

**FONDO MIVIVIENDA S.A.**

**Financial Statements**

**December 31, 2013, 2012 and 2011**

**(including Independent Auditors' Report)**



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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Fondo MIVIVIENDA S.A. (the "Fund"), which comprise the statement of financial position as of December 31, 2013, and the related statements of income, income and other comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

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

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

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of December 31, 2013, and of its financial performance and its cash flows for the year then ended in accordance with accounting standards established by the SBS for the Fund (note 4).

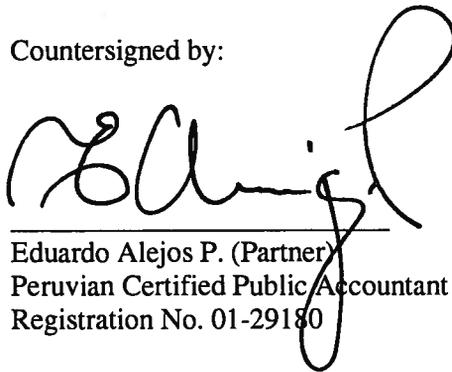
*Other Matters*

The amounts as of December 31, 2012 and for the years ended December 31, 2012 and 2011, presented for comparison purposes, were previously audited by other independent auditors, who issued an audit report dated March 5, 2014, containing no qualifications.

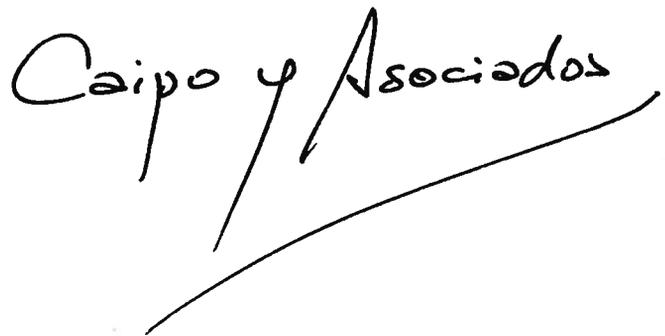
Lima, Peru

March 5, 2014

Countersigned by:



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



Caipo y Asociados

## Independent auditor's report

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

We have audited the accompanying financial statements of Fondo MIVIVIENDA S.A. (hereafter "the Fund"), which comprise the statement of financial position as of December 31, 2012, and the related statements of income, income and other comprehensive income, changes in shareholder's equity and cash flows for the years ended December 31, 2012 and 2011, and a summary of significant accounting policies and other explanatory notes.

### *Management's responsibility for the financial statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting standards prescribed by the Superintendence of Banking, Insurance and Pension Funds Administrators ("SBS" by its acronym in Spanish), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with generally accepted auditing standards in Peru for financial entities. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain a reasonable assurance about whether the financial statements are free from material misstatement.

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

## Independent auditor's report (continued)

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

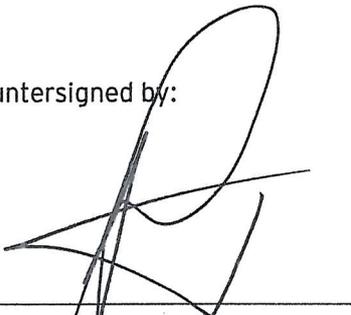
### *Opinion*

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Fondo MIVIVIVENDA S.A. as of December 31, 2012, and its financial performance and cash flows for the years ended December 31, 2012 and 2011, in accordance with accounting principles prescribed by the Superintendencia of Banking, Insurance and Pension Funds Administrators for the Fund, Note 4.

Lima, Peru,  
March 5, 2014

*Medina, Zaldívar, Paredes  
& Asociados*

Countersigned by:



Juan Paredes  
C.P.C.C./ Register No. 22220

**FONDO MIVIVIENDA S.A.**

**Financial Statements**

**December 31, 2013, 2012 and 2011**

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## FONDO MIVIVIENDA S.A.

## Statement of Financial Position

As of December 31, 2013 and 2012

(stated in thousands of nuevos soles)

	<u>Note</u>	<u>2013</u>	<u>2012</u>		<u>Note</u>	<u>2013</u>	<u>2012</u>
<b>Assets:</b>				<b>Liabilities:</b>			
Cash and due from banks	6			Deposits and obligations		162	108
Banco Central de Reserva del Perú		198	2	Borrowings and financial obligations	14	1,801,663	215,597
Banks and other financial system companies		408,080	340,474	Accounts payable to financial derivatives	9	382	-
Other cash and due from banks		228	-	Other accounts payable	15	254,580	241,710
		-----	-----	Current taxes		-	9,732
		408,506	340,476	Provisions and other liabilities	15	11,807	11,391
Investments	7	337,178	-			-----	-----
Accounts receivable, net (Trust Agreement-COFIDE)	8	4,355,071	3,144,929	<b>Total liabilities</b>		2,068,594	478,538
Accounts receivable from financial Derivatives	9	737	5,753	<b>Shareholder's equity:</b>	16		
Other accounts receivable, net	10	68,552	70,518	Capital shares		3,050,654	2,968,160
Property, furniture and equipment, net	11	1,122	1,356	Additional capital		34	34
Current taxes		13,723	-	Reserve		43,283	34,117
Deferred income tax, net	12	7,842	7,210	Adjustment to equity		( 33,474)	967
Other assets, net	13	2,150	3,234	Retained earnings		65,790	91,660
		-----	-----	<b>Total shareholder's equity</b>		-----	-----
<b>Total assets</b>		5,194,881	3,573,476			3,126,287	3,094,938
		=====	=====	<b>Total liabilities and shareholder's equity</b>		-----	-----
		5,194,881	3,573,476			5,194,881	3,573,476
		=====	=====			=====	=====
<b>Contingent and memoranda accounts:</b>	17			<b>Contingent and memoranda accounts:</b>	17		
Debit contingent assets		1,051,493	363,384	Credit contingent liabilities		1,051,493	363,384
Debit memoranda accounts		814,171	732,168	Credit memorandum accounts		814,171	732,168
Trust and commissions of a trustee receivable		1,030,506	1,005,215	Trust and trust commissions payable		1,030,506	1,005,215
		-----	-----			-----	-----
		2,896,170	2,100,767			2,896,170	2,100,767
		=====	=====			=====	=====

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

## FONDO MIVIVIENDA S.A.

## Statement of Income

For the years ended December 31, 2013, 2012 and 2011

(stated in thousands of nuevos soles)

	Note	2013	2012	2011
Interest income	19	248,712	192,753	173,813
Interest expenses	20	( 87,330)	( 37,699)	( 29,149)
<b>Gross financial margin</b>		161,382	155,054	144,664
Provision for doubtful accounts receivable (Trust receivable agreement – COFIDE)	8	( 6,500)	( 15,288)	( 5,657)
<b>Net financial margin</b>		154,882	139,766	139,007
Financial services revenues	21	6,878	7,569	8,859
Financial services expenses		( 123)	( 69)	( 144)
<b>Net financial margin including financial services revenue and expenses</b>		161,637	147,266	147,722
Results from financial transactions				
Available-for-sale investments		-	( 52)	( 8,162)
Trading derivatives		( 6,833)	-	-
Income from hedging transactions		( 4,220)	18,852	25,276
Loss on exchange difference		( 22,127)	( 13,881)	( 22,875)
Other		1,513	( 8)	535
		( 31,667)	4,911	( 5,226)
<b>Operating income</b>		129,970	152,177	142,496
Administrative expenses	22	( 40,087)	( 32,710)	( 30,123)
Depreciation of property, furniture, and equipment		( 486)	( 527)	( 590)
Amortization of intangible assets		( 194)	( 150)	( 234)
<b>Net operating margin</b>		89,203	118,790	111,549
Valuation of assets and provisions:				
Provision for other doubtful accounts receivable, net of reversals	10(e)	815	10,068	1,455
Provision for litigation and claims		( 634)	( 655)	( 212)
Other provisions		( 248)	( 247)	( 86)
<b>Operating income</b>		89,136	127,956	112,706
Other income (expense), net		1,010	401	635
<b>Income before tax</b>		90,146	128,357	113,341
Income tax	23	( 24,356)	( 36,697)	( 30,318)
<b>Net income</b>		65,790	91,660	83,023

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

## FONDO MIVIVIENDA S.A.

## Statement of Income and Other Comprehensive Income

For the years ended December 31, 2013, 2012 and 2011

(stated in thousands of nuevos soles)

	<u>Note</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>Net income</b>		65,790	91,660	83,023
		=====	=====	=====
Other comprehensive income:				
Adjustments of fair value investments of Fund	16(d)	( 29,797)	-	4,687
Adjustments of fair value investments of CRC-PBP Trust	16(d)	( 4,644)	648	1,496
		-----	-----	-----
<b>Total other comprehensive income</b>		( 34,441)	648	6,183
		-----	-----	-----
<b>Total comprehensive income for the period</b>		31,349	92,308	89,206
		=====	=====	=====

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

## FONDO MIVIVIENDA S.A.

## Statement of Changes in Equity

For the years ended December 31, 2013, 2012 and 2011

(stated in thousands of nuevos soles)

	Capital shares	Additional Capital	Reserve	Retained earnings	Total Equity	Available for-sale Investments (nota 16(d))	Adjustment to equity	Total Shareholder's equity
Balances as of January 1, 2011 (before adjustments)	2,831,258	34	19,361	68,435	2,919,088	( 5,864)	( 5,864)	2,913,224
Change in accounting policies	-	-	-	200	200	-	-	200
Comprehensive Income:								
Net income	-	-	-	83,023	83,023	-	-	83,023
Other comprehensive income	-	-	-	-	-	6,183	6,183	6,183
Total comprehensive income	-	-	-	83,023	83,023	6,183	6,183	89,206
Changes in Shareholder's Equity (not included in the comprehensive income):								
Capitalization of earnings (note 16(b))	58,086	-	-	( 58,086)	-	-	-	-
Transfer to reserve (note 16 (c))	-	-	6,454	( 6,454)	-	-	-	-
Balances as of December 31, 2011	2,889,344	34	25,815	87,118	3,002,311	319	319	3,002,630
Other comprehensive income:								
Net income	-	-	-	91,660	91,660	-	-	91,660
Other comprehensive income	-	-	-	-	-	648	648	648
Total comprehensive income	-	-	-	91,660	91,660	648	648	92,308
Changes in Shareholder's Equity (not included in the comprehensive income):								
Capitalization of earnings (note 16(b))	78,816	-	-	( 78,816)	-	-	-	-
Transfer to reserve (note 16 (c))	-	-	8,302	( 8,302)	-	-	-	-
Balances as of December 31, 2012	2,968,160	34	34,117	91,660	3,093,971	967	967	3,094,938
Other comprehensive income:								
Net income	-	-	-	65,790	65,790	-	-	65,790
Other comprehensive income	-	-	-	-	-	( 34,441)	( 34,441)	( 34,441)
Total comprehensive income	-	-	-	65,790	65,790	( 34,441)	( 34,441)	31,349
Changes in Shareholder's Equity (not included in the comprehensive income):								
Capitalization of earnings (note 16(b))	82,494	-	-	( 82,494)	-	-	-	-
Transfer to reserve (note 16 (c))	-	-	9,166	( 9,166)	-	-	-	-
Balances as of December 31, 2013	3,050,654	34	43,283	65,790	3,159,761	( 33,474)	( 33,474)	3,126,287

