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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheet of Banco Central de Reserva del Perú (the Bank) as of December 31, 2005, and the related statements of income, changes in net equity and cash flows for the year then ended. The preparation of these financial statements is the responsibility of the Bank's Management. Our responsibility is to express an opinion on these financial statements based on our audit. The Bank's financial statements as of December 31, 2004 were examined by other independent auditors, whose report, dated February 25, 2005, expressed an unqualified opinion on these financial statements.

We conducted our audit in accordance with auditing standards generally accepted in Peru. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a selective basis, evidence supporting the information and amounts disclosed in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Bank's Management, as well as evaluating the overall financial statements presentation. We believe that the audit we have performed provides a reasonable basis for our opinion.

As explained in note 2(a), the financial statements referred to above have been prepared as established in Article 88 of the Bank's Organic Law, in accordance with accounting principles generally accepted as applicable to the Central Bank, as also the standards established to these effects by Superintendencia de Banca, Seguros y Administradoras de Fondos de Pensiones (SBS).

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, 2005, and the results of its operations and its cash flows for the year then ended in conformity with the accounting policies described above.

The accompanying financial statements have been translated into English for the convenience of the readers.

Gris Hernández y Asociados

Countersigned by:

_______________________(Partner)
Eduardo Gris Percovich
CPC Registration No. 12159

August 2, 2006

BALANCE SHEETS
AS OF DECEMBER 31, 2005 AND 2004
(Expressed in Thousands of Nuevos Soles)

ASSETS	Notes	2005	2004
		S/.000	S/.000
AVAILABLE ASSETS:			
Cash in foreign currency		34,708	33,159
Deposits in foreign banks	5	15,380,104	14,120,194
Securities in international institutions	6	29,786,968	24,560,078
Gold	7	1,974,601	1,602,907
Contributions to Fondo Latinoamericano de Reservas (FLAR)	8 (a)	1,104,942	1,050,269
Agreements with central banks		34,402	23,657
Other available assets		100,333	98,052
		48,416,058	41,488,316
OTHER ASSETS ABROAD:			
Contributions in local currency to the International Monetary Fund	8 (b)	3,126,944	3,251,917
Other assets abroad		25,471	26,422
		3,152,415	3,278,339
DOMESTIC CREDIT	9	2,849,755	39,009
PROPERTY, FURNITURE AND EQUIPMENT, NET	10	149,013	145,321
OTHER ASSETS	12	1,193,411	1,207,108
TOTAL ASSETS		55,760,652	46,158,093
MEMORANDUM ACCOUNTS	23	15,204,755	16,105,825

See notes to financial statements.

LIABILITIES AND EQUITY	Notes	2005 S/.000	2004 S/.000
LIABILITIES ABROAD:			
Obligations with international institutions		77,398	58,707
Counterpart of the contribution in local currency to the International Monetary Fund	13 (a)	3,126,944	3,251,917
Other liabilities abroad	13 (b)	712,927	872,050
		3,917,269	4,182,674
MONETARY BASE (PRIMARY ISSUANCE)	14	11,723,776	9,326,897
OTHER DEPOSITS IN LOCAL CURRENCY	15	4,821,637	1,979,132
SECURITIES ISSUED	16	8,610,469	7,961,220
DEPOSITS IN FOREIGN CURRENCY	17	22,969,369	19,791,888
OTHER LIABILITIES	18	1,026,181	937,564
READJUSTMENT IN VALUATION, ORGANIC LAW ARTICLE 89	19	2,249,131	1,683,030
TOTAL LIABILITIES		55,317,832	45,862,405
NET EQUITY:	20		
Capital		245,979	253,177
Reserves		49,709	105,347
Retained earnings		147,132	(62,836)
TOTAL NET EQUITY		442,820	295,688
TOTAL LIABILITIES AND NET EQUITY		55,760,652	46,158,093
MEMORANDUM ACCOUNTS	23	15,204,755	16,105,825

STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(Expressed in Thousands of Nuevos Soles)

	Notes	2005 S/.000	2004 S/.000
FINANCIAL INCOME:			
Interest on deposits in foreign banks		463,533	186,108
Interest on securities of international institutions		748,523	468,110
Interest on domestic credit operations		9,385	5,673
Dividends received from FLAR		6,609	24,142
Other financial income		183,588	14,303
Total		1,411,638	698,336
NON-FINANCIAL INCOME		9,908	17,426
FINANCIAL EXPENSES:			
Interest on time and special deposits		(445,480)	(211,306)
Interest on demand deposits received in Peru		(194,820)	(121,052)
Interest on BCRP certificates		(428,073)	(231,002)
Interest on loans from international organizations		(11,542)	(8,529)
Other financial expenses		(9,709)	(19,612)
Total		(1,089,624)	(591,501)
OPERATING EXPENSES:			
Payroll and cost of social laws		(111,585)	(115,576)
Administrative expenses		(54,624)	(54,300)
Depreciation and amortization		(6,712)	(7,114)
Other expenses		(12)	-
Total		(172,933)	(176,990)
MONETARY ISSUANCE COSTS:			
Expenses for transport and cost of notes and coins		(2,792)	(439)
Cost of materials for production delivered to Casa Nacional de Moneda		(9,065)	(4,199)
Total		(11,857)	(4,638)
Inflation exposure loss	24	-	(5,469)
NET INCOME (LOSS)		**147,132**	**(62,836)**

See notes to financial statements.

STATEMENTS OF CHANGES IN NET EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(Expressed in Thousands of Nuevos Soles)

	Capital	Reserves	Retained Earnings	Total
	S/.000	S/.000	S/.000	S/.000 (Note 20)
Balance as of January 1, 2004	180,393	180,188	185,656	546,237
Transfer of inflation exposure loss	-	(2,057)	2,057	-
Distribution of earnings as per D.S. 089-2004-EF to amortize accounts receivable from the Public Treasury	-	-	(187,713)	(187,713)
Capitalization of reserves	72,784	(72,784)	-	-
Net loss	-	-	(62,836)	(62,836)
Balance as of December 31, 2004	253,177	105,347	(62,836)	295,688
Transfers between equity accounts to absorb losses	(7,198)	(55,638)	62,836	-
Net income	-	-	147,132	147,132
Balance as of December 31, 2005	**245,979**	**49,709**	**147,132**	**442,820**

See notes to financial statements.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(Expressed in Thousands of Nuevos Soles)

	Notes	2005	2004
		S/.000	S/.000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)		147,132	(62,836)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation of property, furniture and equipment		5,296	4,963
Accrued interests pending collection		(124,949)	(36,296)
Accrued interests pending payment		(258,364)	(156,844)
Other accrued liabilities pending payment		17,851	51,331
Other adjustments, net		-	211
Decrease (increase) in assets:			
Other assets abroad		125,924	197,324
Domestic credit		(2,810,746)	210,002
Other assets		138,646	78,596
Increase (decrease) in liabilities:			
Liabilities abroad		(265,405)	16,350
Other liabilities abroad		-	(391,272)
Deposits of financial institutions (primary issuance)		(4,309)	141,193
Other deposits in local currency		2,842,505	713,549
Securities issued		907,613	3,962,734
Deposits in foreign currency		3,177,481	(732,117)
Other liabilities		67,897	(128,682)
Readjustment in valuation, Organic Law Article 89		566,101	(813,094)
Cash and cash equivalents provided by operating activities		4,532,673	3,055,112
CASH FLOWS FROM INVESTING ACTIVITIES:			
Sale of property, furniture and equipment		201	-
Additions of property, furniture and equipment		(6,320)	(255)
Net cash and cash equivalents used in investing activities		(6,119)	(255)
NET INCREASE IN CASH AND CASH EQUIVALENTS		4,526,554	3,054,857
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		32,441,421	29,386,564
CASH AND CASH EQUIVALENTS AT END OF YEAR	**2 (n)**	**36,967,975**	**32,441,421**

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

1. IDENTIFICATION AND ECONOMIC ACTIVITY

Banco Central de Reserva del Perú (hereinafter the Bank) is an autonomous legal entity of public law created on March 9, 1922, intended to preserve the country's monetary stability. Its activities are currently governed by Article 84 of the Peruvian Constitution dated December 29, 1993, and its Organic Law approved by Decree-Law 26123 of December 24, 1992 (hereinafter Organic Law). The Organic Law establishes as the Bank's functions to regulate money supply, manage international reserves, issue notes and coins and report on the finances of Peru, among other functions.

The Bank's legal address is in Lima, and it has regional offices in seven cities in Peru. As of December 31, 2005 and 2004, the Bank headcount was 974 and 973, respectively.

The financial statements, for the year ended December 31, 2005 have been issued by the Bank's Management to be presented and approved by the Board of Directors. The financial statements for the year ended December 31, 2004, were approved by the Board of Directors at the meeting held on March 23, 2005.

The Bank represents Peru for the purposes established in the Articles of the Agreements of the International Monetary Fund (IMF) and the Fondo Latinoamericano de Reservas – FLAR (Latin American Reserve Fund) and is responsible for all official transactions, operations and relations with these institutions.

