

SEDESA

Seguro de Depósitos S.A.

General Review
2003

Table of contents

	Page
I. What is SEDESA ?	6
II. Composition of the Board of Directors and of the Syndics' Committee	7
III. Depositor Protection Systems	8
1. 4 th Symposium on Deposit Insurance, organized by SEDESA	8
2. Deposit Insurance Protection: Systems Compared	9
IV. The Argentine Financial System	28
1. Monetary Aggregates	28
2. Reference Rates	30
3. Financial Institutions.....	32
4. Overcoming the Systemic Crisis	37
V. Allocation of the resources of the Deposit Guarantee Fund (DGF)	40
1. General Commentary	40
2. Main Characteristics of Financial Assistance Granted by the DGF	40
VI. Deposit Guarantee Fund (DGF)	45
1. Passive Transactions	45
2. Evolution of the DGF (values expressed in current pesos)	45
3. Origin and Allocation of Funds	48
VII. Banking Liquidity Fund (BLF)	52
1. Objectives and characteristics of the Fund	52
2. Loans by the BLF	52
VIII. Activities and Tasks	53
1. Administration and Finance.....	53
2. Exchange with other Countries and Entities	53
3. Corporate Aspects.....	53
4. General Secretariat	53
5. Systems	54
IX. Financial Statements as at 31/12/2003	55
Seguro de Depósitos Sociedad Anónima (SEDESA).....	55
1. Balance Sheet.....	55
2. Statement of Results.....	56
3. Statement of Changes in Shareholders' Equity	57
4. Auditors' Report on Financial Statements	58
5. Report of the Syndics' Committee.....	59

Fondo de Garantía de los Depósitos (FGD)	60
6. Balance Sheet.....	60
7. Statement of Income and Expenditure	61
8. Statement of Evolution of Equity.....	62
9. Auditors' Report on Financial Statements	63
Fondo de Liquidez Bancaria (FLB)	64
10. Balance Sheet.....	64
11. Statement of Income and Expenditure.....	65
12. Statement of Evolution of Equity.....	66
13. Auditors' Report on Financial Statements	67

Annex

Regulatory and Legal Framework	69
1. Deposit Insurance Guarantee Systems	71
1.1. Law 24,485 (T.A.).....	71
1.2. Decree 540/95 and its amendments	71
1.3. Decree 905/02 (relevant part)	76
1.4. Rules issued by the BCRA (T.A.)	76
2. Banking Liquidity Fund (Decree 32/01)	80
3. Communiqués of the Central Bank of the Argentine Republic (relating to SEDESA)	82

Box

Deposit Insurance, Banking Capitalization and Basle II	8
---	----------

Index of tables and charts

Table N°:	Page
I. Main characteristics of the explicit Deposit Guarantee Systems.....	10
II. Monetary Aggregates.....	28
III. Percentage distribution of total Deposits.....	30
IV. Interest rates for Term Deposits in Pesos.....	30
V. Interest rates for Term Deposits in Dollars.....	31
VI. Interest rates for Savings Accounts Deposits in Pesos.....	32
VII. Number of entities, by type of Institution.....	33
VIII. Number of cases administered by the DGF, up to 31/12/03.....	41
IX. Annual assistance from the DGF.....	44
X. Monthly evolution of the available balance (in millions of pesos).....	46
XI. Origin and allocation of funds of the DGF (between May 1995 and 31/12/03).....	48
XII. Origin and allocation of funds of the DGF (Financial year 2003).....	50
Chart N°:	
1. Evolution of Monetary Aggregates, as % of GDP.....	28
2. Percentage composition of Monetary Aggregates.....	29
3. Evolution of Deposits, by type of placement.....	29
4. Market and Reference Rates. Term deposits, in pesos. Year 2003.....	31
5. Reference and Market Rates. Term deposits in US Dollars. Year 2003.....	31
6. Reference and Market Rates. Savings accounts, in pesos. Year 2003.....	32
7. Number of entities, by type of Institution.....	33
8. Distribution of Deposits within the Entities of the Financial System.....	34
9. Non-performing portfolio net of provisions/equity.....	34
10. Equity/Assets at Risk.....	35
11. Administrative expenses/Assets.....	35
12. Profitability/Equity.....	36
13. Bonds + Loans to the Public Sector, as % of Assets.....	36
14. Differential between passive rates and market differential.....	37
15. Monthly evolution of available balance and deposits in the Financial System.....	47
16. Origin and Allocation of Funds (between May 1995 and December 2003).....	49
17. Origin and Allocation of Funds (year 2003).....	51

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 8,9 and 10, Decree N° 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 Central Bank of the Argentine Republic (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, so that they may comply with their obligations;

2.2 Financial entities which purchase assets and take charge of the payment of the deposits of another entity, subject to the regime laid down by section 35bis of the Law of Financial Entities, 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 other financial entities, within 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,

subject to the regime laid down by section 35bis of the Law of Financial Entities, to enter into a sale option contract in favour of the acquiring entity, with regard to the whole or part of the transferred assets, all of which may also be done via the constitution of a Trust Agreement.

4. To acquire deposits of suspended banks, up to the sum of the guarantee, surrogating itself in the rights of the depositors (including the reimbursement of the sums deposited in the special accounts covering the crediting of wage and salary payments to the pertinent beneficiaries –section 1, Law 24,485, text as laid down by Law 25,089–);

5. To assume obligations to be charged to the DGF, within limits laid down at the appropriate moment;

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 (permanent collegial body) presided over by a representative of the Banco Central de la República Argentina (BCRA), entitled to the right to opine but without the right to vote, although he has the possibility of veto, plus five members, in line with the Trust Agreement of 7th March 1997. In this regard, the decisions taken by the Steering Committee will be obligatory for SEDESA.

The DGF is constituted by the obligatory assessments to which all financial entities authorized to operate in the country contribute on a monthly basis.

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 would come 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, as from the financial year 2002.

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, decided to suspend them in April of that year (Com. "A" 3582), a measure which at the date of presenting this report, is still valid.

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

Alternate Directors

Alberto Patricio Huergo

Juan Carlos Cassagne

Eduardo Javier Romero

Syndics' committee

Syndics

Martín Juan Lanfranco (1)

Adolfo César Diz

Enzo Agustín Vivian

Alternate Syndics

Federico Caparrós Bosch

Carlos Langbehn

Ricardo Enrique De Lellis

(1) Up to 06/10/03 Dr. Hugo Nicolás Bruzone was Syndic.

III. Depositor Protection Systems

1. Fourth Symposium on Deposit Insurance organized by SEDESA.

The IVth Annual Symposium on Deposit Insurance was held in the city of Buenos Aires on 8th April 2003, attended by, as on previous occasions, a group of international and national experts on the subject. The main topic under debate was the Safety Net of Financial Systems.

Papers were presented and read by the following:

- Hugo Bruzone
- Hernán del Villar
- Adolfo C. Diz
- José Carlos Gómez de la Bárcena Temboury
- Stefan Ingves
- José Carlos Jaime

- Jorge N. Labanca
- Martín Lagos
- Carl Johan Lindgren
- Anthony Santomero

The Governor of the Central Bank of the Argentine Republic, Dr. Alfonso Prat Gay, spoke after the luncheon interval on the ways and means of implementing a monetary strategy, based on inflation targeting.

The quality of the presentations was very high, underlining once more the value of these events and their conclusions, given that they contribute to greater knowledge and understanding all round, concerning the value of safety nets within a financial system, far in excess of the mere instrumental analysis of these guarantee systems.

Deposit insurance, banking capitalization and Basle II

A deposit insurance scheme is aimed at protecting depositors in isolated bank insolvency cases, thus minimizing the risk that these events could escalate –via “contagion”– into a greater crisis. Consequently, it is an institution which –correctly designed and integrated with other components of a financial “safety net” – permits the access of many people to the services offered by financial systems, in this way contributing much to their stability as well as to their efficiency.

Quite apart from its true merits, one must not forget the “exceptionality” of deposit insurance. As a general rule, it is to be wished that banks maintain a sufficiently ample capital “cushion” to avoid ever falling into insolvency. Bearing in mind the subordination of capital in regard to deposits, the existence of the former constitutes an important incentive for bankers to optimize the quality of their assets and, furthermore, act as a “cushion” capable of isolating depositors from losses which might result from an imperfect selection or performance of these assets. The crucial contribution of capital to the stability of banks (not to mention systemic stability) has been the foundation of legal regulations governing minimum capitals. **This contribution also expresses the interest shown by deposit insurers concerning the regulation, measurement and control of capital of said banks.**

The historical Capital Accord of 1988 (resulting from the consensus achieved at the Basle Committee on Banking Supervision¹⁾ introduced the crucial notion that the minimum capital of each bank should be a function of the credit risk of its assets, instead of the traditional concept of “leverage ratio”, or fraction of its deposits. Expressed in symbols and in simplified form, the 1988 Accord established:

$$K_{\min}(A) \geq 0,08 (\alpha A) \quad [1]$$

$$0 < \alpha < 1 \quad [2]$$

The terms [1] and [2] affirm that the minimum capital requirement for holding asset A cannot be less than the value of said asset multiplied by a weighting provided by parameter α and multiplied by 0.08, the value of α varying between 0 and 1. The Committee assigned different values of α to diverse groups or homogeneous categories of banking assets. To those bearing a greater risk (to which were assigned a value of α equal to 1 or a weighting of a 100%) the coefficient 0.08 (or 8%) represents the maximum fraction of minimum capital demanded. For those of lesser risk (those which have an α or weighting equal to zero) the fraction of minimum capital demanded is zero.

The 8% coefficient has the character of a “floor” or “base”, suggested to the national regulators².

(1) Please see “International convergence of Capital Measurement and Capital Standards”, Basle Committee on Banking Supervision, July 1988.

(2) Up to the middle of 2003, the BCRA was using a coefficient of 11.5%, in this regard.

The proposal known as Basle II (currently in a final phase of adjustment, on the part of the Committee) contains variations, possibilities and nuances much more complex than those contained in the 1988 Accord and its amendments. This should come into force by 2006. Apart from its main Chapter or "pillar" dedicated to **minimum capital requirements** to cover operational and credit risks, the proposed Accord is also based on a second "pillar" which revolves around a **process of supervision and revision** of the capital adequacy, and the third which advocates for a more efficient use of **market discipline**.

Within the first "pillar", although Basle II maintains the principle of "minimum capital as a function of the credit risk of the various assets", in its most complex variations, the new Accord foresees (subject to the criterion of each national supervisor) the authorization of the use, on the part of the banks, of the most sensitive and sophisticated analytical methods of risk, above and beyond those contained by existing regulations³. The symbolic expression –in obviously simplified form– of the minimum capital requirement corresponding to the most complex of the three variants foreseen in Basle II (denominated "Advanced Internal Ratings Based Approach" or "IRB/A") is the following:

$$K_{min}(A) \geq \beta A \quad [3]$$

$$\beta = f(PD; LGD; EAD; M) \quad [4]$$

The expressions [3] and [4] indicate that the minimum capital required for the possession of asset A will be a function of the values of PD (Probability of Default of asset A) LGD (Loss given of Default) EAD (Exposure at Default) and M (Maturity). Although the parameters of the function will be supplied by the Committee, the values of PD; LGD; EAD and M, may be furnished by the banks on the basis of their internal risk models. This is merely an example of the qualitative upgrades in evidence, between the 1988 Accord and the new proposal.

The Committee considers that the losses in homogeneity and comparability which might be derived from the enforcement of Basle II will be more than offset by the benefits which will result from the incorporation of modern techniques of risk administration. But it is true that the new proposed norms will leave in the hands of domestic supervisors risky decisions, with long-term consequences –for good or evil– regarding the stability of the banks. The adoption of the "IRB" approaches without counting with adequate resources (whether it be concerning requisite information or appropriate know-how on the part of banks and supervisors) may involve more dangers than the decision to continue evaluating complex risks with the simple methods currently in force. From this situation stems the interest of deposit insurers to participate in the decisions which result from the adoption of Basle II.

(3) One may consult "Overview of the New Basle Capital Accord", Basle Committee of Banking Supervision, April 2003.

2. 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	Group of countries	pages
Albania, Argentina, Austria, Bahamas, Bahrein, Bangladesh, Belgium, Bosnia and Brazil	10	Lithuania, Luxembourg, Mexico, Morocco, Netherlands, Nigeria and Norway	20
Bulgaria, Canada, Chile, Colombia, Croatia, Cyprus, Czech Republic and Denmark	12	Oman, Peru, Phillipines, Poland, Portugal, Romania, and Slovak Republic	22
Dominican Republic, Ecuador, El Salvador, Estonia, Finland, France and Germany	14	Slovenia, Spain, Sri Lanka, Sudan, Sweden, Switzerland, Tanzania, Trinidad & Tobago, Turkey and Uganda.....	24
Greece, Guatemala, Honduras, Hungary, Iceland, India, Ireland and Isle of Man.....	16	United Kingdom, United States, Venezuela and Yugoslavia	26
Italy, Jamaica, Japan, Jordan, Kenya, Korea and Lebanon.....	18	Gibraltar and Taiwan	26

Table I Main Characteristics of Explicit Deposit Guarantee Systems

Country	Management	Administration Characteristics	Assessment Characteristics and Year of Creation	Exercises Supervision	Maximum Protection Level (in the currency of origin)
Albania	Deposit Insurance Agency	PU	Compulsory 2002	No	From 350,000 leks up to 647,500 leks
Argentina	Seguro de Depósitos S.A. (SEDESA)	PR	Compulsory 1995	No	Sight or Term Deposits up to 30,000 pesos per account (1)
Austria	Several (2)	PR	Compulsory 1979	No	20,000 Euros. Partial coverage (90%) for institutional investors
Bahamas	Deposit Insurance Corporation	PU	Compulsory 1999	No	50,000 Bahamas Dollars
Bahrain	...	JOINT	Compulsory 1993	...	100% up to 2,000 dinar
Bangladesh	...	PU	Compulsory 1984	...	100,000 Taka
Belgium	Fund Management Committee	PU	Compulsory 1974	...	20,000 Euros
Bosnia	...	PU	1998	...	5,000 marka
Brazil	Management Council of the Credit Guarantee Fund	PR	Compulsory 1995	No	20,000 Reais

(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 cooperative banks.

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

	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 3,284 up to 6,075	...	50 yearly BP and it can amount to 70 BP depending on risk premium	...
	10,344	307	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
	24,576	97	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	559	20 yearly BP.	...
	100% up to 5,320	49	In charge of the Government (ex post)	It may borrow from the markets or from the Central Bank
	1,708	521	0.5 yearly BP	It may borrow from the Government
	24,576	104	From 2 to 4 yearly BP (3)	There may be additional assessments up to the double of the value of the ordinary assessments
	3,229	...	30 yearly BP	...
	6,925	265	30 yearly BP	It may borrow funds from the Central Bank, extraordinary assessments, or advances up to 12 monthly assessments

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

Country	Management	Administration Characteristics	Assessment Characteristics and Year of Creation	Exercises Supervision	Maximum Protection Level (in the currency of origin)
Bulgaria	Management Board	PU	Compulsory 1998	...	Partial coverage. Maximum disbursement: 10,000 Leva
Canada	Board of Directors of the Fund	PU	Compulsory 1967	No	60,000 Canadian Dollars
Chile	Board of Directors	PU	Compulsory 1986	No	90% up to 120 financial units
Colombia	Financial Institutions' Guarantee Fund (FOGAFIN)	PU	Compulsory 1985	...	75% of 10 million Pesos
Croatia	Agency for Deposit Guarantee and Bank Rehabilitation	PU	Compulsory 1997	...	100,000 Kunas
Cyprus	Depositors' Protection Scheme	PU	Compulsory 2000	No	90% up to the equivalent of 20,000 euros
Czech Republic	Deposit Insurance Fund	PU	Compulsory 1994	...	Partial coverage up to 25,000 Euros
Denmark	Board of Directors, with the assistance of the Central bank in the management of operational topics	PR	Compulsory 1987	No	40,000 Euros

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

	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. Maximum disbursement: 6,457	330	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
	46,425	197	From 4 to 33 yearly BP, depending on risk	It may request additional funds from the Government or request private sector financing
	3,376	79	From 10 to 15 yearly BP, depending on risk	The premium may be increased up to 30 BP of the deposits
	75% up to 3,600	193	30 yearly BP	...
	16,342	324	80 yearly BP	The Fund may request loans from the Central Bank
	90% up to the equivalent of 24,576	522	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 31,574	440	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
	50,517	157	Max. 20 yearly BP	Within certain limits, the Fund may borrow from the Government

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

Country	Management	Administration Characteristics	Assessment Characteristics and Year of Creation	Exercises Supervision	Maximum Protection Level (in the currency of origin)
Dominican Republic	...	JOINT	Voluntary 1962	...	Partial coverage, up to 205,244 pesos
Ecuador	Deposit Guarantee Agency	PU	Compulsory 1998
El Salvador	Deposit Guarantee Institute	PU	Compulsory 1991	No	55,000 Colones
Estonia	...	PU	Compulsory 2002	No	Partial coverage (90%) of deposits up to 12,788 euros (5)
Finland	Board of Government (6)	PR	Compulsory 1970	No	25,000 euros
France	Management Committee, under the supervision of a Commission formed by representatives of the member banks (7)	PR	Compulsory 1980	No	70,000 Euros
Germany	The Association of Private Banks (8)	PR	Voluntary 1976	No	Up to 30% of the core capital of the bank per depositor
	The Association of Private Banks and Federal Association of Public Banks, per delegation	PR	Compulsory 1998	No	Partial coverage (90%) of up to 20,000 Euros

(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.

(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.

