

SEDESA

Seguro de Depósitos S.A.

Annual Report and Financial Statements

2005

10
ANNIVERSARY



Message from the Chairwoman:

These are the financial statements from our tenth year as Seguro de Depósitos S.A. During this period, SEDESA has gained valuable experience in deposit insurance operations.

As with any other organisation, we have evolved, learned and adjusted to new challenges. This year we set out to implement the reorganisation and resource optimisation projects that we deem necessary to effectively meet the entity's present and future requirements.

These projects seek to position SEDESA as a benchmark in the local and international financial markets, designing and developing methodologies that may help us provide depositors with appropriate solutions to their needs.

These organisational changes began to pay off in the last quarter of the year: prompt assistance, improvement in asset recovery, accuracy in information systems and reduction of operating expenses.

This complex process will continue during 2006, and is being implemented with professionalism and conviction to meet the demands of our stockholders and the society.

We wish to express our gratitude to our staff for their dedication and commitment, to our external advisors, to the Banco Central de la República Argentina, to the Caja de Valores S.A. and to the Argentine financial entities.



Irene L. Ulnik
Chairwoman



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MESSAGE FROM THE CHAIRWOMAN

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Seguro de Depósitos S.A.

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1. Purpose and Characteristics of SEDESA.

SEGURO DE DEPÓSITOS SOCIEDAD ANÓNIMA (SEDESA) is a private corporation organised under the Argentine Business Associations Law (N° 19,550), as amended.

In fulfilment of the provisions of Law N° 24,485 (published in the Official Gazette on 18/04/95), it was created by Presidential Decree N° 540/95, for the purpose of administering (as trustee) the Deposit Guarantee Fund (DGF), also created by such Presidential Decree.



In December 2001, Presidential Decree N° 32 (Official Gazette 27/12/01) instructed that a Banking Liquidity Fund (BLF) be established and that SEDESA be entrusted with its management, acting as trustee. Consequently, a resolution was adopted to broaden the corporate purpose of SEDESA, so that it may fulfil the duties of trustee as may be entrusted by the National Government or the BCRA (Central Bank of Argentina) (sections 8, 9 and 10, Presidential Decree N° 32/01).

The capital stock of SEDESA amounts to one million Argentine pesos (ARS), each share having a par value of one peso. Its stockholders are the National Government and Caja de Valores S.A.

The National Government, through the BCRA, is the holder of one Class A share. The remaining 999,999 shares are Class B shares and are held by Caja de Valores S.A. in its capacity as trustee, as laid down in the Trust Agreement entered into on August 15, 1995 between the financial entities that desired to take part in the subscription and Caja de Valores S.A.

The duties of SEDESA as manager of the DGF, which are set up in the framework regulations for the DGF are, as follows:

1. PAY THE INSURED DEPOSIT to depositors, as appropriate, in accordance with the provisions of Presidential Decree 540/95, as amended, and its implementing regulations.

2. MAKE CAPITAL CONTRIBUTIONS, non-reimbursable contributions or loans to financial institutions:

2.1. That are carrying out a regularisation and rehabilitation plan, in order to assist them with the implementation of such plan;

2.2. That have acquired the assets and taken charge of the payment of the deposits of another entity that is subject to the scheme established in section 35 bis of the Financial Entities Law, when this were needed to compensate for the insufficiency of such assets in respect of the deposits transferred;

2.3. That have taken over or acquired other financial entities within the framework of a regularisation and rehabilitation plan.

3. ENTER INTO PUT OPTION AGREEMENTS WITH FINANCIAL ENTITIES acquiring the assets

or taking charge of the payments of the deposits of another financial entity that is subject to the scheme established in section 35 bis of the Financial Entities Law, in favour of the acquiring entity, over all or a part of the transferred assets; this arrangement may consist in the creation of a trust fund.

4. ACQUIRE THE DEPOSITS OF SUSPENDED BANKS up to the amount of the guarantee,

subrogating itself to the rights of the depositors (including the reimbursement of the sums deposited in wages and salaries crediting accounts to their holders).



5. CONTRACT OBLIGATIONS chargeable to the DGF, within the limits stipulated therefor.

6. CARRY OUT, MAINTAIN OR FINANCE swap programs with foreign banks in order to contribute to the stability of the Argentine financial system, with the prior consent of the BCRA and chargeable to the DGF.

The applicability of the duties specified in 2, 3, 4 and 5 must be previously decided by a Managing Committee (a standing collegiate body) chaired by a BCRA representative, who has no voting right but has veto power, and five regular members, as provided for in the trust agreement dated 07/03/97. The decisions adopted by the Managing Committee are binding upon SEDESA.

The DGF is made up of the obligatory assessments paid monthly by the financial institutions authorised to operate in Argentina, in respect of the peso and foreign currency deposits held in them. For its part, the Banking Liquidity Fund was created in order to supply the financial system with the necessary liquidity, at a time when it was going through an extremely critical situation.

On January 17, 2002, SEDESA and the BCRA, which was acting in the name of the National Government and on account and behalf of the financial entities, entered into the trust agreement that sets forth the scope of SEDESA's duties as the trustee and manager of the BLF. The resources of the Fund would be generated from the subscription of the

certificates of participation in such trust (Class A) to be made by the financial entities pro rata of the private sector deposits that each of them has as at November 2001.

For the same purpose, it was further established that the National Government annually subscribe certificates of participation (Class B) for an amount equivalent to 50% of the earnings transferred freely to it by the BCRA, in accordance with the provisions of its Charter, as from fiscal year 2002.

SEDESA managed this Fund only at its onset and for a short period: the BCRA reduced significantly the amounts to be contributed to this Fund by the financial entities since March 2002 and then directed in April 2002 that such contributions be suspended (Communication "A" 3582). This resolution remains effective as of the date of this report.



2. Composition of the Board of Directors and the Statutory Audit Committee.



From Left to Right:
Norberto Peruzzotti, Irene L. Ulnik, Martín Lagos.

BOARD OF DIRECTORS

- ┌ *Chairwoman (1)*
Irene L. Ulnik
- *Vice-Chairman (2)*
Martín Lagos
- *Director (3)*
Norberto C. Peruzzotti
- *Alternate Directors (4)*
Horacio Jorge Mencías
Santiago M. J. A. Nicholson
Marcelo Sánchez

STATUTORY AUDIT COMMITTEE

- *Auditors*
Eugenio Carlos Gallegos del Santo
Oscar Juan Camacho (5)
Alicia Laura Bianchi de Nozieres (5)
- *Alternate Auditors*
Eduardo Jorge Fasulino
Alejandro Almarza (6)
Enrique Bruchou (6)

(1) José Carlos Jaime served as Chairman until 31/05/05.

(2) Hernán del Villar served as Vice-Chairman until 31/05/05.

(3) Martín Lagos served as Director until 31/05/05.

(4) Alberto Patricio Huergo and Eduardo Javier Romero served as Alternate Directors until 31/05/05.

(5) Adolfo César Diz and Enzo Agustín Vivian served as Auditors until 31/05/05.

(6) Carlos Langbehn and Ricardo Enrique De Lellis served as Alternate Auditors until 31/05/05.

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SEDESA

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I

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3. DGF Loans and Investment Operations.

3.1. LOANS AND BONDS

3.1.1. Loan to Banco de Galicia y Buenos Aires S.A.

On 3 May 2002, SEDESA and Banco de Galicia entered into a loan agreement for USD 64,516,129, equivalent to ARS 200,000,000, as valued according to the selling rate of exchange corresponding to the day prior to the loan disbursement. This agreement establishes that the principal must be repaid in full upon its maturity, i.e., 3 May 2007 (five years) and that, during that time, the loan is to accrue interest at the LIBOR rate plus three hundred basis points, payable every six months.

Pursuant to the statements above, interest payments falling due during 2005 were made within the terms and in the forms established in the agreement.

As of 31 December 2005, the principal of the loan, valued at the Banco de la Nación Argentina US dollar selling rate quotation corresponding to that date (ARS 3.032 for USD 1), amounted to ARS 195,612,903. The interest accrued as of that date, valued as per the same criterion, amounted to ARS 657,688.

3.1.2. Loans to Banco Comafi S.A. and Banco Macro Bansud S.A.

Within the framework of the Scotiabank Quilmes S.A. restructuring plan, two loans were granted on 19 August 2002: one to Banco Comafi S.A. and the other to Banco Bansud S.A. (today Banco Macro Bansud S.A.), which took over Scotiabank Quilmes S.A.'s deposits. The total assistance granted by SEDESA as trustee of the DGF was ARS 190,000,000, of which ARS 123,500,000 were loaned to Banco Comafi S.A. and ARS 66,500,000, to Bansud S.A. To secure both operations, two trusts were created with US dollar Global Bonds, which were swapped for the new Bonds issued by the Argentine Republic with US dollar 8.28% discount, maturing 2033 (under foreign law), within the Sovereign Debt Rescheduling plan. The sole beneficiary of these trusts is SEDESA, in its capacity as trustee of the DGF.

On 30 September 2005 the interest capitalisation period of both loans matured;

therefore, the first capitalised interest installment became payable in October, 2005. As of 31 December 2005, the Banco Comafi S.A. loan had an outstanding balance of ARS 121,608,755 (ARS 121,457,820 for the principal and ARS 150,935 for accrued interest payable). The allowance for impairment in value of Government Securities under guarantee as of 31/12/05 amounts to ARS 91,623,914.

For its part, on 17 March 2003, Banco Bansud S.A. exercised its right to prepay the principal of the loan by transferring the Government Securities under guarantee. Under the terms of the Loan Agreement, the interest accrued as of 31 December 2005 shows a balance of ARS 81,273.

3.1.3. Banco Municipal de La Plata Bonds.

On 16 April 2003, the BCRA provided for the exclusion of secured assets and liabilities of Banco Municipal de la Plata (BMLP), under the terms of section 35 bis of the Financial Entities Law. In addition, it authorised that such assets be transferred to a trust created to such effect and that the secured liabilities be transferred to BAPRO Mandatos y Negocios S.A., a company held by the BAPRO (Banco de la Provincia de Buenos Aires) Group. On 14 August 2003, the BCRA revoked BMLP's authorisation to operate as a merchant bank. The Corporate Bonds that had been subscribed by SEDESA as trustee of the DGF were not included in the liabilities borne by such company. Rather, it was decided that such debt be taken charge of by the Ente Descentralizado y Autárquico Banco Municipal de La Plata (ED y ABMLP), which also took over the unsecured obligations assumed by the BMLP while it was operating as a financial entity (Municipal Decree N° 491 dated April 30, 2003).

During fiscal year 2005, the ED y ABMLP paid on time the refinanced principal installment that was due and payable 2 December 2004, plus the adjustment corresponding to the CER (benchmark stabilisation coefficient) in the following way: one payment of ARS 300,000 would be made upon the signature of the Debt Recognition and Refinance Agreement, and the remaining balance would be paid in eight consecutive monthly instalments, the first of which would be due and payable on 16



February 2005. Such balance was applied the same rate as the principal instalments during the regular period, i.e. 5.5789% nominal annual rate.

3.1.4. Loan to Nuevo Banco Industrial de Azul S.A.

In December 2002, the Managing Committee approved the granting of financial assistance to Nuevo Banco Industrial de Azul S.A. (NBIASA), which had taken over certain assets and borne certain liabilities of Banco Velox S.A., which had been suspended by the BCRA. Such assistance consisted in two loans: one chargeable to the BLF and the other to be financed with resources from the DGF. SEDESA, as trustee of the DGF, and NBIASA signed on 3 January 2003 a loan agreement for ARS 31,000,000, the disbursement of which took place on 3 March 2003.

NBIASA deposited US dollar-denominated Global Bonds of the Argentine Republic in a Guarantee Trust Fund, for a par value equivalent to the amount of the loan. Such bonds were swapped for the new Bonds issued by the Argentine Republic with US dollar 8.28% discount maturing 2033 (under foreign law), within the framework of the Sovereign Debt Rescheduling plan. The Argentine branch of the ABN AMRO Bank acted as trustee, NBIASA as trustor and SEDESA as beneficiary of this trust fund. The agreement provides for a three-year interest capitalisation period and establishes the obligation to issue on each interest payment date a promissory note to the order of SEDESA for the accrued interest receivable.

During the year 2005, the NBIASA met in due time and form its obligations arising from the loan agreement, and interest accrued regularly. The same will capitalise until 31 March 2006. As of 31 December 2005 the outstanding balance on that loan stood at ARS 30,789,344. This amount is composed of ARS 30,427,151 minus coupons paid for Government Securities in guarantee and ARS 362,193 for capitalised interest. As of 31 December 2005 an ARS 21,946,152 allowance for impairment in value of Government Securities in guarantee was maintained.

3.2. INVESTMENTS

3.2.1. In Argentine Pesos:

As we had been doing in previous years, in 2005, most of DGF's income denominated in Argentine pesos was invested in BCRA instruments. During the year, the Company subscribed LEBACs (BCRA bills) through a bidding process called by the BCRA for nominal values of ARS 613,000,000 accruing interest and CER (benchmark stabilisation coefficient) in the amounts of ARS 5,292,282 and ARS 3,143,116, respectively. The aggregate portfolio, including holdings at the beginning of the fiscal year (nominal value of ARS 481,500,000) accrued interest and CER totalling ARS 7,762,447 and ARS 33,374,077, respectively.

Out of the total amount subscribed for the fiscal year, 90.21% accounted for LEBACs in Argentine pesos without CER adjustment and the remaining 9.79% was adjusted by CER. In this regard, on 19 July 2005, the BCRA suspended the call for bids for the latter, leaving only the option for bills without the adjustment clause.

As at 31 December 2005, LEBAC investments at nominal values amounted to ARS 329,000,000, of which ARS 269,000,000 related to fixed bills in Argentine pesos and ARS 60,000,000 related to the type in Argentine pesos adjustable by CER. The total value of the portfolio (including CER adjustment and interest accrued) as at such date was ARS 329,116,632

3.2.2. In Foreign Currency:

During fiscal year 2005, investments held abroad maintained the current foreign exchange system effective as from the repeal of the currency board in early 2002. Despite the limitations imposed, liquidity and assets quality were the main features considered. As at 31 December 2005, total current investments in US dollars placed abroad at the exchange rate effective as at fiscal year-end amounted to ARS 781,088,967.

3.2.3. Government Securities

As at 31 December 2005, the Argentine Government's securities portfolio was mainly made up of securities, the service of which had not been defaulted, except for Brady, Par, and Discount bonds.

On 18 January 2005, SEDESA's Board of Directors resolved to swap its debt securities holdings, except for Brady, Par, and Discount bonds, under the terms of the offering approved by Presidential Decree N° 1735/2004 and related exhibits published on the Official Gazette on 10 December 2004. In compliance with such provision, on 26 and 27 January 2005, Nación Bursátil Sociedad de Bolsa S.A., depository of the defaulted Government securities held by DGF, was instructed to file with Caja de Valores S.A. the request to swap DGF's securities portfolio for the new bonds. The discount bonds requested were issued in US dollars, euros, and Argentine pesos adjustable by CER maturing over 30 years and accruing interest at nominal 8.28%, 7.82%, and 5.83% p.a., respectively, with partial compounding and increasing payment of bi-annual interest services as from 30 June 2004. Amortisation should be in 20 bi-annual instalments with a 20-year grace period; thus, the first principal due date will be 30 June 2024. The interest that the Argentine Government should have paid in cash on 30 June 2004 and 31 December 2004 was finally credited on 6 June 2005. The aggregate amount credited on such account was USD 285,192.

Apart from the above-mentioned swap, during fiscal year 2005, the Company invested in US dollar-denominated Argentine Government debt called Boden 2015 (Bonos del Gobierno Nacional en Dólares Estadounidenses) accruing interest at 7% p.a. Under the competitive bidding called by the Argentine Government through Economy Under-Department and Finance Under-Department joint Resolutions N° 240/05 and 85/05, respectively, SEDESA, in its capacity as DGF trustee subscribed a total nominal amount of ARS 27,000,000 of such securities.

The present value of these securities increased progressively as compared to the closing quotes of the previous fiscal year.

The total investments carried by DGF in Argentine pesos, foreign currency and Government securities amounted to ARS 1,213,323,398 as at 31 December 2005.

3.2.3.1. Argentine Government Securities (Investment Guidelines)

On 15 July 2005, SEDESA requested the BCRA for authorisation to regularise the investment in LEBACs made as from February 2004 as well as to incorporate in the "Investments" account the securities received as repayment of loans granted by SEDESA as DGF trustee.

On 13 October 2005, the Board of Trustees of the BCRA authorised SEDESA, as DGF trustee, to invest up to 50% of the corpus assets of such trust in Argentine Government securities.



4. DGF's Sources and Uses of Cash.

4.1. SOURCES

During fiscal year 2005, DGF's main income continued to be the monthly contributions made by financial institutions. Such contributions represent 59.27% of DGF's annual income.

The second most significant account is "Financial income (expense) and holding (gains) losses" with a 22.75% share and mainly made up of the yield of LEBACs accounting for 11.25% and from the yield of the portfolio placed abroad (UBS Brinson / Black Rock Financial Management) accounting for 5.23%, plus 5.19% related to the interest earned during the year on account of the loan granted to Banco de Galicia y Buenos Aires S.A., among others.

Collections of loans assigned in favour of SEDESA as trustee of DGF during fiscal year 2005 amounted to ARS 25,269,423, thus representing 6.91% of the total DGF income. Such collections are mainly made up of the management of the portfolios of the former Banco de la Edificadora de Olavarría S.A., former Fideicomiso Balca, former Fideicomiso Diagonal, former Fideicomiso Nues and former Fideicomiso Mendoza, the ones that contributed the most to this amount of income.

4.1.1. Changes in Contributions from Financial Institutions

During the fiscal year, the total amount of contributions amounted to ARS 216,655,833, representing 58.13% vis-à-vis the contributions received during 2004.

This fall results mainly from a reduction in the normal contribution rate assessed by the BCRA. On 9 November 2001, the BCRA issued Communication "A" 3358, whereby it modified, effective as from the contribution falling due in December 2001, DGF's monthly contribution amount from 0.015% to 0.03% of the monthly average of the daily amounts of the items covered. On 30 October 2003, the BCRA issued Communication "A" 4040 amending the method used to calculate the contribution amount temporarily through August 2004.

In turn, through Communication "A" 4305, it provided, effective as from the contribution due in September 2004, for the reduction of the normal contribution of the monthly average

of daily amounts of the deposits covered to 0.02%. In addition, the BCRA decided a new reduction to 0.015% of the normal contribution as from the contribution due in January 2005 through Communication "A" 4271 dated 30 December 2004.

4.2. USES

Cash outflows during the fiscal year ended 31 December 2005, regarding assistance granted to institutions within section 10 bis amounted to ARS 380,000,000. Among them are the subscriptions of preferred stock to Nuevo Banco de Entre Ríos S.A. and Nuevo Banco Bisel S.A. in the amounts of ARS 95,000,000 and ARS 66,240,000, respectively, plus an issuance premium of ARS 1 per share in both cases. Supplementing the above, a non-reimbursable contribution was made to Banco Macro Bansud on account of the assistance related to Banco Empresario del Tucumán Coop. Ltda. in the amount of ARS 56,500,000.

Administrative expenses and expenses related to assigned loans collection management, redemption of corpus assets, credit rights, real property, and other transactions related to the management of the assets incorporated to DGF amounted to ARS 24,980,000.

Administrative expenses amounted to ARS 8,300,000 and the remaining ARS 16,680,000 were mainly related to the management of loans assigned, effective trusts, fiduciary administration of real property, court fee expenses, legal fees, and legal expenses.

