

Financial Statements



As of December 31st, 2018



BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA

Financial Statements as of December 31, 2018

Comparatively presented with the prior fiscal
year



BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA

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BANCO CENTRAL DE LA REPUBLICA ARGENTINA

**BALANCE SHEET AS OF DECEMBER 31, 2018
COMPARATIVELY PRESENTED WITH THE PRIOR FISCAL YEAR
-In thousands of Argentine Pesos-**

ASSETS		
	12/31/2018	12/31/2017
INTERNATIONAL RESERVES	2,487,269,294	1,033,619,499
Gold (Net of allowances) (Note 4.1.1 and Exhibit II)	85,281,323	43,158,465
Foreign currency (Note 4.1.2 and Exhibit II)	1,658,321,909	619,329,734
Deposits to be realized in foreign currency (Note 4.1.3 and Exhibit II)	760,324,246	376,346,797
Multilateral Credit Agreements (Net) (Note 4.1.4 and Exhibit II)	1,491	298
LESS:		
Derivatives over International Reserves (Note 4.1.5 and Exhibit II)	16,659,675	5,215,795
GOVERNMENT SECURITIES	1,657,736,480	1,161,771,119
BCRA HOLDINGS	1,658,529,795	1,162,573,249
Securities issued under foreign legislation (Note 4.2.1.1, Exhibits II and III)	3,265,419	912,412
Securities issued under Argentine legislation (Note 4.2.1.2 and Exhibits II and III)	1,655,264,376	1,161,660,837
1990 National Treasury Consolidated Bond (Note 4.2.1.2.1 and Exhibit III)	4,655,458	4,664,272
Non-transferable Treasury Bills (Note 4.2.1.2.2 and Exhibits II and III)	1,137,030,537	770,789,442
Other (Note 4.2.1.2.3, Exhibits II and III)	517,431,707	390,060,449
LESS:		
Adjustment for accrual on 1990 Consolidated Bond (Exhibit III)	3,853,326	3,853,326
ALLOWANCE FOR IMPAIRMENT OF GOVERNMENT SECURITIES (Note 4.2.2 and Exhibits I and III)	(793,315)	(802,130)
TEMPORARY ADVANCES TO THE ARGENTINE GOVERNMENT (Note 4.3)	502,730,000	472,230,000
LOANS TO THE ARGENTINE FINANCIAL SYSTEM	63,805	505,799
Financial institutions (net of allowances)	63,805	505,799
Financial institutions (Note 4.4)	503,668	1,356,600
Loan loss allowance (Note 4.4 and Exhibit I)	(439,863)	(850,801)
CONTRIBUTIONS TO INTERNATIONAL AGENCIES ON BEHALF OF ARGENTINE GOVERNMENT AND OTHER (Note 4.5 and Exhibit II)	168,416,696	78,784,631
RIGHTS DERIVING FROM REPO TRANSACTIONS (Note 4.6 and Exhibit II)	676,224,367	321,943,936
OTHER ASSETS (Net of allowances) (Note 4.7)	18,936,674	5,643,856
TOTAL ASSETS	5,511,377,316	3,074,498,840

LIABILITIES		
	12/31/2018	12/31/2017
MONETARY BASE	1,408,977,251	1,001,112,808
Currency in circulation	859,535,923	786,712,369
Bank notes and coins in circulation (Note 4.8.1.1)	859,535,671	786,711,717
Settlement checks in pesos in circulation (Note 4.8.1.2)	252	652
Current accounts in pesos (Note 4.8.2)	549,441,328	214,400,439
INSTRUMENTS OF PAYMENT IN OTHER CURRENCIES	2,311,967	1,645,603
Settlement checks in other currencies in circulation (Note 4.9.1 and Exhibit II)	756	4,130
Certificates of deposit for investment (Note 4.9.2 and Exhibit II)	2,311,211	1,641,473
CURRENT ACCOUNTS IN OTHER CURRENCIES (Note 4.10 and Exhibit II)	535,030,787	240,643,832
DEPOSITS FROM ARGENTINE GOVERNMENT AND OTHER (Note 4.11 and Exhibit II)	527,210,265	37,028,689
Deposits for the strengthening of BCRA International Reserves	277,521,006	-
Other deposits	249,689,259	37,028,689
OTHER DEPOSITS (Note 4.12 and Exhibit II)	89,077	314,431
IMF SPECIAL DRAWING RIGHTS (Note 4.13 and Exhibit II)	16,740,979	8,512,228
Special Drawing Rights (SDR)	106,220,581	54,009,610
LESS:		
SDR contra account	89,479,602	45,497,382
OBLIGATIONS WITH INTERNATIONAL AGENCIES (Note 4.14 and Exhibit II)	101,793,021	3,636,429
Obligations	129,624,958	17,788,037
LESS:		
Contra account to utilization of reserve tranche	27,831,937	14,151,608
SECURITIES ISSUED BY THE BCRA (Note 4.15 and Exhibit IV)	735,113,954	1,160,331,691
Bills and notes issued in Argentine pesos	735,113,954	1,160,331,691
CONTRA ACCOUNT TO ARGENTINE GOVERNMENT CONTRIBUTIONS TO INTERNATIONAL AGENCIES (Note 4.16 and Exhibit II)	118,696,872	53,794,383
DUE TO OTHER DERIVATIVE FINANCIAL INSTRUMENTS (Note 4.17)	150,579	-
DUE TO REPO TRANSACTIONS (Note 4.18 and Exhibit II)	774,531,851	337,498,212
DUE TO MULTILATERAL CREDIT AGREEMENTS (Note 4.19 and Exhibit II)	1,496,563	1,257,636
OTHER LIABILITIES (Note 4.20 and Exhibit II)	700,377,199	217,129,274
PROVISIONS (Note 4.21 and Exhibit I)	4,404,605	4,051,552
TOTAL LIABILITIES	4,926,924,970	3,066,956,768
NET EQUITY (as per related statement)	584,452,346	7,542,072
TOTAL LIABILITIES AND NET EQUITY	5,511,377,316	3,074,498,840

Notes 1 to 9 and Exhibits I to V are integral part of these financial statements.

Silvana A. Lepera
ACCOUNTING MANAGER

Gerardo Graziano
GENERAL ACCOUNTING
SENIOR MANAGER

Marina Ongaro
ADMINISTRATION AND
CENTRAL SERVICES DEPUTY
GENERAL MANAGER

Nicolás Gadano
GENERAL MANAGER

Guido M. Sandleris
GOVERNOR

Juan Carlos Isi
COMPTROLLER

Signed for identification purposes with the report dated 05/03/2019

STATEMENT OF INCOME
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018
COMPARATIVELY PRESENTED WITH THE PRIOR FISCAL YEAR
-In thousands of Argentine Pesos-

	12/31/2018	12/31/2017
<u>Interest and adjustments:</u>		
Interest income:	71,391,657	29,258,434
On international reserves (Note 4.22.1)	11,731,778	2,217,980
On Government securities (Note 4.22.1)	59,283,294	26,742,645
On deposits in other entities	28,901	21,962
On loans to the financial system (Note 4.22.1)	65,511	93,188
On other assets (Note 4.22.1)	282,173	182,659
Interest expense:	(390,343,439)	(232,940,225)
On securities issued by the BCRA (Note 4.22.2)	(383,174,586)	(209,576,177)
On loans borrowed from international agencies (Note 4.22.2)	(2,100,049)	(252,682)
On other transactions with the financial system (Note 4.22.2)	(4,643,405)	(23,040,339)
On other liabilities (Note 4.22.2)	(425,399)	(71,027)
<u>Reversals / (Set-up) of allowances for government securities and loans to the financial system, net (Note 4.22.3)</u>	91,397	(167,901)
<u>Exchange differences, net (Note 4.22.4)</u>	789,232,645	137,723,560
<u>Foreign currency trading differences (Note 4.22.5)</u>	132,857,443	2,563,888
<u>Other financial instruments trading differences, net (Note 4.22.6)</u>	(17,416,586)	5,562,498
<u>Net financial income</u>	585,813,117	(57,999,746)
<u>Miscellaneous charges and fines (Note 4.22.7)</u>	259,809	369,809
<u>Net commissions</u>	(15,000)	(53,016)
Commissions earned	3,606	652
Commissions paid	(18,606)	(53,668)
<u>Contributions to General Revenue (Rentas Generales) pursuant to Budget Law. No. 27431/27341</u>	(516,000)	(850,000)
<u>Monetary issuance expenses (Note 4.22.8)</u>	(3,022,327)	(2,233,992)
<u>General expenses (Note 4.22.9)</u>	(5,766,439)	(4,374,337)
<u>Set-up of other allowances, net (Note 4.22.10)</u>	(448,587)	(1,369,750)
<u>Net income from operating activities</u>	576,304,573	(66,511,032)
<u>Other income / (expenses), net (Note 4.22.11)</u>	605,701	(467,122)
<u>NET INCOME/(LOSS)</u>	576,910,274	(66,978,154)

Notes 1 to 9 and Exhibits I to V are integral part of these financial statements.

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STATEMENT OF CHANGES IN EQUITY FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018
COMPARATIVELY PRESENTED WITH THE PRIOR FISCAL YEAR
 -In thousands of Argentine Pesos-

ITEMS	CAPITAL	CAPITAL ADJUSTMENT	RESERVES			UNAPPROPRIATED RETAINED EARNINGS	TOTAL 12/31/2018	TOTAL 12/31/2017
			GENERAL RESERVE	SPECIAL RESERVE	APPRAISAL REVALUATION			
Balances at beginning of year (see Note 2.6)	46,931,088	2,711,815	22,681,785	2,139,667	55,871	(66,978,154)	7,542,072	134,520,226
Distribution of earnings as per Board of Governors' Resolution No. 254 dated July 27, 2017 and Absorption of accumulated losses as per Board of Governors' Resolution No. 209 dated July 5, 2018	(39,444,887)	(2,711,815)	(22,681,785)	(2,139,667)		66,978,154	-	(60,000,000)
Net income / (loss)						576,910,274	576,910,274	(66,978,154)
Balances at year-end	7,486,201	-	-	-	55,871	576,910,274	584,452,346	7,542,072

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STATEMENT OF CASH FLOWS AND CASH EQUIVALENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018 COMPARATIVELY PRESENTED WITH THE PRIOR FISCAL YEAR -In thousands of Argentine Pesos-	12/31/2018	12/31/2017
I) Operating activities		
1. Sources	1,385,350,318	298,758,862
- Income / (Expenses), net from transactions with foreign financial institutions	327,163,420	(529,823)
- Income / (Expenses), net from transactions with foreign financial institutions of the Argentine Government	828,325,835	(57,526,082)
- Net income from funds linked to placements and payments of Argentine Government Securities	29,740,502	309,966,012
- IDB/IBRD loans to provinces, financial program for micro, small and medium-sized companies, and revolving funds	43,637,325	35,458,904
- Net negotiation differences for the purchase and sale of securities, currencies and gold	142,382,335	8,114,788
- Interest charged for placements abroad	11,728,702	2,174,036
- Deposits of international agencies	2,372,199	1,101,027
2. Uses	(880,038,033)	(56,094,711)
- Transfers of deposits of financial institutions (*)	(341,079,313)	(29,856,805)
- Net transactions with multilateral credit agreements (SML and other)	(24,950,996)	(17,003,908)
- Net sales of foreign currency	(404,409,082)	(5,446,175)
- Sales on behalf of the National Government	(93,260,385)	-
- Payment of sovereign debt, Law 26984 / 27249	(4,741,810)	(2,656,181)
- Monetary issuance expenses	-	(99,489)
- Administrative expenses	(48,401)	(29,112)
- Net transactions for guarantees of derivative financial instrument	(9,933,824)	(846,080)
- Other items	(1,614,222)	(156,961)
Net cash flows provided by operating activities (1-2)	505,312,283	242,664,151
II) Investment activities		
3. Sources	29,609	21,962
- Collection of dividends BIS	29,609	21,962
III) Financing activities		
4. Sources	55,768,238	-
- Net revenues from foreign financial institutions	55,768,238	-
5. Uses	(2,954,078)	168,502
- Net (placements) / settlements of repo agreements with banks and other entities in Argentina and abroad	(2,954,078)	168,502
Net cash flows provided by financing activities (4-5)	52,814,160	168,502
IV) Other		
6. Sources	895,493,743	167,720,221
- Exchange differences, net	895,493,743	167,720,221
Net cash flows provided by all activities (I+II+III+IV)	1,453,649,795	410,574,836
Net cash and cash equivalents at beginning of year (Note 3.1)	1,033,619,499	623,044,663
Net cash and cash equivalents at year-end (Note 3.1)	2,487,269,294	1,033,619,499

(*) It includes revenues linked to National Government securities not identified under this item for accounting purposes.
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Notes to the Financial Statements
for the fiscal year - ended December 31, 2018
comparatively presented 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-regulated entity of the Argentine Government that is subject to the provisions of its Charter and further legal regulations (section 1, Law No. 24144, as amended).

The purpose of the Bank is to promote within the scope of its powers and under the policies set by the Argentine Government— monetary and financial stability, employment and economic development along with social equality (section 3 of the Charter). In addition, section 4 of the Charter sets forth the following BCRA functions and powers:

- regulate the operation of the financial system and enforce the Law on Financial Institutions and such regulations as may be consequently adopted;
- regulate the amount of money and interest rates, and to regulate and steer lending;
- serve as the financial agent for the National Government, and as depositary and agent for Argentina before international monetary, banking and financial institutions to which Argentina has endorsed, and to play an active role in international integration and cooperation;
- hold and administer its gold and foreign exchange reserves, and other foreign assets;
- contribute to the smooth functioning of capital markets;
- implement the foreign exchange policy in full accordance with the laws passed by the National Congress;
- regulate, within its authority, all payment systems, clearing and settlement houses, money remittance entities, and cash-in-transit companies, and to carry out any other action related to the financial and foreign exchange industries; and
- provide for the protection of financial service users' rights and of fair competition, coordinating its actions with all relevant government agencies.

