| Fondo MIVIVIENDA S.A. Statement of Financial Position As of March 31, 2018 and December 31, 2017 (Stated in thousands of Soles) | | | | | | | | | |
|--|----------|-------------------------|----------------------------|--|-------|-------------------------|----------------------------|--|--|
| | Notes | As of March 31, 2018 | As of December 31, 2017 | | Notes | As of March 31, 2018 | As of December 31, 2017 | | |
| ASSETS | | | | LIABILITIES | | | | | |
| CASH AND DUE FROM BANKS | 4 | 2.614.681 | 2.854.064 | OBLIGATIONS WITH THE PUBLIC | | 510 | 216 | | |
| Cash | | 0 | 0 | Demand deposits | | 0 | 0 | | |
| Banco Central de Reserva del Perú | | 243 | 95 | Saving Account Deposits | | 0 | 0 | | |
| Banks and other companies of the financial system | | 2.614.310 | 2.853.446 | Long-term Saving Account Deposits | | 0 | 0 | | |
| Foreign banks and other companies of the financial system | | 0 | 0 | Other liabilities | | 510 | 216 | | |
| Exchange | | 0 | 0 | INTERBANK FUNDS | | 0 | 0 | | |
| Other cash and due from banks | | 128 | 523 | FINANCIAL ORGANIZATIONS | | 0 | 0 | | |
| | | 0 | 0 | Demand Deposits | | 0 | 0 | | |
| INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS | | 0 | 0 | Saving Deposits | | 0 | 0 | | |
| Equity Instrument | | 0 | 0 | Time Deposits | | 0 | 0 | | |
| Debt instrument Investments in commodities | | 0 | 0 | DUE TO BANKS AND FINANCIAL OBLIGATIONS | 13 | 5.932.975 | 6.031.409 | | |
| AVAILABLE-FOR-SALE INVESTMENTS | | 0 | 0 | Dues and Obligations with Banco Central de Reserva del Perú Dues and Obligations with Domestic Banks and Other Financial system companies | | 0 | 0 | | |
| AVAILABLE-FOR-SALE INVESTMENTS | 5 | 38.679 | 34.116 | Dues and Obligations with Foreign Companies and International Financial Bodies | 13.a | 0 | 0 | | |
| Instruments representing the equity | | 0 | 0 | · · · | 13.b | 199.675 | 195.722 | | |
| Instruments representing the debt | | 38.679 | 34.116 | Other Dues and Obligations of the Country and Abroad | | 0 | 0 | | |
| HELD-TO-MATURITY INVESTMENTS | 5 | 657.921 | 770.397 | Securities | 13.c | 5.733.300 | 5.835.687 | | |
| LOAN PORTFOLIO | | | | TRADINGS DERIVATIVE FINANCIAL INSTRUMENT HEDGING DERIVATIVE FINANCIAL INSTRUMENT | 7 | 117 | 6 | | |
| Current Loan Portfolio | 6 | 49.418 | 50.955 | | 7 | 121.277 | 124.965 | | |
| Current Loan Portrolio Restructured Loan Portfolio | | 48.656 | 48.338 | ACCOUNTS PAYABLES | 14 | 766.948 | 930.825 | | |
| Refinanced Loan Portfolio | | 0 | 0 | PROVISIONS Provisions for Contingent Loans | 15 | 2.910 | 7.222 | | |
| Non-performing Loan Portfolio | | 0 32.893 | 44 34.505 | Provisions for Lawsuits and Disputes | | 0 | 0 2.171 | | |
| Loan Portfolio in Judicial Collection | | 32.693 | 34.505 | Others | | 932 | 5.051 | | |
| (-) Provisions for Loans | | -32.286 | -32.087 | CURRENT INCOME TAXES | | 932 | 5.051 | | |
| TRADING DERIVATIVE FINANCIAL INSTRUMENT | 7 | 1.053 | 613 | DEFERRED INCOME TAXES | | 0 | 0 | | |
| HEDGING DERIVATIVE FINANCIAL INSTRUMENT | 7 | 160.739 | 163.831 | OTHER LIABLITIES | 15 | 1.087 | 1.092 | | |
| ACCOUNTS RECEIVABLES | | 6.387.734 | 6.315.550 | TOTAL LIABILITIES | | 6.825.824 | 7.095.735 | | |
| Accounts Receivables for Sale of Goods and Services and Trust (net) | 8 | 6.364.741 | 6.294.111 | | | 0.020.024 | 110001100 | | |
| Other Account Receivables (net) | 9 | 22.993 | 21.439 | SHAREHOLDER'S EQUITY | | | | | |
| REALIZABLE ASSETS RECEIVED IN PAYMENTS, AWARDED | | 0 | 0 | Capital Shares | 16.a | 3.302.620 | 3.302.620 | | |
| Realizable Assets | | 0 | 0 | Additional Capital | | 0 | 0 | | |
| Assets Received in Payment and Awarded | | 0 | 0 | Treasury Shares | | 0 | 0 | | |
| SHARES | | 0 | 0 | Reserve | 16.b | 19.378 | 249 | | |
| Branch companies | | 0 | 0 | Retained Earnings | | 20.672 | -1.798 | | |
| Affiliated and shares in joint ventures | | 0 | 0 | Net Income for the Year | | 17.536 | 24.549 | | |
| Others | - | 0 | 0 | Adjustment to Equity | 16.c | -128.631 | -119.999 | | |
| PROPERTY, FURNITURE AND EQUIPMENT (NET) INTANGIBLE ASSET DIFFERENT THAT THE CAPITAL GAIN | 10 11 | 1.000 4.487 | 1.058 4.366 | TOTAL SHAREHOLDER'S EQUITY | | 3.231.575 | 3.205.621 | | |
| CAPITAL GAIN | <u> </u> | 0 | 0 | | | | | | |
| CURRENT INCOME TAXES | 26 (g) | 55.216 | 62.779 | | | | | | |
| DEFERRED INCOME TAXES | | 69.366 | 40.706 | | | | | | |
| NONCURRENTASSETS KEPT FOR SALE | | 0 | 0 | | | | | | |
| OTHER ASSETS | 12 | 17.105 | 2.921 | | | | | | |
| TOTAL ASSETS | | 10.057.399 | 10.301.356 | TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY | | 10.057.399 | 10.301.356 | | |
| | | | | | | | | | |
| MEMORANDA CONTINGENTS | 30 | 3.748.686 | 3.885.733 | | | | | | |
| MEMORANDA ACCOUNTS | 30 | 3.044.457 | 2.908.448 | | | | | | |
| CONTRA CREDIT ACCOUNT | 30 | 1.685.945 | 1.762.932 | | | | | | |
| TRUST, COMMISSIONS OF MEMORANDA TRUSTEE AND CONTRA CREDIT ACCOUNT OF TRUST | 30 | 199.600 | 199.333 | | | | | | |

Note: The Financial Statements weren't translated by Langrow, because they preserved the same format than other periods.

Fondo MIVIVIENDA S.A.

Statement of Income

For the periods ended March 31, 2018 and 2017

(Stated in thousands of Soles)

| | Notes | For the period specific from January 1 to March | from January 1 to March | | from January 1 to |
|--|----------|--|-------------------------|--------------------|------------------------|
| INTERESTS INCOME | | 31, 2018 | 31, 2017 | March 31, 2018 | March 31, 2017 |
| Available | | 23.482 | 19.318 | 23.482 | 19.318 |
| Interbank funds | | 0 | 0 | 0 | 0 |
| Investments at fair value with changes in results | | 0 | 0 | 0 | 0 |
| Available-for-sale investments Held-to-maturity investments | | 402 6.310 | 0 5.928 | 402 6.310 | 0 5.928 |
| Direct Loans Portfolio | | 2.036 | 0 | 2.036 | 0 |
| Income from hedging transactions | | 0 | 0 | 0 | 0 |
| Accounts receivables | | 98.265 | 92.898 | 98.265 | 92.898 |
| Other financial income | | 53 | 137 | 53 | 137 |
| TOTAL INTEREST INCOME INTEREST EXPENSES | 17 | 130.548 | 118.281 | 130.548 | 118.281 |
| Obligations with the public | r | 0 | 0 | 0 | 0 |
| Interbank funds | | 0 | 0 | 0 | 0 |
| Deposits of companies from the financial system and international financial | | | | | |
| organizations Dues and Financial obligations | | 0 -63.594 | -51.599 | 0 -63.594 | -51.599 |
| Dues and obligations with Banco Central de Reserva del Perú | | 0 | 0 | 0 | 0 |
| Dues and obligations of the country's financial system | | 0 | -2.140 | 0 | -2.140 |
| Dues and obligations with foreign financial institutions and international financial bodies | | -692 | -607 | -692 | -607 |
| Other dues and obligations of the country and abroad | | 0 | 0 | 0 | 0 |
| Commissions and other charges of dues and financial obligations | | -348 | -307 | -348 | -307 |
| Securities and outstanding liabilities | | -62.554 | -48.545 | -62.554 | -48.545 |
| Interests of accounts payable | | 0 | 0 | 0 | 0 |
| Income from hedging transactions Other financial expenses | | 0 | 0 | 0 | 0 |
| TOTAL INTEREST EXPENSES | 18 | -12.923 -76.517 | -16.827 -68.426 | -12.923 -76.517 | -16.827 -68.426 |
| GROSS FINANCIAL MARGIN | 10 | 54.031 | 49.855 | 54.031 | 49.855 |
| (-) Provisions for direct loans | | -199 | 0 | -199 | 0 |
| GROSS FINANCIAL MARGIN | | 53.832 | 49.855 | 53.832 | 49.855 |
| | 19 | 1.132 | 1.351 | 1.132 | 1.351 |
| Indirect loans income Trusts and trust commissions income | | 0 | 0 | 0 | 0 |
| Income from issuing electronic money | | 161 0 | 146 0 | 161 0 | 146 0 |
| Miscellaneous income | | 971 | 1.205 | 971 | 1.205 |
| FINANCIAL SERVICE EXPENSES | 20 | -940 | -82 | -940 | -82 |
| Indirect loans expenses | | 0 | 0 | 0 | 0 |
| Trust expenses and trust commissions | | -53 | -36 | -53 | -36 |
| Premium for the deposits insurance fund | | 0 | 0 | 0 | 0 |
| Miscellaneous Expenses NET FINANCIAL MARGIN OF FINANCIAL SERVICES REVENUES AND | | -887 | -46 | -887 | -46 |
| EXPENSES | | 54.024 | 51.124 | 54.024 | 51.124 |
| | 21 | -28.893 | -23.136 | -28.893 | -23.136 |
| Investments at fair value with changes in results Investments at fair value with changes in results | | 0 | 0 | 0 | 0 |
| Investments in commodities | | 0 | 0 | 0 | 0 |
| Available-for-sale investments | | 0 | 0 | 0 | |
| Trading derivative instruments | 21.a | 320 | 1.574 | 320 | 1.574 |
| Income of hedging derivative instruments | 21.b | -28.009 | -25.262 | -28.009 | -25.262 |
| Profits (losses) in shares | | 0 | 0 | 0 | 0 |
| Profit-loss of exchange rate difference Others | 21.c | -533 -671 | 430 | -533 -671 | 430 122 |
| OPERATING MARGIN | <u> </u> | 25.131 | 27.988 | 25.131 | 27.988 |
| ADMINISTRATIVE EXPENSES | | | | | |
| Personnel and board of directors expenses | 22 (a) | -8.475 | -5.158 | -8.475 | -5.158 |
| Expenses due to services received from third parties | 22 (b) | -5.561 | -3.939 | -5.561 | -3.939 |
| Taxes and contributions DEPRECIATIONS AND AMORTIZATIONS NET | 22 | -137 | -109 | -137 | -109 |
| NET FINANCIAL MARGIN | | -338 10.620 | -300 18.482 | -338 10.620 | -300 18.482 |
| VALUATION OF ASSETS AND PROVISIONS | ļ | 10.020 | 10.402 | 10.020 | 10.402 |
| Provisions for indirect loans | | 0 | 0 | 0 | 0 |
| Provisions for uncollectibility of account receivables | 23 | 7.997 | 2.497 | 7.997 | 2.497 |
| Provisions for realizable, received in payment, recovered, awarded and other assets | | 0 | 0 | 0 | 0 |
| Provision for noncurrent assets kept for sale | | 0 | 0 | 0 | 0 |
| Investment impairment | | 0 | 0 | 0 | 0 |
| Impairment of property, furniture and equipment | L | 0 | 0 | 0 | 0 |
| Impairment of intangible assets | | 0 | 0 | 0 | 0 |
| Provisions for litigation and claims Other provisions | 23 23 | -164 -37 | -85 0 | -164 -37 | - <mark>85</mark> 0 |
| Other provisions OPERATING INCOME | 23 | -37 | 20.894 | -37 | 20.894 |
| Other income and expenses | 24 | 4.431 | 168 | 4.431 | 168 |
| INCOME BEFORE INCOME TAX | | 22.847 | 21.062 | 22.847 | 21.062 |
| INCOME TAX | 26 (h) | -5.311 | -6.897 | -5.311 | -6.897 |
| NET INCOME | | 17.536 | 14.165 | 17.536 | 14.165 |
| Basic incomes (loss) per share | <u> </u> | 0,005 | 0,004 | 0,005 | 0,004 |
| Diluted incomes (loss) per share | L | 0,005 | 0,004 | 0,005 | 0,004 |

Fondo MIVIVIENDA S.A. Statement of the Comprehensive Income For the periods ended March 31, 2018 and 2017 (Stated in thousands of Soles)

| | Notes | For the period specific from January 1 to March 31, 2018 | For the period specific from January 1 to March 31, 2017 | For accumulated period from January 1 to March 31, 2018 | For accumulated period from January 1 to March 31, 2017 |
|--|-------|--|--|---|---|
| Net income (Loss) | | 17.536 | 14.165 | 17.536 | 14.165 |
| Other comprehensive income: | | | | 1 | |
| Exchange difference due to transactions abroad | | 0 | 0 | 0 | 0 |
| Gain (loss) of investments in equity instruments at fair value | | 0 | 0 | 0 | 0 |
| Hedging of cash flow | | -13.005 | -7.834 | -13.005 | -7.834 |
| Hedging of net investment of business abroad | | 0 | 0 | 0 | 0 |
| Share in another comprehensive income of affiliates, associates and joint ventures | | 0 | 0 | 0 | 0 |
| Revaluation surplus | | 0 | 0 | 0 | 0 |
| Others | | 702 | 442 | 702 | 442 |
| Another comprehensive income before taxes | | -12.303 | -7.392 | -12.303 | -7.392 |
| Income tax related to components of another comprehensive Income | | | | | |
| Exchange differece due to transactions abroad | | 0 | 0 | 0 | 0 |
| Gain (loss) of investments in equity instruments at fair value | | 0 | 0 | 0 | 0 |
| Hedging of cash flow | | 3.837 | 2.311 | 3.837 | 2.311 |
| Hedging of net investment of business abroad | | 0 | 0 | 0 | 0 |
| Share in another comprehensive income of affiliates, associates and joint ventures | | 0 | 0 | 0 | 0 |
| Revaluation surplus | | 0 | 0 | 0 | 0 |
| Others | | -165 | -88 | -165 | -88 |
| Sum of income taxes related to components of another comprehensive Income | | 3.672 | 2.223 | 3.672 | 2.223 |
| Other comprehensive Income: | | -8.631 | -5.169 | -8.631 | -5.169 |
| Total comprehensive Income, net of the Income tax | | 8.905 | 8.996 | 8.905 | 8.996 |

Fondo MIVIVIENDA S.A. Statement of Cash Flow For the periods ended March 31, 2018 and 2017

(Stated in thousands of Soles)

| | Note | For January 1 to March 31, 2018 | For January 1 to March 31, 2017 |
|---|------|------------------------------------|------------------------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| NET INCOME | | 17.536 | 14.165 |
| ADJUSTMENTS | | • | |
| Depreciation and amortization | | 338 | 300 |
| Provisions | | 3.333 | 14.579 |
| Impairment | | 0 | 0 |
| Other adjustments | | -107.849 | 63.152 |
| NET CHANGES IN ASSETS AND LIABILITIES | | • | |
| (Net increase) decrease in assets | | | |
| Loans | | 3.326 | 0 |
| Investments at fair value through profit and loss | | 0 | 0 |
| Available-for-sale investments | | -4.312 | 0 |
| Accounts receivables and others | | 64.286 | -60.275 |
| Net increase (decrease) in liabilities | | • | |
| Financial liabilities, non-subordinated liabilities | | 0 | 0 |
| Accounts receivables and others | | -169.447 | 142.658 |
| Cash flow and equivalent to cash after adjustments and net change in assets and liabilities | | -192.789 | 174.579 |
| Cash collected (paid) from income taxes | | -6.188 | -9.906 |
| NET CASH FLOW FROM OPERATING ACTIVITIES | | -198.977 | 164.673 |
| CASH FLOW FROM INVESTMENT ACTIVITIES Cash from the sale of shares | [| 0 | 0 |
| Cash from the sale of shares | | 0 | 0 |
| Cash paid to purchase shares | | 0 | 0 |
| Sale proceeds from intangibles and property, furniture and equipment | | 0 | 0 |
| Acquisition of intangibles and property, furniture and equipment | | -388 | -760 |
| Sale proceeds from held-to-maturity investments | | 121.072 | 52.318 |
| Adquisition of held-to-maturity investments | | 0 | 0 |
| Other inflows related to investment activities | | 326.228 | 0 |
| Other outflows related to investment activities | | 0 | -547.616 |
| NET CASH FLOW FROM INVESTMENT ACTIVITIES | | 446.912 | -496.058 |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Proceeds from issuing subordinated financing liabilities | | 0 | 0 |
| Outflow from recovery subordinated financial liabilities | | 0 | 0 |
| Proceeds from issuing stock | | 0 | 0 |
| Dividends paid to shareholders | | 0 | 0 |
| Other inflows related to financing activities | | 0 | 1.778.955 |
| Other outflows related to financing activities | | -161.090 | 0 |
| NET CASH FLOW FINANCING ACTIVITIES | | -161.090 | 1.778.955 |
| | | | |
| Net increase (decrease) in cash and cash equivalent before changes on the exchange rate | | 86.845 | 1.447.570 |
| Effects of the changes on the cash and cash equivalent exchange rate | | 0 | 0 |
| | | | |

86.845

1.186.586

1.273.431

1.447.570

584.231

2.031.801

Net increase (decrease) of cash and cash equivalent)

Cash and cash equivalent at the beginning of the period

Cash and cash equivalent at the end of the period

| Fondo MIVIVIENDA S.A. Statement of Changes in Net Equity As of March 31, 2018 and December 31, 2017 (Stated in thousands of Soles) | | | | | | | | | | | | | | | | |
|---|-----------------------|--------------------|--------------------------------|----------------|-----------------------|-------------------|------------|---|--|----------------------|--|---|------------------------|----------------------|--------------------------------|--------------------|
| | Adjustments to Equity | | | | | | | | | | | | | | | |
| | Capital shares | Additional capital | Own Shares in the Portfolio | Legal reserves | Voluntary reserves | Retained Earnings | Net Income | Exchange differences in Translation of Foreign Operations | Gain (Losses) of Investment in Equity Instruments at fair value | Cash flow hedging | Adjustmen Hedging of net investment of foreign business | Sto Equity Participation in another Comprehensive Income of Affiliates, Associates and joint Ventures | Revaluation Surplus | Other adjustments | Total adjustments to equity | ; Total Net Equity |
| Balance as of January 1, 2017 | 3.257.086 | 0 | 0 | 66.217 | 0 | 48.180 | 0 | 0 | 0 | -35.660 | 0 | 0 | 0 | -9.945 | -45.605 | 3.325.878 |
| Adjustments due to changes in the accounting policies | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2. Adjustments due to correction of errors | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3. Initial balance after adjustments | 3.257.086 | 0 | 0 | 66.217 | 0 | 48.180 | 0 | 0 | 0 | -35.660 | 0 | 0 | 0 | -9.945 | -45.605 | 3.325.878 |
| Changes in the Equity: Comprehensive Income: Income | | | | | | | 14.165 | | | | | | | | | 14.165 |
| 7. Other Comprehensive Income: | | | | | | | | 0 | 0 | -5.523 | 0 | 0 | 0 | 355 | -5.168 | -5.168 |
| 8. Total Comprehensive Income: | 1 | | | | | | 14.165 | 0 | 0 | -5.523 | 0 | 0 | 0 | 355 | -5.168 | 8.997 |
| 9. Changes in the net Equity (not included in comprehensive Income) | | | | | | | | | | | | | | | • | |
| 10. Transference of the Income to retained Earnings | | | | 0 | 0 | 0 | 0 | | | | | | | | | 0 |
| 11. Declared cash dividends | | | | | | 0 | | - | | | | | | | | 0 |
| 12. Issuance of Capital stock (different than business combination) | 0 | 0 | 0 | 0 | 0 | 0 | | | | | | | | | | 0 |
| 13. Reduction of Capital (different than business combination) | 0 | 0 | 0 | 0 | 0 | 0 | | | | | | | | | | 0 |
| 14. Increase (decrease) of Business Combination | 0 | 0 | 0 | 0 | 0 | 0 | | | | | | | | | | 0 |
| 15. Increase (decrease) due to trades of treasury stock | 0 | 0 | 0 | 0 | 0 | 0 | | | | | | | | | | 0 |
| 16. Increase (decrease) due to Transference and Other Changes | 0 | 0 | 0 | 5.059 | 0 | -4.881 | | | | | | | | | | 178 |
| Total changes in equity | 0 | 0 | 0 | 5.059 | 0 | -4.881 | 14.165 | 0 | 0 | -5.523 | 0 | 0 | 0 | 355 | -5.168 | 9.175 |
| Balance as of March 31, 2017 | 3.257.086 | 0 | 0 | 71.276 | 0 | 43.299 | 14.165 | 0 | 0 | -41.183 | 0 | 0 | 0 | -9.590 | -50.773 | 3.335.053 |
| Balance as of January 01 , 2018 | 3.302.620 | 0 | 0 | 249 | 0 | 22.751 | 0 | 0 | 0 | -111.427 | 0 | 0 | 0 | -8.573 | -120.000 | 3.205.620 |
| 1. Adjustments due to changes in the accounting policies | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2. Adjustments due to correction of errors | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3. Initial balance after adjustments | 3.302.620 | 0 | 0 | 249 | 0 | 22.751 | 0 | 0 | 0 | -111.427 | 0 | 0 | 0 | -8.573 | -120.000 | 3.205.620 |
| Changes in the Equity: | | | | | | | | | | | | | | | | |
| 5. Comprehensive Income: | | | | | | | | | | | | | | | | |
| 6. Income | | | | | | | 17.536 | | | | | | | | | 17.536 |
| 7. Other Comprehensive Income | | | | | | | | 0 | 0 | -9.168 | 0 | 0 | 0 | 537 | -8.631 | -8.631 |
| 8. Total Comprehensive Income | | | | | | | 17.536 | 0 | 0 | -9.168 | 0 | 0 | 0 | 537 | -8.631 | 8.905 |
| 9. Changes in the net Equity (not included in Comprehensive Income) | | | | | | | | | | | | | | | | |
| 10. Transference of the Income to retained Earnings | | | | 0 | 0 | 0 | 0 | | | | | | | | | 0 |
| 11. Declared cash dividends | | | | · · · · · | | 0 | | | | | | | | | | 0 |
| 12. Issuance of Capital stock (different than business combination) | 0 | 0 | 0 | 0 | 0 | 0 | | | | | | | | | | 0 |
| 13. Reduction of Capital (different than business combination) | 0 | 0 | 0 | 0 | 0 | 0 | | | | | | | | | | 0 |
| 14. Increase (decrease) of Business Combination | 0 | 0 | 0 | 0 | 0 | 0 | | | | | | | | | | 0 |
| 15. Increase (decrease) due to trades of treasury stock | 0 | 0 | 0 | | 0 | | | | | | | | | | | 0 |
| 16. Increase (decrease) due to Transference and Other Changes | 0 | 0 | 0 | | 0 | | | | | | | | | | | 17.050 |
| Total changes in equity | 0 | 0 | 0 | | 0 | | 17.536 | 0 | 0 | -9.168 | 0 | 0 | 0 | 537 | -8.631 | 25.955 |
| Balance as of March 31, 2018 | 3.302.620 | 0 | 0 | | 0 | | 17.536 | 0 | 0 | -120.595 | 0 | 0 | 0 | -8.036 | -128.631 | 3.231.575 |



