FINANCIAL STATEMENTS

Deloitte.

Beltrán, Gris y Asociados S. Civil de R.L.
Las Begonias 441, Piso 6
San Isidro, Lima 27
Perú

Tel: +51 (1) 211 8585
Fax:+51 (1) 211 8586
www.deloitte.com/pe

Independent Auditors' Report

To the Directors of Banco Central de Reserva del Perú

We have audited the accompanying financial statements of **Banco Central de Reserva del Perú**, which comprises the statements of financial position as of December 31, 2013, and the statements of profit and loss and other comprehensive income, changes in net equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting policies described in Note 2 to the accompanying financial statements, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Auditing Standards, approved for their application in Peru by the Peruvian Board of Deans of the Institutes of Certified Public Accountants (Consejo Directivo de la Junta de Decanos de Colegios de Contadores Públicos del Perú). Those standards require us to comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the risks assessment for material misstatements in the financial statements, whether due to fraud or error. In making such risk assessment, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

BELTRAN, GRIS Y ASOCIADOS S. CIVIL DE R.L.
V° B°

Independent Auditors' Report

Opinion

In our opinion, the financial statements referred to above present fairly, in all materials respects, the financial position of **Banco Central de Reserva del Perú** as of December 31, 2013, its financial performance and cash flows for the year then ended in accordance with accounting principles described in Note 2 to the accompanying financial statements.

Emphasis on a matter

As described in Note 1 to the accompanying financial statements, the Management of Banco Central de Reserva del Perú considers that the equity balance as at December 31, 2013 and results for year 2013 do not affect the Central Bank's capacity to fulfill its objectives.

Other matters

The financial statements of **Banco Central de Reserva del Perú** for the year ended December 31, 2012 are solely presented for comparative purposes and were examined by other independent auditors whose report, dated February 26, 2013, expressed an unqualified audit opinion over the financial statements.

The translation of this report has been made solely for the convenience of the readers.

Countersigned by:

Beltrán, Gris y Asociados S. Civil de R.L.

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

February 24 2014

BELTRÁN, GRIS Y ASOCIADOS S. CIVIL DE R.L.
Vº Bº

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2013 AND 2012
In thousands of S/.

	Notes	2013	2012
ASSETS			
GROSS INTERNATIONAL RESERVES:			
Cash in foreign currency		139,991	127,596
Deposits in foreign banks	**4**	28,067,222	28,066,147
Deposits in international institutions	**5**	2,312,234	2,086,416
Securities from international entities	**6**	145,887,796	125,200,625
Gold	**7**	3,741,042	4,757,621
Contributions to international organizations	**8**	2,627,554	2,295,510
Other available assets	**21 (a) and (d)**	818,708	726,572
		183,594,547	163,260,487
OTHER ASSETS ABROAD:			
Contributions in local currency to International Monetary Fund	**8 (a)**	1,740,865	1,676,343
Other assets abroad	**12 (b)**	55,880	50,980
		1,796,745	1,727,323
DOMESTIC CREDIT	**9**	2,540,640	829,451
BUILDINGS, FURNITURE AND EQUIPMENT, NET	**10**	155,628	142,416
OTHER ASSETS	**11**	1,558,390	1,474,967
TOTAL		**189,645,950**	**167,434,644**
OFF-BALANCE SHEET ACCOUNTS	**21**	49,323,117	42,568,466

The accompanying notes are an integral part of these financial statements.

LIABILITIES AND EQUITY NET	Notes	2013	2012
RESERVE LIABILITIES	2.2 (p)	131,855	146,303
OTHER LIABILITIES ABROAD:			
Equivalent of the contribution in local currency to International Monetary Fund	8 (a)	1,740,865	1,676,343
Other liabilities abroad	12	2,673,423	2,441,516
		4,414,288	4,117,859
STERILIZED STOCK:			
Outstanding securities issues	13	21,803,081	20,351,758
Deposits in local currency	14	40,495,268	50,210,968
		62,298,349	70,562,726
MONETARY BASE:	15		
Currency in circulation		42,530,188	37,823,821
Deposits in local currency		9,406,345	14,911,131
		51,936,533	52,734,952
DEPOSITS IN FOREIGN CURRENCY	16	70,246,854	46,559,264
OTHER LIABILITIES	17	1,762,420	1,701,168
Total liabilities		190,790,299	175,822,272
NET EQUITY:	18		
Capital		1,182,750	1,182,750
Legal reserve		--	979,327
Special statutory reserve		687,851	871,449
Fair value reserve		(1,645,076)	(227,554)
Retained earnings		(892,954)	(1,162,925)
CAPITAL, RESERVES AND PROFIT/LOSS		(667,429)	1,643,047
Valuation readjustments in article N° 89 - Organic Law	18 (e)	(476,920)	(10,030,675)
Total equity		(1,144,349)	(8,387,628)
TOTAL		**189,645,950**	**167,434,644**
OFF-BALANCE SHEET ACCOUNTS	21	49,323,117	42,568,466

STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
In thousands of S/.

	Notes	2013	2012
FINANCIAL INCOME			
Interest from deposits in foreign banks	**4 (b)**	112,048	99,824
Net yield of securities	**6 (c)**	1,598,907	1,486,754
Interests on international agreements and deposits in International Monetary Fund		3,338	3,772
Earnings and dividends received from international organizations		17,302	14,691
Yields on gross international reserves		1,731,595	1,605,041
Interests on domestic credit operations	**9 (b)**	105,238	14,665
Other financial income		22,666	10,420
Total		1,859,499	1,630,126
NON-FINANCIAL INCOME		21,548	6,289
FINANCIAL EXPENSES			
Interests on other liabilities abroad	**12 (c)**	(2,060)	(2,708)
Interests and readjustement net from outstanding issued securities	**13 (b)**	(886,363)	(762,083)
Interests from deposits in local currency	**14 (b)**	(1,484,564)	(1,666,364)
Interests from deposits in foreign currency	**16 (c)**	(61,869)	(55,066)
Other financial expenses		(7,851)	(6,407)
Total		(2,442,707)	(2,492,628)
OPERATING EXPENSES	**22**	(248,723)	(229,333)
EXPENSES AND COSTS OF ISSUANCE	**23**	(82,571)	(77,379)
NET LOSS		(892,954)	(1,162,925)
OTHER COMPREHENSIVE INCOME	**6 (c) y 9 (a)**	(1,417,522)	(82,328)
TOTAL COMPREHENSIVE INCOME		**(2,310,476)**	**(1,245,253)**

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CHANGES IN NET EQUITY
FOR THE YEARS ENDED AT DECEMBER 31, 2013 AND 2012
In thousands of S/.

	Capital	Legal reserve	Special statutory reserve	Fair value reserve	Retained earnings	Capital, reserves and profit/loss	Valuation readjusments section Nº 89 Organic Law	Net equity
BALANCES AS OF JANUARY 1, 2012	1,182,750	1,182,750	871,449	(145,226)	(203,423)	2,888,300	(5,277,819)	(2,389,519)
Net loss	--	--	--	--	(1,162,925)	(1,162,925)	--	(1,162,925)
Other comprehensive income	--	--	--	(82,328)	--	(82,328)	--	(82,328)
Total comprehensive income	--	--	--	(82,328)	(1,162,925)	(1,245,253)	--	(1,245,253)
Loss coverage article Nº 93 - Organic Law, note 18 (b) and (c)	--	(203,423)	--	--	203,423	--	--	--
Valuation readjustment for the year, note 18 (d)	--	--	--	--	--	--	(4,752,856)	(4,752,856)
BALANCES AS OF DECEMBER 31, 2012	1,182,750	979,327	871,449	(227,554)	(1,162,925)	1,643,047	(10,030,675)	(8,387,628)
Net loss	--	--	--	--	(892,954)	(892,954)	--	(892,954)
Other comprehensive income	--	--	--	(1,417,522)	--	(1,417,522)	--	(1,417,522)
Total comprehensive income	--	--	--	(1,417,522)	(892,954)	(2,310,476)	--	(2,310,476)
Loss coverage article Nº 93 - Organic Law, note 18 (b)	--	(1,162,925)	--	--	1,162,925	--	--	--
Transfer of statutory legal reserve	--	183,598	(183,598)	--	--	--	--	--
Valuation readjustment for the year, note 18 (d)	--	--	--	--	--	--	9,553,755	9,553,755
BALANCES AS OF DECEMBER 31, 2013	**1,182,750**	**--**	**687,851**	**(1,645,076)**	**(892 954)**	**(667,429)**	**(476,920)**	**(1,144,349)**

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOW
FOR THE YEARS ENDED AT DECEMBER 31, 2013 AND 2012
In thousands of S/.

	2013	2012
OPERATING ACTIVITIES:		
Net loss	(892,954)	(1,62,925)
ADJUSTMENT TO RECONCILE NET LOSS WITH CASH AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES:		
Depreciation of buildings, furniture and equipment	10,988	8,987
Intangible amortization	3,111	2,049
Fixed asset disposal	1,149	--
Provission recovery	(16,925)	
Others, net	--	2,343
NET CHANGES IN ASSETS, LIABILITIES AND EQUITY ACCOUNTS		
Domestic credit increase	(1,711,189)	(829,442)
(Increase) decrease of other assets abroad	(69,421)	14, 635
Increase of other assets	(86,535)	(247,308)
(Decrease) increase of reserve liabilities	(14,448)	31,193
Increase (decrease) of other liabilities abroad	296,429	(266,974)
Increase of outstanding issued securities	1,451,323	6,955,840
(Decrease) increase of deposits in local currency	(9,715,700)	13,978,640
(Decrease) increase in deposits of banking, financial and other companies	(5,504,785)	7,244,448
Increase of deposits in foreign currency	23,687,589	4,705,553
Increase of other liabilities	61,253	347,546
Decrease of fair value reserve	(1,417,522)	(82,328)
Increase (decrease) of valuation readjustment article N° 89 - Organic Law	9,553,756	(4,752,856)
CASH AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES	15,636,119	26,077,401
INVESTING ACTIVITIES:		
Purchase of buildings, furniture and equipment	(8,612)	(14,264)
Sale of vehicles	186	--
CASH AND CASH EQUIVALENT USED IN INVESTING ACTIVITIES	(8,426)	(14,264)
Net increase of cash and cash equivalent	15,627,693	26,063,137
Cash and cash equivalent at the beginning of the year	125,436,666	99,373,529
CASH AND CASH EQUIVALENT AT THE END OF THE YEAR	**141,064,359**	**125,436,666**

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

1. OPERATIONS, APPROVAL OF THE FINANCIAL STATEMENTS AND NET EQUITY

(a) Operations

Banco Central de Reserva del Perú (Central Reserve Bank of Peru, hereinafter "the Central Bank") is an autonomous legal entity of public law incorporated in March 9, 1922, in order to preserve monetary stability in Peru. Today, its activities are ruled by article N° 84 of the *Constitución Política del Perú* (Political Constitution of Peru) of December 29, 1993, and by its *Ley Orgánica* (Organic Law) approved by Law Decree N° 26123 on December 24, 1992 (hereinafter "the Organic Law"). The Organic Law establishes functions of the Central Bank, such as regulating the amount of money, manage international reserves, issue bills and coins, and report on the finances of Perú.

