

**NOTES TO THE FINANCIAL STATEMENTS FOR THE
FISCAL YEAR
ENDED DECEMBER 31, 2000**

NOTE 1 - NATURE AND PURPOSE OF BANCO CENTRAL DE LA REPÚBLICA ARGENTINA (B.C.R.A.).

The B.C.R.A. is an autarchic entity of the State governed by the terms of its Charter (Sect. 1 of Law No.24,144).

The primary function of the Institution is to preserve the value of the currency. In addition, it is to implement monetary and financial policies aimed at safeguarding the role of the currency as a repository of value, the unit of account and an instrument of payment for the settlement of monetary obligations.

The Bank is the Financial Agent of the State, the country's depository and agent before international monetary, banking and financial institutions with which the Nation does business.

NOTE 2 – ACCOUNTING STANDARDS APPLIED

2.1 - Basis for presentation of the Financial Statements

The Institution has prepared its Financial Statements in accordance with professional accounting standards and general valuation criteria established for entities in the Argentina financial system, observing the terms of Law 23,928 on Convertibility, in particular sections 4, 5 and 6.

The financial statements are prepared in comparative form with those for the previous fiscal year.

The financial statements are shown in Argentine pesos. Figures in the Notes and Exhibits to the financial statements are disclosed in thousands.

2.2 General criteria on valuation and recognition

2.2.1 Consideration of the effects of inflation

In accordance with the guidelines established by National Executive Decree No.316/95 and by Communication "A" 2365 issued to Financial Entities by this Institution, the application of inflation adjustment has been discontinued as from September 1, 1995.

2.2.2 Assets and liabilities in local currency

Assets and liabilities are recorded at present value according to current accounting standards.

2.2.3 Assets and Liabilities in Foreign Currency

Valued at the Banco de la Nación Argentina selling rate in force at the close of business on the last working day of the year.

2.2.4 Criteria for the recognition of income and expenditure

Income and expenditure are recognised on an accrual basis and are calculated according to the Argentine law or agreements between the participating parties, as the case may be.

NOTE 3 - COMPOSITION AND MAIN VALUATION CRITERIA FOR THE PRINCIPAL FINANCIAL STATEMENT HEADINGS

3.1 Gold

	<u>31/12/2000</u>	<u>31/12/99</u>
Gold	6.683	122.244
1% gold purity allowance (Exhibit I)	<u>(52)</u>	<u>(981)</u>
	<u>6.631</u>	<u>121.263</u>

Gold coin stocks were valued at the end of the year in United States dollars at US\$ 272.6 (US\$ 290.3 at December 31, 1999) per troy ounce- stated in United States dollars and converted into pesos according to the criterion disclosed in Note 2.2.3. The market value of the premiums related to the sale option contracts taken out by the Institution has been included under this heading, as a result of which the average price totals US\$ 379.0 per troy ounce (US\$ 361.7 at December 31, 1999) -stated in units of United States dollars.

3.2 Foreign Currency

	<u>31/12/2000</u>	<u>31/12/1999</u>
Held in Treasury	73.178	396.110
Current accounts with foreign correspondents and “overnight” deposits		
	<u>570.104</u>	<u>667.388</u>
	<u>643.282</u>	<u>1.063.498</u>

3.3 Deposits to be realised in foreign currency

This account includes the following investments made abroad:

	<u>31/12/2000</u>	<u>31/12/1999</u>
Short-term government securities	861.182	359.641
Time deposits in foreign currency	8.480.422	4.564.911
Sight deposits	724.455	157.838
Custody agreements	5.309.378	5.401.782
Certificates of Deposit	1.694.172	5.040.541
Repurchase agreements	<u>624.296</u>	<u>2.291.181</u>
	<u>17.693.905</u>	<u>17.815.894</u>

Sight deposits and time deposits have been recorded at face value plus interest accrued until the end of the year. Certificates of deposit have been valued at cost plus interest accrued at the end of the year.

