

Financial Statements

As of December 31, 2019



BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA

Financial Statements as of December 31, 2019

Comparative with the prior year



BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA

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BANCO CENTRAL DE LA REPUBLICA ARGENTINA

**BALANCE SHEET AS OF DECEMBER 31, 2019
COMPARATIVELY PRESENTED WITH THE PRIOR FISCAL YEAR
-In thousands of Argentine Pesos-**

ASSETS		
	12/31/2019	12/31/2018
INTERNATIONAL RESERVES	2,686,214,890	2,487,269,294
Gold (Net of allowances) (Note 4.1.1 and Exhibits II)	160,799,260	85,281,323
Foreign currency (Note 4.1.2 and Exhibit II)	1,740,553,776	1,658,321,909
Deposits to be realized in foreign currency (Note 4.1.3 and Exhibit II)	786,800,411	760,324,246
Multilateral Credit Agreements (Net) (Note 4.1.4 and Exhibit II)	209	1,491
Derivatives over International Reserves (Note 4.1.5 and Exhibit II)	(1,938,766)	(16,659,675)
GOVERNMENT SECURITIES	3,378,369,599	1,657,736,480
BCRA HOLDINGS	3,379,154,102	1,658,529,795
Securities issued under foreign legislation (Note 4.2.1.1, Exhibits II and III)	4,277,762	3,265,419
Securities issued under Argentine legislation (Note 4.2.1.2 and Exhibits II and III)	3,374,876,340	1,655,264,376
1990 National Treasury Consolidated Bond (Note 4.2.1.2.1 and Exhibits III)	4,646,643	4,655,458
Non-transferable Treasury Bills and other (Note 4.2.1.2.2 and Exhibits II and III)	3,003,404,450	1,137,030,537
Other (Note 4.2.1.2.3, Exhibits II and III)	370,678,573	517,431,707
Adjustment for accrual on 1990 Consolidated Bond (Exhibit III)	(3,853,326)	(3,853,326)
ALLOWANCE FOR IMPAIRMENT OF GOVERNMENT SECURITIES (Note 4.2.2 and Exhibits I and III)	(784,503)	(793,315)
TEMPORARY ADVANCES TO THE ARGENTINE GOVERNMENT (Note 4.3)	852,730,000	502,730,000
LOANS TO THE ARGENTINE FINANCIAL SYSTEM	51,202	63,805
Financial institutions (net of allowances)	51,202	63,805
Financial institutions (Note 4.4)	758,315	503,668
Loan loss allowance (Note 4.4 and Exhibit I)	(707,113)	(439,863)
CONTRIBUTIONS TO INTERNATIONAL AGENCIES ON BEHALF OF ARGENTINE GOVERNMENT AND OTHER (Note 4.5 and Exhibit II)	273,068,714	168,416,696
RIGHTS DERIVING FROM REPO TRANSACTIONS (Note 4.6 and Exhibit II)	1,679,755,665	676,224,367
OTHER ASSETS (Net of allowances) (Note 4.7)	10,853,047	18,936,674
TOTAL ASSETS	8,881,043,117	5,511,377,316

LIABILITIES		
	12/31/2019	12/31/2018
MONETARY BASE	1,895,380,875	1,408,977,251
Currency in circulation	1,153,405,222	859,535,923
Bank notes and coins in circulation (Note 4.8.1.1)	1,153,404,970	859,535,671
Settlement checks in pesos in circulation (Note 4.8.1.2)	252	252
Current accounts in pesos (Note 4.8.2)	741,975,653	549,441,328
INSTRUMENTS OF PAYMENT IN OTHER CURRENCIES	2,197,089	2,311,967
Settlement checks in other currencies in circulation (Note 4.9.1 and Exhibit II)	1,198	756
Certificates of deposit for investment (Note 4.9.2 and Exhibit II)	2,195,891	2,311,211
CURRENT ACCOUNTS IN OTHER CURRENCIES (Note 4.10 and Exhibit II)	533,582,047	534,190,254
DEPOSITS FROM ARGENTINE GOVERNMENT AND OTHER (Note 4.11 and Exhibit II)	50,258,002	527,210,265
Deposits for strengthening the BCRA International Reserves	-	277,521,006
Other deposits	50,258,002	249,689,259
OTHER DEPOSITS (Note 4.12 and Exhibit II)	455,908	359,148
IMF SPECIAL DRAWING RIGHTS (Note 4.13 and Exhibit II)	26,368,869	16,740,979
Special Drawing Rights	167,309,008	106,220,581
SDR contra account	(140,940,139)	(89,479,602)
OBLIGATIONS WITH INTERNATIONAL AGENCIES (Note 4.14 and Exhibit II)	220,490,592	101,793,021
Obligations	264,328,931	129,624,958
Contra account to utilization of reserve tranche	(43,838,339)	(27,831,937)
SECURITIES ISSUED BY THE BCRA (Note 4.15 and Exhibit IV)	1,065,094,180	735,113,954
Bills and notes issued in Argentine pesos	1,065,094,180	735,113,954
CONTRA ACCOUNT TO ARGENTINE GOVERNMENT CONTRIBUTIONS TO INTERNATIONAL AGENCIES (Note 4.16 and Exhibit II)	194,533,456	118,696,872
DUE TO OTHER DERIVATIVE FINANCIAL INSTRUMENTS (Note 4.17)	-	150,579
DUE TO REPO TRANSACTIONS (Note 4.18 and Exhibit II)	1,671,854,226	774,531,851
DUE TO MULTILATERAL CREDIT AGREEMENTS (Note 4.19 and Exhibit II)	1,846,712	1,496,563
OTHER LIABILITIES (Note 4.20 and Exhibit I)	1,224,760,425	700,947,660
PROVISIONS (Note 4.21 and Exhibit I)	7,031,554	4,404,605
TOTAL LIABILITIES	6,893,853,935	4,926,924,970
NET EQUITY (as per related statement)	1,987,189,182	584,452,346
TOTAL LIABILITIES AND NET EQUITY	8,881,043,117	5,511,377,316

Notes 1 to 8 and Exhibits I to V are an integral part of these financial statements.

Silvana A. Lepera
ACCOUNTING MANAGER

Gerardo Graziano
MAIN GENERAL ACCOUNTING
MANAGER

Marina Ongaro
ADMINISTRATION AND CENTRAL
SERVICES DEPUTY GENERAL MANAGER

Agustin Torcassi
GENERAL MANAGER

Miguel A. Pesce
PRESIDENT

Waldo J. M. Farias
DEPUTY COMPTROLLER

Marcos E. Moiseff
COMPTROLLER

STATEMENT OF INCOME
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019
COMPARATIVELY PRESENTED WITH THE PRIOR FISCAL YEAR
-In thousands of Argentine Pesos-

	12/31/2019	12/31/2018
Interest and adjustments:		
Interest income:	126,827,652	71,391,657
On international reserves (Note 4.22.1)	15,973,825	11,731,778
On Government securities (Note 4.22.1)	110,161,443	59,283,301
On deposits in other entities	45,524	28,901
On loans to the financial system (Note 4.22.1)	22,879	65,511
On other assets (Note 4.22.1)	623,981	282,166
Interest expense:	(699,215,091)	(390,343,439)
On securities issued by the BCRA (Note 4.22.2)	(648,726,557)	(383,174,586)
On loans borrowed from international agencies (Note 4.22.2)	(4,789,387)	(2,100,049)
On other transactions with the financial system (Note 4.22.2)	(44,556,202)	(4,643,405)
On other liabilities (Note 4.22.2)	(1,142,945)	(425,399)
(Set-up) / Reversal of allowances for government securities and loans to the financial system, net (Note 4.22.3)	(522,981)	91,397
Listed price differences, net (Note 4.22.4)	1,498,034,158	789,232,645
Foreign currency trading differences (Note 4.22.5)	665,271,106	132,857,443
Other financial instruments trading Gains / (Losses), net (Note 4.22.6)	30,137,703	(17,416,586)
Net financial income	1,620,532,547	585,813,117
Miscellaneous charges and fines (Note 4.22.7)	1,222,357	259,809
Net commissions	(7,501)	(15,000)
Commissions earned	1,551	3,606
Commissions paid	(9,052)	(18,606)
Contributions to General Revenue (Rentas Generales) pursuant to Budget Law. No. 27,467/27,431	(1,520,000)	(516,000)
Monetary issuance expenses (Note 4.22.8)	(3,326,777)	(3,022,327)
General expenses (Note 4.22.8)	(8,478,717)	(5,766,439)
Set-up of other allowances, net (Note 4.22.10)	(2,733,776)	(448,587)
Net income from operating activities	1,605,688,133	576,304,573
Other income, net (Note 4.22.11)	1,293,485	605,701
NET INCOME	1,606,981,618	576,910,274

Notes 1 to 8 and Exhibits I to V are an integral part of these financial statements.

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COMPTROLLER

STATEMENT OF CHANGES IN EQUITY FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019
COMPARATIVELY PRESENTED WITH THE PRIOR FISCAL YEAR
-In thousands of Argentine Pesos-

ITEMS	CAPITAL	CAPITAL ADJUSTMENT	RESERVES			UNAPPROPRIATED RETAINED EARNINGS	TOTAL 12/31/2019	TOTAL 12/31/2018
			GENERAL RESERVE	SPECIAL RESERVE	APPRAISAL REVALUATION			
Balances at beginning of year	7,486,201	-	-	-	55,871	576,910,274	584,452,346	7,542,072
Distribution of earnings as per Board of Directors Resolutions No. 107 dated May 23, 2019, 181 dated August 16, 2019 and 272 dated October 31, 2019	245,948,261		126,717,231			(576,910,274)	(204,244,782)	
Net Income						1,606,981,618	1,606,981,618	576,910,274
Balances at year-end	253,434,462	-	126,717,231	-	55,871	1,606,981,618	1,987,189,182	584,452,346

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STATEMENT OF CASH FLOWS AND CASH EQUIVALENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019 COMPARATIVELY PRESENTED WITH THE PRIOR FISCAL YEAR -In thousands of Argentine Pesos-		12/31/2019	12/31/2018
I) Operating activities			
1. Sources		1,225,780,122	1,018,512,572
- Net negotiation differences for the purchase and sale of securities, currencies and gold		684,142,380	142,382,335
- Income, net from transactions with foreign financial institutions of the Argentine Government		444,682,215	828,325,835
- IADB/IBRD loans to provinces, financial program for micro, small and medium-sized companies, and revolving funds		63,921,946	43,637,325
- Interest charged for placements abroad		15,966,674	11,728,702
- Net transactions for guarantees of derivative financial instrument		12,187,672	(9,933,824)
- Deposits of international organizations		4,879,235	2,372,199
2. Uses		(1,851,950,120)	(513,200,289)
- Transfers of deposits of financial institutions (*)		(924,088,985)	(341,079,313)
- Net (Expenses) / Income from funds linked to payments and placements of Argentine Government Securities		(469,554,377)	29,740,502
- Sales on behalf of the National Government		(241,907,441)	(93,260,385)
- Net sales of foreign currency		(164,428,436)	(404,409,082)
- Net transactions with multilateral credit agreements (SML and other)		(32,498,996)	(24,950,996)
- Payment of sovereign debt, Law 26984 / 27249		(10,232,547)	(4,741,810)
- B.C.R.A. (Expenses) / Income, net from transactions with foreign financial institutions		(8,211,370)	327,163,420
- Administrative expenses		(89,397)	(48,401)
- Other items		(938,571)	(1,614,224)
Net cash flows provided by operating activities (1-2)		(626,169,999)	505,312,283
II) Investment activities			
3. Sources		45,524	29,609
- Collection of dividends BIS		45,524	29,609
III) Financing activities			
4. Sources		56,512,656	55,768,238
- Net placements of repo transactions with banks and other entities in Argentina and abroad		56,512,656	55,768,238
5. Uses		-	(2,954,078)
- Net settlements of repo transactions with banks and other entities in Argentina and abroad		-	(2,954,078)
IV) Other			
6. Other		768,557,414	895,493,743
- Exchange differences, net		768,557,414	895,493,743
Net cash flows provided by all activities (I+II+III+IV)		198,945,595	1,453,649,795
Net cash and cash equivalents at beginning of year (Note 3.1)		2,487,269,294	1,033,619,499
Net cash and cash equivalents at year-end (Note 3.1)		2,686,214,890	2,487,269,294

(*) It includes revenues linked to National Government securities not identified under this item for accounting purposes.
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Notes to the financial statements for the
fiscal year ended December 31, 2019
comparative with the prior year
-In thousands of Argentine pesos-

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

The Central Bank of Argentina (Bank) is a self-administered institution 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 BCRA’s Charter). In addition, section 4 of the BCRA’s Charter sets forth the following functions and powers of the Bank:

- “- a) to regulate the operation of the financial system and enforce the Law on Financial Institutions and such regulations as may be consequently adopted;
- b) to regulate the amount of money and interest rates, and to regulate and steer lending;
- c) 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;
- d) to hold and administer its gold and foreign exchange reserves, and other external assets;
- e) to contribute to the smooth functioning of capital markets and implement the foreign exchange policy in full accordance with the laws passed by the National Congress;
- f) 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 industries;
- g) to provide for the protection of financial service users’ rights and of fair competition, coordinating its actions with all relevant government agencies.”

The BCRA’s Charter further establishes that in the exercise of its functions and powers, the Bank shall neither be subject to any order, indication, or instruction from the National Executive, nor may it undertake any commitment conditioning, restricting or delegating the above-mentioned functions and powers without the express consent of the National Congress. The National State guarantees the commitments undertaken by the Bank in pursuit of its objectives within the applicable legal framework, which involves a significant number of transactions with the former. It is worth mentioning that the National State and the Bank share assets and liabilities, including transactions on behalf of the National State.

NOTE 2 - SIGNIFICANT EVENTS FOR FISCAL YEARS 2019 AND 2018

For a better understanding of these financial statements, the following paragraphs describe the most significant events occurring during the abovementioned fiscal years

2.1 Law No. 27541 of Social Solidarity and Production Reactivation within the framework of the Public Emergency

Law 27541, effective since December 23, 2019, declares the public emergency in economic, financial, tax, administrative, social security, rate system, energy, sanitary and social matters (hereinafter, either "Law 27541" or "Emergency Law"). Under Section 61 of this Law, the National Government is vested with authority to issue USD-denominated Bills for up to USD 4,571,000 over a ten-year (10) term, fully repayable at maturity, which will accrue at an interest rate equal to that accrued by the Bank's International Reserves for the same period to the maximum annual LIBO rate less one percentage point, interest being payable on a half-yearly basis.

