

**Fondo MIVIVIENDA S.A.**  
**Statement of Financial Position**  
**As of March 31, 2017 and December 31, 2016**  
**(Stated in thousands of Nuevos Soles)**

	Notes	As of March 31, 2017	As of December 31, 2016		Notes	As of March 31, 2017	As of December 31, 2016
<b>ASSETS</b>				<b>LIABILITIES</b>			
<b>CASH AND DUE FROM BANKS</b>	<b>5</b>	<b>3,073,416</b>	<b>1,078,231</b>	<b>OBLIGATIONS WITH THE PUBLIC</b>		<b>423</b>	<b>172</b>
Cash		0	0	Demand deposits		0	0
Banco Central de Reserva del Perú		8,379	133	Saving Account Deposits		0	0
Banks and other companies of the financial system		3,064,588	1,077,635	Long-term Saving Account Deposits		0	0
Foreign banks and other companies of the financial system		0	0	Other liabilities		423	172
Exchange		0	0	<b>INTERBANK FUNDS</b>		<b>0</b>	<b>0</b>
Other cash and due from banks		449	463	<b>FINANCIAL ORGANIZATIONS</b>		<b>0</b>	<b>0</b>
<b>INTERBANK FUNDS</b>		<b>0</b>	<b>0</b>	Demand Deposits		0	0
<b>INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<b>0</b>	<b>0</b>	Saving Deposits		0	0
Equity Instrument		0	0	Time Deposits		0	0
Debt instrument		0	0	<b>DUE TO BANKS AND FINANCIAL OBLIGATIONS</b>	<b>13</b>	<b>6,121,223</b>	<b>4,320,435</b>
Investments in commodities		0	0	Dues and Obligations with Banco Central de Reserva del Perú		0	0
<b>AVAILABLE-FOR-SALE INVESTMENTS</b>	<b>6</b>	<b>0</b>	<b>0</b>	Dues and Obligations with Domestic Banks and Other Financial system companies		101,236	180,505
Instruments representing the equity		0	0	Dues and Obligations with Foreign Companies and International Financial Bodies		172,258	175,967
Instruments representing the debt		0	0	Other Dues and Obligations of the Country and Abroad		0	0
<b>HELD-TO-MATURITY INVESTMENTS</b>	<b>6</b>	<b>523,169</b>	<b>573,030</b>	Securities		5,847,729	3,963,963
<b>LOAN PORTFOLIO</b>		<b>0</b>	<b>0</b>	<b>TRADINGS DERIVATIVE FINANCIAL INSTRUMENT</b>	<b>7</b>	<b>294</b>	<b>0</b>
Current Loan Portfolio		0	0	<b>HEDGING DERIVATIVE FINANCIAL INSTRUMENT</b>	<b>7</b>	<b>102,690</b>	<b>64,702</b>
Restructured Loan Portfolio		0	0	<b>ACCOUNTS PAYABLES</b>	<b>14</b>	<b>588,349</b>	<b>435,927</b>
Refinanced Loan Portfolio		0	0	<b>PROVISIONS</b>	<b>15</b>	<b>2,377</b>	<b>2,265</b>
Non-performing Loan Portfolio		0	0	Provisions for Contingent Loans		0	0
Loan Portfolio in Judicial Collection		0	0	Provisions for Lawsuits and Disputes		1,993	1,908
(-) Provisions for Loans		0	0	Others		384	357
<b>TRADING DERIVATIVE FINANCIAL INSTRUMENT</b>	<b>7</b>	<b>0</b>	<b>900</b>	<b>CURRENT INCOME TAXES</b>		<b>0</b>	<b>0</b>
<b>HEDGING DERIVATIVE FINANCIAL INSTRUMENT</b>	<b>7</b>	<b>216,813</b>	<b>260,492</b>	<b>DEFERRED INCOME TAXES</b>	<b>27</b>	<b>0</b>	<b>0</b>
<b>ACCOUNTS RECEIVABLES</b>		<b>6,259,227</b>	<b>6,186,537</b>	<b>OTHER LIABILITIES</b>	<b>15</b>	<b>351</b>	<b>344</b>
Accounts Receivables for Sale of Goods and Services and Trust (net)	<b>8</b>	6,254,094	6,185,750	<b>TOTAL LIABILITIES</b>		<b>6,815,707</b>	<b>4,823,845</b>
Other Account Receivables (net)	<b>9</b>	5,133	787	<b>SHAREHOLDER'S EQUITY</b>			
<b>REALIZABLE ASSETS RECEIVED IN PAYMENTS, AWARDED</b>		<b>0</b>	<b>0</b>	Capital Shares	<b>16 a</b>	3,257,086	3,257,086
Realizable Assets		0	0	Additional Capital		0	0
Assets Received in Payment and Awarded		0	0	Treasury Shares		0	0
<b>SHARES</b>		<b>0</b>	<b>0</b>	Reserve	<b>16 b</b>	71,276	66,217
Branch companies		0	0	Retained Earnings		43,299	-2,414
Affiliated and shares in joint ventures		0	0	Net Income for the Year		14,165	50,594
Others		0	0	Adjustment to Equity	<b>16 c</b>	-50,773	-45,605
<b>PROPERTY, FURNITURE AND EQUIPMENT (NET)</b>	<b>10</b>	<b>1,198</b>	<b>1,252</b>	<b>TOTAL SHAREHOLDER'S EQUITY</b>		<b>3,335,053</b>	<b>3,325,878</b>
<b>INTANGIBLE ASSET DIFFERENT THAT THE CAPITAL GAIN</b>	<b>11</b>	<b>4,219</b>	<b>3,704</b>	<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>		<b>10,150,760</b>	<b>8,149,723</b>
<b>CAPITAL GAIN</b>		<b>0</b>	<b>0</b>				
<b>CURRENT INCOME TAXES</b>	<b>26 (f)</b>	<b>29,644</b>	<b>20,421</b>				
<b>DEFERRED INCOME TAXES</b>		<b>19,257</b>	<b>23,276</b>				
<b>NONCURRENTASSETS KEPT FOR SALE</b>		<b>0</b>	<b>0</b>				
<b>OTHER ASSETS</b>	<b>12</b>	<b>23,817</b>	<b>1,880</b>				
<b>TOTAL ASSETS</b>		<b>10,150,760</b>	<b>8,149,723</b>				
<b>MEMORANDA CONTINGENTS</b>	<b>32</b>	<b>4,133,944</b>	<b>3,486,925</b>				
<b>MEMORANDA ACCOUNTS</b>	<b>32</b>	<b>2,698,198</b>	<b>2,734,653</b>				
<b>CONTRA CREDIT ACCOUNT</b>	<b>32</b>	<b>1,635,104</b>	<b>1,005,729</b>				
<b>TRUST, COMMISSIONS OF MEMORANDA TRUSTEE AND CONTRA CREDIT ACCOUNT OF TRUST</b>	<b>32</b>	<b>188,680</b>	<b>198,596</b>				

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 March 31, 2017 and 2016**  
**(Stated in thousands of Nuevos soles)**

	Notes	For the specific quarter from January 1 to March 31, 2017	For the specific quarter from January 1 to March 31, 2016	For the period specific from January 1 to March 31, 2017	For the period specific from January 1 to March 31, 2016
<b>INTERESTS INCOME</b>					
Available		19,318	6,027	19,318	6,027
Interbank funds		0	0	0	0
Investments at fair value with changes in results		0	0	0	0
Available-for-sale investments		0	5,346	0	5,346
Held-to-maturity investments		5,928	2,403	5,928	2,403
Direct Loans Portfolio		0	0	0	0
Income from hedging transactions		0	0	0	0
Accounts receivables		92,898	87,779	92,898	87,779
Other financial income		137	251	137	251
<b>TOTAL INTEREST INCOME</b>	<b>17</b>	<b>118,281</b>	<b>101,806</b>	<b>118,281</b>	<b>101,806</b>
<b>INTEREST EXPENSES</b>					
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		-51,599	-32,739	-51,599	-32,739
Dues and obligations with Banco Central de Reserva del Perú		0	0	0	0
Dues and obligations of the country's financial system		-2,140	-4,092	-2,140	-4,092
Dues and obligations with foreign financial institutions and international financial bodies		-607	-607	-607	-607
Other dues and obligations of the country and abroad		0	0	0	0
Commissions and other charges of dues and financial obligations		-307	-385	-307	-385
Securities and outstanding liabilities		-48,545	-27,655	-48,545	-27,655
Interests of accounts payable		0	0	0	0
Income from hedging transactions		0	0	0	0
Other financial expenses		-16,827	-15,084	-16,827	-15,084
<b>TOTAL INTEREST EXPENSES</b>	<b>18</b>	<b>-68,426</b>	<b>-47,823</b>	<b>-68,426</b>	<b>-47,823</b>
<b>GROSS FINANCIAL MARGIN</b>		<b>49,855</b>	<b>53,983</b>	<b>49,855</b>	<b>53,983</b>
(-) Provisions for direct loans		0	0	0	0
<b>GROSS FINANCIAL MARGIN</b>		<b>49,855</b>	<b>53,983</b>	<b>49,855</b>	<b>53,983</b>
<b>FINANCIAL SERVICE REVENUES</b>					
Indirect loans income	<b>19</b>	1,351	1,634	1,351	1,634
Trusts and trust commissions income		146	148	146	148
Income from issuing electronic money		0	0	0	0
Miscellaneous income		1,205	1,486	1,205	1,486
<b>FINANCIAL SERVICE EXPENSES</b>	<b>20</b>	<b>-82</b>	<b>-76</b>	<b>-82</b>	<b>-76</b>
Indirect loans expenses		0	0	0	0
Trust expenses and trust commissions		-36	0	-36	0
Premium for the deposits insurance fund		0	0	0	0
Miscellaneous Expenses		-46	-76	-46	-76
<b>NET FINANCIAL MARGIN OF FINANCIAL SERVICES REVENUES AND EXPENSES</b>		<b>51,124</b>	<b>55,541</b>	<b>51,124</b>	<b>55,541</b>
<b>FINANCIAL OPERATING INCOME</b>	<b>21</b>	<b>-23,136</b>	<b>-35,184</b>	<b>-23,136</b>	<b>-35,184</b>
Investments at fair value with changes in results		0	0	0	0
Investments in commodities		0	0	0	0
Available-for-sale investments		0	-3,132	0	-3,132
Trading derivative instruments		1,574	3,225	1,574	3,225
Income of hedging derivative instruments		-25,262	-21,694	-25,262	-21,694
Profits (losses) in shares		0	0	0	0
Profit-loss of exchange rate difference		430	-12,797	430	-12,797
Others		122	-786	122	-786
<b>OPERATING MARGIN</b>		<b>27,988</b>	<b>20,357</b>	<b>27,988</b>	<b>20,357</b>
<b>ADMINISTRATIVE EXPENSES</b>					
Personnel and board of directors expenses	<b>22 (a)</b>	-5,158	-4,814	-5,158	-4,814
Expenses due to services received from third parties	<b>22 (b)</b>	-3,939	-5,069	-3,939	-5,069
Taxes and contributions	<b>22</b>	-109	-69	-109	-69
<b>DEPRECIATIONS AND AMORTIZATIONS NET</b>		<b>-300</b>	<b>-204</b>	<b>-300</b>	<b>-204</b>
<b>NET FINANCIAL MARGIN</b>		<b>18,482</b>	<b>10,201</b>	<b>18,482</b>	<b>10,201</b>
<b>VALUATION OF ASSETS AND PROVISIONS</b>					
Provisions for indirect loans		0	0	0	0
Provisions for uncollectibility of account receivables	<b>23</b>	2,497	-1,020	2,497	-1,020
Provisions for realizable, received in payment, recovered, awarded and other assets		0	0	0	0
Provision for noncurrent assets kept for sale		0	0	0	0
Investment impairment		0	0	0	0
Impairment of property, furniture and equipment		0	0	0	0
Impairment of intangible assets		0	0	0	0
Provisions for litigation and claims		-85	0	-85	0
Other provisions		0	-11	0	-11
<b>OPERATING INCOME</b>		<b>20,894</b>	<b>9,170</b>	<b>20,894</b>	<b>9,170</b>
Other income and expenses	<b>24</b>	168	359	168	359
<b>INCOME BEFORE INCOME TAX</b>		<b>21,062</b>	<b>9,529</b>	<b>21,062</b>	<b>9,529</b>
<b>INCOME TAX</b>	<b>26 (g)</b>	<b>-6,897</b>	<b>-9,673</b>	<b>-6,897</b>	<b>-9,673</b>
<b>NET INCOME</b>		<b>14,165</b>	<b>-144</b>	<b>14,165</b>	<b>-144</b>
Basic incomes (loss) per share		0.004	(0.000)	0.004	(0.000)
Diluted incomes (loss) per share		0.004	(0.000)	0.004	(0.000)

**Fondo MIVIVIENDA S.A.**  
**Statement of the Comprehensive Income**  
**For the periods ended March 31, 2017 and 2016**  
**(Stated in thousands of Nuevos Soles)**

	Notes	For the specific quarter	For the specific quarter	For the period specific	For the period specific
		from January 1 to March 31, 2017	from January 1 to March 31, 2016	from January 1 to March 31, 2017	from January 1 to March 31, 2016
<b>Net income (Loss)</b>		14,165	-144	14,165	-144
<b>Other comprehensive income:</b>					
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		-7,834	26,877	-7,834	26,877
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		442	17,860	442	17,860
<b>Another comprehensive income before taxes</b>		-7,392	44,737	-7,392	44,737
<b>Income tax related to components of another comprehensive Income</b>					
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		0	0	0	0
Hedging of net investment of business abroad		2,311	-6,466	2,311	-6,466
Share in another comprehensive income of affiliates, associates and joint ventures		0	0	0	0
Revaluation surplus		0	0	0	0
Others		-88	-1,024	-88	-1,024
<b>Sum of income taxes related to components of another comprehensive Income</b>		2,223	-7,490	2,223	-7,490
<b>Other comprehensive Income:</b>		-5,169	37,247	-5,169	37,247
<b>Total comprehensive Income, net of the Income tax</b>		8,996	37,103	8,996	37,103

**Fondo MIVIENDA S.A.**  
**Statement of Cash Flow**  
**For the periods ended 2017 and 2016**  
**(Stated in thousands of Nuevos Soles)**

	Note	From January 1, 2017 until March 31, 2017	From January 1, 2016 until March 31, 2016
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>NET INCOME</b>		50,594	-144
<b>ADJUSTMENTS</b>			
Depreciation and amortization		1,095	204
Provisions		31,825	13,099
Impairment		0	0
Other adjustments		57,756	21,938
<b>NET CHANGES IN ASSETS AND LIABILITIES</b>			
<b>(Net increase) decrease in assets</b>			
Loans		0	0
Investments at fair value through profit and loss		0	0
Available-for-sale investments		701,750	606,197
Accounts receivables and others		-254,030	-94,368
<b>Net increase (decrease) in liabilities</b>			
Financial liabilities, non-subordinated liabilities		217,534	-112,541
Accounts receivables and others		-161,891	228,843
<b>Cash flow and equivalent to cash after adjustments and net change in assets and liabilities</b>		<b>644,633</b>	<b>661,228</b>
Cash collected (paid) from income taxes		-6,887	-6,271
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>637,746</b>	<b>654,957</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>			
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		-2,582	-605
Sale proceeds from held-to-maturity investments		0	0
Acquisition of held-to-maturity investments		-547,402	-594,059
Other inflows related to investment activities		0	0
Other outflows related to investment activities		-149,129	0
<b>NET CASH FLOW FROM INVESTMENT ACTIVITIES</b>		<b>-699,113</b>	<b>-594,664</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
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		0	0
<b>NET CASH FLOW FINANCING ACTIVITIES</b>		<b>0</b>	<b>0</b>
<b>Net increase (decrease) in cash and cash equivalent before changes on the exchange rate</b>		<b>-61,367</b>	<b>60,293</b>
Effects of the changes on the cash and cash equivalent exchange rate		-11,517	-8,729
<b>Net increase (decrease) of cash and cash equivalent</b>		<b>-72,884</b>	<b>51,564</b>
Cash and cash equivalent at the beginning of the period		1,001,986	1,001,986
<b>Cash and cash equivalent at the end of the period</b>		<b>929,102</b>	<b>1,053,550</b>

