

**ANNUAL REPORT AND BALANCE SHEET OF SEGURO DE DEPÓSITOS S.A.  
AS OF DECEMBER 31, 2022**

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

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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, 2022.

The investments of the Deposit Guarantee Fund in 2022 were made in a context of international financial markets affected by a global economy under the post-pandemic effects, with inflation levels not experienced for decades. On the other hand, the government securities' evolution in the domestic market reflected the existing exchange restrictions as well as the development of the negotiation and subsequent agreement with the International Monetary Fund (IMF).

Notwithstanding the above, and considering the historical evolution of the DGF's Available Balance, it is observed that it has continued to be invested in low-risk and highly liquid instruments, in furtherance of our purpose as an integral part of our country's financial safety net.

During the ended fiscal year, the modernization and digital transformation of the company's operating resources continued, and actions aimed at strengthening remote work, eliminating the use of paper, making documentation available online and developing new business intelligence were promoted.

We continued consolidating the current Quality Management System. In December, IRAM had carried out a new recertification audit of the Quality Management System, whose scope was the "Administration of the Available Balance of the Deposit Guarantee Fund" (Investment Process); and the second follow-up audit under the same version of the ISO 9001:2015 standard, which scope was the "Realization and Sale of real estate to integrate the available balance of the Deposit Guarantee Fund", both of them with satisfactory results.

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

IADI held its 21<sup>st</sup> Annual General Meeting (AGM) and Annual Conference hosted by SEDESA in the city of Buenos Aires, Argentina, on October 24-

28, 2022. The event was attended by 260 (two hundred and sixty) members from approximately 80 (eighty) jurisdictions from all over the world.

On that occasion, during the elections held at the 21<sup>st</sup> IADI Annual General Meeting (AGM) on October 28, 2022, Alejandro López, Chief Executive Officer (CEO) of Seguro de Depósitos Sociedad Anónima (SEDESA), Argentina, was elected as President of IADI and Chair of its Executive Council (EXCO) for a three-year term.

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

HUGO L. SECONDINI

Chairman

SEDESA

## **1. Economic Context. General Provisions**

In 2022, the global economy has slowed down as a result of inflationary pressures and the effects of the war in Ukraine. This situation has impacted on international food and energy prices as well as on the deterioration of the global supply chain; making international trade more complex.

After growing by 6.2% in 2021, pursuant to the International Monetary Fund (IMF) the world economy evolved at a solid pace and expanded by 3.4% in 2022. The IMF has projected a lower expansion for the current year 2023, reaching 2.9% based on the continuity in the interest-rate increases of the main Central Banks, due to the global inflationary dynamics and the lasting of the war in Ukraine.

### **1.1 International Context**

The year 2022 introduced complex political and economic challenges due to the Covid-19 pandemic's consequences -especially in China-, the war in Ukraine and the withdrawal of American and European investors from the Russian market, which caused concern among Western companies operating in China, as well as the risk of a future conflict between China and the United States (US) over the sovereignty of Taiwan. In addition, a second year of high global inflation led the Central Banks of developed countries to raise their interest rates at a pace not experienced for decades.

In the US, the price index in 2022 was 6.5%, after reaching a high of 9.1% in June. In the United Kingdom, it rose to 10.5%. In the Eurozone, it was 9.2%, after reaching the highest level since the creation of the common currency in October, when the year-on-year rate reached 10.6%.

Under these circumstances, the Central Banks of the major economies withdrew the monetary support provided during the pandemic faster than expected along with the increase in the interest rates. The U.S. Federal Reserve (Fed) implemented a 425 basis point (bp) rate increase throughout 2022, with Fed Funds ending in the 4.50-4.75% range. On the other hand, the Bank of England adjusted its rate to 3.5%, registering an annual increase of 325 bps. For the Eurozone, the European Central Bank (ECB) made a less aggressive adjustment, it raised the rate to 2.5%, thus reaching an annual increase of 250 bp. China was the only major economy that changed course in terms of monetary policy, deciding to reduce the rate to face the contractions in activity caused by the second COVID-19 wave and instabilities in the financial sector.

