

SEDESA

SEGURO DE DEPÓSITOS S.A.

- ARGENTINA -



ANNUAL REPORT | 2019

**ANNUAL REPORT AND BALANCE SHEET OF SEGURO DE DEPÓSITOS S.A.
AS OF DECEMBER 31, 2019**

TABLE OF CONTENTS

Members of the Board of Directors and Statutory Audit Committee

Message from the Chairman of SEDESA's Board of Directors

Macroeconomic Context

Annual Report

Financial Statements of Seguro de Depósitos S.A. for the fiscal years ended December 31, 2019 and 2018 together with the Independent Auditors' Report.

Report of the Statutory Audit Committee - SEDESA

Trust Financial Statements of the Deposit Guarantee Fund for the fiscal years ended December 31, 2019 and 2018 together with the Independent Auditors' Report.

Report of the Statutory Audit Committee - DGF

MEMBERS OF THE BOARD OF DIRECTORS AND STATUTORY AUDIT COMMITTEE

BOARD OF DIRECTORS

Chairman

Hugo L. Secondini

Vice-Chairman

Claudio A. Cesario

Director

Norberto C. Peruzzotti

Alternate Directors

Daniel Tillard

Damián Bolis Wilson

Javier Bolzico

STATUTORY AUDIT COMMITTEE

Statutory Auditors

Alejandro Almarza

Walter Miner

Luis E. Piantanida

Alternate Statutory Auditors

Hugo N. Bruzone

Juana G. Fernández

MESSAGE FROM THE CHAIRMAN

It is my pleasure, as Chairman of the Board of Directors, to present 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 year ended as of December 31, 2019.

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

During this year, we continue strengthening and enhancing the Net Equity of the Deposit Guarantee Fund and keeping an investment strategy that ensures the capital preservation together with an adequate profitability of the investments which enables us to comply with our role as trustees of the fund.

Since 2011, SEDESA has 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 process of Quality Management System under the ISO 9001:2015 standards for the “Administration of the Available Balance of the Deposit Guarantee Fund” has been recertified and the current certification under such standards for “Realization and sale of real estate to integrate the available balance of the Deposit Guarantee Fund” has been maintained.

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 the field of Deposit Insurance.

Furthermore, I am pleased to inform that SEDESA has been distinguished as host of the IADI Annual General Meeting to be held in the City of Buenos Aires in October 2020.

Finally, on behalf of the Board of Directors, I would like to thank the Central Bank of the Argentine Republic (BCRA), 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 year.

HUGO L. SECONDINI
Chairman
SEDESA

1. Economic Context. General Provisions

In 2019 the uncertainty was noticeable, leading to an economic expansion lower than the one initially expected. The economy was affected by the evolution of global trade negotiations, a permanent source of tension, and by various events and phenomena in different countries.

At the beginning of the year, the International Monetary Fund (IMF) originally projected an increase in the world product of 3.5%, while after the year-end it estimated it would be around 2.9%. Such decrease was originated by the slowdown of the international trade due to an increase in the commercial fees and the uncertainty regarding the commercial policy of the main economies.

1.1 Advanced Economies

The pace of economic growth slowed in the advanced economies, mainly as from the extension of the trade disputes of the United States of America (USA) with several of its main partners, including the European Union and Canada.

In the USA, the constant monitoring of the monetary policy continued, based on the positive evolution of the main economic variables. The North-American labor market and the level of inflation continued favorably, in a context where the Federal Reserve of Deposits (FED), unlike the previous year, maintained a position of downward revision of its rate policy during 2019. Therefore, it carried out three consecutive 25-basis-point reductions and at the last meeting of the year it maintained the reference rate in the target range between 1.50% and 1.75%.

The economic and financial context continued to be characterized by a high liquidity and a stable medium and short-term volatility, beyond the risks given by the political and commercial context. This brought about the appearance of equity indexes hovering around historical highs, in a world that maintained high levels of debt.

Unlike the previous year, commodities generally showed positive returns. Oil and gold prices remained on that path, while soybeans performed neutrally.

Among the events that took place in the European Union, the restart of the asset purchase program carried out by the European Central Bank (ECB) as from September stood out. The restart of said program consolidated the continuity of the implemented monetary policy and the reduction of the yields of sovereign instruments.