1. Background and Economic Activity

Fondo MIVIVIENDA S.A. (hereinafter, "the Fund") is a state-owned company under private law, governed by Law No. 28579 "Ley de Conversión del Fondo Hipotecario de la Vivienda -Fondo MIVIVIENDA a Fondo MIVIVIENDA S.A" and its Bylaw. The Fund falls under the purview of the Peruvian National Fund for the Financing of the State Entrepreneurial Activities (Fondo Nacional de Financiamiento de la Actividad Empresarial del Estado or "FONAFE", as per the Spanish acronym) under the Ministry of Housing, Construction and Sanitation (Ministerio de Vivienda, Construcción y Saneamiento or "MVCS" as per the Spanish acronym). The aforementioned Law No. 28579 provided for the conversion of the former Mortgage Fund for Housing Promotion (Fondo Hipotecario de Promoción de la Vivienda – Fondo MIVIVIENDA) into a corporation named Fondo MIVIVIENDA S.A. effective as of January 1, 2006.

The Fund's objectives are the promotion and financing of the acquisition, improvement and construction of homes, especially those of social interest, development of activities related to the promotion of the flow of capital to the home financing market, participation in the secondary market for mortgage loans, as well as contributing to the development of the Peruvian capital market. The Fund's activities are regulated by the Superintendency of Banking, Insurance and Pension Funds Administrators (Superintendencia de Banca, Seguros y Administradoras Privada de Fondo de Pensiones; hereinafter "SBS" as per the Spanish acronym), pursuant to the provisions of SBS Resolution No. 980-2006, Regulation for Fondo MIVIVIENDA S.A.

The registered office of the Fund is Avenida Paseo de la República N° 3121, San Isidro, Lima, Peru.

As of the date of these financial statements, the Fund manages the following programs and financial resources:

- (i) MIVIVIENDA Program.
- (ii) Techo Propio Program Management of the Household Housing Bonus (Administración del Bono Familiar Habitacional, or "BFH" as per the Spanish acronym), as commissioned by the Ministry of Housing, Construction and Sanitation MVCS.

(iii) Resources of the Fund, Law No. 27677, as commissioned by the Ministry of Economy and Finance (hereinafter "MEF" as per the Spanish acronym).

The characteristics of each program and resource are as follows:

(i) MIVIVIENDA Program

The Fund, through a Trust Agreement with the Corporación Financiera de Desarrollo S.A. ("COFIDE" as per the Spanish acronym) channels resources to financial institutions that are participants in the Peruvian financial system to grant mortgage loans. Among its features are the Good Payer Award (Premio al Buen Pagador or "PBP" as per the Spanish acronym), the Good Payer Bonus (Bono al Buen Pagador or "BBP" as per the Spanish acronym), the Credit Risk Coverage (Cobertura de Riesgo Crediticio or "CRC" as per the Spanish acronym)

The MIVIVIENDA Program includes the following products:

- Nuevo Crédito MIVIVIENDA
- Crédito MICONSTRUCCIÓN (*)
- Crédito MICASA MÁS (*)
- Crédito MITERRENO
- Crédito MIHOGAR (*)

- Crédito MIVIVIENDA Estandarizado (*)
- Crédito MIVIVIENDA Tradicional (*)
- Crédito complementario Techo Propio (Complementary Financing to the Household Housing Bonus or "BFH" Household Housing Bonus)
 - Servicio de Cobertura de Riesgo Crediticio y Premio al Buen Pagador (CRC-PBP Trusts) Service of Credit Risk Coverage and Good Payer Award (Funding to Intermediary Financial Institutions, hereinafter IFI) (*)
 - (*) As of March 31, 2017, these lending products have been discontinued. The balances consist solely of receivable balances (see note 8). In the case of CRC–PBP services and Crédito MIVIVIENDA Estandarizado, these were discontinued in November 2009, Crédito MIHOGAR was discontinued in August 2009, Crédito MIVIVIENDA Tradicional was discontinued in May 2006 and Crédito MICASA MAS and Crédito MICONSTRUCCIÓN in January 2018.

(ii) Techo Propio Program – Management of the Household Housing Bonus (BFH)

The subsides under the Techo Propio Program are granted in three modalities:

- (i) Acquisition of a new home (AVN, as per the Spanish acronym);
- (ii) Construction on owned lot (CSP, as per the Spanish acronym); and
- (iii) House renovations (MV, as per the Spanish acronym).

In all modalities, mortgage loan financing within this program involves up to three components:

- (a) A subsidy channeled by the Fund with resources from the Peruvian government the aforementioned Household Housing Bonus (BFH);
- (b) Household savings and;
- (c) When necessary, Techo Propio complementary financing to the Household Housing Bonus (Techo Propio program) which must be granted by an IFI.

According to the provisions of the Third Temporary Provision of Law No. 28579, the Fund, after the end of 2005, received from the Executive Power the task to manage the Household Housing Bonus and the funds of the Techo Propio Program, through the signing of an agreement with the MVCS.

On April 28, 2006, the Fund, the MVCS and FONAFE signed the "Management Agreement of the Household Housing Bonus and the Funds of the Techo Propio Program", under which the Fund is entrusted with the management of the BFH and of the funds of the Techo Propio Program, including the activities of promotion, registration and verification of information, qualification of applicants, allocation of the BFH and the transfer of the BFH to the promoter, seller, constructor or respective technical entity. This agreement establishes that FONAFE is the entity that will allocate to the Fund the resources that will allow it to cover the costs and expenses of the administration of the Program.

(iii) Fund Law No. 27677

By virtue of Law No. 27677 dated March 1, 2002, the Fund was entrusted with the administration, reimbursement and channeling of the resources resulting from the liquidation of The National Housing Fund (Fondo Nacional de Vivienda or "FONAVI", as per the Spanish acronym). Law No. 29625, which became effective on December 8, 2010, provides for the reimbursement of the amount that was contributed to FONAVI to the workers that made those contributions. The Article 4 of Law No. 29625 provides for the formation of an Ad Hoc Committee responsible for conducting and supervising all procedures relating to the reimbursement of the FONAVI contributions. This confirmation of such Ad Hoc Committee was approved on September 24, 2012 by Ministerial Resolution No. 609-2012-EF/10. By virtue of these rules, the Fund will provide the Ad Hoc Committee with all the relevant documentation and reports so that it is in charge of the administration and recovery of the FONAVI credits, funds and assets, as well as the liabilities. Between the years 2014 and 2017, the Fund made

transfers of funds amounting to S/. 260,000 thousands, respectively, according to a requirement received from the AD Hoc Committee.

Likewise, the Fund established the CRC – PBP trusts, in Soles and in US Dollars, to cover the Fund's obligations to provide PBP and CRC payments and, on the other hand, to secure the resources to review the amount equivalent to one-third (1/3) of the total reported by each IFI that contracted such service. These trusts are governed by SBS Resolution No. 980-2006, which approves the Fund's Regulations.

Under the service contracts with the CRC and PBP trusts, the Fund provides the IFI with the following services:

- Credit Risk Coverage (CRC service), as defined by Article 21 of the CRC and PBP Regulations, as a guarantee the Fund provides to the intermediary financial institution (IFI) up to one third of the unpaid balance of the covered loan or one-third (1/3) of the loss, whichever is less, amount that shall be duly notified by the IFI to the Fund, under the terms provided for in such Regulations.
- Good Payer Award (PBP service), as defined in Article 24 of the CRC and PBP Regulations as the service to the IFI for which the Fund assumes payments of the installments corresponding to the concessional section (the amount of the Good Payer Award) for covered loans whose beneficiaries have promptly paid the installments corresponding to the non-concessional part. This award is aimed to settle every six months the amount of the installment payable in the corresponding period for the concessional section of the MIVIVIENDA loans.

The financial statements as of March 31, 2018 were approved on April 25, 2018 by the Board of Directors.

2. Trust Agreement – Corporación Financiera de Desarrollo S.A. (COFIDE)

On March 25, 1999, a Trust Agreement was signed between the Fondo Hipotecario de Promoción de la Vivienda - MIVIVIENDA (Mortgage Fund for Housing Promotion), (now Fondo MIVIVIENDA S.A.) and Corporación Financiera de Desarrollo S.A. (COFIDE). Its purpose was the creation of a trust trough which COFIDE receives the resources from the Fund and acts as the trustee on behalf of the Fund, in order to channel the funds for Ioans to final borrowers through the IFIs that desire to use them to finance the acquisition or improvement of homes, in accordance with Article 12 of Supreme Decree No. 001-99-MTC "Regulations on the Fondo Hipotecario de Promoción de la Vivienda – Fondo MIVIVIENDA".

The main duties of COFIDE are as follows:

- Compliance with Articles 241 to 274 of the General Law of the Financial and Insurance System and Organic Law of the SBS Law No. 26702, and its amendments.
- Verify compliance with requirements and conditions of the IFI according to Supreme Decree No. 001-99-MTC.
- Sign the agreement with IFI's that have fulfilled the corresponding requirements and conditions.
- Monitor the use of resources, according to the provisions of the Fund's Regulations and the agreement on channeled resources.
- Collect the loans granted to the IFI's.
- Contract the necessary audits of the Fund.
- Periodically submit reports on the development of the Trust, as well as make recommendations for exposure limits of IFI (*).
- Establish operating procedures necessary for the proper administration of the Fund.
- Other duties necessary to ensure the normal development of the objectives and functions of both the Trust and the Fund.

Regarding the commissions generated by the services provided by COFIDE, COFIDE was authorized to deduct from the amounts disbursed by the IFI a commission of 0.25 percent for the only time on the amount of each loan, as well as a commission of 0.25 annual percent when refuting on the outstanding balance of payment of the loans, the same that will be in charge of the IFI and be charged preferably on the dates of collection of the installments of the loans granted to the IFI. These accounts are recorded as incomes by COFIDE.

The duration of this Agreement is 5 years, being automatically renewed if neither party expresses its will to resolve it.

(*) On May 18, 2012, the Addendum No. 1 to the Trust Agreement was executed, which discharged COFIDE from the obligation to issue recommendations about the exposure limits of the IFI with the Fund, due to the fact that the Fund is a Corporation supervised by the SBS. By virtue of SBS Resolution No. 3586-2013, the Fund is no longer subject to the limits established by Article 204 of the Peruvian Banking Law No. 26702, to the extent the Fund acts as a second-tier bank. However, the Fund has established internal limits to prevent the concentration of loans to intermediary financial institutions, taking into account factors related to the size of regulatory capital, risk classification and risk-weighted regulatory capital ratio.

The main duties of the Fund are the following:

- To establish the policies for the management and use of the Fund's resources.
- To approve the eligibility criteria used by the IFI's that will receive resources from the Fund for use in financing house purchases, as well as the borrowing limits for each of them.
- To establish the terms and conditions under which the Fund will make resources available to the IFI, and the modalities for placing them.

COFIDE is entitled to the following:

- To intermediate and monitor the Fund's resources, being able to enter into and sign all kinds of public and private documents, necessaries for that purpose.
- To require that the IFI establish guarantees on behalf of the beneficiaries.
- To exercise all the powers contained in articles 74 and 75 of the Civil Procedure Code necessary for carrying out the assignment given as trustee. Consequently, COFIDE may sue, counterclaim, answer complaints and counterclaims, desist processes or claims, agree to claim, reconcile, settle and to arbitrate the claims at issue in the process.
- It is stated that COFIDE is not responsible for the solvency of the IFI.
 - (*) On December 30, 2016, the Fund signed the addendum No. 2 to the Trust Agreement, which aims to modify the term of effectiveness of the Trust and the commissions agreed in the seventh clause of the Trust, which will come into effect from January 2, 2017.

Regarding the commissions as compensation for the services provided through the Trust, COFIDE will receive the following commissions:

A trust commission payable by the FUND, monthly and up to S/ 10,000.00 (ten thousand and 00/100 soles) plus VAT. This commission will be charged on the last business day of each month charged to the resources of the Fund.

Charge commission equivalent to 0.23% effective annual to refute on balances outstanding, for loans disbursed as of January 2, 2017 and will be on behalf of financial intermediaries. This commission will be payable on the collection dates of loan installments granted by financial intermediaries.

The duration of this Agreement is 3 years, being automatically renewed if neither party expresses its will to resolve it.

3. Main accounting principles and practices

The main accounting principles and practices in the preparation of the financial statements have been evenly applied in the periods presented, unless otherwise stated; and are as follows:

(a) Basis of presentation and use of estimates -

The accompanying financial statement have been prepared from the accounting records of the Fund, which are carried out in nominal monetary terms from the date of the transactions, in accordance with the SBS Regulations that apply to the Fund, existing in Peru as of March 31, 2018 and December 31, 2017; additionally, when there is no specific SBS Standard, with the International Financial Reporting Standards (NIIF by its acronym in Spanish) made official in Peru through the resolutions issued by the Peruvian Accounting Standards Council (CNC by its acronym in Spanish) and in force as of March 31, 2018 and December 31, 2017, see paragraph (t.1).

The preparation of the financial statements requires the Management to make estimates that affect the reported figures of assets and liabilities, income and expenses and the disclosure of significant events in the notes to the financial statements. The estimates are continuously evaluated and are based on historical experience and other factors. The final results may differ from these estimates. The most significant estimates related to the accompanying financial statements correspond to the provision for doubtful accounts, the valuation of investments, the valuation of derivative financial instruments, the estimation of useful life and the recoverable value of property, furniture and equipment and intangible, assets and liabilities for deferred income tax, whose accounting criteria are described in this note.

(b) Currency

The Fund considers the Sol as its functional and reporting currency, because it reflects the nature of the economic events and the relevant circumstances of the Fund, given that its main operations and/or transactions such as: credits granted, financing obtained, income and interest expenses, as well as the main purchases are established and settled in soles.

Transactions and balance in foreign currency -

Assets and liabilities in foreign currency are recorded at the exchange rate prevailing at the date that the transactions are performed. Monetary assets and liabilities denominated in foreign currency are translated into soles at the closing exchange rate of the corresponding month by using the exchange rate set by the SBS.

Gains or losses resulting from the translation of monetary assets and liabilities from foreign currency at the exchange rates prevailing at the date of the statements of financial position are recorded in the income statements of the period as "Gain or loss on exchange difference" of the caption "Income from financial transactions".

(c) Financial instruments -

The financial instruments are classified as assets, liabilities or equity according to the substance of the contractual agreement that originated them. Interests, dividends, gains and losses generated by a financial instrument classified as assets or liabilities are recorded as income or expense. The financial instruments are offset when the Fund has a legal enforceable right to offset them and the Management has the intention to settle them on a net basis or to realize the asset and settle the liability simultaneously. See the numeral referred to the criteria for the accounting record of the account receivable to the CRC-PBP trusts.

The financial assets and liabilities presented on the statement of financial position correspond to cash, loan portfolio, available-for-sale and held to maturity investments,

accounts receivable (Trust Agreement - COFIDE), the others accounts receivable and liabilities in general, except for the identified in the caption "provisions and other liabilities" and "asset for deferred Income Tax, net" as Non-financial instruments. Likewise, all derivative financial products are considered financial instruments.

Accounting policies on recognition and valuation of these items are disclosed then in this note.

(d) Recognition of revenues and expenses

(d.1) Interest income and expenses -

The interest income and expenses are recorded in the outcomes of the period in which they are accrued, based on the effective term of the operations recorded in the statements of financial position and the interest rates established. Due to the fact that the Fund grants credit lines to the IFI to channel its resources, which disbursements of loans are made through the COFIDE Trust, and not when they are placed to final beneficiary; in accordance with the SBS's Accounting Manual for Financial Companies, the yields by the same are recorded on an accrual basis and in-suspense interests income are not recognized in accordance with the stipulated accounting treatment by SBS for the Fund.

(d.2) Bonuses and Awards for Good Payers -

In accordance with the accounting treatment accepted by SBS for the Fund, the Good Payer Bonus and the Good Payer Award, including their interests, are recognized as follows:

- (i) The Good Payer Bonus (Bono al Buen Pagador, or hereinafter "BBP" by its Spanish acronym) was created in compliance with Law No. 29033, issued on June 7, 2007, as a nonrepayable direct assistance payable to eligible final borrowers for a maximum amount of S/ 12,500 in force since April 22, 2010 (S/ 10,000 before April 22, 2010) which is granted to borrowers who have complied with promptly cancellation of six consecutive monthly installments of the non-concessional tranche of Crédito MIVIVIENDA. For these purposes, the Fund divides the total amount of Crédito MIVIVIENDA disbursement plus its related interest into 2 schedules:
 - A half-annual amortization schedule called "concessional section" corresponding to the amount of the BBP (principal and interest); and
 - A monthly amortization schedule called "non-concessional section" corresponding to amount of the loan less the amount of the amount of the concessional section (principal and interest).

In these cases, the BBP is received from the MVCS (to the extent the MVCS has funds available) at the request of the Fund, and it is recorded for financial reporting and control, in the statement of financial position as a liability in "Good Payer Bonus (capital) received from MVCS" of the caption "Other accounts payable, provisions and other liabilities" of the statement of financial position.

When disbursing an amount of Crédito MIVIVIENDA though the COFIDE Trust, the full amount disbursed is recorded in the account "Accounts receivable, net (Trust Agreement - COFIDE)" by the Fund and the two aforementioned amortization schedules are generated.

The interests of both tranches are recognized on an accrual basis, based on the preferential rates agreed with the financial entities with which agreements have been signed, recognizing the said interest as financial income. Subsequently, the Fund sends to the MVCS the list of BBP beneficiaries, reclassifying each bonus due to eligible borrowers from the liability account "Good Payer Bonus (capital) - received" to the liability account "Good Payer Bonus – assigned".

- (ii) In the cases where the BBP is directly assumed by the Fund (when the requirements of Law No. 29033 and its amendments are not met; for instance, where the value of the house to purchase is greater than 25 tax units or when the bonus is granted with the Fund's own resources, among others), it is called "Good Payer Award" (PBP).
- (iii) In both cases, the bonus or award are granted for the timely compliance with six installments of the payment schedule called non-concessional tranche, amount which varies depending on the type of loan granted.
- (iv) By means of U.D. No. 002-2014 published on July 28, 2014, in the article 14.2, it has been established for the granting of Good Payer Bonus the value of the premise should be between 14 and 50 tax units. The Good Payer Bonus shall be used as a non-reimbursable financial support up to a maximum amount of S/ 12,500. For cash purposes, the Banco de la Nación was authorized to lend to the Fund an amount of S/ 500,000,000 through the participation of MVCS for payment purposes, as established in the loan agreement. In this case, the Fund previously received all BBP resources for its assignment during 2014.