For the specific quarter from January 1 to March 31, 2015

**Fondo MIVIENDA S.A.**  
**Statement of Changes in Net Equity**  
**For the periods ended March 31, 2017 and 2016**  
**(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
<b>Balance as of January 1, 2016</b>	3,174,249	0	0	57,012	0	89,099	0	0	0	40,605	0	0	0	-18,809	21,796	3,342,156
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
<b>3. Initial balance after adjustments</b>	<b>3,174,249</b>	<b>0</b>	<b>0</b>	<b>57,012</b>	<b>0</b>	<b>89,099</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>40,605</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-18,809</b>	<b>21,796</b>	<b>3,342,156</b>
4. Changes in the Equity:																
5. Comprehensive Income:																
6. Income							-144									-144
7. Other Comprehensive Income:								0	0	20,411	0	0	0	16,837	37,248	37,248
<b>8. Total Comprehensive Income:</b>							<b>-144</b>	<b>0</b>	<b>0</b>	<b>20,411</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>16,837</b>	<b>37,248</b>	<b>37,104</b>
9. Changes in the net Equity (not included in comprehensive Income)																
10. Transference of the Income to retained Earnings				0	0	0	0									0
11. Declared cash dividends							0									0
12. Issuance of Capital stock (different than business combination)	0	0	0	0	0	0	0									0
13. Reduction of Capital (different than business combination)	0	0	0	0	0	0	0									0
14. Increase (decrease) of Business Combination	0	0	0	0	0	0	0									0
15. Increase (decrease) due to trades of treasury stock	0	0	0	0	0	0	0									0
16. Increase (decrease) due to Transference and Other Changes	0	0	0	9,205	0	-6,262										2,943
<b>Total changes in equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,205</b>	<b>0</b>	<b>-6,262</b>	<b>-144</b>	<b>0</b>	<b>0</b>	<b>20,411</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>16,837</b>	<b>37,248</b>	<b>40,047</b>
<b>Balance as of March 31, 2016</b>	<b>3,174,249</b>	<b>0</b>	<b>0</b>	<b>66,217</b>	<b>0</b>	<b>82,837</b>	<b>-144</b>	<b>0</b>	<b>0</b>	<b>61,016</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-1,972</b>	<b>59,044</b>	<b>3,382,203</b>
<b>Balance as of January 01, 2017</b>	<b>3,257,086</b>	<b>0</b>	<b>0</b>	<b>66,217</b>	<b>0</b>	<b>48,180</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-35,660</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-9,945</b>	<b>-45,605</b>	<b>3,325,878</b>
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
<b>3. Initial balance after adjustments</b>	<b>3,257,086</b>	<b>0</b>	<b>0</b>	<b>66,217</b>	<b>0</b>	<b>48,180</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-35,660</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-9,945</b>	<b>-45,605</b>	<b>3,325,878</b>
4. Changes in the Equity:																
5. Comprehensive Income:																
6. Income							14,165									14,165
7. Other Comprehensive Income								0	0	-5,523	0	0	0	355	-5,168	-5,168
<b>8. Total Comprehensive Income:</b>							<b>14,165</b>	<b>0</b>	<b>0</b>	<b>-5,523</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>355</b>	<b>-5,168</b>	<b>8,997</b>
9. Changes in the net Equity (not included in Comprehensive Income)																
10. Transference of the Income to retained Earnings				0	0	0	0									0
11. Declared cash dividends							0									0
12. Issuance of Capital stock (different than business combination)	0	0	0	0	0	0	0									0
13. Reduction of Capital (different than business combination)	0	0	0	0	0	0	0									0
14. Increase (decrease) of Business Combination	0	0	0	0	0	0	0									0
15. Increase (decrease) due to trades of treasury stock	0	0	0	0	0	0	0									0
16. Increase (decrease) due to Transference and Other Changes	0	0	0	5,059	0	-4,881										178
<b>Total changes in equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,059</b>	<b>0</b>	<b>-4,881</b>	<b>14,165</b>	<b>0</b>	<b>0</b>	<b>-5,523</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>355</b>	<b>-5,168</b>	<b>9,175</b>
<b>Balance as of March 31, 2017</b>	<b>3,257,086</b>	<b>0</b>	<b>0</b>	<b>71,276</b>	<b>0</b>	<b>43,299</b>	<b>14,165</b>	<b>0</b>	<b>0</b>	<b>-41,183</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-9,590</b>	<b>-50,773</b>	<b>3,335,053</b>

## **NOTES TO THE FINAL STATEMENTS**

As of March 31, 2017  
In thousands of soles

### **1. Background and Economic Activity**

#### **(a) Background**

Fondo MIVIVIENDA S.A. (hereinafter, the Fund) is a state-owned company under private law and is governed by Law N° 28579 and the Fund's Bylaw. The Fund falls under the purview of the Peruvian National Fund for the Financing of the State Entrepreneurial Activities (Fondo Nacional de Financiamiento de la Actividad Empresarial del Estado or "FONAFE", as per the Spanish acronym) under the Ministry of Housing, Construction and Sanitation (Ministerio de Vivienda, Construcción y Saneamiento or "MVCS" as per the Spanish acronym). The aforementioned Law N° 28579 provided for the conversion of the former Mortgage Fund for Housing Promotion (Fondo Hipotecario de Promoción de la Vivienda – Fondo MIVIVIENDA) into a corporation named Fondo MIVIVIENDA S.A. effective as of January 1, 2006.

#### **(b) Economic Activity**

The Fund's objectives are the promotion and financing of the acquisition, improvement and construction of homes, especially those of social interest, promotion of activities to invest in the home lending market, participation in the primary and secondary market for mortgage loans, and contributing to the development of the Peruvian capital market. The Fund's activities are regulated by the Superintendency of Banking, Insurance and Pension Funds Administrators (Superintendencia de Banca, Seguros y Administradoras Privada de Fondo de Pensiones; hereinafter "SBS" as per the Spanish acronym), pursuant to the provisions of SBS Resolution N° 980-2006 "Fondo MIVIVIENDA S.A. Regulations".

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

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

- (i) MIVIVIENDA Program.
- (ii) Techo Propio Program – Management of the Household Housing Bonus (Administración del Bono Familiar Habitacional, or "BFH", as per the Spanish acronym), as commissioned by the Ministry of Housing, Construction and Sanitation – MVCS.
- (iii) Resources of the Fondo Ley N° 27677, as commissioned by the Ministry of Economy and Finance (hereinafter "MEF" as per the Spanish acronym).

The characteristics of each program are as follows:

#### **(i) MIVIVIENDA Program**

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

Spanish acronym), the Good Payer Bonus (Bono al Buen Pagador or "BBP" as per the Spanish acronym), the Credit Risk Coverage (Cobertura de Riesgo Crediticio or "CRC" as per the Spanish acronym), the Bono MIVIVIENDA Sostenible (MIVIVIENDA Sustainable Bonus or "BMS" as per the Spanish acronym), Fixed rate in soles for all the credit life.

The MIVIVIENDA Program includes the following products:

- Crédito MIVIVIENDA Tradicional (\*)
- Crédito MIHOGAR (\*)
- Crédito MIVIVIENDA Estandarizado (\*)
- Servicio de Cobertura de Riesgo Crediticio and Premio al Buen Pagador (CRC-PBP Trusts) Service of Credit Risk Coverage and Good Payer Award (Funding to Intermediary Financial Institutions, hereinafter IFI) (\*)
- Financiamiento Complementario Techo Propio
- Nuevo Crédito MIVIVIENDA
- Crédito MICONSTRUCCIÓN
- Crédito MICASA MAS
- Crédito MITERRENO

(\*) As of March 31, 2017 and December 31, 2016, these lending products have been discontinued. The remaining balance of loans under these programs consists solely of uncollected amounts (note 7). CRC-PBP services and Crédito MIVIVIENDA Estandarizado were discontinued in November 2009, Crédito MIHOGAR was discontinued in August 2009, and Crédito MIVIVIENDA Tradicional in May 2006.

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

Through Law N° 27829 published in El Peruano Official Gazette on September 20, 2002, the Household Housing Bonus (BFH) was created. The subsidies under the Techo Propio Program are granted in three modalities,

- (a) Acquisition of a new home;
- (b) Construction on owned lot; and
- (c) House renovations.

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

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

Law N° 27829 was amended through Legislative Decree N° 1037, published on June 25, 2008. This Legislative Decree amended section 6° of such Law establishing the power of the Fund to carry out the administration of the BFH with its own resources.

(iii) Fondo Ley N° 27677

By virtue of Law N° 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 N° 29625, which became effective on December 8, 2010, provides for the reimbursement of the amount that was contributed to FONAVI to the workers that made those contributions. Article 4 of Law N° 29625 provides for the formation of an Ad Hoc Committee responsible for conducting and supervising all procedures relating to the reimbursement of the FONAVI contributions. The current composition of such Ad Hoc Committee was approved on September 24, 2012 by Ministerial Resolution N° 609-2012-EF/10.

Likewise, the Fund established the CRC-PBP trusts, one in Soles and the other in US Dollars, to cover the Fund's obligations to provide PBP payments and CRC in an amount equivalent to one-third (1/3) of the total loan portfolio balance reported by each IFI that contracted such service. These trusts are governed by SBS Resolution N° 980-2006, which approves the Fund's Regulations.

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

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

### **(c) Approval of the Financial Statements**

These financial statements as of March 31, 2017, presented to the Superintendency of Banking, Insurance and AFP, have been approved by the Board of Directors on April 26, 2017.

These financial statements as of December 31, 2016, presented to the Superintendency of Banking, Insurance and AFP, were approved on January 18, 2016 by the General Shareholder's Meeting on March 17, 2016.

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

On March 25, 1999, a Trust Agreement was signed between the Fondo Hipotecario de Promoción de la Vivienda - MIVIVIENDA (Mortgage Fund for Housing Promotion), (now Fondo MIVIVIENDA S.A.) and Corporación



Financiera de Desarrollo S.A. (COFIDE). Its purpose was the creation of a trust 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 desire to use them to finance the acquisition or improvement of home and residences, in accordance with article 12 of Supreme Decree N° 001-99-MTC "Regulations on the Fondo Hipotecario de Promoción de la Vivienda – Fondo MIVIVIENDA".

The main duties of COFIDE are as follows:

- Compliance with articles 241 to 274 of the General Law of the Financial and Insurance System and Organic Law of the SBS – Law N° 26702, as amended.
- Verify compliance with requirements and conditions of the IFI according to Supreme Decree N° 001-99-MTC.
- Sign the agreement on resources intermediation with IFI's that have fulfilled the corresponding requirements and conditions.
- Monitor the use of resources, according to the provisions of the Fund's Regulations and the agreement on channeled resources.
- Collect the loans granted to the IFI's.
- Contract the necessary audits of the Fund.
- Periodically submit reports on the development of the aforementioned trusts, as well as make recommendations for exposure limits of IFI's (\*).
- Establish operating procedures necessary for the proper administration of the Fund.
- Other duties necessary to ensure the normal development of the objectives and functions of both the Trust and the Fund.

(\*) On May 18, 2012, The Fund executed the Amendment N° 1 to the Trust Agreement with COFIDE, which discharged the latter from the obligation to issue recommendations on maximum credit capacity of intermediary financial institutions with the Fund, given the fact that the Fund is a Corporation supervised by the SBS. By virtue of SBS Resolution N° 3586-2013, the Fund is no longer subject to the lending limits established by Article 204 of the Peruvian Banking Law N° 26702, to the extent the Fund acts as a second-tier bank. However, the Fund has established internal limits to prevent the concentration of loans to intermediary financial institutions, which take into account factor related to the size of regulatory capital, risk classification and risk-weighted regulatory capital ratio.

(\*) On December 30, 2016, the Fund signed the addendum No. 2 to the Trust Agreement, modifying the seventh and ninth clauses containing references to COMMISSIONS as compensation for the services provided through the trust and TERM of effectiveness.

The main duties of the Fund are the following:

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

COFIDE is entitled to the following

- To intermediate and monitor the Fund's resources, being able to enter into and sign all kinds of public and private documents, for that purpose.
- To require that the IFI's establish guarantees on behalf of the beneficiaries.
- To exercise all the powers contained in articles 74 and 75 of the Civil Procedure Code necessary for carrying out the assignment given as trustee. Consequently, COFIDE may sue, counterclaim, answer complaints and counterclaims, desist processes or claims, agree to claims, reconcile, settle and to arbitrate the claims at issue in the process.
- It is stated that COFIDE is not responsible for the solvency of the IFI.

This Agreement shall be valid for three (3) years and shall be automatically renewed if none of the parties expresses its willingness to terminate it.

### **3. Accounting principles and practices**

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

#### **(a) Basis of Presentation and Changes in the Accounting Policies –**

##### **(i) Statement of Compliance:**

The accompanying financial statement have been prepared in Soles from the accounting records of the Fund and are presented in accordance with current legal regulations and accounting principles authorized by the SBS. In case of unforeseen events in such rules, the provisions of the International Financial Reporting Standards (IFRS), made official in Peru by the Accounting Standards Board (ASB) shall apply. Such regulations comprise the rules and interpretations issued or adopted by the International Accounting Standards Board (IASB), including the International Financial Reporting Standards (IFRS), the International Accounting Standards (IAS), and the pronouncements of the IFRS Interpretations Committee (IFRSIC) by the former Standing Interpretations Committee (SIC) adopted by the IASB, made official by the Accounting Standards Board (ASB) to be applied in Peru.

As at the date of the financial statements:

By Resolution CNC N° 063-2016-EF/30, the CNC makes official the 2016 version of the International Financial Reporting Standards (IAS, IFRS, IFRSIC and SIC) whose content is detailed in the Annex of such resolution and in the Conceptual Framework for Financial Reporting.

Regarding CNC Resolution No. 062-2016-EF/30 published on June 14, 2016, made official the International Financial Reporting Standard 16 Leases and amendments to the International Financial Reporting Standard 15 Incomes of Ordinary Activities from Contracts with Clients.

On April 02, 2016, the CNC issued Resolution No. 061-2016-EF/30, where it made official the amendments to IAS 12 Income Taxes and IAS 7 Statement of Cash Flows.

Regarding CNC Resolution No. 060-2016-EF/30 issued on February 04, 2016, the CNC made official the amendments to IFRS 15 Income of Ordinary Activities Originating from Customer Contracts, IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures.

By CNC Resolution N° 059-2015-EF/30 published on August 11, 2015, ASB made official the 2015 version International Financial Reporting Standards (17 IAS including its conceptual framework for the financial information, 14 IFRSIC, 15 IFRS and 7 SIC).

Also, by virtue of CNC Resolution N°058-2015-EF/30 published on March 05, 2015, the ASB made official the modifications to IAS 1 Presentation of Financial Statements, IFRS 7 Financial Instruments: Disclosures; IAS 34 Interim Financial Reporting, IFRS 10 Consolidated Financial Statement, IFRS 12 Disclosure of Interests in Other Entities, and IAS 28 Investment in Associates and Joint Ventures.

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

(ii) Basis of measurement

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

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

(iii) Preparation and presentation functional currency

The financial statements are presented in Soles (S/) according to SBS standards, which is the Fund's preparation and presentation functional currency. Financial information presented in Soles (S/) has been rounded to the nearest thousands (S/ 000), except as otherwise indicated.

(iv) Critical accounting estimates and criteria

The preparation of the financial statements in conformity with the accounting principles requires management to use certain critical accounting estimates and criteria. Estimates and criteria are reviewed on an on-going basis according to experience and include reasonable assumptions about the future in every circumstance. Since these are estimates, final results may differ; however, based on the opinion of the Fund management, these estimates and assumptions do not have significant risk of causing a material adjustment to the balances of assets and liabilities of subsequent financial statement.

The significant estimates related to the financial statements correspond to the provision for doubtful accounts receivable, valuation of investments, estimates of useful life and the recoverable amount of property, furniture and equipment and intangible assets, estimate of deferred income tax recovery,

provision for current tax, and the valuation of derivative financial instruments, which accounting criteria are defined and applied by our accounting practices.

(v) Accounting Principles and Practices:

The significant accounting principles and practices as of March 31, 2017, have not varied in relation to the report audited by Caipo y Asociados Sociedad Civil de Responsabilidad Limitada, representatives of KPMG International for the year ending on December 31, 2015.

By Multiple Letter N° 1575-2014, the SBS has ordered that for purposes of disclosing minimum information, financial companies shall include a note related to the fair value of financial instruments, as stated in the Accounting Manual for companies of the financial system. Such letter states that as it is related to the portfolio of credits and deposits, the fair value thereof corresponds to the fair value of book value.

As of September 30, 2016 and December 31, 2015, The Fund has considered the carrying amount of the accounts receivable (Trust – COFIDE) and other accounts receivable from credit portfolios at book value

(vi) Responsibility of the information and estimations performed:

The information of the Financial Statements is responsibility of the Fund Management. For their preparation, some estimation have been made to quantify diverse assets, liabilities, income, expenditures and commitments appearing registered thereon, based on the experience and other relevant factor. The final results may not be equal to such estimations.

Such estimations are verified and analyzed on a continuous basis. Changes in accounting estimates shall be recognized prospectively by including them in profit or loss in the period of such analysis.

The sources of estimation uncertainty considered more important for the elaboration of the financial statements of the Funds are referred to:

- Available-for-sale and held-to-maturity investments.
- Provision for accounts receivable.
- Other assets.
- Provision for sundry goods.
- Useful life assigned to property, machinery and equipment.
- Register of contingent liabilities.
- Deferred income tax.
- Derivative financial instruments.

**(b) Transactions in foreign currency**

In accordance with SBS Regulations, the Fund's functional and presentation currency is the Sol. Assets and liabilities in U.S. Dollars and Swiss francs are recorded at the transaction date Exchange rate. Monetary assets and liabilities denominated in U.S. Dollars and Swiss Francs are converted to Soles at the month-end using the accounting Exchange rate set by the SBS (**note 3**). Gains or losses from

restatement of monetary assets and liabilities denominated in U.S. Dollars and Swiss Francs at the Exchange rates prevailing at the financial position reporting date are recorded in the statements of income.

Non-monetary assets and liabilities acquired in U.S. Dollars are recorded in Soles at the Exchange rate at the date of its acquisition.

**(c) Financial instruments-**

Financial instruments are classified as assets, liabilities or equity according to the substance of the contractual agreement that originated them. Interests, dividends, gains and losses generated by financial instruments classified as assets or liabilities are recorded as income or expense. Financial instruments are offset when the Fund has a legal right to offset them and Management has the intention to settle them on a net base or to realize the asset and settle the liability simultaneously. Refer to **note 8 (b)** related to criteria for accounting records of accounts receivable from the CRC-PBP Trusts.

The financial assets and liabilities presented in the statement of financial position comprise cash and due from Banks, accounts receivable, other receivables, investments, and obligations with the public, other payables and other liabilities in general. Additionally, all derivatives are considered financial instruments.

Accounting policies related to recognition and valuation of these financial instruments are described below.

**(d) Recognition of revenues and expenses**

**(d.1) Interest income and expenses**

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

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

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

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

Accrued income from other receivables, banks in liquidation, past due balances, refinanced loans, in court collection, as well as loans classified as doubtful and lost, are recognized in profit or loss when effectively received.

