



Fondo MIVIVIENDA S.A.

Financial Statements

December 31, 2019 and 2018

**(including Independent Auditors' Report)
(TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN SPANISH)**



KPMG en Perú
Torre KPMG. Av. Javier Prado Este 444, Piso 27
San Isidro. Lima 27, Perú

Teléfono 51 (1) 611 3000
Fax 51 (1) 421 6943
Internet www.kpmg.com/pe

INDEPENDENT AUDITORS' REPORT

To the Stockholder and Directors Fondo MIVIVIENDA S.A.

We have audited the accompanying financial statements of Fondo MIVIVIENDA S.A. (henceforth "the Fund"), which comprise the statement of financial position as of December 31, 2019, Income Statement, the statements of comprehensive income, changes in shareholder's 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 Superintendencia de Banca Seguros y Administradoras Privadas de Fondos de Pensiones - SBS (the Superintendence of Banking, Insurance and Private Pension Funds Administrators) for Peruvian financial entities, 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 approved for their application in Peru by the Dean's Council of the Peruvian Professional Associations of Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



Opinion

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of Fondo MIVIVIENDA S.A. as of December 31, 2019, its financial performance and its cash flows for the year then ended, in accordance with accounting standards established by SBS for financial entities in Peru.

Other Matter

Fondo MIVIVIENDA S.A.'s financial statements for the year ended December 31, 2018 were audited by other independent auditors, whose report dated February 25, 2019 expressed an unqualified opinion on those statements.

Lima, Peru

March 11, 2020

Countersigned by:

Eduardo Alejos (Partner)
Peruvian CPA
Registration Number 01-29180

Fondo MIVIVIENDA S.A.

Financial Statements

December 31, 2019 and 2018

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(Translation of Financial Statements originally issued in Spanish)

Fondo MIVIVIENDA S.A.

Statements of Financial Position

As of December 31, 2019 and 2018

<i>In thousands of soles</i>	Note	2019	2018
Assets			
Cash and due from banks	5		
Deposits in Peruvian Central Bank		5,799	6,683
Deposits in domestic and foreign banks		1,473,154	2,558,246
Other available funds		60	527
		1,479,013	2,565,456
Investments	6	242,943	552,458
Accounts receivable (Trust Agreement - COFIDE), net	7	7,498,076	6,657,705
Loan portfolio, net	8	35,966	40,254
Other accounts receivable, net	9	147,981	116,682
Hedging derivatives	10	166,325	202,872
Property, furniture, and equipment, net	11	915	1,109
Deferred Income tax asset, net	25	78,764	51,376
Other assets, net	12	49,908	77,193
Total assets		9,699,891	10,265,105
Risks and contingent commitments		46,071	68,198

<i>In thousands of soles</i>	Note	2019	2018
Liabilities			
Obligations with the public		223	228
Borrowings and financial obligations	13	635,192	444,323
Securities and bonds outstanding	14	4,284,038	5,015,286
Hedging derivatives	10	93,592	57,081
Accounts payable	15	1,372,876	1,440,276
Provisions and other liabilities	15	4,982	6,465
Total liabilities		6,390,903	6,963,659
Shareholders' Equity			
	16		
Capital stock		3,355,584	3,324,714
Legal Reserve		27,087	23,657
Unrealized results		(103,686)	(81,225)
Retained earnings		30,003	34,300
Total Shareholders' equity		3,308,988	3301,446
Total liabilities and shareholders' equity		9,699,891	10,265,105
Risks and contingent commitments		46,071	68,198

The accompanying notes on pages 6 to 83 are an integral part of these financial statements.

(Translation of Financial Statements originally issued in Spanish)

Fondo MIVIVIENDA S.A.

