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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Banco Central de Reserva del Perú (hereinafter the Bank), which comprise the balance sheet as of December 31, 2006 and 2005, and the statements of income, the statements of changes in shareholders' equity and the statements of cash flows for the years then ended, and summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Peru. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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 assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making this risk assessment, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting principles applied and whether the accounting estimates made by management are reasonable, 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.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Banco Central de Reserva del Perú as of December 31, 2006 and 2005, the results of its operations and its cash flows for the years then ended, in conformity with the accounting policies described above.

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

Gris Hernández y Asociados

Countersigned by:

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

February 26, 2007

BALANCE SHEETS
AS OF DECEMBER 31, 2006 AND 2005
(Expressed in thousands of nuevos soles)

ASSETS	**Notes**	**2006** S/.000	**2005** S/.000
GROSS INTERNATIONAL RESERVES:			
Cash in foreign currency		32,183	34,708
Deposits in foreign banks	5	21,880,367	15,380,104
Securities in international institutions	6	29,982,365	29,786,968
Gold	7	2,254,659	1,974,601
Contributions to Fondo Latinoamericano de Reservas (FLAR)	8 (a)	1,057,903	1,104,942
Other available assets		141,890	134,735
		55,349,367	48,416,058
OTHER ASSETS ABROAD:			
Contributions in local currency to the International Monetary Fund	8 (b)	3,066,931	3,126,944
Other assets abroad		21,720	25,471
		3,088,651	3,152,415
DOMESTIC CREDIT	9	9	2,849,755
PROPERTY, FURNITURE AND EQUIPMENT, NET	10	144,882	149,013
OTHER ASSETS	12	1,058,215	1,193,411
TOTAL ASSETS		**59,641,124**	**55,760,652**
MEMORANDUM ACCOUNTS	24	19,939,346	15,204,755

See notes to financial statements.

LIABILITIES AND EQUITY	Notes	2006 S/.000	2005 S/.000
RESERVE LIABILITIES		173,727	77,398
OTHER LIABILITIES ABROAD:			
Counterpart of the contribution in local currency to the International Monetary Fund	13 (a)	3,066,931	3,126,944
Other liabilities abroad	13 (b)	567,353	712,927
		3,634,284	3,839,871
STERILIZED STOCK:			
Securities issued	14	7,858,348	8,610,469
Deposits in local currency	15	10,440,841	4,821,637
		18,299,189	13,432,106
PRIMARY ISSUANCE	16	13,863,523	11,723,776
DEPOSITS IN FOREIGN CURRENCY	17	19,990,219	22,969,369
OTHER LIABILITIES	18	1,011,437	1,026,181
READJUSTMENT IN VALUATION, ORGANIC LAW ARTICLE 89	19	1,713,053	2,249,131
TOTAL LIABILITIES		58,685,432	55,317,832
EQUITY:	20		
Capital		295,688	245,979
Reserves		110,349	49,709
Retained earnings		549,655	147,132
TOTAL EQUITY		955,692	442,820
TOTAL LIABILITES AND EQUITY		**59,641,124**	**55,760,652**
MEMORANDUM ACCOUNTS	24	19,939,346	15,204,755

STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Expressed in thousands of nuevos soles)

	Notes	2006 S/.000	2005 S/.000
FINANCIAL INCOME:			
Interest on deposits in foreign banks	5	925,689	463,533
Interest on securities of international institutions	6	1,008,138	748,523
Dividens received from FLAR		30,177	6,609
Yield on gross international reserves		1,964,004	1,218,665
Interest on internal credit operations		72,877	9,385
Other financial income	19	215,129	183,588
Total		2,252,010	1,411,638
NON-FINANCIAL INCOME:		5,895	9,908
FINANCIAL EXPENSES:			
Interests on other liabilities abroad	13 (b)	(16,204)	(11,542)
Interests on securities issued	14	(303,197)	(428,073)
Interests on local currency deposits	15	(356,603)	(137,246)
Interests on foreign currency deposits	17	(790,231)	(503,054)
Other financial expenses		(6,649)	(9,709)
Total		(1,472,884)	(1,089,624)
OPERATING EXPENSES:			
Payroll and cost of social laws		(120,168)	(111,585)
Administrative expenses		(51,394)	(54,624)
Depreciation and amortization		(8,200)	(6,511)
Other expenses	21	(28,622)	(213)
Total		(208,384)	(172,933)
MONETARY ISSUANCE EXPENSES AND COSTS:			
Expenses for transport and cost of printing notes and minting coins		(11,936)	(2,792)
Cost of material for production of coins		(15,046)	(9,065)
Total		(26,982)	(11,857)
NET INCOME		**549,655**	**147,132**

See notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Expressed in thousands of nuevos soles)

	Capital	Reserves	Retained Earnings	Total
	S/.000	S/.000	S/.000	S/.000 (Note 20)
Balance as of January 1, 2005	253,177	105,347	(62,836)	295,688
Transfers between equity accounts to absorb losses	(7,198)	(55,638)	62,836	-
Net income	-	-	147,132	147,132
Balance as of December 31, 2005	245,979	49,709	147,132	442,820
Capitalization of reserves	49,709	(49,709)	-	-
Transfer of earnings to the Public Treasury	-	-	(26,015)	(26,015)
Withholding for Public Treasury debt	-	-	(10,768)	(10,768)
Constitution of reserves	-	110,349	(110,349)	-
Net income	-	-	549,655	549,655
Balance as of December 31, 2006	**295,688**	**110,349**	**549,655**	**955,692**

See notes to financial statements.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Expressed in thousands of nuevos soles)

	Notes	2006 S/.000	2005 S/.000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income		549,655	147,132
Adjustments to reconcile net income to net cash and cash equivalents provided by operating activities:			
Depreciation of property, furniture and equipment		7,170	5,296
Financial income - interest		8,430	(124,949)
Financial expenses - interest		(29,249)	(258,364)
Other adjustments, net		203	-
Decrease (increase) in assets:			
Other assets abroad		63,764	125,924
Domestic credit		2,849,746	(2,810,746)
Other assets		126,766	138,646
Increase (decrease) in liabilities:			
Reserve liabilities		96,329	(265,405)
Other liabilities abroad		(205,587)	-
Securities issued		(811,191)	907,613
Deposits in local currency		5,619,204	2,842,505
Deposits of financial institutions (primary issuance)		(63,208)	(4,309)
Deposits in foreign currency		(2,979,150)	3,177,481
Other liabilities		11,039	85,748
Readjustment in valuation, Organic Law Article 89		(536,078)	566,101
Cash and cash equivalents provided by operating activities		4,707,843	4,532,673
CASH FLOWS FROM INVESTING ACTIVITIES:			
Sale of property, furniture and equipment		2,021	201
Additions of property, furniture and equipment		(5,525)	(6,320)
Transfer of earnings to the Public Treasury		36,783	-
Withholding for Public Treasury Debt		(10,768)	-
Net cash and cash equivalents provided by (used in) investing activities		22,511	(6,119)
NET INCREASE IN CASH AND CASH EQUIVALENTS		4,730,354	4,526,554
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		36,967,975	32,441,421
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	**2 (n)**	**41,698,329**	**36,967,975**

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

1. IDENTIFICATION AND ECONOMIC ACTIVITY

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

The Bank has its legal address and headquarters in Lima, and has regional offices in seven cities in Peru. As of December 31, 2006 and 2005, the Bank headcount was 986 and 974 respectively.

