



# *financial statements*



# Caipo y Asociados

Av. Javier Prado Oeste 203  
San Isidro, Lima-Perú

Apartado 14-003  
Lima 14, Perú

Teléfono: 51(1) 222-1708  
Fax: 51(1) 421-6943  
e-mail: caipoaudi@kpmg.com.pe

(FREE TRANSLATION FROM SPANISH. THE ACCOUNTING PRINCIPLES  
REFERRED TO ARE THOSE GENERALLY ACCEPTED IN PERU)

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Banco Central de Reserva del Perú:

We have audited the accompanying balance sheet of Banco Central de Reserva del Perú as of December 31, 2000, and the related statements of income, changes in equity, and cash flows for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an independent opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Year 2000 is the first year the financial statements of Banco Central de Reserva del Perú have been audited by independent auditors in accordance with International Standards on Auditing. Consequently, as auditors, we have applied the procedures considered necessary to the balances as of December 31, 1999 and 1998 in order to obtain adequate and sufficient evidence concerning the closing balances of the aforementioned years. Based on these procedures, we can express an opinion on the statements of income and cash flows for the year ended December 31, 2000, and on the comparative figures of the financial statements. Figures from the 1999 financial statements, which have not been audited by our firm, are included in the accompanying financial statements solely for comparative purposes (note 2m).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Banco Central de Reserva del Perú as of December 31, 2000, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in Peru, modified as appropriate to comply with the current legislation regulating Banco Central de Reserva del Perú (note 2).

April 16, 2001

Countersigned by:

Wilfredo Rubiños V. (Partner)  
Peruvian Public Accountant  
Registration 9943



Firma Miembro de  
KPMG International

Caipo y Asociados Sociedad Civil. Inscrita en la partida  
N° 01681796 del Registro de Personas Jurídicas de Lima.

**BANCO CENTRAL DE RESERVA DEL PERÚ****Balance Sheets****As of December 31, 2000 and 1999**

(Stated in thousands of constant nuevos soles as of December 31, 2000)

Assets	2000	1999 (note 2m)
<b>Foreign assets:</b>		
Foreign currency cash	35 772	219 449
Deposits in foreign banks (note 4)	17 963 542	19 279 461
Securities in international entities (note 5)	10 132 841	10 696 330
Gold (note 6)	907 461	999 051
Contribution to Latin American Reserve Fund	936 237	909 547
Other available assets	190 874	135 695
	30 166 727	32 239 533
<b>Other foreign assets:</b>		
Local currency contribution to the International Monetary Fund (note 7)	2 929 112	2 987 953
Other foreign assets	44 304	46 438
	2 973 416	3 034 391
Domestic credit (note 8)	521 979	830 874
Fixed assets, net of accumulated depreciation (note 9)	155 350	159 740
Other assets (note 10)	4 227 984	4 483 421
<b>TOTAL ASSETS</b>	<b>38 045 456</b>	<b>40 747 959</b>
Memoranda accounts (note 20)	19 389 060	18 918 912

See the accompanying notes to the financial statements.

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<b>Liabilities and Equity</b>	<b>2000</b>	<b>1999 (note 2m)</b>
<b>Foreign liabilities:</b>		
Obligations to international entities	119 450	43 796
Due to the International Monetary Fund (note 11)	1 228 657	1 754 674
Obligations in local currency to the International Monetary Fund (note 11)	2 929 265	2 988 108
Other foreign liabilities	264	177
	<u>4 277 636</u>	<u>4 786 755</u>
Monetary base (note 12)	5 642 418	6 099 525
Other deposits in local currency (note 13)	369 558	409 664
Securities issued	1 360 486	414 651
Deposits in foreign currency (note 14)	19 889 007	21 811 164
Other liabilities (note 15)	6 211 978	6 826 188
	<u>37 751 083</u>	<u>40 347 947</u>
<b>Equity (note 16):</b>		
Capital	169 505	109 967
Reserves	57 971	116 933
Retained earnings	66 897	173 112
	<u>294 373</u>	<u>400 012</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u><u>38 045 456</u></u>	<u><u>40 747 959</u></u>
Memoranda accounts (note 20)	<u>19 389 060</u>	<u>18 918 912</u>



**STATEMENTS OF INCOME****For the years ended December 31, 2000 and 1999**

(Stated in thousands of constant nuevos soles as of December 31, 2000)

	<b>2000</b>	<b>1999</b> <b>(note 2m)</b>
<b>Income:</b>		
Interest (note 17)	1 973 948	1 742 200
Commissions	2 403	13 988
Other	65 957	97 845
	<u>2 042 308</u>	<u>1 854 033</u>
<b>Expenses:</b>		
Interest (note 18)	1 752 481	1 450 523
Commissions	3 551	2 358
Personnel	106 035	104 719
General	82 610	83 924
Transportation expenses, and banknote and coin costs	6 211	19 858
Cost of materials for production delivered to Casa Nacional de Moneda (National Mint)	5 931	1 771
Provisions, depreciation, amortization and write-offs of fixed assets	12 641	8 891
Various	5 842	5 608
	<u>1 975 302</u>	<u>1 677 652</u>
 Income before result of exposure to inflation	 67 006	 176 381
Result of exposure to inflation (note 19)	( 109)	( 3 269)
 <b>NET INCOME FOR THE YEAR</b>	 <u><b>66 897</b></u>	 <u><b>173 112</b></u>

See the accompanying notes to the financial statements.