In terms of economic growth, the IMF estimates that developed economies grew by 2.7% over 2021. For the year 2023, it has projected a growth of 1.2%. It should be noted that such growth is not expected to be uniform among developed countries.

For the US, after a 2%-increase in 2022, the IMF has forecasted a lower dynamic in the current year, with an expected growth of 1.4%. The main risk behind this estimate is the possibility that the Fed will pursue a more aggressive rate-raising path than expected. Likewise, growth in Europe would also be affected by rate hikes, falling real remunerations, and the effects of the war between Ukraine and Russia, which disrupts its energy market. The estimated growth in 2022 was 3.5%, and a rise of only 0.7% is expected in 2023. The drop would be widespread, mainly affecting Germany and France. In addition, there was also the outlook for a decline in the UK output.

Among emerging economies, the estimated growth for 2022 was 3.9%.

In an unprecedented trend in recent years, China is estimated to grow at 3%, below average. The main reason would be the second COVID-19 wave and the strong isolation policies established. This would be reversed in 2023, as the country had decided to change its massive isolation policy and normalize the supply side of the economy. When combined with monetary incentives, China's growth estimate would reach 5.2% by 2023.

In Latin America, the estimated growth for 2022 was 3.9%, while 1.8% was expected for 2023. Specifically for Brazil, a 1.2% product increase is expected for 2023. This was due to interest rate hikes, which would affect economic performance, after an estimated growth of 3.1% in 2022.

The tightening of financial conditions was not innocuous for bond, stock and currency prices. Yields on 10-year US Treasury bonds increased from 1.51% to 3.88% in 2022. For 2-year instruments, the yield rose from 0.73% to 4.43%, showing an inverted curve. In Europe, the yield on German 10-year securities increased from -0.18% to 2.56%. Furthermore, French securities increased from 0.20% to 3.11% and Italian bonds also showed an increase from 1.19% to 4.70%. In July, the European Central Bank announced the creation of a new tool, the TPI (Transmission Protection Instrument) to control spreads between European bonds, although it was not used during 2022.

The Standard & Poor 500 stock index fell 19% in 2022, its worst annual performance since the 2008 crisis. The Nasdaq 100 index lost 33% and the Euro Stoxx 50 fell 12%. Asian markets were not the exception, where the MSCI index, excluding Japan, fell

20%. Likewise, Tokyo's Nikkei 225 index fell 9% and the Shanghai stock exchange plunged 22%. The rise in commodity prices boosted Latin American stocks, where the MSCI LATAM index gained 15% in 2022.

Non-traditional investments such as cryptocurrencies, which had experienced record gains in 2020 and 2021, were affected by the rising rates. Bitcoin lost 64% of its value.

The U.S. labor market showed resilience to the rate increase, so that the unemployment rate remained at 3.5%. In the Eurozone, unemployment was around 6.5%. However, tighter financial conditions are expected to affect growth and employment during 2023.

Regarding global trade and commodity prices, both factors would accompany the global dynamics, after a year that was generally positive despite the readjustment of economic policies and the war.

In 2022, trade in goods grew by 5.4%, above the historical average. The increase was concentrated in advanced economies, due to China's performance. In 2023, growth is expected to slow down, with an expansion of 2.4%. Emerging economies are expected to perform better in relative terms.

On the other hand, commodity prices continued to increase in 2022, especially from energy products, because of the effects of the war. The remaining assets also grew due to the boost of food products and the recovery of raw materials related to investment.

## **2. Local Context**

The year 2022 was characterized by a limited economic performance due to the structural limitations of the economy and the need to strengthen macroeconomic balances.

At the beginning of the year, it is worth mentioning the execution of a new agreement with the IMF in March, which emphasized the strengthening of International Reserves, the reduction of the tax deficit and the monetary assistance from the Central Bank of the Argentine Republic (BCRA) to the National Treasury. At the end of the year, the fulfillment of the established economic goals stood out. However, growth was beginning to be limited by increased uncertainty.