3.4 Government securities included in freely available reserves

Includes securities detailed in Exhibit IV under the heading of “Government Securities included in freely available reserves” valued at market prices at the end of the year.

3.5 Government securities

3.5.1. 1990 National Treasury Consolidated Bond:

This Bond was issued on January 2, 1990 to consolidate obligations assumed by the National Government for advances of funds from the B.C.R.A. in accordance with National Executive Decree No. 335/91. This is a 99-year zero-coupon bond in pesos, the principal of which is restated according to changes in the quotation of the United States dollar on the basis of the Banco de la Nación Argentina buying rate of exchange. Repayments of restated principal will be made as from year ten. Re-statement has been accrued until 31.03.91 in accordance with section 8 of the Convertibility Act.

At the date of issue of these financial statements no repayments have been made on this bond. Furthermore, a draft bill is being considered that would extend the grace period for ten years. Because of the financial features of this Bond, basically its term, grace periods and the fact that it does not accrue interest, the asset balance is adjusted by an amount

equivalent to the accrual of the principal adjustment so as to maintain the valuation at its original issue value.

3.5.2 Bills issued in relation to I.M.F. loans

Includes the debt entered into by the Treasury Secretariat with the B.C.R.A. corresponding to the transfer of the funds received by this Institution from the I.M.F. until 30.09.92, documented at that date by means of the issue of National Treasury Bills. This asset stated in Special Drawing Rights (SDRs) has exactly the same financial features as the liability abroad (Note 3.14). As a result, its servicing has been collected in synchronisation with the payments of principal and interest on the foreign liability.

3.6 Loans to the Argentine Financial System

Rediscounts and advances to financial entities mainly represent funds granted to attend to needs arising out of temporary liquidity shortages recorded by financial entities and other lines made available prior to the introduction of the new Charter for the Institution in force since 1992. These rediscounts and advances to financial entities are offset by a provision calculated on the basis of the estimated uncollectibility risk of the mentioned loans. In the case of the balances in relation to previously existing credit lines, it should be noted that the amount of \$26,680 corresponding to the former Banco Nacional de Desarrollo is to be met by the Ministry of Economy, once the corresponding financial statements for "Banade –Patrimonio en Liquidación" have been issued, with the Ministry establishing the financial conditions for settlement; as a result no provision has been set up for these balances.

Advances in relation to entities in liquidation represent advances made to return deposits and to meet the cost of the liquidation process for financial entities being wound up and equity released in liquidation processes for \$ 20,948,020 (\$ 20,951,924 at 31.12.99) which have been fully provided for since 1990, without prejudice to such action as may be necessary to pursue their collection. (Exhibit I)

3.7 Contributions to international agencies on account of the National Government

	<u>31/12/2000</u>	<u>31/12/1999</u>
Contributions to the I.M.F.	771.880	813.113
Contributions to the I.D.B., I.B.R.D., A.I.F and others	<u>864.253</u>	<u>762.302</u>
	<u>1.636.133</u>	<u>1.575.415</u>

3.8 Funds transferred to the National Government for placements with the I.M.F.

This account reflects the transfer to the Treasury Secretariat of funds received from the International Monetary Fund as from 30.9.92. This account receives the same financial treatment as is given to the liability abroad (Note 3.14)

3.9 Other assets

	<u>31/12/2000</u>	<u>31/12/1999</u>
Transfer to Treasury Secretariat on account of profits as per Sect.30 of the Charter	750.000	550.000
Net rights on swap transactions	9.484.677	9.783.116
Fixed assets (net of accumulated depreciation)	52.633	78.368
Intangible assets (net of accumulated amortisation)	1.481	1.414
Debtors from repo transactions	155.983	-
Sundry	<u>231.510</u>	<u>644.581</u>
	<u>10.676.284</u>	<u>11.057.479</u>

Fixed assets have been valued at acquisition cost net of the corresponding accumulated depreciation. Depreciation is calculated by the straight-line method taking into account the estimated useful lives of the fixed assets. The residual value of the assets as a whole does not exceed the value of their economic use, on the basis of current information.

