RESEÑA ANUAL / ANNUAL REPORT 2010

ARGENTINA

15 AÑOS
SEDESA
SEGURO DE DEPÓSITOS S.A.

ANNUAL REPORT OF SEGURO DE DEPÓSITOS S.A.

AS OF DECEMBER 31,2010

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COMPOSITION OF THE BOARD OF DIRECTORS AND INTERNAL COMPTROLLERS COMMITTEE

BOARD OF DIRECTORS

Chairman
Dr. Eugenio Carlos Gallegos del Santo

Vice Chairman
Dr. Norberto C. Peruzzotti

Director
Lic. Mario Vicens

Alternate Directors
Dr. Hugo Bruzone
Dr. Santiago M. J. A. Nicholson
Lic. Daniel Tillard

INTERNAL COMPTROLLERS COMMITTEE

Auditors
Dr. Alejandro Almarza
Dr. Oscar Juan Camacho
Dr. Domingo Alberto Romano

Alternate Auditors
Dr. Enrique Brouchou
Dra. Alicia Laura Bianchi de Nozieres
Dr. Alejandro Luis Sánchez

Message from the Chairman

We hereby submit the Annual Report and Financial Statements of our company, Seguro de Depósitos S.A. (SEDESA), summarizing therein the activity undertaken as manager of the Deposit Guarantee Fund during the fiscal year ended on December 31, 2010.

In current times, it is difficult to find countries where there does not exist any type of protection to savers or depositors.

The actions seen after the crisis that started in September 2008 have shown the unique capacity of reaction that Deposit Insurance Systems have by coping with the demands that are typical in such severe situations, highlighting the importance of their roles as substantial elements for the sustainability of the financial system.

To understand better the importance of the system, we take this opportunity to show here a more thorough analysis of the local and international financial situation, based on all the components that are part of our day-to-day activity.

In this way, at the international level, we hereby state the limitations that affected almost all the international organizations causing financial weakness and vulnerability in the systems with regards to the crisis. In addition, it has been well established the urge to act jointly at a global level.

The urgency imposed by the events and its consequences has led to the exchange of information and the commitment of joint actions, as a solution to the current situation.

At the local level, we need to focus on learning from this experience and know how that always derives from a critical situation, forcing us to create permanent exchange spaces.

In this way, considering the special circumstances occurred in 2010, we have included in our analysis the main characteristics of our system, considering its experience and the continuity of the activity led by the management of the Company, emphasizing the existing policies and procedures and suggesting all the necessary innovations to consolidate such model.

It is still our purpose to guarantee and consolidate all the actions that support the quality certifications processes, implementing the best practices according to international standards, and to keep strengthening SEDESA's organization structure, as part of its entrusted task, including of course the participation of SEDESA in international activities.

Finally, we would like to thank the Central Bank of Argentina (BCRA), Caja de Valores S.A. (securities depository), the Financial Institutions that are part of our system, and specially all our collaborators and advisors for their commitment and professionalism during this fiscal year.

Best regards,

Dr. Eugenio C. Gallegos del Santo
Chairman

Message from the General Manager

By means of this Annual Report 2010, we intend to show our commitment to the continuous improvement in the activities of SEDESA.

We have successfully passed through a year with low rates of interest regarding financial investments, obtaining results that have exceeded the reference level used to measure financial results in accordance with the investment policy.

2010 became the 5th consecutive year with profits for the DGF. This is worth mentioning considering that only 7 years showed positive results.

Our commitment is to comply with the duty that has been entrusted to us, by means of the adequate adoption of those standards that may allow investment profitability and the efficient assistance recovery within a frame of security and transparency.

In this regard, the fiscal year 2010 was distinguished by a complete review of policies and procedures that aim to achieve such objectives.

Actions were taken for the implementation of a Quality Management System which has implemented and maintains a management system which fulfils the requirements of ISO 9001:2008 standard in order to obtain the certification of the “MANAGEMENT OF THE DEPOSIT GUARANTEE FUND AVAILABLE BALANCE.”

Evaluating this year, we consider that we have complied with the importance of our role and the responsibility that derives from it, as part of the financial security network, tending to achieve the highest professional standards and implementing the best practices regarding Deposit Insurance.

I would like to express my appreciation and acknowledgement to those who have participated with a sense of duty and in a proactive manner in all the tasks regarding the organization. Their commitment and dedication have ensured the accomplishment of these achievements.

Dr. Alejandro J. López
CEO

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1. International Context

During 2010, the development of the economy in the world continued being characterized by an environment of uncertainty and slow recovery of the economic activity as from the international financial crisis, where good results of financial assets and ambiguous indicators from the real sector of the economy were registered, the latter especially in the case of developed countries. Among such countries and within a weakness framework, a more favorable behavior of the United States economy was observed in relation to the European and Japanese economies.

In developed countries, the destruction processes of financial wealth and banking system instability led to important increases in the unemployment levels and weakness in the activity level, which were initially dealt with expansive monetary and fiscal policies.

Within this framework, there was a clear and positive differentiation in most of developing economies, reflecting much better results regarding activity and employment than those observed in developed countries.

Due to this differentiation, the growth of the global economy has been increasingly driven by emerging economies, which represent almost three quarters of the recent global growth. This is a strong tendency that continued during the last year.

In general, emerging economies faced the international financial crisis with very favorable fiscal, debt and external sector indicators, which had not been observed in previous situations. In spite of the deepness of the crisis, which can be seen in the strong contraction of international trade, except for the Eastern Europe economies, we should empathize that this time emerging economies have not suffered any major impact on their financial systems.

With different purposes, most emerging countries followed a generalized reserve accumulation policy which was useful to cushion the reversion of capital flows and to stabilize the domestic financial systems.

In general, after the worst part of the financial crisis, we can still see some major global imbalances (particularly in the external sector) among different countries or groups of countries that lead to uncertainty on economic conditions that are necessary for its control, correction or reversion, if any, as well as for the evolution of the main international currencies.

1.1.Developed economies

During the last year, the behavior of developed economies was the main source of uncertainty within international markets. The different economic activity indicators were never strong enough to ensure a firm perspective of recovery, even though the possibility of a new relapse in their economies has been reduced as time goes by.

Developed countries have a relative high rate of

unemployment, especially the United States of America where people with employment problems represent 17% of the active population, with weakness in the private consumption indicators and with activity levels that are not solid enough to create new jobs in the same rate as the offer of active population grows.

1.1.1. United States of America

The situation of the most important economy in the world showed some features similar to those that allowed an exit from previous recessions with not generalized data that were very encouraging for some quarters, but, as opposed to other recoveries, the expansion rates have reduced, leaving some doubts about the strength of the economic recovery. In this context, there is an activity recovery without creation of employment, but with significant improvements in the demand of some sectors, such as the vehicle industry and the durable consumption goods that were highly affected during de financial crisis, although other sectors are still weak, such as the construction industry.

The economic policy responded in greater measure to the monetary expansion, mainly due to the difficulties and limits that the government had to carry on its fiscal expansion plans, even though most of the monetary expansion was directed to the purchase of federal government securities.

Soon after the financial crisis began, the Federal Reserve was oriented towards a rate reduction to almost zero and liquidity provision.

It is important to point out that after three years as from the commencement of the financial crisis; it is difficult for the US economy to find its way towards a steady economic growth without the assistance of the public sector.

1.1.2. Euro zone

From the economic point of view, 2010 was institutionally complex for the Euro zone. Even though in terms of macroeconomic indicators it was better than previous years, all the tension within the region as a consequence of the fiscal weakness of some members (Spain, Greece, Ireland, Italy, Portugal and later Belgium) put a lot of pressure on the regional union and demanded the implementation of actions that would have been unexpected some time ago.

In these last years, this crisis highlighted the great diversity existing between the economies in the Euro zone. This diversity is not only present in the macroeconomic figures, but it is also the result of different views about policy priorities of each country.

A substantial intervention of the European Central Bank in the financial markets was necessary to show that everything possible would be made in order to control the economic crisis and preserve the Union. Even so, the least developed economies of the zone with strong external and fiscal imbalances or with difficulties in their banking systems could not avoid a series of attacks against their sovereign securities which placed them with even higher rates of return than those of emerging countries without investment grade.

