

ANNUAL REPORT | 2020



SEDESA
SEGURO DE DEPÓSITOS S.A.

- ARGENTINA -

**ANNUAL REPORT AND BALANCE SHEET OF SEGURO DE DEPÓSITOS S.A.
AS OF DECEMBER 31, 2020**



SEDESA
SEGURO DE DEPÓSITOS S.A.

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MESSAGE FROM THE CHAIRMAN

It is a pleasure for me, as Chairman of the Board of Directors of this Company, to present the Annual Report and Financial Statements of Seguro de Depósitos S.A. (SEDESA) and the Deposit Guarantee Fund 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, 2020.

In view of the results obtained during the year, we may conclude that we have achieved the objectives set. The Fund's Equity has been strengthened, as well as the efficiency in the use of resources.

During the period ended and as from March 19, 2020 and due to the worldwide sanitary emergency caused by the virus known as COVID-19 and the successive social, preventive and mandatory isolation and distancing measures of public knowledge issued by the Executive Power, a new working dynamic was implemented remotely and developed in a highly satisfactory manner, generating new possibilities and opportunities for the Company.

Within this framework, measures were taken to: i) carry out activities in an appropriate environment and under adequate conditions; ii) comply with the recommendations made by the Health and Government Authorities; iii) provide employees with tools to perform their tasks reliably; iv) keep the Company operative; and v) ensure the compliance of the duties and functions established in the applicable regulations governing SEDESA's activities.

In this context, our management has placed special emphasis on the professionalization and optimization of the company's internal organizational processes, strengthening technological implementation to facilitate virtual interactions at all levels. Thus, we have sought to reaffirm our commitment by implementing the best practices for the organization to continue acting as a deposit insurer, being part of the Financial Safety Net and contributing to the stability of the Argentine Financial System.

In December, IRAM conducted the first follow-up audit on the certification of the Quality Management System which scope is the "Administration of

the Available Balance of the Deposit Guarantee Fund”, of the Investment Process, and the recertification under the same ISO 9001:2015 standard, which scope is the “Realization and sale of real estate to integrate the available balance of the Deposit Guarantee Fund”.

At an international level, SEDESA continues showing an active participation in the activities conducted by the International Association of Deposit Insurance (IADI) and, on this occasion, all meetings were held virtually.

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

The Covid-19 pandemic shocked the global economy in 2020. Uncertainty and rapid and diverse responses by most of the countries were at the forefront. The annual outcome showed an economic contraction, that was initially unexpected and far from the expectations existing prior to the spread of the virus.

The International Monetary Fund (IMF) originally projected an acceleration of the global growth, with output growing at 3.3% by 2020. After the year-end, it was estimated that the contraction thereof would be around 3.5%.

The year 2020 was focused on the management of the trade-off between economy, health and individual rights, with different balances at the global level, reflecting the great uncertainty generated by the pandemic that keeps projections for 2021 on uncertain ground.

Most countries implemented generous and wide-ranging tax measures to guarantee revenues for individuals and companies whose activities were significantly affected. As a result, many countries' tax deficits reached historic highs, as did their debt indicators. In addition, monetary and regulatory responses were decisive.

The acceleration in the adoption of new technologies (e.g. teleworking, online commerce and payments), the changes in habits, the health and scientific experience gained, the human cost, direct and indirect through social indicators' deterioration, are some structural changes caused by the pandemic that would contribute to shape the years to come.

The IMF's projections pointed to a divergent recovery across countries and regions, with the global economy returning to pre-pandemic levels by 2022.

1.1 International Context

During the pandemic's year, with the continuous monitoring of the monetary policy and the main economic variables, central banks were once again at the center of the scene, reaffirming their role of support towards events of uncertainty.

The Federal Reserve Deposit (FED) and the European Central Bank (ECB) expanded their balance sheets by more than 75% on a year-on-year basis (y.o.y.), while the Bank of England (BoE) and the Bank of Japan (BoJ) expanded their balance sheets by approximately 60% y.o.y. and 30% y.o.y., respectively. Although the uncertainty regarding the evolution of Covid-19 remained and the risks were important, the scenario of high global liquidity and the development of vaccines in record time, anesthetized risk aversion, activating capital flows and improving financial conditions.

