

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2004, PRESENTED COMPARATIVELY WITH THE PRIOR
FISCAL YEAR
In thousands of Argentine pesos**

NOTE 1 - NATURE AND PURPOSE OF THE CENTRAL BANK OF ARGENTINA

The Central Bank of Argentina (BCRA) is a self-regulating entity of the Argentine Government that is subject to the provisions of its Charter (section 1, Law No. 24144).

The BCRA's main function is to preserve the Argentine currency value. It is also in charge of developing a monetary and financial policy aimed at protecting money functions, such as value reserve, account unit and payment instrument to settle monetary obligations.

The BCRA is the Argentine Government's financial agent, depository and representative before the international monetary, bank and financial institutions that Argentina may join.

As established by section 41 of the Charter, income generated by the BCRA will not be subject to income tax. The Bank's assets and transactions receive the same tax treatment as the Argentine Government's assets and acts.

NOTE 2 - LEGAL AND FINANCIAL AMENDMENTS DURING FISCAL 2003 AND 2004

The accompanying financial statements disclose the BCRA's financial position as of the end of fiscal 2003 and 2004.

For a better reading of the accompanying financial statements and to understand the transformation process and the financial effects thereof in fiscal 2004, the following paragraphs will describe the most significant measures established during such fiscal year until the date of issuance of the accompanying financial statements.

2.1 Monetary consolidation program

The creation of the monetary consolidation program was fundamental to guarantee the monetary consolidation and the circulation of a single legal tender throughout Argentina, thus avoiding departures from section 30 of the BCRA's Charter.

Through Presidential Decrees Nos. 743/03 and 957/03, the Executive Branch created the program to redeem Argentine federal and provincial securities issued to replace Argentine currency, for an equivalent face amount of up to seven thousand and eight hundred million Argentine pesos (ARS 7,800,000,000) and the replacement thereof for Argentine legal tender.

As established by Law No. 25736, the BCRA received “Federal Government bonds in Argentine pesos 2% 2011 and 2% 2013” at face value from the Argentine Government for the exclusive purpose of implementing the monetary consolidation program; such bonds remained in its “Government securities” portfolio as of 2004 year-end (Note 4.4.1.3.2).

2.2 Public debt restructuring

On September 22, 2003, the Ministry of Economy and Production provided the Annual Meeting of the International Monetary Fund (IMF) with the general guidelines of the public debt restructuring proposal issued before December 31, 2001, for the purpose of recovering the normal relationships with its creditors around the world.

Presidential Decree No. 319/04 restructured the public debt securities under default, appointing international organizing banks and organizing banks for Argentina.

On December 9, 2004, the Argentine Government published Presidential Decree No. 1735/04, which established the scope, terms and conditions of the restructuring process related to the Argentine Government debt documented in the bonds with deferred payment as established by section 59, Law No. 25287, through a national and international swap transaction.

The events occurred after year-end with respect to the previous comments are disclosed in note 5.2.

During 2004, the Argentine Government duly complied with the payment of the obligations assumed with international financial institutions.

2.3 Treatment given to the aid granted to the financial system due to illiquidity

The Executive Branch issued Presidential Decree No, 739/03 dated March 28, 2003, which is related to the aid settlement assumed by financial institutions due to illiquidity during the systemic crisis occurred as from 2001.

A plan with interest and amortization rates similar to the assets used to guarantee such aid was established for the institutions involved. Such rates are adjusted by the CER (benchmark stabilization coefficient) and they will accrue an annual 3.5% rate to be paid on a monthly basis and to be amortized in up to 70 installments.

The aid granted is secured for at least 125% of principal by Argentine Government secured loans (Presidential Decree No. 1387/01), Argentine Government secured bonds (Presidential Decree No. 1579/02) or Argentine Government bonds in US dollars or Argentine pesos (Presidential Decrees Nos. 905/02, 1836/02 and 739/03).

To join this plan, the institutions were required to settle their foreign liabilities pursuant to certain standards.

Presidential Decree No. 1262/03 established that the BCRA will be able to modify amortization conditions with the previous authorization from the URSF (financial system restructuring unit), and it may extend the term to 120 installments.

A significant event occurred during fiscal 2004 was the BCRA's approval, through Communiqué "A" 4268 dated December 26, 2004, as supplemented, of a mechanism aimed at consolidating the monetary policy, thus creating a real monetary absorption tool.

Through this mechanism, financial institutions may anticipate contributions for the future settlement of principal installments of the aid received, which form part of the payment schedules arising from the system regulated by Presidential Decree No. 739/03. The possibility of participating in this plan is directly related to the recent performance of financial institutions upon granting loans to the private sector, thus allowing more participation from the institutions that achieved a higher increase in the amount of loans to the non-financial private sector in the twelve months immediately preceding the bidding date. As a result of the monetary implications of the transaction described, the BCRA intended to continue controlling the amount authorized for pre-settlement, that is why it is offered for bidding. Therefore, in each bidding, the institutions offer the amount to be prepaid and the premium for the right to access such mechanism. The events occurred after year-end with respect to the previous comments are disclosed in note 5.1.

NOTE 3 - ACCOUNTING STANDARDS APPLIED

3.1 Significant accounting policies

Financial statements were prepared in accordance with the professional accounting standards and the general valuation methods established for the institutions belonging to the Argentine financial system.

Through Resolution C.D. No. 87/03 dated June 18, 2003, the CPCECBA (Professional Council in Economic Sciences of the City of Buenos Aires) approved the professional accounting standards enforced in the City of Buenos Aires (Technical Resolutions Nos. 6, 8, 9, 16, 17, 18 and 21). Such revised text incorporates the technical resolutions of the F.A.C.P.C.E. (Argentine Federation of Professional Councils in Economic Sciences) with the amendments, supplements and interpretations established by the CPCECBA.

