

SEDESA
Seguro de Depósitos S.A.

General Review
2002

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I. What is SEDESA?

Seguro de Depósitos Sociedad Anónima (SEDESA) is a private corporation established according to the regime of the Law on Commercial Societies (N° 19,550 and its modifications). In fulfilment of the provisions of Law N° 24,485 (Official Gazette 18.04.95), 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.

In December 2001, through Decree N° 32 (Official Gazette 27.12.01) 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 might fulfil the functions of trustee which the National Government or the Central Bank of the Argentine Republic (BCRA) might 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 BCRA, 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 DGF, 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 relevant regulatory provisions.
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 favour of the acquiring entity, with regard to the whole or part of the transferred assets.
4. To acquire deposits of suspended banks, surrogating itself in the rights of the depositors.
5. To assume obligations to be charged to the DGF.
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 DGF belongs to the National Government, as well as the income proceeding from its investment, the latter as from 18/11/96 (Decree 1,292/96). Said Fund is constituted by the obligatory assessments towards which all financial entities authorized to operate in the country contribute monthly.

For its part, the BLF was constituted with the purpose of endowing with adequate liquidity the financial system, at a time when it was going through a critical situation. On 17/01/2002 SEDESA entered into, with the BCRA, acting as representative of the National Government and for the order and account of the Financial Entities, the trust agreement which establishes the scope of its activity as trustee and administrator of the BLF. The resources of the BLF came from the subscription of certificates of participation in said Trust Agreement (Class A) by the financial entities, in a proportion of the deposits of the private sector that each one of said entities registered as at the month of November 2001. With the same purpose, it was foreseen that the National Government annually subscribed certificates of participation (Class B) for the equivalent of 50% of the profits that the BCRA transferred freely to it in accordance with the stipulations of its Charter.

The administration of this Fund by SEDESA has had an initial and transitory character; the BCRA, after sharply reducing the assessments from the financial entities as from March 2002 by reason of the "pesification" of deposits, decided to suspend them on April of that year (Com. "A" 3582).

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

Board of Directors

Chairman

José Carlos Jaime

Vice-Chairman

Hernán del Villar

Director

Martín Lagos ⁽¹⁾

Alternate Directors

Alberto P. Huergo

Juan Carlos Cassagne

Eduardo Javier Romero

Syndics' Committee

Syndics

Hugo Nicolás Bruzone ⁽²⁾

Adolfo César Diz

Enzo Agustín Vivian

Alternate Syndics

Federico Caparrós Bosch

Carlos Langbehn

Ricardo De Lellis

(1) Up to 07/02/02 Dr. Juan Carlos Fossatti was Director.

(2) Up to 07/02/02 Dr. Carlos María Tombeur was Syndic.

III. Depositor Protection Systems

Depositor Protection Systems Compared

On the basis of the information provided by the organizations managing Deposit Insurance Systems, Central Banks and the International Monetary Fund,

as from next page, in Table I, an up-dated panorama of the explicit deposit insurance systems in force is detailed.

For the purpose of better individualization, below are indicated the pages in which one may find each country:

Group of Countries	Pages
Albania, Argentina, Austria, Bahamas, Bahrain, Bangladesh, Belgium, Brazil and Bulgaria	8-9
Canada, Chile, Colombia, Croatia, Cyprus, Czech Republic, Denmark, Dominican Republic, Ecuador and El Salvador	10-11
Estonia, Finland, France, Germany, Greece, Guatemala and Honduras	12-13
Hungary, Iceland, India, Ireland, Isle of Man, Italy and Jamaica	14-15
Japan, Jordan, Kenya, Korea, Latvia, Lebanon, Lithuania and Luxembourg	16-17
Mexico, Morocco, Netherlands, Nigeria, Norway, Oman, Peru and Philippines	18-19
Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain and Sri Lanka	20-21
Sudan, Sweden, Switzerland, Taiwan, Tanzania, Trinidad & Tobago, Turkey, Uganda and United Kingdom	22-23
United States, Venezuela and Yugoslavia	24-25

Table I. Main Characteristics of Explicit Deposit Guarantee Systems

Country	Type of System	Management	Administration Characteristics	Assessment Characteristics and Year of Creation	Exercises Supervision
Albania	Deposit Insurance System	Deposit Insurance Agency	PU	Compulsory 2002	No
Argentina	Deposit Guarantee Fund	Seguro de Depósitos S.A. (SEDESA)	PR	Compulsory 1995	No
Austria	Deposit Guarantee System	Several (2)	PR	Compulsory 1979	No
Bahamas	Deposit Insurance Fund for Depositor Protection	Deposit Insurance Corporation	PU	Compulsory 1999	No
Bahrain	...	...	JOINT	Compulsory 1993	...
Bangladesh	Deposit Insurance Fund	...	PU	Compulsory 1984	...
Belgium	Deposits and Financial Instruments' Protection Fund	Fund Management Committee	PU	Compulsory 1974	...
Brazil	Credit Guarantee Fund	Management Council of the Credit Guarantee Fund	PR	Compulsory 1995	No
Bulgaria	Bank Deposits Guarantee Fund	Management Board	PU	Compulsory 1998	...

(1) Deposits receiving a higher yield than that of the rate called "reference rate", surveyed by the Central Bank, are excluded from the guarantee system.

(2) 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 co-operative banks.

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

	Maximum Protection Level (in the currency of origin)	Maximum Protection Level (in USA Dollars)	Maximum Protection Level as % of the per capita GDP	Ratio Assessments/ Deposits in Basis Points (BP)	Contingency Assessments
	From 350,000 leks up to 647,500 leks	From 2,590 up to 4,792	...	50 yearly BP and it can amount to 70 BP depending on risk premium	...
	Sight or Term Deposits up to 30,000 pesos per account (1)	8,850	347	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
	20,000 Euros. Partial coverage (90%) for institutional investors	22,350	76	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
	50,000 Bahamas Dollars	50,000	559	20 yearly BP	...
	100% up to 2,000 dinars	100% up to 5,320	46	In charge of the Government (ex post)	It may borrow from the markets or from the Central Bank
	100,000 Taka	1,792	554	0.5 yearly BP	It may borrow from the Government
	20,000 Euros	22,350	80	From 2 to 4 yearly BP (3)	There may be additional assessments up to the double of the value of the ordinary assessments
	20,000 Reais	8,480	291	30 yearly BP	It may borrow funds from the Central Bank
	Partial coverage. Maximum disbursement: 10,000 Leva	Partial coverage. Maximum disbursement: 4,710	367	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

Table I. Main Characteristics of Explicit Deposit Guarantee Systems (continued)

Country	Type of System	Management	Administration Characteristics	Assessment Characteristics and Year of Creation	Exercises Supervision
Canada	Canada Deposit Insurance Corporation	Board of Directors of the Fund	PU	Compulsory 1967	No
Chile	Responsibility of the Central Bank	...	PU	Compulsory 1986	No
Colombia	Deposit Insurance	Financial Institutions' Guarantee Fund (FOGAFIN)	PU	Compulsory 1985	...
Croatia	...	Agency for Deposit Guarantee and Bank Rehabilitation	PU	Compulsory 1997	...
Cyprus	Deposit Guarantee Fund	Depositors' Protection Scheme	PU	Compulsory 2000	No
Czech Republic	...	Deposit Insurance Fund	PU	Compulsory 1994	...
Denmark	The Guarantee Fund for Depositors and Investors	Board of Directors, with the assistance of the Central bank in the management of operational topics	PU	Compulsory 1987	No
Dominican Republic	...	...	JOINT	Voluntary 1962	...
Ecuador	...	Deposit Guarantee Agency	PU	Compulsory 1998	...
El Salvador	...	...	PU	1991	...

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

	Maximum Protection Level (in the currency of origin)	Maximum Protection Level (in USA Dollars)	Maximum Protection Level as % of the per capita GDP	Ratio Assessments/ Deposits in Basis Points (BP)	Contingency Assessments
	60,000 Canadian Dollars	38,740	171	From 4 to 33 yearly BP, depending on risk	It may request additional funds from the Government or request private sector financing
	90% up to 120 financial units (US\$ 3,600)	90% up to 3,600	83	Responsibility of the financial entities	...
	75% of 10 million Pesos	75% up to 4,340	226	30 yearly BP	...
	100,000 Kunas	11,990	276	80 yearly BP	The Fund may request loans from the Central Bank
	90% up to the equivalent of 20,000 euros	90% up to the equivalent of 22,350	501	Initial assessment + supplementary and special, the maximum being 30 BP of deposits	It may request loans from the Central Bank, the Government or the financial sector
	Partial coverage up to 25,000 Euros	Partial coverage up to 27,936	542	50 yearly BP on total deposits. 12 BP in the case of the denominated "savings" banks (4)	The Central Bank and the Government can make loans to the Fund, with the purpose of covering shortfalls
	40,250 Euros	44,970	149	Max. 20 yearly BP	Within certain limits, the Fund may borrow from the Government
	Partial coverage, up to 205,244 pesos	Partial coverage, up to 12,107	534	18.75 yearly BP	...
	...	3,250	302	65 BP + risk premium	...
	55,000 Colones	6,285	297	Between 10 and 30 BP	...

Table I. Main Characteristics of Explicit Deposit Guarantee Systems (continued)

Country	Type of System	Management	Administration Characteristics	Assessment Characteristics and Year of Creation	Exercises Supervision
Estonia	Guarantee Fund	...	PU	Compulsory 2002	No
Finland	Deposit Guarantee Fund of the Commercial Banks (6)	Board of Government	PR	Compulsory 1970	No
France	Deposit Guarantee Fund (7)	Management Committee, under the supervision of a Commission formed by representatives of the member banks	PR	Compulsory 1980	No
Germany	<i>Private System:</i> Deposit Protection Fund	The Association of Private Banks (8)	PR	Voluntary 1976	No
	<i>Public System:</i> Investors' Protection and Deposit Guarantee System	The Association of Private Banks and Federal Association of Public Banks, per delegation	PR	Compulsory 1998	No
Greece	Deposit Guarantee Fund	Greek Banks' Association	JOINT	Compulsory 1995	...
Guatemala	Savings Protection Fund	Bank of Guatemala	PU	Compulsory 1999	...
Honduras	Deposit Insurance Fund (FOSEDE)	Administrative Board	JOINT	Compulsory 1999	No

(5) Up to July 2002 the coverage is up to 2,558 euros. As from Dec. 2003, it will be of 12,788 euros and as from Dec. 2005 of 12,788 euros to attain, as maximum, on Dec. 2007, 20,000 euros.

(6) 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.

	Maximum Protection Level (in the currency of origin)	Maximum Protection Level (in USA Dollars)	Maximum Protection Level as % of the per capita GDP	Ratio Assessments/ Deposits in Basis Points (BP)	Contingency Assessments
	Partial coverage (90%) of deposits up to 2,558 euros (5)	2,858	73	Maximum 50 BP	...
	25,000 euros	27,940	96	Between 5 and 25 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
	70,000 Euros	78,225	283	Initial assessment and yearly assessment according to requirements	...
	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
	Partial coverage (90%) of up to 20,000 Euros	22,350	80	3 yearly BP	It may establish special assessments and borrow funds
	20,000 Euros as from year 2000	22,350 as from year 2000	154	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
	20,000 quetzales	2,544	145	100 yearly BP of the deposits	The Fund may request extraordinary contributions to the Government of the Republic
	150,000 lempiras	9,700	999	10 yearly BP of deposits on closing date of previous financial year	The Central Bank must have a contingency line with FOSEDE

(7) 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.

(8) Each type of financial entities' association –commercial banks, savings banks and credit co-operative institutions– has its own guarantee scheme.

Table I. Main Characteristics of Explicit Deposit Guarantee Systems (continued)

Country	Type of System	Management	Administration Characteristics	Assessment Characteristics and Year of Creation	Exercises Supervision
Hungary	National Deposit Insurance Fund	Government Board	JOINT	Compulsory 1993	No
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	...
India	Deposit Insurance Fund	Deposit Insurance and Credit Guarantee Corporation	PU	Compulsory 1961	...
Ireland	Deposit Protection Fund	Central Bank	PU	Compulsory 1989	...
Isle of Man	Depositors Compensation Scheme	Commission of Financial Supervision	PU	Compulsory 1988	No
Italy	Interbank Deposit Protection Fund (9)	Council of the Interbank Deposit Protection Fund	PR	Compulsory 1987	No
Jamaica	Deposit Insurance System	...	PU	Compulsory 1998	...

(9) 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.

	Maximum Protection Level (in the currency of origin)	Maximum Protection Level (in USA Dollars)	Maximum Protection Level as % of the per capita GDP	Ratio Assessments/ Deposits in Basis Points (BP)	Contingency Assessments
	21,500 euros	24,050	459	20 yearly BP as maximum limit	The Government guarantees the loans that the Fund may request from the Central bank or other credit institutions
	20,000 euros	22,350	81	15 BP	...
	100,000 Rupees	2,225	480	5 yearly BP on total deposits	Government support through the Reserve Bank subject to prior parliamentary approval
	Partial coverage (90%). Maximum disbursement: 20,000 euros as from year 2000	Partial coverage (90%). Maximum disbursement: 22,350 as from year 2000	67	Initially, 20 yearly BP on total deposits in Pounds. Presently, extraordinary assessments only	The Central Bank may request special assessments and lend funds
	15,000 euros	16,760	...	12.5 BP	...
	103,290 euros	115,426	492	There are different graduations according to risk	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
	200,000 Jamaica Dollars	4,350	145	10 yearly BP	The Fund may borrow money from the market or from the Government

Table I. Main Characteristics of Explicit Deposit Guarantee Systems (continued)

Country	Type of System	Management	Administration Characteristics	Assessment Characteristics and Year of Creation	Exercises Supervision
Japan	Deposit Insurance Fund (10)	Deposit Insurance Corporation	PU	Compulsory 1971	No
Jordan	...	Deposit Insurance Corporation	PU	Compulsory 2000	...
Kenya	Deposit Guarantee System	Deposit Protection Fund	PU	Compulsory 1985	No
Korea	Deposit Insurance System	Korea Deposit Insurance Corporation	PU	Compulsory 1996	No
Latvia	...	...	PU	Compulsory 1998	...
Lebanon	...	...	JOINT	Compulsory 1967	...
Lithuania	Deposit Guarantee Fund	Insurer of Deposits and Investments	PU	Compulsory 1996	No
Luxembourg	Deposit Guarantee System	Luxembourg Association for Deposit Guarantee (13)	PR	Compulsory 1989	No

(10) The Governor of the Deposit Insurance Corporation is Vice-Governor of the Bank of Japan. The management also includes representatives of the private financial institutions, who are members. There is another deposit protection scheme for special financial institutions, such as agricultural and fishery co-operative associations.

	Maximum Protection Level (in the currency of origin)	Maximum Protection Level (in USA Dollars)	Maximum Protection Level as % of the per capita GDP	Ratio Assessments/ Deposits in Basis Points (BP)	Contingency Assessments
	Without limits up to April 2002; then up to 10 million Yens only for term deposits, as the remaining deposits continue with the total coverage	Without limits up to April 2002; then only for term deposits, up to 80,600, and the remaining deposits continue with the total coverage	248	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
	10,000 dinars	14,104	1,096	25 yearly BP	...
	100,000 Shillings	1,312	389	15 yearly BP (11)	The Central Bank can make loans to the Deposit Guarantee System
	50 mill.won	38,730	434	10 yearly BP for commercial banks and up to 30 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
	...	870 up to year 2000 (12)	...	30 yearly BP	...
	5,000,000 Lebanese pounds	3,317	...	5 yearly BP in charge of the entities + 5 BP in charge of the Government	The Central Bank can make loans interest-free
	As from June 2002, 45,000 lats. As from January 2004, 50,000 lats. As from January 2007, 60,000 lats	As from June 2002, 12,857. As from January 2004, 14,286. As from January 2007, 17,143	374	Commercial Banks: 45 yearly BP. Credit Unions: 20 yearly BP	The Government can contribute additional resources
	20,000 euros	22,350	42	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

(11) or 300,000 Ksha, the amount that results higher.

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

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

Table I. Main Characteristics of Explicit Deposit Guarantee Systems (continued)

Country	Type of System	Management	Administration Characteristics	Assessment Characteristics and Year of Creation	Exercises Supervision
Mexico	System of Protection of Bank Savings	Institute for the Protection of Bank Savings	PU	Compulsory 1986	No
Morocco	Collective Deposit Guarantee Fund	Central Bank	PU	Compulsory 1993	No
Netherlands	Collective Guarantee System (15)	The Netherlands Bank	PU	Compulsory 1978	...
Nigeria	Deposit Insurance Corporation	Deposit Insurance Corporation of Nigeria	PU	Compulsory 1988	...
Norway	Commercial Banks' Contingency Fund (18)	Commercial Banks' Contingency Fund Board	PR	Compulsory 1961	No
Oman	Subject to the administrative and financial supervision of the Central Bank	Bank Deposits' Insurance System Fund	PU	Compulsory 1995	No
Peru	Deposit Guarantee Fund	Superintendence of Banks and Insurance	JOINT	Compulsory 1992	No
Philippines	Philippines Deposit Insurance Corporation	Philippines Deposit Insurance Corporation (20)	PU	Compulsory 1963	No

(14) A transition regime is in force in Mexico, during which the maximum amount guaranteed to the depositor will go from the present unlimited 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) As from year 2000 this maximum amount is fixed taking into account the variation in price indices as from year 1995.

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

	Maximum Protection Level (in the currency of origin)	Maximum Protection Level (in USA Dollars)	Maximum Protection Level as % of the per capita GDP	Ratio Assessments/ Deposits in Basis Points (BP)	Contingency Assessments
	Without limits (14)	Without limits	...	40 yearly BP plus a premium according to risk level (max. 80 BP)	The addition of ordinary and extraordinary assessments shall not exceed 80 yearly BP
	50,000 Dirhams	4,705	405	Max.: 25 yearly BP	The Central Bank may decide that additional assessments be effected, up to the maximum allowed
	20,000 Euros (16)	22,350	76	On demand, ex post. It cannot exceed, yearly, 10% of corporate equity	The Central Bank may grant loans, if it so wishes
	50,000 Naira (17)	450	104	93.75 yearly BP	The Government may grant loans, if it so wishes
	2,000,000 Kroner	222,430	613	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
	Partial coverage (75%) up to 20,000 rials Omani	Partial coverage (75%) up to 52,000	630	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
	66,782 Nuevos Soles (19)	19,000	928	From 45 to 145 BP, depending on risk	The Fund may request loans from the Treasury
	100,000 Pesos Filipinos	1,960	212	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

(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 regime 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.

(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.

Table I. Main Characteristics of Explicit Deposit Guarantee Systems (continued)

Country	Type of System	Management	Administration Characteristics	Assessment Characteristics and Year of Creation	Exercises Supervision
Poland	Fund for the Protection of Bank Deposits	Fund for Banking Guarantee	PU	Compulsory 1995	...
Portugal	Deposit Guarantee Fund (22)	Board of three members. The Central Bank provides the administrative support	PU	Compulsory 1992	No
Romania	Deposit Guarantee System	Banking System Deposits' Guarantee Fund	JOINT	Compulsory 1996	No
Slovak Republic	Deposit Protection Fund	Fund Committee	JOINT	Compulsory 1996	...
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	No
Spain	Deposit Guarantee System (24)	Managing Society of Funds for Guarantee of Deposits in Credit Institutions	JOINT	Compulsory 1977	No
Sri Lanka	Deposit Insurance System	Central Bank	PU	Voluntary 1987	...