The legal address and main headquarter of the Central Bank is Jr. Antonio Miró Quesada 441-445, Lima. It has branches in seven cities of the country. As of December 31, 2013 and 2012, the number of employees hired by the Central Bank to develop its activity was of 968 and 1,006, respectively.

The Central Bank represents Peru for purposes established in constitutive agreements of the International Monetary Fund (hereinafter "IMF") and the Latin-American Reserves Fund (hereinafter "FLAR"), and is in charge of all transactions, operations and official relations with these institutions. Additionally, the Central Bank may act as a Peruvian Government agent in its relations with multi-lateral credit organizations and foreign government financial agencies. Furthermore, the Central Bank has undersigned shares of the Bank of International Settlements (hereinafter "BIS").

(b) Approval of financial statements

The financial statements for the year ended on December 31, 2013, were authorized for issuance by the Central Bank's Management, these financial statements will be approved by the Board of Directors' session to be held within terms established by the Organic Law. Management believes that such financial statements shall be approved without modifications. The financial statements for the year ended on December 31, 2012 have been approved by Board of Directors at the session held on March 7, 2013.

(c) Net equity and net loss

According to article N° 84 of the Political Constitution of Peru, the Central Bank aims to preserve monetary stability. Its functions are regulating currency and credit of the financial system, managing international reserves under its charge, and other functions established by its Organic Law.

Additionally, according to article N° 93 of the Organic Law, in the event that the Central Bank incurred in losses, these shall be covered by the accounting reserve constituted from previous periods' earnings. If such reserves were insufficient, the Public Treasure, within thirty days from the approval of the statement of financial position, issues and delivers to the Central Bank negotiable debt securities that accrue interests, for the uncovered amount.

Profit or loss for the year is mainly associated to the exceptional circumstances of low international interest rates and holdings of international reserves necessary to face negative external scenarios. On the other hand, the loss-making equity situation presented by the Central Bank is a result of effects of the weakening of the U.S. dollar on the valuation of its assets and liabilities for 2011 and 2012. It is important to remark that, given the level and quality of the Central Bank's assets, mainly international reserves, and support received from the Public Treasury to its equity position, according to effective legal standards, the Central Bank management believes that current equity situation does not affect its capacity to comply with its objectives.

(d) Financial Statements for the year ended December 31, 2012

The financial statements of the Central Bank for the year ended December 31, 2012, solely presented for comparative purposes, were examined by other independent auditors whose report, dated February 26, 2013, expressed an unqualified audit opinion.

The Central Bank reclassified from the statement of income as at December 31, 2012, an amount of S/.30 million from "Other financial income" to "Interests and readjustment net from outstanding issued securities" in order for them to be comparable with the current year's presentation. Management believes said reclassification to be immaterial, considering the financial statements as a whole as of that date.

2. MAIN ACCOUNTING PRINCIPLES

2.1. Criteria of the Central Bank

As of December 31, 2013 and 2012, according to article N° 88 of the Organic Law and criteria approved by the Board of Directors, the main accounting principles applied by the Central Bank comprise the following:

(a) Criteria approved by the Board of Directors based on its faculties (article N° 88 of the Organic Law).

(b) Generally Accepted Accounting Principles in Peru (Peru GAAP) comprise: standards and interpretations issued and adopted by the International Accounting Standards Board (IASB), which include International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), or by the former Standing Interpretations Committee (SIC), adopted by the IASB, made official by Resolutions issued by the Consejo Normativo de Contabilidad (Accounting Standards Committee – CNC for its Spanish acronym), in whatever applicable to the Central Bank and standards established by the *Superintendencia de Banca, Seguros y Administradoras Privadas de Fondos de Pensiones* (Superintendence of Banks, Insurances and Private Pensions Funds Administrators) for said purpose. As of the date of these financial statements, the CNC made official the application of versions effective for year 2013 of IFRS 1 to 13, IAS 1 to 41, SIC 7 to 32 and IFRIC 1 to 21.

Principles established by the Board of Directors of the Central Bank, different from Peru GAAP, mainly correspond to the following:

(i) Recording of variations due to exchange rate differences

The Central Bank records the valuation readjustment of prices and exchange rates, corresponding to assets and obligations in gold, silver, currency, Special Drawing Rights (hereinafter "SDR") or other monetary units internationally used, under "Valuation readjustments article N° 89 – Organic Law" in net equity. According to Peru GAAP, the results from the aforementioned adjustments must be included in profit or loss for the year when they were generated. As of December 31, 2013 and 2012, this readjustment was of S/.477 million and S/.10,031 million, respectively (Paragraph 2.2 (e) and Note 18 (e)).

(ii) Recording of embedded derivatives

The Central Bank records its investments in structured instruments with implicit derivatives as held-to-maturity investments, valued at amortized cost by applying the effective interest rate method, without considering the effects of implicit derivatives. The investments are fully recognized as of the maturity date of the securities, based on realized cash. Interest rate applied is proportioned by the counterparty. According to Peru GAAP, implicit derivatives in a main (or host) contract must be treated as separate derivatives and recorded at fair value. Provided that their economic characteristics and risks were not closely related to those of the main contract, the structured instrument is fully recorded at fair value.

(iii) Valuation of financial instruments classified as available-for-sale investments

The Central Bank calculates fair value of its financial instruments classified as available-for-sale investments based on market prices. The Central bank calculates the higher or lower value of these investments by comparing the carrying amount (acquisition cost) with fair value, without determining amortized cost, and records variation in net equity until investments are sold or redeemed. Additionally, premiums or discounts generated in their acquisition are recorded as income or expense when settled.

According to Peru GAAP, to calculate the higher or lower value of instruments representative of debt classified as available-for-sale investments, fair value is compared to amortized cost, for said purpose, amortized cost is calculated by applying the effective interest rate methodology.

(iv) Statement of cash flows

The Central Bank prepares the statement of cash flows considering captions indicated in paragraph 2.2 (p) as cash and cash equivalents. As a result, format and content of the statement is adapted to such definition. This accounting practice differs from Peru GAAP regarding the aforementioned.

(v) Disclosures on financial instruments

As of December 31, 2013 and 2012, the Central Bank has not been applying the requirements of *IFRS 7 – Financial Instruments: Disclosures.* The objective of this standard is to provide disclosures in financial statements that allow users to assess the importance of financial instruments in the financial position and performance of the entity, by understanding the nature and extension of financial instruments the entity is exposed to; as well as methods used by the entity to manage risks derived from said instruments.

Additionally, the Central Bank has determined, as part of its approved policies, not to disclose estimated market value of held-to-maturity investments.

(vi) Valuation of exchange rate derivatives

The Central Bank initially recognizes trading derivatives in the statement of financial position at cost, and subsequent to their initial recognition, they are carried at its fair value. Fair values are obtained based on exchange rates and market interest rates. Profit and loss for changes in fair value are recorded under "Valuation readjustments article N° 89 – Organic Law" of net equity, recognizing an asset or liability in the statement of financial position, as applicable. According to Peru GAAP, valuation of said instruments must be recorded as profit or loss in the statement of income.

2.2. Accounting criteria

a) Basis of preparation and use of estimates

The accompanying financial statements have been prepared in Peruvian nuevos soles (S/.) based on the Central Bank's accounting records, according to accounting principles regulated by article N° 88 of the Organic Law, and approved by the Central Bank's Board of Directors according to their legal attributions.

The preparation of the accompanying financial statements require that Management performs estimates affecting reported numbers of assets, liabilities, income and expenses and disclosure of significant events in the notes to the financial statements. Final results may differ from said estimates. Estimates are continuously assessed and are based on historical experience and other factors. Most significant estimates in relation with the accompanying financial statements correspond to the valuation of securities from international entities, which include available-for-sale and held-to-maturity financial assets (the latter comprising mainly financial instruments with implicit derivative), the transformation factor of monetary gold, provision for social benefits, actuarial subsidy provisions for complementing retirement benefits, and widowhood additional benefits, health benefits and burial subsidy, whose accounting criteria are described in this note.

b) Financial instruments

Financial instruments are classified in assets, liabilities or equity according to the substance of the contractual agreement generating them. Interests, dividends, profit and loss generated by a financial instrument classified as asset or liability are recorded as income or expense. Financial instruments are offset when the Central Bank has a legal right to offset them and Management intends to settle them over a net basis, or simultaneously realizing the asset and settling the liability.

Financial assets and financial liabilities presented in the statement of financial position correspond to gross international reserves, except for gold, other assets abroad, domestic credit, certain assets recorded under "Other assets" (see Note 11) and liabilities in general, except for non-financial liabilities under "Other liabilities" (See Note 17).

Accounting policies on recognition and valuation of these items are presented in the corresponding accounting policies described in this note.

c) Available-for-sale and held-to-maturity investments

Securities from international entities are classified as available-for-sale and held-to-maturity. The Central Bank does not consider the category of "Investments at fair value through profit or loss" for its purposes.

Initial record and subsequent measurement of the aforementioned investments, according to their classification, is made according to criteria described below:

- *Classification*

(i) Available-for-sale investments:
Investments are known as available-for-sale due to the fact they are held for indefinite time and may be sold given the need of liquidity or changes in interest rates, exchange rates or market prices; or that they do not qualify to be recorded as investments at fair value through profit or loss or held up to maturity.

(ii) Held-to-maturity investments:
The Central Bank considers as financial assets that they may or may not include embedded derivative financial instruments, and which are collected for fixed or determinable amounts with defined maturity, and for which the entity has the effective intention as well as the ability to maintain them up to maturity.

- *Initial recognition*

Initial recognition of available-for-sale and held-to-maturity investments is made at fair value plus transaction costs directly attributable to the acquisition of said investments.

- *Valuation*

(i) Available-for-sale investments:
After initial recognition, available-for-sale investments are measured at fair value, recording unrealized profit and loss under "Fair value reserve" of net equity. Unrealized profit or loss result from comparing acquisition cost, which includes paid premiums or discounts obtained, and market value. Premiums and discounts included in acquisition cost are recognized in the statement of comprehensive income at maturity of the instruments.

Fair value is the market price daily provided by Bloomberg and Reuters. Management believe that they fairly reflect the value of investments in international securities, considering effective market information and accounting policies established by the Central Bank's Board of Directors.