As of the date of issuance of the accompanying financial statements, the CPCECABA kept in force Resolution C. 98/93, which suspended, for BCRA-supervised institutions, the application of the present value to the measurement at the beginning and end of year of monetary receivables and payables generated by financial transactions and refinancing, and of other monetary receivables and liabilities not generated by the purchase and sale of goods and services. Consequently, the BCRA has not yet implemented such valuation and disclosure amendments for the issuance of financial institutions' financial statements.

The financial statements are presented comparatively with the prior year. Basic financial statements disclose figures in Argentina pesos while the notes and exhibits disclose them in thousands of Argentine pesos.

The specific characteristics of the BCRA and the duties and functions assigned by the charter, particularly those related to the power to issue notes and coins, plus the specificity of the transactions that it performs, cannot be assimilated to the transactions of financial institutions regarding the preparation of the statement of cash flows. Exhibit IV includes the statement of cash flows and explains the variations on the indicators defined as funds occurred during fiscal 2004 and 2003 comparatively, including the following items: International Reserves, Monetary liabilities

(Monetary base and Current accounts in other currencies) and Argentine Government deposits and Other.

3.2 General valuation and disclosure methods

3.2.1 Consideration of inflation effects

Following the provisions under Presidential Decree No. 664/03 and the regulation CONAU 1 – 569 issued by the BCRA for financial institutions, the application of the adjustment for inflation was abrogated as from March 1, 2003.

In addition, the CPCECABA issued Resolution MD No. 41/03, which established that the restatement in constant pesos was required to continue until September 30, 2003. Consequently, the BCRA did not recognize in books the effects of variations in the currency purchasing power generated from March 1 through September 30, 2003, as required by current professional accounting standards. The effects of failing to recognize the variations in the currency purchasing power as of such date are not significant as regards the financial statements taken as a whole.

3.2.2 Receivables and payables in Argentine pesos

Receivables and payables are stated at face values, including, as the case may be, interest accrued as of each year-end, pursuant to the current accounting standards applicable to all financial institutions.

3.2.3 Receivables and payables in foreign currency

Receivables and payables in foreign currency were valued based on the method used for all financial institutions. In this regard, the US dollar-to-Argentine peso exchange rate published by the BCRA was used, which was effective upon the closing of transactions on December 31, 2004, and 2003. Inventories in other currencies were valued at the selling exchange rate published by Banco de la Nación Argentina, New York branch, at the close of transactions. The table below shows the exchange rates of different currencies with respect to the Argentine peso:

	<u>12/31/2004</u>	<u>12/31/2003</u>
US dollar	2.97380000	2.933000
Gold	1,304.60606000	1,217.195000
Special drawing rights (SDRs)	4.61834114	4.358350
Euro	4.05091000	3.692940
Yen	0.02906088	0.02742659
Pound sterling	5.73735200	5.235405
Canadian dollar	2.47486772	2.269771
Swiss franc	2.62494750	2.36532435

3.2.4 Method to recognize income and expenses

Income and expenses are recognized on an accrual basis and calculated pursuant to Argentine legislation or the agreement entered into among the parties involved, as the case may be.

NOTE 4 – BREAKDOWN AND SPECIFIC VALUATION METHODS OF THE MAIN ITEMS IN FINANCIAL STATEMENTS

4.1 Gold

	<u>12/31/2004</u>	<u>12/31/2003</u>
Gold in bars	2,297,356	0
Allowance for gold in bars (Exhibit I)	<u>(5,237)</u>	<u>0</u>
	<u>2,292,119</u>	<u>0</u>

Gold physical inventories were valued as of year-end at USD 438.70 (USD 415.00 as of December 31, 2003) per troy ounce –stated in US dollar-, at the exchange rate of Banco de la Nación Argentina, New York branch, as of such dates, and converted into Argentine pesos according to the method under note 3.2.3.

According to the international reserve standards, only monetary gold qualifies as a reserve asset; therefore, the gold inventories kept for numismatic purposes are not deemed financial assets. In this regard, coined gold inventories were recharged since, as of December 31, 2003, they were charged to this item in the amount of ARS 11,215, under “Other assets”, as well as the related allowance.

Currently, the gold ingots kept in the BCRA’s vault qualify as “good delivery”; consequently, a provision for sale expenses was booked, which consists in calculating the variable costs that should be incurred upon deciding to realize them. Such allowance was estimated in one US dollar per ounce and it is disclosed in financial statements, offsetting the amount in the “Gold” account.

4.2 Foreign currency

	<u>12/31/2004</u>	<u>12/31/2003</u>
Treasury inventories	2,092,973	1,615,889
Overnight and checking accounts in foreign correspondent banks	<u>1,156,262</u>	<u>1,628,876</u>
	<u>3,249,235</u>	<u>3,244,765</u>

Treasury inventories were valued as established in note 3.2.3. The overnight and checking accounts in foreign correspondent banks were valued through the same method plus the related accrued interest.

4.3 Realizable investments in foreign currency

Including the following investments made abroad:

	<u>12/31/2004</u>	<u>12/31/2003</u>
Certificates of deposit in foreign currency	37,266,331	24,392,925
Foreign government securities	7,017,795	7,872,530
Demand deposits	5,174,272	3,560,837
In federal funds	1,968,656	0
Repurchase agreements	1,486,900	1,629,575
	<u>52,913,954</u>	<u>37,455,867</u>

Demand deposits and certificates of deposits, repurchase agreements and investments in federal funds were stated at face value, plus interest accrued until year-end, converted into Argentine pesos according to the method established in note 3.2.3.

