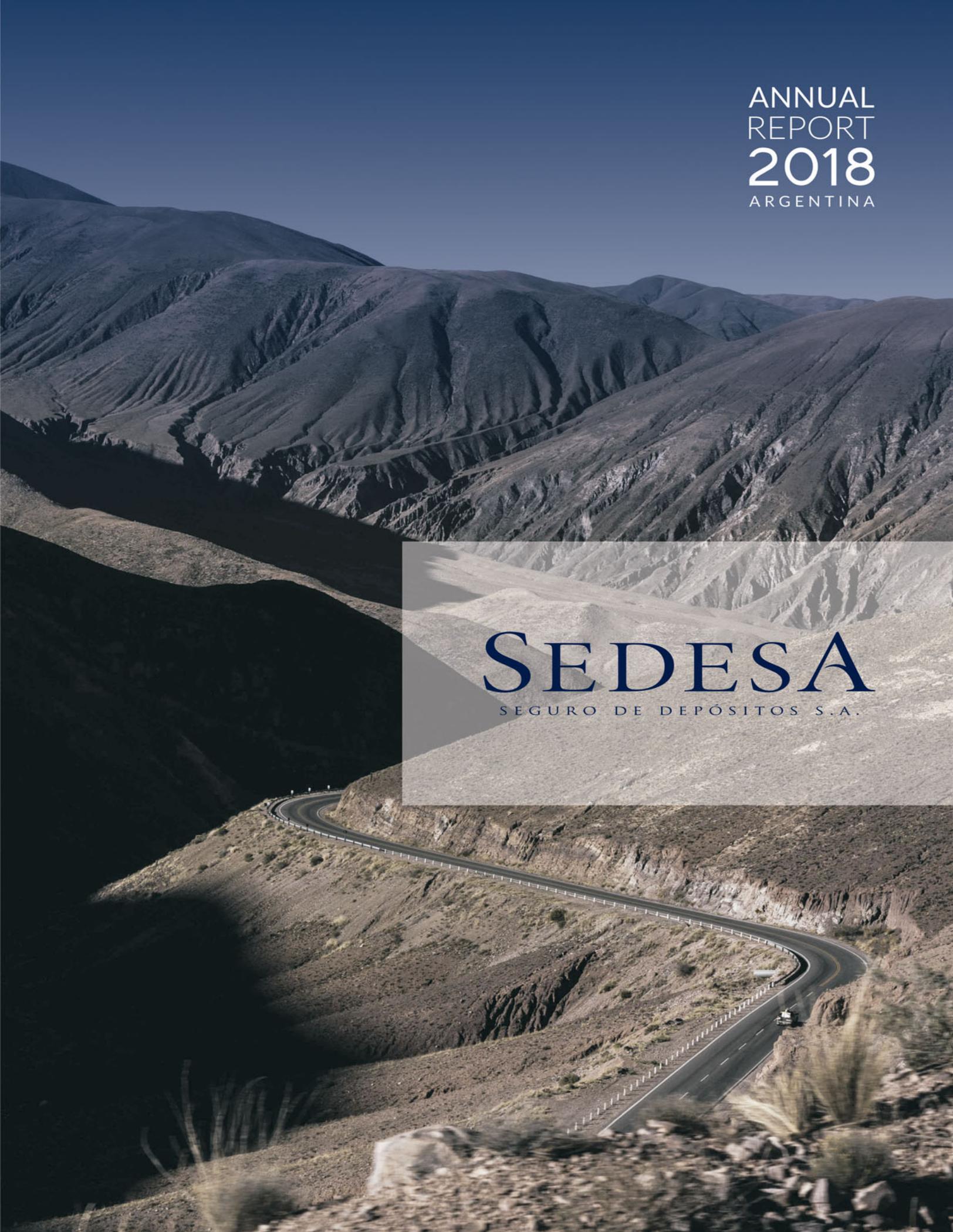


ANNUAL
REPORT
2018
ARGENTINA



SEDESA
SEGURO DE DEPÓSITOS S.A.

**ANNUAL REPORT AND BALANCE SHEET OF SEGURO DE DEPÓSITOS S.A.
AS OF DECEMBER 31, 2018**

SEDESA
SEGURO DE DEPÓSITOS S.A.

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Augusto Ardiles

MESSAGE FROM THE CHAIRMAN

It is my pleasure, as Chairman of the Board of Directors, to submit the Annual Report and Financial Statements of Seguro de Depósitos S.A. (SEDESA) and the Deposit Guarantee Fund (DGF) that describe a summary of the activities developed, the improvements obtained and the aims reached by the Company during the fiscal year ended as of December 31, 2018.

As a deposit insurer, we conduct an important role as part of the Financial Safety Net and contribute to the stability of the Argentine Financial System.

We are proud to continue strengthening and enhancing the net worth of the Deposit Guarantee Fund and keeping an investment strategy that ensures the capital preservation together with an adequate profitability of the investments that allow complying with our role as trustees of the fund.

In the performance of its duties and pursuant to the goals set by the current rules, SEDESA participated in the restructuring process of Banco Finansur S.A. established by the Central Bank of Argentina (BCRA) under resolution No. 84 dated March 8, 2018. In this context and according to the decision of the Executive Committee of the DGF pursuant to Minutes No. 91 dated March 9, 2018 acquired a participation certificate issued by Findesur Trust for the amount of ARS 150,000,000.

Since 2011, SEDESA adopted a continuous improvement policy which results were reflected in an optimization of the internal processes of the company and of a higher efficiency based on the training and professionalization of our collaborators.

