

Fondo MIVIENDA S.A.
Statement of Financial Position
As of September 30, 2014 and December 31, 2013
(in thousands of nuevos soles)

	Notes	2014	2013		Notes	2014	2013
ASSETS				LIABILITIES			
CASH AND DUE FROM BANKS				OBLIGATIONS TO THE PUBLIC			
Cash	5	1,847,666	408,506			413	162
Peruvian Central Bank		0	0	Demand deposits		0	0
Banks and other local financial system companies		250	198	Savings accounts deposits		0	0
Banks and other foreign financial system companies		1,847,323	408,080	Long-term obligations		0	0
Exchange		0	0	Other obligations		413	162
Other liquid assets		0	0	INTERBANK FUNDS		0	0
		93	228	DEPOSITS FROM FINANCIAL SYSTEM COMPANIES AND INTERNATIONAL FINANCIAL ORGANIZATIONS		0	0
INTERBANK FUNDS		0	0	Demand deposits		0	0
INVESTMENTS AT FAIR VALUE WITH PROFIT OR LOSS		0	0	Savings deposits		0	0
Capital Instrument		0	0	Time deposits		0	0
Debt Instrument		0	0	DEBTS AND FINANCIAL OBLIGATIONS	14	3,947,542	1,801,663
Investments in Commodities		0	0	Debts and Obligations with the Peruvian Central Bank		0	0
AVAILABLE-FOR-SALE INVESTMENTS	6	334,080	330,731	Debts and obligations with local financial entities and institutions		880,243	402,525
Equity instruments		0	0	Debts and obligations with foreign companies and international financial organizations		0	0
Debt Instruments		334,080	330,731	Other local and foreign debts and obligations		0	0
HELD-TO-MATURITY INVESTMENTS	6	0	6,447	Securities		3,067,299	1,399,139
LOAN PORTFOLIO		0	0	TRADING DERIVATIVES		0	0
Current Loans Portfolio		0	0	HEDGING DERIVATIVES	8	30,995	382
Restructured Loans Portfolio		0	0	ACCOUNTS PAYABLE	15	705,102	254,580
Refinanced Loans Portfolio		0	0	PROVISIONS	15	5,227	6,761
Past Due Loans Portfolio		0	0	Provision for contingent loans		0	0
Loan Portfolio in Judicial Collection		0	0	Provision for lawsuits and disputes		1,558	1,293
(-) Provisions for Loans		0	0	Other		3,669	5,478
TRADING DERIVATIVES		0	0	CURRENT TAXES		0	0
HEADGING DERIVATIVES	8	18,861	737	DEFERRED INCOME TAX		0	0
ACCOUNTS RECEIVABLE		5,615,570	4,423,623	OTHER LIABILITIES	15	2,781	5,046
Accounts receivable from sale of assets and services and from the Trust (net)	7	5,090,853	4,422,163	TOTAL LIABILITIES		4,692,060	2,068,594
Other accounts receivable (net)	9	524,717	1,460	SHAREHOLDERS' EQUITY			
REALIZABLE ASSETS RECEIVED IN PAYMENT, AWARDED		0	0	Capital stock	16b	3,050,654	3,050,654
Realizable assets		0	0	Additional capital		34	34
Assets received in payment and awarded		0	0	Treasury shares in portfolio		0	0
SHARES		0	0	Reserves	16c	49,863	43,283
Subsidiaries		0	0	Retained earnings		56,574	-3,677
Affiliated and shares in joint ventures		0	0	Fiscal year net profit (loss)		45,716	65,790
Other		0	0	Adjustments to equity	16d	-31,387	-29,797
PROPERTY, FURNITURE AND EQUIPMENT (NET)	10	911	1,122	TOTAL SHAREHOLDERS' EQUITY		3,171,454	3,126,287
INTANGIBLE ASSET OTHER THAN THE CAPITAL GAIN	11	1,432	825				
CAPITAL GAIN		0	0				
CURRENT INCOME TAXES		25,051	13,723				
DEFERRED INCOME TAX	12	18,611	7,842				
NON-CURRENT ASSETS HELD FOR SALE		1	13				
OTHER ASSETS	13	1,331	1,312				
TOTAL ASSETS		7,863,514	5,194,881	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		7,863,514	5,194,881
CONTINGENT ACCOUNTS RECEIVABLE	17	3,418,846	1,051,493				
MEMORANDA ACCOUNTS	17	133,520	128,494				
CONTRA ACCOUNT OF CREDIT BALANCE MEMORANDUM ACCOUNTS	17	742,774	685,677				
TRUSTS, DEBTOR TRUST FEES, AND TRUST CREDITOR CONTRA ACCOUNTS	17	169,272	1,030,506				

Fondo MIVIVIENDA S.A.
Income Statement
For the periods ended September 30, 2014 and 2013
(In thousands of nuevos soles)

Notes	For the Qtr. from July 1 to September 30, 2014	For the Qtr. from July 1 to September 30, 2013	For the accumulated period from Jan. 1 to September 30, 2014	For the accumulated period from Jan. 1 to September 30, 2013
INTEREST INCOME				
Available	3,489	2,209	5,505	11,195
Interbank funds	0	0	0	0
Investments at fair value with profit or loss	0	0	0	0
Available for sale investments	4,466	2,992	13,708	7,793
Held to maturity investments	0	102	103	220
Direct loans portfolio	0	0	0	0
Income from hedging transactions	0	0	0	0
Accounts receivable	74,679	59,256	210,152	159,481
Other financial income	193	630	1,105	1,442
TOTAL INTEREST INCOME	19 82,827	65,189	230,573	180,131
INTEREST EXPENSES				
Obligations with the Public	0	0	0	0
Interbank funds	0	0	0	0
Deposits from financial system entities and international financial organizations	0	0	0	0
Debts and financial obligations	-29,140	-12,742	-74,696	-33,147
Debts and obligations with the Peruvian Central Bank	0	0	0	0
Debts and obligations of the local financial system	-6,013	-55	-18,669	-498
Debts and obligations with foreign financial entities and international financial organizations	0	0	0	0
Other local and foreign debts and obligations	0	0	0	0
Fees and other charges for debts and financial obligations	0	0	0	0
Outstanding securities, bonds and debentures	-23,127	-12,687	-56,027	-32,649
Account payable interest	0	-10	0	-157
Income (expense) from hedging transactions	0	0	0	0
Other Financial Expenses	-11,705	-9,783	-33,925	-28,396
TOTAL INTEREST EXPENSES	20 -40,845	-22,535	-108,621	-61,700
GROSS FINANCIAL MARGIN	41,982	42,654	121,952	118,431
(-) Provisions for direct loans	0	0	0	0
NET FINANCIAL MARGIN	41,982	42,654	121,952	118,431
INCOME FROM FINANCIAL SERVICES				
Income from indirect loans	21 1,518	1,707	4,566	5,264
Income from trusts and trust fees	0	0	0	0
Miscellaneous income	132	122	385	373
FINANCIAL SERVICES EXPENSES	-29	-34	-93	-83
Indirect loan expenses	0	0	0	0
Trust and trust fee expenses	0	0	0	0
Premium to deposit insurance fund	0	0	0	0
Miscellaneous expenses	-29	-34	-93	-83
NET FINANCIAL MARGIN OF INCOME AND EXPENSES FROM FINANCIAL SERVICES	43,471	44,327	126,425	123,612
INCOME (EXPENSE) FROM FINANCIAL TRANSACTIONS (ROF)				
Investments at fair value with profit or loss	10,087	-7,330	-17,074	-26,772
Investments at fair value with profit or loss	0	0	0	0
Investments in commodities	0	0	0	0
Available for sale investments	0	0	0	0
Trading derivatives	0	-6,678	-2,259	-6,070
Income (expense) from hedging transactions	-53,123	0	-60,374	-2,128
Gains (losses) on shares	0	0	0	0
Profit (loss) of exchange rate difference	68,636	454	55,770	-19,977
Other	-5,426	-1,106	-10,211	1,403
OPERATING MARGIN	53,558	36,997	109,351	96,840
ADMINISTRATIVE EXPENSES				
Personnel and Board of Directors' expenses	22 -5,014	-5,067	-15,575	-12,157
Third-party service expenses	22 -8,572	-6,736	-17,073	-15,852
Taxes and contributions	22 -93	-81	-318	-201
DEPRECIATION AND AMORTIZATION EXPENSES	-145	-172	-487	-500
NET OPERATING MARGIN	39,734	24,941	75,898	68,130
ASSETS VALUATION AND PROVISIONING				
Provisions for indirect loans	0	0	0	0
Provisions for uncollectibility of account receivables	-6,546	-4,143	-15,517	-14,158
Provision for realizable assets, assets received in payment, recovered assets, awarded assets, and other	0	0	0	0
Provision for non-current assets kept for sale	0	0	-11	0
Impairment of investments	0	0	0	0
Impairment of property, furniture and equipment	0	0	0	0
Impairment of intangible assets	0	0	0	0
Provisions for litigation and claims	-149	-10	-815	-457
Other provisions	-62	-62	-186	-186
OPERATING INCOME (EXPENSE)	32,977	20,726	59,369	53,329
Other income and expenses	305	123	898	630
PROFIT (LOSS) BEFORE INCOME TAX	33,282	20,849	60,267	53,959
INCOME TAX	23f -4,568	-3,015	-14,551	-13,299
NET INCOME FOR THE PERIOD	28,714	17,834	45,716	40,660
Basic income (loss) per share	0.009	0.006	0.015	0.013

Fondo MIVIVIENDA S.A.
Comprehensive Income Statement
For the periods ended September 30, 2014 and 2013
(In thousands of nuevos soles)

	For the Qtr from July 1 to September 30, 2014	For the Qtr from July 1 to September 30, 2013	For the Accumulated period from January 1 to September 30, 2014	For the Accumulated period from January 1 to September 30, 2013
Fiscal year net profit (loss)	28,714	17,834	45,716	40,660
Another Comprehensive Income:				
Exchange difference from transactions abroad	0	0	0	0
Profit (loss) from investments in equity instruments at fair value	0	0	0	0
Cash flow hedges	5,030	0	-22,086	0
Hedging of net investment of foreign operations	0	0	0	0
Equity Interest in other comprehensive income of subsidiaries, affiliated companies, and joint ventures	0	0	0	0
Revaluation surplus	0	0	0	0
Others	3,284	2,288	-9,301	-25,676
Another comprehensive income before taxes	8,314	2,288	-31,387	-25,676
Tax on profits related to other comprehensive income components				
Exchange difference from transactions abroad	0	0	0	0
Profit (loss) from investments in equity instruments at fair value	0	0	0	0
Cash flow hedging	0	0	0	0
Hedging of net investments in foreign operations	0	0	0	0
Equity Interest in other comprehensive income of subsidiaries, affiliated companies, and joint ventures	0	0	0	0
Revaluation surplus	0	0	0	0
Others	0	0	0	0
Total tax on profits related to other comprehensive income components	0	0	0	0
Other comprehensive income	8,314	2,288	-31,387	-25,676
Total comprehensive income, net of tax on profits	37,028	20,122	14,329	14,984

Fondo MIVIVIENDA S.A.
Statement of Cash Flows
For the fiscal years ended in 2014 and 2013
(in thousands of nuevos soles)

	From January 1, 2014 to September 30, 2014	From January 1, 2014 to September 30, 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
FISCAL YEAR NET PROFIT	45,716	40,660
ADJUSTMENTS		
Depreciation and amortization	487	500
Provisions	40,557	32,520
Impairment	0	0
Other adjustments	-24,431	21,333
NET CHANGES IN ASSETS AND LIABILITIES		
Net increase (decrease) in assets		
Loans	0	0
Investments at fair value with profit or loss	0	0
Available for sale investments	7,668	-315,854
Account receivable and other	-1,180,828	-859,096
Net increase (decrease) in liabilities		
Financial liabilities, non-subordinated liabilities	2,136,567	0
Accounts payable and other	435,718	6,669
Cash flow and equivalent to cash after adjustments and net changes in assets and liabilities	1,461,454	-1,073,268
Taxes (paid) collected on earnings	-27,857	-38,686
NET CASH FLOWS FROM OPERATING ACTIVITIES	1,433,597	-1,111,954
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Cash from sale of shares	0	0
Cash paid to purchase shares	0	0
Income from sale of intangibles and property, furniture and equipment	0	0
Expenses on the purchases of intangibles, property, furniture and equipment	-884	-507
Income from held to maturity debt instrument	6,447	0
Expense on held to maturity debt instrument	0	-6,233
Other inflows related to investment activities	0	0
Other outflows related to investment activities	-25,000	0
NET CASH FLOWS FROM INVESTMENT ACTIVITIES	-19,437	-6,740
CASH FLOWS FROM FINANCING ACTIVITIES		
Income from the issuance of subordinated financial liabilities	0	0
Expenses on the recovery of subordinated financial liabilities	0	0
Income from the issuance of equity instruments	0	0
Dividends paid	0	0
Other inflows related to financing activities	0	1,117,512
Other outflows related to financing activities	0	-354
NET CASH FLOWS FROM FINANCING ACTIVITIES	0	1,117,158
Net increase (decrease) in cash and cash equivalents before changes on exchange rate	1,414,160	-1,536
Effects of exchange rate changes in cash and cash equivalents	0	39,959
Net increase (decrease) in cash and cash equivalents	1,414,160	38,423
Cash and cash equivalents at the beginning of the period	408,506	340,476
Cash and cash equivalents at the end of the period	1,822,666	378,899

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2014

In thousands of Nuevos Soles

1. Background and business activity

(a) Background

Fondo MIVIVIENDA S.A. (hereinafter the Fund) is a state-owned company under private law, ruled by Law N° 28579 and its statutes. The Fund falls within the scope of the Peruvian National Fund for the Financing of State Business Activity (*Fondo Nacional de Financiamiento de la Actividad Empresarial del Estado* or "FONAFE" for its Spanish acronym) under the Ministry of Housing, Construction and Sanitation (*Ministerio de Vivienda, Construcción y Saneamiento* or "MVCS" for its Spanish acronym). The above-mentioned 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 aims to promote and finance the acquisition, improvement and construction of homes, especially those of social interest; conduct activities related to the promotion of the flow of capital into the housing finance market; to participate in the secondary market for mortgage loans, and to contribute to the development of the capital market. All the activities of the Fund are regulated by the Superintendency of Banking, Insurance and Private Pension Fund Administrators (*Superintendencia de Banca, Seguros y Administradoras Privadas de Fondos de Pensiones* or "SBS" for its Spanish acronym), in its SBS Resolution No. 980-2006 "Regulations for Fondo MIVIVIENDA S.A."

The official 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 Family Housing Bonus (*Bono Familiar Habitacional*, or "BFH" for its Spanish acronym), on behalf of the Ministry of Housing, Construction and Sanitation – ("MVCS" for its Spanish acronym).
- (iii) Fund Resources, Law No. 27677, on behalf of the Ministry of Economy and Finance ("MEF" for its Spanish acronym).

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 Spanish acronym) - , channels resources to financial institutions within the Peruvian financial system to grant mortgage loans; among its main components, the program include the Good Payer Award (*Premio al Buen Pagador* or "PBP" for its Spanish acronym) and the Credit Risk Coverage (*Cobertura de Riesgo Crediticio* or "CRC" for its Spanish acronym).