The electoral result in the United Kingdom, which defined the country's exit from the European Union, was important. Moreover, the actions were implemented during the current year and the transition period established in the Withdrawal Agreement, that includes aspects related to citizens, consumers, companies and investors, became effective as from January 31, 2020 until December 31 of the same year. The major economies of Europe have generally continued decreasing their rate of expansion, affected by the devaluation of the euro against the US dollar and by idiosyncratic phenomena.

The rest of the advanced economies (Canada, Japan, and others) have shown again, in general, an economic growth lower than the one initially expected.

1.2 Emerging and Developing Economies

The Chinese economy, one of the main determinants for the evolution of the world product in general, and of emerging and developing economies in particular, continued to slow down its rate of expansion. Said economy reached the lowest levels of growth in recent years and consequently maintains the alarm and attention on its performance, in a context where it is increasingly focused on the domestic market. Current projections indicate that the growth slowdown would continue in the coming years.

Furthermore, the Indian economy suffered a strong slowdown under various social and financial conflicts of its own significantly affecting the global growth.

Likewise, the rest of the Asian economies generally made a contribution to the world output growth that was lower than the one expected at the beginning of the year. Nevertheless, in contrast to China, an increase in the 2020-growth rate is expected for these Asian economies.

In this context, the emerging and developing economies of Europe also showed an evolution better than the one initially estimated. Russia and its area of influence, showed a growth in decline.

Latin America contributed to the global slowdown, as from its standstill, in a year marked by social conflicts in several countries. According to the IMF projections, the product growth for 2019 was estimated at 0.1%. Within the region, Brazil stood out for having initiated a program of structural reforms for the economic stabilization.

2. Argentina.

In 2019 the consequences of the balance of payments crisis that started the previous year continued, affecting the possibilities of achieving a macroeconomic and financial stabilization.

In this context the presidential elections, which added uncertainty and volatility, took place. The result of that electoral contest brought about a change of the government authorities.

The financing program with the IMF, which provided for a change in the monetary regime and a reduction in the tax deficit, failed to stabilize the economy. Therefore, towards the end of the year and prior to the change of authorities, the monetary regime established in the aforementioned program was completed, short-term sovereign debt was reprofiled, and the exchange market access regime was modified.

Then, based on the new economic management, the Argentine Republic invited the holders of public debt instruments to start conversations to renegotiate the debt, based on the principle of good faith and taking into account the purposes of its sustainability. The measure was based on the need to resolve the inconsistent macroeconomic situation and recover a path of sustainable growth, considering it as a necessary condition to restore the country's payment capacity.

The assumption of the new government authorities also generated a change of authorities at the BCRA.

During 2019, together with the exchange rate instability, there was a drop in the level of activity and an acceleration of inflation. The economy closed the second consecutive year with a contraction of the Gross Domestic Product (GDP).

The public accounts ended the year with a reduction in the primary deficit, which decreased from 2.32% of GDP at the end of 2018 to 1% of GDP. The financial deficit fell to 4.3% of GDP, compared with 5% of GDP in 2018.

The exchange rate against the U.S. dollar increased during the year, in nominal terms, by approximately 59%. Besides, the real bilateral exchange rate with USA and the multilateral exchange rate, according to the BCRA index, showed approximate increases of 5.8% and 3.8%, respectively.

The financial system was not the exception and it was affected by the general economic framework. The financial intermediation activity contracted, due to the combination of

greater uncertainty and a contractionary monetary policy, which led to high nominal rates and a drop in demand towards recession.

Total deposits in pesos grew by 20.3% year-over-year (y.o.y.), with private placements increasing by 34.9% in y.o.y. terms. They are based on an increase of approximately 26.3% y.o.y. in time placements and 44.2% y.o.y. in transactional deposits. Deposits in foreign currency, and specifically those from the private sector, fell by approximately 35.6% y.o.y., due to a strong retraction that began with the exchange rate volatility after the primary elections, and continued until the establishment of restrictions on access to the exchange market.