On December 30, 2019, the Treasury Bill in USD Law No. 27541 was recognized in the original nominal value of USD 1,326,576. It was received by the Bank within the framework of the provisions of Section 61 of Law No. 27541, mentioned above, and as provided for by the Joint Resolution No. 5/2019 issued by the Secretary of Finance and Secretary of the Treasury (see Note 8.3).

Additionally, Section 62 of Law No. 27541 allowed the National Government to purchase foreign currency from the Bank, by placing the Bills under Section 61, in the same nominal amount as that stated in the Bills. Such section has also stated that these Bills as well as the Non-transferable Treasury Bill currently held by the Bank shall be recorded in its financial statements at technical value.

Therefore, these new Bills were recorded at their technical value (see Note 4.2.1.2.2.2) as a result of the Bank's Board of Governors Resolution No. 2—dated January 2, 2020—whereby the Non-transferable Treasury Bills held by the Bank at present value at prior year-end were adjusted at technical value as of December 31, 2019 as indicated in the paragraph above (the adjustment is detailed in Note 4.2.1.2.2.1).

The referred Resolution further approved the changes to the Accounting Policy Manual of the Bank in order to reflect the provisions of Law No. 27541 (see Note 3.1).

2.2 Stand-by Arrangement with the International Monetary Fund

In June 2018, the Executive Board of the International Monetary Fund (IMF) approved a Stand-By Arrangement for the benefit of the Republic of Argentina for USD 50,000,000 (equivalent to SDR 35,379,000). Afterwards, in September 2018, the National Government negotiated a new arrangement with the IMF, thus, increasing the total amount available within the framework of the program to USD 57,100,000 until 2021.

Within the framework of the original agreement, the Argentine Republic received USD 15,000,000 (equivalent to SDR 10,613,710) in the first tranche; USD 5,700,000 (equivalent to SDR 4,100,000) in the second tranche (during October 2018); and USD 7,600,000 (equivalent to SDR 5,500,000) in the third tranche (December 2018).

During 2019, after the third and fourth review of the Stand-By Arrangement, the Argentine Republic received USD 10,830,000 (equivalent to SDR 7,800,000) in the fourth tranche (in April), and USD 5,395,800 (equivalent to SDR 3,900,000) in the fifth tranche (in July).

2.3 Securities issued by the BCRA (Liquidity Bills and LEBAC)

On January 10, 2018, the Bank informed—through Communication “A” 6426—the issuance and placement of 7-day Bills in pesos as from January 11, 2018. These bills, named Liquidity Bills (LELIQs), are daily offered through a special segment called “Rueda LELI” at the SIOPEL system of MAE S.A. The counterparties authorized to operate with the Bank are the financial institutions that conduct transactions in their own portfolio or exclusively on behalf of another local institution; these bills can be posted as collaterals in REPO transactions.

On another note, during fiscal year 2018, the Bank resolved to reorganize the instruments of monetary policy by gradually reducing its stock of LEBACs, a process that ended on December 19, 2018.

It should be noted that on January 17, 2020, the Bank advised that it would offer 7-day term and 14-day term LELIQs to the market in order to improve the monetary policy rate transmission, as from January 21, 2020.

2.4 Short-term public debt

By means of Decree No. 596—dated August 28, 2019)—, the Ministry of Economy sets out that short-term public debt securities (capitalizable Treasury Bills in pesos (LECAP); Treasury Bills adjusted by CER (LECER); Treasury Bills in USD (LETES); and Treasury Bills adjusted by the benchmark exchange rate (LELINK)) will be repaid according to the following schedule: 15% of

the nominal value at the original deadline, 25% three months later, and the remaining 60% six months afterwards. Capitalizable interest under the original terms and conditions of each LECAP will be monthly capitalized in accordance with the calculation originally provided until the new date for payment of each amount.

Afterwards, Executive Decree No. 49—published in the Official Gazette on December 19, 2019—provides that amortization payment of the Treasury Bills in USD (LETES) will be fully postponed to August 31, 2020.

2.5 Reverse repo auctions and purchase of Treasury Bills and other Government securities in mutual fund portfolios

Under Communication “A” 6767—dated August 30, 2019— the Bank established a bidding process to buy LECAP, LECER, LELINK and LETES, at a single or multiple price and on a prorate basis, from mutual funds through financial institutions.

Additionally, it was stated that the Bank could call for repo auctions in pesos and in USD inviting market players, including mutual funds, to participate by posting the collaterals mentioned above.

The Bank informed—through Communiqué No. 50953 dated September 16, 2019—that the Monetary Policy Committee (COPON) changed the interest rate applicable to Bank repo transactions with mutual funds to 0.7 of the rate applicable to 1-day repo transactions for financial institutions. In turn, Communication “A” 6848 dated December 27, 2019 provides that the Bank can perform secondary market transactions and invite mutual funds to bid Government securities issued after December 20, 2019 at a single or multiple prices and on a prorate basis.

As disclosed under Communication “A” 6861 dated January 10, 2020, the Bank resolved to discontinue repo transactions with mutual funds on February 3, 2020.

2.6 Renewal of the Bilateral Currency Swap Agreement with the People’s Bank of China

On July 18, 2019, the People’s Bank of China renewed the original agreement making available CNY 70,000,000, and, on December 17, 2019, it renewed a complementary agreement making available the amount of CNY 60,000,000. Thus, the total agreement still amounts to CNY 130,000,000, the original tranche falling due on July 17, 2020, and the supplementary tranche on June 17, 2020.

On December 2, 2018, the People's Bank of China and the Bank had signed a complementary agreement to the bilateral currency swap agreement in the amount of CNY 60,000,000, which was made available on December 17, 2018.

According to such agreement, the requesting bank shall record in its books an equivalent amount in its local currency in the name of the counterparty. In turn, the bank from which the swap transaction is required shall record in its books an equivalent amount in its local currency in the name of the counterparty. None of the accounts will bear interest as far as the required funds are not actually used; upon maturity of each swap transaction, each bank will debit the same amount as that deposited. During the term of each swap transaction, each bank may use the available amount in the local currency of the counterparty as authorized under the Agreement.

It is worth mentioning that the first agreement between both central banks was entered into in 2009, and was later amended in 2014 and 2015. The Master Agreement expires on July 18, 2020.

2.7 Monetary and exchange policy

As from the last quarter of 2018, the Bank used a scheme of targets of monetary base growth rate as nominal anchor. In addition, it defined exchange intervention and non-intervention zones as well as an adjustment method. Accordingly, a fully flexible exchange rate was set within this non-intervention zone. However, the Bank could sell or purchase foreign currency when the exchange rate fell outside the floor and ceiling of the zone. The monetary base target was implemented through daily transactions in 7-day LELIQs with financial institutions.

In April 2019, the Bank changed its exchange intervention scheme: the limits of the foreign exchange benchmark zone (formerly, non-intervention zone) were not to be increased until year-end. As a result, it could sell foreign currency even if the exchange rate were over the lowest limit of the foreign exchange benchmark zone.

The Bank kept on following a contractive monetary policy—supported by the new exchange regulations, Communication “A” 6770 as complemented, in force as from September 1, 2019—, by reinstating exporters’ obligation to sell foreign currency from exports of goods and services in the market and imposing requirements on certain transactions of foreign currency sales by financial institutions to their customers.

2.8 Financial position as of December 31, 2019

As of December 31, 2019, the Bank had a Net Equity for ARS 1,987,189,182 (ARS 584,452,346 as of December 31, 2018). The increase compared to 2018 is mainly explained by a change in the criterion applied to the valuation of Non-transferable Bills, as explained in Note 2.1. The adjustment thus recorded is detailed in Notes 4.2.1.2.2. and 4.2.2.4.

NOTE 3 - ACCOUNTING STANDARDS APPLIED

3.1. Basis for the presentation of financial statements

The accompanying financial statements have been prepared pursuant to section 34 of the Bank's Charter, in its capacity as monetary authority and in compliance with the accounting framework established in the "Accounting Policy Manual" approved by the Bank's Board of Directors—through Resolution No. 86 dated May 16, 2013—, and updated as of the date of approval of these financial statements—through Resolution No. 2 dated January 2, 2020—, as indicated in Note 2.1.

The criteria set forth in the Accounting Policy Manual consider the provisions applicable to the Bank as established in its Charter and in other Laws and Executive Decrees, which means that recording differs from professional accounting standards as to: Non-transferrable Bills and Treasury Bills Law 27541 held in portfolio (explained in Notes 2.1, 4.2.1.2.2); non-restatement of the financial statements in constant currency (as explained in Note 3.4); and valuation of exposure to the non-financial public sector not recorded at market value, which are not subject to the provisioning guidelines provided for by the Bank's accounting standards applicable to financial institutions.

The figures appearing in these financial statements and in the exhibits and notes thereto are stated in thousands.

For the purpose of the Statement of Cash Flows and Cash Equivalents, International Reserves have been defined as "Cash and cash equivalents", showing the main variations of immediate-liquidity external assets that form part thereof.

3.2 Use of estimates

The 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, at each financial reporting date.

3.3 Comparative information

The balance sheet and the statements of income, changes in equity and cash flows and cash equivalents as of December 31, 2019, as well as the related notes and exhibits are presented comparatively with balances at prior year-end.

For comparative purposes, necessary reclassifications were made on prior-year financial statements in order to disclose the figures on a consistent basis. The modification of the comparative information does not imply changes in the decisions taken based thereon.

3.4 Reporting currency

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

Professional accounting standards in force in the City of Buenos Aires establish, through Technical Resolutions Nos. 6 and 39 and its supplementary regulation, 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).

On October 10, 2018, Resolution 107/2018 issued by the Steering Committee of the CPCECABA provided for the need to restate financial statements in constant currency for fiscal years ended on or after July 1, 2018, in line with Resolution 539/2018 issued on September 29, 2018 by the Governing Board (JG) of the FACPCE.

On December 4, 2018, section 6 of Law No. 27468 repealed Decree No.1269 dated July 16, 2002, as amended, including Decree No. 664 dated March 20, 2003, whereby the inflation accounting method was not allowed. Additionally, section 7 further sets forth that the provisions of the law will be effective when published in the Official Gazette, and the Executive Branch through the corresponding controlling authorities and the BCRA shall define the date as from which the financial statements must be prepared by applying constant currency.

Accordingly, the Foreign Exchange and Financial Institutions Regulatory Agency (SEFyC) has established that the financial institutions and exchange offices shall restate the financial statements in constant currency for fiscal years beginning on or after January 1, 2020 (Communication "A" 6651).

Based on the preceding paragraph, and as provided for by Resolution No. 52 of the Board of Governors, the financial statements of the BCRA will be restated in constant currency as provided for by the SEFyC applicable to the financial statements of the entities under its supervision. Therefore, these financial statements have not been restated in constant currency, which shall be considered within the framework of the second paragraph of Note 3.1.

The matters described herein shall be considered upon construing the information provided by the Bank in these financial statements about its financial position, the results of its operations and cash flows.

3.5. General valuation and disclosure methods

3.5.1 Assets and liabilities in foreign currency

The reporting currency of these financial statements is the Argentine peso. Transactions in foreign currency are converted into Argentine pesos at the foreign exchange rate prevailing at the date of the transaction. Inventories in US dollars are subject to a benchmark foreign exchange rate as of December 31, 2019 and 2018, respectively, calculated by the BCRA pursuant to the methodology set forth by Communication "A" 3500. Inventories in other currencies, including gold, are valued at the US dollar exchange rate prevailing at closing in the markets in which the 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 at fiscal years ended 2019 and 2018.

The following table shows the exchange rates applicable to the different currencies in relation to the Argentine peso used at each year- end:

	<u>12/31/2019</u>	<u>12/31/2018</u>
United States Dollars	59.89500000	37.80830000
Gold	91,166.17950000	48,452.84878200
Special drawing rights (SDRs)	82.82460285	52.58340556
Euros	67.23812700	43.29050350
Yen	0.55146856	0.34477749
Pound Sterling	79.42675950	48.20180167
Brazilian real	14.88111506	9.75823977
Canadian dollar	46.15829223	27.74310244
Swedish krona	6.40437544	4.25807505
Norwegian krone	6.82012275	4.37135656
Swiss franc	61.95179975	38.45824433
Yuan (CNY)	8.60164867	5.49659083
Yuan (CNH)	8.60362560	5.50379212

3.5.2 Revenue and expenses recognition

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 THE MAIN FINANCIAL STATEMENT ACCOUNTS AS PER THE ACCOUNTING POLICY MANUAL

4.1 International reserves

As set forth by the Charter, the BCRA must concentrate and manage 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.

4.1.1 Gold

	<u>12/31/2019</u>	<u>12/31/2018</u>
Gold in bars	160,904,972	85,347,921
Allowance for gold in bars (Exhibit I)	<u>(105,712)</u>	<u>(66,598)</u>
Total	<u>160,799,260</u>	<u>85,281,323</u>

Gold physical inventories, equal to 1,764.96 troy ounce, were valued at USD 1,522.1 per troy ounce at year-end, according to market prices effective at the related date, and converted into Argentine pesos according to the method under Note 3.5.1 (1,761.46 troy ounce valued at USD 1,281.5 as of December 31, 2018) (see 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 – Coined gold (see Note 4.7).

4.1.2 Foreign currencies

	<u>12/31/2019</u>	<u>12/31/2018</u>
Current accounts in foreign correspondent banks and "overnight"	1,583,116,120	1,634,375,372
Treasury holdings	<u>157,437,656</u>	<u>23,946,537</u>
Total	<u>1,740,553,776</u>	<u>1,658,321,909</u>

Treasury holdings were valued as established in note 3.5.1. The current accounts in foreign correspondent banks and overnights were valued by applying the same criterion plus interest earned at each year-end, as applicable.