The Bank may also act as Peruvian Government Agent in its relations with multilateral credit organizations and financial agencies of foreign governments.

As established in its Organic Law, the Bank is not allowed to:

- Grant financial assistance to the Public Treasury, except as acquisition in the secondary market of securities issued by the Public Treasury, in which case the holding of such securities may not exceed in any moment, valued at their acquisition cost, five per cent (5%) of the balance of the monetary base at the closing of the previous year.

- Extend guarantees, letters of guarantee or any other guarantees, or use any form of indirect financing, or grant insurance of any type. It should be mentioned that the operations conducted by the Bank in implementing payment and reciprocal credit agreements are not subject to the above prohibition.

- Allocate resources for the creation of special funds aimed at granting credits or making investments to promote any economic financial activity.

- Issue securities, bonds or contribution certificates of mandatory acquisition.

- Impose sector or regional coefficients in the composition of the loan portfolio of financial institutions.
- Establish multiple exchange rates regimes.
- Purchase shares, save for those issued by international financial organizations or those needed to be acquired to strengthen banks and financial companies; participate, directly or indirectly, in the capital of commercial, industrial or any other companies.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting principles and practices applied by the Bank for the recording of operations, preparation and disclosure of financial statements are the following:

(a) Basis of preparation and disclosure

The financial statements have been prepared as established in Article 88 of the Bank's Organic Law, in accordance with accounting principles generally accepted (hereinafter GAAP) as applicable to the Central Bank, and the standards established to such effect by Superintendencia de Banca, Seguros y Administradoras de Fondos de Pensiones - SBS (Peruvian Superintendence of Banking, Insurance and Pensions Funds Managers).

Peruvian GAAP comprise the International Accounting Standards (IAS) 1 to 41 issued by the International Accounting Standards Committee (IASC) and the pronouncements SIC 1 to 33 of the Standing Interpretations Committee (SIC), authorized by the Consejo Normativo de Contabilidad (CNC) to be in force and applied in Peru.

The main differences between the accounting practices applicable to the Bank and Peruvian GAAP are described in Note 3.

(b) Adjustment to constant currency

Until December 31, 2004, the consolidated financial statements were adjusted to constant currency to reflect the effect of the changes in the purchasing power of the Peruvian currency, using the adjustment factors derived from the Nation-wide Wholesale Price Index (WPI).

By means of Resolution 031-2004-EF/93.01 dated May 11, 2004, Consejo Normativo de Contabilidad suspended as from January 1, 2005, the comprehensive adjustment of the financial statements to reflect the effect of fluctuations in the purchasing power of the Peruvian currency. It was also established that final balances adjusted for effects of inflation as of December 31, 2004, will be considered as the historical beginning balances as of January 1, 2005.

(c) Use of accounting estimates

The preparation of the financial statements in accordance with accounting principles generally accepted in Peru requires the Bank Management to make certain estimates and assumptions that affect reported asset and liability figures, disclose assets and liability contingencies as of the date of the financial statements, disclose significant facts included in the notes to the financial statements, and report income and expense figures for the year. Assets and liabilities are recognized in the financial statements when it is probable that future economic benefits will flow to or from the Bank and when the different items have a cost or value that can be measured reliably. Should these estimates and assumptions, based on Bank Management's best criteria as of the date of the financial statements, vary as a result of changes in their supporting premises, the balances of the financial statements would be corrected on the date in which such changes of estimates and assumptions occur. The most significant estimates related to the financial statements, the accounting criteria of which are described below, correspond to depreciation of property, furniture and equipment, provision for severance indemnities, amortization of intangibles, provision for foreclosed assets and actuarial provisions for supplementing retirement, widowhood, health care and burial benefits.

(d) Financial instruments

Financial instruments are defined as any contract that gives rise simultaneously to a financial asset in one enterprise and a financial liability or equity instrument in another. In the case of the Bank, financial instruments correspond to primary instruments such as: (i) available assets: cash in foreign currency, deposits in foreign banks, securities in international institutions, gold, contributions to FLAR, agreements with central banks and other available assets; (ii) other assets abroad: contributions in local currency to the International Monetary Fund and other assets abroad; (iii) domestic credit; (iv) other assets; and (v) liabilities in general.

Financial instruments are classified as asset, liability or equity according to the contract that gave rise to the financial instrument. The interest, gains and losses generated by a financial instrument classified as asset or liability, are recorded as income or expense in the statement of income. Financial instruments are compensated when the Bank has the legal right to compensate them and the Bank's Management has the intention of paying them on a net basis or realizing the asset, and paying the liability simultaneously.

According to Bank Management's opinion, the balances in: (i) available assets, cash in foreign currency, deposits in foreign banks, securities in international institutions, gold, contributions to FLAR, agreements with central banks and other available assets; (ii) other assets abroad: contributions in local currency to the International Monetary Fund and other assets abroad; (iii) domestic credit; (iv) other assets; and (v) liabilities in general, do not differ significantly from their fair value (See Note 26). The recognition and valuation criteria of these items are disclosed herein in the corresponding notes.

(e) Securities in international institutions

Securities in international institutions held by the Bank are classified as held to maturity. These securities are recorded at acquisition cost. Likewise, premiums or discounts on the acquisition of these investments are amortized by applying the amortized cost method as from acquisition date to investment maturity date. When there is objective evidence of impairment of the accounting value, this loss will be recognized via the corresponding provision for fluctuation in the value of securities, charged to results for the year.

(f) Precious metals

As established by Article 72 of the Bank's Organic Law, gold and silver holdings are recorded in the accounting books at the value established by the Board of Directors, which does not exceed the price prevailing in the international market.

Gold and silver holdings are valued at their listed price at the end of each day, as per Board of Directors' agreement of February 14, 2002. Gold valuation is obtained by applying the average purchase quotation of the London, New York and Zurich markets, which amounted to US$ 516.533 and US$ 438.350 as of December 31, 2005 and 2004, respectively. Likewise, silver valuation is obtained by applying the average purchase quotation in the New York and London markets; as well as the quotation published in Handy & Harman, which amounted to US$ 8.84 and US$ 6.83 as of December 31, 2005 and 2004, respectively.

(g) Property, furniture and equipment

Property, furniture and equipment are stated at the adjusted cost and are shown net of accumulated depreciation. If renewals and improvement expenses are proven to result in future benefits from the use of property, furniture and equipment, these expenses are then capitalized as an additional cost of property, furniture and equipment; while maintenance and repair expenses are charged to results as incurred.

Annual depreciation is recognized as expense and calculated based on the straight-line method considering the following estimated useful lives:

	Years
Buildings	100
Furniture and office equipment, and miscellaneous equipment	10
Computing equipment	3
Vehicles	5

The Bank's Management periodically reviews the useful life and depreciation method based on the forecasted economic benefits to be provided by the components of property, furniture and equipment.

The cost and accumulated depreciation of property, furniture and equipment disposed or sold are eliminated from their respective accounts, and any resulting gain or loss is included in the results for the year when they occur.

(h) Foreclosed assets

Foreclosed assets include mainly land and properties received as payments of loans granted to banks under liquidation process and are recorded at the cost of adjudication which does not exceed their estimated realizable value, net of the corresponding provision. As of December 31, 2005 and 2004, foreclosed assets are fully amortized.

As established in Article 85 of the Organic Law, the Bank may not be the owner of more properties than those intended for its normal activities and those transferred to the Bank as settlement of debts. The latter must be sold over a term not exceeding a year from the date of transfer. As of December 31, 2005, all the foreclosed assets are aged over a year and the Bank has begun the arrangements established by law in order to formalize their sale, which implied coordination with Superintendencia de Bienes Nacionales (Superintendence of National Assets). As of December 31, 2005, the Bank conducted public auctions that included all the foreclosed assets, selling approximately 82% of the total cost value of such assets.

(i) Notes and coins issued

Correspond to notes and coins of legal tender issued by the Bank which are held by the public; they are recorded as a liability on the balance sheet at their nominal value under monetary base (primary issue). Notes and coins not in circulation are kept in the Bank's vaults and recorded in Memoranda Accounts at their nominal value.

(j) Provision for employees' severance indemnities

The provision for employees' severance indemnities comprises all employees' rights to indemnities and is recorded in the accounting books as other liabilities and charged to results as accrued. The payments made, which are considered as definitive, are deposited in financial institutions selected by the employees.

(k) Employee benefits

As established in Article 53 of its By-laws, the Bank supports the Fondo para Enfermedades, Seguros y Pensiones de Empleados (Fund for Disease, Insurance and Pensions of the Bank's employees, hereinafter the Fund) with the resources necessary for supplementing the expenses required for its operations, which according to IAS 19 – Retirement Pension Costs, is an employee benefit under a defined benefit plan.

