

FONDO MIVIVIENDA S.A.

Financial Statements

December 31, 2014 and 2013

(including Independent Auditors' Report)

**(TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN SPANISH)**

FONDO MIVIVIENDA S.A.

Financial Statements

December 31, 2014 and 2013

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(TRANSLATION OF A REPORT ORIGINALLY ISSUED IN SPANISH)

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Fondo MIVIVIENDA S.A. (the "Fund"), which comprise the statement of financial position as of December 31, 2014 and 2013, and the related statements of income, income and other comprehensive income, changes in equity and cash flows for the years then ended, and other explanatory information, notes 1 to 26.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

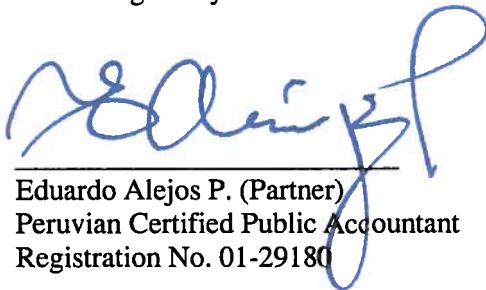
Opinion

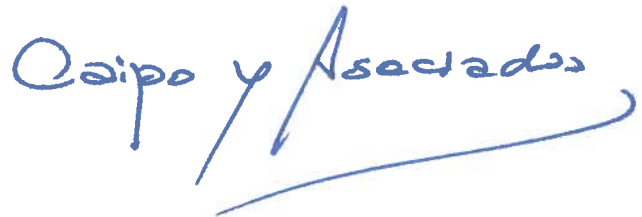
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fondo MIVIVIENDA S.A. as of December 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with accounting standards established by the SBS for the Fund (note 3).

Lima, Peru

February 23, 2015

Countersigned by:


Eduardo Alejos P. (Partner)
Peruvian Certified Public Accountant
Registration No. 01-29180


Caipo y Asociados

(TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN SPANISH)

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FONDO MIVIVIENDA S.A.

Statement of Financial Position

As of December 31, 2014 and 2013

(Stated in thousands of nuevos soles)

	Note	2014	2013		Note	2014	2013
Assets:				Liabilities:			
Cash and due from banks	6			Deposits and obligations		176	162
Banco Central de Reserva del Perú		460	198	Borrowings and financial obligations	14	3,953,060	1,801,663
Banks and other financial system companies		1,494,630	408,080	Accounts payable to financial derivatives	9	23,328	382
Other cash and due from banks		226	228	Other accounts payable	15	558,650	254,580
		-----	-----	Deferred income tax, net	12	5,572	-
		1,495,316	408,506	Provisions and other liabilities	15	4,364	11,807
						-----	-----
Investments	7	336,438	337,178	Total liabilities		4,545,150	2,068,594
Accounts receivable, net (Trust Agreement-COFIDE)	8	5,232,527	4,355,071	Shareholder's Equity:	16		
Accounts receivable to financial derivatives	9	98,007	737	Capital shares		3,109,899	3,050,654
Other accounts receivable, net	10	580,426	68,552	Additional capital		-	34
Property, furniture and equipment, net	11	863	1,122	Reserve		49,862	43,283
Current taxes	23	26,955	13,723	Adjustment to equity	(3,008)	(33,474)
Deferred income tax, net	12	-	7,842	Retained earnings		71,500	65,790
Other assets, net	13	2,871	2,150			-----	-----
		-----	-----	Total shareholder's equity		3,228,253	3,126,287
Total assets		7,773,403	5,194,881			-----	-----
		=====	=====	Total liabilities and shareholder's equity		7,773,403	5,194,881
Contingent and memoranda accounts:	17			Contingent and memoranda accounts:	17		
Debit contingent assets		3,593,855	1,051,493	Credit contingent liabilities		3,593,855	1,051,493
Debit memoranda accounts		387,040	555,128	Credit memorandum accounts		387,040	555,128
Trust and commissions of a trustee receivable		173,367	172,610	Trust and trust commissions payable		173,367	172,610
Credit contra memoranda accounts		1,067,320	1,116,939	Debit contra memoranda accounts		1,067,320	1,116,939
		-----	-----			-----	-----
		5,221,582	2,896,170			5,221,582	2,896,170
		=====	=====			=====	=====

The accompanying notes are an integral part of the financial statements.

FONDO MIVIVIENDA S.A.

Statement of Income

For the years ended December 31, 2014 and 2013

(Stated in thousands of nuevos soles)

	<u>Note</u>	<u>2014</u>	<u>2013</u>
Interest income	19	315,755	248,712
Interest expenses	20	(144,690)	(87,330)
Gross financial margin		----- 171,065	----- 161,382
Provision for doubtful accounts receivable (Trust receivable agreement – COFIDE), net of recoveries	8	(2,148)	(6,500)
Net financial margin		----- 168,917	----- 154,882
Financial services revenues	21	6,106	6,878
Financial services expenses		(132)	(123)
Net financial margin including financial services revenue and expenses		----- 174,891	----- 161,637
Results from financial transactions:			
Trading derivatives		(2,259)	(6,833)
Income from hedging transactions		(7,716)	(4,220)
Loss on exchange difference		(948)	(22,127)
Other		(10,040)	1,513
		----- (20,963)	----- (31,667)
Operating income		----- 153,928	----- 129,970
Administrative expenses	22	(51,325)	(40,087)
Depreciation of property, furniture, and equipment		(396)	(486)
Amortization of intangible assets		(301)	(194)
Net operating margin		----- 101,906	----- 89,203
Valuation of assets and provisions:			
Provision for other doubtful accounts receivable, net of reversals	10(e)	1,203	815
Provision for litigation and claims		(1,172)	(634)
Other provisions		(257)	(248)
Operating income		----- 101,680	----- 89,136
Other income (expense), net		1,136	1,010
Income before tax		----- 102,816	----- 90,146
Income tax	23	(31,316)	(24,356)
Net income		----- 71,500	----- 65,790

The accompanying notes are an integral part of the financial statements.

FONDO MIVIVIENDA S.A.

Statement of Income and Other Comprehensive Income

For the years ended December 31, 2014 and 2013

(Stated in thousands of nuevos soles)

	<u>Note</u>	<u>2014</u>	<u>2013</u>
Net income		71,500	65,790
		=====	=====
Other comprehensive income:			
Gain (loss) on available-for-sale investments of the Fund	16(d)	22,860	(29,797)
Gain on cash flow hedging transactions	16(d)	10,028	-
Gain (loss) on available-for-sale investments of CRC- PBP Trusts	16(d)	1,302	(4,644)
Tax effect in other comprehensive income components	16(d)	(3,724)	-
		-----	-----
Total other comprehensive income		30,466	(34,441)
		-----	-----
Total comprehensive income for the period		101,966	31,349
		=====	=====

The accompanying notes are an integral part of the financial statements.

FONDO MIVIVIENDA S.A.

Statement of Changes in Equity

For the years ended December 31, 2014 and 2013

(stated in thousands of nuevos soles)

	<u>Capital shares</u>	<u>Additional capital</u>	<u>Reserve</u>	<u>Retained earnings</u>	<u>Available for sale assets (note 16(d))</u>	<u>Total shareholder's equity</u>
Balances as of January 1, 2013	2,968,160	34	34,117	91,660	967	3,094,938
Comprehensive income:						
Net income	-	-	-	65,790	-	65,790
Other comprehensive income	-	-	-	-	(34,441)	(34,441)
Total comprehensive income	-	-	-	65,790	(34,441)	31,349
Changes in shareholder's equity (not included in the comprehensive income):						
Capitalization of earnings (note 16 (b))	82,494	-	-	(82,494)	-	-
Transfer to reserve (note 16 (c))	-	-	9,166	(9,166)	-	-
Balances as of December 31, 2013	3,050,654	34	43,283	65,790	(33,474)	3,126,287
Comprehensive income:						
Net income	-	-	-	71,500	-	71,500
Other comprehensive income	-	-	-	-	30,466	30,466
Total comprehensive income	-	-	-	71,500	30,466	101,966
Changes in shareholder's equity (not included in the comprehensive income):						
Capitalization of earnings (note 16 (b))	59,245	(34)	-	(59,211)	-	-
Transfer to reserve (note 16 (c))	-	-	6,579	(6,579)	-	-
Balances as of December 31, 2014	3,109,899	-	49,862	71,500	(3,008)	3,228,253

The accompanying notes are an integral part of the financial statements.

FONDO MIVIVIENDA S.A.

Statement of Cash Flows

For the years ended December 31, 2014 and 2013

(stated in thousands nuevos soles)

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Net income	71,500	65,790
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	697	680
Provisions	43,839	36,135
Other adjustments	(185,338)	36,564
Net changes in assets and liabilities:		
Increase (decrease) in assets		
Available-for-sale investments	8,945	(351,513)
Accounts receivable (Trust agreement – COFIDE) and others	(1,364,565)	(1,150,328)
Increase in liabilities		
Other accounts payable, provisions and other liabilities	319,510	4,338
Financial liabilities not subordinated	2,142,085	1,440,518
Net cash flows from operating activities after net change in assets, liabilities and adjustments	1,036,673	82,184
Taxes paid	(34,899)	(48,442)
Net cash flows from operating activities	1,001,774	33,742
Cash flows from investing activities:		
Purchases of intangible assets, property plant and equipment	(1,651)	(971)
Purchases of held-to-maturity investments	-	(6,231)
Sales of held-to-maturity investments	4,376	-
Other outflows related to investing activities	(25,000)	-
Net cash flows from investing activities	(22,275)	(7,202)
Net cash and cash equivalents before effect of changes in exchange rate	979,499	26,540
Effect of changes in exchange rate on cash and cash equivalents	82,311	41,490
Net increase in cash and cash equivalents	1,061,810	68,030
Cash and cash equivalents at beginning of the period	408,506	340,476
Cash and cash equivalents at end of the period	1,470,316	408,506

The accompanying notes are an integral part of the financial statements.

FONDO MIVIVIENDA S.A.

Notes to the Financial Statements

(1) Background and Business Activity

(a) Background

Fondo MIVIVIENDA S.A. (hereinafter “the Fund”) is a state-owned company under private law and is governed by Law No. 28579 and the Fund’s by-laws. The Fund falls under the purview of the Peruvian National Fund for the Financing of Business Activities of the State (Fondo Nacional de Financiamiento de la Actividad Empresarial del Estado or “FONAFE” for its acronym in Spanish) under the Ministry of Housing, Construction and Sanitation (Ministerio de Vivienda, Construcción y Saneamiento or “MVCS” for its acronym in Spanish). The aforementioned Law No. 28579 provided for the conversion of the former Mortgage Fund for the Promotion of Housing (Fondo Hipotecario de Promoción de la Vivienda – Fondo MIVIVIENDA) into a corporation named Fondo MIVIVIENDA S.A. effective as of January 1, 2006.

(b) Business activity

The Fund’s objectives are the promotion and financing of the acquisition, improvement and construction of homes, especially those of social interest, promotion of activities to invest into the home lending market, participation in the secondary market for mortgage loans, and contributing to the development of the Peruvian capital market. The Fund’s activities are regulated by the Superintendency of Banking, Insurance and Pension Funds Administrator (Superintendencia de Banca, Seguros y Administradoras Privadas de Fondos de Pensiones or “SBS” for its acronym in Spanish), pursuant to provision of SBS Resolution No. 980-2006 “Regulations for Fondo MIVIVIENDA S.A.”

