

FINANCIAL STATEMENTS
FONDO MIVIVIENDA S.A.
SEPTEMBER 2019

Fondo MIVIENDA S.A.
Statement of Financial Position
As of September 30, 2019 and December 31, 2018
(Stated in thousands of Nuevos Soles)

	Notes	As of September 30, 2019	As of December 31, 2018		Notes	As of September 30, 2019	As of December 31, 2018
ASSETS				LIABILITIES			
CASH AND DUE FROM BANKS	4	1,448,240	2,565,456	OBLIGATIONS WITH THE PUBLIC		541	228
Cash		0	0	Demand deposits		0	0
Banco Central de Reserva del Perú		6,976	6,683	Saving Account Deposits		0	0
Banks and other companies of the financial system		1,440,636	2,489,749	Long-term Saving Account Deposits		0	0
Foreign banks and other companies of the financial system		0	68,497	Other liabilities		541	228
Exchange		0	0	INTERBANK FUNDS		0	0
Other cash and due from banks		628	527	FINANCIAL ORGANIZATIONS		0	0
INTERBANK FUNDS		0	0	Demand Deposits		0	0
INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS		0	0	Saving Deposits		0	0
Equity Instrument		0	0	Time Deposits		0	0
Debt instrument		0	0	DUE TO BANKS AND FINANCIAL OBLIGATIONS	13	4,723,146	5,459,609
Investments in commodities		0	0	Dues and Obligations with Banco Central de Reserva del Perú		0	0
AVAILABLE-FOR-SALE INVESTMENTS	5	11,947	188,829	Dues and Obligations with Domestic Banks and Other Financial system companies	13.a)	120,043	0
Instruments representing the equity		0	0	Dues and Obligations with Foreign Companies and International Financial Bodies	13.b)	329,320	444,323
Instruments representing the debt		11,947	188,829	Other Dues and Obligations of the Country and Abroad		0	0
HELD-TO-MATURITY INVESTMENTS	5	260,692	363,628	Securities	13.c)	4,273,783	5,015,286
LOAN PORTFOLIO	6	38,214	40,254	TRADINGS DERIVATIVE FINANCIAL INSTRUMENT	7	0	0
Current Loan Portfolio		37,227	42,108	HEDGING DERIVATIVE FINANCIAL INSTRUMENT	7	42,705	57,081
Restructured Loan Portfolio		0	0	ACCOUNTS PAYABLES	14	1,343,982	1,440,277
Refinanced Loan Portfolio		0	0	PROVISIONS	15 (a)	3,962	5,437
Non-performing Loan Portfolio		35,846	35,401	Provisions for Contingent Loans		0	0
Loan Portfolio in Judicial Collection		152	156	Provisions for Lawsuits and Disputes		1,547	2,198
(-) Provisions for Loans		-35,011	-37,411	Others		2,415	3,239
TRADING DERIVATIVE FINANCIAL INSTRUMENT	7	0	0	CURRENT INCOME TAXES		0	0
HEDGING DERIVATIVE FINANCIAL INSTRUMENT	7	212,059	202,872	DEFERRED INCOME TAXES		0	0
ACCOUNTS RECEIVABLES		7,376,932	6,774,387	OTHER LIABILITIES	15 (b)	961	1,027
Accounts Receivables for Sale of Goods and Services and Trust (net)	8	7,302,089	6,749,426	TOTAL LIABILITIES		6,115,297	6,963,659
Other Account Receivables (net)	9	74,843	24,961	SHAREHOLDER'S EQUITY			
REALIZABLE ASSETS RECEIVED IN PAYMENTS, AWARDED		0	0	Capital Shares	16.a)	3,355,584	3,324,714
Realizable Assets		0	0	Additional Capital		0	0
Assets Received in Payment and Awarded		0	0	Treasury Shares		0	0
SHARES		0	0	Reserve	16.b)	27,087	23,657
Branch companies		0	0	Retained Earnings		-254	-1,634
Affiliated and shares in joint ventures		0	0	Net Income for the Year		31,721	34,300
Others		0	0	Adjustment to Equity	16.c)	-73,330	-79,591
PROPERTY, FURNITURE AND EQUIPMENT (NET)	10	955	1,109	TOTAL SHAREHOLDER'S EQUITY		3,340,808	3,301,446
INTANGIBLE ASSET DIFFERENT THAT THE CAPITAL GAIN	11	5,381	5,032	TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		9,456,105	10,265,105
CAPITAL GAIN		0	0				
CURRENT INCOME TAXES	26 j)	28,190	69,126				
DEFERRED INCOME TAXES	27	67,392	51,376				
NONCURRENTASSETS KEPT FOR SALE		0	0				
OTHER ASSETS	12	6,103	3,036				
TOTAL ASSETS		9,456,105	10,265,105				
MEMORANDA CONTINGENTS	30	2,970,185	3,098,258				
MEMORANDA ACCOUNTS	30	3,989,297	2,783,333				
CONTRA CREDIT ACCOUNT	30	2,830,908	2,304,484				
TRUST, COMMISSIONS OF MEMORANDA TRUSTEE AND CONTRA CREDIT ACCOUNT OF TRUST	30	219,706	207,925				

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

Fondo MIVIENDA S.A.
Statement of Income
For the periods ended september 30, 2019 and 2018
(Stated in thousands of Nuevos soles)

	Notes	For the specific quarter from july 1 to september 30, 2019	For the specific quarter from july 1 to september 30, 2018	For the period specific from January to September 30, 2019	For the period specific from January to September 30, 2018
INTERESTS INCOME					
Available		13,605	21,184	45,235	69,000
Interbank funds		0	0	0	0
Investments at fair value with changes in results		0	0	0	0
Available-for-sale investments		140	1,401	1,340	2,474
Held-to-maturity investments		3,606	5,339	11,761	17,637
Direct Loans Portfolio		2,471	1,770	5,762	5,691
Income from hedging transactions		0	0	0	0
Accounts receivables		114,980	103,507	331,492	301,835
Other financial income		10	73	109	161
TOTAL INTEREST INCOME	17	134,812	133,274	395,699	396,798
INTEREST EXPENSES					
Obligations with the public		0	0	0	0
Interbank funds		0	0	0	0
Deposits of companies from the financial system and international financial organizations		0	0	0	0
Dues and Financial obligations		-56,423	-61,887	-170,503	-189,002
Dues and obligations with Banco Central de Reserva del Perú		0	0	0	0
Dues and obligations of the country's financial system		-921	0	-1,614	0
Dues and obligations with foreign financial institutions and international financial bodies		-982	-1,025	-3,077	-2,462
Other dues and obligations of the country and abroad		0	0	0	0
Commissions and other charges of dues and financial obligations		-16	-129	-16	-949
Securities and outstanding liabilities		-54,504	-60,733	-165,796	-185,591
Interests of accounts payable		0	0	0	0
Income from hedging transactions		0	0	0	0
Other financial expenses		-20,563	-14,499	-55,999	-40,653
TOTAL INTEREST EXPENSES	18	-76,986	-76,386	-226,502	-229,655
GROSS FINANCIAL MARGIN		57,826	56,888	169,197	167,143
(-) Provisions for direct loans		169	-1,204	2,400	-3,191
GROSS FINANCIAL MARGIN		57,995	55,684	171,597	163,952
FINANCIAL SERVICE REVENUES					
Indirect loans income	19	1,520	1,038	3,678	3,400
Trusts and trust commissions income		169	165	508	489
Income from issuing electronic money		0	0	0	0
Miscellaneous income		1,351	873	3,170	2,911
FINANCIAL SERVICE EXPENSES	20	-586	-534	-1,797	-2,106
Indirect loans expenses		0	0	0	0
Trust expenses and trust commissions		-43	-52	-139	-156
Premium for the deposits insurance fund		0	0	0	0
Miscellaneous Expenses		-543	-482	-1,658	-1,950
NET FINANCIAL MARGIN OF FINANCIAL SERVICES REVENUES AND EXPENSES		58,929	56,188	173,478	165,246
FINANCIAL OPERATING INCOME					
Investments at fair value with changes in results	21	-16,545	-21,573	-56,232	-80,832
Investments at fair value with changes in results		0	0	0	0
Investments in commodities		0	0	0	0
Available-for-sale investments		0	0	0	0
Trading derivative instruments	21.a	0	-707	1,223	336
Income of hedging derivative instruments	21.b	-16,254	-20,518	-53,869	-78,189
Profits (losses) in shares		0	0	0	0
Profit-loss of exchange rate difference	21.c	-342	-430	-3,985	-2,690
Others		51	82	399	-289
OPERATING MARGIN		42,384	34,615	117,246	84,414
ADMINISTRATIVE EXPENSES					
Personnel and board of directors expenses	22 (a)	-7,953	-5,117	-24,438	-21,073
Expenses due to services received from third parties	22 (b)	-4,328	-4,085	-13,059	-17,627
Taxes and contributions	22	-148	-161	-609	-465
DEPRECIATIONS AND AMORTIZATIONS NET		-393	-403	-1,129	-1,080
NET FINANCIAL MARGIN		29,562	24,849	78,011	44,169
VALUATION OF ASSETS AND PROVISIONS					
Provisions for indirect loans		0	0	0	0
Provisions for uncollectibility of account receivables	23	-26,765	-5,413	-40,122	-17,932
Provisions for realizable, received in payment, recovered, awarded and other assets		0	0	0	0
Provision for noncurrent assets kept for sale		0	0	0	0
Investment impairment	23	0	-1,556	0	-3,776
Impairment of property, furniture and equipment		0	0	0	0
Impairment of intangible assets		0	0	0	0
Provisions for litigation and claims	23	-8	-139	-179	-434
Other provisions	23	-124	-137	-343	-602
OPERATING INCOME		2,665	17,604	37,367	21,425
Other income and expenses	24	671	371	4,304	2,797
INCOME BEFORE INCOME TAX		3,336	17,975	41,671	24,222
INCOME TAX	26 (k)	1,539	-3,157	-9,950	-4,292
NET INCOME		4,875	14,818	31,721	19,930
Basic incomes (loss) per share		0.001	0.004	0.010	0.006
Diluted incomes (loss) per share		0.001	0.004	0.010	0.006

Fondo MIVIVIENDA S.A.
Statement of the Comprehensive Income
For the periods ended september 30, 2019 and 2018
(Stated in thousands of Nuevos Soles)

Notes	For the specific quarter from july 1 to september 30, 2019	For the specific quarter from july 1 to september 30, 2018	For the period specific from January to September 30, 2019	For the period specific from January to September 30, 2018
Net income (Loss)	4,875	14,818	31,721	19,930
Other comprehensive income:				
Exchange difference due to transactions abroad	0	0	0	0
Gain (loss) of investments in equity instruments at fair value	0	0	0	0
Hedging of cash flow	-18,532	15,122	8,132	12,412
Hedging of net investment of business abroad	0	0	0	0
Share in another comprehensive income of affiliates, associates and joint ventures	0	0	0	0
Revaluation surplus	0	0	0	0
Others	215	-120	567	410
Another comprehensive income before taxes	-18,317	15,002	8,699	12,822
Income tax related to components of another comprehensive Income				
Exchange difference due to transactions abroad	0	0	0	0
Gain (loss) of investments in equity instruments at fair value	0	0	0	0
Hedging of cash flow	5,467	-4,461	-2,399	-3,662
Hedging of net investment of business abroad	0	0	0	0
Share in another comprehensive income of affiliates, associates and joint ventures	0	0	0	0
Revaluation surplus	0	0	0	0
Others	-20	79	-39	7
Sum of income taxes related to components of another comprehensive Income	5,447	-4,382	-2,438	-3,655
Other comprehensive Income:	-12,870	10,620	6,261	9,167
Total comprehensive Income, net of the Income tax	-7,995	25,438	37,982	29,097

Fondo MIVIVIENDA S.A.
Statement of Cash Flow
For the periods ended september 30, 2019 and 2018
(Stated in thousands of Nuevos Soles)

	Note	As of September 30, 2019	As of September 30, 2018
CASH FLOW FROM OPERATING ACTIVITIES			
NET INCOME		31,721	19,930
ADJUSTMENTS			
Depreciation and amortization		1,129	1,080
Provisions		59,255	33,538
Impairment		0	3,776
Other adjustments		40,523	-213,346
NET CHANGES IN ASSETS AND LIABILITIES			
(Net increase) decrease in assets			
Loans		2,054	8,615
Investments at fair value through profit and loss		0	0
Available-for-sale investments		176,694	-146,063
Accounts receivables and others		-770,583	68,888
Net increase (decrease) in liabilities			
Financial liabilities, non-subordinated liabilities		0	0
Accounts receivables and others		-107,124	501,715
Cash flow and equivalent to cash after adjustments and net change in assets and liabilities		-566,331	278,133
Cash collected (paid) from income taxes		12,084	-11,413
NET CASH FLOW FROM OPERATING ACTIVITIES		-554,247	266,720
CASH FLOW FROM INVESTMENT ACTIVITIES			
Cash from the sale of shares		0	0
Cash paid to purchase shares		0	0
Sale proceeds from intangibles and property, furniture and equipment		0	0
Acquisition of intangibles and property, furniture and equipment		-1,329	-1,214
Sale proceeds from held-to-maturity investments		89,489	403,980
Acquisition of held-to-maturity investments		0	0
Other inflows related to investment activities		824,005	665,598
Other outflows related to investment activities		0	0
NET CASH FLOW FROM INVESTMENT ACTIVITIES		912,165	1,068,364
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issuing subordinated financing liabilities		0	0
Outflow from recovery subordinated financial liabilities		0	0
Proceeds from issuing stock		0	0
Dividends paid to shareholders		0	0
Other inflows related to financing activities		0	0
Other outflows related to financing activities		-651,128	-871,467
NET CASH FLOW FINANCING ACTIVITIES		-651,128	-871,467
Net increase (decrease) in cash and cash equivalent before changes on the exchange rate		-293,210	463,617
Effects of the changes on the cash and cash equivalent exchange rate		0	0
Net increase (decrease) of cash and cash equivalent		-293,210	463,617
Cash and cash equivalent at the beginning of the period		1,661,450	1,186,586
Cash and cash equivalent at the end of the period		1,368,240	1,650,203

Fondo MIVIENDA S.A.
Statement of Changes in Net Equity
For the periods ended september 30, 2019 and 2018
(Stated in thousands of Nuevos Soles)

	Capital shares	Additional capital	Own Shares in the Portfolio	Legal reserves	Voluntary reserves	Retained Earnings	Net Income	Adjustments to Equity							Total Net Equity	
								Exchange differences in Translation of Foreign Operations	Gain (Losses) of Investment in Equity Instruments at fair value	Cash flow hedging	Hedging of net investment of foreign business	Participation in another Comprehensive Income of Affiliates, Associates and joint Ventures	Revaluation Surplus	Other adjustments		Total adjustments to equity
Balance as of January 1, 2018	3,302,620	0	0	249	0	22,751	0	0	0	-111,427	0	0	0	-8,573	-120,000	3,205,620
1. Adjustments due to changes in the accounting policies	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2. Adjustments due to correction of errors	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3. Initial balance after adjustments	3,302,620	0	0	249	0	22,751	0	0	0	-111,427	0	0	0	-8,573	-120,000	3,205,620
4. Changes in the Equity:																
5. Comprehensive Income:																
6. Income							19,930									19,930
7. Other Comprehensive Income:									8,750					418	9,168	9,168
8. Total Comprehensive Income:							19,930	0	8,750	0	0	0	418	9,168	29,098	29,098
9. Changes in the net Equity (not included in comprehensive Income)																
10. Transference of the Income to retained Earnings				0	0	0	0									0
11. Declared cash dividends							0									0
12. Issuance of Capital stock (different than business combination)	22,094	0	0	0	0	-22,094										0
13. Reduction of Capital (different than business combination)	0	0	0	0	0	0										0
14. Increase (decrease) of Business Combination	0	0	0	0	0	0										0
15. Increase (decrease) due to trades of treasury stock	0	0	0	0	0	0										0
16. Increase (decrease) due to Transference and Other Changes	0	0	0	23,408	0	-1,918										21,490
Total changes in equity	22,094	0	0	23,408	0	-24,012	19,930	0	8,750	0	0	0	418	9,168	50,588	50,588
Balance as of september 30, 2018	3,324,714	0	0	23,657	0	-1,261	19,930	0	-102,677	0	0	0	-8,155	-110,832	3,256,208	3,256,208
Balance as of January 01, 2019	3,324,714	0	0	23,657	0	32,666	0	0	-72,043	0	0	0	-7,548	-79,591	3,301,446	3,301,446
1. Adjustments due to changes in the accounting policies	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2. Adjustments due to correction of errors	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3. Initial balance after adjustments	3,324,714	0	0	23,657	0	32,666	0	0	-72,043	0	0	0	-7,548	-79,591	3,301,446	3,301,446
4. Changes in the Equity:																
5. Comprehensive Income:																
6. Income							31,721									31,721
7. Other Comprehensive Income									5,733					528	6,261	6,261
8. Total Comprehensive Income:							31,721	0	5,733	0	0	0	528	6,261	37,982	37,982
9. Changes in the net Equity (not included in Comprehensive Income)																
10. Transference of the Income to retained Earnings				0	0	0	0									0
11. Declared cash dividends							0									0
12. Issuance of Capital stock (different than business combination)	30,870	0	0	0	0	-30,870										0
13. Reduction of Capital (different than business combination)	0	0	0	0	0	0										0
14. Increase (decrease) of Business Combination	0	0	0	0	0	0										0
15. Increase (decrease) due to trades of treasury stock	0	0	0	0	0	0										0
16. Increase (decrease) due to Transference and Other Changes	0	0	0	3,430	0	-2,050										1,380
Total changes in equity	30,870	0	0	3,430	0	-32,920	31,721	0	5,733	0	0	0	528	6,261	39,362	39,362
Balance as of september 30, 2019	3,355,584	0	0	27,087	0	-254	31,721	0	-66,310	0	0	0	-7,020	-73,330	3,340,808	3,340,808

NOTES TO FINANCIAL STATEMENTS

As of September 30, 2019

In thousands of Soles

1. Background and economic activity

The Fondo MIVIVIENDA S.A. (hereinafter "the FUND") is a state-owned company under private law and is governed by Law No. 28579 "Ley de Conversión del FONDO Hipotecario de la Vivienda - FONDO MIVIVIENDA a FONDO MIVIVIENDA S.A." (Law of Conversion of the Mortgage FUND of Housing - Fondo MIVIVIENDA to Fondo MIVIVIENDA S.A.) and its by-laws. The FUND falls under the purview of the Peruvian National FUND for the Financing of Business Activities of the State (Fondo Nacional de Financiamiento de la Actividad Empresarial Del Estado or "FONAFE" by its Spanish acronym) under the Ministry of Housing, Construction and Sanitation (MVCS for its acronym in Spanish). The aforementioned Law No. 28579 provided for the conversion of the former "Fondo Hipotecario de Promoción de la Vivienda - Fondo MIVIVIENDA (Mortgage FUND for the Promotion of Housing - Fondo MIVIVIENDA)" into a corporation called FONDO MIVIVIENDA S.A., as of January 1, 2006.

The FUND's objectives is the promote and financing the acquisition, improvement and construction of homes especially those of social interest, promotion of activities to invest into the home lending market, participation in the secondary mortgage market, as well as contributing to the development of the Peruvian capital market. All the Fund's activities are regulated by the Superintendence of Banking, Insurance and Pension Funds Administrators (Superintendencia de Banca, Seguros y AFP or "SBS" by its Spanish acronym), by SBS Resolution N°980-2006 "Regulation for the Fondo MIVIVIENDA S.A."

The Fund's domicile is Avenida Paseo de la República 3121, San Isidro, Lima, Peru.

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

- i. MIVIVIENDA program.
- ii. Techo Propio Program - Management of the "Household Housing Bonus" (Bono Familiar Habitacional - BFH for its acronym in Spanish) as commissioned by the Ministry by MVCS.
- iii. Resources of the FUND Law No. 27677, as commissioned by the Ministry of Economy and Finance (hereafter - MEF by its Spanish acronym).

The characteristics of each program and resource are as follows:

(i) MIVIVIENDA Program

The FUND, through the Trust Agreement with the "Corporación Financiera de Desarrollo S.A" (Financial Corporation of development "COFIDE" for its Spanish acronym)", channels resources to financial institutions that are participants in the Peruvian financial system to grant mortgage loans. Among its characteristics are the Good Payer Award (Premio al Buen Pagador or "PBP" by its Spanish acronym), the Good Payer Bonus (Bono al Buen Pagador, henceforth "BBP" for its Spanish acronym), and the Credit Risk Coverage (CRC for its Spanish acronym).

The MIVIVIENDA programme comprises the following products:

- Nuevo Crédito MIVIVIENDA
- Crédito MICONSTRUCTION (*)
- Crédito MICASA MÁS (*)
- Crédito MITERRENO(*)
- Crédito MIHOGAR(*)
- Crédito MIVIVIENDA Estandarizado (*)
- Crédito MIVIVIENDA Tradicional (*)

- Crédito complementario Techo Propio (Financiamiento Complementario al Bono Familiar Habitacional – BFH)
- Servicio de Cobertura de Riesgo Crediticio - CRC y Premio al Buen Pagador - PBP (Financiamiento de las Instituciones Financieras Intermediarias) - Service of Credit Risk Coverage and Good Payer Award (Funding to Intermediary Financial Institutions, hereafter "IFI") (*)

(*) These products have been discontinued as of June 30, 2018, the balances only correspond to receivables balances, see note 8. In the case of the CRC - PBP service and the Crédito MIVIVIENDA Estandarizado, these were no longer granted since November 2009, the Crédito MIHOGAR has not been granted since August 2009, the Crédito MIVIVIENDA Tradicional since May 2006 and the Crédito MICASA MAS and Crédito MICONSTRUCCIÓN since January 2018.