The financial statements for the year ended December 31, 2006 have been authorized for issuance by the Bank's Management to be presented to and approved by the Board of Directors. The financial statements for the year ended December 31, 2005 were approved by the Board of Directors at the meeting held on August 3, 2006.

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

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

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

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

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

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

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

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

- Establish multiple exchange rates regimes.

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation and presentation

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

Accounting principles generally accepted in Peru (Peruvian GAAP) are described in Note 28 (a). The main differences between the accounting practices applied for the Bank and Peruvian GAAP are described in Note 3.

(b) Use of accounting estimates

The preparation of the financial statements in accordance with the Central Bank principles and practices requires the Bank Management to make certain estimates and assumptions to determine the balances of assets and liabilities and income and expenses to disclose contingent assets and liabilities as of the date of the financial statements, as well as significant facts included in the notes to the financial statements. Assets and liabilities are recognized in the financial statements when it is likely that future economic benefits will flow to or from the Bank and when the different items have a cost or value that can be measured reliably. Should these estimates and assumptions, based on Bank Management's best criteria as of the date of the financial statements, vary as a result of changes in the supporting premises and circumstances on which they were based, the balances of the financial statements would be corrected on the date in which such changes of estimates and assumptions occur, and the effect of the change would be included in the determination of net income or loss for said year, and of future years if it were the case. The most significant estimates related to the financial statements, the accounting criteria of which are described below, correspond to: the provision for transforming cost of gold in coins, depreciation of property, furniture and equipment, provision for severance indemnities, amortization of intangibles, provision for foreclosed assets and actuarial provisions for supplementing retirement, widowhood, health care and burial benefits, and contingent liabilities and assets.

(c) Financial instruments

Financial instruments are defined as any contract that gives rise simultaneously to a financial asset in one entity and a financial liability or equity instrument in another entity. In the case of the Bank, financial instruments correspond to primary instruments included in: (i) Gross international reserves, (ii) other assets abroad; (iii) domestic credit; (iv) other assets, and (v) liabilities in general, except for readjustment in valuation, Organic Law Article 89.

Financial instruments are classified as financial assets, financial liabilities or equity instruments, according to the contract that gave rise to the financial instrument. Interests and other gains and losses generated by a financial instrument classified as asset or liability, are recorded as income or expense in the statement of income, except by exchange differences for valuation of balances which are recorded in the account "Valuation Readjustment, Organic Law Article 89" in the balance sheet. Financial instruments are compensated when the Bank has the legal right to compensate them and the Bank's Management has the intention of paying them on a net basis or realize the asset, and pay the liability simultaneously.

According to the Bank Management's opinion, the balances in: (i) Gross international reserves, (ii) other assets abroad; (iii) domestic credit; (iv) other assets; and (v) liabilities in general, do not differ significantly from their fair value (Note 26). The recognition and valuation criteria of these items are disclosed herein in the corresponding notes.

(d) Securities in international institutions

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

(e) Precious metals

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

Under Board of Directors' agreements of February 14, 2002 and August 10, 2006, the Bank's gold and silver holdings are valued at their listed price at the end of each day. Gold valuation is obtained by applying the average purchase quotation of the London, New York and Zurich markets, which amounted to US$ 633.80 and US$ 516.53 as of December 31, 2006 and 2005 respectively. Likewise, silver valuation is obtained by applying the average purchase quotation in the New York and London markets; and the quotation published in Handy & Harman, which amounted to US$ 12.80 and US$ 8.84 as of December 31, 2006 and 2005 respectively.

(f) Property, furniture and equipment

Property, furniture and equipment are stated at cost and are shown net of accumulated depreciation. Renewals and improvement expenses are capitalized as an additional cost of property, furniture and equipment, only when they can be reliably estimated and it is likely that such disbursements will contribute to the generation of future economic benefits from the use of property, furniture and equipment, beyond the originally assessed standard performance of the assets, while maintenance and repair expenses are charged to results as incurred.

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

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

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

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

(g) Foreclosed assets

Foreclosed assets include mainly land and properties received as payments of loans granted to banks under liquidation process and are recorded at the cost of adjudication which does not exceed their estimated realizable value, net of the corresponding provision. As of December 31, 2006 and 2005, foreclosed assets are fully amortized.

As established in Article 85 of the Organic Law, the Bank may not be the owner of more properties than those intended for its normal activities and those transferred to the Bank as settlement of debts. The latter must be sold over a term not exceeding a year from the date of transfer. As of December 31, 2006 and 2005, all the foreclosed assets are aged over a year and the Bank has made the arrangements established by law in order to formalize their sale, which implied coordination with Superintendencia de Bienes Nacionales (Superintendence of National Assets).

(h) Sterilized stock

Sterilized stock is a Central Bank's liability in local currency comprised by securities issued and deposits from governmental sector and financial entities, which are not part of the legal cash reserve. It results from monetary operations to take out liquidity from the financial system, and for deposits from the said entities, which in case of reversal, would imply an increase in the primary issuance.

(i) Notes and coins issued

This includes notes and coins of legal tender issued by the Bank which are held by the public; and are recorded as a liability on the balance sheet at their face value under primary issuance. Notes and coins not in circulation are kept in the Bank's vaults and recorded in Memorandum Accounts at their nominal value.

(j) Employees' severance indemnities

Employees' severance indemnities are determined according to current legal regulations, and are recorded in the accounting books as other liabilities and charged to results and credited to the corresponding provision account as accrued. The payments made, which are considered definitive, are deposited in financial institutions selected by the employees.

(k) Employee benefits

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

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

- Supplementary pensions subsidy, widowhood pensions and burial subsidy

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

- Other benefits supplementary to retirement

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

The supplementary subsidy for retirement and widowhood pensions, burial subsidy, and other supplementary retirement benefits are recorded under other liabilities.

(l) Interests and commissions

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

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

(m) Operating expenses, transport, printing notes and minting coins

Operating expenses, transport, printing notes and minting coins are recognized in results for the year in which they accrue.

Expenses for printing notes and cost of materials for minting coins are recognized in results for the years in which they are issued.

(n) Cash and cash equivalents

Cash and cash equivalents comprise gross international reserves, net of notes and coins issued and in circulation included in the account primary issue.

The difference between gross international reserves and reserve liabilities (comprising the obligations with international entities) represents net international reserves. These reserves show the international liquidity of the country and its financial capacity in respect to other countries; they are the resources the Bank possesses to attend its obligations in foreign currency.

(o) Exchange difference and readjustment of foreign currency

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

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

The Bank records the gains or losses from the sale of foreign currencies in income (loss) for the year. Proceeds from the sale of foreign currencies are obtained by subtracting the equivalent in local currency obtained in sales of foreign currency of the month, from the equivalent in local currency paid for the purchases of local currency of the month (up to the amount of the sales).

Should the monthly amount of purchases be lower than the amount of sales, the difference is compared to the stock of foreign currency; and the result is recorded with a balancing entry in the "Readjustment in Valuation, Organic Law Article 89" account (Note 19).

(p) Provisions

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

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

(q) Contingent liabilities and assets

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

(r) Reclassifications

In 2006, the Bank modified the presentation of its financial statements to adapt them to central banks best practices through changes in the grouping and denomination of certain accounts.