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

**(d.2) Good Payer Bonus and Award**

Regarding June 7, 2007, as non-refundable direct help to the borrowers or final customers whose resources are funded by the Ministry of Housing, Construction and Sanitation (MVCS), for a maximum amount of S/.12,500 as of April 22, 2010 (S/.10,000 before April 22, 2010) for values of the property to be acquired over 14 ITU and which do not exceed 25 ITU for people who have timely canceled six consecutive monthly installments corresponding to the non-concessional section from Crédito MIVIVIENDA.

For these purposes the Fund divides the total amount disbursed from Crédito MIVIVIENDA plus interests in 2 schedules: A biannual schedule called "concessional section", corresponding to the amount of the Good Payer Award; and a monthly schedule called "non-concessional section", corresponding to the amount of the loan excluding the amount of the concessional section.

The resources received from the MVCS were recorded in a liability account, which will be amortized, by the capital of the uncollected installment from the concessional section, every sixth months when the borrower has been classified as a good payer. The interest of the uncollected installment is refunded.

Subsequently, by Emergency Decree N ° 002-2014 published on July 28, 2014, article 14.2 provides that for the granting the Good Payer Bonus the value of the property to acquire must be greater 14 ITU and not exceed 50 ITU. The BBP is available as a non-refundable financial assistance up to a maximum amount of S/12,500. For this purpose Banco de la Nación is authorized to pay to the Fund an amount of S/500,000,000 with the participation of the MVCS for cancellation purposes, as set out in the loan agreement. In these cases, the Fund previously receives all the resources from the BBP for assignment during the year 2014.

For these purposes the Fondo MIVIVIENDA has two application methods according to the BBP regulations corresponding to such Emergency Decree:

- Applied to finance the Good Payer Award (PBP), for the amount of S/. 10,000 for housing pricing over 14 ITU and not exceeding 25 ITU for MIVIVIENDA credits granted from 01.01.2014 to 07.28.2014. From 07.29.2014 to finance for an amount of S/. 12,500 for housing pricing over 14 ITU and not exceeding 50 ITU.
- Applied as a complement of the initial installment, the BBP shall serve as a complement to the contribution of final

beneficiaries to achieve the required minimum initial installment and is applied at the time of disbursing the credit; therefore, it is not part of it.

The BBP currently exists under the operation of Supreme Decree 003-2015 dated 22 January, 2015 which sets the phased implementation of the Good Payer Bonus for housing pricing ranging from fourteen (14) to fifty (50) ITU, according to the following detail.

House Value	BBP Value (S/.)
Up to 17 ITU	17,000
over 17 ITU up to 20 ITU	16,000
over 20 ITU up to 35 ITU	14,000
over 35 ITU up to 50 ITU	12,500

- For such purpose, the Fund has two forms to apply the BBP:
  - BBP as supplement of the initial installment, BBP shall be used as supplement of the contribution of the clients to reach the minimum initial installment and is applied at the time of disbursing the credit to the Instituciones Financiera Intermediarias (IFI); therefore, it is not part of it (loan).
  - BBP granted as financing of the PBP for the timely payments of six consecutive installments of the non-concessional section Schedule called. This BBP applies for those PBP that were granted to those houses ranging from thirty-five (35) to fifty (50) ITU, which corresponds to the previous form of PBP, which was fixed at a value of S /. 12,500.

Currently, the resources received from MVCS are recorded in the account of liabilities, which will be amortized by disbursement of the initial installments or by the capital of the uncollected installment from the concessional section, every sixth month when the borrower has been classified as a good payer. The interest of the uncollected installment shall be refunded.

The Good Payer Award (referred to as "PBP") are resources taken directly by Fondo MIVIVIENDA (FMV) to grant a Bonus in housing prices over fifty (50) up to seventy (70) ITU (\*) according to the following detail.

House value	Value of Good Payer Bonus (S/)
Over 50 up to 70 UIT	5000

- For such purpose, the Fund has two forms to apply the BBP:

- BBP as supplement of the initial installment, BBP shall be used as supplement of the contribution of the clients to reach the minimum initial installment and is applied at the time of disbursing the credit; therefore, it is not part of it.
- BBP granted for making timely payments of six consecutive installments corresponding to the non-concessional section. It is accounted semi-annually.

The down payment disbursements incurred with Fondo MIVIVIENDA resources, are recorded on the expenditure at the time of their disbursement. In the second option it is registered as expenditure by the capital of the uncollected installment of the concessional section, every sixth months when the Sub-borrower has been classified as a good payer. The interest of the uncollected installment will be refunded.

- The Sustainable MIVIVIENDA Bond (Bono MIVIVIENDA Sostenible or "BMS" as per the Spanish acronym) was approved by Board of Directors Agreement N° 02-12D-2015 dated June 15, 2015 and was modified by Board of Directors Agreement N° 02-13D-2015 dated June 30, 2015, which is appointed for MIVIVIENDA products through housing acquisition that provides financial support to people who want to have a property declared as sustainable (house built to reduce environmental impact). This additional characteristic will serve the sub-borrower as an increase in the amount of the down payment and as an additional benefit for those who provide MIVIVIENDA products, such as the BBP. For this reason, FMV entered into a Resource Distribution Agreement with the French Development Agency (AFD).

(d.3) Commissions for CRC-PBP trusts administration services are recognized as income when received.

**(e) Accounts receivable and provision for accounts receivable:**

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

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

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

**(e.1) Accounts receivable (Trust Agreement – COFIDE)**

Accounts receivable are recorded upon the disbursement of Fund through Trust Agreement-COFIDE to the IFI that channels the



Fund's resources for the credit placement of the MIVIVIENDA products.

According to the Fund's Regulation, enacted by SBS Resolution N° 980-2006 issued on August 14, 2006, the calculation of the allowance is performed based on the criteria established by the SBS in the "Regulation for the evaluation and classification of debtor and allowance requirements", as established in SBS Resolutions N° 11356-2008.

According to the SBS Resolution N° 11356-2008, the Fund applies the following percentages to determine provisions:

<b>Risk Category</b>	<b>%</b>	
	<b>Table 1</b>	<b>Table 2</b>
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 IFI's risk classification, the Fund has established, among its internal standards, a provision chart based on the risk category assigned by the SBS.

Provisions for accounts receivables are presented net of balance for the same in the asset.

(e.2) Accounts receivable related to CRC – PBP Trusts

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

Likewise, the surplus (deficit) generated by such trusts is recorded as "Interest Income" in the Statement of Income.

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

(e.3) Other accounts receivable, net

It includes accounts receivable from time deposits, certificates of deposits among others that the Fund holds in banks that are in liquidation and other accounts receivable from third parties that,

since they are under litigation or judicial proceeding, do not accrue interest. Any recovery is recorded on a cash basis.

To determine provision for other doubtful accounts receivable, the Fund assigns a risk classification in accordance with SBS Resolution N° 11356-2008.

The provision for other doubtful accounts receivable is performed based on the review the Fund's Management regularly conducts to classify it into the categories of "normal", "with potential problem", "substandard" "doubtful" or "loss", depending on the degree of each borrower's risk to fail to pay. Collateral received is considered by the Fund only to the extent it is registered in the Public Registry without observations or annotations.

Provision for borrowers classified as doubtful or loss for more than 36 and 24 months, respectively, are determined without considering the value of the collaterals.

**(f) Derivative financial instruments**

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

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

As of March 31, 2017 and December, 2016, the Fund holds foreign exchange swaps to hedge cash flows in foreign currency. When valuated, the agreements in effect are included in the equity until the agreement is settled and/or the hedged item effect is realized. At this time, the unrealized result is transferred to the Statement of Income. Meanwhile, the non-effective part is registered as a result of hedge derivatives in the Statement of Income.

As of March 31, 2017 and December 31, 2016, the Management considers that the Fund holds economic hedging derivatives for administrative purposes, recognizing gains and losses arising from their measurement at fair value in profit or loss for the fiscal year. Likewise, as of these dates, the Fund does not hold any embedded derivatives.

**(g) Investments**

As of March 31, 2017 and December 31, 2016, the investments are valued in accordance with SBS Resolution N° 7033-2012

Classification

(g.1) Available-for-sale investments

Designated as such because they are held for an indefinite period and may be sold for purposes of liquidity or changes in interest

rates, Exchange rates or cost of capital; or are not qualified to be classified at fair value through profit and loss or held-to-maturity

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

(g.2) Held-to-maturity investments

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

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

Recording date of the transaction

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

Initial recognition

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

Amortized cost

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

Valuation

(g.1) Available-for-sale investments

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

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

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

(g.2) Held-to-maturity investments

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

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

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

Impairment assessment

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

First filter:

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

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

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

Second filter:

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

- Impairment of financial ratios or financial position of the issuer and its business group.
- Adverse conditions of investment and the issuer.
- Downgrade in risk rating due to factors other than those mentioned above.
- Interruption in the payment of interest or principal due to financial distress of the issuer.
- Disruption of a transaction or of an active market due to financial distress of the issuer
- Forced renegotiation of the contractual terms of the instrument by legal or economic factors related to the issuer

- Evidence that the issuer will be subject to a forced restructuring or bankruptcy procedure.
- Decline in value due to policy changes (tax, regulatory or other governmental regulations).
- The Fund does not have the intention and ability to hold the underperforming investment until its value is recovered. For that, it is necessary to make a projection of the estimated time for the recovery of value and an analysis of the evidence supporting, based on historical information and the financial position of the company, if there is the intent and ability to hold the investment throughout such period.

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

**(h) Property, Furniture and Equipment**

One element of the –“Property, Furniture, and Equipment” item that was initially booked as an asset did meet the general recognition criteria set forth in IAS 16: Property, Plant, and Equipment.

- a) Its acquisition price, including the import duties and unrecoverable indirect taxes levied on the procurement, if any, after subtracting any deduction to or reduction in the price;
- b) All costs directly related to the location of the asset at the place and in the conditions necessary so that it can operate in the form planned by the management; and
- c) The initial estimate of the costs for disassembly or removal of the element, as well as the remediation of the place on which it rests, when these are obligations incurred in by the Fund as a consequence of the use of the element during a given period

The Fund applied the cost model as the sole model for booking at a later date. In application of this model, the elements that make up the “Property, Furniture, and Equipment” item must be measured at their purchase cost less cumulative depreciation and deterioration of value.

The Fund booked and depreciated the fixed asset by element throughout its useful life, using the straight-line method.

Assets in disuse are also booked to the accounts of this item, and continue to depreciate until they are disposed of.

For the appropriate presentation in the Statement of Financial Position, the Fund will present the balance of this item subtracted from Account 1809 (Cumulative Depreciation and Deterioration of Property, Plant, and Equipment).

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

	As of	
	03.31.2017	12.31.2016
Premises	10	10
Buildings	20	20
Various equipment	10	10
Computer equipment	4	4
Furniture and fixtures	10	10
Vehicles	5	5

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

As from taxable year 2015, buildings and constructions may be depreciated for purposes of the Income Tax, by applying an annual depreciation percentage of twenty percent (20%) up to their total depreciation, provided that the goods are destined exclusively to the corporate development and comply with the following conditions:

- a) The construction would have started from January 1, 2014. It is understood that the construction starts at the time in which a building license or another document required in the Regulations is obtained. To determine the start of the construction, neither the building license or nor any other document issued as a consequence of the procedure to regularize constructions will be considered
- b) In case until March 31, 2017, the construction had at least eighty percent work progress of (80%). In the case of constructions that have not been completed until March 31, 2017, it is presumed that the work progress at such date is lower than 80 percent (80%), unless otherwise evidenced by the taxpayer. It is understood that the construction has been completed when the corresponding municipal office has issued the work completion certificate or another document established in the Regulations.

**(i) Assets received as payment.**

The assets received as payment, repossessed and recovered are initially booked at the lower of the value determined by the court, out of court, market value or unpaid debt value, whichever is the lowest; recognizing in turn a provision equivalent to 20 percent of the value upon repossession or recovery of the asset, being able to keep to such purpose the provision that was recorded by the related credit

Additional provisions are recorded based on the following criteria:

- Personal property- a uniform monthly provision shall be recorded as from the first month of repossession or recovery, for a period of twelve months until completing one hundred percent of the net value upon repossession or recovery.
- Real estate- Uniform monthly provisions shall be recorded based on the net book value as from the twelfth month. In addition, SBS

Resolution N° 1535-2005 allows the granting of an extension of six months, in which case, uniform monthly provisions shall be recorded on the net book value as from the eighteenth month. In both cases, provisions shall be recorded until completing one hundred percent of the net book value over a term of three and half years, counted as from the date on which monthly provisions started to be recorded.

Impairment is recognized when these assets suffer a decline in fair value (when the net realizable value is lower than the net carrying value), therefore, the carrying value shall be reduced and the loss shall be recognized in the statement of income. In cases where the net realizable value is higher than the net carrying amount, the higher value shall not be recognized in the books.

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

Assets held by the Fund are registered as Sundry Assets as they are derived from accounts receivable before becoming a corporation.

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

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

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

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

**(k) Intangible assets**

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

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

As of March 31, 2017 and December 31, 2016, the Fund does not hold any intangible assets with indefinite useful lives

**(l) Impairment of long-lived assets**

When events or economic changes indicate that the value of a long-lived asset may not be recoverable, Fund's management reviews the value of its property, furniture and equipment and intangible assets to verify there is no permanent impairment in value. When the book value of the asset exceeds its recoverable amount, an impairment loss is recognized in the statement of comprehensive income for the items of property, furniture and equipment and intangible assets held at cost. The

recoverable amount is the higher of an asset's net selling price and its value in use. The net selling price is the amount obtained for an asset's market value, while the value in use is the present value of net future cash expected to be derived from using an asset and its disposal at the end of its useful life.

In Management's opinion, there is no evidence of impairment in the value of such assets as of March 31, 2017 and December 31, 2016.

**(m) Tax assets and liabilities**

Current Income tax -

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

The item Current Taxes in the Asset is shown in the Statement of Financial Position as of March 31, 2017, mainly because those paid of ITAN 2016 and payments on account are higher than the income tax payable.

Deferred income tax -

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

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

As at the date of the Statement of Financial Position, the Fund Management has applied temporary differences of its assets and liabilities, according to the pronouncement of the SBS issued through a Multiple Letter N° 1205-2015-SBS dated January 14, 2015, where there is a pronouncement on IAS 12.

**(n) Employee benefits**

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

(n.1) Employees' profit sharing

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

SBS Official Letter N° 4049-2011, dated January 21, 2011, established a change in treatment of employees' profit sharing plans indicating that this should be recorded according to International Accounting Standard 19 "Employee Benefit". Consequently, this profit sharing is recognized as personnel



expense and liability related with benefits to employees and does not recognize deferred assets or liabilities as a result of temporary differences between financial and tax bases.

(n.2) Vacations and other employee benefits

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

(n.3) Severance payment

The provision for severance payment (CTS, as per the Spanish acronym) is calculated according to current legislation, on the employees' total remuneration and must be paid through deposits to authorized financial entities chosen by them. Calculation is made for the amount that to be paid as of the date of the statement of financial position and is included in the provision for fringe benefits.

**(o) Provisions, contingent liabilities and contingent assets**

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

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

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

**(p) Deferred income**

1. Deferred incomes from market value transfer of properties received in dation in fixed asset payment, under Art. 8 of SBS Resolution SBS N° 1535-2005

2.- Deferred incomes from refinanced incomes of the Ex Coneminsa portfolio, which are recognized as income as they are perceived.

**(q) Trust Activities**

Assets, liabilities, income and expenditures of equities managed by the Fund in its capacity as trustee from trust activities in which there is a commitment to return such assets to the beneficiaries of the trust, have been excluded from the financial statements. Such assets are controlled in the financial statements separately and are presented in the memorandum accounts.

**(r) Other comprehensive income**

Unrealized loss of the year on available-for-sale investments, net of the amount of deferred tax gains is presented as part of other comprehensive income. In addition, it shows the unrealized result from cash flow hedging derivatives net of the corresponding deferred gain tax.

As of March 31, 2017 and December 31, 2016, non-realizable earnings of the effective part of the valuation of contracted SWAP principal only and Cross currency SWAP, where only ineffective part of the earnings is affected, if any, and the valuation amount which corresponds to the exchange difference to the extent the exchange difference of the item covered is affected. These balances are presented net of the related deferred income tax amount.

**(s) Statement of Cash Flows**

Cash presented in the statements of cash flows includes cash and due from banks balance with original maturities of 91 days or less.

**4. Assets in foreign currency**

The Statement of Financial Position includes balances of transactions in foreign currency, mainly in U.S. Dollars (US\$), which are recorded in Soles (S/) at the exchange rate established by the SBS. As of March 31, 2017 and December 31, 2016, these rates were US\$1 = 3.248 and S/ 3.356, respectively.

In addition, we hold positions in Swiss Franc (CHF), which are registered at the exchange rate in Soles (S/) established by the SBS. As of March 31, 2017 and December 31, 2016, these rates were CHF1= S/ 3.239578 and S/ 3.295364, respectively.

We also hold positions in Euros (EUR), which are registered at the exchange rate in Soles (S/) established by the SBS. As of March 31, 2017 and December 31, 2016, these rates were EUR 1 = S/ 3.461212 and S/ 3.533747, respectively.

Foreign currency transactions in the country and international trade transaction, referring to the concepts approved by the Banco Central de Reserva del Perú, are channeled through the Free Banking Market.

