
(Free translation from the original in Spanish)

FONDO MIVIVIENDA S.A.

FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

(Free translation from the original in Spanish)

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S/ = Peruvian sol
US\$ = United States dollar

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of **Fondo MIVIVIENDA S.A.** (hereinafter the "Fund"), which comprise the statement of financial position at December 31, 2023, the statement of income, the statement of income and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, as well as the notes to the financial statements, which include a summary of significant accounting policies.

In our opinion, the financial statements, present fairly, in all material respects, the financial position of **Fondo MIVIVIENDA S.A.** at December 31, 2023, its financial performance and cash flows for the year then ended in accordance with Peruvian Generally Accepted Accounting Principles applicable to financial entities.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) approved for its application in Peru by the Board of Deans of the Institutes of Peruvian Certified Public Accountants. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code of Ethics) and the ethical requirements, which are relevant for our audit of the financial statements in Peru. We have fulfilled our other ethical responsibilities in accordance with those requirements and the IESBA Code of Ethics.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were the most significant in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and in establishing our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters

How was the matter handled in our audit?

Provision for doubtful accounts of receivables (Trust Agreement – COFIDE), notes 2(d) and 7 to the financial statements.

The Fund maintains a Trust agreement with COFIDE, which allows it to channel its resources through loans to the Peruvian Intermediary Financial Institutions (IFI) of the Peruvian Financial System for the granting of social interest mortgage loans, to people who qualify for said products (sub-borrowers), and to encourage the participation of the IFIs, on the balance of the loans granted by the IFIs to the sub-borrowers that are unpaid, the Fund provides credit risk coverage (CRC).

At December 31, 2023 the balance of the provision for doubtful accounts of receivables (Trust Agreement – COFIDE) is S/286,439 thousand.

To determine the amount of the provision for doubtful accounts of receivables, Management considers the percentage of CRC granted to divide into segments the credit risk into two components, and adopts the criteria established by the Superintendencia de Banca, Seguros y AFP (hereinafter “SBS”) in Resolution No. 11356-2008 and its amendments, which considers percentages to be applied according to the types of credits and the credit classification categories of the debtor, taking into consideration mainly the capital balance of the debt and the associated guarantee.

First component: Provision for IFI risk

For the portion of the receivables associated with the credit risk of the IFI (portion of the receivables without CRC), the Fund establishes the credit classification of each IFI, analyzing individual qualitative and quantitative variables for each IFI, within which the payment capacity, financial performance, level of solvency, among other elements, are considered.

To address this matter, with the support of our experts, we carry out, among others, the following procedures:

- We communicated with the predecessor auditor, reviewed the audit documentation of the previous audited period on this matter, evaluating its impact on the financial statements of the current period.
- We reviewed the methodology implemented by the Fund and its adaptation to the criteria established in SBS Resolution No. 11356-2008 and its amendments and obtained an understanding of the process for segmentation and determination of the credit risk of receivables.
- We evaluate and test key process controls, including those related to the evaluation and determination of the credit rating of the IFI and the sub-borrower, the valuation of collateral, the percentage of CRC granted, and those controls implemented to ensure the accuracy of the data involved.
- We obtained the database for determining the credit classification and tested its integrity by circulating it to COFIDE and, for a random sample of cases, we tested the relevant, qualitative and quantitative variables used to determine the credit classification of the IFIs and sub-borrowers.
- For a random sample of cases, we reprocessed the CRC percentage, for which we evaluated and validated the parameters considered for its calculation.
- We reprocessed the calculation of the provision for doubtful accounts of receivables.

Key audit matters	How was the matter handled in our audit?
<p><u>Second component: Provision for CRC - sub-borrower risk</u></p> <p>For the portion of receivables with CRC, the credit risk is associated with the sub-borrower, which is established based on the days of overdue credits, also taking into consideration their credit classification in the financial system.</p> <p>Considering the abovementioned, this accounting estimate was a key audit matter.</p>	<ul style="list-style-type: none"> We analyze whether the information detailed in the notes to the financial statements is adequate in accordance with the criteria established in the SBS Accounting Manual
<p>Other matter</p> <p>The financial statements of Fondo MIVIVIENDA S.A. as at and for the year ended December 31, 2022, were audited by other independent auditors whose report, dated March 3, 2023, expressed an unqualified opinion.</p> <p>Other information</p> <p>Management is responsible for the other information. The other information includes the annual memory of the Fund, which is not part of the financial statements or our audit opinion, which we expect to have available after the date of this audit report.</p> <p>Our opinion on the financial statements does not cover the other information and we will not express any type of security or conclusion about that information.</p> <p>Regarding our audit of the financial statements, our responsibility is to read the other information indicated above when available to us, and consider whether there is a material inconsistency between the other information and the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.</p> <p>When we read and consider the annual report, if we conclude that it contains a material error, we are required to communicate the matter to those responsible for the Fund's Corporate Governance.</p>	

Responsibilities of Management and those charged with Corporate Governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Peruvian Generally Accepted Accounting Principles applicable to financial entities, and for such internal control as Management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, the matters related to the going concern and using the going concern basis of accounting, unless management either intends to liquidate the Fund or cease operations, or has no realistic alternative but to do so.

Those charged with Corporate Governance of the Fund are responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs approved for its application in Peru, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs approved for its application in Peru, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; and design and perform audit procedures responsive to those risks and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Fund continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with Corporate Governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with Fund's Corporate Governance a statement that we have complied with applicable ethical requirements regarding independence, and we have communicated to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the measures taken to eliminate the threats or safeguards applied.

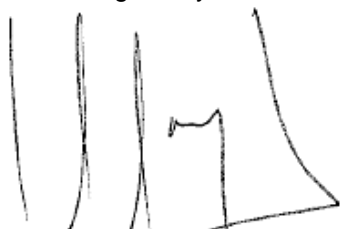
From the matters communicated with those charged with Fund's Corporate Governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Lima, Perú

February 29, 2024



Countersigned by,



-----(partner)

Fernando Gaveglia
Peruvian Public Accountant
Registration No.19847

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FONDO MIVIVIENDA S.A.

**STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2023 AND 2022**

	<u>Note</u>	<u>2023</u> <u>S/(000)</u>	<u>2022</u> <u>S/(000)</u>		<u>Note</u>	<u>2023</u> <u>S/(000)</u>	<u>2022</u> <u>S/(000)</u>
Assets				Liabilities			
Cash	5	3,069,470	1,673,096	Obligations to the public		234	202
Investments	6	52,919	263,489	Debts and borrowings	13	4,286,128	2,052,946
Accounts Receivables (Trust Agreement - COFIDE), net	7	10,819,526	9,792,936	Outstanding securities and certificates	14	4,597,002	5,325,406
Loan portfolio, net	8	21,271	26,587	Hedging derivatives	10	354,493	158,629
Other accounts receivables, net	9	24,032	25,744	Accounts Payables	15	1,365,276	910,476
Hedging derivatives	10	59,474	128,226	Provisions and other liabilities	15	53,448	56,419
Property, furniture and equipment, net	11	1,370	680	Total liabilities		<u>10,656,581</u>	<u>8,504,078</u>
Deferred income tax asset	24	61,191	32,644	Equity	16		
Other assets, net	12	47,652	38,711	Share capital		3,479,607	3,423,505
				Reserves		40,867	34,633
				Unrealized gains or losses		(112,319)	(42,439)
				Retained earnings		92,169	62,336
				Total equity		<u>3,500,324</u>	<u>3,478,035</u>
Total assets		<u>14,156,905</u>	<u>11,982,113</u>	Total liabilities and equity		<u>14,156,905</u>	<u>11,982,113</u>
Contingent risks and commitments		<u>10,005</u>	<u>12,774</u>	Contingent risks and commitments		<u>10,005</u>	<u>12,774</u>

The accompanying notes on pages 11 to 81 form an integral part of these financial statements.

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FONDO MIVIVIENDA S.A.

**STATEMENT OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	Note	2023 S/(000)	2022 S/(000)
Interest income	18	831,304	646,511
Interest expenses	18	(455,819)	(382,469)
Gross financial margin		375,485	264,042
Provision for doubtful accounts of receivables (Trust agreement - COFIDE), net of recoveries	7	(65,455)	(9,761)
Provision for direct loans, net of recoveries	8	3,312	2,000
Net financial margin		313,342	256,281
Revenue from financial services	19	6,236	4,374
Expenses from financial services	19	(2,258)	(2,396)
Net financial margin of revenue and expenses from financial services		317,320	258,259
Profit or loss from financial operations	20	(128,646)	(114,329)
Operating margin		188,674	143,930
Administrative expenses	21	(57,477)	(54,073)
Depreciation of property, furniture and equipment	11	(147)	(147)
Amortization of intangible assets		(1,847)	(1,731)
Net operating margin		129,203	87,979
Valuation of assets and provisions			
Provision for doubtful accounts of other receivables	9	548	(665)
Reversal of provision for credit risk coverage - sold portfolio, net		188	481
Provision for litigation and lawsuits		(780)	(936)
Other provisions		(303)	(46)
Operating profit		128,856	86,813
Other income and expenses, net	22	1,904	1,635
Profit before income tax		130,760	88,448
Income tax	24	(38,591)	(26,112)
Net profit		92,169	62,336

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FONDO MIVIVIENDA S.A.

**STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>Note</u>	<u>2023</u> <u>S/(000)</u>	<u>2022</u> <u>S/(000)</u>
Net profit		92,169	62,336
Other comprehensive income (loss)			
Net gain on available-for-sale investments	16. C	845	636
Net (loss) on cash flow hedges	16. C	(100,708)	(80,105)
Net gain on available-for-sale investments in CRC and PBP Trusts	16. C	115	20
Income tax related to the components of other comprehensive income	16. C	<u>29,868</u>	<u>23,636</u>
Other comprehensive (loss) for the year, net of taxes		<u>(69,880)</u>	<u>(55,813)</u>
Total other comprehensive income		<u><u>22,289</u></u>	<u><u>6,523</u></u>

The accompanying notes on pages 11 to 81 form an integral part of these financial statements.

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FONDO MIVIVIENDA S.A.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	Number of shares S/(000)	Share capital (note 16. A) S/(000)	Reserves (note 16. B) S/(000)	Unrealized results (note 16. C) S/(000)	Retained earnings S/(000)	Total equity S/(000)
Balances at January 1, 2022	3,385,762	3,385,762	30,440	13,374	41,937	3,471,513
Net profit	-	-	-	-	62,336	62,336
Other comprehensive income						
Unrealized gain on available-for-sale investments	-	-	-	636	-	636
Unrealized loss on cash flow hedges	-	-	-	(80,105)	-	(80,105)
Unrealized gain on available-for-sale investments in CRC and PBP Trusts	-	-	-	20	-	20
Income tax related to the components of other comprehensive income	-	-	-	23,636	-	23,636
Total other comprehensive income for the year	-	-	-	(55,813)	62,336	6,523
Changes in equity (not included in other comprehensive income)						
Transfer to reserves	-	-	4,193	-	(4,193)	-
Capitalization of retained earnings	37,743	37,743	-	-	(37,743)	-
Others	-	-	-	-	(1)	(1)
Balances at December 31, 2022	<u>3,423,505</u>	<u>3,423,505</u>	<u>34,633</u>	<u>(42,439)</u>	<u>62,336</u>	<u>3,478,035</u>
Net profit	-	-	-	-	92,169	92,169
Other comprehensive income						
Unrealized gain on available-for-sale investments	-	-	-	845	-	845
Unrealized loss on cash flow hedges	-	-	-	(100,708)	-	(100,708)
Unrealized gain on available-for-sale investments in CRC and PBP Trusts	-	-	-	115	-	115
Income tax related to the components of other comprehensive income	-	-	-	29,868	-	29,868
Total other comprehensive income for the year	-	-	-	(69,880)	92,169	22,289
Changes in equity (not included in other comprehensive income)						
Transfer to reserves	-	-	6,234	-	(6,234)	-
Capitalization of retained earnings	56,102	56,102	-	-	(56,102)	-
Balances at December 31, 2023	<u>3,479,607</u>	<u>3,479,607</u>	<u>40,867</u>	<u>(112,319)</u>	<u>92,169</u>	<u>3,500,324</u>

The accompanying notes on pages 11 to 81 form an integral part of these financial statements.

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FONDO MIVIVIENDA S.A.

**STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	Note	2023 S/(000)	2022 S/(000)
Reconciliation of net income with cash and cash equivalents from operating activities			
Net profit		92,169	62,336
Adjustments			
Leveling by exchange rate and derivative interests		164,042	744,813
Unpaid accrued interest on debts and borrowings		131,110	109,106
Depreciation and amortization		1,994	1,878
Provision for doubtful accounts of receivables (Trust Agreement - COFIDE), net of recoveries	7	64,714	9,761
Provision for direct loans, net of recoveries	8	(3,312)	(2,000)
Provision for doubtful accounts of other receivables, net of recoveries	9(g)	80	665
Income tax	23(c)	38,591	26,112
Provisions for litigation and lawsuits, and others		51,699	39,124
Other adjustments		(3,381)	52,305
Variation in assets and liabilities			
Net (increase) decrease in assets			
Fixed term deposits		87,722	(87,722)
Receivables (Trust Agreement - COFIDE)		(1,088,806)	(1,175,927)
Loan portfolio		9,452	10,052
Other receivables		1,863	(122,153)
Other assets		(46,625)	(11,613)
Net increase (decrease) in liabilities			
Obligations to the public		(1,316)	(1,314)
Non-subordinated financial liabilities		1,287,160	854,691
Other payables		414,927	(150,451)
Provisions and other liabilities		1,693	13,827
Profit or loss for the year after the variation in assets and liabilities, and adjustments		1,203,776	373,490
Income tax paid		-	-
Net cash flow provided (used in) operating activities		1,203,776	373,490
Cash flows from investing activities			
Purchase of property, furniture and equipment	11	(882)	(160)
Purchase of intangible assets		(3,386)	(1,460)
Net cash flow used in investing activities		(4,268)	(1,620)
Net decrease in cash and cash equivalents before the effect of exchange rate variations		1,199,508	371,870
Effect of exchange rate variations on cash and cash equivalents held		6,047	(6,138)
Net increase (decrease) in cash and cash equivalents		1,205,555	365,732
Cash and cash equivalents at the beginning of the year	5	1,547,486	1,181,754
Cash and cash equivalents at the end of the year	5	2,753,041	1,547,486

The accompanying notes on pages 11 to 81 form an integral part of these financial statements.

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FONDO MIVIVIENDA S.A.

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

1 BACKGROUND AND ECONOMIC ACTIVITY

a) Background -

Fondo MIVIVIENDA S.A. (hereinafter “the Fund”) is a government-owned company that is governed by Law No.28579 “Law on the Conversion of the Mortgage Fund of Housing - Fondo MIVIVIENDA to Fondo MIVIVIENDA S.A.” and its bylaws. The Fund is included in the scope of the Peruvian Fund for Financing State Business Activity (“Fondo Nacional de Financiamiento de la Actividad Empresarial del Estado” - FONAFE) and attached to the Ministry of Housing, Construction and Sanitation (MVCS). Law No.28579 provided for the conversion of the previous Mortgage Fund for Housing Promotion - Fondo MIVIVIENDA into a public limited company called Fondo MIVIVIENDA S.A. at January 1, 2006.

The Fund’s legal address is Calle Amador Merino Reyna N° 285 , San Isidro, Lima, Peru.

b) Economic activity -

The Fund is engaged in the promotion and financing of the acquisition, improvement and construction of housing, especially of social interest. Likewise, it is engaged in activities related to promoting the cash flow of capital to the housing financing market, participates in the secondary mortgage loan market, and contributes to the development of the capital market.

The Fund's activities are regulated by the SBS through SBS Resolution No.980-2006, Regulations for Fondo MIVIVIENDA S.A.

The Fund manages the following programs and resources:

- i) MIVIVIENDA program.
- ii) Techo Propio Program - Administration of the Family Housing Bonus (“Bono Familiar Habitacional” - BFH) on behalf of the MVCS.
- iii) Resources from the Law Fund No.27677, commissioned by the Ministry of Economy and Finance (MEF).

The characteristics of each program and resource are detailed below:

i) Fondo MIVIVIENDA program -

The Trust Agreement with Corporación Financiera de Desarrollo S.A. (COFIDE) allows the Fund to channel resources through the financial institutions of the Peruvian Financial System (IFI) for the granting of mortgage loans. These mortgage loans have certain benefits granted to those who access them (the final borrowers), or to those who place them (the IFIs), such as: the Good Payer Award (“Premio al Buen Pagador” - PBP), the Good Payer Bonus (“Bono al Buen Pagador” -BBP), the Sustainable MIVIVIENDA Bonus (“Bono MIVIVIENDA Sostenible” - BMS), the Good Payer Award as a complement to the initial fee (PBP-CI), the Integration Bonus (“Bono de Integración” - BI) and the Credit Risk Coverage (CRC). This is what is known as the Fondo MIVIVIENDA Program.

Fondo MIVIVIENDA has the following products:

- Nuevo Crédito MIVIVIENDA
- Crédito Complementario Techo Propio
- Crédito MICONSTRUCCIÓN was stopped since December 2017 (*)
- Crédito MICASA MÁS was stopped since December 2017 (*)
- Crédito MITERRENO (**)
- Crédito MIHOGAR was stopped since August 2009 (*)
- Crédito MIVIVIENDA Estandarizado was stopped since November 2009 (*)
- Crédito MIVIVIENDA Tradicional was stopped since May 2006 (*)

(*) At December 31, 2023 and 2022 these products have stopped being granted and remain balances receivable (note 7).

(**) Current product whose last disbursement was made in April 2018

Likewise, the Fund offers the following services directly and through two trusts:

- Credit Risk Coverage Service
- CRC and PBP Trust in Peruvian soles
- CRC and PBP Trust in U.S. dollars

Credit Risk Coverage Service

Aimed at Peruvian intermediary financial institutions (IFI) so that they can grant MIVIVIENDA loans with their own resources for housing from S/ 65,200 to S/ 464,200, where Fondo MIVIVIENDA (FMV) will grant the CRC as support for these loans, provided that they have a mortgage guarantee established. It will be applied in three modalities: CRC-BFH, CRC without subsidy and CRC-BBP. The CRC changes with respect to the value of the home and the degree of sustainability, where the FMV will assume up to a maximum of 80% of the unpaid balance of the MIVIVIENDA loan or a maximum of 80% of the loss, whichever is lower.

CRC and PBP trust in Peruvian soles and U.S. dollars

In order to ensure the service of PBP and CRC payments, as well as the resources to attend to the amount equivalent to one third (1/3) of the total placed by each IFI that contracts this service between the years 2006 and 2009, the Fund established the CRC - PBP Trusts, both in Peruvian soles and in U.S. dollars. These trusts are regulated by SBS Resolution No.980-2006 that approves the Regulations for the Fund.

Under contracts with the CRC and PBP Trusts, the Fund provides the following services to the IFIs:

- CRC service defined in article 21 of the CRC and PBP Regulations, as a guarantee that the Fund grants in favor of the IFI for up to one third (1/3) of the unpaid balance of the covered loan or one third (1/3) of the loss, whichever is lower. This amount must be communicated by the IFI to the Fund, under the terms and conditions provided for in the aforementioned Regulations.
- Good Payer Award Service ("Premio al Buen Pagador" - PBP), defined in article 24 of the CRC and PBP Regulations as the service provided to the IFIs, for which the Fund assumes the payment of the installments corresponding to the concessional section (PBP amount) of charge of the beneficiaries of the covered loans that have complied with punctually paying the installments corresponding to the non-concessional section. This award serves to pay semiannually the amount of the installment to be paid in said period corresponding to the concessional section of the MIVIVIENDA loan. The Initial Installment of the Good Payer award expired in 2023, with the disbursement made in October of that year.

In addition to the existing attributes (Good Payer Award and Credit Risk Coverage), the Fund has created a new attribute for the MIVIVIENDA product called Integration Bonus (IB).

Integration Bonus ("Bono de Integración" - BI)

The IB is a direct non-refundable financial aid, which is granted to the beneficiary who is classified in any population group in a situation of social vulnerability:

- Senior citizen
- People with disabilities
- Displaced people
- Returned migrants

This Bonus of 0.74074 UIT will be added to the minimum initial payment of 7.5% of the value of the home contributed by the Sub-borrower and the BBP, being a complement for homes whose value is between S/65,200 and S/343,900.

ii) "Techo Propio" program - BFH Administration -

"Techo Propio" Program is aimed exclusively at low-income families so that they can buy, build or improve their home, which will have the basic services of electricity, water and drainage.