When an investment is sold or redeemed, profit or loss previously recognized as part of equity are transferred to profit/loss for the year, excluding effects of exchange difference recorded as detailed in paragraph (e). On the other hand, in the event that the decreases in market value of investments were permanent, or in case of credit impairment, corresponding provisions are constituted, affecting profit/loss for the year.

Gained interest paid is calculated and recorded using nominal interest rate (coupon rate) on the investment's par value, and recorded in the statement of profit and loss and other comprehensive income under "Net yield of securities".

Exchange difference arising from valuation of these investments is recognized in equity according to paragraph (e).

(ii) Held-to-maturity investments:
After initial recognition, held-to-maturity investments are subsequently measured at amortized cost by applying the effective interest rate method.

Any Premium or discount of instruments representative of debt classified as held-to maturity instruments is considered when determining amortized cost by applying the effective interest rate methodology, recognizing interest accrued under "Net yield of securities".

Securities classified as held-to-maturity correspond to structured bonds obtained in order to diversify investments, according to establishments made by the Board of Directors. These securities have embedded derivatives related to other underlying assets that are not separated, and are recorded at maturity (see paragraph (f)).

d) Income and expenses recognition

Interest income and expenses are calculated at nominal rates over par values and recognized in profit/loss for the period when accrued, based on the effective period of operations generating them and agreed interest rates; except for interests in relation with held-to-maturity investments, recognized according to paragraph (c). Interest income includes yields from investments in securities from international entities.

Profit or loss generated by investments containing embedded derivatives are recognized at amortized cost without considering the effects of embedded derivatives, which are recognized based on cash received at its settlement or maturity.

Other income and expenses are recognized as gained or incurred for the period when accrued.

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

e) Foreign currency transactions

The Central Bank prepares and presents its financial statements in Peruvian nuevos soles (S/.), which is its functional and presentation currency.

Assets and liabilities in foreign currency are recorded at exchange rate of the date when transactions are made and expressed in Peruvian nuevos soles as of the daily closing using the purchase exchange rate established by the *Superintendencia de Banca, Seguros y Administradoras Privadas de Fondos de Pensiones* (Superintendency of Banking, Insurances and Private Pension Fund Administrators of Peru – SBS) for the U.S. dollar. Balances in other currencies are expressed according to exchange rates provided by Bloomberg and Reuters (see Note 3).

On Board of Directors' session dated December 15, 2011, it was approved that beginning in the year 2011, every exchange rate difference generated shall be permanently recorded under "Valuation readjustments article N° 89 – Organic Law" of net equity.

f) Derivative financial instruments

The Central Bank holds derivative financial instruments for trading and embedded derivatives.

(i) Derivatives for trading

Derivatives for trading are initially recognized in the statement of financial position at cost and subsequently carried at fair value. Fair values are obtained based on exchange rates, interest rates and market prices. The Central Bank holds operations with futures whose underlying assets are investments in international securities and exchange rate forward operations.

Profit and loss for changes in fair value of future operations are recorded under "Net yield of securities" of the statement of income, generating an asset or liability in the statement of financial position, as applicable.

Profit and loss for changes in far value of exchange rate forward operations are recorded under "Valuation Readjustments article N° 89 – Organic Law" of net equity, recognizing an asset or liability in the statement of financial position, as applicable. At the maturity of these last instruments, the asset or liability is settled and the result is recorded under "Valuation Readjustments article N° 89 – Organic Law".

Reference value (committed nominal amount) of futures and forward operations is recorded under "Off-balance accounts" of the statement of financial position (Note 21 (a) and (d)).

(ii) Embedded derivatives

The Central Bank records embedded derivatives returns in a main (or host) contract at maturity of the operation, based on held-to-maturity cash, recognizing profit or loss generated as of that moment under "Net yield of securities" of the statement of income.

The Central Bank holds structured instruments at maturity under "Securities from international entities" of the statement of financial position (Note 6), which have yields indexed- to variables such as inflation of the United States of America, exchange rate variation of different currency baskets, gold price variation, among others.

g) Gold

Gold holdings are valued using quotations of New York's market, provided daily by Bloomberg and Reuters.

Quotation per gold troy ounce as of December 31, 2013 and 2012 amounted to US$1,201.64 and US$1,674.81; respectively.

h) Contributions to international organizations

These contributions correspond to amounts paid by the Central Bank to IMF, FLAR and BIS, recorded at par value of the contribution, which represents its acquisition cost, due to the fact that said amount corresponds to the value that the Central Bank would be entitled to collect in the event that it ceased to be member of any of the aforementioned organizations.

These amounts cannot be traded with third parties.

Yields of these amounts are recognized as accrued and dividends as declared.

i) Collections

Collections mainly correspond to pieces of art (archeological pieces, paints, sculptures, among others) and collectible coins acquired and/or received as donation, and recorded at acquisition cost. These assets, by nature, are considered to have an indefinite useful life; therefore, they are not depreciated and are presented under "Other assets" of the statement of financial position (Note 11). Acquisition cost of donations is determined based on fair value estimated by specialists when they are received.

j) Buildings, furniture and equipment, and depreciation

Buildings, furniture and equipment are recorded at historical acquisition cost less accumulated depreciation and accumulated amount of impairment losses of the asset, if applicable. Maintenance and repair costs are charged to the income statement and all renewal and significant improvement is capitalized, as long as: a) it is likely for the entity to obtain future economic benefits derived therein; and b) its cost may be reliably measured. Cost and corresponding accumulated depreciation of sold or disposed assets are deleted from the corresponding accounts and profit or loss generated is included in the statement of income.

Units receivable are recorded at acquisition cost. These goods do not depreciate until they are operating.

Lands do not depreciate. Depreciation of assets comprised in this caption is calculated by applying the straight-line method based on years stated below:

	Years
Buildings and other constructions	100
Furniture and office equipment and miscellaneous equipment	10
Vehicles	5
Computer hardware	3

k) Impairment of long-lived assets

When there are events or economic changes indicating that the value of a long-lived tangible asset may not be recoverable, the Central Bank reviews the carrying amount of its assets to verify that there is no permanent impairment in their values.

When the book value of the tangible asset exceeds its recoverable amount, a devaluation loss is recognized in the statement of profit and loss and other comprehensive income. Recoverable value is the higher between net selling price and value in use. Net selling price is the amount that could be obtained from selling a tangible asset in a free market, while value in use is the present value of future flows estimated from the continuous use of an asset and final disposition of its useful life. Recoverable amounts are estimated for each asset or, when not possible, for each cash-generating unit.

Every year, Management performs an assessment of whether the carrying amount exceeds the recoverable amount of their long-lived tangible assets based on available market information.

l) Sterilized stock

Sterilized stock is a liability in local currency constituted by outstanding securities issued and deposits in local currency of the Governmental Sector and entities of the financial system, that are not part of the reserve requirements. Sterilized stock is the result of monetary operations performed by the Central bank to remove liquidity from the financial system, as well as for deposits in financial entities that, if reverted, would imply an increase in monetary base.

Outstanding securities issued are accounted at nominal value, recognizing interests accrued in the profit/loss for the year. Discounts granted in their placement are deferred and amortized during the effective period of the instrument, by applying the effective interest rate method.

m) Bills and coins issued

Corresponds to bills and coins of legal tender issued by the Central Bank, in public domain and are recorded in the liabilities of the statement of financial position at manual/face value under "Monetary base".

Bills and coins not circulating, located in the Central Bank's vault, are recorded in off-balance accounts at par value.

n) Employee benefits

According to article N° 58 of the Bylaw, the Central Bank annually transfers resources to the *Fondo para Enfermedades, Seguros y Pensiones de Empleados del Banco Central* (Fund for disease, Insurance and Pensions of Central Banks Employees hereinafter "the Fund") in order to pay benefits to its employees. The amount of the transfers from the Bank to the Fund is approved by the Board of Directors every year.

The Central Bank holds the following defined benefit plans:

- Supplementary pension subvention, widowhood and burial subsidy.
- Other benefits, complementary to retirement, related to health care benefits granted by the Central Bank.

The cost of granting benefits through defined benefit plans is determined separately for each plan through the projected unit credit method. Actuarial profit and loss of both defined benefit plans are fully recognized in the income statement for the year when they occur.

Asset or liability for defined benefits include the present value of the obligation, which is determined using a discount rate based on high-quality negotiable obligations (see Note 17 (a)), less costs for past services and fair value of the plan's assets to be used in settling these obligations. Assets of the plan are managed by a long-term benefits fund for employees. Assets of the plan are not available for creditors of the Central Bank, nor can they be directly paid to the Central Bank. The fair value of these assets is based in market prices information.

Net assets of the Fund considered to be deducted from the amount of actuarial reserve comprise present value of deposits and loans, net of obligations. Provision for actuarial reserve has been calculated using mortality tables and market interest rates (see Note 17 (a)).

Subsidy concepts for complementary pensions and widowhood pensions, burial subsidy and other benefits complementary to retirement, deducted from present value of net assets of the Fund, are recorded under "Other liabilities" of the statement of financial position (see Note 17 (a)).

o) Operating expenses and issuance costs of bills and coins

Operating and transportation expenses of bills and coins are recognized in the income statement of the year when they are incurred.

Production cost of coins and coin blanks include the cost of raw materials, labor and indirect production costs.

Expenses of printing bills and production costs of coins are recognized in results for the year when they are set available for circulating for the first time.

p) Cash and cash equivalent

Cash and cash equivalent comprises gross international reserves, net of bills and coins in circulation issued under "Monetary base" in the statement of financial position. As presented below:

In thousands of S/.	2013	2012
Gross international reserves	183,594,547	163,260,487
Less:		
Currency in circulation	(42,530,188)	(37,823,821)
Cash and cash equivalent	**141,064,359**	**125,436,666**

Difference between the total gross international reserves and reserve liabilities (comprised by obligations with international entities) represent net international reserves. These reserves present international liquidity of the country and its financial capacity in relation to other countries and are resources of the Central bank to face its obligations in foreign currency.

q) Provisions

A provision is recognized only when the Central Bank has a present obligation (legal or implicit) as a result of a past event, it is likely to require resources to settle the obligation, and the amount of the obligation can be reliably measured. Provisions are reviewed every period and adjusted to reflect the best estimate as of the date of the statement of financial position. When the effect of time value of money is material, the amount of the provision is the present value of disbursements expected to be incurred to settle it.

Expense related to any provision is presented in the statement of comprehensive income, net of any related reimbursement.

r) Contingencies

Contingent liabilities are not recognized in the financial statements, they are only disclosed in a note, except when the possibility of an outflow of resources to cover a contingent liability is remote.