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**STATEMENTS OF CHANGES IN EQUITY**

**For the years ended December 31, 2000 and 1999**

(Stated in thousands of constant nuevos soles as of December 31, 2000)

	<b>Capital (note 16)</b>	<b>Reserves (note 16)</b>	<b>Retained earnings (note 16)</b>	<b>Total equity</b>
<b>Balances as of December 31, 1998 (note 2m)</b>	<b>109 967</b>	<b>117 122</b>	<b>202 396</b>	<b>429 485</b>
Prior years adjustments	--	( 14)	--	( 14)
Transfer	--	( 175)	175	--
Payment of accounts receivable from Treasury	--	--	(202 571)	(202 571)
Net income for the year	--	--	173 112	173 112
<b>Balances as of December 31, 1999 (note 2m)</b>	<b>109 967</b>	<b>116 933</b>	<b>173 112</b>	<b>400 012</b>
Prior years adjustments	--	186	--	186
Transfer among equity accounts	59 538	( 59 148)	( 390)	--
Payment of accounts receivable from Treasury	--	--	(172 722)	(172 722)
Net income for the year	--	--	66 897	66 897
<b>Balances as of December 31, 2000</b>	<b>169 505</b>	<b>57 971</b>	<b>66 897</b>	<b>294 373</b>



See the accompanying notes to the financial statements.

**STATEMENTS OF CASH FLOWS****For the years ended December 31, 2000 and 1999**

(Stated in thousands of constant nuevos soles as of December 31, 2000)

	<b>2000</b>	<b>1999</b> <b>(nota 2m)</b>
<b>Cash flows from operating activities:</b>		
Net income for the year	66 897	173 112
Adjustment to reconcile net income for the year to net cash used in operating activities:		
Provision for general expenses and acquisition of banknotes	5 691	21 015
Depreciation and amortization	12 641	8 891
Interest income, net of interest expenses	( 84 293)	( 290)
Cost of materials for production delivered to Casa Nacional de Moneda	5 931	1 771
Property returned by the Bank	1 398	--
Regularization of accounting value of fixed assets	--	2 770
Other provisions	702	( 10 561)
Equipment donation	( 16)	--
Decrease / (increase) in other foreign assets	60 974	( 1 048 054)
Decrease / (increase) in domestic credit	158 554	( 78 484)
Decrease in other assets	267 973	570 081
(Decrease) / increase in foreign liabilities	( 509 120)	338 999
(Decrease) / increase in monetary base	( 457 106)	598 543
(Decrease) / increase in other deposits in local currency	( 40 106)	151 419
Increase in securities issued	945 835	107 588
Decrease in deposits in foreign currency	( 1 922 157)	( 2 678 242)
(Decrease) / increase in other liabilities	( 583 987)	255 422
<b>Net cash used in operating activities</b>	<b>( 2 070 189)</b>	<b>( 1 586 020)</b>
<b>Cash flows from investing activities:</b>		
Additions of fixed assets	( 2 617)	( 2 904)
<b>Net cash used in investing activities</b>	<b>( 2 617)</b>	<b>( 2 904)</b>
Net decrease in cash and cash equivalents	( 2 072 806)	( 1 588 924)
Cash and cash equivalents at beginning of year	32 239 533	33 828 457
<b>Cash and cash equivalents at end of year</b>	<b>30 166 727</b>	<b>32 239 533</b>

See the accompanying notes to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### December 31, 2000 and 1999

(Stated in constant nuevos soles as of December 31, 2000)

#### (1) Economic Activity

Banco de Reserva del Perú was created on March 9, 1922, initiating its activities on April 4 of the same year. On April 28, 1931, it became Banco Central de Reserva del Perú –BCRP (hereinafter the Bank). The Bank is legally domiciled in Lima - Peru and has seven branches located in the main cities of the country.

The Constitution determines the Peruvian monetary system, establishing the issuance of banknotes and coins as an exclusive prerogative of the Government, exercised through the Bank.

The Bank is a legal entity governed by Peruvian law, with autonomy, as established by Decree Law 26123, its Organic Law. The Board of Directors is the highest institutional authority.

The Bank's purpose is to preserve monetary stability. Its functions comprise the regulation of the money supply, administration of international reserves, issuance of banknotes and coins, and periodic information on the country's financial situation.

The Bank may not grant financing to the Public Treasury, except for the purchase, in the secondary market, of securities issued by the Public Treasury, in a sum not to exceed 5% of the balance of monetary base at the end of the previous year, as established in its Organic Law. Besides, the Bank may not impose sectorial or regional ratios on the composition of the loan portfolios of financial institutions, and may not establish multiple foreign exchange rates.

#### (2) Significant Accounting Policies

The Bank applies International Accounting Standards which have been adopted by the Peruvian Accounting Board of the National Accounting Office (Consejo Normativo de Contabilidad de la Contaduría Pública de la Nación). The current standards adopted by this regulatory body as of December 31, 2000 are International Accounting Standards (IAS's) 1 to 35 and 37 (notes 26 and 27). Likewise, the Bank applies accounting practices allowed by its Organic Law, and uses the practices established and allowed by the Superintendency of Banking and Insurance –SBS, if applicable.





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The main accounting policies established to account for operations and to prepare the financial statements, are the following:

**(a) Basis for the Preparation of the Financial Statements**

All the components of the financial statements have been adjusted to reflect the effect of fluctuations in the purchasing power of the Peruvian currency (nuevo sol = S/.), (note 2 (j)).

The loss of the purchasing power of the Peruvian currency in 2000, 1999 and 1998, according to the Nationwide Wholesale Price Index as published by Instituto Nacional de Estadística e Informática (National Institute of Statistics) was 3,80%, 5,50% and 6,47%, respectively.

