

Financial Program

April 5, 2019



Ministerio de Hacienda
Presidencia de la Nación

Executive summary

- Liquidity balances at the Treasury remain at historical high levels as a result of higher than anticipated roll over rates during 1Q19.
- The refinancing during 1Q19 of a portion of the stock of LECAPs through instruments that mature beyond 2019 have reduced the required roll over rate to 35% of LECAPs with maturities in 2019.
- Roll over rates in USD LETEs have been close to 100% in 1Q19; however, as the refinancing has been done through instruments that mature within 2019, the required roll over rate remains at 46% for the year as a whole. Financing is fungible, a higher roll over rate in LECAPs would reduce the roll over rate required in LETEs. The combined average roll over rate can be as low as 40%. A 67% average roll over rate would eliminate net financing needs for 2020 due to higher than anticipated cash balances.
- Although the financial program for 2019 does not contemplate any intra-public sector net financing, during 1Q19 certain net amortization payments were made that shall be refinanced through placements during the rest of the year.
- The Treasury has announced its currency conversion program under which the Central Bank will sell USD60 million per day for a total of USD9.6 billion, through daily auctions until late 2019.
- The sale of USD by the Treasury is driven by the projection of peso-denominated expenditures and the currency composition of the anticipated financing. The sale of USD does not impact the financial strength of the Treasury's position, only the currency composition of its cash balances.
- USD-denominated market securities maturing in 2020 represent only 35% of total maturities of bond instruments for the year.

Financial Program 2019

USD Bn	2019
Needs (excl. Letes)	23.7
Primary deficit	0.0
Plan Gas 2017	0.6
Interest (private, IFIs, financial public sector)	11.6
Principal payments (private)	8.5
International Bonds	2.8
<i>Global '19</i>	2.8
Domestic Bonds	2.8
<i>Bonar '24</i>	1.1
<i>ARGDUO '19</i>	1.5
<i>Other</i>	0.2
Repo	2.9
IFIs Principal Payments	3.0
<i>IADB + World Bank + CAF</i>	1.3
<i>Other</i>	0.1
<i>Paris Club</i>	1.6
Letes (private)	19.3
Letes in USD	9.9
LECAPs and LECERs (ARS)	9.4

	2019
Sources (excl. Letes)	35.8
Initial cash balance	4.7
Public Sector 1Q Refinancing	3.8
IMF	22.5
Private financing	0.5
International markets	0.0
Domestic market	0.0
Repo	0.5
IFIs (ex-IMF)	4.3
<i>IADB + World Bank + CAF</i>	4.1
<i>Other</i>	0.2
<i>Paris Club</i>	0.0
Letes (private)	7.8
Letes in USD	4.5
LECAPs and LECERs (ARS)	3.3

Financial Program 2020

USD Bn	2020
Needs (excl. Letes)	27.3
Primary deficit	-5.2
Plan Gas 2017	0.6
Interest (private, IFIs, financial public sector)	15.2
Principal payments (private)	13.7
International Bonds	0.4
<i>CHF Bond '20</i>	0.4
Domestic Bonds	11.1
<i>Bonar '24</i>	1.1
<i>Bonar '20</i>	2.5
<i>Bopomo '20</i>	2.0
<i>ARGDUO '20</i>	1.6
<i>Bogato '20</i>	1.1
<i>Boncer '20</i>	0.5
<i>Bonte 2020 (banks only)</i>	2.0
<i>Others</i>	0.3
Repo	2.2
IFIs Principal Payments	3.0
Letes (private)	9.5
Letes in USD	4.5
LECAPs and LECERs (ARS)	5.0

	2020
Sources (excl. Letes)	27.3
Initial cash balance	0.6
IMF	5.9
Private financing	17.8
International markets	0.0
Domestic market	16.3
<i>Refinancing</i>	11.1
<i>New financing</i>	5.2
Repo	1.5
IFIs (ex-IMF)	3.0
Letes (private)	9.5
Letes in USD	4.5
LECAPs and LECERs (ARS)	5.0