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

## FONDO MIVIVIENDA S.A.

## Statement of Cash Flows

For the years ended December 31, 2013, 2012 and 2011

(stated in thousands nuevos soles)

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:			
Net income	65,790	91,660	83,023
Adjustments to reconcile net income with net cash provided by (used in) operating activities:			
Depreciation and amortization	680	973	1,317
Provisions	36,135	( 1,442)	3,765
Other adjustments	36,564	( 337)	( 6,506)
Net changes in assets and liabilities:			
Increase (decrease) in assets			
Available- for -sale investments	( 351,513)	14,106	446,267
Accounts receivable (Trust agreement – COFIDE) and others	( 1,150,328)	( 386,540)	( 800,338)
Increase in liabilities			
Other payables, provisions and other liabilities	4,338	92,576	73,741
Financial liabilities not subordinated	1,440,518	213,704	-
<b>Net cash flows from operating activities after net change in assets and liabilities and adjustment</b>	<b>82,184</b>	<b>24,700</b>	<b>( 198,731)</b>
Taxes (paid) collected	( 48,442)	( 32,599)	( 19,186)
<b>Net cash flows from operating activities</b>	<b>33,742</b>	<b>( 7,899)</b>	<b>( 217,917)</b>
Cash flows from investing activities:			
Purchase of intangible assets and property, plant and equipment	( 971)	( 166)	( 199)
Purchase of held-to-maturity investments	( 6,231)	-	-
Sales of held-to-maturity investments	-	241,312	267,688
<b>Net cash flows from investing activities</b>	<b>( 7,202)</b>	<b>241,146</b>	<b>267,489</b>
Net cash and cash equivalents increase before effect of changes in exchange rate	26,540	233,247	49,572
Effect of changes in exchange rate on cash and cash equivalents	41,490	-	-
Net increase in balance of cash and cash equivalents	68,030	233,247	49,572
Cash and cash equivalents at beginning of the period	340,476	107,229	57,657
<b>Cash and cash equivalents at end of the period</b>	<b>408,506</b>	<b>340,476</b>	<b>107,229</b>

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

FONDO MIVIVIENDA S.A.

Notes to the Financial Statements

(1) Background and business activity

(a) Background

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

(b) Business activity

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

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

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

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

The characteristics of each program are as follows:

(i) MIVIVIENDA Program

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

FONDO MIVIVIENDA S.A.

Notes to the Financial Statements

The MIVIVIENDA Program includes the following products:

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

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

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

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

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

FONDO MIVIVIENDA S.A.

Notes to the Financial Statements

(iii) Fund Law No. 27677

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

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

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

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

(c) Approval of the financial statements

These financial statements as of December 31, 2013 were approved by Board of Directors on January 13, 2014 and will be submitted for approval to the General Shareholder Meeting. In Management's opinion, these financial statements will be approved without modifications within the term prescribed by law.

The December 31, 2012 financial statements reclassified in accordance with the requirements of the SBS (note (4.a.1)), have been approved by Management and will be presented for approval by the Board of Directors and General Shareholder's Meeting together with the financial statements at December 31, 2013. In Management's opinion, these financial statements will be approved by the Board of Directors and General Shareholder Meeting without modifications.

FONDO MIVIVIENDA S.A.

Notes to the Financial Statements

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

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

The main duties of COFIDE are the following:

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

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

The main duties of the Fund are the following:

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

FONDO MIVIVIENDA S.A.

Notes to the Financial Statements

As trustee, COFIDE is entitled to the following:

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

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

(3) Basis for the preparation of the financial statements

(a) Statement of compliance

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

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

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

(b) Basis of measurement

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

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

(c) Functional and presentation currency

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

FONDO MIVIVIENDA S.A.

Notes to the Financial Statements

(d) Critical accounting estimates and criteria

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

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

(4) Significant accounting policies

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

(a) Changes in accounting

(a.1) On September 19, 2012, the SBS issued the Resolution No. 7036-2012 to modify certain aspects of the Accounting Manual for financial entities. The main changes are:

- Incorporation of the IFRS Conceptual Framework in the preparation of the financial statements.
- Incorporation of the two statements approach for the presentation of the income statements, which includes: i) statements of income and, ii) statement of income and other comprehensive income.
- Each type of account receivable is presented net of the provision for doubtful accounts (deducting from every type of receivable account).
- Taxes payable are no longer presented as "other obligations" VAT payable and income tax payable are now presented under current taxes caption and the remaining other taxes payable, are presented as accounts payable.
- The financial income and financial expense are now presented separately in the statement of income. The financial income and financial expense line items have been replaced by items denominated interest income and interest expense ensuring that only ledger accounts related to interest-related income and expenses will be recorded and presented under these captions. Other financial income and expenses are presented in the "Income from financial transactions (ROF)" caption.

## FONDO MIVIVIENDA S.A.

## Notes to the Financial Statements

- The SBS did not require a comparative presentation for interim financial statements presented on a quarterly basis during 2013. However, financial entities should disclose newly adopted accounting standards and changes in accounting policies, if any in notes to financial statements.

Below is the summarized statement of financial position as at 31 December 2012, the summarized statement of income and the summarized statement of cash flow for the years ended on December 31, 2012 and 2011 as originally reported in the previous year and the balances that have been reclassified according to the SBS regulatory changes to be comparable with 2013:

2012

Statement of financial position:

	In thousands of S/.		
	12.31.2012 (1)	Reclassifications	12.31.2012 (2)
<b>Assets:</b>			
Cash and due from Banks	340,476	-	340,476
Accounts receivable, net (Trust agreement - COFIDE)	3,144,929	-	3,144,929
Receivables from derivative financial instruments	5,753	-	5,753
Other accounts receivable, net	70,518	-	70,518
Property, furniture and equipment, net	1,356	-	1,356
Deferred income tax, net	7,210	-	7,210
Other assets, net	3,234	-	3,234
	-----	-----	-----
<b>Total assets</b>	<b>3,573,476</b>	<b>-</b>	<b>3,573,476</b>
	=====	=====	=====
<b>Liabilities:</b>			
Deposits and obligations	10,083	( 9,975)	108
Borrowings and financial obligations	215,597	-	215,597
Other accounts payable	241,467	243	241,710
Current taxes	-	9,732	9,732
Provisions and other liabilities	11,391	-	11,391
	-----	-----	-----
<b>Total liabilities</b>	<b>478,538</b>	<b>-</b>	<b>478,538</b>
	-----	-----	-----
Shareholder's equity	3,094,938	-	3,094,938
	-----	=====	-----
<b>Total liabilities and shareholder's equity</b>	<b>3,573,476</b>	<b>-</b>	<b>3,573,476</b>
	=====	-----	=====

(1) Financial statement as at December 31, 2012 without including reclassifications.

(2) Financial statement as at December 31, 2012 including reclassifications.

## FONDO MIVIVIENDA S.A.

## Notes to the Financial Statements

## Statement of Income:

	In thousands of S/.		
	12.31.2012 (3)	Reclassifications	12.31.2012 (4)
Interest income	218,743	( 25,990)	192,753
Interest expense	( 52,577)	14,878	( 37,699)
Provision for doubtful accounts receivable (Trust agreement-COFIDE)	( 22,875)	7,587	( 15,288)
Financial services revenues	1,755	5,814	7,569
Financial services expenses	( 69)	-	( 69)
Results from financial transactions	-	4,911	4,911
Administrative expenses	( 32,710)	-	( 32,710)
Depreciation of property, furniture and equipment	( 527)	-	( 527)
Amortization of intangible assets	( 150)	-	( 150)
Valuation of assets and provisions	( 1,218)	10,384	9,166
Other income (expenses), net	17,985	( 17,584)	401
Income tax	( 36,697)	-	( 36,697)
<b>Net income</b>	<b>91,660</b>	<b>-</b>	<b>91,660</b>

(3) Statement of income for the period ended December 31, 2012 without including reclassifications.

(4) Statement of income for the period ended December 31, 2012 including reclassifications.

## Statement of cash flow:

	In thousands of S/.		
	12.31.2012 (5)	Reclassifications	12.31.2012 (6)
<b>Cash flows from operating activities:</b>			
Net income for the period	91,660	-	91,660
Depreciation and amortization	973	-	973
Provisions	( 1,442)	-	( 1,442)
Other adjustments	( 337)	-	( 337)
Net changes in assets and liabilities:			
Investments available for sale	2,039	12,067	14,106
Accounts receivable (Trust agreement – COFIDE) and others	344,343	( 730,883)	( 386,540)
Other payables, provisions and other liabilities	59,060	33,516	92,576
Financial liabilities not subordinated	-	213,704	213,704
Taxes (paid) collected	-	( 32,599)	( 32,599)
<b>Net cash flows from operating activities</b>	<b>496,296</b>	<b>( 504,195)</b>	<b>( 7,899)</b>
<b>Cash flows from investing activities:</b>			
Purchase of intangible assets and property, plant and equipment	( 166)	-	( 166)
Held-to-maturity-debt securities sale	-	241,312	241,312
<b>Net cash flows from investing activities</b>	<b>( 166)</b>	<b>241,312</b>	<b>241,146</b>
<b>Cash flow from financing activities:</b>			
Other entries related to financing activities	467,859	( 467,859)	-
Other outputs related to financing activities	( 730,742)	730,742	-
<b>Net cash flows from financing activities</b>	<b>( 262,883)</b>	<b>262,883</b>	<b>-</b>
Cash and cash equivalents at the beginning of the period	107,229	-	107,229
Cash and cash equivalents at the end of the period	340,476	-	340,476

(5) Statement of Cash Flows for the period ended December 31, 2012 without including reclassifications.

(6) Statement of Cash Flows for the period ended December 31, 2012 including reclassifications.

## FONDO MIVIVIENDA S.A.

## Notes to the Financial Statements

2011

## Statement of Income:

	In thousands of S/.		
	12.31.2011 (1)	Reclassifications	12.31.2011 (2)
Interest income	206,118	( 32,305)	173,813
Interest expense	( 60,505)	31,356	( 29,149)
Provision for doubtful accounts receivable (Trust agreement-COFIDE)	( 12,343)	6,686	( 5,657)
Financial services revenues	2,695	6,164	8,859
Financial services expenses	( 144)	-	( 144)
Results from financial transactions	-	( 5,226)	( 5,226)
Administrative expenses	( 30,123)	-	( 30,123)
Depreciation of property, furniture and equipment	( 590)	-	( 590)
Amortization of intangible assets	( 234)	-	( 234)
Valuation of assets and provisions	( 1,694)	2,851	1,157
Other income (expenses), net	10,161	( 9,526)	635
Income tax	( 30,318)	-	( 30,318)
<b>Net income</b>	<b>83,023</b>	<b>-</b>	<b>83,023</b>

- (1) Statement of income for the period ended December 31, 2011 without including reclassifications.  
(2) Statement of income for the period ended December 31, 2011 including reclassifications.