Foreign government securities were stated at market values as of year-end.

4.4 Government securities

4.4.1 BCRA's own portfolio

It includes the BCRA's government securities portfolio detailed in Exhibit III, which, as of December 12, 2004, amounted to ARS 9,200,776 (ARS 8,749,321 as of December 31, 2003).

The BCRA stated its portfolio of Argentine Government securities issued under Argentine and foreign legislation at their listed price or estimated market value. To disclose the market values of the securities booked as of December 31, 2004, an ARS 1,008,562 allowance for impairment in value was booked. This method was basically used because the Argentine Government has not yet resumed the payment of public debt in default, which were originally suspended until December 31, 2002, and subsequently extended until December 31, 2003 (resolution issued by the Ministry of Economy Nos. 73/02 and 158/03, respectively). As of December 31, 2003, the allowance amounted to ARS 1,148,330.

4.4.1.1 Bills on obligations towards the International Monetary Fund (IMF)

The amounts of ARS 1,285,129 and ARS 1,414,465 at the end of fiscal 2004 and 2003, respectively, represent the debt assumed by the Argentine Treasury Department with the BCRA with respect to the transfer of funds received by such bank from the IMF until September 30, 1992. Such assets stated in SDRs have the same financial performance as the liabilities with foreign parties (see note 4.14).

4.4.1.2 Securities issued under foreign legislation

They include securities issued by the Argentine Government and subject to the jurisdiction of foreign courts, which reached, as of December 31, 2004, ARS 322,820 (ARS 874,184 as of December 31, 2003). All such government securities were issued before December 31, 2001; therefore, they are included in the public debt restructuring process carried out by the Argentine Government (see note 5.2).

4.4.1.3 Securities issued under Argentine legislation

They include securities subject to Argentine legislation, which amounted to ARS 7,592,827 as of year-end (ARS 6,460,672 as of December 31, 2003) (see note 5.2).

4.4.1.3.1 1990 Argentine Treasury Consolidated Bond

This bond was issued on January 2, 1990. It is related to the consolidation of obligations assumed by the Argentine Government due to the funds provided by the BCRA by virtue of Presidential Decree No. 335/91. Such bond is stated in Argentine currency for a 99-year term, it does not accrue interest and principal is adjusted through the selling Argentine peso-to-US dollar exchange rate published by Banco de la Nación Argentina. The amortization of adjusted principal will be paid as from the tenth year. The adjustment was accrued until March 31, 1991, according to section 1, Convertibility Law (the currency board that pegged the Argentine peso at parity with the US dollar).

The original issuance amounts to ARS 881,464 while the amount adjusted pursuant to issuance conditions is ARS 4,734,790. Considering that section 6, Law No. 25565, authorized the Ministry of Economy to restructure the public debt, Resolution No. 334/02 of such ministry established that it will be amortized in 80 annual installments, the first one maturing on January 2, 2010. Taking into account the specific financial characteristics of this bond, especially its term, grace periods and that it does not accrue interest, the amount adjusted in accordance with issuance terms and conditions, net of its offset account, was fully booked as an allowance considering the present value thereof and applying a rate that shows the assessment of the time value of money and the specific risks of assets.

4.4.1.3.2 Other securities issued under Argentine legislation

As of December 31, 2004, this item amounted to ARS 6,711,363 (ARS 5,579,208 as of December 31, 2003).

As of December 31, 2004, it mainly consisted of:

a) Argentine Government bonds (BODEN) Series 2011 and 2013: for an amount of ARS 6,009,970 (ARS 5,057,330 as of December 31, 2003) that entered the BCRA's portfolio in compliance with the monetary consolidation program by which the federal and provincial securities issued to replace Argentine pesos were redeemed during fiscal 2003. Both securities were issued on April 30, 2003, and the monthly amortization and 2% annual interest services are adjusted by the CER as established by Presidential Decree No. 743/03. They were not listed as of year-end or as of the date of issuance of the financial statements; therefore, the valuation thereof was determined based on theoretical parity according to estimated notional values and the average life of bonds under similar issuance conditions.

b) Secured bonds (BOGAR 2018): they were received in exchange for the swap of provincial public debt securities included in the BCRA's portfolio. As of December 31, 2004, and 2003, the assets include bonds valued at listed prices for an amount of ARS 165,149 and ARS 109,792, respectively. (face value as per Caja de Valores: 144,551 and 130,783).

c) Out of the remaining ARS 536,244 holding, ARS 474,215 is related to the public debt subject to restructuring while ARS 62,029 is related to the public debt not yet swapped as of year-end.

4.4.2 Financial system repo portfolio

This line includes the securities received in exchange for reverse repos amounting to ARS 14,108 as of December 31, 2004, and ARS 211,251 as of December 31, 2003 (Exhibit III), which was booked with contra to "Other liabilities" (see note 4.16).

4.5 Temporary prepayments to the Argentine Government

Such prepayments are granted pursuant to the amendment of section 20 of the BCRA's charter, through Law No. 25780, which established as follows:

"The Bank may make temporary prepayments to the Argentine Government up to an amount equivalent to 12% (twelve percent) of the monetary base, which consists of monetary circulation plus financial institutions' demand deposits in the Central Bank of Argentina, whether in checking or special accounts. It may also make prepayments not exceeding 10% (ten percent) of the cash resources obtained by the Argentine Government in the last twelve months. The amount of temporary prepayments, excluding those to be exclusively used to pay obligations with multilateral credit institutions, may exceed 12% (twelve percent) of the monetary base, as previously defined. All the prepayments granted under this section shall be reimbursed within the term of twelve months as from the prepayment date. Should any of these prepayments remain unpaid after such term has matured, this possibility may not be used again until the amounts due are reimbursed."