For this purpose, the MIVIVIENDA Fund had two modalities of BBP application in accordance with said U.D.:

- Applied to finance the Good Payer Bonus (PBP) for an amount of S/ 10,000 for housing values over 14 tax units and not exceeding 25 tax units for créditos MIVIVIENDA granted from January 1, 2014 to July 28, 2014. From July 29, 2014, to finance for an amount of S/ 12,500 for housing values greater than 14 tax units and lower than 50 tax units.
- Applied as a complement to the initial of the mortgage loan, the BBP will be used as a complement of the contribution of the sub borrower to reach the initial minimal amount required, and it is applied at the time of the loan disbursement, therefore it is not part of it.
- (v) BBP under the guidelines of S.D. No. 003-2015-VIVIENDA published on January 22, 2015, where establish the tranched application of the Good Payer Bonus for housing values from 14 to 50 tax units, as follows:

| Housing value | BBP value |
|-------------------------------------|-----------|
| | S/ |
| to 17 tax unit | 17,000 |
| Over 17 tax unit to 20 tax unit | 16,000 |
| Over 20 tax unit to 35 tax unit | 14,000 |
| Over 35 tax unit to 50 UIT tax unit | 12,500 |
| | |

For this purpose, the MIVIVIENDA Fund has two modalities of BBP application:

- BBP as a complement to the initial installment, which will be used as a complement of the contribution of the clients to reach the initial minimal installment required, and it is applied at the time of the loan disbursement to the IFI, therefore it is not part of it.

- BBP granted to finance the PBP for the timely payment of six consecutive monthly installments corresponding to the non-concessional tranche of the Ioan. This BBP applies to those PBP that were granted to housing value between thirty-five (35) tax units and fifty (50) tax units, corresponding to the previous PBP modality, which was set at S/ 12,500.

By means of Supreme Decree No. 001-2017 of January 13, 2017, the Regulation of Law No. 29033, Creation of the Good Payer Bonus Law was modified, approved by Supreme Decree No. 003-2015, in which was established a new tranched application of the Good Payer Bonus.

By means of Supreme Decree No. 017-2017 of June 24, 2017, the Regulation of Law No. 29033, Creation of the Good Payer Bonus Law was modified, approved by Supreme Decree No. 003-2015, according to the following detail:

Currently, by means of Supreme Decree No. 002-2018 of January 25, 2018, the Regulation of Law No. 29033, Creation of the Good Payer Bonus Law was modified, approved by Supreme Decree No. 003-2015, according to the following detail:

| Housing value | BBP value (tax units) |
|-------------------------------|--------------------------|
| From S/ 56,700 to S/ 81,000 | 4.19753 |
| Over S/ 81,000 to S/ 121,500 | 3.45679 |
| Over S/ 121,500 to S/ 202,500 | 3.08642 |
| Over S/ 202,500 to S/ 300,000 | 0.74074 |

These BBP values will be updated by the tax unit variation, with rounding to the top hundred. In relation to the housing ranges value of the product, they will be expressed in soles and will be updated as a result of the multiplication of the housing value of the prior year and the annual change in the Consumer Price Index-CPI of Lima Metropolitana, with rounding to the top hundred.

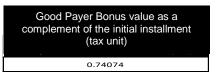
- (vi) When the Good Payer Bonus is granted, at the time sub borrower has complied timely with the payment of six consecutive monthly installments, the Fund credits the accounts receivable (principal) of the concessional tranche and charges the liability "Good Payer Bonus-assigned", see Note15(e). Interest of the concessional tranche installment are recognized as an expense of the Fund and is presented net of the "Income from accounts receivable (Trust Agreement – COFIDE)" of the caption "Interest Income" of income statements, see Note 19.
- (vii) (ix) The Good Payer Award (hereinafter "PBP") are resources assumed directly by the Fund to grant a Bonus in housing values between fifty (50) and seventy (70) tax unit, as follows:

| Housing value | BBP value | | | | | |
|---------------------------------|-----------|--|--|--|--|--|
| | S/ | | | | | |
| Over 50 tax unit to 70 tax unit | 5,000 | | | | | |

For this purpose, the Fund MIVIVIENDA had two modalities of PBP application:

- PBP applied as a complement to the initial installment, which will be used as a complement of the contribution of the clients to reach the initial minimal amount required, and it is applied at the time of the loan disbursement, therefore it is not part of it.
- PBP granted for the timely payment of six consecutive monthly installments corresponding to the non-concessional tranche of the loan, which is recognized as an expense semiannually.

Through Board of Directors Agreement No. 04-16D-2017 of July 3, 2017, the modification of the housing values and "Good Payer Bonus (PBP) as a complement of the initial installment" value according to the following detail:



The PBP as a complement to the initial installment will continue being covered by the Fund MIVIVIENDA S.A., which will be added to the BBP in the same range of housing values that is in force; likewise, it will be updated by the tax unit variation, with rounding to the top hundred; the application amount as of December 31, 2017 is S/ 3 000.00.

In relation to the housing ranges values of the product, they will be expressed in soles and will be updated as a result of the multiplication of the housing value of the prior year and the annual change in the Consumer Price Index- CPI of Lima Metropolitana, with rounding to the top hundred.

- (viii) Sustainable MIVIVIENDA Bonus (hereinafter "BMS" as per Spanish acronym) is an additional attribute of the Créditos MIVIVIENDA, which consists of direct non-reimbursable financial assistance granted to people who access sustainable housing with the crédito MIVIVIENDA through the IFI. This attribute increases the amount of the initial installment and as an additional benefit to those provided by the MIVIVIENDA products such as the BFH, BBP and PBP as a complement to the initial installment. For purposes of the BMS, a sustainable housing is one that incorporates in its conception and design, among other attributes, water and energy saving technology, as well as bioclimatic studies, good practices in handling operational waste and awareness to buyers.
 - (ix) When the Good Payer Award is granted, with own resources, who complied with conditions settled by the final borrower, the Fund record such amounts as expenses; in consequence, the accounts receivable (principal) of the concessional tranche installment with charge to an account of "interest expense" of the income statement, while the interests, as well as in the previous case, are recognized as expenses and are presented net of the "Income from accounts receivable" (Trust Agreement – COFIDE) of the caption "Interest Income" of income statements.

(x) <u>Accounts receivable related to CRC - PBP Trusts</u> Includes the assets of the CRC and PBP Trusts, which correspond to assets (available, investments and accrued yields) and liabilities of the Fund, but that in accordance with SBS regulation (SBS Resolution No. 980-2006, Regulation for the Fondo MIVIVIENDA S.A.), they must be recorded as a net balance in the caption "Other accounts receivable, net" on the statement of financial position, since the Fund acts like both trustee and trustor. The assets and liabilities included in such trusts are valued according to the criteria of the Fund for similar items, as described in this note.

Also, the surplus (deficit) generated by the aforementioned trusts are recorded as "Interest income" of the income statements.

The CRC-PBP trusts were established in 2007 to ensure that sufficient resources are available to meet the Fund's obligations that come from the contracts to provide with CRC and PBP coverage, signed with certain IFI; as well as to manage the resources efficiently.

(e) Accounts receivable (Trust - COFIDE) and provision for doubtful accounts – Accounts receivable are recorded when the funds are disbursed through COFIDE in favor of the IFI that channel the resources of the Fund for the credit placement of the MIVIVIENDA products.

The calculation of the provision is made based on the criteria established by the SBS in the Regulation for the Evaluation and Classification of a Debtor and the Required Provision, SBS Resolution No. 11356-2008, in accordance with the following methodology:

First Component: Provision Risk IFI

a. For unsecured loans:

$$Prov IFI = ST \times TSBS$$

Where:

Prov IFI: Provision Risk IFI ST: Total balance of loan TSBS: Provision rate of the SBS considering the Classification of the IFI

b. For loans with pledged collateral:

$$Prov IFI = SSC \times TSBS$$

Where:

Prov IFI: Provision Risk IFI SSC: Balance of Loan without credit risk coverage TSBS: Provision rate of the SBS considering the Classification of the IFI

Furthermore:

$$SSC = ST - SCC$$

Where: ST: Total balance of loan SCC: Balance of loan with credit risk coverage

Second Component: Provision for Credit Risk Coverage (CRC) – Only for loans with pledged collateral.

Where:

Prov CRC: Provision with credit risk coverage (CRC) SCC: Balance of loan with credit risk coverage TSBS: Provision rate of the SBS considering the Classification of the sub-borrower

Furthermore:

 $SCC = ST \times FC$

Where:

ST: Total balance of loan

FC: Total factor of credit risk coverage

The Fund applies the following percentages to determine its provisions:

| Risk category | Table 1 | Table 2 |
|------------------------------|---------|---------|
| Normal | 0.70 | 0.70 |
| With potential problem (CPP) | 5.00 | 2.50 |
| Substandarde | 25.00 | 12.50 |
| Doubtful | 60.00 | 30.00 |
| Loss | 100.00 | 60.00 |

(f) Derivative financial instruments

All derivative financial instruments are classified, according to the intention of the company, for trading or hedging purposes, are initially recognized in the Statement of Financial Position of the Fund at cost on the date of the transaction and, subsequently, are carried at fair value. Derivatives are registered as assets when the fair value is positive and as liabilities when the fair value is negative. The (nominal) notional amount of the operation is recorded in memorandum accounts at the notional amount of the involved currency.

%

Fair values are estimated based on market Exchange and interest rates. Gains and losses arising from changes in the fair value of derivatives are recorded in the results for the period.

As of March 31, 2018, and December 31, 2017, the Fund holds foreign exchange swaps agreements to hedge cash flows in foreign currency. When valuated, the agreements in effect are included in the equity until the agreement is settled and/or the hedged item effect is realized. At this time, the unrealized result is transferred to the Statement of Income. Meanwhile, the non-effective part is registered as a result of hedge derivatives in the Statement of Income.

As of March 31, 2018, and December 31, 2017, the Management considers that the Fund holds economic hedging derivatives for administrative purposes, recognizing gains and losses arising from their measurement at market value in the results of the year. Likewise, as of these dates, the Fund does not hold any embedded derivatives.

It should be noted that to date the FUND maintains a Swap Interest Only which covers the interest of the debt owed in EUR with the French Development Agency (AFD) and complements with the Swaps Principal Only, previously contracted. The latter covers the exchange risk of part of the nominal amount of the EUR Debt. The nominal amounts of the Swaps Principal Only were recorded in the contingent accounts. The registration in the contingent accounts is not necessary for the reference nominal value of the Swap Interest Only because the derivative in question covers future interest flows.

(g) Investments

As of March 31, 2018, and December 31, 2017, the investments are valued in accordance with SBS Resolution No. 7033-2012.

Classification

(g.1) <u>Available-for-sale investments</u>

Designated as such because they are held for an indefinite period and may be sold for purposes of liquidity or changes in interest rates, Exchange rates or cost of capital; or are not qualified to be classified at fair value through profit and loss or held-to-maturity.

The estimated value of available-for-sale investments is determined primarily on the basis of open market quotations or, lacking these, based on discounted cash flows using market rates that reflect the credit quality and maturity of the investment.

(g.2) Held-to-maturity investments

The investment instruments classified in this category, must meet the following requirements:

- Acquired or reclassified for the purpose of holding them until their maturity date; except for the cases when sale, assignment or reclassification are allowed by the SBS.
- The companies must have the financial capacity and the intention to hold investment instruments until their maturity.
- Investment must have risk classifications as required by the SBS.
- In order to classify investments in this category, the companies shall assess whether they have the financial capacity to maintain such investment instruments until their maturity whenever they decide to classify the instrument and at the closing of each annual fiscal year.

Recording date of the transaction

Transactions related to available-for-sale and held-to-maturity investments are recorded on their trading date, that is, the date at which the reciprocal obligations must be fulfilled within the term established by regulations and practices in the market in which the operation takes place.

Initial recognition

The initial recognition of available-for-sale and held-to-maturity investments are carried at fair value plus transaction costs that are directly attributable to the acquisition of such investments.

Amortized cost

Any premium or discount related to these investments is considered in determining the amortized cost using the effective interest rate method, recognizing the accrued interest in the "Interest on available-for-sale and held-to-maturity investments" item within the "Interest income" caption of the Statement of Income.

<u>Valuation</u>

(g.1) Available-for-sale investments

These investments are recorded at fair value and unrealized gains and losses generated by them are recognized in net equity.

When the instrument is sold or gains or losses previously recognized as part of the net equity are realized, such gains or losses are recognized in profit or loss for the fiscal year. On the other hand, when Fund's Management believes that the decline in market value is permanent or is caused by credit impairment, it takes the respective provisions and transfers the estimated loss from equity to profit or loss for the fiscal year.

In any of the aforementioned cases, if the SBS considers necessary to provide some additional provisions for any type of investment, such provision will be determined by the SBS bases on each individual asset and then communicated to the Fund, for its recognition in the result of the fiscal year.

(g.2) <u>Held-to-maturity investments</u>

These investments are recorded at amortized cost using the effective interest rate method.

Impairments are recorded individually for negative changes in the credit capacity of the issuer, analogous to the treatment of direct loans, directly affecting profit or loss for the period.

When these investments are sold without complying with the requirements of SBS regulation and similar financial instruments are again acquired from the same issuer, they may not be recorded in this category without SBS express authorization.

Impairment assessment

SBS Resolution No. 7033-2012 provides a standard methodology for the identification of impairment of financial instruments classified as available-for-sale and held-to-maturity investment. This analysis methodology includes two filters, as described below:

First filter:

The following conditions are assessed for all representative debt and principal portfolios on a quarterly basis:

- a) Significant decrease in fair value In the event that the fair value at the date of the financial statements decreases below 50% of the acquisition value.
- b) Prolonged decrease in fair value In the event that monthly average fair value decreases for 12 consecutive months and the aggregate decline in fair value in the period is at least 20%.

This analysis is performed in the original currency of the instrument, in order to isolate the variation in the exchange rate.

Second filter:

With respect of instruments that passed the first filter, the following circumstances relating to qualitative aspects of the issuer are assessed:

- Impairment of financial ratios or financial position of the issuer and its business group.
- Adverse conditions of investment and the issuer.
- Downgrade in risk rating due to factors other than those mentioned above.
- Interruption in the payment of interest or principal due to financial distress of the issuer.
- Disruption of a transaction or of an active market due to financial distress of the issuer.
- Forced renegotiation of the contractual terms of the instrument by legal or economic factors related to the issuer.
- Evidence that the issuer will be subject to a forced restructuring or bankruptcy procedure.
- Decline in value due to policy changes (tax, regulatory or other governmental regulations).
- The Fund does not have the intention and ability to hold the underperforming investment until its value is recovered. For that, it is necessary to make a

projection of the estimated time for the recovery of value and an analysis of the evidence supporting, based on historical information and the financial position of the company, if there is the intent and ability to hold the investment throughout such period.

According to such resolution, if at least two of the factors mentioned above exist, there is value impairment. Once a loss due to value impairment is recognized, subsequent evaluations are made on the book value of the instruments, net of losses due to value impairment previously recognized.

(h) Property, Furniture and Equipment

The goods in the item property, furniture and equipment are recorded at acquisition cost less cumulative depreciation.

The depreciation is calculated using the straight-line method, based on the following estimated useful lives:

| | Years |
|-------------------------|-------|
| Buildings | 20 |
| Installations | 10 |
| Furniture and fixtures | 10 |
| Computer equipment | 4 |
| Miscellaneous equipment | 10 |
| Vehicles | 5 |

Maintenance and repair costs are charged to the results of the period; all renewals and improvements are capitalized only when disbursements improve the condition of asset and increase its useful life beyond the time originally estimated. The cost and related accumulated depreciation of assets sold or retired are eliminated from the respective accounts and the gain or loss generated is recognized in profit or loss for the fiscal year.

(i) Assets received as payment.

The assets received as payment, repossessed and recovered (arising from the resolution of a leasing contract) are initially recorded at the value of judicial adjudication, extrajudicial, market value or debt outstanding value, whichever is the lowest; recognizing in turn a provision equivalent to 20 percent of the value upon repossession or recovery of the asset, being able to keep to such purpose the provision that was recorded by the related loan.

Additional provisions are recorded based on the following criteria:

- Assets that are not real state a uniform monthly provision shall be recorded as from the first month of repossession or recovery, for a period of twelve months until completing one hundred percent of the net value upon repossession or recovery.
- Real estate Uniform monthly provisions shall be recorded based on the net book value as from the twelfth month; provided that the extension of six months contemplated in SBS Resolution No. 1535-2005 has not been granted, in which case, uniform monthly provisions shall be recorded on the net book value as from the eighteenth month. In both cases, provisions shall be recorded until completing one hundred percent of the net book value over a term of three and half years, counted as from the date on which monthly provisions started to be recorded.

The annual update of these assets' valuations, determined by an independent appraiser, involves, if necessary, the constitution of an impairment provision.

(j) Available-for-sale non-current assets

This account records non-current assets held-for-sale, after being reclassified from fixed assets to their net amount.

The subsequent measurement shall follow the guidelines of IFRS 5, and the valuation adjustments shall be registered in the sub-account 4304.03 called "Provision for Noncurrent assets held for sale" credited to sub-account 1609.03.

Gains or losses from the sale of non-current assets held for sale are registered in the accounts 5604 and 4604 respectively, when they are realized.

(k) Intangible assets

Intangible assets, included in the "Other assets, net" caption on the statement of financial position, comprise development and licensing of computer software used in the Fund's operations. Software licenses purchased by the Fund are capitalized on the basis of costs incurred to acquire and bring to use the specific program. These intangible assets are amortized on a straight-line basis for a maximum of 4 years.

The amortization method is reviewed periodically to ensure they are consistent with the expected pattern of economic benefits of the intangible assets items.

(I) Securities and bonds outstanding

The liability for the issuance of outstanding securities and bonds is accounted at their nominal value, recognizing the accrued interest in the results for the fiscal year. The discounts granted or the income generated from their placement are deferred and are presented net of their issue value, and are amortized over the term of the securities and bonds outstanding and obligations related using the effective interest method.

(m) Tax assets and liabilities

Current Income tax -

Current income tax is determined based on the taxable income recorded for tax purposes.

The item Current Taxes in the Asset is shown in the Statement of Financial Position as of March 31, 2018, mainly because the amount in favor of previous fiscal years, and the amount of ITAN not used in the year 2017.

(n) Deferred income tax -

The accounting record of the deferred income tax reflects the effects of timing differences between the balances of assets and liabilities for accounting purposes and those determined for tax purposes using the Balance Sheet Method. Deferred assets and liabilities are measured using the tax rates expected to be applied to taxable income in the years in which these differences are recovered or eliminated. The measurement of deferred assets and liabilities reflects the tax consequences derived from the form in which the Fund expects to recover or settle the value of assets and liabilities as of the date of the Statement of Financial Position.

Deferred assets and liabilities are recognized without considering the time in which it is estimated that the temporary differences will be canceled. Deferred assets are recognized when there may exist sufficient future tax benefits to apply the deferred asset.

As at the date of the Statement of Financial Position, the Fund's Management has applied temporary differences of its assets and liabilities, according to the pronouncement of the SBS issued through a Multiple Letter No. 1205-2015-SBS dated January 14, 2015, where there is a pronouncement on IAS 12.

(o) Provisions

Provisions are recognized when the Fund has a present obligation (legal or implicit) as a result of a past event, it is probable that resources will be required to settle the obligation and, at the same time, it is possible to estimate dependably the amount of the obligation. Provisions are reviewed at each period and adjusted to reflect the best estimate at the date of the statement of financial position. When the effect of the time value of money is important, the amount of the provision is equal to the present value of the disbursement expected to settle the obligation.

(p) Contingent

Contingent liabilities are not recognized in financial statements. They are disclosed in notes of the financial statements, unless the probability of an economic flow being disbursed is probable.

Contingent assets are not recognized in financial statements, but should be disclosed when the contingency degree is possible.

(q) Cash and cash equivalents

Cash and cash equivalents considered in the statement of cash flows correspond to balances of available funds of the statement of financial position; which include deposits with original maturities less than or equal to 91 days, excluding the available funds included in the trusts, see Note 8(c).

(r) Reclassifications

When necessary, the comparative amounts have been reclassified to make them comparable with the presentation of the current year. There are certain transactions that were reclassified in the presentation of the current year and that, in the opinion of Management, these reclassifications made in the financial statements at the end of the month are not significant taking into consideration the financial statements as a whole.

4. Available

a) Below, the breakdown of the composition available as of March 31, 2018 and December 31, 2017 is presented:

| | In thousands of S/ | | | | |
|---------------------------------|--------------------|------------|--|--|--|
| | 03.31.2018 | 12.31.2017 | | | |
| Peruvian Central Bank (a) | 243 | 95 | | | |
| Current and saving accounts (b) | 1,245,193 | 946,891 | | | |
| Time deposits (c) | 0 | 200,477 | | | |
| Other available funds | 128 | 523 | | | |
| Cash and cash equivalents | 1,245,564 | 1,147,986 | | | |
| Plus: | | | | | |
| Time deposits over 91 days | 1,369,117 | 1,706,078 | | | |
| Total available | 2,614,681 | 2,854,064 | | | |

- (b) The Peruvian Central Bank deposits corresponds to balances in soles and U.S. Dollars; they are freely available, do not bear interest and are mainly used for transactions with COFIDE, under the Trust Agreement the Fund signed with this entity.
- (c) Current and saving accounts correspond mainly to balances in soles and U.S. Dollars; they are freely available and, mainly, bear interest at market rates.