	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, up to 5,509	223	18.75 yearly BP	...
	3,250	171	65 BP + risk premium	...
	6,286	283	10 yearly BP	The assessment may be increased up to 30 BP
	16,151	67	Maximum 50 BP	...
	31,574	125	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
	88,406	386	20 yearly BP, which may vary in accordance with the funds availabilities	Unlimited legally, without endangering the stability of the banking system
	Up to 30% of the core capital of the bank per depositor	...	From 3 to 7.5 yearly BP	The yearly assessment may be doubled
	24,576	102	3 yearly BP	It may establish special assessments and borrow funds

(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	Management	Administration Characteristics	Assessment Characteristics and Year of Creation	Exercises Supervision	Maximum Protection Level (in the currency of origin)
Greece	Greek Banks' Association	JOINT	Compulsory 1995	...	20,000 Euros
Guatemala	Bank of Guatemala	PU	Compulsory 1999	...	20,000 quetzales
Honduras	Administrative Board	JOINT	Compulsory 1999	No	150,000 lempiras
Hungary	Government Board	PU	Compulsory 1993	No	20,000 euros
Iceland	...	PU (commercial) and PR (savings)	Compulsory 1985	...	20,000 euros
India	Deposit Insurance and Credit Guarantee Corporation	PU	Compulsory 1962	...	100,000 Rupees
Ireland	Central Bank	PU	Compulsory 1989	...	Partial coverage (90%). Maximum disbursement: 20,000 euros as from year 2000
Isle of Man	Commission of Financial Supervision	PU	Compulsory 1988	No	15,000 euros

	Maximum Protection Level (in USA Dollars)	Maximum Protection Level as % of the per capita GDP	Ratio Assessments/ Deposits in basis points (BP)	Contingency Assessments
	24,576	203	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
	2,488	129	100 yearly BP of the deposits	The Fund may request extraordinary contributions to the Government of the Republic.
	8,451	873	10 yearly BP of deposits on closing date of previous financial year	The Central Bank must have a contingency line with FOSEDE
	24,576	370	20 yearly BP as maximum limit	The Government guarantees the loans that the Fund may request from the Central bank or other credit institutions
	24,576	84	15 BP	...
	2,193	466	5 yearly BP on total deposits	Government support through the Reserve Bank subject to prior parliamentary approval
	Partial coverage (90%). Maximum disbursement: 24,576 as from year 2000	79	Initially, 20 yearly BP on total deposits in Pounds. Presently, extraordinary assessments only	The Central Bank may request special assessments and lend funds
	18,944	...	12.5 BP	...

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

Country	Management	Administration Characteristics	Assessment Characteristics and Year of Creation	Exercises Supervision	Maximum Protection Level (in the currency of origin)
Italy	Council of the Interbank Deposit Protection Fund	PR	Compulsory 1987	No	103,291 euros
Jamaica	...	PU	Compulsory 1998	No	300,000 Jamaica Dollars
Japan	Deposit Insurance Corporation	PU	Compulsory 1971	No	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
Jordan	Deposit Insurance Corporation	PU	Compulsory 2000	...	10,000
Kenya	Deposit Protection Fund	PU	Compulsory 1985	No	100,000 Shillings
Korea	Korea Deposit Insurance Corporation	PU	Compulsory 1996	No	50 mill.won
Lebanon	...	JOINT	Compulsory 1967	...	5,000,000 Lebanese pounds

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

	Maximum Protection Level (in USA Dollars)	Maximum Protection Level as % of the per capita GDP	Ratio Assessments/ Deposits in basis points (BP)	Contingency Assessments
	130,451	633	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
	4,957	154	15 yearly BP	The Fund may borrow money from the market or from the Government. It may also increase the assessment with official approval
	Without limits up to April 2002; then only for term deposits, up to 93,370, and the remaining deposits continue with the total coverage	298	8.4 yearly BP on deposits in Yens	It may request loans of up to 1,000 million Yens from the Central Bank and from other financial entities
	14,104	827	25 yearly BP	It has access to the financial market. The assessment may be doubled.
	1,314	337	15 yearly BP (9)	The Central Bank can make loans to the Deposit Guarantee System
	41,925	417	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
	3,316	...	5 yearly BP in charge of the entities + 5 BP in charge of the Government	The Central Bank can make loans interest-free

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

Country	Management	Administration Characteristics	Assessment Characteristics and Year of Creation	Exercises Supervision	Maximum Protection Level (in the currency of origin)
Lithuania	Insurer of Deposits and Investments	PU	Compulsory 1996	No	As from June 2002, 45,000 lats. As from January 2004, 50,000 lats. As from January 2007, 60,000 lats
Luxembourg	Luxembourg Association for Deposit Guarantee (10)	PR	Compulsory 1989	No	20,000 euros
Mexico	Institute for the Protection of Bank Savings	PU	Compulsory 1986	No	Without limits (11)
Morocco	Central Bank	PU	Compulsory 1993	No	50,000 Dirhams
Netherlands	The Netherlands Bank	PU	Compulsory 1978	...	20,000 Euros
Nigeria	Deposit Insurance Corporation of Nigeria	PU	Compulsory 1988	Effects certain supervisory tasks	50,000 Naira (12)
Norway	Commercial Banks' Contingency Fund Board	PR	Compulsory 1961	No	2,000,000 Kroner

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

(11) A transition régime 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. 118,000 dollars as at December 2003).

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

	Maximum Protection Level (in USA Dollars)	Maximum Protection Level as % of the per capita GDP	Ratio Assessments/ Deposits in basis points (BP)	Contingency Assessments
	As from June 2002, 16,292. As from January 2004, 18,102. As from January 2007, 21,724	380	Commercial Banks: 45 yearly BP. Credit Unions: 20 yearly BP	The Government can contribute additional resources
	24,576	53	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
	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
	5,714	492	Max.: 25 yearly BP	The Central Bank may decide that additional assessments be effected, up to the maximum allowed
	24,576	94	On demand, ex post. It cannot exceed, yearly, 10% of corporate equity	The Central Bank may grant loans, if it so wishes
	366	90	93.75 yearly BP	The Government may grant loans, if it so wishes
	299,401	709	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

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

Country	Management	Administration Characteristics	Assessment Characteristics and Year of Creation	Exercises Supervision	Maximum Protection Level (in the currency of origin)
Oman	Bank Deposits' Insurance System Fund	PU	Compulsory 1995	No	Partial coverage (75%) up to 20,000 rials Omani
Peru	Deposit Insurance Fund (FSD)	JOINT	Compulsory 1992	No	68,474 Nuevos Soles (13)
Philippines	Philippines Deposit Insurance Corporation (14)	PU	Compulsory 1963	...	100,000 Pesos Filipinos
Poland	Fund for Banking Guarantee	PU	Compulsory 1995	...	100% up to 1,000 euros and 90% for following amounts up to 18,000 euros in 2002 and 22,500 euros in 2003
Portugal	Board of three members. The Central Bank provides the administrative support	PU	Compulsory 1992	No	25,000 euros
Romania	Banking System Deposits' Guarantee Fund	JOINT	Compulsory 1996	No	10,000,000 lei
Slovak Republic	Fund Committee	JOINT	Compulsory 1996	...	7,100 euros (17)

(13) Adjustable according to inflation.

(14) 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.

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

	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 (75%) up to 52,015	709	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
	19,773	936	From 45 to 145 BP, depending on risk	The Fund may request loans from the Treasury
	1,800	182	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
	100% up to 1,262 and 90% for following amounts up to 22,773 in 2002 and 28,416 in 2003	581	Up to 40 yearly BP (15)	...
	31,574	261	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
	614	30	50 yearly BP	The Fund may request from the banks a special assessment, which cannot be more than double the yearly contribution (16)
	8,966	200	From 10 to 30 yearly BP, depending on the type of entity	The Central Bank may make loans, if it so wishes

(16) 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.

(17) During 2002 a gradual increase in coverage is expected, until reaching 20,000 euros.

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

Country	Management	Administration Characteristics	Assessment Characteristics and Year of Creation	Exercises Supervision	Maximum Protection Level (in the currency of origin)
Slovenia	Agency of the Republic of Slovenia for the Insurance of Deposits in Banks and Savings Banks	PU	Compulsory 1999	No	5,100,000 SIT
Spain	Managing Society of Funds for Guarantee of Deposits in Credit Institutions (18)	JOINT	Compulsory 1977	No	20,000 euros
Sri Lanka	Central Bank	PU	Voluntary 1987	...	100,000 Sri Lanka Rupees
Sudan	Banking Deposits Guarantee Fund	JOINT	1996	...	100 dinars
Sweden	Deposit Guarantee Committee	PU	Compulsory 1992 (19)	No	250,000 kronor
Switzerland	Swiss Bankers' Association	PR	Voluntary 1984	No	30,000 francs
Tanzania	Deposit Insurance Board	PR	Compulsory 1994	No	250,000 Shillings
Trinidad & Tobago	Deposit Insurance Corporation	PU	Compulsory 1986	...	50,000 TT Dollars
Turkey	Central Bank	PU	Compulsory 1983	No	Without limits
Uganda	Central Bank	PU	Compulsory 1994	No	3,000,000 Shillings

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

	Maximum Protection Level (in USA Dollars)	Maximum Protection Level as % of the per capita GDP	Ratio Assessments/ Deposits in basis points (BP)	Contingency Assessments
	27,156	247	Explicit: underwritten by the financial entities	...
	24,576	154	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
	1,033	119	15 yearly BP	...
	100	29	20 yearly BP	It may request loans
	34,364	127	Between 6 yearly BP and 14 yearly BP of the guarantee deposits	It may borrow from the National Government
	24,254	65	On demand	Subscribed by the member banks
	239	91	10 yearly BP on average deposits	The Central Bank may grant loans
	7,970	111	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 (20)
	Without limits	...	100 yearly BP	It may borrow from the Central Bank, upon request from the Minister in charge of Economic Affairs
	1,550	646	20 yearly BP on deposits from the banks. Same amount from the Government	The Government may grant loans, if it so wishes

(19) 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.

(20) 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.

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

Country	Management	Administration Characteristics	Assessment Characteristics and Year of Creation	Exercises Supervision	Maximum Protection Level (in the currency of origin)
United Kingdom	Board of the Deposit Protection Fund (21)	PU	Compulsory 1982	No	Maximum 31,700. (100% up to 2,000 and 90% in the following 33,000)
United States	Federal Deposit Insurance Corporation (FDIC)	PU	Compulsory 1933	Yes	100,000 Dollars
Venezuela	Directing Board	PU	Compulsory 1985	No	10,000,000 Bolívares for deposits in Bolívares
Yugoslavia	Agency for Deposit Insurance, Bank Rehabilitation, Bankruptcy and Liquidation	PU	Compulsory 1989	No	...

There also exist Deposit Guarantee Systems which conform to the following characteristics:

	Management	Administration Characteristics	Assessment Characteristics and Year of Creation	Exercises Supervision	Maximum Protection Level (in the currency of origin)
Gibraltar	Deposit Guarantee Board	PR	Compulsory 1998	No	90% of deposit up to 20,000 euros
Taiwan	Board composed of Finance Ministry and Central Bank	PU	Compulsory 1985	Yes	1,000,000 NT Dollars, covering deposits in local currency

(21) 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.

	Maximum Protection Level (in USA Dollars)	Maximum Protection Level as % of the per capita GDP	Ratio Assessments/ Deposits in basis points (BP)	Contingency Assessments
	Maximum 56,607. (100% up to 3,571 and 90% in the following 58,930)	214	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
	100,000	273	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 30,000 million
	6,266	123	50 yearly BP	The assessment percentages may be modified, and a mechanism of differential assessments may be established
	Determined by the Central Bank according to entity	...

	Maximum Protection Level (in USA Dollars)	Maximum Protection Level as % of the per capita GDP	Ratio Assessments/ Deposits in basis points (BP)	Contingency Assessments
	90% of deposit up to 24,576	...	Ex – post upon request.	No
	30,175	n/a	From 5 to 6 yearly BP on deposits , according to risk	The Central Bank may grant loans, if it so wishes.

IV. The Argentine Financial System

1. Monetary Aggregates

The evolution of monetary aggregates during the course of 2003, as shown in Table II and Chart 1, reveal an increment of 44.1% in M2 (ample monetary aggregate).

In nominal values, a significant increase took place in the amount of bills and coins (62.8%) which, together with the increase in current or checking accounts

(36.7%) reflect an increase in M1 (narrow monetary aggregate), of 50.0%.

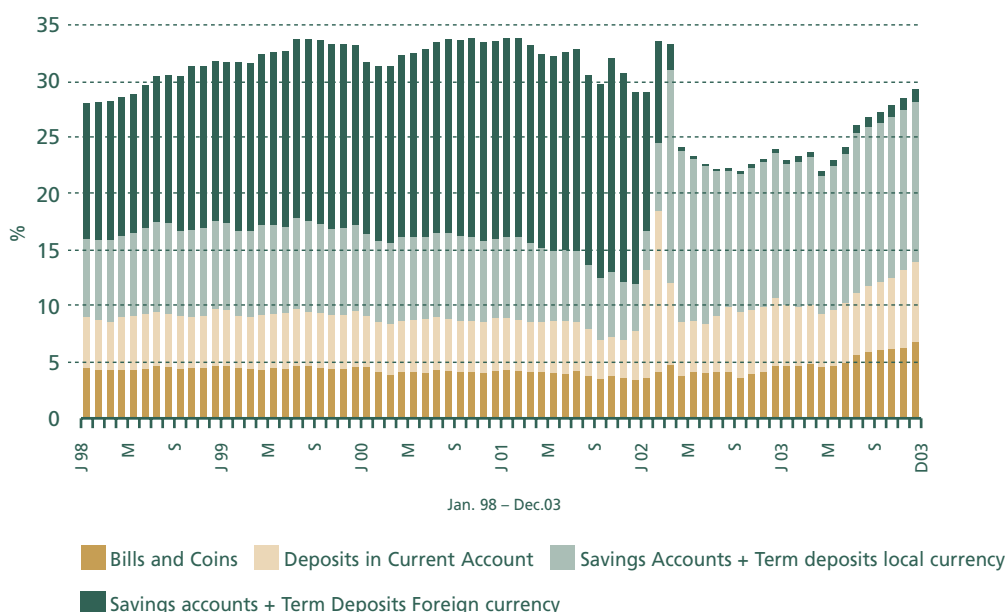
With a marked increase in savings accounts, of 71.9%, together with the rise in term deposits, of 29.2%, one reaches the above mentioned increment of M2, by the end of year 2003.

In terms of a percentage of GDP, M2 rose from 24.9% as at December 2002, to 30.5% as at December 2003.

Monetary Aggregates	Millions of \$	In % of GDP
Bills and Coins	26,656	7.25
Current account, in Pesos	27,149	7.39
Current account, in US Dollars	1,111	0.30
M1	54,916	14.94
Savings accounts in local currency	14,615	3.98
Term deposits in local currency	38,096	10.36
Savings accounts in foreign currency	1,391	0.38
Term deposits in foreign currency	3,208	0.87
M2	112,226	30.53

Source: SEDESA on the basis of data provided by the BCRA

Chart 1 Evolution of Monetary Aggregates as % of GDP

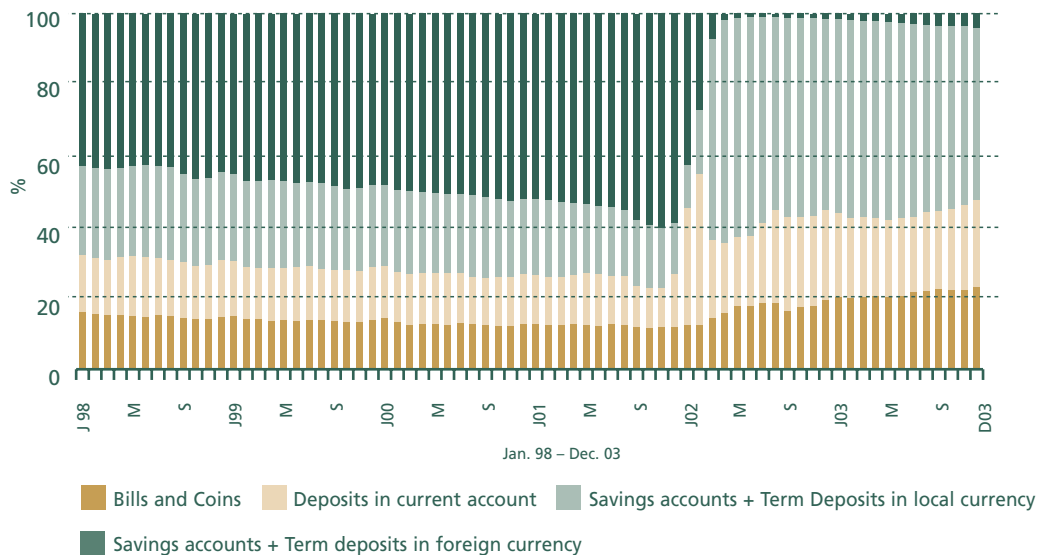


Source: SEDESA on the basis of data provided by the BCRA

Analyzing the participation of the different sub-aggregates within the total and in comparison with the values of a year ago, one may observe, as of December 2003, a pronounced increase in the share of money in the total, which advanced from 5.2% to 7.3%, as well as

that of savings accounts, which rose from 3.0% to 4.4%, a slight increase in current accounts, from 6.5% to 7.7%, as well as for term deposits, which rose from 10.2% to 11.2% (Chart 2).

Chart 2 Percentage Composition of the Monetary Aggregates



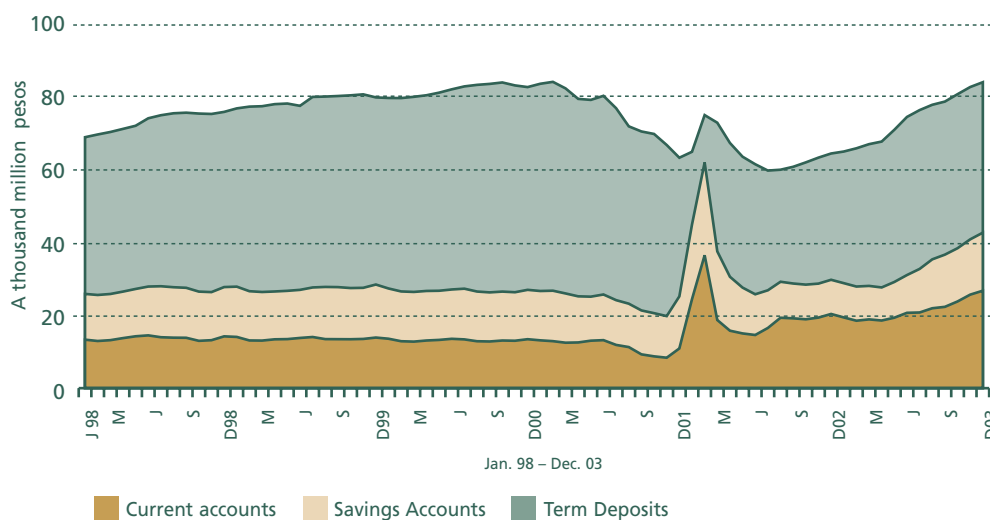
Source: Sedesa on the basis of data provided by the BCRA.