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

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

(23) In case of need, the Deposit Guarantee Fund of the Romanian Banking System 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

	Maximum Protection Level (in the currency of origin)	Maximum Protection Level (in USA Dollars)	Maximum Protection Level as % of the per capita GDP	Ratio Assessments/ Deposits in Basis Points (BP)	Contingency Assessments
	100% up to 1,000 euros and 90% for following amounts up to 18,000 euros in 2002 and 22,500 euros in 2003	100% up to 1,117 and 90% for following amounts up to 20,114 in 2002 and 25,142 in 2003	440	Up to 40 yearly BP (21)	...
	25,000 euros	27,936	164	Initial assessment + between 12 and 24 yearly BP, depending on the entity's capitalization level	The Minister of Finance can establish special contributions from the member entities
	Up to 88,505 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)
	7,100 euros	7,933	209	From 10 to 30 yearly BP, depending on the type of entity	The Central Bank may make loans, if it so wishes
	3,700,000 tolar	15,242	161	Explicit; underwritten by the financial entities	...
	20,000 euros	22,350	124	10 Yearly BP	Only with an exceptional character, a Fund may receive contributions from the Bank of Spain, in which case the amount must be established by law
	100,000 Sri Lanka Rupees	1,300	136	15 yearly BP	...

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 Explicit Deposit Guarantee Systems (continued)

Country	Type of System	Management	Administration Characteristics	Assessment Characteristics and Year of Creation	Exercises Supervision
Sudan	Deposit Guarantee Fund	Banking Deposits Guarantee Fund	JOINT	1996	...
Sweden	Deposit Insurance System	Deposit Guarantee Committee	PU	Compulsory 1992 (25)	No
Switzerland	Convention XVIII (26)	Swiss Bankers' Association	PR	Voluntary 1984	No
Taiwan	Central Corporation of Deposit Insurance	Board integrated by the Ministry of Finance and the Central Bank	PU	Compulsory 1985	Yes
Tanzania	Deposit Insurance Fund	Deposit Insurance Board	PR	Compulsory 1994	No
Trinidad & Tobago	Deposit Insurance Fund	Deposit Insurance Corporation	PU	Compulsory 1986	...
Turkey	Deposit Insurance Fund	Central Bank	PU	Compulsory 1983	No
Uganda	Deposit Insurance	Central Bank	PU	Compulsory 1994	No
United Kingdom	Deposit Protection Fund (28)	Board of the Deposit Protection Fund (29)	PU	Compulsory 1982	No

(25) 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.

(26) 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.

	Maximum Protection Level (in the currency of origin)	Maximum Protection Level (in USA Dollars)	Maximum Protection Level as % of the per capita GDP	Ratio Assessments/ Deposits in Basis Points (BP)	Contingency Assessments
	100 dinars	100	20	20 yearly BP	It may request loans
	250,000 kronor	28,000	135	Between 60 yearly BP and 140 yearly BP	It may borrow from the National Government
	30,000 francs	21,632	65	On demand	Subscribed by the member banks
	NT\$ 1,000,000, for deposits in local currency	28,700	...	From 5 to 6 (depending on risk) yearly BP on deposits	The Central bank may grant loans
	250,000 Shillings	312	122	10 yearly BP on average deposits	The Central Bank may grant loans
	50,000 TT Dollars	7,939	168	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 (27)
	Without limits	Without limits	...	100 yearly BP	It may borrow from the Central Bank, upon request from the Minister in charge of Economic Affairs
	3,000,000 Shillings	2,868	897	20 yearly BP on deposits from the banks. Same amount from the Government	The Government may grant loans, if it so wishes
	Partial coverage (90%). Max. disbursement: 33,000 Pounds Sterling	47,520	199	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

(27) 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.

(28) 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.

(29) 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 Explicit Deposit Guarantee Systems (continued)

Country	Type of System	Management	Administration Characteristics	Assessment Characteristics and Year of Creation	Exercises Supervision
United States	Bank Deposits' Insurance Fund and Savings Entities Insurance Fund	Federal Deposit Insurance Corporation (FDIC)	PU	Compulsory 1933	Yes
Venezuela	Fund of Deposit Guarantee and Bank Protection (FOGADE)	...	PU	Compulsory 1985	No
Yugoslavia	...	Agency for Deposit Insurance, Bank Rehabilitation, Bankruptcy and Liquidation	PU	Compulsory 1989	No

	Maximum Protection Level (in the currency of origin)	Maximum Protection Level (in USA Dollars)	Maximum Protection Level as % of the per capita GDP	Ratio Assessments/ Deposits in Basis Points (BP)	Contingency Assessments
	100,000 Dollars	100,000	282	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
	10,000,000 Bolívars for deposits in Bolívars	14,700	293	50 yearly BP	The Government and the Central Bank have absorbed losses of the Fund
	...	...	...	Determined by the Central Bank according to entity	...

International Association of Deposit Insurers

The International Association of Deposit Insurers was constituted on 6 May 2002 at the headquarters of the Bank for International Settlements, in Basle.

SEDESA, together with Deposit Insurance Corporation (Bahamas); Fundo Garantidor de Creditos (Brazil); Deposit Insurance Fund (Bulgaria); Canadian Deposit Insurance Corporation (Canada); Deposit Insurance Fund (Czech Republic); Instituto de Garantía de Depósitos (El Salvador); Fonds de garantie des dépôts (France); National Deposit Insurance Fund (Hungary); Jamaica Deposit Insurance Corporation (Jamaica); Deposit Insurance Corporation (Japan); Deposit Insurance Corporation of Jordan (Jordan); Deposit Protection Fund Board (Kenya); Korea Deposit Insurance Corporation (Korea); Instituto para la Protección al Ahorro Bancario (Mexico); Nigeria Deposit Insurance Corporation (Nigeria); Peruvian Deposit Insurance Fund (Perú); Philippine Deposit Insurance Corporation (Philippines); Swedish Deposit Guarantee Board (Sweden); Central Deposit Insurance Corporation (Taiwan); Deposit Insurance Corporation (Trinidad & Tobago); Savings Deposit Insurance Fund Banking Regulation and Supervision Agency (Turkey); The Household Deposit Insurance Fund (Ukraine); and Federal Deposit Insurance Corporation (United States of America) were the founding members of this Association. Moreover, SEDESA forms part of the Executive Committee.

The statutory purpose of this organization is to contribute to the stability of the financial systems by promoting international co-operation in the deposit insurance field as well as promoting a wide international contact among deposit insurers and other interested parties, as it stems from Article Two of its Statutes, in the drafting of which the legal advisors of SEDESA had an active participation.

Through the experience gathered both in its Symposia as in the activity performed in the committees of the Financial Stability Forum, SEDESA has perceived the need to work in the great number of fields that, as member of a safety net, corresponds to a system of deposit insurance.

Thus, our co-operation has been and continues being permanent, both through the performance of our symposia as well as through the circulation of our publications, and through the enquiries which are made to us through our Web page (3,327 during 2002 against 2,296 during 2001) and through other ways of communication.

SEDESA understands that an association such as that constituted in Basle is an adequate element for the spreading of better practices in this matter, aiming both at an improved functioning of the safety net as to an adequate interpretation of its functioning by Central Banks, Supervision bodies, International Organizations, Research and Teaching Centres, thus surpassing the limits of a mere casuistic analysis by those who are in charge of the management of deposit insurance.

IV. The Argentine Financial System

I. Monetary Aggregates

In order to explain the evolution of the monetary variables during 2002, it is useful to make a brief comment regarding the behaviour of the economy during 2001.

Said period elapsed in a recessive context (a GDP average annual fall of 2.9% in the period 1999-2001) and with a noticeable imbalance in the global result of the non-financial public sector of \$ 8,714 million, i.e. 3.2% of GDP.

The uncertainty provoked by the weakness of the economic variables, prompted an important deposits' withdrawal in the whole financial system.

For this reason, as from 1st December 2001, there were restrictions to the withdrawal of deposits from the financial entities, a subject we cover in detail in item 4 of this chapter.

As from the first days of 2002, the monetary and exchange regime was modified, as a consequence, fundamentally, of:

- Abandonment of the fixed exchange rate (in force since April 1991) which, principally, established a fixed exchange rate parity 1 peso = 1 USA Dollar
- Establishment of an official Dollar at pesos 1.4 = 1 USA Dollar

On 3 February, attempting to attain a single and floating rate of exchange, a programme was announced which, as most salient points, established the "pesification" of the economy and a reprogramming of deposits.

The "pesification" consisted in calculating the deposits in dollars (around 74% of the total) at a rate of exchange of \$ 1.4 = US\$ 1, plus the application of the CER ("Coeficiente de Estabilización de Referencia", whose evolution runs parallel to that of the Consumer Price Index), plus a yearly rate of interest of 2%. The credits, also in dollars, were pesified at the ratio \$ 1 =

US\$ 1. In some cases, i.e., in the case of credits affecting a large part of the population (housing mortgages, pledges and personal credits up to certain amounts) the updating was performed with the so-called CVS (Salary Variation Coefficient) and, in other cases, with the CER.

Since the variation of the CER during 2002 was of 40.5%, and the variation of the rate of exchange was of 227%, the recovery of an original deposit in dollars, before pesification, reaches around 60% of same (in dollars).

The Government will take charge of the difference between the assets and liabilities of the financial entities, through the issuance of a government bond.

In spite of these measures, confidence did not return to the financial system, and a sharp upward pressure on the peso rate of the USA currency could be observed. Thus, towards the end of February, the free dollar quotation was touching pesos 2.15, finally to arrive at a figure of Pesos 3.27 as at December 2002.

In view of the necessity of counting with a larger amount of pesos to cover cash transactions, during the first months of 2002 it was noticeable that a larger amount of peso bills and coins went into circulation, rising from 3.4% of GDP in December 2001 to 4.6% in December 2002.

A considerable increase in the total amount of deposits could also be observed during the month of January 2002, which may be explained by the "enforced pesification", given the fact that deposits expressed in foreign currencies were converted into pesos at the ruling rate of 1 US\$ = 1.4 \$, which represented an increase of 40%.

However, in subsequent months a decline in the amount of deposits in the system was registered, which occurred until the middle of the year due to the fact that the public was able to retrieve part of its deposits, via a transformation in accounts. The Government offered plans to exchange these deposits (whose expiry dates were reprogrammed) for bonds, but these did not enjoy much demand on the part of the public.

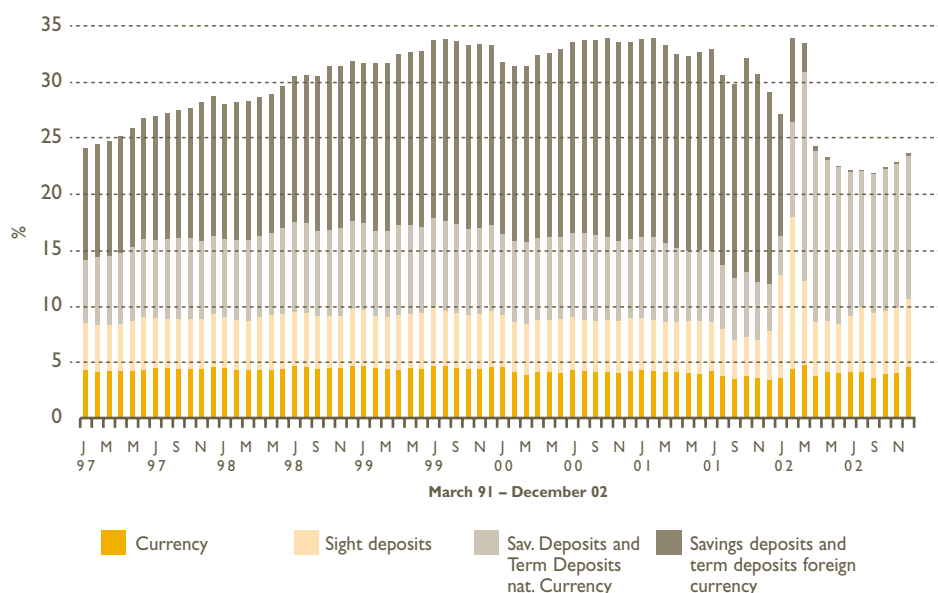
During the second half of the year, once the flight from deposits had ceased, a reverse trend was witnessed, due to the existence of high rates of interest.

The ample monetary aggregate M2, measured as a percentage of GDP, fell from 29.1% in December 2001 to 23.6% as at end 2002 (table II and chart I).

Monetary Aggregates	Millions of \$	As % of GDP
Currency	15,388	4.61
Sight deposits, in national currency	19,899	5.96
Sight deposits in foreign currency	148	0.04
M1	35,435	10.62
Savings deposits, in national currency	9,151	2.74
Time deposits in national currency	33,382	10.00
Savings deposits in foreign currency	116	0.03
Time deposits in foreign currency	597	0.18
M2	78,681	23.58
* Monthly average of daily balances		

Source: SEDESA, on the basis of data published by the Central Bank (BCRA)

Chart I Evolution of monetary aggregates as a % of GDP

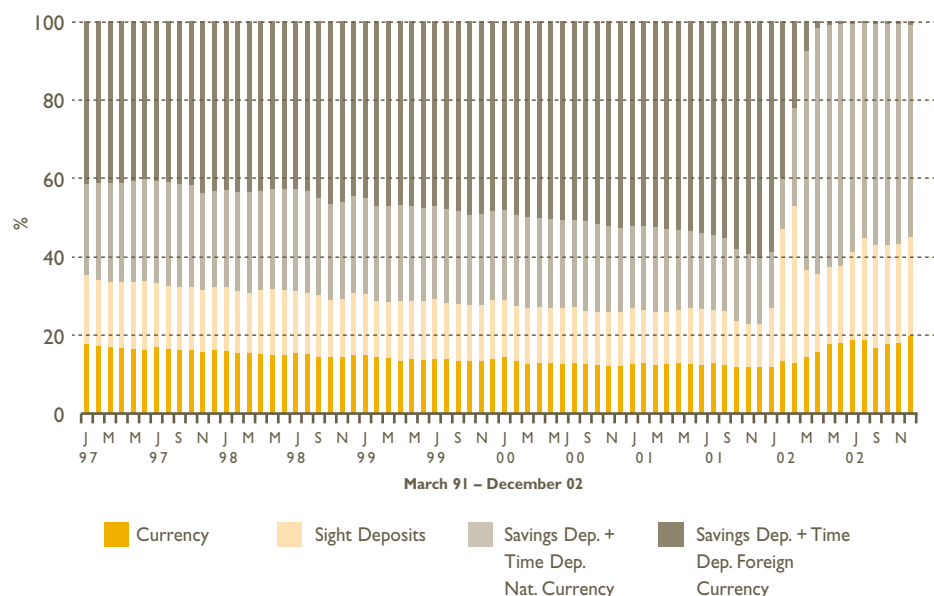


Source: SEDESA, on the basis of data published by the Central Bank (BCRA)

As a result of the measures adopted by the Government, significant changes may be observed in the composition of the monetary aggregates. Comparing December 2002 with the same month of

2001, the portion of currency moves from 11.7% to 19.6%, whereas the total of deposits declines from 88.3% to 80.4% (see Chart 2).

Chart 2 Percentage composition of Monetary Aggregates



Source: SEDESA, on the basis of data published by the Central Bank (BCRA)

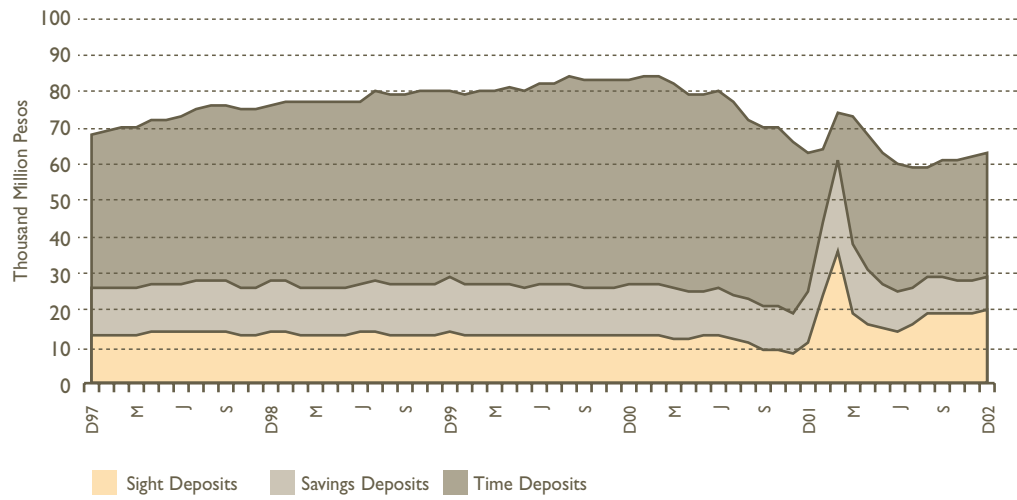
The evolution in the total of deposits, as may be observed in Chart 3, shows a hefty increase during the months of January and February 2002, owing to the “pesification” of foreign currency deposits, before mentioned. As from February a constant decline in total deposits until the month of August may be noticed, when a change in trend may be observed, as a consequence of the high ruling real rates of interest offered by the financial entities.

During the first quarter of the year, total deposits rose by 14.2%. During the second and third quarters,

declines were registered of 17.3% and 0.7%, respectively, and during the fourth quarter there was an increase of 4.1%.

Insofar as the composition of deposits is concerned, sight deposits rose appreciably as a fraction of same, going from 17.0% in December 2001 to 31.7% in December 2002. Contrariwise, savings deposits as well as time deposits both contracted as a proportion of the total, the former declining from 22.5% to 14.6% and the latter from 60.5% to 53.7%.

Chart 3 Evolution of Deposits according to Type of Placement

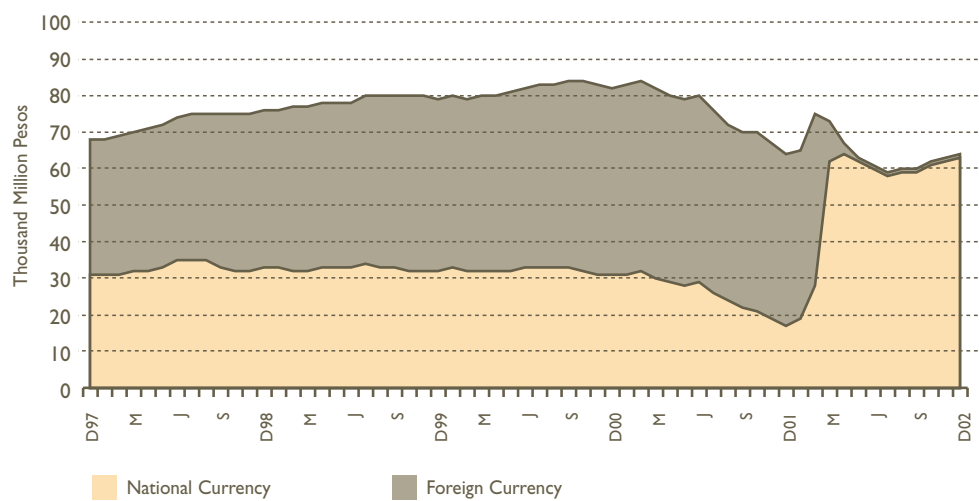


Source: SEDESA, on the basis of data published by the Central Bank (BCRA)

Insofar as the type of currency fixed with the “pesification” of deposits (conversion of deposits in foreign currency to local currency), as may be observed

in Chart 4, there were very few deposits in foreign currency as at December 2002, given the fact that the public ceased to make deposits in foreign currencies.

