Financial statements

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of Banco Central de Reserva del Perú as of December 31, 2004 and 2003, and the related statements of income, changes in net equity and cash flows for the years then ended. These financial statements are the responsibility of the Bank's Management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a selective basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As explained in note 2, the financial statements as of December 31, 2004 and 2003, of Banco Central de Reserva del Perú have been prepared in accordance with accounting principles generally accepted in Peru, and include accounting practices contained in the Bank's Organic Law, which differ in certain aspects with accounting principles generally accepted in Peru, as stated in note 3 to the financial statements.

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, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with accounting policies described in note 2 to the financial statements.

February 25, 2005

Countersigned by:

W. Rubiños Caipo y Asociados S.C.

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

BALANCE SHEETS
As of December 31, 2004 and 2003
(Stated in thousands of constant nuevos soles as of December 31, 2004)

Assets	**2004**	**2003**
External assets:		
Cash in foreign currency	33,159	37,066
Deposits in foreign banks (note 5)	14,120,194	12,717,708
Securities in international institutions (note 6)	24,560,078	21,362,146
Gold (note 7)	1,602,907	1,679,727
Contributions to Fondo Latinoamericano de Reservas (note 8)	1,050,269	1,137,532
Agreements with central banks	23,657	12,138
Other available assets	98,052	107,233
	41,488,316	37,053,550
Other external assets:		
Contributions in local currency to the International Monetary Fund (note 8)	3,251,917	3,444,138
Other external assets	26,422	31,525
	3,278,339	3,475,663
Domestic credit (note 9)	39,009	249,011
Property, furniture and equipment, net of accumulated depreciation (note 10)	145,321	150,241
Other assets (note 11)	1,207,108	1,437,121
Total assets	**46,158,093**	**42,365,586**
Memoranda accounts (note 22)	16,105,825	20,724,716

See the accompanying notes to the financial statements.

Liabilities and Net Equity	**2004**	**2003**
External liabilities:		
Obligations with international institutions	58,707	42,357
Other external liabilities:		
Exchange value of contribution in local currency to International Monetary Fund (note 12)	3,251,917	3,444,138
Other external liabilities (note 12)	872,050	1,071,101
	4,123,967	4,515,239
Monetary base (note 13)	9,326,897	7,805,796
Other deposits in local currency (note 14)	1,979,132	1,265,583
Securities issued (note 15)	7,961,220	4,176,755
Deposits in foreign currency (note 16)	19,791,888	20,524,005
Other liabilities (note 17)	937,564	993,490
Readjustment in valuation, Organic Law Article 89 (note 18)	1,683,030	2,496,124
Total liabilities	45,862,405	41,819,349
Net equity (note 19):		
Capital	253,177	180,393
Reserves	105,347	180,188
Retained earnings	(62,836)	185,656
Total net equity	**295,688**	**546,237**
Contingencies (note 21)		
Total liabilities and net equity	**46,158,093**	**42,365,586**
Memoranda accounts (note 22)	16,105,825	20,724,716

STATEMENTS OF INCOME
For the years ended December 31, 2004 and 2003
(Stated in thousands of constant nuevos soles as of December 31, 2004)

	2004	**2003**
Financial income:		
Interest on deposits in foreign banks	186,108	151,614
Interest on securities in international institutions	468,110	572,417
Interest on operations of domestic credit	5,673	11,574
Dividends received from FLAR	24,142	35,078
Other financial income	14,303	131,856
	698,336	902,539
Other income:		
Non-financial income	17,426	7,874
	17,426	7,874
Financial expenses:		
Interest on time and special deposits	211,306	222,889
Interest on demand deposits received in Peru	121,052	99,110
Interest on BCRP certificates	231,002	145,943
Interest on loans from international organizations	8,529	9,174
Other financial expenses	19,612	22,227
	591,501	499,343
Operating expenses:		
Remunerations and cost of social laws	115,576	119,192
Administrative expenses	54,300	68,209
Provisions	-	17,726
Depreciation, amortization and write-offs	7,114	8,931
Other expenses	-	6
	176,990	214,064
Monetary issuance costs:		
Expenses for transport and cost of notes and coins	439	1,083
Cost of materials for production delivered to Casa Nacional de la Moneda	4,199	5,107
	4,638	6,190
(Loss) profit before result of exposure to inflation	(57,367)	190,816
Result of exposure to inflation (note 23)	(5,469)	(5,160)
(Net (loss) profit for the year	**(62,836)**	**185,656**

See the accompanying notes to the financial statements.

STATEMENTS OF CHANGES IN NET EQUITY
For the years ended December 31, 2004 and 2003
(Stated in thousands of constant nuevos soles as of December 31, 2004)

	Capital (note 19.a)	**Reserves (note 19.b)**	**Retained earnings (note 19.c)**	**Total net equity**
Balances as of December 31, 2002	180,393	181,701	179,862	541,956
Transfer of result of exposure to inflation	-	(1,513)	1,513	-
Profit distribution as per Board of Directors' agreements dated April 3, 2003 and August 7, 2003 and S.D. 103-2003-EF:				
Amortization of accounts receivable from Treasury (notes 9 and 19.c)	-	-	(108,298)	(108,298)
Transfer of accounts receivable to the Treasury (note 19.c)	-	-	(73,077)	(73,077)
Net profit for the year	-	-	185,656	185,656
Balances as of December 31, 2003	180,393	180,188	185,656	546,237
Transfer of result of exposure to inflation	-	(2,057)	2,057	-
Profit distribution as per S.D. 089-2004-EF for amortization of accounts receivable from Treasury (notes 9 and 19.c)	-	-	(187,713)	(187,713)
Capitalization of reserves as per S.D. 108-2004-EF	72,784	(72,784)	-	-
Net loss for the year	-	-	(62,836)	(62,836)
Balances as of December 31, 2004	**253,177**	**105,347**	**(62,836)**	**295,688**

See the accompanying notes to the financial statements.

STATEMENTS OF CASH FLOWS
For the years ended December 31, 2004 and 2003
(Stated in thousands of constant nuevos soles as of December 31, 2004)

	2004	2003
Cash flows from operating activities:		
Net (loss) profit for the year	(62,836)	185,656
Adjustments to reconcile net (loss) profit for the year to net cash provided by operating activities:		
Depreciation of property, furniture and equipment	4,963	6,908
Amortization of accounts receivable from Treasury with transfer of profits	(187,713)	(181,375)
Other adjustments, net	212	462
Decrease (increase) in other external assets	197,324	(178,884)
Decrease in domestic credit	210,002	307,896
Decrease in other assets	230,013	235,052
Increase (decrease) in external liabilities	16,350	(305,840)
(Decrease) increase in other external liabilities	(391,272)	95,383
Increase in monetary base	1,521,101	573,798
Increase in other deposits in local currency	713,549	891,009
Increase in securities issued	3,784,465	2,134,939
Decrease in deposits in foreign currency	(732,117)	(3,082,962)
Decrease in other liabilities	(55,926)	(230,643)
(Decrease) increase in readjustment in valuation Organic Law Article	(813 094)	179 222
Net cash provided by operating activities	4,435,021	630,621
Cash flows from investing activities:		
Sale of property, furniture and equipment	-	40
Additions of property, furniture and equipment	(255)	(2,080)
Net cash used in investing activities	(255)	(2,040)
Net increase in cash and cash equivalents	4,434,766	628,581
Cash and cash equivalents at beginning of year	37,053,550	36,424,969
Cash and cash equivalents at end of year	**41,488,316**	**37,053,550**

See the accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2004 AND 2003

1. ECONOMIC ACTIVITY

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

The Bank's legal domicile is in Lima and it has seven branch offices in other cities in Peru. The personnel employed by the Bank to carry out its activities as of December 31, 2004 and December 31, 2003 is 973 and 1,031, respectively.

