

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007
PRESENTED COMPARATIVELY WITH THE PRIOR FISCAL YEAR
(In thousands)**

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

The BCRA (Central Bank of Argentina) is a self-regulating entity of the Argentine Government that is subject to the provisions of its Charter (section 1, Law No. 24,144).

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

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

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

NOTE 2 - SIGNIFICANT EVENTS FOR FISCALS 2007 AND 2006

For a better reading of the financial statements, the following paragraphs will describe the most significant economic measures applied during such fiscal years and through the date of issuance of these financial statements.

2.1. Settlement of payable to the International Monetary Fund (IMF)

On January 3, 2006, the BCRA settled the payable to the IMF in full by virtue of Law No. 26,076 and Resolution No. 49/05 of the Ministry of Economy and Production, and Resolution No. 431/05 of the BCRA's Board of Governors.

Section 2 of Resolution No. 49 instructed the Treasury Department and the Finance Department of such ministry to swap the Argentine Government's liabilities that represented BCRA's assets as a result of the indebtedness assumed with the IMF by issuing a bill in US dollars.

Such financial instrument, which became part of the BCRA's equity for an amount that agrees with the value of the payable settled, was booked in "Non-transferable bill due in 2016" under the "Government securities" assets account (see note 4(4)1(2)2).

2.2. Presidential Decree No. 1,599/05 (ratified by Law No. 26,076)

Through the enactment of Presidential Decree No. 1,599/05 of December 15, 2005, the Executive Branch amended sections 4, 5 and 6, Law No. 23,928, whereby the reserves exceeding the 100% support of the monetary base will be deemed "freely available" and they may be used to pay the obligations assumed with international financial institutions provided that it implied a nil monetary effect. As of December 31, 2007, and 2006, the surplus in "International reserves" with respect to the monetary base amounted to ARS 46,190,721 and ARS 18,300,351, respectively.

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

Presidential Decree No. 739/03 of March 28, 2003, as supplemented by No. 1,262/03 of May 26, 2003, established regulations related to the settlement of the aid for illiquidity granted to financial institutions during 2001 and 2002.

During fiscal 2006, the financial system trend of accelerating the decrease in payables to the BCRA remained unchanged. This process continued during fiscal 2007. Those settlements allowed that as of December 31,

2007, the number of debtor institutions decrease to only 1 of the 2 that carried payables of the nature referred to above as of December 31, 2006.

NOTE 3 - ACCOUNTING STANDARDS APPLIED

3.1 Significant accounting policies

The financial statements have been prepared in accordance with the general application principles of the professional accounting standards and the general valuation methods established for Argentine financial institutions considering the special characteristics of a central bank.

In August 2005, the CPCECABA (Professional Council in Economic Sciences of the City of Buenos Aires) approved Resolution CD No. 93/2005, whereby it introduced a series of changes in its professional accounting standards, as a result of the agreement entered into with the FACPCE (Argentine Federation of Professional Councils in Economic Sciences) to unify Argentine professional accounting standards. Such changes involve the adoption of the technical resolutions and interpretations issued by the FACPCE's governing board through April 1, 2005. Such resolution is generally effective in the City of Buenos Aires for fiscal years beginning as from January 1, 2006, and establishes transition standards that defer the mandatory effective term of certain changes to the years beginning January 1, 2008.

3.2 Comparative information

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

For a clearer disclosure of statement of income components for fiscal 2007 and to break down those items comprising income (losses) of different kinds, a new scheme for such statement was designed, which was prepared based on the classification of income and expense items, according to their description, which, in turn, may be identified with the respective assets or liabilities that originated them. Accordingly, the figures for fiscal 2006 were disclosed again for comparative purposes.

The specific characteristics of the BCRA and the duties and functions assigned by the Charter, particularly those related to the power to issue notes and coins, plus the specificity of the transactions that it performs, cannot be assimilated to the transactions of financial institutions regarding the preparation of the statement of cash flows. Exhibit IV includes the statement of cash flows and explains the variations in the net amount of indicators defined as funds occurred during fiscal 2007 and 2006 comparatively, including the following items: International reserves, Monetary liabilities (Monetary base and Current accounts in other currencies) and Argentine Government deposits and Other.

3.3 Consideration of inflation effects

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

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

3.4 General valuation and disclosure methods

3.4.1 Assets and liabilities in foreign currency

Receivables and payables in foreign currency were valued based on the method used for all financial institutions. In this regard, the US benchmark exchange rate published by the BCRA was used as of the closing of business on December 31, 2007, and 2006. Inventories in other currencies, except for gold, which follows the valuation guidelines mentioned in note 4(1), were valued at the selling exchange rate published by Banco de la Nación Argentina, New York branch, at the closing of transactions as of such dates. The table below shows the exchange rates of different currencies with respect to the Argentine peso:

	<u>12/31/2007</u>	<u>12/31/2006</u>
US dollars	3,15100000	3,06950000
Gold	2.627,14625000	1.945,75605000
Special drawing rights (SDRs)	4,97379000	4,61775600
Euros	4,59163700	4,04590800
Yen	0,02820400	0,02577679
Pound sterling	6,24465200	6,00977400
Canadian dollar	3,17929600	2,63725599
Swiss franc	2,77719000	2,51495139

3.4.2 Method to recognize income and expenses

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

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

4.1 Gold

	<u>12/31/2007</u>	<u>12/31/2006</u>
Gold in bars	4.626.292	3.426.393
Options	0	24.621
Allowance for gold in bars (Exhibit I)	(5.549)	(5.405)
Total	<u>4.620.743</u>	<u>3.445.609</u>

Gold physical inventories, equal to 1,761 troy ounce, were valued as of year-end at USD 833.75 (USD 633.90 as of December 31, 2006) 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(4)1.

