

# SEDESA

SEGURO DE DEPÓSITOS S.A.

ANNUAL REPORT | 2021  
ARGENTINA



# SEDESA

SEGURO DE DEPÓSITOS S.A.

**ANNUAL REPORT AND BALANCE SHEET OF SEGURO DE DEPÓSITOS S.A.  
AS OF DECEMBER 31, 2021**



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## **MEMBERS OF THE BOARD OF DIRECTORS AND STATUTORY AUDIT COMMITTEE**

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#### **Alternate Directors**

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*Alejandro C. Rey*

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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 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 year ended as of December 31, 2021.

During the period under review, we continued with the modernization and digital transformation of the company's operating resources and action policies were designed to consolidate remote work, eliminate the use of paper and make documentation available online and also develop a new business intelligence.

We continue consolidating the current Quality Management System. In December, IRAM carried out the second follow-up audit of the Quality Management System certification, which scope is the "Administration of the Available Balance of the Deposit Guarantee Fund", of the Investment Process; and the first follow-up audit under the same version of the ISO 9001:2015 standard, which scope is the "Realization and sale of real estate to integrate the available balance of the Deposit Guarantee Fund", both with satisfactory results.

The DGF's investments in 2021 were made in the context of international financial markets affected by an economy still in post-pandemic recovery with rising inflation levels. On the other hand, the evolution of government securities in the domestic market reflected the exchange restrictions and the alternatives of the debt negotiation with the International Monetary Fund.

Notwithstanding the foregoing, and considering the historical evolution of the DGF's Available Balance in relative terms, it is observed that it maintains low risk and high liquidity investments, in furtherance of our mission, as an integral part of our country's financial safety net.

At an international level, SEDESA continues showing active participation in the activities conducted by the International Association of Deposit Insurance (IADI).

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 year 2021 was a period of recovery after the COVID-19 pandemic. Thus, the deep recession that led to a 3.1% contraction of the world economy is behind us. The International Monetary Fund (IMF) outlook pointed to a global economy towards the strongest recovery of the last five global recessions in the past 80 years. There was an expansion of 5.9% for 2021 and of 4.4% for 2022 as a result of strong sovereign tax and monetary policies that supported economic activity.

The recovery during 2021 that at the beginning of the year was expected to be swift, motivated by the vaccines and the stimulus of governments and central banks, lost strength as the months went by. Although most countries have reached levels of activity similar to those obtained before the virus spread, there are still challenges posed by the pandemic that are not yet over. Challenging factors include energy, supply constraints, labor, inflation initially assumed to be transitory, asymmetry in vaccination and borders that still have some degree of restriction.

### **1.1 International Context**

Despite the different dynamics, the actions of public institutions with their flexible tax and monetary policies continued being at the center of the scene. In particular, as the year progressed and the recovery was being consolidated.

The expansive monetary policies conducted by the main central banks, together with the reactivation of the international trade, geopolitical conflicts that especially affected the energy sector, and tensions between a demand for goods that was growing faster than their supply, led inflation to higher levels. Inflation, which was initially estimated to be transitory, is now beginning to be the concern of different monetary authorities, who are tightening their policies and thus making global financial conditions more complex.

The Federal Depository Reserve (FED), which maintained a flexible policy for almost all of 2021, finally reduced the pace of asset purchases. Then, at the beginning of 2022, it ratified its preference for reducing its balance sheet and a more aggressive rate increase

than the one originally foreseen. In turn, in March 2022, the European Central Bank (ECB) announced the end of net asset purchases under the Pandemic Emergency Purchase Program (PEPP) and the provisional increase of net purchases under the traditional asset purchase program (APP). At the same time, it committed to maintaining the main interest rates at current levels, until there is an adequate progress in stabilizing inflation, for the medium-term target.

In the United States (US), whose output expanded by 5.6%, the FED maintained its benchmark rate target during the year. In the U.S. labor market, unemployment was below 4% at the end of the year and inflation ended the year at 7%.

In the Euro Zone, the product contracted by 5.2% according to IMF's estimates. The evolution of the price index, which had ended 2020 with a 0.3% deflation, reached an increase of 5%. The unemployment rate stood at 7%.

By 2022, it was expected a growth in advanced economies of about 5% by 2022. Furthermore, growth in emerging market and developing economies was expected to be above average, with an increase of 6.5% at the year-end, based on an improved external demand and high commodity prices. In the latter segment, developing countries in Asia contributed to the world's growth, reaching an estimated expansion of 7.2% by 2021 and 5.9% by 2022. All the above arose mainly due to the IMF-estimated expansions of China and India, which reached 8.1% and 9%, respectively.

