

# Financial Statements



*As of December 31st, 2017*



BANCO CENTRAL  
DE LA REPÚBLICA ARGENTINA

# Financial Statements as of December 31, 2017

Comparatively presented with the prior fiscal  
year



BANCO CENTRAL  
DE LA REPÚBLICA ARGENTINA

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BANCO CENTRAL DE LA REPÚBLICA ARGENTINA		
BALANCE SHEET AS OF DECEMBER 31, 2017		
COMPARATIVELY PRESENTED WITH THE PRIOR FISCAL YEAR		
-In thousands of pesos-		
ASSETS		
	12/31/2017	12/31/2016
<b>INTERNATIONAL RESERVES</b>	<b>1,033,619,499</b>	<b>623,044,663</b>
Gold (Net of allowances) (Note 4.1.1, Exhibits I and II)	43,158,465	33,313,134
Foreign currency (Note 4.1.2 and Exhibit II)	619,329,734	376,957,373
Deposits to be realized in foreign currency (Note 4.1.3 and Exhibit II)	376,346,797	207,307,287
Multilateral Credit Agreements (Net) (Note 4.1.4 and Exhibit II)	298	406,213
<b>LESS:</b>		
Derivatives over International Reserves (Note 4.1.5 and Exhibit II)	5,215,795	(5,060,656)
<b>GOVERNMENT SECURITIES</b>	<b>1,161,771,119</b>	<b>1,089,736,407</b>
<b>BCRA HOLDINGS</b>	<b>1,162,573,249</b>	<b>1,088,780,443</b>
Securities issued under foreign legislation (Note 4.2.1.1, Exhibits II and III)	912,412	716,754
Securities issued under Argentine legislation (Note 4.2.1.2, Exhibits II and III)	1,161,660,837	1,088,063,689
1990 National Treasury Consolidated Bond (Note 4.2.1.2.1 and Exhibit III)	4,664,272	4,673,087
Non-transferable Treasury Bills (Note 4.2.1.2.2, Exhibits II and III)	770,789,442	772,064,362
Other (Note 4.2.1.2.3, Exhibits II and III)	390,060,449	315,179,566
<b>LESS:</b>		
Adjustment for accrual on 1990 Consolidated Bond (Exhibit III)	3,853,326	3,853,326
<b>PORTFOLIO OF REPO TRANSACTIONS WITH THE FINANCIAL SYSTEM (Note 4.2.2 and Exhibit III)</b>	<b>-</b>	<b>1,766,909</b>
<b>ALLOWANCE FOR IMPAIRMENT OF GOVERNMENT SECURITIES (Note 4.2.3 and Exhibits I and III)</b>	<b>(802,130)</b>	<b>(810,945)</b>
<b>TEMPORARY ADVANCES TO THE ARGENTINE GOVERNMENT (Note 4.3)</b>	<b>472,230,000</b>	<b>382,230,000</b>
<b>LOANS TO THE ARGENTINE FINANCIAL SYSTEM</b>	<b>505,799</b>	<b>1,449,923</b>
Financial institutions (net of allowances)	505,799	1,449,923
Financial institutions (Note 4.4)	1,356,600	2,358,228
Allowance for uncollectibility (Note 4.4 and Exhibit I)	(850,801)	(908,305)
<b>CONTRIBUTIONS TO INTERNATIONAL AGENCIES ON BEHALF OF ARGENTINE GOVERNMENT AND OTHER (Note 4.5 and Exhibit II)</b>	<b>78,784,631</b>	<b>65,468,983</b>
<b>RIGHTS DERIVING FROM OTHER DERIVATIVE FINANCIAL INSTRUMENTS (Note 4.6 and Exhibit II)</b>	<b>321,943,936</b>	<b>272,333,279</b>
<b>OTHER ASSETS (Net of allowances) (Note 4.7)</b>	<b>5,643,856</b>	<b>4,985,155</b>
<b>TOTAL DEL ASSETS</b>	<b>3,074,498,840</b>	<b>2,439,248,410</b>



LIABILITIES		
	12/31/2017	12/31/2016
<b>MONETARY BASE</b>	<b>1,001,112,808</b>	<b>821,664,245</b>
Currency in circulation	786,712,369	594,615,517
Bank notes and coins in circulation (Note 4.8.1.1)	786,711,717	594,615,265
Settlement checks in pesos in circulation (Note 4.8.1.2)	652	252
Current accounts in pesos (Nota 4.8.2)	214,400,439	227,048,728
<b>INSTRUMENTS OF PAYMENT IN OTHER CURRENCIES</b>	<b>1,645,603</b>	<b>2,464,461</b>
Settlement checks in other currencies in circulation (Note 4.9.1 and Exhibit II)	4,130	1,981
Certificates of deposit for investment (Note 4.9.2 and Exhibit II)	1,641,473	2,462,480
<b>CURRENT ACCOUNTS IN OTHER CURRENCIES (Note 4.10 and Exhibit II)</b>	<b>240,643,832</b>	<b>246,379,905</b>
<b>DEPOSITS FROM ARGENTINE GOVERNMENT AND OTHER (Note 4.11 and Exhibit II)</b>	<b>37,028,689</b>	<b>18,725,832</b>
<b>OTHER DEPOSITS (Note 4.12 and Exhibit II)</b>	<b>314,431</b>	<b>379,646</b>
<b>SPECIAL DRAWING RIGHTS (Note 4.13 and Exhibit II)</b>	<b>8,512,228</b>	<b>6,783,796</b>
IMF Special Drawing Rights	54,009,610	43,042,808
<b>LESS:</b>		
SDR contra account	45,497,382	36,259,012
<b>OBLIGATIONS WITH INTERNATIONAL AGENCIES (Note 4.14 and Exhibit II)</b>	<b>3,636,429</b>	<b>3,103,875</b>
Obligations	17,788,037	14,381,960
<b>LESS:</b>		
Contra account to utilization of reserve tranche	14,151,608	11,278,085
<b>SECURITIES ISSUED BY THE BCRA (Note 4.15, Exhibits II and IV)</b>	<b>1,160,331,691</b>	<b>698,831,512</b>
Bills and notes issued in foreign currency	-	-
Bills and notes issued in Argentine pesos	1,160,331,691	698,831,512
<b>CONTRA ACCOUNT TO ARGENTINE GOVERNMENT CONTRIBUTIONS TO INTERNATIONAL AGENCIES (Note 4.16 and Exhibit II)</b>	<b>53,794,383</b>	<b>44,730,874</b>
<b>DUE TO REPO TRANSACTIONS (Note 4.17 and Exhibit II)</b>	<b>337,498,212</b>	<b>267,279,556</b>
<b>DUE TO MULTILATERAL CREDIT AGREEMENTS (Note 4.18 and Exhibit II)</b>	<b>1,257,636</b>	<b>2,375,350</b>
<b>OTHER LIABILITIES (Note 4.19 and Exhibit II)</b>	<b>217,129,274</b>	<b>189,179,624</b>
<b>PROVISIONS (Note 4.20 and Exhibit I)</b>	<b>4,051,552</b>	<b>2,829,508</b>
<b>TOTAL LIABILITIES</b>	<b>3,066,956,768</b>	<b>2,304,728,184</b>
<b>NET EQUITY</b>	<b>7,542,072</b>	<b>134,520,226</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>3,074,498,840</b>	<b>2,439,248,410</b>

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

Silvana A. Lepera  
ACCOUNTING MANAGER

Marina Ongaro  
MAIN GENERAL ACCOUNTING MANAGER

Mariano Flores Vidal  
GENERAL MANAGER

Paola A. Lopez  
DEPUTY SUPERVISORY AUDITOR

Luis Caputo  
CHAIRMAN

Juan Carlos Isi  
REGULAR SUPERVISORY AUDITOR

Signed for identification purposes with the report dated 07/05/18

**STATEMENT OF INCOME**  
**FOR THE FISCAL YEAR-ENDED DECEMBER 31, 2017**  
**COMPARATIVELY PRESENTED WITH THE PRIOR FISCAL YEAR**  
**-In thousands of pesos-**

	12/31/2017	12/31/2016
<b><u>Interest and adjustments:</u></b>		
<b>Interest income:</b>	<b>29,258,434</b>	<b>24,081,449</b>
On international reserves (Note 4.21.1)	2,217,980	772,635
On government securities (Note 4.21.1)	26,742,645	22,461,696
On deposits in other entities	21,962	14,064
On loans to the financial system (Note 4.21.1)	93,188	201,091
On other assets (Note 4.21.1)	182,659	631,963
<b>Interest expense:</b>	<b>(232,940,225)</b>	<b>(163,435,104)</b>
On securities issued by the BCRA (Note 4.21.2)	(209,576,177)	(153,344,158)
On loans borrowed from international agencies (Note 4.21.2)	(252,682)	(3,698,542)
On other transactions with the financial system (Note 4.21.2)	(23,040,339)	(6,138,402)
On other liabilities (Note 4.21.2)	(71,027)	(254,002)
<b><u>Set-up of allowances for government securities and loans to the financial system, net (Note 4.21.3)</u></b>	<b>(167,901)</b>	<b>(119,355)</b>
<b><u>Listed price differences, net (Note 4.21.4)</u></b>	<b>137,723,560</b>	<b>212,117,034</b>
<b><u>Foreign currency trading differences, net (Note 4.21.5)</u></b>	<b>2,563,888</b>	<b>12,522,921</b>
<b><u>Other financial instruments trading differences, net (Note 4.21.6)</u></b>	<b>5,562,498</b>	<b>(9,793,065)</b>
<b><u>Net financial income</u></b>	<b>(57,999,746)</b>	<b>75,373,880</b>
<b><u>Miscellaneous charges and fines (Note 4.21.7)</u></b>	<b>369,809</b>	<b>76,674</b>
<b><u>Net commissions</u></b>	<b>(53,016)</b>	<b>(60,166)</b>
Commissions earned	652	1,031
Commissions paid	(53,668)	(61,197)
<b><u>Contributions to General Revenue (Rentas Generales) pursuant to Budget Law No. 27,341 / 27,198</u></b>	<b>(850,000)</b>	<b>(705,120)</b>
<b><u>Monetary issuance expenses (Note 4.21.8)</u></b>	<b>(2,233,992)</b>	<b>(3,205,778)</b>
<b><u>General expenses (Note 4.21.9)</u></b>	<b>(4,374,337)</b>	<b>(3,716,732)</b>
<b><u>Set-up of other allowances, net (Note 4.21.10)</u></b>	<b>(1,369,750)</b>	<b>(59,661)</b>
<b><u>Net income from operating activities</u></b>	<b>(66,511,032)</b>	<b>67,703,097</b>
<b><u>Other income and expenses (Note 4.21.11)</u></b>	<b>(467,122)</b>	<b>(254,577)</b>
<b><u>NET INCOME FOR THE YEAR</u></b>	<b>(66,978,154)</b>	<b>67,448,520</b>

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

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**STATEMENT OF CHANGES IN EQUITY AS OF DECEMBER 31, 2017**  
**COMPARATIVELY PRESENTED WITH THE PRIOR FISCAL YEAR**  
**-In thousands of pesos-**

CONCEPTOS	CAPITAL	CAPITAL ADJUSTMENT	RESERVES			UNAPPROPRIATED RETAINED EARNINGS	TOTAL 12/31/2017	TOTAL 12/31/2016
			GENERAL RESERVE	SPECIAL RESERVE	APPRAISAL REVALUATION			
Balances at beginning of year	41,965,408	2,711,815	20,198,945	2,139,667	55,871	67,448,520	134,520,226	176,688,586
Distribution of earnings as per Board of Governors' Resolution No. 263 dated July 30, 2016 and No. 254 dated July 27, 2017	4,965,680	-	2,482,840	-	-	(67,448,520)	(60,000,000)	(109,616,880)
Net income for the year						(66,978,154)	(66,978,154)	67,448,520
Balances at year-end	46,931,088	2,711,815	22,681,785	2,139,667	55,871	(66,978,154)	7,542,072	134,520,226

