Press Release

MONETARY PROGRAM FOR DECEMBER 2005

CENTRAL BANK RAISES REFERENCE RATE FROM 3,00% TO 3,25%

1. **The Board of the Central Bank approved to raise the reference interest rate for the interbank market from 3,0 percent to 3,25 percent.**

   This decision has been take to reduce the exchange rate volatility and increment the cost of speculative financial movements. This decision does not imply a sequence of raises in the reference interest rate. Also, it has been considered:

   a. The Consumer Price Index of Metropolitan Lima (CPI) increased 0.07 percent in November. Thus, the inflation rate over the last twelve months increased 1.1 percent.

   b. The dynamism of the economic activity is consistent with the convergence of inflation toward its target level in 2006 from the current inflation levels.

2. The Central Bank's decisions are preventive. Its monetary policy is designed to anticipate shock over the inflation target considering lags of the monetary policy influence.

   The Central Bank expects the inflation rate converge to 2.5 percent, within a range of 1.5 percent to 3.5 percent, considering the temporarily influence of the monetary policy (around one-year).

   Eventually, the inflation rate could exceed that range. In that case, the Central Bank should evaluate changes in its monetary policy. In that way, since 2006, the inflation target will be assets continuously.

3. It was also approved to raise the lending and deposit interest rates for the Central Bank operations:

   a. For direct repos and monetary regulation credits, the rate raises to 4.00 percent.
   b. For overnight deposits, the rate raises to 2.50% percent.

4. In case that the interbank interest rate be higher than 4.00 percent, monetary regulation credits and direct repos will be charged with the market interbank interest rate.

5. The interest rates for the following operations in dollars between the Central Bank and the Financial System are:
   a. Monetary regulation credits: 1-month LIBOR plus one percentage point.
   b. Overnight deposits: overnight LIBOR minus 3/8 of a percentage point.
   c. Swaps: the commission is maintained to a level that implies a minimum annual effective cost of 4.00 percent.
   d. Reserve requirement in foreign currency subject to a payment: 2.25 percent.
6. The session in which the Board will approve the following Monetary Program (January 2006) will be held on January 1, 2006.

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