

Translation of independent auditors' report and financial statements
originally issued in Spanish - Note 26

Fondo MIVIVIENDA S.A.

Financial statements as of December 31, 2012 and 2011
together with Independent Auditors' Report

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Independent Auditors' Report

To the Shareholder and Directors of Fondo MIVIVIENDA S.A.

We have audited the accompanying financial statements of Fondo MIVIVIENDA S.A. (hereafter "the Fund"), which comprise the balance sheets as of December 31, 2012 and 2011, and the related statements of income, changes in shareholder's equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting standards prescribed by the Superintendence of Banking, Insurance and Pension Funds Administrators ("SBS" by its acronym in Spanish), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence on 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 auditors consider 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.

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Independent Auditors' Report (continued)

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 accompanying financial statements present fairly, in all material respects, the financial position of Fondo MIVIVIVENDA S.A. as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles prescribed by the Superintendence of Banking, Insurance and Pension Funds Administrators for the Fund, Note 3.

Lima, Peru,
March 15, 2013

Medina, Zaldívar, Paredes & Asociados

Countersigned by:

A handwritten signature in black ink, appearing to read 'E. Fontenla', written over a horizontal line.

Elizabeth Fontenla
C.P.C.C. Register No. 25063

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Fondo MIVIVIENDA S.A.

Balance sheet

As of December 31, 2012 and 2011

	Note	2012 S/.	2011 S/.		Note	2012 S/.	2011 S/.
Assets				Liabilities			
Cash and due from banks -	5			Obligations with the public	14	10,082,500	11,058,204
Deposits in the Peruvian Central Bank		1,760	1,140,025	Due to banks and financial obligations	17(b)	215,596,640	-
Deposits in domestic banks		339,765,712	155,910,397	Derivative financial instruments	12	-	46,831
Accrued yields on cash and due from banks		708,973	178,666	Other accounts payable	11	241,467,018	190,840,627
		<u>340,476,445</u>	<u>157,229,088</u>	Provisions and other liabilities	11	11,391,677	2,221,058
				Total liabilities		<u>478,537,835</u>	<u>204,166,720</u>
Available-for-sale and held-to-maturity investments	6	-	205,101,797				
Accounts receivable, net (Trust Agreement - COFIDE)	7	3,144,928,900	2,427,676,487	Shareholder's equity	13		
Other accounts receivable, net	8	70,518,124	399,991,105	Capital stock		2,968,159,573	2,889,343,941
Derivative financial instruments	12	5,752,935	10,061,020	Additional capital		34,247	34,247
Property, furniture and equipment, net	9	1,355,803	1,834,740	Legal reserve		34,117,484	25,815,191
Deferred income tax	15	7,210,468	1,737,001	Unrealized results		967,036	319,166
Other assets, net	10	<u>3,233,935</u>	<u>3,165,952</u>	Retained earnings		<u>91,660,435</u>	<u>87,117,925</u>
				Total shareholder's equity		<u>3,094,938,775</u>	<u>3,002,630,470</u>
Total assets		<u>3,573,476,610</u>	<u>3,206,797,190</u>	Total liabilities and shareholder's equity		<u>3,573,476,610</u>	<u>3,206,797,190</u>
Contingent and off-balance sheet accounts	16			Contingent and off-balance sheet accounts	16		
Contingent assets		363,384,459	685,856,180	Contingent liabilities		363,384,459	685,856,180
Off-balance sheet assets accounts		732,167,944	894,348,612	Off-balance sheet liabilities accounts		732,167,944	894,348,612
Trusts and trust commissions receivable		<u>1,005,215,295</u>	<u>1,673,730,742</u>	Trusts and trust commissions payable		<u>1,005,215,295</u>	<u>1,673,730,742</u>
		<u>2,100,767,698</u>	<u>3,253,935,534</u>			<u>2,100,767,698</u>	<u>3,253,935,534</u>

The accompanying notes are an integral part of this balance sheet.

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Fondo MIVIVIENDA S.A.

Statement of income

For the years ended December 31, 2012 and 2011

	Note	2012 S/.	2011 S/.
Financial income	17	218,743,275	206,118,069
Financial expenses	17	(52,577,263)	(60,505,024)
Gross financial margin		<u>166,166,012</u>	<u>145,613,045</u>
Allowance for doubtful accounts (Trust Agreement - COFIDE)	7(f)	(22,874,492)	(12,343,352)
Net financial margin		<u>143,291,520</u>	<u>133,269,693</u>
Financial services revenues	18	1,754,766	2,695,016
Financial services expenses		(69,282)	(144,419)
Operating margin		<u>144,977,004</u>	<u>135,820,290</u>
Administrative expenses	19	(32,709,521)	(30,122,403)
Net operating margin		<u>112,267,483</u>	<u>105,697,887</u>
Depreciation of property, furniture and equipment	9(a)	(527,083)	(589,997)
Amortization of intangible assets	10(b)	(149,962)	(233,980)
Allowance for other doubtful accounts	8(f)	(317,012)	(1,394,291)
Other provisions	20	(900,914)	(299,108)
Operating income		<u>110,372,512</u>	<u>103,180,511</u>
Other income and expenses	21	17,985,342	10,160,828
Income before income tax		<u>128,357,854</u>	<u>113,341,339</u>
Income tax	15(b)	(36,697,419)	(30,318,405)
Net income		<u>91,660,435</u>	<u>83,022,934</u>

The accompanying notes are an integral part of this statement.

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Fondo MIVIVIENDA S.A.

Statement of changes in shareholder's equity

For the years ended December 31, 2012 and 2011

	Number of shares	Capital stock S/.	Additional capital S/.	Legal reserve S/.	Unrealized results (Note 13 (c)) S/.	Retained earnings S/.	Total S/.
Balance as of January 1, 2011	2,831,257,473	2,831,257,473	34,247	19,361,139	(5,863,993)	68,435,821	2,913,224,687
Capitalization of earnings, Note 13(a)	58,086,468	58,086,468	-	-	-	(58,086,468)	-
Transfer to legal reserve, Note 13(b)	-	-	-	6,454,052	-	(6,454,052)	-
Net change in unrealized results on available-for-sale investments of the Fund	-	-	-	-	4,686,825	-	4,686,825
Net change in unrealized results on available-for-sale investments of the CRC-PBP trusts	-	-	-	-	1,496,334	-	1,496,334
Change in accounting policies, Note 3(a) (II.1)	-	-	-	-	-	199,690	199,690
Net income	-	-	-	-	-	83,022,934	83,022,934
Balance as of December 31, 2011	<u>2,889,343,941</u>	<u>2,889,343,941</u>	<u>34,247</u>	<u>25,815,191</u>	<u>319,166</u>	<u>87,117,925</u>	<u>3,002,630,470</u>
Capitalization of earnings, Note 13(a)	78,815,632	78,815,632	-	-	-	(78,815,632)	-
Transfer to legal reserve, Note 13(b)	-	-	-	8,302,293	-	(8,302,293)	-
Net change in unrealized results on available-for-sale investments of the Fund	-	-	-	-	(20,749)	-	(20,749)
Net change in unrealized results on available-for-sale investments of the CRC-PBP trusts	-	-	-	-	668,619	-	668,619
Net income	-	-	-	-	-	91,660,435	91,660,435
Balance as of December 31, 2012	<u>2,968,159,573</u>	<u>2,968,159,573</u>	<u>34,247</u>	<u>34,117,484</u>	<u>967,036</u>	<u>91,660,435</u>	<u>3,094,938,775</u>

The accompanying notes are an integral part of this statement.

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Fondo MIVIVIENDA S.A.

Statement of cash flows

For the years ended December 31, 2012 and 2011

	2012 S/.	2011 S/.
Reconciliation of net income to cash from operating activities:		
Net income	91,660,435	83,022,934
Adjustments to net income		
Plus (less)		
Allowance for accounts receivable (Trust Agreement - COFIDE), net of reversals and exchange difference	14,368,182	4,972,321
Depreciation, amortization and other	973,457	1,316,863
Allowance for other accounts receivable, net of reversals	(10,336,501)	(176,966)
Deferred income tax	(5,473,467)	(1,030,505)
Results from valuation of investments	(337,195)	(6,506,354)
Charges and credits for net changes in assets and liabilities		
Decrease (increase) in other accounts receivable	340,081,643	(12,945,676)
Decrease in accrued yields	2,039,374	5,973,413
Increase in other accounts payable, allowances and other liabilities	59,059,348	43,772,385
Increase (decrease) in derivative financial instruments	4,261,254	(14,970,641)
Net cash from operating activities	<u>496,296,530</u>	<u>103,427,774</u>
Cash flows from investing activities		
Purchase of property, furniture and equipment	(113,345)	(81,143)
Purchase of intangible assets	<u>(52,700)</u>	<u>(117,582)</u>
Net cash used in investing activities	<u>(166,045)</u>	<u>(198,725)</u>

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Statement of cash flows (continued)

	2012 S/.	2011 S/.
Cash flows from financing activities		
Net increase in accounts receivable (Trust Agreement - COFIDE)	(729,766,417)	(770,865,779)
Net decrease in investments	254,155,065	706,425,714
Net increase in due to banks and financial obligations	213,703,928	-
Net increase in obligations with the public	(975,704)	10,783,159
Net cash used in financing activities	<u>(262,883,128)</u>	<u>(53,656,906)</u>
Net increase in cash	233,247,357	49,572,143
Balance of cash at the beginning of the year	<u>107,229,088</u>	<u>57,656,945</u>
Balance of cash at the end of the year, Note 5	<u>340,476,445</u>	<u>107,229,088</u>

The accompanying notes are an integral part of this statement.

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Fondo MIVIVIENDA S.A.

Notes to the financial statements

As of December 31, 2012 and 2011

1. Business activity

Fondo MIVIVIENDA S.A. (hereafter “the Fund” or “Fondo MIVIVIENDA”) is a state-owned company under private law and is governed by Law N°28579 and its by-laws. The Fund falls under the purview 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” by its acronym in Spanish) under the Ministry of Housing, Construction and Sanitation (“MVCS” by its acronym in Spanish). The aforementioned Law N°28579 provided for the conversion of the former Mortgage Fund for the Promotion of Housing (*Fondo Hipotecario de Promoción de la Vivienda - Fondo MIVIVIENDA*) into a corporation called Fondo MIVIVIENDA S.A.

The Fund’s objective 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 primary and secondary market for mortgage loans, and contributing to the development of the Peruvian capital market. All the Fund’s activities are regulated by the Superintendence of Banking, Insurance and Pension Funds Administrators (*Superintendencia de Banca, Seguros y AFP* or “SBS” by its acronym in Spanish), SBS Resolution N°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 Household Housing Bonus (Bono Familiar Habitacional, or “BFH” by its acronym in Spanish), as commissioned by the Ministry of Housing, Construction and Sanitation - MVCS.
- (iii) Resources of the Fund, Law N°27677, as commissioned by the Ministry of Economy and Finance (hereafter “MEF” by its acronym in Spanish).

The characteristics of each program are the following:

- (i) MIVIVIENDA Program -
The Fund through a Trust Agreement with COFIDE channels resources to the Peruvian financial system to grant mortgage loans. Among its characteristics are the Good Payer Award (*Premio al Buen Pagador* or “PBP” by its acronym in Spanish) and the Credit Risk Coverage (*Cobertura de Riesgo Crediticio* or “CRC” by its acronym in Spanish), see note 2.

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This program includes the following products:

- Nuevo Crédito MIVIVIENDA
- Crédito MICONSTRUCCIÓN
- Crédito MIVIVIENDA Estandarizado (*)
- Crédito MIHOGAR (*)
- Crédito MIVIVIENDA Tradicional (*)
- Crédito Complementario Techo Propio (Complementary financing to the Household Housing Bonus - BFH)
- Servicio de Cobertura de Riesgo Crediticio y Premio al Buen Pagador (fondeo de las Instituciones Financieras Intermediarias) - *Service of Credit Risk Coverage and Good Payer Award (Funding to Intermediary Financial Institutions, hereafter "IFI")*(*)

(*) As of December 31, 2012, these loans have been discontinued and outstanding receivable balances remain, Note 7. CRC-PBP services and Crédito MIVIVIENDA Estandarizado were discontinued in November 2009, Crédito MIHOGAR was discontinued in August 2009, as well as Crédito MIVIVIENDA Tradicional in May 2006.

- (ii) Techo Propio Program - Management of the Household Housing Bonus (BFH) -
These loans are granted in three modalities: (i) acquisition of a new home (AVN); (ii) construction on owned lot (CSP); and (iii) house renovations (MV). In all modalities, mortgage loan financing within this program comprises the participation of up to three components: (i) a subsidy channeled by the Fund with resources from the government - the aforementioned Household Housing Bonus (BFH); (ii) household savings and (iii) when necessary, complementary financing to BFH (Techo Propio Program) which must be granted by an IFI.