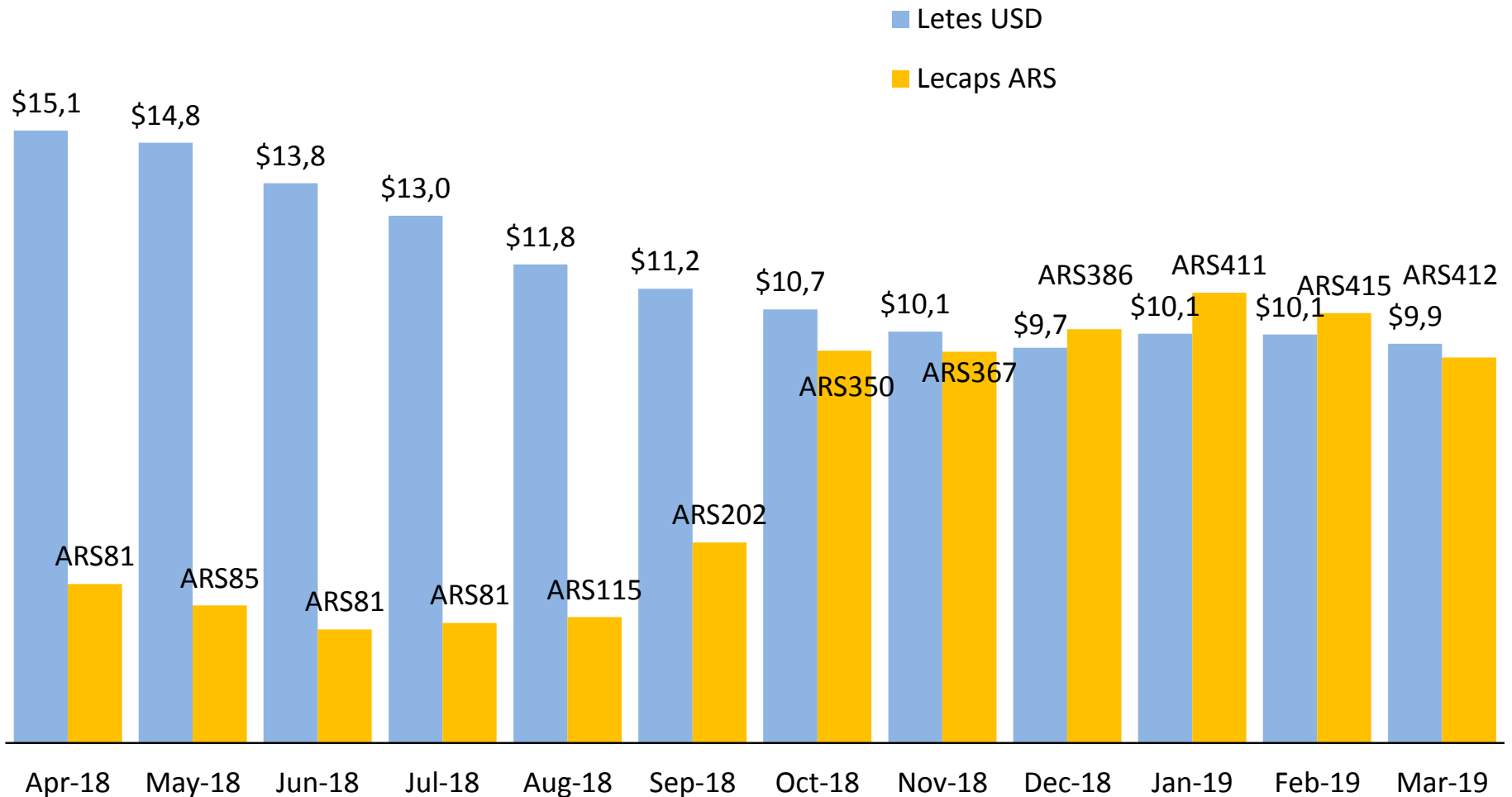
Principal payments by bondholder type

USD bn	Public Sector	Private Sector	Total
2019			
Bonds in foreign currency	0.2	3.9	4.1
BIRAD/USD/6.25%/04-22-2019 (Global '19)	0.0	2.8	2.8
BONAR/USD/8.75%/2024	0.2	1.1	1.3
Bonds in ARS	3.0	1.7	4.7
BONAR DUAL/DLK/4.5%/06-21-2019 (ARGDUO)	0.5	1.5	2.0
BONCER/ARS/4.25%+CER/04-15-2019	1.3	0.0	1.3
BONAR/ARS/BADLAR+300bps/06-10-19	0.4	0.0	0.4
OTHER	0.8	0.2	1.0
2020			
Bonds in foreign currency	2.8	4.0	6.8
BIRAF/CHF/3.375%/12-10-2020	0.0	0.4	0.4
BONAR/USD/8.75%/2024	0.2	1.1	1.3
BONAR/USD/8%/08-10-2020	0.5	2.5	3.0
BONAR 2020/USD/29-05-2020	2.1	0.0	2.1
Bonds in ARS	5.2	7.5	12.7
BOTAPO/BOPOMO 21-06-2020	0.4	2.0	2.4
BONAR DUAL 2020/ARGDUO/4.5%	0.0	1.6	1.6
BOGATO/CER+4%/06-03-2020	0.0	1.1	1.1
BONTE 2020/26%/21-11-2020 (Bank Reserve Requirements)	0.8	2.0	2.8
BONCER/2.25%/28-04-2020	2.9	0.5	3.4
BONAR/BADLAR+325/01-03-2020	0.3	0.1	0.4
BONAR/BADLAR+300/23-12-2020	0.8	0.0	0.8
OTHER	0.0	0.2	0.2

Note: FX rate: ARS/USD 42,0 for 2019 and 44,3 for 2020. Totals may not add up due to rounding of intermediate figures.