Income Statements

For the periods ended December 31, 2019 and 2018

<i>In thousands of soles</i>	Note	2019	2018
Interest income	18	526,897	532,086
Interest expenses	18	(307,416)	(309,379)
Gross financial margin		219,481	222,707
Allowance for doubtful accounts (Trust Agreement - COFIDE), net of recoveries	7	(8,554)	(18,021)
Provisions for loans losses, net of recoveries	8	2,032	(5,322)
Net finance margin		212,959	199,364
Income from financial services	19	5,224	4,498
Expenses for financial services	19	(2,569)	(2,615)
Finance margin net of income and expenses for financial services		215,614	201,247
Result from financial transactions	20	(76,480)	(100,966)
Operating margin		139,134	100,281
Administrative expenses	21	(49,941)	(52,342)
Depreciation of property, furniture and equipment	11	(239)	(244)
Amortization of intangible assets		(1,279)	(1,112)
Net operating income		87,675	46,583
Valuation of assets and provisions			
Provision from others doubtful accounts, net	9	(50,682)	(1,902)
Reversal from credit risk coverage – portfolio sold, net		1,012	982
Provision for litigations and demands		(265)	(749)
Other provisions		(408)	(590)
Operating income		37,332	44,324
Other income and expenses, net	22	6,541	2,433
Income before Income tax		43,873	46,757
Income tax	24	(13,870)	(12,457)
Net Income		30,003	34,300

The accompanying notes on pages 6 to 83 are an integral part of these financial statements.

(Translation of Financial Statements originally issued in Spanish)

Fondo MIVIVIENDA S.A.

Statements of Comprehensive Income

For the periods ended December 31, 2019 and 2018

<i>In thousands of soles</i>	Note	2019	2018
Net income		30,003	34,300
Other comprehensive income	<i>16</i>		
Net gain on available-for-sale investments	<i>16.C</i>	548	1,214
Net movement of cash flow hedges	<i>16.C</i>	(34,506)	55,862
Net gain on available-for-sale investments from CRC-PBP Trusts	<i>16.C</i>	1,844	124
Income tax related to the components of other comprehensive income	<i>16.C</i>	9,653	(16,628)
Other comprehensive income for the year, net of income tax		(22,461)	40,572
Total comprehensive income		7,542	74,872

The accompanying notes on pages 6 to 83 are an integral part of these financial statements.

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Statement of Changes in shareholders' Equity
For the periods ended December 31, 2019 and 2018

<i>In thousands of soles</i>	Number of shares	Capital Stock	Legal Reserves	Unrealized results	Retained earnings	Total equity
Balance as of January 1, 2018	3,302,620	3,302,620	249	(121,797)	24,549	3,205,621
Net income	-	-	-	-	34,300	34,300
Other comprehensive income:						
Unrealized gain on available-for-sale investments	-	-	-	1,214	-	1,214
Unrealized gain on cash flow hedges	-	-	-	55,862	-	55,862
Unrealized gain on available-for-sale investments from CRC-PBP Trust	-	-	-	124	-	124
Income tax	-	-	-	(16,628)	-	(16,628)
Total comprehensive income for the period	-	-	-	40,572	34,300	74,872
Changes in equity (not included in the comprehensive income):						
Effect of deferred income tax - allowance for doubtful accounts	-	-	20,953	-	-	20,953
Transfer to Legal reserves	-	-	2,455	-	(2,455)	-
Capitalization of net income	22,094	22,094	-	-	(22,094)	-
Balance as of December 31, 2018	3,324,714	3,324,714	23,657	(81,225)	34,300	3,301,446
Balance as of January 1, 2019	3,324,714	3,324,714	23,657	(81,225)	34,300	3,301,446
Net profit	-	-	-	-	30,003	30,003
Other comprehensive income:						
Unrealized gain on available-for-sale investments	-	-	-	548	-	548
Unrealized loss on cash flow hedges	-	-	-	(34,506)	-	(34,506)
Unrealized gain on available-for-sale investments from CRC-PBP Trusts	-	-	-	1,844	-	1,844
Income tax	-	-	-	9,653	-	9,653
Total comprehensive income for the period	-	-	-	(22,461)	30,003	7,542
Changes in equity (not included in the comprehensive income):						
Transfer to Legal reserves	-	-	3,430	-	(3,430)	-
Capitalization of net income	30,870	30,870	-	-	(30,870)	-
Balance as of December 31, 2019	3,355,584	3,355,584	27,087	(103,686)	30,003	3,308,988

The accompanying notes on pages 6 to 83 are an integral part of these financial statements.