Contingent assets are not recognized in the financial statements, they are only disclosed in a note when it is likely that an inflow of resources will take place.

s) Domestic credit

Domestic credit comprises the following:

- Investments in instruments issued by the *Ministerio de Economía y Finanzas* (Ministry of Economy and Finances, hereinafter "MEF"), which are recorded and classified as available-for-sale investments. Initial record and subsequent measurement of said investments, according to their classification, is made according to the criteria described in paragraph (c) above.

- Securities re-purchase agreements (reporting transaction) for injecting liquidity in local currency to financial system companies. This operation consists in the purchase of securities at the beginning of the operation, when companies of the financial system transfer the ownership of securities to the Bank and at the maturity date of the reporting operations, the companies of the financial system re-purchase the same securities, and the Bank transfers the ownership to them.

t) New accounting pronouncements

(i) IFRS issued and effective in Peru as of December 31, 2013

The CNC, by means of Resolution N° 053-2013-EF/30 issued on September 11, 2013, made official the application of effective versions from year 2013 of IFRS 1 to 13, IAS 1 to 41, SIC 7 to 32 and IFRIC 1 to 20, as well as IFRIC 21 Levies. Application of versions is in accordance to the effective date established in each specific standard.

(ii) IFRS issued and effective in Peru as of December 31, 2012

The CNC, by means of Resolutions N° 051-2012-EF/30 issued on August 29, 2012 and N° 048-2011-EF/30 issued on January 6, 2012, made official the application of effective versions from years 2012 and 2011, respectively, of IFRS 1 to 13, IAS 1 to 41, SIC 7 to 32 and IFRIC 1 to 20, and amendments to October 2011 of IAS, IFRS and IFRIC internationally issued. Application of versions as from the day following the issuance of the resolution, or subsequently, according to the effective date established in each specific standard.

Given that standards detailed in paragraphs (i) and (ii) are applied along with standards developed in the Organic Law and standards issued by the Central Bank's Board, they shall not significantly affect the preparation of the accompanying financial statements, except for issues described in Note 2.1 above. The Central Bank has not estimated the effect on its financial statements if said notes were adopted.

3. FOREIGN CURRENCY TRANSACTIONS AND EXPOSURE TO EXCHANGE RISK

Foreign currency transactions are made at free market exchange rates.

As of December 31, 2013, free market purchase exchange rate published by the SBS for transactions in U.S. dollars was of S/.2.794 for each Peruvian nuevo sol (S/.2.549 as of December 31, 2012). Balances in other currencies have been expressed in U.S. dollars at New York's market closing exchange rate as detailed in paragraph (c) below.

Presented below, detail of assets and liabilities of the Central Bank in foreign currency:

In thousands of US$	2013	2012
Asset		
Cash in foreign currency	50,104	50,057
Deposits in external banks	10,045,534	11,010,650
Deposits in foreign organizations	827,571	818,523
Securities from international institutions	52,214,673	49,117,546
Gold	1,338,956	1,866,466
Contributions to international organizations	940,427	900,553
Other available assets	293,024	285,042
Other assets abroad	20,000	20,000
Domestic credit	569,346	325,399
Other assets	509,344	512,052
Total	66,808,979	64,906,288
Liabilities		
Reserve liabilities	47,192	57,396
Other liabilities abroad	20,001	20,000
Deposits in foreign currency	25,142,038	18,265,698
Other liabilities	502,172	499,024
Total	25,711,403	18,842,118
Net asset position	**41,097,576**	**46,064,170**

(a) Balances in foreign currency, SDR and precious metals as of December 31, 2013 and 2012, expressed in their equivalence in thousands of U.S. dollars, are summarized as follows:

In thousands of S/.	2013	2012
Asset		
U.S. dollar	49,549,000	47,504,239
Euro	5,294,114	5,908,332
Australian dollar	3,447,868	3,217,604
Yen (*)	4,060,057	3,088,629
Other currencies	1,527,895	1,774,315
SDR (**)	1,590,407	1,546,021
Gold	1,339,638	1,867,148
Total	66,808,979	64,906,288
Liabilities		
U.S. dollar	25,383,949	18,497,082
SDR(**)	303,753	303,090
Other currencies	23,701	41,946
Total	25,711,403	18,842,118
Net asset position	**41,097,576**	**46,064,170**

(*) There is no exposure to this currency, given that it is totally hedged with forward operations (Note 21 (a)).

(**) SDR is an international reserve asset created by IMF and assigned to its member countries in proportion to their installment. SDR value is daily calculated adding values in U.S. dollars (midday London quotation) of a basket of four currencies (U.S. dollar, euro, Japanese yen and pound sterling). Amounts of each currency of the basket of SDR are calculated according to agreed percentages.

(b) Quotations of main currencies used by the Central Bank in relation to the U.S. dollar as of December 31, 2013 and 2012 are as follows:

	2013	2012
Euro	1.375000	1.320200
Australian dollar	0.892800	1.040300
SDR	1.540000	1.536920

According to article N° 89 of the Organic Law, as of December 31, 2013, the Central Bank recorded a positive readjustment for foreign currency valuation, for S/. 9,554 million (negative readjustment S/. 4,753 million as of December 2012) presented under "Valuation readjustments article N° 89 – Organic Law" of the statement of financial position.

4. DEPOSITS IN FOREIGN BANKS

In thousands of S/.	2013	2012
Time deposits (a)	28,047,839	27,991,777
Interests receivable from time deposits (b)	6,319	8,949
	28,054,158	28,000,726
Checking accounts	12,881	65,252
Interest receivable from gold deposits, Note 7 (b)	183	169
Total	**28,067,222**	**28,066,147**

(a) As of December 31, 2013 and 2012, time deposits are deposited in first-category foreign banks, accrue interests according to international market rates, are mainly comprised in U.S. dollars and amount to US$ 9,274 million and US$ 9,001 million, respectively.

As of December 31, 2013, deposits in foreign banks accrued an annual average interest rate of 0.32 percent (0.24 percent as of December 2012).

(b) As of December 31, 2013 and 2012, the Central Bank recognized interest income on deposits in foreign banks for S/.112 million and y S/.100 million respectively, under "Financial income" of the statement of comprehensive income.

5. DEPOSITS IN INTERNATIONAL INSTITUTIONS

As of December 31, 2013 and 2012, correspond to deposits in IMF, expressed in SDR, accruing interests at annual average effective rates of 0.13 and 0.07 percent, respectively, and are mainly unrestricted.

6. SECURITIES FROM INTERNATIONAL ENTITIES

In thousands of S/.	2013			2012		
	Book	Unrealized gross amount		Book	Unrealized gross amount	
	value (*)	Increase	Decrease (**) (c)	value (*)	Increase	Decrease (**) (c)
Available-for-sale investments						
Short-term banking	5,898,044	681	--	--	--	--
Short-term sovereign securities	45,205,272	26,202	(451,507)	42,074,758	40,328	(240,297)
Short-term supranational securities	10,975,812	15,699	(27,546)	9,873,816	13,688	(22,073)
Long-term sovereign securities	69,503,494	72,560	(947,417)	56,485,578	284,992	(328,807)
Long-term supranational securities	7,512,299	3,505	(66,370)	6,072,706	38,907	(12,550)
	139,094,921	118,647	(1,492,840)	114,506,858	377,915	(603 727)
	Carrying amount (*)			**Carrying amount (*)**		
Held-to-maturity investments						
Sovereign securities	1,459,544			1,320,626		
Supranational securities	4,857,612			8,918,163		
	6,317,156			10,238,789		
Balance of available-for-sale and held-to-maturity investments (a)	145,412,077			124,745,647		
Accrued interests	475,719			454,978		
	145,887,796			125,200,625		

(*) Book value corresponds to estimated market value for available-for-sale investments, and amortized cost for held-to-maturity investments.
(**) As of December 31, 2013 and 2012, decrease in amount of fair value reserve mainly corresponds to decrease in value market of prices of available-for-sale investments.

Maturities and annual interest nominal rates of investments are as follows:

	Maturity		Annual nominal rate (coupon rate) (*)							
	2013	2012	US$		Other currencies		US$		Other currencies	
			Min %	Max %	Min %	Max %	Min %	Max %	Min %	Max %
Available-for-sale investments										
Short-term banking	January 2014	--	0.200	0.250	--	--	--	--	--	--
Short-term sovereign securities	Jan-2014/Dec-2014	Jan-2013/Dec-2013	0.008	5.500	0.025	6.250	0.125	5.130	0.140	8.000
Short-term supranational securities	Jan-2014/Dec-2014	Jan-2013/Nov-2013	0.085	4.625	0.156	6.000	0.500	5.500	3.130	6.000
Long-term sovereign securities	Jan-2015/Feb-2020	Jan-2014/Jan-2019	0.001	5.375	--	6.250	0.125	5.500	0.180	6.250
Long-term supranational securities	Jan-2015/Oct-2018	Mar-2014/Jan-2018	0.094	5.250	0.285	6.000	0.050	4.630	0.260	5.380
Investments to maturity										
Sovereign securities	Jul-2014/Jan-2015	Jul-2014/Jan-2015	0.016	0.020	--	--	1.625	2.000	--	--
Supranational securities	Sep-2014/Jan-2016	Feb-2013/Jul-2015	--	--	0.100	2.282	0.150	0.300	0.150	2.280

(*) Nominal rate corresponds to coupon rate, without considering premiums of discounts obtained as of acquiring the instruments detailed above.

(a) As of December 31, 2013 and 2012, securities from international entities correspond to first-category, low risk, financial instruments. First-class securities, issued by international organizations or foreign governmental entities, have risk classifications lower than A+, according to Moody's and Standard & Poor's risk rating agencies. "A" is the minimum rating for deposit certificates for Fitch, Standard & Poor's and Moody's agencies. These securities accrue interests according to international market and are guarded in first-order foreign banks.

(b) Presented below, is the balance of available-for-sale and held-to-maturity according to their maturity investments:

In thousands of S/.	2013	2012
Up to 3 months	27,871,616	30,537,054
From 3 months to 1 year	37,521,339	25,872,270
From 1 to 3 years	58,729,475	44,610,443
From 3 to 5 years	20,967,261	22,514,328
More than 5 years	322,386	1,211,552
Total	**145,412,077**	**124,745,647**

(a) As of December 31, 2013 and 2012, the Central Bank recognized income for net yield of securities, for S/.1,599 million and S/.1,487 million respectively, under "Financial income" of the statement of profit and loss and other comprehensive income. Additionally, during 2013 and 2012, a decrease was recorded for S/.1,148 million and S/.81 million, respectively, under "Fair value reserve" of net equity (see Note 2.2 (c)(i)).