The legal address of the Fund is Avenida Paseo de la República 3121, San Isidro, Lima, Peru.

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

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

The characteristics of each program are as follows:

(i) MIVIVIENDA Program

The Fund, through a Trust Agreement with Corporación Financiera de Desarrollo S.A. (“COFIDE” for its acronym in Spanish) channels resources to financial institutions that are participants in the Peruvian financial system to grant mortgage loans. Among its features are the Good Payer Award (Premio al Buen Pagador or “PBP” for its acronym in Spanish) and the Credit Risk Coverage (Cobertura de Riesgo Crediticio or “CRC” for its acronym in Spanish) and the installment sliding.

FONDO MIVIVIENDA S.A.

Notes to the Financial Statements

MIVIVIENDA Program includes the following products:

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

(*) As of December 31, 2014 and 2013, these lending products have been discontinued. The remaining balance of loans under these programs consists solely of uncollected amounts (note 8). CRC-PBP services and Crédito MIVIVIENDA estandarizado were discontinued in November 2009, Crédito MIHOGAR was discontinued in August 2009, and Crédito MIVIVIENDA Tradicional in May 2006.

- (ii) Techo Propio Program – Management of the household housing bonus (BFH)
The subsidies under the Techo Propio Program are granted in three modalities: (i) acquisition of a new home; (ii) construction on owned lot; and (iii) house renovations. In all modalities, mortgage loan financing within this program comprises the participation of up to three components: (a) a subsidy channeled by the Fund with resources from the Peruvian government – the aforementioned household housing bonus (BFH); (b) household savings and (c) when necessary, complementary financing to household housing bonus (Techo Propio Program) which must be granted by an IFI.

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

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

FONDO MIVIVIENDA S.A.

Notes to the Financial Statements

(iii) Fund Law No. 27677

By virtue of Law No. 27677 dated March 1, 2002, the Fund was entrusted with the administration, reimbursement and channeling of the proceeds resulting from the liquidation of Fondo Nacional de Vivienda (FONAVI, for its acronym in Spanish). Law No. 29625, which became effective on December 8, 2010, provides for the reimbursement of the amounts that were contributed to FONAVI to the workers that made those contributions. Article 4 of Law No. 29625 contemplated the formation of an Ad Hoc Committee responsible for conducting and supervising all procedures relating to the reimbursement of the FONAVI contributions. The current composition of such Ad Hoc Committee was approved on September 24, 2012 by Ministerial Resolution No. 609-2012-EF/10. Under these standards, the Fund would provide the Ad Hoc Committee with all pertinent documentation and reports so that it will be in charge of the administration and recovery of debts, funds and assets of FONAVI, as well as liabilities. On December 9, 2014 the Fund made the first transfer of funds for S/. 200,000 thousand in conformity with a requirement received from the Ad Hoc Committee.

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

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

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

(c) Approval of the financial statements

These financial statements as of December 31, 2014 were approved by the Board of Directors on January 26, 2015 and will be submitted for approval to the General Shareholder's Meeting. In Management's opinion, these financial statements will be approved without modifications within the term prescribed by law.

FONDO MIVIVIENDA S.A.

Notes to the Financial Statements

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

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

The main duties of COFIDE are the following:

- Compliance with articles 241 to 274 of the General Law of the Financial and Insurance System and Organic Law of the SBS – Law No. 26702 and its amendments.
- Verify compliance with requirements and conditions of the IFI according to Supreme Decree No. 001-99 –MTC.
- Sign the agreement on resources intermediation with IFI’s that have fulfilled the corresponding requirements and conditions.
- Monitor the use of resources, according to the provisions of the Fund’s Regulations and the agreement on resources intermediation.
- Collect the loans granted to the IFI’s.
- Contract the necessary audits of the Fund.
- Periodically submit reports on the development of the aforementioned trusts, as well as make recommendations for exposure limits of IFI’s (*).
- Establish operating procedures necessary for the proper administration of the Fund.
- Other duties necessary to ensure the normal development of the objectives and functions of both the Trust and the Fund.

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

The main duties of the Fund are the following:

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

FONDO MIVIVIENDA S.A.

Notes to the Financial Statements

As trustee, COFIDE is entitled to the following:

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

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

(3) Basis for the preparation of the financial statements

(a) Statement of compliance

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

By means of Resolution No. 054-2014 EF/30 dated July 17, 2017, the CNC made official IFRS 14 Regulatory Deferral Accounts and amendments to IFRS 11, Joint Arrangements and in Resolution 055-2014 EF/30 dated July 21, 2014, the CNC made official 2014 version of IFRS. Also, by means of Resolution No. 056- 2014 EF/30 dated November 6, 2014 amendments of IAS 16 and 41 and IFRS 9 and 15 were approved. Current standards officially approved by CNC as of December 31, 2014 are IASs 1 to 41, IFRSs 1 to 15, and IFRS interpretations (IFRIC) 1 to 21, and IAS Interpretations (SICs) 7 to 31.

(b) Basis of measurement

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

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

FONDO MIVIVIENDA S.A.

Notes to the Financial Statements

(c) Functional and presentation currency

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

(d) Critical accounting estimates and criteria

The preparation of the financial statements in conformity with SBS GAAP requires management to use certain critical accounting estimates and criteria. Estimates and criteria are reviewed on an on-going basis revisions to accounting estimates are recognized in the period in which these are revised in any future periods affected. Since these are estimates, final results may differ; however, based on the opinion of the Fund's management, these estimates and assumptions do not have significant risk of causing a material adjustment to the balances of assets and liabilities in the subsequent year.

The significant estimates related to the financial statements correspond to the allowance for doubtful accounts, valuation of investments, estimates of useful life and the recoverable amount of property, furniture and equipment and intangible assets, impairment of goodwill, provision for realizable assets received as payment and repossessed assets, estimate of the deferred income tax recovery, provision for income tax, and the fair value of derivative instruments, which accounting criteria is described in note 4.

(4) Significant accounting policies

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

(a) Foreign currency transactions

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

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

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

FONDO MIVIVIENDA S.A.

Notes to the Financial Statements

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

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 received.

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

(c.2) Bonuses and awards for good payers

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

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

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

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

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

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

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

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

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

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

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

- (iv) Once the good payer award becomes effective through the fulfillment of conditions by the final beneficiary, the Fund records such amount as expense and as a result accounts receivable (capital) of concessional tranche installments decreases charged to the Interest Expenses item of the statement of income, while interests, as in the last case, are recognized as expenses and presented net of the account "Income from Accounts Receivable" (Trust Agreement - COFIDE)” included in the item “Income from Interest” of the statement of income.

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- (v) On July 28, 2014, with the UD No. 002-2014, it has been established for good payer bonus purposes, within the framework of Law No. 29033, that for houses, the value shall exceed 14 tax units and shall not exceed 50 tax units. The Good Payer Bonus shall be used as a non-reimbursable financial support up to a maximum amount of S/. 12,500 that will be granted to people that have access to Crédito MIVIVIENDA loan.

For cash purposes, Banco de la Nación was authorized to lend the Fund MIVIVIENDA S.A. an amount of S/. 500,000 thousand through the participation of the Ministry of Housing, Construction and Sanitation (MVCS) for payment purposes, as established in the loan agreement.

- (c.3) Commissions for trust administration services provided to the CRC-PBP trusts, among other trusts, are recognized as income when received.

- (d) Accounts receivable and provision for doubtful accounts receivable
This item includes the receivable for services other than financing operations. Accounts receivable generated in favor of the trustee or originator are also included in this item.

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

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

- (d.1) Accounts receivable (Trust agreement - COFIDE)
Accounts receivable (Trust agreement- COFIDE) are recorded upon the disbursement of funds through COFIDE to the IFI that channels the Fund's resources for the placement of the MIVIVIENDA product portfolio.

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

First Component: Provision for IFI's Risk

- a. The balance of capital of each disbursement is separated into two types: balance of capital with mortgage collateral and balance of capital without mortgage collateral.
- b. The calculation of provisions takes place regarding the classification of the IFI.

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- c. The allowance relating to the balance of capital with mortgage collateral is calculated as the result of the balance of capital with mortgage collateral by the SBS table 2 rate according to the classification of the IFI.
- d. The allowance relating to the balance of capital without mortgage collateral is calculated as the result of the balance of capital without mortgage collateral by the SBS table 1 rate according to the classification of the IFI.

Second component: Provision for Credit Risk Coverage (CRC)

- a. The balance of capital of each disbursement with mortgage collateral less the value of the mortgage collateral.
- b. The net balance of the mortgage collateral of each disbursement multiplied by the coverage percentage; resulting in the balance of the unpaid principal.
- c. The balance of the unpaid principal of each disbursement multiplied by the coverage percentage; resulting in the balance of net capital to be covered.
- d. The allowance relating to the balance of net capital to be covered is calculated as the result of multiplying the net balance of capital to be covered by the SBS table 1 rate according to the classification of the subborrower.

According to the SBS Resolution No. 11356-2008, the Fund applies the following percentages to determine provisions:

Risk category	%	
	Table 1	Table 2
Normal	0.70	0.70
With potential problem (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.

Accounts receivable are presented net of allowance for doubtful accounts.

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(d.2) Accounts receivable related to CRC-PBP Trusts

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

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

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

(d.3) Other accounts receivable, net

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

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

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

Allowances for borrowers classified as doubtful or loss by more than 36 and 24 months, respectively, are determined without considering the value of the relevant collateral.

(e) Derivative financial instruments

Trading derivative financial instruments are initially recognized in the Fund's statement of financial position at cost and subsequently are remeasured at fair value. Derivatives are carried as an asset when the fair value is positive and as a liability when the fair value is negative. Derivatives are recorded in memorandum accounts at the notional amount of the involved currency (note 17).

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Fair values of derivative instruments 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 December 31, 2014, the Fund has foreign currency swaps to hedge cash flows in foreign currency, which after valuation, the effective portion is charged to equity until the contract is settled, being at that moment that the unrealized result is transferred to the statement of income; and the ineffective portion is recorded as a result of hedging derivatives in the statement of income. Finally, as of those dates, the Fund has no embedded derivatives.

As of December 31, 2014 and 2013, 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 period. Likewise, as of these dates, the Fund does not hold any embedded derivatives.

(f) Investments

As of December 31, 2014 and 2013, investments are valued in accordance with SBS Resolution No. 7033-2012.

Classification

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

(f.2) Held-to-maturity investments

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

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

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Recording date of the transaction

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

Initial recognition

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

Amortized cost

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

Valuation

(f.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 period. On the other hand, when Management believes that the decline in market value is permanent or is caused by credit impairment, it takes the respective allowances and transfers the estimated loss from equity to results.

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

(f.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 authorization.

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Impairment assessment

SBS Resolution No. 7033-2012 provides a standard methodology for the identification of impairment of financial instruments classified as available for sale and held to maturity investments. This analysis methodology includes two filters, as described below:

First filter:

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

- 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 denomination 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 not mentioned above.
- Interruption in the in 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 under performing 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 the intention and ability to hold the investment throughout such period.

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According to this SBS resolution, if at least two of the factors mentioned above are present, before existed, there is impairment. Once an impairment loss is recognized, subsequent evaluations are made on the book value of the instruments, net of impairment losses for value previously recognized.