The preparation of the financial statements in accordance with generally accepted accounting principles requires management to make certain estimates to report the asset and liability figures and the disclosure of contingent liabilities and significant facts included in the notes to the financial statements; as well as the reported income and expense figures for the period. Actual results may differ from such estimates as a result of changes in the premises used to support the estimates; in that case, the differences should be recognized in the year such variations occur. The most significant estimates related to the financial statements correspond to the provision for securities fluctuation; provision for doubtful loans; provision for impairment of adjudicated goods; depreciation of fixed assets; amortization of intangibles; and provision for severance indemnities of personnel, the accounting criteria of which are described below.

**(b) Investment in Securities**

The Bank's investments in securities are classified as: (1) liquid investments; (2) securities immediately available; and (3) investment securities. Investments in securities are recorded at acquisition cost. When the market value is lower than the book value, differences are recognized by recording the corresponding provision for securities fluctuation in the results of the year.

**(c) Provision for Doubtful Loans**

Provision for doubtful loans is determined based on established criteria and it is kept at a level which, in the opinion of management, is sufficient to cover potential losses in the loan portfolio. Management periodically conducts formal reviews and analyses in order to classify this portfolio, and make any necessary adjustments to the provision.

**(d) Fixed Assets**

Fixed assets are stated at cost plus the adjustment for inflation (note 9). Depreciation is determined based on the straight-line method at rates considered sufficient to absorb the cost of assets plus the adjustment for the effects of inflation, at the end of the estimated useful life of the respective assets. Minor maintenance and repair expenses are charged to income as incurred, while significant repairs, renewals and improvements are capitalized when they increase the useful life and/or performance of the assets. Cost and accumulated depreciation of fixed assets sold or retired are eliminated from their respective accounts, and any resulting gain or loss is credited or debited to income in the year it occurs.

Annual depreciation rates applied to fixed assets are as follows: buildings 1%; furniture and office equipment 10%; computer equipment 25%; various equipment 10%; and vehicles 20%.

**(e) Adjudicated Goods**

Adjudicated goods comprise land and buildings received as payment for loans granted to banks in liquidation process. These goods are recorded at adjudication cost which does not exceed the estimated realizable value. According to the Organic Law of the Bank, these goods should be sold within a period no longer than one year.

In conformity with the regulations established by the SBS, the Bank makes a provision based on the adjudication value of those goods.

**(f) Provision for Severance Indemnities**

The provision for severance indemnities of personnel (compensation for time of service) is debited to income as accrued. The calculation is based on the amount which would have to be paid at balance sheet date.

**(g) Interest and Commissions**

Interest income and expense are recognized on an accrual basis, and commissions are recognized on the date the transactions which originated them are performed. If, in the management's opinion there exists reasonable doubt on the recoverability of the principal of a credit, the recording of the interest income is suspended. This suspended interest is recorded as earned when collected.

**(h) Precious Metals**

Gold and silver holdings are recorded at a value set by the Board of Directors. This value does not exceed the prevailing price in the international market, in conformity with article 72 of the Organic Law.



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The adjustment is made on the last working day of each month.

Gold is valued at 85% of the average purchase price of the London, New York and Zurich markets at the end of each month.

Silver is valued at 90% of the average purchase price of London and New York markets at the penultimate working day of each month, as well as the Handy Harman price.

**(i) Financial Instruments**

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. Financial instruments include so-called primary instruments i.e., credits, accounts receivable, deposits and obligations, accounts payable, investment in securities and currency swaps. The Bank does not have derivative instruments.

As of December 31, 2000, balances of deposits in foreign banks, securities in international entities, other available assets, credits, deposits and obligations, investment in securities, obligations to international entities and other financial institutions, as well as memoranda accounts are substantially similar to their fair market value. The recognition and valuation of these accounts are disclosed in the notes to the financial statements concerning accounting policies.

**(j) Basis for the Adjustment of the Financial Statements to Reflect the Effects of Inflation**

The financial statements have been adjusted to reflect the variation in the purchasing power of the Peruvian currency, thus enabling the various transactions included therein to be stated in constant monetary units. The historical cost principle prevails when recording balances, with the adjustment in the balances of fixed assets, intangible investments (software), museum collection, adjudicated goods, supplies in the warehouse of Casa Nacional de Moneda, capital, reserves, and balances of the statement of income representing the updating of these balances. The factors used to calculate the adjustment are based on the Nationwide Wholesale Price Index as published by Instituto Nacional de Estadística e Informática.

Non-monetary balances have been updated taking into account the adjusting factors determined according to the age of each of the components. The adjusted cost of assets should not exceed its replacement cost. Monetary balances, including memoranda accounts,

have not been adjusted as they reflect the purchasing power of the currency at balance sheet date.

**(k) Foreign Exchange Differential and Currency Readjustment**

Article 89 of the Bank's Organic Law establishes that any differential resulting from readjustments in the local currency valuation of the Bank's assets and liabilities in gold, silver, foreign exchange, Special Drawing Rights (SDRs) or other monetary units used worldwide, shall be recorded in a special account and shall not be considered as either a gain or a loss.

These valuations are made on a daily basis by applying to the asset and liability balances each currency's dollar exchange rate and then translating the dollar rate into nuevos soles. The local currency balances so obtained are compared to the local currency balances prior to valuation. The result is then debited or credited to the Valuation Readjustment-Organic Law, art. 89 account.

**(l) Cash and Cash Equivalents**

The Bank considers as cash and cash equivalents, the available assets including of funds, investments in securities, gold, foreign currency contribution to international institutions and other foreign assets.



**(m) Presentation of the Financial Statements**

Financial Statements as of December 31, 1999 were not audited by independent auditors and are presented for comparative purposes only. In conformity with article 90 of the Organic Law of the Bank, those financial statements were audited by the internal auditors.

Figures in the 1999 Financial Statements have been adjusted to reflect the effects of inflation as of December 31, 2000. Certain figures therein have been reclassified to make them comparable to year 2000 figures, mainly concerning the presentation of the contributions and obligations to the International Monetary Fund -IMF (note 7).