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STATEMENT OF CASH FLOWS AND CASH EQUIVALENT FOR THE FISCAL YEAR-ENDED DECEMBER 31, 2017 COMPARATIVELY PRESENTED WITH THE PRIOR FISCAL YEAR -In thousands of pesos-		12/31/2017	12/31/2016
<b><u>I) Operating activities</u></b>			
1. Sources		<b>356,814,768</b>	<b>210,810,727</b>
- Net income from funds linked to placements and payments of National Government Securities		309,966,012	172,102,460
- IADB/IBRD loans to provinces, financial program for micro, small and medium-sized enterprises, and revolving funds		35,458,904	28,863,304
- Net negotiation differences for the purchase and sale of securities, currencies, gold and derivative instruments		8,114,788	3,378,983
- Interest charged for placements abroad		2,174,036	808,589
- Deposits of international organizations		1,101,027	18,638
- Reserve Tranche position		-	5,638,752
2. Uses		<b>(113,620,794)</b>	<b>88,117,611</b>
- Net outflows for government transactions with foreign financial institutions		(57,526,082)	(4,264,272)
- (Expenses) / Income, net, for deposits of financial institutions in foreign currency (*)		(29,856,805)	129,942,385
- Net transactions with Multilateral Credit Agreements (SML and Others)		(17,003,908)	(14,830,872)
- Other (Sales) /Purchases of foreign currency, net		(5,446,175)	32,493,109
- Payment of Sovereign Debt, Law No. 26984 / 27249		(2,656,181)	(48,277,895)
- Net transactions for guarantees of derivative financial instruments		(846,080)	-
- Monetary issuance expenses		(99,489)	(1,261,080)
- Administrative expenses		(29,112)	(46,027)
- Contribution to the IMF		-	(5,638,752)
- Other items		(156,961)	1,016
<b>Net cash flows provided by / (applied to) operating activities (1-2)</b>		<b>243,193,974</b>	<b>298,928,338</b>
<b><u>II) Investment activities</u></b>			
3. Sources			
- Collection of dividends BIS		<b>21,962</b>	<b>14,572</b>
<b><u>III) Financing activities</u></b>			
4. Uses		<b>(361,321)</b>	<b>(76,306,261)</b>
- Net outflows to foreign financial institutions		-	(74,482,223)
- Net settlements of repo transactions with banks and other entities in Argentina and abroad		(361,321)	(1,824,038)
<b><u>IV) Other</u></b>			
5. Sources		<b>167,720,221</b>	<b>67,955,658</b>
- Exchange differences, net		167,720,221	67,955,658
<b>Net cash flows provided by / (applied to) all activities (I+II+III+IV)</b>		<b>410,574,836</b>	<b>290,592,307</b>
<b>Net cash and cash equivalents at beginning of year (Note 3.1)</b>		<b>623,044,663</b>	<b>332,452,356</b>
<b>Net cash and cash equivalents at year-end (Note 3.1)</b>		<b>1,033,619,499</b>	<b>623,044,663</b>

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Notes to the financial statements for the fiscal  
year-ended December 31, 2017  
comparatively presented with the prior fiscal year  
- In thousands of Argentine pesos-

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

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

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

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

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

## **NOTA 2 - NOTE 2 - SIGNIFICANT EVENTS FOR THE FISCAL YEARS 2017 AND 2016**

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

### **2.1 Balance sheet as of 12.31.2017**

As of 12.31.2017, the BCRA reports an equity de ARS 7,542,072 (ARS 134,520,226 as of 12.31.2016). This decrease is largely due to the change in the estimated valuation of non-transferable bills, for the reasons explained in Notes 4.2.1.2.2. and 7.4.

### **2.2 Renewal of the Bilateral Currency Swap Agreement with the People's Bank of China**

Board Resolution No. 232 dated July 13, 2017 approved the renewal of the bilateral currency swap agreement entered into between the People's Bank of China and the Central Bank of Argentina. Under this agreement, the Bank requiring a swap transaction shall deposit into an account in its books in the name of the other party an equivalent amount in its local currency. Likewise, the Bank from which the swap transaction is required shall deposit into an account in its books in the name of the other party an equivalent amount in its local currency. The two accounts will bear no interest as far as the required funds are not actually applied and, upon maturity of each swap transaction, each Bank will debit the same amount as the one originally deposited. During the term of each swap transaction, each Bank may use the available amount in the local currency of the other party, as authorized under the Agreement (see Note 4.19). The term of duration of the agreement shall be 3 years, expiring on July 17, 2020.

The first agreement between the two central banks had been established in 2009. A second agreement was signed in 2014, and complemented with a supplementary agreement by the end of 2015.

### **2.3 Law No. 27249. Laws Nos. 26017, 26547, 26886, and 26984. Repeal. Law No. 27198. Amendment. Release of payments of bonds issued under foreign law and subject to the 2005 and 2010 swaps.**

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

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

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

### **2.4 Reverse repurchase agreements of National Government securities**

Under Resolution No. 44 of January 28, 2016, the Board of Governors of the Central Bank of Argentina authorized, pursuant to the provisions of Section 18, sub-sect. a) of the Charter and in compliance with its monetary and exchange regulatory functions, the performance of reverse repo transactions in United States

dollars involving US dollar denominated securities issued by the National Government and held in the BCRA portfolio, for a total amount of up to USD 6,000,000, with creditworthy international banks.

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

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

## **2.5 Increase in Argentina's quota in the IMF**

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

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

## **2.6 Inflation targeting framework**

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

As from January 2017, the main instrument of the monetary policy is the interest rate, which is the core of the 7-day swap corridor.

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

In September 2016, the BCRA formally adopted the Inflation Targeting framework applicable as from January 2017, with explicit targets for the coming years and mechanisms for the correction and explanations of deviations.

## **2.7 Law No. 26860. Voluntary disclosure of holdings in foreign currency in Argentina and abroad**

Under Decree No. 2008/2015, the times frames for the voluntary disclosure of holdings in foreign currency in Argentina and abroad regulated by Law No. 26860 were extended until the end of December 2015. Under Board of Governors' Resolution No. 173 dated May 5, 2016, the BCRA did not admit any further subscriptions of Certificates of Deposit for Investment (CEDIN)) (see Note 4.9.2).

## **2.8 Law No. 27260. Holdings of currency and capital reporting program**

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

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

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

## **NOTE 3 - ACCOUNTING STANDARDS APPLIED**

### **3.1 Significant accounting policies**

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

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

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

### **3.2 Use of estimates**

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

### **3.3 Comparative information**

The balance and the statements of income, changes in equity and cash flows and cash equivalents as of December 31, 2017, as well as exhibits and notes specifying so, are presented comparatively with balances as of the prior year-end, which were adjusted for comparative purposes, as applicable.



### 3.4 Unit of measurement

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

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

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

It is not possible to calculate as of December 31, 2017 the cumulative WPI rate corresponding to the three-year period ended on that date, based on INDEC official statistics, because in October 2015 that agency discontinued the WPI calculation, recalculating it as from January 2016 in view of the declaration of a state of emergency at the statistics agency (Decree No. 55/2016). At the end of the reporting fiscal year, in a context of downward inflation and in line with the procedures followed by the accounting profession, it has been determined that the characteristics defined by prevailing professional accounting standards for the restatement of financial statements have not occurred. Therefore, these financial statements have not been restated to constant currency.

### 3.5 General valuation and disclosure methods

#### 3.5.1 Foreign currency assets and liabilities

Financial statements reporting currency is the Argentine peso. Transactions in foreign currency are converted into Argentine pesos at the foreign exchange rate effective as of the date of transaction. Inventories in US dollars are subject to a benchmark foreign exchange rate as of December 31, 2017, and 2016, respectively, calculated by the BCRA itself pursuant to Communiqué “A” 3500 methodology. Inventories in other currencies, including gold inventories, are valued at the US dollar exchange rate effective on the relevant day closing at the markets in which BCRA trades, and they are converted into local currency on a daily basis at the benchmark foreign exchange rate published by the BCRA.

Exhibit II discloses the main amounts in foreign currency as of the end of fiscal 2017 and 2016.

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

	<u>12/31/2017</u>	<u>12/31/2016</u>
US dollar	18.77420000	15.85020000
Gold	24,521.73358800	18,270.05003400
Special drawing rights (SDRs)	26.73690145	21.30789937
Euro	22.56846582	16.70769582
Yen	0.16674838	0.13579678
Pound sterling	25.39022808	19.56390186
Real	5.66768302	4.87054052
Canadian dollar	14.98818458	11.78979470
Swedish krona	2.29513447	1.74356210
Norwegian krone	2.29331216	1.83712925
Swiss franc	19.28129814	15.57912326
Yuan (CNH)	2.88270610	2.27608870
Yuan (CNY)	2.88540866	2.28224622

### 3.5.2 Method to recognize income and expenses

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

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

### 4.1 International reserves

As set forth by the Charter, the BCRA must concentrate and administer its gold reserves, foreign currency reserves and other external assets. The BCRA may keep a portion of its external assets in the form of deposits or other interest-bearing transactions with foreign financial institutions or in creditworthy papers payable in gold or in foreign currency. As established by Convertibility Law No. 23928, Central Bank reserves are exempt from attachments or seizures and that up to the amount determined by its Board of Governors, reserves shall be applied exclusively as contemplated by Section 14, sub-sect. q) of the Charter.

#### 4.1.1 Gold

	<u>12/31/2017</u>	<u>12/31/2016</u>
Gold in bars	43,191,533	33,342,060
Allowance for gold in bars (Exhibit I)	(33,068)	(28,926)
<b>Total</b>	<b><u>43,158,465</u></b>	<b><u>33,313,134</u></b>

Gold physical inventories, equal to 1,761.4 troy ounce, were valued as of year-end at USD 1,306.1 per troy ounce, according to market prices effective as of the related date, and converted into Argentine pesos according to the method under Note 3.5.1 (1,826 troy ounces valued at USD 1,152.7 as of December 31, 2016). This decrease is attributable to the spot sale transactions related to forward purchase transactions (see Notes 4.1.5 and Exhibit II).

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

According to the international reserve standards, only monetary gold qualifies as a reserve asset; therefore, the gold inventories kept for numismatic purposes are not deemed financial assets and are disclosed under Other assets (see Note 4.7).

#### 4.1.2 Foreign currencies

	12/31/2017	12/31/2016
Overnight and checking accounts in foreign correspondent banks	611,604,443	369,726,618
Note holdings	7,725,291	7,230,755
<b>Total</b>	<b>619,329,734</b>	<b>376,957,373</b>

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

#### 4.1.3 Deposits to be realized in foreign currency

Including the following investments made abroad:

	12/31/2017	12/31/2016
Time deposits	124,143,004	89,614,145
Demand deposits	48,043,464	39,516,950
Foreign government securities	113,748,571	61,650,435
Repurchase agreements	4,034,903	10,819,485
IMF reserve tranche position	7,163,698	5,706,272
Certificates of deposit	79,213,157	-
<b>Total</b>	<b>376,346,797</b>	<b>207,307,287</b>

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

The balance for foreign government securities is worth ARS 113,748,571 as of December 31, 2017, ARS 94,175,299 of which correspond to discount securities and ARS 19,173,252 are capitalization securities. These instruments have been valued at market prices prevailing at that date and converted into pesos, following the criterion described in Note 3.5.1. (ARS 43,102,411 and ARS 18,548,024, respectively, as of December 31, 2016).

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 quotation, and is worth ARS 7,158,683 as of December 31, 2017. The Reserve Tranche Position accrues interest that is calculated by the IMF and credited to the SDR account the BCRA holds with the IMF.

Certificates of deposit are instruments issued by foreign banking institutions; they have a maturity date and an agreed upon interest rate. The ARS 79,213,157 balance as of December 31, 2017 represents principal for ARS 79,235,977, net of unearned interest for ARS 22,820. No balance was recorded for these items as of December 31, 2016.

The average annual yield on total time deposits and certificates of deposit was 1.07 % and 0.399 % for the fiscal years 2017 and 2016, respectively.