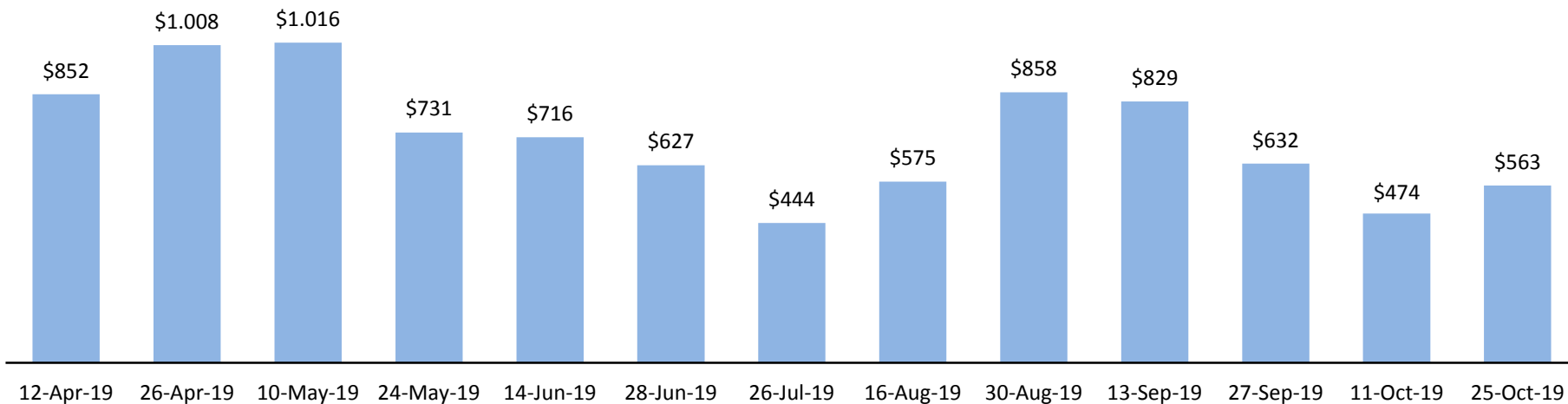
Converting USD debt to pesos

Letes and Lecaps held by private investors (USD bn)

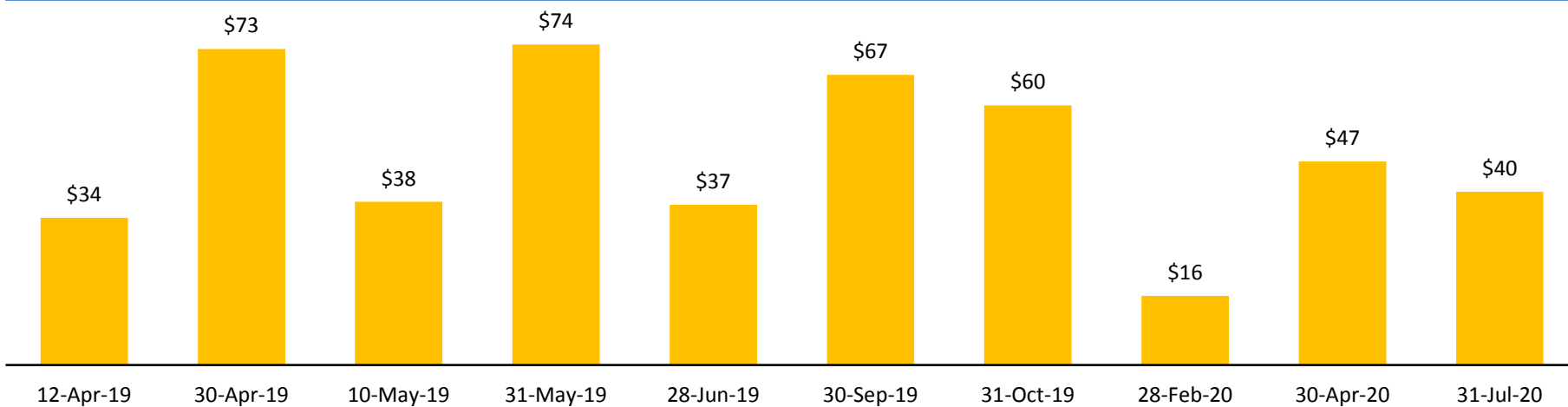


Conservative maturity profile

USD Letes maturities held by private investors (USD mm)



ARS Lecap maturities held by private investors (ARS bn)



Policy emphasis on domestic capital market development

Government securities

- ✓ Increase visibility of financial strategy
- ✓ Anticipate 2019 auction calendar
- ✓ New market makers program starting in January 2019