	In thousands of S/.		
	12.31.2011 (3)	Reclassifications	12.31.2011 (4)
Cash flows from operating activities:			
Net income for the period	83,023	-	83,023
Depreciation and amortization	1,317	-	1,317
Provisions	3,765	-	3,765
Other adjustments	( 6,506)	-	( 6,506)
Net changes in assets and liabilities:			
Investments available -for-sale	5,973	440,294	446,267
Accounts receivable (Trust agreement – COFIDE) and others	( 27,916)	( 772,422)	( 800,338)
Other payables, provisions and other liabilities	43,772	29,969	73,741
Taxes (paid) collected	-	( 19,186)	( 19,186)
Net cash flows from operating activities	103,428	( 321,345)	( 217,917)
Cash flows from investing activities:			
Purchase of intangible assets and property, plant and equipment	( 199)	-	( 199)
Held-to-maturity-debt securities sale	-	267,688	267,688
Net cash flows from investing activities	( 199)	267,688	267,489
Cash flow from financing activities:			
Other entries related to financing activities	717,209	( 717,209)	-
Other outputs related to financing activities	( 770,866)	770,866	-
Net cash flows from financing activities	( 53,657)	53,657	-
Cash and cash equivalents at the beginning of the period	57,657	-	57,657
Cash flows from operating activities:	107,229	-	107,229

- (3) Statement of Cash Flows for the period ended December 31, 2011 without including reclassifications.  
(4) Statement of Cash Flows for the period ended December 31, 2011 including reclassifications.

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Notes to the Financial Statements

The Fund's Management considers that the application of amendments of the Accounting Manual only affects the presentation of the financial statements and does not have an impact over the Fund results. These changes have been applied retroactively.

- (a.2) On January 1, 2013, the SBS Resolution No. 7033-2012, became effective, and it repealed the Regulation on classification and valuation of investments approved by SBS Resolution 10639-2008.

The main amendment in the resolution is the introduction of a standard methodology for the identification of impairment of financial instruments classified as available-for-sale and held-to-maturity investments.(Note 4 (g)).

As a result of the application of this methodology there has been no need to make any additional registration to reflect the analysis of impairment of investments.

(b) Foreign currency transactions

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

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

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

(c) Financial instruments

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

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

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Notes to the Financial Statements

At December 31, 2013 and 2012, the Fund classified financial assets and liabilities in the following:

	In thousands of S/.			
	Loans and items receivable	Available for sale at fair value	Held to maturity	Hedging derivatives
<u>2013</u>				
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 financial 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)
	=====	=====	=====	=====
			Amortized cost	Hedging derivatives
Liabilities:				
Deposits and obligations			162	-
Borrowings and financial obligations			1,801,663	-
Accounts payable to financial derivatives			-	382
Other accounts payable			254,580	-
			-----	-----
			2,056,405	382
			=====	=====
			In thousands of S/.	
	Loans and items receivable	Available for sale at fair value	Held to maturity	Hedging derivatives
<u>2012</u>				
Assets:				
Cash and due from banks	340,476	-	-	-
Accounts receivable (Trust agreement - COFIDE)	3,144,929	-	-	-
Accounts receivable from financial derivatives	-	-	-	5,753
Other receivables	3,214	-	-	-
Other receivables CRC-PBP Trust	13,221	29,015	24,445	623
	-----	-----	-----	-----
	3,501,840	29,015	24,445	6,376
	=====	=====	=====	=====
			Amortized cost	
Liabilities:				
Deposits and obligations				108
Borrowings and financial obligations				215,597
Other accounts payable				241,710
				-----
				457,415
				=====

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

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Notes to the Financial Statements

(d) Recognition of revenues and expenses

(d.1) Interest income and expenses

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

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

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

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

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

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

(d.2) Bonuses and awards for good payers

In accordance with the accounting treatment stipulated by SBS for the Fund, the Good payer bonus and the Good payer award, including applicable interest, are recognized as follows:

- (i) The Good payer bonus (Bono al buen pagador, or "BBP" for its acronym in Spanish) was created in compliance with Law No. 29033, issued on June 7, 2007, as a non-reimbursable direct assistance payable to eligible final borrowers up to a maximum of S/.12,500 starting on April 22, 2010 (S/.10,000 for loans originated before April 22, 2010). The BBP is granted to borrowers who have paid on time for six consecutive monthly installments related to the concessional tranche of the relevant Crédito MIVIVIENDA loan.

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

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

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

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Notes to the Financial Statements

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

Subsequently, the Fund sends to the MVCS the list of BBP beneficiaries, reclassifying each bonus due to eligible borrowers from "Good payer bonus – received" to "Good payer bonus – assigned" (note 15).

- (ii) In cases where the Good payer bonus is directly assumed by the Fund (when the requirement of Law 29033, as amended are not met; for instance, when the value of the property which acquisition is being financed is greater than 25 Tax Units or when the BBP is granted with Fund's own resources, among others), it is called "Good payer award" (PBP).
  - (iii) In both cases, the bonus/award is earned by the final borrower by making timely payments of installments due on the payment schedule of the concessional section; such amount varies depending on the type of loan granted.
  - (iv) When the BBP is made effective, provided the recipient has complied with the timely payment of six consecutive monthly installments, the Fund credits the accounts receivable (principal) of the concessional section and charges it to the liability on the account "Good payer bonus - assigned". Interest on such amounts of the concessional section are recognized as an expense of the Fund and is presented net of the "Income from accounts receivable (Trust agreement – COFIDE)" item included in the "Interest income" caption of the statement of income.
  - (v) When the good payer award is made effective (paragraph (ii) above, for example, when the PBP is assumed directly by the Fund) provided the fulfillment of the conditions by the beneficiary, the Fund records such amounts as expenses; by reducing the principal amount of the accounts receivable (principal) of the installments of the concessional section and records the amount in the "Interest expenses" caption, while interest, as in the previous case, is recognized as expense and presented net of the "Income from accounts receivable (Trust agreement – COFIDE)" item which is included in the "Interest income" caption of the statement of income.
- (d.3) Commissions for trust administration services provided to the CRC-PBP trusts, among other trusts, are recognized as income when received.
- (e) Accounts receivable and provision for doubtful accounts receivable  
This item includes the receivable for services other than financing operations. Accounts receivable generated in favor of the trustee or originator are also included in this item.

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Notes to the Financial Statements

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

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

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

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

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

- The capital mortgage 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 two types: 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 the Fund assigns to the IFI and to the final borrowers.
- The allowance relating to the balance of capital with mortgage collateral with credit risk coverage is calculated as follows: (balance of mortgage principal with credit risk coverage)\* (coverage factor)\* (% SBS table 2 according to the classification of the final borrower).
- The allowance relating to the balance of capital with mortgage collateral without credit risk coverage is calculated as follows: (balance of mortgage principal without credit risk coverage)\* (% SBS table 2 according to the classification of the IFI.)
- The allowance relating to the balance of capital without mortgage collateral is calculated as follows: (balance of mortgage principal without credit risk coverage)\* (% SBS table 1 according to the classification of the IFI.)

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## Notes to the Financial Statements

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

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

To determine IFI's risk classification, the Fund has established among its internal standards a provision chart based on the risk category assigned by the SBS, as follows:

Risk classification according to financial institution			
Chart 1		Chart 2	
Risk	Equivalent	Risk	Equivalent
A+	Normal	B-	CPP
A	Normal	C+	CPP
A-	Normal	C	CPP
B+	Normal	C-	CPP
B	Normal	N.C.	CPP

Accounts receivable are presented net of allowances for doubtful accounts.

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

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

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

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

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Notes to the Financial Statements

(e.3) Other accounts receivable, net

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

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

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

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

(f) Derivative financial instruments

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

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

As of December 31, 2013 and 2012, Management considers that the Fund holds economic hedging derivatives for administrative purposes, recognizing gains and losses arising from their measurement at fair value in profit or loss for the period. Likewise, as of these dates, the Fund does not hold any embedded derivatives.

(g) Investments

According to described in note (a.2), as of December 31, 2012 and 2013, investments are valued in accordance with SBS Resolution No. 7033-2012 and 10639-2008, respectively.

Classification

(g.1) Available-for-sale investments

Designated as such because they are held for an indefinite period and may be sold for purposes of liquidity or changes in interest rates, exchange rates or cost of capital; or are not qualified to be classified at fair value through profit and loss or held-to-maturity.

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Notes to the Financial Statements

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

(g.2) Held-to-maturity investments

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

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

Recording date of the transaction

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

Initial recognition

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

Amortized cost

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

Valuation

(g.1) Available-for-sale investments

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

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

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Notes to the Financial Statements

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

(g.2) Held-to-maturity investments

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

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

When these investments are sold without complying with the requirements of SBS regulation and similar financial instruments are again acquired from the same issuer, they may not be recorded in this category without SBS 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. This analysis methodology includes two filters, as described below:

First filter:

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

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

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

Second filter:

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

- Impairment of financial ratios or financial position of the issuer and its business group.
- Adverse conditions of investment and the issuer.
- Downgrade in risk rating due to factors not mentioned above.
- Interruption in the in payment of interest or principal due to financial distress of the issuer.
- Disruption of a transaction or of an active market due to financial distress of the issuer.

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

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

(h) Property, furniture and equipment

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

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

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

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

(i) Intangible assets

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

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

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As of December 31, 2013 and 2012, 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, Management reviews the value of the Fund's property, furniture and equipment and intangible assets to verify there is no permanent impairment in value. When the book value of the asset exceeds its recoverable amount, an impairment loss is recognized in profit or loss for the related items of property, furniture and equipment and intangible assets held at cost. An asset's recoverable amount is the higher of the net selling price and its value in use. The net selling price is the amount that can be obtained from the sale of an asset in a free market, while the value in use is the present value of future expected cash flows from the continued use of an asset and its residual value at the end of its useful life.

In Management's opinion, there is no evidence of impairment in the value of such assets as of December 31, 2013 and 2012.

(k) Received as payment and repossessed asset

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

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

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

An impairment loss is recognized in the statement of income when the net realizable value is lower than the net carrying amount. In cases where the net realizable value is higher than the net carrying amount, the higher value shall not be recognized in the books.

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

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Notes to the Financial Statements

(l) Income tax

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

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

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

(m) Employee benefits

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

(m.1) Employees' profit sharing

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

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

(m.2) Vacation and other employee benefits

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

(m.3) Severance payment

The provision for severance payment (CTS, for its acronyms in Spanish) is calculated according to current legislation, on the employees' total remuneration and must be paid through deposits to authorized financial entities chosen by them. Calculation is made for the amount that to be paid as of the reporting date and is included in the "Provision for severance indemnities" account.

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Notes to the Financial Statements

(n) Provisions

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

(o) Contingencies

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

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

(p) Deferred income

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

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

(q) Other comprehensive income

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

(r) Statement of changes in shareholder's equity

Adjustments to retained earnings corresponding to the fluctuation of the value on available-for-sale investments are part of other comprehensive income.

(s) Cash and cash equivalents

Cash presented in the statements of cash flows includes cash and due from banks balances with original maturities of 91 days or less, excluding due from banks included in the CRC-PBP trusts (note 10(b)).

(t) Subsequent events

Events subsequent to year-end that provide additional information about the financial position of the Fund at the reporting date (adjusting events) are included in the financial statements. Important subsequent events that are not adjusting events are disclosed in the notes to the financial statements.

## FONDO MIVIVIENDA S.A.

## Notes to the Financial Statements

(5) Balances in foreign currency

The statement of financial position includes balances of transactions in foreign currency, mainly in U.S. dollars (US\$), which are recorded in nuevos soles (S/.) at the exchange rate established by the SBS. As of December 31, 2013 and December 31, 2012, these rates were US\$ 1= S/. 2.795 and S/. 2.550, respectively.