The economic decrease was greater in advanced economies, where the IMF estimated that it had reached 4.9% of the product.

In the United States (US), whose output contracted by 3.4%, the FED carried forward its stance with two decreases in its reference rate in March. An initial 50-basis points decrease and two weeks later a subsequent one of an additional 100 basis points. Therefore, it kept its reference rate at a target range between 0% and 0.25% for most of 2020. This helped, despite high volatility, to see equity indexes not only recovering after a sharp fall triggered by the onset of the global pandemic, but also testing record highs. In the U.S. labor market, unemployment showed a record increase, from 4.4% to 14.7% in April, before settling below 7% by the end of the year. Inflation ended the year at 1.4%.

In the Euro Zone, the product contracted by 7.2% according to IMF's estimates. While maintaining interest rates and the asset purchase program, the ECB implemented the Pandemic Emergency Purchase Program (PEPP), thus reinforcing the continuity of monetary policy. Therefore, it contributed to maintaining sovereign bond yields in the 0% zone. The evolution of the price level, which had ended 2019 with inflation at 1.3%, gradually turned into deflation with the impacts of the pandemic, to end the year with CPI at -0.3%.

The United Kingdom, after confirming its exit from the European Union, was one of the advanced economies hardest hit by the COVID-19 pandemic. The IMF estimates its contraction at 10% of the product.

In the other developed economies (Canada, Japan and others) strong declines were generally observed.

The Chinese economy suffered the early closure of several regions after COVID-19, thus complicating global value chains and generating shortages of inputs in several

sectors. But the government's tough restrictive policies enabled a rapid return to certain normality. China closed 2020 growing at a year-on-year rate of 6.5%, in line with the pre-pandemic pace. Unemployment, at 5.2%, also managed to return to its previous level.

Brazil performed better than most countries in the region, with a drop of around 4.5%. Although the virus had very harsh effects in many regions of the country, the restrictions were relatively less than in other countries in the region. With a negative real interest rate, Brazil began its recovery leveraged by good prices for the export of raw material. Although its unemployment rate decreased from a peak of 14.6%, it remained above the pre-crisis level.

The rest of the emerging and developing economies, including India, Mexico and South Africa, among others, also suffered large declines in the product of their economies due to the pandemic.

2. Local Context

In Argentina, the COVID-19 pandemic marked the year, together with the renegotiation of the public debt and the management of the exchange rate, in an environment of restrictions on the access to the Free and Single Exchange Market (MULC, as per its acronym in Spanish).

In 2020, a 10% drop in Gross Domestic Product (GDP) was observed, concentrated in the initial months of the pandemic. Thus, the economy closed the third consecutive year with a decrease in the GDP.

The pandemic had a strong impact on the public accounts, which ended 2019 with a primary deficit of the Non-Financial Public Sector of 0.4% of the GDP. The combination of a real fall in revenues and an increase in expenditures, to mitigate the consequences of the restrictions and the closure of activities, led to a sharp increase in the primary deficit. It accumulated AR\$1.75 trillion, 6.5% of the GDP. The financial deficit reached 8.5% of the GDP. This increase in the deficit was financed, to a large extent, with monetary issuance.

Monetary issuance accelerated the nominal growth in local currency deposits that accumulated an increase of 85.2% y.o.y. in December, led by savings banks of the private sector. The fall in the velocity of money circulation, which occurred during the most critical months of the quarantine, also contributed to this increase, as a counterpart of a part of the private sector that maintained its income and had to adapt its expenses to the restrictions implemented during the quarantine. The increase in the savings rate of these sectors together with price agreements in various items and frozen prices in several sectors contributed to an annual inflation rate of 36.1% in 2020, compared to 53.8% in 2019. As a result, there was a drop in real remunerations and pensions.