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Statements of Cash Flows

For the periods ended December 31, 2019 and 2018

<i>In thousands of soles</i>	<i>Note</i>	2019	2018
Reconciliation of net income with cash and cash equivalents from operating activities			
Net income for the period		30,003	34,300
Adjustments			
Foreign exchange adjustment and derivatives interest		38,552	(50,456)
Unpaid accrued interest of borrowings and financial obligations		153,917	365,521
Depreciation and amortization		1,518	1,356
Allowance for doubtful accounts (Trust Agreement – COFIDE), net of recoveries		8,554	18,021
Provisions for direct loans, net of recoveries		(2,032)	5,322
Allowance for other doubtful accounts, net of recoveries		50,682	1,902
Deferred income tax		17,737	(6,345)
Provision for litigations and demands, and others		(7,752)	167
Unrealized profit or loss on exchange difference		(7,234)	85,131
Changes in assets and liabilities			
Net (increase) decrease in assets			
Time deposits	5	904,005	763,472
Accounts receivable (Trust Agreement - COFIDE)		(848,348)	(469,919)
Loan portfolio		4,974	5,378
Available-for-sale investments		188,676	(154,664)
Other accounts receivable		(83,663)	(9,720)
Other assets		(4,559)	(6,460)
Net increase (decrease) in liabilities			
Obligations with the public		(1,360)	12
Non-subordinated liabilities		(664,457)	(937,321)
Other accounts payable		(78,490)	503,911
Provisions and other liabilities		(661)	(1,595)
Results for the year after changes in assets and liabilities and adjustments		(299,938)	148,013
Income tax		1,750	6,125
Net cash flows from operating activities		(298,188)	154,138
Cash flows from investing activities			
Purchase of property, furniture and equipment		(54)	(299)
Purchases of intangible assets		(2,234)	(1,777)
Proceeds from held-to-maturity investments		110,805	407,933
Net cash flows from investing activities		108,517	405,857
Net (decrease) increase in cash and cash equivalents before the effect of movements in exchange rates		(189,671)	559,995
Effect of movements in exchange rate on cash and cash equivalents		7,234	(85,131)
Net (decrease) increase in cash and cash equivalents		(182,437)	474,864
Cash and cash equivalents at beginning of year	5	1,661,450	1,186,587
Cash and cash equivalents at end of year		1,479,013	1,661,451

The accompanying notes on pages 6 to 83 are an integral part of these financial statements.

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Notes to the Financial Statements

December 31, 2019 and 2018

1. Identification and Business Activity

A. Identification

Fondo MIVIVIENDA S.A. (hereinafter "the Fund") is a state-owned company under private law and is governed by Law 28579 "Ley de Conversión del Fondo Hipotecario de la Vivienda - Fondo MIVIVIENDA a Fondo MIVIVIENDA S.A." (Law for Conversion of the Housing Mortgage Fund - Fondo MIVIVIENDA to Fondo MIVIVIENDA S.A.) and its by-laws. The Fund falls under the purview of the Peruvian National Fund for Financing of Business Activities of the State (Fondo Nacional de Financiamiento de la Actividad Empresarial or "FONAFE" for its Spanish acronym) under the Ministry of Housing, Construction and Sanitation ("MVCS" for its Spanish acronym). The aforementioned Law N° 28579 provided for the conversion of the former Fondo Hipotecario de Promoción de la Vivienda – Fondo MIVIVIENDA (Mortgage Fund for the Promotion of Housing – Fondo MIVIVIENDA) into a corporation called Fondo MIVIVIENDA S.A., since January 1, 2006. The Fund's legal domicile is located at Av. Paseo de la República N° 3121, San Isidro, Lima, Peru.

B. Business activity

The Fund is engaged in the promotion and financing of the acquisition, improvement and construction of homes, especially those of social interest, promotion of activities to invest into the home lending market, participation in the secondary mortgage market, as well as contributing to the development of the Peruvian capital market.

All the Fund's activities are regulated by the Superintendencia de Banca Seguros y Administradoras Privadas de Fondos de Pensiones - SBS (Superintendence of the Banking, Insurance and Pension Funds Administrators), by means of SBS Resolution N° 980-2006 "Regulation for the Fondo MIVIVIENDA S.A."

The Fund administers 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 Spanish acronym), as commissioned by the MVCS.
- iii. Resources of the Fund, Law 27677, as commissioned by the Ministry of Economy and Finance (hereafter "MEF" for its Spanish acronym).