#### 4.1.4 Multilateral credit agreements

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

#### 4.1.5 Derivatives over International Reserves

	12/31/2017	12/31/2016
Receivables for forward sales of foreign currency	587,172,024	210,401,764
Obligations for forward sales of foreign currency	(592,504,705)	(205,187,400)
Receivables for forward purchases of gold	5,487,096	2,924,992
Obligations for forward purchases of gold	(5,370,210)	(3,078,700)
<b>Total</b>	<b>(5,215,795)</b>	<b>5,060,656</b>

Receivables for forward sales of foreign currency amounted to ARS 587,172,024 as of December 31, 2017 and represent the right to receive United States dollars for the forward sale at the agreed upon price, while the balance of ARS (210,401,764) for Obligations for forward sales of foreign currency at the same date represents the obligations with counterparties abroad for those transactions in the amount of ARS (591,858,604) and ARS (646,101) for interest to be accrued on those transactions ARS (205,007,047) and ARS (180,354) as of December 31, 2017 and 2016, respectively).

The ARS 5,487,096 balance of Receivables for forward gold purchases represents the right to receive the gold equivalent to the purchase price agreed under the forward contracts for ARS 5,483,060 and implicit interest for ARS 4,036, while Obligations for forward purchases of gold equivalent to ARS (3,078,700) represents the obligation to deliver the foreign currency at the date of termination of those contracts (see Note 4.1.1). There were no agreed upon forward purchase transactions as of December 31, 2016

## 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, 2017, amounted to ARS 1,162,573,249 (ARS 1,088,780,443 as of December 31, 2016).

#### 4.2.1.1 Securities issued under foreign legislation

They include securities issued by the National Government and subject to the jurisdiction of foreign courts, which are valued at listed values. As of December 31, 2017, they amounted to ARS 912,412 (ARS 716,754 as of December 31, 2016) and are broken down as follows:

- Discount Bonds maturing in 2033 issued in US dollars for an original nominal value of USD 23,250 equal to ARS 708,201 as of December 31, 2017, plus accrued interest receivable for ARS 25,336 (original nominal value of USD 23,050 equal to ARS 555,675 as of December 31, 2016). These securities have been valued at their listed price (see Exhibit III).
- Global Bonds maturing in 2017 issued in US dollars were fully amortized during the year (original nominal value of USD 379 equal to ARS 6,279 as of December 31, 2016). These securities were valued at their listed price (see Exhibit III).



- c) c) International Bond maturing in 2021 issued by Argentina in US dollars for an original nominal value of USD 9,000, equivalent to ARS 178,875, (original nominal value of USD 9,000 equal to ARS 154,800 as of December 31, 2016). These securities are valued at their listed price (see Exhibit III).

#### **4.2.1.2 Securities issued under Argentine legislation**

They include securities held subject to Argentine legislation, which amounted to ARS 1,161,660,837 as of December 31, 2017 (ARS 1,088,063,689 as of December 31, 2016).

##### **4.2.1.2.1 1990 Argentine Treasury Consolidated Bond**

This bond was issued on January 2, 1990. It is related to the consolidation of obligations assumed by the Argentine Government due to the funds provided by the BCRA by virtue of Presidential Decree No. 335/91. Such bond is stated in Argentine currency for a 99-year term, it does not accrue interest and principal is adjusted through the selling Argentine peso-to-US dollar exchange rate published by Banco de la Nación Argentina. The amortization of adjusted principal is paid as from the tenth year. The adjustment was accrued until March 31, 1991 pursuant to Section 8 of the Convertibility Law (the currency board that pegged the Argentine peso at parity with the US dollar), whereby the monetary adjustment mechanisms regarding the amounts stated in non-convertible Australes would be applied exclusively until April 1, 1991, without accruing new adjustments for such items after that date.

The original issuance amounts to ARS 881,464 while the amount adjusted as of December 31, 2017, pursuant to issuance conditions is ARS 4,734,790 (the same amount as of December 31, 2016). Considering that section 6, Law No. 25565, authorized the former Ministry of Economy to restructure the public debt, Resolution No. 334/02 of such ministry established that it will be amortized in 80 annual installments, the first one maturing on January 2, 2010, for an amount of ARS 8,815. In view of the special financial characteristics of this bond, especially its term, grace period and that it does not accrue interest, the amount adjusted in accordance with the issuance terms and conditions, net of its offset account, was fully booked as an allowance. As of December 31, 2018, the allowance booked for the ninth instalment, which was collected on January 2, 2017, was recovered (see Note 7.1, Exhibit I and Exhibit III).

##### **4.2.1.2.2 Non-transferable Treasury Bills**

The 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, up to the limit of annual LIBOR, less one percentage point, payable semi-annually.

The balance as of December 31, 2016 represented the nominal value (plus accrued interest) converted to pesos, as stated in Note 3.5.1, which amounted to ARS 772,064,362 (see Exhibit III), given the BCRA's intention to hold those assets until maturity.

As explained in Note 7.4, under the Stand-by Arrangement with the IMF, the Argentine Government has undertaken to gradually repurchase a sizable portion of Non-transferable Treasury Bills, which have not been identified at the date of the arrangement. For this reason, the intention to hold them until maturity has been changed.

As pointed out above, the balance of Non-transferable Treasury Bills as of December 31, 2017 has been valued at present value converted to pesos, as stated in Note 3.5.1, for an amount equivalent to ARS 770,789,442.

To calculate the present value, 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 concepts 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.

This change has led to a valuation adjustment loss of ARS (144,229,388), which was recorded under Listed price differences, net-Government securities (Note 4.21.4).

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:

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

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

<b>LI (Private bondholders debt services)</b>	<b>Issuance regulations</b>	<b>Amount issued in USD</b>	<b>Amount subscribed in USD (see Exhibit III - Original Nominal Value)</b>	<b>Maturity</b>	<b>12/31/2017</b>	<b>12/31/2016</b>
Non-transferable bill maturing in 2021 Decree 2054/10	Decree No. 2054/10 - Res. MEyFP 1 dated 01/04/11	7,504,000	7,504,000	01/07/2021	129,691,317	119,025,923
Non-transferable bill maturing in 2022 Res. 131/12	Budget Law No. 26728. Res. ME y FP 131/12 dated 24/04/2012	5,674,000	5,674,000	04/20/2022	93,471,266	89,967,429
Non-transferable bill maturing in 2023 Res. 8/13	Budget Law No. 26784. Res. MEyFP 8/13 dated 01/15/13	7,967,000	7,132,655	01/16/2023	114,641,318	113,130,275
Non-transferable bill maturing in 2024 Res. 30/14	Budget Law No. 26895 Res. MEyFP 30/14 dated 02/13/14	9,855,000	7,896,765	01/20/2024	122,068,712	125,239,422
Non-transferable bill maturing in 2025 Res. 406/15	Budget Law No. 27008. Res. MEyFP 406/15	11,889,200	10,562,540	06/01/2025	153,284,080	167,442,383

Under the issue conditions of the non-transferable bills described above, interest was accrued during the fiscal years 2017 and 2016 (see Note 4.21.1).

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

Both principal and interest maturities with international financial agencies for the fiscal years 2010, 2011, 2012, 2013 and 2014 were paid with freely available international reserves, including as from 2013, the settlement of bilateral official external debt services falling due in fiscal 2013. Those settlements were formalized through Decrees Nos. 297 of March 1, 2010; 276 of March 3, 2011; 928 of June 21, 2012; 309 of March 21, 2013; and 1311 of August 15, 2014. In consideration for the transfers to the Argentine Treasury,

the Central Bank of Argentina received debt instruments issued by the Argentine Treasury consisting in Non-transferable Bills, as detailed in the table below:

<b>LI - International Financial Agencies Services</b>	<b>Issuance regulations</b>	<b>Amount issued in USD</b>	<b>Amount subscribed in USD (see Exhibit III - Original Nominal Value)</b>	<b>Maturity</b>	<b>12/31/2017</b>	<b>12/31/2016</b>
Non-transferable bill maturing in 2021 Dec. 276/11	Decree No. 276/11 - Res. MEyFP 64 dated 03/10/11	2,121,386	2,121,386	03/14/2021	36,383,765	33,643,012
Non-transferable bill maturing in 2022 Res. 171/12	Decree No. 928/12 - Joint Resolution 53/12 Finance Dpt and 171/12 Treasury	2,083,648	2,083,648	06/28/2022	34,058,226	33,026,748
Non-transferable bill maturing in 2023 Dec. 309/13	Decree No. 928/12 - Joint Resolution 45/13 Finance Dpt and 251/13 Treasury	2,334,945	2,292,297	08/16/2023	36,089,149	36,359,495
Non-transferable bill maturing in 2024 Res. 190/14	Decree No. 1311/14 - Joint Resolution 52/14 Finance Dpt and 190/14 Treasury	3,043,000	3,043,000	08/25/2024	45,893,434	48,263,460

Under the issue conditions of the non-transferable bills described above, interest was accrued during the fiscal years 2017 and 2016 (see Note 4.21.1)

#### **4.2.1.2.2.3 Contra account for the payment of Argentina's higher quota with the IMF**

The BCRA received a Non-transferable Bill issued by the National Treasury as provided for by Resolutions Nos. 159/16 and 262/16 of the former Ministry of Economy and Public Finance in consideration for the payment of 25% of the total increase in the quota with the IMF, made with external assets on behalf of Argentina, as set forth by Section 4 of Law No. 26849 (see Note 2.5).

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

<b>Non-transferable bill</b>	<b>Issuance regulations</b>	<b>Amount issued in USD</b>	<b>Amount subscribed in USD (see Exhibit III - Original Nominal Value)</b>	<b>Maturity</b>	<b>12/31/2017</b>	<b>12/31/2016</b>
Non-transferable bill maturing in 2026 Res. 262/16	Res. MHyFP 262/16	400.000	376,300	04/29/2026	5,208,175	5,966,215

Under the issue conditions of the Non-transferable Bills described above, the Bills accrued interest during 2016 and 2017 (see Note 4.21.1).

#### **4.2.1.2.3 Other securities issued under Argentine legislation**

The balance of this account as of December 31, 2017 is ARS 390,060,449 (ARS 315,179,566 as of December 31, 2016), and is made up mainly of securities issued by the National Government under Argentine legislation, as detailed below:

- a) Secured bonds (BOGAR 2018): they were received in exchange for the swap of provincial government debt securities included in the BCRA's portfolio for an original nominal value of ARS 852,895 equal to ARS 155,653 as of December 31, 2017 (original nominal value of ARS 852,895 equivalent to ARS 765,900 as of December 31, 2016). These financial instruments were stated at their listed prices (see Exhibit III).
- b) Series 2018 Argentine Republic Bonds (BONAR) for an original nominal value of USD 169,984 equal to ARS 3,430,282 as of December 31, 2017 (original nominal value of ARS 169,984 equal to ARS 3,097,115 as of December 31, 2016). These financial instruments were stated at their listed prices (see Exhibit III).
- c) Series 2019 Argentine Republic Bonds (BONAR) for an original nominal value of USD 1,608,234 equal to ARS 1,656,481 as of December 31, 2017 (original nominal value of ARS 1,608,234 equal to ARS 1,628,337 as of December 31, 2016). These financial instruments were stated at their listed prices (see Exhibit III).
- d) Series 2020 Argentine Republic Bonds (BONAR) for an original nominal value of USD 283,000 equal to ARS 5,928,850 as of December 31, 2017 (original nominal value of ARS 283,000 equal to ARS 5,433,600 as of December 31, 2016). These financial instruments were stated at their listed prices (see Exhibit III).
- e) Series 2022 Argentine Republic Bonds (BONAR) for an original nominal value of USD 4,497,753 equal to ARS 96,387,876 as of December 31, 2017 (original nominal value of ARS 4,497,753 equal to ARS 82,128,082 as of December 31, 2016). These financial instruments were recorded in assets in prior fiscal year as a result of the swap of the Non-transferable Bills of the Argentine Treasury. Since at this date there is no active market, it has been valued at estimated present value (see Exhibit III).
- f) Series 2025 Argentine Republic Bonds (BONAR) for an original nominal value of USD 4,510,463 equal to ARS 98,770,718 as of December 31, 2017. (original nominal value of ARS 4,510,463 equal to ARS 80,593,802 as of December 31, 2016). These financial instruments were recorded in assets in prior fiscal year as a result of the swap of the Non-transferable Bills of the Argentine Treasury. Since at this date there is no active market, it has been valued at estimated present value (see Exhibit III).
- g) Series 2027 Argentine Republic Bonds (BONAR) for an original nominal value of USD 4,690,500 equal to ARS 101,859,508 as of December 31, 2017. (original nominal value of ARS 4,690,500 equal to ARS 80,289,425 as of December 31, 2016). These financial instruments were recorded in assets in prior fiscal year as a result of the swap of the Non-transferable Bills of the Argentine Treasury. Since at this date there is no active market, it has been valued at estimated present value (see Exhibit III).
- h) Discount Bonds 2033 issued in US dollars and maturing on December 31, 2033 for an original nominal value of USD 679,220 equal to ARS 20,240,936 as of December 31, 2017 plus accrued interest receivable for ARS 740,170 as of December 31, 2017 (original nominal value of USD 679,220 equal to ARS 16,321,657 as of December 31, 2016). These financial instruments were stated at their listed prices (see Exhibit III).
- i) Discount Bonds 2033 issued in Argentine pesos for an original nominal value of ARS 6,228,791 equal to ARS 48,075,431 plus accrued interest receivable for ARS 1,320,116 as of December 31, 2017 (original nominal value of ARS 6,228,791 equal to ARS 43,788,398 as of December 31, 2016). These financial instruments were stated at their listed prices (see Exhibit III).
- j) Discount Bonds 2033 issued in 2010 in Argentine pesos for an original nominal value of ARS 5,846 equal to ARS 43,773 as of December 31, 2016 (original nominal value of ARS 5,846 equal to ARS



39,750 as of December 31, 2015). These securities have been valued at market value (see Exhibit III).

- k) Quasi-par Bonds Series 2045 for an original nominal value of ARS 40,351 equal to ARS 224,695 plus accrued interest receivable for ARS 5,304 as of December 31, 2017 (original nominal value of ARS 40,351 equal to ARS 211,841 as of December 31, 2016). These securities have been valued at market value (see Exhibit III).
- l) GDP-linked marketable securities in US dollars for an original nominal value of USD 445,051 equal to ARS 858,059 as of December 31, 2017 (original nominal value of USD 445,051 equal to ARS 645,770 as of December 31, 2016), received upon the conclusion of the public debt restructuring process. These financial instruments were stated at market value. In addition, the GDP-linked marketable securities held in Argentine pesos have an original nominal value of ARS 1,861,192 equal to ARS 204,731 as of December 31, 2017 (original nominal value of ARS 1,861,192 equal to ARS 162,854 as of December 31, 2016). These financial instruments were stated at their listed prices (see Exhibit III).
- m) Other portfolio securities amounting to ARS 84,084 as of December 31, 2017 (ARS 73,035 as of December 31, 2016). The remaining holdings are valued at the last available listed price.

#### **4.2.2. Portfolio of repos with the financial system**

The portfolio of repos with the financial system records no balance as of December 31, 2017. As of December 31, 2016, the portfolio recorded LEBAC received under reverse repo transactions with the Argentine financial system. These repurchase agreements are recorded at the prices arranged for each transaction plus the respective collateral security margin (see Exhibit III).

#### **4.2.3 Allowance for impairment of government securities**

In order to disclose the market values of certain government securities booked as of December 31, 2017, the allowance for impairment in value of securities is ARS 802,130 (ARS 810,945 as of December 31, 2016), which accounts for 93% of the original issuance amount of the Bond mentioned in Note 4.2.1.2.1. During this fiscal year, 1% of the allowance was recovered due to the collection of the security ninth amortization installment on January 2, 2018 (see Exhibit I and Note 7.1).

### **4.3 Temporary advances to the Argentine Government**

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

As of December 31, 2017, temporary advances to the Argentine Government amounted to ARS 472,230,000 (ARS 382,230,000 as of December 31, 2016), ARS 281,080,000 of which were granted at twelve months (ARS 234,080,000 as of December 31, 2016) and ARS 191,159,000 were requested, as an exception, and agreed upon with a maximum maturity term of eighteen months, pursuant to current regulations (ARS 148,150,000 as of December 31, 2016).

The loans that remain effective as of the prior year-end, maturing during this year, were fully settled as of December 31, 2016, pursuant to the provisions of section 2017.

#### 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:

	12/31/2017	12/31/2016
Advance financing to the Productive Sector	485,310	1,433,154
Refinanced lines (see note 7.3)	549,999	549,893
Debts for fines	319,486	373,376
Other	1,805	1,805
<b>Subtotal</b>	<b>1,356,600</b>	<b>2,358,228</b>
<b>Less:</b>		
Allowances for loans to the financial system (Exhibit I and note 7.3)	850,801	908,305
<b>Total</b>	<b>505,799</b>	<b>1,449,923</b>

“Prepayments to the Argentine financial system” basically consists of loans granted to financial institutions by virtue of Communiqué “A” 5303, as supplemented, for production sector financing, for an amount of ARS 485,310 1,433,154 (ARS 1,433,154 as of December 31, 2016).

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

	12/31/2017	12/31/2016
Treasury Bond in pesos - BADLAR + 100 basis points	388,973	-
Argentine Nation Bonds	64,397	1,231,893
National Government Secured Loans	17,714	33,877
National Government Secured Bonds	9,213	158,611
BONCER maturing in 2021	5,013	-
Par Bond 2038	-	7,722
Consolidated Bond Series 8	-	1,051
<b>Total</b>	<b>485,310</b>	<b>1,433,154</b>

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

“Financial institutions’ payables due to fines” includes fines accrued in favor of the BCRA due to the application of the Criminal Foreign Exchange System and Financial Institutions Law (section 41), and the balance as of December 31, 2017 amounts to ARS 319,486 (ARS 373,376 as of December 31, 2016). Out of the total balance, as of December 31, 2017, ARS 313,282 is subject to court foreclosure (ARS 372,590 as of December 31, 2016), which was booked as allowance for ARS 300,801 (ARS 358,441 as of December 31, 2016).

Allowances under “Receivables from Argentine financial system institutions”, which amounted to ARS 850,801 as of December 31, 2017 (ARS 908,305 as of December 31, 2016), is mainly made up of the allowance on credit lines prior to the enactment of Law No. 24144 amounting to ARS 550,000 (ARS 549,893 as of December 31, 2016), and the allowance on fines mentioned in the previous paragraph for an amount of ARS 300,801 (ARS 549,893 as of December 31, 2016). During fiscal 2017, allowance collections were reversed in the amount of ARS 7,364 and a total amount of ARS 234,220 was used, while new allowances were booked in the amount of ARS 184,080 (ARS 4,810, ARS 245,229 and ARS 132,982 as of December 31, 2016, respectively) (see Exhibit I).

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

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

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

	12/31/2017	12/31/2016
Contributions to the IDB, IBRD, IDA and others	55,791,492	47,144,664
Contributions to the IMF	22,993,139	18,324,319
<b>Total</b>	<b>78,784,631</b>	<b>65,468,983</b>

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

Contributions to the IDB until December 31, 2016 included holdings of shares of the Ordinary Capital (OC) of IDB and the contributions to the Fund for Special Operations (FSO).

The FSO was established under the IDB Charter since 1959, as a fund separated from the Bank's capital, to grant loans to less-developed member countries. The FSO has taken part in initiatives for debt relief supported by international organizations to tackle member countries' indebtedness problems, with partial or full waivers of future payments for debt services on loans granted with FSO capital.

On September 1, 2016, the Meeting of the Board of Governors of the IDB authorized, under Resolution AG-9/16 “Proposal for Sustaining Concessional Assistance by Optimizing the IDB's Balance Sheets”, the transfer of the assets and liabilities of the FSO into the Ordinary Capital (OC) of the IDB, effective January 1, 2017, under the name of “Additional payable capital”. FSO capital had previously been affected by the forgiveness of debt in favor of member countries.

For the BCRA, the contra account for the reduction of contributions by ARS 4,211,715 was a decrease in the Contra Account of Contributions by the Argentine Government to International Agencies.

Furthermore, contributions were recorded in the fiscal year to the Inter-American Investment Corporation (IIC), the IBRD, the International Development Association (IDA), Fonplata and Corporación Andina de Fomento, as well as valuation adjustments (see Note 4.16).

As to the contributions to the IMF, the National State 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, 2017 (the same amount of SDR as of December 31, 2016), as detailed below:

	12/31/2017		12/31/2016	
	DEG	Pesos	DEG	Pesos
Treasury Bills	2,327,322	62,225,387	2,327,322	49,590,349
Contributions to the IMF in foreign currency	796,825	21,304,638	796,825	16,978,672
Contributions to the IMF in local currency	63,153	1,688,501	63,153	1,345,646
<b>Total</b>	<b>3,187,300</b>	<b>85,218,526</b>	<b>3,187,300</b>	<b>67,914,667</b>

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

According to the IMF's Fourteenth General Review of Quotas dated April 17, 2013, Argentine Congress enacted Law No. 26849, which approved an increase in Argentina's quota in the Fund for a total of SDR 1,070,200. 25% of the increase set by that law was paid in SDR by the BCRA on behalf of Argentina. The remaining 75% would be paid in local currency, for which the BCRA issued, on behalf and account of Argentina, non-negotiable non-interest-bearing securities that are payable on demand, which were delivered to the IMF (see note 2.5).

#### 4.6 Rights deriving from repo transactions

	12/31/2017	12/31/2016
LEBAC in pesos to be received / delivered under reverse repurchase agreements	112,150,981	85,366,129
Rights under repurchase transactions	23,942,380	22,039,790
Reverse repurchase agreements margin	11,130,575	8,524,180
Rights under currency swap transactions	174,720,000	156,403,180
<b>Total</b>	<b>321,943,936</b>	<b>272,333,279</b>

The BCRA issues LEBAC (BCRA bills) as the main monetary regulatory instruments with which it absorbs market liquidity to meet its monetary, financial, credit and foreign exchange policy goals and plans. Board of Governors' Resolution No. 155 of May 20, 2004, authorized the issuance of LEBAC to be applied as eligible assets, upon agreeing upon repo transactions. This resolution established that the margin of these transactions amounted to 10% of the transaction. As of December 31, 2017, the LEBAC receivable under reverse repurchase agreements, including premiums to be accrued for this item, totaled ARS 112,150,981 (ARS 85,366,129 as of December 31, 2016). Those instruments were valued at market price (see note 4.17).

Rights under repurchase agreements are related to transactions agreed upon with Banks and other entities based on the monetary policy strategies created by the BCRA. Receivables in this regard amounted to ARS 23,942,380 as of December 31, 2017 (ARS 22,039,790 as of December 31, 2016). These repurchase agreements were valued based on prices settled for each transaction, plus the pertinent premiums accrued at each year-end.

Rights from currency swap transactions amounted to ARS 174,720,000 as of December 31, 2017 (ARS 156,403,180 as of December 31, 2016). This balance represents the right to receive from People's Bank of China the amount in national currency agreed under the currency swap transaction (see Note 4.17).

#### 4.7 Other assets

	12/31/2017	12/31/2016
Stock of banknote paper and coins for the issuance of currency	2,750,828	2,896,346
Margin call for forward transactions	814,237	-
Secured Loans - Decree No. 1387/01	276,981	490,773
Bank premises & equipment (net of depreciation)	233,727	191,470
Coined gold	223,019	166,402
Numismatics – Museum	90,113	45,570
Intangible assets	11,582	4,249
Law 4951 Bond – Province of Chaco	-	9,527
Sundry	1,362,257	1,325,969
<b>Less:</b>		
Allowances (Exhibit I)	118,888	145,151
<b>Total</b>	<b>5,643,856</b>	<b>4,985,155</b>

The Margin Call for forward transactions records the collateral security margin requested by the counterparties to those transactions and equals ARS 814,237 as of December 31, 2017. These funds are provided in foreign currency by the Central Bank on a daily basis and the counterparty recognizes interest on them. If under market conditions the Central Bank is to require the provision of this guarantee, the funds in foreign currency are received, with a counterpart entry in a liability account, and interest is paid on those funds (see Note 4.1.5). No balance was recorded for this item as of December 31, 2016.