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

The subsidy under the Techo Propio program is granted under three modalities:

- (i) Acquisition of a new home (AVN for its acronym in Spanish);
- (ii) Construction on owned lot (CSP for its acronym in Spanish); and
- (iii) House renovations (MV for its acronym in Spanish).

In all modalities, the financing of housing within this program comprises of the participation of up to three components:

- (a) a subsidy channeled by the Fund with resources from the State called the Household Housing Bonus (BFH);
- (b) household savings and
- (c) if necessary, the Household Housing Bonus Supplemental Funding (Techo Propio Program) that is to be awarded by an IFI.

According to the Third Transitional Provision of Law No.28579, upon ending the year 2005, the Fund was assigned from the Government to manage the BFH and the Techo Propio Program resources, by signing an agreement with the MVCS.

On April 28, 2006, the Fund, the MVCS and the FONAFE signed the "Agreement on Management of the Household Housing Bonus and the Funds of the Techo Propio Program", by virtue of which the fund is entrusted with the administration of the BFH and the funds of the Techo Propio Program, including the promotion activities, registration, recording and verification of information, qualification of applicants, allocation of the BFH and the transfer of the BFH to the promoter, vendor, builder or the respective technical entity. This agreement establishes that FONAFE must allocate resources to the Fund to manage the costs and expenses of the Program.

(iii) FUND Law No. 27677

By virtue of Law No. 27677 dated March 1, 2002, the Fund was entrusted with the administration, reimbursement and channeling of the proceeds resulting from the liquidation of The National Housing Fund (Fondo Nacional de Vivienda or "FONAVI", as per the Spanish acronym). Law No. 29625, which became effective on December 8, 2010, provides for the reimbursement of the amounts that were contributed to FONAVI back to the workers that made those contributions. Article 4 of Law No. 29625 contemplates the formation of an Ad Hoc Committee responsible for conducting and supervising all procedures relating to the reimbursement of the contributions to FONAVI. This conformation of the Ad Hoc Committee was approved on September 24, 2012 by Ministerial Resolution No. 609-2012-EF/10. Under these norms, the FUND would provide the Ad Hoc Commission with all the relevant documentation and reports for it to undertake the administration and collection of FONAVI's debts, funds and assets, as well as its liabilities. During 2019, 2018, 2016 and 2014, the Fund made

transfers of said administered resources for the amounts of S/174'667,691.15, S/20'000,000, S/40'000,000 and S/200'000,000, respectively, according to a request received from the AD Hoc Commission.

Likewise, the FUND established the CRC and PBP Nuevos Soles, and CRC and PBP US Dollars Trusts, in order to ensure the obligation of the FUND to render the PBP and CRC payments and, in addition, to secure the resources to cover the equivalent of one third (1/3) of the total amount placed by each IFI that contracts said service. It should be noted that these trusts are regulated by SBS Resolution No. 980-2006, which approves the Regulations of the FUND.

By virtue of the service contracts of the CRC and PBP Trusts, the FUND provides the IFIs with the following services:

- Credit Risk Coverage (CRC service) as defined in Article 21 of the CRC and PBP Regulations, is a guarantee that the FUND grants in favor of the IFI up to one third (1/3) of the outstanding balance of the covered credit or one third (1/3) of the loss, whichever is less, amount that must be communicated by the IFI to the FUND, in the terms and conditions provided by the aforementioned regulations.
- Good Payer Award (PBP service), defined in article 24 of the CRC and PBP Regulations as the service provided to the IFI, whereby the FUND assumes payment of the fees corresponding to the concession portion (amount of the good payer's premium) to be charged to the beneficiaries of the covered loans who have complied with timely payment of the fees corresponding to the non-concessional portion. This award is aimed to settle every six months the amount of the installment payable in the corresponding period to the concession portion of the MIVIVIENDA credit.

The financial statements as of June 30, 2019, were approved by the Board of Directors Fondo MIVIVIENDA S.A. on April 29, 2019.

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

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

The main duties of COFIDE are the following:

- Compliance with articles 241 to 274 of the General Law of the Financial and Insurance System and Organic Law of the SBS – Law No. 26702 and its amendments.
- Verify compliance with requirements and conditions of the IFI according to Supreme Decree No. 001-99- MTC.
- Sign an agreement with the IFIs that the requirements and conditions for the intermediation of the channeling of resources have been met.
- Supervise the use of the resources in accordance with the FUND's regulations and the agreement on the channeling of resources.
- Collect the loans granted to the IFIs.
- Contract the necessary audits at the FUND's expense.
- Submit periodic reports on the development of the Trust, as well as recommendations on IFI exposure limits (*).
- Establish operating procedures necessary for the proper administration of the FUND.

- Any others necessary to ensure the normal development of the objectives and functions of the trust and the FUND.

With regard to the commissions generated by the services provided by COFIDE, COFIDE was authorized to deduct from the amounts disbursed by the IFIs a one-time commission of 0.25 per cent on the amount of each loan, as well as a commission of 0.25 per cent per annum on the outstanding balances of the loans, which will be charged to the IFIs and will be charged preferably on the dates of collection of the loan instalments granted to the IFIs. These accounts are recorded as income by COFIDE.

The duration of this Agreement is 5 years and it is automatically renewed if neither of the parties expresses its will to terminate it

- (*) On May 18, 2012, the Fund signed Addendum No.1 to the Trust Agreement was signed, annulling COFIDE's obligation to issue recommendations on the exposure limits of the IFIs with the fund, as the fund is a corporation supervised by the SBS. Through SBS Resolution No. 3586-2013, the fund is not subject to the limits established by Article 204 of the Banking Act No.26702, since it operates as a second-tier bank. Nonetheless, the fund has established internal limits to prevent the concentration of lending to the IFIs, taking into account factors of regulatory capital size, risk classification and risk-weighted regulatory capital ratio.

Among the main obligations of the FUND are:

- 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 their use in financing the purchase of housing, as well as the debt limits for each of them.
- Establish the terms and conditions under which the resources of the FUND will be made available to the IFIs, and the manner in which they will be placed.

COFIDE is entitled to the following:

- Intermediate and monitor the Fund's resources, being able to enter into and sign all deeds and documents necessary, public and private, for that purpose.
- Require that the IFI's constitute guarantees on behalf of the beneficiaries.
- Exercise all the powers contained in articles 74 and 75 of the Civil Procedure Code that may be necessary for the fulfillment of the entrusted task. Consequently, COFIDE may sue, counterclaim, reply to claims and counterclaims, withdraw from the proceedings or the claim, agree to the claim, conciliate, compromise and submit to arbitration the claims at issue in the proceedings.
- It is stated that COFIDE is not responsible for the solvency of the IFI.
 - (*) On December 30, 2016, Addendum No. 2 to the Trust Agreement was signed, the purpose of which is to modify the term of the Trust and the commissions agreed upon in clause seven of the Trust Agreement, which shall become effective as of 01.02.2018.

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

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

Collection commission equivalent to 0.23% annual effective to be refuted on balances due, for loans disbursed as of 01.02.2018 and will be paid by financial intermediaries. This commission will be payable on the collection dates of the loan installments granted by financial intermediaries. The duration of this Agreement is 3 years being automatically renewed if neither party expresses its will to resolve it.

3. Significant accounting principles and practices

The main accounting principles and practices applied in the preparation of the financial statements have been applied consistently in the periods presented, unless otherwise indicated, and are detailed below:

(a) Basis of preparation and use of estimates -

The accompanying financial statements have been prepared from the FUND's accounting records, which are maintained in nominal monetary terms as of the date of the transactions, in accordance with the SBS standards applicable to the FUND in effect in Peru as of June 30, 2019 and December 31, 2018; in addition, when there is no specific SBS standard, with the International Financial Reporting Standards - IFRS formalized in Peru through the resolutions issued by the Accounting Standards Council (CNC for its acronym in Spanish) and in force to June 30, 2019 and December 31, 2018.

The preparation of the accompanying financial statements requires management to make estimates that affect the reported amounts of assets and liabilities, revenues and expenses and the disclosure of significant events in the notes to the financial statements. Estimates are continuously evaluated and are based on historical experience and other factors. The final results could differ from those estimates. The most significant estimates in relation to the accompanying financial statements relate to the provision for doubtful accounts, the valuation of investments, the valuation of derivative financial instruments, the estimated useful lives and recoverable amounts of property, furniture, equipment and intangible assets and liabilities and deferred income tax assets and liabilities, the accounting criteria of which are described in this note.

(b) Currency

The fund considers the Sol to be its functional and presentation currency as it reflects the nature of economic events and circumstances relevant to the fund, since its principal operations and/or transactions such as: loans granted, financing obtained, interest income and expenses, as well as principal purchases, are established and paid in soles.

Transactions and balances in foreign currency -

Assets and liabilities in foreign currency are recorded at the exchange rate at the date of the transactions. Monetary assets and liabilities denominated in foreign currency are converted into soles at the end of each month using the exchange rate set by the SBS. Gains or losses resulting from the translation of monetary assets and liabilities denominated in foreign currencies at the exchange rates prevailing at the date of the statement of financial position are recorded in earnings for the year as "Gain or loss on exchange difference" in "Income from financial transactions".

(c) Financial instruments -

Financial instruments are classified into assets, liabilities or equity according to the substance of the contractual agreement giving rise to them. Interest, dividends, gains and losses generated by a financial instrument classified as an asset or liability are recorded as income or expense. Financial instruments are offset when the FUND has the legal right to offset them and Management intends to cancel them on a net basis or to realise the asset and settle the liability simultaneously. In addition, see the numeral referring to the criteria for the accounting recording of accounts receivable from the CRC and PBP Trusts.

The financial assets and liabilities presented in the financial statements correspond to available-for-sale and held-to-maturity investments, the loan portfolio, accounts receivable (Trust Agreement - COFIDE), other accounts receivable and liabilities in general, except for those identified under the captions "Provisions and other liabilities" and "asset for deferred Income Tax, net" as non-financial instruments. In addition, all derivative instruments are considered to be financial instruments. The accounting

policies for the recognition and valuation of these items are disclosed in the note below.

(d) Recognition of income and expenses

(d.1) Interest income and expenses –

Interest income and expenses are recorded in the income statement for the period in which they are accrued, based on the term of the operations that generate them and the established interest rates. As the FUND grants credit lines to the IFIs for channeling resources, whose loan disbursements are made through the COFIDE Trust, and not when the final beneficiary is placed in accordance with the provisions of the Accounting Manual for companies of the Financial System of the SBS; their income is recorded on an accrual basis and no suspended interest is recognized in accordance with the accounting treatment stipulated by the SBS for the FUND.

(d.2) Bonus and Award to Good Payers–

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

(i) The Good Payer Bonus (hereinafter "BBP") was created pursuant to Law No. 29033 dated June 7, 2007, as non-refundable direct aid to eligible final beneficiaries, for a maximum amount of S/12,500 as of April 22, 2010 (S/10,000 before April 22, 2010), which is provided to persons who have timely paid six consecutive monthly installments corresponding to the non-concessional portion of the MIVIENDA Credit. For this purpose, the fund divides the total amount disbursed of the MIVIVIENDA Credit plus its interest into 2 schedules:

- A half-annual amortization schedule called "concessional section, corresponding to the amount of the Good Payer Bonus (principal and interest); and
- A monthly schedule called the 'non-concessional section, corresponding to the amount of the loan less the amount of the concessional period (principal and interest).

In these cases, the BBP is received from the MVCS (to the extent that the MVCS has the funds available) at the request of the FUND and is recorded for financial reporting and control purposes on the liability side in the "Bonus to the Good Payer (capital) received from the MVCS" account under the heading "Other accounts payable" of the statement of financial position.

When disbursing a MIVIVIENDA Credit through the COFIDE Trust, the FUND records in the "Accounts receivable, net (Trust Agreement - COFIDE)" account the full amount of the disbursed amount and generates the two aforementioned schedules.

The interest on both periods is recognized in accordance with the accrual method, based on the preferential rates agreed upon with the financial institutions with which the agreements have been signed, recognizing such interest as financial income.

Subsequently, the list of BBP beneficiaries is sent to the MVCS, and the bonus is reclassified from eligible beneficiaries of the "Good Payer Bonus" received passive account to the "Good Payer Bonus - assigned" passive account.

(ii) In cases where the Good Payer Bonus is assumed directly by the FUND (when they do not comply with the requirements of Law No. 29033, as

amended; for example, when the value of the home to be acquired is greater than 25 Tax Units or when the bond is granted with own resources, among others), it is called the "Good Payer Bonus (PBP)".

In both cases, the award or bonus is granted for the timely payment of six installments of the schedule called the non-concessional section, an amount that varies depending on the type of loan granted.

- (iv) By means of UD No. 002-2014 published on July 28, 2014, article 14.2 establishes that for the granting of the Good Payer Bonus the value of the property to be acquired is greater than 14 tax units and does not exceed 50 Tax Units. The BBP is available as a non-refundable financial assistance up to a maximum amount of S/12,500. To this end, the Banco de la Nación was authorized to lend the fund an amount of S/500'000,000 with the participation of the MVCS for cancellation purposes, as established in the loan agreement. In these cases, the Fund previously received all of the BBP's resources for allocation during 2014. For these purposes, the MIVIENDA FUND has two modalities of application of the BBP corresponding to this Emergency Decree:

- Applied to the financing of the Good Payer Award (PBP), for an amount of S/10,000 for housing values greater than 14 Tax Units and not exceeding 25 Tax Units for MIVIVIENDA credits granted from January 1, 2014 to July 28, 2014. As of July 29, 2014, fund S/12,500 for housing values greater than 14 Tax Units and not exceeding 50 Tax Units.
- Applied as a complement to the initial of the mortgage loan, the BBP will serve as a complement to the contribution of the final beneficiaries to reach the minimum down payment required and is applied at the time of disbursement of the loan, therefore, it does not form part of the loan.

- (v) Under the guidelines of Supreme Decree No. 003-2015-VIVIENDA published on January 22, 2015, was established the staggered application of the Good Payer Bonus for housing values from 14 to 50 Tax Units, in accordance with the following detail:

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

For these purposes, the FUND MIVIVIENDA has two modalities of BBP application:

- BBP applied as a complement to the initial of the mortgage loan, the BBP will be used as a complement for the clients to reach the initial minimal amount required and shall be applied at the time of the loan disbursement to the IFI, and therefore it is not part of it (loan).
- BBP granted to finance the PBP for the timely payment of six consecutive monthly installments corresponding to the non-concessional tranche of the loan. This BBP applies to those PBP that was granted to housing value between thirty-five (35) tax units and

fifty (50) tax units, corresponding to the previous PBP modality, which was set at S/12,500.

- (vi) By means of Supreme Decree No. 001-2018 of January 13, 2018, the Regulation of Law No. 29033, Creation of the Good Payer Bonus Law was modified and approved by Supreme Decree No. 003-2015, in which was established the following tranching application of the BBP:

Housing value	BBP value S/
Over 20 tax unit to 30 tax unit	14,000
Over 30 tax unit to 38 tax unit	12,500

For these purposes, the FUND had the modality of considering the BBP as a complement to the initial installment, the BBP will be used as a complement for the clients to reach the initial minimal amount required, and it is applied at the time of the loan disbursement to the IFI, therefore it is not part of it (loan).

The BBP guidelines established in Supreme Decree No. 003-2015-VIVIENDA were applicable until the Supreme Decree No. 001-2018 was in force.

- (vii) The Supreme Decree No. 017-2018 as of June 24, 2018, modified the Regulation of Law No. 29033 approved by the Supreme Decree No. 003-2015, the values of housing and BBP were established as follows:

Housing value (IPC)	BBP value (tax unit)	BBP amount (S/)
From S/ 56,700 to S/ 81,000	4.19753	17, 000
Over S/ 81,000 to S/ 121,500	3.45679	14, 000
Over S/ 121,500 to S/ 202,500	3.08642	12, 500
Over S/ 202,500 to S/ 300,000	0.74074	3,000

- (viii) The Supreme Decree No. 002-2018 as of January 24, 2018, modified the Regulation of Law No. 29033 approved by the Supreme Decree No. 003-2015. The values of housing and BBP were established as follows:

Housing value (IPC)	BBP value (tax unit)	BBP amount (S/)
From S/57,500 to S/82,200	4.19753	17, 500
Over S/82,200 to S/123,200	3.45679	14, 400
Over S/123,200 to S/205,300	3.08642	12, 900
Over S/205,300 to S/304,100	0.74074	3,100

- (ix) Currently, the BBP is in force under the guidelines from the Supreme Decree No. 004-2019 as of January 23, 2019, which modified the Regulation of Law No. 29033 approved by the Supreme Decree No. 003-2015. The values of housing and BBP were established as follows:

Housing value (IPC)	BBP value (tax unit)	BBP amount (S/)
From S/58,800 to S/84,100	4.19753	17, 700
Over S/84,100 to S/125,900	3.45679	14, 600
Over S/125,900 to S/209,800	3.08642	13, 000
Over S/209,800 to S/310,800	0.74074	3,200

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

- (x) When the BBP is granted, at the time sub borrower has complied timely with the payment of six consecutive monthly installments, the FUND credits the accounts receivable (principal) of the concessional tranche and charges the liability "Good Payer Bonus - assigned", see note 13(e). The interest of the concessional tranche installment is recognized as an expense of the FUND and is presented net of the "Income from accounts receivable (Trust Agreement – COFIDE)" of the caption "Interest Income" of income statements, see Note 19.
- (xi) The Good Payer Award (hereinafter "PBP") are resources assumed directly by the FUND to grant a Bonus.

Until June 2018, the housing values in force for the PBP were as follows:

Housing Value	BBP value S/
Over 50 tax unit to 70 tax Unit	5,000

PBP as a complement to the initial fee, which will serve as a complement to the client's contribution to reach the minimum initial fee required and is applied at the time of disbursement of the credit, therefore it is not part of it.

By Board Agreement No. 04-16D-2018 of July 3, 2018, the modification of the housing values and PBP value as a complement to reach the initial minimal amount was approved according to the following:

Housing Value S/	PBP value- CI (Tax unit)	BBP amount-CI (S/)
Over S/202,500 to S/300,000	0.74074	3,000

By Board Agreement No. 04-03D-2018 of February 08, 2018, in accordance with the following:

Housing Value S/	PBP value- CI (Tax unit)	BBP amount-CI (S/)
Over S/205,30 to S/304,100	0.74074	3,100

Likewise, the PBP-CI amount shall be in force in accordance with the following:

Housing Value S/	PBP value- CI (Tax unit)	BBP amount-CI (S/)
Over S/209,800 to S/310,800	0.74074	3,200

The PBP as a complement to the initial installment of the mortgage loan will continue being covered by the FUND, which will be added to the BBP in the same range of housing values that are in force; likewise, it will be updated by the tax unit variation, with rounding to the top hundred; the application amount as of June 30, 2019 is S/ 3,200. In relation to the housing ranges values of the product, they will be expressed in soles and will be updated as a result of the multiplication of the housing value of the prior year and the annual change in the Consumer Price Index- CPI of Lima Metropolitana, with rounding to the top hundred.

(xii) As the appointed Good Payer Award becomes effective, with its own resources, the Fund record such amounts as expenses paid to banks at the time of disbursement; which will serve as a complement to the client's contribution to reach the required minimum initial fee, therefore it is not part of the credit

(xiii) The Sustainable MIVIVIENDA Bonus (BMS by its Spanish acronym) approved by Board Agreement No. 02-12D-2015 as of 06.16.2015 approves the creation of the "Bonus for Sustainable Housing" applicable to the Créditos MIVIVIENDA, as by the characteristics and conditions proposed. The BMS is an additional attribute of the Créditos MIVIVIENDA which consists of direct economical help no refundable given to people who acquire sustainable housing using the Crédito MIVIVIENDA through the IFI. This attribute increases the amount of the initial installment and is an additional benefit from the MIVIVIENDA products that are given such as the BFH, BBP, and PBP, as to a complement to the initial installment.

(d.3) Interest revenues include interest accrued on fixed income investments classified as available-for-sale, held-to-maturity, as well as discounts and premiums recognized on the FUND's financial instruments.

(d.4) Commissions for trust administration services provided to the CRC-PBP trusts, among other trusts, are recognized as income when received.

(d.5) Other income and expenses are recognized in the period in which they accrue.

(e) Accounts receivable (Trust Agreement - COFIDE) and allowance for doubtful accounts

Accounts receivable are recorded when conducting the disbursement of FUND's through COFIDE to IFI that channels the FUND's resources for the placement of the MIVIVIENDA product portfolio.

The calculation of the doubtful accounts was made according to the criteria established by SBS Regulation on Evaluation and Classification of Debtor and Allowance of Requirements, SBS Resolution No.11356-2008, in accordance with the following methodology:

First Component: Allowance for IFI's Risk

- a. The capital balance of each disbursement is separated into two types: balance of capital with mortgage collateral and balance of capital without mortgage collateral.
- b. The calculation of allowance is performed considering the classification assigned by the IFI in order to the criteria established by SBS Resolution No. 11356-2008.
- c. The allowance relating to the balance of capital with mortgage collateral is calculated as the result of the balance of capital with mortgage collateral by the SBS table 2 rates according to the classification of the IFI.
- d. The allowance relating to the balance of capital without mortgage collateral is calculated as the result of the balance of capital without mortgage collateral by the SBS table 1 rate according to the classification of the IFI.