4.1.3 Deposits to be realized in foreign currency

They include the following investments made abroad:

	12/31/2019	12/31/2018
Time deposits	422,302,771	226,883,846
Demand deposits	177,371,454	197,817,527
Foreign government securities	72,948,923	257,937,728
Repurchase transactions	91,984,456	63,591,368
IMF reserve tranche position	22,192,807	14,093,777
Total	786,800,411	760,324,246

Demand and time deposits and repurchase transactions were stated at nominal value, plus /(less) interest or return accrued, as applicable, until each year-end, converted into Argentine pesos according to the method established in note 3.5.1. Demand deposits consist mainly of ARS 156,025,615 equivalent to SDR 1,883,808 as of December 31, 2019 (ARS 164,873,255 equivalent to SDR 3,135,462 as of December 31, 2018). (see Note 6).

The balance of foreign government securities amounts to ARS 72,948,923 as of December 31, 2019, all of which corresponds to discount securities. Such balance amounted to ARS 257,937,728 as of December 31, 2018, the amount of ARS 107,490,476 out of which corresponded to discount securities and ARS 150,447,252 to capitalization securities. These instruments have been stated at market prices prevailing at year-end date and converted into pesos, following the criterion described in Note 3.5.1.

The Reserve Tranche Position includes the external assets that the central banks transfer to the IMF, based on their quota with the IMF and use of financing. This amount may be borrowed without conditions and with no interest accrual. It is valued at the SDR quoted price. As of December 31, 2019, it amounts to ARS 22,175,909 (SDR 267,745). The Reserve Tranche Position accrues interest calculated by the IMF and credited to the SDR account the BCRA holds with the IMF, which amounts to ARS 16,898 (SDR 204) (ARS 14,078,966 and ARS 14,811 as of December 31, 2018, respectively, equivalent to SDR 267,745 and SDR 282, respectively) (see Note 6).

The average annual yield on total time deposits and certificates of deposit was 2.29 % and 1.67 % for the fiscal years 2019 and 2018, respectively.

4.1.4 Multilateral credit agreements

This balance accounts for net asset positions by country arising from reciprocal credit transactions under the Latin American Integration Association (ALADI) 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

	12/31/2019	12/31/2018
Receivables from forward sales of foreign currency	450,703,592	698,716,140
Liabilities from forward sales of foreign currency	(453,354,213)	(715,688,431)
Receivables from forward purchases of gold	20,072,009	10,834,627
Liabilities from forward purchases of gold	(19,360,154)	(10,522,011)
Total	(1,938,766)	(16,659,675)

Receivables from forward sales of foreign currency amounted to ARS 450,703,592 as of December 31, 2019 and represent the right to receive United States dollars from the forward sale at the agreed-upon price (ARS 698,716,140 as of December 31, 2018), while the balance of ARS (453,354,213) related to Liabilities from forward sales of foreign currency, at the same date, represents the sales obligations with counterparties abroad at the agreed-upon price in the amount of ARS (452,821,474) and ARS (532,739) and, as implicit interest in the amounts of ARS (714,455,320) and ARS (1,233,111) as of December 31, 2018, respectively).

The balance of ARS 20,072,009 related to Receivables from forward purchases of gold represents the right to receive the gold equivalent to the purchase price agreed under the forward contracts in the amount of ARS 20,056,560 and ARS 15,449 as implicit interest as of December 31, 2019 (as of December 31, 2018, the amounts were ARS 10,829,211 and ARS 5,416, respectively), while Liabilities from forward purchases of gold equivalent to ARS (19,360,154) represent the obligation to deliver the foreign currency at the date of termination of those contracts (ARS (10,522,011) as of December 31, 2018) (see Note 4.1.1).

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, 2019, amounted to ARS 3,379,154,102 (ARS 1,658,529,795 as of December 31, 2018).

Information contained in Exhibit III provides a breakdown of the portfolio owned by the BCRA. The Notes explain the characteristics of the most significant bonds or bills, purchases, sales or swaps conducted during the year and the detail of interest accrued only for those securities with coupons maturing in January subsequent to each year-end.

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 stated at listed values (see Exhibit III). As of December 31, 2019, the balance amounts to ARS 4,277,762 (ARS 3,265,419 as of December 31, 2018) and is broken down as follows:

- a) Discount Bonds maturing in 2033 issued in US dollars in the original nominal value of USD 43,904 equivalent to ARS 2,785,712 as of December 31, 2019, plus ARS 152,635 as interest accrued receivable (original nominal value of USD 43,904 equivalent to ARS 1,865,922 as of December 31, 2018 plus ARS 96,350 as interest accrued receivable).
- b) International Bond maturing in 2021 issued by Argentina in US dollars in the original nominal value of USD 9,000 equivalent to ARS 332,550 (original nominal value of ARS 9,000 equivalent to ARS 319,320 as of December 31, 2018).
- c) International Bond maturing in 2028 issued by Argentina in US dollars in the original nominal value of USD 35,000 equivalent to ARS 1,006,865 (original nominal value of ARS 35,000 equivalent to ARS 983,827 as of December 31, 2018).

These positions are subject to the provisions of Decree No. 391/2020 (see Note 8.7).

4.2.1.2. Securities issued under Argentine legislation

They include securities held subject to Argentine legislation, which amounted to ARS 3,374,876,340 as of December 31, 2019 (ARS 1,655,264,376 as of December 31, 2018).

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 by applying the buying Argentine peso-to-US dollar exchange rate published by Banco de la Nación Argentina. Adjusted principal will be amortized as from the tenth year. The adjustment was accrued until March 31, 1991, by virtue of section 8 of the Convertibility Law (the currency board that pegged the Argentine peso to the US dollar), whereby the monetary adjustment mechanisms regarding the amounts stated in non-convertible australes would be applied exclusively until April 1, 1991, without accruing any new adjustments for such items subsequent to such date.

The original issuance amounts to ARS 881,464 while the amount adjusted as of December 31, 2019, pursuant to issuance conditions is ARS 4,734,790 (the same amount as of December 31, 2018). Considering that section 6 of 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, in the amount of ARS 8,815 matured on January 2, 2010. Taking into account the specific financial characteristics of this bond, especially its term, grace period and that it does not accrue any interest, an allowance has been set up in accordance with the issuance terms and conditions, net of its contra account. As of December 31, 2019, the allowance was reversed in the amount equivalent to the receipt of the eleventh installment on January 2, 2020 (see Note 8.1 Exhibit I and Exhibit III).

4.2.1.2.2 Non-transferable and other Treasury Bills

Non-transferable and other Treasury Bills amount to ARS 3,003,404,450 as of December 31, 2019 (ARS 1,137,030,537 as of December 31, 2018). The account breakdown is detailed below. It is the BCRA's intention to maintain such assets up to maturity, taking into account the provisions of Decree No. 346/2020 (see Note 8.5.)

4.2.1.2.2.1 Non-transferable Treasury Bills

The Non-transferable Treasury Bills that remained in the portfolio at year-end were received in consideration of the transfer of funds to the Argentine Treasury, based on the items detailed below: settlement of public debt with private bondholders - Argentine Fund for Debt-Shedding (FONDEA), settlement of principal and interest with International Financial Agencies (FONDOI) and contra account for the payment of Argentina's higher quota with the IMF.

The issuance conditions of these instruments are as follows: principal denominated in United States dollars; ten-year maturity; they are fully amortized upon maturity and accrue interest at the interest rate accrued by the BCRA international reserves for the same period, and up to the limit of annual LIBOR, less one percentage point, payable on a half-yearly basis.

As indicated in Note 2.1, the Board of Governors of the BCRA approved an adjustment as of December 31, 2019 deriving from the change of the book value of the Non-transferable Treasury Bills held to their technical value, as provided for by section 62 of Law 27541 in the amount of ARS 2,130,379,133, which was recognized in the statement of income under "Exchange differences, net- Government securities" (see Note 4.22.4). These Bills were recorded at present value at prior year-end.

As of December 31, 2019, total Non-transferable Bills stated at technical value amount to \$ 2,923,947,533, including the amount of \$ 7,864,176 as interest accrued receivable (See Exhibit III).

The treatment set forth in section 62 of Law 27541 shall be considered within the framework of the second paragraph of Note 3.1.

It should be noted that as of December 31, 2018, these instruments were stated at present value in accordance with the provisions of the Board of Governors' Resolution No. 209/18.

To calculate the present value, as of December 31, 2018, the discount rate was obtained from a linear interpolation of the returns on Government Bonds in United States dollars -Argentine Law-, with greater liquidity, based on the average life of the instruments to be valued. Two aspects were taken into account for the selection of the instruments in the curve: liquidity and average life. The instruments with a lower liquidity ratio were not considered; only those with an average life similar to that of the asset selected for valuation were taken. Further, an estimate of the future cash flows was made based on the expected returns. As of December 31, 2018, the Non-transferable Bills were stated in the amount of ARS 1,137,030,537, in accordance with the valuation criterion described herein.

In accordance with the terms and conditions for the issuance of the Non-transferable Bills, during the fiscal years 2019 and 2018, interest was accrued. Breakdown is as follows:

Non-transferable Bills- Securities	Item	Amount subscribed in USD (see Exhibit III - Original Nominal Value)	Maturity	In pesos 12/31/2019	In pesos 12/31/2018
Non-transferable Bill maturing in Dec. 2021 2054/ 10	FONDEA	7,504,000	1/7/2021	451,543,635	231,263,938
Non-transferable bill maturing in Dec. 2021 276/ 11	FONDOI	2,121,386	3/14/2021	127,352,539	63,528,779
Non-transferable bill maturing in 2022 Law No. 26728 Res. 131/ 12	FONDEA	5,674,000	4/20/2022	340,332,146	145,675,938
Non-transferable bill maturing in Dec. 2022 928/12 Res. 171/ 12	FONDOI	2,083,648	6/28/2022	124,802,991	52,062,409
Non-transferable bill maturing in 2023 Law No. 26784 Res. 8/ 13	FONDEA	7,132,655	1/16/2023	429,052,908	168,828,054
Non-transferable bill maturing in 2023 Dec. 309/ 13	FONDOI	2,292,297	8/16/2023	137,722,873	51,254,236
Non-transferable bill maturing in 2024 Law No. 26,865 Res. 30/ 14	FONDEA	7,896,765	1/30/2024	474,780,652	165,751,871
Non-transferable bill maturing in Dec. 2024 1311/14 Res. 190/ 14	FONDOI	3,043,000	8/25/2024	182,773,370	60,054,141
Non-transferable bill maturing in 2025 Law No. 27,008 Res. 406/ 15	FONDEA	10,562,540	6/1/2025	633,020,722	192,278,646
Non-transferable bill maturing in 2026 Law No. 26849 Res. 262/ 16	INCREASE IMF QUOTA	376,300	4/29/2026	22,565,697	6,332,525
TOTAL		48,686,591		2,923,947,533	1,137,030,537

The Argentine Fund for Debt-Shedding (FONDEA) was created under National Executive Branch Decree No. 298 of March 1, 2010 to pay off the National Treasury public debt with private bondholders for such 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, the Executive Branch was authorized to fund FONDEA successively, in order to make payments of the National Treasury public debt with private bondholders corresponding to the fiscal years 2011 to 2015.

Additionally, the maturity of principal and interest with International Financial Agencies (FONDOI) for fiscal years 2010, 2011, 2012, 2013 and 2014 were settled by applying unrestricted international reserves, including, also 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.

Finally, the BCRA received a Non-transferable Bill issued by the Argentine 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

4.2.1.2.2 National Treasury Bills in USD Law No. 27541

On December 30, 2019, the Treasury Bill in USD, Law No. 27541 was recognized in the original nominal value of USD 1,326,576. It was received by the BCRA within the framework of the provisions of Section 61 of Law No. 27541, and as provided for by the Joint Resolution No. 5/2019 issued by the Finance and Treasury Bureaus (see Note 2.1).

Based on the issuance conditions, this instrument is issued in USD; with a ten-year maturity; fully amortized upon maturity on December 31, 2029 and accrue interest at the interest rate accrued by the BCRA international reserves for the same period, and up to the limit of annual LIBOR, less one percentage point, payable semi-annually.

In accordance with the provisions of section 62 of Law No. 27541, these Bills shall be recorded at technical value (see Note 2.1); a treatment that shall be considered within the framework of the second paragraph of Note 3.1.

As of December 31, 2019, the original nominal value amounts to USD 1,326,576, and the technical value amounts to \$ 79,456,917, out of which, the amount of \$ 1,658 is interest accrued receivables.

4.2.1.2.3 Other securities issued under Argentine legislation

As of December 31, 2019, the balance of this caption amounts to ARS 370,678,573 (ARS 517,431,707 as of December 31, 2018). As explained in Note 4.2.1., detail is as follows:

- a) Argentine Government Bonds (BONAR) Series 2019: They were fully amortized during the year. As of December 31, 2018, the portfolio amounted to original nominal value of ARS 1,608,234 equivalent to ARS 1,680,604. These financial instruments were recorded at their listed prices (see Exhibit III).
- b) Argentine Government Bonds (BONAR) Series 2020: original nominal value of USD 283,000 equivalent to ARS 9,537,100 as of December 31, 2019 (original nominal value of ARS 283,000 equivalent to ARS 10,541,750 as of December 31, 2018). These financial instruments were recorded at their listed prices (see Exhibit III).
- c) Argentine Government Bonds (BONAR) Series 2022: original nominal value of USD 4,497,753 equivalent to ARS 109,101,447 as of December 31, 2019 (original nominal value of ARS 4,497,753 equivalent to ARS 142,753,453 plus ARS 6,589,531 as interest accrued as of December 31, 2018). These financial instruments were recorded in assets as a result of the swap of the Non-transferable Bills of the Argentine Treasury. As to this reporting date there is no active market, they have been stated at an estimated present value (see Exhibit III).
- d) Argentine Government Bonds (BONAR) Series 2025: original nominal value of USD 4,510,463 equivalent to ARS 118,708,438 as of December 31, 2019 (original nominal value of ARS 4,510,463 equivalent to ARS 130,095,114 plus ARS 6,714,734 as interest accrued as of December 31, 2018). These financial instruments were recorded in assets as a result of the swap of the Non-transferable Bills of the Argentine Treasury. As to this reporting date there is no active market, they have been stated at an estimated present value (see Exhibit III).
- e) Argentine Government Bonds (BONAR) Series 2027: (original nominal value of ARS 4,690,500 equivalent to ARS 133,484,629 as of December 31, 2019 (original nominal value of ARS 4,690,500 equivalent to ARS 128,078,556 as of December 31, 2018 plus ARS 6,982,755 as interest accrued). These financial instruments were recorded in assets as a result of the swap of the Non-transferable Bills of the Argentine Treasury. As to this reporting date there is no active market, they have been stated at an estimated present value (see Exhibit III).