The U.S. dollar was once again the main protagonist in the macroeconomy. The new authorities of the Central Bank of the Argentine Republic (BCRA) implemented restrictive measures to access to the MULC. Thus, at the beginning of the year, the monetary authority became a net requester of foreign currency, recovering reserves and stabilizing the exchange rate. Subsequently, as the pandemic impacted and expectations began to deteriorate, the results of the exchange rate interventions were reversed. The last month of the year, where the usual seasonality was present, allowed the BCRA to accumulate foreign currency again. The Reference Exchange Rate

accumulated an increase of around 40% in 2020 (ARS 84). Meanwhile, the real bilateral exchange rate with the U.S. and the multilateral exchange rate, according to the BCRA index, showed increases of approximately 4.5% and 1.2%, respectively.

Restrictions on access to the MULC, and the significant difference between the exchange rate of the US dollar (USD) and the implicit price in blue chip swap transactions, had a strong impact on the external sector. At the end of 2020, the trade balance accumulated a surplus of USD 12,528 million, with a year-on-year drop of 15.7% and 13.8% in exports and imports, respectively. The exchange surplus reached USD 8,492 million for the same period.

The financial system was also inevitably affected by the pandemic.

Financing in pesos grew 49.4% in 2020, mainly due to special credit lines subsidized to mitigate the effects of the pandemic and promoted by the BCRA. The rest of the liquidity was mainly invested in monetary sterilization instruments, which accounted for 10% of GDP. Rate management, by setting a base for deposit interest rates and simultaneously regulating lending rates on special credit lines, coexisted with changes in the composition of the reserve requirements that contributed to offsetting asymmetries.

On the other hand, dollar-denominated intermediation continued to decrease, with an increase in loan cancellations, compressing the stock of financing in that currency. It decreased by 48.3% y.o.y. at the end of 2020.

Profitability indicators, in terms of assets (ROA) and net equity (ROE) of financial institutions, reached 2.2% and 15.1%, respectively, for the year 2020. In turn, at the end of 2020, the capitalization thereof was good, reaching 21.4% the Tier I capital integration, exceeding the Basel regulatory requirements.

According to the latest available information, the unemployment rate was 11.7% in the third quarter of 2020, although it has not yet recovered the levels prior to the beginning of the pandemic.

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 Executive Order 540/95, Section 10 bis, 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" 6973 issued by the BCRA on April 16, 2020, introduced modifications to the regulations in force until that date, extending the deposit guarantee limit to the amount of ARS 1,500,000 effective as from May 1, 2020.

Regarding the administration of the DGF's investments made in 2020, it was affected by the administration of the exchange rate by the monetary authorities, within the framework of restrictions on access to the MULC, the renegotiation of the public debt, and the evolution of the international financial markets that were significantly affected by the global pandemic.

The available balance as of December 31, 2020 amounted to ARS 262,021 million nominal value.

At the year-end the proportion of the securities invested in US dollars was 59.44% of the portfolio of the DGF, while at the end of 2019 it had been of 79.96%. Considering in particular the investments made in the so-called "US Treasury", they increased relatively from 58.99% to 56.38% of the investment portfolio for the same period.

On the other hand, as 12/31/2020, 36.99% of the complete DGF portfolio was invested in BONDS and ARGENTINE TREASURY BILLS adjustable by CER -Reference

Stabilization Rate- (BONCER and LECER respectively), 2.78% in ARGENTINE TREASURY BILLS at DISCOUNT (LEDES), 0.48% in DOLLAR-LINKED TREASURY BILLS (LELINK), and 0.29% in ARGENTINE TREASURY BILLS at VARIABLE RATE (LEPASE), totaling 40.56% of the investments made in pesos, including liquidity.

Thus, the result of investments made during the Fiscal Year 2020 was ARS 76,031 million nominal value, of which 35.57% (ARS 27,047 million nominal value) amounted to investments in pesos and 64.43% (ARS 48,984 million nominal value) to investments made in U.S. dollars.