Chart 4 Evolution of Deposits of the Argentine Financial System



Source: SEDESA, on the basis of data published by the Central Bank (BCRA).

2. Reference Rates

Reference rates represent the maximum level at which a deposit may be placed to be within the framework of the guarantee regime ⁽¹⁾.

Month	Reference Rates	Market Rates ⁽²⁾	Month	Reference Rates	Market Rates ⁽²⁾
Jan.	8.0	5.5	Jul.	53.5	76.7
Feb.	7.6	7.6	Aug.	53.5	65.1
Mar.	8.7	15.1	Sep.	46.1	44.5
Apr.	20.1	46.0	Oct.	39.2	34.1
May	37.7	64.6	Nov.	26.4	19.0
June	44.8	72.2	Dec.	21.3	20.7

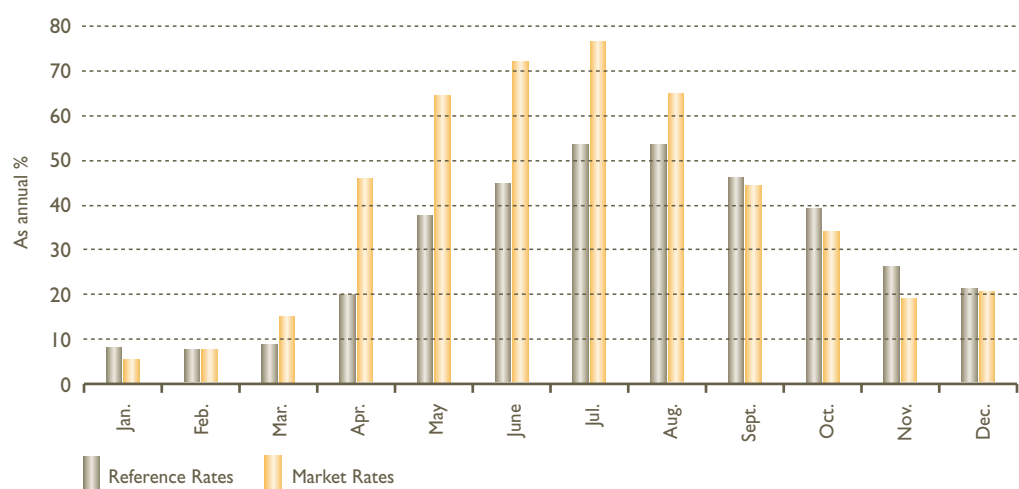
(1) Weighted average as per days in force
(2) Prevailing in the market, surveyed by the Central Bank (BCRA)

Source: SEDESA on the basis of data published by the Central Bank (BCRA)

In reality, during the first half of 2002 there was hardly any flow of deposits owing to the restrictions and the “pesification” imposed on the financial system, as commented heretofore. This is why the analysis of the course of interest rates during this time is not a relevant indicator. In Table III and Chart 5 may be observed a pronounced increase in the rates of interest

for time deposits in pesos towards the middle of the year (between May and August), with the intention of retaining deposits in the financial system. Towards the end of the period under review, deposits have more than recovered the level experienced during the first month of the year.

Chart 5 Reference Rates and Market Rates.
Time deposits in pesos. 2002



Source: SEDESA on the basis of data published by the Central Bank (BCRA)

⁽¹⁾ Section 12 of Decree 540/95 and its modifications, in its paragraph d) mentions that the following are not covered by the guarantee system: “deposits constituted after July 1st 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 NACION ARGENTINA corresponding to the day prior to that of the deposit. The BANCO CENTRAL DE LA REPUBLICA ARGENTINA may modify the reference rate set forth in this clause, communicating it with an anticipation of FIVE (5) banking working days”.

Interest rates corresponding to time deposits in foreign currency were irrelevant, due to the fact that, with the “pesification” of deposits, these deposits were transformed into pesos and, for practical purposes,

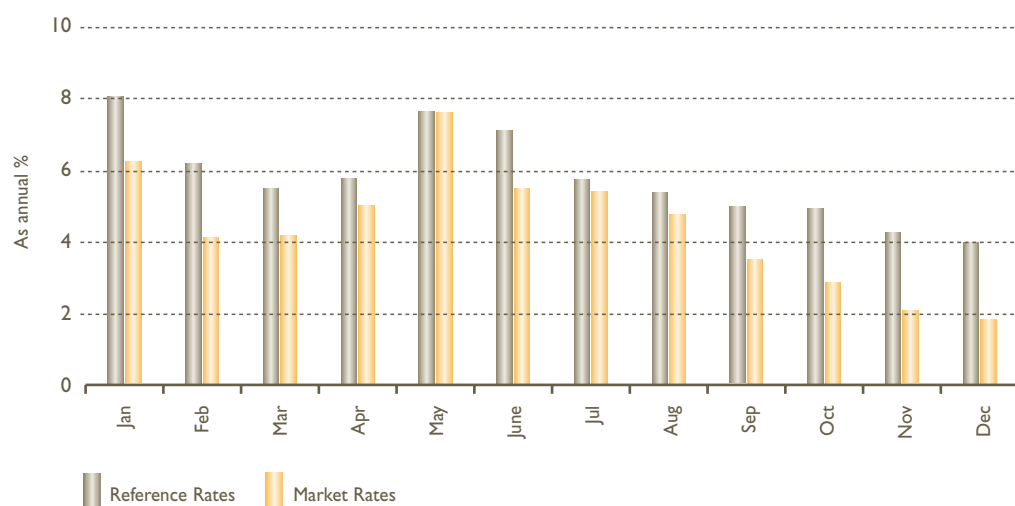
there were no new placements in foreign currency made during the remainder of the year (Table IV and Chart 6).

Month	Reference Rates	Market Rates ⁽²⁾	Month	Reference Rates	Market Rates ⁽²⁾
Jan.	8.1	6.3	Jul.	5.8	5.4
Feb.	6.2	4.1	Aug.	5.4	4.8
Mar.	5.5	4.2	Sep.	5.0	3.5
Apr.	5.8	5.0	Oct.	5.0	2.9
May	7.7	7.6	Nov.	4.3	2.1
June.	7.1	5.5	Dec.	4.0	1.8

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

Source: SEDESA on the basis of data published by the Central Bank (BCRA)

Chart 6 Reference Rates and Market Rates. Time Deposits in dollars. 2002.



Source:SEDESA on the basis of data published by the Central Bank (BCRA)

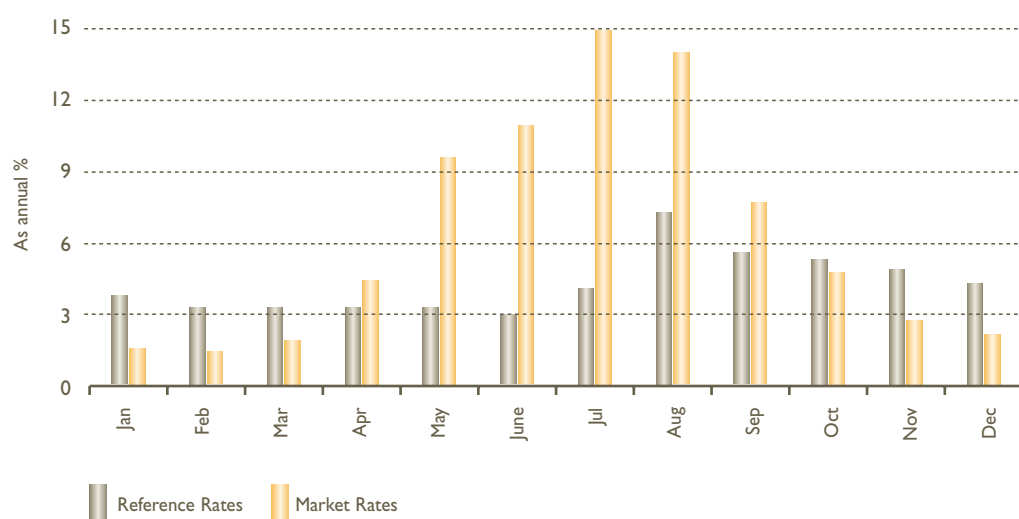
Reference rates for savings deposits made in pesos remained constant during the first months of the year but towards the middle of 2002, as with time

deposits, a considerable increase was noted, given the desire to retain said deposits (Table V and Chart 7).

Month	Reference Rates	Market Rates ⁽²⁾	Month	Reference Rates	Market Rates ⁽²⁾
Jan.	3.8	1.6	July	4.1	14.9
Feb.	3.3	1.5	Aug.	7.3	14.0
Mar.	3.3	1.9	Sep.	5.6	7.7
Apr.	3.3	4.5	Oct.	5.3	4.8
May	3.3	9.6	Nov.	4.9	2.8
June	3.0	11.0	Dec.	4.3	2.2

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

Chart 7 Reference Rates and Market Rates.
Savings Deposits in pesos. 2002



Source: SEDESA on the basis of data published by the Central Bank (BCRA)

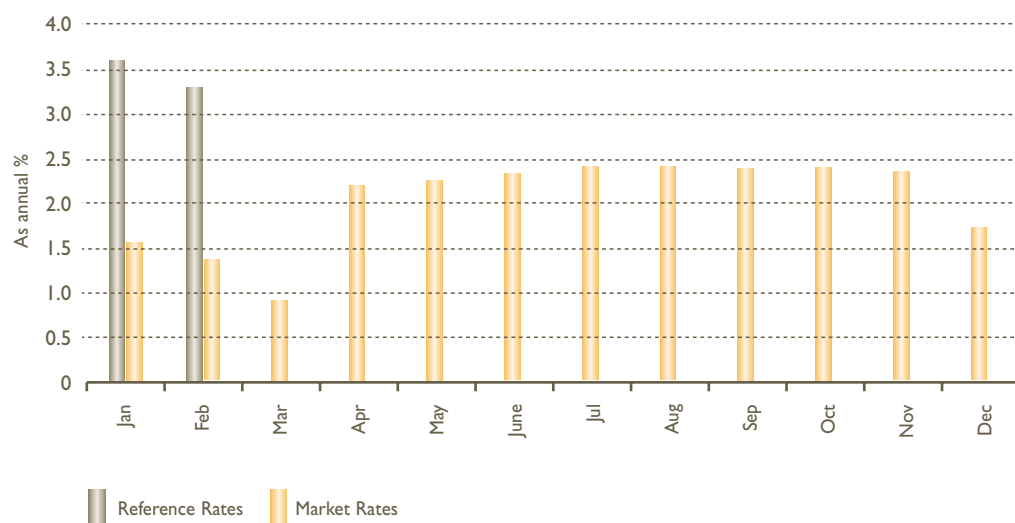
As in the case of time deposits, reference interest rates for savings deposits in dollars were not relevant, due to the scant interest in this type of deposit and no

information on the part of the Central Bank was forthcoming, with regard to this matter, due to the existing restrictions (Table VI and Chart 8).

Month	Reference Rates	Market Rates ⁽²⁾	Month	Reference Rates	Market Rates ⁽²⁾
Jan.	3.6	1.6	Jul.	...	2.4
Feb.	3.3	1.4	Aug.	...	2.4
Mar.	...	0.9	Sep.	...	2.4
Apr.	...	2.2	Oct.	...	2.4
May	...	2.3	Nov.	...	2.4
June	...	2.3	Dec.	...	1.7

(1) Weighted average as per days in force.
 (2) Prevailing in the market, surveyed by the Central Bank (BCRA).

Chart 8 Reference Rates and Market Rates. Savings Deposits in dollars. 2002



Source: SEDESA on the basis of data published by the Central Bank (BCRA)

The Banking Crisis of 2001-2002

During the third quarter of 1998 the Argentine economy registered a turning point, which marked the end of a period of rapid growth and significant capital inflows from abroad. The Russian default of August 1998 and the Brazilian devaluation of January 1999 have been mentioned as the principal causes of this turning point. The consequent recession aggravated the fiscal deficit and substantially increased the magnitude of the public debt of the Nation and the provinces. The public debt / GDP ratio – which during the period 1992-1998 had risen at the rate of 1.15 percentage points per annum- rose by 11.8 percentage points during the years 1999 and 2000, i.e., at the rate of 5.9 percentage points p.a., on average. Towards the end of the year 2000 the total indebtedness of the public sector had reached the figure of US\$ 150,000 million, a figure equivalent to 52.8% of GDP.

During those same two years (1999 and 2000), the lower demand for Argentine sovereign risk provoked an increase in the premium for said risk, which rose from an approximate value of 300 basic points towards a level close to 700 basic points. Towards the end of 2000 and beginning of 2001, desperate efforts and initiatives by the authorities had not been able to break a vicious circle of recession, fiscal deficit and increased indebtedness, giving rise to growing speculation and fears concerning the possibility of a sovereign default.

In March 2001, successive crises within Government circles led to a situation whereby the closure of external markets (for sovereign risk) spilled over onto the financial system. The fear that the authorities would be obliged increasingly and compulsively to resort to the liquid reserves of the financial system in order to finance the public sector, triggered a “run” on the banking deposits, of a systemic nature. When subsequent events confirmed some of these dreaded forebodings (the obligatory placing of bonds, removal of authorities at the Central Bank, modifications to the peso-dollar convertibility law) and notice was taken that the US Treasury was against granting rescue operations for indebted countries, the withdrawal of deposits became enhanced. Thus, in three great “waves” which may be set in March, July-August and October-December of 2001, the financial system suffered a net loss in deposits of pesos 21,149 million, a figure representing 24% of the balance as at 28 February 2001.

By means of Decree 1,570/01 of 3/12/01, the Government imposed severe restrictions to the conversion of deposits into cash. Restrictions covered both sight and time deposits. These latter, however, were authorized to be transformed into sight deposits as well as allowed to move freely between entities. These measures provoked serious problems in the chain of payments based on cash, shortened appreciably the average period of maturity in deposits and aggravated the intra-bank distribution of liquidity.

After the change of Government which occurred in December 2001, the new authorities adopted successively the following resolutions:

- Payments' default on the part of the Republic (message from the President of the country to Congress of 28/12/01);
- Formal abandonment of the peso-dollar convertibility (Emergency Law 25,561 of 7/1/02 and Decree 71/02 of 10/1/02);
- Introduction of new restrictions concerning the disposal of banking deposits (reprogramming of same according to Resolution N° 6/02 of the Ministry of Economy of 10/01/02 and ancillary resolutions).
- Compulsory conversion into pesos of financial obligations in foreign currency under national legislation (Decree 214/02 of 4/2/02) and

- Compulsory conversion into pesos of the public debt in foreign currency under national legislation (Decree 471/02 of 13/3/02).

Other decisions which put additional strain on banking solvency and profitability, were:

- Assets expressed in foreign currency constituted by credits towards the private sector were converted into pesos at the exchange rate of \$1 = 1 US Dollar, 29.6% inferior to that used to convert deposits (1.40 pesos per dollar). Furthermore, it was decided that part of these credits should be adjusted by a capital adjustment index different to and presumably lower than, that which was established for deposits.

- Numerous legal instances accepted relief claims (“recursos de amparo”) and claims of illegality of the Government’s measures, obliging financial entities to restore deposits expressed in foreign currencies at rates of exchange much higher than those which had been used for the conversion of their assets.

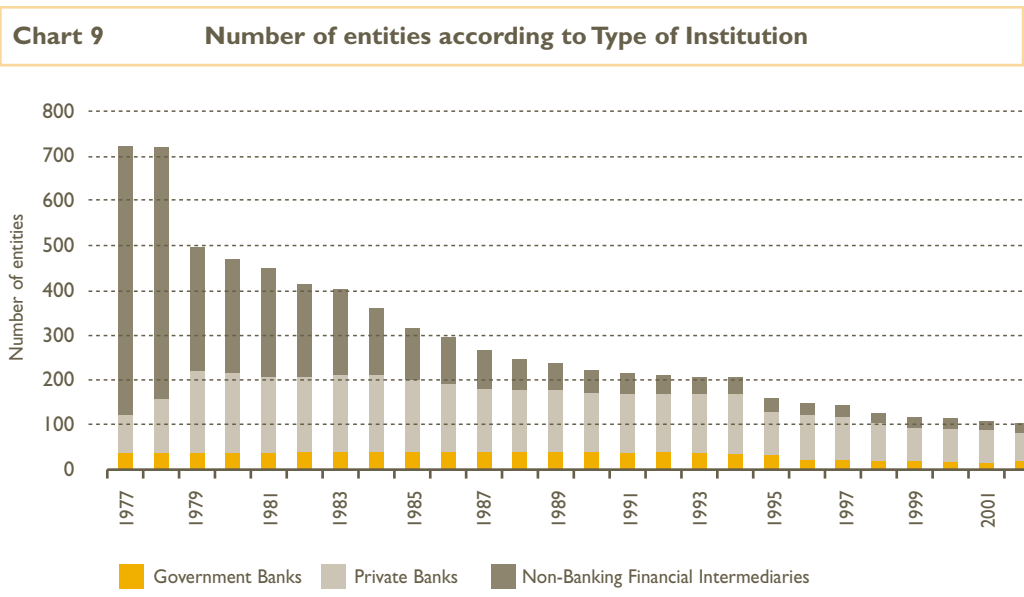
- Although the authorities announced their intentions of “compensating” the banks for these differences, said compensations were only of a partial nature.

3. Financial Entities

During the year 2002 the reduction in the number of financial entities continued.

Over this period, nine private banks foreclosed, whereas the number of non-banking financial intermediaries remained the same. Insofar as Government banks were concerned, there was an increase of three entities. By means of Decree N° 838/02 it was resolved to create three joint-stock companies, which were denominated Nuevo Banco Suquía S.A., Nuevo Banco Bisel S.A. and Nuevo Banco

de Entre Ríos S.A. The capitals of same were subscribed by the Banco de la Nación Argentina and by the Banco de la Nación Argentina Foundation. By means of Resolutions N° 314, 315 and 316 of 21/05/2002, the assets of previous banks were transferred to each of these entities (Banco Suquía S.A., Banco Bisel S.A. and Banco de Entre Ríos S.A.) under the format of three distinct trust agreements, each of which issued a participatory bond which was attributed as an asset to each of the three new entities. The privileged liabilities of the previous entities were assumed by the new ones.



Source: SEDESA on the basis of data published by the Central Bank (BCRA)

At the end of 2002 the total of financial entities numbered 99. The composition, according to ownership, is determined by 83 private financial entities

(of which 62 correspond to banks and 21 to non-banking financial intermediaries) and with 16 Government banks (Table VII and Chart 9).