The buy and sell Exchange rate used were:

In US Dollars

	<b>Buying</b>	<b>Selling</b>
As of 03/31/2017	3.240	3.245
As of 12/31/2016	3.352	3.360

In Swiss Franc:

	<b>Buying</b>	<b>Selling</b>
As of 03/31/2017	3.030	3.399
As of 12/31/2016	3.083	3.363

In Euros:

	<b>Buying</b>	<b>Selling</b>
As of 03/31/2017	3.466	3.568
As of 12/31/2016	3.381	3.601

As of March 31, 2017 and December 31, 2016, U.S. Dollars balances, equivalent to thousands of US Dollars, are summarized as follows:

	<u>In thousands of US\$</u>	
	<u>03.31.2017</u>	<u>12.31.2016</u>
Assets:		
Cash and due from banks	172,715	90,957

Investments	150,717	160,567
Derivatives	3,734	852
Accounts receivable, net (Trust agreement – COFIDE)	67,178	73,704
Other accounts receivable, net	1,291	35
Other assets, net	6,716	1
	-----	-----
	402,350	326,117
	-----	-----
Liabilities:		
Debts and financial obligations	( 951,320)	( 804,167)
Derivatives	( 2,062)	( 2,194)
Other accounts payable	( 2,516)	( 386)
Other Liabilities	( 92)	( 81)
	-----	-----
	( 955,990)	( 806,828)
	-----	-----
	( 553,640)	( 480,711)
Derivative financial instruments	560,324	497,598
	-----	-----
(Liability) asset position, net	6,683	1,113
	=====	=====

As of March 31, 2017 and December 31, 2016, balances in Swiss francs, equivalent to thousands of Swiss francs, are summarized as follows:

	<u>In thousands of CHF</u>	
	<u>03.31.2017</u>	<u>12.31.2016</u>
Assets:	0	0
	-----	-----
Liabilities:		
Debts and financial obligations	( 252,122)	( 251,274)
	-----	-----
	( 252,122)	( 251,274)
	-----	-----
Derivative financial instruments	250,000	250,000
	-----	-----
(Liability) asset position, net	( 2,122)	( 1,274)
	=====	=====

As of March 31, 2017 and December 31, 2016, balances in Euros, equivalent to thousands of Euros, are summarized as follows:

	<u>In thousands of EUR</u>	
	<u>03.31.2017</u>	<u>12.31.2016</u>
Assets:		
Cash and due from banks	856	964
Investments	0	0
Other Assets	0	0
	-----	-----
Liabilities:	856	964
Debts and financial obligations	( 49,768)	( 49,796)
Accounts payable	( 0)	( 0)
	-----	-----
	( 49,768)	( 49,796)
	-----	-----
	( 48,912)	( 48,833)
Derivative financial instruments	50,000	50,000
	-----	-----

(Liability) asset position, net	1,088	1,167
	=====	=====

## 5. Cash and due from banks

The composition of this item as of March 31, 2017 and December 31, 2016:

	<b>In thousands of S/.</b>	
	<b>03.31.2017</b>	<b>12.31.2016</b>
Banco Central de Reserva del Perú (a)	8,379	133
Checking and savings accounts (b)	1,973,940	556,773
Term deposits (c)	49,032	82,497
Other cash and due from banks	449	463
<b>Cash and Cash equivalents</b>	<b>2,031,800</b>	<b>639,866</b>
Plus		
Term deposits over 91 days	1,041,616	438,365
<b>Total Cash and due from banks</b>	<b>3,073,416</b>	<b>1,078,231</b>

- a) Funds denominated in Soles and U.S. Dollars held in Banco Central de Reserva del Perú (BCRP) are mainly used in transactions entered into by the Fund with COFIDE, under the Trust Agreement.
- b) It corresponds to deposits in Soles and U.S Dollars in banks and other financial system companies in Peru; they have free withdrawal option and accrue interest at market interest trades.  
As of 03.31.2017, S/ 62,284 are kept in checking accounts, representing 2.03% of the total Available item, corresponding to BFH resources transferred by the MVCS, while as of 03.31.2017, S/ 68,454 representing 6.35% are held in checking accounts. It is worth mentioning that the Fund is intermediary between the MVCS and technical entities for the transfer of resources to the beneficiaries.
- c) It corresponds to term deposits in local and foreign currency at banks and other companies of the financial system of the country. As of 03.31.2017 the Fund holds deposits with maturities of less than 91 days in thousands of S/ 24,236 generating an interest rate at an annual effective rate between 5.20% and 5.37% and maturity of more than 91 days in thousands of S/ 959,794 generating an interest rate at an annual effective rate between 4.83% and 5.60% and Direct Term deposits in foreign currency with a maturity of less than 91 days in thousands of US\$ 2,971 equivalent to S/. 9,648 in soles generating an annual effective interest rate of 0.80%. Moreover, term deposits auctions in foreign currency with maturities of more than 91 days in thousands of S/ 15,148 generating an annual effective rate between 5.1% and time deposit auction in foreign currency with maturities over 91 days in thousands of US \$6,608 equiv. to S / 21,462 in soles generating an annual effective interest rate of 0.85%.

## 6. Available-for-sale investments and at maturity, net

(a) The composition of this item is shown below

<b><i>In thousands of soles</i></b>	<b>As of 03.31.2017</b>		
	<b>Amortized cost</b>	<b>Unrealized Gains</b>	<b>Losses Carrying amounts (*)</b>
Investments available for sale:			
Sovereign bonds (a)	31,509		31,509
Global Bonds (b)	484,537		484,537
Short-term instruments (c)	1,712		1,712

Plus:	
Accrued interest	5,411
	523,169
	523,169

<i>In thousands of soles</i>	<b>Amortized cost</b>	<b>Unrealized Gains</b>	<b>Losses</b>	<b>12.31.2016 Carrying amount (*)</b>
Investments held to maturity:				
Sovereign bonds (a)	31,463			31,463
Corporate bonds (c)	532,124			532,124
Short-term instruments (c)	1,712			1,712
Plus:				
Accrued interest				7,731
				573,030
				573,030

(\*) It corresponds to the amortized cost of held-to-maturity investments.

- (a) It corresponds to sovereign bonds of the Republic of Peru, issued in Soles by the Ministry of Economy and Finance (MEF). As of March 31, 2017 Sovereign bonds classified in held-to-maturity investments correspond to the following sovereign bonds SB12AGO26, SB12AGO31, SB12FEB37 and SB12FEB42, these bonds accrue interests at nominal annual rates between 6.85% and 8.20% (between 6.85% and 8.20% as of December 31, 2016), maturing on August 2026 and February 2042 (between August 2026 and February 2042 as of December 31, 2016).
- (b) It corresponds to securities acquired for corporate and financial system companies at first level inside or outside the country. As of March 31, 2017, the corporate bonds classified as held-to-maturity investments are: i) financial leasing bonds in US dollars accruing interests at annual effective rate between 4.84% and 5%, mature between May 2017 and May 2020; ii) Subordinated Bonds in US dollars, accruing interests at an annual effective rate of 6.53% and mature in October 2028; iii) Ordinary Bonds in US dollars, accruing interests at annual effective rates between 2.75% and 6.12% and mature between January 2018 and May 2023; and iv) Securitization Bonds in US dollars, accruing interests at annual effective rates between 4.44% and 6.16% and mature between June 2018 and September 2028.
- (c) It corresponds to short-term investments instruments at held-to maturity issued by the Agricultural Bank (Banco Agropecuario) accruing interests at an annual effective rate of 7.22% and mature in June 2017.

As of March 31, 2017, accrued interests of available-for-sale-interests amounted to S/ 5,928 included in the item "Income for interests" of the Income Statement for held-to-maturity investments. (Available-for-sale-investments in thousands of S/. 5,346 and for investment income to maturity thousands of S/. 2,403, respectively as of March 31, 2016).

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

**March 2017**

**December 2016**

	<b>available- for-sale investments</b> S/(000)	<b>Held-to- maturity investments</b> S/(000)	<b>available- for-sale investments</b> S/(000)	<b>Held-to- maturity investments</b> S/(000)
Up to 3 months	-	4,321	-	32,181
From 3 months to 1 year	-	80,041	-	7,218
From 1 to 5 years	-	246,272	-	370,791
Over 5 years	-	192,535	-	162,840
<b>Total</b>	<b>-</b>	<b>523,169</b>	<b>-</b>	<b>573,030</b>

As of March 31, 2017, the Fund Management has estimated the market value of available-for-sale investments based on available market prices or, in their absence, discounting expected cash flows at an interest rate reflecting the risk rating of the security.

The Fund Management has determined that unrealized losses as of March 31, 2017 are not the result of credit impairment of the issuers but they are mainly due to variations in the free risk rates that were incorporated to its valuations. Consequently, there is no impairment of available-for-sale investments in accordance with the accounting standards which must be registered on the date of each balance sheet.

## 7. Financial Derivatives

The following table shows the fair value of the financial instruments, recorded as assets or liabilities, along with their notional amounts (nominal). The notional amount is the face amount of the derivative underlying asset and is the basis on which changes in the value of derivatives are measured. The Fund has future sale/purchase commitments of US Dollars, Euros and Swiss Franc ("forwards") as well as Swaps for cash flow hedge which fair value has generated accounts receivable and payable, as indicated below.

The notional amounts state the volume of outstanding transactions as of 03/31/2017 are not an indicator of market risk or of credit risk, note 22:

T h e r e i n t h o u s a n d s o f s o l e s	03.31.2017			12.31.2016		
	<b>Accounts receivable</b>	<b>Accounts payable</b>	<b>Reference amount</b>	<b>Accounts receivable</b>	<b>Accounts payable</b>	<b>Reference amount</b>
<b>Trading derivatives</b>						
Forwards - Purchase	0	(294)	22,677	166	0	23,068
Forwards - Selling	0	0		734	0	33,560
<b>Subtotal</b>	<b>0</b>	<b>(294)</b>	<b>22,677</b>	<b>900</b>	<b>0</b>	<b>56,628</b>
<b>Hedging derivatives</b>						
Forwards - Purchase	0	0	0	0	0	0
Forwards - selling	8,633	0	437,136	2,200	0	125,217
Swaps Principal Only - Purchase	204,071	(62,419)	2,648,465	257,477	(45,730)	2,724,466
Cross Currency Swaps - Purchase	0	(40,271)	682,853	721	(1,644)	199,475
Cross Currency Swaps - Selling	4,109	0	113,972	94	(17,328)	117,762
<b>Subtotal</b>	<b>216,813</b>	<b>(102,690)</b>	<b>3,882,426</b>	<b>260,492</b>	<b>(64,702)</b>	<b>3,166,920</b>
<b>TOTALES</b>	<b>216,813</b>	<b>(102,984)</b>	<b>3,905,103</b>	<b>261,392</b>	<b>(64,702)</b>	<b>3,223,548</b>

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

As of March 31, 2017, the trading derivatives generated a net gain of thousands of S/ 1,574 and hedging derivatives generated a net loss of thousands of S/ 25,262 (net gain of thousands of S/18,469 as of March 31, 2016), see note 21.

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

The composition of this caption as of March 31, 2017 and December 31, 2016, in thousands of Soles, is detailed as follows:

	03.31.2017 S/ (000)	12.31.2016 S/ (000)
COFIDE Trust (8a)	6,170,969	6,103,398
CRC-PBP Trust Soles (8b)	39,502	38,808
CRC-PBP Trust U.S. Dollars (8b)	43,623	43,544
	<b>6,254,094</b>	<b>6,185,750</b>

### 8.a Trust Agreement – COFIDE

The item is comprised as shown below:

	03.31.2017 S/ (000)	12.31.2016 S/ (000)
Nuevo Crédito MIVIVIENDA	5,725,074	5,612,967
Crédito MIVIVIENDA Tradicional	228,645	259,819
Crédito MIHOGAR	95,207	101,000
Crédito Complementario Techo Propio	103,933	109,054
Crédito MIVIVIENDA Estandarizado	9,196	9,669
Crédito Mi Construcción	54,749	57,577
Crédito MICASA Mas	8,401	8,306
Crédito MITERRENO	359	345
	<b>6,225,563</b>	<b>6,158,738</b>
<b>Plus (minus)</b>		
Accrued interest on accounts receivable	15,146	16,718
Provision for doubtful accounts receivable (f)	( 69,741)	( 72,058)
<b>Total</b>	<b>6,170,969</b>	<b>6,103,398</b>

- (a) As of March 31, 2017 and December 31, 2016, the number of transactions in force is 90,448 and 90,173, respectively.

All these resources have been channeled through COFIDE by virtue of the legal relationship of the Trust Agreement that the Fund has with it. The COFIDE Trust receives the Fund's resources in order to channel them through intermediate financial institutions called IFI who wish to use them in lending for house purchase in accordance with the provisions of Article 12° of Supreme Decree N° 001-99-MTC.

- (b) The composition of the accounts receivable (Trust Agreement – COFIDE) based on sub-loans for which a Risk Hedging has been required is as follows:

**As of 03.31.2017**

Products	Credit risk with coverage	Credit risk without coverage	Total
----------	------------------------------	------------------------------------	-------

	S/ (000)	S/ (000)	S/ (000)
Nuevo crédito MIVIVIENDA	28,256	5,696,817	5,725,074
Crédito MIVIVIENDA Tradicional	1,793	226,852	228,645
Crédito Proyecto MIHOGAR	1,375	93,831	95,207
Programa Techo Propio	1,013	102,920	103,933
Crédito MIVIVIENDA Estandarizado	0	9,196	9,196
MICONSTRUCCION	0	54,749	54,749
Crédito MICASA Mas		8,401	8,401
Crédito MITERRENO		359	359
	<b>32,437</b>	<b>6,193,126</b>	<b>6,225,563</b>

**As of 12.31.2016**

Products	Credit risk with coverage	Credit risk without coverage	Total
	S/ (000)	S/ (000)	S/ (000)
Nuevo crédito MIVIVIENDA	27,919	5,585,048	5,612,967
Crédito MIVIVIENDA Tradicional	1,960	257,859	259,819
Crédito Proyecto MIHOGAR	1,404	99,506	101,000
Programa Techo Propio	1,049	108,005	109,054
Crédito MIVIVIENDA Estandarizado	0	9,669	9,669
MICONSTRUCCION	0	57,577	57,577
Crédito MICASA Mas	0	8,306	8,306
Crédito MITERRENO	0	345	345
	<b>31,422</b>	<b>6,126,316</b>	<b>6,158,738</b>

(c) The classification of accounts receivable of IFI's granting MIVIVIENDA credits is presented as follows:

Risk Category	As of March 31, 2017		As of December 31, 2016	
	Total	%	Total	%
	S/(000)		S/ (000)	
Normal	5,943,327	95.46	5,865,941	95.25
With potential problem	115,003	1.85	118,346	1.92
Caja Metropolitana	41,499	0.67	44,057	0.71
CRAC Señor de Luren in liquidation	125,734	2.02	130,394	2.12
Total	<b>6,225,563</b>	<b>100</b>	<b>6,158,738</b>	<b>100</b>

(d) The interest rates applied to the account of the products correspond to fixed rates established in order to promote the granting of each type of credit:

**03.31.2017                      12.31.2016**



	%	%
Nuevo Crédito MIVIVIENDA	7.10	6.60
Crédito MIVIVIENDA Tradicional (*)	7.75	7.75
Crédito MIHOGAR (*)	7.60	7.60
Financiamiento Complementario Techo Propio	7.25	8.00
Crédito MIVIVIENDA Estandarizado (*)	6.90 and 7.30	6.90 and 7.30
Crédito MI CONSTRUCCION	8.00	8.00
Crédito MICASA Mas	7.70	6.50
Crédito MITERRENO	9.00	9.00

(\*) Suspended products, in recovery only.

The interest rate of the product Financiamiento Complementario Techo Propio was reduced at 7.25% for placements made from the 01.01.2017.

The interest rate of the product New Crédito MIVIVIENDA was reduced by 7.1%, for loans made from 12.01.2016

The interest rates of the products MIVIVIENDA and MICASA were increased by 60 basis points, for placements made from the 06.01.2016; and 60 additional points for placements from the 09.01.2016, approved by agreement of the Boards of Director N° 05-08D-2016 dated April 29, 2016.

The interest rates of Crédito MICONSTRUCCIÓN product were modified from 7.50% and 8.00%, without Credit Risk Coverage and with Credit Risk Coverage respectively, to a flat rate of 8.00%, by Board of Directors agreement N° 06-18D-2014 dated July 18, 2014.

The interest rate of Crédito complementario Techo Propio product was modified from 6.00% to 8.00%, by Board of Directors agreement N° 02-25D-2014 dated October 28, 2014

(e) The following is a presentation of the portafolio of accounts receivable as of March 31, 2017 and December 31, 2016 classified by the date:

	<b>03.31.2017</b>	<b>12.31.2016</b>
	S/ (000)	S/ (000)
<b>To become due</b>		
Up to a 1 month	52,914	58,753.87
1 to 3 months	122,869	70,626.47
3 months to a 1 year	468,567	351,548.49
1 to 3 years	1,389,768	1,323,285.44
3 years or more	4,191,445	4,354,523.72
	<b>6,225,563</b>	<b>6,158,738</b>

By Resolution SBS No. 3471-2015 issued on June 18, 2015, the Superintendency of Banking and Insurance (SBS) declared the submission of intervention scheme to the Caja Rural de Ahorro y Crédito Señor de Luren.

Therefore, on that basis, the risk of MIVIVIENDA CRAC Señor de Luren portfolio in liquidation is only considered at risk of the final borrower.

Risk category of the Mivivienda CRAC Señor de Luren portfolio in liquidation.

Risk Category	As of March 31, 2017		As of December 31, 2016	
	Total	%	Total	%
	S/(000)		S/ (000)	
Normal	89,794	71.42	92,628	71.04
CPP	2,907	2.31	43	0.03
Deficient	4,089	3.25	6,641	5.09
Doubtful	9,992	7.95	11,770	9.03
Losses	18,952	15.07	19,312	14.81
	<b>125,734</b>	<b>100.00</b>	<b>130,394</b>	<b>100.00</b>

By virtue of the activation of the Clause 13 of the Resources Allocation Agreement between the Fund and the Caja Metropolitana, starting October 2015, the portfolio of Caja Metropolitana is provisioned due to sub borrower risk.