(g) Property, furniture and equipment

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

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

	<u>Years</u>
Buildings	25
Premises	10
Furniture and fixtures	10
Computer equipment	4
Various equipment	10
Vehicles	5

Maintenance and repair costs are charged to profit or loss for the period; all renewals and improvements are capitalized only when expenditures improve the condition of the asset and increase its useful life beyond the time originally estimated. The cost and 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.

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

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

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(h) Intangible assets

Intangible assets, included in the "Other assets, net" 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 over the estimated useful life of 4 years.

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

As of December 31, 2014 and 2013, the Fund does not hold any intangible assets with indefinite useful lives.

(i) Impairment of long-lived assets

When events or economic changes indicate that the value of a long-lived asset may not be recoverable, Management reviews the value of the Fund's property, furniture and equipment and intangible assets 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 profit or loss for the related items of property, furniture and equipment and intangible assets held at cost. An asset's recoverable amount is the higher of the net selling price and its value in use. The net selling price is the amount that can be obtained from the sale of an asset in a free market, while the value in use is the present value of future expected cash flows from the continued use of an asset and its residual value at the end of its useful life.

In Management's opinion, there is no evidence of impairment in the value of such assets as of December 31, 2014 and 2013.

(j) Received as payment and repossessed assets

Realizable asset received as payment and repossessed assets are regulated by SBS Resolution No. 1535-2005. This account mainly includes property received as payment for doubtful loans, and is initially recorded at the lower of the value determined by the court or arbitrator, the recovery value, estimated market value or the value of the unpaid debt amount.

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

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

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An impairment loss is recognized in the statement of income when the net realizable value is lower than the net carrying amount. 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' fair value, determined by an independent appraiser, involves, if necessary, the constitution of an impairment provision.

(k) Income tax

Current:

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

Deferred:

Deferred income tax is recorded using the liability method based on temporary differences derived from tax basis of assets and liabilities, and their balances in the financial statements. Deferred income tax is determined based on tax rates and legislation expected to be applied when the deferred tax asset is realized or the deferred tax liability is settled.

Deferred income tax assets and liabilities are recognized without considering the estimated time when the temporary differences will disappear. A deferred income tax asset is only recognized to the extent it is probable that there will be future tax benefits, so that the deferred income tax asset can be used.

(l) Employee benefits

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

(1.1) 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 No. 4049-2011, dated January 21, 2011, established a change in treatment of employees' profit sharing plans indicating that this should be recorded according to IAS 19 "Employee Benefits". Consequently, this profit sharing should be recognized as personnel expense and liability related with benefits to employees and shall not recognize deferred assets or liability as a result of temporary differences between financial and tax bases.

(1.2) Vacation and other employee benefits

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

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(1.3) Severance payment

The provision for severance payment (CTS, for its acronyms in Spanish) 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 reporting date and is included in the "Provision for severance indemnities" account.

(m) Provisions

Provisions are recognized when the Fund has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic 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 reporting date and adjusted to reflect the Management best estimate based on current information. When the effect of the time value of money is material, the amount of the provision is equal to the present value of the future payments required to settle the obligation.

(n) Contingencies

Contingent liabilities are not reflected in the financial statements. They are disclosed in notes, unless the probability of an out flow of resources is remote.

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

(o) Deferred income

The deferred income recognized by the Fund arises from the difference between book value and market value of financial instruments that the Fund transferred to CRC-PBP trusts in local currency and foreign currency for their initial constitution in 2007.

In accordance with SBS Resolution No. 0084-2000, and the standards for the Accounting Treatment of the Trust and the Commissions of Trust, if the trustee's rights are greater than the assets transferred to the trust, the trustee (the Fund) will recognize a deferred gain, which shall be accrued according to the amortization, realization and/or expiration of those rights.

(p) Other comprehensive income

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

Additionally, as of December 31, 2014, unrealized results of the effective portion of the valuation of contracted cash flow derivative financial instruments are presented, while ineffective portion is charged to the results, and the amount of the valuation corresponding to the exchange difference as the exchange difference of the hedged item is affected. These balances are presented net of the related amount of deferred income tax.

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- (q) Statement of changes in shareholder's equity
Adjustments to retained earnings corresponding to the fluctuation of the value on available-for-sale investments are part of other comprehensive income.
 - (r) Cash and cash equivalents
Cash presented in the statements of cash flows includes cash and due from banks balances with original maturities of 91 days or less, excluding due from banks included in the CRC-PBP trusts (note 10(c)).
 - (s) Subsequent events
Events subsequent to year-end that provide additional information about the financial position of the Fund at the reporting date (adjusting events) are included in the financial statements. Important subsequent events that are not adjusting events are disclosed in the notes to the financial statements.
- (5) Balances in foreign currency
The statement of financial position includes balances of transactions in foreign currency, mainly in U.S. dollars (US\$), which are recorded in nuevos soles (S/.) at the exchange rate established by the SBS. As of December 31, 2014 and 2013, these rates were US\$ 1= S/. 2.986 and S/. 2.795, respectively.

Foreign currency transactions in Peru and international trade transactions referred to the concepts authorized by the Banco Central de Reserva del Perú-BCRP (the Peruvian Central Bank), are channeled through an interbank foreign exchange market. As of December 31, 2014, the buy and sell exchange rates reported were US\$ 1 = S/. 2.981 and US\$ 1 = S/. 2.989 respectively (US\$ 1= S/. 2.794 buy rate and US\$ 1= S/. 2.796 sell rate as of December 31, 2013).

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Foreign currency balances stated in thousands of U.S. dollars as of December 31, are summarized as follows:

	<u>In thousands of US\$</u>	
	<u>2014</u>	<u>2013</u>
Assets:		
Cash and due from banks	425,961	120,707
Investments	82,617	65,805
Accounts receivable, net (Trust agreement – COFIDE)	122,275	144,722
Other accounts receivable, net	22	40
Other assets, net	38	8
	-----	-----
	630,913	331,282
	-----	-----
Liabilities:		
Borrowings and financial obligations	(801,754)	(500,586)
Accounts payable to financial derivative	(2,497)	-
Other accounts payable	(1,137)	(478)
Other liabilities	(335)	(1,975)
	-----	-----
	(805,723)	(503,039)
	-----	-----
	(174,810)	(171,757)
Derivative instruments	332,319	72,787
Forward oversold position, CRC-PBP Trust in foreign currency	-	(4,330)
	-----	-----
Asset (liability) position, net	157,509	(103,300)
	=====	=====

As of December 31, 2014, foreign currency balances equivalent in thousands of Swiss francs are summarized as follows:

	<u>In thousands of CHF</u>
Liabilities:	
Borrowings and financial obligations	(250,647)
Fund's financial derivative instruments	228,890

Net liability position	(21,757)
	=====

In 2014, the Fund recorded a loss on exchange difference of thousands S/. 948 thousand, which is presented in the "Results from financial transactions" caption of the statement of income (S/. 22,127 thousand in 2013).

Likewise in 2014, the Fund recorded a loss on transactions with derivative instruments amounting to S/. 9,975 thousand, which is presented in "Trading derivatives" and "Income

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from hedging transactions” captions of the statement of income; S/. 2,259 thousand corresponds to losses on held-for-trading derivative instruments (S/. 6,833 thousand in year 2013) and S/. 7,716 thousand corresponds to losses on hedging derivative instruments (S/. 4,220 thousand in 2013).

(6) Cash and due from banks

This item comprises the following:

	<u>In thousands of S/.</u>	
	<u>2014</u>	<u>2013</u>
Banco Central de Reserva del Perú (a)	460	198
Checking accounts (b)	1,279,163	352,902
Time deposits (c)	190,467	55,178
Other cash and due from banks	226	228
	-----	-----
Total cash and cash equivalent	1,470,316	408,506
90-day time deposit or longer (d)	25,000	-
	-----	-----
	<u>1,495,316</u>	<u>408,506</u>
	=====	=====

- (a) Funds denominated in nuevos soles and U.S. dollars held in Banco Central de Reserva del Peru (BCRP) are mainly used in transactions entered into by the Fund with COFIDE, under the Trust Agreement.
- (b) Correspond to deposits in nuevos 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 rates.
- (c) Correspond to time deposits denominated in local and foreign currency in banks and other financial system companies in Peru. Their maturity is less than 30 days and interest accrues at annual effective rates that range from 4.26% to 4.46% in local currency and 0.02% and 0.70% in foreign currency. As of December 31, 2014, these time deposits amounted to US\$ 63,591 thousand (S/. 35,000 thousand and US\$ 7,212 thousand as of December 31, 2013).
- (d) Correspond to time deposits in local currency held at banks and other entities of the country's financial system, with maturities over 90 days, bearing interest at annual effective interest rates of 4.80%.

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(7) Investments

This item comprises the following:

2014

	In thousands of S/.			Book value (*)
	Amortized cost	Unrealized		
		Gains	Losses	
Available-for-sale investments:				
Sovereign bonds (a)	84,897	-	(9,731)	75,166
Corporate bonds (b)	239,033	4,453	(1,696)	241,790
Certificates of deposits (c)	12,874	-	(262)	12,612
Commercial papers	967	-	-	967
Plus:				
Accrued interest		-	-	3,832
		-----	-----	-----
		4,453	(11,689)	334,367
		=====	=====	-----
Held-to-maturity investments:				
Commercial papers	2,067	-	-	2,067
Plus:				
Accrued interest		-	-	4

				2,071

				336,438
				=====

2013

	In thousands of S/.			Book value (*)
	Amortized cost	Unrealized		
		Gains	Losses	
Available-for-sale investments:				
Sovereign bonds (a)	168,665	-	(25,226)	143,439
Corporate bonds (b)	181,713	41	(4,613)	177,141
Commercial papers	5,433	1	-	5,434
Plus:				
Accrued interest	-	-	-	4,717
		-----	-----	-----
		42	(29,839)	330,731
		=====	=====	-----
Held-to-maturity investments:				
Certificate of deposits (d)	6,231	-	-	6,231
Plus:				
Accrued interest		-	-	216

				6,447

				337,178
				=====

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

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- (a) Corresponds to sovereign bonds issued by the Republic of Peru in local currency. As of December 31, 2014 and 2013, such bonds accrue interest at annual effective rates ranging from 5.20% and 8.20%, maturing between August 2020 and February 2042.
- (b) Corresponds to securities and bonds acquired from corporations and Tier 1 financial system companies. As of December 31, 2014, they comprise i) Finance lease bonds denominated in U.S. dollars that accrue interest at annual nominal rates that range between 4.85% and 6.06%, and have maturities between August 2016 and May 2018; ii) Subordinated bonds denominated in U.S. dollars that accrue interest at an annual effective rate of 6.53%, and mature in October 2028; iii) Ordinary bonds denominated in U.S. dollars that accrue interest at annual effective rates that range between 3.34% and 4.63%, and mature between July 2019 and May 2023; and iv) Securitization bonds denominated in nuevos soles that accrue interest at annual effective rates ranging between 4.44% and 6.16%, and mature between June 2018 and September 2028.
- (c) Corresponds to a certificate of deposit in nuevos soles, issued by a bank of the local financial system, which bears interest at an annual rate of 4.61% and matures in July 2015.
- (d) Correspond to certificates of deposit issued in local currency by Caja Municipal de Ahorro y Crédito Huancayo, accrue interest at an annual effective rate of 5.09% and mature in April 2014.

