

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008
COMPARATIVELY PRESENTED WITH THE PRIOR FISCAL YEAR
(In thousands of pesos)**

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 FISCAL YEARS 2008 AND 2007

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. Presidential Decree No. 1.599/05 (ratified by Law No. 26.076)

Through the issuance of Presidential Decree No. 1.599/05 dated December 15, 2005, the Executive Branch amended sections 4, 5 and 6 of 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 agencies provided that it implied a nil monetary effect. As of December 31, 2008, and 2007, the surplus in "International reserves" with respect to the monetary base amounted to ARS 50,753,845 and ARS 46,190,721, respectively.

2.2. Payment system in local currency (SML) Argentina – Brazil

Within the framework of the financial integration between Brazil and the Republic of Argentina arising from the regional integration purposes provided for by the Treaty of Asunción giving origin to the MERCOSUR, the Argentine Central Bank and the Brazilian Central Bank executed an agreement, whereby a Bilateral Payment System in local currencies is created. The referred agreement became effective as from October 3, 2008. The purpose of this system is to ease transactions between both countries in local currency by increasing the liquidity and efficiency of the peso/real exchange market. Firstly, the transactions arising from the trading of assets will be channeled through this system, and then, other transactions will be added.

Payments shall be set in the local currency of each of the countries, they will be subject to the provisions in force in each country and they will be processed through the financial institutions authorized by both Central Banks. Payment and collection transactions will be settled in the current accounts of the financial institutions by applying the SML exchange rate arising from the daily ratio between the Central Bank exchange rate and the PTAX rate (Real/Dollar exchange rate) of the Brazilian Central Bank. On a daily basis, the Central Banks shall clear transactions and they will assume the payment of those transactions previously paid by the financial institutions.

2.3. Temporary advances to the Argentine Government

On November 5, 2008, Law No. 26.422 - General Budget for the Argentine Administration was enacted. Section 72 thereof amended the provisions of section 20 of the BCRA Charter (Law N. 24.144 and amendments). Thus, the allocation of temporary advances to the payment of obligations in foreign currency was extended.

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

Presidential Decree No. 739/03 dated March 28, 2003, as supplemented by No. 1262/03 dated May 26, 2003, established regulations related to the settlement of the aid for illiquidity granted to financial institutions during 2001 and 2002.

During fiscal year 2008, the only debtor financial institution left continued paying off its liability.

NOTE 3 – ACCOUNTING STANDARDS APPLIED

3.1 Basis for the presentation of financial statements

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

The CPCECABA (Professional Council of Economic Sciences of the City of Buenos Aires), through its Resolution CD No. 93/2005, adopted the technical resolutions and interpretations of the FACPCE (Argentine Federation of Professional Councils of Economic Sciences) with the amendments introduced by the latter up to April 1, 2005. Such resolution becomes effective in the City of Buenos Aires for fiscal years beginning on or after January 1, 2006, and establishes transition standards that defer the mandatory effective term of certain changes to the years beginning on or after January 1, 2008.

3.2 Comparative information

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

As of December 31, 2008, the derivative financial instruments over gold and other foreign currency are separately presented under the caption International Reserves, the breakdown of which is included in Note 4.4. Additionally, rights and obligations deriving from forward transactions on other assets are presented under Rights deriving from/ Due to other derivative financial instruments and Rights deriving from/ Due to repo transactions, as applicable.

Furthermore, as of December 31, 2008, the name of the line A.L.A.D.I. (net) has been replaced by Multilateral Credit Agreements (Net) as a result of the agreement signed by the BCRA with the Brazilian Central Bank that gave rise to the Bilateral Payment System in local currencies (SML) (Note 2.2).

The specific characteristics of the BCRA and the duties and functions assigned by its Charter, particularly those related to the power to issue notes and coins, plus the peculiarities of the transactions that it performs, are not akin to the transactions of financial institutions regarding the preparation of the statement of cash flows. Accordingly, for the purpose of issuing such statement the following captions are considered as “funds”: “International reserves” (external assets that account for valid resources that allow the BCRA to comply with its core mission as issuer of legal tender and financial agent of the National Government) less “Monetary liabilities” (Monetary base and Current accounts in other currencies) and Deposits from National Government and Other”.

Up to December 31, 2007, the classification of the causes for changes in funds was made in accordance with the nature of the transactions and not in connection with the kind of activity performed by the Entity.

In this sense, the Professional Accounting Standards state that the changes in funds classified as operating activities are those deriving from the “main business of the entity generating revenues and other activities not embedded in investment and financing activities”. Therefore, to be consistent with the disclosure criteria applied to the different activities performed by the BCRA within the regulatory framework in force, the classification of the changes in funds has been modified.

The Statement of Cash Flows is presented in Exhibit IV, which explains the changes in funds and their equivalents in fiscal year 2008 comparative with fiscal year 2007.

For comparative purposes, necessary reclassifications were made on prior-year financial statements to disclose figures on a consistent basis.

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 inflation accounting methodology was discontinued 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 for accounting purposes the effects of variations in the currency purchasing power generated from March 1 through September 30, 2003, which is required by the professional accounting standards in force. 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 prevailing at closing of business on December 31, 2008, and 2007. Inventories in other currencies, except for gold, which follow 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 closing on such dates. The table below shows the exchange rates of different currencies in relation to the Argentine peso:

| | <u>12/31/2008</u> | <u>12/31/2007</u> |
|--------------------------------|-------------------|-------------------|
| US dollar | 3,45370000 | 3,15100000 |
| Gold | 2.992,80373500 | 2.627,14625000 |
| Special drawing rights (SDRs.) | 5,31963050 | 4,97379000 |
| Euros | 4,80685966 | 4,59163700 |
| Yen | 0,03805311 | 0,02820400 |
| Pound Sterling | 5,04827329 | 6,24465200 |
| Australian dollar | 2,41033723 | 2,76059110 |
| Canadian dollar | 2,81957711 | 3,17929600 |
| Swiss franc | 3,23713563 | 2,77719000 |

3.4.2 Revenue and expenses recognition

Revenue and expenses are recognized on an accrual basis and calculated pursuant to Argentine legislation and to the agreements entered into among the parties involved.

NOTE 4 - BREAKDOWN AND SPECIFIC VALUATION METHODS OF THE MAIN FINANCIAL STATEMENT ACCOUNTS

4.1 Gold

| | <u>12/31/2008</u> | <u>12/31/2007</u> |
|--|-------------------------|-------------------------|
| Gold in bar | 5,270,200 | 4,626,292 |
| Allowance for gold in bars (Exhibit I) | <u>(6,082)</u> | <u>(5,549)</u> |
| Total | <u>5,264,118</u> | <u>4,620,743</u> |

Gold physical inventories, equivalent to 1,761 troy ounce, were valued in the amount of USD 866.55 (USD 833,75 as of December 31, 2007) per troy ounce at year-end, according to market prices effective as of the related date, and converted into Argentine pesos according to the method under Note 3.4.1.

Currently, the gold ingots kept in the BCRA's vault qualify as "good delivery". Consequently, an allowance for sale expenses was set up, 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 the financial statements as an offsetting-entry of the amount in the "Gold" account.