According to the Third Transitional Provision of Law N°28579, upon ending the year 2005, the Fund was engaged by the Government to manage the BFH and the Techo Propio Program resources, by signing an agreement with the MVCS.

On April 28, 2006, the Fund, the MVCS and FONAFE signed the "Agreement on Management of the Household Housing Bonus and the Funds of the Techo Propio Program", under which the Fund is responsible for managing both the BFH and the Techo Propio Program resources, 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 shall allocate to the Fund the resources to meet the costs and expenses of managing the Program.

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(iii) Fund Law N°27677 -

Additionally, the Fund is the administrator of the fund created by Law N°27677, established with proceeds from the liquidation of the National Housing Fund (*Fondo Nacional de la Vivienda*, or "FONAVI" by its acronym in Spanish). Said Law provides that these funds shall be used to finance the construction of affordable housing, house renovation and loans for the expansion of single-family houses, and that the Fund should be in charge of the management, collection and channeling of said resources.

Likewise, the Fund constituted the CRC-PBP trusts, both in nuevos soles and 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 registered by each intermediary financial institution that contracts such service. It should be noted that these trusts are governed by SBS Resolution N°980-2006 "Regulations for Fondo MIVIVIENDA S.A.".

Under the service contracts with the CRC-PBP trusts, the Fund provides the intermediary financial institutions 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 for either up to 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 loan 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.

The accompanying financial statements as of December 31, 2012 and 2011 and for the years then ended, were approved by the Fund's Management on February 6, 2013 and will be submitted for approval to the Board of Directors Meeting and the General Shareholders Meeting. In Management's opinion, these financial statements will be approved without modifications within the term prescribed by law.

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2. Trust Agreement – Corporación Financiera de Desarrollo (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 Corporación Financiera de Desarrollo S.A. (COFIDE). Its purpose was the creation of a trust through which COFIDE receives the resources from the Fund and performs as the executing agency thereof, in order to channel the funding for loans to final borrowers through the intermediary financial institutions (IFIs) that are required to use the funds provided to finance the acquisition, expansion or improvement of homes and residences, in accordance with Article 12 of Supreme Decree N°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 N°26702 and its amendments.
- Verify compliance with requirements and conditions of the IFI according to Supreme Decree N°001-99 -MTC.
- Sign the agreement on resources intermediation with the IFI that have fulfilled the corresponding requirements and conditions.
- Monitor the use of resources, according to the provisions of the Fund’s Regulation and the agreement on resources intermediation.
- Collect the loans granted to the IFI
- Contract the necessary audits on the Fund.
- Periodically submit reports on the development of the aforementioned trusts, as well as recommendations for exposure limits of the IFI (*).
- Establish operating procedures necessary for the proper administration of the Fund.
- Other duties necessary to ensure the normal development of the objectives and functions of both the Trust and the Fund.

(*) On May 18, 2012, the Fund signed Addendum N°01 to the Trust Agreement by which annulled the obligation of COFIDE to issue recommendations on exposure limits of the IFI with the Fund, because the Fund is a corporation supervised by the SBS.

The main duties of the Fund are the following:

- Establish the policies for the management and use of the Fund’s resources.
- Approve the eligibility criteria of the IFI that will receive resources from the Fund for use in financing house purchases and borrowing limits for each of them.
- Establish the terms and conditions under which the Fund will make resources available to the intermediary financial institutions, and the modalities of placing them.

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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 constitute guarantees on behalf of the beneficiaries.
- Exercise all the powers contained in articles 74 and 75 of the Civil Procedure Code necessary for carrying out the assignment given as trustee. Consequently, COFIDE may sue, counterclaim, answer complaints and counterclaims, desist processes or claims, agree to 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.

Regarding the fees generated by services provided by COFIDE, it was authorized to deduct -from the amounts disbursed by the IFI - a one-time 0.25 percent commission on the amount of each loan, as well as an annual commission of 0.25 percent on the outstanding balances of loans, which is assumed by the IFI and will be collected when installments of loans granted are paid. These amounts are recorded as revenues by COFIDE.

The term of this Agreement is 5 years and is automatically renewed if neither party expresses its willingness to terminate it.

3. Significant accounting principles and practices

(a) Basis of presentation and changes in accounting policies -

(i) Basis of presentation:

The accompanying financial statements have been prepared from the Fund's accounting records, which are maintained in nominal nuevos soles, in accordance with SBS regulations for the Fund in force as of December 31, 2012 and 2011. Additionally, when SBS regulations are not in force in Peru, with the International Financial Reporting Standards (IFRS) adopted in Peru through resolutions from the Peruvian National Accounting Standards Board (*Consejo Normativo de Contabilidad*, or "CNC" by its acronym in Spanish).

Certain accounting practices applied by the Fund that conform to accounting standards prescribed by the SBS differ from generally accepted accounting principles in other countries.

The preparation of financial statements requires the Fund's Management to make estimates that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the current period. Final results could differ from those estimates. The most significant estimates with regard to the accompanying

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financial statements correspond to the allowance for doubtful accounts, valuation of investments, valuation of derivative financial instruments and the calculation of current and deferred income tax, whose accounting criteria are described in this note.

The financial statements have been prepared using uniform accounting principles for the years 2012 and 2011, except as specified in paragraph (ii) below.

(ii) Changes in accounting policies:

Principles applicable since the financial year 2011

On its November 2010 session, the International Financial Reporting Interpretations Committee (IFRIC) agreed that employees' profit sharing must be recorded in accordance with IAS 19 "Employee Benefits", and not IAS 12 "Income Taxes". Accordingly, an entity is only required to recognize a liability when the employee has rendered services; therefore, deferred employees' profit sharing should not be calculated based on temporary differences as this concept will correspond to future services which must not be considered as obligations or rights under IAS 19. In Peru, the regular practice was to calculate and record any deferred employees' profit sharing on the financial statements.

On January 21, 2011, the SBS issued Multiple Official Letter N°4049-2011 adopting the Committee's interpretation starting January 2011. This change was applied prospectively without affecting the 2010 financial statements. The treatment set out by the SBS for this change was to eliminate the balance as of December 31, 2010 corresponding to employee's profit sharing from deferred tax asset and liability accounts affecting the respective equity captions for S/.199,690.

(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 a financial instrument classified as assets or liabilities are recorded as income or expense. Financial instruments are offset when the Fund has a legal 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. Likewise, please refer to Note 3(e) for accounting policy related to the CRC-PBP trusts.

Financial asset and liabilities presented on the balance sheet correspond to cash and due from banks, accounts receivable, other receivables, available-for-sale investments, obligations with the public, other payables and other liabilities in general, except for the deferred asset for employees' profit sharing and Income Tax. Likewise, all derivatives are considered financial instruments.

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

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(c) Recognition of revenues and expenses -

(c.1) Interest income and expenses -

Interest income and expenses are recorded in the statement of income in the period in which they accrue, depending on the lifetime of the operations that generate them and the interest rates established. Because the Fund grants credit lines to the intermediary financial institutions to channel its resources, which disbursement is made through the COFIDE Trust, instead of loans to the borrower, in accordance with the SBS's Accounting Manual for Financial Companies, the yields generated by said operations are recorded on an accrual basis; consistent with SBS rules for the Fund, in-suspense interest income is not recognized.

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

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

- (i) The Good Payer Bonus (*Bono al Buen Pagador*, or "BBP" by its acronym in Spanish) was created in compliance with Law N°29033, issued on June 7, 2007, as a non-repayable direct assistance payable to eligible final borrowers in a maximum of S/.12,500 starting April 22, 2010 (S/.10,000 before April 22, 2010) which is granted to borrowers who have complied with promptly cancellation of six consecutive monthly installments of the concessional tranche of Nuevo Crédito MIVIVIENDA. For these purposes, the Fund divides the total amount of Nuevo Crédito MIVIVIENDA plus its related interest into 2 schedules:

- A half-annual schedule called "concessional section" corresponding to the amount of the BBP (principal and interest); and
- A monthly schedule called "non-concessional section" corresponding to the amount owed less the amount of the concessional section (principal and interest).

In these cases, the BBP is received from the MVCS (to the extent the MVCS has funds available) at the request of the Fund and it is recorded for financial reporting and control as a liability in the "Good Payer Bonus - Received" caption, Note 11.

Upon being granted, the total amount disbursed on the Crédito MIVIVIENDA is recorded as placement in the "Accounts receivable (Trust Agreement - COFIDE)" caption and generates the 2 aforementioned schedules.

The interests of both schedules are recognized on an accrual basis, based on the preferential rates agreed with intermediary financial institutions with which

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agreements have been signed. The resulting interest is recognized as financial income.

Subsequently, the Fund sends to the MVCS the list of BBP beneficiaries, reclassifying each bonus due to eligible borrowers from the caption "Good Payer Bonus - received" to the caption "Good Payer Bonus - assigned", Note 11.

- (ii) In the cases where the BBP is directly assumed by the Fund (when the requirements of Law N°29033 and its amendments are not met; for instance, where the value of the house to purchase is greater than 25 tax units or when the BBP is granted with the Fund's own resources, among others), it is called "Good Payer Award".
 - (iii) In both cases, the bonus/award is earned by the timely compliance with six installments of the payment schedule of the concessional section; said amount varies depending on the type of loan granted.
 - (iv) When the BBP is made effective, provided the recipient has complied with the timely payment of six consecutive monthly installments, the Fund credits the accounts receivable (principal) of the concessional section and charges it to the liability on the account "Good Payer Bonus - assigned". Interest on such amounts of the concessional section are recognized as an expense of the Fund and is presented net of the "Income from accounts receivable (Trust Agreement - COFIDE)" item included in the "Financial income" caption of the statement of income.
 - (v) When the Good Payer Award is made effective (paragraph (ii) above, in example, when the BBP is assumed directly by the Fund) provided the fulfillment of the conditions by the beneficiary, the Fund record such amounts as expenses; through the decrease of the accounts receivable (principal) of the installments of the concessional section and records the amount in the "Financial expenses" caption, while interest, as in the previous case, is recognized as expense and presented net of the "Income from accounts receivable (Trust Agreement - COFIDE)" item included in the "Financial income" caption of the statement of income.
- (c.3) Commissions for trust administration services provided to the CRC-PBP trusts, among other trusts, are recognized as income when received.
- (c.4) Other income and expenses are recognized in the period in which they accrue.

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Notes to the financial statements (continued)

- (d) Accounts receivable (Trust Agreement - COFIDE) and allowance for doubtful accounts -
Accounts receivable are recorded when conducting the disbursement of funds through COFIDE to the intermediary financial institutions that channels the Fund's resources for the placement of the MIVIVIENDA product portfolio.

According to the Fund's Regulation, enacted through SBS Resolution N°980-2006 issued on August 14, 2006, calculating the allowance is performed based on the criteria established by the SBS in the Regulation on evaluation and classification of debtor and allowance requirements, as established in SBS Resolution N°11356-2008, in accordance with the following methodology approved by SBS:

- Each account receivable is separated into 2 types of risk: with credit risk coverage (hereafter "With CRC") and without credit risk coverage (hereafter "Without CRC"):
 - (i) With CRC: Corresponds to those accounts that have been secured by mortgages constituted in favor of the IFI, which have been duly informed and supported to the Fund. On average, the CRC amount corresponds to 1/3 of the total account receivable for each final borrower during the first 8 years of the loan's term and 1/6 of the unpaid balance of the loan for the remaining term (except for the Crédito Complementario Techo Propio and Crédito MIHOGAR, whose CRC rates depend on the loan terms and the amount granted).
 - (ii) Without CRC: Corresponds to those accounts receivable that the Fund has with the intermediary financial institutions through the Trust Agreement - COFIDE, that do not have the aforementioned credit risk coverage and are not guaranteed by mortgages.

Once the Fund's accounts receivable are classified to the appropriate risk category, allowances are calculated according to the parameters set by the SBS, which are the following:

- With CRC: For purposes of calculating the allowances, the loan is divided into two portions:
 - (i) Portion covered by CRC: The allowance is determined based on the final borrower's risk category reported in their consolidated credit report (RCC) and the outstanding debt reported by COFIDE, for which Table 1 of SBS Resolution N°11356-2008 applies:

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Notes to the financial statements (continued)

Risk category	Table 1 %
Normal	0.70
With potential problem (CPP)	5.00
Substandard	25.00
Doubtful	60.00
Loss	100.00

- (ii) Portion not-covered by CRC: The allowance is based on the classification that the Fund assigns to the intermediary financial institution, based on SBS risk classification described below.