The main benefit of the "Techo Propio" Program is the Family Housing Bonus ("Bono Familiar Habitacional" - BFH), which is a direct subsidy granted by the government to a family as a one-time reward for their savings effort and is not returned (note 15 (a)).

Eligibility requirements to access the BFH:

- Form a Family Group (FG): It must be formed by a Head of Family, who will declare one or more dependents.
- Not having received housing support from the Peruvian Government.
- Not having received housing support from the Peruvian Government.
- The net monthly family income must not exceed S/3,715 (applicable to the Family Group).
- Not having housing, own land or independent air for housing nationwide.

"Techo Propio" Supplementary Financing:

"Techo Propio" Supplementary Financing is a mortgage loan channeled through the IFIs with resources from the Fund, which complements the BFH and the savings of the final borrower if he or she meets the requirements of the "Techo Propio" Program.

The terms and conditions of the "Techo Propio" Supplementary Financing are as follows:

- The maximum amount of a loan from an IFI to a final borrower, financed with Fund resources, will not exceed 80% of the "home value", including closing costs.
- Loans granted to final borrowers who purchase future goods may be granted a grace period of up to 12 months.
- The loan must be evaluated in accordance with the policies established by each IFI. However, for the evaluation of loans with informal income and without credit history under the programmed savings mode, the savings period will not be less than six (06) months.

Pursuant to the Third Transitional Provision of Law No.28579, the Fund received from the Executive Branch the task of managing the resources of the BFH and the "Techo Propio" Program.

On April 28, 2006, the Fund, the MVCS and FONAFE signed the “Agreement for the administration of the resources of the BFH and the Techo Propio Program”, by virtue of which the Fund is responsible for the administration of the resources of the BFH and the “Techo Propio” Program, which includes promotion activities, registration and verification of information, qualification of applicants, assignment and transfer of the BFH to the promoter, seller, builder or respective technical entity.

iii) Law Fund No.27677 -

Pursuant to Law No.27677 dated March 1, 2002, the Fund is in charge of the administration, recovery and channeling of the resources resulting from the liquidation of the “Fondo Nacional de Vivienda” (“FONAVI”, for its acronym in Spanish).

On the other hand, Law No.29625, in force since December 8, 2010, decreed the return of workers' contributions made to FONAVI. Article 4 of this Law contemplates the formation of an Ad Hoc. Commission, responsible for conducting and supervising all procedures related to the return of contributions to FONAVI. Under these standards, the Fund would deliver to the Ad Hoc Commission all the relevant documentation and reports so that it can be responsible for the administration and recovery of FONAVI's debts, funds and assets, as well as liabilities.

On the other hand, pursuant to Supreme Decree No. 280-2023-EF, published in the official gazette “El Peruano” on December 14, 2023, article 8 states that the administration and guidelines to follow for the administration of the Law Fund resources will be in charge of the Ad Hoc Commission.

In this sense, pursuant to Official Letter No.012-2024-PCM/PE-ST.01, the Ad Hoc commission requests the Fund to arrange the pertinent actions in order to implement the processes related to the administration of the Law Fund No.27677.

c) Approval of financial statements -

The financial statements at December 31, 2023 have been approved by board agreement N° 04-02D-2024 of the Fund's board of directors on January 29, 2024, and will be presented for approval by the General Shareholders' Meeting within the deadlines established by Law.

The audited financial statements at December 31, 2022 were approved by the General Shareholders' Meeting on March 31, 2023.

2 TRUST AGREEMENT WITH CORPORACION FINANCIERA DE DESARROLLO - COFIDE

On March 25, 1999, the Trust Agreement was signed between Fondo MIVIVIENDA S.A. (then the “Fondo Hipotecario de Promoción de la Vivienda” - MIVIVIENDA) and COFIDE. The objective of the Agreement is to create a legal trust relationship, through which COFIDE receives resources from the Fund and acts as their executing agency, channeling them to the final borrowers through the IFIs, for the acquisition, expansion or improvement of homes and residences, in accordance with the provisions of article 12 of Supreme Decree No.001-99-MTC Regulations of the Fund.

COFIDE's main obligations are the following:

- Compliance with articles 241 to 274 of the General Law of the Financial System and the Insurance System and Organic Law of the SBS - Law No. 26702 (hereinafter “General Law”) and its amendments;
- Verify compliance with requirements and conditions by the IFIs, in accordance with the provisions of Supreme Decree No.001-99- MTC;
- Celebrate with the IFIs, which have met the requirements and conditions to mediate, the Resource Channeling Agreement;
- Supervise the use of resources in accordance with the provisions of the Fund Regulations and the Resource Channeling Agreement;

- Perform the collection of loans granted to the IFIs;
- Hire the necessary audits charged to the Fund;
- Submit periodically reports related to the development of the Trust, as well as recommendations on the exposure limits of the IFIs.
- Establish operational procedures necessary for the proper administration of funds; and
- Other obligations that are necessary to ensure the normal development of the Trust's activities.

On May 18, 2012, Addendum No. 1 to the Trust Agreement was signed, by which the obligation on the part of COFIDE to issue recommendations on the exposure limits of the IFIs with the Fund was annulled, since the Fondo is a public limited company supervised by the SBS.

Pursuant to SBS Resolution No.3586-2013, it is established that the Fund is not subject to the limits established by article 204 of the General Law, because it acts as a second-tier bank. However, the Fund has established internal limits to prevent the concentration of loans in IFIs, considering factors of regulatory capital size, their risk classification and the relationship to risk-weighted regulatory capital.

The main obligations of the Fund are the following:

- Establish policies for the management, administration and destination of the Fund's resources;
- Approve the eligibility criteria of the IFIs that will receive resources from the Fund for use in financing the acquisition of housing, as well as the debt limits of each of them; and
- Establish the terms and conditions under which the Fund's resources will be available to the IFIs, and the method of placement of these resources.

COFIDE's powers are the following:

- Channel and supervise the resources of the Fund to celebrate and subscribe all public and private acts and documents necessary for this purpose;
- Require IFIs the provision of guarantees to final borrowers;
- Exercise all the powers contained in articles 74 and 75 of the Code of Civil Procedure that are necessary for the execution of the entrusted order. Consequently, COFIDE may sue, counterclaim, answer demands and counterclaims, withdraw from the process or claim, acquiesce to the claim, conciliate, compromise and submit to arbitration the claims disputed in the process; and
- It is stated that COFIDE is not responsible for the solvency of the IFIs.

On December 30, 2016, Addendum No.2 to the Trust Agreement was signed in order to modify the commissions paid to COFIDE for the services provided to the Fund, as well as the validity of the Trust Agreement, as detailed below:

The two commissions for the services provided by COFIDE, in force since January 2, 2017, are the following:

- A monthly trust fee charged to the Fund, which amounts to S/10 thousand plus the value added tax (IGV in Pweu). This commission will be charged on the last business day of each month from the Fund's resources; and
- A collection commission equivalent to 0.23%, annual effective rate upon rebuttal, on the balances pending collection of receivables generated at January 2, 2017 and covered by the IFIs. This commission will be charged on the date of collection of the installments of the loans granted to the IFIs.

The duration of the Trust will be 3 years starting on January 2, 2017, and will be automatically renewed if within 30 days prior to its expiration neither party expresses its willingness to terminate the contract. At the date of the report, the Trust Agreement is in force.

3 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

a) Compliance statement -

The financial statements have been prepared in accordance with the Peruvian Generally Accepted Accounting Principles applicable to financial entities, which substantially include the SBS standards and, when there are no specific SBS standards, the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) which are made official in Peru through the Resolutions issued by the Consejo Normativo de Contabilidad (hereinafter "CNC") and effective at December 31, 2023 and 2022.

b) Basis of measurement -

The financial statements have been prepared in accordance with the historical cost principle, except for the following items, which have been measured at fair value:

- Derivative financial instruments.
- Financial assets available for sale.

c) Functional and presentation currency -

The financial statements are presented in Peruvian soles (S/ or PEN), which is the functional and presentation currency of the Fund. Information presented in Peruvian soles has been rounded to the nearest thousands of Peruvian soles, except when otherwise indicated.

d) Use of judgments and estimates -

In preparing these financial statements, Management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Relevant estimates and assumptions are reviewed on an ongoing basis. Adjustments resulting from the review of accounting estimates are recognized prospectively.

The most important judgments and estimates in the preparation of the Fund's financial statements are the following:

- Determination of the fair value of the investments (note 4.F);
- Provision for doubtful accounts of receivables (Trust Agreement - COFIDE) (note 4.C);
- Provision for doubtful accounts of the direct loan portfolio (note 4.D);
- Provision for income tax (note 4.K);
- Determination of the fair value of derivative financial instruments (note 4.E); and

New accounting pronouncements -

i) Current accounting pronouncements -

On June 23, 2023, pursuant to Resolution No. 002-2023-EF/30, the Consejo Normativo de Contabilidad (hereinafter "CNC") approved the complete set of the International Financial Reporting Standards version 2023, which includes the Conceptual Framework for Financial Information.

These amendments had no impact on the Fund's financial statements.

ii) Accounting pronouncements issued and not yet effective -

The following amendments to IFRS are applicable to annual periods beginning on or after January 1, 2024, and have not been applied in the preparation of these financial statements. Those standards that could be relevant for the Finance Company are detailed below:

- Amendments to IAS 1, Presentation of financial statements - Classification of Liabilities as Current or Non-current.
- Amendment to IFRS 16, Leases - Lease Liability in a Sales and Leaseback.
- Amendments to IAS 7, Statement of Cash Flows and IFRS 7, Financial Instruments: Disclosures - Supplier Finance Arrangements.
- Amendments to IFRS 21 - The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability.

As indicated in note 3.a, the standards and interpretations detailed in (i) and (ii) will only be applicable to the Fund in a supplementary way to the SBS standards when situations that are not foreseen in the Accounting Manual for Companies of the Financial System arise. The Fund's Management has not determined the effect of these standards on the preparation of its financial statements because they have not been adopted by the SBS.

iii) Main pronouncements issued by the SBS in 2023 -

In 2023, the SBS has published the following standards:

- SBS Resolutions No.0066-2023 dated January 13, 2023 and No.468-2023 dated February 14, 2023 Modification of Report No.13 "Control of Global and Individual Limits applicable to Companies in the Financial System"
- SBS Resolutions No.467-2023 dated February 13, 2023; No.01214-2023 dated April 05, 2023; No.01828-2023 dated May 29, 2023 and No.01829-2023 dated May 29, 2023 Modifications to Chapters II, III, IV and V of the Accounting Manual for Companies of the Financial System.

In 2022, the SBS has published, among others, the following pronouncements:

- Multiple Official Letter No.21952-2022-SBS dated May 30, 2022 Sending channel and deadline for submitting Dispute Reports.
- Multiple Official Letter No.25858-2021-SBS dated June 23, 2022 Accuracies on the measures established by Emergency Decree No. 015-2022.

4 ACCOUNTING PRINCIPLES AND PRACTICES

a) Financial instruments -

Financial instruments are defined as any contract that gives rise simultaneously to a financial asset in one company and a financial liability or equity instrument in another company.

Financial instruments are recognized on the date they are caused and are classified as an asset, liability or equity instrument depending on the substance of the contractual agreement that gave rise to them. Interest, gains and losses generated by a financial instrument classified as an asset or liability, are recorded as expenses or income in the statement of income.

Payments to holders of financial instruments classified as equity are recorded directly in equity.

The Fund classifies its financial instruments into one of the categories defined by IAS 39, and established in SBS Resolution No.7033-2012: (i) financial assets and liabilities at fair value through profit or loss, (ii) loans and receivables, (iii) available-for-sale investments, (iv) investments held to maturity, and (v) other financial liabilities. The Fund determines the classification of financial instruments at initial recognition and based on an instrument-by-instrument basis.

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were purchased and their characteristics. All financial instruments are initially recognized at its fair value plus incremental costs related to the transaction that are directly attributable to the acquisition or issuance of the instrument, except in the case of financial assets or liabilities carried at fair value through profit or loss.

Subsequently, financial instruments are measured at fair value or amortized cost, according to their classification. See notes 4.e and 4.f for a description of the accounting policy applicable for the subsequent measurement of the financial instruments held by the Fund.

Purchases or sales of financial assets that require delivery of assets within an established time frame, in accordance with regulations or market conventions are recognized on the negotiation date.

Financial instruments are offset and the net amount is presented in the statement of financial position when the Fund has the legal right to compensate them, and Management intends to settle them on a net basis, or to realize the asset and settle the liability simultaneously.

The financial assets and liabilities presented in the statement of financial position correspond to cash, investments, receivables (Trust Agreement - COFIDE), the direct credit portfolio and other assets and liabilities in general, except when otherwise indicated in the corresponding note related to the asset or liability. Likewise, all derivative financial instruments are considered financial instruments.

At December 31, the classification by category of the Fund's financial assets and liabilities is as follows:

	Financial assets and liabilities at fair value for trading or hedging purposes	Loans and receivables	Investments available for sale	Investments to maturity	Financial liabilities at amortized cost	Total
	S/000	S/000	S/000	S/000	S/000	S/000
At December 31, 2023						
Financial assets						
Cash	-	3,069,470	-	-	-	3,069,470
Investments	-	-	-	52,919	-	52,919
Receivables (Trust Agreement - COFIDE), net	-	10,819,526	-	-	-	10,819,526
Loan portfolio, net	-	21,271	-	-	-	21,271
Other receivables, net	-	24,032	-	-	-	-
Hedging derivatives	59,474	-	-	-	-	59,474
	<u>59,474</u>	<u>13,934,299</u>	<u>-</u>	<u>52,919</u>	<u>-</u>	<u>14,046,692</u>
Financial liabilities						
Obligations to the public	-	-	-	-	234	234
Debts and borrowings	-	-	-	-	4,286,128	4,286,128
Outstanding securities and certificates	-	-	-	-	4,597,002	4,597,002
Hedging derivatives	354,493	-	-	-	-	354,493
Payables	-	-	-	-	1,365,276	1,365,276
	<u>354,493</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,248,640</u>	<u>10,603,133</u>

	Financial assets and liabilities at fair value for trading or hedging purposes	Loans and receivables	Investments available for sale	Investments to maturity	Financial liabilities at amortized cost	Total
	S/000	S/000	S/000	S/000	S/000	S/000
Alt December 31, 2022						
Financial assets						
Cash	-	1,547,486	-	-	-	1,547,486
Investments	-	-	34,140	229,349	-	263,489
Receivables (Trust Agreement - COFIDE), net	-	9,792,936	-	-	-	9,792,936
Loan portfolio, net	-	26,587	-	-	-	26,587
Other receivables, net	-	151,221	-	-	-	151,221
Hedging derivatives	128,359	-	-	-	-	128,359
	<u>128,359</u>	<u>11,607,019</u>	<u>34,140</u>	<u>229,349</u>	<u>-</u>	<u>11,910,078</u>
Financial liabilities						
Obligations to the public	-	-	-	-	202	202
Debts and borrowings	-	-	-	-	2,052,946	2,052,946
Outstanding securities and certificates	-	-	-	-	5,325,406	5,325,406
Hedging derivatives	158,629	-	-	-	-	158,629
Payables	-	-	-	-	938,559	938,559
	<u>158,629</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,317,113</u>	<u>8,475,742</u>

b) Recognition of income and expenses -

i) Interest income and expenses -

The income and expenses due to interest are recognized in the results of the period in which they are accrued, based on the time of validity of the operations that generate them and the interest rates established.

For interest income corresponding to receivables (Trust Agreement - COFIDE) and the direct loan portfolio, the accounting treatment is as follows:

Revenue from interest on receivables (Trust Agreement - COFIDE) –

Revenue recognition from receivables (Trust Agreement - COFIDE) will be performed applying the principle of net accrual of the Good Payer Award, as long as the conditions for suspension of the revenue recognition from risky credits are not met, in accordance with the provisions in SBS Resolution No.11356-2008 and its amendments.

The rescheduling of MIVIVIENDA sub-loan installments generates a deferred liability for the rescheduled interest, which are accrued with the recoveries of the principal of the installments.

At December 31, 2023 the Fund presents suspended interest on unpaid fees from three financial entities (Financiera TFC, CRAC Raiz and AELUCOOP), which are recorded in memorandum accounts.

Interest income from the direct loan portfolio -

Interest income from the loan portfolio is recognized in the results of the period in which they are accrued, based on the time of validity of the operations that generate them and the interest rates freely agreed with the borrowers.

Interest generated by overdue, refinanced, restructured and judicial collection loans; as well as loans classified in the credit risk categories "Doubtful" and "Loss", are recognized in the statement of income when they are collected. When Management determines that the financial condition of the debtor has improved and the loan is reclassified as valid and/or to the categories of normal, potentially problematic or substandard, the recognition of interest income is reinstated on an accrual basis (See credit risk classification categories in note 4.D).

ii) Good Payer Award ("Premio al Buen Pagador" - PBP) -

The PBP is a benefit granted directly by the Fund with its own resources.

The Good Payer Award was part of the sub-loans granted, through the COFIDE Trust, as an attribute of the sub-loan and the recognition of the expense in the results of the Fund is made based on the payment behavior of the sub-borrowers. Currently and until approximately 2039, the Fund must recognize this expense.

Until November 2023, the PBP was a benefit that was granted with the delivery of the sub-loan (as part of the initial payment), recognizing the entire expense in results at the time of disbursement.

c) Receivables (Trust Agreement - COFIDE) and provision for doubtful accounts of receivables -

Receivables are recorded when the funds are disbursed, through COFIDE, in favor of the IFIs, which channel the Fund's resources for the placement of MIVIVIENDA products.

The Fund must establish monthly generic and specific provisions for doubtful accounts of receivables (Trust Agreement - COFIDE) on those loans that are current in the period being processed, considering the loan balance, collateral status, total CRC factor, the loan classification of the debtor, for which Management adopted the criteria established by the Peruvian banking regulator ("Superintendencia de Banca, Seguros y AFP" - SBS) in Resolution No.11356-2008 and its amendments. Likewise, the Fund has established an internal methodology to segment and determine the credit risk of these receivables in two stages:

Stage 1: Balance Division

Considering the Total Coverage Factor (CRC and CRCA), it divides the capital balance of each disbursed loan into (a) Balance with coverage and (b) Balance without coverage, according to the following detail:

- Balance with coverage: obtained by multiplying the Capital Balance by the Total Coverage Factor.
- Balance without coverage: obtained from the difference in the Capital Balance less the Balance with CRC.

It should be noted that the Covered Balance is defined from the constitution of the mortgage guarantee.

Stage 2: Calculation of Provisions

Considering the division of stage 1, the Fund has established an internal methodology to segment and determine the credit risk of receivables into two components:

First Component: IFI Risk Provision, which is calculated on the balance without coverage and considering the credit classification of the IFI.

The IFI loan classification is the regulatory classification assigned, by the FMV, based on a total score of the combination of the risk level of the internal rating, compliance with critical indicators, portfolio diversification and degree of payment compliance mainly. However, given that the internal rating methodology is under constant review, when obtaining a reduction in the IFI's risk classification, it is verified by an independent evaluation form for the affected IFI and the previous classification can be determined after approval by the Risk Committee.

- For unsecured loans: The IFI Risk Provision is calculated as the product of the Balance not covered by the SBS rate in Table 1, considering the loan classification of the IFI.
- For secured loans: The IFI Risk Provision is calculated as the product of the Balance not covered by the SBS rate in Table 2, considering the loan classification of the IFI.

Second Component: Credit Risk Coverage Provision (CRC) – sub-borrower risk: The CRC Provision is calculated only for loans with established mortgage guarantee, on the balance with coverage and considering the loan classification of the Sub-borrower.

In the case of the loan classification of retail debtors (sub-borrowers), their payment capacity is considered, measured based on their degree of compliance, reflected in the number of days in arrears, as well as in the classification of the debtors in the other companies of the financial system, in case of application of the alignment. This classification is determined by the Peruvian Intermediary Financial Institution.