According to the international reserve standards, only monetary gold qualifies as a reserve asset. Therefore, gold inventories kept for numismatic purposes are not deemed financial assets and they are presented under the caption Other Assets (Note 4.12).

4.2 Foreign currency

| | <u>12/31/2008</u> | <u>12/31/2007</u> |
|---|--------------------------|-------------------------|
| Treasury holdings | 3,712,842 | 1,284,871 |
| Current accounts in foreign correspondent banks and "overnight" | <u>19,095,431</u> | <u>7,358,492</u> |
| Total | <u>22,808,273</u> | <u>8,643,363</u> |

Treasury holdings were valued as provided for by Note 3.4.1. The overnight and current accounts in foreign correspondent banks were valued by applying the same method plus interest earned.

4.3 Deposits to be realized in foreign currency

They include the following investments made abroad:

| | <u>12/31/2008</u> | <u>12/31/2007</u> |
|---|---------------------------|---------------------------|
| Certificates of time deposits in foreign currency | 77,213,339 | 54,774,224 |
| Foreign government securities | 33,710,726 | 61,450,265 |
| Demand deposits | 20,571,792 | 15,447,286 |
| Repurchase agreements | 361,602 | 459,731 |
| IMF reserve tranche position I | <u>1,038</u> | <u>972</u> |
| Total | <u>131,858,497</u> | <u>132,132,478</u> |

Demand deposits, certificates of time deposits and repurchase agreements were stated at nominal value, plus interest and yield accrued until each year-end, and converted into Argentine pesos according to the method provided for by Note 3.4.1.

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

Annual average yield of these deposits was 3.0% and 4.4% for fiscal years 2008 and 2007, respectively.

4.4 Derivatives over International Reserves

| | <u>12/31/2008</u> | <u>12/31/2007</u> |
|--|-----------------------|-------------------|
| Put options taken on gold | 69,542 | - |
| Call options offered on gold | (108,250) | - |
| Receivables from forward sales in foreign currency | 7,171,430 | - |
| Payables for forward sales in foreign currency | <u>(6,916,202)</u> | <u>-</u> |
| Total | <u>216,520</u> | <u>-</u> |

Through Resolution No. 144 dated June 28, 2006, the Board of Governors authorized the Main Management of Reserves to carry out transactions with null-credit-risk entities 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, as from fiscal year 2006, transactions with derivatives were performed to mitigate the market risk of the gold position.

For the purpose of both reducing daily volatility of income/loss in dollars deriving from the physical gold position and obtaining a financial hedge, during the first quarter of 2008, an option strategy was implemented in order to mitigate the risk of market price fluctuations. These agreements are valued by using mathematical models admitted by the accounting standards in force (Note 6.2).

The table below details their characteristics:

| Type of contract | Purpose of transactions | Type of settlement | Notional value of contracts (in ounces) | Value in ARS as of 12/31/2008 |
|---------------------|-------------------------|--------------------|--|-------------------------------|
| Put- taken | | | | |
| Due date 02/25/2009 | Hedge | European | 88 | 3,194 |
| Due date 02/25/2009 | Hedge | European | 176 | 2,314 |
| Due date 02/25/2009 | Hedge | European | 88 | 3,194 |
| Due date 02/25/2009 | Hedge | European | 88 | 3,194 |
| Due date 12/29/2009 | Hedge | European | <u>176</u> | <u>57,646</u> |
| | | | <u>616</u> | <u>69,542</u> |
| Call- offered | | | | |
| Due date 02/25/2009 | Hedge | European | 88 | 9,378 |
| Due date 02/25/2009 | Hedge | European | 176 | 26,211 |
| Due date 02/25/2009 | Hedge | European | 88 | 9,378 |
| Due date 02/25/2009 | Hedge | European | 88 | 9,378 |
| Due date 12/29/2009 | Hedge | European | <u>176</u> | <u>53,905</u> |
| | | | <u>616</u> | <u>108,250</u> |

In accordance with the guidelines set forth by the BCRA's Charter and the investments guidelines set forth by the Board of Governors, as indicated in Note 6.2, during this year, forward transactions in euros were performed. They consist in derivatives involving the purchase and/or sale of foreign currency to be settled on future dates, by delivering the underlying assets and at the prices previously agreed.

The balance of Receivables from forward sales in foreign currency accounts for the amounts of foreign currency to be received from forward contracts, whereas the balance of Payables for forward sales in foreign currency accounts for the amounts of foreign currency to be delivered in connection with such transactions. Both positions are valued at quoted prices at closing as explained in Note 3.4.1

The table below details their characteristics of the contracts mentioned above:

| Due date | Purpose | Type of settlement | Sale notional value | Receivables | Payables | | |
|------------|---------|------------------------------|---------------------|------------------|------------------|------------------|------------------|
| | | | | | Contracts | Interest accrued | Total |
| 01/05/2009 | Hedge | Delivery of underlying asset | 253,000 | 1,283,155 | 1,216,136 | 43 | 1,216,179 |
| 01/06/2009 | Hedge | Delivery of underlying asset | 253,000 | 1,283,417 | 1,216,136 | 66 | 1,216,202 |
| 01/07/2009 | Hedge | Delivery of underlying asset | 202,000 | 1,027,634 | 970,986 | 258 | 971,244 |
| 01/27/2009 | Hedge | Delivery of underlying asset | 211,500 | 1,052,588 | 1,016,651 | 5,699 | 1,022,350 |
| 02/26/2009 | Hedge | Delivery of underlying asset | 151,500 | 763,400 | 728,239 | 2,862 | 731,101 |
| 03/02/2009 | Hedge | Delivery of underlying asset | 180,400 | 874,322 | 867,157 | 4,814 | 871,971 |
| 04/01/2009 | Hedge | Delivery of underlying asset | 183,600 | 886,914 | 882,539 | 4,616 | 887,155 |
| | | | | 7,171,430 | 6,897,844 | 18,358 | 6,916,202 |

4.5 Government securities

4.5.1 Central Bank holdings

It includes the BCRA's government securities portfolio detailed in Exhibit III, which as of December 31, 2008, amounted to ARS 40,429,929 (ARS 36,360,699 as of December 31, 2007).

4.5.1.1 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 prices. As of December 31, 2008, the balance amounted to ARS 156,090 (ARS 21,546 as of December 31, 2007) and includes GDP-related negotiable securities issued in US dollars and maturing on December 15, 2035, with a residual nominal value of ARS 87,279 equivalent to ARS 8,290 (residual nominal value of ARS 59,029 equivalent to ARS 21,546 as of December 31, 2007) and Discount Bonds 2033 in US dollars acquired during this fiscal year in the residual nominal value of ARS 86,063 equivalent to ARS 147,800 (See Exhibit III)

4.5.1.2 Securities issued under Argentine legislation

They include securities subject to Argentine legislation, which amounted to ARS 40,273,839 at year-end (ARS 36,339,153 as of December 31, 2007).

4.5.1.2.1 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 pursuant to issuance conditions is ARS 4,734,790. Considering that section 6 of 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 any interest, an allowance has been set up for the full amount adjusted in accordance with the issuance terms and conditions, net of its offsetting account, based on the present value thereof and by applying a rate that reflects the assessment of the time value of money and the specific risks of assets.