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

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

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

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

- Extend guarantees, letters of guarantee or any other guarantees and use any form of indirect financing, as well as grant insurances of any type. The operations carried out in implementing agreements of payments and reciprocal credits are not subject to this prohibition.

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

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

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

- Establish systems of multiple exchange rates.

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

In conformity with the Bank's Organic Law and its By-laws, Management has prepared financial statements as of December 31, 2004, which will be presented for approval to the Board of Directors before March 31, 2005. In Management's opinion, the accompanying financial statements will be approved by Board of Directors without modifications. Financial statements as of December 31, 2003 were approved by Board of Directors as of June 30, 2004.

2. MAIN ACCOUNTING POLICIES

The financial statements are prepared and presented in conformity with International Financial Reporting Standards - IFRS- issued by International Accounting Standards Board -IASB, which include International Accounting Standards -IAS's. The applied standards are previously approved in Peru by Consejo Normativo de Contabilidad -CNC (Peruvian Accounting Board). The current standards approved by this regulatory body as of December 31, 2004 are IAS's 1 to 41 and pronouncements 1 to 33 of Standing Interpretation Committee -SIC. The financial statements have been prepared in accordance with some accounting practices contained in the Bank's Organic Law, as explained in corresponding accounting notes.

The accounting principles and practices applied to record operations and prepare the financial statements are the following:

(a) Basis for the Preparation of Financial Statements

All components of the financial statements have been adjusted to reflect the effect of changes in the purchasing power of the Peruvian currency (nuevo sol = S/.) and express the balances in constant nuevos soles as of December 31, 2004.

The financial statements have been adjusted to reflect the effect of changes in the purchasing power of the Peruvian currency, thus enabling the various transactions included therein to be stated in constant monetary units. The historical cost principle prevails when recording balances, with the adjustments representing the updating of these balances.

The factors used to calculate the adjustment are based on the nationwide wholesale price index as published by Instituto Nacional de Estadística e Informática (National Institute of Statistics).

Non-monetary balances have been updated taking into account the adjusting factors determined according to the age of each of the components. Monetary balances, including memoranda accounts, have not been adjusted as they reflect the purchasing power of the currency at balance sheet date. The adjusted cost of assets should not exceed its valuation, as per criteria described in this note.

Year 2003 financial statements have been restated in purchasing power of currency as of December 31, 2004, in order to become comparable.

The loss of purchasing power of the Peruvian currency in years 2004 and 2003, according to the nationwide wholesale price index as published by Instituto Nacional de Estadística e Informática was 4.9% and 2.0%, respectively.

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

(b) Use of Accounting Estimates

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

(c) Financial Instruments

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

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

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

(d) Securities in International Institutions

Securities in international institutions held by the Bank are classified as held to maturity. These securities are recorded at acquisition cost. Deterioration of acquisition value compared with market value is recognized by charging the corresponding provision for fluctuation in securities to the results of the period. Likewise, premiums or discounts on the acquisition of these investments are amortized by applying the amortized cost method since acquisition date until investment maturity date.

(e) Precious Metals

As established under Article 72 of the Bank's Organic Law, gold and silver held are accounted for at the value fixed by the Board of Directors, which does not exceed the price prevailing in the international market.

Gold and silver holdings are valued at their listed price at the end of each day, as per Board of Directors' agreement of February 14, 2002. Gold valuation is obtained by using the average buy quote of the markets of London, New York and Zurich. Likewise, silver valuation is obtained by applying the average buy quote in the markets of New York and London; as well as the quotation published in Handy Harman.

(f) **Provision to Cover Eventual Losses Arising from Credit Support to the Multi-purpose Banking Sector**

The provision to cover eventual losses arising from credit support to the multi-purpose banking sector corresponds to a provision approved by the Board of Directors in order to cover potential losses arising from transactions carried out with the multi-purpose banking sector. During the course of year 2003, the Bank undid 100% of the provision using the balance of S/. 50,616,000 to cover provision for actuarial reserve of retirement and health benefits for employees, pensioners and their relatives.

(g) **Property, Furniture and Equipment**

Property, furniture and equipment are stated at cost (note 10), net of accumulated depreciation. If renewals and improvement expenses are proven to result in future benefits from the use of property, furniture and equipment, these expenses are then capitalized as an additional cost of the assets; while maintenance and repair expenses are charged to results as incurred.

Depreciation is calculated based on the straight-line method using the following useful lives:

	Years
Building	100
Furniture and office equipment and various equipment	10
Computing equipment	3
Vehicles	5

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 of the period when they are incurred.

Management periodically reviews useful life and depreciation method according to the forecasted economic benefits to be provided by the components of property, furniture and equipment.

(h) **Assets Seized**

Assets seized include mainly lands and properties received as payments of loans granted to banks under liquidation process and are recorded at the adjudicated cost of seizure which does not exceed their estimated realizable value, net of corresponding provision. As of December 31, 2004 and 2003, seized assets are fully amortized.

Likewise, 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, 2004, all the assets seized through legal actions are aged over a year and the Bank has begun the arrangements established by law in order to formalize the sale of such assets, which implied coordination with Superintendencia de Bienes Nacionales (Superintendence of National Assets) and constitution of Junta Especial de Almonedas (Special Board of Almonedas). As of December 31, 2004, the Bank performed public auctions that included the total assets seized, selling approximately 62% of the total value of such assets.

(i) Notes and Coins Issued

They correspond to notes and coins of legal tender issued by the Bank which are held by the public; they are recorded as a liability on the balance sheet at their nominal value under the Monetary Base item. Uncurrent notes and coins kept in the Bank's safe are recorded in memoranda accounts at their nominal value.

(j) Provision for Employees' Severance Indemnities

The provision for employees' severance indemnities (CTS) comprises all employees' rights to indemnities and is registered by charging the results when such indemnities accrue. The payments made, which are considered as definitive, are deposited in financial institutions selected by the employees.

(k) Employee Benefits

As established in article 53 of its By-laws, the Bank supports Fondo para Enfermedades, Seguros y Pensiones de Empleados (Fund for Illness, Insurance and Pensions of the Bank's employees, hereinafter the Fund) with the resources necessary for complementing the expenses required for being operative, which according to IAS 19, is an employee benefit under a defined benefit plan.

The Fund is a juridical entity of private law established under Decree-Law 7137 and is intended to provide assistance to the Bank's employees and pensioners, as well as their spouses, children and parents, as established in its by-laws. 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 Pension System).