The amount of the allowance corresponds to the sum of the two portions.

- Without CRC: The Fund has determined that the type of loan that corresponds to the IFI is similar to loans to corporate and large companies (formerly commercial credits) and because the IFI are in the Normal and CPP risk categories, the Fund has established a 0.70 percent and 5.0 percent, respectively, allowance in accordance with Table 1.

To determine the risk classification for each IFI, the Fund has established a table of allowances equivalent to the risk category established by SBS, as follows:

Risk classification per financial institution			
Table 1		Table 2	
Risk	Equivalence	Risk	Equivalence
A +	Normal	B-	Potential problem
A	Normal	C+	Potential problem
A-	Normal	C	Potential problem
B +	Normal	C-	Potential problem
B	Normal	Not classified	Potential problem

Allowances for doubtful accounts receivable are presented reducing the related asset's balance.

- (e) 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 that in accordance with SBS regulation (SBS Resolution N°980-2006, the Fund's Regulation), they must be recorded as a net balance in the "Other accounts receivable, net" caption on the balance sheet, since the Fund

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Notes to the financial statements (continued)

acts like both trustee and trustor. The assets and liabilities included in such trusts are valued according to the criteria of the Fund for similar items, as described in this note.

Also, the surpluses (deficits) generated by the aforementioned trusts are recorded in the "Gain on trusts participation" item within the "Financial income" caption of the statement of income, Note 17.

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

(f) Other accounts receivable, net -

Includes assets received in lieu of payment related to banks 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 allowances for risk of loan losses of these accounts, the Fund performs a grading according to SBS Resolution N°11356-2008.

The allowance for the classification of the portfolio is performed based on the review which Management regularly conducts in order to classify it into the categories of "Normal", "With potential problem", "Substandard", "Doubtful" or "Loss", depending on the degree of each borrower's risk of failure to pay. Guarantees received are considered by the Fund only to the extent they are registered in the Public Registry without observations or annotations.

Allowances for borrowers classified as doubtful or loss for over 36 and 24 months, respectively, are determined without considering the value of the guarantees.

Details of the rates by risk category are set forth in Note 3(d), paragraph (i), corresponding to the CRC accounts receivable.

(g) Foreign currency transactions -

According to SBS regulation, the Fund performs its operations using the nuevo sol as its functional and presentation currency. Assets and liabilities in foreign currencies are recorded at the exchange rate of the transaction date. Assets and liabilities denominated in foreign currencies are converted to nuevos soles at the end of each month using the exchange rate set by the SBS, Note 4. Gains or losses arising from restatement of assets and liabilities denominated in foreign currency at the exchange rates prevailing at the balance sheet date are recorded in the statement of income.

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Notes to the financial statements (continued)

Exchange difference from the CRC-PBP trust in US Dollars is included as part of the "Gain on trusts participation" item within the "Financial income" caption of the statement of income.

Non-monetary assets and liabilities acquired in foreign currencies are recorded in nuevos soles at the exchange rate of the date of acquisition.

(h) Derivative financial instruments -

Trading derivative financial instruments are initially recognized in the Fund's balance sheet at cost and subsequently are remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Derivatives are recorded as off-balance sheet accounts at the reference (notional) amount of the currency involved, Note 16.

Fair values are estimated based on prevailing market exchange and interest rates. Gains and losses arising from changes in the fair value of derivatives are recorded in the statement of income.

As of December 31, 2012 and 2011, Management considers that the Fund holds economic hedging derivatives for administrative purposes, however these derivatives are recorded as trading, recognizing gains and losses arising from their measurement at fair value in the statement of income. Likewise, as of these dates, the Fund does not hold any embedded derivatives.

(i) Available-for-sale and held-to-maturity investments -

The initial registration and subsequent measurement of available-for-sale and held-to-maturity investments are carried out in accordance with SBS Resolution N°10639-2008 "Rules of classification and valuation of investments of companies in the financial system" and its amendments.

Classification -

(i.1) 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 are not qualified to be classified as at fair value through profit and loss or held-to-maturity.

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

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Notes to the financial statements (continued)

(i.2) Held-to-maturity investments

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

- Acquired or reclassified for the purpose of holding them until their maturity date; except for the cases when sale, assignment or reclassification are allowed by the SBS.
- Companies must have the financial capacity and the intent to hold investment instruments until their maturity.
- They must have risk classifications as required by the SBS.
- In order to classify their investments in this category, companies must assess whether they have the financial capacity to maintain such investment instruments until their maturity, when they decide to classify one 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.

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 "Financial income" caption of the statement of income.

Valuation -

(i.1) Available-for-sale investments

The valuation is carried at fair value and unrealized gains and losses in relation to the amortized cost recognized in net equity.

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

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Notes to the financial statements (continued)

In any of the aforementioned cases, if the SBS considers it necessary to provide some additional allowance for any type of investment, such provision will be determined by the SBS based on each individual asset and then communicated to the Fund, and it is recorded in the statement of income.

(i.2) Held-to-maturity investments

These investments are recorded at amortized cost, and are not updated to fair value.

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

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

(j) Property, furniture and equipment -

Assets in the property, furniture and equipment item are recorded at acquisition cost, less accumulated depreciation.

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

	Years
Installations	10
Buildings	25
Miscellaneous equipment	10
Computer equipment	4
Furniture and fixtures	10
Vehicles	5

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

(k) Intangible assets -

Intangible assets, included in the "Other assets" caption on the balance sheet, comprise development and licensing of computer software used in the Fund's operations. Software licenses purchased by the Fund are capitalized on the basis of costs incurred to acquire and bring to use the specific program. These intangible assets are amortized on a straight-line basis over the estimated useful life of 4 years.

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Notes to the financial statements (continued)

The estimated useful life and amortization method are periodically reviewed to ensure they are consistent with the expected economic pattern of benefits of such assets.

As of December 31, 2012 and 2011, the Fund does not hold any intangible assets with indefinite useful lives.

(l) Impairment of long-lived assets -

When events or economic changes indicate that the value of a long-lived asset may not be recoverable, Management reviews the value of the Fund's property, furniture and equipment and intangible assets in order to verify that there is no permanent impairment in value. When the book value of the asset exceeds its recoverable amount, an impairment loss shall be recognized in the statement of income for the items of property, furniture and equipment and intangible assets held at cost. An asset's recoverable amount is the highest between the net selling price and its value in use. The net selling price is the amount that can be obtained from the sale of an asset in a free market, while the value in use is the present value of future expected cash flows from the continued use of an asset and its 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, 2012 and 2011.

(m) Assets received as payments and assets seized through legal actions -

Assets received as payment and assets seized through legal actions are initially recorded at the value of judicial adjudication, extrajudicial, market value or debt outstanding value, the lowest; recognizing in turn a provision equivalent to 20 percent of the seized or recovered value of the asset and can be maintained for this purpose the provision that was made by the related credit.

Additional provisions should be recorded using the following guideline:

- Assets that are not real state - a uniform monthly provision in a term of twelve months, until providing for one hundred percent of the net seized or recovered value.
- Real estate - uniform monthly provisions over the net book value obtained at the twelfth month. In addition, SBS Resolution N°1535-2005 allows a term extension of six months, in such case, a uniform monthly provision must be made over the net book value obtained in the eighteenth month. On both situations, provisions must be made until providing for one hundred percent of the net book value in a term of three and a half years, starting the date monthly provisions began to be provided.

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

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Notes to the financial statements (continued)

- (n) Income tax and employees' profit sharing -
Current income tax and employees' profit sharing -
Current income tax and employees' profit sharing payable are calculated on the basis of the taxable income determined for tax purposes.

Deferred income tax -

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled. The measurement of deferred assets and deferred liabilities reflects the tax consequences that arise from the manner in which the Fund expects, as of the date of the balance sheet, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are recognized regardless of when the timing differences are likely to reverse. Deferred tax assets are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. As of the date of the balance sheet, the Fund's Management reassess the unrecognized deferred tax assets and the carrying amount of the recognized deferred tax assets; thus recognizing a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered or reducing a deferred tax asset to the extent that is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilized.

In accordance with accounting standards, the Fund measures its deferred tax at the tax rate applicable to its non-distributed earnings; any additional tax on dividend distributions is recorded on the date a liability is recognized.

- (o) Provisions -
Provisions are recognized when the Fund has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the best estimation based on current information. When the effect of the time value of money is material, the amount of the provision is equal to the present value of the future payments required to settle the obligation.
- (p) Deferred income -
Deferred income arises from the difference between book value and market value of financial instruments transferred for the constitution of the CRC- PBP trusts in local currency and foreign currency at the time of transfer (2007).

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Notes to the financial statements (continued)

In accordance with SBS Resolution N°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, it will recognize a deferred gain, which shall be accrued according to the amortization, realization and/or expiration of those rights.

(q) Contingencies -

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

Contingent assets are not recorded in the financial statements; they are disclosed if it is probable that an inflow of economic benefits will be realized.

(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 the trusts, Note 8(c). In the accompanying financial statements, the Fund changed its presentation of the balance of cash and cash equivalents of year 2011 in relation to the financial statements submitted previously to local regulators to comply with the accounting definition included in this paragraph.

(s) Subsequent events -

Subsequent events to the end of the year that provide additional information about the financial position of the Company at the date of the statement of financial position (adjustment events) are included in the financial statements. Important subsequent events that are not adjustment events are presented in notes to the financial statements.

(t) Standards issued by the SBS as part of harmonization process to International Financial Reporting Standards -

As part of the harmonization process of accounting standards issued by the SBS with IFRS, on September 19, 2012, the SBS issued Resolution N°7036-2012, establishing amendments to the Accounting Manual for financial entities. The main amendments are as follows:

- Establishes the option to depreciate the fixed assets of separate elements. Furthermore, it is only allowed the cost model and installations in leased properties under contract terms longer than one year must comply with the guidelines of IAS 16.
- The opening balances for the year 2013 must be adjusted to the new accounting policies, recording such effect on retained earnings in January 2013.

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Notes to the financial statements (continued)

- For purposes of the presentation of the 2013 annual financial information, disclosure in notes will be comparatively with the previous year, to the extent practicable. Also, as one of the notes to the annual financial statements must be compared to the ending balances as of December 31, 2012 determined based on previous accounting principles to financial statements adjusted for new accounting policies.

Also, on November 30, 2012, the SBS issued Official Letter N°45311-2012, requiring financial entities to prepare an implementation plan for compliance with the deadlines included in SBS Resolution N°7036-2012 and amendments; the plan must include a schedule of activities for adapting accounting processes and computer systems. On December 19, 2012, the Fund presented to the SBS the implementation plan.

Management is assessing the impact of the requirements included in SBS Resolution N°7036-2012 in its financial statements.

On the other hand, on September 19, 2012, SBS issued Resolution N°7033-2012, effective since January 1, 2013. Consequently, the Regulation on Classification and Valuation of Investments approved by SBS Resolution N°10639-2008 was repealed.

The main amendment in such Resolution is the inclusion of a standard methodology for identification of impairment on financial instruments classified as available for sale investments and held-to-maturity investments. Such methodology includes two filter analysis. The first filter refers to a significant decrease in fair value (up to below 50 percent of the cost) and a consecutive decrease during the last 12 months, of at least 20 percent. The second filter refers to qualitative aspects of the issuer.

In Management's opinion, the adoption of SBS Resolution N°7033-2012, will not have a significant effect on its financial statements.

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Notes to the financial statements (continued)

4. Foreign currency transactions and exchange risk exposure

Transactions in foreign currency are carried out using exchange rates prevailing in the market. As of December 31, 2012, the weighted average exchange rates in the market as published by the SBS for transactions in US Dollars were S/.2.549 per US\$1 bid and S/.2.551 per US\$1 ask (S/.2.696 per US\$1 bid and S/.2.697 per US\$1 ask, as of December 31, 2011). As of December 31, 2012, the exchange rate established by SBS to record assets and liabilities in foreign currency was S/.2.550 per US\$1 (S/.2.696 per US\$1 as of December 31, 2011). The table below presents a detail of the Fund's assets and liabilities stated in US Dollars:

	2012 US\$	2011 US\$
Assets		
Cash and due from banks	3,711,904	2,002,398
Accounts receivable (Trust Agreement - COFIDE)	163,611,544	187,661,895
Other accounts receivable, net (*)	6,514,742	19,257,140
Other assets	216,813	-
	<u>174,055,003</u>	<u>208,921,433</u>
Liabilities		
Due to banks and financial obligations	84,547,702	-
Other accounts payable	413,397	405,799
Other liabilities	707,190	470,157
	<u>85,668,289</u>	<u>875,956</u>
Net sale position - Forwards	(72,500,000)	(192,000,000)
Net sale position - CRC-PBP trusts forwards in US Dollars	(7,000,000)	(11,000,000)
Net asset position	<u>8,886,714</u>	<u>5,045,477</u>

(*) As of December 31, 2012 and 2011, this caption includes US\$ 6,249,395 and US\$18,984,342 from net equity of the CRC-PBP trusts in US Dollars, mainly comprised of available-for-sale investments.