4.2.1. Assistance Granted

The main characteristics of the financial assistance transactions carried out by SEDESA during the current year are disclosed in the chart below:

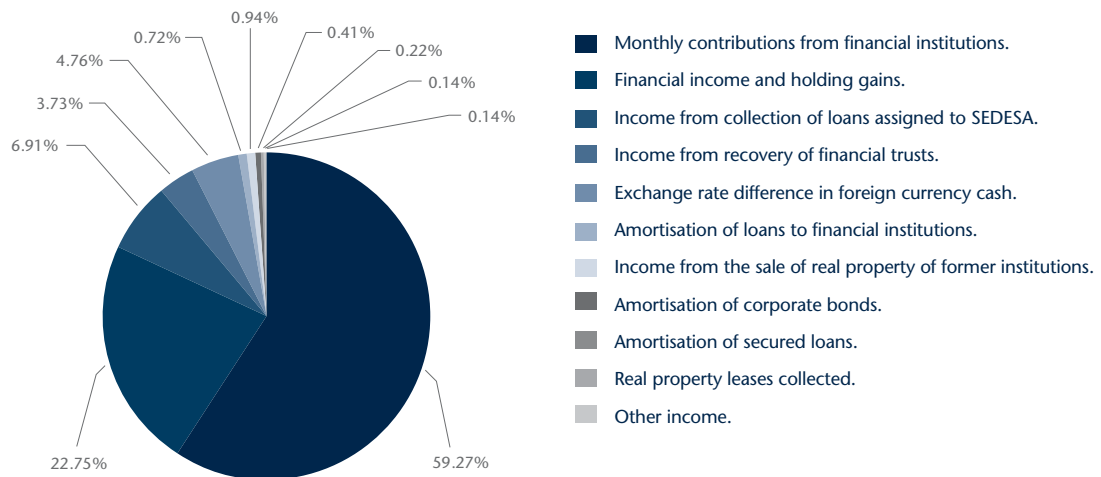
F.I | ASSISTANCE PROVIDED BY DGF DURING THE FISCAL YEAR ENDED 31/12/2005

Date of decision to grant assistance	Financial institution	Date of disbursement	Type of transaction	Observations	Amount (in million ARS)	Legal grounds for resolution of DGF's Managing Committee
27/01/2005 and 22/03/2005	Nuevo Banco de Entre Ríos S.A.	31/03/2005	Capitalisation of the financial institution	Subscription of preferred stock (stock call/put option agreement) Issuance premium	190.00	Presidential Decree N° 540/95 (as adapted) Section 10 bis (b)I
21/06/2005	Ex Banco de Balcarce	As from 24/11/05	Assistance in connection with certain deposits with ex Banco de Balcarce	The payment of these deposits was duly suspended by an injunction	(*) 0.61	Presidential Decree N° 540/95 (as amended) Section 10 bis (c)
21/06/2005	Nuevo Banco Bisel S.A.	30/08/2005	Capitalisation of the financial institution	Subscription of preferred stock (stock call/put option agreement) Issuance premium	132.48	Presidential Decree N° 540/95 (as amended) Section 10 bis (b)I
03/11/2005	Banco Empresario de Tucumán Coop. Ltda.	23 and 24/11/2005	Non-reimbursable contribution to Banco Macro Bansud	Banco Macro Bansud S.A. acquired assets and offered to pay over to depositors their deposits with Banco Empresario de Tucumán Coop. Ltda.	56.50	Presidential Decree N° 540/95 (as amended) Section 10 bis (b)II

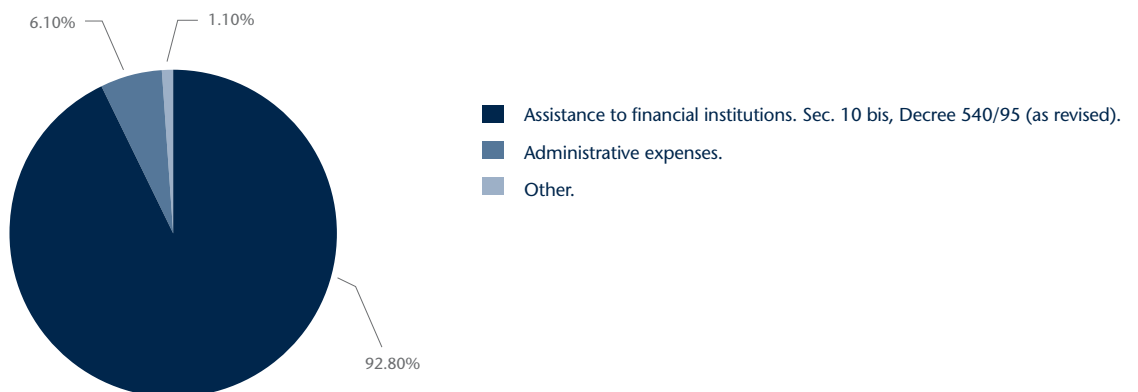
(*) Amount disbursed through 31 December 2005. This disbursement is related to the payment of a security on the deposits with the former Banco de Balcarce S.A. not duly transferred to the banks that assumed the liabilities of such institution as a result of the injunction issued by the Federal Criminal and Reformatory Court in and for the City of Buenos Aires N° 10, section 20.



C.I | DGF'S SOURCES AND USES OF CASH (2005) Sources



C.II | DGF'S SOURCES AND USES OF CASH (FISCAL YEAR 2005) Uses of cash



5. DGF's Sources and Uses of Cash (Accumulated).

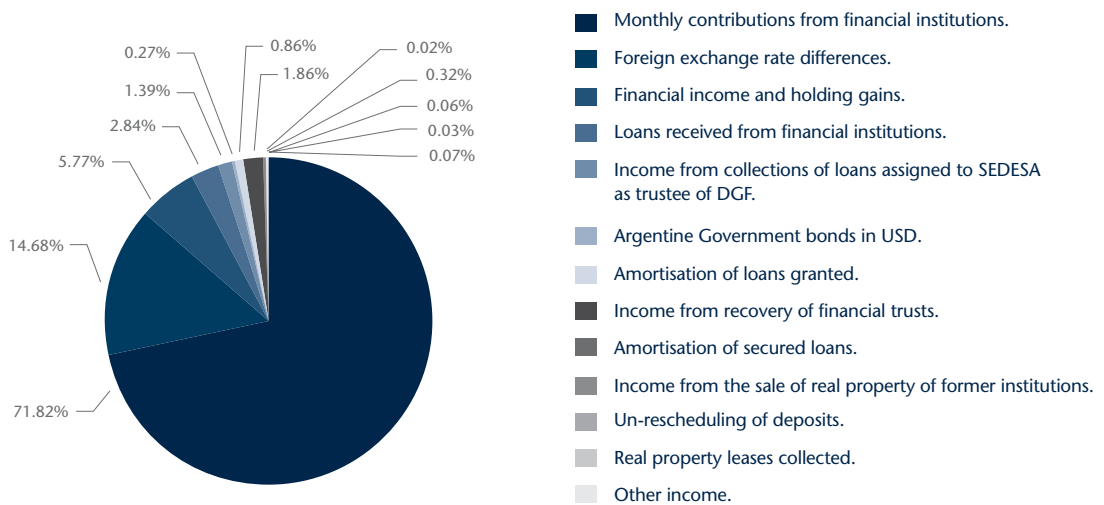
As from the creation of the Deposits Guarantee System (under Law N° 24,485, Presidential Decree 540/95, as amended), the financial institutions under the Financial Institutions Law have contributed ARS 2,693,600,000 in contributions representing 71.82% of the revenues thereof.

Such amount should be added other items totalling ARS 1,056,600,000 such as foreign exchange rate differences, financial income (expense) and holding

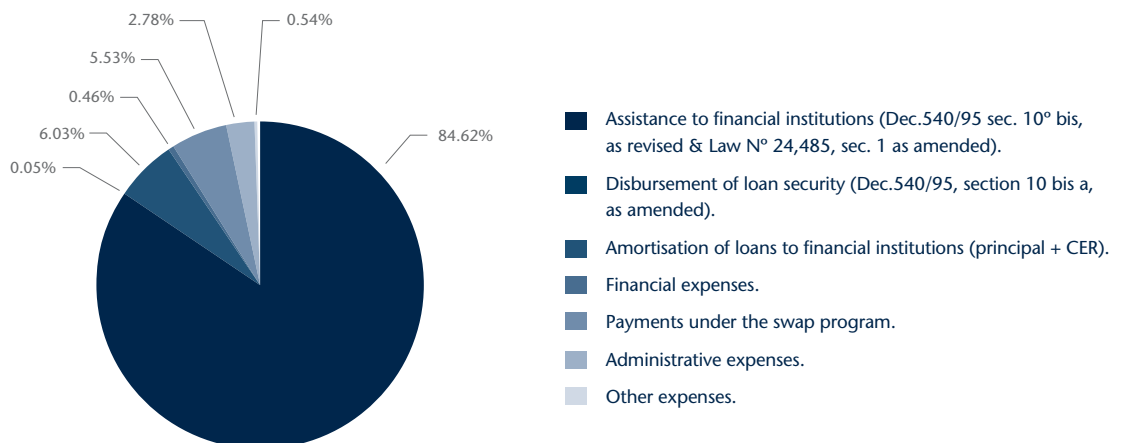
gains (losses), income (loss) from loans granted, and collection of loans assigned, among others.

As to the uses of DGF cash, 84.62% was allocated to assist institutions, 6.03%, to amortise financial institutions' loans, 5.53% to the swap program charge, 2.78% to administrative expenses, and the remaining 1.09% to other items.

C.III | DGF'S SOURCES AND USES OF CASH (from May 1995 through December 31, 2005) - Sources



C.IV | DGF'S SOURCES AND USES OF CASH (from May 1995 through December 31, 2005) - Uses





6. DGF's Available Balance.

The available balance of DGF's resources as at 31 December 2005, amounts to ARS 1,250,486,816, considering (a) the buying exchange rate of Banco de la Nación Argentina on the last working day of December 2005 to value cash in foreign currency; and (b) the last representative quote on the Buenos Aires MAE (electronic OTC market) and the listed price as at the closing of December 2005 to value Argentine Government securities (Boden 2012 / Boden 2013 / Discount bonds maturing 2013 and others related to GDP). LEBACs were adjusted by CER, when applicable, and interest as at the last day of December 2005. Boden 2015 were valued based on the subscription cost on the bidding process.

Such amount includes deposits with the BCRA, investments made as provided for in Presidential Decree 540/95, as amended, realizable in 48 hours, Government securities with regular services and amounts in the "Cash" account.

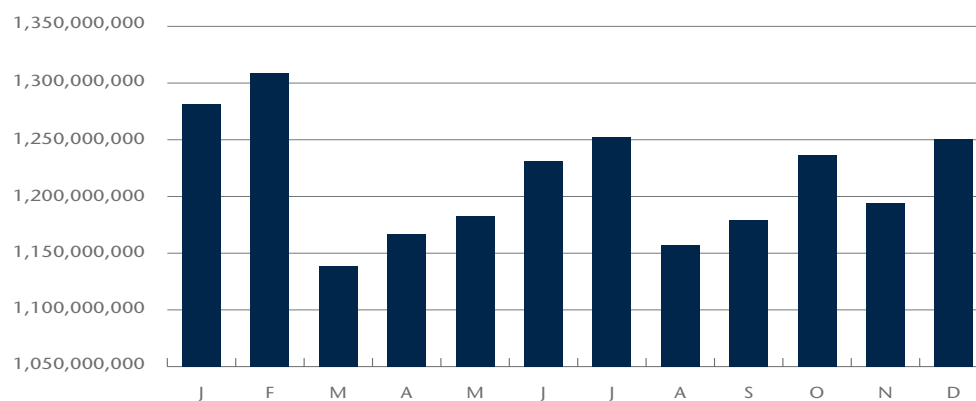
The monthly changes are disclosed below:

F.II MONTHLY CHANGES IN THE AMOUNT AVAILABLE IN 2005 (figures stated in Argentine pesos)

Amount available as at 31/12/2004: 1,273,764,615

Month	Amount
January	1,281,810,185
February	1,309,129,293
March	1,138,181,428
April	1,166,645,884
May	1,182,261,342
June	1,231,562,332
July	1,252,242,332
August	1,157,416,850
September	1,179,545,240
October	1,236,476,882
November	1,193,716,438
December	1,250,486,816

C.V MONTHLY CHANGES IN THE AMOUNT AVAILABLE IN 2005



7. Banking Liquidity Fund (BLF).

7.1. PURPOSE AND CHARACTERISTICS

On 26 December 2001, the Federal Executive issued Decree N° 31, whereby it created, effective for 5 years, the Banking Liquidity Fund (Fondo de Liquidez Bancaria, in Spanish) for the purpose of "providing adequate liquidity to the banking system". Such decree appointed SEGURO DE DEPÓSITOS S.A. (SEDESA) as the manager and trustee of the BLF. The Trust Agreement was in turn executed on 17 January 2002, by the BCRA, as trustor, representing the Argentine Government and acting on account and behalf of financial institutions, and SEDESA, as trustee and manager of the corpus assets. Also, as established in the Decree, SEDESA's corporate purpose was extended and it may now exercise the trustee functions duly required by the Argentine Government or the BCRA.

BLF's investment decisions are taken by the Managing Committee created under section 10 bis, Presidential Decree N° 540/95, as amended.

7.2. CONTRIBUTIONS FROM FINANCIAL INSTITUTIONS

Presidential Decree 32/01 established that financial institutions would pay in the capital of the BLF by subscribing class "A" certificates of participation in an amount of up to 5% of the average of daily balances of private sector deposits in Argentine pesos and foreign currency, made with any of the financial institutions within the financial system in November 2001. As decided by the BCRA, the percentage of the contribution, as mentioned, may be increased up to an additional 50%. Through BCRA Resolution N° 565 dated 27 December 2001, the contribution was fixed at 6% of deposits held in November 2001. Subsequently, effective 1 March 2002, contributions were reduced to 1.9% providing that the amounts contributed were deductible from minimum cash requirements (Communication "A" 3487 dated 22 February 2002). As from 15 March 2002, the rate used to determine the contribution increased to 3.5% of the average of daily balances of November 2001 (Communication "A" 3513). Finally, through Resolution N° 268/02, disseminated through Communication "A" 3582 dated 10 May 2002, the BCRA decided to set the contribution to the BLF at 0%. The latter provision is effective as at 2005 year-end.

Class "A" certificates of participation related to the contributions made by financial institutions had not been issued as at 31 December 2005. The BCRA has not assessed the interest rate and other conditions of these instruments, as established by Presidential Decree 32/01 section 5.

7.3. LENDING TRANSACTIONS

During fiscal year 2005, no new transactions were made charged to the BLF. The only effective transaction at the beginning of the fiscal year was the loan granted to NBIA in early 2003.

As provided for in the loan agreement executed with such financial institution, on 31 March 2005, NBIA advised SEDESA its will to repay the loan principal by providing Government securities as guarantee. The transfer was made on 29 June 2005 and, as from such time, the loan principal was repaid by the Bank. However, the payment does not eliminate SEDESA's right as BLF trustee to collect interest through the maturity of the loan on the original principal.

The securities received to repay the loan are post-swap bonds delivered by the Argentine Government in early 2005, more specifically, Discount Bonds in US dollars under New York law and maturing in 2033.



7.4. GOVERNMENT SECURITIES PORTFOLIO

The Government securities portfolio of BLF is made up of the securities received as repayment of the loan granted to NBIA and those received for the settlement of the loan granted to Macro Bansud S.A. Bank within the framework of the assistance granted in SADELA's case in 2004, as per the following detail:

F.III

Code of Security	BCBA (Buenos Aires Stock Exchange) CODE	Name of Security	Nominal Value in USD
40791	DICY	Argentine bonds with USD 8.28% discount maturing 2033 (under New York law)	3,778,173
40790	TVPY	Securities in USD maturing 2033 related to GDP (under New York law)	11,211,195

7.5. INVESTMENTS

During 2005, SEDESA, as trustee of the BLF, subscribed LEBACs for a nominal value of ARS 25,000,000. During the same period, it earned ARS 405,000 from the yield of such portfolio.

7.6. LIABILITIES

As at 31 December 2005, BLF carried liabilities in the amount of ARS 68,153 made up of expenses paid by SEDESA as trustee that should be reimbursed, future expenses accrued, and commissions debited from bank accounts.

7.7. STATUS AND TERM OF THE BLF

From the statements above, we may conclude that, at the end of fiscal year 2004, the BLF showed residual characteristics that made it advisable to consider the possibility of deeming it extinguished. In addition, the financial context in which the BLF was created had changed, so that keeping the Trust operational was no longer justified. Thus, in late 2004, SEDESA's Board of Directors sent the BCRA a note in this regard providing the explanation above.

Moreover, under section 2 of the Presidential Decree whereby the BLF was created, the Fund is to be effective for five years as from the publication of the Decree. Since Presidential Decree N° 32/2001 was published on December 27, 2001, it will necessarily expire in late 2006.

SEDESA has already advised the BCRA of the above, considering that it acts on account and behalf of financial institutions, in order to coordinate the mechanisms that will make it possible to conclude and liquidate the Fund when and as due, and to proceed with the subsequent distribution among the beneficiaries of the corpus assets on a proportionate basis, as stated in the applicable decree and the Trust Agreement that governs it.

8. Statements of Profit and Loss for Fiscal Year 2005 of “Seguro de Depósitos S.A.”, and of the “Deposit Guarantee Fund” and the “Banking Liquidity Fund” Trusts.

Main Changes in Stockholders’ Equity and Profits and Losses.

8.1. SEGURO DE DEPÓSITOS S.A. (SEDESA)

The Statement of Profit and Loss of SEDESA for the fiscal year ended 31 December 2005 yielded a profit (after income tax) of ARS 324,833. This amount was allocated to “Retained Earnings” of the Stockholders’ Equity account, subject to approval by resolution adopted by the Meeting of Stockholders (See Statement of Changes in Stockholders’ Equity in the Financial Statements of SEDESA).

It should be noted that such net earnings are basically attributable to the “Financial Income and Holding Gains” for ARS 734,376.

8.2. DEPOSIT GUARANTEE FUND (DGF)

The Statement of Profit and Loss of the DGF for fiscal year 2005 showed a loss of ARS 93,186,392, basically resulting from the loss incurred in a portion of the assistance granted to financial entities for a total of ARS 217,740,000. It should be noted that the financial income for investments and loans granted yielded a total amount of ARS 77,900,200, plus a foreign exchange rate difference of ARS 20,848,807 that was mainly attributable to the placement of funds abroad.

The fiscal year loss was charged to “Retained Earnings” of the Stockholders’ Equity account of the DGF (See Statement of Changes in Stockholders’ Equity in the Financial Statements of the DGF).

8.3. BANKING LIQUIDITY FUND (BLF)

The BLF for the fiscal year ended 31 December 2005 yielded a profit of ARS 1,312,554 (at the closing of the previous fiscal year, it had shown a loss of ARS 2,796,202). Such profit is attributed to the financial income and holding gains from loans granted, interest accrued on Government Securities and LEBAC (BCRA bills) investments.

The fiscal year profit was allocated to “Retained Earnings” of the Stockholders’ Equity account of the BLF (See Statement of Changes in Stockholders’ Equity in the Financial Statements of the BLF).



9. Activities and Tasks.

9.1. ADMINISTRATION AND FINANCE

In furtherance of the policy aimed at improving administration quality, internal controls in this sector have been tightened through the implementation of procedures focused on daily operation security and monitoring. In addition, standards and procedures are being updated and a process of job and role redefinition is under way.

It is worth mentioning that management regarding the investment of funds, placed either in the domestic or foreign markets, has been appropriate and made in accordance with the legislation in force and with the regulations established by the BCRA regarding the placement of international reserves.

9.1.1.Changes in Credit Accounting

To ensure better exhibition, a procedure was established in 2005 to conduct a detailed review and inventory of credits assigned to SEDESA, in its capacity as trustee of the DGF. As a result of this, it has been possible to integrate such credits as Fund assets.

9.1.2.Hiring Procedure for Investment Portfolio Management

In December 2005, the Board of Directors approved to undertake a procedure to hire a professional manager of the DGF funds by engaging three firms or individuals that, in a coordinated manner and with their responsibilities clearly defined, would advise the Board of Directors on how to organise, lead and complete the hiring process by competitive examination and price bidding.

To this end, agreements have been entered into with Standard & Poor's Investment Advisory Services, AGM Argentina and Mrs. Suzanne Cutler, former Vice-President of the Federal Reserve Bank of New York.

9.1.3.Employment Regularisation Process

Steps were to regularise the status of those persons who had maintained, or maintained at present, relationships susceptible of being categorised as employment relationships under the Labour Contract Law and its complementary legislation. In addition, it was resolved that the social security and tax debts resulting from that regularisation be settled.

The employment regularisation process was completed successfully, and the actions taken by the corporation in this respect have been exemplary, as it has spontaneously and painstakingly complied with the current legal provisions.

9.2. TRUSTS AND ASSET RECOVERY MANAGEMENT

During fiscal year 2005, efforts have continued to ensure the recovery of the remaining assets of the trusts that had been created in consideration of the loans granted within the framework of rehabilitation programs.

The transfer of such assets, which commences upon the expiration of the pertinent agreements, calls for the joint cooperation of the trustees and SEDESA for the fulfilment of many cumbersome tasks of legal, economic and procedural nature.

9.2.1.Actions Completed and Actions Underway

1) Acquisition of rights over a considerable number of credits: assessment of economic advisability.

A careful analysis must be conducted on the current status of court proceedings, the economic likelihood of loans being actually recovered, the costs incurred in the pursuance and termination of court proceedings, among other issues.