Certain reclassifications have been made to the 2005 financial statements to make them comparable to the financial statements of 2006. Said reclassifications consisted basically in regrouping interest financial expenses to relate them to each underlying liability, without implying any change in measurement.

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

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

- The Bank records in an special account in the balance sheet, under the accounting practice in Article 89 of its Organic Law, the readjustments in the valuation of prices and exchange rates in local currency of the Bank's assets and obligations in gold, silver, foreign currency, SDR or any other monetary unit of international use. In accordance with International Accounting Standard N° 21 – Effect of Foreign Currency Exchange Rate Fluctuations (Peruvian GAAP), the income (loss) of the valuations should be included in the Bank's income (loss) of the year when they were generated, and results from sale of foreign currencies should be recorded as gain or loss in the year they occur. As of December 31, 2006 and 2005, the readjustment amounted to S/. 1,713,053,000 and S/. 2,249,131,000, respectively (Notes 2 (o) and 19).

- The Bank prepares the statement of cash flow considering as funds the cash and cash equivalents, as indicated in Note 2 (n). This accounting practice differs from what is defined by the International Accounting Standard N° 7 - Cash Flow (Peruvian GAAP). The Central Banks have not defined the accounting practice relating to the preparation and presentation of this statement.

4. BALANCES IN FOREIGN CURRENCY

Balances in U.S. dollars as of December 31, 2006 and 2005 have been stated in nuevos soles at the purchase exchange rate established by Superintendencia de Banca, Seguros y Administradoras Privadas de Fondos de Pensiones - SBS (Peruvian Superintendence of Banking, Insurance and Pensions Funds Private Managers) of S/. 3.194 and S/. 3.429 per US$ 1, respectively. Balances in other currencies have been stated in U.S. dollars at the exchange rate at the closing of the New York market as mentioned in section (b) of this note.

a) The Balances in foreign currency and in precious metals as of December 31, 2006 and 2005 are summarized as follows:

	2006 US$000	2005 US$000
Assets:		
U.S. dollars	13,908,329	11,256,751
Other currencies	2,999,547	2,555,246
SDR	30,557	67,103
Pesos andinos	20,000	20,000
Gold	706,587	575,853
Silver	2,345	4,848
Total	17,667,365	14,479,801
Liabilities:		
U.S. dollars	6,537,833	6,945,827
Other currencies	-	522
SDR	21,234	58,404
Pesos andinos	20,000	20,000
Silver	229	165
Total	6,579,296	7,024,918
Net assets	**11,088,069**	**7,454,883**

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

b) The Quotations of foreign currency in U.S. dollars as of December 31, 2006 and 2005 are summarized as follows:

	Equivalent in US$	
	2006	**2005**
SDR	1.504400	1.429270
Pounds sterling	1.959200	1.722900
Canadian dollars	0.858369	0.860363
Pesos andinos	1.000000	1.000000
Euros	1.320000	1.184500

5. DEPOSITS IN FOREIGN BANKS

They comprise the following:

	2006	**2005**
	S/.000	**S/.000**
Time deposits	21,861,694	15,328,692
Call deposits	18,645	51,281
On-demand deposits	28	131
Total	**21,880,367**	**15,380,104**

As of December 31, 2006 and 2005, time deposits amounted to US$ 6,844,613,000 and US$ 4,470,310,000 respectively, and are deposited in first-rate banks and accrue interests at international market rates.

Deposits in foreign banks accrued an annual average interest rate of 5.28% as of December 31, 2006 (3.93% as of December 31, 2005).

6. SECURITIES IN INTERNATIONAL INSTITUTIONS

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

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

Securities in international institutions accrued an annual average interest rate of 4.19% as of December 31, 2006 (3.06% as of December 31, 2005).

7. GOLD

It comprises the following:

	2006	2005
	S/.000	**S/.000**
In Peru	1,115,653	978,038
Abroad	1,139,006	996,563
Total	**2,254,659**	**1,974,601**

As of December 31, 2006 and 2005, this item consists of 552,192 troy ounces in commemorative coins deposited in the Bank's vault and 562,650 troy ounces in "good delivery" bars deposited in first-rate foreign banks in custody and deposit accounts; bearing interests in accordance with international market conditions.

As of December 31, 2006, the balance of gold in the country is shown net of a provision of S/. 2,181,000, recorded as a balancing entry in other expenses in the statement of income as of such date (Note 21). Said provision represents the estimated expense for transforming gold into coins to high purity bars or "good delivery".

8. CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS

The Bank maintains contributions with the following international organizations:

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

As of December 31, 2006, the contribution to FLAR amounts to US$ 331,216,000 equivalent to S/. 1,057,903,000 (US$ 322,234,000 equivalent to S/. 1,104,942,000 as of December 31, 2005). This contribution grants Peru access to FLAR financing facilities. Peru's participation in FLAR's subscribed capital is 22.22%.

(b) International Monetary Fund (IMF)

It comprises the following:

	2006	2005
	S/.000	S/.000
Contributions to IMF for the equivalent in local currency of SDR 638,400,000	3,108,506	3,152,826
Revaluations to liquidate - contribution to IMF in local currency	(41,575)	(25,882)
Total	**3,066,931**	**3,126,944**

The contribution to IMF grants Peru access to IMF's financing activities. The balancing entry of these contributions is recorded as a liability with IMF (Note 13 (a)). The IMF determines Peru's contribution as a participating country, which amounts to SDR 638,400,000 as of December 31, 2006 and 2005. Peru´s participation in the total contributions made by IMF member countries is 0.29% as of December 31, 2006.

Revaluations to liquidate - contribution in local currency to IMF corresponds to the revaluation (provision) for maintenance of the value of contribution resulting from the difference from the variation of the exchange rates of SDR in respect to the U.S. dollar and the U.S. dollar in respect to the Peruvian nuevo sol, from April 30 to December 31 of each year. The exchange rate as of April 28, 2006 was 0.679781 SDR, and 3.31 nuevos soles per US$ 1, while the exchange rate as of December 28, 2006 was 0.665267 SDR and 3.196 nuevos soles per US$ 1. These revaluations (provisions) are cancelled at the end of each IMF fiscal year, which is April 30.

9. DOMESTIC CREDIT

It comprises the following:

	2006	2005
	S/.000	S/.000
Reverse repurchase agreements in local currency:		
With CDBCRP	-	2,684,761
With Public Treasury Bonds	-	164,985
Sub-total	-	2,849,746
Other	9	9
Total	**9**	**2,849,755**

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

There was no balance from report operations as of December 31, 2006. Report operations accrued an average annual interest rate of 3.31% as of December 31, 2005.