The Charter further establishes that in the exercise of its functions and powers, the Bank will not be subject to orders, indications or instructions from the National Executive Branch, nor will it undertake obligations of any nature conditioning, restricting or delegating such functions and powers without the express authorization of the National Congress. The Argentine Government guarantees the obligations undertaken by the Bank, which, based on its objectives and the applicable legal framework, carries out a significant number of transactions with the former and has assets and liabilities, including transactions, on its behalf.

NOTE 2 - SIGNIFICANT EVENTS FOR FISCAL YEARS 2018 AND 2017

For a better reading of the accompanying financial statements, the following paragraphs will describe the most significant events occurred during these fiscal years.

2.1 Stand-by Arrangement with the International Monetary Fund

In June 2018, the Executive Board of the International Monetary Fund (IMF) approved a Stand-By Arrangement in the benefit of the Republic of Argentina in the amount of USD 50,000,000 (equivalent to SDR 35,379,000). Afterwards, in September 2018, the National Government negotiated a new arrangement with the IMF, thus, increasing the total amount available within the framework of the program to USD 57,100,000 up to 2021.

Within the framework of the original agreement, a first amount of USD 15,000,000 (equivalent to SDR 10,613,710) was received. Half of the amount (USD 7,500,000) was applied to strengthen the international reserves managed by the BCRA and the other half was applied to budget support.

Then, during October 2018, the amount of USD 5,700,000 (equivalent to SDR 4,100,000) was received and, finally, in December 2018, the third and last amount for the year of USD 7,600,000 (equivalent to SDR 5,500,000) was received (see Note 9.3).

It should be noted that within the framework of the arrangement between the Argentine Government and the IMF a Memorandum of Economic and Financial Policies (MEFP) was submitted which describes the economic objectives and policies of the Government of Argentina for 2018 and beyond as well as a Technical Memorandum of Understanding that states the specific objectives that the country is committed to achieving under the IMF arrangement.

During October and December 2018, an updated version of the documents mentioned above was submitted (see Note 4.3).

2.2 Securities issued by the BCRA (Liquidity Bills and LEBAC)

On January 10, 2018, through Communication “C” 6426, the BCRA informed that it decided the issuance and placement of 7-day Bills in pesos in force as from January 11, 2018. These instruments, named Liquidity Bills (LELIQ), are daily offered through a special segment named “Rueda LELI” of the SIOPEL system of MAE S.A. The counterparties authorized to operate with the BCRA are the financial institutions for their own portfolio or on behalf of exclusively another local entity, and they can be used as collaterals in REPO transactions.

On the other hand, during fiscal 2018, the BCRA resolved a reorganization of instruments of the monetary policy by gradually reducing its stock of LEBAC. The process for reorganizing such stock ended on December 19, 2018 (see Note 4.15).

2.3 Enlargement of the Bilateral Currency Swap Agreement with the People’s Bank of China

On December 2, 2018, an agreement to supplement the bilateral currency swap agreement entered into between the People's Bank of China and the BCRA in the amount of CNY 60,000,000 was signed, and the amount was credited on December 17, 2018.

Additionally, on July 18, 2018, the amount of CNY 70,000,000 was credited as a renewal of the original agreement. Therefore, at year-end, the bilateral agreement amounts to CNY 130,000,000, and expires on July 17, 2020 (see Notes 4.6, 4.18 and 4.20).

According to such agreement, the Bank requiring a swap transaction shall deposit into an account in its books in the name of the other party an equivalent amount in its local currency. Additionally, the Bank from which the swap transaction is required shall deposit into an account in its books in the name of the other party an

equivalent amount in its local currency. The two accounts will bear no interest as far as the required funds are not actually applied and, upon maturity of each swap transaction, each Bank will debit the same amount as that originally deposited. During the term of each swap transaction, each Bank may use the available amount in the local currency of the other party, as authorized under the Agreement.

The first agreement between the two central banks had been established in 2009. A second agreement was signed in 2014, and complemented with a supplementary agreement by the end of 2015.

2.4 Adoption of International Financial Reporting Standards (IFRS)

The BCRA's Board of Governors, through Resolution No. 365 dated December 27, 2018 approved a schedule for the implementation of the International Financial Reporting Standards (IFRS) for the preparation of the financial statements.

The BCRA is currently going through an IFRS convergence process, the application of which, according to the implementation schedule approved will start as from the fiscal year beginning on January 1, 2021. Consequently, the transition to IFRS, as provided for by IFRS 1 "First-time adoption" will be January 1, 2020 (see Note 8).

2.5. Monetary policy regime

As from January 2017, the BCRA adopted an inflation targeting approach, including explicit goals for the following years.

By June 2018, changes in the monetary policy implementation were announced, within the inflation targeting approach with a flexible exchange rate. The regime was supported with a close follow-up to the monetary aggregates.

As from October 2018, the BCRA announced the shift to targeting the growth rate of the monetary base, electing this variable as the nominal anchor.

This decision was supplemented by defining exchange intervention and non-intervention zones as well as the adjustment method. Accordingly, a fully flexible exchange rate where the level of the peso will be determined by market forces is permitted within this non-intervention zone. However, the BCRA may sell or purchase foreign currency when the exchange rate is outside the limits set.

The monetary base target is implemented through daily operations with 7-day LELIQ with financial institutions.

2.6 Financial position as of 12.31.2017

As of December 31, 2017, the BCRA has a Net Equity in the amount of ARS 7,542,072. The decrease with respect to 2016 is mainly explained by the change in the valuation of non-transferable bills approved by Resolution No. 209 of the Board of Governors dated July 5, 2018. It should be noted that based on such Resolution, it was decided that losses for such year be absorbed by the Bank's reserves and capital (see Statement of Changes in Equity and Note 4.2.1.2.2).

NOTE 3 - ACCOUNTING STANDARDS APPLIED

3.1. Basis for the presentation of financial statements

These financial statements have been prepared pursuant to section 34 of the Charter, in its capacity as monetary authority, in compliance with the accounting framework established in its “Accounting Policy Manual” approved by the Bank’s Board of Governors through Resolution No. 86 dated May 16, 2013, updated as of the date of approval of these financial statements through Resolution No. 52, dated March 28, 2019 (see Note 3.4).

The accompanying financial statements, exhibits and notes disclose figures stated in thousands.

In order to prepare the statement of cash flows and cash equivalents, the “International reserves” item was defined as a “Cash and cash equivalents” item, showing the main variations in immediate-liquidity external assets that form a part thereof.

3.2 Use of estimates

The BCRA records are based on the best estimate regarding the probability of occurrence of different future events and, therefore, the final amount of estimates may differ from such records, which may have a positive or negative impact on future years. The preparation of financial statements requires the BCRA to make estimates, in certain cases, to determine the book values of assets and liabilities, income, expenses and contingencies, as well as the disclosure thereof, at each financial reporting date.

3.3 Comparative information

The balance sheet and the statements of income, changes in equity and cash flows and cash equivalents as of December 31, 2018, as well as the related notes and exhibits are presented comparatively with balances at prior year-end.

For comparative purposes, necessary reclassifications were made on prior-year financial statements in order to disclose the figures on a consistent basis. The modification of the comparative information does not imply changes in the decisions taken based thereon.

3.4 Reporting currency

The BCRA financial statements recognize the changes in the currency purchasing power through February 28, 2003, and as of that date, the inclusion of adjustments to reflect those changes were no longer applied, in conformity with the requirements of Presidential Decree No. 664/2003 and Communication “A” 3921.

Professional accounting standards in force in the City of Buenos Aires establish, through Technical Resolutions Nos. 6 and 39 and its supplementary regulation, the need to restate accounting balances to show the changes in the purchasing power of the currency, depending on the existence of a context of inflation. Whether a context of inflation exists is determined by a quantitative factor, which is key to the restatement of the figures of the financial statements, i.e. a cumulative inflation rate over three years that is approaching, or exceeds, 100%, considering for such purpose the Domestic Wholesale Price Index (IPIM) published by the National Institute of Statistics and Census (INDEC).

On October 10, 2018, Resolution 107/2018 issued by the Steering Committee of the CPCECABA provided for the need to restate financial statements in constant currency for fiscal years ended on or after July 1, 2018,

in line with Resolution 539/2018 issued on September 29, 2018 by the Governing Board (JG) of the FACPCE.

On December 4, 2018, section 6 of Law No. 27468 repealed Decree No. 1269 dated July 16, 2002, as amended, including Decree No. 664 dated March 20, 2003, whereby the inflation accounting method was not allowed. Additionally, section 7 further sets forth that the provisions of the law will be effective when published in the Official Gazette, and the Executive Branch through the corresponding controlling authorities and the BCRA shall define the date as from which the financial statements must be prepared by applying constant currency.

Accordingly, the Foreign Exchange and Financial Institutions Regulatory Agency (SEFyC) has established that the financial institutions and exchange offices shall restate the financial statements in constant currency for fiscal years beginning on or after January 1, 2020 (Communication “A” 6651).

Based on the preceding paragraph, and as provided for by Resolution No. 52 of the Board of Governors mentioned in Note 3.1. above, the financial statements of the BCRA will be restated in constant currency as provided for by the SEFyC. Therefore, these financial statements have not been restated in constant currency.

The matters described herein 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.

3.5. General valuation and disclosure methods

3.5.1 Assets and liabilities in foreign currency

The reporting currency of these financial statements is the Argentine peso. Transactions in foreign currency are converted into Argentine pesos at the foreign exchange rate prevailing at the date of the transaction. Inventories in US dollars are subject to a benchmark foreign exchange rate as of December 31, 2018 and 2017, respectively, calculated by the BCRA pursuant to the methodology set forth by Communication “A” 3500. Inventories in other currencies, including gold, are valued at the US dollar exchange rate prevailing at closing in the markets in which the BCRA trades, and they are converted into local currency on a daily basis at the benchmark foreign exchange rate published by the BCRA.

Exhibit II discloses the main amounts in foreign currency at fiscal years ended 2018 and 2017.

The following table shows the Argentine peso exchange rates to the different currencies used at each year-end:

	<u>12/31/2018</u>	<u>12/31/2017</u>
United States Dollars	37.80830000	18.77420000
Gold	48,452.84878200	24,521.73358800
Special drawing rights (SDRs)	52.58340556	26.73690145
Euros	43.29050350	22.56846582
Yen	0.34477749	0.16674838
Pound Sterling	48.20180167	25.39022808
Brazilian real	9.75823977	5.66768302
Canadian dollar	27.74310244	14.98818458
Swedish krona	4.25807505	2.29513447
Norwegian krone	4.37135656	2.29331216
Swiss franc	38.45824433	19.28129814
Yuan (CNY)	5.49659083	2.88540866
Yuan (CNH)	5.50379212	2.88270610

3.5.2 Revenue and expenses recognition

Income and expenses are recognized on an accrual basis and are calculated based on the “Accounting Policy Manual” and the agreements entered into between the parties involved.

NOTE 4 - BREAKDOWN AND SPECIFIC VALUATION METHODS OF THE MAIN FINANCIAL STATEMENT ACCOUNTS AS PER THE ACCOUNTING POLICY MANUAL

4.1 International reserves

As set forth by the Charter, the BCRA must concentrate and manage its gold reserves, foreign currency reserves and other external assets. The BCRA may keep a portion of its external assets in the form of deposits or other interest-bearing transactions with foreign financial institutions or in creditworthy papers payable in gold or in foreign currency.

4.1.1 Gold

	<u>12/31/2018</u>	<u>12/31/2017</u>
Gold in bars	85,347,921	43,191,533
Allowance for gold in bars (Exhibit I)	(66,598)	(33,068)
Total	<u>85,281,323</u>	<u>43,158,465</u>

Gold physical inventories, equal to 1,761.4 troy ounce, were valued at year-end at USD 1,281.5 per troy ounce, according to market prices effective as of the related date, and converted into Argentine pesos according to the method under Note 3.5.1 (the same quantity of troy ounces valued at USD 1,306.1 as of December 31, 2017) (see Exhibit II).

Gold ingots qualify as “good delivery”, consequently a provision for sale expenses was booked, which consists in calculating the direct costs that should be incurred upon deciding to realize them. This provision was estimated at one US dollar per ounce and has been disclosed in the financial statements, offsetting the Gold account balance.

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 and are disclosed under Other assets (see Note 4.7).

4.1.2 Foreign Currency

	<u>12/31/2018</u>	<u>12/31/2017</u>
Current accounts in foreign correspondent banks and "overnight"	1,634,375,372	611,604,443
Treasury holdings	23,946,537	7,725,291
Total	<u>1,658,321,909</u>	<u>619,329,734</u>

Treasury holdings were valued as established in Note 3.5.1. The current accounts in foreign correspondent banks and overnights were valued by applying the same criterion plus interest earned at each year-end, as applicable.

4.1.3 Deposits to be realized in foreign currency

They include the following investments made abroad:

	<u>12/31/2018</u>	<u>12/31/2017</u>
Time deposits	226,883,846	124,143,004
Demand deposits	197,817,527	48,043,464
Foreign government securities	257,937,728	113,748,571
Repurchase agreements	63,591,368	4,034,903
IMF reserve tranche position	14,093,777	7,163,698
Certificates of deposits	-	79,213,157
Total	<u>760,324,246</u>	<u>376,346,797</u>

Demand and time deposits and repurchase agreements were stated at nominal value, plus /(less) interest or return accrued, as applicable, until each year-end, converted into Argentine pesos according to the method established in Note 3.5.1. Demand deposits consist mainly of allocated SDRs of ARS 164,873,255 equivalent to SDR 3,135,462 as of December 31, 2018 (ARS 47,784,005 equivalent to SDR 1,787,193 as of December 31, 2017) (see Note 6).

The balance of foreign government securities amounts to ARS 257,937,728 as of December 31, 2018, the amount of ARS 107,490,476 out of which corresponds to discount securities and ARS 150,447,252 are capitalization securities. These instruments have been stated at market prices prevailing at that date and converted into pesos, following the criterion described in Note 3.5.1. (ARS 94,175,299 and ARS 19,573,272, respectively, as of December 31, 2017).