**(3) Basis for the Translation of Foreign Currency**

The balance sheet includes balances of operations in foreign currencies, mainly in US dollars (US\$), which are recorded at the buy exchange rate established by the Superintendency of Banking and Insurance. As of December 31, 2000 and 1999, the buy exchange rates were US\$ 1 = S/. 3,523 and S/. 3,505, respectively.

The net foreign exchange position as of December 31, 2000 translated into US\$, at the New York market closing exchange rate, is summarized as follows:

	<b>2000</b>	
	<b>Amount</b>	<b>Equivalent in US\$</b>
<b>Assets:</b>		
Gold in ounces	1 114 846	257 581 858
Special Drawing Rights (SDR's)	169 392 301	220 702 923
US dollar	8 273 493 757	8 273 493 757
Pound sterling	43 266 706	64 705 359
Japanese yen	14 760 760 306	129 156 653
Canadian dollar	49 879 758	33 284 214
Pesetas (Spain)	200	1
Pesos andinos	20 000 000	20 000 000
Euro	202 599 337	190 868 836
Silver in ounces	970 648	4 007 418
<b>Total assets</b>		<b>9 193 801 019</b>
<b>Liabilities:</b>		
Gold in ounces	41	9 589
Special Drawing Rights (SDR's)	433 066 966	564 247 281
US dollar	5 981 772 310	5 981 772 310
Pound sterling	823	1 231
Japanese yen	461	4
Canadian dollar	42	28
Pesetas (Spain)	200	1
Pesos andinos	20 000 000	20 000 000
Euro	32 143	30 282
Silver in ounces	25 900	106 931
<b>Total liabilities</b>		<b>6 566 167 657</b>
<b>Net assets in US\$</b>		<b>2 627 633 362</b>
<b>Net assets in S/.</b>		<b>9 257 152 334</b>

For international and foreign currency operations, the Bank uses the equivalent in US dollar of each currency according to the buy rate. The buy rate ruling at December 31, 2000 was:

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	<b>Equivalent in US\$</b>
Gold in ounces	231,047000
Special Drawing Rights (SDR's)	1,302910
US dollar	1,000000
Pound sterling	1,495500
Japanese yen	0,008750
Canadian dollar	0,667289
Pesetas (Spain)	0,005666
Pesos andinos	1,000000
Euro	0,942100
Silver in ounces	4,128600

**(4) Deposits in Foreign Banks**

Comprise the following:

	<b>In thousands of S/.</b>	
	<b>2000</b>	<b>1999 (note 2m)</b>
Demand deposit	68	96
Call deposits	21 875	29 281
Time deposits	16 194 191	18 205 923
Fiduciary time deposits in foreign banks	1 747 408	1 044 161
	<b>17 963 542</b>	<b>19 279 461</b>



**(5) Securities in International Entities**

Comprise the following:

	<b>In thousands of S/.</b>		
	<b>2000</b>		<b>1999 (note 2m)</b>
	<b>Book value</b>	<b>Estimated market value</b>	<b>Book value</b>
Sovereign bonds	1 753 644	1 763 926	1 769 826
Medium Term Instruments	3 334 625	3 349 894	2 563 686
Certificates of deposit	123 307	123 305	436 538
US Agency notes	3 493 629	3 539 780	2 591 726
US Treasury notes	558 970	557 473	922 559
FIXBIS	868 666	903 962	2 411 995
	<b>10 132 841</b>		<b>10 696 330</b>

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**(6) Gold**

Gold is represented by 1 114 846 troy ounces in 2000 and 1999, and includes commemorative coins deposited in the Bank's vault, and "good delivery" bars deposited in foreign banks.

**(7) Local Currency Contribution to the International Monetary Fund**

Contribution to the International Monetary Fund (IMF) consists of the investment in local currency equivalent to SDR 638 400 000. This contribution grants the country access to the IMF's fund facilities.

The Board of Directors' Meeting, held on June 1, 2000, approved to record in the Other Foreign Assets account all the local currency contributions made to the IMF amounting to SDR 638 400 000, thus eliminating the reserve tranches as foreign liabilities.

**(8) Domestic Credit**

Comprises the following:

	<b>In thousands of S/.</b>	
	<b>2000</b>	<b>1999 (note 2m)</b>
Repurchase agreements - Treasury Bonds		
Supreme Decree 114-98-EF	97 168	272 635
Securities issued by local entities	47 001	62 577
BCRP Capitalization Bonds		
Supreme Decree 066-94-EF	377 801	495 653
Other	9	9
	<b>521 979</b>	<b>830 874</b>

Pursuant to Supreme Decree 114-98-EF, the Ministry of Economy and Finance -MEF issued Treasury Bonds in exchange for a portfolio of loans received from different banks. Between 1998 and December 31, 2000, the Bank acquired US\$ 5 419 000 000 worth of these Treasury Bonds under an agreement for their repurchase at a nominal value discounted at an effective annual interest rate of 11%. The outstanding balance for repurchase as of December 31, 2000 amounts to US\$ 27 581 000 (US\$ 74 937 000 in 1999).

BCRP Capitalization bonds are bonds issued by the Ministry of Economy and Finance up to an amount of S/. 618 000 000 as authorized by Supreme Decree 66-94-EF of May 31, 1994. The Bank, in return and by way of compensation, transferred to the Treasury the financial claims to the state

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development banking system under liquidation, and settled the debt owed to it by the Treasury. The total amount was credited to accumulated losses as of May 31, 1994. In conformity with the above-cited decree, these bonds are being paid off through the transfer of profits generated by the Bank at the percentages stipulated in such legal decrees as the Ministry of Economy and Finance may issue (note 16).