It is worth mentioning that the growth of the People's Republic of China has slowed considerably throughout the year, as fiscal support has been reduced and containment measures have continued to be implemented due to new cases of COVID-19 infection. This situation caused a decrease in the spending on services and also added pressure on global supply chains. Moreover, the transition to renewable energies, the crisis in the real estate sector and the government's intention to reorient growth policy towards the domestic market are generating uncertainty as to future developments.

On the other hand, it is estimated that Brazil's output, another important emerging country for our economy, is expected to achieve an expansion of 4.7%. This country closed the year with inflation above 10%. Its Central Bank doubled its inflation target, despite raising its monetary policy rate seven times over the year, taking it from 2% to 9.25%.



The rest of the emerging and developing economies (Mexico and South Africa among others) also showed an increase but at a below-average level.

## **2. Local Context**

The domestic economy was not the exception; it also showed a recovery in 2021. After three consecutive years of a decrease in activities, a growth of around 10% was recorded. The greater vaccines availability and their application plan allowed the advancement of the immunization campaign, which quickly led to higher levels of mobility, employment and economic activity.

The legislative elections were the other major conditioning factor of the annual evolution. Activities expanded, especially in the second half of the year after the Open and Simultaneous Mandatory Primary Elections (PASO), when the government further encouraged the reopening of the economy. As a result, it reached pre-pandemic levels.

The activity's improvement was observed in the labor market, where participation, employment and unemployment indicators had enhanced. Employment levels returned to pre-pandemic values after the economic reopening and the return to school.

The levels of consumption performed were irregular over the first half of the year, growing in the second half along with the recovery of the purchasing power.

Investment expanded strongly, benefiting from the different foreign exchange market regulations and high international export prices.

The external sector provided greater resources, allowing an increase in the margin for imports and investment. The trade surplus accumulated, at the end of 2021, an estimated value in US dollars (USD) of 14,750 million, with a year-on-year increase of 42% and 49.2% in exports and imports, respectively. The current account surplus reached USD 5,566 million for the same period.

Regarding the exchange rate policy, the Reference Exchange Rate of the BCRA accumulated an increase of around 22% in 2021, (ARS 102.75). On the other hand, the real bilateral exchange rate with the U.S. and the multilateral exchange rate, according to the BCRA index, showed decreases of approximately 13.3% and 17.8%, respectively.

With the continued existence of restrictions on access to the Free and Single Exchange Market (MULC, as per its acronym in Spanish), the difference between the US dollar exchange rate and the implicit price in peso transactions of domestic bonds denominated in dollars, commonly referred to as the blue-chip swap transactions (CCL, as per its acronym in Spanish), had a significant impact on the external sector. It reached levels of around 95% at the year-end, having started the year at a value of approximately 70%.

In a favorable international context, as a result of a foreign currency's record liquidation by the oilseeds and grains sector, and the extraordinary issue of Special Drawing Rights (SDR) by the IMF, the BCRA showed a stock of International Reserves (IIRR) at year-end similar to the one it had at the beginning of the year.

As regards the monetary policy, the BCRA practically maintained a constant and negative interest rate in real terms throughout the year. At the same time, the monetary base was reduced as it grew below inflation. On the one hand, monetary financing to the National Treasury and interest on the BCRA's interest-bearing liabilities expanded the monetary base. On the other hand, the increase in the stock of such interest-bearing liabilities performed otherwise, partly explaining the economy's peso absorption.

The public accounts ended the year with a reduction in the primary deficit, from 6.5% of the Gross Domestic Product (GDP) in 2020 to an estimated value of 3% of GDP. The fiscal deficit is estimated at 4.5% of GDP for the year-end, after reaching 8.5% the previous year.

On the income side, the Solidarity and Extraordinary Contribution and Export Duties played a significant role. On the expenditure side, the substantial decrease in expenses related to the COVID-19 pandemic and the change in the retirement adjustment formula became relevant. Spending on energy subsidies also stood out, with a significant increase as a consequence of the regulation of the pertinent rates. The deficit was financed mainly with the assistance from the BCRA and, to a lesser extent, by local financing to the National Treasury.