The Reserve Tranche Position includes the external assets that the central banks transfer to the IMF, based on their quota with the IMF and use of financing. This amount may be borrowed without conditions and with no interest accrual. It is valued at the SDR quoted price. As of December 31, 2018, it amounts to ARS 14,078,966 (SDR 268,027). The Reserve Tranche Position accrues interest calculated by the IMF and credited to the SDR account the BCRA holds with the IMF, which amounts to ARS 14,811 (ARS 7,158,683 and ARS 5,015 as of December 31, 2017, respectively, equivalent to SDR 267,933) (see Note 6).

Certificates of deposit are instruments issued by foreign banking institutions; they have a maturity date and an agreed-upon interest rate. As of December 31, 2018, no balance was recorded for this item; whereas the balance of ARS 79,213,157 as of December 31, 2017 accounted for principal in the amount of ARS 79,235,977, net of interest to be accrued in the amount of ARS 22,820.

The average annual yield on total time deposits and certificates of deposit was 1.67% and 1.07% for the fiscal years 2018 and 2017, respectively.

4.1.4 Multilateral credit agreements

The balance accounts for net asset positions by country arising from reciprocal credit transactions under the Latin American Integration Association (ALADI) and the Argentina/Brazil Local Currency Payment System (SML), which have been valued as established in Note 3.5.1.

4.1.5 Derivatives over International Reserves

	<u>12/31/2018</u>	<u>12/31/2017</u>
Receivables from forward sales of foreign currency	698,716,140	587,172,024
Liabilities from forward sales of foreign currency	(715,688,431)	(592,504,705)
Rights under forward purchases of gold	10,834,627	5,487,096
Liabilities from forward purchases of gold	(10,522,011)	(5,370,210)
Total	<u>(16,659,675)</u>	<u>(5,215,795)</u>

Receivables from forward sales of foreign currency amounted to ARS 698,716,140 as of December 31, 2018 and represent the right to receive United States dollars from the forward sale at the agreed-upon price (ARS 587,172,024 as of December 31, 2017), while the balance of ARS (715,688,431) related to Liabilities from forward sales of foreign currency, at the same date, represents the sales obligations with counterparties abroad at the agreed-upon price in the amount of ARS (714,455,320) and ARS (1,233,111) and, as implicit interest in the amounts of ARS (591,858,604) and ARS (646,101) as of December 31, 2017, respectively).

The balance of ARS 10,834,627 related to Rights under forward purchases of gold represents the right to receive the gold equivalent to the purchase price agreed under the forward contracts in the amount of ARS 10,829,211 and ARS 5,416 and implicit interest (as of December 31, 2017, the amounts were ARS 5,483,060 and ARS 4,036, respectively), while Liabilities from forward purchases of gold equivalent to ARS (10,522,011) represent the obligation to deliver the foreign currency at the date of termination of those contracts (ARS (5,370,210) as of December 31, 2017) (see Note 4.1.1).

4.2 Government securities

4.2.1 BCRA's own portfolio

It includes the BCRA's government securities portfolio detailed in Exhibit III, which, as of December 31, 2018, amounted to ARS 1,658,529,795 (ARS 1,162,573,249 as of December 31, 2017).

4.2.1.1 Securities issued under foreign legislation

They include securities issued by the National Government and subject to the jurisdiction of foreign courts, which are stated at listed values (see Exhibit III). As of December 31, 2018, the balance amounts to ARS 3,265,419 (ARS 912,412 as of December 31, 2017) and are broken down as follows:

- a) Discount Bonds maturing in 2033 issued in US dollars in the original nominal value of USD 43,904 equivalent to ARS 1,865,922 as of December 31, 2018, plus accrued interest receivable in the amount of ARS 96,350 (original nominal value of USD 23,050 equivalent to ARS 708,201 as of December 31, 2017 plus ARS 25,336 as interest accrued receivable).

- b) International Bond maturing in 2021 issued by Argentina in US dollars in the original nominal value of USD 9,000 equivalent to \$ 319,320 (original nominal value of USD 9,000 equivalent to ARS 178,875 as of December 31, 2017).
- c) International Bond maturing in 2028 issued by Argentina in US dollars in the original nominal value of USD 35,000, equivalent to ARS 983,827.

4.2.1.2. Securities issued under Argentine legislation

They include securities held subject to Argentine legislation, which amounted to ARS 1,655,264,376 as of December 31, 2018 (ARS 1,161,660,837 as of December 31, 2017).

4.2.1.2.1 1990 National 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 by applying the buying Argentine peso-to-US dollar exchange rate published by Banco de la Nación Argentina. Adjusted principal will be amortized as from the tenth year. The adjustment was accrued until March 31, 1991 by virtue of section 8 of the Convertibility Law (the currency board that pegged the Argentine peso to the US dollar), whereby the monetary adjustment mechanisms regarding the amounts stated in non-convertible australes would be applied exclusively until April 1, 1991, without accruing any new adjustments for such items subsequent to such date.

The original issuance amounts to ARS 881,464 while the amount adjusted as of December 31, 2018, pursuant to issuance conditions is ARS 4,734,790 (the same amount as of December 31, 2017). Considering that section 6 of Law No. 25565 authorized the former 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, in the amount of ARS 8,815 matured on January 2, 2010. Taking into account the specific financial characteristics of this bond, especially its term, grace period and that it does not accrue any interest, an allowance has been set up in accordance with the issuance terms and conditions, net of its contra account. As of December 31, 2018, the allowance was reversed in the amount equivalent to the receipt of the tenth installment on January 2, 2019 (see Note 9.1 and Exhibits I and III).

4.2.1.2.2 Non-transferable Treasury Bills

The Non-transferable Treasury Bills that remained in the portfolio at year-end were received in consideration of the transfer of funds to the Argentine Treasury, based on the items detailed below: settlement of public debt with private bondholders - Argentine Fund for Debt-Shedding (FONDEA), settlement of principal and interest with International Financial Agencies (FONDOI) and contra account for the payment of Argentina's higher quota with the IMF.

The issuance conditions of these instruments are as follows: principal denominated in United States dollars; ten-year maturity; they are fully amortized upon maturity and accrue interest at the interest rate accrued by the BCRA international reserves for the same period, and up to the limit of annual LIBOR, less one percentage point, payable semi-annually.

As of December 31, 2017, these instruments were stated at present value converted to pesos, as provided for in Note 3.5.1, given the Board of Governors' decision, documented in Resolution No. 209/18, of changing the BCRA's intention to hold the non-transferable bills until maturity. This change has led to a valuation adjustment loss of ARS (144,229,388), which was recorded under Listed price differences, net-Government securities (Note 4.22.4). Formerly, the balance represented the nominal value plus accrued interest converted to pesos.

To calculate the present value, the discount rate was obtained from a linear interpolation of the returns on Government Bonds in United States dollars -Argentine Law-, with greater liquidity, based on the average life of the instruments to be valued. Two aspects were taken into account for the selection of the instruments in the curve: liquidity and average life. The instruments with a lower liquidity ratio were not considered; only those with an average life similar to that of the asset selected for valuation were taken. Further, an estimate of the future cash flows was made based on the expected returns. As of December 31, 2018, the non-transferable bills are stated in the amount of ARS 1,137,030,537, in accordance with the valuation criterion described. In accordance with the terms and conditions for the issuance of the non-transferable bills, during the fiscal years 2018 and 2017, interest was accrued (see Note 4.22.1)

Security	Item	Amount subscribed in USD (see Exhibit III - Original Nominal Value)	Maturity	In pesos 12/31/2018	In pesos 12/31/2017
Non-transferable bill maturing in 2021 Dec. 2054/10	FONDEA	7,504,000	1/7/2021	231,263,938	129,691,317
Non-transferable bill maturing in 2021 Dec. 276/11	FONDOI	2,121,386	3/14/2021	63,528,779	36,383,765
Non-transferable bill maturing in 2022 Law No. 26728 Res. 131/12	FONDEA	5,674,000	4/20/2022	145,675,938	93,471,266
Non-transferable bill maturing in 2022 Dec. 928/12 Res. 171/12	FONDOI	2,083,648	6/28/2022	52,062,409	34,058,226
Non-transferable bill maturing in 2023 Law No. 26,784 Res. 8/13	FONDEA	7,132,655	1/16/2023	168,828,054	114,641,318
Non-transferable bill maturing in 2023 Dec. 309/13	FONDOI	2,292,297	8/16/2023	51,254,236	36,089,149
Non-transferable bill maturing in 2024 Law No. 26895 Res. 30/14	FONDEA	7,896,765	1/30/2024	165,751,871	122,068,712
Non-transferable bill maturing in 2024 Dec. 1311/14 Res. 190/14	FONDOI	3,043,000	8/25/2024	60,054,141	45,893,434
Non-transferable bill maturing in 2025 Law No. 27008 Res. 406/15	FONDEA	10,562,540	6/1/2025	192,278,646	153,284,080
Non-transferable bill maturing in 2026 Law No. 26849 Res. 262/16	INCREASE IMF QUOTA	376,300	4/29/2026	6,332,525	5,208,175
TOTAL		48,686,591		1,137,030,537	770,789,442

The Argentine Fund for Debt-Shedding (FONDEA) was created under National Executive Branch Decree No. 298 of March 1, 2010 to pay off the National Treasury public debt with private bondholders for such fiscal year. Subsequently, as established by Decree 2054/10 and Argentine Administration General Budget

Laws Nos. 26728, 26784, 26895 and 27008 for the fiscal years 2012 to 2015, respectively, the Executive Branch was authorized to fund FONDEA successively, in order to make payments of the National Treasury public debt with private bondholders corresponding to the fiscal years 2011 to 2015.

Additionally, the maturity of principal and interest with International Financial Agencies (FONDOI) for fiscal years 2010, 2011, 2012, 2013 and 2014 were settled by applying unrestricted international reserves, including, also as from 2013, the settlement of bilateral official external debt services falling due in fiscal 2013. Those settlements were formalized through Decrees Nos. 297 of March 1, 2010; 276 of March 3, 2011; 928 of June 21, 2012; 309 of March 21, 2013; and 1311 of August 15, 2014.

Finally, the BCRA received a Non-transferable Bill issued by the Argentine Treasury as provided for by Resolutions Nos. 159/16 and 262/16 of the former Ministry of Economy and Public Finance in consideration for the payment of 25% of the total increase in the quota with the IMF, made with external assets on behalf of Argentina, as set forth by Section 4 of Law No. 26849.

4.2.1.2.3 Other securities issued under Argentine legislation

As of December 31, 2018, the balance of this caption amounts to ARS 517,431,707 (ARS 390,060,449 as of December 31, 2017). It is mainly made up of securities issued by the Argentine Government as follows:

- a) Secured bonds (BOGAR 2018): They were fully amortized during the year. They had been received in exchange for the swap of provincial government debt securities included in the BCRA's portfolio (original nominal value of ARS 852,895 equivalent to ARS 155,653 as of December 31, 2017). These financial instruments were recorded at their listed prices (see Exhibit III).
- b) Argentine Government Bonds (BONAR) Series 2018: They were fully amortized during the year (original nominal value of ARS 169,984 equivalent to ARS 3,430,282 as of December 31, 2017). These financial instruments were recorded at their listed prices (see Exhibit III).
- c) Argentine Government Bonds (BONAR) Series 2019: original nominal value of ARS 1,608,234 equivalent to ARS 1,680,604 as of December 31, 2018 (original nominal value of ARS 1,608,234 equivalent to ARS 1,656,481 as of December 31, 2017). These financial instruments were recorded at their listed prices (see Exhibit III).
- d) Argentine Government Bonds (BONAR) Series 2020: original nominal value of USD 283,000 equivalent to ARS 10,541,750 as of December 31, 2018 (original nominal value of ARS 283,000 equivalent to ARS 5,928,850 as of December 31, 2017) These financial instruments were recorded at their listed prices (see Exhibit III).
- e) Argentine Government Bonds (BONAR) Series 2022: original nominal value of USD 4,497,753 equivalent to ARS 142,753,453 plus ARS 6,589,531 as interest accrued as of December 31, 2018 (original nominal value of ARS 4,497,753 equivalent to ARS 96,387,876 plus ARS 3,272,117 as interest accrued as of December 31, 2017). These financial instruments were recorded in assets as a result of the swap of the Non-transferable Bills of the Argentine Treasury. As to this reporting date, there is no active market, they have been stated at an estimated present value (see Exhibit III).
- f) Argentine Government Bonds (BONAR) Series 2025: original nominal value of USD 4,510,463 equivalent to ARS 130,095,114 plus ARS 6,714,734 as interest accrued as of December 31, 2018 (original nominal value of ARS 4,510,463 equivalent to ARS 98,770,718 plus ARS 3,334,288 as interest accrued as of December 31, 2017). These financial instruments were recorded in assets as a result of the swap of the Non-transferable Bills of the Argentine Treasury. As to this reporting date there is no active market, they have been stated at an estimated present value (see Exhibit III).