It must be borne in mind that these are loans with delinquent periods that far exceed the standard market terms, considering the time elapsed between the disbursement by the failed financial entities, the collection procedure undertaken by such entities themselves, the collection procedure undertaken by the relevant trustees and the subsequent transfer of such collected amounts to SEDESA.

In addition, debt instruments may present flaws; in some cases, there may not be any proper instrument at all to enforce a claim against debtors.

2) Actual transfer of real property, with its related complications of legal occupancy or illegal intrusions, maintenance condition,

maintenance and administration costs, legal quality of title deeds and prospects for sale.

3) Incorporation of other property, such as vehicles, which may involve imperfect or doubtful title.

These complex tasks have demanded that SEDESA make painstaking efforts to reorganise its operations, resort to highly qualified in-house or external professionals, and carry out activities that, on account of their complexity, diversity and magnitude, required that SEDESA perform functions with which it was not acquainted in its first years of existence.

As a result of the asset recovery process, SEDESA has completed the transfer of 37,000 credits for a nominal value of ARS 285 million. We must bear in mind that these amounts express historic values; therefore, on account of the duration of the delinquency periods, which in many cases are well in excess of five years, the same have been adjusted significantly. The amounts stated will be increased once completed the transfer of the investment portfolios under way.

These credits require the implementation of highly sophisticated administration procedures, on account of their seniority and instrumental flaws. Furthermore, such credits are managed through old and incomplete databases, which pose further obstacles to their administration and chances of success, evidencing the magnitude of the challenge ahead. The real property involved is for a wide range of uses and of quite different values.

In addition, the DGF has undertaken to sell such real property as promptly as possible in order to avoid incurring the high maintenance and custody expenses involved. To meet this goal, several methodologies, suitable for each type of property, have been implemented. Such methods have been selected to safeguard the value of the assets and the transparency that the selling process must invariably have.

For this reason, during the course of the year, a real estate agency was hired through competitive examination and entrusted to manage the sales to be conducted by competitive bids. The hiring was carried

out taking into account the professional qualifications, the service to be rendered and the commissions charged.

As far as prices are concerned, the property appraisal was performed by persons other than those responsible for the sale. The prices set are based on the appraisals made by at least three professionals in the market.

Direct sales have been restricted either to low value or to hard to sell real property, and only after all competitive bid possibilities have been exhausted.

As of the date of this report, 85 units have been sold for an amount of ARS 10 million.

9.2.2. Agreement with the SIGEN (National Audit Office)

The Board of Directors of SEDESA entered into an agreement with the SIGEN whereby an audit would be conducted on asset recovery management (credits, real property and movable property) of the DGF for the period between 1/1/2000 and 31/05/2005.

In this respect, an agreement was approved to begin with such tasks in the month of May 2006 and complete the first stage of the assessment 65 days thereafter.



10. Symposium and Exchange with Other Countries and Organisations.

10.1. SIXTH SYMPOSIUM ON DEPOSIT INSURANCE

The Sixth Symposium on Deposit Insurance was held on 26 April 2005, at the Marriott Plaza Hotel, in the City of Buenos Aires. International experts were invited to lecture on the "Requirements for and Consequences of Deposit Insurance".

The subject was approached from different viewpoints: Gonzalo Gil, Deputy Governor of the Bank of Spain, spoke from the perspective of the lender of last resort, while Arthur Murton, Director of the FDIC (Federal Deposit Insurance Corporation), approached the subject from the viewpoint of the Deposit Insurer.

José Carlos Jaime, who served as Chairperson of SEDESA from 1995 to May 2005, closed the Symposium with a brief presentation on the different aspects concerning the deposit insurance system, on the basis of the experience gathered by SEDESA along its 10 years of existence.

Miguel Angel Pesce, Deputy Governor of the BCRA, was invited to open the Symposium.

Nancy Wentzler, Deputy Comptroller and Chief Economist for Global Banking and Financial Analysis of the Office of the Comptroller of the Currency (OCC) of the United States, was the lunchtime speaker.

The Symposium was attended by officers and professionals from local financial entities, members of the educational community, representatives of banking associations, the National Securities Commission, the Centre for Financial Stability and BCRA professionals.

The following foreign entities also took part in the Symposium: the Central Bank of Bolivia, the Central Bank of Uruguay and the IPAB (Institute for the Protection of Bank Savings) of Mexico.

10.2. EXCHANGE WITH OTHER COUNTRIES AND ORGANISATIONS

The Economics Symposium, organised by the Central Bank of Uruguay, was held in August in the City of Montevideo. Martín Lagos attended on behalf of SEDESA. The Symposium focused on the discussion of exchange policy issues and certain aspects of the exchange market.

In September, the Annual Conference of the International Association of Deposit Insurers (IADI) was held in Taipei, Taiwan, where Irene Ulnik took part on behalf of SEDESA.

As a result of its participation in that conference, SEDESA was invited to join the Latin America Regional Committee of the IADI, where common regional issues and ideas are shared and discussed. During the conference, SEDESA reaffirmed its commitment to cooperate with other countries, and arrangements were made for visits to our offices by the Credit Guarantee Fund of Brazil and the Deposit Insurance Agency of Russia.

In the IADI Annual Conference, the Central Deposit Insurance Corporation (CDIC) of Taiwan organised an exhibition where SEDESA had its own stand, where it shared its experience with a vast number of participants from all over the world. All SEDESA publications as well as the 2004 Annual Review were displayed there.

In the same month, the Fifth Annual Bank Conference was held in Washington DC, organised by the Federal Deposit Insurance Corporation (FDIC). Martín Lagos attended the conference on behalf of SEDESA. One of the most significant subjects discussed at the conference was the source of the funds that are to make up the deposit insurance system.

The Board of Directors
Buenos Aires, 19 April 2006

| Exhibit 1





11. Exhibit 1: The Argentine Banking System.

INTRODUCTION

Argentina's GDP expanded 9% in real terms¹ in 2005. At this level, GDP measured in constant pesos reached a new peak, surpassing by 5.6% the highest historic value corresponding to 1998.

Country's external sector continued being significantly positive, registering a trade surplus of USD 11.3 billion in 2005. This amount was although lower than the USD 12.1 billion recorded in 2004. A large portion of the external surplus (USD 8.4 billion) was accumulated in the Central Bank's international reserves.

Exports reached a record level of USD 40 billion, representing year-on-year growth of 15.8%, including an increase in volumes of 14.2%. Imports, nevertheless, grew 27.9%, recording a volume that was higher by 23.2% relative to the previous year.

The Argentine peso relative to the USD was less volatile during 2005. The exchange rate oscillated between ARS/USD 3.03 and 2.85.

Retail inflation –CPI– showed signs of acceleration in 2005, resulting in 12.3% price increase for the whole year.

Consistent with the positive economic indicators mentioned above, Argentina's unemployment rate fell throughout the year. Improvement in the labor market conditions also resulted in an increase of workers' formalization. This fact had a positive impact on the deepening of use of bank services in the economy.

C.1.1 | ARGENTINA: MAIN MACROECONOMIC VARIABLES

	2000	2001	2002	2003	2004	2005 e
Real GDP change (in %) *	-0.8%	-4.4%	-10.9%	8.8%	9.0%	9.0%
Trade Surplus / GDP	0.4%	2.3%	5.3%	4.2%	2.7%	2.1%
CPI variation	-0.7%	-1.5%	41.0%	3.7%	6.1%	12.3%
Exchange Rate (ARS/USD)	1	1	3.36	2.96	2.97	3.01
Unemployment Rate **	14.9%	17.1%	19.4%	17.3%	13.6%	11.1%

* Real Change in GDP for 2005 is estimated from the Monthly Estimator of Economic Activity (EMAE).

** End of September 2005, including social plans.

¹ Preliminary information based on the Monthly Economic Activity Estimate published by INDEC

MONETARY AGGREGATES

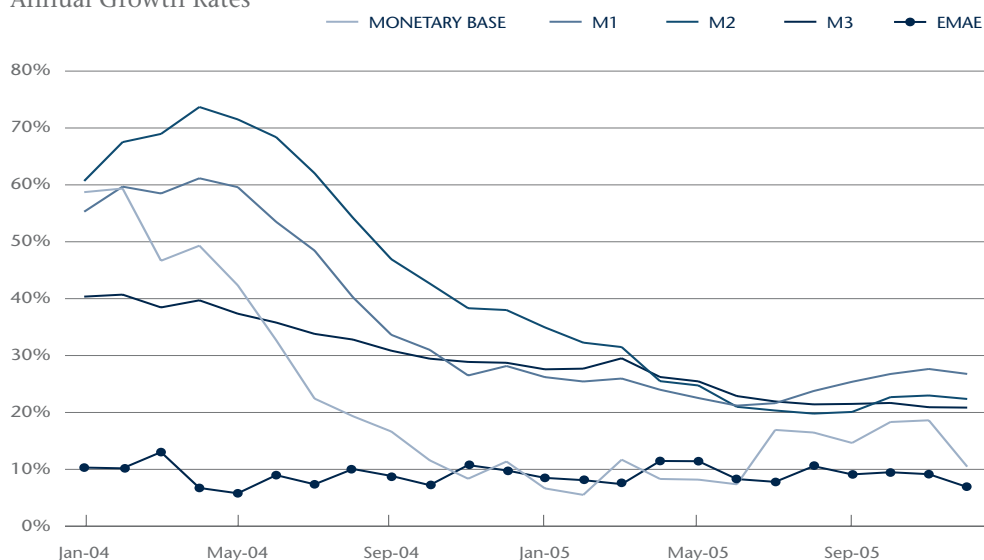
In 2005, average Monetary Base registered an increase of 12% relative to 2004 comparable levels, which already that year had grown by 29% over 2003. Monetary Base reached ARS 55,827 million at the end of December 2005, representing approximately 9.8% of GDP, down from 10.7% a year earlier. The deceleration in the growth rate of the Monetary Base is explained in part by the contraction generated by: a) the anticipated cancellation of bank's financial assistance granted by Central bank; b) the rise in net positions of repurchase agreements; c) payments abroad made by the federal government, funded with peso deposits in local banks.

Those factors mitigated the monetary expansion resulting from the international reserves accumulation policy.

Regarding broader monetary aggregates, average M2² in 2005 was up another 24.5% from 2004, after having risen 56% in 2003. In December 2005, M2 represented 20.7% of GDP. Average M3³ increased in line with M2 in 2005, after growing 34% in 2004. Expansion of monetary aggregates is mainly observed in the increase in transactional accounts (Chart 2.3).

C.2.1 | EVOLUTION OF MONETARY AGGREGATES

Annual Growth Rates

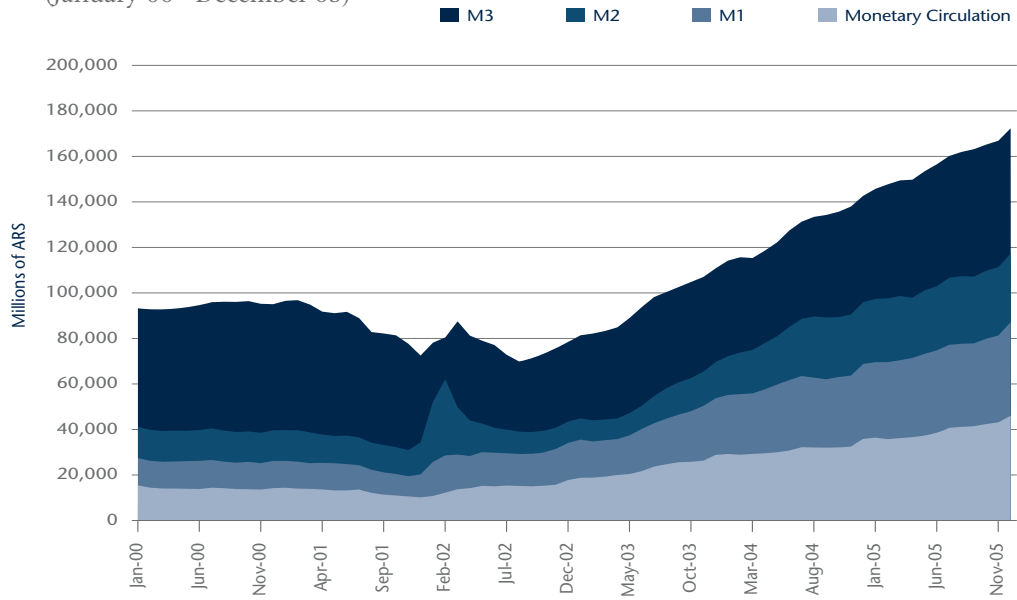


Source: BCRA and INDEC databases

² M2 = Monetary Circulation + Checking Accounts in ARS and USD + Savings Accounts in ARS and USD

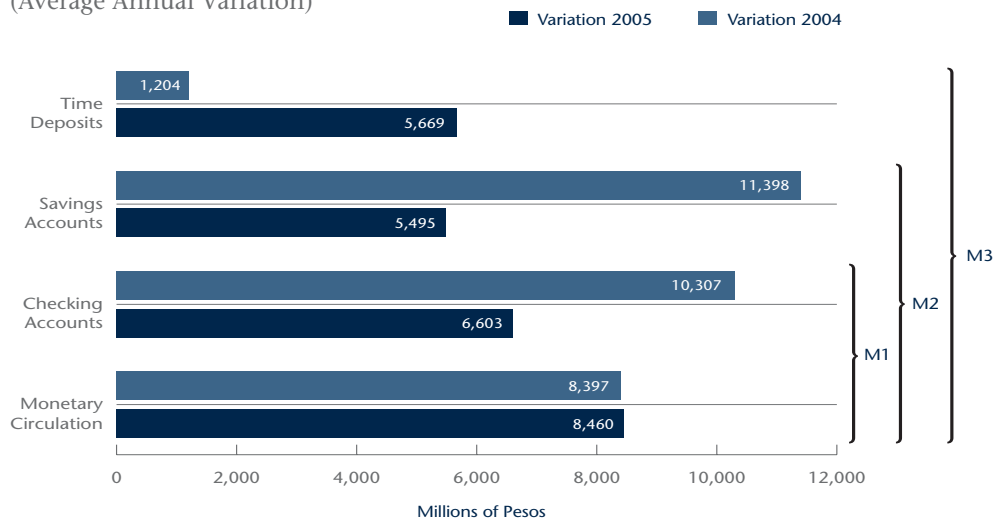
³ M3 = M2 + Time Deposits in ARS and USD

C.2.2 EVOLUTION OF AGGREGATE MONETARY STATISTICS (January 00 - December 05)



Source: BCRA and INDEC databases

C.2.3 AGGREGATE MONETARY STATISTICS (Average Annual Variation)



Source: BCRA and INDEC databases

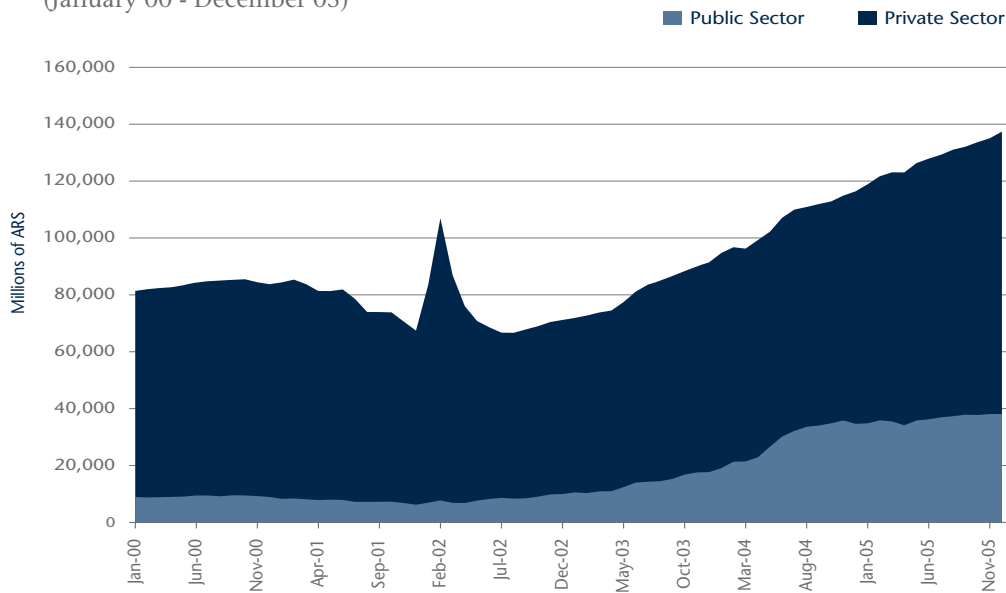
DEPOSITS

Deposits in the financial system reached ARS 138.7 billion (Chart 3.1), representing an increase of 18.1% from December 2004. As Chart 3.2 shows, deposits from the private sector registered a gradual acceleration in 2005. They reached ARS 99.2 billion last December, 21.5% above December 2004 levels. After those strong increases, the growth rate of non-financial Public Sector's deposits decelerated in 2005. Public Sector's deposits reached ARS 38.1 billion at the end of 2005, up 9.98% from a year earlier.

As can be seen in Chart 3.3, the non-financial Public Sector had 27% of all deposits in 2005, down from the 30% in December of 2004, but significantly higher than the 2000-2003 figures. This development is clearly related to the growth in the primary surplus, which has reached levels above 3.5% of GDP in each one of the last two years.

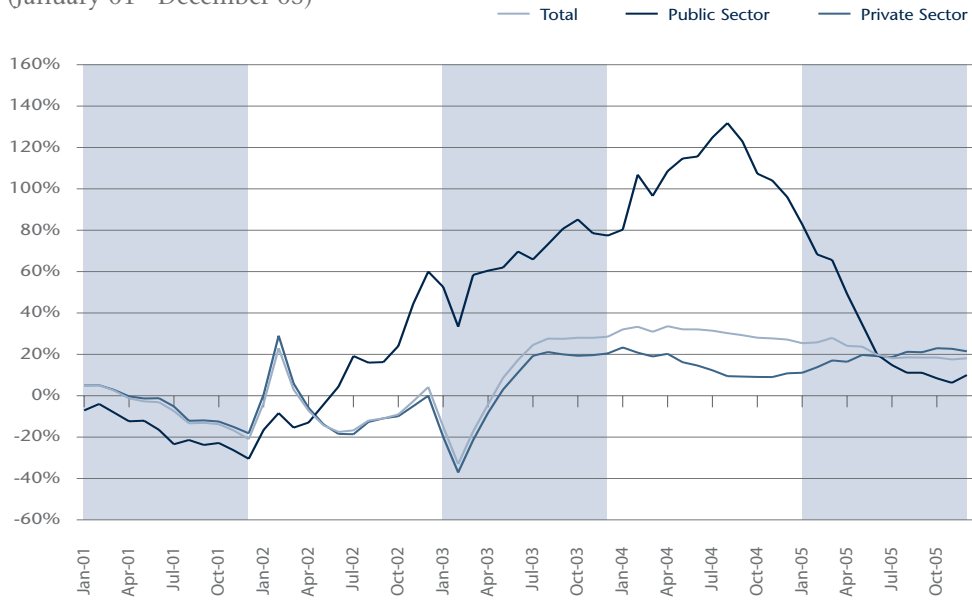
As of December 2005 checking account balances represented 33% of all deposits, while savings accounts were 24% and time deposits were 43%,

C.3.1 | EVOLUTION OF TOTAL DEPOSITS BY SECTOR (January 00 - December 05)



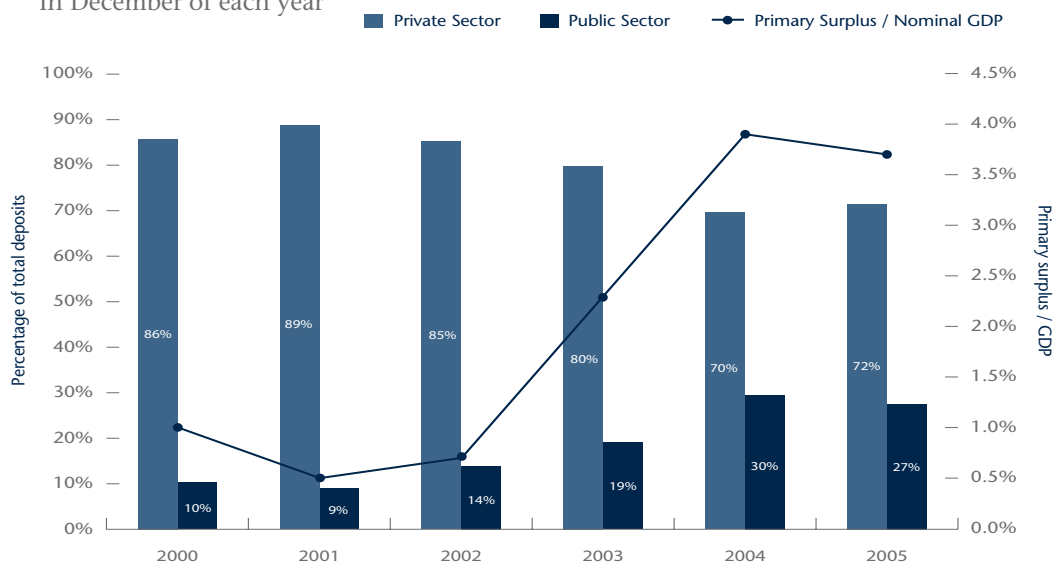
Source: BCRA database.