The Fund is a legal entity of private law established under Decree-Law 7137 and is intended to provide assistance to the Bank's active and retired employees, as well as their spouses, children and parents, as established in its regulations. Such assistance is in addition to social security benefits and other social benefits granted by Law (National Health Security - EsSalud, Spanish acronym; National Pension System - Decree Law 19990, and The Private Pensions System).

- Supplementary pensions subsidy

For a plan of defined benefits, the expenses related to supplementary pensions are recorded under the method of benefits per year of services, under which the cost of providing supplementary pensions is recorded in results for the year so as to distribute the cost over the employees' years of services. The value of the supplementary pension is determined by an actuary on a periodic basis and is measured at the present value of all future pension payments using an average annual discount rate of 6%. In determining this obligation, the Bank has used parameters established in the Fund's Regulations (Note 18 (b)), and the methodology for calculating the actuarial reserve for supplementary pensions subsidy, widowhood pensions, burial subsidy, and health-care services.

- Other benefits supplementary to retirement

The general balancing equation between health benefits and contributions (Kaan equation), was used to calculate the ongoing risks reserve of health care services.

(l) Interests and commissions

Interest income and expenses are recognized in the results for the year when accrued and the commissions when paid.

When there are reasonable doubts regarding the collection of any financial instrument, interest is recognized as income to the extent there is a reasonable certainty of its collection.

(m) Printing of notes and operating expenses

Operating expenses are recognized in results for the year in which they accrue.

Expenses for printing notes and minting coin are recognized in results for the years in which they are issued, thus amending the previous policy (until December 31, 2004) of recognizing the printing expense at payment to the notes manufacturer or minting expenses when coins are received by the Bank.

(n) Cash and cash equivalents

Cash and cash equivalents comprise available assets, which include funds, bank deposits, investments in securities in international institutions, gold holdings, contributions to FLAR, agreements with central banks and other available assets, net of notes and coins issued included in the account monetary base (primary issue).

Available assets abroad represent international assets or gross international reserves. The difference between international assets and liabilities (comprising the obligations with international entities) represents net international reserves. These reserves show the international liquidity of Peru and its financial capacity in respect to other countries; they are the resources the country possesses to honor obligations in foreign currency.

(o) Exchange difference and readjustment of foreign currency

Article 89 of the Bank's Organic Law establishes that differences recorded as a result of the readjustments in the valuation in local currency of the Bank's assets and obligations in gold, silver, foreign currency, Special Drawing Rights (hereinafter SDR) or other monetary units of international use, are credited in a special account, not being considered as gains or losses.

This valuation is made on a daily basis by applying on the balances of assets and liabilities in foreign currency and precious metals, the quotation in respect to the U.S. dollar and the exchange rate of the U.S. dollar compared to the Peruvian nuevo sol (Note 4), obtaining balances in local currency which are compared with the accounting balances before valuation. The result of such valuation of price and exchange rate is charged or credited to the liability balance sheet account "Readjustment in Valuation, Organic Law Article 89" (Note 3).

The Bank records the gains or losses from the sale of foreign currencies in income (loss) for the year. Since 2005, results from the sale of foreign currencies are obtained by subtracting the equivalent in local currency obtained in sales of foreign currency in the month, from the equivalent in local currency paid in the purchases of local currency in the month. Should the monthly amount of purchases be lower than the amount of sales, the difference is compared to the stock of foreign currency; and the result is recorded with a balancing entry in the "Readjustment in Valuation, Organic Law Article 89" account (Note 19). Until December 31, 2004, the income (loss) from the sale of foreign currencies was obtained by multiplying the difference between the exchange rate of the operation and the previous year's closing exchange rate by the amount of the operation. Said result was recorded as a balancing entry in the liability account "Readjustment in Valuation, Organic Law Article 89". This change has resulted in recognizing in the statement of income of 2005 a higher gain from the sale of foreign currency for S/. 72,497,000, recorded in the account other financial income.

(p) Provisions

Provisions are recognized when the Bank has a present obligation either legal or assumed as a result of past events, it is probable that an outflow of resources be required to settle the obligation, and its amount can be reliably estimated. Provisions are reviewed and adjusted in each year to reflect the best estimate.

When the effect of the value of money over time is material, the value of the provision is the present value of the expenditure expected to be incurred to settle the provision.

(q) Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed in the notes to the financial statements unless the possibility of an outflow of resources is remote. Contingent assets are not recognized in the financial statements and they are disclosed only when an inflow of resources is probable.

(r) Reclassifications

Certain reclassifications have been made to the 2004 financial statements to make them comparable to the financial statements of 2005.

3. MAIN DIFFERENCES BETWEEN THE ACCOUNTING PRACTICES APPLIED BY THE BANK AND ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN PERU

The accounting practices applied by the Bank in accordance with the Organic Law, as described in Note 2, differ in certain aspects from accounting principles generally accepted in Peru.

- The Bank records as liabilities in the balance sheet, under the accounting practice in Article 89 of its Organic Law, the readjustments in the valuation of prices and exchange rates in local currency of the Bank's assets and obligations in gold, silver, foreign currency, SDRs or any other monetary unit of international use. In accordance with accounting principles generally accepted in Peru, the income (loss) of the valuations should be included in the Bank's income (loss) in the years when they were generated, and results from sale of foreign currencies should be recorded as gain or loss in the year they occur. As of December 31, 2005 and 2004, the readjustment amounted to S/. 2,249,131,000 and S/. 1,683,030,000, respectively (Notes 2 (o) and 19).

- The Bank prepares the statement of cash flow considering as funds the cash and cash equivalents, as indicated in Note 2 (n). This accounting practice differs from what is defined by the International Accounting Standard No. 7 - Cash Flow (Peruvian GAAP). The Central Banks have not defined the accounting practice relating to the preparation and presentation of this statement.

4. BALANCES IN FOREIGN CURRENCY

Balances in U.S. dollars as of December 31, 2005 and 2004 have been stated in nuevos soles at the purchase exchange rate established by Superintendencia de Banca, Seguros y Administradoras de Fondos de Pensiones - SBS (Peruvian Superintendence of Banking, Insurance and Pensions Funds Managers) of S/. 3.429 and S/. 3.280 per US$ 1, respectively. Balances in other currencies have been stated in U.S. dollars at the exchange rate at the closing of the New York market as mentioned in section (b) of this note.

a) The Balances in foreign currency and in precious metals as of December 31, 2005 and 2004 are summarized as follows:

	2005	2004
	In Thousands of US$	In Thousands of US$
Assets:		
U.S. dollars	11,256,751	11,242,884
Other currencies	2,555,246	1,157,791
SDRs	67,103	114,380
Pesos andinos	20,000	20,000
Gold	575,853	488,691
Silver	4,848	4,826
	14,479,801	13,028,572
Liabilities:		
U.S. dollars	6,945,827	6,259,705
Other currencies	522	5
SDRs	58,404	104,907
Pesos andinos	20,000	20,000
Silver	165	860
	7,024,918	6,385,477
Net assets	**7,454,883**	**6,643,095**

The Special Drawing Right (SDR) is an international reserve asset created by the IMF. SDRs are allocated to member countries in proportion to their quotas. The value of SDR is calculated daily by adding the U.S. dollar values (exchange rate quoted at noon in the London Market) of specific amounts of a four-currency basket (U.S. Dollar, Euro, Japanese Yen and Pound Sterling). The amounts of each currency of the SDR basket are calculated according to agreed percentages.

b) The Quotations of foreign currency in U.S. dollars as of December 31, 2005 and 2004 are summarized as follows:

	Equivalent in US$ 2005	Equivalent in US$ 2004
SDRs	1.429270	1.553010
Pounds sterling	1.722900	1.918800
Canadian dollars	0.860363	0.832917
Pesos andinos	1.000000	1.000000
Euro	1.184500	1.355300
Swiss francs	0.761673	-
Japanese yen	0.008488	-
Swedish crown	0.126002	-
Norwegian crown	0.148454	-

5. DEPOSITS IN FOREIGN BANKS

They comprise the following:

	2005 S/.000	2004 S/.000
Time deposits	15,328,692	14,105,450
Call deposits	51,281	14,739
On-demand deposits	131	5
Total	**15,380,104**	**14,120,194**

As of December 31, 2005 and 2004, time deposits amount to US$ 4,470,310,000 and US$ 4,300,442,000 respectively, which are deposited in first-rate banks and accrue interests at international market rates.

6. SECURITIES IN INTERNATIONAL INSTITUTIONS

They comprise U.S. Treasury and Bank for International Settlements (BIS) obligations, and bonds and commercial papers of international institutions supported by sovereign governments and supra-national institutions.

Securities in international institutions correspond to first class and low-risk financial instruments, which bear interest at international market rates.

Commercial papers correspond to debt securities with maturity of up to a year, issued with a minimum rating required by the Bank.

7. GOLD

As of December 31, 2005 and 2004, this item is represented by 1,114,842 troy ounces, and includes commemorative coins deposited in the Bank’s vaults and “good delivery” bars deposited in first-rate foreign banks in custody and deposit accounts; bearing interest in accordance with international market conditions.

8. CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS

The Bank maintains contributions with the following international organizations:

(a) Fondo Latinoamericano de Reservas - FLAR (Latin American Reserve Fund)

As of December 31, 2005, the contribution to FLAR amounts to US$ 322,234,000 equivalent to S/. 1,104,942,000 (US$ 320,204,000 equivalent to S/. 1,050,269,000 as of December 31, 2004). This contribution grants Peru access to FLAR financing facilities.

(b) International Monetary Fund (IMF)

It comprises the following:

	2005	2004
	S/. 000	S/. 000
Contributions to IMF for the equivalent in local currency of SDR 638,400,000	3,152,826	3,227,291
Revaluations to liquidate - contribution to IMF in local currency	(25,882)	24,626
Total	**3,126,944**	**3,251,917**

The contribution to IMF grants Peru access to IMF's financing activities. The balancing entry of these contributions is recorded as liability with IMF (Note 13 (a)).

Revaluations to liquidate - contribution in local currency to IMF corresponds to the revaluation (provision) for maintenance of the value of contribution resulting from the difference from the variation of the exchange rates of SDR in respect to the U.S. dollar and the U.S. dollar in respect to the Peruvian Nuevo Sol, from April 30 to December 31 of each year. These revaluations are cancelled at the end of each IMF fiscal year, which is April 30.

9. DOMESTIC CREDIT

It comprises the following:

	2005	2004
	S/.000	S/.000
Report operations in local currency:		
With CDBCRP	2,684,761	-
With Public Treasury Bonds	164,985	-
Total	2,849,746	-
S.D. 066-94-EF BCRP Capitalization Bonds series "A"	-	39,000
Other	9	9
Total	**2,849,755**	**39,009**

Through report operations in local currency the Bank provides liquidity to companies in the financial system, which transfer ownership of BCRP Deposits Certificates (CDBCRP) and securities issued by the Public Treasury. The term of report operations range from one to seven days, after which period the companies in the financial system refund the resources to the Bank.

Report operations accrued an average annual interest rate of 3.31% as of December 31, 2005 (3.05% as of December 31, 2004).

In accordance with Supreme Decree 066-94-EF, dated May 31, 1994, the Ministry of Economy and Finance (MEF) issued BCRP Capitalization Bonds series "A" (interest-bearing bonds) and "B" (non-interest bearing bonds) for S/. 613,796,000 (historical value).

Such bonds were accepted and recorded to settle debts maintained by the Public Treasury with the Bank, transfer its debts with the state development banks in liquidation and offset accumulated losses that the Bank maintained as of May 31, 1994, and allow the Bank to reach the capital indicated in Article 5 of its Organic Law. Additionally, in conformity with said Decree, such bonds are being paid with the transfer of profits generated by the Bank at the percentages stated in the respective legal regulations established by MEF (Note 20 (c)). In 2003, the BCRP Capitalization Bonds series "B" were fully paid. In 2005, the Bank amortized in full the BCRP Capitalization Bonds series "A" via a S/. 39 million cash payment made by the Public Treasury.

10. PROPERTY, FURNITURE AND EQUIPMENT

The evolution of cost and the corresponding accumulated depreciation of the property, furniture and equipment account for the year ended December 31, 2005, has been as follows:

	Balances as of 12/31/04	Additions	Disposals	Balances as of 12/31/05
	S/.000	S/.000	S/.000	S/.000
Cost:				
Land	25,009	-	-	25,009
Buildings	155,204	158	-	155,362
Furniture and office equipment	4,976	1	(149)	4,828
Vehicles	2,352	245	(1)	2,596
Miscellaneous equipment	37,773	5,916	(2,033)	41,656
Units in-transit	-	2,869	-	2,869
Total	225,314	9,189	(2,183)	232,320
Accumulated depreciation:				
Buildings	49,137	1,560	-	50,697
Furniture and office equipment	3,161	429	(106)	3,484
Vehicles	2,137	115	(1)	2,251
Miscellaneous equipment	25,558	3,192	(1,875)	26,875
Total	79,993	5,296	(1,982)	83,307
Net cost	**145,321**			**149,013**

11. FORECLOSED ASSETS

They comprise the following:

	2005	2004
	S/.000	S/.000
Cost of foreclosed assets	4,876	2,304
Amortization	(4,876)	(2,304)
Net value	-	-

Foreclosed assets are recorded in the account other assets in the balance sheet.

12. OTHER ASSETS

They comprise the following:

	2005	2004
	S/.000	S/.000
Contributions to international organizations (Note 18 (a))	502,402	487,231
Interest and commissions receivable, net	369,151	244,566
Fund in foreign currency - Brady Plan (Note 13 (b))	198,163	338,072
Art collections	87,835	87,773
Revaluations to liquidate - Brady Plan Fund (Note 13 (b))	(1,627)	2,580
Silver	16,622	15,830
Almacén Casa Nacional de Moneda	14,073	14,966
Accounts receivable from personnel	1,178	1,277
Intangibles, net of amortization of S/. 9,915,000 (S/. 12,974,000 in 2004)	1,886	1,471
Miscellaneous	3,728	13,342
Total	**1,193,411**	**1,207,108**

The contribution subscribed to international organizations corresponds to the unpaid contribution of US$ 146,516,000 (US$ 148,546,000 in 2004) to FLAR, which will be paid with future distributions of profits of this organization (Note 18 (a)).

Fund in foreign currency - Brady Plan corresponds to SDR 40,125,000 (SDR 66,875,000 in 2004) received by the Bank and deposited in Banco de la Nación (National Bank of Peru) to be used by MEF. The amount of the Fund in foreign currency - Brady Plan will decrease as the Bank receives the respective transfers from MEF to effect the corresponding re-purchase transactions as stated in the respective agreement. During 2005, the Bank received transfers of funds in U.S. dollars from MEF equivalent to SDR 26,750,000 intended to reduce financing by IMF (Note 13 (b)).

Art collections correspond to works of art and numismatic collections of coins and notes acquired by or donated to the Bank and maintained for display, valued at market value.

Almacén Casa Nacional de Moneda comprises the supplies acquired by the Bank for the minting of coins, valued at average cost.

13. DUE TO INTERNATIONAL MONETARY FUND

The Bank has the following liabilities abroad:

(a) Counterpart of the contribution in local currency to the IMF

As of December 31, 2005, the counterpart of the contribution in local currency to the IMF amounts to S/. 3,126,944,000 (S/. 3,251,917,000 as of December 31, 2004) corresponding to SDR 638,400,000. This obligation is not subject to interest rate and has no agreed-upon maturity date (Note 8 (b)).

(b) Other Liabilities abroad

They comprise the following:

	2005	2004
	S/.000	S/.000
Promissory note IMF-MEF Brady Plan (Note 12)	198,163	338,072
Revalutions to liquidate - Promissory note Brady Plan	(1,627)	2,580
SDRs allocation	450,991	461,643
Revaluations to liquidate - SDR allocations	(3,702)	3,523
Pesos Andinos - FLAR allocation	68,580	65,600
Other	522	632
Total	**712,927**	**872,050**

The promissory note IMF-MEF Brady Plan corresponds to the obligation of SDR 40,125,000 (SDR 66,875,000 in 2004) due to IMF, that was handed to MEF (Note 12).

SDRs allocation corresponds to SDR 91,319,000 assigned by IMF that bear charges or interest under the conditions established in the agreement with IMF.

Revaluations to liquidate - Promissory note Brady Plan and Revaluations to liquidate - SDRs allocations correspond to the revaluation (provision) for maintaining the value resulting from the difference from the variation of exchange rates of SDR in respect to the U.S. dollar and the U.S. dollar in respect to the Peruvian Nuevo Sol, from April 30 to December 31 of each year. The revaluations are cancelled at the end of the IMF fiscal year, which is April 30.

14. MONETARY BASE (PRIMARY ISSUANCE)

It comprises the following:

	2005	2004
	S/.000	S/.000
Notes and coins issued	11,448,083	9,046,895
Deposits of banks	76,481	208,352
Deposits of financial institutions	38,971	18,538
Other deposits and obligations	160,241	53,112
Total	**11,723,776**	**9,326,897**

Deposits of banks and financial institutions comprise mainly the minimum legal cash reserve of 6% applicable to these institutions for their obligations in local currency, that should be deposited in the Bank. This minimum legal cash reserve does not bear interest.