In turn, peso-denominated loans to the private sector increased 17.5% y.o.y., with growths of 28% and 19.6% in the commercial and personal segments, respectively, and fell by 4.4% y.o.y. in real guarantee financing. In the foreign currency segment, towards the acceleration in deposit outflows as from August, the financial system prioritized maintaining liquidity in dollars and began to reduce the portfolio, leading to a fall in loans to the private sector to 31.3% in y.o.y. terms.

The rise in the exchange rate, interest rates and the recession led to a reversal of the external sector balance, from a current account deficit of almost 5% of GDP in 2017 to levels below 1% of GDP in 2019, with exchange balance surplus. As a result, the foreign exchange current account, which had recorded deficits of USD 17,052 million and USD 11,329 million in 2017 and 2018, ended 2019 with a surplus of USD 6,277 million. The trade balance registered a surplus of USD 15,990 million, with exports that grew by 5.4% and imports that contracted by 25%.

The Consumer Price Index (National CPI) recorded an annual increase of 53.8% at the end of 2019, determining a fall in real remunerations and retirements. According to the latest information available when drafting this Report, the unemployment rate stood at 9.7% in the third quarter of 2019, increasing 0.7 points as regards 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:

- a) To pay the guaranteed amount to depositors, where applicable.
- b) 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.
- c) 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.
- d) 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).
- e) To undertake obligations chargeable to the DGF within the limitations timely established.
- f) 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 BCRA 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 object or purpose, the DGF obtains its resources from the monthly cash contributions that financial institutions must make under the terms, limits and conditions set forth in Executive Order 540/95 and its amendments and in the supplementary regulations issued by the BCRA.

Communication "A" 5943 issued by the BCRA established that the institutions included in the Argentine Financial Institutions Law shall make a standard contribution to the Deposit Guarantee Fund (DGF) equivalent to 0.015% of their daily balances' monthly average of the items listed in point 5.1, recorded in the second immediately preceding month.

Communication "A" 6654 issued by the BCRA on February 28, 2019, introduced modifications to the regulations in force until that date, extending the deposit guarantee limit to the amount of ARS 1,000,000 effective as from March 1, 2019.

As regards the administration of the Deposit Guarantee Fund's investments made in 2019, it was affected by the outlook for global growth given the continuation of political tensions between the United States and China, due to the evolution of international financial flows and, in particular, due to significant changes in the local scenario.

The available balance as of December 31, 2019 amounted to ARS 176,182 million nominal value.

At the year-end the proportion of the securities invested in US dollars was 79.96% of the portfolio of the DGF, while at the end of 2018 it was of 81,63%. Considering in particular the investments made in the so-called US Treasury, they increased relatively from 53.24% to 58.99% of the investment portfolio for the same period.

On the other hand, as of December 31, 2019 the 15.63% of the complete DGF portfolio was invested in Treasury Bills –in local currency- (LECAP) and 4.25% in Dollar-Linked Treasury Bills (LELINK), together with other instruments in pesos, totalize 20.04% of the investments.

As regards these latter instruments, together with the Treasury Bills in US Dollars (LETES), it is worth mentioning that they were affected by the Necessity and Urgency Decree issued by the National Executive Branch No. 596/19, No. 796/19 and No. 49/19, related to the reprofiling that implied the modification of the maturity terms of the national short-term debt both in US dollars and in Argentine pesos.

4.2 International Representation

During 2019 SEDESA, as a full member of the International Association of Deposit Insurers (IADI), has maintained its active participation in the Association and in the activities organized by it.

Moreover, representatives of SEDESA participated in the "4th Americas Deposit Insurance Forum", held in the city of Cartagena de Indias, Colombia. Members of the regional committees of North America, Latin America and the Caribbean (RCNA, LARC and CRC) attended the Forum as well as representatives of entities related to IADI, authorities from the Financial Institutions Guarantee Fund of Colombia (FOGAFIN) and the Ministry of Finance and Public Credit.

Besides, representatives of SEDESA participated in the 18th Annual General Meeting of the International Association of Deposit Insurers, IADI, the 60th Executive Council (EXCO) Meeting and the Annual Conference organized by the "Savings Deposit Insurance Fund" of Turkey, held in the city of Istanbul, Turkey.

It should be noted that during such IADI Annual General Meeting, the City of Buenos Aires was elected as the venue for the Annual General Meeting to be held in October 2020.