C.3.2 ANNUAL GROWTH RATE IN DEPOSITS BY SECTOR (January 01 - December 05)



Source: BCRA database.

C.3.3 DISTRIBUTION OF DEPOSITS BETWEEN THE PUBLIC AND PRIVATE SECTORS In December of each year



Source: BCRA and Ministry of Economy databases.

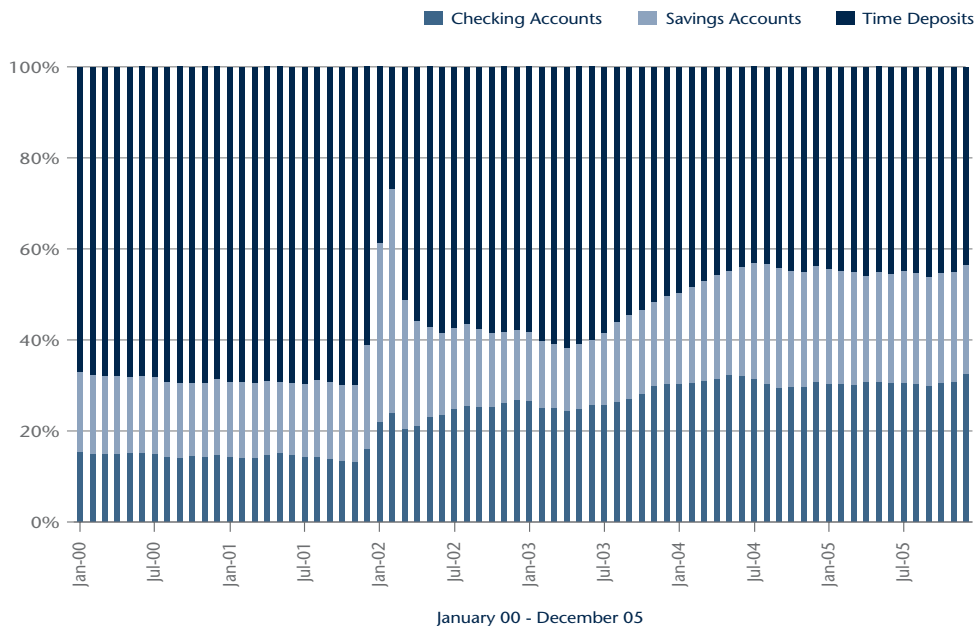


respectively of aggregate deposits (see Chart 3.4). Within time deposits, 13% were linked to the CER Index (CPI principal adjustment) with a duration of 1 year (see Chart 3.5) while about 50% had a duration of 30 and 59 days. This deposit distribution pattern began in mid 2003. Comparing with what happened before the 2001 crisis, it is evident that during the subsequent years checking and savings accounts grew at the expense of time deposits.

that, in 2005 average tenor of dollar-denominated deposits registered a growth rate higher than the corresponding peso ones. Compared with the period before the crisis, the average duration of peso time deposits is longer than the one prevailing in 2000/01. In contrast, dollar deposits have converged with the duration of peso deposits (approximately 50 days), even though they remain below the duration observed during 2000/01 (approximately 75 days).

Nevertheless, average duration of deposits began to increase in the third quarter of 2004. On top of

C.3.4 | COMPOSITION OF DEPOSITS

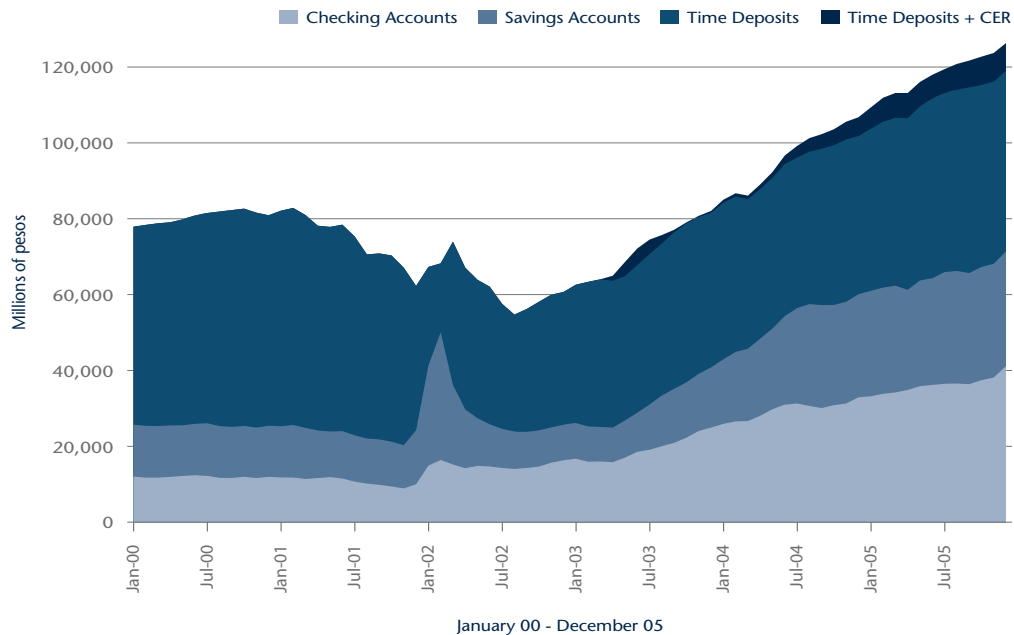


Source: BCRA database.

Deposits denominated in Argentine pesos, including those with capital adjusted by domestic prices -known as CER- represent 90% of the total (Chart 3.7). In 2005 CER-adjusted peso deposits consolidated their increase from 2004, reaching 5.3% of the total. It is important to note that the increase in CER-adjustable deposits impacts the average deposit duration since, following current rules⁴, banks offer this product at a minimum tenor of one year.

As a result of the “pesification”⁵ and restrictions known as the “corralón” (restructured time deposits), peso deposits rose to 98.4% of the total in the first quarter of 2002 and the deposits’ average duration increased to 168 days. With the relaxing of restrictions on bank accounts, the average term of deposits began decreasing in the second quarter of 2002 and continued this trend until mid 2004.

C.3.5 | EVOLUTION OF DEPOSITS BY TYPE OF ACCOUNT



Source: BCRA database.

⁴ Communication “A” 4331 – 04/04/05

The minimum duration of deposits contemplating inflation adjustment was modified from 270 to 365 days.

Communication “A” 4298 – 11/02/05

The minimum duration of deposits contemplating inflation adjustment was modified from 90 to 270 days.

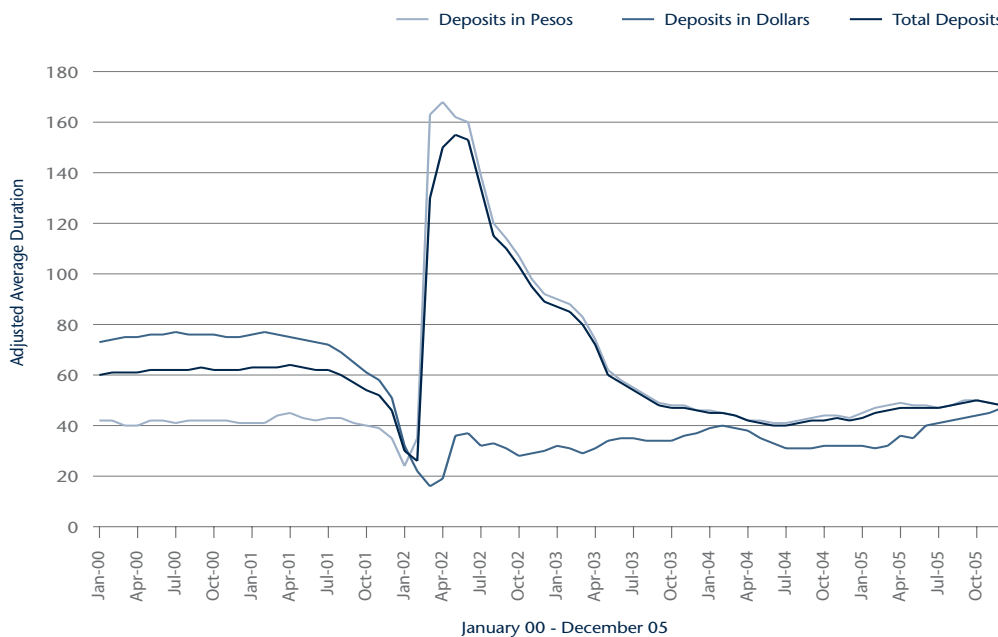
⁵ In February 2002 by Decree 214/2002, Argentina’s Government converted all USD denominated bank deposits to peso denominated ones, using a ARS/USD 1.4 exchange rate.



Recipients of deposits also changed to some extent. In the years before the crisis deposits were primarily concentrated in private sector banks, which represented almost 70% of the total. Since 2002, deposits in government-owned banks increased much faster than in others, reaching almost 50% share of the total deposits recently. However, this percentage decreased slightly in 2005.

We could characterize 2005 as a consolidation year of both, trends in aggregate deposit growth as well as its average maturity. This, together with higher levels of economic activity and the improvement of fiscal accounts, represents a clear sign the economy is continuing its recovery from the profound economic crisis that imploded at the end of 2001.

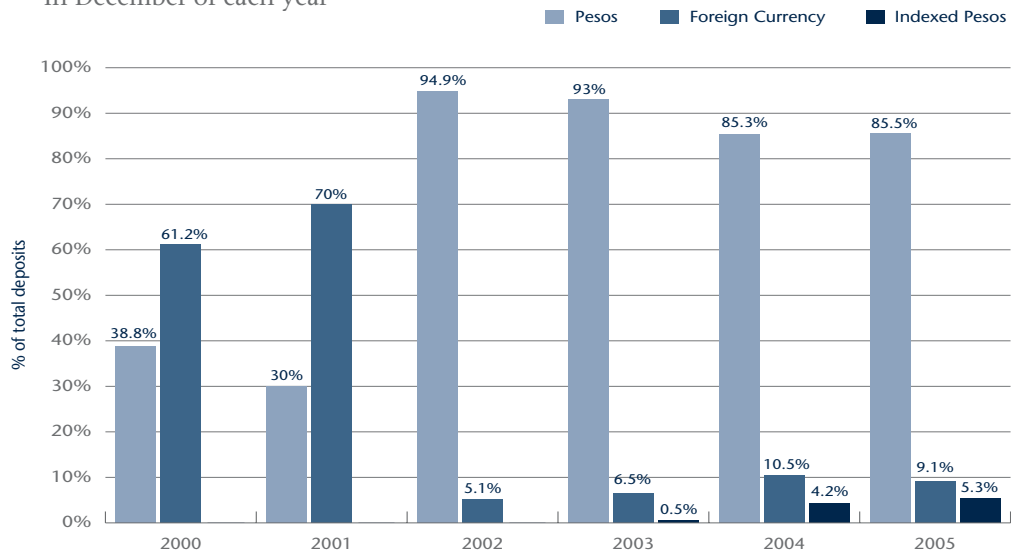
C.3.6 | EVOLUTION OF THE AVERAGE ADJUSTED DURATION OF DEPOSITS



Source: BCRA database.

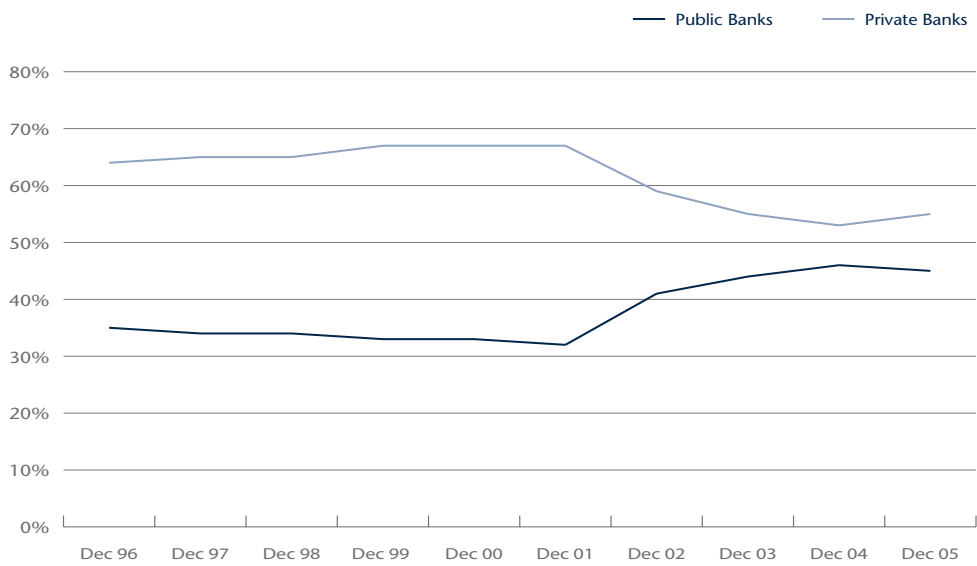
C.3.7 DISTRIBUTION OF DEPOSITS BY CURRENCY

In December of each year



Source: BCRA database.

C.3.8 DISTRIBUTION OF DEPOSITS AMONG FINANCIAL INSTITUTIONS



Source: BCRA database.

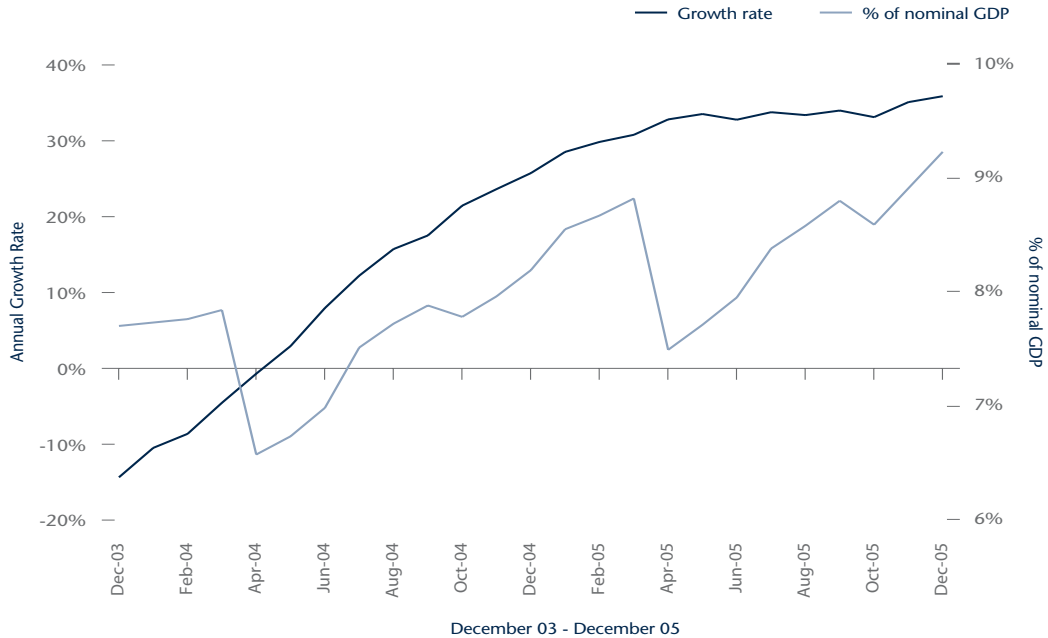
LOANS

Credit growth strengthened during 2005, registering a 36% yearly increase in bank loans to the private sector as of the end of December. As a result, total bank loans to the private sector reached 8.2% of GDP at the end of 2005 (preliminary figure). Credit from the financial sector to the non-financial public sector represented 33% of the total in December 2005, down from 44% a year earlier. Loans from private banks to the public sector fell

from 42% share of the total portfolio in 2004 to 29% in 2005 (see Charts 4.2 and 4.3).

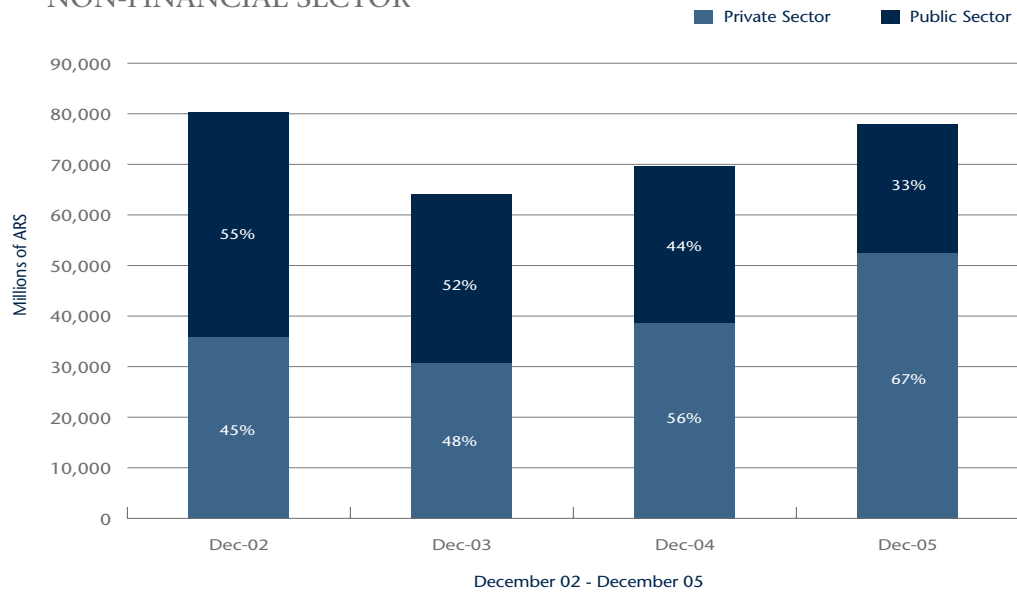
Consistent with the evolution of liabilities, peso-denominated loans were 88.4% of the total in 2004 and 86.7% in 2005.

C.4.1 | EVOLUTION OF CREDIT TO THE PRIVATE SECTOR



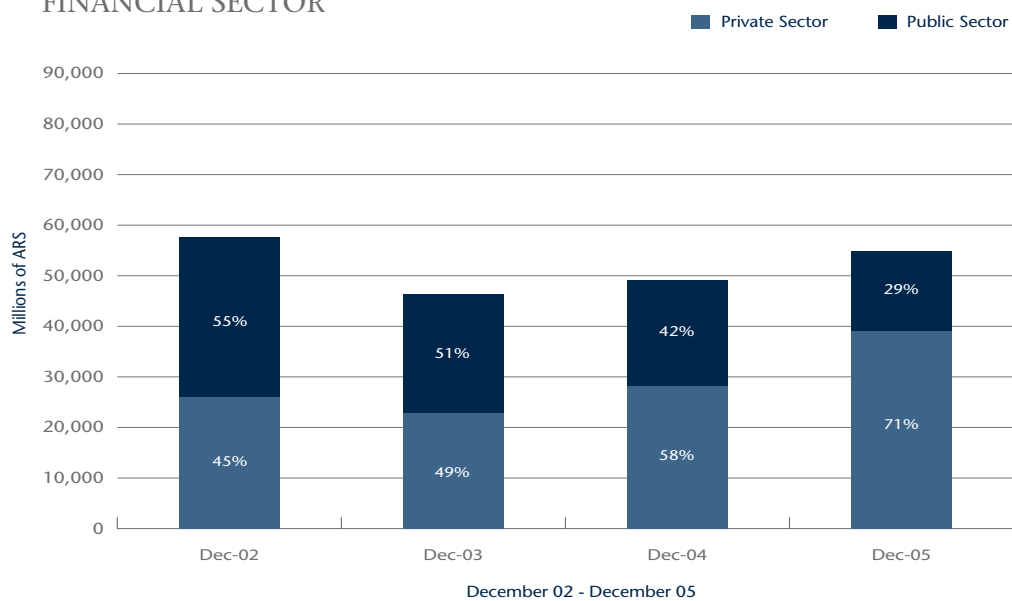
Source: BCRA and INDEC databases.