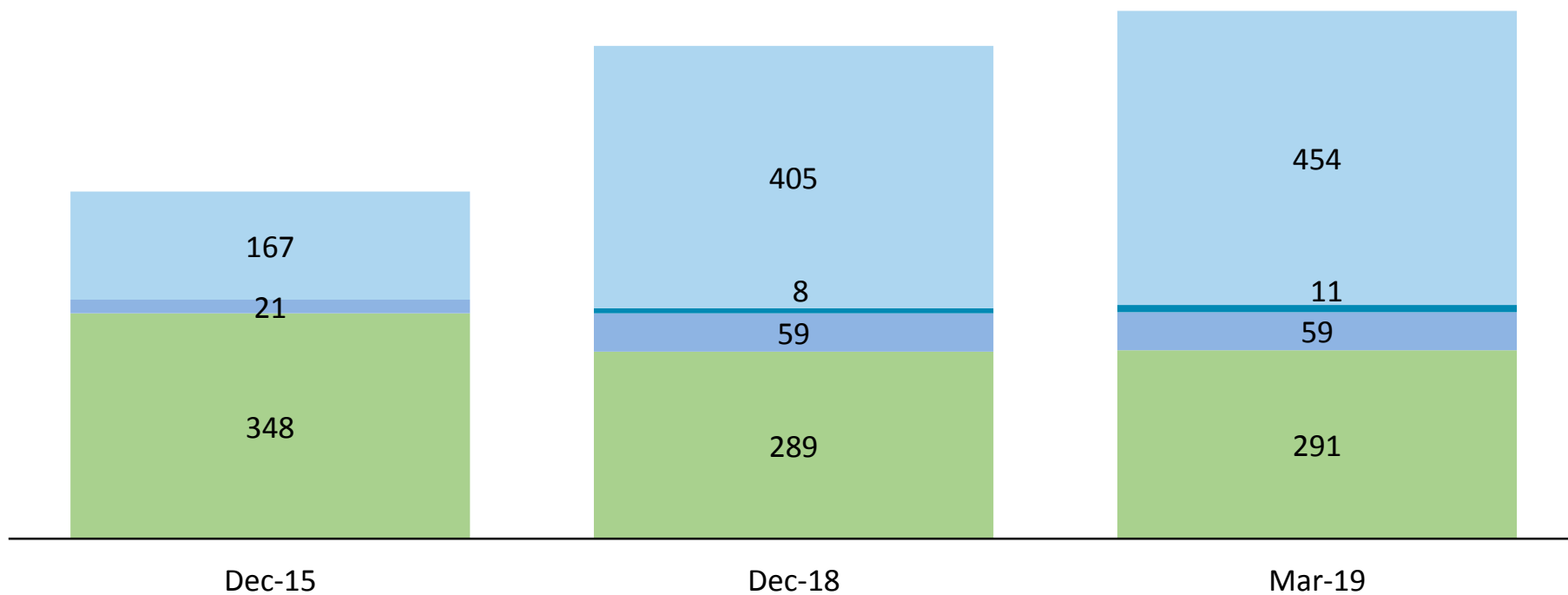
Regulatory environment

- ✓ Increase deductibility levels for life-insurance or retirement savings
- ✓ Eliminate tax barriers on closed-end mutual funds for SMEs financing
- ✓ Increase visibility of reforms in place
 - Digital onboarding
 - Qualified investor definition
 - Securitization of digital assets
 - ON Simples