- g) Argentine Government Bonds (BONAR) Series 2027: original nominal value of ARS 4,690,500 equivalent to ARS 128,078,556 plus ARS 6,982,755 as interest accrued as of December 31, 2018 (original nominal value of ARS 4,690,500 equivalent to ARS 101,859,508 as of December 31, 2017 plus ARS 3,467,377 as interest accrued). These financial instruments were recorded in assets as a result of the swap of the Non-transferable Bills of the Argentine Treasury. As to this reporting date there is no active market, they have been stated at an estimated present value (see Exhibit III).
- h) Discount Bonds 2033 issued in US dollars and maturing on December 31, 2033 original nominal value of USD 679,220 equivalent to ARS 26,326,567 plus ARS 1,490,587 as interest accrued as of December 31, 2018 (original nominal value of USD 679,220 equivalent to ARS 20,240,936 plus ARS 740,170 as accrued interest as of December 31, 2017). These financial instruments were stated at their listed prices (see Exhibit III).
- i) Discount Bonds 2033 issued in pesos in the original nominal value of ARS 6,228,791 equivalent to ARS 53,256,159 plus ARS 1,916,984 as interest accrued as of December 31, 2018 (original nominal value of ARS 6,228,791 equivalent to ARS 48,075,431 plus ARS 1,320,116 as interest accrued as of December 31, 2017). These financial instruments were recorded at their listed prices (see Exhibit III).
- j) Discount Bonds 2033 issued in 2010 in Argentine pesos in the original nominal value of ARS 5,846 equivalent to ARS 45,011 plus ARS 1,799 as interest accrued as of December 31, 2018 (original nominal value of ARS 5,846 equivalent to ARS 43,773 as of December 31, 2017). These securities have been stated at market value (see Exhibit III).
- k) Quasi-Par Bonds Series 2045 in the original nominal value of ARS 40,351 equivalent to ARS 195,701 plus ARS 7,709 as interest accrued as of December 31, 2018 (original nominal value of ARS 40,351 equivalent to ARS 224,695 plus ARS 5,304 as interest accrued as of December 31, 2017). These securities have been stated at market value (see Exhibit III).
- l) GDP-linked marketable securities in USD in the original nominal value of USD 445,051 equivalent to ARS 676,478 as of December 31, 2018 (original nominal value of USD 445,051 equivalent to ARS 858,059 as of December 31, 2017), received upon the conclusion of the public debt restructuring process. Such financial instruments are stated at their market value. In addition, the holding of GDP-related negotiable securities in pesos amounts to original nominal value of ARS 1,861,192 equivalent to ARS 38,154 as of December 31, 2018 (original nominal value of ARS 1,861,192 equivalent to ARS 204,731 as of December 31, 2017). These financial instruments were recorded at their listed prices (see Exhibit III).
- m) Other portfolio securities amounting to ARS 73,478 as of December 31, 2018 (ARS 84,084 as of December 31, 2017). The remaining holdings are stated at the last available listed price.

4.2.2. Allowance for impairment of government securities

In order to disclose the market values of certain government securities booked as of December 31, 2018, the allowance for impairment of value of securities is ARS 793,315 (ARS 802,130 as of December 31, 2017), which accounts for 90% of the original issuance amount of the Bond mentioned in Note 4.2.1.2.1. During this fiscal year, 1% of the allowance was reversed due to the collection of the tenth amortization installment of the security on January 2, 2019 (see Note 9.1 and Exhibit I).

4.3 Temporary advances to the Argentine Government

By virtue of the last Charter amendment established by Law No. 26739 enacted on March 22, 2012, as established by section 20, the Bank may make temporary advances to the Argentine Government for a term of twelve months up to an amount equivalent to 12% 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% of the cash resources obtained by the Argentine Government in the last twelve months. As an exception and only if justified by the circumstances or national or international economic prospects, temporary advances may be granted for an additional amount not exceeding 10% of the cash flows earned by the Argentine Government in the last twelve to eighteen months. In all cases, once financial assistance terms have elapsed, this possibility may not be used again until the amounts due are reimbursed. These Temporary Advances do not accrue any interest rates.

As of December 31, 2018, the balance of the account Temporary Advances to the Argentine Government amounts to ARS 502,730,000 (ARS 472,230,000 as of December 31, 2017), out of which ARS 409,030,000 have been granted for a twelve month period (ARS 281,080,000 as of December 31, 2017), and the amount of ARS 93,700,000, as an exception, has been requested and agreed on an eighteenth month period, in accordance with the regulatory framework (ARS 191,150,000 as of December 31, 2017).

The advances that remained effective at prior year-end were fully settled as of December 31, 2018 pursuant to the provisions of Art. 20 of the Charter.

The Memorandum of Economic and Financial Policies, signed within the framework of the arrangement between the Argentine Government and the IMF, provides for a limitation on the possibility of granting financing facilities to the Government by the BCRA. In this line, through note No. 2018-31075239-APN-MHA, the Ministry of Economy informed the BCRA that during 2018 and 2019, the National Government would not increase its position of temporary advances with the BCRA existing as of June 15, 2018. Consequently, over the period elapsed from such date to December 31, 2018, the temporary advances have decreased by ARS 39,400,000 (see Note 2.1.).

4.4. 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>12/31/2018</u>	<u>12/31/2017</u>
Financing to the productive sector	36,013	485,310
Refinanced lines	177,888	549,999
Due to fines	287,734	319,486
Other	2,033	1,805
Subtotal	<u>503,668</u>	<u>1,356,600</u>
Less:		
Allowances for loans to the financial system (Exhibit I)	<u>439,863</u>	<u>850,801</u>
Total	<u>63,805</u>	<u>505,799</u>

The line “Loans to the Argentine financial system” mainly relates to “Due to fines on Financial Institutions”, which includes accruals of fines payable to the BCRA arising from the enforcement of the Criminal Exchange Regime and Financial Institutions Law (section 41). The balance amounts to ARS 287,734 as of December 31, 2018 (ARS 319,486 as of December 31, 2017). Out of total balance, as of December 31, 2018, the amount of ARS 277,057 is subject to court procedures (ARS 313,282 as of December 31, 2017) and an allowance has been set up for the total amount of ARS 265,238 (ARS 300,801 as of December 31, 2017).

The caption “Refinanced lines” is related to the Federal Trust Fund for Regional Infrastructure (FFFIR) debt. This fund was created by Law No. 24855, to which the consolidated debt held by the former Banco Hipotecario Nacional with the BCRA had been transferred. By means of the Board of Governors’ resolution No. 2 dated January 4, 2018, the Agreement for the Settlement of Debt between the FFFIR and the BCRA was approved. As of December 31, 2018, the debt was reduced by ARS 177,888 (ARS 549,999 as of December 31, 2017) mainly due to the principal collected in the amount of \$ 374,700.

The line “Financing to the productive sector” mainly includes funds granted to financial institutions within the framework of Communication “A” 5303 and amendments in order to finance the productive sector with a balance of ARS 36,013 as of December 31, 2018 (ARS 485,310 as of December 31, 2017). These loans require 125% guarantees over principal due that are measured at market value. The guarantees posted by institutions stated at market value (with the guaranteed credit limit) cover the whole debt, as broken down below:

	<u>12/31/2018</u>	<u>12/31/2017</u>
Argentine Government bonds	28,826	64,397
Argentine Government secured loans	-	17,714
National Government Secured Bonds	-	9,213
Boncer 2020	7,187	-
Boncer 2021	-	5,014
Argentine Treasury Bond 2019	-	388,972
Total	<u>36,013</u>	<u>485,310</u>

The amount of the Allowances for Loans to the Local Financial System, which as of December 31, 2018 is ARS 439,863 (ARS 850,801 as of December 31, 2017), mainly includes the Allowance for fines referred to in the preceding paragraph in the amount of ARS 265,238 (ARS 300,801 as of December 31, 2017) and the Allowance for Credit lines existing before enactment of Law No. 24144 equivalent to the amount of a ARS 174,625 (ARS 549,999 as of December 31, 2017). During fiscal year 2018, the allowances were reversed as a result of receipts in the amount of ARS 387,198 and were used in the total amount of ARS 328,356, while new allowances were set up in the amount of ARS 304,616 (changes in these three items during the fiscal year ended December 31, 2017 amounted to ARS 7,364, ARS 234,220 and ARS 184,080, respectively) (see Exhibit I).

This item is stated at nominal value plus accrued and uncollected interest at the agreed upon rate, net of the allowance for uncollectibility. This allowance is set up on the basis of estimates of the recoverable amounts of the loans, which consider compliance and the quality of collateral, among other factors.

4.5. Contributions to international agencies on behalf of Argentine Government and other

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

	<u>12/31/2018</u>	<u>12/31/2017</u>
Contributions to IDB, IBRD, IDA and other	123,196,139	55,791,492
Contributions to the IMF	45,220,557	22,993,139
Total	<u>168,416,696</u>	<u>78,784,631</u>

This item is stated at nominal value in the original currency and converted into Argentine pesos, as established in Note 3.5.1.

As to the contributions to the IMF, the National Government records a quota, as resolved at the Meeting of the Board of Governors of the IMF, in the amount of SDR 3,187,300 as of December 31, 2018 (the same amount of SDR as of December 31, 2017), as detailed below:

	12/31/2018		12/31/2017	
	SDR	Argentine pesos	SDR	Argentine pesos
Treasury Bills	2,327,322	122,378,532	2,327,322	62,225,387
Contributions to the IMF in foreign currency	796,825	41,899,785	796,825	21,304,638
Contributions to the IMF in local currency	63,153	3,320,772	63,153	1,688,501
Total	3,187,300	167,599,089	3,187,300	85,218,526

Treasury Bills are issued by the BCRA on behalf of the National Government in its capacity as Government's financial agent pursuant to Article III, Section 4 and Article V, Section 11 of the IMF Articles of Agreement, and they are recorded in memorandum accounts (see Notes 5 and 6).

4.6 Rights deriving from repo transactions

	12/31/2018	12/31/2017
LEBAC receivable in Argentine pesos and delivered under repurchase agreements	-	112,150,981
LELIQ receivable in Argentine pesos and delivered under repurchase agreements	19,104,946	-
Rights under reverse repurchase transactions	41,141,293	23,942,380
Repurchase agreements assessment	1,906,128	11,130,575
Rights from currency swap transactions	614,072,000	174,720,000
Total	676,224,367	321,943,936

On January 10, 2018, through Communication "C" 6426, the BCRA informed that it decided the issuance and placement of 7-day Bills in pesos in force as from January 11, 2018. These instruments can be used as collaterals in REPO transactions (see Note 2.2).

As of December 31, 2018, total LELIQ receivable under reverse repurchase agreements, including premiums to be accrued, amounted to ARS 19,104,946. Those instruments were stated at market price (see Note 4.18). As of December 31, 2018, there are no LEBACs receivable under repurchase agreements (ARS 112,150,981 as of December 31, 2017 including premiums to be accrued) (see Note 2.2).

Rights under reverse repurchase transactions are related to transactions agreed upon with banks and other entities. Principal receivable in this regard amounts to ARS 41,141,293 as of December 31, 2018 (ARS 23,942,380 as of December 31, 2017). These repurchase agreements were valued based on prices settled for each transaction, plus the related premiums accrued at each year-end.

Rights from currency swap transactions amounted to ARS 614,072,000 as of December 31, 2018 (ARS 174,720,000 as of December 31, 2017). This balance represents the right to receive from People's Bank of China the amount in national currency agreed under the currency swap transaction (see Notes 2.3 and 4.18).

4.7 Other assets

4.7.1 Breakdown of the account

	<u>12/31/2018</u>	<u>12/31/2017</u>
Numismatics – Museum	178,988	90,113
Assets applied to guarantees for participation in the ROFEX market (see Note 4.7.2)	1,385,440	483
Stock of paper and coins for monetary issuance	4,030,940	2,750,828
Margin Call from Forward transactions (see Note 4.7.2)	10,534,689	814,237
Secured loans – Presidential Decree No. 1387/01	340,909	276,981
Fixed assets (net of depreciation)	257,554	233,727
Trust Fund for HIPC – IMF Initiative	796,025	416,950
Coined gold	440,081	223,019
Intangible assets	25,325	11,582
Other	1,058,058	944,824
Less:		
Allowances (Exhibit I)	111,335	118,888
Total	<u>18,936,674</u>	<u>5,643,856</u>

The Margin Call from forward transactions records the collateral security margin requested by the counterparties to those transactions and is equivalent to ARS 10,534,689 as of December 31, 2018 (ARS 814,237 as of December 31, 2017). These funds are built up in foreign currency by the BCRA on a daily basis and the counterparty recognizes interest on them. If under market conditions, the BCRA is to require that such guarantee be provided, the funds in foreign currency are received in a liability account, and interest is paid on those funds (see Notes 4.1.5 and 4.20).

The Trust Fund for HIPC – IMF Initiative records the contribution to the Poverty Reduction and Growth Trust – Heavily Indebted Poor Countries (IMF) in the amount of ARS 796,025 (SDR 15,138) (ARS 416,950 (SDR 15,595) as of December 31, 2017) (see Note 6).

According to the international definitions of gold computable as a reserve asset (see note 4.1.1), the gold coins held for numismatic purposes were excluded from the Gold sub-item and were included in Other Assets. Additionally, a provision for sales expenses of 1% of total stock was set up.

Secured loans are financial instruments issued by the National Government by virtue of Presidential Decree No. 1387/01 and supplementary regulations, which were accepted to settle the temporary lack of liquidity aid to financial institutions with abrogated authorization to operate. These unlisted instruments are transferred through deeds, they accrue interest and they may be adjusted by CER (benchmark stabilization coefficient). At year-end, they were stated at nominal value plus accrued interest not yet collected and CER adjustment.

Fixed assets were stated at acquisition cost, net of the related accumulated depreciation, including the adjustment for inflation through February 28, 2003. Depreciation is calculated by applying the straight-line method, taking into account the fixed assets estimated useful life.

The Numismatics - Museum line includes coins donated to the BCRA by Mr. Héctor Carlos Janson. It consists of a collection of 2,800 coins, which includes, among others, Argentine coins issued between 1813 and 2016. To express our gratitude for the donation of his collection and in honor of one of the most influencing academicians in numismatics, the Museum changed its name to Museo Histórico y Numismático Héctor Carlos Janson.

Sundry includes, among others, court and out-of-court receivables pending collection from the Acex trust and other assets received for the same item in the amount of ARS 78,857 and ARS 73,242, respectively (ARS 88,802 and ARS 70,198, as of December 31, 2017), for which an allowance has been state up in the amount of ARS 104,770 (ARS 114,664 as of December 31, 2017) and advance payments not yet reported in the amount of ARS 10,927 (ARS 63,271 as of December 31, 2017).