Secured loans are financial instruments issued by the National Government by virtue of Presidential Decree No. 1387/01 and supplementary regulations, which were accepted to settle the temporary lack of liquidity aid to financial institutions with abrogated authorization to operate. These unlisted instruments are transferred through deeds, they accrue interest and they may be adjusted by CER (benchmark stabilization coefficient). As of year-end, they were stated at nominal value plus accrued interest not yet collected and CER adjustment. By Resolution 5/16, the Ministry of Public Finance and Treasury established that since November 2015 the CER will be calculated based on the daily variation rate obtained from the monthly changes in the Consumer Price Index of the City of Buenos Aires (IPBA). Later on, Resolution 100/16 and complementary regulations established the use of the Consumer Price Index of the Province of San Luis (IPCSL) as from March 26, 2016. Finally, under Resolution No. 203/16 of the former Ministry of Economy and Public Finance, effective June 26, 2016 the daily variation rate obtained from the monthly variation in the Consumer Price Index published by INDEC is used.

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

The Numismatics - Museum line has shown an increase of ARS 44,543, ARS 28,725 of which correspond to coins added in consequence of the donation made by Mr. Héctor Carlos Janson to the Central Bank of Argentina. It consists of a collection of 2,800 coins, among which are found Argentine coins issued between 1813 and 2016. In gratitude for the donation of his collection and to pay homage to one of the most influencing academicians in numismatics, the Museum's name will now be *Museo Histórico y Numismático Héctor Carlos Janson*.

Consolidation Bond in Argentine pesos, pursuant to Law No. 4951 (pending issuance), represents the refinancing established by Law No. 4951 for the Province of Chaco, as part of the swap of BOPRO bonds in Argentine pesos (Series 1, 2, 3 and 4) and BOSAFI Chaco in US dollars (Series 1 and 2), in Argentine pesos, and was fully amortized during the period (ARS 9,527 as of December 31, 2016).

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

Sundry includes, among others, court and out-of-court receivables pending collection from the Acex trust and other assets received for the same item for ARS 88,802 and ARS 70,198, respectively, (ARS 114,008 and ARS 77,738 as of December 31, 2016), which are provided for in the amount of ARS 114,664 (ARS 140,516 as of December 31, 2016); the contribution to the Trust for Growth and Poverty Alleviation – Heavily Indebted Poor Countries (IMF) for ARS 416,950 (ARS 331,988 as of December 31, 2016), and advance payments not yet reported for ARS 63,271 (ARS 156,216 as of December 31, 2016).

#### 4.8 Monetary base

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

##### 4.8.1 Currency in circulation

###### 4.8.1.1 Banknotes and coins in circulation

	12/31/2017	12/31/2016
Banknotes	782,947,866	591,082,448
Coins	3,763,851	3,532,817
<b>Total</b>	<b>786,711,717</b>	<b>594,615,265</b>

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

Banknotes varied as follows.

	12/31/2017	12/31/2016
Balance at beginning of year	591,082,448	475,470,056
New banknotes and of good use in the financial system	285,684,594	125,945,206
Notes out of circulation and destroyed or to be destroyed	(93,819,176)	(10,332,814)
<b>Balance at end of year</b>	<b>782,947,866</b>	<b>591,082,448</b>

#### 4.8.1.2 Settlement checks in pesos in circulation

The amount of ARS 652 as of December 31, 2017 (ARS 252 as of December 31, 2016) accounts for BCRA's liability for the issuance of settlement checks requested by financial institutions and issued in Argentine pesos.

#### 4.8.2 Current account in pesos

As of December 31, 2017, they amounted to ARS 214,400,439 (ARS 227,048,728 as of December 31, 2016). During the fiscal years 2017 and 2016, the rate determined on this item, pursuant to BCRA Communication "A" 4241 and complementary provisions, was 0%.

#### 4.9 Instruments of payment in other currencies

##### 4.9.1 Settlement checks in other currencies in circulation

The amount of ARS 4,130 as of December 31, 2017 (ARS 1,981 as of December 31, 2016) accounts for BCRA's liability for the settlement checks requested by financial institutions and issued in US dollars, which were converted into Argentine pesos as stated in note 3.5.1.

##### 4.9.2 Certificates of deposit for investment

The amount of ARS 1,641,473 as of December 31, 2017 (ARS 2,462,480 as of December 31, 2016) accounts for BCRA's liability for the Certificates of Deposit for Investment issued pursuant to Law No. 26860, which are in circulation. These instruments are issued in US dollars and are converted into Argentine pesos according to note 3.5.1. (See Note 2.7).

#### 4.10 Current accounts in other currencies

As of December 31, 2017, this item amounted to ARS 240,643,832 (ARS 246,379,905 as of December 31, 2016), and it is converted into pesos as established in note 3.5.1. Compensation conditions have been defined in BCRA's Communiqué "A" 4241, as amended (see note 4.8.2).

#### 4.11 Deposits from de Argentine Government and others

This item includes:

	12/31/2017	12/31/2016
Argentine Government deposits	35,614,732	17,705,964
A.N.S.E.S. – Social security payment orders	434,487	192,947
Provincial funds	627,450	529,727
Argentine Government deposits – Law No. 25152 – Tax anticyclical fund	352,020	297,194
<b>Total</b>	<b>37,028,689</b>	<b>18,725,832</b>

#### 4.12 Other deposits

	12/31/2017	12/31/2016
Trust current accounts	161,252	136,613
Special accounts	43,832	41,428
Regional Economy Competitiveness Program	1,000	45,912
Micro SME Program	84,471	136,856
Sundry	23,876	18,837
<b>Total</b>	<b>314,431</b>	<b>379,646</b>

Trust current accounts show a balance of ARS 161,252 for deposits into a financial trust funded by a loan from IDB for financing small and medium-sized enterprises' projects. The balance as of December 31, 2016 was worth ARS 136,613.

The line under analysis also includes ARS 24,634 corresponding to deposits placed by the Argentine Government under the terms and conditions set forth by Section 1 of National Executive Branch Decree No. 1836/02, which are restricted and unseizable and will operate as collateral for the different series of Argentine Government Bonds for the exchange of certificates of deposit with the savers in the financial system. The balance for that item amounted to ARS 22,230 as of December 31, 2016.

#### 4.13 Special Drawing Rights

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

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

The contra account of SDR allocations transferred to the Argentine Government is disclosed offsetting the Allocated SDRs account, for an amount of ARS 45,497,382, equal to SDR 1,701,670 as of December 31, 2017 (ARS 30,666,507 equal to the same amount in SDRs as of December 31, 2015).

The net amount of SDR 318,370, effective as of December 31, 2017, and December 31, 2016, shows the allocated SDRs received by the bank prior to the Charter amendment of September 30, 1992.

The item is broken down as follows:

	12/31/2017		12/31/2016	
	SDR	Pesos	SDR	Pesos
Allocated SDRs.	2,020,040	54,009,610	2,020,040	43,042,808
Contra account of allocated SDRs transferred to the Argentine Government	(1,701,670)	(45,497,382)	(1,701,670)	(36,259,012)
	<b>318,370</b>	<b>8,512,228</b>	<b>318,370</b>	<b>6,783,796</b>



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

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

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

The item is broken down as follows:

	12/31/2017	12/31/2016
Use of IMF reserve tranche	14,151,608	11,278,085
IMF Account No. 1	1,682,848	1,341,141
IDB	1,852,058	1,683,217
Accrued charges	64,578	15,397
IBRD	10,856	9,873
IMF Account No. 2	378	301
Other	25,711	53,946
	<b>17,788,037</b>	<b>14,381,960</b>

The contra account for the Reserve Tranche Position includes the Central Bank’s right to collect from the National Government the funds that this Central Bank received and transferred to the National Government for SDR 529,291, equal to ARS 14,151,608 (the same SDR amount equals to ARS 11,278,085 as of December 31, 2016).

#### 4.15 Securities issued by the BCRA

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

As from May 2004, Board of Governors’ Resolution No. 155/04 authorized that a portion of issued LEBAC be used to perform repo transactions as monetary regulation instruments. As a result, the LEBAC portfolio used for such transactions is stated at market values and disclosed by deducting from Securities issued by the BCRA (see Note 4.6).

<sup>1</sup> The positions are reversed exclusively in the cases contemplated by sections XXIV and XXVI of the Articles of Agreement.

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

	<u>12/31/2017</u>	<u>12/31/2016</u>
Bills and notes issued in Argentine pesos		
Bills and notes issued in Argentine pesos	1,189,959,429	722,920,716
Bills held in portfolio and available to reverse repurchase agreements	(29,627,738)	(24,089,204)
<b>Total</b>	<b><u>1,160,331,691</u></b>	<b><u>698,831,512</u></b>

Exhibit IV discloses the LEBAC held as of 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, 2017, the amount of ARS 53,794,383 represents the contra account of contributions made on account of the Argentine Government to international entities of which Argentina is a member. As from September 30, 1992, when the Bank's Charter was amended, the legal form of the BCRA and its relationship with the Argentine Government were modified. During the period, the account decreased ARS 4,219,363.6, as a consequence of the accounting recognition of Argentina's lower contribution to the FSO, pursuant to Resolution AG 9/16 of the IDB. This variation has been offset by contributions made to other international agencies and by the valuation adjustment of items in foreign currency (See Note 4.5). The amount as of December 31, 2016, was ARS 44,730,874.

#### 4.17 Due to repo transactions

	<u>12/31/2017</u>	<u>12/31/2016</u>
Amounts payable for reverse repurchase agreements	111,649,849	85,372,477
Collateral security margins for repos	-	176,186
Securities to be delivered under repo transactions	23,869,757	21,973,658
Obligations from currency swap transactions	201,978,606	159,757,235
<b>Total</b>	<b><u>337,498,212</u></b>	<b><u>267,279,556</u></b>

The amounts payable for reverse repurchase agreements total ARS 111,649,849 as of December 31, 2017 and represent the funds to be reimbursed to the financial institutions on the maturity date of the transactions mentioned in note 4.6 on account of principal, premiums and margins totaling ARS 100,175,174, ARS 344,100 and ARS 11,130,575 respectively (as of December 31, 2016, the balances of these items totaled ARS 76,717,618, ARS 130,679 and ARS 8,524,180, respectively). They were valued based on prices settled for each transaction, plus the pertinent premiums accrued at each year-end.

Securities to be delivered under repo transactions as of December 31, 2017 totaled ARS 23,869,757 and represented holdings of foreign government securities received under repo transactions, valued at their listed price (ARS 21,973,658 as of December 31, 2016).

Liabilities for currency swaps as of December 31, 2017 amounted to ARS 201,978,606 (ARS 159,757,235 as of December 31, 2016). The balance represents the Central Bank's commitment to reimburse the People's Bank of China for the amount in foreign currency arranged under the currency swap (see Note 4.6).

#### 4.18 Due to Multilateral Credit Agreements

This account's balance represents the net liabilities resulting from mutual credit transactions within the framework of the LAIA, which totaled ARS 1,257,636 as of December 31, 2017, while this item totaled ARS 2,375,350 as of December 31, 2016.

#### 4.19 Other liabilities

The item is broken down as follows:

	<u>12/31/2017</u>	<u>12/31/2016</u>
Revolving funds and other obligations in foreign currency	27,337,307	21,246,787
Currency swap deposit	174,720,000	156,403,180
Advances collected for Margin Call on forward transactions	218,719	-
Obligations with the National Government	547,915	536,378
Obligations for services on secured loans	1,264,455	50,757
Sundry	13,040,878	10,942,522
<b>Total</b>	<b><u>217,129,274</u></b>	<b><u>189,179,624</u></b>

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

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

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

The Currency Swap Deposit amounts to ARS 174,720,000 (ARS 156,403,180 as of December 31, 2016) and represents the total peso amount deposited in favor of the People's Bank of China under the Bilateral Currency Swap Agreement entered into between the BCRA and the People's Bank of China.