10. PROPERTY, FURNITURE AND EQUIPMENT

The rollforward of cost and the corresponding accumulated depreciation of the property, furniture and equipment account for the year ended December 31, 2006, has been as follows:

	Balances as of 31/12/05	**Additions**	**Disposals**	**Balances as of 31/12/06**
	S/.000	**S/.000**	**S/.000**	**S/.000**
Cost:				
Land	25,009	-	(225)	24,784
Buildings	155,362	200	(3)	155,559
Furniture and office equipment	4,828	22	-	4,850
Vehicles	2,596	429	-	3,025
Miscellaneous equipment	41,656	4,871	(40)	46,487
Units in-transit	2,869	3	(2,255)	617
Total	232,320	5,525	(2,523)	235,322
Accumulated depreciation:				
Buildings	50,697	1,568	-	52,265
Furniture and office equipment	3,484	426	-	3,910
Vehicles	2,251	178	-	2,429
Miscellaneous equipment	26,875	4,998	(37)	31,836
Total	83,307	7,170	(37)	90,440
Net Cost	**149,013**			**144,882**

11. FORECLOSED ASSETS

They comprise the following:

	2006	2005
	S/.000	S/.000
Cost of foreclosed assets	1,622	2,304
Amortization	(1,622)	(2,304)
Net value	**-**	**-**

Foreclosed assets are recorded in the account other assets in the balance sheet (Note 12).

12. OTHER ASSETS

They comprise the following:

	2006	2005
	S/.000	S/.000
Contributions to international organizations (Note 18 (a))	439,285	502,402
Interest and commissions receivable	431,222	369,151
Fund in foreign currency - Brady Plan (Note 13 (b))	65,126	198,163
Art collections	87,868	87,835
Revaluations to liquidate - Brady Plan Fund (Note 13 (b))	(871)	(1,627)
Silver	7,490	16,622
Almacén Casa Nacional de Moneda	17,003	14,073
Accounts receivable from personnel	1,012	1,178
Intangibles, net of amortization of S/. 9,910,000 (S/. 9,915,000 in 2005)	1,824	1,886
Third party raw materials in process	1,988	138
Foreclosed assets (Note 12)	-	-
Miscellaneous	6,268	3,590
Total	**1,058,215**	**1,193,411**

The contribution subscribed to international organizations corresponds to the unpaid contribution of US$ 137,534,000 (US$ 146,516,000 in 2005) to FLAR, which will be paid with future distributions of profits of this organization (Note 18 (a)).

Fund in foreign currency - Brady Plan corresponds to SDR 13,375,000 (SDR 40,125,000 in 2005) received by the Bank and deposited in Banco de la Nación (National Bank of Peru) to be used by Ministerio de Economía y Finanzas (MEF) (Note 13 (b)). The amount of the Fund in foreign currency - Brady Plan will decrease as the Bank receives the respective transfers from MEF to effect the corresponding re-purchase transactions as stated in the respective agreement. During 2006 and 2005, the Bank received transfers of funds in U.S. dollars from MEF equivalent to SDR 26,750,000 intended to reduce financing by IMF.

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

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

13. OTHER LIABILITIES ABROAD

The Bank has the following liabilities abroad:

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

As of December 31, 2006, the counterpart of the contribution in local currency to the IMF amounts to S/. 3,066,931,000 (S/. 3,126,944,000 as of December 31, 2005) corresponding to SDR 638,400,000 in both years. This obligation is not subject to interest rate and has no agreed-upon maturity date (Note 8 (b)).

b) Other Liabilities abroad

They comprise the following:

	2006 S/.000	2005 S/.000
Promissory note IMF-MEF Brady Plan (Note 12)	65,126	198,163
Revalutions to liquidate - Promissory note Brady Plan (Note 12)	(871)	(1,627)
SDRs allocation	444,651	450,991
Revalutions to liquidate - SDR allocations	(5,947)	(3,702)
Pesos andinos - FLAR allocation	63,880	68,580
Other	514	522
Total	**567,353**	**712,927**

The promissory note IMF-MEF Brady Plan corresponds to the obligation of SDR 13,375,000 (SDR 40,125,000 in 2005) due to IMF, which was handed to MEF (Note 12). Said promissory note generates no interests and its maturity date is February 17, 2007.

SDR allocation corresponds to SDR 91,319,000 as of December 31, 2006 and 2005, assigned by IMF bearing charges or interest under the conditions established in the agreement with IMF. The rates corresponding to fiscal years 2006 and 2005 closing were 4.04% and 3.01%, respectively.

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

Pesos andinos – FLAR allocation, corresponds to pesos andinos provided by FLAR, related to the ALADI agreement. Said allocation generates no interests nor has a defined maturity.

14. SECURITIES ISSUED

They comprise the following:

	2006	**2005**
	S/.000	**S/.000**
Banks	7,095,090	7,204,541
Banco de la Nación	188,050	-
Financial institutions	24,900	17,000
Other entities	758,194	1,656,925
Indexation adjustment CDR BCRP	-	(1,041)
Sub-total	8,066,234	8,877,425
Discount on sale CD BCRP and CDR BCRP	(207,886)	(266,956)
Total	**7,858,348**	**8 610,469**

Securities issued comprise mainly certificates of deposit in local currency placed through the mechanism of auction or direct placement in order to reduce surplus liquidity in the financial system, with maturities of up to three years. Such certificates are placed at discount and bear an implicit annual interest rate ranging from 2.09% to 6.50% at 2006 year end closing (2.85% to 5.32% at 2005 year end closing).

15. DEPOSITS IN LOCAL CURRENCY

They comprise the following:

	2006	2005
	S/.000	S/.000
Banco de la Nación	6,158,708	3,863,465
Governmental sector	4,013,631	874,932
Banks	247,100	59,509
Private sector	21,386	23,730
Other entities and funds	16	1
Total	**10,440,841**	**4,821,637**

As of December 31, 2006 and 2005, the effective annual interest rates applied by the Bank for time deposits of the governmental sector were in average 4.64% and 3.71% respectively; for deposits of Banco de la Nación (National Bank of Peru) they were 4.90% and 3.30% respectively; and for banks (overnight deposits) they were 3.75% and 2.50% respectively.

16. PRIMARY ISSUANCE

It comprises the following:

	2006	2005
	S/.000	S/.000
Notes and coins issued	13,651,038	11,448,083
Deposits of banks	88,886	76,481
Deposits of financial institutions	31,905	38,971
Other deposits and obligations	91,694	160,241
Total	**13,863,523**	**11,723,776**

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

Other deposits and obligations mainly comprise current account deposits in local currency of cajas municipales y rurales de ahorro y crédito, without bearing interests.

The balances of notes and coins issued are as follows:

	2006		2005	
Face value	**Units**	**S/.000**	**Units**	**S/.000**
Notes:				
10	59,161,730	591,617	59,735,250	597,353
20	55,971,334	1,119,427	39,374,211	787,484
50	46,568,360	2,328,418	41,870,069	2,093,503
100	80,152,164	8,015,216	67,330,055	6,733,006
200	3,904,350	780,870	2,536,771	507,354
		12,835,548		**10,718,700**
Coins:				
0.01	95,914,371	959	56,851,240	568
0.05	191,643,863	9,582	178,919,370	8,946
0.10	551,663,305	55,166	497,412,200	49,741
0.20	143,518 954	28,704	132,613,630	26,523
0.50	184,099,121	92,050	164,867,334	82,433
1.00	193,241,640	193,242	171,563,934	171,564
2.00	62,251,635	124,503	56,226,509	112,453
5.00	61,883,912	309,420	55,059,310	275,297
		813,626		**727,525**
Commemorative coins	Miscellaneous	1,864	Miscellaneous	1,858
Total		**13,651,038**		**11,448,083**

17. DEPOSITS IN FOREIGN CURRENCY

They comprise the following:

	2006	2005
	S/.000	**S/.000**
Banks	10,578,646	13,975,009
Governmental sector	8,871,397	8,685,838
Banco de la Nación	294,748	113,960
Financial institutions	16,514	7,661
Other financial system institutions	224,218	182,305
Private sector	4,696	4,596
Total	**19,990,219**	**22,969,369**

Foreign currency deposits of local financial system institutions are part of the funds destined to cover the legal cash reserve required by the Bank for the total obligations in foreign currency subject thereto. This required legal cash reserve may be covered in addition with cash in foreign currency deposited in local institutions of the financial system, and is broken down from a minimum legal cash reserve of 6% of the obligations subject to legal cash reserve and an additional reserve fluctuating from 23.6% to 24.5% in 2006 (from 23.3% to 23.9% in 2005). The funds covering the minimum legal cash reserve do not earn interest. The deposits in the Bank covering the additional reserve in foreign currency bear interest at a rate of 2.75% (2.25% as of December 31, 2005).