Total deposits grew 39.1% in 2003.

According to the type of deposit, current accounts rose 39.7%, savings accounts 71.9% and time deposits 29.2%, modifying, in this manner, the structure

prevailing at the end of 2002; in other words, the participation of current accounts and savings accounts grew, at the expense of term deposits (Chart 3 and Table III).

Chart 3 Evolution of Deposits by Type of Placement



Source: Sedesa on the basis of data provided by the BCRA.

Type of Deposit	Dec. 2002	Dec. 2003
Current Accounts	32.9	33.0
Savings Accounts	15.1	18.7
Term Deposits	52.0	48.3
TOTAL	100.0	100.0

Source: SEDESA on the basis of data provided by the BCRA.

2. Reference Rates

The so-called reference rates represent the maximum level at which deposits may be placed, to be within the guaranteed regime.

These reference rates are stipulated every so often by the BCRA and are obtained by adding two percentage points p.a. to the moving average of the passive rates ruling during the last five banking working

days, which arise from a survey made by the BCRA.

Insofar as the behaviour of the reference rate ruling for term deposits in pesos during 2003, one may observe a slightly declining trend during the first five months of the year, a decline that accelerated, in the second semester. BCRA reduced the minimum reserve ratios, generating an increase in the liquidity of the system, with the consequent reduction in the rates of interest.

Month	Rates of Reference	Market Rates ⁽²⁾	Month	Rates of Reference	Market Rates ⁽²⁾
January	20.2	17.0	July	10.0	5.6
February	18.3	17.6	August	7.7	4.1
March	19.3	20.3	September	7.3	4.1
April	20.9	19.4	October	7.3	4.1
May	18.2	12.6	November	7.3	4.1
June	12.6	9.6	December	6.9	3.5

(1) Weighted average, as per days in force
(2) In force in the market, surveyed by the BCRA, for term deposits of between 30 and 59 days.

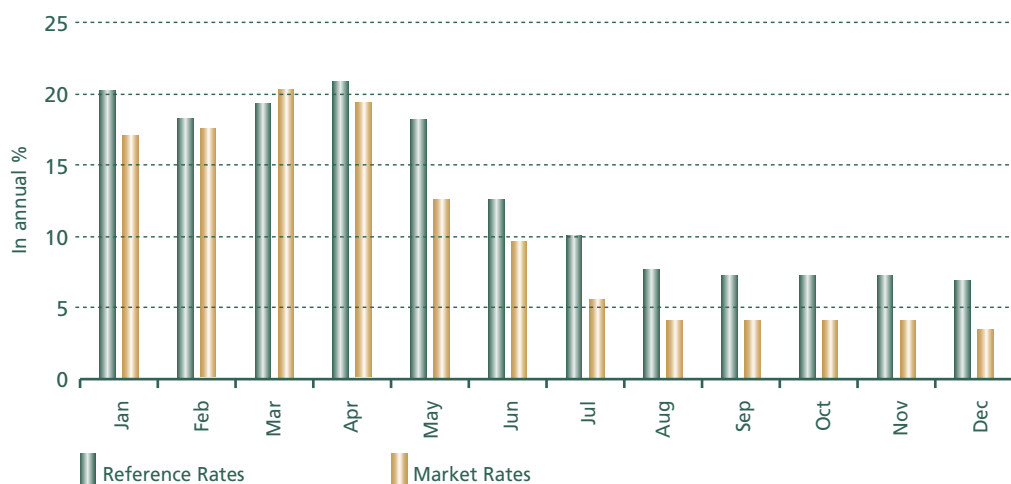
Source: SEDESA on the basis of data provided by the BCRA.

Given the variation of 3.7% in the Consumer Price Index during the year 2003, market interest rates for term placements, in real terms, were positive during almost the whole year, particularly during the first seven months (Table IV and Chart 4).

Reference rates for term deposits in foreign

currency hardly suffered any modification throughout the whole of 2003, whereas market rates experienced substantial declines (Table V and Chart 5), for the same reasons mentioned in the previous case. One must underline the relatively scant importance of term deposits in foreign currency, as they represented less than 10% of those made in local currency.

Chart 4 Market and Reference Rates.
Term Deposits in Pesos. Year 2003



Source: SEDESA on the basis of data provided by the BCRA.

Table V Interest rates for Term Deposits in Dollars (in % p.a., year 2003) ⁽¹⁾

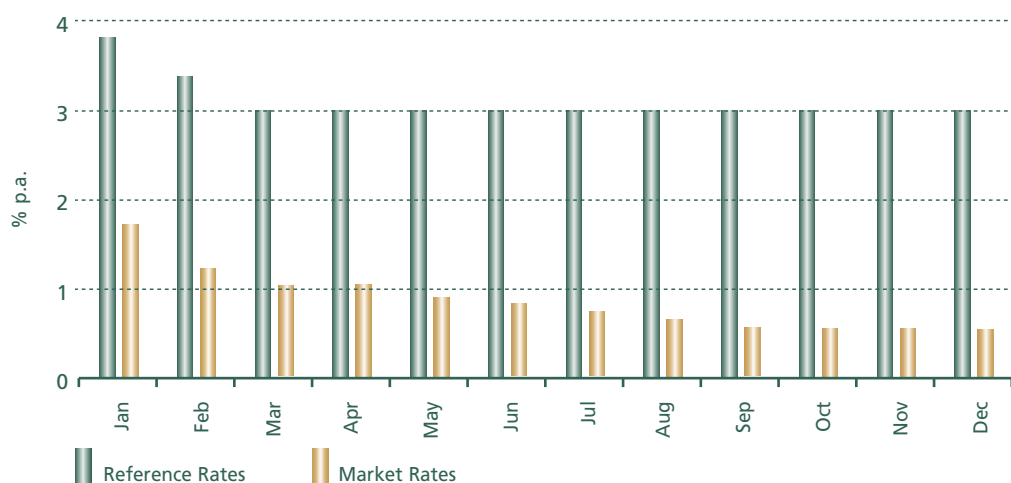
Month	Rates of Reference	Market Rates ⁽²⁾	Month	Rates of Reference	Market Rates ⁽²⁾
January	3.8	1.7	July	3.0	0.7
February	3.4	1.2	August	3.0	0.7
March	3.0	1.0	September	3.0	0.6
April	3.0	1.1	October	3.0	0.6
May	3.0	0.9	November	3.0	0.6
June	3.0	0.8	December	3.0	0.5

(1) Weighted average, as per days in force

(2) In force in the market, surveyed by the BCRA, for term deposits of between 30 and 59 days.

Source: SEDESA on the basis of data provided by the BCRA.

Chart 5 Reference and Market Rates.
Term deposits in US Dollars. Year 2003



Source: SEDESA on the basis of data provided by the BCRA.

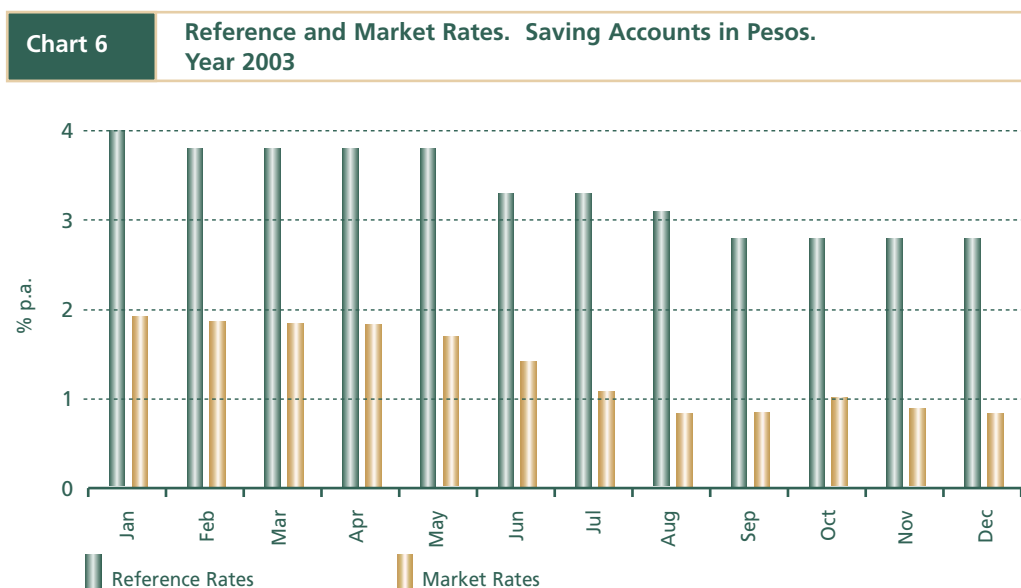
Reference rates for savings accounts deposits in pesos, showed a slight decline during the course of the

year, with an appreciable difference opposite market rates (Table VI and Chart 6).

Mes	Tasas de Referencia	Tasas de Mercado ⁽²⁾	Mes	Tasas de Referencia	Tasas de Mercado ⁽²⁾
January	4.0	1.9	July	3.3	1.1
February	3.8	1.9	August	3.1	0.8
March	3.8	1.8	September	2.8	0.9
April	3.8	1.8	October	2.8	1.0
May	3.8	1.7	November	2.8	0.9
June	3.3	1.4	December	2.8	0.8

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

Source: SEDESA on the basis of data provided by the BCRA.

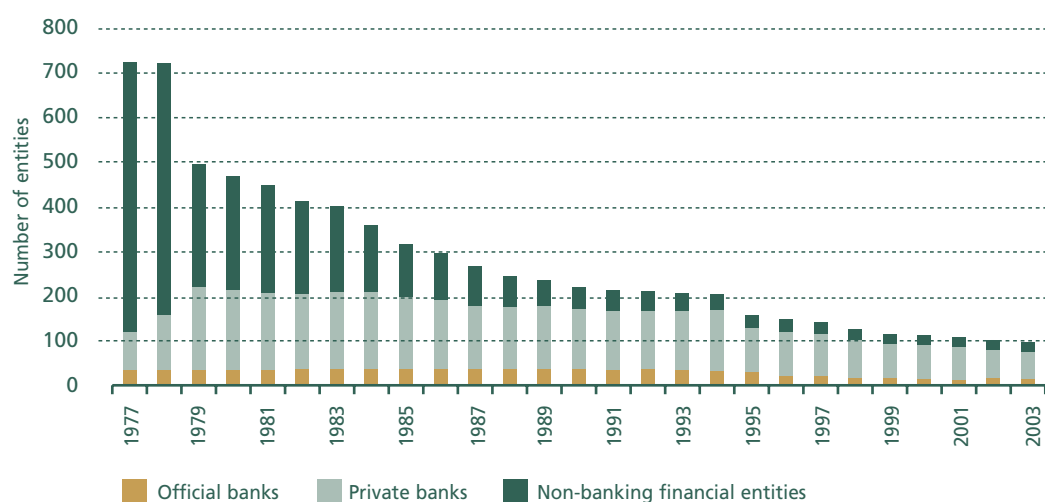


Source: SEDESA on the basis of data provided by the BCRA.

3. Financial Institutions

During year 2003, there was a diminution in the number of financial entities from 100 at the end of 2002, to 96 at the end of 2003.

As will be appreciated from perusal of Table VII and Chart 7, corresponding to the period under review, an official bank and three private banks ceased to exist, with the result that, at the end of 2003, there were in existence 15 official banks, 60 private banks and 21 non-banking financial entities.

Chart 7 Number of entities, by type of institution

Source: Sedesa on the basis of data provided by the BCRA.

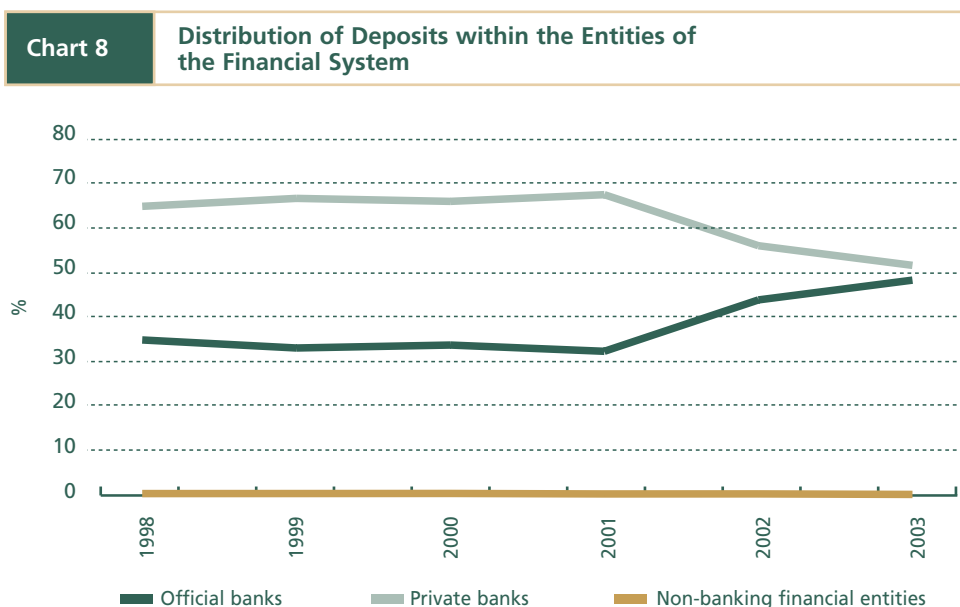
Table VII Number of Entities by type of Institution

Year	Official Banks	Private Banks	Non-Banking Fin. Institutions	TOTAL
Dec-77	35	85	603	723
Dec-78	35	122	564	721
Dec-79	35	184	277	496
Dec-80	35	179	255	469
Dec-81	35	171	243	449
Dec-82	36	168	209	413
Dec-83	36	174	192	402
Dec-84	36	174	150	360
Dec-85	37	161	117	315
Dec-86	37	154	105	296
Dec-87	36	142	89	267
Dec-88	36	139	70	245
Dec-89	36	141	59	236
Dec-90	36	134	51	221
Dec-91	35	132	47	214
Dec-92	36	131	43	210
Dec-93	34	133	39	206
Dec-94	33	135	37	205
Dec-95	30	97	31	158
Dec-96	20	100	27	147
Dec-97	20	95	27	142
Dec-98	16	86	23	125
Dec-99	16	76	24	116
Dec-00	14	75	24	113
Dec-01	13	73	22	108
Dec-02	16	63	21	100
Dec-03	15	60	21	96

Source: Prepared on the basis of data provided by the BCRA

Insofar as the distribution of deposits within the system, and nature (property) of the entities is concerned, the participation of private banks within the total grew until the year 2001. After the systemic crisis of 2001, one may observe a change in trend, with depositors moving over towards official entities.

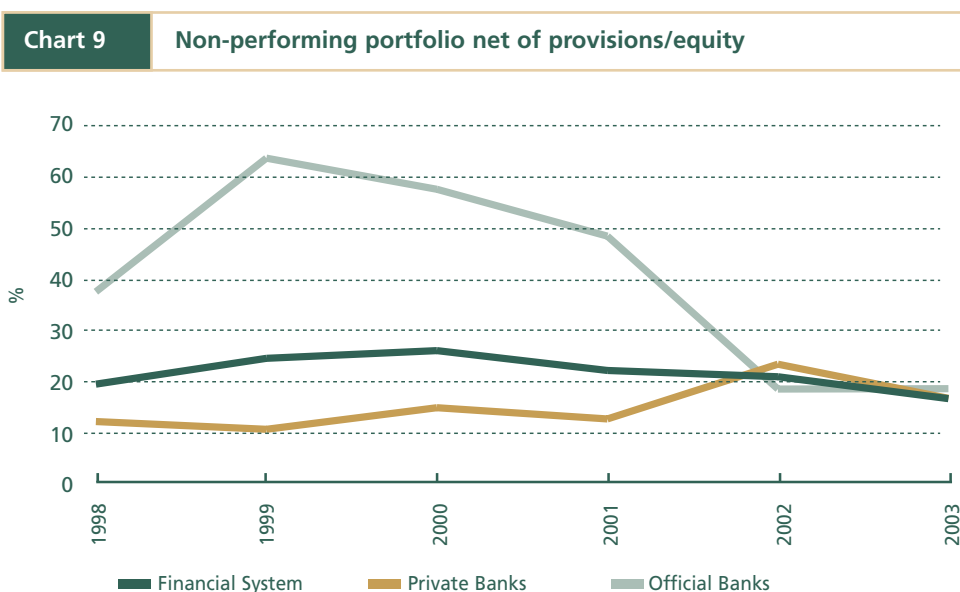
Thus, as of December 2003, the participation of the private banking sector was 51.5%, that of the official banking sector 48.2%, with that of the non-banking financial entities 0.2% (see Chart 8).



Source: Sedesa, on the basis of data provided by the BCRA.

Towards the end of 2003 the relationship between the non-performing credit portfolio of the financial entities, net of provisions and as a percentage of equity, showed a quality improvement, with regard to the previous year. Discriminating between official and private entities, whereas the first-named maintained

their values of the previous year, the second-named showed an important diminution, with the drop of 23.1% to 16.4%. For the private banking sector, however, these values are high, in comparison with previous years, as may be observed from perusal of Chart 9.