- f) Capitalizable Treasury Bills (LECAP): they were purchased by the BCRA within the framework of Communication "A" 6767 (see Note 2.5). Securities in portfolio as of December 31, 2019, described in Exhibit III, are within the scope of Decree No. 596/19 (see Note 2.4). Capitalizable interest under the original terms and conditions of each LECAP will be monthly capitalized in accordance with the calculation originally provided until the new date for payment of each of the related amounts. These financial instruments were stated at their listed prices.
- g) Treasury Bills adjusted by CER (LECER): they were purchased by the BCRA within the framework of Communication "A" 6767 (see Note 2.5). Securities in portfolio as of December 31, 2019, described in Exhibit III, are within the scope of Decree No. 596/19 (see Note 2.4). These financial instruments were stated at their listed prices.
- h) Treasury Bills adjusted by the benchmark exchange rate (LELINK): they were purchased by the BCRA within the framework of Communication "A" 6767 (see Note 2.5). Securities in portfolio as of December 31, 2019, described in Exhibit III, are within the scope of Decree 596/19 (see Note 2.4). These financial instruments were stated at their listed prices.
- i) Treasury Bills in USD (LETE): they were purchased by the BCRA within the framework of Communication "A" 6767 (see Note 2.5). Securities in portfolio as of December 31, 2019, described in Exhibit III, are within the scope of Decree No. 596/19 and Presidential Decree No. 49/2019 (see Note 2.4), which defined that the maturity date for such securities is August 31, 2020. These financial instruments were stated at their listed prices.
- j) Discount Bonds 2033 issued in US dollars and maturing on December 31, 2033, original nominal value of USD 679,220 equivalent to ARS 37,153,334 plus ARS 2,361,351 as interest accrued as of December 31, 2019 (original nominal value of USD 679,220 equivalent to ARS 26,326,567 plus ARS 1,490,587 as accrued interest as of December 31, 2018). These financial instruments were stated at their listed prices (see Exhibit III).
- k) Discount Bonds 2033 issued in pesos in the original nominal value of ARS 6,228,791 equivalent to ARS 54,190,478 plus ARS 2,893,472 as interest accrued as of December 31, 2019 (original nominal value of ARS 6,228,791 equivalent to ARS 53,256,159 plus ARS 1,916,984 as interest accrued as of December 31, 2018). These financial instruments were recorded at their listed prices (see Exhibit III).

- l) Discount Bonds 2033 issued in 2010 in Argentine pesos in the original nominal value of ARS 5,846 equivalent to ARS 50,272 plus ARS 2,715 as interest accrued as of December 31, 2019 (original nominal value of ARS 5,846 equivalent to ARS 45,011 plus ARS 1,799 as interest accrued as of December 31, 2018). These securities have been stated at market value (see Exhibit III).
- m) Par bonds 2038 in Argentine pesos in the original nominal value of ARS 22,093 equivalent to ARS 100,524 as of December 31, 2019 (original nominal value of ARS 22,093 equivalent to ARS 73,350 as of December 31, 2018). These securities have been stated at market value (see Exhibit III).
- n) Quasi-Par Bonds Series 2045 in the original nominal value of ARS 40,351 equivalent to ARS 254,210 plus ARS 11,636 as interest accrued as of December 31, 2019 (original nominal value of ARS 40,351 equivalent to ARS 195,701 plus ARS 7,709 as interest accrued as of December 31, 2018). These securities have been stated at market value (see Exhibit III).
- o) GDP-linked marketable securities in USD in the original nominal value of USD 445,051 equivalent to ARS 400,546 as of December 31, 2019 (original nominal value of USD 445,051 equivalent to ARS 676,478 as of December 31, 2018), received upon the conclusion of the public debt restructuring process. Such financial instruments are stated at their market value. In addition, the holding of GDP-related negotiable securities in pesos amounts to original nominal value of ARS 1,861,192 equivalent to ARS 57,697 as of December 31, 2019 (original nominal value of ARS 1,861,192 equivalent to ARS 38,154 as of December 31, 2018). These financial instruments were recorded at their listed prices (see Exhibit III).
- p) Other portfolio securities amounting to ARS 128 as of December 31, 2019 (ARS 128 as of December 31, 2018).

4.2.2. Allowance for impairment of government securities

In order to disclose the market values of certain government securities booked as of December 31, 2019, the allowance for impairment of value of securities is ARS 784,503 (ARS 793,315 as of December 31, 2018), which accounts for 90% 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 reversed due to the collection of the tenth amortization installment of the security on January 2, 2019 (see Notes 4.2.1.2.1 and 8.1 and Exhibit I).

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 justified by the circumstances or national or international economic prospects, 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. These Temporary Advances do not accrue any interest rates.

As of December 31, 2019, the balance of the account Temporary Advances to the Argentine Government amounts to ARS 852,730,000 (ARS 502,730,000 as of December 31, 2018), out of which ARS 612,730,000 have been granted for a twelve month period (ARS 409,030,000 as of December 31, 2018) and the amount of ARS 240,000,000 as an exception, has been requested and agreed on an eighteenth month period, in accordance with the regulatory framework (ARS 93,700,000 as of December 31, 2018).

The advances that remained effective at prior year-end were fully settled as of December 31, 2019 pursuant to the provisions of section 20 of the Charter.

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>12/31/2019</u>	<u>12/31/2018</u>
Due to fines	734,263	287,734
Refinanced lines	21,636	177,888
Financing to the productive sector	2,416	36,013
Other	-	2,033
Subtotal	<u>758,315</u>	<u>503,668</u>
Allowances for loans to the financial system (Exhibit I)	<u>(707,113)</u>	<u>(439,863)</u>
Total	<u>51,202</u>	<u>63,805</u>

The line “Loans to the Argentine financial system” mainly relates to “Due to fines on Financial institutions”, which includes accruals of fines payable to the BCRA arising from the enforcement of the Criminal Exchange Regime and Financial Institutions Law (section 41). The balance amounts to ARS 734,263 as of December 31, 2019 (ARS 287,734 as of December 31, 2018). Out of total balance, as of December 31, 2019, the amount of ARS 719.329 is subject to court procedures (ARS 277,057 as of December 31, 2018) and an allowance has been set up for the total amount of ARS 685.874 (ARS 265,238 as of December 31, 2018).

The caption “Refinanced lines” is related to the Federal Trust Fund for Regional Infrastructure (FFFIR) debt. This fund was created by Law No. 24855, to which the consolidated debt held by the former Banco Hipotecario Nacional with the BCRA had been transferred. By means of the Board of Governors’ resolution No. 2 dated January 4, 2018, the Agreement for the Settlement of Debt between the FFFIR and the BCRA was approved. As of December 31, 2019, the debt was reduced by ARS 21,636 (ARS 177,888 as of December 31, 2018) mainly due to the principal collected in the amount of \$ 153,386.

The line “Financing to the productive sector” mainly includes funds granted to financial institutions within the framework of Communication “A” 5303 and amendments in order to finance the productive sector with a balance of ARS 2,416 as of December 31, 2019 (ARS 36,013 as of December 31, 2018). These loans require 125% guarantees over principal due that are measured at market value. The guarantees posted by institutions stated at market value (with the guaranteed credit limit) cover the whole debt, as broken down below:

	<u>12/31/2019</u>	<u>12/31/2018</u>
BONAR 2019	-	28,826
BONCER 2020	-	7,187
BONCER 2021	2,416	-
Total	<u>2,416</u>	<u>36,013</u>

The amount of the Allowances for Loans to the Local Financial System, which as of December 31, 2019 is ARS 707,113 (ARS 439,863 as of December 31, 2018), mainly includes the Allowance for fines referred to in the preceding paragraph in the amount of ARS 685,874 (ARS 265,238 as of December 31, 2018) and the Allowance for Credit lines existing before enactment of Law No. 24144 equivalent to the amount of a ARS 21,239 (ARS 174,625 as of December 31, 2018). During fiscal year 2019, the allowances were reversed as a result of receipts in the amount of ARS 153,386 and were used in the total amount of ARS 264,546, while new allowances were set up in the amount of ARS 685,182 (changes in these three items during the fiscal year ended December 31, 2018 amounted to ARS 387,198, ARS 328,356 and ARS 304,616, respectively)(see Exhibit I).

This item is stated 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 consider 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 behalf of the Argentine Government and others:

	12/31/2019	12/31/2018
Contributions to IADB, IBRD, IDA and other	201,841,402	123,196,139
Contributions to the IMF	71,227,312	45,220,557
Total	273,068,714	168,416,696

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

As to the contributions to the IMF, the National Government records a quota, as resolved at the Meeting of the Board of Governors of the IMF, in the amount of SDR 3,187,300 as of December 31, 2019 (the same amount of SDR as of December 31, 2018), as detailed below:

	12/31/2019		12/31/2018	
	SDR	Argentine pesos	SDR	Argentine pesos
Treasury Bills	2,327,322	192,759,544	2,327,322	122,378,532
Contributions to the IMF in foreign currency	796,825	65,996,735	796,825	41,899,785
Contributions to the IMF in local currency	63,153	5,230,578	63,153	3,320,772
Total	3,187,300	263,986,857	3,187,300	167,599,089

Treasury Bills are issued by the BCRA on 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 recorded in memorandum accounts (see Notes 5 and 6).

4.6 Rights deriving from repo transactions

	<u>12/31/2019</u>	<u>12/31/2018</u>
LELIQ and government securities receivable in Argentine pesos and delivered under repurchase transactions	450,353,157	19,104,946
Rights under reverse repurchase transactions	72,907,116	41,141,293
Repurchase transactions assessment	47,916,392	1,906,128
Rights from currency swap transactions	<u>1,108,579,000</u>	<u>614,072,000</u>
Total	<u>1,679,755,665</u>	<u>676,224,367</u>

On January 10, 2018, through Communication "A" 6426, the BCRA informed that it decided the issuance and placement of 7-day Bills in pesos in force as from January 11, 2018. These instruments can be used as collaterals in REPO transactions (see Note 2.3).

As of December 31, 2019, total LELIQ and government securities receivable under repurchase transactions, including premiums to be accrued, amounted to ARS 450,353,157. Such instruments have been stated at market value (as of December 31, 2018, ARS 19,104,946 of LELIQ receivable under repurchase transactions, including premiums to be accrued) (see Note 4.18).

Rights under reverse repurchase transactions are related to transactions agreed upon with Banks and other entities. Principal receivable in this regard amounts to ARS 72,907,116 as of December 31, 2019 (ARS 41,141,293 as of December 31, 2018). These repurchase transactions were valued based on prices settled for each transaction, plus the related premiums accrued at each year-end.

Rights from currency swap transactions amounted to ARS 1,108,579,000 as of December 31, 2019 (ARS 614,072,000 as of December 31, 2018). 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 Notes 2.6 and 4.18).

4.7 Other assets

4.7.1 Breakdown of the account

	<u>12/31/2019</u>	<u>12/31/2018</u>
Stock of paper and coins for monetary issuance	4,094,838	4,030,940
Bank premises & equipment (net of depreciation)	1,839,716	257,554
Trust Fund IMF	1,291,124	796,025
Coined gold (see Note 4.1.1)	827,612	440,081
Assets applied to guarantees	585,307	1,385,440
Secured loans – Presidential Decree No. 1387/01	512,444	340,909
Numismatics – Museum	297,093	178,988
Margin Call from forward transactions	188,178	10,534,689
Intangible assets	32,593	25,325
Miscellaneous	1,195,042	1,058,058
Allowances (Exhibit I)	(10,900)	(111,335)
Total	<u>10,853,047</u>	<u>18,936,674</u>

Fixed assets were stated at acquisition cost, net of the related accumulated depreciation, including the adjustment for inflation through February 28, 2003. Depreciation is calculated by applying the straight- line method, taking into account the bank fixed assets estimated useful life.

The Trust Fund for HIPC – IMF Initiative records the contribution to the Poverty Reduction and Growth Trust – Heavily Indebted Poor Countries (IMF) in the amount of ARS 1,291,124 (SDR 15,589) (ARS 796,025 (SDR 15,138) as of December 31, 2018) (see Note 6).

According to the international definitions of gold computable as a reserve asset (see note 4.1.1), the gold coins held for numismatic purposes were excluded from the Gold sub-item and were included in Other Assets. Additionally, a provision for sales expenses of 1% of total stock was set up.

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). At year-end, they were stated at nominal value plus accrued interest not yet collected and CER adjustment.

The Numismatics - Museum line includes coins donated to the BCRA by Mr. Héctor Carlos Janson. It consists of a collection of 2,800 coins, which includes, among others, Argentine coins issued between 1813 and 2016. To express our gratitude for the donation of his collection and in honor of one of the most influencing academicians in numismatics, the Museum changed its name to Museo Histórico y Numismático Héctor Carlos Janson.

The Margin Call from forward transactions records the collateral security margin requested by the counterparties to those transactions and is equivalent to ARS 188,178 as of December 31, 2019 (ARS 10,534,689 as of December 31, 2018). These funds are built up in foreign currency by the BCRA on a daily basis and the counterparty recognizes interest on them. If under market conditions, the BCRA is to require that such guarantee be provided, the funds in foreign currency are received in a liability account, and interest is paid on those funds (see Note 4.1.5 and 4.20).

Sundry includes, among others, court and out-of-court receivables pending collection in the amount of ARS 98,708 (ARS 152,099 as of December 31, 2018), for which an allowance has been state up in the amount of ARS 14 (ARS 104,770 as of December 31, 2018) and advance payments not yet reported in the amount of ARS 10,251 (ARS 10,927 as of December 31, 2018).

Note 4.7.2 Restricted assets

As of December 31, 2019 and 2018, the Bank has set up the following collaterals:

	12/31/2019	12/31/2018
Margin Call from Forward transactions (see Note 4.7.1)	188,178	10,534,689
Assets applied to guarantees for participation in the ROFEX market (see Note 4.7.1)	585,307	1,385,440
Total	773,485	11,920,129

4.8 Monetary base

According to the provisions of the Charter, it consists of monetary circulation plus financial institutions' demand deposits in the BCRA, whether in current 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).