**(9) Fixed Assets**

Comprise the following:

In thousands of S/.

	Balances as of 12.31.99 (note 2m)	Additions	Disposals	Transfers	Adjust- ments	Balances as of 12.31.00
Cost:						
Land	14 147	--	1 398	--	( 518)	12 231
Buildings	137 874	--	--	2 422	( 286)	140 010
Furniture and office equipment	5 105	17	360	312	--	5 074
Vehicles	3 673	311	552	--	--	3 432
Various equipment	30 556	731	3 133	2 711	--	30 865
Work in progress	5 027	--	--	(2 422)	( 105)	2 500
Units in transit	3 189	7 689	--	(3 023)	( 117)	7 738
	<b>199 571</b>	<b>8 748</b>	<b>5 443</b>	<b>--</b>	<b>( 1 026)</b>	<b>201 850</b>
Depreciation:						
Buildings	33 231	1 420	--	--	( 10)	34 641
Furniture and office equipment	568	524	77	--	--	1 015
Vehicles	884	784	258	--	--	1 410
Various equipment	5 148	5 700	1 414	--	--	9 434
	<b>39 831</b>	<b>8 428</b>	<b>1 749</b>	<b>--</b>	<b>( 10)</b>	<b>46 500</b>
<b>Net value</b>	<b>159 740</b>					<b>155 350</b>





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**(10) Other Assets**

Comprise the following:

	<b>In thousands of S/.</b>	
	<b>2000</b>	<b>1999 (note 2m)</b>
Interest, commissions and other accounts receivable	447 039	432 771
Accounts receivable from personnel	18 138	15 416
Adjudicated goods, net of provisions amounting to thousands S/. 72 588	10 817	-.-
Intangibles, net of amortization amounting to thousands S/. 3 441 000 and S/. 1 404 000, respectively	4 022	3 508
Accounts to be settled	70 112	136 367
Museum collections	82 266	81 904
Discounted sales of BCRP Certificates of Deposit	40 290	-.-
Revaluations to be settled	15 907	417 743
Local currency futures accounts receivable	1 965 065	2 508 760
Fund in foreign currency - Brady Plan	736 407	751 201
Contribution subscribed to international institutions	715 169	-.-
Various	122 752	135 751
	<b>4 227 984</b>	<b>4 483 421</b>

Revaluations to be settled correspond to the provision for preserving the value of asset accounts resulting from the SDR differential between April 30 and December 31 of each year. These revaluations are transferred to the corresponding account at the close of the IMF's financial year on April 30 of each year.

Local currency futures accounts receivable is the balancing entry to the Foreign currency futures accounts payable recorded in Other liabilities, and it is related to the debts owed to the International Monetary Fund (IMF) for operations with this organization amounting to SDR 267 785 878 corresponding to the extended fund facilities and for a loan granted by the IMF to the Peruvian Government in the amount of SDR 160 500 000.

Fund in foreign currency - Brady Plan consists of SDR 160 500 000 received by the Bank and passed on to the Ministry of Economy and Finance. The Brady Plan fund will decrease as the Bank receives from the Ministry of Economy and Finance the corresponding transfers for the repurchase operations provided for in the corresponding agreement.

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Contribution subscribed to international institutions correspond to the unpaid contributions amounting to US\$ 203 000 000 to the Latin American Reserve Fund - FLAR, which will be paid in full by the Bank from this institution's future profit distributions.

**(11) Due to the International Monetary Fund**

Comprises the following:

	In thousands of S/.	
	2000	1999 (note 2m)
Due to the IMF – extended facilities	1 228 657	1 754 674
Obligations in local currency to the IMF	2 929 265	2 988 108



The Due to the IMF amounts to SDR 267 785 878. These liabilities were subject to an effective annual interest rate between 4,49% to 5,81% in 2000 (4,58% in 1999), and their deadline for payment is year 2003 (note 7).

Obligations to the IMF's countervalue in local currency amount to SDR 638 400 000. They are non interest-bearing obligations, the maturity of which is not stated (note 7).

**(12) Monetary Base**

Comprises the following:

	In thousands of S/.	
	2000	1999 (note 2m)
Banknotes and coins issued	5 575 427	6 035 647
Deposits from banks in local currency	53 641	55 461
Deposits from finance companies in local currency	4 683	1 222
Other deposits and obligations in local currency	8 667	7 195
	<b>5 642 418</b>	<b>6 099 525</b>

Deposits from banks and finance companies belonging to the country's financial system are part of the funds demanded to fulfill the 6% minimum legal reserve (7% as of December 31, 1999). According to the current regulations, this reserve is computed over liabilities in local currency of banks and finance companies. This minimum legal reserve fund does not bear interest.

Banknotes and coins issued can be broken down as follows:

<u>Face value</u>	<u>Units</u>	<u>In thousands of S/.</u>
<b>Banknotes:</b>		
10	45 114 592	451 146
20	18 742 445	374 849
50	28 156 112	1 407 806
100	25 213 890	2 521 389
200	1 479 801	295 960
		<u>5 051 150</u>
<b>Coins:</b>		
0,01	31 673 791	317
0,05	165 572 701	8 278
0,10	291 217 458	29 122
0,20	96 170 021	19 234
0,50	106 259 095	53 129
1,00	154 403 120	154 403
2,00	31 479 432	62 959
5,00	38 968 719	194 843
		<u>522 285</u>
<b>Commemorative coins</b>	Various	<u>1 992</u>
		<u><u>5 575 427</u></u>

**(13) Other Deposits in Local Currency**

Comprise the following:

	<b>In thousands of S/.</b>	
	<b>2000</b>	<b>1999 (note 2m)</b>
Public Sector	308 931	276 191
Banks	31 700	1
Banco de la Nación	10 093	115 758
Private Sector	18 834	17 714
	<b>369 558</b>	<b>409 664</b>

As of December 31, 2000 and 1999, the effective annual rates applied by the Bank to deposits from the Public Sector were 12,95% and 17%, respectively. Annual rates for Banco de la Nación deposits were 7,75 % and 17%, respectively.