Note 4.7.2 Restricted assets

As of December 31, 2018 and 2017, the Bank has set up the following collaterals:

	<u>12/31/2018</u>	<u>12/31/2017</u>
Margin Call from forward transactions	10,534,689	814,237
Assets applied to guarantees for participation in the ROFEX market	<u>1,385,440</u>	<u>483</u>
Total	<u>11,920,129</u>	<u>814,720</u>

4.8 Monetary base

According to the Charter, it consists of monetary circulation plus financial institutions' demand deposits in the BCRA, whether in current or special accounts. It also includes settlement checks in circulation. Exhibit V discloses the changes in the monetary base, which shows mainly monetary regulation operations performed by the BCRA as part of the powers assigned by the Charter regarding the relationship between the Argentine Government and the financial system and related uses (operating and financial expenses).

4.8.1 Currency in circulation

4.8.1.1 Banknotes and coins in circulation

	<u>12/31/2018</u>	<u>12/31/2017</u>
Bank notes	855,215,144	782,947,866
Coins	<u>4,320,527</u>	<u>3,763,851</u>
Total	<u>859,535,671</u>	<u>786,711,717</u>

Bank notes and coins in circulation at each year-end account for the balance held by the public and financial institutions (see Note 5).

Changes in notes in circulation have been as follows:

	<u>12/31/2018</u>	<u>12/31/2017</u>
Balance at beginning of year	782,947,866	591,082,448
New bank notes and bank notes in good conditions placed in the financial system	165,137,935	285,684,594
Bank notes out of circulation and destroyed or to be destroyed	<u>(92,870,657)</u>	<u>(93,819,176)</u>
Balances at year-end	<u>855,215,144</u>	<u>782,947,866</u>

4.8.1.2 Settlement checks in pesos in circulation

The amount of ARS 252 as of December 31, 2018 (ARS 652 as of December 31, 2017) accounts for the BCRA's obligation with respect to settlement checks requested by financial institutions and issued in Argentine pesos.

4.8.2 Current account in pesos

As of December 31, 2018, they amounted to ARS 549,441,328 (ARS 214,400,439 as of December 31, 2017). During the fiscal years 2018 and 2017, pursuant to BCRA Communication "A" 6052 and supplementary regulations, the rate determined for current accounts was 0%.

4.9. Instruments of Payment in other currencies

4.9.1. Settlement checks in other currencies in circulation

The balance of ARS 756 as of December 31, 2018 (ARS 4,130 as of December 31, 2017) accounts for the BCRA's obligation with respect to settlement checks requested by financial institutions and issued in US dollars, which were converted into Argentine pesos as stated in Note 3.5.1.

4.9.2. Certificates of deposit for investment

The balance of ARS 2,311,211 as of December 31, 2018 (ARS 1,641,473 as of December 31, 2017) accounts for the BCRA's obligation with respect to the Certificates of Deposit for Investment issued pursuant to Law No. 26860, which are in circulation. These instruments are issued in US dollars and are converted into Argentine pesos according to Note 3.5.1.

4.10 Current accounts in other currencies

As of December 31, 2018, this balance amounted to ARS 535,030,787 (ARS 240,643,832 as of December 31, 2017), and it is converted into pesos as established in Note 3.5.1. Compensation conditions have been defined in BCRA's Communication "A" 4241, as amended (see Note 4.8.2).

4.11 Deposits from de Argentine Government and other

This account includes the following items:

	<u>12/31/2018</u>	<u>12/31/2017</u>
Deposits for strengthening the BCRA International Reserves	277,521,006	-
Argentine Government deposits	247,331,529	35,614,732
A.N.S.E.S. - Social security payment orders	385,232	434,487
Provincial funds	1,263,586	627,450
Argentine Government deposits – Law No. 25152 – Tax anti-cyclical fund	708,912	352,020
Total	<u>527,210,265</u>	<u>37,028,689</u>

The balance in the amount of ARS 277,521,006 of Deposits for strengthening the BCRA International Reserves accounts for the equivalent value in pesos of the deposits corresponding to half of the first disbursement made in different currencies by the IMF in June 2018 within the Stand-By arrangement (see Note 2.1).

4.12 Other deposits

	<u>12/31/2018</u>	<u>12/31/2017</u>
Trust current account	-	161,252
In special accounts	59,475	43,832
Regional Economy Competitiveness Program	-	1,000
Financial program for micro, small and medium-sized companies	-	84,471
Miscellaneous	29,602	23,876
Total	<u>89,077</u>	<u>314,431</u>

The items without balances as of December 31, 2018 are related to funds managed on behalf of third parties in order to finance projects, which were refunded when requested.

Deposits in Special Accounts include the amount of ARS 40,277 corresponding to deposits made by the Argentine Government under the terms of Section 1 of Presidential Decree 1836/02, which cannot be attached or disposed of and which shall solely secure the different series of Argentine Government Bonds to be swapped for certificates of deposit held by savers in the financial system. As of December 31, 2017, the balance of such account amounted to ARS 24,634.

4.13 Special drawing rights

The Special Drawing Rights refer to the amount allocated by the IMF to Argentina as a member country. By virtue of its Articles of Agreement, the IMF may assign Special Drawing Rights to member countries in proportion to their quotas, whether on a general or special basis, as provided for by sections XVIII, XXIV and XXVI of those Articles of Agreement.

In year 2009, the IMF made a general allocation of SDR up to USD 250,000,000 among its member countries, and the amount of USD 2,460,375 (SDR 1,569,427) was allocated to Argentina. On the other hand, in fiscal year 2009, the Fourth Amendment to the IMF Articles of Agreement approved in 1997 became effective, which sets forth a special extraordinary allocation of SDRs amounting to about USD 33,000,000, while Argentina was allocated USD 207,316 (SDR 132,243). Both general and extraordinary allocations were received by the BCRA on behalf of the Argentine Government in the amount of SDR 1,701,670.

The contra account to the SDRs transferred to the Argentine Government is disclosed as an offset account to the account IMF Special Drawing Rights, which amounts to ARS 89,479,602 equivalent to SDRs in the amount of 1,701,670 as of December 31, 2018 (ARS 45,497,382 equivalent to the same quantity of SDR as of December 31, 2017).

The net amount of SDR 318,370, effective as of December 31, 2018, and December 31, 2017, shows the allocated SDRs received by the Bank prior to the Charter amendment dated September 30, 1992.

The account breakdown is as follows:

	12/31/2018		12/31/2017	
	SDR	Argentine pesos	SDR	Argentine pesos
Allocated SDRs. (See Note 6)	2,020,040	106,220,581	2,020,040	54,009,610
Contra account to the account IMF Special Drawing Rights transferred to the Argentine Government	(1,701,670)	(89,479,602)	(1,701,670)	(45,497,382)
Total	318,370	16,740,979	318,370	8,512,228

This item is stated at nominal value in the original currency and converted into Argentine pesos, as established in Note 3.5.1.

4.14 Obligations with international agencies

As approved by Resolution No. 228 issued by the Board of Governors on August 2, 2018, the BCRA has entered into a credit installments agreement with the Bank for Internal Settlements (BIS). As of December 31, 2018, the balance recorded in this line amounted to ARS 94,710,448, out of which, the amount of ARS 94,520,750 is principal (USD 2,500,000) and the amount of ARS 189,698 (USD 5,017) is interest accrued.

The use of the reserve tranche implies the first financial service available to a country by the IMF, and it does not represent the use of the credit from the IMF, there being no claim from such body regarding the funds used¹. The reserve tranche of a country represents the payment percentage of the quota established for participating in the IMF, which was included in reserve assets.

In addition to the item previously mentioned, the line “Obligations with international agencies” also include deposits with the Inter-American Development Bank, IMF and other International Agencies.

The account breakdown is as follows:

	12/31/2018	12/31/2017
Credit installments agreement with the Bank for Internal Settlements	94,710,448	-
Use of the Reserve Tranche	27,831,937	14,151,608
IMF Account No. 1	3,309,653	1,682,848
IDB	3,503,003	1,852,058
Accrued charges	190,551	64,578
IBRD	6,264	10,856
IMF Account No. 2	744	378
Other	72,358	25,711
	129,624,958	17,788,037

The IMF account No.1 is an IMF deposit authorized in the BCRA to record mainly transactions as quota subscriptions and purchases or repurchases of the reserve tranche. The balance in pesos is equivalent to SDR 62,941 as of December 31, 2018 and agrees to the balance as of December 31, 2017 (see Note 6).

¹ Positions are exclusively broken down in the cases considered in articles XXIV and XXVI of the Articles of Agreement.

Additionally, IMF account No. 2 is used for administrative expenses or income in the country. The balance in pesos is equivalent to SDR 14 as of December 31, 2018 and 2017 (see Note 6).

The contra account to the use of the reserve tranche includes the BCRA’s collection right from the Argentine Government in connection with the funds received by the Bank and transferred to the Argentine Government in the amount of SDR 529,291 equivalent to ARS 27,831,937 (same quantity of SDR equivalent to ARS 14,151,608 as of December 31, 2017).

4.15 Securities issued by the BCRA

In accordance with Art. 18 of its Charter, the BCRA is authorized to issue securities or bonds, as well as participation certificates on its securities holdings.

On January 10, 2018, through Communication “C” 6426, the BCRA decided the issuance and placement of 7-day Bills in pesos in force as from January 11, 2018. These instruments, named Liquidity Bills (LELIQ), are daily offered through a special segment named “Rueda LELI” of the SIOPEL system of MAE S.A. They are discount securities and are stated at nominal value net of interest to be accrued at year-end. The counterparties authorized to operate with the BCRA are the financial institutions for their own portfolio or on behalf of exclusively another local entity, and they can be used as collaterals in REPO transactions. As of December 31, 2018, the balance amounted to ARS 750,948,974.

During fiscal 2018, the BCRA announced the progressing elimination of Lebac bills stock. The process for reorganizing such stock ended on December 19, 2018. As of December 31, 2017, the LEBAC balance amounted to ARS 1,189,959,429, stated at nominal value net of interest to be accrued at each year-end (see Note 2.2).

For both securities, LELIQ and LEBAC, it was authorized that a portion of the securities issued be used to perform repo transactions as monetary regulation instruments. As a result, these bills portfolio used for such transactions is stated at market values and presented net of the amount corresponding to “Securities issued by the BCRA” (see Note 4.6)

On the other hand, Communication “A” 6575 dated September 2018 provided for that the financial institutions may subscribe “Nocom”, 30-day debt securities accruing 1/5 of the benchmark rate determined by the BCRA, with stock of bank notes that can be considered “usable”, and which should not be subject to the “Interbank clearing of bank notes” (CIB) held in their own vaults as well as in armored vehicle services. Additionally, the banks should comply with the hoarding requirements provided for by the rules about reporting bank notes surplus. As of December 31, 2018, no balances have been recorded in this regard.

The securities issued by the BCRA at each year-end are as follows:

	<u>12/31/2018</u>	<u>12/31/2017</u>
Bills and notes issued in local currency		
Liquidity bills	750,948,974	-
LEBAC	-	1,189,959,429
Bills in portfolio available for repurchase agreements	(15,835,020)	(29,627,738)
Total	<u>735,113,954</u>	<u>1,160,331,691</u>

Exhibit IV discloses the LELIQ and LEBAC held at each year-end broken down by type of instrument and maturity term.

4.16 Contra account of Argentine Government contributions to international agencies

As of December 31, 2018, the amount of ARS 118,696,872 represents the contra account of contributions made on behalf of the Argentine Government to international entities of which Argentina is a member. As from September 30, 1992, when the Bank's Charter was amended, the legal form of the BCRA and its relationship with the Argentine Government were modified. The amount as of December 31, 2017, was ARS 53,794,383.

4.17 Due to Other Derivative Financial Instruments

As of December 31, 2018, the balance amounts to ARS 150,579 from the Daily Settlement Margin, which accounts for the amount in pesos payable deriving from the changes in the closing quoted prices of the forward market with respect to positions open as of December 31, 2018. As of December 31, 2017, transactions of this nature did not exist.

4.18 Due to repo transactions

	<u>12/31/2018</u>	<u>12/31/2017</u>
Amounts payable under repurchase agreements	19,170,440	111,649,849
Securities to be delivered under repo transactions	40,804,604	23,869,757
Obligations under currency swap transactions	714,556,807	201,978,606
Total	<u>774,531,851</u>	<u>337,498,212</u>

The amounts payable under repurchase agreements total ARS 19,170,440 as of December 31, 2018 and represent the funds to be reimbursed to the financial institutions upon maturity of the transactions mentioned in Note 4.6 as principal, premiums and assessments in the total amount of ARS 17,155,155, ARS 109,157 and ARS 1,906,128, respectively (as of December 31, 2017, balances of these items totaled ARS 100,175,174, ARS 344,100 and ARS 11,130,575, respectively). They were valued based on prices settled for each transaction, plus the related premiums accrued at each year-end.

Securities to be delivered under repo transactions as of December 31, 2018 totaled ARS 40,804,604 and represented holdings of foreign government securities received under repo transactions, stated at their listed price (ARS 23,869,757 as of December 31, 2017).

Obligations under currency swap transactions as of December 31, 2018 amounted to ARS 714,556,807 (ARS 201,978,606 as of December 31, 2017). The balance represents the BCRA's commitment to reimburse the People's Bank of China the amount in foreign currency arranged under the currency swap (see Note 4.6).

4.19 Due to Multilateral Credit Agreements

This account's balance represents the net liabilities resulting from mutual credit transactions within the framework of the ALADI, which totaled ARS 1,496,563 as of December 31, 2018, while this item totaled ARS 1,257,636 as of December 31, 2017.

4.20 Other liabilities

This account includes the following items:

	<u>12/31/2018</u>	<u>12/31/2017</u>
Revolving funds and other foreign-currency denominated obligations	58,223,974	27,337,307
Contra account to Reserve Tranche Position in IMF	14,078,966	7,158,683
Currency swap deposit	614,072,000	174,720,000
Advances collected from Margin Call on forward transactions	66,543	218,719
Obligations to the Argentine Government	220,188	547,915
Obligations from servicing secured loans	1,122,553	1,264,455
Miscellaneous	12,592,975	5,882,195
Total	<u>700,377,199</u>	<u>217,129,274</u>

“Revolving funds and other foreign-currency denominated obligations” represent the transactions resulting from international agreements executed with multilateral or foreign official organizations, central banks or entities of which only the BCRA can be a borrower on its own behalf or on behalf of the Argentine Treasury as a Financial Agent of Argentina, pursuant to the provisions of Article 17 of the Charter.