As of December 31, 2014, the accrued interest on available-for-sale, and held-to-maturity investments amounted to S/. 18,333 thousand and S/. 107 thousand respectively, which are included in the "Interest income" of the statement of income (S/. 12,147 thousand and S/. 302 thousand respectively as of December 31, 2013) (note 19).

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

	In thousands of S/.	
	2014	2013
Up to 1 year	15,942	11,889
1 - 5 years	109,859	59,488
5 - 10 years	99,256	132,060
Over 10 years	111,381	133,741
	-----	-----
	336,438	337,178
	=====	=====

As of December 31, 2014 and 2013, the fair value of available-for-sale investments has been estimated by Management based on market quotations available in the stock market or, when those are not available, by discounting the expected cash flows at an interest rate reflecting the risk of the security.

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Notes to the Financial Statements

(8) Accounts receivable, net (Trust agreement – COFIDE)

This item comprises the following:

	<u>In thousands of S/.</u>	
	<u>2014</u>	<u>2013</u>
Nuevo crédito MIVIVIENDA	4,546,486	3,620,479
Crédito MIVIVIENDA Tradicional	394,515	444,459
Crédito MIHOGAR	133,029	142,864
Crédito Complementario Techo Propio	133,006	138,651
Crédito MIVIVIENDA Estandarizado	13,728	15,804
Crédito MICONSTRUCCIÓN	56,156	31,796
Crédito MICASA MAS	1,347	-
Crédito MITERRENO	20	-
	-----	-----
	5,278,287	4,394,053
	-----	-----
Plus (less):		
Accrued interest on accounts receivable	14,842	13,863
Provision for doubtful accounts receivable (Trust agreement – COFIDE)	(60,602)	(52,845)
	-----	-----
	5,232,527	4,355,071
	=====	=====

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

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

As of December 31, 2014 and 2013, the number of final beneficiaries of the Fund (final debtors) is 83,323 and 76,206, respectively. There is no significant credit risk concentration due to the characteristics of the loan portfolio held by the Fund.

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

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Notes to the Financial Statements

The composition of accounts receivable (Trust agreement – COFIDE) according to the characteristics of loans promoted by the Fund is as follow:

By final beneficiaries

	In thousands of S/.					
	2014			2013		
	With Credit risk Coverage	Without Credit risk Coverage	Total	With Credit risk Coverage	Without Credit risk Coverage	Total
Nuevo crédito MIVIVIENDA	2,442	4,544,044	4,546,486	2,526	3,617,953	3,620,479
Crédito MIVIVIENDA Tradicional	3,598	390,917	394,515	4,653	439,806	444,459
Crédito MIHOGAR	783	132,246	133,029	1,100	141,764	142,864
Crédito Complementario Techo Propio	480	132,526	133,006	235	138,416	138,651
Crédito MIVIVIENDA estandarizado	-	13,728	13,728	-	15,804	15,804
Crédito MICONSTRUCCION	-	56,156	56,156	-	31,796	31,796
Crédito MICASA MAS	-	1,347	1,347	-	-	-
Crédito MITERRENO	-	20	20	-	-	-
	7,303	5,270,984	5,278,287	8,514	4,385,539	4,394,053

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

	In %	
	2014	2013
Nuevo Crédito MIVIVIENDA	6.60	6.60
Crédito MIVIVIENDA Tradicional	7.75	7.75
Crédito MIHOGAR	7.60	7.60
Crédito Complementario Techo Propio	8.00	6.00
Crédito MIVIVIENDA Estandarizado	6.90 and 7.30	6.90 and 7.30
Crédito MICONSTRUCCIÓN	8.00	7.50 and 9.00
Crédito MICASA MAS	6.50	-
Crédito MITERRENO	9.00	-

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

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

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

	In thousands of S/	
	2014	2013
Up to 1 month	24,730	20,082
1 - 3 months	79,009	43,191
3 months to 1 year	239,289	195,735
1 - 3 years	1,047,133	449,404
Over 3 years	3,888,126	3,685,641
	-----	-----
	5,278,287	4,394,053
	=====	=====

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

Risk category	2014		2013	
	In thousands		In thousands	
	of S/.	%	of S/.	%
Normal	5,123,831	97.1	4,034,161	91.8
Potential problem	154,456	2.9	359,892	8.2
	-----	-----	-----	-----
	5,278,287	100.0	4,394,053	100.0
	=====	=====	=====	=====

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

Risk category	2014		2013	
	In thousands		In thousands	
	of S/.	%	of S/.	%
Normal	4,957,041	93.9	4,172,034	94.9
Potential problem	76,305	1.5	62,614	1.4
Deficient	68,051	1.3	46,438	1.1
Doubtful	86,263	1.6	55,921	1.3
Loss	90,627	1.7	57,046	1.3
	-----	-----	-----	-----
	5,278,287	100.0	4,394,053	100.0
	=====	=====	=====	=====

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Notes to the Financial Statements

The activity of the provision for doubtful accounts receivable (Trust agreement- COFIDE) is detailed below:

	In thousands of S/.	
	2014	2013
Balance at the beginning of the period	52,845	48,590
Additions debited to results	27,181	22,058
Recovery of provisions	(25,033)	(15,558)
Reclassification of provisions	5,319	(3,116)
Foreign exchange difference	290	871
	-----	-----
Balance at end of period	60,602	52,845
	=====	=====

Additions debited to results include as of December 31, 2014, discretionary provisions of S/. 16,676 thousand, which were approved by means of Board of Directors' agreement No. 03-27D-2014 dated November 24, 2014. Thus the Fund seeks to cover its exposure to possible changes in the classification of some monitored IFIs.

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

In Management's opinion, the provision for doubtful accounts (Trust agreement-COFIDE), recorded as of December 31, 2014 and 2013, complies with SBS standards for the Fund, in force as of those dates.

(9) Accounts receivable and payable to financial derivatives

The Fund holds potential purchase and sale commitments in foreign currency. The fair value of these financial derivatives has generated accounts receivable and payable as indicated below:

	In thousands of S/.					
	2014			2013		
	Accounts receivable	Accounts payable	Reference amount	Accounts receivable	Accounts payable	Reference amount
Forwards - purchase	2,487	(2,496)	307,747	737	(268)	223,600
Forwards - selling	131	(3,600)	541,441	-	(114)	20,160
	-----	-----	-----	-----	-----	-----
	2,618	(6,096)	849,188	737	(382)	243,760
Swaps - purchase	95,389	(17,232)	1,913,521	-	-	-
	-----	-----	-----	-----	-----	-----
	95,389	(17,232)	1,913,521	-	-	-
	-----	-----	-----	-----	-----	-----
	98,007	(23,328)	2,762,709	737	(382)	243,760
	=====	=====	=====	=====	=====	=====

These derivative financial instruments are held for hedging purposes to mitigate in part the Fund's exchange risk and they mature from January 2015 up to January 2023.

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Notes to the Financial Statements

(10) Other accounts receivable, net

This item comprises the following:

	<u>In thousands of S/.</u>	
	<u>2014</u>	<u>2013</u>
Claim to MVCS DU No. 002-2014 (a)	506,148	-
Accounts receivable from banks in liquidation (b)	102,528	107,480
Trust funds receivable CRC-PBP (c)	73,252	67,092
Accounts receivable from Ex-Coneminsa portfolio (d)	14,008	14,734
Recoveries of COFIDE to be distributed	-	99
Other accounts receivable	781	597
	-----	-----
	696,717	190,002
	-----	-----
Less: Provision for other doubtful accounts receivable (e)		
Banks in winding-up (b)	(102,528)	(107,480)
Ex-CONEMINSA portfolio (d)	(13,086)	(13,446)
Other accounts receivable	(677)	(524)
	-----	-----
	(116,291)	(121,450)
	-----	-----
	580,426	68,552
	=====	=====

(a) Corresponds to the account receivable from the Ministry of Housing, Construction and Sanitation for the payment of the loan received from Banco de la Nación for S/. 500,000 thousand as per UD No. 002-2014 (note 14(a)).

(b) Corresponds to accounts receivable for time deposits and, certificate of deposits, among others, that the Fund, before it was transformed into a financial company supervised by the SBS (before January 1, 2006), held in certain financial institutions that were in liquidation.

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Notes to the Financial Statements

As of December 31, accounts receivable balances comprise the following:

	<u>In thousands of S/.</u>	
	<u>2014</u>	<u>2013</u>
Capital:		
Banco Nuevo Mundo, in liquidation	56,161	56,952
Banco República, in liquidation	42,216	42,143
Banco Banex, in liquidation	4,151	8,385
	-----	-----
	102,528	107,480
	-----	-----
Less: Provision for doubtful of accounts receivable		
Banco Nuevo Mundo, in liquidation	(56,161)	(56,952)
Banco República, in liquidation	(42,216)	(42,143)
Banco Banex, in liquidation	(4,151)	(8,385)
	-----	-----
	(102,528)	(107,480)
	-----	-----
	-	-
	=====	=====

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

100% of the accounts receivable from banks in liquidation are recorded in provisions. The Fund recognizes in books the recoveries of these accounts receivable each time they are made. During 2014, the Fund received in cash from Banco Nuevo Mundo (under liquidation) S/. 791 thousand (S/. 2,212 thousand during 2013).

In Management's opinion, the provision for loan losses from banks in liquidation recorded as of December 31, 2014 and 2013 covers sufficiently the related collectability risk.

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

	<u>In thousands of S/.</u>	
	<u>2014</u>	<u>2013</u>
CRC-PBP Trust, nuevos soles	35,259	32,717
CRC-PBP Trust, US dollars	37,993	34,375
	-----	-----
	73,252	67,092
	=====	=====

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Notes to the Financial Statements

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

The accounting record of these trust transactions are made in accordance with Resolution SBS No. 980-2006 "Fondo MIVIVIENDA S.A. Regulation", meaning one single account of the statement of financial position (note 4(d)). The accounting for trusts is maintained separately for control purposes and shows the following balances as of December 31:

CRC-PBP trust, nuevos soles

	<u>In thousands of S/.</u>	
	<u>2014</u>	<u>2013</u>
Statement of financial position		
Assets:		
Cash and due from banks	1,969	611
Available-for-sale investments	31,775	30,587
Held-to-maturity investments	1,515	1,519
	-----	-----
Total assets	35,259	32,717
	=====	=====
 Equity and net surplus:		
Surplus from collections, net	2,100	2,025
Adjustment to equity	(493)	(1,048)
Retained earnings	33,652	31,740
	-----	-----
Total equity and net surplus	35,259	32,717
	=====	=====

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Notes to the Financial Statements

	<u>In thousands of S/.</u>	
	<u>2014</u>	<u>2013</u>
Statement of income		
Interest income:		
Cash and due from banks	59	170
Available-for-sale investments	1,954	1,305
Held-to-maturity investments	102	353
	-----	-----
Gross finance margin	2,115	1,828
	-----	-----
Net finance margin	2,116	1,828
	-----	-----
Financial services expenses	(207)	(196)
	-----	-----
Net finance margin of service revenues and expenses services	1,908	1,632
	-----	-----
Results from financial transactions		
Available-for-sale investments	-	804
Other	-	51
	-----	-----
Operating margin	1,908	2,487
	-----	-----
Administrative expenses	(1)	(8)
	-----	-----
Net operating margin	1,907	2,479
	-----	-----
Operating income	1,907	2,479
	-----	-----
Other income and expenses	6	-
	-----	-----
Income before tax	1,913	2,479
	-----	-----
Net income for the period	1,913	2,479
	=====	=====