The MIVIVIENDA Program is comprised of the following products:

- Traditional (*) MIVIVIENDA Credit
- MIHOGAR (*) Credit
- Standardized (*) MIVIVIENDA Credit
- Credit Risk Coverage and Good Payer Award service (Financing to Intermediary Financial Institutions, hereinafter IFI) (*)
- Techo Propio Complementary Credit
- New MIVIVIENDA Credit
- MICONSTRUCCIÓN Credit
- MICASA MAS Credit
- MITERRENO Credit

(*) As of September 30, 2014, these products have been discontinued. The balances remaining of loans under these programs relate only to balances receivable (note 7). The CRC-PBP service and standardized MIVIVIENDA Credit were discontinued in November 2009, the MIHOGAR Credit Project was discontinued in August 2009 and the traditional MIVIVIENDA Credit in May 2006.

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

By means of Law N° 27829 published in the newspaper El Peruano, on September 20, 2002 the Family Housing Bonus (BFH) was created. This incentive of the Techo Propio Program is granted in three modalities,

- (a) acquisition of a new home;
- (b) construction on owned lot; and
- (c) housing improvements (renovations).

In all modalities, the financing of a home under this program implies the participation of up to three components:

- (a) A subsidy channeled by the Fund with State resources, named the Family Housing Bonus (BFH);
- (b) Family savings, and
- (c) The complementary funding Techo Propio which must be granted by an IFI, as needed.

Law No. 27829 was amended by Legislative Decree No. 1037, issued on 25 June 2008. By this Legislative Decree, Article 6 of the Law was modified to provide faculty to the Fund to perform through its Own Resources the administration of BFH.

(b) Fund Law N° 27677

By virtue of Law N° 27677 dated March 1, 2002, the MIVIVIENDA S.A. Fund was entrusted the administration, recovery and channeling of the proceeds resulting from the liquidation of Fondo Nacional de Vivienda (FONAVI, for its Spanish acronym). Law No. 29625, which became effective on December 8, 2010, provides for the reimbursement of the correspondent amounts, to the workers who made contributions to FONAVI. Article 4 of Law No. 29625 approved the creation of an Ad Hoc Committee responsible for conducting and supervising all procedures relating to the reimbursement of contributions to FONAVI. The composition of such Ad Hoc Committee was approved on September 24, 2012 by Ministerial Resolution No. 609-2012-EF/10.

Likewise, the Fund set up the CRC-PBP trusts, in nuevos soles and in US Dollars, in order to ensure the required Fund's obligations related to the PBP and CRC service payments and, in turn, secure resources to pay an amount equivalent to one third (1/3) of the total loan reported by each IFI that contracted such service. It is worth noting that these trusts are ruled by SBS Resolution No. 980-2006, which approved the Fund's Regulations.

Under the public contracts with the CRC-PBP Trusts, the Fund provides the following services to the IFI:

- Credit Risk Coverage (CRC service), defined by Article 21 of the Regulations for the CRC and PBP as a guarantee provided by the Fund to the IFI (intermediary financial institution) for up to one third (1/3) of the outstanding balance of the covered loan or one-third (1/3) of the loss, the lower amount. Said amount shall be duly notified by the IFI to the Fund under the terms and conditions established in the referenced Regulations.
- Good Payer Award (PBP service), defined in Article 24 of the Regulations for the CRC and PBP as the service rendered to the IFI whereby the Fund assumes payment of the dues for the concessional tranche (the amount of the Good Payer Award) applicable to those beneficiaries of the covered loans who made prompt payment of the installments for the non-concessional tranche. Such award is used to pay, every six months, the amount of the installment due in such period for the concessional tranche of the MIVIVIENDA loan.

(c) Approval of the financial statements

The financial statements as of September 30, 2014, submitted to the SBS, Insurance Companies and AFP, were approved by the Board of Directors on July 14, 2014.

The financial statements as of December 31, 2013 were approved by the Board of Directors on January 13, 2014 and by the General Shareholders' Meeting on March 25, 2014.

(1) 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 the Development Finance Corporation (COFIDE). The aim of this agreement was the creation of a trust legal relationship whereby COFIDE receives resources from the Fund and acts as trustee on behalf of the Fund, in order to channel the funds to final borrowers through the IFI, which are willing to use the funds in the acquisition or improvement of housing in accordance with the provisions of article 12 of Supreme Decree No. 001-99-MTC "Regulations for Fondo Hipotecario de Promoción de la Vivienda - Fondo MIVIVIENDA".

The main duties of COFIDE include the following:

- Compliance with articles 241 to 274 of the General Law of the Financial System and Insurance System, and with the Organic Law of the SBS - Law No. 26702, and amendments.
- Ensure compliance with the IFI's requirements and conditions according to Supreme Decree No. 001-99 -MTC.

- Conclude with IFIs - which have complied the requirements and conditions - to act as intermediary in the agreement of resources intermediation.
- Supervise the use of resources, according to the provisions of the Fund's Regulations and the agreement on resources intermediation.
- Make the collection of the loans granted to the IFI.
- Contract the necessary audits on account of the Fund.
- Submit, on a regular basis, reports on the development of trusts and recommendations on the exposure limits of the IFI (*).
- Establish operating procedures needed for the proper administration of the Fund.
- Other required duties in order to ensure the normal performance of objectives and functions of both the Trust and the Fund.

(*) On May 18th 2012, the Fund signed the Addendum N°1 to the Trust Agreement, which discharged COFIDE from the obligation to issue recommendations on the exposure limits of the IFI to the Fund, since the Fund is a corporation under the supervision of the SBS. Pursuant to SBS Resolution No. 3586-2013, the Fund is not subject to the limits established by Article 204 of Law 26702, the Peruvian Banking Law, since the Fund acts as a second-tier bank. However, the Fund has established internal limits to prevent the concentration of loans with IFI, taking into account factors related to effective equity size, risk classification, and risk-weighted effective equity ratio.

The main duties of the Fund include the following:

- Establish the policies for the management, administration and use of the Fund's resources.
- Approve the eligibility criteria of the IFI that will receive resources from the Fund to be used 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 IFI, and the modality for placing them.

The powers of COFIDE include the following:

- Channel and supervise the Fund's resources, being empowered to enter into and subscribe all deeds and documents, public and private, necessary for that purpose.
- Require that the IFI demand the creation of guarantees on behalf of the beneficiaries.
- Exercise all the powers addressed in articles 74 and 75 of the Code of Civil Procedure, which are necessary to carry out the entrusted assignment. Consequently, COFIDE may sue, counterclaim, answer complaints and counterclaims, abandon the proceedings or claims, agree to claims, reconcile, settle and submit to arbitration all controversial issues in the proceeding.
- For the record, it is stated that COFIDE is not responsible for the creditworthiness or solvency of the IFI.

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

(2) Basis for the preparation of financial statements

(a) Statement of compliance

The attached financial statements have been prepared in nuevos soles after the accounting records of the Fund, and are presented in accordance with current legal provisions and the accounting principles authorized by the SBS.

According to the SBS regulations, the hierarchy of application of accounting standards considers specific rules and regulations passed by the local regulator, the International Financial Reporting Standards (IFRS) as adopted in Peru by the Accounting Standards Committee (CNC for its Spanish acronym), which include the Standards and Interpretations issued by the International Accounting Standards Board (IASB), International Accounting Standards (IAS), and the statements issued by the International Financial Reporting Interpretations Committee (IFRIC).

Through Resolution No. 053-2013-EF/30 issued on September 11, 2013, the CNC made official the year 2013 version of IFRS. The CNC authorized standards as of December 31, 2013, in Peru, are IAS from 1 to 41, IFRS from 1 to 13, IFRIC from 1 to 20 and the interpretation to IAS (SIC) from 7 to 32.

Through Resolution N° 055-2014-EF/30 dated July 24, de 2014 the CNC (Accounting Standards Committee), resolved the following:

- a) Formalize changes to IAS 16 Property, Plant and Equipment and to the IAS 38 Intangible Assets.
- b) Formalize version 2014 of the International Financial Reporting Standards (IAS, IFRIC and SIC) previously endorsed, keep their content and validity as they have not been modified or replaced.

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

(b) Basis of measurement

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

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

(c) Functional and presentation currency

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

(d) Estimates and critical accounting principles

The preparation of the financial statements according to accounting principles requires Management to use certain estimates and critical accounting criteria. Estimates and criteria are assessed continuously based on experience and include reasonable assumptions with regard to the future in every circumstance. Since these are estimates, final results could differ; however, based on the opinion of Management, these estimates and assumptions have no significant risk of causing a material adjustment to the balances of assets and liabilities of future financial statements.

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

recovery, provision for income tax, and valuation of derivative financial instruments, which accounting criteria are described in note 3.

(3) Accounting practices and principles

Unless otherwise indicated, the main accounting practices and principles used in preparing the financial statements of the Fund, which have been applied consistently with the way of the previous period, are as follows:

(a) Changes in accounting policies

(a.1) On September 19, 2012, the SBS issued Resolution N° 7036-2012 to amend certain aspects of the Accounting Manual for financial entities. Main modifications include the following:

- Incorporation of the IFRS Conceptual Framework in the preparation of financial statements.
- Incorporation of the "Statement of Comprehensive Income", which includes: i) "Statement of income, and ii) Statement of income and other comprehensive income.
- The provision for doubtful accounts (uncollectible accounts receivable) is presented decreasing each type of account receivable.
- Liabilities for collecting taxes which are part of accounts payable, are no longer presented as "other obligations". The General Sales Tax and third-category income tax payable are now presented under the heading of "Current taxes" and the remaining taxes payable are carried under accounts payable.
- Financial income and financial expenses are presented separately in the statement of income. The designation of financial income and financial expense line items have been replaced by *interest income* and *interest expense*, respectively, including in these categories only accounts corresponding to interest-related income and expenses. Other financial income and expenses are presented under "Income (expense) from financial transactions" (ROF).
- The SBS will not require a comparative presentation for interim financial statements submitted semi-annually in 2013. Nonetheless, financial entities must disclose the accounting standards and any changes related, in a note to the financial statements.

The Fund's Management considers that the application of the amendments of the Accounting Manual only affected the presentation of financial statements as of January 2013 and had no impact on the Fund's profit or loss. These changes have been applied retroactively.

(a.2) As of January 1, 2013, went into effect SBS Resolution No. 7033-2012; which repealed Regulation on classification and valuation of investments approved by Resolution SBS 10639-2008 SBS.

The main amendment to the resolution is the introduction of a standard methodology for identifying the impairment of financial instruments classified as available-for-sale and held-to-maturity investments; see note 3(g).

As a result of the application of this methodology, there was no need for any additional recording to reflect the analysis of impaired investments.

(b) Transactions in US Dollars

In accordance with the SBS regulations, the Fund has as functional and presentation currency the nuevo sol. Assets and liabilities denominated in United States Dollars and Swiss Francs are recorded at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in United States Dollars and Swiss Francs are converted to nuevos soles at the month-end exchange rate fixed by the SBS (note 4). Gains or losses resulting from the restatement of monetary assets and liabilities denominated in US Dollars and Swiss Francs at exchange rates prevailing on the date of the statement of financial position are recorded under profit or loss of the statement of income.

Foreign exchange differences corresponding to the CRC-PBP trusts in US Dollars are included in the "Other financial income" subaccount of the "Interest income" heading of the statement of income.

Non-monetary assets and liabilities in US Dollars are recorded in Nuevos Soles at the exchange rate prevailing on the date of their acquisition.

(c) Financial instruments

Financial instruments are classified as assets, liabilities or equity according to the substance of the contractual arrangement that originated them. Interests, dividends, gains and losses generated by financial instruments classified as assets or liabilities, are recorded as income or expense. Financial instruments are offset when the Fund has a legally enforceable right to offset them and the Management has the intention to settle them on a net basis or to realize the asset and settle the liability simultaneously. Refer to note 9(b) for criteria concerning the recording of accounts receivable from CRC-PBP trusts.

Financial assets and liabilities presented in the statement of financial position correspond to cash and due from banks, accounts receivable, other accounts receivable, investments, obligations with the public, other accounts payable and other liabilities in general. Furthermore, all derivatives are considered financial instruments.

As of September 30, 2014 and December 31, 2013, the classification of assets and liabilities of the Fund is as follows:

As of September 30, 2014	In thousands of S/.			
	Loans and items receivable	Available for sale at fair value	Held to maturity	Hedging derivatives
Financial assets:				
Cash and due from banks	1,847,666			
Investments available for sale:				
Debt Instruments		334,080		
Investments held to maturity				
Accounts receivable (Trust Agreement - COFIDE)	5,019,458			
Accounts receivable from financial derivatives				18,861
Other receivables				
Other receivables CRC-PBP Trust		58,704	6,366	
	6,867,125	392,784	6,366	18,861

As of December 31, 2013	In thousands of S/.			
	Loans and items receivable	Available for sale at fair value	Held to maturity	Hedging derivatives
Financial Assets:				
Cash and due from banks	408,506	-	-	-
Investments available for sale:				
Debt instruments	-	330,731	-	-
Investments held to maturity	-	-	6,447	-
Accounts receivable (Trust Agreement - COFIDE)	4,355,071	-	-	-
Accounts receivable from hedging derivatives	-	-	-	737
Other receivables	1,461	-	-	-
Other receivables CRC-PBP Trust	1,648	57,817	9,084	(1,458)
	4,766,686	388,548	15,531	(721)
	=====	=====	=====	=====

The specific accounting policies on recognition and measurement of these items are described below in this note.

(d) Recognition of income and expenses

(d.1) Interest income and expenses

Interest income and expenses are recognized in profit or loss of the fiscal year in which they accrue, according to the lifetime of the operations that generate them and the established interest rates.

Interest income from accounts receivable (Trust Agreement-COFIDE) is recognized as income or expense of the fiscal year in which it accrues, in accordance with the SBS accounting standards applicable to the Fund; interest incomes in suspense are not recognized.

Income from investments in debt instruments are recognized in profit or loss in the statement of income.

Interest income and fees for services are recognized in profit or loss of the fiscal year in which they accrue, based on the lifetime of the operations that generate them.

Interest income from other receivables, banks in liquidation, past due balances, refinanced loans, in court collections, as well as loans classified as doubtful and lost, are recognized in the profit or loss statement when effectively collected.

Other income and expenses are recorded in the fiscal year in which they accrue.

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

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

- i. The Good Payer Bonus (hereinafter "BBP" for its Spanish acronym) was created pursuant the Law No. 29033, issued on June 7, 2007, as a non-reimbursable direct assistance payable to eligible final borrowers for a maximum amount of S/.10,000 for values of housing from 14 UITs (Peruvian tax unit) to 25 UITs, which is granted to

borrowers who have timely pay six consecutive monthly installments of the non-concessional tranche of a Crédito MIVIVIENDA loan. Whereas, Good Payer Award (GPA Good Payer Award, PBP for its Spanish acronym) was S/.10,000 until 21.04.2010, and as of 22.04.2010 it is S/. 12,500 for values of housing from 14 UIT to 50 UITs. For values of housing from 50 to 70 UITs the GPA is S/. 5,000.

For this purpose, the Fund divides the full amount disbursed on Crédito MIVIVIENDA plus its interest into two schedules:

- A six-monthly schedule called "concessional tranche", corresponding to the amount of PBP (GPA) including Good Payer Bonus (principal and interest); and
- A monthly schedule called "non-concessional tranche" corresponding to the loan amount less the concessional tranche (principal and interest) amount.