4.2 International Representation

During 2020 SEDESA, as a full member of the International Association of Deposit Insurers (IADI), maintained its active participation in the Association and in the activities organized by it.

It is worth mentioning that due to the exceptional circumstances brought about by the sanitary emergency declared worldwide by the COVID 19 virus, IADI had to be adapted to a new dynamic in its meetings, which were held remotely through the WEBEX platform.

Our company has an active participation in this International Association. The Chief Executive Officer, Alejandro J. López, is a member of the Executive Council (EXCO) of IADI. In addition to participating in the meetings of the Executive Committee and the Annual General Meeting (AGM), he is member of the Member Relations Council Committee (MRC), the Training and Technical Assistance Council Committee (TTAC) and the Financial Technology Technical Committee (FINTECH).

It is important to mention that during the 2019 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. Due to the circumstances and reasons derived from the pandemic, the event was held virtually.

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

The Board of Directors established as a purpose for 2020 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 first follow-up audit on the certification of the QUALITY MANAGEMENT SYSTEM (QMS) under the ISO 9001:2015 standards, whose scope is the “Administration of the Available Balance of the Deposit Guarantee Fund” and the recertification under the same version of the QUALITY MANAGEMENT SYSTEM (QMS) standard, whose scope is the “Realization and sale of real estate to integrate the available balance of the Deposit Guarantee Fund”. The audits were virtually conducted, as a result of the measures of public knowledge ordered by the Executive Power pursuant to the pandemic declared worldwide by the World Health Organization caused by the virus known as COVID 19. The audits were satisfactorily completed and the auditors decided to recommend to the IRAM General Certification Committee the recertification of the Quality Management System (its scope was the “Realization and sale of real estate to integrate the available balance of the Deposit Guarantee Fund”) and the maintenance of the certification of the Quality Management System (its scope was the “Administration of the Available Balance of the Deposit Guarantee Fund”).

During this fiscal year, to increase the management’s efficiency and effectiveness, 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 this regard, the Rules on COVID-19 Pandemic Protocol and the Travel Policy - Expenses and Reimbursements were approved. In relation to the adaptation of documents, the Purchases and Hiring Policy and the Collection and Delegation of Powers Policy were modified.

4.4 Asset Management

As regards the Credit Management, notwithstanding the Covid-19 pandemic declared by the World Health Organization and the preventive and mandatory social isolation measures ordered, the Company continued with the credit recovery management within the framework of the measures established by the General Management, aimed at ensuring the operation of the Company and the fulfillment of its own objectives. Within the framework of such management, it is worth mentioning that the amount budgeted for the recovery of credits for the year 2020 was exceeded by 85.2%.

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.

In relation to the sale of real estate, this fiscal year was affected by a depressed market due to the economic conditions described above and the impact of the current exchange and monetary restrictions in force, circumstances that were aggravated by the conditions imposed by the publicly known health situation. Notwithstanding, it was possible to complete the sale of a real property, to continue and initiate sales processes and therefore receive several offers for the different real properties offered.

4.5 Actions adopted within the framework of the sanitary emergency regulations, established by the Necessity and Urgency Decree 297/2020 (Executive Power) and subsequent extensions

In March 2020, the Company's Board of Directors requested the General Management to establish the proposed exceptional measures aiming at the development of the activities in furtherance of SEDESA's corporate purpose.

In this sense, the implementation of the virtual private connection, remote desktop and a double authentication factor for all members of the company took place; the handling of documentation in digital form, the suspension of formalities, intermediate steps and the holographic subscription of certain internal documentation were established, maintaining the control environment within the company, and the procedure to have access to the documentation kept at the offices.

The Extraordinary General Shareholders' Meeting approved the amendment of the Company's Bylaws, in order to enable, among other matters, the holding of meetings of the governing and administrative bodies virtually, as prescribed by the Companies' Registration and Control Office (IGJ, as per its acronym in Spanish) and the implementation thereof through the Zoom Pro platform, which allows all attendees to connect and participate virtually and record such meetings in compliance with the requirements of the IGJ.