C.4.2 EVOLUTION OF CREDIT FROM THE FINANCIAL SYSTEM TO THE NON-FINANCIAL SECTOR



Source: BCRA database.

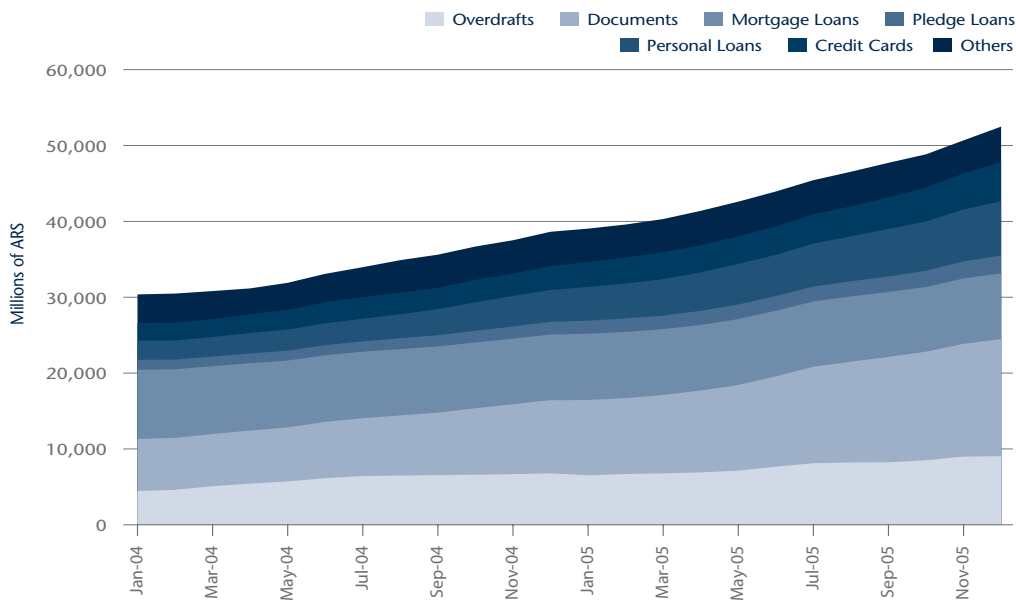
C.4.3 EVOLUTION OF CREDIT FROM PRIVATE BANKS TO THE NON-FINANCIAL SECTOR



Source: BCRA database.

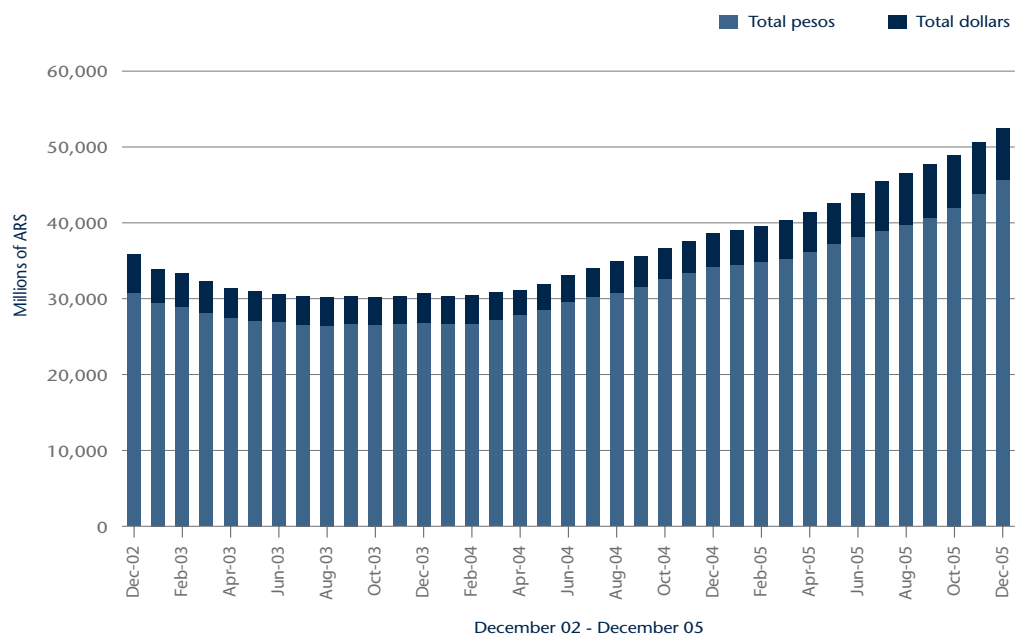


C.4.4 | EVOLUTION OF CREDIT TO THE PRIVATE SECTOR



Source: BCRA database.

C.4.5 | EVOLUTION OF CREDIT TO THE PUBLIC SECTOR



Source: BCRA database.

QUALITY OF THE CREDIT PROFILE

According to information provided by the BCRA, there was a qualitative improvement in the credit portfolios during 2005 as the number of delinquent loans⁶ in the system continued falling from its peak in 2002. Share of non-performing and irregular loans fell consistently throughout the year. This improvement was a product of economic growth, the normalization of previous anomalous conditions, portfolio securitizations and prudent credit policies of banks.

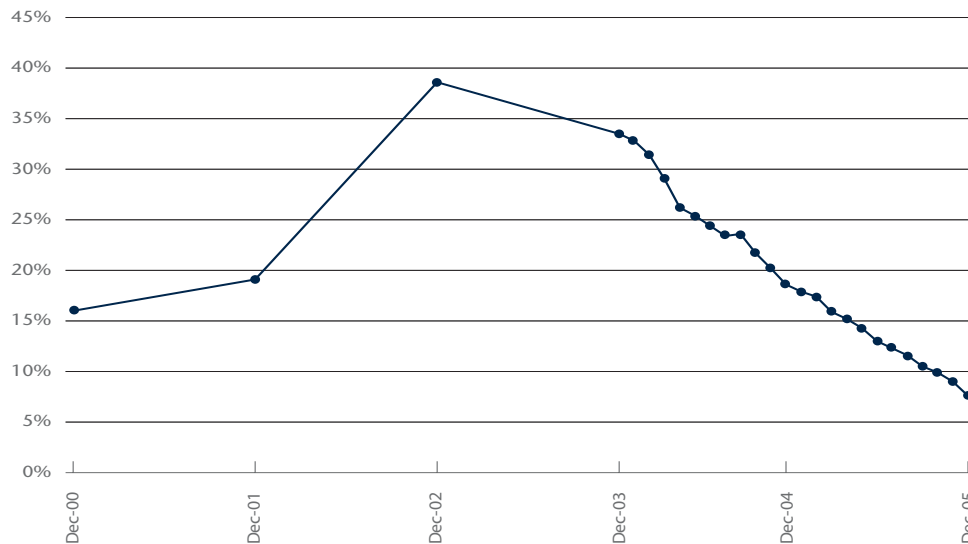
It is important to note that the improvement in the financial statements was reinforced by the BCRA, which has applied stricter rules than those that implied significant forbearance and had been in

place previously. The update of those rules implied a relatively more accuracy in the exposure of assets and liabilities; e.g., certain government bonds must now be marked to market prices.⁷

The share of the irregular non-financial private sector's credit outstanding was 7.6% at the end of 2005, representing 11 percentage points decrease from a year earlier.

Also, in December 2005 the ratio "Provisions/Total Irregular Loans" for the aggregate Financial System reached 124.7% (Both indicators can be seen in Chart 4.7).

C.4.6 | IRREGULAR LOANS TO THE NON-FINANCIAL PRIVATE SECTOR % of total



Source: BCRA database.

⁶ Delinquent loans: loans in situation 3 to 6, in accordance with the debtor's classification.

⁷ Communication "A" 4451 – 5/12/05

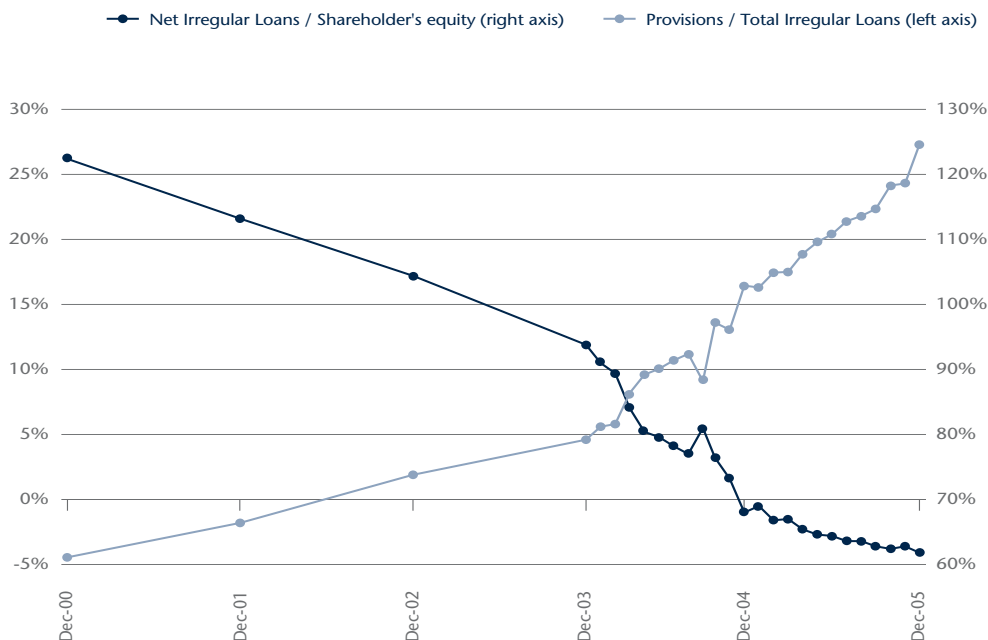
This accounting framework was adopted for "Discount Bonds," "Quasi-par Bonds," and "GDP-linked securities". For the first two, in addition to reducing the amount of interest and principal payments collected (not including interest or accrued principal adjustments), the collected amounts resulting from the sale of GDP-linked securities and/or collected payments will be reduced. With respect to "Quasi-par Bonds" and "GDP-linked securities", they must be accounted for using market prices once the "GDP-linked security" is detached from each bond.

Communication "A" 4414 – 08/09/05

Since August 2005 the manner of valuing public and private debt without market prices will be modified. At the end of every period the prices of these bonds will increase exponentially as a function of their internal rate of return, affecting the possession of Lebac, Nobac, negotiable obligations, subordinate obligations, and financial trust debt.



C.4.7 PROVISIONS AND EXPOSURE TO CREDIT RISK



Source: BCRA database.

PROFITABILITY

The context mentioned continues to favor the development of the financial system, as can be seen in the improved results registered in 2005.

All groups of the financial system reported profits in 2005 according to their published statements, with the exception of wholesale private banks which, as a group, remained unprofitable, though they reduced their losses.

F.5.1 PROFITABILITY BY GROUP ROA IN %

	2004	2005
Public Banks	0.3	1.3
Private Banks	-1.0	0.7
Retail	-1.0	0.7
Wholesale	-1.9	-0.9
NBFI *	2.2	3.0
TOTAL	-0.5	1.0
Adjusted TOTAL **	0.7	2.0

* Non-Banking Financial Institutions

** Without considering the amortization of injunctions or the revaluation of the public sector's assets

Source: BCRA

Sixty eight of 71 banks reported profits in 2005, up significantly from the 55 profitable banks in 2004. Banks with positive ROA possessed 90% of all assets in the financial system in 2005, up from 64% in 2004.

Argentina's financial system registered an aggregate profit of ARS 1.9 billion in 2005, reaching 1% of aggregate assets. There were 10 months of positive results, while in 2004 the same indicator showed a loss amounting to 0.5% of assets, with profits reported over only 8 months. During 2005, government-owned banks earned profits of ARS

1,092 million (ROA of 1.3%), while private banks reported profits of ARS 810 million (ROA of 0.7%) (see Figure 5.2).

Despite the fact that the BCRA reported no change in the quantity of private banks operating in the market (58 private banks), a process of concentration had begun. Some banks sold all or part of their stake to other banks while the original name is retained. This prevented a drop in the number of officially registered banks functioning in the market.

F.5.2 PROFITABILITY STRUCTURE BY BANK GROUP

In % of net assets (1)

	Private Banks		Public Banks		Financial System	
	2004	2005	2004	2005	2004	2005
Financial Margin	2.9	4.4	3.3	4.8	3.1	4.7
Interest Profits	1.0	1.7	0.5	0.9	0.9	1.5
CER and CVS adjustments	0.8	1.0	1.4	2.2	1.0	1.5
Profitability by Asset Holdings	0.8	1.2	1.3	1.3	1.0	1.2
Price differences	0.6	0.5	0.2	0.2	0.4	0.4
Other financial results	-0.3	0.1	-0.1	0.1	-0.2	0.1
Profits from services	2.4	2.7	1.5	1.6	2.0	2.3
Delinquency charges	-0.9	-0.6	-0.6	-0.5	-0.8	-0.6
Administrative Expenses	-4.6	-5.1	-3.2	-3.5	-4.1	-4.6
Taxes	-0.3	-0.4	-0.2	-0.3	-0.3	-0.4
Income Taxes	-0.2	-0.2	-0.1	-0.3	-0.1	-0.3
Adjustment of the value of public sector loans	0.0	-0.2	-0.4	-0.2	-0.2	-0.2
Amortization of Injunctions	-1.0	-1.0	-0.7	-0.9	-0.9	-0.9
Others	0.7	0.9	0.7	0.6	0.8	0.8
Monetary	0.0	0.0	0.0	0.0	0.0	0.0
ROA	-1.0	0.7	0.3	1.3	-0.5	1.0

(1) Assets are free of double accounting derived from repurchase operations, futures contracts and cash operations to be settled.

Source: BCRA

ASSET AND LIABILITY MANAGEMENT

Among the factors that contributed to the normalization of assets and liabilities' management, it is important to mention:

1) Assets: credit to the private sector gradually recovered its share in the total loan portfolio (30.4% for the whole system and 28% for private banks), thus reducing the financial system's exposure to the public sector⁸.

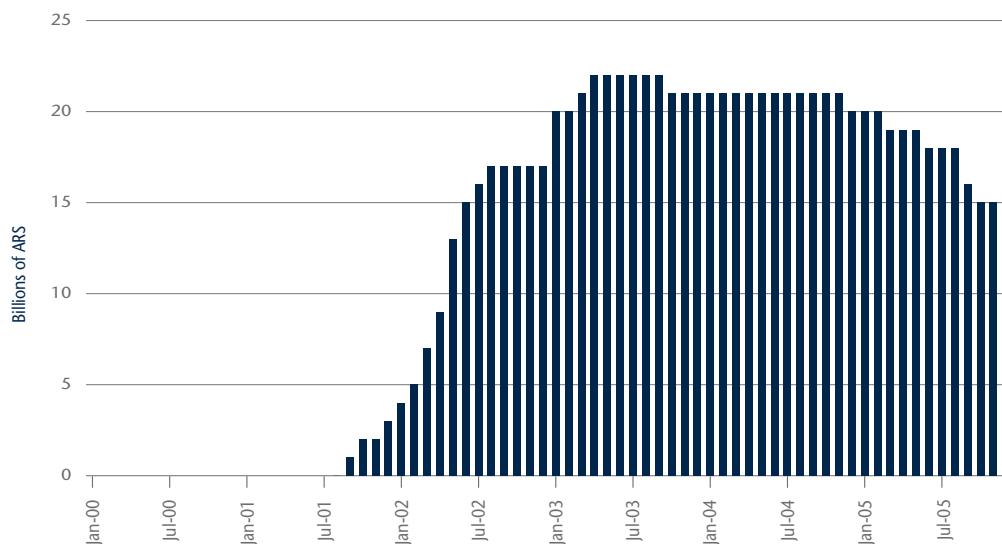
2) Liabilities: the private sector's deposits expanded, while financing from abroad diminished by 33% and there was a reduction in the use of financial assistance provided by the BCRA. In 2005, within the assets and BCRA loans' matching assistance program (see Chart 6.1), financial institutions reported payments to the monetary authority of ARS 9,400 million (cancellation of loans), of which 60% came from private sector banks.

Loan sales as well as the securitization of Guaranteed Loans in financial trusts⁹ contributed significantly to the reduction of public sector exposure as well as the related indebtedness incurred by the financial system.

An estimate of the main sources and uses of funds of private sector banks as of December 2005 can be seen in Figure 6.1.

Due to the above mentioned strategies, banks registered a decrease in their leverage levels in 2005. For private sector banks, leverage fell from 8.05 times in December 2004 to 7.06 times in December 2005, while the leverage level of government owned banks fell from 9.91 to 8.98 times.

C.6.1 FINANCIAL ASSISTANCE AND OVERDRAFTS GRANTED TO THE FINANCIAL SYSTEM BY THE CENTRAL BANK



Source: BCRA database.

⁸ Exposure to the public sector includes the holding of public securities (including compensation bonds to be received and excluding LEBACs and NOBACs) and loans to the public sector.

⁹ Notable financial trusts include Radar V of Banco Francés and Supervielle Préstamos Garantizados II, which are worth approximately ARS 900 million.

This important recovery of deposits reflected in a high liquidity level during 2005, even though it was less than what observed in the previous year.

As is demonstrated in Chart 6.2, the liquidity ratio (Liquid Assets¹⁰/Deposits¹¹) of the financial system went from 42.72% in December 2004 to 25.29% in December 2005.

F.6.1 FUND ORIGINS AND APPLICATIONS ESTIMATION

Private Banks - 2005 (1) - In millions of pesos

Origin		Applications	
Private sector deposits (2)	12,260	Loans to the private sector (5)	11,605
Credit to the public sector	10,585	LEBAC and NOBAC positions	6,435
Liquid assets (3)	1,355	Financial assistance	5,655
Public sector deposits	880	Commercial paper and credit lines from abroad	1,975
Sales of trusts (4)	650	CEDRO (6)	730
Others	540	Net financial sector	520
Repurchase agreements	330		
Capital funding	320		

(1) Estimated without data for April.

(2) Excludes CEDRO.

(3) Includes the minimum cash regulatory requirements (cash, checking accounts in the BCRA and special guaranteed accounts), other cash equivalents and repurchase agreements with BCRA.

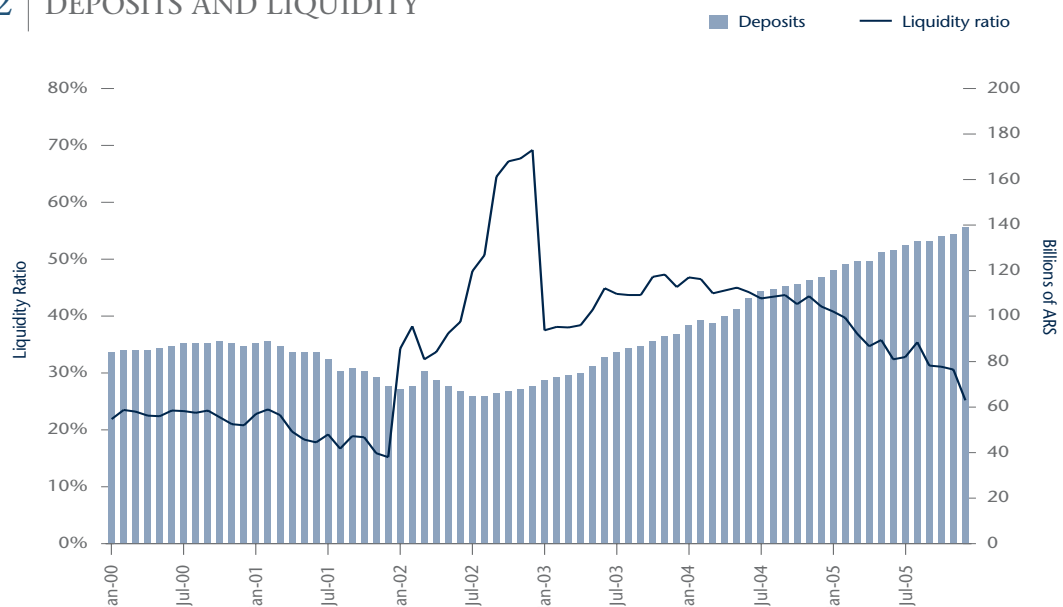
(4) Made up of private sector assets. Includes the issuing of mortgage-backed securities.

(5) Adjusted for defaulted loans and new financial trusts.

(6) Includes the difference financial institutions paid between peso deposits at 1.40 plus CER and the valuation concurrent with the market price of the dollar.

Source: BCRA database.

C.6.2 DEPOSITS AND LIQUIDITY



Source: BCRA database.