The provision for Credit Risk Coverage is calculated as the product of the Covered Balance and the SBS rate in Table 2, considering the loan classification of the sub-borrower. If the value of the guarantee is less than the balance of the debt, the guarantee first covers the Uncovered Balance; therefore, the SBS rate for this component can be from Table 1.

We must mention that the thirteenth clause of the resource channeling agreement signed between the IFI and COFIDE, indicates that the IFI will assign to the Fund the rights over its subloan portfolio for the amount it owes, when there are special circumstances qualified by the Fund or by COFIDE that make it difficult to recover the resources granted in loans.

In addition, for those IFIs for which the thirteenth clause of the Resource Channeling Agreement signed with COFIDE was activated, and whose debts are still registered as part of the receivables item (Trust Agreement – COFIDE), the provision for doubtful accounts is made considering the sub-borrower risk.

The Fund applies the following percentages to determine its provision for doubtful accounts of receivables (Trust Agreement - COFIDE), considering SBS Resolution No. 11356-2008 "Regulations for the Evaluation and Classification of the Debtor and the Requirement of Provisions".

Generic Provision:

The minimum generic provision rate that the FMV must constitute on the credits of debtors classified in the Normal category is 0.70%.

Specific provision:

The minimum rates of specific provisions that the FMV must constitute on the credits of debtors classified in a higher risk category than Normal are the following:

Risk category	Table 1	Table 2
With potential problems ("Con problemas potenciales" - CPP)	5.00%	2.50%
Deficient	25.00%	12.50%
Doubtful	60.00%	30.00%
Loss	100.00%	60.00%

Table 1: Loan without guarantee

Table 2: Loan with guarantee

d) Loan portfolio and provision for doubtful accounts of the direct loan portfolio -

It includes the portfolio of loans received by FMV as a consequence of the activation of the thirteenth clause of the Loan Regulations. When they are removed from the administration of the COFIDE Trust (recorded in receivables) they are classified as Mortgage Loans for Housing.

i) Types of loans -

In accordance with SBS Resolution No. 11356-2008, the classification of loans by type is as follows: corporate loans, loans to large companies, loans to medium-sized companies, loans to small companies, loans to microenterprises, revolving consumer loans, non-revolving consumer loans and housing mortgage loans. This classification considers the nature of the client, the purpose of the loan, the size of the business measured by income, the level of debt, among others. The Fund only maintains mortgage loans in its direct loan portfolio.

ii) Credit risk classification categories -

The debtor classification categories for credit risk established by the SBS are the following: Normal, With Potential Problems (CPP), Deficient, Doubtful and Loss, which are assigned based on the debtor's level of compliance with their loan payments.

iii) Provision for doubtful accounts of the direct loan portfolio -

The Fund determines the provision for doubtful accounts of the direct loan portfolio in accordance with the provisions of SBS Resolution No. 11356-2008 "Regulations for the Evaluation and Classification of the Debtor and Provision Requirements."

According to SBS Resolution No.11356-2008, there are two types of provisions for the direct loan portfolio: the generic provision and the specific provision. The generic provision is recorded preventively for those direct loans from debtors with a Normal credit risk rating. In addition, a procyclical component is recorded when the SBS orders its application. The specific provision is recorded for those direct loans from debtors with a credit risk rating higher than Normal.

The calculation of the provision is made in accordance with the classification granted to the debtor, and considering specific percentages, which vary depending on whether the loans are backed by self-liquidating preferred guarantees (cash deposits and letter of credit rights), or preferred guarantees of very quick completion (public debt instruments issued by the Central Government, securities belonging to the Selective Index of the Lima Stock Exchange, among others) or preferred guarantees (first pledge on financial instruments or real estate and personal property, first agricultural or mining pledge, export credit insurance, among others). The guarantees received are considered at their estimated realizable value, determined by independent appraisers. Likewise, to calculate the provision, the classification of the guarantor must be considered, in case the loans have the subsidiary responsibility of a company of the Financial or Insurance System (loans subject to substitution of loan counterparty). The percentages applied to determine the provision for doubtful account of the direct loan portfolio are the following:

<u>Credit risk category</u>	<u>Without guarantee</u>	<u>Preferred guarantee</u>	<u>Preferred guarantee of very fast completion</u>	<u>Preferred self- liquidating guarantee</u>
Normal	0.70%	0.70%	0.70%	0.70%
With potential problems (CPP)	5.00%	2.50%	1.25%	1.00%
Deficient	25.00%	12.50%	6.25%	1.00%
Doubtful	60.00%	30.00%	15.00%	1.00%
Loss	100.00%	60.00%	30.00%	1.00%

The provision for doubtful accounts of the direct loan portfolio is presented discounted from the balance of the corresponding asset (note 8).

e) Derivative financial instruments -

In accordance with SBS Resolution No.1737-2006 "Regulation for the Trading and Accounting of Derivative Financial Products in the Companies of the Financial System" and amendments, derivative financial instruments are recorded on the trading date.

Derivatives held for trading -

Derivative financial instruments for trading are recognized in the statement of financial position at cost, and are subsequently measured at fair value, recognizing an asset or liability in the statement of financial position as appropriate, and the gain or loss in the statement of income of the year. The nominal value of derivative financial instruments is recorded in risk and contingent commitment accounts (off-balance sheet accounts) in the committed currency.

The fair value of trading derivative financial instruments is estimated based on exchange rates and market interest rates.

Hedging derivatives -

A hedging derivative financial instrument is recorded as such if, on the date of its negotiation, it is foreseen that the changes in its fair value or in its cash flows will be highly effective in offsetting changes in fair values or cash flows of the hedged item directly attributable to the risk hedged from inception of the hedge, which must remain documented on the trading date of the derivative financial instrument and during the term of the hedging. A hedging is considered as highly effective if it is expected that the changes in the fair value or cash flows of the hedged instruments and of that used for hedging are in a range of between 80% to 125%.

Cash flow coverage -

A derivative financial instrument for hedging cash flows is valued and recognized at its fair value, and may affect both equity accounts and income statements. The effective part of the adjustment to its fair value is recognized in equity accounts (of the statement of income and other comprehensive income), while the ineffective part is recognized in the statement of income.

If the hedge instrument expires, is sold, liquidated or exercised, or when the coverage no longer complies with hedge accounting criteria, the hedging relationship is prospectively terminated and; the balances recorded in the statement of financial position and the statement of income and other comprehensive income, as appropriate, are transferred to the statement of income within the term of validity of the hedged item.

f) Investments -

i) Investments to maturity -

This category includes debt instruments whose collections are a fixed or determinable amount and whose maturities are fixed, and which also meet the following requirements:

- i) They have been acquired or reclassified with the intention of holding them until their expiration date;
- ii) the Fund must have the financial capacity to maintain them until maturity; and iii) they are instruments other than those that, at the time of initial recognition, the Fund has designated to be accounted for at fair value through profit or loss or as available-for-sale assets.

Likewise, they must have the classification of at least two local or foreign risk rating agencies, and the ratings must be within the parameters established by the SBS, excluding from this requirement the instruments of Central Banks of countries whose sovereign debt receives at least the classification that corresponds to Peruvian sovereign debt.

The initial accounting record of these financial assets is made at fair value, including transaction costs that are directly attributable to the acquisition.

The subsequent measurement of these investments is carried out at amortized cost, using the effective interest rate method. Any impairment loss is recognized in the statement of income.

1. Available-for-sale investments -

This category includes all investment instruments that are not classified as investments at fair value through profit or loss, investments to maturity or investments in subsidiaries and associates and interests in joint ventures. Likewise, all the values that the SBS establishes by rule will be included.

The initial accounting entry is at fair value, including the transaction costs directly attributable to the acquisition. The subsequent measurement of these investments is carried out at fair value. In the case of capital instruments that do not have quoted prices in active markets and whose fair value cannot be estimated reliably, they must be measured at cost. Likewise, in the case of debt instruments, prior to measurement at fair value, their amortized cost must be updated, and the gain or loss on changes in fair value must be recognized.

The gain or loss caused by the fluctuation in the fair value of available-for-sale investments is recognized directly in equity until the instrument is sold or realized, at which time the gain or loss that had previously been recognized in equity is transferred and recorded in profit or loss of the year, except for impairment losses that are recorded in profit or loss when presented.

If an available-for-sale investment is impaired, the cumulative loss (measured as the difference between the acquisition cost, net of any repayment and amortization and its current fair value, minus any impairment previously recognized in the statement of income) will be removed from equity and recognized in the statement of income. In the case of unquoted shares, impairment corresponds to the difference between the carrying amount and the present value of estimated net cash flows discounted using the current rate for similar securities.

Exchange gains or losses related to equity instruments are recognized in the "Unrealized earnings" account of equity, while those related to debt instruments are recognized in the statement of income.

Interest income on available-for-sale investments is recognized using the effective interest rate method, considering the term of the instrument. Premiums or discounts derived from the purchase are included when calculating the effective interest rate.

Dividends are recognized in the statement of income when the right to receive payment is established.

2. Impairment assessment -

SBS Resolution No.7033-2012 and amendments, as well as SBS Resolution No.2610-2018, establish a standard methodology for identifying the impairment of financial instruments classified as available-for-sale investments and held-to-maturity investments. This methodology contemplates the analysis of the following:

Debt instruments -

At the end of each quarter, for the entire investment portfolio in debt instruments, the following occurrences must be evaluated:

1. Impairment of the financial position or financial ratios of the issuer and of its economic group.
2. Downgraded financial instrument or issuer by a least two "notches", with respect to the rating at the time of acquisition of the instrument; where one "notch" is the minimum difference between two rating within the same rating scale.
3. Interruption of transactions or of an active market for the financial asset, due to financial difficulties of the issuer.
4. Observable input indicates that since the initial recognition of a group of financial assets, there has been a measurable decline in the estimated cash flows, despite the fact it cannot be related to individual assets of the group.
5. Reduction in value resulting from changes in the regulatory framework (taxes, regulatory or other governmental changes).
6. Significant decrease in the fair value under its amortized cost. It will be considered a significant decrease if the fair value at the closing date has decreased by at least 40% below its amortized cost.
7. Prolonged decrease in fair value. A prolonged decrease will be considered to exist if fair value at the closing date has decreased by at least 20%, as compared to the prior 12-month amortized cost and the fair value at each monthly closing for the prior 12-month period has always been below the amortized cost at each monthly closing date.

The fair value to be used to assess the criteria (6) and (7) is the fair value used to value available-for-sale debt instruments, in accordance with the criteria established by the indicated Resolution, independently of the accounting classification the debt instrument may have. However, if the decline in the fair value of the debt instrument is entirely related to an increase in risk-free interest rate, this decline should not be considered as an indicator of impairment.

Whenever at least two of the above-listed conditions are met, impairment will be considered to exist. If at least two (2) of the situations described above have not occurred, it will be sufficient for any one of the following situations to occur for impairment to be considered to exist:

- Breach of contract, including default of interest or principal.
- Forced renegotiation of the contractual conditions of the instrument due to legal or economic factors involving the issuer.
- Evidence that the issuer is in a forced restructuring or bankruptcy process.
- An instrument rated as investment grade is downgraded to a rating below investment grade.

On the other hand, if the SBS considers that it is necessary to constitute an additional provision for any type of investment, said provision will be determined based on each individual security and must be recorded in profit or loss of the year in which the SBS requests it.

g) Property, furniture and equipment -

Property, furniture and equipment are recorded at acquisition cost less accumulated depreciation. Depreciation is calculated following the straight-line method, using the following estimated useful lives:

	<u>Years</u>
Buildings	20
Facilities	10
Furniture and fixture	10
Computer equipment	4
Other equipment	10
Vehicles	5

Maintenance and repair costs are charged to profit or loss. All renovations and improvements are capitalized only when the disbursements improve the condition of the asset and increase its useful life beyond the time estimated at the beginning.

Residual values and useful lives are reviewed and adjusted, if necessary, at the date of each statement of financial position.

The cost and accumulated depreciation of the assets sold or retired are eliminated from the respective accounts, and the profit or loss generated is included in profit or loss of the year.

h) Intangible assets -

Intangible assets include software developments, software and software licenses used in the Fund's operations. Software and software licenses are capitalized based on the costs incurred to acquire them or put the specific program into use. These intangible assets are amortized using the straight-line method considering a useful life of 1 to 5 years, a maximum of 5 years.

The amortization method is reviewed periodically to ensure that it is consistent with the expected pattern of economic benefits of the intangible asset items.

i) Devaluation of long-lived assets -

When there are events or economic changes that indicate that the value of property, furniture and equipment or intangible assets may not be recoverable, Fund's Management reviews the carrying amount of these assets in order to verify that there is no impairment in its value. When the carrying amount of the asset exceeds its recoverable value, an impairment loss is recognized in the statement of income. The recoverable value is the highest value 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 the estimated future cash flows from the continued use of an asset and its disposal at the end of its depreciation or amortization period. Management considers that there is no evidence of impairment in the value of the long-lived assets held at December 31, 2023 and 2022.

j) Realizable assets and received in payment

Realizable assets, seized and recovered through judicial actions are recorded for the value determined by a court or arbitrator or at the value agreed in the payment in kind contract. Assets recovered due to contract termination are initially recorded at the lower value between the balance of the unpaid debt and the net realizable value of the recovered asset. If the balance of the unpaid debt is greater than the balance of the recovered asset, the difference is recognized as a loss, provided its recovery is unlikely.

The treatment to establish provisions for this type of assets is in accordance with SBS Resolution No.1535-2005 "Regulation for the treatment of recovered and foreclosed assets and provisions", and is as follows:

- 20% of the value on the date of award or recovery for all goods received.
- In the case of real estate, a monthly provision for impairment will be established within a period of no more than 42 months on the net value obtained during the twelfth or eighteenth month of its award or recovery, depending on the granting of an extension by the SBS, and until completing 100% of the carrying amount of the asset. Each year the net carrying amount of the properties is compared with the realizable value determined by a qualified independent appraiser, and if the value is lower, a provision for impairment is recorded.
- In the case of non-real estate assets, a provision is made for the remaining balance within a period of no more than 18 or 12 months, depending on whether an extension is granted by the SBS.

Impairment is recognized when the fair value of these goods falls (when the net realizable value is below the net carrying amount) and, therefore, the carrying amount will be reduced and the loss must be recognized in the statement of income. If the net realizable value is greater than the net carrying amount, the higher value may not be recognized in the accounting records.

The annual update of the valuation of these assets determined by an independent appraiser implies, if necessary, the constitution of provisions for devaluation.

k) Income tax -

Current income tax is determined based on net taxable income and recorded in accordance with the tax legislation applicable to the Fund.

The deferred income tax is determined by the liability method based on the temporary differences that arise between the tax base of the assets and liabilities and their respective balances in the financial statements, applying the legislation and tax rate in force to the date on which it is estimated that the deferred income tax asset will be realized or that the deferred income tax liability will be cancelled.

The deferred income tax asset and liability are recognized without considering the moment in which the temporary differences are estimated to be cancelled. The deferred income tax asset is only recognized to the extent that it is probable that future tax benefits will be available, so that the deferred income tax asset can be used.

IFRIC 23 clarifies the recognition and measurement requirements of IAS 12 "Income Tax" in cases where there is uncertainty about any tax position assumed by the Fund in determining income tax.

IFRIC 23 explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

l) Provisions and contingencies -

i. Provisions -

Provisions are recognized when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are reviewed and adjusted in each period to reflect the best estimate available at the date of the statement of financial position.

ii. Contingencies -

Contingent liabilities are not recognized in the financial statements; they are only disclosed in notes to the financial statements unless the possibility of disbursement of cash is remote.

Contingent assets are not recognized in the financial statements and are only disclosed when an inflow of resources to the Company is probable.

m) Other comprehensive income -

The other comprehensive income presents the unrealized gains or losses of available-for-sale investments, unrealized gains or losses of the effective part of the valuation of financial instruments from cash flow hedging, and the part of the valuation that corresponds to the exchange difference as the hedged item is affected. These balances are presented net of the related deferred income tax.

n) Cash and cash equivalents -

Cash and cash equivalents considered in the statement of cash flows correspond to the balances of available funds in the statement of financial position that include deposits with original maturities less than or equal to 90 days, excluding that cash from the Trusts.

o) Debts and securities issued -

The Fund records and presents the company's obligations for obtaining resources and financing, contracted with companies in the country's financial system and/or foreign financial institutions, under the modality of direct loans and administration of credit lines, to be applied to specific purposes.

The Fund has obligations contracted by the issuance of bonds issued that have been placed and are in circulation, subject to the conditions established contractually, in accordance with the legal regulations that authorize it.

This item is initially recorded at fair value on the trading date, including financing costs, if any. Subsequently, expense recognition is based on amortized cost.

p) Balances in foreign currency -

The statement of financial position includes balances of operations in foreign currency, mainly in United States dollars (US\$), which are recorded at the exchange rate in Peruvian soles (S/) established by the SBS, which at December 31, 2023 and 2022, is US\$1 = S/3,709 and US\$1 = S/3,814, respectively. Also, positions are maintained in Euros (EUR), which are recorded at the exchange rate in Peruvian soles (S/) established by the SBS, which at December 31, 2023 and 2022, is EUR 1 = S/4.099702 and EUR 1 = S/4.082200, respectively.

Foreign currency operations in the country and international trade operations, referring to the concepts authorized by the Banco Central de Reserva del Perú, are channeled through the free banking market. At December 31, 2023 the purchase and sale exchange rates used are US\$1 = S/3,705 and US\$1 = S/3,713, respectively (US\$1 = S/3,808 for purchase and US\$1 = S/3,820 for sale at December 31, 2022).

At December 31, balances in foreign currency are summarized as follows:

	2023	2022
	US\$000	US\$000
Assets		
Cash	113,559	37,838
Investment	8,390	60,623
Receivables (Trust agreement - COFIDE), net	4,293	8,326
Loan portfolio, net	8	13
Other receivables, net	121	33,017
Hedging derivatives	6,059	2,902
Other assets, net	160	658
Total assets	132,590	143,377
Liabilities		
Debts and borrowings	(1,038,060)	(919,379)
Hedging derivatives	-	-
Payables	(567)	(557)
Provisions and other liabilities	(206)	(262)
Total liabilities	(1,038,833)	(920,197)
Net liability position	(906,243)	(776,820)
Derivative financial instruments, net	910,000	775,000
Net position in U.S. dollars	3,757	(1,820)

	2023	2022
	€000	€000
Assets		
Cash	10,006	38
Other receivables, net	800	40
Hedging derivatives	1,109	563
Total assets	11,915	641
Liabilities		
Debts and borrowings	(276,135)	(229,430)
Other liabilities	(37)	(37)
Total liabilities	(276,135)	(229,467)
Net liability position	(264,220)	(228,826)
Derivative financial instruments, net	265,395	229,576
Net position in euros	1,175	750

q) Workers' profit sharing -

The Fund recognizes a liability and an employee profit sharing expense based on 5% of net taxable income, determined in accordance with current tax legislation.

r) Accounting treatment of trusts

The registration of the trust operations managed by the Fund is carried out in accordance with the provisions of SBS Resolution No. 980-2006 "Regulations of Fondo MIVIVIENDA S.A.", that is, in a single account of the statement of financial position. The accounting of the trusts is kept separate for control purposes.

s) Reclassifications

At December 31, 2023 the Fund reclassified S/125,736 thousand for margin call, for the derivatives on that date, recorded in the item "other receivables" to the item "cash", due to application of a recommendation from the SBS in its inspection hearing carried out in 2023.

5 CASH

At December 31, this item comprises the following:

	2023	2022
	S/000	S/000
Banks and other companies in the Financial System		
Banco Central de Reserva del Perú	2,260	2,690
Checking and savings accounts (a)	2,713,592	1,506,497
Time deposits (b)	37,000	38,140
Earned returns from cash	189	136
	2,753,041	1,547,463
Other cash	315,118	23
Accrued income - Other cash	1,405	125,736
Prov. Country Risk - Deposit abroad	(94)	(126)
	3,069,470	1,673,096

- (a) At December 31, it mainly comprises balances in Peruvian soles and U.S. dollars, which are freely available, and bear interest at market rates, as detailed below:

	2023	2022
	S/000	S/000
Checking accounts		
Banco Internacional del Perú S.A.A.– Interbank	1,086,784	981,143
Banco de la Nación	346,124	216,130
Banco Interamericano de Finanzas – Banbif	311,436	203,634
Banco BBVA Perú	325,986	241
Banco de Crédito del Perú S.A.	300,195	110
Scotiabank del Perú S.A.A.	343,067	105,087
	<u>2,713,592</u>	<u>1,506,345</u>
Savings accounts		
Banco BBVA Perú	-	152
	<u>2,713,592</u>	<u>1,506,497</u>

- (b) At December 31, 2023 it comprises time deposits in banks in the country in Peruvian soles, which are freely available and bear interest at annual effective rates in Peruvian soles of 7.05%, with original maturities less than or equal to 90 days.