The characteristics of each program and resource are as follows:

i. Fondo MIVIVIENDA program

The Trust Agreement with Corporación Financiera de Desarrollo S.A. (Financial Corporation of development "COFIDE" for its Spanish acronym) allows the Fund to channel resources through the financial institutions that are part of the Peruvian Financial System for the granting of mortgage loans. Among their characteristics are the Good Payer Award (Premio al Buen Pagador or "PBP" for its Spanish acronym), the Good Payer Bonus (Bono al Buen Pagador, hereinafter "BBP" for its Spanish acronym), the Credit Risk Coverage (Cobertura de Riesgo Crediticio, hereinafter "CRC" by its Spanish acronym), and Sustainable Bonus MIVIVIENDA (BMS).

The following products form part of the Fondo MIVIVIENDA program:

- Nuevo Crédito MIVIVIENDA
- Crédito MICONSTRUCCIÓN (*)
- Crédito MICASA MÁS (*)
- Crédito MITERRENO
- Crédito MIHOGAR (*)
- Crédito MIVIVIENDA Estandarizado (*)
- Crédito MIVIVIENDA Tradicional (*)
- Crédito Complementario Techo Propio (Complementary financing to the BFH)
- Servicio de Cobertura de Riesgo Crédito y Premio al Buen Pagador (Financiamiento de las Instituciones Financieras Intermediarias) – Service of Credit risk coverage (CRC) and Good Payer Award (PBP) (*)

() As of December 31, 2019, and 2018, these products have been discontinued; the balances correspond only to outstanding receivable balances (note 7). The Crédito MICONSTRUCCIÓN and Crédito MICASA MAS products were repealed by Board's Agreement 01-20D-2017 dated August 24, 2017; likewise, an adaptation period was allowed until December 31, 2017 to cease its granting. The CRC - PBP service and the Credito MIVIVIENDA Estandarizado were discontinued in November 2009, Crédito MIHOGAR was discontinued in August 2009 and Credito MIVIVIENDA Tradicional was discontinued since May 2006.*

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

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

- Acquisition of a new house (AVN);
- Construction on owned lot (CSP); and
- Home renovations (MV).

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

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

According to the Third Transitional Provision of Law N° 28579, the Fund was engaged by the Government to manage the BFH and the Techo Propio Program resources.

On April 28, 2006, the Fund, the MVCS and FONAFE signed the “Agreement on Management of the Household Housing Bonus and the Funds of the Techo Propio program”, under which the Fund is responsible for managing both the BFH and the Techo Propio Program resources, 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 shall allocate to the Fund the resources to meet the costs and expenses of managing the Program.

iii. Fund Law N° 27677

By virtue of Law N° 27677, dated March 1, 2002, the Fund was entrusted with the administration, reimbursement and channeling of resources resulting from the liquidation of the Fondo Nacional de la Vivienda (National Housing Fund for its Spanish acronym FONAVI).

Law 29625, which came into force on December 8, 2010, orders the reimbursement of contributions to workers who contributed to FONAVI. Article 4 of Law N° 29625 contemplated the formation of an Ad Hoc Committee, responsible for conducting and supervising all procedures related to the reimbursement of contributions of the FONAVI. This formation of the Ad Hoc Committee was approved on September 24, 2012, through Ministerial Resolution 609-2012-EF/10. By virtue of these rules, the Fund would provide to the Ad Hoc Committee with all relevant documentation and reports so that it will be in charge of the administration and recovery of debts, funds and assets of FONAVI, as well as the liabilities. Since 2014, the Fund has transferred the managed resources for S/ 454,668 thousand, in accordance with the requirements of the Ad Hoc Committee.

Likewise, the Fund constituted the CRC-PBP trusts, both in soles and 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 registered by each IFI that contracts such service. These trusts are governed by SBS Resolution N°980-2006 which approves the Regulations for the Fund.

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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 Fund Regulation, is a guarantee the Fund provides to the intermediary financial institution ("IFI") for either up to one third of the unpaid balance of the covered loan or one-third of the loss, whichever is lower. Said amount shall be 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 loan 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 financial statements

The financial statements as of December 31, 2019 were approved by the Board of Directors, on January 17, 2020 and will be submitted for approval to the General Stockholders' Meeting within the term established by law. In the opinion of management, General Stockholders' Meeting will approve the accompanying financial statements without modifications.

The General Stockholders' Meeting, held on April 1, 2019, approved the financial statements as of December 31, 2018.