7. GOLD

In thousands of S/.	2013	2012
In the country		
Coined gold (a)	1,853,917	2,357,355
Provision for costs of converting gold coins too high purity or "good delivery" bars	(1,908)	(1,740)
	1,852,009	2,355,615
Abroad		
Gold bars (b)	1,889,033	2,402,006
Total	**3,741,042**	**4,757,621**

(a) As of December 31, 2013 and 2012, gold is represented by 552,191 troy ounces of gold in commemorative coins deposited in Central Bank's vaults. They are valued at quotation value per troy ounce as of the aforementioned dates.

(b) As of December 31, 2013 and 2012, balance is represented by 562,651 troy ounces of gold in high-purity or "good delivery" bars deposited in first-class foreign banks; 249,702 troy ounces are under custody modality and an 312,949 troy ounces are under time deposit modality, these latter accrue interests at annual effective interest rate of 0.265 per cent and have a period of 63 days from their constitution date (as of December 31, 2012, they accrued interests at an annual effective interest rate of 0.13 per cent and had a period of 32 days as from their constitution date). Accrued interests as of December 31, 2013 and 2012 are recorded under "Deposits in foreign banks" of the statement of financial position (Note 4).

8. CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS

In thousands of S/.	2013	2012
Contributions to IMF in SDR (a)	1,000,391	824,656
Contributions to FLAR (b)	1,344,420	1,213,420
Contributions to BIS (c)	282,743	257,434
Total	**2,627,554**	**2,295,510**

(a) Contribution to IMF grants Peru access to financing facilities from this organization. IMF determines Peru's contribution as member country which, as of December 31, 2013 and 2012 amounts to SDR 638 million, comprising SDR contributions and contributions in Peruvian nuevos soles. As of December 31, 2013 and 2012, Peru's share in total installments undersigned by member countries of the IMF is of 0.27 per cent, and comprises the following:

In thousands of S/.	2013	2012
Contributions in SDR:		
Contributions to IMF in SDR (i)	1,000,391	824,656
Contributions in local currency:		
Contributions to IMF for equivalent in local currency (ii)	1,739,373	1 735,107
Revaluations to be settled - contribution in local currency to the IMF (iii)	1,492	(58,764)
Total local currency contribution	**1,740,865**	**1,676,343**

(i) As of December 31, 2013 and 2012, they comprise contributions granted to Peru by the IMF for SDR 233 million and SDR 211 million, respectively.

(ii) For contributions in Peruvian nuevos soles, the Central Bank did not disbursed funds, but it constituted promissory notes in favor of the IMF, through which said institution may collect said amounts at any moment. Therefore, said balancing entry is recorded as a liability with the IMF under "Other liabilities abroad" of the statement of financial position. This obligation does not accrue interests and may be demanded at any time.

(iii) Corresponds to exchange difference generated by the update in the contribution in local currency between April 30 and December 31 of every year. These revaluations are settled at the closing of the financial year of the IMF, on April 30 of every year.

By means of Law N° 29823 published on December 29, 2011, the Congress of the Republic authorized the increase of the installment to Peru in the IMF, from SDR 638 million to SDR 1,335 million, for which the Central Bank shall perform corresponding procedures and underpay promissory notes or necessary documents to make this increase effective, once approvals and conditions established in the IMF's Constitutive Agreement are met. As of December 31, 2013, approvals and conditions established in the IMF's Constitutive Agreement have not been met for the increase of the installment of Peru in the IMF.

(b) This contribution grants Peru access to FLAR financing facilities. As of December 31, 2013, the amount paid to FLAR equals to US$481 million, equivalent to S/.1,344 million (US$476 million equivalent to S/.1,213 million as of December 2012). As of December 31, 2013 and 2012, Peru's share in FLAR is of 20 per cent of its subscribed capital. Additionally, as of that date, the Central Bank holds contributions pending of capitalization, for US$182 million, equivalent to S/.510 million (US$188 million equivalent to S/.478 million as of December 2012), recorded as accounts receivable and payable under "Other assets" and "Other liabilities" respectively (Notes 11 and 17).

(c) As from 2011, the Central Bank participates as member of said international entity. BIS determines the share percentage of member countries. Peru's share is equivalent to (in units) 3,000 shares. As of December 31, 2013 and 2012, 25 percent of the market value of said shares was paid, equivalent to SDR 66 million, equivalent to S/.283 million (S/.257 million, as of December 2012). 75 percent of the market value of (in units) 3,000 shares, corresponding to SDR 1,971 million, equivalent to S/.848 million (S/.772 million as of December 2012) was recorded as an undersigned and unpaid contribution, under "Other assets" and "Other liabilities (Note 11 and 17).

9. DOMESTIC CREDIT

In thousands of S/.	2013	2012
Domestic credit for banking companies:		
Repurchase operations	949,876	--
Domestic credit for public sector (a):		
Bonds issued by the Ministry of Economy and Finances	1,565,776	817,073
Accrued interest	24,979	12,369
Domestic credit to the private sector	9	9
Total	**2,540,640**	**829,451**

As of December 31, 2013, re-purchase commitment of deposit certificate (reporting operations) are held with banking companies at 4.80 percent annual interest rate and whose liquidation date was January 2, 2014.

(a) As of December 31, 2013 and 2012, the Central Bank acquired MEF bonds issued in U.S. dollars in the secondary market, which mature between July 2025 and November 2033, an accrue interests at nominal rates ranging between 7.35 percent and 8.75 percent, respectively. Said instruments are classified and valued as available-for-sale investments. As of December 31, 2013, a decrease of S/.269 (S/. 1,7 million as of December 2012) was recorded in fair value under "Fair value reserve" in the statement of financial position.

(b) As of December 31, 2013 and 2012, the Central Bank recognized interest income from domestic credit operations, for S/.105 million and y S/.15 million, respectively, under "Financial income" of the statement of profit and loss and other comprehensive income.

10. BUILDINGS, FURNITURE AND EQUIPMENT, NET

Changes in buildings, furniture and equipment are comprised as follows:

In thousands of S/.	Land	Buildings and other constructions	Furniture and office equipment	Vehicles	Miscellaneous equipment	Units to be received	Total
Cost							
Balance as of January 1, 2012	24,056	158,382	4,967	3,104	64,866	3,030	258,405
Additions	--	2,300	63	497	9,109	2,295	14,264
Disposal and others	--	(1,395)	(110)	--	(2,317)	(1,380)	(5,202)
Balance as of December 31, 2012	24,056	159,287	4,920	3,601	71,658	3,945	267,467
Additions	--	1,211	84	391	5,763	1,163	8,612
Transfers	--	3,445	--	277	2	(3,724)	--
Disposal and others	--	(2,222)	(92)	(950)	(961)	(221)	(4,446)
Balance as of December 31, 2013	24,056	161,721	4,912	3,319	76,462	1,163	271,633
Accumulated depreciation							
Balance as of January 1, 2012	--	55,663	4,377	2,263	39,696	--	101,999
Depreciation for the year (d)	--	2,651	96	276	5,964	--	8,987
Disposal and others	--	(479)	(109)	--	(2,272)	--	(2,860)
Balance as of December 31, 2012	--	57,835	4,364	2,539	43,388	--	108,126
Depreciation for the year (d)	--	2,878	93	402	7,615	--	10,988
Disposal and others	--	(1,224)	(91)	(950)	(844)	--	(3,109)
Balance as of December 31, 2013	--	59,489	4,366	1,991	50,159	--	116,005
Impairment provision							
Balance as of December 31, 2012	--	(16,925)	--	--	--	--	(16,925)
Recovery of impairment provision	--	16,925	--	--	--	--	16,925
Impairment provision (e)	--	--	--	--	--	--	--
Net cost:							
As of December 31, 2013	24,056	102,232	546	1,328	26,303	1,163	155,628
As of December 31, 2012	24,056	84,527	556	1,062	28,270	3,945	142,416

(a) As of December 31, 2013 and 2012, the Central Bank holds totally depreciated buildings, furniture and equipment still in use, for S/.35 million and S/.34 million, respectively.

(b) The Central Bank holds insurances on its main assets according with policies established by Management and Board of Directors.

(c) As of December 31, 2013, depreciation of buildings, furniture and equipment is included under "Operating expenses", for S/.9 million (S/.7 million as of December 2012) and "Issuance expenses and costs" for S/.2 million (S/.2 million as of December 2012) of the statement of profit and loss and other comprehensive income (Notes 22 and 23).

(d) Corresponds to impairment provision on buildings, generated as a result of appraisal made by independent appraisers during 2008. Every year, Management assesses whether the carrying amount surpasses recoverable amount of its long-term assets based on available market data. In 2013, buildings were appraised and appraisal value was determined to be higher than the carrying amount; therefore, provision for impairment value of buildings was reverted. Management of the Central Bank believes there is no additional evidence of impairment of fixed assets held by the Central Bank as of December 31, 2013 and 2012.

11. OTHER ASSETS

In thousands of S/.	2013	2012
Financial instruments		
Contribution subscribed in international organizations,		
Notes 8 (b) ans (c) and Note 17	1,357,734	1,250,239
Accounts receivable from personnel	631	1,487
Subtotal	1,358,365	1,251,726
Non-financial instruments		
Collections (a)	96,957	96,835
Raw material semi-prepared and finished goods (b)	45,810	72,342
Deferred charges (c)	38,619	45,779
Intangibles	3,362	3,514
Silver	2,315	3,309
Inventories in transit at Casa Nacional de la Moneda	--	105
Others	12,962	1,357
Subtotal	200,025	223,241
Total	**1,558,390**	**1,474,967**

(a) Collections comprise paintings, archeological pieces, sculptures, bills, coins and other objects acquired or received by donation by the Central Bank, held for display.

(b) Raw material comprises supplies acquired by the Central Bank for producing coins, and is valued at average cost. Value of semi-prepared and finished goods comprises cost of raw material, direct labor and indirect production expenses.

(c) Deferred charges mainly comprise cost of printing bills, which affects the expense when said bills are set available for circulating for the first time.

12. OTHER LIABILITIES ABROAD

In thousands of S/.	2013	2012
SDR allocation and revaluations to be settled (a)	2,615,771	2,389,321
Assignation pesos andinos (b)	55,880	50,980
Others	1,772	1,215
Total	**2,673,423**	**2,441,516**

(a) As of December 31, 2013 and 2012, balance of the SDR allocation account is equivalent to SDR 610 million and corresponds to distribution made by the IMF to Peru in proportion to its installment, according to the Constitutive Agreement of the IMF. Balance as of December 31, 2013 and 2012 includes the exchange difference generated by the update of SDR allocation received from the IMF between April 30 and December 31 of every year, amounting to S/.2 million (positive update) and S/.84 million (negative update), respectively.

SDR allocation accrues interests according to the Constitutive Agreement's conditions. Annual interest rates, as of December 31, 2013 and 2012, were of 0.13 and 0.07 percent, respectively.