The balance of Revolving funds is made up, among others, of the disbursements made by the Inter-American Development Bank (IDB) and the International Bank for Reconstruction and Development (IBRD) to be used in loans, technical cooperation and small projects for the acquisition of goods and services, pursuant to the terms and conditions of the agreements executed with international agencies.

“Other obligations in foreign currency” involve financing from foreign financial institutions and other organizations obtained by the BCRA as part of its monetary policy strategies.

The “Contra account to Reserve Tranche Position” held by the National Government as member of the IMF amounts to ARS 14,078,966 as of December 31, 2018 (ARS 7,158,683 as of December 31, 2017) (see Note 4.1.3.).

The “Currency Swap Deposit” amounts to ARS 614,072,000 as of December 31, 2018 (ARS 174,720,000 as of December 31, 2017) and represents the total peso amount deposited for the benefit of the People’s Bank of China under the Bilateral Currency Swap Agreement entered into between the BCRA and the People’s Bank of China (see Notes 2.3 and 4.6).

The line “Advances collected from Margin Call on Forward Transactions”, with a balance of ARS 66,543 includes the guarantees provided by the counterparties involved. These funds are built up in foreign currency on a daily basis and the BCRA recognizes interest on them. The amount for this item as of December 31, 2017 totals ARS 218.719 (see Note 4.1.5.).

“Obligations to the Argentine Government” include deposits of funds received by international agencies to be applied to National Government's operations, Financial System restructuring, to provinces and urban conglomerates, and under Credit Programs for Micro, Small and Medium-sized Enterprises. The balance as of December 31, 2018 totals ARS 220,188 (ARS 547,915 as of December 31, 2017).

“Obligations from servicing secured loans” includes the funds that will be used to pay the abovementioned loan services, which amounted to ARS 1,122,553 as of December 31, 2018 (ARS 1,264,455 as of December 31, 2017).

The main items included in “Miscellaneous” are described as follows: Obligations to the Argentine Government related to the repayment of credits with BOCON ARS 155,057 (ARS 145,013 as of December 31, 2017); Obligations to the Provincial Governments ARS 970,505 (ARS 566,926 as of December 31, 2017); Withholdings from suppliers and employees and payroll taxes payable ARS 423,668 (ARS 317,527 as of December 31, 2017), Contra account of contributions made to international agencies prior to the amendment to the Charter by Law No. 24144 ARS 6,086,945 (ARS 3,022,756 as of December 31, 2017); unallocated items ARS 916,551 (ARS 815,927 as of December 31, 2017) and provisions in the amount of ARS 928,156 (ARS 650.177 as of December 31, 2017), among others.

4.21 Provisions

The provisions set up at each fiscal year-end, as listed in Exhibit I, involve the following items:

	<u>12/31/2018</u>	<u>12/31/2017</u>
Provision for lawsuits	1,756,717	1,544,694
Provision for labor-related liabilities	2,647,016	2,505,971
Other provisions	872	887
Total	<u>4,404,605</u>	<u>4,051,552</u>

The criterion used by the BCRA to determine the amounts of the provision for lawsuits was as follows:

Lawsuits were classified based on their status and nature (lawsuits related to the reimbursement of deposits, labor lawsuits, etc.). The outcome of these proceedings has been estimated on the basis of the background information concerning settled lawsuits with the same or similar characteristics.

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 that date, the common savings account rate published by the BCRA was used. In the case of lawsuits subsequent to March 31, 1991, and prior to January 1, 2002, the interest rate on deposits under BCRA Communication No. 14290 was used until December 31, 2001 and, as from that date, the common savings account rate published by the BCRA was used, considering Laws No. 25344 and section 58 of Law No. 25725. In the case of lawsuits subsequent to December 31, 2001, and until the end of this reporting period, the interest rate on deposits under BCRA Communication No. 14290 was used for judicial purposes.

In cases where the amounts have been claimed at the local level in U.S. dollars, the peso parity has been determined at one peso per U.S. dollar, applying no interest rate. Therefore, there are no precedents where the BCRA has had to pay in dollars the amounts claimed in that currency.

In addition, lawsuits for damages were brought against the BCRA for unspecified amounts and, as of the date of issuance of these financial statements, it is not likely that an adverse judgment be rendered against the BCRA. Therefore, no provision has been set up.

To the date of issuance of these financial statements, the BCRA was notified about ninety proceedings in relation to transactions under dollar futures contracts expiring in June 2016, with an arrangement date following September 29, 2015 (Communication 657 of Argentina Clearing S.A. and Mercado a Término S.A. (ROFEX)). Such proceedings seek a declaration of nullity of the administrative act, and the related provisions have been set up in accordance with the applicable regulations, where appropriate. As informed by the judicial area, the Bank is not aware of the existence of any other claims requiring the setup of the related provision. In this scenario, the BCRA does not have sufficient grounds to determine any possible impact on the financial statements. From a legal standpoint, the judgments rendered in such proceedings so far have been favorable to the BCRA; however, although the outlook is positive, and until no final judgments have been rendered in the ordinary lawsuits, until now, it cannot be determined whether the financial statements might be affected by the futures transactions.

The provision for labor-related liabilities is mainly made up of an estimate of bonuses to the staff for years of service and benefits for termination of the employment relationship in the amount of ARS 2,647,016 (ARS 2,505,971 as of December 31, 2017).

4.22 Statement of income – Main accounts

Below there is a breakdown of the main income statement accounts:

4.22.1 Interest and adjustment income

On International reserves	12/31/2018	12/31/2017
Time deposits	7,217,257	1,566,657
Certificates of deposit	613,774	364,108
Demand deposits and foreign currency	2,230,193	108,255
Foreign government securities	1,668,449	178,519
Multilateral credit agreements	2,105	441
Total:	11,731,778	2,217,980
On government securities	12/31/2018	12/31/2017
Interest on government securities	43,866,873	23,929,352
CER on government securities	158,114	186,725
Interest on non-transferable bills	15,258,307	2,626,568
Total:	59,283,294	26,742,645
On loans to the financial system	12/31/2018	12/31/2017
Interest earned	65,511	93,188
Total:	65,511	93,188
On other assets	12/31/2018	12/31/2017
Interest and adjustments on secured loans	127,086	80,953
FABP (return and interest)	135,805	79,202
Other interest earned	19,282	22,504
Total:	282,173	182,659

4.22.2 Interest and adjustment expense

On securities issued by the BCRA

	<u>12/31/2018</u>	<u>12/31/2017</u>
Interest on LEBAC and LELIQ	(383,089,045)	(209,576,177)
Interest on "NOCOM"	(85,541)	-
Total:	<u>(383,174,586)</u>	<u>(209,576,177)</u>

On loans borrowed from international agencies

	<u>12/31/2018</u>	<u>12/31/2017</u>
Other obligations	(2,100,049)	(252,682)
Total:	<u>(2,100,049)</u>	<u>(252,682)</u>

On other transactions with the financial system

	<u>12/31/2018</u>	<u>12/31/2017</u>
Net premiums accrued on repo transactions	(4,643,405)	(23,040,339)
Total:	<u>(4,643,405)</u>	<u>(23,040,339)</u>

On other liabilities

	<u>12/31/2018</u>	<u>12/31/2017</u>
Interest	(419,006)	(66,375)
Loss on CER application	(6,393)	(4,652)
Total:	<u>(425,399)</u>	<u>(71,027)</u>

4.22.3 Reversals / (Set-up) of allowances for government securities and loans to the financial system, net

	<u>12/31/2018</u>	<u>12/31/2017</u>
For government securities	8,815	8,815
For receivables from the financial system	82,582	(176,716)
Total:	<u>91,397</u>	<u>(167,901)</u>

4.22.4 Exchange differences, net

	<u>12/31/2018</u>	<u>12/31/2017</u>
For international reserves		
Foreign currency, Time and demand deposits	688,297,859	141,003,606
Gold	46,970,036	11,577,665
Foreign government securities	148,550,264	18,572,979
Certificates of deposit	30,902,897	10,703,205
Derivatives	(26,152,920)	(15,592,088)
Other	6,925,640	1,454,852
For Argentine Government Securities	483,573,025	63,712,888
For international agencies	31,925,616	11,557,716
For entities' deposits in current accounts and Argentine Government deposits	(348,125,359)	(45,809,637)
Other valuation adjustments of assets and liabilities	(273,634,413)	(59,457,626)
Total:	<u>789,232,645</u>	<u>137,723,560</u>

4.22.5 Foreign currency trading differences, net

	<u>12/31/2018</u>	<u>12/31/2017</u>
For the purchase and sale of foreign currency	132,857,443	2,563,888
Total:	<u>132,857,443</u>	<u>2,563,888</u>

4.22.6 Other financial instruments trading differences, net

	<u>12/31/2018</u>	<u>12/31/2017</u>
On transactions with Lebac	1,354,932	14,437
On forward transactions	(28,295,414)	-
On transactions with securities	126,767	48,936
On forward/futures transactions	9,397,129	5,499,125
Total:	<u>(17,416,586)</u>	<u>5,562,498</u>

4.22.7 Miscellaneous charges and fines

	<u>12/31/2018</u>	<u>12/31/2017</u>
Fines	127,319	265,428
Charges	132,490	104,381
Total:	<u>259,809</u>	<u>369,809</u>

4.22.8 Monetary issuance expenses

	<u>12/31/2018</u>	<u>12/31/2017</u>
Bank notes and coins	(2,858,130)	(2,047,344)
Other expenses	<u>(164,197)</u>	<u>(186,648)</u>
Total:	<u>(3,022,327)</u>	<u>(2,233,992)</u>

4.22.9 General expenses

	<u>12/31/2018</u>	<u>12/31/2017</u>
Amortization	(65,110)	(42,167)
Other general expenses	<u>(5,701,329)</u>	<u>(4,332,170)</u>
Total:	<u>(5,766,439)</u>	<u>(4,374,337)</u>

4.22.10 Set-up of other allowances, net

	<u>12/31/2018</u>	<u>12/31/2017</u>
Allowance for gold	2,056	925
Provision for lawsuits	(309,381)	(908,253)
Provision for labor-related liabilities	(141,045)	(463,398)
Other provisions	<u>(217)</u>	<u>976</u>
Total:	<u>(448,587)</u>	<u>(1,369,750)</u>

4.22.11 Other income (expenses), net

	<u>12/31/2018</u>	<u>12/31/2017</u>
Net income/loss on currency swap Communication "A" 6177	-	34,320
Other	<u>605,701</u>	<u>(501,442)</u>
Total:	<u>605,701</u>	<u>(467,122)</u>

NOTE 5 – DEBIT- AND CREDIT-BALANCE MEMORANDUM ACCOUNTS

As of December 31, 2018, the debit- and credit- balance of memorandum accounts amounted to ARS 9,894,635,776 (ARS 5,435,952,390 as of December 31, 2017), which are broken down as follows:

	<u>12/31/2018</u>	<u>12/31/2017</u>
Total stock of bank notes and coins	982,351,775	836,681,756
Stock of bank notes and coins for circulation deposited in the BCRA	122,816,103	49,970,039
Other (bank note paper/coin blanks/ bank notes and coins in process)	298,685,508	218,915,855
Settlement check	736,109	396,303
Certificate of deposit for investment (CEDIN)	2,311,743	1,642,004
Monetary assets in custody	6,013,212,533	3,518,878,968
Non-monetary assets in custody	260,786,724	257,492,523
Securities received as guarantee	16,581,589	10,978,305
Non-negotiable securities – International agencies	1,192,936,781	66,049,377
Commitments agreed with international agencies	878,360,051	441,184,767
Loans classified as irrecoverable	26,186,892	24,151,412
Funds managed on behalf of the Treasury Department	13,413,758	6,658,797
Fines under the criminal foreign exchange system – Section 41, Financial Institutions Law	1,758,920	1,339,454
Contingent rights and obligations		
Imports under ALADI agreement	2,939,758	1,585,429
Other contingent rights from forward transactions		
Rofex market purchases (Foreign currency)	40,767,173	-
Other contingent obligations from forward transactions		
OCT - MAE sales (Foreign currency)	7,932,000	-
Rofex market sales (Foreign currency)	32,833,173	-
Other	25,186	27,401
Total	<u>9,894,635,776</u>	<u>5,435,952,390</u>

The stock of bank notes and coins includes ARS 982,351,775 on account of bank notes and coins issued (ARS 836,681,756 as of December 31, 2017), out of which ARS 859,535,671 represent monetary circulation as of December 31, 2018 (ARS 786,711,717 as of December 31, 2017) and ARS 122,816,103 of bank notes and coins deposited in the Bank fit for circulation (ARS 49,970,039 as of December 31, 2017) (see Note 4.8.1.1).

The line Other (bank note paper – coin blanks - bank notes and coins in process) includes mainly paper stock to print bank notes and coin blanks to strike coins in the amount of ARS 36,877 (ARS 309,990 as of December 31, 2017) and paper and bank notes of old line to be destroyed in the amount of ARS 25,329,996 (ARS 438,355 as of December 31, 2017).

The balance of ARS 736,109 as of December 31, 2018 for settlement checks represents settlement checks issued in Argentine pesos and dollars held by the public and the checks paid and remitted to the BCRA for their final verification and destruction (ARS 396,303 as of December 31, 2017).

Checks and securities in custody include mainly securities, national and foreign currency and other checks deposited in the Bank's Treasury or regional agencies in the exercise of the BCRA's duties or by court order. Assets with a financial value were classified as monetary, while no-monetary assets are those that due to their aging have no settlement power, in the case of currency, or financial value, in the case of government securities. Checks and securities in custody - monetary were valued by applying the foreign exchange rates prevailing at each year-end.

