



# FONDO MIVIVIENDA S.A.

**Financial Statements  
December 31, 2015 and 2014**

**(including Independent Auditors' Report)  
(TRANSLATION OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN SPANISH)**



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## **(TRANSLATION OF A REPORT ORIGINALLY ISSUED IN SPANISH)**

### **INDEPENDENT AUDITORS' REPORT**

To the Shareholders and Board of Directors of  
Fondo MIVIVIENDA S.A.

We have audited the accompanying financial statements of Fondo MIVIVIENDA S.A. (hereinafter "the Fund"), which comprise the statement of financial position as of December 31, 2015 and 2014, and the related statements of income, income and other comprehensive income, changes in equity and cash flows for the years then ended, and notes 1 to 26, comprising a summary of significant accounting policies and other explanatory information.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting standards established for financial institutions in Peru by Superintendencia de Banca, Seguros y Administradoras Privadas de Fondos de Pensiones - SBS (Superintendency of Banking, Insurance and Pension Funds Administrators), and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing approved for their application in Peru by the Dean's Council of the Peruvian Professional Associations of Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



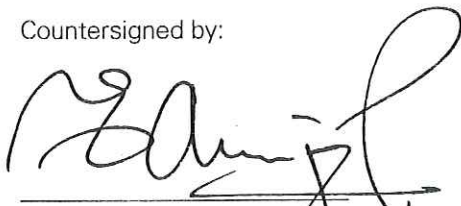
## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fondo MIVIVIENDA S.A. as of December 31, 2015 and 2014, and its financial performance and its cash flows for the year then ended in conformity with accounting standards established by the SBS for the Fund (note 3).

Lima, Peru

February 19, 2016

Countersigned by:

  
Eduardo Alejos P. (Partner)  
Peruvian CPA  
Registration number 01-29180

**FONDO MIVIVIENDA S.A.**

**Financial Statements**

**December 31, 2015 and 2014**

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(Translation of Financial Statements originally issued in Spanish)

**FONDO MIVIVIENDA S.A.**

Statement of Financial Position

As of December 31, 2015 and 2014

<i>In thousands of soles</i>	<i>Note</i>	<b>2015</b>	<b>2014</b>
<b>Assets</b>			
Cash and Due From Banks	6		
Banco Central de Reserva del Perú		448	460
Banks and other financial system companies		1,001,331	1,494,630
Other cash and due from banks		207	226
		<b>1,001,986</b>	<b>1,495,316</b>
Investments	7	714,989	336,438
Accounts receivable, net (Trust Agreement-COFIDE)	8	5,831,217	5,232,527
Accounts receivable from financial derivatives	9	393,966	98,007
Other accounts receivable, net	10	78,094	580,426
Property, furniture, and equipment, net	11	1,044	863
Current taxes	23	35,402	26,955
Other assets, net	13	2,675	2,871
<b>Total assets</b>		<b>8,059,373</b>	<b>7,773,403</b>
<b>Contingent and memoranda accounts</b>			
Debit contingent assets		2,945,303	3,593,855
Debit memoranda accounts		414,486	387,040
Trust and commissions of a trustee receivable		182,496	173,367
Credit contra memoranda accounts		1,491,427	1,067,320
		<b>5,033,712</b>	<b>5,221,582</b>

<i>In thousands of soles</i>	<i>Note</i>	<b>2015</b>	<b>2014</b>
<b>Liabilities</b>			
Deposits and obligations		179	175
Borrowings and financial obligations	14	4,093,665	3,953,060
Accounts payable to financial derivatives	9	21,329	23,328
Other accounts payable	15	588,841	558,650
Deferred income tax	12	10,809	5,572
Provisions and other liabilities	15	2,395	4,364
<b>Total liabilities</b>		<b>4,717,218</b>	<b>4,545,149</b>
<b>Shareholder's Equity</b>			
Capital shares	16	3,174,249	3,109,899
Reserve		57,012	49,863
Adjustment to equity		18,853	(3,008)
Retained earnings		92,041	71,500
<b>Total Shareholder's Equity</b>		<b>3,342,155</b>	<b>3,228,254</b>
<b>Total liabilities and shareholder's equity</b>		<b>8,059,373</b>	<b>7,773,403</b>
<b>Contingent and memoranda accounts</b>			
Credit contingent liabilities		2,945,303	3,593,855
Credit memoranda accounts		414,486	387,040
Trust and trust commissions payable		182,496	173,367
Debit contra memoranda accounts		1,491,427	1,067,320
		<b>5,033,712</b>	<b>5,221,582</b>

The accompanying notes 6 to 61 are an integral part of these financial statements.

(Translation of Financial Statements originally issued in Spanish)

**FONDO MIVIVIENDA S.A.**

Statement of Income

For the years ended December 31, 2015 and 2014

<i>In thousands of soles</i>	<i>Nota</i>	<b>2015</b>	<b>2014</b>
Interest income	19	366,259	315,755
Interest expenses	20	(170,733)	(144,690)
<b>Gross financial margin</b>		<b>195,526</b>	<b>171,065</b>
Provision for doubtful accounts receivable (Trust receivable agreement – COFIDE), net of recoveries	8	(2,942)	(2,148)
<b>Net financial margin</b>		<b>192,584</b>	<b>168,917</b>
Financial services revenues	21	6,355	6,106
Finance services expenses		(267)	(132)
<b>Net financial margin including financial service revenue and expenses</b>		<b>198,672</b>	<b>174,891</b>
<b>Income from financial transactions</b>			
Trading derivatives		-	(2,259)
Income from hedging transactions	5	223,457	(7,716)
Loss on exchange difference	5	(255,501)	(948)
Others		(895)	(10,040)
		<b>(32,939)</b>	<b>(20,963)</b>
<b>Operating margin</b>		165,733	153,928
Administrative expenses	22	(50,750)	(51,325)
Depreciation of property, furniture, and equipment		(341)	(396)
Amortization of intangible assets		(441)	(301)
<b>Net operating margin</b>		<b>114,201</b>	<b>101,906</b>
<b>Valuation of assets and provisions</b>			
Provision for other doubtful accounts receivable, net of reversals	10(e)	669	1,203
Provision for litigations and claims		(998)	(1,172)
Other provisions		(169)	(257)
<b>Operating income</b>		<b>113,703</b>	<b>101,680</b>
Other income, net		6,140	1,136
<b>Profit before income tax</b>		<b>119,843</b>	<b>102,816</b>
Income tax	23	(27,802)	(31,316)
<b>Net profit</b>		<b>92,041</b>	<b>71,500</b>

The accompanying notes 6 to 61 are part of these financial statements.

(Translation of Financial Statements originally issued in Spanish)

**FONDO MIVIVIENDA S.A.**

Statement of Income and Other Comprehensive Income

For the years ended December 31, 2015 and 2014

<i>In thousands of soles</i>	<b>Note</b>	<b>2015</b>	<b>2014</b>
<b>Net profit</b>		<b>92,041</b>	<b>71,500</b>
Other comprehensive income:			
(Loss) gain on available-for-sale investments of the Fund	16 (d)	(11,431)	22,860
Gain on cash flow hedging transactions	16 (d)	45,174	10,028
Loss) gain on available-for-sale investments of CRC-PBP Trusts	16(d)	(2,527)	1,302
Tax effect in other comprehensive income components	16(d)	(9,355)	(3,724)
<b>Total other comprehensive income</b>		<b>21,861</b>	<b>30,466</b>
<b>Total comprehensive income for the period</b>		<b>113,902</b>	<b>101,966</b>

The accompanying notes 6 to 61 are part of these financial statements.

(Translation of Financial Statements originally issued in Spanish)

**FONDO MIVIVIENDA S.A.**

Statement of Changes in Equity

For the years ended December 31, 2015 and 2014

<i>In thousands of soles</i>	<b>Capital shares</b>	<b>Additional capital</b>	<b>Reserve</b>	<b>Retained earnings</b>	<b>Available-for- sale assets</b>	<b>Total equity</b>
Balance as of January 1, 2014	3,050,654	34	43,283	65,790	(33,474)	3,126,287
Comprehensive income:						
Net profit	-	-	-	71,500	-	71,500
Other comprehensive income (note 16(d))	-	-	-	-	30,466	30,466
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>71,500</b>	<b>30,466</b>	<b>101,966</b>
Changes in shareholder's equity (not included in the comprehensive income)						
Capitalization of earnings (note 16 (b))	59,245	(34)	-	(59,211)	-	-
Transfer to reserve (note 16 (c))	-	-	6,579	(6,579)	-	-
<b>Balances as of December 31, 2014</b>	<b>3,109,899</b>	<b>-</b>	<b>49,862</b>	<b>71,500</b>	<b>(3,008)</b>	<b>3,228,253</b>
Balance as of January 1, 2015	3,109,899	-	49,862	71,500	(3,008)	3,228,253
Comprehensive income:						
Net profit for the period	-	-	-	92,041	-	92,041
Other comprehensive income (note 16(d))	-	-	-	-	21,861	21,861
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>92,041</b>	<b>21,861</b>	<b>113,902</b>
Changes in shareholder's equity (not included in the comprehensive income)						
Capitalization of earnings (note 16 (b))	64,350	-	-	(64,350)	-	-
Transfer to reserve (note 16 (c))	-	-	7,150	(7,150)	-	-
<b>Balance as of December 31, 2015</b>	<b>3,174,249</b>	<b>-</b>	<b>57,012</b>	<b>92,041</b>	<b>18,853</b>	<b>3,342,155</b>

The accompanying notes 6 to 61 are part of these financial statements.



(Translation of Financial Statements originally issued in Spanish)

**FONDO MIVIVIENDA S.A.**

Statement of Cash Flows

For the years ended December 31, 2015 and 2014

<i>In thousands of soles</i>	<b>2015</b>	<b>2014</b>
Cash flows from operating activities		
Net profit	92,041	71,500
Adjustments to reconcile the net profit to net cash from (used in) operating activities:		
Depreciation and amortization	782	697
Provisions	40,999	43,839
Other adjustments	(367,160)	(185,338)
Net changes in assets and liabilities:		
Increase (decrease) in assets		
Available-for-sale investments	(367,824)	8,945
Accounts receivable (Trust agreement-COFIDE) and others	(70,225)	(1,364,565)
Net increase in liabilities		
Other accounts payable, provisions and other liabilities	17,779	319,510
Non- subordinated financial liabilities	129,725	2,142,085
<b>Net cash flows from operating activities after net change in assets, liabilities and adjustments</b>	<b>(523,883)</b>	<b>1,036,673</b>
Taxes paid	(40,367)	(34,899)
<b>Net cash flows (used in) from operating activities</b>	<b>(564,250)</b>	<b>1,001,774</b>
Cash flows from investing activities:		
Purchases of intangible assets, furniture, and equipment	(1,320)	(1,651)
Purchases of held-to-maturity debt instruments	(21,313)	-
Sales of held-to-maturity debt instruments	-	4,376
Other outflows related to investing activities	25,000	(25,000)
<b>Net cash flows from (used in) investing activities</b>	<b>2,367</b>	<b>(22,275)</b>
Net (decrease) increase in cash and cash equivalents before effect of change in exchange rate	(561,883)	979,499
Effect of exchange rate changes on cash and cash equivalents	93,553	82,311
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(468,330)</b>	<b>1,061,810</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>1,470,316</b>	<b>408,506</b>
<b>Cash and cash equivalents at end of the period</b>	<b>1,001,986</b>	<b>1,470,316</b>

The accompanying notes 6 to 61 are part of these financial statements.

## **FONDO MIVIVIENDA S.A.**

Notes to the Financial Statements

As of December 31, 2015 and 2014

### **1. Background and Business Activity**

#### **A. Background**

Fondo MIVIVIENDA S.A. (hereinafter “the Fund”) is a state-owned company under private law and is governed by Law 28579 and the Fund’s by-laws. The Fund is under the scope of the Peruvian National Fund for the Financing of Business Activities of the State (Fondo Nacional de Financiamiento de la Actividad Empresarial del Estado or “FONAFE” for its acronym in Spanish) in the custody of the Ministry of Housing, Construction and Sanitation (Ministerio de Vivienda, Construcción y Saneamiento or “MVCS” for its acronym in Spanish). The aforementioned Law 28579 established to change the former Mortgage Fund for the Promotion of Housing (Fondo Hipotecario de Promoción de la Vivienda – Fondo MIVIVIENDA) into a stock corporation named Fondo MIVIVIENDA S.A. effective as of January 1, 2006.

#### **B. Business activity**

The Fund’s objectives are the promotion and financing of the acquisition, improvement and construction of homes, especially those of social interest, promotion of activities to invest into the home lending market, participation in the secondary market for mortgage loans, and contributing to the development of the Peruvian capital market. The Fund’s activities are regulated by the Banking, Insurance and Pension Plan Agency (Superintendencia de Banca, Seguros Administradoras Privadas de Fondos de Pensiones or “SBS” for its acronym in Spanish), pursuant to provision of SBS Resolution 980-2006 “Regulations for Fondo MIVIVIENDA S.A.”

The legal address of the Fund is Avenida Paseo de la República 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 Family Housing Allowance (Bono Familiar Habitacional, or “BFH” for its acronym in Spanish), as commissioned by the Ministry of Housing, Construction and Sanitation – MVCS.
- iii. Resources of the Fund, Law 27677, as commissioned by the Ministry of Economy and Finance (hereafter “MEF” for its acronym in Spanish).

The characteristics of each program are as follows:

##### **i. MIVIVIENDA program**

The Fund, through a Trust Agreement with Corporación Financiera de Desarrollo S.A. (“COFIDE” for its acronym in Spanish) 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” for its acronym in Spanish) and the Credit Risk Coverage (Cobertura de Riesgo Crediticio or “CRC” for its acronym in Spanish) and the installment sliding.

MIVIVIENDA Program includes the following products:

- Nuevo Crédito MIVIVIENDA
- Crédito MICONSTRUCCIÓN
- Crédito MICASA MAS
- Crédito MITERRENO

**FONDO MIVIVIENDA S.A.**

Notes to the Financial Statements

As of December 31, 2015 and 2014

- Crédito MIHOGAR (\*)
- Crédito MIVIVIENDA estandarizado (\*)
- Crédito MIVIVIENDA tradicional (\*)
- Crédito Financiamiento - Complementario Techo Propio (Complementary financing to the household housing bonus – BFH)
- Servicio de cobertura de riesgo crediticio y premio al buen pagador (Financiamiento de las instituciones financieras intermediarias) - Service of Credit Risk Coverage and Good Payer Award (Funding to Intermediary Financial Institutions, hereinafter IFI) (\*)

(\*) As of December 31, 2015 and 2014, these lending products have been discontinued. The remaining balance of loans under these programs correspond solely to balances receivable (note 8). CRC-PBP services and crédito MIVIVIENDA estandarizado were discontinued in November 2009, Crédito MIHOGAR was discontinued in August 2009, and Crédito MIVIVIENDA Tradicional in May 2006.

**ii. Techo Propio program - Management of the household housing bonus (BFH)**

The subsidies under the Techo Propio Program are granted in three modalities: (i) acquisition of a new home; (ii) construction on owned lot; and (iii) house renovations. In all modalities, mortgage loan financing within this program comprises the participation of 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, complementary financing to household housing bonus (Techo Propio Program) which must be granted by an IFI.

According to the third transitional provision of Law No. 28579, at the end of 2005, the Fund was engaged by the Government to manage the household housing bonus and the Techo Propio Program resources, through an agreement entered into with the MVCS.

On April 28, 2006, the Fund, the MVCS and FONAFE entered into the “Agreement on Management of the Household Housing Bonus and the Funds of the Techo Propio Program”, whereby the Fund became responsible for managing the BFH of the Techo Propio Program, including the promotion, registration, recording and verification of information, the qualification of applications, allocation and transfer of the BFH funds to the developer, seller-builder or the respective technical unit. This agreement establishes that FONAFE must allocate resources to the Fund to manage the costs and expenses of the Program.