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.

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

4.2 Foreign currency

	<u>12/31/2007</u>	<u>12/31/2006</u>
Treasury holdings	1.284.871	4.656.094
Overnight and checking accounts in foreign correspondent banks	7.358.492	2.393.836
Total	<u>8.643.363</u>	<u>7.049.930</u>

Treasury holdings were valued as established in note 3(4)1. The overnight and checking accounts in foreign correspondent banks were valued through the same method plus the related earned interest.

4.3 Investments realizable in foreign currency

Including the following investments made abroad:

	<u>12/31/2007</u>	<u>12/31/2006</u>
Certificates of deposit in foreign currency	54.774.224	37.176.591
Foreign government securities	61.450.265	46.492.455
Demand deposits	15.447.286	3.864.370
Repurchase agreements	459.731	312.866
IMF reserve tranche position	<u>972</u>	<u>902</u>
Total	<u>132.132.478</u>	<u>87.847.184</u>

Demand deposits and certificates of deposits and repurchase agreements were stated at face value, plus interest accrued until each year-end, converted into Argentine pesos according to the method established in note 3(4)1.

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

4.4 Government securities

4.4.1 BCRA's own portfolio

It includes the BCRA's government securities portfolio detailed in Exhibit III, which, as of December 12, 2007, amounted to ARS 36,360,698 (ARS 36,722,593 as of December 31, 2006).

4.4.1.1 Securities issued under foreign legislation

They include securities issued by the Argentine Government and subject to the jurisdiction of foreign courts, which are valued at listed price. As of December 31, 2007, the amount totaled ARS 21,546 (ARS 35,785 as of December 31, 2006) and includes GDP-related negotiable securities issued in US dollars and maturing on December 15, 2035, amounting to a residual nominal value of 59,029 (residual nominal value of 87,279 as of December 31, 2006). (See Exhibit III).

4.4.1.2 Securities issued under Argentine legislation

They include securities subject to Argentine legislation, which amounted to ARS 36,339,153 as of year-end (ARS 36,686,808 as of December 31, 2006).

4.4.1.2.1 1990 Argentine Treasury Consolidated Bond

This bond was issued on January 2, 1990, and is related to the consolidation of obligations assumed by the Argentine Government due to the funds provided by the BCRA by virtue of Presidential Decree No. 335/91. Such bond is stated in Argentine currency for a 99-year term, it does not accrue interest and principal is adjusted through the 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, Convertibility Law (the currency board that pegged the Argentine peso at parity with 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 new adjustments for such items after that opportunity.

The original issuance amounts to ARS 881,464 while the amount adjusted pursuant to issuance conditions is ARS 4,734,790. Considering that section 6, Law No. 25,565, authorized the Ministry of Economy to restructure the government debt, Resolution No. 334/02 of such ministry established that it will be amortized in 80 annual installments, the first one maturing on January 2, 2010. Taking into account the specific financial characteristics of this bond, especially its term, grace period and that it does not accrue interest, the amount adjusted in accordance with the issuance terms and conditions, net of its offset account, was fully booked as an allowance considering the present value thereof and applying a rate that shows the assessment of the time value of money and the specific risks of assets.

4.4.1.2.2 Non-transferable bill maturing in 2016

Through Resolution No. 3 issued by the Board of Governors on January 5, 2006, the inclusion of the Non-transferable bill in BCRA's equity was accepted, in exchange for the Argentine Government's obligations with the BCRA as a result of the payable to the International Monetary Fund.

The bill was booked at its nominal value. Such valuation was based on the BCRA's financial capacity and its decision to maintain it until the due date. The payment made to that institution amounted to USD 9,530,111, which agrees with the bill nominal value.

The characteristics of the issuance are as follows: issuance in US dollars, ten-year term, full amortization as of due date and interest accrual at an annual rate equivalent to that accrued by BCRA's international reserves for the same period and up to a cap LIBOR less a percentage point, payable twice a year.

As of December 31, 2007, the amount converted into pesos according to the method of cost valuation plus accrued interest amounted to ARS 30,680,424 (ARS 29,818,917 as of December 31, 2006). As of the date of issuance of these financial statements, all the financial services were collected, as scheduled.

4.4.1.2.3 Other securities issued under Argentine legislation

As of December 31, 2007, the item amounted to ARS 4,777,265 (ARS 5,986,427 as of December 31, 2006).

It mainly consisted of:

- a) Argentine Government bonds (BODEN) Series 2011 with a residual nominal value of 3,138,041, equal to ARS 3,888,660 (residual nominal value of 4,055,740 equal to ARS 5,154,845 as of December 31, 2006) that entered the BCRA's portfolio in compliance with the monetary consolidation program by which the federal and provincial securities issued to replace Argentine pesos were redeemed during fiscal 2003. Such securities were issued on April 30, 2003, and the monthly amortization and 2% annual interest services are adjusted by the CER as established by Presidential Decree No. 743/03. They were not listed as of year-end or as of the date of issuance of the financial statements; therefore, the valuation thereof was determined based on theoretical parity according to estimated technical values and the average life of securities under similar issuance conditions.
- b) Discount bonds issued in US dollars and maturing on December 31, 2033, for a residual nominal value of USD 130,943 equal to ARS 420,156 (residual nominal value USD 101,049 equal to ARS 344,606 as of December 31, 2006). Such financial instruments were valued at their listed prices.
- c) GDP-related negotiable securities with a residual nominal value of USD 445,391 equal to ARS 157,223 (residual nominal value of USD 446,304 equal to ARS 173,811 as of December 31, 2006) received upon the conclusion of the public debt restructuring process. Such financial instruments were valued at their listed prices. In addition, during the year, GDP-related negotiable securities in Argentine pesos (residual nominal value of 913, equal to ARS 80) entered the BCRA's portfolio during the year.
- d) Secured bonds (BOGAR 2018): they were received in exchange for the swap of provincial government debt securities included in the BCRA's portfolio. As of December 31, 2007, and 2006, assets included bonds valued at listed prices for an amount of ARS 178,595 (residual nominal value of ARS 124,892) and ARS 137,661 (residual nominal value of 85,318), respectively.
- e) Argentine Government bonds (BODEN) Series 2014 for a residual nominal value of 92,389 equal to ARS 89,433 (residual nominal value of 115,389 equal to ARS 127,448 as of December 31, 2006). Such financial instruments were valued at their listed prices.
- f) There is no amount for Argentine government bonds (BODEN) Series 2007 as of year-end, while as of the prior year-end holdings amounted to a residual nominal value of 1,828, equal to ARS 3,482. They are booked at their listed prices.
- g) Other portfolio securities amounting to ARS 43,118 (ARS 44,574 as of December 31, 2006). They include bonds from the Province of Chaco amounting to ARS 42,632, which were valued at the last listed price of bonds with similar issuance characteristics, and the other holdings were valued at the last listed price available.