Foreign currency transactions in Peru and international trade transactions referred to the concepts authorized by the Banco Central de Reserva del Perú-BCRP (the Peruvian Central Bank), are channeled through an interbank foreign exchange market. As of December 31, 2013, the buy and sell exchange rates reported were US\$ 1 = S/. 2.794 and S/. 2.796 (US\$ 1= S/. 2.549 buy rate and US\$ 1= S/. 2.551 sell rate as of December 31, 2012).

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

	<u>In thousands of US\$</u>	
	<u>2013</u>	<u>2012</u>
<b>Assets:</b>		
Cash and due from banks	120,707	3,712
Investments	65,805	-
Accounts receivable, net (Trust agreement – COFIDE)	144,722	163,611
Other accounts receivable, net	40	6,515
Other assets, net	8	217
	-----	-----
	331,282	174,055
	-----	-----
<b>Liabilities:</b>		
Borrowings and financial obligations	( 500,586)	( 84,548)
Other accounts payable	( 478)	( 413)
Other liabilities	( 1,975)	( 707)
	-----	-----
	( 503,039)	( 85,668)
	-----	-----
	( 171,757)	88,387
	-----	-----
Derivative instruments	72,787	( 72,500)
Forward oversold position, CRC-PBP Trust in foreign currency	( 4,330)	( 7,000)
	-----	-----
(Liability) asset position, net	( 103,300)	8,887
	=====	=====

In 2013, the Fund recorded a loss on exchange differences amounting to S/. 22,127 thousand, which is presented in the “Gain (loss) on exchange difference” caption of the statement of income (S/. 13,881 thousand in 2012).

## FONDO MIVIVIENDA S.A.

## Notes to the Financial Statements

Likewise, in 2013, the Fund recorded a loss on transactions with derivative instruments amounting to S/. 11,053 thousand, which is presented in “Trading derivatives” and “Income from hedging transactions” captions of the statement of income S/. 6,833 thousand corresponds to losses on held-for-trading derivative instruments and S/. 4,220 thousand corresponds to losses on hedge transactions (gains on hedge transactions of S/. 18,852 thousand in 2012, that corresponds to gains on transactions with derivative instruments).

(6) Cash and due from banks

This item comprises the following:

	<u>In thousands of S/.</u>	
	<u>2013</u>	<u>2012</u>
Banco Central de Reserva del Perú (a)	198	2
Checking accounts (b)	352,902	194,765
Time deposits (c)	55,178	145,709
Other cash and due from banks	228	-
	-----	-----
	408,506	340,476
	=====	=====

- (a) Funds denominated in nuevos soles and U.S. dollars held in Banco Central de Reserva del Peru (BCRP) are mainly used in transactions entered into by the Fund with COFIDE, under the Trust Agreement.
- (b) Correspond to deposits in nuevos soles and U.S. dollars in banks and other financial system companies in Peru; they have free withdrawal option and accrue interest at market interest rates.
- (c) Correspond to time deposits denominated in local and foreign currency in banks and other financial system companies in Peru. Their maturity is less than 30 days and interest accrues at annual effective rates that range from 4.26% to 4.46% in local currency and 0.10% in foreign currency. As of December 31, 2013, these time deposits amounted to S/. 35,000 thousand and US\$ 7,212 thousand (equivalent to S/. 20,159 thousand), respectively.

## FONDO MIVIVIENDA S.A.

## Notes to the Financial Statements

(7) Investments

This item comprises the following:

	In thousands of S/.			Book value (*)	
	2013				
	Amortized cost	Unrealized			
	Gains	Losses			
Available-for-sale investments:					
Sovereign bonds (a)	168,665	-	( 25,226)	143,439	
Corporate bonds (b)	181,713	41	( 4,613)	177,141	
Commercial paper	5,433	1	-	5,434	
Plus:					
Accrued interest		-	-	4,717	
		-----	-----	-----	
		42	( 29,839)	330,731	
		=====	=====	-----	
Held-to-maturity investments:					
Certificates of deposits (c)	6,231			6,231	
Plus:					
Accrued interest				216	
				-----	
				6,447	
				-----	
				337,178	
				=====	

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

- (a) Corresponds to sovereign bonds issued by the Republic of Peru in local currency. As of December 31, 2013, such bonds accrue interest at annual effective rates ranging from 5.20% and 8.20%, maturing between August 2020 and February 2042.
- (b) Corresponds to securities and bonds acquired from corporations and Tier 1 financial system companies. As of December 31, 2013, comprise i) Finance lease bonds denominated in U.S. dollars that accrue interest at annual nominal rates that range between 4.84% and 6.06%, and have maturities between August 2016 and May 2018; ii) Subordinated bonds denominated in U.S. dollars that accrue interests at an annual effective rate of 6.53%, and mature in October 2028; iii) Ordinary bonds denominated in U.S. dollars that accrue interests at annual effective rates that range between 4.50% and 4.64%, and mature between February and May 2023; and iv) Securitization bonds denominated in nuevos soles that accrue interests at annual effective rates ranging between 4.44% and 6.16%, and mature between June 2018 and September 2028.
- (c) Correspond to certificates of deposit issued in local currency by Caja Municipal de Ahorro y Crédito Huancayo, accrue interest at an annual effective rate of 5.09% and mature in April 2014.

## FONDO MIVIVIENDA S.A.

## Notes to the Financial Statements

As of December 31, 2013, the accrued interest on available-for-sale, and held-to-maturity investments amounted to S/. 12,147 thousand and S/. 302 thousand respectively, which are included in the "Interest income" item of the statement of income (S/. 245 thousand and S/. 6,862 thousand respectively as of December 31, 2012) (note 19).

Available-for-sale and held-to-maturity investments as of December 31, 2013 have the following maturities

	<u>In thousands of S/.</u>
Up to 1 year	11,889
1 - 5 years	59,488
5 - 10 years	132,060
Over 10 years	133,741
	-----
	337,178
	=====

As of 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.

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

This item comprises the following:

	<u>In thousands of S/.</u>	
	<u>2013</u>	<u>2012</u>
Nuevo crédito MIVIVIENDA	3,620,479	2,398,983
Crédito MIVIVIENDA Tradicional	444,459	475,378
Crédito MIHOGAR	142,864	152,523
Crédito Complementario Techo Propio	138,651	130,550
Crédito MIVIVIENDA Estandarizado	15,804	17,820
Crédito MICONSTRUCCIÓN	31,796	5,752
	-----	-----
	4,394,053	3,181,006
	-----	-----
Plus (less):		
Accrued interest on accounts receivable	13,863	11,775
Provision for doubtful accounts receivable (Trust agreement – COFIDE)	( 52,845)	( 47,852)
	-----	-----
	4,355,071	3,144,929
	=====	=====

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

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

## FONDO MIVIVIENDA S.A.

## Notes to the Financial Statements

As of December 31, 2013 and 2012, the number of final beneficiaries of the Fund (final debtors) is 76,206 and 66,100, respectively. There is no significant credit risk concentration due to the characteristics of the loan portfolio held by the Fund.

These resources are channeled through COFIDE which receives resources from the Fund or channels them through the IFI's that wish to use them to originate loans to final borrowers to purchase residences in conformity with article 12 of Supreme Decree 001-99-MTC.

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

- By IFI's

	In thousands of S/.					
	2013			2012		
	With Credit risk Coverage	Without Credit risk Coverage	Total	With Credit risk coverage	Without Credit risk Coverage	Total
Nuevo crédito MIVIVIENDA	239,430	3,381,049	3,620,479	357,194	2,041,789	2,398,983
Crédito MIVIVIENDA tradicional	125,479	318,981	444,460	400,544	74,834	475,378
Crédito MIHOGAR	35,206	107,658	142,864	87,648	64,875	152,523
Crédito Complementario Techo Propio	41,993	96,657	138,650	23,554	106,996	130,550
Crédito MIVIVIENDA Estandarizado	4,544	11,260	15,804	15,045	2,775	17,820
Crédito MICONSTRUCCIÓN	-	31,796	31,796	-	5,752	5,752
	446,652	3,947,401	4,394,053	883,985	2,297,021	3,181,006

- By final beneficiaries

	In thousands of S/.					
	2013			2012		
	With Credit risk Coverage	Without Credit risk Coverage	Total	With Credit risk coverage	Without Credit risk Coverage	Total
Nuevo crédito MIVIVIENDA	2,526	3,617,953	3,620,479	437	2,398,546	2,398,983
Crédito MIVIVIENDA tradicional	4,653	439,806	444,459	5,114	470,264	475,378
Crédito MIHOGAR	1,100	141,764	142,864	401	152,122	152,523
Crédito Complementario Techo Propio	235	138,416	138,651	32	130,518	130,550
Crédito MIVIVIENDA estandarizado	-	15,804	15,804	-	17,820	17,820
Crédito MICONSTRUCCION	-	31,796	31,796	-	5,752	5,752
	8,514	4,385,539	4,394,053	5,984	3,175,022	3,181,006

## FONDO MIVIVIENDA S.A.

## Notes to the Financial Statements

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

	In %	
	2013	2012
Nuevo Crédito MIVIVIENDA	6.60	6.60
Crédito MIVIVIENDA Tradicional	7.75	7.75
Crédito MIHOGAR	7.60	7.60
Crédito Complementario Techo Propio	6.00	6.00
Crédito MIVIVIENDA Estandarizado	6.90 and 7.30	6.90 and 7.30
Crédito MICONSTRUCCIÓN	7.50 and 8.00	7.50 and 9.00

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

The provision for doubtful accounts receivable (Trust agreement - COFIDE) is determined based on both the risk category of the final loan beneficiary and the risk category of the IFI.

The table below details the classification of accounts receivable (Trust agreement – COFIDE) according to the final loan beneficiary consolidated credit report (RCC by its acronym in Spanish):

Risk category	2013		2012	
	In thousands		In thousands	
	of S/.	%	of S/.	%
Normal	4,172,034	94.9	3,031,890	95.3
Potential problem	62,614	1.4	43,200	1.4
Deficient	46,438	1.1	31,259	1.0
Doubtful	55,921	1.3	35,360	1.1
Loss	57,046	1.3	39,297	1.2
	-----	-----	-----	-----
	4,394,053	100.0	3,181,006	100.0
	=====	=====	=====	=====

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

Risk category	2013		2012	
	In thousands		In thousands	
	of S/.	%	of S/.	%
Normal	4,034,161	91.8	2,981,355	93.7
Potential problem	359,892	8.2	199,651	6.3
	-----	-----	-----	-----
	4,394,053	100.0	3,181,006	100.0
	=====	=====	=====	=====

## FONDO MIVIVIENDA S.A.

## Notes to the Financial Statements

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

	<u>In thousands of S/.</u>	
	<u>2013</u>	<u>2012</u>
Up to 1 month	20,082	12,385
1 -3 months	43,191	28,427
3 months to 1 year	195,735	119,751
1-3 years	449,404	344,277
Over 3 years	3,685,641	2,676,166
	-----	-----
	<u>4,394,053</u>	<u>3,181,006</u>
	=====	=====

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

	<u>In thousands of S/.</u>	
	<u>2013</u>	<u>2012</u>
Balance at the beginning of the period	48,590	34,222
Additions debited to results	22,058	22,875
Recovery of provisions	( 15,558)	( 7,587)
Reclassification of provisions	( 3,116)	-
Foreign exchange difference	871	( 920)
	-----	-----
Balance at end of period	<u>52,845</u>	<u>48,590(*)</u>
	=====	=====

(\*) As of December 31, 2012, the balance of the provision for doubtful accounts included the provision for credit risk coverage for guaranteed loans to the IFI without direct debts with the Fund. The total amount of the provision amounted to S/. 7,006 thousands, from which S/.737 thousands are presented in the caption "Provisions and other liabilities", Note 15.