Healthier structure of domestic market

Growing number of advisors and reduction in the number of brokers

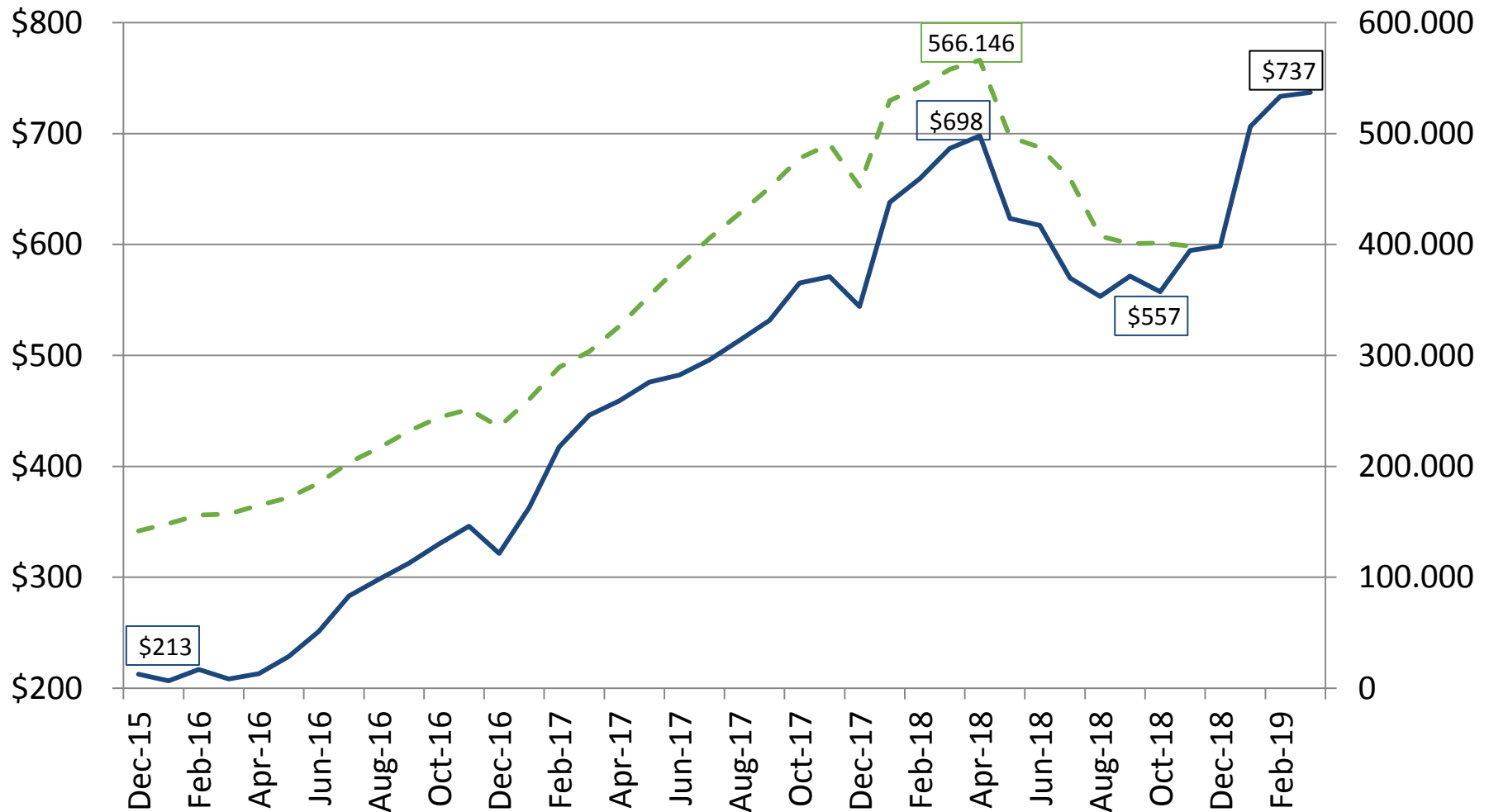
■ AP + AA (Fin. Advisors) ■ AGGI ■ AN ■ ALyC (Brokers)