It was estimated that growth reached approximately 5.2% per year in 2022. Thus, at the time of drafting this annual report, it was estimated that the level of economic activity would have returned to pre-pandemic levels. And it would be gradually reaching previous record levels.

In 2022, growth was driven by corporate investment encouraged by the convenience of capitalizing profits with the incorporation of capital goods and buildings at an attractive exchange rate based on the existing exchange restrictions. According to national accounts data, published up to the third quarter, the investment rate reached 21.2% of the Gross Domestic Product (GDP), after growing 15% during the year.

Another driving factor was the recovery in household incomes, particularly in the first half of the year. This was mainly due to the increase in employment levels and the maintenance of government transfers in 2022. This has led to a private consumption growth of approximately 11% per year, while public sector consumption registered a 3.2% rise.

The dynamics of the labor market were positive during the year, with a strong employment increase. However, the improvement was mainly in more vulnerable occupations (self-employed and informal workers), while formal employment registered a certain degree of stagnation after the 2021 recovery.

After falling from 11% to 7% in 2021, the unemployment rate remained at that level through 2022. The employment rate, which had reached a pandemic low of 33.4%, stood at 44.2% in the third quarter of 2022. It should be noted that during July 2022 the double severance pay was eliminated.

Under the agreement with the IMF, the public accounts showed a slight reduction in the primary deficit, ending the year at around 2.3% of GDP, according to the agreement reached with the IMF. This was the result of a drop in expenditure levels that exceeded the reduction in revenues. The decrease thereof was greater than 1% of GDP, with lower transfers for social benefits, subsidies, and other expenses.

On the foreign front, there was a reduction in the trade balance and a greater demand for imported services. During the year, the trade balance reached a surplus of US dollars (USD) 6,922 million, lower than the USD 14,750 million recorded in the same period of 2021. The decrease was due to a strong import demand, in a context where external sales are growing due to the increase in international prices.

As of December, goods exports accumulated shipments of USD 88,445 million, 13% higher than a year earlier. This increase was mainly due to improvements in exchange prices. Fuel sales rose by 59%, due to the increase in the supply from Vaca Muerta. There was also a positive performance of 16% in agro-industrial exports. The rise in commodity prices had a clear favorable impact on Argentine exportable products, thus encouraging the export of primary products and agricultural and livestock manufactured goods.

On the other hand, imports of goods in 2022 reached USD 81,522 million with a 29% year-on-year increase. Fuel purchases stood out, doubling imports due to the increase in external prices despite the drop in quantities.

The fall in the commercial balance and the higher deficit in services and income payments would have reversed the current account balance of the balance of payments, which was estimated at a deficit of 0.4% of GDP at the end of 2022. However, this balance would have been overcompensated by the capital account, based on the contribution of IMF loans, a higher private sector commercial indebtedness, and the fall in the build-up of foreign assets.

To reach the International Reserves accumulation target of USD 5 billion, the BCRA had to promote new regulations and incentive programs for soybean exports. With these measures, net International Reserves ended at an estimated USD 7.7 billion, and the target agreed with the IMF would have been reached. The gross International Reserves ended at USD 44,598 million.

Monetary policy had different aspects. Upon the inflationary acceleration, the BCRA increased its monetary policy rate to 75% at the end of 2022. In turn, the BCRA also intervened by purchasing securities in the secondary market of government bonds. On the other hand, the National Treasury granted financial institutions the possibility of paying banking-system required reserves with government securities and other instruments, to encourage financing to the public and private sectors. As a counterpart thereto, such institutions ended the year with a higher percentage of minimum cash, in BCRA instruments or government securities.