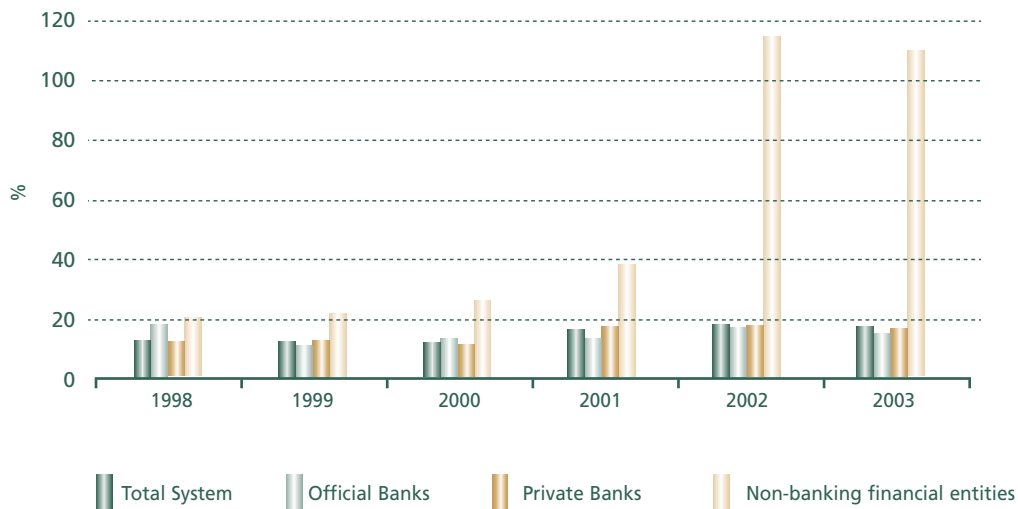


Source: SEDESA on the basis of data provided by the BCRA

Insofar as the capitalization of entities is concerned, measured as a percentage of equity versus assets at risk, although the final position at the end of 2003 was slightly inferior to that of a year previously, the

figure is still at a high level, it being 17.4% for the total system, 15.0% for official banks, 16.7% for private banks and an 110.2% for non-banking entities.

Chart 10 Equity/Assets at Risk



Source: Sedesa, on the basis of data provided by the BCRA.

An indicator of the efficiency of the financial system, such as the relationship between administrative expenses and total assets, experienced a positive evolution, after the high figures observed in 2002, both

in official and private entities (see Chart 11). The current ratio, although inferior to those prevailing in recent years in Argentina, is high when compared with international standards.

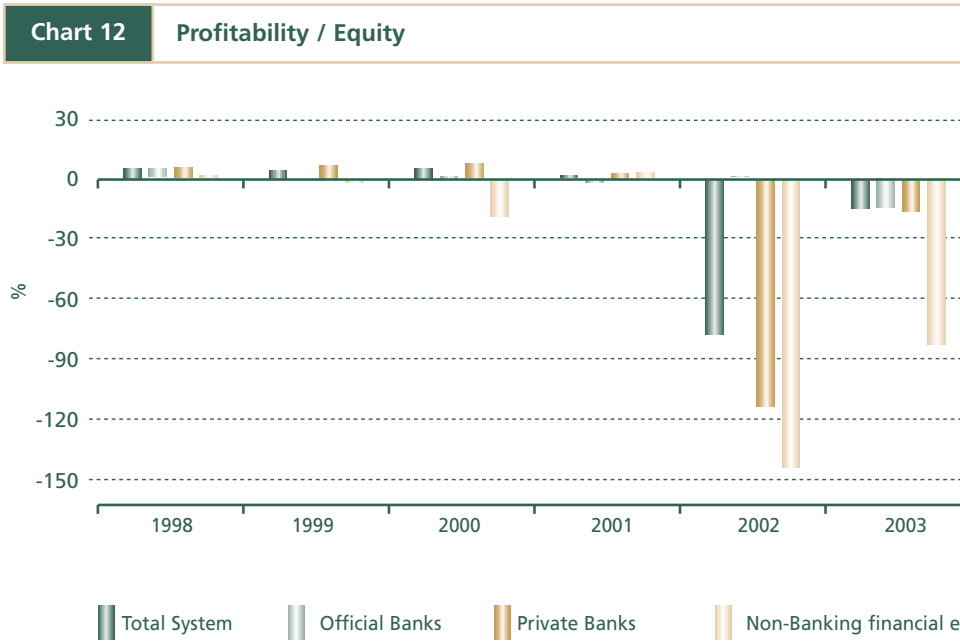
Chart 11 Administrative Expenses / Assets



Source: Sedesa, on the basis of data provided by the BCRA.

The system's profitability during 2003 remained negative at minus 15.8% on equity but showed some

improvement on the adverse results of the previous year, which resulted from the crisis mentioned in this report.

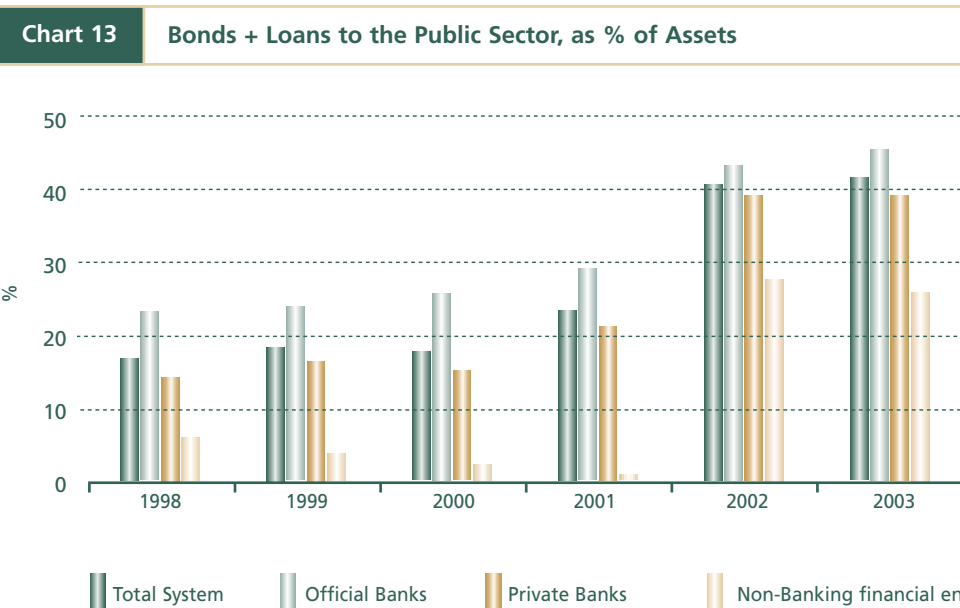


Source: Sedesa on the basis of data provided by the BCRA.

For private banks, the loss was 15.8%, for banks sector, it was 16.5% and for the non-banking financial entities it was 84.7%.

Analyzing the profitability figures on a quarterly basis, one may appreciate an improvement in the trend, so that one may expect positive results during the year 2004.

From perusal of Chart 13, it may be appreciated that loans made by the financial entities to the non-financial public sector continued to grow, during the year under review. This situation worsened towards the end of 2001, during which year said loans represented 24% of total assets, whereas at the end of 2002 they represented 41.0% and as at December 2003, 41.5% for the total financial system.



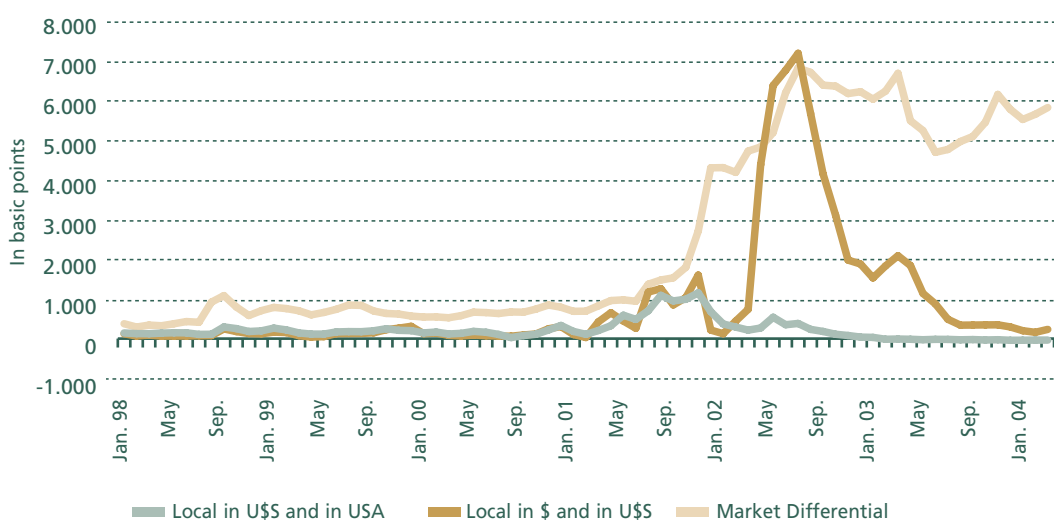
Source: Sedesa on the basis of data provided by the BCRA.

Chart 14 reveals the consequences of the systemic crisis, with the official declaration of default of the public debt (December 28, 2001), precipitating a considerable increase in the market differential, i.e., the difference between interest rates ruling on Argentine bonds and those ruling on the US equivalent.

What we might call the “exchange risk”, i.e., the

difference in interest rates paid for Pesos and in US Dollars in the local market, shows reasonable levels, as one should bear in mind that f.x. deposits are not significant. The same occurs with what is known as “systemic risk”, in other words, the difference in interest rates paid for deposits in dollars versus the equivalent transaction in the USA, given that the difference between both is scant.

Chart 14 Differential between passive rates and Market Differential



Source: Sedesa on the basis of data provided by the BCRA.

4. Overcoming the Systemic Crisis

In last year's annual report, reference was made to a systemic crisis affecting almost all sectors of the country towards the end of 2001. The severity of the crisis determined the enactment of exceptional measures within a regime of national emergency, as it was then qualified. These governmental decisions aimed at surmounting the difficulties which were being faced, were commented upon, insofar as they affected Sedesa's activities, with particular reference concerning money, credit and the exchange and financial systems.

Continuing with this review, one should underline that during the year 2003, the crisis was gradually overcome, although important questions remain to be resolved, and all this despite the year 2003 being an electoral one, at all levels. It must further be noted that the changes which occurred in the Executive and Legislative Branches, at the national level, did not affect the orientation of the Ministry of Economy or the Central Bank, whose executives remained the same as during the previous administration.

Same as last year, we shall now mention the principal measures taken by the authorities during the course of 2003:

- Towards the end of January it was announced that an agreement had been reached with the IMF. Said agreement, of a short-term nature –valid until August 2003– permitted meeting of obligations with the Multilateral Credit Organizations, plus the restructuring of monetary and financial policies and systems, within certain agreed guidelines.
- Pressures on the exchange rate had become moderate towards the end of 2002, all of which allowed the implementation of measures aimed at alleviating the rigidity of the exchange control. This situation became accentuated during the first months of 2003, which permitted the issuing of new rules aimed at further flexibilization of the market, such as suspending the purchase and sale of foreign currency on the part of the Central Bank, eliminating restrictions on imports, freeing the transfer abroad of profits and dividends, raising the limit of export

operations under the control of the BCRA, as well as freeing the payment of interest regarding foreign debts.

- Insofar as the financial system was concerned, it must be noted that in November of 2002 restrictions on the movement of funds held in current accounts and savings accounts –“corralito or play-pen”- were suppressed but the year had concluded without the freeing of the “reprogrammed” deposits, also known as the “corralón”. These were mainly foreign currency term deposits whose recovery was to be made in quotas, commencing with those of a minor scale at the beginning of 2003, this being liable to improved recuperation conditions offered by the various banking institutions. Given these circumstances, a decision by the Supreme Court of Justice, in March, regarding a foreign exchange deposit made by a certain Province had to be returned by the corresponding financial entity or bank, in the currency of origin or in pesos, at a rate equivalent to the exchange rate ruling on the free market. This decision created a certain amount of uncertainty concerning the process of “pesification” within the economy; the observance of the program of exchange of deposits for public bonds which were going forward, as well as the continuation of the “amparos judiciales” or “injunction proceedings”.
- At the same time, a new regime regarding financial assistance given by the Central Bank covering temporary illiquidity problems of the financial entities was made known, based on more strict criteria than had been laid down in previous measures.
- In April Decree 739/03 was enacted, whereby a new optional mechanism was offered to depositors who had been “reprogrammed”, with the aim of “liberating” (canceling) said deposits, with the consequent disappearance of the so-called “corralón”. Concerning the deposits originally made in pesos, one could request their total or partial cancellation through crediting the sums in question in sight deposits, immediately available, upon demand. Insofar as deposits originally made in foreign currency were concerned, their freeing became a function of their magnitude: up to 42,000 pesos, these deposits, adjusted by the coefficient of stabilization (CER) plus interest due, would be credited to sight accounts, of immediate disposal upon demand. For deposits of between pesos 42,000 and 100,000 –always following the same adjustment procedure- the beneficiary would have to make a fixed term deposit at 90 days, before recovering his cash and, for sums exceeding pesos 100,000, a fixed term deposit at 120 days. In all cases, the difference between the adjusted amount of the deposit and

that which would emerge from the conversion into pesos at the free rate of exchange, would be covered by “National Government Bonds in US Dollars, 2013”. The same Decree also included (Chapter II) an optional regime for financial entities, for the cancellation of rediscount debts opposite the Central Bank, aimed at making the expiry of said debts coincide with the amortization of Guaranteed Loans and public bonds owned by the entities in question, which were affected by the guarantee clause contained in the financial assistance, thus neutralizing the negative effects on the situation of these entities.

- Simultaneously, the Central Bank issued a number of rulings concerning the financial system with the object of establishing it on a sound basis for the future. In this way and with the aim of moderating the effects of the freeing of the “corralón” interest rates on the legal encashment were reduced; rules were adjusted in order to favor the expansion of credit to the private sector, and others were modified, such as the conversion into assets of losses emerging from attending to the “judicial relief proceedings” covering deposits made in foreign currency.
- At the same time a program of monetary unification was launched, destined to recover bonds issued by the various provinces which were operating as “quasi-money”, which was implemented immediately.
- Towards the beginning of May a battery of measures were launched, destined to both liberate and flexibilize the exchange market. An important influx of speculative capital had landed in Argentina, attracted by the high interest rates ruling during the first quarter of the year, despite the constant intervention by the Central Bank, via the purchase of divisens.
- Towards the middle of the year, the coefficients governing legal encashments were reduced, as a way of attending to the problems of scarce liquidity caused, amongst other factors, by seasonal reasons.
- With the purpose of aiding and abetting the resurgence of credit, especially in the medium and long term, financial conditions adjusted by the CER were allowed; these had been limited. Moreover, the regime of minimum capitals of the financial entities was reformulated; although this reform did not alter the structure nor introduce simplifications, it did contain some novel departures (for example: “risk indicators” made on the basis of the rate governing the placement of assets were suppressed). Its integral application was foreseen for January 2004 and, in the

meantime, non-compliance would not be penalized.

- Within the framework of the normalization of the financial system, in October 2003 information was requested concerning the business plan which each entity had considered undertaking and a detail of the projections on which it was based. During the same month, the Central Bank issued its first "Inflation Report" to be issued on a quarterly basis in future, wherein were explained the changes which had occurred during 2003 in the Government's monetary policy which, according to the report, "would be based on the consolidation of a monetary anchor based on inflationary expectations" (Inflation Targeting).
- As from November, the regime of "minimum application of resources forthcoming from sight and term obligations" was suppressed, only the "minimum reserve requirements" with reductions in the coefficients governing sight deposits, being maintained. The charges for non-compliance of the reserve requirements during the period July 2001 / January 2003 were also reduced, bearing in mind the difficulties which hit the system, during the crisis. Furthermore, so as to avoid "short-termism", a return was made to the minimum term of 30 days for term deposits, which had contracted to 7 days during the worst of the crisis. On top of the reduction in reserve requirements, the Central Bank modified other norms in order to facilitate the access to bank credit: the regimes covering "credit graduation",

"classification of debtors" and "minimum provisions covering risky debts", were adjusted. Insofar as the guarantee on deposits was concerned, the Central Bank resolved that, for the period September 2003 / August 2004, the data concerning the rating of entities and their minimum capitals should not be borne in mind, in connection with the calculation of whether or not they should make additional assessments to the DGF.

- Within the program of normalization of the financial system and with the purpose of easing the incorporation of new economic groups and fresh capital towards the financial entities, certain modifications were introduced governing the established requisites for evaluating the directors of said entities. As from January 2004 only a quarter of the shareholders must show suitability and expertise in the field (previously, the majority); the directors must be suitable but only two thirds of them will be required to have had previous experience in their new activity (previously all the directors).

At the end of 2003 one may conclude that the most serious aspects of the systemic crisis of the previous two years have been surmounted, although naturally the consequences remain fairly evident. The rate of expansion in economic activity has accelerated beyond any shadow of doubt and the degree of stability has been attained in the principal macroeconomic variables, such as the fiscal situation, the rate of inflation, the rate of interest and finally, the rate of exchange.

V. Allocation of Resources of the Deposit Guarantee Fund (DGF)

1. General Commentary

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 single opportunity; it assisted various entities with non-reimbursable contributions; it made loans to entities which took on privileged liabilities and all within the framework of Section 34 of LEF (Law of Financial Entities); it took part in Trust Agreements and it acquired credit portfolios and other assets of former financial entities. All this and at the same time attending to advances of funds corresponding to the acquisition of deposits of suspended entities, including the reimbursement to holders of sums deposited in special accounts concerning the crediting of wages and salaries.

As a consequence of the foregoing activities, all foreseen by the appropriate legal rulings, one must underline the evolution registered by SEDESA as the administrator of the DGF: commencing with the primary stage, limited to making effective the guarantee on

deposits, it advanced towards a second stage, that of the constitution of Trust Agreements with the consequent follow-up, which includes the control of the degree of compliance with instructions, on the part of the trustees. More recently, the direct administration of assets excluded from the balance-sheets of entities in difficulties has also been successfully accomplished.

In the light of the foregoing, the assets of the DGF include not only cash and investments, but also other financial resources, such as bonds, loans, guaranteed loans and goods (properties).

2. Main characteristics of the financial assistance granted by the DGF

The principal characteristics of the Trust Agreements of which SEDESA, as trustee of the DGF, is the beneficiary, are described in Table VIII. Moreover, assistance to financial entities, in the shape of non-reimbursable contributions, the awarding of loans, the purchase of credit portfolios, the purchase of the entirety of the assets of a former entity, as well as both cases, one of which shows the payment of the guarantee to the depositors (Section 10bis, clause a), Decree 540/95 and its modifications) whereas in the other case the deposits were purchased partially (Section 1, Second paragraph of Law N° 24,485 plus clause d), Decree 540/95 and its modifications), all this is detailed hereunder in Table VIII.