**iii. Fund Law 27677**

By virtue of Law No. 27677 dated March 1, 2002, the Fund was entrusted with the administration, reimbursement and channeling of the proceeds resulting from the liquidation of Fondo Nacional de Vivienda (FONAVI, for its acronym in Spanish). Law No. 29625, which became effective on December 8, 2010, provides for the reimbursement of the amounts that were contributed to FONAVI to the workers that made those contributions. Article 4 of Law No. 29625 contemplated the formation of an Ad Hoc Committee responsible for conducting and supervising all procedures relating to the reimbursement of the FONAVI contributions. The current composition of such Ad Hoc Committee was approved on September 24, 2012 by Ministerial Resolution No. 609-2012-EF/10.

**FONDO MIVIVIENDA S.A.**

Notes to the Financial Statements

As of December 31, 2015 and 2014

Under these standards, the Fund would provide the Ad Hoc Committee with all pertinent documentation and reports so that it will be in charge of the administration and recovery of debts, funds and assets of FONAVI, as well as liabilities. On December 9, 2014 the Fund made the first transfer of funds for S/ 200,000 thousand in conformity with a requirement received from the Ad Hoc Committee.

Likewise, the Fund established the CRC-PBP trusts, one in soles and the other in US Dollars, to cover the Fund's obligations to provide PBP payments and CRC in an amount equivalent to one-third (1/3) of the total loan portfolio balance reported by each IFI that contracted such service. These trusts are governed by SBS Resolution No. 980-2006 "Regulations for Fondo MIVIVIENDA S.A.".

Under the service contracts with the CRC-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 Regulation, is a guarantee the Fund provides to the intermediary financial institution the lower of one third of the unpaid balance of the covered loan or one third of the loss, whichever the lower. Said amount shall be duly notified by the IFI to the Fund, on terms and conditions provided for in the Regulation.
- Good Payer Award (PBP service), as defined in Article 24 of the CRC and PBP Regulation, is the service to the IFI for which the Fund assumes payment of the installments corresponding to the concessional part (the amount of the Good Payer Award) for covered loans whose beneficiaries have promptly paid the installments corresponding to the non-concessional part of the loan. This award is aimed to settle – every six months – the amount of the installment payable in the corresponding period for the concessional part of the MIVIVIENDA loans.

**C. Approval of financial statements**

On January 19 2016, the Board of Directors approved the financial statements as of December 31, 2015 which will be presented to the General Shareholders' Meeting for their corresponding approval. In management's opinion, the financial statements will be approved by the General Shareholders' Meeting without any modifications within the terms established by law.

**2. Trust Agreement-Corporación Financiera de Desarrollo S.A.- COFIDE**

On March 25, 1999, a Trust Agreement was signed between the Mortgage Fund for Housing Promotion (Fondo Hipotecario de Promoción de la Vivienda – MIVIVIENDA), now Fondo MIVIVIENDA S.A. and COFIDE. Its purpose was the creation of a trust through 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 loans to final borrowers through the IFIs that in turn are required to use the funds provided to generate loans that are used by final borrowers to finance the acquisition, expansion or improvement of homes and residences, in accordance with article 12 of Supreme Decree No. 001-99-MTC "Regulation on the Fondo Hipotecario de Promoción de la Vivienda – Fondo MIVIVIENDA".

The main duties of COFIDE are the following:

- 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.

**FONDO MIVIVIENDA S.A.**

Notes to the Financial Statements

As of December 31, 2015 and 2014

- Sign the agreement on resources intermediation 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 resources intermediation.
- Collect the loans granted to the IFI's.
- Contract the necessary audits of the Fund.
- Periodically submit reports on the development of the aforementioned trusts, as well as make recommendations for exposure limits of IFI's (\*)
- 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.

(\*) On May 18, 2012, the Fund executed the first addendum to the Trust Agreement with COFIDE, which discharged the latter from the obligation to issue recommendations on portfolio concentration limits with intermediary financial institutions. By virtue of SBS Resolution No. 3586-2013, the Fund is no longer subject to the lending limits established by Article 204 of Law No. 26702, the Peruvian Banking Law, to the extent the Fund acts as a second-tier bank. However, the Fund has established internal limits to prevent the concentration of its loan portfolio with a single intermediary financial institution, which take into account factors related to the intermediary financial institution such as the size of regulatory capital, risk classification and risk-weighted regulatory capital ratio.

The main duties of the Fund are the following:

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

As trustee, COFIDE is entitled to the following:

- Intermediate and monitor the Fund's resources, being able to enter into and sign all deeds and documents necessary, public and private, for that purpose.
- Require that the IFI's constitute guarantees on behalf of the beneficiaries.
- Exercise all the powers contained in articles 74 and 75 of the Civil Procedural 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 claims, 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.

The term of this trust Agreement is 5 years and is automatically renewable if none of the parties expresses its willingness to terminate it.

**FONDO MIVIVIENDA S.A.**

Notes to the Financial Statements

As of December 31, 2015 and 2014

### **3. Basis for Preparation of Financial Statements**

#### **A. Statement of compliance**

The accompanying financial statements have been prepared in soles from the accounting records of the Fund and are presented in accordance with current legal regulation and accounting principles authorized by the SBS. In accordance with the SBS rules, the hierarchy of application of accounting standards includes specific rules and regulations issued by local regulation, International Financial Reporting Standards (IFRS) as adopted in Peru by the Peruvian Accounting Board (CNC) including Standards and Interpretations issued or adopted by the International Accounting Standards Board (IASB), International Accounting Standards (IAS), and the Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

By means of Resolution 058-2015-EF/30 dated March 5, 2015, the CNC made official amendments to IAS 1 Presentation of Financial Statements, IFRS 7 Financial Instruments. Information to be disclosed, IAS 34 Interim Financial Reporting; IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities, and IAS 28 Investment in Associated and Joint Ventures, and through Resolution 059-2015-EF/30 dated August 7, 2015, the CNC made official 2015 version of IFRS. Current standards officially approved by CNC as of December 31, 2014 are IASs 1 to 41, IFRSs 1 to 15, and IFRS interpretations (IFRIC) 1 to 21, and IAS Interpretations (SIC) 7 to 32.

#### **B. Basis of measurement**

The financial statements have been prepared on the historical cost basis, except for the following, that are measured at fair value.

- Derivative financial instruments.
- Financial instruments at fair value through profit or loss.
- Available-for-sale financial instruments.

#### **C. Functional and presentation currency:**

These financial statements are presented in soles (S/), according to SBS standards, which is the Fund's functional and presentation currency. Financial information has been rounded to the nearest thousands, except as otherwise indicated

#### **D. Critical accounting estimates and criteria**

The preparation of the financial statements in conformity with accounting principles requires management to use certain critical accounting estimates and criteria. Estimates and criteria are evaluated continuously according to experience and include reasonable future assumptions for each circumstance. Since these are estimates, final results might differ; however, according to management opinion the estimates and assumptions applied do not have significant risk as to produce a material adjustment to the balances of assets and liabilities for next year.

The significant estimates related to the financial statements correspond to provision for loan losses, valuation of investments, estimation of useful life and recoverable value of property, furniture and equipment and intangible assets, estimation of the deferred income tax recovery, provision for current income tax and valuation of derivative financial instruments, for which accounting criteria are described in note 4.

**FONDO MIVIVIENDA S.A.**

Notes to the Financial Statements

As of December 31, 2015 and 2014

**4. Significant accounting policies**

The significant accounting policies applied to prepare these financial statements, have been consistently applied to all periods presented, unless otherwise indicated, are the following:

**A. Foreign currency transactions**

In accordance with SBS regulations, the Fund's functional and presentation currency is the sol. Assets and liabilities in foreign currencies are recorded at the transaction date exchange rate. Assets and liabilities denominated in foreign currencies are converted to soles at the month-end exchange rate set by the SBS (note 5). Gains or losses from restatement of assets and liabilities denominated in foreign currency at the exchange rates prevailing at the reporting date are recorded in the statements of income.

Foreign exchange differences from the CRC-PBP trust in US Dollars is included as in "Other financial income" within "Financial income" of the statement of income.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined.

**B. Financial instruments**

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 financial instruments classified as assets or liabilities are recorded as income or expense. Financial instruments are offset when the Fund has a legally enforceable right to offset them and Management has the intention to settle them on a net basis or to realize the asset and settle the liability simultaneously. Refer to note 10(c) for accounting policy related to the CRC-PBP trusts.

Financial assets and liabilities presented in the statement of financial position comprise cash and due from banks, accounts receivable, other accounts receivable, investments, deposits and obligations, other accounts payable and other liabilities in general. Also, all the derivative products are considered financial instruments.

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As of December 31, 2015 and 2014, the Fund classified financial assets and liabilities in the following:

<b>2015</b>	<b>Cash and due from banks</b>			
	<b>Loans and items receivable</b>	<b>Available for sale at fair value</b>	<b>Held-to-maturity</b>	<b>Hedging derivatives</b>
<i>In thousands of soles</i>				
Financial assets:				
Cash and Due From Banks	1,001,986	-	-	-
Investments available-for-sale:				
Instruments representative of debt	-	691,535	-	-
Held-to-maturity investments	-	-	23,454	-
Accounts receivable (Trust Agreement - COFIDE)	5,831,216	-	-	-
Accounts receivable from hedge derivatives	-	-	-	393,966
Other accounts receivable	852	-	-	-
Other accounts receivable from CRC-PBP Trust	7,474	61,232	8,536	-
	<b>6,841,528</b>	<b>752,767</b>	<b>31,990</b>	<b>393,966</b>

<b>2015</b>	<b>Amortized cost</b>	<b>Hedging derivatives</b>
<i>In thousands of soles</i>		
Financial liabilities:		
Deposits and obligations	179	-
Borrowings and financial obligations	4,093,665	-
Accounts payable to hedge derivatives	-	21,329
Other accounts payable	588,841	-
	<b>4,682,685</b>	<b>21,329</b>

<b>2014</b>	<b>Cash and due from banks</b>			
	<b>Loans and items receivable</b>	<b>Available for sale at fair value</b>	<b>Held-to-maturity</b>	<b>Hedging derivatives</b>
<i>In thousands of soles</i>				
Financial assets:				
Cash and due from banks	1,495,316	-	-	-
Available-for-sale investments:				
Instruments representative of debt	-	334,367	-	-
Held-to-maturity investments	-	-	2,071	-
Accounts receivable (Trust agreement - COFIDE)	5,232,527	-	-	-
Accounts receivable from hedge derivatives	-	-	-	98,007
Other accounts receivable	507,174	-	-	-
Other accounts receivable from CRC-PBP Trust	7,764	59,238	6,250	-
	<b>7,242,781</b>	<b>393,605</b>	<b>8,321</b>	<b>98,007</b>



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<b>2014</b>			<b>Hedging</b>
<i>In thousands of soles</i>	<b>Amortized cost</b>		<b>derivatives</b>
Financial liabilities:			
Deposits and obligations	175		-
Borrowings and financial obligations	3,953,060		-
Accounts payable to hedge derivatives	-		23,328
Other accounts payable	558,650		-
	<b>4,511,885</b>		<b>23,328</b>

Accounting policies related to recognition and valuation of these items are described below in this note.

**C. Recognition of revenues and expenses**

***Interest income and expenses***

Interest income and interest expenses are recognized in profit or loss in the period they accrue, depending on the lifetime of the operations that generate them and the interest rates established.

Interest income from accounts receivable (Trust agreement-COFIDE) is recognized in profit or loss in the period they accrue, consistent with SBS rules for the Fund, in-suspense interests income are not recognized.

Income from investments in debt instruments is recognized in profit or loss in the statement of income.

Interest income and commissions for services are recognized in profit or loss when earned, based on the operations that generated them.

Interests from other receivables, banks in liquidation, past due balances, refinanced loans, in court collection, as well as loans classified as doubtful and lost, are recognized in the statement of income when they are effectively collected.

Other income and expenses are recorded in the period they accrue.

***Bonuses and awards for good payers***

In accordance with the accounting treatment stipulated by SBS for the Fund, the Good Payer Bonus and the Good Payer Award, including applicable interest, are recognized as follows:

- i. The Good Payer Bonus (Bono del Buen Pagador, or BBP for its acronym in Spanish) was created in compliance with Law No. 29033, issued on June 7, 2007 as a direct non-reimbursable direct assistance payable to eligible final borrowers up to a maximum of S/ 10,000 for housing securities exceeding 14 tax units up to 25 tax units, which is provided to people that timely fulfilled the payment of six consecutive monthly installments corresponding to the non-concessional tranche of MIVIVIENDA loans. The Good Payer Award until April 20, 2010 amounted to S/ 10,000. From that date, the Good Payer Award increased by S/ 12,500 for housing securities, between 14 and 50 tax units. For housing securities from 50 to 70 tax units, the Good Payer Award amounts to S/ 5,000.

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For this purpose, the Fund divides the total amount of Crédito MIVIVIENDA plus its related interest into two schedules:

- A half-annual schedule called "concessional tranche" that corresponds to the PBP (principal and interest); and
- A monthly schedule called "non-concessional tranche" that corresponds to the total amount less the concessional tranche (principal and interest) amount.

In these cases, the BBP is received by the MVCS (to the extent MVCS has funds available) at the request of the Fund and it is recorded for financial reporting and control as a liability in the account "Good payer bonus - received" (Note 15).

Upon being granted, the total amount disbursed on the Crédito MIVIVIENDA loan is recorded as placement in the "Accounts receivable (Trust Agreement - COFIDE)" caption and generates the two aforementioned entries.

Subsequently, the Fund sends to the MVCS the list of BBP beneficiaries, reclassifying each bonus due to eligible borrowers from "Good Payer Bonus – Received" to "Good Payer Bonus – Assigned" (note 15).

- ii. Once the Good Payer Bonus becomes effective, and when the final beneficiary has timely fulfilled the payment of six consecutive monthly installments, the Fund credits accounts receivable (capital) of the concessional tranche installments charged to the liability for the "Allocated Good Payer Bonus". Interests corresponding to such concessional tranche instalments are recognized as an expense of the Fund and are presented net of the account "Income from Accounts Receivable (Trust Agreement - COFIDE)" included in the item "Income from Interest" of the statement of income.
- iii. By means of UD No. 002-2014 published on July 28, 2014, article 14.2, the general regulatory framework is exposed to grant the Good Payer Bonus to the Fund for housing which has a value exceeding 14 tax units and does not exceed 50 tax units. The Good Payer Bonus will be used as a non-reimbursable financial support up to an amount of S/ 12,500. In these cases, the Fund previously receives total resources of the Good Payer Bonus to be allocated during year 2014 and is recorded in the accounts receivable liability.

For this purposes, MIVIVIENDA fund has two modalities to be applied by the Good Payer Bonus.

- BBP granted as financing of the PBP for the timely payment of six consecutive monthly installments corresponding to the non-concessional tranche of the loan, the above mentioned modality and allocation are maintained.
- BBP as a complement of the initial installment, the BBP will be used as a complement of the contribution of sub-borrowers to reach the minimum required initial installment and it is applied when the loan is disbursed; thus, it is not part of the award.

When the Good Payer Bonus becomes effective as a complement of the initial installment, the account payable is reversed.

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- iv. Once the good payer award becomes effective through the fulfillment of conditions by the final beneficiary, the Fund records such amount as expense and as a result accounts receivable (capital) of concessional tranche installments decreases charged to the Interest Expenses item of the statement of income, while interests, as in the last case, are recognized as expenses and presented net of the account "Income from Accounts Receivable" (Trust Agreement - COFIDE)" included in the item "Income from Interest" of the statement of income.
- v. On July 28, 2014, with the UD No. 002-2014, it has been established for good payer bonus purposes, within the framework of Law No. 29033, that for houses, the value shall exceed 14 tax units and shall not exceed 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 that will be granted to people that have access to Crédito MIVIVIENDA loan.
- vi. For cash purposes, Banco de la Nación was authorized to lend the Fund MIVIVIENDA S.A. an amount of S/ 500,000 thousand through the participation of the Ministry of Housing, Construction and Sanitation (MVCS) for payment purposes, as established in the loan agreement.
- vii. By means of Supreme Decree 003-2015-VIVIENDA published on January 22, 2015, the regulation of Law 29033 was approved, Law for the creation of the Early Payment Discount, amended by the Eighty fourth Final Complementary Provision of Law 30281, Law for the Public Sector Budget for fiscal year 2015, which takes part of Supreme Decree 003-2015-VIVIENDA.