Inflation closed the year at 50.9%. The categories "Food and Beverages" and "Clothing" and "Transportation" had a strong impact on the final number. Other sectors that had a significant contribution were "Health" and "Restaurants and Hotels" that registered a price

recovery after 2020, period on which they were especially affected by the pandemic.

The financial system, after being strongly affected in 2020, also developed a different behavior during the last year.

Financing in pesos to the private sector grew in real terms in the last months, reaching levels similar to those of the previous year. The financing line for the productive investment of Micro, Small and Medium-sized Enterprises (MSMEs) promoted by the BCRA stands out. The profitability indicators of financial institutions, in terms of assets (ROA) and net equity (ROE), reached an annual aggregated profitability of 1.1% and 7.3%, respectively. In turn, at the end of 2021, the financial system showed a capitalization that reached a Tier I capital integration of 24.3%, far exceeding Basel regulatory requirements. Liquidity also closed the period above the average of recent years and above the 2020 level.

Finally, as part of the public debt restructuring plan, the government had negotiated, with varying degrees of progress, a new agreement with the IMF which shall be a determining factor for the sustainability of economic growth. Tax consolidation, the reduction of monetary financing from the BCRA and the accumulation of IIRR carried out within the projected program, shall be the variables that will determine the future local development, the degree of sustainability and the reduction of the country risk.

### 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).

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 depositors' rights (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 therein. Notwithstanding the foregoing, the DGF may provide the financial assistance established 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 made by financial institutions 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 amendments to the regulations in force until that date, extending the deposit guarantee limit to the amount of ARS 1,500,000 as from May 1, 2020.

Regarding the management of the Deposit Guarantee Fund's investments made in 2021, they were carried out in the context of international financial markets affected by an economy still in post-pandemic recovery with rising inflation levels. On the other hand, the evolution of government securities in the domestic market reflected the foreign exchange restrictions and the alternatives of the debt negotiation with the International Monetary Fund.

At the year-end, the proportion of the securities invested in US dollars was 50.91% of the DGF portfolio, while at the end of 2020 it had been 59,44%. As regards investments made in the so-called "US Treasury", they relatively decreased from 56.38% to 48.61% in the investment portfolio for the same period.

On the other hand, as of 12/31/2021, 46.73% of the complete DGF portfolio was invested

in BONDS and ARGENTINE TREASURY BILLS adjustable by CER -Reference Stabilization Rate- (BONCER and LECER respectively) and 2.35% in ARGENTINE TREASURY BILLS adjusted by the US Dollar (Dollar Link or LELINK), totaling 49.09% of the investments made in pesos, including Liquidity.

Therefore, the result of investments made during the Fiscal Year 2021 was ARS 94,237 million nominal value, of which 64.66% (ARS 60,929 million nominal value) amounted to investments in pesos and 35.34% (ARS 33,308 million nominal value) to investments made in U.S. dollars.

## **4.2 International Representation**

In 2021 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, upon the exceptional circumstances caused by the health emergency declared worldwide due to the COVID-19 virus, IADI continued to be adapted to the dynamics of remote meetings which were held through the WEBEX platform.

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

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

The Board of Directors established as a purpose for 2021 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 QMS under the ISO

9001:2015 standards, whose scope is the “Administration of the Available Balance of the Deposit Guarantee Fund” and the first follow-up audit under the same version of the 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 carried out under a hybrid mode (virtually and in-person), upon the measures taken due to the evolution of the COVID-19 pandemic at that time.

The abovementioned audits were satisfactorily completed and the auditors decided to recommend the maintenance of the current certification of the Quality Management System to the IRAM General Certification Committee.

Moreover, during this fiscal year, in order 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, various documents related to policies, procedures, resolutions, regulations and forms that are part of the aforementioned framework were updated. The adaptation of the “Organizational Structure Policy” and the “Collections and Delegation of Powers Policy” was approved. Additionally, the Resolution “Standardization of the treatment of physical and electronic documentation within the scope of SEDESA” was issued. Regarding the adaptation of other documents that comprise the regulatory framework, new updates were made to the “Preventive and Corrective Maintenance Plan” Instructions and the “Replacement Chart” Regulations. As regards forms, the following ones were approved: “Form 77 - COVID-19 Vaccination Affidavit” and the new version of “Form No. 74, Data Request Financial Information Unit. Adequacy to Res. No. 112 - 2021 Financial Intelligence Unit (FIU)”.