As of December 31, 2004, the "Temporary prepayments to the Argentine Government" account amounted to ARS 13,309,200, which was fully requested by the Treasury Department to settle the obligations with international credit institutions, while as of December 31, 2003, the prepayments not yet settled by the Argentine Government amounted to ARS 7,368,774. Such temporary prepayments do not accrue interest.

As of December 31, 2004, and 2003, the amount consists of the following prepayments not yet settled:

	<u>12/31/2004</u>	<u>12/31/2003</u>
Thirty-eighth prepayment maturing on 09.11.2004	0	3,695,000
Thirty-ninth prepayment maturing on 09.19.2004	0	75,000
Fortieth prepayment maturing on 10.24.2004	0	1,900,000
Forty-first prepayment maturing on 11.10.2004	0	435,000
Forty-second prepayment maturing on 12.15.2004	0	1,100,000
Forty-second third prepayment maturing on 12.19.2004	0	163,774
Forty-fourth prepayment maturing on 03.09.2005	4,591,000	0
Forty-fifth prepayment maturing on 06.18.2005	1,060,000	0
Forty-sixth prepayment maturing on 06.28.2005	170,000	0
Forty-seventh prepayment maturing on 08.02.2005	750,000	0
Forty-eighth prepayment maturing on 09.17.2005	750,000	0
Forty-ninth prepayment maturing on 10.04.2005	395,100	0
Fiftieth prepayment maturing on 10.15.2005	516,000	0
Fifty-first prepayment maturing on 10.22.2005	700,000	0
Fifty-second prepayment maturing on 10.11.2005	450,000	0
Fifty-third prepayment maturing on 11.15.2005	842,000	0
Fifty-fourth prepayment maturing on 12.06.2005	1,825,100	0
Fifty-fifth prepayment maturing on 12.15.2005	1,260,000	0
	<u>13,309,200</u>	<u>7,368,774</u>

The prepayments that remain effective as of the prior year-end were fully settled as of December 31, 2004.

4.6 Loans to the Argentine financial system

The table below shows the amounts of the accounts related to the loans to the Argentine financial system:

	<u>12/31/2004</u>	<u>12/31/2003</u>
Aid due to illiquidity – Communiqué “A” 3941	19,343,865	19,730,548
Prepayments to subscribe Argentine Government bonds	2,558,974	2,568,104
Financial institutions with abrogated authorization	1,124,285	1,121,556
Certificates of participation in trusts	685,853	705,612
Refinanced lines	745,419	733,719
Assets received due to discounts	133,643	147,123
Assets and rights received (section 35 bis, financial Institutions’ Law)	33,974	54,476
Prepayments for illiquidity with other guarantees	1,364	24,338
Rediscounts due to illiquidity	0	7,305
Other	10,027	20,439
Offset account of assets received due to rediscounts	<u>(113,188)</u>	<u>(123,285)</u>
Subtotal	<u>24,524,216</u>	<u>24,989,935</u>
Less:		
Allowances on loans to the financial system	<u>(3,826,690)</u>	<u>(3,591,008)</u>
	<u><u>20,697,526</u></u>	<u><u>21,398,927</u></u>

“Loans to the financial system” basically discloses the amount of the aid granted in previous fiscal years to financial institutions to solve temporary illiquidity (pursuant to section 17 of the BCRA’s charter). Such aids were stated at their original values adjusted as per CER variations plus accrued interest, as the case may be, and offset by an allowance determined on the uncollectibility estimated and the assessment of guarantees received. In this regard, allowances were reversed in the amount of ARS 84,557 and new allowances were booked in the amount of ARS 320,240 (see Exhibit I).

The abovementioned aids due to illiquidity are included in the settlement system established by Presidential Decrees Nos. 739/03 and 1262/03, regulatory provisions and supplementary regulations setting forth payment schedules up to 70 or even 120 monthly consecutive installments as from March 2004.

According to Presidential Decree No. 1262/03, the BCRA is empowered to amend the amortization conditions stated therein whenever the financial system restructuring unit –created by such regulation- determined so and provided that certain conditions are met. In these cases, the amortization will be carried out in the same number of installments as the assets used to guarantee the rediscounts received, up to 120 installments, establishing a monthly amortization of at least 0.40%.

In 2003, twenty-four financial institutions applied for the system under Presidential Decree No. 739/03, which represent all debtors. Taking into account that one of them settled its liabilities in this

regard during fiscal 2004, the amounts payable disclosed under “Aid due to illiquidity Communiqué “A” 3941” are related to twenty-three institutions.

Out of the total amount of institutions as of December 31, 2004, twenty-one of them had their requests to enter the system approved and one of them was expecting a resolution on the request filed with the financial system restructuring unit to extend the payables settlement schedule up to 120 months and, in addition, the situation related to the payable settlement schedule of the other institution remained under analysis. However, in the cases not yet approved, the institutions are temporarily paying the amounts arising from the schedule established in Exhibit II of Communiqué “A” 3941.

In addition, the BCRA carried out the schedules approved by debiting the amounts from the related institutions’ checking accounts every month on the second business day from March 2004.

The amounts of the aid granted to the financial institutions that joined the settlement mechanism under Presidential Decree No. 739/03 are supported, as of the date of issuance of the financial statements, for at least 125% of the related obligations, by Argentine Government secured loans (Presidential Decree No. 1387/01), Argentine Government secured bonds (Presidential Decree No. 1579/02) or Argentine Government Bonds in US dollars at LIBOR 2012, Argentine Government Bonds in US dollars at LIBOR 2005 or in Argentine pesos accruing 2% interest and maturing in 2007 (Presidential Decree No. 905/02 as amended).