The Bank has signed agreements with Dirección General del Tesoro Público from MEF and Fondo Consolidado de Reserva Previsional (FCR, its Spanish acronym) whereby conditions are established for receipt by the Bank of deposits from these organizations. These deposits bear interest rates at year end ranging from 4.26% to 5.20% (from 1.62% to 4.33% at 2005 year-end). As of December 31, 2006, the Public Treasury's resources and those of FCR deposited in the Bank amount to US$ 2,736,910,000, equivalent to S/. 8,741,692,000 (US$ 2,532,142,000, equivalent to S/. 8,682,716,000 as of December 31, 2005).

18. OTHER LIABILITIES

They comprise the following:

	2006	2005
	S/.000	S/.000
Contributions suscribed to international organizations pending payment (Note 12)	439,285	502,402
Secure deposit fund	283,733	285,075
Actuarial liability	149,068	140,580
Interest and commissions payable	96,582	68,142
Other provisions	21,806	14,992
Accounts payable	4,526	4,562
Miscellaneous	16,437	10,428
Total	**1,011,437**	**1,026,181**

a) Contributions suscribed to international organizations pending payment

Under Agreement 93 dated March 22, 2000, amended by Agreement 102 of April 10, 2001, of the FLAR Meeting of Representatives, FLAR member countries agreed to increase the capital stock to US$ 2,109,375,000 through the capitalization of profits up to 2010; the Bank being responsible for contributing US$ 468,750,000. As of December 31, 2006, the balance of the pending contribution amounts to US$ 137,534,000 (US$ 146,516 in 2005) (Note 12).

b) Secure Deposit Fund

As of December 31, 2006, it comprises mainly balances for local currency time deposits for S/. 112,802,000 (S/. 112,568,000 in 2005) and foreign currency time deposits for US$ 53,221,000 equivalent to S/. 169,988,000 (US$ 50,296,000 equivalent to S/. 172,465,000 in 2005). The average interest rates for said deposits in local currency as of December 31, 2006 and 2005 were 5.45% and 4.82%, and in foreign currency they were 5.20% and 3.06% respectively.

c) Actuarial obligation

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

The actuarial computation as of December 31, 2006 and 2005 was determined by an independent actuary who took the following into consideration: (i) mortality charts established by SBS, (ii) life tables of Chile according to expectants, widowhood or disability benefits, and (iii) life tables CSO (Commissioner Standard Ordinary) for burial benefits, and (iv) application of an annual technical interest rate of 6% in risks of retirement, expectants, widowhood, and disease benefits.

19. READJUSTMENT IN VALUATION, ORGANIC LAW ARTICLE 89

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

	2006	**2005**
	S/.000	**S/.000**
Beginning balance	2,249,131	1 683,030
Valuation of U.S. dollars	(1,042,098)	772,356
Valuation of other foreign currencies	341,538	(421,635)
Valuation of metals (gold and silver)	273,794	372,741
Valuation of contribution and obligations IMF	8,588	17,746
Transfer to income (loss) for the year (*) and other	(117,900)	(175,107)
Ending balance	**1,713,053**	**2,249,131**

(*) Included in other financial income in the statement of income in 2006 and 2005.

20. NET EQUITY

(a) Capital

As of December 31, 2006, the capital authorized, subscribed and paid-in of the Bank under its Organic Law, Supreme Decree 136-2006-EF and Supreme Decree 108-2004-EF amounts to S/. 295,687,640 The capitalization of the balance of the account Reserve Article 92 clause (b) of the Organic Law for S/. 49,708,517, was approved by Supreme Decree 136-2006-EF of August 14, 2006.

As of December 31, 2005, the capital authorized, subscribed and paid in of the Bank under its Organic Law and Supreme Decree 108-2004-EF was S/. 241,351,620. As of such date, an amount of S/. 4,628,504 was pending of capitalization, corresponding to prior years capital restatement adjustments, originally for an amount of S/. 11,826,180 which is shown net of the transfer of S/. 7,197,676 to cover losses in 2005. The capitalization of the above-mentioned amount of S/. 4,628,504 was approved on August 14, 2006.

The capital is not represented by shares, its value being recorded only in the account "Capital" in the balance sheet. Additionally, under a Supreme Decree countersigned by MEF, the Bank's authorized capital may be readjusted.

(b) Reserves

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

An amount of S/. 49,708,517 from the reserve was capitalized on August 15, 2006, to maintain the Bank's equity soundness, which was approved by Supreme Decree 136-2006-EF.

At its meeting of October 5, 2006, the Bank's Board of Directors agreed to constitute a reserve for S/. 110,849,012, by transferring from net income of fiscal year 2005.

On April 22, 2005, the sum of S/. 55,637,919 from the reserve was used to cover part of the net losses from 2004, which was approved by the Board of Directors at the meeting of April 14, 2005.

(c) Retained Earnings

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

At the Board of Directors' meeting of August 3, 2006, the financial statements of 2005 were approved, and on October 5, 2006 the Bank's profits for 2005 were distributed for S/. 147,132,000 in conformity with Article 93 of its Organic Law, recording a deposit of S/. 26,015,000 in the Public Treasury Account, a deduction of S/. 10,768,000 for the SECREX Fund unpaid balance and legal interests, and S/. 110,349,000 to constitute reserve (Article 92, clause (b) of the Organic Law).

21 OTHER EXPENSES

This account in the statement of income comprises mainly two concepts: (i) the adjustment of the provision for actuarial reserve for S/. 25,543,000 (Note 18 (c)), and (ii) the provision for cost of transformation of gold in coins into "good delivery" bars for S/. 2,181,000 (Note 7).

22. TAX MATTERS

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

The Superintendencia Nacional de Administración Tributaria (SUNAT) is entitled to review and, if necessary, amend the taxes calculated by the Bank during the last four years, counted as from the date of filing of the related tax returns (years open to fiscal review). The tax returns for years 2002 through 2006, inclusive, are open to fiscal review. Since discrepancies may arise over the interpretation by the Tax Administration of the rules applicable to the Bank, it is not possible to foresee at the date of the financial statements whether any additional tax liabilities will arise as a result of eventual reviews. Any additional tax, fines and interest, if arising, will be recognized in the income (loss) of the year when the disagreement with Tax Administration is resolved. Bank's Management and the legal advisors think that no significant ultimate liabilities will arise as a result of any possible fiscal reviews.