Commissions for trust administration services provided to the CRC-PBP trusts, among other trusts, are recognized as income when received.

**D. Accounts receivable and provision for doubtful accounts receivable**

This item includes the receivable for services other than financing operations. Accounts receivable generated in favor of the trustee or originator are also included in this item.

Accounts receivable are initially recognized at fair value, which is generally equal to the cost.

Although accounts receivable held by the Fund are not direct loans, the accounting treatment applied on all accounts receivable is that stipulated by the SBS for direct loans and provisions.

▪ **Accounts receivable (Trust- COFIDE)**

Accounts receivable (Trust agreement- COFIDE) are recorded upon the disbursement of funds through COFIDE to the IFI that channels the Fund's resources for the placement of the MIVIVIENDA product portfolio.

According to the Fund's Regulation, enacted by SBS Resolution No. 980-2006 issued on August 14, 2006, the calculation of the allowance is performed based on the criteria established by the SBS in the Regulation for the evaluation and classification of debtor and allowance requirements, as established in SBS Resolution No. 11356-2008, in accordance with the following methodology:

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**First Component: Provision for IFI's Risk**

- A. The capital balance of each disbursement is separated into two types: balance of capital with mortgage collateral and balance of capital without mortgage collateral.
- B. The calculation of provisions takes place regarding the classification of the IFI.
- C. The allowance relating to the balance of capital with mortgage collateral is calculated as the result of the balance of capital with mortgage collateral by the SBS table 2 rate according to the classification of the IFI.
- D. The allowance relating to the balance of capital without mortgage collateral is calculated as the result of the balance of capital without mortgage collateral by the SBS table 1 rate according to the classification of the IFI.

**Second component: Provision for credit risk coverage (CRC)**

- A. The balance of capital of each disbursement with mortgage collateral less the value of the mortgage collateral result in the balance of the unpaid principal.
- B. The balance of the unpaid principal of each disbursement is multiplied by the coverage percentage; resulting in the balance of net capital to be covered.
- C. The provision relating to the balance of net capital to be covered is calculated as the result of multiplying the net balance of capital to be covered by the SBS table 1 rate according to the classification of the sub borrower.

For the calculation of provisions, the value of guarantees is considered as per the procedure detailed in Appendix 3 of the Credit Risk Manual of the Fund which adapts the provisions of SBS Resolution 11356-2008. The mentioned procedure states that the value of guarantees to be considered for the calculation of provisions is the lien value.

The Fund applies the following percentages to determine provisions:

Risk Category	%	
	Table 1	Table 2
Normal	0.70	0.70
With potential problem (WPP)	5.00	2.50
Substandard	25.00	12.50
Doubtful	60.00	30.00
Loss	100.00	60.00

To determine IFI's risk classification, the Fund has established among its internal standards a provision chart based on the risk category assigned by the SBS.

Accounts receivable are presented net of allowance for doubtful accounts.

▪ **Accounts receivable related to CRC-PBP Trusts**

Includes the assets of the CRC-PBP trusts, which correspond to assets (due from banks, investments and accrued yields) and liabilities of the Fund, but according to SBS regulation (SBS Resolution No. 980-2006, the Fund's Regulation), they must be presented as a net balance in the "Other accounts receivable, net" caption in the statement of financial position, since the Fund legally acts simultaneously as trustee and trust beneficiary. The assets and liabilities included in such trusts are valued according to the criteria used by the Fund for similar items, as described in this note.

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Surpluses (deficits) generated by the CRC- PBP trusts are recorded as "Interest Income or Interest Expenses", as applicable, in the statement of income.

The CRC-PBP trusts were established in 2007 to ensure the availability of sufficient resources to meet the Fund's obligations relating to mortgages with CRC and PBP coverage, signed with certain IFI's; and to manage trust resources efficiently.

▪ **Other accounts receivable, net**

It includes accounts receivable from time deposits, certificates of deposits among others that the Fund holds in certain financial institutions that are in liquidation, and other accounts receivable that, since they are under litigation, do not accrue interest. Any related recovery is recorded on a cash basis.

To determine the provision for doubtful of other accounts receivable, the Fund assigns a risk rating in accordance with SBS Resolution No. 11356-2008.

The allowance for doubtful of other accounts receivable is performed based on the review the Fund's Management regularly conducts to classify it into the categories of "normal", "with potential problem", "substandard" "doubtful" or "loss", depending on the degree of each borrower's risk to fail to pay. Collateral received is considered by the Fund only to the extent it is registered in the Public Registry without observations or annotations. Allowances for borrowers classified as doubtful or loss by more than 36 and 24 months, respectively, are determined without considering the value of the relevant collateral.

**E. Derivative financial instruments**

All derivative instruments are classified as marketable, are initially recognized in the statement of financial position of the Fund at their own expense and subsequently, they are recorded at fair value. Derivatives are recorded as assets when the fair value is positive and as a liability when the. The amount of the reference (nominal) of the operation is recorded in memoranda accounts for the reference amount in the committed currency (note 17).

Fair value are estimates based on the foreign exchange rate and market interest rate. Gains and losses for changes in fair value of derivatives are recorded in the profit and loss of the year.

As of December 31, 2015, the Fund has foreign currency swaps to hedge cash flows in foreign currency, which after valuation, the effective portion is charged to equity reclassifying the effect of exchange rate on the statement of income to the extent that the exchange difference of the hedged item affects the statement of income. When liquidating the contract, the balance with pending unrealized results is transferred to the statements of income and its non-effective portion is transferred to the statement of income and the ineffective portion is recorded as a result of hedging derivatives in the Statement of Income. Finally, as of those dates, the Fund has no embedded derivatives.

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As of December 2015 and 2014, Management considers that for management purposes, the Fund has economic hedging derivatives, recognizing the profit or loss for its valuation at market value in the profit or loss of the period. Also, as of those dates, the Fund has no embedded derivatives.

**F. Investments**

As of December 31, 2015 and 2014, investments are determined according to SBS Resolution 7033-2012.

***Classification***

▪ ***Available-for-sale investments***

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 do not qualify to be recorded as fair value through profit and loss or held-to-maturity.

The fair 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 said investments.

▪ ***Held-to-maturity investments***

Investment instruments classified in this category, must meet the following criteria.

- 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.
- 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 Fund must assess whether it has the financial capacity to maintain such investment instruments until their maturity, upon recognition of such instrument and at the closing of each annual period.

***Recording date of the transaction***

Transactions related to available-for-sale and held-to-maturity investments must be 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.

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***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" item of the statement of income.

***Valuation***

▪ ***Available-for-sale investments***

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

When the instrument is sold or gains or losses previously recognized as part of the equity are realized, such gains or losses are transferred to the profit or loss of the period. On the other hand, when the 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 results.

In any of the aforementioned cases, if the SBS considers necessary to record an additional provision for any type of investment, such provision will be determined by the SBS based on each individual asset and then communicated to the Fund, for its recognition in profit or loss for the period.

▪ ***Held-to-maturity investments***

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, similarly to the treatment of direct loans; thus, 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 authorization.

***Impairment assessment***

SBS Resolution 7033-2012 provides a standard methodology for the identification of impairment of financial instruments classified as available-for-sale and held-to-maturity investments. This analysis methodology includes two filters, as described below:

**First filter:**

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

- Significant decrease in fair value - In the event that the fair value as of the date of the financial statements decreases below 50% of the acquisition value.
- 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 denomination the instrument, in order to isolate the variation on the exchange rate.

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**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.
- Decrease in risk rating due to factors not mentioned above.
- Interruption in the in payment of interest or principal due to financial issues of the issuer.
- Interruption of a transaction or of an active market due to financial issues 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.
- Decrease in value due to regulatory changes (tax, regulatory or other governmental regulations).
- The Fund does not have the intention and the capacity to maintain investments with losses until the value is recovered. For that purpose, it is necessary to make a projection of the estimated term for the recovery of value and an analysis of the evidence, based on historical information and the financial position of the company, if there is intention and ability to hold the investment throughout such period.

As established in such resolution, if at least two above mentioned factors exist, there will be an impairment loss. Once an impairment loss is recognized, subsequent evaluations are made on the carrying amount of the instruments, net of impairment losses for value previously recognized.

**G. Property, furniture, and equipment**

The property, furniture and equipment are recorded at acquisition cost, less accumulated depreciation.

Depreciation is calculated based on a straight-line basis over the following estimated useful lives:

	<b>Years</b>
Buildings	20
Premises	10
Furniture and fixtures	10
IT equipment	4
Various equipment	10
Vehicles	5

Maintenance and repair costs are charged to profit or loss for the period; all renewals and improvements are capitalized only when expenditures improve the condition of the asset and increase its useful life beyond the time originally estimated. The cost and accumulated depreciation of assets disposed of or sold are eliminated from their respective accounts, and any resulting gain or loss is included in the profit or loss.



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From the taxable period 2015, buildings and constructions shall be depreciated for income tax purposes, applying an annual percentage of depreciation of 20% up to the total depreciation, provided that the goods are exclusively destined to business development and meet the following conditions:

- The construction would have begun as from January 1, 2014. The beginning of the construction is understood in this case as the moment when the construction license or any other required document is granted. To determine the beginning of the construction, a construction license or any other document shall not be considered if issued as a result of a construction regularization process.
- If until December 31, 2016, the construction had a minimum progress of 80%. In the case of constructions which have not been completed until December 31, 2016, it is presumed that the progress of work as of that date is less than 80%, unless it is proven otherwise by taxpayer. It is understood that the construction is complete when the service consent order or other document required by regulations is obtained from the relevant municipal office.

**H. Intangible assets**

Intangible assets, included in the "Other assets, net" item of the statement of financial position, comprise development and licensing of computer software used in the Fund's operations. Acquired software licenses are capitalized based on the costs incurred to acquire or implement a specific computing software. These intangible assets are amortized on the straight-line method over a 4 year-term.

The amortization method is reviewed annually to assure they are consistent with the expected economic pattern of benefits of such assets.

As of December 31, 2015 and 2014, the Fund does not hold any intangible assets with indefinite useful lives.

**I. Impairment of long-lived assets**

When there are events or circumstantial economic changes indicating that the value of a long-live asset might not be recoverable, the Fund's management reviews the value of property, furniture and equipment, and intangible assets to determine that there is no permanent impairment. When the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized in the statement of income for the property, furniture and equipment, and intangible assets held at cost. The recoverable amount of an asset is the higher between its net selling price and its value in use.

Net selling price is the amount obtainable from the asset sale in a free market. Value in use is the present value of estimated future cash flows expected to arise from the continued use of an asset and from its subsequent disposal at the end of its useful life.

In Management's opinion there is no evidence of impairment in the value of such assets as of December 31, 2015 and 2014.

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**J. Liquid, received as payment, repossessed assets**

Realizable assets, received as payment, and repossessed assets (note 13) are regulated by SBS Resolution 1535-2005. This caption mainly includes property, plant, and equipment received as payment for doubtful loans, and are initially recorded at the lower of value determined by the court, arbitrator, recovery value, estimated market value or the value of unpaid debt amount.

According to current legislation, the treatment to record provisions for this type of assets is as follows:

- Repossessed assets, received as payment and repossessed assets are initially recorded at cost and at the same time, a provision equivalent to 20% of the cost. If the net realizable value shown in the valuation report demonstrates that the asset is impaired by a percentage higher than 20%, then the required initial provision shall be recorded at an amount equivalent to the amount effectively impaired.
- A provision shall be recorded for real estate that has not been sold or leased within one year from its recovery or repossession. This provision shall be a uniform monthly provision over a term of three and a half years until there is a 100% provision of the net carrying amount in books obtained in the eighteenth or twelfth month, depending on if there is or is not an extension approved by the SBS, respectively.

An impairment loss is recognized in the statement of income when the net realizable value is lower than net carrying amount. Therefore, the carrying amount will be reduced and the loss shall be recognized in the statement of income. In cases where the net realizable value is higher than the net carrying amount, the higher value shall not be recognized in the books

The annual updating of valuations of these assets determined by an independent expert, implies, if necessary, the recording of impairment provisions.

**K. Income tax**

***Current***

Current income tax, asset or liability, is measured as the amount expected to be recovered from or paid to tax authorities. Current income tax is determined based on the taxable income and recorded according to tax legislation applicable to the Fund.

***Deferred***

Deferred income tax reflects is determined by the balance method based on temporary differences between assets and liabilities balances for accounting purposes and those determined for tax purposes. Deferred assets and liabilities are measured at the tax rates that are expected to be applied on taxable income in the periods when these differences are recovered or eliminated. Measurement of deferred assets and liabilities reflects tax consequences arising from the way the Company expects to recover or settle the value of assets and liabilities as of the date of the statement of financial position.

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Deferred assets and liabilities are recognized without considering the estimated time when the temporary differences will disappear. Deferred assets are recognized when it is probable that there would be sufficient future benefits so that the deferred asset can be applied. As of the date of the statement of financial position, the Company evaluates the unrecognized deferred assets, as well as the accounting balance of recognized assets.

**L. Employees benefits**

The employee benefits include all contributions paid by the Fund in exchange for workers' services.

▪ **Employees' profit sharing**

Both active and inactive employees who have provided services in the corresponding period, receive profit sharing, whereby the Fund recognizes a liability and an expense of personnel, determined in accordance with current tax legislation.

SBS with Official Letter 4049-2011, dated January 21, 2011, established a change in treatment of employees' profit sharing indicating that this should be recorded according to IAS 19 Employee Benefits. Consequently, this profit sharing shall be recognized as personnel expense and liability related to benefits to employees and shall not recognize deferred assets or liability as a result of temporary differences between financial and tax bases.

▪ **Vacation and other employee benefits**

Annual vacation, compensated absences, family allowance and other employee benefits are recorded on an accrual basis.

▪ **Severance payment**

The provision for severance payment (CTS) is calculated according to current legislation, on the total employees' indemnities and should be paid through deposits in authorized financial entities accounts chosen by them. Calculation is made for the amount that should have to be paid as at the date of the statement of financial position and it is included in the "Provision for severance indemnities" account.

**M. Provisions**

Provisions are only recognized when the Fund has a present obligation (legal or constructive) as a result of past events, and when it is probable that an outflow of resources will be required to settle the obligation, and it is possible to reliably estimate its amount. Provisions are reviewed in each period and adjusted to reflect the best estimates as of the statement of financial position date. When the effect of the time value of money is material, the value of the provision is the present value of the expenditure required to settle the provision.

**N. Contingencies**

Contingent liabilities are not recognized in the financial statements. They are disclosed in notes to financial statements unless the possibility of an outflow of economic resources is remote.

Contingent assets are not recorded in financial statements, but are disclosed in the notes when their likelihood of occurrence is probable.

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**O. Deferred income**

The deferred income arises from the difference between the carrying amount and market value of financial instruments that the Fund transferred to CRC-PBP trusts in soles and U.S. dollars at the moment of the transfer (2007).

In accordance with SBS Resolution 0084-2000, and the standards for the Accounting Treatment of the Trust and the Commissions of Trust, if the trustee's rights are greater than the assets transferred to the trust, the trustee (the Fund) will recognize a deferred gain, which shall be accrued based on the amortization, realization and/or expiration of those rights.

**P. Other comprehensive income**

Unrealized loss on available for sale investments, net of the amount of deferred income tax is presented as part of other comprehensive income.

Additionally, as of December 31, 2015, unrealized results of the effective portion of the valuation of contracted cash flow derivative instruments are presented, while ineffective portion is charged to the results, and the amount of the valuation corresponding to the exchange difference as the exchange difference of the hedged item is affected. These balances are presented net of the related amount of deferred income tax.

**Q. Statement of changes in equity**

Adjustments to retained earnings corresponding to the fluctuation of the value on available-for-sale investments are part of other comprehensive income.

**R. Cash and cash equivalents**

Cash presented in the statements of cash flows includes cash and due from banks balances with original maturities of 91 days or less, excluding due from banks included in trusts (note 10(c)).