- (d) As of Mach 31, 2018, there are not time deposits less than 91 days. Nevertheless, as to December 31, 2017, it corresponds to time deposits in local banks in soles, which are freely available and bear interest at effective annual rates between 3.45 and 3.65 percent and with original maturities less than or equal to 91 days.
- (e) As of March 31, 2018, it corresponds to time deposits in local banks in soles, are freely available, and bear interest at effective annual rates between 3.15 and 5.15 percent and with original maturities greater than or equal to 91 days. As of December 31, 2017, correspond to time deposits in local banks in soles, are freely available and bear interest at effective annual rates between 3.50 and 5.20 percent and with original maturities greater than or equal to 91 days.



5. Available-for-sale and held-to-maturity investments, net (a) The detail of this item is as follows:

| | | March 3 | 31, 2018 | December 31, 2017 | | | | | |
|--------------------------------------|-----------------------------|-------------------------|-------------------|---------------------------|---------------------------|-------------------------|-------------------|---------------------------|--|
| | | Unrealized gro | oss amount | | | Unrealize amou | | | |
| | Amotized cost S/(000) | Gains S/(000) | Losses S/(000) | Value in books S/(000) | Amortized cost S/(000) | Gains S/(000) | Losses S/(000) | Value in books S/(000) | |
| Available-for-sale investments (d) | × , | 、 | ~ / | × , | | | | | |
| Corporate and financial Bonds (b) | 26,176 | 60 | - | 26,236 | 25,994 | 32 | (16) | 26,010 | |
| Certificates of deposit (f) | 8,562 | 26 | - | 8,588 | 4,430 | 17 | | 4,447 | |
| Commercial papers | 3,497 | 17 | - | 3,514 | 3,498 | 13 | - | 3,511 | |
| Total | | 103 | | 38,338 | 33,922 | 62 | (16) | 33,968 | |
| Plus: | 00,200 | | | 00,000 | 00,722 | 02 | (10) | 00,,00 | |
| Accrued Interest | | | | 341 | | | | 148 | |
| Total Available-for-sale investments | | | | 38,679 | | | | 34,116 | |
| Held-to-maturity investments (d) | | | | | | | | | |
| Corporate and financial Bonds (b) | 411,244 | _ | - | 411,244 | 522,152 | - | - | 522,152 | |
| Negotiable certificates of deposit | 207,484 | - | - | 207,484 | 208,260 | - | - | 208,260 | |
| Peruvian Sovereign Bonds | 31,677 | - | - | 31,677 | 31,636 | - | - | 31,636 | |
| Total | 650,405 | | | 650,405 | 762,048 | | | 762,048 | |
| Plus | | | | | | | | | |
| Accrued Interest | | | | 7,516 | | | | 8,349 | |
| Total Held-to-maturity investments | | | | 657,921 | | | | 770,397 | |
| Total | | | | 696,600 | | | | 804,513 | |
| | | | | | | D | é en l'un no ré | 10 1 / 0 | |

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- (a) It corresponds to securities and bonds outstanding acquired for corporate and financial system companies at first level inside or outside the country. As of March 31, 2018, the corporate bonds classified as available-for-sale investments are: i) bonds of other corporation in soles, which accrues interests at an effective annual rate of 4.91%, mature in July 2018; ii) Ordinary Bonds in US dollars, accruing interests at annual effective rates of 3.25%, mature in April 2018. The bonds classified as held-to-maturity investments are: i) financial leasing bonds in US dollars accruing interests at annual effective rate between 4.84% and 5%, mature between May 2018 and May 2020; ii) Subordinated Bonds in US dollars, accruing interests at an annual effective rate of 6.53% and mature in October 2028; iii) Ordinary Bonds in US dollars, accruing interests at annual effective rates between 2.15% and 7.62% and mature between April 2018 and August 2023; and iv) Securitization Bonds in US dollars, accruing interests at annual effective rates between 4.44% and 7.5% and mature between June 2018 and September 2028.
- (b) Corresponds to Certificates of deposit in financial entities. As of March 31, 2018, the certificates that are classified as available-for-sale investments correspond to: i) Certificates in financial entities in soles, accruing annual effective interest rates between 3.69% and 4.91%, and mature between October 2018 and February 2019. Certificates classified as held-to-maturity investments are: i) in soles, accruing interest at an annual effective rate of 5.7% and matures in October 2018 and ii) in US dollars, accruing interest at a effective annual of 1.84%, and matures in September 2018.
- (c) Corresponds to sovereign bonds of Peru issued, in soles, by the Ministry of Economy and Finance (MEF). As of March 31, 2018, sovereign bonds classified as held-to-maturity investments correspond to sovereign bonds SB12AGO26, SB12AGO31, SB12FEB37 and SB12FEB42, these bonds accrue interest at annual nominal rates between 6.85% and 8.20% (between 6.85% and 8.20% to December 31, 2017), and mature between August 2026 and February 2042 (between August 2026 and February 2042 to December 31, 2017).
- (d) Corresponds to commercial papers in other entities that, as of March 31, 2018, are classified as available-for-sale investments, which accrue interest at an effective annual rate of 8.40%, and matures in October 2018.

As of March 31, 2018, accrued interests of available-for-sale-interests amounted to thousands of S/ 402, investment to maturity amounted to thousands of S/6,310, and include in the item "Income for interests" of the Income Statement. (Available-for-sale-investments in thousands of S/ 576 and for investment income to maturity thousands of S/24,923, respectively as of December 31, 2017).

As of March 31, 2018, investments available-for- sale and to mature have the following maturing terms:

| | March 2018 | | December 2017 | | |
|-------------------------|--|--|--|--|--|
| | Available-for- sale investments S/(000) | Held- To-maturity investments S/(000) | Available-for- sale investments S/(000) | Held- To-maturity investments S/(000) | |
| Up to 3 months | 6,559 | 72,025 | - | 96,472 | |
| From 3 months to 1 year | 32,120 | 238,768 | 34,116 | 310,075 | |
| From 1 to 5 years | - | 195,855 | - | 187,329 | |
| Over 5 years | - | 151,273 | - | 176,521 | |
| Total | 38,679 | 657,921 | 34,116 | 770,397 | |

As of March 31, 2018, the Fund's Management has estimated the market value of available-for-sale investments based on available market prices or, in their absence, discounting expected cash flows at an interest rate reflecting the risk rating of the security. Investments to mature are carried at amortized cost.

The Fund's Management has determined that unrealized losses as of March 31, 2018 are not the result of credit impairment of the issuers, but they are mainly due to variations in the free risk rates that were incorporated to its valuations. Consequently, there is no impairment of available-for-sale investments or to mature in accordance with the accounting standards which must be registered on the date of each balance sheet.

6. Credit portfolios

(a) The composition of the item as of the date of the statement of financial position is presented below:

| | 03.31.2018 | 12.31.2017 |
|---|------------|------------|
| | S/ (000) | S/ (000) |
| Current Ioan portfolio | | |
| Current loans-Ex CRAC Señor de Luren | 51,058 | 50,879 |
| (-) Deferred Revenue | (2,836) | (2,917) |
| Accrued yields | 434 | 376 |
| | 48,656 | 48,338 |
| Loan portfolio refinanced | | |
| Refinanced Credits-Ex CMAC Paita | 0 | 51 |
| (-) Interest income and refinanced commissions | 0 | (7) |
| | 0 | 44 |
| Mature loan portfolio | | |
| Mature loans-Ex CRAC Señor de Luren | 39,546 | 41,268 |
| (-) Deferred Revenue | (6,697) | (6,763) |
| Mature loans refinanced-Ex CMAC Paita | 51 | - |
| (-) Interest income and refinanced commissions | (7) | - |
| | 32,893 | 34,505 |
| Loans portfolio in Judicial Collection | | |
| Loans in Judicial Collection-Ex CRAC Señor de Luren | 102 | 102 |
| Loans portfolio in Judicial CDeferred Revenue | (18) | (18) |
| Loans in Judicial Collection-Ex CMAC Señor de Paita | 71 | 71 |
| | 155 | 155 |
| (-) Provisions for loans | | |
| (-) Prov. for loans-EX CRAC Señor de Luren | | |
| (-) Prov. for specific loans | (31,882) | (31,671) |
| (-) Prov. for generic loans | (282) | (294) |
| (-) Prov. for loans-EX CMAC Paita-Specific | (122) | (122) |
| | (32,286) | (32,087) |

- (b) Through SBS Resolution No. 3503-2015 dated June 19, 2015, Caja Rural de Ahorro y Créditos Señor de Luren, entered into official liquidation process. In this context, the debts that Caja Rural de Ahorro y Créditos Señor de Luren had with their debtors, including the Fund, became insolute; for this reason, it began to execute certain guarantees that safeguarded the related loans. Said liquidation process of Caja Rural de Ahorro y Créditos Señor de Luren implied the compliance with the conditions set forth in clause 13 of the Agreement for Channeling the Resources from Mortgage Fund for Housing Promotion -Mivivienda. As a result, the Fund made the following transactions:
 - (i) Execution of clause 13, corresponding to the assignment of rights over said loan portfolio, in favor of the Fund under the Agreement for Channeling the Resources from Mortgage Fund for Housing Promotion - Mivivienda subscribed by COFIDE and Caja Rural de Ahorro y Créditos Señor de Luren S.A. on October 19, 1999.
 - (ii) On July 17, 2017, it subscribed assignment of rights agreements with Caja Municipal de Ahorro y Crédito Sullana and with Financiera Efectiva S.A. through which was transferred part of the loan portfolio which for the effect of accounts receivable (Trust Agreement - COFIDE) corresponds to the debt balances to the Fund ascendant to thousands of S/22,514 and thousands of S/12,067, respectively. Likewise, through agreement with said IFI, it was granted the management of the non-transferred portfolio amounting to thousands of S/87,587.
 - (iii) On July 31, 2017, the Fund removed from the accounts receivable of COFIDE Trust the corresponding to the amount of debt balance due by Caja Rural de Ahorro y Créditos Señor de Luren S.A. in Liquidation amounting to thousands of S/. 87,587 and reclassified thousands of S/23,661 corresponding to the provision for the accounts receivable of doubtful account.
 - (iv) On November 28, 2017, it signed a transfer of rights agreement with Financiera TFC S.A. through which part of the loan portfolio was transferred that for the purposes of accounts receivable (Trust Agreement - COFIDE) corresponding to balances owed to the Fund amounting to thousands of S/ 2,597.
- (e) The changes in the allowance for other doubtful accounts was as follows:

| | 03.31.2018 | 12.31.2017 |
|--------------------------------------|------------|------------|
| | S/(000) | S/(000) |
| Balance at the beginning of the year | 32,087 | 0 |
| <u>Plus (less)</u> | | |
| Allowance as expense of the year | 1,864 | 32,087 |
| Provision recoveries | -1,665 | 0 |
| Exchange difference | 0 | 0 |
| Balance at the end of the year | 32,286 | 32,087 |

In Management's opinion, the allowance for direct loans recorded as of March 31, 2018 and December 31, 2017, adequately covers the SBS regulations effective as to that dates.

Given the transfer of part of portfolio of Ex CRAC Señor de Luren to the assets of the FUND at placed securities, they have been evaluated in accordance with the final subborrower risk:

| | As of March 31, 2018 | | As of December 31 | , 2017 |
|----------------------------|----------------------|--------|-------------------|--------|
| Risk category | Total | % | Total | % |
| category | S/ (000) | | S/ (000) | |
| Normal | 40,268 | 44.39 | 42,028 | 45.56 |
| With potential problems | 4,813 | 5.31 | 3,644 | 3.95 |
| Substandard | 3,773 | 4.16 | 4,514 | 4.89 |
| Doubtful | 9,953 | 10.97 | 10,965 | 11.89 |
| Less | 31,899 | 35.17 | 31,098 | 33.71 |
| Total | 90,706 | 100.00 | 92,249 | 100.00 |

1/The balances reported for ex CRAC Señor de Luren, correspond to the balances placed (Balance of Sub-borrowers).

Likewise, the portfolio from Ex CMAC Paita has been registered as a Mortgage loan portfolio.

| | As of March 31, 2018 | | As of Decemb | er 31, 2017 |
|-------------------------|----------------------|--------|--------------|-------------|
| Risk category | Total | % | Total | % |
| | S/ (000) | | S/ (000) | |
| Normal | 0 | 0.00 | 0 | 0.00 |
| With potential problems | 0 | 0.00 | 0 | 0.00 |
| Substandard | 0 | 0.00 | 0 | 0.00 |
| Doubtful | 0 | 0.00 | 0 | 0.00 |
| Less | 122 | 100.00 | 123 | 100.00 |
| Total | 122 | 100.00 | 123 | 100.00 |

7. Financial Derivatives

The following table shows the fair value of the derivative financial instruments, recorded as assets or liabilities, along with their notional amounts (nominal). The notional amount is the face amount of the derivative underlying asset and is the basis on which changes in the value of derivatives are measured. The Fund has future sale and purchase commitments of US Dollars, Euros and Swiss Franc ("forwards") as well as Swaps Principal and Interest Only for cash flow hedge which fair value has generated accounts receivable and payable, as indicated below. The notional amounts state the volume of outstanding transactions as of 03/31/2018 are not an indicator of market risk or of credit risk, note 22:

| | | 03.31.2018 | | | 12.31.2017 | 7 |
|---------------------------------|------------|------------|-----------|-----------|------------|-----------|
| | Accounts | Accounts | Reference | Accounts | Accounts | Reference |
| | receivable | payable | amount | eceivable | payable | amount |
| In thousands of soles | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) | S/(000) |
| T <u>Trading derivatives</u> | | | | | | |
| hForwards – Purchase | 1,053 | (117) | 43,003 | 613 | (6) | 42,559 |
| Forwards - Selling | | | | 0 | 0 | 0 |
| e Subtotal | 1,053 | (117) | 43,003 | 613 | (6) | 42,559 |
| Hedging derivatives | | | | | | |
| dForwards - selling | 3,755 | 0 | 180,765 | 1,066 | 0 | 181,549 |
| eSwaps Principal Only– Purchase | 149,835 | (64,422) | 2,673,817 | 156,662 | (63,308) | 2,670,011 |
| Cross Currency Swaps– Purchase | 5,997 | (56,854) | 700,791 | 98 | 0 | 113,727 |
| Cross Currency Swaps– Selling | 1,022 | 0 | 87,419 | 5,904 | (61,649) | 698,934 |
| Swap Interest Only– Purchase | 130 | (1) | 0 | 101 | (8) | 0 |
| V Subtotal | 160,739 | (121,277) | 3,642,792 | 163,831 | (124,965) | 3,644,221 |
| a total | 161,792 | (121,394) | 3,685,795 | 164,444 | (124,971) | 3,706,780 |

ive financial instruments generating this account receivable and payable are held for hedging purposes and economic and trading hedging with regard to the exchange risk and maturing from October 2016 to January 2023.

As of March 31, 2018, the trading derivatives generated a net gain of thousands of S/ 320 (net gain of thousands of S/ 1,574 as of March 31, 2017) and hedging derivatives generated a net loss of thousands of S/28,009 (net loss of thousands of S/ 25,262 as of March 31, 2017), see note 21.

8. Accounts Receivable on Goods and Services Sale and Trust (Net)

The composition of this caption as of March 31, 2018 and December 31, 2017, in thousands of Soles, is detailed as follows:

| | 03.31.2018 S/ (000) | 12.31.2017 S/ (000) |
|---------------------------------|------------------------|------------------------|
| COFIDE Trust (8a) | 6,275,796 | 6,206,810 |
| CRC-PBP Trust Soles (8b) | 42,526 | 41,647 |
| CRC-PBP Trust U.S. Dollars (8b) | 46,419 | 45,654 |
| | 6,364,741 | 6,294,111 |

8.a Trust Agreement – COFIDE

The item is comprised as shown below:

| | 03.31.2018 | 12.31.2017 |
|--|----------------------|----------------------|
| | S/ (000) | S/ (000) |
| Nuevo Crédito MIVIVIENDA Crédito MIVIVIENDA Tradicional | 5,979,907 167,776 | 5,898,721 181,545 |
| Crédito MIHOGAR | 76,416 | 93,498 |
| Crédito Complementario Techo Propio Crédito MIVIVIENDA Estandarizado | 96,387 7,434 | 81,283 48,729 |
| Crédito Mi Construcción Crédito MICASA Mas | 45,857 8,952 | 7,789 9,252 |
| Crédito MITERRENO | 541 | 574 |
| Plus (minus) | 6,383,271 | 6,321,391 |
| Accrued yields from accounts receivable Allowance for doubtful accounts (f) | 17,335 (124,810) | 16,343 (130,924) |
| | | X • X |
| Total | 6,275,796 | 6,206,810 |

As described in Note 2, the Fund disburses financial resources to the Trust - COFIDE on a monthly basis to be channeled to the sub-borrowers through the IFI. Likewise, the Trust - COFIDE transfers to the Fund on a monthly basis the collections, prepayments or cancellations of accounts receivable made by IFI.

As of March 31, 2018 and December 31, 2017, the number of final borrowers (final debtors) is 90,199 and 90,173, respectively. There is no significant concentration of credit risk, due to the type of credit operations maintained by the Fund.

The resources that the Fund channels through IFI are used in the granting of credits in lending for house purchase in accordance with article 12 of Supreme Decree No. 001-99-MTC.

(b) The composition of the accounts receivable according to the characteristics of promoted loans for the Fund is as follows:

As of March 31, 2018

Products

With Credit Without Total

| | Risk Coverage | Credit Risk Coverage | |
|-------------------------------------|------------------|-------------------------|-----------|
| | S/(000) | S/(000) | S/(000) |
| Nuevo crédito MIVIVIENDA | 27,871 | 5,952,036 | 5,979,907 |
| Crédito MIVIVIENDA Tradicional | 1,511 | 166,265 | 167,776 |
| Crédito complementario Techo Propio | 979 | 95,408 | 96,387 |
| Crédito MIHOGAR | 1,115 | 75,302 | 76,416 |
| Crédito MICONSTRUCCIÓN | 0 | 45,857 | 45,857 |
| Crédito MIVIVIENDA Estandarizado | 0 | 7,434 | 7,434 |
| Crédito MICASA MAS | 0 | 8,952 | 8,952 |
| Crédito MITERRENO | 0 | 541 | 541 |
| | 31,476 | 6,351,795 | 6,383,271 |

As of December 31, 2017

| Products | With Credit Risk Coverage S/(000) | Without Credit Risk Coverage S/(000) | Total S/(000) |
|--|--|---|---|
| Nuevo crédito MIVIVIENDA Crédito MIVIVIENDA Tradicional Crédito complementario Techo Propio Crédito MIHOGAR Crédito MICONSTRUCCIÓN Crédito MIVIVIENDA Estandarizado | 27,252 1,552 1,148 964 | 5,869,808 179,993 81,797 92,534 7,789 48,729 | 5,897,060 181,545 82,945 93,498 7,789 48,729 |
| Crédito MICASA MAS Crédito MITERRENO | 30,916 | 9,252 573 6,290,475 | 9,252 573 6,321,391 |

(c) Accounts receivable are classified by credit risk in accordance to SBS Resolutions in force as of March 31, 2018 and December 31, 2017. As described in Note 3(e), the allowance for doubtful accounts is determined based on the classification of both the sub borrowers and the IFI.

The table below details the classification of accounts receivable according to IFI risk category, which granted MIVIVIENDA loans:

| | As of March 31, 2018 | | As of Decemb | er 31, 2017 |
|----------------------------------|-------------------------|---------------|-------------------------|---------------|
| Risk category | Total S/(000) | % | Total S/(000) | % |
| Normal With potential problem | 6,280,178 103,093 | 98.40 1.60 | 6,215,218 106,173 | 98.32 1.68 |
| | 6,383,271 | 100 | 6,321,391 | 100 |

(d) Interest rates applied to the products correspond to fixed rates established for the purpose of promoting the granting of each type of loan as follows:

| | 03.31.2018 % | 12.31.2017 % |
|--------------------------|-----------------|-----------------|
| Nuevo Crédito MIVIVIENDA | 7.10-5.00 | 7.10 |

| Crédito MIVIVIENDA Tradicional | 7.75 | 7.75 |
|-------------------------------------|-------------|-------------|
| Crédito Complementario Techo Propio | 7.25 | 7.25 |
| Crédito MIHOGAR | 7.60 | 7.60 |
| Crédito MI CONSTRUCCIÓN | 8.00 | 8.00 |
| Crédito MIVIVIENDA Estandarizado | 6.90 y 7.30 | 6.90 y 7.30 |
| Crédito MICASA MAS | 7.70 | 7.70 |
| Crédito MITERRENO | 9.00 | 9.00 |

The interest rate of the product Nuevo Crédito MIVIVIENDA was reduced in 5%, only by the loans with the attribute of BMS disbursed from March 1, 2018 to December 31, 2018.

The interest rate of the Techo Propio Complementary Financing was reduced in 7.25%, for the placements carried out from January 1, 2017.

(e) Changes in the allowance for doubtful accounts, as determined by the classification and percentages indicated in Note 3(e), are shown below:

| | 03.31.2018 | 12.31.2017 |
|---|------------|------------|
| | S/(000) | S/(000) |
| Balance at the beginning of the year | 130,924 | 72,058 |
| Allowance recognized as expense of the year | 14,290 | 25,937 |
| Provision recognized by reduction of Legal | | |
| Reserve | - | 71,027 |
| Provision recoveries | (20,391) | (33,325) |
| Exchange result, net | (13) | (4,773) |
| | | |
| Balance at the end of the year | 124,810 | 130,924 |

In Management's opinion, the allowance for doubtful accounts recorded as of March 31, 2018 and December 31, 2017 complies with SBS regulations in force as of those dates.