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).

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

The Board of Directors established as a purpose for 2019 to continue consolidating the current processes developed within the framework of the QUALITY MANAGEMENT SYSTEM (QMS) under the ISO 9001:2015 standards.

Consequently, in December IRAM carried out the second follow-up audit on the certification of the QUALITY MANAGEMENT SYSTEM (QMS) under the ISO 9001:2015 standards, whose scope is the "Realization and sale of real estate to integrate the available balance of the Deposit Guarantee Fund", and the re-certification under the same version of the QUALITY MANAGEMENT SYSTEM (QMS) standard, whose scope is the "Administration of the Available Balance of the Deposit Guarantee Fund". The audits were satisfactorily completed and the auditors decided to recommend to the IRAM General Certification Committee the recertification of the Quality Management System, the scope of which is the "Administration of the Available Balance of the Deposit Guarantee Fund", and the maintenance of the certification of the Quality Management System, whose scope is the "Realization and sale of real estate to integrate the available balance of the Deposit Guarantee Fund".

During this year, we continued with the activities and tasks of design and development, drafting, approval and implementation of the set of documents included in the Company's Regulatory Framework, in order to increase the management's efficiency and effectiveness.

Therefore, updates were made to various documents on policies, procedures and standards that are part of the aforementioned framework. The documentation's renewal and adaptation included: the Organizational Structure Policy, the Real Estate Sales Policy, the Replacement Chart Regulations, the Deposit Guarantee Fund's Investments Policy, the List of Current Counterparts, the Control Procedure of Quality Management System Records, the Investment Procedure, the Nonconformities-Corrective and Preventive Actions Procedure - Quality Management System, the Internal Review Procedure - Quality Management System and the Internal Audit Procedure.

4.4 Asset Management

In relation to the Credit Management and in view of the seniority and characteristics of the residual portfolio, during this year, we continued with the policy of prioritizing recovery actions over receivables with greater possibilities of being collected.

Regarding the Real Estate Management, actions continued to be taken to encourage and materialize the recovery and transfer of some residual assets for the benefit of SEDESA, in order to enable the disposal and sale thereof, pursuant to the current policy and regulations included in the QUALITY MANAGEMENT SYSTEM (QMS) under the ISO 9001:2015 standards.

As regards the sale of real estate, this year was affected by a depressed market due to the influence of the economic conditions described above and the impact of the current exchange and monetary restrictions.

4.5 Information Management

In line with the process of continuous improvement, SEDESA's Board of Directors approved the acquisition of a new business management system, "SAP Business One" to replace the current accounting system TANGO GESTION taking into account not only the current needs of SEDESA but also the potential of this tool that may be essential to efficiently manage future situations arising from a deposit insurer's activities.

As from September 1, SAP Business One has been implemented.

In relation to the Credit module, the functional technical document has been completed in order to begin with its development.

5. Financial Statements

5.1 Financial Statements of SEDESA.

The financial statements as of December 31, 2019 showed the effects of changes in the purchasing power of the currency in a comprehensive manner by applying the Argentine professional accounting standards in force in the Autonomous City of Buenos Aires.

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, statements of income and the sources and application of SEDESA's funds:

BALANCE SHEET	<u>12/31/2019</u>	<u>12/31/2018</u>
	ARS	ARS
CURRENT ASSETS	55,253,955	50,730,062
NON CURRENT ASSETS	114,460,968	116,656,300
TOTAL ASSETS	<u>169,714,923</u>	<u>167,386,362</u>
CURRENT LIABILITIES	<u>39,112,419</u>	<u>38,160,600</u>
TOTAL LIABILITIES	39,112,419	38,160,600
SHAREHOLDERS' EQUITY	130,602,504	129,225,762
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>169,714,923</u>	<u>167,386,362</u>

STATEMENT OF INCOME	<u>12/31/2019</u>	<u>12/31/2018</u>
	ARS	ARS
ORDINARY OPERATING INCOME	3,475,771	(186,584)
FINANCING AND HOLDING GAINS	1,960,668	262,296
OTHER INCOME AND EXPENSES	<u>-</u>	<u>-</u>
ORDINARY NET INCOME	5,436,439	75,712