With the rate increase and an accelerated devaluation, the BCRA's reference exchange rate closed the year 2022 at ARS 177.13. On the other hand, the implicit exchange rate of blue-chip swap reached ARS 340.85. This implied annual variations of 72.4% and 67.8%, respectively, and in both cases, below inflation. At the year-end,

the inflation rate reached 94.8%. The economy had to face inflationary outbreaks in March and July, due to the impact of external variables and the increase in local financial uncertainty that pressured the exchange rate gap. The dynamics of the official exchange rate and the increase in the prices of regulated products and energy also had an impact. The assets registered a year-on-year price increase of 97.9%, higher than the 86.8% increase in services.

In the financial system, the level of inflation-adjusted deposits recorded a slight decrease during the year. This lower funding has led to a reduction in the financial system size. The total credit declined as a percentage of GDP at the end of 2022, after loans grew by 65% during the year. Non-performing loans continued to fall from 4.3% for the total financial system in December 2021 to 3.1% at the end of 2022, after a recent maximum of 6.2% in February 2020.

Deposits in USD decreased in both the public and private sectors. They ended the year at USD 18,784 million, 83% thereof belonged to the private sector.

It should be noted that the Argentine financial system is very well capitalized. Tier 1 capital payment was 28.5% at the end of 2022.

In addition, a trend that was observed during 2022 was the growth in the use of the interoperable QR codes to make payments by wire transfer. In constant pesos as of December 2022, the volume of these transactions increased by 510%. More specifically, regarding transfers, the number of transactions increased by 134% through mobile banking and by 24% through Internet banking or homebanking. At the same time, ATM withdrawals decreased by 18%, showing an increasing digitalization of the system.

Despite the volatile economic scenario, Argentine stocks increased in value for the second consecutive year. Sovereign bonds in dollars behaved otherwise. While the shares of companies in the energy sector performed very well, doubling in value, companies linked to the technology sector suffered from the global bear market, falling by around 50% in some cases.

The year 2023 will be conditioned by the election calendar, which will end with the presidential election. The agreement with the Fund will continue to set the economic policy, even though some of its goals may be challenging. In particular, the government's current great challenge is to place debt beyond 2023, and thus be able to go through the elections with confidence. Besides, there is the risk of drought, which

has already affected the future harvest. In addition, interest payments will be higher than in the year ended. On the other hand, the prompt construction of the gas pipeline that will take gas from Vaca Muerta to the main consumption centers of the country could prevent the loss of reserves and limit the demand for foreign currency due to the imports.

### **3. Seguro de Depósitos S.A. (SEDESA)**

Seguro de Depósitos S.A. (SEDESA) is a corporation (Sociedad Anónima) organized in 1995 to act 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 outlined 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 special accounts for the crediting of remunerations).

- 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 to contribute to the stability of the Argentine financial system, with the prior consent of the BCRA and charged to the DGF.

#### **4. Actions Undertaken**

##### **4.1 Deposit Guarantee Fund (DGF)**

Under 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 of the revised text of Enforcement of the Deposit Insurance System, recorded in the second immediately preceding month.

Communication "A" 7661 issued by the BCRA on December 22, 2022 had introduced amendments to the regulations in force until that date, extending the deposit guarantee limit to the amount of ARS 6,000,000 as of January 1, 2023.

The management of the Deposit Guarantee Fund's investments in 2022 continued to be affected by the exchange rate management of the monetary authorities under the framework of restrictions on access to the Free and Single Foreign Exchange Market (MULC), the negotiation and agreement of the public debt with the International Monetary Fund, and the evolution of the international financial markets. The available balance, as of 12/31/2022, amounted to ARS 711,455 million.

At the year-end, the proportion of the securities invested in US dollars was 45.79% of the DGF portfolio, while at the end of 2021, it had been 50,91%. As regards

investments made in the so-called “US Treasury”, they relatively decreased from 48.61% to 44.07% in the investment portfolio for the same period.