#### **4.4 Asset Management**

In relation to credit management, notwithstanding the extension of some of the preventive and mandatory social isolation measures ordered by the National Government, actions were taken to recover credits within the framework of the measures established by the General Management.

As a result of this effort, the amount budgeted for the 2021 credit recovery was exceeded

by 72.1%.

Regarding 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, to enable the disposal and sale thereof, under 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, as in the previous 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 the above, it was possible to complete the sale of two properties, to continue and initiate sales processes and, therefore, receive offers for the different real properties offered.

#### **4.5 Actions taken within the framework of modernization and digital transformation**

For the year 2021, policies and actions were designed to consolidate remote work, eliminate the use of paper, make documentation available online and develop new business intelligence.

Within that scenario, various actions and tasks were carried out. Among them, the implementation of the Digital File System stands out. This allowed more agile and efficient management of the files assigned to each Area/Management and the traceability of the information without the need for a physical file, thus facilitating the information processing. To this end, new equipment was acquired and all the information from the previous system was transferred, generating a data repository that contributes to the organization's global initiative of eliminating paper through the digitalization of documentation. The implementation of the SAP Business One system and the management carried out ensured the business continuity within an adequate information processing framework.

On the other hand, the allocation and delivery of Notebooks to all SEDESA personnel have been completed.

As regards technological changes, the IP PBX technology and desktop telephony



equipment were upgraded. Therefore, the different telephone exchanges were unified and the services were satisfactorily equalized for all users.

The generation of Information Dashboards for data processing was implemented. To conduct this activity, Power BI licenses for data analysis were incorporated, a local data repository was installed and key users were trained in the use of the tool.

Finally, as a result of the aforementioned actions, we were able to implement the information dashboards, a management tool that assists in decision making. These dashboards are: DGF Investments, DGF Available Balance, Financial Institutions Contributions - 2021, Credit Collections (2020-2021), Duration of the Procurement Process, DGF - Expenses Associated with Assets (Projects), DGF - Expenses Associated with Assets (Projects), Status of Real Estate, Payments Made - Consolidated.

Concerning the dynamics and reuse of physical spaces in SEDESA, desktop equipment was replaced by mobile equipment, thus allowing and facilitating the redistribution and agile availability of available resources.

Finally, to support the mobile resources implemented, a new WIFI Internet network was designed, hired and installed.

#### **4.6 Information Management**

At the end of last year, the General Management approved the implementation of SAP Business One Accounting Module as from 01/01/2021, replacing the TANGO GESTION accounting system. This implementation together with the incorporation of new tools that allow the exploitation of data has made possible during this fiscal year the development and availability of information boards that provide a detailed analysis of the operation, enabling the timely follow-up thereof and favoring decision-making by the Management.

## 5 Financial Statements

### 5.1 Financial Statements of SEDESA.

The financial statements as of December 31, 2021 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:

<b>BALANCE SHEET</b>	<u>12/31/2021</u>	<u>12/31/2020</u>
	ARS	ARS
CURRENT ASSETS	105,664,634	97,604,585
NON CURRENT ASSETS	<u>243,356,607</u>	<u>253,510,435</u>
TOTAL ASSETS	<u>349,021,241</u>	<u>351,115,020</u>
CURRENT LIABILITIES	<u>73,695,185</u>	<u>76,500,419</u>
TOTAL LIABILITIES	73,695,185	76,500,419
SHAREHOLDERS' EQUITY	<u>275,326,056</u>	<u>274,614,601</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>349,021,241</u>	<u>351,115,020</u>

  

<b>STATEMENT OF INCOME</b>	<u>12/31/2021</u>	<u>12/31/2020</u>
	ARS	ARS
ORDINARY OPERATING INCOME	9,031,692	12,640,945
FINANCING AND HOLDING GAINS (LOSSES)	(5,043,731)	1,107,622
OTHER INCOME AND EXPENSES	-	-
ORDINARY NET INCOME	<u>3,987,961</u>	<u>13,748,567</u>
EXTRAORDINARY INCOME	-	-
SUBTOTAL	3,987,961	13,748,567
INCOME TAX	<u>(3,276,506)</u>	<u>(7,508,681)</u>
NET INCOME	<u>711,455</u>	<u>6,239,886</u>

**STATEMENT OF CASH FLOW**

	12/31/2021	12/31/2020
	ARS	ARS
Funds generated by operating activities	24,781,596	18,122,291
Funds generated by (used for) investment activities	(6,404,442)	(8,990,626)
Funds used for financing activities	(16,017,582)	(10,162,529)
Total funds generated (used) during the year	<u>2,359,572</u>	<u>(1,030,864)</u>