Risk Category of the former portfolio Mivivienda of Caja Metropolitana

Risk category	As of March 31, 2017		As of December 31, 2016	
	Total	%	Total	%
	S/(000)		S/ (000)	
Normal	38,253	92.18	39,469	89.59
CPP	589	1.42	1,319	2.99
Deficient	440	1.06	1,077	2.44
Doubtful	769	1.85	610	1.39
Losses	1,447	3.49	1,581	3.59
	<b>41,498</b>	<b>100.00</b>	<b>44,056</b>	<b>100.00</b>

(f) Since year 2014 the methodology has changed to estimate the provisions for accounts receivables from the COFIDE Trust, by identifying two components

- First Component- IFI Risk Provision. - This is the provision that considers credit risk with Financial Institution (IFI), considering the capital balance lacking of pledged collaterals and the capital balance having pledged collaterals in order to apply provision criteria according to *Table 1* or *Table 2* pursuant to the Regulations for the Evaluation and Classification of the Debtor and Allowance Requirements, approved as according to SBS Resolution N° 11356-2008.
- The second Component is the Provision for Credit Risk Coverage (CRC).- It is based on the uncovered share with mortgage guarantees. The calculation is made from the capital balance of each mortgage loan, which has security lodged, and the value of the mortgage is subtracted, resulting in capital outstanding balance, which is applied to the coverage factor resulting in net capital balance to apply the coverage. CRC provision is the result of multiplying the net to apply the coverage for Table 1 of provisions percentage

according to the Regulations for the Debtor's Evaluation and Classification and the required Provision approved by Resolution SBS No. 11356-2008 based on the risk rating of the final borrower.

- (g) It is important to mention that the Fund provides an additional 1/3 to the cover credit risk for IFIs with risk classification by financial strength (A +, A, A-) and meet some conditions established in the "Regulations of Additional Credit risk Coverage (CRCA as per the Spanish Acronym)". Monthly verifiable. IFIs that have an agreement with CRCA signed with the Fund are BCP, BBVA Continental, Interbank, Scotiabank and BANBIF. As of December 2016, Interbank, BANBIF, BBVA Banco Continental and BCP, are the only financial institutions that have met the conditions established in the Convention on Additional Credit Risk Coverage signed between the IFI and the Fund.

In 2015, the Fund made the following risk reclassifications, which were absorbed by the voluntary provisions:

1. Risk classification for saving and credit unions was modified from "Normal" category to "With Potential Problems (CPP) category, according to the risk assessment performed by the Fund.
2. Classification of MIVIVIENDA portfolio of Caja Rural de Señor de Luren under winding up process was modified from IFI risk to end-borrower risk.
3. The classification of MIVIVIENDA portfolio of Caja Metropolitana, of IFI risk to the final borrower risk is modified.

From December 2014, voluntary provisions which were approved by Board Agreement N° 03-27D-2014 were recorded. In this way, possible variations in the change of classification of some monitored IFI are protected.

The voluntary provision for February 2016 decreased from S/ 7'278,164.32 to S/ 0.00 because the balance value was fully used to cover part of the supply increase of the portfolio of CRAC Señor de Luren in liquidation (S/ 7'881,896.27), which changed from S/ 9'588,874.85 in January 2016 to S/ 17'470,771.11 in February 2016

### **8.b CRC-PBP Trusts**

The composition of these accounts receivable as of March 31, 2017 and December 31, 2016, in thousands of Soles, is detailed as follows:

- As of March 31, 2017, it comprises the balances of total assets net of liabilities of management Trust (total equity and surplus (deficit) net): CRC-PBP in Soles for S/ 39'502 thousands and CRC-PBP in US Dollars for S/ 43'623 thousands (S/38'808 thousands and S/43'544 thousands respectively, as of December 31, 2016).
- Through certificates of incorporation signed in June 2007 by the Fund as trustee and trust or simultaneously, both Trust were established on an administration basis aiming to assure the availability of resources for the Fund to comply with the obligations arising from CRC-PBP service agreements (credit risk coverage-CRC and payment of the

good payer award – PBP) signed with certain financial institutions – EF, as well as to guarantee that those resources are efficiently managed, in compliance with the provisions of the Regulations and the Manual of policies and procedures of CRC-PBP, as well as the Manual of Investment Policies and Procedures that are part of the exhibits of the articles of incorporation.

- The accounting record of these trust transactions are made in accordance with Resolution SBS N°980-2006- "Fondo MIVIVIENDA S.A. Regulation", meaning one single account of the Statement of Financial Position (see note 3 (c.1.2-34)). The accounting for trust is maintained separately for control purposes and shows the following balances as of March 31, 2017 and December 31, 2016:

**CRC-PBP Trust Soles**

<i>In thousands of soles</i>	<b>03.31.2017</b>	<b>12.31.2016</b>
<b>Statement of financial position</b>		
<b>Assets:</b>		
Cash and due from banks	6,740	7,403
Investments available for sale	10,896	3,333
Investments held to maturity	21,866	28,072
<b>Total assets</b>	<b>39,502</b>	<b>38,808</b>
<b>Equity and net surplus:</b>		
Surplus from collections, net	2,516	2,474
Adjustment to equity	(948)	(1,069)
Retained earnings	37,934	37,403
<b>Total equity and net surplus</b>	<b>39,502</b>	<b>38,808</b>
<b>Income statement</b>		
<i>In thousands of soles</i>		
<b>Income statement</b>		
Interests income:		
Cash and due from banks	104	17
Investments available for sale	54	351
Investments held to maturity	434	229
<b>Gross finance margin</b>	<b>592</b>	<b>597</b>
<b>Net finance margin</b>	<b>592</b>	<b>597</b>
Financing services expenditure	( 60)	( 56)
<b>Net finance margin of income and expense for services</b>	<b>532</b>	<b>541</b>

Financing transactions outcome (ROF):		
Others		
<b>Transaction margin</b>	532	541
Managing expenditure	(1)	
<b>Net transaction margin</b>	531	541
Other income and expenditure		
<b>Year gain before income tax</b>	531	541
<b>Net year gain</b>	531	541

### **CRC-PBP Trust US Dollars**

<i>In thousands of Soles</i>	<b>03.31.2017</b>	<b>12.31.2016</b>
<b>Statement of financial position</b>		
<b>Assets:</b>		
Cash and due from banks	10,418	9,551
Investments available for sale	2,023	2,030
Investments held to maturity	31,182	31,945
Accounts receivables	-	18
<b>Total assets</b>	<b>43,623</b>	<b>43,544</b>
<b>Liabilities:</b>		
Accounts payable of financial derivative products		-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>
<b>Equity and net surplus:</b>		
Initial equity	21,013	21,013
Surplus from collections, net	8,318	8,225
Unrealized income on investments	(1,508)	(1,594)
Retained earnings	15,800	15,900
<b>Total equity and net surplus</b>	<b>43,544</b>	<b>43,544</b>
<b>Total liabilities, equity and net surplus</b>	<b>43,623</b>	<b>43,544</b>

<i>In thousands of Soles</i>	<b>03.31.2017</b>	<b>03.31.2016</b>
<b>Income Statement</b>		
Interests income:		
Cash and due from banks	27	12
Investments available for sale	28	299
Investments held to maturity	459	248
<b>Gross finance margin</b>	<b>514</b>	<b>559</b>
<b>Net finance margin</b>	<b>514</b>	<b>559</b>
Financing services expenditure	( 66)	( 64)
<b>Net finance margin of income and expense for services</b>	<b>448</b>	<b>495</b>

Financing transactions outcome (ROF):		
Gain for Exchange variation	(548)	( 415)
Others		
<b>Transaction margin</b>	( 100)	80
Managing expenditure		
<b>Net transaction margin</b>	( 100)	80
<b>Operating gain</b>	( 100)	80
<b>Year gain before income tax</b>	( 100)	80
<b>Year net gain</b>	( 100)	80

## 9. Other accounts receivable, net

The item is comprised as shown below:

	<b>In thousands of S/.</b>	
	<b>03.31.2017</b>	<b>12.31.2016</b>
Account receivable from banks in liquidation (a)	100,016	100,512
Account receivable from Ex – CONEMINSA portfolio(b)	13,274	13,326
Recoveries of COFIDE to be distributed	78	80
Investments for liquidation	0	0
Derivatives for liquidation	4,305	0
Other accounts receivable	1,318	1,234
	<u>118,991</u>	<u>115,152</u>
<b>Less–provision for other accounts</b>		
Banks in liquidation (a)	(100,016)	(100,512)
Ex – CONEMINSA portfolio (b)	(12,799)	(12,816)
Other accounts receivable	(1,043)	(1,037)
	<u>(113,858)</u>	<u>(114,365)</u>
<b>Total</b>	<b><u>5,133</u></b>	<b><u>787</u></b>

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

The detail of the balances and their provisions as of March 31, 2017 and December 31, 2016 is as follows:

	<b>In thousands of S/.</b>	
	<b>03.31.2017</b>	<b>12.31.2016</b>
<b>Capital</b>		
Banco Nuevo Mundo, in liquidation (i)	53,284	53,533
Banco República, in liquidation (i)	39,935	39,935
Banco Banex, in liquidation – payment in kind	4,501	4,653
Banco República, in liquidation – payment in kind (i)	2,296	2,391
	<u>100,016</u>	<u>100,512</u>

<b>Minus: provision for doubtful of accounts receivable</b>		
Banco Nuevo Mundo, in liquidation (i)	(53,284)	(53,533)
Banco República, in liquidation (i)	(39,935)	(39,935)
Banco Banex, in liquidation – payment in kind	(4,501)	(4,653)
Banco República, in liquidation – payment in kind (i)	(2,296)	(2,391)
	<u>(100,016)</u>	<u>(100,512)</u>
<b>Net</b>	<b>0</b>	<b>0</b>

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

The 100% of the accounts receivable from Banks in liquidation are recorded in provisions. The Funds recognizes in books the recoveries of these accounts receivable each time they are made. As of March 31, 2017 the Fund received in cash from Banco Nuevo Mundo in liquidation thousands of S/249 (thousands of S/ 1,865 in cash received from Banco Nuevo Mundo in liquidation and thousands of S/20 from Banco República in liquidation during 2016).

In the Management's opinion, the provision for doubtful of accounts receivable from Banks in liquidation recorded as of March 31, 2017 and December 31, 2016 covers sufficiently the related collectability risk.

- (b) It corresponds to accounts receivable from the portfolio of mortgage loans granted by Compañía de Negociaciones Mobiliarias e Inmobiliarias S.A.- CONEMINSA, which was received by the Fund in the Framework of the Payment in Kind Agreement dated December 30, 2003 for administration and recovery purposes (before being a financial entity supervised by the SBS).
- (c) As of March 31, 2017 and December 31, 2016, it corresponds to the net effect of adjustment and reversals of monthly reconciliation among the balances of COFIDE, which are regularized in the following months.

#### YEAR'S ACTIVITY

	In thousands of S/.	
	03.31.2017	12.31.2016
	S/.	S/.
<b>Balance at the beginning of the fiscal year</b>	114,365	116,478
<b>Plus (minus)</b>	0	0
Provision for the fiscal year	37	230

Charge-Off	-	-
Recoveries	(318)	(2,231)
Exchange differences	(226)	(112)
<b>Balance at the end of the fiscal year</b>	<b>113,858</b>	<b>114,365</b>

The provision of other accounts receivable, determined according to the criteria indicated in note 3 (c.1.3), is shown below in thousands of Soles:

In Management's opinion, the provision for the other doubtful accounts receivable recorded as of March 31, 2017 and December 31, 2016 are aligned with SBS standards in force as of each such date.

## 10 Property, furniture and equipment, net

The activity of this item as of March 31, 2017 and December 31, 2016 is as follows:

	<b>In thousands of S/</b>			
	<u>Balances as of</u> <b>12.31.2016</b>	<u>Additions</u>	<u>Withdrawals and other</u> <u>adjustments</u>	<u>Balances as of</u> <b>03.31.2017</b>
Cost:				
Land	103			103
Buildings	36			36
Premises	46			46
Furniture and fixtures	667			667
Computer equipment	1,831	2		1,833
Various equipment	936	19		955
Vehicles	759			759
Installation of leased assets	20	82		102
Ongoing works	116		(82)	34
- Improve leased premises	-			-
	-----	-----	-----	-----
	4,514	103	(82)	4,535
	-----	=====	=====	-----
Accumulated depreciation:				



Buildings	12	0		12
Premises	45	0		45
Furniture and fixtures	473	7		480
Computer equipment	1,643	32		1,675
Various equipment	610	17		627
Vehicles	477	18		495
Installation of leased assets	2	1		3
	-----	-----	-----	-----
	3,262	75	-	3,337
	-----	-----	-----	-----
Net cost	<b>1,252</b>			<b>1,198</b>
	=====			=====

Financial entities in Peru cannot grant as guarantee the goods that are part of their property, furniture and equipment.

In Management's opinion there is no evidence of impairment of property, furniture and equipment held by the Fund as of March 31, 2017 and December 31, 2016.

As of March 31, 2017, the Fund holds totally depreciated assets in amount of S/ 2,424 (thousands of S/ 2,348 as of December 31, 2016).

The Fund holds insurance coverage over its principal assets according to the policies established by the Management; in that sense, as of March 31, 2017 and December 31, 2016, the Fund has contracted an all-risk insurance policy that covers the value of property, furniture and equipment owned by the Fund. In the Management's opinion insurance policies of the Funds are consistent with the industry practice.

## 11 Intangibles

The item is comprised as shown below:

	In thousands of S/			
	<u>Balances as of</u>	<u>Additions</u>	<u>Withdrawals and other adjustments</u>	<u>Balances as of</u>
	<b><u>12.31.2016</u></b>			<b><u>03.31.2017</u></b>
Cost:				
Software	4,524			4,524
Licenses	1,166	64		1,230
Developing software	1,323	675	-	1,998
	-----	-----	-----	-----
	7,013	739		7,752
	-----	=====	=====	-----
Accumulated amortization:				
Software	2,338	200		2,538
Licenses	971	24		995
	-----	-----	-----	-----
	3,309	224		3,533
	-----	=====	=====	-----
Net cost	<b>3,704</b>			<b>4,219</b>
	=====			=====

The intangible item is composed of software and licenses for the use of computer equipment which total cost as of March 31, 2017 is S/ 7'752 thousands and its accumulated amortization of approximately S/ 3,533 (cost of S/ 7,013 thousands and amortized amortization of approximately S/ 3,309 thousands as of December 31, 2016). Such intangibles assets are amortized under straight-line method according to the estimated useful lives by the Management, note 3 (k).

## 12. Other Assets

The item is comprised as shown below:

	<u>03.31.2017</u>	<u>12.31.2016</u>
Others (a)	23,817	1,880
<b>Total</b>	<u>23,817</u>	<u>1,880</u>

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

The balance of other deferred loads is mainly recorded due to the implementation of the Shared Data Center service (Centro de Datos Compartidos or "CDC" as per the Spanish acronym) provided by the GMD S.A. Company. As of March 31, there is a pre-paid balance for this service in S/ 1,348 thousands (as of December 31, 2016 in S/ 1,685 thousands).

It should be noted that the "Corporate Management Plan on Information and Communications Technology (ICT) for companies within the scope of FONAFE" was approved by executive Resolution N° 046-2009/DE-FONAFE, resolution that defines the implementation of the Shared Data Center (CDC - ICT), in the framework of this process and to continue providing this service, FONAFE approved, on August 05, 2016, the awarding of the bid of the Small Bid Awards N° 004-2016FONAFE of GMD S.A. Company for service contracting.

This balance also increased in S/ 21,821 thousands mainly due to: (S/ 5,352 thousands) which are settled on April, 2017, and due to the outstanding payment for the international issuance (S/ 16,443 thousands).

## 13. Debts and financial obligations

The item is comprised as shown below:

	<u>In thousands of S/</u>	
	<u>03.31.2017</u>	<u>12.31.2016</u>
- Debts and Obligations with domestic companies and financial institutions (a)	101,236	180,505
- Debt an Obligations with Foreign companies and International financial institutions (b)	172,258	175,967
-Securities (c)	5,847,729	3,963,963
<b>Total</b>	<u><b>6,121,223</b></u>	<u><b>4,320,435</b></u>

- a. As of March 31, 2017, the Fund maintains a balance of S/ 101,236 (principal and interests) thousands pending of payment to the Banco de la Nación for advance account.

		Principal M.N	T.E.A	Interests M.N	Total M.N
<b>Banco de la Nación</b>					
12/31/14	Advance in Account	100,000	4.43%	1,236	101,236
		<b>180,000</b>		<b>1,236</b>	<b>101,236</b>

As of December 31, 2016, the Fund maintained a capital and interest ending of payment to the Banco de la Nación amounting to S/ 351,091 to an annual interest rate of 4.43% to 6.17% as detailed below:

		Principal	T.E.A	Interests	Total in Soles
<b>Banco de la Nación</b>					
12/31/14	Advance in Account	100,000	4.43%	145	100,145
12/11/15	Advance in Account	80,000	6.17%	360	80,360
		<b>180,000</b>		<b>505</b>	<b>180,505</b>

- b. As of March 31, 2017, the Fund holds a balance of EUR 50,000 thousands (principal) equivalent in thousands of S/ 173,061 of the line loan of thousands of EUR 120,000 from the Development Financial Agency.

Also the Fund has made provision by the commission due to the non-use of the line of credit Afraissal Fee Euros in thousands of S/ 595.