(f) The table below presents the account receivable portfolio as of March 31, 2018 and December 31, 2017, classified by maturity dates:

| | 03.31.2018 S/(000) | 12.31.2017 S/(000) |
|-------------------------|------------------------------|------------------------------|
| Not mature | | |
| Due within 1 month | 38,459 | 36,598 |
| From 1 to 3 months | 112,390 | 110,639 |
| From 3 months to 1 year | 499,713 | 484,386 |
| From 1 to 3 years | 1,481,468 | 1,418,047 |
| More than 3 years | 4,251,240 | 4,271,721 |
| | 6,383,271 | 6,321,391 |

8.b CRC-PBP Trusts

The composition of these accounts receivable as of March 31, 2018 and December 31, 2017, in thousands of Soles, is detailed as follows:

 As of March 31, 2018, it comprises the balances of total assets net of liabilities of management Trust (total equity and surplus (deficit) net): CRC-PBP in Soles for S/ 42,526 thousands and CRC-PBP in US Dollars for S/ 46,419 thousands (S/41,647 thousands and S/45,654 thousands respectively, as of December 31, 2017).

- Through certificates of incorporation signed in June 2007 by the Fund as trustee and trust simultaneously, both Trust were established on an administration basis aiming to assure the availability of resources for the Fund to comply with the obligations arising from CRC-PBP service agreements (credit risk coverage-CRC and payment of the good payer award – PBP) signed with certain financial institutions – EF, as well as to guarantee that those resources are efficiently managed, in compliance with the provisions of the Regulations and the Manual of policies and procedures of CRC-PBP, as well as the Manual of Investment Policies and Procedures that are part of the exhibits of the annexes of incorporation.
- The accounting record of these trust transactions are made in accordance with Resolution SBS No. 980-2006- "Fondo MIVIVIENDA S.A. Regulation", meaning one single account of the Statement of Financial Position (see note 3 (c.1.2-34)). The accounting for trust is maintained separately for control purposes and shows the following balances as of March 31, 2018 and December 31, 2017:

| CRC-PBP Trust - soles | 03.31.2018 S/(000) | 12.31.2017 S/(000) |
|--|------------------------------|------------------------------|
| Statement of financial position | | |
| Assets | | |
| Cash and due from banks | 5,996 | 4,165 |
| Available-for-sale financial investments (*) | 20,350 | 21,107 |
| Held-to-maturity investments (*) | 16,180 | 16,354 |
| Other accounts receivable | 0 | 21 |
| Total assets | 42,526 | 41,647 |
| Net equity and surplus | | |
| Surplus from collections, net | 2,744 | 2,703 |
| Unrealized results | (376) | (676) |
| Retained earnings | 40,158 | 39,620 |
| Total equity and net surplus, see Note 19 | 42,526 | 41,647 |

(*) During 2016, the CRC-PBP Trust (Soles) Fund Equity reclassified investments classified as available-for-sale to investments into held-to-maturity investments. The carrying values at the dates of reclassification amounted to approximately S/33'683,000 and the accumulated unrealized loss in equity amounted to approximately S/1'344,000; this latter amount shall be transferred to results during the remaining term of the instruments. During 2018, 2017 and 2016, approximately S/ 44,859, S/228,000 and S/282,000 has been transferred, respectively as result of the financial year.

| Soles Income statements | 03.31.2018 S/(000) | 12.31.2017 S/(000) |
|--|------------------------------|------------------------------|
| Income Interest income Investment valuation, net | 602 0 | 2,404 63 |
| Total income | 602 | 2,467 |
| Expenses Administration fee Tax on financial transactions Miscellaneous expense for financial services | (63) (0) (2) | (241) (2) (7) |
| Total expenses | (65) | (250) |
| Net surplus, see Note 19 | 537 | 2,217 |

In the CRC PBP Trust US Dollars we have:

| CRC-PBP trust | | |
|--|---------|---------|
| U.S. Dollars | | |
| Statement of financial position | | |
| Assets | | |
| Cash and due from banks | 8,603 | 8,417 |
| Available-for-sale financial investments (*) | 11,315 | 10,124 |
| Held-to-maturity investments (*) | 26,506 | 27,095 |
| Account receivable | - | 18 |
| Total assets | 46,424 | 45,654 |
| Total liabilities | 4 | - |
| Net equity and surplus | | |
| Initial equity | 21,013 | 21,013 |
| Surplus from collections, net | 8,728 | 8,631 |
| Unrealized results | (1,046) | (1,246) |
| Retained earnings | 17,724 | 17,256 |
| Total equity and net surplus, see Note 19 | 46,419 | 45,654 |
| Total asset and equity | 46,424 | 45,654 |
| | | |

(*) During 2016, the CRC-PBP Trust (US Dollars) Fund Equity reclassified investments classified as available-for-sale to investments into held-to-maturity investments. The carrying values at the dates of reclassification amounted to approximately S/35'327,000 and the unrealized loss accumulated in net equity amounted to S/1'784,000 approximately; this latter amount shall be transferred to results during the remaining term of the instruments. During 2018, 2017 and 2016, approximately S/. 63,922, S/296,000 and S/192,000 has been transferred, respectively as result of the financial year.

9. Other accounts receivable, net

The item is comprised as shown below:

| The item is comprised as shown below. | | |
|---|------------|------------|
| | En miles o | de S/ |
| | 03.31.2018 | 12.31.2017 |
| Account receivable from banks in liquidation (a) | 99,839 | 99,877 |
| Account receivable from Ex – CONEMINSA portfolio(b) | 13,114 | 13,138 |
| Recoveries of COFIDE to be distributed | 77 | 76 |
| Accounts Receivable from the COFIDE Trust (d) | 11 | 511 |
| Pending derivatives for liquidation € | 19,975 | 20,062 |
| Other accounts receivable | 1,626 | 1,350 |
| = | 134,642 | 135,014 |
| Less-provision for other accounts | | |
| Banks in liquidation (a) | (99,839) | (99,877) |
| Ex – CONEMINSA portfolio (b) | (10,760) | (12,677) |
| Other accounts receivable | (1,050) | (1,021) |
| | (111,649) | (113,575) |
| Total | 22,993 | 21,439 |

(a) It corresponds to accounts receivables generated from term deposits, deposit certificates, among others, which before being a company of the financial system supervised by the SBS (before 01.01.2006), the Fund maintained in certain financial institutions which subsequently entered in winding-up procedure.

The detail of the balances and their provisions is as follows:

In thousands of S/.

| | 03.31.2018 | 12.31.2017 |
|--|------------|------------|
| Capital | | |
| Banco Nuevo Mundo, in liquidation (i) | 53,157 | 53,157 |
| Banco República, in liquidation (i) | 39,922 | 39,935 |
| Banco Banex, in liquidation – payment in kind | 4,472 | 4,491 |
| Banco República, in liquidation – payment in kind (i) | 2,288 | 2,294 |
| - | 99,839 | 99,877 |
| Minus: provision for doubtful of accounts receivable | | |
| Banco Nuevo Mundo, in liquidation (i) | (53,157) | (53,157) |
| Banco República, in liquidation (i) | (39,922) | (39,935) |
| Banco Banex, in liquidation – in lieu of payment | (4,472) | (4,491) |
| Banco República, in liquidation – in lieu of payment (i) | (2,288) | (2,294) |
| - | (99,839) | (99,877) |
| Net | 0 | 0 |
| = | | |

The Fund has received personal and real property and collection of credits as part of payment for these debts.

In the Management's opinion, the provision for doubtful of accounts receivable from Banks in liquidation recorded as of March 31, 2018 and December 31, 2017 covers sufficiently the related collectability risk.

- (b) It corresponds to mortgage loans granted by Compañía de Negociaciones Mobiliarias e Inmobiliarias S.A.- CONEMINSA, which was received by the Fund in the Framework of the Payment in Kind Agreement dated December 30, 2003 for administration and recovery purposes (before being a financial entity supervised by the SBS).
- (c) As of March 31, 2018, and December 2017, it corresponds to the net effect of adjustment and reversals of monthly reconciliation among the balances of COFIDE, which are regularized in the following months.
- (d) Accounts receivable from the COFIDE Trust, corresponds to the balance pending transfer of the collections.
- (e) Corresponds mainly to the account receivable from Morgan Stanley for thousands of dollars USD 19,975 for the concept of Margin Call plus interest on the derivatives that we maintain contracted with that entity.
- (f) The movement of the provision for other accounts receivable is shown below in thousands of Soles:

| | 03.31.2018 S/(000) | 12.31.2017 S/(000) |
|--------------------------------------|-----------------------|-----------------------|
| Balance at the beginning of the year | 113,575 | 114,365 |
| <u>Plus (minus)</u> | | |
| Provision for the year | 52 | 206 |
| Provision recoveries | -29 | -633 |
| Exchange differences | -30 | -241 |
| Exchange methodology | -1,919 | 0 |
| Others | 0 | -123 |
| Balance at the end of the year | 111,649 | 113,575 |

In Management's opinion, the provision for the other doubtful accounts receivable recorded as of March 31, 2018 and December 31, 2017 are aligned with SBS standards in force as of each such date.

10 Property, furniture and equipment, net

Financial entities in Peru cannot grant in order to guarantee the goods that conform its property, furniture and equipment.

In Management's opinion, there is no evidence of impairment of the property, furniture and equipment held by the Fund as of March 31, 2018 and December 31, 2017.

As of March 31, 2018, the Fund has fully depreciated fixed assets amounting to thousands of S/ 2,146 (thousands of S/ 2,237 as of December 31, 2017).

The Fund maintains insurance policies on its key assets in accordance with policies established by Management. For this purpose, as of March 31, 2018 and December 31, 2017, the Fund has contracted an insurance policy against all risks that covers the value of the Fund's property, furniture and equipment. In Management's opinion, its insurance policies are consistent with the usual practices in the industry.

Below is the movement of the item as of March 31, 2018 and December 31, 2017:

| In thousands of S/ | | | | |
|-------------------------------|-------------------|------------------|-----------------------|--------------------|
| - | Balances as of | | Withdrawals and other | Balances as of |
| | <u>12.31.2017</u> | Additions | adjustments | <u>03.31. 2018</u> |
| | S/(000) | | | S/ (000) |
| Cost: | | | | |
| Land | 103 | | | 103 |
| Buildings | 36 | | | 36 |
| Installations | 46 | | | 46 |
| Furniture and fixtures | 679 | | (21) | 658 |
| Computer equipment | 1,463 | | (153) | 1,310 |
| Miscellaneous equipment | 965 | 15 | (8) | 972 |
| Vehicles | 759 | | | 759 |
| Installation in leased assets | 137 | | | 137 |
| work-in progress | - | | | - |
| - improve leased premises | - | | | - |
| | 4,188 | 15 | (182) | 4,021 |
| | 4,100 | í====== | ====== | 4,021 |
| Accumulated depreciation: | | | | |
| Buildings | 12 | 0 | | 12 |
| Installations | 46 | 0 | | 46 |
| Furniture and fixtures | 501 | 7 | (20) | 488 |
| Computer equipment | 1,331 | 25 | (154) | 1,202 |
| Miscellaneous equipment | 673 | 15 | (3) | 685 |
| Vehicles | 549 | 18 | | 567 |
| Installation in leased assets | 18 | 3 | | 21 |
| | 3,130 | 68 | (177) | 3,021 |
| Net cost | 1,058 ====== | | | 1,000 |

11 Intangible assets

This caption is made up as follows:

| | | In thousands of S/ | | | |
|----------|--|--------------------|--------------------------------------|---|--|
| | Balances as of <u>12.31.2017</u> S/(000) | Additions | Withdrawals and other adjustments | Balances as of 03.31.2018 S/(000) | |
| Cost: | | | | | |
| Software | 5,553 | | | 5,553 | |
| Licenses | 1,239 | | | 1,239 | |

| Developing software | 1,948 | 391 | | 2,339 |
|---------------------------|---------|-----|---------|---------|
| | | | | |
| | 8,740 | 391 | | 9,131 |
| | | | ======= | |
| Accumulated amortization: | | | | |
| Software | 3,299 | 249 | | 3,548 |
| Licenses | 1,075 | 21 | | 1,096 |
| | | | | |
| | 4,374 | 270 | | 4,644 |
| | | | ======= | |
| Costo neto | 4,366 | | | 4,487 |
| | ======= | | | ======= |

Intangible assets comprise software and licenses for the use of computer equipment which total cost as of March 31, 2018 amounted to thousands of S/ 9'131 and its accumulated amortization amounted to approximately thousands of S/ 4,644 (cost amounted to thousands of S/ 8,740 and accumulated amortization amounted to approximately thousands of S/ 4,374 as of December 31, 2017). These intangible assets are amortized under the straight-line method according to the useful life estimated by Management.

12. Other assets

The item is comprised as shown below:

| | 03.31. 2018 | 12.31.2017 |
|---------------------------|-------------|------------|
| Operations in process (a) | 15,200 | 0 |
| Others (b) | 1,905 | 2,921 |
| Total | 17,105 | 2,921 |

This category gathers the operations in process, the payments anticipated by subscriptions, other deferred loads, among others.

- (a) As of March 31, 2018, a balance is presented mainly due to the transfer amount for the payment abroad for the 2nd International Issuance to mature in April 2018 for S/ 14,092 thousands. As of December 31, 2017, there was no balance.
- (b) The balance of Other records taxes and subscriptions paid in advance, deliveries to account, per diem and other deferred charges, whose main balance is for the implementation of the Shared Data Center (CDC as per the Spanish acronym) service provided by the Company AI INVERSIONES PALO ALTO II SAC (ex GMD S.A.). As of March 31, it maintains an advance balance for this service in thousands of S/ 1,326 (As of December 31, 2017, it amounts to S/ 1,474 thousands).

It should be noted that, through Resolution of Executive Direction No. 046-2009/DE-FONAFE, the "Corporate Information and Communication Technology (ICT) management plan for companies under the scope of FONAFE" was approved, in which the implementation of the Shared Data Center (CDC-ICT) is defined, within the framework of this process and to continue providing this service. On August 5, 2016, FONAFE approved the good pro of the Peruvian awards for lesser amounts No. 004-2016FONAFE for contracting the service to the Company GMD S.A.

13. Debts and financial obligations

The item is comprised as shown below:

In thousands of S/

| | 03.31.2018 | 12.31.2017 | |
|---|------------|------------|--|
| - Debts and Obligations with domestic companies and financial institutions | 0 | 0 | |
| Debts and Obligations with Foreign companies and International financial institutions (a) | 199,675 | 195,722 | |
| - Securities (b) | 5,733,300 | 5,835,687 | |
| Total | 5,932,975 | 6,031,409 | |

a) As of March 31, 2018, the Fund holds a balance of thousands of EUR50,000 thousands for the principal and its interests equivalent in thousands of S/197,580 of the line loan of thousands of EUR 120,000 from the Development Financial Agency, with an interest rate of 0.61% and 1.30%. Also the Fund has made provision by the commission due to the non-use of the line of credit Afraissal Fee in thousands of EUR527 equivalent to thousands of S/2,094 (thousands of S/194,011 of the line loan; as well as the amount of thousands of EUR 439 by the commission due to the non-use of the line of credit as of December 31, 2017).

| | | Main foreign | | Annual | | In thousan | ds of S/. | |
|--|--|--------------|----------|----------|---------|--------------------------|-------------------|---------|
| Date | Financial institution | currency | | interest | Main | Interests | Adjust | Total |
| | | | | | | | amortized cost | |
| | Debts and obligations with foreign co international financial organizations | ompanies and | | | | | | |
| 09/04/15 | AFD Loans | €40,000.00 | 3.893562 | 130% | 158,985 | 98 | -1260 | 157,822 |
| 10/04/16 | AFD Loans | €10,000.00 | 3.893562 | 0.61% | 39,746 | 11 | 0 | 39,758 |
| | French Development Association (AFD) | 50,000.00 | | | 198,731 | 109 | -1,260 | 197,580 |
| | AFD - Commission for not using the line – | €25.28 | 3.893562 | | 100 | | | 100 |
| | Oct 16 | | | | | | | |
| No AF De AF Ja AF Fe AF | AFD - Commission for not using the line – Nov 16 | €29.17 | 3.893562 | | 116 | | | 116 |
| | AFD - Commission for not using the line – Dec 16 | €30.14 | 3.893562 | | 120 | | | 120 |
| | AFD - Commission for not using the line – Jan 17 | €30.14 | 3.893562 | | 120 | | | 120 |
| | AFD - Commission for not using the line – Feb 17 | €27.22 | 3.893562 | | 108 | | | 108 |
| | AFD - Commission for not using the line – Mar 17 | €30.14 | 3.893562 | | 120 | | | 120 |
| | AFD - Commission for not using the line – Apr 17 | €29.17 | 3.893562 | | 116 | 116 120 116 120 | | 116 |
| | AFD - Commission for not using the line – May 17 | €30.14 | 3.893562 | | 120 | | | 120 |
| | AFD - Commission for not using the line – Jun 17 | €29.17 | 3.893562 | | 116 | | | 116 |
| | AFD - Commission for not using the line – July 17 | €30.14 | 3.893562 | | 120 | | | 120 |
| | AFD - Commission for not using the line – Ago 17 | €30.14 | 3.893562 | | 120 | | | 120 |
| | AFD - Commission for not using the line – Sep 17 | €29.17 | 3.893562 | | 116 | | | 116 |
| | AFD - Commission for not using the line – Oct 17 | €30.14 | 3.893562 | | 120 | | | 120 |
| | AFD - Commission for not using the line – Nov 17 | €29.17 | 3.893562 | | 116 | | | 116 |
| | AFD - Commission for not using the line – Dec 17 | €30.14 | 3.893562 | | 120 | | | 120 |
| | AFD - Commission for not using the line – Jan 18 | €30.14 | 4.893562 | | 120 | | | 120 |
| | AFD - Commission for not using the line – Feb 18 | €27.22 | 5.893562 | | 108 | | | 108 |
| | AFD - Commission for not using the line – Mar 18 | €30.14 | 6.893562 | | 118 | | | 118 |
| | | €526.944 | | - | 2,094 | 1 | 1 | 2,094 |
| | | €50,526.944 | | - | 200,826 | 110 | -1,259 | 199,675 |

| | | Main foreign | | Annual | | In thousands of S/. | | |
|----------|---|--------------|----------|----------|---------|---------------------|------------------|---------|
| Date | Financial institution | currency | | interest | Main | Interests | Adjust amortized | Total |
| | | | | | | | cost | |
| | Debts and obligations with foreign companies and international financial organizations | | | | | | | |
| 09/04/15 | AFD Loans | €40,000.00 | 3.893562 | 130% | 155,742 | 607 | -1,346 | 155,004 |
| 10/04/16 | AFD Loans | €10,000.00 | 3.893562 | 0.61% | 38,936 | 71 | 0 | 39,007 |
| | | 50,000.00 | | _ | 194,678 | 679 | -1,346 | 194,011 |
| | French Development Association (AFD) AFD - Commission for not using the line – Oct 16 | €25.28 | 3.893562 | | 98 | | | 98 |

| | €50,439.44 | | 196,389 | 670 | -1,346 | 195,722 |
|---|------------|----------|---------|-----|--------|---------|
| | €439.444 | | 1,711 | 0 | 0 | 1,711 |
| AFD - Commission for not using the line – Dec 17 | €30.14 | 3.893562 | 118 | | | 118 |
| AFD - Commission for not using the line – Nov 17 | €29.17 | 3.893562 | 114 | | | 114 |
| AFD - Commission for not using the line – Oct 17 | €30.14 | 3.893562 | 117 | | | 117 |
| AFD - Commission for not using the line – Sep 17 | €29.17 | 3.893562 | 114 | | | 114 |
| AFD - Commission for not using the line – Ago 17 | €30.14 | 3.893562 | 117 | | | 117 |
| AFD - Commission for not using the line – July 17 | €30.14 | 3.893562 | 117 | | | 117 |
| AFD - Commission for not using the line – Jun 17 | €29.17 | 3.893562 | 114 | | | 114 |
| AFD - Commission for not using the line – May 17 | €30.14 | 3.893562 | 117 | | | 117 |
| AFD - Commission for not using the line – Apr 17 | €29.17 | 3.893562 | 114 | | | 114 |
| AFD - Commission for not using the line – Mar 17 | €30.14 | 3.893562 | 117 | | | 117 |
| AFD - Commission for not using the line – Feb 17 | €27.22 | 3.893562 | 106 | | | 106 |
| AFD - Commission for not using the line – Jan 17 | €30.14 | 3.893562 | 117 | | | 117 |
| AFD - Commission for not using the line – Dec 16 | €30.14 | 3.893562 | 117 | | | 117 |
| AFD - Commission for not using the line – Nov 16 | €29.17 | 3.893562 | 114 | | | 114 |

b) Outstanding securities - This caption is made up as follows:

| | Annu al nomi | | | Book | velue. |
|---------------------------------------|---------------------|------------------------------|-------------|----------------------|----------------------|
| | nal inter est | | Amount | BOOK \ | |
| | rate | Maturity | issued | 2018 | 2017 |
| | % | | (000) | S/(000) | S/(000) |
| Domestic issuances | | | | | |
| Corporate Bonds - 1st program (b) | | | | | |
| 1st issuance ("A" series) (a) | 6.66 | April, 2019 | S/116,045 | 115,950 | 115,921 |
| 4th issuance ("A" series) (b) | 6.72 | July, 2026 | S/310,000 | 309,717 | 309,776 |
| 3rd issuance ("A" series) (c) | 7.00 | February, 2024 | S/1,500,000 | 1,494,589 | 1,494,436 |
| International issuances | | | | | |
| Corporate Bonds - | 3.50 | lanuary 2022 | US\$500,000 | 1 601 020 | 1 607 460 |
| 1st issuance (d) 2nd issuance (e) | 3.30 | January, 2023 April, 2019 | US\$300,000 | 1,601,030 833,839 | 1,607,468 901,043 |
| 3rd issuance (f) | 3.30 1.25 | June, 2019 | CHF250,000 | 843,569 | 831,140 |
| Reopening of 1st issuance (g) | 3.50 | January, 2023 | US\$150,000 | 478,380 | 480,263 |
| Reopening of 1st issuance (g) | 3.50 | Januai y, 2023 | 03\$150,000 | 478,380 | 480,203 |
| | | | | 5,677,074 | 5,740,047 |
| Interest payable | | | | 56,226 | 95,640 |
| Total | | | | 5,733,300 | 5,835,687 |

- a) In April 2016, the Fund carried out the first bond issuance in the local market. The issuance corresponded to a nominal amount of thousands of S/ 116,045, maturing in 3 years. Bonds were placed under par at a coupon rate of 6.65625%, with a half-yearly payment of interest and amortization at maturity.
- b) In July 2016, the Fund carried out the second bond issuance in the local market. The issuance corresponded to a nominal amount of thousands of S/ 310,000, maturing in 10 years. Bonds were placed under par at a coupon rate of 6.7188%, with a half-yearly payment of interest and amortization at maturity.
- c) In February 2017, the Fund carried out the third bond issuance in the local market. The issuance corresponded to a nominal amount of S/1,500 billion, maturing in 7 years. Bonds were placed under par at a coupon rate of 7.0%, with a half-yearly payment of interest and amortization at maturity.
- d) In January 2013, the Fund issued bonds under Rule 144 and Regulations S of the U.S. Securities Law in the international market. The issuance corresponded to a nominal amount of thousands of US\$500,000, maturing in 10 years. Bonds were placed under par at price of 99.15%, and at a coupon rate of 3.50%, with a half-yearly payment of interest and amortization at maturity.