- **Subsidy of supplementary pension**

  For a plan of defined benefits, expenses related to supplementary pensions are recorded under the method of benefits per year of services, under which the cost of providing supplementary pensions are recorded to results for the period in order to distribute the cost over the employees' years of services. The value of the supplementary retirement pension is determined by an actuary on a periodic basis, is measured at the present value of all future payments of pensions by using an average discount rate of 6%. In determining this obligation, the Bank has used parameters established in the Fund's regulations (note 17.b).

- **Other Benefits Supplementary to Retirement**

  In the case of the technical provision for health, since it does not entail an expectancy risk, the Bank has not considered necessary to conduct a computation of its trend or actuarial projection; instead the Bank has considered to conduct a short analysis based on statistical experience, considering the Bank's contribution for year 2003 and adding 15% as security margin.

(l) Interest and Commissions

Interest income and expenses are recognized in the results of the period when accrued and the commissions when received or paid.

When, in the opinion of Management, there are reasonable doubts regarding collection of the principal of any financial instrument, interest is recognized as income to the extent it is collected.

(m) Printing of Notes and Operating Expenses

Operating expenses and the expenses of printing notes are recognized in the results of the period when accrued.

(n) Cash and Cash Equivalents

Cash and cash equivalents comprise external assets, which include funds, bank deposits, investments in securities of international institutions, gold held, contributions to FLAR, agreements with central banks and other available assets.

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

(o) Exchange Difference and Readjustment of Foreign Currency

Article 89 of the Bank's Organic Law establishes that differences which are recorded as a consequence 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 considering them 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 with 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 Readjustment in valuation, Organic Law Article 89 account, which as of December 31, 2004 and 2003 is recorded under liabilities in the balance sheet (note 3).

The Bank registers the gains and losses from the sale of foreign currencies to results for the year. Results from the sale of foreign currencies are obtained by multiplying the difference between the exchange rate of the transaction and the exchange rate of prior year-end by the amount of the transaction; such a result is stated with a balancing entry to the Readjustment in valuation Organic Law, Article 89 account (note 18).

(p) Provisions

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

When the effect of the time value of money is material, the value of the provision is the present value of the expenditure required to settle the provision.

(q) Contingencies

Contingent liabilities are not recognized in 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.

3. DIFFERENCES WITH ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN PERU

The applicable accounting practices of the Bank as described in note 2 differ in certain aspects from accounting principles generally accepted in Peru which comprise mainly International Accounting Standards (IAS) made official by Consejo Normativo de Contabilidad.

The difference between the accounting principles generally accepted in Peru and accounting practices used by the Bank are referred to the recording of liability due to the readjustments in the valuation of prices and exchange rates in local currency of the Bank's assets and obligations in gold, silver, foreign currency, SDRs or any other monetary unit international use. As of December 31, 2004 and 2003, the readjustment amounted to S/.1,683,030,000 and S/. 2,496,124,000, respectively (note 2.o). In accordance with generally accepted accounting principles, the results of the valuations should be included in the Bank's results in the years when they were generated. Results from sale of foreign currencies are recorded as gain or loss in the year they are generated.

4. BALANCES IN FOREIGN CURRENCY

Balances in U.S. dollars as of December 31, 2004 and 2003 have been stated in nuevos soles at the purchase exchange rate established by Superintendencia de Banca y Seguros - SBS (Peruvian Superintendency of Banking and Insurance) of S/. 3.280 and S/. 3.461 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) Balances in foreign currency and in precious metals as of December 31 are summarized as follows:

	2004		2003	
	Origin currency	**In thousands of US$**	**Origin currency**	**In thousands of US$**
Assets:				
U.S. dollars	11,242,883,596	11,242,884	9,703,209,638	9,703,210
Gold in ounces	1,114,842	488,691	1,114,842	462,659
SDRs	73,650,679	114,380	100,445,451	149,259
Euros	772,106,125	1,046,436	164,748,560	208,094
Pounds sterling	29,815,700	57,210	19,791,587	35,476
Canadian dollars	65,005,930	54,145	44,012,535	34,264
Pesos andinos	20,000,000	20,000	20,000,000	20,000
Silver in ounces	706,885	4,826	890,656	5,279
		13,028,572		**10,618,241**
Liabilities:				
U.S. dollars	6,259,705,001	6,259,705	5,869,897,818	5,869,898
Gold in ounces	-	-	9	4
SDRs	67,550,449	104,907	94,207,222	139,989
Euros	1,730	3	32,592	41
Pounds sterling	1,201	2	1,201	2
Canadian dollars	42	-	42	-
Pesos andinos	20,000,000	20,000	20,000,000	20,000
Silver in ounces	126,010	860	18,725	111
		6,385,477		**6,030,045**
Net assets		**6,643,095**		**4,588,196**

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

b) Quotations of foreign currency and metals in U.S. dollars as of December 31 are summarized as follows:

	Equivalent in US$	
	2004	**2003**
Gold in ounces (note 2.e)	438.350000	415.000000
SDRs	1.553010	1.485970
Pounds sterling	1.918800	1.792500
Canadian dollars	0.832917	0.778513
Pesos andinos	1.000000	1.000000
Euro	1.355300	1.263100
Silver in ounces (note 2.e)	6.827500	5.926700

5. DEPOSITS IN FOREIGN BANKS

They comprise the following:

	In thousands of S/.	
	2004	**2003**
Time deposits	14,105,450	12,695,167
Call deposits	14,739	22,476
On-demand deposits	5	65
	14,120,194	**12,717,708**

As of December 31, 2004 and 2003, time deposits basically amount to US$ 4,300,442,000 and US$ 3,495,713,000, respectively, which are deposited in first class banks and bear interest at rates of the international market.

6. SECURITIES IN INTERNATIONAL INSTITUTIONS

They comprise the following:

	In thousands of S/.			
	2004		2003	
	Book Value	Estimated market value	Book Value	Estimated market value
Notes of U.S. Agencies	5,297,927	5,268,453	6,108,769	6,148,089
Sovereign bonds	9,744,179	9,643,539	5,599,805	5,612,833
U.S. Treasury Notes	3,409,820	3,390,455	3,046,534	3,054,131
Commercial papers	3,036,961	3,029,972	2,665,054	2,665,981
Certificates of deposit	-	-	2,359,933	2,359,883
Medium Term Instruments	2,849,065	2,823,647	1,582,051	1,585,300
FIXBIS at discount	222,126	221,213	-	-
	24,560,078		**21,362,146**	

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

Commercial papers correspond to debt securities with maturity of up to a year issued by sovereign governments, authorized public institutions or supra-national or multinational institutions with a minimum rating required by the Bank.

7. GOLD

As of December 31, 2004 and 2003, this item is represented by 1,114,842 troy ounces, and includes commemorative coins deposited in the Bank's safe and "good delivery" bars deposited in first class foreign banks; the latter bear interest in accordance with international market conditions.

8. CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS

The Bank maintains contributions with the following international organizations:

(a) Latin American Reserve Fund (FLAR)

As of December 31, 2004, the contribution to FLAR amounts to US$ 320,204,000 equivalent to S/. 1,050,269,000 (US$ 313,319,000 equivalent to S/. 1,137,532,000 as of December 31, 2003). This contribution allows Peru access to financing facilities of FLAR (note 17.a).