Table VIII Cases administered by the DGF up to 31/12/2003 (Amounts expressed in millions of current pesos)						
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 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 Coop. de 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.	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		

Table VIII		Cases administered by the DGF up to 31/12/2003 (Amounts expressed in millions of current pesos)				
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	
		Payment of indemnities		Jan - Dec 03	1.31	
					62.75	
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, Credicoop, Bisel, Galicia, Macro, de San Juan and Suquia 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 Misiones, BNL, Sudameris, Suquia 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	
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	

Table VIII Cases administered by the DGF up to 31/12/2003 (Amounts expressed in millions of current pesos)						
Entity	Beneficiary of Assistance	Type of Assistance/ Transaction	Observations	Disbursement		Guaranteed Deposits
				Date	Amount	
Luján Williams Compañía Financiera S.A.	Banco Sudameris Argentina S.A. (Trust Agreement Lujan)	Contribution to a Trust Agreement constituted with certain assets of Luján Williams Cia. Fciera. S.A.	Banco Sudameris S.A. acquired certain assets and took charge of the payment of deposits of Luján Williams Cia. Fciera.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 Frances, 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. Deposits contingency	The Banks Credicoop, Galicia, Sudameris, San Luis y 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 Contingent amount 2.56	Sep.-01	16.34	19.37
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
Banco de Galicia y Bs. As. S.A.	Banco de Galicia y Bs. As. S.A.	Loan Loan through contribution to a Trust Agreement constituted with mortgage portfolio of Banco de Galicia with participation of a group of entities	Loan Contract dated 21 March 2002	May-02 May-02	200.00 21.00 221.00	
Scotiabank Quilmes S.A.	Holders of salary payment accounts Banco Comafi S.A. Banco Bansud S.A.	Payment of the guarantee to holders of deposits for wages and salaries Loan of Consumable Goods Contract guaranteed by Two Trust Agreements constituted with Public Bonds in Foreign Currency	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 Sep.-02	12.63 123.50 66.50 202.63	253.30

Table VIII Cases administered by the DGF up to 31/12/2003
(Amounts expressed in millions of current pesos)

Entity	Beneficiary of Assistance	Type of Assistance/Transaction	Observations	Disbursement		Guaranteed Deposits
				Date	Amount	
Banco de la Edificadora de Olavarría S.A. (BEO)	Columbia Cía. Fin. S.A. (now Banco Columbia S.A.)	Contract of Transfer of Assets of the BEO, from Columbia Cía.Fin. S.A. to the DGF	Columbia Cía 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	47.50
Banco Velox S.A.	Nuevo Banco Industrial de Azul S.A.	Loan of Consumable Goods Contract guaranteed by US denominated bonds, transferred to a Trust Agreement	The Nuevo Banco Industrial de Azul S.A. took charge of the payment of deposits and acquired certain assets of Banco Velox S.A.	Mar-03	31.00	49.27
Sociedad Anónima del Atlántico S.A. (SADELA) ⁽²⁾	Holders of wages and salary accounts	Payment of the guarantee to holders of wages and salary accounts	Section 1, Second paragraph of Law 24,485 (Text of Law N° 25,089)	Oct-Dec 03	0.28	0.28
TOTALS					1,783.19	1,969.30

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.

79.33%

Summary of assistance from the DGF up to 31/12/2003 (Amounts expressed in millions of current pesos)
Section 10 bis Decree 540/95 and its modifications and Section 1° second paragraph Law 24,485 Text as per Law 25,089

Paragraph	Type of assistance/Transactions	Amount	Number of cases
Paragraph a)	Payment of the guarantee to the depositors of the entity	0.66	1
Paragraph b)	Loans to entities which took charge of privileged liabilities	228.00	4
	Loans to entity (Sect. 34 Law of Financial Entities)	221.00	1
	Non-reimbursable contributions to entities which took charge of privileged liabilities	110.39	3
Paragraph c)	Contributions to entities which took charge of privileged liabilities, through the purchase of participations in financial trust agreements	1,103.75	12
	Purchase of credit portfolio of former entity from the entity which took charge of its privileged liabilities	1.70	1
	Purchase of excluded assets of the former entity from the entity which took charge of its privileged liabilities	54.99	1
Paragraph d)	Partial acquisition of deposits of suspended entity	49.79	2
	Payment of the guarantee to the holders of deposits in salary payment accounts	12.91	2
TOTALS		1,783.19	27

Table IX Annual assistance from the DGF

Fiscal Year/Year	Disbursements in millions of current pesos	Fiscal Year/Year	Disbursements in millions of current pesos
1996	0.66	2000	37.99
1997	275.54	2001	157.68
1998	468.36	2002	479.82
1999	330.55	2003	32.59
TOTALES 1996-2003		1,783.19	

VI. VI. Deposit Guarantee Fund (DGF)

1. Passive Transactions

In the light of what was laid down by Decree 214/02, loans made in foreign currency to Seguro de Depósitos S.A. by 93 financial entities, derived from a contract entered into towards the beginning of 2000 in line with the regime of assessments to the DGF, were converted into pesos, at the rate of 1 peso per US dollar, being adjusted by the application of the stabilization reference coefficient "CER" (BCRA – Communiqué" A" 3507 and complementary rulings).

The term for these loans to the DGF was stipulated at 36 months, the first one of them expiring in January

and the last in August, all in the year 2003. At the moment of expiry of each of these assessments SEDESA, as trustee of the DGF, acted at the appropriate moment, transferring to the respective accounts of the creditor entities the corresponding amounts. In this way, this operation concerning a system of loans which took the form of temporary assessments to the DGF, was concluded.

At the moment of expiry of these loans, five of the entities which originally subscribed these contracts had lost the authorization to operate as financial entities. Consequently, SEDESA cancelled its obligations with the entities which had taken over the excluded privileged liabilities, due to the restructuring process which had been undertaken.

2. Evolution of the DGF (values expressed in current pesos)

2.1. Income

The income of the DGF during the year 2003 was pesos 380.37 million, broken down as follows:

	Million \$	%
• Monthly assessments of the financial entities	317.75	83.54%
• Financial revenues and for holding operations:	30.26	7.95%
• Income from collections of credits transferred in favor of SEDESA as trustee of the DGF	12.22	3.21%
• Income from recovery of Financial Trust Agreements	10.93	2.87%
• Amortization of Galicia Trust Agreement Certificate	6.93	1.82%
• Proceeds from sale and renting of properties recovered from trust agreements	2.17	0.58%
Other income	0.11	0.03%
Total	380.37	100.00%

The principal income, during the year under review, was clearly provided by “monthly assessments from the financial entities”. This sum represented 83.54% of total income during 2003; meanwhile, the monthly average of assessments to the DGF reached pesos 26.48 million.

The next item in importance was that of “financial income and holding operations” derived principally from the yield of money invested in UBS BRINSON, under conditions similar to those applying to the placement of international reserves by the Central Bank, with Pesos 8.02 million, followed by interest paid by the Banco de Galicia y Buenos Aires S.A. (Pesos 7.88 million), stemming from the loan made by the DGF on May 3rd, 2002.

During the month of October 2003 BODEN 2005 and 2012 were incorporated, at their market value, to the available balance of the DGF (the subject of a monthly report by SEDESA to the general public and to the Superintendence of Financial and Exchange Entities –SEF & C- of the BCRA); furthermore, BODEN 2013 increased the available balance of the DGF as from December, the first month during which this type of BODEN was quoted on the local stock market. The incorporation of these bonds is reflected as a source of funds worth pesos 8.06 million, under the denomination of “Bonds of the Government in US dollars”.

2.3 Available Balance

The following table details its monthly evolution:

Table X		Monthly Evolution of the Available Balance (in millions of pesos)			
Month	Total income	Total expenditures	DGF Available Balance	Deposits of the Financial System ⁽¹⁾	Ratio Available Balance / Deposits
Available Balance at 31/12/2002:			768.26		
JANUARY	24.65	52.66	740.25	72,670.80	1.02%
FEBRUARY	16.61	22.60	734.26	73,808.40	0.99%
MARCH	25.37	96.64	662.99	73,984.30	0.90%
APRIL	26.12	53.03	636.08	74,756.20	0.85%
MAY	26.57	13.63	649.02	75,112.70	0.86%
JUNE	33.69	31.36	651.35	80,215.50	0.81%
JULY	29.83	-6.63	687.81	81,720.10	0.84%
AUGUST	28.46	15.64	700.63	82,497.80	0.85%
SEPTEMBER	36.51	9.05	728.09	83,479.40	0.87%
OCTOBER	45.21	12.19	761.11	84,286.10	0.90%
NOVEMBER	43.10	-21.74	825.95	86,158.20	0.96%
DECEMBER	44.25	6.53	863.67	84,807.70	1.02%

(1) Excluding official deposits in the Banco de la Nación Argentina, Decree N° 177/96.

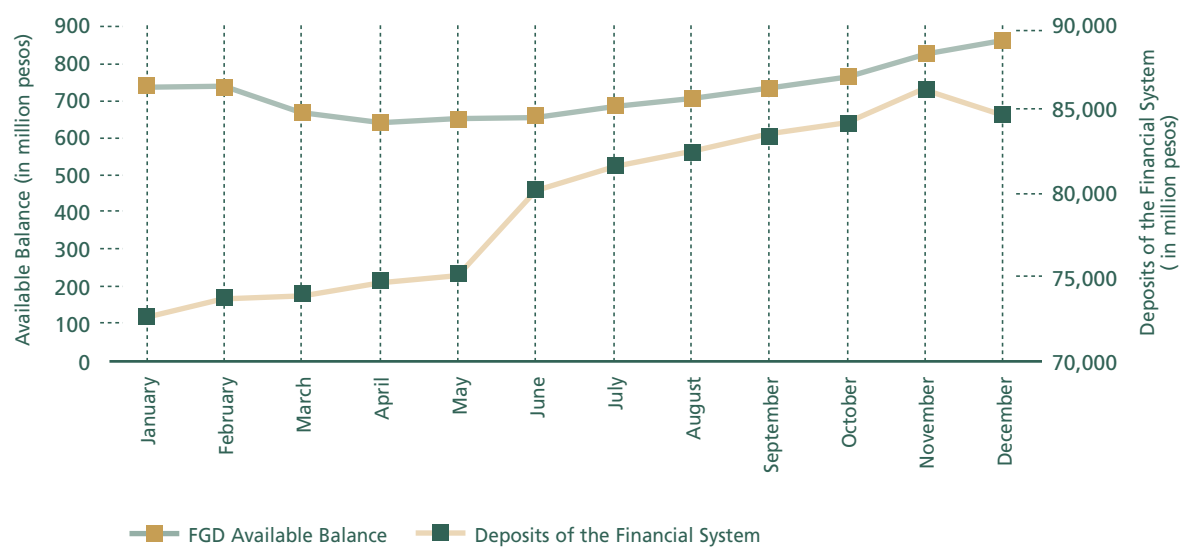
During September 2003 the freeing of a reprogrammed deposit in the name of the DGF was made effective, according to the terms of Decree 739/03, which originated a positive cash flow of pesos 2.08 million.

2.2 Expenditures

Expenditures during the year 2003 reached pesos 284.96 million with the highest proportion corresponding to the amortization of loans which the DGF received from the various financial entities during the year 2000 (see Passive Transactions, Chapter VI). The cancellation of these loans took place during the period January to August 2003.

Owing to the fact that a significant portion of the assets belonging to the DGF are denominated in US dollars, and bearing in mind the appreciation of the peso opposite said currency during the year 2003, this generated during the financial period under review a negative exchange difference of pesos 82.41 million.

The assistance to financial entities in the different forms, as foreseen in Section 10 bis of Decree 540/95 and its modifications, amounted to pesos 36.60 million during the year which ended on December 31, 2003.

Chart 15 Monthly Evolution of Available Balance and Deposits in the Financial System


Source: Sedesa on the basis of data provided by the BCRA.

3. Origin and Allocation of Funds

Since the inception of the application of the regime in May 1995, the DGF has received from the entities the sum of Pesos 2,104.3 million, in the nature of assessments, all of which reaches 68.2% of its total

income; adding other income, one reaches the total sum of Pesos 3,087.1 million.

56.5% of these monies was destined to cover the requirements of financial entities in difficulties and 28.0% constitutes the available balance as at December 31st, 2003, as may be appreciated in the following table:

Table XI Origin and Allocation of Funds of the DGF (between May 1995 and December 31, 2003)
(values expressed in millions of current pesos)

	Amount	%
Origin		
Monthly assessments by the financial entities	2,104.3	68.16
Exchange differences	520.6	16.86
Swap operations with the B.C.R.A.	149.6	4.85
Loans received from financial entities	106.6	3.45
Financial income and from holding operations	94.2	3.05
Income from recoveries from Trust Agreements	51.5	1.67
Amortizations of loans granted	19.4	0.63
Income from credit collections transferred in favor of SEDESA as trustee of the DGF	13.4	0.43
National Government bonds expressed in US\$	10.1	0.33
Income from sale of recovered properties	7.0	0.23
Realization of Banco Francés Guarantee	6.3	0.20
Dis-reprogramming of deposits	2.2	0.07
Renting of properties recovered from Trust Agreements	0.2	0.01
Other income	1.7	0.06
Total	3,087.1	100.00
Allocations		
Assistance to entities (Sect. 10° bis Decree 540/95 (T.A), Sect.1 Law 24,485 and modif.)	1,745.3	56.54
Breakdown:		
For loans	438.6	14.21
For non reimbursable contributions	110.4	3.58
For loans convertible into Corporate Bonds	5.0	0.16
For transfer of credits	1.7	0.06
For acquisition of assets	27.0	0.87
For contributions to Trust Agreements	1,149.7	37.24
Reimbursement balances accounts cred. wages and salaries (exchanged for BODEN)	12.6	0.41
Reimbursement balances accounts for the crediting of wages and salaries	0.3	0.01
Disbursement of the guarantee on deposits sect. 10 bis para. a) Decree 540/95 and its mod.	0.7	0.02
Amortization of loans to financial entities (CAPITAL + C.E.R.)	147.6	4.78
Anticipated cancellation of loans from financial entities	4.3	0.14
Financial interests	11.5	0.37
Payment of stand-by repos' facilities BCRA	124.6	4.04
Swap operations with the BCRA	149.6	4.84
Administrative Expenses	25.4	0.82
Reimbursement of the Guarantee constituted by the Banco Francés	6.7	0.22
Life insurance on debt balances covering transferred credits	0.6	0.02
Reprogramming of deposits	1.6	0.05
Value Added Tax	0.5	0.02
Other Expenditure	5.0	0.16
Total Allocations	2,223.4	72.02
Available Balance of the DGF as at December 31st , 2003	863.7	27.98
Total	3,087.1	100.00

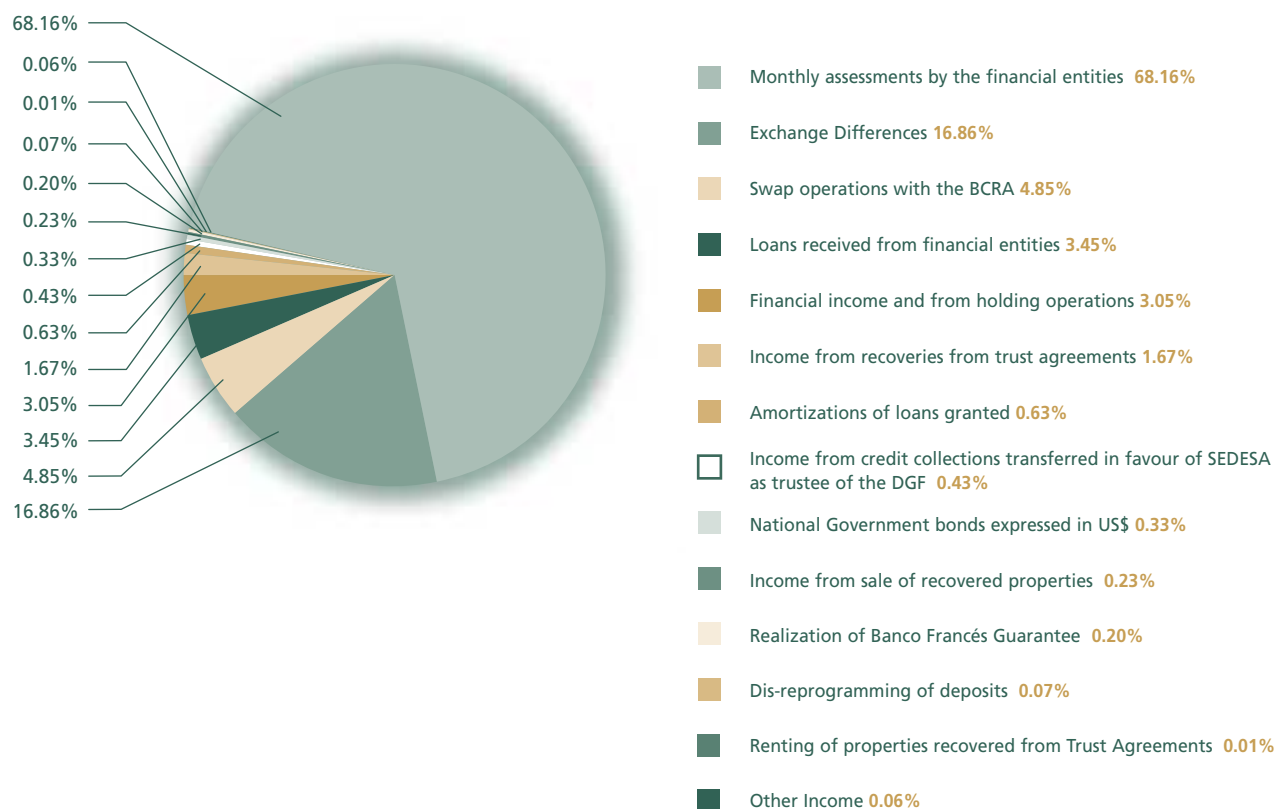
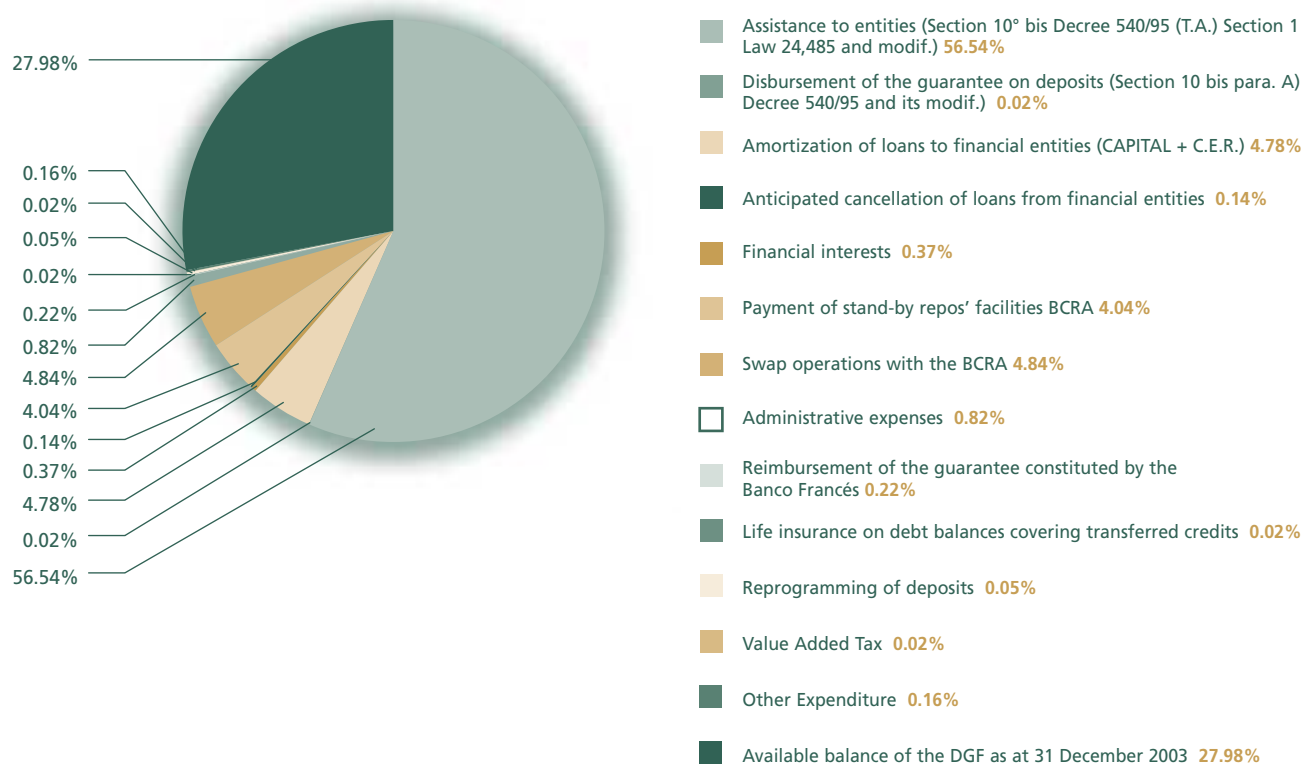
Chart 16 Origin of Funds (between May 1995 and December 2003)

