

Financial Statements



As of December 31, 2016



**BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA**

Financial Statements as of December 31, 2016

Comparatively presented with the prior fiscal year



BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA

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BANCO CENTRAL DE LA REPÚBLICA ARGENTINA

**BALANCE SHEET AS OF DECEMBER 31, 2016
COMPARATIVELY PRESENTED WITH THE PRIOR FISCAL YEAR**

-In thousands of pesos-

ASSETS	12/31/2016	12/31/2015
	INTERNATIONAL RESERVES	623,044,663
Gold (Net of allowances) (Note 4.1.1, Exhibits I and II)	33,313,134	27,400,662
Foreign currency (Note 4.1.2 and Exhibit II)	376,957,373	144,743,359
Deposits to be realized in foreign currency (Note 4.1.3 and Exhibit II)	207,307,287	159,790,715
Multilateral Credit Agreements (Net) (Note 4.1.4 and Exhibit II)	406,213	616,648
Derivatives over International Reserves (Note 4.1.5 and Exhibit II)	5,060,656	(99,028)
GOVERNMENT SECURITIES	1,089,736,407	867,629,606
BCRA HOLDINGS	1,088,780,443	868,449,366
Securities issued under foreign legislation (Note 4.2.1.1, Exhibits II and III)	716,754	536,582
Securities issued under Argentine legislation (Note 4.2.1.2, Exhibits II and III)	1,088,063,689	867,912,784
1990 National Treasury Consolidated Bond (Note 4.2.1.2.1 and Exhibit III)	4,673,087	4,681,902
Non-transferable Treasury Bills (Note 4.2.1.2.2, Exhibits II and III)	772,064,362	629,282,704
Other (Note 4.2.1.2.3, Exhibits II and III)	315,179,566	237,801,504
LESS:		
Adjustment for accrual on 1990 Consolidated Bond (Exhibit III)	3,853,326	3,853,326
PORTFOLIO OF REPO TRANSACTIONS WITH THE FINANCIAL SYSTEM (Note 4.2.2 and Exhibit III)	1,766,909	-
ALLOWANCE FOR IMPAIRMENT OF GOVERNMENT SECURITIES (Note 4.2.3 and Exhibits I and III)	(810,945)	(819,760)
TEMPORARY ADVANCES TO THE ARGENTINE GOVERNMENT (Note 4.3)	382,230,000	331,850,000
LOANS TO THE ARGENTINE FINANCIAL SYSTEM	1,449,923	2,969,781
Financial institutions (net of allowances)	1,449,923	2,969,781
Financial institutions (Note 4.4)	2,358,228	3,995,143
Allowance for uncollectibility (Note 4.4 and Exhibit I)	(908,305)	(1,025,362)
CONTRIBUTIONS TO INTERNATIONAL AGENCIES ON BEHALF OF ARGENTINE GOVERNMENT AND OTHER (Note 4.5 and Exhibit II)	65,468,983	46,971,453
RIGHTS DERIVING FROM OTHER DERIVATIVE FINANCIAL INSTRUMENTS (Note 4.6 and Exhibit II)	-	41,054,034
RIGHTS DERIVING FROM REPO TRANSACTIONS (Note 4.7 and Exhibit II)	272,333,279	150,027,303
OTHER ASSETS (Net of allowances) (Note 4.8)	4,985,155	35,066,638
TOTAL ASSETS	2,439,248,410	1,808,021,171

LIABILITIES		
	12/31/2016	12/31/2015
MONETARY BASE (Exhibit V)	821,664,245	623,889,518
Currency in circulation	594,615,517	478,776,619
Bank notes and coins in circulation (Note 4.9.1.1)	594,615,265	478,776,167
Settlement checks in pesos in circulation (Note 4.9.1.2)	252	452
Current accounts in pesos (Note 4.9.2)	227,048,728	145,112,899
INSTRUMENTS OF PAYMENT IN OTHER CURRENCIES	2,464,461	5,666,758
Settlement checks in other currencies in circulation (Note 4.10.1 and Exhibit II)	1,981	260
Certificate deposits for investment (Note 4.10.2 and Exhibit II)	2,462,480	5,666,498
CURRENT ACCOUNTS IN OTHER CURRENCIES (Note 4.11 and Exhibit II)	246,379,905	139,505,512
DEPOSITS FROM ARGENTINE GOVERNMENT AND OTHER (Note 4.12 and Exhibit II)	18,725,832	5,078,121
OTHER DEPOSITS (Note 4.13 and Exhibit II)	379,646	32,432,396
SPECIAL DRAWING RIGHTS (Note 4.14 and Exhibit II)	6,783,796	5,737,479
IMF Special Drawing Rights	43,042,808	36,403,986
LESS:		
SDR contra account	36,259,012	30,666,507
OBLIGATIONS WITH INTERNATIONAL AGENCIES (Note 4.15 and Exhibit II)	3,103,875	2,485,314
Obligations	14,381,960	12,023,894
LESS:		
Contra account to utilization of reserve tranche	11,278,085	9,538,580
SECURITIES ISSUED BY THE BCRA (Note 4.16, Exhibits II and IV)	698,831,512	416,605,223
Bills and notes issued in foreign currency	-	31,273,012
Bills and notes issued in Argentine pesos	698,831,512	385,332,211
CONTRA ACCOUNT TO ARGENTINE GOVERNMENT CONTRIBUTIONS TO INTERNATIONAL AGENCIES (Note 4.17 and Exhibit II)	44,730,874	31,589,233
OBLIGATIONS DUE TO OTHER DERIVATIVE FINANCIAL INSTRUMENTS (Note 4.18 and Exhibit II)	-	40,142,766
OBLIGATIONS DUE TO REPO TRANSACTIONS (Note 4.19 and Exhibit II)	267,279,556	184,987,016
OBLIGATIONS DUE TO MULTILATERAL CREDIT AGREEMENTS (Note 4.20 and Exhibit II)	2,375,350	2,257,238
OTHER LIABILITIES (Note 4.21 and Exhibit II)	189,179,624	138,569,380
PROVISIONS (Note 4.22 and Exhibit I)	2,829,508	2,386,631
TOTAL LIABILITIES	2,304,728,184	1,631,332,585
NET EQUITY	134,520,226	176,688,586
TOTAL LIABILITIES AND EQUITY	2,439,248,410	1,808,021,171

Notes 1 to 7 and Exhibits I to V are an integral part of these financial statements.

Silvana A. Lepera
ACCOUNTING MANAGER

Marina Ongaro
MAIN GENERAL
ACCOUNTING MANAGER

Nicolás Gadano
CENTRAL SERVICES AND
ADMINISTRATIVE GENERAL
SUBMANAGER

Mariano Flores Vidal
GENERAL MANAGER

Federico Sturzenegger
CHAIRMAN

Paola A. López
DEPUTY SUPERVISORY
AUDITOR

Juan Carlos Isi
REGULAR SUPERVISORY
AUDITOR

Signed for identification purposes with the report dated 04/26/17

STATEMENT OF INCOME
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016
COMPARATIVELY PRESENTED WITH THE PRIOR FISCAL YEAR

-In thousands of pesos-

	12/31/2016	12/31/2015
<u>Interest and adjustments:</u>		
Interest income:	24,081,449	4,532,142
On international reserves (Note 4.23.1)	772,635	213,669
On government securities (Note 4.23.1)	22,461,696	3,786,638
On deposits in other entities	14,064	9,293
On loans to the financial system (Note 4.23.1)	201,091	335,103
On other assets (Note 4.23.1)	631,963	187,439
Interest expense:	(163,435,104)	(79,765,209)
On securities issued by the BCRA (Note 4.23.2)	(153,344,158)	(77,238,967)
On loans borrowed from international agencies (Note 4.23.2)	(3,698,542)	(162,855)
On other transactions with the financial system (Note 4.23.2)	(6,138,402)	(2,251,127)
On other liabilities (Note 4.23.2)	(254,002)	(112,260)
<u>Set-up of allowances for government securities and loans to the financial system, net (Note 4.23.3)</u>	(119,355)	(121,595)
<u>Listed price differences, net (Note 4.23.4)</u>	212,117,034	250,873,855
<u>Foreign currency trading differences, net (Note 4.23.5)</u>	12,522,921	43,844,448
<u>Other financial instruments trading differences, net (Note 4.23.6)</u>	(9,793,065)	(73,054,188)
<u>Net financial income</u>	75,373,880	146,309,453
<u>Miscellaneous charges and fines (Note 4.23.7)</u>	76,674	445,982
<u>Net commissions</u>	(60,166)	(702)
Commissions earned	1,031	651
Commissions paid	(61,197)	(1,353)
<u>Contributions to General Revenue (Rentas Generales) pursuant to Budget Law No. 27,198 / 27.008</u>	(705,120)	(480,000)
<u>Monetary issuance expenses (Note 4.23.8)</u>	(3,205,778)	(1,981,949)
<u>General expenses (Note 4.23.9)</u>	(3,716,732)	(2,708,198)
<u>Set-up of other allowances, net (Note 4.23.10)</u>	(59,661)	(518,558)
<u>Net income from operating activities</u>	67,703,097	141,066,028
<u>Other income and expenses (Note 4.23.11)</u>	(254,577)	6,050,852
<u>NET INCOME FOR THE YEAR</u>	67,448,520	147,116,880

Notes 1 to 7 and Exhibits I to V are an integral part of these financial statements.

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STATEMENT OF CHANGES IN EQUITY AS OF DECEMBER 31, 2016
COMPARATIVELY PRESENTED WITH THE PRIOR FISCAL YEAR
-In thousands of pesos-

ITEMS	CAPITAL	CAPITAL ADJUSTMENT	RESERVES			UNAPPROPRIATED RETAINED EARNINGS	TOTAL 12/31/2016	TOTAL 12/31/2015
			GENERAL RESERVE	SPECIAL RESERVE	APPRAISAL REVALUATION			
Balances at beginning of year	16,965,408	2,711,815	7,698,945	2,139,667	55,871	147,116,880	176,688,586	107,695,808
Distribution of earnings as per Board of Governors' Resolution No. 263 dated June 30, 2016	25,000,000	-	12,500,000	-	-	(147,116,880)	(109,616,880)	(78,124,102)
Net income for the year						67,448,520	67,448,520	147,116,880
Balances at year-end	41,965,408	2,711,815	20,198,945	2,139,667	55,871	67,448,520	134,520,226	176,688,586

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STATEMENT OF CASH FLOWS AND CASH EQUIVALENT FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016 COMPARATIVELY PRESENTED WITH THE PRIOR FISCAL YEAR -In thousands of pesos-	12/31/2016	12/31/2015
<u>I) Operating activities</u>		
1. Sources	373,228,598	(32,347,686)
- Interest gain on investments abroad	808,589	209,339
- Securities, foreign currency and gold trading differences, net	3,378,983	43,848,669
- IADB/IBRD loans to provinces, financial program for micro, small and medium-sized enterprises, and revolving funds	28,863,304	14,381,914
- Inflows / (outflows) of financial institutions' deposits in foreign currency, net	129,942,385	(2,753,703)
- Net inflow of funds from transactions with National Government Securities	172,102,460	3,661,350
- Purchase / (Sale) of foreign currency for monetary regulation purposes, net	32,493,109	(91,712,199)
- Reserve Tranche position	5,638,752	-
- Other items	1,016	16,944
2. Uses	(71,878,664)	69,624,604
- Administrative expenses	(46,027)	(15,464)
- Monetary issuance expenses	(1,261,080)	(323,501)
- (Settlements) / Placements of repurchase / reverse repurchase agreements with domestic and foreign banks and financial institutions, net	(1,824,038)	78,648,767
- Net transactions with Multilateral Credit Agreements (SML and Others)	(14,830,872)	(8,685,198)
- Payment of Sovereign Debt, Law No. 26984 / 27249	(48,277,895)	-
- Contribution to the IMF	(5,638,752)	-
Net cash flows provided by / (applied to) operating activities (1-2)	301,349,934	37,276,919
<u>II) Investment activities</u>		
3. Sources	14,572	9,305
- Collection of dividends BIS	14,572	9,305
<u>III) Financing activities (including transactions on behalf of the Argentine Government)</u>		
4. Uses	(78,727,857)	(36,775,189)
- Net outflows to foreign financial institutions	(78,727,857)	(36,775,189)
<u>IV) Other</u>		
5. Sources	67,955,658	63,344,851
- Exchange differences, net	67,955,658	63,344,851
Net cash flows provided by / (applied to) all activities (I+II+III+IV)	290,592,306	63,855,885
Net cash and cash equivalents at beginning of year (Note 3.1)	332,452,356	268,596,471
Net cash and cash equivalents at year-end (Note 3.1)	623,044,662	332,452,356

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Notes to the financial statements for the fiscal year ended December 31, 2016 presented comparatively with the prior fiscal year

-In thousands of Argentine pesos-

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

The Central Bank of Argentina (BCRA) is a self-regulated entity of the Argentine Government that is subject to the provisions of its Charter and further legal regulations (section 1, Law No. 24144, as amended).

The purpose of the Bank is to promote —within the scope of its powers and under the policies set by the Argentine Government— monetary and financial stability, employment and economic development along with social equality (section 3 of the Charter). In addition, section 4 of the Charter sets forth the following BCRA functions and powers:

- to regulate the operation of the financial system and enforce Financial Institutions Law and such other regulations as may be consequently enacted;
- to regulate the amount of money and interest rates, and to regulate and steer lending;
- to serve as the financial agent for the National Government, and as depositary and agent for Argentina before international monetary, banking and financial institutions to which Argentina has endorsed, and to play an active role in international integration and cooperation;
- to hold and administer its gold and foreign exchange reserves, and other foreign assets;
- to contribute to the smooth functioning of capital markets and to implement the foreign exchange policy in full accordance with the laws passed by the National Congress;
- to regulate, within its authority, all payment systems, clearing and settlement houses, money remittance entities, and cash-in-transit companies, and to carry out any other action related to the financial and foreign exchange sectors;
- to provide for the protection of financial service users' rights and of fair competition, coordinating its actions with all relevant government agencies.

The Charter further establishes that in the exercise of its functions and powers the Bank will not be subject to orders, indications or instructions from the National Executive Branch, nor will it undertake obligations of any nature conditioning, restricting or delegating such functions and powers without the express authorization of the National Congress. The Argentine Government guarantees the obligations undertaken by the Bank. The former, based on its objectives and the applicable legal framework, carries out a significant number of transactions with the latter and has assets and liabilities, including transactions on its own behalf.

NOTE 2 - SIGNIFICANT EVENTS FOR THE FISCAL YEARS 2016 AND 2015

For a better reading of the accompanying financial statements, the following paragraphs will describe the most significant events occurred during these fiscal years.