**S. Subsequent events**

Subsequent events at the closing of the period that provide additional information about the Fund's financial position as of the date of the statement of financial position (adjustment events) are included in the financial statements. Significant subsequent events that are not adjustment events are presented in notes to the financial statements.

**T. New standards and interpretations not adopted**

The following standards and interpretations have been published for application to periods beginning after this financial statement presentation date.

New IFRS	Date of mandatory application
IFRS 9 <i>Financial Instruments</i> .	Effective for annual periods beginning on or after January 1, 2018. Early adoption permitted.
IFRS 15, Revenue from Contracts with Customers	Effective for annual periods beginning on or after January 1, 2018. Early adoption permitted.
IFRS 16, Leases	Effective for annual periods beginning on or after January 1, 2019. Early adoption permitted.

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<b>Amendments to IFRS</b>	<b>Date of mandatory application</b>
IAS 16 Property, Plant and Equipment and IAS 38, Intangible Assets. Clarification of acceptable methods of Depreciation and Amortization	Effective for annual periods beginning on or after January 1, 2016. Early adoption permitted.
IAS 1 <i>Presentation of Financial Statements</i> . <i>Disclosure Initiative</i> .	Effective for annual periods beginning on or after January 1, 2016. Early adoption permitted.

As indicated in note 2(A) these standards and amendments will only be applicable to the Bank, in absence of applicable SBS regulations for situations not covered in the Accounting Manual of Financial System Companies. The Bank's management has not determined the effect on the preparation of its financial statements in case such standards were adopted by the SBS.

**5. Balances in foreign currency**

The statement of financial position includes balances of transactions in foreign currency, mainly in U.S. dollars (US\$), which are recorded in soles (S/) at the exchange rate established by the SBS that as of December 31, 2015 and 2014 were US\$ 1 = S/ 3.411 and US\$ 1 = S/ 2.986, respectively.

Foreign currency transactions in the country and international trade transactions referred to the concepts authorized by the Banco Central de Reserva del Perú - BCRP (the Peruvian Central Bank), are channeled through an interbank foreign exchange market. As of December 31, 2015, the buy and sell exchange rates reported were US\$ 1 = S/ 3.407 and US\$ 1 = S/ 3.410, respectively (US\$ 1 = S/ 2.981 buy and US\$ 1 = S/ 2.989 sell rate as of December 31, 2014).

As of December 31, foreign currency balances are summarized as follows:

<i>In thousands of U.S. dollars</i>	<b>2015</b>	<b>2014</b>
<b>Assets</b>		
Cash and due from banks	140,087	425,961
Investments	168,140	82,617
Accounts receivable (Trust agreement - COFIDE)	101,398	122,275
Other accounts receivable	70	22
Other assets	26	38
	<b>409,721</b>	<b>630,913</b>
<b>Liabilities</b>		
Borrowings and financial obligations	(803,013)	(801,754)
Accounts payable for derivative financial instruments	(2,354)	(2,497)
Other accounts payable	(671)	(1,137)
Other liabilities	(115)	(335)
	<b>(806,153)</b>	<b>(805,723)</b>
	<b>(396,432)</b>	<b>(174,810)</b>
Derivative instruments	481,521	332,319
<b>Net asset position in thousands of U.S. dollars</b>	<b>85,089</b>	<b>157,509</b>

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<i>In thousands of Euros</i>	<b>2015</b>	<b>2014</b>
<b>Assets</b>		
Cash and due from banks	20,651	-
Investments	19,246	-
	<b>39,897</b>	-
<b>Liabilities</b>		
Borrowings and financial obligations	(39,716)	-
Accounts payable	(22)	-
	<b>(39,738)</b>	-
<b>Net asset position in thousands of euros</b>	<b>159</b>	-

<i>In thousands of Swiss francs</i>	<b>2015</b>	<b>2014</b>
<b>Liabilities</b>		
Borrowings and financial obligations	(250,958)	(250,647)
Fund's financial derivative instruments	240,000	228,890
<b>Net liability position in thousands of Swiss francs</b>	<b>(10,958)</b>	<b>(21,757)</b>

In 2015 and 2014, the Fund presents in the item "Income from financial transactions" of the statement of income a net loss on exchange difference amounting to S/ 255,501 thousand and S/ 948 thousand, respectively.

In 2015, results from hedging operations amounting to S/ 223,457 thousand include a net gain on exchange difference amounting to S/ 278,635 thousand generated by derivative financial instruments of cash flow hedges. Net gain on exchange difference generated by the hedged item related to the above mentioned derivative instruments are presented in the item "Loss on exchange difference" of the statement of income.

**6. Cash and Due from Banks**

As of December 31, this item comprises the following:

<i>In thousands of soles</i>	<b>2015</b>	<b>2014</b>
Banco Central de Reserva del Perú (a)	448	460
Checking and savings accounts (b)	781,813	1,279,163
Time deposits (c)	219,518	190,467
Other restricted cash and due from banks	207	226
<b>Total cash and cash equivalents</b>	<b>1,001,986</b>	<b>1,470,316</b>
90-day time deposit or longer (d)	-	25,000
	<b>1,001,986</b>	<b>1,495,316</b>

- (a) Funds in soles and U.S. dollars held in Banco Central de Reserva del Perú (BCRP) are mainly used in transactions entered into by the Fund with Cofide, under the signed Trust Agreement.
- (b) Correspond to deposits in soles and U.S. dollars in banks and other financial system companies of the country; they have free withdrawal option and accrue interest at market interest rates.

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- (c) Correspond to time deposits in local and foreign currency in banks and other financial system companies in Peru. Their maturity is less than 90 days and accrue interest at annual effective rates that range from 5.75%, 6.43% in soles and from 0.65% and 0.80% in U.S. dollars (between 4.26% and 4.46% in soles and 0.02% and 0.70% in U.S dollars as of December 31, 2014).
- (d) In 2014, they correspond to time deposits in local currency held at banks and other entities of the country's financial system, with maturities over 90 days, bearing interest at annual effective interest rates of 4.80%.

**7. Investments**

As of December 31, this item comprises the following:

<i>In thousands of soles</i>	<b>2015</b>			<b>Book value (*)</b>
	<b>Amortized cost</b>	<b>Unrealized results Gain</b>	<b>Loss</b>	
Available-for-sale investments:				
Sovereign bonds (a)	80,922	-	(15,379)	65,543
Global bonds (b)	70,960	71	-	71,031
Corporate bonds (c)	547,552	1,832	(6,584)	542,800
Short-term instruments (e)	3,660	-	-	3,660
Plus:				
Accrued interest		-	-	8,501
		<b>1,903</b>	<b>(21,963)</b>	<b>691,535</b>
Held-to-maturity investments:				
Short-term instruments (e)	13,103	-	-	13,103
Commercial papers (f)	9,920	-	-	9,920
Plus:				
Accrued interest				431
		-	-	<b>23,454</b>
				<b>714,989</b>

<i>In thousands of soles</i>	<b>2014</b>			<b>Book value (*)</b>
	<b>Amortized cost</b>	<b>Unrealized results Gain</b>	<b>Loss</b>	
Available-for-sale investments:				
Sovereign bonds (a)	84,897	-	(9,731)	75,166
Corporate bonds (c)	239,033	4,453	(1,696)	241,790
Negotiable Certificates of Deposits (d)	12,874	-	(262)	12,612
Short-term instruments (e)	967	-	-	967
Plus:				
Accrued interest		-	-	3,832
		<b>4,453</b>	<b>(11,689)</b>	<b>334,367</b>
Held-to-maturity investments:				
Commercial papers	2,067	-	-	2,067
Plus:				
Accrued interest		-	-	4
		-	-	<b>2,071</b>
				<b>336,438</b>

- (\*) It corresponds to fair value of available-for-sale investments and amortized cost of held-to-maturity investments.

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- (a) Corresponds to Peruvian government sovereign bonds issued in soles by the Ministry of Economy and Finance (MEF). As of December 31, 2015 and 2014, such bonds accrue interest at annual nominal rates ranging from 5.20% to 8.20%, maturing between August 2020 and February 2042.
- (b) Corresponds to Peruvian Government global bonds issued in euros by the MEF. As of December 31, 2015, these loans accrue interest at an annual nominal rates of 2.75% maturing in January 2026.
- (c) Corresponds to securities and bonds purchased from local and foreign top-tier corporate and financial system companies. As of December 31, 2015, it comprises:
  - i) finance lease bonds in US dollars accruing interest at annual effective rates ranging from 4.84% to 6.06%, and maturing between August 2016 and May 2020;
  - ii) subordinated bonds in US dollars accruing interest at annual effective rate of 6.53%, and maturing in October 2028; iii) ordinary bonds in US dollars accruing interest at annual effective rates ranging from 2.25% to 6.5%, and maturing between March 2016 and May 2023; and iv) securitization bonds in US dollars accruing interest at annual effective rates ranging from 4.19% to 6.16%, and maturing between June 2018 and December 2028. As of December 31, 2014, it comprises: i) finance lease bonds in US dollars accruing interest at annual effective rates ranging from 4.85% to 6.06%, and maturing between August 2016 and May 2018; ii) subordinated bonds in US dollars accruing interest at annual effective rate of 6.53%, and maturing in October 2028; iii) ordinary bonds in US dollars accruing interest at annual effective rates ranging from 3.34% to 4.63%, and maturing between July 2019 and May 2023; and iv) securitization bonds in US dollars accruing interest at annual effective rates ranging from 4.44% to 6.16%, and maturing between June 2018 and September 2028.
- (d) Corresponds to a certificate of deposit in soles, held during 2014, issued by a bank of the country's financial system, which bore interest at an annual rate of 4.61% and matured in July 2015.
- (e) Corresponds to short-term instruments issued in soles and US dollars by Banco Agropecuario and Andino Investment Holding S.A.A., respectively. As of December 31, 2015, these short-term instruments accrue interest at annual effective rates ranging from 2.75% to 6.25%, maturing between January and August 2016.
- (f) Corresponds to US dollar commercial papers issued by Portales S.A., which accrue interest at effective annual interest rates between 2.93% and 3.46% and mature between April and August 2016.

In 2015, accrued interest on available-for-sale and held-to-maturity investments amounted to S/ 20,055 thousand and S/ 466 thousand, respectively; they are included in 'interest income' of the statement of income (S/ 18,333 thousand and S/ 107 thousand, respectively, as of December 31, 2014) (note 19).



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As of December 31, available-for-sale and held-to maturity investments have the following maturities:

<i>In thousands of soles</i>	<b>2015</b>	<b>2014</b>
Up to 1 year	40,293	15,942
1 to 5 years	315,740	109,859
5 to 10 years	168,334	99,256
Over 10 years	190,622	111,381
	<b>714,989</b>	<b>336,438</b>

As of December 31, 2015 and 2014, management has estimated the fair value of available-for-sale investments based on quotations available in the securities market, or, if not available, by discounting the expected cash flows at an interest rate that reflects the risk rating specific to the security.

**8. Accounts Receivable, Net (Trust agreement – COFIDE)**

As of December 31, this item comprises the following:

<i>In thousands of soles</i>	<b>2015</b>	<b>2014</b>
Nuevo Crédito MIVIVIENDA	5,181,332	4,546,486
Crédito MIVIVIENDA Tradicional	367,534	394,515
Crédito Complementario Techo Propio	124,627	133,006
Crédito MIHOGAR	121,142	133,029
Crédito MICONSTRUCCION	66,403	56,156
Crédito MIVIVIENDA Estandarizado	12,016	13,728
Crédito MICASA MAS	4,993	1,347
Crédito MITERRENO	243	20
	<b>5,878,290</b>	<b>5,278,287</b>
Plus (less):		
Accrued interest on accounts receivable	16,849	14,842
Provision for doubtful accounts receivable (Trust Agreement - COFIDE)	(63,922)	(60,602)
	<b>5,831,217</b>	<b>5,232,527</b>

The Fund disburses cash to Trust – COFIDE on a monthly basis, for the latter to extend lines of credits to the IFI's.

Additionally, the Trust - COFIDE monthly remits to the Fund available funds from collections resulting from recoveries, prepayments or credit cancellations done by the IFI's.

As of December 31, 2015 and 2014, the number of final beneficiaries (final debtors) is 88,126 and 83,323, respectively. There is no significant credit risk concentration due to the characteristics of the loan portfolio held by the Fund.

These resources are used to originate loans to final borrowers to purchase residences in conformity to article 12 of Supreme Decree No. 001-99-MTC.

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Composition of accounts receivable (Trust Agreement - COFIDE) based on the characteristics of credit promoted by the Fund is as follows:

	2015			2014		
	With credit risk	Without credit risk	Total	With credit risk	Without credit risk	Total
	coverage	coverage		coverage	coverage	
<i>In thousands of soles</i>						
Nuevo Crédito MIVIVIENDA	16,336	5,164,997	,181,333	2,442	4,544,044	4,546,486
Crédito MIVIVIENDA Tradicional	2,335	365,199	367,534	3,598	390,917	394,515
Crédito MIHOGAR	1,695	119,447	121,142	783	132,246	133,029
Crédito Complementario Techo Propio	876	123,750	124,626	480	132,526	133,006
Crédito MIVIVIENDA Estandarizado	-	12,016	12,016	-	13,728	13,728
Crédito MICONSTRUCCION	-	66,403	66,403	-	56,156	56,156
Crédito MICASA MAS	-	4,993	4,993	-	1,347	1,347
Crédito MITERRENO	-	243	243	-	20	20
	<b>21,242</b>	<b>5,857,048</b>	<b>,878,290</b>	<b>7,303</b>	<b>5,270,984</b>	<b>5,278,287</b>

Annual interest rates for products offered by the Fund are fixed rates. They were established in order to promote the granting of loans. As of December 31, this item comprises the following:

%	2015	2014
Nuevo Crédito MIVIVIENDA	6.60	6.60
Crédito MIVIVIENDA Tradicional	7.75	7.75
Crédito MIHOGAR	7.60	7.60
Crédito Complementario Techo Propio	8.00	8.00
Crédito MIVIVIENDA Estandarizado	6.90 and 7.30	6.90 and 7.30
Crédito MICONSTRUCCIÓN	8.00	8.00
Crédito MICASA MAS	6.50	6.50
Crédito MITERRENO	9.00	9.00

The interest rate for the Crédito MICONSTRUCCIÓN product was modified from 7.50% and 8.00% without Credit Risk Hedging and with Credit Risk Hedging respectively, to the single rate of 8.00%, by means of Board of Directors' Agreement No. 06-18D-2014 dated July 18, 2014.

Interest rate of the Techo Propio product was modified from 6.00% to 8.00%, by means of Board of Directors' Agreement No. 02-25D-2014 dated October 28, 2014.

As of December 31, accounts receivable (Trust agreement- COFIDE) have the following maturities:

<i>In thousands of soles</i>	2015	2014
Up to 1 month	42,771	24,730
1 - 3 months	92,898	79,009
3 months to 1 year	374,966	239,289
1 - 3 years	1,331,629	1,047,133
Over 3 years	4,036,026	3,888,126
	<b>5,878,290</b>	<b>5,278,287</b>

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The classification of accounts receivable by intermediary financial institution originating MIVIVIENDA loans is as follows:

<i>In thousands of soles</i>	<b>As of 12.31.2015</b>		<b>As of 12.31.2014</b>	
	<b>Total</b>	<b>%</b>	<b>Total</b>	<b>%</b>
<b>Risk category</b>				
Normal	5,550,178	94.42	5,064,891	95.96
With potential problem	130,514	2.22	31	0.00
	<b>5,680,692</b>	<b>96.64</b>	<b>5,064,922</b>	<b>95.96</b>
CMAC Metropolitana (*)	54,314	0.92	58,941	1.11
CRAC Señor de Luren (liquidation) (*)	143,284	2.44	154,424	2.93
<b>Total</b>	<b>5,878,290</b>	<b>100</b>	<b>5,278,287</b>	<b>100</b>

(\*) As of December 31, 2015, Caja Municipal de Ahorro y Crédito (CMAC) Metropolitana and Caja Rural de Ahorro de Ahorro y Crédito (CRAC) Señor de Luren does not present risk rating. As of December 31, 2014, CMAC Metropolitana had a Normal risk rating and CRAC Señor de Luren, a WPP risk rating.