	Foreign Currency	Exchange rate	Principal M.N	T.E.A	Interests M.N	Amortized cost adjustment M.N	Total M.N
9/4/15	€ 40,000	3.461212	138,448	1.30%	85	-1,493	137,040
10/4/16	€ 10,000	3.461212	34,612	0.61%	10		34,622
			<b>173,060</b>		<b>95</b>	<b>-1,493</b>	<b>171,662</b>

**French Development Agency (AFD)- Fee due to non-use of line**

Oct16	€ 25	3.461212	87				87
Nov16	€ 30	3.461212	101				101
Dec16	€ 30	3.461212	105				105
Jan17	€ 30	3.461212	105				105
Feb17	€ 27	3.461212	94				94
Mar17	€ 30	3.461212	104				104
			<b>596</b>				<b>596</b>

<b>€ 50,172</b>	<b>173,656</b>	<b>95</b>	<b>-1,493</b>	<b>172,258</b>
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- c. On February 2017, the Fund carried out the third bond issuance in the local market. The issuance corresponded to a nominal amount of S/1,500 billion, maturing in 7 years. Bonds were placed under par at a coupon rate of 7.0%, with a half-yearly payment of interest and amortization at maturity. Proceeds obtained were used exclusively to finance credit operations

On February 2017, the Fund carried out the refund of the first international issuance corresponding to a nominal amount of USD \$ 150,000, bonds under Rule 144 or Regulations S of the U.S. Securities Law in the international market, maturing in 10 years, at a coupon rate of 3.50%, with a half-yearly payment of interest and amortization at maturity. Proceeds obtained were used exclusively to finance credit operations.

On July 2016, el the Fund carried out the second bond issuance in the local market. The issuance corresponded to a nominal amount of S/310,000, thousands maturing in 10 years. Bonds were placed under par at a coupon rate of 6.7188%, with a half-yearly payment of interest and amortization at maturity. Proceeds obtained were used exclusively to finance credit operations.

On April 2016, the Fund carried out the first bond issuance in the local market. The issuance corresponded to a nominal amount of S/ 116,045, thousands maturing in 3 years. Bonds were placed at a coupon rate of 6.65625%, with payment of interest half-annually and amortization at maturity. Proceeds obtained were used exclusively to finance credit operations.

In May 2014, the Fund issued bonds in the Swiss market. The issuance corresponded to a nominal amount of CHF 250,000, thousands maturing in 4 years, bonds were placed under par at a price of 99.826%, and a coupon rate of 1.250% with an annually payment of interest and amortization at maturity. Proceeds obtained were used exclusively to finance credit operations.

In March 2014, the Fund negotiated bonds under Rule 144 and Regulations S of the U.S. Securities Law in the international market. The issuance corresponded to a nominal amount of US\$ 300,000, thousands maturing in 5 years. Bonds were placed under par at Price of 99.763%, and at a coupon rate of 3.375%, with a half-yearly payment of interest and amortization at maturity. Proceeds obtained were used exclusively to finance credit operations.

In January 2013, the Fund issued bonds under Rule 144, and Regulation S of the U.S. Securities Law in the International Market. The issuance corresponded to a nominal amount of US\$ 500,000, thousands maturing in 10 years. Bonds were placed under par at the Price of 99.15%, and at a coupon rate of 3.50%, with a half-yearly payment of interest and

amortization at maturity. Proceeds obtained were used exclusively to finance credit operations.

As of March 31, 2017, interest expenses on outstanding securities issued by the Fund amounts to S/48,545 (S/27,655 thousands as of March, 2016) (note 20).

#### 14. Other accounts payable

The account payable item comprises the following:

<i>In thousands of soles</i>	<b>As of 03.31.17</b>	<b>As of 12.31.16</b>
<b>Other accounts payable:</b>		
FONAVI contributions (a)	161,774	161,774
Good payer bonus (capital) allocated to COFIDE (b)	125,842	127,972
Family housing bonus to be transferred to technical entities (d)	197,820	115,832
Savings of the family group eligible for transferring to technical entities (c)	7,528	12,733
Resources to transfer for executed letters of guarantees	6,526	6,917
Good payer bonus (capital) received from MVCS (f)	75,698	1,982
Workers' Participation	122	4,111
Supplier payables	10,504	2,964
Vacation and fringe benefits liquidations	1,391	910
Others	1,144	732
	<b>588,349</b>	<b>435,927</b>

- (a) As of March 31, 2017 and December 31, 2016 this item compromise the following:

<i>In thousands of soles</i>	<b>As of 03.31.17</b>	<b>As of 12.31.16</b>
FONAVI collections	95,327	95,327
FONAVI contributions pending from being transferred to the MEF	652	652
Refund of FONAVI pending collection	65,795	65,795
	<b>161,774</b>	<b>161,774</b>

FONAVI collection correspond to balances allocated to the Fund as a result of the collection made by the Peruvian Tax Authority (SUNAT) related to contributions made to FONAVI by the tax payers in accordance with Law N° N° 26969.

The activity of this item is as follows:

<i>In thousands of soles</i>	<b>As of 03.31.17</b>	<b>As of 12.31.16</b>
------------------------------	---------------------------	---------------------------

Balance at beginning of the fiscal year	95,327	94,979
Collection of the fiscal year		432
Reclassification of contributions pending to be transferred to the MEF	0	0
Reimbursement of FONAVI contributions	0	(84)
<b>Balance at end of the fiscal year</b>	<b>95,327</b>	<b>95,327</b>

FONAVI contribution pending from being transferred to the MEF corresponds to collection made by SUNAT of FONAVI contributions made by tax payers who have stabilized the tax regime applicable to them as per the Law N° 27071.

Uncollected FONAVI reimburses correspond to checks drawn from 1999 to 2017 which have not be cashed by its beneficiaries. These checks were issued to refund FONAVI contributions according to SUNAT communications, responsible for the collection of these resources.

- (b) It corresponds to the Funds received from the Ministry of housing, Construction and Sanitation that were allocated to credits authorized to IFI's (Crédito MIHOGAR and Nuevo Crédito MIVIVIENDA prior compliance review of other requirements set forth in the respective regulations.
- (c) It corresponds to the balance payable to technical entities on behalf of eligible households who accessed the Techo Propio program. This balance comprises the amount of savings deposited by the households in the Fund's account and savings of Fondo de Vivienda Policial (FOVIPOL).
- (d) It corresponds to the balance payable to technical entities (builders) for the financing of the Household Housing Bonus (BFH as per its Spanish acronym) of households that accessed to the Techo Propio program.
- (e) It corresponds to the funds received from the Ministry of housing, Construction and Sanitation with pending allocation to beneficiaries that request credit products offered by the Fund. The allocations of these resources are made through COFIDE when disbursements to IFI'S are authorized by approved credits.
- (f) It corresponds to funds received from MVCS from DU 002-2014 to assume the BBP for houses at prices higher than 14 ITU -25 ITU (from 01.01.14 to 07.28.14) and 14 ITU- 50 ITU (from 07.29.14 to 01.22.15). The balance of unused resources is being allocated pursuant to the provisions of DS 003-2015.

## 15. Provisions and other liabilities

Provision and other liabilities include the following:

<i>In thousands of soles</i>	<b>As of 03.31.17</b>	<b>As of 12.31.16</b>
Provisions and other liabilities:		
Other Provisions	384	357
Provisions for litigation , claims and other contingencies		
(a)	1,993	1,908

Other Liabilities	351	344
	<b>2,377</b>	<b>2,265</b>

- (a) It corresponds to provisions for disputes and claims of judicial and labor nature. In the opinion of management and the Fund's legal advisors, the provision recorded as of March 31, 2017 and December 31, 2016 is sufficient to cover the risk of loss for disputes and claims of the Fund.

## 16. Net Equity

### (a) Capital social

As of March 31, 2017, the capital comprises 3,257,086,154 common shares, subscribed and paid up (3,257,086,154 common shares as of December 31, 2016). All the shares have voting rights and par value of S/ 1 each.

As of March 31, 2017 and December 31, 2016, the unique shareholder of the Fund is the Fondo Nacional de Financiamiento de la Actividad empresarial del Estado – FONAFE (National Fund for the Financing of the State Entrepreneurial Activities).

On March 29, 2017 the Fund's General Stockholder Meeting approved the capitalization of the profit for the 2016 fiscal year amounting to S/ 45,534; this will increase the capital from S/ 3,257,086 thousands to S/ 3,302,620 thousands as soon as it is registered in the Public Registry.

### (b) Legal reserve

Pursuant to the General Law, the fund has a legal reserve of at least 35% of its capital stock. This reserve is created by an annual transfer of no less than 10% of after-tax profits, and supersedes the reserve referred to the General Companies Act. On the other hand, as provided for the General Law, the amount of the legal reserve may also be increased with contributions made by the fund's stockholder for this purpose.

The General Shareholder Meeting held on March 29, 2017, approved the increase of the legal reserve amounting to S/ 71,276 thousands charged to the obtained earnings for the 2016 fiscal year.

The General Shareholder Meeting held on March 2016, approved the increase of the legal reserve amounting to S/ 66,217 thousands charged to the obtained earnings for the 2015 fiscal year.

### (c) Adjustment to equity

The equity adjustments correspond to unrealized gain (loss) generated by the valuation of available-for-sale investments of the Fund, to the unrealized loss of the reclassified investments held-to-maturity, as well as the forward and the Swaps (Interest Rate effect) cash flows hedge agreements generated by the valuation that are within the range of effectiveness. The net movement is as follows:

<i>In thousands of soles</i>	<b>As of 03.31.17</b>	<b>As of 12.31.16</b>
Initial balance	( 45,605)	21,796
Unrealized gain (loss) on available -for-sale investments	443	10,216
Unrealized gain of operations of covering of the Fund's	(7,834)	(105,783)

(	flow		
	Transfer of loss on available-for-sale for incomes net of		
	the performed gain		(509)
	Deferred income tax	2,223	28,675
	<b>E</b>	<b>(50,773)</b>	<b>(45,605)</b>

Effective equity

As of March 31, 2017, the effective equity of the Fund determined pursuant to applicable standards, amounts to S/3,359,542 thousands (S/ 3,308,198 thousands as of December 31, 2016). This figure is issued to calculate certain limits and legal restrictions in accordance with the applicable Fund's General Law, and has been determined as follows:

	<b>In thousands of</b>	
	<b>03.31.17</b>	<b>12.31.16</b>
Level 1 effective equity :		
Paid- in capital stock	3,257,086	3,257,086
Plus:		
Legal reserve	71,276	66,217
Profit with Capitalization agreement	45,534	0
Less:		
Accumulated loss	2,235	2,414
Unrealized losses on available-for-sale investments	12,120	12,692
	-----	-----
Total Level 1 effective equity	3,359,542	3,308,198
	-----	-----
Total Level 2 effective equity		
	-----	-----
Total effective equity	3,359,542	3,308,198
	=====	=====

As of March 31, 2017, the requirements for effective equity for credit risk determined by the Fund according to legislation applicable to financial institutions amounts to S/ 3,259,542 thousands (S/ 3,308,198 thousands, as of December 31, 2016), while effective equity requirements for market and operational risk amount S/23,927 thousands and S/21,535 thousands, respectively (S/26,587 thousands and S/22,064 thousands, respectively as of December 31, 2016).

According to the General Law, the effective equity must be equal to or greater than 10% of the total risk-weighted assets and contingent credits, which include:

- i. effective equity requirements for market risk multiplied by 10
- ii. effective equity for operational risk multiplied by 10, and
- iii. credit risk-weighted contingent assets.

As of March 31, 2017, the Fund's cash assets represent 94.82% of minimum capital requirements for market, operating and credit risk (104.84% as of December 31, 2016).



As of April 2, 2009, the SBS enacted Resolution N° 2115-2009 approving the Regulations on Additional Effective Equity Requirement for operational risk, which is effective as of 1 July 2009. In this respect we need to indicate that as of the date of this report, the Fund applies the Basic Indicator Approach for the calculation of the effective equity for operational risk.

On July 20, 2011, the SBS enacted Resolution N° 8425-2011 approving the Regulations on Additional Effective Equity Requirement indicating that the net worth shall be equal to the sum of the net worth requirements, calculated per each of the following components;

- i) Economic cycle,
- ii) Concentration risk,
- iii) Market risk concentration,
- iv) Interest rate risk in banking records and
- v) Other risks.

As from the effective date of this standard, financial entities will have a five year term to conform all of their total net worth to the level indicated in such Resolution. This additional requirement has come into force progressively starting in July 2012. As of March 31, 2017 and December 31, 2016, the global effective equity excess is as follows:

	<b>In thousands of S/</b>	
	<b>03.31.2017</b>	<b>12.31.2016</b>
Minimum effective equity requirement:		
For credit, market, and operational risks	354,323	315,559
Additional effective equity	61,041	53,143
	-----	-----
Total minimum requirement	415,364	368,702
	=====	=====
Total calculated effective equity	3,359,542	3,308,198
	=====	=====
Global effective equity excess	3,774,906	3,676,900
	=====	=====

## 17. Interest income

The item is comprised as shown below:

	<b>In thousands of S/</b>	
	<b>As of</b>	<b>As of</b>
	<b>03.31.2017</b>	<b>03.31.2016</b>
Cash and due from banks (a)	19,318	6,027
Available-for-sale investments (b)	0	5,346
Held-to-maturity investments (c)	5,928	2,403
Accounts receivable (d)	92,898	87,779
Other financial income	137	251
<b>TOTAL</b>	<b>118,281</b>	<b>101,806</b>

- a) It corresponds to interest-bearing bank accounts and interest accrued from term deposits.
- b) It corresponds to available-for-sale an investment which is mainly comprised of interests of ordinary Sovereign Bonds, Ordinary Bonds, and Securitization Bonds, among others.

- c) It corresponds to held-to-maturity investments that are comprised of interest accrued from Sovereign Bonds, Ordinary Bonds, Securitization Bonds, among others; to short-term instruments and Short-Term papers.
- d) Interest income from accounts receivable corresponds to interest earned on accounts receivables from financial entities placed through the COFIDE Trusts; likewise, it corresponds to the attributions of results regarding the CRC-PBP Trusts.

## 18. Interest expenses

The item is comprised as shown below:

	<b>In thousands of S/</b>	
	<b>03.31.2017</b>	<b>03.31.2016</b>
<b>Debts and obligations of the Peruvian financial system</b>		
- Debts and obligations of the financial system of Peru (a)	(2,140)	(4,092)
- Debts and obligations with foreign financial systems and international financial organizations (b)	(607)	(607)
- Fees and other charges from debts and financial liabilities (c)	(307)	(385)
- Securities and Obligations outstanding (d)	(48,545)	(27,655)
	(51,599)	(32,739)
<b>Interests of accounts payable</b>		
<b>Other finance expenditures (e)</b>	(16,827)	(15,084)
<b>Total interest expenses</b>	<b>(68,426)</b>	<b>(47,823)</b>

- (a) It corresponds to interest accrued on amounts owed to Banco de la Nación.
- (b) It corresponds to interest accrued and adjustments of the amortized cost of the loan to the French Development Agency (AFD).
- (c) The Fund has made a provision for the unused facility Afraissal Fee euros.
- (d) It corresponds to the accrued interest due to the bonds issuance from the international bond issue, with the first issuance in 2013, the second and third issuance in 2014 and the refunding of the first issuance carried out on February, 2017. All this aside from the local issuances, with the first and second local issuance carried out in 2016 and the third local issuance carried out in February, 2017, which also generated interest expenses.
- (e) This item represents the expenses for the Good Payer Award (Premio del Buen Pagador) granted through the COFIDE Trust.

## 19. Financial Services Income

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

	<b>03.31.2017</b>	<b>03.31.2016</b>
	<b>S/ (000)</b>	<b>S/ (000)</b>
Income from trusts and fees	146	148
Various incomes	1,205	1,486
<b>Final Balance</b>	<b>1,351</b>	<b>1,634</b>

## 20. Financial Services Expenses

The composition of this item is shown below:

	<u>In thousands of S/.</u>	
	<b>03.31.2017</b>	<b>03.31.2016</b>
Expenses from trusts and fees	(36)	
Sundry expenses	(46)	(76)
<b>Total</b>	<b>(82)</b>	<b>(76)</b>

It corresponds to the expenses for maintenance, charges transfer fees securities custody fee, service for issuing cashier's check and other expenses for services rendered by Banks.

## 21. Results from financial Transactions (ROF)

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

	<b>03.31.2017</b>	<b>03.31.2016</b>
	<b>S/ (000)</b>	<b>S/ (000)</b>
Available-for-sale investment (Available-for-sale)	0	(3,132)
Trading derivatives (a)	1,574	3,225
Income on hedging transactions (b)	(25,262)	(21,694)
Exchange rate profit-loss (c)	430	(12,797)
Others	122	(786)
<b>Final balance</b>	<b>(23,136)</b>	<b>(35,184)</b>

- (a) It corresponds to net loss generated from the: negotiating forward (CHF -USD and USD-PEN), which as of 03.31.2017 represents an accumulated gain of S/ 1,574 mainly due to:

<b>Type of contract</b>	<b>Amount S/</b>
025 FWD Agreements Purchase	296
004 FWD Agreements Selling	1,278
	<b>1,574</b>

- (b) It corresponds to the net loss generated by the following agreements:

- Forward sale of fair value coverage (USD) as of 03.31.2017 has an accumulated gain of S/ 3,182 thousands of soles due mainly to:

Type of contract	Amount S/
059 FWD Agreements Selling	3,182
	<b>3,182</b>

- Swap Principal Only Currency of cash flows hedge (USD, CHF and EUR) that as of 03.31.2016 has a cumulative profit of S/ 23,260 thousands soles mainly due to:

Type of contract	Amount S/
055 Swap Principal only Agreements - Purchase	(23,260)
	<b>(23,260)</b>

- Swap Principal Cross Currency of cash flows hedge (USD and EUR) that as of 03.31.2017 has an cumulative loss of S/ 5,185 thousands Soles mainly due to:

Type of contract	Amount S/
08 Swap Cross Currency Agreement Purchase	(6,125)
08 Swap Cross Currency Agreement Selling	941
	<b>(5,184)</b>

- (c) This refers principally to the Exchange rate leveling in the balances of the assets, liability, and equity accounts in U.S dollars, Swiss Francs and Euros, with no hedged derivative financial instrument, which resulted in a cumulative loss of S/ 12,806 thousands.