The certification of the processes of Quality Management System under the new ISO 9001:2015 standards for the “Administration of the Available Balance of the Deposit Guarantee Fund” and the “Realization and sale of real estate to integrate the available balance of the Deposit Guarantee Fund” has been maintained. Moreover, in furtherance of the goals set for the future years and in line with the continuous improvement process, a new technological management system is being implemented.

SEDESA continues being recognized and showing an active participation in the activities conducted by the International Association of Deposit Insurance (IADI), undertaking to adopt the best practices and being placed as a referent in relation to the Deposit Insurance.

Finally, on behalf of the Board of Directors, I would like to thank the Central Bank of Argentina, Caja de Valores S.A. and the Financial Institutions of our banking system for all the support provided; and I am especially grateful to all of our collaborators, engaged in every activity of this Company, for their commitments and professionalism that have helped us in achieving the goals established for the ended fiscal year.

HUGO L. SECONDINI
Chairman
SEDESA

1. Economic Context. General Provisions.

The year 2018 was mainly characterized by the weakening of the economy's expansion, mainly explained by the increase of the commercial tensions at an international level and by idiosyncratic factors in different countries.

At the beginning of the period, the International Monetary Fund (IMF) has planned a 3.9%- increase of the global product for 2018; and after the year-end it was expected to be of about 3.7%. Such decrease was originated by the increase of the commercial fees and also due to more restrictive financial conditions.

1.1 Advanced Economies.

The United States (U.S.A.) continued with the constant observation of the monetary policy upon the positive evolution of the main economic variables and the approach to the policy targets set forth by the Federal Reserve System (FRS).

The evolution of the North-American labor market as well as the recorded level of inflation showed a favorable evolution. The negative evolution of the prices of the commodities in general, and mainly the ones of the petroleum, towards the year-end led to an increase in the uncertainty on the future adjustment of the reference interest rate established by the FRS. Punctually, and according to what was expected at the beginning of the year, during 2018 there were four increases of 25 basic points in the reference rate reaching 2.50% in the last meeting of the year. Furthermore, on such meeting, the monetary committee expressed the continuity of its policy plan and reduced from 3 to 2 the estimations of the rates' additional growths for 2019.

In the European Union, one significant event was the end, in last December, of the program of purchase of assets conducted by the European Central Bank (ECB). However, such institution informed that the monetary policy shall continue being flexible; and therefore contributing with the reduction of the yield of the sovereign instruments. The main economies of such block trade have, in general, a decrease in its internal demand as from the local conditions that acted together with the fears for the commercial dispute between USA and China. The devaluation of the currencies as to the US dollar affected the behavior of the markets of the Eurozone's main economies.

In other advanced economies (Canada, Japan and others) there were also increases in the prices lower than the ones initially expected.

1.2 Emerging and Developing Economies.

The evolution of the Chinese economy was one of the main concerns for the evolution of the global product in general; and for the emerging and developing economies in particular. Even though the performance in such country, after the annual closing, was believed to be in accordance with the one initially expected, the projections for 2019 indicated a higher slowdown of the increase, as a result of the strengthening of the financial regulations and commercial tensions.

Besides, the Indian economy as well as other Asian economies presented, in general, a contribution to the global product lower than the one planned at the beginning of 2018. It was expected that for 2019 the growth would continue decreasing in most of them.

The Commonwealth of Independent States (CIS)¹, and its area of influence, was affected by the petroleum's price; and therefore, it was expected that its contribution to the growth of the global product continues decreasing.

Latin America also contributed with the global slowdown, mainly as from own issues of many of its economies. However, it was expected that the region would increase its expansion level in 2019.

¹ Commonwealth of Independent States (CIS): Azerbaijan, Russia, Armenia, Belorussia, Kazakhstan, Kirghizstan, Tajikistan, Moldavia and Ukraine.

2. The Argentine Economy.

Prior to the commencement of 2018, the external front represented one of the main risks of the local economy as from the need of financing of the national accounts' deficit. The closing of the loans in foreign markets, as from a new global context where the capital flows towards emerging markets were restrained, after an important sovereign debt's placement on the first month of the year and after a drought that generated important losses in the gross harvest, changed the local scenario through a current account and a capital account with the pertinent effects in the exchange value of the domestic currency.

The capital outflow, the greatest financial restrictions and the exchange instability encouraged the economic authorities to enter into a Stand-By agreement with the IMF in June that would be later amended in October. This last agreement, for almost USD 57,000 million, established as tax compensation, the purpose of reaching a zero primary deficit for 2019. In turn, it also included the change of the monetary rules, leaving the inflation targets aside to have a control scheme of monetary aggregates, with a monetary monthly target complemented with the delimitation of a zone of non-intervention in the foreign exchange market.

It is worth mentioning that during the year and within the events described hereinbefore, the National Government unified the economic development in a New Ministry of Treasury while there was a change in the authorities of the (BCRA).

In 2018, there were different dynamics: firstly there was a growth in the level of activities, the disinflation and an increase in the current account's deficit; and secondly there were the exchange instability and the shock. Finally, there was the stability in a context with a decrease in the level of the activities, the adjustment of the external sector and the inflation's acceleration. Far from the initial prediction, where most of the analysts estimated a product's increase, the economy would close the year with a reduction of the Gross Domestic Product (GDP).

The public accounts ended the year with a primary deficit of 2.4% of the GDP, in accordance with the tax targets involved in the agreement with the IMF. Besides, the financial deficit decreased to 5.2% of the GDP towards the 6% of the GDP in 2017.

During the year, the exchange rate against the US dollar increased 102% on nominal terms approximately. Regarding the bilateral real exchange rate with the United States and the multilateral one showed, according to the index of the BCRA, an increase of 39.5% and 29.3% respectively.