23. CONTINGENCIES

The Bank is facing a replevin filed against it by ex-employees who adopted a retirement program with incentives in 1992. The plaintiffs want to be reinstated, collect the payment of unpaid remunerations and other benefits. The Bank was notified on December 28, 2006 with a resolution issued by the Fourth Section of the Lima Superior Court of Justice, declaring the said action as grounded, ordering the reinstatement of the employees and the payments of the remunerations accrued, without any specified amount. Nevertheless, based on the opinion of its legal advisors, the Bank's Management has not recorded any provision for possible losses arising from this situation as of December 31, 2006, considering that the Bank has filed a replevin against said resolution, which has been admitted, due to violation of various constitutional rights of the due legal process, and has required in the process a precautionary measure to suspend the violating acts; and because the Oficina de Control de la Magistratura (Judgship Control Bureau) has suspended the judges who dictated the unfavorable sentence.

24. MEMORANDUM ACCOUNTS

They comprise the following:

	2006 S/.000	2005 S/.000
Notes and coins in stock	15,447,412	10,473,559
Securities held in custody	3,248,364	3,463,125
Fund for disease, insurance, and pensions of employees	74,946	76,294
Banks under liquidation	52,613	53,459
Securities deposited in guarantee	12,274	12,336
Notes and coins removed from circulation to be destroyed	1,201	1,201
Money in process of production by Casa Nacional de Moneda	72	1,136
Sundry	1,102,464	1,123,645
Total	**19,939,346**	**15,204,755**

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

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

Notes and coins in stock comprise:

	2006 S/.000	2005 S/.000
New	7,007,000	6,717,000
Available	920,743	1,077,297
To be classified	6,688,677	2,086,437
To be incinerated and/or melted	830,992	592,762
In transit	-	63
Total	**15,447,412**	**10,473,559**

The rollforward of notes and coins in stock for the year ended December 31, 2006 and 2005 has been as follows:

	2006 S/.000	2005 S/.000
Beginning balance	10,473,559	11,201,700
Acquisition of notes and coins	7,176,807	3,069,547
Destruction of notes and coins	-	(1,396,500)
Removals from circulation, net of income	(2,202,954)	(2,401,188)
Ending balance	**15,447,412**	**10,473,559**

25. ANALYSIS OF MATURITIES

The structure of maturities of the Bank's financial assets and liabilities in force as of December 31, 2006, according to contractual or estimated maturity, are as follows:

	Up to Six Months S/.000	From Six Months to 1 Year S/.000	From One to Five Years S/.000	Over Five Years S/.000	Total S/.000
Assets:					
Cash in foreign currency	32,183	-	-	-	32,183
Deposits in foreign banks	21,880,367	-	-	-	21,880,367
Securities in international institutions	5,770,483	4,825,875	16,531,409	2,854,598	29,982,365
Gold	2,254,659	-	-	-	2,254,659
Other available assets	112,369	-	-	29,521	141,890
Other assets abroad	1,002	1,002	10,524	9,192	21,720
Other assets	427,514	92,474	11,071	527,156	1,058,215
Sub-total	**30,478,577**	**4,919,351**	**16,553,004**	**3,420,467**	**55,371,399**
Contributions to Fondo Latinoamericano de Reservas					1,057,903
Contribution in local currency to IMF					3,066,931
Property, furniture and equipment, net					144,882
Domestic credit					9
Total assets					**59,641,124**
Liabilities and equity:					
Reserve liabilities	173,727	-	-	-	173,727
Other liabilities abroad	128,135	-	514	438,704	567,353
Primary issue	212,485	-	-	13,651,038	13,863,523
Other deposits in local currency	9,540,841	900,000	-	-	10,440,841
Securities issued	4,959,879	2,034,085	864,384	-	7,858,348
Deposits in foreign currency	19,990,219	-	-	-	19,990,219
Other liabilities	340,761	97,925	115,200	457,551	1,011,437
Sub-total	**35,346,047**	**3,032,010**	**980,098**	**14,547,293**	**53,905,448**
Counterpart of the contribution in local currency to IMF					3,066,931
Readjustment in valuation, Organic Law Article 89					1,713,053
Net equity					955,692
Total liabilities and net equity					**59,641,124**

26. FINANCIAL INSTRUMENTS

The Bank's financial instruments assets and liabilities are subject to the usual managing risks, such as interest rate risk, credit risk, foreign exchange risk and market or interest rate risk. Such risks are adequately controlled by the Bank according to its experience and by applying the mechanisms commonly used to face these kinds of risks.

The Bank's balance sheet comprises mostly financial instruments, as described in Note 2 (c). International reserves are a relevant component of said instruments and its management adheres to the security, liquidity and profitability criteria indicated in Article 71 of its Organic Law.

International reserves contribute to the country's economic and financial stability, insofar as they guarantee availability of foreign exchange in extraordinary situations, such as an eventual significant withdrawal of foreign currency deposits from the financial system or external shocks of a temporary character which could cause imbalances in the actual sector of the economy and feedback expectations.

The Bank's reserve management policy prioritizes the preservation of capital and to guarantee the liquidity of reserves. Once these conditions are met, yield is to be maximized.

The management of international assets is closely related to the origin and characteristics of the Bank's liabilities, in terms of amount, currency, term and volatility. In this manner, the market risks are minimized which could affect the value and availability of the resources managed by the Bank.

Management of international reserves and related liabilities, Management of related risks and Investment policies

Reference portfolio (Benchmark): This reference portfolio is a fundamental instrument for the management of international reserves. As defined, this portfolio uses the risk-return combination approved by the Bank's Board of Directors, set forth in terms of liquidity, credit quality, length and diversification by currencies and issuers. The benchmark is neutral to market expectations and it should be replicable, which is particularly relevant in circumstances of extreme market volatility.

The Bank builds its own benchmark. With regard to the management of investments, the following risks are considered:

Liquidity risk: It is minimized through the distribution of reserve assets into four components:

- Immediate availability: very short-term investments, including one-day realizable, to face exigible obligations and unforeseen events.
- Liquidity: investments with terms of up to one year, comprising bank deposits with gradual maturities and high liquidity fixed yield investments in the international market.

- Intermediation component: comprising investments that replicate Government Sector deposits in banks.

- Investment: investments with terms longer than one year (mainly sovereign bonds), which imply greater volatility in prices but also a higher profitability.

Credit risk: Refers to the possibility of a counterpart not being able, because of insolvency, to timely meet an obligation contracted with the Bank. In order to face risk, investments are diversified in:

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

- Fixed yield securities issued or backed by international organizations, governments and government agencies. Said obligations must have a long-term qualification in the four highest categories of the over twenty categories granted by risk evaluation agencies.

- Investments in debt issues of private companies are not permitted.

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

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

- The mismatch between the Bank's foreign currency assets and liabilities; and

- The underlying exchange rate of outstanding foreign currency transactions at year-end.

The Bank assets are mostly invested in U.S. dollars, reflecting both the denomination of foreign currency liabilities (mainly bank reserve and special resident deposits) and the Bank intervention currency in the local foreign exchange market. The second most important currency within the composition by currency of international reserves, is the Euro. The composition by currency of foreign currency balances is shown in Note 4.

Market or interest rate risk: Relates to unexpected movements in the market yield rates of fixed yield assets in the portfolio, which could affect the market value of investments prior to their maturity. The longer the maturity period of investments, the greater the impact of changes in yield over the market value of said investments. The measure of said impact is reflected in the duration of the portfolio.