The classification of accounts receivable per risk category of the final loan beneficiaries, determined based on the consolidated credit report is as follows:

<i>Risk category</i>	<b>2015</b>		<b>2014</b>	
	<b>In thousands of S/</b>	<b>%</b>	<b>In thousands of S/</b>	<b>%</b>
Normal	5,440,260	92.55	4,957,041	93.90
With potential problem (WPP)	108,073	1.84	76,305	1.45
Substandard	95,841	1.63	68,051	1.29
Doubtful	111,888	1.90	86,263	1.63
Loss	122,228	2.08	90,627	1.73
	<b>5,878,290</b>	<b>100.00</b>	<b>5,278,287</b>	<b>100.00</b>

Movement of provision for doubtful accounts (Trust agreement - COFIDE) is detailed below:

<i>In thousands of soles</i>	<b>2015</b>	<b>2014</b>
Balance at the beginning of the period	60,602	52,845
Additions debited to results	22,097	27,181
Recovery of provisions	(19,156)	(25,033)
Reclassification of provisions	-	5,319
Exchange differences	379	290
<b>Balance at end of period</b>	<b>63,922</b>	<b>60,602</b>

Additions debited to results include as of December 31, 2015, discretionary provisions for S/ 647 thousand (S/ 16,676 thousand as of December 31, 2014), which were approved by means of Board of Directors' agreement 03-27D-2014 dated November 24, 2014. Thus the Fund seeks to cover its exposure to possible changes in the classification of some monitored IFIs.

The Fund records potential losses in accounts receivable (Trust agreement - COFIDE) according to the policy described in note 4(d).

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In management's opinion, the provision for doubtful loans (Trust agreement - COFIDE), recorded as of December 31, 2015 and 2014, has been determined according to SBS regulations effective as of those dates.

**9. Accounts Receivable and Payable to Derivative Financial Products**

The Fund has forward euro and Swiss franc contracts whose exchange rates at fair value have generated accounts receivable and payable, as follows:

	2015			2014		
	Accounts receivable	Accounts payable	Reference amount	Accounts receivable	Accounts payable	Reference amount
<i>In thousands of soles</i>						
Forwards - purchase	-	(1,723)	191,073	2,487	(2,496)	307,747
Forwards - selling	-	(641)	63,033	131	(3,600)	541,441
	-	<b>(2,364)</b>	<b>254,106</b>	<b>2,618</b>	<b>(6,096)</b>	<b>849,188</b>
Swaps - purchase	393,966	(18,965)	2,333,312	95,389	(17,232)	1,913,521
	<b>393,966</b>	<b>(18,965)</b>	<b>2,333,312</b>	<b>95,389</b>	<b>(17,232)</b>	<b>1,913,521</b>
	<b>393,966</b>	<b>(21,329)</b>	<b>(2,587,418)</b>	<b>98,007</b>	<b>(23,328)</b>	<b>2,762,709</b>

Derivative financial instruments generating these accounts receivable and payable are maintained for hedging purposes against currency risk and have maturities from January 2016 to January 2023.

**10. Other Accounts Receivable, net**

As of December 31, this item comprises the following:

<i>In thousands of soles</i>	2015	2014
Accounts receivable from banks under liquidation (a)	102,500	102,528
Trust funds receivable CRC-PBP (b)	77,242	73,252
Accounts receivable from Ex-Coneminsa portfolio (c)	13,629	14,008
Claim to MVCS E.D. 002-2014 (d)	-	506,148
Other accounts receivable	1,200	781
	<b>194,571</b>	<b>696,717</b>
Less: Provision for uncollectibility of other accounts receivable (e)		
Banks under liquidation (a)	(102,500)	(102,528)
Ex-CONEMINSA portfolio (c)	(13,069)	(13,086)
Other accounts receivable	(908)	(677)
	<b>78,094</b>	<b>580,426</b>

- (a) Corresponds to accounts receivable for term deposits, certificates of deposit, among others, that the Fund, before being a financial company supervised by the SBS (before January 1, 2006), held in certain financial institutions that went into liquidation.

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As of December 31, the balance of these accounts receivable comprises the following:

<i>In thousands of soles</i>	<b>2015</b>	<b>2014</b>
Capital:		
Banco Nuevo Mundo under liquidation	55,398	56,161
Banco República under liquidation	42,369	42,216
Banco Banex under liquidation	4,733	4,151
	<b>102,500</b>	<b>102,528</b>
Less: Provision for doubtful accounts receivable		
Banco Nuevo Mundo under liquidation	(55,398)	(56,161)
Banco República under liquidation	(42,369)	(42,216)
Banco Banex under liquidation	(4,733)	(4,151)
	<b>(102,500)</b>	<b>(102,528)</b>
	-	-

The Fund has received movable and immovable property, and collection of credits as part of payment for these debts.

Provisions have been recorded for all the accounts receivable from banks under liquidation. The Fund recognizes the recoveries of these accounts receivable each time they are made. During 2015, the Fund received from Banco Nuevo Mundo under liquidation, cash amounting to S/ 763 thousand (S/ 791 thousand during 2014).

In Management's opinion, the provision for loan losses from banks in liquidation recorded as of December 31, 2015 and 2014 covers sufficiently the related collectability risk.

- (b) Comprises the net assets balance (total assets less total liabilities) of trusts managed by the Fund that were established to assure the payment of credit risk coverage to IFIs and the Good payer award.

<i>In thousands of soles</i>	<b>2015</b>	<b>2014</b>
CRC-PBP Trust – nuevos soles	36,126	35,259
CRC-PBP trust - US dollars	41,116	37,993
	<b>77,242</b>	<b>73,252</b>

Through certificates of incorporation signed in June 2007 by the Fund as trustor and trustee simultaneously, the CRC-PBP trusts were established on an administration basis aiming to assure the availability of resources for the Fund to comply with the obligations arising from CRC and PBP coverage (Credit Risk Coverage - CRC and payment of the Good payer award - PBP) signed with certain financial institutions as well as to guarantee that those resources are efficiently managed.

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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 (note 4(d)). The accounting for trusts is maintained separately for control purposes and shows the following balances as of December 31:

**CRC-PBP Trust –nuevos soles**

<i>In thousands of soles</i>	<b>2015</b>	<b>2014</b>
<b>Statement of financial position</b>		
<b>Assets</b>		
Cash and due from banks	1,791	1,969
Available-for-sale investments	31,359	31,775
Held-to-maturity investments	2,976	1,515
<b>Total assets</b>	<b>36,126</b>	<b>35,259</b>
<b>Equity and net surplus</b>		
Surplus in collections, net	2,274	2,100
Adjustments to equity	(1,350)	(493)
Retained earnings	35,202	33,652
<b>Total equity and net surplus</b>	<b>36,126</b>	<b>35,259</b>

<i>In thousands of soles</i>	<b>2015</b>	<b>2014</b>
<b>Statement of income</b>		
Interest income:		
Cash and due from banks	83	59
Available-for-sale investments	2,061	1,954
Held-to-maturity investments	127	102
<b>Gross financial margin</b>	<b>2,271</b>	<b>2,115</b>
<b>Net financial margin</b>	<b>2,271</b>	<b>2,116</b>
Financial services expenses	(221)	(207)
<b>Net financial margin of services revenues and expenses services</b>	<b>2,050</b>	<b>1,908</b>
Results from financial transactions:	(499)	-
Available-for-sale investments	(499)	-
<b>Operating margin</b>	<b>1,551</b>	<b>1,908</b>
Administrative expenses	(1)	(1)
<b>Net operating margin</b>	<b>1,550</b>	<b>1,907</b>
Other income and expenses	-	6
<b>Profit before income tax</b>	<b>1,550</b>	<b>1,913</b>
<b>Net profit for the year</b>	<b>1,550</b>	<b>1,913</b>

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**CRC-PBP trust - US dollars**

<i>In thousands of soles</i>	<b>2015</b>	<b>2014</b>
<b>Statement of financial position</b>		
<b>Assets</b>		
Cash and due from banks	5,683	5,795
Available-for-sale investments	29,873	27,463
Held-to-maturity investments	5,560	4,735
<b>Total assets</b>	<b>41,116</b>	<b>37,993</b>
<b>Equity and net surplus</b>		
Initial equity	21,013	21,013
Surplus of collections, net	7,641	7,055
Unrealized losses from investments	(1,860)	(1,583)
Retained earnings	14,322	11,508
<b>Total equity and net surplus</b>	<b>41,116</b>	<b>37,993</b>
<b>Statement of income</b>		
Interest income:		
Cash and due from banks	96	90
Available-for-sale investments	1,576	1,316
Held-to-maturity investments	323	326
<b>Gross financial margin</b>	<b>1,995</b>	<b>1,732</b>
<b>Net financial margin</b>	<b>1,995</b>	<b>1,732</b>
Financial services expenses	(245)	(219)
<b>Net financial margin of service revenues and expenses</b>	<b>1,750</b>	<b>1,513</b>
Results from financial transactions:		
Available-for-sale investments	(894)	-
Trading derivatives	-	6
Income from hedging transactions	-	(33)
Gain on exchange difference	1,959	841
Other	-	(300)
	<b>1,065</b>	<b>514</b>
<b>Operating margin</b>	<b>2,815</b>	<b>2,027</b>
Administrative expenses	(1)	(1)
<b>Net operating margin</b>	<b>2,814</b>	<b>2,026</b>
<b>Operating profit</b>	<b>2,814</b>	<b>2,026</b>
<b>Profit before income tax</b>	<b>2,814</b>	<b>2,026</b>
<b>Net profit for the year</b>	<b>2,814</b>	<b>2,026</b>

- (c) Corresponds to accounts receivable from mortgage loan portfolios granted by Compañía de Negociaciones Mobiliarias e Inmobiliarias S.A. (CONEMINSA), which was transferred to the Fund under a payment-in-kind contract executed with CONEMINSA on December 30, 2003 for its administration and recovery.
- (d) Corresponds to the account receivable from the Ministry of Housing, Construction and Sanitation for the payment of the loan received from Banco de la Nación for S/ 500,000 thousand as per Emergency Decree 002-2014 (note 14(a)). Such loan was collected from MVCS in period 2015 and paid to Banco de la Nación (capital and interest).

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- (e) The activity of the provision for other doubtful accounts receivable is as follows:

<i>In thousands of soles</i>	<b>2015</b>	<b>2014</b>
Balance at beginning of the period	116,291	121,450
Additions debited to results	384	151
Recovery of provisions	(1,053)	(1,354)
Write-off of provisions	-	(4,334)
Exchange difference	855	378
<b>Balance at end of period</b>	<b>116,477</b>	<b>116,291</b>

In Management's opinion, the provision for other doubtful accounts receivable recorded as of December 31, 2015 and 2014, are aligned with SBS standards in force as of each such date.

**11. Property, Furniture, and Equipment, net**

As of December 31, this item comprises the following:

<b>2015</b>			<b>Disposals &amp; other adjustments</b>	<b>Balance as of 12.31.15</b>
<i>In thousands of soles</i>	<b>Balance as of 12.31.14</b>	<b>Additions</b>		
Cost:				
Land	103	-	-	103
Buildings	36	-	-	36
Premises	62	-	-	62
Furniture and fixtures	616	16	(25)	607
Computer equipment	2,014	216	(14)	2,216
Various equipment	981	90	(26)	1,045
Vehicles	647	161	(76)	732
Work-in-progress (improvements in leased premises)	-	51	-	51
	<b>4,459</b>	<b>534</b>	<b>(141)</b>	<b>4,852</b>
Accumulated depreciation:				
Buildings	9	2	-	11
Premises	53	5	-	58
Furniture and fixtures	537	17	(24)	530
Computer equipment	1,759	165	(14)	1,910
Various equipment	650	74	(15)	709
Vehicles	588	78	(76)	590
	<b>3,596</b>	<b>341</b>	<b>(129)</b>	<b>3,808</b>
	<b>863</b>	<b>193</b>	<b>(12)</b>	<b>1,044</b>



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<b>2014</b>				
<i>In thousands of soles</i>	<b>Balance as of 12.31.14</b>	<b>Additions</b>	<b>Disposals &amp; other adjustments</b>	<b>Balance as of 12.31.15</b>
Cost:				
Land	103	-	-	103
Buildings	36	-	-	36
Premises	62	-	-	62
Furniture and fixtures	661	4	(49)	616
Computer equipment	2,061	91	(138)	2,014
Various equipment	967	58	(44)	981
Vehicles	647	-	-	647
	<b>4,537</b>	<b>153</b>	<b>(231)</b>	<b>4,459</b>
Accumulated depreciation:				
Buildings	7	2	-	9
Premises	47	6	-	53
Furniture and fixtures	561	21	(45)	537
Computer equipment	1,735	160	(136)	1,759
Various equipment	600	84	(34)	650
Vehicles	465	123	-	588
	<b>3,415</b>	<b>396</b>	<b>(215)</b>	<b>3,596</b>
<b>Net cost</b>	<b>1,122</b>			<b>863</b>

Financial entities in Peru cannot give as guarantee goods that are part of their properties, furniture, and equipment.

The Fund holds insurance coverage over its principal assets according to the policies established by Management. In that sense, as of December 31, 2015 and 2014, the Fund has contracted an all-risk insurance policy that covers the value of property, furniture and equipment owned by the Fund. In Management's opinion, insurance policies of the Fund are consistent with the industry practice.

In Management's opinion, there is no evidence of impairment of property, furniture and equipment held by the Fund as of December 31, 2015 and 2014.

As of December 31, 2015, the Fund holds totally depreciated assets in the amount of S/ 2,941 thousand (S/ 2,288 thousand as of December 31, 2014).

## 12. Deferred Income Tax

The deferred income tax has been calculated on the basis of differences between accounting and tax basis of assets and liabilities. The composition of this item according to the originating items was as follows:

	<b>Balances as of 12.31.2014</b>	<b>Additions(deductions)</b>		<b>Balance as of 12.31.2015</b>
<i>In thousands of soles</i>		<b>Results</b>	<b>Equity</b>	
<b>Assets</b>				
Generic provision for accounts receivable	9,859	3,717	-	13,576
Available-for-sale investments	-	-	1,518	1,518
Deferred income from BCP cash flow advances	462	(462)	-	-
Other	1,349	5	-	1,354
<b>Liabilities</b>				
Unrealized gains on hedging derivative products	(2,889)	-	(11,708)	(14,597)
Unrealized gains on available-for-sale investments	(835)	-	835	-
Exchange rate leveling	(13,370)	848	-	(12,522)
Other	(148)	10	-	(138)
	<b>(5,572)</b>	<b>4,118</b>	<b>(9,355)</b>	<b>(10,809)</b>

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**13. Other Assets, net**

As of December 31, this item comprises the following:

<i>In thousands of soles</i>	<b>2015</b>	<b>2014</b>
Intangible assets, net of amortization for S/ 4,893 thousand (S/ 4,098 thousand in 2014)	2,376	2,023
Reposessed assets	10	178
Other	289	669
	<b>2,675</b>	<b>2,870</b>

By means of Executive Directorate's resolution 046-2009/DE-FONAFE, the "Plan of corporate management of information and telecommunications technologies" -ICT- for companies supervised by FONAFE" was passed, defining the implementation of a shared service center of FONAFE's ICT. As of December 31, 2015, the payment on advance for this service amounts to S/ 43 thousand (S/ 348 thousand as of December 31, 2014) and is included under 'others'.