(b) International Monetary Fund (IMF)

It comprises the following:

	In thousands of S/.	
	2004	**2003**
Contributions to IMF for the equivalent in local currency of SDR 638,400,000	3,227,291	3,207,595
Revaluations to liquidate - contribution to IMF in local currency	24,626	236,543
	3,251,917	**3,444,138**

The contribution to IMF grants Peru access to IMF's financing activities. The balancing entry of these contributions is recorded as liability with IMF (note 12.a).

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

9. DOMESTIC CREDIT

It comprises the following:

	In thousands of S/.	
	2004	**2003**
S.D. 066-94-EF BCRP Capitalization Bonds series "A"	39,000	236,893
Treasury Bonds - S.D. 114-98-EF	-	12,108
Other	9	10
	39,009	**249,011**

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

Such bonds were used to settle debts maintained by the Treasury with the Bank, transfer its debts with the state development banking in liquidation and offset accumulated losses that the

Bank maintained as of May 31, 1994, and allow the Bank to reach the capital indicated in the Article 5 of its Organic Law. Likewise, in conformity with such Decree, such bonds are being paid with the transfer of profits generated by the Bank at the percentages stated in the respective legal regulations established by MEF (note 19.c). In 2004, the Bank amortized BCRP Capitalization Bonds series "A" by applying the dividend distribution for years 2003 in the amount of S/. 178,946,000 (historical values) according to Supreme Decree 089-2004-EF and S/. 7,882,000 paid in cash (historical values). In year 2003, BCRP Capitalization Bonds series "B" were fully paid.

As stated in note 1, the Bank, in accordance with Article 2 of its Organic Law, is intended to regulate money supply and preserve monetary stability in Peru. Accordingly, the Bank has the following instruments of monetary policy: Credits for Monetary Regulation, Purchase with re-purchase agreements of Certificates of Deposit (CD BCRP), Treasury Bills and Bonds, placement of Certificates of Deposit (CD BCRP) and Readjustable Certificates of Deposit (CDR BCRP) (note 15), among others.

10. PROPERTY, FURNITURE AND EQUIPMENT

The movement of the property, furniture and equipment account and corresponding accumulated depreciation for the year ended December 31, 2004, has been the following:

	In thousands of S/.				
	Balances as of 12.31.2003	**Additions**	**Disposals**	**Transfers and/or adjustments**	**Balances as of 12.31.2004**
Cost:					
Lands	25,009	-	-	-	25,009
Buildings	155,204	-	-	-	155,204
Furniture and office equipment	4,981	1	(6)	-	4,976
Vehicles	3,058	-	(706)	-	2,352
Various equipment	37,601	254	(89)	7	37,773
In-transit units	7	-	-	(7)	-
	225,860	**255**	**(801)**	**-**	**225,314**
Depreciation:					
Buildings	47,585	1,493	-	59	49,137
Furniture and office equipment	2,726	422	(3)	16	3,161
Vehicles	2,662	167	(699)	7	2,137
Various equipment	22,646	2,881	(71)	102	25,558
	75,619	4,963	(773)	184	79,993
Net cost	**150,241**				**145,321**

11. OTHER ASSETS

They comprise the following:

	In thousands of S/.	
	2004	**2003**
Subscription to international organizations (note 17.a)	487,231	564,307
Interest and commissions receivable, net	244,566	218,480
Fund in foreign currency - Brady Plan (note 12.b)	338,072	470,412
Art collections	87,773	87,766
Revaluations to liquidate - Brady Plan Fund (note 12.b)	2,580	34,690
Silver	15,830	19,164
Almacén Casa Nacional de Moneda	14,966	16,245
Accounts receivable from personnel	1,277	5,018
Intangibles, net of amortization of S/. 12,974,000 and S/. 10,761,000, respectively	1,471	4,666
Various	13,342	16,373
	1,207,108	**1,437,121**

The subscription to international organizations corresponds to the unpaid contribution of US$ 148,546,000 (US$ 155,431,000 in year 2003) to FLAR, which will be paid with future distributions of profits of this organization (note 17.a).

Fund in foreign currency - Brady Plan corresponds to SDR 66,875,000 (SDR 93,625,000 in year 2003) that the Bank received and was deposited in Banco de la Nación (National Bank of Peru) to be used by MEF. The amount of the Fund in foreign currency - Brady Plan will decrease as the Bank receives from MEF the respective transfers to make the corresponding re-purchase transactions as stated in the respective agreement. During 2004, the Bank received transfers of funds in U.S. dollars from MEF equivalent to SDR 26,750,000 intended to reduce financing of IMF (note 12.b).

Art collections correspond to works of art and numismatic collections of coins and notes acquired or donated to the Bank and maintained for display.

Almacén Casa Nacional de Moneda comprises the supplies acquired by the Bank for the manufacture of coins.

12. DUE TO INTERNATIONAL MONETARY FUND

The Bank has the following external liabilities:

a) Exchange Value of Contributions in Local Currency to IMF

As of December 31, 2004, the exchange value of the contribution in local currency to IMF amounts to S/. 3,251,917,000 (S/. 3,444,138,000 as of December 31, 2003) corresponding to SDR 638,400,000; this obligation is not subject to interest and does not have an agree-upon maturity date (note 8.b).

b) Other External Liabilities -

They comprise the following:

	In thousands of S/.	
	2004	**2003**
Promissory note IMF-MEF Brady Plan (note 11)	338,072	470,412
Revaluations to liquidate - Promissory note Brady Plan	2,580	34,690
SDRs allocation	461,643	458,826
Revaluations to liquidate - SDR allocation	3,523	33,836
Assignment Pesos Andinos FLAR	65,600	72,612
Other	632	725
	872,050	**1,071,101**

The promissory note IMF-MEF Brady Plan corresponds to the obligation of SDR 66,875,000 (SDR 93,625,000 in year 2003) due to IMF that was given to MEF (note 11).

SDRs allocation as of December 31, 2004 and 2003, corresponds to SDR 91,319,000 assigned by IMF that bear charges or interest under the conditions established in the agreement with IMF.

Revaluations to liquidate - promissory notes Brady Plan and Revaluations to liquidate - SDRs allocations correspond to the revaluation (provision) for maintenance of the value resulting from the difference from the variation of exchange rates of SDR with respect to the U.S. dollar and the U.S. dollar to the Peruvian nuevo sol between April 30 and December 31 of each year. The revaluations are cancelled at the end of the financial year of IMF which is April 30.