- e) In March 2014, the Fund negotiated bonds under Rule 144 and Regulations S of the U.S. Securities Law in the international market. The issuance corresponded to a nominal amount of thousands of US\$300,000, maturing in 5 years. Bonds were placed under par at price of 99.763%, and at a coupon rate of 3.375%, with a half-yearly payment of interest and amortization at maturity.
- f) In May 2014, the Fund issued bonds in the Swiss market. The issuance corresponded to a nominal amount of thousands of CHF 250,000, maturing in 4 years. The bonds were placed under par at a price of 99.826%, and a coupon rate of 1.250% with an annually payment of interest and amortization at maturity.
- g) In February 2017, the Fund reopened the 1st international issue to a nominal amount of thousands of US\$150,000, bonds under Rule 144, and Regulation S of the U.S. Securities Law in the International Market, maturing in 10 years, at a coupon rate of 3.50% with an annually payment of interest and amortization at maturity.

The resources raised by the debt issues are exclusively used to finance lending operations.

As of March 31, 2018, interest expenses arising from outstanding securities issued by the Fund amounts to S/ 62,554 (Thousands of S/48,545 as of March, 2017) (note 19).

14. Accounts payable

The account payable item comprises the following:

| | As of 03.31.18 | As of 12.31.17 |
|---|----------------|----------------|
| In thousands of soles | S/(000) | S/(000) |
| Other accounts payable: | | |
| FONAVI contributions (a) | 90,466 | 161,568 |
| Good payer bonus (capital) allocated to COFIDE (b) | 117,145 | 119,328 |
| Household Housing Bonus to be transferred to technical entities (d) | 428,452 | 559,901 |
| Savings of the family group eligible for transferring to technical entities (d) | 9,877 | 13,745 |
| Savings of the family group eligible for transferring to Promoters (AVN) (e) | 3,787 | 5,145 |
| Resources to transfer for executed letters of guarantees | 4,137 | 4,082 |
| Good payer bonus (capital) received from MVCS (f) | 104,006 | 46,555 |
| Workers' Participation | 2,453 | 0 |
| Supplier payables | 4,180 | 5,987 |
| Vacation and fringe benefits liquidations | 1,562 | 971 |
| BBP - Closed agreements | 67 | 82 |
| Others | 811 | 13,542 |
| | 766,948 | 930,825 |

(a) As of March 31, 2018, and December 31, 2017 this item compromises the following:

| | As of 03.31.18 | As of 12.31.17 |
|--|-------------------|-------------------|
| In thousands of soles | S/(000) | S/(000) |
| FONAVI collections | 24,050 | 95,152 |
| FONAVI contributions pending from being transferred to the MEF | 621 | 621 |

| Refund of FONAVI pending collection | 65,795 | 65,795 |
|-------------------------------------|--------|---------|
| | 90,466 | 161,568 |

FONAVI collection correspond to balances allocated to the Fund as a result of the collection made by the Peruvian Tax Authority (SUNAT) related to contributions made to FONAVI by the tax payers in accordance with Law No. 26969.

The activity of this item is as follows:

| | As of 03.31.18 | As of 12.31.17 |
|--|-------------------|-------------------|
| In thousands of soles | S/(000) | S/(000) |
| Balance at beginning of the fiscal year Collection of the fiscal year | 95,152 | 95,327 |
| Reclassification of contributions pending to be transferred to the MEF | (71,102) | 0 |
| Reimbursement of FONAVI contributions | 0 | (175) |
| Balance at end of the fiscal year | 24,050 | 95,152 |

FONAVI contribution pending from being transferred to the MEF corresponds to collection made by SUNAT that made contributions who have tax stability as per the Law No. 27071.

The refunds of contributions to the FONAVI pending payment corresponds to checks issued from 1999 to 2018 pending collection by the beneficiaries. These checks were issued as reimbursement of FONAVI contributions according to SUNAT communications, which is the entity responsible for the collection of these resources.

(b) Corresponds to the financial resources received from the MVCS that were allocated to the credits authorized to the IFI (Crédito Proyecto MIHOGAR and Créditos Nuevo MIVIVIENDA), prior review of compliance with the requirements established in the respective regulations. The changes of this item are shown below:

| | 03.31.2018 S/(000) | 12.31.2017 S/(000) |
|---|------------------------------|------------------------------|
| Balance at the beginning of the year | 119,328 | 127,972 |
| Plus (less) | | |
| Assignments received to grant the BBP | 17,660 | 70,088 |
| Reversal of BBP Assigned | 192 | 444 |
| Transfers of BBP | (192) | (444) |
| Disbursement of BBP assigned as initial installment | (17,660) | (70,088) |
| Application of BBP to installments of crédito Proyecto MIHOGAR | (425) | (3,933) |
| Application of BBP to installments of Nuevo Crédito MIVIVIENDA | (1,727) | (4,666) |
| Application of BBP to installments of Ex Crac Sr. De Luren | (31) | (45) |
| Balance at the end of the year | 117,145 | 119,328 |

(c) It corresponds to the balance payable to technical entities on behalf of eligible households who accessed the Techo Propio program. It comprises the amount of savings deposited by the households in the Fund's account and savings of Fondo de Vivienda Policial (FOVIPOL).

- (d) It corresponds to the balance payable to technical entities (builders) for the financing of the Household Housing Bonus (BFH as per its Spanish acronym) of households that accessed to the Techo Propio program
- (e) It corresponds to the balance payable to the promoters on behalf of the eligible households that accessed the Adquisición de Vivienda Nueva Program (Acquisition of New Housing, AVN as per its Spanish acronym). Includes the savings deposited by households in the Fund's accounts.
- (f) Corresponds to the balance of funds received from MVCS, pending allocation to beneficiaries that request loan products offered by the Fund. The Fund performs the allocation of these resources through COFIDE when disbursements are authorized to IFI for loans approved. The changes of this caption are as follows:

The activities of the balance are as follows:

| | 03.31.2018 S/(000) | 12.31.2017 S/(000) |
|--|------------------------------|------------------------------|
| Balance at the beginning of the year Plus (less) | 46,555 | 1,982 |
| Resources received from MVCS during the year (i) BBP Assigned (ii) Transfers of BBP Assigned | 75,000 (17,660) 192 | 114,148 (70,088) 513 |
| Balance at the end of the year | 104,006 | 46,555 |

- (i) Corresponds to the funds from the MVCS in accordance with the Agreement for the execution of the Good Payer Bonus No. 1428-2016-VIVIENDA and the addendum to said agreement.
- (ii) As of March 31, 2018, the allocation of resources were approved by Supreme Decree No. 003-2015, Agreement for the Execution of Good Payer Bonus No. 1428-2016 and Agreement by ascending amounts. As of December 31, 2016, the allocation of resources were approved by Supreme Decree No. 003-2015 and Agreement for the Execution of Good Payer Bonus No. 1428-2016.

15. Provisions and other liabilities

Provision and other liabilities items include the following:

| | As of 03.31.18 | As of 12.31.17 |
|-----------------------|-------------------|-------------------|
| In thousands of soles | S/(000) | S/(000) |
| Other Provisions (a) | 2,910 | 7,222 |
| Other liabilities (b) | 1,087 | 1,092 |

- (a) This item includes provisions for judicial and labor litigations and suits, which in opinion of Management and its legal advisors, the provision recorded as of March 31, 2018 and December 31, 2017 is sufficient to cover the risk of loss due to litigation and suits of the Fund. Furthermore, includes the provisions for the Credit Risk Coverage of the USD portfolio of the COFIDE Trust, which the Fund sold in 2007 to the main IFI.
- (b) This item includes the deferred income from rescheduling and refinancing of the portfolio and the one generated by the higher value obtained when receiving the

portfolio of Ex CRAC Señor De Luren that the Fund held in the COFIDE Trust for the activation of Clause Thirteenth.

16. Net Equity

(a) Capital stock -

As of March 31, 2018, and December 31, 2017, the capital stock comprises 3'302,620,497 common shares, subscribed and paid up to an amount of thousands of S/3,303, which nominal value is one sol per share. The unique shareholder of the Fund is the Fondo Nacional de Financiamiento de la Actividad empresarial del Estado – FONAFE (National Fund for the Financing of the State Entrepreneurial Activities).

On March 28, 2018 the Fund's General Stockholder Meeting agree the capitalization of the profit for the 2017 fiscal year, net of the legal reserve, amounting to thousands of S/22,094, which is still pending registration in public registries.

On March 29, 2017 the Fund's General Stockholder Meeting agree the capitalization of the profit for the 2016 fiscal year, net of the legal reserve, amounting to thousands of S/45,534.

(b) Legal reserve-

As of March 31, 2018, and December 31, 2017, the Legal Reserve of the Fund shows a balance of thousands of S/ 19,378 and thousands of S/ 249, respectively.

Pursuant to the current legal regulations, the Fund should reach a legal reserve of at least 35 per cent of its paid capital. This reserve is created by an annual transfer of no less than 10 per cent of net profits, it can only be used to offset losses or capitalization, existing in both cases an obligation to replace it.

In the General Shareholders' Meeting held on March 28, 2018, and March 29, 2017, the constitution of the legal reserve was agreed for the profits of the fiscal years 2017 and 2016 for thousands of S/2,455 and for thousands of S/5,059, respectively.

With SBS Resolution No. 4907-2017, dated the December 20, 2017, the SBS approved that the Fund reduce the legal reserve for the amount of thousands of S/ 71,276 to cover the deficit of the provisions of the COFIDE Trust account receivable, for the modification of its calculation methodology. Therefore, from 2018, in application of IAS 12, this accounting record has generated a temporary difference, generating as a consequence the recording of a deferred income tax, the effect as of 03.31.2018 ascending to thousands of S/ 16,674.

(C) Adjustment to equity

The equity adjustments correspond to unrealized gain (loss) generated by the valuation of available-for-sale investments, the reclassified investments of available-for-sale investments; as well as the effect of the valuation of derivative agreements of currencies classified as cash flow hedges: forwards and Swaps (interest rate effect) when they are within the range of effectiveness. The movements of this item are shown below:



| | Balance as of January 1, 2017 S/(000) | Reclassification S/(000) | (Debit)/credit to statements of comprehensive income S/(000) | Balance as of December 31, 2017 S/(000) | (Debit)/credit to statements of comprehensive income S/(000) | Balance as of March 31, 2018 S/(000) |
|--|---|-----------------------------|--|--|--|--|
| Available-for-sale investments from the Fund | | | | | | |
| (Loss) unrealized gain from investments available-for-sale, net of transfers to profit and loss | - | 11,846 | 8,214 | 46 | 56 | 102 |
| Unrealized loss from debt instruments, reclassified from "Available-for-sale investments" to "Held to maturity investments", Notes 3(h) and 5(f) | (10,352) | (11,846) | 1,494 | (8,692) | 645 | (8,047) |
| | (10,352) | | 9,708 | (8,646) | 701 | (7,945) |
| Deferred income tax | 407 | - | (844) | 74 | 16 | (91) |
| Sub total | (9,945) | | 8,864 | (8,572) | 717 | (8,036) |
| Cash flow hedges Net gain (loss) from cash flow hedge | 219,023 | | (174,943) | 71,163 | (7,579) | 63,584 |
| Transfer to profit and loss of (gain) realized loss from cash flow hedge derivatives | (269,605) | - | 69,159 | (229,215) | (5,426) | (234,641) |
| | (50,582) | | (105,784) | (158,052) | (13,005) | (171,057) |
| Deferred income tax | 14,922 | - | 29,519 | 46,625 | 3,837 | 50,462 |
| Sub total | (35,660) | | (76,265) | (111,427) | (9,168) | (120,595) |
| Total Operations of the Mivivienda Fund | (45,605) | | (67,401) | (119,999) | (8,451) | (128,631) |



On the part of the hedging derivatives, the variation is due to the fact that at March 31, 2018, the M2M decreased with respect to that recorded on February 28, 2018, due to the decrease in the effect of the exchange rate (positive ETC on both dates).

The changes in exchange rates and interest rates, as compared to the previous year, and their impact on valuation are detailed as follows:

- Exchange Rate effect: The USDPEN, CHFPEN and EURPEN accounting rates decreased with respect to the previous month's closing, generating a negative impact on the valuation of the purchase derivatives. Therefore, the ETC at March 31, 2018 was lower than that at February 28, 2018.
- Interest Rate Effect: The ask rates of the PEN swap curve increased in the short and long term compared to the close of the previous month. The bid rates of the CHF and EUR swap curves decreased in the medium and long term (in the short term did not show significant variation) with respect to the close of the previous month. On the other hand, the bid rates of the USD swap curve increased in the short term (there was no significant variation in the medium and long term) with respect to the previous month's close. Finally, the impact resulted in a positive variation of the ETI (negative ETI on both dates).
- Total effect: M2M at March 31, 2018 decreased compared to the previous month's closing due to the exchange rate effect. It should be noted that the total valuation remains positive.

(d) Effective equity

In June 2008, by means of Legislative Decree No. 1028, the Ley de Banca, Seguros y AFP (Law on Banking, Insurance and AFP) was modified, establishing that the effective equity must be equal to or greater than 10 percent of the assets and contingent loans weighted by total risk that correspond to the sum of: (i) the effective equity requirement for market risk multiplied by 10, (ii) the requirement of effective equity for operational risk multiplied by 10, and (iii) assets and contingent loans weighted by credit risk.

As of March 31, 2018, and December 31, 2017, pursuant to Legislative Decree No. 1028 and its amendments, the Fund maintains the following amounts in relation to assets and contingent credits weighted by risk and equity (basic and supplementary), in soles:

| | 2018 | 2017 |
|--|----------------|----------------|
| | <u>S/(000)</u> | <u>S/(000)</u> |
| Assets and credits weighted by total risks | 3,238,705 | 3,359,246 |
| Total effective equity | 3,331,777 | 3,289,330 |
| Basic effective equity (Level1) | 3,331,777 | 3,289,330 |
| Global capital ratio over the effective equity | 90.41% | 86.76% |

As of March 31, 2018, and December 31, 2017, the Fund has complied with SBS Resolutions No. 2115-2009, No. 6328-2009, No. 14354-2009, No. 4128-2014, Regulations for the Requirement of Effective Equity for Operational Risk, Market Risk and Credit Risk, respectively, and its amendments. These Resolutions establish, mainly, the methodologies to be used by financial institutions to calculate assets and weighted credits for each type of risk.

In July 2011, the SBS issued Resolution No. 8425-2011, which establishes that in order to determine the level of additional effective equity, financial institutions must have a process to evaluate the sufficiency of their effective equity according to their profile of risk, according to the methodology described in said Resolution. In application of said norm, the requirement of additional effective equity will be equal to the sum of the effective capital requirements calculated for each of the following components: economic cycle, risk by concentration, risk by market concentration, risk by interest rate in the bank book and other risks.

Furthermore, establishes a five-year gradual adjustment period as of July 2012. As of March 31, 2018, the adequacy percentage established by the SBS is 100 percent, so the additional requirement of effective equity estimated by the Fund amounts to thousands of S/ 64,242 (thousands of S/ 66,574 as of December 31, 2017).

According to the Fund Management, the Fund has complied with the requirements established in the aforementioned resolution and will have no objection to continue complying with them, given that the equity constituted by the Fund easily covers said requirements.

17. Interest income

The item is comprised as shown below:

| | 2018 <u>S/(000)</u> | 2017 <u>S/(000)</u> |
|--|-------------------------------|-------------------------------|
| Interest income | | |
| Interests from accounts receivable (Trust Agreement – COFIDE), net of interest related to the PBP granted by the Fund (a) | 98,265 | 92,898 |
| Interests per available (b) | 23,482 | 19,318 |
| Interest on investment returns (c) | 6,712 | 5,928 |
| Others incomes | 53 130,548 | 137 118,281 |

- a) Corresponds to the interest generated by the accounts receivable from the financial entities that are placed through the COFIDE Trust.
- b) Corresponds to the interest generated by the remunerated bank accounts and the interest accrued on time deposits.
- c) During 2018, our investment portfolio was constituted primarily by Investments to Mature, thus this item is made up of Sovereign bonds, corporate bonds, subordinated bonds and security bonds among other bonds.

18. Interest expenses

The item is comprised as shown below:

| | 2018 S/(000) | 2017 S/(000) |
|--|------------------------|------------------------|
| Interest expenses | 0,(000) | 0,(000) |
| Interest and commissions on securities and bonds outstanding (a) | 62,554 | 48,545 |
| Expenses for granting Good payer award (capital) (b) | 12,904 | 16,827 |
| Interest and commissions on debts and financial obligations (c) | 692 | 2,748 |
| Commissions and other charges for financial obligations | 348 | 306 |
| Expenses for Cobertura de Riesgo Crediticio CRC | 19 | |
| | 76,517 | 68,426 |

- (a) Corresponds to interest accrued by bond issues of international issues, the first issuance was in 2013, the 2nd and 3rd issuance were in 2014 and the reopening of the 1st issuance was in February 2017. In addition to the local issuances that in 2016 were made the 1st and 2nd local issuance and in February 2017 the 3rd local issuance was made, which also generated interest expenses.
- (b) This item shows the expense represented by the Good Payer Award granted through the COFIDE Trust.
- (c) Corresponds to the accrued interest and the adjustment of the amortized cost of the loan to the French Development Agency (AFD as per its Spanish acronym), as well as the provision for the non-use of the Afraissal Fee Euros credit line.

19. Financial Services Income

It corresponds to the commissions received for the trust management service, mainly the management of the CRC-PBP Trusts, for which the Fund receives a monthly commission equivalent to 0.05 percent of the net equity of the CRC and PBP as of the close of each month, charged to CRC and PBP, and for the commission charged to the IFI for the credit risk hedging agreement and the Good Payer Award.

| 03.31.2018 | 03.31.2017 |
|------------|-------------------------------|
| S/ (000) | S/ (000) |
| 161 | 146 |
| 971 | 1,205 |
| 1,132 | 1,351 |
| | S/ (000) 161 971 |

20. Financial Services Expenses

The composition of this item is shown below:

| | 03.31.2018 | 03.31.2017 |
|-------------------------------|------------|------------|
| | S/ (000) | S/ (000) |
| Expenses from trusts and fees | 53 | 36 |
| Various expenses | 887 | 46 |
| Final Balance | 940 | 82 |

Corresponds to expenses for maintenance, postage, commissions for transfer, commission for custody of securities, service for issuing management checks and other expenses for services provided by banks; as well as the management fees that from the year 2017 COFIDE, CMAC Sullana, Financiera Efectiva and CMAC Arequipa are charging us.