The notional values of the guarantees related to prepayments and rediscounts due to illiquidity considered up to the amount of the loan are made up of:

	<u>12/31/2004</u>	<u>12/31/2003</u>
Argentine Government secured bonds maturing in 2	10,060,860	10,581,594
Argentine Government secured loans	8,725,017	8,586,344
Argentine Government bonds (BODEN)	6,166	14,390
Other assets	551,822	548,220
	<u>19,343,865</u>	<u>19,730,548</u>

Such guarantees were booked in memorandum accounts including an additional 25% valuation of the aid granted. Section 11 of Presidential Decree No. 739/03 empowered the BCRA, as part of its rights and duties, to issue supplementary and explanatory regulations to comply with the goals and grounds of such regulation.

In that regard, point I.4. Guarantees of the BCRA’s Communiqué “A” 3941 established that: “The aid subject to this settlement system shall be pledged through “Argentine Government secured loans”, deriving from Presidential Decree No. 1646/01, for a residual face value including the variation resulting from CER –125% of the principal due, which is required to be kept continuously until the whole payable is settled...”

“Prepayments to subscribe Argentine Government bonds (BODEN)” discloses the prepayments in Argentine pesos made by the BCRA, as set forth by section 14, Presidential Decree No. 905/02, to financial institutions against the guarantees granted for the amounts required to acquire Argentine Government bonds in US dollars at LIBOR 2012, Argentine Government bonds in Argentine pesos accruing 2% interest and maturing in 2007, and Argentine Government bonds at LIBOR 2005, to be

delivered to the depositors of the related institutions that requested them in exchange for their deposits. The guarantees filed by the institutions and stated at notional values cover the percentage established by the abovementioned presidential decree (100% of debt).

“Refinanced lines”, “Certificates of participation in trusts” and “Amounts payable by entities with abrogated authorization” were fully booked in an allowance.

The prepayments related to institutions under liquidation refer to aids granted to reimburse deposits and bear the expenses deriving from the liquidation process of financial institutions and reversed assets under liquidation and they are fully booked as allowance as from 1990 notwithstanding the actions required to collect them (Exhibit I)

	<u>12/31/2004</u>	<u>12/31/2003</u>
Prepayments for deposit reimbursement	6,996,725	7,006,052
Unsecured receivables in litigation	782,694	782,694
Liquidation expenses prepaid	135,383	139,064
Other payables	12,969,884	12,984,998
Less:		
Allowances	<u>20,884,686</u>	<u>20,912,808</u>
	<u><u>0</u></u>	<u><u>0</u></u>

As established by Presidential Decree No. 905/02, up to the amount of the net negative position in foreign currency resulting from switching into Argentine pesos the assets and liabilities booked in financial institutions’ financial statements as of December 31, 2001, after applying all the bonds held in pesos through the offset mechanism, financial institutions may request to subscribe Argentine Government bonds in US dollars at LIBOR 2012 through prepayments from the BCRA. As of the issuance of the accompanying financial statements, two institutions are applying for such aid.

4.7 Contributions to international entities on account of the Argentine Government

The table below shows the amounts of the accounts related to the contributions made by the BCRA on account of the Argentine Government:

	<u>12/31/2004</u>	<u>12/31/2003</u>
Contributions to the BID, BIRF, AIF and others	2,978,372	2,697,576
Contributions to the IMF	<u>2,736,033</u>	<u>2,582,007</u>
	<u><u>5,714,405</u></u>	<u><u>5,279,583</u></u>

The IMF determines the so-called “quota” that Argentina is required to pay as a member country and, as of December 31, 2004, it amounted to 2,117,100 SDRs (the same amount as on December 31, 2003) and it is booked as follows:

	Amount in SDRs (*)	Amount in pesos as of 12/31/2004	Amount in pesos as of 12/31/2003
Treasury bills	1,524,672	7,041,457	6,645,055
Contributions to the IMF in foreign currencies	529,275	2,444,373	2,306,767
Contributions to the IMF in Argentine pesos	63,153	291,660	275,240
	<u>2,117,100</u>	<u>9,777,490</u>	<u>9,227,062</u>

Treasury bills are issued by the BCRA on account and behalf of Argentina as the Government's financial agent, keeping the possible commitment to paying the amounts thereof to the IMF on demand, and they are booked in memorandum accounts.

(*) – There are identical amounts for 12-31-2004 and 12-31-2003.

4.8 Funds transferred to the Argentine Government due to investments with the IMF

This item (ARS 43,061,753 as of December 31, 2004, and ARS 46,420,413 as of December 31, 2003) discloses the transfer of the funds received from the IMF to the Treasury Department as from September 30, 1992. The financial performance of such assets is identical to the payables to foreign parties (Note 4.14).

4.9 Other assets

The main assets included are:

	<u>12/31/2004</u>	<u>12/31/2003</u>
LEBAC receivable in Argentine pesos and delivered in repurchase agreements	5,846,392	0
Secured Loans – Presidential Decree No. 1387/01	747,942	640,405
Repurchase agreements assessment	591,257	0
Accrual of IMF charges and interest	289,343	289,422
Prepayment of 2004 revenues to be settled with unappropriated retained earnings	143,153	0
P&E (net of accumulated depreciation)	124,735	116,555
Uruguayan bond	64,040	161,204
Reverse repo payables	12,702	200,393
Coined gold	11,765	11,215
Intangible assets (net of accumulated amortization)	507	1,862
Global 2018 Argentine security receivable	0	6,867
9% Argentine Government bonds	0	408
Rights deriving from illiquidity discounts	0	7,276
Other	119,032	219,855
Less:		
Allowances	5,315	113
	<u>7,945,553</u>	<u>1,655,349</u>

The BCRA issues LEBAC (BCRA bills) and NOBAC (BCRA notes) as the main regulatory instruments with which it absorbs market liquidity to meet the effective monetary program goals. Considering that the debt securities issued by the Argentine Government cannot be used for certain financial transactions because they do not have a sufficiently liquid market, Board of Governors' Resolution No. 155 dated May 20, 2004, authorized the issuance of LEBAC to be applied as eligible assets, upon agreeing upon repurchase agreements. Such resolution established that the assessment of these transactions amounted to 10% of the transaction. As of December 31, 2004, the LEBAC delivered in repurchase agreements amounted to ARS 5,846,392 (see note 4.15).