The financial system was not the exception. It was conditioned by the occurred changes. During the first part of the year, there was an increase in the financial intermediation and, during the second part of the year, there was a significant loan's reduction towards fixed term deposits in Argentine pesos that had been increasing on the last months due to a growth on the interest rates, the stabilization of the exchange rate and the end of the Bills' issuance by the BCRA.

On the year, the deposits of the private sector in local currency represented a nominal interannual increase (i.a.) of 41.1% divided in a 63.2%-increase i.a. on term placements and 23.3% i.a. on transactional deposits. Loans in local currency increased 17% i.a. In turn, deposits in Argentine pesos of the private sector increased 9.7% on a year-to-year basis and deposits in US dollars increased 3.6% i.a.

The Index of Consumer Prices (National ICP) registered an increase of 47.6% upon a related prices correction process that remained with a decrease in the real remuneration and retirement and pension benefits. These benefits were adjusted by law with delay. Pursuant to the last available information, when drafting this Report, the unemployment rate was 9%, increasing 0.7 points as to the same period of the previous year.

3. Seguro de Depósitos S.A. (SEDESA)

Seguro de Depósitos S.A. (SEDESA) is a corporation (*Sociedad Anónima*) organized in 1995 with the purpose of acting as trustee of the Deposit Guarantee Fund (DGF).

The Executive Order 540/95 created the Deposit Guarantee Fund to guarantee bank deposits with the scope of action set forth in such order and its subsequent amendments.

According to the regulations in force, SEDESA's obligations as trustee of the DGF are:

1. To pay the guaranteed amount to depositors, where applicable.
2. To make capital contributions and non-reimbursable contributions or grant loans to financial institutions that:
 - are under a regularization and reorganization plan to support the compliance thereof;
 - have acquired assets and 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*) where applicable to compensate insufficiency of such assets regarding the transferred deposits;
 - have taken over or acquired financial institutions under a regularization and reorganization plan.
3. To execute a put option agreement with financial institutions that acquire assets and undertake to pay the deposits of an institution subject to the provisions set forth in Section 35 bis of the Argentine Financial Institutions Law for the benefit of the acquiring institution over all or part of the transferred assets. This arrangement may consist in the creation of a trust.
4. To acquire deposits from suspended banks up to the amount of the guarantee, subrogating to the rights of the depositors (including the reimbursement to the holders of the amounts deposited in wages and salaries crediting accounts).
5. To undertake obligations chargeable to the DGF within the limitations timely established.
6. To carry out, maintain or finance REPO programs with foreign banks for the stability of the Argentine financial system, with the prior consent of the Central Bank of Argentina and chargeable to the DGF.

4. Actions undertaken

4.1. Deposit Guarantee Fund (DGF)

Pursuant to Section 1, Executive Order 540/95, the purpose of the Deposit Guarantee Fund (DGF) is to cover bank deposits within the scope set forth thereon. Notwithstanding the foregoing, the DGF may provide the financial assistance listed in Section 10 bis of Executive Order 540/95 and its amendments.

To accomplish its purpose, the DGF obtained its recourses from the monthly contributions made in cash by the financial institutions under the terms, limits and conditions set forth in Executive Order 540/95 and its amendments and in accordance with the supplementary regulations issued by the BCRA.

The applicable Communication "A" 5943 issued by the BCRA provided that the institutions included in the Argentine Financial Institutions Law shall make common contributions to the Deposit Guarantee Fund (DGF) of 0.015% of the monthly average of the daily balances of the items listed in point 5.1, registered in the second preceding month.

Moreover, pursuant to the provisions of the mentioned regulation, in 2018, the limit of the deposits' guarantee amounted to ARS 450,000.

After the year-end, the limit of the deposits' guarantee was extended to ARS 1,000,000 as from March 1, 2019 according to Communication "A" 6654 issued by the BCRA on February 28, 2018.

Regarding the administration of the Deposit Guarantee Fund's investments made in 2018, it was affected as from a change in the point of view regarding the global growth, due to an increase in the commercial tensions between USA and China, the reversion of international financial flows from emerging markets and, in particular, due to the relevant changes in the local stage. The available balance as of December 31, 2018 amounted to ARS 105,221 million nominal value.

At the year-end the proportion of the securities invested in US dollars was 81.63% of the portfolio of the DGF, while at the end of 2017 it had been of 61,33%. Considering in particular the investments made in US Treasury, they relatively increased when turning from 42.13% to 53.24% of the investment portfolio, for the same period.

On the other hand, as of December 31, 2018 the 13.66% of the complete DGF portfolio was invested in BILLS of the NATIONAL TREASURY (LECAP) and 4.69% in Dual currency Argentine Bonds, totalizing in 18.37% the investments made in Argentine pesos.

Therefore, the result of the investments made during the Fiscal Year 2018 amounted to ARS 44,984 million nominal value, of which 15.28% (ARS 6,873 million nominal value) represented investments in Argentine pesos and 84.72% (ARS 38,111 million nominal value) showed investments made in US dollars. Moreover, in point 5.2 of this Annual Report the Financial Statements of the Deposit Guarantee Fund adjusted by inflation are described.