End of	Government Banks	Private Banks	Non-Banking Financial Intermediaries	TOTAL
1977	35	85	603	723
1978	35	122	564	721
1979	35	184	277	496
1980	35	179	255	469
1981	35	171	243	449
1982	36	168	209	413
1983	36	174	192	402
1984	36	174	150	360
1985	37	161	117	315
1986	37	154	105	296
1987	36	142	89	267
1988	36	139	70	245
1989	36	141	59	236
1990	36	134	51	221
1991	35	132	47	214
1992	36	131	43	210
1993	34	133	39	206
1994	33	135	37	205
1995	30	97	31	158
1996	20	100	27	147
1997	20	95	27	142
1998	16	86	23	125
1999	16	76	24	116
2000	14	75	24	113
2001	13	73	21	107
2002	16	62	21	99

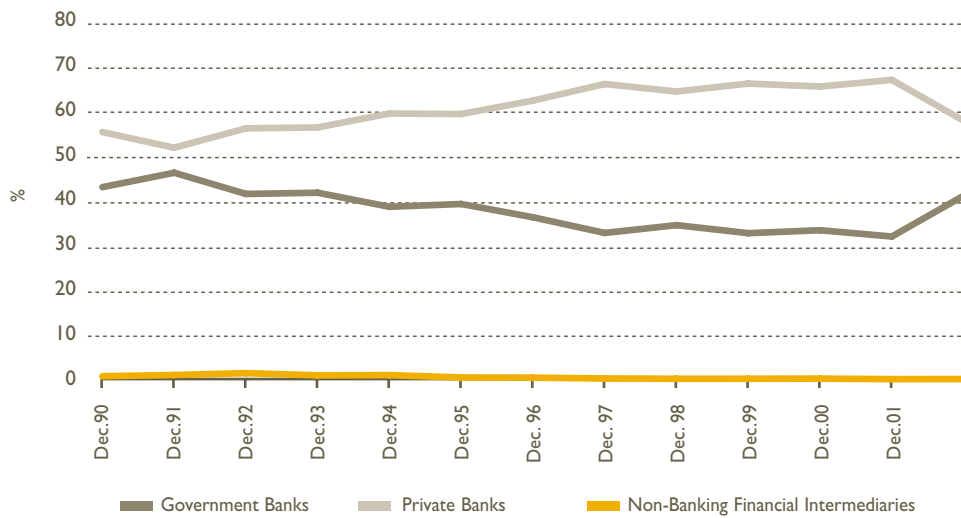
Source: SEDESA on the basis of data published by the Central Bank (BCRA)

The distribution of deposits in the system according to the nature of the ownership of the various entities may be seen in chart 10.

As at December 2001 the participation of the private banking sector had risen steadily, reaching 67.4%.

At the end of 2002 the participation of the private banking sector of the total amount of deposits touched 58.2%, Government banks, 41.4% and non-banking intermediaries the remaining 0.4%.

Chart 10 Percentage Distribution of Deposits among Financial System's Entities



Source: SEDESA on the basis of data published by the Central Bank (BCRA)

Insofar as the capitalization of the entities is concerned (net equity as a percentage of the assets at risk) and up to the month of September 2002, a slight increase in the total of the system was observed, advancing from 16.6% in December 2001 to 19.1% in September 2002 (Chart 11).

Whereas private entities showed practically no change in the aforementioned ratio, Government banks showed an increase, going from 13.6% as at December 2001 to 20.9% in December 2002; insofar as the non-banking financial intermediaries were concerned, the increase was significantly higher, as they moved from 41.0% to 68.5%, respectively.

Chart 11 Shareholders' Equity/Assets at Risk



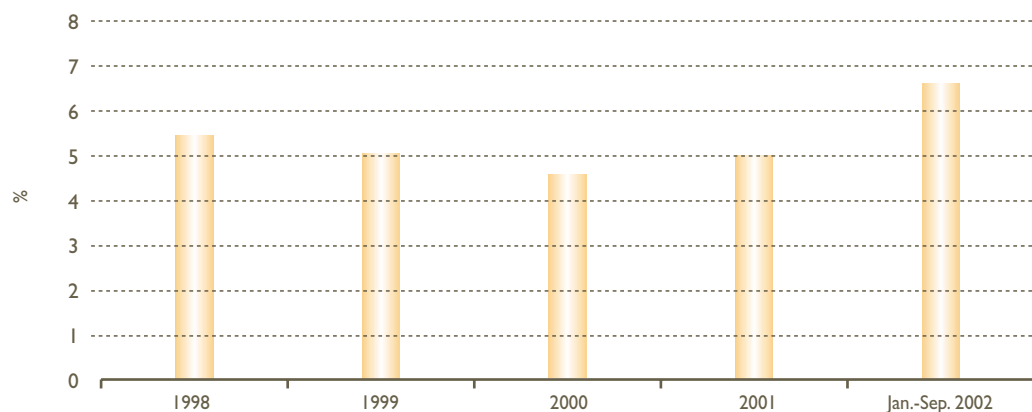
Source: SEDESA on the basis of data published by the Central Bank (BCRA)

As a way of measuring the efficiency of the financial system, we have resorted to the ratio between administrative expenses and total assets. This ratio, structurally high in Argentina, had already risen during the year 2001 and increased much more during 2002,

owing to the reduction of assets brought about by the above-described crisis (Chart 12).

The largest increase in the above-mentioned ratio is attributable to private banks and the non-banking financial intermediaries.

Chart 12 Administrative Expenses/Assets (Total System)

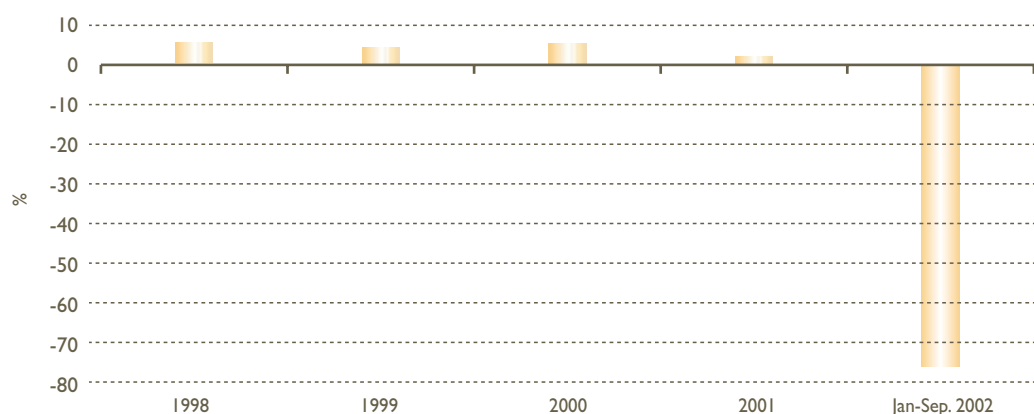


Source: SEDESA on the basis of data published by the Central Bank (BCRA)

Insofar as the profitability of the financial system is concerned, measured as the ratio between profits before tax and net equity, we may state that the year 2001 witnessed a change in trend, revealing a pronounced

drop in the profitability of the financial entities. During the period January to September 2002, severe losses were registered throughout the entire system.

Chart 13 Profitability/Shareholders' Equity (Total System)



Source: SEDESA on the basis of data published by the Central Bank (BCRA)

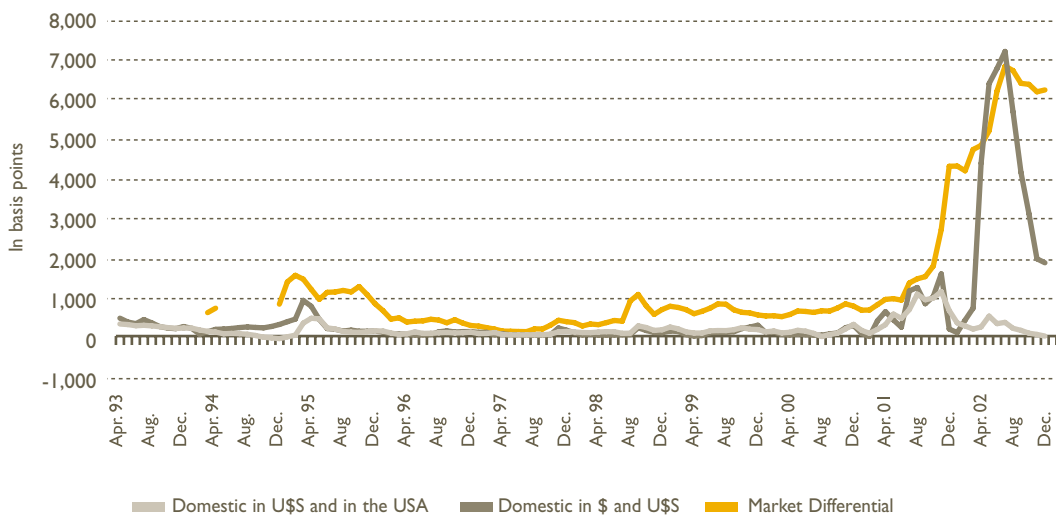
The year 2001, with the drying-up of foreign-based loans, registered an increase in the market differential (difference between interest rates governing Argentine bonds versus US Treasury bonds). As from

the declaration of default on the foreign debt on the part of the authorities, this differential rose abruptly, touching 4,327 basic points as at December 2001 and 6,251 basic points as at December 2002.

The same happened with what we may describe as the “exchange risk” (the differential in interest rates governing placements in Pesos and placements in US Dollars in the local market); this differential was very significant during the first half of the year but subsided

later, due to the fact that with the “pesification” of US Dollar deposits in the local market, these contracted markedly and therefore the interest rate governing same lost its meaning.

Chart 14 Differential between Actual Rates and Market Differential



Source:SEDESA on the basis of data published by the Central Bank (BCRA)

4. The Systemic Crisis

4.1 Introduction

As we have mentioned at the beginning of this chapter, Argentina was subjected, during the years 2001 and 2002, to an economic crisis whose magnitude and depth have been qualified by some as the most grave in the country’s history. However this may be, the truth is that, acknowledging the causes which were both domestic and external, this crisis has had a very severe influence on the various sectors of the nation’s social, institutional, political, financial and economic structure.

With the purpose of contributing to an objective analysis of the crisis and its circumstances, it has been deemed convenient to describe the main measures adopted in the various spheres of the National Government, insofar as affairs relating to the labours undertaken by SEDESA, such as those referring to money credit, exchange rates and the financial system generally, are concerned. These measures, which constitute the basis for an exceptional regime, have become translated into laws, decrees, resolutions by

the Ministry of Economy and rulings issued by the Central Bank, as well as the application of policies aimed at achieving certain objectives. This summary has been divided into stages which correspond to the successive changes brought about in the political sphere and administration of the country generally, as well as in the Ministry of Economy and the Central Bank of the Argentine Republic.

4.2 First Stage (November and December 2001)

The crisis, although in evidence during all of the year 2001, suddenly exploded during the last two months of the year. Especially in November, the drop in deposits in the financial system became precipitous - just when the restructuring of the public debt in its local phase was reaching its culmination and the IMF was announcing concurrently that it would not disburse the requisite funds -, notwithstanding the high interest rates offered to retain said deposits. Faced with this situation and the drop registered in international reserves, the authorities announced a set of temporary measures,

which would govern the operations of the financial entities (Decree 1,570/01 of 01/12/01), based upon:

- Cash withdrawals from the banks were limited to 250 pesos or dollars per week, per person and per account, with each entity.

- All payments to be made through the banking circuit, via the use of debit or credit cards, cheques and transfers.

- All new financial operations had to be nominative in US Dollars exclusively and the entities were not allowed to intervene in the futures' market nor with options in foreign currencies, nor arbitrage with time assets expressed in pesos.

- The entities were not allowed to offer interest rates corresponding to peso deposits, in excess of those arranged for placements in foreign currencies.

- A control was established on the transfer of remittances abroad and a limit was placed on the transfer of foreign currency bills, abroad.

4.3 Second Stage (end of December 2001 to end of April 2002)

A new government assumed office in December and although it only lasted for a few days, it formally declared a default on the external public debt and endeavoured to introduce a third monetary unit, in order to save the convertibility plan and maintain the financial system in operation. At the same time, a Banking Liquidity Fund (BLF) was created, in order to provide adequate liquidity to the financial system, to be constituted by contributions from the financial entities and naming SEDESA as the trustee.

The substitution of this government by another, also nominated by the National Congress, brought in its train a raft of new measures. Thus, Law 21,561, denominated of Public Emergency and Reform of the Exchange System, which decided upon the abandonment of the monetary convertibility regime (Law 23,928), insofar as the fixed exchange rate was concerned; the obligation of converting foreign exchange at par with the dollar (\$ 1 = US\$ 1) and the obligation of backing the whole of the monetary base with gold reserves and freely disposable foreign currency. The Executive Branch was empowered to fix

a new exchange rate for the peso and also determine everything to do with exchange regulations. Furthermore, rulings were also included in order to restructure obligations affected by this new regime, including all those relating to the financial sector as well as the public administration and all contracts pertaining to the non-financial private sector, specifying for which situations the old ratio of 1 peso = 1 US\$ would apply.

It was then decided to devalue the peso, fixing the base rate at 1.40 peso per US Dollar for all commercial transactions (official market), whereas all financial operations and others would be channelled towards the free market, with rates determined by supply and demand.

Additionally, the Ministry of Economy and the Central Bank issued further rulings relating to cash withdrawals from the financial sector, establishing general margins at pesos 300 per week or pesos 1,200 per month, but amplifying these margins for the payment of salaries and pensions. Simultaneously, a regime of reprogrammed expiry dates was established for bank deposits, to which end all accounts were consolidated at each entity, per holder, whereby all time deposits and balances in foreign currency of cash and savings accounts were, as mentioned before, consolidated, allowing in this latter case that certain amounts might be converted into pesos, permitting transfers to cash accounts expressed in pesos. Concerning the reimbursement of these "reprogrammed" deposits, various schemes were mooted, with a view to returning these sums in cash in monthly quotas, according to whether the original operations had been transacted in pesos or foreign currencies and also bearing in mind their magnitude.

With a view to making this new regime of reprogrammed deposits more flexible, as from the 20th of January 2002, authorisation was granted for the transfer of certain values to sight deposits in pesos; the conversion rate for these sums expressed in foreign currencies was fixed at 1.40 peso per dollar. Greater flexibility was also granted to certain sums, so long as they were applied to certain objectives (payment of wages and salaries and obligations opposite the State, the cancellation of certain financial operations) and

certain personal situations were also contemplated for greater flexibility, especially those concerning people of advanced age, particularly when the sums involved indemnities and insurance payments, as well as those relating to urgent medical treatments, both local and abroad.

Towards the beginning of February 2002, always within the context and implications of the Public Emergency Law and the constraints on the availability of funds in the financial system, the authorities, in an effort to restructure gradually this latter question, decided to “pesify” the economy. In the light of the stipulations of Decree 214 of 3rd February 2002, it was decided to convert into pesos all obligations concerning the payment of sums of money expressed in foreign currencies; the entirety of deposits in the system expressed in foreign currencies was converted into pesos at the ratio of pesos 1.40 per each US Dollar or its equivalent in other currencies, whereas all debts in foreign currencies opposite the financial entities were converted at the ratio of 1 Peso = 1 US Dollar. It was also determined that all these capital sums would be adjusted by a reference coefficient of stabilization (“CER”, in Spanish), calculated on the basis of the evolution of the retail price index, as well as the application of a minimum interest rate for deposits and a maximum interest rate for loans. Furthermore, that converted deposits of up to US\$ Thirty thousand could be exchanged for Dollar-denominated public bonds. Finally, all legal proceedings affected by these restrictions were suspended for 180 days and modifications were introduced to the Organic Charter of the Central Bank of the Argentine Republic and the Law of Financial Entities, in order to make easier the actions of this Central Bank, in the light of the gravity of the crisis.

At the same time, it was decided to modify the exchange regime which had been established – two markets: Official and Free –, substituting it by a sole and free exchange market wherein all operations of this nature would be channelled and transacted at a free, or floating, exchange rate, although the Central Bank reserved the right to subject these operations to its requisites and pertinent rulings, to be established (fundamentally, intervening in the market and requesting

prior authorization for remittances abroad). This market started off with the US Dollar being quoted at approximately 2,= pesos, a rate which rose gradually during the subsequent months despite interventions and measures adopted by the Central Bank.

Insofar as the disposal of funds in the banking system was concerned, various resolutions were adopted with a view to flexibilizing same at the same time as contributing towards the recovery of certain sectors. Thus the holders of time deposits were able to request the emission of certificates covering the value of each reprogrammed expiry date and certain deposits were freed, so long as these were applied to the cancellation of financial arrangements and the purchase of certain goods (properties and brand new vehicles, including agricultural, road – making and industrial machinery). A series of Government bonds were also launched, some expressed in US Dollars, of ten years’ extension and pesos, of five years’ extension, as an investment alternative, for holders of reprogrammed deposits. Furthermore, the issuance of bonds to cancel reprogrammed deposits and compensate financial entities for the negative patrimonial effects of the asymmetric pesification, were also contemplated (Decree 494/02).

At the same time, it was resolved that the public debt expressed in foreign currency, subject only to local laws, should be converted at the rate of 1.40 peso per Dollar and adjusted by the CER (Decree 471/02).

With a view to redesigning the new monetary and exchange policy, the Central Bank advanced in the application of a series of resolutions, amongst which it is worth noting:

- Sponsored a market for “banking acceptances”, so as to re – create a credit market for companies and so as to present another option to dollar transactions.
- The reception of time deposits for seven days and at a free rate of interest in either pesos or dollars was authorized.
- The purchase and sale of US Dollars by order and account of the Central Bank was established.
- The Central Bank intervened in the exchange market so as to moderate the constant increase in the peso price of the Dollar and daily information was

supplied concerning the quotation of the “reference dollar”.

- In order to regulate liquidity, count with a reference rate and diminish the pressure of the purchase of foreign currency, bills issued by the BCRA (LEBAC) were floated on the market.

- The regime concerning obligatory cash reserves was changed, eliminating the “minimum liquidity requirements” and maintaining the “minimum cash requirements” with augmented stipulations.

- Financial entities were allowed to receive LECOP and Patacones, for the payment of personal loans and credit cards.

The Central Bank, with the object of containing the increase in the exchange rate and avoiding the loss of divisens, changed its strategy and adopted a series of measures which made its monetary policy more harsh, restricting liquidity so as to increase the rate of interest. Among others, it decided to limit and make more expensive its discount system, tying this rate to that of its bills (LEBAC); it started punishing harshly entities not complying with the minimum encashment ratios; it cancelled rulings that permitted entities to grant credit to the non-financial public sector; it obliged banks to hand over excess amounts of foreign currency; it reduced the terms for the liquidation of divisens emanating from foreign trade operations; it extended the number of operators in foreign exchange “on account and by order of the BCRA”; it designed new instruments in order to increase the number of time deposits and without doubt, the most important measure, it incentivated the placement of LEBAC via the medium of high interest rates.

At the same time, difficulties were arising concerning the so-called “corralito” (or play pen), derived principally from the continuous exit of funds from the system (drip-drop effect) and attributed, to a high degree, to withdrawals originating in “amparos” (legal relief claims) disposed by the judiciary, in the light of claims by depositors. Notwithstanding this, towards the beginning of April the Central Bank resolved that the financial entities, on an optional basis, could pre-cancel reprogrammed deposits as from January 2003, all of which gave rise to heated controversies.

The aforementioned difficulties and other events of a political nature, brought in their train a prolonged banking and exchange holiday, towards the middle of April. Added to this must be mentioned the hurdles which arose in the National Congress, concerning the approval of legal proceedings that would permit an exit from the “corralito”, plus the failure to reach any sort of agreement with the IMF, all resulted in the resignation of the economic team.