The net sale position of derivative transactions from forwards contracts as of December 31, 2012, corresponds to sales operations of US Dollars whose amounts of reference approximately amounted to US\$72,500,000, equivalent to S/.184,875,000 (US\$192,000,000, equivalent to S/.517,632,000 as of December 31, 2011), Note 12.

During 2012, the Fund recorded a loss on exchange difference amounting to S/.13,880,634, which is presented under the "Financial expenses" caption of the statement of income (a loss amounting to S/.22,875,182 in 2011), excluding the effects on the trusts, Note 17.

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Notes to the financial statements (continued)

Also, the Fund has recorded a gain on negotiable derivative transactions that amounted to S/. 18,851,657 during 2012 (S/.25,275,947 during 2011), which is presented in the "Financial expenses" caption of the statement of income excluding the effects on the trusts, Note 17.

5. Cash and due from banks

This item is made up as follows:

	2012 S/.	2011 S/.
Peruvian Central Bank (a)	1,760	1,140,025
Demand and savings accounts (b)	194,765,712	65,910,397
Time deposits (c)	145,000,000	40,000,000
Accrued yields	708,973	178,666
Cash and cash equivalent	340,476,445	107,229,088
Plus:		
Time deposits with original maturities over 91 days (c)	-	50,000,000
Total cash and due from banks	340,476,445	157,229,088

(a) These accounts in nuevos soles and US Dollars are mainly used for transactions with COFIDE under the Trust Agreement the Fund signed with this entity.

(b) Corresponds to accounts denominated in nuevos soles and US Dollars that earn interest at market rates and are unrestricted.

(c) Corresponds to time deposits in domestic banks in nuevos soles, unrestricted and earning interest at market rates. As of December 31, 2012, these time deposits amounted to S/.145,000,000 with original maturities of 91 days or less (S/.50,000,000 with original maturities over 91 days and S/.40,000,000 with original maturities of 91 days or less, as of December 31, 2011, respectively).

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Notes to the financial statements (continued)

6. Available-for-sale and held-to-maturity investments

(a) This caption is made up as follows:

	2011			
	Amortized	Unrealized result		Book
	cost	Gains	Losses	value (*)
	S/.	S/.	S/.	S/.
Available-for-sale investments				
Peruvian sovereign bonds (b)	1,142,862	26,411	-	1,169,273
Corporate bonds (c)	12,443,049	18,174	(23,836)	12,437,387
Total	<u>13,585,911</u>	<u>44,585</u>	<u>(23,836)</u>	<u>13,606,660</u>
Held-to-maturity investments				
Negotiable certificates of deposit issued				
by the Peruvian Central Bank (d)	<u>190,231,959</u>			<u>190,231,959</u>
Plus -				
Accrued interest from available-for-sale				
and held-to-maturity investments				<u>1,263,178</u>
Total				<u>205,101,797</u>

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

(b) As of December 31, 2011, Peruvian sovereign bonds are denominated in nuevos soles and comprise a bond whose maturity was on August 12, 2020, and earned interest at annual interest rate of 7.84 percent, such investments were sold during 2012 in order to use these resources in granting new loans. During 2012, the Fund recognized interest income and a gain on the sale of S/.90,158 and S/.318,385, respectively, which were included in the captions "Interest from available-for-sale and held-to-maturity investments" and "Other financial income" respectively, included under "Financial income" caption in the statement of income (interest income of S/.9,380,482 as of December 31, 2011), see note 17.

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Notes to the financial statements (continued)

- (c) As of December 31, 2011, it corresponded to corporate bonds with AAA credit rating issued by Scotiabank Peru S.A.A. and COFIDE, whose fair values amounted to approximately S/.10,419,213 and S/.2,018,174, respectively, these bonds were denominated in nuevos soles, with maturities between March 2012 and July 2017, and earned interest at annual interest rates between 5.69 and 5.90 percent, these investments were sold during 2012 in order to use these resources in granting new loans. During 2012, the Fund recognized interest income and a gain on the sale of S/.155,068 and S/.18,810, respectively, which were included in the captions "Interest from available-for-sale and held-to-maturity investments" and "Other financial income" respectively, included under "Financial income" caption in the statement of income (interest income of S/.3,485,479 as of December 31, 2011), Note 17.
- (d) As of December 31, 2011, it corresponded to certificates of deposits issued by the Peruvian Central Bank (CDN-BCRP by its acronym in Spanish), denominated in nuevos soles with maturities between January and May 2012, and earned interest at annual effective interest rate between 3.96 and 4.42 percent. During 2012 and 2011, the Fund recognized an interest income of S/.6,861,763 and S/.2,951,235, respectively, which are included in the caption "Interest from available-for-sale and held-to-maturity investments", included under "Financial income" caption in the statement of income, Note 17.
- (e) As of December 31 2011, the Fund's Management estimated the market value of available-for-sale investments on the basis of available market quotations or, when they do not exist, by discounting the expected cash flows with an interest rate reflecting the risk classification of the asset.

The Fund's Management has determined that the unrealized losses as of December 31, 2011 are not originated by credit deterioration of the issuers but mainly due to changes in risk free rates that were incorporated into their valuations. Consequently, there is no impairment in the available-for-sale investments according to the accounting standards that must be recognized as of each balance sheet date.

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Notes to the financial statements (continued)

7. Accounts receivable, net (Trust Agreement - COFIDE)

(a) This caption is made up as follows:

	2012 S/.	2011 S/.
Nuevo Crédito MIVIVIENDA	2,398,982,859	1,555,029,041
Crédito MIVIVIENDA Tradicional	475,377,726	572,207,069
Crédito MIHOGAR	152,523,168	187,377,341
Crédito Complementario Techo Propio	130,550,358	116,934,259
Crédito MIVIVIENDA Estandarizado	17,820,169	19,691,728
Crédito MICONSTRUCCIÓN	5,751,575	-
	<u>3,181,005,855</u>	<u>2,451,239,438</u>
Plus (less)		
Accrued yields from accounts receivable	11,775,086	10,658,570
Allowance for doubtful accounts (f)	<u>(47,852,041)</u>	<u>(34,221,521)</u>
Total	<u>3,144,928,900</u>	<u>2,427,676,487</u>

As of December 31, 2012 and 2011, the number of borrowers is 66,106 and 56,700, respectively. There is no significant concentration of credit risk due to the type of lending that the Fund holds.

All these resources have been intermediated by the Fund through COFIDE under the Trust Agreement that the Fund has with this entity. COFIDE receives the Fund's resources to intermediate them through intermediary financial institutions, which use them for mortgage loan financing in accordance with Article 12 of Supreme Decree N°001-99-MTC.

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Notes to the financial statements (continued)

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

Products	2012		
	With Credit Risk Coverage S/.	Without Credit Risk Coverage S/.	Total S/.
Nuevo Crédito MIVIVIENDA	357,193,932	2,041,788,927	2,398,982,859
Crédito MIVIVIENDA Tradicional	400,543,364	74,834,362	475,377,726
Crédito MIHOGAR	87,648,232	64,874,936	152,523,168
Crédito Complementario Techo Propio	23,554,447	106,995,911	130,550,358
Crédito MIVIVIENDA Estandarizado	15,044,744	2,775,425	17,820,169
Crédito MICONSTRUCCIÓN	-	5,751,575	5,751,575
	<u>883,984,719</u>	<u>2,297,021,136</u>	<u>3,181,005,855</u>

Products	2011		
	With Credit Risk Coverage S/.	Without Credit Risk Coverage S/.	Total S/.
Nuevo Crédito MIVIVIENDA	107,469,251	1,447,559,789	1,555,029,040
Crédito MIVIVIENDA Tradicional	464,210,736	107,996,333	572,207,069
Crédito MIHOGAR	59,016,941	128,360,400	187,377,341
Crédito Complementario Techo Propio	9,712,034	107,222,226	116,934,260
Crédito MIVIVIENDA Estandarizado	15,737,095	3,954,633	19,691,728
	<u>656,146,057</u>	<u>1,795,093,381</u>	<u>2,451,239,438</u>

- (c) Accounts receivable are classified by risk according to SBS standards in effect as of December 31, 2012 and 2011. As discussed in Note 3(d), the allowance for doubtful accounts is determined based on the classification of both the final borrower and the IFI.

Translation of financial statements originally issued in Spanish - Note 26

Notes to the financial statements (continued)

The table below details the classification of accounts receivable according to the final borrowers' consolidated credit report (RCC by its acronym in Spanish):

Risk category	As of December 31, 2012		As of December 31, 2011	
	Total S/.	%	Total S/.	%
Normal	3,031,889,966	95.29	2,358,383,415	96.21
With potential problem	43,200,116	1.36	24,977,600	1.02
Substandard	31,258,552	0.99	18,571,847	0.76
Doubtful	35,359,720	1.12	23,002,119	0.94
Loss	39,297,501	1.24	26,304,457	1.07
Total	3,181,005,855	100.00	2,451,239,438	100.00

Approximately S/.5,984,000 and S/.5,217,000 of the loans with CRC, as of December 31, 2012 and 2011, respectively, corresponds to loans for which the IFI have requested reimbursement according to the guarantee provided.

The table below presents accounts receivable by IFI originating MIVIVIENDA loans classified by risk category:

Risk category	As of December 31, 2012		As of December 31, 2011	
	Total S/.	%	Total S/.	%
Normal	2,981,354,592	93.72	2,357,586,289	96.18
With potential problem (*)	199,651,263	6.28	93,653,149	3.82
Total	3,181,005,855	100.00	2,451,239,438	100.00

(*) As of December 31, 2012, the increase is mainly explained by the change of classification risk of an IFI.

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Notes to the financial statements (continued)

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

	2012 %	2011 %
Nuevo Crédito MIVIVIENDA	6.60	6.60
Crédito MIVIVIENDA Tradicional	7.75	7.75
Crédito MIHOGAR	7.60	7.60
Crédito Complementario Techo Propio	6.00	6.00
Crédito MIVIVIENDA Estandarizado	6.90 and 7.30	6.90 and 7.30
Crédito MICONSTRUCCIÓN	7.50 and 9.00	-

- (e) The table below presents the portfolio of accounts receivable as of December 31, 2012 and 2011 classified by maturity dates:

	2012 S/.	2011 S/.
Outstanding		
Due within 1 month	12,385,269	9,465,450
From 1 to 3 months	28,427,425	31,631,109
From 3 months to 1 year	119,750,881	131,426,113
From 1 to 3 years	344,276,649	445,377,920
More than 3 years	2,676,165,631	1,833,338,846
	<u>3,181,005,855</u>	<u>2,451,239,438</u>

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

	2012 S/.	2011 S/.
Balance at the beginning of the year	34,221,521	29,249,201
Plus (less)		
Allowance recognized as expense of the year	22,874,492	12,343,352
Reversals, Note 21	(7,586,641)	(6,684,803)
Exchange difference	(919,669)	(686,229)
Balance at the end of the year (*)	<u>48,589,703</u>	<u>34,221,521</u>

- (*) The balance of the allowance for doubtful accounts includes the allowance for credit risk coverage for guaranteed loans to the IFI without direct debts with the Fund. The total amount of the allowance

Translation of financial statements originally issued in Spanish - Note 26

Notes to the financial statements (continued)

amounts to S/.7,006,331 and S/.6,366,606, as of December 31, 2012 and 2011, respectively, from which S/.737,662 as of December 31, 2012, are presented in the caption "Provisions and other liabilities", Note 11(a).

In Management's opinion, the allowance for doubtful accounts recorded as of December 31, 2012 and 2011, complies with SBS regulations for the Fund in effect as of those dates.

- (g) On August 20, 2012, the Fund received a prepayment of 36 quotas of the accounts receivable of a financial entity; maintained the credit risk coverage over such quotas. The amount received from BCP amounted to S/.188,036,933 corresponding to the fair value of the 36 monthly installments as of August 20, 2012.

According to the requirements of SBS, this transaction was recorded as a sale, in this regard, the Fund has determined that the paid principal that was decreased of the accounts receivable by this transaction amounted to S/.179,797,318. The Fund has decreased its accounts receivable by this amount. As a consequence, the Fund recorded a gain on the sale for S/.8,239,616, which according to SBS rules, was recorded as a deferred income in the caption "Provision and other liabilities", which will be recognized on a straight line basis over 36 months. As of December 31, 2012, the deferred gain from this transaction amounted to S/.7,933,831, Note 11(a).