The balance of checks and securities received as guarantee includes the amount of ARS 2,316,013 as securities and other checks deposited in the BCRA or in other institutions related to credit transactions (ARS 3,539,148 as of December 31, 2017) and ARS 14,265,576 as securities deposited as guarantee by local banks in connection with ALADI transactions (ARS 7,343,900 as of December 31, 2017), among others.

The balance of non-negotiable securities - international agencies includes mainly:

- Treasury Bills issued by the BCRA on behalf of the Argentine Government in the amount of ARS 122,378,532 as of December 31, 2018 (ARS 62,225,387 as of December 31, 2017) equivalent to SDR 2,327,322, maintaining the potential commitment to pay the IMF, as mentioned in Note 4.5 (see Note 6).
- Treasury Bills issued by the National Government and deposited in custody in the BCRA, which represent the commitments of the National Government with the IMF in connection with Stand By received. As of December 31, 2018, they amount to ARS 1,062,905,711 equivalent to SDR 20,213,710 (see Notes 2.1 and 6).

The commitments undertaken with international agencies include mainly the principal payable agreed with each agency (IDB, FONPLATA, IBRD, among others). Such principal payable is subject to a payment requirement when necessary to meet obligations held with the agencies.

Loans classified as irrecoverable include loans granted to former financial institutions that are currently subject to liquidation proceedings in the amount of ARS 21,017,467 (ARS 21,198,921 as of December 31, 2017) and loans granted to former institutions whose licenses to operate were revoked and that were proved in legal proceedings in the amount of ARS 5,021,124 (ARS 2,783,760 as of December 31, 2017).

The funds managed on behalf of the Treasury Department include the amount of ARS 12,704,846 (ARS 6,306,777 as of December 31, 2017) associated with collateral securities held by the Treasury Department, which were delivered to be managed by the BCRA, and ARS 708,912 (ARS 352,020 as of December 31, 2017) associated with the Tax Anti-cyclical Fund.

Fines imposed under section 41 of the BCRA's Charter account for ARS 1,758,920 (ARS 1,339,454 as of December 31, 2017).

Contingent obligations from transactions under ALADI agreements records the instruments issued by financial institutions resulting from imports under such agreement. As of December 31, 2018, the balance of these accounts amounts to ARS 2,939,758 (ARS 1,585,429 as of December 31, 2017).

The line Contingent Rights from Forward Transactions includes the notional values (equivalent amounts in pesos) of the agreements for future trading of foreign currency executed through Mercado Abierto

Electrónico (MAE), whereas Contingent Obligations from Forward Transactions includes the notional values of the agreements for future trading of foreign currency executed through MAE and ROFEX, respectively.

NOTE 6 - Summary of position with the IMF

The BCRA acts as a financial agent for the Argentine Government and as a depository before the IMF. Consequently, its balance sheet reflects the financial position of the country with the IMF.

The assets and liabilities related to SDR holdings, contributions, allocated SDR, use of financing, deposits.

Item	Amount in SDR 12/31/2018	Amount in SDR 12/31/2017
Assets:		
Demand deposits (see Note 4.1.3)	3,135,462	1,787,193
Contributions to the IMF (see Note 4.5)	859,978	859,978
IMF Reserve Tranche Position (see Note 4.1.3)	268,027	267,933
Trust Fund for HIPC – IMF Initiative (see Note 4.7)	15,138	15,595
Total assets	4,278,605	2,930,699
Liabilities:		
Total SDR allocated (see Note 4.13)	2,020,040	2,020,040
Use of the Reserve Tranche (see Note 4.14)	529,291	529,291
Account No. 1 (see Note 4.14)	62,941	62,941
Account No. 2 (see Note 4.14)	14	14
SDR accrued charges	3,624	2,415
Total liabilities	2,615,910	2,614,701

In addition, memorandum accounts include the balances at each year-end of Treasury Bills issued by the BCRA on account and behalf of the National Government for the payment of the country's contributions to the agency and the Treasury Bills issued by the National Government to the IMF, which represent the commitments of the National Government with the IMF in connection with Stand By received and are deposited in custody in the BCRA (excluding charges accrued and payable by the National Government in connection with Stand By received).

Memorandum accounts	Amount in SDR 12/31/2018	Amount in SDR 12/31/2017
Treasury Bills – Stand-By 2018 - National Government Commitments (see 2.1 and 5)	20,213,710	-
Treasury Bills issued by the BCRA on behalf of the National Government - Quota - (see 4.5 and 5)	2,327,322	2,327,322
Total	22,541,032	2,327,322

NOTE 7 - RISK MANAGEMENT POLICIES

7.1 Comprehensive risk management framework

In 2018, the BCRA worked on the definition of a comprehensive risk management framework, with a coordination, advisory and control body contributing to the risk management efficiency in line with strategic plans. On February 7, 2019 the Board of Governors issued Resolution No. 18 “Comprehensive Risk Management Framework of the BCRA” to establish the guidelines necessary to implement the plans and procedures required to identify, analyze, assess, deal with, communicate and monitor financial and non-financial risks to which the Bank is exposed.

The BCRA risk policy is aimed at keeping a low and predictable level of risks preserving its reputation and solvency, without disregarding the priority compliance with the duties established by the Charter, as well as the achievement of its purposes.

7.2 International Reserves Management Risk

The administration of international reserves seeks to make prudent and secure investments. As the need for reserves may arise suddenly, its liquidity is also important. Additionally, considering the size of the administered portfolios, their return should not be disregarded. Therefore, the three pillars that define the investment guidelines of all central banks are security, liquidity and return.

To manage the risks inherent in the administration of its international reserves within acceptable levels and parameters, the Board of Governors of the Bank establishes in its investment guidelines the universe of permitted risks, as well as the different risk limits tolerated in each of the investments made.

The risks inherent in the administration of international reserves are monitored on a daily basis, in accordance with the guidelines set by the Board of Governors of the Bank.

During 2018, the Board of Governors issued Resolution No. 115 dated April 15, 2018 by which it implemented a new reference portfolio for investments by selecting the most efficient portfolio considering the returns expected from each asset, exchange term indexes and financing cost in Argentina, liquidity requirements, characteristics of each market and risk tolerance of the BCRA. Moreover, this Resolution updates the list of eligible foreign currency, changes the computation of exposures by making a distinction between banks subject and not subject to bail-in clauses, changes the limits to sovereign risk in line with the counterparty risk and implements a global risk limit. In 2019, the Board of Governors approved Resolution No. 7 dated January 17, 2019 by which it updated the lists of eligible countries, multilateral entities and financial institutions and replaced the sovereign risk structural indicator, limited the sovereign risk by position in central banks, adjusted the credit limit for BIS and introduced a list of futures and other derivatives markets.

7.2.1 Credit risk

Credit risk consists in the possibility of losses resulting from the counterparty defaulting on its obligations.

In this regard, the sovereign risk of the countries listed in the Manual of Policies for Investment of International Reserves is eligible for reserves. For international reserves, exposure is allowed for eligible countries that meet certain minimum requirements regarding international risk rating, structural risk rating and market prices of credit risk (CDS).

Counterparties of the BCRA may be: international agencies, multilateral financial institutions, central banks, central securities depositories and commercial or business banks that comply with requirements relating to country of residence, capital, systemic importance, supervision system and credit quality. In the case of state-owned banks, explicit support by the central or state Government in their country of residence.

To determine the credit quality, credit risk ratings are considered, as well as market prices of credit risk and the structural model selected for countries or banks, as applicable.

The individual limits to exposure in eligible countries and banks depend on the group or level assigned according to the respective credit quality regulations, the reserve level and, in the case of banks, their market capitalization. In addition, global limits are determined for countries or banks classified within a group or level, and for the total bank risk, based on the percentage of International Reserves. In turn, the total bank risk admitted is reduced if the probability of default, on average, of eligible banks exceeds a threshold defined by the Investment Policies.

Furthermore, exposures may not be increased or shall be liquidated in full if the market prices of the credit risk of each country or counterparty overcomes certain barriers.

7.2.2 Market risk

Market risk arises due to market price fluctuations of financial instruments traded: interest rates and exchange rates. With regard to this type of risk, the investment guidelines establish that the duration of the investment portfolio and each of the tranches must always be positive (higher than zero) and the Conditional Value at Risk (CVaR) of the investment portfolio must not exceed 200 base points in 1 year and 95% reliable, while in the case of exposures in currencies other than the United States dollar reduced deviations are admitted with respect to BCRA's direct liabilities in the same currency.

7.2.3 Liquidity risk

Investment guidelines related to the liquidity risk establish that the instruments in which reserves are invested must be sufficiently liquid to be sold within three business days, without deriving in any impact on market values as a consequence of the settlement. As it relates to time deposits, they are deemed to be sufficiently liquid within the terms established for each instrument and subject to the evaluation of the early payment or repurchase capacity by the issuer.

Furthermore, Reserves in Foreign Currency consist of three portfolios: A liquidity portfolio aimed at satisfying operating needs, an Investment Portfolio to improve the risk-adjusted return and the diversification of international reserves, and a hedge portfolio for the hedging of BCRA liabilities in foreign currency, agreements and other financial positions.

7.3 Operating risk

The operating risk arises from incurring in losses due to process, staff or internal system failures, or events outside the BCRA.

In order to control it, foreseeable high-risk events are identified, as well as existing controls related to each process for mitigation purposes, associated with each process, for which mitigation plans and/or actions defined by the three areas involved are followed up and monitored.

Within that framework, the BCRA has strengthened and adapted its functional structure through specific organizational units to analyze the probability of occurrence of a threat due to the existence of one or more vulnerabilities with resulting adverse impact for the Bank.

As from this fiscal year, quantitative aspects were added to risk management, through the quantification of risk events and the estimate of the Bank's Operating Values at Risk (VaR), generating a Risk Matrix adjusted by actual events.

7.4 Asset concentration risk

With respect to the risks to which the BCRA could be exposed due to the lack of asset portfolio diversification or a significant exposure to the risk of noncompliance by a security issuer or group of related issuers, by virtue of BCRA Charter and Convertibility Law, sections 17 and 20 of the Charter regulate the management of loans and borrowings related to the Argentine financial system and the National Government, respectively.

NOTE 8 CONVERGENCE TO IFRS AND MAIN RECONCILIATION DIFFERENCES OF ASSETS, LIABILITIES, EQUITY AND INCOME/LOSS DUE TO APPLICATION OF IFRS

According to Note 2.4, the BCRA started a process for convergence to IFRS, after approving the following schedule:

- 1) December 31, 2018 and December 31, 2019: Note to the financial statements stating that the plan for convergence towards IFRS has started and describing the main difference between book balances as per current standards and balances as per IFRS.
- 2) January 1, 2020 – December 31, 2020 (Date of Transition): Opening statement of financial position.
- 3) December 31, 2021: Issuance of the first financial statements under IFRS.

The main differences identified by the BCRA in Assets, Liabilities, Income/Loss and Equity are detailed below regarding the amounts resulting from the application of IFRS in the preparation of the financial statements, except for the application of: a) IAS 29 “Financial Reporting in Hyperinflationary Economies” based on the statements made in Note 3.4 and b) 5.5 (impairment) of the IFRS 9 “Financial Instruments”, pursuant to the provisions established by the BCRA for institutions subject to its controlling authority.

At present, the BCRA is developing systems to adjust to the defined IFRS adoption criteria. Therefore, the items and figures of this Note are subject to changes and shall only be final when the annual financial statements for the year 2021 are prepared, which will apply IFRS for the first time.

Account	Ref.	Balance as of 12/31/2018	Adjustments	Adjusted balance as of 12/31/2018
Assets	(a)	5,511,377,316	(84,617,763)	5,426,759,553
Liabilities	(b)	4,926,924,970	(23,282)	4,926,901,688
Equity	(c)	584,452,346	(84,594,481)	499,857,865
Liabilities and Equity		5,511,377,316	(84,617,763)	5,426,759,553

- (a) Temporary Advances to Argentine Government: stated at amortized cost. For the purposes of initial valuation, the fair value of each financial assistance was calculated upon granting. To calculate the present value, the discount rate was obtained from a linear interpolation of the returns on LEBAC, Government Bonds and Treasury Bills in pesos with an average life similar to that of advances.

- (b) LELIQ were classified as financial liabilities at amortized cost. The adjustment as of December 31, 2018 in relation to the change in the valuation methodology amounts to ARS 23,282.
- (c) Income in the amount of ARS 576,910,274 has been obtained this year as per the related statement. The income from adjustments amounts to ARS 492,315,793

Monetary assets and liabilities referred to by (a) and (b) of this Note have been stated by considering the provisions of items 4.1 and 4.2 of IFRS 9.

NOTE 9 – SUBSEQUENT EVENTS

9.1. Maturity and repayment of principal on 1990 National Treasury Consolidated Bond

As provided for by Resolution No. 334/02 of the former Ministry of Economy, whereby the restructuring of the obligations arising from the amortization of the 1990 National Treasury Consolidated Bond was established, the tenth installment equivalent to 1% of the nominal value of the security was settled on January 2, 2019.

9.2 Bill for the amendment to the BCRA Charter

In March 2019, the National Executive Branch submitted to the National Congress a bill to amend the current BCRA Charter. The bill focuses mainly on strengthening the independence of the Bank, indicating the price stability endeavor as the primary and core mission of the BCRA. In addition, the bill considers limiting financing to the national government, improving the decision-making system and enhancing transparency.

9.3. Fourth disbursement from the IMF

After the third review of the Stand-By Arrangement (see Note 2.1), in April 2019 a fourth disbursement was received in the amount of USD 10,830,000 (equivalent to SDR 7,800,000).

9.4 Notice on employers' contributions

On May 3, 2019, the Tax Authorities (AFIP) informed the Bank of a difference in the amount of the employers' contributions arising from a discrepancy in the regulatory framework used by the Bank upon calculating the related contributions, which shall be contested on the grounds that the BCRA is subject to the provisions of section 1 of Law 22016 and the related presidential decrees and supplementary rules.