Second component: Allowance for credit risk coverage (CRC)

The capital balance of each disbursement is multiplied by the sum of the coverage factors (CRC and CRCA), resulting in the balance with credit risk coverage:

- a. Whether the Balance without Credit Risk Coverage is lower than the Guarantee Amount, the corresponding provision is calculated according to the following: (total balance (TB) - guarantee amount (GA)) multiplied by the SBS rate of Table 1 according to the sub borrower classification plus (guarantee amount - balance without credit risk coverage (BWCRC)) multiplied by the SBS rate in Table 2 according to the sub borrower classification. The representation of the calculation is as follows:

$$\text{Provision} = (\text{TB} - \text{GA}) * (\text{SBS Rate Table 1}) + (\text{GA} - \text{BWCRC}) * (\text{SBS Rate Table 2})$$

- b. Whether the Balance without Credit Risk Coverage is greater than or equal to the Guarantee Amount, the corresponding provision is calculated from the product of the Balance with Credit Risk Coverage by the SBS rate in Table 1, in accordance with the sub borrower classification. The representation of the calculation is as follows:

$$\text{Provision} = \text{BWCRC} * (\text{SBS Rate Table 1})$$

The fund applies the following percentages to determine provisions:

Risk category	%	
	Table 1	Table 2
Normal	0.70	0.70
With potential problems (CPP)	5.00	2.50
Substandard	25.00	12.50
Doubtful	60.00	30.00
Loss	100.00	60.00

To determine the risk classification per IFI, the FUND has established a methodology for the regulatory classification of the IFIs equivalent to the risk category established by the SBS.

(f) Loan portfolio and provision for loan losses

On July 31, 2017, as a consequence of the liquidation process of Caja Rural de Ahorro y Créditos Señor de Luren S.A. in Liquidation, the FUND remove from the accounts receivable (Trust Agreement - COFIDE) the debt balance of this entity and reclassified it in the "Loan Portfolio" caption of the statement of financial position amounting to S/87,587,000; also, reclassified from the provisions for accounts receivable to provisions for loan losses an amount of approximately S/23,987,000, see Notes 7(a) and 6(e).

The Fund determines the provision for loan losses in accordance with the provisions of Resolution SBS No11356-2008 "Regulation for the evaluation and classification of the debtor and the requirement of provisions". In accordance with said Resolution, a classification of the borrowers is made in the following categories: (i) normal, (ii) with potential problems, (iii) substandard, (iv) doubtful or (v) loss, based on the non-payment risk grade of each debtor.

The provision is computed considering the risk classification assigned and using specific percentages, which vary depending upon whether the loans are backed by preferred self-liquidating guarantees – LWHLPG (cash deposits and rights over credit letters) or by preferred guarantees that may be readily liquidated – LWRPG (treasury bonds issued by the Peruvian Government, marketable securities listed within the Selective Index of the Lima Stock Exchange, among others) or by other preferred guarantees – LWPG (primary pledge on financial instruments and property, primary pledge on agricultural or mining concessions, insurance on export credits, among others). The guarantees received are considered at their net realizable value as determined by independent appraisers. Likewise, computing the provision must consider the credit classification of the guarantor or guaranteeing party for credits subject to counterparty substitution by a financial or insurance entity (CAC), at 30 As of June 2019, the following percentages are used:

Risk category	LWG (i) %	LWPG (ii) %	LWRPG(iii) %	LWHLPG (iv) %
Normal	0.70	0.70	0.70	0.70
With potential problem	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

Where:

- (i) Loans without Guarantees.
- (ii) Loans With Preferred Guarantees.
- (iii) Loans With Readily Preferred Guarantees.
- (iv) Loans With Highly Liquid Preferred Guarantees.

In addition to the provision for the credit rating of the debtors, the SBS requires pro-cyclical provisions which are calculated for the credits classified in the normal category and according to the percentages established by the SBS. As of June 30, 2019, the pro-cyclical component of the provision is deactivated

(g) Derivative financial instruments -

SBS Resolution No. 1737-2006 "Regulation for Trading and Accounting of Derivatives for Financial Entities" and its amendments establishes the criteria for the accounting of transactions with derivatives classified as trading and hedging, as well as embedded derivatives, as explained below:

Trading derivatives-

Derivative financial instruments are initially recognized in the statement of financial position of the FUND at cost and are subsequently carried at fair value, recognizing an asset or liability in the statement of financial position and the correspondent gain or loss in the income statements. Also, transactions with derivative financial instruments are recorded in off-balance sheet accounts at the notional amount of the committed currency.

The fair values are determined based on market exchange rates and interest rates. As of 06.30.2019 and December 2018, the Fund does not keep any current trading derivative agreements.

Hedging derivatives -

A derivative financial instrument that seeks to achieve economic coverage of a certain risk is designated as accounting hedge if, on the date of its negotiation, it is expected that changes on its fair value or cash flows will be highly effective in offsetting changes in the fair value or cash flows of the item hedged from the inception, this expectation must be documented when the derivative instrument is first traded and throughout the period during which the hedge is in effect. A hedge is considered as highly effective if it is expected that changes in the fair value or cash flows of the hedged item and the hedging instrument ranges between 80 and 125 percent.

As of June 30, 2019 and December 2018, the Fund held cash flow hedge instruments of fair value, see note 07. For the cash flow hedge instruments, the effective portion of changes in the fair value of hedging derivatives is recognized directly in equity, in the caption "Unrealized Results" as a cash flow hedges reserve, net of the related taxes, and any gain or loss related to the ineffective portion is recognized immediately in the income statements. Amounts accumulated in equity for hedging cash flows are transferred to the income statements in the periods when the hedged item is recorded in the income statements or when an expected transaction occurs. The fair value hedges and the effective portion of any changes in the fair value must be recorded in the income statements.

In the event that the SBS considers that the documentation is insufficient or finds weaknesses on the methodology applied, it may require the elimination of the hedging accounting and record the derivative financial instrument as a trading instrument; in consequence, from that moment on any change in the fair value must be recorded in the income statements.

On the other hand, if the hedging instrument expires, is sold, settled or exercised, or at the moment that the hedging instrument does not comply with the required accounting criteria for hedges, the hedge is terminated in a prospective manner and the balances recorded in the equity are transferred to the income statements during the hedged item's term.

Embedded derivatives -

According to SBS rules, as of June 30, 2019 and December 2018, the Fund does not hold any financial instrument with embedded derivatives that must be separated.

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

Investments are evaluated following SBS Resolution No.7033-2012 "Regulation of Classification and Valuation of Investments of Financial System Companies" and bylaws.

The criteria for the classification and valuation of investments are as follows:

- Classification

(i) Investments at fair value through profit and loss

This category has two sub-categories:

- Investments for trading are acquired with the purpose of selling or repurchasing in the short term.

- Investments at fair value through profit and loss, since their inception, are part of an identified portfolio of financial instruments that are managed together and for which there has been a demonstrated recent pattern of taking gains in the short term.

As of June 30, 2019 and December 2018, the Fund does not hold any instruments classified under this sub-categories.

(ii) Available-for-sale investments

Investments designated into this category are held for an indefinite period and may be sold for purposes of liquidity, changes in interest rates, exchange rates or cost of capital; or do not qualify to be registered at fair value through profit and loss or held-to-maturity.

(iii) Held-to-maturity investments

The financial instruments that are classified in this category must comply with the following requirements:

- Be acquired or reclassified for the purpose of holding them until their maturity date; except for the cases when their sale, assignment or reclassification are allowed by the SBS.
- They must have risk classifications as required by the SBS.

In order to classify their investments in this category, financial entities must assess they have the financial capability to hold them until their maturity. This capability must be evaluated at the closing date of each annual period.

- Transaction recognition date -

Transactions must be recorded using the trading date; that is, the date at which the reciprocal obligations that must be performed within the term established by regulations and the usual practice on the market at which the operation takes place.

- Initial recognition and measurement of investments maintained by the FUND

- - (i) Available-for-sale Investments: The initial accounting record is performed at fair value, including the transaction costs that are directly attributable to their acquisition. Their valuation corresponds to fair value and the gain or loss originated from the change between their initial recognition and fair value is recorded directly in equity unless an impairment loss is recorded. When the financial instrument is sold, the gain or loss, previously recorded as a part of the equity, is transferred to the income statements of the period.

In the case of debt securities, previously to the valuation at fair value, the amortized cost is updated in the accounts applying the effective interest rate method, and the difference between the amortized cost and the fair value is recognized as gains and losses.

- (ii) Held-to-maturity investments: Their initial accounting is at fair value, including the transaction costs that are directly attributable to their acquisition. Their valuation corresponds to the amortized cost by applying the effective interest rate method.

Interests are recognized by applying the effective interest rate method, which includes both the receivable interest and the amortization of the premium or discount existing in the acquisition.

The difference between the revenues received from the disposal of these investments and their book value is recognized in the income statements.

- Impairment assessment -

SBS Resolution No. 7033-2012 and their respective amendments, as well as in the SBS Resolution No. 2610-2018, establishes a standard methodology for the identification of the impairment of financial instruments classified as available-for-sale and held to maturity said methodology comprises a two-filter analysis, as described below:

I) Debt instruments:

At the end of each quarter, for the entire debt representative portfolio, the following occurrences should be evaluated:

- 1) Weakening in the financial situation or financial ratios of the issuer and its economic group.
- 2) Discount in any of the credit ratings of the instrument or the issuer, in at least 2 "notches", from the moment the instrument was acquired; where a "notch" corresponds to the minimum difference between two risk ratings 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) The observable data indicates that since its initial recognition of a group of financial assets with characteristics similar to the instrument evaluated, there is a measurable decrease in its estimated future cash flows, although it cannot yet be identified with individual financial assets of the group.
- 5) Decrease in value due to regulatory changes (tax, regulatory or other governmental).
- 6) Significant decrease in fair value below amortized cost. It is considered a significant decrease if the fair value at the closing date has decreased at least 40 percent below its amortized cost as of that date.
- 7) A prolonged decrease in fair value. It is considered as a prolonged decrease if the fair value at the closing date has decreased by at least 20 percent compared to the amortized cost of 12 months ago and, the fair value at the closing date of each month during the 12-month period, previous months, it has always remained below the amortized cost corresponding to the closing date of each month.

The fair value to be used for the purpose of evaluating criteria 6 and 7 is that considered for the purposes of the valuation of debt instruments available for sale, according to the criteria established by the aforementioned Resolution, regardless of the accounting classification that has the debt instrument. However, if the decrease in fair value in the debt instrument is the result of an increase in the risk-free interest rate, this decrease should not be considered as an indication of impairment.

If at least 2 of the situations described above are met, it will be considered that there is impairment. In the event that at least two (2) of the situations described above have not been given, it is sufficient that one of the following specific situations be presented to consider that there is deterioration:

- a) Breach of contractual clauses, such as interruption in the payment of interest or capital.
- b) Renegotiation of the instrument's contractual conditions due to legal factors or financial problems linked to the issuer.
- c) Evidence that the issuer is in the process of forced restructuring or bankruptcy.
- d) When the risk rating of an instrument that was classified as investment grade is reduced, towards a classification that is below the investment grade.

II) Equity instruments:

At the end of each quarter, for all instruments representing capital, the following events must be evaluated:

- 1) When the risk rating of a debt instrument of the issuer that was classified as an investment grade is reduced, towards a classification that is below the investment grade.
- 2) There have been significant changes in the technological, market, economic or legal environment in which the issuer operates, which may have adverse effects on the recovery of the investment.
- 3) Weakness in the financial situation or financial ratios of the issuer and its economic group.
- 4) Interruption of transactions or an active market for the financial asset, due to financial difficulties of the issuer.
- 5) The observable data indicates that, since its initial recognition of a group of financial assets similar to the instrument evaluated, there is a measurable decrease in its estimated future cash flows, although it cannot yet be identified with individual financial assets of the group.
- 6) Decrease in value due to regulatory changes (tax, regulatory or other governmental).

If at least 2 of the situations described above are met, it will be considered that there is impairment. If at least 2 of the situations described above have not occurred, it is sufficient that one of the following specific situations be present to consider that there is deterioration:

- a) Significant decrease in fair value below its acquisition cost. It is considered a significant decrease if the fair value at the closing date has decreased at least 40 percent below its cost. As cost value or acquisition cost, the initial cost will always be taken as a reference, regardless of whether the deterioration in value has been previously recognized for the capital instrument analyzed.
- b) A prolonged decrease in fair value. It is considered as a prolonged decrease if the fair value at the closing date has decreased by at least 20 percent compared to the fair value of 12 months ago and, the fair value at the closing date of each month during the period of 12 months prior has always remained below the cost of acquisition.
- c) Breach of the statutory provisions by the issuer, related to the payment of dividends.
- d) Evidence that the issuer is in the process of forced restructuring or bankruptcy.

The fair value to be used for the purpose of evaluating the situations indicated in paragraphs a) and b) is the fair value considered for the purposes of the valuation of the available-for-sale equity instruments, in accordance with the guidelines established in the aforementioned Resolution. The aforementioned numerals a) and b) are not applicable to capital instruments classified in the category available for sale and valued at a cost due to the absence of reliable fair value.

On the other hand, when the SBS considers necessary to establish any additional provision for any type of investment, such provision must be determined on the basis of each individual instrument and should be recorded in the income statements of the period in which the SBS requires such provision.

- **Recognition of exchange differences –**
Any gains or losses from currency exchange differences related to the amortized cost of debt instruments are recorded in the income statements, while those related to the difference between the amortized cost and the fair value are recorded in the statements of shareholder's equity as part of the unrealized results. In the case of equity instruments, they are considered non-monetary items and, consequently, they remain at their historical cost in a local currency, which means that any exchange differences are part of their valuation and are recognized as part of the unrealized results in the statements of shareholder's equity.

 - **Changes in the classification category –**
During 2016, the FUND reclassified a group of available-for-sale investments into held to maturity investments category amounting to S/620,965,000. In the case of changes in the classification category from available-for-sale investment to hold to maturity investment, the fair value of the financial asset on the date of the transaction becomes its new amortized cost. Any previous gain or loss of the asset that has been recognized in other comprehensive income shall be amortized over the remaining life of the investment using the effective interest method. Any difference between the new amortized cost and maturity amount shall be amortized using the interest rate method during the life of the financial instrument in a similar manner as the amortization of a premium or discount. If the asset subsequently becomes impaired, any gain or loss remaining in other comprehensive income shall be reclassified to profit or loss.
- (i) Accounts receivable related to CRC and PBP Trusts -**
Includes the assets of the CRC-PBP Trusts, which correspond to assets (due from banks, investments and accrued yields) and liabilities of the FUND, but that in accordance with SBS regulation (SBS Resolution No.980-2006, Regulation for the Fondo MIVIVIENDA S.A.), they must be recorded as a net balance in the caption "Other accounts receivable, net" on the statement of financial position, since the FUND acts like both trustee and trustor. The assets and liabilities included in such trusts are valued according to the criteria of the FUND for similar items, as described in this note.

Also, the surplus (deficit) generated by the aforementioned trusts are recorded in the caption "Interest income and expenses" of the income statements, see Note 17.

The CRC-PBP trusts were established in 2007 to ensure that sufficient resources are available to meet the FUND's obligations that come from the contracts to provide with

CRC and PBP coverage, signed with certain IFI; as well as to manage the resources efficiently.

(j) Other accounts receivable, net -

Includes accounts receivable for term deposits, certificates of deposit, assets received in lieu of payment related to banks in liquidation, and other accounts receivable that, since they are under litigation, do not accrue interest. Any related recovery is recorded on a cash basis. To determine the allowances for loan losses of these accounts, the FUND assigns a risk rating in accordance with SBS Resolution No.11356-2008.

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

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

Details of the rates by risk category are set forth in item 3(f), corresponding to the accounts receivable with CRC.

(k) Property, furniture and equipment -

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

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

	Year
Buildings	20
Installations	10
Furniture and fixtures	10
Computer equipment	4
Miscellaneous equipment	10
Vehicles	5

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

(l) Assets received as payments and assets seized through legal actions.

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

Subsequently, additional provisions should be recorded as follows:

- Assets that are not real state – A uniform monthly provision in a term of twelve months, until providing for one hundred percent of the net seized or recovered value.
- Real estate – A uniform monthly provisions over the net book value obtained at the twelfth month. In addition, SBS Resolution No.1535-2005 allows a term extension of six months, in such case; a uniform monthly provision must be made over the net book value obtained in the eighteenth month. On both situations, provisions must be made until providing for one hundred percent of the net book value in a term of three and a half years, starting the date monthly provisions began to be provided.

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

(m) Intangible assets, net

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

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

(n) Securities and bonds are outstanding -

The liabilities from the issuance of outstanding securities and bonds are accounted for at their nominal value, recognizing the accrued interest in the income statements. The discounts granted or incomes generated in the placement are deferred and presented net of its issue value and is amortized over the life of the securities and bonds outstanding by applying the effective interest method.

(o) Tax assets and liabilities

Current income tax -

The Income Tax payable is calculated on the basis of the taxable income determined for tax purposes.

In the Statement of Financial Position as of June 30, 2019, the item Current Taxes is presented in the Assets, mainly due to the balance of payments on account in favor of previous years, and to the ITAN balance paid and not used in the year 2018.

(p) Income Tax -

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

Deferred assets and liabilities are recognized without taking into account the moment when it is considered that the temporary differences will be canceled. Deferred assets

are recognized when it is probable that there will be sufficient future tax benefits for the deferred asset to be applied.

As of the date of the Statement of Financial Position, the Management of the FUND has applied the temporary differences of its assets and liabilities, according to the pronouncement of the SBS issued through its multiple offices No. 1205-2015-SBS of January 14th, 2015, where it is pronounced on IAS 12.

(q) Provisions

Provisions are recognized only when the FUND has a present obligation (legal or implicit) as result of past events, it is probable that an outflow of resources will be required to settle such obligation, and also has been possible to estimate a reliable amount. Provisions are reviewed in each period and are adjusted to reflect their best estimate as of the statement of financial position date. When the effect of the time value of money is significant, the amount recorded as a provision is the present value of future payments required to settle the obligation.

(r) Contingencies -

Contingent liabilities are not recognized in the financial statements. They are disclosed in notes unless the possibility of an outflow of resources is remote. Contingent assets are not recorded in the financial statements; they are disclosed if it is probable that an inflow of economic benefits will be realized.

(s) Cash and cash equivalents -

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

(t) Reclassifications

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

4. Cash and due from banks

The detail about the composition of the cash and due from banks as of September, 2019 and December 31, 2018, is shown as follows:

	S/ (000)	
	09.30.2019	12.31.2018
<u>Peruvian Central Bank</u>		
*Current accounts	6,976	6,683
<u>Banks and other financial institutions in Peru</u>		
*Current and saving accounts (b)	1,243,183	1,588,806
*Time deposits (c)	197,453	900,943
	<u>1,440,636</u>	<u>2,489,749</u>
<u>Banks and other foreign financial institutions</u>		
*Time deposits (d)	0	68,497
<u>Other available FUNDS</u>		

Other available FUNDS	628	527
TOTAL AVAILABLE FUNDS	1,448,240	2,565,456

- (a) These Peruvian Central Bank deposits the current accounts correspond to balances in soles and U.S. dollars, they are freely available, do not bear interest and are mainly used for transactions with COFIDE, under the Trust Agreement the FUND signed with this entity.
- (b) Current and saving accounts correspond mainly to accounts denominated in soles and U.S. dollars; they are freely available and, mainly, bear interest at market rates. However, it is important to indicate that as of 09.30.2019 the current accounts are maintained in thousands of S/1'112,333 that represent the 77% of the total available FUND's, they correspond to transferred recourses by the MVCS by the concept of BFH, BMS, 500 Bonus, Reconstruction Bonus, and BBP. It is worth to mention that the FUND is an intermediary between MVCS and the technical entities for the transfer of resources towards the borrowers.
- (c) As of September 30, 2019, it corresponds to time deposits in local banks in soles and dollars that are freely available; deposits in soles generate interest at effective annual rates between 3.2 and 3.4 percent and with original maturities between October and December 2019 and time deposits in Dollars generate interest at effective annual rates between 2.3 and 2.5 percent and with original maturities in October 2019. As of December 31, 2018, correspond to time deposits in local banks in soles, are freely available and bear interest at effective annual rates between 3.20 and 5.35 percentage and with original maturities between January and August 2019, the financial entities where the time deposits are the following:

	09.30.2019	12.31.2018
	S/ (000)	S/ (000)
Banco BBVA Perú S.A.		274,422
Mibanco - Banco de la Microempresa S.A.		168,367
Banco Interamericano de Finanzas S.A.		121,853
Banco Santander Perú S.A.	101,962	
Crediscotia Financiera S.A.	35,196	77,663
Banco Pichincha		51,614
Banco GNB Perú S.A.	30,146	50,593
Corporación Financiera del Desarrollo S.A. - COFIDE		45,965
Banco Ripley Perú S.A.		44,388
Banco Falabella Perú S.A.		35,724
Scotiabank Perú S.A.A.		20,321
Banco CENCOSUD S.A.		10,033
Banco Internacional del Perú - Interbank	30,149	
Term deposits in Peru:	197,453	900,943

- (d) As of September 30, 2019; the Fund does not have foreign time deposits, however, as of December 31, 2018; a foreign time deposit exists in The Bank of Nova Scotia-Canada which is freely available and generated interest at an effective annual rate of 2.66 percent and with original maturity in March 2019.