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CRC-PBP trust, US dollars

	<u>In thousands of S/.</u>	
	<u>2014</u>	<u>2013</u>
Statement of financial position		
Assets:		
Cash and due from banks	5,795	1,037
Available-for-sale investments	27,463	27,230
Held-to-maturity investments	4,735	7,565
Accounts receivable from financial derivatives	-	49
	-----	-----
Total assets	37,993	35,881
	=====	=====
Liabilities:		
Accounts payable to financial derivatives	-	1,506
	-----	-----
Total liabilities	-	1,506
	-----	-----
Equity and net surplus:		
Initial equity	21,013	21,013
Surplus from collections, net	7,055	6,510
Unrealized earnings from investments	(1,583)	(2,630)
Retained earnings	11,508	9,482
	-----	-----
Total equity and net surplus	37,993	34,375
	-----	-----
Total liabilities, equity and net surplus	37,993	35,881
	=====	=====

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Notes to the Financial Statements

	<u>In thousands of S/.</u>	
	<u>2014</u>	<u>2013</u>
Statement of income		
Interest income:		
Cash and due from banks	90	218
Available-for-sale investments	1,316	958
Held-to-maturity investments	326	328
	-----	-----
Gross finance margin	1,732	1,504
	-----	-----
Net finance margin	1,732	1,504
	-----	-----
Financial services expenses	(219)	(214)
	-----	-----
Net finance margin of service revenues and expenses	1,513	1,290
	-----	-----
Results from financial transactions:		
Available-for-sale investments	-	(10)
Trading derivatives	6	49
Income from hedging transactions	(33)	(1,584)
Gain on exchange difference	841	1,203
Other	(300)	154
	-----	-----
	514	(187)
	-----	-----
Operating margin	2,027	1,103
	-----	-----
Administrative expenses	(1)	(6)
	-----	-----
Net operating margin	2,026	1,097
	-----	-----
Operating income	2,026	1,097
	-----	-----
Income before tax	2,026	1,097
	-----	-----
Net income for the period	2,026	1,097
	=====	=====

- (d) Corresponds to accounts receivable from mortgage loan portfolios granted by Compañía de Negociaciones Mobiliarias e Inmobiliarias S.A. (CONEMINSA), which was transferred to the Fund under a payment-in-kind contract executed with CONEMINSA on December 30, 2003 for its administration and recovery.

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

	<u>In thousands of S/.</u>	
	<u>2014</u>	<u>2013</u>
Balance at beginning of the period	121,450	123,411
Additions debited to results	151	1,915
Recovery of provisions	(1,354)	(2,730)
Reclassifications and/or adjustments	(4,334)	(1,631)
Exchange differences	378	485
	-----	-----
Balance at end of period	116,291	121,450
	=====	=====

In Management's opinion, the provision for other doubtful accounts receivable recorded as of December 31, 2014 and 2013, are aligned with SBS standards in force as of each such date.

(11) Property, furniture and equipment, net

This item comprises the following:

<u>2014</u>	<u>In thousands of S/.</u>			
	<u>Balances as of 12.31.2013</u>	<u>Additions</u>	<u>Disposals & other adjustments</u>	<u>Balances as of 12.31.2014</u>
Cost:				
Land	103	-	-	103
Buildings	36	-	-	36
Premises	62	-	-	62
Furniture and fixtures	661	4	(49)	616
Computer equipment	2,061	91	(138)	2,014
Various equipment	967	58	(44)	981
Vehicles	647	-	-	647
	-----	-----	-----	-----
	4,537	153	(231)	4,459
	-----	=====	=====	-----
Accumulated depreciation:				
Buildings	7	2	-	9
Premises	47	6	-	53
Furniture and fixtures	561	21	(45)	537
Computer equipment	1,735	160	(136)	1,759
Various equipment	600	84	(34)	650
Vehicles	465	123	-	588
	-----	-----	-----	-----
	3,415	396	(215)	3,596
	-----	=====	=====	-----
Net cost	1,122			863
	=====			=====

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<u>2013</u>	In thousands of S/.			
	Balances as of <u>12.31.2012</u>	<u>Additions</u>	Disposals & other adjustments	Balances as of <u>12.31.2013</u>
Cost:				
Land	103	-	-	103
Buildings	36	-	-	36
Premises	68	-	(6)	62
Furniture and fixtures	727	18	(84)	661
Computer equipment	1,935	196	(70)	2,061
Various equipment	957	63	(53)	967
Vehicles	647	-	-	647
	----- 4,473	----- 277	----- (213)	----- 4,537
Accumulated depreciation:				
Buildings	5	2	-	7
Premises	43	7	(3)	47
Furniture and fixtures	586	47	(72)	561
Computer equipment	1,594	210	(69)	1,735
Various equipment	553	91	(44)	600
Vehicles	336	129	-	465
	----- 3,117	----- 486	----- (188)	----- 3,415
Net cost	----- 1,356	----- -----	----- -----	----- 1,122

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

The Fund holds insurance coverage over its principal assets according to the policies established by Management. In that sense, as of December 31, 2014 and 2013, the Fund has contracted an all-risk insurance policy that covers the value of property, furniture and equipment owned by the Fund. In Management's opinion, insurance policies of the Fund are consistent with the industry practice.

In Management's opinion, there is no evidence of impairment of property, furniture and equipment held by the Fund as of December 31, 2014 and 2013.

As of December 31, 2014, the Fund holds totally depreciated assets in the amount of S/. 2,288 thousand (S/. 1,619 thousand as of December 31, 2013).

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(12) Deferred income tax

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

	In thousands of S/.			Balances as of 12.31.2014
	Balances as of 12.31.2013	Additions (deductions) Results	Equity	
Assets:				
Generic provision for accounts receivable	4,330	5,529	-	9,859
Deferred income for cash flow advances	1,369	(907)	-	462
Other	2,143	(794)	-	1,349
Liabilities:				
Exchange rate leveling	-	(13,370)	-	(13,370)
Other	-	(148)	-	(148)
Unrealized gains on hedging derivative products	-	-	(2,889)	(2,889)
Unrealized gains on available-for-sale investments	-	-	(835)	(835)
	7,842	(9,690)	(3,724)	(5,572)

The Fund has recalculated the deferred income tax, according to the new income tax rates for the coming years (note 23), generating a decrease in deferred taxes of S/. 138,895 thousand, credited to results for the year of S/. 370,371 thousand and charged to unrealized results in 2014 equity for S/. 231,476 thousand.

(13) Other assets, net

This item comprises the following:

	In thousands of S/.	
	2014	2013
Intangible assets, net of amortization amounting to S/. 4,098 thousand (S/. 2,087 thousand in 2013)	2,023	825
Assets received as payment and seized through legal actions, net	178	426
Other	669	899
	2,870	2,150

The "Corporate Management Plan on Information Technology and Communications" (TIC) for companies within the scope of FONAFE, was approved through Executive Resolution No. 046-2009/DE-FONAFE. This resolution defines the implementation of the Shared Service Center for Information Technology and Communications of FONAFE. As of December 31, 2014, pre-payments for this service amounts to S/. 348 thousand (S/. 715 thousand as of December 31, 2013) and it is included as "Other".

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(14) Borrowings and financial obligations

This item comprises the following:

	<u>In thousands of S/.</u>	
	<u>2014</u>	<u>2013</u>
Debts with domestic financial institutions (a)	806,148	402,525
Securities and bonds (b)	3,146,912	1,399,138
	-----	-----
	<u>3,953,060</u>	<u>1,801,663</u>
	=====	=====

(a) As of December 31, the Fund holds debts as follows:

2014

<u>Financial institution</u>	<u>Date</u>	<u>Annual interest rate</u>	<u>In thousands of S/.</u>			
			<u>Capital</u>	<u>Interest</u>	<u>Amortized cost adjustment</u>	<u>Total</u>
Banco de la Nación	10.16.13	3.97%	500,000	6,148	-	506,148
Banco de la Nación	12.30.14	4.43%	300,000	-	-	300,000
			-----	-----	-----	-----
			<u>800,000</u>	<u>6,148</u>	<u>-</u>	<u>806,148</u>
			=====	=====	=====	=====

2013

<u>Financial institution</u>	<u>Date</u>	<u>Annual interest rate</u>	<u>In thousands of S/.</u>			
			<u>Capital</u>	<u>Interest</u>	<u>Amortized cost adjustment</u>	<u>Total</u>
Banco de la Nación	09.24.13	4.40%	76,000	897	-	76,897
Banco de la Nación	10.16.13	4.40%	50,000	457	-	50,457
Banco de la Nación	10.28.13	4.40%	65,000	499	-	65,499
Banco de la Nación	11.14.13	4.40%	50,000	282	-	50,282
Banco de la Nación	11.28.13	4.40%	59,000	233	-	59,233
Banco Continental	12.19.13	4.95%	100,000	155	2	100,157
			-----	-----	-----	-----
			<u>400,000</u>	<u>2,523</u>	<u>2</u>	<u>402,525</u>
			=====	=====	=====	=====

(b) In May 2014, the Fund issued bonds in the Swiss capital market. The issuance corresponded to a face value of CHF 250 million maturity in four years. Bonds were placed at a price of 99.83% and at a coupon rate of 1.25% with payment of interest annually and amortization at maturity. Proceeds from the issuance of the bonds were used exclusively to finance credit operations.

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

In January 2013, the Fund issued bonds under Rule 144 and Regulation S of the U.S. Securities Act, as amended in the international market. The issuance corresponded to a face value of US\$ 500 million maturing in ten years. Bonds were placed at a price of 99.15% and at a coupon rate of 3.50% with payment of interest semi-annually and amortization at maturity. Proceeds from the issuance of the bonds were used exclusively to finance credit operations

In 2014, interest expense on securities issued by the Fund amounts to S/. 79,247 thousand (S/. 45,288 thousand during 2013) (note 20).

(15) Other accounts payable, provisions and other liabilities

This item comprises the following:

	<u>In thousands of S/.</u>	
	<u>2014</u>	<u>2013</u>
Other accounts payable:		
FONAVI contributions (a)	158,671	151,414
Good payer bonus (capital) allocated to COFIDE (b)	74,942	79,872
Savings of the family group eligible for transferring technical entities (c)	13,755	8,532
Family housing bonus to be transferred to technical entities (d)	102,132	6,776
Good payer bonus (capital) received from MVCS (e)	197,275	8
Suppliers payable	4,853	1,258
Worker's profit sharing	3,794	4,386
Resources to transfer for executed standby letters of credit	1,116	1,059
Vacation and fringe benefits liquidations	1,011	885
Other	1,101	390
	-----	-----
	558,650	254,580
	=====	=====

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	<u>In thousands of S/.</u>	
	<u>2014</u>	<u>2013</u>
Provisions and other liabilities:		
Deferred income for cash flow advances (f)	1,650	4,479
Other deferred income	371	561
Provision for litigation, claims and other contingencies (g)	2,005	1,399
Provision for credit risk coverage on cash flow advances	285	5,362
Transactions in progress	53	6
	-----	-----
	4,364	11,807
	=====	=====

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

	<u>In thousands of S/.</u>	
	<u>2014</u>	<u>2013</u>
FONAVI collections	95,192	112,942
FONAVI contributions pending from being transferred to the MEF	63,145	38,188
Refund of FONAVI pending collection	334	284
	-----	-----
	158,671	151,414
	=====	=====

FONAVI collections correspond to balances allocated to the Fund as a result of the collection made by the Peruvian Tax Authority (SUNAT) related to contributions made to FONAVI by tax payers in accordance with Law No. 26969.