The balances of notes and coins issued are as follows:

	2005		2004	
Face value	Units	In Thousands of S/.	Units	In Thousands of S/.
Notes:				
10	59,735,250	597,353	50,202,539	502,025
20	39,374,211	787,484	34,458,588	689,172
50	41,870,069	2,093,503	33,487,437	1,674,372
100	67,330,055	6,733,006	52,502,062	5,250,206
200	2,536,771	507,354	1,410,742	282,149
		10,718,700		**8,397,924**
Coins:				
0.01	56,851,240	568	35,806,524	358
0.05	178,919,370	8,946	169,299,636	8,465
0.10	497,412,200	49,741	451,836,553	45,184
0.20	132,613,630	26,523	127,987,349	25,598
0.50	164,867,334	82,433	145,298,566	72,649
1.00	171,563,934	171,564	154,150,382	154,150
2.00	56,226,509	112,453	49,657,985	99,316
5.00	55,059,310	275,297	48,279,220	241,396
		727,525		647,116
Commemorative coins	Miscellaneous	1,858	Miscellaneous	1,855
		11,448,083		**9,046,895**

15. OTHER DEPOSITS IN LOCAL CURRENCY

They comprise the following:

	2005	2004
	S/.000	S/.000
Governmental sector	874,932	125,433
Banks	59,509	51,509
Banco de la Nación	3,863,465	1,792,108
Private sector	23,730	10,081
Other entities and funds	1	1
Total	**4,821,637**	**1,979,132**

As of December 31, 2005 and 2004, the effective annual interest rates borne by the Bank for time deposits of the governmental sector were on average 3.71% and 4.20% respectively; for deposits of Banco de la Nación (National Bank of Peru) they were 3.30% and 3.01%, respectively; and for banks (overnight) they were 2.50% and 2.25%, respectively.

16. SECURITIES ISSUED

They comprise the following:

	2005	2004
	S/.000	S/.000
Banks	7,204,541	5,385,100
Financial institutions	17,000	9,300
Other entities	1,656,925	2,860,519
Indexation adjustment CDR BCRP	(1,041)	-
	8,877,425	8,254,919
Discount on sale CD BCRP and CDR BCRP	(266,956)	(293,699)
Total	**8,610,469**	**7,961,220**

Securities issued comprise mainly certificates of deposit in local currency placed through the mechanism of auction or direct placement in order to reduce surplus liquidity in the financial system, with maturities of up to three years. Such certificates are placed at discount and bear an implicit annual interest rate ranging from 2.85% to 5.32% at 2005 year end closing (2.91% to 6.95% at 2004 year end closing).

17. DEPOSITS IN FOREIGN CURRENCY

They comprise the following:

	2005	2004
	S/.000	S/.000
Banks	13,975,009	9,219,476
Governmental sector	8,685,838	10,231,416
Banco de la Nación	113,960	149,201
Other financial system institutions	182,305	174,570
Financial institutions	7,661	5,370
Private sector	4,596	11,855
Total	**22,969,369**	**19,791,888**

Foreign currency deposits of local financial system institutions are part of the funds destined to cover the legal cash reserve required by the Bank for the total obligations in foreign currency subject thereto. This required legal cash reserve may be covered in addition with cash in foreign currency deposited in local institutions of the financial system, and is broken down from a minimum legal cash reserve of 6% of the obligations subject to legal cash reserve and an additional reserve fluctuating from 23.3% to 23.9% in 2005 (from 23.5% to 25.7% in 2004). The funds covering the minimum legal cash reserve do not earn interest. The deposits in the Bank covering the additional reserve in foreign currency bear interest at a rate of 2.25% (as of December 31, 2004 a three-month LIBOR less 1/4 of one percent was applied).

The Bank has signed agreements with Dirección General del Tesoro Público from MEF and Fondo Consolidado de Reserva Previsional (FCR, its Spanish acronym) whereby conditions established for receipt by the Bank of deposits from these organizations. These deposits bear interest rates at year end closing ranging from 1.62% to 4.33% (from 1.34% to 2.37% at 2004 year-end closing). As of December 31, 2005, the Public Treasury's resources and those of FCR deposited in the Bank amount to US$ 2,532,142,000, equivalent to S/. 8,682,716,000 (US$ 3,049,765,000, equivalent to S/. 10,003,230,000 as of December 31, 2004).

18. OTHER LIABILITIES

They comprise the following:

	2005	2004
	S/.000	S/.000
Contribution subscribed pending payment to international organizations (Note 12)	502,402	487,231
Interest and commissions payable	68,142	59,912
Actuarial liability	140,580	162,414
Other provisions	14,992	13,574
Accounts payable	4,562	1,881
Miscellaneous	295,503	212,552
Total	**1,026,181**	**937,564**

a) Contribution subscribed pending payment to international organizations
Under Agreement 93 dated March 22, 2000, amended by Agreement 102 of April 10, 2001, of the FLAR Meeting of Representatives, FLAR member countries agreed to increase the capital stock to US$ 2,109,375,000 through the capitalization of profits up to 2010; the Bank being responsible for contributing US$ 468,750,000 (Note 12). As of December 31, 2005, the balance of the pending contribution amounts to US$ 146,516,000 (US$ 148,546,000 in 2004).

b) Actuarial obligation
It includes the actuarial obligation corresponding to subsidy for the Bank's retired employees' supplementary pensions and other supplementary retirement benefits for retired employees and their families. At the Board of Directors' Meeting held on December 22, 2005, the adjustment of the actuarial obligation for supplementary pensions subsidy, for retirements, widowhood pensions, burial benefits and technical provision for health-care ongoing risks (Note 2 (k)) was approved.

The actuarial computation as of December 31, 2005 was determined by an independent actuary who took the following into consideration:

- Mortality charts established by Superintendencia de Banca, Seguros y Administradoras de Fondos de Pensiones - SBS (Superintendence of Banking, Insurance and Pensions Funds Managers) by means of Resolution 309-93-SBS of June 18, 1993.
- Use of the following life tables of Chile: employee life expectancy for men: 85 years (RV-85-H), and for women: 85 years (RV-85-M).
- Application of 6% annual discount rate in risks of retirement, expectants, widowhood, and disease benefits.

19. READJUSTMENT IN VALUATION, ORGANIC LAW ARTICLE 89

Corresponds to differences arising from readjustments in the valuation in local currency of the Bank assets and obligations in gold, silver, foreign currency, SDRs or any other international currencies, and are debited or credited to this account considering them as unrealized losses or profit (Note 2 (o)).

	2005	2004
	S/.000	S/.000
Beginning balance	1,683,030	2,496,124
Valuation of U.S. dollars	772,356	(806,422)
Valuation of other foreign currencies	(421,635)	86,176
Valuation of metals (gold and silver)	372,741	(820)
Valuation of contribution and obligations IMF	17,746	4,526
Transfer to income (loss) for the year and other	(175,107)	13,776
Inflation exposure loss	-	(110,330)
Ending balance	**2,249,131**	**1,683,030**

20. NET EQUITY

(a) Capital

As of December 31, 2005 and 2004, the capital authorized, subscribed and paid-in of the Bank under its Organic Law and Supreme Decree 108-2004-EF amounts to S/. 241,351,000. As of December 31, 2005, prior years' adjustment for capital restatement of S/. 4,628,504 is pending of capitalization. Such adjustment was originally for S/. 11,826,180 and is presented net of the transfer to cover losses for S/. 7,197,676 in 2005. This capital is not represented by shares, its value being stated only in the Capital account in the balance sheet. Likewise, as established by Supreme Decree, countersigned by MEF, the Bank's authorized capital may be readjusted.

Under Supreme Decree 108-2004-EF of August 9, 2004, the Bank's capital was readjusted in S/. 141,351,000, through the capitalization of the balance as of December 31, 2003 of the account accumulated inflation exposure result amounting to S/. 69,385,000 and the account exposure to accumulated inflation of capital amounting to S/. 71,966,000.

(b) Reserves

Under Articles 6 and 92 clause b) of its Organic Law, the Bank should record a reserve through the annual transfer of 75% of its net profits until reaching an amount equivalent to 100% of its capital. This reserve may be capitalized. In the event of losses, the reserve may be used to offset such losses. If this is insufficient, the Public Treasury, within 30 days after the balance sheet is approved, should issue and provide the Bank with securities of negotiable debt that will accrue interest, for the amount not covered.

On April 22, 2005, the sum of S/. 55,638,000 from the reserve was used to cover part of the net losses from 2004, which was approved by the Board of Directors at the meeting of April 14, 2005.

(c) Retained Earnings

Under Article 92 of its Organic Law, the Bank should distribute annually 25% of its net profits to the Public Treasury and 75% to constitute the reserve referred to in subsection (b) of this note.

The financial statements of 2004 were approved at the Board of Directors' meeting of March 23, 2005, thus on April 22, 2005, part of the Bank reserve was applied to cover the loss for 2004 amounting to S/. 55,638,000 as established by Article 93 of the Organic Law.

At the Board of Directors' meeting of June 30, 2004, the financial statements of 2003 were approved, and on July 15, 2004 the Bank's profits were 100% distributed in conformity with Article 92 of its Organic Law and Supreme Decree 089-2004-EF, in the amount of S/. 185,656,000 (S/. 187,713,000 at historical value). This amount was applied by the Bank to partially amortize the accounts receivable from the Public Treasury, related to BCRP Capitalization Bonds - "A" Series, in conformity with Supreme Decree 066-94-EF, with maturity on July 15, 2004.