¹⁰ Defined as the sum of financial institutions' checking deposits held in the BCRA, cash holdings and deposits in other financial institutions, and the net value of the BCRA's repurchase agreements.

¹¹ Total deposits in the Financial System.

INTEREST RATES

Market interest rates¹² on time deposits, those on both Argentine pesos and foreign currencies, tended to rise throughout 2005, while reference interest rates¹³ in pesos rose while USD reference interest rates fell.

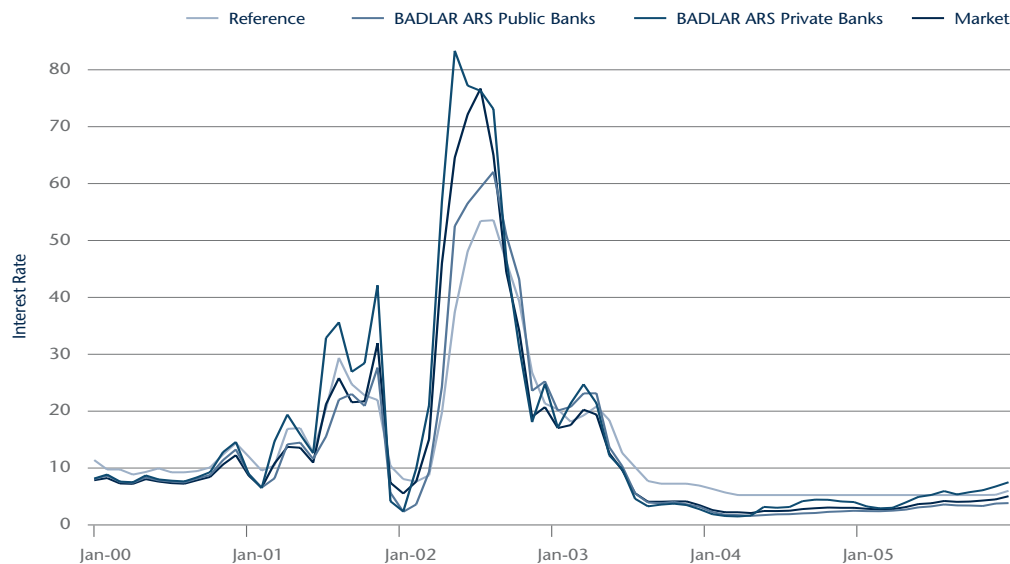
The reference interest rate of 30 to 59 day peso time deposits was stable at 5.25% for almost all of 2005, though it rose to 6.5% in December. The market interest rate continued its upward trend begun in May 2004, reducing the spread with the reference interest rate from 225 basis points in December 2004 to 95 basis points in December 2005. The BADLAR¹⁴ interest rate moved in tandem with the deposit rate of accounts with less than one million pesos, although it showed a greater acceleration among private banks; the BADLAR interest rate was

7.5% in December 2005, up from 3.25% in January 2005. The BADLAR rate in government-owned banks was substantially below that of private banks, finishing the year at 3.84% (see Charts 7.1 and 7.2).

As was previously mentioned, peso time deposits adjustable for CER continue growing as a percentage of all deposits. The interest rate on these deposits fell to 0.42% in the last quarter of 2005, while in September it touched its maximum rate of 0.79% (Chart 7.3).

The spread between yields on peso-denominated time deposits and short-term Lebacs widened throughout 2005, starting at 15 basis points in January and finishing the year at more than 171 basis points (Lebacs over time deposits).

C.7.1 | INTEREST RATE OF 30 TO 59 DAYS TIME DEPOSITS IN ARS



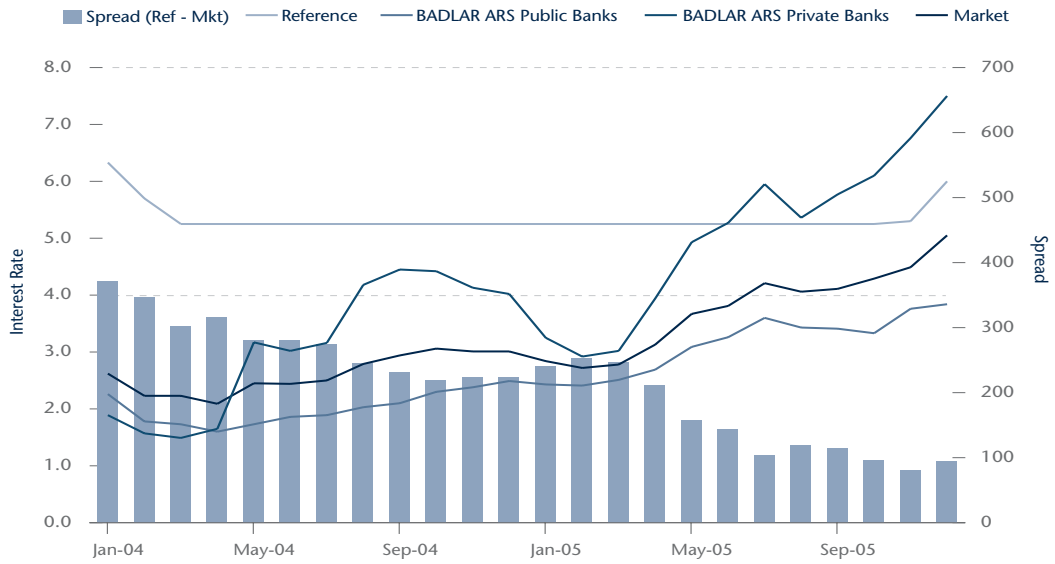
Source: BCRA database.

¹² The weighted average interest rate published by the Central Bank is considered the market interest rate. This corresponds to a sample taken from the all the Capital Federal and Greater Buenos Aires entities. Interest rates on time deposits that offer additional monetary or non/monetary incentives are not considered.

¹³ Reference interest rates which are used to determine the amounts excluded from the Deposit Guarantee System's coverage (reference rule: Communication "A" 2337).

¹⁴ BADLAR: interest rate adjusted for amount used on 30 to 35 day time deposits of more than one million pesos or dollars, held in banks from Capital Federal and greater Buenos.

C.7.2 | INTEREST RATE OF 30 TO 59 DAYS TIME DEPOSITS IN ARS



Source: BCRA database.

C.7.3 | MARKET INTEREST RATE OF TIME DEPOSITS IN ARS ADJUSTABLE FOR CER



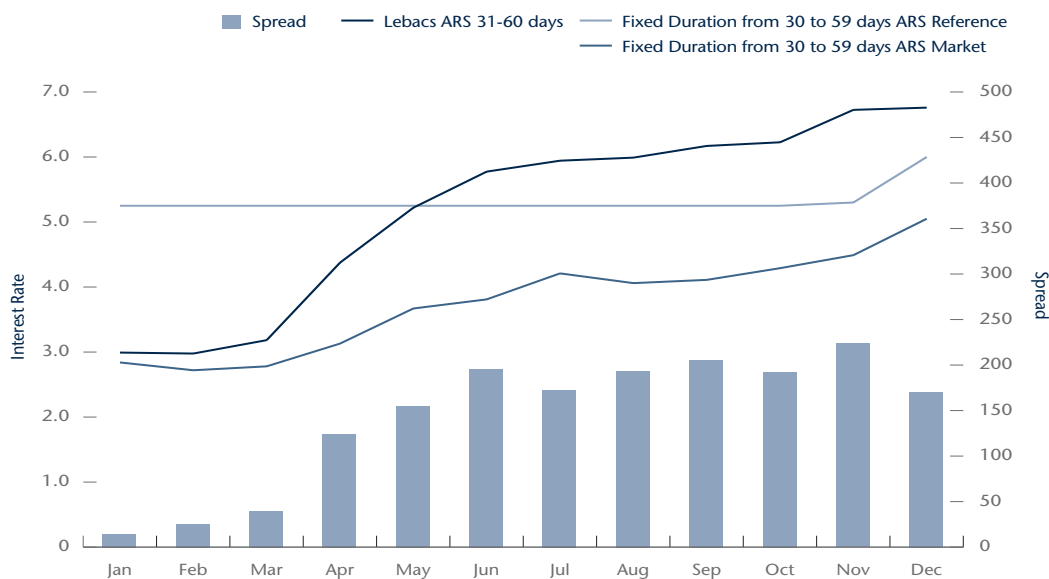
Source: BCRA database.



The dollar-denominated 30-59 days time deposit reference interest rate fell from 3% (where it had been stable since March-03) in the second half of 2005 and stabilized at 2.5%, despite an increase in global interest rates. Given the local market's reduced liquidity, private banks' BADLAR USD rate approached levels close to 1% p.a. in the first quarter, while remaining below 0.5% for the rest of the year.

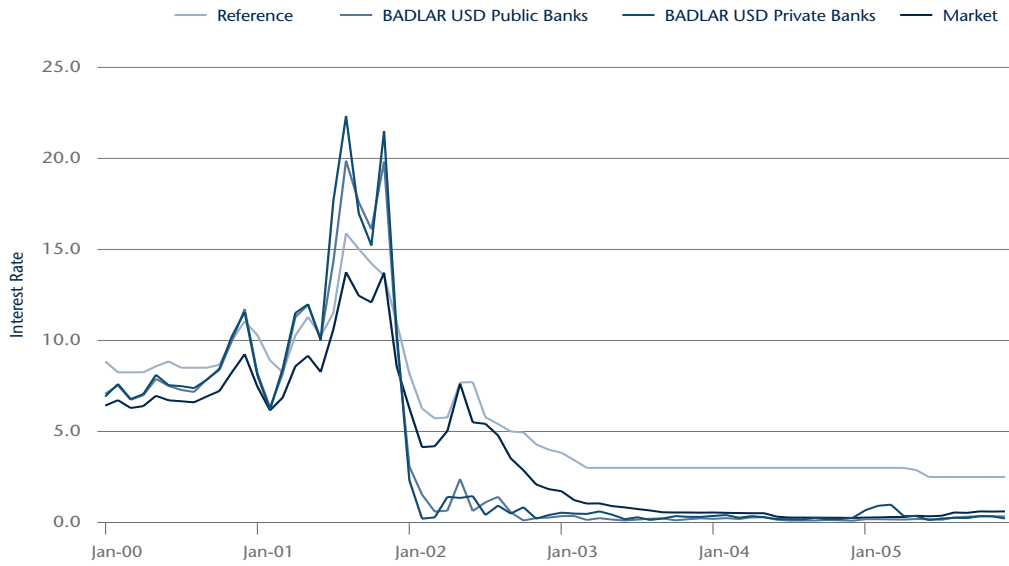
Both market interest rates and reference interest rates on savings account deposits demonstrated greater stability in pesos and in foreign currencies in 2005. The market interest rate in pesos fluctuated between 0.7% and 0.9%, while the market interest rate in dollars moved between 0.11% and 0.16%.

C.7.4 | COMPARISON OF PESO INTEREST RATES



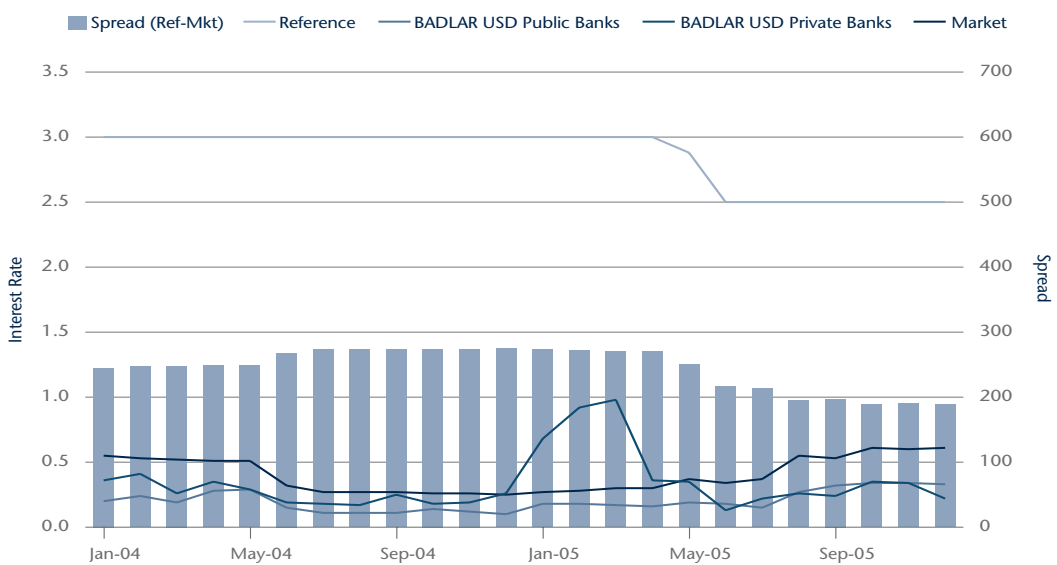
Source: BCRA database.

C.7.5 | INTEREST RATE OF 30 TO 59 DAYS TIME DEPOSITS IN USD



Source: BCRA database.

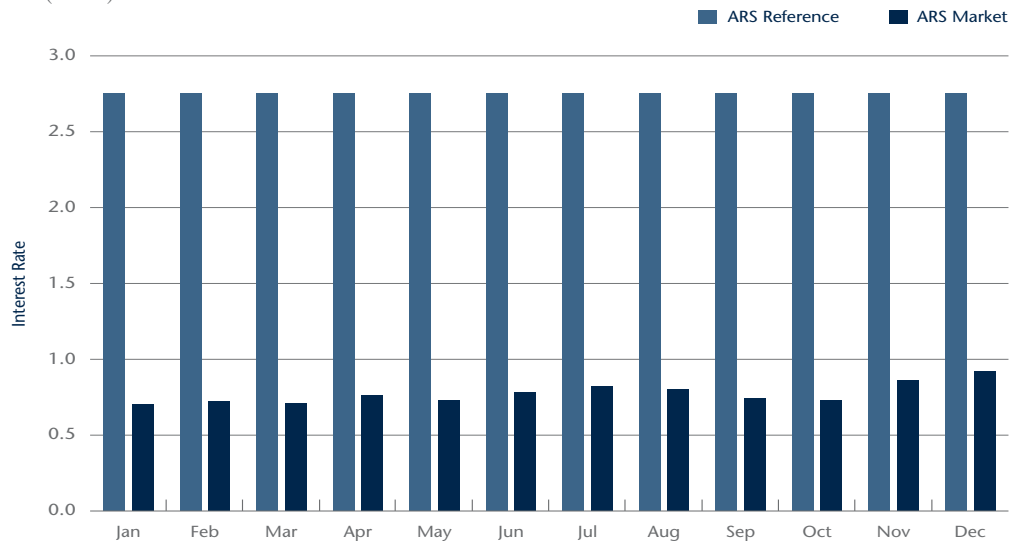
C.7.6 | INTEREST RATE OF 30 TO 59 DAYS USD TIMES DEPOSITS



Source: BCRA database.

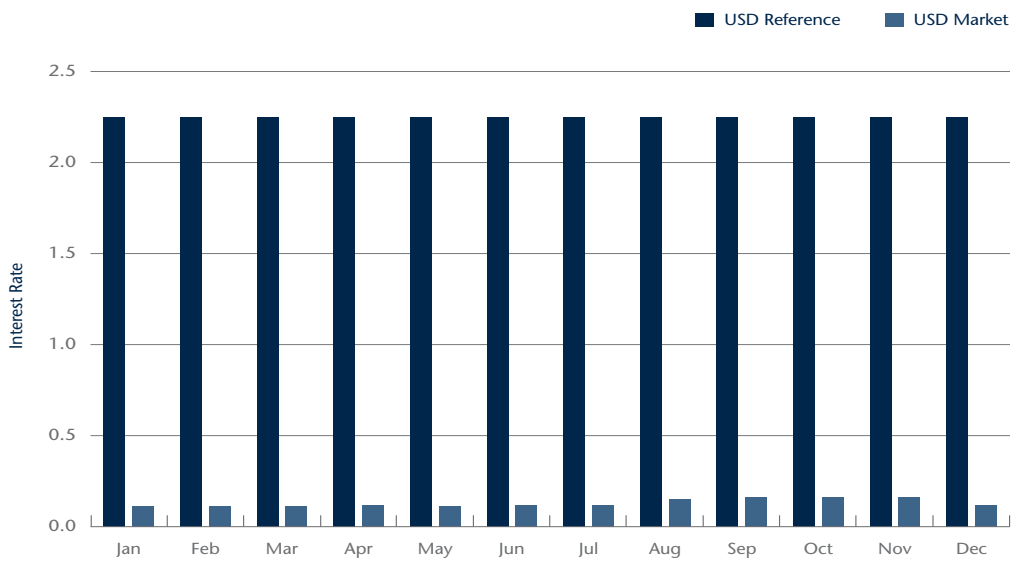


C.7.7 INTEREST RATE ON PESO SAVINGS ACCOUNTS (2005)



Source: BCRA database.

INTEREST RATE ON SAVINGS ACCOUNTS IN FOREIGN CURRENCY (2005)



Source: BCRA database.

FINANCIAL ENTITIES

The number of government-owned banks decreased from 15 in 2004 to 13 in 2005. The number of banks operating in the private sector remained

unchanged at 58. In 2005 there were 71 banking institutions operating in the country, down from 73 in 2004.

E.IV | NUMBER OF BANKS

Date	Public Banks	Private Banks	Total
Dec - 77	35	85	120
Dec - 78	35	122	157
Dec - 79	35	184	219
Dec - 80	35	179	214
Dec - 81	35	171	206
Dec - 82	36	168	204
Dec - 83	36	174	210
Dec - 84	36	174	210
Dec - 85	37	161	198
Dec - 86	37	154	191
Dec - 87	36	142	178
Dec - 88	36	139	175
Dec - 89	36	141	177
Dec - 90	36	134	170
Dec - 91	35	132	167
Dec - 92	36	131	167
Dec - 93	34	133	167
Dec - 94	33	135	168
Dec - 95	30	97	127
Dec - 96	20	100	120
Dec - 97	20	95	115
Dec - 98	16	86	102
Dec - 99	16	76	92
Dec - 00	14	75	89
Dec - 01	13	73	86
Dec - 02	16	63	79
Dec - 03	15	60	75
Dec - 04	15	58	73
Dec - 05	13	58	71

Source: BCRA database.



SEDESA



II

ANNUAL REPORT AND FINANCIAL STATEMENTS 2005

12. Financial statements of **Seguro de Depósitos S.A.** as at 31 December 2005 presented comparatively.

SEGURO DE DEPOSITOS SOCIEDAD ANONIMA

FINANCIAL STATEMENTS for fiscal year No. 11 beginning 1 January 2005 and ended 31 December 2005 presented comparatively.

REGISTERED OFFICE: Avda. Corrientes 311, Piso 10° - Buenos Aires.

MAIN BUSINESS:

Acting as trustee as required by the Argentine Federal Government and the BCRA (Central Bank of Argentina). At present, these functions consist in:

Managing as trustee the trust known as Deposit Guarantee Fund (DGF) established by Presidential Decree 540/95, as amended; and

Managing as trustee the Banking Liquidity Fund (BLF) established by Presidential Decree No. 32/2001 (Official Gazette dated 27 December 2001).

REGISTRATION AND AMENDMENT DATES OF THE ARTICLES OF INCORPORATION WITH THE PUBLIC REGISTRY OF COMMERCE (REGISTRO PÚBLICO DE COMERCIO): 19 September 1995, 4 March 1997, 17 August 1999 and 5 March 2002.

Registration number with the IGJ (Argentine Regulatory Agency of Business Associations): 8662.

Expiration of articles of incorporation: 19 August 2030.