The inter-annual growth rate of banking loans granted to the private sector kept increasing during the last part of the year. At the sector level, the reinforcement would reflect the tendency to increase growth of loans to non-financial companies, confirming once more that there was an inflection point within the credit market in 2010. The growth of home loans was higher, but recent information would suggest some signs of stability.

Regarding fiscal policy, there were signs that the necessary initiatives to reduce fiscal deficits and sustain the debt in time would be taken. However, these types of policies may adversely affect the weak recovery improvements in the activity levels.

It is worth mentioning that the risks for these economic perspectives keep a downward trend, although within a very uncertain context. On one hand, international trade growth could keep increasing faster than expected, supporting the Euro zone exports. On the other hand, downward trend risks are related to tensions present in some financial market segments, such as the case of Ireland and its connections with other systems from the continent, and to its possible spread to the Euro zone real economy. Other downward risks are concerned with new increases in the price of oil and other raw materials with protectionist pressures.

1.1.3. Japan

It is important to point out that by the time this report is being drafted, we are still uncertain about the effects that the earthquake and tsunami, which devastated an important region of Japan on March 11, 2011, may have on the Japanese economy, which represents 9% of the global economy. Taking this into account, we present a summary of the evolution of the main economic variables seen until the natural disaster occurred.

After the stagnation in the 90's, the new century brought moments that suggested a possible resurgence of this economy, with very good years of growth, inflation at consistent positive levels, although without consolidating these conditions for a long enough period of time in order to achieve a change in the population view towards a less cautious attitude regarding expenses.

In this context, the international financial crisis strongly affected growth and financial assets, which resulted in an important reversion of consumer expectations and a great part of the improvements regarding predisposition to expenses vanished.

In early October, the Bank of Japan adopted new measures to loosen the monetary conditions, announcing that it would initiate an Asset Purchase Program for five trillion yens, by means of which it would acquire public debt, promissory notes of companies, corporate debt, listed funds and real estate investment funds with the aim of reducing risk premiums and encouraging asset prices. In general, financial conditions showed some signs of relief, reflected by a reduction of funding costs for companies and a better attitude of financial institutions towards the highest loan granting.

Regarding credit offer, the business perception is that financial institutions are more open to granting loans. The placement conditions for short-term notes and corporate bonds were still favorable. As regards credit demand, there was a decrease in financing needs for working capital and fixed investments as well as liquidity reductions in companies. As a result and as a concern issue, inter-annual falls were observed in banking loans. On the other hand, the residual amount of corporate bonds has registered a nominal increase as compared to 2009, and the fall of the residual amounts of short-term notes slowed down. In this context, the financial situation of the corporate sector has shown a clear improvement in 2010, and the money offer registered an inter-annual rise of 2.5%.

Together with the fiscal incentive programs, the almost 4% growth of the Japanese economy in 2010 was due to the recovery of the foreign demand and stock increase. Such growth showed signs of weakness during the last quarter of 2010. In this regard, the demand decreased in specific sectors due to private consumption. After the rebound seen in the first part of the year, the residential investment was stabilized and the public investment kept falling down. As a consequence of this situation regarding domestic and foreign demand, production had declined during the last months and surveys about business climate showed weak results, particularly in the manufacturing sector. However, employment and income are still in a very weak situation, with high unemployment rates, in historical terms, of about 5%, expecting the Japanese economy to recover at a slower rate in the short term.

The first estimates suggest that due to this natural disaster, the Japanese economy will suffer a fall of about 10% of its GDP and that the policy purposes will be directed towards the reconstruction of the basic infrastructure, where suitable fiscal and monetary policies will be required.

1.2.Emerging economies

The last decade has shown the capacity of emerging economies to undertake an active role within the global economy. Leaving behind long periods of economic instability, emerging countries were able to go through one of the most severe crisis in the modern history without major consequences, especially in terms of products and employment.

Even more, due to the good performance of a group of developing economies, the global economy maintained positive growth rates, which put a stop to the free fall particularly seen during the second half of 2008, after the bankruptcy of Lehman Brothers.

The keys of this new economic configuration are mainly due to the recent economic development processes in Asia, with China and India in first place, where millions of people are leaving behind their agricultural self-sufficiency activities in order to join the market life in the cities. As long as this process continues, we can still think of emerging economies not necessarily affected by the crisis in developed countries. With this new scenario, most of Latin American countries and the rest of emerging countries in Asia and Europe profit from the evolution of countries such as Brazil, China and India.

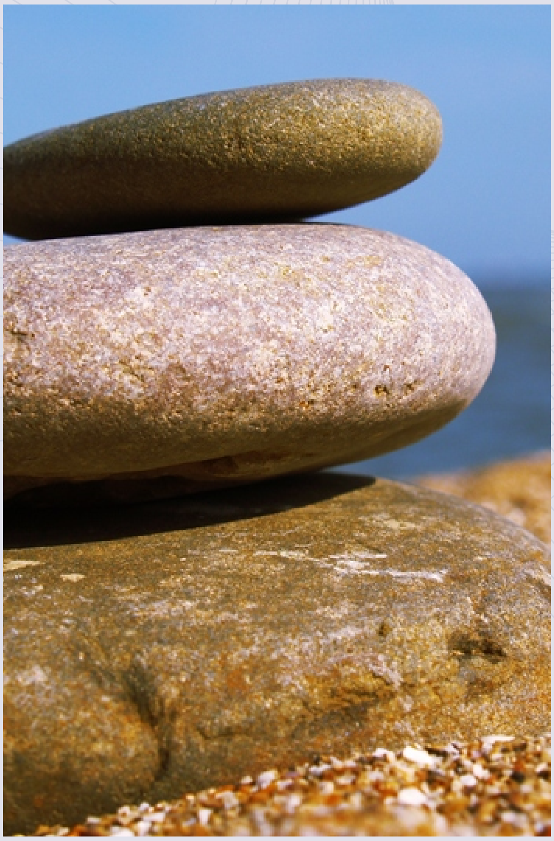
Between the ends of August and December, some countries, including China, Korea and Brazil, took part in the foreign exchange market to avoid pressures on their currency appreciation. In addition to the high domestic growth in emerging economies, the assumptions of a continuous low growth and a greater monetary easing in the United States also caused an acceleration of capital inputs towards such economies. Asia, in particular, had a significant increase of foreign investment in stocks. Latin America and other emerging countries also experienced substantial investment inputs, both in stock and debt bonds. This acceleration in the capital input was clearly reflected on the rise of stock quotes, though it was also noticed in sovereign debt prices and in the reduction of country risk indicators.

As we mentioned before, capital input was came with pressures for the appreciation of currencies in several of these economies. Many countries faced this situation by implementing managed exchange rate policies, including reserve accumulation, and by applying regulatory measures on flows, especially short-term financial capital, such as the cases of Brazil, Thailand and Korea. We should emphasize that Argentina has been implementing these types of regulatory policies in short-term financial capital flows since 2005.

1.2.1. Latin America

Due to its relative importance within Latin America, the development of Brazil stands out. Since the beginning of this decade, such country has been going through a period of intense transformation, with macroeconomic stability for more than ten years, becoming one of the favorite destinations for international investors. During 2010, this economy grew to almost 7.5% expecting a reduction of this value in this year. These growth rates in the Brazilian activity have operated as a strong demand of imports, favoring several countries in the region, including Argentina.

Most of the rest of the countries in the region have benefited from the price boom of raw materials, both minerals and food, which allowed major improvements in public finances and a significant economic growing process with sustainable conditions. The commodities boom resulted in substantial improvements in the current accounts of many countries from the region, basically supported by export increase due to the rise of prices and quantities.



2. Domestic Context

In 2010, the domestic economic situation took up again the path of the years previous to the international crisis. After an important slow down in 2009, especially caused by a decrease in the foreign demand of domestic products and by the effects from the international financial crisis, there was again an economic growth rate of 9.2% during last year, with improvements in employment levels, the use of installed capacity, and stability in financial markets. In 2010, private consuming components, due to their relative high participation, and investments, which showed an important recovery as compared to the previous year, made the greatest contribution to the high growth. In addition, the recovery of the agricultural sector, after the strong drought of the previous season, contributed significantly to the product increase in 2010.

2.1.Macro economy

2.1.1. Economic activity

In 2010, the economic activity became stronger and growth reached the high levels seen between 2003 and 2008. In real terms, the Gross Domestic Product registered an increase of 9.2% driven by the evolution of most of its components, and the highest growth was registered by the investments with an increase of 25%. This was caused by the purchase of durable equipment for the corporate production sector with an increase of almost 45%. The acquisition of imported goods was significant due to the strong decrease seen in the previous year and the renewed growing environment in the economic activity.