Also, in accordance with SBS regulations, the Fund recorded a liability for the credit risk coverage applicable to the loans that were subject to the BCP transaction on the third of the outstanding principal receivable amount to S/.53,791,688, as of December 31 2012, Note 16(l). As of December 31, 2012, the provision amounted to S/.737,662, Note 11(a).

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Notes to the financial statements (continued)

8. Other accounts receivable, net

(a) This caption is made up as follows:

	2012 S/.	2011 S/.
Accounts receivable from banks in liquidation (b)	109,238,301	119,645,220
Accounts receivable from CRC-PBP Trusts in nuevos soles and US Dollars (c)	67,303,153	396,100,836
Accounts receivable from Ex-CONEMINSA portfolio (d)	15,501,167	16,178,516
Recoveries from COFIDE - pending distribution (e)	1,442,997	1,560,740
Accrued interest in the acquisition of investments	-	27,483
Other accounts receivable	443,239	225,544
	<u>193,928,857</u>	<u>533,738,339</u>
Less - Allowance for doubtful accounts (f)		
Banks in liquidation (b)	(109,238,301)	(119,645,220)
Ex-CONEMINSA Portfolio (d)	(13,890,376)	(13,958,967)
Other accounts receivable	(282,056)	(143,047)
	<u>(123,410,733)</u>	<u>(133,747,234)</u>
Total	<u>70,518,124</u>	<u>399,991,105</u>

(b) Corresponds to accounts receivable generated by time deposits, certificates of deposit, among others, held by the Fund's predecessor (Note 1) with certain financial institutions that later went into liquidation.

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Notes to the financial statements (continued)

The detail of accounts receivable balances and their respective allowance, as of December 31, 2012 and 2011, is as follows:

	2012 S/.	2011 S/.
Capital		
Banco Nuevo Mundo, in liquidation (i)	59,163,872	68,961,244
Banco República, in liquidation (i)	39,992,678	40,000,688
Banco Banex, in liquidation - in lieu of payment	8,037,381	8,576,168
Banco República, in liquidation - in lieu of payment (i)	<u>2,044,370</u>	<u>2,107,120</u>
	109,238,301	119,645,220
Less: Allowance for loan losses		
Banco Nuevo Mundo, in liquidation (i)	(59,163,872)	(68,961,244)
Banco República, in liquidation (i)	(39,992,678)	(40,000,688)
Banco Banex, in liquidation - in lieu of payment	(8,037,381)	(8,576,168)
Banco República, in liquidation - in lieu of payment (i)	<u>(2,044,370)</u>	<u>(2,107,120)</u>
	<u>(109,238,301)</u>	<u>(119,645,220)</u>
Net	<u>-</u>	<u>-</u>

- (i) During the liquidation process, conducted under the supervision and intervention of SBS, the Fund has received property assets, real estate, and collection of loans as part payment of these debts, paragraph (f) below.

Management recorded an allowance for 100 percent of the main portfolio of Banco Nuevo Mundo, Banco República and Banco Banex, all of them under liquidation processes, and recognizes the recoveries received based on their realization. During 2012, the Funds has received in cash from Banco Nuevo Mundo in liquidation and Banco Republica in liquidation amounts to S/.9,797,372 and S/.8,010, respectively, as part of fully provisioned receivable accounts.

Management believes that the allowance for loan losses recorded as of December 31, 2012 and 2011 sufficiently covers the risk of collectability of other accounts receivable.

- (c) As of December 31, 2012, includes the balances of total assets net of liabilities of the trusts under management (total equity and surplus (deficit) net): one CRC-PBP trust in nuevos soles amounting to S/.31,395,820, and one CRC-PBP trust in US Dollars amounting to S/.35,907,333 (S/.312,428,719 and S/.83,672,117, respectively, as of December 31, 2011).

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Notes to the financial statements (continued)

Through constitutional acts signed in June 2007 by the Fund as trustee and trustor simultaneously, both CRC-PBP trusts were constituted for the purpose of allowing the availability of resources to fulfill the obligations of the Fund arising from the service contracts CRC and PBP (Credit Risk Coverage - CRC and payment of the Good Payer Award - PBP) signed with certain intermediary financial institutions, as well as allowing those resources to be managed efficiently, according to the provisions established by the Regulation and Manual of policies and processes of the PBP-CRC trusts; as well as the Manual of policies and procedures of investment that are part of the appendixes of the constitutive acts.

Accounting for these trusts is performed in accordance with the provisions of SBS Resolution N°980-2006 "Regulations for Fondo MIVIVIENDA S.A.", that is, in a single account in the Fund's balance sheet (Note 3(e)) while separate accounts are kept for control purposes as shown as follows as of December 31, 2012 and 2011:

CRC-PBP trust Nuevos soles	2012 S/.	2011 S/.
Balance sheet		
Assets		
Cash and due from banks	3,338,196	54,956,284
Available-for-sale financial investments, (*)	23,323,460	43,370,648
Held-to-maturity investments (**)	4,734,164	214,144,027
Accounts receivable	-	154,869
Total assets	31,395,820	312,625,828
Liabilities		
Accounts payable	-	197,109
Total liabilities	-	197,109
Net equity and surplus		
Initial equity	-	237,975,000
Surplus from collections, net	1,707,547	1,481,541
Unrealized results	426,676	(191,645)
Retained earnings	29,261,597	73,163,823
Total net equity and surplus	31,395,820	312,428,719
Total liabilities, net equity and surplus	31,395,820	312,625,828

(*) As of December 31, 2012, the decrease in available-for-sale investments corresponds to the sales of bonds made in the first quarter of 2012, amounting to approximately S/.17,000,000 (nominal value).

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Notes to the financial statements (continued)

(**) Decrease in held-to-maturity investments is explained by the maturity of negotiable certificates of deposits until November 2012. As of December of 31, 2011, CRC-PBP trust funds in nuevos soles maintained negotiable certificates of deposit issued by the Peruvian Central Bank amounting to S/.188,387,509.

CRC-PBP trust	2012	2011
Nuevos soles	S/.	S/.
Statement of income		
Income		
Interest income	6,960,722	16,974,752
Valuation of investments, net	2,133,005	706,065
Other financial income	12	-
Total income	9,093,739	17,680,817
Expenses		
Management fee	(932,206)	(1,786,010)
Tax for financial transactions	(24,969)	(95,382)
Miscellaneous expenses for financial services	(13,790)	(20,108)
Total expenses	(970,965)	(1,901,500)
Net surplus	8,122,774	15,779,317
CRC-PBP trust		
US Dollars		
Balance sheet		
Assets		
Cash and due from banks	9,883,055	36,647,164
Available-for-sale financial investments, net	5,691,309	5,280,770
Held-to-maturity investments (*)	19,710,414	40,531,154
Derivative financial instruments, net	616,164	881,900
Accounts receivable	6,391	331,129
Total assets	35,907,333	83,672,117
Equity and net surplus		
Initial equity	21,012,905	71,687,200
Surplus from collections, net	5,969,499	5,241,478
Unrealized results	540,360	494,540
Retained earnings	8,384,569	6,248,899
Total equity and net surplus	35,907,333	83,672,117

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Notes to the financial statements (continued)

CRC-PBP trust US Dollars	2012 S/.	2011 S/.
Statement of income		
Income		
Interest income	2,423,960	4,847,077
Foreign currency derivatives	1,860,463	3,463,329
Other operating income	129,378	-
Total income	4,413,801	8,310,406
Expenses		
Exchange difference, net	(559,815)	(897,426)
Valuation of investments, net (**)	(1,364,565)	(2,056,004)
Management fee	(345,760)	(482,350)
Tax for financial transactions	(2,885)	(20,553)
Miscellaneous expenses for financial services	(4,814)	(5,067)
Other financial expenses	(292)	-
Total expenses	(2,278,131)	(3,461,400)
Net surplus	2,135,670	4,849,006

(*) Decrease in held-to-maturity investments is explained, mainly, by the maturity of negotiable certificates of deposits. As of December 31, 2011, the CRC-PBP trust in US Dollars maintained negotiable certificates of deposit issued by the Peruvian Central Bank amounting to S/.18,445,367.

(**) Corresponds mainly to the exchange loss on investments amounting to S/.856,241 and loss on investments' valuation amounting to S/.508,324 (S/.1,791,907 on exchange loss and S/.264,097 loss on investments' valuation as of December 31, 2011).

The Board of Directors meeting N°010-2012 held on April 27, 2012, approved the transfer to the Fund of the surplus assets held in the trusts CRC-PBP nuevos soles and CRC-PBP US Dollars, amounting to S/.290,000,000 and US\$19,000,000, respectively, in order to be used for new loans granted by the Fund. Such amounts were obtained from the sale of the certain available-for-sale investments and the redemption of certain held-to-maturity investments, and represented a decrease in initial equity and retained earnings.

- (d) Corresponds to the portfolio of accounts receivable of mortgage loans granted by Compañía de Negociaciones Mobiliarias e Inmobiliarias S.A. - CONEMINSA, which was received by the Fund under a payment-in-kind contract signed on December 30, 2003 for its administration and recovery.

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Notes to the financial statements (continued)

- (e) As of December 31, 2012 and 2011, corresponds to the net effect of the adjustments and reversals resulting from the monthly reconciliations between COFIDE balances, which are regularized in the following months.
- (f) The changes in the allowance for other doubtful accounts, as determined by the criteria described in Note 3(f), are presented below:

	2012 S/.	2011 S/.
Balance at the beginning of the year	133,747,234	133,924,200
Plus (less)		
Allowance of the year	317,012	1,394,291
Reversals, Note 8(b)	<u>(10,653,513)</u>	<u>(1,571,257)</u>
Balance at the end of the year	<u>123,410,733</u>	<u>133,747,234</u>

In Management's opinion, the allowance for other doubtful accounts recorded as of December 31, 2012 and 2011, is in accordance with the standards established by SBS in effect as of those dates.

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Notes to the financial statements (continued)

9. Property, furniture and equipment, net

(a) The movement of property, furniture and equipment for the years 2012 and 2011 is as follows:

	Land S/.	Buildings S/.	Installations S/.	Furniture and fixtures S/.	Computer equipment S/.	Miscellaneous equipment S/.	Vehicles S/.	2012 Total S/.	2011 Total S/.
Cost									
Balance as of January 1	103,241	35,515	218,228	719,857	2,201,210	931,599	677,196	4,886,846	5,443,350
Additions	-	-	-	7,538	78,766	27,041	-	113,345	81,143
Disposals and other adjustments	-	-	(149,773)	-	(345,281)	(1,767)	(30,487)	(527,308)	(637,647)
Balance as of December 31	<u>103,241</u>	<u>35,515</u>	<u>68,455</u>	<u>727,395</u>	<u>1,934,695</u>	<u>956,873</u>	<u>646,709</u>	<u>4,472,883</u>	<u>4,886,846</u>
Accumulated depreciation									
Balance as of January 1	-	3,404	129,758	526,183	1,708,016	463,676	221,069	3,052,106	3,081,125
Depreciation of the year	-	1,776	13,086	59,509	229,493	91,338	131,881	527,083	589,997
Disposals and other adjustments	-	-	(99,848)	-	(343,544)	(1,440)	(17,277)	(462,109)	(619,016)
Balance as of December 31	<u>-</u>	<u>5,180</u>	<u>42,996</u>	<u>585,692</u>	<u>1,593,965</u>	<u>553,574</u>	<u>335,673</u>	<u>3,117,080</u>	<u>3,052,106</u>
Net book value	<u>103,241</u>	<u>30,335</u>	<u>25,459</u>	<u>141,703</u>	<u>340,730</u>	<u>403,299</u>	<u>311,036</u>	<u>1,355,803</u>	<u>1,834,740</u>

(b) Financial institutions established in Peru are prohibited from pledging their fixed assets.

(c) In Management's opinion, there is no evidence of impairment of fixed assets held by the Fund as of December 31, 2012 and 2011. As of December 31, 2012, the Fund maintains fully depreciated assets for S/.1,326,879 (S/.1,395,462 as of December 31, 2011); however, some of these assets are still in use.

(d) The Fund maintains insurance policies on its key assets in accordance with policies established by Management. In this sense, as of December 31, 2012 and 2011, the Fund has hired an insurance policy against all covered risks that covers the value of the Fund's net assets. In Management's opinion, its insurance policies are consistent with the usual practices in the industry.