Based on the preliminary stage of these proceedings and the disclosures above, the Bank understands that, in line with the opinion of its legal advisors, no allowance shall be set up in this regard.

9.5 Prevailing exchange rate

The prevailing USD exchange rate as of May 22, 2019 amounted to ARS 44.7150.

No other events or transactions have occurred from year-end to the date of issuance of these financial statements that would have a material effect on the financial position of the BCRA or the results of its operations as of December 31, 2018.

EXHIBIT I

CHANGES IN ALLOWANCES/ PROVISIONS AS OF DECEMBER 31, 2018
- In thousands of Argentine Pesos-

Items	Balances at beginning of year	Increases	Decreases		Balances at year-end
			Reversals	Uses	
DEDUCTED FROM ASSETS					
Allowance for gold in bars	33,068	48,757	15,227	-	66,598
Allowance for impairment of government securities	802,130	-	8,815	-	793,315
Allowance for loans to the Argentine financial system	850,801	304,616	387,198	328,356	439,863
Other allowances	118,888	5,763	3,372	9,944	111,335
TOTAL ALLOWANCES DEDUCTED FROM ASSETS	1,804,887	359,136	414,612	338,300	1,411,111
INCLUDED IN LIABILITIES					
Provision for lawsuits	1,544,694	314,371	4,990	97,358	1,756,717
Provision for labor -related liabilities	2,505,971	141,045	-	-	2,647,016
Other provisions	887	-	4	11	872
LIABILITIES	4,051,552	455,416	4,994	97,369	4,404,605

NOTE: Increases and decreases in allowances/provisions are presented under "Reversals (Set-up) of allowances for Government Securities and loans to the financial system- net" and "Set-up of other allowances- net".

Silvana A. Lepera
ACCOUNTING MANAGER

Gerardo Graziano
GENERAL ACCOUNTING
SENIOR MANAGER

Marina Ongaro
ADMINISTRATION AND
CENTRAL SERVICES DEPUTY
GENERAL MANAGER

Nicolás Gadano
GENERAL MANAGER

Guido M. Sandleris
GOVERNOR

Juan Carlos Isi
COMPTROLLER

Signed for identification purposes with the report dated 05/03/2019

COMPARATIVE TABLE OF MAIN ACCOUNTS IN FOREIGN CURRENCY
AS OF DECEMBER 31, 2018 AND 2017
- In thousands of Argentine pesos -

	12/31/2018		12/31/2017	
	Balances in US dollars	Balances in Argentine pesos	Balances in US dollars	Balances in Argentine pesos
ASSETS	113,662,152	4,297,372,764	119,650,295	2,246,338,545
INTERNATIONAL RESERVES				
Gold (Net of allowances)	2,255,624	85,281,323	2,298,818	43,158,465
Foreign currency	43,861,319	1,658,321,909	32,988,342	619,329,734
Deposits to be realized in foreign currency	20,109,982	760,324,246	20,045,957	376,346,797
Multilateral credit agreements	39	1,491	16	298
LESS:				
Derivatives over International Reserves	440,635	16,659,675	277,817	5,215,795
GOVERNMENT SECURITIES				
Securities issued under foreign legislation	86,368	3,265,419	48,599	912,412
Securities issued under Argentine legislation	42,246,810	1,597,280,062	59,074,668	1,109,079,623
CONTRIBUTIONS TO INTERNATIONAL AGENCIES ON BEHALF OF ARGENTINE GOVERNMENT	4,454,490	168,416,696	4,196,431	78,784,631
RIGHTS DERIVING FROM REPO TRANSACTIONS				
Rights deriving from reverse repurchase agreements	1,088,155	41,141,293	1,275,281	23,942,380
LIABILITIES	55,386,194	2,094,057,837	31,804,720	597,108,192
INSTRUMENTS OF PAYMENT IN OTHER CURRENCY	61,150	2,311,967	87,652	1,645,603
CURRENT ACCOUNTS IN OTHER CURRENCY	14,151,146	535,030,787	12,817,794	240,643,832
DEPOSITS FROM ARGENTINE GOVERNMENT AND OTHER				
Deposits for the strengthening of BCRA International Reserves	7,340,214	277,521,006	-	-
Other deposits	6,451,273	243,911,664	1,949,175	36,594,202
OTHER DEPOSITS	826	31,208	9,416	176,780
SPECIAL DRAWING RIGHTS				
Special Drawing Rights	2,809,451	106,220,581	2,876,800	54,009,610
SDR contra account	(2,366,666)	(89,479,602)	(2,423,399)	(45,497,382)
OBLIGATIONS WITH INTERNATIONAL AGENCIES				
Obligations	3,428,479	129,624,958	947,472	17,788,037
Contra account to utilization of reserve tranche	(736,133)	(27,831,937)	(753,780)	(14,151,608)
SECURITIES ISSUED BY THE BCRA				
Bills and notes issued in foreign currency	-	-	-	-
CONTRA ACCOUNT TO ARGENTINE GOVERNMENT CONTRIBUTIONS TO INTERNATIONAL AGENCIES	3,139,440	118,696,872	2,865,336	53,794,383
DUE FROM REPO TRANSACTIONS				
Obligations from repurchase agreements under Communication "A" 4508	-	-	-	-
Securities to be delivered under reverse repurchase agreements	1,079,250	40,804,604	1,271,413	23,869,757
Obligations from currency swap transactions with China	18,899,469	714,556,807	10,758,307	201,978,606
DUE TO MULTILATERAL CREDIT AGREEMENTS	39,583	1,496,563	66,987	1,257,636
OTHER LIABILITIES				
Other obligations in foreign currency				
Other obligations	-	-	-	-
Other financial intermediation agents	1,088,712	41,162,359	1,331,547	24,998,736

NOTE: The accounts included herein represent the most significant balances in foreign currency.

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COMPARATIVE TABLE OF GOVERNMENT SECURITIES
AS OF DECEMBER 31, 2018 AND 2017
- In thousands of Argentine pesos -

GOVERNMENT SECURITIES	Currency (**)	12/31/2018		12/31/2017	
		Original Nominal Value	Argentine Pesos	Original Nominal Value	Argentine Pesos
TOTAL GOVERNMENT SECURITIES:			1,657,736,480		1,161,771,119
BCRA HOLDINGS			1,658,529,795		1,162,573,249
ISSUED UNDER FOREIGN LEGISLATION			3,265,419		912,412
Discount Bonds 2033 (*)	USD	43,904	1,962,272	23,250	733,537
Argentina's International Bond maturing in 2021	USD	9,000	319,320	9,000	178,875
Argentina's International Bond maturing in 2028	USD	35,000	983,827	-	-
ISSUED UNDER ARGENTINE LEGISLATION			1,655,264,376		1,161,660,837
1990 NATIONAL TREASURY CONSOLIDATED BOND	\$	4,734,790	4,655,458	4,734,790	4,664,272
NON-TRANSFERABLE TREASURY BILLS			1,137,030,537		770,789,442
Non-transferable bill maturing in 2021 - Decree 2054/10	USD	7,504,000	231,263,938	7,504,000	129,691,317
Non-transferable bill maturing in 2021 - Decree 276/11	USD	2,121,386	63,528,779	2,121,386	36,383,765
Non-transferable bill maturing in 2022 - Res. 131/12	USD	5,674,000	145,675,938	5,674,000	93,471,226
Non-transferable bill maturing in 2022 - Res. 171/12	USD	2,083,648	52,062,409	2,083,648	34,058,226
Non-transferable bill maturing in 2023 - Decree 309/13	USD	2,292,297	51,254,236	2,292,297	36,089,149
Non-transferable bill maturing in 2023 - Res. 8/13	USD	7,132,655	168,828,054	7,132,655	114,641,318
Non-transferable bill maturing in 2024 - Res. 30/14	USD	7,896,765	165,751,871	7,896,765	122,068,712
Non-transferable bill maturing in 2024 - Res. 190/14	USD	3,043,000	60,054,141	3,043,000	45,893,434
Non-transferable bill maturing in 2025 - Res. 406/15	USD	10,562,540	192,278,646	10,562,540	153,284,080
Non-transferable bill maturing in 2026 - Res. MH y FP 262/16	USD	376,300	6,332,525	376,300	5,208,175
OTHER SECURITIES			517,431,707		390,060,449
BOGAR 2018	\$	-	-	852,895	155,653
BONAR 2018	USD	-	-	169,984	3,430,282
BONAR 2019	\$	1,608,234	1,680,604	1,608,234	1,656,481
BONAR 2020	USD	283,000	10,541,750	283,000	5,928,850
BONAR 2022 (*)	USD	4,497,753	149,342,984	4,497,753	99,659,993
BONAR 2025 (*)	USD	4,510,463	136,809,848	4,510,463	102,105,006
BONAR 2027 (*)	USD	4,690,500	135,061,311	4,690,500	105,326,885
Discount Bonds 2033 (*)	USD	679,220	27,817,154	679,220	20,981,106
Discount Bonds 2033 (*)	\$	6,228,791	55,173,143	6,228,791	49,395,547
Discount Bonds 2033 - 2010 (*)	\$	5,846	46,810	5,846	43,773
Par Bonds 2038	\$	22,093	73,350	22,093	83,956
Quasi Par Bonds 2045 (*)	\$	40,351	203,410	40,351	229,999
GDP-linked marketable securities	USD	445,051	676,478	445,051	858,059
GDP-linked marketable securities	\$	1,861,192	38,154	1,861,192	204,731
Bonds Province of Formosa series 4	\$	128	128	128	128
PORTFOLIO OF GOVERNMENT SECURITIES TO BE DELIVERED UNDER REPO AGREEMENTS			(33,417)		-
Discount Bonds 2033	\$	(3,909)	(33,417)	-	-
LESS:					
ADJUSTMENT ACCRUAL ON 1990 NATIONAL TREASURY	\$		3,853,326		3,853,326
ALLOWANCE FOR IMPAIRMENT OF GOVERNMENTS SECURITIES			(793,315)		(802,130)
1990 National Treasury Consolidated Bond	\$		(793,315)		(802,130)

(*) The column Pesos as of 12/31/18 includes interest accrued to be collected

(**) USD : US Dollars; \$: Argentine Pesos

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GENERAL MANAGER

Nicolás Gadano
GENERAL MANAGER

Guido M. Sandleris
GOVERNOR

Juan Carlos Isi
COMPTROLLER

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Securities issued by the BCRA (LEBAC/NOBAC/LIQUIDITY BILLS)
In thousands of Argentine pesos

SECURITIES ISSUED BY THE BCRA	Total as of 12/31/2018	Maturities						Total as of 12/31/2017
		Less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 9 months	From 9 to 12 months	Over 12 months	
TOTAL:	735,113,954							1,160,331,691
ISSUED IN LOCAL CURRENCY	735,113,954	735,113,954	-	-	-	-	-	1,160,331,691
LEBAC	-	-	-	-	-	-	-	1,048,361,275
Principal	-	-	-	-	-	-	-	1,111,789,635
Interest to be accrued	-	-	-	-	-	-	-	(63,428,360)
LIQUIDITY BILLS	716,086,090	716,086,090	-	-	-	-	-	-
Principal	722,448,989	722,448,989	-	-	-	-	-	-
Interest to be accrued	(6,362,899)	(6,362,899)	-	-	-	-	-	-
LELIQ/LEBAC - ISSUANCE FOR REPURCHASE AGREEMENTS	19,027,864	19,027,864	-	-	-	-	-	111,970,416
Issued in Argentine pesos for repurchase agreements	34,862,884	34,862,884	-	-	-	-	-	141,598,154
To be delivered under repurchase agreements	(15,835,020)	(15,835,020)	-	-	-	-	-	(29,627,738)

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MONETARY BASE VARIATION FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018 COMPARATIVELY PRESENTED WITH THE PRIOR FISCAL YEAR - In thousands of Argentine Pesos -	12/31/2018	12/31/2017
I) Monetary Base Variation provided by operating activities		
1. Increases	972,289,114	240,435,075
- Temporary Advances to Argentine Government (Article 20, Charter)	30,500,000	90,000,000
- Distribution of earnings to the Argentine Government related to fiscal years 2017/2016	-	60,000,000
- Premiums paid for repurchase agreements with Argentine financial institutions	4,579,596	15,176,299
- Administrative expenses	5,940,904	4,770,136
- Monetary issuance expenses	2,869,366	2,114,384
- IDB/IBRD loans to provinces, financial program for micro, small and medium-sized companies, and revolving funds	2,888,066	1,638,887
- Contributions to General Revenue (Rentas Generales) pursuant to Budget Law. No. 27198/27008	516,000	850,000
- Net sales of foreign currency to the National Treasury (*)	17,124,187	271,696,358
- Other government deposits	66,253,161	(2,734,995)
- Foreign currency futures trading differences	28,295,414	-
- Settlements / (Placements) of securities issued by the BCRA to financial institutions	748,863,834	(180,284,751)
- Settlements / (Placements) of repurchase agreements with Argentine financial institutions	64,458,586	(22,791,243)
2. Decreases	(564,424,670)	(60,986,511)
- Transfers from financial institutions to other deposits	(38,996,223)	(33,512,522)
- Net sales of foreign currency (**)	(410,752,953)	(5,446,175)
- Sales on behalf of the National Government	(93,260,385)	-
- Multilateral Credit Agreements (Net)	(18,999,467)	(12,165,464)
- Net outflow of funds from transactions with Argentine Government Securities	(134,185)	(8,389,036)
- Settlements of loans to Argentine financial institutions	(1,188,498)	(1,234,185)
- Other items	(1,092,959)	(239,129)
Monetary base variation provided by all activities (I)	407,864,444	179,448,563
Monetary base at beginning of year	1,001,112,808	821,664,246
Monetary base at year-end	1,408,977,251	1,001,112,808

(*) It does not include sales of foreign currency with contra account in Deposits from Argentine Government.

(**) It includes Net Sales of Foreign Currency presented in the Statement of Cash Flows and Cash Equivalents .

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