4.5.1.2.2 Nontransferable Bill - Maturity 2016

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

The bill was recorded at its nominal value. Such valuation was based on the BCRA's financial capacity and its decision of maintaining it until maturity. The payment made to the IMF amounted to USD9,530,111, which agrees to the bill nominal value.

The characteristics of the issuance are as follows: principal in US dollars, ten-year term, full amortization upon maturity 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, 2008, the amount converted to pesos in accordance with the valuation criterion of cost plus interest accrued totals ARS 33,332,336 (ARS 30,680,424 as of December 31, 2007). To the date of issuance of these financial statements, total financial services have been collected as scheduled.

4.5.1.2.3 Other securities issued under Argentine legislation

As of December 31, 2008, the balance of this item amounts to ARS 6,060,039 (ARS 4,777,265 as of December 31, 2007).

It includes:

a) Argentine Government Bonds (BODEN) Series 2011 with a residual nominal value of ARS 2,143,867, equivalent to ARS 2,044,178 (residual nominal value of ARS 3,138,041 equivalent to ARS 3,888,660 as of December 31, 2007) included in the BCRA's portfolio in compliance with the Monetary Consolidation Program, whereby the federal and provincial securities issued to replace the Argentine legal tender were redeemed during fiscal 2003. Such securities were issued on April 30, 2003, and the monthly amortization as well as the 2% annual interest services are adjusted by applying the indexation rate known as "CER" as provided for by Presidential Decree No. 743/03. They were not listed at 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) Argentine Government Bonds (BODEN) Series 2012 with a residual nominal value of US\$ 168,275 equivalent to ARS 325,107. These securities were acquired during the year and are valued at their listed prices.

c) Argentine Government Bonds (BODEN) Series 2013 with a residual nominal value of US\$ 21,469 equivalent to ARS 41,544. These securities were acquired during the year and are valued at their listed prices.

d) Argentine Government Bonds (BODEN) Series 2014 with a residual nominal value of ARS 168,069 equivalent to ARS 63,866 (nominal residual value of ARS 92,389 equivalent to ARS 89,433 as of December 31, 2007). These financial instruments are recorded at listed price.

e) Argentine Government Bonds (BODEN) Series 2015 with a residual nominal value of US\$ 19,000 equivalent to ARS 20,237. These securities were acquired during the year and are valued at their listed prices.

f) Argentine Government Bonds (BONAR) Series 2013 with a residual nominal value of US\$ 38,437 equivalent to ARS 49,967. These securities were acquired during the year and are valued at their listed prices.

g) Argentine Government Bonds (BONAR) Series 2017 with a residual nominal value of US\$ 358,840 equivalent to ARS 466,482. These securities were acquired during the year and are valued at their listed prices.

h) Secured Bonds (BOGAR 2018): they were received in exchange for the swaps of provincial government debt securities included in the BCRA's portfolio with a residual nominal value of ARS 404,777 equivalent to ARS 219,187 as of December 31, 2008 (residual nominal value of ARS 124,892 equivalent to ARS 178,595 as of December 31, 2007). These bonds are recorded under assets at listed prices.

i) Discount Bonds issued in US dollars and maturing on December 31, 2033 with a residual nominal value of US\$ 119,762 equivalent to ARS 160,485 (residual nominal value of US\$ 130,943 equivalent to ARS 420,156 as of December 31, 2007). Additionally, during the fiscal year, Discount Bonds 2033 issued in pesos were acquired in the residual nominal amount of ARS 4,343,000 equivalent to ARS 2,573,228 as of December 31, 2008. These financial instruments are recorded at listed prices.

j) GDP-related negotiable securities with a residual nominal value of US\$ 445,391 equivalent to ARS 43,225 (the same amount accounts for the residual nominal value equivalent to ARS 157,223 as of December 31, 2007) received upon de conclusion of the public debt restructuring process. Such financial instruments were valued at their listed prices. In addition, the holding of GDP-related negotiable securities in pesos amounts to ARS 70,138 (residual nominal value) equivalent to ARS 3,156 as of December 31, 2008 (residual nominal value of ARS 913 equivalent to ARS 80 as of December 31, 2007).

k) Other portfolio securities amounting to ARS 49,377 (ARS 43,118 as of December 31, 2007). They include bonds from the Province of Chaco in the amount of ARS 40,243 as of December 31, 2008 (ARS 42,632 as of December 31, 2007), which were valued at the most recent listed price of bonds with similar issuance characteristics. The other holdings were valued at the most recent listed price available.

4.5.2 Repo securities with the financial system

This line includes the net position of securities received in exchange for reverse repos valued at listed prices in the amount of ARS 3,015,410 as of December 31, 2008 and ARS 386,212 as of December 31, 2007 (Exhibit III), whose offsetting entry is disclosed under Due to report transactions (Note 4.21).

4.5.3 Allowance for impairment of government securities

In order to reflect the market values of the government securities recorded as of December 31, 2008, an allowance for impairment has been set up in the amount of ARS 881,534 (ARS 885,755 as of December 31, 2007), the amount of ARS 881,464 out of which corresponds to the total original amount of the issuance of the Bond referred to in 4.5.1.2.1 and the amount of ARS 70 to the total Bonds of the Province of Formosa (on default). During the year, the allowance for the bonds of the Province of Chaco mentioned in Note 4.5.1.2.3.k) was reversed, as interest service and amortization was collected. At prior year-end, the allowance amounted to ARS 4.221.

4.6 Temporary Advances to the Argentine Government

Such advances are granted pursuant to section 20 of the BCRA's Charter, as amended by Law No. 26.422 dated November 5, 2008 (Nota 2.3), which states that:

"The Bank may make temporary advances 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 Argentine Central Bank, whether in current or special accounts. It may also grant advances not exceeding 10% (ten percent) of the cash resources obtained by the Argentine Government over the last twelve months. The amount of temporary advances, excluding those to be exclusively used to pay obligations with multilateral credit agencies and obligations in foreign currency, may not exceed 12% (twelve percent) of the monetary base as previously defined. All advances 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 become due, this possibility may not be used again until the amounts due are repaid."

As of December 31, 2008, the balance of the account "Temporary advances to the Argentine government" amounts to ARS 26,580,000, the amount of ARS 14,030,000 out of which was requested by the Treasury Department to settle obligations with international credit agencies and the amount of ARS 12,550,000 for other purposes. As of December 31, 2007, total advances to the Argentine Government amounted to ARS 21,330,000, the amount of ARS 10,280,000 out of which was used to settle obligations with international credit agencies and the amount of ARS 11,050,000 for other purposes. These temporary advances do not accrue any interest and are recorded at their nominal values.