The Argentine Government obligations documented through secured loans (Presidential Decree No. 1387/01) at the BCRA's portfolio amounted to ARS 747,942 as of December 31, 2004 (ARS 640,405 as of December 31, 2003). Such instruments were accepted to settle the illiquidity aid to the institutions with abrogated authorization to operate. The portfolio was valued at year-end as established for financial institutions through CONAU 1-564 circular (Communiqué "A" 3911 and supplementary regulations), which pointed out that it will be required to book such instruments at the lower amount between the present value determined as of year-end based on the discount rate set forth in such regulation and the "notional" value (an amount adjusted, as the case may be,

through CER plus interest accrued pursuant to contractual terms). In addition, the difference between the values previously determined and notional (accounting) values was charged to an offset account in assets established for such purpose, as established in the abovementioned circular.

The amount of secured loans was not booked as allowance because the payment of services thereof was not subject to the suspension established by the Ministry of Economy through Resolutions Nos. 73/02 and 158/03.

As of December 31, 2004, ARS 279,764 (ARS 281,468 as of December 31, 2003) was computed due to charges accrued to be paid to the IMF for the use of receivables, and ARS 9,579 (ARS 7,954 as of December 31, 2003) was charged due to interest receivable from the IMF. Both items accrued for period November / December 2004 were settled in March 2005. The contra account of the charges accrued is disclosed under "Other liabilities" (see note 4.16).

By virtue of section 38 of the Charter, on March 9, 2004, the BCRA drew profit prepayments to the Argentine Treasury amounting to ARS 1,000,000 (with no remainder as of December 31, 2003). The aid granted in this regard during fiscal 2004 was partially offset with the allocation of unappropriated retained earnings for fiscal 2003 (ARS 856,847) as set forth in Board of Governors' Resolution No. 131 dated April 29, 2004.

P&E were valued at acquisition cost, net of the related accumulated depreciation, which is calculated through the straight-line method, taking into account P&E estimated useful life. The net book value booked does not exceed, as a whole, the recoverable valued based on the information available to date.

Taking into account the international definitions related to the gold to be computed as reserve assets (see note 4.1), this item was included in the gold coins held for numismatic purposes, which were booked as allowance for finesse, representing 1% of total inventories (see Exhibit I.)

4.10 Monetary base

4.10.1 Monetary circulation

	<u>12/31/2004</u>	<u>12/31/2003</u>
Notes	36,768,839	29,554,530
Coins	855,314	742,267
	<u>37,624,153</u>	<u>30,296,797</u>

The amount of the "Monetary circulation" account as of each year-end is related to notes and coins in the possession of the public and financial institutions.

Notes in circulations varied as follows:

	<u>12/31/2004</u>	<u>12/31/2003</u>
Balances at beginning of year	29,554,530	18,221,086
New notes and in good use in the financial system	8,763,744	14,581,149
Notes out of circulation and destroyed or to be destroyed	<u>(1,549,435)</u>	<u>(3,247,705)</u>
Balances at end of year	<u><u>36,768,839</u></u>	<u><u>29,554,530</u></u>

4.10.2 Checking accounts in Argentine pesos

As of December 31, 2004, this account amounted to ARS 14,853,261 (ARS 16,075,122 as of December 31, 2003). Communiqué "A" 4147 dated May 28, 2004, established a new compensation method of the amounts in checking accounts in Argentine pesos opened in the BCRA, replacing daily interest accrued over balances at the end of each business day until the following first business day at a daily rate effective until such date, by calculating interest over the average daily amounts at the rate fixed and published by the trading desk.

4.11 Checking accounts in other currencies

As of December 31, 2004, this item amounts to ARS 8,047,839 (ARS 3,764,827 as of December 31, 2003), and it is converted into pesos as established in note 3.2.3. Compensation conditions have been defined in such Communiqué "A" 4147 (see note 4.10.2).

4.12 Deposits from the Argentine Government and others

This items includes:

	<u>12/31/2004</u>	<u>12/31/2003</u>
Provincial funds	99,387	24,698
Argentine Government deposits - Law No. 25152 - Tax anticyclical fund	24,220	23,888
ANSES - Social security payment orders	20,271	123,876
Argentine Government deposits	14,859	84,990
Argentine Government deposits - BODEN	2,460	1,442
Return transferred over deposits to strengthen B.C.R.A.		
Reserves	27	27
Other	<u>38</u>	<u>37</u>
	<u><u>161,262</u></u>	<u><u>258,958</u></u>

Section 9, Law No. 25152, set forth the creation of a tax anticyclical fund that would be made up of the financial surplus of each tax period and income from the fund itself. The Ministry of Economy and Production entrusted the BCRA with the fund management so that the resources may be invested following the same methods used for international reserves.