2. Trust Agreement – Corporación Financiera de Desarrollo (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 Corporación Financiera de Desarrollo S.A. (COFIDE). The Agreement's purpose was the creation of a trust through which COFIDE receives the resources from the Fund and performs as the executing agency thereof, channeling the funding for loans to final borrowers through the IFIs that are used to the acquisition, expansion or improvement of homes and residences, in accordance with Article 12 of Supreme Decree N° 001-99-MTC "Regulation on the Fondo Hipotecario de Promoción de la Vivienda – Fondo MIVIVIENDA".

COFIDE's main obligations are:

- Compliance with articles 241 to 274 of the General Law of the Financial and Insurance System and Organic Law of the SBS – Law N° 26702 (General Banking Law) and its amendments.
- Verifying compliance with requirements and conditions of the IFI according to Supreme Decree N° 001-99 –MTC.
- Signing the agreement on resources intermediation with the IFs that have fulfilled the corresponding requirements and conditions.
- Monitoring the use of resources, according to the provisions of the Fund's Regulation and the Agreement for Resources intermediation.
- Collecting the loans granted to the IFI.
- Contracting the necessary audits on the Fund.

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- Periodically submitting reports on the development of the aforementioned trusts, as well as recommendations for exposure limits of the IFI.
- Establishing operating procedures necessary for the proper administration of the Fund.
- Other duties necessary to ensure the normal development of the objectives and functions of both the Trust and the Fund.

On May 18, 2012, the Fund signed Addendum N° 1 to the Trust Agreement annulling the obligation of COFIDE to issue recommendations on exposure limits of the IFIs with the Fund, because the Fund is a corporation supervised by the SBS. Through Resolution SBS N° 3586-2013, the Fund is not subject to the limits established in the article 204 of the Banking Law, because it acts as a second-tier bank. However, the Fund has established internal limits to prevent the concentration of loans to IFI, taking into account factors such as the regulatory capital size, risk rating and risk-weighted regulatory capital ratio.

The Fund's main obligations are:

- Establishing the policies for the management and use of the Fund's resources.
- Approving the eligibility criteria of the IFI that will receive resources from the Fund for financing the purchase of homes and the borrowing limits for each of them.
- Establishing the terms and conditions under which the Fund will make resources available to the IFI, and the modalities of placing the resources.

COFIDE is entitled to the following:

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

Regarding the fees generated by services provided by COFIDE, it was authorized to deduct -from the amounts disbursed by the IFI - a one-time 0.25 percent commission on the amount of each loan, as well as an annual commission of 0.25 percent on the outstanding balances of loans, which is assumed by the IFI and will be collected when installments of loans granted are paid.

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On December 30, 2016, the Addendum 2 to the Trust Agreement was signed with the purpose of modifying the commissions for the services provided by COFIDE and modifying the term of the Trust, as follows:

The two commissions for the services provided by COFIDE in force since January 2, 2017 are the following:

- A monthly trust commission payable by the Fund amounting to S/ 10 thousand plus Value Added Tax (VAT). This commission will be collected on the last business day of each month chargeable to Fund resources.
- A collection commission equivalent to 0.23 percent annual effective to rebut on debt balance, for the accounts receivable (Trust Agreement – COFIDE) beginning January 2, 2017 and chargeable to the IFI. This commission will be collected on the collection dates of loan installments granted by the IFI.

The term of the Trust will be 3 years counted since January 2, 2017, and will be automatically renewed if, within 30 days prior to its expiration, none of the parties expresses its will to resolve it.

3. Basis for the Preparation of Financial Statements

A. Statement of compliance

The financial statements have been prepared based on the Fund's accounting records and are presented in accordance with current legal provisions and accounting principles authorized by the SBS and, in the absence of such applicable SBS standards, the International Financial Reporting Standards (IFRS), made official in Peru by the Peruvian Accounting Board (CNC, for its Spanish acronym) are applied. Such standards comprise the Standards and Interpretations issued or adopted by the IASB, which include IFRS, International Accounting Standards (IAS), and the Interpretations issued by the IFRS Interpretations Committee (IFRIC), or by the former Standing Interpretations Committee (SIC), adopted by the IASB and made official by the CNC for their application in Peru.