The abovementioned amounts include the following advances according to the related due dates:

- Used to settle obligations with international credit agencies:

| <u>Due date</u> | <u>12/31/2008</u> | <u>12/31/2007</u> |
|-----------------|--------------------------|--------------------------|
| 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 |
| 02/07/2009 | 1,700,000 | - |
| 02/22/2009 | 1,700,000 | - |
| 03/14/2009 | 1,700,000 | - |
| 03/31/2009 | 700,000 | - |
| 07/18/2009 | 1,950,000 | - |
| 09/29/2009 | 530,000 | - |
| 10/09/2009 | 650,000 | - |
| 12/29/2009 | 2,500,000 | - |
| 12/30/2009 | 2,600,000 | - |
| | <u>14,030,000</u> | <u>10,280,000</u> |

- Used for other purposes:

| | | |
|--------------|--------------------------|--------------------------|
| 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 |
| 10/09/2009 | 350,000 | - |
| 10/23/2009 | 1,000,000 | - |
| 11/21/2009 | 1,700,000 | - |
| 12/05/2009 | 1,300,000 | - |
| 12/11/2009 | 2,650,000 | - |
| 12/18/2009 | 2,850,000 | - |
| 12/24/2009 | 2,700,000 | - |
| | <u>12,550,000</u> | <u>11,050,000</u> |
| Total | <u>26,580,000</u> | <u>21,330,000</u> |

The advances that remain effective at prior year-end were fully settled as of December 31, 2008, pursuant to the provisions of section 20.

4.7 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>12/31/2008</u> | <u>12/31/2007</u> |
|---|-------------------------|-------------------------|
| Aid due to illiquidity - Com. "A" 3941 | 957,467 | 1,380,745 |
| Loans to subscribe Argentine Government bonds | 1,637,019 | 1,913,090 |
| Refinanced lines | 663,313 | 683,351 |
| Loans for illiquidity with other guarantees | 1,363 | 1,364 |
| Other | <u>5,883</u> | <u>8</u> |
| Subtotal | 3,265,045 | 3,978,558 |
| Less: | | |
| Allowances for loans to the financial system | <u>668,670</u> | <u>689,965</u> |
| Total | <u><u>2,596,375</u></u> | <u><u>3,288,593</u></u> |

The line "Loans to the Argentine financial system" basically discloses the amount of the aid granted in prior fiscal years to financial institutions to solve temporary illiquidity issues (pursuant to section 17 of the BCRA's Charter). Such aids were stated at their original values adjusted by applying the indexation rate known as CER, plus accrued interest and offset by an allowance determined on the estimated uncollectibility and the assessment of guarantees received. During fiscal year 2008, allowances were reversed in the amount of ARS 49,328 and new allowances were set up in the amount of ARS 28,034 (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. The outstanding balance as of December 31, 2008 relates to a financial institution. A decrease of ARS 423,278 is noted as compared to December 31, 2007.

Out of the outstanding balances of the aid granted to the financial institutions that adhered to the settlement system under Presidential Decree No. 739/03, at least 125% (technical values) of the related obligations are supported by Argentine Government secured loans (Presidential Decree No. 1.579/02) as of the date of issuance of the financial statements.

The technical values of the guarantees related to loans and rediscounts due to illiquidity considered up to the amount of the loan are recorded in memorandum accounts and include:

| | <u>12/31/2008</u> | <u>12/31/2007</u> |
|---|-----------------------|-------------------------|
| Argentine Government secured loans 2018 | <u>957,467</u> | <u>1,380,745</u> |
| Total | <u><u>957,467</u></u> | <u><u>1,380,745</u></u> |

The line "Loans to subscribe Argentine Government bonds (BODEN)" discloses the loans in Argentine pesos granted by the BCRA to financial institutions, as set forth by section 14 of Presidential Decree No. 905/02, against the guarantees set up 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>12/31/2008</u> | <u>12/31/2007</u> |
|---|-------------------------|-------------------------|
| Argentine Government secured bonds 2018 | 353,749 | 531,791 |
| Argentine Government secured bonds | 227,539 | 824,015 |
| Argentine Government bonds (BODEN) | 167,046 | 406,521 |
| Other assets | <u>888,685</u> | <u>150,763</u> |
| Total | <u><u>1,637,019</u></u> | <u><u>1,913,090</u></u> |

The line "Other" mainly includes the amounts corresponding to the transaction implemented under Communication "A" 4816 and subsequent provisions, which authorized the performance of transactions between financial institutions and the Argentine Central Bank through the "Liquidity Injection" applicable to transactions guaranteed by Secured Loans and /or Bogar 2020. As of December 31, 2008, the related balance amounts to ARS 5,480 and it is held by only one financial institution.

4.8 Contributions to international agencies on behalf of National 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 other:

| | <u>12/31/2008</u> | <u>12/31/2007</u> |
|--|--------------------------------|--------------------------------|
| Contributions to IADB, IBRD, IDA and other | 3,980,763 | 3,535,984 |
| Contributions to the IMF | <u>3,151,497</u> | <u>2,946,611</u> |
| Total | <u><u>7,132,260</u></u> | <u><u>6,482,595</u></u> |

The IMF determines the so-called "quota" that Argentina is required to pay as a member country and, as of December 31, 2008, it amounted to 2,117,100 SDRs (the same amount as of December 31, 2007) and it is recorded as follows:

| | <u>Amount in SDRs</u> | <u>Amount in Argentine Pesos as of 12/31/2008</u> | <u>Amount in Argentine Pesos as of 12/31/2007</u> |
|---|--------------------------------|---|---|
| | (*) | | |
| Treasury bills | 1,524,672 | 8,110,693 | 7,583,400 |
| Contributions to IMF in foreign currency | 529,275 | 2,815,549 | 2,632,504 |
| Contributions to the IMF in Argentine pesos | <u>63,153</u> | <u>335,948</u> | <u>314,107</u> |
| Total | <u><u>2,117,100</u></u> | <u><u>11,262,190</u></u> | <u><u>10,530,011</u></u> |

(*)The amounts are the same as of December 31, 2008 and December 31, 2007.

Treasury bills are issued by the BCRA in the name and on 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 recorded in memorandum accounts under "Nonnegotiable securities – International agencies".

4.9 Contra account of the use of the reserve tranche

This grouping records the contra account of the use of the reserve tranche received by the BCRA and transferred to the Argentine Government before September 30, 1992, in the amount of SDR 529,291, equivalent to ARS 2,815,634 (the same amount of SDR equivalent to ARS 2,632,584 as of December 31, 2007). (Exhibit II).

The use of the reserve tranche 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 such body regarding the funds used. The reserve tranche of a country represents the payment percentage of the installment established for participating in the IMF, which was included in reserve assets. (Note 4.17).

4.10 Rights deriving from other Derivative Financial Instruments

| | <u>12/31/2008</u> | <u>12/31/2007</u> |
|--|----------------------------|------------------------|
| Daily clearing margin for ROFEX Market | 3,467 | - |
| Total | <u><u>3,467</u></u> | <u><u>-</u></u> |

Through Resolution No. 181 issued June 3, 2005, the Board of Governors authorized the BCRA to join as agent of ROFEX (Rosario Futures Exchange Market) 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.

The daily clearing margin represents the amount of Argentine pesos receivable from changes in closing prices of the forward foreign exchange market, as against the open position held at the ROFEX market at year-end. As of December 31, 2008, it amounted to ARS 3,467, whereas no balance was recorded as of December 31, 2007.