(b) Allocation of pesos andinos correspond to those delivered by the FLAR for the amount of 20 million pesos andinos, equivalent to S/.56 million and S/.51 million, as of December 2013 and 2012, respectively. This allocation does not generate interests, does not have a defined maturity for its settlement and the counterparty has been recorded as an account receivable under "Other assets abroad" of the statement of financial position.

(c) During years 2013 and 2012, the Central Bank paid the corresponding interests for its external liabilities, mainly for SDR allocation obligations, for S/.2 million and S/.3 million, respectively, under "Financial expenses" of the statement of profit and loss and other comprehensive income.

13. OUTSTANDING SECURITIES ISSUED

In thousands of S/.	2013	2012
Certificates of deposit (CDBCRP)	18,992,400	20,804,700
Readjustable certificates of deposits (CDBCRP)	3,111,024	--
Discounts on sale CDBCRP	(300,343)	(452,942)
Total	**21,803,081**	**20,351,758**

(a) As of December 31, 2013 and 2012, outstanding securities issued comprise certificates of deposits in local currency, placed by the auction mechanism or direct placement in order to withdraw liquidity surpluses from the financial system.

(b) During years 2013 and 2012, the Central Bank recorded expenses for interests on outstanding securities issued, for S/.886 million and S/.762 million, respectively, under "Financial expenses" of the statement of profit and loss and other comprehensive income.

(c) As of December 31, 2013 and 2012, certificates of deposit issued by the Central Bank were acquired by:

In thousands of S/.	2013	2012
Banking companies	13,808,824	11,534,430
Mutuall funds and funds of pension funds administrator	3,277,200	4,975,270
Banco de la Nacion	2,815,600	1,955,700
Deposits insurance funds	891,600	807,300
Consolidated fund of social security reserve	776,300	940,200
Financial companies	294,900	--
Other entities	239,000	591,800
Sub total	22,103,424	20,804,700
Sales discount CDBCRP	(300,343)	(452,942)
Total	**21,803,081**	**20,351,758**

14. DEPOSITS IN LOCAL CURRENCY

In thousands of S/.	2013	2012
Governmental sector	28,349,805	31,700,252
Banco de la Nacion	8,295,966	8,238,441
Banking companies	2,119,300	8,783,000
Financial companies	477,000	795,300
Other entities and funds	1,253,197	693,975
Total	**40,495,268**	**50,210,968**

(a) As of December 31, 2013 and 2012, deposits in local currency per transaction type are classified as follows:

In thousands of S/.	Interest rate	Maturity	2013	2012
	%			
Current accounts	Between 1.25 and 2.50	Without maturity	17,153,478	14,900,975
Time deposits	Between 2.57 and 2.70	Betweeb January and November 2014	20,244,990	34,776,993
Special deposits (overnight)	3.20	3 days	3,096,800	533,000
Total			**40,495,268**	**50,210,968**

(b) During years 2013 and 2012, Central Bank recognized interests on deposits in local currency for S/.1,485 million and S/.1,666 million, respectively, under "Financial expenses" of the statement of profit and loss and other comprehensive income.

15. MONETARY BASE

In thousands of S/.	2013	2012
Currency in circulation (a)	42,530,188	37,823,821
Deposits in local currency (b)		
Deposits of banking companies	4,677,754	10,274,362
Deposits of Banco de la Nacion	2,600,000	2,350,000
Deposits of financial companies	530,831	445,663
Other institutions of the financial system	1,597,760	1,841,106
	9,406,345	14,911,131
Total	**51,936,533**	**52,734,952**

(a) Composition of currency in circulation is presented below:

	2013		2012	
	Units	**In thousands of S/.**	**Units**	**In thousands of S/.**
Denomination S/. 10	111,512,302	1,115,123	105,359,218	1,053,592
Denomination S/. 20	112,475,707	2,249,514	105,510,917	2,110,218
Denomination S/. 50	112,579,188	5,628,960	112,277,339	5,613,867
Denomination S/. 100	284,538,873	28,453,887	243,669,058	24,366,906
Denomination S/. 200	16,429,225	3,285,845	15,375,929	3,075,186
Total		**40,733,329**		**36,219,769**
Denomination S/. 0.01	354,123,856	3,541	354,909,587	3,549
Denomination S/. 0.05	364,068,608	18,204	332,886,348	16,644
Denomination S/. 0.10	1,117,938,111	111,794	1,019,846,391	101,985
Denomination S/. 0.20	292,136,187	58,427	265,867,181	53,173
Denomination S/. 0.50	366,228,212	183,114	334,868,020	167,434
Denomination S/. 1.00	547,348,723	547,349	450,380,641	450,381
Denomination S/. 2.00	120,311,091	240,622	115,341,439	230,683
Denomination S/. 5.00	126,421,796	632,109	115,702,666	578,513
		1,795,160		1,602,362
Conmemorative coins		1,699		1,690
Total		**42,530,188**		**37,823,821**

(b) As of December 31, 2013 and 2012, they correspond to deposits in local currency of entities subjected to reserve requirements in the national financial system. Said funds are aimed to cover the required reserve in local currency and do not mature. Additionally, required reserve may be covered with cash in domestic and foreign currency (Note 16 (a)) and cash of the entity subjected to fitting.

Required reserves splits in legal minimum reserve requirements and additional reserve requirements. The first, as of December 31, 2013 and 2012, maintained a 9 percent rate for obligations subjected to fitting in domestic and foreign currency (Note 16 (a)). The second is part of reserve requirements required to the legal minimum. As of December 31, 2013, additional fitting rate in local currency ranged between 6 and 11 percent (between 5 and 10 percent as of December 31, 2012).

Obligations subject to reserve requirements are classified in two regimes: general and special. As of December 31, 2013, reserve requirements funds corresponding to additional reserve requirements of general and special regime deposited in the Central Bank accrued interests at annual rate of 1.25 percent, equivalent to remuneration rate of overnight deposits in the Central Bank less 195 basis points (as of December 31, 2012, the rate was of 1.75 percent, equivalent to remuneration rate of overnight deposits in the Central Bank less 170 basis points).

On November 27, 2013, the Central Bank issued Circular N° 043-2013-BCRP referring to reserve requirements dispositions in local currency, reducing reserve requirements marginal rate, medium reserve requirements rate of obligations subjected to general regime to continue promoting the ordered credit evolution in this currency.

On October 30, 2012, the Central Bank issued Circular N° 036-2012-BCRP referring to reserve requirements dispositions in local currency, increasing basis rate in 0.75 percentage points for entities with basic rate lower than 20 percent, to calculate reserve requirements of obligations subjected to general reserve requirements regime in local currency, in order to control liquidity of entities subjected to reserve requirements, so as to preserve monetary stability.

16. DEPOSITS IN FOREIGN CURRENCY

In thousands of S/.	2013	2012
Banking companies (a)	39,097,986	24,593,675
Governmental sector (b)	30,059,734	20,896,805
Banco de la Nacion (a)	259,855	637,931
Financial companies (a)	192,695	76,371
Other institutions of the financial system (a)	573,998	354,482
Other entities and funds	62,586	--
Total	**70,246,854**	**46,559,264**

(a) As of December 31, 2013 and 2012, they correspond to deposits in foreign currency made by entities subject to reserve requirements in the national financial system. Said funds aim to cover reserve requirements required by Central bank by the set of obligations subject to reserve requirements in foreign currency, and do not mature.

Required reserve requirements splits in legal minimum fitting that, as of December 31, 2013 and 2012, maintained a 9 percent rate for obligations subjected to reserve requirements in foreign currency; and additional reserve requirements, part of required reserve requirements exceeding legal minimum. As of December 31, 2013, additional reserve requirements rate in foreign currency ranged between 33 and 35 percent (Between 29 and 32 percent as of December 31, 2012).

As of December 31, 2013, reserve requirements funds corresponding to additional reserve requirements of general and special regime deposited in the Central Bank accrued interests at 0.0418 per cent annual interest rate, equivalent to 25 percent annual average of the London Interbank Offered Rate (LIBOR) to one month (0.1054 percent as of December 31, 2012, equivalent to 50 percent of the one month LIBOR rate average).

On September 27, 2013, the Central Bank issued Circular N° 038-2013-BCRP, modifying Basis period of obligations subject to the general regime, and Basis Rate increases based on credit growth in foreign currency; average period is reduced from 3 to 2 years of foreign credits and short-term bonds subject to fitting; and reserve requirements rate for foreign credit obligations and bonds with average period of over 2 years are reduced in order to facilitate credit ordered evolution.

(b) As of December 31, 2013 and 2012, deposits in foreign currency of Governmental Sector entities are expressed in U.S dollars and euros, mainly comprising contracts signed with the General Board of the MEF Public Treasure, which established conditions for the reception by the Central Bank of deposits provided by said entity. As of December 31, 2013, these deposits correspond to checking and time deposits, which accrued interests at an annual effective rate between 0.00337 and 0.2996 percent (as of December 31, 2012, annual effective rate ranged between 0.07 and 0.24 percent). Time deposits mature between January 2014 and January 2015 (as of December 31, 2012, they matured between January 2013 and August 2014).

(c) During 2013 and 2012, the Central Bank has recognized interests on deposits in foreign currency for S/.62 million and S/.55 million, respectively, included under "Financial expenses" of the statement of comprehensive income.

17. OTHER LIABILITIES

In thousands of S/.	2013	2012
Financial liabilities		
Contribution subscribed pending of payment to international organizations, Notes 8 (b) and (c) and Note 11	1,357,734	1,250,239
Interests and commissions payable	216,273	270,229
Fund for diseases insurance and pensions of Central Bank employees	9,811	12,745
Accounts payable	5,988	5,674
Deposits insurance fund	1,195	100
	1,591,001	1,538,987
Non-financial liabilities		
Actuarial liability (a)	132,500	126,530
Other provisions	32,911	29,351
Others	6,008	6,300
	171,419	162,181
Total	**1,762,420**	**1,701,168**

(a) As of December 31, 2013 and 2012, includes an actuarial obligation related to the subsidy for complementary pensions and other benefits complementary to retirement to comply with benefits to employees and their relatives. At said dates, provision for the actuarial obligation calculated by an actuary, deducting the value of net assets of the Fund, was of S/.133 million and S/.127 million (Note 2.2 (n)).

The Fund is a legal entity of private right created by Law Decree N° 7137 aimed to provide benefits to active and retired employees of the Central Bank, as well as to their spouses, sons and parents, as stated in the regulations. These benefits are additional to social security and other social benefits agreed by law (ESSALUD, *Sistema Nacional de Pensiones* (National Pensions Fund) – Law Decree N° 19990 and *Sistema Privado de Pensiones* (Private Pension Fund)). According to IAS 19 – Employee benefits, the aforementioned benefits correspond to a defined benefit plan.