CAPITAL STRUCTURE:

	ARS SUBSCRIBED	ARS PAID-IN
999,999 class "B" shares of common stock, face value ARS 1 per share and entitled to one vote each	999,999	999,999
1 class "A" share of common stock, face value ARS 1 and entitled to one vote	1	1
	1,000,000	1,000,000

See our report dated: 12 April 2006

FINSTERBUSCH PICKENHAYN SIBILLE
Prof. Assoc. Reg. CPCECABA Vol. 2 Fo. 6

■ Ricardo E. De Lellis
Partner
Chartered Public Accountant (UBA)
CPCECABA Vol. XCIV Fo. 166



SEGURO DE DEPOSITOS SOCIEDAD ANONIMA

SEDESA registration number with the IGJ: 8662

BALANCE SHEET

as at 31 December 2005 and 31 December 2004 (in Argentine pesos)

	12/31/2005	12/31/2004
ASSETS		
CURRENT ASSETS		
Cash	586,351	275,532
Investments	10,105,622	10,257,988
Other receivables	545,376	1,470,640
Total current assets	11,237,349	12,004,160
NON-CURRENT ASSETS		
Other receivables	-	127,129
Fixed assets	1,570,905	1,696,977
Total non-current assets	1,570,905	1,824,106
Total assets	12,808,254	13,828,266
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	125	976,550
Taxes payable	276,559	1,111,159
Social security charges payable	134,554	84,810
Other receivables	342,725	3,000
Total current liabilities	753,963	2,175,519
NON-CURRENT LIABILITIES		
Taxes payable	76,711	-
Total non-current liabilities	76,711	-
Total liabilities - Subtotal	830,674	2,175,519
STOCKHOLDERS' EQUITY (as per related statement)	11,977,580	11,652,747
Total liabilities plus stockholders' equity	12,808,254	13,828,266

See our report dated: 12 April 2006

FINSTERBUSCH PICKENHAYN SIBILLE
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■ Alejandro R. Emerson
**Administration and
Finance Head**

■ Alicia L. Bianchi de Nozieres
Statutory Auditor
On behalf of the Statutory
Audit Committee

■ Irene Leonor Ulnik
Chairwoman

SEGURO DE DEPOSITOS SOCIEDAD ANONIMA

SEDESA registration number with the IGJ: 8662

STATEMENT OF PROFIT AND LOSS*for the fiscal years ended 31 December 2005 and 2004 (in Argentine pesos)*

	12/31/2005	12/31/2004
Income from commissions	-	1,850
Administrative expenses	(875,942)	(891,015)
Plus:		
Expenses recovery	693,090	718,528
Financial income (expense) and holding gains (losses):		
• Financial income	563,110	936,813
• Financial expense	(373)	(86,571)
• Foreign exchange difference	<u>171,639</u>	<u>136,339</u>
Total financial income (expense) and holding gains (losses)	<u>734,376</u>	<u>986,581</u>
Profit, net (before income tax)	<u>551,524</u>	<u>815,944</u>
Income tax	<u>(226,691)</u>	<u>(347,417)</u>
Profit for the year	324,833	468,527

See our report dated: 12 April 2006

FINSTERBUSCH PICKENHAYN SIBILLE
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SEGURO DE DEPOSITOS SOCIEDAD ANONIMA

SEDESA registration number with the IGJ: 8662

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

for the fiscal years ended 31 December 2005 and 2004 (in Argentine pesos)

	STOCKHOLDERS' CONTRIBUTION		APPROPRIATED RETAINED EARNINGS
	SUBSCRIBED CAPITAL	ADJUSTMENT TO CAPITAL STOCK	LEGAL RESERVE
Balances at beginning of year	1,000,000	1,197,266	439,454
Adjustment to prior-year profit (loss)	_____	_____	_____
Adjusted balances at beginning of year	1,000,000	1,197,266	439,454
Profit for the year as per statement of profit and loss	-	-	-
Balances at end of year	1,000,000	1,197,266	439,454

RETAINED EARNINGS (ACCUMULATED LOSSES)

APPROPRIATED RETAINED EARNINGS

TOTAL STOCKHOLDERS' EQUITY AS AT:

OPTIONAL RESERVE	UNAPPROPRIATED RETAINED EARNINGS (ACCUMULATED LOSSES)	TOTAL	TOTAL STOCKHOLDERS' EQUITY AS AT:	
			12/31/2005	12/31/2004
11,470,147	(2,367,549)	9,542,052	11,739,318	11,184,220
	(86,571)	(86,571)	(86,571)	-
11,470,147	(2,454,120)	9,455,481	11,652,747	11,184,220
-	324,833	324,833	324,833	468,527
11,470,147	(2,129,287)	9,780,314	11,977,580	11,652,747

See our report dated: 12 April 2006

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SEGURO DE DEPOSITOS SOCIEDAD ANONIMA

SEDESA registration number with the IGJ: 8662

STATEMENT OF CASH FLOWS

for the fiscal years ended 31 December 2005 and 2004 (in Argentine pesos)

	12/31/2005	12/31/2004
CHANGES IN CASH		
Cash at beginning of year	10,533,520	9,687,464
(Decrease) increase in cash	<u>(636,961)</u>	<u>846,056</u>
Cash at end of year (1)	9,896,559	10,533,520

CAUSES OF CHANGES IN CASH

Provided by operating activities		
Investment holding gains (losses)	693,102	1,073,178
Increase in short-term payables	342,725	-
Transfers received from DGF and BLF	24,463,849	16,839,388
Payments made by SEDESA and on account of DGF and BLF	(24,668,344)	(17,068,749)
Income tax payment	(711,245)	-
Commissions collections	-	2,239
Net cash flows provided by operating activities	<u>120,087</u>	<u>846,056</u>
Used in investing activities		
Medium-term CDs	<u>(757,048)</u>	<u>-</u>
Net cash flows used in investing activities	<u>(757,048)</u>	<u>-</u>
(Decrease) increase in cash	(636,961)	846,056

(1) The cash amount includes cash on hand and in banks, certificates of deposit maturing over a maximum term of three months and investments in government securities and mutual funds.

See our report dated: 12 April 2006

FINSTERBUSCH PICKENHAYN SIBILLE
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Chairwoman

AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

To the Chairwoman and Directors of
SEGURO DE DEPOSITOS SOCIEDAD ANONIMA
 Av. Corrientes 311, 10th floor
 Buenos Aires, Argentina

We have examined the balance sheet of SEGURO DE DEPÓSITOS SOCIEDAD ANÓNIMA as at 31 December 2005, the related statements of profit and loss, changes in stockholders' equity and cash flows, notes 1 through 12 and exhibits I through III for the fiscal year then ended presented comparatively with the prior fiscal year. The preparation of the financial statements is the responsibility of the Company's Board of Directors. Our responsibility is to express an opinion on such financial statements, based on our audit task.

With regard to the financial statements as at 31 December 2004, we issued an unqualified audit report dated 15 February 2005.

We conducted our audit in accordance with auditing standards effective in Argentina. Those standards require that we plan and perform the audit to obtain reasonable assurance that 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 statements presentation. We believe that our examination provides a reasonable basis for our professional opinion.

In our opinion, the financial statements present fairly, in all material aspects, the Company's financial position as at 31 December 2005, the results of its operations, changes in stockholders' equity and cash flows for the fiscal year ended on that date, in conformity with professional accounting standards effective in Buenos Aires, Argentina.

In accordance with current regulations, we inform that:

- a) the financial statements arise from the Company's accounting records and are in the process of transcription to the Inventories, Financial Statements, and Journal books, respectively;
- b) as at 31 December 2005, liabilities accrued in favour of ANSES (Argentine Social Security Administration), as evidenced by the Company's accounting books, amounted to ARS 110,544.39, none of which was due and payable as of such date.

Buenos Aires, 12 April 2006

FINSTERBUSCH PICKENHAYN SIBILLE
 Prof. Assoc. Reg. CPCECABA Vol. 2 Fo. 6

■ Ricardo E. De Lellis
Partner
 Chartered Public Accountant (UBA)
 CPCECABA T° XCIV F° 166



13. Financial statements of the **Deposit Guarantee Fund** as at 31 December 2005 presented comparatively with the previous fiscal year.

DEPOSIT GUARANTEE FUND

Trust under the Trust Agreement executed on 7 March 1997 by the BCRA, as trustor, and Seguro de Depósitos S.A. (SEDESA), as trustee.

Financial statements of Deposit Guarantee Fund (DGF) for fiscal year No. 11 beginning 1 January 2005 and ended 31 December 2005 presented comparatively (in Argentine pesos).

Hereinafter, "SEDESA" shall refer to the company whose corporate name is "Seguro de Depósitos S.A.", as trustee of DGF.

See our report dated: **12 April 2006**

FINSTERBUSCH PICKENHAYN SIBILLE
Prof. Assoc. Reg. CPCECABA Vol. 2 Fo. 6

■ Ricardo E. De Lellis
Partner
Chartered Public Accountant (UBA)
CPCECABA T° XCIV F° 166

DEPOSIT GUARANTEE FUND

SEDESA registration number with the IGJ (Argentine regulatory agency of business associations): 8662

BALANCE SHEET

as at 31 December 2005 and 2004 (in Argentine pesos)

	12/31/2005	12/31/2004
ASSETS		
CURRENT ASSETS		
Cash	37,216,111	86,334,944
Investments	1,213,323,398	1,205,834,439
Receivables	7,885,727	12,079,550
Other receivables	407,630	101,645
Other assets	20,178,759	12,594,411
Total current assets	1,279,011,625	1,316,944,989
NON-CURRENT ASSETS		
Investments	162,603,836	-
Receivables	245,608,758	245,893,071
Other receivables	-	90,858
Other assets	4,473,430	4,256,809
Total non-current assets	412,686,024	250,240,738
Total assets	1,691,697,649	1,567,185,727
LIABILITIES		
CURRENT LIABILITIES		
Payables	2,326,640	3,247,155
Other payables	2,307,913	344,967
Total current liabilities	4,634,553	3,592,122
Total liabilities - Subtotal	4,634,553	3,592,122
NET WORTH (as per related statement)	1,687,063,096	1,563,593,605
TOTAL	1,691,697,649	1,567,185,727

See our report dated: 12 April 2006

FINSTERBUSCH PICKENHAYN SIBILLE
Prof. Assoc. Reg. CPCECABA Vol. 2 Fo. 6

■ Ricardo E. De Lellis
Partner
Chartered Public Accountant (UBA)
CPCECABA T° XCIV F° 166

■ Alejandro R. Emerson
**Administration and
Finance Head**

■ Alicia L. Bianchi de Nozieres
Statutory Auditor
On behalf of the Statutory
Audit Committee

■ Irene Leonor Ulnik
Chairwoman

DEPOSIT GUARANTEE FUND

SEDESA registration number with the IGJ: 8662

STATEMENT OF PROFIT AND LOSS*for the fiscal years ended 31 December 2005 and 2004 (in Argentine pesos)*

	12/31/2005	12/31/2004
Income from collections of receivables assigned to SEDESA as trustee of the DGF net of related expenses	18,076,865	4,715,319
Increase in loan loss provision	(187,533,943)	(67,510,518)
Income from recovery of financial trust and collections management net of related expenses	209,030,006	81,864,351
Assistance to financial entities written down by 100%	(217,740,000)	(8,209,306)
Court fee, legal expenses and fees	(5,292,145)	(3,465,530)
Provision on loans with option of cancellation with public bonds in trust agreement and/or under guarantee	(3,042,893)	7,865,928
Administrative expenses	(8,297,154)	(7,920,923)
Other income and (expenses), net	4,456,335	(1,486,518)
Financial income (expense) and holding gains (losses):		
Financial income on investments and loans granted	77,900,200	33,069,736
Exchange rate difference	20,848,807	15,980,633
(Losses) gains from secured loans and securities holdings	(1,592,470)	5,738,987
Total financial income	97,156,537	54,789,356
(Loss) profit for the year	(93,186,392)	60,642,159

See our report dated: 12 April 2006

FINSTERBUSCH PICKENHAYN SIBILLE
 Prof. Assoc. Reg. CPCECABA Vol. 2 Fo. 6

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 On behalf of the Statutory
 Audit Committee

■ Irene Leonor Ulnik
Chairwoman



DEPOSIT GUARANTEE FUND

SEDESA registration number with the IGJ: 8662

STATEMENT OF CHANGES IN NET WORTH

for the fiscal years ended 31 December 2005 and 2004 (in Argentine pesos)

	CONTRIBUTIONS FROM FINANCIAL INSTITUTIONS	ADJUSTMENT TO CONTRIBUTIONS
Balances at beginning of year	2,476,988,916	1,865,510,565
Adjustment to prior-year profit (loss)	-	-
Adjusted balances at beginning of year	2,476,988,916	1,865,510,565
Contributions from financial institutions for the fiscal year	216,655,883	-
Profit (loss) for the year as per profit and loss statement	-	-
Balances at end of year	2,693,644,799	1,865,510,565

ACCUMULATED LOSSES	FISCAL YEAR ENDED	
	12/31/2005	12/31/2004
	TOTAL NET WORTH	TOTAL NET WORTH
(2,777,003,089)	1,565,496,392	1,130,241,468
<u>(1,902,787)</u>	<u>(1,902,787)</u>	<u>-</u>
(2,778,905,876)	1,563,593,605	1,130,241,468
-	216,655,883	372,709,978
<u>(93,186,392)</u>	<u>(93,186,392)</u>	<u>60,642,159</u>
(2,872,092,268)	1,687,063,096	1,563,593,605

See our report dated: 12 April 2006

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Chartered Public Accountant (UBA)
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**Administration and
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Statutory Auditor
On behalf of the Statutory
Audit Committee

■ Irene Leonor Ulnik
Chairwoman

DEPOSIT GUARANTEE FUND

SEDESA registration number with the IGJ: 8662

STATEMENT OF CASH FLOWS

for the fiscal years ended 31 December 2005 and 2004 (in Argentine pesos)

	12/31/2005	12/31/2004
CHANGES IN CASH		
Cash at beginning of year (1)	1,294,014,565	863,663,863
(Decrease) increase in cash	(43,527,749)	430,350,702
Cash at end of year (1)	1,250,486,816	1,294,014,565

CAUSES OF CHANGES IN CASH

OPERATING ACTIVITIES

Contributions received from institutions	216,655,883	372,709,978
Financial income and holding gains	83,169,502	39,005,761
Income from collections of loans assigned to SEDESA	25,269,423	13,376,590
Government securities to be swapped	-	20,249,950
Collection from recovery of financial trusts	13,644,884	4,508,763
Collections from amortisation of Comafi S.A. and N.B.I.A.S.A. loans	2,615,029	-
Collections from amortisation of corporate bonds	1,497,015	-
Collection from real property sale	3,420,412	1,719,875
Collections from amortisation of secured loans	819,619	-
Collection from real property leases	504,312	568,875
Exchange rate difference on cash in foreign currency	17,406,786	12,418,522
Collections from amortisation of financial trust certificate	-	8,816,072
Collections from claims	-	235,644
Collections from other income	528,632	105,198
Cash flows provided by operating activities	365,531,497	473,715,228

(1) The cash balance includes: Cash on hand (except for security deposits) and in banks, investments abroad and government securities BODEN 2005, 2013 2015, bonds with discount in US dollars, Argentine pesos and euros, and securities related to GDP and LEBAC (Central Bank bills) in Argentine pesos.

DEPOSIT GUARANTEE FUND

SEDESA registration number with the IGJ: 8662

STATEMENT OF CASH FLOWS (continue)

Disbursements for assistance provided	(378,980,000)	(8,209,306)
Transfers to SEDESA	(23,407,696)	(16,561,274)
Disbursement from acquisition of real property at auction	(2,605,129)	-
Payment of life insurance on debit balances of loans assigned	(1,462,840)	(666,507)
Bank expenses and commissions	(858,079)	(958,522)
Administrative expenses directly disbursed by DGF	(718,136)	-
Payment of security to depositors of the former Banco Balcarce S.A.	(607,165)	-
Payments for other cash outflows	(420,201)	(2,189,182)
Payments related to swap program	-	(14,779,735)
Cash flows used in operating activities	(409,059,246)	(43,364,526)
(Decrease) increase in cash	(43,527,749)	430,350,702

See our report dated: 12 April 2006

FINSTERBUSCH PICKENHAYN SIBILLE
 Prof. Assoc. Reg. CPCECABA Vol. 2 Fo. 6

■ Ricardo E. De Lellis
Partner
 Chartered Public Accountant (UBA)
 CPCECABA T° XCIV F° 166

■ Alejandro R. Emerson
**Administration and
 Finance Head**

■ Alicia L. Bianchi de Nozieres
Statutory Auditor
 On behalf of the Statutory
 Audit Committee

■ Irene Leonor Ulnik
Chairwoman



AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

To the Chairwoman and Directors of
SEGURO DE DEPOSITOS SOCIEDAD ANONIMA
 Av. Corrientes 311, 10th floor
 Buenos Aires, Argentina

We have examined the balance sheet of DEPOSIT GUARANTEE FUND as at 31 December 2005, the related statements of profit and loss, changes in net worth, and cash flows, notes 1 through 10 and exhibits I through V for the fiscal year then ended presented comparatively with the prior fiscal year. The preparation of the financial statements is the responsibility of the Board of Directors of the Trustee of this trust. Our responsibility is to express an opinion on such financial statements, based on our audit task.

With regard to the financial statements of Deposit Guarantee Fund as at 31 December 2004, we issued an unqualified audit report dated 15 February 2005.

We conducted our audit in accordance with auditing standards effective in Argentina. Those standards require that we plan and perform the audit to obtain reasonable assurance that 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 the Trustee's Board of Directors, as well as evaluating the overall financial statements presentation. We believe that our examination provides a reasonable basis for our professional opinion.

In our opinion, the financial statements present fairly, in all material aspects, the Trust's financial position as at 31 December 2005, the results of its operations, changes in stockholders' equity and cash flows for the fiscal year then ended, in conformity with professional accounting standards effective in Buenos Aires, Argentina.

In accordance with current regulations, we inform that:

- a) The financial statements arise from the Trust's accounting records and are in the process of transcription to the Inventories, Financial Statements, and Journal books, respectively;
- b) as at 31 December 2005, there are no liabilities accrued in favour of ANSES (the Argentine Social Security Administration), as evidenced by the Company's accounting books.

Buenos Aires, 12 April 2006

FINSTERBUSCH PICKENHAYN SIBILLE
 Prof. Assoc. Reg. CPCECABA Vol. 2 Fo. 6

■ Ricardo E. De Lellis
Partner
 Chartered Public Accountant (UBA)
 CPCECABA T° XCIV F° 166



STATUTORY AUDIT COMMITTEE'S REPORT

To the stockholders of
SEGURO DE DEPÓSITOS SOCIEDAD ANONIMA

Dear Sirs/Madams,

The Statutory Audit Committee, in our capacity as statutory auditors of Seguro de Depósitos Sociedad Anónima (SEDESA), in conformity with Argentine Business Associations Law No. 19,550 section 294(5) provisions, has examined the documents detailed in point I, which were submitted by the Institution for our consideration.

The preparation and issuance of the above-mentioned documents are the responsibility of the Company's Board of Directors. Our responsibility is limited to expressing an opinion on such documents based on the work described in point II.

I – Documents Examined

- a. Balance sheet as at 31 December 2005.
- b. Statement of income for the fiscal year ended 31 December 2005.
- c. Statement of changes in stockholders' equity and net worth for the fiscal year ended 31 December 2005.
- d. Notes and exhibits to the financial statements as at 31 December 2005.
- e. Inventory as at 31 December 2005
- f. Board of Directors' Report for the fiscal year ended 31 December 2005.

The documents detailed above are those related to SEDESA, as well as those related to the trust Deposit Guarantee Fund (DGF), in which SEDESA acts as trustee.

II – Scope of the Examination

Our examination was performed in accordance with the current statutory auditing standards established by F.A.C.P.C.E. (Argentine Federation of Professional Councils in Economic Sciences) Technical Resolution No. 15. Such standards require that the examination be made in conformity with the effective auditing standards established by F.A.C.P.C.E. Technical Resolution No. 7. We have attended Board of Director's meetings held to the date of the current report having become aware of the most significant events and circumstances.

The statutory auditors Alicia Laura de Nozieres and Oscar Juan Camacho were appointed to execute their functions on 31 May 2005; therefore, they have attended Board of Directors' meetings and have performed procedures related to their functions as from such date.

The audit of the documents detailed in point I(a) through (d) performed by Finsterbusch Pickenhayn Sibille in their capacity of external auditors was considered for such purposes.

Since it is not the Statutory Audit Committee's responsibility to engage in any management performance control, we have not evaluated the business methods and decisions related to the different areas of the Company, which are the exclusive responsibility of the Board of Directors.

In addition, we verified that the Board of Directors' Report for the fiscal year ended 31 December 2005, contains the information required by Argentine Business Associations Law section 66 and that, within our sphere of competence, the figures thereof agree with the Company's books and other related documentation.

III – Opinion

- a. Based on the examination performed with the scope described above, in this Statutory Audit Committee's opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Seguro de Depósitos S.A. and Deposit Guarantee Fund, respectively, as at 31 December 2005, the results of operations, changes in stockholders' equity and net worth, statement of cash flows, notes and exhibits to the financial statements for the fiscal year then ended, in conformity with professional accounting standards effective in Argentina.
- b. In relation to the Board of Directors' Report, we have no observations to make regarding matters within our competence. The rest of the assertions, estimations, projections, and opinions are the responsibility of the Board of Directors.