On the other hand, as of 12/31/2022, 41.80% of the DGF's total portfolio was invested in BONDS and NATIONAL TREASURY BILLS adjustable by CER -Reference Stabilization Rate- (BONCER and LECER respectively), 7.56% in DUAL BONDS adjustable by CER or US Dollar according to the issuance conditions, 3.46% in discount NATIONAL TREASURY BILLS and 1.38% in NATIONAL TREASURY BILLS adjustable by the U.S. dollar (dollar Link or LELINK), totaling 54.21% of the investments made in pesos, including liquidity.

Thus, the investments made during the Fiscal Year 2022, in nominal values, was ARS 318,211 million, of which 56.75% (nominal values ARS 180,592 million) was invested in pesos and 43.25% (nominal values ARS 137,619 million) was invested in U.S. dollars.

## **4.2 International Participation**

In 2022 SEDESA, as a full member of the International Association of Deposit Insurers (IADI), maintained its active participation in the Association and the activities organized by it.

It is worth mentioning that together with SEDESA, IADI has carried out the Annual General Meeting (AGM) and International Conference where Buenos Aires was the chosen venue for the development thereof in October 2022; and SEDESA hosted the event that was attended by two hundred and sixty (260) members from approximately eighty (80) jurisdictions around the world.

Under the exceptional circumstances caused by the worldwide health emergency declared by the COVID-19 virus, IADI has continued to adapt to the dynamics of remote meetings, and therefore IADI members who were unable to attend the event held in Buenos Aires were able to actively participate in it virtually.

Therefore, SEDESA had to develop a set of actions and tasks to guarantee this activity, in view of the requirements for live and simultaneous transmission of all the Committee sessions and Conferences held during the event.

On October 28, 2022, at the Annual General Meeting (AGM), Alejandro J. López (CEO), was elected President of IADI and Chair of its Executive Council (EXCO) for a

three-year term. In addition to chairing the Association and EXCO, 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 the purpose for 2022 to continue consolidating the current processes developed within the framework of the QUALITY MANAGEMENT SYSTEM (QMS) under the ISO 9001:2015 standards. Therefore, in December IRAM carried out a new QMS recertification audit under the ISO 9001:2015 standards, whose scope is the “Administration of the Available Balance of the Deposit Guarantee Fund” and the second 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”. On this occasion, the audits were mainly carried out in person.

The abovementioned audits ended satisfactorily and the audit team decided to recommend the IRAM General Certification Committee to grant a new Quality Certificate for the Investment process and to maintain the current certification for the Sale of Real Estate process.

Moreover, during this fiscal year, we continued with the development, preparation, adaptation, approval, and implementation of the documents that are part of the Company's Regulatory Framework to increase the management's efficiency and effectiveness. This is a constant and dynamic activity. Thus, several documents related to policies, procedures, resolutions, regulations and forms that are part of such framework were updated. The "Purchases and Hiring" and "Customer Identification and Knowledge" policies were approved.

Therefore, new versions of the following procedures were drafted: “Internal Audit”, “Safeguards Management” and “Payment Procedures”.

#### **4.4 Asset Management**

In 2022, as regards credit management, actions were taken to recover receivables according to the standards established by the General Management.

Therefore, the collection proposed in the budget for the fiscal year 2022 was significantly surpassed. As a result of this management progress was also made in some legal proceedings that were expected to be settled in later periods.

As regards real estate management, actions continued to be taken to promote and materialize the recovery and transfer in favor of SEDESA of some residual assets, to allow their disposal and sale, according to the applicable policy and regulations.

Concerning the sale of real estate, this fiscal year, as in the previous one, 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. Notwithstanding the above, it was possible to complete the sale of two properties, to continue and initiate sales processes, and consequently to receive offers for the different real properties offered. In this context, the sale of two properties was completed.

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

Once the SAP B1 system was consolidated in 2022, we continued with the data processing through the PowerBI tool and analysis of the system's validations to optimize the functionalities and achieve its maximum usage.

As for e-mail, Internet, and telephone services, the same levels of service agreements were maintained, since the management carried out in previous years ensured the continuity of SEDESA's operations in optimal conditions, collaborating with remote work and promoting a fluid communication.