2.1 Law No. 27249. Laws Nos. 26017, 26547, 26886, and 26984. Repeal. Law No. 27198. Amendment

Congress enacted Law No. 27249 on March 31, 2016 authorizing the National Executive Branch, through the former Ministry of Economy and Public Finance, to continue with the normalization of the public debt service referred to in Section 41 of Law No. 27198 and to carry on with negotiations and do and perform all acts necessary for its conclusion. It further ratified the settlement agreements entered into between the Republic of Argentina and the holders of Eligible Government Securities and/or their representatives.

2.1.1 - Release of payments of the bonds issued under foreign legislation, which had been applied to the 2005 and 2010 swap transactions

Under the judicial order issued by the Court for the Southern District of New York on April 19, 2016, April 29, 2016 was set as the Date of Registration of the bonds issued under the Law of New York and England in the 2005 and 2010 swap transactions. According to this judicial order, bondholders at that date would receive the respective payments within 15 days following the Date of Registration mentioned above.

Consequently, on May 4, 2016 the funds corresponding to the debt services on the Argentine Government Securities issued under the Sovereign Debt Restructuring that took place between 2005 and 2010 and the funds corresponding to the Law No. 26984 Fund - Restructured Sovereign Debt Payment account were transferred from the BCRA (see note 4.13 Other deposits - into special accounts).

2.1.2 Application of funds to the prepayment of Non-transferable Bill maturing in 2025

As established by Law No. 27249, Resolution No. 146 was adopted by the former Ministry of Economy and Public Finance on April 21, 2016 approving, among other issues, through Section 2 the Settlement Trust Agreement model (Exhibit VI).

The Settlement Trust Agreement provided that “..... if such payment is not made in full, the funds shall be transferred to the Central Bank of Argentina (BCRA) to be applied to the reimbursement of the outstanding debt of the Republic with the BCRA under the NON-TRANSFERABLE BILL MATURING IN 2025 held by the BCRA...”. The Financing Undersecretariat of the former Ministry of Economy and Public Finance resolved and informed through SSF Note No. 15/2016 of May 11, 2016 regarding the principal prepayment terms that the prepayment shall be made at par, plus interest on the portion of the amount being prepaid.

On October 21, 2016, the Finance Secretariat of the former Ministry of Economy and Public Finance informed through SF Note No. 110/2016 that October 22, 2016 would be the Date for the Determination of the Excess Trust Funds under the provisions of the above-mentioned Agreement and that the remaining balances for a total of Euros 57,478 and US Dollars 15,076 would be transferred on October 24, 2016. Also, it pointed out that the prepayment of the Non-transferable Bill 2025 would be made at par, as informed in the note mentioned in the preceding paragraph.

Consequently, the prepaid amount of that financial instrument was USD 77,460 (see Note 4.2.1.2.2.1 and Exhibit III).

2.2 Reverse repurchase agreements of National Government securities

Under Resolution No. 44 of January 28, 2016, the Board of Governors of the Central Bank of Argentina authorized, pursuant to the provisions of Section 18, sub-sect. a) of the Charter and in compliance with its monetary and exchange regulatory functions, the performance of reverse repo transactions in United States dollars involving US dollar denominated securities issued by the National Government and held in the BCRA portfolio, for a total amount of up to USD 6,000,000, with creditworthy international banks.

Accordingly, on January 29, 2016 reverse repo transactions were arranged for an amount of USD 5,000,000, maturing in December 2016 which, pursuant to point 7) of said Resolution, could not be considered as excess reserves, in line with the provisions of Section 6 of Law No. 23928, as amended, at three-month LIBOR in USD, plus 615 basis points. In exchange for these transactions, BONAR 2022, BONAR 2025 and BONAR 2027 have been delivered, which were added to BCRA assets on December 30, 2015, under the swap of the Non-transferable National Treasury Bills maturing in 2016 and 2020, established by Decree No. 211/15 and Resolution No. 35/15 of the Finance Secretariat (see Note 2.5 and Exhibit III).

Subsequently, the Board of Governors authorized through Resolution No. 296 of July 22, 2016 the settlement of the above-mentioned reverse repo transactions, and the arrangement of new transactions for up to USD 1,500,000. Therefore, on July 29, 2016 the reverse repo transactions that had been arranged in January 2016 were prepaid in the amount of USD 5,000,000, and reverse repos were arranged for a total of USD 1,000,000, with a significant rate reduction, and one-month LIBOR in USD plus 225 basis points having been agreed, which were paid at maturity on December 12, 2016.

2.3 Increase in Argentina's quota in the IMF

In the context of the IMF's Fourteenth General Review of Quotas dated April 17, 2013, Argentine Congress enacted Law No. 26849, which approves an increase in Argentina's quota in the Fund for a total of SDR 1,070,200. This Law also authorized the BCRA to make in the name and on behalf of Argentina the necessary payments to settle 25 % of the increase payable in SDR, or fully or partially, in such currencies of other IMF member countries as the BCRA itself may determine, with the consent of those countries. The remaining 75% would be paid in local currency, for which the BCRA issued, on behalf and account of Argentina, non-negotiable non-interest-bearing securities that are payable on demand, which were delivered to the IMF. To meet payment of 25% the BCRA made with external assets, the Law empowered the former Ministry of Economy and Public Finance to issue a US dollar-denominated Non-transferable Bill.

In compliance with those provisions, on April 28, 2016 the former Ministry of Economy and Public Finance adopted Resolution No. 159 ordering the issuance of a Non-transferable Bill, which was added to the BCRA assets on August 23, 2016 for a nominal value of USD 376,300, maturing on April 29, 2026, and with characteristics similar to the rest of the Non-transferable Bills held in the portfolio (see Notes 4.2.1.2.2.3 and 4.5).

2.4 Supplementary Agreement to the Bilateral Currency Swap Agreement with the People's Bank of China

On December 16, 2015, BCRA authorized under Board of Governors' Resolution No.410 the execution of a Supplementary Agreement to the Bilateral Currency Swap Agreement with the People's Bank of China, whereby BCRA may request the conversion to United States dollars of the yuan credited under CNY/ARS swap transactions for an amount of up to CNY 20,000,000,000. No transactions were recorded under this Agreement as of December 31, 2016 (see notes 4.6 and 4.18).

2.5 Non-transferable Bill Swap

Through Decree No. 211/15 dated December 22, 2015, the National Executive Branch established that the swap of the NON-TRANSFERABLE BILL, DUE 2016" issued under Joint Resolutions Nos. 4 of the ARGENTINE TREASURY and 1 of the FINANCE SECRETARIAT, both of them with the then MINISTRY OF ECONOMY AND PRODUCTION dated January 5, 2006, should take place during fiscal 2015. The Decree was ratified by the Legislative Bicameral Commission on February 16, 2016.

Furthermore, Joint Resolutions Nos. 35 of the Argentine Treasury and 5 of the Finance Secretariat of the former Ministry of Public Finance and Treasury dated December 30, 2015 ordered a swap of the Non-transferable Bill 2016, whose nominal value was USD 9,530,111 and of the Argentine Treasury Non-transferable Bills issued under Resolutions Nos. 104 and 105 of the then Ministry of Economy and Public Finance, maturing in 2020, for nominal values equivalent to USD 2,187,000 and USD 4,382,000, respectively, for new issuances of BONAR 2022, BONAR 2025 and BONAR 2027. These instruments have more favorable issue conditions, as they may be priced and traded in the securities market for monetary and exchange regulatory purposes, as set forth in Section 18, clause a) of the Charter (see Notes 4.2.1.2.2.1, 4.2.1.2.2.2, 4.2.1.2.2.3, 4.23.6).

2.6 Assignment of foreign currency position of financial and banking institutions

As called for by Communiqué "A" 5852 of December 17, 2015, the financial institutions authorized to operate in the foreign exchange market and the exchange institutions had to sell to the BCRA the positive foreign currency position in effect at the closing of operations of December 16, 2015, valued at the benchmark exchange rate prevailing on that date and they may fully repurchase it on December 17, 18 or 21, 2015, at the benchmark exchange rate prevailing as of the repurchase date (see Note 4.23.11).

2.7 Declaration of emergency of ROFEX Futures transactions in US Dollars

On December 14, 2015, Communiqué 657 of Argentina Clearing S.A. and Mercado a Término de Rosario S.A. (ROFEX) resolved:

I) That emergency be declared in relation to the open positions as of the date of the US Dollar Futures Contracts due in June 2016, which have been arranged after September 29, 2015 (see Note 5).

II) That the following be ordered with respect to the open purchased positions as of the date of the US Dollar Futures maturing up to and including June 2016:

- a) The adjustment to the original price of the transaction adding ARS1.25 per dollar for the open transactions from September 30, 2015 up to and including October 27, 2015.
- b) The adjustment to the original price of the transaction adding ARS1.75 per dollar for the open transactions as from October 28, 2015.

c) The adjustments mentioned in the foregoing paragraphs will be made by recording a sale transaction at the original price of the transaction (DLR or DOX) and the simultaneous purchase (DLR) at the original price, plus the amount indicated in items a. and b., with the novation of the transactions involved into new transactions at the new price determined.

d) To register with ROFEX and Argentina Clearing, the counterparty to these transactions will be the Central Bank of Argentina.

III) Excluded cases:

a) Purchases of futures that are matched with Call Options written

b) Repo Transactions between months (calendar spread).

On December 17, 2015, the National Securities Commission resolved to approve the state of emergency declared by ROFEX and Argentina Clearing S.A. and became aware of the measure adopted in relation to the setting of the price adjustment resolved under ROFEX Communiqué No. 657 and Argentina Clearing Communiqué No. 518. It also adopted Resolution No. 17927 lifting the ban ordered under Resolution No. 17909 dated November 30, 2015 on the placements of new positions of dollar futures contracts in the markets authorized by the National Securities Commission.

On December 18, 2015 ROFEX and Argentina Clearing proceeded to credit to the BCRA brokerage account the sum of ARS 11,085,707 as a result of the transaction mentioned in point II, for the rearrangement of the notional USD 7,553,220 amount. All the transactions outstanding as of December 31, 2015 matured in the fiscal year 2016 (see Notes 4.6; 4.18 and 5). The results for the current year have been disclosed in Note 4.23.6.

At the date of these financial statements, the BCRA had been notified of fourteen proceedings related to those operations, five of which are *amparos* seeking a declaration of nullity of the administrative act. The others are proceedings for cognizance and determination of cases, which have been covered by provisions as required by prevailing regulations, where applicable. As informed by the judicial area, the Bank is not aware of the existence of any other claims requiring being provided for and in that context, the BCRA does not have sufficient elements to determine any possible impact on the financial statements. From a legal viewpoint, the judgments rendered in those proceedings so far have been favorable to the BCRA; however, although the outlook is positive, and in the absence of final and conclusive judgments in the ordinary lawsuits until now, it cannot be determined whether the financial statements might be affected by the futures transactions.

2.8 Inflation targeting framework

In December 2015, the BCRA reoriented its monetary policy toward the primary objective of reducing inflation. In this regard, as from the end of February 2016, the Bank adopted the interest rate as the main instrument of its monetary policy. At this initial stage, the Bank defined as its monetary policy interest rate the one resulting from the bids of 35-day LEBAC in pesos, also determining an interest rate corridor between its repo and reverse repo transactions in line with the monetary policy rate.

Consistent with its intention to adopt an Inflation Targeting framework, the BCRA has migrated since December 2015 towards a flexible rate of exchange. The monetary authority reserved its right to occasionally intervene in the foreign exchange market to administer its balance sheet profile and prevent unjustified exchange rate fluctuations.

In September of this year, the BCRA formally adopted the Inflation Targeting framework applicable as from January 2017, with explicit targets for the coming years and mechanisms for the correction and explanations of deviations.

2.9 Single Free Foreign Exchange Market

By Communiqué “A” 5850 dated December 17, 2015 the BCRA introduced major changes in the regulations governing the operation of the foreign exchange market tending, in general, to a greater flexibility in the foreign exchange transactions.

The removal of restrictions on the foreign exchange market continued during 2016 with the issuance of Communiqués “A” 5899, “A” 5955, “A” 6037 and supplementary provisions. At present, there are no restrictions on access to the foreign exchange market and only the obligation to bring and trade in Argentina the funds from collections of exports of goods within a unified time frame of 10 years remains in effect, pursuant to Presidential Decree No. 1606/01 and complementary provisions.

2.10 Law No. 26860. Voluntary disclosure of holdings in foreign currency in Argentina and abroad

Under Decree No. 2008/2015, the times frames for the voluntary disclosure of holdings in foreign currency in Argentina and abroad regulated by Law No. 26860 were extended until the end of December 2015. Under Board of Governors’ Resolution No. 173 dated May 5, 2016, the BCRA did not admit any further subscriptions of Certificates of Deposit for Investment (CEDIN) (see Note 4.10.2).

2.11 Law No. 27260. Holdings of currency and capital reporting program

Law No. 27260 set forth an exceptional and voluntary system for reporting holdings of local and foreign currency and other assets in Argentina and abroad until March 31, 2017.

The law provides that the exceptional and voluntary reporting shall be made in the case of holdings of national or foreign currency in cash in Argentina by means of a deposit, in conformity with the provisions of Section 44 of that law, with entities governed by Laws Nos. 21526, as amended, and 26831, up to and including October 31, 2016.

Under Communiqué “A” 6022 and supplementary provisions, the BCRA regulated the opening of special accounts with financial institutions at the request of the persons encompassed by Section 36 of Law No. 27260 which report their holdings of funds in local or foreign currency in Argentina, as provided for by Section 38 of that Law.

NOTE 3 - ACCOUNTING STANDARDS APPLIED

3.1 Significant accounting policies

Financial statements have been prepared pursuant to section 34 of the Charter, subject to generally accepted standards, in its capacity as monetary authority (see Note 1), following the principles and criteria contained in the “Accounting Policy Manual” approved by the Bank’s Board of Governors through Resolution No. 86 dated May 16, 2013, updated as of year end.

The accompanying financial statements, exhibits and notes disclose figures stated in thousands.

In order to prepare the statement of cash flows and cash equivalents, the “International reserves” item was defined as a “Cash and cash equivalents” item, showing the main variations in immediate-liquidity external assets that form a part thereof.

3.2 Use of estimates

BCRA records are based on the best estimate regarding the probability of occurrence of different future events and, therefore, the final amount of estimates may differ from such records, which may have a positive or negative impact on future years. The preparation of financial statements requires the BCRA to make estimates, in certain cases, to determine the book values of assets and liabilities, income, expenses and contingencies, as well as the disclosure thereof, as of each financial reporting date.