B. Basis of measurement

These financial statements have been prepared based on the Fund's historical cost basis, except for the following items that has been recognized at fair value.

- Derivative financial instruments.
- Financial instruments at fair value through profit or loss (FVTPL); and
- Available-for-sale financial assets.

C. Functional and presentation currency

The financial statements are presented in soles (S/ or PEN), which is the Fund's functional and presentation currency. All amounts are presented in thousands of soles and have been rounded to the nearest unit, unless otherwise indicated.

D. Use of judgments and estimates

In preparing these financial statements, Management has made judgments and estimates that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively. The related effects are recorded in the accounts of the statement of profit or loss as from the year in which the review is conducted.

The most significant judgments and estimates for the preparation of the Fund's financial statements are as follows:

- Determination of fair value of investments.
- Allowance for doubtful accounts (Trust Agreement - COFIDE)
- Provision for doubtful direct loan portfolio.
- Provision for realizable assets, received as payment, and awarded assets.
- Provision for employee benefits.
- Useful life of property, furniture, and equipment, and intangible assets.
- Provision for income tax.
- Determination of fair value of derivative financial instruments.
- Impairment of non-monetary assets.

E. Reclassifications

As of December 31, 2018, certain items of the statement of cash flows have been reclassified to make them comparable to those in this period. Management considers that the reclassifications made do not imply changes in the decisions taken based on them. The reclassified amounts and affected accounts are summarized as follows:

Statement of cash flows for the period ended December 31, 2018

<i>In thousands of soles</i>	Balance without reclassification	Reclassificatio n	Reclassified balances
Reconciliation of net profit with cash and cash equivalents from operating activities			
Non-subordinated liabilities	-	(937,321)	(937,321)
Time deposits	-	763,472	763,472
Provision for contingencies and others	6,292	(6,292)	-
Provision for litigations and demands, and others	-	167	167
Income tax	-	6,125	6,125
Unrealized profit or loss on exchange difference	-	85,131	85,131
Net cash flows from operating activities	242,856	(88,718)	154,138
Cash flows from investing activities:			
Increase in time deposits over 91 days	763,472	(763,472)	-
Net cash flows from investing activities	1,169,329	(763,472)	405,857
Cash flows from financing activities			
Borrowings and financial obligations	243,986	(243,986)	-
(Decrease) increase in securities and bonds outstanding	(1,181,307)	1,181,307	-
Net cash flows from financing activities	937,321	937,321	-
Effect of movements in exchange rate on cash and cash equivalents	-	(85,131)	(85,131)

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F. New accounting pronouncements

i. New accounting pronouncements not early adopted

The following modifications, amendments and interpretations have been published by the IASB and are applicable to periods beginning on or after January 1, 2020.

Standards, amendments, and interpretations	Effective date
Amendments to references to Conceptual Framework in IFRS Standards.	For annual periods beginning on or after January 1, 2020.
Definition of a business (amendments to IFRS 3).	For annual periods beginning on or after January 1, 2020.
Definition of material (amendments to IAS 1 Presentation of Financial Statements, and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors).	For annual periods beginning on or after January 1, 2020.
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures).	Available for optional adoption. The effective date has been postponed indefinitely.

Management has not assessed the impact that these modifications, amendments and interpretations may have on the financial statements of the Fund if adopted by SBS.

ii. Resolutions and Standards issued by the CNC and SMV with respect to the approval and adoption of IFRS in Peru

Through Resolution 003-2019EF/30, issued on September 21, 2019, the CNC made official the complete set of 2019 IFRS version (IAS, IFRS, IFRIC and SIC), and the Conceptual Framework for Financial Reporting. The validity of the indicated standards is that established in each one of them.

As indicated in note 3.A, the standards and interpretations referred to above in i. and ii. will only be applicable to the Bank in absence of applicable SBS regulations for situations not addressed in the Accounting Manual. The Fund's Management has not determined the effect of these standards on the preparation of its financial statements because they have not been adopted by the SBS.

In addition, through Official Letter N° 467-2019-SBS, dated January 7, 2019, the SBS stated that IFRS 16 *Leases* shall not be applied to supervised entities until the corresponding provisions are established; therefore, the supervised entities will continue to apply IAS 17 *Leases*.