The offices were adapted to the new work modality and a protocol was developed for on-site attendance.

In this regard, a new digital system for the handling of documentation, the adaptation of the intranet and web page to new technologies, the digitalization of supplier folders and the modification of the personnel performance evaluation system are in the process of being designed and developed.

4.6 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" taking into account not only the current needs of SEDESA but also the potentiality of this tool that may be essential to efficiently manage future situations arising from a deposit insurer's activities.

Having the development of the SAP Business One Accounting Module been completed, and after verifying that it had reached the level of maturity and consolidation required for its operation, the General Management approved its implementation as from 01/01/2021, replacing the existing TANGO GESTION accounting system.

5 Financial Statements

5.1 Financial Statements of SEDESA.

The financial statements as of December 31, 2020 showed the effects of changes in the currency's purchasing power on a comprehensive basis through the application of 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	12/31/2020	12/31/2019
	ARS	ARS
CURRENT ASSETS	64,664,492	75,222,734
NON CURRENT ASSETS	167,954,442	155,827,162
TOTAL ASSETS	<u>232,618,934</u>	<u>231,049,896</u>
CURRENT LIABILITIES	<u>50,682,668</u>	<u>53,247,647</u>
TOTAL LIABILITIES	<u>50,682,668</u>	<u>53,247,647</u>
SHAREHOLDERS' EQUITY	181,936,266	177,802,249
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>232,618,934</u></u>	<u><u>231,049,896</u></u>

STATEMENT OF INCOME	12/31/2020	12/31/2019
	ARS	ARS
ORDINARY OPERATING INCOME	8,374,814	4,731,915
FINANCING AND HOLDING GAINS (LOSSES)	733,816	2,669,253
OTHER INCOME AND EXPENSES	-	-
ORDINARY INCOME	<u>9,108,630</u>	<u>7,401,168</u>
EXTRAORDINARY INCOME	-	-
SUBTOTAL	<u>9,108,630</u>	<u>7,401,168</u>
INCOME TAX	(4,974,613)	(5,526,871)
NET INCOME	<u><u>4,134,017</u></u>	<u><u>1,874,297</u></u>

STATEMENT OF CASH FLOW	12/31/2020	12/31/2019
	ARS	ARS

Funds generated by operating activities	12,006,288	21,814,091
Funds generated by (used for) investment activities	(5,956,424)	6,918,695
Funds used for financing activities	(6,732,827)	(8,866,414)
Total funds generated (used) during the year	<u>(682,963)</u>	<u>19,866,372</u>

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

	<u>12/31/2020</u>	<u>12/31/2019</u>
Current Liquidity (Current Assets/Current Liabilities)	1.28	1.41
Solvency (Shareholders' Equity/Total Liabilities)	3.59	3.34
Fixed Capital Stock (Non-Current Assets/Total Assets)	72.20%	67.44%
Profitability (Income for the year/Shareholders' Equity)	2.27%	1.05%

Regarding the analysis of the main components of SEDESA's Financial Statements, the variation between current and non-current investments as a result of the exchange of the Argentine Treasury Bills in US dollars for Argentine Treasury Bonds adjusted by CER (Reference Stabilization Rate) maturing in 2022, 2023 and 2024 (BONCER) under the provisions of Executive Orders 141/20 and 193/20.

It is also worth mentioning among the variations in non-current assets: i) the amortization of the premises located at San Martin 344, 12th floor for ARS 3,671 thousand, ii) the acquisition of computer hardware for ARS 2,718 thousand and iii) the activation of licenses and software development expenses for ARS 2,845 thousand.

Current liabilities showed a slight decrease of 4.8% due to higher income tax advances paid. In this regard, it should be noted that in this year the tax inflation adjustment continued to be applied; therefore, the allowance includes the proportions of the previous year and those of the current fiscal year established in the regulations in force on this matter.