The recovery of the employment lost during the international financial crisis, and the wages levels, together with a better credit environment allowed the increase of private consumption up to almost 9%, which was the basis for a fast recovery due to its relative importance within the GDP (almost three quarters of the total amount). With different expectations from those prevailing in 2009, and with better financial conditions, families and companies increased their debt levels. In this regard, it was noticed that personal loans and credit card financing increased by 32% and 43%, respectively, during the year. Another thing that supports the behavior of this component is the record level reached in the sale of vehicles within the domestic market, with an increase rate of over 650 thousand units. Within this framework and with a growth rate close to 10%, the manufacturing industry increased over 10% in 2010 due to the increase in the domestic consumption demand and in the foreign sector demand.

2.1.2. Foreign sector

The recovery of foreign trade in 2010 was also noticed in the Argentine economy. While exports rose to almost 23%, amounting to USD 68,500 million, the high increase of the domestic activity led to a rise of 34% of the total imports, amounting to USD 56,400 million. Thus, balance of trade amounted to about USD 12,000 million, placing the current account in a positive place for the ninth consecutive year at a level close to 1% of the GDP.

Foreign sales were favored by the growth of our main trade partners, particularly Brazil and China, and by the positive results of the farming crop, reverting in this way the effects of the previous season drought. It is important to point out that sales showed an increase in quantities as well as in prices and that the industrial manufacturing good performance continued with an annual increase of almost 30%, standing out the vehicle sector. Regarding purchases, part of the strong increase in the domestic market activity was due to imports, such as the case of energy, industrial inputs and capital goods.

2.2. Financial sector

Variables corresponding to the financial system showed important improvements in 2010. The financial intermediation levels, which were affected during the international financial crisis, started recovering during the last part of 2009, a tendency that was further consolidated in 2010. The growth rate of private sector financing by any type of entities showed certain acceleration at the end of 2010. In 2010, the credit stock for the private sector increased by 37.5%, almost 30 percentage points above the rate registered in 2009, representing almost 13% of the GDP. Despite the growth of bank financing to the private sector, credit levels in the economy are still low, even lower than the rates of other economies in the region, and this is a highly beneficial for the development of the sector.

It is important to emphasize that, as opposed to previous years, financing to the corporate sector (especially exports and documents) exceeded the amount allocated to family consumption (based on credit cards and personal loans) and that this increase took place in all types of entities with certain supremacy in private capital entities (both domestic and foreign). Regarding costs and taking into account the data as of the end of 2009, the varied interest rates on loans for the private sector decreased in general, particularly in the case of documents and personal loans. Together with the foregoing, less volatility was observed and inter-financial liquidity markets gained importance.

Moreover, the total deposits of the system increased at the end of 2010 by 37% i.a. with a growth rate of 31% and 52% for the private and public sectors, respectively. Regarding deposits in the private sector, they showed annual growth rates between 28% and 34% in fixed-term deposits and saving accounts, respectively (see Table N1). Furthermore, the total stock of public deposits increased by AR$ 32,000 million, almost totally caused by the rise of fixed-term deposits, which grew 116% in 2010 (see Table N1). In this way and based on the fiscal behavior, the public sector deposit balance is still higher than the global financing granted to this sector by the system (in fact, a slight decrease of the financial system credit to the public sector was seen in 2010), maintaining, in this way, its creditor position with regards to banks. Similar to lending rates, funding costs decreased with regards to the values registered at the end of 2009 in all types of banks and sectors.

As a consequence of the deposit and loan behavior, liquidity indicators of the system entities were of almost 45% of the total deposits at the end of 2010, while the shareholders' equity of banks showed an annual increase of 18.3% and the ratio of paid in capital was 17.7% of the risk-weighted assets (RWAs), slightly lower than the value registered at the end of 2009, in part due to the high increase of financing and the distribution of dividends by private entities.

The economic recovery environment enabled a decrease in the irregularity ratio of financing to private sector in 2010 as compared to the end of 2009, reaching a level close to 2%. At the same time, the coverage level of doubtful debt portfolio with previsions was higher than the previous year values (almost 160% of the total financing). This behavior was present in all types of entities.

From relatively low levels, there was a slight increase in the exposure of the financial system to the currency risk during the year. The systemic mismatch in the foreign currency increased, mainly due to higher net purchases of foreign currency futures. The effect of the greatest mismatch in foreign currency was in part mitigated by a context with less volatility in the nominal exchange rate, as compared to last year peaks.

The exposure of the financial system to the interest rate risk was relatively stable. There was a slight decrease in the residual term of the bank assets and liabilities and the term mismatch faced by banks did not suffer significant changes. The dynamic shown by the main interest rates helps to decrease the potential of this type of risk.

The market risk was also stable. The major participation of Lebac and Nobac priced to market securities in the banking asset portfolio and the price increase of the main public securities throughout the whole year caused a gradual increase of the financial system exposure to market risk, which was compensated by a

volatility reduction of securities.

At the end of the year, banks had stable solvency indicators and profits equivalent to 2.8% of the assets, registering an improvement in profitability for every financial entity group, with an important increase in public banks.

Table N 1, Total deposits, divided into types of depositors (in millions of AR$, monthly averages)

	Savings Account		Checking Account		Fixed-Term Deposit		Others	
	Priv. S.	Púb. S.	Priv. S.	Púb. S.	Priv. S.	Púb. S.	Priv. S.	Púb. S.
jan-09	34.721	3.220	39.118	28.987	56.375	26.226	6.755	3.999
feb-09	34.555	2.989	38.943	24.280	59.100	28.596	6.759	3.820
mar-09	33.458	3.232	37.753	23.938	59.282	29.452	6.745	3.814
apr-09	33.699	3.563	38.445	22.791	57.847	29.167	6.949	3.843
may-09	33.521	3.953	39.080	23.644	57.885	30.206	7.160	4.051
jun-09	34.686	4.125	39.968	25.384	56.823	28.431	7.110	4.080
jul-09	36.769	3.698	38.496	23.041	56.670	28.025	7.062	4.018
aug-09	35.486	3.402	39.028	23.820	58.715	29.872	6.902	3.917
sep-09	35.599	3.594	39.805	26.270	60.133	30.501	6.731	3.579
oct-09	36.146	3.342	40.402	25.264	61.783	31.195	6.870	3.530
nov-09	36.972	2.997	41.698	24.223	64.253	30.862	7.118	3.588
dec-09	39.739	3.614	44.315	27.535	63.818	26.257	7.720	3.734
jan-10	40.811	3.416	45.764	29.249	64.961	25.891	7.440	3.668
feb-10	40.134	4.226	45.257	30.006	65.951	27.602	7.417	3.705
mar-10	39.488	4.699	45.770	24.548	67.246	33.954	7.547	3.651
apr-10	40.024	3.891	47.624	25.289	68.569	36.162	7.802	3.875
may-10	40.129	3.874	49.443	23.558	68.881	44.128	7.966	4.190
jun-10	41.097	4.738	51.250	22.368	69.225	47.963	8.081	4.218
jul-10	45.679	4.897	50.835	24.199	70.831	49.564	8.082	4.314
aug-10	45.039	3.783	52.911	22.171	73.935	54.692	7.906	4.481
sep-10	46.088	3.558	53.969	22.655	76.873	57.723	8.020	4.572
oct-10	47.524	3.938	55.502	25.321	79.072	58.781	8.277	4.898
nov-10	48.278	3.344	57.392	24.590	81.254	60.322	8.646	5.036
dec-10	53.315	3.274	60.055	28.256	81.658	56.835	9.153	4.878

Fuente: BCRA.

2.3. Outlook

It seems that the main global liquidity conditions will remain stable in 2011. If concerns about unemployment and sustained recovery in the developed world keep widely exceeding the inflation, increases in short-term rates are not be expected, even when the curve starts steepening as positive news about the US economy appears. This situation and the growth of the main emerging economies bring an excellent scenario for Argentina with high prices of commodities and a probably larger release of spreads. Although the agricultural sector will not make a positive contribution to the product growth rate as it did in 2010 in terms of volumes, the GDP is expected to grow at least 6.5%.