3.3 Comparative information

The balance and the statements of income, changes in equity and cash flows and cash equivalents as of December 31, 2016, as well as exhibits and notes specifying so, are presented comparatively with balances as of the prior year end, which were adjusted for comparative purposes, as applicable.

3.4 Unit of measurement

The BCRA financial statements recognize the changes in the currency purchasing power through February 28, 2003, and as of that date, the inclusion of adjustments to reflect those changes were no longer applied, in conformity with the requirements of Presidential Decree No. 664/2003 and Communiqué “A” 3921.

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

Professional accounting standards in force in the City of Buenos Aires establish, through Technical Pronouncement No. 39 and its supplementary regulation (jointly, “RT 39”), the need to restate accounting balances to show the changes in the purchasing power of the currency, depending on the existence of a context of inflation. Whether a context of inflation exists is determined by a quantitative factor, which is key to the restatement of the figures of the financial statements, i.e. a cumulative inflation rate over three years that is approaching, or exceeds, 100%, considering for such purpose the

Domestic Wholesale Price Index (WPI) published by the National Institute of Statistics and Census (INDEC).

It is not possible to calculate as of December 31, 2016 the cumulative WPI rate corresponding to the three-year period ended on that date, based on INDEC official statistics, because in October 2015 that agency discontinued the WPI calculation, recalculating it as from January 2016 in view of the declaration of a state of emergency at the statistics agency (Decree No. 55/2016). At the end of the reporting fiscal year, in a context of downward inflation and in line with the procedures followed by the accounting profession, it has been determined that the characteristics defined by prevailing professional accounting standards for the restatement of financial statements have not occurred. Therefore, these financial statements have not been restated to constant currency.

3.5 General valuation and disclosure methods

3.5.1 Foreign currency assets and liabilities

Financial statements reporting currency is the Argentine peso. Transactions in foreign currency are converted into Argentine pesos at the foreign exchange rate effective as of the date of transaction. Inventories in US dollars are subject to a benchmark foreign exchange rate as of December 31, 2016, and 2015, respectively, calculated by the BCRA itself pursuant to Communiqué “A” 3500 methodology. Inventories in other currencies, including gold inventories, are valued at the US dollar exchange rate effective on the relevant day closing at the markets in which BCRA trades, and they are converted into local currency on a daily basis at the benchmark foreign exchange rate published by the BCRA.

Exhibit II discloses the main amounts in foreign currency as of the end of fiscal 2016 and 2015.

The following chart shows the Argentine peso exchange rates to the different currencies used as of each year end:

	<u>12/31/2016</u>	<u>12/31/2015</u>
US dollar	15,85020000	13,00500000
Gold	18,270,05003400	13,817,16225000
Special drawing rights (SDRs)	21,30789937	18,02141865
Euro	16,70769582	14,12603100
Yen	0,13579678	0,10817668
Pound sterling	19,56390186	19,16026650
Real	4,87054052	3,28375900
Canadian dollar	11,78979470	9,40415070
Norwegian krone	1,83712925	1,46826382
Swiss franc	15,57912326	13,00500000
Bolivar	1,58700375	2,06687751
Yuan (CNH)	2,27608870	1,97936100
Yuan (CNY)	2,28224622	2,00271032

3.5.2 Method to recognize income and expenses

Income and expenses are recognized on an accrual basis and are calculated based on the “Accounting Policy Manual” and the agreements entered into between the parties involved.

NOTE 4 - BREAKDOWN AND SPECIFIC VALUATION METHODS OF FINANCIAL STATEMENT ITEMS AS PER THE ACCOUNTING POLICY MANUAL

4.1 International reserves

As set forth by the Charter, the BCRA must concentrate and administer its gold reserves, foreign currency reserves and other external assets. The BCRA may keep a portion of its external assets in the form of deposits or other interest-bearing transactions with foreign financial institutions or in creditworthy papers payable in gold or in foreign currency. As established by Convertibility Law No. 23928, Central Bank reserves are exempt from attachments or seizures and that up to the amount determined by its Board of Governors, reserves shall be applied exclusively as contemplated by Section 14, sub-sect. q) of the Charter. Also, excess reserves will be freely available reserves and, as long as there is a neutral monetary effect, they may be applied to the payment of obligations undertaken with international financial agencies or bilateral official external debt agencies.

4.1.1 Gold

	<u>12/31/16</u>	<u>12/31/15</u>
Gold in bars	33,342,060	27,426,476
Allowance for gold in bars (Exhibit I)	(28,926)	(25,814)
Total	<u>33,313,134</u>	<u>27,400,662</u>

Gold physical inventories, equal to 1,825 troy ounce, were valued as of year end at USD 1,152.7 per troy ounce, according to market prices effective as of the related date, and converted into Argentine pesos according to the method under Note 3.5.1 (1,985 troy ounces valued at USD 1,062.5 as of December 31, 2015). This decrease is attributable to the spot sale transactions related to forward purchase transactions (see Notes 4.1.5 and Exhibit II).

Gold ingots qualify as “good delivery”, consequently a provision for sale expenses was booked, which consists in calculating the direct costs that should be incurred upon deciding to realize them. This provision was estimated at one US dollar per ounce and has been disclosed in the financial statements, offsetting the Gold account balance.

According to the international reserve standards, only monetary gold qualifies as a reserve asset; therefore, the gold inventories kept for numismatic purposes are not deemed financial assets and are disclosed under Other assets (see Note 4.8).

4.1.2 Foreign currencies

	<u>12/31/2016</u>	<u>12/31/2015</u>
Overnight and checking accounts in foreign correspondent banks	369,726,618	135,195,703
Note holdings	7,230,755	9,547,656
Total	<u>376,957,373</u>	<u>144,743,359</u>

Note holdings were valued as established in note 3.5.1. The overnight and checking accounts in foreign correspondent banks were valued through the same method plus the related earned interest as of each year end, as applicable.

4.1.3 Deposits to be realized in foreign currency

Including the following investments made abroad:

	<u>12/31/2016</u>	<u>12/31/2015</u>
Time deposits	89,614,145	120,755,945
Demand deposits	39,516,950	37,083,099
Foreign government securities	61,650,435	-
Repurchase agreements	10,819,485	1,948,149
IMF reserve tranche position	5,706,272	3,522
Total	<u>207,307,287</u>	<u>159,790,715</u>

Demand and time deposits and repurchase agreements were stated at face value, plus interest or return accrued, as the case may be, until each year end, converted into Argentine pesos according to the method established in note 3.5.1. Demand deposits consist mainly of allocated SDRs.

As of December 31, 2016, the balance of foreign government securities amounted to ARS 61,650,435, which were stated at market values as of that date and converted into Argentine pesos as described in note 3.5.1. As of December 31, 2015 no balance was recorded for this item.

The Reserve Tranche Position includes the external assets that the central banks transfer to the IMF, based on their quota and use of financing. This amount may be borrowed without conditions and with no interest accrual. It is valued at the SDR quotation. The reserve tranche position accrues interest that is calculated by the IMF and credited to the SDR account the BCRA holds with the IMF. The increase recorded during the fiscal year derives from the increase in the quota with that Agency (see Note 2.3 and Exhibit II). The average annual return on all investments was 0.399 % and 0.278 % in the fiscal years 2016 and 2015, respectively.

4.1.4 Multilateral Credit Agreements

The balance accounts for net asset positions by country arising from reciprocal credit transactions under Latin American Integration Association (LAIA) and the Argentina/Brazil Local Currency Payment System (SML), which have been valued as established in note 3.5.1.

4.1.5 Derivatives over International Reserves

	<u>12/31/2016</u>	<u>12/31/2015</u>
Receivables for forward purchases of foreign currency	-	13,253,414
Obligations for forward purchases of foreign currency	-	(13,352,442)
Receivables for forward sales of foreign currency	210,401,764	-
Obligations for forward sales of foreign currency	(205,187,400)	-
Receivables for forward purchases of gold	2,924,992	-
Obligations for forward purchases of gold	(3,078,700)	-
Total	<u>5,060,656</u>	<u>(99,028)</u>

Receivables for forward sales of foreign currency amounted to ARS 210,401,764 as of December 31, 2016 and represent the right to receive United States dollars for the forward sale at the agreed upon price, while the balance of ARS (205,187,400) for Obligations for forward sales of foreign currency at the same date represents the obligations with counterparties abroad for those transactions in the amount of ARS (205,007,047) and ARS (180,353) for interest to be accrued on those transactions (there were no forward sales of foreign currency outstanding as of December 31, 2015).

The ARS 13,253,414 balance of Receivables for forward purchases of foreign currency as of December 31, 2015 was made up of ARS 13,226,555 corresponding to the right to receive the funds in foreign currency owed by the counterparties and ARS 26,859 for accrued interest on those transactions. The ARS (13,352,442) balance of Obligations for forward purchases of foreign currency at that date was made up of ARS (13,319,985) for the obligation to deliver the US dollars at the agreed upon quotation and ARS (32,457) for accrued interest on those transactions. There are no forward purchase transactions outstanding as of December 31, 2016.

The ARS 2,924,992 balance of Receivables for forward gold purchases represents the right to receive the gold equivalent to the purchase price agreed under the forward contracts for ARS 2,923,208 and implicit interest for ARS 1,784, while Obligations for forward purchases of gold equivalent to ARS (3,078,700) represents the obligation to deliver the foreign currency at the date of termination of those contracts (see Note 4.1.1). There were no agreed upon forward purchase transactions as of December 31, 2015.

4.2 Government Securities

4.2.1 BCRA's own portfolio

It includes the BCRA's government securities portfolio detailed in Exhibit III, which, as of December 31, 2016, amounted to ARS 1,088,780,443 (ARS 868,449,366 as of December 31, 2015).

4.2.1.1 Securities issued under foreign legislation

They include securities issued by the National Government and subject to the jurisdiction of foreign courts, which are valued at listed values. As of December 31, 2016, they amounted to ARS 716,754 (ARS 536,582 as of December 31, 2015), and are broken down as follows:

a) Global Bonds 2033 issued in US dollars, for an original nominal value of USD 23,250 equal to ARS 555,675 (original nominal value USD 25,949 equal to ARS 530,327 as of December 31, 2015). These securities have been valued at market value (see Exhibit III).

b) Global Bonds 2017 issued in US dollars, for an original nominal value of USD 379 equal to ARS 6,279 (original nominal value USD 429 equal to ARS 6,255 as of December 31, 2015). These securities have been valued at market value (see Exhibit III).

c) International Bond maturing in 2021 issued by Argentina in US dollars for an original nominal value of USD 9,000, equivalent to ARS 154,800, with no stocks of this Bond having been recorded, as of December 31, 2015. These securities have been valued at market value (see Exhibit III).

4.2.1.2 Securities issued under Argentine legislation

They include securities held subject to Argentine legislation, which amounted to ARS 1,088,063,689 as of December 31, 2016 (ARS 867,912,784 as of December 31, 2015).

4.2.1.2.1 1990 Argentine 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 through the selling Argentine peso-to-US dollar exchange rate published by Banco de la Nación Argentina. The amortization of adjusted principal is paid as from the tenth year. The adjustment was accrued until March 31, 1991 pursuant to Section 8 of the Convertibility Law (the currency board that pegged the Argentine peso at parity with the US dollar), whereby the monetary adjustment mechanisms regarding the amounts stated in non-convertible australes would be applied exclusively until April 1, 1991, without accruing new adjustments for such items after that date.

The original issuance amounts to ARS 881,464 while the amount adjusted as of December 31, 2016, pursuant to issuance conditions is ARS 4,734,790 (the same amount as of December 31, 2015). Considering that section 6, Law No. 25565, authorized the former Ministry of Economy to restructure the public 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, for an amount of ARS 8,815. In view of the special financial characteristics of this bond, especially its term, grace period and that it does not accrue

interest, the amount adjusted in accordance with the issuance terms and conditions, net of its offset account, was fully booked as an allowance. As of December 31, 2016, the allowance booked for the eighth instalment—which was collected on January 2, 2017— was recovered (see note 7.1, Exhibit I and Exhibit III).

4.2.1.2.2 Non-transferable Treasury Bills

The balance accounts for the nominal value plus interest accrued converted into pesos pursuant to Note 3.5.1 Non-transferable bills issued by the Argentine Treasury, under the following issuance financial conditions: principal in US dollars, ten-year term, full amortization as of due date and interest accrual at an annual rate equivalent to that accrued by BCRA's international reserves for the same period and up to a cap annual LIBOR less a percentage point, payable twice a year. As of December 31, 2016, they amounted to ARS 772,064,362 (ARS 629,282,704 as of December 31, 2015) (see Exhibit III).

As of the date of issue of these financial statements, BCRA wishes to hold these Non-transferable bills until their maturity.

These Bills were received in consideration of the transfer of funds to the Argentine Treasury, based on the items detailed below.

4.2.1.2.2.1 Settlement of debt with private bondholders. Argentine Fund for Debt-Shedding (FONDEA)

The Argentine Fund for Debt-Shedding was created under National Executive Branch Decree No. 298 of March 1, 2010 for making payments of the National Treasury public debt with private bondholders for that fiscal year. Subsequently, as established by Decree 2054/10 and Argentine Administration General Budget Laws Nos. 26728, 26784, 26895 and 27008 for the fiscal years 2012 to 2015, respectively, (see table), the Executive Branch was authorized to create the FONDEA successively, in order to make payments of the National Treasury public debt with private holders corresponding to the fiscal years 2011 to 2015. In consideration for the transfers made, the Central Bank of Argentina has received Non-transferable Bills, as detailed below:

LI (Private bondholders debt services)	Issuance regulations	Amount issued in USD	Amount subscribed in USD (see Exhibit III - Original Nominal Value)	Maturity	12/31/2016	12/31/2015
Non-transferable bill maturing in 2021 Decree 2054/10	Decree No. 2054/10 - Res. MEyFP 1 dated 01/04/11	7,504,000	7,504,000	01/07/2021	119,025,923	97,589,520
Non-transferable bill maturing in 2022 Res. 131/12	Budget Law No. 26728. Res. MEyFP 131/12 dated 04/24/2012	5,674,000	5,674,000	04/20/2022	89,967,429	73,790,370
Non-transferable bill maturing in 2023 Res. 8/13	Budget Law No. 26784. Res. MEyFP 8/13 dated 01/15/13	7,967,000	7,132,655	01/16/2023	113,130,275	92,760,178
Non-transferable bill maturing in 2024 Res. 30/14	Budget Law No. 26895 Res. MEyFP 30/14 dated 02/13/14	9,855,000	7,896,765	01/20/2024	125,239,422	102,697,427
Non-transferable bill maturing in 2025 Res. 406/15	Budget Law No. 27008. Res. MEyFP 406/15	11,889,200	(*)10,640,000	06/01/2025	167,442,383	138,373,200

(*) Of the total amount subscribed for the Non-transferable Bill maturing in 2025, Resolution No. 406/15, the USD 77,460 amount has been prepaid, with a nominal value of USD 10,562,540 remaining outstanding (see Note 2.1.2 and Exhibit III). Prepayment was made at par.