4.4.2 Financial system repo portfolio

This line includes the net position of securities received in exchange for reverse repos amounting to ARS 386,212 as of December 31, 2007, and ARS 68,222 as of December 31, 2006 (Exhibit III), which was booked with contra to "Obligations from forward transactions" (see note 4(18)).

4.4.3 Allowance for impairment in value of government securities

To disclose the market values of the government securities booked as of December 31, 2007, an ARS 885,755 allowance for impairment in value was booked for 100% of the original amount for the issuance of the bond mentioned in 4(4)1(2)1 and the bonds of the Province of Chaco mentioned in 4(4)1(3)3(g). As of December 31, 2006, the allowance amounted to ARS 898,950.

4.5 Temporary loans to the Argentine Government

Such loans are granted pursuant to section 20 of the BCRA's Charter, which established as follows:

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

As of December 31, 2007, the "Temporary loans to the Argentine Government" account amounted to ARS 21,330,000, and the Treasury Department requested ARS 10,280,000 to settle the obligations with international credit agencies, and ARS 11,050,000 for other purposes, while as of December 31, 2006, the loans to the Argentine Government amounted to ARS 18,330,000, of which ARS 9,796,000 was used to pay obligations with international credit agencies and ARS 8,534,000 for other purposes. Such temporary loans do not accrue interest rate and are booked at their nominal values.

The abovementioned amounts include the following loans, according to the respective due dates:

- Used to pay obligations with international credit agencies:

<u>Due date</u>	<u>12/31/2007</u>	<u>12/31/2006</u>
01/26/2007	-	1.800.000
02/14/2007	-	1.600.000
03/02/2007	-	1.800.000
03/23/2007	-	600.000
08/10/2007	-	1.700.000
08/31/2007	-	250.000
09/28/2007	-	530.000
10/06/2007	-	1.000.000
10/27/2007	-	516.000
02/01/2008	1.700.000	-
02/16/2008	1.700.000	-
03/09/2008	1.700.000	-
03/30/2008	700.000	-
07/19/2008	1.000.000	-
07/26/2008	950.000	-
09/20/2008	530.000	-
10/05/2008	1.000.000	-
10/22/2008	1.000.000	-
	<u>10.280.000</u>	<u>9.796.000</u>

- Used for other purposes:

10/27/2007	-	484.000
11/10/2007	-	600.000
11/17/2007	-	1.700.000
11/30/2007	-	1.200.000
12/21/2007	-	2.550.000
12/28/2007	-	2.000.000
11/15/2008	600.000	-
11/22/2008	1.700.000	-
12/06/2008	1.200.000	-
12/20/2008	2.550.000	-
12/28/2008	5.000.000	-
	11.050.000	8.534.000
Total	21.330.000	18.330.000

The loans that remain effective as of the prior year-end were fully settled as of December 31, 2007, pursuant to the provisions of section 20.

4.6 Loans to the Argentine financial system

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

	<u>12/31/2007</u>	<u>12/31/2006</u>
Aid due to illiquidity – Communiqué “A” 3,941	1.380.745	4.570.883
Loans to subscribe Argentine Government bonds	1.913.090	2.086.750
Refinanced lines	683.351	697.340
Loans for illiquidity with other guarantees	1.364	1.364
Other	8	7
Subtotal	3.978.558	7.356.344
Less:		
Allowances for loans to the financial system	689.965	1.089.058
Total	3.288.593	6.267.286

“Loans to the Argentine financial system” basically discloses the amount of the aid granted in previous fiscal years to financial institutions to solve temporary illiquidity (pursuant to section 17 of the BCRA’s Charter). Such aids were stated at their original values adjusted as per GER variations, plus accrued interest and offset by an allowance determined on the uncollectibility estimated and the assessment of guarantees received. During fiscal 2007, allowances were reversed in the amount of ARS 455,646 and new allowances were booked in the amount of ARS 56,552 (see Exhibit I).

The abovementioned aids due to illiquidity are included in the settlement system established by Presidential Decrees Nos. 739/03, 1,262/03, regulatory provisions and supplementary regulations, and the existing amount for this item as of the end of fiscal 2007 only relates to a financial institution. A decrease of ARS 3,190,138 is noted, as compared to December 31, 2006.

The amounts of the aid granted to the financial institutions that joined the settlement mechanism under Presidential Decree No. 739/03 are supported, as of the date of issuance of the financial statements, for at least 125% (technical values) of the related obligations, by Argentine Government secured loans (Presidential Decree No. 1,579/02).