The activity of this item is as follows:

	<u>In thousands of S/.</u>	
	<u>2014</u>	<u>2013</u>
Balance at beginning of period	112,943	125,539
Collection for the period	7,373	23,049
Reclassification of contributions pending from being transferred to the MEF	(24,998)	(31,199)
Reimbursement of FONAVI contributions	(126)	(4,446)
	-----	-----
Balance at end of period	95,192	112,943
	=====	=====

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

Uncollected FONAVI reimbursements correspond to checks drawn from 1999 to 2012 which have not been cashed by its beneficiaries. These checks were issued to refund FONAVI contributions according to SUNAT communications

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

	<u>In thousands of S/.</u>	
	<u>2014</u>	<u>2013</u>
Balance at beginning of period	79,872	77,728
BBP allocation to accounts receivable from trusts	-	5,710
Adjustment of BBP allocations from previous periods	-	900
Adjustment of BBP applications from previous periods	-	20
BBP application to Crédito MIHOGAR fees	(1,413)	(1,351)
BBP application to Nuevo Crédito MIVIVIENDA fees	(3,517)	(3,135)
	-----	-----
Balance at end of period	74,942	79,872
	=====	=====

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

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

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The activity of this item is as follows:

	<u>In thousands of S/.</u>	
	<u>2014</u>	<u>2013</u>
Balance at beginning of period	8	6,638
Regularization of previous periods	-	(20)
Resources received during the period	200,000	-
BBP disbursements to COFIDE for loan allocation	(2,733)	(6,610)
	-----	-----
Balance at end of period	197,275	8
	=====	=====

- (f) According to SBS requirements, the prepayment by an IFI of an amount equivalent to 36 installments, was recorded as a deferred income for S/. 8,488 thousand in August 2012, under the caption "Other liabilities", which will accrue on a linear basis throughout the course of 36 months. As of December 31, 2014, the deferred income from this transaction amounts to S/. 1,650 thousand (S/. 4,479 thousand as of December 31, 2013).
- (g) Corresponds to provisions for disputes and claims. In the opinion of Management and the Fund's legal advisors, the provision recorded as of December 31, 2014 and 2013 is sufficient to cover the risk of loss for disputes and claims of the Fund.

(16) Shareholder's equity(a) Regulatory capital

As of December 31, 2014, the regulatory capital of the Fund determined pursuant to applicable standards, amounts to S/. 3,145,891 thousand (S/. 3,060,455 thousand of December 31, 2013). This figure is used to calculate certain legal limits and restrictions according to the Law No. 26702, the Peruvian Banking Law, applicable to the operation of a financial institution in Peru and is determined as follows:

	<u>In thousands of S/.</u>	
	<u>2014</u>	<u>2013</u>
Level 1 regulatory capital:		
Paid- in capital stock	3,109,899	3,050,654
Plus:		
Legal reserve	49,863	43,283
Additional capital	-	34
Less:		
Accumulated loss	2,256	3,677
Unrealized losses on available-for-sale investments	11,615	29,839
	-----	-----
Total regulatory capital	3,145,891	3,060,455
	=====	=====

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As of December 31, 2014, the requirement for effective capital for credit risk determined by the Fund according to legislation applicable to financial institutions amounts to S/. 3,099,341 thousand (S/. 3,007,451 thousand, as of December 31, 2013), while regulatory capital requirements for market and operational risk amount to S/. 23,505 thousand and S/. 23,043 thousand, respectively (S/. 34,897 thousand and S/. 18,107 thousand, respectively as of December 31, 2013).

According to the Law No. 26702, The Peruvian Banking Law, the regulatory capital must be equal to or greater than 10% of the total risk weighted assets and contingent credits, which corresponds to the sum of the amount of: i) regulatory capital requirements for market risk multiplied by 10, ii) regulatory capital requirements for operational risk multiplied by 10, and iii) risk weighted credit related contingent assets. As of December 31, 2014, the regulatory capital of the Fund represents 45.60% of minimum capital requirements per market, operational and credit risks (60.34% as of December 31, 2013).

On April 2, 2009, via SBS Resolution No. 2115-2009, the SBS approved the rules for the regulatory capital requirement for operational risk, effective July 1, 2009. In this respect, the Fund has applied the base-indicator method for the calculation of the regulatory capital for operational risk as of the date of these financial statements.

On July 20, 2011, the SBS enacted Resolution No. 8425-2011 approving the Regulations on Additional Regulatory Capital Requirement indicating that regulatory capital shall be equal to the sum total of regulatory capital requirements, calculated per each of the following components: i) economic cycle, ii) concentration risk, iii) market risk concentration, iv) interest rate risk in banking records, and v) other risks. As from the effective date of this standard, financial entities will have a five-year term to conform all of their regulatory capital to the level indicated in such Resolution. This additional requirement has come into force progressively starting in July 2012. As of December 31, 2014 and 2013, the global regulatory capital excess is as follows:

	<u>In thousands of S/.</u>	
	<u>2014</u>	<u>2013</u>
Minimum regulatory capital requirement:		
For credit, market, and operational risks	689,818	507,201
Additional regulatory capital	87,211	47,582
	-----	-----
Total minimum requirement	777,029	554,783
	=====	=====
Total calculated regulatory capital	3,145,891	3,060,455
	=====	=====
Global regulatory capital excess	2,368,862	2,505,672
	=====	=====

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(b) Capital shares

As of December 31, 2014, the Fund's capital stock was comprised of 3,109,899,030 subscribed and paid common shares (3,050,653,965 common shares as of December 31, 2013). All shares have voting rights and a par value of S/. 1 each.

As of December 31, 2014 and 2013, the only shareholder of the Fund is FONAFE.

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

On April 12, 2013 the Fund's General Shareholder Meeting approved the capitalization of 2012 profit for S/. 82,494 thousand, increasing capital from S/. 2,968,160 thousand to S/. 3,050,654 thousand.

(c) Reserve

Pursuant to the Law No. 26702, 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 for the relevant year, and supersedes the reserve referred to in the Companies Act. On the other hand, as stipulated in the Law No. 26702, the amount of the legal reserve may also be increased with contributions made by the Fund's shareholder for this purpose.

The General Shareholder Meeting held on March 25, 2014, approved the increase of the legal reserve amounting to S/. 49,862 thousand charged to the retained earnings for the 2013 fiscal year.

(d) Adjustment to equity

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

	<u>In thousands S/.</u>	
	<u>2014</u>	<u>2013</u>
Opening balance	(33,474)	967
Unrealized gain (loss) on investments available-for-sale of the Fund	11,097	(31,506)
Unrealized gain (loss) on investments available-for-sale of the CRC-PBP Trust	1,302	(4,821)
Unrealized gain on cash flow hedging transactions of the Fund	10,028	-
Transfer of loss on available-for-sale investments to results, net of incurred gains	11,763	1,886
Deferred income tax	(3,724)	-
Total	<u>(3,008)</u>	<u>(33,474)</u>

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(17) Contingent and memoranda accounts

This item comprises the following:

	<u>In thousands of S/.</u>	
	<u>2014</u>	<u>2013</u>
Contingent:		
Swaps (a)	1,913,521	-
Forwards (b)	849,188	243,760
Other contingent assets and liabilities	831,146	807,733
	-----	-----
	3,593,855	1,051,493
	-----	-----
Memoranda accounts:		
Stand-by letters of credit and surety bonds received as guarantees (c)	704,470	466,849
Fund Law No. 27677 (d)	496,266	857,896
Funds received from Ministry of Housing, Construction and Sanitation – BFH (e)	101,872	6,576
Partial payments in favor of the Fund	-	200,000
CRC-PBP Trusts (f)	73,252	67,092
Write-off of uncollectible accounts (g)	36,174	28,169
Equity contributions (h)	18,222	18,222
Effective agreements signed with suppliers	8,620	9,690
Suspended interest of Ex-Coneminsa portfolio and other accounts receivable (i)	6,391	10,213
Securities and bonds outstanding	6,107	4,565
Mortgage guarantees received (j)	2,575	2,411
Other	411	384
	-----	-----
	1,454,360	1,672,067
	-----	-----
Trusts and autonomous equity in administration:		
CRC-PBP Trusts (k)	149,441	148,707
Las Garzas Trust	23,926	23,903
	-----	-----
	173,367	172,610
	-----	-----
	5,221,582	2,896,170
	=====	=====

- (a) Corresponds to the commitment on the swap transactions of US dollar and Swiss franc purchases contracted by the Fund in order to hedge its accounts payable in such currencies, which amounted to US\$ 500,000 thousand and CHF 140,000 thousand as of December 31, 2014.

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- (b) Corresponds to the commitment on the forward transactions of US dollars and Swiss francs sales and purchases contracted by the Fund in order to hedge its accounts receivable in such currencies, which amounted to US\$ 95,605 thousand and CHF 88,890 thousand as of December 31, 2014 (US\$ 87,213 thousand as of December 31, 2013).
- (c) Corresponds to the stand-by letters of credit received as guarantee from the Technical Agencies under the contracts signed by the Techo Propio Program over the BFH and the Household Savings product, as well as stand-by letters of credit received from suppliers in the context of certain supply and service agreements.
- (d) Corresponds to the value of total assets, liabilities, income, expenses and equity of the "Fund Law" which was constituted by Public Deed dated February 13, 2002, with the resources transferred to the Fund from the winding up of FONAVI, for their administration, recovery and intermediation through IFI's.
- (e) Corresponds to the funds received from the Ministry of Housing, Construction and Sanitation for the financing of the family housing allowances (BFH) of households that accessed to the Techo Propio Program.
- (f) Corresponds to the recognition of the rights acquired by the Fund in connection with the establishment of the CRC - PBP trusts in nuevos soles and US dollars for an amount of S/. 35,259 thousand and S/. 37,993 thousand, respectively (S/. 32,717 thousand and S/. 34,375 thousand as of December 31, 2013, respectively).
- (g) Corresponds to write-offs of accounts receivable (capital and interest) due from Banco Banex (in liquidation) and Banco Orión (in liquidation). Those write-offs were approved by the Fund's Board of Directors.
- (h) Corresponds to a claim made by the Fund to MEF on contributions to FONAVI - Employer Contributions, as provided by Law No. 26969 – FONAVI Liquidation Law, that the Fund considers should have been granted to the Fund.
- (i) Corresponds to the accrued interest of the overdue portfolio of ex-CONEMINSA and other accounts receivable.
- (j) Corresponds to mortgage guarantees received from two financial institutions undergoing liquidation for the loan portfolio that the Fund maintained with them.
- (k) Corresponds to the value of total assets, liabilities, income, expenses and equity of CRC - PBP trusts in nuevos soles and US dollars.