Net expense recognized in the statement of comprehensive income for employees benefit plans for is comprised as follows:

In thousands of S/.	2013	2012
Transfers to fund with charte to provision	11,268	11,013
Variation of net assets of the Fund	1,236	4,153
Variation of reserves calculated by the actuary	4,734	(1,115)
Total	**17,238**	**14,051**

As of December 31, 2013 and 2012, "Expenses for actuarial provision" under "Operating expenses" of the statement of comprehensive income is included in the adjustment of the actuarial reserve provision for S/. 17 million and S/. 14 million, respectively (Note 22).

As of December 31, 2013 and 2012, the change in obligation for benefit plans to employees and fair value of assets of the plan are as follows:

In thousands of S/.	2013	2012
Balance at the beginning of the period	126,530	123,492
Transfers to the Fund during the period (i)	(11,268)	(11,013)
Provision for employee benefits plans	17,238	14,051
Balance as of the closing of the period	**132,500**	**126,530**

(i) On January 10, 2013, the Board of Directors of the Central Bank authorized the transfer to Fund for diseases, Insurances and Pensions of Central Bank Employees, for S/.32 million, said balance was disbursed during 2013, affecting liability and expense, decreasing actuarial obligation in S/.11 million for payment of retired personnel and increasing "Operative expenses" in S/.21 million for health expenses of active personnel (Note 22).

Main categories of the assets of the plan as fair value percentage of total assets of the plan are as follows:

	2013 %	2012 %
Deposits in the Central Bank	43.1	43.8
Accounts receivable from employees	56.9	56.2
Total	**100.0**	**100.0**

Main hypothesis used when determining defined benefit plans are detailed below:

	2013	2012
Discount rate	6%	6%
(Reduction) increase of pensions	3.3%	(1.8%)
Increase (reduction) of burial	(1.9%)	1.7%
Increase of health	3.6%	14.7%
Average period of amortization of pensions	9.05	9.66
Retired personnel as of the date of financial statements:		
Male	920	934
Female	592	609

The table below presents sensitivity of actuarial assumptions in results of the Central Bank:

Year	**Increase / decrease in discount rate**	**Effect in reserves for the year**
	(%)	**(In thousands of S/.)**
2013	+0.5%	(5,675)
	-0.5%	6,134
2012	+0.5%	(5,774)
	-0.5%	6,240

Year	**Increase / decrease life expectation**	**Effect in reserves for the year**
	(Years)	**(In thousands of S/.)**
2013	+1	(2,989)
	-1	2,739
2012	+1	2,173
	-1	(2,195)

18. NET EQUITY

(a) Capital

As of December 31, 2013 and 2012, authorized capital of the Central Bank, subscribed and paid by the Peruvian Government according to the Organic Law and Supreme Decrees N° 059-2000-EF, N° 108-2004-EF, N° 136-2006-EF, N° 136-2007-EF and N° 124-2010-EF, is of S/.1,183 million.

Capital is not represented by shares. Its value is only in the capital account of the statement of financial position. Additionally, Supreme Decree countersigned by the MEF allows capitalizing authorized capital of the Central Bank.

(b) Reserves

Legal reserve

According to article N° 92 of its Organic Law, the Central Bank must annually distribute its net earnings as follows: (i) 25 percent to Public Treasury and (ii) 75 percent to building and increasing, up to 100 percent of its capital, of a reserve that, preferably, shall be destined for capitalization. During 2013 and 2012, the Central Bank has not performed capitalization of reserves.

Special Statutory reserve

According to article N° 63 of the Central Bank's bylaw, surplus resulting for the application of article N° 92 of the Organic Law, shall be destined to constituting a special reserve.

According to article N° 93 of the Organic Law, on April 12, 2013, after the approval of 2012 financial statements, S/.184 million were transferred from special statutory reserve to legal reserve to cover the loss of S/.1,163 million for the year 2012.

According to article N° 93 of the Organic Law, on March 27, 2012, after the approval of 2011 financial statement, legal reserve was applied to cover loss of S/.203 million for the year 2011.

(c) Retained earnings

Article N° 93 of the Organic Law states that in the event of losses, reserve must be applied to offset them; if it were insufficient, the Public Treasury, within 30 days from the approval of the statement of financial position, must issue and deliver to the Central Bank, for the non-covered amount, negotiable debt securities accruing interests. On that regard, losses for years 2012 and 2011 were covered with legal reserve.

(d) Fair value reserve

As of December 31, 2013, fair value reserve comprises net loss for fluctuation of securities from international entities, for S/.1,374 million (S/.226 million as of December 2012) and net loss for MEF bonds fluctuation – Domestic credit for S/. 271 million (S/.2 million as of December 2012).

(e) Valuation readjustments article N° 89 – Organic Law

According to accounting policy approved by the Board of Directors based on article N° 89 of the Organic Law, differences recorded as a result of readjustments in the valuation of local currency of assets and obligations of the Bank in gold, silver, currency, SDR or other monetary units of international use are credited in this account, but are not considered as profit or loss (Note 2.2 (e)).

Change as of December 31, 2013 and 2012 is presented below:

In thousands of S/.	2013	2012
Balance at the beginning of the year	(10,030,675)	(5,277,819)
Plus (less):		
Valuation of U.S. dollars	7,657,565	(4,118,164)
Valuation of other currencies	1,277,617	(1,565,183)
Valuation of metals (gold and silver)	(1,017,015)	116,156
Valuation of IMF contribution and obligations	(210,763)	126,143
Operations of exchange rate derivatives	1,850,762	687,727
Others	(4,411)	465
Balance at the end of the year	**(476,920)**	**(10,030,675)**

19. TAX SITUATION

According to the Income Tax Law, national governmental sector entities are not passive subjects of income tax. The Central Bank, as a withholding agent, is subject to the income tax of fifth category (personnel in payroll) and fourth category (independent employees) and social contributions.

Tax Authority may review and, as applicable, correct tax determination calculated by the Central Bank in the four years subsequent to the year of presentation of tax return. Tax returns for the years 2009 to 2013 are pending of review by the Tax Authority. Due to possible interpretations that the Tax Authority may give to current standards, it is not possible to determine as of the date whether liabilities may arise for the Central Bank as a result of reviews conducted; therefore, any higher tax, moratorium interests and sanctions that may result in eventual tax reviews shall be applied to profit/loss for the year in which they are determined. Management and internal legal advisors believe that any eventual additional liquidation of taxes shall not be significant for financial statements of the Central Bank as of December 31, 2013 and 2012.

20. CONTINGENCIES

On December 15, 2006, the Fourth Civil Room of the Superior Court of Justice of Lima, declared as grounded a request for defense against the Central Bank, promoted by former employees who adopted incentives in 1992, ordering their reinstatement as well as actuarial calculation for the corresponding payment of accrued remunerations and other labor rights. Subsequently, the Bank presented a request for defense against said judicial resolution for infringement of several constitutional rights protecting the due process (res judicata, due motive and valuation of proofs). By resolution dated November 22, 2011, the Third Civil Room of the Superior Court of Justice of Lima, in its ability of first instance organ, declared the Bank's claim as grounded, and voided the judgment of December 15, 2006 that ordered the reposition of former employees and payment of yields, decision that has been confirmed by the Supreme Court according to judgment dated October 30, 2012.

As a consequence of the judgment of the Supreme Court, the Fourth Civil Room of the Superior Court, by resolution dated September 3, 2013, issued a new judgment declaring as grounded the caducity exception deduced by the Central Bank. Consequently, other issues were void and the process was completed. Former employees filed a constitutional remedy; therefore, the case has been presented to the Constitutional Tribunal. On the other hand, former employees have presented a new request for defense, declared as inadmissible on first instance; therefore, the decision has been appealed and is pending of resolution.

Considering the aforementioned judicial pronouncements, which void the repositioning and payment of yields in relation to the judgment dated December 15, 2006, the Management of the Central Bank and its legal advisors consider that, as of December 31, 2013, it is not necessary to record a provision for possible losses for this judicial contingency.

21. OFF-BALANCE SHEET ACCOUNTS

In thousands of S/.	2013	2012
Forward operations (a)	22,113,120	20,595,049
Bills and coins in stock (b)	24,726,199	19,737,138
Securities in custody (c)	1,884,574	1,744,683
Futures operations (d)	232,286	149,430
Banks under liquidation	10,441	52,043
Securities in guarantee	56,892	27,774
Production of coins in progress - Casa Nacional de la Moneda	2,401	2,022
Bills and coins removed from circulation to be destroyed	1,201	1,201
Others	296,003	259,126
Total	**49,323 117**	**42,568,466**

(a) As of December 31, 2013 and 2012, it corresponds to reference value (nominal amount committed) of forward operations in foreign currency held by the Central Bank, classified as for trading. As of December 31, 2013, the Central Bank holds 35 forward operations maturing between January and April 2014 (as of December 31, 2012, it corresponds to 35 forward operations maturing between January and April 2013). Additionally, as of December 31, 2013, valuation of said instruments generated an asset for S/.713 million (S/.663 million as of December, 2012), recorded under "Other available assets", and a liability for S/.134 thousands (S/.32 million as of December 2012, recorded under "Reserve liabilities"). Said valuation was recorded under "Valuation readjustments article N° 89 – Organic Law" in the statement of financial position.

As of December 31, 2013 and 2012, par values of forward operations per currency type are as follows:

In thousands of S/.	2013	2012
Sale of yens for other currencies other than the nuevo sol	10,666,765	7,873,374
Purchase of U.S. dollar for other currencies other than the nuevo sol	10,331,910	9,622,053
Purchase of euros for other currencies other than the nuevo sol	1,080,283	1,011,787
Sale of euros for other currencies other than the nuevo sol	10,530	1,578,278
Sale of sterling pounds for other currencies other than the nuevo sol	8,018	--
Purchase of sterling pounds for other currencies different than the nuevo sol	7,868	--
Sale of U.S. dollar for other currencies other than the nuevo sol	7,746	497,055
Purchase of yens for other currencies other than the nuevo sol	--	12,502
Total	**22,113,120**	**20,595,049**

(b) As of December 31, 2013 and 2012, it corresponds to bills and coins that the Central Bank holds in its vaults and that are not circulating. Presented below, their composition:

In thousands of S/.	2013	2012
New	22,038,500	16,863,000
Available	1,812,662	2,210,145
To be classified	698,515	542,450
To be destroyed	138,635	120,962
In transit	37,890	581
Total	**24,726,199**	**19,737,138**

The movement of bills and coins in stock as of December 31, 2013 and 2012 was as follows:

In thousands of S/.	2013	2012
Balance at the beginning of the year	19,737,138	17,752,552
Acquisition of bills and coins	16,675,709	15,370,693
Destruction of bills and coins	(6,980,282)	(7,862,773)
Removal of circulation, net of income	(4,706,366)	(5,523,334)
Balance as of the closing of the year	**24,726,199**	**19,737,138**

(c) As of December 31, 2013 and 2012, securities in custody mainly include promissory notes in guarantee for operations with IMF.