Under the issue conditions of the Non-transferable Bills described above, the Bills accrued interest during fiscal 2016, ARS 293,818 of which form part of the balance as of December 31, 2016 (see Note 4.23.1).

4.2.1.2.2.2 Settlement of principal and interest with International Financial Agencies (FONDOI).

Both principal and interest maturities with international financial agencies for the fiscal years 2010, 2011, 2012, 2013 and 2014 were paid with freely available international reserves, including as from 2013, the settlement of bilateral official external debt services falling due in fiscal 2013. Those settlements were formalized through Decrees Nos. 297 of March 1, 2010; 276 of March 3, 2011; 928 of June 21, 2012; 309 of March 21, 2013; and 1311 of August 15, 2014. In consideration for the transfers to the Argentine Treasury, the Central Bank of Argentina received debt instruments issued by the Argentine Treasury consisting in Non-transferable Bills, as detailed in the table below:

LI - Debt Services with International Financial Agencies	Issuance regulations	Amount issued in USD	Amount subscribed in USD (see Exhibit III - Original Nominal Value)	Maturity	12/31/2016	12/31/2015
Non-transferable bill maturing in 2021 Dec. 276/11	Decree No. 276/11 - Res. MEyFP 64 dated 03/10/11	2,121,386	2,121,386	03/14/2021	33,643,012	27,588,631
Non-transferable bill maturing in 2022 Res. 171/12	Decree No. 928/12 - Joint Resolution 53/12 Finance Dpt and 171/12 Treasury	2,083,648	2,083,648	06/28/2022	33,026,748	27,097,843
Non-transferable bill maturing in 2023 Dec. 309/13	Decree No. 928/12 - Joint Resolution 45/13 Finance Dpt and 251/13 Treasury	2,334,945	2,292,297	08/16/2023	36,359,495	29,811,319
Non-transferable bill maturing in 2024 Res. 190/14	Decree No. 1311/14 - Joint Resolution 52/14 Finance Dpt and	3,043,000	3,043,000	08/25/2024	48,263,460	39,574,216

Under the issue conditions of the non-transferable bills described above, interest was accrued during the fiscal year 2016, ARS 76,555 of which form part of the balance as of December 31, 2016 (see Note 4.23.1).

4.2.1.2.2.3 Contra account of the payment of the increase in Argentina's quota in the IMF

The BCRA received a Non-transferable Bill issued by the National Treasury as provided for by Resolutions Nos. 159/16 and 262/16 of the former Ministry of Economy and Public Finance in consideration for the payment of 25% of the total increase in the quota with the IMF, made with external assets on behalf of Argentina, as set forth by Section 4 of Law No. 26849 (see Note 2.3).

The non-transferable bill received for this item is detailed below:

Non-transferable bill	Issuance regulations	Amount issued in USD	Amount subscribed in USD (see Exhibit III - Original Nominal Value)	Maturity	12/31/2016	12/31/2015
Non-transferable bill maturing in 2026 Res. 262/16	Res. MHyFP 262/16	400,000	376,300	04/29/2026	5,966,215	-

Under the issue conditions of the Non-transferable Bills described above, the Bills accrued interest during fiscal 2016, ARS 1,786 of which form part of the balance disclosed as of December 31, 2016 (see Note 4.23.1).

4.2.1.2.3 Other securities issued under Argentine legislation

This item totaled ARS 315,179,566 as of December 31, 2016 (ARS 237,801,504 as of December 31, 2015) and it consisted mainly of securities issued by the National Government, subject to local legislation, as follows:

- a) Secured bonds (BOGAR 2018): they were received in exchange for the swap of provincial government debt securities included in the BCRA's portfolio for an original nominal value of ARS 852,895 equal to ARS 765,900 as of December 31, 2016 (original nominal value of ARS 852,895 equal to ARS 1,095,970 as of December 31, 2015). These financial instruments were stated at their listed prices (see Exhibit III).
- b) Series 2018 Argentine Republic Bonds (BONAR) for an original nominal value of USD 169,984 equal to ARS 3,097,115 as of December 31, 2016 (original nominal value of ARS 169,984 equal to ARS 2,600,761 as of December 31, 2015). These financial instruments were stated at their listed prices (see Exhibit III).
- c) Series 2019 Argentine Republic Bonds (BONAR) for an original nominal value of ARS 1,608,234 equal to ARS 1,628,337 as of December 31, 2016 (original nominal value of ARS 1,608,234 equal to ARS 1,690,254 as of December 31, 2015). These financial instruments were stated at their listed prices (see Exhibit III).
- d) Series 2020 Argentine Republic Bonds (BONAR) for an original nominal value of USD 283,000 equal to ARS 5,433,600 as of December 31, 2016. (original nominal value of ARS 86,900 equal to ARS 1,273,085 as of December 31, 2015). These financial instruments were stated at their listed prices (see Exhibit III).
- e) Series 2022 Argentine Republic Bonds (BONAR) for an original nominal value of USD 4,497,753 equal to ARS 82,128,082 as of December 31, 2016 (original nominal value of ARS 4,497,753 equal to ARS 59,336,347 as of December 31, 2015). These financial instruments were recorded in assets in prior fiscal year as a result of the swap of the Non-transferable Bills of the Argentine Treasury. Since at this date there is no active market, it has been valued at estimated present value (see Exhibit III and Note 2.5).

- f) Series 2025 Argentine Republic Bonds (BONAR) for an original nominal value of USD 4,510,463 equal to ARS 80,593,802 as of December 31, 2016. (original nominal value of ARS 4,510,463 equal to ARS 59,626,507 as of December 31, 2015). These financial instruments were recorded in assets in prior fiscal year as a result of the swap of the Non-transferable Bills of the Argentine Treasury. Since at this date there is no active market, it has been valued at estimated present value (see Exhibit III and Note 2.5).
- g) Series 2027 Argentine Republic Bonds (BONAR) for an original nominal value of USD 4,690,500 equal to ARS 80,289,425 as of December 31, 2016. (original nominal value of ARS 4,690,500 equal to ARS 61,648,193 as of December 31, 2015). These financial instruments were recorded in assets in prior fiscal year as a result of the swap of the Non-transferable Bills of the Argentine Treasury. Since at this date there is no active market, it has been valued at estimated present value (see Exhibit III and Note 2.5).
- h) Discount Bonds 2033 issued in US dollars and maturing on December 31, 2033, for a nominal value of USD 679,220 equal to ARS 16,321,657 as of December 31, 2016 (original nominal value of USD 679,220 equal to ARS 13,890,049 as of December 31, 2015). These securities have been valued at market value (see Exhibit III).
- i) Discount Bonds 2033 issued in Argentine pesos for an original nominal value of ARS 6,228,791 equal to ARS 43,788,398 as of December 31, 2016 (original nominal value of ARS 6,228,791 equal to ARS 32,721,706 as of December 31, 2015). These financial instruments were stated at their listed prices (see Exhibit III).
- j) Discount Bonds 2033 issued in 2010 in Argentine pesos for an original nominal value of ARS 5,846 equal to ARS 39,750 as of December 31, 2016 (original nominal value of ARS 5,846 equal to ARS 28,059 as of December 31, 2015). These securities have been valued at market value (see Exhibit III).
- k) Quasi-par Bonds Series 2045 for an original nominal value of ARS 40,351 equal to ARS 211,841 as of December 31, 2016 (original nominal value of ARS 40,351 equal to ARS 165,842 as of December 31, 2015). These securities have been valued at market value (see Exhibit III).
- l) During the current year, the National Treasury Bonds maturing in March 2016 for an original nominal value of ARS 511,855 equal to ARS 522,860 as of December 31, 2015, were fully amortized. These securities have been valued at market value (see Exhibit III).
- m) During the current year the National Treasury Bonds maturing in May 2016 for an original nominal value of ARS 1,917,613, equal to ARS 2,013,494 as of December 31, 2015, were fully amortized. These securities have been valued at market value (see Exhibit III).
- n) During the current year the National Treasury Bonds maturing in July 2016 for an original nominal value of ARS 209,877, equal to ARS 215,963 as of December 31, 2016, were fully amortized. These securities have been valued at market value (see Exhibit III).
- o) During the current year the National Treasury Bonds maturing in September 2016 for an original nominal value of ARS 100,077, equal to ARS 105,832 as of December 31, 2015, were fully amortized. These securities have been valued at market value (see Exhibit III).
- p) GDP-linked marketable securities in US dollars for an original nominal value of USD 445,051 equal to ARS 645,770 as of December 31, 2016 (original nominal value of USD 445,051 equal to ARS 623,072 as of December 31, 2015), received upon the conclusion of the public debt

restructuring process. These financial instruments were stated at market value. In addition, the GDP-linked marketable securities held in Argentine pesos have an original nominal value of ARS 1,861,192 equal to ARS 162,854 as of December 31, 2016 (original nominal value of ARS 1,861,192 equal to ARS 187,977 as of December 31, 2015). These financial instruments were stated at their listed prices (see Exhibit III).

- q) Other portfolio securities amounting to ARS 73,035 as of December 31, 2016 (ARS 55,533 as of December 31, 2015). The remaining holdings are valued at the last available listed price.

4.2.2. Portfolio of repos with the financial system

The balance is ARS 1,766,909 as of December 31, 2016 and includes LEBAC received under reverse repo transactions with the Argentine financial system. These repurchase agreements are recorded at the prices arranged for each transaction plus the respective collateral security margin. As of December 31, 2015 this line had no balance (see Exhibit III).

4.2.3 Allowance for impairment of government securities

In order to disclose the market values of certain government securities booked as of December 31, 2016, the allowance for impairment in value of securities is ARS 810,945 (ARS 819,760 as of December 31, 2015), which accounts for 92% of the original issuance amount of the Bond mentioned in Note 4.2.1.2.1. During this fiscal year, 1% of the allowance was recovered due to the collection of the security eighth amortization installment on January 2, 2017 (see Note 7.1).

4.3 Temporary advances to the Argentine Government

By virtue of the last Charter amendment established by Law No. 26739 enacted on March 22, 2012, as established by section 20, the Bank may make temporary advances to the Argentine Government for a term of twelve months up to an amount equivalent to 12% of the monetary base, which consists of monetary circulation plus financial institutions' demand deposits in the Central Bank of Argentina, whether in checking or special accounts. It may also make prepayments not exceeding 10% of the cash resources obtained by the Argentine Government in the last twelve months. As an exception and only if circumstances or national or international economic prospects justified so, temporary advances may be granted for an additional amount not exceeding 10% of the cash flows earned by the Argentine Government in the last twelve to eighteen months. In all cases, once financial assistance terms have elapsed, this possibility may not be used again until the amounts due are reimbursed.

As of December 31, 2016, temporary advances to the Argentine Government amounted to ARS 382,230,000 (ARS 331,850,000 as of December 31, 2015), ARS 234,080,000 of which were granted at twelve months (ARS 205,100,000 as of December 31, 2015) and ARS 148,150,000 were requested, as an exception, and agreed upon with a maximum maturity term of eighteen months, pursuant to current regulations (ARS 126,750,000 as of December 31, 2015).

These temporary advances do not accrue interest rate and are booked at their nominal values.

The loans that remain effective as of the prior year end, maturing during this year, were fully settled as of December 31, 2016, pursuant to the provisions of section 20.

4.4 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>12/31/2016</u>	<u>12/31/2015</u>
Advance financing to the Productive Sector	1,433,154	2,932,745
Refinanced lines	549,893	549,568
Debts for fines	373,376	511,025
Other	1,805	1,805
Subtotal	2,358,228	3,995,143
Less:		
Allowances for loans to the financial system (Exhibit I)	908,305	1,025,362
Total	1,449,923	2,969,781

“Prepayments to the Argentine financial system” basically consists of loans granted to financial institutions by virtue of Communiqué “A” 5303, as supplemented, for production sector financing, for an amount of ARS 1,433,154 (ARS 2,932,745 as of December 31, 2015).

Advance financing to the Productive Sector requires 125% guarantees over principal due and they are measured at technical value. The guarantees posted by institutions stated at technical value (with the guaranteed credit limit) cover the whole debt, as broken down below.

	<u>12/31/2016</u>	<u>12/31/2015</u>
Argentine Nation Bonds	1,231,893	1,317,064
National Government Secured Loans	33,877	1,082,416
National Government Secured Bonds	158,611	480,451
Par Bond 2038	7,722	10,626
Consolidated Bond Series 8	1,051	18,096
Quasi Par Bonds 2045	-	10,139
Baade USD 2016	-	13,953
Total	1,433,154	2,932,745

The residual value measurement of these securities received in guarantee at market values covers the capital due under this item.

“Financial institutions’ payables due to fines” includes fines accrued in favor of the BCRA due to the application of the Criminal Foreign Exchange System and Financial Institutions Law (section 41), and the balance as of December 31, 2016 amounts to ARS 373,376 (ARS 511,025 as of December 31, 2015). Out of the total balance, as of December 31, 2016, ARS 372,590 is subject to court foreclosure (ARS

501,518 as of December 31, 2015), which was booked as allowance for ARS 358,411 (ARS 475,794 as of December 31, 2015).

Allowances under “Receivables from Argentine financial system institutions”, which amounted to ARS 908,305 as of December 31, 2016 (ARS 1,025,362 as of December 31, 2015), is mainly made up of the allowance on credit lines prior to the enactment of Law No. 24144 amounting to ARS 549,893 (ARS 549,568 as of December 31, 2015), and the allowance on fines mentioned in the previous paragraph for an amount of ARS 358,411 (ARS 475,794 as of December 31, 2015). During fiscal 2016, allowance collections were reversed in the amount of ARS 4,810 and a total amount of ARS 245,229 was used, while new allowances were booked in the amount of ARS 132,982 (ARS 2,225, ARS 129,433 and ARS 132,705 as of December 31, 2015, respectively) (see Exhibit I).

This item is valued at nominal value plus accrued and uncollected interest at the agreed upon rate, net of the allowance for uncollectibility. This allowance is set up on the basis of estimates of the recoverable amounts of the loans, which contemplate the degree of compliance and the quality of collateral, among other factors.

