

INDEPENDENT AUDITORS' REPORT

To the Chairman and Governors of
Banco Central de la República Argentina
Registered office: Reconquista 266
City of Buenos Aires
Taxpayer identification number (CUIT): 30 -50001138 -2

Report on the financial statements

We have audited the accompanying financial statements of the Banco Central de la República Argentina (hereinafter the "Bank" or BCRA), which comprise the balance sheet as of December 31, 2018, the statements of income, changes in equity and cash flows and cash equivalents for the fiscal year then ended, and notes 1 to 9 and exhibits I to V presented as supplementary information.

Board's Responsibility for the Financial Statements

The Bank's Board of Governors is responsible for preparing and fairly presenting the accompanying financial statements, in compliance with the accounting framework established in its "Accounting Policy Manual", which takes into account the special characteristics of its functions and operations as monetary authority, in accordance with section 34 of the Bank's Charter. This Accounting Policy Manual was approved by the Board of Governors through Resolution No. 86 dated May 16, 2013 and it was updated at the date of approval of these financial statements through Resolution No. 52 dated March 28, 2019. The Board of Governors is also responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement whether due to error or irregularities.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the standards set forth by Technical Resolution No. 37 of the Argentine Federation of Professional Councils of Economic Sciences (FACPCE) and the "Minimum Standards applicable to External Audits" issued by the BCRA, as deemed appropriate in view of the Bank's specific characteristics. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures on a selective test basis to obtain audit evidence about the amounts and disclosures in the financial statements. We relied on our professional judgment to select the procedures to be performed, including assessing the risk that the financial statements may include material misstatements. When performing this risk assessment, we considered the Bank's existing internal controls on the preparation and presentation of financial statements for the purpose of selecting the adequate auditing procedures, but not of expressing an opinion on the efficiency of the Bank's internal controls. An audit also includes assessing the accounting principles used and the reasonableness of the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the BCRA as of December 31, 2018, the results of its operations, the changes in equity and cash flows and cash equivalents for the year then ended, in conformity with the accounting framework established in the “Accounting Policy Manual”, described in Notes 3 and 4 to the accompanying financial statements.

Emphasis of matter

Without further modifying our opinion, we draw the attention of the users of this report to the following aspects included in the Notes to the accompanying financial statements:

- a) As explained in Note 3.4 to the accompanying financial statements, although as of December 31, 2018, the conditions for the restatement of financial statements in constant currency set forth by the professional accounting standards are met, as provided for by BCRA Communication “A” 6651, the Bank has not applied such restatement in constant currency. This situation shall be considered upon construing the information provided by the Bank in these financial statements about its financial position, the results of its operations and cash flows.
- b) As indicated in Note 8 to the accompanying financial statements, the items and figures contained in the reconciliation of balances according to the “Accounting Policy Manual” and the International Financial Reporting Standards (IFRS) adopted by the BCRA, included therein, are subject to change and may only be considered as final when preparing the annual financial statements for the year ending December 31, 2021, in which the IFRSs are adopted for the first time by the BCRA. Accordingly, they differ from IFRS as to application of section 5.5 “Impairment” of IFRS 9 “Financial Instruments” that was temporarily excluded by the BCRA from the accounting framework applicable to financial institutions as well as the International Accounting Standard 29 (IAS 29) “Financial Reporting in Hyperinflationary Economies” as provided for by BCRA Communication “A” 6651.
- c) As indicated in the third paragraph of Note 1 to the accompanying financial statements, Nature and Purpose of the Central Bank of Argentina, based on the special characteristics of its functions and operations as monetary authority, the Bank performs, among others, a significant number of transactions with the Argentine Government, which guarantees its operations, and holds assets and liabilities, including transactions on its behalf.

Other matters

The figures and other information for the fiscal year ended December 31, 2017, presented for comparative purposes, arise from the related financial statements, which have been examined by other auditors, who issued their independent auditors’ report on July 16, 2018 and expressed an unqualified opinion, and included an emphasis of matter paragraph in connection with the situation described in paragraph c) above.

Report on other legal and regulatory requirements

In compliance with legal provisions in force, we report that:

- a. The financial statements arise from the Bank's accounting records, which were not transcribed into legalized books as it is not required by its Charter;
- b. In compliance with current professional standards and pursuant to UIF (Financial Information Unit) Resolution No. 285/09, the application of verification procedures to assess the existence and operation of internal control procedures against money laundering and terrorist financing is the exclusive responsibility of the Public External Control Agency (*Auditoría General de la Nación*).
- c. As of December 31, 2018, the accrued liability for retirement and pension contributions payable to the Argentine Pension Fund System arising from the accounting records was ARS 128,010,943, no amounts being due as of that date.

City of Buenos Aires, May 29, 2019.

KPMG

Andrea Pastrana
Partner
Public accountant (U.C.A.)