EXTRAORDINARY INCOME	-	-
SUBTOTAL	5,436,439	75,712
INCOME TAX	(4,059,697)	(2,340,419)
NET INCOME (LOSS)	<u>1,376,742</u>	<u>(2,264,707)</u>

STATEMENT OF CASH FLOW	<u>12/31/2019</u>	<u>12/31/2018</u>
	ARS	ARS
Funds generated by operating activities	16,023,278	5,939,262
Funds generated by (used for) investment activities	5,082,044	(12,281,126)
Funds used for financing activities	(6,512,717)	(6,661,878)
Total funds generated (used) during the year	<u>14,592,605</u>	<u>(13,003,742)</u>

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

	<u>12/31/2019</u>	<u>12/31/2018</u>
Current Liquidity (Current Assets/Current Liabilities)	1.41	1.33
Solvency (Shareholders' Equity/Total Liabilities)	3.34	3.39
Fixed Capital Stock (Non-Current Assets/Total Assets)	67.44%	69.69%
Profitability (Income (loss) for the year/Shareholders' Equity)	1.05%	(-1.75%)

Regarding the analysis of the main items of the Financial Statements of SEDESA, there had been an increase of ARS 4,524 thousand in current assets, mainly due to profits arising from Treasury Bills in US dollars that reached an annual yield of 70.87%, which includes interests, holding results and exchange rate differences.

The variation in non-current assets was mainly due to the amortization of the premises located at San Martin 344 - 12th floor, for ARS 2,697 thousand.

In relation to current liabilities, the increase was originated in the balance payable for income tax in the current tax year, after having exhausted the credit balance held by the company until last year. Furthermore, it should be noted that, as from this year, the tax inflation adjustment began to be applied and, therefore, the allowance included the proportion established in the current standards on this matter.

Regarding the operating income (loss), improvement as to the previous fiscal year derived from the profits obtained from the rent to the DGF of the premises located in San Martin 344, 12th floor and a decrease in the administrative expenses, both in constant currency.

Financial income increased by ARS 1,698 thousand as a result of the profits generated by the holding of Treasury Bills in U.S. dollars.

Thus, the net income before taxes reached a profit of ARS 5,436 thousand, and the final income of the year was a profit of ARS 1,377 thousand, reversing the loss of the previous year of ARS (2,265) thousand.

As a result of the changes detailed above, SEDESA's Shareholders' Equity as of December 31, 2019 amounted to ARS130,602,504 and included the following items:

	ARS
Subscribed Capital	1,000,000
Capital Adjustment	36,812,406
Legal Reserve	1,245,922
Optional Reserve	90,167,434
Unappropriated Retained Earnings	<u>1,376,742</u>
Total	130,602,504

5.2 Financial Statements of the Deposit Guarantee Fund (DGF)

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

After a 2018 with a drop in GDP of -2.5%, the Argentine economy continued in recession in 2019, with a fall similar to that of the previous year. The severe economic contraction was related to successive devaluation episodes whose frequency increased in the last quarters.

Besides, the administration of the Deposit Guarantee Fund remained being oriented to an improvement of the structure of its balance sheet, reducing the illiquid assets and performing financial operations with an appropriate combination of capital

preservation and profitability, in order to comply with the purposes set by the current standards.

In this context, the trust financial statements as of December 31, 2019 have been adjusted to be expressed in the currency of purchasing power of that date, pursuant to the Argentine professional accounting standards in force in the Autonomous City of Buenos Aires.

5.2.1 Assets

In 2019 the total assets of the DGF increased by ARS 23,766 million as to the end of the previous fiscal year (an increase of 10.53%) evidenced by growths of ARS 9,858 million in the item Cash and Banks (a growth of 15.69%) and of ARS 13,991 in the item investments (an increase of 8,61%).

It is worth mentioning that the increase in investments was mainly due to the yield generated by them in Argentine pesos and US dollars, both higher than the inflation of the year which was of 53.83%.

In Cash and Bank, most of the changes as to the prior year-end were concentrated in the foreign currency item affected to the REPO transactions with an increase of ARS 9,887 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 income (loss) arising therefrom 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 of ARS 5,557 million in the holding of public securities in national currency and an increase of ARS 9,698 million in securities in foreign currency allotted to REPO transactions with the BCRA.