The Bank faces this risk considering the structure of liability terms for the composition by terms of its assets. This makes the duration of the total portfolio to be very low, thus the impact of changes in market interest rates is minimum over the portfolio's market value.

Additionally, maximum terms are established for investments, consistent with the market risk profile selected for each instrument in the portfolio.

The dimension of the risk depends on:

• The underlying and significant interest rate of financial assets and liabilities; and

• The structure of maturities of the Bank's portfolio of financial instruments.

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

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

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

Comparison versus the benchmark: The real portfolio comprises the investments of international reserves, which may deviate from the parameters approved for the benchmark as regards the management of investment terms, duration, total bank risk and credit risk and issuer diversification. These deviations are managed seeking a greater profitability of the investments, keeping them within the margins authorized by the Bank's Board of Directors.

The real and reference portfolios are valued daily at market prices. Even though most investments are kept until maturity date, the market value of both portfolios is considered as an important indicator to measure the efficiency in the management of international reserves.

Fair value

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

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

- Cash and short-term deposits included in gross international reserves are not considered to be a significant interest rate risk; hence their book value approximates their fair value.

- The fair value of securities in international institutions is based on quality of these type of investments that support their recurrent holding until maturity, and the permanent monitoring of this portfolio in relation to its market value.

- The fair value of precious metals is based on international market quotations and the recognition of transforming cost when applicable.

- The fair value of domestic credit corresponds to its book value.

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

27. SUBSEQUENT EVENT

(a) On January 26, 2007, the IMF Board of Directors approved a Stand-by agreement for Peru for an amount of SDR 172 million (approximately US$257 million). Said agreement will supports to the country's economic program during 25 months (January 2007 to February 2009). The Stand-by agreement has a precautionary character; i.e. resources will be given only in exceptional situations.

(b) On February 14, 2007, by means of Oficio 018-2007-BCRP and in order to have an adequate equity and financial soundness, the Bank asked the Ministry of Economy and Finance to capitalize the balance as of December 31, 2006 of the account Reserve Article 92, clause b) of the Organic Law, in the amount of S/. 110,349,012. This capitalization would increase the authorized capital from S/. 295,687,640 to S/. 406,036,652 (Note 20).

28. ACCOUNTING PRINCIPLES GENERALLY ACCEPTED (GAAP) IN PERU, COMPRISING THE INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND THE NEW VERSIONS OF INTERNATIONAL ACCOUNTING STARDARDS (IAS).

(a) Peruvian GAAP

Until December 31, 2005, Peruvian GAAP comprise the International Accounting Standards (IAS) 1 to 41 issued by the International Accounting Standards Committee (IASC) and the pronouncements SIC 1 to 33 of the Standing Interpretations Committee (SIC), authorized by the Consejo Normativo de Contabilidad (CNC) to be applied in Peru.

Starting from January 1, 2006, the CNC established that Peruvian GAAP comprise IFRS 1 to 6, the new versions of IAS amended in December 2003 and March 2004 by the International Accounting Standards Board (IASB, which replaced IASC as from April 2001), with the following exceptions: (i) the option to apply the new version of IAS 21 as from 2007, and (ii) retaining the validity of the Equity Participation Method to value certain investments in capital shares, which is not applicable to the Bank.

The validity of these new standards as from January 1, 2006, insofar as applicable to the Bank, has not had any effects on the financial statements or generated significant differences in addition to those indicated in Note 3, in relation to the basis of preparation and presentation of the Bank's financial statements as of the date of transition and as of December 31, 2006.

IAS 21 requires accounting measurements to be made in functional currency, defined as the currency corresponding to the primary economic environment in which the issuer of the financial statements operates. The functional currency for presentation of the Bank's financial statements is the nuevo sol; thus the application of IAS 21 as from January 1, 2006, had no effects on the Bank's financial statements.

(b) New IFRS

IFRS 7 – "Financial Instruments – Disclosures" is a standard with international validity as from accounting periods beginning after January 1, 2007. It establishes disclosure requirements in notes to financial statements, which allow to know the impact of the different categories of financial instruments on the entity's financial position, the risks inherent in maintaining said instruments, and the manner in which said risks are managed by Management, including additional information on their quantitative measurement through the different indicators used in their management. This standard supersedes the disclosure requirements established by IAS 32.

As of the date of issuance of these financial statements, the CNC has yet to approve the adoption of this IFRS.

Deloitte.

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INDEPENDENT AUDITORS' REPORT

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

We have audited the Statements of Budget Execution of Income and Expenses, and Appendices issued in the Budget Framework and Execution of Banco Central de Reserva del Perú (hereinafter the Bank), an autonomous entity of public law, corresponding to the year ended December 31, 2006 and its explanatory notes.

Management's responsibility for the Budget Execution Statement

The Bank's Management is responsible for the preparation and fair presentation of the Statement of Budget Execution of Income and Expenses, and appendices based on the integration and consolidation of the budget information originated in the Bank. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the Statement of Budget Execution that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the Statement of Budget Execution based on our audit. We conducted our audit in compliance with Directive No. 013-2001-CG/B340 of July 28, 2001, approved by Comptroller's Office Resolution No. 117-2001-CG of July 27, 2001, and in accordance with auditing standards generally accepted in Peru. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the Statement of Budget Execution is free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the information and amounts disclosed in the Budget Execution Statement. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the Statement of Budget Execution, whether due to fraud or error. In making this risk assessment, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Statement of Execution in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the overall presentation of the Statement of Budget Execution.

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

Opinion

In our opinion, the Statement of Budget Execution referred to above, corresponding to the budget period ended December 31, 2006, presents fairly, in all material respects, the integration and consolidation of the budget information of Banco Central de Reserva del Perú, in conformity with laws and regulations currently in force and applicable.

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

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

Gris Hernández y Asociados

Countersigned by:

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

-------------------------- (Supervisor)
Luis Gonzales Villanueva
CPC Registration No. 12465

February 26, 2007

STATEMENT OF BUDGET EXECUTION OF INCOME AND EXPENSES
FISCAL YEAR 2006
(In nuevos soles)

EP-1

INCOME	AMOUNT	INCOME	AMOUNT
DIRECTLY OBTAINED RESOURCES	242.725.261	DIRECTLY OBTAINED RESOURCES	242.725.261
CURRENT INCOME	3.323.377	CURRENT EXPENSES	229.718.950
TAXES	-	PERSONNEL AND SOCIAL OBLIGATIONS	128.083.930
RATES	-	PENSION FUND OBLIGATIONS	14.188
CONTRIBUTIONS	-	GOODS AND SERVICES	72.599.368
SALE OF GOODS	-	OTHER	29.021.464
RENDERING OF SERVICES	-		
PROPERTY RENTALS	-		
FINES, PENALTIES AND OTHERS	-		
OTHER CURRENT INCOME (*)	3.323.377		
CAPITAL INCOME	2.048.634	CAPITAL EXPENSES	13.006.311
SALE OF ASSETS (*)	2.048.634	INVESTMENTS	-
AMORTIZATION OF LOANS GRANTED (REIMBURSEMENT)	-	FINANCIAL INVESTMENTS	-
		OTHER	13.006.311
OTHER CAPITAL INCOME	-		
TRANSFERS	-		
TRANSFERS	-		
FINANCING	237.353.250		
OWN RESOURCES - Balance	237.353.250		
EXECUTION OF INCOME	**242.725.261**	**EXECUTION OF EXPENSES**	**242.725.261**

(*) Budgetary execution of current and capital income S/.372,011.