4.11 Rights deriving from repo transactions

| | <u>12/31/2008</u> | <u>12/31/2007</u> |
|--|--------------------------|-------------------------|
| LEBAC (BCRA bills) receivable in Argentine pesos and delivered under repurchase agreements | 12,652,564 | 3,656,404 |
| Repurchase agreements assessment | 1,273,749 | 366,012 |
| Securities to be received from repurchase transactions under Communication "A" 4508 | 3,516,469 | 4,339,201 |
| Repurchase agreements assessment under Communication "A" 4508 | - | 114,839 |
| Rights deriving from reverse repurchase agreements | 3,905,843 | 255,087 |
| Securities to be received from repo transactions | 1,381,058 | - |
| Assets applied to guarantees for participation in the ROFEX market | 1,262,348 | 454,937 |
| Total | <u>23,992,031</u> | <u>9,186,480</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 goals of the monetary program currently in force. Resolution No. 155, issued on May 20, 2004 by the Board of Governors, authorized the issuance of LEBAC to be applied as eligible assets to repo agreements. Such resolution established that the assessment of these transactions would amount to 10% of the transaction. As of December 31, 2008, the total amount of LEBAC delivered under repurchase agreements, including premiums to be accrued, totaled ARS 12,652,564 (ARS 3,656,404 as of December 31, 2007). Such instruments have been valued at market price. (See note 4.18).

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 for such transactions may be 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, 2008, including premiums to be accrued, amounted to ARS 3,516,469 (ARS 4,339,201 as of December 31, 2007). Such assets were valued at market price as of December 31, 2008 and 2007.

Securities to be received from repo transactions, the balance of which as of December 31, 2008 amounted to ARS 1,381,058, correspond to repo transactions performed with banks and other institutions by virtue of the monetary policy strategies developed by the BCRA. They are stated at market value and their contra account is presented in Note 4.21. No balances were recorded in this account as of December 31, 2007.

As of December 31, 2008, the balance of line "Rights deriving from reverse repurchase agreements" included principal receivable in the amount of ARS 3,600,958, accrued premiums in the amount of ARS 3,762, and the assessment of such transactions in the amount of ARS 301,123. Whereas as of December 31, 2007 principal receivable and the accrued premiums amounted to ARS 253,019 and ARS 2,068, respectively. They were valued considering the prices agreed upon for each transaction plus the premiums accrued at each year-end.

In order to formalize its participation in the ROFEX market, 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, 2008, assets offered as guarantee amounted to ARS 1,262,348, whereas as of December 31, 2007, they had amounted to ARS 454,937.

4.12 Other Assets

| | 12/31/2008 | 12/31/2007 |
|---|------------------|------------------|
| Secured loans – Decree No. 1387/01 | 728,678 | 835,836 |
| Fixed assets (net of accumulated depreciation) | 140,987 | 121,206 |
| Stock of paper and coins for monetary issuance | 40,960 | 44,995 |
| Coined gold | 27,238 | 23,709 |
| Intangible assets (net of accumulated amortization) | 2,160 | 1,563 |
| Other | 282,366 | 279,178 |
| Less: | | |
| Allowances | 189,801 | 152,120 |
| Total | 1,032,588 | 1,154,367 |

The Argentine Government's obligations documented by means of secured loans (Decree No. 1387/01) held by the BCRA amounted to ARS 728,678 as of December 31, 2008 (ARS 835,836 as of December 31, 2007). Such instruments were accepted to settle the illiquidity aid granted to institutions whose license to operate had been revoked. The portfolio was valued at year-end pursuant to the provisions of circular CONAU 1-564 applicable to financial institutions (Communication "A" 3911 and supplementary regulations), which points out that such instruments must be registered at the lower of present value, determined at year-end based on the discount rate set forth in such regulation, and "technical" value, adjusted through CER plus interest accrued pursuant to contractual terms, if applicable. In addition, the difference between the previously determined values and technical (book) values was charged to a contra asset account set up for such purpose, as set forth in the abovementioned circular. (See Note 7.1. Subsequent events).

Fixed assets have been valued at acquisition cost, net of the related accumulated depreciation, including the adjustment for inflation through February 28, 2003. Depreciation is calculated based on the straight-line method, taking into account the estimated useful life of fixed assets. The net book value of assets 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 caption included the gold coins held for numismatic purposes, for which an allowance for finesse was set up, representing 1% of total inventories (see Exhibit I.)

The line "Other" includes transactions performed and settled pursuant to A.L.A.D.I's Agreement on Reciprocal Payments and Credits in the amount of ARS 160,935 as of December 31, 2008 (ARS 146,829 as of December 31, 2007), 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, an allowance was set up for the full amount (see Exhibit I). In addition, the line "other" includes ARS 16,837 corresponding to the receivables from the sale of forward securities to be settled within 72 hours, which were stated at the agreed-upon prices for each transaction and ARS 39,197 corresponding to securities receivable from the purchase of forward securities valued by computing the quoted price prevailing at year-end (neither of such items registered any balance as of December 31, 2007); credit rights derived from ACEX trust in the amount of ARS 17,266 (no balance was registered as of December 31, 2007), for which an allowance for the full amount was set up; and the amount of ARS 8,518 corresponding to the balance of items held for numismatic purposes (which amounted to \$ 8,597 as of December 31, 2007).

4.13 Monetary Base

4.13.1 Money in circulation

| | 12/31/2008 | 12/31/2007 |
|--------------|-------------------|-------------------|
| Notes | 82,883,337 | 73,712,077 |
| Coins | 1,202,918 | 1,091,655 |
| Total | 84,086,255 | 74,803,732 |

Monetary circulation accounts for the balance of notes and coins held by the public and by financial institutions at each year-end.

Changes in bank notes in circulation have been as follows:

| | <u>12/31/2008</u> | <u>12/31/2007</u> |
|--|--------------------------|--------------------------|
| Balance at beginning of year | 73,712,077 | 58,216,057 |
| New notes and notes in good conditions in the financial system | 15,390,490 | 20,196,209 |
| Notes out of circulation and destroyed or to be destroyed | <u>(6,219,230)</u> | <u>(4,700,189)</u> |
| Balance at year-end | <u>82,883,337</u> | <u>73,712,077</u> |

4.13.2 Current accounts in pesos

As of December 31, 2008, the balance of this account amounted to ARS 25,362,776 (ARS 24,474,926 as of December 31, 2007). The compensation for the amounts deposited at current accounts held with the BCRA in Argentine pesos is calculated pursuant to Communication "A" 4716, and it consists in the calculation of interest over the monthly average of daily balances at the rate fixed and published by the Trading Desk.

4.14 Current accounts in other currencies

As of December 31, 2008, they amounted to ARS 17,195,583 (ARS 8,376,585 as of December 31, 2007), and they are converted into pesos as stated in Note 3.4.1. Compensation conditions have also been defined in the referred Communication "A" 4716.

4.15 Deposits from the National Government and other

This account includes the following items:

| | <u>12/31/2008</u> | <u>12/31/2007</u> |
|--|-------------------------|-------------------------|
| Argentine Government deposits | 5,770,201 | 5,370,068 |
| A.N.S.E.S. - Social Security Payment Orders | 463,793 | 28,621 |
| Argentine Government deposits - BODEN | - | 1,497 |
| Provincial funds | 115,426 | 105,309 |
| Argentine Government deposits – Law No. 25152 – Tax anti-cyclical fund | <u>64,757</u> | <u>59,082</u> |
| Total | <u>6,414,177</u> | <u>5,564,577</u> |

4.16 Other deposits

| | <u>12/31/2008</u> | <u>12/31/2007</u> |
|-----------------------------------|-----------------------|-----------------------|
| In special accounts | 157,242 | 147,092 |
| SEDESA - Current account in pesos | 127,109 | 96 |
| Other | <u>38,809</u> | <u>25,450</u> |
| Total | <u>323,160</u> | <u>172,638</u> |

Deposits in Special Accounts include ARS 136,704 corresponding to deposits made by the Argentine Government under the terms of Section 1 of 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, 2007, the balance of such account amounted to ARS 126.711.