The lower increase in the harvest, as compared to the previous year, would be compensated by higher prices, though the import rise caused by the constant growth of the domestic activity might influence the results of the current account, reaching a balance by the end of the year. Major growth rates are expected in the manufacturing industry sector and, to a lesser extent, in the private construction sector.

During the last years, banking business has shown positive results, consistent with the performance of the economic activity in general. In contrast to what happened in other sectors after the 2001-2002 crisis, the adjustment process prior to the recovery was much deeper and extended in time. Thus, the improvements seen in the banking activity in 2010 are expected to continue.

Based on the economic activity and foreign sector improvements, fiscal accounts are expected to keep the same characteristics as the ones seen during these last years. Under these circumstances, a tendency to the reduction of inflationary pressures may appear if there are no new external shocks with effects on food products and taking into account the result of the union negotiations.

3. Evolution of the Banking System

These last years have been critical for the banking activity at a global level. The international crisis showed major regulatory and ethical failings regarding the way of conducting business.

Local and international authorities had to respond to the complaints made by different sectors of the society by implementing new regulations to promote a safer performance of the banking system, in each country as well as in cross-border transactions.

The first item in the amendment agenda was the regulatory arbitration, together with compensation schemes for the financial industry executives, and liquidity management by the institutions. The aim is to leave aside the usual practice of focusing on each domestic market and have a global perspective.

The first important sign of this change of strategy, from each authority resolving its own problems to a joint action, was the agreement announced on September 18, 2008 by means of which the Central Banks of Canada, the United States of America, England, Japan, Switzerland and the European Union undertake to provide currency in order to solve the increasing pressures on the foreign exchange markets. Later, when emerging economies started suffering the effects of high capital outputs, the Federal Reserve of the United States gave an important sign to international investors by signing similar agreements with central banks from major emerging financial markets.

In any case, the need to reach an agreement regarding regulatory initiatives and appropriate supervision for the different banking systems led specific measures to start appearing in 2010.

The positive aspect of commencing this new phase of financial amendments during this last year is that the worst part of the crisis for banking institutions in most of the economies around the world is already being overcome. The activity indicators show generalized improvements, though the situation is still far from being positive.

Cross-border funds flows started again with an increasing tendency, especially towards emerging regions with good growth perspectives. The balance sheets of large international banks still show positive results for investors.

In 2011, a recovery in the banking activity is expected, particularly based on a global economy with a more solid performance than the previous year.

3.1. International banking market

In 2010, the international banking activity had a slight recovery. The major international financial centers showed behaviors that could be considered less negative because the credit activity is still low, although there are some signs of growth.

With regards to regulations, the Basel Committee on Banking Supervision of the Bank for International Settlements (BIS) announced new standards related to liquidity management policy.

3.1.1. Cross-border flows

In accordance with the information provided to the BIS, the first quarter of 2010 showed an aggregate expansion in the cross-border credit activity for the first time since the crisis started and this growth was interrupted during the second half of 2010.

Considering the information in a more specific way, several trends that characterized the credit activity of the International banking continued during the last quarters. The banks kept allocating funds to emerging markets with faster growth, to the detriment of developed economies. In addition, similar to previous quarters, loan patterns in the markets of the four emerging regions diverged considerably.

In particular, banks continued increasing their exposure to those economies with best economic performance in Asia Pacific and Latin America, while they cut cross-border credits to residents from countries with lower growth in emerging Europe, Africa, and the Middle East. Moreover, due to the widespread instability in the global financial markets as a consequence of the serious fiscal situation in Greece, Ireland, Portugal and Spain, the foreign assets with regards to these four countries were reduced during 2010.
Cross-border assets regarding Latin America and the Caribbean increased for the fifth consecutive quarter. As opposed to the situation in Asia Pacific, where the main driving forces were the inter-banking assets, this region showed a similar growth in every sector.

3.1.2. Regulation amendments

During the meeting held on September 12, 2010, the Group of Governors and Heads of Supervision, the oversight body of the Basel Committee on Banking Supervision, announced a substantial amendment in the existing capital requirements. These capital changes, together with the introduction of a global liquidity standard, are included in the reform plan of the global financial system.

3.1.2.1. Higher capital requirements

The minimum requirement for common equity, the highest form of loss absorbing capital, will increase from the current rate of 2% (before the application of regulatory adjustments) to 4.5% after stricter adjustments. This will take place gradually until January 1, 2015. The Tier 1 capital requirement, which includes common equity and other acceptable financial instruments based on stricter standards, will increase from 4% to 6% during the same period.

It was agreed that the capital conservation buffer above the mandatory minimum requirement must be fixed in 2.5% and must be paid in with the same characteristics as the common equity, after applying the corresponding deductions. The aim of this buffer is to guarantee that banks can maintain a buffer of specific capital to cover losses during times of economic and financial stress. Although banks will be able to resort to this buffer during such periods of stress, as their regulatory capital ratios approach to the minimum requirement, the restrictions on earning distribution will be higher. This framework will reinforce the purpose of improving bank supervision and governance and will allow some banks to restrict their benefit distribution, something that many institutions avoided during the crisis, even when they faced a considerable deterioration of their capital positions.

According to the circumstances of each country, a countercyclical buffer between 0% and 2.5% of common equity or another type of capital that can fully absorb losses will also be applied. This buffer pursues a broader macro prudential goal of protecting the banking system from periods of excessive aggregate credit growth. For any country, this capital buffer will only be in effect when the credit growth is excessive and generates a systemic accumulation of risks. The countercyclical buffer, when in effect, will be applied as an additional to the capital conservation buffer.

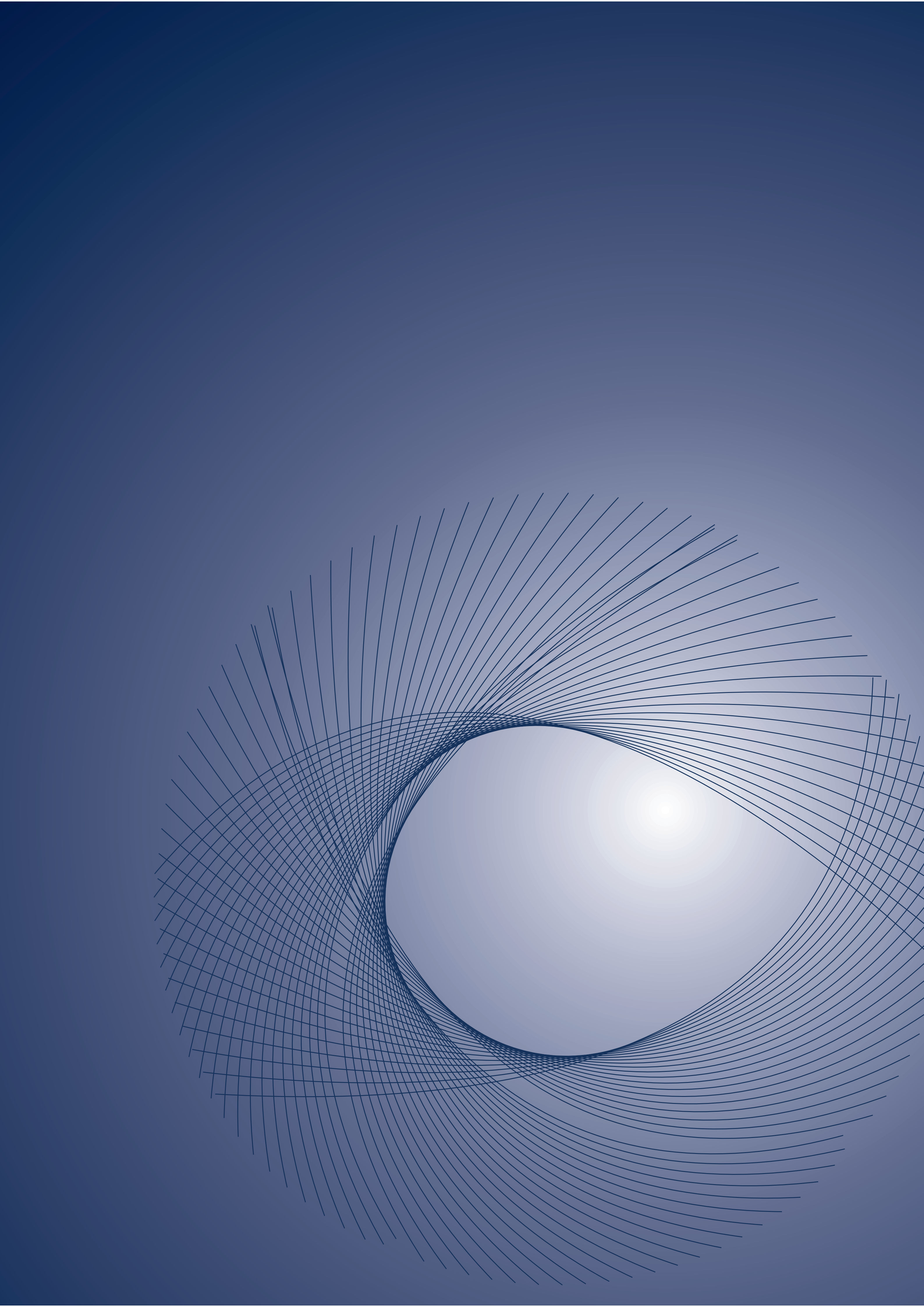
Apart from these capital requirements, there will also be a non-risk-based leverage ratio, which will supplement the risk-based measures described above. It was agreed to apply a minimum Tier 1 capital leverage ratio of 3% during a test period. With the results obtained from such period, all the necessary final adjustments will be carried out during the first half of 2017 in order to turn this ratio into Tier 1 by January 1, 2018, based on appropriate review and calibration.