4.2 Assurances Rendered.

On March 8, 2018 the Central Bank of the Republic of Argentina, according to Resolution No. 84, stated in the restructuring of Banco Finansur S.A. (Section 35 bis - Law on Financial Institutions), among others, to: "1) authorize the creation of the Trust set forth in the offer timely submitted by Banco de Galicia y Buenos Aires S.A., with all the assets of Banco Finansur S.A. detailed in the inventories filed by the authorities of such institution to the BCRA, considering the variations registered as of that date; 2) establish the exclusion of the privileged liabilities of Banco Finansur S.A., under Section 35 bis, part II, subsection b) of the Law on Financial Institutions, considering the variations registered up to the date hereof, authorizing the transfer to Banco de Galicia y Buenos Aires S.A.; 3) state, pursuant to the provisions of Section 35 bis, part II, subsection a) of the Law on Financial Institutions, the exclusion of the privileged assets existing in Banco Finansur S.A. as of that date, net of labor credits, of the Representative Value of the debt and the Participation Certificate to be issued pursuant to the trust to be created in accordance with the offer submitted by Banco de Galicia y Buenos Aires S.A. for a total nominal value that may exceed the amount of the preferred deposits excluded as of such date, after paying the labor liabilities with such assets; 4) authorize the transfer of the excluded assets in favor of Banco de Galicia y Buenos Aires S.A., pursuant to the provisions stated on the abovementioned offer."

The Central Bank of Argentina ordered to communicate the mentioned resolution to SEDESA whenever the offer submitted by Banco de Galicia y Buenos Aires S.A. considered a contribution of the DGF.

In compliance with the provisions of Section 10 bis, subsection f), 2nd paragraph of Executive Order 540/95, the Executive Committee of the Deposit Guarantee Fund met on March 9, 2018 (Minutes No. 91) and decided to authorize and instruct SEDESA to conduct, with the resources of the DGF, a transaction according to Section 10, subsection C) of the Executive Order No. 540/95 and its amendments, for up to the amount of one hundred

and fifty million Argentine pesos (ARS 150,000,000) for the acquisition of the excluded Participation Certificate pursuant to Resolution No. 84.

Therefore, SEDESA's Board of Directors in the meeting held on March 9, 2018 (Minutes No. 776) was aware of the decision of the DGF's Executive Committee, approved the following actions and stated: "a) prior to the disbursement of the ARS 150,000,000 for the acquisition of certificate and according to the mentioned resolution of the BCRA, the trust agreement between Banco Finansur S.A., the Trustee "TMF" and Banco de Galicia y Buenos Aires S.A. should be entered into; b) the trustee should issue the Debt Representative Value and Participation Certificate to Banco de Galicia y Buenos Aires S.A.; c) Banco de Galicia y Buenos Aires S.A. should assume the privileged liabilities which transfer was approved by Resolution No. 84 of the BCRA; and d) finally, the Participation Certificate Transfer Agreement between Banco de Galicia y Buenos Aires S.A. and SEDESA should be entered into".

Later, at the meeting held on March 14, 2018 (Minutes No. 777), SEDESA's Board of Directors approved the sample offer letter of acquisition of Findesur Trust's Participation Certificate, excluded from the assets of Banco Finansur S.A., and empowered the Chief Executive Officer and the Legal Manager to execute the pertinent instruments and timely pay the amount of ARS 150,000,000 in compliance with the decisions adopted by the Executive Committee of the DGF.

Consequently, on the same date, SEDESA signed the irrevocable offer of acquisition of Findesur Trust's Participation Certificate for a nominal value of one hundred and fifty million Argentine pesos (ARS 150,000,000), accepted by Banco de Galicia y Buenos Aires S.A., and the disbursement was made on March 21, 2018.

4.3. International Representation

In 2018 SEDESA, as full member of the International Association of Deposit Insurers (IADI), had maintained its active participation in the Association and many activities organized by it.

Therefore, members of SEDESA participated in the "3rd Americas' Deposit Insurance Forum" held in the city of Mexico. Members of the regional committees of North America, Latin America and the Caribbean (RCNA, CRAL and CRC) of IADI and representatives of entities related to IADI, authorities of *Comisión Nacional Bancaria y de Valores* (Mexican National Banking and Securities Commission), the Spanish Executive Resolution Authority (FROB) and financial consultants had also participated therein.

In the mentioned event, Dr. Alejandro López, SEDESA's Chief Executive Officer participated as speaker on the "Case of Study on Bank Resolutions", on which the case of Banco Finansur was presented.

Finally, it is worth mentioning that the Chief Executive Officer is member of the Executive Council (EXCO) of IADI and has presided over the Latin-American Regional Committee (LARC).

4.4. Certification of the Quality Management System (QMS) and Regulatory Framework

The Board of Directors established as a purpose for 2018 to continue consolidating the current processes developed in the framework of the QUALITY MANAGEMENT SYSTEM (QMS) under the ISO 9001:2015 standards.

Consequently, in December, IRAM conducted a follow-up audit of the certification of the QUALITY MANAGEMENT SYSTEM (QMS) under the ISO 9001:2015 standards which scope was the "Administration of the Available Balance of the Deposit Guarantee Fund" and the first follow-up audit, under the same standards, of the QUALITY MANAGEMENT SYSTEM (QMS) which scope was the "Realization and sale of real state to integrate the available balance of the Deposit Guarantee Fund", applicable to the current certificates.

The audits finished successfully and the auditors recommended IRAM's Technical Committee of the Division of Management Quality System Certification to keep both certifications to each process of the Quality Management Systems.

During this fiscal year, SEDESA continued with the activities as well as the design, development, drafting, approval and implementation of the Company's Regulatory Framework to increase its efficiency.

Therefore, there were updates of several documents on policies, procedures and regulations of the Regulatory Framework of the Company. The documentation's renewal and modernization included: the Organizational Structure Policy, the Regulation of Operative Positions' Profile, the Quality Manual for the Process of Real Estate Sale, the Rules on Real Estate Sale, the Process of Real Estate Sale, the Deposit Guarantee Fund Investments Policy, the Current Opposing Parties List, the Replacement Chart Regulation, Rules of Missions and Functions – Prevention of Asset Laundering and Terrorism Financing and its pertinent process.