Chart 16 Allocation of Funds (between May 1995 and December 2003)


Table XII **Origin and Allocation of Funds of the DGF (financial year 2003)**
(values expressed in millions of current pesos)

	Monto	%
Balance of the DGF as at December 31, 2002	768.26	66.89
Origin		
Monthly assessments by the financial entities	317.75	27.66
Financial income and from holding operations:	17.93	1.56
For placements in:		
UBS Brinson	8.02	0.70
Government bonds denominated in US\$ (BODEN)	0.83	0.07
Guaranteed Loans	0.13	0.01
Reprogrammed deposits	0.11	0.01
For assistance to financial entities:		
Loan to Banco Galicia	7.88	0.69
Trust Agreements on Mortgage Credits Banco Galicia	0.74	0.06
Corporate Bonds B.M.L.P.	0.16	0.01
Relating to credit assets acquired	0.06	0.01
Income from credit collections transferred in favor of SEDESA as trustee of the DGF	12.22	1.06
Income from recoveries from Trust Agreements	10.93	0.95
Government bonds denominated in US\$	10.05	0.88
Amortizations	1.99	0.18
Incorporation to the available balance	8.06	0.70
Amortization Galicia Trust Agreement Certificate	6.93	0.60
Reprogrammed Deposits	2.28	0.20
Amortizations	0.20	0.02
Dis-reprogramming	2.08	0.18
Income from sale of recovered properties	2.00	0.17
Renting of properties recovered from Trust Agreements	0.17	0.02
Other income	0.11	0.01
Total	1,148.63	100.00
Allocations		
Amortization of loans from financial entities (CAPITAL + C.E.R.)	147.58	12.85
Net difference of exchange	82.41	7.17
Assistance to entities (Sect.10°bis Decree 540/95 (T.A.) Sect. 1 Law 24,485 and modif.)	36.60	3.19
Breakdown:		
For loans	31.00	2.70
For acquisition of assets	4.00	0.35
For contributions to Trust Agreements	1.32	0.12
For wages and salary accounts	0.28	0.02
Administrative expenses, management of Trust Agreements and assets acquired	12.91	1.12
Reimbursement of the Guarantee constituted by the Banco Francés	2.14	0.19
Life insurance on debt balances covering transferred credits	0.55	0.05
Financial interests	0.65	0.06
Value Added Tax	0.49	0.04
Other expenditure	1.63	0.14
Total Allocations	284.96	24.81
Available Balance of the DGF as at December 31, 2003	863.67	75.19
Total	1,148.63	100.00

Chart 17 Origin of Funds (year 2003)

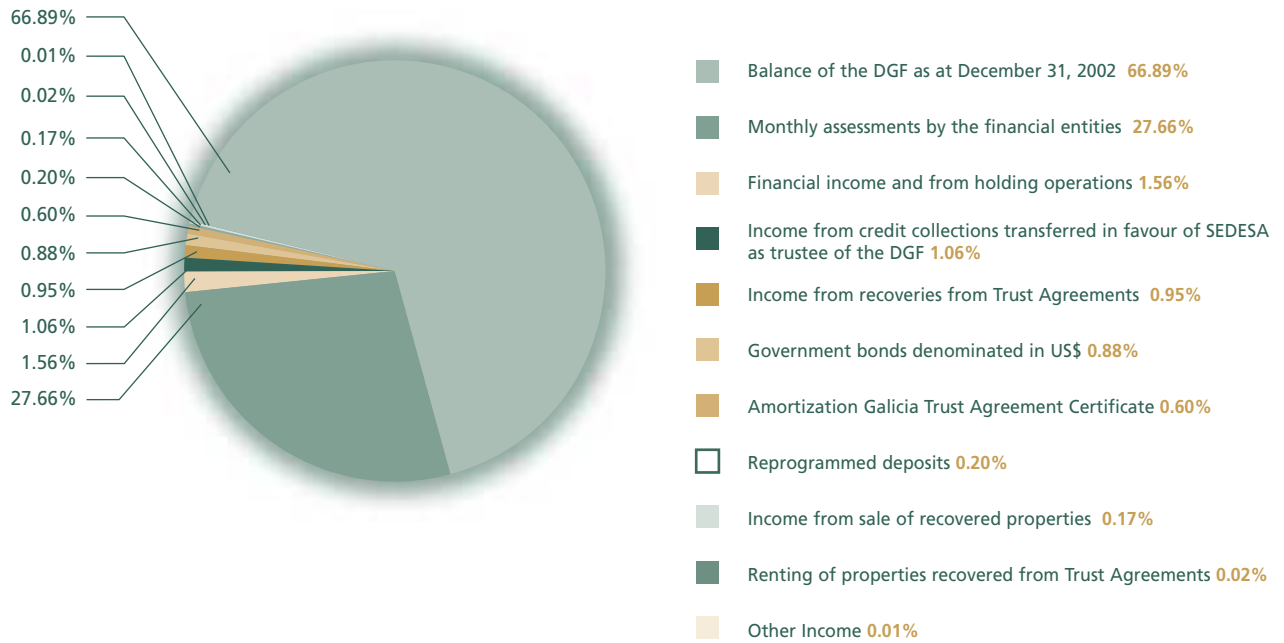
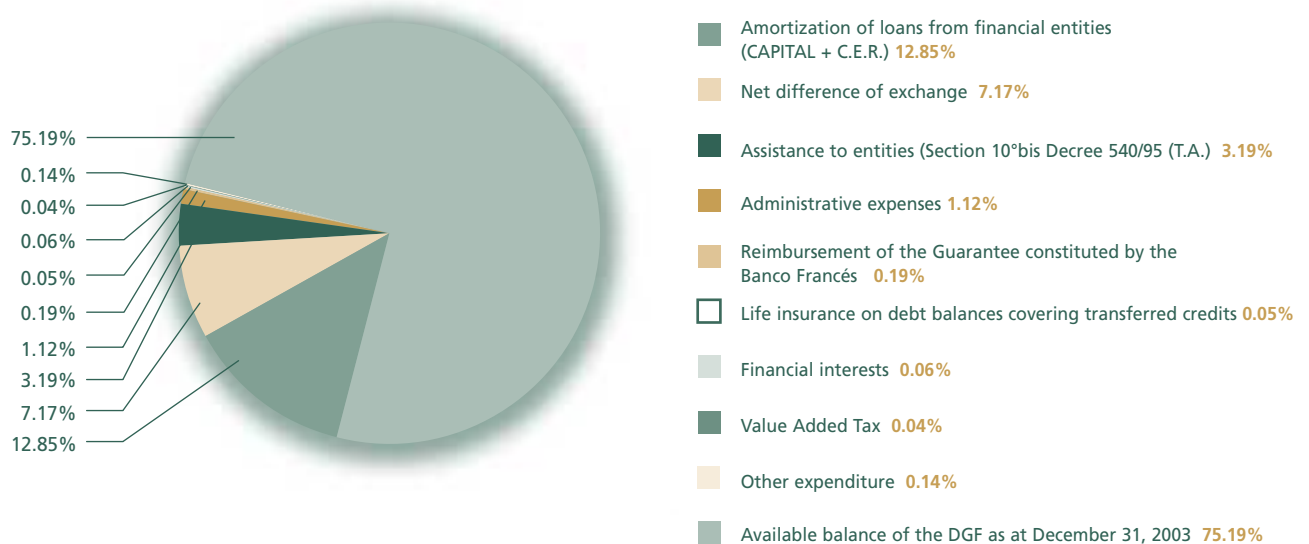


Chart 17 Allocation of Funds (year 2003)



VII. Banking Liquidity Fund (BLF)

1. Objective and characteristics of the Fund

On 26th December 2001, the National Executive Branch issued Decree N° 32, whereby was created the Banking Liquidity Fund with the objective of "facilitating adequate liquidity to the banking system", for the duration of five years. By the same Decree, SEGURO DE DEPOSITOS S.A. (SEDESA), was appointed administrator and trustee of the BLF. All this was formalized on 17th January 2002 through a Trust Agreement Contract, between the Central Bank of the Argentine Republic, in representation of the National State, which offered the trusteeship, acting on behalf of the financial entities, and SEDESA, in its character of trustee and administrator of the goods under trusteeship. Furthermore, and according to said Decree, SEDESA's social responsibilities were enlarged, so that it might act within the functions of trusteeship which, at the appropriate moment, may be granted, either by the National State or by the Central Bank of the Argentine Republic.

Investment decisions of the BLF are adopted by the Steering Committee created by Section 10bis of Decree N° 540/95 and its modifications.

Decree 32/01 establishes that the financial entities will constitute this Fund through the subscription of Class "A" Certificates of Participation for a sum of up to 5% of the average of the daily balances of the private sector deposits, expressed in pesos or foreign currency, constituted by each one of the entities of the financial system during the month of November 2001; in the light

of a decision by the Central Bank, each contribution may be incremented in up to Fifty per cent (50%), on top of the above-mentioned percentage. Initially, the subscription was fixed at 6% of the mentioned deposits as at November, and as from 1st March 2002 these subscription levels were reduced to 1.9%. As from 15th March 2002 the subscription was fixed at 3.5% and then set at zero as from 10th May 2002, the date at which the Central Bank culminated a process of reimbursement to the financial entities of the entirety of the subscriptions made under the concept of capital.

The Class "A" Certificates of Participation representing the contributions made at the appropriate moment by the financial entities had still not been issued as at December 31, 2003.

2. Loans by the BLF

On 6th December 2002, the Steering Committee approved the decision to award financial assistance with BLF resources, in the shape of a loan to the Nuevo Banco Industrial de Azul S.A. (NBIA) worth pesos 29 million, because it had assumed responsibility for certain privileged assets and liabilities of Banco Velox S.A., whose authorization to operate was revoked by the Central Bank.

This operation was implemented on 3rd January via a Loan Contract and the issuing of funds was made effective on 3rd March 2003. This is the only active operation which is still in effect at the close of the present financial year, because the two Loans made during 2002 were cancelled in that very year.

VIII. Activities and Tasks

1. Administration and Finance

SEDESA's activities during the year under review took place within a more normal context than during the previous year, because the most serious aspects of the economic crisis affecting Argentina had been overcome. This allowed the group to maintain its traditional policy of excellence concerning organizational matters, allowing it to achieve optimal results with the best use of its available methods and resources. Some of the most salient aspects are dwelt upon, hereunder:

1.1. Investments

The resources of the Deposit Guarantee Fund (DGF) must be invested under conditions similar to those fixed for the placement of international reserves by the BANCO CENTRAL DE LA REPUBLICA ARGENTINA, in the light of Section 10 of Decree 540/95. During the year under review the policy adopted by the financial administration of the DGF adhered strictly to the spirit and form of the above-mentioned Section and Decree.

On top of the investments made in UBS Brinson, this year a further placement of 20 million pesos in Bills of the Central Bank of the Argentine Republic (LEBAC) was made for the period of six months.

The above-mentioned policy endeavoured to adhere to the convenient liquidity of these placements without harming the security of same and always looking to obtain the highest yields possible.

1.2. Information concerning the disposable balance of the Deposit Guarantee Fund

In accordance with what is laid down by Section 10 of Decree 540/95 and its modifications, SEDESA informs on a monthly basis the general public and the Superintendence of Financial and Exchange Entities of the Central Bank concerning the available balance of the DGF; via information certified by External Auditors to the Superintendence in question and to the general public, via the Official Gazette.

1.3. Organization Manual and Norms and Procedures Manual

The process of bringing up-to-date the above-mentioned Manuals was continued, with the realization of the following tasks:

- Survey of the information to be gathered.
- Loading of the information on functions, on a word processor.
- Loading of the information on administrative tasks, on a word processor.
- Loading of organization charts.

2. Exchange with other Countries and Entities

SEDESA's activities and its contribution to studies which are being made on an increasing and international plane, concerning deposit insurance systems as an integral part of the financial safety net, has led to the maintenance of significant technical exchange with the following countries and entities:

- Central Bank of Bolivia
- Central Bank of Paraguay
- Central Bank of Uruguay
- Bank of Spain
- Bank of England
- Bank of Italy
- Bank for International Settlements (Basle)
- World Bank
- International Monetary Fund
- Chicago Federal Reserve
- Philadelphia Federal Reserve

3. Corporate Aspects

On 30th May 2003, the Annual General Meeting dealt with the recommended agenda, which included the consideration and eventual approval of the Annual Report, Financial Statements and remaining documents pertaining to the financial year which ended on 31st December 2002. Furthermore, the results of the financial year were given their appropriate destination and the labours of the Board and Syndic's Committee were duly approved.

On 6th October 2003 a Meeting of the Special Assembly of Class "A" shareholders of Seguro de Depósitos S.A. was held, of which the only holder is the Central Bank, wherein was approved, with the only subject on the agenda, the resignation presented by Dr. Hugo Nicolás Bruzone as Titular Syndic of SEDESA, plus his replacement by Dr. Martín Juan Lanfranco, to cover the remainder of the period left vacant by the outgoing Syndic.

During the fiscal year 2003 the Steering Committee foreseen under Section 10 bis of Decree 540/95 and its modifications, was presided over by the representative of the BCRA, Mr. Pedro Lacoste, and made up by Messrs José Carlos Jaime, Hernán del Villar, Martín Lagos, Enzo Agustín Vivian and Miguel Crotto, as titular members.

4. General Secretariat

The General Secretariat was mainly concerned during the period under review with the organization of Board and Steering Committee meetings, with the co-

ordination and preparation of all the documentation relating thereto.

The amount of correspondence and communications with other entities increased significantly during 2003, whereby 1,897 different notes were received and 1,248 missives were dispatched, all this representing increases of 50% and 48% respectively, opposite the previous period.

The breakdown of this correspondence is as follows:

Incoming			
BCRA	Trust agreements	Other	Total
52	1,270	575	1,897

Outgoing			
BCRA	Trust agreements	Other	Total
194	817	237	1,248

One should also underline the permanent support and activity concerning administrative labours, the following-up of Trust Agreements and the organization and control of the archives of the Society; translation services, in line with various requirements (annual reports, documents related to Symposia, etc.); the logistics covering the organization of trips abroad plus all other secretarial aspects inherent to the diverse functions allotted to SEDESA are, among others, work undertaken by this General Secretariat.

5. Systems

5.1. Activities undertaken:

During the course of 2003 various new services were implemented, in line with the developing requirements of the organization, quite apart from bringing up-to-date the current range of services. Amongst these labours one should pin-point:

5.1.1. Corporate site (Web Page):

- Complete re-design of structure and characteristics.
- All the above translated into the English language.

- Implementation of a statistical system, related to consultations which are currently being received on the Web Page.

5.1.2. System of Events and Addresses:

- Evident improvements have been obtained in this system, including the introduction of maintenance mechanisms.

5.1.3. System of management of collection of transferred assets:

- Within the framework of the new policy aimed at the direct administration of assets, work was executed on the development of a system for the collection of credits received from wound-up entities, throughout the course of the year under review. In the light of this, during the last quarter of the year, this system was implemented for the credit portfolio of the former Banco de la Edificadora de Olavarría S.A.