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Notes to the financial statements (continued)

10. Other assets, net

(a) This caption is made up as follows:

	2012 S/.	2011 S/.
Assets received as payment and seized through legal actions, net	673,307	904,520
Intangible assets, net (b)	325,821	423,082
Other (c)	<u>2,234,807</u>	<u>1,838,350</u>
Total	<u>3,233,935</u>	<u>3,165,952</u>

(b) The intangible assets item comprises software and licenses for the use of computer equipment whose total cost as of December 31, 2012 amounted to S/. 3,534,515 while its cumulative amortization amounted to S/.3,208,694 (approximated cost of S/.3,481,814 and approximated cumulative amortization of S/.3,058,732 as of December 31, 2011). During 2012 and 2011, acquisitions of intangible assets were mainly related to software and licenses in the amount of S/.52,700 and S/.117,582, respectively. Such intangible assets are amortized by applying the straight-line method based on useful lives estimated by Management, Note 3(k).

(c) Through Executive Resolution N°046-2009/ DE-FONAFE the "Plan of TIC corporate governance for companies within the scope of FONAFE" was approved. This resolution defines the implementation of Shared Service Center Information Technology and Communications of FONAFE. As of December 31, 2011, this balance mainly includes the prepayment for this service amounting to S/. 1,142,997 and S/.1,346,407. Management estimates that the service will be rendered during 2013.

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Notes to the financial statements (continued)

11. Other accounts payable, provisions and other liabilities

(a) This caption is made up as follows:

	2012 S/.	2011 S/.
Other accounts payable		
Contributions from FONAVI (b)	132,811,235	105,196,565
Good Payer Bonus (principal) assigned to COFIDE (c)	77,727,830	64,143,372
BFH to transfer to technical entities (d)	10,539,718	1,699,556
Employees' profit sharing payable	7,399,864	5,241,650
Good Payer Bonus (principal) received from MVCS (e)	6,638,256	9,932,188
Eligible Household Savings transferred to technical entities (f)	3,807,666	2,099,735
Suppliers payable	780,509	936,401
Resources to transfer for executed stand-by letters of guarantee	950,160	828,211
Vacation and settlement of social benefits payable	719,806	683,053
Other	91,974	79,896
Total	241,467,018	190,840,627
Provisions and other liabilities		
Deferred income for advance BCP flows, Note 7(g)	7,933,831	-
Deferred income (g)	1,439,704	1,510,122
Provision for contingencies (h)	1,271,535	670,506
Allowance for credit risk coverage for advance of BCP flows, note 7(f) and 7(g)	737,662	-
Operations in process	8,945	40,430
Total	11,391,677	2,221,058

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Notes to the financial statements (continued)

(b) As of December 31, 2012 and 2011, this item is made up as follows:

	2012 S/.	2011 S/.
FONAVI collections according to Law N°26969 (i)	125,538,662	96,754,139
FONAVI contributions pending transfer to the MEF (i)	6,988,963	8,156,186
Refund of not collected FONAVI checks (ii)	<u>283,610</u>	<u>286,240</u>
Total	<u>132,811,235</u>	<u>105,196,565</u>

- (i) Mainly corresponds to the amounts assigned to the Fund from the proceeds received by the National Superintendence of Tax Administration (*Superintendencia Nacional de Administración Tributaria*, or "SUNAT" by its acronym in Spanish), related to contributions made to FONAVI by tax payers in accordance with Law N°26969 for approximately S/.125,538,662 (S/.96,754,139 as of December 31, 2011). Also includes S/.6,988,963 (S/.8,156,186 as of December 31, 2011) as FONAVI contributions pending transfer to the MEF related to contributions made to FONAVI by tax payers who enjoy tax stability under Law N°27071.

The changes in the balance of this caption are shown below:

	2012 S/.	2011 S/.
Balance at the beginning of the year	96,754,139	81,032,293
Plus (less)		
Collection of the year	30,016,892	18,981,232
Contributions pending transfer to MEF	-	(3,112,644)
Returns of FONAVI contributions	<u>(1,232,369)</u>	<u>(146,742)</u>
Balance at the end of the year	<u>125,538,662</u>	<u>96,754,139</u>

- (ii) Corresponds to checks issued from 1999 to 2012 pending of collection by the beneficiaries. These checks were issued as reimbursement of FONAVI contributions according to SUNAT communications, which is the entity responsible for the collection of these resources.

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Notes to the financial statements (continued)

- (c) Corresponds to the funds disbursed to COFIDE to be applied to the loans originated by IFI (Crédito MIHOGAR and Nuevo Crédito MIVIVIENDA), upon the review of compliance with the requirements of the respective regulations. Subsequently, COFIDE reports the semiannual installments that have been applied to the final borrowers for prompt payment of their installments under the terms of the respective program. The changes in the balance of this caption are shown below:

	2012 S/.	2011 S/.
Balance at the beginning of the year	64,143,372	38,047,325
Plus (less)		
BBP allocation to accounts receivable of trusts to loans disbursed	17,770,000	28,340,000
Adjustment to prior years - BBP allocation	(900,000)	-
Adjustment to prior years - BBP application	201,126	290,645
Application of BBP installments of Crédito MIHOGAR	(1,271,318)	(1,216,200)
Application of BBP installments of Nuevo Crédito MIVIVIENDA	(2,215,350)	(1,318,398)
Balance at the end of the year	<u>77,727,830</u>	<u>64,143,372</u>

- (d) Corresponds to the balance payable to technical institutions (builders) for the financing of the BFH of households that accessed to the Techo Propio Program, received from the MVCS.
- (e) Corresponds to the balance of funds received from MVCS, pending allocation to beneficiaries applying for the Fund's products. The Fund performs the allocation of these resources through COFIDE when disbursements are authorized to intermediary financial institutions for loans approved. During 2012 and 2011 the amounts allocated totaled S/. 16,870,000 and S/.28,340,000, respectively.

The changes in the balance of this caption are shown below:

	2012 S/.	2011 S/.
Balance at the beginning of the year	9,932,188	11,710,000
Plus (less)		
Resources received from MVCS during the year	13,576,068	26,562,188
BBP disbursement to COFIDE for loans allocation	(16,870,000)	(28,340,000)
Balance at the end of the year	<u>6,638,256</u>	<u>9,932,188</u>

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Notes to the financial statements (continued)

- (f) Corresponds to the balance payable to technical institutions on behalf of eligible households who has accessed to the Techo Propio Program, for the total amount of savings deposited by the household in the Fund's accounts and the Fund for Police Housing (Fondo de Vivienda Policial, or "FOVIPOL" by its acronym in Spanish) savings accounts. As of December 31, 2012 and 2011, the total number of households whose savings were pending to be transferred to technical entities was 5,793 and 1,776, respectively; such deposits were regularized mostly during the first quarter of 2012 and 2011, respectively.
- (g) Mainly corresponds to the deferred income generated when the CRC-PBP trusts were established in 2007, Note 3(p). As of December 31, 2012 and 2011, the remaining deferred income amounts to S/.1,409,368 and S/.1,478,011, respectively. During 2012, the Fund did not recognize this revenue; during 2011, the Fund recognized revenue for the realization of the deferred gain amounting to S/.647,124.
- (h) Corresponds to provisions recorded for claims related to lawsuits and probable labor contingencies. In Management's opinion and its legal advisors, the recorded provision is sufficient to cover the risk of loss for such contingencies as of December 31, 2012 and 2011.

12. Accounts receivable and payable for derivative financial instruments

- (a) The following table shows the fair value of derivative financial instruments recorded as assets or liabilities (excluding the effects of trusts), together with their notional amounts (nominal). The notional amount is the nominal amount of the underlying asset of the derivative and is the basis upon which changes in value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the end of the year and are not an indicator of market risk or credit risk, Note 22.

	2012		
	Fair value		Notional amount S/.
	Assets S/.	Liabilities S/.	
Financial derivatives (b)	5,752,935	-	184,875,000
	2011		
	Fair value		Notional amount S/.
	Assets S/.	Liabilities S/.	
Financial derivatives (b)	10,061,020	46,831	517,632,000

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Notes to the financial statements (continued)

- (b) Financial derivatives correspond to forward contracts in foreign currency. During 2012, net gains on currency forward contracts amounted to S/.18,851,657 (net gains amounted to S/.25,275,947 in 2011), and were recorded in the "Financial income" caption of the statement of income, excluding the effects of trusts, Note 17.

13. Equity

- (a) Capital stock -

As of December 31, 2012 and 2011, the Fund's capital stock was represented by 2,968,159,573 and 2,889,343,941 common shares entirely subscribed and paid, respectively, whose nominal value is S/.1.00 per share. Its sole shareholder is FONAFE.

On March 26, 2012, the Fund's General Shareholder Meeting agreed to capitalize S/.78,815,632 corresponding to the profits generated in 2011.

On September 2, 2011, the Fund's General Shareholder Meeting agreed to capitalize S/.58,086,468 corresponding to the profits generated in 2010.

- (b) Legal reserve -

Pursuant to the legislation in force, the Fund must comply with a legal reserve of not less than 35 percent of its paid-in capital. This reserve is constituted through the annual transfer of at least 10 percent of the Fund's net income and may be used only to cover accumulated losses.

- (c) Unrealized results -

Includes the unrealized gain (loss) generated by the valuation of available-for-sale investments of the Fund and the CRC-PBP Trusts, as detailed below:

Unrealized results	2012 S/.	2011 S/.
CRC-PBP trusts	967,036	298,417
Fondo MIVIVIENDA S.A., Note 6(a)	-	20,749
	<u>967,036</u>	<u>319,166</u>

- (d) Shareholder's equity for legal purposes (regulatory capital) -

In June 2008, by means of Legislative Decree N°1028, the Banking Law was amended. The amendments established that the regulatory capital of financial entities must be equal to or more than 10 percent of the total risk-weighted assets and contingent operations, represented by the sum of: (i) the regulatory capital requirement for market risk multiplied by 10, (ii) the regulatory capital requirement for operational risk multiplied by 10, and (iii) the weighted assets and contingent credits by credit risk. This calculation must include all balance sheet exposures or assets in local or foreign currency. This ratio would be gradually implemented until July 2011,

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Notes to the financial statements (continued)

considering the percentages and deadlines established by said Legislative Decree. As of December 31, 2012 and 2011, the minimum requirement is 10 and 9.8 percent, respectively. The Legislative Decree N°1028 also distinguishes, starting in 2009, between basic equity (Level 1) and supplementary equity (Level 2), depending on the definitions and limits therein established. In Management's opinion, these modifications are being considered in its plans and will not have any significant impact on the Fund's operations.

As of December 31, 2012 and 2011, pursuant to Legislative Decree N°1028, the Fund holds the following amounts related to risk weighted assets and contingent credits by credit risk and shareholder's equity for legal purpose (regulatory capital basic and supplementary), expressed in nuevos soles:

	2012 S/.	2011 S/.
Total risk-weighted assets and credits	3,239,912,750	2,385,225,179
Total regulatory capital	3,002,311,303	2,915,169,542
Basic regulatory capital (Tier 1)	3,002,311,303	2,915,169,542
Supplementary regulatory capital (Tier 2)	-	-
Basic regulatory capital as a percentage of risk-weighted assets and credits (%)	88.35	117.52

Furthermore, during 2009, the SBS issued the Resolutions N°2115-2009, N°6328-2009 and N°14354-2009, Regulations for Regulatory Capital Requirements for Operational Risk, Market Risk and Credit Risk, respectively, and amendments; which went into effect starting in July 2009, with the exception of the resolution regarding Credit Risk, which had an adjustment period until June 30, 2010. These resolutions established, mainly, the methodologies to be used by financial entities to calculate the risk-weighted assets and credits for each type of risk. As of December 31, 2012 and 2011, the Fund has complied with the requirements of said resolutions.

On July 20, 2011, the SBS issued Resolution N°8425-2011, which states that in determining the level of additional regulatory capital, financial institutions must have a process to assess the adequacy of its regulatory capital based on their risk profile, which must follow the methodology described in such Resolution. The requirement of additional regulatory capital shall equal the sum of regulatory capital requirements calculated for each of the following components: economic cycle, concentration risk, market concentration risk, interest rate risk, and others. Financial institutions have a period of five years from July 2012 to bring their regulatory capital to the required level.

In Management's opinion, the Fund has complied with the requirements set forth in the aforementioned resolution and will be willing to continue to comply therewith because the equity represented by the Fund cover such requirements.