6 INVESTMENTS

At December 31, this item comprises the following:

	2023		2022		
	Amortized	Unrealized	Amortized	Unrealized	Carrying
	cost	gain (loss)	cost	gain (loss)	amount
	S/000	S/000	S/000	S/000	S/000
Available-for-sale investments					
Corporate bonds (a)	-	-	-	33,901	(252)
More:					
Earned returns	-	-	-	491	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,392</u>	<u>(252)</u>
Investments to maturity					
Corporate bonds (b)	31,088	-	31,088	107,080	-
Sovereign Bonds of the Republic of Peru	21,194	-	21,194	31,351	-
Time deposits (c)	-	-	-	87,722	-
More:					
Earned returns	-	-	637	-	-
	<u>52,282</u>	<u>-</u>	<u>52,919</u>	<u>226,153</u>	<u>-</u>
	<u>52,282</u>	<u>-</u>	<u>52,919</u>	<u>260,545</u>	<u>(252)</u>
	<u>52,282</u>	<u>-</u>	<u>52,919</u>	<u>260,545</u>	<u>(252)</u>

- (a) At December 31, it comprises bonds acquired from top-level companies in the local financial system, as detailed below:

	2023	2022
	S/000	S/000
Banco Internacional del Perú S.A.A. – Interbank	-	27,693
Banco de Crédito del Perú S.A.	-	5,956
Banco BBVA Perú	-	-
	<u>-</u>	<u>33,649</u>

- (b) At December 31, it comprises bonds acquired from top-level corporate companies and the country's financial system, as detailed below:

	2023	2022
	S/000	S/000
Banco BBVA Perú	-	38,914
Abengoa Transmisión Norte S.A.	31,088	37,695
Cementos Pacasmayo S.A.A.	-	30,471
Consorcio Transmantaro S.A.	-	-
	<u>31,088</u>	<u>107,080</u>

In 2016, the Fund reclassified corporate bonds and sovereign bonds of the Republic of Peru that it maintained classified as available-for-sale investments into maturing investments. The carrying amount on the reclassification date amounted to S/620,965 thousand, and the unrealized loss accumulated in equity amounted to S/11,846 thousand. This last amount is transferred to profit or loss in the remaining term of said instruments, which expire in 2042.

In 2023 and 2022, S/638 thousand and S/858 thousand have been transferred to profit or loss, respectively. At December 31, 2023 and 2022 the carrying amount of these investments, which includes accrued interest, amounts to S/52,919 thousand and S/140,560 thousand, respectively.

- (c) At December 31, 2023 the Fund does not maintain deposits with terms greater than 90 days. However, at December 31, 2022 it comprises time deposits in banks in the country denominated in U.S. dollars, with original maturity greater than 90 days per US\$23 million, which bear interest at effective annual rates between 3.22% and 3.27%.

Pursuant to Board of Directors agreement No.017-080-2019 dated April 12, 2019, the Fund's new Investment Policies and Procedures Manual was approved, which established that, at that date, investments acquired by the Fund must be classified as available for sale. The investments that the Fund has at the end of the 2023 period were acquired before the agreement.

At December 31, the maturities and annual rates of return on available-for-sale investments and investments to maturity are as follows:

		Annual effective interest rates							
		2023				2022			
		PEN		USD		PEN		USD	
Maturity		Min. %	Max. %	Min. %	Max. %	Min. %	Max. %	Min. %	Max. %
Available-for-sale investments									
Corporate bonds	-	-	-	-	-	-	-	1.18	1.32
Investments to maturity									
Corporate bonds	Sept-28	-	-	-	6.21	-	-	4.61	6.54
Sovereign bonds of the Republic of Peru	Aug-31/Feb- 42	4.81	6.95	-	-	4.10	6.95	-	-
Time deposits		-	-	-	-	-	-	3.22	3.27

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

	2023		2022	
	Available-for-sale investments	Investments to maturity	Available-for-sale investments	Investments to maturity
	S/000	S/000	S/000	S/000
From 1 to 12 months	-	-	34,140	119,804
From 1 to 5 years	-	31,119	-	10,541
More than 5 years	-	21,800	-	99,004
	-	52,919	34,140	229,349

7 ACCOUNTS RECEIVABLES (TRUST AGREEMENT - COFIDE), NET

At December 31, this item comprises the following:

	<u>2023</u> <u>S/000</u>	<u>2022</u> <u>S/000</u>
Nuevo Crédito MIVIVIENDA	10,817,454	9,706,065
Crédito Complementario Techo Propio	227,149	224,026
Crédito MIVIVIENDA Tradicional	15,870	32,154
Crédito MIHOGAR	19,097	25,748
Crédito MICONSTRUCCIÓN	2,463	4,230
Crédito MICASA MÁS	3,531	4,019
Crédito MIVIVIENDA Estandarizado	1,538	2,021
Crédito MITERRENO	108	141
	<u>11,087,209</u>	<u>9,998,404</u>
More (less):		
Accrued returns on receivables	18,756	15,545
Provision for doubtful accounts of receivables	<u>(286,439)</u>	<u>(221,013)</u>
	<u>10,819,526</u>	<u>9,792,936</u>

In accordance with note 2, upon each request from the IFI, the Fund disburses resources to the Trust - COFIDE so that it can channel said resources to final borrowers, which are used in the granting of mortgage loans for the acquisition of housing in accordance with the provisions set forth in article 12 of Supreme Decree No.001-99-MTC. In addition, on a monthly basis the Trust - COFIDE transfers to the Fund the recoveries, prepayments or cancellations of receivables made by the IFIs monthly through the automatic collection of debt installments by debiting the checking account that the debtor maintains in the BCRP.

At December 31, 2023 and 2022 the number of final borrowers is 112,054 and 108,478, respectively. There is no significant concentration of credit risk in receivables (Trust Agreement - COFIDE), due to the type of credit operations maintained by the Fund.

At December 31, the composition of the balance of receivables (Trust Agreement - COFIDE) in accordance with the characteristics of the loans promoted by the Fund, is as follows:

	<u>2023</u>			<u>2022</u>		
	<u>With credit risk coverage S/000</u>	<u>Without credit risk coverage S/000</u>	<u>Total S/000</u>	<u>With credit risk coverage S/000</u>	<u>Without credit risk coverage S/000</u>	<u>Total S/000</u>
Nuevo Crédito MIVIVIENDA	3,373,667	7,443,787	10,817,454	2,337,699	7,368,366	9,706,065
Crédito Complementario Techo Propio	33,798	193,351	227,149	25,300	198,726	224,026
Crédito MIVIVIENDA Tradicional	7,094	8,776	15,870	13,724	18,431	32,155
Crédito MIHOGAR	7,313	11,783	19,096	8,947	16,801	25,748
Crédito MICONSTRUCCIÓN	1,411	1,051	2,462	1,047	3,183	4,230
Crédito MICASA MÁS	1,662	1,870	3,532	1,241	2,777	4,018
Crédito MIVIVIENDA Estandarizado	513	1,025	1,538	674	1,347	2,021
Crédito MITERRENO	28	80	108	70	71	141
	<u>3,425,486</u>	<u>7,661,723</u>	<u>11,087,209</u>	<u>2,388,702</u>	<u>7,609,702</u>	<u>9,998,404</u>

- a) Receivables (Trust Agreement - COFIDE) are classified by credit risk rating of the debtor, as established by the SBS regulations in force at December 31, 2023 and 2022. In accordance with note 4.C, the provision for doubtful accounts of receivables (Trust Agreement - COFIDE) is determined in two components, based on the classification of the IFI and the final borrowers (or sub-borrowers).
- At December 31, the balance of receivables (Trust Agreement - COFIDE) without credit risk coverage classified by credit risk of the IFIs is as follows:

IFI risk categories	2023		2022	
	S/000	%	S/000	%
Normal	7,372,557	66.49	7,375,978	73.77
With potential problem	17,611	0.16	23,607	0.24
	<u>7,390,168</u>	<u>66.65</u>	<u>7,399,585</u>	<u>74.01</u>
Total receivables (Trust Agreement - COFIDE)	<u>11,087,209</u>	<u>100.00</u>	<u>9,998,404</u>	<u>100.00</u>

- At December 31, the balance of receivables (Trust Agreement - COFIDE) with credit risk coverage (CRC) classified by credit risk of the final borrower is as follows:

F Borrower Risk Categories	2023		2022	
	S/000	%	S/000	%
Normal	3,032,590	27.35	2,107,008	21.42
With potential problem	72,812	0.66	38,626	0.39
Deficient	64,063	0.58	32,002	0.33
Doubtful	101,375	0.91	68,193	0.69
Loss	154,646	1.40	103,471	1.06
	<u>3,425,486</u>	<u>30.90</u>	<u>2,349,300</u>	<u>23.87</u>
Total receivables (Trust agreement - COFIDE)	<u>11,087,209</u>	<u>100.00</u>	<u>9,998,404</u>	<u>100.00</u>

- The balance of receivables (Trust Agreement - COFIDE) at December 31, 2023 with activation of the thirteenth clause of the contract by IFI to whom the credit risk coverage (CRC) factor does not apply is presented below:

IFI	2023		2022	
	S/000	%	S/000	%
Financiera TFC in liquidation	220,551	1.99	220,758	2.21
COOPAC AELU in liquidation	1,798	0.01	1,798	0.02
CRAC Raíz in liquidation	8,599	0.08	-	-
COOPAC Quillacoop	707	0.01	924	0.01
COOPAC San Francisco	1,771	0.02	2,298	0.02
CMAC Tacna	2,688	0.02	2,996	0.03
CRAC Prymera	37	0.00	59	0.00
COOPAC Santa María Magdalena	207	0.00	266	0.00
COOPAC Pacífico	35,196	0.32	-	-
	<u>271,555</u>	<u>2.45</u>	<u>229,099</u>	<u>2.29</u>
Total receivables (Trust Agreement - COFIDE)	<u>11,087,209</u>	<u>100.00</u>	<u>9,998,404</u>	<u>100.00</u>

At December 31, 2023 and 2022 these receivables have been provisioned considering the credit risk rating of the sub-borrower, due to the fact that Financiera TFC, COOPAC AELU and CRAC Raíz were intervened by the SBS on December 12, 2019, August 23, 2021 and August 10, 2023, respectively. Furthermore, given the activation of the thirteenth clause of the resource channeling agreement signed with the IFIs COOPAC Quillacoop in June 2020, COOPAC San Francisco in July 2021, CMAC Tacna in August 2021, CRAC Prymera in November 2021, COOPAC Santa María Magdalena in December 2021 and COOPAC Pacífico in August 2023, due to impairment in their financial indicators.

At December 31, 2023 the balance of receivables (Trust Agreement - COFIDE) with activation of the thirteenth clause classified by credit risk of the final borrower is as follows:

Final Borrower Risk Categories	2023		2022	
	S/000	%	S/000	%
Normal	178,400	1.61	163,617	1.64
With potential problem	11,094	0.10	6,251	0.06
Deficient	12,681	0.11	8,181	0.08
Doubtful	32,868	0.30	19,283	0.19
Loss	36,512	0.33	31,767	0.32
	<u>271,555</u>	<u>2.45</u>	<u>229,099</u>	<u>2.29</u>
	<u>11,087,209</u>	<u>100.00</u>	<u>9,998,404</u>	<u>100.00</u>

The balance of these receivables has been provisioned considering the credit risk rating of the sub-borrower. At December 31, 2023 and 2022 the provision related to these receivables amount to S/54,646 thousand and S/42,071 thousand, respectively.

- b) The annual interest rates for the active products offered by the Fund are fixed and have been established to promote the granting of mortgage loans. At December 31, 2023 and 2022 they are as follows:

	2023	2022
	%	%
Nuevo Crédito MIVIVIENDA	6.9; 6.75; 7.4; 7.9	7.6; 7.1, 6.6, 6.2, 5.6
Crédito MIVIVIENDA Tradicional	6.25 y 8	6.25 y 8
Crédito Complementario Techo Propio	7.25; 7.90	7.25
Crédito MIHOGAR	7.6; 8.3	7.6; 8.3
Crédito MI CONSTRUCCIÓN	7.5; 8.00; 9.00	7.5; 8.00; 9.00
Crédito MIVIVIENDA Estandarizado	8.2; 6.9; 9.25; 7.3	8.2; 6.9; 9.25; 7.3
Crédito MICASA MAS	6.50; 7.10; 7.70	6.50; 7.10; 7.70
Crédito MITERRENO	9	9

The movement of the provision for doubtful accounts of receivables (Trust Agreement - COFIDE) is as follows:

	2023	2022
	S/000	S/000
Balance at the beginning of the year	221,013	211,333
Cash debited to profit or loss	115,636	74,569
Recovery of provisions	(50,181)	(64,808)
Exchange difference	(29)	(81)
Balance at the end of the year	<u>286,439</u>	<u>221,013</u>

Management considers that the level of the provision for doubtful accounts of receivables (Trust Agreement - COFIDE) covers any possible losses that may be generated at the date of the statement of financial position, and has been performed in compliance with the current SBS regulatory requirements and the internal policies established at December 31, 2023 and 2022.

8 LOAN PORTFOLIO, NET

At December 31, this item comprises the following:

	2023	2022
	S/000	S/000
Direct loan portfolio		
Current loans	19,186	24,086
Refinanced loans	164	201
Loans past due	85,120	88,809
Loans in judicial collection	72	72
	<u>104,542</u>	<u>113,168</u>
More (less):		
Accrued returns on current loans	343	345
Provision for doubtful accounts of direct loans	<u>(83,614)</u>	<u>(86,926)</u>
	<u>21,271</u>	<u>26,587</u>

At December 31, 2023 the loan portfolio mainly comprises the transferred mortgage loan portfolio to the Fund by Caja Rural de Ahorro y Crédito Señor de Luren (hereinafter Former CRAC Luren) and by the Former Cooperativa de Ahorro y Crédito PrestaPerú, which pursuant to SBS Resolutions No.3503-2015 dated June 19, 2015 and SBS Resolution No.5826-2019 dated December 11, 2019, they entered the liquidation process, respectively.

At December 31, 2023 the balance of the direct loan portfolio classified by type of MIVIVIENDA product is as follows:

	Number of borrowers		Balances	
	2023	2022	2023	2022
	S/000	S/000	S/000	S/000
Nuevo Crédito MIVIVIENDA	1,486	1,776	93,699	101,238
Crédito Complementario Techo Propio	909	990	12,415	13,176
Crédito MI CONSTRUCCIÓN	7	12	236	313
Crédito MIVIVIENDA Tradicional	1	1	41	41
Crédito MIHOGAR	481	518	12,182	13,257
Deferred income	-	-	<u>(14,031)</u>	<u>(14,857)</u>
	<u>2,884</u>	<u>3,297</u>	<u>104,542</u>	<u>113,168</u>

At December 31, 2023 the direct loan portfolio is backed by preferential guarantees for S/43,083 thousand (S/53,355 thousand at December 31, 2022) and non-preferential guarantees for S/82,110 thousand (S/93,429 thousand at December 31, 2022). In 2023 and 2022, collections from the direct credit portfolio amount to S/13,813 thousand and S/16,071 thousand, respectively.

At December 31, in accordance with SBS regulations, the credit risk classification of borrowers in the direct credit portfolio is as follows:

	Number of borrowers		Balances	
	2023	2022	2023	2022
	S/000	S/000	S/000	S/000
Normal	539	835	16,785	21,366
With potential problems	42	56	1,481	1,542
Deficient	48	53	1,111	1,292
Doubtful	108	153	2,498	3,912
Loss	2,147	2,200	82,667	85,056
	<u>2,884</u>	<u>3,297</u>	<u>104,542</u>	<u>113,168</u>

The annual effective interest rate of the credit portfolio has been set based on market conditions. At December 31, 2023 and 2022 the minimum and maximum annual interest rate in local currency of the direct credit portfolio is 8 and 16%, respectively.

At December 31, 2023 and 2022 the suspended interest on loans that are overdue, in judicial collection, or classified in the credit risk categories "Doubtful" or "Loss" amounts to S/41,827 thousand and S/38,986 thousand, respectively. These interests are recognized in the statement of income when they are collected.

At December 31, the balance of the direct loan portfolio classified by maturity is as follows:

	2023		2022	
	S/000	%	S/000	%
Current and refinanced loans				
Until 1 month	112	0.11%	142	0.15%
From 1 to 3 months	228	0.22%	287	0.30%
From 3 months to 1 year	1,050	1.00%	1,325	1.36%
From 1 to 5 years	7,070	6.76%	8,916	9.17%
More than 5 years	12,091	11.57%	15,248	15.68%
	<u>20,551</u>	<u>19.66%</u>	<u>25,918</u>	<u>26.65%</u>
More (less):				
Overdue loans and in judicial collection	98,022	93.76%	102,108	86.20%
Deferred income from overdue loans and in judicial collection	(12,831)	(12.27%)	(13,227)	(11.13%)
Deferred income from current and refinanced loans	(1,200)	(1.15%)	(1,631)	(1.73%)
	<u>104,542</u>	<u>100.00%</u>	<u>113,168</u>	<u>100.00%</u>

In 2023 and 2022, the movement of the provision for doubtful accounts of the direct loan is as follows:

	<u>2023</u> <u>S/000</u>	<u>2022</u> <u>S/000</u>
Balance at the beginning of the year	86,926	88,929
Additions	1,575	3,458
Recovery of provisions	(4,886)	(5,458)
Exchange difference	(1)	(3)
Balance at the end of the year	<u>83,614</u>	<u>86,926</u>

Management considers that the level of the provision for doubtful accounts of the direct loan portfolio covers any possible losses that may be generated at the date of the statement of financial position and has been determined in compliance with the regulatory requirements of the SBS in force at December 31, 2023 and 2022.

9 OTHER ACCOUNTS RECEIVABLES, NET

At December 31, this item comprises the following:

	<u>2023</u> <u>S/000</u>	<u>2022</u> <u>S/000</u>
Receivables from CRC and PBP Trusts (a)	18,882	24,941
Receivables from banks in liquidation (b)	99,202	99,944
Receivables Portfolio of Former - CONEMINSA (c)	12,663	12,730
Receivables from COOPAC Presta Perú (d)	8,775	8,775
Receivables from ICCGSA (e)	3,794	3,794
BFH disbursed in excess, to be recovered (f)	2,468	2,468
Receivables from Trusts linked to MarkaGroup (g)	2,402	-
Other receivables (h)	4,113	2,037
	<u>152,299</u>	<u>154,689</u>

Provision for doubtful accounts of receivables (i)

Banks in liquidation	(99,202)	(99,944)
Portfolio Former – CONEMINSA	(12,595)	(12,633)
Receivables from COOPAC Presta Perú	(8,774)	(8,775)
Receivables from ICCGSA	(3,794)	(3,794)
BFH disbursed in excess, to be recovered	(2,468)	(2,468)
Other receivables	(1,434)	(1,331)
	<u>(128,267)</u>	<u>(128,945)</u>
	<u>24,032</u>	<u>25,744</u>

(a) It comprises the balance of the net assets (total assets less total liabilities) of the trusts managed by the Fund, which ensure the payment of credit risk coverage (CRC) to the IFIs, and of the good payer award (PBP) to those would have accessed this benefit as part of the loan programs offered by the Fund in 2007. The aforementioned balances at December 31 are as follows:

	<u>2023</u> <u>S/000</u>	<u>2022</u> <u>S/000</u>
CRC and PBP Trust in Peruvian soles	8,383	7,806
CRC and PBP Trust in U.S. dollars	10,499	17,135
	<u>18,882</u>	<u>24,941</u>

In June 2007, through constitutive acts signed by the Fund as trustee and trustor, these trusts were established under administration, in order to ensure the availability of resources for the Fund to comply with the obligations arising from the CRC and PBP Service Agreements subscribed with certain IFIs, also to ensure that resources are managed efficiently.

