

AUDITORS' REPORT

To the President and Directors of
BANCO CENTRAL DE LA REPUBLICA ARGENTINA
Reconquista 266
Buenos Aires

In exercising the power granted to it by section 118 sub-section f) of Law No.24156, the AUDITORIA GENERAL DE LA NACION has examined the financial statements of BANCO CENTRAL DE LA REPUBLIC ARGENTINA (B.C.R.A.) for the year ended December 31, 2004 detailed in section 1 below. These financial statements constitute information prepared and issued by the Management of the Institution in exercising the functions exclusive to it.

Our responsibility is to express an opinion on those financial statements based on our audit performed with the scope mentioned in section 2.

1. FINANCIAL STATEMENTS AUDITED

- 1.1 Balance Sheet at December 31, 2004
- 1.2 Statement of Income the year ended December 31, 2004
- 1.3 Statement of Changes in Stockholders Equity for the year ended December 31, 2004
- 1.4 Notes 1 to 5 and Exhibits I to V that form an integral part of these financial statements.

Disclosed in a second column are the Financial Statements for the year ended December 31, 2003, as indicated in Note 3.1 to the financial statements, on which we issued our Audit Report on April 29, 2004, to which we refer, which includes a qualification regarding the significance of the uncertainty on the final impact derived from the economic and financial crisis that affected the country as from 2001, in particular in relation to the recoverability of government securities and loans to the public and private sectors, and discrepancies in the application of accounting standards in relation to the valuation of loans and government securities.

2. SCOPE OF THE AUDIT

Our examination was performed in accordance with auditing standards approved by the Auditoria General de la Nacion by Resolution No.156/93, issued by virtue of the power granted by section 199, sub-section d) of Law No.24156. Those standards are compatible with those issued by the ARGENTINE FEDERATION OF PROFESSIONAL COUNCILS IN ECONOMIC SCIENCES. Such standards require that the auditor plan and prepare his work to obtain reasonable assurance about whether the financial statements are free of material misstatement or significant error.

An audit implies examining on a selective basis evidence supporting the disclosures in the Financial Statements, and is not aimed at detecting fraud or intentional misconduct. In addition, it includes the analysis of the application of professional accounting standards and

significant estimates made by Management, and the presentation of the financial statements taken as a whole. We believe our audit provides a reasonable basis for our opinion.

3. CONSIDERATIONS PRIOR TO OPINION

3.1 As explained in Note 1 to the financial statements mentioned in 1., the B.C.R.A. is an autarchic body of the National State governed by the terms of its Charter, with the preservation of the value of the currency as its primary mission, its duty being to supervise the proper functioning of the financial market and enforcement of the Financial Institutions Act and other regulations, acting as the financial agent of the State and as depository and agent of the country before international monetary, banking and financial institutions, holding and administrating the nation's reserves of gold and other foreign currency assets, and encouraging the development and strengthening of capital markets.

As stipulated in its Charter, the financial statements of the Bank are prepared applying the general valuation and exposure criteria established by professional accounting standards and the regulations established for institutions in the Argentine financial system, taking into account the special characteristics of the operations and functions of a central bank. The basis for presentation and the general criteria for valuation and disclosure of results are detailed in Note 3 to the financial statements mentioned in 1., and these statements could differ in significant areas from financial statements prepared in accordance with standards and practices issued by other control authorities and in force in other jurisdictions where they might be used.

3.2 During 2004 the Argentine economy continued to record improvement in its main economic variables, following the crisis affecting liquidity, solvency and profitability in the financial system as a whole since 2001. Notes 2 and 5 to the financial statements disclose the performance of some of the situations arising from the economic context that directly concern the operations of the institution.

Notwithstanding the foregoing, certain aspects related to the working of the economy still remain to be defined and/or introduced, particularly as regards the Financial Sector and the Public Sector, and these could affect the evaluations and estimates contained in the financial statements mentioned in 1. above, especially in relation to the conditions under which the State must meet the commitments it has assumed, and the valuation of financial sector receivables. The main balances disclosed in the financial statements for which estimates of recoverability are affected by the mentioned uncertainty are as follows:

a) Holdings of public sector debt securities entering the portfolio of the B.C.R.A. under the terms of the Monetary Unification Program as detailed in Note 4.4.1.3.2.a) to the financial statements, for a total of 6,009,970 thousand pesos, and National Government Secured Loans for a total of 747,942 thousand pesos as detailed in Note 4.9 to the financial statements, for which there has been no significant volume of trading on the market.

b) Loans to the Argentine financial system for 20,697,526 thousand pesos, net of uncollectibility allowance, including liquidity assistance and rediscounts granted to financial institutions during the mentioned crisis and the program for their repayment of such assistance established by Decree 739/03, as described in Note 4.6 to the financial statements. These loans are secured mainly by securities and loans issued by the National State.

c) Government securities subject to the debt restructuring process described in Note 5.2 to the financial statements, with a closing date balance of 797,035 thousand pesos (see Notes 4.4.1.2 and 4.4.1.3.2.c).

Therefore, when reading the financial statements of the Institution, it should be taken into account that they may not include all the adjustments and reclassifications that might be required once the above-mentioned matters have been resolved.

4.- OPINION

In our opinion, based on our examination, and subject to the effect on the financial statements of adjustments and reclassifications, if any, that might arise from the resolution of the uncertainties described in 3.2 above, the financial statements mentioned in section 1 above, taken as a whole, present fairly, in all material respects, the information on the financial position at December 31, 2004 of BANCO CENTRAL DE LA REPUBLICA ARGENTINA, the results of its operations, and the changes in its net equity for the year then ended, in conformity with professional accounting standards as described in 3.1.

5.- SPECIAL INFORMATION REQUIRED BY CURRENT REGULATIONS

In conformity with current regulations, we report that:

5.1. The financial statements mentioned in paragraph 1 arise from accounting records that, due to the legal capacity of the Institution, have not been registered with the Public Registry of Commerce.

5.2 At December 31, 2004, the debt accrued in favor of the National Social Security Administration according to the mentioned accounting records amounted to 3,216,228, none of which was claimable at that date.

BUENOS AIRES, April 28, 2005