

Translation from the original prepared in Spanish. The accounting principles referred to are those generally accepted in Argentina.

AUDITOR'S REPORT

To the President and Directors of
Banco Central de la República Argentina
Reconquista 266
Buenos Aires

We have audited the balance sheet of Banco Central de la República Argentina (BCRA) as of December 31, 2002 and the related statements of income, changes in net equity, the notes 1 to 5 and Exhibits I to V for the year then ended, presented with comparatives for the prior year. The preparation of the financial statements is the responsibility of the Bank's Directors. Our responsibility is to express an opinion on the financial statements based on our audit.

Our audit was conducted in accordance with the auditing standards in force in the Republic of Argentina and, where applicable to the particular nature of the Bank's operations, with the "Minimum Auditing Standards for External Auditors" issued by the BCRA. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used, the significant estimates made by the Bank's Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

On August 15, 2002, we issued a disclaimer of opinion based on our audit of the financial statements as of December 31, 2001, taken as a whole. The disclaimer was due to the unknown effects as of December 31, 2001 that might have derived from the economic and financial conditions prevailing as of the date the financial statements were issued, which originated from the significant withdrawal of deposits from the financial system and the subsequent restrictions over funds withdrawals imposed in December 2001, the default on the foreign public debt by the National Government and the subsequent devaluation of the Argentine peso, which affected the valuation of the government securities portfolio, the loans to the financial system and the exposure to the National Government as a result of the funds transferred to it for placements from the International Monetary Fund (IMF). However, we issued an unqualified opinion on the following captions: Contributions to International Agencies on behalf of National Government, Monetary Base, Current Accounts in other currencies, National Governments deposits and other, Other Deposits, Due to International Agencies and Provisions considered individually, included in the financial statements.

The events described above have continued generating effects on the financial position of the BCRA and the results of its operations for the year ended December 31, 2002, which cannot be estimated. This is particularly so as a result of the financial position of the National Government in its capacity as debtor of the foreign public debt, as well as that of the financial system, especially those institutions in debt resulting from rediscounts and advances granted during 2001 and early 2002. This situation generates the following uncertainties:

- As described in Notes 4.4.1 and 4.8, the BCRA acts as an intermediary between the National Government and the IMF, by transferring the funds received to the National Government. Based on this operation, there are assets with the National Government in the amount of \$ 50,643,756,724 (caption Government Securities, sub-caption Bills issued in relation to the IMF loans of \$ 1,483,825,678, and the caption Funds transferred to the National Government for placements from the IMF of \$ 49,159,931,046), thus, the liabilities with the IMF amount to \$ 52,387,978,097. Although these liabilities, as well as the receivables with the National Government are not overdue as of the date of issuance of these financial statements, the payment by the National Government of such obligations, which mostly become due during 2003, is subject to the future capacity of the National Government to meet its obligations.
- Additionally, as of December 31, 2002, the Bank accounts for loans to the financial system and other credit lines granted prior to the enactment of the BCRA's Charter effective 1992, amounting to \$ 17,877,000,817 (captions Loans to the Argentine financial system of \$ 17,602,322,066 and Other assets of \$ 274,678,751 – Debtors from reverse repo transactions), affected in general by the economic measures described in Note 1. The recoverability of these assets will depend on the appropriate macroeconomic conditions to allow the financial system to repay the obligations as agreed or that such financial aid be settled with the assets delivered as security as indicated in Note 5.1. It should be noted that 85% of the financial aid is guaranteed by national public debt instruments, the recoverability of which, even considering the collateral security margin granted, is subject to the considerations expressed in prior paragraphs in connection with the public sector obligations. Although the Bank has set up allowances they considered necessary on loans to the financial system as indicated in Note 4.6, the uncertainties above do not allow us to conclude as to their reasonableness.
- Finally, at the year-end, the Bank records secured loans – Decree No. 1387/01, in the amount of \$ 595,830,930 (caption Other Assets in the amount of \$ 7,260,675,733), received from financial institutions as settlement for illiquidity assistance, stated at cost. Although as of the date of issue of these financial statements there are no obligations overdue, the final recovery of such receivables is subject to the future capacity of the National Government to meet its obligations as agreed.

Because of the significant effect that the uncertainties above may have on the financial statements, we are not able to express and, therefore, we do not express an opinion on the financial statements of the BCRA, taken as a whole, as of December 31, 2002.

However, in our opinion, the captions included in the financial statements International Reserves in the amount of \$ 35,173,395,183, Government securities (excluding Bills issued in relation to IFM loans) in the amount of \$ 1,411,427,004, Temporary Advances to fund to Government in the amount of \$ 700,000,000, Contributions to international agencies on behalf of the National Government in the amount of \$ 5,674,685,110, Other Assets (excluding Secured loans - Decree No. 1387/01 in the amount of \$ 595,830,930 and Debtors from reverse repo transactions in the amount of \$ 274,678,751) in the amount of \$ 6,390,166,052, Monetary Base in the amount of \$ 29,151,144,335, Current accounts in other currencies amounting to \$ 1,014,072,669, National Government deposits and other in the amount of \$ 66,819,524, Other deposits amounting to \$ 662,328,273, Due to international agencies in the amount of \$ 52,584,272,091, Securities issued by the BCRA in the amount of \$ 3,333,710,329, Other liabilities in the amount of \$ 8,285,979,009 and provisions in the amount of \$ 4,681,871,451, considered individually, included in the financial statements, are fairly valued and disclosed in accordance with Argentine GAAP.

In compliance with legal requirements in force, we report that:

- a) audited financial statements have been prepared based on the accounting records kept by the Bank, which given its legal nature, have not been registered with the Public Registry of Commerce; and
- b) as of December 31, 2002, the accrued liability for retirement and pension contributions arising from the accounting records amounts to \$ 2,237,129, no amounts being due as of that date.

The accompanying financial statements are prepared in accordance with accounting principles and practices generally accepted in the Republic of Argentina and may differ in some material respects from financial statements prepared in accordance with accounting principles and practices of other jurisdictions. Accordingly, these financial statements should only be relied upon by those who are familiar with generally accepted accounting principles and practices in the Republic of Argentina.

Buenos Aires, April 24, 2003

FINSTERBUSCH PICKENHAYN SIBILLE

José Alberto Schuster
Partner