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(18) Contingency

As of December 31, 2014, the Fund holds the following contentious processes:

- (a) Lawsuits on labor issues related to profit sharing payment and reimbursement of fringe benefits. As of December 31, 2014, the Fund recorded a provision for S/. 1,196 thousand for this item (S/. 621 thousand as of December 31, 2013).
- (b) Various constitutional procedures (protective action) related to the reestablishment of labor rights to former employees of the Funds and to the cancellation of records to technical entities for committed infringements.
- (c) Administrative procedure with DHMONT & CG & M S.A.C. Consortium (the claimant) in the context of which an administrative resolution is being challenged. The claimant is seeking the annulment of the letter by virtue of which the Fund refused to return the stand-by letter of credit which was posted as a condition to appeal the award under the Collique public bid. The amount in dispute is S/. 4,870 thousand. The judge ordered the Fund to reimburse US\$ 250 thousand equivalent to S/. 747 thousand, for which, as of December 31, 2014 the Fund has made a provision of US\$ 240 thousand was recorded, equivalent to S/. 715 thousand.
- (d) Arbitration proceeding with Veritas Edificaciones S.A.C. and CG&M Proyectos y Construcciones S.A.C. The claim involves an amount of US\$ 7,327 thousand.

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

(19) Interest income

This item comprises the following:

	<u>In thousands of S/.</u>	
	<u>2014</u>	<u>2013</u>
Cash and due from banks	8,357	12,207
Available-for-sale investments (note 7)	18,333	12,147
Held-to-maturity investments (note 7)	107	302
Accounts receivable	287,711	222,643
Other finance income	1,247	1,413
	-----	-----
	315,755	248,712
	=====	=====

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

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(20) Interest expenses

This item comprises the following:

	<u>In thousands of S/.</u>	
	<u>2014</u>	<u>2013</u>
Borrowings and obligations	19,309	2,967
Securities, bonds and obligations outstanding (note 14(b))	79,247	45,288
Commissions and other charges for borrowings and financial obligations	1	-
Accounts payable	-	157
Other finance costs	46,133	38,918
	-----	-----
	144,690	87,330
	=====	=====

The other finance costs correspond mainly to the good payer award granted through the Trust agreement – COFIDE.

(21) Financial services revenues

This item comprises the following:

	<u>In thousands of S/.</u>	
	<u>2014</u>	<u>2013</u>
Revenues from trust and trust fees	521	498
Various income	5,585	6,380
	-----	-----
	6,106	6,878
	=====	=====

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

(22) Administrative expenses

This item comprises the following:

	<u>In thousands of S/.</u>	
	<u>2014</u>	<u>2013</u>
Personnel and Board of Directors expenses (a)	21,429	17,905
Services received from third parties (b)	29,498	21,915
Taxes and contributions	398	267
	-----	-----
	51,325	40,087
	=====	=====

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

	<u>In thousands of S/.</u>	
	<u>2014</u>	<u>2013</u>
Remuneration	11,117	8,503
Employee profit sharing	3,794	4,384
Gratuities	1,824	1,389
Severance indemnities	1,070	810
Security and indemnities	1,028	786
Vacation	907	770
Training	202	119
Other	1,487	1,144
	-----	-----
	21,429	17,905
	=====	=====

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

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

	<u>In thousands of S/.</u>	
	<u>2014</u>	<u>2013</u>
Advertising	15,260	7,606
Advisory services	3,955	4,617
Rental of goods and properties	1,843	1,869
Travel expenses	1,014	500
TIC project expenses FONAFE	1,001	1,046
Communications	899	544
Repair and maintenance	885	1,080
Mobility	675	425
Guarding and protection	457	410
Insurance	301	311
Telemarketing services	236	38
Courier services	211	203
Public services	209	148
Cleaning services	156	126
Office supplies	93	154
Other expenses	2,303	2,838
	-----	-----
	29,498	21,915
	=====	=====

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(c) Remuneration for directors

The total amount paid during 2014 and 2013 to the members of the Fund's Board of Directors amounts to S/. 220 thousand, and S/. 173 thousand, respectively.

(d) Remuneration for management staff

Payments regarding salaries and other benefits received by the Fund's executives officers, during 2014 and 2013 amounted to S/. 2,729 thousand and S/. 3,104 thousand respectively.

(23) Tax matters

- (a) The Fund has determined a provision for current income tax as of December 31, 2014 amounted to S/. 21,626 thousand (S/. 23,724 thousand as of December 31, 2013).

Income tax returns for years 2013 through 2014, are still subject for review by the Peruvian tax authorities. Any major expenses exceeding the provisions made to cover the tax obligations will be charged to profit or loss of the period in which those expenses are finally settled. It is Management's opinion that, as a result of this review, no significant liabilities will affect the financial statements as of December 31, 2014.

- (b) In 2005, the Temporary Tax on Net Assets (ITAN, by its Spanish acronyms) was established. Taxable base is composed of the prior period adjusted net asset value less depreciation, amortization, legal cash reserve and specific provisions for credit risk. The tax rate, as from 2009, is 0.4% applicable to the amount of assets exceeding S/. 1,000 thousand. It may be paid in cash or in nine consecutive monthly installments. The amount paid may be used as a credit against partial payments of Income Tax General Regime for taxable periods from March to December of the fiscal period for which the tax was paid until the maturity date of each of the partial payments, and as a credit for regularization payments of income tax of the corresponding taxable period. The Fund has calculated the Temporary Tax on Net Assets as of December 31, 2014 at S/. 20,848 thousand (S/. 14,345 thousand as of December 31, 2013).

- (c) In accordance with current tax legislation, corporate income tax for 2014 and 2013 is calculated on the basis of the net taxable profit at a rate of 30%.

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

Legal entities and individuals not domiciled in Peru are subject to withholding for an additional tax on dividends received. In this regard, Law No. 30296 establishes that the additional tax on dividends from income generated will be 4.1% for profits generated until December 31, 2014, and will progressively increase to 6.8% for years 2015 and 2016, to 8% for the years 2017 and 2018 and to 9.3% for the year 2019 onwards.

- (d) Technical assistance provided by non-domiciled legal entities is subject to a 15% withholding tax, regardless of the location where the service is rendered and provided that income tax law requirements are met.

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(e) As of December 31, 2014 and 2013, the tax rate on financial transactions was 0.005% and it is applied on each deposit and withdrawal made to and from a bank account, unless the account is tax-exempt.

(f) Reconciliation of income tax effective rate is as follows:

	2014		2013	
	S/.	%	S/.	%
Income before tax	102,816	100.00	90,146	100.00
Tax calculated as per current statutory rate	30,845	30.00	27,044	30.00
Tax effect on additions and deductions:				
Permanent differences	5,535	5.38	(2,758)	(3.06)
Others	(5,064)	(4.93)	70	0.08
Current and deferred income tax recorded as per effective rate	31,316	30.46	24,356	27.02

(g) Income tax expense as shown in the statement of income includes:

	In thousands of S/.	
	2014	2013
Income tax:		
Current	21,626	23,724
Deferred	9,690	632
	31,316	24,356

(24) Financial risk management

The Fund's activities as a second-tier bank may expose it to a variety of financial risks that include effects of fluctuations in the rate of exchange of the nuevo sol against foreign currencies, interest rates, liquidity risks and credit risks. The Fund's program for the management of risks seeks to minimize potential adverse effects on its financial behavior.

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

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Market risk

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

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

Thus, the management of resource allocations and financial management are constrained by various limits that require risk level which the management considerate adequate. These risk levels are periodically reviewed so that the needs and strategies of management are addressed, as well as variations in market conditions.

Resource allocation activities are managed according to internal limits applicable to each IFI. These internal limits are a function of IFI following variables: rating, global capital ratio, size of regulatory capital, among others.

The financial management activities, as part of the process of asset and liability management, allow identifying, managing, and controlling the liquidity and interest rate risk arising from the Fund's financing and investment activities. Such financial activities are managed according to the following approved limits: concentration limits by currency, issuer concentration limits, concentration limits for type of investment, VaR Limits (Value at Risk), tolerance limits of expected maximum loss ("Stop Loss"), internal liquidity ratio, structural interest rate risk internal limit, among others.

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

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As of December 31, 2014 and 2013, the exposure of the Fund to interest rate risk is considering repricing dates of the instruments as follows:

Year 2014	In thousands of S/. (*)							
Interest rate risk	Up to 1 month	1 - 2 months	2 - 3 months	3 - 6 months	6 - 12 months	More than 12 months	No accrued interest	Total
Assets:								
Cash and due from banks	1,469,740	-	-	-	25,576	-	-	1,495,316
Investments	1,078	2,431	954	4,815	18,896	308,264	-	336,438
Accounts receivable (Trust agreement – COFIDE)	34,757	33,500	33,394	100,481	222,142	4,808,253	-	5,232,527
Accounts receivable from financial derivatives	-	-	-	-	-	-	98,007	98,007
Total assets	1,505,575	35,931	34,348	105,296	266,614	5,116,517	98,007	7,162,288
Liabilities:								
Borrowings and financial obligations	21,882	-	-	569,798	88,029	3,273,351	-	3,953,060
Accounts payable to financial derivatives	-	-	-	-	-	-	23,328	23,328
Total liabilities	21,882	-	-	569,798	88,029	3,273,351	23,328	3,976,388
Off-balance sheet accounts:								
Derivative instruments, assets	-	-	-	-	-	-	2,221,268	2,221,268
Derivative instruments, liabilities	-	-	-	-	-	-	(541,441)	(541,441)
	-	-	-	-	-	-	1,679,827	1,679,827
Marginal gap	1,483,693	35,931	34,348	(464,502)	178,585	1,843,166	1,754,506	4,865,727
Accumulated gap	1,483,693	1,519,624	1,553,972	1,089,470	1,268,055	3,111,221	4,865,727	

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

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Year 2013	In thousands of S/. (*)							
Interest rate risk	Up to 1 month	1 - 2 months	2 - 3 months	3 - 6 months	6 - 12 months	More than 12 months	No accrued interest	Total
Assets:								
Cash and due from banks	408,506	-	-	-	-	-	-	408,506
Investments	-	3,091	1,064	5,892	14,449	312,682	-	337,178
Accounts receivable (Trust agreement – COFIDE)	26,958	26,008	26,412	79,314	157,437	4,038,942	-	4,355,071
Accounts receivable from financial derivatives	-	-	-	-	-	-	737	737
Total assets	435,464	29,099	27,476	85,206	171,886	4,351,624	737	5,101,492
Liabilities:								
Borrowings and financial obligations	18,762	387	1,972	5,806	412,348	1,362,388	-	1,801,663
Accounts payable to financial derivatives	-	-	-	-	-	-	382	382
Total liabilities	18,762	387	1,972	5,806	412,348	1,362,388	382	1,802,045
Off-balance sheet accounts:								
Derivative instruments, assets	-	-	-	-	-	-	223,600	223,600
Derivative instruments, liabilities	-	-	-	-	-	-	(20,160)	(20,160)
	-	-	-	-	-	-	203,440	203,440
Marginal gap	416,702	28,712	25,504	79,400	(240,462)	2,989,236	203,795	3,502,887
Accumulated gap	416,702	445,414	470,918	550,318	309,856	3,299,092	3,502,887	

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

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The estimated change effects of interest rates as of December 31, 2014 and 2013 are the following:

	In thousands of S/. (*)			
	Effects to results before income tax			
	2014		2013	
<u>Change in interest rates</u>	<u>Local currency</u>	<u>Foreign currency</u>	<u>Local currency</u>	<u>Foreign currency</u>
2.0%	(77)	(20,541)	5,255	(11,459)
1.5%	(58)	(15,406)	3,941	(8,594)
1.0%	(38)	(10,270)	2,627	(5,730)
0.5%	(19)	(5,135)	1,314	(2,865)
0%	-	-	-	-
0.5%	19	5,135	(1,314)	2,865
1.0%	38	10,270	(2,627)	5,730
1.5%	58	15,406	(3,941)	8,594
2.0%	77	20,541	(5,255)	11,459

	In thousands of S/. (*)			
	Effects in equity before income tax			
	2014		2013	
<u>Change in interest rates</u>	<u>Local currency</u>	<u>Foreign currency</u>	<u>Local currency</u>	<u>Foreign currency</u>
2.0%	(89,131)	(8,184)	(71,387)	5,398
1.5%	(66,848)	(6,138)	(53,540)	4,048
1.0%	(44,565)	(4,092)	(35,693)	2,699
0.5%	(22,283)	(2,046)	(17,847)	1,349
0%	-	-	-	-
0.5%	22,283	2,046	17,847	(1,349)
1.0%	44,565	4,092	35,693	(2,699)
1.5%	66,848	6,138	53,540	(4,048)
2.0%	89,131	8,184	71,387	(5,398)

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

In addition to this, it is necessary to indicate that interest rate risk of the government's bonds investments, certificates of deposit of BCRP and corporate bonds are managed using the value at risk model.