Regarding the operating income, the improvement as to the previous year was due to a decrease in administrative expenses measured in constant currency of ARS 2,538 thousand, equivalent to 18.8%.

Financial income showed a decrease of ARS 1,935 thousand as a result of a lower yield on BONCER bonds with respect to the USD Treasury Bills held in the portfolio during the previous year.

Thus, the net income before taxes reached a profit of ARS 9,109 thousand, and the final income of the year was a profit of ARS 4,134 thousand, ARS 2,260 thousand (121%) higher than that of the previous year.

As a result of the changes detailed above, SEDESA's Shareholders' Equity as of December 31, 2020 amounted to ARS 181,936,266 and included the following items:

	ARS
Subscribed Capital	1,000,000
Capital Adjustment	50,477,810
Legal Reserve	1,696,198
Optional Reserve	124,628,241
Unappropriated Retained Earnings	4,134,017
Total	<u>181,936,266</u>

5.2 Financial Statements of the Deposit Guarantee Fund (DGF)

The following information on the Trust 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.

During the last months of 2020, the economic activity continued its recovery dynamic after the vertical collapse caused by the pandemic between March and April, even though with a significant deceleration and an enormous sectorial heterogeneity due to the fact that some sectors were still semi-paralyzed.

The perspectives were still for a continuity of the recovery cycle, although with high sectorial heterogeneity and with risks of relapse linked to the evolution of the health situation.

However, despite this recovery, it was unlikely that the local economy would reach pre-crisis levels in the short term, as long as the health restrictions affecting the productivity of the economy persisted as a result of the pandemic.

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, 2020 had 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 2020 the total assets of the DGF increased by ARS 70,637 million as to the end of the previous fiscal year (an increase of 20.81%) evidenced by growths of ARS 48,857 million in the item Cash and Banks (a growth of 49.38%) and of ARS 21,819 in the item Investments (an increase of 9.08%).

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 36.14%.

In the item 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 48,804 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 58,172 million in the holding of public bonds in national currency and an increase of ARS 48,776 million in bonds in foreign currency allotted to REPO transactions with the BCRA.

Furthermore, from the analysis of the Statement of Cash Flow, it can be observed an increase of ARS 22,167 million in this fiscal year, arising from the financial institutions' contributions of ARS 11,533 million and from the financial income of ARS 10,846 million.

5.2.2 Liabilities

In 2020 the Liabilities of the DGF increased by ARS 48,807 million (an increase of 49.31%), basically due to the REPO transactions for the Fund through securities in foreign currency.

5.2.3 Financial Position

As of the December 31, 2020, the DGF's Net Equity amounted to ARS 262,345 million, representing an increase of ARS 21,830 million (a growth of 9.08%). This increase in the Net Equity amounted to ARS 10,297 million (income generated by the DGF during the accounting year) and ARS 11,533 million (contributions made by the financial institutions).

5.2.4 Income

Despite the unfavorable international and local financial context as a result of the Covid 19 pandemic, the income for the year showed a profit of ARS 10,297 million, representing a return of 4.10% on the average net equity of the year.

Administrative expenses amounted to ARS 392 million, ARS 8 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 10,679 million, mainly due to the profitability of the investments in foreign currency, including the result from exchange rate differences.

The continuity of the policy to improve the asset management of the DGF was shown in the 2020 income statements. During the year, despite the seniority and depletion of the credit portfolio, this item, net of expenses and provisions, contributed positively to the income statements by approximately ARS 8.4 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, 2020 and 2019 together with the Report of the Independent Auditors and the Statutory Audit Committee.



SEDESA
SEGURO DE DEPÓSITOS S.A.