In these cases, the BBP was received from the MVCS at the Fund's request and is recorded for financial reporting and control purposes as a liability in the "Good payer bonus - received" account (Note 14).

Upon disbursing a MIVIVIENDA loan through the COFIDE Trust, the Fund records in the "Accounts receivable, net (Trust Agreement - COFIDE)" the full disbursed amount and creates the two above mentioned schedules.

Later, the list of BBP beneficiaries is sent to the MVCS, reclassifying each bonus due to eligible borrowers from liability account "Good payer bonus - received" to liability account "Good payer bonus - allocated" (note 15).

- ii. Once the bonus is paid to the Good Payer, when the final beneficiary has complied with the timely payment of six consecutive monthly installments, the Fund certifies the accounts receivable (capital), of the amounts of the concessional tranche, charged under liabilities by "Good Payer Bonus - Assigned". The interests correspondent to the aforementioned installments of the concessional tranche are recognized as expense of the Fund and are showed in the "Accounts receivable, net (Trust Agreement - COFIDE)" included in the line "Interest Income" of the Income Statement.
- iii. By means of DU 002-2014 published on 28.07.2014, article 14.2, the general legal framework is set for granting the Good Payer Bonus (BBP) to FMV for homes whose value is greater than 14 UIT and no more than 50 UITs, the BBP is available as a non-refundable financial aid up to a maximum amount of S/. 12 500.00. In these cases, the FMV previously receives the full resources of BBP for allocation during 2014 and is recorded in liabilities, accounts payable.

For these purposes, the Fund MIVIVIENDA has two modes of application of BBP.

- BBP granted as financing the PBP by the timely payment of six consecutive monthly installments for the non-concessional tranche of

to the loan, the mode and assignment mentioned above are maintained.

- BBP as complement of the initial fee, the BBP will complement the contribution of the sub-borrowers to achieve the required minimum down payment and is applied at the time of loan disbursement; therefore it is not part of it.

Once the Good Payer Bonus becomes effective as complement the initial fee, the account payable is reversed.

- iv. Once the Good Payer Award (PBP) is paid (see nr. (ii), for example, when the PBP is accepted directly by the Fund) and the final beneficiary has fulfilled all conditions, the Fund records such amount as expense; as a result, the account receivable (principal) of the concessional tranche installments is reduced charging "Interest expense" in the statement of income, whereas interest, as in the previous case, is recognized as expense and presented net of the "Income from accounts receivable (Trust agreement – COFIDE)" item included under "Interest income" in the statement of income.
- v. On July 28, 2014 by DU 002-2014 under the law 29033, it is established the Good Payer Bonus (BBP) - for housing value greater than 14 UIT and not more than 50 UIT - , being the BBP as an economical non-refundable aid for a maximum amount of S /. 12 500.00 to be awarded to people having access to a MIVIVIENDA credit. For that purpose, Banco de la Nacion was authorized to lend to MIVIVIENDA Fund the sum of S /. 500 000 000.00 with the participation of MVCS for the purpose of cancellation, as stated in the loan contract.

(d.3) Fees for administration services of the CRC-PBP trusts are recognized as income when earned.

(e) Accounts receivable and provision for doubtful accounts receivable

This category includes receivables for the provision of services, other than financing operations. Accounts receivable generated in favor of the trustor or originator are also recorded

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

It should be noted that accounts receivable held by the Fund are not direct loans, however the accounting treatment given to all accounts receivable is that prescribed by the SBS for direct loans and provisions.

(e.1) Accounts receivable (Trust agreement - COFIDE)

Accounts receivable are recorded upon the disbursement of funds through the COFIDE Trust to the IFI, channeling the Fund's resources for the placement of the MIVIVIENDA product portfolio.

According to the Fund's Regulations enacted by SBS Resolution No. 980-2006 on August 14, 2006, the calculation of the allowance is done based on the criteria established by the SBS in the "Regulations for the Evaluation and Classification of Debtor and Provisioning Requirements",

as established in SBS Resolution No. 11356-2008, according to the following methodology approved by the SBS:

- The capital balance of each disbursement is separated into two types:
 - Balance of capital with mortgage collateral
 - Balance of capital without mortgage collateral
- The balance of capital with mortgage collateral of each disbursement is separated into: balance of capital with mortgage collateral with credit risk coverage, and balance of capital with mortgage collateral without credit risk coverage.
- The allowance is determined based on the classification given by the Fund to the IFI and to the final borrower.
- The allowance portion related to the balance of capital with mortgage security, with credit risk coverage is calculated as follows: balance of capital with mortgage security with credit risk coverage * coverage factor * the SBS rate in Table 2 according to the classification of the final borrower.
- The allowance portion related to the balance of capital with mortgage security without credit risk coverage is calculated as follows: (balance of capital with mortgage security without credit risk coverage) * (the SBS rate in Table 2 according to the classification of the IFI).
- The allowance portion related to the balance of capital without mortgage security is calculated as follows: (balance of capital without mortgage security)* (the SBS rate in Table 1 according to the classification of the IFI).

In accordance with SBS Resolution N° 11356-2008, the Fund applies the following percentages for provisioning purposes:

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 the IFI risk classification, the Fund has included in its internal regulations a provision chart equivalent to the risk category assigned by the SBS, as follows:

Risk classification according to financial institution

<u>Table 1</u>		<u>Table 2</u>	
<u>Risk</u>	<u>Equivalent</u>	<u>Risk</u>	<u>Equivalent</u>
A+	Normal	B-	CPP
A	Normal	C+	CPP
A-	Normal	C	CPP
B+	Normal	C-	CPP
B	Normal	N.C.	CPP

Provisions for accounts receivable are presented by deducting the balance of it in the asset.

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

These include the assets of the CRC and PBP trusts, which correspond to the assets (cash and due from banks, investments and accrued returns) and liabilities of the Fund; but, according to the SBS regulation (SBS Resolution No. 980-2006, MIVIVIENDA Fund Regulations), they must be carried as a net balance under the line "Other accounts receivable, net" in the statement of financial position, since the Fund acts in a legal capacity both as trustee and trustor. The assets and liabilities included in these trusts are measured in accordance with the criteria used by the Fund for similar items, as described in this note.

Also, the surplus (deficit) resulting from these trusts is carried as "Interest income (expense)" in the statement of income.

The CRC-PBP trusts were created in 2007 in order to ensure the resources availability to meet the Fund's obligations stemming from the CRC and PBP service contracts signed with certain IFI, and also to ensure that trust resources were managed in the most efficient manner.

(e.3) Other accounts receivable, net

These include accounts receivable from time deposits, certificates of deposit, among others that the Fund holds in banks in liquidation, and other accounts receivable from third parties, involved in liquidation processes or judicial proceedings which do not accrue interest. Any recoveries are recorded as they are received (cash basis).

To determine the allowance for other doubtful accounts receivable, the Fund assigns to these accounts a risk classification conforming to the SBS Resolution No. 11356-2008.

The allowance for other doubtful accounts receivable is determined based on the regular reviews made by the Fund Management to classify such accounts under the following categories: "normal", "with potential problem", "substandard" "doubtful" or "loss", subject to the degree of risk posed by each borrower to default on payment. The guarantees received are considered by the Fund only if they have been registered with the public records office without any observations or annotations.

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

f. Derivative financial instruments

All derivative financial instruments are classified as trading instruments, initially recognized at cost in the Fund's statement of financial position, and later 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. The reference amount (nominal) of the operation is recorded in memorandum accounts at the reference amount of the agreed currency (note 17).

The fair value of derivative instruments is estimated based on the exchange and interest rates prevailing in the market. Gains and losses arising from changes in the fair value of derivatives are recorded as fiscal year profit or loss.

As of September 30, 2014 and December 31, 2013, Management considers that the Fund for its administration purposes holds economic hedging derivatives, by recognizing gains and losses in accordance with their fair value measurement, as a fiscal year profit or loss. As of September 2014, the Fund holds foreign currency swap agreements to hedge its foreign currency cash flows. At the time of their measurement, the cash portion is charged to equity until the contract is settled, and at that moment, any unrealized gains or losses are transferred to the statement of income; whereas, the non-cash portion is recorded as a gain or loss hedging derivative in the Statement of Income. Lastly, as of the above dates, the Fund does not hold any embedded derivatives.

g. Investments

As described in note (a.2), as of September 30, 2014 and December 31, 2013, investments are measured in accordance with SBS Resolution No. 7033-2012.

Classification

(g.1) Available-for-sale investments

Those designated as such because they are held for an indefinite time and can be sold in case of need for liquidity or changes in the interest rate, exchange rates or cost of capital; or they do not qualify to be recorded at fair value with effect in profit or loss, or to be held up to their maturity.

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

(g.2) Held-to-maturity investments

The investment instruments classified within this category need to meet the following criteria:

- They must have been acquired or reclassified with the intention to hold them up to their maturity; except in those cases where the sale, allocation or reclassification is allowed by the SBS.
- Companies must have the financial capacity and intention to hold the investment instruments up to their maturity.
- These investments must have risk classifications as required by the SBS.
- To classify their investments within this category, the companies will assess whether they have the financial capacity to hold

investment instruments up to their maturity, any time they decide to classify the instrument and at the closing of each fiscal year.

Recording date of the transaction

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

Initial recognition

The initial recognition of available-for-sale and held-to-maturity investments is performed at fair value, plus the transaction costs that are directly attributable to the acquisition of said 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 under "Interest on available-for-sale and held-to-maturity investments" of the "Interest income" heading of the statement of income.

Valuation

(g.1) Available-for-sale investments

These investments are recorded at their fair value and the gains or losses resulting from them are recognized in net equity.

When the instrument is sold, or when gains or losses previously recognized as part of the net equity are realized, said gains or losses are transferred as fiscal year profit or loss. In turn, when the Fund's Management believes that the decline in market value is permanent or attributable to credit impairment, it makes the relevant provisions, transferring the estimated loss from equity to fiscal year loss.

In any of the cases mentioned above, if the SBS considers necessary to establish an additional provision for any type of investment, such provision will be determined by the SBS based on an individual basis and reported to the Fund to be recorded in the profit or loss for the fiscal year.

(g.2) Held-to-maturity investments

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

Impairments are recorded individually for adverse changes in the issuer's credit capacity, with a similar treatment for direct placements, affecting the fiscal year profit or loss directly.

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

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. Such methodology includes a two-filter analysis as described below:

First filter:

On a quarterly basis, the following conditions are assessed for all representative debt and equity portfolios :

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

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

Second filter:

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

- Impairment of the financial ratios or financial position of the issuer and its business group.
- Adverse conditions of the investment and the issuer.
- Downgrade in risk classification due to factors other than those mentioned above.
- Interruption in the payment of interest or principal due to financial distress of the issuer.
- Disruption of transactions or of an active market due to financial distress of the issuer.
- Compulsory renegotiation of the contractual conditions of the instrument due to legal or economic factors related to the issuer.
- Evidence that the issuer will undergo compulsory restructuring or bankruptcy proceedings.
- Decline in value due to legislation changes (tax, regulatory or other governmental regulations).
- The Fund does not have the intention and ability to hold the under-performing investment until the recovery of its value. For this, an estimated timeline for the recovery of value, and an analysis of the evidence will be provided, in order to demonstrate, based on historical information and on the financial position of the company, whether there exists the intention and ability to hold the investment throughout such period.

According to what is established in said resolution, impairment of the value will exist when at least two of the previously analyzed factors are present. Once an impairment loss is recognized, subsequent evaluations are made on the book value of the instruments, net of the previously recognized impairment losses.

h. Property, furniture and equipment

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

Depreciation is computed following the straight-line method using the following estimated useful lives:

	<u>Years</u>
Buildings	25
Premises (Facilities)	10
Furniture and fixtures	10
Computer equipment	4
Miscellaneous equipment	10
Vehicles	5

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

i. Intangible assets

Intangible assets carried under "Other assets, net" in the statement of financial position, comprise the development and acquisition of computer software licenses used in the Fund's operations. Software licenses purchased by the Fund are capitalized on the basis of costs incurred to acquire or bring to use the specific program. These intangible assets are amortized following the straight-line method over a maximum period of 4 years.

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

As of September 30, 2014 and December 31, 2013, the Fund does not hold any intangible assets with indefinite useful lives.

j. Impairment of long-lived assets

When events or economic changes indicate that the value of a long-lived asset may not be recoverable, the Fund's Management reviews the value of its property, furniture and equipment and intangible assets to verify there is no permanent impairment in value. When the carrying value of the asset exceeds its recoverable amount, an impairment loss is recognized in the statement of income for the related items of property, furniture and equipment and intangible assets held at cost. An asset 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 estimated 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 September 30, 2014 and December 31, 2013.

k. Assets received as payment and repossessed assets

Recovered assets, assets received as payment, and repossessed assets are regulated by SBS Resolution No. 1535-2005. They primarily include property received as payment for difficult to recoup loans and are initially recorded at the value determined by the court or arbitrator, the recovery value, estimated market value or the value of the unpaid debt amount, whichever is less.

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

- Recovered assets, assets received as payment, and repossessed assets are initially recorded at book value recognizing, in turn, a provision equivalent to 20% of the cost. If, according to a valuation report, it is proven that the net realizable value on assets is impaired by more than 20%, then the initially required provision shall be made for an amount equivalent to the effectively impaired amount.
- A provision will be recorded for property (real estate) that has not been sold or leased within one year from its recovery or repossession. This will be a uniform, monthly provision over a 3.5 year term, until there is a 100% provision of the net carrying amount obtained in the eighteenth or twelfth month, depending on whether there exists or not an extension approved by the SBS.

An impairment loss is recognized when the fair value of these assets decreases (when the net realizable value is lower than the net carrying amount); therefore, the carrying amount will be reduced and the loss will be recognized in the statement of income. In cases where the net realizable value is higher than the net carrying amount, the higher value will not be recognized in the books.

The annual update of the valuations of these assets determined by an independent expert implies, if necessary, provisions for impairment.

i. Current Income tax

Current income tax is determined on basis of the taxable income and recorded according to tax legislation applicable to the Fund (note 23).

Deferred income tax is determined by the liability method based on temporary differences arising between the tax basis of assets and liabilities and their respective balances in the financial statements. Deferred income tax is determined based on legislation and on tax rates expected to be applied when the deferred tax asset is realized or the deferred tax liability is paid.

Deferred income tax assets and liabilities are recognized regardless the estimated time when the temporary differences disappear. Deferred income tax asset is only recognized to the extent that it is probable that future tax benefits will be available, so that the deferred income tax asset can be used.

m. Employees benefits

The employee benefits are all forms of retribution that the Fund provides to the employees in return for their services.

(m.1) Employees' profit sharing

Active and inactive employees that have rendered services to the Fund within an applicable period, receive profit sharing payouts. For this purpose, the Fund recognizes a liability and a personnel expense, determined in accordance with current tax legislation.

By the means of SBS Official Letter No. 4049-2011, dated January 21, 2011, it was established a change in treatment of the employees' profit sharing stating that this should be recorded according to International Accounting Standards IAS 19 "Employee Benefits". Consequently, this profit sharing should be treated as a personnel expense and an employee-benefits

related liability, and no longer create deferred assets or liabilities as a result of temporary differences existing between the financial and tax bases.