4.8.1 Monetary circulation

4.8.1.1 Banknotes and coins in circulation

	12/31/2019	12/31/2018
Bank notes	1,148,048,534	855,215,144
Coins	5,356,436	4,320,527
Total	1,153,404,970	859,535,671

Bank notes and coins in circulation at each year-end account for the balance held by the public and financial institutions (See note 5).

Changes in notes in circulation have been as follows:

	12/31/2019	12/31/2018
Balance at beginning of year	855,215,144	782,947,866
New bank notes and bank notes in good conditions placed in the financial system	354,006,963	165,137,935
Bank notes out of circulation and destroyed or to be destroyed	(61,173,573)	(92,870,657)
	1,148,048,534	855,215,144

4.8.1.2 Settlement checks in pesos in circulation

The amount of ARS 252 as of December 31, 2019 (ARS 252 as of December 31, 2018) accounts for the BCRA's obligation with respect to settlement checks requested by financial institutions and issued in Argentine pesos.

4.8.2 Current account in pesos

As of December 31, 2019, they amounted to ARS 741,975,653 (ARS 549,441,328 as of December 31, 2018). During the fiscal years 2019 and 2018, pursuant to BCRA Communication "A" 6052 and supplementary regulations, the rate determined for current accounts was 0%.

4.9. Instruments of payment in other currencies

4.9.1. Settlement checks in other currencies in circulation

The balance of ARS 1,198 as of December 31, 2019 (ARS 756 as of December 31, 2018) accounts for the BCRA's obligation with respect to settlement checks requested by financial institutions and issued in US dollars, which were converted into Argentine pesos as stated in Note 3.5.1.

4.9.2. Certificates of deposit for investment

The balance of ARS 2,195,891 as of December 31, 2019 (ARS 2,311,211 as of December 31, 2018) accounts for the BCRA's obligation with respect to 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.

4.10 Current accounts in other currencies

As of December 31, 2019, this balance amounted to ARS 533,582,047 (ARS 534,190,254 as of December 31, 2018), and it is converted into pesos as established in Note 3.5.1. Compensation conditions as defined in BCRA's Communication "A" 6052, as amended accounted for 0%.

4.11 Deposits from de Argentine Government and other

This account includes the following items:

	12/31/2019	12/31/2018
Deposits for strengthening the BCRA International Reserves	-	277,521,006
Argentine Government deposits	46,876,139	247,331,529
A.N.S.E.S. - Social security payment orders	257,079	385,232
Provincial funds	2,001,742	1,263,586
Argentine Government deposits – Law No. 25152 – Tax anti-cyclical fund	1,123,042	708,912
Total	50,258,002	527,210,265

The balance of Deposits for strengthening the BCRA International Reserves accounts for the equivalent value in pesos of the deposits corresponding to half of the first disbursement made in different currencies by the IMF in June 2018 within the Stand-By arrangement. As of December 31, 2018, the balance amounted to ARS 277,521,006 (see Note 2.2).

4.12 Other deposits

	<u>12/31/2019</u>	<u>12/31/2018</u>
Deposits from collections	257,711	204,161
In special accounts	78,182	60,029
Miscellaneous	120,015	94,958
Total	<u>455,908</u>	<u>359,148</u>

Deposits from collections amount to ARS 257,711 (\$ 204,161 as of December 31, 2018) and include mainly those arising from the payment of financial and exchange fines, as well as deposits from collections of entities that were settled but not applied.

Deposits in Special Accounts include the amount of ARS 58,429 corresponding to deposits made by the Argentine Government under the terms of Section 1 of Presidential Decree 1836/02, which cannot be attached or disposed of and which shall solely secure the different series of Argentine Government Bonds to be swapped for certificates of deposit held by savers in the financial system. As of December 31, 2018, the balance of such account amounted to ARS 40,277.

4.13 Special drawing rights

The 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 year 2009, the IMF made a general allocation of SDR up to USD 250,000,000 among its member countries, and the amount of USD 2,460,375 (SDR 1,569,427) was allocated to Argentina. On the other hand, in fiscal year 2009, the Fourth Amendment to 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 behalf of the Argentine Government in the amount of SDR 1,701,670.

The contra account to the SDRs transferred to the Argentine Government is disclosed as an offset account to the account IMF Special Drawing Rights, which amounts to ARS 140,940,139 equivalent to SDRs in the amount of 1,701,670 as of December 31, 2019 (ARS 89,479,602 equivalent to the same quantity of SDR as of December 31, 2018).

The net amount of SDR 318,370, effective as of December 31, 2019, and December 31, 2018, shows the allocated SDRs received by the Bank prior to the Charter amendment dated September 30, 1992

The account breakdown is as follows:

	12/31/2019		12/31/2018	
	SDR	Argentine pesos	SDR	Argentine pesos
Allocated SDRs.	2,020,040	167,309,008	2,020,040	106,220,581
Contra account to the account IMF				
Special Drawing Rights transferred to the Argentine Government	(1,701,670)	(140,940,139)	(1,701,670)	(89,479,602)
	318,370	26,368,869	318,370	16,740,979

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

4.14 Obligations with international agencies

As approved by Resolution No. 160 issued by the BCRA's Board of Governors, on July 25, 2019, the BCRA renewed the credit installments agreement with the Bank for Internal Settlements (BIS) over a twelve-month period. Additionally, by Resolution No. 255 issued by the Board of Governors on October 23, 2019, an amendment to the agreement then in force was approved, by extending the amount to be requested to USD 3,500 million. As of December 31, 2019, the balance recorded in this line amounted to ARS 210,607,782, out of which, the amount of ARS 209,632,500 is principal (USD 3,500,000) and the amount of ARS 975,282 (USD 16,283) is interest accrued.

As of December 31, 2018, the balance recorded in this line, approved by Resolution No. 228 issued by the Board of Governors on August 2, 2018, amounted to ARS 94,710,448, out of which, the amount of ARS 94,520,750 is principal (USD 2,500,000) and the amount of ARS 189,698 (USD 5,017) is interest accrued.

The use of the reserve tranche implies the first financial service available to a country by the IMF, and it does not represent the use of the credit from the IMF, there being no claim from such body regarding the funds used¹. The reserve tranche of a country represents the right to receive financing from the IMF, mentioned above, which derives from the quota established for participating in the IMF, which was included in reserve assets.

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

The account breakdown is as follows:

	12/31/2019	12/31/2018
Credit installments agreement	210,607,782	94,710,448
Use of the Reserve Tranche	43,838,339	27,831,937
IMF Account No. 1	5,213,065	3,309,653
IDB	4,399,244	3,503,003
Accrued charges	217,511	190,551
IBRD	10,506	6,264
IMF Account No. 2	412	744
Other	42,072	72,358
Total	264,328,931	129,624,958

The IMF account No.1 is an IMF deposit authorized in the BCRA to record mainly transactions as quota subscriptions and purchases or repurchases of the reserve tranche. The balance in pesos is equivalent to SDR 62,941 as of December 31, 2019 and agrees to the balance as of December 31, 2018 (see Note 6).

Additionally, IMF account No. 2 is used for administrative expenses or income in the country. The balance in pesos is equivalent to SDR 5 as of December 31, 2019 (SDR 14 as of December 31, 2018) (see Note 6).

The contra account to the use of the reserve tranche includes the BCRA’s collection right from the Argentine Government in connection with the funds received by the Bank and transferred to the Argentine Government in the amount of SDR 529,291 equivalent to ARS 43,838,339 (same quantity of SDR equivalent to ARS 27,831,937 as of December 31, 2018).

¹ Positions are exclusively broken down in the cases considered in articles XXIV and XXVI of the Articles of Agreement.

4.15 Securities issued by the BCRA

In accordance with section 18 of its Charter, the BCRA is authorized to issue securities or bonds, as well as participation certificates on its securities holdings.

On January 10, 2018, through Communication "A" 6426, the BCRA decided the issuance and placement of 7-day Bills in pesos in force as from January 11, 2018. These instruments, named Liquidity Bills (LELIQ), are daily offered through a special segment named "Rueda LELI" of the SIOPEL system of MAE S.A. They are discount securities and are stated at nominal value net of interest to be accrued at year-end. The counterparties authorized to operate with the BCRA are the financial institutions for their own portfolio or on behalf of exclusively another local entity, and they can be used as collaterals in REPO transactions. As of December 31, 2019, the balance amounts to 2,156,031,059 (as of December 31, 2018, the balance amounted to ARS 750,948,974).

The BCRA authorized the use of LELIQ to perform repo transactions as monetary regulation instruments (see Note 2.3). As a result, these bills portfolio used for such transactions is stated at market values and presented net of the amount corresponding to "Securities issued by the BCRA" (see Note 4.6)

On the other hand, Communication "A" 6575 dated September 2018 provided for that the financial institutions may subscribe "Nocom", 30-day debt securities, accruing 1/5 of the benchmark rate determined by the BCRA, with stock of bank notes that can be considered "usable", and which should not be subject to the "Interbank clearing of bank notes" (CIB) in their own vaults as well as in armored vehicle services. Additionally, the banks should comply with the hoarding requirements provided for by the rules about reporting excess of bank notes. As of December 31, 2019 and 2018, no balances have been recorded in this regard.

The securities issued by the BCRA at each year-end are as follows:

	<u>12/31/2019</u>	<u>12/31/2018</u>
Bills and notes issued in local currency		
Liquidity bills	2,156,031,059	750,948,974
Bills in portfolio available for repurchase transactions	(1,090,936,879)	(15,835,020)
Total	<u>1,065,094,180</u>	<u>735,113,954</u>

Exhibit IV discloses the LELIQ held at each year-end broken down by type of instrument and maturity term.

4.16 Contra account of Argentine Government contributions to international agencies

As of December 31, 2019, the amount of ARS 194,533,456 represents the contra account of contributions made on behalf 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, 2018, was ARS 118,696,872.

4.17 Due to Other Derivative Financial Instruments

As of December 31, 2018, the balance amounts to ARS 150,579 from the Daily Settlement Margin, which accounts for the amount in pesos payable deriving from the changes in the closing quoted prices of the forward market with respect to positions open as of December 31, 2018. As of December 31, 2019, transactions of this nature did not exist.

4.18 Amounts payable for repo transactions

	<u>12/31/2019</u>	<u>12/31/2018</u>
Amounts payable under repurchase transactions	480,690,338	19,170,440
Securities to be delivered under repo transactions	72,949,561	40,804,604
Obligations under currency swap transactions	1,118,214,327	714,556,807
Total	<u>1,671,854,226</u>	<u>774,531,851</u>

The amounts payable under repurchase transactions total ARS 480,690,338 as of December 31, 2019 and represent the funds to be reimbursed to the financial institutions upon maturity of the transactions mentioned in Note 4.6 as principal, premiums and assessments in the total amount of ARS 431,247,528, ARS 1,526,418 and ARS 47,916,392, respectively (as of December 31, 2018, balances of these items totaled ARS 17,155,155, ARS 109,157 and ARS 1,906,128, respectively). They were valued based on prices settled for each transaction, plus the related premiums accrued at each year-end.

Securities to be delivered under repo transactions as of December 31, 2019 totaled ARS 72,949,561 and represent holdings of foreign government securities received under repo transactions, stated at their listed price (ARS 40,804,604 as of December 31, 2018).

Obligations under currency swap transactions as of December 31, 2019 amounted to ARS 1,118,214,327 (ARS 714,556,807 as of December 31, 2018). The balance represents the BCRA's commitment to reimburse the People's Bank of China the amount in foreign currency arranged under the currency swap (see Note 4.6)

4.19 Due to Multilateral Credit Agreements

This account's balance represents the net liabilities resulting from mutual credit transactions within the framework of the ALADI, which totaled ARS 1,846,712 as of December 31, 2019, while this item totaled ARS 1,496,563 as of December 31, 2018.

4.20 Other liabilities

This account includes the following items:

	12/31/2019	12/31/2018
Currency swap deposit	1,108,579,000	614,072,000
Revolving funds and other foreign-currency denominated obligations	73,031,355	58,223,974
Contra account to Reserve Tranche Position in IMF	22,175,908	14,078,966
Advances collected from Margin Call on forward transactions	399,500	66,543
Obligations to the Argentine Government	120,872	220,188
Obligations from servicing secured loans	47,101	1,122,553
Miscellaneous	20,406,689	13,163,436
Total	1,224,760,425	700,947,660

The "Currency Swap Deposit" amounts to ARS 1,108,579,000 as of December 31, 2019 (ARS 614,072,000 as of December 31, 2018) and represents the total peso amount deposited for the benefit 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 (see Notes 2.6 and 4.6).

"Revolving funds and other Foreign-currency denominated obligations" 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 behalf of the Argentine Treasury as a Financial Agent of Argentina, pursuant to the provisions of section 17 of the Charter.

The balance of Revolving funds is made up, among others, of the disbursements made by the Inter-American Development Bank (IADB) 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.

The Contra account to Reserve Tranche Position in IMF reflects in the liabilities the Reserve Tranche Position included in International reserves (see Note 4.1.3) and amounts to ARS 22,175,908 as of December 31, 2019 (ARS 14,078,966 as of December 31, 2018) (see Note 4.1.3.)

The line “Advances collected from Margin Call on Forward Transactions”, with a balance of ARS 399,500 includes the guarantees provided by the counterparties involved. These funds are built up in foreign currency on a daily basis and the BCRA recognizes interest on them. As of December 31, 2018, the balance recorded for this item amounted to ARS 66,543 (see Note 4.1.5.).

“Obligations to the Argentine 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, 2019 totals ARS 120,872 (ARS 220,188 as of December 31, 2018).

“Obligations from servicing secured loans” includes the funds that will be used to pay the abovementioned loan services, which amounted to ARS 47,101 as of December 31, 2019 (ARS 1,122,553 as of December 31, 2018).