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

In Management's opinion, the provision for doubtful accounts (Trust agreement-COFIDE), recorded as of December 31, 2013 and 2012, complies with SBS standards for the Fund, in force as of those dates.

## FONDO MIVIVIENDA S.A.

## Notes to the Financial Statements

(9) Accounts receivable and payable to financial derivatives

The Fund holds potential purchase and sale commitments in foreign currency (“forwards”). The fair value of these forwards has generated accounts receivable and payable as indicated below:

	In thousands of S/.					
	2013			2012		
	Accounts receivable	Accounts payable	Reference amount	Accounts receivable	Accounts payable	Reference amount
Forwards - purchase	737	( 268)	223,600	-	-	-
Forwards - selling	-	( 114)	20,160	5,753	-	184,875
	-----	-----	-----	-----	-----	-----
	737	( 382)	243,760	5,753	-	184,875
	=====	=====	=====	=====	=====	=====

These derivative financial instruments are held for hedging purposes to mitigate in part the Fund’s exchange risk and they mature in January 2014.

As of December 31, 2013, hedging derivatives generated a net loss of S/. 4,220 thousands (net gain amounting of S/. 18,852 thousand as of December 31, 2012). Likewise, during 2013, the Fund entered in forward transactions for negotiation purposes; they were paid within the year, generating a net loss of S/. 6,833 thousand.

(10) Other accounts receivable, net

This item comprises the following:

	In thousands of S/.	
	2013	2012
Accounts receivable from banks in liquidation (a)	107,480	109,238
Trust funds receivable CRC-PBP (b)	67,092	67,303
Accounts receivable from Ex-Coneminsa portfolio (c)	14,734	15,501
Recoveries of COFIDE to be distributed (d)	99	1,443
Other accounts receivable	597	444
	-----	-----
	190,002	193,929
	-----	-----
Less: Provision for other doubtful accounts receivable (e)		
Banks in winding-up (a)	( 107,480)	( 109,238)
Ex-coneminsa portfolio	( 13,446)	( 13,891)
Other accounts receivable	( 524)	( 282)
	-----	-----
	( 121,450)	( 123,411)
	-----	-----
	68,552	70,518
	=====	=====

## FONDO MIVIVIENDA S.A.

## Notes to the Financial Statements

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

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

	<u>In thousands of S/.</u>	
	<u>2013</u>	<u>2012</u>
Capital:		
Banco Nuevo Mundo, in liquidation	56,952	59,164
Banco República, in liquidation	42,143	42,037
Banco Banex, in liquidation	8,385	8,037
	-----	-----
	107,480	109,238
Less: Provision for doubtful of accounts receivable		
Banco Nuevo Mundo, in liquidation	( 56,952)	( 59,164)
Banco República, in liquidation	( 42,143)	( 42,037)
Banco Banex, in liquidation	( 8,385)	( 8,037)
	-----	-----
	( 107,480)	( 109,238)
	-----	-----
	-	-
	=====	=====

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

100% of the accounts receivable from banks in liquidation are recorded in provisions. The Fund recognizes in books the recoveries of these accounts receivable each time they are made. During 2013, the Fund received in cash from Banco Nuevo Mundo (under liquidation) S/. 2,212 thousand (S/. 9,797 thousand and S/. 8 thousand in cash, received respectively from Banco Nuevo Mundo in liquidation and Banco República in winding-up, during 2012).

In Management's opinion, the provision for loan losses related to banks in liquidation recorded as of December 31, 2013 and 2012 covers sufficiently the related collectability risk.

## FONDO MIVIVIENDA S.A.

## Notes to the Financial Statements

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

	<u>In thousands of S/.</u>	
	<u>2013</u>	<u>2012</u>
CRC-PBP Trust, nuevos soles	32,717	31,396
CRC-PBP Trust, US dollars	34,375	35,907
	-----	-----
	67,092	67,303
	=====	=====

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

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

**CRC-PBP trust, nuevos soles**

	<u>In thousands of S/.</u>	
	<u>2013</u>	<u>2012</u>
<b>Statement of financial position</b>		
<b>Assets:</b>		
Cash and due from banks	611	3,338
Available-for-sale investments	30,587	23,324
Held-to-maturity investments	1,519	4,734
	-----	-----
<b>Total assets</b>	32,717	31,396
	=====	=====
<b>Liabilities</b>	-	-
	-----	-----
<b>Total liabilities</b>	-	-
	=====	=====
<b>Equity and net surplus:</b>		
Surplus from collections, net	2,025	1,707
Adjustment to equity	( 1,048)	427
Retained earnings	31,740	29,262
	-----	-----
<b>Total equity and net surplus</b>	32,717	31,396
	=====	=====

## FONDO MIVIVIENDA S.A.

## Notes to the Financial Statements

	<u>In thousands of S/.</u>	
	<u>2013</u>	<u>2012</u>
<b>Statement of income</b>		
Interest income:		
Cash and due from banks	170	1,553
Available-for-sale investments	1,304	2,055
Held-to-maturity investments	353	3,353
	-----	-----
	1,827	6,961
	-----	-----
<b>Gross finance margin</b>	1,827	6,961
	-----	-----
<b>Net finance margin</b>	1,827	6,961
Financial services expenses	( 5)	( 14)
	-----	-----
<b>Net finance margin of revenues and expenses services</b>	1,822	6,947
Results from financial transactions		
Available-for-sale investments	804	2,133
Other	51	-
	-----	-----
	855	2,133
	-----	-----
<b>Operating margin</b>	2,677	9,080
Administrative expenses	( 199)	( 957)
	-----	-----
<b>Net operating margin</b>	2,478	8,123
	-----	-----
<b>Operating income</b>	2,478	8,123
	-----	-----
<b>Income before tax</b>	2,478	8,123
	-----	-----
<b>Net income for the period</b>	2,478	8,123
	=====	=====

## FONDO MIVIVIENDA S.A.

## Notes to the Financial Statements

**CRC-PBP trust, US dollars**

	<u>In thousands of S/.</u>	
	<u>2013</u>	<u>2012</u>
<b>Statement of financial position</b>		
<b>Assets:</b>		
Cash and due from banks	1,037	9,883
Available-for-sale investments	27,230	5,691
Held-to-maturity investments	7,565	19,711
Accounts receivable from financial derivatives	49	616
Accounts receivable, net	-	6
	-----	-----
<b>Total assets</b>	<b>35,881</b>	<b>35,907</b>
	=====	=====
<b>Liabilities:</b>		
Accounts payable to financial derivatives	1,506	-
	-----	-----
Total liabilities	1,506	-
	-----	-----
<b>Equity and net surplus:</b>		
Initial equity	21,013	21,013
Surplus from collections, net	6,510	5,969
Unrealized earnings from investments	( 2,630)	540
Retained earnings	9,482	8,385
	-----	-----
<b>Total equity and net surplus</b>	<b>34,375</b>	<b>35,907</b>
	-----	-----
<b>Total liabilities, equity and net surplus</b>	<b>35,881</b>	<b>35,907</b>
	=====	=====

## FONDO MIVIVIENDA S.A.

## Notes to the Financial Statements

<b>Statement of income</b>	<u>In thousands of S/.</u>	
	<u>2013</u>	<u>2012</u>
Interest income		
Cash and due from banks	218	478
Available-for-sale investments	958	373
Held-to-maturity investments	328	1,573
Other financial income	-	88
	-----	-----
	1,504	2,512
	-----	-----
<b>Gross finance margin</b>	1,504	2,512
	-----	-----
<b>Net finance margin</b>	1,504	2,512
Financial services expenses	( 4)	( 5)
	-----	-----
<b>Net finance margin of revenues and expenses services</b>	1,500	2,507
Results from financial transactions		
Available-for-sale investments	( 10)	( 467)
Trading derivatives	49	-
Income from hedging transactions	( 1,584)	1,861
Gain (loss) on exchange difference	1,203	( 1,416)
Other	154	-
	-----	-----
	( 188)	( 22)
	-----	-----
<b>Operating margin</b>	1,312	2,485
Administrative expenses	( 215)	( 349)
	-----	-----
<b>Net operating margin</b>	1,097	2,136
	-----	-----
<b>Operating income</b>	1,097	2,136
	-----	-----
<b>Income before tax</b>	1,097	2,136
	-----	-----
<b>Net income for the period</b>	1,097	2,136
	=====	=====

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 local and foreign currency, amounting to S/. 290,000 thousand and US\$ 19,000 thousand, respectively, which proceeds were used by the Fund to grant new credits. These surpluses were obtained from the sale of available-for-sale investment and redemption of held-to-maturity investments held by the trusts and represented a decrease in initial equity accounts and retained earnings in 2012.

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

## FONDO MIVIVIENDA S.A.

## Notes to the Financial Statements

- (d) Corresponds to the net effect of adjustments and reversals of monthly reconciliations of balances to COFIDE, which are regularized in the following months.
- (e) The activity of the provision for other doubtful accounts receivable is as follows:

	<u>In thousands of S/.</u>	
	<u>2013</u>	<u>2012</u>
Balance at beginning of the period	123,411	133,747
Additions debited to results	1,915	317
Recovery of provisions	( 2,730)	( 10,385)
Reclassifications and/or adjustments	( 1,631)	-
Exchange differences	485	268
	-----	-----
Balance at end of period	121,450	123,411
	=====	=====

In Management's opinion, the provision for other doubtful accounts receivable recorded as of December 31, 2013 and 2012, are aligned with SBS standards in force as of each such date.

(11) Property, furniture and equipment, net

This item comprises the following:

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

## FONDO MIVIVIENDA S.A.

## Notes to the Financial Statements

2012	In thousands of S/.			
	Balances as of 12.31.2011	Additions	Disposals & Other adjustments	Balances as of 12.31.2012
Cost:				
Land	103	-	-	103
Buildings	36	-	-	36
Premises	218	-	( 150)	68
Furniture and fixtures	720	7	-	727
Computer equipment	2,201	79	( 345)	1,935
Various equipment	932	27	( 2)	957
Vehicles	677	-	( 30)	647
	-----	-----	-----	-----
	4,887	113	( 527)	4,473
	-----	=====	=====	-----
Accumulated depreciation:				
Buildings	3	2	-	5
Premises	130	13	( 100)	43
Furniture and fixtures	526	60	-	586
Computer equipment	1,708	229	( 343)	1,594
Various equipment	464	91	( 2)	553
Vehicles	221	132	( 17)	336
	-----	-----	-----	-----
	3,052	527	( 462)	3,117
	-----	=====	=====	-----
Net cost	1,835			1,356
	=====			=====

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

In Management's opinion there is no evidence of impairment of property, furniture and equipment held by the Fund as of December 31, 2013 and 2012.

As of December 31, 2013, the Fund holds totally depreciated assets in the amount of S/. 1,619 thousand (S/. 1,327 thousand as of December 31, 2012).