4.13 Other deposits

	<u>12/31/2004</u>	<u>12/31/2003</u>
In special accounts	352,317	476,279
SEDESA - Checking account in pesos	80,024	213,052
Other	10,732	14,598
	<u>443,073</u>	<u>703,929</u>

“Deposits in special accounts” includes ARS 272,890 related to deposits made by the Argentine Government under the terms of section 1, Presidential Decree No. 1836/02, which cannot be attached or disposed of and they will exclusively guarantee the different series of Argentine Government bonds to be swapped for certificates of deposit of financial system savers. As of December 31, 2003, the amount in this regard was ARS 441,570. In addition, ARS 59,051 was booked as established in section 4 of Presidential Decree No. 530/03, which set forth that the payments of services related to secured loans assigned to guarantee the payment of receivables subject to section 11, Presidential Decree No. 1579/02 on the conversion of the provincial government debt, not converted into secured bonds as established by such regulation, are required to be kept in a unavailable deposit opened in the BCRA (which included no amounts as of December 31, 2003).

4.14 IMF

This item includes the accounts under “Obligations with international entities” related to the transactions carried out with the IMF:

	<u>12/31/2004</u>	<u>12/31/2003</u>
Contra account of the funds transferred to the Treasury Department and the bills on obligations	44,346,881	47,834,878
SDRs assigned	1,470,341	1,387,568
Other deposit accounts	290,952	274,942
	<u>46,108,174</u>	<u>49,497,388</u>

The funds transferred to the Treasury Department were booked with contra to the foreign currency entered due to the credit aid granted by the IMF to the Argentine Government sector through the BCRA:

	<u>12/31/2004</u>	<u>12/31/2003</u>
Stand By 2003	29,305,684	17,453,013
Stand By 2000	11,610,798	26,028,044
Reserve tranche use	2,444,447	2,306,837
1992 extended installment agreement	985,952	2,046,984
	<u>44,346,881</u>	<u>47,834,878</u>

4.15 Instruments issued by the BCRA

One of the transactions allowed to be BCRA under section 18 of its Charter consists in issuing securities or bonds and certificates of participation on the securities that it holds. Such instrument allows the BCRA to have a monetary absorption tool as it has issued LEBAC in Argentine pesos and US dollars since 2002. Such LEBAC are negotiated on a discount basis and they are stated at face value net of interest to be accrued as of each year-end. LEBAC in foreign currency are stated at face value restated as mentioned in note 3.2.3.

In addition, as from May 2004, Board of Governors' Resolution No. 155/04 authorized that a portion of issued LEBAC be used to perform repurchase agreements as monetary regulation instruments. As a result, the LEBAC portfolio used for such transactions is stated at market values and disclosed by deducting from "Securities issued by the BCRA" (see note 4.9).

Since October 2, 2003, the BCRA has additionally issued NOBAC in pesos annual 8% coupon at a 3-year term, and NOBAC in pesos to be adjusted by CER annual 3% coupon at a 3-year term. Such NOBAC were stated at face value, net of interest to be accrued until each year-end.

	<u>12/31/2004</u>	<u>12/31/2003</u>
Bills and notes issued in Argentine pesos	20,396,567	9,315,351
Primary issuance	21,296,952	9,315,351
LEBAC held to be delivered in repurchase agreements		0
	(900,385)	
Bills and notes issued in foreign currency	161,239	248,777
	<u>20,557,806</u>	<u>9,564,128</u>

Exhibit V discloses the LEBAC and NOBAC held as of year-end broken down by currency and maturity term.

4.16 Other liabilities

This item breaks down as follows:

	<u>12/31/2004</u>	<u>12/31/2003</u>
Obligations deriving from repurchase agreements	5,915,123	0
Obligations deriving from BODEN subscribed	2,801,334	1,972,561
Contra account of Argentine Government contributions to international entities	1,995,609	1,656,140
Accrual of IMF charges and interest	285,123	285,144
Obligations with the Argentine Government	283,402	297,064
Obligations deriving from secured loan services	155,489	152,163
Obligations deriving from reverse repos	14,108	211,251
Other	559,646	485,065
	<u>12,009,834</u>	<u>5,059,388</u>

As of December 31, 2004, "Obligations due to repurchase agreements" amounted to ARS 5,915,123 and they represent the funds to be reimbursed to financial institutions on the maturity date of the transactions mentioned in note 4.9 (as of December 31, 2003, no amount was booked in this regard).

As of December 31, 2004, the "Obligations deriving from BODEN (Presidential Decree No. 905/02) subscribed" booked amounted to ARS 2,801,334 (ARS 1,972,561 as of December 31, 2003) and they represent the amounts due to the Argentine Government to be settled once the guarantees received for the prepayments to subscribe the BODEN granted to financial institutions are accepted.

"Obligations deriving from secured loan services" includes the funds resulting from the tax on bank account transactions collected to pay the abovementioned loan services, which amounted to ARS 155,489 as of December 31, 2004 (ARS 152,163 as of December 31, 2003).

"Contra account of Argentine Government contributions to international entities" included the contributions made on account of the Argentine Government as from September 30, 1992, on which the BCRA's Charter was amended.

As of December 31, 2004, ARS 285,123 (ARS 289,422 as of December 31, 2003) was computed due to charges accrued to be paid to the IMF for the use of receivables accrued for period November / December 2004, which were settled in March 2005. The contra account of the charges accrued is disclosed under "Other assets" (see note 4.9).