To update and upgrade applications, the Visual Fondos System, essential for Finance Management, was migrated to the latest version offered by the supplier Sistemas Esco, keeping the systems updated together with SAP B1, under the established standards.

Solutions were also sought to update SEDESA's web page, which is currently in the pre-production stage. Infrastructure investments were also made to ensure that the server room operates at an adequate temperature and to monitor its operation remotely.



## **4.6 Information Management**

Along with the updating policy for IT and Infrastructure, support was provided for the creation of new management dashboards for the following Areas: Administration and Human Resources, Accounting Control and Records, and Investment Analysis.

In addition, using the collaborative tools acquired, the Digital Library was developed to improve the presentation of standards and procedures, and of all the documentation that needs to be published and made available.

On the other hand, the development of the Contingency Plan for the payment of the Deposit Guarantee is in progress.

## **5 Financial Statements**

### **5.1 Financial Statements of SEDESA**

The financial statements as of December 31, 2022, showed the effects of changes in the currency's purchasing power on a comprehensive basis, by applying the Argentine professional accounting standards in force in the Autonomous City of Buenos Aires. For this purpose, the National Consumer Price Index was used, which amounted to 94.8% in the current year and 50.9% in the previous year.

According to Resolution No. 7/2015, Sections 306 and 307, 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>12/31/2022</u>	<u>12/31/2021</u>
	ARS	ARS
CURRENT ASSETS	180,153,447	205,824,140
NON CURRENT ASSETS	440,970,639	474,034,335
TOTAL ASSETS	<u>621,124,086</u>	<u>679,858,475</u>
CURRENT LIABILITIES	131,420,346	143,550,853
TOTAL LIABILITIES	131,420,346	143,550,853
SHAREHOLDERS' EQUITY	489,703,740	536,307,622
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>621,124,086</u>	<u>679,858,475</u>

<b>STATEMENT OF INCOME</b>	<u>12/31/2022</u>	<u>12/31/2021</u>
	ARS	ARS
ORDINARY OPERATING INCOME	(21,946,395)	17,592,832
FINANCING AND HOLDING GAINS (LOSSES)	(24,657,487)	(9,824,684)
OTHER INCOME AND EXPENSES	-	-
ORDINARY NET INCOME	(46,603,882)	7,768,148
EXTRAORDINARY INCOME	-	-
SUBTOTAL	(46,603,882)	7,768,148
EXTRAORDINARY INCOME	-	(6,382,306)
NET INCOME	<u>(46,603,882)</u>	<u>1,385,842</u>

<b>STATEMENT OF CASH FLOW</b>	<u>12/31/2022</u>	<u>12/31/2021</u>
	ARS	ARS
Funds from operating activities	13,956,248	48,272,070
Funds from (used for) investment activities	(16,453,547)	(12,475,212)
Funds used for financing activities	(37,852,802)	(31,200,648)
Total funds generated (used) during the year	<u>(40,350,101)</u>	<u>4,596,210</u>

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

	<u>12/31/2022</u>	<u>12/31/2021</u>
Current Liquidity (Current Assets/Current Liabilities)	1.37	1.43
Solvency (Shareholders' Equity/Total Liabilities)	3.73	3.74
Fixed Capital Stock (Non-Current Assets/Total Assets)	71.00%	69.73%
Profitability (Income for the year/Shareholders' Equity)	-9.52%	0.26%

Regarding the analysis of the main items of SEDESA's Financial Statements, it was important to highlight the change in investments from fixed-term investments in the previous year to investments in CER-adjustable National Treasury Bonds (BONCER) and discounted Treasury Bills (LEDES) in the current fiscal year.

It was 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 10,793 thousand and the amortization of computer equipment for ARS 7,000 thousand, ii) the acquisition of computer hardware for ARS 822 thousand and iii) the amortization of the licenses and the software development expenses for ARS 7,986 thousand.