The technical values of the guarantees related to loans and discounts due to illiquidity considered up to the amount of the loan are booked in memorandum accounts and are made up of:

	<u>12/31/2007</u>	<u>12/31/2006</u>
Argentine Government secured bonds 2018	1.380.745	3.615.469
Argentine Government secured bonds	0	955.410
Argentine Government bonds (BODEN)	<u>0</u>	<u>4</u>
Total	<u>1.380.745</u>	<u>4.570.883</u>

“Loans to subscribe Argentine Government bonds (BODEN)” discloses the loans in Argentine pesos granted by the BCRA, as set forth in section 14, Presidential Decree No. 905/02, to financial institutions against the guarantees created for the amounts required to acquire Argentine Government bonds in US dollars at LIBOR 2012 and Argentine Government Bonds in Argentine pesos accruing 2% interest and maturing in 2007, to be delivered to the depositors of the related institutions that requested them in exchange for their deposits. The guarantees provided by the institutions, which are stated at technical values, cover the percentage established by the abovementioned presidential decree (100% of debt), and their description is as follows:

	<u>12/31/2007</u>	<u>12/31/2006</u>
Argentine Government secured bonds 2018	531.791	532.999
Argentine Government secured bonds	824.015	810.435
Argentine Government bonds (BODEN)	406.521	413.713
Other assets	<u>150.763</u>	<u>329.603</u>
Total	<u>1.913.090</u>	<u>2.086.750</u>

4.7 Contributions to international organizations on account of the Argentine Government and others

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

	<u>12/31/2007</u>	<u>12/31/2006</u>
Contributions to the IADB, IBRD and IDA, among others	3.535.984	3.336.445
Contributions to the IMF	<u>2.946.611</u>	<u>2.735.687</u>
Total	<u>6.482.595</u>	<u>6.072.132</u>

The IMF determines the so-called “quota” that Argentina is required to pay as a member country and, as of December 31, 2007, it amounted to 2,117,100 SDRs (the same amount as that as of December 31, 2006) and it is booked as follows:

	<u>Amount in SDRs</u>	<u>Amount in Argentine pesos</u>	<u>Amount in Argentine pesos as of</u>
	(*)	as of 12/31/2007	12/31/2006
Treasury bills	1.524.672	7.583.400	7.040.565
Contributions to the IMF in foreign currency	529.275	2.632.504	2.444.064
Contributions to the IMF in Argentine pesos	<u>63.153</u>	<u>314.107</u>	<u>291.622</u>
Total	<u>2.117.100</u>	<u>10.530.011</u>	<u>9.776.251</u>

(*) There are identical amounts for December 31, 2007, and December 31, 2006.

Treasury bills are issued by the BCRA on account and behalf of Argentina as the Government's financial agent, keeping the possible commitment to paying the amounts thereof to the IMF on demand, which are booked in memorandum accounts under "Non-negotiable securities – International organizations".

4.8 Contra account of the use of the reserve portion

As per the accounting records related to the debt payment made to the International Monetary Fund during fiscal 2006, we disclosed again the basic financing lines used by Argentina. Such reclassification gave rise to a change in the account name previously identified as "Funds transferred to the Argentine Government due to investments with the IMF and Contra account of the use of the reserve portion" to "Contra account of the use of the reserve portion".

This grouping books the contra account of the use of the reserve portion received by the BCRA and transferred to the Argentine Government before September 30, 1992, in the amount of SDR 529,291, equal to ARS 2,632,584 (the same amount of SDR equal to a nominal value of ARS 2,444,138 as of December 31, 2006). (See Exhibit II).

The use of the reserve portion is the main financial service available to a country and it does not represent the use of the credit from the IMF, there being no claim from the international organization regarding the funds used. The reserve portion of a country represents the payment percentage of the installment established for participating in the IMF, which was included in reserve assets. (See note 4(15)).

4.9 Rights on forward transactions

	<u>12/31/2007</u>	<u>12/31/2006</u>
LEBAC (BCRA bills) receivable in Argentine pesos and delivered under repurchase agreements	3.656.404	1.591.177
Repurchase agreements assessment	366.012	159.110
Securities and foreign currency to be received for repo transactions under Communiqué "A" 4,508	2.864.002	177.356
Repurchase agreements assessment under Communiqué "A" 4,508	114.839	0
Receivables from reverse repurchase agreements	1.730.286	61.679
Assets applied to guarantees for participation in the ROFEX market	454.937	43.040
Receivables from forward sales in foreign currency	3.318.961	36.698
Foreign currency to be received for forward purchases	200.014	0
Total	<u>12.705.455</u>	<u>2.069.060</u>

The BCRA issues LEBAC (BCRA bills) and NOBAC (BCRA notes) as the main regulatory instruments with which it absorbs market liquidity to meet the effective monetary program goals. Board of Governors' Resolution No. 155 of May 20, 2004, authorized the issuance of LEBAC to be applied as eligible assets, upon agreeing upon repurchase agreements. Such resolution established that the assessment of these transactions amounted to 10% of the transaction. As of December 31, 2007, the LEBAC delivered under repurchase agreements, including premiums to be accrued for this item, totaled ARS 13,656,404 (ARS 1,591,177 as of December 31, 2006). Such instruments were valued at market price. (See note 4(16)).

Through Resolution No. 181 of June 3, 2005, the Board of Governors authorized the BCRA to join as agent of ROFEX (Rosario futures exchange) and as clearing member of Argentina Clearing S.A. to carry out transactions in such market for the purpose of having all monetary and foreign exchange policy tools available and to contribute to the development of futures markets in Argentina.