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14. Tax situation

- (a) The Fund is subject to the Peruvian Tax System. As of December 31, 2012 and 2011, the statutory income tax rate is 30 percent on taxable income, after calculating the employees' profit sharing, which according to prevailing standards is computed as a 5 percent of the taxable income.
- (b) Since 2011, the Income Tax Law was amended by Law N°29645, stating that interests and other income generated by foreign loans granted to the national public sector, are included as an item exempted from the income tax. In addition, with regards to unaffected interests in development credits, such operations are those intended to fund projects or programs for development Peru's public infrastructure and public services as well as to finance credits for micro businesses, according to SBS Resolution N°11356-2008 or any posterior replacing regulation.
- (c) The Tax Authority is entitled to review and, if applicable, amend the income tax calculated by the Fund up to four years after the tax return was filed. According to this, the income tax and value added tax returns for the years 2008 to 2012 are pending review by the Tax Authority. Due to the interpretations likely to be given by the Tax Authority on current legal regulations, it is not possible to determine whether the reviews to be conducted will result or not in liabilities for the Fund, therefore, any increased tax or surcharge that could arise from possible tax reviews will be applied to the results of the year in which is determined.
- (d) As of December 31, 2012, the Fund shows a balance of income tax payable for the year 2012 amounting to S/.9,571,818 (S/.10,683,537 as of December 31, 2011), included in the caption "Obligations with the public" of the balance sheet.

15. Deferred income tax

- (a) The following are the components that originate the deferred income tax as of December 31, 2012 and 2011:

	2012 S/.	2011 S/.
Deferred asset		
Generic allowance for doubtful accounts	3,513,026	675,926
Deferred income for advance from BCP	2,380,149	-
Other	1,621,452	1,213,447
	<u>7,514,627</u>	<u>1,889,373</u>
Deferred liabilities		
Other	(304,159)	(152,372)
	<u>(304,159)</u>	<u>(152,372)</u>
Net deferred asset	<u>7,210,468</u>	<u>1,737,001</u>

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Notes to the financial statements (continued)

In Management's opinion, the deferred asset for income tax will be recovered through taxable income generated by the Fund in the future periods.

- (b) The income tax composition in the statement of income for the years ended December 31, 2012 and 2011 is as follows:

	Income Tax	
	2012 S/.	2011 S/.
Current	31,223,952	29,869,065
Deferred	5,473,467	449,340
Total	36,697,419	30,318,405

- (c) Below is the reconciliation of the effective rate of income tax with the prevailing tax rate:

	2012		2011	
	S/.	%	S/.	%
Income before Income tax	128,357,854	100.00	113,341,339	100.00
Theoretical tax	38,507,356	30.00	34,002,402	30.00
Add (less)				
Net effect of permanent items	(1,919,710)	(1.50)	(4,314,722)	(3.81)
Other	109,773	0.09	630,725	0.56
Income tax	36,697,419	28.59	30,318,405	26.75

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Notes to the financial statements (continued)

16. Contingent and off-balance sheet accounts

(a) This caption is made up as follows:

	2012 S/.	2011 S/.
Contingent		
Forwards (b) and Note 12	184,875,000	517,632,000
Principal Contingent - Guarantees granted (l)	178,509,459	168,224,180
Total contingent	<u>363,384,459</u>	<u>685,856,180</u>
Off-balance sheet accounts		
Stand-by letters of credit and surety bonds received as guarantee (c)	583,753,164	379,698,703
CRC-PBP trusts in nuevos soles and US Dollars (d)	67,303,153	396,100,836
Uncollectible accounts written-off (e)	28,146,095	28,018,368
Employer contribution debt (f)	18,221,507	64,781,307
Funds received from MVCS - BFH	10,539,718	1,699,556
Existing contracts signed with suppliers	8,514,901	7,672,403
Ex-CONEMINSA Portfolio - judicial collection and yields and other accounts receivables (g)	8,511,352	8,467,502
Securities in custody	4,564,684	4,564,684
Mortgage guarantees received (h)	2,199,375	2,909,640
Other minors, net	413,995	435,613
Total off-balance sheet accounts	<u>732,167,944</u>	<u>894,348,612</u>
Trusts		
Fund Law N°27677 (i)	830,208,922	816,204,055
CRC-PBP trusts (j)	151,211,736	832,230,093
Las Garzas trust (k)	23,794,637	25,296,594
Total trusts	<u>1,005,215,295</u>	<u>1,673,730,742</u>
Total off-balance sheet accounts	<u>2,100,767,698</u>	<u>3,253,935,534</u>

(b) As of December 31, 2012 and 2011, corresponds to the commitment on the forward transactions of US Dollars sales contracted by the Fund in order to economically hedge its accounts receivable in US Dollars, which amounted to US\$ 72,500,000 and US\$192,000,000, respectively.

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Notes to the financial statements (continued)

- (c) Correspond to the stand-by letters of credit and surety bonds 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 letters of guarantee for the compliance of purchase of goods and services contracts.
- (d) As of December 31, 2012, corresponds to the recognition of the rights acquired in connection with the establishment of the CRC-PBP in nuevos soles and US Dollars for total amounts to S/.31,395,820 and S/.35,907,333, respectively (S/.312,428,719 and S/.83,672,117 as of December 31, 2011, respectively), see Note 8(c).
- (e) As of December 31, 2012 and 2011, corresponds mainly to the written-off of balances receivable (principal and interest) from Banco Banex and Banco Orion, both undergoing liquidation, for S/.23,576,946 and S/.4,441,422, which were recorded in the "Other accounts receivable" caption as of December 31, 2009, respectively, according to a Management agreement signed in July 2010.
- (f) As of December 31, 2012 and 2011, corresponds to a claim the Fund filed with the MEF on contributions to FONAVI - Employer Contributions, as provided by Law N°26969 - FONAVI Liquidation Law, which were considered that should have been granted to the Fund.
- (g) As of December 31, 2012 and 2011, corresponds to the accrued interest of overdue portfolio of Ex-CONEMINSA and "Other accounts receivable".
- (h) As of December 31, 2012 and 2011, corresponds to mortgage guarantees received from two financial institutions undergoing liquidation for the loan portfolio that the Fund maintained with them.
- (i) As of December 31, 2012 and 2011, correspond to the value of total net assets of the Fund Law N°27677 which includes the results of the period that amount to a gain of S/.12,131,283 and S/.16,809,416, respectively. The Fund Law N°27677 was constituted by Public Deed dated February 13, 2002, with the resources transferred to the Fund from the liquidation of FONAVI, for their administration, recovery and intermediation through the IFI.

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Notes to the financial statements (continued)

- (j) As of December 31, 2012 and 2011, corresponds to the assets, liabilities, equity (without net income), expenses and gains of the trusts under administration which are called CRC-PBP trusts in nuevos soles and US Dollars, as indicated in the accounting manual prescribed by the SBS. This caption is made up as follows:

	2012 S/.	2011 S/.
Assets	67,303,153	396,297,945
Liabilities	-	197,109
Equity (without net income)	57,044,709	375,472,512
Gains	18,561,159	40,445,425
Expenses	8,302,715	19,817,102
Total	151,211,736	832,230,093

- (k) Real estate trust in which Banco de Comercio acted as trustee since its inception in 2006 until October 6, 2010. Through minute issued on October 7, 2010, Banco de Comercio waived its role as trustee and transferred to the Fund the trust equity and resigned from its role as trustee. Thus, starting at that date the Fund is responsible for keeping the accounting records as part of its fiduciary role.
- (l) As of December 31, 2012 and 2011, corresponds to the guarantees granted to the final customer loans with the Fund's resources. The debts of the IFI were prepaid; but the guarantee is still in force until the payment of the debt by the final customer to the IFI.

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Notes to the financial statements (continued)

17. Financial income and expenses

(a) This caption is made up as follows:

	2012 S/.	2011 S/.
Financial income		
Income from accounts receivable (Trust Agreement - COFIDE)	159,954,578	117,691,752
Gain on derivatives, Note 12(b)	18,851,657	25,275,947
Interest from cash and due from banks	13,917,908	16,209,523
Gain on trusts participation	10,258,444	20,628,323
Interest from available-for-sale and held-to-maturity investments, Note 6	7,106,989	15,817,197
Other commissions	5,813,950	6,164,263
Indexation readjustment	1,515,480	2,983,389
Other financial income	1,324,269	1,347,675
Total	<u>218,743,275</u>	<u>206,118,069</u>
Financial expenses		
Good Payer Award - own resources	(32,715,815)	(29,126,800)
Net loss of exchange difference	(13,880,634)	(22,875,182)
Interest from due to banks and financial obligations (b)	(4,973,230)	-
Net result on investments' valuation	(51,910)	(8,162,488)
Other financial expenses	(955,674)	(340,554)
Total	<u>(52,577,263)</u>	<u>(60,505,024)</u>
Gross financial margin	<u>166,166,012</u>	<u>145,613,045</u>

- (b) On February 15, 2012, the Fund received a financing from the Banco de la Nacion for US\$100,000,000 (equivalent to approximately S/.268,500,000 at the transaction date), at an annual effective interest rate of 2.31 percent and with maturity on February 15, 2015. During 2012, the Fund has recognized an interest expense amounting to S/.4,973,230; also, as of December 31, 2012, maintained an outstanding principal amounting to US\$83,805,462 (equivalent to approximately S/.213,703,928) and interest amounting to US\$742,240 (equivalent to approximately S/.1,892,712), which are presented in the caption "Due to banks and financial obligations" of the balance sheet. This loan was settled on February 1, 2013.

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Notes to the financial statements (continued)

18. Financial services revenues

Correspond mainly to commissions charged by the Fund for the administration of the assets in the trusts, mainly from the CRC-PBP trusts, for which the Fund receives from the IFI a monthly commission equivalent to 0.05 percent of the trusts' net equity at the end of each month which is charged to the CRC-PBP trusts. During 2012, decrease is due to lower equity trusts registered, basis on which fees are calculated, Note 8(c).

19. Administrative expenses

(a) This caption is made up as follows:

	2012 S/.	2011 S/.
Personnel and Board of Directors expenses (b)	18,073,292	15,269,430
Services received from third parties (c)	14,290,879	14,319,189
Taxes and contributions	345,350	533,784
	<u> </u>	<u> </u>
Total	32,709,521	30,122,403
	<u> </u>	<u> </u>

(b) The composition of the "Personnel and Board of Directors expenses" caption is presented below:

	2012 S/.	2011 S/.
Salaries	7,055,157	6,698,699
Employees' profit sharing	7,398,401	5,240,187
Gratuities	1,162,028	1,095,497
Severance indemnities	676,379	638,317
Payroll taxes	659,191	606,435
Vacation	583,110	568,152
Training	176,624	164,526
Other	362,402	257,617
	<u> </u>	<u> </u>
	<u>18,073,292</u>	<u>15,269,430</u>

The average number of employees for the years 2012 and 2011 was 97 and 89, respectively. According to legal regulation in force, the Fund distributes 5 percent of taxable income as employees' profit sharing.

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Notes to the financial statements (continued)

(c) The composition of the "Services received from third parties" caption is presented below:

	2012 S/.	2011 S/.
Consulting services	5,338,369	5,892,446
Advertisement	1,799,193	2,714,937
Renting of goods and property	1,403,784	1,165,423
TIC project expenses, Note 10(c)	1,164,832	-
Repair and maintenance	803,642	640,673
Guarding and protection	550,935	580,338
Communications	364,847	510,524
Mobility	290,106	279,238
Insurance	277,190	308,123
Travel expenses	213,996	198,033
Public services	161,145	164,036
Courier services	188,529	179,185
Office supplies	158,981	267,065
Cleaning services	128,758	125,299
Telemarketing services	83,951	151,734
Other expenses	<u>1,362,621</u>	<u>1,142,135</u>
Total	<u>14,290,879</u>	<u>14,319,189</u>

20. Other provisions

Corresponds to the allowance for assets received as payment and seized through legal actions according to regulations issued by the SBS and provisions for litigation and claims.

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Notes to the financial statements (continued)

21. Other income and expenses

This caption is made up as follows:

	2012 S/.	2011 S/.
Other income		
Recoveries of allowances for banks in liquidation, Note 8(b)	10,336,501	-
Reversal of provisions for COFIDE accounts receivable, Note 7(f)	7,586,641	6,684,803
Deferred income tax	-	1,479,845
Other minor income	442,311	2,317,988
	<u>18,365,453</u>	<u>10,482,636</u>
Other expenses		
Other minor expenses	(380,111)	(321,808)
	<u>(380,111)</u>	<u>(321,808)</u>
Total other income and expenses	<u>17,985,342</u>	<u>10,160,828</u>

22. Risk assessment

The Fund's activities are mainly related to the placement of its resources to generate mortgage loans to natural persons through domestic intermediary financial institutions, which evaluates and assigns long-term credit lines. It also participates in promotion of the construction and acquisition of homes, and manages funds received from the state (such as Household Housing Bonus) as well as its own funds, investing primarily in fixed income investments, in order to monetize and preserve its value in time, thus ensuring sufficient liquidity to meet its obligations and credit activities.