STATEMENT OF SOURCES AND USE OF FUNDS EP-2
FISCAL YEAR 2006
(In nuevos soles)

CONCEPTS	AMOUNT
I. CURRENT INCOME	**3.323.377**
Taxes	-
Rates	-
Contributions	-
Sale of goods	-
Rendering of services	-
Property rentals	-
Fines, penalties and other	-
Other	3.323.377
II. CURRENT EXPENSES	**(229.718.950)**
Personnel and social obligations	(128.083.930)
Pension fund obligations	(14.188)
Goods and services	(72.599.368)
Other	(29.021.464)
III. CURRENT ACCOUNTS SAVINGS OR DISSAVINGS (I-II)	**(226.395.573)**
IV. CAPITAL INCOME, TRANSFERS AND FINANCING	**239.401.88**
CAPITAL INCOME	2.048.634
Sale of assets	2.048.634
Amortization of loans granted	-
Other	-
TRANSFERS	-
Transfers	-
FINANCING	237.353.250
Own resources - Balances	237.353.250
V. CAPITAL EXPENSES	**(13.006.311)**
CAPITAL EXPENSES	(13.006.311)
Investments	
Financial investments	-
Other	(13.006.311)
VI. ECONOMIC RESULT (III+IV-V)	**-**
VII. DEBT FINANCING AND SERVICE	**-**
RESOURCES FROM OFFICIAL DOMESTIC CREDIT OPERATIONS (NET)	
FINANCING	
Domestic credit operations	-
DEBT SERVICE	
(-) Debt interests and charges	-
(-) Debt amortization	-
RESOURCES FROM OFFICIAL EXTERNAL CREDIT OPERATIONS (NET)	
RESOURCES FROM OFFICIAL DOMESTIC CREDIT OPERATIONS (NET)	
FINANCING	
Domestic credit operations	-
DEBT SERVICE	
(-) Debt interests and charges	-
(-) Debt amortization	
FINANCIAL OR BUDGETARY EXECUTION RESULT (VI-VII)	**-**

See notes to budget statements.

SCHEDULING OF INCOME BUDGET
FISCAL YEAR 2006
(In nuevos soles)

PP-1

CONCEPT	AUTHORIZED INITIAL BUDGET	MODIFICATIONS		AUTHORIZED FINAL BUDGET
		EXPANSIONS	REDUCTIONS	
TOTAL DIRECTLY OBTAINED RESOURCES	**244 560 002**	**35 736 922**	**(37 571 663)**	**242 725 261**
CURRENT INCOME	**6 000 000**	**-**	**(2 676 623)**	**3 323 377**
Taxes				
Rates				
Contributions				
Sale of assets				
Rendering of services				
Property rentals				
Fines, penalties and others				
Other	6 000 000		(2 676 623)	3 323 377
CAPITAL INCOME	**-**	**2 048 634**	**-**	**2 048 634**
Sale of assets		2 048 634		2 048 634
FINANCING	**238 560 002**	**33 688 288**	**(34 895 040)**	**237 353 250**
Own resources - Balance	238 560 002	33 688 288	(34 895 040)	237 353 250
TOTAL	**244 560 002**	**35 736 922**	**(37 571 663)**	**242 725 261**

See notes to budget statements.

SCHEDULING OF EXPENSES BUDGET
FISCAL YEAR 2006
(In nuevos soles)

PP-2

CONCEPT	AUTHORIZED INITIAL BUDGET	MODIFICACIONES			AUTHORIZED FINAL BUDGET
		Expansions	Reductions	Annulments (-) and Credits (+)	
TOTAL DIRECTLY OBTAINED RESOURCES	**244 560 002**	**33 688 288**	**(35 523 029)**	**-**	**242 725 261**
CURRENT EXPENSES	**224 089 918**	**29 390 534**	**(30 792 509)**	**7 031 007**	**229 718 950**
1. Personnel and social obligations	122 067 177	1 831 993	(3 978 966)	8 163 726	128 083 930
2. Pension fund obligations	17 527		(3 339)		14 188
3. Goods and services	72 759 433	27 508 541	(26 535 887)	(1 132 719)	72 599 368
4. Other	29 245 781	50 000	(274 317)		29 021 464
CAPITAL EXPENSES	**20 470 084**	**4 297 754**	**(4 730 520)**	**(7 031 007)**	**13 006 311**
5. Investments					
6. Financial investments					
7. Other	20 470 084	4 297 754	(4 730 520)	(7 031 007)	13 006 311
DEBT SERVICE	**-**	**-**	**-**	**-**	**-**
8. Debt interests and charges	-				-
9. Debt amortization	-				-
TOTAL	**244 560 002**	**33 688 288**	**(35 523 029)**	**-**	**242 725 261**

See notes to budget statements..

NOTES TO THE STATEMENT OF BUDGET EXECUTION FOR THE YEAR ENDED DECEMBER 31, 2006

1 BACKGROUND, LEGAL FRAMEWORK AND ACTIVITIES

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

The Bank's legal address and main office is in Lima, and the Bank has regional offices in seven cities in Peru. As of December 31, 2006, the Bank headcount was 986.

Under the Peruvian Constitution and the BCRP's Organic Law, the Bank is an autonomous organization and finances its budget with own resources. The Bank's budget is prepared in accordance with its Organic Law, By-laws and institutional policy guidelines contained in the Directive on programming, preparation, approval, implementation, evaluation, modification and closing of the traditional budget, as well as scheduling orientation on the requirements of the Bank for the year 2006, approved by the Special Budget Committee by Minutes No. 36 of September 6, 2005. The Board of Directors, by means of Minutes No. 4067 of December 2, 2004, approved the budget methodology that considers the non-financial income and expenses budget as the Bank's institutional budget. If deemed convenient, the Board of Directors may apply the provisions established in the Ley General del Sistema Nacional de Presupuesto No. 28411 and in the Ley Anual de Presupuesto, in all those matters not in conflict with its Organic Law.

2. BUDGET INFORMATION LEGAL FRAMEWORK:

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

The regulations constituting the legal basis for the Bank's budget for the period 2006 are as follows:

- Decree Law No. 26123, Organic Law of Banco Central de Reserva del Perú.

- Bank's By-laws, approved by Board of Directors' agreement of October 2, 1994.

- Law No. 26419, Law ratifying the Bank's autonomy.

- Directive for programming, preparation, approval, implementation, evaluation, modification and closing of the traditional budget as well as scheduling guidelines of the requirements of the Bank for year 2006, as approved by the Comité Especial de Presupuesto (Special Budget Committee) by Minutes No. 36, of September 6, 2005.

- Directive N° 001-2007-EF/93.01. Preparation and presentation of budgetary, financial, economic, supplementary, and investment goals information for the preparation of the Cuenta General de la República by Government companies and entities.

3. PROCESS OF BUDGET PREPARATION, CONTROL AND EVALUATION

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

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

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

The Bank reports to Contraloría General de la República, Comisión de Presupuesto (Peruvian Congress Budget Committee) and Cuenta General de la República. The quarterly evaluations are reviewed by the General Management and the Special Budget Committee and approved by the Bank's Board of Directors.