To formalize its participation in such futures exchange, the BCRA had to cover the initial guarantee margin, which is common to all participants, the portfolio risk margin and the daily clearing margins for revaluation of open positions. As of December 31, 2007, the assets delivered in guarantee amounted to ARS 454,937, while as of December 31, 2006, it amounted to ARS 43,040.

The BCRA's participation in this market is regulated by section 18(a) of the Charter, which empowers the BCRA to purchase and sell government securities, foreign currency and other financial assets at market and forward prices for monetary and foreign exchange regulation purposes. The book accounts of this transaction were valued at market prices.

In addition to the repurchase agreements agreed upon under general regulations, as from March 10, 2006, the Board of Governors approved agreeing upon repo transactions using government securities issued by the Argentine Government as underlying assets. The assets to be received in exchange may be in Argentine pesos, US dollars, euros or securities denominated in those same currencies issued by governments of countries whose long-term sovereign debt has a given credit risk rating. Transactions effective as of December 31, 2007, including premiums to be accrued, amounted to ARS 2,864,002 (ARS 177,356 as of December 31, 2006).

4.10 Other assets

	<u>12/31/2007</u>	<u>12/31/2006</u>
Secured loans – Presidential Decree No. 1,387/01	835.836	856.103
Bank premises & equipment (net of accumulated depreciation)	121.206	117.184
Stock of paper and coins for monetary issuance	44.995	41.407
Coined gold	23.709	17.638
Intangible assets (net of accumulated amortization)	1.563	2.510
Other	278.833	262.264
Less:		
Allowances	<u>152.120</u>	<u>148.401</u>
Total	<u>1.154.022</u>	<u>1.148.705</u>

The Argentine Government's obligations documented through secured loans (Presidential Decree No. 1,387/01) at the BCRA's portfolio amounted to ARS 835,836 as of December 31, 2007 (ARS 856,103 as of December 31, 2006). Such instruments were accepted to settle the illiquidity aid to the institutions with abrogated authorization to operate. The portfolio was valued at year-end as established for financial institutions through CONAU 1-564 circular (Communiqué "A" 3,911 and supplementary regulations), which points out that it will be required to book such instruments at the lower amount between the present value determined as of year-end based on the discount rate set forth in such regulation and the "technical" value adjusted, as the case may be, through CER plus interest accrued pursuant to contractual terms. In addition, the difference between the values previously determined and technical (accounting) values was charged to an offset account in assets established for such purpose, as set forth in the abovementioned circular.

Bank premises & equipment were valued at acquisition cost, net of the related accumulated depreciation, including the adjustment for inflation through February 28, 2003. Depreciation is calculated by the straight-line method, taking into account the bank premises & equipment estimated useful life. The net book value booked does not exceed, as a whole, the recoverable value based on the information available to date.

Taking into account the international definitions related to the gold to be computed as reserve assets (see note 4(1)), this item was included in the gold coins held for numismatic purposes, which were booked as allowance for finesse, representing 1% of total inventories (see Exhibit I.)

"Other" includes transactions performed and settled pursuant to ALADI's Agreement on Reciprocal Payments and Credits for an amount of ARS 146,829 as of December 31, 2007 (ARS 143,032 as of December 31, 2006), which was claimed to the Central Bank of Uruguay. As of the date of issuance of the accompanying financial statements, such disagreement was not solved; therefore, the amount was fully booked as allowance (see Exhibit I).

4.11 Monetary base

4.11.1 Monetary circulation

	<u>12/31/2007</u>	<u>12/31/2006</u>
Notes	73.712.077	58.216.057
Coins	1.091.655	1.006.367
Total	<u>74.803.732</u>	<u>59.222.424</u>

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

Notes in circulation varied as follows:

	<u>12/31/2007</u>	<u>12/31/2006</u>
Balance at beginning of year	58.216.057	47.366.790
New notes and good use of the financial system	20.196.209	14.117.356
Notes out of circulation and destroyed or to be destroyed	<u>(4.700.189)</u>	<u>(3.268.089)</u>
Balance at end of year	<u>73.712.077</u>	<u>58.216.057</u>

4.11.2 Checking accounts in Argentine pesos

As of December 31, 2007, this account amounted to ARS 24,474,926 (ARS 20,843,885 as of December 31, 2006). The compensation for the amounts in checking accounts in Argentine pesos opened in the BCRA is calculated pursuant to Communiqué "A" 4,716, and it consists in the calculation of interest over the monthly average of daily amounts at the rate fixed and published by the trading desk.

4.12 Checking accounts in other currencies

As of December 31, 2007, this item amounted to ARS 8,376,585 (ARS 7,378,419 as of December 31, 2006), and it is converted into pesos as established in note 3(4)1. Compensation conditions have been defined in such Communiqué "A" 4,716 (see note 4(11)2).

4.13 Deposits from the Argentine Government and others

This item includes:

	<u>12/31/2007</u>	<u>12/31/2006</u>
Argentine Government deposits	5.370.068	4.590.969
ANSES – Social security payment orders	28.621	1.571
Argentine Government deposits - BODEN	1.497	1.498
Provincial funds	105.309	102.585
Argentine Government deposits – Law No. 25,152 – Tax anticyclical fund	<u>59.082</u>	<u>2</u>
Total	<u>5.564.577</u>	<u>4.696.625</u>

4.14 Other deposits

	<u>12/31/2007</u>	<u>12/31/2006</u>
In special accounts	147.092	189.163
SEDESA – Checking account in pesos	96	346
Other	<u>25.450</u>	<u>30.456</u>
Total	<u>172.638</u>	<u>219.965</u>

“Deposits in special accounts” includes ARS 126,711 related to deposits made by the Argentine Government under the terms of section 1, Presidential Decree No. 1,836/02, which cannot be attached or disposed of and they will exclusively guarantee the different series of Argentine Government bonds to be swapped for certificates of deposit of financial system savers. As of December 31, 2006, the amount in this regard was ARS 168,782.