4.4 Third Stage

(May to December 2002)

Within a context which was by no means easy, the new economic authorities commenced their operations, based on a scheme which revolved around the issue of Government bonds, as an alternative to the cancellation of reprogrammed deposits. Although certain sectors thought that this method of exchange should be of a compulsive nature, the new economic team maintained the principle of the free acceptance of these bonds on the part of the depositors and the advisability that the financial entities should offer an additional guarantee.

Meanwhile, towards the end of April, Congress had sanctioned Law 25,587, concerning precautionary measures covering summary judicial proceedings of relief (amparo), which permitted the effects of the retrieval of funds under this cause to be moderated. It was also resolved (Decree 762/02) to exempt from the application of the CER loans made to persons, backed by a mortgage guarantee on the sole property of said person; personal loans, up to the sum of US\$ 12,000, and up to US\$ 30,000, those covered by a pledge, all of which were being adjusted by the CVS (Coefficient of Variation of Salaries). This topic was the subject of much discussion in the legislative field.

Towards the beginning of June, Decree 905/02 was published, destined to obtain the restructuring of reprogrammed deposits via their exchange for bonds issued by the National Government (BODEN), expressed in Dollars and Pesos. This exchange operation was optional; i.e. susceptible to being accepted voluntarily by the depositors; the idea was to offer public bonds expressed in Dollars at the rate of

US\$ 100 nominal value per \$140 in reprogrammed deposits. These values would fall due within three years for persons undergoing special circumstances (advanced age, labour termination indemnities, life or health risk), as well as for savers with sums reprogrammed up to the value of 10,000 Pesos; all other cases would be extended to ten years from date of acceptance.

For deposits originally constituted in Pesos, the date of expiry for the bonds would be five years.

Those deposits which were not exchanged by this operation would continue being reprogrammed and would be inscribed in a special register at the Caja de Valores S.A. Finally, holders of BODEN would be able to apply them to the payment of mortgage credits covering a sole property and also towards personal loans, and even other types of financing, according to what the Central Bank (BCRA) decided, in due course.

The Decree in question determined the characteristics and conditions governing the emission of these BODEN, as well as the subscription procedure on the part of the banks; the question of pre-payments would also be covered by the Central Bank (BCRA). This Decree also established a new system of deposits: on the one hand, it foresaw the constitution of sight deposits in foreign currencies, so long as these resources were channelled towards the financing of foreign trade operations. On the other, it also created a system of current accounts, savings accounts and other sight accounts destined to receive new contributions in cash and other sources, freely disposable. There would be no limitations to the mobility of said resources and they would be free from the influence of other accounts, already in existence. Finally, it was decided to issue BODEN to the financial entities, as a means of compensating them for the negative patrimonial effects arising from the asymmetrical pesification, as well as from the transformation into pesos of the net negative position in foreign currencies.

Before the expiry date arrived for this exchange operation, the criteria which would apply so that the financial entities could offer additional enticements to the holders of reprogrammed deposits, were made known.

This exchange operation above-described did not yield the desired results by the authorities – the target was to achieve a 30% recovery of the frozen funds –, large differences being registered between the offerings of the various entities. This was attributed to the ongoing persistence of the retrieval of funds under the “amparos”, all of which reduced the interest in this operation on the part of savers, who were in the hope of obtaining favourable legal sentences which would allow them to recover their dollars at short notice.

Towards the end of June, the dollar quotation was approximating to Pesos 4,=, after which a slight decline in said quotation was noticed. During July, the greater supply of divisos on the part of exporters and the increase of the rate of interest in Pesos –which may be appreciated on analyzing the LEBAC yields– might well explain this circumstance. In line with this decision to restrain liquidity, the Central Bank (BCRA) authorized the constitution of fixed term deposits adjustable by the CER, so long as the funds were devoted to the acquisition of LEBAC, indexed by the same coefficient.

Towards the end of July, Decree 1,316/02 called for the suspension, during 120 days, of the compliance and execution of precautionary measures and definite sentences issued in judicial proceedings relating to claims on the freezing of deposits. At the same time, people affected by exceptional situations (old age, risk to life, health or physical integrity risks) who had not initiated legal proceedings, were permitted to request the return of their funds, at the appropriate administrative offices.

Furthermore, it was also resolved during the month of July to declare null and void certificates covering reprogrammed deposits issued under previous rulings, creating in their stead the denominated “CEDROS”, which instruments would be inscribed in the registry of the Caja de Valores S.A. Moreover, complementary rulings were also issued with a view to harmonizing this system of new, freely disposable, accounts, with those bearing certain restrictions, as well as stipulating in what manner the “CEDROS” could be applied to the cancellation of certain financial operations.

A lesser degree of volatility was to be appreciated in the financial markets during the subsequent months, during which the pressure on the dollar quotation moderated, interest rates also moderated and the “drip, drop effect” – sight deposits returned to a level requisite to attend to all transactions – international reserves rose again and the financial requirements on the part of the banks opposite the Central Bank (BCRA) also held steady. In order to reinforce this panorama and increase international reserves, the Central Bank (BCRA) introduced a series of restrictive measures on the exchange front.

Towards the middle of September Decree 1,836/02 was issued, which implemented a new reprogrammed deposits’ swap, with a view to resolving the difficult subject of the “corralón”. Exchange options, to be exercised on a voluntary basis by holders of deposits constituted in foreign currency, up to October 29, 2002, consisted in:

- Delivery of National Government bonds expressed in US Dollars at 10 ½ years validity, including an “option for the sale of coupons” to be exercised at the expiry date of each coupon.

- Transformation of the “CEDROS” into “fixed term bills”, expressed in Pesos and issued by a financial institution taking part in this recovery operation. At the same time, the holder would receive an “option of conversion into money of origin”, issued by the National Government, which afforded the right of obtaining the conversion into dollars of the values to be paid at the moment of the servicing of the bills.

- Cash payment of the certificates up to Pesos 7,000, a limit which could be amplified by the financial entities, up to Pesos 10,000.

These options were made extensive to the holders of bonds of the previous exchange operation (Decree 905/02), establishing at the same time the possibility of awarding new values to holders in exceptional circumstances (advanced age, etc.) and when the deposits had been realized with resources coming from trust agreements.

In the subsequent months, the situation improved: international reserves rose due principally to the greater liquidation of divisas held by exporters, there was less pressure on the dollar quotation, the increased money

supply deriving from the continuing interventions by the Central Bank (BCRA) were reflected in a diminution of the rate of interest and bank deposits in the system grew, particularly those on a fixed term.

Nevertheless, one had to note the difficulties arising from negotiations with the IMF which became accentuated when debts were not paid opposite international credit organizations.

For its part, the exchange II operation did not meet with the degree of success which had been expected, the expiry date being twice extended so as to entice deposit holders to leave the “corralón” and even introducing improvements in certain conditions of this operation, so as to make it more attractive. The announcement of a possible resolution by the Supreme Court calling for the unconstitutionality of the pesification of deposits and the meagre results attending Government efforts in the judicial sphere to obtain the paralización of “amparos”, were factors that made the exchange II operation not very popular.

At the beginning of November margins were raised covering withdrawals of cash from restricted deposit accounts. For persons, these minima were raised to Pesos 500 per week or 2,000 per month, whereas for entities (legal entities) the minima were maintained at Pesos 300 and Pesos 1,200, respectively. Towards the end of said month, it was resolved (Resolution 668/02 of the Ministry of Economy) to eliminate definitely restrictions covering sight deposits (current accounts and savings accounts) in the financial system, thus eliminating the so-called “corralito” (play pen). This measure did not bring in its train additional pressures on the exchange market.

Towards the end of December, the situation in the exchange market allowed the adoption of measures destined to alleviate the established exchange control regime, permitting greater fluidity in external payments and transactions generally.

However, at the end of the year, no adequate solution had been discovered for the “corralón”, the banking credit regime was not functioning, no agreement had been reached with the IMF and negotiations concerning the public debt were bogged down.

V. Allocation of the Resources of the Deposit Guarantee Fund, Financial Trust Agreements and other Forms

I. General Comment

SEDESA, in its capacity of administrator of the Deposit Guarantee Fund (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, granted loans in four (4) opportunities, acquired assets on two (2) occasions, acquired participations in trust agreements in fourteen (14) cases, and in the partial acquisition of deposits of a suspended entity, on one (1) occasion.

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 in line with the other intervening financial entities and, if it were the case, the Central Bank (BCRA), it is beneficiary of the trust agreement, receiving the certificates of participation issued by the trustee. Thus, SEDESA has participated up to now in the constitution of 15 trust agreements, in 10 of which financial entities act as trustees.

The total contributions for these concepts amounted to \$ 1,750.60 million (including \$ 110.39 million of non-reimbursable contributions). See Table IX –Cases administered by the DGF up to 31/12/02– Pages 48 to 51.

More than 54% of the total assistance granted by the DGF took place during fiscal years 1998 (26.8%) and 2002 (27.4%).

2. Cases administered during Fiscal Year 2002

2.1 Trust Agreements constituted

During the fiscal year, the DGF participated, together with other financial entities, in a financial trust agreement on mortgage portfolio and a loan was also granted, constituting a trust agreement in guarantee on public bonds, to wit:

2.1.1. At the beginning of the month of March 2002, the Banco de Galicia requested the financial assistance of the DGF in support of a regularization and rehabilitation plan, and the Steering Committee decided to grant said assistance through a loan in US Dollars equivalent to \$ 200 million and, in a complementary manner, on 21/03/02, it was decided to participate in a trust agreement constituted by the mortgage portfolio of the entity for \$ 21 million.

2.1.2. Within the restructuring plan of Scotiabank Quilmes S.A., the banks Comafi S.A. and Bansud S.A. submitted to the Board of Directors of said entity and to the authorities of the Central Bank (BCRA), an offer for the assumption of certain privileged liabilities and the transfer to a trust agreement of the assets of the entity, requesting, at the same time, a contribution from SEDESA in its capacity of administrator of the DGF for a total of \$ 190 million, destined 65% to the Banco Comafi S.A. and 35% to the Banco Bansud S.A.

Said operation, duly approved by the Central Bank (BCRA), took place through a temporary loan agreement (“mutuo” or loan for consumable items) guaranteed by two trust agreements constituted with public bonds issued by the national government, and Banco Comafi S.A. and Banco Bansud S.A. assumed the privileged liabilities of Scotiabank Quilmes S.A.

2.2 Direct Acquisition of Assets

In view of the situation which the Banco de la Edificadora de Olavarría S.A. (BEO) was going through, the Central Bank (BCRA) approved the proposal of assumption of liabilities and assets from said Bank submitted by Banco Columbia S.A. SEDESA, as administrator of the DGF, acquired the assets of the BEO, transferring to Banco Columbia S.A. \$ 27 million in cash and \$ 28 million in public bonds (nominal value) issued by the national government.

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 with the fulfilment of the respective trust agreements' contracts.

4. Summary of Cases

Table VIII details the annual assistance disbursed by SEDESA, in its capacity of Administrator of the DGF:

Fiscal Year	Disbursements in million pesos	Percentage
1996	0.66	0.04
1997	275.54	15.74
1998	468.36	26.75
1999	330.55	18.88
2000	37.99	2.17
2001	157.68	9.01
2002	479.82	27.41
TOTALS	1,750.60	100.0%

5. Main characteristics of the Financial Assistance granted

Table IX describes the main characteristics of the trust agreements of which SEDESA –as trustee of the DGF- is beneficiary. Likewise, it points out the assistance to financial entities as non-reimbursable contributions, granting of loans, purchase of the credit

portfolio, purchase of all the assets of a former entity and also two cases, in one of which payment of the guarantee to the depositors was made (Section 10 bis, paragraph a), Decree 540/95 and its amendments), while in the other the deposits were partially acquired (Section I, second paragraph, Law N° 24,485 and paragraph d), Decree 540/95 and its modifications).

Entity	Beneficiary of Assistance	Type of Assistance/ Transaction	Observations	Disbursement		Guaranteed Deposits
				Date	Amount	
Caja de Crédito Pavón Coop. Ltda.	Direct payment of the guarantee to the depositors of the entity	Sect. 10 bis para.a) Decree 540/95 and its modifications	Payment of the guarantee	Dec.-96	0.66	1.05
Banco Unión Comercial e Industrial S.A. (BUCI)	Corp. Banca S.A. (Trust Agreement Corp Banca)	Partial acquisition of deposits	Incorporated to the Trust Agreement	Feb-97	23.69	118.00
		Contribution to a Trust Agreement constituted with certain assets from the BUCI	Corp Banca S.A. acquired certain assets and took charge of the payment of deposits of the BUCI	May-97	94.23	
					117.92	
Banco Coop. de Caseros S.A.	Banco de Crédito Argentino S.A. (Trust Agreement Caseros)	Contribution to a Trust Agreement constituted with certain assets of the Banco Coop de Caseros S.A.	The Banco de Crédito Argentino S.A. acquired certain assets and took charge of the payment of deposits from Banco Caseros S.A.	Apr - Jul 97	73.74	76.60
Banco Platense S.A.	Banco Municipal de La Plata BMLP	Non-reimbursable contribution	The BMLP acquired certain assets and took charge of the payment of deposits of Banco Platense S.A.	Jun-97	13.00	19.10
		Acquisition of Corporate Bonds		Jun-97	5.00	
					18.00	
Nuevo Banco de Azul S.A.	Nuevo Banco Industrial de Azul S.A. (NBIASA) NBIASA (Fideicomiso Nuevo Banco Azul)	Loan	Loan granted to NBIASA to strengthen its computable shareholders' equity in view of the offer to acquire certain assets and the liabilities of Nuevo Banco de Azul S.A.	May-97	2.00	12.40
		Contribution to a Trust Agreement constituted with certain credit assets of the Nuevo Banco de Azul S.A.	NBIASA acquired certain assets and took charge of the payment of deposits of Nuevo Banco de Azul S.A.	Aug-97	6.65	
				Jan-99	0.34	
			8.99			
Banco Coopesur C.L.	Banco Credicoop C.L. (Trust Agreement Coopesur)	Contribution to a Trust Agreement constituted with certain assets of Banco Coopesur C.L.	Banco Credicoop C.L. acquired certain assets and took charge of the payment of deposits of Banco Coopesur C.L.	Jun - Sept 97	39.80	43.20
Banco de Crédito Provincial S.A. (BCP)	Mercobank S.A. (Trust Agreement Mercobank)	Non-reimbursable contribution	Mercobank S.A. acquired certain assets and took charge of the payment of deposits of Banco de Crédito Provincial S.A.	Oct - Nov 97	17.43	117.00
				May-98	69.57	
				Jul-98	0.99	
		May-98		7.80		
		Sep-99		0.20		
					95.99	

Entity	Beneficiary of Assistance	Type of Assistance/ Transaction	Observations	Disbursement		Guaranteed Deposits
				Date	Amount	
Banco Argencoop C.L.	Banco Credicoop C.L. (Trust Agreement Argencoop)	Contribution to a Trust Agreement constituted with certain assets of Banco Argencoop C.L.	Banco Credicoop C.L. acquired certain assets and took charge of the payment of deposits of Banco Argencoop C.L.	Jan-98	60.00	88.70
		Payment of indemnities		May-01	0.24	
		Payment of indemnities		Mar - Oct 02	1.20	
					61.44	
Banco Patricios S.A.	Banco Mayo C.L. (Trust Agreements Mayo I and II)	Partial acquisition of deposits	Incorporated to the Trust Agreements	Apr - Jul 98	26.10	138.51
		Contribution to two Trust Agreements constituted with certain credit and non-credit assets of the former Banco Patricios S.A.	Banco Mayo C.L. acquired certain assets and took charge of the payment of deposits of Banco Patricios S.A.	Jul-98	98.90	
					125.00	
Banco Mayo C.L.	Citibank N.A. and other entities (Trust Agreement Acex)	Contribution to a Trust Agreement constituted with certain assets of Banco Mayo C.L.	Citibank NA and other entities subscribed certificates of participation in a Trust Agreement constituted with certain assets of Banco Mayo C.L. and took charge of the payment of its deposits	Dec-98	200.00	360.40
				Jan - Dec 99	150.00	
					350.00	
Banco Almafuerde C.L.	8 entities (Trust Agreement NUES)	Contribution to a Trust Agreement constituted with certain assets of Banco Almafuerde C.L.	The Banks BBVA Banco Francés, Credicop, Bisel, Galicia, Macro, de San Juan and Suquía subscribed certificates of participation in a Trust Agreement constituted with certain assets of Banco Almafuerde C.L. and took charge of the payment of its deposits	Dec-98	5.00	98.54
				Jan - Nov 99	55.00	
					60.00	
Banco Israelita de Córdoba S.A.	6 entities (Trust Agreement SUMA)	Contribution to a Trust Agreement constituted with certain assets of Banco Israelita de Córdoba S.A.:	The Banks Bisel, Macro, BNL, Sudameris and Supervielle Société Générale subscribed certificates of participation in a Trust Agreement constituted with certain assets of Banco Israelita de Córdoba S.A. and took charge of the payment of its deposits	Mar - Dec 99	50.00	145.90
				Jan - Feb 00	10.00	
					60.00	

Entity	Beneficiary of Assistance	Type of Assistance/ Transaction	Observations	Disbursement		Guaranteed Deposits
				Date	Amount	
Banco de Mendoza S.A.	10 entities (Trust Agreement Mendoza)	Contribution to a Trust Agreement constituted with certain assets of Banco de Mendoza S.A.	The Banks BBVA Banco Francés, Citibank N.A., Credicoop, Nación, Galicia, Macro, de San Juan, HSBC, Velox and Suquia subscribed certificates of participation in a Trust Agreement constituted with certain assets of Banco de Mendoza S.A. and took charge of the payment of its deposits	Apr - Dec 99	75.01	220.88
				Jan - Mar 00	24.99	
					100.00	
Luján Williams C.F. S.A.	Banco Sudameris Argentina S.A. (Trust Agreement Lujan)	Contribution to a Trust Agreement constituted with certain assets of Cia. Fciera. Luján Williams S.A.	Banco Sudameris S.A. acquired certain assets and took charge of the payment of deposits of Cia. Fciera. Luján Williams S.A.	Jun-00	3.00	7.40
Mercobank S.A.	10 entities (Trust Agreement Diagonal)	Contribution to a Trust Agreement constituted with certain assets of Mercobank S.A.	The Banks BBVA Banco Francés, Credicoop, Galicia, Nación, Suquia, Sudameris, Bisel, Rio de la Plata, Ciudad and BNL subscribed certificates of participation in a Trust Agreement constituted with certain assets of Mercobank and took charge of the payment of its deposits	Jan - Apr 01	130.00	138.80
Caja de Crédito Varela S.A.	Caja de Crédito Coop. La Capital del Plata Ltda.	Credit Cession and Collection Management Contract with Caja de Crédito Coop. La Capital del Plata Ltda.	Assets transfer from Caja de Crédito Varela S.A and assumption of its privileged liabilities	May-01	1.70	2.30
Banco Balcarce S.A.	5 entities (Trust Agreement BALCA)	Contribution to a Trust Agreement constituted with certain assets of Banco de Balcarce S.A.	The Banks Credicoop, Galicia, Sudameris, San Luis and NBIASA subscribed certificates of participation in a Trust Agreement constituted with certain assets of Banco de Balcarce S.A. and took charge of the payment of its deposits	Sep-01	16.34	19.37
		Deposits contingency	Contingent amount 2.56			
Caja de Crédito Floresta Luro Vélez Coop. Ltda.	Banco de la Ciudad de Buenos Aires	Non-reimbursable contribution	Banco de la Ciudad de Buenos Aires took charge of the privileged liabilities of the entity	Dec-01	9.40	10.80

Table IX Cases administered by the DGF up to 31/12/2002 (Amounts in million pesos) (Continued)

Entity	Beneficiary of Assistance	Type of Assistance/ Transaction	Observations	Disbursement		Guaranteed Deposits
				Date	Amount	
Banco de Galicia y Bs.As. S.A.	Banco de Galicia y Bs.As. S.A.	Loan	Loan Contract dated March 21 2002	May-02	200.00	
		Loan through contribution to a Trust Agreement constituted with mortgage portfolio of Banco de Galicia with participation of a group of entities		May-02	21.00	
					221.00	
Scotiabank Quilmes S.A.	Holders of salary payment accounts	Partial acquisition of deposits	Section 1° second paragraph of Law 24,485 (text Law N° 25,089) The Banks Bansud and Comafi subscribed certificates of participation in a Trust Agreement constituted with certain assets of Scotiabank Quilmes S.A. and took charge of the payment of its deposits	May-02	12.63	253.30
	Banco Comafi S.A.	Loan of Consumable Goods Contract guaranteed by Two Trust Agreements constituted with Public Bonds in Foreign Currency		Sep-02	123.50	
					66.50	
					202.63	
Banco Bansud S.A.						
Banco de la Edificadora de Olavarría S.A. (BEO)	Columbia Cia. Fin. S.A. (now Banco Columbia S.A.)	Contract of Transfer of Assets from Columbia to the DGF	Columbia Cia Fin. S.A transferred to the DGF certain assets of the BEO and took charge of the payment of its deposits	Dec-02	54.99 ⁽¹⁾	47.50
TOTALS					1,750.60	1,919.75

Ratio assistance granted / guaranteed deposits of the entities (It does not include loans to entity (Sect. 34 Law of Financial Entities) of paragraph b) of Decree 540/95 and its modifications.