4.5 Contributions to international agencies on behalf of Argentine Government and other

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

	<u>12/31/2016</u>	<u>12/31/2015</u>
Contributions to the IDB, IBRD, IDA and others	47,144,664	36,295,065
Contributions to the IMF	18,324,319	10,676,388
Total	<u>65,468,983</u>	<u>46,971,453</u>

This item is stated at nominal value in the original currency and converted into Argentine pesos as established in note 3.5.1.

The National Government books as a quota —as established by the IMF Board of Governors— the amount of 3,187,300 SDRs as of December 31, 2016 (2,117,100 SDRs as of December 31, 2015), as follows:

	<u>12/31/2016</u>		<u>12/31/2015</u>	
	<u>SDR</u>	<u>Pesos</u>	<u>SDR</u>	<u>Pesos</u>
Treasury Bills	2,327,322	49,590,349	1,524,672	27,476,758
Contributions to the IMF in foring currency	796,825	16,978,672	529,275	9,538,291
Contributions to the IMF in local currency	63,153	1,345,646	63,153	1,138,097
Total	<u>3,187,300</u>	<u>67,914,667</u>	<u>2,117,100</u>	<u>30,153,146</u>

Treasury Bills are issued by the BCRA on account and behalf of the National Government in its capacity as Government's financial agent pursuant to Article III, Section 4 and Article V, Section 11 of the IMF Articles of Agreement, and they are booked in memorandum accounts (see note 5).

According to the IMF's Fourteenth General Review of Quotas dated April 17, 2013, Argentine Congress enacted Law No. 26849, which approved an increase in Argentina's quota in the Fund for a total of SDR 1,070,200. 25 % of the increase set by that law was paid in SDR by the BCRA on behalf of Argentina. The remaining 75% would be paid in local currency, for which the BCRA issued, on behalf and account of Argentina, non-negotiable non-interest-bearing securities that are payable on demand, which were delivered to the IMF (see note 2.3).

4.6 Rights deriving from other derivative financial instruments

	<u>12/31/2016</u>	<u>12/31/2015</u>
ROFEX market daily clearing margin	-	964,966
Currency swap	-	40,089,068
Total	<u>-</u>	<u>41,054,034</u>

All the open positions of US dollar futures contracts in the ROFEX market expired during this fiscal year. The Daily Clearing Margin represented the amount in pesos receivable as a result of the variation in the closing quotation in the forward foreign exchange market of the open positions as of December 31, 2015 and the balance amounted to ARS 964,966.

At year end, all the transactions recorded under the Supplementary Bilateral Currency Swap Agreement entered into with the People's Bank of China had been settled. The ARS 40,089,068 balance recorded in the Receivables for CNY-USD currency swap line as of December 31, 2015 represented the right to receive the CNY at expiration of the CNY-USD currency swap (see Notes 2.4 and 4.18).

4.7 Rights deriving from repo transactions

	<u>12/31/2016</u>	<u>12/31/2015</u>
LEBAC in pesos to be received / delivered under reverse repurchase agreements	85,366,129	29,017,543
Securities to be received under reverse repurchase agreements Com. "A" 4508	-	2,872,881
Rights under repurchase transactions	22,039,790	12,580,642
Reverse repurchase agreements margin	8,524,180	2,930,742
Rights under currency swap transactions	156,403,180	102,625,495
Total	<u>272,333,279</u>	<u>150,027,303</u>

The BCRA issues LEBAC (BCRA bills) as the main monetary regulatory instruments with which it absorbs market liquidity to meet its monetary, financial, credit and foreign exchange policy goals and

plans. Board of Governors' Resolution No. 155 of May 20, 2004, authorized the issuance of LEBAC to be applied as eligible assets, upon agreeing upon repo transactions. This resolution established that the margin of these transactions amounted to 10% of the transaction. As of December 31, 2016, the LEBAC receivable under reverse repurchase agreements, including premiums to be accrued for this item, totaled ARS 85,366,129 (ARS 29,017,543 as of December 31, 2015). Those instruments were valued at market price (see note 4.19).

Rights under repurchase agreements are related to transactions agreed upon with Banks and other entities based on the monetary policy strategies created by the BCRA. Receivables in this regard amounted to ARS 22,039,790 as of December 31, 2016 (ARS 12,580,642 as of December 31, 2015). These repurchase agreements were valued based on prices settled for each transaction, plus the pertinent premiums accrued at each year end.

At year end there are no repo transactions arranged under Communiqué “A” 4508, in which securities issued by the Argentine Government are used as underlying assets. Transactions effective as of December 31, 2015, including premiums to be accrued, amounted to ARS 2,872,881.

Rights from currency swap transactions amounted to ARS 156,403,180 as of December 31, 2016 (ARS 102,625,495 as of December 31, 2015). This balance represents the right to receive from People’s Bank of China the amount in national currency agreed under the currency swap transaction (see Note 4.19).

4.8 Other assets

	<u>12/31/2016</u>	<u>12/31/2015</u>
Assets applied to collateral for ROFEX Market share	451	31,270,077
Stock of banknote paper and coins for the issuance of currency	2,896,346	1,816,161
Secured Loans-Decree No. 1387/01	490,773	411,21
Bank premises & equipment (net of depreciation)	191,47	151,987
Law 4951 Bond – Province of Chaco	9,527	20,681
Coined gold	166,402	125,994
Intangible assets	4,249	2,579
Sundry	1,371,088	2,039,087
Less:		
Allowances (Exhibit I)	145,151	771,138
Total	<u><u>4,985,155</u></u>	<u><u>35,066,638</u></u>

The assets applied to guarantees for participation in the ROFEX market represent initial guarantee margins, which are common to all participants, the portfolio risk margin and the daily clearing margins for revaluation of positions opened by the BCRA in that market. With no transactions outstanding as of December 31, 2016, the balance corresponds to assets delivered as initial collateral margin for ARS 451, while the balance for all collateral items amounted to ARS 31,270,077 as of December 31, 2015.

Secured loans are financial instruments issued by the National Government by virtue of Presidential Decree No. 1387/01 and supplementary regulations, which were accepted to settle the temporary lack of liquidity aid to financial institutions with abrogated authorization to operate. These unlisted instruments are transferred through deeds, they accrue interest and they may be adjusted by CER

(benchmark stabilization coefficient). As of year end, they were stated at nominal value plus accrued interest not yet collected and CER adjustment. By Resolution 5/16, the Ministry of Public Finance and Treasury established that since November 2015 the CER will be calculated based on the daily variation rate obtained from the monthly changes in the Consumer Price Index of the City of Buenos Aires (IPBA). Later on, Resolution 100/16 and complementary regulations established the use of the Consumer Price Index of the Province of San Luis (IPCSL) as from March 26, 2016. Finally, under Resolution No. 203/16 of the former Ministry of Economy and Public Finance, effective June 26, 2016 the daily variation rate obtained from the monthly variation in the Consumer Price Index published by INDEC is used.

Bank premises & equipment were valued at acquisition cost, net of the related accumulated depreciation, including the adjustment for inflation through February 28, 2003. Depreciation is calculated by the straight-line method, taking into account the bank premises & equipment estimated useful life.

Consolidation Bond in Argentine pesos. Law No. 4951 (pending issuance) represents the refinancing established by Law No. 4951 for the Province of Chaco as part of the exchange of BOPRO bonds in Argentine pesos (1st, 2nd, 3rd and 4th series) and BOSAFI Chaco in US dollars (1st and 2nd series), in Argentine pesos.

According to the international definitions of gold computable as a reserve asset (see note 4.1.1), in this item were included the gold coins held for numismatic purposes, which were covered by a provision for sale expenses at 1% of total inventories.

The Sundry line includes numismatic items for ARS 45,570 (ARS 36,410 as of December 31, 2015); litigation and out-of-court receivables not yet collected from Acex trust and further assets received in this respect for ARS 114,008 and ARS 77,738, respectively (ARS 133,717 and ARS 67,338 as of December 31, 2015), which were covered by an allowance for ARS 140,516 (ARS 161,672 as of December 31, 2015); the contribution to the Poverty Reduction and Growth Trust – Heavily Indebted Poor Countries (IMF) for ARS 331,988 (ARS 279,310 as of December 31, 2015) and advances and prepayments to be reported for ARS 156,216 (ARS 335,537 as of December 31, 2015). In addition, an agreement was signed during the fiscal year for the transactions performed and settled pursuant to LAIA's Agreement on Reciprocal Payments and Credits for amounts claimed from the Central Bank of Uruguay, therefore the allowance for the credit and the related liability were fully reversed. The balance as of December 31, 2015 amounted to ARS 606,005 (see Exhibit I and Note 4.21).

4.9 Monetary base

According to the Charter, it consists of monetary circulation plus financial institutions' demand deposits in the Central Bank of Argentina, whether in checking or special accounts. It also includes settlement checks in circulation. Exhibit V discloses the changes in the monetary base, which shows mainly monetary regulation operations performed by the BCRA as part of the powers assigned by the Charter regarding the relationship between the Argentine Government and the financial system and related uses (operating and financial expenses).

4.9.1 Currency in circulation

4.9.1.1 Banknotes and coins in circulation

	<u>12/31/2016</u>	<u>12/31/2015</u>
Banknotes	591,082,448	475,470,056
Coins	3,532,817	3,306,111
Total	<u>594,615,265</u>	<u>478,776,167</u>

Banknotes and coins in circulation as of each year end represent those in the possession of the general public and financial institutions. (See note 5).

Banknotes varied as follows:

	<u>12/31/2016</u>	<u>12/31/2015</u>
Balance at beginning of year	475,470,056	355,671,550
New banknotes and of good use in the financial system	125,945,206	125,619,354
Notes out of circulation and destroyed or to be destroyed	(10,332,814)	(5,820,848)
Balance at end of year	<u>591,082,448</u>	<u>475,470,056</u>

4.9.1.2 Settlement checks in pesos in circulation

The amount of ARS 252 as of December 31, 2016 (ARS 452 as of December 31, 2015) accounts for BCRA's liability for the issuance of settlement checks requested by financial institutions and issued in Argentine pesos.

4.9.2 Current account in pesos

As of December 31, 2016, they amounted to ARS 227,048,728 (ARS 145,112,899 as of December 31, 2015). The compensation for the amounts in current accounts in Argentine pesos opened in the BCRA is calculated pursuant to Communiqué "A" 4241 and it consists in the calculation of interest over the monthly average of daily amounts at the rate fixed and published by the BCRA's trading desk. In fiscal years 2015 and 2016 the rate determined for this item was 0%.

4.10 Instruments of payment in other currencies

4.10.1 Settlement checks in other currencies in circulation

The amount of ARS 1,981 as of December 31, 2016 (ARS 260 as of December 31, 2015) accounts for BCRA's liability for the settlement checks requested by financial institutions and issued in US dollars, which were converted into Argentine pesos as stated in note 3.5.1.

4.10.2 Certificates of deposit for investment

The amount of ARS 2,462,480 as of December 31, 2015 (ARS 5,666,498 as of December 31, 2015) accounts for BCRA's liability for the Certificates of Deposit for Investment issued pursuant to Law No. 26860, which are in circulation. These instruments are issued in US dollars and are converted into Argentine pesos according to note 3.5.1. (See Note 2.10).

4.11 Current accounts in other currencies

As of December 31, 2016, this item amounted to ARS 246,379,905 (ARS 139,505,512 as of December 31, 2015), and it is converted into pesos as established in note 3.5.1. Compensation conditions have been defined in BCRA's Communiqué "A" 4241, as amended (see note 4.9.2).

4.12 Deposits from the Argentine Government and others

This item includes:

	<u>12/31/2016</u>	<u>12/31/2015</u>
Argentine Government deposits	17,705,964	2,380,630
A.N.S.E.S. Social security payment orders	192,947	2,019,007
Provincial funds	529,727	434,638
Argentine Government deposits – Law No. 25152 – Tax anticyclical fund	297,194	243,846
Total	<u>18,725,832</u>	<u>5,078,121</u>

4.13 Other deposits

	<u>12/31/2016</u>	<u>12/31/2015</u>
Trust current accounts	136,613	117,718
Special accounts	41,428	32,163,919
Regional Economy Competitiveness Program	45,912	78
Micro SME Program	136,856	61,417
Sundry	18,837	11,342
Total	<u>379,646</u>	<u>32,432,396</u>

Deposits into special accounts as of December 31, 2015 included funds in foreign currency equivalent to ARS 6,193,547 applied to the payment of debt services on the Argentine Government Securities

issued within the framework of the Sovereign Debt Restructuring that took place between 2005 and 2010; such payment was made on June 26, 2014 in the Bank of New York Mellon, but collection thereof has been restricted under judicial orders issued by the Court for the Southern District of New York (Section 2 of Law 26984). Furthermore, at that date ARS 25,931,282 were recorded in the Law No. 26984 Fund - Restructured Sovereign Debt Payment account, created to keep in trust the funds deposited therein and applied to the payment of the debt services of the securities governed by the 2005-2010 Trust Agreement, as set forth by Section 4 of Law 26984. The funds of these deposits were transferred on May 4, 2016 as a result of the judicial order issued by the Court for the Southern District of New York, which released payments to bondholders at that date (see Note 2.1.1 and Exhibit II).

The line under analysis also includes ARS 22,230 corresponding to deposits placed by the Argentine Government under the terms and conditions set forth by Section 1 of National Executive Branch Decree No. 1836/02, which are restricted and unseizable and will operate as collateral for the different series of Argentine Government Bonds for the exchange of certificates of deposit with the savers in the financial system. The balance for that item amounted to ARS 19,892 as of December 31, 2015.

4.14 Special Drawing Rights

IMF Special Drawing Rights refer to the amount allocated by the IMF to Argentina as a member country. By virtue of its Articles of Agreement, the IMF may assign Special Drawing Rights to member countries in proportion to their quotas, whether on a general or special basis, as provided for by sections XVIII, XXIV and XXVI of those Articles of Agreement.

In 2009, the IMF made a general allocation of up to USD 250,000,000 among its member countries and USD 2,460,375 (SDR 1,569,427) was allocated to Argentina. In fiscal year 2009, the Fourth Amendment of the IMF Articles of Agreement approved in 1997 became effective, which sets forth a special extraordinary allocation of SDRs amounting to about USD 33,000,000, while Argentina was allocated USD 207,316 (SDR 132,243). Both general and extraordinary allocations were received by the BCRA on account and behalf of the Argentine Government for an amount of SDR 1,701,670.

The contra account of SDR allocations transferred to the Argentine Government is disclosed offsetting the Allocated SDRs account, for an amount of ARS 36,259,012, equal to SDR 1,701,670 as of December 31, 2016 (ARS 30,666,507 equal to the same amount in SDRs as of December 31, 2015).