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

	12/31/2021	12/31/2020
Current Liquidity (Current Assets/Current Liabilities)	1.43	1.28
Solvency (Shareholders' Equity/Total Liabilities)	3.74	3.59
Fixed Capital Stock (Non-Current Assets/Total Assets)	69.73%	72.20%
Profitability (Income for the year/Shareholders' Equity)	0.26%	2.27%

Regarding the analysis of the main components of SEDESA's Financial Statements, the increase in current investments by ARS 7,481 thousand is noteworthy, as a result of a larger position in time deposits adjustable by the Purchasing Value Unit (UVA, as per its acronym in Spanish) and the holding of CER-adjustable Argentine Treasury Bonds (BONCER) maturing in September 2022.

It is also worth mentioning among the variations in non-current assets: i) the amortization of the premises located at San Martin 344, 12<sup>th</sup> floor for ARS 5,541 thousand and the amortization of computer equipment for ARS 3,271 thousand, ii) the acquisition of computer hardware for ARS 5,062 thousand and iii) the amortization of the licenses and software development expenses for ARS 3,989 thousand.

Current liabilities showed a slight decrease of 3.7% due to a decrease in accounts payable. Regarding income tax it should be noted that in this year the tax inflation adjustment continued to be applied; therefore, the allowance included the proportions of previous years and those of the current fiscal year established in the regulations in force

on this matter.

Regarding the operating income, rental income measured in constant currency had a decrease of ARS 5,296 thousand, since they were agreed in dollars and during 2021 the correction of the exchange rate was 22.1%, while the increase in prices reached 51.9%. Notwithstanding this decrease, the income generated was sufficient to cover SEDESA's administrative expenses.

The financial income generated a negative balance of ARS 5,044 thousand, where although income from time deposits and public securities was higher than that of the previous year, it was not sufficient to offset the 51.9% inflation registered during the year.

Thus, the net income before taxes reached a profit of ARS 3,988 thousand and the final income of the year, after deducting income tax, was a profit of ARS 711 thousand.

As a result of the changes detailed above, SEDESA's Shareholders' Equity as of December 31, 2021 amounted to ARS 275,326,056 and included the following items:

	ARS
Subscribed Capital	1,000,000
Capital Adjustment	76,700,606
Legal Reserve	2,560,242
Optional Reserve	194,353,753
Unappropriated Retained Earnings	<u>711,455</u>
<b>Total</b>	<u><u>275,326,056</u></u>

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

The following information on the Trust 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.

While the economy showed a very strong recovery in 2021, with local production growing by more than 10% (a 9.9% drop in 2020) and employment rising by 11% (a 9.2% drop the previous year), the economy also showed growing macroeconomic imbalances, reflected in an inflation rate climbing to 50.9% per year (36.1% in 2020) and the exchange rate did



not keep pace with the inflation rate, with an increase of only 22.2%.

Besides, the administration of the Deposit Guarantee Fund remained being oriented to an improvement of its balance sheet's structure, 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, 2021 had been adjusted to be expressed in the currency of the purchasing power as of that date, pursuant to the Argentine professional accounting standards in force in the Autonomous City of Buenos Aires.

### **5.2.1 Assets**

In 2021, the DGF's total assets decreased by ARS 66,786 million with respect to the end of the previous year (a 10.79% drop), mainly due to the holding of assets in foreign currencies used in REPO transactions, where the exchange rate variation had an annual increase of 22.1% against a 50.9% inflation rate for the same period.

Regarding the investments item, placements in local currency increased by ARS 21,926 million, most of which consisted of local inflation-adjusted securities, while those in foreign currency decreased by ARS 46,022 million for the reasons described at the end of the preceding paragraph.

Furthermore, the Statement of Cash Flows shows a decrease of ARS 24,037 million in the current fiscal year, as a result of a positive cash flow of ARS 17,940 million generated by operating activities, which was reduced by a negative result in the financial operations of ARS 41,976 million.

### **5.2.2 Liabilities**

During the current fiscal year, the DGF's liabilities decreased by ARS 42,379 million (a decrease of 19.0%), basically due to the valuation at the exchange rate of REPO transactions through securities in foreign currency.