3.1.2.2. Temporary measures

Temporary provisions were also established for the implementation of the new standards that will help the banking sector meet the new capital requirements through reasonable benefit retention and capital rising, while still granting credits to the whole economy.

- The application of these standards by the country members will start on January 1, 2013. By then, the countries must have implemented the new standards in their local legislations and regulations. As from January 1, 2013, banks will have to meet the following minimum requirements with regards to risk-weighted assets (RWAs):

* 3.5% common equity/ RWAs;
* 4.5% Tier 1 capital/ RWAs; and
* 8.0% total capital / RWAs.



4. Guarentee and Deposit Insurance Systems

The purpose of deposit insurance systems is to protect the rights of depositors and contribute in this way to the financial stability. Other objectives that are usually pursued are concerned with finding solutions upon the fall of financial institutions; managing assets and liabilities emerging after the crisis; providing incentive schemes for a better management of risks in financial institutions; and covering the costs arising from bankruptcies and the crisis with the assistance of the entire financial system.

Considering this purposes, the functions of the institution in charge of managing the deposit insurance may vary. There may be simple payment windows of the insured amounts, or even systems with wider functions that include the evaluation of systemic risks, operative risks, bankruptcy resolution of financial institutions, and even in some cases the institution acts as banking regulator and supervisor.

At the beginning of 2010, there were 106 countries with explicit deposit insurance schemes, and the possibility of applying such schemes in other 19 countries was being studied. Although most of the part was structured as self-supporting institutions within the legal framework of the financial system, in terms of property, there is a wide range of legal ways that offer combinations of public and private participations, even though in most cases the public sector is responsible for the management of the institution. An important function of some insurance systems is related to the liquidation of banks with difficulties or under bankruptcy proceedings. About 40% of the current systems have legal capacity to establish the liquidation of institutions. In addition, more than half of the schemes in force grant this power to the insurance organization in order to conduct the formal liquidation of those banks that are bankrupt, or to financially assist banks with difficulties. Almost half of them can acquire and/or undertake the liabilities related to the institution under liquidation process.

Furthermore, the recent financial crisis showed the key role that deposit insurance schemes have in mitigating its effects. Once banks start falling, there is no place for the preventive role that is usually known as their main function. In some cases, they were also used as methods to attract funds, just like when coverage increases were announced in some European countries during the worst time of the crisis, which led to a new version of the regulatory arbitration. [1]

Although it may appear to be an a priori acceptable alternative, once the main conditions for the coming of a massive fall of financial institutions are under development, it may be risky to increase the coverage amount as it undermines the scheme supporting base, which consists of the funds accumulated in previous periods.

Anyway, as we can see in Table X, the practice during the recent crisis was to increase the coverage amount, even up to 100% of the deposits.

1 Actually, regulatory arbitration refers more to the design of financial regulation used in some countries to attract funds, as the case of "financial havens".

Table X – Deposit Insurance Coverage in selected countries

Country	Coverage Limit	Valid since	Comments and previous amounts
Belgium	EUR 40,000		Coverage of EUR 20,000 until such amount and an additional amount up to EUR 20,000
Bulgaria	EUR 100,000	December 31, 2010	Previous amount: EUR 51,129 (since April 15, 1998)
Czech Republic	EUR 50,000		Previously (since 2002), the insured amount was 90 % of deposits up to EUR 25,000; in 2008, it was increased to 100% of deposits up to EUR 50,000. Effective 2011, the limit was increased to EUR 100,000.
Denmark	DKK750,000	September 30, 2010	From October 5, 2008 to September 30, 2010 a governmental guarantee for the total of deposits was added.
Finland	EUR 100,000	1998	Increased from EUR 25,000 to EUR 50,000 on October 8, 2008 and to EUR 100,000 on January 1, 2011.
France	EUR 70,000		
Germany	EUR 50,000	July 2009	The 4 banking associations provide an additional voluntary guarantee apart from the official scheme. For instance, for BdB member banks, the protection ceiling is 30% of the bank capital. An unlimited state guarantee came into force between October 2008 and July 2009.
Greece	EUR 100,000	October 2008	It was 20,000 EUR, increased in October 2008
Ireland	Unlimitado	September 2008	
Italy	EUR 103,291.38	December 4, 1996	
Netherlands	EUR 100,000	October 7, 2008	Before October 7, 2008 coverage was 100% of first EUR 20,000, 90% of next EUR 20,000 (hence, a compensation of up to EUR 38,000). The new amount was valid until December 31, 2010
Poland	EUR 50,000(PLN 175,000)	October 2008	Amount raised from EUR 22,500
Portugal	EUR 100,000	November 2008	Amount raised from EUR 25,000
Slovakia	Unlimitado	November 1, 2008	
Slovenia	EUR 100.000	July 28, 2010	
Spain	EUR 100,000	1998	
Sweden	SEK 500,000	October 6, 2008	Amount raised from SEK 250,000
United Kingdom	GBP 50,000	October 7, 2008	Amount raised from GBP 35,000. Previously, coverage was 100% of the first GBP 20,000 and 90% between 20,000 and GBP 35,000
United States	Unlimited for cross-border accounts	December 31, 2010	Previously, coverage was USD 250,000 per depositor. New coverage is temporarily limited until December 31, 2012.

5. SEDESA in 2010

Seguro de Depósitos S.A. (SEDESA) is a private corporation organized in 1995 with the purpose of acting as trustee in relation to the Deposit Guarantee Fund (DGF). The Presidential Decree 540/95 created the Deposit Guarantee Fund in order to insure bank deposits. Its scope of action is set forth by such order and its subsequent amendments.

According to the regulations in force, the duties of SEDESA as trustee of the DGF are as follows:

1. To pay the insured deposit to depositors, when appropriate.

2. To make capital contributions, non-reimbursable contributions or loans to financial institutions:

- which are under a regularization and reorganization plan, in order to assist them with the compliance of such plan;

- which have acquired assets and have undertaken to pay the deposits of another institution that is subject to the system set forth in Section 35 bis of the Argentine Financial Institutions' Law (*Ley de Entidades Financieras*), when required to compensate the insufficiency of such assets with regards to the transferred deposits;

- which have taken over or acquired financial institutions under a regularization and reorganization plan.

3. To execute put option agreements with financial institutions that acquire assets and undertake to pay the deposits of other entities which are subject to the system set forth in section 35 bis of the Argentine Financial Institutions' Law, in favor of the acquiring institution over all or part of the transferred assets. This arrangement may consist in the creation of a trust fund.

4. To acquire deposits from suspended banks up to the amount of the guarantee, subrogating to the rights of the depositors (including the reimbursement of the amounts deposited in wages and salaries crediting accounts to their holders)

5. To undertake obligations chargeable to the DGF within the limitations duly established.

6. To carry out, maintain or finance swap programs with foreign banks with the purpose of contributing to the stability of the Argentine financial system, with prior consent by the Central Bank of Argentina and chargeable to the DGF.