The net amount of SDR 318,370, effective as of December 31, 2016, and December 31, 2015, shows the allocated SDRs received by the bank prior to the Charter amendment of September 30, 1992.

The item is broken down as follows:

	12/31/2016		12/31/2015	
	SDR	Pesos	SDR	Pesos
Allocated SDRs	2,020,040	43,042,808	2,020,040	36,403,986
Contra account of allocated SDRs transferred to the Argentine Government	(1,701,670)	(36,259,012)	(1,701,670)	(30,666,507)
	318,37	6,783,796	318,37	5,737,479

This item is stated at nominal value in the original currency and converted into Argentine pesos as established in note 3.5.1.

4.15 Obligations with international agencies

“Obligations with international agencies” is mainly made up of the “Use of the reserve tranche”, which is the main financial service made available by the IMF to a country and it does not represent the use of the credit from the IMF, there being no claim from the international organization regarding the fund used (1). The Reserve Tranche of a country represents the payment percentage of the quota set for participating in the IMF, which has been paid up with reserve assets.

In addition to the item previously mentioned, “Obligations” also include deposits with the Inter-American Development Bank, IMF and other International Agencies.

The item is broken down as follows:

	<u>12/31/2016</u>	<u>12/31/2015</u>
Use of IMF reserve tranche	11,278,085	9,538,580
IMF Account No. 1	1,341,141	1,134,286
IDB	1,683,217	1,345,514
Accrued charges	15,397	3,042
IBRD	9,873	1,367
IMF Account No. 2	301	255
Other	53,946	850
	<u>14,381,960</u>	<u>12,023,894</u>

The contra account of the “Use of the reserve tranche” includes BCRA’s right to collect from the Argentine Government the funds received by the BCRA and transferred to the Argentine Government before September 30, 1992, for SDR 529,291 equal to ARS 11,278,085 (the same amount in SDRs equal to ARS 9,538,580 as of December 31, 2015).

(1)The positions are reversed exclusively in the cases contemplated by sections XXIV and XXVI of the Articles of Agreement.

4.16 Securities issued by the BCRA

One of the transactions allowed to be BCRA under section 18 of its Charter consists in issuing securities or bonds and certificates of participation on the securities that it holds. This monetary instrument known as LEBAC is issued in Argentine pesos and US dollars since 2002. LEBAC are negotiated on a discount basis and they are stated at face value net of interest to be accrued as of each year end.

As from May 2004, Board of Governors’ Resolution No. 155/04 authorized that a portion of issued LEBAC be used to perform repo transactions as monetary regulation instruments. As a result, the LEBAC portfolio used for such transactions is stated at market values and disclosed by deducting from “Securities issued by the BCRA” (see Note 4.7).

The amounts of LEBAC as of each year end are as follows:

	<u>12/31/2016</u>	<u>12/31/2015</u>
Bills and notes issued in Argentine pesos		
Primary issuance of Bills and Notes	722,920,716	464,270,049
Bills held in portfolio and available to reverse repurchase agreements	(24,089,204)	(78,937,838)
Bills in US dollars payable in US dollars	-	31,273,012
Total	<u>698,831,512</u>	<u>416,605,223</u>

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

4.17 Contra account of Argentine Government contributions to international agencies

As of December 31, 2016, the amount of ARS 44,730,874 represents the contra account of contributions made on account of the Argentine Government to international entities of which Argentina is a member. As from September 30, 1992, when the Bank's Charter was amended, the legal form of the BCRA and its relationship with the Argentine Government were modified. The amount as of December 31, 2015, was ARS 31,589,233.

4.18 Obligations due to other derivative financial instruments

This item recorded no balance as of December 31, 2016. The ARS 40,142,766 balance as of December 31, 2015 represented the commitment in US dollars with the People's Bank of China to the CNY/USD currency swap transaction under the Supplementary Agreement of Bilateral Currency Swap (See Notes 2.4 and 4.6).

4.19 Obligations due to repo transactions

	<u>31/12/2016</u>	<u>31/12/2015</u>
Amounts payable for reverse repurchase agreements	85,372,477	29,345,358
Collateral security margins for repos	176,186	-
Obligations under reverse repurchase agreements Com. "A" 4508	-	2,859,935
Securities to be delivered under repo transactions	21,973,658	12,484,001
Obligations from currency swap transactions	159,757,235	140,297,722
Total	<u>267,279,556</u>	<u>184,987,016</u>

The amounts payable for reverse repurchase agreements total ARS 85,372,477 as of December 31, 2016 and represent the funds to be reimbursed to the financial institutions on the maturity date of the transactions mentioned in note 4.7 on account of principal, premiums and margins totaling ARS

76,717,618, ARS 130,679 and ARS 8,524,180, respectively (as of December 31, 2015, the balances of these items totaled ARS 26,376,676, ARS 37,940 and ARS 2,930,742, respectively). They were valued based on prices settled for each transaction, plus the pertinent premiums accrued at each year end.

Obligations from currency swap transactions amounted to ARS 159,757,235 as of December 31, 2016 (ARS 140,297,722 as of December 31, 2015). This balance represents the BCRA's commitment to reimburse the People's Bank of China for the amount in foreign currency agreed under the currency swap transaction (see Note 4.6).

Securities and foreign currency to be delivered for obligations under repurchase agreements as of December 31, 2016, totaled ARS 21,973,658 and represent foreign government securities to be reimbursed due to repo transactions valued at market price (ARS 12,484,001 as of December 31, 2015).

As of December 31, 2016 reverse repo transactions governed by Communiqué "A" 4508 and described in Note 4.7 record no balance (ARS 2,859,935 as of December 31, 2015).

4.20 Obligations due to multilateral credit agreements

This account's balance represents the net liabilities resulting from mutual credit transactions within the framework of the LAIA, which totaled ARS 2,375,350 as of December 31, 2016, while this item totaled ARS 2,257,238 as of December 31, 2015.

4.21 Other liabilities

This item is broken down as follows:

	<u>12/31/2016</u>	<u>12/31/2015</u>
Revolving funds and other obligations in foreign currency	21,246,787	27,552,065
Currency swap deposit	156,403,180	102,625,495
Obligations with the National Government	536,378	396,349
Obligations for services on secured loans	50,757	43,499
Sundry	10,942,522	7,951,972
Total	<u>189,179,624</u>	<u>138,569,380</u>

"Revolving funds and other obligations in foreign currency" represent the transactions resulting from international agreements executed with multilateral or foreign official organizations, central banks or entities of which only the BCRA can be a borrower on its own behalf or on account of the Argentine Treasury as Financial Agent of Argentina, pursuant to the provisions of Article 17 of the Charter.

The balance of Revolving funds is made up, among others, of the disbursements made by the Inter-American Development Bank (IDB) and the International Bank for Reconstruction and Development (IBRD) to be used in loans, technical cooperation efforts and small projects for the acquisition of goods and services, pursuant to the terms and conditions of the agreements executed with the IDB.

Other obligations in foreign currency involve the financing from foreign financial institutions and other organizations, obtained by the BCRA as part of its monetary policy strategies.

The Currency Swap Deposit amounts to ARS 156,403,180 (ARS 102,625,495 as of December 31, 2015) and represents the total peso amount deposited in favor of the People’s Bank of China under the Bilateral Currency Swap Agreement entered into between the BCRA and the People’s Bank of China.

Obligations with the National Government include deposits of funds received by international agencies to be applied to National Government's operations, Financial System restructuring, to provinces and urban conglomerates, and under Credit Programs for Micro, Small and Medium-sized Enterprises.

The balance as of December 31, 2016 totals ARS 536,378 (ARS 396,349 as of December 31, 2015).

“Obligations from secured loan services” includes the funds that will be used to pay the above-mentioned loan services, which amounted to ARS 50,757 as of December 31, 2016 (the amount as of December 31, 2015, was ARS 43,499).

The main items included in “Sundry” are described as follows: Obligations with the National Government for the repayment of credits with BOCON ARS 146,724 (ARS 35,148 as of December 31, 2015); Obligations with the Provincial Governments ARS 450,126 (ARS 319,144 as of December 31, 2015); Withholdings from suppliers and employees and payroll taxes payable ARS 219,488 (ARS 196,375 as of December 31, 2015), Contra account for contributions to international agencies prior to the amendment to the Charter by Law No. 24144 ARS 2,811,873 (ARS 414,149 as of December 31, 2015); unallocated items for ARS 723,119 (ARS 1,396,719 as of December 31, 2015), Contra account for the Reserve Tranche Position of the National Government as a member of the IMF ARS 5,705,093 (ARS 3,522 as of December 31, 2015) (see Notes 2.3 and 4.1.3), provisions for ARS 550,649 (ARS 340,602 as of December 31, 2015), among others. Most important on this line is the repayment during the fiscal year of the balance of unallocated items LAIA Uruguay (ARS 486,055 as of December 31, 2015) (see Note 4.8).

4.22 Provisions

The provisions and reserves set as of each year end which are listed in Exhibit I involve the following items:

	<u>31/12/2016</u>	<u>31/12/2015</u>
Provision for lawsuits	647.710	609.170
Provision for labor-related liabilities	2.042.667	1.666.153
Provision for guarantee fund under Law No, 22510	138.338	110.515
	<u>793</u>	<u>793</u>
Total	<u>2.829.508</u>	<u>2.386.631</u>

The method used by the BCRA to determine the amounts of the provision for lawsuits was as follows:

Lawsuits were classified based on their procedural status and the type of cases (lawsuits related to the reimbursement of deposits, labor lawsuits, etc.) The estimation of the outcome of the disputes has been made based on background information concerning settled lawsuits of equal or similar characteristics.

The lawsuits prior to April 1, 1991 were adjusted through the general wholesale price index plus an annual 6% interest until March 31, 1991 and, as from that date, the common savings account rate

published by the BCRA was used. In the case of lawsuits subsequent to March 31, 1991, and prior to January 1, 2002, the interest rate on deposits under BCRA Communiqué No. 14290 was used until December 31, 2001 and, from that date onwards, the common savings account rate in view of the application of Laws Nos. 25344 and 25725, Section 58. In the case of lawsuits subsequent to December 31, 2001, and until the closing date of these financial statements, the interest rate on deposits under BCRA Communiqué No. 14290 was used for judicial purposes.

In the cases of amounts claimed in United States dollars, the peso parity has been determined at one peso per US dollar and without considering any interest rate, as there are no precedents where the BCRA has had to pay in dollars the debts claimed in that currency.

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

4.23 Statement of income – Significant items

The most significant items are:

4.23.1 Interest and adjustments income

On International Reserves	<u>12/31/2016</u>	<u>12/31/2015</u>
Time deposits	757,797	168,747
Demand deposits and foreign currency	1,924	39,808
Foreign government securities	7,681	536
Multilateral credit agreements	5,233	4,578
Total:	<u><u>772,635</u></u>	<u><u>213,669</u></u>

On Argentine Government securities

	<u>12/31/2016</u>	<u>12/31/2015</u>
Interest on government securities	21,149,409	3,581,961
CER on government securities	413,573	204,677
Interest on non-transferable bills	898,714	-
Total:	<u><u>22,461,696</u></u>	<u><u>3,786,638</u></u>

On loans to the Argentine financial system

	<u>12/31/2016</u>	<u>12/31/2015</u>
Interest earned	201,091	335,103
Total:	<u><u>201,091</u></u>	<u><u>335,103</u></u>

On other asset

	<u>12/31/2016</u>	<u>12/31/2015</u>
Interest and adjustments on secured loans	167,832	71,703
FABP (yield and interest)	69,291	53,722
Interest and adjustments on financial instruments	389,132	34,720
Other interest earned	5,708	27,294
Total:	<u>631,963</u>	<u>187,439</u>

4.23.2 Interest and adjustments expense**On securities issued by the BCRA**

	<u>12/31/2016</u>	<u>12/31/2015</u>
Interest on LEBAC	(153,344,158)	(77,238,967)
Total:	<u>(153,344,158)</u>	<u>(77,238,967)</u>

On loans borrowed from international agencies

	<u>12/31/2016</u>	<u>12/31/2015</u>
Other obligations	<u>(3,698,542)</u>	<u>(162,855)</u>
Total:	<u>(3,698,542)</u>	<u>(162,855)</u>

On other transactions with the financial system

	<u>12/31/2016</u>	<u>12/31/2015</u>
Net premiums accrued on repo transactions	(6,138,402)	(2,251,127)
Total:	<u>(6,138,402)</u>	<u>(2,251,127)</u>

On other liabilities

	<u>12/31/2016</u>	<u>12/31/2015</u>
Interest	(97,361)	(32,025)
Gains (loss) on CER application	(3,459)	(67,711)
Interest on adjustments on financial instruments	(153,182)	(12,524)
Total:	<u>(254,002)</u>	<u>(112,260)</u>

4.23.3 Net set-up of allowances for government securities and loans to the financial system

	<u>12/31/2016</u>	<u>12/31/2015</u>
For government securities	8,815	8,885
For loans to the financial system	(128,170)	(130,480)
Total:	<u>(119,355)</u>	<u>(121,595)</u>

4.23.4 Listed price differences, net

	<u>12/31/2016</u>	<u>12/31/2015</u>
For International Reserves		
Foreing currency and time and demand deposits	50,157,244	54,858,155
Gold	8,959,861	7,262,629
Foreing government securities	49,309	1,152,965
Derivative instruments	8,654,348	(112,001)
Other	134,903	183,103
For Argentine government securities	190,949,949	296,054,930
International agencies	8,340,935	12,977,022
For entities deposits in checking accounts and Argentine Government's deposits	(35,766,259)	(51,943,853)
Other valuation adjustments of assets and liabilities	(19,363,256)	(69,559,095)
Total:	<u>212,117,034</u>	<u>250,873,855</u>

4.23.5 Foreign currency trading differences, net

	<u>12/31/2016</u>	<u>12/31/2015</u>
Foreign currency trading	12,522,921	43,844,448
Total:	<u>12,522,921</u>	<u>43,844,448</u>

4.23.6 Other financial instruments trading differences, net

(Loss):

	<u>12/31/2016</u>	<u>12/31/2015</u>
On swap transactions of non-transferable bills	-	(31,122,518)
On transactions with LEBAC and NOBAC	(305,289)	487,338
On forward transactions	(10,054,519)	(42,427,938)
On transactions with securities	1,194	2,339
On transactions with gold and foreign currencies	-	-
On forward/ futures transactions	557,270	12,932
Other transactions	8,279	(6,341)
Total:	<u>(9,793,065)</u>	<u>(73,054,188)</u>