Mutual fund industry transformation

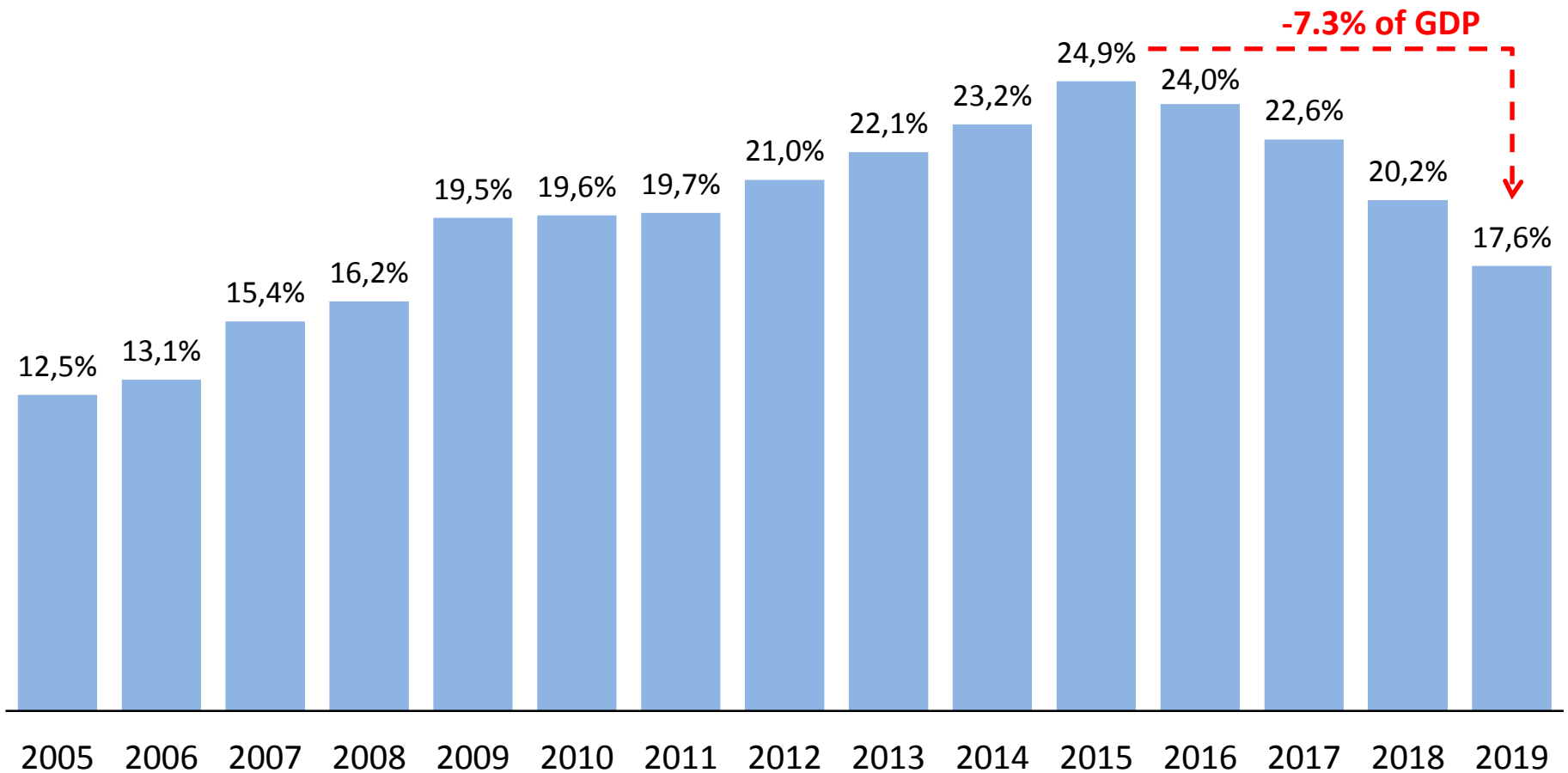
Replacing Lebac

Assets under management (ARS bn) and number of accounts



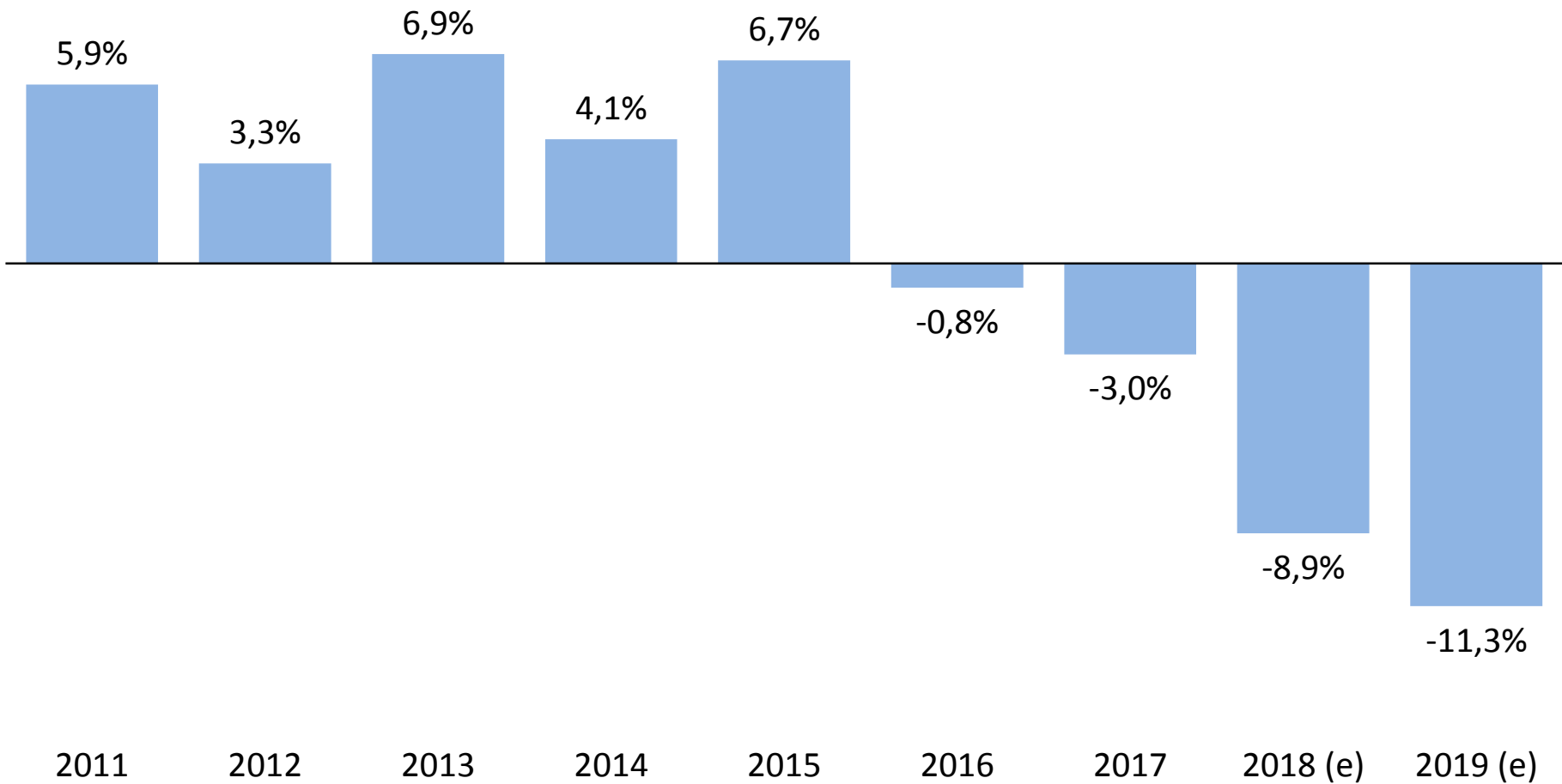
Fiscal tightening put in perspective