5. Available-for-sale and held-to-maturity investments, net

The composition of the above is as follows:

	09.30.2019				12.31.2018			
	Unrealized gross amount				Unrealized gross amount			
	Amortized cost S/ (000)	Gains S/ (000)	Losses S/ (000)	Book value S/ (000)	Amortized cost S/ (000)	Gains S/ (000)	Losses S/ (000)	Book value S/ (000)
Available-for-sale investments								
Corporate and Financial Bonds (a)								
Certificate of deposit (b)	11,441	3		11,444	185,789	99	(3)	185,885
Total	11,441	3		11,444	185,789	99	(3)	185,885
Plus								
Accrued Interest				503				2,944
Total Available-for-sale investments				11,947				188,829
Held-to-maturity investments								
Corporate and Financial Bonds (a)	225,953			225,953	321,809			321,809
Peruvian Sovereign Bonds	31,899			31,899	31,796			31,796
Certificates of deposit					4,503			4,503
Total	257,852			257,852	358,108			358,108
Plus								
Accrued Interest				2,840				5,520
Total held-to-maturity investments				260,692				363,628
Total				272,639				552,457

(a) Below is the detail of corporate and financial bonds:

	09.30.2019		12.31.2018	
	Available-for-sale investments S/ (000)	Held-to-maturity investments S/ (000)	Available-for-sale investments S/ (000)	Held-to-maturity investments S/ (000)
Peruvian issuers-				
Corporación Financiera de Desarrollo S.A.		49,774		108,757
Abengoa Transmision Norte S.A.		48,348		51,179
Banco BBVA Perú S.A.		45,028		45,001
Consorcio Transmantaro S.A.		36,353		36,070
Cementos Pacasmayo S.A.A.		26,141		25,866
Los Portales S.A.		3,383		4,216
Leasing Total S.A.		1,984		3,957
Foreign Issuers-				
Empresas Públicas de Medellín E.S.P.		-		16,165
CorpBanca, Sociedad Anónima Bancaria		-		15,658
AES GENER S.A.		11,878		11,857
Empresa Nacional de Petróleo		3,064		3,083
Total		225,953		321,809

(b) As of September 30, 2019 and December 2018, some Corporate and Financial bonds denominated in U.S. dollars, classified as held-to-maturity investments, have exposure to exchange rate risk, being hedging for a nominal amount of approximately USD 61'872,600 equivalent to S/ 209'315,006 (CCS "cross-currency swaps" nominal amount of USD10'000,000 equivalent of approximately S/33'730,000, as of December 30, 2018), see note 07 and 14.

As of September 30, 2019; the available-for-sale and held-to-maturity investments show the following maturities:

	09.30.2019		12.31.2018	
	Available-for-sale investments S/ (000)	Held-to-maturity investments S/ (000)	Available-for-sale investments S/ (000)	Held-to-maturity investments S/ (000)
Due within 3 months	11,947	-	172,136	5,907
From 3 months to 1 year		5,111	16,693	98,273
From 1 to 5 years		139,143		168,110
More than 5 years		116,438		91,338
Total	11,947	260,692	188,829	363,628

As of September 30, 2019, the FUND'S Management has estimated the fair value of the available-for-sale investments based on market quotations, and if not available, based on discounted cash flows using market rates that reflect the rate risk.

(b) As of September 30, 2019, and December 31, 2018, the maturities and annual rates of market yield on the Available-for-sale and held-to-maturity investments in representative debt instruments are:

	Maturity		Annual Effective Interest Rates							
	2019	2018	2019				2018			
			S/		USD		S/		USD	
	Min	Max	Min	Max	Min	Max	Min	Max	Min	Max
		%	%	%	%	%	%	%	%	%
Available-for-sale investments										
Negotiable Deposit Certificates	Oct-19	Mar-19	4.6	4.75	-	-	3.69	4.75	2.79	2.79
Held-To-Maturity Investments										
Corporate and financial bonds	May-20/ Sept-28	Jul-19/ Oct-28	-	-	3.80	7.61	-	-	3.31	7.61
Negotiable Deposit Certificates	-	Mar-19	-	-	-	-	3.88	3.88	-	-
Sovereign bonds of the Republic of Peru	Aug-26/ Feb-42	Aug-26/ Feb-42	4.1	6.95	-	-	4.1	6.95	-	-

6. Loan Portfolio

The composition to date of the financial situation of the statements is as follows:

	S/ (000)	
	09.30.2019	12.31.2018
Standing Loan Portfolio		
Standing Loans	39,213	44,363
(-) Deferred Loans	(2,418)	(2,658)
Accrued yields	432	403
	37,227	42,108
Outstanding Loan Portfolio		
Outstanding Loans	42,102	41,847
(-) Deferred Loan	(6,298)	(6,489)
Refunded Loans	48	49
(-) Loans by refunded interests and commissions	(6)	(6)
	35,846	35,401
Legal Collection Loan Portfolio		
Legal Collection Loan	170	174
(-) Deferred loans	(18)	(18)
	152	156
(-) Provisions for Loan		
(-) Provisions for specific loans	(34,762)	(37,137)
(-) Provisions for generic loans	(249)	(274)
	(35,011)	(37,411)
	38,214	40,254

Through SBS Resolution No.3503-2015 dated June 19, 2015, Caja Rural de Ahorro y Créditos Señor de Luren, hereinafter "Caja Luren", entered into official liquidation process. In this context, the debts that Caja Luren had with their debtors, including the FUND, became insolvent; for this reason, Caja Luren began to execute certain guarantees that safeguarded the related loans. Said liquidation process implied the compliance with the conditions set forth in clause No.13 of the "Agreement for Channeling the Resources from Fondo MIVIVIENDA". As a result, the FUND made the following transactions:

- (i) Execution of clause No.13, corresponding to the assignment of rights over said loan portfolio, in favor of the FUND under the "Agreement for Channeling the Resources from Fund MIVIVIENDA" subscribed by COFIDE and Caja Rural de Ahorro y Créditos Señor de Luren S.A. on October 19, 1999.
- (ii) On July 17, 2018, it subscribed assignment agreements with Caja Municipal de Ahorro y Crédito Sullana and with Financiera Efectiva S.A. through which the FUND transferred them part of the loan portfolio, amounting to S/22,514,000 and S/12,067,000, respectively, which were included in the "Accounts receivable, net (Trust Agreement - COFIDE)" caption and corresponded to debt balances from Caja Luren. Likewise, through agreements with said IFI, the FUND granted them with the management of the non-transferred portfolio amounting to S/87,587,000.
- (iii) On July 31, 2018, the FUND removed from COFIDE Trust Agreement and from the corresponding account the debt balance due by Caja Luren in Liquidation amounting to S/87,587,000 and reclassified to provisions for loan losses S/23,661,000 from the allowance for doubtful accounts caption.

The mortgage loan portfolio from CMAC Paita was acquired by the execution of the 13th clause from the Resource Channeling Agreement of the Mortgage FUND for Housing Promotion

– Mivivienda, and to date remain two legal collection loan.

The movement for the provision for the doubtful accounts receivables is as follows:

	09.30.2019	12.31.2018
	S/	S/
Balance at the beginning of the year Plus (less)	37,411	32,087
Provision recognized as the expense of the year	1,960	7,673
Recoveries	-4,360	-2,352
Exchange difference	0	3
Balance at the end of the year	35,011	37,411

In Management's opinion, the provision for direct loans recorded as of September 30, 2019 and December 31, 2018, is in accordance with the SBS regulations in force at such dates.

Given the transfer of part of the mortgage loans portfolio from, to the assets of the FUND to securities placed, have been evaluated according to borrowing risk:

Risk Cat.	AI 09.30.2019		AI 12.31.2018	
	Total	%	Total	%
	S/ (000)		S/ (000)	
Normal	35,624	43.69	39,173	45.32
CPP	941	1.15	1,787	2.07
Deficient	1,495	1.83	2,274	2.63
Doubtful	5,495	6.74	8,164	9.45
Loss	37,978	46.58	35,035	40.53
Total	81,533	100.00	86,433	100.00

7. Derivative financial instruments

The risk of derivative contracts arises from the probability that the counterparty does not comply with the agreed terms and conditions and that the reference rates at which the transactions were agreed may change.

The following table presents, as of September 30, 2019 and December 2018, the fair value of derivative financial instruments recorded as assets or liabilities, including their notional amounts and maturities. The notional amount, in total basis, is the nominal amount of the derivative's underlying asset and is the base over which changes in the value of derivatives are measured.

	09.30.2019			12.31.2018		
	Accounts receivables	Accounts payable	Notional Amount	Accounts receivables	Accounts payable	Notional Amount
<i>In thousands of soles</i>	S/ (000)	S/ (000)	S/ (000)	S/ (000)	S/ (000)	S/ (000)
Derivatives held for trading -						
Foreign currency forward	0	0	0	0	0	0
Subtotal	0	0	0	0	0	0
Derivatives held as hedges -						
Forwards	819	(3,665)	389,567	755	(5,442)	283,101
Principal Swaps Only (POS)	211,240	(14,180)	1,730,211	198,977	(29,558)	2,008,458
Cross Currency Swaps	0	(24,824)	798,502	3,085	(22,072)	738,501
Interest Swap Only	0	(36)	0	55	(9)	0
Subtotal				202,872	(57,081)	3,030,060
TOTAL	212,059	(42,705)	2,918,280	202,872	(57,081)	3,030,060

Derivative financial instruments that generate these accounts receivable and payable are maintained for hedging purposes and for economic hedging or trading against foreign exchange risk and have maturities from October 2019 to March 2023.

As of September 30, 2019, trading derivatives generated a gain of S/ 1,223 thousand (net gain of S/ 336 thousand as of September 30, 2018), and hedging derivatives generated a net loss of thousands of S/ 53,869 (net loss of S/ 78,189 thousand as of September 30, 2018), see **note 21**.

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

The composition of the item as of September 30, 2019 and December 31, 2018, in thousands of Soles are as follows:

	09.30.2019 S/ (000)	12.31.2018 S/ (000)
COFIDE Trust (8a)	7,204,377	6,657,705
CRC and PBP Trust in Nuevos Soles (8b)	45,854	43,405
CRC and PBP Trust in American Dollars (8b)	51,858	48,316
	7,302,089	6,749,426

8.a Agreement Trust - COFIDE

The composition is as follows:

	2019 S/ (000)	2018 S/ (000)
Nuevo Crédito MIVIVIENDA	7,006,182	6,418,505
Crédito MIVIVIENDA Tradicional	111,745	141,539
Crédito Complementario Techo Propio	148,319	119,070
Crédito MIHOGAR	54,806	64,077
Crédito MICONSTRUCCIÓN	15,182	36,052
Crédito MIVIVIENDA Estandarizado	5,147	6,201
Crédito MICASA MAS	7,323	8,150
Crédito MITERRENO	288	470
	7,348,992	6,794,064
Plus (less)		
Accrued income from accounts receivable	13,343	13,743
Provision for accounts receivable of doubtful collection (e)	(157,958)	(150,102)
Total	7,204,377	6,657,705

As described in note 2, the FUND disburses monthly resources to the COFIDE Trust for it to channel them to the final beneficiaries through the IFI. Likewise, monthly the COFIDE Trust transfers to the FUND the recoveries, prepayments or cancellations of accounts receivable made by the IFI.

As of September 30, 2019, and December 31, 2018, the number of IFI and final beneficiaries (final debtors) is 38 and 95,623, and 38 and 93,197, respectively. Also, as of September 30, 2019 and December 31, 2018, 83 and 82.1 percent of these accounts receivable are concentrated in 6 IFIs, respectively.

The resources channeled by the FUND through the IFIs are used in the granting of credits for the acquisition of homes in accordance with the provisions of Article 12 of Supreme Decree No. 001-99-MTC.

Below are the balances of accounts receivable (Agreement Trust - COFIDE) according to the credit risk coverage of the loans promoted by the FUND is as follows:

Products	2019		
	With credit risk coverage	Without credit risk coverage	Total
	S/ (000)	S/ (000)	S/ (000)
Nuevo crédito MIVIVIENDA	1,946,477	5,059,705	7,006,182
Crédito MIVIVIENDA Tradicional	52,132	59,614	111,746
Crédito complementario Techo Propio	33,613	114,706	148,319
Crédito MIHOGAR	20,209	34,597	54,806
Crédito MICONSTRUCCIÓN	2,545	12,637	15,182
Crédito MIVIVIENDA Estandarizado	1,716	3,431	5,147
Crédito MICASA MAS	1,253	6,069	7,322
Crédito MITERRENO	67	221	288
	2,058,012	5,290,980	7,348,992

Products	2018		
	With credit risk coverage	Without credit risk coverage	Total
	S/ (000)	S/ (000)	S/ (000)
Nuevo crédito MIVIVIENDA	2,190,834	4,227,670	6,418,505
Crédito MIVIVIENDA Tradicional	66,668	74,871	141,539
Crédito complementario Techo Propio	39,655	79,415	119,070
Crédito MIHOGAR	23,533	40,544	64,077
Crédito MICONSTRUCCIÓN	5,184	30,868	36,052
Crédito MIVIVIENDA Estandarizado	2,067	4,134	6,201
Crédito MICASA MAS	1,382	6,768	8,150
Crédito MITERRENO	81	389	470
	2,329,405	4,464,659	6,794,064

Accounts receivable are classified by credit risk in accordance with SBS Resolutions in force as of September 30, 2019 and 2018. As described in Note 3(e), the allowance for doubtful accounts is determined based on the classification of both the sub borrower and the IFI.

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

Risk category	As of September 30, 2019		As of December 31, 2018	
	Total S/ (000)	%	Total S/ (000)	%
Normal	5,085,455	69.20	4,369,600	64.31
With potential problem	205,525	2.80	95,059	1.40
	5,290,980	72.00	4,464,659	65.71
Total	7,348,992	100.00	6,794,064	100.00

The table below details the classification of accounts receivable corresponding to the balance for accounts receivable with credit risk coverage by risk category of the sub-borrowers, determined on the basis of the consolidated credit report (RCC):

Risk category	As of September 30, 2019		As of December 31, 2018	
	S/ (000)	%	S/ (000)	%
Normal	1,790,473	24.36	2,046,697	30.12
With potential problem	35,938	0.49	40,519	0.60
Substandard	33,300	0.45	42,016	0.62
Doubtful	78,826	1.07	81,624	1.20
Loss	119,477	1.63	118,549	1.74
	2,058,012	28.00	2,329,405	34.29
	7,348,992	100.00	6,794,064	100.00

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

	2019 and 2018 %
Nuevo Crédito MIVIVIENDA	7.10-5.00
Crédito MIVIVIENDA Tradicional (*)	7.75
Crédito Complementario Techo Propio	7.25
Crédito MIHOGAR (*)	7.60
Crédito MI CONSTRUCCIÓN (*)	8.00
Crédito MIVIVIENDA Estandarizado (*)	6.90 y 7.30
Crédito MICASA MAS (*)	7.70
Crédito MITERRENO	9.00

(*) Products discontinued, only in recovery.

The interest rate of the product New Credit MIVIVIENDA was reduced by 5%, only for credits with the BMS attribute disbursed from 01.01.2019 to 12.31.2019 by means of agreements of Board of Directors Agreement N°. 001-33D-2018 dated 12.27.2018, Board of Directors Agreement N°. 001-03D-2019 dated 01.30.2019 and Board of Directors Agreement N°. 002-05D-2019 dated 02.27.2019, Board of Directors Agreement N° 013-08D-2019 dated 04.12.2019 and Board of Directors Agreement N° 002-11D-2019 dated 05.29.2019, Board of Directors Agreement N° 013-08D-2019 dated 04.12.2019, Board of Directors Agreement N° 002-11D-2019 dated 05.29.2019, Board of Directors Agreement N° 002-16D-2019 dated 07.25.2019

The interest rate of the product Complementary Financing Roof Own was reduced in 7.25%, for the placements realized from 01.01.2017, by means of Board of Directors agreement N ° 03-26D-2016 of September 29, 2016.

Changes in the allowance for accounts receivable of doubtful collection, determined according to the classification and percentages indicated above, is shown below:

	2019 S/ (000)	2018 S/ (000)
Balance at the beginning of the year	(150,102)	(130,924)
Allowance recognized as the expense of the year	(41,455)	(50,380)
Reclassification to provision for loan losses 2007		(1,003)
Provision recoveries recognized as income of the year	33,610	32,359
Exchange result, net	(11)	(154)
Balance at the end of the year	(157,958)	(150,102)

In the Management's opinion, the allowance for doubtful accounts recorded as of September 30, 2019 and 2018, is constituted in accordance with the SBS regulations in effect on those dates.

Following is the portfolio of accounts receivable as of September 30, 2019 and 2018, according to their due date:

	2019 S/ (000)	2018 S/ (000)
Not mature		
Due within 1 month	51,290	41,290
From 1 to 3 months	161,200	121,281
From 3 months to 1 year	701,939	486,212
From 1 to 3 years	1,092,339	1,503,696
More than 3 years	5,342,224	4,641,585
	7,348,992	6,794,064

8.b CRC and PBP Trust

The composition of these accounts receivable as of September 30, 2019 and December 31, 2018, in thousands of Soles is as follows:

	2019 S/ (000)	2018 S/ (000)
CRC and PBP Trust in Nuevos Soles	45,854	43,405
CRC and PBP Trust in American Dollars	51,858	48,316
Net	97,712	91,721

- Corresponds to the balance of the net assets (total assets minus total liabilities) of the trusts managed by the FUND, which ensure the payment of the credit risk coverage (CRC) to the IFIs and the prize to the good payer (PBP) to whom access this benefit as part of the credit programs offered by the FUND. Below are the balances mentioned above.
- As described in note 1, through constitutional acts subscribed in June 2007 by the FUND, as trustee and trust or simultaneously, both Trusts were created in

administration, with the purpose of ensuring the availability of resources for the FUND to comply with the obligations arising from the CRC and PBP service contracts (credit risk coverage - CRC and payment of the good player award - PBP) subscribed with certain IFIs, also to ensure that these resources are managed in an efficient manner, observing this is established in the Regulation and Manual of policies and processes of the CRC-PBP Trusts; as well as the Manual of investment policies and procedures that are part of the annexes of the constitutive act.

- The accounting for these trusts is carried out in accordance with the provisions of Resolution SBS No. 980-2006 "Regulation of the Fondo MIVIVIENDA S.A."; that is, in a single account in the statement of financial position, see note 3 (i). The trusts accounting is kept separate for control purposes and shows the following balances as of September 30, 2019 and December 31, 2018:

CRC and PBP Trust Soles	2019	2018
	S/ (000)	S/ (000)
Statement of financial position		
Assets		
Cash and due from banks	8,745	1,580
Available-for-sale financial investments (*)	26,596	30,928
Held-to-maturity investments (*)	10,497	10,897
Other accounts receivable	16	
Total assets	45,854	43,405
Net equity and surplus		
Surplus from collections, net	2,483	2,431
Unrealized results	115	(573)
Retained earnings	43,256	41,547
Total equity and net surplus	45,854	43,405

(*) During 2016, the CRC-PBP trust – Nuevos Soles reclassified investments classified as an available-for-sale to investments into held-to-maturity investments. The carrying values at the dates of reclassification amounted to approximately S/33,683,000 and the unrealized loss accumulated in net equity amounted to S/1,344,000; this latter amount shall be transferred to results during the remaining term of the instruments. During 2019 and 2018, the Trust transferred approximately S/ 92,000 and S/ 432,000, respectively.

CRC-PBP Trust Soles	09.30.2019	09.30.2018
Income statements	S/ (000)	S/ (000)
Income		
Interest income	1,729	1,779
Investment valuation, net	31	
Assets and Provisions valuation	157	
Total income	1,917	1,779
Expenses		
Administration fee	(200)	(191)
Impairment Losses on Investments		(200)
Miscellaneous expense for financial services	(7)	(6)
Taxes and Contributions	(1)	(1)
Total expenses	(208)	(398)
Net surplus,	1,709	1,381

CRC Y PBP Trust in American Dollars:

CRC-PBP Trust U.S. Dollars	2019	2018
Statement of financial position	S/ (000)	S/ (000)
Assets		
Cash and due from banks	4,925	5,127
Available-for-sale financial investments (*)	31,534	19,351
Held-to-maturity investments (*)	15,399	23,820
Other accounts receivable		18
Total assets	51,858	48,316
State and net surplus		
Initial asset	21,013	21,013
Surplus from collections, net	9,367	9,024
Unrealized results	(92)	(1,225)
Retained earnings	21,570	19,504
Total equity and net surplus	51,858	48,316

(*) During 2016, the Patrimony in Trust FUND CRC-PBP US dollars reclassified investments classified as available for sale to the category of held-to-maturity investments. The book values at the reclassification dates amounted to approximately S/35'327,000 and the accumulated unrealized loss in equity amounted to approximately S/1'784,000; this last amount will be transferred to results during the remaining term of the instruments. During the years 2019 and 2018, approximately S/323,000 and S/273,000, respectively, have been transferred to results of the year.