4.17 Obligations with international agencies

This account includes transactions with the IMF and other institutions.

The transactions with the IMF are detailed below:

| | <u>12/31/2008</u> | <u>12/31/2007</u> |
|--|-------------------------|-------------------------|
| Contra account of the use of the reserve tranche | 2,815,634 | 2,632,584 |
| SDRs allocated | 1,696,843 | 1,592,920 |
| Other deposit accounts | 334,898 | 313,126 |
| Total | <u>4,847,375</u> | <u>4,538,630</u> |

As regards line "Bank for International Settlements (BIS)", it is informed that Resolution No. 377 issued by the Board of Governors on December 15, 2005, approved the credit installments agreement with such institution. This resolution was based on the need of having mechanisms favoring the immediate and highest availability and liquidity of international reserves. As of December 31, 2008, its balance amounted to ARS 6,251,264, whereas as of December 31, 2007, it amounted to ARS 4,789,520. Additionally, the BIS account includes ARS 64,055 related to the due capital for such entity's share subscription (ARS 59,891 as of December 31, 2007).

4.18 Securities issued by the BCRA

In accordance with section 18 of its Charter, the BCRA is authorized to issue securities or bonds, as well as participation certificates on its securities holdings. This monetary instrument called LEBAC has been issued in Argentine pesos and US dollars ever since 2002. However, the last foreign-currency denominated issue was made in January 2006, and no balances were recorded for such item over the last two fiscal years. These financial instruments are traded at a discount and are stated at nominal value net of interest accrued at year-end.

As from May 2004, the Board of Governors' Resolution No. 155/04 authorized that a portion of LEBAC issue be used as monetary regulation instruments to perform repo transactions. As a result, the LEBAC portfolio used for such transactions was stated at market value, and was presented net of the amount corresponding to "Securities issued by the BCRA" (see note 4.11).

As from October 2, 2003, the BCRA issued NOBAC in pesos with an annual 8% coupon for a 3-year term, and NOBAC in pesos to be adjusted by CER with an annual 3% coupon for 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 are stated at nominal value, plus interest accrued at 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 within the domestic market and earmarked for legal entities organized in Argentina and subject to the constant oversight of domestic regulatory and controlling agencies, financial institutions authorized by the BCRA to trade its own portfolio as well as natural persons residing in Argentina and official accounts.

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

| | <u>12/31/2008</u> | <u>12/31/2007</u> |
|--|--------------------------|--------------------------|
| Bills and notes issued in local currency | | |
| Primary issuance of bills and notes | 68,328,304 | 65,295,183 |
| Bills in portfolio available for repurchase agreements | (14,736,748) | (6,753,604) |
| Notes in portfolio available for repurchase agreements | (490,584) | (1,256,551) |
| Total | <u>53,100,972</u> | <u>57,285,028</u> |

Exhibit V shows the stock of LEBACs and NOBACs effective at each year-end, broken down by type of instrument and maturity term. It should be noted that the average annual nominal rate in fiscal year 2008 accounted for 13.14% (10.96% in fiscal year 2007).

4.19 Contra account of Argentine Government contributions to international agencies

As of December 31, 2008, the balance of this item in the amount of ARS 2,848,088 represents the contra account of Contributions to international agencies on behalf of the National Government as from September 30, 1992; date on which the BCRA's Charter was amended. The balance as of December 31, 2007, amounted to ARS 2,514,396.

4.20 Due to Other Derivative Financial Instruments

Securities to be delivered due to forward sales of foreign currency and Payables from forward purchases of foreign currency carried out in the ROFEX forward foreign exchange market in fiscal year 2007 amounted to \$3,518,630. In this fiscal year, they were disclosed under memorandum accounts as stated in note 5.

4.21 Due to repo transactions

| | <u>12/31/2008</u> | <u>12/31/2007</u> |
|---|--------------------------|-------------------------|
| Amounts payable due to repurchase agreements | 12,656,990 | 3,662,796 |
| Obligations from reverse repurchase agreements assessments | 301,120 | 28,113 |
| Obligations from repurchase agreements - Communication "A" 4508 | 3,353,979 | 4,235,365 |
| Securities to be delivered for reverse repurchase transactions | 3,912,748 | 281,279 |
| Securities to be delivered for repo transactions | 1,458,102 | - |
| Total | <u>21,682,939</u> | <u>8,207,553</u> |

As of December 31, 2008, the amounts payable due to repurchase agreements totaled \$ 12,656,990 and correspond to funds to be reimbursed to financial institutions upon maturity of the transactions mentioned in Note 4.11. Such funds are composed of principal, premiums, and assessments in the amounts of ARS 11,353,090, ARS 30,150 and ARS 1,273,750, respectively (as of December 31, 2007, such balances amounted to ARS 3,294,108, ARS 2,676 and ARS 366,012, respectively). They were valued based on the prices agreed upon for each transaction plus the related premiums accrued at each year-end.

Moreover, as of December 31, 2008, amounts payable due to repurchase agreements regulated by Communication "A" 4508, and described in note 4.11, amount to ARS 3,353,979, whereas as of December 31, 2007, such account amounted to ARS 4,235,365.

As of December 31, 2008, securities to be delivered due to obligations from reverse repurchase agreements amounted to ARS 3,912,748; ARS 3,910,311 out of such amount accounted for domestic as well as foreign government securities holdings to be reimbursed due to reverse repurchase agreements, stated at market price, and the amount of ARS 2,437 accounted for premiums to be accrued (as of December 31, 2007, such amounts totaled \$280,743 and \$ 536, respectively, which added up ARS 281,279 as a whole).

Securities to be delivered due to repo transactions reflect the contra account of the transactions mentioned in Note 4.11, the balance of which as of December 31, 2008, amounts to ARS 1,458,102, whereas no balance was recorded as of December 31, 2007.

4.22 Other liabilities

This account includes the following items:

| | <u>12/31/2008</u> | <u>12/31/2007</u> |
|--|--------------------------|-------------------------|
| Obligations from subscription of BODEN | 1,152,366 | 1,375,154 |
| Obligations from servicing secured loans | 377,885 | 193,442 |
| Obligations to the Argentine Government | 228,812 | 126,091 |
| Revolving funds and other foreign-currency denominated obligations | 10,170,375 | 592,061 |
| Other | 919,297 | 677,239 |
| Total | <u>12,848,735</u> | <u>2,963,987</u> |

As of December 31, 2008, the obligations arising from the subscription of BODEN amount to ARS 1,152,366 (ARS 1,375,154 as of December 31, 2007) and account for amounts due to the Argentine Government. Such obligations will be settled in the amount equivalent to interest overdue on each series of bonds, when so instructed by the Finance Department.