The main items included in “Miscellaneous” are described as follows: Obligations to the Argentine Government related to the repayment of credits with BOCON ARS 165,989 (ARS 155,057 as of December 31, 2018); Obligations to the Provincial Governments ARS 1,496,878 (ARS 970,505 as of December 31, 2018); Withholdings from suppliers and employees and payroll taxes payable ARS 580,776 (ARS 423,668 as of December 31, 2018), Contra account of contributions made to international agencies prior to the amendment to the Charter by Law No. 24144 ARS 9,642,535 (ARS 6,086,945 as of December 31, 2018) and provisions in the amount of ARS 1,396,079 (ARS 928,156 as of December 31, 2018), among others.

4.21 Provisions

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

	<u>12/31/2019</u>	<u>12/31/2018</u>
Provision for lawsuits	2,486,107	1,756,717
Provision for labor -related liabilities	4,545,227	2,647,016
Other provisions	220	872
Total (Exhibit I)	<u>7,031,554</u>	<u>4,404,605</u>

The criterion 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 Communication No. 14290 was used until December 31, 2001 and, as from that date, the common savings account rate published by the BCRA was used, considering Laws No. 25344 and section 58 of Law No. 25725. In the case of lawsuits subsequent to December 31, 2001, and until the end of this reporting period, the interest rate on deposits under BCRA Communication No. 14290 was used for judicial purposes.

In cases where the amounts have been claimed at the local level in U.S. dollars, the peso parity has been determined at one peso per U.S. dollar, applying no interest rate. Therefore, there are no precedents where the BCRA had had to pay in dollars the amounts claimed in that currency.

In addition, lawsuits for damages and other administrative claims were brought against the BCRA for unspecified amounts and, as of the date of issuance of these financial statements, it is not likely that an adverse judgment be rendered against the BCRA. Therefore, no provision has been set up.

To the date of issuance of these financial statements, the BCRA was notified about ninety-seven proceedings in relation to transactions under dollar futures contracts expiring in June 2016, with an arrangement date following September 29, 2015 (Communication 657 of Argentina Clearing S.A. and Mercado a Término S.A. (ROFEX)). Such proceedings seek a declaration of nullity of the administrative transaction, and the related provisions have been set up in accordance with the applicable regulations, where appropriate. As informed by the judicial area, the Bank is not aware of the existence of any other claims requiring the setup of the related provision. In this scenario, the BCRA does not have sufficient grounds to determine any possible impact on the financial statements. From a legal standpoint, the judgments rendered in such proceedings so far have been favorable to the BCRA; however, although the outlook is positive, and until no final judgments have been rendered in the ordinary lawsuits, until now, it cannot be determined whether the financial statements might be affected by the futures transactions.

The provision for labor-related liabilities is mainly made up of an estimate of bonuses to the staff for years of service and benefits for termination of the employment relationship in the amount of ARS 4,545,227 (ARS 2,647,016 as of December 31, 2018).

4.22 Statement of income – Main accounts

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

4.22.1 Interest and adjustment income

On International reserves	12/31/2019	12/31/2018
Time deposits	8,169,793	7,217,257
Certificates of time deposits in foreign currency	78,989	613,774
Demand deposits and foreign currency	4,743,181	2,230,193
Foreign government securities	2,974,711	1,668,449
Multilateral credit agreements	7,151	2,105
Total:	15,973,825	11,731,778
On government securities	12/31/2019	12/31/2018
Interest on government securities	81,713,693	43,866,880
CER on government securities	427,119	158,114
Interest on non-transferable bills and other Treasury Bills	28,020,631	15,258,307
Total:	110,161,443	59,283,301
On loans to the financial system	12/31/2019	12/31/2018
Interest income	22,879	65,511
Total:	22,879	65,511
On other assets	12/31/2019	12/31/2018
Interest and adjustments on secured loans	193,945	127,086
FABP (return and interest)	305,522	135,805
Other interest income	124,514	19,275
Total:	623,981	282,166

4.22.2 Interest and adjustment expense

On securities issued by the BCRA

	<u>12/31/2019</u>	<u>12/31/2018</u>
Interest on LELIQ	(648,670,755)	(383,089,045)
Interest on "NOCOM"	(55,802)	(85,541)
Total:	<u>(648,726,557)</u>	<u>(383,174,586)</u>

On loans borrowed from international agencies

	<u>12/31/2019</u>	<u>12/31/2018</u>
Other obligations	(4,789,387)	(2,100,049)
Total:	<u>(4,789,387)</u>	<u>(2,100,049)</u>

On other transactions with the financial system

	<u>12/31/2019</u>	<u>12/31/2018</u>
Net premiums accrued on repo transactions	(44,556,202)	(4,643,405)
Total:	<u>(44,556,202)</u>	<u>(4,643,405)</u>

On other liabilities

	<u>12/31/2019</u>	<u>12/31/2018</u>
Interest	(1,132,584)	(419,006)
Loss on CER application	(10,361)	(6,393)
Total:	<u>(1,142,945)</u>	<u>(425,399)</u>

4.22.3 (Set-up) / reversals of allowances for government securities and loans to the financial system, net

	<u>12/31/2019</u>	<u>12/31/2018</u>
For government securities	8,815	8,815
For receivables from the financial system	(531,796)	82,582
Total:	<u>(522,981)</u>	<u>91,397</u>

4.22.4 Exchange differences, net

	<u>12/31/2019</u>	<u>12/31/2018</u>
For international reserves		
Foreign currency, Time and demand deposits	573,130,217	688,297,859
Gold	83,626,267	46,970,036
Foreign government securities	126,814,320	148,550,264
Certificates of time deposits in foreign currency	2,704,258	30,902,897
Derivatives	(25,818,175)	(26,152,920)
Other	8,100,527	6,925,640
Argentine Government Securities (1) (2)	2,436,855,319	483,573,025
International agencies	29,275,052	31,925,616
Entities' deposits in current accounts and Argentine Government deposits	(533,361,896)	(348,125,359)
Other valuation adjustments of assets and liabilities		
- Rights and obligations under repo transactions (1)	(1,094,544,898)	(184,653,839)
- Other	(108,746,833)	(88,980,574)
Total:	<u>1,498,034,158</u>	<u>789,232,645</u>

(1) As of December 31, 2019, it includes ARS (656,869,100) as rights deriving from repo transactions involving government securities, offset against a valuation adjustment gain to Government securities.

(2) As of December 31, 2019, it includes the change in the valuation criterion of non-transferable bills mentioned in Notes 2.1, 2.8 and 4.2.1.2.2.1.

4.22.5 Foreign currency trading differences, net

	<u>12/31/2019</u>	<u>12/31/2018</u>
For the purchase and sale of foreign currency	665,271,106	132,857,443
Total:	<u>665,271,106</u>	<u>132,857,443</u>

4.22.6 Other financial instruments trading differences, net

	<u>12/31/2019</u>	<u>12/31/2018</u>
On forward/futures transactions	17,871,477	9,397,129
On forward transactions	11,266,432	(28,295,414)
On transactions with securities	999,794	126,767
On transactions with Lebac	-	1,354,932
Total:	<u>30,137,703</u>	<u>(17,416,586)</u>

4.22.7 Miscellaneous charges and fines

	<u>12/31/2019</u>	<u>12/31/2018</u>
Fines	901,985	127,319
Charges	320,372	132,490
Total:	<u>1,222,357</u>	<u>259,809</u>

4.22.8 Monetary issuance expenses

	<u>12/31/2019</u>	<u>12/31/2018</u>
Materials	(3,094,921)	(2,616,052)
Other expenses	(231,856)	(164,197)
Bank notes and coins	-	(242,078)
Total:	<u>(3,326,777)</u>	<u>(3,022,327)</u>

4.22.9 General expenses

	<u>12/31/2019</u>	<u>12/31/2018</u>
Amortization	(7,370)	(65,110)
Other general expenses	(8,471,347)	(5,701,329)
Total:	<u>(8,478,717)</u>	<u>(5,766,439)</u>

4.22.10 Set-up of other allowances, net

	<u>12/31/2019</u>	<u>12/31/2018</u>
Provision for labor -related liabilities	(1,991,424)	(141,045)
Provision for lawsuits	(743,166)	(309,381)
Allowance for gold	650	2,056
Other provisions	164	(217)
Total:	<u>(2,733,776)</u>	<u>(448,587)</u>

4.22.11 Other net income

	<u>12/31/2019</u>	<u>12/31/2018</u>
Other	1,293,485	605,701
	<u>1,293,485</u>	<u>605,701</u>

NOTE 5 – DEBIT- AND CREDIT-BALANCE MEMORANDUM ACCOUNTS

As of December 31, 2019, the debit- and credit- balance of memorandum accounts amounted to ARS13,230,950,466 (ARS 9,894,635,776 as of December 31, 2018), which are broken down as follows:

	12/31/2019	12/31/2018
<i>Total stock of banknotes and coins</i>	1,276,928,342	982,351,775
<i>Stock of banknotes and coins issued for circulation deposited in the BCRA</i>	123,523,371	122,816,103
Other (bank note paper/coin blanks/ bank notes and coins in process)	200,171,469	298,685,508
Settlement check	1,159,557	736,109
Certificate of deposit for investment (CEDIN)	2,196,424	2,311,743
Monetary assets in custody	7,026,657,695	6,013,212,533
Non-monetary assets in custody	286,312,723	260,786,724
Securities received as guarantee	24,600,273	16,581,589
Non-negotiable securities – International agencies	2,848,104,218	1,192,936,781
Commitments agreed with international agencies	1,384,749,222	878,360,051
Loans classified as irrecoverable	28,531,447	26,186,892
Funds managed on behalf of the Treasury Department	21,257,465	13,413,758
Fines under the criminal foreign exchange system – Section 41, Financial Institutions Law	2,305,057	1,758,920
Contingent rights and obligations <i>Imports under ALADI agreement</i>	4,428,121	2,939,758
Other contingent rights from future transactions <i>Rofex market purchases (Foreign currency)</i>	-	40,767,173
Other contingent obligations from future transactions <i>OCT - MAE sales (Foreign currency)</i>	-	7,932,000
<i>Rofex market sales (Foreign currency)</i>	-	32,833,173
Other	25,082	25,186
Total	13,230,950,466	9,894,635,776

The stock of bank notes and coins include ARS 1,276,928,342 on account of bank notes and coins issued (ARS 982,351,775 as of December 31, 2018), out of which ARS 1,153,404,970 represent monetary circulation as of December 31, 2019 (ARS 859,535,671 as of December 31, 2018) and ARS 123,523,372 of bank notes and coins deposited in the Bank eligible for circulation (ARS 122,816,104 as of December 31, 2018) (see Note 4.8.1.1).

The line Other (bank note paper – coin blanks - bank notes and coins in process) includes finished bank notes pending verification in the amount of ARS 137,037,560 (ARS 194,668,650 as of December 31, 2018), paper stock to print bank notes and coin blanks to strike coins in the amount of ARS 37,002 (ARS 36,877 as of December 31, 2018) and paper and bank notes of old line to be destroyed in the amount of ARS 24,188,254 (ARS 25,329,996 as of December 31, 2018).

The balance of ARS 1,159,557 as of December 31, 2019 for settlement checks represents settlement checks issued in Argentine pesos and US dollars held by the public and the checks paid and remitted to the BCRA for their final verification and destruction (ARS 736,109 as of December 31, 2018).

Checks and securities in custody include mainly securities, national and foreign currency and other checks deposited in the Bank's Treasury or regional agencies in the exercise of the BCRA's duties or by court order. Assets with a financial value were classified as monetary, while no-monetary assets are those that due to their aging have no settlement power, in the case of currency, or financial value, in the case of government securities. Checks and securities in custody - monetary were valued by applying the foreign exchange rates prevailing at each year-end.

The balance of checks and securities received as guarantee includes the amount of ARS 2,125,273 as securities and other checks deposited in the BCRA or in other institutions related to credit transactions (ARS 2,316,013 as of December 31, 2018) and ARS 22,475,000 as securities deposited as guarantee by local banks in connection with ALADI transactions (ARS 14,265,576 as of December 31, 2018), among others.

The balance of non-negotiable securities - international agencies includes mainly:

- Treasury Bills issued by the BCRA on behalf of the Argentine Government in the amount of ARS 192,759,544 as of December 31, 2019 (ARS 122,378,532 as of December 31, 2018) equivalent to SDR 2,327,322, maintaining the potential commitment to pay the IMF, as mentioned in Note 4.5 (see Note 6).

- Treasury Bills issued by the National Government and deposited in custody in the BCRA, which represent the commitments of the National Government with the IMF in connection with Stand By received. As of December 31, 2019, they amount to ARS 2,643,240,356 equivalent to SDR 31,913,710 (as of December 31, 2018, the balance amounted to \$ 1,062,905,711 equivalent to DEG 20,213,710) (see Note 2.2).

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

Loans classified as irrecoverable include loans granted to former financial institutions that are currently subject to liquidation proceedings in the amount of ARS 20,927,177 (ARS 21,017,467 as of December 31, 2018) and loans granted to former institutions whose licenses to operate were revoked and that were proved in legal proceedings in the amount of ARS 7,446,956 (ARS 5,021,124 as of December 31, 2018).

The funds managed on behalf of the Treasury Department include the amount of ARS 20,134,423 (ARS 12,704,846 as of December 31, 2018) associated with collateral securities held by the Treasury Department, which were delivered to be managed by the BCRA, and ARS 1,123,042 (ARS 708,912 as of December 31, 2018) associated with the Tax Anti-cyclical Fund.

Fines imposed under section 41 of the BCRA's Charter account for ARS 2,305,057 (ARS 1,758,920 as of December 31, 2018).

Contingent obligations from transactions under ALADI agreements records the instruments issued by financial institutions resulting from imports under such agreement. As of December 31, 2019, the balance of these accounts amounts to ARS 4,428,121 (ARS 2,939,758 as of December 31, 2018).

The line Contingent Rights from Forward Transactions includes the notional values (equivalent amounts in pesos) of the agreements for future trading of foreign currency executed through Mercado Abierto Electrónico (MAE), whereas Contingent Obligations from Forward Transactions includes the notional values of the agreements for future trading of foreign currency executed through MAE and ROFEX, respectively.

NOTE 6 - Summary of position with the IMF

The BCRA acts as a financial agent for the Argentine Government and as a depository before the IMF. Consequently, its balance sheet reflects the financial position of the country with the IMF.

