swap transactions with financial entities, with assets having or not public quotation;
- d) subscribe and integrate corporation bonds, subordinated or not, convertible or not into shares, issued by financial entities;
- e) subscribe and integrate shares corresponding to increases of capital in financial entities;
- f) realize the assets it acquires;
- g) transfer or receive the trust property of financial entities' properties or of the BANCO CENTRAL DE LA REPUBLICA ARGENTINA;
- h) acquire property in guarantee of the credits it grants.

Section 2: The BLF shall be administered by SEGURO DE DEPOSITOS SOCIEDAD ANONIMA (SEDESA) which shall act as trustee of same, with the scope foreseen in the Trust Agreement to be entered into at the appropriate moment between SEDESA and the NATIONAL GOVERNMENT through the BANCO CENTRAL DE LA REPUBLICA ARGENTINA. The BLF shall be in force for FIVE (5) years

as from the date of publication of the present decree. The compensation and expenses reimbursement to the Trustee shall be established in the Trust Agreement contract.

Section 3: The financial entities authorized to operate in the ARGENTINE REPUBLIC shall integrate the BLF through the subscription of Certificates of Participation Class A for an amount of up to FIVE PER CENT (5%) of the average of daily balances of the deposits of the private sector in Pesos and in foreign currency constituted in each financial entity corresponding to the month of November 2001, according to what the BANCO CENTRAL DE LA REPUBLICA ARGENTINA may determine, and it may establish an additional assessment of up to FIFTY PER CENT (50%) of the one foreseen in the present Section.

Likewise, other certificates of participation or titles of debt to be subscribed with resources coming from the financing of multilateral credit organizations or with other resources which may be obtained to the aims foreseen in the present Decree.

Section 4: The NATIONAL GOVERNMENT, represented by the SECRETARY OF FINANCES, shall integrate yearly the BLF through the annual subscription of Certificates of Participation Class B, for an amount equivalent to the FIFTY PER CENT (50%) of the profits transferred to it freely by the BANCO CENTRAL DE LA REPUBLICA ARGENTINA in fulfillment of Section 38 of Law N° 24,144 as from fiscal year 2002.

The redemption of Certificates of Participation Class B shall be subordinated to the total cancellation of the Certificates of Participation Class A in circulation.

Section 5: The BANCO CENTRAL DE LA REPUBLICA ARGENTINA shall determine the amount, rate of interest and other conditions of the BLF certificates.

Section 6: The liquid balances non applied of the BLF shall be invested in the BANCO CENTRAL DE LA REPUBLICA ARGENTINA and the earnings of the BLF shall be a part of same.

Section 7: The investment decisions of the BLF shall be adopted by the Steering Committee created in Section 10 bis of Decree N° 540/95 and its modifications and the representative of the BANCO CENTRAL DE LA REPUBLICA ARGENTINA shall retain the right to veto but shall have no right of vote.

Section 8: The second paragraph of Section 1 of Decree N° 540/95 is substituted and shall be drafted as follows:

"The constitution of the corporation "SEGURO DE DEPOSITOS SOCIEDAD ANONIMA" (SEDESA) is decided with the exclusive purpose of exercising the functions of trustee which shall be entrusted to it at the right moment by the NATIONAL GOVERNMENT or by the BANCO CENTRAL DE LA REPUBLICA ARGENTINA."

Section 9: The BANCO CENTRAL DE LA REPUBLICA ARGENTINA is instructed, in its capacity of shareholder of SEDESA, in representation of the NATIONAL GOVERNMENT, to promote the reform of its By-Laws with the purpose of adapting them to the provisions of the present decree.

Section 10: The By-Laws' modification regarding the social purpose of SEGURO DE DEPOSITOS SOCIEDAD ANONIMA (SEDESA) shall be in force as from the date of publication of these presents, without prejudice to the corporation assembly that resolves said modification.

Section 11: The present decree shall be in force as from the date of its publication in the Official Gazette.

Section 12: To be informed to the HONORABLE CONGRESS OF THE NATION, by virtue of the provisions of Section 99, paragraph 3 of the National Constitution.

Section 13: To be communicated, published, given to the NATIONAL DIRECTION OF OFFICIAL REGISTRY and filed.

3. Communiqués of the Banco Central de la República Argentina (issued during Fiscal Year 2001)

Comunicado A 3270

(May 15/2001)

Deposit Guarantee Fund. Assessments and Loans.

Text Amended.

It updates the rules of Application of the Deposit Insurance Guarantee System as a consequence of Comunicado A 3153, stating that the provisions connected to loans of the financial entities to the DGF are left void and a monthly minimum assessment of 0.015% of the monthly average of daily balances of the pertinent items is established.

Communiqué A 3299

(July 13/2001)

Deposit Guarantee Fund. Time deposits and investments.

Reference rates

It informs that in time deposits and time investments in Euros, the reference rates corresponding to the operations made in USA Dollars for same terms shall be considered, in a transitory way, until operations in Euros in the local market allows the determination of a specific rate.

Communiqué A 3358

(November 9/2001)

Deposit Guarantee Fund. Assessment to the DGF and Determination of the Reference Rate.

The normal assessment that the financial entities must make to the DGF is increased, establishing the monthly minimum assessment of 0.03% of the monthly averages of daily balances of the pertaining items. A change in the calculation of the reference rate is determined, establishing a maximum limit of up to \$ 100,000 (or its equivalent in other currencies) for time deposits and balances of sight accounts (checking account and savings account).

SEDESA
Seguro de Depósitos S. A.
Avda. Corrientes 311, Piso 10
(C1043AAD) Ciudad de Buenos Aires,
República Argentina.

Telephone: (54-11) 5031-9848
Fax: (54-11) 5031-9849
E-mail: sedesa@sedesa.com.ar
Web: <http://www.sedesa.com.ar>