Current liabilities declined slightly by 8% as a result of a decrease in accounts payable. As for income tax, this fiscal year closed with a tax loss of ARS 26,776 thousand, taking into account that in this fiscal year, the tax inflation adjustment continued to be applied, and therefore included the proportions of previous fiscal years and those of the current fiscal year established in the current regulations.

In relation to the operating income, rental income measured in constant currency had a decrease of ARS 10,978 thousand, since they were agreed in dollars, and during 2022 the correction of the exchange rate was 72.6%, while the increase in prices reached 94.8%.

On the other hand, income from the organization of the IADI 2022 Annual Conference amounted to ARS 19,926 thousand.

The financial income generated a negative balance of ARS 24,657 thousand, where although income from time deposits and government securities was ARS 14,912 thousand higher than in the previous year, it was not sufficiently high to offset the 94.8% inflation recorded during the fiscal year.

Administrative expenses included ARS 46,641 thousand for the organization of the 2022 IADI Annual General Meeting (AGM) and Annual Conference.

In view of the abovementioned, at the fiscal-year end, there was a loss of ARS 46,604 thousand, which represented 8.7% of the initial Shareholders' Equity.

As a result of the changes detailed above, SEDESA's Shareholders' Equity as of December 31, 2022, amounted to ARS 489,703,740 and included the following items:

	ARS
Subscribed Capital	1,000,000
Capital Adjustment	150,353,010
Legal Reserve	4,987,094
Optional Reserve	379,967,518
Unappropriated Retained Earnings	<u>(46,603,882)</u>
<b>Total</b>	<u><u>489,703,740</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 to provide a framework for the understanding thereof under local and foreign economic and financial situation.

Although Argentina ended the year 2022 with an economic expansion of around 5.5%, this strong growth included two very different scenarios. On the one hand, a first semester of strong economic recovery until the mid-year tax funding crisis that ended with an exchange rate hike and an inflationary increase. On the other hand, in the second part of the year, the economy slowed down sharply with high inflation, thus interrupting a recovery dynamic that had accumulated five consecutive quarters of economic growth.

Besides, the management of the Deposit Guarantee Fund continued to focus on improving the structure of its balance sheet, reducing low liquidity assets and carrying out financial operations with an adequate combination of capital preservation and profitability so as to comply with the purposes set by the current standards.

Therefore, the trust financial statements as of December 31, 2022, had been adjusted to be expressed in the currency of the purchasing power as of that date, under the Argentine professional accounting standards in force in the Autonomous City of Buenos Aires.

### 5.2.1 Assets

In 2022, the DGF's total assets decreased by ARS 49,588 million as compared to the end of the previous year (a 4.61% 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 72.6% against an inflation rate for the same period of 94.8%.

Regarding the investments item, placements in local currency increased by ARS 31,529 million, most of which consisted of local inflation-adjusted national securities, while those in foreign currency decreased by ARS 4,340 million for the reasons described in the preceding paragraph.

Furthermore, the Statement of Cash Flows showed a decrease of ARS 12,107 million in the current fiscal year, as a result of a positive cash flow of ARS 32,147 million from operating activities, which was reduced by a negative result in the financial operations of ARS 44,254 million.

### **5.2.2 Liabilities**

During the current fiscal year, the DGF's liabilities decreased by ARS 39,313 million (a decrease of 11.17%), 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, 2022, the DGF's Net Equity amounted to ARS 713,518 million, representing a decrease of ARS 10,275 million (a decrease of 1.4%). The decrease in Net Equity was due to a negative result for the fiscal year of ARS 43,542 million, partially offset by contributions from financial institutions totaling ARS 33,267 million.

### **5.2.4 Income**

The variation in the exchange rate, which did not follow the inflation rate in our country, was a determining factor for the fiscal year's income to record a loss of ARS 43,542 million.

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

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

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

Administrative expenses amounted to ARS 1,243 million, ARS 113 million higher than those of the previous year.

The continuity of the policy aimed at improving income from receivables collection and asset management of the DGF was shown in the 2022 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, positively contributed ARS 60.1 million to the income statements from receivables collections and the sale of real estate.