21. TAX MATTERS

In accordance with the Income Tax Law, entities of the national governmental sector are not subject to income tax. The Bank, as withholding agent, is only subject to the fourth- and fifth-category income taxes and social contributions.

The tax authorities are entitled to review and, if necessary, amend the taxes calculated by the Bank during the last four years, counted as from the date of filing of the related tax returns (years open to fiscal review). The tax returns for years 2001 through 2005 inclusive, are open to fiscal review. Since discrepancies may arise over the interpretation by the Tax Administration of the rules applicable to the Bank, it is not possible to foresee at the date of the financial statements whether any additional tax liabilities will arise as a result of eventual reviews. Any additional tax, fines and interest, if arising, will be recognized in the income (loss) of the year when the disagreement with Tax Administration is resolved. Bank's Management and the legal advisors think that no significant liabilities will arise as a result of any possible fiscal reviews.

22. CONTINGENCIES

As of December 31, 2005, the Bank has certain lawsuits filed against it in the normal course of activities. The Bank's Management and its legal advisors think that no significant liabilities will arise from the outcome of such lawsuits, given the results obtained to date.

23. MEMORANDA ACCOUNTS

They comprise the following:

	2005	2004
	S/.000	S/.000
Notes and coins in stock	10,473,559	11,201,700
Securities held in custody	3,463,125	3,708,628
Securities deposited in guarantee	12,336	7,728
Notes and coins removed from circulation to be destroyed	1,201	1,210
Fund for disease, insurance, and pensions of employees	76,294	78,551
Banks under liquidation	53,459	51,070
Money in process of production by Casa Nacional de Moneda	1,136	753
Other	1,123,645	1,056,185
Total	**15,204,755**	**16,105,825**

Memoranda accounts include different transactions recorded for control purposes only. The securities held in custody include mainly promissory notes given to guarantee operations with the IMF.

Notes and coins in stock comprise:

	2005	2004
	S/.000	S/.000
New	6,717,000	8,674,415
Available	1,077,297	1,332,115
To be classified	2,086,437	254,506
To be incinerated and/or melted	592,762	940,389
In transit	63	275
Total	**10,473,559**	**11,201,700**

The movement of notes and coins in stock for the year ended December 31, 2005 and 2004 has been as follows:

	2005	2004
	S/.000	S/.000
Beginning balance	11,201,700	15,540,054
Acquisition of notes and coins	3,069,547	27,510
Destruction of notes and coins	(1,396,500)	(2,627,821)
Removals from circulation, net of income	(2,401,188)	(1,738,043)
Ending balance	**10,473,559**	**11,201,700**

Other corresponds mainly to recording accounts of Brady Plan collateral guarantees, among others.

24. MONETARY POSITION

The monetary position as of December 31, 2005 and 2004 is as follows:

	2005	2004
	S/.000	S/.000
Monetary asset	55,507,845	45,908,888
Monetary liability	(55,317,832)	(45,862,405)
Monetary asset, net	**190,013**	**46,483**

During 2004, the monetary assets exceeded liabilities of the same nature, which gave rise to a loss for exposure to inflation of S/. 5,469,000, which is included in the statement of income.

The comprehensive adjustment of financial statements to reflect variations in the purchasing power of Peruvian currency, was suspended by the Consejo Normativo de Contabilidad as from January 1, 2005, as indicated in Note 2 (b).

25. ANALYSIS OF MATURITIES

The structure of maturities of the Bank's financial assets and liabilities in force as of December 31, 2005, according to contractual or estimated maturity, are as follows:

	Up to Six Months	From Six Months to 1 Year	From One to Five Years	Over Five Years	Total
	S/.000	S/.000	S/.000	S/.000	S/.000
Assets:					
Cash in foreign currency	34,708	-	-	-	34,708
Deposits in foreign banks	15,380,104	-	-	-	15,380,104
Securities in international institutions	11,007,139	5,256,178	13,523,651	-	29,786,968
Gold	1,974,601	-	-	-	1,974,601
Agreements with central banks	34,402	-	-	-	34,402
Other available assets	70,222	-	-	30,111	100,333
Other assets abroad	1,076	1,076	9,147	14,172	25,471
Domestic credit	2,849,747	-	-	8	2,849,755
Other assets	404,073	125,298	107,785	556,255	1,193,411
	31,756,072	5,382,552	13,640,583	600,546	51,379,753
Contributions to Fondo Latinoamericano de Reservas					1,104,942
Contribution in local currency to IMF					3,126,944
Property, furniture and equipment, net					149,013
Total assets					**55,760,652**
Liabilities and net equity:					
Obligations with international institutions	77,398	-	-	-	77,398
Other liabilities abroad	134,092	65,512	66,034	447,289	712,927
Monetary base (Primary issue)	275,692	-	-	11,448,084	11,723,776
Other deposits in local currency	4,821,629	-	8	-	4,821,637
Securities issued	4,352,798	3,105,743	1,151,928	-	8,610,469
Deposits in foreign currency	22,969,369	-	-	-	22,969,369
Other liabilities	325,809	69,452	136,393	494,527	1,026,181
	32,956,787	3,240,707	1,354,363	12,389,900	49,941,757
Counterpart of the contribution in local currency to IMF					3,126,944
Readjustment in valuation, Organic Law Article 89					2,249,131
Net equity					442,820
Total liabilities and net equity					**55,760,652**

26. FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to both a financial asset in one enterprise and a financial liability or equity instrument in another. The Bank's balance sheet is largely comprised of financial instruments. These instruments are subject to the usual risks in investments such as interest rate risk, foreign exchange risk and credit risk. Such risks are adequately controlled by the Bank's Management according to its experience and by applying the mechanisms commonly used to face these kinds of risks.

Interest rate risk

This can be defined as the risk to which the Bank is exposed for fluctuations in the value of its financial assets and liabilities due to changes in interest rates.

The dimension of the risk depends on:

- The underlying and significant interest rate of financial assets and liabilities; and
- The structure of maturities of the Bank's portfolio of financial instruments.

Substantially, all of the Bank's financial assets are interest-bearing. The Bank's financial liabilities include interest-bearing and non-interest-bearing liabilities. The disclosures regarding these liabilities are found in Notes 13 through 18.

The Bank's interest-bearing assets and liabilities are based on rates established in accordance with the market economic conditions, effective as of the moment when the financial instruments are issued.

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

Foreign currency exchange risk

This can be defined as the risk to which the Bank is exposed due to fluctuations in the value of financial assets and liabilities arising from changes in exchange rates. The dimension of this risk depends on:

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

Credit risk

Credit risk is the risk that arises from a party to a financial instrument not honoring its obligations and causing the other party to incur in losses. The disclosures of credit risk enable the user of the financial statements to evaluate to what extent non-compliance with an obligation by the counter-party may reduce the amount of future cash inflows from the financial assets it has at the balance sheet date.

The dimension and concentration of the Bank's exposure to credit risk can be obtained directly from the balance sheet, which shows the size and composition of the Bank's financial assets. For the type of investment, the Bank has not entered into collateral agreements associated with its credit risk exposure.

Fair value

The information below discloses the fair value of financial instruments held by the Bank. The fair value is the amount at which an asset could be exchanged between expert buyers and sellers duly informed or an obligation can be paid between debtors and creditors with sufficient information, under the terms of an arms' length transaction. As the fair value of financial instruments represents the best estimate made by the Bank's Management, these estimates are made taking into consideration the current economic conditions and characteristics of market risks, which may change in the future.

The following methods and estimations were used by the Bank's Management to estimate the fair value of financial instruments:

- Available assets represent cash flows and short-term deposits which are not considered to be a significant credit risk; hence their book value approximates their fair value.

- The fair value of securities in international institutions is based on market price quotations and/or market quotations of similar instruments.

- The fair value of precious metals is based on international market quotations.

- The fair value of domestic credit with an original maturity term of one year and longer corresponds to its book value.

- The fair value of obligations, debts and deposits such as: obligations with international institutions, other liabilities abroad, deposits, securities issued and monetary base (primary issue) approximates their book value, because of the mostly short-term nature of these obligations, which are contracted at variable interest rates.

27. SUBSEQUENT EVENT

On May 25, 2006, in order to strengthen the Bank's equity, the Board of Directors agreed to:

- Ask the MEF to increase the Bank's authorized capital via capitalization of the account Reserves, Article 92, clause b) of the Organic Law, for S/. 49,708,517 and the account Capital (accumulated monetary correction adjustment) for S/. 4,628,504, with which the Bank's new authorized capital would amount to S/. 295,687,641.

- Ask the MEF to issue a Supreme Decree readjusting the Bank's authorized capital.

28. NEW PRONOUNCEMENTS

The International Accounting Standards Board (IASB, an entity that replaced IASC as from April 2001), has made certain amendments to and issued new versions of the IASs, to supersede those being used; and it has also enacted various International Financial Reporting Standards (IFRS). At the international level, the said amendments and some updated versions of IAS were in force as of December 31, 2004, or became in force jointly with the IFRS on January 1, 2005.