The assets and liabilities related to SDR holdings, contributions, allocated SDR, use of financing, deposits.

Item	Amount in SDRs 12/31/2019	Amount in SDRs 12/31/2018
Assets:		
Demand deposits (see Note 4.1.3)	1,883,808	3,135,462
Contributions to the IMF (see Note 4.5)	859,978	859,978
IMF Reserve Tranche Position (see Note 4.1.3)	267,949	268,027
Trust Fund for HIPC – IMF Initiative (see Note 4.7.1)	15,589	15,138
Total assets	3,027,324	4,278,605
Liabilities:		
Allocated SDRs. (See Note 4.13)	2,020,040	2,020,040
Use of the Reserve Tranche (see Note 4.14)	529,291	529,291
Account No. 1 (see Note 4.14)	62,941	62,941
Account No. 2 (see Note 4.14)	5	14
SDR accrued charges	2,626	3,624
Total liabilities	2,614,904	2,615,910

In addition, memorandum accounts include the balances at each year-end of Treasury Bills issued by the BCRA on account and on behalf of the National Government for the payment of the country's contributions to the agency and the Treasury Bills issued by the National Government to the IMF, which represent the commitments of the National Government with the IMF in connection with Stand By received and are deposited in custody in the BCRA:

Memorandum accounts	Amount in SDRs 12/31/2019	Amount in SDRs 12/31/2018
Treasury Bills – Stand-By - National Government		
Commitments (see 2.1 and 5)	31,913,710	20,213,710
Treasury Bills issued by the BCRA on behalf of the National Government - Quota - (see 4.5 and 5)	2,327,322	2,327,322
Total	34,241,032	22,541,032

NOTE 7 - RISK MANAGEMENT POLICIES

7.1 Comprehensive risk management framework

Risk management is conducted according to the “Comprehensive Risk Management Framework of the BCRA” that was approved by the Board of Directors through Resolution No. 18 on February 7, 2019.

The Bank’s risk policy is aimed at keeping a low and predictable level of risks seeking to preserve its reputation and solvency, without neglecting the priority of compliance with the duties established by the Charter, as well as the achievement of its purposes.

Risk management is based on the three-line defense model; these lines are independent enough so as not to undermine the effectiveness of the model. In fact, they operate on a coordinated basis in order to optimize its efficiency.

The first line of defense is represented by the departments, services and other organizational structures of the Bank, which, as part of their activity, are expected to face risk exposure. The second line of defense involves the units of the Bank in charge of risk control and supervision, and the third one, the Internal Audit.

7.2 International Reserves Management Risk

The administration of International Reserves seeks to make prudent and secure investments. As the need for reserves may arise suddenly, liquidity is also important. Given the size of the administered portfolios, return should not be disregarded. Therefore, security, liquidity, and return are the three pillars on which the investment guidelines of all central banks rest.

In order to manage the risks inherent in the administration of the Bank’s International Reserves within acceptable levels and parameters, the Board of Directors establishes in its investment guidelines the level of permitted risk, as well as the risk limits tolerated in each investment.

The risks inherent in the administration of International Reserves are monitored daily in accordance with the guidelines set by the Board of Directors of the Bank.

During 2019, the Board of Directors defined—under Resolution No. 7 dated January 17, 2019—a new reference portfolio for its investment strategic goal as the most efficient portfolio considering the covariances and returns expected from each asset, the indexes of terms of exchange and financing cost in Argentina, liquidity requirements, the depth of each market, and risk tolerance of the Bank. Moreover, this Resolution updated the lists of eligible countries, central banks, multilateral entities and financial institutions, replaced the sovereign risk

structural indicator, limited the sovereign risk arising from exposure in central banks, adjusted the credit limit for the BIS, and introduced a list of regulated markets for futures among other derivatives.

7.2.1 Credit risk

Credit risk involves potential losses resulting from the counterparty defaulting on its obligations.

In this regard, the sovereign risk exposure to the countries listed in the Manual of Policies for Investment of International Reserves is acceptable for the sake of reserves. Exposure is then tolerated in the case of eligible countries that meet certain minimum requirements regarding international risk rating, structural risk rating, and market prices of credit risk (CDS).

The following bodies may be counterparties to the Bank: international agencies, multilateral financial agencies, central banks, central securities depositories and commercial or investment banks that meet requirements relating to country of residence, capital, systemic importance, supervision system and credit quality, and, in the case of state-owned banks, explicit support by the central or state government in their country of residence.

Credit quality is assessed in terms of credit risk ratings, market prices of credit risk, and the structural model selected for countries or banks.

Individual limits to exposure in eligible countries and banks depend on the group or level assigned according to the respective credit quality indicators, the reserves level and, in the case of banks, their market capitalization. In addition, overall limits are determined for countries or banks classified within a group or level, and for the total bank risk, as a percentage of International Reserves. In turn, the total bank risk tolerated is reduced if potential default of eligible banks exceeds, on average, the threshold defined by the Investment Policies.

Furthermore, exposures to any country or counterparties may not be increased or shall be liquidated in full if the market prices of the credit risk overcome certain barriers.

7.2.2 Market risk

Market risk arises from market price fluctuations of financial instruments: interest rates and exchange rates. Accordingly, investment guidelines establish that the duration of the investment portfolio and of each tranche must always be positive (higher than zero); the Conditional Value at Risk (CVaR) of the investment portfolio must not exceed 200 basis points in a 1-year horizon with a 95% confidence level; and exposures in currencies other than the US dollar may only deviate from the Bank's direct liabilities in the same currency on a reduced basis.

7.2.3 Liquidity risk

The liquidity risk of an instrument is the possibility of being unable to negotiate it or incurring in losses upon the sale thereof in the absence of a deep market.

Investment guidelines related to the liquidity risk establish that the instruments in which Reserves are invested must be sufficiently liquid to be sold within three business days without negatively affecting their market value.

As it relates to time deposits, they are deemed to be sufficiently liquid when analyzed within the maturity term established for each instrument and subject to the assessment of the early payment or repurchase capacity by the issuer. In turn, for international bonds, the minimum outstanding amount as well as the limit to the percentage acquired of each issue are established.

Furthermore, Reserves in Foreign Currency consist of three portfolios: Operating Portfolio aimed at satisfying operating needs; Investment Portfolio to improve risk-adjusted returns and diversification of International Reserves; and Hedge Portfolio for hedging Bank's liabilities in foreign currency, agreements and other financial positions.

7.3 Operating risk

The operational risk arises from incurring in losses due to a failure or weakness of internal processes, staff or information systems, or events falling outside the control of the Bank that hinder its proper operation. This definition also includes the legal risk.

Operational risk management includes policies, practices, procedures and structures held by the Bank for adequate management.

To manage this risk consistently with international standards, the Bank analyzes different events that may have a negative impact on its management, by identifying the vulnerabilities that may take place in the different scenarios and pinpointing the level of criticality of each process.

Based on the analysis conducted, the Bank follows up on the different events that may occur and has risk measures and indicators in place that are monitored by means of a balanced scorecard. These metrics defined by the risk unit are monitored in order to identify situations that may affect the regular operating performance, entail noncompliance with the strategy or cause undesired outcomes.

There is also a continuous follow-up and monitoring of the mitigation plans and/or actions defined by the business areas involved to identify risks and control vulnerabilities associated with each process.

7.4 Asset concentration risk

The Bank could be exposed due to lack of asset portfolio diversification or could be significantly exposed to the risk of noncompliance by a single security issuer or group of related issuers. It is worth mentioning that if these risks materialize, the Law on Convertibility, and the BCRA's Charter (sections 17 and 20) will apply, thereby managing loans to the Argentine financial system and advances to the National Government.

NOTE 8 – SUBSEQUENT EVENTS

8.1 Maturity and repayment of 1990 National Treasury Consolidated Bond

Under Resolution No. 334/02 of the then Ministry of Economy—which set out the restructuring of obligations by changing the refunding terms of the 1990 National Treasury Consolidated Bond—the eleventh installment equivalent to 1% of the nominal value of the instrument was settled on January 2, 2020.

8.2 LECAP swap

On January 20, 2020, the Ministry of Economy called for tender to swap LECAPs for new instruments known as LEBADs (Treasury Bills in pesos at the Badlar private banks rate). In this context, the Bank swapped the LECAP portfolio—eligible instruments—for LEBADs maturing on September 18, 2020, at a nominal value of ARS 5,809,843 (Badlar private banks + 400 BPS) and LEBADs maturing on December 22, 2020 at a nominal value of ARS 23,235,565 (Badlar private banks + 550 BPS) (see Note 4.2.1.2.3.).

The next swap took place in March 2020: LECAPs were exchanged for National Treasury Bonds adjusted by CER (BONCER) maturing on August 5, 2021, at a nominal value of ARS 361,089.

8.3 National Treasury Bills in USD Law No. 27541

New tranches were recorded for the National Treasury Bill in USD Law No. 27541 in the amount of USD 3,074,700, totaling USD 4,401,276 as of the date of these Financial Statements (see Notes 2.1 and 4.2.1.2.2.2); to date, the balance of USD 169,724 has not been subscribed.

In this regard, it is to note that such tranches fall within the extension determined by the Joint Resolution of the Office of the Secretary of the Treasury and the Office of the Secretary of Finance No. 1/2020 issued on January 3, 2020.

8.4 Advance payment of profit to the Argentine Government

Under Bank's Board Resolutions No. 129 of March 25, No. 132 of March 26, No. 141 of April 6, No. 145 of April 8, No. 175 of April 27 and No. 188 of April 30, 2020, the total amount of ARS 420,000,000 was transferred to the National Treasury, as profit on account of retained earnings for fiscal year 2019.

8.5 Decree No. 346/20 - Deferral of payments of interest and amortization of principal of dollar-denominated securities issued under Argentine Law

Within the framework of the provisions of Law No. 27541 on Social Solidarity and Productive Reactivation, section 1 of Decree No. 346 of April 5, 2020 established the deferral of payments of principal and interest of the public debt arranged through securities denominated in United States dollars issued under the law of the Republic of Argentina until December 31, 2020, or until the prior date specified by the Ministry of Economy, considering the progress on reestablishing the sustainability of public debt.

The following, among others, are exempted from deferral: Non-transferable Bills denominated in US dollars held by the Bank, including those issued under section 61 of Law No. 27541. In this regard, the payments of principal and interest of these securities will be replaced, at maturity date, by new Government securities whose terms will be defined, jointly by the Office of the Secretary of the Treasury and the Office of the Secretary of Finance belonging to the Ministry of Economy (see Note 4.2.1.2.2 and Exhibit III).

Within this framework, based on the Joint Resolution of such Offices No. 28/2020 dated April 20, 2020, the issue of "Non-transferable National Treasury Bills in US Dollars" was arranged to cover the debt service of Bank Bill holdings. Considering that such non-transferable Bills have the same issue terms as the original Bills held by the Bank and that they are intended to be kept until maturity, they were recognized at technical value. As of the date of these Financial Statements, the Bank received new Non-Transferable Bills maturing in April 2030 in place of

interest payments due in April 2020 in the amount of USD 20,835 as mentioned in Note 4.2.1.2.2.1.

8.6 Adoption of International Financial Reporting Standards (IFRS)

By means of Resolution No. 365 dated December 27, 2018, the Board of the Bank approved a schedule for the implementation of International Financial Reporting Standards (IFRS) for the preparation of its Financial Statements.

Thereafter, Law No. 27541 on Social Solidarity and Productive Reactivation within the Framework of the Public Emergency declared the economic, financial, fiscal, administrative, social security, pricing, energy, health and social public emergency and established that Non-transferable Bills and any other bills that may be issued under the provisions of such law should be recognized at technical value.

Likewise, Communication "A" 6847 established that the valuation requirements set forth in section 5.5 of IFRS 9 regarding the impairment of exposures to the non-financial public sector shall not be applicable.

Based on the foregoing, the Board of the Bank adopted Resolution No. 181 on April 30, 2020, whereby the decision regarding the adoption of IFRS for the preparation of the Bank's Financial Statements was reassessed, and the approved schedule was rendered ineffective.

8.7 Reestablishing the Sustainability of Public Debt issued under Foreign Law

Law No. 27544 on Reestablishing the Sustainability of Public Debt issued under Foreign Law was published in the Official Gazette on February 12, 2020. This regulation declared as a priority to the interest of the Republic of Argentina the restructuring of Government Securities of the Republic of Argentina issued under foreign law, under the terms of section 65 of Law No. 24156 on Financial Administration and Control Systems for the National Public Sector.

To this end, section 1 of Law No. 27544 authorized the Executive Branch to perform transactions relating to the management of liabilities and/or exchange and/or restructuring of debt service (principal and interest) of Government Securities of the Republic of Argentina issued under foreign law. Likewise, it entrusted the Executive Branch to determine the nominal amounts governed by such special law, implemented through Decree No. 250/2020 published in the Official Gazette on March 9, 2020.

By means of Decree No. 391 published on April 22, 2020 and supplementary rules, the National Government ordered the restructuring of the Government Securities of the Republic of Argentina issued under foreign law. For this purpose, maximum amounts were established for the issue of bonds in US dollars and Euros subject to specific financial terms and in line with the proposal for public debt restructuring submitted to external creditors.

As of the date of these Financial Statements, holdings of Government Securities issued under Foreign Law account for less than 1% of all Bank's holdings of Government Securities (see Note 4.2.1.1).

8.8 Effects of the COVID-19

On March 11, 2020, the World Health Organization (WHO) announced the COVID-19 outbreak a pandemic.

In this context, the National Government issued Emergency Decree No. 260/2020 on March 12, 2020, providing for new measures to address the epidemiological situation, among others that had already been adopted in order to mitigate the spread of Coronavirus COVID-19. The regulation establishes, among other matters, the extension of the public health emergency set by Law No. 27541 for a period of one year.

Within this framework, the Board of the Bank has issued various regulations that seek to help financial institutions to face the health emergency, including several measures intended to: ensure the provision of cash to the general public; promote special lines of credit for micro, small and medium-sized companies and other vulnerable sectors of the economy; provide for the refinancing of unpaid balances for the credit card regime; and suspend late-payment interest on unpaid balances of loans granted by financial institutions until June 2020, among others. The Bank's authorities continue monitoring the development of this situation in order to assess its impact.