Furthermore, from the analysis of cash-generation of the DGF, there was an increase of ARS 14,321 million in this fiscal year, arising from the financial institutions' contributions of ARS 8,932 million and from the financial income of ARS 5,661 million.

5.2.2 Liabilities

In 2019 the Liabilities of the DGF increased by ARS 9,884 million (an increase of 15,74%), basically due to the REPO transactions for the Fund through securities in foreign currency.

5.2.3 Financial Position

As of the December 31, 2019, the DGF's Net Equity amounted to ARS 176,667 million, representing an increase of ARS 13,881 million (a growth of 8.53%). This increase in the Net Equity was made up of ARS 4,949 million (income generated by the DGF during the accounting year) and ARS 8,932 million (contributions made by the financial institutions).

5.2.4 Income

Despite the international and local financial context, the income for the year amounted to ARS 4,949 million, representing a 2.92%-profitability on the average net equity of the year.

Administrative expenses amounted to ARS 293 million, ARS 10 million lower than the ones recorded in previous year. The positive income for the year was explained by the financial investments that showed a profit of ARS 5,241 million, mainly due to the profitability of the investments in foreign currency. This amount includes the monetary income.

The continuity of the policy to improve the asset management of the DGF was shown in the 2019 statements of income. During the year, despite the seniority and depletion of the credit portfolio, this item, net of expenses and provisions, contributed positively to the income by approximately ARS 1 million, from collection and recovery of credits, as well as income from participation in other companies.

DEPOSIT GUARANTEE FUND

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

Trust financial statements for the fiscal years ended December 31, 2019 and 2018 together with the Report of the Independent Auditors and the Statutory Audit Committee

DEPOSIT GUARANTEE FUND
TRUST BALANCE SHEET
as of December 31, 2019 and 2018
(in Argentine Pesos)

	12/31/2019	12/31/2018
ASSETS		
CURRENT ASSETS		
Cash and Banks	72,678,273,238	62,820,216,485
Investments	176,353,416,239	162,043,468,226
Receivables	2,591,037	9,394,832
Other Receivables	28,248,650	30,302,959
Other Assets	1,126,007	1,738,685
Total Current Assets	249,063,655,171	224,905,121,187
NON-CURRENT ASSETS		
Investments	174,897,284	493,321,047
Receivables	114,947,928	172,397,999
Other Assets	14,057,447	30,455,296
Total Non-Current Assets	303,902,659	696,174,342
Total Assets	249,367,557,830	225,601,295,529
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	41,784,933	42,554,230
Liabilities from REPOs	72,656,946,038	62,770,950,810
Other Liabilities	1,443,435	2,294,767
Total Current Liabilities	72,700,174,406	62,815,799,807
Total Liabilities	72,700,174,406	62,815,799,807
NET EQUITY	176,667,383,424	162,785,495,722
TOTAL LIABILITIES AND NET EQUITY	249,367,557,830	225,601,295,529

DEPOSIT GUARANTEE FUND
TRUST STATEMENT OF INCOME
for the fiscal years ended December 31, 2019 and 2018
(in Argentine Pesos)

	12/31/2019	12/31/2018
FINANCIAL INVESTMENTS AND HOLDING GAINS		
Financial and Holding gains, RECPAM included	5,247,170,423	26,393,370,943
Less:		
Commission from Investments Management and Custody	(6,453,905)	(5,336,903)
Total Financial Investments and Holding Gains	5.240.716,518	26,388,034,040
INCOME FROM ASSISTANCE TO FINANCIAL INSTITUTIONS		
Dividends	1,174,731	1,802,948
Total income from Assistance to Financial Institutions	1,174,731	1,802,948
INCOME FROM ASSET MANAGEMENT		
Income from collection-recovery of assigned receivables, net of related expenses	4,221,858	23,365,696
Net increase in allowance for credit portfolio, assets under financial leasing and other receivables	(4,333,140)	(7,749,223)
Income related to financial trusts and portfolio acquisition, net of related expenses	232,059	3,803,007
Net Income from fixed assets	(1,208,590)	967,651
Net Income from other assets	2,050,202	17,505,149
Total Income from asset management	962,389	37,892,280
ADMINISTRATIVE EXPENSES	(293,447,527)	(303,466,919)
OTHER INCOME	-	1,741,143
Income for the year	4,949,406,111	26,126,003,492