4.23.7 Miscellaneous charges and fines

	<u>12/31/2016</u>	<u>12/31/2015</u>
Fines	(55,547)	401,006
Charges	132,221	44,976
Total:	<u>76,674</u>	<u>445,982</u>

4.23.8 Monetary issuance expenses

	<u>12/31/2016</u>	<u>12/31/2015</u>
Coinage and mitting	(1,904,849)	(1,058,810)
Materials	(870,775)	(673,488)
Other expenses	(430,154)	(249,651)
Total:	<u>(3,205,778)</u>	<u>(1,981,949)</u>

4.23.9 General expenses

	<u>12/31/2016</u>	<u>12/31/2015</u>
Amortization	(27,747)	(19,548)
Other general expenses	(3,688,985)	(2,688,650)
Total:	<u>(3,716,732)</u>	<u>(2,708,198)</u>

4.23.10 Set-up of other allowances, net

	<u>12/31/2016</u>	<u>12/31/2015</u>
Allowance for coined gold	2,081	(327)
Provision for lawsuits	(154,007)	(20,259)
Provision for labor-related liabilities	(376,514)	(290,238)
Other provisions	468,779	(207,734)
Total:	<u>(59,661)</u>	<u>(518,558)</u>

4.23.11 Other (Expenses) / Income Net

	<u>12/31/2016</u>	<u>12/31/2015</u>
Income/(loss) for the assignment of foreign currency position Com. "A" 5852	583,694	6,318,971
Other	(838,271)	(268,119)
Total:	<u>(254,577)</u>	<u>6,050,852</u>

NOTE 5 - DEBIT- AND CREDIT-BALANCE MEMORANDUM ACCOUNTS

As of December 31, 2016, debit- and credit-balance memorandum accounts amounted to ARS 4,315,229,533 (ARS 3,380,733,495 as of December 31, 2015) which are broken down as follows:

	12/31/2016	12/31/2015
Total stock of banknotes and coins	661,997,431	498,675,416
Stock of banknotes and coins issued for circulation deposited in the BCRA	67,382,166	19,899,250
Other (Banknote paper/coin blanks/banknotes and coins in process)	303,344,995	129,669,293
Settlement checks	22,044	16,341
Certificate of deposit for investment (CEDIN)	2,463,009	5,667,021
Monetary assets in custody	2,380,270,368	1,649,078,255
Nonmonetary assets in custody	281,902,284	170,464,501
Checks and securities received in guarantee	13,465,127	17,547,341
Non-negotiable securities – International organizations	51,980,529	29,398,888
Commitments agreed with international organizations	359,509,079	273,223,303
Loans classified as irrecoverable	24,261,861	24,630,519
Funds managed on behalf of Treasury Department	5,620,922	4,611,693
Financial fines, Section 41, Financial Entities Law and Criminal Foreign Exchange System	1,165,239	902,992
Contingent rights and obligations		
From imports under LAIA agreement	1,266,456	937,046
Under the Bilateral Agreement with the People's Bank of China	159,757,235	97,389,960
Other contingent rights from forward transactions		
From OCT - MAE acquisitions (foreign currency)	-	18,019,372
From ROFEX Market acquisitions (foreign currency)	-	99,209,163
From OCT - MAE sales (foreign currency)	-	70,975,968
From ROFEX Market sales (foreign currency)	-	269,718,798
Other	820,788	698,375
<u>Total</u>	<u>4,315,229,533</u>	<u>3,380,733,495</u>

The stock of banknotes and coins includes ARS 661,997,431 on account of banknotes and coins issued (ARS 498,675,416 as of December 31, 2015), out of which ARS 594,615,265 represent monetary circulation as of December 31, 2016 (ARS 478,776,167 as of December 31, 2015) and ARS 67,382,166 of banknotes and coins deposited in the Bank fit for circulation (ARS 19,899,250 as of December 31, 2015) (see note 4.9.1.1).

“Other” (banknote paper – coin blanks – banknotes and coins in process) includes mainly paper stock to print banknotes and coin blanks to strike coins in the amount of ARS 88,707,786 (ARS 15,224,592 as of December 31, 2015) and paper and banknotes of old lines to be destroyed in the amount of ARS 686,812 (ARS 1,337,331 as of December 31, 2015).

The balance of ARS 22,044 as of December 31, 2016, for settlement checks represents the checks of this kind that were drawn in Argentine pesos and in US dollars in the hands of the general public and the checks paid and sent to the BCRA for final verification and destruction (ARS 16,341 as of December 31, 2015) (see note 4.9.1.2).

“Checks and securities in custody” include mainly securities, local and foreign currency and checks deposited with the Bank’s treasury or in regional agencies as part of the BCRA’s duties or due to a court order. Assets with a financial value were classified as monetary, while nonmonetary assets are those that due to their aging can no longer be used as payment in the case of currencies, or which lack financial value in the case of government securities. “Checks and securities in custody – monetary” were valued by applying the foreign exchange rates effective as of each year end.

The “Checks and securities received in guarantee” amount includes, mainly ARS 4,892,261 of securities and checks deposited with the BCRA or with other entities in relation to credit transactions (ARS 7,231,407 as of December 31, 2015) and ARS 8,477,409 of securities deposited in guarantee by local banks in relation to LAIA transactions (ARS 10,222,070 as of December 31, 2015), among others.

The amount of “Non-negotiable securities” represents mainly the amount of Treasury Bills issued by the BCRA on behalf and account of the Argentine Government for a total of ARS 49,590,349 as of December 31, 2016, (ARS 27,476,758 as of December 31, 2015), maintaining the potential commitment to pay the IMF, as mentioned in note 4.5).

The Commitments undertaken with International Agencies mainly include the principal amount payable agreed with each agency (IDB, FONPLATA, and IBRD, among others). Such principal amount payable is subject to a payment requirement when necessary to meet obligations held with the agencies.

The receivables deemed non-recoverable include loans granted to former financial entities that are currently undergoing liquidation and total ARS 21,627,369 (ARS 22,379,876 as of December 31, 2015) and loans granted to former entities with revoked authorization that were verified in litigation in an amount of ARS 2,456,989 (ARS 2,071,361 as of December 31, 2015).

“Funds managed on behalf of the Treasury Department” include ARS 5,323,728 (ARS 4,367,847 as of December 31, 2015) of collateralized securities belonging to the Treasury Department, which were delivered to the BCRA to be managed by it and ARS 297,194 (ARS 243,846 as of December 31, 2015) related to the Tax anticyclical fund.

Fines imposed in accordance with the provisions of article 41 of the Charter account for ARS 1,165,239 (ARS 902,992 as of December 31, 2015).

“Contingent obligations from transactions under LAIA agreements” records the instruments issued by financial entities resulting from imports under such agreement. As of December 31, 2016, this account amounted to ARS 1,266,456 (ARS 937,046 as of December 31, 2015).

During the fiscal year 2015, a currency swap agreement was entered into between the Central Bank of Argentina and the People’s Bank of China. The contingent rights and obligations arising under that agreement have been recorded in memorandum accounts.

Contingent rights from forward transactions recorded no balance as of December 31, 2016 since all transactions outstanding as of December 31, 2015 were settled during the year. This line included the equivalent in pesos to the notional values of the foreign currency forward purchase contracts arranged through the MAE and ROFEX, while contingent obligations from forward transactions include the equivalent in pesos to the notional values of the foreign currency forward sales contracts arranged through those markets, plus contracts as a result of the measures described in Note 2.7.

The balance of net positions sold of forward contracts arranged with OCT/MAE and ROFEX at the end of 2014 and of each quarter of 2015 was as follows:

	12/31/2014	03/31/2015	06/30/2015	09/30/2015	12/31/2015
OCT - MAE	(23,938,482)	(8,072,672)	(10,132,493)	(42,548,903)	(52,956,596)
ROFEX	(12,183,747)	(6,389,097)	(8,667,857)	(54,118,283)	(170,509,635)

The net position broken down by expiration date of the contracts in force as of December 31, 2015 is disclosed below:

	01/31/2016	02/29/2016	03/31/2016	04/30/2016	05/31/2016	06/30/2016
OCT MAE	10,190,950	9,062,182	17,248,790	6,016,504	3,131,494	7,306,676
ROFEX	20,268,212	27,726,447	45,604,855	27,555,020	22,839,419	26,515,682

NOTE 6 - RISK MANAGEMENT POLICY

6.1 International reserve management risk

The administration of the Central Bank's international reserves seeks to make prudent and secure investments. As the need for reserves may arise suddenly, its liquidity is also important. Additionally, considering the size of the administered portfolios, their return should not be disregarded. Therefore, the three pillars that define the investment guidelines of all central banks are security, liquidity and return.

To manage the risks inherent in the administration of its international reserves within acceptable levels and parameters, the Board of Governors of the Bank establishes in its investment guidelines the universe of permitted risks, as well as the different risk limits tolerated in each of the investments made.

The risks inherent in the administration of international reserves are monitored on a daily basis, in accordance with the guidelines set by the Board of Governors of the Bank (see Notes 6.1.1, 6.1.2 and 6.1.3).

During 2016, the Board of Governors approved by Resolution No. 402 dated October 13, 2016 some explanatory amendments to the wording of the Manual of Policies for Investment of International Reserves, for a better identification of the administration objectives of each of the portfolios. Also, the changes introduced to the investment universe and the control of the associated risks enable the Central Bank to more efficiently manage its portfolios and better segment the control of the credit risk for the different transactions conducted.

6.1.1 Credit risk

Credit risk consists in the possibility of losses resulting from the counterparty defaulting on its obligations.

In this regard and in relation to Reserves, it should be considered the sovereign risk of the countries listed in the Manual of Policies for Investment of International Reserves. For international reserves, exposure is allowed for eligible countries that meet certain minimum requirements regarding international risk rating, structural risk rating and market prices of credit risk (CDS or Z-Spread).

Counterparties of the BCRA may be: international agencies, multilateral financial institutions, central banks, central securities depositories and commercial or business banks that comply with requirements relating to country of residence, capital, systemic importance, supervision system and credit quality.

To determine the credit quality, credit risk ratings are considered, as well as market prices of credit risk and the structural model selected for countries or banks, as applicable.

The individual limits to exposure in eligible countries and banks depend on the group or level assigned depending on the related credit quality regulations, Reserve level, and in the case of banks, Equity. In addition, global limits are determined for countries or banks classified within a group or level, and for the total bank risk, based on the percentage of International Reserves.

Furthermore, exposures may not be increased or shall be liquidated in full if the market prices of the credit risk of each country or counterparty overcomes certain barriers.

6.1.2 Market risk

Market risk arises due to market parameter fluctuations. Therefore, market risk encompasses sub-risks involving changes in exchange rates, interest rates and prices. With regard to this type of risk, the investment guidelines establish that the duration of liquidity and investment portfolios must always be positive (higher than zero) and must not exceed 1.5 times the duration of their benchmark index, while in the case of exposures in currencies other than the United States dollar reduced deviations are admitted with respect to BCRA's direct liabilities in the same currency.

6.1.3 Liquidity risk

Under the investment guidelines related to the liquidity risk, all the instruments in which the Reserves are invested shall be sufficiently liquid to be sold within three business days, without this having a material impact on their market prices as a consequence of the liquidation.

Time deposits are deemed to have sufficient liquidity within the time frames set for each instrument and are subject to the assessment of their issuer's repurchase or early settlement ability. Furthermore, Reserves in Foreign Currency are segregated into a liquidity portfolio aimed at satisfying operating needs, an Investment Portfolio to improve the risk-adjusted return and the diversification of international reserves, and a hedge portfolio for the hedging of BCRA liabilities in foreign currency, agreements and other financial positions.

6.2 Operating risk

The operating risk arises from incurring in losses due to process, staff or internal system failures, or events outside the BCRA.

In order to control it, foreseeable high-risk events are identified, as well as existing controls related to each process for mitigation purposes.

A distinction is made between financial and non-financial risk. An action plan is prepared and there is permanent monitoring.

Within that framework, the BCRA has strengthened and adapted its functional structure through specific organizational units to analyze the probability of occurrence of a threat due to the existence of one or more vulnerabilities with resulting adverse impact for the Bank.

Its main function is to identify and assess non-financial risk levels jeopardizing the Bank's processes, proposing mechanisms to limit and control the organization's vulnerability in that regard; draft and update the Bank's Business Operations Continuity Manual, which is aimed at establishing a formal protocol that defines the steps to be followed by each division in the event of contingencies which prevent the normal development of its functions, to guarantee compliance with its main missions.

6.3 Asset concentration risk

With respect to the risks to which the BCRA could be exposed due to the lack of asset portfolio diversification or a significant exposure to the risk of noncompliance by a security issuer or group of related issuers, by virtue of BCRA Charter and Convertibility Law, sections 17 and 20 of the Charter regulate the management of loans and borrowings related to the Argentine financial system and the National Government, respectively.

NOTE 7 - EVENTS SUBSEQUENT TO YEAR END

7.1 Maturity and repayment of principal on 1990 Argentine Treasury Consolidated Bond

In accordance with Resolution No. 334/02 adopted by the then Ministry of Economy, which restructured the obligations resulting from the repayment terms of the 1990 Argentine Treasury Consolidated Bond, on January 2, 2017 the eighth installment was settled, equivalent to 1% of the bond's nominal value.

7.2 Electronic trading platform

BCRA Communiqué "A" 6177 announced the creation of a trading environment for swaps between financial institutions on an on-line trading platform. Under the terms and conditions set forth in the Annex to that Communiqué, the BCRA itself may participate in this electronic trading platform, in addition to the financial institutions operating in the market.

7.3 Monetary policy instruments

Effective January 2017, the main instrument of the monetary policy is the interest rate for the 7-day repo transaction corridor, in substitution for the 35-day LEBAC as the benchmark rate.

7.4 Exchange rate quotation

The US dollar benchmark exchange rate prevailing as of May 9, 2017 was ARS 15.5467.

There are no other events or transactions that took place between the year end and the date of issuance of these financial statements, which may substantially affect the BCRA's financial position or the results of its operations as of December 31, 2016.