The Advance Payments received for the Margin Call for Forward Transactions line, with a balance of ARS 218,719 includes the provision of guarantees by the counterparties. These funds are provided in foreign currency on a daily basis and the Central Bank recognizes interest on them. No balance was recorded for this item as of December 31, 2016 (see Note 4.1.5.).

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

The balance as of December 31, 2017 totals ARS 547,915 (ARS 536,378 as of December 31, 2016).

“Obligations from secured loan services” includes the funds that will be used to pay the above-mentioned loan services, which amounted to ARS 1,264,455 as of December 31, 2017 (the amount as of December 31, 2016, was ARS 50,757).

The main items included in “Sundry” are described as follows: Obligations with the National Government for the repayment of credits with BOCON ARS 145,013 (ARS 146,724 as of December 31, 2016); Obligations with the Provincial Governments ARS 566,926 (ARS 450,126 as of December 31, 2016); Withholdings from suppliers and employees and payroll taxes payable ARS 317,527 (ARS 219,488 as of December 31, 2016), Contra account for contributions to international agencies prior to the amendment to the Charter by Law No. 24144 ARS 3,022,756 (ARS 2,811,873 as of December 31, 2016); unallocated items for ARS 815,927 (ARS 723,119 as of December 31, 2016), Contra account for the Reserve Tranche Position of the National Government as a member of the IMF ARS 7,158,683 (ARS 5,705,093 as of December 31, 2016) (see Notes 2.4 and 4.1.3), provisions for ARS 650,177 (ARS 550,649 as of December 31, 2016), among others.

#### 4.20 Provisions

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

	12/31/2017	12/31/2016
Provision for lawsuits	1,544,694	647,710
Provision for labor-related liabilities	2,506,065	2,042,667
Provision for guarantee fund under Law No. 22510	-	138,338
Other provisions	793	793
<b>Total</b>	<b>4,051,552</b>	<b>2,829,508</b>

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

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

The lawsuits prior to April 1, 1991 were adjusted through the general wholesale price index plus an annual 6% interest until March 31, 1991 and, as from that date, the common savings account rate published by the BCRA was used. In the case of lawsuits subsequent to March 31, 1991, and prior to January 1, 2002, the interest rate on deposits under BCRA Communiqué No. 14290 was used until December 31, 2001 and, from that date onwards, the common savings account rate in view of the application of Laws Nos. 25344 and 25725, Section 58. In the case of lawsuits subsequent to December 31, 2001, and until the closing date of these financial statements, the interest rate on deposits under BCRA Communiqué No. 14290 was used for judicial purposes.

In the cases of amounts claimed in United States dollars, the peso parity has been determined at one peso per US dollar and with no interest rate, so there are no precedents where the BCRA has had to pay in dollars the debts claimed in that currency.

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

At the date of these financial statements, the Central Bank of Argentina was notified, in relation to transactions under dollar futures contracts expiring in June 2016, with an arrangement date after September 29, 2015 (Communication 657 of Argentina Clearing S.A. and Mercado a Término S.A. (ROFEX), of fifty five proceedings, six of which are actions for protection of constitutional rights, seeking a declaration of nullity of the administrative act. The others are proceedings for cognizance and determination of cases, which have been covered by provisions as required by prevailing regulations, where applicable. As informed by the judicial area, the Bank is not aware of the existence of any other claims requiring being provided for and in that context, the BCRA does not have sufficient elements to determine any possible impact on the financial statements. From a legal viewpoint, the judgments rendered in those proceedings so far have been

favorable to the BCRA; however, although the outlook is positive, and in the absence of final and conclusive judgments in the ordinary lawsuits until now, it cannot be determined whether the financial statements might be affected by the futures transactions.

The provision for labor liabilities is made up mainly of an estimate of bonuses to the staff for years of service and benefits for termination of the employment relationship for ARS 2,059,669 (ARS 2,042,667 as of December 31, 2016).

The Guarantee Fund created under Law No. 22510 was dissolved during the fiscal year. The dissolution took place by reason of the fulfillment of the purpose for which it had been created and the expiration of the timeframes for submitting petitions under that Law. All resources were transferred to the Ministry of Finance, with no remainder left. As of December 31, 2016, the provision for the Guarantee Fund amounted to ARS 138,338.

#### 4.21 Statement of income – Significant items

The most significant items are:

##### 4.21.1 Interest and adjustments income

<b>On International Reserves</b>	<b>12/31/2017</b>	<b>12/31/2016</b>
Time deposits	1,566,657	757,797
Certificates of deposit	364,108	-
Demand deposits and foreign currency	108,255	1,924
Foreign government securities	178,519	7,681
Multilateral credit agreements	441	5,233
<b>Total:</b>	<b>2,217,980</b>	<b>772,635</b>
<b>On Argentine Government securities</b>	<b>12/31/2017</b>	<b>12/31/2016</b>
Interest on government securities	23,929,352	21,149,409
CER on government securities	186,725	413,573
Interest on non-transferable bills	2,626,568	898,714
<b>Total:</b>	<b>26,742,645</b>	<b>22,461,696</b>
<b>On loans to the Argentine financial system</b>	<b>12/31/2017</b>	<b>12/31/2016</b>
Interest earned	93,188	201,091
<b>Total:</b>	<b>93,188</b>	<b>201,091</b>
<b>On other assets</b>	<b>12/31/2017</b>	<b>12/31/2016</b>
Interest and adjustments on secured loans	80,953	167,832
Interest and adjustments on financial instruments	-	389,32
Other interest earned	101,706	74,999
<b>Total</b>	<b>182,659</b>	<b>631,963</b>

#### 4.21.2 Interest and adjustments expense

##### On securities issued by the BCRA

	12/31/2017	12/31/2016
Interest on LEBAC	(209,576,177)	(153,344,158)
<b>Total:</b>	<b>(209,576,177)</b>	<b>(153,344,158)</b>

##### On loans borrowed from international agencies

	12/31/2017	12/31/2016
Other obligations	(252,682)	(3,698,542)
<b>Total:</b>	<b>(252,682)</b>	<b>(3,698,542)</b>

##### On other transactions with the financial system

	12/31/2017	12/31/2016
Net premiums accrued on repo transactions	(23,040,339)	(6,138,402)
<b>Total:</b>	<b>(23,040,339)</b>	<b>(6,138,402)</b>

##### On other liabilities

	31/12/2017	31/12/2016
Interest	(66,375)	(97,361)
Gain (loss) on CER application	(4,652)	(3,459)
Interest and adjustments on financial instruments	-	(153,182)
<b>Total:</b>	<b>(71,027)</b>	<b>(254,002)</b>

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

	12/31/2017	12/31/2016
For government securities	8,815	8,815
For loans to the financial system	(176,716)	(128,170)
<b>Total:</b>	<b>(167,901)</b>	<b>(119,355)</b>

#### 4.21.4 Listed price differences, net

	12/31/2017	12/31/2016
For international Reserves		
Foreign currency and time and demand deposits	141,003,606	50,157,244
Gold	11,577,665	8,959,861
Foreign government securities	18,572,979	49,309
Certificates of deposit	10,703,205	-
Derivative instruments	(15,592,088)	8,654,348
Other	1,454,853	134,903
For Argentine government securities (See Note 4.2.1.2.2)	63,712,888	190,949,949
International agencies	11,557,716	8,340,935
For entities' deposits in checking accounts and Argentine Government's	(45,809,637)	(35,766,259)
Other valuation adjustments of assets and liabilities	(59,457,626)	(19,363,256)
<b>Total:</b>	<b>137,723,560</b>	<b>212,117,034</b>

**4.21.5 Foreign currency trading differences, net**

	<u>31/12/2017</u>	<u>31/12/2016</u>
For the purchase and sale of foreign currency	2,563,888	12,522,921
<b>Total:</b>	<b><u>2,563,888</u></b>	<b><u>12,522,921</u></b>

**4.21.6 Other financial instruments trading differences, net**

	<u>12/31/2017</u>	<u>12/31/2016</u>
On transactions with LEBAC	14,437	(305,289)
On forward transactions	-	(10,054,519)
On transactions with securities	48,936	1,194
On forward/ futures transactions	5,499,125	557,270
Other transactions	-	8,279
<b>Total:</b>	<b><u>5.562.498</u></b>	<b><u>(9.793.065)</u></b>

**4.21.7 Miscellaneous charges and fines**

	<u>12/31/2017</u>	<u>12/31/2016</u>
Fines	265,428	(55,547)
Charges	104,381	132,221
<b>Total:</b>	<b><u>369,809</u></b>	<b><u>76,674</u></b>

**4.21.8 Monetary issuance expenses**

	<u>12/31/2017</u>	<u>12/31/2016</u>
Coinage and minting	(1,109,875)	(1,904,849)
Materials	(937,469)	(870,775)
Other expenses	(186,648)	(430,154)
<b>Total:</b>	<b><u>(2,233,992)</u></b>	<b><u>(3,205,778)</u></b>

**4.21.9 General expenses**

	<u>12/31/2017</u>	<u>12/31/2016</u>
Amortization	(42,167)	(27,747)
Other general expenses	(4,332,170)	(3,688,985)
<b>Total:</b>	<b><u>(4,374,337)</u></b>	<b><u>(3,716,732)</u></b>

**4.21.10 Other allowances and provisions, net**

	<u>12/31/2017</u>	<u>12/31/2016</u>
Allowance for coined gold	925	2,081
Provision for lawsuits	(908,253)	(154,007)
Provision for labor-related liabilities	(463,398)	(376,514)
Other provisions	976	468,779
<b>Total:</b>	<u><b>(1,369,750)</b></u>	<u><b>(59,661)</b></u>

**4.21.11 Other (expenses) / income, net**

	<u>12/31/2017</u>	<u>12/31/2016</u>
Income/(loss) for the assignment of currency position Com. "A" 5852	-	583,694
Net result of currency swap, pursuant to Communication "A" 6177	34,320	-
Other	(501,442)	(838,271)
	<u><b>(467,122)</b></u>	<u><b>(254,577)</b></u>



## NOTE 5 - DEBIT- AND CREDIT-BALANCE MEMORANDUM ACCOUNTS

The debit and credit balance of memorandum accounts as of December 31, 2017 was ARS 5,435,603,791 (ARS 4,155,472,298 as of December 31, 2016), broken down as follows:

	12/31/2017	12/31/2016
Total stock of banknotes and coins	836,681,756	661,997,431
Stock of banknotes and coins issued for circulation deposited in the BCRA	49,970,039	67,382,166
Other (Banknote paper/coin blanks/banknotes and coins in process)	218,915,855	303,344,995
Settlement checks	47,703	22,044
Certificate of deposit for investment (CEDIN)	1,642,004	2,463,009
Monetary assets in custody	3,518,878,968	2,380,270,368
Nonmonetary assets in custody	257,492,523	281,902,284
Checks and securities received in guarantee	10,978,305	13,465,127
Non-marketable securities – International organizations	65,053,528	51,980,529
Commitments agreed with international organizations	441,184,767	359,509,079
Loans classified as irrecoverable	24,151,412	24,261,861
Funds managed on behalf of Treasury Department	6,658,797	5,620,922
Financial fines. Section 41. Financial Entities Law and Criminal Foreign Exchange System	1,339,454	1,165,239
Contingent rights and obligations From imports under LAIA agreement	1,585,429	1,266,456
<b>Other</b>	1,023,251	820,788
<b>Total</b>	<b>5,435,603,791</b>	<b>4,155,472,298</b>

The stock of banknotes and coins includes ARS 836,681,756 on account of banknotes and coins issued (ARS 661,997,43 as of December 31, 2016), out of which ARS 786,711,717 represent monetary circulation as of December 31, 2017 (ARS 594,615,265 as of December 31, 2016) and ARS 49,970,039 of banknotes and coins deposited in the Bank fit for circulation (ARS 67,382,166 as of December 31, 2016) (see note 4.8.1.1).