4.17 Allowances

	<u>12/31/2004</u>	<u>12/31/2003</u>
Allowance for issues subject to judicial procedures (Exhibit I)	1,214,875	1,121,189
Allowance for difference due to conversion into pesos – Communiqué “A” 4058 (Exhibit I)	21,134	389,227
Allowance for implementing the monetary consolidation program (Exhibit I)	19,405	151,576
Allowance for guarantee fund under Law No. 22510 (Exhibit I)	4,870	3,963
Other allowances (Exhibit I)	34,691	35,150
	<u>1,294,975</u>	<u>1,701,105</u>

The method used by the BCRA to determine the amounts of the allowance for issues subject to judicial procedures was as follows:

The lawsuits with no final judgment were classified according to the type of cases (lawsuits related to the reimbursement of deposits, labor lawsuits, etc.) quantifying an allowance based on experience and, for each group, based on the probability of an unfavorable judgment for the BCRA. The outcome of controversies was estimated based on finished lawsuits with the same or similar characteristics, and the same percentage as in 2003 remained, because there were no significant changes in judgments during the fiscal year that may permit to introduce changes in judgments.

The lawsuits prior to April 1, 1991, were adjusted through the general wholesale price index plus an annual 6% interest until March 31, 1991, and, as from such date, the common savings account rate published by the BCRA was used. In the case of lawsuits with causes subsequent to March 31, 1991, and prior to January 1, 2002, the depositary rate under Notice No. 14290 was used until December 31, 2001, and, from such date onwards, the common savings account rate based on Law No. 25344. In the case of lawsuits subsequent to December 31, 2001, and until the closing date of the accompanying financial statements, the depositary rate under BCRA Notice No. 14290 for judicial purposes was used.

In addition, lawsuits for damages were brought against the BCRA for unspecified amounts, and an unfavorable outcome thereof for the BCRA is remote as of the issuance of the accompanying financial statements; therefore, no reserve was booked.

The allowance for switching into pesos related to differences in the amounts determined to convert into pesos the amounts in checking accounts in foreign currency opened in the BCRA and “Liquidity requirements” accounts opened in Deutsche Bank, New York, represents the estimated amount to be reimbursed to the financial institutions as determined pursuant to applicable regulations, booked with contra to income-statement accounts. As of December 31, 2004, it amounted to ARS 21,134 (ARS 389,227 as of December 31, 2003).

As of year-end, the allowance amounted to ARS 19,405 (ARS 151,576 as of December 31, 2003) related to the monetary consolidation program implemented for the purpose of redeeming the

provincial and federal securities issued during the 2001 economic crisis and to be applied to the valuation adjustment to be booked with respect to the BODEN receivable due to quasi-currency redemption requests not yet resolved.

4.18 Statement of income – Significant items

The most significant items are:

	<u>12/31/2004</u>	<u>12/31/2003</u>
FINANCIAL INCOME		
Realizable investments in foreign currency		
Foreign securities	473,350	292,382
Long-term deposits	435,073	232,117
Agreements with managing banks	0	4,270
Other	<u>(117,165)</u>	<u>(160,401)</u>
	<u>791,258</u>	<u>368,368</u>
OTHER ASSETS		
INTEREST AND ADJUSTMENTS		
Loans to financial institutions		
Financial institutions' payables	1,096,934	1,414,165
Certificate of participation in trusts	<u>4,483</u>	<u>36,362</u>
	<u>1,101,417</u>	<u>1,450,527</u>
LISTED PRICE DIFFERENCE OF GOLD, FOREIGN CURRENCY AND GOVERNMENT SECURITIES INCOME /(LOSS)		
Gold, foreign currency and investments abroad	1,992,192	(2,682,300)
Argentine Government securities	1,269,725	(262,797)
Foreign exchange difference from sale of foreign currency and BCRA securities invested	(157,833)	2,581
Institutions' deposits in checking accounts and Argentine Government deposits	(188,171)	56,480
Foreign securities	(171,513)	(1,202,440)
Valuation adjustment of other assets and liabilities in foreign currency	<u>69,593</u>	<u>451,283</u>
	<u>2,813,993</u>	<u>(3,637,193)</u>

NOTE 5 – EVENTS SUBSEQUENT TO YEAR-END

5.1 Prepayments to settle payables due to illiquidity subject to the system under Presidential Decree No. 739/03

As established in Communiqué “A” 4268, during Q1 2005, two biddings were made (on January 20 and February 25), which permitted to absorb the total amount of ARS 875,402 (principal plus CER adjustment). In addition, during the same period, the installments collected by the BCRA pursuant to the settlement schedules prepared according to the system under Communiqué “A” 3941 amounted to ARS 851,145 (principal, CER adjustment and interest). The pre-settlements made by financial institutions reached ARS 799,278 (principal, CER adjustment and interest) during the same quarter. Therefore, the total amount received by the BCRA in that regard was ARS 2,525,825.

5.2 Restructuring of the public debt in default

To document the local swap process, through Communiqué No. 3705, Caja de Valores S.A. ordered to file by February 24, 2005, the letter of acceptance containing the option or any of the three new bonds (par, discount and quasi-par bonds) apart from the currency in which the new bonds selected would be denominated.

After analyzing the conditions of the swap offer and the securities offered, the BCRA offered for swap its portfolio of Argentine Government securities in US dollars and Argentine pesos under default, the net book value of which amounted to a 795,758 residual face value for bonds in US dollars and a 99,257 residual face value for bonds in pesos, and it chose the discount bond, keeping for each eligible security the related currency, so that its portfolio currency structure may not be modified. According to this option, the BCRA will receive a 270,495 residual face value in discount bonds net book values and a 36,502 residual face value in discount bonds in pesos.

Out of the securities included in Exhibit III, the fourth series consolidation bonds in pesos (PRO 7) and the following provincial securities were not offered as they were not eligible: BOCON Province of Chaco, BOSAFI Province of Chaco, capitalization bond of the province of Entre Ríos and bond of the province of Formosa (see note 4.4.1.3.2 c)).

As of the issuance date of the financial statements, the swap was not performed.