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

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As of December 31, 2014 and 2013, the exposure of the Fund to exchange risk is as follows:

Currency risk	In thousands of S/.						
	2014			2013			
	U.S.dollars	Swiss francs	Nuevos soles	Total	U.S.dollars	Nuevos soles	Total
Monetary assets:							
Cash and due from banks	1,271,919	-	223,397	1,495,316	337,375	71,131	408,506
Available-for-sale investments	244,627	-	89,740	334,367	183,925	146,806	330,731
Held-to-maturity investments	2,071	-	-	2,071	-	6,447	6,447
Accounts receivable (Trust agreement-COFIDE)	365,112	-	4,867,415	5,232,527	404,497	3,950,574	4,355,071
Accounts receivable from financial derivatives	-	-	98,007	98,007	-	737	737
Other accounts receivable	66	-	580,360	580,426	111	68,441	68,552
Current taxes	-	-	26,955	26,955	-	13,723	13,723
Total monetary assets	1,883,795	-	5,885,874	7,769,669	925,908	4,257,859	5,183,767
Monetary liabilities:							
Deposits and obligations	-	-	176	176	-	162	162
Borrowings and financial obligations	2,394,038	752,874	806,148	3,953,060	1,399,138	402,525	1,801,663
Accounts payable to financial derivatives	7,456	-	15,872	23,328	-	382	382
Other accounts payable	3,394	-	555,256	558,650	1,336	253,244	254,580
Total monetary liabilities	2,404,888	752,874	1,377,452	4,535,214	1,400,474	656,313	2,056,787
Accounts of the statement of financial position:							
Derivative instruments, assets	1,533,746	687,522	(2,221,268)	-	223,600	(223,600)	-
Derivative instruments, liabilities	(541,441)	-	541,441	-	(20,160)	20,160	-
	992,305	687,522	(1,679,827)	-	203,440	(203,440)	-
Net monetary position	471,212	(65,352)	2,828,595	3,234,455	(271,126)	3,398,106	3,126,980

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

Models	In thousands of S/.		% Effective equity	
	2014	2013	2014	2013
Regulatory model	2,787	5,423	0.09%	0.18%
Internal model	2,896	6,721	0.09%	0.22%
Global position	(199,117)	(276,627)	6.33%	9.03%
	Oversold	Oversold	Oversold	Overpurchase

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

Liquidity risk

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

Financial Management is guided by policies defined by the Risks Management Committee concerning the exposure for type of instrument, maximum allowed risk, maximum loss and gains limits and limits on currency hedge.

Regarding this, there are policies to maintain hedging with derivatives financial instruments which have increased as a result of the issuance of bonds stated in US dollars and Swiss francs, by the Fund in the international market.

With this availability of resources, the Fund is in capacity to cover the IFIs’ financing demands.

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

<u>2013</u>	In thousands of S/.				
	Up to 1 month	Between 1 and 3 months	Between 4 and 12 months	More than 1 year	Total
<u>Exposure to liquidity risk</u>					
Risk of statement of financial position					
Liability:					
Deposits and obligations	-	-	162	-	162
Borrowings and financial obligations	24,857	2,442	438,409	1,813,256	2,278,964
Accounts payable to financial derivatives	382	-	-	-	382
Other accounts payable	8,433	145	5,037	240,965	254,580
Other liabilities	-	-	-	5,046	5,046
Total	33,672	2,587	443,608	2,059,267	2,539,134

The liquidity risk is managed by analyzing contractual maturities. The main component of the Fund's assets are accounts receivable; loans disbursed to financial institutions are recorded under accounts receivable. Maturities are based on monthly maturities of the loans made. Another component of assets are investments which are distributed according to contractual term.

The liquidity risk management focuses on developing a portfolio of assets and liabilities seeking diversification of funding sources in order to achieve the balance between the periods of assets and liabilities.

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

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Credit risk

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

Risk analysis is mainly based on: i) economic, financial and commercial evaluation, ii) evaluation of market development, iii) evaluation of the management of the company, iv) assessment of funding sources and real estate projects, v) assessment of guarantees and collateral, and vi) assessment of the economic sector.

The main functions of risk management are: i) the analysis of credit risk Financial Institution (IFI), ii) analysis of credit risk of the final borrower, iii) the classification and provisioning of the IFI, iv) the classification and provisioning of end borrower, v) review of the portfolio of loans to financial institutions, through the assessment of their credit policies, operating procedures, and in general, all financial and operational aspects of the institution, and vi) monitoring and monthly control of IFI from financial indicators set internally.

Credits financed by the Fund, are placed in local currency. It is clear that the Fund still has balance of loans in dollars, corresponding to the first products disbursed by the Fund (11% of total loans).

As of December 31, 2014, the maximum exposure to credit risk of the Fund was S/. 5,278,287 thousand, representing the balance of accounts receivable (according Trust - COFIDE).

These loans are backed by mortgages provided by the final borrowers. The IFI verifies that the guarantees are properly constituted.

Because of its role as trustee, COFIDE has mechanisms through contracts signed channeling resources with IFIs, in order to ensure the mass of mortgages placed by the Fund, whereby the IFI must respond.

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

Although the Risk Committee has some flexibility in determining when a line of credit from a financial institution, in practice, such approval is ultimately at the discretion of the Risk Management Committee and Board approved.

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As of December 31, 2014 and 2013, the Fund's exposure to credit risk based on the risk classification of the final beneficiary of the credit is as follows:

- By final client

	In thousands of S/.			
	2014		2013	
	Portfolio balance	%	Portfolio balance	%
Portfolio not past due nor impaired:				
Normal	4,957,041	93.9	4,172,034	94.9
Potential problems	76,305	1.5	62,614	1.4
	5,033,346	95.4	4,234,648	96.3
Impaired portfolio:				
Deficient	68,051	1.3	46,438	1.1
Doubtful	86,263	1.6	55,921	1.3
Loss	90,627	1.7	57,046	1.3
	244,941	4.6	159,405	3.7
Gross portfolio	5,278,287	100.0	4,394,053	100.0

- By IFI's

	In thousands of S/.			
	2014		2013	
	Portfolio balance	%	Portfolio balance	%
Portfolio not past due nor impaired:				
Normal	5,123,831	97.1	4,034,161	91.8
Potential problems	154,456	2.9	359,892	8.2
	5,278,287	100.0	4,394,053	100.0
Impaired portfolio:				
Deficient, doubtful and loss	-	-	-	-
Gross portfolio	5,278,287	100.0	4,394,053	100.0

(25) Fair value

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

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

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As of December 31, 2014 and 2013, the fair values of the financial instruments of the Fund are the following:

	In thousands of S/.			
	2014		2013	
	Carrying amount	Fair value	Carrying Amount	Fair value
Assets:				
Cash and due from banks	1,495,316	1,495,316	408,506	408,506
Debt instruments	334,367	334,367	330,731	330,731
Held- to- maturity investments	2,071	2,071	6,447	6,447
Accounts receivable (Trust agreement - COFIDE)	5,232,527	5,232,527	4,355,071	4,355,071
Accounts receivable from financial derivatives	98,007	98,007	737	737
Other receivables	580,426	580,426	68,552	68,552
	<u>7,742,714</u>	<u>7,742,714</u>	<u>5,170,044</u>	<u>5,170,044</u>
Liabilities:				
Deposits and obligations	176	176	162	162
Borrowings and financial obligations	3,953,060	3,882,321	1,801,663	1,758,163
Accounts payable to financial derivatives	23,328	23,328	382	382
Other payables	558,650	558,650	254,580	254,580
	<u>4,535,214</u>	<u>4,464,475</u>	<u>2,056,787</u>	<u>2,013,287</u>

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

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

- (a) The instruments represents cash or short-term deposits, not presenting significant credit risks.
- (b) Available-for-sale investments generally have share price or market value through discounted cash flows.
- (c) The fair value, of the accounts receivable (Trust agreement – COFIDE) are similar to their carrying value, net of their corresponding provision for loan losses, according to the “Official Letter SBS N° 1575-2014-SBS”.
- (d) Debts due to Banks and correspondents generate interest at fixed and floating rates and they have short and long term maturities. The fair value of such financial instruments is calculated using discounted cash flows at current rates for liabilities with similar characteristics. As a result of the calculation, the estimated market value does not differ significantly from the carrying value.

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- (e) Outstanding bonds and debentures bear interest at fixed rates. The fair value of such financial instruments was calculated using flows discounted at current rates for liabilities with similar characteristics. As a result of calculation, the estimated market value does not differ significantly from carrying value.
- (f) The commitments of purchase and sale of foreign currency are recorded in book entries at their estimated market values, so that there are no differences with their corresponding fair values.

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

Level 1: instruments quoted in active markets.

Level 2: instruments quoted in inactive markets.

Level 3: instruments not quoted.

	In thousands of S/.					
	2014			2013		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets:						
Available-for-sale investments						
Debt instruments	76,861	257,506	-	191,068	139,662	-
Accounts receivable from financial derivatives	-	-	98,007	-	-	737
Other receivables	21,703	37,534	-	-	63,202	-
	=====	=====	=====	=====	=====	=====
	98,564	295,040	98,007	191,068	202,864	737
Liabilities:						
Debts and financial obligations	3,076,173	-	806,148	1,355,638	-	402,525
Accounts payable to financial derivatives	-	-	23,328	-	-	382
	=====	=====	=====	=====	=====	=====
	3,076,173	-	829,476	1,355,638	-	402,907

(26) Subsequent events

On January 16, 2015, the Fund received from the Ministry of Housing, Construction and Sanitation the amount of S/. 507,024 thousand for the payment of the loan (principal plus interest) that as of December 31, 2014 the Fund had with Banco de la Nación, that in accordance with the Emergency Decree No. 002-2014. Also, on the same date, the Fund paid off the borrowing held with Banco de la Nación for the same amount.