**14. Borrowings and Financial Obligations**

As of December 31, this item comprises the following:

<i>In thousands of soles</i>	<b>2015</b>	<b>2014</b>
Borrowings with local financial entities (a)	351,091	806,148
Borrowings and obligations with foreign entities and international financial entities (b)	147,220	-
Securities and bonds (c)	3,595,354	3,146,912
	<b>4,093,665</b>	<b>3,953,060</b>

- (a) As of December 31, the Fund holds the following borrowings with local financial entities:

<i>In thousands of soles</i>	<b>2015</b>					
	<b>Annual interest</b>			<b>Amortized cost</b>		<b>Total</b>
	<b>Date</b>	<b>rate</b>	<b>Capital</b>	<b>Interest</b>	<b>adjustment</b>	
Banco de la Nación	12.31.14	4.43%	200,000	145	-	200,145
Banco de la Nación	09.10.15	3.85%	50,000	596	-	50,596
Banco de la Nación	12.11.15	6.17%	100,000	350	-	100,350
			<b>350,000</b>	<b>1,091</b>	<b>-</b>	<b>351,091</b>

<i>In thousands of soles</i>	<b>2014</b>					
	<b>Annual interest</b>			<b>Amortized cost</b>		<b>Total</b>
	<b>Date</b>	<b>rate</b>	<b>Capital</b>	<b>Interest</b>	<b>adjustment</b>	
Banco de la Nación	09.09.14	3.97%	500,000	6,148	-	506,148
Banco de la Nación	12.31.14	4.43%	300,000	-	-	300,000
			<b>800,000</b>	<b>6,148</b>	<b>-</b>	<b>806,148</b>

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- (b) As of December 31, 2015, the Fund holds obligations with foreign entities and international financial entities:

	2015					
		Annual interest rate	Capital	Interest	Amortized cost adjustment	Total
<i>In thousands of soles</i>	<b>Date</b>					
French Development Agency - AFD	09.04.15	1.30%	148,272	578	(2,120)	146,730
Fee charged for unused line of credit			490	-	-	490
			<b>148,762</b>	<b>578</b>	<b>(2,120)</b>	<b>147,220</b>

- (c) In May 2014, the Fund issued bonds in the Swiss capital market. The issuance was made for an amount of CHF 250,000 thousand, with a 4-year maturity term. The bonds were placed at a par value of 99.83%, at a coupon rate of 1.25% with annual interest payment and amortization at maturity. Proceeds from the issuance of the bonds were used exclusively to finance credit operations.

In March 2014, the Fund issued bonds under Rule 144 and Regulation S of the U.S. Securities Act, as amended in the international market. The issuance corresponded to a face value of US\$ 300 million maturing in five years. Bonds were placed at a price of 99.76% and at a coupon rate of 3.38% with payment of interest semi-annually and amortization at maturity. Proceeds from the issuance of the bonds were used exclusively to finance credit operations.

During 2015, interest expense on securities outstanding issued by the Fund amounts to S/ 103,319 thousand (S/ 79,247 thousand during 2014) (note 20).

**15. Other Accounts Payable, Provisions and Other Liabilities**

As of December 31, this caption comprises the following:

<i>In thousands of soles</i>	2015	2014
Other accounts payable:		
FONAVI contributions (a)	161,370	158,671
Good payer bonus (capital) allocated to COFIDE (b)	69,911	74,942
Savings of the family group eligible for transferring technical entities (c)	16,440	13,755
Family housing bonus to be transferred to technical entities (d)	187,416	102,132
Good payer bonus (capital) received from MVCS (e)	141,892	197,275
Suppliers payable	2,133	4,853
Workers' profit sharing	6,000	3,794
Resources to transfer for executed standby letters of credit	1,275	1,116
Vacation and fringe benefits liquidations	1,068	1,011
Other	1,336	1,101
	<b>588,841</b>	<b>558,650</b>

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<i>In thousands of soles</i>	<b>2015</b>	<b>2014</b>
Provisions and other liabilities:		
Provisions for litigations, claims, and other contingencies (f)	1,660	2,005
Other deferred income	336	371
Deferred income from cash flow advances (g)	-	1,650
Provision for CRC of cash flow advances	392	285
Transactions in progress	6	53
	<b>2,394</b>	<b>4,364</b>

(a) As of December 31, it comprises the following:

<i>In thousands of soles</i>	<b>2015</b>	<b>2014</b>
FONAVI collection	94,979	95,192
FONAVI contributions pending to be transferred to the MEF	65,795	63,145
Refund of FONAVI pending collection	596	334
	<b>161,370</b>	<b>158,671</b>

FONAVI collections 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 tax payers in accordance with Law No. 26969.

The activity of this item is as follows:

<i>In thousands of soles</i>	<b>2015</b>	<b>2014</b>
Balance at beginning of period	95,192	112,943
Collection for the period	3,641	7,373
Reclassification of contributions pending from being transferred to the MEF	(2,650)	(24,998)
Reimbursement of FONAVI contributions	(1,204)	(126)
<b>Balance at end of period</b>	<b>94,979</b>	<b>95,192</b>

FONAVI contributions pending from being transferred to the MEF correspond to collections made by SUNAT of FONAVI contributions made by taxpayers who have a stabilized tax regime applicable as per Law No. 27071.

The refund of uncollected contributions to FONAVI corresponds to checks drawn since 1999 to 2015 that have not been collected by the beneficiaries. These checks were issued for refund of FONAVI contributions according to communications from SUNAT, entity responsible for the collection of these resources.

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- (b) Corresponds to the funds received from the MVCS that were allocated to credits authorized to IFI's (Crédito MIHOGAR and Nuevo Crédito MIVIVIENDA), prior to compliance review of the requirements stipulated in the respective regulations. The activity of this item is as follows:

<i>In thousands of soles</i>	<b>2015</b>	<b>2014</b>
Balance at beginning of period	74,942	79,872
BBP application to Crédito MIHOGAR fees	(1,462)	(1,413)
BBP application to Nuevo Crédito MIVIVIENDA fees	(3,569)	(3,517)
<b>Balance at end of period</b>	<b>69,911</b>	<b>74,942</b>

- (c) Corresponds to the balance payable to technical entities on behalf of eligible households who accessed the Techo Propio program. This balance comprises the amount of savings deposited by the household in the Fund's account and savings of Fondo de Vivienda Policial (FOVIPOL).
- (d) Corresponds to the balance payable to technical entities (builders) for the financing of the family housing allowances of households that accessed to the Techo Propio Program.
- (e) Corresponds to the funds received from the MVCS with pending allocation to beneficiaries that request loan products offered by the Fund. The allocations of these resources are made through COFIDE when disbursements to IFI's are authorized by approved credits.

During 2014, in accordance with the provisions of the UD No. 002-2014, the Fund received from the MVCS the amount of S/ 200,000 thousand to assume the BBP for housing whose value is greater than 14 UIT (tax units) and does not exceed 50 UIT.

The activity of this item is as follows:

<i>In thousands of soles</i>	<b>2015</b>	<b>2014</b>
Balance at beginning of period	197,275	8
Transfers	145,085	-
Disposals	1,117	-
Resources received in the period	-	200,000
Application of PBP	(3,174)	-
BBP disbursements to COFIDE for loan allocation	(198,411)	(2,733)
<b>Balance at end of period</b>	<b>141,892</b>	<b>197,275</b>

- (f) Corresponds to provisions for litigations and claims for legal and labor issues. In the opinion of management and its legal advisors, the provision recorded as of December 31, 2015 and 2014 is enough to cover the risk of loss for litigations and claims of the Fund.
- (g) According to the SBS provisions, the cash flow advance transaction of 36 installments by an IFI, was recorded as deferred income for S/ 8,488 thousand in August 2012 under 'other liabilities', which would be accrued on a line basis for 36 months. In July 2015, all the deferred income was accrued.

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**16. Shareholder's equity**

**A. Regulatory capital**

As of December 31, 2015, the Fund's regulatory capital determined as per current legal rules amounts to S/ 3,206,356 thousand (S/ 3,145,891 thousand as of December 31, 2014). This figure is used to calculate certain legal limits and restrictions according to *Ley General del Sistema Financiero y del Sistema de Seguros y Orgánica de la SBS*, Law 26702 (the *Banking Act*), applicable to the Fund, and was determined as follows:

<i>In thousands of soles</i>	<b>2015</b>	<b>2014</b>
Level 1 regulatory capital:		
Paid-in capital stock	3,174,249	3,109,899
<b>Plus</b>		
Legal reserve	57,012	49,863
Less:		
Accumulated losses	2,943	2,256
Unrealized losses for available-for-sale investments	21,962	11,615
<b>Total regulatory capital</b>	<b>3,206,356</b>	<b>3,145,891</b>

As of December 31, 2015, the regulatory capital requirement for credit risk determined by the Fund under the legislation applicable to financial institutions, amounts to S/ 3,152,947 thousand (S/ 3,099,341 thousand as of December 31, 2014) while capital requirements per market and operational risk amount to S/ 30,296 thousand and S/ 23,113 thousand, respectively (S/ 23,505 thousand and S/ 23,043 thousand, respectively as of December 31, 2014).

The Banking Act established that the regulatory capital shall be equal to or greater than 10% of the total risk weighted assets and contingent credits, which corresponds to the sum of the amount of: i) regulatory capital requirements for market risk multiplied by 10, ii) regulatory capital requirements for operational risk multiplied by 10, and iii) risk weighted credit related contingent assets. As of December 31, 2015, the regulatory capital of the Fund represents 87.47% of minimum capital requirements per market, operational and credit risks (45.60% as of December 31, 2014).

On April 2, 2009, by means of SBS Resolution 2115-2009, the SBS approved the rules for the regulatory capital requirement for operational risk, effective July 1, 2009. In this respect, as of the date of this report, the Fund has applied the base-indicator method for the calculation of the regulatory capital for operational risk.

On July 20, 2011, the SBS enacted Resolution No. 8425-2011 approving the Regulations on Additional Regulatory Capital Requirement indicating that regulatory capital shall be equal to the sum total of regulatory capital requirements, calculated per each of the following components: i) economic cycle, ii) concentration risk, iii) market risk concentration, iv) interest rate risk in banking records, and v) other risks. As from the effective date of this standard, financial entities will have a five year term to conform all of their regulatory capital to the level indicated in such Resolution.

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This additional requirement has come into force progressively starting in July 2012. As of December 31, 2015 and 2014, the global regulatory capital excess is as follows:

<i>In thousands of soles</i>	<b>2015</b>	<b>2014</b>
Minimum regulatory capital requirement:		
For credit, market and operational risk	366,556	689,818
Additional regulatory capital	54,793	87,211
<b>Total minimum requirement</b>	<b>421,349</b>	<b>777,029</b>
<b>Total calculated regulatory capital</b>	<b>3,206,356</b>	<b>3,145,891</b>
<b>Global regulatory capital excess</b>	<b>2,785,007</b>	<b>2,368,862</b>

**B. Capital shares**

As of December 31, 2015, the Fund's capital stock was comprised 3,174,249 common subscribed and paid common shares (3,109,899,030 common shares as of December 31, 2014). All shares have voting rights and a par value of S/ 1 each.

As of December 31, 2015 and 2014, the only shareholder of the Fund is FONAFE.

on March 19, 2015, the Fund's General Shareholder Meeting approved the capitalization of 2014 profits for S/ 64,350 thousand; increasing capital from S/ 3,109,899 thousand to S/ 3,174,249 thousand.

On March 25, 2014, the Fund's General Shareholder Meeting approved the capitalization of 2013 profits for S/ 59,211 thousand and the capitalization of additional capital of S/ 34 thousand, increasing capital from S/ 3,050,654 thousand to S/ 3,109,899 thousand.

**C. Reserve**

In accordance with the Banking Act, the Fund is required to have a legal reserve of at least 35% of its capital stock. This reserve shall be created by an annual transfer of no less than 10% of after-tax profits, and supersedes the reserve referred to in the *Companies Act*. On the other hand, as stipulated in the *Banking Act*, the amount of this reserve may also be increased with contributions made by the shareholders for this purpose.

The General Shareholder Meeting held on March 19, 2015, approved the increase of the legal reserve to S/ 57,013 thousand charged to the retained earnings for the 2014 fiscal year.

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**D. Adjustment to equity**

Adjustments to equity correspond to unrealized gains (losses) generated by available for-sale investments of the Fund and of the CRC-PBP Trust valuation and the unrealized gain (loss) on cash flow hedging derivatives (forwards and swaps) which are within the efficiency range. The movement, net of taxes is as follows:

<i>In thousands of soles</i>	<b>2015</b>	<b>2014</b>
Opening balance	(3,008)	(33,474)
Unrealized (losses) gains on investments available-for-sale of the Fund	(13,086)	11,097
Unrealized (losses) gains on investments available-for-sale of the CRC –PBP Trust	(2,527)	1,302
Unrealized gain on cash flow hedging transactions of the Fund	45,174	10,028
Transfer of realized loss on available-for-sale investments to results, net of incurred gain	1,655	11,763
Deferred income tax	(9,355)	(3,724)
	<b>18,853</b>	<b>(3,008)</b>

**17. Contingent and Memoranda Accounts**

As of December 31, this item comprises the following:

<i>In thousands of soles</i>	<b>2015</b>	<b>2014</b>
Contingent :		
Swaps (a)	2,333,312	1,913,521
Forwards (b)	254,106	849,188
Other contingent	357,885	831,146
	<b>2,945,303</b>	<b>3,593,855</b>
Memoranda accounts:		
Stand-by letters of credit and surety bonds received as guarantee (c)	672,701	704,470
Fund Law No. 27677 (d)	540,166	496,266
Lines of credit granted but not used - AFD	296,544	-
Funds received from MVCS – BFH (e)	186,433	101,872
Partial payments in favor of the Fund	50,000	-
CRC-PBP Trust (f)	77,242	73,252
Write-off of uncollectible accounts (g)	36,197	36,174
Equity contributions (h)	18,222	18,222
Effective agreements signed with suppliers	12,558	8,620
Suspended interest of Ex-Coneminsa portfolio and other accounts receivable (i)	6,298	6,391
Securities and bonds outstanding	6,160	6,107
Mortgage guarantees received (j)	2,942	2,575
Other	450	411
	<b>1,905,913</b>	<b>1,454,360</b>
Trusts and autonomous equity in administration:		
CRC-PBP Trust (k)	158,408	149,441
Las Garzas Trust	24,088	23,926
	<b>182,496</b>	<b>173,367</b>
	<b>5,033,712</b>	<b>5,221,582</b>



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- (a) Corresponds to the Fund's commitment for swap transactions of purchase of US dollars and Swiss francs contracted to hedge its accounts payable in such currencies, which amounted to US\$ 500,000 thousand and CHF 184,000 thousand as of December 31, 2015 (US\$ 500,000 thousand and CHF 140,000 thousand as of December 31, 2014).
- (b) Corresponds to the Fund's commitment for the forward transactions of purchase and sale of US dollars and Swiss francs contracted to hedge its accounts receivable in such currencies, which amounted to US\$ 18,479 thousand and CHF 56,000 thousand as of December 31, 2015 (US\$ 95,605 thousand and CHF 88,890 thousand as of December 31, 2014).
- (c) Corresponds to the stand-by letters of credit received as guarantee from the Technical Agencies under the contracts signed by the Techo Propio Program over the BFH and the Household Savings product, as well as stand-by letters of credit received from suppliers in the context of certain supply and service agreements.
- (d) Corresponds to the value of total assets, liabilities, income, expenses and equity of the "Fund Law" which was constituted by Public Deed dated February 13, 2002, with the resources transferred to the Fund from the winding up of FONAVI, for their administration, recovery and intermediation through IFI's.
- (e) Corresponds to the funds received from the MVCS for the financing of the family housing allowances (BFH) of households that accessed to the Techo Propio Program.
- (f) Corresponds to the recognition of the rights acquired by the Fund in connection with the establishment of the CRC and PBP trusts in soles and US dollars for an amount of S/ 36,126 thousand and S/ 41,116 thousand, respectively (S/ 35,259 thousand and S/ 37,993 thousand as of December 31, 2014).
- (g) As of December 31, 2015 and 2014, it correspond to write-offs of balances receivable (capital and interest). Those write-offs are approved by the Fund's Board of Directors.
- (h) Corresponds to a claim made by the Fund to the MEF on contributions to FONAVI - Employer Contributions, as provided by Law 26969 – FONAVI Liquidation Law, that the Fund considers should have been granted to the Fund.
- (i) Corresponds to the accrued interest of the overdue portfolio of ex-CONEMINSA and other accounts receivable.
- (j) Corresponds to mortgage guarantees received from two financial institutions undergoing liquidation, for the loan portfolio maintained with the Fund.
- (k) Corresponds to the value of total assets, liabilities, income, expenses and equity of CRC and PBP trusts in soles and US dollars.