Primary spending of the non-financial central administration (% of GDP)



Fiscal tightening in real terms

Change in primary spending (y/y in real terms)



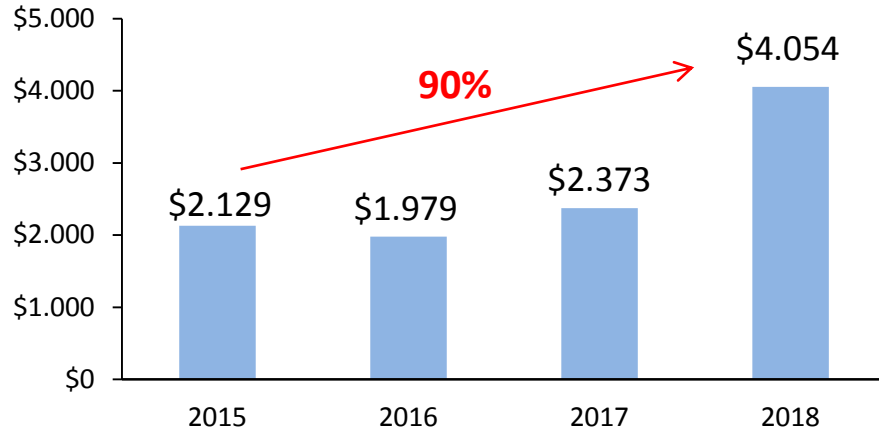
Exports performance

Exports (LTM, USD millions)