By Resolution 034-2005-EF/93.01 dated February 17, 2005, published on March 2, 2005, the Consejo Normativo de Contabilidad (CNC) approved and authorized the International Financial Reporting Standards (IFRS) 1 to 5 and the new versions of the International Accounting Standards (IASs) which had been amended in December 2003 and in March 2004, and cancelled IAS 15 as from January 1, 2005, and IAS 22 and 35 as from January 1, 2006.

As per said Resolutions, the IFRS and the new versions of the above-mentioned IAS, will apply in the preparation and presentation of financial statements corresponding to periods beginning on January 1, 2006, and optionally, for those beginning on January 1, 2005.

In the Bank Management's opinion, the adoption of these new standards in 2006 would not cause any changes in the accounting policies being applied by the Bank.

29. EXPLANATION ADDED FOR TRANSLATION INTO ENGLISH LANGUAGE OF THE ORIGINAL FINANCIAL STATEMENTS ISSUED IN SPANISH

The accompanying translated financial statements originally issued in Spanish are prepared and presented as established in Article 88 of the Bank's Organic Law, in accordance with accounting principles generally accepted as applicable to the Central Bank, as also the standards established to these effects by Superintendencia de Banca, Seguros y Administradoras de Fondos de Pensiones - SBS (Peruvian Superintendence of Banking, Insurance and Pensions Funds Managers). Some of these accounting practices may not conform with generally accepted accounting principles in other countries. In the event of a discrepancy, the Spanish-language version prevails.

Deloitte.

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INDEPENDENT AUDITORS' REPORT

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

We have audited the Budget Framework and Implementation of Banco Central de Reserva del Perú (hereinafter the Bank), an autonomous legal entity of public law, for the budget period ended December 31, 2005. The preparation of the Budget Framework and Implementation (Statement of Budget Implementation of Income and Expenses, and the corresponding appendices), based on the integration and consolidation of the budget information originated by the Bank, is the responsibility of the Bank's management. Our responsibility is to express an opinion thereon based on our audit.

We conducted our audit in compliance with Directive 013-2001-CG/B340 dated July 28, 2001, approved by Comptroller's Office Resolution 117-2001-CG dated July 27, 2001, and in accordance with government auditing standards issued by Contraloría General de la República (General Comptroller's Office of Peru) and auditing standards generally accepted in Peru. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Budget Framework and Implementation are free of material misstatements. Our special examination of the budget information included examining, on a selective basis, evidence supporting the information and amounts disclosed in the Budget Framework and Implementation. We believe that the audit we have performed provides a reasonable basis for our opinion.

In our opinion, the Budget Framework and Implementation referred to above, corresponding to the Budget period ended December 31, 2005, presents fairly, in all material respects, the integration and consolidation of the budget information of Banco Central de Reserva del Perú, in conformity with laws and regulations currently in force and applicable.

This report was prepared solely for information and use of the Board of Directors and General Management of Banco Central de Reserva del Perú, and Contraloría General de la República, and should not be furnished to any other person or entity, nor used for any other purpose.

This report has been translated into English, solely for the convenience of the readers.

Gris Hernández y Asociados

Countersigned by:

________________________(Socio)
Eduardo Gris Percovich
CPC Registration No. 12159

August 2, 2006

STATEMENT OF BUDGETARY EXECUTION OF INCOME AND EXPENSES

EP-1

FOR THE YEAR ENDED DECEMBER 31, 2005
(In nuevos soles)

PUBLIC RESOURCES	EXECUTION INCOME		EXECUTION EXPENSES
DIRECTLY OBTAINED RESOURCES		DIRECTLY OBTAINED RESOURCES	
CURRENT INCOME	4,527,524	CURRENT EXPENSES	196,554,726
TAXES	-	PERSONNEL AND SOCIAL OBLIGATIONS	119,161,885
RATES	-	PENSION FUND OBLIGATIONS	14,073
CONTRIBUTIONS	-	GOODS AND SERVICES	43,228,850
SALE OF GOODS	-	OTHER	34,149,918
RENDERING OF SERVICES	-		
PROPERTY RENTALS	-		
FINES, PENALTIES AND OTHERS	-		
OTHER CURRENT INCOME	4,527,524	CAPITAL EXPENSES	7,661,807
CAPITAL INCOME	918,593	INVESTMENTS	60,245
		FINANCIAL INVESTMENTS	-
SALE OF ASSETS	918,593	OTHER	7,601,562
AMORTIZATION OF LOANS GRANTED (REIMBURSEMENT)	-		
OTHER CAPITAL INCOME	-		
TRANSFERS	-		
TRANSFERS	-		
FINANCING	198,770,416		
OWN RESOURCES - Balance	198,770,416		
TOTAL DIRECTLY OBTAINED RESOURCES	204,216,533	TOTAL DIRECTLY OBTAINED RESOURCES	204,216,533
GENERAL TOTAL	204,216,533	GENERAL TOTAL	204,216,533

See notes to budget statements.

STATEMENT OF SOURCES AND USE OF FUNDS EP-2

FOR THE YEAR ENDED DECEMBER 31, 2005

(In nuevos soles)

I.	CURRENT INCOME	4,527,524
	Taxes	-
	Rates	-
	Contributions	-
	Sale of goods	-
	Rendering of services	-
	Property rentals	-
	Fines, penalties and other	-
	Other	4,527,524
II.	CURRENT EXPENSES	196,554,726
	Personnel and social obligations	119,161,885
	Pension fund obligations	14,073
	Goods and services	43,228,850
	Other	34,149,918
III.	CURRENT ACCOUNTS SAVINGS OR DISSAVINGS (I-II)	(192,027,202)
IV.	CAPITAL INCOME, TRANSFERS AND FINANCING	199,689,009
	CAPITAL INCOME	918,593
	Sale of assets	918,593
	Amortization of loans granted	-
	Other	-
	TRANFERS	-
	Transfers	-
	FINANCING	198,770,416
	Own resources - Balance	198,770,416
V.	CAPITAL EXPENSES	7,661,807
	CAPITAL EXPENSES	7,661,807
	Investments	60,245
	Financial investments	-
	Other	7,601,562
VI.	ECONOMIC RESULT (III+IV-V)	-
VII.	DEBT FINANCING AND SERVICE	-
	RESOURCES FROM OFFICIAL DOMESTIC CREDIT OPERATIONS (NET)	
	FINANCING	
	Domestic credit operations	-
	DEBT SERVICE	
	(-) Debt interests and charges	-
	(-) Debt amortization	-
	RESOURCES FROM OFFICIAL EXTERNAL CREDIT OPERATIONS (NET)	
	RESOURCES FROM OFFICIAL DOMESTIC CREDIT OPERATIONS (NET)	
	FINANCING	
	Domestic credit operations	-
	DEBT SERVICE	
	(-) Debt interests and charges	-
	(-) Debt amortization	-
FINANCIAL OR BUDGETARY EXECUTION RESULT (VI + VII)		-

See notes to budget statements.

SCHEDULING OF INCOME BUDGET

PP-1

FOR THE YEAR ENDED DECEMBER 31, 2005

(In nuevos soles)

CONCEPT	AUTHORIZED INITIAL	MODIFICATIONS: EXPANSIONS	MODIFICATIONS: INSTITUTIONAL TRANSFERS	MODIFICATIONS: REDUCTIONS	AUTHORIZED FINAL
CURRENT INCOME	5,000,000	-	-	472,476	4,527,524
Taxes					
Rates					
Contributions					
Sale of assets					
Rendering of services					
Property rentals					
Fines, penalties and others					
Other	5,000,000			472,476	4,527,524
CAPITAL INCOME	-	918,593	-	-	918,593
Sale of assets		918,593			918,593
FINANCING	218,808,280	-	-	20,037,864	198,770,416
Own resources - Balance	218,808,280			20,037,864	198,770,416
TOTAL DIRECTLY OBTAINED RESOURCES	223,808,280	918,593	-	20,510,340	204,216,533
GENERAL TOTAL	223,808,280	918,593	-	20,510,340	204,216,533

See notes to budget statements.

SHEDULING OF EXPENSES BUDGET

PP-2

FOR THE YEAR ENDED DECEMBER 31, 2005
(In nuevos soles)

CONCEPT	AUTHORIZED INITIAL	MODIFICATIONS				AUTHORIZED FINAL
		Expansions	Institucional Transfers	Reductions	Anulments (-) and Credits (+)	
CURRENT EXPENSES	206,705,294	-	-	(9,860,949)	(289,619)	196,554,726
1. Personnel and social obligations	116,432,336			(752,302)	3,481,851	119,161,885
2. Pension fund obligations	16,967			(2,894)	-	14,073
3. Goods and services	55,888,413			(8,888,093)	(3,771,470)	43,228,850
4. Other	34,367,578			(217,660)	-	34,149,918
CAPITAL EXPENSES	17,102,986	-	-	(9,730,798)	289,619	7,661,807
5. Investments	2,053,112			(1,812,867)	(180,000)	60,245
6. Financial investments	-			-	-	-
7. Other	15,049,874			(7,917,931)	469,619	7,601,562
DEBT SERVICE	-	-	-	-	-	-
8. Debt interests and charges	-					-
9. Debt amortization	-					-
TOTAL DIRECTLY OBTAINED RESOURCES	223,808,280	-	-	(19,591,747)	-	204,216,533

See notes to budget statements.