8.9 Exchange rate

The US dollar benchmark exchange rate prevailing as of May 6, 2020 amounted to ARS 67.095.

There were no other events or transactions from year-end through the date of these financial statements that would have a material impact on the financial position or the statement of operations of the Bank as of December 31, 2019.

EXHIBIT I

CHANGES IN ALLOWANCES/ PROVISIONS AS OF DECEMBER 31, 2019
-In thousands of Argentine Pesos-

Items	Balances at beginning of year	Increases	Decreases		Balances at year-end
			Reversals	Uses	
DEDUCTED FROM ASSETS					
Allowance for gold in bars	66,598	61,630	22,516	-	105,712
Allowance for impairment of government securities	793,315	-	8,812	-	784,503
Allowance for loans to the Argentine financial system	439,863	685,182	153,386	264,546	707,113
Other allowances	111,335	14,790	10,468	104,757	10,900
TOTAL ALLOWANCES DEDUCTED FROM ASSETS	1,411,111	761,602	195,182	369,303	1,608,228
INCLUDED IN LIABILITIES					
Provision for lawsuits	1,756,717	776,753	33,587	13,776	2,486,107
Provision for labor -related liabilities	2,647,016	1,991,424	-	93,213	4,545,227
Other provisions	872	45	697	-	220
TOTAL PROVISIONS INCLUDED IN LIABILITIES	4,404,605	2,768,222	34,284	106,989	7,031,554

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

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COMPTROLLER

EXHIBIT II

COMPARATIVE TABLE OF MAIN ACCOUNTS IN FOREIGN CURRENCY
AS OF DECEMBER 31, 2019 AND 2018
 - In thousands-

	12/31/2019		12/31/2018	
	Balances in USD	Balances in Argentine pesos	Balances in USD	Balances in Argentine pesos
ASSETS	107,905,474	6,462,998,258	113,662,152	4,297,372,764
INTERNATIONAL RESERVES				
Gold (Net of allowances)	2,684,686	160,799,260	2,255,624	85,281,323
Foreign currency	29,060,085	1,740,553,776	43,861,319	1,658,321,909
Deposits to be realized in foreign currency	13,136,329	786,800,411	20,109,982	760,324,246
Multilateral credit agreements	3	209	39	1,491
Derivatives over International Reserves	(32,369)	(1,938,766)	(440,635)	(16,659,675)
GOVERNMENT SECURITIES				
Securities issued under foreign legislation	71,421	4,277,762	86,368	3,265,419
Securities issued under Argentine legislation	54,900,318	3,288,254,519	42,246,810	1,597,280,062
CONTRIBUTIONS TO INTERNATIONAL AGENCIES ON BEHALF OF ARGENTINE GOVERNMENT				
	4,559,124	273,068,714	4,454,490	168,416,696
RIGHTS DERIVING FROM REPO TRANSACTIONS				
Rights under reverse repurchase transactions	3,525,877	211,182,373	1,088,155	41,141,293
LIABILITIES	37,810,673	2,264,670,298	55,815,229	2,110,278,928
INSTRUMENTS OF PAYMENT IN OTHER CURRENCY				
	36,682	2,197,089	61,150	2,311,967
CURRENT ACCOUNTS IN OTHER CURRENCIES				
	8,908,624	533,582,047	14,128,915	534,190,254
DEPOSITS FROM ARGENTINE GOVERNMENT AND OTHER				
Deposits for strengthening the BCRA International Reserves	-	-	7,340,214	277,521,006
Other deposits	356,986	21,381,665	6,451,273	243,911,664
OTHER DEPOSITS				
	1,262	75,596	826	31,217
SPECIAL DRAWING RIGHTS				
Special Drawing Rights	2,793,372	167,309,008	2,809,451	106,220,581
SDR contra account	(2,353,120)	(140,940,139)	(2,366,666)	(89,479,602)
OBLIGATIONS WITH INTERNATIONAL AGENCIES				
Obligations	4,413,205	264,328,931	3,428,479	129,624,958
Contra account to utilization of reserve tranche	(731,920)	(43,838,339)	(736,133)	(27,831,937)
CONTRA ACCOUNT TO ARGENTINE GOVERNMENT CONTRIBUTIONS TO INTERNATIONAL AGENCIES				
	3,247,908	194,533,456	3,139,440	118,696,872
DUE FROM REPO TRANSACTIONS				
Securities to be delivered under reverse repurchase transactions	1,217,958	72,949,561	1,079,250	40,804,604
Obligations from currency swap transactions with China	18,669,577	1,118,214,327	18,899,469	714,556,807
DUE TO MULTILATERAL CREDIT AGREEMENTS				
	30,832	1,846,712	39,583	1,496,563
OTHER LIABILITIES				
Other obligations in foreign currency				
Other financial intermediation agents	1,217,291	72,909,642	1,088,712	41,162,359
Revolving funds	2,016	120,742	451,266	17,061,615

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

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EXHIBIT III

COMPARATIVE TABLE OF GOVERNMENT SECURITIES
AS OF DECEMBER 31, 2019 AND 2018
-In thousands of Argentine Pesos-

GOVERNMENT SECURITIES	Currency	12/31/2019		12/31/2018	
		Original Nominal Value	Argentine Pesos	Original Nominal Value	Argentine Pesos
TOTAL GOVERNMENT SECURITIES:			3,378,369,599		1,657,736,480
BCRA HOLDINGS			3,379,154,102		1,658,529,795
ISSUED UNDER FOREIGN LEGISLATION			4,277,762		3,265,419
Discount Bonds 2033 (*)	USD	43,904	2,938,347	43,904	1,962,272
Argentina's International Bond maturing in 2021	USD	9,000	332,550	9,000	319,320
Argentina's International Bond maturing in 2028	USD	35,000	1,006,865	35,000	983,827
ISSUED UNDER ARGENTINE LEGISLATION			3,374,876,340		1,655,264,376
1990 NATIONAL TREASURY CONSOLIDATED BOND	\$	4,734,790	4,646,643	4,734,790	4,655,458
NON-TRANSFERABLE TREASURY BILLS AND OTHERs			3,003,404,450		1,137,030,537
Non-transferable bill maturing in 2021 - Decree 2054/10 (*)	USD	7,504,000	451,543,635	7,504,000	231,263,938
Non-transferable bill maturing in 2021 - Decree 276/11 (*)	USD	2,121,386	127,352,539	2,121,386	63,528,779
Non-transferable bill maturing in 2022 - Res. 131/12 (*)	USD	5,674,000	340,332,146	5,674,000	145,675,938
Non-transferable bill maturing in 2022 - Res. 171/12 (*)	USD	2,083,648	124,802,991	2,083,648	52,062,409
Non-transferable bill maturing in 2023 - Decree 309/13 (*)	USD	2,292,297	137,722,873	2,292,297	51,254,236
Non-transferable bill maturing in 2023 - Res. 8/13 (*)	USD	7,132,655	429,052,908	7,132,655	168,828,054
Non-transferable bill maturing in 2024 - Res. 30/14 (*)	USD	7,896,765	474,780,652	7,896,765	165,751,871
Non-transferable bill maturing in 2024 - Res. 190/14 (*)	USD	3,043,000	182,773,370	3,043,000	60,054,141
Non-transferable bill maturing in 2025 - Res. 406/15 (*)	USD	10,562,540	633,020,722	10,562,540	192,278,646
Non-transferable bill maturing in 2026 - Res. MH y FP 262/16 (*)	USD	376,300	22,565,697	376,300	6,332,525
Treasury Bills Law No. 27541/19 (*)	USD	1,326,576	79,456,917	-	-
OTHER SECURITIES			370,678,573		517,431,707
BONAR 2019	\$	-	-	1,608,234	1,680,604
BONAR 2020	USD	283,000	9,537,100	283,000	10,541,750
BONAR 2022	USD	4,497,753	109,101,447	4,497,753	149,342,984
BONAR 2025	USD	4,510,463	118,708,438	4,510,463	136,809,848
BONAR 2027	USD	4,690,500	133,484,629	4,690,500	135,061,311
Coupon LECAP S30G9 - Decree 596/19	\$	8,291,042	6,425,558	-	-
Coupon LECAP S13S9 - Decree 596/19	\$	14,998,573	10,648,987	-	-
LECAP S11O9 - Decree 596/19	\$	4,887,644	4,556,702	-	-
LECAP S15N9 - Decree 596/19	\$	6,562,747	5,611,149	-	-
LECAP S28F0 - Decree 596/19	\$	19,693	15,636	-	-
LECAP S30S9 - Decree 596/19	\$	260,000	236,600	-	-
LECAP S31O9 - Decree 596/19	\$	85,211	94,797	-	-
LECEP X30G9 - Decree 596/19	\$	1,502,775	601,861	-	-
LECEP X30S9 - Decree 596/19	\$	121,731	76,082	-	-
LELINK V04S9 - Decree 596/19	USD	120	1,437	-	-
LELINK V05N9 - Decree 596/19	USD	2,026	87,384	-	-
LETE U11O9 - Decree 49/2019	USD	83,767	2,530,017	-	-
LETE U13S9 - Decree 49/2019	USD	50,455	1,412,739	-	-
LETE U15N9 - Decree 49/2019	USD	54,243	1,877,526	-	-
LETE U25O9 - Decree 49/2019	USD	67,408	1,668,292	-	-
LETE U27S9 - Decree 49/2019	USD	61,873	2,141,108	-	-
LETE U29N9 - Decree 49/2019	USD	15,007	563,053	-	-
LETE U30G9 - Decree 49/2019	USD	88,971	2,096,924	-	-
Discount Bonds 2033 (*)	USD	679,220	39,514,685	679,220	27,817,154
Discount Bonds 2033 (*)	\$	6,228,791	57,083,950	6,228,791	55,173,143
Discount Bonds 2033 - 2010 (*)	\$	5,846	52,987	5,846	46,810
Par Bonds 2038	\$	22,093	100,524	22,093	73,350
Quasi Par Bonds 2045 (*)	\$	40,351	265,846	40,351	203,410
GDP-linked marketable securities	USD	445,051	400,546	445,051	676,478
GDP-linked marketable securities	\$	1,861,192	57,697	1,861,192	38,154
Bonds Province of Formosa series 4	\$	128	128	128	128
PORTFOLIO OF GOVERNMENT SECURITIES TO BE DELIVERED UNDER REPO TRANSACTIONS			(138,275,256)		(33,417)
ADJUSTMENT ACCRUAL ON 1990 NATIONAL TREASURY	\$		(3,853,326)		(3,853,326)
ALLOWANCE FOR IMPAIRMENT OF GOVERNMENT SECURITIES			(784,503)		(793,315)
1990 National Treasury Consolidated Bond	\$		(784,503)		(793,315)

(*) The column Pesos as of 12/31/2019 includes interest accrued to be collected

(**) USD : US Dollars; \$: Argentine Pesos

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EXHIBIT IV

Securities issued by the BCRA (Liquidity bills)
-In thousands of Argentine pesos-

SECURITIES ISSUED BY THE BCRA	Total as of 12/31/2019	Maturities						Total as of 12/31/2018
		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:	1,065,094,180							735,113,954
ISSUED IN LOCAL CURRENCY	1,065,094,180							735,113,954
LIQUIDITY BILLS (LELIQ)	754,033,892	754,033,892	-	-	-	-	-	716,086,090
Principal	760,184,560	760,184,560	-	-	-	-	-	722,448,989
Interest to be accrued	(6,150,668)	(6,150,668)	-	-	-	-	-	(6,362,899)
LELIQ - ISSUANCE FOR REPURCHASE TRANSACTIONS	311,060,288	311,060,288	-	-	-	-	-	19,027,864
Issued in Argentine pesos for repurchase transactions	1,401,997,167	1,401,997,167	-	-	-	-	-	34,862,884
To be delivered under repurchase transactions	(1,090,936,879)	(1,090,936,879)	-	-	-	-	-	(15,835,020)

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EXHIBIT V

MONETARY BASE VARIATION FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019 COMPARATIVELY PRESENTED WITH THE PRIOR FISCAL YEAR - In thousands of Argentine Pesos -		12/31/2019	12/31/2018
I) Monetary Base Variation provided by operating activities			
1. Increases		1,358,438,536	862,360,233
- Net settlements of securities issued by the BCRA to financial institutions		610,778,753	748,863,834
- Other government deposits		430,772,639	66,253,161
- Net transfer of funds from transactions with Argentine Government Securities		206,836,285	-134,185
- Temporary Advances to Argentine Government (Article 20, Charter) (1)		60,000,000	30,500,000
- Premiums paid for repurchase transactions with Argentine financial institutions		28,971,157	4,579,596
- Administrative expenses		8,669,050	5,940,904
- IADB/IBRD loans to provinces, financial program for micro, small and medium-sized companies, and revolving funds		6,083,241	2,888,066
- Monetary issuance expenses		3,216,198	2,869,366
- Purchase of real and personal property		1,591,212	83,492
- Contributions to General Revenue (Rentas Generales) pursuant to Budget Law. No. 27467/27431		1,520,000	516,000
2. Decreases		(872,034,912)	(454,495,790)
- Placements / (Settlements) of repurchase transactions with Argentine financial institutions		(262,816,153)	64,458,586
- Sales on behalf of the National Government		(241,907,441)	(93,260,385)
- Net sales of foreign currency (2)		(199,616,131)	(410,752,953)
- Transfers from financial institutions to other deposits		(120,775,852)	(38,996,223)
- Multilateral Credit Agreements (SML)		(24,134,330)	(18,999,467)
- Futures transaction trading differences		(11,266,432)	28,295,414
- Net sales of foreign currency to the National Treasury		(8,859,445)	17,124,187
- Settlements of loans to Argentine financial institutions		(1,633,385)	(1,188,498)
- Other items		(1,025,743)	(1,176,452)
Monetary base variation provided by all activities (I)		486,403,624	407,864,443
Monetary base at beginning of year		1,408,977,251	1,001,112,808
Monetary base at year-end		1,895,380,875	1,408,977,251

(1) The net accumulated variation of Temporary Advances amounts to \$ 350,000,000, out of which \$ 60,000,000 have a contra account in the Monetary Base and \$ 290,000,000 have a contra account in Argentine Government Deposits.

(2) It includes sales net of foreign currency presented in the statement of cash flows.

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