The basis for the development of this system allows that all data necessary for its correct functioning –which are physically to be found in the SEDESA offices– may be operated, with the appropriate access restrictions, from any working post within SEDESA, as well as at posts destined to collections in the city of Olavarría, all this enjoying a total guarantee of security and integrity.

Although this system is limited so far to the above-mentioned case, its design will allow the incorporation of all the other cases and access to it will be made available from any Internet connection.

The system implemented has enabled users to make use of it without interruptions and, furthermore, users' requirements are being met, without restrictions.

5.1.4. Other Aspects:

- Development of an application which allows the ordering and rapid access to the circulars of the BCRA and other matters related to our Web Page.
- Technical support concerning verifications realized in different financial entities.
- Modernization of software at all work-sites.
- Visits to our Web Page during the year rose to 5,244.

IX. Financial Statements as at 31/12/2003**Seguro de Depósitos Sociedad Anónima**

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

1. Balance Sheet as at 31st December 2003, compared with the previous period (in pesos)

	31/12/03	31/12/02
ASSETS		
CURRENT ASSETS		
Cash and Banks	187,492	400,506
Investments	7,334,423	8,740,956
Other receivables	1,198,804	1,649,025
Total current assets	<u>8,720,719</u>	<u>10,790,487</u>
NON CURRENT ASSETS		
Investments	2,182,992	1,717,133
Other receivables	143,697	-
Fixed Assets	1,858,808	1,984,882
Total non-current assets	<u>4,185,497</u>	<u>3,702,015</u>
Total assets	<u><u>12,906,216</u></u>	<u><u>14,492,502</u></u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	828,552	473,218
Social security charges payable	44,529	31,442
Taxes payable	168,159	1,172,631
Total current liabilities	<u>1,041,240</u>	<u>1,677,291</u>
NON- CURRENT LIABILITIES		
Social securities charges payable	677,756	910,117
Other non-current liabilities	3,000	3,021
Total non-current liabilities	<u>680,756</u>	<u>913,138</u>
Total liabilities – Subtotal	<u>1,721,996</u>	<u>2,590,429</u>
SHAREHOLDERS' EQUITY (as per corresponding statement)	<u>11,184,220</u>	<u>11,902,073</u>
TOTAL	<u><u>12,906,216</u></u>	<u><u>14,492,502</u></u>

See our report dated
2 April 2004

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

Statement of Results for fiscal year ended 31 December 2003, in comparison with the previous fiscal year (in pesos)

	<u>31/12/03</u>	<u>31/12/02</u>
Income from commissions	8,439	755,302
Administrative Expenses	(992,964)	(1,226,788)
Plus:		
Expenses' recovery	538,955	597,332
Financial income and for holding:		
Exchange difference	(1,197,312)	737,410
Financial income	710,674	241,545
Income from exposure to inflation		
Generated by assets	(81,774)	(4,698,858)
Generated by liabilities	<u>8,356</u>	<u>618,321</u>
Total financial income and for holding	(560,056)	(3,101,582)
Other income	<u>58,449</u>	<u>-</u>
Net loss (before income tax)	(947,177)	(2,975,736)
Income tax	229,324	(2,043,532)
Fiscal year loss	<u>(717,853)</u>	<u>(5,019,268)</u>

See our report dated
2 April 2004

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 31st December 2003, in comparison with the previous fiscal year (in pesos)

	Shareholders' contribution		Reserve earnings			Retained Earnings	Total as at 31/12/03	Total as at 31/12/02
	Capital Stock	Capital Adjustment	Legal Reserve	Optional Reserve	Total			
Balances at the beginning of the fiscal year	1,000,000	1,197,266	439,454	11,470,147	14,106,867	(1,294,677)	12,812,190	16,921,341
Modification of balance	-	-	-	-	-	(910,117)	(910,117)	-
Balances at the beginning of the Fiscal year, modified	1,000,000	1,197,266	439,454	11,470,147	14,106,867	(2,204,794)	11,902,073	16,921,341
Results for f.y. according to statement of results	-	-	-	-	-	(717,853)	(717,853)	(5,019,268)
Balances at the closing of the fiscal year	1,000,000	1,197,266	439,454	11,470,147	14,106,867	(2,922,647)	11,184,220	11,902,073

See our report dated
2 April 2004

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

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, 2003 and the related statement of income and changes in stockholders' equity and cash flow, notes 1 to 14 and the Exhibits I to III for the fiscal year then ended, submitted in comparison with the previous fiscal year. These financial statements are the responsibility of the Board of Directors of the Corporation. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As is indicated in note 13, the Corporation has applied, as from the fiscal year under review, new accountancy rules concerning the valuation and exposure approved by the Professional Body of Economic Science of the Autonomous City of Buenos Aires, all of which has implied the making of certain adjustments to the results of previous fiscal years, reclassifying and adapting the comparative information.

Figures corresponding to the fiscal year which ended on 31st December 2002, presented as comparative information, have been tailored to meet the criteria laid down by the new accounting standards. The modification of the comparative information does not imply a change in the decisions which were taken on the basis of same.

Regarding all these financial statements, we have issued an opinion without qualifications, dated 10th April 2003.

In our opinion, the aforementioned financial statements present fairly, in all material aspects, the financial position of the Corporation as at December 31, 2003, as well as the results of the operations and the changes in stockholders' equity and cash flow for the fiscal years ended on that date, in conformity with generally accepted accounting standards in force in the Autonomous City of Buenos Aires.

In accordance with current regulations, we inform that:

- a) The financial statements arise from the accounting records of the Corporation, kept, in their formal aspects, in conformity with the applicable statutory rules;
- b) As explained in note 1.1, observance has been made of what is laid down in Decree 664/03 and General Resolution 4/03 of the Supervisory Body of Legal Entities.
- c) Liabilities accrued in favor of the National Social Security Administration, as of December 31, 2003, according to the accounting records, amounted to \$ 42,660, none of which had fallen due at that date.

The financial statements which are the subject of this Auditors' Report were prepared in line with regulations laid down by the Autonomous City of Buenos Aires, which might differ, in significant matters, with financial statements prepared under norms and practices current in other countries. Consequently, those persons using these financial statements should become familiarized with the accountancy regulations current in the Autonomous City of Buenos Aires.

Buenos Aires, 2nd April 2004

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

Ricardo E. De Lellis
Partner

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

5. Report of the Syndics' Committee

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 Ninth Fiscal Year, ended as at 31 December 2003, 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 and inventories of the Corporation as at 31/12/2003, as well as those pertaining to the trust agreement of the Deposit Guarantee Fund (DGF) as at 31 December 2003, in which SEDESA acts as trustee and those of the Banking Liquidity Fund (BLF) as at 31 December 2003, 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 02/04/2004, that the above-mentioned Financial Statements and inventories 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 31/12/2003, the results of the operations, the evolution of stockholders' equity, the statement of cash flow, 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, 27 April 2004.

For the Syndics' Committee

Fondo de Garantía de los Depósitos

6. Balance Sheet as at December 31st, 2003 compared with the previous financial year (in pesos)

	<u>31/12/03</u>	<u>31/12/02</u>
ASSETS		
CURRENT ASSETS		
Cash and Banks	213,767,705	77,819,962
Investments	641,223,905	696,108,681
Credits	11,599,213	11,356,542
Other credits	158,319	-
Other assets	16,600,264	13,336,666
Total current assets	<u>883,349,406</u>	<u>798,621,851</u>
NON-CURRENT ASSETS		
Investments	639,370	2,040,334
Credits	233,904,906	269,754,384
Other credits	119,949	168,335
Other assets	28,679,687	786,916
Total non-current assets	<u>263,343,912</u>	<u>272,749,969</u>
Total assets	<u><u>1,146,693,318</u></u>	<u><u>1,071,371,820</u></u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	1,034,294	1,393,752
Loans	-	145,634,363
Other liabilities	15,417,556	6,653,563
Total current liabilities	<u>16,451,850</u>	<u>153,681,678</u>
Total liabilities – sub-total	<u>16,451,850</u>	<u>153,681,678</u>
EQUITY (as per corresponding statement)	<u>1,130,241,468</u>	<u>917,690,142</u>
TOTAL	<u><u>1,146,693,318</u></u>	<u><u>1,071,371,820</u></u>

See our report dated
2 April 2004

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 and Expenditure for the fiscal year ended 31 December 2003, compared with the previous fiscal year (in pesos).

	<u>31/12/03</u>	<u>31/12/02</u>
Income from collection of receivables transferred in favour of SEDESA as trustee of the DGF, net of related expenses	3,791,111	2,407,536
Income from recoveries of financial Trust Agreements and collection management, net of related expenses	22,987,875	20,324,114
Assistance to financial entities written down by 100%	(1,595,268)	(56,926,579)
Provision on loans with guarantee of public bonds in Trust Agreements	(22,220,260)	(146,635,915)
Debit for stand-by repo's facilities programme with the BCRA	(15,167,994)	(1,796,595)
Administrative expenses	(3,598,091)	(3,213,530)
Other income and expenses	2,969,317	21,300,382
Financial results and by holding:		
Exchange difference	(104,709,619)	318,981,040
Results for holding public bonds and guaranteed loans	139,670	1,236,994
Income from adjustments and accrued interests		
Financial results from loans granted and placements	15,473,183	8,217,790
Financial results from loans received	(2,759,761)	81,211,934
Results from exposure to inflation:		
Generated by assets	(614,181)	(102,958,778)
Generated by liabilities	45,959	24,376,025
Total financial results	<u>(92,424,749)</u>	<u>331,065,005</u>
(Loss)/Profit of the fiscal year	<u>(105,258,059)</u>	<u>166,524,418</u>

See our report dated
2 April 2004

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

Statement of Evolution of Equity for the fiscal year ended at
31 December 2003 compared with the previous fiscal year (in pesos)

	Contributions from financial entities	Assessments adjustment	Retained Earnings	Fiscal year ended	
				31/12/2003 Total Equity	31/12/2002 Total Equity
Balances at the beginning of the fiscal year	1,786,528,774	1,865,451,344	(2,734,289,976)	917,690,142	375,664,799
Contributions from financial entities	317,750,164	59,221	-	317,809,385	375,500,925
Result of the fiscal year as per statement of income	-	-	(105,258,059)	(105,258,059)	166,524,418
Balances at the closing of the fiscal year	2,104,278,938	1,865,510,565	(2,839,548,035)	1,130,241,468	917,690,142

See our report dated
2 April 2004

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

9. Auditors' Report on the Financial Statements

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

We have examined the balance sheet of FONDO DE GARANTIA DE LOS DEPOSITOS as of December 31, 2003 and the related statement of income and changes in equity and cash flow, notes 1 to 12 and the Exhibits I to V 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 this Trust Agreement. 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 of Trust Agreement, 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 Trust Agreement as at December 31, 2003 and 2002, as well as the results of the operations and the changes in equity and cash flow for the fiscal years ended on those dates, in conformity with generally accepted accounting standards in force in the Autonomous City of Buenos Aires.

In accordance with current regulations, we inform that:

- a) The financial statements arise from the accounting records of the Trust Agreement, kept, in their formal aspects, in conformity with the applicable statutory rules;
- b) As explained in note 2.1, observance has been made of what is laid down by Decree 664/03 and General Resolution 4/03 of the Supervisory Body of Legal Entities.
- c) As of December 31, 2003, according to the accounting records, there are no debts pending, on an accrual basis, with the National Administration of Social Security.

The financial statements which are the subject of this Auditors' Report were prepared in line with regulations laid down by the Autonomous City of Buenos Aires, which might differ, in significant matters, with financial statements prepared under norms and practices current in other countries. Consequently, those persons using these financial statements should become familiarized with the accountancy regulations current in the Autonomous City of Buenos Aires.

Buenos Aires, 2nd April 2004

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 2003 compared with the previous fiscal year (in pesos)

	<u>31/12/2003</u>	<u>31/12/2002</u>
ASSETS		
CURRENT ASSETS		
Cash and Banks	31,979,123	61,777,353
Credits	297,725	-
Other assets	<u>7,553,088</u>	<u>-</u>
Total current assets	<u>39,829,936</u>	<u>61,777,353</u>
Total assets	<u><u>39,829,936</u></u>	<u><u>61,777,353</u></u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	<u>58,719</u>	<u>153,070</u>
Total liabilities	<u><u>58,719</u></u>	<u><u>153,070</u></u>
EQUITY (as per corresponding statement)	<u>39,771,217</u>	<u>61,624,283</u>
TOTAL	<u><u>39,829,936</u></u>	<u><u>61,777,353</u></u>

See our report dated
2 April 2004

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

11. Statement of Income for fiscal year ended 31 December 2003 compared with the previous fiscal year (in pesos)

	<u>31/12/2003</u>	<u>31/12/2002</u>
Administrative expenses	(278,565)	(326,153)
Results from cancellation of loans with option to purchase public bonds	(21,073,920)	-
Financial results and for holding:		
Financial Results	(160,209)	(108,277,810)
Positive results from pesification of funds disposable.	-	463,195,176
Difference of negative quotation for contributions to financial entities.	-	(878,405,956)
Result from exposure to inflation:		
Generated by assets	(341,476)	(513,170,135)
Generated by liabilities	<u>1,104</u>	<u>54,955</u>
Total financial results	<u>(500,581)</u>	<u>(1,036,603,770)</u>
Loss for fiscal year	<u>(21,853,066)</u>	<u>(1,036,929,923)</u>

See our report dated
2 April 2004

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

12. Statement of Evolution of Equity during the fiscal year which ended on 31 December 2003 as compared with the previous fiscal year (in pesos)

	Contributions of Financial Entities	Adjustment for Contributions	Retained Earnings	Total equity on 31/12/2003	Total equity on 31/12/2002
Balance at the beginning of the fiscal year	-	1,098,554,194	(1,036,929,911)	61,624,283	1,114,846,553
Adjustment of inicial balance for conversión into foreign currency	-	-	-	-	358,205,581
Contribution of entities	-	-	-	-	2,253,560,686
Reimbursement of contributions to entities	-	-	-	-	(2,628,058,614)
Results of the fiscal year	-	-	(21,853,066)	(21,853,066)	(1,036,929,923)
Balances at the closing of the fiscal year	-	1,098,554,194	(1,058,782,977)	39,771,217	61,624,283

See our report dated
2 April 2004

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

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 2003 and the related statement of income, changes in equity and cash flow, notes 1 to 7 and Exhibits I and II 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 Trust Agreement. Our responsibility is to express an opinion on these financial statements based on our audit.

With regard to the balance sheets pertaining to the Fondo de Liquidez Bancaria as at 31 December 2002, we have issued a report dated April 10, 2003 including an indeterminate observation, covering the accrual of interests which one should register with the Class A Certificates of Participation, corresponding to the assessments made by the financial entities to the Fondo, as expressed in clause 3 below.

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 the Board of Directors of the Trust Agreement, 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 (BCRA) has not as 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, should they be finally approved by the BCRA, as stated in clause 3), the financial statements mentioned in the first paragraph of this report present fairly, in all material aspects, the information on the equity and financial situation of the FONDO DE LIQUIDEZ BANCARIA as at 31 December 2003, the results of its operations, the changes in equity and the cash flow 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) Compliance has been made with what is laid down by Decree N° 664/03 and General Resolution N° 4/03 of the Supervisory Body of Legal Entities.

c) As at 31 December 2003, there are no liabilities accrued in favour of the National Social Security Administration, according to the accounting records as of that date.

The balance sheets mentioned in this Auditors' Report were prepared in accordance with accountancy regulations current in the Autonomous City of Buenos Aires and, consequently, may differ, in significant matters, with balance sheets prepared in line with norms and practices ruling in other countries. In the light of this, persons using the balance sheets which are the subject of this report should become familiar with the accountancy rules presently in force in the Autonomous City of Buenos Aires.

Buenos Aires, 2nd April 2004

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

Annex

Regulatory and Legal Framework

1. Deposits Insurance Guarantee System

Created by Law 24,485 – Sect. 1

- 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)

1.1. Law 24,485

Section 1: The System of Deposit Insurance Guarantee is created, which will be limited, binding and whose funding is covered exclusively by the financial entities, with the purpose of covering the risks of the bank deposits, in a subsidiary and complementary manner with regard to the system of privileges and deposit protection established by the Law 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

¹When the Central Bank provided for the total or partial suspension of operations or the revocation of the authorization to function of a financial entity, the System of Deposit Guarantee shall provide for the reimbursement to their holders of the amounts deposited in the special accounts for payment of salaries, established by virtue of the provisions contained in Section 124 of Law 20.744 (text amended in 1976), in a term not longer than five (5) working days as from the date of the suspension or the revocation of the authorization to function.

1.2. Decree N° 540/95 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 authorized to operate in the ARGENTINE REPUBLIC which may express their will to be part of said Trust Agreement, in the proportion which for each one shall be determined by the BANCO CENTRAL DE LA REPÚBLICA ARGENTINA, on the basis of their assessments to the DGF. Until SEDESA is constituted, the assessments to the DGF shall be deposited to the account and entity that the BANCO CENTRAL DE LA REPÚBLICA ARGENTINA may determine.

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

⁽¹⁾ Law 25,089.

⁽²⁾ Decree N° 32/2001, sect. 8

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.

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

³ **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 to 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.

⁴ **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.

⁽³⁾ Decree N° 1292/96, section 3

⁽⁴⁾ Decree N° 1292/99, section 1

⁵ **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.

⁶ **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

(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 Incorporation of the BANCO CENTRAL DE LA REPUBLICA ARGENTINA (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.

⁽⁵⁾ Decree N° 1292/96, section 3

⁽⁶⁾ Decree N° 1292/99, section 2

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 01.07.1995, 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.

⁷ **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.

⁸ **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.

⁹ **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

⁽⁷⁾ Decree N° 1127/98, section 1

⁽⁸⁾ Decree N° 214/02, section 16

⁽⁹⁾ Decree N° 1292/96, section 3

determine the amount benefiting from the guarantee and its reimbursement to the depositor, the total amount of the deposits that each person has with the institution on the date of revocation of the authorization to operate shall be computed. In the accounts and certificates of deposit made in the name of TWO (2) or more persons, it is understood that only one of them benefits from the guarantee, and the same shall be distributed on a pro-rata basis among the participants.

¹⁰ **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 on 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.