5.1. DGF in 2010

The Deposit Guarantee Fund (DGF) was established by agreement executed on March 7, 1997, by and between the Central Bank of Argentina (B.C.R.A.), as Trustor, and Seguro de Depósitos S.A. (SEDESA), as Trustee.

According to section 1 of Presidential Decree 540/95, the purpose of the DGF is to cover banking deposits with the scopes established in such Decree. Notwithstanding the foregoing, the DGF can provide financial assistance as established in section 10 bis of Presidential Decree540/95 and amendments.

In order to fulfill its purpose, the DGF obtains resources from the monthly contributions made by the financial institutions under the terms, limits and conditions established by Presidential Decree 540/95 and its amendments, as well the supplementary regulations issued by the B.C.R.A.

By means of Communication “A” 4271 issued by B.C.R.A. on December 30, 2004, the monthly regular contribution made by the financial institutions has been established in 0.015% of the daily balance average of the deposits created in each institution, plus a varying additional contribution per institution that may reach a maximum of 0.015%.

5.2. Actions Undertaken

The fiscal year 2010 was characterized by a thorough revision of the applied policies and procedures in order to improve the efficiency and transparency of management. In addition, we have continued the task started during the fiscal year 2009, characterized by the gathering, classification and consolidation of the database where all the useful information is included.

In this regard, actions were taken for the implementation of the Quality Management System according to ISO 9001:2008 standards and the certification of the “MANAGEMENT PROCESS OF THE DEPOSIT GUARANTEE FUND AVAILABLE BALANCE.”

As stated below, we have successfully passed through a year which in terms of financial investments was characterized by low interest rates, obtaining results that have exceeded the benchmark used to measure financial results according to the established investment policy.

In addition, an internal organization scheme has been elaborated which, apart from consolidating the internal control environment, allowed to reduce executive positions without impairing the essential functions of this type of organization.

With regards to the liquidation of credit and non-credit assets recovered from Trusts where the DGF holds certificates of participation, we have partially gathered and consolidated essential information for the decision making process. We expect to finish this task during the second quarter of the fiscal year 2011. All these actions are taken with the aim of liquidating such assets definitively.

Quality Certification ISO 9001:2008

As mentioned above, the main purpose during the fiscal year 2010 was the quality certification of the Management Process of the DGF Available Balance, under ISO 9001:2008 standard. After a selection procedure, a specialized consulting service was hired for guidance and assistance throughout the different stages in the implementation of a Quality Management System.

These were the main tasks established to meet the requirements of the standard:

- Detailed survey of the process to be certified
- Definition of the quality policy
- Training of the staff involved
- Compliance with the mandatory procedures
- Creation of several task records
- Identification of parameters to be controlled
- Compliance with customer requirements
- Measurement of customer satisfaction
- Creation, follow-up and analysis of management indicators in every area

Then, a selection process was conducted to choose the entity in charge of certificating the Quality Management System and IRAM was selected.

On December 21, 2010, such organization conducted the pre-certification audit, described as Stage I, and the result was satisfactory as there were no “non-conformities” with regards to the provisions established by the ISO 9001:2008 standard.

Afterwards, the certification audit, Stage II, was arranged with the quality auditor (IRAM). On February 10, 2011, after the end of this balance sheet, the certification audit, Stage II, was conducted. This resulted in the certification of the "Management Process of the Deposit Guarantee Fund Available Balance."

The results are included in the final report of such audit. There is also a description of three strengths of the management system featured by its good operation and value with regards to the general performance, and five improvement opportunities as non mandatory recommendations, where the treatment and application are under the consideration of the audited organization (SEDESA).

It is important to highlight that the General Certification Committee of IRAM has granted the Quality Management System Certification of Seguro de Depósitos S.A. (SEDESA), as per the scope described above.

COMMUNICATION B.C.R.A. "A" 5170

SEDESA's technical department started a process to analyze the document named "Core Principles for Effective Deposit Insurance Systems", issued by the IADI (International Association of Deposit Insurers) and the Basel Committee on Banking Supervision.

Such document provides guidance for the implementation or reform of the Deposit Insurance System in each country, establishing among one of its core principles a believable coverage level that can be regularly updated according to the evolution of different factors, such as inflation, increase of actual income, creation of new financial instruments, and the way in which these factors impact on the composition and size of deposits.

It was then understood that the conditions of soundness of the financial system, the lack of need to change the rate in order to calculate the monthly contribution made by financial institutions, and the need to face difficulties for the application of the mechanisms established in Presidential Decree 540/95 were beneficial to review the guarantee amount in this opportunity.

Considering this and taking into account the evolution analysis of different economic and financial indicators of the economy in general, and the Deposit Guarantee Fund in particular since 1998, when established by Presidential Decree 1127/98, it was suggested to the Central Bank of Argentina (BCRA) to increase the guarantee limit in accordance with the provisions set forth in Section 13 of Presidential Decree 540/95 and amendments.

On January 11, 2011, the Board of Directors of the Central Bank of Argentina decided to increase the deposit guarantee amount to AR$ 120,000.

5.3.Financial statements

We hereby present some comments about the Financial Statements in order to analyze them in consideration of the economic and financial situation in our country and the rest of the world.

Accordingly, it is important to highlight the changes between 2009 and 2010, where the most remarkable feature with impact on the activities of the Deposit Guarantee Fund was the slow economic recovery in the developed regions, in comparison to the predictions made at the beginning of the year, and its consequence reflected in lower price increases of the financial assets in most of the global markets.

5.3.1. Assets

During 2010, the total assets of the DGF increased by AR$792.5 million as compared to the end of the previous fiscal year (an increase of 18.4%), with a rise of AR$750.6 million in current assets (equivalent to an increase of 18.7%) and AR$41.9 million in non-current assets (an increase of 15.2% during the year).

The main increases in Assets were those registered under current assets, particularly Cash and Banks with a rise of AR$436.5 million and investments with AR$327 million.

In Cash and Banks, the increase was focused on the foreign currency involved in swap transactions, related to the operations conducted by the DGF with the BCRA.

It is worth mentioning that under the provisions established in the agreement letters of the operations mentioned above, the income/loss from the delivered assets belongs to the DGF and the income/loss from the received assets belongs to the BCRA. In addition, the assets involved in the operations mentioned above will be returned to their original holders upon their expiration.

As of the issue date of the financial statements commented herein, swap transactions amount to AR$3,061,001,592. The securities underlying these operations are:

US Treasury Bonds: AR$1,057,932,508

OECD Countries Treasury Bonds: AR$478,762,337

US Agency Securities: AR$39,638,494

Supranationals: AR$1,451,543,305

5.3.2. Liabilities

The Liabilities of the DGF increased by AR$2.5 million as of the end of the fiscal year 2010. This rise was partially caused by professional fees accrued due to the highest portfolio recovery mentioned above.

5.3.3. Financial condition

As of the end of the fiscal year 2010, the Shareholders' Equity of the DGF amounted to AR$5,078,976,341 (an increase of AR$790,602,736). This rise was due to the contributions made by financial institutions, which amounted to AR$471,190,496 and due to the income derived from the DGF during the fiscal year for AR$319,412,240.

In this way, the Shareholders' Equity managed by the DGF had an increase of 20.1%.

5.3.4. Income

In a financial background marked by a new decrease in risk aversion of international investors, the financial assets continued recovering from the falls observed during the worst part of the international financial crisis 2007/2008, registering increases throughout all 2010.

In particular, the low rate policy in developed countries made investors more tolerant to risks, which means a higher demand of corporate assets and from emerging countries.

This was reflected in the income statement of the DGF due to the revaluation registered in the financial assets (AR$159,660,262 as of December 31, 2010) which contributed with almost half of the previous period income amounting to AR$292,233,826.

Although this income implied a decrease of about AR$132.57 million as compared to 2009, such fall was due to the financial background mentioned above, where the average revaluation of international private and public securities was lower in comparison to 2009.

Similar situations took place in the domestic markets as the fixed income increased about 50% in 2010, after prices doubled in 2009, according to MAE fixed income index, whereas Merval, which had risen 103% in 2009, increased 52% during this last year.

The above evaluation on the financial variables shows that the income from financial operations decreased as compared to the previous year, although levels were very high.

Another income statement item that showed a major difference from the previous year was the one derived from asset management. In this case, the income from credit collection-recovery was acquired mainly due to collection of credits that came into effect in 2009, where the collection of the Certificate of Participation Class B corresponding to former Mendoza Trust (for AR$10.3 million) stands out.