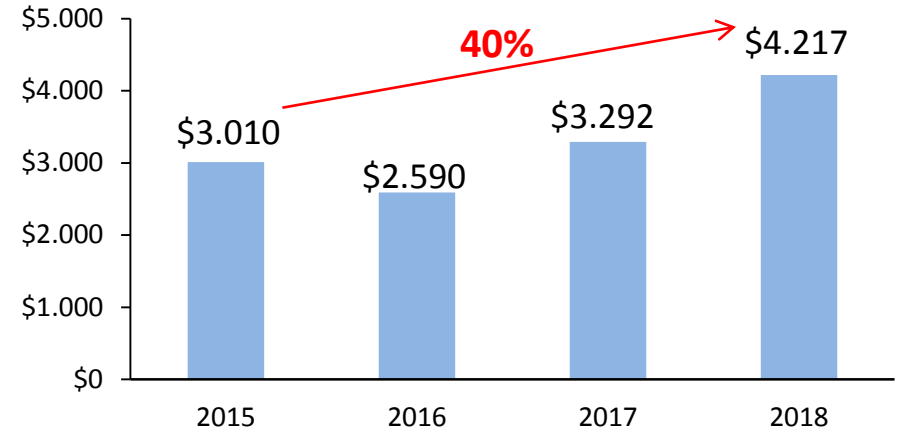


Sectorial evidence of export growth

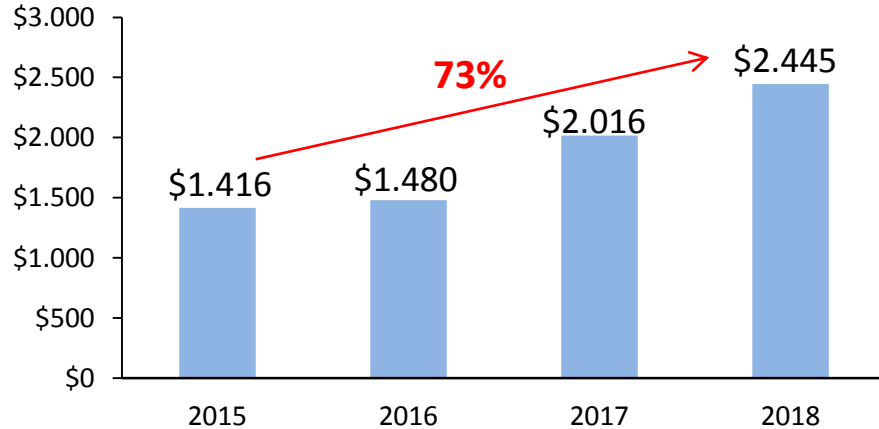
Oil & Gas – USD mm



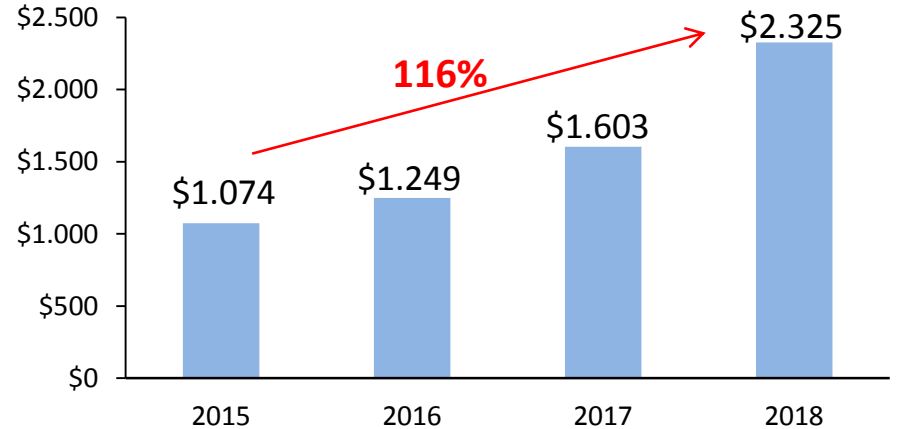
Trucks – USD mm



Non-Traditional Mining – USD mm



Beef exports – USD mm

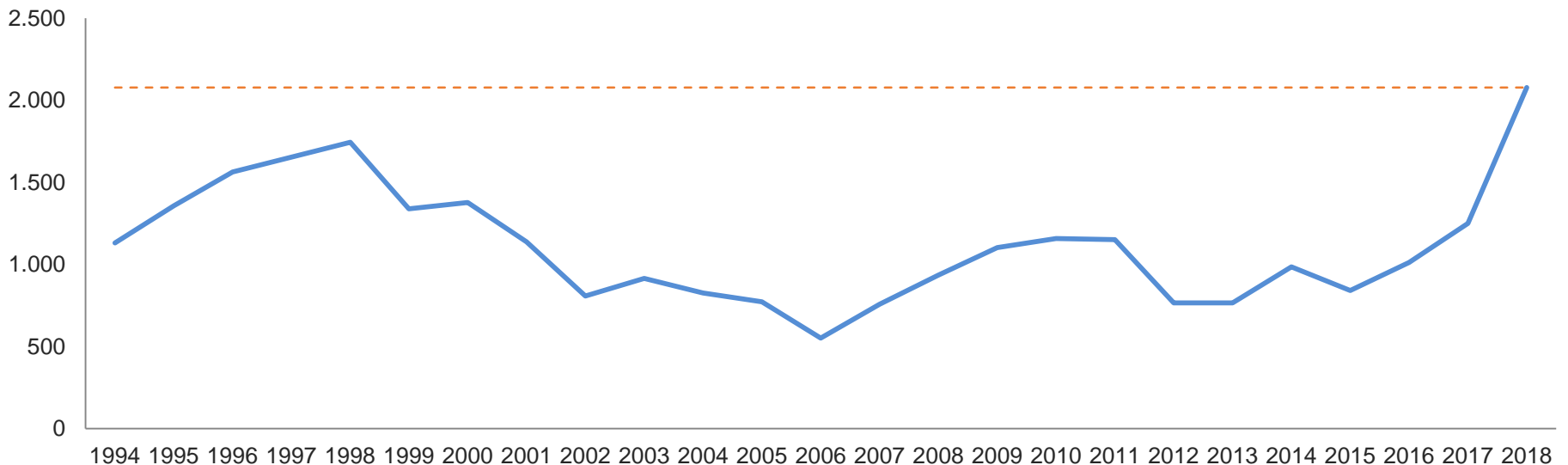


Improvements in productivity and competitiveness

Regulatory changes improving business development conditions

- ✓ Simplified incorporation of new companies (1 day)
- ✓ Single Window for International Trade (“VUCE”)
- ✓ Pre-export bureaucracy fully digitalized
- ✓ Simplified Exports (up to 300 kg or USD600k a year)
- ✓ Reduce requirements to export services and food
- ✓ Elimination or simplification of several registers
- ✓ Fully digitalized car transfers
- ✓ Digital background check
- ✓ Simplified procedures for small tax payers (3M individuals)
- ✓ Digital ID
- ✓ Digital state records (birth, marriage, death certificates)
- ✓ Customs insurance (three days)

Annual freight transportation on Belgrano Cargas – Northern line (‘000 tons)





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