(m.2) Vacation and other employee benefits

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

(m.3) Time-in-service compensation (severance payment)

The provision for Time-in-service compensation (CTS, for its Spanish acronym) is computed in accordance with current legislation, on the employees' overall compensable rights, and must be paid through deposits to the authorized financial entities chosen by them. The calculation will be based on the amount corresponding to be paid on the date of the statement of financial position and is carried in the Provision for severance indemnities/ social benefits' account.

n. Provisions

Provisions are recognized only when the Fund has a present obligation (legal or constructive) as a result of a past event, in which case, it is probable that an outflow of economic resources is required to settle the obligation, and a reliable estimate of the obligation amount can be made. Provisions are reviewed every fiscal year and adjusted to reflect the best estimate available as of the date of the statement of financial position. When the effect of the value of money over time is important, the amount of the provision is the present value of the expenses expected to settle the obligation.

o. Contingencies

Contingent liabilities are not recognized in the financial statements. These are disclosed in notes to the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognized in the financial statements but are disclosed when their degree of contingency is probable.

p. Deferred income

Deferred income arises primarily from the difference existing between the carrying value and market value of the financial instruments transferred for the creation of the CRC-PBP trusts in nuevos soles and US dollars at the time of their transfer (2007).

In accordance with SBS Resolution No. 0084-2000, and the standards for the Accounting Treatment of the Trust and Trust Fees, if the trustor's rights under the trust are greater than the assets transferred to the trust, a deferred gain will be recognized, which shall accrue in accordance with the amortization, realization and/or expiration of such rights.

q. Other comprehensive income

As part of other comprehensive income, it is presented the unrealized loss on available-for-sale investments, net of the related deferred income tax amount.

As of September 30, 2014, it has also been presented unrealized profits (losses) from the effective portion of the valuation of SWAPs and Forwards acquired for cash flow type, while only the non-effective portion is taken to profit and loss. Additionally, it is also presented the unrealized profit (loss) from the exchange rate difference of the covered item, net of the related deferred income tax amount.

- r. Statement of changes in shareholder's equity
Adjustments to retained earnings correspond to the fluctuation in the value of available-for-sale investments and of the unrealized profit (loss) on derivative financial instruments acquired as cash flow, which are part of other comprehensive income. They also correspond to the effective portion of the valuation of SWAPs and Forwards rate cash flow, with the corresponding gain (loss) from the exchange rate difference of the hedged item; net of the amount of deferred income tax related.
- s. Cash and cash equivalents
Cash presented in the statement of cash flows consists of the balance available with original maturity of less than or equal to 91 days (note 5).
- t. Subsequent events
Events subsequent to September 30, 2014 and to the closing of fiscal year 2013, that provide additional information about the financial position of the Fund as of the date of the statement of financial position (adjusting events) are included in the financial statements. Important subsequent events that are not adjusting events are disclosed in notes to the financial statements.
- (4) 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 accounting exchange rate established by the SBS. As of September 30, 2014 and December 31, 2013, these rates were US\$ 1= S/. 2.890 and S/. 2.795, respectively.

We also maintain positions in Swiss Francs (CHF), which are recorded in nuevos soles (S/.) at the accounting exchange rate established by the SBS. As of September 30, 2014 and December 31, 2013, these rates were CHF1= S/. 3.026177 and S/. 3.148942, respectively.

Foreign currency transactions in Peru and international trade transactions referred to the concepts authorized by the Banco Central de Reserva del Perú (the Peruvian Central Bank), are channeled through the foreign exchange interbank market.

The exchange rates used for buying and selling were:

In US Dollars:

	Buy	Sell
As of 09/30/2014	2.888	2.892
As of 12/31/2013	2.794	2.796

In Swiss Francs:

	Buy	Sell
As of 09/30/2014	2.947	3.137
As of 12/31/2013	2.984	3.212

As of September 30, 2014 and December 31, 2013, US dollar balances stated in thousands of US Dollars are summarized as follows:

	In thousands of US\$	
	<u>09.30.2014</u>	<u>12.31.2013</u>
Assets:		
Cash and due from banks	515,764	120,707
Investments	87,877	65,805
Accounts receivable, net (Trust Agreement – COFIDE)	126,698	144,722
Other accounts receivable, net	33	40
Other assets, net	38	8
	-----	-----
	727,410	331,282
	-----	-----
Liabilities:		
Debts and financial obligations	(799,788)	(500,586)
Hedging Derivatives	(3,263)	
Other accounts payable	(5,263)	(478)
Other liabilities	(1,478)	(1,975)
	-----	-----
	(809,792)	(503,039)
	-----	-----
Derivative financial instruments	(82,382)	(171,757)
	334,488	72,787
	-----	-----
(Liability) asset position, net	(252,106)	(98,970)
	=====	=====

As of September 30, 2014 and December 31, 2013, balances in Swiss Francs stated in thousands of Swiss Francs are summarized as follows:

	In thousands of CHF	
	09.30.2014	12.31.2013
Assets:	0	0
Liabilities:		
Debts and financial obligations	(249,790)	(0)
Derivative financial instruments	(0)	(0)
(Liability) asset position, net	208,890	0
	(40,900)	(0)

In the period, from January 1 to September 30, 2014 the Fund recorded an exchange difference gain for S/.55, 770 thousand, which is carried the "Gain (loss) on exchange difference" caption of the statement of income (loss of S/.19,997 thousand during the same period of 2013).

Likewise, in the period from January 1 to September 30, 2014, the Fund recorded a loss on transactions with derivative financial instruments for S/. 62,633 thousand (loss on hedge transactions for S/. 60,374 and loss on trading transactions for S/. 2,259) whereas for the same period of 2013, the Fund recorded a loss on transactions with derivative financial instruments for S/. 8,198 thousands (loss on hedge transactions for S/. 2,128 and loss on trading transactions of S/. 6,070).

5. Cash and due from banks
This comprises the following:

	In thousands of S/.	
	09.30.2014	31.12.2013
Banco Central de Reserva del Perú (a)	250	198
Checking and saving accounts (b)	1,673,398	352,902
Time deposits (c)	148,925	55,178
Other cash and due from banks	93	228
Cash and Cash Equivalent	1,822,666	408,506
Plus		
Long Term deposit (more than 90 days)(c)	25,000	0
Total Available	1,847,666	408,506

- (a) Funds in nuevos soles and U.S. dollars held at Banco Central de Reserva del Peru (BCRP) are mainly used in transactions conducted by the Fund with COFIDE, under the executed Trust Agreement.

- (b) These correspond to deposits in banks and other companies in the financial system of Peru, in nuevos soles and U.S. dollars, which are freely available and accrue interest at market interest rates.
- (c) These correspond to time deposits in nuevos soles and US Dollars with banks and other companies in the financial system in Peru, with maturities from 64 to 365 days, and accruing interest at an annual effective rate from 4.25 to 4.80% in nuevos soles, and to deposits in US Dollars with interest rates ranging from 0.52% to 0.60%.

As of September 30, 2014, time deposits are held in thousands of S/.32,000 and US\$ 141,610; whereas as of December 31, 2013, they amounted to of S/. 35,000 thousands and US\$ 7,212 thousands (equivalent to S/., 159 thousands), respectively.

(6) Investments

These include the following:

	In thousands of S/.			
	09.30.2014			
	Amortized Cost	Unrealized		Carrying Amount (*)
	Gains	Loss		
Available-for-sale investments:				
Sovereign bonds (a)	85,965	-	(10,429)	75,536
Corporate bonds (b)	233,809	3,096	(1,482)	235,423
Certificates of Deposits (c)	12,604		(1)	12,603
Commercial papers (d)	5,617	-	-	5,617
Short-term Instruments (e)	936	-	(1)	935
Plus:				
Accrued returns		-	-	3,966
		-----	-----	-----
		3,096	(11,913)	334,080
		=====	=====	-----
Held-to-maturity investments:				
Certificates of deposit		-	-	0
Plus:				
Accrued returns				0

				0

				334,080
				=====

(*) The carrying value corresponds to the fair value of available-for-sale investments

- (a) This corresponds to sovereign bonds in nuevos soles issued by the Republic of Peru, by the Ministry of Economy and Finance (MEF). As of September 30, 2014, such bonds accrue interest at annual nominal rates ranging from 5.20% to 8.20%, maturing between August 2020 and February 2042.

- (b) This corresponds to securities and bonds purchased from corporations and top level financial system entities of Peru. As of September 30, 2014, it includes:
- i) Finance lease bonds denominated in US Dollars accruing interest at annual effective rates ranging between 4.85% and 6.06%, maturing between August 2016 and May 2018.
 - ii) Subordinated bonds denominated in US Dollars that accrue interest at an annual effective rate of 6.53%, maturing in October 2028.
 - iii) Ordinary bonds denominated in US Dollars that accrue interest at annual effective rates ranging between 3.343% and 4.625%, maturing between July 2019 and May 2023.
 - iv) Securitization bonds (asset-backed securities) denominated in US Dollars that accrue interest at annual effective rates ranging between 4.19% and 6.16%, maturing between June 2018 and September 2028.
- (c) This corresponds to certificate of deposit issued in Nuevos Soles, purchased below par value, at a price of 95.13%, maturing in July 2015.
- (d) This corresponds to an instrument issued in US Dollars, purchased below par value, at a price of 97.19% and maturing in December 2014.
- (e) This corresponds to an instrument issued in US Dollars, with an accruing interest at an annual effective rate of 2.75%, and maturing in January 2015

	In thousands of S/.			
	12.31.2013			
	Amortized Cost	Unrealized		Carrying amount (*)
	Gain	Loss		
Available-for-sale investments:				
Sovereign bonds (f)	168,665	-	(25,226)	143,439
Corporate bonds (g)	181,713	41	(4,613)	177,141
Commercial paper (h)	5,433	1	-	5,434
Plus:				
Accrued returns		-	-	4,717
		-----	-----	-----
		42	(29,839)	330,731
		=====	=====	-----
Held-to-maturity investments:				
Certificates of deposit (i)	6,231	-	-	6,231
Plus:				
Accrued returns				216

				6,447

				337,178
				=====

- (f) This corresponds to sovereign bonds in nuevos soles issued by the Republic of Peru, by the Ministry of Economy and Finance (MEF). As of December 31, 2013, such bonds accrue interest at annual nominal rates ranging from 5.20% to 8.20%, maturing between August 2020 and February 2042.

- (g) This corresponds to securities and bonds purchased from corporations and top level financial system entities of Peru. As of December 31, 2013, it includes:
- i) Finance lease bonds denominated in US Dollars, accruing interest at annual effective rates ranging between 4.85% and 6.06%, maturing between August 2016 and May 2018.
 - ii) Subordinated bonds denominated in US Dollars, accruing interest at an annual effective rate of 6.53%, maturing in October 2028.
 - iii) Ordinary bonds denominated in US Dollars, accruing interest at annual effective rates ranging between 4.50% and 4.625%, maturing between February and May 2023; and
 - iv) Securitization bonds (asset-backed securities) denominated in US Dollars accruing interest at annual effective rates ranging between 4.44% and 6.16%, maturing between June 2018 and September 2028.
- (h) This corresponds to commercial paper issued in US Dollars, purchased below par value at a price of 97.19%, maturing in December 2014.
- (i) This corresponds to certificates of deposit issued in nuevos soles by Caja Municipal de Ahorro y Crédito Huancayo, accruing interest at an annual effective rate of 5.09%, maturing in April, 2014.

As of September 30, 2014, the accrued returns on available-for-sale and held-to-maturity investments amounted to thousands S/. 13.71 MM and S/. 103.13 thousand nuevos soles, respectively. These are carried under "Interest income" in the statement of income. Whereas as of December 31, 2013, the accrued returns amounted to S/. 12.15 MM and held-to-maturity investments amounted to S/. 301.73 thousand nuevos soles. As of September 30, 2013, the accrued returns on available-for-sale and held-to-maturity investments amounted to S/. 7.79 MM and 220 thousand, respectively (note 19).

As of September 30, 2014 and December 31, 2013 available-for-sale and held-to-maturity investments have the following maturities:

	<u>In thousands of S/.</u>	
	<u>09.30.2014</u>	<u>12.31.2013</u>
Up to 1 year	19,426	11,889
1 - 5 years	109,018	59,488
5 - 10 years	98,088	132,060
Over 10 years	107,548	133,741
	-----	-----
	334,080	337,178
	=====	=====

As of September 30, 2014 and December 31, 2013, the fair value of available-for-sale investments has been estimated by Management based on market quotations available in the stock market.

7. Accounts receivable from the Sale of Goods and Services and from the Trust (net)

Herein below is a breakdown of the composition of this heading as of September 30, 2014 and December 31, 2013, in thousands of Nuevos Soles:

	09.30.2014	21.31.2013
	S/. (000)	S/. (000)
COFIDE Trust (7a)	5,019'458	4,355'071
CRC-PBP Trust in Nuevos Soles (7b)	34'603	32'717
CRC-PBP Trust in US Dollars (7b)	36'792	34'375
	5,090'853	4,422'163

7.a Accounts receivable, net (Trust Agreement with COFIDE)

These comprise the following:

	<u>In thousands of S/.</u>	
	<u>09.30.2014</u>	<u>12.31.2013</u>
New MIVIVIENDA Credit	4,340,372	3,620,479
Traditional MIVIVIENDA Credit	400,685	444,459
MIHOGAR Credit	135,532	142,864
Techo Propio Complementary Credit	135,169	138,651
Standardized MIVIVIENDA Credit	14,182	15,804
MICONSTRUCCIÓN Credit	49,548	31,796
MICASA MAS Credit	584	0
	-----	-----
	5,076,072	4,394,053
	-----	-----
Plus (less):		
Accrued interest on accounts receivable	14,733	13,863
Provision for doubtful accounts receivable (Trust Agreement with COFIDE)	(71,346)	(52,845)
	-----	-----
	5,019,458	4,355,071
	=====	=====

On a monthly basis, the Fund disburses cash to the COFIDE Trust, to enable the latter extend credit facilities to the IFI.

Also on a monthly basis, the COFIDE Trust transfers cash earned from debt recovery collections, prepayments or full payments on loans made by the IFI.

As of September 30, 2014 and December 31, 2013, the number of final beneficiaries of the Fund's resources (final debtors) is 81,786 and 76,206, respectively. There is no significant credit risk concentration due to the characteristics of the loan portfolio transactions held by the Fund. (The MIVIVIENDA credits with CRC-PBP service are not included here because they are funded with the IFI's own resources)

These resources are channeled through COFIDE pursuant to its legal trust relationship with the Fund. The COFIDE Trust receives resources from the Fund or channels

them through IFI wishing to use them in extending credit for the acquisition of houses, as provided for in article 12 of Supreme Decree 001-99-MTC.