INDEPENDENT AUDITORS' REPORT

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

I. Report on the Trust Financial Statements

1. Introduction

We have audited the accompanying trust financial statements of the DEPOSIT GUARANTEE FUND ("the Fund") that include: (a) the Trust Balance Sheet as of December 31, 2019, (b) the Trust Statements of Income, of Changes in Equity and of Cash Flow for the year then ended, and (c) a summary of the significant accounting policies and other supplementary information.

2. Responsibilities of the Board of Directors of the Fund's Trustee in relation to the Trust Financial Statements

The Board of Directors of Seguro de Depósitos S.A., in its capacity as Trustee of the Fund, is responsible for the preparation and fair presentation of the trust financial statements mentioned in paragraph 1 pursuant to the Argentine professional accounting standards in force in the Autonomous City of Buenos Aires. It is further responsible for the internal control that it deems necessary for the preparation of financial statements free of significant misrepresentations based on errors or irregularities.

3. Responsibilities of the Auditor

Our responsibility is to render an opinion on the trust financial statements mentioned in paragraph 1 based on our audit conducted. We have performed our work pursuant to the auditing standards set forth in the Technical Resolution No. 37 of the Argentine Association of Professional Councils of Economic Sciences. Such standards 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 evidence on the information and figures described in the trust financial statements. The selected procedures depend on the professional judgment of the auditor, including the assessment of the risks of material misstatements in the trust financial statements, caused by errors or irregularities.

To conduct this risk assessment, the auditor considers the internal control of the Trust Company regarding the relevant aspects for the preparation and fair presentation 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 evaluating the appropriateness of the used accounting policies, the reasonableness of the accounting estimates made by the Trust Company's Board of Directors and the overall presentation of the trust financial statements.

We believe that the evidence obtained provides us with a sufficient and adequate basis for our audit opinion.

4. Opinion

In our opinion, the trust financial statements mentioned in paragraph 1 fairly present, in all material respects, the financial position of the DEPOSIT GUARANTEE FUND as of December 31, 2019, the results of its operations, its cash flows and changes in its equity for the year then ended in accordance with the Argentine professional accounting standards in force 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 as of December 31, 2019:

- a) There was no accrued debt as social security contributions in favor of the Argentine Integrated Retirement System, pursuant to the accounting records of the Fund.
- b) We have applied the procedures to prevent asset laundering and terrorism financing as set forth in the current professional standards.

Autonomous City of Buenos Aires,
March 4, 2020

PISTRELLI, HENRY MARTIN Y ASOCIADOS S.R.L.
²C.P.C.E.C.A.B.A. 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

SEGURO DE DEPÓSITOS SOCIEDAD ANÓNIMA

Financial statements for the fiscal years ended December 31, 2019 and 2018 together with the Reports of the Independent Auditors and the Statutory Audit Committee.

SEGURO DE DEPÓSITOS SOCIEDAD ANÓNIMA

BALANCE SHEET as of December 31, 2019 and 2018 (in Argentine Pesos)

ASSETS	12/31/2019	12/31/2018
CURRENT ASSETS		
Cash and Banks	42,511,329	31,936,697
Investments	12,434,263	13,233,832
Other Receivables	308,363	5,559,533
Total Current Assets	55,253,955	50,730,062
NON-CURRENT ASSETS		
Other Receivables	241,943	226,619
Fixed Assets	110,679,163	112,889,819
Intangible Assets	3,539,862	3,539,862
Total Non-Current Assets	114,460,968	116,656,300
Total Assets	169,714,923	167,386,362
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	28,046,575	30,092,808
Taxes Payable	4,526,157	3,037,032
Corporate Debts	6,539,687	5,030,760
Total Current Liabilities	39,112,419	38,160,600
Total Liabilities	39,112,419	38,160,600
SHAREHOLDERS' EQUITY	130,602,504	129,225,762
Total Liabilities and Shareholders' Equity	169,714,923	167,386,362