21. Results from financial Transactions (ROF)

The item is comprised as shown below, in thousands of soles:

| | 03.31.2018 | 03.31.2017 |
|--|------------|------------|
| | S/ (000) | S/ (000) |
| Trading derivatives (a) | 320 | 1,574 |
| Results for Coverage operations (b) | (28,009) | (25,262) |
| Profit - Loss in Exchange Difference (c) | (533) | 430 |
| Others | (671) | 122 |
| Final balance | (28,893) | (23,136) |

(a) It corresponds to net loss generated from the agreements of: negotiating forward (CHF –USD and USD-PEN), which as of 03.31.2018 represents an accumulated gain of thousands of S/ 320 mainly due to:

| Type of contract | Amount S/ |
|----------------------------|--------------|
| 004 FWD Agreements Selling | 320 |
| | 320 |

- (b) It corresponds to the net loss generated by the following agreements:
 - <u>Forward</u> of fair value coverage (USD) as of 03.31.2018 has an accumulated gain of thousands of S/ 1,914 mainly due to:

| Type of contract | Amount S/ |
|----------------------------|--------------|
| 002 FWD Agreements Selling | 1,914 |
| | 1,914 |

- <u>Swap Principal Only</u> of cash flows hedge (USD, CHF and EUR) that as of 03.31.2018 has a cumulative loss of thousands of S/ 23,210 mainly due to:

| Type of contract | Amount S/ |
|--|--------------|
| 055 Swap Principal Only Agreements -Purchase | (23,210) |
| | (23,210) |

- Cross Currency Swap of cash flows hedge (USD and EUR) that as of 03.31.2018 has a cumulative loss of S/ 6,721 thousands Soles mainly due to:

| Type of contract | Amount S/ |
|---|--------------|
| 13 Swap Cross Currency Agreement Purchase | (7,646) |
| 08 Swap Cross Currency Agreement Selling | 925 |
| | (6,721) |

- Swap Interest Only of cash flows hedge (EUR) that as of 03.31.2018 has a cumulative gain of S/ 8 thousands Soles mainly due to:

| Type of contract | Amount S/ |
|---|--------------|
| 01 Swap Cross Currency Agreement Purchase | 8 |
| | 8 |

(c) This refers principally to the Exchange rate leveling in the balances of the assets, liability, and equity accounts in U.S dollars, Swiss Francs and Euros, which resulted in a cumulative loss of thousands of S/533.

22. Administrative expenses

This item is comprised as shown below:

| | In thousands of S/. | |
|--|-----------------------|----------------------|
| | 03.31.2018 | 03.31.2017 |
| Personnel and Board of Directors expenses (a) | 8,475 | 5,158 |
| Services received from third parties (b) Taxes and contributions | 5,561 | 3,939 |
| | 137 | 109 |
| | 14,173 ======= | 9,206 ======= |

(a) This Personnel and Board of Director expenses item is comprised as shown below:

| | In thousands of S/. | |
|---|---------------------|----------------|
| | 31.03.2018 | 31.03.2017 |
| Remuneration | 3,051 | 2,549 |
| Bonus | 275 | 285 |
| Employee profit sharing | 2,453 | 122 |
| Severance indemnities | 385 | 204 |
| Gratuities | 556 | 462 |
| Severance indemnity expenses ("CTS", by its Spanish acronym) | 328 | 270 |
| Professional Internship Grant | 172 | 160 |
| Security and social security | 515 | 448 |
| Vacation | 293 | 243 |
| Training | 32 | 20 |
| Allowances to the Board | 127 | 95 |
| Food allowances | 212 | 162 |
| Personal clothing | 0 | 0 |
| Christmas bonus | 0 | 0 |
| Others | 76 | 138 |
| | 8,475 ====== | 5,158 ===== |

(b) The composition of this item "services received from third parties" is as follows":

| • | In thousands of S/ | |
|--------------------------------|--------------------|-------------------|
| | 31.03.2018 | <u>31.03.2017</u> |
| Advertising | 1,770 | 364 |
| Rental of goods and properties | 619 | 635 |
| Fee and consultancy | 857 | 815 |
| Repair and maintenance | 315 | 341 |
| TIC project expenses-FONAFE | 221 | 337 |
| Communications | 218 | 239 |
| Verification of works | 42 | 65 |
| Telemarketing services | 149 | 71 |
| Travel expenses | 50 | 101 |

| Transport | 89 | 98 |
|------------------|-------|-------|
| Insurance | 162 | 84 |
| Document storage | 69 | 66 |
| Courier services | 54 | 74 |
| Other expenses | 946 | 649 |
| Total | 5,561 | 3,939 |

23. Valuation of Assets and Provisions

The composition of this item is shown in detail below:

| | In thousands of S/ | | |
|--|--|--|--|
| | 31.03.2018 | 31.03.2017 | |
| Provisions for uncollected accounts receivable Provision COFIDE Trust Provision EXCONEMINSA Portfolio | -14,290 -18 | -4,514 -2 | |
| Provision for Invoices Receivable Provision Reversion – COFIDE Provision Reversion- EXConeminsa Provision Reversion - Banco Banex Provision Reversion - Banco Republica Provision Reversion - IFIS in Liquidation | -35 20,391 1,936 0 0 13 7,997 | -35 6,730 19 2 48 249 2,497 | |
| Provision for Suits and Complaints | -164 | -85 | |
| Other Provisions | -37 | 0 | |

24. Other income, net

The composition of this item is shown in detail below:

| | In thousands of S/ | | |
|---|--------------------|------------|--|
| - | 03.31.2018 | 03.31.2017 | |
| Other income | | | |
| Income for sundry Accounts Receivable | 254 | 73 | |
| Deferred income accrued | 3 | 10 | |
| Notarial Expenditures- Enforcement of Letter of Guarantee | 10 | 7 | |
| Penalties | 9 | 15 | |
| License for use of brand | 23 | 19 | |
| Ext of Prov Cofide Trust-Portfolio Sold 2007 | 4,138 | 0 | |
| Other incomes | 0 | 61 | |
| - | 4,437 | 185 | |
| Other expenses | | | |
| Fines | - | (6) | |
| Other minor expenses | (6) | (11) | |
| - | (6) | (17) | |
| Total other income, net | 4,431 | 168 | |

25. Profit per share

Basic profit per common share has been calculated by dividing the net profit of the year by the weighted average of the number of existing shares in such periods. Because the Fund does not have financial Instruments with dilutive effect, the basic and diluted profits per share are the same.

| Detail | Average | Amount |
|--|------------------------|----------|
| Weighted average number of Basic Shares Weighted average number of Basic Diluted Shares | 3,283,442 3,283,442 | |
| Profit for the year | | 17,536 |
| Profit for Basic Share | | 0.005334 |
| Profit per Diluted Share | | 0.005334 |

26. Tax Situation

(a) The Fund is subject to the Peruvian tax regime. As of March 31, 2018, and December 31, 2017, the income tax rate was 29.5% on the taxable profit after calculating the employees' profit sharing which, according to the current regulations, in the case of the Company, it is calculated by applying a 5 per cent rate on the taxable net income.

In view of the Legislative Decree No. 1261, published on December 10, 2016 and in effect since January 01, 2017, the applicable income tax rate on the taxable profit, after deducting the employees' profit sharing, will be 29.5% starting from year 2017 onwards.

Legal persons who are not domiciled in Peru are subject to the additional tax withholdings on the dividends received. In this regard, in accordance with the Legislative Decree referred above, additional tax on dividends for the income generated will be as follows:

- 6.8% for the income generated from January 01, 2015 to December 31, 2016.
- For the income generated starting January 01, 2017, which distribution is done from such date, the applicable rate will be 5%.
- (b) Since 2011, with the amendment introduced by Law No. 29645 on the Income Tax Law, it is also included as one of the supposed exemptions from Income Tax to interest and other profits from external loans granted to the Peruvian National Public Sector. State companies with private rights are considered as conformers of the Peruvian National Public Sector.
- (c) Furthermore, it is considered as Peruvian source income those obtained by the indirect disposal of shares or participations representative of the capital of body corporates domiciled in the country. For this purpose, it should be considered that an indirect disposal is produced when shares or participations representative of the capital is disposed of a body corporate non-domiciled in the country, who at the same time owns directly or through body corporates shares or participations representative of the capital in the country, as long as it is pursuant to certain conditions established by law.

Currently, the Income Tax Act mentions that an assumption of an indirect transfer of shares is set when, during any of the 12 months before the disposal, the market value of the shares or participations of the domiciled body corporate is equivalent to 50% or more of the market value of the shares or participations of the non-domiciled body corporate. Additionally, it is established, as a concurrent condition that during any period of 12 months shares or participations representing 10% or more of a non-domiciled body corporate's capital shall be disposed.

According to Article 19° subparagraph q) of the Ordered Single Text (TUO as per its Spanish acronym) of the Income Tax Law (LIR as per its Spanish acronym), interests and other gains from foreign credit granted to the National Public Sector are exempted until December 31, 2018 (1), thus the obligation to carry out income tax withholdings to those who are not domiciled in Peru is also exempted.

Furthermore, the disposal of real estate investments carried out by the FUND are also exempted of income tax from January 01, 2017 to December 30, 2019 (1):

- i. Common shares and investment shares
- ii. American Depository Receipts (ADR) and Global Depositary (GDR)
- iii. Exchange Trade Fund Units (ETF) that have underlying shares and/or representative securities.
- iv. Debt securities.
- v. Participation certificates of security investment mutual fund.
- vi. Participation certificates of real estate tax investment fund (FIRBI as per its Spanish acronym) and participation certificates of real estate investment trust (FIBRA, as per its Spanish acronym).
- vii. Tradable invoice.

As for Value Added Tax, the interests generated by real estate securities emitted through public or private offering by body corporates incorporated or domiciled in the country are not taxed, as well as the interests generated by security titles not placed through public offering, when those have been acquired through a centralized trade mechanism as referred to in the Securities Market Law.

- d) For determining the Income Tax, transfer prices of transactions with related enterprises and with enterprises domiciled in countries or areas with low or no tax shall be supported with documentation and information about the valuation methods used and criteria considered for its determination. Based on the analysis of the Fund's operations, the Management and its legal advisors suggest that, as a consequence of the application of these regulations, there won't be important contingencies for the Fund as of March 31, 2018 and December 31, 2017.
- e) The Taxing Authority has the power to review and, if applicable, to correct the income tax calculated by the Fund during the four years after the year the corresponding tax return is issued. Affidavit of income tax for the years 2013, 2015 and 2016 and value added tax from 2012 to 2016; they are subject to inspection by the Tax Authority. In 2016, the Fund was audited by the Income Tax for the 2014 period, for which the Tax Administration determined the return of the ITAN in favor of the Fund for an amount of S/ 27'700,000. Likewise, the Tax Administration determined interest accrued in favor of the Fund for the return of the ITAN for an amount of S/ 1,865,000. In 2015, the Fund was audited by the Income Tax for the 2012 period. In this regard, the Tax Administration did not find observations or amounts of omission that should have been regularized after the determination of the debt issued.

- f) The Fund has made a provision for current income tax as of March 31, 2018 for an amount of thousands of S/ 13,751.00, this effect is mainly due to the tax treatment of the difference in exchange for assets and liabilities in foreign currency, that by comparing the accounting rates on weighted average exchange of purchase and sales, generated a deduction of thousands of S/ 80,412. There was not a provision of the income tax as of December 31, 2017.
- g) The provision of income tax as of March 31, 2018, and December 31, 2017, discounting i) payments to account effectively paid before the end of the financial year, ii) tax credit to income from previous years, iii) payments by ITAN, (iv) the following are other taxes presented in the Current Tax:

| | 2018 <u>S/(000)</u> | 2017 <u>S/(000)</u> |
|--|-------------------------------|-------------------------------|
| Provision for income tax | (13,751) | |
| Payments on account of income tax | 6,125 | - |
| ITAN | - | - 62,899 |
| Income Tax Credit Previous Fiscal Year | 62,899 | |
| General Income Tax | (57) | (120) |
| Total | 55,216 | 62,779 |

h) In relation to the provision of the Income Tax shown in the income statement comprises:

| | 2018 | 2017 |
|------------|----------------|----------------|
| | <u>S/(000)</u> | <u>S/(000)</u> |
| Income Tax | | |
| Current | (13,751) | (683) |
| Deferred | 8,440 | (6,214) |
| TOTAL | (5,311) | (6,897) |

i) The reconciliation of the effective Income Tax rate with the tax rate is presented as follows:

| S/ (000) | % | S/ (000) | % |
|----------|-----------------|--|--|
| 22,507 | 100 | 21,062 | 100 |
| 6,639 | 29.50% | 6,213 | 29.50% |
| -1,328 | -5.90% | 684 | 3.25% |
| 5,311 | 23.60% | 6,897 | 32.75% |
| | 6,639 -1,328 | 6,639 29.50% -1,328 -5.90% | 6,639 29.50% 6,213 -1,328 -5.90% 684 |

27. Deferred Income Tax

The deferred income tax has been calculated on the basis of the differences between the accounting and tax base of assets and liabilities. The composition according to the items that originated it is as follows:

| | Balance as of | Additions (Dec | Additions (Deductions) | | |
|---|---------------|----------------|------------------------|------------|--|
| | 03.31.2018 | | | 12.31.2017 | |
| | (000) | Results | Equity | (000) | |
| Assets | | | | | |
| Generic provision for doubtful accounts receivable Result | 12,585 | (17) | | 12,602 | |
| Generic provision for doubtful accounts receivable Equity | 16,674 | | 16,674 | - | |
| Unrealized losses (Gains) due to derivatives valuation with coverage purposes | 50,462 | | 3,837 | 46,625 | |
| Deferred income by portfolio | 3,291 | 201 | | 3,090 | |
| Other assets | 1,909 | (2) | | 1,911 | |
| Total Deferred Asset | 84,921 | 182 | 20,511 | 64,230 | |
| Liability Unrealized gains from fluctuation of available-for-sale investments | (30) | | (16) | (14) | |
| Unrealized loss of debt instruments, reclassified from "Available-for-sale investments" to "Investments to mature" | (61) | | (148) | 87 | |
| Unrealized losses by Investment Trusts | (1) | | (125) | 124 | |
| Leveling of assets and liabilities | (15,463) | 8,258 | - | (23,721) | |
| Others | - | | - | | |
| Total Deferred Liability | (15,555) | 8,258 | (289) | - (23,524) | |
| | 69,366 | 8,440 | 20,222 | 40,706 | |

28. Financial Risk Management

The activities of the Fund are mainly related to the credit placement of its resources through financial entities of the country for the acquisition of housing by natural persons. Financial institutions are evaluated and assigned long-term credit lines; also participates in work to encourage the construction and promotion of housing, and manage the resources received from the State (such as BFH) and its own, investing these funds mainly, in investments of fixed income and investment grade, in order to make them profitable and preserve their value over time, ensuring the necessary liquidity to fulfill their obligations and its lending activities.

In this sense, the financial risk management comprises the administration of the main risks, which the Fund faces due to the nature of its operations. The risks are: credit, market, liquidity and operation risks.

- Credit risk: the possibility of losses due to the inability or unwillingness of debtors, issuers, counterparties or obligated third parties to fulfill their contractual obligations.

- Market risks: the possibility of losses in positions on and off statement of financial position derived from variations on interest rates, exchange rates, prices of equity instruments and other market prices, which affect the valuation of positions in financial instruments.
- Liquidity risk: the possibility that the Fund cannot meet with the payment at maturity of its obligations incurring losses that significantly affect its equity position.
- Operation risk: the possibility of losses due to inadequate processes, staff failures, information technology or external events.

In order to management said risks, the Fund has a structure and organization specialized in the management, measurement and reporting systems, and mitigation and coverage processes.

(a) Structure and organization of risk management -

The Fund has a managerial and governance structure that allows it to adequately articulate the management and control of the risks it is exposed to.

(i) Board of Directors

The Fund's Board of Directors is responsible for establishing an adequate integrated management of risks and for fostering an internal environment that facilitates its development. The Board of Directors keeps permanently informed about the degree of exposure of the various risks managed by the Fund.

The Board has created a number of specialized committees in which it has delegated specific functions with the objective of strengthening risk management and internal control.

(ii) Risk Committee

The Risk Committee is a collegiate body created by agreement of the Board of Directors. It is responsible for approving the policies and the organization for the integral management of risks, as well as the modifications that are made to them. The Committee defines the level of tolerance and the degree of exposure to risk that the Fund is willing to assume in the development its business and decides the needed actions for the implementation of corrective measures required, in case there are deviations from the levels of tolerance to the risk and the degrees of exposure assumed. The Committee session on a monthly basis and is comprised by the Chairman of the Board and two Directors, the General Manager and the Risk Manager. The Committee reports quarterly to the Board of Directors the agreements reached and issues discussed in the Risk Committee meetings.

(iii) Special Audit Committee

The Special Audit Committee is a collegiate body created in Board session. Its main purpose is to ensure that accounting and financial reporting processes are appropriate, as well as to evaluate the activities performed by internal and external auditors, and to monitor the proper functioning of the internal control system. The Special Committee is comprised by three members of the Board of Directors, and the General Manager and the Chief of the Internal Audit Office as guests, as well as any other officers that the Audit Committee deems necessary. The Committee meets at least once a month and reports quarterly to the Board on the topics discussed.

(iv) Assets and Liabilities Management Committee

The Assets and Liabilities Management Committee (hereinafter "ALCO") is a collegiate body created by Board of Directors agreement. Its main function is to manage the financial structure of the Fund's statement of financial position, in accordance with the profitability and risk targets. The Committee is also responsible for proposing new products or operations or strategies that contain market and liquidity risk components. It is also the communication channel with the areas that generate market and liquidity risk. The Committee meets monthly and is comprised by the General Manager, Commercial Manager, Finance Manager and Risk Manager.

(v) General Management

The General Management is responsible for implementing an adequate integral management of risks in the Fund. It manages and coordinates the efforts of the different managements and offices, ensuring an adequate balance between risk and profitability. The Risk Management is a line organ and depends directly on the General Management; this management is in charge of proposing the policies, procedures and methodologies for a competent comprehensive risk management, promotes the alignment of the measures of treatment of the Fund's risks with the levels of appetite and risk tolerance and the development of appropriate controls. The Risk Management is comprised by the Market Risk, Liquidity and Operational Department and the Credit Risk and Portfolio Tracking Department.

(vi) Internal audit

The Internal Audit Office reports functionally to the Board of Directors. Provides independent services, and assurance and consultation objectives. Assists to the Fund in achieving its objectives applying a systematic and disciplined approach to assessing and improving the effectiveness of governance, risk management and control processes.

(b) Risk measurement and reporting systems -

The Fund uses different risk management models and tools for risk management. These tools measure and assess risk to make better decisions at different stages of the credit life cycle, or of an investment.

Management indicators are reviewed and analyzed on an ongoing basis in order to identify possible deviations in the risk profile from the stipulated risk appetite and to take corrective measures in a timely manner. This information is presented monthly to the Risk Committee and periodically to the Board of Directors.

(c) Risk concentration

Through its policies and procedures, the Fund has established the necessary guidelines and mechanisms to avoid an excessive concentration of risks, maintaining a diversified portfolio consequently. In the event that a concentration risk is identified, the Fund has specialized units that allow it to control and manage said risk.

28.1 Credit risk -

The Credit risk is defined as the likelihood of incurring in financial losses originated by the breaching of the contractual obligations by a counterpart or bound third parties due to insolvency, inability or lack of willingness to pay.

(a) The Fund opts for a risk policy that ensures sustained and profitable growth; for this purpose, incorporates analysis procedures for adequate decision-making, tools and methodologies to identify, measure, mitigate and control the different risks in the most efficient manner and in accordance with the SBS. It also develops management models that allow an adequate measurement, quantification and monitoring of the credits granted to IFI, promoting the continuous improvement of policies, tools, methodologies and processes.

The exposure to Fund's credit risk is managed through the continuous analysis of the capacity of the debtors to comply with the payments of interest and capital of their obligations and through the monitoring of the use of the general credit line granted to the IFI.

(b) Maximum exposure to credit risk -

As of March 31, 2018, and December 31, 2017, the Fund Management has estimated that the maximum amount of credit risk to which the Fund is exposed is represented by the book value of financial assets that present a credit risk exposure and that consist mainly of bank deposits, available-forsale investments, held-to-maturity investments, accounts receivable, transactions with financial derivative instruments and other monetary assets. Exposure by each counterparty is limited by internal and regulatory guidelines.

In that sense, as of March 31, 2018 and December 31, 2017:

- 100 percent for both years of the accounts receivable (Trust Agreement COFIDE) is classified, according to IFI risk, into the two upper levels defined by the SBS.
- 92.63 percent and 92.49 percent, respectively, of the accounts receivable (Trust Agreement COFIDE) is classified, according to final borrower risk, are considered as not matured or impaired.

With respect to the evaluation of the Loans Portfolio, the Fund classifies the borrowers into the risk categories established by the SBS and according to the classification criteria indicated for each type of credit: that is, for the debtors of the mortgage portfolio. The classification of the debtors is determined by a methodology based on the criteria of Resolution SBS No. 11356-2008 "Regulation for the evaluation and classification of the debtor and the requirement of provisions" and their modifications. See Note 3(e)

(c) Credit risk management for accounts receivable (Trust Agreement -COFIDE) -Credit risk is managed mainly through the admission, monitoring and control of the IFI.

Credit risk analysis at the IFI is mainly based on: (i) economic, financial and commercial evaluation, (ii) market development evaluation, (iii) IFI management evaluation, (iv) funding sources evaluation and real estate projects to be developed, (v) evaluation of collateral and guarantee, (vi) economic sector evaluation. The main functions of credit risk management are: (i) IFI credit risk analysis, (ii) IFI classification and allowance, (iii) review of loan portfolio to IFI, through the evaluation of its credit policies, operating procedures, and in general, and (iv) the monitoring and monthly control of the IFI from internally defined financial indicators.

The financial loans granted by the Fund are placed in national currency. It is important to note that the Fund still maintains loan balances in US dollars, corresponding to first products disbursed (as of March 31, 2018, and December 31, 2017, the U.S. dollar portfolio represents 2.52 and 2.75 percent of the total portfolio, respectively).

As of March 31, 2018, and December 31, 2017 and 2016, the maximum level of exposure to Fund's credit risk is approximately S/6,383,270,921.43 and S/6,321,390,509.63, respectively, corresponding to their balances of accounts receivable (Trust Agreement – COFIDE)

In accordance with the Agreement for Channeling of Resources signed between the Fund and the IFI, the IFI has responsibility about the constitution of mortgage guarantee for each sub borrowing.