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As of December 31, 2015 and 2014

**18. Contingencies**

As of December 31, 2015, the Fund holds the following contentious processes:

- (a) Lawsuits on labor issues related to profit sharing payment and reimbursement of fringe benefits. As of December 31, 2015, the Fund r recorded a provision for S/ 1,577 thousand for this item (S/ 1,196 thousand as of December 31, 2013).
- (b) Various constitutional procedures (protective action) related to the reestablishment of labor rights to former employees of the Funds and to the cancellation of records to technical entities for committed infringements.
- (c) Contentious Administrative Proceedings with DHMONT & CG & M S.A.C. consortium (claimant) in relation to the objection of administrative resolution. The applicant claims the nullity of the letter in which the Fund refuses to refund the letter of guarantee it received as a guarantee, a condition necessary so that the entity could file an appeal in the public tender (Collique) called by the Fund. The claimed amount is S/ 4,870 thousand; the judge ordered the refund of US\$ 250 thousand which were consigned to the applicant on May 31, 2015.
- (d) Arbitration proceeding with Veritas Edificaciones S.A.C. and CG&M Proyectos y Construcciones S.A.C. The claim involves an amount of US\$ 7,327 thousand. On July 14, 2015, the Arbitration Award releasing the Fund from any civil and economic responsibility was notified.

In Management and its legal advisors' opinion, these legal claims will not result in significant liabilities additional to those recorded in these financial statements.

**19. Interest Income**

This item comprises the following:

<i>In thousands of soles</i>	<b>2015</b>	<b>2014</b>
Cash and due from banks	11,388	8,357
Available-for-sale investments (note 7)	20,055	18,333
Held-to-maturity investments (note 7)	466	107
Accounts receivable	333,126	287,711
Other finance income	1,224	1,247
	<b>366,259</b>	<b>315,755</b>

Interest income from accounts receivable corresponds to interest earned on accounts receivable from IFI's placed through the Trust agreement – COFIDE; likewise, it corresponds to the attribution of results regarding the CRC – PBP trusts.

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**20. Interest Expenses**

This caption comprises the following:

<i>In thousands of soles</i>	<b>2015</b>	<b>2014</b>
Borrowings and obligations with local financial system entities	13,141	19,309
Borrowings and obligations with overseas financial system entities	754	-
Securities, bonds, and obligations outstanding (note 14 (b))	103,319	79,247
Commissions and other charges for borrowings and financial obligations	1,043	1
Other finance costs	52,476	46,133
	<b>170,733</b>	<b>144,690</b>

Interest expense on securities, bonds, and obligations outstanding correspond to interest accrued from the three international issuances. Other finance costs correspond mainly to the good payer award granted through the COFIDE Trust.

**21. Financial services revenues**

This caption comprises the following:

<i>In thousands of soles</i>	<b>2015</b>	<b>2014</b>
Revenues from trust and trust fees	561	521
Various income	5,794	5,585
	<b>6,355</b>	<b>6,106</b>

The financial services revenues correspond mainly to fees related to management of the CRC-PBP trusts for which the Fund receives a monthly fee equivalent to 0.05% of the shareholder's equity of the trusts; and fees related to credit risk hedge services (CRC) and good payer's award (PBP) rendered to the IFI's.

**22. Administrative Expenses**

This item comprises the following:

<i>In thousands of soles</i>	<b>2015</b>	<b>2014</b>
Personnel and Board of Directors' expenses (a)	24,704	21,429
Services received from third parties (b)	25,726	29,498
Taxes and contributions	320	398
	<b>50,750</b>	<b>51,325</b>

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- (a) Personnel and Board of Directors expenses include the following:

<i>In thousands of soles</i>	<b>2015</b>	<b>2014</b>
Remunerations	11,282	11,117
Employee profit sharing	6,000	3,794
Gratuities	1,843	1,824
Severance indemnities	1,083	1,070
Security and indemnities	1,040	1,028
Vacations	932	907
Training	320	202
Other	2,204	1,487
	<b>24,704</b>	<b>21,429</b>

According to the legal provisions in force, the Fund distributes 5% of the taxable net income as employees' profit sharing.

***Remuneration to the Board of Directors***

The amount paid during 2015 and 2014 the members of the Fund's Board amounts to S/ 347 thousand and S/ 220 thousand, respectively.

***Remuneration to the management team***

Payments regarding salaries and other benefits received by the Fund's executives officers, during 2015 and 2014 amounted to S/ 4,724 thousand and S/ 2,729 thousand respectively.

- (b) Services received from third parties include the following:

<i>In thousands of soles</i>	<b>2015</b>	<b>2014</b>
Advertising	12,633	15,260
Advisory services	2,076	3,955
Rental of goods and property	2,227	1,843
TIC project expenses FONAFE	1,311	1,001
Communications	1,143	899
Repairing and maintenance	1,566	885
Telemarketing services	904	236
Travel expenses	471	1,014
Transport	470	675
Insurance	329	301
Messaging	216	211
Utilities	188	209
Surveillance and protection	171	457
Cleaning service	17	156
Office supplies	98	93
Other expenses	1,906	2,303
	<b>25,726</b>	<b>29,498</b>

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Notes to the Financial Statements

As of December 31, 2015 and 2014

**23. Tax Matters**

- A. The Fund has determined a provision for current income tax as of December 31, 2015 for S/ 31,920 thousand (S/ 21,626 thousand as of December 31, 2014).

In relation to the assessment process of year 2014 income tax, corresponding Tax Assessment Resolution is pending. Any major expenses to cover the tax obligations will be charged to the results of the periods in which those are finally settled. It is the management's opinion that, as a result of this review, no significant liabilities will affect the financial statements as of December 31, 2015.

- B. In 2005, the Temporary Tax on Net Assets (ITAN, by its Spanish acronyms) was established. Taxable base is composed of the prior period adjusted net asset value less depreciation, amortization, legal cash reserve and specific provisions for credit risk. The tax rate, as from 2009, is 0.4% applicable to the amount of assets exceeding S/ 1,000 thousand. It may be paid in cash or in nine consecutive monthly installments. The amount paid may be used as a credit against partial payments of Income Tax General Regime for taxable periods from March to December of the fiscal period for which the tax was paid until the maturity date of each of the partial payments, and as a credit for regularization payments of income tax of the corresponding taxable period. The Fund has calculated the Temporary Tax on Net Assets as of December 31, 2015 in the amount of S/ 31,246 thousand (S/ 20,848 thousand as of December 31, 2014).

- C. In accordance with current tax legislation, corporate income tax for 2015 and 2014 is calculated on the basis of the net taxable profit at a rate of 28% and 30%, respectively.

Law No. 30296, issued on December 31, 2014 and effective to January 1, 2015, establishes that the income tax rate applicable on the taxable income will be as follows: 28% for 2015 and 2016; 27% for 2017 and 2018; and 26% for 2019 onwards.

Legal entities and individuals not domiciled in Peru are subject to withholding for an additional tax on dividends received. In this regard, Law 30296 establishes that the additional tax on dividends from income generated will be 4.1% for profits generated until December 31, 2014, and will progressively increase to 6.8% for years 2015 and 2016, to 8.0% for the years 2017 and 2018 and to 9.3% for the year 2019 onwards.

- D. Technical assistance provided by non-domiciled legal entities will be subject to a 15% income tax withholding, regardless of the location where the service was rendered and provided that income tax law requirements are met.
- E. As of December 31, 2015 and 2014, Tax on Financial Transactions has been fixed at the rate of 0.005%. This tax is applied on charges and debits in bank accounts or movements of funds made through the financial system, unless the account is tax-exempt.

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F. Reconciliation of income tax effective rate is as follows:

	2015		2014	
	S/ (000)	%	S/ (000)	%
Profit before income tax	125,844	100.00	102,816	100.00
Tax calculated as per current statutory rate	35,236	28.00	30,845	30.00
Tax effect on additions and deductions:				
Permanent differences - Additions	1,273	1.01	5,535	5.38
Permanent differences - Deductions	(8,707)	(6.92)	(5,064)	(4.92)
<b>Current and deferred income tax recorded as per effective rate</b>	<b>27,802</b>	<b>22.09</b>	<b>31,316</b>	<b>30.46</b>

G. Expenses for income tax as shown in the statement of income are as follows:

<i>In thousands of soles</i>	2015	2014
Current	(31,920)	(21,626)
Deferred	4,118	(9,690)
	<b>(27,802)</b>	<b>(31,316)</b>

## 24. Financial Risk Management

The activities of the Fund, as a second-tier bank, expose itself to a variety of financial risks that include effects of the variations of the currency, interest rates, liquidity and credit risk. The Fund's program for the management of risks seeks to minimize potential adverse effects of these risks in its financial behavior.

The Fund's Risk Management Committee is in charge of the administration of risk following the policies approved by the Board of Directors. This Committee identifies, measures, monitors and controls financial risks to which the Fund is exposed, closely coordinating with its operating units. The Board of Directors provides in writing the principles for general risk management as well as those policies covering specific areas, such as currency risk, interest rate risk, credit risk, and for the investment of liquidity surplus.

### **Market risk**

This is comprised of the risk of loss of value of the Fund's portfolios due to fluctuations in interest rates and exchange rates, among others. The Fund assumes market risk in its resource allocation activities through both the IFI and its financing and investment activities.

The objective of the Fund's risk management is to establish the policies, processes, and controls to balance profitability with the volatility in the market, i.e., maintaining an appropriate risk level. The monitoring of such risks has had particular relevance during the international financial crisis and greater volatility in the market. In this sense, risk management policies play an important role at the Fund, applying the best practices of the market with regard to risk management.

Thus, the resource placement activities and financial management are defined by various limits set by the Board of Directors, which are reviewed periodically, so as to incorporate the needs and strategies proposed by management, as well as variations in market conditions.

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The resource placement activities are managed according to internal limits by IFI, including: risk rating, global capital ratio, size of regulatory capital, among others.

Financial management, as part of the process for administering the Fund's assets and liabilities, allows to identify, manage and control liquidity risk and interest rate arising from financing and investing activities of the Fund. These activities are managed in accordance with the following approved limits: concentration limits per currency, concentration limits per issuer, concentration limits per type of investment, Value at Risk (VaR) tolerance limits of maximum expected loss (Stop Loss), internal limit of liquidity ratio, internal limits of interest rate structural risk, among others.

Interest rate risk to which the Fund is exposed is controlled through the following indicators of regulatory nature. Gains on risk and equity value at risk which are determined according to internal assumptions and based on methodological notes provided by SBS. These indicators are informed periodically to the Risk Management Committee and the Assets and Liabilities Management Committee and based on this, action plans are determined to mitigate any exposure of the Fund to interest rate risk.

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As of December 31, 2015 and 2014

As of December 31, 2015 and 2014, the Fund's exposure to interest rate risk considering repricing dates of the instruments is as follows:

Interest rate risk <i>In thousands of soles</i>	2015							Total
	Up to 1 month	1 - 2 months	2 - 3 months	3 - 6 months	6 - 12 months	More than 12 months	No accrued interest	
<b>Assets</b>								
Cash and due from banks	896,263	65,176	40,547	-	-	-	-	1,001,986
Investments	6,673	3,147	4,309	26,528	26,689	647,641	-	714,989
Accounts receivable (Trust agreement - COFIDE)	33,107	31,223	31,303	96,407	200,634	5,438,544	-	5,831,217
Accounts receivable for hedge derivatives	-	-	-	-	-	-	393,966	393,966
<b>Total assets</b>	<b>936,043</b>	<b>99,546</b>	<b>76,159</b>	<b>122,935</b>	<b>227,323</b>	<b>6,086,185</b>	<b>393,966</b>	<b>7,942,158</b>
<b>Liabilities</b>								
Borrowings and financial obligations	25,657	-	48,153	86,529	102,637	3,830,688	-	4,093,665
Accounts payable for hedge derivatives	-	-	-	-	-	-	21,329	21,329
<b>Total liabilities</b>	<b>25,657</b>	<b>-</b>	<b>48,153</b>	<b>86,529</b>	<b>102,637</b>	<b>3,830,688</b>	<b>21,329</b>	<b>4,114,994</b>
<b>Off-balance sheet accounts</b>								
Derivative instruments, assets	-	-	-	-	-	-	2,524,386	2,524,386
Derivative Instruments, liabilities	-	-	-	-	-	-	63,033	63,033
<b>Marginal gap</b>	<b>910,386</b>	<b>99,546</b>	<b>28,006</b>	<b>36,406</b>	<b>124,686</b>	<b>2,255,497</b>	<b>2,833,990</b>	<b>6,288,516</b>
<b>Accumulated gap</b>	<b>910,386</b>	<b>1,009,932</b>	<b>1,037,938</b>	<b>1,074,344</b>	<b>1,199,030</b>	<b>3,454,527</b>	<b>6,288,517</b>	

(\*)Due to regulatory matters, this chart does not include the accounts receivable of CRC-PBP Trust funds.



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Interest rate risk <i>In thousands of soles</i>	2014						No accrued interest	Total
	Up to 1 month	1 - 2 months	2 - 3 months	3 - 6 months	6 - 12 months	More than 12 months		
<b>Assets</b>								
Cash and due from banks	1,469,740	-	-	-	25,576	-	-	1,495,316
Investments	1,078	2,431	954	4,815	18,896	308,264	-	336,438
Accounts receivable (Trust agreement - COFIDE)	34,757	33,500	33,394	100,481	222,142	4,808,253	-	5,232,527
Accounts receivable for hedge derivatives	-	-	-	-	-	-	98,007	98,007
<b>Total assets</b>	<b>1,505,575</b>	<b>35,931</b>	<b>34,348</b>	<b>105,296</b>	<b>266,614</b>	<b>5,116,517</b>	<b>98,007</b>	<b>7,162,288</b>
<b>Liabilities</b>								
Borrowings and financial obligations	21,882	-	-	569,798	88,029	3,273,351	-	3,953,060
Accounts payable to hedge derivatives	-	-	-	-	-	-	23,328	23,328
<b>Total liabilities</b>	<b>21,882</b>	<b>-</b>	<b>-</b>	<b>569,798</b>	<b>88,029</b>	<b>3,273,351</b>	<b>23,328</b>	<b>3,976,388</b>
<b>Off-balance sheet accounts</b>								
Derivative instruments, assets	-	-	-	-	-	-	2,221,268	2,221,268
Derivative Instruments, liabilities	-	-	-	-	-	-	(541,441)	(541,441)
<b>Marginal gap</b>	<b>1,483,693</b>	<b>35,931</b>	<b>34,348</b>	<b>(464,502)</b>	<b>178,585</b>	<b>1,843,166</b>	<b>1,754,506</b>	<b>4,865,727</b>
<b>Accumulated gap</b>	<b>1,483,693</b>	<b>1,519,624</b>	<b>1,553,972</b>	<b>1,089,470</b>	<b>1,268,055</b>	<b>3,111,221</b>	<b>4,865,727</b>	

(\*) Due to regulatory matters, this chart does not include the accounts receivable of CRC-PBP Trust funds.