13. MONETARY BASE

It comprises the following:

	In thousands of S/.	
	2004	**2003**
Notes and coins issued	9,046,895	7,666,986
Local currency deposits	208,352	62,714
Deposits of financial institutions	18,538	19,282
Other deposits and obligations	53,112	56,814
	9,326,897	**7,805,796**

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

The balances of notes and coins issued are as follows:

	2004		2003	
Nominal value	**Units**	**In thousands of S/.**	**Units**	**In thousands of S/.**
Notes:				
10	50,202,539	502,025	47,842,335	501,866
20	34,458,588	689,172	30,363,318	637,022
50	33,487,437	1,674,372	27,442,804	1,439,375
100	52,502,062	5,250,206	39,884,037	4,183,836
200	1,410,742	282,149	1,287,543	270,127
		8,397,924		**7,032,226**
Coins:				
0.01	35,806,524	358	33,964,708	356
0.05	169,299,636	8,465	167,994,386	8,811
0.10	451,836,553	45,184	413,554,719	43,382
0.20	127,987,349	25,598	119,403,448	25,051
0.50	145,298,566	72,649	133,858,518	70,209
1.00	154,150,382	154,150	141,134,973	148,050
2.00	49,657,985	99,316	46,475,692	97,506
5.00	48,279,220	241,396	45,652,243	239,446
		647,116		**632,811**
Commemorative coins	Various	1,855	Various	1,949
		9,046,895		**7,666,986**

14. OTHER DEPOSITS IN LOCAL CURRENCY

They comprise the following:

	In thousands of S/.	
	2004	2003
Public sector	125,433	330,947
Banks	51,509	9
Banco de la Nación	1,792,108	923,995
Private sector	10,081	10,631
Other entities and funds	1	1
	1,979,132	**1,265,583**

As of December 31, 2004 and 2003, the effective annual interest rates used by the Bank for time deposits of the Public Sector were in average 4.20% and 3.81%, respectively; for deposits of Banco de la Nación the interest rates were 3.01% and 2.36%, respectively; and for banks (overnight) interest rate was 2.25% as of December 31, 2004.

15. SECURITIES ISSUED

They comprise the following:

	In thousands of S/.	
	2004	2003
Banks	5,385,100	3,172,596
Financial institutions	9,300	-
Other entities	2,860,519	1,125,245
	8,254,919	4,297,841
Discounts on sale CD BCRP	(293,699)	(121,086)
	7,961,220	**4,176,755**

The securities issued principally comprise certificates of deposit in local currency placed through the mechanism of auction or direct placement in order to reduce surplus liquidity of the financial system with maturities up to three years. Such certificates are placed at discount and bore an implicit annual interest rate ranging from 2.91% to 6.95% (from 2.29% to 6.69% at 2003 year-end closing).

16. DEPOSITS IN FOREIGN CURRENCY

They comprise the following:

	In thousands of S/.	
	2004	**2003**
Banks	9,219,476	9,753,938
Public sector	10,231,416	10,023,465
Banco de la Nación	149,201	558,996
Other institutions of the financial system	174,570	172,889
Financial institutions	5,370	1,825
Private sector	11,855	12,892
	19,791,888	**20,524,005**

Foreign currency deposits of local financial institutions are part of the funds destined to cover the legal cash reserve that the Bank requires for the total obligations in foreign currency subject to legal reserve. This required legal cash reserve may be covered in addition with cash in foreign currency deposited in local institutions of the financial system. This required legal cash reserve is broken down from a minimum legal cash reserve of 6% of the obligations subject to legal cash reserve and an additional reserve fluctuating between 23.5% and 25.7% in year 2004 (between 25.5% and 26.0% in year 2003). 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 equivalent to the three-month LIBOR rate less 1/4 of one percent (as of December 31, 2003 three-month LIBOR rate less 1/8 of one percent was applied).

The Bank has signed agreements with Dirección General del Tesoro Público from MEF and Fondo Consolidado de Reserva Previsional (FCR, its Spanish acronym) whose conditions were set forth for the Bank to receive deposits from these organizations. These deposits bore interest rates at end of period ranging from 1.3422% to 2.3725% (from 0.5600% to 1.9577% at 2003 year-end closing). As of December 31, 2004, Treasury's resources and those of FCR deposited in the Bank amount to US$ 3,049,765,000, equivalent to S/. 10,003,230,000 (US$ 2,705,352,000, equivalent to S/. 9,822,021,000 as of December 31, 2003).

17. OTHER LIABILITIES

They comprise the following:

	In thousands of S/.	
	2004	2003
Contribution subscribed pending payment to international organizations (note 11)	487,231	564,307
Interest and commissions payable	59,912	40,378
Actuarial liability	162,414	199,289
Other provisions	13,574	14,601
Accounts payable	1,881	2,218
Various	212,552	172,697
	937,564	**993,490**

a) Contribution Subscribed Pending Payment to International Organizations
Under Agreement N° 93 dated March 22, 2000, modified by Agreement 102 of April 10, 2001, of the FLAR Meeting of Representatives, member countries of FLAR agreed to increase the capital stock to US$ 2,109,375,000 through the capitalization of profits up to year 2010; the Bank is responsible for contributing US$ 468,750,000 (note 11). As of December 31, 2004, the balance of the pending contribution amounts to US$ 148,546,000 (US$ 155,431,000 in year 2003).

b) Actuarial Obligation
It includes actuarial obligation corresponding to subvention for the Bank's pensioners' supplementary pensions and other supplementary retirement benefits for pensioners and their relatives. In Board of Directors' Meeting held on December 23, 2004, the adjustment of the actuarial obligation for supplementing retirement, widow, burial benefits and technical provision for health (note 2.k) was approved. The actuarial computation as of December 31, 2004 was determined by an independent actuary who took into consideration the following:

- Mortality chart established by Superintendencia de Banca y Seguros (Superintendency of Banking and Insurance) by means of Resolution 309-93-SBS of June 18, 1993.

- Use of the following life tables of Chile: employee life expectancy for men: 85 years (RV-85-H), and for women: 85 years (RV-85-M), when they are entitled.

- Application of 6% annual discount rate in risks of retirement, widow and burial benefits.

- In the case of the technical provision for health, since it does not entail an expectancy risk, the Bank has not considered necessary to conduct a computation of its trend or actuarial projection on it; instead the Bank has considered to conduct a short analysis based on statistical experience, considering the Bank's contribution for year 2003 and adding 15% as security margin.

18. READJUSTMENT IN VALUATION, ORGANIC LAW ARTICLE 89

This item corresponds to differences arising from readjustments in the valuation in local currency of assets and obligations of the Bank in gold, silver, foreign currency, SDRs or any other international currencies, and are debited or credited to this account without considering them as losses or profit (note 2.o).

	In thousands of S/.	
	2004	**2003**
Standing balance	2,496,124	2,316,903
Valuation of U.S. dollars	(806,422)	(184,089)
Valuation of contribution and obligations IMF	4,526	(11,554)
Valuation of other foreign currencies	86,176	146,891
Valuation of metals (gold and silver)	(820)	259,766
Transfer to results for the period	13,776	16,332
Result of exposure to inflation	(110,330)	(48,125)
Final balance	**1,683,030**	**2,496,124**

19. NET EQUITY

(a) Capital

As of December 31, 2004, the capital authorized, subscribed and paid-in of the Bank under its Organic Law and Supreme Decree 108-2004-EF amounts to S/. 253,177,000 (S/. 241,351,000 at historical values). As of December 31, 2003, the capital authorized, subscribed and paid-in of the Bank under its Organic Law and Supreme Decree 059-2000-EF was S/. 180,393,000 (S/. 100,000,000 at historical values). This capital is not represented by shares, its value being stated only in the Capital account in the balance sheet. Likewise, as established by Supreme Decree, countersigned by MEF, the Bank's authorized capital may be readjusted.