4.5. Asset Management.

In relation to the Management of Credits and in view of the seniority of the portfolio, the actions of recovery of credits, with more probability of being collected, had priority during this fiscal year.

Regarding the Management of Real Property, the actions to encourage and materialize the recovery and transfer for the benefit of SEDESA of certain residual assets continued, in order to enable the disposal and sale thereof, pursuant to the current policy and regulations included in the QUALITY MANAGEMENT SYSTEM (QMS) under ISO 9001:2015 standards which scope was the “Realization and sale of real estate to integrate the available balance of the Deposit Guarantee Fund”.

4.6. Information Management.

In line with the continual improvement process, SEDESA’s Board of Directors timely approved the acquisition of a new business management system, *SAP Business One*, that would replace the current accounting system TANGO GESTION, considering not only the current needs of SEDESA but also the potentiality of these tools that may be essential for the efficient management of future situations arising from a deposit insurer’s activities.

The survey process for this solution ended in December 2018 with the execution of the Blue Print’s project. This solution was expected to be implemented in 2019.

5. Financial Statements.

5.1 Financial Statements of SEDESA.

The financial statements as of December 31, 2018 had been adjusted to be stated in purchasing power currency of such date according to the Argentine Companies' Registration and Control Office (IGJ) and the regulations issued in particular by the F.A.C.P.C.E. and adopted by C.P.C:E.C:A.B.A.

According to Sections 306 and 307 of Resolution No. 7/2015 of the Argentine Companies' Registration and Control Office (IGJ), it is hereinafter stated a summary of the financial position, income statements and the sources and application of SEDESA's funds:

BALANCE SHEET	<u>12/31/2018</u>	<u>12/31/2017</u>
	\$	\$
CURRENT ASSETS	32,978,003	36,151,047
NON CURRENT ASSETS	75,834,558	77,429,443
TOTAL ASSETS	<u>108,812,561</u>	<u>113,580,490</u>
CURRENT LIABILITIES	24,806,995	28,102,710
TOTAL LIABILITIES	24,806,995	28,102,710
NET WORTH	<u>84,005,566</u>	<u>85,477,780</u>
TOTAL LIABILITIES PLUS NET WORTH	<u>108,812,561</u>	<u>113,580,490</u>
INCOME STATEMENT		
ORDINARY OPERATING INCOME	(121,292)	(117,432)
FINANCING AND HOLDING INCOME	170,510	(699,315)
OTHER INCOME AND EXPENSES	-	-
ORDINARY NET INCOME	49,218	(816,747)
EXTRAORDINARY INCOME	-	-
SUBTOTAL	49,218	(816,747)
INCOME TAX	<u>(1,521,432)</u>	<u>(781,376)</u>
NET INCOME	<u>(1,472,214)</u>	<u>(1,598,123)</u>

STATEMENT OF CASH FLOW

	<u>12/31/2018</u>	<u>12/31/2017</u>
	\$	\$
Funds arising from (applicable to) operating activities	3,860,926	9,213,488
Funds arising from (applicable to) investment activities	(7,983,570)	(2,333,027)
Funds arising from financing activities	(4,330,676)	(2,484,435)
Total funds generated (applied) during the fiscal year	<u>(8,453,320)</u>	<u>4,396,026</u>

Moreover, pursuant to Section 307, subsection 4 of the abovementioned resolution, the following indexes were evidenced:

	Year 2018	Year 2017
Current Liquidity (Current Assets/Current Liabilities)	1.33	1.29
Solvency (Net Worth/Total Liabilities)	3.39	3.04
Fixed Capital Stock (Total Assets/Non-Current Assets)	69.69%	68.17%
Profitability (Income for the Fiscal Year/Net Worth)	-1.75%	-1.87%

Regarding the analysis of the main items of the Financial Statements of SEDESA, there had been an increase of ARS 2,179 thousand in investments, mainly due to the acquisition of the National Treasury Bills in foreign currency.

The variation of the non-current assets was mainly due to the amortization of the fixed assets by ARS 2,201 thousand and the activation of licenses and development costs of new software made by third parties for ARS 605 thousand.

In relation to the current liabilities, the reduction was caused by the decrease in “Accounts Payable” due to the debt that SEDESA maintained with the DGF for the transfer of funds to bear the necessary expenses for the Company’s operation.

As regards the income statements, it is worth mentioning the impact in the Company’s financial statements of the adjustment’s reestablishment due to accounting inflation. In fact, under nominal terms, the income amounted to ARS 2,094 thousand. However, and due to inflation on the monetary assets and liabilities of the Company, such income was substantially reduced providing a profit, before income tax, of ARS 49 thousand. Such profit turned into a final loss of ARS 1,472 thousand due to the tax burden.

Regarding the operative results, improvement as to the previous year derived from the profits obtained for the rent to the DGF of the premises located in San Martin 344, 12th floor and a better financial result due to the investment in foreign-currency assets.

Therefore, SEDESA’s Net Worth as of December 31, 2018 amounted to ARS 84,005,566 and included the following items:

	ARS
Capital	1,000,000
Capital Adjustment	23,580,645

Legal Reserve	809,934
Optional Reserve	82,154,055
Unallocated Income	<u>(23,539,068)</u>
Total	<u><u>84,005,566</u></u>

5.2 Financial Statements of the Deposit Guarantee Fund (DGF).

The following information on the Financial Statements of the DGF was drafted in order to provide a framework for the understanding thereof in view of the local and foreign economic and financial situation.