DEPOSIT GUARANTEE FUND

TRUST BALANCE SHEET

as of December 31, 2020 and 2019

	<u>12/31/2020</u>	<u>12/31/2019</u>
ASSETS		
CURRENT ASSETS		
Cash and Banks	147,801,693,155	98,944,201,186
Investments	261,969,756,242	240,087,540,868
Receivables	118,984,217	3,527,438
Other Receivables	38,875,058	38,457,712
Other Assets	<u>1,126,007</u>	<u>1,532,946</u>
Total Current Assets	<u>409,930,434,679</u>	<u>339,075,260,150</u>
NON-CURRENT ASSETS		
Investments	174,897,284	238,105,162
Receivables	1,457,602	156,490,109
Other Assets	<u>19,635,653</u>	<u>19,137,808</u>
Total Non-Current Assets	<u>195,990,539</u>	<u>413,733,079</u>
Total Assets	<u><u>410,126,425,218</u></u>	<u><u>339,488,993,229</u></u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	58,396,127	56,886,008
Liabilities from REPOs	147,720,539,490	98,915,166,336
Other Liabilities	<u>2,556,435</u>	<u>1,965,092</u>
Total Current Liabilities	<u>147,781,492,052</u>	<u>98,974,017,436</u>
Total Liabilities	<u>147,781,492,052</u>	<u>98,974,017,436</u>
NET EQUITY	<u>262,344,933,166</u>	<u>240,514,975,793</u>
TOTAL LIABILITIES AND NET EQUITY	<u><u>410,126,425,218</u></u>	<u><u>339,488,993,229</u></u>

DEPOSIT GUARANTEE FUND

TRUST STATEMENT OF INCOME for the fiscal years ended December 31, 2020 and 2019

	<u>12/31/2020</u>	<u>12/31/2019</u>
FINANCIAL INVESTMENTS AND HOLDING GAINS (LOSSES)		
Financial and Holding gains (losses), RECPAM ¹ included	10,685,496,269	7,143,497,814
Less:		
Commission from Investments Management and Custody	(6,736,394)	(8,786,346)
Total Financial Investments and Holding Gains (Losses)	<u>10,678,759,875</u>	<u>7,134,711,468</u>
INCOME FROM ASSISTANCE TO FINANCIAL INSTITUTIONS		
Dividends	759,036	1,599,279
Total Income from Assistance to Financial Institutions	<u>759,036</u>	<u>1,599,279</u>
INCOME FROM ASSET MANAGEMENT		
Income from collection-recovery of assigned receivables, net of related expenses	18,054,168	5,747,637
Net increase in allowance for credit portfolio, assets under financial leasing and other receivables	(8,119,837)	(5,899,137)
Income (loss) related to financial trusts and portfolio acquisition, net of related expenses	(1,218,977)	315,925
Net income (loss) from fixed assets	(1,184,555)	(1,645,374)
Net income from other assets	844,440	2,791,145
Total income from asset management	<u>8,375,239</u>	<u>1,310,196</u>
ADMINISTRATIVE EXPENSES	(391,900,769)	(399,499,463)
OTHER INCOME	<u>594,536</u>	<u>-</u>
Profits for the year	<u><u>10,296,587,917</u></u>	<u><u>6,738,121,480</u></u>

INDEPENDENT AUDITORS' REPORT

To the Directors of
SEGURO DE DEPÓSITOS S.A.
TRUSTEE OF THE DEPOSIT GUARANTEE FUND
²C.U.I.T. N°: 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"), C.U.I.T. 30-70812286-2, that include: (a) the Trust Balance Sheet as of December 31, 2020, (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 explanatory information.

2. Responsibilities of the Trustee's Board of Directors as to the Trust Financial Statements

The Trustee's Board of Directors 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, and it is further responsible for the internal control that it may deem necessary for the preparation of the trust 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 trust 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 pursuant 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, 2020, 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

In compliance with the current provisions, we hereby state that as of December 31, 2020

- a) The trust financial statements mentioned in paragraph 1 arise from the trust accounting records kept, in their formal aspects, in accordance with the current legal provisions stated in note 2.6) thereto.
- b) There is no accrued debt as social security contributions for 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 standards

Autonomous City of Buenos Aires,
March 18, 2021

PISTRELLI, HENRY MARTIN Y ASOCIADOS S.R.L.
³C.P.C.E.C.A.B.A. Volume 1 – Folio 13

LEONARDO D. TROYELLI
Partner
Public Accountant U.B.A.
C.P.C.E.C.A.B.A. Volume 287 – Folio 155

SEGURO DE DEPOSITOS SOCIEDAD ANONIMA

Financial statements for the fiscal years ended December 31, 2020 and 2019 together with the Reports of the Independent Auditors and the Statutory Audit Committee.