According to Supreme Decree 108-2004-EF of August 9, 2004, the Bank's capital was readjusted in S/. 141,351,000 (S/. 148,276,000 at adjusted values), through the capitalization of the balance as of December 31, 2003 of the result of exposure to accumulated inflation account amounting to S/. 69,385,000 (S/. 72,784,000 at adjusted values) and the exposure to accumulated inflation of capital account amounting to S/. 71,966,000 (S/. 75,492,000 at adjusted values).

(b) <u>Reserves</u>

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

(c) <u>Retained Earnings</u>

Under article 92 of its Organic Law, the Bank should distribute annually 25% of its net profits to the Treasury and 75% to constitute the reserve referred to in subsection b) of this note. Annual distribution of net profit is determined on the basis of historical balances, as established in Official Document 001-96-EF/93.11 from Contaduría Pública de la Nación (National Accounting Office).

Board of Directors of June 30, 2004 approved the financial statements of year 2003, and on July 15, 2004 the Bank's profits were 100% distributed in conformity with article 92 of its Organic Law and Supreme Decree 089-2004-EF in the amount of S/. 185,656,000 (S/. 187,713,000 at historical value). This amount was applied by the Bank to amortize the accounts receivable from Treasury, related to BCRP Capitalization Bonds - "A" Series, in conformity with Supreme Decree 066-94-EF maturing on July 15, 2004 (note 9).

Likewise, in Board of Directors' session held on April 3, 2003, the year 2002 financial statements were approved and on April 24, 2003, 25% of profits were distributed in conformity with article 92 of its Organic Law. Year 2001 remaining profit and year 2002 remaining profit (75%) were distributed in conformity with Supreme Decree 103-2003-EF as approved by Board of Directors' Meeting held on August 7, 2003.

Year 2002 profit plus year 2001 remaining profit were distributed in year 2003, in the amount of S/. 181,375,000 (S/. 169,512,000 at historical values) as follows:

i. S/. 108,298,000 (S/. 101,215,000 at historical values) to the Treasury. This amount was applied by the Bank to partly amortize the account receivable from the Treasury, related to BCRP Capitalization Bonds Series "A" and "B"- S.D. 066-94-EF as follows:

   - S/. 30,972,000 (S/. 28,946,000 at historical values) corresponding to 25% of year 2002 profit.

   - S/. 19,839,000 (S/. 18,541,000 at historical values) from the balance of the year 2002 remaining profit.

   - S/. 57,487,000 (S/. 53,728,000 at historical values) from the balance of the year 2001 remaining profit.

ii. S/. 73,077,000 (S/. 68,297,000 at historical values) from the balance of the year 2002 remaining profit was transferred to the Treasury for accounts receivable for the FONEX line.

20. TAX MATTERS

In accordance with the Income Tax Law, entities of the national public sector are not subject to income tax. The Bank, as withholding agent, is only subject to the extraordinary solidarity tax, self-employment and regular employment income taxes and social contributions.

The tax authorities are entitled to review and, if necessary, amend the taxes calculated by the Bank during the last four years, as from the date the related tax returns are filed (years open to examination). Tax returns for years 2000 through 2004 inclusive, are open to examination. Since discrepancies may arise over the proper interpretation of a point of tax law applicable to the Bank, it is not possible to anticipate at the date of the financial statements whether additional tax liabilities will arise as a result of eventual examinations. Any additional tax, fines and interest, if arising, will be recognized in the results of the period when the disagreement with tax authorities is resolved. Management and legal advisors consider that no significant liabilities will arise as a result of any possible tax examinations.

21. CONTINGENCIES

As of December 31, 2004, the Bank has certain lawsuits filed against it in the normal course of activities. The Bank's Management and its legal advisors consider that no significant liabilities will arise as a result of the resolution of such lawsuits, given the results obtained to date.

22. MEMORANDA ACCOUNTS

They comprise the following:

	In thousands of S/.	
	2004	**2003**
Notes and coins in stock	11,201,700	15,540,054
Securities deposited in guarantee	7,728	3,096
Securities held in custody	3,708,628	3,694,392
Notes and coins taken out of circulation to be destroyed	1,210	1,210
Fund for illness, insurance, and pensions of employees	78,551	74,869
Banks under liquidation	51,070	55,884
Money in process of production by Casa Nacional de Moneda	753	880
Other	1,056,185	1,354,331
	16,105,825	**20,724,716**

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

The Other item corresponds principally to accounts recording Brady Plan collateral guarantees, among others.

The Notes and Coins in Stock item comprises:

	In thousands of S/.	
	2004	**2003**
New	8,674,415	12,238,502
Available	1,332,115	1,420,379
To be classified	254,506	1,293,610
To be incinerated and/or smelted	940,389	586,941
In transit	275	622
	11,201,700	**15,540,054**

The movement of Notes and Coins in Stock for the year ended December 31 has been as follows:

	In thousands of S/.	
	2004	**2003**
Starting balance	15,540,054	7,927,864
Acquisition of notes and coins	27,510	11,225,009
Destruction of notes and coins	(2,627,821)	(2,924,032)
Outgoing from circulation, net of income	(1,738,043)	(688,787)
Final balance	**11,201,700**	**15,540,054**

23. RESULT OF EXPOSURE TO INFLATION

The monetary position as of December 31 is as follows:

	In thousands of S/.	
	2004	**2003**
Monetary asset	45,908,888	42,108,551
Monetary liability	(45,862,405)	(41,819,349)
Monetary asset, net	**46,483**	**289,202**

The monetary position in years 2004 and 2003 presented an exposure to inflation, for monetary assets exceeding liabilities of the same nature which gave rise to a loss of S/. 5,469,000 and S/. 5,160,000, respectively.

24. TRANSACTIONS NOT REPRESENTING CASH FLOWS

Transactions not representing cash flows in years 2004 and 2003 and, therefore, presented as net variations of the accounts incorporated in the statement of cash flows, are shown as follows:

	In thousands of S/.	
	2004	**2003**
Amortization of accounts receivable from the Treasury (note 19.c)	187,713	108,298
Transfer of accounts receivable to the Treasury (note 19.c)	-	73,077

25. ANALYSIS OF MATURITIES

The structure of maturities of the Bank's financial assets and liabilities in effect as of December 31, 2004 and according to contractual or estimated maturity are as follows:

	In thousands of S/.				
	Up to six months	**From six months to a year**	**From one to five years**	**Over five years**	**Total**
Asset:					
Cash in foreign currency	33,159	-	-	-	33,159
Deposits in foreign banks	14,120,194	-	-	-	14,120,194
Securities in international institutions	6,255,096	8,434,591	9,870,391	-	24,560,078
Gold	1,602,907	-	-	-	1,602,907
Agreements with central banks	23,657	-	-	-	23,657
Other available assets	66,756	-	-	31,296	98,052
Other external assets	1,135	1,122	10,952	13,213	26,422
Domestic credit	39,000	-	-	9	39,009
Other assets	323,458	89,390	464,086	330,174	1,207,108
	22,465,362	8,525,103	10,345,429	374,692	41,710,586