Due to its fiduciary role, COFIDE has mechanisms through the agreements of channeling resources signed with the IFI, which ensure the mass of mortgage loans placed by the Fund, for which the IFI must respond.

The evaluation and proposal of the credit line is made by the Commercial Management. The Risk Management reviews the evaluation and analyzes the risks. The proposal is referred to the Risk Committee for approval or refusal.

The table below presents the accounts receivable (Trust Agreement – COFIDE) based on the IFI risk classification by IFI.

| IFI Risk: | As of March | 31, 2018 | As of December 31, 2017 | | |
|---------------------------------------|--------------------------------|----------|--------------------------------|--------|--|
| Risk category | Total <u>S/(000)</u> | % | Total <u>S/(000)</u> | % | |
| Normal | 6,280,178 | 100.39 | 6,215,218 | 100.48 | |
| With potential problem | 103,093 | 1.65 | 106,173 | 1.72 | |
| Total gross accounts receivable | 6,383,271 | 102.04 | 6,321,391 | 102.20 | |
| Less: Provision for doubtful loans | 127,685 | 2.04 | 135,888 | 2.20 | |
| Total, net | 6,255,586 | 100.00 | 6,185,503 | 100.00 | |

(d) Credit risk management in investments -

The Fund controls the credit risk of its investments based on the risk assessment of issuers and instruments. In the case of investments abroad, the assessment takes into account the ratings issued by international agencies as well as the country-risk of the issuer's country, which is assessed considering its main macroeconomic variables.

28.2 Market risk -

Market risk is the probability of loss due to variations in financial market conditions. The main variations to which the Fund is exposed to are: exchange rates and interest rates and prices; these variations can affect the value of the Fund's financial assets and liabilities. The Fund separates its exposures to market risk in the following manner:

(a) Value at Risk

Value at Risk (VaR) is a statistical technique that measures the maximum loss that a financial asset or a portfolio of financial assets can experience within a time horizon, given a level of confidence. The VaR model used by the Fund is the Historical VaR for foreign currency exposures (VaR Exchange) and for the investment portfolio (VaR of Interest Rates), both with a confidence level of 99% and a liquidation period of 10 days. It should be mentioned that this method does not assume any distribution function for profit and loss, and is based only on the observed historical behavior.

(b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or financial instruments fair values. The risk of the cash flow interest rate is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The risk on the fair value of interest rates is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The impact of changes in interest rates can be presented in two ways: the first, which translates into an impact on expected earnings, directly related to reinvestment risk and the risk that is generated when movements in interest rates expose the entity to higher costs in financing operations (passive interest rates); or lower returns on their investment operations (active interest rates). The second is related to the valuation of the assets and liabilities of the entity and, therefore, with the economic value or real value of the equity of the same. This modality occurs when the market interest rates change, used for the valuation of the various instruments that form part of the financial statement of the Fund.

The SBS denominates these two impacts, as Earnings at Risk (EAR) and Value at Risk (VAR), which are indicators of short and long term structural rate risk, respectively.

The Fund monitors that the gains in risk are below the regulatory limit of 5% of the Fund's effective equity. Furthermore, the Fund has, for the equity value at risk, an internal limit of 20% for the regulatory calculation and an internal limit of 19.8% for the internal calculation.

As of March 31, 2018, the interest rate risk of the available-for-sale investment portfolio was controlled through internal "stop loss" limits and through unrealized loss alerts. In accordance with the Investment Policies and Procedures Manual, when the losses due to the devaluation of the price of a debt instrument, plus accrued interest earned from the moment of acquisition of the instrument, was greater than or equal to 5% of the acquisition value, the financial instrument must be settled at the best possible value.

The management of structural interest rate risk is made through the monitoring and reporting of regulatory indicators: gains at risk and equity at risk. These indicators are derived from the regulatory annexes required by the SBS: Annex No. 7-A "Measuring of the Interest Rate Risk - Gain at Risk" and the Annex No. 7-B "Measuring of Interest Rate Risk – Equity value". The results of the indicators are reported to the Risk Committee and the Assets and Liabilities Management Committee, which decide on actions to mitigate exposure to rate risk.

Sensitivity to changes in interest rates

Following is the sensitivity of the income statement, as well as the valuation of the non-trading book in the face of various interest rate fluctuations. Fluctuations affect both the expected flows and the value of the balances.

In the case of the income statement, the calculation reflects the expected variation of the financial margin for a period equivalent to one year. In doing so, the Fund takes into account the current position of incomes and expenses, and annualizes the effect of the interest rates variations. The figures express the expected change in the value of assets minus liabilities for various time gaps. Furthermore, it includes the effect of the derivative financial instruments that are subject to interest rates.

The fluctuations in interest rates are applied equally all through the yield curve, which means that it is considered as a parallel move of the curve. The effects are considered independently for each of the two currencies presented.

The calculations are based on the interest rate risk regulatory model approved by the SBS in force at the date of the statements of financial position. The sensitivities are calculated before the Income Tax effect.

The interest rate exposure is overseen by the ALCO, as well as the Risk Committee, the latter being in charge of approving the permitted maximum limits.

The effects due to estimated changes in interest rates as of March 31, 2018 and December 31, 2017, are the following:

| | | | March 2018 | | |
|--------------|----------------------------|------------------------|------------|------------------------|---------|
| Currency | Changes in basis points | Net income sensitivity | | Net equity sensitivity | |
| | | | S/(000) | | S/(000) |
| U.S. dollars | +/-25 | + / - | 88 | + / - | (31) |
| U.S. dollars | +/-50 | + / - | 176 | + / - | (62) |
| U.S. dollars | 75 | + | 264 | + | (92) |
| U.S. dollars | 100 | + | 352 | + | (123) |

| Soles | +/- 50 | - / + | 12,178 - / + | 19,373 |
|-------|--------|-------|--------------|--------|
| Soles | +/-75 | - / + | 18,267 - / + | 29,059 |
| Soles | +/-100 | - / + | 24,356 - / + | 38,746 |
| Soles | +/-150 | - / + | 36,534 - / + | 58,118 |

December 2017

| | | December 2017 | | |
|-------------------------------|---|---|---|--|
| Changes in basis points | Net income sensitivity | | Net equity sensitivity | |
| | | S/(000) | | S/(000) |
| +/-25 | + / - | 123 | + / - | (23) |
| +/-50 | + / - | 245 | + / - | (47) |
| 75 | + | 368 | + | (70) |
| 100 | + | 490 | + | (93) |
| +/- 50 | - / + | 13,114 | - / + | 19,775 |
| +/-75 | - / + | 19,671 | - / + | 29,662 |
| +/-100 | - / + | 26,227 | - / + | 39,549 |
| +/-150 | - / + | 39,341 | - / + | 59,324 |
| | basis points +/-25 +/-50 75 100 +/- 50 +/-75 +/-100 | basis points Net incomponent +/-25 + / - +/-50 + / - 75 + 100 + +/-50 - / + +/-50 - / + +/-50 - / + +/-100 - / + | Changes in basis points Net income sensitivity +/-25 + / - 123 +/-50 + / - 245 75 + 368 100 + 490 +/-50 - / + 13,114 +/-75 - / + 19,671 +/-100 - / + 26,227 | $\begin{array}{c} \mbox{basis}\\ \mbox{points} \end{array} \begin{array}{c} \mbox{Net income sensitivity}\\ & & & \\ & &$ |

(a) Foreign currency exchange risk

The foreign currency exchange rate risk is related to the variation of the positions both on and off the statements of financial position that may be negatively affected by exchange rates movements.

The Management sets limits to the exposure to foreign exchange risk, which are monitored daily. Most assets and liabilities designated in foreign currency are held in US dollars.

Exchange rate risk is controlled as from an internal hedge limit, which is in the range of 80 percent and 120 percent with respect to the Fund's exchange position in foreign currency. Likewise, the Fund has an internal limit to the value at risk of the global position equal to 1 percent of its regulatory equity.

The Fund monitors foreign exchange risk through the internal limit of hedge on foreign currency exchange position. Regarding the maximum losses from adverse movements of the exchange rate, these are calculated using the value-at-risk regulatory model and its methodological notes. In addition, the Fund uses the historical simulation model to measure these expected maximum losses (the methodology of the internal model is detailed in the Market Risk Policies Manual of the Fund).

The results of the regulatory and internal value at risk (at 99% confidence and with a 10-day settlement period) are shown below:

| | March | 2018 | December 2017 | | |
|-----------------|-------------|-------|---------------|-------|--|
| | S/(000) | % | S/(000) | % | |
| | | | | | |
| Models | | | | | |
| Regulatory | 350 | 0.01% | 246 | 0.01% | |
| Internal | 1,397 | 0.04% | 4,570 | 0.14% | |
| Global position | 25,794 | 0.78% | 16,001 | 0.49% | |
| | Sobrecompra | | Sobreco | ompra | |

The Fund manages foreign exchange risk through the matching of its asset and liability operations, overseeing the global exchange position on a daily basis. The Fund's global exchange position is equivalent to the result of long positions minus short positions in currencies different to the sol. The global exchange position includes the spot positions and also the derivative positions.

Following are the sensitivities for U.S. dollar, Euro and Swiss Franc variations. The negative variations represent potential losses, while the positive ones represent potential gains.

| Sensitivity analysis | Changes in exchanges rates % | March 2018 S/(000) | December 2017 S/(000) |
|----------------------|------------------------------------|--------------------------|------------------------------------|
| Revaluation - | | | |
| U.S. dollar | 5 | 1,148 | 526 |
| U.S. dollar | 10 | 2,297 | 1,051 |
| | | | |
| Devaluation - | | | |
| U.S. dollar | 5 | -1,148 | -526 |
| U.S. dollar | 10 | -2,297 | -1,051 |

| Sensitivity analysis | Changes in exchanges rates % | March 2018 S/(000) | December 2017 S/(000) |
|----------------------|------------------------------------|---------------------------------|------------------------------------|
| Revaluation - | | | |
| Euros | 5 | 53 | 46 |
| Euros | 10 | 106 | 92 |
| | | | |
| Devaluation - | | | |
| Euros | 5 | -53 | -46 |
| Euros | 10 | -106 | -92 |

| Sensitivity analysis | Changes in exchanges rates % | March 2018 S/(000) | December 2017 S/(000) |
|----------------------|------------------------------------|---------------------------------|------------------------------------|
| Revaluation - | | | |
| Swiss francs | 5 | 88 | 228 |
| Swiss francs | 10 | 176 | -456 |
| | | | |
| Devaluation - | | | |
| Swiss francs | 5 | -88 | -228 |
| Swiss francs | 10 | -176 | -456 |

28.3 Liquidity risk -

The liquidity risk consists of the Fund's inability to comply with the maturity of its obligations, thus incurring into losses that importantly affect its equity position. This risk may arise as result

of diverse events such as: the unexpected decrease of funding sources, the inability to rapidly settle assets, among others.

Liquidity risk management focuses on the development of a portfolio of assets and liabilities seeking the diversification of sources of financing in order to achieve the fit between the terms of assets and liabilities.

The internal control indicators are the internal liquidity ratio, liquidity gaps, resource duration analysis and stress analysis. These internal control indicators are prepared in accordance with internal and regulatory methodologies (contained in the Liquidity Risk Policy and Management Manual of the Fund and in the methodological notes of the SBS for the preparation of regulatory liquidity annexes, respectively). In any event that could give rise to a liquidity risk, the Fund has a liquidity contingency plan, which considers the liquidation of certain assets, debt issuance or debt collection.

Liquidity risk is managed through the analysis of contractual maturities. The main component of the Fund's assets are accounts receivable (Trust Agreement - COFIDE). The maturities are based on the monthly maturities of the loans made. Another component of the assets are held-to-maturity investments, which are distributed according to contractual term. The distribution assumptions were approved by the Risk Committee.

| | | | | | March-18 |
|----------------------------------|---------|-------------|--------------|-----------|-----------|
| | Up to | From 1 | From 3 | Over | Total |
| In thousands of S/ | 1 month | to 3 months | to 12 months | 1 year | TOTAL |
| Liquidity risk exposure | | | | | |
| statement of financial | | | | | |
| position risk | | | | | |
| Liabilities: | | | | | |
| Obligations with the public | 394 | 510 | 7,626 | - | 8,530 |
| Debts and financial obligations | | | | | |
| - | - | - | 39,935 | 159,740 | 199,675 |
| Securities and bonds outstanding | - | 843,569 | - | 4,889,731 | 5,733,300 |
| Accounts payable | | | | | |
| Hedge derivatives | - | 16,499 | - | 104,778 | 121,277 |
| Other accounts payable | 435,440 | 16,636 | 1,190 | 434,622 | 887,888 |
| Other liabilities | - | - | - | 1,087 | 1,087 |
| Total | 435,834 | 877,214 | 48,751 | 5,589,958 | 6,951,757 |

| | | | | | December-17 |
|----------------------------------|---------|-------------|--------------|-----------|-------------|
| | Up to | From 1 | From 3 | Over | Total |
| In thousands of S/ | 1 month | to 3 months | to 12 months | 1 year | |
| Liquidity risk exposure | | | | | |
| statement of financial | | | | | |
| position risk | | | | | |
| Liabilities: | | | | | |
| Obligations with the public | 578 | - | 216 | - | 794 |
| Debts and financial obligations | | | | | |
| | - | - | 19,572 | 176,150 | 195,722 |
| Securities and bonds outstanding | - | - | 831,140 | 5,004,548 | 5,835,688 |
| Accounts payable | | | | | |
| Hedge derivatives | - | - | 48,659 | 76,306 | 124,965 |
| Other accounts payable | 578,772 | 146 | 49,317 | 427,098 | 1,055,333 |
| Other liabilities | - | - | - | 1,092 | 1,092 |
| Total | 579,350 | 146 | 948,904 | 5,685,194 | 7,213,594 |

December-17

29. Contingent:

As of March 31, 2018, and 2017, the Fund maintains the following litigation processes:

- (a) Various labor processes related to their operations related to lawsuits for payment of profits and reimbursement of social benefits, recording a provision of approximately S/ 1,978 as of March 31, 2018, (S/ 2,172, as of December 31, 2017), see note 13(g).
- (b) Various constitutional processes (amparo actions) related to the restitution of labor rights to ex - workers of the Fund. Furthermore, processes arising from discrimination in the right to participate in procurement and contracting processes, cancellation of registration of technical entities for infringement committed.
- (c) Contentious management process on behalf of the DHMONT Consortium & CG & M S.A.C. by contestation of administrative ruling, in which the petitioner requests the nullity of the Fund's letter in which he is denied the return of the confort letter that served as a guarantee and requirement to present his appeal in the public contest (Collique) convened by the Fund in which said company participated. The amount demanded amounts to approximately S/ 4,870,000, the Judge ordered the return of US \$ 250,000, which were consigned in favor of the petitioner on May 31, 2015.

30. Contingent and order accounts

The composition of the item as of March 31, 2018 is as follows:

| The composition of the item as of March 31, 2016 | In thousands of S/. | | | |
|--|---------------------|------------|--|--|
| Contingency funds | 03.31.2018 | 12.31.2017 | | |
| Forwards (a) | 223,768 | 224,108 | | |
| Swaps (b) | 3,462,027 | 3,482,672 | | |
| Other Contingencies | 62,891 | 178,953 | | |
| Total contingencies | 3,748,686 | 3,885,733 | | |
| Order accounts | | | | |
| Existing yields of the Ex-Coneminsa portfolio (c) | 6,649 | 6,605 | | |
| Credit yields, Inv. and income in suspense (d) | 10,375 | 10,164 | | |
| Letters of guarantee-CRAC Sr de Luren in Settlement | 52,343 | 52,343 | | |
| CRC and PBP Trusts in MN and ME (e) | 88,945 | 87,301 | | |
| Cofide Trust- Lines granted and not used | 2,825,458 | 2,691,341 | | |
| Uncollectible accounts written off (f) | 36,233 | 36,223 | | |
| Securities in custody | 5,962 | 5,962 | | |
| Owed employer contribution (g) | 18,222 | 18,222 | | |
| Other debit memorandum accounts | 270 | 288 | | |
| Total debit memorandum accounts | 3,044,457 | 2,908,448 | | |
| Current contracts signed with suppliers | 9,512 | 11,501 | | |
| Funds received from the Ministry of Housing - Household Housing Bonus | 357,050 | 503,022 | | |
| Letters of bonds and solidarity bonds in custody (h) | 846,560 | 780,282 | | |
| Mortgage guarantees assigned to the FUND (i) | 2,783 | 2,795 | | |
| Preferred guarantees - Loans MIVIVIENDA Fund | 191,653 | 192,619 | | |
| Credit Line Granted and not used - AFD Exterior | 278,224 | 272,549 | | |
| Other debit memorandum accounts | 163 | 163 | | |
| Total credit memorandum accounts | 1,685,945 | 1,762,932 | | |
| Trusts and autonomous patrimony in administration | | | | |
| Autonomous Patrimony Fund Law 27677 (j) | 0 | 0 | | |
| CRC-PBP Trust (k) | 178,596 | 177,902 | | |
| Las Garzas Trust (I) | 21,003 | 21,431 | | |
| Total Trusts | 199,600 | 199,333 | | |
| Total accounts of order | 8,678,689 | 8,756,446 | | |

- (a) Corresponds to the commitment of the Fund for the forward purchase operations of Swiss francs and U.S. dollars contracted to cover its accounts receivable in these currencies for thousands of CHF 9,956 and USD 58,929 thousand as of March 31, 2018.
- (b) Corresponds to the commitment that the Fund has for operations:
 - Swaps Principal Only Purchase of US dollars, Swiss francs and euros contracted to cover its accounts payable in such currency for thousands of

USD 580,000, thousands of CHF 220,000 and thousands of EUR 15,000 as of March 31, 2018.

Corresponds to the commitment that the Fund has for operations:

- Cross Currency Swaps Sale of U.S. dollars contracted for hedges of accounts payable in such currency for thousands of USD 27,090 as of March 31, 2018.
- Cross Currency Swaps Purchase of Swiss francs, euros and U.S. dollars contracted for hedges of accounts payable in such currency for thousands of CHF 23,000 and EUR 35,000 and USD 150,000 as of March 31, 2018.
- (c) As of March 31, 2018, and December 31, 2017, corresponds to the interest accrued on the past due portfolio of Ex-Monemsa and "Other accounts receivable".
- (d) Corresponds to the outstanding interest generated by the credits of the Ex CRAC Señor de Luren portfolio..
- (e) Corresponds to the recognition of the right contracted by the constitution of the CRC and PBP Trusts in Soles and in American Dollars in 2007, being their current trust assets of thousands of S/ 42,526 and thousands of S/ 46,419, respectively, (thousands of S/ 41,647 and thousands of S/ 45,654 as of December 31, 2017, respectively).
- (f) As of March 31, 2018, and December 31, 2017, correspond mainly to the writeoffs of balances receivable (principal and interest) of the caption "other accounts receivable": Corporación Transcontinental del Perú SA ascending to thousands S/ 4,333 and thousands S/ 3,775; Banco Banex in Settlement ascending in thousands S/ 13, 586 and thousands of S/ 2,325; Banco Orión in Settlement in thousands of S/ 9,991 and thousands of S/ 1,989. Said write-off were carried out according to a directory agreement.
- (g) As of March 31, 2018, and December 31, 2017, corresponds to a control account of the Fund's claim before the Ministry of Economy and Finance MEF for the contributions of the FONAVI (Employer Contribution, as established in the Law 26969) Liquidation Law of FONAVI, which is considered to have been delivered to the Fund.
- (h) As of March 31, 2018, and December 31, 2017, corresponds to the letters of guarantee received in custody as a guarantee of compliance by the Technical Entities under the contracts signed by the Techo Propio program for the Household Housing Bonus and Family Savings, as well as letters of guarantee as collateral for the fulfillment of agreements for the acquisition of goods and services received in custody.
- (i) As of March 31, 2018, and December 31, 2017, corresponds to the mortgage guarantees received from two financial entities in settlement, for the loan portfolio that was maintained with them.
- (j) As of March 31, 2018, and December 31, 2017, corresponds to the value of the total assets of the "Equity Fund Law No. 27677" net of liabilities and equity that includes the results of the year for a gain of thousands of S/ 391 and a loss of thousands of S/ 1,702 respectively. The Equity Fund Law No. 27677, was constituted by Public Deed dated February 13, 2002, with the resources transferred to the Fondo MIVIVIENDA S.A. from the settlement of the National Housing Fund (FONAVI), for its administration, recovery and its channeling through the Intermediary Financial Institutions (IFI).

(k) As of March 31, 2018, corresponds to the total of the assets, liabilities, incomes, expenses and the total assets of the Management Trusts called "CRC (Credit Risk Coverage) and PBP (Good Payer Award) in Soles" and "CRC (Credit Risk Coverage) and PBP (Good Payer Award) in U.S. dollars".

Both trusts in management were constituted by Public Deed dated June 11, 2007, aiming to allow the availability of resources for compliance with the obligations of the Fund arising from the CRC (Credit Risk Coverage) and PBP (Good Payer Award) service agreements subscribed with certain financial entities, as well as allowing these resources to be managed in the most efficient manner.

(I) Real estate trust in which Banco de Comercio acted as Trustee from its creation in 2006 until October 6, 2010. By means of minutes of October 7, 2010, Banco de Comercio renounces its role as trustee and transfers to the Fondo MIVIVIENDA S.A. the trust equity and the function of trustee, being that from that date the Fund is in charge of keeping the accounting records as part of its fiduciary role.

31. Subsequent events

It does not present subsequent events that must be reported due to their impact.