5.4. Audit by the Sindicatura General de la Nación (SIGEN – Supreme Audit Institution)

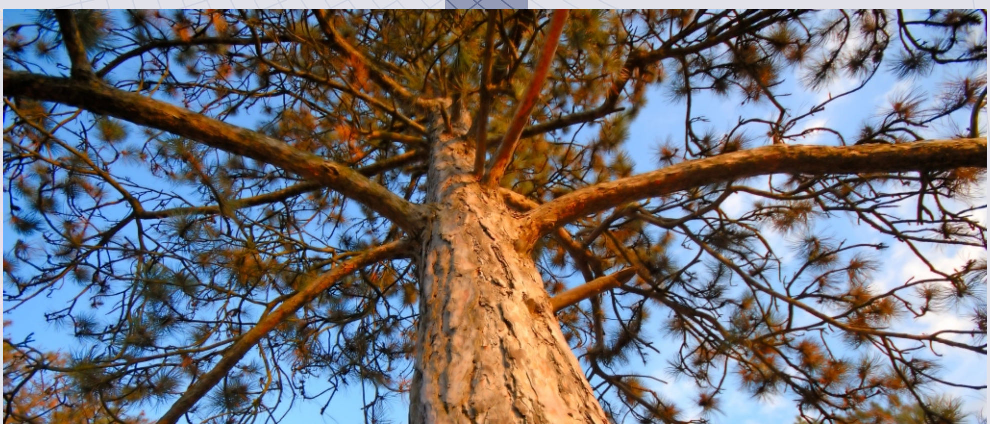
By request of the Company's Internal Comptrollers Committee, the Board of Directors decided to hire the SIGEN to audit SEDESA's management activities as trustee of the DGF between June 1, 2005, and May 31, 2009, regarding the recovery and sale of assets, including credits (judicial and extrajudicial), real state property, shares and public securities, control of trusts where the DGF was a beneficiary, and the information technology management.

Regarding findings and recommendations, the result of the requested audit generated different actions by SEDESA related to organization matters, such as changes in the executive structure, the renewal of some leading positions, and amendments to working plans and methods in order to achieve a more efficient management under a transparent and secure framework.

5.5. Analysis by Grant Thornton

In spite of the actions taken as a consequence of the suggestions made by the SIGEN and as such work was focused on auditing procedures related to the audited tasks, the Board of Directors requested the intervention of a consultancy firm so that it can conduct, as a third party, an audit tending to complete the analysis of the main observations made by the SIGEN in its final report in order to determine if there has been any financial loss in the DGF.

SEDESA conducted a concourse among leading companies for the audit requested by the Board of



Directors. Those consultancy forms that had rendered their services to the Company between June 2005 and May 31, 2009, were excluded from this concourse. After this process, the company Grant Thornton was appointed.

From the evaluation made by such consultancy firm, the following substantial paragraph shows an abstract from theit conclusions:

"*As a result of our work and the evaluation of the available supporting documents about the transactions made between June 1, 2005 and May 31, 2009, considering the effect of the limitations mentioned in the corresponding Sections of this report, it has not been possible to determine the existence of an objectively significant financial loss on the shareholders' equity of the Deposit Guarantee Fund (DGF) during the analyzed period.*"

5.6. About the Organization:

During the restructuring process as a consequence of the observations made by the SIGEN in the audit mentioned above, SEDESA's management structure has been amended.

In addition, we have established the Organization Manual – Expansion of Lower Structure and Definition of Missions and Functions. This did not change the current management structure, but included amendments in different levels, creating the IT Security Area and distributing functions considering SEDESA's objetctives, with the main purpose of developing activities through control methods between the participating areas by opposition of interests.

This change allows the Administration Management to support the most important management areas. Furthermore, the Resolutions and Recovery Management became in charge of controlling trusts and the non-credit assets disposal which had been recovered by SEDESA. In this way, the Administration Management supports the administration functions and controls the different executive positions and management areas by opposition of interests.

The IT Security Area has been created to guarantee the integrity and protection of the Company's "Information Asset" according to the best International practices about this issue.

Moreover, the "Regulatory Scheme Policy" has been approved. This document sets the regulatory framework, and the internal rules and procedures applied in the Company must be based on it. Considering this, the following documents were issued: "General Policy for System and IT Security Services" and "Quality Policy" (necessary to obtain a Quality Certification of the Management of the DGF Available Balance, according to ISO 9001:2008 standard); "Manual of Trust and Asset Management"; "Manual of Documentation Management"; "Issuance Procedure of Guarantee Releases"; "Investment Process"; "Quality Manual"; "Non Conformities – Corrective and Preventive Actions – Quality Management System"; "Internal Revisions – Quality Management System"; and "Control of Records – Quality Management System".

5.7.Operations:

Resolutions and Recovery Management

Credit Portfolios:

We approved the Portfolio Recovery Plan and Policies for the Recovery of Judicial and Extrajudicial Portfolios, which establish the procedure that must be followed until the credit assets of the DGF are effectively liquidated. We have improved and optimized our resources, as well as the control actions, the system and structure of information and management results, the control and follow-up of law firms, and the restructuration and reengineering of processes within the Resolutions and Recovery Management.

Throughout the year, we increased our control actions towards Law Firms and Collection Agencies. For such purpose, we provided an instruction guideline to Law Firms in order to improve the control of their management activities.

Important efforts have been made to restore and consolidate the existing database in order to centralize the information and avoid potential damages when liquidating the credit portfolio. For such purpose, we have reviewed the deeds of assignment and the filing information of judicial foreclosures, registered the expired pledges, identified and triggered recovery processes of credits selected but not yet assigned, and carried out actions to regulate pending assignments of guarantees related to assigned credits, among other actions.

Regarding property management and in order to record the income and outcome of real property acquired by SEDESA as Trustee of the DGF, the Resolutions and Recovery Management has created a Record where the following information is included: a) registration date; b) land and real property location data; c) origin portfolio; d) selection approval and transfer documents; and e) information and documents required for the transfer process.

In order to register all the property that can be transferred or that is under transfer process, the mentioned department established another record book that includes the following information: a) registration date; b) land and real property location data; c) information and documents evidencing the ownership status; d) information and documents approving the selection or origin; e) information and documents of the transfer; and f) documents evidencing the assignment of rights, if any.

Actions were taken to boost and carry out the recovery and transfer to SEDESA of the real property corresponding to BEO and BALCA portfolios, processes which were suspended, delayed or not commenced.

5.8.We have also continued reviewing the accounting of trusts in force and we can study now their evolution by means of the accounting records corresponding to DGF.

SEGURO DE DEPOSITOS SOCIEDAD ANONIMA

Financial statements for the fiscal years ended December 31, 2010 and 2009 and Reports from the Independent Auditors.

SEGURO DE DEPOSITOS SOCIEDAD ANONIMA

BALANCE SHEET

as of December 31, 2010 and 2009
(in Argentine pesos)

ASSETS	Dec. 31, 2010	Dec. 31, 2009
CURRENT ASSETS		
Cash and banks	6,292,193	57,575
Investments	7,630,846	13,473,996
Other receivables	379,480	398,919
Total current assets	**14,302,519**	**13,930,490**
NON-CURRENT ASSETS		
Investments	1,514,455	1,424,021
Other receivables	77,613	41,701
Fixed assets	281,512	360,411
Total non-current assets	**1,873,580**	**1,826,133**
Total Assets	**16,176,099**	**15,756,623**
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	-	12,488
Taxes payable	175,848	467,335
Social security charges payable	363,048	248,621
Total current liabilities	**538,896**	**728,444**
Total liabilities	**538,896**	**728,444**
SHAREHOLDERS' EQUITY		
(according to related statements)	**15,637,203**	**15,028,179**
Total Liabilities and Shareholders' Equity	**16,176,099**	**15,756,623**

INCOME STATEMENT
for the fiscal years ended December 31, 2010 and 2009
(in Argentine pesos)

	Dec. 31, 2010	Dec. 31, 2009
Administrative expenses	(478,057)	(336,284)
Plus:		
Expenses recovery	141,573	147,327
Financial and holding income from assets	1,272,811	2,535,136
Subtotal	936,327	2,346,179
Other net income	785	15,150
Net income (before income tax)	937,112	2,361,329
Income tax	(328,088)	(823,686)
Profit for the year	609,024	1,537,643

AUDIT REPORT

To the Chairman and Directors
SEGURO DE DEPÓSITOS S.A.
Legal address: 344 San Martin, 12th floor
City of Buenos Aires
C.U.I.T. No. 30-68241551-3

1. We conducted an examination of the balance sheet of SEGURO DE DEPÓSITOS S.A. as at December 31, 2010, and the related statements of income, changes in net worth and cash flows for the fiscal year then ended, and notes 1 to 10 and Annexes I to IV, which complete the above mentioned. The preparation of the financial statements is the responsibility of the Company. Our responsibility is to express an opinion on such financial statements, based on our audit task.