### **5.2.3 Net Equity**

As of December 31, 2021, the DGF's Net Equity amounted to ARS 371,576 million, representing a decrease of ARS 24,407 million (a drop of 6.16%). The decrease in Net Equity was due to a negative result for the year of ARS 42,785 million, partially offset by contributions from financial institutions totaling ARS 18,378 million.

### **5.2.4 Income**

The unfavorable international and local financial context arising from the continuity of the COVID-19 pandemic, together with the variation of the exchange rate that did not follow the inflation rate in our country, were determining factors for the fiscal year's income to show a loss of ARS 42,785 million.

The main source of the decrease in the DGF's income, after adjusting for inflation, was U.S. dollar-denominated securities, as a result of the relatively low depreciation of the local currency in relation to the inflation rate.

In addition, the DGF's main investments in US dollar-denominated securities are US Treasuries, which are considered of high liquidity and one of the lowest credit risk investments in the world.

This investment will enable the achievement of the investment objectives set forth in Section 10 of Executive Order 540/95 as amended.

Administrative expenses amounted to ARS 580 million, ARS 11 million lower than the ones recorded in the previous year.

The continuity of the policy to improve the asset management of the DGF was shown in the 2021 income statements. In the current fiscal year, despite the seniority, the depletion of the credit portfolio and the prevailing economic situation, this item, net of expenses and allowances, contributed ARS 4.8 million positively to the income statements, arising from collections and credit recoveries, as well as from the sale of real estate.

## **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, 2021 and 2020 together with the Report of the Independent Auditors and the Statutory Audit Committee.

## DEPOSIT GUARANTEE FUND

### TRUST BALANCE SHEET

as of December 31, 2021 and 2020

	<u>12/31/2021</u>	<u>12/31/2020</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Banks	180,676,234,965	223,091,875,648
Investments	371,320,345,565	395,417,150,072
Receivables	1,563,263	179,594,777
Other Receivables	55,164,846	58,678,013
Other Assets	<u>1,126,007</u>	<u>1,699,595</u>
<b>Total Current Assets</b>	<u>552,054,434,646</u>	<u>618,748,998,105</u>
<b>NON-CURRENT ASSETS</b>		
Investments	174,833,654	263,989,960
Receivables	25,525	2,200,104
Other Assets	<u>29,104,456</u>	<u>29,638,049</u>
<b>Total Non-Current Assets</b>	<u>203,963,635</u>	<u>295,828,113</u>
<b>Total Assets</b>	<u><u>552,258,398,281</u></u>	<u><u>619,044,826,218</u></u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	89,356,210	88,143,114
Liabilities from REPOs	180,589,407,610	222,969,382,306
Other Liabilities	<u>3,432,776</u>	<u>3,858,683</u>
<b>Total Current Liabilities</b>	<u>180,682,196,596</u>	<u>223,061,384,103</u>
<b>Total Liabilities</b>	<u>180,682,196,596</u>	<u>223,061,384,103</u>
<b>NET EQUITY</b>	<u>371,576,201,685</u>	<u>395,983,442,115</u>
<b>TOTAL LIABILITIES AND NET EQUITY</b>	<u><u>552,258,398,281</u></u>	<u><u>619,044,826,218</u></u>

## DEPOSIT GUARANTEE FUND

### TRUST STATEMENT OF INCOME for the fiscal years ended December 31, 2021 and 2020

	<u>12/31/2021</u>	<u>12/31/2020</u>
<b>FINANCIAL INVESTMENTS AND HOLDING GAINS (LOSSES)</b>		
Financial and Holding gains (losses), RECPAM <sup>1</sup> included	(42,203,191,967)	16,128,688,069
Less:		
Commission from Investments Management and Custody	(6,765,551)	(10,167,913)
Total Financial Investments and Holding Gains (Losses)	<u>(42,209,957,518)</u>	<u>16,118,520,156</u>
<b>INCOME FROM ASSISTANCE TO FINANCIAL INSTITUTIONS</b>		
Dividends	-	1,145,689
Total Income from Assistance to Financial Institutions	-	1,145,689
<b>INCOME FROM ASSET MANAGEMENT</b>		
Income from collection-recovery of assigned receivables, net of related expenses	12,729,409	27,250,961
Net increase in allowance for credit portfolio, assets under financial leasing and other receivables	(12,226,833)	(12,256,082)
Income (loss) related to financial trusts and portfolio acquisition, net of related expenses	(1,359,588)	(1,839,924)
Net income (loss) from fixed assets	5,547,882	(1,787,967)
Net income from other assets	99,331	1,274,598
Total income from asset management	<u>4,790,201</u>	<u>12,641,586</u>
<b>ADMINISTRATIVE EXPENSES</b>	(580,259,390)	(591,535,021)
<b>(Loss) / Profit for the year</b>	<u>(42,785,426,707)</u>	<u>15,541,669,803</u>