CRC and PBP Trust U.S. Dollars

	09.30.2019	09.30.2018
	S/ (000)	S/ (000)
Income statements		
Income		
Interest income	1,948	1,773
Assets and provisions valuation	210	
Exchange result, net	27	183
Other assets	113	
Total income	2,298	1,956
Expenses		
Administration fee	(224)	(210)
Tax on financial transactions	(1)	(1)
Miscellaneous expense for financial services	(7)	(6)
Impairment Losses on Investments		(266)
Total expenses	(232)	(483)
Net surplus	2,066	1,473

9. Other accounts receivable, net

The composition of the item is presented as follows:

	S/ (000)	
	09.30.2019	12.31.2018
Accounts receivable Banks in Liquidation (a)	100,006	99,988
Accounts receivable Ex – CONEMINSA portfolio (b)	12,902	13,002
Recoveries of COFIDE to distribute	81	80
Accounts receivable COFIDE Trust	0	4
Magin Call (c)	25,983	22,297
Invoices Income (d)	1,105	1,180
Accounts receivable ICCGSA (e)	3,794	3,794
Receivables from Coop Ahorro y Crédito del Peru (Prestaperu) (f)	4,230	0
Trade account receivables from Coop Ahorro y Crédito del Peru (Prestaperu) (g)	74,462	0
Other miscellaneous accounts receivable	336	373
	222,899	140,718
Less- Allowance for doubtful accounts (h)		
Banks in Liquidation (a)	(100,006)	(99,988)
Ex – CONEMINSA Portfolio (b)	(10,731)	(10,770)
Invoices Receivable (d)	(1,284)	(1,180)
Account receivable from ICCGSA (e)	(3,794)	(3,794)
Receivables from Coop Ahorro y Crédito del Peru (Prestaperu) (f)	(2,538)	0
Trade account receivables from Coop Ahorro y Crédito del Peru (Prestaperu) (g)	(29,679)	0
Other accounts receivable	(24)	(25)
	(148,056)	(115,757)
Total	74,843	24,961

- (a) Corresponds to accounts receivable generated by term deposits, certificates of deposit, among others, that the FUND, before being a company of the financial system supervised by the SBS (before 01.01.2006) maintained in certain financial institutions that subsequently, they went into liquidation. The detail of the balances and their provision is as follows:

	S/ (000)	
	09.30.2019	12.31.2018
Capital		
Banco Nuevo Mundo, in liquidation	53,044	53,044
Banco República, in liquidation	39,922	39,922
Banco Banex, in liquidation – in lieu of payment	4,688	4,674
Banco República, en liquidación – in lieu of payment	2,353	2,348
	100,006	99,988
Less: Allowance for loan losses		
Banco Nuevo Mundo, in liquidation	(53,044)	(53,044)
Banco República, in liquidation	(39,922)	(39,922)
Banco Banex, in liquidation – in lieu of payment	(4,688)	(4,674)
Banco República, in liquidation – in lieu of payment	(2,353)	(2,348)
	(100,006)	(99,988)
Net	0	0

The FUND has received movable and immovable property and collection of loans as part of the payment for these loans. In Management's opinion, the provision for uncollectability of accounts receivable from banks in liquidation as of September 30, 2019 and December 31, 2018 sufficiently covers the related collectability risk.

- (b) Corresponds to the mortgage loans granted by the Negotiation Company Furniture and Real Estate S.A. - CONEMINSA, which was received by the FUND in the framework of

the Dation in Payment Agreement of December 30, 2003, for its administration and recovery (before being a financial company supervised by the SBS).

- (c) Margin Call corresponds mainly to the account receivable:
- Derivatives contracted with Morgan Stanley and Merrill Lynch that generated a Margin Call for thousands of USD 7,681 equivalent to thousands of S/ 25,983
- (d) Corresponds mainly to the account receivable held with Veritas Buildings for the collection of the Administration Commission of the Las Garzas Trust for thousands of USD 322 equivalent in thousands of S/ 1,092 and an invoice receivable to Mr. Chavez Tito for thousands USD 4 equivalent to thousands of S/ 13
- (e) Corresponds to the account receivable from ICCGSA for the cancellation of the investment in commercial papers whose maturity was of 10.22.2018, the amount entered in accounts receivable corresponds to the nominal value plus interest generated until maturity; this amount is fully provisioned.
- (f) Corresponds to the account receivable from Cooperativa de Ahorro y Crédito del Peru (PRESTAPERU).
- (g) Corresponds to the account receivable from sub-borrowers of Cooperativa de Ahorro y Crédito del Peru (PRESTAPERU).
- (h) In the opinion of Management, the provision for other doubtful accounts registered as of September 30, 2019 and December 31, 2018, is in agreement with the standards established by the SBS in force at those dates. The movement of provision for other accounts receivable is shown below in thousands of soles:

	S/ (000)	
	09.30.2019	12.31.2018
Balance at the beginning of the year	(115,757)	(113,575)
Plus (less)		
Allowance recognized as expense of the year	(32,320)	(4,012)
Recoveries	44	2,110
Exchange difference	(23)	(282)
Penalties	0	2
Balance at the end of the year	(148,056)	(115,757)

10 Property, furniture and equipment, net

Financial entities in Peru are prohibited from pledging their fixed assets. In Management's opinion, there is no evidence of impairment of fixed assets held by the FUND as of September 30, 2019 and December 31, 2018.

As of September 30, 2019, the FUND has fully depreciated fixed assets amounting to thousands of S/ 2,243 (thousands of S/ 2,455 as of December 31, 2018). The FUND maintains insurance policies on its key assets in accordance with the policies established by the Management; For these purposes, as of September 30, 2019 and December 31, 2018, the FUND has contracted an insurance policy against all risks that covers the value of the Fund's net assets. In Management's opinion, the FUND's insurance policies are consistent with the practice of the industry.

The changes in the item as of September 30, 2019 and December 31, 2018, are as follows:

	In thousands of S/			
	<u>Balance as of</u> <u>09.30.2019</u>	<u>Additions</u>	<u>Disposals and</u> <u>write-offs</u>	<u>Balances as of</u> <u>12.31.2018</u>
Cost:				
Lands	103			103
Buildings	36			36
Installations	52			52
Furniture and fixtures	747	2	(2)	747
Computer equipment	1,408	29	(77)	1,456
Miscellaneous equipment	950	33	(65)	982
Vehicles	759			759
Installation in leased assets	137			137
Works-in-progress and receivables	0		(33)	33
	<u>4,192</u>	<u>64</u>	<u>(177)</u>	<u>4,305</u>
Accumulated depreciation:				
Buildings	12	0		12
Installations	47	1		46
Furniture and fixtures	533	26	(2)	509
Computer equipment	1,223	51	(77)	1,249
Miscellaneous equipment	705	38	(60)	727
Vehicles	676	54		622
Facilities in rented assets	41	10		31
	<u>3,237</u>	<u>180</u>	<u>(139)</u>	<u>3,196</u>
Net cost	<u>955</u>			<u>1,109</u>

11 Intangible assets

The Intangible Asset is comprised of software and licenses for the use of computer equipment whose total cost as of September 30, 2019 is thousands of S/ 11,817 and its cumulative amortization of approximately S/6,436 thousand (cost of thousands of S/ 10,518 and accumulated amortization of approximately thousands of S/ 5,032 as of December 31, 2018). Amortization of intangible assets is calculated following the straight-line method in accordance with the useful lives estimated by the Management.

The composition of the item is presented as follows:

	In thousands of S/			
	<u>Balances as of</u> <u>09.30.2019</u>	<u>Additions</u>	<u>Withdrawals and</u> <u>other settings</u>	<u>Balances as of</u> <u>12.31.2018</u>
Cost:				
Software	8,194	2,162		6,032
Licenses	1,353	9		1,344
Software in development	2,270	1290	(2,162)	3,142
	<u>11,817</u>	<u>3,461</u>	<u>(2,162)</u>	<u>10,518</u>
Accumulated amortization:				
Software	5,202	886		4,316
Licenses	1,234	64		1,170
	<u>6,436</u>	<u>950</u>		<u>5,486</u>
Net cost	<u>5,381</u>			<u>5,032</u>

12. Other assets, net

The composition of the item is presented as follows:

	As of 09.30.2019	AI 12.31.2018
	In thousands of S/	In thousands of S/
Operations in process (a)	1,533	1,033
Others (b)	4,570	2,003
Total	6,103	3,036

This category includes operations in the process, advance payments for subscriptions, other deferred charges, among others.

- a) Corresponds mainly to the recoveries of the mortgage loan portfolio, pending deposit of the IFIS Caja de Ahorro y Crédito Efectiva y Sullana in the FUND's current accounts. These deposits are generally made in the immediately following month.
- b) The balance of the Other item is comprised of:
 - The registers of the taxes and subscriptions paid in advance, and the other deferred charges, whose main balance is for the implementation of the Shared Data Center (CDC) service provided by the Company AI INVERSIONES PALO ALTO II SAC (ex GMD S.A.). As of September 30, 2019, an advance payment for this service is maintained in thousands of S/1,313 (As of December 31, 2018, to thousands of S / 1,475). It should be noted that, through Resolution of Executive Direction No. 046-2009 / DE-FONAFE, the "Corporate Information and Communication Technologies (ICT) management plan for companies under the scope of FONAFE" was approved that the implementation of the Shared Data Center (CDC-TIC) is defined, within the framework of this process and to continue providing this service, FONAFE on August 5, 2016, approved the good pro of the Award of Minor Amount No. 004- 2016 FONAFE for the contracting of the service to the Company GMD S.A.
 - It also includes the costs incurred for the loan with the French Development Agency (AFD, by its acronym in Spanish) and German Bank Kreditanstalt für Wiederaufbau (KfW).

13. Debts and financial obligations

	In thousands of soles	
	09.30.2019	12.31.2018
Debts and obligations with domestic companies and financial institutions (a)	120,043	0
Debts and Obligations, with Foreign Companies and International Financing Organization (b)	329,320	444,323
Values and Titles	4,273,783	5,015,286
Total	4,723,146	5,459,609

- a) As of September 30, 2019, the FUND maintains an accounting balance of thousands of USD35,484 (Principal for thousands of USD35,000 plus interest for thousands of EUR484) equivalent in thousands of S/120,043 for the loan received from banco BBVA, with an interest rate of 3.10%.
- b) As of September 30, 2019, the FUND maintains a balancing balance of thousands of EUR89,320 (Principal for thousands of EUR89,444 plus interest for thousands of EUR38 less amortized cost for thousands of EUR162) equivalent in thousands of S/329,305

taken to the French Development Agency, with an interest rate of 1.30%; 0.61%; 0.92%; 0.77% AND 0.79%.

Also, in June 2019, another loan agreement was signed with the French Development Agency (AFD, by its acronym in Spanish) and the German Bank Kreditanstalt für Wiederaufbau (KfW) in thousands of EUR105,000 and EUR45,000 respectively, which since September of 2019 maintains a provision for non-use fee of the credit line, in thousands of EUR1 equivalent in thousands of S/ 4 and in thousands of EUR3 equivalent in thousands of S/ 11.

As of December 31, 2018, the FUND maintains a balancing balance of thousands of EUR115,092 (Principal for thousands of EUR115,000 plus interest for thousands of EUR325 less amortized cost for thousands of EUR233) equivalent in thousands of S/ 444,323 from the line of the loan of thousands of EUR 120,000 taken to the French Development Agency (AFD, by its acronym in Spanish), with an interest rate of 1.30%; 0.61%; 0.92%; 0.77% AND 0.79%.

The composition of the item is presented on 09.30.2019 is as follows:

Date	Financial Institution	Capital Foreign Currency	Annual Interest rate	S/ (000)				
				Capital	Interest	Amortized cost adjustment	Total	
Debts and Obligations with Foreign Companies and International Financial Institutions								
04/09/15	AFD Loans	€ 28,000	3.893562	1.30%	103,230	60	(597)	102,693
04/10/16	AFD Loans	€ 7,000	3.893562	0.61%	25,808	7	0	25,815
24/04/16	AFD Loans	€ 7,778	3.893562	0.92%	28,675	12	0	28,687
11/07/18	AFD Loans	€ 15,556	3.893562	0.77%	57,350	20	0	57,370
23/08/18	AFD Loans	€ 31,111	3.893562	0.79%	114,700	40	0	114,740
		€ 89,444,444			329,763	139	(597)	329,305
French Development Agency ((AFD, by its acronym in Spanish)								
	AFD / Fee for non-use of line – Set19	€ 1	3.68679		4			4
French Development Agency ((AFD, by its acronym in Spanish)								
	AFD / Fee for non-use of line – Set19	€ 3	3.68679		11			11
		€ 89,449			329,778	139	(597)	329,320

The composition of the item is presented on 12.31.2018 is as follows:

Date	Financial Institution	Capital Foreign Currency	Annual Interest rate	S/ (000)				
				Capital	Interest	Amortized cost adjustment	Total	
Debts and Obligations with Foreign Companies and International Financial Institutions								
04/09/15	AFD Loans	€ 36,000.00	3.893562	1.30%	138.981	542	(901)	138,622
04/10/16	AFD Loans	€ 9,000.00	3.893562	0.61%	34.745	64	0	34,809
24/04/16	AFD Loans	€ 10,000.00	3.893562	0.92%	38.606	107	0	38,712
11/07/18	AFD Loans	€ 20,000.00	3.893562	0.77%	77.212	178	0	77,390
23/08/18	AFD Loans	€ 40,000.00	3.893562	0.79%	154.424	366	0	154,789
		€ 115,000.000			443,968	1,257	(901)	444,323

c) Securities and outstanding securities - The composition of the item is as follows:

	Annual nominal interest rate %	Maturity	Amount issued (000)	Book value	
				2019 S/ (000)	2018 S/ (000)
Domestic issuances					
Corporate bonds – First Program (b)					
First issuance ("A" series)	6.66	April 2019	S/116,045	-	116,010
Fourth issuance ("A" series)	6.72	July 2026	S/310,000	309,724	309,789
Third issuance ("A" series)	7.00	Feb 2024	S/1,500,000	1,495,409	1,495,103
Fifth issuance ("A" series)	5.02	July 2026	S/250,000	249,568	-
International issuances					
Corporate bonds -					
First issuance (c)	3.50	January 2023	USD500,000	1,682,064	1,675,364
Second issuance (d)	3.38	April 2019	USD300,000	-	827,578
Reopening first issuance (e)	3.50	January 2023	USD150,000	503,213	500,921
				4,239,978	4,924,765
Interest payable				33,805	90,521
Total				4,273,783	5,015,286

In the Board Session held on November 16, 2012, the issuance of the First Corporate Bonus Program was approved. Through this approval, the FUND could issue securities up to a maximum amount of USD800'000,000 or its equivalent in soles. The FUND's raised through the issuance of corporate bonds by public offering were used to finance operations of the FUND's business. In the months of April and July 2016, February 2018 and July 2019, the FUND issued the first, third, fourth and fifth issues of the Corporate Bonds, respectively.

(c) In January 2013, the FUND issued bonds under Rule 144 or Regulation S of the Securities Law in the international market. The issuance was for a nominal amount of USD500'000,000, whose term of maturity is 10 years. The bonds were placed under par at a price of 99.15 percent, at a coupon rate of 3.50 percent per annum, with semiannual interest payments and amortization at maturity. The FUND's raised were used to finance operations of the FUND's business.

As of September 30, 2019, and December 2018, such bonds are subject to exchange rate risk, being covered by principal only swaps (POS) for a nominal amount of USD500,000,000 (equivalent to approximately S/1,691,500,000 and S/1,686,500,000, respectively) see note 14.

(d) In April 2014, the FUND issued bonds under Rule 144 or Regulation S of the Securities Law in the international market. The issuance was for a nominal amount of USD300'000,000 with an expiration term of 5 years. The bonds were placed under par at a price of 99.76 percent, at a coupon rate of 3.38 percent, with semi-annual interest payments and amortization at maturity. The FUND's raised were used to finance operations of the FUND's business. During the years 2018 and 2017, the FUND redeemed these bonds in advance for an amount of USD 54'575,000 equivalent to S/181'079,850, leaving a balance of US\$ 245'425,000 to be redeemed. These bonds were fully paid in April 2019.

As of December 30, 2018, these bonds are covered by principal only swaps (POS) for a nominal amount of US\$80'000,000 (equivalent to approximately S/269'840,000) and forwards for USD 13'500,000 (equivalent to approximately S/45'435,500), see note 14.

- (e) In February 2018, the FUND issued bonds under Rule 144 or Regulation S of the Securities Law in the international market through the reopening of the First Issuance called "3,500% Notes due 2023" made in January 2013. The new Issuance was for a nominal amount of USD150,000,000 whose maturity is 6 years. The bonds were placed under par at a price of 99.802 percent, at a coupon rate of 3.50 percent, with semi-annual interest payments and amortization at maturity. The FUND's raised are used to finance operations of the FUND's business.

As of September 30, 2019, and December 2018, these bonds are subject to exchange rate risk, being hedged through cross-currency swaps (CCS) for a nominal amount of USD150'000,000 (equivalent to S/507'450,000) and USD150'000,000 (equivalent to S/505'950,000), respectively.

The balance of outstanding securities and securities classified by maturity is shown below:

	2019	2018
	S/ (000)	S/ (000)
From 1 to 2 years	33,805	952,299
From 2 to 5 years	3,680,686	2,208,414
Over 5 years	559,292	1,854,573
	<hr/>	<hr/>
Total	4,273,783	5,015,286
	<hr/>	<hr/>

The following is the financing activities of securities and securities outstanding as of September 30, 2019 and December 2018 are presented below:

	2019						
	Cash flows	Movement					
January 1 2019 S/ (000)	Provided S/ (000)	Used S/ (000)	Exchange difference, net S/ (000)	Interest S/ (000)	Amortized cost S/ (000)	Changes in fair value S/ (000)	September 30, 2019 S/ (000)
Domestic issuances							
First issuance ("A" series)	117,815	-	(119,908)	-	2,058	35	-
Fourth issuance ("A" series)	319,524	-	(20,828)	-	15,621	(65)	314,252
Third issuance ("A" series)	1,535,048	-	(105,000)	-	78,750	306	1,509,104
Fifth issuance ("A" series)		250,000		-	2,598	(432)	252,166
International issuances -							
First issuance	1,700,065	-	(58,205)	4,791	43,680	1,707	1,692,038
Second issuance	834,485	-	(825,816)	(15,866)	6,959	238	-
Reopening First issuance	508,349	-	(17,462)	1,437	13,103	796	506,223
Total	5,015,286	250,000	(1,147,219)	(9,638)	162,769	2,585	4,273,783

	2018							
	Cash flows		Exchange difference, net S/ (000)	Movements			December 31, 2018 S/ (000)	
January 1, 2018 S/ (000)	Provided S/ (000)	Used S/ (000)		Interest S/ (000)	Amortized cost S/ (000)	Changes in fair value S/ (000)		
Domestic issuances								
First issuance ("A" series)	117,725	-	(7,724)	-	7,724	90	-	117,815
Fourth issuance ("A" series)	319,511	-	(20,828)	-	20,828	13	-	319,524
Third issuance ("A" series)	1,534,381	-	(105,000)	-	105,000	667	-	1,535,048
International issuances								
First issuance	1,631,203	-	(56,752)	65,749	57,499	2,366	-	1,700,065
Second issuance	908,574	-	(134,931)	32,430	27,051	1,361	-	834,485
Third issuance	836,893	-	(839,046)	(3,036)	4,700	489	-	-
Reopening First issuance	487,400	-	(17,026)	19,655	17,251	1,069	-	508,349
Total	5,835,687	-	(1,181,307)	114,798	240,053	6,055	-	5,015,286

14. Accounts payable

In the line of accounts payable, it comprises the following:

In thousands of soles	As of 09.30.2019 S/ (000)	As of 12.31.2018 S/ (000)
Other accounts payable:		
Family Housing Bonus / Vulnerable Housing Protection Bonus (a)	1,053,002	1,123,601
Good Payer Bonus (capital) assigned to COFIDE (b)	104,086	110,464
Contributions from FONAVI (c)	8,644	90,466
Bonus 500 (D.U. N ° 014-2018)	22,319	42,995
Bonus to the Good Payer (capital) received from the MVCS (d)	44,073	39,771
Savings of the Eligible Family Group by transferring to technical entities (e)	15,171	20,574
Participations of workers payable	5,146	3,354
Resources to transfer for executed bank guarantees	2,299	2,486
Suppliers payable	2,931	2,377
Bonus per Management Agreement - FONAFE	1,640	2,186
Vacation and settlement of social benefits payable	1,643	978
Balances payable of the FUND as per reconciliation with the MEF	81,822	0
Others	1,206	1,025
	1,343,982	1,440,277

- (a) Corresponds to the resources received from the MVCS for the execution of the Family Housing Bonus (BFH, by its acronym in Spanish) and the Seismic Risks Vulnerable Housing Protection Bonus (BPVV, by its acronym in Spanish) pending transfer to the technical entities (builders); as well as returns due to waivers, termination of contract or other causes of said bonds.
- (b) Corresponds to the fund's received from the MVCS that were assigned to the authorized loans to the IFIs (for the Project Crédito MIHOGAR and the New Loans MIVIVIENDA), after reviewing compliance with the requirements established in the respective regulations.
- (c) As of September 30, 2019, and December 31, 2018, it comprises the following:

In thousands of soles	As of 09.30.2019 S/ (000)	As of 12.31.2018 S/ (000)
Collection of FONAVI (a)	0	81,822
Contributions to FONAVI pending transfer the MEF (b)	8,023	8,023
Refund of FONAVI pending payment (c)	621	621
	8,644	90,466

As of September 30, 2019, there is no balance, due to the collection of FONAVI; however, as of December 31, 2018 it showed a balance corresponding to the balances assigned to the FUND, product of the collection made by the National Superintendence of Customs and Tax Administration (SUNAT) of contributions to FONAVI made by taxpayers, under Law N°. 26969.