The composition of accounts receivable (Trust Agreement with COFIDE) according to the characteristics of loans promoted by the Fund is as follows:

- By the IFI

	09.30.2014			12.31.2013		
	With credit risk coverage	Without credit risk coverage	Total	With credit risk coverage	Without credit risk coverage	Total
New MIVIVIENDA credit	490,153	3,580,219	4,340,372	239,430	3,381,049	3,620,479
Traditional MIVIVIENDA credit	125,143	275,542	400,685	125,479	318,981	444,460
MIHOGAR credit	40,318	95,213	135,532	35,206	107,658	142,864
Techo Propio complementary credit	54,496	80,673	135,169	41,993	96,657	138,650
Standardized MIVIVIENDA credit	4,585	9,598	14,182	4,544	11,260	15,804
MICONSTRUCCIÓN credit	0	49,548	49,548	-	31,796	31,796
MICASA MAS	0	584	584	-	-	-
	714,695	4,361,377	5,076,072	446,652	3,947,401	4,394,053

- By final beneficiaries

	09.30.2014			12.31.2013		
	With credit risk coverage	Without credit risk coverage	Total	With credit risk coverage	Without credit risk coverage	Total
New MIVIVIENDA credit	2,656	4,337,716	4,340,372	2,526	3,617,953	3,620,479
Traditional MIVIVIENDA credit	3,852	396,833	400,685	4,653	439,806	444,459
MIHOGAR credit	827	134,705	135,532	1,100	141,764	142,864
Techo Propio complementary credit	240	134,928	135,169	235	138,416	138,651
Standardized MIVIVIENDA credit	-	14,182	14,182	-	15,804	15,804
MICONSTRUCCIÓN credit	-	49,548	49,548	-	31,796	31,796
MICASA MAS	-	584	584	-	-	-
	7,575	5,068,497	5,076,072	8,514	4,385,539	4,394,053

The annual interest rates for products offered by the Fund are fixed rates established to promote the granting of credit. The rates are the following:

	In %	
	30.09.2014	31.12.2013
New MIVIVIENDA credit	6.6	6.6
Traditional MIVIVIENDA credit	7.75	7.75
MIHOGAR credit	7.6	7.6
Techo Propio complementary credit	6	6
Standardized MIVIVIENDA credit	6.90 and 7.30	6.90 and 7.30
MICONSTRUCCIÓN credit	8	7.50 and 8.00
MICASA MAS credit	6.5	6.5

The interest rate for the "MICONSTRUCCIÓN" credit product was modified from 9.00% to 8.00% by the Board of Directors' Agreement N° 02-250-2013 dated September 27, 2013.

The "MICASA MAS" product was created by FMV's Board of Directors Agreement N° 08-31D-2013 dated 12/27/13. The funding rate is 6.5%; the term is 10 to 20 years.

The provision for doubtful accounts receivable (Trust Agreement with COFIDE) is determined on the basis of the risk category of the final loan beneficiary and the risk category of the IFI.

Herein below is a breakdown of the classification by risk category of accounts receivable according to final loan beneficiaries determined on basis of the consolidated credit report (RCC for its Spanish acronym).

	In thousands of S/.			
	09.30.2014		12.31.2013	
	<u>Portfolio Balance</u>	<u>%</u>	<u>Portfolio Balance</u>	<u>%</u>
Loan Portfolio, neither matured nor impaired:				
Normal	4,780,428	94,2	4,172,034	94.9
With potential problem	79,703	1,6	62,614	1.4
	-----	-----	-----	-----
	4,859,731	95,8	4,234,648	96.3
	-----	-----	-----	-----
Impaired Portfolio:				
Deficient	54,485	1,1	46,438	1.1
Doubtful	78,937	1,5	55,921	1.3
Loss	82,919	1,6	57,046	1.3
	-----	-----	-----	-----
	216,341	4,2	159,405	3.7
	-----	-----	-----	-----
Gross Loan Portfolio	5,076,072	100	4,394,053	100
	=====	=====	=====	=====

Accounts receivable under the Trust Agreement with COFIDE have the following maturities:

	In thousands of S/.	
	09.30.2014	12.31.2013
Up to 1 month	23,783	20,082
1 - 3 months	75,982	43,191
3 months to 1 year	230,122	195,735
1 - 3 years	1,007,017	449,404
Over 3 years	3,739,168	3,685,641
	-----	-----
	5,076,072	4,394,053
	=====	=====

The activity of the provision for doubtful accounts receivable under the Trust Agreement with COFIDE is shown below:

	In thousands of S/.			
	09.30.2014		12.31.2013	
	Portfolio Balance	%	Portfolio Balance	%
	-----	-----	-----	-----
Loan Portfolio, neither matured nor impaired:				
Normal	4,640,884	91,4	4,034,161	91.8
With potential problem	435,188	8,6	359,892	8.2
	-----	-----	-----	-----
	5,076,072	100	4,394,053	100
	-----	-----	-----	-----
Impaired Portfolio:				
Deficient, Doubtful and Loss	-	-	-	-
	-----	-----	-----	-----
Gross Loan Portfolio	5,076,072	100	4,394,053	100
	=====	=====	=====	=====

The Fund records the potential losses on accounts receivable (Trust Agreement with COFIDE) in line with the policy described in note 3(e).

In Management's opinion, the provision for doubtful accounts (Trust Agreement with COFIDE), recorded as of September 30, 2014 and December 31, 2013, complies with the SBS standards for the Fund, in force as of those dates.

7.b CRC-PBP Trusts

This comprises the net assets balance (total assets less total liabilities) of trusts managed by the Fund to guarantee the payment of the credit risk coverage to the IFI and the Good Payer Award to those who access this benefit as part of the credit programs offered by the Fund.

	In thousands of S/.	
	<u>09.30.2014</u>	<u>12.31.2013</u>
CRC-PBP Trust, Nuevos Soles	34,603	32,717
CRC-PBP Trust, US Dollars	36,792	34,375
	-----	-----
	71,395	67,092
	=====	=====

By means of constituent acts signed by the Fund in June 2007, in its capacity as trustee and trustor, simultaneously, these administration trusts were created in order to ensure that resources were available for the Fund to comply with its obligations under the CRC and PBP service contracts (CRC - credit risk coverage and PBP - Good Payer Award) signed with certain financial entities; and also to guarantee an efficient management of such resources.

The accounting recording of the transactions conducted by these trusts is done according to Resolution SBS N° 980-2006 "Regulations of Fondo MIVIVIENDA S.A."; that is, in a single account of the statement of financial position (note 3 (e.2)). The accounting of the trusts are kept separate for control purposes and show the following balances as of September 30, 2014 and December 31, 2013:

CRC-PBP Trust, Nuevos Soles

	In thousands of S/.	
	<u>09.30.2014</u>	<u>12.31.2013</u>
Statement of financial position		
Assets:		
Cash and due from banks	2,109	611
Available-for-sale investments	30,950	30,587
Held-to-maturity investments	1,544	1,519
	-----	-----
Total assets	34,603	32,717
	=====	=====
Liabilities	-	-
	-----	-----
Total liabilities		
	=====	=====
Shareholders' Equity and net surplus:		
Surplus from collections, net	2,068	2,025
Adjustment to shareholders' equity	(635)	(1,048)
Retained earnings	33,170	31,740
	-----	-----
Total shareholder's equity and net surplus	34,603	32,717
	=====	=====

	In thousands of S/.	
	<u>09.30.2014</u>	<u>09.30.2013</u>
Statement of income		
Interest income:		
Cash and due from banks	38	129
Available-for-sale investments	1,464	921
Held-to-maturity investments	78	276
	-----	-----
	1,580	1,326
	-----	-----
Gross financial margin	1,580	1,326
	-----	-----
Net financial margin	1,580	1,326
	-----	-----
Trust Expenses and Trust Fees	(151)	(143)
Financial services expenses	(3)	(4)
	-----	-----

Financial margin, net of income and expenses from services	1,426	1,179
Income (expense) from financial transactions (ROF)		
Available-for-sale investments	-	92
Other	-	51
	-	143
Operating margin	1,426	1,322
Administrative expenses	(1)	(5)
Net operating margin	1,425	1,317
Operating income	1,425	1,317
Fiscal year profit before income tax	1,425	1,317
Fiscal year net profit	1,425	1,317

CRC-PBP trust, US Dollars

	<u>In thousands of S/.</u>	
	<u>09.30.2014</u>	<u>12.31.2013</u>
Statement of financial position		
Assets:		
Cash and due from banks	6,662	1,037
Available-for-sale financial investments	25,309	27,230
Held-to-maturity financial investments	4,822	7,565
Derivative financial instruments		49
Total assets	36,793	35,881
Liabilities:		
Derivative financial instruments		1,506
Total liabilities		1,506
Shareholders' Equity and net surplus:		
Initial equity	21,013	21,013
Surplus from collections, net	6,876	6,510
Adjustments to Shareholders' Equity	(1,810)	(2,630)
Retained earnings	10,714	9,482
Total Shareholders' equity and net surplus	36,793	34,375
Total liabilities, equity and net surplus	36,793	35,881

	<u>In thousands of S/.</u>	
	<u>09.30.2014</u>	<u>09.30.2013</u>
Statement of income		
Interest income:		
Cash and due from banks	51	205
Available-for-sale investments	1,009	579
Held-to-maturity investments	247	198
	1,307	982
Gross financial margin	1,307	982
Net financial margin	1,037	982
Trust expenses and trust fees	(158)	(158)
Financial service expenses	(3)	(4)
Financial margin, net of income and expenses from services	1,146	820

Income (expense) from financial transactions (ROF)

Available-for-sale investments	-	13
Trading derivatives	6	-
Income (expense) from hedging transactions	(33)	(1,636)
Exchange difference gains	416	1,147
Other	(300)	154
	-----	-----
	89	(322)
	-----	-----
Operating margin	1,235	498
Administrative expenses	(1)	(5)
	-----	-----
Net operating margin	1,234	493
	-----	-----
Operating income	1,234	493
	-----	-----
Fiscal year profit before income tax	1,234	493
	-----	-----
Fiscal year net income	1,234	493
	=====	=====

The Board of Directors' meeting 010-2012 held on April 27, 2012 approved the transfer to the Fund of surplus assets held in CRC-PBP trusts in Nuevos Soles and US Dollars, amounting to S/. 290,000 thousand and US\$ 19,000 thousand, respectively, in order that they may be used in granting new loans. These surpluses were obtained from the sale of available-for-sale investments and the redemption of held-to-maturity investments held by the trusts, and represented a decrease in the initial equity accounts and in retained earnings in 2012.

(8) Accounts receivable and accounts payable of derivative financial products

The Fund holds prospective purchase and sale commitments in US Dollars and Swiss Francs ("forwards"), as well as Swaps to hedge cash flows, which fair value has originated accounts receivable and accounts payable as indicated below:

	In thousands of S/.					
	09.30.2014			12.31.2013		
	Accounts receivable	Accounts Payable	Reference Amount	Accounts receivable	Accounts Payable	Reference Amount
Forwards – purchase	1,297	(7,496)	520,266	737	(268)	223,600
Forwards – sale	610	(7,931)	517,767	-	(114)	20,160
	-----	-----	-----	-----	-----	-----
	1,908	(15,427)	1,038,033	737	(382)	243,760
	-----	-----	-----	-----	-----	-----
Swaps – purchase	16,953	(15,567)	1,596,309	-	-	-
	-----	-----	-----	-----	-----	-----
	16,953	(15,567)	1,596,309	-	-	-
	-----	-----	-----	-----	-----	-----
	18,861	(30,995)	2,634,342	737	(382)	243,760
	=====	=====	=====	=====	=====	=====

These derivative financial instruments are held for hedging purposes against the exchange risk; they correspond to purchase forwards expiring from October 2014 to July 2015 and to sale forwards expiring from October to November 2014, and to purchase swap contracts expiring in January 2023.

As of September 30, 2014, hedging derivatives generated a net loss of S/. 60,374 thousands (net loss of S/. 4,220 thousands as of December 31, 2013). Furthermore, in 2014, the Fund carried out forward transactions for trading purposes which were settled within the same year, generating a net loss of S/. 2,259 thousand.

(9) Other accounts receivable, net

These include the following:

	In thousands of S/.	
	09.30.2014	12.31.2013
Accounts receivable from Banks in liquidation (a)	106,950	107,480
Claim to MVCS – DU 002-2014	523,587	0
Accounts receivable from Ex – CONEMINSA portfolio (b)	14,177	14,734
Recoveries of COFIDE to be distributed (c)	0	99
Other miscellaneous accounts receivable	779	596
	<u>645,503</u>	<u>122,910</u>
Less: Provision for accounts receivable (f)		
Banks in liquidation (a)	(106,960)	(107,480)
Ex – CONEMINSA portfolio (b)	(13,198)	(13,446)
Other accounts receivable (d)	(629)	(524)
	<u>(120,787)</u>	<u>(121,450)</u>
Total	<u>524,717</u>	<u>1,460</u>

- (a) This corresponds to accounts receivable from time deposits and certificates of deposit, among others, that the Fund, - prior to becoming a financial company supervised by the SBS (before January 1, 2006), - held with certain financial institutions which went into liquidation.

As of September 30, 2014 and December 31, 2013, the balances in these accounts receivable include the following:

	In thousands of S/.	
	09.30.2014	12.31.2013
Capital		
Banco Nuevo Mundo, in liquidation (i)	56,427	56,952
Banco República, in liquidation (i)	39,988	39,993
Banco Banex, in liquidation – in-kind payment	8,354	8,386
Banco República, in liquidation – in-kind payment(i)	2,190	2,150
	<u>106,960</u>	<u>107,480</u>
Less: Provision por doubtful accts. receivable		
Banco Nuevo Mundo, in liquidation (i)	(56,427)	(56,952)
Banco República, in liquidation (i)	(39,988)	(39,993)
Banco Banex, in liquidation – in-kind payment	(8,354)	(8,386)
Banco República, in liquidation – in-kind payment(i)	(2,190)	(2,150)
	<u>(106,960)</u>	<u>(107,480)</u>
Net	<u>0</u>	<u>0</u>

- i) The Fund has received movable property, real state and loan collections 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 as they occur. In the third quarter of 2014, the Fund received in cash from Banco Nuevo Mundo - in liquidation - S/. 528 thousand; whereas during 2013 it received in cash from Banco Nuevo Mundo in liquidation S/. 2,212 thousand.

In Management's opinion, the provision for doubtful accounts receivable from banks in liquidation, recorded as of September 30, 2014 and December 31, 2013, is sufficient to cover the related collectibility risk.

(b) This 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 on December 30, 2003 for its administration and recovery.

(c) This corresponds to the net effect of adjustments and reversals of monthly reconciliations of balances with COFIDE, which are regularized in the following months.

(d) The activity of the provision for other doubtful accounts receivable is shown below:

	In thousands of S/.	
	30.09.2014	12.31.2013
	S/.	S/.
Balance at beginning of year	121,450	123,411
Plus (less)		
Fiscal year provision	114	284
Write-offs	0	0
Recoveries	(964)	(2,730)
Exchange difference	187	485
Balance at year end	120,787	121,450

In Management's opinion, the provision for other doubtful accounts receivable recorded as of September 30, 2014 and December 31, 2013 agrees to the rules established by SBS at that time.

(10) Property, furniture and equipment, net

This item comprises the following:

09.30.2014	In thousands of S/.			
	Balances as of 12.31.2013	Additions	Disposals & other adjustments	Balances as of 09.30.2014
Cost:				
Land	103	-		103
Buildings	36	-		36
Premises / Facilities	62	-		62
Furniture and fixtures	661	-		661
Computer equipment	2,061	84	(1)	2144
Miscellaneous equipment	967	19		986
Vehicles	647	-		647
	4,537	103	(1)	4,639
Acumulated depreciation:				
Buildings	7	1		8
Premises / Facilities	47	5		52
Furniture and fixtures	561	17		578
Computer equipment	1,735	133	(1)	1,867
Miscellaneous equipment	600	64		664
Vehicles	465	94		559
	3,415	314	(1)	3,728
Net cost	1,122			911

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

Financial institutions in Peru can not provide in guarantee the assets that make their premises, furniture and equipment.

In Management's opinion there is no evidence of impairment of the property, furniture and equipment held by the Fund as of September 30, 2014 and December 31, 2013.