A tall, cylindrical lighthouse with a red brick base and a white middle section, topped with a black lantern room. It stands on a large, rugged rock formation in the middle of the sea. The background shows a cloudy sky and distant mountains.

SEDESA
SEGURO DE DEPÓSITOS S.A.

SEGURO DE DEPOSITOS SOCIEDAD ANONIMA

BALANCE SHEET

as of December 31, 2020 and 2019

ASSETS	<u>12/31/2020</u>	<u>12/31/2019</u>
CURRENT ASSETS		
Cash and Banks	53,774,915	57,874,923
Investments	8,887,114	16,928,006
Other Receivables	<u>2,002,463</u>	<u>419,805</u>
Total Current Assets	<u>64,664,492</u>	<u>75,222,734</u>
NON-CURRENT ASSETS		
Investments	11,301,801	-
Other Receivables	241,943	329,381
Fixed Assets	148,746,172	150,678,613
Intangible Assets	<u>7,664,526</u>	<u>4,819,168</u>
Total Non-Current Assets	<u>167,954,442</u>	<u>155,827,162</u>
Total Assets	<u>232,618,934</u>	<u>231,049,896</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	38,959,769	38,182,607
Taxes Payable	4,995,490	6,161,910
Social Security Contributions	<u>6,727,409</u>	<u>8,903,130</u>
Total Current Liabilities	<u>50,682,668</u>	<u>53,247,647</u>
Total Liabilities	<u>50,682,668</u>	<u>53,247,647</u>
SHAREHOLDERS' EQUITY	<u>181,936,266</u>	<u>177,802,249</u>
Total Liabilities and Shareholders' Equity	<u>232,618,934</u>	<u>231,049,896</u>

SEGURO DE DEPOSITOS SOCIEDAD ANONIMA

STATEMENT OF INCOME

for the fiscal years ended December 31, 2020 and 2019

	<u>12/31/2020</u>	<u>12/31/2019</u>
Rental Income	17,567,577	17,436,877
Administrative expenses	(10,938,419)	(13,476,613)
Plus:		
Decrease in allowance for recovery of gross income withholdings	373,199	10,337
Recovery of expenses	1,372,457	761,314
Financing and Holding Gains (Losses), RECPAM ¹ included	<u>733,816</u>	<u>2,669,253</u>
Net Profit (before income tax)	9,108,630	7,401,168
Charges from income tax	(4,974,613)	(5,526,871)
Net Income for the year	<u><u>4,134,017</u></u>	<u><u>1,874,297</u></u>

INDEPENDENT AUDITORS' REPORT

To the Directors of
SEGURO DE DEPÓSITOS S.A.
²C.U.I.T. N°: 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, 2020, (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 explanatory information.

2. Responsibilities of the Company's Board of Directors as 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. 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.

² Taxpayer Identification Number (CUIT, as per its acronym in Spanish).

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. 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, 2020, 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

In compliance with the current provisions, we hereby state that as of December 31, 2020:

- a) The financial statements mentioned in paragraph 1 arise from the accounting records kept, in their formal aspects, in accordance with the current legal provisions stated in note 2.6) thereto.
- b) The accrued debt of social security contributions for the Argentine Integrated Social Security System, as evidenced in the Company's accounting records, amounted to ARS 5,344,742 and was not due as of such date

- c) 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 18, 2021

PISTRELLI, HENRY MARTIN Y ASOCIADOS S.R.L.
³C.P.C.E.C.A.B.A. Volume 1 – Folio 13

LEONARDO D. TROYELLI
Partner
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