The line "Obligations from servicing secured loans" includes the funds that will be used to pay the abovementioned loan services, which amounted to ARS 377,885 as of December 31, 2008. (As of December 31, 2007, such amount totaled \$ 193,442).

The line "Obligations to the Argentine Government" includes deposits of funds allocated to the Global Credit Program for Micro, Small and Medium Size Companies. This program is financed through a loan granted by the Inter-American Development Bank to the Argentine Government to provide credit facilities to micro, small and medium size companies engaged in primary or industrial production, product selling or service rendering activities (except for financial services). As of December 31, 2008, such balance amounts to \$ 228,812. (As of December 31, 2007, such balance amounted to \$ 126,091).

Revolving funds and Other foreign-currency denominated obligations represent transactions related to international agreements entered into with foreign multilateral or official agencies, central banks, or other bodies from which only the BCRA, in its own capacity, or as a financial agent of the National Treasury may borrow, pursuant to the provisions of section 17 of its Charter.

The balance of Revolving Funds includes disbursements made by the Inter-American Development Bank (IADB) earmarked for loan transactions, technical cooperation transactions, and small projects to acquire goods and services, pursuant to the terms and conditions of the agreements entered into with such international agency.

Other obligations in foreign currency correspond to financing obtained from foreign financial institutions and other entities by the BCRA for the implementation of its monetary policy strategies.

The main items included in the line "Other", among others, are described below: Obligations to the Argentine government derived from repayment of loans with Bocones in the amount of \$ 275,606 (\$ 225,497 as of December 31, 2007), unallocated items in the amount of \$ 180,697 (\$ 143,266 as of December 31, 2007), and the contra account for trading government securities to be settled in 72 hours in the amount of ARS 56,131 (See Note 4.12). No balance has been recorded as of December 31, 2007.

4.23 Provisions

Provisions set up at year-end are detailed in Exhibit I and include the following items:

| | <u>12/31/2008</u> | <u>12/31/2007</u> |
|--|-------------------------|-------------------------|
| Provisions for lawsuits | 1,226,916 | 1,149,467 |
| Provisions for difference due to conversion into pesos – Com. "A" 4058 | 1,007 | 991 |
| Provisions for guarantee fund Law 22.510 | 3,986 | 9,402 |
| Other Provisions | <u>45,128</u> | <u>49,085</u> |
| Total | <u>1,277,037</u> | <u>1,208,945</u> |

The method used by the BCRA to determine the amount of the provisions for lawsuits has been as follows:

Lawsuits were classified based on their procedural status and nature (lawsuits for the return of deposits, labor lawsuits, etc.). Based on such classification, the provision was estimated taking into account the percentage of identical or similar lawsuits ended.

Lawsuits prior to April 1, 1991, were adjusted by applying the General Wholesale Price Index plus an annual interest rate of 6% until March 31, 1991, and as from such date onwards, by applying the regular savings account rate published by the BCRA. In the case of lawsuits subsequent to March 31, 1991, and prior to January 1, 2002, the borrowing rate set by BCRA Notice No. 14.290 was applied until December 31, 2001, and from such date onwards, the regular savings account rate based on Law No. 25.344 was applied. In the case of lawsuits subsequent to December 31, 2001, and up to year-end date, 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. The likelihood of an unfavorable outcome for the BCRA is remote as of the date of issuance of these financial statements; therefore, no provision has been set up.

The provision for redenomination into pesos derived from discrepancies in the amounts arising from translating into Argentine pesos the balances of foreign-currency denominated current accounts held with the BCRA and of Liquidity Requirements accounts held at the Deutsche Bank, New York, amounted to ARS 1,007 as of December 31, 2008. As of December 31, 2007, such amount totaled ARS 991. Such entry represents the estimated amount to be reimbursed to financial institutions, as determined by the applicable regulations, which was recorded as a contra account in the statement of income.

4.24 Statement of income – Main accounts

As mentioned in note 3.2, for a clearer presentation and breakdown of accounts comprising income/ (loss) of a different nature, income/ (loss) has been classified according to the assets or liabilities items that originated them.

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

Interest and adjustments income

| | <u>12/31/2008</u> | <u>12/31/2007</u> |
|--|-------------------------|-------------------------|
| On International reserves | | |
| Foreign government securities | 2,393,320 | 2,963,660 |
| Time deposits | 1,536,795 | 2,116,683 |
| Demand deposits and foreign currency | 412,576 | 529,188 |
| Multilateral credit agreements | 2,290 | 3,697 |
| Total: | <u>4,344,981</u> | <u>5,613,228</u> |
| On government securities | | |
| Interest on nontransferable bill - Maturity 2016 | 855,198 | 1,297,348 |
| Interest on government securities | 991,853 | 165,246 |
| CER on government securities | 424,821 | 659,200 |
| Total: | <u>2,271,872</u> | <u>2,121,794</u> |
| On loans to the financial system | | |
| Interest income | 63,528 | 123,997 |
| (Gain) loss on CER application | 94,044 | 220,266 |
| Total: | <u>157,572</u> | <u>344,263</u> |
| On other assets | | |
| Interest and adjustments on secured loans | 95,126 | 109,040 |
| Other interest income | - | 123 |
| Total: | <u>95,126</u> | <u>109,163</u> |

Interest and adjustments expense

On securities issued by the BCRA

| | | |
|--------------------------------|-------------------------|-------------------------|
| Interest on Lebac | 2,658,295 | 2,069,014 |
| Interest on Nobac | 4,078,083 | 3,994,792 |
| Gain (loss) on CER application | 85,323 | 214,409 |
| Total: | <u>6,821,701</u> | <u>6,278,215</u> |

On loans borrowed from international agencies

| | | |
|-----------------------------|----------------|----------------|
| Net charges paid to the IMF | 41,096 | 61,545 |
| Other obligations | 241,294 | 80,121 |
| Total: | 282,390 | 141,666 |

On other transactions with the financial system

| | | |
|---|----------------|----------------|
| Interest on current account balances | 259,699 | 243,921 |
| Net premiums accrued on repo transactions | 721,977 | 223,599 |
| Total: | 981,676 | 467,520 |

Net reversals of allowances for government securities and loans to the financial system

| | | |
|---|---------------|----------------|
| Loans to the Argentine financial system | 21,294 | 399,094 |
| Government securities | 4,221 | 13,195 |
| Total: | 25,515 | 412,289 |

Listed price differences, net

| | | |
|--|------------------|------------------|
| International reserves | | |
| Gold | 620,586 | 1,070,680 |
| Foreign currency, time and demand deposits | 10,427,601 | 2,068,782 |
| Foreign government securities | 2,919,814 | 3,239,942 |
| Other | 6,350 | 1,387 |
| Argentine Government Securities | (3,607,699) | (460,888) |
| Entities' deposits in current accounts and Argentine Government deposits | (1,449,809) | (215,678) |
| International agencies | (1,136,585) | (11) |
| Other valuation adjustments of assets and liabilities | (237,742) | 446,328 |
| Total: | 7,542,516 | 6,150,542 |

Other financial instruments trading differences**(Loss)/Income:**

| | | |
|--------------------------------------|--------------------|----------------|
| On transactions with securities | 102,125 | 12,371 |
| On transactions with gold options | - | (2,028) |
| On forward/futures transactions | 31,912 | - |
| On transactions with Lebac and Nobac | 160,276 | (87,827) |
| On forward transactions | (2,122,997) | 209,288 |
| Total: | (1,828,684) | 131,804 |