2. Our examination was conducted 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 and to form an opinion on the reasonableness of the relevant information contained in the financial statements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Company, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

3. The Balances as at December 31, 2009 as outlined in the financial statements for comparative purposes, were audited by another auditor, who issued their report dated April 16, 2010 without qualifications.

4. In our opinion the financial statements of SEGURO DE DEPÓSITOS S.A. present fairly, in all material aspects, its financial position at December 31, 2010 and the results of its operations, changes in changes in net worth and cash flows for the year ended on that date in accordance with auditing standards in force in the Autonomous City of Buenos Aires.

5. In compliance with current regulations, we inform that:

a. the financial statements of SEGURO DE DEPÓSITOS S.A. arise from accounting records kept in all material aspects in compliance with legal requirements;

b. as at December 31, 2010, the liabilities accrued in favor of the Integrated Argentine Pension System arising from the accounting records amounted to $ 289,882.70, not yet due at that date.

c. we have performed the procedures on money laundering and terrorist financing prevention under the relevant professional standards issued by the Professional Council of Economic Sciences of the Autonomous City of Buenos Aires.

Autonomous City of Buenos Aires,
March 31, 2011

PRICE WATERHOUSE &CO S.R.L.
C.P.C.E.C.A.B.A. T°1 F°17
Dra. Teresita M. Amor
Contador Público (UBA)
Tomo 145 - Folio 150
C.P.C.E. Ciudad Autónoma de Buenos Aires

FONDO DE GARANTIA DE LOS DEPOSITOS

as of December 31, 2010 and 2009
(in Argentine pesos)

DEPOSIT GUARANTEE FUND

Trust arising from the Trust Agreement entered into on March 7, 1997, by and between the Central Bank of Argentina (BCRA), as trustor, and Seguro de Depósitos S.A., as trustee.

Balance Sheet for the fiscal years ended December 31, 2010 and 2009 and Reports from the Independent Auditors.

DEPOSIT GUARANTEE FUND
TRUST BALANCE SHEET
as of December 31, 2010 and 2009
(in Argentine pesos)

	Dec.31, 2010	Dec.31, 2009
ASSETS		
CURRENT ASSETS		
Cash and Banks	3,085,027,056	2,648,592,053
Investments	1,675,244,640	1,348,265,904
Receivables	6,762,625	18,800,682
Assets under Financial Leasing	62,287	75,641
Other Receivables	617,614	557,338
Other Assets	1,240,041	2,104,412
Total Current Assets	**4,768,954,263**	**4,018,396,030**
NON-CURRENT ASSETS		
Investments	132,337,004	127,616,927
Receivables	183,232,880	145,812,801
Assets under financial leasing	485,317	547,055
Other assets	1,321,931	1,503,532
Total Non-Current Assets	**317,377,132**	**275,480,315**
Total Assets	**5,086,331,395**	**4,293,876,345**
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	5,907,307	3,938,679
Other liabilities	927,024	1,564,061
Total Current Liabilities	**6,834,331**	**5,502,740**
Total Liabilities	**6,834,331**	**5,502,740**
SHAREHOLDERS' EQUITY (according to related statements)	**5,079,497,064**	**4,288,373,605**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**5,086,331,395**	**4,293,876,345**

DEPOSIT GUARANTEE FUND
TRUST BALANCE SHEET
as of December 31, 2010 and 2009
(in Argentine pesos)

	Dec.31, 2010	Dec.31, 2009
INCOME FROM FINANCIAL INVESTMENTS		
Financial income from investments	120,592,845	172,255,669
Exchange rate difference	159,660,262	292,233,826
Income (loss) from holding of securities	-	(112,335)
Income from secured loans	155,754	223,333
Subtotal income from financial investments	280,408,861	464,600,493
Minus:		
Investment management and custody fee	(991,501)	(650,624)
Total income from financial investments	279,417,360	463,949,869
NET INCOME FROM APPLICATION OF DEPOSIT INSURANCE GUARANTEES:		
Income (loss) from paid deposit insurance guarantees	(2,792,887)	395,733
Total income (loss) from paid deposit insurance guarantees	(2,792,887)	395,733
INCOME FROM ASSISTANCE TO FINANCIAL INSTITUTIONS:		
Interest on granted loans	4,480,524	4,539,911
Decrease of provisions on loans with cancellation option with public bonds under guarantee	45,301,434	46,024,313
Dividends	1,900,000	-
Income from sale of preferred stock	3,027,458	3,018,495
Total income from assistance to financial institutions	54,709,416	53,582,719
INCOME FROM ASSET MANAGEMENT:		
Income from collection-recovery of assigned receivables, net of related expenses	4,498,959	12,490,134
Increase (decrease) of provisions on loan portfolio	(581,694)	(263,290)
Income from recovery of financial trusts, net of related expenses	3,814,144	19,864,371
Recovery of credit assets	(746,074)	13,500,000
Income (loss) from fixed asset management	(101,399)	9,304
Income from other asset management	77,812	424,406
Total income from asset management	6,961,748	46,024,925
ADMINISTRATIVE EXPENSES	(18,662,609)	(13,894,528)
OTHER NET EXPENSES AND INCOME	299,935	(560,788)
Profit for the year	319,932,963	549,497,930

Audit Report

To the Chairman and Directors
SEGURO DE DEPÓSITOS S.A.
(As trustee of the Deposit Guarantee Fund, CUIT N ° 30-70812286-2)
Legal address: 344 San Martin, 12th floor
City of Buenos Aires

1. We conducted an examination of the balance sheet of DEPOSIT GUARANTEE FUND as at December 31, 2010, and the related statements of trust profit and loss, changes in the shareholder's equity and cash flows for the fiscal year then ended, and notes 1 to 9 and Annexes I to IV, which complete the above mentioned. The preparation of the trust balance sheet is the responsibility of the SEGURO DE DEPÓSITOS S.A. as trustee of the DEPOSIT GUARANTEE FUND. Our responsibility is to express an opinion on such trust balance sheet, based on our audit task.

2. Our examination was conducted 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 and to form an opinion on the reasonableness of the relevant information contained in the financial statements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Company, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

3. The Balances as at December 31, 2009 as outlined in the financial statements for comparative purposes, were audited by another auditor, who issued their report dated April 16, 2010 without qualifications.

4. In our opinion the trust balance sheet of the DEPOSIT GUARANTEE FUND presents fairly, in all material aspects, its financial position at December 31, 2010 and the results of its operations, changes in changes in the shareholder's equity and cash flows for the year ended on that date in accordance with auditing standards in force in the Autonomous City of Buenos Aires.

5. In compliance with current regulations, we inform that:

   a) the trust balance sheet of the DEPOSIT GUARANTEE FUND arise from accounting records kept in all material aspects in compliance with legal requirements;

   b) as at December 31, 2010, there are no liabilities accrued in favor of the Integrated Argentine Pension System arising from the accounting records at that date.

   c) we have performed the procedures on money laundering and terrorist financing prevention under the relevant professional standards issued by the Professional Council of Economic Sciences of the Autonomous City of Buenos Aires.

Autonomous City of Buenos Aires,
March 31, 2011

PRICE WATERHOUSE &CO S.R.L.
C.P.C.E.C.A.B.A. T°1 F°17
Dra. Teresita M. Amor
Contador Público (UBA)
Tomo 145 - Folio 150
C.P.C.E. Ciudad Autónoma de Buenos Aires

15 AÑOS

SEDESA

SEGURO DE DEPÓSITOS S.A.

344 San Martín street, 12th floor - (C1004AAH) - City of Buenos Aires - Argentina
Phone: (+54-11) 4131-2800 - Fax: (+54-11) 4131-2801
sedesa@sedesa.com.ar
www.sedesa.com.ar