The B.C.R.A. called for an independent appraisal of certain real estate belonging to it, determining for each building the value corresponding to the land and to the construction. This task gave rise to a total appraised value of \$43,216. As a consequence of the review of the results of the technical appraisal undertaken, during the current year it has been necessary to adjust the balance of the Real Estate in an amount of \$ 33,159, they have been imputed to Technical Appraisal of Real Estate account originated in Fiscal 1989 in an amount of \$ 18,966 and the Adjustment to the Results of Previous Years for \$13,347 made up of \$ 14,193 corresponding to the adjustment for technical appraisal offset by an amount of \$ 846 from the recalculation of the corresponding depreciation.

3.10 Monetary circulation

	<u>31/12/2000</u>	<u>31/12/1999</u>
Notes	14.479.000	15.922.000
Coins	575.195	570.774
	<u>15.054.195</u>	<u>16.492.774</u>

The balance of the Monetary Circulation account at the end of each year corresponds to notes and coins held by the public and by banks.

The evolution of the bank-notes in circulation account has been as follows:

	<u>31/12/2000</u>	<u>31/12/1999</u>
Balance at the beginning of the year	15.922.000	15.821.000
New notes and notes in good condition in the Financial System	5.568.000	7.229.000
Notes withdrawn from circulation and destroyed or in the process of being destroyed	<u>(7.011.000)</u>	<u>(7.128.000)</u>
Balance at the end of the year	<u>14.479.000</u>	<u>15.922.000</u>

3.11 Current accounts in dollars

	<u>31/12/2000</u>	<u>31/12/1999</u>
Deposits in current accounts of financial entities	11.712	23.478
Deposits to be used for ANSES payments	11.082	7.969
Others	<u>28</u>	<u>12</u>
	<u>22.822</u>	<u>31.459</u>

3.12 Deposits of the National Government and others

	<u>31/12/2000</u>	<u>31/12/1999</u>
Deposits by the National Government	1.711.609	884.403
Provincial Funds	56.503	49.191
Others	<u>726</u>	<u>1.857</u>
	<u>1.768.838</u>	<u>935.451</u>

3.13 Other deposits

	<u>31/12/2000</u>	<u>31/12/1999</u>
In special accounts	13.626	22.338
Special "Micro Pyme" program	1.175	1.927
Sundry	<u>5.538</u>	<u>1.108</u>
	<u>20.339</u>	<u>25.373</u>

3.14 International Monetary Fund

	<u>31/12/2000</u>	<u>31/12/1999</u>
Offsetting item for funds transferred to the Treasury Secretariat and bills drawn against Obligations	5.745.249	5.221.134
SDRs Assigned	414.807	436.966
Other deposit accounts	<u>82.299</u>	<u>86.695</u>
	<u>6.242.355</u>	<u>5.744.795</u>

The contra entries for the funds transferred to the Treasury Secretariat are the currency amounts recorded under the following headings:

	<u>31/12/2000</u>	<u>31/12/1999</u>
1996 Stand-by	478.494	814.585
1992 Extended Facilities Agreement	2.508.337	3.680.092
2000 Stand-by and Supplementary Reserve Facility	2.068.799	--
Utilisation of Reserve Tranche	<u>689.619</u>	<u>726.457</u>
	<u>5.745.249</u>	<u>5.221.134</u>

3.15 Other liabilities

	<u>31/12/2000</u>	<u>31/12/1999</u>
Net obligations for swap transactions (Exhibit III)	9.484.677	9.783.116
Obligations due to the National Government	742.605	706.203
Repo transaction creditors	151.845	--
Sundry	<u>270.799</u>	<u>684.137</u>
	<u>10.649.926</u>	<u>11.173.456</u>