	In thousands of S/.				
	Up to six months	**From six months to a year**	**From one to five years**	**Over five years**	**Total**
Contributions to the Latin American Reserve Fund	-	-	-	-	1,050,269
Contribution in local currency to IMF	-	-	-	-	3,251,917
Property, furniture and equipment, net	-	-	-	-	145,321
Total assets					**46,158,093**
Liabilities and net equity:					
Short-term obligations with international institutions	58,707	-	-	-	58,707
Other external liabilities	67,614	67,614	206,056	530,766	872,050
Monetary base	280,002	-	-	9,046,895	9,326,897
Other local currency deposits	1,979,124	-	8	-	1,979,132
Securities issued	2,710,405	3,292,432	1,958,383	-	7,961,220
Foreign currency deposits	17,327,472	2,004,684	459,732	-	19,791,888
Other liabilities	105,608	174,199	346,908	310,849	937,564
	22,528,932	5,538,929	2,971,087	9,888,510	40,927,458
Exchange value of contribution in local currency to IMF	-	-	-	-	3,251,917
Readjustment in valuation Organic Law, article 89	-	-	-	-	1,683,030
Net equity	-	-	-	-	295,688
Total liabilities and net equity					**46,158,093**

26. FINANCIAL INSTRUMENTS

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

Interest Rate Risk

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

The dimension of the risk is a function of:

- 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 12 through 17.

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

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

Foreign Currency Exchange Risk

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

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

Credit Risk

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

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

Fair Value

The information below discloses the fair value of financial instruments held by the Bank. The fair value comprises the quantity of which an asset could be exchanged between expert buyers and sellers duly informed or an obligation can be paid between debtors and creditors with enough information, under the terms of a free market transaction. As the fair value of financial instruments represents the best estimate made by 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 Management to estimate the fair value of financial instruments:

- Available assets represent cash flows and short-term deposits which are not considered to be a significant credit risk; for this reason their book value approximates their fair value.
- The fair value of securities in international institutions is based on market price quotations and/or market quotations of these financial instruments or similar instruments.
- The fair value of precious metals is based on international market quotations.
- The fair value of domestic credit with an original maturity term of one year and longer corresponds to its book value.
- The fair value of obligations, debts and deposits such as: due to international organizations, other external liabilities, deposits, securities issued and monetary base approximates their book value, due to the nature of these obligations substantially of short-term, which are contracted at variable interest rate.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and General Management
Banco Central de Reserva del Perú

We have audited the Budget Framework and Implementation of Banco Central de Reserva del Perú, an autonomous juridical entity of public law, for the 2004 budget period. The preparation of the Budget Framework and Implementation (Statement of Scheduling and Implementation of Income and Expenses and their corresponding exhibits), based on the integration and consolidation of the budget information originated by the Bank, is the responsibility of the Bank's management. Our responsibility is to express an opinion on this Legal Basis and Budget implementation based on our audit.

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

In our opinion, the Bank's Budget Framework and Implementation presents fairly, in all material respects, the integration and consolidation of the budget information of Banco Central de Reserva del Perú for the 2004 budget period, in accordance with laws and regulations currently in force.

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

February 25, 2005

Countersigned by:

W. Rubiños

Caipo y Asociados S.C.

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

EP-1

STATEMENT OF SCHEDULING AND IMPLEMENTATION OF INCOME AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2004
AT HISTORICAL VALUES
(In nuevos soles)

	ITEMS	STARTING AUTHORIZED BUDGET	EXTENSIONS AND/OR MODIFICATIONS	FINAL AUTHORIZED BUGET	BUDGET IMPLEMENTATION
I.	CURRENT INCOME	685,761,000	91,269,178	777,030,178	777,030,178
	TAXES				
	RATES				
	CONTRIBUTIONS				
	SALE OF GOODS				
	SALE OF SERVICES	2,000,000	2,810,268	4,810,268	4,810,268
	RENTALS OF PROPERTY	683,761,000	8,638,725	692,399,725	692,399,725
	FINES, SANCTIONS AND OTHER				
	OTHER CURRENT INCOME				
	FINANCING				
	(ISSUED NOTES AND COINS)		79,820,185	79,820,185	79,820,185
II.	CURRENT EXPENSES	659,222,205	114,228,673	773,450,878	773,450,878
	PERSONNEL AND SOCIAL OBLIGATIONS	119,191,024	6,823,126	126,014,150	126,014,150
	PENSION PLAN OBLIGATIONS	19,347	(3,807)	15,540	15,540
	GOODS AND SERVICES	47,476,760	(20,294,732)	27,182,028	27,182,028
	OTHER CURRENT EXPENSES	39,169,074	(6,212,143)	32,956,931	32,956,931
	FINANCIAL EXPENSES	453,366,000	133,916,229	587,282,229	587,282,229
III.	CURRENT ACCOUNT SAVINGS OR DISSAVINGS (I - II)	26,538,795	(22,959,495)	3,579,300	3,579,300
IV.	CAPITAL INCOME, TRANSFERS AND FINANCING	0		0	0
	CAPITAL INCOME				
	SALE OF ASSETS				
	AMORTIZATION OF GRANTED LOANS (REIMBURSEMENTS)				
	OTHER CAPITAL INCOME				
	TRANSFERS				
	FINANCING				
	BALANCE				
V.	CAPITAL EXPENSES	7,501,338	(3,922,038)	3,579,300	3,579,300
	INVESTMENT				
	FINANCIAL INVESTMENTS				
	OTHER CAPITAL EXPENSES	7,501,338	(3,922,038)	3,579,300	3,579,300
VI.	ECONOMIC RESULT (III + IV - V)	19,037,457	(19,037,457)	(0)	(0)
VII.	DEBT FINANCING AND SERVICE				
	RESOURCES FOR OFFICIAL OPERATIONS OF DOMESTIC CREDIT (NET)				
	FINANCING				
	DOMESTIC CREDIT OPERATIONS				
	DEBT SERVICE				
	(-) DEBT INTEREST AND CHARGES				
	(-) DEBT AMORTIZATION				
	RESOURCES FOR OFFICIAL OPERATIONS OF FOREIGN CREDIT (NET)				
	FINANCING				
	FOREIGN CREDIT OPERATIONS				
	DEBT SERVICE				
	(-) DEBT INTEREST AND CHARGES				
	(-) DEBT AMORTIZATION				
	FINANCIAL OR BUDGET IMPLEMENTATION RESULTS (VI+VII)	19,037,457	(19,037,457)	(0)	(0)

See the accompanying notes to the Budget Framework and Implementation.

1. BUDGET FRAMEWORK AND IMPLEMENTATION OF INCOME AND EXPENSES

1.1 BACKGROUND AND BASIS OF PRESENTATION

Implementation of income and expenses has been prepared as established by Instruction 7 - "Información contable que deberán presentar las empresas públicas a la Cuenta General de la Republica" (Accounting information to be submitted by state-owned companies to Cuenta General de la República - Section b) budget information, as approved by Resolution of the General Comptroller's Office 067-97-EF/93.0l dated December 29, 1997, concerning the financial and budget information for the entities of the Central Government and for Decentralized Offices, Regional Governments, Local Governments, Autonomous Organizations, Governmental Institutions, Welfare Associations and at the level of budget requirement as established under the Framework Law of Cuenta General de la República's process.