The Argentine economic situation for 2018 was positive for the first trimester as a consequence of the previous year's situation and negative for the last three trimesters mainly affected by the drought, the exchange crisis as of the end of April and the new monetary policy to reduce inflation. The policies implemented by the government during the last trimester of 2018 could stabilize the economic and financial variables. This tendency was expected to be consolidated in the first part of 2019.

Besides, the administration of the Deposit Guarantee Fund (DGF) remained being oriented to an improvement of its balance's structure, reducing the illiquid assets (mainly the credit portfolio) and performing financial operations that would reconcile positive yields with low risk profile, to comply with the original purpose of the DGF.

In such context, the trust financial statements as of December 31, 2018 had been adjusted so that they could be stated in purchasing power currency of such date, pursuant to the regulations issued in such regard by the F.A.C.P.C.E. and adopted by the C.P.C.E.C.A.B.A.

5.2.1 Assets.

In 2018 the total assets of the DGF increased ARS 28,321 million as to the end of the previous fiscal year (an increase of 24%) evidenced by growths of ARS 28,290 million in the current assets (a growth of 24%) and an increase of ARS 31 million in non-current assets (an increase of 7%).

The main increases registered in the current assets were under the item Investments, with a growth of ARS 23,947 million (a growth of 29%) and in the item Cash and Banks there was an increase of ARS 4,348 million (a growth of 12%).

It is worth mentioning that the increase in investments was mainly due to the yield generated by them in Argentines pesos and US dollars.

In Cash and Bank, most of the variations as to the prior year-end was concentrated in the item foreign currency affected by the REPO transactions (ARS 5,872 million), related to the operating procedures that the DGF usually conducts with the BCRA. It is important to mention that pursuant to the letter agreement of those transactions, the results generated therein and recorded in the Financial Statements of the Fund, belonged to the assets submitted by the DGF as underlying assets in the transactions. Moreover, the assets in kind involved therein shall be returned to their original holders, in this case the DGF, upon expiration.

In the item Investments it is relevant to mention the growth in the holding of national public securities in foreign currency, ARS 30,648 million in the year, as well as securities in foreign currency allotted to REPO transactions, that entailed an increase of ARS 6,013 million.

Furthermore, from the analysis of cash-generation of the DGF's operating activities, it was observed a decrease of ARS 19,470 million as to 2017, where the main variation was in the financial income that increased ARS 19,460 million.

5.2.2 Liabilities.

In 2018 there was an increase of ARS 5,874 million in the Liabilities of the DGF (17%-increase), basically due to the REPO transactions for the Fund through securities in foreign currency.

5.2.3 Balance Sheet.

As of the December 31, 2018, the Net Worth of the DGF amounted to ARS 105,822 million, representing an increase of ARS 22,447 million (27%). This increase in the Net Worth was composed of ARS 16,984 million (income generated by the DGF during the fiscal year) and ARS 5,463 million (contributions made by the financial institutions).

5.2.4 Income.

The national and international financial context allowed that the fiscal year's income amounted to ARS 16,984 million, with an increase of ARS 19,459 million as to the income of the previous year.

The administrative expenses amounted to ARS 197 million, representing an increase of ARS 4,6 million in relation to the administrative expenses of the previous year. The year's positive result was explained due to the financial investments showing a profit of ARS 17,157 million, representing an improvement of ARS 19,458 million as to the previous period.

The continuity in the policy to improve the management of the DGF was showed in the income statement of 2018. During the year, this item positively contributed to the income, the amount of ARS 25 million from collections and recovery of credits as well as income from participation in other companies.

SEGURO DE DEPÓSITOS SOCIEDAD ANÓNIMA

Financial statements for the fiscal years ended as of December 31, 2018
and 2017 together with the Independent Auditors' Report.

SEDESA
SEGURO DE DEPÓSITOS S.A.

SEGURO DE DEPÓSITOS SOCIEDAD ANÓNIMA

BALANCE SHEET

as of December 31, 2018 and 2017
(in Argentine Pesos)

ASSETS	12/31/2018	12/31/2017
CURRENT ASSETS		
Cash and Banks	20,761,033	22,790,830
Investments	8,602,894	6,423,523
Other Receivables	3,614,076	6,936,694
Total current assets	32,978,003	36,151,047
NON-CURRENT ASSETS		
Other Receivables	147,318	217,559
Fixed Assets	73,386,088	75,515,980
Intangible Assets	2,301,152	1,695,904
Total Non-Current Assets	75,834,558	77,429,443
Total Assets	108,812,561	113,580,490
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	19,562,379	22,587,033
Taxes Payable	1,974,278	2,122,002
Corporate Debts	3,270,338	3,393,675
Total Current Liabilities	24,806,995	28,102,710
Total Liabilities	24,806,995	28,102,710
NET WORTH	84,005,566	85,477,780
Total Liabilities and Net Worth	108,812,561	113,580,490

SEGURO DE DEPÓSITOS SOCIEDAD ANÓNIMA

INCOME STATEMENT

for the fiscal years ended as of December 31, 2018 and 2017
(in Argentine Pesos)

	<u>12/31/2018</u>	<u>12/31/2017</u>
Income from leases	7,179,343	5,670,924
Administrative expenses	(7,749,089)	(6,132,149)
Plus:		
Recovery of expenses	448,454	343,793
Financing and Holding Income, including the RECPAM ⁽¹⁾	<u>170,510</u>	<u>(699,315)</u>
Net Loss (before Income Tax)	49,218	(816,747)
Charge from income tax	(1,521,432)	(781,376)
Net Income for each Fiscal Year	<u>(1,472,214)</u>	<u>(1,598,123)</u>

⁽¹⁾ As per its acronym in Spanish, Results from changes in the purchasing power of the currency.