CHANGES IN ALLOWANCES/ PROVISIONS AS OF DECEMBER 31, 2016

- In thousands of pesos-

Items	Balances at beginning of year	Increases	Decreases		Balances at year-end
			Reversals	Uses	
DEDUCTED FROM ASSETS					
Allowance for gold in bars	25,814	5,597	2,485	-	28,926
Allowance for impairment of government securities	819,760	-	8,815	-	810,945
Allowance for loans to the Argentine financial system	1,025,362	132,982	4,812	245,227	908,305
Other allowances	771,138	160,265	74,977	711,275	145,151
TOTAL ALLOWANCES DEDUCTED FROM ASSETS	2,642,074	298,844	88,604	956,502	1,893,327
INCLUDED IN LIABILITIES					
Provision for lawsuits	609,170	361,421	207,414	115,467	647,710
Guarantee fund - Law No. 22510	110,515	27,823	-	-	138,338
Provision for labor-related liabilities	1,666,153	421,958	45,444	-	2,042,667
Other provisions	793	-	-	-	793
TOTAL PROVISIONS INCLUDED IN LIABILITIES	2,386,631	811,202	252,858	115,467	2,829,508

NOTE: Increases and decreases in allowances/provisions are presented under "Set-up of allowances for Government Securities and loans to the financial system- net" and "Set-up of other allowances- net".

Silvana A. Lepera
ACCOUNTING MANAGER

Marina Ongaro
MAIN GENERAL
ACCOUNTING MANAGER

Nicolás Gadano
CENTRAL SERVICES AND
ADMINISTRATIVE GENERAL
SUBMANAGER

Mariano Flores Vidal
GENERAL MANAGER

Paola A. López
DEPUTY SUPERVISORY
AUDITOR

Federico Sturzenegger
CHAIRMAN

Juan Carlos Isi
REGULAR SUPERVISORY
AUDITOR

Signed for identification purposes with the report dated 04/26/17

**COMPARATIVE TABLE OF MAIN ACCOUNTS IN FOREIGN CURRENCY
AS OF DECEMBER 31, 2016 AND 2015 - In thousands of pesos -**

	12/31/2016		12/31/2015	
	Balances in US dollars	Balances in Argentine pesos	Balances in US dollars	Balances in Argentine pesos
ASSETS	110,413,388	1,750,074,310	97,176,756	1,263,783,700
INTERNATIONAL RESERVES				
Gold (Net of allowance)	2,101,748	33,313,134	2,106,933	27,400,662
Foreign currency	23,782,499	376,957,373	11,129,824	144,743,359
Deposits to be realized in foreign currency	13,079,159	207,307,287	12,286,868	159,790,715
Multilateral credit agreements	25,628	406,213	47,416	616,648
Derivatives over international reserves	319,280	5,060,656	(7,615)	(99,028)
GOVERNMENT SECURITIES				
Securities issued under foreign legislation	45,221	716,754	41,260	536,582
Securities issued under Argentine legislation	65,650,516	1,040,573,813	63,689,405	828,280,718
CONTRIBUTIONS TO INTERNATIONAL AGENCIES ON BEHALF OF ARGENTINE GOVERNMENT	4,130,483	65,468,983	3,611,800	46,971,453
RIGHTS DERIVING FROM DERIVATIVE FINANCIAL INSTRUMENTS	-	-	3,082,589	40,089,068
RIGHTS DERIVING FROM REPO TRANSACTIONS				
Securities to be received under reverse repurchase agreements Communiqué "A" 4508	-	-	220,906	2,872,881
Rights under repurchase transactions	1,278,854	20,270,097	967,370	12,580,642
LIABILITIES	33,109,378	524,790,265	36,621,114	476,257,603
INSTRUMENTS OF PAYMENT IN OTHER CURRENCIES	155,485	2,464,461	435,737	5,666,758
CURRENT ACCOUNTS IN OTHER CURRENCIES	15,544,277	246,379,905	10,727,067	139,505,512
DEPOSITS FROM THE ARGENTINE GOVERNMENT AND OTHERS	1,169,252	18,532,885	235,152	3,058,155
OTHER DEPOSITS	9,447	149,733	2,480,071	32,253,323
IMF SPECIAL DRAWING RIGHTS				
IMF Special Drawing Rights	2,715,600	43,042,808	2,799,230	36,403,986
SDR contra account	(2,287,606)	(36,259,012)	(2,358,055)	(30,666,507)
OBLIGATIONS WITH INTERNATIONAL AGENCIES				
Obligations	907,368	14,381,960	924,559	12,023,894
Contra account to utilization of reserve tranche	(711,542)	(11,278,085)	(733,455)	(9,538,580)
SECURITIES ISSUED BY THE BCRA				
Bills and notes issued in foreign currency	-	-	2,404,691	31,273,012
CONTRA ACCOUNT OF ARGENTINE GOVERNMENT CONTRIBUTIONS TO INTERNATIONAL AGENCIES	2,822,102	44,730,874	2,429,007	31,589,233
OBLIGATIONS DUE TO OTHER DERIVATIVE FINANCIAL INSTRUMENTS	-	-	3,086,718	40,142,766
OBLIGATIONS DUE TO REPO TRANSACTIONS				
Obligations under reverse repurchase agreements Communiqué "A" 4508	-	-	219,910	2,859,935
Securities to be delivered under repurchase transactions	1,274,601	20,202,687	959,939	12,484,001
Obligations from currency swap transactions with China	10,079,194	159,757,235	10,787,983	140,297,722
OBLIGATIONS DUE TO MULTILATERAL CREDIT AGREEMENTS	149,862	2,375,350	173,567	2,257,238
OTHER LIABILITIES				
Other obligations in foreign currency	-	-	1,000,043	13,005,556
Other obligations	-	-	-	-
Other financial intermediation agents	1,281,338	20,309,464	1,048,950	13,641,599

NOTE: The accounts included herein represent the most significant balances in foreign currency.

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Mariano Flores Vidal
GENERAL MANAGER

Paola A. López
DEPUTY SUPERVISORY AUDITOR

Federico Sturzenegger
CHAIRMAN

Juan Carlos Isi
REGULAR SUPERVISORY AUDITOR

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**COMPARATIVE TABLE OF GOVERNMENT SECURITIES
AS OF DECEMBER 31, 2016 AND 2015
- In thousands of pesos -**

GOVERNMENT SECURITIES	Currency	12/31/2016		12/31/2015	
		Original Nominal Value	Pesos	Original Nominal Value	Pesos
TOTAL GOVERNMENT SECURITIES:			1,089,736,407		867,629,606
CENTRAL BANK HOLDINGS			1,088,780,443		868,449,366
ISSUED UNDER FOREIGN LEGISLATION			716,754		536,582
Discount Bonds 2033	US dollars	23,250	555,675	25,949	530,327
Global Bonds 2017	US dollars	379	6,279	429	6,255
Argentina's International Bond maturing in 2021	US dollars	9,000	154,800	-	-
ISSUED UNDER ARGENTINE LEGISLATION			1,088,063,689		867,912,784
1990 ARGENTINE TREASURY CONSOLIDATED BOND	Pesos	4,734,790	4,673,087	4,734,790	4,681,902
NONTRANSFERABLE TREASURY BILLS			772,064,362		629,282,704
Non-transferable bill maturing in 2021 - Decree 2054/10	US dollars	7,504,000	119,025,923	7,504,000	97,589,520
Non-transferable bill maturing in 2021 - Decree 276/11	US dollars	2,121,386	33,643,012	2,121,386	27,588,631
Non-transferable bill maturing in 2022 - Res. 131/12	US dollars	5,674,000	89,967,429	5,674,000	73,790,370
Non-transferable bill maturing in 2022 - Res. 171/12	US dollars	2,083,648	33,026,748	2,083,648	27,097,843
Non-transferable bill maturing in 2023 - Decree 309/13	US dollars	2,292,297	36,359,495	2,292,297	29,811,319
Non-transferable bill maturing in 2023 - Res. 8/13	US dollars	7,132,655	113,130,275	7,132,655	92,760,178
Non-transferable bill maturing in 2024 - Res. 30/14	US dollars	7,896,765	125,239,422	7,896,765	102,697,427
Non-transferable bill maturing in 2024 - Res. 190/14	US dollars	3,043,000	48,263,460	3,043,000	39,574,216
Non-transferable bill maturing in 2025 - Res. 406/15	US dollars	10,562,540	167,442,383	10,640,000	138,373,200
Non-transferable bill maturing in 2026 - Res. MHyFP 262/16	US dollars	376,300	5,966,215	-	-
OTHER SECURITIES			315,179,566		237,801,504
National Treasury Bonds - Due 03.2016	Pesos	-	-	511,855	522,860
National Treasury Bonds - Due 05.2016	Pesos	-	-	1,917,613	2,013,494
National Treasury Bonds - Due 07.2016	Pesos	-	-	209,877	215,963
National Treasury Bonds - Due 09.2016	Pesos	-	-	100,077	105,832
BOGAR 2018	Pesos	852,895	765,900	852,895	1,095,970
BONAR 2018	US dollars	169,984	3,097,115	169,984	2,600,761
BONAR 2019	Pesos	1,608,234	1,628,337	1,608,234	1,690,254
BONAR 2020	US dollars	283,000	5,433,600	86,900	1,273,085
BONAR 2022	US dollars	4,497,753	82,128,082	4,497,753	59,336,347
BONAR 2025	US dollars	4,510,463	80,593,802	4,510,463	59,626,507
BONAR 2027	US dollars	4,690,500	80,289,425	4,690,500	61,648,193
Discount Bonds 2033	US dollars	679,220	16,321,657	679,220	13,890,049
Discount Bonds 2033	Pesos	6,228,791	43,788,398	6,228,791	32,721,706
Discount Bonds 2033 - 2010 Issuance	Pesos	5,846	39,750	5,846	28,059
Par Bonds 2038	Pesos	22,093	72,907	22,093	55,454
Quasi Par Bonds 2045	Pesos	40,351	211,841	40,351	165,842
GDP-related negotiable securities	US dollars	445,051	645,770	445,051	623,072
GDP-related negotiable securities	Pesos	1,861,192	162,854	1,861,192	187,977
Consolidated bond 4th Series	Pesos	-	-	1,380	3
Bond Province of Formosa	Pesos	-	-	85	70
PRO 7	Pesos	-	-	87	6
Bond Province of Formosa, 4th Series	Pesos	128	128	-	-
LESS:					
REGULARIZATION - ACCRUAL 1990 CONSOLIDATED BOND	Pesos		3,853,326		3,853,326
PORTFOLIO OF REPO TRANSACTIONS WITH THE FINANCIAL SYSTEM			1,766,909		-
ALLOWANCE FOR IMPAIRMENT OF GOVERNMENT SECURITIES			(810,945)		(819,760)
1990 Argentine treasury consolidated bond	Pesos		(810,945)		(819,760)

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EXHIBIT IV

Securities issued by the BCRA (LEBAC/NOBAC) – In thousands of pesos

SECURITIES ISSUED BY THE BCRA	Total at 12/31/2016	Maturities						Total at 12/31/2015
		Less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 9 months	From 9 to 12 months	Over 12 months	
TOTAL:	698,831,512							416,605,223
ISSUED IN FOREIGN CURRENCY	-	-	-	-	-	-	-	31,273,012
LEBAC	-	-	-	-	-	-	-	31,273,012
Principal	-	-	-	-	-	-	-	31,438,118
Interest to be accrued	-	-	-	-	-	-	-	(165,106)
ISSUED IN LOCAL CURRENCY	698,831,512							385,332,211
LEBAC	613,552,918	357,249,515	176,169,551	56,193,757	23,940,095	-	-	322,324,914
Principal	630,310,022	360,739,236	181,593,309	60,734,639	27,242,838	-	-	342,278,746
Interest to be accrued	(16,757,104)	(3,489,721)	(5,423,758)	(4,540,882)	(3,302,743)	-	-	(19,953,832)
BCRA BENCHMARK EXCHANGE RATE PAYABLE LEBAC	-	-	-	-	-	-	-	2,753,495
Principal	-	-	-	-	-	-	-	2,845,249
Obligations by BCRA benchmark exchange rate	-	-	-	-	-	-	-	7,269
Interest to be accrued	-	-	-	-	-	-	-	(99,023)
LEBAC - ISSUANCE FOR REVERSE REPURCHASE AGREEMENTS	85,278,594	84,309,944	968,650	-	-	-	-	60,253,802
Issued in Argentine pesos for reverse repurchase agreements	109,367,798	94,542,424	14,825,374	-	-	-	-	139,191,639
To be delivered under reverse repurchase agreements	(24,089,204)	(10,232,480)	(13,856,724)	-	-	-	-	(78,937,837)

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MONETARY BASE - ANNUAL VARIATION FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016 COMPARATIVELY PRESENTED WITH THE PRIOR FISCAL YEAR -In thousands of pesos-	12/31/2016	12/31/2015
1) Cash flows provided by operating activities		
1. Increases	390,339,653	159,563,135
- IADB/IBRD loans to Provinces, financial program for micro, small and medium-sized enterprises, and revolving funds	1,544,237	1,790,542
- Premiums paid for reverse repurchase agreements with Domestic Financial Institutions	3,582,782	1,667,766
- Contributions to General Revenue (<i>Rentas Generales</i>) pursuant to Budget Law No. 27,198 / 27,008	705,120	480,000
- Transactions deriving from its activity as financial agent of the Argentine Government	196,722,609	125,427,551
- Administrative expenses	4,677,541	3,257,625
- Monetary issuance expenses	1,294,754	1,158,292
- Distribution of earnings to the Argentine Government related to fiscal years 2015 / 2014 (1)	72,116,880	26,324,101
- Temporary Advances to Argentine Government (Article 20, Charter) (2)	50,380,000	39,500,000
- Inflow of financial institutions' deposits in foreign currency, net	17,774,152	21,342,145
- Purchase / (Sale) of foreign currency for monetary regulation purposes, net	32,493,109	(91,712,199)
- Communiqué "A" 5822 / 5852	8,922,650	30,474,276
- Other items	125,819	(146,965)
2. Decreases	(192,564,925)	1,761,906
- Multilateral credit agreements (SML)	(10,371,742)	(6,886,455)
- Net (outflow) / inflow of funds from transactions with National Government Securities	(15,034,011)	8,932,785
- Net placement of securities issued by the BCRA	(100,510,461)	(8,389,228)
- (Arrangements) / Settlements of transactions of reverse repurchase agreements with Argentine financial institutions, net	(48,398,406)	12,242,480
- Other deposits with financial institutions	(16,427,642)	(3,421,900)
- Net settlements of credits to domestic financial institutions	(1,822,663)	(715,776)
Restated cash flow provided by all activities (1)	197,774,727	161,325,041
Monetary Base - Beginning of the year (Note 3.1)	623,889,518	462,564,475
Monetary Base - End of year (Note 3.1)	821,664,245	623,889,518

(1) Profit Distributions to the National Government for the year 2015 totaled ARS 109,616,880. During 2015, they were fully transferred, with contra account in Monetary Base for ARS 72,116,880 and National Government Deposits for ARS 37,500,000.

(2) The net accumulated variation of Temporary Advances amounts to \$ 50,380,000 with contra account in Monetary Base for this total.

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