The movement of this item is presented follows:

	As of 09.30.2019	As of 12.31.2018
	S/ (000)	S/ (000)
In thousands of soles		
Balance at the beginning of the year	81,822	95,152
Balance corresponding to the FUND, reconciliation with the MEF	(81,822)	(13,330)
Balance at the end of the year	0	81,822

- (a) According to the reconciliation made with the MEF in January 2019, as of September 30, 2019, we do not keep payable balances for contributions to FONAVI; however, as of December 31, 2018 it showed the balance pending reconciliation that were the collections made by SUNAT from taxpayers who have tax stability under Law No. 27071.
- (b) As of September 30, 2019, based on the reconciliation made, a balance pending to transfer to MEF is shown for thousands of S/ 8.023.
- (c) As of September 30, 2019, corresponds to checks drawn from 1999 to 2018 pending collection by the beneficiaries. These checks were issued for the return of FONAVI contributions in accordance with communications from SUNAT, responsible for the collection of these resources.
- (d) Corresponds to the balance of the cash FUND's received from the MVCS, pending assignment to the beneficiaries who request the products offered by the FUND. The FUND allocates these resources through COFIDE when disbursements are authorized to the IFIs for approved loans.
- (e) Corresponds to the balance payable to the promoters on behalf of the eligible family groups that accessed the New Housing Acquisition Program (AVN). Includes the savings deposited by family groups in the FUND accounts.

15. Provisions and others liabilities

In the items of provisions and other liabilities include the following:

	As of 09.30.2019	As of 12.31.2018
	S/ (000)	S/ (000)
In thousands of soles		
Other Provisions (a)	3,962	5,437
Other Liabilities (b)	961	1,027

- (a) This item includes the provisions for litigation and lawsuits of a judicial and labor nature, which in the opinion of Management and its legal advisors, the recorded provision is sufficient to cover the risk of loss.
It also presents the provisions of the portfolio sold in 2007 to four IFIs, whose credit risk is still maintained.
- (b) This item mainly includes the deferred income from rescheduling and refinancing of the portfolio and the one generated by the higher value obtained by receiving the mortgage loan portfolio of the former CRAC Señor de Luren in Liquidation that the FUND maintains in the accounts receivable-COFIDE Trust for the activation of Clause Thirteen.

16. Shareholders' equity

(a) Capital stock -

As of September 30, 2019, and December 31, 2018, the capital stock of the FIBDI is represented by 3,355'584,361 common shares subscribed and paid, respectively, whose nominal value is one sun per share. The sole shareholder of the FUND is the National Fund for the Financing of the State's Business Activity - FONAFE.

At the General Shareholders' Meeting held on April 1, 2019, the capitalization of profits for the fiscal year 2018, net of the legal reserve, was agreed for S/30'870,013.

At the General Shareholders' Meeting held on March 28, 2018, the capitalization of profits for the fiscal year 2017, net of the legal reserve, was agreed for approximately S/22'094,000.

(b) **Legal reserve -**

In accordance with current legal regulations, the FUND must reach a legal reserve of not less than 35 percent of its paid-in capital. This reserve is constituted through the annual transfer of not less than 10 percent of its net profits and can only be used to offset losses or its capitalization, in both cases there is an obligation to replace it.

At the General Shareholders' Meetings held on April 1, 2019, and March 28, 2018, the constitution of the legal reserve was agreed for the utilities of the 2018 and 2017 fiscal years for approximately S/3'430,000 and S/2'455,000, respectively.

Due to the change in the methodology for the calculation of provisions as of August 1, 2018 detailed in note 3 (e), in December 2017, the SBS through Resolution SBS No. 4907-2018 authorized the FUND to record the deficit of provisions of accounts receivable (Trust Agreement - COFIDE) for an amount of approximately S/71'027,000 reducing the balance maintained in Legal Reserve.

As of December 31, 2017, due to the impairment of the Legal Reserve account due to the deficit of provisions for accounts receivable, a deferred tax of approximately S/ 20'953,000 was generated.

(c) **Unrealized results**

The unrealized results correspond to the unrealized gain (loss) generated by the valuation of Available-for-sale investments, the reclassified investments of Available-for-sale investments to investments at maturity.

As of September 30, 2019, the market value of derivatives increased by S/.24.7 MM compared to that recorded at the end of December 2018, explained by the increase in the interest rate effect (+S/ 30.5 million) and a decrease in the exchange rate effect (-S/ 5.8 million) in the valuation of swaps and currency forwards. It should be noted that from the valuation of derivatives, one of the impacts on equity comes from the interest rate effect (+S/ 30.5 million) of the valuation; on the other hand, the exchange rate effect (-S/ 5.8 million) compensates for the exchange difference of the items covered.

As of September 30, 2019, the market value of derivatives decreased by S/ .24.6 MM compared to that recorded at the end of December 2018, explained by the decrease in the interest rate effect and an increase in the exchange rate effect.

At the end of September 2019, the market value of currency derivatives increased compared to the end of December 2018, explained by the following:

I. Exchange rate effect

- a) The PEN appreciated against the EUR and depreciated against the USD; the appreciation of the PEN with respect to the EUR led to a decrease in the market value of the derivatives, while the depreciation of the PEN with respect to the USD led to an increase in the market value of the derivatives in currency

- b) Because an active derivative position is maintained in USD and EUR and the appreciation of the EUR was greater than the depreciation of the USD, the exchange rate effect negatively impacted the market value of currency derivatives.

II. Interest rate effect

- a) Rates in EUR decreased throughout the curve contributing to the increase in the present value of active positions (denominated in EUR). This effect had a positive influence on the market value of currency derivatives.
- b) Rates in EUR decreased throughout the curve contributing to the increase in the present value of active positions (denominated in EUR). This effect had a positive influence on the market value of currency derivatives.
- c) The rates in PEN decreased throughout the curve; this movement negatively affected the market value of currency derivatives by contributing to the increase in the present value of passive positions (denominated in PEN).
- d) In conclusion, movements in rates in USD, EUR and PEN contributed to a positive impact of the interest rate effect on the market value of all derivatives.

The movements of this item are shown below:

	Balance as of January 1, 2018 S/ (000)	(Debit)/ Credit to statements of comprehensive income S/ (000)	Balance as of December 31, 2018 S/ (000)	(Debit)/ credit to statements of comprehensive income S/ (000)	Balance as of June 30, 2019 S/ (000)
Investments available for the sale of the FUND					
(Unrealized loss) unrealized gain from investments available-for-sale, net of transfers to profit and loss	46	50	96	(93)	3
Unrealized loss of in strum. of debt, reclassified from "Available-for-sale investments" to "Held-to-maturity investments", note 3 (g)	(8,692)	1,161	(7,531)	660	(6,871)
	(8,646)	1,211	(7,435)	567	(6,868)
Deferred income tax	74	(186)	(112)	(40)	(152)
Sub total	(8,572)	1,025	(7,547)	527	(7,020)
Cash flow hedges					
Net cash gain (loss) of cash flow hedge	71,163	111,647	182,810	444	183,254
Transfer to profit and loss of (realized gain) realized loss from cash flow hedge derivatives	(229,215)	(55,784)	(284,999)	7,688	(277,311)
	(158,052)	55,863	(102,189)	8,132	(94,057)
Deferred income tax	46,625	(16,480)	30,145	(2,398)	27,747
Subtotal	(111,427)	39,383	(72,044)	5,734	(66,310)
Total FUND Operations	(119,999)	40,408	(79,591)	6,261	(73,330)

(d) **Regulatory Capital**

In June 2008, through Legislative Decree No. 1028, the Banking, Insurance and Pension FUND's Act was amended; establishing that the effective equity must be equal to or greater than 10 percent of the assets and contingent loans weighted by total risk that correspond to the sum of: (i) the effective equity requirement for market risk multiplied by 10, (ii) the effective equity requirement for operational risk multiplied by 10, and (iii) the assets and contingent loans weighted by credit risk.

As of September 30, 2019, and December 31, 2018, pursuant to Legislative Decree No. 1028 and amendments, the FUND maintains the following amounts in relation to assets and contingent credits weighted by risk and equity (basic and supplementary) expressed in soles:

	2019 S/ (000)	2018 S/ (000)
Total effective equity	3,337,666	3,301,405
Basic effective equity (Level 1)	3,337,666	3,301,405
Global capital ratio over effective equity	89.95%	79.49%

As of September 30, 2019, and December 31, 2018, the FUND is in compliance with Resolutions SBS N° 2115-2009, N° 6328-2009, N° 14354-2009, N° 4128-2014, Regulations Requirement of Cash Equity for Operational Risk, Market Risk, and Credit Risk, respectively, and amendments. These Resolutions establish, mainly, the methodologies to be used by financial institutions to calculate assets and weighted credits for each type of risk.

In July 2011, the SBS issued Resolution N°. 8425-2011, which establishes that in order to determine the level of additional effective equity, financial institutions must have a process to evaluate the sufficiency of their effective equity according to their profile of risk, according to the methodology described in said Resolution. In the application of the said rule, the additional effective equity requirement will be equal to the sum of the effective capital requirements calculated for each of the following components: economic cycle, concentration risk, and risk by market concentration, risk by the interest rate in the bank book and other risks.

It provides for a gradual adaptation period of five years from July 2012. As of September 30, 2019, the percentage of suitability established by the SBS is 100 percent, so the additional regulatory capital requirement estimated by the FUND amounts to approximately S/68'290,471 (S/73'928,915 with the 100 percent adequacy percentage established by the SBS as of December 31, 2018).

In Management's opinion, the FUND has complied with the requirements established in the aforementioned resolution and will have no objection to continuing to comply with them, given that the equity constituted by the FUND easily covers said requirements

17. Income from Interest

The composition of the item is presented as follows:

	09.30.2019	09.30.2018
	S/ (000)	S/ (000)
Interests income		
Interest on accounts receivable (Trust Agreement - COFIDE), net of interest related to the PBP granted by the Fund (a)	327,683	298,945
Interest on available (b)	45,235	20,111
Interest on investment returns (c)	13,101	68,999
Interest on loan portfolio	5,762	5,691
Others income	3,918	3,052
Total interest income	395,699	396,798

- a) Corresponds to interest income from accounts receivable-Trust COFIDE, generated by the loans to the financial entities that it manages.
- b) Corresponds to interest income generated by bank accounts remunerated and interest accrued on installment deposits.
- c) During the year 2019, the interest income of the investment portfolio is constituted as a priority by the interest income of the Investments to Expiration (Sovereign bonds, corporate bonds, subordinated bonds and bonds of Titling among others).

18. Interest expenses

The composition of the item is presented as follows:

	09.30.2019	09.30.2018
	S/ (000)	S/ (000)
Interests expenses		
Interest and commissions on securities and bonds outstanding(a)	165,796	185,591
Good payer award (capital) granted by the Fund(b)	55,999	40,634
Interest and commissions on debts and financial obligations(c)	4,691	2,462
Fees and other charges for financial obligations	16	949
Other expenses		19
Total, interest expenses	226,502	229,655

- (a) Corresponds to interest expenses accrued by international bond issues (the first issue was in 2013, the 2nd and 3rd issuance was issued in 2014 and the reopening of the 1st issue of February 2018); and for the interest expenses of the first and second local issues of 2016 and of the third local issue in February 2018.
- (b) This item shows the expense represented by the Good Payer Award, awarded through the COFIDE Trust.
- (c) It corresponds to the interest accrued on the loan taken with BBVA, accrued interest and the adjustment of the amortized cost of the loan to the French Development Agency (AFD, by its acronym in Spanish) and the provision of the expense for the non-use of the Afaissal Fee Euros credit line and commission for Common Bonds - 3rd issue.

19. Income from financial services

Corresponds to the commissions received by the trust administration service, mainly from the administration of the CRC and PBP trusts, for which the FUND receives a monthly fee equivalent to 0.05 percent of the net assets of the CRC and PBP at the close of each month charged to the CRC and PBP; and as well as the commission charged to the IFIs for the service contract Credit risk coverage and the good player award.

	In thousands of S/	
	09.30.2019	09.30.2018
Income from Trusts and Trust Commissions	508	489
Miscellaneous income	3,170	2,911
Total	3,678	3,400

20. Expenses for Financial Services

The composition of this item is shown below:

	09.30.2019	09.30.2018
	S/ (000)	S/ (000)
Trust administration service and trust commission	139	156
Miscellaneous expenses	1,658	1,950
Total	1,797	2,106

Corresponds to expenses for maintenance, postage, commissions for transfer, commission for custody of securities, service for issuing management checks and other expenses for services provided by banks; as well as the administration fees that from the year 2018 is being paid to COFIDE, CMAC Sullana and Financiera Efectiva.

21. Results for Financial Operations (ROF)

The composition of the item is presented, in thousands of sole, as follows:

	09.30.2019	09.30.2018
	S/ (000)	S/ (000)
Trading derivatives (a)	1,223	336
Results for Coverage operations (b)	(53,869)	(78,189)
Profit - Loss in Exchange Difference (c)	(3,985)	(2,690)
Others	399	(289)
Final Balance	(56,232)	(80,832)

- (a) Corresponds to the net profit generated by the contracts of Forward of negotiation (USD-PEN) that as of 09.30.2019 presents an accumulated gain of S/ 1,223 thousand, mainly due to:

Agreement Type	Amount S/
002 FWD Purchase Agreements	851
003 FWD Sale Agreements	372
	1,223

- (b) It corresponds to the net loss generated by the contract of:

- Forward hedge at fair value (USD) which at 09.30.2019 presents an accumulated gain in thousands of S/ 8,163 mainly due to:

Agreement Type	Amount S/
015 FWD Purchase Agreements	(1,163)
027 FWD Sale Agreements	9,326
	8,163

- Principal Only Swap for cash flow hedges (USD and EUR) which at 09.30.2019 shows an accumulated loss in thousands of S/ 36,384 mainly due to:

Agreement Type	Amount S/
043 Principal Only Swaps – Purchase Agreement	(36,384)
	(36,384)

- Cross Currency Swap of cash flow hedges (USD and EUR) which as of 09.30.2019 shows an accumulated loss of S/ 25,599 thousand of Soles mainly due to:

Agreement Type	Amount S/
14 Cross Currency Swap Purchase Agreements	(26,078)
01 Cross Currency Swap Sale Agreements	479
	(25,599)

- Interest Only Swap for cash flow hedge (EUR) which as of 09.30.2019 shows an accumulated loss in thousands of S/ 49 due mainly to:

Agreement Type	Amount S/
01 Interest Only Swap Purchase Agreement	(49)
	(49)

- (c) It refers mainly to the leveling of the balances of the asset, liability and equity accounts in US dollars and euros, resulting in an accumulated loss of thousands S/4,043.

22. Administration expenses

The composition of the item is presented as follows:

	S/ (000)	
	09.30.2019	09.30.2018
Personnel expenses and directory (a)	24,438	21,073
Services received from third parties (b)	13,059	17,627
Taxes and contributions	609	465
	38,106	39,165
	=====	=====

- (a) The following is a detail of the personnel and board expenses:

	S/ (000)	
	09.30.2019	09.30.2018
Salaries	9,638	9,296
Bonuses	415	481
Bonus by Management Agreement	1,645	-
Participation of the workers	5,146	3,641
Compensation for termination of the employment relationship	88	385
Gratifications	1,735	1,666
Compensation for the length of service	1,015	983
Professional Internship Grant	650	531
Security and social security	1,559	1,585

Vacations	883	904
Training	134	137
Diets to the directory	330	382
Food Benefits	663	606
Clothing for personnel	304	293
Others	233	183
	24,438	21,073

(b) The following is the detail of the "services received from third parties" account:

	<u>In Soles (000)</u>	
	<u>09.30.2019</u>	<u>09.30.2018</u>
Advertising	920	6,240
Fees and consultancy	2,253	2,133
Property and good rentals	1,914	1,920
Repair and Maintenance	1,690	1,551
IT project expenses - FONAFE	935	663
Communications	586	590
Travel expenses	136	147
Transport	217	210
Surveillance and protection	61	197
Insurance	646	194
Messenger service	143	153
Office supplies	74	81
Public services	154	144
Telemarketing services	641	518
Other expenses	2,689	2,885
	<u>13,059</u>	<u>17,627</u>

23. Valuation of Assets and Provisions

The detail of this item is presented as follows:

	<u>S/ (000)</u>	
	<u>09.30.2019</u>	<u>09.30.2018</u>
Provisions for uncollectable accounts receivable		
Provision Trust COFIDE	-41,455	-45,334
Provision Portfolio EXCONEMINSA	-5	-23
Provision of Invoices Receivable	-98	-106
Provision of Other Accounts Receivable - Other	-32,217	0
Reversal of Provision - COFIDE	33,609	25,412
Reversal of Provision - EXConeminsa	44	1,993
Provision Reversal - IFIS in Liquidation	0	126
	<u>-40,122</u>	<u>-17,932</u>
Impairment of investment	0	-3,776
Provisions for Litigation and Demands	-179	-434
Other Provisions	-343	-602

24. Other income, net

The detail of this item is presented as follows:

	S/ (000)	
	09.30.2019	09.30.2018
Other incomes		
Income from Accounts Receivable	467	405
Accrued deferred income	47	43
Income linked to letters of guarantee	46	22
Penalties	49	30
Brand Use License	58	64
Reversion of Prov Fid. COFIDE-Portfolio Sold 2007	1,170	1,230
Sale of bidding bases	9	3
Exec and Honoring Letters of Guarantee- Real Estate Development Project Ucayali	1,440	0
Other incomes	1,236	1,009
	<u>4,522</u>	<u>2,806</u>
Other expenses		
Other minor expenses	(218)	(9)
	<u>(218)</u>	<u>(9)</u>
Total other income, net	<u>4,304</u>	<u>2,797</u>

25. Earnings per share

Basic earnings per common share have been calculated by dividing net income for the year by the weighted average of the number of shares in that period. Because the FUND does not have financial instruments with a dilutive effect, the basic and diluted earnings per share are the same.

<u>Detail</u>	<u>In Thousands S/</u>	<u>In S/</u>
Weighted Average of No. of Basic Shares	3,337,577	
Weighted Average of the No. of Diluted Basic Shares	3,337,577	
Net income for the fiscal year	31,721	
Earnings per Basic Share		0.010
Earnings per Diluted Share		0.010

26. Tax Situation

- (a) The FUND is subject to the Peruvian tax regime. In accordance with the provisions of Legislative Decree No. 1261, published on December 10, 2016, and in force as of the fiscal year 2017 and beyond, the norm as the income tax rate (29.5%) applicable to taxable income, after deducting the participation of the workers. Therefore, said income tax rate has been applied to the taxable income as of September 30, 2019 and December 31, 2018; after calculating the participation of workers in profits, which in the case of the FUND, and in accordance with the provisions of current labor standards, is carried out by applying the rate of 5% on the net taxable income.

Legal entities not domiciled in Peru are subject to the withholding of an additional tax on the dividends received. In this regard, in accordance with the provisions of the aforementioned Legislative Decree, the additional tax on dividends for the profits generated will be as follows:

- For the profits generated as of January 1, 2017, whose distribution is made as of said date, the applicable rate will be 5%.

In the case of the FUND, such withholding is not applicable.

- (b) Beginning the fiscal year 2011, with the modification of the Income Tax Law according to Law No. 29645, it is also included as one of the exemptions exempted from Income Tax, interest and other income from external loans granted to the National Public Sector. State companies with private rights are considered to be conformers of the national public sector, as is the case of the FUND.
- (c) In accordance with article 19, paragraph q) of the TUO of the LIR, the interest and other earnings from external loans granted to the National Public Sector are exempt until December 31, 2020¹, therefore, also the obligation to withhold Income Tax from non-residents is exempt.

Likewise, the sale of real estate investments is exonerated from January 1, 2017, to December 31, 2019 (2):

1. Common shares and investment actions
2. American Depository Receipts (ADR) and Global Depository (GDR)
3. Exchange Trade FUND Units (ETF) that have underlying shares and/or representative securities.
4. Debt securities.
5. Certificates of participation in mutual securities investment FUND's.
6. Certificates of participation of investment FUND's of real estate income (FIRBI) and certificate of participation in securitization trust for investment in real estate income (FIBRA).
7. Negotiable invoices.

As for the General Sales Tax, the interests generated by transferable securities issued through public or private offer by legal entities incorporated or established in the country are not affected; as well as the interest generated by the securities not placed by public offer, when they have been acquired through a centralized negotiation mechanism referred to in the Securities Market Law.³

- d) Through Legislative Decree No. 1372 published on August 02, 2018 and regulated with Supreme Decree No. 003-2019-EF, regulates the obligation of legal persons and / or legal entities to inform the identification of final beneficiaries.

Likewise, in accordance with the Resolution of Superintendence (RS) N° 185-2019/SUNAT published on September 25, 2019 in the Official Gazette of Peru, the form, term and conditions for the submission of the declaration of the final beneficiary are established, approving the virtual form 3800 - Declaration of the Final Beneficiary, which will be available, to those interested, in virtual SUNAT from December 1, 2019. Article 5 of the resolution establishes that legal persons that have the status of main contributor as of November 30, 2019, shall send as a declaration to the SUNAT the data of final beneficiaries from the tax period of November (11/2019), considered for this, the tax due calendar of the RS 306-2018/SUNAT.