The Fund holds insurance coverage over its principal assets according to the policies established by Management. In that sense, as of December 31, 2013 and 2012, the Fund has contracted an all-risk insurance policy that covers the value of property, furniture and equipment owned by the Fund. In Management's opinion, insurance policies of the Fund are consistent with the industry practice.

## FONDO MIVIVIENDA S.A.

## Notes to the Financial Statements

(12) Deferred income tax

The Fund has determined the deferred income tax as follows:

	<u>In thousands of S/.</u>		
	<u>Balances as of 12.31.2012</u>	<u>Additions (deductions) Results</u>	<u>Balances as of 12.31.2013</u>
Assets:			
Generic provision for accounts receivable	3,513	817	4,330
Deferred income for cash flow advances	2,380	( 1,011)	1,369
Other	1,621	1,893	3,514
Liabilities:			
Other	( 304)	( 1,067)	( 1,371)
	-----	-----	-----
	7,210	632	7,842
	=====	=====	=====

(13) Other assets, net

This item comprises the following:

	<u>In thousands of S/.</u>	
	<u>2013</u>	<u>2012</u>
Assets received as payment and seized through legal actions, net	426	673
Intangible assets, net of amortization amounting to S/. 2,087 thousand (S/. 3,209 thousand in 2012)	825	326
Other	899	2,235
	-----	-----
	2,150	3,234
	=====	=====

The "Corporate Management Plan on Information Technology and Communications" (TIC) for companies within the scope of FONAFE, was approved through Executive Resolution No. 046-2009/DE-FONAFE. This resolution defines the implementation of the Shared Service Center for Information Technology and Communications of FONAFE. As of December 31, 2013, pre-payments for this service amounts to S/. 715 thousand (S/. 1,036 thousand as of December 31, 2012) and it is included as Other.

(14) Borrowings and financial obligations

This item comprises the following:

	<u>In thousands of S/.</u>	
	<u>2013</u>	<u>2012</u>
Debts with domestic financial institutions (a)	402,525	215,597
Securities and bonds (b)	1,399,138	-
	-----	-----
	1,801,663	215,597
	=====	=====

## FONDO MIVIVIENDA S.A.

## Notes to the Financial Statements

- (a) As of December 31, 2013, the Fund holds debts as follows:

Financial institution	Date	Annual interest rate	In thousands of S/.			Total
			Capital	Interest	Amortized cost adjustment	
Banco de la Nación	24.09.13	4.40%	76,000	897	-	76,897
Banco de la Nación	16.10.13	4.40%	50,000	457	-	50,457
Banco de la Nación	28.10.13	4.40%	65,000	499	-	65,499
Banco de la Nación	14.11.13	4.40%	50,000	282	-	50,282
Banco de la Nación	28.11.13	4.40%	59,000	233	-	59,233
Banco Continental	19.12.13	4.95%	100,000	155	2	100,157
			400,000	2,523	2	402,525

As of December 31, 2012, the Fund holds debts with Banco de la Nación for US\$ 83,805 thousand (equivalent to S/. 213,704 thousand) plus interest of US\$ 742 thousand (equivalent to S/. 1,893 thousand), at an annual effective interest rate of 2.31%, with maturity on February 15, 2015. This loan was paid in advance on February 1, 2013.

- (b) In January 2013, the Fund issued bonds under Rule 144A and Regulation S of the U.S. Securities Act of 1933, as amended, in the international market. The issuance corresponded to a face value of US\$ 500 million maturing in ten years. Bonds were placed at a price of 99.15% and at a coupon rate of 3.50% with payment of interest semi-annually and amortization at maturity. Proceeds from the issuance of the bonds were used exclusively to finance credit operations.

For the year ended December 31, 2013, interest expense on securities issued by the Fund amounts to S/. 45,288 thousand (note 20).

(15) Other accounts payable, provisions and other liabilities

This item comprises the following:

	In thousands of S/.	
	2013	2012
Other accounts payable:		
FONAVI contributions (a)	151,414	132,811
Good payer bonus (capital) allocated to COFIDE (b)	79,872	77,728
Savings of the family group eligible for transferring technical entities (c)	8,532	3,808
Family housing bonus to be transferred to technical entities	6,776	10,540
Workers' profit sharing	4,386	7,400
Good payer bonus (capital) received from MVCS (e)	8	6,638
Suppliers payable	1,258	780
Resources to transfer for executed standby letters of credit	1,059	950
Vacation and fringe benefits liquidations	885	720
Other	390	335
	254,580	241,710

## FONDO MIVIVIENDA S.A.

## Notes to the Financial Statements

	<u>In thousands of S/.</u>	
	<u>2013</u>	<u>2012</u>
Provisions and other liabilities:		
Deferred income for cash flow advances (f)	4,479	7,934
Other deferred income	561	1,440
Provision for litigation, claims and other contingencies (g)	1,399	1,271
Provision for credit risk coverage on cash flow advances	5,362	738
Transactions in progress	6	8
	-----	-----
	11,807	11,391
	=====	=====

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

	<u>In thousands of S/.</u>	
	<u>2013</u>	<u>2012</u>
FONAVI collections	112,942	125,539
FONAVI contributions pending from being transferred to the MEF	38,188	6,989
Refund of FONAVI pending collection	284	283
	-----	-----
	151,414	132,811
	=====	=====

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

The activity of this item is as follows:

	<u>In thousands of S/.</u>	
	<u>2013</u>	<u>2012</u>
Balance at beginning of period	125,539	96,754
Collection for the period	23,049	30,017
Reclassification of contributions pending from being transferred to the MEF	( 31,199)	-
Reimbursement of FONAVI contributions	( 4,446)	( 1,232)
	-----	-----
Balance at end of period	112,943	125,539
	=====	=====

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

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

## FONDO MIVIVIENDA S.A.

## Notes to the Financial Statements

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

	<u>In thousands of S/.</u>	
	<u>2013</u>	<u>2012</u>
Balance at beginning of period	77,728	64,143
BBP allocation to accounts receivable from trusts	5,710	17,770
Adjustment of BBP allocations from previous periods	900	( 900)
Adjustment of BBP applications from previous periods	20	201
BBP application to Crédito MIHOGAR fees	( 1,351)	( 1,271)
BBP application to Nuevo Crédito MIVIVIENDA fees	( 3,135)	( 2,215)
	-----	-----
Balance at end of period	79,872	77,728
	=====	=====

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

The activity of this item is as follows:

	<u>In thousands of S/.</u>	
	<u>2013</u>	<u>2012</u>
Balance at beginning of period	6,638	9,932
Regularization of previous periods	( 20)	-
Resources received during the period	-	13,576
BBP disbursements to COFIDE for loan allocation	( 6,610)	( 16,870)
	-----	-----
Balance at end of period	8	6,638
	=====	=====

## FONDO MIVIVIENDA S.A.

## Notes to the Financial Statements

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

(16) Shareholders' equity(a) Regulatory capital

As of December 31, 2013, the net worth of the Fund determined pursuant to applicable standards, amounts to S/. 3,060,455 thousand (S/. 3,002,311 thousand of December 31, 2012). This figure is used to calculate certain legal limits and restrictions according to the Law 26702, the Peruvian Banking Law, applicable to the operation of a financial institution in Peru and is determined as follows:

	<u>In thousands of S/.</u>	
	<u>2013</u>	<u>2012</u>
Level 1 regulatory net worth:		
Paid- in capital stock	3,050,654	2,968,160
Plus:		
Legal reserve	43,283	34,117
Additional capital	34	34
Less:		
Accumulated loss	( 3,677)	-
Unrealized losses on available-for-sale investments	( 29,839)	-
	-----	-----
Total Level 1 regulatory net worth	3,060,455	3,002,311
	-----	-----
Total Level 2 regulatory net worth	-	-
	-----	-----
Total regulatory capital	3,060,455	3,002,311
	=====	=====

As of December 31, 2013, the requirement for effective capital for credit risk determined by the Fund according to legislation applicable to financial institutions amounts to S/. 3,007,451 thousand (S/. 2,986,475 thousand, as of December 31, 2012), while regulatory capital requirements for market and operational risk amount to S/. 34,897 thousand and S/. 18,107 thousand, respectively (S/. 2,514 thousand and S/. 13,322 thousand, respectively as of December 31, 2012).

## FONDO MIVIVIENDA S.A.

## Notes to the Financial Statements

According to the Law 26702, The Peruvian Banking Law, the regulatory capital must be equal to or greater than 10% of the total risk - weighted assets and contingent credits, which corresponds to the sum of the amount of regulatory capital requirements for market risk multiplied by 10, plus the amount of the regulatory capital requirements for operational risk multiplied by 10, plus the risk-weighted credit related assets and contingencies. As of December 31, 2013, the regulatory capital of the Fund represents 60.34% of minimum capital requirements per market, operational and credit risk (88.35%, as of December 31, 2012).

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

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

	<u>In thousands of S/.</u>	
	<u>2013</u>	<u>2012</u>
Minimum regulatory capital requirement:		
For credit, market, and operational risks	507,201	339,828
Additional regulatory capital	47,582	24,077
	-----	-----
Total minimum requirement	554,783	363,905
	=====	=====
Total calculated regulatory capital	3,060,455	3,002,311
	=====	=====
Global regulatory capital excess	2,505,672	2,638,406
	=====	=====

(b) Capital shares

As of December 31, 2013, the Fund's capital stock was comprised of 3,050,653,965 subscribed and paid common shares (2,968,159,573 common shares as of December 31, 2012). All shares have voting rights and a par value of S/. 1 each.

As of December 31, 2013 and 2012, the only stockholder of the Fund is FONAFE.

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

On March 26, 2012, the Fund's General Shareholder Meeting resolved to capitalize S/. 78,816 thousand corresponding to 2011 profits.

## FONDO MIVIVIENDA S.A.

## Notes to the Financial Statements

On September 2, 2011, the Fund's General Shareholder Meeting resolved to capitalize S/. 58,086 thousand corresponding to the 2010 profits.

(c) Reserve

Pursuant to the Law 26702 the Peruvian Banking Law, the Fund has a legal reserve of at least 35% of its capital stock. This reserve is created by an annual transfer of no less than 10% of after-tax profits for the relevant year, and supersedes the reserve referred to in the Companies Act. On the other hand, as stipulated in the Law 26702 the Peruvian Banking Law, the amount of the legal reserve may also be increased with contributions made by the Fund's stockholder for this purpose.

The General Shareholder Meeting held on April 12, 2013, approved the increase of the legal reserve amounting to S/. 9,166 thousand charged to the retained earnings for the 2012 fiscal year.