4.15 Obligations with international organizations

This item includes transactions with the IMF and other entities.

The transactions with the IMF are detailed below:

	<u>12/31/2007</u>	<u>12/31/2006</u>
Contra account of the use of the reserve portion	2.632.584	2.444.138
SDRs assigned	1.592.920	1.470.155
Other deposit accounts	<u>313.126</u>	<u>300.652</u>
Total	<u>4.538.630</u>	<u>4.214.945</u>

Resolution No. 377 issued by the Board of Governors on December 15, 2005, approved the credit installments agreement with the Bank for International Settlements (BIS). Such resolution was based on the need of mechanisms favoring the immediate and highest availability and liquidity of international reserves under urgent conditions. As of December 31, 2007, it amounted to ARS 4,789,520, whereas the amount of this line was nil as of December 31, 2006. Additionally, the BIS account includes ARS 59,891 related to the due capital for such entity’s share subscription (ARS 55,604 as of December 31, 2006).

4.16 Securities issued by the BCRA

One of the transactions allowed to the BCRA under section 18 of its Charter consists in issuing securities or bonds and certificates of participation on the securities that it holds. This monetary instrument called LEBAC is issued in Argentine pesos and US dollars from 2002. Such LEBAC are traded on a discount basis and they are stated at face value net of interest to be accrued as of each year-end. LEBAC in foreign currency are stated at face value net of interest to be accrued and restated as mentioned in note 3(4)1.

In addition, as from May 2004, Board of Governors’ Resolution No. 155/04 authorized that a portion of issued LEBAC be used to perform repo transactions as monetary regulation instruments. As a result, the LEBAC portfolio used for such transactions is stated at market values and disclosed by deducting the related amount from “Securities issued by the BCRA” (see note 4(9)).

Since October 2, 2003, the BCRA has issued NOBAC in pesos with an annual 8% coupon at a 3-year term, and NOBAC in pesos to be adjusted by CER with an annual 3% coupon at a 3-year term. In addition, as from April 19, 2005, NOBAC in Argentine pesos began to be issued with a variable coupon (BADLAR + 2.5%). Such NOBAC were stated at face value, plus interest accrued through each year-end.

Furthermore, as from September 26, 2007, the BCRA’s Board of Governors authorized the issuance of LEBAC and NOBAC to be exclusively traded on the domestic market and earmarked for legal entities organized in Argentina subject to the ongoing oversight of domestic regulatory and control agencies, and financial institutions authorized by the BCRA for its own portfolio, in addition to the natural persons residing in Argentina and official accounts. As of December 31, 2007, securities involved in this transaction amounted to ARS 5,590,930.

The amounts of LEBAC and NOBAC as of each year-end are as follows:

	<u>12/31/2007</u>	<u>12/31/2006</u>
Bills and notes issued in Argentine pesos	57.285.028	42.036.409
Primary issuance of bills and notes	65.295.183	50.681.320
Bills in portfolio available for repurchase agreements	(6.753.604)	(8.640.822)
Notes in portfolio available for repurchase agreements	(1.256.551)	(4.089)
Bills and notes issued in foreign currency	0	55.432
Total	<u>57.285.028</u>	<u>42.091.841</u>

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

4.17 Contra account of Argentine Government contributions to international organizations

As of December 31, 2007, the amount of ARS 2,514,396 related to this item represents the contra account of Argentine Government contributions to international organizations made on account of the Argentine Government as from September 30, 1992, on which the BCRA's Charter was amended. The amount as of December 31, 2006, was ARS 2,301,788.

4.18 Obligations from forward transactions

	<u>12/31/2007</u>	<u>12/31/2006</u>
Obligations from repurchase agreements	3.296.784	1.431.992
Repurchase agreements assessments	366.012	159.109
Obligations from repurchase agreements under Communiqué "A" 4,508	2.700.532	177.624
Repurchase agreements assessment under Communiqué "A" 4,508	114.839	0
Securities and foreign currency to be delivered for repo transactions	1.701.273	68.223
Payables for forward purchases in foreign currency	200.014	0
Foreign currency to be delivered for forward sales	3.318.616	36.698
Total	<u>11.698.070</u>	<u>1.873.646</u>

As of December 31, 2007, "Obligations from repurchase agreements" amounted to ARS 3,296,784 and represent the funds to be reimbursed to financial institutions on the maturity date of the transactions mentioned in note 4(9) (as of December 31, 2006, the amount booked in this regard was ARS 1,431,992).

In addition, obligations from repurchase agreements regulated through Communiqué "A" 4,508 and described in note 4(9) represent ARS 2,700,532 as of December 31, 2007, whereas this account amounted to ARS 177,624 as of December 31, 2006.

Securities and foreign currency to be delivered for obligations from reverse repurchase agreements totaled ARS 1,701,273 as of December 31, 2007, and represent the government securities held in portfolio and to be reimbursed due to reverse repos, valued at market price, in the amount of ARS 1,700,737, and the amounts for premiums to be accrued on such account for ARS 536 (see note 4(4)2).

As of December 31, 2007, "Foreign currency to be delivered for forward sales" reached ARS 3,318,616 and the related "Payables for forward foreign currency purchases" reached ARS 200,014 as of year-end. Such items disclose the BCRA's payables to different counterparties for its participation in the ROFEX (foreign currency futures exchange) (see note 4(9)).