As of September 30, 2014, the Fund holds fully depreciated assets in the amount of S/. 2,380 thousand (S/. 1,619 thousand as of December 31, 2013).

The Fund has its main assets insured in accordance with the policies established by Management; in that sense, as of September 30, 2014 and December 31, 2013, the Fund has taken an all-risk insurance policy that covers the value of the property, furniture and equipment owned by the Fund. In Management's opinion, the Fund's insurance policies are consistent with the practice of the industry.

(11) Intangible assets
This item includes the following:

09.30.2014	In thousands of S/.			
	Balances as of <u>12.31.2013</u>	Additions	Disposals & other adjustments	Balances as of <u>09.30.2014</u>
Cost:				
Software	1,801		(437)	1,364
Licenses	1,112	49	(234)	927
Software under development	-	1090		1,090
	-----	-----	-----	-----
	2,913	1,139	(671)	3,381
	-----	=====	=====	-----
Accumulated amortization:				
Software	1,136	94	(79)	1,151
Licenses	951	80	(233)	798
	-----	-----	-----	-----
	2,087	174	(312)	1,949
	-----	=====	=====	-----
Net cost	825			1,432
	=====			=====
12.31.2013	In thousands of S/.			
	Balances as of <u>12.31.2012</u>	Additions	Disposals & other adjustments	Balances as of <u>12.31.2013</u>
Cost:				
Software	2,053	640	(892)	1,801
Licenses	1,481	54	(424)	1,112
Software under development				
	-----	-----	-----	-----
	3,534	694	(1,316)	2,913
	-----	=====	=====	-----
Accumulated amortization:				
Software	1,930	98	(892)	1,136
Licenses	1,278	97	(424)	951
	-----	-----	-----	-----
	3,208	195	(1,316)	2,087
	-----	=====	=====	-----
Net cost	326			825
	=====			=====

(12) Deferred income tax

The Fund has determined the deferred income tax as follows:

	December 2013 S/. (000)	Additions (Deductions) Profit & Loss	September 2014 S/. (000)
Deferred Assets			
Generic provision for accounts receivable	4,330	(3,108)	7,438
Available-for-sale investments	1,371	(1,159)	212
Deferred income for cash flow advances from BCP	1,369	(662)	707
Derivative financial products for hedging purposes	-	(12,699)	12,699
Other	2,143	(468)	1,675
	<u>9,213</u>		<u>22,731</u>
Deferred Liabilities or Equity Adjustment			
Derivative financial products for hedging purposes	-	(3,058)	(3,058)
Available-for-sale investments	-	(484)	(484)
Other minor ones	-1,371	793	(578)
	<u>-1,371</u>		<u>(4,120)</u>
NET DEFERRED ASSETS	<u>7,842</u>	<u>10,769</u>	<u>18,611</u>

(13) Other assets, net

This item includes the following:

	In thousands of S/.	
	09.30.2014	12.31.2013
Assets received in lieu of payment, net	240	426
Other	1,091	886
	-----	-----
	1,331	1,312
	=====	=====

By means of Executive Resolution No. 046-2009/DE-FONAFE, the "Corporate Management Plan on Information Technology and Communications (TIC) for companies within the scope of FONAFE" was approved. This resolution defines the implementation of the shared service center for Information Technology and Communications of FONAFE. As of September 30, 2014, pre-payment for this service amount to S/. 483 thousand (S/. 715 thousand as of December 31, 2013) and it is included under the "Other" heading.

(14) Debts and financial obligations

This item comprises the following:

	In thousands of S/.	
	09.30.2014	12.31.2013
-Debts and obligations with domestic financial companies and institutions (a)	880,243	402,525
-Securities and Bonds (b)	3,067,299	1,399,138
Total	<u>3,947,542</u>	<u>1,801,663</u>

(a) As of September 30, 2014, the Fund holds the following liabilities:

Financial institution	Date	Annual Interest rate	In thousands of S/.			
			Principal	Interest	Amortized Cost adjustment	Total
-	-	-	-	-	-	-
Banco de la Nación	10.16.13	4.40%	50,000	1,021	0	51,021
Banco de la Nación	10.28.13	4.40%	65,000	1,232	0	66,232
Banco de la Nación	11.14.13	4.40%	50,000	844	0	50,844
Banco de la Nación	11.28.13	4.40%	59,000	896	0	59,896
Banco Continental	12.19.13	4.75%	150,896	214	3	151,113
Banco de la Nación	10.16.13		500,000	1,137	0	501,137
			874,896	5,344	3	880,243
			=====	=====	=====	=====

As of December 31, 2013, liabilities were as follows:

Financial institution	Date	Annual interest rate	In thousands of S/.			
			Principal	Interest	Amortized Cost adjustment	Total
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	4.75%	100,000	155	2	100,157
			400,000	2,523	2	402,525
			=====	=====	=====	=====

(b) In May, 2014, the Fund issued bonds in the Swiss market. The issuance was for a notional amount of CHF 250,000 thousand (Swiss Francs), maturing in 4 years. Bonds were placed below par at a price of 99.826% and at a coupon rate of 1.250%, with annual interest payments and amortization at maturity. Proceeds raised are used exclusively to finance credit operations.

In March, 2014, the Fund traded bonds under Rule 144 or Regulation S of the Securities Act in the international market. The issuance corresponded to notional value of US\$ 300,000 thousand, maturing in 5 years. Bonds were placed below par at a price of 99.763% and at a coupon rate of 3.375% with semi-annual interest payments and amortization at maturity. Proceeds earned are used exclusively to finance credit operations.

In January 2013, the Fund issued bonds under Rule 144 or Regulation S of the Securities Act, in the international market. The issuance corresponded to a notional value of US\$ 500,000 thousand, maturing in 10 years. Bonds were placed below par at a price of 99.15% and at a coupon rate of 3.50% with semi-annual interest payments and amortization at maturity. Proceeds earned are used exclusively to finance credit operations.

As of September 30, 2014, interest expense on outstanding securities issued by the Fund amounts to S/. 56,027 thousand (S/. 45,288 thousand as of December, 2013) (note 20).

(15) Other accounts payable, provisions and other liabilities

This item comprises the following:

	<u>In thousands of S/.</u>	
	<u>09.30.2014</u>	<u>12.31.2013</u>
Other accounts payable:		
FONAVI contributions (a)	157,662	151,414
Good Payer Bonus (capital) allocated to COFIDE (b)	76,205	79,872
Savings of the family group eligible for transfer to technical entities (c)	16,184	8,532
Family housing bonus to be transferred to technical entities (d)	207,468	6,776
Workers' profit sharing	2,900	4,386
Good Payer Bonus (capital) received from MVCS (e)	8	8
Good Payer Bonus (capital) received and allocated from MVCS according to DU N° 002-2014	222,255	0
Supplier payables	5,376	1,258
Resources to be transferred for executed letters of guarantee	1,103	1,059
Vacation and social benefit liquidations	1,457	885
Other	14,484	390
	<u>705,102</u>	<u>254,580</u>
	=====	=====
Provisions:		
Prov. for litigation, claims, and other contingencies (h)	1,676	1,399
Prov. for credit risk coverage on cash flow advances	3,551	5,362
	<u>5,227</u>	<u>6,761</u>
	=====	=====
Other liabilities:		
Deferred income on cash flow advances (g)	2,358	4,479
Other deferred income	340	561
Transactions in progress	83	6
	<u>2,781</u>	<u>5,046</u>
	=====	=====

- a. On September 30, 2014 and December 31, 2013 it comprises the following

	<u>In thousands of S/.</u>	
	<u>09.30.2014</u>	<u>12.31.2013</u>
FONAVI collections	94,183	112,942
FONAVI contributions pending transfer to the MEF	334	38,188
Refund of FONAVI pending collection	63,145	284
	<u>157,662</u>	<u>151,414</u>
	=====	=====

FONAVI collections correspond to balances allocated to the Fund, as a result of the collection made by the National Superintendence of Tax Administration (SUNAT), of taxpayers' contributions made to FONAVI, under the Law No. 26969.

The activity of this item is presented below:

	<u>In thousands of S/.</u>	
	<u>09.30.2014</u>	<u>12.31.2013</u>
Balance at the beginning of year	112,942	125,539
Fiscal year collection	6,348	23,048
Reclassification of contributions pending transfer to the MEF	(24,994)	(31,199)
Reimbursement of FONAVI contributions	(113)	(4,446)
	-----	-----
Balance	94,183	112,942
	=====	=====

FONAVI contributions pending transfer to the MEF correspond to collections made by SUNAT of FONAVI contributions, which were made by taxpayers who have tax stability as according to the Law No. 27071.

Uncollected refund of contributions to FONAVI corresponds to checks drawn from 1999 to 2014, receivable by beneficiaries. These checks were issued by way of refund of contributions FONAVI according to SUNAT communications, responsible for the collection of these resources.

- b. This corresponds to funds received from the MVCS that were allocated to credits authorized to the IFI (MIHOGAR Project Credit and New MIVIVIENDA Credit) after verifying compliance with the requirements set forth in the relevant regulations. The activity of this heading is presented below:

	<u>In thousands of S/.</u>	
	<u>09.30.2014</u>	<u>12.31.2013</u>
Balance at the beginning of year	79,872	77,728
BBP allocation to accounts receivable from trusts		5,710
Adjustment of BBP allocations from prior fiscal years		900
Adjustment to BBP applications from prior fiscal years		20
BBP application to MIHOGAR credit installments	(1,090)	(1,351)
BBP application to New MIVIVIENDA credit installments	(2,655)	(3,135)
BBP assumed by DU 002-2014	78	
	-----	-----
Balance as of fiscal year end	76,205	79,872
	=====	=====

- c. This corresponds to the balance payable to technical entities on behalf of those households eligible for the Techo Propio Program. This balance comprises the amount of savings deposited by the household to the Fund's account and the savings of Fondo de Vivienda Policial (FOVIPOL).
- d. This corresponds to the balance payable to technical entities (builders) for the financing of the Family Housing Bonus (BFH) of those households who accessed the Techo Propio Program.
- e. This corresponds to the cash funds received from the MVCS, which are pending allocation to those beneficiaries who request the credit products offered by the

Fund. The allocation of these resources is made through the COFIDE Trust, when the disbursements to the IFI are authorized by the approved credits.

The activity of this heading is presented below:

	In thousands of S/.	
	09.30.2014	12.31.2013
Balance at the beginning of year	8	6,638
Regularization of prior fiscal years	-	(20)
Resources received during the period	-	-
BBP disbursements to COFIDE for allocation to loans	-	(6,610)
	-----	-----
Balance at fiscal year end	8	8
	=====	=====

- f. According to the SBS requirements, the prepayment of an amount equivalent to 36 installments by an IFI was recorded as deferred income of S/. 8,488 thousand in August 2012, under the caption "Other liabilities", which would be amortized on a linear basis throughout 36 months. As of September 30, 2014, the deferred income from this transaction amounts to S/. 2,358 thousand; and its balance as of December 31, 2013 was S/. 4,479 thousand.
- g. This corresponds to provisions for litigation and for claims of labor and legal nature. In the opinion of Management and of the legal advisors, the provision recorded as of September 30, 2014 and December 31, 2013 is sufficient to cover the risk of loss derived from litigation and claims filed against the Fund.

(16) Net shareholders' equity

(a) Effective equity

As of September 30, 2014, the Fund's effective equity determined in accordance with applicable standards, amounts to S/. 3,145,212 thousand (S/. 3,060,455 thousand as of December 31, 2013). This figure is used to calculate certain limits and legal restrictions according to the General Law of the Financial and Insurance Systems and the Organic Law of the SBS, Law N° 26702 (hereinafter General Law), applicable to the Fund. This item was determined as follows:

	In thousands of S/.	
	09.30.2014	12.31.2013
Level 1 effective equity:		
Paid-in capital stock	3,050,654	3,050,654
Plus:		
Legal reserve	49,863	43,283
Additional capital	34	34
Retained earnings with capitalization agreement	59,211	0
Less:		
Accumulated loss	2,637	3,677
Unrealized losses on available-for-sale investments	11,913	29,839
	-----	-----
Total Level 1 effective equity	3,145,212	3,060,455
	-----	-----
Total Level 2 effective equity	-	-
	-----	-----
Total effective equity	3,145,212	3,060,455
	=====	=====

As of September 30, 2014, the effective equity requirement for the credit risk determined by the Fund, according to legislation applicable to financial institutions, amounts to S/. 3,093,867 thousand (S/. 3,007,451 thousand as of December 31, 2013), while the effective equity requirements for the market and operational risk amount to S/. 28,733 thousand and S/. 22,612 thousand, respectively (S/.34,897 thousand and S/. 18,107 thousand, respectively, as of December 31, 2013).

According to the General Law, the effective equity must be equal to or greater than 10% of total assets and contingent credits weighted by risk, which includes: i) the effective equity requirement for market risk multiplied by 10, ii) the effective equity for operational risk multiplied by 10, and iii) the credit risk-weighted contingent assets. As of September 30, 2014, the Fund's effective equity represents 50.29% of the minimum capital requirements for market, operational and credit risk (60.34% as of December 31, 2013).

On April 2, 2009, by Resolution No. 2115-2009 SBS it was approved the Regulation for the Effective Equity Requirement for Operational Risk, which is effective as of July 1, 2009. In this regard, as of the date of these notes, the Fund applies the basic indicator method for calculating effective capital for operational risk.

Through SBS Resolution No. 8425-2011 of July 20, 2011, the SBS approved the Regulations for the Additional Effective Equity Requirement, which states that this equity will be equal to the sum of the effective equity requirements, calculated for each of the following components: i) economic cycle, ii) concentration risk, iii) market concentration risk, iv) interest rate risk in banking records, and v) other risks. As from the effective date of this regulation, financial entities will have a five-year term to conform their total effective equity to the level requested in such Resolution. This additional requirement has come into force progressively as from July 2012. As of September 30, 2014 and December 31, 2013, the overall effective equity surplus is as follows:

	<u>In thousands of S/.</u>	
	<u>09.30.2014</u>	<u>12.31.2013</u>
Minimum effective equity requirement:		
For the credit, market and operational risks	671,456	507,201
Additional effective equity	80,768	47,582
	-----	-----
Total minimum requirement	752,224	554,783
	=====	=====
Total estimated effective equity	3,145,212	3,060,455
	=====	=====
Overall effective equity surplus	2,392,988	2,505,672
	=====	=====

(b) Capital

As of September 30, 2014 and December 31, 2013, the capital comprises 3,050'653,965 subscribed and paid-in common shares. All shares have voting rights and a par value of S/.1 each.

As of September 30, 2014 and December 31, 2013, the only shareholder of the Fund is the Peruvian State and its ownership is exercised by the National Fund for Financing the State Enterprise Activity - FONAFE.

The General Meeting of Shareholders on March 25, 2014, approved the capitalization of the profits correspondent to the fiscal year 2013, amounting to S/. 59,211 thousand and the capitalization of the additional capital amounting to S/. 34 thousand; increasing capital from S/. 3,050,654 thousand to S/. 3,109,899 thousand. This new capital stock is pending of registration in the Public Records Office.

(c) Reserve

The General Law requires that the Fund has a legal reserve of at least 35% of its capital stock. This reserve must be created by transferring no less than 10% of after-tax profits on an annual basis, and supersedes the one addressed in the General Corporations Law. In turn, according to the General Law, the legal reserve amount may also be increased through contributions made by the shareholder(s) for such purpose.