The registration of operations of these trusts is performed in accordance with SBS Resolution No.980-2006 "Regulations of Fondo MIVIVIENDA S.A.", that is, in a single account of the statement of financial position. The trust accounts are kept separate for control purposes and show the following balances at December 31:

CRC and PBP Trust in Peruvian soles:

	<u>2023</u> <u>S/000</u>	<u>2022</u> <u>S/000</u>
Statement of financial position		
Assets		
Cash	6,409	2,318
Available-for-sale investments (*)	-	1,514
Investments to maturity (*)	1,974	3,974
Total assets	<u>8,383</u>	<u>7,806</u>
Equity and net surplus		
Retained earnings	5,466	4,972
Surplus collections, net	2,944	2,917
Unrealized gains or losses	(27)	(83)
Total equity and net surplus	<u>8,383</u>	<u>7,806</u>
 Net profit	 <u>494</u>	 <u>505</u>

CRC and PBP Trust in U.S. dollars:

	<u>2023</u> <u>S/000</u>	<u>2022</u> <u>S/000</u>
Statement of financial position		
Assets		
Cash	2,635	6,145
Available-for-sale investments (*)	-	2,085
Investments to maturity (*)	7,864	8,905
Total assets	<u>10,499</u>	<u>17,135</u>
Equity and net surplus		
Initial equity	-	4,911
Retained earnings	374	2,222
Surplus collections, net	10,589	10,524
Unrealized gains or losses	(464)	(522)
Total equity and net surplus	<u>10,499</u>	<u>17,135</u>
 Net profit	 <u>374</u>	 <u>538</u>

- (b) It comprises receivables for time deposits, certificates of deposit, among others, that the Fund, before being a financial company supervised by the SBS (before January 2006), maintained in certain financial institutions that entered into the liquidation process. The detail of the balances and their provision at December 31 is as follows:

	2023	2022
	S/000	S/000
Share capital		
Banco Nuevo Mundo in Liquidation	51,652	52,205
Banco República in Liquidation	39,922	39,922
Banco Banex in Liquidation - Dation in Payment	5,140	5,285
Banco República in Liquidation - Dation in Payment	2,488	2,532
	<u>99,202</u>	<u>99,944</u>
Less: Provision for doubtful accounts		
Banco Nuevo Mundo in Liquidation	(51,652)	(52,205)
Banco República in Liquidation	(39,922)	(39,922)
Banco Banex in Liquidation - Dation in Payment	(5,140)	(5,285)
Banco República in Liquidation - Dation in Payment	(2,488)	(2,532)
	<u>(99,202)</u>	<u>(99,944)</u>

During the liquidation process of these financial institutions, carried out under the supervision and intervention of the SBS, the Fund has received personal property, real estate and loan collection as part of the payment of these debts.

The Fund's Management has provisioned 100% of these receivables and recognizes the recoveries it receives when they are made. In 2023, recoveries have been received from Banco Nuevo Mundo in Liquidation for S/(553) thousand while in 2022 the Fund has not received recoveries from banks in liquidation.

The Fund's Management considers that the provision for doubtful accounts of receivables from banks in liquidation constituted at December 31, 2023 and 2022 is sufficient to cover the related risk of doubtful accounts.

- (c) It comprises the portfolio of mortgage loans granted by Compañía de Negociaciones Mobiliarias e Inmobiliarias S.A. - CONEMINSA, received by the Fund within the framework of the Dation in Payment Agreement dated December 30, 2003 for its administration and recovery.
- (d) In August 2019, after activating the thirteenth clause of the Resource Channeling Agreement signed with COOPAC Presta Perú, the Fund authorized the withdrawal of the balance owed by this IFI from the administration of the COFIDE Trust for S/74,462 thousand, and directly demanded the payment of the outstanding installments of the debt owed to the Fund from February to August 2019 for S/4,230 thousand. In 2021, after completing the transfer of the mortgage loan portfolio from COOPAC Presta Perú to the Fund, S/4,534 thousand were reclassified from Other receivables from clients of COOPAC Presta Perú to receivables from COOPAC Presta Perú and S/69,928 thousand to Loan Portfolio (note 8).
- (e) At December 31, 2023 it comprises receivables from Ingenieros Civiles Contratistas Generales S.A.C. (ICCGSA) for the commercial papers that the Fund maintained with them and that expired on October 22, 2018, for which it recognized a receivable and a provision for doubtful accounts for S/3,794 thousand, of which S/3,500 thousand comprise capital and S/294 thousand comprise interest.

In 2022, COOPAC Presta Perú was added to Receivables with S/11 thousand, which correspond to the payment of installments of a subborrower made to the Temporary Administrators of COOPAC. At December 31, 2023 and 2022 other receivables from COOPAC Presta Perú have a provision for doubtful accounts of 100%.

- (f) It comprises a claim against third parties (technical entities) for the excess payment of a bonus granted by the Peruvian MVCS, called "Bono Familiar Habitacional (BFH)", which is administered by the Fund.

- (g) Receivables from the trusts linked to Marka Group mainly comprise the BFH pending recovery.
- (h) Other receivables mainly group the items of receivables from the Las Garzas Trust, Urb. Municipality of Ucayali Trust, guarantee deposits for rent and claims to third parties.
- (i) In 2023 and 2022, the movement of the provision for doubtful accounts of receivables is as follows:

	2023	2022
	S/000	S/000
Balance at the beginning of the year	128,945	128,884
Additions	121	675
Provision recovery	(591)	(272)
Exchange difference, net	(208)	(342)
Balance at the end of the year	128,267	128,945

Management considers that the provision for doubtful accounts of receivables recorded at December 31, 2023 and 2022, adequately covers the credit risk of this item at those dates.

10 HEDGE DERIVATIVES

At December 31, 2023 and 2022 the Fund has commitments to purchase and sell foreign currency in the future ("forwards"), exchange contracts for cash flows in different currencies ("currency swaps - CCS") and interest rate swap contracts ("IRS"). Risk Management calculates the effectiveness of each hedging derivative, and this calculation is displayed in the individual valuation templates for each derivative and, in a consolidated manner, the percentage of effectiveness is displayed in the daily valuation reports.

At December 31, changes in fair value of these derivative financial instruments are presented as receivables (asset) or payables (liability), as appropriate:

	2023				2022				Underlying
	Assets	Liabilities	Nominal	Maturity	Assets	Liabilities	Nominal	Maturity	
	S/000	S/000	S/000		S/000	S/000	S/000		
Cash flow									
Currency forward	-	-	-		226	-	10,107	January 2023	Deposits
POS Currency Swap	-	-	-		1,019	98	6,123	March 2023	Debts
CCS Currency Swap	53,343	334,696	4,241,653	Between 2027 (April) , 2029 (December), 2031 (May, September and November) and 2032 (June and December)	101,083	145,806	3,553,325	April 2027, May, September, November 2031 and June 2032	Debts and issues
IOS Currency Swap	-	-	-		24	24	-	March 2023	Debts
Fair value									
Currency forward	1,308	19,797	111,270	Between February, March and April 2024	1,025	859	125,442	January 2023	Investments, securities and Margin Call
POS Currency Swap					20,630	587	76,280	January 2023	Issues
CCS Currency Swap	4,909	-	332,846	Between 2024 (May and August) and 2025 (June)	4,352	11,255	295,437	Between May and August 2024 and June 2025	Debts
Risk provision - Country									
Risk provision - Country	-86				-133				
	<u>59,474</u>	<u>354,493</u>	<u>4,685,769</u>		<u>128,326</u>	<u>158,629</u>	<u>4,066,714</u>		

IOS: Interest only swaps, POS: Principal only swaps.

At December 31, 2023 and 2022 the reference values of operations with derivative financial instruments are recorded in off-balance sheet accounts in the committed currency.

In 2023 and 2022, the Fund contracted “currency forwards” negotiated and settled in the period, which generated a loss of S/3,615 thousand and a gain of S/2,840 thousand, respectively, reflected within profit or loss from financial operations (note 20) in the income statement. Also, in 2023 and 2022, the hedging financial instruments contracted by the Fund generated a net loss of S/127,739 thousand and S/116,557 thousand, respectively, which is mainly explained by the hedging cost of the financing in foreign currency held by the Fund at December 2023, reflected within profit or loss from financial operations (note 20) in the income statement. These losses are generated by the interest cost that must be paid to keep the agreed exchange rate fixed, which are recorded as a non-effective part in profit or loss.

At December 31, 2023 a greater number of “currency swaps-CCS” hedging derivative contracts were negotiated for the new debts incurred.

11 PROPERTY, FURNITURE AND EQUIPMENT, NET

The movement of property, furniture and equipment and accumulated depreciation in 2023 and 2022 is as follows:

	Land	Buildings	Facilities	Furniture and fixture	Computer equipment	Other equipment	Vehicles	Work in In progress	Total
	S/000	S/000	S/000	S/000	S/000	S/000	S/000	S/000	S/000
Cost									
Balance at January 1, 2022	103	36	143	656	1,090	804	759	-	3,591
Additions	-	-	3	1	65	136	-	2	207
Withdrawals	-	-	-	-	-	-	-	-	-
Balance at December 31, 2022	103	36	146	657	1,155	940	759	2	3,798
Additions	-	-	302	112	112	358	-	32	916
Withdrawals	-	-	(137)	-	-	-	-	(34)	(171)
Balance at December 31, 2023	103	36	311	769	1,267	1,298	759	-	4,543
Accumulated depreciation									
Balance at January 1, 2022	-	12	74	511	1,035	580	759	-	2,971
Additions	-	-	15	27	53	52	-	-	147
Withdrawals	-	-	-	-	-	-	-	-	-
Balance at December 31, 2022	-	12	89	538	1,088	632	759	-	3,118
Additions	-	-	24	30	35	58	-	-	147
Withdrawals	-	-	(92)	-	-	-	-	-	(92)
Balance at December 31, 2023	-	12	21	568	1,123	690	759	-	3,173
Net carrying amount									
At December 31, 2022	103	24	57	119	67	308	-	2	680
At December 31, 2023	103	24	290	201	144	608	-	-	1,370

In accordance with current legislation, financial entities in Peru are prohibited from giving as collateral assets that make up Property, Furniture and Equipment, except those acquired through the issuance of financial leasing bonds, and only to perform similar operations.

Management considers that there is no evidence of impairment of the components of property, furniture and equipment at December 31, 2023 and 2022. At December 31, 2023 and 2022 the Fund maintains property, furniture and equipment fully depreciated by S/2,648 thousand and S/2,549 thousand, respectively.

The Fund maintains insurance policies on its main property, furniture and equipment, in accordance with Management policies. In this regard, at December 31, 2023 and 2022 the Fund contracted an all-risk insurance policy that covers the value of the Fund's net assets, including property, furniture and equipment. Management considers that its insurance policies are reasonable for its activity.

12 OTHER ASSETS, NET

At December 31, this item comprises the following:

	<u>2023</u> <u>S/000</u>	<u>2022</u> <u>S/000</u>
Current income tax assets, net (a)	31,388	23,982
Intangible assets, net (b)	8,813	7,274
Prepaid expenses (c)	3,264	4,032
Others (d)	4,187	3,423
	<u>47,652</u>	<u>38,711</u>

(a) The composition of the current income tax asset is presented below:

	<u>2023</u> <u>S/000</u>	<u>2022</u> <u>S/000</u>
Balance of Temporary Tax on Net Assets (ITAN by its acronym in Spanish) (e)	31,023	11,920
Payments on account of third category income tax	365	-
Categoría	-	12,062
	<u>31,388</u>	<u>23,982</u>

(b) It comprises software licenses used by the Fund's computer equipment, whose cost at December 31, 2023 is S/22,030 thousand and its accumulated amortization is S/13,217 thousand (cost is S/18,644 thousand and accumulated amortization is S/11,370 thousand at December 31, 2022).

Intangible assets are amortized using the straight-line method over a maximum of 5 years.

	Balances at 12/31/2023	Additions	Retiros y otros ajustes	Balances at 12/31/2022
	S/000	S/000	S/000	S/000
Cost:				
Software	15,705	1,896	-	13,809
Licenses	2,164	590		1,574
Software in development	4,161	2,796	(1,896)	3,261
	<u>22,030</u>	<u>5,282</u>	<u>(1,896)</u>	<u>18,644</u>
Accumulated amortization				
Software	11,749	1,795	-	9,954
Licensees	1,468	52		1,416
	<u>13,217</u>	<u>1,847</u>	<u>-</u>	<u>11,370</u>
Net cost	<u>8,813</u>			<u>7,274</u>

- (c) Prepaid expenses comprises subscriptions to books and magazines, software support and maintenance services, insurance policies, and deferred loading. At December 31, 2023 the highest balance mainly comprises the contracting and advance payment of the Shared Data Center-Information Custody service according to the corporate contract signed through FONAFE with the provider, for S/1,886 thousand.
- (d) The other item mainly includes operations in process for collections pending receipt from the mortgage loan portfolio as well as a currency exchange operation from Peruvian soles to euros that was settled in January 2024 and the VAT payable in December 2023.
- (e) It comprises the balance of the ITAN not used at the end of December 2023.

13 DEBTS AND BORROWINGS

At December 31, this item comprises the following:

Entity	Curren cy	Maturity	Annual interest rate %	2023				2022			
				Principal S/000	Adjustment to amortized cost S/000	Interests and commissio ns S/000	Total S/000	Principal S/000	Adjustment to amortized cost S/000	Interests and commissio ns S/000	Total S/000
Asociación Francesa de Desarrollo (AFD)	Euros	2031	0.7695-4.23	686,700	(2,406)	2,999	687,293	620,267	(2,958)	1,505	618,814
Kreditanstalt für Wiederaufbau (KfW)	Euros	2031	(*)	442,336	(468)	2,909	444,777	316,908	(548)	1,403	317,763
JP Morgan Chase Bank	U.S. dollar	2029-2032	(**)	1,631,960	(48,310)	29,653	1,613,303	572,100	(37,985)	6,044	540,159
JP Morgan Chase Bank	Peruvia n soles	2029	7.70	551,550	(17,837)	2,477	536,190	-	-	-	-
Banco de la Nación	Peruvia n soles	2025-2028	2.5 a 7.15	810,000	-	8,149	818,149	570,000	-	6,210	576,210
BBVA Banco Continental	Peruvia n soles	2024	7.49	185,000	-	1,416	186,416	-	-	-	-
				<u>4,307,546</u>	<u>(69,021)</u>	<u>47,603</u>	<u>4,286,128</u>	<u>2,079,275</u>	<u>(41,491)</u>	<u>15,162</u>	<u>2,052,946</u>

(*) Credit line 1 with KfW was agreed at a variable interest rate Euribor at 6 months + 110 basic points, while credit line 2 with KfW was agreed at a variable interest rate Euribor at 6 months + 81 basic points, both lines set the rate of the next coupon in May and November of each year during the life of the loan.

(**) Credit lines with JP Morgan are guaranteed by the Multilateral Investment Guarantee Agency (MIGA), both at variable rates. Regarding line 1, it was agreed at a Term SOFR 6-month rate + 60 basic points, while line 2 was agreed at a Term SOFR 6-month rate + 87 basic points.

Certain loan agreements include standard covenant compliance clauses. At December 31, 2023 and 2022 Management considers that these clauses have been met and do not represent any restriction on the Fund's operations.

At December 31, 2023 the balance of the AFD loan amounts to EUR 167,644 thousand (equivalent to S/687,293 thousand), subject to exchange rate risk, and is covered by "full cross-currency swaps (CCS)", for a nominal amount of EUR 157,500 thousand (equivalent to S/645,703 thousand) (note 10). In addition, at December 31, 2023 the KfW loan amounts to EUR 108,490 thousand (equivalent to S/444,777 thousand), subject to exchange rate risk, and is covered by full cross-currency swap for a nominal amount of EUR 107,895 thousand (equivalent to S/442,336 thousand) (note 10).

At December 31, 2023 the balance of the loan in U.S. dollars from JP Morgan Chase Bank amounts to US\$434,970 thousand (equivalent to S/1,613,303 thousand), subject to exchange rate risk, and is covered by full cross-currency swap for a nominal amount of US\$340,000 thousand (equivalent to S/1,261,060 thousand) (note 10) and the difference is covered with assets in U.S. dollars.

The balance of debts and borrowings classified by maturity are as follows:

	2023	2022
	S/000	S/000
Until 3 months	-	52,299
From 3 months to 1 year	339,911	66,894
From 1 to 5 years	2,683,605	1,216,714
More than 5 years	1,262,612	717,039
	4,286,128	2,052,946

14 OUTSTANDING SECURITIES AND CERTIFICATES

At December 31, this item comprises the following:

In thousand	Annual nominal interest rate (%)	Maturity	Issued amount S/000	Carrying amount	
				2023 S/000	2022 S/000
Local issuance of corporate bonds (a)					
Fourth issuance - Serie A	6.72	July 2026	S/310,000	309,940	309,896
Fifth issuance - Serie A	5.02	July 2026	S/250,000	249,853	249,747
Sixth issuance - Serie A	4.78	January 2027	S/240,210	240,016	239,929
Issuance of Global Depositary Notes (GDN)	7.00	February 2024	S/1,500,000	1,499,605	1,498,637
International issuance of corporate bonds					
First issuance (b)	3.50	January 2023	US\$96,435	-	367,735
Reopening of first issuance (c)	3.50	January 2023	US\$76,553	-	291,898
Second program - first issuance (d)	4.625	April 2027	US\$600,000	2,214,081	2,273,505
322				4,513,495	5,231,462
Interest payable				83,507	93,944
				4,597,002	5,325,406

The resources raised by the Fund through the issuance of securities and certificates are intended to finance operations inherent to the line of business.

- (a) At Board of Directors' Meeting held on June 24, 2013, the issuance of the First Corporate Bond Program was approved for US\$1,000,000 thousand or its equivalent in Peruvian soles. In July 2016, July 2019 and January 2020, the Fund performed the fourth, fifth and sixth issuance of corporate bonds of this program, respectively.

At the Board of Directors' Meeting held on November 9, 2016 the issuance of Global Depositary Notes (GDN) was approved for S/2,000,000. In February 2017, the Fund issued GDN for S/1,500,000.

On January 15, 2020, the Fund performed the sixth issuance of corporate bonds, issuing 48,042 bonds with a value of S/5 thousand each, and a total value of S/240,210 thousand, with a term of 7 years, with maturities on January 15, 2027, at a nominal annual rate of 4.7813%.

- (b) In January 2013, the Fund issued bonds 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 thousand, with a maturity period of 10 years. The bonds were placed under nominal value at a price of 99.15%, with a coupon rate of 3.50% per year, with semiannual interest payment and amortization at maturity.

In January 2023, the balance of US\$96,435 of this First issue was paid and, in April 2022, the Fund repurchased bonds from the First issue for a total of US\$403,565 thousand at a price of 101.26%, paying a total value including current interest of US\$411,475 thousand.

- (c) In February 2017, the Fund issued bonds under Rule 144 or Regulation 144 of the Securities Act in the international market, by reopening the First Issue denominated "3.5% Notes Due 2023" made in January 2013. The new issue was for a nominal amount of US\$150,000 thousand, maturing in 6 years. The bonds were placed under nominal value at a price of 99.802%, at a nominal value rate of 3.50%, interest paid semiannually, and amortized at maturity.

In January 2023, the balance of US\$76,553 of this issue was paid, and in April 2022, the Fund repurchased bonds from the reopening of the First issue for a total of US\$73,447 thousand at a price of 101.26% paying a total value including current interest of US\$74,887 thousand.

At December 31, 2023 we no longer have issues to be hedged since they were cancelled in January 2023; however, at December 31, 2022 both the bonds of the first international issue and those of the reopening of the first issue were subject to exchange rate risk, being hedged through "forward purchase of fair value", "principal only swaps (POS)" and "currency swaps (CCS)" for a nominal value of US\$132,770 thousand (equivalent to S/506,385 thousand).

- (d) In April 2022, the Fund issued bonds under Rule 144 or Regulation of the Securities Law in the international market. The issue was for a nominal amount of US\$600,000 thousand, with a maturity of 5 years. The bonds were placed under nominal value at a price of 99.652%, with a coupon rate of 4.625% per year, with semiannual interest payment and amortization at maturity.