4.19 Other liabilities

This item breaks down as follows:

	<u>12/31/2007</u>	<u>12/31/2006</u>
Obligations from BODEN subscribed	1.375.154	1.610.985
Obligations from secured loan services	193.442	67.694
Obligations with the Argentine Government	126.091	96.662
Funds from international organizations	592.061	146.013
Other	705.351	623.869
Total	<u>2.992.099</u>	<u>2.545.223</u>

As of December 31, 2007, the amount booked for "Obligations from BODEN subscribed" was ARS 1,375,154 (ARS 1,610,985 as of December 31, 2006) and represented the amounts due to the Argentine Government. Such amounts are released for the amount equal to the financial services due of each bonds series, whenever the Finance Department instructs so.

"Obligations from secured loan services" includes the funds that will be used to pay the abovementioned loan services, which amounted to ARS 193,442 as of December 31, 2007 (the amount as of December 31, 2006, was ARS 67,694).

4.20 Provisions and reserves (Exhibit I)

Provisions made as of year-end are related to the following items:

	<u>12/31/2007</u>	<u>12/31/2006</u>
Litigation reserve	1.149.467	1.285.151
Provision for difference due to conversion into pesos – Communiqué "A" 4,058	991	966
Provision for guarantee fund under Law No. 22,510	9.402	9.241
Other provisions and reserves	49.085	53.956
Total	<u>1.208.945</u>	<u>1.349.314</u>

The method used by the BCRA to determine the amounts of the litigation reserve was as follows:

Lawsuits were classified based on their procedural status and the type of cases (lawsuits related to the reimbursement of deposits, labor lawsuits, etc.) Based on such classification, the reserve was estimated taking into account a percentage related to identical or similar lawsuits finished.

The lawsuits prior to April 1, 1991, were adjusted through the general wholesale price index plus an annual 6% interest until March 31, 1991, and, as from such date, the common savings account rate published by the BCRA was used. In the case of lawsuits subsequent to March 31, 1991, and prior to January 1, 2002, the borrowing rate under BCRA Notice No. 14,290 was used until December 31, 2001, and, from such date onwards, the common savings account rate based on Law No. 25,344. In the case of lawsuits subsequent to December 31, 2001, and until the closing date of the accompanying financial statements, the borrowing rate under BCRA Notice No. 14,290 was used for judicial purposes.

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

The allowance for switching into pesos related to differences in the amounts determined to convert into Argentine pesos the amounts in checking accounts in foreign currency opened in the BCRA and "Liquidity requirements" accounts opened in Deutsche Bank, New York, amounted to ARS 991 as of December 31, 2007, whereas it

amounted to ARS 966 as of December 31, 2006. This booking represents the estimated amount to be reimbursed to the financial institutions as determined pursuant to applicable regulations, booked with contra to statement-of-income accounts.

4.21 Statement of income – Significant items

As mentioned in note 3(2), for a clearer disclosure of accounts, and to break down those items comprising income (losses) of different kinds, they were classified, according to the items involved, and they may be identified with the respective assets or liabilities that originated them.

The most significant items are:

Interest and adjustments income

	<u>12/31/2007</u>	<u>12/31/2006</u>
On international reserves		
Foreign government securities	2.963.660	1.181.230
Long-term deposits	2.116.683	1.663.995
Demand deposits and foreign currency	529.188	224.731
ALADI	3.697	1.123
Total:	<u>5.613.228</u>	<u>3.071.079</u>

On Argentine Government securities

Interest on non-transferable bill maturing in 2016	1.297.348	1.116.300
Interest on government securities	165.246	172.607
CER on government securities	659.200	465.037
Total:	<u>2.121.794</u>	<u>1.753.944</u>

On loans to the financial system

Interest earned	123.997	570.129
Gain (loss) on CER application	220.266	820.373
Other	-	1.645
Total:	<u>344.263</u>	<u>1.392.147</u>

On other assets

Interest and adjustments on secured loans	109.040	39.900
Other interest earned	123	1
Total:	<u>109.163</u>	<u>39.901</u>

Interest and adjustments expense

On securities issued by the BCRA

Interest on Lebac	2.069.014	893.488
Interest on Nobac	3.994.792	2.175.909
Gain (loss) on CER application	214.409	591.805
Total:	<u>6.278.215</u>	<u>3.661.202</u>

	<u>12/31/2007</u>	<u>12/31/2006</u>
On loans borrowed from international organizations		
Net charges paid to the IMF	61.545	51.793
Other obligations	80.121	39.988
Total:	<u>141.666</u>	<u>91.781</u>
On other transactions with the financial system		
Interest on checking account amounts	243.921	295.152
Net premiums accrued on repo transactions	223.599	159.625
Total:	<u>467.520</u>	<u>454.777</u>
<u>Net reversals of allowances for government securities and loans to the financial system</u>		
Receivables from the financial system	399.094	18.809
Government securities	13.195	12.397
Total:	<u>412.289</u>	<u>31.206</u>
<u>Listed price differences, net</u>		
International reserves		
Gold	1.070.680	671.240
Foreign currency, time and demand deposits	2.068.782	849.992
Foreign government securities	3.239.942	426.874
Other	1.387	(155)
Government securities	(460.888)	733.313
Entities' deposits in checking accounts and Argentine Government deposits	(215.678)	(152.163)
Other valuation adjustments of assets and liabilities	446.317	65.627
Total:	<u>6.150.542</u>	<u>2.594.728</u>
<u>Foreign currency trading differences</u>		
Foreign currency trading differences	96.584	49.690
Total:	<u>96.584</u>	<u>49.690</u>
<u>Other financial instruments trading differences</u>		
On transactions with securities	12.371	(2.009)
On transactions with gold options	(2.028)	-
On transactions with Lebac and Nobac	(87.827)	(246.560)
On forward transactions	209.288	16.475
Total:	<u>131.804</u>	<u>(232.094)</u>
<u>Monetary issuance expenses</u>		
Materials	22.207	23.185
Coinage and minting	70.852	87.965
Other expenses	23.317	14.984
Total:	<u>116.376</u>	<u>126.134</u>