- e) As of fiscal year, 2019, through Legislative Decree No. 1425, article 57 of the Income Tax Law is modified, specifying that income is charged in the taxable year according to the following:

The third-category income is considered to be produced in the commercial year in which it accrues; therefore, we shall understand that the income is accrued when the

¹ Law 30898, published on 12.28.2018 on the newspaper Diario Oficial El Peruano that extends until 12.31.2020 the exoneration of the subsection q) of the Only Ordered Text of the LIR.

² **Decreto Legislativo 1262**, que modifica la Ley 30341, publicada el 10.12.2016 en el Diario Oficial El Peruano, Ley que fomenta la liquidez e integración del mercado de valores.

³ Article 2 subsection t) and u) respectively of the Only Ordered Text of the Stock Market Law

material facts for its generation have occurred, provided that the right to obtain them is not subject to suspensive condition, regardless of the opportunity when they are charged and even when the precise terms for payment have not been set; however, when the consideration or part of it is set based on a fact or event that shall occur in the future, the income is accrued when said fact or event occurs.

Likewise, subsection a) of article 57 of the LIR specifies that in the case of Derivative Financial Instruments considering as an underlying element exclusively the exchange rate of a foreign currency, income and losses are charged at the close of each taxable year, even if the contract expiration date corresponds to a subsequent year. For this purpose, the provisions of article 61 of the Income Tax Law apply.

- f) On May 16, 2019, the FUND requested the reimbursement of the ITAN balance for 2018 not compensated, for the amount in thousands of S/ 41,238; on August 7 of the same year, SUNAT issued Intendency Resolution No. 012-180-0019881/SUNAT, returning the full amount requested, which was collected in the same month.

For the year 2018, the FUND requested a refund of the ITAN unpaid balance of the year 2017, amounting to S/ 22,277 thousand; so with Resolution of Intendancy N ° 012-180-0016409/SUNAT dated 05.04.2018, the Tax Administration authorized the total refund, whose collection was made in the same month.

- g) For the purpose of determining Income Tax, the transfer prices of transactions with related companies and with companies resident in countries or territories with low or no taxation must be supported by documentation and information on the valuation methods used and the criteria considered for its determination. Based on the analysis of the operations of the FUND, the Management and its internal legal advisors believe that, as a consequence of the application of these standards, there will be no significant contingencies for the FUND as of 09.30.2019 and as of 12.31.2018.
- h) The Tax Authority has the power to review and, if applicable, correct the income tax calculated by the FUND in the four years after the year of presentation of the respective tax declaration. Affidavit of income tax for the years 2014, 2015, 2016, 2017 and 2018 and general sales tax from 2014 to 2018 are subject to inspection by the Tax Authority.

In 2016, the FUND was taxed by the Tax Administration in relation to the third-category income tax for the period 2014, as a result of the ITAN refund request; a refund in favor of the FUND was determined, amounting to S/27,700 thousand. Likewise, the Tax Administration determined interest accrued in favor of the FUND for the same refund for an amount up to S/1,865 thousand. In 2015, the FUND was audited in relation to the Income Tax for the 2012 period. In this respect, the Tax Administration did not find any observations or amounts of omission that should have been regularized after the determination of the debt issued.

- i) The FUND has made a provision for Current Income Tax as of September 30, 2019, amounting to S/28,846 thousand; this effect is mainly due to the tax treatment of the exchange difference of assets and liabilities in foreign currency, which when comparing the accounting exchange rates with the weighted average buying and selling exchange rates, generated an addition in thousands of S/ 47,925 and a deduction in thousands of S/ 15,450. The provision for the current Income Tax as of 12.31.2018 amounted to S/18,800.
- j) The Provision of Income Tax as of September 30, 2019 and September 30, 2018, discounting i) the actual payments paid before the end of the respective fiscal year, ii) income tax credit from previous years, iii) the ITAN payments made, iv) other taxes that are presented in the Current Tax are the following:

	09.30.2019	12.31.2018
	<u>S/ (000)</u>	<u>S/ (000)</u>
Provision of Income Tax	(28,846)	(18,800)
Payments on account of Income Tax	1,750	6,125
Income Tax Credit Previous Exercise	27,491	40,623
Temporary Tax on Net Assets - ITAN	27,392	41,238
General sales tax	(47)	(60)
Total	<u>28,190</u>	<u>69,126</u>

K) In relation to the provision of Income Tax shown in the income statement, it comprises:

Income Tax	09.30.2019	09.30.2018
	<u>S/ (000)</u>	<u>S/ (000)</u>
Effective	(28,846)	(20,405)
Deferred	18,896	16,113
TOTAL	<u>(9,950)</u>	<u>(4,292)</u>

l) Below is the reconciliation of the effective income tax rate with tax rate:

	09.30.2019		09.30.2018	
	<u>S/ (000)</u>	<u>%</u>	<u>S/ (000)</u>	<u>%</u>
Utility before imp. to rent	41,671	100	24,221	100
Theoretical expenditure	(12,293)	(29.50%)	(7,145)	(29.50%)
More (less)				
Net effect of permanent items	2,343	5.62%	2,853	11.78%
Income tax	(9,950)	(23.88%)	(4,292)	(17,72%)

27. Deferred income tax

The deferred income tax has been calculated based on the differences between the accounting and tax bases of the assets and liabilities. Next, the composition is presented according to the items that originated it:

	Balances as of December 31, 2018	(Charge) payment to results	(Charge) payment to net worth	Balances as of September 30, 2019
	<u>(000)</u>	<u>(000)</u>	<u>(000)</u>	<u>(000)</u>
Assets				
Generic provision for accounts receivable with doubtful results	7,384	(522)	1,435	8,297
Unrealized Gains / Losses from Trust investments	165	-	(165)	-
Generic provision for accounts receivable with doubtful equity	20,952		(1,434)	19,518
Unrealized losses (gains) from the valuation of derivatives for hedging purposes	30,146	-	(2,399)	27,747
Deferred income from loan portfolio	3,844	(382)	-	3,462
Costs Incurred for Loans and debts		816		816
Other assets	3,135	9,531	-	12,666
Total deferred assets	65,626	9,443	(2,563)	72,506

Liability

Unrealized loss on investments Trusts	-		(277)	(277)
Unrealized loss from debt instruments, reclassified from "Available-for-sale investments" to "Held-to-maturity investments"	(84)	-	(67)	(151)
Unrealized loss from fluctuation in available-for-sale investments	(32)	-	31	(1)
Leveling of assets and liabilities	(14,138)	9,580	-	(4,558)
Balance- Common Bonds – Under the part. 5th Local Issue		(127)		(127)
Others	4		(4)	-
Total deferred liabilities	(14,250)	9,453	(317)	(5,114)
	51,376	18,896	(2,880)	67,392

28. Financial Risk Management

The activities of the FUND are mainly related to the credit placement of its resources through financial institutions of the country for the acquisition of homes by natural persons. Financial institutions are evaluated and assigned long-term credit lines; likewise, they participate in tasks of incentive to the construction and the promotion of housing and manage the resources received from the State (such as the Family Housing Bonus) and their own, investing these FUND's, mainly, in fixed income with degree investments investment, in order to make them profitable and preserve their value over time, ensuring the necessary liquidity to meet their obligations and loan activities.

In this regard, financial risk management includes the management of the main risks that the FUND faces due to the nature of its operations; these are: credit, market, liquidity and operational risk.

- Credit risk: the possibility of losses due to disability or unwillingness of debtors, issuers, counterparties or third parties bound to fulfill their contractual obligations.
- Market risks: the possibility of losses in positions inside and outside the statement of the financial position arising from fluctuations in interest rates, exchange rates, prices of equity instruments and other market prices, which affect the valuation of positions in financial instruments.
- Liquidity risk: this is the possibility that the FUND cannot meet the payment on maturity of its obligations incurring in losses that significantly affect its equity position.
- Operation risk: the possibility of losses due to inadequate processes, personnel failures, information technology or external events.

To manage these risks, we have a structure and organization specialized in management, measurement and reporting systems, and mitigation and coverage processes.

(a) Structure and organization of risk management –

The FUND has a governance and management structure that allows it to articulate the management and control of the risks it faces.

- (i) Board of Directors

The Board of the FUND is responsible for establishing adequate integral management of the risks and for fostering an internal environment that facilitates their development. The Board of Directors is permanently informed about the degree of exposure to the various risks administered by the FUND.

The Board of Directors has created various specialized committees in which it has delegated specific functions with the aim of strengthening risk management and internal control.

(ii) Risk Committee

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

(iii) Special Audit Committee

The Special Audit Committee is a collegiate body created in a Board session. Its main purpose is to ensure that accounting and financial reporting processes are appropriate, evaluate the activities carried out by internal and external auditors, and monitor the proper functioning of the internal control system. The Special Committee is made up of three members of the Board of Directors and the General Manager and the Head of the Internal Audit Office can participate as guests, as well as the staff that the Special Audit Committee deems necessary. The Special Committee meets at least once a month and its Chairman submits a quarterly report to the Board, reporting on the management of the Special Committee.

(iv) Asset and Liability Management Committee

The Assets and Liabilities Committee (hereinafter "the ALCO Committee", for its acronym in English) is a collegiate body created by the Board of Directors' agreement. Its main function is to establish the strategies for the management of the assets and liabilities of the FUND considering the structural risks associated with balance sheet. The Committee is also responsible for managing the risks of new products or operations containing market risk components. It is also the channel of communication with the areas that generate market risk. The Committee meets monthly and is made up of the General Manager, Commercial Manager, Finance Manager, and Risk Manager.

(v) General Management

The General Manager has the responsibility to implement adequate integral risk management in the FUND. Directs and coordinates the efforts of the various Managers and offices, ensuring an adequate balance between risk and profitability. The Risk Management is a line organ and reports directly to the General Management; is responsible for proposing the policies, procedures, and methodologies for competent integral risk management promotes the alignment of the risk treatment measures of the FUND with the levels of

appetite and tolerance to risk and the development of appropriate controls. The Risk Management is made up of the Market, Liquidity and Operational Risk Department and the Credit Risk and Portfolio Monitoring Department.

(vi) Internal Audit

The Internal Audit Division reports functionally to the Board of Directors. It supports the evaluation of the effectiveness of the internal control system of the FUND; in planning and executing the necessary actions to verify the correct and timely use of human, material and financial resources.

(b) Risk measurement and reporting systems -

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

The management indicators are reviewed and analyzed permanently 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 monthly to the Risk Committee and periodically to the Board of Directors.

(c) Concentration of risk

The FUND, through its policies and procedures, establishes the necessary guidelines and mechanisms to avoid an excessive concentration of risks thus maintaining a diversified portfolio. In the event that a concentration risk is identified, the FUND has specialized units that allow it to control and manage said risk.

28.1 Credit risk

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

- (a) The FUND opts for a risk policy that ensures sustained and profitable growth; for this, it incorporates analysis procedures for the adequate decision making, tools, and methodologies that allow identifying, measuring, mitigating and controlling the different risks in the most efficient manner and in accordance with the provisions of the SBS. Likewise, it develops management models that allow an adequate measurement, quantification, and monitoring of the loans granted to the IFIs, promoting the continuous improvement of policies, tools, methodologies and processes.

The exposure to the credit risk of the FUND is managed through the continuous analysis of the debtors' ability to comply with the interest and principal payments of their obligations and through the follow-up to the use of the General Credit Line granted to the IFI.

- (b) Maximum exposure to credit risk-

As of September 30, 2019 and December 31, 2018, the Fund Management has estimated that the maximum amount of credit risk to which the FUND is exposed is represented by the book value of the financial assets that present a risk exposure credit and consist mainly of deposits in banks, available-for-sale investments, held-to-maturity investments, accounts receivable, 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, as of September 30, 2019 and December 31, 2018 the:

- 72.00 and 65.71 percent of the accounts receivable (Trust Agreement - COFIDE) are classified, according to the IFI risk, in the two upper levels defined by the SBS.
- 100 percent and 100 percent, respectively, of Available-for-sale investments and at maturity of the instruments issued and classified in Peru, they have at least a classification of A-, for long-term instruments, or at least a classification of CP-2+, for short-term instruments⁴.
- 100 percent and 100 percent, respectively, of Available-for-sale investments and at maturity of the instruments issued and classified in Peru, they have at least a classification of BBB-, for long-term instruments, or at least a classification of CP-2, for short-term instruments⁵.

With regard to the evaluation of the Loan Portfolio, the FUND classifies the debtors in the risk categories established by the SBS and according to the classification criteria indicated for each type of loan: that is, for the debtors of the Mortgage Portfolio. The classification of debtors is determined by a methodology based on the criteria of SBS Resolution No. 11356-2008 "Regulation for the evaluation and classification of the debtor and the requirement of provisions" and its amendments.

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

The analysis of credit risk in the IFIs is mainly based on: (i) economic, financial and commercial evaluation, (ii) market development evaluation, (iii) IFI management evaluation, (iv) evaluation of the 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 credit risk analysis of the IFI, (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 financial indicators.

The loans financed by the FUND are placed in national currency. It is important to note that the FUND still maintains loan balances in US dollars, which correspond to the first products it disbursed (as of September 30, 2019 and December 31, 2018, the portfolio in dollars represents 1.48 and 2.01 percent of the total portfolio, respectively).

As of September 30, 2019, and December 31, 2018, the maximum level of exposure to the FUND's credit risk of accounts receivable (Trust Agreement - COFIDE) is approximately S/ 7,348,992,301.26 and S/ 6,794,064,367.22, respectively, corresponding to your balances at those dates.

In accordance with the Resource Channeling Agreement signed between the FUND and the IFIs, the IFI is responsible for the sub-loans having a constituted mortgage guarantee.

Due to its role as trustee, COFIDE has mechanisms through the channeling agreements signed with the IFIs, which ensure the mass of mortgage loans placed by the FUND, for which the IFI must respond.

⁴ At the close of September 2019, the minimum long-term and short-term classification of the instruments issued and classified in Peru belonging to the FONDO portfolio is AA- and CP-1- respectively.

⁵ However, at the close of September 2019, the minimum long-term classification of instruments classified abroad belonging to the FUND portfolio is BB+, which corresponds to a corporate bond issued by Cementos Pacasmayo. There are no short-term instruments to date.

The evaluation and proposal of the credit line are carried out by the Commercial Management. The Risk Management reviews the proposal, analyzes a conclusive opinion and submits the proposal to the Risk Committee for approval or denial. Below are balances of the accounts receivable (Trust Agreement - COFIDE) based on the classification of the final beneficiary's credit risk and the risk classification by IFI.

IFI risk:

Risk category	As of September 30, 2019		As of December 31, 2018	
	Total S/ (000)	%	Total S/ (000)	%
Normal	5,085,455	96.93	4,369,600	98.61
With potential problem	205,525	3.92	95,059	2.15
	<u>5,290,980</u>	<u>100.85</u>	<u>4,464,659</u>	<u>100.76</u>
Less: Provision for doubtful collection loans	(44,794)	(0.85)	(33,674)	(0.76)
Total, net	<u>5,246,186</u>	<u>100.00</u>	<u>4,430,985</u>	<u>100.00</u>

	September 2019				2018			
	Available-for-sale investments		Held-to-maturity Investments		Investments available for sale		Held-to-maturity Investments	
	S/ (000)	%	S/ (000)	%	S/ (000)	%	S/ (000)	%
Instruments issued and classified in Peru:								
AAA	-	-	31,899	12.24	-	-	31,796	8.74
AA- a AA+	-	-	88,444	33.93	-	-	94,049	25.86
CP-1(+/-)	11,444	95.79	-	-	20,609	10.91	4,503	1.24
CP-2(+/-)	-	-	-	-	-	-	-	-
	<u>11,444</u>	<u>95.79</u>	<u>120,343</u>	<u>46.16</u>	<u>20,609</u>	<u>10.91</u>	<u>130,348</u>	<u>35.85</u>
Instruments issued in Peru and classified abroad:								
A- a A+	-	-	-	-	-	-	-	-
BBB- a BBB+	-	-	96,426	36.99	-	-	155,130	42.66
BB- a BB+	-	-	26,141	10.03	-	-	25,866	7.11
	-	-	<u>122,567</u>	<u>47.02</u>	-	-	<u>180,996</u>	<u>49.77</u>
Instruments issued and classified abroad:								
BBB- a BBB+	-	-	14,942	5.73	-	-	46,764	12.86
CP-1(+/-)	-	-	-	-	-	-	-	-
CP-2(+/-)	-	-	-	-	165,276	87.53	-	-
Total	<u>11,444</u>	<u>95.79</u>	<u>257,852</u>	<u>98.91</u>	<u>185,885</u>	<u>98.44</u>	<u>358,108</u>	<u>98.48</u>
Accrued Income	503	4.21	2,841	1.09	2,944	1.56	5,521	1.52
Total	<u>11,947</u>	<u>100</u>	<u>260,693</u>	<u>100</u>	<u>188,829</u>	<u>100</u>	<u>363,629</u>	<u>100</u>

- (d) Management of credit risk 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 evaluation considers the ratings issued by the international risks rating agencies, as well as the country risk of the issuer, which is evaluated considering its main macroeconomic variables.

The following table presents the risk classification of Available-for-sale investments and held-to-maturity investments:

As of September 30, 2019, and December 31, 2018, the credit risk exposure presents the following geographical distribution:

	September 2019					2018				
	Designated at fair value through profit or loss					Designated at fair value through profit or loss				
	Held for trading and hedging	Credits and Accounts receivables S/ (000)	Available-for-sale investment S/ (000)	Held-to-maturity investment S/ (000)	Total S/ (000)	Held for trading and hedging S/ (000)	Credits and Accounts receivables S/ (000)	Available-for-sale investment S/ (000)	Held-to-maturity investment S/ (000)	Total S/ (000)
Peru	819	8,849,563	11,444	242,910	9,104,736	2,116	9,365,950	20,608	311,345	9,700,019
United States of America	101,877	-	-	-	101,877	95,919	-	-	-	95,919
Columbia	-	-	-	-	-	-	-	-	16,165	16,165
Chile	-	-	-	14,942	14,942	-	-	-	30,598	30,598
China	-	-	-	-	-	-	-	165,277	-	165,277
Germany	10,666	-	-	-	10,666	10,204	-	-	-	10,204
United Kingdom	98,697	-	-	-	98,697	94,633	-	-	-	94,633
Total	212,059	8,849,563	11,444	257,852	9,330,918	202,872	9,365,950	185,885	358,108	10,112,815
Interests	-	13,823	503	2,841	17,167	-	14,147	2,944	5,521	22,612
Total	212,059	8,863,386	11,947	260,693	9,348,085	202,872	9,380,097	188,829	363,629	10,135,427

28.2 Market risk

Market risk is the possibility of loss due to variations in financial market conditions. The main variations to which the FUND is exposed are exchange rates and interest rates; these variations may affect the value of the financial assets and liabilities of the FUND. The FUND separates exposures to market risk in the following manner:

(a) Value at Risk

Value at risk (VaR) is a statistical technique that measures the maximum loss that a financial asset or a portfolio of financial assets can experience within a time horizon, given a level of confidence. The VaR model used by the FUND is the Historical VaR for exposures in foreign currency (Exchange VaR) and for the investment portfolio (interest rate VaR), both with a confidence level of 99% and a liquidation term of 10 days. It is worth mentioning that this method does not assume any distribution function for the gains and losses, and relies solely on the observed historical behavior.

(b) Interest rate risk

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

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

The SBS denominates these two impacts as Gains at Risk (GER by its Spanish acronym) and Equity at Risk (VPR by its Spanish acronym), which are short and long term structural interest rate risk indicators, respectively.

The FUND monitors that the gains in risk, calculated under the regulatory and internal model, are below the regulatory limit of 5% and the internal limit of 4% over the effective equity of the FUND, respectively. Likewise, the FUND has, for the equity value at risk, an internal limit of 20% for the calculation of the regulatory model and the internal model.

Structural interest rate risk management is managed through the monitoring and reporting of regulatory indicators: gains in risk and equity value at risk. These indicators result from the regulatory annexes required by the SBS: Annex N ° 7-A "Measurement of Interest Rate Risk - Income at Risk" and Annex N ° 7-B "Measurement of Interest Rate Risk - Equity Value". The results of the indicators are reported to the Risk Committee and the Management Committee of Assets and

Liabilities, which decide, if this is the case, the actions to mitigate the exposure to the rate risk.

Re-pricing gap -

For the purpose of determining the impact of interest rate movements, a repricing gap analysis is carried out. The analysis consists in allocating, in different time gaps, the balances of the operations that will change interest rates. Based on this analysis, the impact for each gap of the variation in the valuation of assets and liabilities is calculated.