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

This information includes items whose grouping and bases of presentation are different from those used in the preparation of the financial statements in conformity with accounting principles generally accepted in Peru, including the accounting practices established in the Bank's Organic Law and those approved by the Board of Directors. In accordance with Article 91 of the Bank's By-laws, during the last month of a budget period, the utilization of the committed expenses pending execution expires, according to the criteria that the Special Budget Committee approves.

The reconciliation of the budget implementation with the historical accounting result as of December 31, 2004 is presented below:

	Amount in S/.
Budget loss (see chart EP-1)	(79,820,185)
Plus:	
Accounting income not considered in the budget of the year	12,560,478
Budget expenses affecting accounting assets and liabilities	36,006,396
Expenses engaged for year 2005 to be accrued	6,280,218
Less:	
Accounting expenses not affecting 2004 budget	32,722,443
Historical accounting loss	(57,695,536)

Additionally, Resolution of the General Comptroller's Office 117-2001-CG dated July 27, 2001, establishes that audit firms should present an exhibit of adjustments to items subject to consolidation with related organizations of the Public Sector. However, the presentation of an adjustment exhibit for the items subject to consolidation is not applicable to the Bank.

1.2 EXTENSION AND MODIFICATIONS TO THE STARTING INSTITUTIONAL BUDGET

The Bank's starting budget was approved by Board of Directors' minutes 4010 dated December 11, 2003, and was later extended by means of minutes 4041 dated June 3, 2004 and modified by means of minutes 4051, 4058 and 4066 dated August 12, October 7 and November 25, 2004, respectively; this amendment did not change the total amount of the extended budget of expenses. Additionally the Bank's Board of Directors, under Article 90 of the Bank's By-laws, should approve the year-end budget within the first three months of the following year. The implemented budget was approved by Board of Directors' meeting 4076 held on February 3, 2005.

The budget initially approved was amended in its income and expenses. Such increase comprised an increase of income of S/. 91,269,178, which includes an extension in the income coming from financing (notes and coins), rentals of property and services rendered of S/. 79,820,185, S/.8,638,725 and S/. 2,810,268 respectively. Additionally, it comprised an increase in the current expenses of S/. 114,228,673 and a decrease in the capital expenses of S/. 3,922,038. The increase in current expenses comes from a higher financial expense of S/. 133,916,229. (See EP-1 chart).

2. NOTES TO THE BUDGET FRAMEWORK AND IMPLEMENTATION

2.1 BACKGROUND, LEGAL FRAMEWORK AND ACTIVITIES

Banco Central de Reserva del Perú is an autonomous juridical entity of public law created on March 9, 1922 as Banco de Reserva del Perú, intended to maintain the monetary stability in Peru. Its activities are presently governed by Article 84 of the Peruvian political constitution dated December 29, 1993 and its Organic Law approved under Decree-Law 26123 dated December 24, 1992. The Organic Law establishes that its functions are to regulate the money supply, administer international reserves, issue notes and coins and report on the finances of Peru.

The Bank's legal domicile is in Lima and it has branches located in seven (7) cities of Peru. The personnel employed by the Bank to carry out its activities as of December 31, 2004 and December 31, 2003 is 973 and 1,031, respectively.

The Bank represents Peru for the purposes established in the Articles of Agreements of the International Monetary Fund (hereinafter IMF) and the Latin American Reserve Fund - FLAR - (its Spanish acronym) and is responsible for all official transactions, operations and relations with these institutions.

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

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

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

- Extend guarantees, letters of guarantee or any other guarantees and use any form of indirect financing, as well as grant insurances of any type. The operations carried out in implementing agreements of payments and reciprocal credits are not subject to the prohibition aforementioned.

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

- Issue securities, bonds or contribution certificates which are of compulsory acquisition.

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

- Establish multiple exchange rates systems.

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

The Bank, under the Peruvian Constitution and its Organic Law 26123 is an autonomous organization and it has an indepedent budget assignation and finances its budget with own resources. The Bank's budget is prepared in accordance with its Organic Law, by-laws and guidelines of institutional policies contained in the Directive on scheduling, preparation, approval, implementation, evaluation, modification and closing of the traditional budget as well as scheduling orientation on the requirements of the Bank for the year 2004, approved by General Management by means of Resolution GG-045-2003 dated July 22, 2003. Likewise, the Board of Directors, if deemed convenient, may apply the regulations enacted in the Law of Government Budget Management 27209 and the Law of the Government Annual Budget in all those matters not in conflict with its Organic Law.

2.2 LEGAL FRAMEWORK OF THE BUDGET INFORMATION

The Bank's Board of Directors, under Article 87 of the Bank's By-laws, approves or modifies the project of budget before the end of the first two weeks of 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 three months of the following year.

The regulations constituting the legal basis for the Bank's budget for period 2004 are as follows:

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

- Bank's By-laws.

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

- Law 27209, Law of Management of the Government's Budget.

- Directive for scheduling, preparation, approval, implementation, evaluation, modification and closing of the traditional budget as well as oriented by the scheduling of the requirements of the Bank for year 2004, as per Resolution from General Management GG-045-2003 of July 22, 2003.

- Instructive Nº 7 Accounting information to be submitted by state-owned companies to Cuenta General de la República- Section b) budget information, as approved by Resolution of the General Comptroller's Office 067-97-EF/93.01 dated December 29, 1997.

The Bank's annual budget was approved by Board of Directors' minutes 4010 dated December 11, 2003. Subsequently, by means of Board of Directors' minutes 4041 dated June 3, 2004, the extension of the budget was approved; likewise, budget amendments for the re-distribution of previously approved items (internal transfers), which did not modify the total of the income and expenses budgeted, were approved by Board of Directors' minutes 4051, 4058 and 4066 dated August 12, October 7 and November 25, 2004 respectively.

Additionally, and in accordance with Article 90 of the Bank's By-laws, the modification of 2004 closing budget corresponding to the Bank was approved by Board of Directors' minutes dated February 3, 2005.

2.3 PROCESS OF BUDGET PREPARATION, CONTROL AND EVALUATION

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

The budget was prepared in coordination with the Managements of Economic Studies and International Operations, who provided financial information regarding the assumptions based on the projections of major macro-economic variables such as, exchange rate, interest rate, annual inflation rate, legal reserve, level of net international reserves, quotation of foreign exchange and precious metals, annual flow of net purchase of foreign currency and levels of income earning assets and liabilities bearing expenses. Such information is channeled by the Management of Accounting and Supervision to the sub-management of Accounting and once reviewed it is sent to the Department of Budget responsible for scheduling and preparing the financial budget, current income and consolidating it with the information of operating expense. Once the annual budget project is prepared, General Management reviews and sends it to the Special Budget Committee for their pronouncement, and then it is submitted to Bank's Board of Directors for their approval.

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

Under General Management Resolution “Directive of scheduling, preparation, approval, implementation, evaluation, modification and closing of the traditional budget as well as scheduling orientation on the requirements of the Bank for the year 2004”, approved by means of Resolution GG-045-2003 dated July 22, 2003 it is established to report each three months the corresponding evaluation on the budget information to Contraloría General de la República, Comisión de Presupuesto (Peruvian Congress Budget Committee) and Cuenta General de la República. The quarterly evaluations are reviewed by the General Management, the Budget Special Committee and approved by the Bank’s Board of Directors.