General expenses

Amortization	10.355	8.786
Other general expenses	<u>321.382</u>	<u>249.658</u>
Total:	<u>331.737</u>	<u>258.444</u>

Reversals/(uses), less other allowances

Allowance for coined gold	79	(176)
Provision for conversion into pesos – Communiqué “A” 4058	(25)	336
Reversal of the litigation reserve	135.190	(65.638)
Other allowances, provisions and reserves	1.073	(2.275)
Monetary consolidation program	<u>0</u>	<u>19.404</u>
Total:	<u>136.317</u>	<u>(48.349)</u>

NOTE 5 – DEBIT- AND CREDIT-BALANCE MEMORANDUM ACCOUNTS

As of December 31, 2007, debit- and credit- balance memorandum accounts amounted to ARS 439,572,051 (ARS 440,763,978 as of December 31, 2006), which broke down as follows:

	<u>12/31/07</u>	<u>12/31/06</u>
Checks and securities in custody	258.648.285	256.918.706
Checks and securities received in guarantee	12.609.705	16.535.302
Notes and coins in Treasury’s custody	131.768.880	135.994.124
Non-negotiable securities – International organizations	7.987.951	7.445.109
Loans classified as irrecoverable	23.242.723	23.170.732
Fines under criminal foreign exchange system – Section 41, Financial Institutions Law	329.584	228.870
MAE (electronic over-the-counter market) forward transactions	4.563.987	52.298
Funds managed on behalf of Treasury Department	377.368	376.905
Other	<u>43.568</u>	<u>41.932</u>
Total	<u>439.572.051</u>	<u>440.763.978</u>

During FY 2006, “Memorandum Accounts” included the amounts that were until then part of the account “Receivables from Argentine financial system institutions” and included in the Refinanced lines, Certificates of participation in trusts, receivables from Financial institutions with abrogated authorization and Assets and rights received, which were fully booked as allowances and for which no recovery was obtained for over six months, were deemed non-recoverable for that year. The same method was followed for aids granted to reimburse deposits and to bear the expenses from the liquidation process related to financial institutions and equity of those financial institutions in liquidation, which were fully booked as allowance as from 1990. These items total is shown on “Receivables deemed non-recoverable” and amounts to ARS 23,242,723 as of December 31, 2007 (ARS 23,170,732 as of December 31, 2006).

NOTE 6 – RISK MANAGEMENT AND INTERNATIONAL RESERVES ACCUMULATION POLICIES

As of the end of fiscal 2007, international reserves amounted to USD 46,166,099. Continuing with the BCRA's reserve accumulation policy, during this year the net increase in the account amounted to USD 14,119,623, as compared to December 31, 2006, which allowed restoring and exceeding the levels noted as of January 2, 2006, before settling payables to the IMF (USD 28,078,258).

International reserves are daily monitored at their market value and the international reserve investment process is subject to the investment guidelines established by the BCRA's Board of Governors.

6.1 Credit risk

The abovementioned investment guidelines establish that the eligible countries to make investments should have an Aa2/AA/AA or better rating for their long-term sovereign debt in local and foreign currency awarded by at least two of the main credit rating agencies.

Eligible instruments to make investments should have the same rating as the one stated for eligible countries, except in the case of securities issued by supranational organizations, US corporate bonds, and the agency securities of other eligible countries outside the USA, which should have a minimum Aaa/AAA/AAA credit rating. For short-term certificates of deposit and bank acceptances that are direct bank obligations, the minimum credit rating required is A-1/P-1/F-1.

Investment guidelines establish that investment custodians should have the maximum credit rating, i.e. Aaa/AAA/AAA. Additionally, such guidelines established specific limits for investments that can be held in custody by certain counterparties.

6.2 Market risk

Regarding the market risk, the investment guidelines establish that the portfolio duration should not exceed two years and a half, and that the investment in currencies other than the US dollar cannot exceed 30% of total international reserves.

Through Resolution No. 144, the Board of Governors authorized to carry out transactions related to futures, options or forward transactions with assets denominated in foreign currency and in gold, to the extent that such derivatives were used to reduce the portfolio risk. To such end, the strategy carried out with gold options allowed the BCRA to mitigate the risk of market fluctuations. As of December 31, 2007, there were no open positions in options and/or other derivatives on the physical gold position.

As of December 31, 2007, there were no open positions either in options on other portfolio currencies, although from October through November 2007 a similar strategy was used for the position in euros as the one used for the physical gold position.

Also, during fiscal 2007, structured deposits stated to be used, which combined the deposit that could be paid earlier in a given currency with the sale or simultaneous sale of an European-type call option on this currency with the same settlement date as the maturity of the deposit and at a given exercise price for the price matched with another currency. During fiscal 2007, several transactions were performed in relation to the currency price used, as compared to the US dollar. As of December 31, 2007, there were no investments in this type of instruments in the portfolio.

6.3 Liquidity risk

Investment guidelines related to the liquidity risk establish that the investment manager will ensure that the portfolio holdings are sufficiently liquid to be sold, within three days after being notified. However, this does not result in a material impact on market prices as a consequence of the liquidation.

NOTE 7 – EVENTS SUBSEQUENT TO YEAR-END

7.1 Transfer of profits to the Argentine Government

As requested by the Treasury Department, on March 13, ARS 1,000,000 was transferred to the Argentine Treasury regarding profits on account of unappropriated retained earnings for fiscal 2007, whereas on April 28, ARS 450,000 was transferred on the same account.