SEGURO DE DEPÓSITOS SOCIEDAD ANÓNIMA

STATEMENT OF INCOME for the fiscal years ended December 31, 2019 and 2018 (in Argentine Pesos)

	<u>12/31/2019</u>	<u>12/31/2018</u>
Rental Income	12,808,048	11,043,983
Administrative expenses	(9,899,084)	(11,920,424)
Plus:		
Decrease in allowance for recovery of gross income withholdings	7,593	-
Recovery of expenses	559,214	689,857
Financing and Holding Gains, RECPAM included	<u>1,960,668</u>	<u>262,296</u>
Net Profit	5,436,439	75,712
Charge from income tax	(4,059,697)	(2,340,419)
Net Income/ for the year	<u><u>1,376,742</u></u>	<u><u>(2,264,707)</u></u>

INDEPENDENT AUDITORS' REPORT

To the Directors of
SEGURO DE DEPÓSITOS S.A.
¹CUIT No.: 30-68241551-3
Legal domicile: San Martín 344, 12th floor
Autonomous City of Buenos Aires

I. Report on the Financial Statements

1. Introduction

We have audited the accompanying financial statements of SEGURO DE DEPÓSITOS S.A. ("the Company") that include: (a) the Balance Sheet as of December 31, 2019, (b) the Statements of Income, of Changes in Shareholders' Equity and of Cash Flow for the year then ended, and (c) a summary of the significant accounting policies and other supplementary information.

2. Responsibilities of the Company's Board of Directors in relation to the Financial Statements

The Company's Board of Directors is responsible for the preparation and fair presentation of the financial statements mentioned in paragraph 1 pursuant to the accounting information framework established by the Companies' Control and Registration Office (IGJ) that, as stated in Note 2.1 to the financial statements mentioned in paragraph 1, requires the application of the Argentine professional accounting standards 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 Company's Board of Directors is responsible for the internal control that it deems necessary for the preparation of financial statements free of significant misrepresentations based on errors or irregularities.

3. Responsibilities of the Auditor

Our responsibility is to render an opinion on the financial statements mentioned in paragraph 1 based on our audit conducted. We have performed our work pursuant to the auditing standards set forth in the Technical Resolution No. 37 of the Argentine Association of Professional Councils of Economic Sciences (F.A.C.P.C.E., as per its acronym in Spanish). Such standards 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 evidence on the information and figures described in the financial statements. The selected procedures depend on the professional judgment of the auditor, including the assessment of the risks of material misstatements in the financial statements, caused by errors or irregularities.

¹ Taxpayer Identification Number (CUIT, as per its acronym in Spanish).

To conduct this risk assessment, the auditor considers the internal control of the Company regarding the relevant aspects for the preparation and fair presentation 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 Company's current internal control system. An audit further includes evaluating the appropriateness of the used accounting policies, the reasonableness of the accounting estimates made by the Company's Board of Directors and the overall presentation of the financial statements.

We believe that the evidence obtained provides us with a sufficient and adequate basis for our audit opinion.

4. Opinion

In our opinion, the financial statements mentioned in paragraph 1 fairly present, in all material respects, the financial position of SEGURO DE DEPÓSITOS S.A. as of December 31, 2019, the results of its operations, its cash flows and changes in its shareholders' equity for the year then ended in accordance with the accounting information framework stated in paragraph 2.

II. Report on other Legal and Regulatory Requirements

5. In compliance with the current provisions, we hereby state that as of December 31, 2019:

- a) The accrued debt of social security contributions in favor of the Argentine Integrated Social Security System, as evidenced in the Company's accounting records, amounted to ARS 4,120,278 and was not due as of such date.
- b) We have applied the procedures to prevent asset laundering and terrorism financing as set forth in the current professional standards issued by the Professional Council of Economic Sciences of the Autonomous City of Buenos Aires.

Autonomous City of Buenos Aires,
March 4, 2020

PISTRELLI, HENRY MARTIN Y ASOCIADOS S.R.L.
²C.P.C.E.C.A.B.A. 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

² Professional Board of Economic Sciences of the Autonomous City of Buenos Aires (C.P.C.E.C.A.B.A., as per its acronym in Spanish).