**(14) Deposits in Foreign Currency**

Comprise the following:

	<b>In thousands of S/.</b>	
	<b>2000</b>	<b>1999 (note 2m)</b>
Public Sector	9 489 907	10 778 496
Banks	9 730 114	10 622 426
Banco de la Nación	590 805	82 104
Finance companies	3 282	5 260
Other financial institutions	74 843	322 827
Private Sector	56	51
	<b>19 889 007</b>	<b>21 811 164</b>

Deposits from banks and finance companies belonging to the country's financial system are part of the funds assigned to fulfill their legal reserve requirements. Legal reserve requirements are computed over liabilities in foreign currency and can be fulfilled also by using cash funds. Legal reserve requirements, consist of a minimum legal reserve, calculated at 6% over liabilities (7% as of December 31, 1999) and additional reserve requirements (between 31,6% to 28% during year 2000). Funds covering minimum legal

reserve requirements are non-interest bearing funds; however, funds covering the additional reserve requirements in foreign currency bear an interest equal to the three-month LIBOR rate minus 1/8 of one percent.

**(15) Other Liabilities**

Comprise the following:

	<b>In thousands of S/.</b>	
	<b>2000</b>	<b>1999 (note 2m)</b>
Interest and commissions payable	257 838	305 483
Allocation - Special Drawing Rights	418 991	427 407
Valuation readjustment – Organic Law, art. 89	1 698 100	1 812 437
Promissory notes in favor of the IMF	1 028 550	1 465 792
Promissory notes IMF-MEF Brady Plan (note 10)	736 407	751 201
Foreign currency futures accounts payable to the IMF –Brady Plan / IMF-MEF	736 407	751 201
IMF Deposits - account 1	200 107	288 883
Accounts payable	741 910	36 677
Suspended income	123 589	116 004
Allocation in pesos andinos - FLAR	70 460	72 764
Revaluations to be settled	20 562	563 718
Provisions	162 501	169 375
Various	16 556	65 246
	<b>6 211 978</b>	<b>6 826 188</b>

Valuation readjustment - Organic Law, article 89 is composed of the differences resulting from the readjustments in the local currency valuation of the Bank's assets and obligations in gold, silver, foreign currency, Special Drawing Rights or other monetary units used worldwide. They are credited to this account but are not considered as income or loss.

Promissory notes in favor of the IMF relates to the debt to the IMF amounting to SDR 224 172 568 corresponding to the extended fund facilities agreement.

Promissory notes IMF-MEF Brady Plan relates to the obligation amounting to SDR 160 500 000 owed to the IMF, which was given to the Ministry of Economy and Finance.

Foreign currency futures accounts payable relates to the debt to the IMF stated in SDR as established in the repurchase schedule of the obligation.

Accounts payable comprise mainly capital subscribed and payable to Latin American Reserve Fund amounting to US\$ 203 000 000, according to the eighth capital subscription commitment.

Revaluations to be settled correspond to the provision for preserving the value of the liability accounts resulting from the SDR exchange rate differential between April 30 and December 31 of each year. These revaluations are transferred to the corresponding account at the end of the IMF's financial year on April 30 of each year.

Provisions comprise mainly a generic provision made in year 1998 amounting to S/. 150 000 000, to cover eventual losses resulting from the credit support given to the multipurpose banks.

## **(16) Equity**

### **(a) Capital**

The Organic Law of the Bank authorized a capital amounting to S/. 50 000 000 wholly subscribed and paid-in by the Peruvian government. The capital is not represented by shares; the amount of capital is recorded only in the capital account.

By means of Supreme Decree 059-2000-EF of June 24, 2000, the Bank's capital was increased to S/. 100 000 000. In order to comply with this Supreme Decree, the Bank transferred S/. 59 538 000 from the reserves account to the capital account, in year 2000.

According to the methodology of adjustment of the financial statements to reflect the effects of inflation, the adjusted capital as of December 31, 2000 amounts to S/. 169 505 133.

### **(b) Reserves**

In accordance with articles 6 and 92 (b) of the Organic Law, the Bank is required to transfer from its net income, amounts to constitute and increase a reserve fund, up to the equivalent of 100% of its capital. This reserve should be constituted by transferring annually 75% of the net income. It shall be destined mainly to capitalization. According to its Organic Law, in the year 2001, the Bank shall transfer an amount from its year 2000 net income, to increase this reserve.

### **(c) Retained Earnings**

In accordance with article 92 of the Organic Law, the Bank shall distribute annually its net income as follows:



- Twenty-five percent (25%) to the Public Treasury
- Seventy-five percent (75%) to constitute and increase, up to the equivalent of 100% of its capital, a reserve that shall be destined mainly to capitalization.

The net income for year 1999 amounting to S/. 172 722 000 in adjusted figures as of December 31, 2000 (S/. 166 399 247 in historical figures) was distributed as follows:

- The Board of Directors' meeting held on March 9, 2000 approved to use 25% of the 1999 income, S/. 43 181 000 (S/. 41 599 812 in historical figures) in the partial amortization of the BCRP Capitalization bonds – “B” series.
- By means of Supreme Decree 058-2000-EF of June 23, 2000, the remaining 75% shall be distributed as follows:
  - (i) S/. 22 380 000 (S/. 21 561 086 in historical figures) for the payment of interest of BCRP Capitalization bonds, “A” series from January 1 to December 31, 2000.
  - (ii) S/. 49 819 000 (S/. 47 994 880 in historical figures) for the amortization of the “Public Treasury Bonds – Supreme Decree 114-98-EF” resulting from the transfers of the loan portfolio of Banco Banex in liquidation.
  - (iii) The remaining amount of S/. 57 342 000 (S/. 55 243 468 in historical figures) for the partial amortization of BCRP Capitalization bonds, “B” series”.