(d) Adjustment to equity

Adjustments to equity correspond to unrealized gains (losses) generated by the available-for-sale investments of the Fund valuation and CRC-PBP Trust. The movement, net of taxes is as follows:

	<u>2013</u>
	<u>In thousands S/.</u>
Opening balance	967
Loss unrealized on investments available-for-sale of the Fund	( 31,506)
Loss unrealized on investments available-for-sale of the CRC-PBP Trust	( 4,821)
Transfer of loss on available-for-sale investments in income, net of the gains incurred	1,886
	-----
Total	( 33,474)
	=====
	 <u>2012</u>
	<u>In thousands S/.</u>
Opening balance	319
Loss unrealized on investments available-for-sale of the Fund	( 340)
Loss unrealized on investments available-for-sale of the CRC-PBP Trust	( 687)
Transfer of loss on available-for-sale investments in income, net of the gains incurred	1,675
	-----
Total	967
	=====

## FONDO MIVIVIENDA S.A.

## Notes to the Financial Statements

	<u>2011</u>
	<u>In thousands S/.</u>
Opening balance	( 5,864)
Gain unrealized on investments available-for-sale of the Fund	16,091
Gain unrealized on investments available-for-sale of the CRC-PBP Trust	1,641
Transfer of gains on available-for-sale investments in income, net of the loss incurred	( 11,549)
	-----
Total	319
	=====

(17) Contingent and memoranda accounts

This item comprises the following:

	<u>In thousands of S/.</u>	
	<u>2013</u>	<u>2012</u>
Contingent:		
Forwards (a)	243,760	184,875
Other contingent assets and liabilities	807,733	178,509
	-----	-----
	1,051,493	363,384
	-----	-----
Memoranda accounts:		
Stand-by letters of credit and surety bonds received as guarantees (b)	466,849	583,753
Partial payments in favor of the Fund	200,000	-
CRC-PBP Trusts (c)	67,092	67,303
Write-off of uncollectible accounts (d)	28,169	28,146
Equity contributions (e)	18,222	18,222
Suspended interest of Ex-Coneminsa portfolio and other accounts receivable (f)	10,213	8,511
Effective agreements signed with suppliers	9,690	8,515
Funds received from the MVCS- BFH	6,576	10,540
Securities and bonds outstanding	4,565	4,565
Mortgage guarantees received (g)	2,411	2,199
Other	384	414
	-----	-----
	814,171	732,168
	-----	-----
Trusts and autonomous equity in administration:		
Autonomous equity Fund Act 27677 (h)	857,896	830,209
CRC-PBP Trusts	148,707	151,212
Las Garzas Trusts	23,903	23,794
	-----	-----
	1,030,506	1,005,215
	-----	-----
	2,896,170	2,100,767
	=====	=====

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Notes to the Financial Statements

- (a) Corresponds to the commitment on the forward transactions of US Dollars sales contracted by the Fund in order to hedge its accounts receivable in US Dollars, which amounted to US \$ 87,213 thousand and US \$ 72,500 thousand as of December 31, 2013 and 2012, respectively
- (b) Correspond to the stand-by letters of credit received as guarantee from the Technical Agencies under the contracts signed by the Techo Propio Program over the BFH and the Household Savings product, as well as stand-by letters of credit received from suppliers in the context of certain supply and service agreements.
- (c) Corresponds to the recognition of the rights acquired by the Fund in connection with the establishment of the CRC-PBP trusts in nuevos soles and US Dollars for a total amount of S/. 32,717 thousand and S/. 34,375 thousand, respectively (S/. 31,396 thousand and S/. 35,907 thousand as of December 31, 2012, respectively).
- (d) Corresponds mainly to the write-off of accounts receivable (capital and interest) due from Banco Banex (in liquidation) and Banco Orión (in liquidation) in total amount of S/. 23,577 thousand in respect of principal and S/. 4,441 thousand in respect of interest.
- (e) Corresponds to a claim made by the Fund to MEF on contributions to FONAVI - Employer Contributions, as provided by Law No. 26969 – FONAVI Liquidation Law, that the Fund considers should have been granted to the Fund.
- (f) Corresponds to mortgage guarantees received from two financial institutions undergoing liquidation for the loan portfolio that the Fund maintained with them.
- (g) Corresponds to the accrued interest of the overdue portfolio of Ex-Coneminsa and other accounts receivable.
- (h) Corresponds to the value of total net assets of the Fund Law which was constituted by Public Deed dated February 13, 2002, with the resources transferred to the Fund from the winding up of FONAVI, for their administration, recovery and intermediation through IFI's.

(18) Contingencies

As of December 31, 2013, the Fund holds the following contentious processes:

- (a) Lawsuits on labor issues related to profit sharing payment and reimbursement of fringe benefits. As of December 31, 2013, the Fund recorded a provision for S/. 621 thousand for this item.
- (b) Various constitutional procedures (protective action) related to the reestablishment of labor rights to former employees of the Funds and to the cancellation of records to technical entities for committed infringements.

## FONDO MIVIVIENDA S.A.

## Notes to the Financial Statements

- (c) Administrative procedure with DHMONT & CG & M S.A.C. Consortium (the claimant) in the context of which an administrative resolution is being challenged. The claimant is seeking the annulment of the letter by virtue of which the Fund refused to return the stand-by letter of credit which was posted as a condition to appeal the award under the Collique public bid. The amount in dispute is S/. 4,870 thousand. The judge ordered the fund to reimburse US\$ 250 thousand equivalent to S/. 699 thousand, for which, as of December 31, 2013 we have made a provision for US\$ 237 thousand, equivalent to S/. 663 thousand.
- (d) Arbitration proceeding with Veritas Edificaciones S.A.C. and CG&M Proyectos and Construcciones S.A.C. The claim involves an amount of US\$ 7,327 thousand.

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

(19) Interest income

This item comprises the following:

	<u>In thousands of S/.</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Cash and due from banks	12,207	13,918	16,210
Available-for-sale investments (note 7)	12,147	245	12,866
Held-to-maturity investments (note 7)	302	6,862	2,950
Accounts receivable	222,643	170,213	138,804
Other financial income	1,413	1,515	2,983
	-----	-----	-----
	248,712	192,753	173,813
	=====	=====	=====

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

## FONDO MIVIVIENDA S.A.

## Notes to the Financial Statements

(20) Interest expenses

This item comprises the following:

	In thousands of S/.		
	2013	2012	2011
Borrowings and obligations	2,967	4,973	-
Securities, bonds and obligations outstanding (note 14 (b))	45,288	-	-
Accounts payable	157	-	22
Other finance costs	38,918	32,726	29,127
	-----	-----	-----
	87,330	37,699	29,149
	=====	=====	=====

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

(21) Financial services revenues

This item comprises the following:

	In thousands of S/.		
	2013	2012	2011
Revenues from trust and trust fees	498	1,373	2,367
Various income	6,380	6,196	6,492
	-----	-----	-----
	6,878	7,569	8,859
	=====	=====	=====

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

(22) Administrative expenses

This item comprises the following:

	In thousands of S/.		
	2013	2012	2011
Personnel and Board of Directors expenses (a)	17,905	18,073	15,269
Services received from third parties (b)	21,915	14,291	14,319
Taxes and contributions	267	346	534
	-----	-----	-----
	40,087	32,710	30,122
	=====	=====	=====

## FONDO MIVIVIENDA S.A.

## Notes to the Financial Statements

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

	In thousands of S/.		
	2013	2012	2011
Remuneration	8,503	7,055	6,699
Employee profit sharing	4,384	7,398	5,240
Gratuities	1,389	1,162	1,095
Severance indemnities	810	676	638
Security and indemnities	786	659	606
Vacation	770	583	568
Training	119	177	165
Other	1,144	363	258
	-----	-----	-----
	17,905	18,073	15,269
	=====	=====	=====

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

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

	In thousands of S/.		
	2013	2012	2011
Advertising	7,606	1,800	2,715
Advisory services	4,617	5,338	5,892
Rental of goods and properties	1,869	1,404	1,165
Repair and maintenance	1,080	802	641
TIC project expenses – FONAFE	1,046	1,165	-
Communications	544	365	511
Travel expenses	500	214	198
Mobility	425	290	279
Guarding and protection	410	551	580
Insurance	311	277	308
Courier services	203	189	179
Office supplies	154	159	267
Utilities	148	161	164
Cleaning services	126	129	125
Telemarketing services	38	84	152
Other expenses	2,838	1,363	1,143
	-----	-----	-----
	21,915	14,291	14,319
	=====	=====	=====

- (c)
- Remuneration for directors

The total amount paid during 2013 to the members of the Fund's board of directors amounts to S/.151 thousand, and S/.173 thousand during 2012.

FONDO MIVIVIENDA S.A.

Notes to the Financial Statements

(d) Remuneration for management staff

Payments regarding salaries and other benefits received by the Fund's executives officers, during 2013 amounted to S/. 1,779 thousand and S/. 1,076 thousand during 2012.

(23) Tax matters

- (a) The Fund has determined that income tax as of December 31, 2013 amounted to S/. 23,724 thousand (S/. 31,224 thousand as of December 31, 2012).

Income tax returns for 2009 through 2013, are still subject for review by the Peruvian tax authorities. Any major expenses exceeding the provisions made to cover the tax obligations will be charged to profit or loss of the period in which those expenses are finally settled. It is Management's opinion that, as a result of this review, no significant liabilities will affect the financial statements as of December 31, 2013.

In accordance with current tax legislation, corporate income tax for 2013 and 2012 is calculated on the basis of the net taxable profit at a rate of 30%.

- (b) In 2005, the Temporary Tax on Net Assets (ITAN, by its Spanish acronyms) was established. Taxable base is composed of the prior period adjusted net asset value less depreciation, amortization, legal cash reserve and specific provisions for credit risk. The tax rate, as from 2009, is 0.4% applicable to the amount of assets exceeding S/. 1,000 thousand. It may be paid in cash or in nine consecutive monthly installments. The amount paid may be used as a credit against partial payments of Income Tax General Regime for taxable periods from March to December of the fiscal period for which the tax was paid until the maturity date of each of the partial payments, and as a credit for regularization payments of income tax of the corresponding taxable period. The Fund has calculated the Temporary Tax on Net Assets as of December 31, 2012 at S/. 14,345 thousand.

A tax refund can be requested only in the cases to demonstrate that tax loss has been incurred or where a lower payment of income tax has been determined based on general regime norms.

- (c) Technical assistance provided by non-domiciled legal entities will be subject to a 15% withholding tax, regardless of the location where the service is rendered.
- (d) As of December 31, 2013 and 2012, the tax rate on financial transactions was 0.005%. This tax is applied on each deposit and withdrawal made to and from a bank account, unless the account is tax-exempt.

## FONDO MIVIVIENDA S.A.

## Notes to the Financial Statements

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

	2013		2012	
	In thousands of S/.	%	In thousands of S/.	%
Income before tax	90,146	100.00	128,357	100.00
Tax calculated as per current statutory rate	27,044	30.00	38,507	30.00
Tax effect on additions and deductions:				
Permanent differences	( 2,758)	( 3.06)	( 1,920)	( 1.50)
Others	70	0.08	110	0.09
Current and deferred income tax recorded as per effective rate	24,356	27.02	36,697	28.59

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

	In thousands of S/.		
	2013	2012	2011
Income tax:			
Current	23,724	31,224	29,869
Deferred	632	5,473	449
	24,356	36,697	30,318

(g) The total or partial distribution of dividends, or other types of profit distribution, is subject to a 4.1% income tax withholding, except for the distribution of profits made in favor of domiciled legal entities.

(24) Financial risk management

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

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

FONDO MIVIVIENDA S.A.

Notes to the Financial Statements

Market risk

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

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

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

Resource allocation activities are managed according to internal limits applicable to each IFI. These internal limits are a function of IFI's following variables: rating, the regulatory capital as a percentage of risk-weighted assets, and the size of regulatory capital.

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

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

## FONDO MIVIVIENDA S.A.

## Notes to the Financial Statements

As of December 31, 2013 and 2012, the exposure of the Fund to interest rate risk is considering repricing dates of the instruments as follows:

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

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

FONDO MIVIVIENDA S.A.