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The estimated change effects of interest rates as of December 31, 2015 and 2014 are the following:

<i>In thousands</i>	<b>Effects on profit or loss before taxes</b>			
	<b>2015</b>		<b>2014</b>	
	<b>S/</b>	<b>US\$</b>	<b>S/</b>	<b>US\$</b>
Changes in interest rate				
-2.00%	(13,684)	(10,240)	(77)	(20,541)
-1.50%	(10,263)	(7,680)	(58)	(15,406)
-1.00%	(6,842)	(5,120)	(38)	(10,270)
-0.50%	(3,421)	(2,560)	(19)	(5,135)
0%	-	-	-	-
0.50%	3,421	2,560	19	5,135
1.00%	6,842	5,120	38	10,270
1.50%	10,263	7,680	58	15,406
2.00%	13,684	10,240	77	20,541

<i>In thousands</i>	<b>Effects on profit or loss before taxes</b>			
	<b>2015</b>		<b>2014</b>	
	<b>S/</b>	<b>US\$</b>	<b>S/</b>	<b>US\$</b>
Changes in interest rate				
-2.00%	(75,239)	(1,296)	(89,131)	(8,184)
-1.50%	(56,429)	(972)	(66,848)	(6,138)
-1.00%	(37,619)	(648)	(44,565)	(4,092)
-0.50%	(18,810)	(324)	(22,283)	(2,046)
0%	-	-	-	-
0.50%	18,810	324	22,283	2,046
1.00%	37,619	648	44,565	4,092
1.50%	56,429	972	66,848	6,138
2.00%	75,239	1,296	89,131	8,184

(\*) Due to regulatory matters, this chart does not include the accounts receivable of CRC-PBP trust funds.

The interest rate risk of investments in government bonds, BCRP certificates of deposit and fixed-income instruments is managed using the value-at-risk model.

The Fund's exposure to exchange rate risk is controlled through the following approved limits. Coverage limits in the accounting exchange position and the value-at-risk limit in case of adverse fluctuations in the exchange rate; this latter indicator is calculated according to the internal model of the Fund.

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As of December 31, 2015 and 2014, the exposure of the Fund to exchange risk is as follows:

	2015				2014			
	US dollar	Other currencies	Sol	Total	US dollar	Other currencies	Sol	Total
<i>In thousands of soles</i>								
Currency risk								
<b>Monetary assets</b>								
Cash and due from banks	477,837	76,549	447,600	1,001,986	1,271,919	-	223,397	1,495,316
Available-for-sale investments	553,005	71,341	67,189	691,535	244,627	-	89,740	334,367
Held-to-maturity investments	20,522	-	2,932	23,454	2,071	-	-	2,071
Accounts receivable ( Trust agreement - COFIDE)	345,868	-	5,485,348	5,831,216	365,112	-	4,867,415	5,232,527
Accounts receivable for hedge derivatives	-	-	393,966	393,966	-	-	98,007	98,007
Other accounts receivable	240	-	77,855	78,095	66	-	580,360	580,426
Current tax	-	-	35,402	35,402	-	-	26,955	26,955
<b>Total monetary assets</b>	<b>1,397,472</b>	<b>147,890</b>	<b>6,510,292</b>	<b>8,055,654</b>	<b>1,883,795</b>	<b>-</b>	<b>5,885,874</b>	<b>7,769,669</b>
<b>Monetary liabilities</b>								
Deposits and obligations	-	-	179	179	-	-	176	176
Borrowings and financial obligations	2,739,078	1,003,496	351,091	4,093,665	2,394,038	752,874	806,148	3,953,060
Accounts payable for hedge derivatives	8,030	83	13,216	21,329	7,456	-	15,872	23,328
Other accounts payable	2,288	-	586,553	588,841	3,394	-	555,256	558,650
<b>Total monetary liabilities</b>	<b>2,749,396</b>	<b>1,003,579</b>	<b>951,039</b>	<b>4,704,014</b>	<b>2,404,888</b>	<b>752,874</b>	<b>1,377,452</b>	<b>4,535,214</b>
<b>Off-statement of financial position accounts</b>								
Derivative instruments, assets	1,705,500	818,885	(2,524,385)	-	1,533,746	687,522	(2,221,268)	-
Derivative Instruments, liabilities	(63,033)	-	63,033	-	(541,441)	-	541,441	-
	<b>1,642,467</b>	<b>818,885</b>	<b>(2,461,352)</b>	<b>-</b>	<b>992,305</b>	<b>687,522</b>	<b>(1,679,827)</b>	<b>-</b>
<b>Net monetary position</b>	<b>290,543</b>	<b>(36,804)</b>	<b>3,097,901</b>	<b>3,351,640</b>	<b>471,212</b>	<b>(65,352)</b>	<b>2,828,595</b>	<b>3,234,455</b>

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The table below reflect the results of internal and regulatory "value at risk models" (at a certainty of 99% and with a settlement of 10 days) in connection with foreign exchange risk:

	2015		2014	
	In thousands of S/	%	In thousands of S/	%
Models				
Regulatory	5,699	0.18%	2,787	0.09%
Internal	6,360	0.20%	2,896	0.09%
Global position	253,437	7.89%	(199,117)	6.33%
	Overbought	Overbought	Oversold	Oversold

Article 6 of The Regulations on Exchange Risk Management approved by SBS Resolution No. 1455-2003, as amended, requires that the financial entities' oversold global position do not exceed ten per cent (10%) of its regulatory capital. Those Regulations further establish that the overall overbought position of financial institutions may not exceed fifty percent (50%) of its regulatory capital.

**Liquidity risk**

Liquidity risk is the risk of the Fund failing to satisfy its financial obligations when due. This risk is managed by the Financial Management. The financial obligations include borrowings, outstanding securities and obligations related to derivative instruments.

Financial management is performed within the policies approved by the Board of Directors for managing liquidity risk. These policies and guidelines set limits on duration of resources, on the internal liquidity ratio and liquid assets.

Concerning the limits and guidelines on liquid assets, these are the following limits: exposure per type of instrument, maximum allowed risk and maximum limit of loss. Also, there are policies to maintain coverage of foreign currency liabilities using derivative financial instruments, which cover currency risk.

The Fund keeps a resource availability that allows to have a comfortable capacity to meet their obligations and the funding needs of the IFIs.

	2015				
	Up to 1 month	Between 1 and 3 months	Between 4 and 12 months	More than 1 Year	Total
<i>In thousands of soles</i>					
Exposure to liquidity risk					
Risk of statement of financial position					
<b>Liabilities</b>					
Deposits and obligations	-	-	179	-	179
Borrowings and financial obligations	-	50,156	120,374	3,923,135	4,093,665
Accounts payable for hedge derivatives	2,351	13	-	18,965	21,329
Other accounts payable	190,004	175	6,788	391,874	588,841
Other liabilities	-	-	-	343	343
<b>Total</b>	<b>192,355</b>	<b>50,344</b>	<b>127,341</b>	<b>4,334,317</b>	<b>4,704,357</b>

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<i>In thousands of soles</i>	2014				
	Up to 1 month	Between 1 and 3 months	Between 4 and 12 months	More than 1 Year	Total
Exposure to liquidity risk					
Risk of statement of financial position					
<b>Liabilities</b>					
Deposits and obligations	-	-	176	-	176
Borrowings and financial obligations	-	-	610,218	3,342,842	3,953,060
Accounts payable for hedge derivatives	5,656	440	-	17,232	23,328
Other accounts payable	107,443	164	4,532	446,511	558,650
Other liabilities	-	-	-	2,074	2,074
<b>Total</b>	<b>113,099</b>	<b>604</b>	<b>614,926</b>	<b>3,808,659</b>	<b>4,537,288</b>

The liquidity risk is managed by analyzing contractual maturities. The main component of the Fund's assets are accounts receivable (COFIDE Trust); they include the loans disbursed to IFIs. Terms are determined based on monthly maturity of loans. Another component of assets are investments which are distributed according to contractual term.

The liquidity risk management focuses on the development of a portfolio of assets and liabilities, which aims to match their maturity terms.

Internal liquidity risk control indicators are: internal liquidity ratio and analysis on the duration of resources. Such indicators are prepared in accordance with internal and regulatory methodologies (contained in the Manual of Liquidity Risk Policies and Management and in the SBS regulations, respectively). In the event of a liquidity risk, the Fund has a liquidity contingency plan which considers the liquidation of certain assets, debts or borrowings.

**Credit risk**

Credit risk is managed primarily through admission, monitoring and control of the IFIs.

The analysis of credit risk in the IFI is mainly based on: i) economic, financial and commercial assessment, ii) assessment of market development, iii) assessment of the IFI management, iv) assessment of funding sources and real estate projects to be developed, v) assessment of guarantees and collaterals, and vi) assessment of the economic sector.

The main functions of credit risk management are: i) analysis of IFI's credit risk, ii) rating and procurement of the IFI, iii) review of the portfolio of loans to the IFI, through assessment of its credit policies, operating procedures, and, in general, and iv) monthly monitoring and control of the IFI based on internally defined financial indicators.

Credit financed by the Fund, are stated in local currency. It is important to note that the Fund still maintains loan balances in US dollars, corresponding to the first products disbursed (5.88% of the total portfolio as of December 31, 2015).

As of December 31, 2015, the Fund's maximum exposure level to credit risk is S/ 5,878,290 thousand, corresponding to the balance of accounts receivable (COFIDE Trust).

According to the Agreement for the Channeling of Resources signed between the Fund and the IFIs, the latter shall ensure that the sub-loans are mortgage-backed securities.

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Because of its role as trustee, COFIDE has mechanisms, through the agreements for the channeling of resources signed with the IFIs, for ensuring the volume of mortgage loans placed by the Fund, for which the IFI must respond.

The credit line assessment and proposal is made by the Commercial Management. Risk Management reviews the assessment and analyzes the risks. The proposal is submitted to the Risk Committee for its approval or denial.

As of December 31, 2015 and 2014, the Fund's exposure to credit risk based on risk rating of the final loan beneficiary and the risk rating by IFI is as follows:

**By final client**

	2015		2014	
	Portfolio Balance	%	Portfolio Balance	%
<i>In thousands of soles</i>				
Portfolio not past due nor impaired:				
Normal	5,440,260	92.6	4,957,041	93.9
With potential problem	108,073	1.8	76,305	1.5
	<b>94.4</b>		<b>5,033,346</b>	<b>95.4</b>
Impaired portfolio:				
Deficient	95,841	1.6	68,051	1.3
Doubtful	111,888	1.9	86,263	1.6
Loss	122,229	2.1	90,627	1.7
	<b>329,958</b>	<b>5.6</b>	<b>244,941</b>	<b>4.6</b>
<b>Gross portfolio</b>	<b>5,878,290</b>	<b>100</b>	<b>5,278,287</b>	<b>100.0</b>

**By IFI's**

	2015		2014	
	Portfolio Balance	%	Portfolio Balance	%
<i>In thousands of soles</i>				
Neither past due nor impaired loans:				
Normal	5,550,178	94.4	5,064,891	96
With potential problem	130,514	2.2	31	-
CMAC Metropolitana former portfolio	54,314	0.9	58,941(*)	1.1(*)
CRAC Señor de Luren former portfolio	143,284	2.4	154,424(*)	2.9(*)
<b>Gross portfolio</b>	<b>5,878,290</b>	<b>100</b>	<b>5,278,287</b>	<b>100</b>

(\*) As of December 31, 2015, the CMAC Metropolitan and CRAC Señor de Luren do not present risk rating (2014: CMAC Metropolitan maintained a *Normal* credit risk rating and CRAC Señor de Luren presented a *WPP* risk rating).

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Due to the required activation for the Fund of clause 13 of the Resources Channeling Covenant signed with CRAC Señor de Luren (September 2014) and to the declaration of submission to intervention given by the SBS to that IFI by means of SBS Resolution 347-2015 of June 18, 2015, the risk of the portfolio of MIVIVIENDA CRAC Señor de Luren (under liquidation) is considered according to the risk of the final beneficiary.

Also, by virtue of activation required for the Fund of Clause 13 Resources Channeling Covenant signed with CMAC Metropolitana, since October 2015, the risk of the portfolio of CMAC Metropolitana is considered according to the risk of the final beneficiary.

It is to be noted that in both cases, the administration of MIVIVIENDA credit portfolio, including collection management and reporting to the SBS on credit risk rating of sub lender, is performed by the IFI (CRAC Señor de Luren and CMAC Metropolitana), provided that the portfolio has not been transferred.

**25. Fair Value**

The estimated market or fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable and willing parties, on the assumption that the issuing entity is a going concern.

The fair value is associated with the value observed in market transactions under "normal" situations and mutual independence. Fair value must consider the credit quality of the instrument.

As of December 31, 2015 and 2014, the fair values of the financial instruments of the Fund are the following:

	2015		2014	
	Carrying amount	Fair value	Carrying amount	Fair value
<i>In thousands of soles</i>				
<b>Assets</b>				
Cash and due from banks	1,001,986	1,001,986	1,495,316	1,495,316
Debt instruments	691,535	691,535	334,367	334,367
Held-to-maturity investments	23,454	23,454	2,071	2,071
Accounts receivable (Trust agreement -COFIDE)	5,831,217	5,831,217	5,232,527	5,232,527
Accounts receivable from hedge derivatives	393,966	393,966	98,007	98,007
Other accounts receivable	78,094	78,094	580,426	580,426
	<b>8,020,252</b>	<b>8,020,252</b>	<b>7,742,714</b>	<b>7,742,714</b>
<b>Liabilities</b>				
Deposits and obligations	179	179	176	176
Borrowings and financial obligations	4,093,665	3,978,841	3,953,060	3,882,321
Accounts payable for hedge derivatives	21,329	17,277	23,328	23,328
Other accounts payable	588,841	638,916	558,650	558,650
	<b>4,704,014</b>	<b>4,635,213</b>	<b>4,535,214</b>	<b>4,464,475</b>

A significant portion of the Fund's assets and liabilities correspond to short-term financial instruments with maturity terms of less than one year. It is considered that the fair values of financial instruments are equivalent to their carrying value at the end of the fiscal year.

Methodology and assumptions used depend on the terms and risk characteristics of various financial instruments as follows:

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- (a) Cash due from banks represent cash or short-term deposits that do not represent significant credit risk for the Fund.
- (b) Available-for-sale investments are generally listed or have a market value through future discounted cash flows.
- (c) The fair value, of the accounts receivable (Trust agreement – COFIDE) are similar to their carrying value, net of their corresponding provision for loan losses, according to the “Official Letter SBS No. 1575-2014-SBS”.
- (d) Debts to banks and correspondent banks accrue interest at fixed and variable rates, and have short- and long-term maturities. The fair value of these financial instruments is calculated based on discounted future cash flows, using current interest rate for liabilities with similar characteristics. Consequently, the estimated market value does not differ significantly from carrying amount.

Securities, bonds, and obligations outstanding generate fixed interest rates. The fair value of these financial instruments was calculated based on discounted future cash flows, using the current interest rate for liabilities with similar characteristics. Consequently, the estimated market value does not differ significantly from carrying amount.

- (e) Forward foreign currency agreements are recorded at estimated market value; therefore, there are no differences with its corresponding fair values.

Listed below are the financial instruments recorded by the Fund at fair value, according the following levels:

Level 1: Instruments quoted in active markets.

Level 2: Instruments quoted in inactive markets.

Level 3: Instruments not quoted.

<i>In thousands of soles</i>	<b>2015</b>			<b>2014</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Assets</b>						
Available-for-sale investments						
Debt instruments	431,842	255,939	27,184	76,861	257,506	-
Accounts receivable for derivatives	-	-	393,966	-	-	98,007
Other accounts receivable	61,232	-	-	21,703	37,534	-
	<b>493,074</b>	<b>255,939</b>	<b>421,150</b>	<b>98,564</b>	<b>295,040</b>	<b>98,007</b>
<b>Liabilities</b>						
Borrowings and financial obligations	3,480,529	-	498,311	3,076,173	-	806,148
Accounts payable for derivatives	-	-	17,277	-	-	23,328
	<b>3,480,529</b>	<b>-</b>	<b>515,588</b>	<b>3,076,173</b>	<b>-</b>	<b>829,476</b>



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**26. Subsequent Events**

On January 18, 2016, the Board of Directors' Meeting No. 001-2016 agreed to transfer MIVIVIENDA credit portfolio of CMAC Metropolitana to BBVA Banco Continental (Agreement No. 05-001-01D-2016).

On February 15, 2016, the Board of Directors' Meeting No. 003-2016 agreed to transfer MIVIVIENDA credit portfolio of CRAC Señor de Luren (under liquidation) as detailed below (Agreement No. 05-03D-2016):

- The portfolio located in the department of Lima will be transferred to GNB bank.
- The portfolio located in the department of Ica will be transferred to CMAC Ica.
- The rest of the portfolio will permanently remain in CRAC Señor de Luren, (under liquidation).