“Other” (banknote paper – coin blanks – banknotes and coins in process) includes mainly paper stock to print banknotes and coin blanks to strike coins in the amount of ARS 309,990 (ARS 88,707,786 as of December 31, 2016) and paper and banknotes of old lines to be destroyed in the amount of ARS 438,355 (ARS 686,812 as of December 31, 2016).

The balance of ARS 47,703 as of December 31, 2017, for settlement checks represents the checks of this kind that were drawn in Argentine pesos and in US dollars in the hands of the general public and the checks paid and sent to the BCRA for final verification and destruction (ARS 22,044 as of December 31, 2016) (see note 4.8.1.2).

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

The “Checks and securities received in guarantee” amount includes, mainly ARS 3,539,148 of securities and checks deposited with the BCRA or with other entities in relation to credit transactions (ARS 4,892,261 as of December 31, 2016) and ARS 7,343,900 of securities deposited in guarantee by local banks in relation to LAIA transactions (ARS 8,477,409 as of December 31, 2016), among others.

The amount of “Non-marketable securities” represents mainly the amount of Treasury Bills issued by the BCRA on behalf and account of the Argentine Government for a total of ARS 62,225,387 as of December 31, 2017, (ARS 49,590,349 as of December 31, 2016), maintaining the potential commitment to pay the IMF, as mentioned in note 4.5.

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

The receivables deemed non-recoverable include loans granted to former financial entities that are currently undergoing liquidation and total ARS 21,198,921 (ARS 21,627,369 as of December 31, 2016) and loans granted to former entities with revoked authorization that were verified in litigation in an amount of ARS 2,783,760 (ARS 2,456,989 as of December 31, 2016).

“Funds managed on behalf of the Treasury Department” include ARS 6,306,777 (ARS 5,323,728 as of December 31, 2016) of collateralized securities belonging to the Treasury Department, which were delivered to the BCRA to be managed by it and ARS 352,020 (ARS 297,194 as of December 31, 2016) related to the Tax anticyclical fund.

Fines imposed in accordance with the provisions of article 41 of the Charter account for ARS 1,339,454 (ARS 1,165,239 as of December 31, 2016).

“Contingent obligations from transactions under LAIA agreements” records the instruments issued by financial entities resulting from imports under such agreement. As of December 31, 2016, this account amounted to ARS 1,585,429 (ARS 1,266,456 as of December 31, 2016).

## **NOTE 6 - RISK MANAGEMENT POLICY**

### **6.1 International reserve management risk**

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

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

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

During 2016, the Board of Governors approved by Resolution No. 402 dated October 13, 2016 some explanatory amendments to the wording of the Manual of Policies for Investment of International Reserves, for a better identification of the administration objectives of each of the portfolios. Also, the changes introduced to the investment universe and the control of the associated risks enable the Central Bank to more efficiently manage its portfolios and better segment the control of the credit risk for the different transactions conducted. During 2017, the Board of Directors approved Resolution No. 307 of September 7, 2017, updating the list of authorized counterparties and the criteria used to control the counterparty risk; the rest of the text of Resolution 402 dated October 13, 2016 was not amended.

### **6.1.1 Credit risk**

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

Counterparties of the BCRA may be: international agencies, multilateral financial institutions, central banks, central securities depositories and commercial or business banks that comply with requirements relating to country of residence, capital, systemic importance, supervision system and credit quality. In the case of state-owned banks, explicit support by the central or state Government in their country of residence.

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

The individual limits to exposure in eligible countries and banks depend on the group or level assigned according to the respective credit quality regulations, the reserve level and, in the case of banks, their market capitalization. In addition, global limits are determined for countries or banks classified within a group or level, and for the total bank risk, based on the percentage of International Reserves. In turn, the total bank risk admitted is reduced if the probability of default, on average, of eligible banks exceeds a threshold defined by the Investment Policies.

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

### **6.1.2 Market risk**

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

### **6.1.3 Liquidity risk**

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

Furthermore, Reserves in Foreign Currency consist of three portfolios: A liquidity portfolio aimed at satisfying operating needs, an Investment Portfolio to improve the risk-adjusted return and the diversification of international reserves, and a hedge portfolio for the hedging of BCRA liabilities in foreign currency, agreements and other financial positions.

## **6.2 Operating risk**

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

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

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

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

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

## **6.3 Asset concentration risk**

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

## **NOTE 7 - EVENTS SUBSEQUENT TO YEAR-END**

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

In accordance with Resolution No. 334/02 adopted by the then Ministry of Economy, which restructured the obligations resulting from the repayment terms of the 1990 Argentine Treasury Consolidated Bond, on January 2, 2018 the ninth installment was settled, equivalent to 1% of the bond's nominal value.

### **7.2 Liquidity bills**

On January 10, 2018, the Central Bank of Argentina announced through Communication "C" 6426 that it had resolved to issue and place effective January 11, 2018 Bills denominated in pesos and maturing within 7 days. These new instruments called Liquidity Bills (LELIQ) are offered through the LELI Trading Floor of MAE S.A. SIOPEL electronic trading system on a daily basis. The counterparties authorized to operate with the BCRA are the financial institutions for their own portfolio.

### **7.3 Refinancing of FFFIR debt**

Board Resolution No. 2 dated January 4, 2018 approved the Agreement for the Settlement of Debt between the Federal Trust Fund for Regional Infrastructure (FFFIR) and the Central Bank of Argentina. This fund was created by Law No. 24855, to which the consolidated debt the former Banco Hipotecario Nacional held with the BCRA had been transferred. As of December 31, 2017, the debt amounted to ARS 549,999 and was fully covered by an allowance (see Note 4.4). The ARS 274,400 amount has been recovered to date.

#### 7.4. Stand-by Arrangement with the International Monetary Fund

The Executive Board of the International Monetary Fund (IMF) approved on June 20, 2018 in favor of Argentina a three-year Stand-By Arrangement amounting to USD 50,000,000 (equivalent to SDR 35.379,000 or about 1.110 percent of Argentina's quota in the IMF). The first disbursement for USD 15,000,000 (equivalent to SDR 10,614,710, or 333 percent of Argentina's quota) was received on June 22, 2018. Half of that amount (USD 7,500,000) will be applied to the budget support. The remaining amount of the IMF's financial support (USD 35,000,000) will be available over the life of the arrangement, subject to quarterly examinations by the Executive Board.

The Letter of Intent submitted by the Argentine Government was accompanied by the Memorandum of Economic and Financial Policies (MEFP), which describes the economic goals and the Argentine government policies for 2018 and beyond, and by the Technical Memorandum of Understanding establishing the specific objectives Argentina has undertaken to accomplish under the arrangement with the International Monetary Fund.

The Memorandum of Economic and Financial Policies contemplates, among other structural goals, the commitment to send to Congress before March 2019 a bill to amend the Charter of the Central Bank to provide it with greater financial autonomy, and improve transparency and accountability. The bill will envisage the adoption of standards for international financial accountability and limit transfers to the Treasury only to realized profits.

In line with these principles, the BCRA will also begin working on the adoption of the International Financial Reporting Standards (IFRS) within the next two years.

A part of the Memorandum, the Finance Ministry intends to gradually repurchase a sizable portion of the Non-transferable Bills. The objective is to reduce the BCRA's net claim on the government (Finance Ministry) by at least USD 25,000,000 by May 2021.

In line with the above, the Memorandum contains, within the Quantitative Performance Criteria, a goal for reducing central bank financing of the Government<sup>2</sup>. BCRA credit to the government is defined as the sum of the stock of government securities held by the BCRA (line Government Securities), and overdraft transfers. Starting in July 2018, the stock of central bank credit to the government shall decrease by the peso equivalent of USD 3,125,000 per quarter until end-June 2019, and then on a half-yearly basis. By end-May 2021, the total decrease will correspond to USD 25,000,000. This decrease in the claim of government debt shall reflect cash payments of this amount in pesos by the Treasury to the BCRA; variation in the value of the claim due to changes in exchange rates or accounting practices is excluded.

The settlement of government liabilities with the BCRA will absorb pesos from the market, thus reducing the issuance of LEBAC for such purpose.

A limitation has been imposed on the Central Bank credit to the government<sup>3</sup>. In line with this commitment, the Finance Ministry informed through Note No. 2018-31075239-APN-MHA that during 2018 and 2019 the government will not increase its overdraft position with the Central Bank existing as of June 15, 2018.

In line with the commitments announced, and considering that the financial statements as of December 31, 2017 had not yet been approved, the value of the Non-transferable Bills was adjusted as of December 31, 2017 at present values, in view of the early repayment goals contained in the Memorandum.

This change generated a loss of ARS 144,229,388. Consequently, the result for the fiscal year was a loss of ARS 66,978,154 (see Notes 2.1 and 4.21.4).

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<sup>2</sup> Objective 8 of the Memorandum of Economic and Financial Policies (Table 2).

<sup>3</sup> Objective 9 of the Memorandum of Economic and Financial Policies (Table 2).

## **7.5 Exchange rate quotation**

The US dollar benchmark exchange rate prevailing as of July 2, 2018 was ARS 28.7217.

There are no other events or transactions that took place between the year-end and the date of issuance of these financial statements, which may substantially affect the BCRA's financial position or the results of its operations as of December 31, 2017.

## EXHIBIT I

**CHARGES IN ALLOWANCES/PROVISIONS AS OF DECEMBER 31, 2017**  
**-In thousands of pesos-**

Items	Balances at beginning of year	Increases	Decreases		Balances at year-end
			Reversals	Uses	
<b>DEDUCTED FROM ASSETS</b>					
Allowance for gold in bars	28,926	10,090	5,948	-	33,068
Allowance for impairment of government securities	810,945	-	8,815	-	802,130
Allowance for loans to the Argentine financial system	908,305	184,080	7,364	234,220	850,801
Other allowances	145,151	2,682	3,094	25,851	118,888
<b>TOTAL ALLOWANCES DEDUCTED FROM ASSETS</b>	<b>1,893,327</b>	<b>196,852</b>	<b>25,221</b>	<b>260,071</b>	<b>1,804,887</b>
<b>INCLUDED IN LIABILITIES</b>					
Provision for lawsuits	647,710	943,581	35,328	11,269	1,544,694
Guarantee fund - Law No. 22.510	138,338	30,912	169,250	-	-
Provision for labor-related liabilities	2,042,667	463,398	-	-	2,506,065
Other provisions	793	-	-	-	793
<b>TOTAL PROVISIONS INCLUDED IN LIABILITIES</b>	<b>2,829,508</b>	<b>1,437,891</b>	<b>204,578</b>	<b>11,269</b>	<b>4,051,552</b>

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

Silvana A. Lepera  
ACCOUNTING MANAGER

Marina Ongaro  
MAIN GENERAL ACCOUNTING MANAGER

Mariano Flores Vidal  
GENERAL MANAGER

Luis Caputo  
CHAIRMAN

Paola A. Lopez  
DEPUTY SUPERVISORY AUDITOR

Juan Carlos Isi  
REGULAR SUPERVISORY AUDITOR

Signed for identification purposes with the report dated 07/05/18

**COMPARATIVE TABLE OF MAIN ACCOUNTS IN FOREIGN CURRENCY**  
**AS OF DECEMBER 31, 2017 AND 2016**  
**- In thousands of pesos -**