(d) As of December 31, 2013 and 2012, it corresponds to reference value (nominal amount committed) of operations with futures maintained by the Central Bank for trading purposes. As of December 31, 2013, the Central Bank holds 600 contracts of operations with futures of prices which underlying assets are bonds of the American treasury, expressed in U.S. dollars an bonds of the German Government expressed in euros (483 contracts of operations with futures of prices whose underlying assets were bonds of the American treasure, expressed in U.S dollars, bonds of the German Government expressed in euros and bonds of the United Kingdom expressed in sterling pounds, as of December 31, 2012), maturing in march 2014 (march 2013, as of December 31, 2012). Additionally, valuation of said instruments generated an asset for an amount of S/.311 thousands (S/.165 thousands as of December 2012), recorded under "Other available assets" and a liability for S/.2 million (S/.208 thousands as of December 2012), recorded under "Reserve liabilities". Said valuation was recorded under "Net yield on securities" of the statement of income.

22. OPERATING EXPENSES

In thousands of S/.	2013	2012
Personnel expenses and social obligations, Note 24	156,292	145,527
Administrative expenses (a)	37,725	39,200
Employee fund	19,812	20,148
Expenses for actuarial provision, Note 17 (a)	17,238	14,051
Depreciation, Note 10 (c)	8,686	6,756
Amortization	3,111	2,049
Others	5,859	1,602
Balance at the end of the year	**248,723**	**229,333**

(a) As of December 31, 2013 and 2012, it mainly corresponds to public services expenses, maintenance, surveillance, consulting, and informatics supplies, among others.

23. EXPENSES AND COSTS OF ISSUANCE

In thousands of S/.	2013	2012
Production cost of coins issued	54,638	49,251
Expenses of printing issued bills	25,573	25,431
Expenses of transport bills and coins	2,360	2,697
Balance at the end of the year	**82,571**	**77,379**

24. PERSONNEL EXPENSES AND SOCIAL OBLIGATIONS

In thousands of S/.	2013	2012
Salaries	86,855	81,467
Legal gratifications and vacations	30,970	27,637
Commissions and awards	15,687	14,941
Severance compensations	9,576	9,157
Social security	9,049	8,458
Training	1,786	1,844
Others	2,369	2,023
Total	**156,292**	**145,527**

25. RISKS ASSESSMENT

By the nature of its activities, the Central Bank is exposed to liquidity, credit, exchange, interest rate and operating risks. The risk administration program of the Central Bank intends reducing potential negative effects in its financial performance.

The statement of financial position of the Central Bank mainly comprises financial instruments, as described in Note 2.2 (b). International reserves are a relevant component of said instruments (representing 96.8 and 97.5 percent total assets as of December 31, 2013 and 2012, respectively) and its management follows security, liquidity and profitability criteria described in article N° 71 of the Organic Law. International reserves support the economic and financial stability of the country, while guaranteeing the availability of currencies in extraordinary situations, such as a possible significant withdrawn of deposits in foreign currency from the national financial system or external temporary shocks that could cause unbalance in the real sector of economy and feedback expectations. Additionally, a proper availability of currencies supports the reduction in the country risk and the improvement of credit ratings in Peru, which translates in better conditions for obtaining foreign credits for Peruvian private and public companies, and as well supports the expansion of the foreign investment in the country.

Reserve administration policies followed by the Central Bank consider it is important to preserve capital and guarantee the liquidity of reserves. Once said conditions are met, liquidity is intended to be maximized.

International assets administration is closely related with the origin and characteristics of the Central Bank's liabilities in terms of amount, currency, period and volatility. This is to reduce financial risks that could affect the value and availability of resources under the Central Bank's administration.

The Central Bank's Management is aware of existing market conditions and, based on its knowledge and experience, controls the aforementioned risks, following policies approved by the Board of Directors. The most important respects for risk management are as follows:

Liquidity risk

To mitigate this risk, liquidity degree of fixed income instruments is controlled, mainly by the size of the issuance and percentage acquired from each issuance. Additionally, the Central Bank has a division in sections of the investment portfolio in its investment policy. Said portfolio is divided as follows:

- Immediate Availability Section: Includes very short-term investments mainly to face unforeseen obligations and obligations with domestic banks.

- Intermediation and Liquid Sections: Correspond to deposits in foreign currency in financial entities (manly for fitting obligations) and public sector in the BCRP. With these resources, investments mainly comprising bank deposits with stepped maturity and high-liquidity, fixed rent instruments in international money markets are made.

- Diversification and Investment Sections: Comprise Bank's resources (Exchange Position), and is aimed for investments including securities at terms generally for over one year (mainly bonds), which may generate higher yield and support risks diversification.

Credit risk

Refers to the likelihood that another party fails to timely comply with an obligation with the Central Bank. To face this risk, investments are made on a diversifiable basis, as follows:

- Deposits in first-order foreign banks, in terms of capital and short and long-term risk ratings, issued by the main international risk rating agencies, such as Standard & Poor's, Moody's and Fitch.

- Fixed rate securities issued by international organizations or foreign public entities. As of December 31, 2013 and 2012, such obligations must have a long-term rating among the five higher categories from twenty granted by risk rating agencies.

- Investments in debt issuance of private companies are not allowed.

The scale and concentration of the Central Bank's exposure to credit risk may be directly obtained from the statement of financial position, which describe the size and composition of the Central Bank's financial assets.

Based on risk ratings obtained and the Management's analysis, as of December 31, 2013 and 2012, the Central Bank is not exposed in countries or entities with debt problems, presenting a credit impairment risk for its investments.

Exchange risk

Exchange risk is the risk that the Central Bank is exposed due to fluctuations in value of financial assets and financial liabilities generated by variations in exchange rates. The scale of the risk depends on:

- Unbalance between Central Bank's assets and liabilities in foreign currency, and

- Exchange rate of transaction in foreign currencies, pending as of the closing.

Central Bank's assets are mainly invested in U.S. dollars, reflecting the denomination of liabilities in foreign currency (mainly bank reserve requirements and special deposits from residents) as the Central Bank's intervention currency in the domestic currency markets. Composition per currency of balances in foreign currency is described in Note 3.

Interest rate risk

Interest rate risk is related to the unexpected movement in market yield rates of fixed income assets comprised in the portfolio, which may affect the market value of investments before their maturity. The higher the maturity term of investments is, the higher the impact in changes of yields over market value of such investments. Measurement of such impact is reflected in the portfolio's duration, which as well reflects risk-return preferences of the Board of Directors.

The Central Bank faces this risk considering the terms structure of its portfolio and its reference portfolio.

In this way, maximum terms have been established for investments, consistent with market risk profile expected for each portfolio instrument.

The scale of this risk depends on:

- Relevant interest rate of financial assets and financial liabilities, and

- Maturity structure of the portfolio of financial instruments of the Central Bank.

Operating risk

It is defined as the risk of incurring in direct or indirect losses as a result of failures in processes and internal controls, persons, information systems, technology or external events.

Operating risks of the Bank are classified in: risk from people, external events, processes, information technology and communication, technologic, acquisition, legal, compliance, physical security, information security, and workplace health and safety.

Risk management is based on the Bank's processes and, given that risk management is a self-assessment process, organizational units along with the Risk Management perform the following, among others:

- Design of its process, consisting in identifying activities that support a process.

- Identification of risks and controls, consisting in identifying risks in activities and controls applied to mitigate them.

- Quantification of risks and proposal of control measures, as needed.

Once risks have been quantified and control measures to be applied have been assessed, the Risk Management presents them to the Risk Committee. The Risk Committee is in charge of approving policies and recommending actions regarding risk management and operations continuity, recommend preventing actions and actions for solving events affecting the Bank, and assess reports and proposals presented by the Risk Management.

26. INFORMATION ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value or estimate of market value is the amount for which an asset could be exchanged, or a liability could be settled between two aware and willing parties, under the assumption that the entity is a going concern.

When a financial instrument is commercialized in an active and liquid market, its price established in the market in a real transaction grants the best evidence of its fair value. When such price is not available, or it cannot be an indication of fair value of the instrument to determine said fair value, market value of a similar instrument, analysis of discounted flows or other applicable techniques may be used, which are significantly affected by assumptions applied. Even though Management has used its better judgment when estimating fair values of its financial instruments, any technique to make such estimate implies certain inherent fragility level. As a result, fair value may not be an indication of net realizable value or liquidation value of such instruments.

Methodology and assumptions used to determine values estimated in the market as of December 31, 2013 and 2012, in cases applicable according to the Central Bank's policy, depend on terms and characteristics of risk of several financial instruments, as detailed below:

(a) Cash in foreign currency and deposits in foreign banks represent cash and time deposits in banks with terms up to 90 days as from their issuance, respectively, which do not represent significant credit or interest rate risks; therefore, its carrying amount is equivalent to its fair value.

(b) Carrying amount of securities from international entities classified as available-for-sale investments correspond to estimated market value; therefore, there is no difference between its carrying amount and fair value.

(c) Carrying amount of securities from international entities classified as held-to-maturity investments correspond to their amortized cost using the effective interest rate method, except for those acquired at par value. According to the Central Bank’s accounting policies Market value of these investments is not published.

(d) Carrying amount of the gold correspond to its market value.

(e) Value of contributions to international organizations and deposits in international organizations are considered that correspond to their fair values due to the fact that they represent the amount receivable in the event that the Central Bank ceased to be member of such organizations. Additionally, contributions to international organizations may not be treated with third-parties and generate interests at interest rates based on their market risks.

(f) Outstanding securities issued generate interests at fixed and variable rates according to the issuance performed. As a result, estimated market value does not significantly differ from carrying amount.

(g) Deposits in domestic and foreign currency bear interests at fixed and variable rates, which are fixed in terms of less than one year by the Central Bank. As a result, the estimated market value does not significantly differ from carrying amount.

(h) Carrying amount of bills and coins held by the Central Bank under “Monetary base” correspond to market value, due to the fact that it represents cash and is circulating in the Peruvian economy.

As a result, as of December 31, 2013 and 2012, the Central Bank’s Management considers that estimated values of financial instruments of the Central Bank do not significantly differ from their carrying amounts, except for the aforementioned (in paragraph (c)).

27. SUBSEQUENT EVENTS

Management is not aware of subsequent events having occurred between the closing date of these financial statements and the date of this report that may significantly affect them.