Buenos Aires, 12 April 2006

Alicia L. Bianchi de Nozieres
Statutory Auditor

Oscar J. Camacho
Statutory Auditor

Eugenio C. Gallegos del Santo
Statutory Auditor



14. Financial statements for the fiscal year ended 31 December 2005 of the **Banking Liquidity Fund** presented comparatively.

BANKING LIQUIDITY FUND

Trust under the Trust Agreement executed on January 17, 2002 by the BCRA (Central Bank of Argentina), as trustor, and Seguro de Depósitos S.A., as trustee.

Financial statements of the Banking Liquidity Fund (BLF) for fiscal year No. 5 beginning 1 January 2005 and ended 31 December 2005 presented comparatively (in Argentine pesos).

Hereinafter, "SEDESA" shall refer to the company whose corporate name is Seguro de Depósitos S.A., as trustee of the BLF.

See our report dated: **28 February 2006**

FINSTERBUSCH PICKENHAYN SIBILLE
Prof. Assoc. Reg. CPCECABA Vol. 2 Fo. 6

- Ricardo E. De Lellis
Partner
Chartered Public Accountant (UBA)
CPCECABA T° XCIV F° 166

BANKING LIQUIDITY FUND

SEDESA registration number with the IGJ (Argentine regulatory agency of business associations): 8662

BALANCE SHEET

as at 31 December 2005 and 31 December 2004 (in Argentine pesos)

	12/31/2005	12/31/2004
ASSETS		
CURRENT ASSETS		
Cash	2,363,293	780,536
Investments	24,636,627	25,253,955
Receivables	36,222	9,208,240
Other assets	11,319,580	1,837,046
Total current assets	38,355,722	37,079,777
Total assets	38,355,722	37,079,777
LIABILITIES		
CURRENT LIABILITIES		
Payables	68,153	104,762
Total liabilities – Subtotal	68,153	104,762
NET WORTH (as per related statement)	38,287,569	36,975,015
Total	38,355,722	37,079,777

See our report dated: 28 February 2006

FINSTERBUSCH PICKENHAYN SIBILLE
Prof. Assoc. Reg. CPCECABA Vol. 2 Fo. 6

■ Ricardo E. De Lellis
Partner
Chartered Public Accountant (UBA)
CPCECABA T° XCIV F° 166

■ Alejandro R. Emerson
**Administration and
Finance Head**

■ Alicia L. Bianchi de Nozieres
Statutory Auditor
On behalf of the Statutory
Audit Committee

■ Irene Leonor Ulnik
Chairwoman

BANKING LIQUIDITY FUND

SEDESA registration number with the IGJ: 8662

STATEMENT OF PROFIT AND LOSS*for the fiscal years ended 31 December 2005, and 2004 (in Argentine pesos)*

	12/31/2005	12/31/2004
Financial income (expense) and holding gains (losses)	2,441,766	515,357
Provision on loans with option of cancellation with public bonds in trust agreement and/or under guarantee	(915,699)	(2,987,401)
Administrative expenses	(213,513)	(324,158)
Profit (loss) for the fiscal year	1,312,554	(2,796,202)

See our report dated: **28 February 2006**

FINSTERBUSCH PICKENHAYN SIBILLE
 Prof. Assoc. Reg. CPCECABA Vol. 2 Fo. 6

■ Ricardo E. De Lellis
Partner
 Chartered Public Accountant (UBA)
 CPCECABA T° XCIV F° 166

■ Alejandro R. Emerson
**Administration and
 Finance Head**

■ Alicia L. Bianchi de Nozieres
Statutory Auditor
 On behalf of the Statutory
 Audit Committee

■ Irene Leonor Ulnik
Chairwoman



BANKING LIQUIDITY FUND

SEDESA registration number with the IGJ: 8662

STATEMENT OF CHANGES IN NET WORTH

for the fiscal years ended 31 December 2005 and 2004 (in Argentine pesos)

	CONTRIBUTIONS FROM FINANCIAL INSTITUTIONS	CONTRIBUTION ADJUSTMENT
Balances at beginning of year	-	1,098,554,194
Profit (loss) for the fiscal year	-	-
Balances at end of year	-	1,098,554,194



ACCUMULATED LOSSES	TOTAL NET WORTH AS AT 12/31/2005	TOTAL NET WORTH AS AT 12/31/2004
(1,061,579,179)	36,975,015	39,771,217
1,312,554	1,312,554	(2,796,202)
(1,060,266,625)	38,287,569	36,975,015

See our report dated: **28 February 2006**

FINSTERBUSCH PICKENHAYN SIBILLE
Prof. Assoc. Reg. CPCECABA Vol. 2 Fo. 6

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**Administration and
 Finance Head**

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Statutory Auditor
 On behalf of the Statutory
 Audit Committee

■ Irene Leonor Ulnik
Chairwoman



BANKING LIQUIDITY FUND

SEDESA registration number with the IGJ: 8662

STATEMENT OF CASH FLOWS

for the fiscal years ended 31 December 2005 and 2004 (in Argentine pesos)

	12/31/2005	12/31/2004
CHANGES IN CASH		
Cash at beginning of year (1)	26,034,491	31,979,123
Increase (decrease) in cash	<u>12,285,009</u>	<u>(5,944,632)</u>
Cash at end of year (1)	38,319,500	26,034,491

CAUSES OF CHANGES IN CASH

OPERATING ACTIVITIES

Bonds issued by the Argentine Republic with US dollar discount	9,791,235	-
Gains (losses) from Government securities holdings	1,528,345	-
Collection of interest on Government securities portfolio	669,904	-
Collection of interest from loans granted	140,348	500,667
Financial income (expense) on fund placements	404,122	815
Foreign exchange difference	1,177	-
Assistance granted to financial institutions	-	(6,168,000)
Administrative expenses payment	<u>(250,122)</u>	<u>(278,114)</u>
Cash flow provided by (used in) ordinary activities	<u>12,285,009</u>	<u>(5,944,632)</u>
Increase (decrease) in cash	12,285,009	(5,944,632)

(1) Cash includes: As at 31 December 2005, cash in banks, investments in BCRA bills, bonds issued by the Argentine Republic with US dollar discount, and securities related to GDP in US dollars. As at 31 December 2004, cash in banks and investments in BCRA bills.

See our report dated: **28 February 2006**

FINSTERBUSCH PICKENHAYN SIBILLE
Prof. Assoc. Reg. CPCECABA Vol. 2 Fo. 6

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**Administration and
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■ Alicia L. Bianchi de Nozieres
Statutory Auditor
On behalf of the Statutory
Audit Committee

■ Irene Leonor Ulnik
Chairwoman

AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

To the Chairwoman and Directors of
SEGURO DE DEPOSITOS SOCIEDAD ANONIMA
Av. Corrientes 311, 10th floor
Buenos Aires, Argentina

1. AUDITED FINANCIAL STATEMENTS

We have examined the balance sheet of BANKING LIQUIDITY FUND as at 31 December 2005, the related statements of profit and loss, changes in stockholders' equity, and cash flows, notes 1 through 7 and exhibits I, II, and III for the fiscal year then ended presented comparatively with the prior fiscal year-end. The preparation of the financial statements is the responsibility of the Board of Directors of the Trustee of this trust.

Our responsibility is to express an opinion on such financial statements, based on our audit task.

In connection with the financial statements of Banking Liquidity Fund as at 31 December 2004, we have issued a report with a qualification for unresolved uncertainty dated 2 February 2005 related to the interest accrued that should be booked in connection with Class "A" certificates of participation for the contributions made by financial institutions to the Fund, as mentioned in point 3.

2. AUDIT SCOPE

We conducted our audit in accordance with auditing standards effective in Argentina. Those standards require that we plan and perform the audit to obtain reasonable assurance that 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 the Trustee's Board of Directors, as well as evaluating the overall financial statements presentation. We believe that our examination provides a reasonable basis for our professional opinion.

3. CONSIDERATIONS PRIOR TO THE OPINION

As mentioned in note 1.1, as of the date of issuance of these financial statements, class "A" certificates of participation related to the contributions made by financial institutions to Banking Liquidity Fund were not issued since the BCRA (Central Bank of Argentina) has not as yet determined the amount, interest rate, or other conditions of BLF certificates. Consequently, no interest related to the contributions to BLF was booked in the financial statements.



4. PROFESSIONAL REPORT

In our opinion, subject to the effect of the accrual of the interest that should be booked in connection with class "A" certificates of participation should it be finally approved by the BCRA, as disclosed in point 3, the financial statements mentioned in the first paragraph present fairly, in all material aspects, the financial position of BANKING LIQUIDITY FUND as at 31 December 2005, the results of its operations, changes in net worth and cash flows for the fiscal year then ended, in conformity with professional accounting standards effective in Buenos Aires, Argentina.

5. ADDITIONAL INFORMATION REQUIRED BY LEGAL PROVISIONS

In accordance with current regulations, we inform that:

- a) The financial statements arise from BLF's accounting records and are in the process of transcription to the Inventories, Financial Statements, and Journal books, respectively;
- b) as at 31 December 2005, there are no liabilities accrued in favour of the ANSES (Argentine Social Security Administration), as evidenced by the Company's accounting books as at such date.

Buenos Aires, **28 February 2006**

FINSTERBUSCH PICKENHAYN SIBILLE
Prof. Assoc. Reg. CPCECABA Vol. 2 Fo. 6

■ Ricardo E. De Lellis
Partner
Chartered Public Accountant (UBA)
CPCECABA T° XCIV F° 166

STATUTORY AUDIT COMMITTEE'S REPORT

To the stockholders of
SEGURO DE DEPOSITOS SOCIEDAD ANONIMA

Dear Sirs/Madams,

The Statutory Audit Committee, in our capacity as statutory auditors of Seguro de Depósitos Sociedad Anónima (SEDESA), in conformity with Argentine Business Associations Law No. 19,550 section 294(5) provisions, has examined the documents detailed in point I, which were submitted by the Institution for our consideration.

The preparation and issuance of the abovementioned documents are the responsibility of the Company's Board of Directors. Our responsibility is limited to expressing an opinion on such documents based on the work described in point II.

I – Documents Examined

- a. Balance sheet as at 31 December 2005.
- b. Statement of profit and loss for the fiscal year ended 31 December 2005.
- c. Statement of changes in stockholders' equity and net worth for the fiscal year ended 31 December 2005.
- d. Notes and exhibits to the financial statements as at 31 December 2005.
- e. Inventory as at 31 December 2005.

The documents mentioned above are related to Banking Liquidity Fund (BLF), the fiduciary administration of which has been entrusted upon SEDESA.

II – Scope of the Examination

Our examination was performed in accordance with the current statutory auditing standards established by F.A.C.P.C.E. (Argentine Federation of Professional Councils in Economic Sciences) Technical Resolution No. 15. Such standards require that the examination be made in conformity with the effective auditing standards established by F.A.C.P.C.E. Technical Resolution No. 7. We have attended Board of Director's meetings held to the date of the current report having become aware of the most significant events and circumstances.

The statutory auditors Alicia Laura de Nozieres and Oscar Juan Camacho were appointed to execute their functions on 31 May 2005; therefore, they have attended Board of Directors' meetings and have performed procedures related to their functions as from such date.

The audit of the documents detailed in point I(a) through (d) performed by Finsterbusch Pickenhayn Sibille in their capacity of external auditors was considered for such purposes.

Since it is not the Statutory Audit Committee's responsibility to engage in any management performance control, we have not evaluated the business methods and decisions related to the different areas of the Company, which are the exclusive responsibility of the Board of Directors.



III - Opinion

1. In our opinion, subject to the effect of the accrual of the interest that should be booked in connection with class "A" certificates of participation for the contributions made by financial institutions to the Banking Liquidity Fund, should it be finally determined by the BCRA, the financial statements mentioned in point I present fairly, in all material aspects, the financial position of Banking Liquidity Fund as at 31 December 2005, the results of its operations, changes in net worth, cash flows, notes and exhibits to the financial statements for the fiscal year then ended, in conformity with professional accounting standards effective in Buenos Aires, Argentina.
2. The financial statements arise from the Banking Liquidity Fund's accounting records and are in the process of transcription to the Inventories, Financial Statements, and Journal books, respectively;

Buenos Aires, 28 February 2006

Alicia L. Bianchi de Nozieres
Statutory Auditor

Oscar J. Camacho
Statutory Auditor

Eugenio C. Gallegos del Santo
Statutory Auditor



SEDESA



III

ANNUAL REPORT AND FINANCIAL STATEMENTS 2005



Exhibit 2





Exhibit 2: Legal Precedents of Deposit Guarantee in the Argentine Republic.

SYSTEMS CONCERNING THE GUARANTEE OF BANK DEPOSITS in the Argentine Republic have been many and varied. Commencing with the foundation of the Central Bank in 1935, it may be stated that as from that moment together with the establishment of overall rulings governing the creation and administration of banks, there was also established a system of bank deposits' guarantee. This latter aspect may be divided, chronologically, in the following manner:

BETWEEN 1935 AND 1946. The original Banking Law (sanctioned on 28 March 1935) laid down in its Section 9 a general privilege, after those established by the Civil and Commercial Codes and Bankruptcy Law, for savings deposits up to the sum of Pesos Moneda Nacional 5,000, which could be raised to Pesos Moneda nacional 10,000 in the case of the depositor being a mutual savings fund or a cooperative.

BETWEEN 1946 AND 1957. The so-called "nationalization of deposits" included, de jure and de facto, an absolute and unlimited guarantee for all banking deposits on the part of the Nation, at the same time establishing that said deposits had been received and registered on behalf of the Banco Central de la República Argentina (which had become part of the State).

BETWEEN 1957 AND 1969. Law 14,467, which ratified Decree/Law 13,127/57, denominated "Banking Law", laid down in its Section 11:

"In the case of the liquidation of a private or mixed bank, the Central Bank shall advance the necessary funds to guarantee the reimbursement of the deposits concerned to their owners, or their transfer to another Bank. These advances shall be underwritten by the assignation of assets of the bank in liquidation and other guarantees, to the satisfaction of the Central Bank".

Official banks were excluded from this stipulation.

BETWEEN 1969 AND 1971. Law 18,061, called "Law of Financial Entities" laid down in its Section 49:

"When a national commercial bank – private or mixed – enters into liquidation, the Central Bank shall advance the necessary funds for the reimbursement to their owners or the transfer to another bank of the deposits in national currency".

From the entities covered by the Law were excluded

the official banks, other banking intermediaries and the non-banking entities.


BETWEEN 1971 AND 1973. The establishment of a guarantee fund appears for the first time in the Argentine legislation with Law 18,939, of 16/02/1971. The "Deposit Guarantee Fund" was created to take care, in case of winding up of a financial entity (banking and non-banking) of the reimbursement of the deposits and other liabilities in pesos. It was constituted with assessments from the entities incorporated, according to the regulatory rules issued by the Central Bank; once these were implemented, Section 49 of Law 18,061 would be repealed.

Without having been definitely started, this régime was repealed by Law 20,040 of 23/12/1972. Through this Law the "Deposit Guarantee Fund" was created to reimburse deposits in pesos in financial national private entities that were not commercial banks, whose winding up were decided. The coverage was of up to Pesos 20,000 per owner of deposit account in an entity. The régime was in force on 01/01/1973; for the commercial banks, the guarantee of Section 49 of Law 18,061 continued to exist.

BETWEEN 1973 AND 1977. When the régime of "nationalization" of deposits was reinstated by Law 20,520 – enacted on 16/08/1973 – the guarantee of the Nation on deposits in pesos was reestablished, with no limit whatsoever by reason of amount or ownership, as well as their reception and registry on behalf of the Central Bank.

For commercial banks and saving accounts the system was in force as from September 1973 and for the remaining intermediaries, as from 01/02/74, repealing, as from said dates, the provisions of Section 49 of Law 18,061 and of Law 20,040, respectively.

BETWEEN 1977 AND 1979. Law 21,495 of 17/01/1977, established the "decentralization of



deposits”, which became implemented together with the Law of Financial Entities N° 21,526 of 1st June of that year.

This latter law laid down, via Section 56, that, if a financial entity authorized by said law went into liquidation, the Central Bank could opt between letting other entities take charge of its deposits, either partially or totally, or grant an advance of funds so that the owners of the deposits in question could recover the sums involved. In all cases, these decisions referred to deposits expressed in local currency.

BETWEEN 1979 AND 1982. A variant to the guarantee system was introduced in 1979, with the sanction of Law 22,051 of 14/01/1979, which modified the text of Law 21,526, insofar as the guarantee covering deposits was concerned.

The new régime became voluntary, it bore a cost and had only a partial coverage, including as it did only deposits expressed in local currency. Subsequent rulings laid down the details of this guarantee: 100% coverage for those deposits made by people of up to Pesos One million – minimum value subject to adjustments -, and up to 90% for values in excess of this sum.

Subsequently, the minimum value was raised to Pesos 100 million, without adjustment (1980), and the 90% rate of coverage was reduced (1982). The entities in question were obliged to make a monthly contribution of 0.03% of the average value of their deposits. Over time, there was a gradual yet steady exodus on the part of the entities, in the light of the fact that the subscription was a voluntary one, so gradually this guarantee system lost significance.

BETWEEN 1982 AND 1992. Modifications which were made to the financial system towards the middle of 1982 also affected the guarantee of deposits régime, which per force had to adapt itself to the prevailing circumstances.

Subsequently, the rules were up-dated in 1985, 1987 and 1988, savers with deposits receiving better treatment than other types of depositors. Distinctions were also made concerning the class and scale of deposits.

In 1991 a “Special Limited Fund” was constituted so as to underwrite the deposits guarantee, which was based on external bonds of the Argentine Republic, 1989 series with a nominal value of USD 50 million, plus the assessments made by entities which subscribed to the régime.

In this way, the guarantee made by the Central Bank was limited by the resources constituted by said Fund; should this Fund become exhausted, the depositors, up to the value of the guaranteed sums, enjoyed the privilege of being covered by the Law

of Financial Entities, insofar as expenditures and advances made by the BCRA were concerned.

BETWEEN 1992 AND 1995. Modifications introduced to the Law of Financial Entities when the Charter of the Central Bank of the Argentine Republic was reformed, in October 1992, eliminated “de jure” the guarantee on deposits.

Law 24,144, apart from eliminating tacitly Section 56 of said Law (insofar as the deposits guarantee was concerned) also included the reform of Section 49 of this Law, establishing for depositors in local currency a special, exclusive and discriminating privilege on the funds included in the legal encashment (minimum cash reserves) of the entities which were liquidated, in line with a certain pre-determined order.

A further privilege was also laid down covering all deposits, once the credit position of the Central Bank had been satisfied.

POSITION AS FROM 1995. Law 24,485 enacted on 12/04/1995, created a “System of Guarantee Insurance for all deposits”, which is: limited, bears a cost, obligatory, subsidiary and complementary to the régime of privileges and protection for depositors as laid down by the Law of Financial Entities.

Through Decree 540/95 the Deposit Guarantee Fund (DGF) is created, with the assessments of the financial entities as from May 1995 and SEDESA – Seguro de Depósitos Sociedad Anónima- was also created, with the object of administering this fund. The guarantee covers all deposits in pesos and foreign currency, with a few exclusions, up to a sum including capital and interest, of Pesos 30,000, computing to this effect all deposits that any one person could hold in any entity and pro-rating the values, should there be more than one owner of the accounts in question.

The Law in question was modified by Law N° 25,089 which obliged the insurance system to reimburse the owners of sums deposited in special accounts aimed at the paying of wages and salaries, in the case of the suspension of operations or annulment of the authorization to operate, of any given financial entity. Law 24,485 has been subject to rulings by Decree N° 540 of 12/04/1995 and all this has been further modified by Decrees N° 177/96, 1292/96, 1127/98, 1292/99, 32/01 and 214/02.

At the same time, the régime of privileges in favour of certain depositors, as laid down by the Financial Entities Law, was subject to subsequent modifications, a general privilege having been fixed on top of all other credits, with the exception of those covered by a pledge or mortgage and labour creditors (wages and salaries). A first order of preference is granted to those deposits, up to the sum of Pesos 50,000.



Exhibit 3





Exhibit 3: Regulatory and Legal Framework

**FOR INFORMATION ON THE FOLLOWING ISSUES,
PLEASE VISIT OUR WEBSITE (www.sedesa.com.ar):**

1. Deposit Insurance System

1.1. Law 24,485

1.2. Presidential Decree N° 540/95 as amended

1.3. Presidential Decree N° 905/2002 (Relevant sections)

1.4. BCRA Rules on the implementation of the Deposit Insurance System (Communication "A" 2337 as complemented)

2. Banking Liquidity Fund

2.1. Presidential Decree N° 32/20011

3. BCRA Communications related to SEDESA.



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