INDEPENDENT AUDITORS' REPORT

To the Directors of

SEGURO DE DEPÓSITOS S.A.

¹C.U.I.T. N°: 30-68241551-3

Legal domicile: San Martin 344, 12th floor

Autonomous City of Buenos Aires

I. Report on the Financial Statements

Introduction

1. We have audited the attached financial statements of SEGURO DE DEPÓSITOS S.A. (“the Company”) that includes: (a) the Balance Sheet as of December 31, 2018, (b) the Income Statement, the Statement of Changes in Net Worth and the Statement of Cash Flow for the fiscal year then ended, and (c) a summary of the significant accounting policies and other explanatory information.

Duties of the Company’s Board of Directors in relation to the Financial Statements

2. The Board of Directors of Seguro de Depósitos S.A. is responsible for the reasonable drafting and filing of the attached financial statements pursuant to the accounting information framework established by the Companies’ Control and Registration Office (IGJ) that, as stated in note 2 of the attached financial statements, requires the application of the Argentine professional accounting regulations in force in the Autonomous City of Buenos Aires, provided it is not expressly established otherwise in the law, regulatory provisions or resolutions of such controlling body. Moreover, the Board of Directors is liable for the internal control that it deems necessary for the drafting of financial statements free of significant misrepresentations based on mistakes or irregularities.

Duties of the Auditor

3. We are liable for the rendering of a report on the attached financial statements based on our audit conducted. We have performed our work pursuant to the auditing regulations set forth in the Technical Resolution No. 37 of the Argentine Association of Professional Councils of

¹ Tax Payer Identification Number (C.U.I.T. as per its acronym in Spanish)

Economic Sciences. Such regulations establish that auditors must comply with ethical requirements and that we have to plan and perform our obligations with the purpose of obtaining a reasonable degree of certainty about the lack of significant misrepresentations in the financial statements.

An audit implies the application of procedures to obtain items of evidence that support the information and figures described in the financial statements. The selected procedures depend on the professional opinion of the auditor, who evaluates the possibility of relevant misrepresentations in the financial statements caused by mistakes or irregularities. To conduct this risk examination, the auditor considers the internal control of the Company regarding the relevant aspects for the reasonable drafting and submittal of the financial statements, in order to select the auditing procedures that are suitable according to the circumstances but not with the purpose of rendering an opinion on the effectiveness of the current internal control system of the Company. An audit further includes an evaluation of the suitability of the used accounting policies and of the reasonability of the accounting estimations made by the Company's Board of Directors, as well as an evaluation of the submittal of the financial statements as a whole.

We consider that the conducted examination is a sufficient and reasonable ground to support this auditor's report.

Opinion

4. In our opinion, the financial statements attached hereto reasonably reflect, in all significant aspects, the financial position of SEGURO DE DEPÓSITOS S.A. as of December 31, 2018, as well as the Income Statements and Cash Flow for the fiscal year then ended in accordance with the accounting information framework stated above in paragraph 2.

II. Report on other Legal and Regulatory Requirements

In compliance with the current provisions, we hereby state that:

- a) As of December 31, 2018, the accrued debt of social security contributions for the benefit of the Argentine Integrated Retirement System, as evidenced in the Company's accounting records, amounted to ARS 2,589,105 and was not due and payable as of such date.

- b) We have applied the procedures to prevent asset laundering and terrorism financing as set forth in the current professional regulations.

Autonomous City of Buenos Aires,
March 13, 2019

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C.P.C.E.C.A.B.A. [Professional Board of Economic Sciences of the
City of Buenos Aires] Volume 1 – Folio 13

NORBERTO M. NACUZZI
Partner
Public Accountant U.B.A.
C.P.C.E.C.A.B.A. Volume 196 – Folio 142

DEPOSIT GUARANTEE FUND

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

Trust financial statements for the fiscal years ended as of December 31, 2018 and 2017 together with the Report of the Independent Auditors and the Statutory Audit Commission.

SEDESA
SEGURO DE DEPÓSITOS S.A.

DEPOSIT GUARANTEE FUND

TRUST BALANCE SHEET as of December 31, 2018 and 2017 (in Argentine pesos)

	<u>12/31/2018</u>	<u>12/31/2017</u>
ASSETS		
CURRENT ASSETS		
Cash and Banks	40,837,428,645	36,489,052,041
Investments	105,339,314,975	81,392,525,835
Receivables	6,107,282	7,203,771
Other Receivables	19,698,992	22,804,251
Other Assets	1,130,264	1,713,533
Total Current Assets	<u>146,203,680,158</u>	<u>117,913,299,431</u>
NON-CURRENT ASSETS		
Investments	320,692,353	242,832,163
Receivables	112,070,467	167,341,421
Other Assets	19,798,021	11,483,765
Total Non-Current Assets	<u>452,560,841</u>	<u>421,657,349</u>
Total Assets	<u><u>146,656,240,999</u></u>	<u><u>118,334,956,780</u></u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	27,663,154	23,504,837
Liabilities from REPOs	40,805,402,594	34,933,577,338
Other Liabilities	1,491,756	3,112,606
Total Current Liabilities	<u>40,834,557,504</u>	<u>34,960,194,781</u>
Total Liabilities	<u>40,834,557,504</u>	<u>34,960,194,781</u>
NET WORTH	<u>105,821,683,495</u>	<u>83,374,761,999</u>
TOTAL LIABILITIES AND NET WORTH	<u><u>146,656,240,999</u></u>	<u><u>118,334,956,780</u></u>