1. FRAMEWORK AND IMPLEMENTATION OF INCOME AND EXPENSES BUDGET

1.1 BACKGROUND AND BASIS OF PRESENTATION

The implementation of income and expenses at December 31, 2005 has been prepared as per Instruction 23 - "Cierre contable y presentación de información de las empresas públicas para la Cuenta General de la Republica" (Accounting closing and information to be submitted by state-owned companies to Cuenta General de la República), approved by General Comptroller's Office Resolution 178-2004-EF/93.01 dated December 7, 2004, concerning the financial and budget information for the entities of the Central Government, Regional Governments, Local Governments, Welfare Associations and other public sector entities, as required under the Framework Law of Cuenta General de la República's Process.

The information required for their preparation has been obtained from the Bank's accounting records and has been mainly prepared on an accrual basis at historical values.

This information includes items with grouping and bases of presentation that differ from those used in the preparation of the financial statements in conformity with accounting principles generally accepted, as applicable to the Central Bank and the norms established for such purposes by Superintendencia de Banca, Seguros y Administradoras de Fondos de Pensiones – SBS (Peruvian Superintendence of Banking, Insurance and Pensions Funds Administrators). In accordance with Article 91 of the Bank's By-laws, during the last month of a budget period, the committed expenses pending execution accrue, according to the criteria approved by the Comité Especial de Presupuesto (Special Budget Committee).

The reconciliation of the budget implementation to the historical accounting result as of December 31, 2005 is presented below:

	S/.
Budget implementation of current and capital income (see table EP-1)	5,446,117
Plus:	
Accounting income not considered in the budget of year 2005	4,461,793
Non-financial accounting income	9,907,910
Budget implementation of expenses (see table EP-1)	204,216,533
Less:	
Budget expenses affecting accounting assets or liabilities	40,908,482
Budget expenses accrued in 2005	5,926,815
Plus:	
Accounting expenses not affecting 2005 budget	27,408,800
Accounting operating and monetary issuance expenses	184,790,036

1.2 MODIFICATIONS TO AND REDUCTION OF THE STARTING INSTITUTIONAL BUDGET

The Bank's starting budget was approved by Board of Directors' minutes 4067 dated December 2, 2004, and was later amended by means of minutes 4091, 4112, 4120, and 4128, of May 5, September 8, November 3, and December 22, 2005, respectively; and subsequently reduced via minutes 4134, of January 26, 2006. Additionally the Bank's Board of Directors, under Article 90 of the Bank's By-laws, should approve the year-end budget within the first quarter of the next year. The implemented budget was approved by Board of Directors' meeting 4134 held on January 26, 2006.

The originally approved budget was modified in income and expenses. This comprised a decrease in current income and that from financing for S/. 20,510,340, and an increase in capital income from sale of assets for S/. 918,593 (see Table PP-1). Additionally, it included a decrease in current expenses and capital expenses for S/. 9,860,949 and S/. 9,730,798, respectively (see Table PP-2).

2. NOTES TO THE BUDGET FRAMEWORK AND IMPLEMENTATION

2.1 BACKGROUND, LEGAL FRAMEWORK AND ACTIVITIES

Banco Central de Reserva del Perú is an autonomous legal entity of public law created on March 9, 1922, intended to preserve the country's monetary stability. Its activities are currently governed by Article 84 of the Peruvian Constitution dated December 29, 1993, and its Organic Law approved by Decree-Law 26123 of December 24, 1992 (hereinafter Organic Law). The Organic Law establishes as the Bank's functions to regulate money supply, administer international reserves, issue notes and coins and report on the finances of Peru, among other functions.

The Bank's legal domicile is in Lima, and it has regional offices in seven cities in Peru. As of December 31, 2005, the Bank personnel numbered 974.

The Bank represents Peru for the purposes established in the Articles of the Agreements of the International Monetary Fund (IMF) and the Fondo Latinoamericano de Reservas – FLAR (Latin American Reserve Fund) and is responsible for all official transactions, operations and relations with these institutions.

The Bank may also act as Peruvian Government Agent in its relations with multilateral credit organizations and financial agencies of foreign governments.

As established in its Organic Law, the Bank is not allowed to:

- Grant financing to the Public Treasury, save as acquisition in the secondary market of securities issued by the Public Treasury, in which case the holding of such securities may not exceed in any moment, valued at their acquisition cost, five per cent (5%) of the balance of the monetary base at the close of the previous year.

- Extend guarantees, letters of guarantee or any other guarantees, or use any form of indirect financing, or grant insurance of any type. It should be mentioned that the operations conducted by the Bank in implementing payment and reciprocal credit agreements are not subject to the above prohibition.

- Allocate resources for the creation of special funds aimed at granting credits or making investments to promote any economic financial activity.

- Issue titles, bonds or contribution certificates of obligatory acquisition.

- Impose sector or regional coefficients in the composition of the loan portfolio of financial institutions.

- Establish multiple exchange rates régimes.

- Purchase shares, save for those issued by international financial organizations or those needed to be acquired for the restoration of banks and financial companies; participate, directly or indirectly, in the capital of commercial, industrial or any other companies.

The Bank, under the Peruvian Constitution and its Organic Law is an autonomous organization and finances its budget with own resources. The Bank's budget is prepared in accordance with its Organic Law, By-laws and guidelines of institutional policies contained in the Directive on scheduling, preparation, approval, implementation, evaluation, modification and closing of the traditional budget, as well as scheduling orientation on the requirements of the Bank for the year 2005, approved by the Special Budget Committee by minutes 25 of August 11, 2004. The Board of Directors, by means of minutes 4067 of December 2, 2004, approved the budget methodology that considers the non-financial income and expenses budget as the Bank's institutional budget. The Board of Directors, if deemed convenient, may apply the provisions enacted in the Ley General del Sistema Nacional de Presupuesto 28411 and in the Ley Anual de Presupuesto, in all those matters not in conflict with its Organic Law.

2.2 BUDGET INFORMATION FRAMEWORK

The Bank's Board of Directors, under Article 87 of the Bank's By-laws, approves or modifies the draft budget before the end of the first fortnight in December. Subsequently the Bank's Board of Directors, under Article 90 of the Bank's By-laws, approves the year-end budget within the first quarter of the next year.

The regulations constituting the legal basis for the Bank's budget for the period 2005 are as follows:

- Decree Law 26123, Organic Law of Banco Central de Reserva del Perú.

- Bank's By-laws.

- Law 26419, Law ratifying the Bank's autonomy.

- Directive for scheduling, preparation, approval, implementation, evaluation, modification and closing of the traditional budget as well as scheduling guidelines of the requirements of the Bank for year 2005, as approved by the Comité Especial de Presupuesto (Special Budget Committee) by minutes 25, of August 11, 2004.

- Instructive 23 Accounting closing and information to be submitted to Cuenta General de la República (including budget information) as approved by General Comptroller's Office Resolution 178-2004-EF/93.01 dated December 7, 2004.

2.3 PROCESS OF BUDGET PREPARATION, CONTROL AND EVALUATION

The preparation, control and evaluation of the budget are carried out by the Bank's personnel assigned to the Management of Accounting and Supervision that prepares the financial budget.

The budget is prepared considering the requirements of each budget unit, organized in maintenance, continuous improvement, and strategic activities that are part of the Bank's Operating Plan. Said information is channeled by the Accounting and Supervision Management to the Assistant Manager of Accounting and Budget and, after its review, is sent to the Budget Department responsible for scheduling and preparing the global budget that considers non-financial income and expenses. Once the draft annual budget project is prepared, General Management reviews and sends it to the Special Budget Committee for their pronouncement, and then it is submitted to Bank's Board of Directors for their approval.

The budget preparation, approval and implementation are carried out on the basis of the structure of budget allocations. The application and the results obtained from the budget are monthly evaluated by the Accounting and Supervision Management, in order to identify the most significant variations between the figures budgeted and those obtained in the corresponding implementation that may result in a reformulation and/or adoption of corrective measures.

Under the "Directive of scheduling, preparation, approval, implementation, evaluation, modification and closing of the traditional budget as well as scheduling guidelines on the requirements of the Bank for year 2005", approved by means of minutes 25 of August 11, 2004 by the Special Budget Committee, it is established to report within the periods established, the corresponding evaluation on the budget information to Contraloría General de la República, Comisión de Presupuesto (Peruvian Congress Budget Committee) and Cuenta General de la República. The quarterly evaluations are reviewed by the General Management and the Special Budget Committee and approved by the Bank's Board of Directors.