79.68%

(1) The assistance consisted in the payment of \$ 27 million, plus public bonds for a residual value of up to \$ 21.21 million and of up to US\$ 1.48 million; and plus BODEN for a value equivalent to \$ 5.3 million; the total amount reached \$ 54.99 million. It should be clarified that the market value of the public bonds delivered was of \$ 7.46 million, therefore the net assistance was of \$ 39.76 million.

Summary of assistance from the DGF up to 31/12/2002 (in million pesos)

Section 10 bis Decree 540/95 and its modifications

Paragraph	Type of assistance/Transaction	Amount
Paragraph a)	Payment of the guarantee to the depositors of the entity	0.66
Paragraph b)	Loans to entities which took charge of privileged liabilities	197.00
	Loans to entity (Sect. 34 Law of Financial Entities)	221.00
	Non-reimbursable contributions to entities which took charge of privileged liabilities	110.39
Paragraph c)	Contributions to entities which took charge of privileged liabilities, through the purchase of participations in financial trust agreements	1,152.23
	Purchase of credit portfolio of former entity from the entity which took charge of its privileged liabilities	1.70
	Purchase of excluded assets of the former entity from the entity which took charge of its privileged liabilities	54.99
Paragraph d)	Partial acquisition of deposits of suspended entity - payment of the guarantee to the holders of deposits in salary payment accounts-	12.63
TOTAL		1,750.60

VI. Deposit Guarantee Fund (DGF)

I. Passive Transactions

As a consequence of Decree 214/02 of 03/02/02, Communiqué "A" 3507 of the Central Bank (BCRA) established that all liabilities arising from the contract subscribed between SEDESA, as trustee of the DGF, and 93 financial entities at the beginning of 2000, be converted into pesos at the ratio of one peso per US dollar.

During fiscal year 2002, SEDESA, in its capacity of trustee of the DGF, continued fulfilling the obligations derived from the Contract of Supply of Loans, with the changes established by the above-mentioned regulations, plus those arising from Communiqué "A" 3721.

Owing to different reasons, seven entities requested SEDESA to cancel in advance the loans granted. In view of the relevance of the motives adduced, it was decided to give a favourable answer to the request. The total of pre-cancelled loans during fiscal year 2002 amounted to \$ 4,729,450.

As at 31 December 2002 the debt for capital and accrued interests amounted to \$ 144.6 million.

2. Evolution of the DGF

The inflow of funds to the DGF in 2002 amounted to \$ 1,249.7 million, as per the following detail:

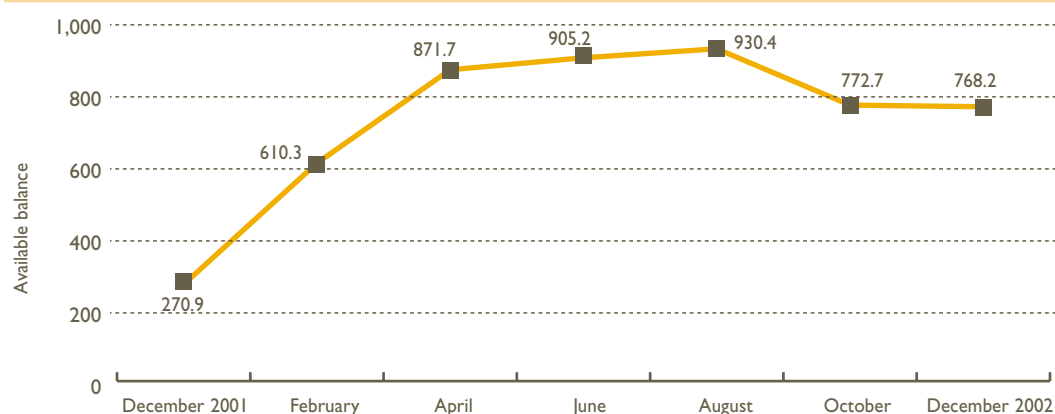
	Million \$	%
• Exchange differences	744.7	59.6
• Monthly assessments of financial entities	295.4	23.6
• Stand-by Repo's Facilities Programme (BCRA)	149.6	12.0
• Financial income from investment of funds	26.2	2.1
• Recoveries of financial trust agreements, collection of credits assigned in favour of SEDESA	14.2	1.1
• Loan collection	9.3	0.8
• Other concepts	10.3	0.8
Totals	1,249.7	100

The monthly evolution of the available balance of the DGF may be observed in the following table:

Month	Total Income	Total Disbursements	DGF Available Balance	Deposits of the Financial System	Ratio Available Balance/Deposits
December 2001			270.9		
January	257.2	1.3	526.8	63,726	0.83%
February	83.6	0.1	610.3	73,030	0.84%
March	258.2	23.4	845.1	70,981	1.19%
April	176.9	150.3	871.7	65,563	1.33%
May	159.6	209.6	821.7	61,160	1.34%
June	88.8	5.3	905.2	58,728	1.54%
July	32.9	22.6	915.5	57,068	1.60%
August	30.0	15.1	930.4	57,480	1.62%
September	53.1	195.3	788.2	58,333	1.35%
October	32.1	47.6	772.7	59,292	1.30%
November	48.5	1.0	820.2	60,061	1.37%
December 2002	28.8	80.8	768.2	60,741	1.26%

Chart 15 Evolution of the available balance

Values expressed in \$ million



The ratio Available Balance/Deposits showed during the year an average of 1.3% as compared with 0.29% registered in the previous fiscal year. This sharp increase in the relative participation of the Available Balance reflects the criterion adopted for the investment of same, i.e., in AAA bonds issued by central

governments of member countries of the Organization for Economic Cooperation and Development (OECD), a decision which avoided the monetary deterioration as a consequence of the crisis which took place during the fiscal year under consideration.

3. Origin and Allocation of Funds

The DGF received from the entities, as from the beginning of the regime in May 1995, the amount of pesos 1,786.5 million by way of assessments, which represents 61.0% of its income; adding other concepts,

its total income amounts to \$ 2,930.7 million.

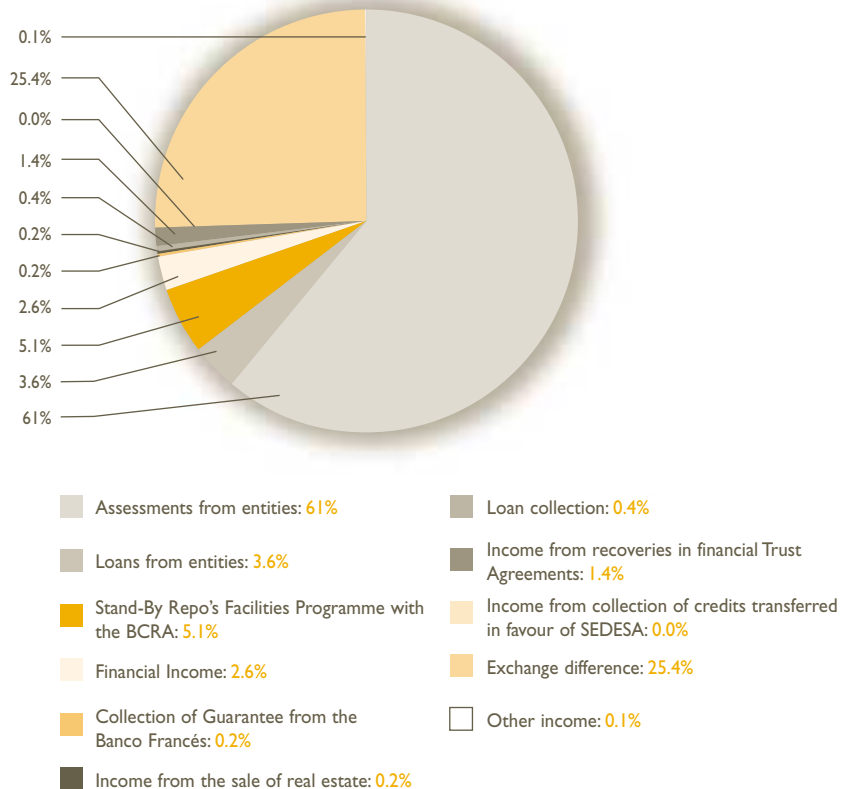
A 58.3% of these resources was destined to cover requirements of troubled financial entities and a 26.2% constitutes the Available Balance as at 31 December 2002.

Table XI Origin and Allocation of Funds of the DGF (since May 1995 to 31 December 2002)
Amounts expressed in million pesos and not adjusted by inflation

	Amount	%
Origin		
Assessments from Entities	1,786.5	61.0
Loans from Entities	106.6	3.6
Stand-By Repo's Facilities Programme (BCRA)	149.6	5.1
Financial Income	76.2	2.6
Collection of Guarantee Banco Francés	6.3	0.2
Income from sale of real estate	5.0	0.2
Collection of loans	12.5	0.4
Income from recovery in financial Trust Agreements	40.6	1.4
Income for collection of credits transferred in favour of SEDESA	1.1	0.0
Exchange difference	744.7	25.4
Other income	1.6	0.1
Total Origin	2,930.7	100.0
Allocation		
Payment of Guarantees (Sect.10 bis, para. a) Decree 540/95 & its modifications)	0.7	0.0
Reimbursement of balances of accounts for the payment of salaries	12.8	0.4
Assistance to entities (Sect. 10 bis Decree 540/95 and its modifications)		
Detail		
For contributions to Trust Agreements	1,148.4	39.2
For non-reimbursable contributions	110.4	3.8
For loans convertible into Corporate Bonds	5.0	0.2
For Loans	407.4	13.9
For transfer of credits	1.7	0.1
For acquisition of assets	23.0	0.8
Reimbursement difference guarantee Banco Francés	4.6	0.2
Anticipated reimbursement of loans	4.3	0.1
Payments swap programme	124.6	4.3
Transactions Stand-By Repo's Facilities Programme (BCRA)	149.6	5.1
Exchange difference	141.7	4.8
Financial Interests	10.8	0.4
Administrative Expenses	12.5	0.4
Reprogrammed Deposits Banco de Galicia	1.6	0.1
Other expenses	3.4	0.1
Total Allocations	2,162.5	73.8
Balance Available of the DGF as at 31 December 2002	768.2	26.2
Total	2,930.7	100.0

Chart 16 Origin and allocation of funds of the DGF up to 31/12/2002

Origin of Funds (Accumulated)



Allocation of Funds (Accumulated)

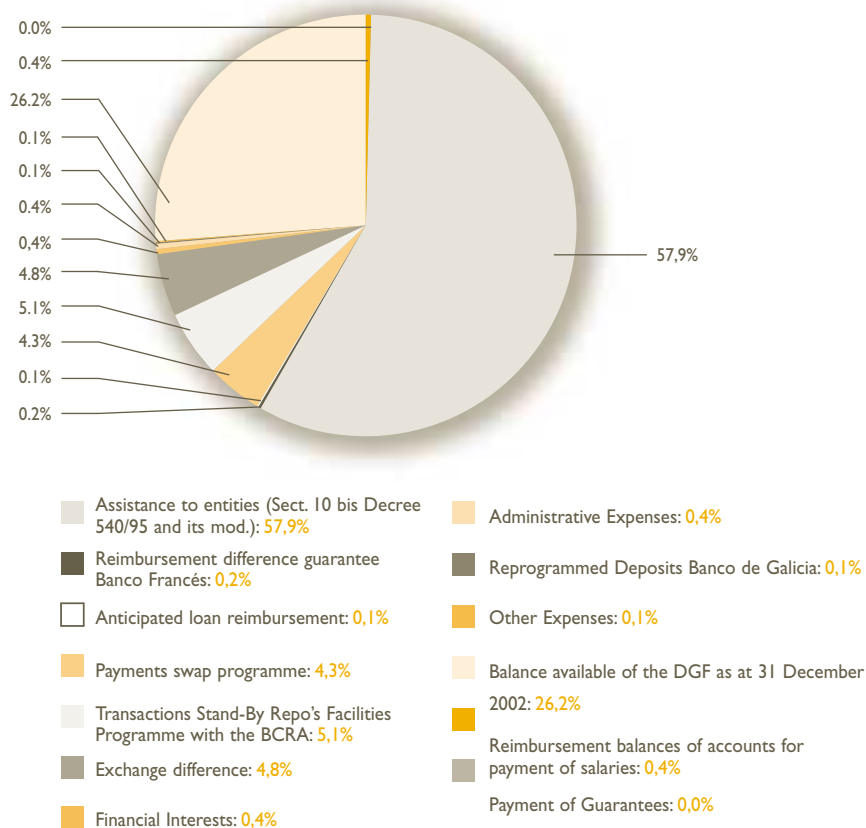
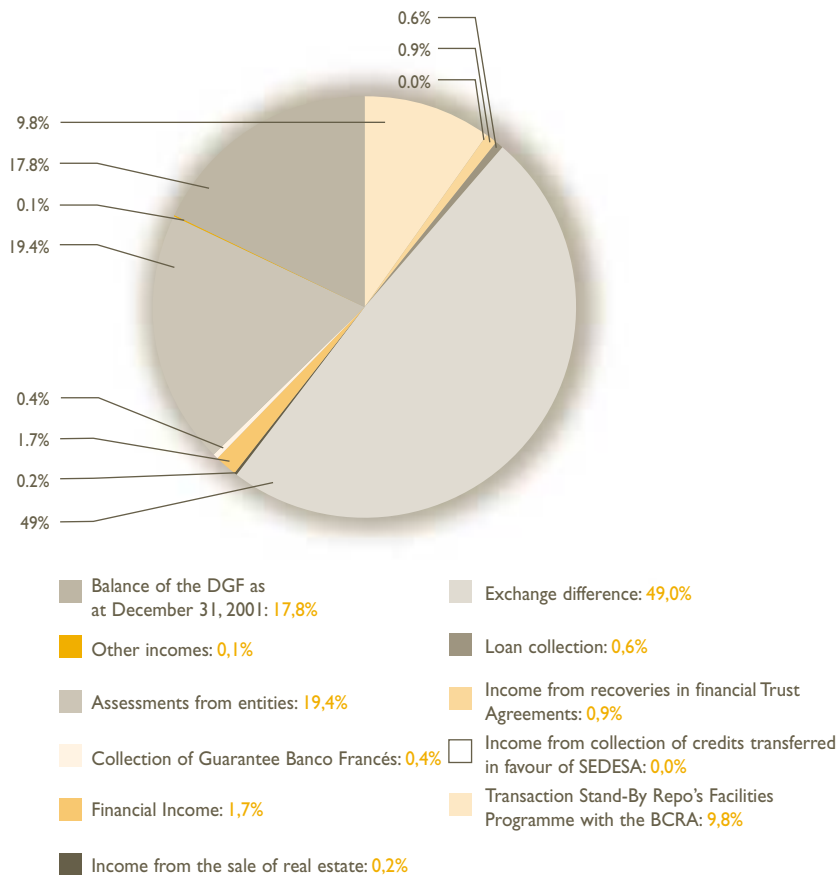


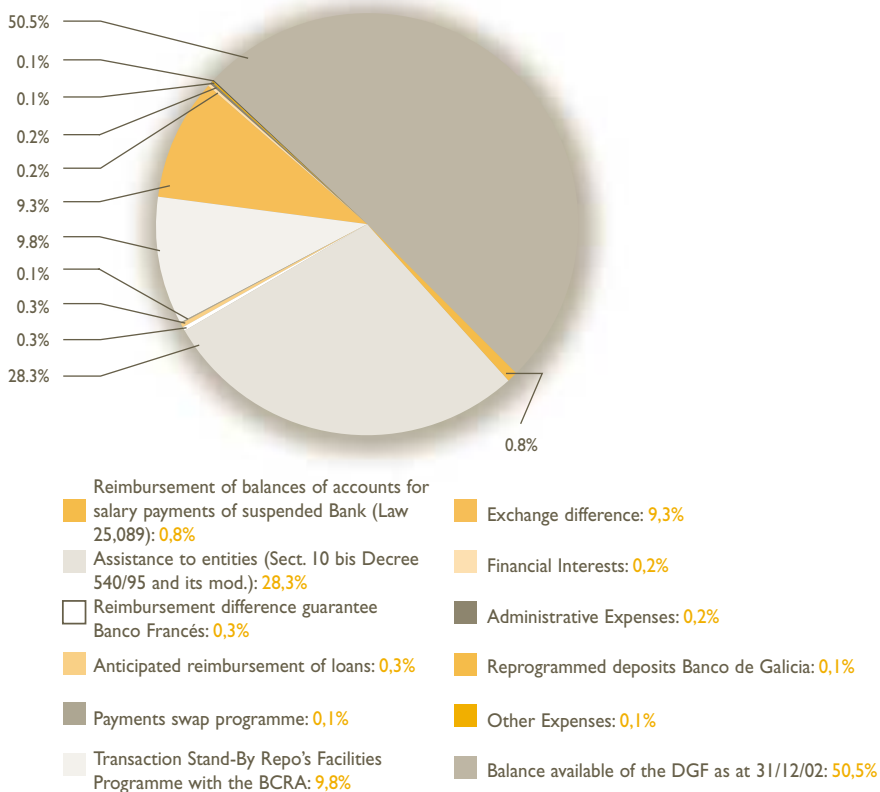
Table XII Origin and allocation of funds of the DGF (fiscal year 2002)		
<i>Amounts expressed in million pesos and not adjusted by inflation</i>		
	Amount	%
Balance available of the DGF as at 31 December 2001	270.9	17.8
Origin		
Assessments from entities	295.4	19.4
Transaction Stand-By Repo's Facilities Programme with the BCRA	149.6	9.8
Financial Income	26.2	1.7
Collection of Guarantee Banco Francés	6.3	0.4
Income from the sale of real estate	2.6	0.2
Loan Collection	9.3	0.6
Income from recoveries in financial Trust Agreements	13.5	0.9
Income from collection of credits transferred in favour of SEDESA	0.7	0.1
Exchange Difference	744.7	49.0
Other income	1.4	0.1
Total Origin	1,520.6	100.0
Allocation		
Reimbursement of balances of accounts for the payment of salaries of suspended Bank (law 25,089)	12.8	0.8
Assistance to entities (Sect. 10 bis of Decree 540/95 and its modifications)		
Detail		
For contributions to Trust Agreements	1.2	0.1
For loans	405.4	26.7
For acquisition of assets	23.0	1.5
Reimbursement difference guarantee Banco Francés	4.6	0.3
Anticipated reimbursement of loans	4.3	0.3
Payments swap programme	0.9	0.1
Transaction Stand-By Repo's Facilities Programme with the BCRA	149.6	9.8
Exchange difference	141.7	9.3
Financial Interests	2.4	0.2
Administrative Expenses	3.8	0.2
Reprogrammed deposits Banco de Galicia	1.6	0.1
Other expenses	1.1	0.1
Total Allocations	752.4	49.5
Available balance of the DGF as at 31 December 2002	768.2	50.5
Total	1,520.6	100.0

Chart 17 Origin and allocation of funds of the DGF for fiscal year 2002

Origin of Funds (2002)



Allocation of Funds (2002)



VII. Banking Liquidity Fund (BLF)

I. Compliance with measures foreseen in the original Decree

A Banking Liquidity Fund (BLF) was created by Decree N° 32 of 26 December 2001, as one of the measures destined to face the crisis. It was resolved that all financial entities should constitute this fund through the subscriptions of certificates of participation Class "A", via a sum representing up to 5% of the daily average of the balance in deposits of the private sector, in pesos and foreign moneys, drawn up at each of the entities of the financial system during the month of November 2001. This sum could be increased by up to an additional 50%, in the light of a decision by the Central Bank. Consequently, the subscription rate was raised to 6% of said deposits during November. As from 1st March 2002, this rate was reduced to 1.9%, with the proviso that these sums could be deducted from the minimum encashment level. As from 15th March 2002, the rate in question was increased to 3.5% and then reduced to zero as from 10th May 2002. The above-mentioned certificates of participation were never issued.