In this sense, the Fund is exposed to various risks such as, credit risk, liquidity risk interest rate risk, foreign exchange risk, investment risk, operational risk, among others. The Fund has established a Risk Office to manage these risks through a process of identifying, measuring and continuously monitoring, subject to risk limits and other controls established by the Board. This risk management process is critical to the continued profitability of the Fund and each person within the Fund is responsible for the risk exposures relating to their duties.

Market risk -

The Fund is exposed to market risk, which is the risk that the fair value or the cash flows of a financial instrument fluctuate adversely due to changes in market prices. Market risk arises from the balance sheet positions assigned to interest rates and currency risk. The latter risk remains even when the Fund does not grant loans in US Dollars, because it still has a remaining balance of loans granted in that currency under the MIVIVIENDA Tradicional product.

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Notes to the financial statements (continued)

The Fund applies the "Value at Risk - VAR" methodology to calculate the maximum expected loss that might occur on the positions subject to interest rate risk and foreign exchange risk. Fund's Board sets the value at risk limits that are acceptable, which are monitored daily by the Risk Office

The Fund establishes policies and procedures to control market risk and liquidity risk, as well as setting limits on certain credit operations, investment and hedging with derivatives to improve their process of balance return / risk.

Liquidity risk -

The Fund is exposed to liquidity risk, arising from the opportunity to have resources available for placement credit, payment of payroll, taxes, suppliers and settlements of derivative hedges, and due to bank services obligations or other liabilities, although these risk are minimal, the Fund does not maintain cash resources to meet all of these needs, as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Fund sets limits on the minimum amount of funds available to cover the payment of obligations with which there must be to cover liquidity requirements levels, and daily monitors the liquidity requirements based on these limits and cash flow prepared by the Treasury area.

The procedure of matching and controlling mismatches of the maturities and interest rates of assets and liabilities is essential to the Fund's management. It is unusual for financial institutions to be fully matched, as transacted business is often based on uncertain terms and several types of transactions performed. An open position in the terms could potentially increase profitability, but it also increases the risk of losses.

The liquidity ratio of the Fund is an operating indicator because the average loans that are intermediated to the domestic financial institutions through COFIDE are considered as obligations. As of December 31, 2012 and 2011, the Fund has no financial liabilities or obligations, however, has implemented the control of its liquidity ratio under the considerations of the ability to meet the demands of granting loans, in addition to payments of payroll, suppliers, tax and settlements of hedging derivatives.

The notes to the financial statements include an analysis of relevant assets of the Fund grouped according to their contractual maturity.

Cash flow risk and fair value of interest rate changes -

The cash flow interest rate risk is the risk that the cash flows of a financial instrument fluctuate due to changes in market interest rates. The risk of fair value interest rates is the risk that the value of a financial instrument may fluctuate due to changes in market interest rates.

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Notes to the financial statements (continued)

The control and monitoring of interest rates risks of the investment portfolio in fixed income is performed by calculating the value at risk (VAR) and ensuring that the VAR does not exceed the internal limit established as a percentage of the Fund's regulatory capital. Additionally, the Risk Office controls that the indicators of "Stop Loss" and "Take Profit" of the debt instruments are settled. These instruments are valued daily and reported to the appropriate areas of the Fund.

The Risk Office measures the sensitivity of the Fund's balance to interest rate risk through the regulatory appendices required monthly by the SBS, such as the calculation of gaps and sensitivity analysis of gaps to changes in interest rates. The distribution of balance accounts aimed to prepare the appendixes is made under assumptions of distribution according to maturities. These assumptions are contained in an internal methodology approved by the Risk Committee. In addition, the Fund has internal limits on risk equity that seeks limit the risk of interest rate balance.

The Fund keeps positions that are affected by the effects of fluctuations in the levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in case of unexpected fluctuations. Management sets limits on the level of mismatch to changes in interest rates that can be assumed, which are monitored daily by the Risk Office. It should be noted that the Fund only since early 2012 has operations or financial liabilities (Banco de la Nación).

Resources to fund lending operations correspond mainly to own resources. It should be noted that the Fund managed resources of MVCS intended for subsidy to families that apply to "Techo Propio" program. Accounts receivable and accounts payable are subject to risks from fluctuations in interest rates. The characteristics of maturity and interest rates of the main relevant contractual financial instruments are indicated in the respective notes to the financial statements.

Exchange rate risk -

The Fund is exposed to the effects of fluctuations in foreign currency exchange prevailing on its financial position and cash flows. The Fund sets limits on levels of exposure by currency and total daily operations which are monitored daily by the Risk Office.

Active operations of existing products and liabilities (the latter according to the market situation and availability), are preferably made in local currency. Foreign currency transactions (liability transactions) are made at rates of supply and demand. The Fund's exchange risk is primarily related to MIVIVIENDA Tradicional loans denominated in US Dollars; this product was discontinued; however there are still outstanding balances according to the original amortization schedules of the loans. In order to mitigate exchange rate risk exposure, the Fund performs non-delivery forward (NDF) transactions to manage its exchange rate risk. The Risk Office values and monitores daily operations and establishes situations of Stop Loss and / or Take Profit in coordination with the Financial Management of the Fund.

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Notes to the financial statements (continued)

As of December 31, 2012 and 2011, the Fund's assets and liabilities in foreign currency are presented in Note 4.

Operational risk -

It is caused by aspects related to human resources, processes and procedures, information technology and external aspects.

The operational risk is managed by each of the managers and/or offices of the Fund in coordination with the Risk Office, which establishes the operational risk methodologies to be applied and determines a qualitative and quantitative risks and controls. Also, they regularly report to the Board the main risks and their corresponding mitigation. The Fund has designed and operates a database of operational risk losses for the orderly records and analysis of the entity's risk causing events.

Finally, the Fund manages the System of Information Security Management, for which has policies and security plan information continuously updated; also, it has a Management Business Continuity System, and performs annual testing of Business Continuity Plan, such that we can guarantee the operation of our alternate data center, and that the institution does not disrupt (beyond a reasonable time) their activities as a result of some sinister.

Credit risk -

The Fund intermediates its resources for mortgage lending through COFIDE, placing credit lines to intermediary financial institutions who originate mortgage loans, which are evaluated by the Risk Office and approved by a Risk Committee.

The individual exposure and risk for each intermediary financial institution, including loans placements and investments, is established by sub-limits per product, so that credit risk exposures are monitored and reviewed regularly.

Credit lines granted by the Fund are managed through established and developed criteria assessments, focusing on liquidity, solvency, asset quality and affordability of financial institutions, among others.

Also, Risk Office realize a permanently follow up of indicators and economic and financial situation of financial institutions, in order to monitor their performance and take prudential measures in case of impairment. Also, visits are made annually for review loan portfolio of the IFI, in order to ensure the adequate credit origination performed with the Fund's resources.

As of December 31, 2012 and 2011, Management has estimated that the maximum amount of credit risk that the Fund is exposed to represents the book value of financial assets that have a potential credit risk and are mainly bank deposits that earn interest, accounts receivable (Trust Agreement - COFIDE) and other monetary assets.

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Notes to the financial statements (continued)

23. Contingencies

As of December 31, 2012 and 2011, the Fund has the following contingencies:

- (a) Several labor proceedings relating to lawsuits for payment of profits and repayment of employee benefits for S/.1,885,564 (S/.1,007,060 as of December 31, 2011), recording a provision of S/. S/.213,967 as of December 31, 2012 (S/.233,576 as of December 31, 2011). The Fund also has civil actions for S/.30,647 (S/.32,499 as of December 31, 2011).
- (b) Several constitutional proceedings (writs of shelter) related to labor rights restitution to former employees of the Fund. Also, proceedings caused by discrimination in the right to participate in tender and procurement processes, and cancellation of the registration of technical institutions due to infringements committed.
- (c) Administrative proceeding commenced by the Consortium DHMONT & CG & M S.A.C. challenging an administrative decision, in which the plaintiff seeks the invalidation of the communication letter where the Fund denied the return of the letter of guarantee issued in its favor to guarantee and to comply with the requirement to file appeal in the tender (Collique Airfield project) convened by the Fund and in which the consortium participated. The amount of the claim amounts to S/.4,869,754. The judge ordered the return of US\$250,000, approximately S/.604,434.

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

24. Fair value

Fair value is defined as the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction, on an on-going basis.

When a financial instrument is traded in an active and liquid market, its quoted market price in an actual transaction provides the best evidence of its fair value. When a quoted market price is not available, or may not be indicative of the fair value of the financial instrument, other estimation techniques may be used to determine such fair value, including the current market value of another financial instrument that is substantially similar, discounted cash flow analysis or other techniques applicable thereto, all of which are significantly affected by the assumptions used. Although Management uses its best judgment in estimating the fair value of these financial instruments, there are inherent weaknesses in any estimation technique. As a result, the fair value may not be indicative of the net realizable or settlement value of said instruments.

A significant portion of the assets and liabilities of the Fund are short-term financial instruments, with a remaining maturity of less than one year. Therefore, these short-term financial instruments are considered to have a fair value equivalent to their book value at the balance sheet dates, except for those that are traded in an active market.

Translation of financial statements originally issued in Spanish - Note 26

Notes to the financial statements (continued)

The methodologies and assumptions used depend on the terms and risk characteristics of the various financial instruments as detailed below:

- Cash and due from banks represent cash and short-term deposits that do not represent significant credit risk; as result, their book value is equivalent to their estimated market value.
- Available-for-sale investments are recorded at their estimated market value; thus, their book and fair values are the same.
- As of December 31, 2011, held-to-maturity investments are classified as current assets, because they maturity was between January and May 2012; thus, it is estimated that their book values do not differ significantly from their respective market values.
- Accounts receivable has long-term nature and pay interest rate based on the range of products maintained by the Fund, through which grants credit lines with the IFI. In Management's opinion, the market value of the accounts receivable is similar to their book values.
- The market value of obligations whit the public is similar to their book values due, mainly, to their current maturities because this account includes mainly the income tax payable.
- The market value of due to banks and financial obligations is similar to their book value mainly, due to their current maturity because they were canceled during the first quarter of the following year.
- Other accounts payable, provisions and other liabilities do not bear interest. As a result, it is estimated that their book values do not differ significantly from their market values.
- The Fund records its transactions with derivative financial instruments at their estimated market value, and thus there is no difference with their book value.

Based on said analysis, Management considers that as of December 31, 2012 and of 2011, the estimated values of the financial instruments of the Fund do not differ significantly from their book values.

25. Subsequent events

On January 24, 2013, The Fund made a bond issuance under Rule 144 or regulation S of the securities act in the international market. The issue was for a nominal amount of US\$500,000,000, which maturity is 10 years, was placed under par at a price of 99.15 percent, at a coupon rate of 3.50 percent with semiannual interest and amortization at maturity.

Translation of financial statements originally issued in Spanish - Note 26

Notes to the financial statements (continued)

26. Additional explanation for English version

The Spanish version of the accompanying financial statements was approved by Fund's Management (see Note 1). The financial statements are presented on the basis of accounting principles generally accepted in Peru for the Fund. Certain accounting practices applied by the Fund that comply with accounting principles generally accepted in Peru for financial entities may differ in certain aspects to generally accepted accounting principles in other countries. In the event of a discrepancy, the Spanish language version prevails.

Nº 0031594



COLEGIO DE CONTADORES PÚBLICOS DE LIMA

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R.U.C. 20106620106

Nº 30149

Constancia de Habilitación

La Decana y el Director Secretario del Colegio de Contadores Públicos de Lima, que suscriben, declaran que en base a los registros de la institución, se ha verificado que **MEDINA, ZALDIVAR, PAREDES & ASOCIADOS SOC. CIV.**

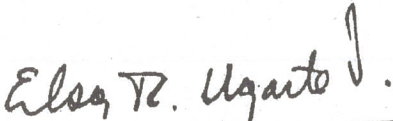
MATRICULA : S0761


FECHA DE COLEGIATURA : 05/11/2002

Se encuentra, hábil a la fecha, para el ejercicio de las funciones profesionales que le faculta la Ley Nº 13253 y su modificatoria Ley Nº 28951 y conforme al Estatuto y Reglamento Interno de este Colegio; en fe de lo cual y a solicitud de parte, se le extiende la presente constancia para los efectos y usos que estime conveniente. Esta constancia tiene vigencia hasta el 31/03/2014

Lima,

14 de Marzo de 2013


CPCC Elsa Rosario Ugarte Vásquez
Decana


CPCC Moisés Manuel Penadillo Castro
Director Secretario

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