At December 31, 2023 these bonds are subject to exchange rate risk, being covered by "currency swaps (CCS)" for a nominal amount of US\$600,000 thousand equivalent to S/2,225,400 thousand. At December 31, 2022 these bonds were subject to exchange rate risk, being covered by "currency swaps (CCS)" for a nominal amount of US\$580,000 thousand equivalent to S/2,212,120 thousand. The balance of securities and titles in circulation at December 31 classified by maturity are presented below:

	2023	2022
	S/000	S/000
From 1 month to 1 year	1,539,552	669,297
From 1 to 2 years	-	1,538,582
From 2 to 5 years	3,057,450	3,117,527
	<u>4,597,002</u>	<u>5,325,406</u>

The issue maturities up to 5 years match the receivables (Trust Agreement – COFIDE) since they are amortizable over time and have a duration between 5 and 6 years. The debt issues that the Fund has taken on average for a duration of 5 years, all in bullet format. Likewise, most debts remain for a duration of 6 years. It should be noted that the Fund's financing strategy seeks to match its assets and liabilities.

15 ACCOUNTS PAYABLES, PROVISIONS AND OTHER LIABILITIES

At December 31, this item comprises the following:

	2023	2022
	S/000	S/000
Payables		
BFH and Vulnerable housing protection bonus (a)	766,750	610,643
BBP (capital) assigned to COFIDE (b)	74,712	80,622
Balance payable as a result of the reconciliation with the MEF (c)	81,822	81,822
Housing lease payment (BAV) payable (d)	13,463	14,718
FONAVI contributions (e)	8,644	8,644
Payables to suppliers	6,068	9,071
Eligible family group savings to be transferred to technical entities (f)	7,844	5,540
Workers' profit sharing,	6,650	4,271
Resources to be transferred by executed performance bonds	979	4,086
BBP (capital) received from MVCS (g)	93,437	50,375
Management Agreement Bonus - FONAFE,	2,346	1,830
Vacation leave and liquidation of social benefits	1,136	868
Emergency lease bonus ("Bono arrendamiento de emergencia" - BAE) (h)	228,566	34,391
Resources recovered from Fid. Real Estate (i)	66,783	-
Others	6,076	3,595
	<u>1,365,276</u>	<u>910,476</u>
Provisions and other liabilities		
Deferred income (j)	47,416	53,003
Provision for CRC - Portfolio sold 2007	753	973
Provision for contingencies	1,513	1,942
Others (k)	3,766	501
	<u>53,448</u>	<u>56,419</u>

(a) It comprises Family Housing Bonus (BFH) and/or Vulnerable Housing Protection Bonus (BVPP) to be returned to the MVCS or disbursed to technical entities (builders) for the financing of the BFH and the family groups that accessed the Techo Propio Program.

In 2023, the Fund received resources from the MVCS for this purpose, through Agreements No.002-2023 and No.104-2023 for S/1,090,012 thousand, and S/29,700 thousand, respectively. Likewise, the MIVIVIENDA S.A. Fund has transferred to technical entities and real estate developers within the framework of agreement No. 002-2023 for S/ 825,506 thousand and under Agreement 104-2023, no disbursements were made since it was conditional on the deadlines of the Announcement.

In 2022, the Fund received resources from the MVCS for this purpose, through Agreements No.001-2022 and No.116-2022 for S/584,247 thousand and S/446,852 thousand, respectively. At December 31, 2023 Fondo MIVIVIENDA S.A. has transferred to technical entities and real estate developers within the framework of agreement No.001-2022 and No.116-2022, S/583,226 thousand and S/446,852 thousand, respectively with ordinary resources. It is important to indicate that with the return of resources, S/6,105 thousand and S/413 thousand have been transferred, respectively.

- (b) It comprises funds received from the MVCS for the granting of the BBP assigned to the loans authorized to the IFIs (Crédito MIHOGAR and Nuevo Crédito MIVIVIENDA) after reviewing compliance with the requirements established in the Regulation.

The movement of this item comprises the following:

	<u>2023</u> <u>S/000</u>	<u>2022</u> <u>S/000</u>
Balance at the beginning of the year	80,622	87,317
Assignments received	168,605	204,624
BBP disbursement for initial installment	(168,605)	(204,624)
Application of BBP to installments of Crédito MIHOGAR	(672)	(669)
Application of BBP to installments of Nuevo Crédito MIVIVIENDA	(5,085)	(5,874)
Application of BBP to installments of CRAC		
Señor de Luren in Liquidation	(153)	(175)
Reported adjustments	-	23
Balance at the end of the year	<u><u>74,712</u></u>	<u><u>80,622</u></u>

- (c) It comprises the collection of FONAVI from those taxpayers without a tax stability agreement, transferred by the Peruvian Tax Administration (Superintendencia Nacional de Administración Tributaria – SUNAT), in accordance with what is stated in section 8.1 of article 8 of Law No.26969 and section c) of article 5 of Law No.26912. According to a report prepared by external advisors for the interpretation of Law No. 29625, a cut was made to the date of entry into force of the Law (2018) determining that the mentioned amount is pending execution for future pronouncements of SUNAT prior to the mentioned cut-off date. Management considers resolutions are still contemplated that would entail a future obligation for the Fund to the extent that these resolutions correspond before 2018.
- (d) It comprises a benefit (subsidy) granted to families for renting housing, encouraging savings to access housing, and thus improving habitability conditions. These funds must be distributed by the beneficiaries in the following way: 70% for the payment of monthly rent, and the other 30% for savings for the purchase of a home.

(e) At December 31, this item comprises the following:

	2023	2022
	S/000	S/000
FONAVI contributions to be transferred to the MEF (i)	8,023	8,023
Return of FONAVI checks not collected (ii)	621	621
	<u>8,624</u>	<u>8,644</u>

- (i) It comprises the collection made by SUNAT of contributions to FONAVI from taxpayers who have a tax stability agreement under Law No.27071, pending transfer to the MEF.
- (ii) It comprises checks drawn from 1999 to 2016, pending collection by the beneficiary. These checks were issued for the return of contributions to FONAVI, according to communications from SUNAT, in charge of collecting these resources.
- (f) It comprises the balances payable to the technical entities on behalf of the eligible family groups that accessed the Techo Propio Program in the "Adquisición de Vivienda Nueva" modality. This balance includes the savings deposited by the family group in Fund accounts.
- (g) It comprises balance of the monetary funds received from the MVCS, pending allocation to the beneficiaries who request the products offered by the Fund. The Fund assigns these resources through COFIDE, when disbursements are authorized to the IFIs for the approved credits. The movement of the item is presented below:

	2023	2022
	S/000	S/000
Balance at the beginning of the year	50,376	4,078
Resources received from the MVCS (i)	210,323	248,898
Assignment to BBP (ii)	(168,605)	(204,624)
Transfer of assigned BBP	4,549	4,753
Return of resources to the MVCS	(3,206)	(2,729)
Balance at the end of the year	<u>93,437</u>	<u>50,376</u>

- (i) In 2023, the Fund received resources from the MVCS that correspond to the new Agreement for the execution of BBP No.001-2023-VIVIENDA for S/210,323 thousand. In 2022, the Fund received resources from the MVCS that correspond to the new Agreement for the execution of BBP No.005-2022-VIVIENDA for S/248,898 thousand.
- (ii) At December 31, 2023 the allocation of resources for the BBP corresponds to Agreements No.001-2023 and No.005-2022, for S/118,062 thousand and S/50,543 thousand, respectively. At December 31, 2022 the allocation of resources for the BBP corresponds to Agreements No. 005-2022; No.004-2021; No.605-2020 and No.004-2019, for S/199,531 thousand; S/3,867 thousand; S/237 thousand and S/989 thousand, respectively.
- (h) The Housing Leasing Bonus for Emergencies is a subsidy granted by the state in response to the State of Emergency declared by Supreme Decrees No.029-2023-PCM, No.034-2023-PCM, No.059-2023 -PCM and No.072-2023-PCM, extended by Supreme Decrees No.089-2023-PCM and No.110-2023-PCM, which the Fund channels to the beneficiaries.

- (i) At December 31, corresponds to the amount recovered for BFH from the Lima Bonita, Barranca Bonita, and Villas del Alto Laran trusts.
- (j) At December 31, 2023, it corresponds mainly to deferred income from receivables (COFIDE Trust) rescheduled for S/21,992 thousand; to the deferred income of the refinanced Ex - Coneminsa portfolio for S/181 thousand and to the Deferred Income corresponding to the income to accrue from the Subsidy received under the LAIF agreement signed with the AFD for S/25,167 thousand.
- (k) The variation is mainly due to the operation in progress for the purchase of SPOT currency from euros to soles for the amount of S/3.3 million, an operation that was regularized in the first days of January 2024.

16 EQUITY

a) Share capital -

At December 31, 2023 and 2022 the share capital is represented by 3,479,607,308 and 3,423,504,780 common shares, which are subscribed and paid-in, respectively, and whose nominal value is one Peruvian sol each. The sole shareholder of the Fund is FONAFE.

At General Shareholders' Meeting held on March 30, 2023, the profit capitalization for 2022 was agreed, net of the legal reserve for S/56,103 thousand. At General Shareholders' Meeting held on March 28, 2022, the profit capitalization for 2021 was agreed, net of the legal reserve for S/37,743 thousand.

b) Legal reserve -

In accordance with the provisions of article 67 of Law N° 26702 – General Law of the Financial System, the Insurance System and the Organic Law of the SBS, it indicates that the Fund must reach a legal reserve of at least 35% of its paid-in capital. This reserve is to be funded through an annual transfer of at least 10% of its net profits, and can be used to offset losses or be capitalized, but it has to be subsequently replenished.

At General Shareholders' Meetings held on March 31, 2023 and March 28, 2022, it was agreed to establish the legal reserve for the profits of 2022 and 2021 for S/6,234 thousand and S/4,194 thousand, respectively.

c) Unrealized gains or losses -

The movement of unrealized gains or losses in 2023 and 2022 is presented net of its tax effect as follows:

	Balance at December 31, 2021	(Debit) / credit in statement of other comprehensive income	Balance at December 31, 2022	(Debit) / credit in statement of other comprehensive income	Balance at December 31, 2023
	S/000	S/000	S/000	S/000	S/000
Available-for-sale investments of the Fund					
Unrealized gains or losses from available-for-sale investments	(89)	(163)	(252)	252	-
Unrealized gains or losses of debt instruments, reclassified from "Available-for-sale investments" to "Investments to maturity"	(5,085)	799	(4,286)	593	(3,693)
	(5,174)	636	(4,538)	845	(3,693)
Deferred income tax, note 24	(380)	(21)	(401)	165	(236)
Sub total	(5,554)	615	(4,939)	1,010	(3,929)
Cash flow hedges					
Unrealized gains or losses on cash flow hedging derivatives	818,289	(835,268)	(16,979)	(238,080)	(255,059)
Transfer to income of realized results in cash flow hedging derivatives	(790,526)	755,163	(35,363)	137,372	102,009
	27,763	(80,105)	(52,342)	(100,708)	(153,050)
Deferred income tax, note 24	(8,190)	23,631	15,441	29,709	45,150
Sub total	19,573	(56,474)	(36,901)	(70,999)	(107,900)
Available-for-sale investments CRC - PBP					
Unrealized gains or losses ⁴ from available-for-sale investments	(625)	20	(605)	115	(490)
Deferred income tax, note 24	(20)	26	6	(6)	-
Sub total	(645)	46	(599)	109	(490)
Total	13,374	(55,813)	(42,439)	(69,880)	(112,319)

d) Regulatory capital -

In June 2008, Legislative Decree No. 1028 modified the General Law, and established that the regulatory capital must be equal to or greater than 10% of the risk-weighted assets and contingent credits corresponding to 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) risk-weighted assets and contingent credits.

At December 31, pursuant to Legislative Decree No. 1028 and amendments, the Fund maintains the following amounts in relation to risk-weighted assets and contingent credits and regulatory capital (basic and supplementary), expressed in Peruvian soles:

	2023	2022
	S/000	S/000
Risk-weighted assets and contingent credits	479,612	450,132
Total regulatory capital	3,601,608	3,418,147
Basic regulatory capital (Level 1)	3,601,491	3,418,147
Basic regulatory capital (Level 2)	117	-
Global capital ratio over effective equity	68.18%	75.94%

At December 31, 2023 and 2022 the Fund complies with SBS Resolutions No.2115-2009 - Regulations for the Requirement of Regulatory Capital for Operating Risk, No.6328-2009 - Regulations for the Requirement of Regulatory Capital for Market Risk, and No.14354-2009 - Regulations for the Requirement of Regulatory Capital for Credit Risk and amendments. These resolutions mainly establish the methodologies to be used by financial entities to calculate risk-weighted assets and contingent credits for each type of risk.

In July 2011, the SBS issued Resolution No.8425-2011, which establishes that to determine the level of additional regulatory capital, financial institutions must have a process to evaluate the sufficiency of their regulatory capital based on their risk profile, according to the methodology described in said Resolution. Pursuant said regularion, the additional regulatory capital requirement will be equal to the amount of regulatory capital requirements calculated for each of the following components: economic cycle, concentration risk, market concentration risk, interest rate risk in the banking record and other risks.

At December 31, 2023 and 2022 the adequacy percentage established by the SBS is 100%, so the additional regulatory capital requirement estimated by the Fund amounts to S/231,674 thousand and S/184,160 thousand, respectively.

At December 31, 2023 and 2022 Management considers that the Fund meets the requirements set forth in the aforementioned resolution and will have no problem with still meeting them, given that its assets comfortably cover said requirements.

17 CONTINGENCIES

At December 31, 2023 and 2022 the Fund maintains the following adversary proceedings:

- a) Different labor processes related to legal claims for the payment of profits and reimbursement of social benefits, for which a provision of S/1,492 thousand and S/1,921 thousand, respectively, was recorded. In addition, it has a registered provision for administrative litigation processes for S/21 thousand Peruvian soles. Management and its legal advisors consider that this provision is adequate.

- b) Different administrative processes related to the cancellation of registration of technical entities due to committed infractions. Management and its legal advisors consider that said contingencies would not generate losses upon completion of said processes.

18 INTEREST INCOME AND EXPENSES

This item comprises:

	<u>2023</u> <u>S/000</u>	<u>2022</u> <u>S/000</u>
Interest income		
Receivables (Trust Agreement-COFIDE), net of interest related to the PBP granted by the Fund (a)	652,132	558,096
Available	166,767	70,458
Investments	5,600	9,920
Direct loan portfolio	5,915	6,894
Attribution to profit or loss of the CRC and PBP Trusts	867	1,043
Other income	23	100
	<u>831,304</u>	<u>646,511</u>
Interest expense (b)		
Outstanding securities and certificates (1)	259,950	276,249
Debts and borrowings (2)	165,036	64,951
PBP (capital) granted by the Fund	29,734	38,763
PBP (capital and interest) – CRC and PBP Trust	1,099	2,506
	<u>455,819</u>	<u>382,469</u>

- (a) In 2023 and 2022, it comprises the interest on returns accrued from Receivables (Trust Agreement – COFIDE) for S/660,239 thousand and S/569,374 thousand, respectively, plus the interest accrued from the rescheduled portfolio for S/2,577 thousand and S/2,317 thousand, respectively, net of interest resulting from the Good Payer Award (“Premio al Buen Pagador” – PBP) for S/10,684 thousand and S/13,595 thousand, respectively.

- (b) In 2023, it mainly comprises:

- 1) The decrease in securities and certificates for S/16,299 thousand was mainly due to the fact that the 1st and the reopening of the 1st international issuance were canceled in 2023.
- 2) The increase in debts and borrowings was mainly due to the loan taken in 2023 from JP Morgan, whose interest expenses amounted to S/107,496 thousand.

19 REVENUE AND EXPENSES FROM FINANCIAL SERVICES

This item comprises:

	<u>2023</u> <u>S/000</u>	<u>2022</u> <u>S/000</u>
Revenue from financial services		
Commission for CRC and PBP service	2,349	2,184
Execution of performance bonds constituted by technical entities - BFH and family savings	3,369	1,746
Other	518	444
	<u>6,236</u>	<u>4,374</u>
Expenses from financial services		
Loan portfolio management service	(1,909)	(2,009)
Securities custody service and banking commissions	(327)	(349)
Other	(22)	(38)
	<u>(2,258)</u>	<u>(2,396)</u>

20 RESULT FROM FINANCIAL OPERATIONS

This item comprises:

	<u>2023</u> <u>S/000</u>	<u>2022</u> <u>S/000</u>
Loss on financial products derived from hedging (see note 10)	(127,739)	(116,557)
Loss on financial products derived from trading (see note 10)	(3,615)	(2,840)
Exchange gains	2,034	1,820
Other	674	3,248
	<u>(128,646)</u>	<u>(114,329)</u>

21 ADMINISTRATIVE EXPENSES

This item comprises:

	<u>2023</u> <u>S/000</u>	<u>2022</u> <u>S/000</u>
Expenses from personnel and Board of Directors (a)	(34,207)	(31,241)
Services received from third parties (b)	(22,649)	(22,226)
Taxes and contributions	(621)	(606)
	<u>(57,477)</u>	<u>(54,073)</u>

(a) The breakdown of expenses from personnel and Board of Directors is as follows:

	<u>2023</u>	<u>2022</u>
	S/000	S/000
Remuneration	(12,370)	(12,059)
Workers' profit sharing	(6,649)	(4,270)
Statutory bonuses	(2,346)	(2,200)
Management Agreement Bonus – FONAFE	(2,345)	(1,830)
Security and social security	(2,017)	(1,846)
Employees' severance indemnities	(1,349)	(1,299)
Vacation leave	(1,354)	(1,159)
Food benefits	(882)	(872)
Other bonuses	(995)	(902)
Professional internship subsidy	(1,219)	(1,090)
Fees of Board of Directors	(240)	(251)
Year-end bonus	(286)	(244)
Personnel clothing	(885)	(574)
Compensation for termination of employment relationship	-	(1,321)
Trainings	(274)	(411)
Cancer insurance	(180)	(136)
Other	(816)	(777)
	<u>(34,207)</u>	<u>(31,241)</u>

The average number of employees of the Fund in 2023 and 2022 is 212 and 205, respectively.

(b) Details of the expenses from services received from third parties are as follows:

	<u>2023</u>	<u>2022</u>
	S/000	S/000
Repair and maintenance	(2,857)	(3,011)
Rental of goods and property	(3,309)	(2,763)
Expenses related to bonds issued	(1,367)	(2,298)
Shared information and communications technology services – FONAFE	(2,453)	(1,845)
Fees and consulting services	(3,011)	(1,751)
Other management services	(1,880)	(1,716)
Insurance	(1,636)	(1,641)
Advertising	(1,775)	(1,161)
Communications	(1,166)	(1,107)
Telemarketing services	(839)	(1,030)
Transportation	(179)	(380)
Other supplies	(204)	(285)
Travel expenses	(121)	(250)
Document storage	(198)	(207)
Other expenses	(1,654)	(2,781)
	<u>(22,649)</u>	<u>(22,226)</u>

22 OTHER INCOME AND EXPENSES, NET

This item comprises:

	2023	2022
	S/000	S/000
Other income		
Margin Call interest	-	775
Portfolio income Former – CONEMINSA	64	76
Other income	1,924	1,352
	<u>1,988</u>	<u>2,203</u>
Fines	(37)	(33)
Other expenses	(47)	(535)
	<u>(84)</u>	<u>(568)</u>
Total other income and expenses, net	<u>1,904</u>	<u>1,635</u>

23 TAX SITUATION

- a) The Fund is subject to the Peruvian tax regime. At December 31, 2023 and 2022 the income tax rate is 29.5%, on the net taxable income, as established in Legislative Decree No.1261.

The income tax rate applicable to the dividend distribution and any other form of profit distribution is 5%; this is for profits that are generated and distributed from January 1, 2017 onwards.

It is worth mentioning that it will be assumed, regardless of any contrary evidence, that the dividend distribution or any other form of profit distribution corresponds to retained earnings or other items likely to generate older levied dividends.

- b) According to the current Peruvian tax legislation, non-domiciled individuals only pay tax on their Peruvian source income. Thus, in general terms, the income obtained by non-domiciled individuals for services rendered in our country will be taxed with Income Tax at a rate of 30% on a gross basis, provided that a Double Taxation Agreement (DTA) does not apply. In this regard, Peru has currently executed DTAs with the Andean Community, Chile, Canada, Brazil, Portugal, Switzerland, Mexico and South Korea. The DTA with Japan is added (Legislative Resolution No.31098, ratified by Supreme Decree No.060-2020-RE that came into force on January 29, 2021).