In accordance with what was laid down in Section 2 of Decree 32/01, a Trust Agreement between the Central Bank as trustor, in representation of the State and acting on behalf of the financial entities, and Sedesa as Trustee and Administrator of the assets in its trust, was signed on 17th January 2002. Towards this end,

modifications to the By-Laws of Sedesa were made, which widened its scope, as it now may exercise functions of trusteeship on behalf of the National Government or the Central Bank of the Argentine Republic.

2. Loans by the BLF

On 2nd January 2002 Sedesa –Seguro de Depósitos S.A.- in its capacity of trustee of the BLF, subscribed two Swap Contracts: one with the Banco de Galicia y Buenos Aires S.A. and another with the Banco de la Nación Argentina, through which the BLF purchases and obliges itself to sell, and the entities in question cede and then oblige themselves to repurchase between the space of thirty days, certain portfolios of loans (awarded to Provinces and then presented to the exchange of debt laid down by Decree 1,387/01 and complementary regulations of the National Executive Branch).

These operations took place in guarantee of the aid granted to these financial entities, to the sum of \$ 784 million (originally US\$ 560 million) corresponding to operations decided by the Steering Committee (Section 7 of Decree 32/01) pesified at the exchange rate of 1 US\$ = \$ 1.40, in accordance with what was established by Communiqué "A" 3675 of 30/07/02.

On 25th April 2002 these operations were cancelled.

VIII. Activities and tasks

I. Administration and finance

Sedesa's eighth fiscal year obliged this institution to face entirely new circumstances, in the light of the extremely grave situation affecting the country generally and the financial system in particular, during the year 2002. These adverse circumstances, which called for abrupt changes and redoubled efforts in the search for optimum levels of organization, were addressed without damaging sound principles of economic administration. Within this general appreciation of events, the following highlights should be underlined:

I.1. Investments

The resources of the Deposit Guarantee Fund must be invested under conditions similar to those laid down by the Central Bank for the placing of international reserves, as determined by Section 10 of Decree 540/95.

During the fiscal year under consideration the policy observed in the financial administration of the DGF was maintained in line with the above-mentioned guidelines, notwithstanding the difficulties that emerged due to the seriousness of the crisis. This policy enabled Sedesa to maintain an adequate liquidity in its placements without jeopardizing same and also permitted the best results possible, from the point of view of yield.

I.2. Information concerning the available balance of the DGF

In the light of what is laid down by Section 10 of Decree 540/95 and its amendments, Sedesa informs the public and the Superintendence of Financial and Exchange Entities of the Central Bank, on a monthly basis, the balance available of the DGF; to this latter entity, via the dispatch of the corresponding information certified by the external auditors and, to the general public, via the pages of the Official Gazette.

I.3. Premises

As from the year 2001, Sedesa is located in its new offices on Avda. Corrientes 311, 10th Floor, Buenos Aires. During the fiscal period under review and as a consequence of increased obligations, a necessity arose to acquire further space for offices and therefore the 11th floor in the same building was purchased, which allowed a better use of the enlarged area, from every point of view, particularly administrative and organizational.

The building itself is well situated, near the banking district, and now counts with all the modern conveniences, plus the latest advances in security and control.

From the point of view of useful space, the new offices are a great improvement on Sedesa's previous see, all within a modern design which makes a better use of the space available.

Amongst the improvements incorporated, one should mention an identification system for the control of both incoming and outgoing personnel and third parties. Furthermore, a fireproof archive was constructed, in which to keep documentation and other elements which are essential to the proper functioning of Sedesa.

2. Exchange with other countries

As is customary, SEDESA was happy to collaborate with other similar entities during the year under review. Thus, consultations made by the Guarantee Fund of Financial Institutions (FOGAFIN) of Colombia, relating to operational aspects of this society, were attended to, as well as appeals for information from the Banco Central del Uruguay and other deposit insurance agencies.

Furthermore, and as is also customary, appeals for information coming from university students, both local and foreign, were met with usual dispatch.

3. Corporation aspects

At the Extraordinary and Ordinary Shareholders Meeting, which took place at Sedesa's new premises on 7th February 2002, members of the Board and Syndics' Committee were elected for three fiscal years. Furthermore, Section 15 of the By-Laws was modified so as to bring it into line with what is laid down by Section 237 of the Law of Business Associations, as well as reforming Section 3 (Social Purpose) and 13 (Attributions of the Board) of said By-Laws, in line with what was determined by Section 8 and related provisions of Decree N° 32, of 26/12/01, whereby the BLF was created.

The Ordinary Shareholders Meeting of 29th May 2002 took place at the new premises and approved the Annual Report and Financial Statements and other pertinent documents under consideration, corresponding to the fiscal year which terminated on 31st December 2001. This Meeting also decided upon the destination of the results of the fiscal year in question and approved the labours of the Board and Syndics' Committee.

According to what is foreseen in Section 10 bis of Decree 540/95 and its amendments, on 7th February 2002 the election of the members of the Steering Committee responsible for deciding upon the operations to be made with the resources of the DGF, took place. Said Steering Committee, whose decisions are binding for SEDESA, is made up by one representative of the Central Bank, in the chair, and five members representing the entities who contribute to the DGF. Whereas the first named has the right of veto but is not entitled to vote, the remaining members vote in proportion to the assessments made to the Fund by the entities they represent.

SEDESA's international connections are becoming intensified, not only because of the technical assistance activities mentioned briefly in the foregoing section, but also because of direct contacts made by the Presidency (see box on page 61).

4. General Secretariat

The activities of this Secretariat became enhanced due to the special and dire economic circumstances affecting Argentina in 2002, reflected principally in the organization of meetings of the Board and Steering Committee, which may be summarized in the preparation and elaboration of 65 minutes of the former and 21 minutes of the latter. These bare figures do not truly reflect the magnitude of the administrative support demanded by such a hectic activity, which resulted in the realization of summons, co-ordination and preparation of the pertinent documentation and ancillary activities.

At the same time, the interchange of correspondence increased appreciably on the level attained in the previous year. In effect, 1,266 notes were received and 841 communications were dispatched, during the period under review, representing increments of 62% and 71% respectively, over the previous period.

The distribution of the above mentioned correspondence is as follows:

Incoming			
BCRA	Trust Agreements	Other	Total
125	984	157	1,266

Outgoing			
BCRA	Trust Agreements	Other	Total
174	501	166	841

Another of the relevant functions of this Secretariat is the permanent assistance, in matters of administration and control of Trust Agreements, plus the organization of the archives of this society.

Moreover, transcriptions concerning translations of documents into other languages, are carried out in

line with pertinent requirements (annual report and Symposia documents, etc.).

The Secretariat also undertakes the organization and covers the logistics of all travel arrangements

undertaken by officers of Sedesa, as a means of providing assistance to the various financial entities requiring same, plus all other administrative tasks inherent to Sedesa's overall responsibility.

International Connections

During 2002 the international activities of SEDESA were intensified. 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 follows:

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 Association of Deposit Insurers

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

Activities undertaken

Sedesa's obligations in the sphere of information technology required, during the year 2002, the implementation of new services in this field, as well as a constant up-dating of those already established. The following salient aspects may be noted:

- Permanent up-dating of the logical security of data concerning the correct functioning of Sedesa.
- Expansion in the quantity of work stations via the use of hardware of two entities being assisted financially, which transferred their corresponding assets.
- Commissioning of back-up service (file server and

firewall), recycling machines received from the above-mentioned entities.

- Improvement of the mechanism (application) destined to perform the calculation of the deposit guarantee ratios, for those entities which required assistance during the year under review.
- Improvement in the system of calculation of deposit guarantee ratios, aimed at achieving a system which offers advantages to the user, flexibilizing its calculation in its diverse variants.
- Improvements in the internal data net, via an increase in the velocity of transmission of same and its magnitude.
- Technical support for the carrying-out of verifications of the various entities.

- Implementation of a platform for the development of diverse applications, destined to the administration of the following items:
 - Loans received from assisted entities,
 - Guaranteed loans,
 - DGF balances,
 - Contributions to the financial entities constituting the DGF,
 - Reference rates,
 - Data base for incoming and outgoing notes
 - Etc.
- Design of a system for the following-up and recovery of loans from liquidated entities, of high multiplication, modularity, safety and data integrity.
- The number of visits to Sedesa's Web site, during the year under review, reached 3,327.

IX. Financial Statements as at 31/12/2002**Seguro de Depósitos Sociedad Anónima**

Registration Number at the Supervisory Body of Legal Entities: 8,662

I. Balance Sheet as at 31 December, 2002 and 2001 (in pesos)

	2002	2001
ASSETS		
CURRENT ASSETS		
Cash and banks	397,742	967,499
Investments	8,680,622	12,117,076
Other receivables	1,637,643	190,611
Total current assets	10,716,007	13,275,186
NON-CURRENT ASSETS		
Investments	1,705,280	2,560,262
Fixed assets	1,971,181	1,245,459
Total non-current assets	3,676,461	3,805,721
Total assets	14,392,468	17,080,907
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	469,952	153,550
Social security charges payable	31,225	44,793
Taxes payable	1,164,537	71,477
Total current liabilities	1,665,714	269,820
NON-CURRENT LIABILITIES		
Other liabilities	3,000	6,546
Total non-current liabilities	3,000	6,546
Total liabilities – Sub-total	1,668,714	276,366
SHAREHOLDERS' EQUITY (as per corresponding statement)	12,723,754	16,804,541
TOTAL	14,392,468	17,080,907

See our report dated: 10th April 2003FINSTERBUSCH 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**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: 8,662

2. Statement of Income for fiscal year ended 31 December 2002 in comparison with the previous fiscal year (in pesos)

	<u>2002</u>	<u>2001</u>
Income from commissions	750,089	-
Administrative expenses	(1,218,320)	(1,834,572)
Plus:		
Expenses' recovery	593,210	1,222,617
Financial income and for holding:		
Exchange difference	732,319	-
Income from pesification of assets in foreign currency	964,527	-
Financial Income	(724,649)	1,452,442
Income from exposure to inflation		
Generated by assets	(4,666,424)	-
Generated by liabilities	614,053	-
Total financial income and for holding	<u>(3,080,174)</u>	<u>1,452,442</u>
(Loss) / Net profit (before income tax)	(2,955,195)	840,487
Income tax	<u>(1,125,592)</u>	<u>(305,782)</u>
Fiscal year (Loss) / Profit	<u><u>(4,080,787)</u></u>	<u><u>534,705</u></u>

See our report dated: 10th April 2003

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

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: 8,662

3. Statement of Changes in Shareholders' Equity for the fiscal year ended on 31 December 2002 in comparison with the previous fiscal year (in pesos)

	Shareholders' Contribution		Reserved earnings			Retained Earnings	Total at 31-12-02	Total at 31-12-01
	Capital Stock	Capital Adjustment	Legal Reserve	Optional Reserve	Total			
Balances at the beginning of the Fiscal Year	1,000,000	1,182,099	436,421	11,390,974	14,009,494	2,795,047	16,804,541	16,269,836
Result of the Fiscal Year as per Income Statement	-	-	-	-	-	(4,080,787)	(4,080,787)	534,705
Balances at the closing of the fiscal year	1,000,000	1,182,099	436,421	11,390,974	14,009,494	(1,285,740)	12,723,754	16,804,541

See our report dated: 10th April 2003

FINSTERBUSCH PICKENHAYN SIBILLE
Prof.Assoc. Reg. CPCECABA T° 2 F° 6

Ricardo E. De Lellis
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Enzo Agustín Vivian
Syndic
for Syndics' Committee

José Carlos Jaime
Chairman

Seguro de Depósitos Sociedad Anónima

4. 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 SEGURO DE DEPOSITOS SOCIEDAD ANONIMA as of December 31, 2002 and the related statement of income and changes in stockholders' equity, notes I 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 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.

In our opinion, the aforementioned financial statements present fairly, in all material aspects, the financial position the Corporation as at December 31, 2002 and 2001, 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) Liabilities accrued in favor of the National Social Security Administration, as of December 31, 2002, according to the accounting records, amounted to \$ 19,383.28, none of which had fallen due at that date.

Buenos Aires, 10 April 2003

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

Seguro de Depósitos Sociedad Anónima

5. Report of the Syndics' Committee

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

In fulfillment of the mission entrusted to this Committee by the Ordinary Meeting and in compliance with 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 Eighth Fiscal Year, ended as at 31 December 2002, 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.

Moreover, it has examined the financial statements of the Corporation as at 31/12/2002, as well as those pertaining to the trust agreement of the Deposit Guarantee Fund (DGF) as at 31 December 2002, in which SEDESA acts as trustee and those of the Banking Liquidity Fund (BLF) created by Decree N° 32/01 of the National Executive Branch of 26/12/2001, through which its administration was entrusted to the Corporation as trustee of same.

The preparation of the above-mentioned documents is the responsibility of the Board of Directors of the Corporation. The responsibility of this Committee is to inform on said documents on the basis of the task which is mentioned in the following paragraph.

The examination of the Committee was performed in accordance with the rulings for Syndics' activities contained in Technical Resolution N° 15 of the Argentine Federation of Economic Science Professional Councils. Said regulations require that the examination be made in accordance with the audit norms in force, foreseen by Technical Resolution N° 7 of said Federation.

To this purpose, it has taken into account the audit of the above-mentioned documents performed by the firm Finsterbusch Pickenhayn Sibille in its capacity of external auditors. Furthermore, it has verified the consistency of the documents examined with the information on corporate decisions mentioned in minutes and the adequacy of said decisions with the law and by-laws, in what refers to their formal and documentary aspects.

It has not evaluated the development of the administrative functions, since said functions are of the exclusive concern of the Directors of the Corporation and of the Shareholders' Meeting.

This Committee considers, on the basis of the revision carried out and of the report of the External Auditors dated 10/04/2003, that the above-mentioned Financial Statements reasonably show, in all their significant aspects, the stockholders' equity and financial situation of Seguro de Depósitos S.A., of the Deposit Guarantee Fund and of the Banking Liquidity Fund as at 31/12/2002, the results of the operations, the evolution of stockholders' equity, the statement of origin and allocation of funds, the notes and the exhibits to the Financial Statements, in accordance with professional accounting norms in force in the Argentine Republic. In addition, it should be noted that the above-

mentioned Financial Statements arise from the accounting registrations of the Corporation carried out, in their formal aspects, in accordance with the legal provisions in force.

Moreover, the Committee agrees 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 Banking Liquidity Fund, of the main aspects and facts of the Corporation management and, essentially, of the specific results.

Buenos Aires, 10 April 2003.

For the Syndics' Committee

C.P.A. Enzo Agustín Vivian

Dr. Hugo N. Bruzone

Dr. Adolfo C. Diz

Fondo de Garantía de los Depósitos

6. Balance Sheet as at 31 December 2002 and 2001 (in pesos)

	2002	2001
ASSETS		
CURRENT ASSETS		
Cash and Banks	77,266,053	3,025,138
Investments	691,303,789	588,077,350
Credits	11,278,153	3,173,122
Other credits	16,757	226,238
Other assets	6,294,950	5,883,507
Total current assets	786,159,702	600,385,355
NON-CURRENT ASSETS		
Investments	9,757,394	-
Credits	267,892,404	5,237,039
Other credits	167,173	350,283
Total non-current assets	277,816,971	5,587,322
Total assets	1,063,976,673	605,972,677
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	1,384,133	-
Loans	144,629,120	259,864
Other liabilities	6,607,637	216,833
Total current liabilities	152,620,890	476,697
NON-CURRENT LIABILITIES		
Loans	-	232,424,208
Total non-current liabilities	-	232,424,208
Total liabilities – Sub-total	152,620,890	232,900,905
SHAREHOLDERS' EQUITY (as per corresponding statement)	911,355,783	373,071,772
TOTAL	1,063,976,673	605,972,677

See our report dated: 10th April 2003

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

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 31 December 2002 and 2001 (in pesos)

	2002	2001
Income for collection of receivables transferred in favour of SEDESA as trustee of the DGF	105,661	989,918
Income for recoveries of financial trust agreements and collection management net of related expenses	46,538,922	29,343,002
Assistance to financial entities written down by 100%	(56,533,643)	(344,081,162)
Provision on loans with guarantee of Public bonds in trust agreements	(145,623,759)	-
Debit for Stand-by Repo's facilities programme with the BCRA	(1,784,194)	(51,472,233)
Administrative expenses	(4,874,362)	(5,366,954)
Other income and expenses	(1,233,469)	(808,187)
Financial results and by holding:		
Income from exchange difference	316,779,269	-
Results for holding	1,228,456	-
Income for adjustments and accrued interests:		
For loans granted and placements	25,310,031	23,657,489
For loans received	80,651,367	(8,703,238)
Results from exposure to inflation:		
Generated by assets	(119,397,067)	-
Generated by liabilities	24,207,769	-
Total financial results	328,779,825	14,954,251
Profit/ (Loss) of the fiscal year	165,374,981	(356,441,365)

See our report dated: 10th April 2003

FINSTERBUSCH PICKENHAYN SIBILLE
Prof. Assoc. Reg. CPCECABA T° 2 F° 6

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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 31 December 2002 and 2001 (in pesos)

	Contributions from Financial Entities	Assessments adjustment	Retained Earnings	Fiscal Year ended	
				31/12/2002 Total Shareholders's Equity	31/12/2001 Total Shareholders's Equity
Balances at the beginning of the fiscal year	1,491,161,821	1,762,701,466	(2,880,791,515)	373,071,772	340,680,292
Contributions from financial entities	295,366,953	77,542,077	-	372,909,030	388,832,845
Result of the fiscal year as per statement of income	-	-	165,374,981	165,374,981	(356,441,365)
Balances at the closing of the fiscal year	<u>1,786,528,774</u>	<u>1,840,243,543</u>	<u>(2,715,416,534)</u>	<u>911,355,783</u>	<u>373,071,772</u>

See our report dated: 10th April 2003

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Prof.Assoc. Reg. CPCECABA T° 2 F° 6

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José Carlos Jaime
Chairman

Fondo de Garantía de los Depósitos

9. 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 GARANTIA DE LOS DEPOSITOS as at December 31, 2002 and the related statement of income, changes in stockholders' equity and of origin and allocation of funds, notes 1 to 15 and the Exhibits I to IV 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.