**EXHIBIT II**

	31/12/2017		31/12/2016	
	Balances in US dollars	Balances in Argentine pesos	Balances in US dollars	Balances in Argentine pesos
<b>ACTIVO</b>	<b>119,650,295</b>	<b>2,246,338,545</b>	<b>110,413,388</b>	<b>1,750,074,310</b>
<b>RESERVAS INTERNACIONALES</b>				
Gold (Net of allowance)	2,298,818	43,158,465	2,101,748	33,313,134
Foreign currency	32,988,342	619,329,734	23,782,499	376,957,373
Deposits to be realized in foreign currency	20,045,957	376,346,797	13,079,159	207,307,287
Multilateral credit agreements	16	298	25,628	406,213
Derivatives over international reserves	277,817	5,215,795	(319,280)	(5,060,656)
<b>GOVERNMENT SECURITIES</b>				
Securities issued under foreign legislation	48,599	912,412	45,221	716,754
Securities issued under Argentine legislation	59,074,668	1,109,079,623	65,650,516	1,040,573,813
<b>CONTRIBUTIONS TO INTERNATIONAL AGENCIES ON BEHALF OF ARGENTINE GOVERNMENT</b>	4,196,431	78,784,631	4,130,483	65,468,983
<b>RIGHTS DERIVING FROM REPO TRANSACTIONS</b>				
Rights under repurchase transactions	1,275,281	23,942,380	1,278,854	20,270,097
<b>LIABILITIES</b>	31,804,720	597,108,192	33,109,378	524,790,265
<b>INSTRUMENTS OF PAYMENT IN OTHER CURRENCIES</b>	87,652	1,645,603	155,485	2,464,461
<b>CURRENT ACCOUNTS IN OTHER CURRENCIES</b>	12,817,794	240,643,832	15,544,277	246,379,905
<b>DEPOSITS FROM THE ARGENTINE GOVERNMENT AND OTHERS</b>	1,949,175	36,594,202	1,169,252	18,532,885
<b>OTHER DEPOSITS</b>	9,416	176,780	9,447	149,733
<b>IMF SPECIAL DRAWING RIGHTS</b>				
IMF Special Drawing Rights	2,876,800	54,009,610	2,715,600	43,042,808
SDR contra account	(2,423,399)	(45,497,382)	(2,287,606)	(36,259,012)
<b>OBLIGATIONS WITH INTERNATIONAL AGENCIES</b>				
Obligations	947,472	17,788,037	907,368	14,381,960
Contra account to utilization of reserve tranche	(753,780)	(14,151,608)	(711,542)	(11,278,085)
<b>SECURITIES ISSUED BY THE BCRA</b>	2,865,336	53,794,383	2,822,102	44,730,874
<b>DUE FROM REPO TRANSACTIONS</b>				
Securities to be delivered under repurchase transactions	1,271,413	23,869,757	1,274,601	20,202,687
Obligations from currency swap transactions with China	10,758,307	201,978,606	10,079,194	159,757,235
<b>DUE TO MULTILATERAL CREDIT AGREEMENTS</b>	66,987	1,257,636	149,862	2,375,350
<b>OTHER LIABILITIES</b>				
Other obligations in foreign currency				
Other financial intermediation agents	1,331,547	24,998,736	1,281,338	20,309,464

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

Silvana A. Lepera  
ACCOUNTING MANAGER

Marina Ongaro  
MAIN GENERAL ACCOUNTING MANAGER

Mariano Flores Vidal  
GENERAL MANAGER

Luis Caputo  
CHAIRMAN

Paola A. Lopez  
DEPUTY SUPERVISORY AUDITOR

Juan Carlos Isi  
REGULAR SUPERVISORY AUDITOR

Signed for identification purposes with the report dated 07/05/18



**COMPARATIVE TABLE OF GOVERNMENT SECURITIES  
AS OF DECEMBER 31, 2017 AND 2016  
- In thousands of pesos -**

GOVERNMENT SECURITIES	Moneda	12/31/17		12/31/16	
		Original Nominal Value	Pesos	Original Nominal value	Pesos
<b>TOTAL GOVERNMENT SECURITIES:</b>			<b>1,161,771,119</b>		<b>1,089,736,407</b>
<b>CENTRAL BANK HOLDINGS</b>			<b>1,162,573,249</b>		<b>1,088,780,443</b>
<b>ISSUED UNDER FOREIGN LEGISLATION</b>			<b>912,412</b>		<b>716,754</b>
Discount Bonds 2033	Dollars	23,250	733,537	23,250	555,675
Global Bonds 2017	Dollars	-	-	379	6,279
Argentina's International Bond maturing in 2021	Dollars	9,000	178,875	9,000	154,800
<b>ISSUED UNDER ARGENTINE LEGISLATION</b>			<b>1,161,660,837</b>		<b>1,088,063,689</b>
1990 ARGENTINE TREASURY CONSOLIDATED BOND	Pesos	4,734,790	4,664,272	4,734,790	4,673,087
NONTRANSFERABLE TREASURY BILLS			770,789,442		772,064,362
Non-transferable bill maturing in 2021 - Decree 2054/10	Dollars	7,504,000	129,691,317	7,504,000	119,025,923
Non-transferable bill maturing in 2021 - Decree 276/11	Dollars	2,121,386	36,383,765	2,121,386	33,643,012
Non-transferable bill maturing in 2022 - Res. 131/12	Dollars	5,674,000	93,471,266	5,674,000	89,967,429
Non-transferable bill maturing in 2022 - Res. 171/12	Dollars	2,083,648	34,058,226	2,083,648	33,026,748
Non-transferable bill maturing in 2023 - Decree 309/13	Dollars	2,292,297	36,089,149	2,292,297	36,359,495
Non-transferable bill maturing in 2023 - Res. 8/13	Dollars	7,132,655	114,641,318	7,132,655	113,130,275
Non-transferable bill maturing in 2024 - Res. 30/14	Dollars	7,896,765	122,068,712	7,896,765	125,239,422
Non-transferable bill maturing in 2024 - Res. 190/14	Dollars	3,043,000	45,893,434	3,043,000	48,263,460
Non-transferable bill maturing in 2025 - Res. 406/15	Dollars	10,562,540	153,284,080	10,562,540	167,442,383
Non-transferable bill maturing in 2026 - Res. MH y FP 262/16	Dollars	376,300	5,208,175	376,300	5,966,215
<b>OTHER SECURITIES</b>			390,060,449		315,179,566
BOGAR 2018	Pesos	852,895	155,653	852,895	765,900
BONAR 2018	Dollars	169,984	3,430,282	169,984	3,097,115
BONAR 2019	Pesos	1,608,234	1,656,481	1,608,234	1,628,337
BONAR 2020	Dollars	283,000	5,928,850	283,000	5,433,600
BONAR 2022 (*)	Dollars	4,497,753	99,659,993	4,497,753	82,128,082
BONAR 2025 (*)	Dollars	4,510,463	102,105,006	4,510,463	80,593,802
BONAR 2027 (*)	Dollars	4,690,500	105,326,885	4,690,500	80,289,425
Discount Bonds 2033	Dollars	679,220	20,981,106	679,220	16,321,657
Discount Bonds 2033	Pesos	6,228,791	49,395,547	6,228,791	43,788,398
Discount Bonds 2033 - 2010 Issuance	Pesos	5,846	43,773	5,846	39,750
Par Bonds 2038	Pesos	22,093	83,956	22,093	72,907
Quasi Par Bonds 2045	Pesos	40,351	229,999	40,351	211,841
GDP-linked marketable securities	Dollars	445,051	858,059	445,051	645,770
GDP-linked marketable securities	Pesos	1,861,192	204,731	1,861,192	162,854
Bonds Province of Formosa series 4	Pesos	128	128	128	128
<b>LESS:</b>					
REGULARIZATION - ACCRUAL 1990 CONSOLIDATED BOND	Pesos		3,853,326		3,853,326
<b>PORTFOLIO OF REPO TRANSACTIONS WITH THE FINANCIAL SYSTEM</b>			-		<b>1,766,909</b>
<b>ALLOWANCE FOR IMPAIRMENT OF GOVERNMENT SECURITIES</b>			<b>(802,130)</b>		<b>(810,945)</b>
1990 Argentine treasury consolidated bond	Pesos		(802,130)		(810,945)

(\*) The Pesos column as of December 31, 2017 includes accrued interest receivable

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Luis Caputo  
CHAIRMAN

Paola A. Lopez  
DEPUTY SUPERVISORY  
AUDITOR

Juan Carlos Isi  
REGULAR SUPERVISORY AUDITOR

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**EXHIBIT IV**

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

SECURITIES ISSUED BY THE BCRA	Total at 12/31/17	Maturity						Total at 12/31/2016
		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	
<b>TOTAL:</b>	<b>1,160,331,691</b>							<b>698,831,512</b>
<b>ISSUED IN LOCAL CURRENCY</b>	<b>1,160,331,691</b>							<b>698,831,512</b>
<b>LEBAC</b>	<b>1,048,361,275</b>	<b>393,424,042</b>	<b>276,563,726</b>	<b>260,296,468</b>	<b>118,077,039</b>	-	-	<b>613,552,918</b>
PRINCIPAL	1,111,789,635	398,436,830	288,945,736	286,269,179	138,137,890	-	-	630,310,022
Interest to be accrued	(63,428,360)	(5,012,788)	(12,382,010)	(25,972,711)	(20,060,851)	-	-	(16,757,104)
<b>LEBAC – ISSUANCE FOR REVERSE REPURCHASE AGREEMENTS</b>	<b>111,970,416</b>	-	-	<b>96,226,187</b>	<b>15,744,229</b>	-	-	<b>85,278,594</b>
Issued in Argentine pesos for reverse repurchase agreements	141,598,153	-	-	125,853,924	15,744,229	-	-	109,367,798
To be delivered under reverse repurchase agreements	(29,627,737)	-	-	(29,627,737)	-	-	-	(24,089,204)

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## EXHIBIT V

<b>MONETARY BASE - ANNUAL VARIATION FOR THE FISCAL YEAR-ENDED DECEMBER 31, 2017 COMPARATIVELY PRESENTED WITH THE PRIOR FISCAL YEAR -In thousands of pesos-</b>			<b>12/31/2017</b>	<b>12/31/2016</b>
<b>I) Cash flows provided by operating activities</b>				
<b>1. Increases</b>			<b>446,246,098</b>	<b>303,513,510</b>
- Purchases of foreign currency from the Treasury, net			271,696,358	160,289,546
- Temporary Advances to Argentine Government (Article 20, Charter)			90,000,000	50,380,000
- Distribution of earnings to the Argentine Government related to fiscal years 2016/ 2015			60,000,000	72,116,880
- Premiums paid for reverse repurchase agreements with Domestic Financial Institutions			15,176,299	3,582,782
- Administrative expenses			4,770,136	4,677,541
- Monetary issuance expenses			2,114,384	1,294,754
- IADB/IBRD loans to Provinces, financial program for micro, small and medium-sized enterprises, and revolving funds			1,638,887	1,544,237
- Contributions to General Revenue ( <i>Rentas Generales</i> ) pursuant to Budget Law No.27.198 / 27.008			850,000	705,120
- Net decreases in deposits of financial institutions in foreign currency			34	-
- Comunicado "A" 5822 / 5852			-	8,922,650
<b>2. Decreases</b>			<b>(266,797,535)</b>	<b>(105,738,784)</b>
- Net placement of securities issued by the BCRA			(180,284,751)	(100,510,461)
- Other deposits with financial institutions			(33,512,522)	(16,427,642)
- Other (sales) / purchases of foreign currency, net			(5,446,175)	48,885,212)
- Multilateral credit agreements (SML)			(12,165,464)	(10,371,742)
- Net (outflow) / inflow of funds from transactions with National Government Securities			(8,389,036)	(15,034,011)
- (Arrangements) / Settlements of transactions of reverse repurchase agreements with Argentine financial institutions, net			(22,791,243)	(48,398,406)
- Other deposits with financial institutions			(1,234,185)	(1,822,663)
- Other government deposits			(2,734,995)	37,815,063
- Other items			(239,163)	125,867
<b>Restated cash flow provided by all activities (I)</b>			<b>179,448,563</b>	<b>197,774,727</b>
<b>Monetary Base - Beginning of the year</b>			<b>821,664,246</b>	<b>623,889,518</b>
<b>Monetary Base - End of year</b>			<b>1,001,112,808</b>	<b>821,664,245</b>

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