**(17) Interest Income**

Comprises the following:

	<b>In thousands of S/.</b>	
	<b>2000</b>	<b>1999 (note 2m)</b>
Deposits in foreign banks	1 255 016	1 056 079
Funds in international entities	1 114	346
Interest from investments	677 862	632 586
Interest from loans	38 536	48 527
Other	1 420	4 662
	<b>1 973 948</b>	<b>1 742 200</b>

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**(18) Interest Expense**

Comprises the following:

	In thousands of S/.	
	2000	1999 (note 2m)
Demand deposits in foreign currency	623 882	471 980
Special and term deposits in foreign currency	758 129	696 601
Due to the IMF	78 426	83 371
BCRP Certificates in local currency	196 308	119 578
Deposits in local currency	71 372	59 959
Various	24 364	19 034
	<b>1 752 481</b>	<b>1 450 523</b>

**(19) Result of Exposure to Inflation**

The loss from exposure to inflation (note 2j) for the years ended December 31, 2000 and 1999, arises from the monetary position exposed to fluctuations in the purchasing power of the Peruvian currency as follows:



	In thousands of S/.	
	2000	1999 (note 2m)
Monetary assets	37 771 860	40 480 357
Monetary liabilities	( 37 751 083)	(40 347 947)
<b>Monetary assets, net</b>	<b>20 777</b>	<b>132 410</b>

The Bank's net monetary position during 2000 and 1999 resulted in loss from exposure to inflation for the sum of S/. 109 000 and S/. 3 269 000, respectively.

**(20) Memoranda Accounts**

Comprise the following:

	In thousands of S/.	
	2000	1999 (note 2m)
Banknotes and coins in stock	12 039 722	10 835 864
Securities held in safekeeping	5 018 478	5 245 243
Banknotes and coins to be destroyed	131 077	136 058



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Securities deposited in guarantee	8 458	13 384
Fondo para Enfermedades, Seguros y Pensiones de Empleados	62 990	52 043
Banks under liquidation	51 176	52 700
Production process - Casa Nacional de Moneda	101 660	140 486
Other	1 975 499	2 443 134
	<b>19 389 060</b>	<b>18 918 912</b>
	<b>19 389 060</b>	<b>18 918 912</b>

The Other item comprises mainly accounts of COFIDE Promotional Funds, Brady Plan collaterals, Central Banks agreements, Promissory notes of the CAF - BCRP - COFIDE agreement, among others.

**(21) Income Tax**

The Income Tax Law exempts national public sector entities from income tax. The Bank is only subject to the Extraordinary Solidarity Tax, Self-employment and Regular Employment Income taxes, as well as social contributions.

Tax returns for years 1996 to 2000, inclusive are subject to review by the tax authorities. Any major expenses exceeding the provisions made to cover the tax obligations will be charged to the income of the year in which those expenses are finally settled.

**(22) Fair Value of Financial Instruments**

The information below discloses on the fair value of financial instruments held by the Bank, as required by the International Accounting Standards. As the fair value of financial instruments represents the best estimate made by management, these estimates shall be made taking into consideration the current economic conditions and market risk characteristics, which may vary in the future.

The methods and procedures used by management to estimate the fair value of financial instruments were:

- Available assets represent cash and short-term deposits which are not considered to be a significant credit risk; for this reason their book value is close to their fair value.
- Fair value of the securities in foreign entities is based on the quotation of the market price and/or market quotation of similar instruments.
- Fair value of gold and precious metals is based on the quotation of market.

- Fair value of domestic credits with an original maturity term of one year and longer, is assumed to be equal to the book value.
- Fair value of obligations, debts and deposits such as: due to international entities, deposits, securities issued and monetary base are close to their book value, due to the nature of those obligations which are contracted at variable interest and preferential interest rates.

### **(23) Financial Instruments**

Under IAS 32, a financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. The balance sheet of the Bank is largely comprised of financial instruments. These instruments are subject to usual risks in investments such as: interest rate risk, foreign exchange risk and credit risk. Such risks are adequately controlled by management by applying the mechanisms commonly used to face this kind of risks.

#### **Interest Rate Risk**

Interest rate risk may be defined as the risk that the Bank is exposed to changes in the value of its financial assets and liabilities due to changes in interest rates.

The size of the risk is a function of:

- the relevant financial asset or liability's underlying interest rate; and
- the maturity structure of the Bank's portfolio of financial instruments.

Substantially all financial assets of the Bank are interest-bearing. The financial liabilities of the Bank include liabilities which are both non interest-bearing and interest-bearing. These have been disclosed in notes 11 to 15. Those assets and liabilities of the Bank which are interest-bearing are based on rates which have been set at or close to market levels.

The maturity structure of the Bank's financial assets and liabilities is disclosed in Note 25.

#### **Foreign Exchange Risk**

Foreign exchange risk may be defined as the risk that the Bank is exposed to changes in the value of its financial assets and liabilities due to changes in exchange rates (note 2 (k)). The size of this risk is a function of:



- 
- the mismatch in the Bank's foreign currency assets and liabilities; and
  - the underlying contract rate of outstanding foreign exchange transactions at year-end.

The exchange rate of the nuevo sol to the US dollar is fixed in accordance with the buy exchange rate established by Superintendency of Banking and Insurance.