3.16 Provisions

	<u>31/12/2000</u>	<u>31/12/1999</u>
Provision for matters in litigation (Exhibit I)	1.121.049	1.076.337
Provision for Guarantee Fund - Law 22510 (Exhibit I)	3.542	3.369
Other provisions (Exhibit I)	<u>5.431</u>	<u>5.431</u>
	<u>1.130.022</u>	<u>1.085.137</u>

The criterion used by the entity to determine the “Provision for Matters in Litigation” has been as follows:

Lawsuits for which there is still no firm ruling have been classified according to their nature (lawsuits for the return of deposits, labour lawsuits, etc.) establishing a percentage of probable rulings unfavourable to the B.C.R.A. on the basis of past experience and setting up a provision accordingly.

In the case of lawsuits prior to 1.04.91, which will be settled by means of the delivery of Debt Consolidation Bonds, the amount estimated has been restated to 31.12.2000 on the basis of the interest paid on such bonds. In view of the requirements of the Economic and Financial Emergency Act (Law No.25.344), lawsuits subsequent to 1.04.91 will also be settled in Debt Consolidation Bonds and have been restated using the rate of interest on ordinary savings accounts published by the B.C.R.A. as established by Communication “A” 1828.

In addition, there are lawsuits brought against the B.C.R.A. for loss and damages for undetermined amounts which at the date of issue of these financial statements are considered only remotely likely to have an outcome adverse to the B.C.R.A., for which no provision has been set up.

Note 4 – CONTINGENT REPO PROGRAM

The Contingent Repo Program is one of the elements of the liquidity policy that the BCRA has designed for the financial system. Its principal purpose is to generate a strong dissuasive effect, operating as liquidity insurance, increasing the confidence of international financial market operators.

Under this Contingent Repo Program the BCRA has the option of entering into repurchase and swap agreements, selling bonds issued by the National Government and mortgage notes issued under Law 24,441, both types of asset issued in United States dollars, receiving the corresponding funds. The average term the Program is in force is approximately 2 years.

SEDESA (Seguro de Depósitos S.A.) bears the cost of the Program. Its source is the Deposit Guarantee Fund made up of contributions from local banks as required by Law 24,485 and its regulatory decree and modifications.

This Contingent Repo Program was significantly reinforced with contributions from multilateral credit agencies such as the World Bank and the Inter-American Development Bank.

At December 31, 2000 the total resources of the Program amounted to US\$ 5,745,000 (US\$ 7,450,000 at December 31, 1999).

Note 5 – SUBSEQUENT EVENTS

On April 17, 2001 approval was given to Decree No. 439/2001 modifying the B.C.R.A. Charter. This change has no impact on the Financial Statements at December 31, 2000.

Note 6 - RESTRICTIONS ESTABLISHED BY SECT.6 OF LAW 23,928

As established by Sect.6 of the Convertibility Act, reserves included under the heading of Freely Available Reserves constitute a common pledge on the balances disclosed under the Monetary Base heading, cannot be attached and may be applied only as established in that law. These two accounts are those referred to in Sect.5 of Law 23,928.

Comparison of these headings to the data show on Exhibit III evidences differences in their measurement methodology, attributable to the calculation of the net position for repos with financial entities for an amount of \$ 9,484,677 at December 31, 2000 as detailed in Notes 3.9 and 3.15 and the funds that the National Government holds on deposit with this B.C.R.A. for \$1,768,838 (Note 3.12)

Although the particular characteristics of this Institution and the missions and functions assigned to it by its Charter, and specifically its power to issue notes and coins, added to the specific nature of the transactions it performs mean that it is not in a position to prepare a Statement of Cash Flows, a table with similar characteristics has been added as Exhibit V that reflects the reality of the economic situation of the entity. This table shows the items that explain the evolution over 2000 of the main representative indicators.