¹¹ **Section 19:** SEDESA may reject or postpone until its judicial recognition the request for coverage of the guarantee when the respective deposits do not meet the formal or substantial requirements set forth in the present regulations or other provisions that the BANCO CENTRAL DE LA REPÚBLICA ARGENTINA may issue.

¹¹ **Section 20:** SEDESA may exercise the pertaining legal actions when, in its judgement, there were real possibilities of recovering the amounts disbursed.

Section 21: The regime established herein will be in force with regard to certificates of deposit constituted or renewed as from April 18, 1995, and with regard to the sight deposits existing in the balance sheets corresponding to the closing of that day, constituted in financial entities which were not suspended by the BANCO CENTRAL DE LA REPÚBLICA ARGENTINA or whose authorization to operate had not been revoked.

Section 22: The BANCO CENTRAL DE LA REPÚBLICA ARGENTINA shall be the Authority of Application of the system created by Law 24,485 and regulated herein, it being authorized to issue the necessary rules of interpretation and application.

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

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

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

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

⁽¹¹⁾ Decree N° 1292/96, section 3

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)

Table of Contents

1. Trust agreement shareholder of SEDESA
2. Normal assessment
3. Additional assessment
4. Integration of assessments.
5. Scope of the guarantee
 - 5.1 Included deposits.
 - 5.2 Exclusions
 - 5.3 Coverage. Amount and formalities.
6. Instrumentation.
7. Determination of additional assessment.
 - 7.1 Entities with "CAMELS" rating.
 - 7.2 Entities without "CAMELS" rating.
 - 7.3 Transitory rulings

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' 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 Superintendence 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, for fixed term deposits and balances pertaining to sight deposits (current and savings accounts) through Communiqués "B", and are determined by adding two percentage annual points to the mobile 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) arising 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-1 in point 1.1. of Annex I to Comunicado A-2140.

5.2.6 Time deposits of securities, acceptances or guarantees.

5.2.7 Immobilized balances proceeding of 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 improper 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 Comunicado A-2337 and their modifications and complementary regulations. Are excluded those attracted at rates higher than the reference rate and those that have had special incentives or stimulations additional to the rate of interest”.

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

“Deposit without guarantee”

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

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

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

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

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

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, constructed as a function of the factors outlined in clause 3, shall fluctuate between the values 1 and 2.

7.1 Entities with "CAMELS" rating¹²

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

⁽¹²⁾ The Superintendency of Financial and Exchange Entities (SEFyC) of the Central Bank of the Argentine Republic (BCRA), makes an overall evaluation of the situation of each entity, which is then turned into a system of numerical rating which uses the acronym C.A.M.E.L.S. (on the basis of the initials in English of its components: Capital, Assets, Management, Earnings, Liquidity and Sensitivity) and adopts values between 1 and 5 (1 corresponds to the entity with the best rating and 5 to that with the worst rating).

The CAMELS Rating System affords 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.

lrpc/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 a 0.95	-0.25
More than 0.95 a 1.00	-0.10
More than 1.00 a 1.10	0.00
More than 1.10 a 1.20	+0.05
More than 1.20 a 1.30	+0.10
More than 1.30 a 1.50	+0.20
Superior to 1.50	+0.30

The value of the index Ic 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:

$$Ic = \{(|pr/f + |ar/a)/2\} - lrpc/Kmin$$

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

7.3 Transitory rulings.¹³

As a means of determining the additional assessment –calculating the adjustment index "Ic"- the value of the index to be used since the assessment corresponding to September 2003 up to that corresponding to March 2004 regarding the relationship RPC/minimum capital requirement – lrpc/Kmin indicator – will be equal to 0.

Moreover, from the moment that the assessment corresponding to September 2003 is made until the assessment corresponding to August 2004 is also made, the index of correction "Ic" will be calculated as laid down by clause 7.2, applying as from September 2004, the expression foreseen in clause 7.1 for entities enjoying the "CAMELS" rating and the corresponding value of the "Icamels" index value, insofar as the entities in question enjoy ratings subsequent to June 2003.

Eventual differences which might emerge corresponding to assessments already made, will be compensated when assessments are carried out, with expiry dates subsequent to 12/11/03 and those following, up until their total absorption; this last criterion shall apply when the resulting adjustments show a balance in favour of the entities.

2. Banking Liquidity Fund

2.1. Decree N° 32/2001

Section 1. The BANKING LIQUIDITY FUND (BLF) is created, with the purpose of endowing with adequate liquidity

⁽¹³⁾ Communiqué "A" 4040 of 30/10/2003.

the banking system with the scope foreseen in the present decree. To this purpose the BLF shall be able to:

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

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

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

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

Section 4: The NATIONAL GOVERNMENT, represented by the SECRETARY OF FINANCES, shall integrate yearly the BLF through the annual subscription of Certificates of Participation Class B, for an amount equivalent to the FIFTY PER CENT (50%) of the profits transferred to it freely by the BANCO CENTRAL DE LA REPUBLICA ARGENTINA in fulfillment of Section 38 of Law N° 24.144 as from fiscal year 2002.

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

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

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

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

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

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

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

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

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

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

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

3. Communiqués of the Central Bank of the Argentine Republic (Relating To Sedesa)

Communiqué "A" 2337 (19/05/1995)

The Central Bank of the Argentine Republic (BCRA) lays down the rules of application of the Deposit Insurance System, as per the terms contained in the annexes which are part of this Communiqué and which are a complement of the provisions of Decree N° 540/95, regulatory of Section 1 of Law 24,485. This sets as the date of expiry of the first monthly assessment to the DGF, as at 24 May 1995.

Communiqué "B" 5806 (09/06/1995)

Issues clarifications to the rulings laid down by Communiqué "A" 2337.

Communiqué "B" 5816 (29/06/1995)

Mention is made for the first time concerning the "Reference Rate" which must be taken into account, concerning the cover afforded by the Deposit Guarantee System.

Note of the Central Bank of the Argentine Republic (04/08/1995)

At the request of the Ministry of Economy and Public Works, information is given concerning the schedule which must be observed when signing the Trust Agreement Contract with SEDESA, to be made between Caja de Valores S.A. and the financial entities which wish to participate.

Communiqué "B" 5847 (08/08/1995)

It reports the assessments of the financial entities to the Deposit Insurance Fund corresponding to the month of May 1995, which must be taken into account with the purpose of determining their initial participation in the shareholders' Trust Agreement of SEDESA.

Communiqué "B" 5850 (10/08/1995)

Information is given concerning the proportion that each financial entity must initially observe in the overall Trust Agreement with SEDESA, in line with the commitments of participation originally undertaken.

Communiqué "B" 5855 (18/08/1995)

The final list of financial entities taking part in the overall Trust Agreement with SEDESA and the State is made known, with participations of \$ 999,999.- and \$ 1.-, respectively.

Communiqué "A" 2399 (15/12/1995)

The BCRA resolves to substitute clauses 6.4 and 7 of the "Rules of Application and Complementary Rules" of the "Deposit Insurance Guarantee System" (annex 1 to Communiqué "A" 2337) with the following paragraphs:

- Excludes from the guarantee all values taken through systems which offer additional stimuli or incentives to the agreed interest rate, under whichever denomination or form these may adopt (insurance schemes, raffles, tourism, special services, etc. etc.), and

- Adjust, in line with the foregoing, rules covering "implementation" relative to texts which must figure in the documents representing the passive operations, concerning the scope of the guarantee.

Communiqué "A" 2413 (29/01/1996)

The formula is given which must be used by the financial entities in the calculation of assessments to the Deposit Guarantee Fund.

Communiqué "A" 2449 (28/06/1996)

Reports on the financial entity, and number and denomination of the account into which the assessments to the

Deposit Insurance Fund are to be made, as from 01/07/1996.

Communiqué "A" 2482 (15/10/1996)

At the moment of establishing new modalities to the absorption of resources expressed in time deposits, conditions are laid down for these types of investments which, when not expressly foreseen, will observe the general dispositions established for term deposits, including conditions relating to guarantees, when these were applicable.

Communiqué "B" 6080 (05/11/1996)

In compliance with section 7 of Decree N° 540/95, informs regarding the proportion which each entity participates with, as at the month of December 1995, in the Trust Agreement which controls SEDESA.

Press Communiqué N° 27,170 (18/11/1996)

This refers to the publication of Decree 1,292/96, which introduces modifications to the system covering deposits' guarantees, especially those relating to regulations established by Decree N° 540/95. These reforms are aimed at laying down new mechanisms which will afford the system greater scope of flexibility and grant the depositors improved safeguards.

Communiqué "A" 2561 (11/07/1997)

It resolves that the rating that the Superintendency of Financial and Foreign Exchange Entities (SEFyC) assigns to a financial entity, shall be incorporated into the calculation of the ("Icamel" indicator), all part of the assessments to the Deposit Insurance Fund, which may be required in obligatory fashion, as from the third month when the pertinent notification is made.

Communiqué "A" 2580 (26/08/1997)

With regard to the debtors' rating, the BCRA decides to include in the category of "non-recoverable as per technical provision", said debtors under an irregular situation of trusteeship, in which SEDESA is the beneficiary.

Communiqué "B" 6215 (17/09/1997)

In compliance with provisions laid down by section 7 of Decree N° 540/95, modified by Decree N° 1,292/96, it informs the proportion with which each financial entity participates, as at December 1996, in the Trust Agreement which controls SEDESA.

Communiqué "A" 2590 (19/09/1997)

"Payment of wages and salaries" accounts are created and it is decided that deposits thus constituted are covered by the insurance system included in the deposits' guarantees.

Communiqué "A" 2718 (16/06/1998)

It informs that, as at July 1998, the determination of the assessment made by the financial entities to the Deposit Guarantee Fund will be made ex - officio by the BCRA, in accordance with the methodology included as an annex to this Communiqué and the BCRA will debit said amount with the current account that the entities maintain with this Institution.

Communiqué "B" 6346 (19/06/1998)

It informs the proportion with which each financial entity participates, as at December 1997, in the Trust Agreement that controls SEDESA.

Communiqué "A" 2777 (17/09/1998)

It informs concerning the modification to the method of calculation of the Reference Rate, used to determine the exclusion from the guarantee covering operations, in which the interest rates selected are superior to those of the Reference (clause 6.3 of Annex 1 of Communiqué "A" 2337). Instead of using as a basis the rates stipulated by the Banco de la Nación Argentina, the Reference Rates shall be determined adding two percentage points p.a. to the moving average of the last five bank working days, to the passive rates which emerge from the survey carried out by the Central Bank.

Communiqué "A" 2791 (23/10/1998)

It informs the financial entities that they will be able to make active pass transactions with the Central Bank against debt instruments which SEDESA may issue, debiting the Deposits Guarantee Fund.

Communiqué "A" 2807 (19/11/1998)

Publicity is given to the new amended text containing rulings applicable to the Insurance System covering the deposits' guarantees, which includes a sum which stipulates the coverage of said guarantee, according to what is laid down by Decree 1127/98.

Communiqué "B" 6506 (05/04/1999)

With regard to the ex – officio calculation that the Central Bank of the Argentine Republic carries out with the assessments of the different entities, to the Deposits Guarantee Fund (Communiqué "A" 2718), this Communiqué stipulates that, in the case that information required to that effect were not available, the Central Bank shall take the last available information concerning the monthly average of daily deposits' balances subject to assessments (even though this did not correspond to the second month immediately prior to the assessment) and multiply this by factors "0.03" and "1.5" (average between 1 and 2, values within which the correcting index I_c may fluctuate). Should the average mentioned in the preceding paragraph be not available, the Central Bank will take as a basis of calculation, the sum of the month-end balances of the deposits covered by this measure.

Communiqué "A" 2926 (24/05/1999)

Publicity is given to a new design of the registry, with its corresponding instructions, which must be observed by the administrators of the credit portfolios of former financial entities, so that information may be obtained concerning the list of irregular debtors.

Communiqué "B" 6575 (27/08/1999)

It informs the proportion with which each financial entity participates, as at December 1998, in the Trust Agreement which controls SEDESA.

Communiqué "B" 6587 (23/09/1999)

The BCRA requests that certain information regarding financial agreements in whose assets figure credits originating in financial entities, including those in which Seguro de Depósitos S.A. is a beneficiary, be transmitted to the Superintendency of Financial and Exchange Entities of the BCRA.

Communiqué "A" 3041 (20/12/1999)

It up-dates the methodology on which basis the monthly assessments of the financial entities to the Deposit Guarantee Fund are calculated.

Communiqué "A" 3064 (21/01/2000)

It reduces the normal assessment to 0.015%, as from January 2000, for financial entities which enter into loan agreements with SEDESA, destined to the DGF. For those entities not subscribing these agreements, their monthly assessment remains at 0.03%. Moreover, it regulates conditions covering loans to the DGF, over a period of 36 months.

Communiqué "A" 3068 (28/01/2000)

Through the diffusion of a new amended text, regulations covering the Application of the System of Insurance of the Guarantees covering Deposits are up-dated, as a consequence of Communiqué "A" 3064 and it clarifies that loans made by entities to the DGF are excluded from the limits established in the breaking-down of the credit risk (Communiqué "A" 2140 and complementary rulings).

Communiqué "A" 3153 (24/08/2000)

The provisions corresponding to loans from the financial entities to the DGF are rescinded (without this affecting current loans), fixing the normal monthly assessment at 0.015% of the monthly average of daily balances of the appropriate allotments.

Communiqué "B" 6869 (09/05/2001)

Publicity is given to the proportions which the financial entities, as at December 1999, have in the Trust Agreement controlling SEDESA.

Communiqué "A" 3270 (15/05/2001)

Notification is made of the new amended text, which brings up-to-date the rulings applicable to the Insurance System covering Deposits' Guarantees, as a consequence of Communiqué "A" 3153. In the same Communiqué, mention

is made of the amended texts up-dating the rulings referring to savings and term deposits.

Communiqué "A" 3299 (13/07/2001)

It informs that, concerning time deposits and investments in Euros, the rates corresponding to the same operations in dollars shall be observed at least temporarily, until operations in Euros in the local market permits the determination of more specific rates.

Communiqué "B" 6922 (19/07/2001)

It notifies the proportions with which each of the financial entities participates, as at December 2000, in the Trust Agreement controlling SEDESA.

Communiqué "A" 3336 (27/09/2001)

A "pension savings account" is created and rulings covering its method of operations are approved, which are incorporated into clause 3 of the amended text concerning savings accounts, payment of wages and salaries and special matters. All these accounts will be covered by the guarantee system, as they are also covered by the general norms relating to savings accounts, whenever they are not specifically covered by the implications of clause 3.

Communiqué "A" 3358 (09/11/2001)

The normal monthly assessment that the financial entities must make to the DGF is increased, it being established at 0.03% of the monthly average of daily balances of the appropriate items. Furthermore, a change in the calculation of the reference rate is determined, establishing a maximum figure of \$ 100,000 (or its equivalent in other currencies) for sight or time deposits, which emerge from a survey carried out by the Central Bank.

Communiqué "B" 7079 (31/12/2001)

Information is given concerning the procedures that must be observed by the financial entities when these request credit support through the Banking Liquidity Fund (BLF), created by Decree of the Executive Branch N° 32/2001, to afford greater liquidity to the financial system.

Communiqué "A" 3487 (22/02/2002)

Reduces from 6% to 1.90%, with effect as from 01/03/02, the level of assessments to the Banking Liquidity Fund, levied on the average of the daily balances of deposits in the private sector, in pesos and in foreign currency, corresponding to November 2001.

Communiqué "B" 7143(01/03/2002)

Financial entities are requested to remit to the Central Bank of the Argentine Republic information required to adjust the fulfillment of the assessments to the Banking Liquidity Fund.

Communiqué "A" 3508 (14/03/2002)

Incorporates as a deductible concept towards the determination of the minimum encashment ratio, the sums contributed since 01/03/02 to the Banking Liquidity Fund, including sums that exceed the equivalent of the obligatory assessment.

Communiqué "A" 3513 (15/03/2002)

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

Communiqué "A" 3582 (26/04/2002)

Sets at 0 % (ZERO PER CENT) the assessment rate to the Banking Liquidity Fund.

Communiqué "A" 3654 (04/07/2002)

Establishes at Pesos 1.40 per US Dollar the accountancy balances as at 31/12/01, corresponding to the denomination "other credits through financial intermediation – other methods of finance", relating to the Deposits Guarantee Fund (assessments and debts) and to the Banking Liquidity Fund.

Communiqué "A" 3675 (30/07/2002)

Modifies what was laid down by Communiqué "A" 3654 concerning what should be informed, with regard to the accountancy balances as at 31/12/01, "other credits through financial intermediation – other methods of finance" laying down the following:

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

Communiqué "A" 3689 (12/08/2002)

It is resolved to suspend the application of rulings covering "pension savings accounts" which form part of clause 3 of the regime concerning "savings accounts, payment of wages and salaries, pension savings accounts and special accounts".

Communiqué "B" 7659 (27/12/2002)

It invalidates the resolution adopted via Communiqué "B" 7079 of 31/12/01 relating to the procedure that had to be observed by financial entities when they requested assistance by the Banking Liquidity Fund.

Communiqué "B" 7977 (04/09/2003)

Publicity is given to the proportions which the financial entities participate in, as at December 2002, in the Trust Agreement controlling SEDESA.

Communiqué "A" 4040 (30/10/2003)

Determination of the additional assessment. Transitory adequacy.

It informs that between the period September 2003 and up to the assessment corresponding to March 2004, and with the purpose of determining the additional assessment, the value of the index to be used corresponds to the ratio CPR/minimum capital requirement, shall be equal to 0 (ZERO).

Furthermore, between September 2003 and August 2004, the correction factor "Ic" will be calculated without taking into account the terms and indicators associated with the CAMELS rating. As from September 2004, the dispositions laid down by clause 7.1 for entities which merit ratings subsequent to June 2003, will enter into full effect.

SEDESA
Seguro de Depósitos S.A.
Avda. Corrientes 311, 10th floor
C1043AAD Ciudad de Buenos Aires
República Argentina

Telephone: (54-11) 5031-9848

Fax: (54-11) 5031-9849

E-mail: sedesa@sedesa.com.ar

Web: <http://www.sedesa.com.ar>