## 22. Administrative expenses

This item is comprised as shown below:

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

	In thousands of S/	
	<b>03.31.2017</b>	<b>03.31.2016</b>
Personnel and Board of directors expenses (b )	(5,158)	(4,814)
Services received from third parties (c)	(3,939)	(5,069)

Taxes and contributions	(109)	(69)
	-----	-----
	(9,206)	(9,952)
	=====	=====

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

	<b>In thousands of S/.</b>	
	<b>03.31.2017</b>	<b>03.31.2016</b>
Remuneration	(2,549)	(2,628)
Bonus	(285)	(185)
Employee profit sharing	(122)	-
Severance indemnities	(204)	-
Gratuities	(462)	(485)
Severance payment	(270)	(283)
Professional Practices Grant	(160)	(194)
Security and indemnities	(448)	(453)
Vacation	(243)	(244)
Training	(20)	(23)
EPS undertaken by the company	-	-
Allowances to the Board	-	-
Food allowances	(162)	(166)
Personal clothing	-	-
Christmas bonus	-	-
Others	(233)	(153)
	-----	-----
	<b>(5,158)</b>	<b>(4,814)</b>
	=====	=====

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

	<b>In thousands of S/.</b>	
	<b>03.31.17</b>	<b>03.31.16</b>
Advertising	364	2,062
Advisory services	815	392
Rental of goods and properties	635	590
Repair and maintenance	341	353
TIC project expenses-FONAFE	337	284
Communications	239	311

Travel expenses	101	104
Mobility	98	107
Guarding and Protection	44	41
Insurance	84	64
Courier services	74	50
Office supplies	24	12
Public services	58	56
Cleaning services	7	6
Telemarketing services	71	171
Other expenses	646	466
	-----	-----
	3,939	5,069
	=====	=====

### 23. Valuation of Assets and Provisions

The composition of this item is shown in detail below:

	<b>In thousands of S/.</b>	
	<b>03.31.2017</b>	<b>03.31.2016</b>
<b>Provisions for uncollected accounts receivable</b>		
Provision COFIDE Trust	(4,514)	(12,423)
Provision EXCONEMINSA Portfolio	(2)	(68)
Provision of Ex CMAC Paita -Fid COFIDE	-	-
Provision for Invoices Receivable	(35)	(37)
Provision for Invoices Receivable – Others	-	-
Provision Reversion – COFIDE	6,730	11,132
Provision Reversion- EXConeminsa	19	127
Provision Reversion - Banco Banex	2	0
Provision Reversion - Banco Republica	48	-
Provision Reversion - IFIS in Liquidation	249	249
Provision Reversion of Ex CMAC Paita -Fid COFIDE	0	0
	<b>2,497</b>	<b>(1,020)</b>
<b>Provision for Non-current assets held for sale</b>	-	-
<b>Provision for Suits and Complaints</b>	(85)	-
<b>Other Provisions</b>	-	(11)

### 24. Other income, net

The composition of this item is shown in detail below:

	<b>In thousands of S/.</b>	
	<b>03.31.2017</b>	<b>03.31.2016</b>
<b>Other income</b>		
Income for sundry Accounts Receivable	73	95
Deferred income accrued	10	10
Notarial Expenditures- Enforcement of Letter of Guarantee	7	11
Penalties	0	0
License for use of brand	19	27
Other incomes	76	235

	<b>185</b>	<b>378</b>	
<b>Other expenses</b>			
Fines	(6)	(13)	<b>25.</b>
Other minor expenses	(11)	(6)	
	(17)	(19)	
<b>Total other income, net</b>	<b>168</b>	<b>359</b>	<b>Pr ofi t</b>
<b>per share</b>			

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

<u>Detail</u>	<u>Average</u>	<u>Amount</u>
Weighted average number of Basic Shares	3,243,280	
Weighted average number of Basic Diluted Shares	3,243,280	
Profit for the year		14.165
Profit for Basic Share		0.004367
Profit per Diluted Share		0.004367

## 26. Tax Situation

(a) The Fund is subject to the Peruvian tax regime. As of March 31, 2017, the income tax rate was 29.5% and as of December 31, 2016, it was 28.0% on the taxable profit after calculating the employees' profit sharing which, according to the current regulations, in the case of the Company, it is calculated by applying a 5% rate on the taxable net income.

In view of the Legislative Decree N°1261, published on December 10, 2016 and in effect since January 01, 2017, the applicable income tax rate on the taxable profit, after deducting the employees' profit sharing, will be 29.5% starting from year 2017 onwards. The effect of the tax rate for the assets and liabilities was 7.27% in relation to the Income Tax Provision 2016.

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

- 6.8% for the income generated from January 01, 2015 to December 31, 2016.
- For the income generated starting January 01, 2017, which distribution is done from such date, the applicable rate will be 5%.

(b) Since year 2011, with the amendment made by Law N°29645 to the Income Tax Law, the interests and other gains that come from foreign credits granted to the National Public Sector are also included as one of the assumptions exempted from Income Tax. Furthermore, it is considered as Peruvian source income those obtained by the direct disposal of shares or participations representative of the capital of legal persons domiciled in the country. For this purpose, it should be considered that an indirect disposal is produced when shares or participations representative of the capital of a legal person non-domiciled in the

country, who at the same time owns – directly or through a legal person/persons – shares or participations representative of the capital of one or more legal persons domiciled in the country, as long as it is pursuant to certain conditions established by law. It also defines the assumptions in which the issuer is the joint and several guarantor.

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

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

Furthermore, the disposal of real estate investments carried out by FMV are also exempted of income tax from January 01, 2017 to December 30, 2019 <sup>(2)</sup>:

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

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

- (c) For determining the Income Tax, transfer prices of transactions with related enterprises and with enterprises domiciled in countries or areas with low or no tax shall be supported with documentation and information about

<sup>1</sup> **Law 30404**, published on 12.30.2015 in *El Peruano Official Gazette*, which extends until 12.31.2018 the VAT exemption in the subparagraph II and the article 19 of LIR.

<sup>2</sup> **Legislative Decree 1262**, which modifies Law 30341, published on 12.10.2016 in *El Peruano Official Gazette*, law that promotes the liquidity and integration of the securities market.



the valuation methods used and criteria considered for its determination. Based on the analysis of the Fund's operations, the Management and its legal advisors suggest that, as a consequence of the application of these regulations, there won't be important contingencies for the Bank as of March 31, 2017 and 2016.

- (d) The Taxing Authority has the power to review and, if applicable, to correct the income tax calculated by the Fund during the four years after the year the corresponding tax return is issued. The in/come tax affidavit and the value added tax belonging to years 2011 to 2016 are subject to control by the Taxing Authority. Due to the possible interpretation by the Taxing Authority of the current legal regulations, it is not possible to determine, to this day, if the reviews carried out will result in liabilities for the Fund; for this reason, any higher tax or recharge that can result from possible tax reviews would be applied to the results of the year it is finally determined.
- (e) The Fund has made a provision for current income tax as of March 31, 2017 only for the amount in thousands of S/ 22,551, this effect is mainly due to the tax treatment of the difference in exchange for assets and liabilities in foreign currency by comparing the accounting rates on weighted average exchange of purchase and sales, which generated a deduction of S/ 44,150 thousands (income tax provision as of December 31, 2016 of thousands of S/ 21,868).
- (f) The provision of income tax as of March 31, 2017 and December 31, 2016, discounting i) payments to account effectively paid before the end of the financial year , (ii) tax credit to income from previous exercises, iii) payments by ITAN , (iv) the following are other taxes presented in the Current Tax:

CURRENT TAX	As of 03.31.2017
	<u>S/ (000)</u>
Provision for income tax	22,551
Payments on account January to February	(16,167)
Income Tax Credit Previous Fiscal Year	(3,864)
ITAN 2017	<u>(32,231)</u>
Income Tax Credit	<u>(29,711)</u>
Other taxes	67

TOTAL TAXES AND/OR CURRENT CREDIT	(29,644)
CURRENT TAX	As of 12.31.2016
	S/ (000)
Provision for Income Tax 2016	21,868
Payments on account January to February 2016	(6,271)
Income Tax Credit Previous Fiscal Year	(3,864)
ITAN 2016	(32,232)
Income Tax Credit to December 2015	(20,499)
Other Taxes	78
TOTAL TAXES AND/OR CURRENT CREDIT	(20,421)

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

	In thousands of S/	
	03.31.2017	03.31.2016
Income Tax:		
Current	(683)	(2,270)
Deferred	(6,214)	(7,403)
TOTAL	( 6,897)	(9,673)

## 27. Deferred Income Tax

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

DEFERRED INCOME TAX	In thousands of S/			Balance as of 12.31.2016
	Balance as of 03.31.2017	Additions Results	(Deductions) Equity	
Deferred asset				
Generic provision for doubtful accounts receivable	12,731	32	-	12,699
Unrealized loss of debt instruments, reclassified from "Available-for-sale Investments" to "Investments held to maturity"	319		( 89)	408
Unrealized losses (Gains) due to derivatives valuation with coverage purposes	17,233		2,311	14,922

Others	1,998	(2)	(28)	2,028
<b>Total Deferred Asset</b>	<b>32,281</b>	<b>30</b>	<b>2,194</b>	<b>30,057</b>
Deferred Liabilities				
Adjustment of assets and liabilities	(13,024)	(6,268)	-	(6,756)
Others	-	25	-	(25)
<b>Total Deferred Liabilities</b>	<b>(13,024)</b>	<b>(6,243)</b>	<b>-</b>	<b>(6,781)</b>
	19,257	(6,213)	2,194	23,276

(c) Presented below is the reconciliation of the effective income tax rate with the tax rate:

	March 2017		2016	
	S/(000)	%	S/(000)	%
<b>Gain before income tax</b>	21,062	100.00	67,033	100.00
Theoretical expenditure	6,213	29.50	18,769	28.00
<b>More (less)</b>				
Net effect of permanent items	684	3.25	(2,330)	(3.48)
<b>Income tax</b>	<b>6,897</b>	<b>32.75</b>	<b>16,439</b>	<b>24.52</b>

## 28. Financial Instruments

Financial instruments are classified as assets, liabilities or equity according to the substance of the contractual agreement that originated them. Interests, dividends, gains and losses generated by financial instruments classified as assets or liabilities are recorded as income or expense. Financial instruments are offset when the Fund has a legal right to offset them and Management has the intention to settle them on a net basis or to realize the asset and settle the liability simultaneously. Refer to note (10 (c)) related to criteria for accounting records of accounts receivable from the CRC-PBP Trusts.

The financial assets and liabilities presented in the statement of financial position comprise cash and due from Banks, other receivables, investments, obligations with the public, other payables and other liabilities in general. Additionally, all derivatives are considered financial instruments.

## 29. Financial Risk Management

The MIVIVIENDA S.A. Fund manages its risks through policies and methodologies approved by the Board of Directors in order to manage mainly

the credit, market, liquidity and operational risks. Based on said methodologies, the main indicators that make possible the mitigation of risks to which the entity is exposed have been established.

Limits have been set forth in the methodologies established for the integral risk management, as well as tolerances and deviations, which allow the monitoring and mitigation of the entity's risks. The Fund has different hedging policies and mitigation of risk, which are located in the manuals developed by the Risk Management.

In order to avoid excessive concentrations of risk, a structure of internal limits has been established in the Manual of Policies and Procedures of Market Risk Management as well as in the Manual of Investment Policies of the Fund. The limits are established by financial institution, economic sectors, issuer, instrument, currency, risk classification, etc.

Also, the concentration in the institutions of the local financial system is monitored, at least once a year, through assignment and updating of investment lines by entity. Furthermore, in order to monitor the concentrations of issuers or financial instruments, before carrying out any operation, Risk Management evaluates the proposal made by the Finance Department, and communicating a positive or negative opinion to the General Manager, who will approve or deny the implementation of the investment. The results of the evaluation are told to the Risk Committee to their knowledge.

#### Market Risk

The Fund is exposed to the following market risk factors: interest rate risk of the trading portfolio, structural interest rate risk and Exchange risk.

The interest rate risk of the trading portfolio is controlled through internal limits of *stop loss* and through unrealized losses alerts. In accordance with Manual of Investment Policies and Procedures, when the losses for the devaluation of a debt instrument plus the accrued interests earned since the instrument acquisition is over or equal to 5% of the acquisition value. The financial instrument shall be liquidated in the highest value.

The structural balance interest rate risk is monitored by tracking the risk Earnings and risk Equity Value situations reported to the SBS; these are indicators of structural rate risk at short-term and long-term respectively. Risk Earnings being below the 5% regulatory limit of the effective equity of the Fund is monitored. Also, in relation to the risk Equity Value, the Fund has a 20% internal limit for the regulatory calculation and a 19.8% internal limit for the internal calculation.

The exchange risk is controlled by a hedging internal limit which is in between the range of 80% to 120% regarding the Fund's accounting rates position in foreign currency. Furthermore, the Fund has an internal limit to the risk value of the global position equal to 1% of its effective equity.

The structural interest rate risk management is managed by monitoring and reporting of the regulatory indicators: risk Earnings and risk Equity Value. These indicators are a result of the regulatory annexes: Annex N° 7-A "Measurement of the Interest Rate Risk – Risk Earnings" and Annex N° 7-B "Measurement of the Interest Rate Risk – Equity Value".

The preparation of the Annex N° 7-A and Annex N° 7-B is done according to internal assumptions and to the SBS's methodological notes.

Since 2014, the assumptions and methodology used for the preparation of the Annex N° 7 has not changed.

The indicator's results are reported to the Risk Committee and the Assets and Liabilities Management Committee, who decide the actions to be taken in order to mitigate the exposure of rate risk.

As of March 31, 2017 and December 31, 2016, exposition of the Fund to the interest rate risk considering repricing dates of the instruments is as follows:

	March 31, 2017						Total S/(000)
	Up to 1 month	Up to 1 to 3 months	Up to 3 to 12 months	Up to 1 to 5 years	More than 5 years	Not accrued interest	
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	
<b>Assets</b>							
Cash and due from banks	2,046,816	75,985	942,236	-	-	-	3,065,037
Investments held to maturity	-	14,095	80,853	255,391	172,830	-	523,168
Account receivable ( Trust Agreement – COFIDE)	36,845	66,546	326,325	1,833,969	3,907,283	-	6,170,969
Accounts receivable for derivatives	-	-	-	-	-	216,813	216,813
<b>Total assets</b>	<b>2,083,662</b>	<b>156,626</b>	<b>1,349,414</b>	<b>2,089,359</b>	<b>4,080,113</b>	<b>216,813</b>	<b>9,975,988</b>
<b>Liabilities</b>							
Debts and financial obligations	-	51,236	50,691	137,254	34,313	-	273,494
Securities and Obligations outstanding	19,986	8,069	29,710	1,888,470	3,901,494	-	5,847,729
Accounts payable for derivatives	-	-	-	-	-	102,984	102,984
<b>Total liabilities</b>	<b>19,986</b>	<b>59,304</b>	<b>80,401</b>	<b>2,025,724</b>	<b>3,935,808</b>	<b>102,984</b>	<b>6,224,207</b>
off-balance accounts:							
Derivative instruments	-	-	-	-	-	3,353,995	3,353,995
Derivative instruments	-	-	-	-	-	551,108	551,108
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,802,887</b>	<b>2,802,887</b>
Marginal Gap	2,063,676	97,322	1,269,013	63,636	144,305	2,916,715	6,554,667
Accumulated Gap	2,063,676	2,160,998	3,430,011	3,493,647	3,637,952	6,554,667	

	2016						
	Up to 1 month	Up to 1 to 3 months	Up to 3 to 12 months	Up to 1 to 5 years	More than 5 years	Not accrued interest	Total
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
<b>Assets</b>							
Cash and due from banks	813,328	244,681	20,089	-	-	-	1,078,098
Investments held to maturity	34,167	4,187	28,076	317,139	189,461	-	573,029
Account receivable, net (Trust Agreement – COFIDE)	31,982	69,719	319,198	1,812,745	3,869,754	-	6,103,398
Accounts receivable for derivatives	-	-	-	-	-	261,393	261,393
<b>Total assets</b>	<b>879,477</b>	<b>318,587</b>	<b>367,363</b>	<b>2,129,884</b>	<b>4,059,215</b>	<b>261,393</b>	<b>8,015,919</b>
<b>Liabilities</b>							
Debts and financial obligations	-	968	119,808	184,828	50,867	-	356,472
Securities and Obligations outstanding	32,882	-	77,128	2,018,222	1,835,731	-	3,963,963
Accounts payable for derivatives	-	-	-	-	-	64,702	64,702
<b>Total liabilities</b>	<b>32,882</b>	<b>968</b>	<b>196,936</b>	<b>2,203,050</b>	<b>1,886,598</b>	<b>64,702</b>	<b>4,385,136</b>
off-balance accounts:							
Derivative instruments	-	-	-	-	-	2,947,008	2,947,008
Derivative instruments	-	-	-	-	-	276,539	276,539
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,670,469</b>	<b>2,670,469</b>
Marginal Gap	846,595	317,619	170,427	(73,166)	2,172,617	2,867,160	6,301,251
Accumulated Gap	846,595	1,164,214	1,334,640	1,261,474	3,434,091	6,301,251	

The effects of the changing estimated on the interest rate as of March 31, 2017 and December 31, 2016, are the following:

March 31, 2017					
Currency	Changes in basic points		Sensitivity		
			in the net results	in the net equity	
			S/(000)	S/(000)	
US Dollar	+/-25	+ / -	156	+ / -	(17)
US Dollar	+/-50	+ / -	312	+ / -	(33)
US Dollar	75	+	468	+	(50)
US Dollar	100	+	625	+	(67)
Soles	+/- 50	- / +	16,180	- / +	312
Soles	+/-75	- / +	24,270	- / +	468
Soles	+/-100	- / +	32,360	- / +	625
Soles	+/-150	- / +	48,540	- / +	937

  

2016					
Currency	Changes in basic points		Sensitivity		
			in the net results	in the net equity	
			S/(000)	S/(000)	
US Dollar	+/-25	+ / -	122	+ / -	26
US Dollar	+/-50	+ / -	244	+ / -	52
US Dollar	75	+	366	+	78
US Dollar	100	+	488	+	104
Soles	+/- 50	- / +	5,870	- / +	244
Soles	+/-75	- / +	8,804	- / +	366
Soles	+/-100	- / +	11,739	- / +	488
Soles	+/-150	- / +	17,609	- / +	732

Furthermore, it is important to indicate that the interest rate risk of investments in government bonds in the BCRP deposit certificates and in corporate bonds is managed using the risk value model.