DEPOSIT GUARANTEE FUND

TRUST INCOME STATEMENT

for the fiscal years ended as of December 31, 2018 and 2017
(in Argentine Pesos)

	<u>12/31/2018</u>	<u>12/31/2017</u>
INCOME FROM FINANCIAL INVESTMENT		
Financing and Holding Income, including the RECPAM ⁽¹⁾	17,157,492,649	(2,300,123,630)
Less:		
Commission from Investments Management and Custody	(3,469,351)	(217,079)
Total Income from Financial Statements	<u>17,154,023,298</u>	<u>(2,300,340,709)</u>
INCOME FROM ASSISTANCE TO FINANCIAL INSTITUTIONS		
Dividends	1,172,039	1,556,270
Total income from assistance to financial institutions	<u>1,172,039</u>	<u>1,556,270</u>
INCOME FROM ASSET MANAGEMENT		
Income from collection-recovery of assigned receivables, net of related expenses	15,189,297	5,375,336
Net increase of provisions on loan portfolio, assets under financial leasing and other receivables	(5,037,524)	(936,807)
Income from recoveries of financial trusts and portfolio acquisition, net of related expenses	2,472,214	8,788,948
Net Income from fixed assets	629,039	1,187,554
Net Income from other assets	11,379,542	1,534,299
Total Income from asset management	<u>24,632,568</u>	<u>15,949,330</u>
ADMINISTRATIVE EXPENSES	(197,274,211)	(192,636,468)
OTHER INCOME	1,131,862	-
Profits for the fiscal year	<u><u>16,983,685,556</u></u>	<u><u>(2,475,471,577)</u></u>

⁽¹⁾ As per its acronym in Spanish, Results from changes in the purchasing power of the currency.

INDEPENDENT AUDITORS' REPORT

To the Directors of
SEGURO DE DEPÓSITOS S.A.
TRUSTEE OF THE DEPOSIT GUARANTEE FUND
¹C.U.I.T. No. 30-68241551-3
Legal domicile: San Martín 344, 12th floor
Autonomous City of Buenos Aires

I. Report on the Trust Financial Statements

Introduction

1. We have audited the attached trust financial statements of the DEPOSIT GUARANTEE FUND (“the Fund”) that includes: (a) the Trust Balance Sheet as of December 31, 2018, (b) the Trust Income Statement, the Statement of Changes in Net Worth and the Statement of Cash Flow for the fiscal year then ended, and (c) a summary of the significant accounting policies and other explanatory information.

Duties of the Board Directors of the Trustee of the Fund in relation to the Trust Financial Statements

2. The Board of Directors of Seguro de Depósitos S.A., in its capacity as Trustee of the Fund, is responsible for the reasonable drafting and filing of the attached trust financial statements pursuant to the Argentine professional accounting regulations in force in the Autonomous City of Buenos Aires. It is further liable for the internal control that it deems necessary for the drafting of financial statements free of significant misrepresentations based on mistakes or irregularities.

Duties of the Auditor

3. We are liable for the rendering of a report on the attached trust financial statements based on our audit conducted. We have performed our work pursuant to the auditing regulations set forth in the Technical Resolution No. 37 of the Argentine Association of Professional Councils of Economic Sciences. Such regulations establish that auditors must comply with ethical requirements and that we have to plan and perform our obligations with the purpose of

¹ Tax Payer Identification Number (C.U.I.T., as per its acronym in Spanish).

obtaining a reasonable degree of certainty about the lack of significant misrepresentations in the financial statements.

An audit implies the application of procedures to obtain items of evidence that support the information and figures described in the financial statements. The selected procedures depend on the professional opinion of the auditor, who evaluates the possibility of relevant misrepresentations in the financial statements caused by mistakes or irregularities. To conduct this risk examination, the auditor considers the internal control of the Trust Company regarding the relevant aspects for the reasonable drafting and submittal of the Fund's Financial Statements, in order to select the auditing procedures that are suitable according to the circumstances but not with the purpose of rendering an opinion on the effectiveness of the current internal control system of the Trust Company. An audit further includes an evaluation of the suitability of the used accounting policies and of the reasonability of the accounting estimations made by the Company's Board of Directors, as well as an evaluation of the submittal of the financial statements as a whole.

We consider that the conducted examination is a sufficient and reasonable ground to support this auditor's report.

Opinion

4. In our opinion, the trust financial statements attached hereto reasonably reflect, in all significant aspects, the financial position of the DEPOSIT GUARANTEE FUND as of December 31, 2018, as well as the Income Statement and Cash Flow for the fiscal year then ended in accordance with the applicable Argentine professional accounting regulations in the Autonomous City of Buenos Aires.

II. Report on other Legal and Regulatory Requirements

5. In compliance with the current provisions, we hereby state that:
 - a) The trust financial statements mentioned on paragraph 1 are kept on the Inventory and Balance Sheet book and are based on the accounting records kept in all formal aspects pursuant to the current legal regulations.

- b) As of December 31, 2018, there was no accrued debt as social security contributions for the benefit of the Argentine Integrated Retirement System, pursuant to the accounting records of the Fund.
- c) We have applied the procedures to prevent asset laundering and terrorism financing as set forth in the current professional regulations.

Autonomous City of Buenos Aires,
March 13, 2019

PISTRELLI, HENRY MARTIN Y ASOCIADOS S.R.L.
C.P.C.E.C.A.B.A. [Professional Board of Economic Sciences of the City
of Buenos Aires] Volume 1 – Folio 13

NORBERTO M. NACUZZI
Partner
Public Accountant U.B.A.
C.P.C.E.C.A.B.A. Volume 196 – Folio 142