For the purposes of technical assistance services or digital services provided by non-domiciled individuals in favor of domiciled individuals, the place where they are provided is unimportant and will always be taxed with an Income Tax at a rate of 15% and 30% on a gross basis, respectively, this as long as the application of the DTA does not correspond, so withholding would not apply. La The rate applicable to technical assistance services will be 15%, provided that the requirements set forth in the Peruvian Income Tax Law are met. As stated in the previous paragraph, in these cases the withholding rate may change or may even be inapplicable if the provisions of a current DTA are effective.

Determination of income tax

- c) The Fund, when calculating its tax base for the year ended December 31, 2023, has determined a current income tax for S/37,271 thousand. At December 31, 2022 the Fund determined current income tax payable for S/23,934 thousand.

The income tax expense for the years 2023 and 2022 includes the following:

	2023	2022
	S/000	S/000
Current income tax	(37,271)	(23,934)
Deferred income tax	(1,320)	(2,178)
	<u>(38,591)</u>	<u>(26,112)</u>

The reconciliation of the effective income tax rate with the tax rate is as follows:

	2023		2022	
	S/000	%	S/000	%
Profit before income tax	130,761	100.00%	88,448	100.00%
Theoretical expense	(38,574)	29.50%	(26,092)	29.50%
More (less):				
Net effect of permanent items	(16)	0.01%	(20)	0.02%
Income tax	(38,591)	29.51%	(26,112)	29.52%

Temporary tax on net assets

- d) The Fund is subject to the Temporary Tax on Net Assets (ITAN by its acronym in Spanish). The taxable base is the prior period adjusted net asset value less depreciation, amortization and specific provisions for credit risk. The ITAN rate is 0.4% for years 2023 and 2022, applied to the amount of net assets that exceed S/1,000 thousand. Said tax may be paid in cash or in nine successive monthly installments. The amount paid may be used as a credit against payments of the Peruvian General Income Tax Regime for taxable periods from March to December of the fiscal period for which the tax was paid until maturity date of each of the on-account payments and against the regularization of income tax payments for the related fiscal year. In the event that there is a remaining balance, it may be requested as a refund. The Fund has calculated the temporary tax on net assets for S/47,943 thousand in 2023 (S/44,115 thousand in 2022).

Tax on Financial Transactions

- e) For fiscal years 2022 and 2021, the rate of the Tax on Financial Transactions was set at 0.005%, pursuant to Law No.29667, and is applicable to bank debits and credits or cash movements through the formal financial system, unless the transaction is exempted.

Tax unit

- f) For fiscal years 2023 and 2022, the value of the Peruvian tax unit (UIT) amounts to S/4,950 and S/4,600, respectively.

Tax assessment by Peruvian tax authorities

- g) Peruvian tax authorities have the right to examine, and if necessary, amend the income tax determined by the Fund in the last four years as per the corresponding income tax returns. Value added tax returns from December 2018 to December 2022 of the Fund are pending examination by the Peruvian tax authorities. On the other hand, income tax returns for fiscal years 2019 to 2022 of the Fund are pending examination by the Peruvian tax authorities. In 2022, Peruvian tax authorities began and concluded a partial examination of the Third-Category (Corporate) Income Tax for fiscal year 2018, which resulted in no significant observations. Any higher expense exceeding the provisions made to cover tax obligations will be applied to profit or loss of the fiscal year in which it is determined.

Thus, Management and its legal advisors consider that these tax processes and the pending years of tax examination should not result in significant liabilities for the financial results of the Fund, which is consistent with IFRIC 23.

Due to the possible interpretations that the Peruvian tax authorities can give to the tax standards and regulations in force, it is not possible to determine to date if the revisions that are made will result or not in additional liabilities. Any eventual higher tax or surcharge that could result from the tax reviews would be applied to profit or loss of the fiscal year in which it is determined. However, Management and legal advisors consider that any eventual additional tax settlement will not be significant for the financial statements at December 31, 2023 and 2022.

24 DEFERRED INCOME TAX ASSET

The deferred income tax has been calculated following the liability method and is attributed to the following items:

	Balance at December 31, 2021	(Debit) credit to profit or loss	(Debit) credit to equity	Balance at December 31, 2022	(Debit) credit to profit or loss	(Debit) credit to equity	Balance at December 31, 2023
Deferred assets							
Generic provision for receivables (Trust Agreement - COFIDE)	16,529	2,493	-	19,022	1,739	-	20,761
Provision for receivables (Trust Agreement - COFIDE) adjustment 2017 (*)	4,592	(1,134)	-	3,458	(650)	-	2,808
Unrealized losses from valuation of derivatives for hedging purposes	-	553	15,466	16,019	1,437	29,684	47,140
Unrealized losses on available-for-sale investments	26	-	48	74	-	(74)	-
Deferred income from loan portfolio	4,673	(290)	-	4,383	(244)	-	4,139
Unrealized losses from CRC-PBP Trust investments	-	7	-	7	(7)	-	-
Provision of receivables from Prestaperú clients	1,338	1,247	-	2,585	-	-	2,585
Provision of receivables from ICCGSA	1,119	-	-	1,119	-	-	1,119
Deferred income from Rescheduling of receivables							
Trust Agreement - COFIDE	8,175	(916)	-	7,259	(771)	-	6,488
Other	3,730	1,081	-	4,811	341	17	5,169
Total deferred assets	40,182	3,041	15,514	58,737	1,845	29,627	90,209
Deferred liabilities							
Unrealized gains on CRC-PBP Trust investments	(19)	19	-	-	-	-	-
Unrealized gains on debt instruments, reclassified from "Available-for-sale investments" to "Investments to maturity"	(407)	-	(69)	(476)	-	240	(236)
Unrealized gains from valuation of derivatives for hedging purposes	(8,191)	-	8,191	-	-	-	-
Leveling due to exchange difference of monetary assets and liabilities	(19,473)	(1,255)	-	(20,728)	(3,773)	-	(24,501)
Debts and borrowings	(749)	(1,652)	-	(2,401)	4	-	(2,397)
Costs incurred for Emissions	(157)	(2,331)	-	(2,488)	604	-	(1,884)
Total deferred liabilities	(28,996)	(5,219)	8,122	(26,093)	(3,165)	240	(29,018)
Total deferred assets, net	11,186	(2,178)	23,636	32,644	(1,320)	29,867	61,191

25 FINANCIAL RISK MANAGEMENT

The Fund's activities are mainly related to the credit placement of resources through the country's financial institutions to natural persons for the acquisition of housing. These financial institutions are evaluated and assigned a long-term line of credit. In addition, the Fund participates in efforts to encourage construction and promotion of housing and manages its own resources and the ones received from the State (such as "Bono Familiar Habitacional"), and invests them mainly in remunerated checking accounts and term deposits, investments of fixed income and investment grade, in order to make them profitable and preserve their value over time, which ensures the necessary liquidity to comply with their obligations and credit activities.

In this regard, financial risk management includes the administration of the main risks that the Fund faces due to the nature of its operations. These comprise: credit risk, market risk, liquidity risk and operating risk.

- Credit risk: it comprises the possibility of losses due to the inability or lack of will of debtors, issuers, counterparties or obligated third parties to comply with their contractual obligations.
- Market risk: it comprises the possibility of losses in the value of the held positions from variations in market conditions. It generally includes foreign exchange rate risk, interest rate risk, price risk, among others.
- Liquidity risk: it comprises the possibility that the Fund may not be able to meet the payment of its obligations when due, resulting in losses that significantly affect its equity position.
- Operating risk: it comprises the possibility of losses due to inadequate processes, personnel failures, information technology (IT) or external events.

To manage these risks, the Fund has a structure and organization specialized in management, measurement and reporting systems, and mitigation and coverage processes.

(i) Structure and organization of risk management -

The Fund has a governance and management structure that allows to bring together the administration and control of the risks.

Board of Directors -

The Fund's Board of Directors is responsible for establishing adequate comprehensive risk management and contributing to an internal environment that allows its proper development. The Board of Directors is permanently informed about the degree of exposure to the different risks.

The Board of Directors has created different specialized committees to which it has delegated specific functions in order to strengthen risk management and internal control.

Risk Committee -

The Risk Committee (hereinafter "RC Committee") is a body created by agreement of Board of Directors. By delegation of the Board of Directors and within the established limits, it may approve the policies and organization for comprehensive risk management, as well as the possible modifications. The Committee defines the level of tolerance and the degree of risk exposure that the Fund is willing to assume in the development of the business and decides the necessary actions to implement the required corrective measures, in case there are deviations regarding the risk tolerance levels and assumed degrees of exposure. The Committee meets on a monthly basis and is made up of a minimum of three members, one of whom chairs the Committee, plus the General Manager and the Risk Manager. The Committee periodically reports to the Board of Directors on the agreements made and topics discussed in the Risk Committee meetings.

Special Audit Committee -

The Special Audit Committee (hereinafter "the Special Committee") is a body created by agreement of Board of Directors. It is responsible for helping the Board of Directors to ensure that the accounting and financial reporting processes are appropriate, to evaluate the activities performed by internal and external auditors, and to monitor the proper functioning of the internal control system implemented. The Committee is made up of three members of the Board of Directors who do not hold an executive position in the Fund.

The General Manager and the Head of the Internal Audit Office, as well as the officials that the Special Committee deems necessary, participate as guests in the meetings of the Special Committee.

The Special Committee meets at least once a month and sends quarterly reports to the Board of Directors on the topics discussed. However, it may meet as frequently as necessary according to the priority and number of topics to be discussed, when determined by the Chair of the Committee or when requested by at least two of its members.

Asset and Liability Management Committee -

The Asset and Liability Management Committee (hereinafter "ALCO Committee") is a body created by agreement of Board of Directors. Its main function is to manage the financial structure of the Fund's statement of financial position, based on the profitability and risk goals. The Committee is also responsible for proposing new products or operations or strategies that contain market risk and liquidity risk components. In addition, it is the communication channel with the areas that generate market and liquidity risk. The Committee meets on a monthly basis and is made up of the General Manager, the Commercial Manager, the Finance Manager and the Risk Manager.

General Management -

The General Manager implements adequate comprehensive risk management in the Fund; and directs and coordinates the efforts of the different Managements and offices, to ensure an adequate balance between risk and profitability. Risk Management is a line body and depends directly on the General Management. It is responsible for proposing policies, procedures and methodologies for competent comprehensive risk management, and promoting the alignment of the Fund's risk treatment measures with risk appetite and tolerance levels and the development of appropriate controls. Risk Management is made up of the Market, Liquidity and Operating Risk Department and the Credit Risk and Portfolio Monitoring Department.

Internal Audit -

The Internal Audit Office reports functionally to the Board of Directors and administratively to the General Manager. It provides independent and objective assurance and consultation services; and helps the Fund to meet its objectives by applying a systematic and disciplined approach to evaluate and improve the effectiveness of the Fund's risk management, control and governance processes.

Its organization and operation are in accordance with the provisions of the Peruvian General Law and the Internal Audit Regulations.

(ii) Risk measurement and reporting systems -

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

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

(iii) Concentration of risks -

Through its policies and procedures, the Fund sets the necessary guidelines and mechanisms to avoid excessive concentration of risks. If a concentration risk is identified, the Fund has specialized units that allow controlling and managing said risk.

(a) Market risk -

Market risk is the possibility of loss due to variations in market conditions. The main variations in market conditions to which the Fund is exposed are: the foreign exchange rate and interest rates, which may affect the value of its financial assets and liabilities. The Fund separates market risk exposures as follows:

Value at risk -

Value at risk (VaR) is a statistical technique that measures the maximum loss that a financial asset or a portfolio of financial assets can experience within a time horizon, given a level of confidence. VaR model used by the Fund is the historical VaR for foreign currency exposures (Exchange VaR) and for the investment portfolio (Interest Rate VaR), both with a level of confidence of 99% and a settlement period of 10 days.

It is worth mentioning that this method does not assume any distribution function for profits and losses, and is based solely on the observed historical behavior.

Interest rate risk -

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

The impact of variations in interest rates can be presented in two ways: the first one, which translates into an impact on expected profits, directly related to the reinvestment risk and the risk generated when movements in interest rates expose the entity to higher costs in financing operations (passive interest rates); or lower returns on their investment operations (active interest rates). The second one is related to the valuation of the Fund's assets and liabilities and, therefore, to the economic value or real value of its assets. This modality is used when market interest rates change, which affect the value of different instruments that are part of the Fund's statement of financial position.

The SBS calls these two impacts Earnings at Risk (EaR) and Equity Value at Risk (EVaR), which are short- and long-term structural rate risk indicators, respectively.

At December 31, 2023 and 2022 the Fund monitors that earnings at risk are below the regulatory limit of 5% of effective assets. Also, for the equity value at risk, the Fund established an internal limit of 20% for the regulatory calculation and an internal limit of 20% for the internal calculation.

At December 31, 2023 the interest rate risk of the fixed income instrument portfolio is monitored through the calculation of the market value of each investment instrument registered as available for sale divided by its acquisition cost. In accordance with the Investment Policies and Procedures Manual, if the indicator falls 5% or more, the Finance Management, following the the Risk Management's opinion, informs the ALCO Committee, which will determine whether the causes of the impairment are due to market factors or changes in the conditions of the issuer, in order to decide whether to maintain, reduce or eliminate the position in the instrument. It is worth mentioning that, at the end of December 2023, FMV does not have fixed income instruments registered as available for sale.

Structural interest rate risk management is managed by monitoring and reporting regulatory indicators: earnings at risk and equity value at risk. These indicators result from the regulatory annexes required by the SBS: Annex No.7-A "Measurement of Interest Rate Risk - Gain at Risk" and Annex No.7-B "Measurement of Interest Rate Risk - Equity Value". The results of the indicators are reported to the Risk Committee and the ALCO Committee, which decide the actions to mitigate exposure to interest rate risk.

Repricing gap -

The repricing gap analysis is intended to determine the impact of interest rate movements. The analysis consists of assigning the balances of the operations that will change the interest rate in different time gaps. Based on this analysis, the impact of the variation in the valuation of assets and liabilities is calculated for each gap.

The following table summarizes the Fund's exposure to interest rate risk. The Fund's financial and non-financial instruments are shown at their carrying amounts, ranked between the interest rate repricing period of the agreement or the maturity date, whichever occurs first:

	2023						
	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Not accruing interest	Total
	S/000	S/000	S/000	S/000	S/000	S/000	S/000
Assets							
Cash	2,753,041	-	19,022	253,456	44,045	-	3,069,564
Investments	-	1,422	4,400	25,296	21,801	-	52,919
Receivables (Trust Agreement - COFIDE), net	49,510	118,574	500,776	3,426,107	6,724,559	-	10,819,526
Loan portfolio, net	216	465	1,958	10,777	7,851	-	21,267
Other receivables, net	-	-	-	-	24,032	-	24,032
Hedging derivatives	-	-	-	-	-	59,560	59,560
Other assets, net	-	-	-	-	-	110,033	110,033
Total assets	2,802,767	120,461	526,156	3,715,636	6,822,288	169,593	14,156,901
Liabilities and equity							
Obligations to the public	-	-	234	-	-	-	234
Debts and borrowings	-	-	339,911	2,864,071	1,082,146	-	4,286,128
Outstanding securities and certificates	22,778	1,539,552	-	3,034,672	-	-	4,597,002
Hedging derivatives	-	-	-	-	-	354,493	354,493
Payables, provisions and other liabilities	1,013,629	-	-	-	-	405,095	1,418,724
Equity	-	-	-	-	-	3,500,324	3,500,324
Total liabilities and equity	1,036,407	1,539,552	340,145	5,898,743	1,082,146	4,259,912	14,156,905
Off-balance sheet accounts:							
Hedging derivative financial instruments (asset)	-	-	-	-	-	4,574,499	4,574,499
Hedging derivative financial instruments (liabilities)	-	-	-	-	-	111,270	111,270
Marginal gap	1,766,360	(1,419,091)	186,011	(2,183,107)	5,740,142	372,910	4,463,225
Cumulative gap	1,766,360	347,269	533,280	(1,649,827)	4,090,315	4,463,225	

	2022						
	Up to 1 month S/000	From 1 to 3 months S/000	From 3 to 12 months S/000	From 1 to 5 years S/000	Over 5 years S/000	Not accruing interest S/000	Total S/000
Assets							
Available	1,547,463	-	-	-	23	-	1,547,486
Investments	116,908	32,395	10,289	82,164	21,733	-	263,489
Receivables (Trust Agreement - COFIDE) , net	48,900	106,445	481,456	3,182,396	5,973,740	-	9,792,937
Loan portfolio, net	257	534	2,324	12,646	10,826	-	26,587
Other receivables, net	-	-	-	-	36,486	-	36,486
Hedging derivatives	-	-	-	-	-	128,359	128,359
Other assets, net	-	-	-	-	-	186,769	186,769
Total assets	1,713,528	139,374	494,069	3,277,206	6,042,808	315,128	11,982,113
Liabilities and equity							
Obligations to the public	-	-	202	-	-	-	202
Debts and borrowings	-	52,299	66,894	1,216,714	717,039	-	2,052,946
Outstanding securities and certificates	692,848	-	-	4,632,557	-	-	5,325,405
Hedging derivatives	-	-	-	-	-	158,629	158,629
Payables, provisions and other liabilities	662,111	-	-	-	-	304,785	966,896
Equity	-	-	-	-	-	3,478,035	3,478,035
Total liabilities and equity	1,354,959	52,299	67,096	5,849,271	717,039	3,941,449	11,982,113
Off-balance sheet accounts:							
Hedging derivative financial instruments (asset)	-	-	-	-	-	3,931,165	3,931,165
Hedging derivative financial instruments (liabilities)	-	-	-	-	-	86,845	86,845
Marginal gap	358,569	87,075	426,973	(2,572,065)	5,325,769	217,999	3,844,320
Cumulative gap	358,569	445,644	872,617	(1,699,448)	3,626,321	3,844,320	

Sensitivity to changes in interest rates -

The sensitivity of the income statement to different interest rate fluctuations is shown below. Fluctuations affect both expected flows and the value of asset and liability balances.

In the case of the income statement, the calculation reflects the expected variation of the financial margin in the period equivalent to one year. Consequently, the current income and expense position is considered and the effect of the variation in rates is annualized. Figures express the expected change in value of assets less liabilities for different time gaps. In addition, the effect of derivative financial instruments that are subject to interest rates is included.

The considered interest rate fluctuations apply equally throughout the entire yield curve; that is, a parallel movement of the curve is considered. The effects are considered independently for each of the two currencies presented.

Gap calculations are based on the SBS regulatory interest rate risk model, effective at the date of the statement of financial position. Sensitivities are calculated before the effect of income tax.

Exposure to changes in the interest rate is supervised by the Asset and Liability Management Committee, as well as by the Risk Committee, which approves the maximum limits allowed.

The effect of the estimated changes in interest rates at December 31 is as follows:

2023					
	Change in basic points	Sensitivity in net profit or loss		Sensitivity in equity	
		S/000		S/000	
U.S. dollar	+ / - 25	+ / -	329	+ / -	12
U.S. dollar	+ / - 50	+ / -	658	+ / -	24
U.S. dollar	75	+	987	+	35
U.S. dollar	100	+	1,316	+	47
Peruvian sol	+ / - 50	- / +	1,112	- / +	17,730
Peruvian sol	+ / - 75	- / +	1,668	- / +	26,596
Peruvian sol	+ / - 100	- / +	2,224	- / +	35,461
Peruvian sol	+ / - 150	- / +	3,337	- / +	53,191

2022					
	Change in basic points	Sensitivity in net profit or loss		Sensitivity in equity	
		S/000		S/000	
U.S. dollar	+ / - 25	+ / -	27	+ / -	(85)
U.S. dollar	+ / - 50	+ / -	54	+ / -	(169)
U.S. dollar	75	+	80	+	(254)
U.S. dollar	100	+	107	+	(339)
Peruvian sol	+ / - 50	- / +	3,710	- / +	17,955
Peruvian sol	+ / - 75	- / +	5,566	- / +	26,933
Peruvian sol	+ / - 100	- / +	7,421	- / +	35,910
Peruvian sol	+ / - 150	- / +	11,131	- / +	53,865

(i) Foreign exchange rate risk -

Foreign exchange risk is related to changes in the value of positions on and off the statement of financial position that are adversely affected by changes in exchange rates.