<sup>1</sup> Gains (Losses) from exposure to changes in the purchasing power of the currency, (RECPAM, as per its acronym in Spanish)

## **INDEPENDENT AUDITORS' REPORT**

To the Directors of  
**SEGURO DE DEPÓSITOS S.A.**  
**TRUSTEE OF THE DEPOSIT GUARANTEE FUND**

<sup>2</sup>C.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, 2021, (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 included in the notes and supplementary exhibits.

#### **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.

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<sup>2</sup> Tax Payer 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 trust financial statements. The selected procedures depend on the professional judgment of the auditor, including risk assessment 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, 2021, 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, 2021

- 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 22, 2022

PISTRELLI, HENRY MARTIN Y ASOCIADOS S.R.L.  
<sup>3</sup>C.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

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## **SEGURO DE DEPOSITOS SOCIEDAD ANONIMA**

Financial statements for the fiscal years ended December 31, 2021 and 2020  
together with the Reports of the Independent Auditors and the Statutory  
Audit Committee

# SEGURO DE DEPOSITOS SOCIEDAD ANONIMA

## BALANCE SHEET as of December 31, 2021 and 2020

ASSETS	12/31/2021	12/31/2020
<b>CURRENT ASSETS</b>		
Cash and Banks	79,559,857	81,167,857
Investments	20,895,571	13,414,210
Other Receivables	5,209,206	3,022,518
<b>Total Current Assets</b>	<b>105,664,634</b>	<b>97,604,585</b>
<b>NON-CURRENT ASSETS</b>		
Investments	13,757,061	17,058,938
Other Receivables	241,943	365,189
Fixed Assets	220,979,346	224,517,472
Intangible Assets	8,378,257	11,568,836
<b>Total Non-Current Assets</b>	<b>243,356,607</b>	<b>253,510,435</b>
<b>Total Assets</b>	<b>349,021,241</b>	<b>351,115,020</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	55,737,769	58,805,875
Taxes Payable	7,403,581	7,540,193
Social Security Contributions	10,553,835	10,154,351
<b>Total Current Liabilities</b>	<b>73,695,185</b>	<b>76,500,419</b>
<b>Total Liabilities</b>	<b>73,695,185</b>	<b>76,500,419</b>
<b>SHAREHOLDERS' EQUITY</b>	<b>275,326,056</b>	<b>274,614,601</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>349,021,241</b>	<b>351,115,020</b>

## SEGURO DE DEPOSITOS SOCIEDAD ANONIMA

### STATEMENT OF INCOME

for the fiscal years ended December 31, 2021 and 2020

	<u>12/31/2021</u>	<u>12/31/2020</u>
Rental Income	21,220,452	26,516,501
Administrative expenses	(21,343,971)	(16,510,450)
Plus:		
Decrease in allowance for recovery of gross income withholdings	1,563,147	563,307
Recovery of expenses	7,592,064	2,071,587
Financing and Holding Gains (Losses), RECPAM <sup>1</sup> included	<u>(5,043,731)</u>	<u>1,107,622</u>
Net Profit	<u>3,987,961</u>	<u>13,748,567</u>
Charges from income tax	(3,276,506)	(7,508,681)
<b>Net Income for the year</b>	<b><u><u>711,455</u></u></b>	<b><u><u>6,239,886</u></u></b>

# INDEPENDENT AUDITORS' REPORT

To the Directors of  
**SEGURO DE DEPÓSITOS S.A.**  
<sup>2</sup>C.U.I.T. N°: 30-68241551-3  
Legal domicile: San Martín 344, 12<sup>th</sup> 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, 2021, (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 included in the supporting notes and exhibits.

### 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.

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<sup>2</sup> 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 risk assessment 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 prepare 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, 2021, 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, 2021:

- a) The financial statements mentioned in paragraph 1 arise from the accounting records kept, in their formal aspects, pursuant to 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 8,408,287 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 22, 2022

PISTRELLI, HENRY MARTIN Y ASOCIADOS S.R.L.  
<sup>3</sup>C.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

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<sup>3</sup> 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).