The General Shareholders' Meeting held on March 25, 2014 approved to increase the legal reserve to S/. 6,579 thousand, charging the fiscal year 2013 retained earnings.

(d) Shareholders' Equity adjustment

Adjustments to equity correspond to the unrealized gain (loss) resulting from the valuation of the Fund's available-for-sale investments and from the effect of forward and swap cash flows hedging agreements for their valuation which falls within the range of effectiveness. The net activity of taxes is presented below:

	<u>In thousands of S/.</u>	
	<u>09.30.2014</u>	<u>12.31.2013</u>
Opening balance	(29,797)	967
Unrealized loss on the Fund's available-for-sale investments	32,384	(32,650)
Transfer of the realized loss on available-for-sale investments to P&L , net of realized gains	(11,405)	1,886
Sub Total	(8,818)	(29,797)
Unrealized loss on available-for-sale investments for deferred tax	(483)	
Unrealized loss on cash flows hedging transactions	(22,086)	
Total	(31,387)	(29,797)

(17) Contingent and memoranda accounts

This item comprises the following:

	In thousands of S/.	
	09.30.2014	12.31.2013
Contingencies		
Forwards (a)	1,038,033	243,760
Swaps (b)	1,596,309	0
Other contingencies	784,505	807,734
Total contingencies	3,418,846	1,051,493
Memoranda accounts		
Endorsement letters and surety bonds received as guarantees (c)	697,852	466,849
CRC and PBP Trusts in local (MN) and foreign currency (ME)(d)	71,395	67,092
Employer's contribution debt (e)	18,222	18,222
Written-off uncollectible accounts (f)	28,066	28,169
Mortgage guarantees received (g)	2,493	2,411
Interest-in-suspense on the Ex-Coneminsa portfolio and other accounts receivable (h)	10,200	10,213
Securities and other assets held in custody	5,402	4,565
Effective agreements signed with suppliers	37,584	9,690
Funds received from the MVCS - Family Housing Bonus BFH	4,695	6,576
On account advance in favor of FMV	0	200,000
Other minor ones, net	387	384
Total memoranda accounts	876,294	814,171
Trusts and autonomous Equity under administration		
Autonomous Equity of Fondo Ley 27677 (i)	0	857,896
CRC-PBP Trust (j)	145,464	148,707
Las Garzas Trust (k)	23,809	23,903
Total Trusts	169,272	1,030,506
Total memoranda accounts	4,464,413	2,896,170

- (a) This corresponds to the Fund's commitment related to Forward transactions in US dollars and Swiss francs contracted to hedge future cash flows and bonds issued in such currencies, upholding Forwards Purchase for CHF 158,890 thousand, Forwards Sale for US \$ 179,158 thousand and Forward Purchase for US \$ 13,646 thousand as of September 30, 2014
- (b) This corresponds to the Fund's commitment under swap agreements related to US Dollar and Swiss francs purchase transactions, to hedge its accounts payable for bonds issued in that currencies, amounting to CHF 50,000 thousand and US\$ 1,455,000 thousand as of September 30, 2014.
- (c) This corresponds to endorsement letters received from technical entities as guarantee compliance with contracts executed under the Techo Propio Program,

for the BFH and household savings. It also includes endorsement letters in guarantee received from suppliers in compliance with contracts for goods and services.

- (d) This corresponds to the recognition of the right acquired by the Fund for the establishment of CRC and PBP trusts in Nuevos Soles and US Dollars, for S/. 34,603 thousand and S/. 36,792 thousand, respectively (S/. 32,717 thousand and S/. 34,375 thousand as of December 31, 2013, respectively).
- (e) This corresponds to a claim filed by the Fund with the MEF, related to the contributions of FONAVI- Employer Contributions, established by Law N° 26969, FONAVI Liquidation Law, which should have been granted to the Fund.
- (f) This corresponds mainly to the write-off of accounts receivable (principal and interest) due from Banco Banex in liquidation and from Banco Orión in liquidation for S/. 23,577 thousand worth of principal and S/. 4,441 thousand worth of interest.
- (g) This corresponds to mortgage guarantees received from two financial institutions in liquidation, for the loan portfolio that they maintained with the Fund.
- (h) This corresponds to the interest accrued on the overdue ex-CONEMINSA portfolio and other accounts receivable.
- (i) This corresponds to the value of net assets of the "Fondo Ley N° 27677 Equity" created by public instrument dated February 13, 2002 with the resources originating from the liquidation of FONAVI, and transferred to the Fund for their administration and recovery. For period 2014, the Fondo Ley N°27677 operations administered by the FMV are outlined in Memoranda Accounts and not in Trust and Equity autonomous for management.

(18) Contingencies

As of September 30, 2014 and December 31, 2013, the Fund has the following contentious processes:

- a) Lawsuits on labor issues related to profit sharing payment and reimbursement of social benefits. As of September 30, 2014, the Fund recorded a provision for S/. 840 thousand for this item (S/.621 thousand as of December 31, 2013).
- b) Miscellaneous constitutional processes (protective actions) related to the restitution of labor rights to former Fund's employees and the de-registration of technical entities for incurred infringements.
- c) Administrative Contentious process with the DHMONT & CG & M S.A.C. Consortium for the challenging of an administrative decision. The claimant is seeking the annulment of a letter in which the Fund refused to return the stand-by letter of credit granted as guarantee, a condition for this company to appeal in the Collique public bid, convened by the Fund. The amount in dispute is S/. 4,870 thousand. The judge ordered the Fund to reimburse US\$ 250 thousand equivalent to S/. 723 thousand, amount that is still provisioned as of September 30, 2014 at its present value of US\$249 thousand, equivalent to S/. 719 thousand (present value as of December 31, 2013 US\$237 thousand,

equivalent to S/. 663 thousand).

- d) Arbitration process with Veritas Edificaciones S.A.C. and with CG&M Proyectos y Construcciones S.A.C. The former for US\$ 7,327 thousand and the later for an indeterminable amount.

In the opinion of Management, and its legal advisors, these legal claims will not result in significant liabilities in addition to those recorded in the attached financial statements.

(19) Interest income

This item comprises the following:

	In thousands of S/.	
	09.30.2014	09.30.2013
Cash and due from banks	5,505	11,195
Available-for-sale investments (Note 7)	13,708	7,793
Held-to-maturity investments (Note 7)	103	220
Accounts receivable	210,152	159,481
Other financial income	1,105	1,442
Total	230,573	180,131

Interest income from accounts receivable corresponds to interest earned on accounts receivable from IFI's placed through the COFIDE Trust; and also it corresponds to the allocation of the CRC – PBP trusts to profit & loss.

(20) Interest expense

This item comprises the following:

	In thousands of S/.	
	09.30.2014	09.30.2014
Debts and Obligations of the Peruvian Financial System		
- Debts and Obligations of the Peruvian Financial System (a)	18,669	498
- Outstanding Securities, Bonds and Debentures (b)	56,027	32,649
	74,696	33,147
Accounts payable Interest	-	157
Other financial expenses (c)	33,925	28,396
Total interest expense	108,621	61,700

- a) This corresponds to the Fund's debts to Banco de la Nacion and BBVA Banco Continental.
- b) This corresponds to interest accrued on the issuance of international bonds, specifically the 1st, 2nd and 3rd international issues.
- c) The other financial costs correspond primarily to the Good Payer Award granted through the COFIDE Trust.

- (21) Income from financial services
This item comprises the following:

	In thousands of S/.	
	<u>09.30.2014</u>	<u>09.30.2013</u>
Income from trusts and trust fees	385	373
Miscellaneous income	4,181	4,891
	-----	-----
	4,566	5,264
	=====	=====

Income from financial services corresponds primarily to fees related to the management of CRC-PBP trusts in Nuevos Soles and US Dollars, for which the Fund receives a monthly fee equivalent to 0.05% of the trusts' net worth; and to fees related to credit risk coverage (CRC) and Good Payer Award (PBP) provided to the IFI.

- (22) Administrative expenses
This item comprises the following:

	In thousands of S/.	
	<u>09.30.2014</u>	<u>09.30.2013</u>
Personnel and Board of Directors expenses (a)	15,575	12,157
Third-party services (b)	17,073	15,852
Taxes and contributions	318	201
	-----	-----
	32,966	28,210
	=====	=====

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

	In thousands of S/.	
	<u>09.30.2014</u>	<u>09.30.2013</u>
Salaries	(7,567)	(5,383)
Bonuses	(245)	(150)
Professional Internship Grant	(477)	(339)
Employee profit sharing	(2,900)	(3,212)
Rewards	(1,333)	(951)
Time-in-service compensation (severance pay)	(779)	(557)
Social security	(754)	(542)
Vacation	(668)	(494)
Training	(95)	(60)
Other	(756)	(469)
	-----	-----
	(15,575)	(12,157)
	=====	=====

Under current legislation, the Fund distributes 5% of net taxable income as employees' profit sharing.

(b) Third-party services include the following items:

	In thousands of S/.	
	<u>09.30.14</u>	<u>09.30.13</u>
Advertising	7,616	5,088
Advisory services	1,774	4,114
Rental of goods and property	1,353	1,414
Repair and maintenance	719	553
Project expenses TIC – FONAFE	751	796
Communications	546	343
Travel expenses	796	282
Transportation	493	300
Surveillance and protection	336	361
Insurance	219	225
Courier services	203	158
Office supplies	89	139
Utilities	164	120
Cleaning services	115	121
Telemarketing services	117	29
Other expenses	1,782	1,808
	-----	-----
	17,073	15,852
	=====	=====

(c) Remuneration for Directors

The amount paid as of September 30, 2014 and 2013 per diem allowance to the Fund's board of directors amounts to S/. 150 thousand and to S/.117, thousand, respectively.

(d) Remuneration for Management Staff

Payments for salaries and other staff benefits as of September 30, 2014 and 2013 received by managers and heads of the Fund office with executive responsibility amounted to S /. 3,283 thousand and S /. 3,802 thousand, respectively.

(23) Tax matters

(a) The Fund has determined a provision for current Income Tax disclosed in the Income Statement as of 30 September 2014 in the amount of S /. 14,551 thousand, (S /. 13,229 thousand and showed in the Income Statement at 30 September 2013).

The years 2011 to 2013 are pending review by the tax authorities. Any major expenses exceeding the provisions made to cover tax obligations will be charged to profit or loss in the years in which those expenses are finally settled. In the Management's opinion, as a result of this review, there will be no significant liabilities affecting the financial statements at September 30, 2014 and December 31, 2013

In accordance with current tax legislation, corporate income tax for years 2014 and 2013 is calculated at a rate of 30% on the net taxable income.

(b) As of 2005, the Temporary Tax on Net Assets (ITAN, for its Spanish acronym) was established. The taxable base of the ITAN consists of the value of the net

assets as of the close of the fiscal year prior to that to which the payment applies, net of 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. This tax may be paid in cash or in nine consecutive monthly installments. The amount paid may be used as a credit against partial income tax payments under the Income Tax General System for the 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 the regularization of the income tax payment in the corresponding taxable period. The Fund has calculated the Temporary Tax on Net Assets as of December 31, 2013 at S/. 20,848 thousand.

A tax refund may be requested only when it is possible to demonstrate the incurring of tax losses or the determination of a lower payment of Income Tax based on the general system provisions.

- (c) It has also been established in 15% the retention rate of Income Tax applicable to the technical assistance provided by non-domiciled entities in the country, regardless of where they perform the service if it meets the requirements established in the Law of Income Tax.
- (d) As of September 30, 2014 and as of December 31, 2013 and 2012, the tax rate on financial transactions has been set at 0.005%, and it is applied on each deposit and withdrawal made to and from a bank account, or to movements of funds made through the financial system, unless the account is tax-exempt.
- (e) The reconciliation of the income tax effective rate is as follows:

	September 2014		September 2013	
	S/. (000)	%	S/. (000)	%
Earnings before income tax	60,268	100	53,953	100
Income tax computed according to current rate	18,080	30.00	16,186	30.00
Tax effect on additions and deductions:				
Permanent differences	-3,957	-6.57	-139	-0.26
Other	428	0.71	-2,748	-5.09
Current and deferred income tax recorded as per effective rate	<u>14,551</u>	<u>24.14</u>	<u>13,299</u>	<u>24.65</u>

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

	In thousands of S/.	
	09.30.14	09.30.13
Income tax:		
Current	12,573	8,269
Deferred	1,978	5010
	-----	-----
	14,551	13,299
	=====	=====

- (g) Total or partial distribution of dividends or other profit distribution is subject to income tax with a deduction of 4.1%. The distribution of profits made in favor of companies domiciled in the country is not included. The Fund does not maintain a dividend distribution policy.

(24) Financial risk management

The activities of the Fund as of second-tier bank expose it to a variety of financial risks, including the effects of changes in exchange rates of foreign currencies, interest rates, market risk, liquidity risk and credit risk. The Fund's program for the management of risks seeks to minimize the potential adverse effects of these risks on its financial performance.

The Risks Management Office is in charge of the administration of risks in accordance with the policies approved by the Board of Directors. This Office identifies, measures, monitors and controls the financial risks to which the Fund is exposed, in close coordination with its operating units. The Board of Directors provides in writing the principles for an overall management of risks, as well as those policies addressing specific areas, such as foreign exchange risk, interest rate risk, and credit risk, use of financial instruments and investment of the liquidity surplus.

Market risk

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

The objective of the Fund's risk management is to establish the policies, processes, and controls in order to balance profitability with the volatility in the market, i.e., under 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 have an important role at the Fund, applying practices in line with the market as it corresponds to the management of these risks.

Thus, the resource allocations administration and financial management are constrained by limits which incorporate a risk level considered adequate by management. This risk level is reviewed periodically to ensure it incorporates the needs and strategies proposed by Management, as well as variations in market conditions.

The resource allocation activities are controlled according to internal limits applicable to each IFI. These limits are a function of the following IFI variables: risk classification, the ratio of global capital and the size of effective equity.

In the investing and financing activities, the liquidity risk and interest rate risk are identified, measured, and reported. Such activities are managed and controlled

in accordance with the following approved limits: concentration limits by currency, issuer concentration limits, concentration limits by type of investment, "Value at Risk" (VaR) Limits, tolerance limits of expected maximum loss ("Stop Loss"), internal liquidity ratio limit, and internal limit of structural interest rate risk, among others.