The Fund monitors the Exchange risk through the hedging internal limit over the accounting rates position in foreign currency. In regards to the maximum losses due to adverse movements in the exchange rate, these are calculated according to the regulatory model of risk value and its methodological notes. Also, the Fund makes use of the historical simulation model to measure these maximum estimated losses (the methodology of the internal model is detailed in the Manual of Policies and Procedures of Market Risk Management). The results of these models are reported in the Annex N° 9 "Positions Subject to Exchange Risk".



Regarding the exchange risk the table below shows the results of the risk value models internal and regulatory (with a level of reliability of 99% and a liquidation term of 10 days) described in Annex N° 9 "Affected positions to the exchange risk":

	Mar 2017		Dec 2016	
	In thousands of S/.	%	In thousands of S/.	%
Models				
Regulatory	668	0.02%	1,712	0.05%
Internal	725	0.02%	2,372	0.07%
Global Position	18,597	0.56%	56,602	1.70%
	Over purchase		Over purchase	

Article 6 of the Regulations for the Administration of Foreign Exchange Risk, approved by SBS Resolution No. 1455-2003, and its amendments, requires that the global position of financial institutions oversold shall not exceed 10% of its net equity. The regulation also states that the global position of financial institutions overbought shall not exceed 50% of its net equity.

By Resolution No. 05-04CR-2014 from the Risk Committee Meeting from April 23, 2014, it was approved the Risk Management's proposal to establish a preventive clearance margin at global oversell that not exceed the 8% relating to the effective equity and for the global oversell position the 30% relating to the effective equity in order to avoid infringing the regulatory limits.

Currently, the derivatives recorded as Financial Economic Coverage are accounted for as trading.

#### Liquidity risk

Liquidity risk is managed by analyzing contractual maturities. The main component of the Fund's assets are accounts receivable; there loans disbursed to financial institutions are recorded. Maturities are based on monthly maturities of loans made. Other components of the assets are investments, which are distributed according contractual term. Distributional assumptions were approved by Resolution No. 03-01CR-2014 of Meeting No. 01-2014 of the Risk Committee dated January 24, 2014

<i>In thousands of S/</i>	March 2017				
	Up to 1 month	More than 1 Up to 3 months	More than 3 Up to 12 months	More than 1 year	total
Exposition to the liquidation risk					
Financial statement situation Risk					
Liabilities:					
Public obligations	-	423	0	0	423
Debts and financial obligations	-	50,618	50,618	6,019,987	6,121,223
Accounts payable for hedging derivatives	0	0	0	102,690	102,690
Others Accounts payable	209,358	142	1,124	377,725	588,349
Other liabilities	-	0	0	351	351
<b>Total</b>	<b>209,358</b>	<b>51,183</b>	<b>51,742</b>	<b>6,500,753</b>	<b>6,813,036</b>

<i>In thousands of S/</i>	December 2016				
	Up to 1 month	More than 1 Up to 3 months	More than 3 Up to 12 months	More than 1 year	total
Exposition to the liquidation risk					
Financial statement situation Risk					
Liabilities:					
Public obligations	-	-	172	-	172
Debts and financial obligations	-	-	120,336	4,200,098	4,320,434
Accounts payable for hedging derivatives	-	-	-	64,702	64,702
Others Accounts payable	119,295	144	4,757	311,731	435,927
Other liabilities	-	-	-	344	344
<b>Total</b>	<b>119,295</b>	<b>144</b>	<b>125,265</b>	<b>4,576,875</b>	<b>4,821,579</b>

The liquidity risk management is focused on the development of a portfolio of assets and liabilities, looking for the funding sources diversification in order to achieve the fit between assets and liabilities terms.

These control internal indicators are the ratio of internal liquidity and the analysis of duration of resources. Said control internal indicators are prepared according to internal and regulatory methodologies (included in the Policies and Liquidity Risk Management Manual and in the methodology notes of SBS to elaborate regulatory annexes of liquidity, respectively). Facing any event that might cause liquidity risk, the Fund holds a contingency plan for liquidity in which the settlement certain assets, debt and debit issuance is considered

#### Credit Risk

Credit risk is managed mainly through the credit admission, monitoring, control and recovery.

Risk analysis is based mainly in: i) economic, financial and commercial evaluation, ii) market development evaluation, iii) enterprise management evaluation, iv) evaluation of funding sources and real estate projects to be developed, v) guarantee and collateral evaluation, vi) economic sector evaluation.

The main functions of risk management are: i) IFI credit risk analysis, ii) credit risk analysis of the final borrower, iii) IFI classification and provisioning, iv) final borrower classification and provision, v) IFI loan portfolio review, through the evaluation of credit policies, operational procedures and, in general, all the financial and operational aspects of the institution, and vi) monthly control and monitoring of IFI, through financial indicators internally determined.

Funded credits by the Fund are presented in local currency. It is worth pointing out that the Fund holds loan balances in dollars, corresponding to the first products received by the Fund (3.5% of the total portfolio as of March 17).

As of March 31, 2017, the maximum level of exposure to credit risk of the Fund was of S/ 6,225,563, corresponding to the balance of the accounts to be collected (Financial trust agreement with COFIDE). According to the Resource Channeling Agreement entered by the Fund and the Intermediary Financial Institution (IFI), IFI holds the responsibility of creating mortgage guarantee on all sub-loans. Due to its fiduciary role, COFIDE uses mechanisms through resource channeling agreements entered with IFIs in order to ensure the mortgage credit group received from the Fund, for which the IFIs are obliged to respond.

The evaluation and proposal for a credit line is carried out by the Commercial Management. The risk management reviews the evaluation, analyzes the risks and gives an opinion. The proposal refers to the Risk Committee for their approval or denial.

As of March 31, 2017 and December, 2016, the Fund's exposure to the credit risk on the basis of the risk classification of the credit's final beneficiary by IFIs is as follows:

### Final Beneficiary risk

<i>In thousands of soles</i>	<b>03.31.2017</b>		<b>12.31.2016</b>	
	<b>Portfolio balance</b>	<b>%</b>	<b>Portfolio balance</b>	<b>%</b>
Not matured or deteriorated portfolio				
Normal	5,678,539	91.25	5,640,866	91.59
With potential problems	108,338	1.74	90,327	1.47
		92.95		93.06
Deteriorated portfolio:				
Deficient	82,950	1.33	102,942	1.67
Doubtful	162,254	2.61	146,228	2.37
Less	193,484	3.11	178,375	2.90
			427,545	6.94
Gross portfolio	6,225,563	100.00	6,158,738	100.00

## Risk for IFI

<i>In thousands of soles</i>	<b>03.31.2017</b>		<b>12.31.2016</b>	
	<b>Portfolio balance</b>	<b>%</b>	<b>Portfolio balance</b>	<b>%</b>
Not matured or deteriorated portfolio				
Normal	5,943,327	95.46	5,865,941	95.25
With potential problems	115,003	1.85	118,346	1.92
				97.17
Former portfolio (Caja Metropolitana)	41,499	0.67	44,057	0.71
Former portfolio (CRAC Señor de Luren)	125,734	2.02	130,394	2.12
Gross portfolio	6,225,563	100.00	6,158,738	100.00

It is important to point out that, due to the use of Clause 13 of the Resource Channeling Agreement entered by the Fund and Caja Rural de Ahorro y Crédito (CRAC, Saving and Credit Land Bank) Señor de Luren in September 2014 and the Resolution SBS N° 3471-2015 published in 06.18.2015 in which the Superintendency of Banking, Insurance and Pension Fund Associations (SBS) declared the compliance of the intervention regime for CRAC Señor de Luren, the risk of Mivivienda portfolio of CRAC Señor de Luren for settlement is considered as final beneficiary risk.

Additionally, in accordance with the use of Clause 13 of the Resource Channeling Agreement entered by the Fund and Caja Metropolitana, from October 2015, risk of Caja Metropolitana portfolio is considered as final beneficiary risk.

In both cases, it is specified that the management of Mivivienda credit portfolio, which includes collection management and delivery of information regarding SBS lending operations risk classification of the lending borrower to SBS, is performed by IFI, if there is no portfolio transfer.

### **30. Fair value**

The fair value is the amount for which an asset can be exchanged between a buyer and a seller properly informed, or the amount for which an obligation can be settled between a debtor and a creditor with enough information, pursuant to the terms of an arm's length transaction.

Fair value is a measure based in the market, thus a financial instrument traded in a real transaction in a liquid and active market has a price that supports its fair value. When the price for a financial instrument is not observable, the fair value shall be measured with another valuation technique to ensure maximizing the use of the relevant observable variables and minimizing the use of non-observable variables.

In order to calculate the fair value of an instrument that does not have a quote in liquid market, the market value of an instrument that does actively have a quote in the market and that has similar characteristics can be used, or it can be obtained through an analytical technique, for example, the analysis of discounted cash flows or valuation multiples.

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

- a. Financial instruments carried at fair value – Fair value is based on market prices or any financial valuation method. For the positions valued at market price, the investments that are traded in centralized mechanisms are primarily considered. For the positions valued by a financial valuation method, the derived financial instruments and others are included; its fair value is mainly determined by using the market rate curves and the price vector provided by SBS.
- b. Instruments which fair value is similar to the carrying value – For the financial assets and liabilities that are liquid or that have short-term maturity (less than three months), it is considered that the carrying value is similar to its fair value. This assumption is also applicable for term deposits, saving accounts without a specific maturity and financial instruments at variable rate.
- c. Financial instruments at fixed rate – The fair value of the financial assets and liabilities at fixed rate and amortized cost is determined by comparing the market interest rates at the time of its initial recognition with the current market rates related to similar financial instruments. In regards to the emitted quoted debt, the fair value is determined based on the quoted market prices. The fair value of the credit portfolio and of the obligations with the public, pursuant to the Resolution SBS N° 1575-2014, corresponds to its carrying value.

### **31. Contingencies**

As of March 31, 2017, the Fund holds the following contentious processes:

- a) Lawsuits on labor issues related to profit sharing payment and reimbursement of fringe benefits. As of March 31, 2017, the Fund recorded a provision for S/ 1,993 thousands for this concept (S/ 1,908 thousands as of December 31, 2016).
- b) Various constitutional procedures (protective action) related to the reestablishment of labor rights to former employees of the Funds and to the cancellation of records to technical entities for committed infringements.
- c) Administrative procedure with Consortium DHMONT & CG & M S.A.C for challenging an administrative resolution. The claimant is seeking the annulment of the letter by virtue of which the Fund refused to return the stand-by letter of credit granted to the Fund as guarantee, which was posted as a condition to appeal the award under the public bid (Collique) called by the Fund. The amount in dispute is S/ 4,870 thousands. The

judge ordered the return of US\$ 250 thousands, which as of 05.31.2015 has been recorded in favor of the plaintiff.

- d) Arbitration proceeding with Veritas Edificaciones S.A.C. and CG&M Proyectos y Construcciones S.A.C. The claim involves an amount of US\$ 7,327 thousands. On 07.14.2015 it was notified arbitration award having no civil and economic stability of the Fund.

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

### 32. Contingent and memoranda accounts

The item up to date of the general balance is comprised as shown below:

	<b>In thousands of S/.</b>	
	<b>03.31.217</b>	<b>12.31.2016</b>
<b>Contingents</b>		
Forwards (a)	459,813	181,845
Swaps (b)	2,648,465	2,724,466
Cross currency (c)	796,825	317,237
Other contingents	228,841	263,377
<b>Total contingents</b>	<b>4,133,944</b>	<b>3,486,925</b>
<b>Memoranda accounts</b>		
Suspended interest of Ex-Coneminsa portfolio and other accounts receivable (c)	6,633	6,638
CRC-PBP Trusts in MN and ME (d)	83,125	82,352
Written-off uncollectible accounts (e)	28,039	36,197
Fid. Cofide – granted lines, not used	2,555,991	2,584,896
Securities and bonds outstanding	5,911	6,077
Employer's contribution debt (f)	18,222	18,222
Other debt accounts	277	271
<b>Total debit memoranda accounts</b>	<b>2,698,198</b>	<b>2,734,653</b>
Effective agreements signed with suppliers	1,900	8,607
Funds received from the Ministry of Housing – Family Housing Bond	191,924	110,570
Stand-by letters of credit and surety bonds received as guarantees (g)	896,030	416,128
Mortgage guarantees received (h)	2,801	2,895
Advance in account in favor of FMV	300,000	220,000
AFD Exterior– granted credit line, not used	242,285	247,362
Other debt accounts	164	167
<b>Total credit memoranda accounts</b>	<b>1,635,104</b>	<b>1,005,729</b>
<b>Trusts and autonomous equity in administration</b>		
Autonomous equity, Fondo Ley 27677 (i)	0	0
CRC-PBP Trust (j)	167,616	176,453
Las Garzas Trusts (k)	21,064	22,143
<b>Total Trusts</b>	<b>188,680</b>	<b>198,596</b>

<b>Total memoranda accounts</b>	<b>8,655,926</b>	<b>7,425,903</b>
(a) Corresponds to the Fund's commitment on forward buying of Swiss Francs and U.S dollars to hedge its debts in such currencies in thousands of CHF 7,000 and USD 134,586 as of March 31, 2017.		
(b) Corresponds to the Fund's commitment for operations:		
- Swap principal only buying operations for U.S Dollars and Swiss Francs assumed to hedge its debts in such currencies for: USD 580,000 thousands and CHF 220,000 thousands and EUR 15,000 thousands as of March 31, 2017.		
- Cross currency swaps selling of US Dollars assumed to hedge its debts in such currency for USD 35,090 as of March 31, 2017.		
- Cross currency swaps buying euros assumed to hedge the accounts payable in such currency for CHF 23,000, EUR 35,000 and USD 150,000 as of March 31, 2017.		
(c) As of March 31, 2017 and December 31, 2016, this corresponds to the letters of guarantee received to secure the performance of the Technical Entities under the contracts entered into by the Techo Propio program for the Family Housing Bond and the Family Savings Bond, as well as letters of guarantee for the performance of procurement contracts for goods and services.		
(d) Corresponds to the recognition of the right assumed for the constitution of the CRC and PBP Trusts in Soles and U.S Dollars in 2007, with a current trust fund of S/39,502 thousands and S/43,623 thousands, respectively (S/38,808 thousands and S/43,544 thousands as of December 31, 2016, respectively).		
(e) As of March 31, 2017 and December 31, 2016, this corresponds to a control account for the Fund's claim with the Ministry of Economy and Finance (MEF) for the contributions to the FONAVI – Employer's Contribution, as per Law N°26969 – the FONAVI Settlement Act, to which the Fund believes it is entitled.		
(f) As of March 31, 2017 and December 31, 2016, these mainly correspond to write-offs on the balances receivable (principal and interest) from Corporación Transcontinental del Perú S.A. totaling S/4,333 thousands and S/3,775 thousands, which were booked in the "Other accounts Receivable" and "Other Suspended Performance" items. This write-off was recorded as per the resolution of the Board of Directors.		
(g) As of March 31, 2017 and December 31, 2016, this corresponds to the mortgage securities received from two financial entities in liquidation, for the credit portfolios held with them.		
(h) As of March 31, 2017 and December 31, 2016, this corresponds to the interest accrued on the past-due portfolio with Ex-Coneminsa and "Other Accounts Receivable".		

- (i) As of March 31, 2017 and December 31, 2016, this corresponds to the value of the total assets of the "Fondo Ley Equity No. 27677", net of liabilities and equity that includes the results for the fiscal year for losses of S/3,701 thousands and earnings of S/3,754 thousands respectively. The Statutory Fund Equity N° 27677 was established via the Notarially Recorded Instrument dated February 13, 2002, with the resources transferred to Fondo MIVIVIENDA S.A. from the liquidation of the National Housing Fund (FONAVI), for its administration, recovery, and channeling through the Intermediary Financial Institutions (IFIs).
- (j) As of March 31, 2017 this corresponds to the total assets, liabilities, revenues, expenses and expenses accounts, and the total equity value of the Trusts managed, known as "CRC (Credit Risk Hedging) and PBP (Good Payer Award) in Soles" and "CRC (Credit Risk Hedging) and PBP (Good Payer Award) in US Dollars.
- Both managed trusts were established via the Notarial deed dated on June 11, 2007, for the purpose of enabling the availability of resources to meet the Fund's obligations under the CRC (Credit Risk Hedging) and PBP (Punctual Payer's Bonus) service agreements entered into with certain financial entities, as well as to allow said resources to be managed as efficiently as possible.
- (k) Land trust in which the Banco de Comercio acted as trustee from the creation thereof in 2006, until October 6, 2010. By virtue of the preliminary agreement (minute) date October 7, 2010, the Banco de Comercio resigned from its role as trustee and transferred to Fondo MIVIVIENDA S.A. the trust estate and the duty of trustee, since that date, the Fund has been responsible for keeping the accounting records as part of its duties as trustee.

#### **14. Subsequent events**

With the Board of Directors Agreement N° 02-10D-2017 of April 12, 2017, the amendment to the subparagraph 3.2. Methodology to Estimate the Provisions of the numeral 3 "Estimation of Provisions" from Annex 3 of the Credit Risk Manual of the Fondo MIVIVIENDA S.A. that shall affect the financial statements starting from April, 2017.