The Board of Directors approves the foreign exchange rate risk exposure limits, which are monitored on a daily basis. Most foreign currency assets and liabilities are held in U.S. dollars and Euros.

Foreign exchange rate risk is controlled based on an internal hedging limit, ranging from 95% to 105% in relation to the Fund's accounting exchange position in foreign currency. In addition, the Fund has an internal limit to the value at risk of the global position equal to 0.75% of its regulatory capital.

The Fund monitors foreign exchange rate risk through the internal hedging limit on the accounting exchange position in foreign currency. Regarding maximum losses due to adverse exchange rate movements, these are calculated using an internal value-at-risk model.

The results of the regulatory and internal value-at-risk model (at 99% confidence and with a settlement period of 10 days) are as follows:

	<u>2023</u>		<u>2022</u>	
	<u>S/000</u>	<u>%</u>	<u>S/000</u>	<u>%</u>
Internal model	2,983	0.08%	2,880	0.08%
Global position	18,751	0.52%	3,880	0.11%

Transactions in foreign currency are performed at free market exchange rates.

At December 31, the weighted average free market exchange rate published by the SBS for the accounting of assets and liabilities in foreign currency is as follows:

	<u>Symbol</u>	<u>2023</u>	<u>2022</u>
		<u>S/</u>	<u>S/</u>
USD	US\$	3.709-	3,814
Euro	€	4.099702	4.0822

At December 31, the position by currency of the Fund is as follows:

In thousands of Peruvian soles	2023				2022			
	USD	PEN	Euro	Total	USD	PEN	Euro	Total
Assets								
Cash	421,192	2,607,258	41,020	3,069,470	232,034	1,315,298	154	1,547,486
Investments	31,119	21,800	-	52,919	143,494	119,995	-	263,489
Receivables (Trust Agreement COFIDE), net	15,923	10,803,603	-	10,819,526	-	-	-	-
Loan portfolio, net	30	21,241	-	21,271	49	26,538	-	26,587
Other receivables, net	449	23,583	-	24,032	125,928	25,293	-	151,221
Hedging derivatives	22,474	37,000	-	59,474	11,069	117,290	-	128,359
Other asset accounts	592	106,341	3,280	110,213	2,508	69,363	164	72,035
	<u>491,779</u>	<u>13,620,826</u>	<u>44,300</u>	<u>14,156,905</u>	<u>546,836</u>	<u>11,434,959</u>	<u>318</u>	<u>11,982,113</u>
Liabilities								
Obligations to the public	-	234	-	234	-	202	-	202
Debts and borrowings	-	3,154,057	1,132,071	4,286,128	-	1,116,369	936,577	2,052,946
Outstanding securities and certificates	3,850,163	746,839	-	4,597,002	3,506,512	1,818,894	-	5,325,406
Hedging derivatives	-	354,493	-	354,493	-	158,628	-	158,628
Payables	2,102	1,363,174	-	1,365,276	2,123	936,436	-	938,559
Provisions and other liabilities	767	52,681	-	53,448	997	27,191	149	28,337
	<u>3,853,032</u>	<u>5,671,478</u>	<u>1,132,071</u>	<u>10,656,581</u>	<u>3,509,632</u>	<u>4,057,720</u>	<u>936,726</u>	<u>8,504,078</u>
Currency forward position, net	(111,270)	-	-	(111,270)	(86,845)	-	-	(86,845)
Currency swap position, grandson	3,486,460	-	1,088,039	4,574,499	2,993,990	-	937,175	3,931,165
Net monetary position	<u>13,937</u>	<u>7,949,348</u>	<u>268</u>	<u>7,963,553</u>	<u>(55,651)</u>	<u>7,377,239</u>	<u>767</u>	<u>7,322,355</u>

The Fund manages foreign exchange rate risk through the matching of its active and passive operations, by monitoring the global exchange position on a daily basis. The Fund's global exchange position is equal to long positions less short positions in currencies other than the Peruvian sol. The global position includes balance sheet ("spot") positions and also positions in derivatives.

The sensitivities in the case of the variation of the U.S. dollar and the Euro are presented below. Negative variations represent potential losses, while positive variations represent potential gains:

	Change in exchange rates	2023	2022
		S/000	S/000
Sensitivity analysis			
Revaluation			
U.S. dollar	5%	697	(347)
U.S. dollar	10%	1,394	(695)
Devaluation			
U.S. dollar	5%	(697)	347
U.S. dollar	10%	(1,394)	695

	Change in exchange rates	2023	2022
		S/000	S/000
Sensitivity analysis			
Revaluation			
Euro	5%	241	153
Euro	10%	481	307
Devaluation			
Euro	5%	(241)	(153)
Euro	10%	(481)	(307)

(b) Liquidity risk -

Liquidity risk consists of the Fund's inability to meet the maturity of its obligations, incurring losses that significantly affect its equity position. This risk can be a result of different events, such as: the unexpected reduction of funding sources, the inability to liquidate assets quickly, among others.

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

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

Liquidity risk is managed through the analysis of contractual maturities. The main component of the Fund's assets are receivables (Trust Agreement - COFIDE). Maturities are based on the monthly maturities of loans. Another component of the asset comprises investments to maturity and available-for-sale investments, which are distributed according to the contractual term.

At December 31, the Fund's obligations presented in accordance with the agreed contractual terms, without discounting and including accrued interest, are as follows:

	2023					
	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Financial liabilities						
Obligations to the public	-	-	234	-	-	234
Debts and borrowings	-	-	339,911	2,864,071	1,082,146	4,286,128
Outstanding securities and certificates	22,778	1,539,552	-	3,034,672	-	4,597,002
Payables	1,022,863	6,838	849	-	334,639	1,365,189
Total non-derivative financial liabilities	1,045,641	1,546,390	340,994	5,898,743	1,416,785	10,248,553
Derivative financial liabilities						
Contractual amounts received (inflows)	37,627	108,120	512,445	3,783,730	-	4,441,922
Contractual amounts paid (outflows)	(37,090)	(119,065)	(634,787)	(4,268,358)	-	(5,059,300)
	<u>537</u>	<u>(10,945)</u>	<u>(122,342)</u>	<u>(484,628)</u>	<u>-</u>	<u>(617,378)</u>
	2022					
	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Financial liabilities						
Obligations to the public	-	-	202	-	-	202
Debts and borrowings	-	52,299	66,894	1,216,714	717,039	2,052,946
Outstanding securities and certificates	692,848	-	-	4,632,558	-	5,325,406
Payables	673,983	4,410	627	-	259,515	938,535
Total non-derivative financial liabilities	1,366,831	56,709	67,723	5,849,272	976,554	8,317,089
Derivative financial liabilities						
Contractual amounts received (inflows)	484,325	57,920	188,578	3,342,544	-	4,073,367
Contractual amounts paid (outflows)	(415,280)	(62,549)	(293,296)	(3,755,478)	-	(4,526,603)
	<u>69,045</u>	<u>(4,629)</u>	<u>(104,718)</u>	<u>(412,934)</u>	<u>-</u>	<u>(453,236)</u>

(c) Credit risk -

Credit risk is defined as the probability of incurring financial losses caused by non-compliance with the contractual obligations of a counterparty or obligated third parties due to insolvency, inability or lack of willingness to pay.

The Fund opts for a risk policy that ensures sustained and profitable growth; consequently, it incorporates analysis procedures for adequate decision making, tools and methodologies that allow identifying, measuring, mitigating and controlling different risks in the most efficient way according to the SBS. It also develops management models that allow adequate measurement, quantification and monitoring of loans granted to IFIs, by promoting continuous improvement of policies, tools, methodologies and processes.

The Fund's credit risk exposure is managed through continuous analysis of the debtors' ability to meet interest and capital payments on their obligations and through monitoring the use of the General Line of Credit granted to the IFI.

(d) Maximum exposure to credit risk -

At December 31, 2023 and 2022 Management estimated that the maximum amount of credit risk to which the Fund is exposed is represented by the carrying amount of financial assets with an exposure to credit risk and that consist mainly of deposits in banks, available-for-sale investments, investments to maturity, receivables, loan portfolio, operations with derivative financial instruments and other monetary assets. The exposure for each counterparty is limited by internal and regulatory guidelines.

In this regard, at December 31, 2023 and 2022:

- 100% of the receivables (Trust Agreement - COFIDE) are classified, according to the IFI risk, in the two highest levels defined by the SBS (note 7).
- 100% and 68.08%, respectively, of the available-for-sale investments and investments to maturity of instruments classified abroad, have at least a classification of BBB-, for long-term instruments.
- 100% and 100%, respectively, of the available funds represent the amounts held with first-level local financial entities.

Regarding the evaluation of receivables (Trust Agreement - COFIDE) and the direct loan portfolio, the Fund classifies debtors into the risk categories established by SBS and in accordance with the classification criteria indicated for each type of loan, that is, for debtors of the mortgage portfolio. This classification of debtors is determined through a methodology based on the criteria of SBS Resolution No. 11356-2008 "Reglamento para la evaluación y clasificación del deudor y la exigencia de provisiones" and its amendments, notes 4.C. and 4.D.

(i) Credit risk management for receivables (Trust Agreement - COFIDE) -

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

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

The main functions of credit risk management are: (i) the analysis of the IFI's credit risk, (ii) the classification and provisioning of the IFI, (iii) the review of the loan portfolio to the IFI, through the evaluation of its credit policies, operating procedures, and in general, and (iv) the monthly monitoring and control of the IFI based on internally defined covenants.

The credits financed by the Fund are placed in national currency. It is important to note that the Fund still maintains loan balances in U.S. dollars, comprising the first products it disbursed (at December 31, 2023 and 2022 the portfolio in U.S. dollars represents 0.15% and 0.32% of the total portfolio, respectively).

At December 31, 2023 and 2022 the maximum level of exposure to the Fund's credit risk in receivables (Trust Agreement - COFIDE) is S/11,087,209 thousand and S/9,998,404 thousand, respectively, which comprise balances in the statement of financial position at those dates.

In accordance with Resource Channeling Agreements signed between the Fund and the IFI, the IFI are responsible for ensuring that the subloans have an established mortgage guarantee.

Due to its role as fiduciary, COFIDE has mechanisms through Resource Channeling Agreements signed with the IFI, which ensure the mass of mortgage loans placed by the Fund, for which the IFI must respond.

The evaluation and proposal of the credit line is performed by Commercial Management. Risk Management reviews the proposal, analyzes the risks, issues a conclusive opinion and presents the proposal to the Risk Committee for approval or denial.

At December 31, Receivables (Trust Agreement - COFIDE) without CRC, classified by IFI risk are as follows:

	2023		2022	
	S/000	%	S/000	%
Normal	7,372,557	100.47%	7,375,978	100.38%
With potential problems	17,611	0.24%	23,606	0.32%
	-	100.71%	7,399,584	100.70%
Credit risk management for receivables (Trust Agreement - COFIDE)	(52,048)	-0.71%	(51,483)	0.70%
	<u>7,338,120</u>	<u>100.00%</u>	<u>7,348,101</u>	<u>100.00%</u>

(i) Credit risk management in investments -

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

At December 31, the risk classification of the available-for-sale investments and investments to maturity held by the Fund is as follows:

In thousands of Peruvian soles	2023				2022			
	Available-for-sale investments		Investments to maturity		Available-for-sale investments		Investments to maturity	
	S/000		S/000		S/000		S/000	
Instruments issued and classified in Peru								
AAA	-	-	-	-	-	-	-	-
AA- to AA+	-	-	31,088	58.75%	-	-	76,610	33.40%
CP- 1(+ / -)	-	-	-	-	-	-	87,722	38.25%
CP- 2(+ / -)	-	-	-	-	-	-	-	-
	-	-	31,088	58.75%	-	-	164,332	71.65%
Instruments issued in Peru and classified abroad								
A- to A+	-	-	-	-	-	-	-	-
BBB- to BBB+	-	-	21,194	40.05%	33,649	98.56%	31,351	13.67%
BB- to BB+	-	-	-	-	-	-	30,470	13.29%
	-	-	21,194	40.05%	33,649	98.56%	61,821	26.96%
	0.00%	0.00%	52,282	98.79%	33,649	98.56%	226,153	98.61%
Earned returns	0.00%	0.00%	638	1.21%	491	1.44%	3,196	1.39%
	0.00%	0.00%	52,920	100.00%	34,140	100.00%	229,349	100.00%

(ii) Financial instruments with exposure to credit risk - Concentration -

At December 31, financial instruments with exposure to credit risk are distributed in the following economic sectors:

	<u>2023</u>					<u>2022</u>				
	At fair value through profit or loss for trading or hedging purposes S/000	Available receivables and loans S/000	Available- for-sale investments S/000	Investments to maturity S/000	Total S/000	At fair value through profit or loss for trading or hedging purposes S/000	Available receivables and loans S/000	Available- for- sale investments S/000	Investments to maturity S/000	Total S/000
Financial services	59,560	13,891,170	-	-	13,950,730	128,359	11,439,909	33,649	126,636	11,640,832
Central government	-	-	-	21,194	21,194	-	-	-	31,351	31,351
Electricity, gas and water	-	-	-	31,088	31,088	-	-	-	37,695	37,695
Construction	-	-	-	-	-	-	-	-	30,471	30,471
Other	-	24,032	-	-	24,032	-	151,072	-	-	151,072
	59,560	13,915,202	-	52,282	14,027,044	128,359	11,590,981	33,649	226,153	11,891,421
Interest	-	19,096	-	637	19,734	-	16,297	491	3,196	19,984
	59,560	13,934,298	-	52,919	14,046,778	128,359	11,607,278	34,140	229,349	11,910,338

At December 31, credit risk exposure presents the following geographic distribution:

	<u>2023</u>					<u>2022</u>				
	At fair value through profit or loss for trading or hedging purposes S/000	Available receivables and loans S/000	Available- for-sale investments S/000	Investments to maturity S/000	Total S/000	At fair value through profit or loss for trading or hedging purposes S/000	Available receivables and loans S/000	Available- for- sale investments S/000	Investments to maturity S/000	Total S/000
Peru	24,866	13,915,202	-	52,282	13,992,350	21,176	11,590,981	33,649	138,431	11,784,237
USA	20,891	-	-	-	20,891	45,190	-	-	-	45,190
Germany	-	-	-	-	-	20,630	-	-	-	20,630
Canada	4,554	-	-	-	4,554	4,450	-	-	-	4,450
UK	7,828	-	-	-	7,828	35,442	-	-	-	35,442
Spain	1,421	-	-	-	1,421	1,471	-	-	-	1,471
	59,560	13,915,202	-	52,282	14,027,044	128,359	11,590,981	33,649	138,431	11,891,420
Interest	-	19,096	-	637	19,734	-	16,297	491	3,196	19,984
	<u>59,560</u>	<u>13,934,298</u>	<u>-</u>	<u>52,919</u>	<u>14,046,778</u>	<u>128,359</u>	<u>11,607,278</u>	<u>34,140</u>	<u>141,627</u>	<u>11,911,404</u>

(e) Capital management -

At December 31, 2023 and 2022 the Fund complied with the mandates of Legislative Decree No.1028 and SBS Resolutions No.2115-2009, No.6328-2009, No.14354-2009, No.3953 - 2022 and its amendments, which contain the Regulations for Regulatory Capital Requirements for Operating, Market, Credit and Additional Risk, respectively. These regulations mainly set the methodologies that financial entities must use to calculate regulatory capital requirements.

(f) Capital management -

At December 31, 2023 and 2022 the Fund complied with the mandates of Legislative Decree No.1028 and SBS Resolutions No.2115-2009, No.6328-2009, No.14354-2009, No.3953 - 2022 and its amendments, which contain the Regulations for Regulatory Capital Requirements for Operating, Market, Credit and Additional Risk, respectively. These regulations mainly set the methodologies that financial entities must use to calculate regulatory capital requirements.

26 FAIR VALUE

The fair value of financial instruments is the amount whereby an asset can be exchanged between a properly informed buyer and seller, or where an obligation can be settled, between a debtor and a creditor with sufficient information, under the terms of free trade.

Fair value is a market-based measurement, so a financial instrument traded in an actual transaction in a liquid and active market has a price supporting its fair value. When the price for a financial instrument is not observable, the fair value must be measured using another valuation technique, to maximize the use of relevant observable variables and minimize the use of unobservable variables.

To calculate the fair value of an instrument that is not quoted on liquid markets, the market value of an instrument that is actively traded on the market and that has similar characteristics can be used, or it can be obtained through some analytical technique, such as analysis of discounted flows or valuation by multiples.

Assumptions and calculations used to determine the fair value for financial assets and liabilities are as follows:

- Financial instruments accounted for at fair value: the fair value is based on market prices or some financial valuation methods. In positions valued at market price, investments that are traded in centralized mechanisms are mainly considered. Positions valued by any financial valuation method include derivative and other financial instruments; their fair value is mainly determined using market rate curves and price vector provided by the SBS.
- Instruments with a fair value similar to carrying amount: for financial assets and liabilities that are liquid or have short-term maturities (less than three months), the carrying amount is considered to be similar to their fair value. This assumption is also applicable for term deposits, savings accounts without a specific maturity and financial instruments with variable interest rates.

- Fixed-rate financial instruments: the fair value of financial assets and liabilities held at a fixed interest rate and at amortized cost is determined by comparing the interest rates at initial recognition with market rates related to similar financial instruments. For quoted debt issued, the fair value is determined based on quoted market prices. According to the Multiple Official Letter SBS No. 1575-2014, the fair value of the loan portfolio and obligations to the public comprises its carrying amount.
- (i) Financial instruments measured at fair value and fair value hierarchy: the following table shows an analysis of the financial instruments measured at fair value at December 31, including their fair value hierarchy level. The amounts are based on balances presented in the statement of financial position:

	2023				2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Available-for-sale								
investments	-	-	-	-	-	34,140	-	34,140
Hedging derivatives	-	59,560	-	59,560	-	128,359	-	128,359
	-	59,560	-	59,560	-	162,499	-	162,499
Financial liabilities								
Hedging derivatives	-	354,493	-	354,493	-	158,629	-	158,629

Financial assets included in Level 1 are those that are measured based on information that can be observable in the market, to the extent that quotes reflect an active, liquid market and are available in a centralized negotiation mechanism, agent, pricing provider or regulatory entity.

Financial instruments included in Level 2 are valued with market prices of other instruments that have similar characteristics or with financial valuation models that are based on information on observable variables in the market (interest rate curves, price vectors, etc.).

Financial assets included in Level 3 are valued using assumptions and data that do not correspond to prices of operations traded in the market.

In 2023 and 2022, the Fund has not transferred financial instruments from Level 2 to Level 1 or Level 3.

(ii) Financial instruments not measured at fair value -

At December 31, the comparison of the carrying amounts and fair values of financial instruments not measured at fair value in the statement of financial position is as follows:

	2023		2022	
	Fair value	Carrying amount	Fair value	Carrying amount
Assets				
Available-for-sale investments	3,069,564	3,069,564	1,547,486	1,547,486
Investments to maturity	54,103	52,919	225,621	229,349
Receivables (Trust Agreement - COFIDE) , net	10,819,526	10,819,526	9,792,936	9,792,936
Loan portfolio, net	21,271	21,271	26,587	26,587
Other receivable, net	24,032	24,032	151,221	151,221
	<u>13,988,496</u>	<u>13,987,312</u>	<u>11,743,851</u>	<u>11,747,579</u>
Liabilities				
Obligations to the public	234	234	202	202
Debts and borrowings	4,286,128	4,286,128	2,052,946	2,052,946
Outstanding securities and certificates	4,573,281	4,597,002	5,119,821	5,325,406
Payables	1,365,276	1,365,276	938,559	938,559
	<u>10,224,919</u>	<u>10,248,640</u>	<u>8,111,528</u>	<u>8,317,113</u>

27 SUBSEQUENT EVENTS

After December 31, 2023, Fondo MIVIVIENDA S.A. made the payment of the Corporate Bonds for S/1,500 million, whose maturity date was scheduled for February 14, 2024

In addition to the above, there are no significant events that occurred between the closing date of these financial statements and their approval date that could affect the Fund's financial position.