The interest rate risk to which the Fund is exposed is controlled through the following indicators of a regulatory nature: Gains on risk and Equity value at risk which are determined according to internal assumptions and based on methodological notes established by the SBS. These indicators are periodically reported 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 the interest rate risk. As of September 30, 2014 and December 31, 2013, the Fund's exposure to the interest rate risk considering instruments repricing dates is as follows:

09.30.2014	In thousands of S/. (*)								
Interest rate risk	Up to 1 month	More than 1 to 2 months	More than 2 to 3 months	More than 3 to 6 months	More than 6 to 12 months	More than 12 months	Not accruing interest	Total	
Assets:									
Cash and due from banks	1,699,777	7,011	115,607	-	25,272			1,847,666	
Investments	734	7,879	5,850	4,100	15,911	299,605		334,080	
Accounts receivable (COFIDE Trust Agreement)	33,367	31,050	31,296	94,503	185,915	4,643,327		5,019,458	
Accounts receivable from hedging derivatives		-	-	-	-		18,861	18,861	
Other sensitive assets		-	-	-	-		-		
Total assets	1,733,879	45,940	152,753	98,603	227,098	4,942,932	18,861	7,220,066	
Liabilities:									
Debts and financial obligations	177,776	159,554	49,909	21,063	546,315	2,992,924		3,947,542	
Accounts payable on hedging derivatives		-	-	-	-		30,995	30,995	
Other sensitive liabilities		-	-	-	-		-	-	
Total liabilities	177,776	159,554	49,909	21,063	546,315	2,992,924	30,995	3,978,536	
Off-balance sheet accounts:									
Derivative instruments, assets	-	-	-	-	-		2,116,575	2,116,575	
Derivative instruments, liabilities	-	-	-	-	-		517,767	517,767	
	-	-	-	-	-		1,598,808	1,598,808	
Marginal gap	1,556,103	(113,614)	102,844	77,540	(319,217)	1,950,008			
Accumulated gap	1,556,103	1,442,489	1,545,332	1,622,873	1,303,656	3,253,663			

(*) This table does not include the accounts receivable from the CRC – PBP Trusts.

Note: By SBS Resolution N° 1014-2014, dated 02.13.2014, it was amended Annex N° 7 "Interest Rate Risk Measurement" and the description "Accounts Receivable from Trust" is replaced by "Sensitive Accounts Receivable and Other Sensitive Assets" and incorporates "Sensitive Accounts Payable and Other Sensitive Liabilities" under the heading "Debts and Other Financial Obligations".

12.31.2013	In thousands of S/. (*)							Total
	Up to 1 month	More than 1 to 2 months	More than 2 to 3 months	More than 3 to 6 months	More than 6 to 12 months	More than 12 months	Not accruing interest	
Interest rate risk								
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 (COFIDE Trust Agreement)	26,958	26,008	26,412	79,314	157,437	4,038,942	-	4,355,071
Accounts receivable from hedging derivatives	-	-	-	-	-	-	737	737
Total assets	435,464	29,099	27,476	85,206	171,886	4,351,624	737	5,101,492
Liabilities:								
Debts and financial obligations	18,762	387	1,972	5,806	412,348	1,362,388	-	1,801,663
Accounts payable for hedging 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	

(*) This table does not include the accounts receivable from the CRC - PBP Trusts.

The effects of estimated changes in interest rates as of September 30, 2014 and December 31, 2013, are as follows:

	In thousands of S/. (*)			
	Effect on Profit (Loss) before tax			
	09.30.2014		12.31.2013	
Changes in interest rate	In local currency	In foreign currency	In local currency	In foreign currency
-2.0%	(5,692)	(20,111)	5,255	(11,459)
-1.5%	(4,269)	(15,083)	3,941	(8,594)
-1.0%	(2,846)	(10,056)	2,627	(5,730)
-0.5%	(1,423)	(5,028)	1,314	(2,865)
0%	-	-	-	-
0.5%	1,423	5,028	(1,314)	2,865
1.0%	2,846	10,056	(2,627)	5,730
1.5%	4,269	15,083	(3,941)	8,594
2.0%	5,692	20,111	(5,255)	11,459

(*) This table does not include the accounts receivable from the CRC – PBP Trusts, according to regulatory matters.
Source and preparation: Risk Management Office.

	In thousands of S/. (*)			
	Effect on equity before tax			
	09.30.2014		12.31.2013	
Changes in interest rate	In local currency	In foreign currency	In local currency	In foreign currency
-2.0%	(61,965)	(2,865)	(71,387)	5,398
-1.5%	(46,474)	(2,149)	(53,540)	4,048
-1.0%	(30,983)	(1,433)	(35,693)	2,699
-0.5%	(15,491)	(716)	(17,847)	1,349
0%	-	-	-	-
0.5%	15,491	716	17,847	(1,349)
1.0%	30,983	1,433	35,693	(2,699)
1.5%	46,474	2,149	53,540	(4,048)
2.0%	61,965	2,865	71,387	(5,398)

(*) Due to regulatory matters, this table does not include the accounts receivable from the CRC – PBP trusts.
Source and preparation: Risk Management Office

The interest rate risk of investments in government bonds, certificates of deposit of the Central Reserve Bank (BCRP) and corporate bonds are managed using the value at risk model.

The risk of exchange rate at which the Fund is exposed, is controlled in accordance with the following approved limits: coverage limits of the accounting exchange position and maximum loss limits of adverse movements in the calculated exchange rates using SBS regulatory models and methodological notes.

The Fund has policies to operate foreign exchange derivative instruments, which cover the exchange risk of bonds issuances denominated in foreign currencies.

As of September 30, 2014 and December 31, 2013, the Fund's exposure to the exchange rate risk is as follows:

Exchange rate risk	In thousands of S/.					
	09.30.2014			12.31.2013		
	Foreign currency	Nuevos soles	Total	Foreign currency	Nuevos soles	Total
Monetary assets:						
Cash and due from banks	1,490,559	357,107	1,847,666	337,375	71,131	408,506
Available-for-sale investments	245,295	88,785	334,080	183,925	146,806	330,731
Held-to-maturity investments				-	6,447	6,447
Accounts receivable	366,156	4,724,697	5,090,853	404,497	4,017,666	4,422,163
Hedging derivatives		18,861	18,861	-	737	737
Other accounts receivable	95	524,622	524,717	110,6786	1,349	1,460
Current taxes		25,051	25,051	-	13,723	13,723
Total monetary assets	2,102,105	5,739,123	7,841,228	925,908	4,257,859	5,183,767
Monetary liabilities:						
Bonds payable		413	413	-	162	162
Debts and financial obligations	3,067,299	880,243	3,947,542	1,399,138	402,525	1,801,663
Hedging derivatives	9,429	21,566	30,995	-	382	382
Accounts payable	15,212	689,890	705,102	1,336	253,244	254,580
Total monetary liabilities	3,091,940	1,592,112	4,684,052	1,400,474	656,313	2,056,787
Accounts off the statement of financial position:						
Derivative instruments, assets	2,116,574	(2,116,574)	0	223,600	(223,600)	0
Derivative instruments, liabilities	(517,767)	517,767	0	(20,160)	20,160	0
	1,598,807	(1,598,807)	0	203,440	(203,440)	0
Net monetary position	608,972	2,548,204	3,157,176	(271,126)	3,398,106	3,126,980

The table below shows the expected losses due to exchange risk of internal and regulatory "value at risk models" (with a certainty of 99% and a settlement period of 10 days):

Models	In thousands of S/.		% Effective Equity	
	09.30.2014	12.31.2013	09.30.2014	12.31.2013
Regulatory	4,038	5,423	0.13%	0.18%
Internal	4,033	6,721	0.13%	0.22%
Global position	(251,911.48) oversold	(276,627) oversold	8.00%	9.03%

Source and preparation: Risk Management Office

Article 6 of the Regulations on Exchange Risk Management, approved by SBS Resolution No. 1455-2003, as amended; require that the oversold global position of the financial entities does not exceed ten per cent (10%) of its effective equity. These regulations further establish that the overbought global position of financial institutions may not exceed fifty percent (50%) of its effective equity.

Liquidity risk

Liquidity risk is associated with the non-payment of liabilities at the dates and terms agreed. Mainly, liabilities include debentures, obligations related to derivative instruments, among other liabilities.

The liquidity risk management is supervised through internal limits, gap analysis, duration resources analysis; which are monitored by the Assets and Liabilities Committee and Risk Committee.

The amounts disclosed are the cash flows based on contractual timelines, undiscounted, and include their respective accrued interest. As of September 30, 2014 and December 31, 2013, the Fund's exposure to liquidity risk is as follows:

As of September 30, 2014	In thousands of S/.				
	Up to 1 month	More than 1 up to 3 months	More than 3 up to 12 months	More than 1 year	Total
Exposure to liquidity risk					
Statement of financial position risk					
Liabilities:					
Bonds payable	0	413	0	0	413
Debts and financial obligations	182,829	212,763	587,810	3,593,272	4,576,674
Accounts payable on hedging derivatives	13,728	1,699	0	15,567	30,994
Other accounts payable	227,145	627	3,628	473,701	705,102
Other liabilities	0	0	0	2,781	2,781
Total	423,702	215,502	591,438	4,085,321	5,315,964

Note: By means of Emergency Decree No. 002-2014- "Extraordinary Measures and Additional Urgent in Economic and Financial Matters are taken to Promote National Economy" (published on 07.28.2014 in the Official Gazette "El Peruano" and its respective errata published in the same journal on 09.08.2014) the Banco de la Nación (National Bank) was instructed to grant a loan of S /. 500 million to the Fund. The loan was granted in September 2014 and maturing in May 2015. The payment of principal and interest will be provided by the MVCS (Ministry of Housing, Construction and Sanitation).

Source and preparation: Risk Management Office

As of December 31, 2013	In thousands of S/.				
	Up to 1 month	More than 1 up to 3 months	More than 3 up to 12 months	More than 1 year	Total
Exposure to liquidity risk					
Statement of financial position risk					
Liabilities:					
Bonds payable	-	-	162	-	162
Debts and financial obligations	24,857	2,442	438,409	1,813,256	2,278,964
Accounts payable on hedging 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

Note: By means of SBS Resolution N° 9075-2012, dated 12.05.2012, it was amended the Annex N° 16 "Table of Liquidity per Maturity Term", changing the methodological notes of regulation distribution. By SBS Resolution N° 5760-2013, dated 09.19.2013, the entry into force of the new Annex N° 16 is amended for information corresponding to December, 2013.

Source and preparation: Risk Management Office

The main guidelines used by the Fund to manage the liquidity risk are the following:

- Set limits to control liquidity.
- Perform gap analysis: maturity mismatching.
- Diversify sources of funding.
- Maintain an adequate level of liquid assets.
- Perform stress tests.
- Have a liquidity contingency plan.

Credit risk

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

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

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

Credits financed by the Fund, are placed in local currency. It is necessary to clarify that the Fund still holds a balance of loans in US Dollars, corresponding to the first products disbursed by the Fund (7.68% of the total portfolio).

As at September 30, 2014, the Fund's maximum exposure to credit risk was S /. 5.076.072 thousand, corresponding to the balance of accounts receivable (under the COFIDE Trust Agreement); the exposure as of December 31, 2013 was S/. 4.394.053 thousand.

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

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

The Commercial Management is in charge of the credit line evaluation and proposal. The Risk Management reviews the evaluation and analyzes the risks. The proposal is submitted to the Risk Committee for its approval or rejection.

While the Risk Committee has some flexibility in determining when a line of credit from an IFI is approved, in practice, such approval is ultimately subject to the discretion of the Risk Management Committee or the Board of Directors.

As of September 30, 2014 and December 31, 2013, the Fund's exposure to credit risk taking as basis the final beneficiary's credit risk classification and by IFI, is as follows:

Risk by final client

	In thousands of S/.			
	09.30.2014		12.31.2013	
	Portfolio balance	%	Portfolio balance	%
Portfolio not past due nor impaired:				
Normal	4,780,428	94,2	4,172,034	94.9
Potential problem(s)	79,703	1,6	62,614	1.4
	-----	-----	-----	-----
	4,859,731	95,8	4,234,648	96.3
	-----	-----	-----	-----
Impaired portfolio:				
Deficient	54,485	1,1	46,438	1.1
Doubtful	78,937	1,5	55,921	1.3
Loss	82,919	1,6	57,046	1.3
	-----	-----	-----	-----
	216,341	4,2	159,405	3.7
	-----	-----	-----	-----
Gross portfolio	5,076,072	100.0	4,394,053	100.0
	=====	=====	=====	=====

• **Risk by IFI**

	In thousands of S/.			
	09.30.2014		12.31.2013	
	Portfolio balance	%	Portfolio balance	%
Portfolio not past due nor impaired:				
Normal	4,640,884	91,4	4,034,161	91.8
With potential problem(s):	435,188	8,6	359,892	8.2
	-----	-----	-----	-----
	5,076,072	100.0	4,394,053	100.0
	-----	-----	-----	-----
Impaired portfolio:				
Deficient, Doubtful and Loss	-	-	-	-
	-----	-----	-----	-----
Gross portfolio	5,076,072	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.

As of September 30, 2014 and December 31, 2013, the fair value and carrying value of the financial instruments of Fondo Mivivienda are as stated below:

	In thousands of S/.			
	09.30.2014		12.31.2013	
	Carrying value	Fair value	Carrying value	Fair value
Assets:				
Cash and due from banks	1,847,666	1,847,666	408,506	408,506
Available-for-sale investments				
Debt instruments	334,080	334,080	330,731	330,731
Held-to-maturity investments	-	-	6,447	6,447
Accounts receivable (COFIDE Trust Agreement)	5,019,458	5,019,458	4,355,071	4,355,071
Accounts receivable on financial derivatives	18,861	18,861	737	737
Other accounts receivable	65,070	65,070	68,552	68,552
	-----	-----	-----	-----
	7,285,135	7,285,135	5,170,044	5,170,044
	=====	=====	=====	=====
Liabilities:				
Bonds payable	413	413	162	162
Debts and financial obligations	3,947,542	3,926,820	1,801,663	1,758,163
Accounts payable on financial derivatives	30,995	30,995	382	382
Other accounts payable	705,102	705,102	254,580	254,580
	-----	-----	-----	-----
	4,684,051	4,663,329	2,056,787	2,013,287
	=====	=====	=====	=====

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 value of such financial instruments is equivalent to their carrying value at the end of the fiscal year.

The methodology and assumptions used depend on the terms and risk characteristics of the various financial instruments, as shown below:

- (a) The cash and due from banks represents cash or short-term deposits with non significant credit risks.
- (b) Available-for-sale investments generally have a stock market quotation or a stock market value determined through future discounted cash flows.
- (c) The market value of the accounts receivable (COFIDE Trust Agreement) is their carrying value, net of their corresponding provision for uncollectibility, according to the Oficio Multiple SBS N° 1575-2014-SBS.
- (d) Debts are related to credit lines with banks and correspondents, accrue interest at fixed rates and have short-term maturities. In turn, Bonds Payable corresponds to international issuances. The fair value of these financial instruments is calculated using discounted cash flows at current rates applicable to liabilities with similar characteristics. As a result of the calculation, the estimated market value does not differ significantly from the carrying value.
- (e) Outstanding securities, bonds and debentures bear interest at fixed rates. The fair value of such financial instruments was calculated using flows discounted at current rates applicable to liabilities with similar characteristics. As a result of the calculation, the estimated market value does not differ significantly from the carrying value.

- (f) Foreign currency purchase and sale commitments are recorded in book entries at their estimated market values; therefore, 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 listed in active markets.
Level 2: Instruments listed in non-active markets.
Level 3: Unlisted instruments.

	In thousands of S/.					
	09.30.2014			12.31.2013		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets:						
Available-for-sale investments						
Debt instruments	76,059	258,021	-	191,068	139,662	-
Accounts receivable from financial derivatives		18,861	-	-	737	-
Other receivables	24,200	40,870	-	-	63,202	-
	-----	-----	-----	-----	-----	-----
	100,259	317,751	-	191,068	203,601	-
	=====	=====	=====	=====	=====	=====
Liabilities:						
Accounts payable on financial derivatives	-	30,995	-	-	382	-
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	-	30,995	-	-	382	-

(26) Subsequent events

There is no evidence that significant events occurred between the closing date of these financial statements and the date of this report, which may affect these financial statements significantly.