In our opinion, the aforementioned financial statements present fairly, in all material aspects, the financial position of the FONDO as of December 31, 2002 and 2001, 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 of December 31, 2002, there are no liabilities accrued in favour of the National Social Security Administration according to the accounting records as of that date.

Buenos Aires, 10 April 2003

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

Fondo de Liquidez Bancaria

10. Balance Sheet as at 31 December 2002 and 2001 (in pesos)

	<u>2002</u>	<u>2001</u>
ASSETS		
CURRENT ASSETS		
Cash and Banks	61,350,934	1,107,151,310
Total assets	<u>61,350,934</u>	<u>1,107,151,310</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	152,013	-
Total liabilities – Sub-total	<u>152,013</u>	<u>-</u>
SHAREHOLDERS' EQUITY (as per corresponding statement)	<u>61,198,921</u>	<u>1,107,151,310</u>
TOTAL	<u>61,350,934</u>	<u>1,107,151,310</u>

See our report dated: 10th April 2003

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

Enzo Agustín Vivian
Syndic
for Syndics' Committee

José Carlos Jaime
Chairman

Fondo de Liquidez Bancaria

II. Statement of Income for fiscal year 31 December 2002 and 2001 (in pesos)

	<u>2002</u>	<u>2001</u>
Financial income		
Financial income	(107,530,421)	-
Positive income from pesification of availabilities	459,997,965	-
Difference of negative ratings for financial entities' contributions	(872,342,747)	-
Income from exposure to inflation:		
Generated by assets	(509,627,971)	-
Generated by liabilities	54,576	-
Total Financial Income	<u>(1,029,448,598)</u>	-
Administrative expenses	<u>(323,902)</u>	-
Results of the fiscal year	<u><u>(1,029,772,500)</u></u>	<u><u>-</u></u>

See our report dated: 10th April 2003

FINSTERBUSCH PICKENHAYN SIBILLE
Prof. Assoc. Reg. CPCECABA T° 2 F° 6

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for Syndics' Committee

José Carlos Jaime
Chairman

Fondo de Liquidez Bancaria

12. Statement of Changes in Shareholders' Equity for the fiscal years ended 31 December 2002 and 2001 (in pesos)

	Contributions of Financial Entities	Adjustments for contributions	Retained Earnings	Total Shareholders' Equity on 31/12/2002	Total Shareholders' Equity on 31/12/2001
Balance at the beginning of the fiscal year	507,378,958	599,772,352	-	1,107,151,310	-
Adjustment of initial balance for conversion into foreign currency ⁽¹⁾	193,246,548	162,486,514	-	355,733,062	-
Contribution of entities	1,149,818,997	1,088,186,457	-	2,238,005,454	1,107,151,310
Reimbursement of contributions of entities	(1,850,444,503)	(759,473,902)	-	(2,609,918,405)	-
Income of the fiscal year	-	-	(1,029,772,500)	(1,029,772,500)	-
Balances at the closing of the fiscal year	<u>-</u>	<u>1,090,971,421</u>	<u>(1,029,772,500)</u>	<u>61,198,921</u>	<u>1,107,151,310</u>

⁽¹⁾ Contributions in foreign currency as at 31 December 2001 were converted into pesos at the ratio US\$ 1 = \$ 1.40

See our report dated: 10th April 2003

FINSTERBUSCH PICKENHAYN SIBILLE
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Enzo Agustín Vivian
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for Syndics' Committee

José Carlos Jaime
Chairman

Fondo de Liquidez Bancaria

13. Auditors' Report on Financial Statements

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

1. Financial statements audited

We have examined the balance sheet of FONDO DE LIQUIDEZ BANCARIA as at 31 December 2002 and the related statement of income, changes in stockholders' equity and of origin and allocation of funds, notes 1 to 8 and Exhibit I 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.

2. Scope of the 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.

3. Statements prior to the opinion

At the date of issuance of the present financial statements, the Certificates of Participation Class A corresponding to the assessments made by the financial entities to the Fondo de Liquidez Bancaria were not issued, owing to the fact that the Central Bank of the Argentine Republic has not yet determined the amount, rate of interest and other conditions of the certificates of the Fondo. Consequently, the corresponding accrued interests for assessments to the Fondo are not registered in the financial statements.

4. Professional Opinion

In our opinion, subject to the effect of the accrual of interests which should be registered from the Certificates of Participation Class A as stated in paragraph 3), the financial statements present fairly, in all material aspects, the information on the shareholders' equity and financial situation of the FONDO DE LIQUIDEZ BANCARIA as at 31 December 2002 and 2001, the results of its operations, the changes in stockholders' equity and the origin and allocation of funds for the fiscal year then ended, in conformity with generally accepted accounting standards in force in Argentina.

5. Additional information required by legal provisions

In accordance with current regulations, we inform that:

a) the financial statements arise from the accounting records of the Fondo, and are in the process of transcription to the Registers of Inventory and Balance Sheets and Journal Book, respectively.

b) As at 31 December 2002, there are no liabilities accrued in favour of the National Social Security Administration, according to the accounting records as of that date.

Buenos Aires, 10 April 2003

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

X. Application of Technical Resolutions N° 6 and N° 19 of the Argentine Federation of Economic Science Professional Councils

During the current fiscal year the Argentine Federation of Economic Science Professional Councils (FAPCE) set certain bases to proceed to the denominated “adjustment for inflation” of the financial statements closing as from May 2002.

In the first place it should be pointed out that, for comparative purposes, the ruling did not opt for deflating the figures corresponding to year 2002, but instead decided to inflate the figures of the financial statements at the closing of fiscal year 2001.

Moreover, the mechanisms and indices used to compare the financial statements in constant money (called “homogeneous” in the ruling) have been as follows:

- Through resolution N° 241/02 the FAPCE established as adjustment coefficient, the variation of the Wholesale Domestic Prices (IPIM).

In the following table are shown the main indices reflecting price variation and the quotation of the US Dollar as at 31/12/2002 and its variation regarding 31 December 2001.

As may be appreciated, the significant disruption of relative prices which characterized the period covered in the present report is in no way reflected in the methodology required by the FAPCE, a fact which assumes special significance in the shareholders’ equity of SEDESA, since its assets, in view of its social purpose, consist basically in liquid placements, both in national and foreign currency.

Finally, the situation described has obliged, to the effect of clarifying the real shareholders’ equity of SEDESA, to incorporate balance sheet figures expressed in historic money (a designation which corresponds to the term which in economic parlance is designed as current money) as arises from Note 13 to the financial statements. This has not impeded that a provision of \$ 1,125,592 has had to be made for an eventual payment of income tax.

	31/12/2002	31/12/2001	Variations
Wholesale Domestic Price Index	218.69	100.22	118%
Retail Domestic Price Index	137.60	97.60	41%
Construction Price Index	133.70	95.10	41%
Reference Stabilization Coefficient (CER) (*)	1.4053	1.00	41%
Quotation of the US Dollar, in pesos	\$ 3.27	\$ 1.00	227%

(*) Calculated as from February 2002

Annex

Regulatory and Legal Framework

I. Deposits Insurance Guarantee System

Created by Law 24,485 – Sect. I

- Partially enacted by Decree 538/95
- Amended by Law 25,089 (O.G. 14/5/99)
- Regulated by Decree 540/95 (12/4/95)
- Amended by Decree 177/96 (21/2/96)
- Amended by Decree 1,292/96 (15/11/96)
- Amended by Decree 1,127/98 (O.G. 28/9/98)
- Amended by Decree 1,292/99 (O.G.11/11/99)
- Amended by Decree 32/01 (O.G. 27/12/01)
- Amended by Decree 214/02 (O.G. 04/02/02)

Decree 905/02 (O.G. 01/06/02)

I.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 on Financial Entities, without jeopardising the resources of the Central Bank of the Argentine Republic nor those of the National Treasury. The Central Bank of the Argentine Republic is authorised to organise the system created by the present section and to bring it into operation

⁽¹⁾ 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.

I.2. Decree N° 540/95 and its amendments

⁽²⁾ **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.

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

⁽¹⁾ Law 25,089.

⁽²⁾ Decree N° 32/2001, section 8

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 favourable 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.

⁽³⁾ **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 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.

⁽⁴⁾ **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.

⁽³⁾ Decree N° 1292/96, section 3

⁽⁴⁾ Decree N° 1292/96, section 3

⁽⁵⁾ **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.

⁽⁶⁾ **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 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.

⁽⁷⁾ **Section 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.

⁽⁸⁾ **Section 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 on Financial Entities N° 21,526 and its modifying laws, when it were convenient to compensate the inadequacy of said assets with regard to the whole of the deposits transferred; or

⁽⁵⁾ Decree N° 1292/96, section 3

⁽⁶⁾ Decree N° 1292/99, section 1

⁽⁷⁾ Decree N° 1292/96, section 3

⁽⁸⁾ Decree N° 1292/99, section 2

(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.

d) To acquire deposits of banks suspended under Section 49 of the Articles of Constitution of the BCRA (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 to the provisions of the Trust Agreement.

The Steering Committee shall decide on the application of some of the alternatives foreseen in the preceding paragraphs b), c) and d) when, on the basis of estimates which may be made at the time when the decision must be 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.

⁽⁹⁾ **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 another 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.

⁽¹⁰⁾ **Section 13 bis:** SEDESA may issue nominative bonds non-endorsable with the purpose of offering them to the depositors in payment of the deposit guarantee, if it had not enough funds to these effects.

Said bonds, whose conditions shall be established with a general character by the BANCO CENTRAL DE LA REPÚBLICA ARGENTINA, shall have to be accepted by the financial entities so as to constitute deposits in the conditions stipulated by said regulations.

⁽¹¹⁾ **Section 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

⁽⁹⁾ Decree N° 1127/98, section 1

⁽¹⁰⁾ Decree N° 214/02, section 16

⁽¹¹⁾ Decree N° 1292/96, section 3

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.

⁽¹²⁾ **Section 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 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.

⁽¹³⁾ **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.

⁽¹⁴⁾ **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

⁽¹²⁾ Repealed by Decree N° 1127/98, section 2

⁽¹³⁾ Decree N° 1292/96, section 3

⁽¹⁴⁾ Decree N° 1292/96, section 3

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.

1.3. Decree 905/2002 (relevant part)

CHAPTER VII – ON THE FINANCIAL ENTITIES

Section 30: In the case of financial entities affected by the implications of section 35 bis of Law N° 21,526 on Financial Entities or suspended in the terms of section 49 of the Articles of Incorporation of the BANCO CENTRAL DE LA REPUBLICA ARGENTINA or those that resulted included in said provisions over the duration of the term of public emergency, stipulated by Law N° 25,561, in the terms regulated by the BANCO CENTRAL DE LA REPUBLICA ARGENTINA, its deposits, for up to the amount indicated in section 13 and with the limitations established in section 15, both of Decree N° 540/95 and its amendments, net of the amounts mentioned in paragraphs a) to d) of the present section, shall be cancelled according to the mechanism foreseen in the above-mentioned decree.

Should the funds of SEGURO DE DEPOSITOS SOCIEDAD ANONIMA (SEDESA) be insufficient, for up to said limit, net of the amounts mentioned in paragraphs a) to d) of the present section, the deposits shall have to be cancelled through the delivery of bonds of the National Government in Pesos of similar financial conditions in what refers to term, capital adjustment and interest as those foreseen in section 11 of the present decree, and the dates of issuance and maturity shall have to be amended in accordance with the date of adoption of such measure. The depositors in such entities may opt to receive “BONOS DEL GOBIERNO NACIONAL EN DOLARES ESTADOUNIDENSES LIBOR 2012” foreseen in section 10 of the present decree up to the amount indicated in the preceding paragraph, in which case the conversion to US Dollars shall be made at the exchange rate in force on the date of the revocation of the authorization to operate of the financial entity, all this in the manner that the BANCO CENTRAL DE LA REPUBLICA ARGENTINA may regulate.

The proceeding detailed in the previous paragraph shall not be applicable in case the pertinent financial entity submits, within the terms and conditions established by the BANCO CENTRAL DE LA REPUBLICA ARGENTINA, a plan of action which to the exclusive opinion of said Entity, proves the viability of the financial entity or satisfies the situation of its depositors.

In case the assets in the entity were not sufficient to allow it to cover the total deposits, the BANCO CENTRAL DE LA REPUBLICA ARGENTINA shall have to exclude assets which are sufficient in its opinion, in favour of a trustee which shall be a financial entity and whose beneficiary in the first degree shall be the National State as a counterpart of the bonds to be delivered, all of this in the manner that the BANCO CENTRAL DE LA REPUBLICA ARGENTINA may regulate.

The preceding provisions shall be applicable with the exceptions listed below, which shall be cancelled in cash within TEN (10) working days to be counted as from the date of suspension, in the manner established by the BANCO CENTRAL DE LA REPUBLICA ARGENTINA:

- a) Accounts for the payment of salaries: the last payment of salaries, with a minimum of PESOS ONE THOUSAND TWO HUNDRED (\$ 1,200).
- b) Accounts for the payment of retirement benefits and pensions.
- c) Accounts of physical persons up to PESOS ONE THOUSAND TWO HUNDRED (\$ 1,200).
- d) Current accounts of legal persons: the last payroll.

1.4 Rules issued by the BCRA on the application of the Deposit Guarantee Insurance System (Communiqué “A” 2337 and complementary)

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1. 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.

2. 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 5.1, 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.

3. Additional assessment

Apart from the normal assessment referred to in point 2., 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 7.

3.1 The rating assigned to the entity as per the evaluation made by the Superintendencia of Financial and Foreign Exchange Entities.

3.2 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.

3.3 The rating of the active portfolio measured by:

3.3.1 Minimum provisions required for non-collection risk with regard to financing.

3.3.2 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.

4. 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.

5. Scope of the Guarantee

5.1 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:

- 5.1.1 Sight accounts.
- 5.1.2 Savings accounts.
- 5.1.3 Time deposits.
- 5.1.4 Salary and Special payments.
- 5.1.5 Term investments.
- 5.1.6 Immobilized balances proceeding from the preceding concepts.

5.2 Exclusions

5.2.1 Transferable time deposits, whose ownership has been acquired by way of endorsement, even though the last endorser is the original depositor.

5.2.2 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.)

5.2.3 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 Communiqués "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.

5.2.4 Deposits of financial entities in other intermediaries, including the certificates of deposit acquired by secondary negotiation.

5.2.5 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-I in point I.I. of Annex I to Comunicado A-2140.

5.2.6 Time deposits of securities, acceptances or guarantees.

5.2.7 Immobilized balances proceeding from deposits and other excluded transactions.

5.3 Coverage. Amount and formalities

5.3.1 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.

5.3.2 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.

5.3.3 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).

5.3.4 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.

5.3.5 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 incorrect collection of the guarantee.

6. Implementation

All documents covering the passive transactions (certificates, deposit vouchers, vouchers issued through ATM, 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 Communiqué A-2337 and their modifications and complementary regulations. Those contracted 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 just referred to 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.

On 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.

7. 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 line with the factors outlined in point 3, shall fluctuate between 1 and 2.

7.1 Entities with “CAMELS” rating ⁽¹⁾

It shall arise from the following expression:

$$Ic = \{(Ipr/f + Iar/a + 2* Icamels)/4\} - Irpc/Kmin$$

where:

Ipr/f: indicator referred to in point 3.3.1. which shall take the value arising from the following expression:

$$Ipr/f = (Vi/0.04)^{1.20}$$

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 3.3.2. 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 3.1. 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

⁽¹⁾ 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, Earnings, 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.

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 3.2. 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.

7.2 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:

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

For its application, the definitions of the terms as per point 7.1. shall be taken into account.

2. Banking Liquidity Fund

2.1. Decree N° 32/2001

Section I. The BANKING LIQUIDITY FUND (BLF) is created, with the purpose of endowing with adequate liquidity the banking system within 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, within 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 FINANCE, shall integrate yearly the BLF through the annual subscription of Certificates of Participation Class B, for an amount equivalent to 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 not 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 Central Bank of the Argentine Republic (Issued during fiscal year 2002)

Communiqué A 3487 (22nd February/2002)

Establishes at 1.90%, with effect from 01/03/02, the contribution to the Banking Liquidity Fund (“Fondo de Liquidez Bancaria”), based on the average daily balances of private sector deposits, in pesos or foreign currency, corresponding to November 2001.

Communiqué B 7143 (1st March/2002)

Communiqué A 3487. Contribution to the Banking Liquidity Fund

Requests that the Entities submit to the BCRA the pertinent information, in order to adjust the funds corresponding to contributions to the Banking Liquidity Fund.

Communiqué A 3508 (14th March/2002)

Minimum cash requirement. Modification of the deductible concept

Incorporates as a Deductible Concept towards the integration of the minimum encashment, sums contributed since 01/03/02 towards the Banking Liquidity Fund, including sums that exceed the equivalent of the obligatory contribution.

Communiqué A 3513 (15th March/2002)

Contribution to the Banking Liquidity Fund

Sets at 3.5%, with effect as from 15/03/02, the contribution to the Banking Liquidity Fund, in line with what was laid down by Communiqué A 3487.

Communiqué A 3582 (26th April/2002)

Contribution to the Banking Liquidity Fund

Establishes at 0% the contribution to the Banking Liquidity Fund.

Communiqué A 3654 (4th July/2002)

Information requirement for the application of articles N° 28 and 29 of Decree 905/02, modifications and complements - Compensation to Financial Entities.

Determines how Financial Entities must inform concerning their accountancy balances as at 31/12/01, corresponding to the classification “Other Credits from Financial Intermediation – Other Financial Transactions”, relating to the contributions and debts opposite the Deposits Guarantee Fund and the Banking Liquidity Fund. These will be reported at pesos 1.40 per u\$s dollar.

Communiqué A 3675 (30th July/2002) Information requirement for the application of articles N° 28 and 29 of Decree 905/02, modifications and complements - Compensation to Financial Entities - Modifications.

Modification to what was established by Communiqué “A” 3654, with regard to how accountancy balances as at 31/12/01 must be reported, corresponding to the classification “Other Credits from Financial Intermediation – Other financial Transactions”, laying down the following:

- Deposits Guarantee Fund (contributions and debts): at \$ 1 per dollar
- Banking Liquidity Fund: at \$1.40 per dollar.

SEDESA

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