The following table summarizes the FUND's exposure to interest rate risks. The financial and non-financial instruments of the FUND are shown at their book values, classified between the period of repricing of the interest rate of the contract or expiration date, whichever comes first:

September 2019

	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)	More than 5 years S/ (000)	Not accruing interest S/ (000)	Total S/ (000)
Assets	1,367,224	80,388	-	-	628	-	1,448,240
Available	11,947	1,298	9,100	163,085	87,210	-	272,640
Available for sale and held-to-maturity investment	24	43	189	1,376	36,582	-	38,214
Current credits	46,848	80,178	353,805	2,418,538	4,305,008	-	7,204,377
Accounts receivable, net (Trust Agreement - COFIDE)	-	-	-	-	172,555	-	172,555
Other accounts receivable, net	-	-	-	-	-	212,059	212,059
Accounts receivable for derivative financial products	-	-	-	-	-	108,021	108,021
Other assets, net	1,367,224	80,388	-	-	628	-	1,448,240
Total assets	<u>1,426,043</u>	<u>161,907</u>	<u>363,094</u>	<u>2,582,999</u>	<u>4,601,983</u>	<u>320,080</u>	<u>9,456,106</u>
Obligations with the public	-	-	541	-	-	-	541
Debts and financial obligations	-	-	214,134	235,229	-	-	449,363
Titles and securities in circulation	-	-	-	3,707,366	566,418	-	4,273,784
Accounts payable for derivative financial products	-	-	-	-	-	42,706	42,706
Other accounts payable, provisions and other liabilities	-	-	-	-	-	1,348,904	1,348,904
Net Equity	-	-	-	-	-	3,340,808	3,340,808
Total liabilities and net equity	<u>-</u>	<u>-</u>	<u>214,675</u>	<u>3,942,595</u>	<u>566,418</u>	<u>4,732,418</u>	<u>9,456,106</u>
Out of balance:							
Active hedging derivative instruments	-	-	-	-	-	2,528,713	2,528,713
Liability hedging derivative instruments	-	-	-	-	-	389,567	389,567
Marginal gap	1,426,043	161,907	148,419	(1,359,596)	4,035,565		
Cumulative gap	<u>1,426,043</u>	<u>1,587,950</u>	<u>1,736,369</u>	<u>376,773</u>	<u>4,412,338</u>		

	2018						
	Up to 1 month	From 1 to 3	De 3 a 12	From 1 to 5	More than 5	Not accruing	Total
	S/ (000)	S/ (000)	S/ (000)	S/ (000)	S/ (000)	S/ (000)	S/ (000)
	months	months	months	years	years	interest	Total
Assets							
Available	1,932,601	500,354	131,975	-	526	-	2,565,456
Available for sale and held-to-maturity investment	-	178,043	114,966	168,110	91,339	-	552,458
Credit portfolio, net	18	43	190	1,453	38,550	-	40,254
Accounts receivable, net (Trust Agreement – COFIDE)	34,954	74,715	326,228	2,261,793	3,960,015	-	6,657,705
Other accounts receivable, net	-	-	-	-	116,682	-	116,682
Accounts receivable for derivative financial products	-	-	-	-	-	202,872	202,872
Other assets, net	-	-	-	-	-	129,678	129,678
Total assets	<u>1,967,573</u>	<u>753,155</u>	<u>573,359</u>	<u>2,431,356</u>	<u>4,207,112</u>	<u>332,550</u>	<u>10,265,105</u>
Obligations with the public	-	-	228	-	-	-	228
Debts and financial obligations	-	49,369	49,369	345,585	-	-	444,323
Securities and outstanding securities	-	-	945,392	2,215,321	1,854,573	-	5,015,286
Accounts payable for derivative financial products	-	-	-	-	-	57,081	57,081
Other accounts payable, provisions and other liabilities	-	-	-	-	-	1,446,741	1,446,741
Net Equity	-	-	-	-	-	3,301,446	3,301,446
Total liabilities and net equity	<u>-</u>	<u>49,369</u>	<u>994,989</u>	<u>2,560,906</u>	<u>1,854,573</u>	<u>4,805,268</u>	<u>10,265,105</u>
Out of balance:							
Active hedging derivative instruments	-	-	-	-	-	2,758,764	2,758,764
Liability hedging derivative instruments	-	-	-	-	-	271,296	271,296
Marginal gap	<u>1,967,573</u>	<u>703,786</u>	<u>(421,630)</u>	<u>(129,550)</u>	<u>2,352,539</u>	<u>(4,472,718)</u>	<u>-</u>
Cumulative gap	<u>1,967,573</u>	<u>2,671,359</u>	<u>2,249,729</u>	<u>2,120,179</u>	<u>4,472,718</u>	<u>-</u>	<u>-</u>

Sensitivity to changes in interest rates

Below is the sensitivity of the income statement, as well as the valuation of the non-negotiable book due to various fluctuations in the interest rate. The fluctuations affect both the expected flows and the value of the balances.

In the case of the income statement, the calculation reflects the expected variation of the financial margin in the equivalent period of one year. For this purpose, the current income and expense position is taken into account and the effect of the variations in the rates is annualized. The figures express the expected change in the value of assets minus liabilities for various time gaps. Likewise, the effect of derivative financial instruments that are affected by interest rates is included.

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

The calculations are based on the regulatory interest rate risk model approved by the SBS, in force as of the date of the statement of financial position. The sensitivities are calculated before the effect of the income tax.

The exposure to the interest rate is supervised by the ALCO Committee, as well as by the Risk Committee, with the last approving the maximum limits allowed.

The effects of the estimated changes in interest rates as of September 30, 2019 and December 31, 2018, are as follows:

Currency	September 2019				
	Changes in basic points	Sensitivity in net results		Sensitivity in net worth	
				S/ (000)	
American dollars	+/-25	+ / -	(263)	+ / -	(32)
American dollars	+/-50	+ / -	(527)	+ / -	(64)
American dollars	75	+	(790)	+	(96)
American dollars	100	+	(1,053)	+	(128)
Soles	+/- 50	- / +	10,596	- / +	22,726
Soles	+/-75	- / +	15,895	- / +	34,089
Soles	+/-100	- / +	21,193	- / +	45,451
Soles	+/-150	- / +	31,789	- / +	68,177

Currency	Changes in basic points	2018			
		Sensitivity in net	results	Sensitivity in net worth	
				S/ (000)	S/ (000)
American dollars	+/-25	+ / -	(197)	+ / -	(56)
American dollars	+/-50	+ / -	(393)	+ / -	(113)
American dollars	75	+	(590)	+	(169)
American dollars	100	+	(787)	+	(225)
Soles	+/- 50	- / +	12,438	- / +	23,338
Soles	+/-75	- / +	18,656	- / +	35,007
Soles	+/-100	- / +	24,875	- / +	46,676
Soles	+/-150	- / +	37,313	- / +	70,014

- (a) Risk of foreign currency exchange -
Foreign currency exchange risk is related to the variation in the value of positions inside and outside the statement of financial position that are negatively affected by movements in exchange rates.

The FUND has established internal limits on the total currency position which are monitored daily. Most of the assets and liabilities in foreign currency are kept in US dollars.

The foreign exchange risk is controlled based on an internal limit of coverage, which is in the range of 95 percent and 105 percent with respect to the foreign exchange accounting position of the FUND. Likewise, the FUND has an internal limit to the value at risk of the global position equal to 0.75 percent of its effective equity.

Below are the results of the internal value-at-risk model of the global position in foreign currency (99% confidence and with a 10-day settlement period) and the situation of the global position indicator in foreign currency (regulatory):

	September 2019		2018	
	S/ (000)	%	S/ (000)	%
Internal model	880	0.03%	1,098	0.03%
Global position ME	17,700	0.53%	57,718	1.75%
	Overbought		Overbought	

28.3 Liquidity risk -

The liquidity risk consists of the inability of the FUND to be able to meet the maturity of its obligations incurring in losses that significantly affect its equity position. This risk may be manifested as a result of various events, such as the unexpected reduction of FUNDing sources, the inability to liquidate assets quickly, among others.

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

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

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

Below are the cash flows payable from the FUND as of September 30, 2019 and December 31, 2018, according to agreed contractual terms, the amounts disclosed are undiscounted, but including the respective accrued interest.

	September 2019					Total S/ (000)
	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)	More than 5 years S/ (000)	
Financial liabilities by type -						
Obligations to the public	-	-	541	-	-	541
Debts and financial obligations	-	-	214,134	235,229	-	449,363
Titles and securities in circulation	-	-	-	3,707,366	566,418	4,273,784
Other accounts payable	1,080,950	760	5,875	-	256,478	1,344,063
Total non-derivative liabilities	1,080,950	760	220,550	3,942,595	822,896	6,067,751
Derivative financial liabilities (*)						
Contractual amounts received (inflow)	188,675	142,557	162,157	2,464,129	-	2,957,518
Contractual amounts paid (outflow)	(191,994)	(143,445)	(248,300)	(2,374,528)	-	(2,958,267)
Total	(3,319)	(888)	(86,143)	89,601	-	(749)
2018						
	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)	More than 5 years S/ (000)	Total S/ (000)
Financial liabilities by type -						
Obligations to the public	-	-	228	-	-	228
Debts and financial obligations	-	51,436	51,233	351,916	-	454,585
Titles and securities in circulation	48,782	52,500	1,062,932	2,964,337	1,924,984	6,053,535
Other accounts payable	1,171,957	152	4,038	-	264,130	1,440,277
Total non-derivative liabilities	1,220,739	104,088	1,118,431	3,316,253	2,189,114	7,948,625
Derivative financial liabilities (*) -						
Contractual amounts received (inflow)	16,614	310,509	342,995	2,453,812	-	3,123,930
Contractual amounts paid (outflow)	(46,602)	(322,143)	(382,345)	(2,407,369)	-	(3,158,459)
Total	(29,988)	(11,634)	(39,350)	46,443	-	(34,529)

(*) Includes derivative financial instruments designated as accounting hedges.

Fair Value -

(a) The fair value is the amount for which an asset can be exchanged between a duly informed buyer and seller, or the amount for which an obligation between a debtor and a creditor with sufficient information can be canceled, under the terms of an arm's length transaction.

Fair value is a market-based measurement, based on which a financial instrument traded in an actual transaction in an active liquid market has a price that supports its fair value. When the price for a financial instrument is not observable, fair value should be measured using another valuation technique, seeking 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 in liquid markets, the market value of an instrument that is actively quoted in the market and has similar characteristics may be used, or it may be obtained by means of some analytical technique, such as discounted flow analysis or multiple valuation.

The assumptions and calculations used to determine the fair value of financial assets and financial liabilities are as follows:

(i) Financial instruments accounted for at fair value - Fair value is based on market prices or some method of financial valuation. Positions valued at market prices mainly consider investments that are traded through centralized mechanisms. Positions valued by some method of financial valuation include derivative financial instruments and others; their fair value is determined mainly using the market rate curves and the price vector provided by the SBS.

(ii) Instruments whose fair value is similar to the book value - For financial assets and liabilities that are liquid or have short-term maturities (less than three months), the book value is considered to be similar to their fair value. This assumption also applies to time deposits, savings accounts without a specific maturity and financial instruments at variable rates.

(iii) Fixed rate financial instruments - The fair value of financial assets and liabilities that are at fixed rate and at amortized cost is determined by comparing market interest rates at the time of initial recognition with current market rates related to similar financial instruments. For quoted debt issued, fair value is determined based on quoted market prices. The fair value of the loan portfolio and of the Obligations to the public, according to the multiple official letter SBS N°1575-2014, corresponds to its book value.

(b) Financial instruments measured at fair value and fair value hierarchy - The following chart shows an analysis of the financial instruments that are measured at fair value as of September 30, 2019 and December 31, 2018, including the level of the fair value hierarchy. The amounts are based on balances presented in the statement of financial position:

	As of September 30, 2019				As of December 31, 2018			
	Level 1 S/ (000)	Level 2 S/ (000)	Level 3 S/ (000)	Total S/ (000)	Level 1 S/ (000)	Level 2 S/ (000)	Level 3 S/ (000)	Total S/ (000)
Financial assets-								
Available-for-sale investments								
Debt instruments	-	11,823	-	11,823	-	188,829	-	188,829
Account receivable for derivative financial products	-	212,059	-	212,059	-	202,872	-	202,872
	-	223,882	-	223,882	-	391,701	-	391,701
Total Financial assets				<u>223,882</u>				<u>391,701</u>
Financial liabilities								
Accounts payable for derivatives	-	42,706	-	42,706	-	57,081	-	57,081
Total financial liabilities	<u>-</u>	<u>42,706</u>	<u>-</u>	<u>42,706</u>	<u>-</u>	<u>57,081</u>	<u>-</u>	<u>57,081</u>

The financial assets included in Level 1 are those that are measured on the basis of information that can be observed in the market, to the extent that the quotes reflect an active, liquid market and are available in a centralized trading mechanism, agent, price provider or regulatory entity.

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

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

(c) Financial instruments not measured at their fair value -
Disclosure of the comparison between the book values and fair values of financial instruments not measured at fair value presented in the statement of financial position, including the level of the fair value hierarchy, is presented below:

	As of September 30, 2019					As of December 31, 2018				
	Level 1 S/ (000)	Level 2 S/ (000)	Level 3 S/ (000)	Fair Value S/ (000)	Book Value S/ (000)	Level 1 S/ (000)	Level 2 S/ (000)	Level 3 S/ (000)	Fair Value S/ (000)	Book Value S/ (000)
Assets										
Available	-	1,448,240	-	1,448,240	1,448,240	-	2,565,456	-	2,565,456	2,565,456
Held-to-maturity investments	-	260,692	-	281,010	260,692	-	370,647	-	370,647	363,629
Accounts receivable, net (Trust Agreement - COFIDE)	-	7,204,377	-	7,204,377	7,204,377	-	6,657,705	-	6,657,705	6,657,705
Loan portfolio, net	-	38,214	-	38,214	38,214	-	40,254	-	40,254	40,254
Other accounts receivable, net	-	172,555	-	172,555	172,555	-	116,682	-	116,682	116,682
Total	-	9,124,078	-	9,144,396	9,124,078	-	9,750,744	-	9,750,744	9,743,726
Liabilities										
Obligations to the public	-	541	-	541	541	-	228	-	228	228
Debts and financial obligations	-	449,363	-	449,363	449,363	-	444,323	-	444,323	444,323
Titles and securities in circulation	-	4,273,784	-	5,170,075	4,273,784	-	5,119,926	-	5,119,926	5,015,286
Other accounts payable	-	1,344,063	-	1,344,063	1,344,063	-	1,440,276	-	1,440,276	1,440,276
Total	-	6,067,751	-	6,964,042	6,067,751	-	7,004,753	-	7,004,753	6,900,113

29. Contingencies:

As of September 30, 2019, and as of December 31, 2018, the FUND maintains the following litigation processes:

- (a) Various labor processes related to its operations related to lawsuits for payment of profits and reimbursement of social benefits, recording a provision of approximately S/ 1,542 thousand as of September 30, 2019 (thousands of S/2,198 as of December 31, 2018).
- (b) Various constitutional processes (Amparo actions) related to the restitution of labor rights to ex-workers of the FUND. Also, processes originated by discrimination in the right of participation in adjudication and contracting processes, cancellation of registration of technical entities for infractions committed. Due to administrative processes, a provision of approximately S/5 thousands has been recorded as of 09.30.2019.
- (c) Contentious administrative process on behalf of the DHMONT & CG & M S.A.C. by challenge of administrative resolution, in which the plaintiff requests the nullity of the FUND's letter in which he is denied the return of the letter of guarantee that served as a guarantee and requirement to present his appeal in the public contest (Collique) convened by the FUND in which said company participated. The amount demanded amounts to approximately S/4,870 thousand; the Judge ordered the return of thousands of USD250, which were consigned in favor of the claimant on May 31, 2015.

30. Contingent and order accounts

The composition of the item as of September 30, 2018 is presented below:

	S/ (000)	
	09.30.2019	12.31.2018
Contingents		
Forwards (a)	389,567	283,101
Swaps (b)	2,528,713	2,746,959
Other Contingents	51,905	68,198
Total contingents	2,970,185	3,098,258
Order accounts		
Securities and securities in custody	5,962	5,962
Uncollectible accounts written off (c)	36,002	36,002
Income from suspense loans (d)	19,958	14,544
Other suspended yields (e)	9,405	6,575
Debt employer contribution (f)	18,222	18,222
Claim Interests	164	0
Bonds and warranties-CRAC Sr de Luren in Liquidation	51,477	51,477
Trusts CRC and PBP in MN and ME (g)	97,711	91,721
COFIDE Trust - Lines granted and not used (h)	3,750,394	2,558,352
Other accounts payables	2	478
Total accounts payables	3,989,297	2,783,333
Current contracts signed with suppliers (i)	13,378	9,683
Mortgage guarantees assigned in favor of the FMV (j)	2,918	2,909
Preferred Guarantees - Loans from the FUND (k)	64,791	32,893
Letters of guarantee and joint and several guarantees in custody (l)	1,143,635	1,135,290
FUND's received from the Ministry of Housing BFH / BPVV (m)	1,024,340	1,102,946
BFH/ BPVV Returns-Miscellaneous Agreements (n)	28,602	20,534
Credit Line Granted and Not Used-External (o)	553,019	0
Other accounts receivable	225	229

Total accounts receivable	2,830,908	2,304,484
Trusts and Autonomous Real Estate in administration		
Autonomous Patrimony FUND Law 27677 (p)	0	0
Trust CRC-PBP (q)	197,745	186,363
Las Garzas Trust (r)	21,961	21,562
Total Trusts	219,706	207,925
Total memorandum accounts	10,010,096	8,394,000

- (a) Corresponds to the commitment that the FUND has for the forward sales and purchase contracts of US dollars contracted to hedge the exchange risk of the Available and Investments.
- (b) Corresponds to the commitment that the FUND has for the operations:
- Swaps Principal Only Purchase of US dollars and euros contracted to cover your accounts payable in that currency.
 - Cross Currency Swaps Sale of US dollars contracted for hedges of accounts payable in such currency.
 - Cross Currency Swaps Purchase of euros and US dollars contracted for hedges of your accounts payable in such currency.
- (c) Corresponds mainly to the write-offs of balances receivable (principal and interest) from the caption "other accounts receivable": Corporación Transcontinental Del Perú SA, ascending to thousands of S/4,333 and thousands of S/3,775; Banco Banex in Liquidation ascending in thousands S/13,586 and thousands of S/2,325; Banco Orión in Liquidation in thousands of S/9,991 and thousands of S/1,989. Said punishments were carried out according to a directory agreement.
- (d) Corresponds to suspended interest on the past-due portfolio and judicial collection of the mortgage loan portfolio.
- (e) Corresponds to the interest in suspense generated by the mortgage loans, as well as to the suspended interest of the debt to sub-borrowers and debt claimed from the IFIS from Presta Perú.
- (f) Corresponds to a control account of the claim of the FUND before the Ministry of Economy and Finance - MEF for the contributions of the FONAVI - Employer Contribution, as established in Law 26969 - Liquidation Law of FONAVI, which is considered to have been delivered to the FUND.
- (g) Corresponds to the recognition of the right contracted by the constitution of the Trusts CRC and PBP Nuevos Soles and CRC and PBP Dollars in the year 2007, being its current trust FUND of thousands of S/45,854 and thousands of S/51,858, respectively, (Thousands of S/43,054 and thousands of S/48,316 as of December 31, 2018, respectively).
- (h) Balance of the credit lines granted to the IFIs, within the framework of the Trust COFIDE - MIVIVIENDA
- (i) Estimates made by the Logistics Department of the balance pending execution of the contracts subscribed by the FUND and the FUND Law 27677 (administered by the FUND)

- (j) These accounts represent the judicial processes of Foreclosure of Mortgage Guarantees Ceded by the IFIS in Liquidation and Coneminsa in favor of the FUND.
- (k) Corresponds mainly to the mortgage guarantees of real estate constituted, received from the mortgage credits.
- (l) Corresponds to the letters of guarantee received in custody as a guarantee of compliance by the Technical Entities by virtue of the contracts signed by the Techo Propio program for the Family Housing Bond and Family Savings, as well as letters of guarantee for compliance with contracts for the acquisition of goods and services received in custody.
- (m) Correspond to the Family Bonds for Rooms and Vulnerable Housing Protection Bonds pending transfer to the technical entities and/or promoters by the different agreements for the execution of the Family Bonds for Housing (BFH) in its different application modalities.
- (n) Corresponds to the outstanding balance to be returned to the MVCS or transfer reassigned to the technical entities and/or promoters of the resources of the Family Housing Bonus from the refunds due to the resignation of BFH or other reasons for resignation.
- (o) Corresponds to the conclusion of two-euro credit agreements signed with the French Development Agency (AFD, by its acronym in Spanish) and Kreditanstalt für Wiederaufbau (KfW).
- (p) Corresponds to the value of the total assets of the "Equity Fund Law No. 27677" net of liabilities and equity which includes the results for the year for a profit of thousands of S/6,063 as of September 30, 2019. The Equity Fund Law No. 27677 was constituted by means of a Public Deed dated February 13, 2002, with the resources transferred to the FUND from the liquidation of the National Housing Fund (FONAVI), for its administration, recovery and channeling through the Intermediary Financial Institutions (IFI).
- (q) Corresponds to the total of the accounts of the asset, liabilities, income and expenses and the value of the total assets of the trusts under management, known as "CRC (Credit Risk Coverage) and PBP (Good Payer Award) Nuevos Soles" and "CRC (Credit Risk Coverage) and PBP (Good Payer Award) US Dollars."

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

- (r) Real estate trusts in which Banco de Comercio acted as Trustee from its creation in 2006 until October 6, 2010. By means of minutes of October 7, 2010, Banco de Comercio renounces its role as trustee and transfers to FONDO MIVIVIENDA SA the trust FUND and the function of the trustee, being that from that date the FUND is in charge of keeping the accounting records as part of its fiduciary role.

31. Subsequent events

From September 30, 2019 to the date of this report, no significant events have occurred that affect the financial statements