### **Credit Risk**

Credit risk is defined by IAS 32 as the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a loss. Disclosure of credit risk enables the user of financial statements to assess the extent to which failures by counter-parties to discharge their obligations could reduce the amount of future cash flows from financial assets on hand at the balance sheet date.

The size and concentration of the Bank's exposure to credit risk can be obtained directly from the balance sheet, which describe the size and composition of the Bank's financial assets. Because of the kind of investment, the Bank has not entered into collateral agreements in relation to its credit exposure.

### **(24) Commitments and Contingencies**

As of December 31, 2000, the Bank has no significant commitments to acquire fixed assets. There are no outstanding guaranties, letters of credit or commitments to buy or sell gold, other precious metals, or foreign currency.

As of December 31, 2000, the Bank, during the normal course of its activities, has received some legal actions. It is the opinion of the management and its legal advisors that results of these legal actions will be favorable to the Bank, therefore they will not represent significant liabilities.

### **(25) Maturity Analysis**

The assets and liabilities of the Bank analyzed from the balance sheet date to contractual or intended maturity are as follows:

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In thousands of S/.

	Up to six months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years	Total
<b>Assets:</b>					
Foreign currency cash	35 772	--	--	--	35 772
Deposits in foreign banks	17 963 542	--	--	--	17 963 542
Securities in international entities	3 654 347	3 322 997	3 155 497	--	10 132 841
Gold	907 461	--	--	--	907 461
Contribution to Latin American Reserve Fund	--	--	--	936 237	936 237
Other available assets	162 673	--	--	28 201	190 874
Local currency contribution to the International Monetary Fund	--	--	--	2 929 112	2 929 112
Other foreign assets	332	331	8 506	35 135	44 304
Domestic credit	125 589	--	396 381	9	521 979
Gold and other precious metals					
Fixed assets	--	--	--	155 350	155 350
Other assets	571 056	524 507	2 652 848	479 573	4 227 984
<b>Total assets</b>	<b>23 420 772</b>	<b>3 847 835</b>	<b>6 213 232</b>	<b>4 563 617</b>	<b>38 045 456</b>
<b>Liabilities and equity:</b>					
Obligations to international entities Due to the International Monetary Fund	119 450	--	--	--	119 450
Other foreign liabilities	--	--	264	--	264
Obligations in local currency to the International Monetary Fund	--	--	--	2 929 265	2 929 265
Monetary base	66 991	--	--	5 575 427	5 642 418
Other deposits in local currency	369 558	--	--	--	369 558
Securities issued	1 155 100	205 000	386	--	1 360 486
Deposits in foreign currency	19 889 007	--	--	--	19 889 007
Other liabilities	415 964	1 124 240	2 116 020	2 555 754	6 211 978
Capital	--	--	--	169 505	169 505
Reserves	--	--	--	57 971	57 971
Retained earnings	--	66 897	--	--	66 897
<b>Total liabilities and equity</b>	<b>22 261 801</b>	<b>1 641 868</b>	<b>2 853 865</b>	<b>11 287 922</b>	<b>38 045 456</b>



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**(26) International Accounting Standards**

By means of Resolution 020-2000-EF/93.01 issued by Contaduría Pública de la Nación (National Accounting Office), published on December 21, 2000, various International Accounting Standards were approved. These IAS's will become effective on January 1, 2001.

The approved IAS are:

- IAS 10 (revised in 1999) : Events After the Balance Sheet Date
- IAS 17 (revised in 1997) : Leases
- IAS 22 (revised in 1998) : Business Combinations
- IAS 28 (revised in 1998) : Accounting of Investments in Associates
- IAS 36 (original) : Impairment of Assets
- IAS 38 (original) : Intangible Assets

The Bank's management has evaluated these standards and did not identify any effect on the financial statements as of December 31, 2000.

**(27) New Accounting Pronouncements**

As of the date of this report, the International Accounting Standards Committee (IASC) has issued a number of new International Accounting Standards (IAS's) that would be approved for use in Peru by the Peruvian Accounting Board of the National Accounting Office (Consejo Normativo de Contabilidad de la Contaduría Pública de la Nación) in year 2001, and would become effective the next year. The principal IAS's that will be approved and that may be applicable for the preparation of the Bank's financial statements, are the following:

- (a) IAS 39 Financial Instruments: Recognition and Measurement  
Under IAS 39, all financial assets and financial liabilities are recognized on the balance sheet, including all derivatives. They are initially measured at cost, which is the fair value of whatever was paid or received to acquire the financial asset or liability. It is the opinion of management that the application of this standard will not have any material effect on the Banks' financial statements.
  
- (b) IAS 40 Investment Property  
This IAS supersedes IAS 25 "Accounting for Investments". The objective of this standard is to prescribe the accounting treatment for investment property and related disclosure requirements. This standard should be applied in the recognition, measurement and disclosure of investment property. It is the opinion of management that the application of this standard will not have any material effect on the Banks' financial statements.

## BUDGET OF EXPENDITURES EXECUTED AT LEVEL SHEET

(In nuevos soles)

Specific allocations	Amount
a) Wages and Salaries	104 135 405
b) Goods	5 386 577
c) Services	44 830 463
d) Current Transfers	44 801 531
e) Pensions	21 823
f) Total interests and commissions	1 729 100 762
Financial expenditures in foreign currency	1 466 066 281
Financial expenditures in domestic currency	263 034 481
g) Total studies	18 000
h) Total works	254 320
i) Capital Goods not tied to of investment project	8 086 383
Total operational expenses and investment	207 534 502
Total interests and commissions	1 729 100 762
<b>GRAND TOTAL</b>	<b>1 936 635 264</b>