Monetary issuance expenses

| | | |
|---------------------|----------------|----------------|
| Materials | 40,980 | 22,207 |
| Coinage and minting | 103,629 | 70,852 |
| Other expenses | 27,357 | 23,317 |
| Total: | 171,966 | 116,376 |

General expenses

| | | |
|------------------------|-----------------------|-----------------------|
| Amortization | 9,979 | 10,355 |
| Other general expenses | <u>452,692</u> | <u>321,382</u> |
| Total: | <u>462,671</u> | <u>331,737</u> |

(Set-up)/Reversals of other allowances, net

| | | |
|---|-------------------------|-----------------------|
| Allowance for coined gold | (35) | 79 |
| Allowance for conversion into pesos – Com. "A" 4058 | (16) | (25) |
| Allowance for lawsuits | (125,046) | 135,190 |
| Other allowances | <u>(33,690)</u> | <u>1,073</u> |
| Total: | <u>(158,787)</u> | <u>136,317</u> |

NOTE 5 – DEBIT- AND CREDIT-BALANCE MEMORANDUM ACCOUNTS

As of December 31, 2008, debit- and credit- balance of memorandum accounts amounted to ARS 435,445,177 (ARS 443,090,681 as of December 31, 2007), which are broken down as follows:

| | <u>12/31/2008</u> | <u>12/31/2007</u> |
|---|---------------------------|---------------------------|
| Checks and securities in custody | 222,411,090 | 258,648,285 |
| Checks and securities received as guarantee | 14,183,605 | 12,609,705 |
| Notes and coins in Treasury's custody | 143,551,859 | 131,768,880 |
| Nonnegotiable securities – International agencies | 8,517,245 | 7,987,951 |
| Loans classified as irrecoverable | 23,151,571 | 23,242,723 |
| Fines under the criminal foreign exchange system – Section 41, Financial Institutions Law | 325,355 | 329,584 |
| Forward transactions: | | |
| - MAE (electronic over-the-counter market) | 13,772,095 | 4,563,987 |
| - ROFEX market | 8,997,814 | 3,518,630 |
| - Non Deliverable Forward (NDF) market | 102,263 | - |
| Funds managed on behalf of the Treasury Department | 388,749 | 377,368 |
| Other | 43,531 | 43,568 |
| Total | <u>435,445,177</u> | <u>443,090,681</u> |

The disclosure criteria applied to the balances of forward foreign currency transactions carried out in the ROFEX market was changed in this fiscal year, and they are now included in the "Memorandum accounts – Forward transactions". As of December 31, 2007, such balances were presented in the accounts "Rights deriving from forward transactions" and "Obligations arising from forward transactions" under Assets and Liabilities, respectively. As of December 31, 2008, the balance of such transactions amounted to ARS 8,997,814.

Additionally, as from May 2008, the BCRA started to operate in the Non-Deliverable Forward (NDF) market, a benchmark market for the peso quotation abroad, including up to one-year term transactions performed with counterparties whose credit rating is above AA. Positions included in line "Forward transactions" amount to \$ 102,263.

NOTE 6 - RISK MANAGEMENT AND INTERNATIONAL RESERVES ACCUMULATION POLICIES

Over the last few years, the BCRA implemented prudential anti-cyclical policies such as accumulating reserves and using some financial instruments in line with risk management good practices.

The BCRA uses financial instruments to meet monetary policy goals and to manage international reserves. Although not primarily intended to make a profit, the financial instruments the BCRA uses must enable it to comply with its monetary policy functions. In this regard, its risk management policy differs from that of other institutions.

As regards managing risks inherent to the financial instruments that make up the International reserves, it is to note that they are daily monitored for their market values, and that their investment process is subject to the provisions of the BCRA's Charter and the guidelines set by the BCRA's Board of Governors. (See Notes 6.1, 6.2 and 6.3)

6.1 Credit risk

Credit risks are related to the possibility of loss as a result of counterparties default. The abovementioned investment guidelines establish that countries eligible 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 agency securities issued by 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

Market risk derives from fluctuations in market parameters. Therefore, "market risks" include sub-risks related to fluctuations in exchange rates, interest rates and prices. Investment guidelines for this type of risks state that the portfolio duration cannot exceed 2 years and a half, and that investment in currencies other than the US dollar cannot exceed 30% of total International Reserves.

Through Resolution No. 144/06, 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 physical gold options over the first quarter of 2008 allowed the BCRA to mitigate the risk of market price fluctuations. It was decided to implement a collar strategy according to which the BCRA would hold European-like put options purchased matched to call options sold.

Likewise, in order to cover the BCRA's position in Euros (4.8 % of International Reserves as of December 31, 2008, and 9.6% as of December 31, 2007), a collar maturing towards late 2008 was implemented during this fiscal year, and futures sales with the same maturity date were carried out towards mid-year. Both transactions were settled before year-end. As of December 31, 2007, there were no open positions in options on other portfolio currencies, although from October through November 2007, a similar strategy was used for the position in Euros as that used for the physical gold position.

Additionally, structured deposits continued to be used in fiscal year 2008. Such deposits combine deposits payable at an earlier time in a given currency with the simultaneous launching or sale of a European-type call option on that same currency, which will be settled on the maturity date of the deposit, and at a price determined by its cross rate against another currency. As of December 31, 2008, no investments were placed on this portfolio (the same situation took place as of December 31, 2007).

The BCRA's position on derivative instruments used for the referred purposes as of December 31, 2008 is presented in Note 4.4.

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 settlement.

NOTE 7 – SUBSEQUENT EVENTS

7.1 Secured loans swap

The Treasury and Finance Departments, by means of Joint Resolutions Nos 8/2009 and 5/2009, respectively, have formalized the debt swap applicable to loans secured by Bonds - BADLAR Privada +275 basic points issued by the Argentine Government in pesos, maturing in 2014, and by promissory notes - BADLAR Privada +275 basic points issued by the Argentine Government in pesos, maturing in 2014. Resolution No. 19 issued on January 22, 2009, by the BCRA's Board of Governors authorizes to swap Bonds - Badlar Privada + 275 basic points for the nominal value of such bonds, which amounts to ARS 557,968. The following secured loans were included in the swap agreement:

- BP 580 Mega Nominal Value: ARS 89,455
- TF Bonte 6 Nominal Value: ARS 38,233
- TF Global 08 Nominal Value: ARS 51,202

This swap transaction was carried out on January 30, 2009, disclosing a gain of ARS 12,450.

7.2. Settlement of advances for the subscription of BODEN

During the first quarter of 2009, four financial institutions repaid advances for the subscription of BODEN in the amount of ARS 327,677 (principal, interest and CER), which account for 20% of the total of this line.

7.3. Currency swap agreements

On April 6, 2009, the BCRA's Board of Governors issued Resolution No. 95 by means of which it approves the subscription of a bilateral currency swap agreement between the BCRA and the People's Bank of China. The agreement is worth 70,000,000 Yuan / 38,000,000 pesos, will be in force for a three-year term, and might be extended upon the parties consent.

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, 2008.