Notes to the Financial Statements

	In thousands of S/. (*)							
	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	No accrued interest	Total
Assets:								
Cash and due from banks	240,054	100,422	-	-	-	-	-	340,476
Investments	-	-	-	-	-	-	-	-
Accounts receivable (Trust agreement – COFIDE)	21,544	21,252	22,129	64,011	127,796	2,888,197	-	3,144,929
Accounts receivable from financial derivatives	-	-	-	-	-	-	5,753	5,753
<b>Total assets</b>	<b>261,598</b>	<b>121,674</b>	<b>22,129</b>	<b>64,011</b>	<b>127,796</b>	<b>2,888,197</b>	<b>5,753</b>	<b>3,491,158</b>
Liabilities:								
Borrowings and financial obligations	-	43,119	-	-	43,119	129,358	-	215,596
<b>Total liabilities</b>	<b>-</b>	<b>43,119</b>	<b>-</b>	<b>-</b>	<b>43,119</b>	<b>129,358</b>	<b>-</b>	<b>215,596</b>
Off-balance sheet accounts:								
Derivative instruments, liabilities	-	-	-	-	-	-	( 184,875)	(184,875)
Marginal gap	261,598	78,555	22,129	64,011	84,677	2,758,839	( 179,122)	3,090,687
Accumulated gap	261,598	340,153	362,282	426,293	510,970	3,269,809	3,090,687	

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

## FONDO MIVIVIENDA S.A.

## Notes to the Financial Statements

The estimated effects of interest rates at December 31, 2013 and 2012, the following changes are:

	In thousands of S/. (*)			
	Effects to results before income tax			
	2013		2012	
<u>Change in interest rates</u>	<u>Local currency</u>	<u>Foreign Currency</u>	<u>Local currency</u>	<u>Foreign Currency</u>
-2.0%	5,255	( 11,459)	( 14,559)	4,225
-1.5%	3,941	( 8,594)	( 10,919)	3,169
-1.0%	2,627	( 5,730)	( 7,280)	2,112
-0.5%	1,314	( 2,865)	( 3,640)	1,056
0%	-	-	-	-
0.5%	( 1,314)	2,865	3,640	( 1,056)
1.0%	( 2,627)	5,730	7,280	( 2,112)
1.5%	( 3,941)	8,594	10,919	( 3,169)
2.0%	( 5,255)	11,459	14,559	( 4,225)

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

	In thousands of S/.			
	Effects in equity before income tax			
	2013		2012	
<u>Change in interest rates</u>	<u>Local currency</u>	<u>Foreign Currency</u>	<u>Local currency</u>	<u>Foreign Currency</u>
-2.0%	( 71,387)	5,398	( 64,987)	( 524)
-1.5%	( 53,540)	4,048	( 48,740)	( 393)
-1.0%	( 35,693)	2,699	( 32,494)	( 262)
-0.5%	( 17,847)	1,349	( 16,247)	( 131)
0%	-	-	-	-
0.5%	17,847	( 1,349)	16,247	131
1.0%	35,693	( 2,699)	32,494	262
1.5%	53,540	( 4,048)	48,740	393
2.0%	71,387	( 5,398)	64,987	524

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

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

The Fund's exposure to exchange rate risk is controlled through the following approved limits. Coverage limits of the accounting change position and Maximum loss limits before adverse activities of estimated exchange rates using regulatory models and methodological notes provided by SBS.

## FONDO MIVIVIENDA S.A.

## Notes to the Financial Statements

As of December 31, 2013 and 2012, the exposure of the Fund to exchange risk is as follows:

Exchange rate risk	In thousands of S/.					
	2013			2012		
	U.S.dollars	Nuevos soles	Total	U.S.dollars	Nuevos soles	Total
Monetary assets:						
Cash and due from banks	337,375	71,131	408,506	9,465	331,011	340,476
Available-for-sale investments	183,925	146,806	330,731	-	-	-
Held-to-maturity investments	-	6,447	6,447	-	-	-
Accounts receivable (Trust agreement-COFIDE)	404,497	3,950,574	4,355,071	417,209	2,727,719	3,144,928
Accounts receivable from financial derivatives	-	737	737	-	5,753	5,753
Other accounts receivable	111	68,441	68,552	677	69,842	70,519
Current taxes	-	13,723	13,723	-	-	-
Total monetary assets	925,908	4,257,859	5,183,767	427,351	3,134,325	3,561,676
Monetary liabilities:						
Deposits and obligations	-	162	162	-	108	108
Borrowings and financial obligations	1,399,138	402,525	1,801,663	-	215,597	215,597
Accounts payable on financial derivatives	-	382	382	-	-	-
Other accounts receivable	1,336	253,244	254,580	240,655	1,055	241,710
Current taxes	-	-	-	-	9,732	9,732
Total monetary liabilities	1,400,474	656,313	2,056,787	240,655	226,492	467,147
Accounts of the statement of financial position:						
Derivative instruments, assets	223,600	( 223,600)	-	-	-	-
Derivative instruments, liabilities	( 20,160)	20,160	-	( 184,875)	184,875	-
	203,440	( 203,440)	-	( 184,875)	184,875	-
Net monetary position	( 271,126)	3,398,106	3,126,980	1,821	3,092,708	3,094,529

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

Models	In thousands of S/.		% Effective equity	
	2013	2012	2013	2012
Regulatory model	5,423	299	0.18%	0.01%
Intern model	6,721	361	0.22%	0.01%
Global position	( 276,627)	25,140	9.03%	0.84%
	Oversold	Overpurchase		

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

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## Notes to the Financial Statements

Liquidity risk

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

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

With regard to the latter, there are policies concerning the holding hedging derivative instruments denominated in U.S. dollars, the exposure to which increased as a result of issuance of U.S. dollar denominated bonds in the international market by the Fund.

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

The amounts disclosed are the undiscounted cash flows based on agreed upon contractual terms and include their respective accrued interest. As at December 31, 2013 and 2012, the Fund's exposure to liquidity risk is as follows:

December 31, 2013	In thousands of S/.				
	Up to 1 month	Between 1 and 3 months	Between 4 and 12 months	More than 1 year	Total
Exposure to liquidity risk					
Risk of statement of financial position					
Liability:					
Deposits and obligations	-	-	162	-	162
Borrowings and financial obligations	24,857	2,442	438,409	1,813,256	2,278,964
Accounts payable on financial derivatives	382	-	-	-	382
Other accounts payable	8,433	145	5,037	240,965	254,580
Other liabilities	-	-	-	5,046	5,046
Total	33,672	2,587	443,608	2,059,267	2,539,134

December 31, 2012	In thousands of S/.				
	Up to 1 month	Between 1 and 3 months	Between 4 and 12 months	More than 1 year	Total
Exposure to liquidity risk					
Risk of statement of financial position					
Liability:					
Deposits and obligations	-	-	108	-	108
Borrowings and financial obligations	-	44,225	44,225	132,674	221,124
Accounts payable on financial derivatives	-	-	-	-	-
Other accounts payable	860	116	7,924	232,810	241,710
Other liabilities	-	9,732	-	-	9,732
Total	860	54,073	52,257	365,484	472,674

FONDO MIVIVIENDA S.A.

Notes to the Financial Statements

Main guidelines used by the Fund to manage liquidity risk are:

- 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 liquidity contingency plan.

Credit risk

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

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

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

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

At December 31, 2013, the maximum exposure to credit risk of the Fund was S/. 4,394,053 thousand suns, representing the balance of accounts receivable (according Trust - COFIDE).

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

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

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

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

## FONDO MIVIVIENDA S.A.

## Notes to the Financial Statements

As of December 31, 2012 and 2013, the Fund's exposure to credit risk based on the risk classification of the final beneficiary of the credit is as follows:

- By final client

	In thousands of S/.			
	2013		2012	
	Portfolio balance	%	Portfolio balance	%
Portfolio not past due nor impaired:				
Normal	4,172,034	94.9	3,031,890	95.3
Potential problems	62,614	1.4	43,200	1.4
	-----	-----	-----	-----
	4,234,648	96.3	3,075,090	96.7
	-----	-----	-----	-----
Impaired portfolio:				
Deficient	46,438	1.1	31,259	1.0
Doubtful	55,921	1.3	35,360	1.1
Loss	57,046	1.3	39,297	1.2
	-----	-----	-----	-----
	159,405	3.7	105,916	3.3
	-----	-----	-----	-----
Gross portfolio	4,394,053	100.0	3,181,006	100.0
	=====	=====	=====	=====

- By IFI's

	In thousands of S/.			
	2013		2012	
	Portfolio balance	%	Portfolio balance	%
Portfolio not past due nor impaired:				
Normal	4,034,161	91.8	2,981,355	93.7
Potential problems	359,892	8.2	199,651	6.3
	-----	-----	-----	-----
	4,394,053	100.0	3,181,006	100.0
	-----	-----	-----	-----
Impaired portfolio:				
Deficient, Doubtful and Loss	-	-	-	-
	-----	-----	-----	-----
Gross portfolio	4,394,053	100.0	3,181,006	100.0
	=====	=====	=====	=====

(25) Fair value

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

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

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## Notes to the Financial Statements

As at December 31, 2012 and 2013, the fair value of the financial instrument of the Fund are the following:

	In thousands of S/.			
	2013		2012	
	Carrying value	Fair value	Carrying value	Fair value
<b>Assets:</b>				
Cash and due from banks	408,506	408,506	340,476	340,476
Available-for-sale investments				
Debt instruments	330,731	330,731	-	-
Held- to- maturity investments	6,447	6,447	-	-
Accounts receivable (Trust agreement - COFIDE)	4,355,071	4,355,071	3,144,929	3,144,929
Accounts receivable from financial derivatives	737	737	5,753	5,753
Other receivables	68,552	68,552	70,518	70,518
	<u>5,170,044</u>	<u>5,170,044</u>	<u>3,561,676</u>	<u>3,561,676</u>
<b>Liabilities:</b>				
Deposits and obligations	162	162	108	108
Borrowings and financial obligations	1,801,663	1,758,163	215,597	215,637
Accounts payable on financial derivatives	382	382	-	-
Other payables	254,580	254,580	241,710	241,467
	<u>2,056,787</u>	<u>2,013,287</u>	<u>457,415</u>	<u>457,212</u>

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

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

- The instruments represents cash or short-term deposits, not presenting significant credit risks.
- Investments available-for-sale generally have share price or market value through discounted cash flows.
- The fair value, of the accounts receivable (Trust agreement – COFIDE) are similar to their carrying value, net of their corresponding provision for loan losses, according to the “Oficio Multiple SBS N° 1575-2014-SBS”.

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

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

Level 1: instruments quoted in active markets.

Level 2: instruments quoted in inactive markets.

Level 3: instruments not quoted.

	In thousands of S/.					
	2013			2012		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>Assets:</b>						
Available- for –sale investments						
Debt instruments	191,068	139,662	-	-	-	-
Accounts receivable from financial derivatives	-	737	-	-	5,753	-
Other receivables	-	63,202	-	-	29,662	-
	-----	-----	-----	-----	-----	-----
	191,068	203,601	-	-	35,415	-
	=====	=====	=====	=====	=====	=====
<b>Liabilities:</b>						
Accounts payable on financial derivatives	-	382	-	-	-	-
	-----	-----	-----	-----	-----	-----
	-	382	-	-	-	-
	=====	=====	=====	=====	=====	=====

(26) Subsequent events

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