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iii. Main pronouncements issued by the SBS

In 2019, the SBS published, among others, important pronouncements which are stated below:

- SBS Resolution N° 5570-2019, dated November 28, 2019, which modifies the "Credit and Debit Card Regulation", the "Retail Over-Indebtedness Risk Management Regulation", the "Regulations for the Regulatory Capital Requirement for Credit Risk", and other legal provisions. This Resolution becomes effective 360 days after its publication, except for certain articles that become effective between the day following their publication and up to 180 days later.
- Resolution SBS N° 4838-2019, dated October 21, 2019, approving the "Reverse Mortgage Regulation", whose effective date was November 1, 2019.
- SBS Resolution N° 1884-2019, dated May 3, 2019, supersedes article 35 of the "Market Risk Management Regulation" and modifies the "Accounting Manual for Financial System Entities", which became effective the day after its publication.
- SBS Resolution N° 904-2019, dated March 15, 2019, supersedes article 28 of the "Financial System Market Conduct Management Regulations", approved by SBS Resolution N° 3274-2017, which became effective the day after its publication.
- SBS Resolution N° 682-2019, dated February 20, 2019, modifying the "Liquidity Risk Management Regulation" and the "Accounting Manual for Financial System Entities", approved by SBS Resolution N° 9075-2012 and its amendments, which became effective on March 1, 2019, with the exception of the amendments to 15-A and 15-C Appendixes and their respective methodological notes, which became effective on July 1, 2019.
- SBS Resolution N° 0008-2019, dated January 4, 2019, which extends the exceptional treatment indicated in the first final and transitory provision of the "Regulation for the Treatment of Recovered and Awarded Assets and their Provisions", approved by SBS Resolution N° 1535-2005, which became effective the day after its publication.

4. Accounting Principles and Practices

A. 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 a financial instrument classified as assets or liabilities are recorded as income or expense.

Financial instruments are offset when the Fund has a legally enforceable right to set off the amounts, and Management intends either to settle them on a net basis or realize the asset and settle the liability simultaneously.

The financial assets and liabilities presented in the statement of financial position correspond to cash and due from banks, investments, accounts receivable (Trust Agreement - COFIDE), loan portfolio, other accounts receivable, obligations to the public, borrowings and financial obligations, securities and bonds outstanding, other accounts payable and other liabilities in general. Likewise, all derivative financial products are considered financial instruments.

(Translation of Financial Statements originally issued in Spanish)

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As of December 31, the classification per category of the financial assets and liabilities of the Fund is as follows:

	Financial assets and liabilities at fair value				Financial liabilities at amortized cost	Total
	Held-for-trading and hedging	Loans and accounts receivable	Available-for-sale investments	Held-to-maturity investments		
<i>In thousands of soles</i>						
As of December 31, 2019						
Financial assets						
Cash and due from banks	-	1,479,013	-	-	-	1,479,013
Investments	-	-	-	242,943	-	242,943
Accounts receivable (Trust Agreement - COFIDE), net	-	7,498,076	-	-	-	7,498,076
Loan portfolio, net	-	35,966	-	-	-	35,966
Other accounts receivable, net	-	147,981	-	-	-	147,981
Hedging derivatives	166,325	-	-	-	-	166,325
	166,325	9,161,036	-	242,943	-	9,570,304
Financial liabilities						
Obligations with the public	-	-	-	-	223	223
Borrowings and financial obligations	-	-	-	-	635,192	635,192
Securities and bonds outstanding	-	-	-	-	4,284,038	4,284,038
Hedging derivatives	93,592	-	-	-	-	93,592
Other accounts payable	-	-	-	-	1,372,876	1,372,876
	93,592	-	-	-	6,292,329	6,385,921

	Financial assets and liabilities at fair value				Financial liabilities at amortized cost	Total
	Held-for-trading and hedging	Loans and accounts receivable	Available-for-sale investments	Held-to-maturity investments		
<i>In thousands of soles</i>						
As of December 31, 2018						
Financial assets						
Cash and due from banks	-	2,565,456	-	-	-	2,565,456
Investments	-	-	188,829	363,629	-	552,458
Accounts receivable (Trust Agreement - COFIDE), net	-	6,657,705	-	-	-	6,657,705
Loan portfolio, net	-	40,254	-	-	-	40,254
Other accounts receivable, net	-	116,682	-	-	-	116,682
Hedging derivatives	202,872	-	-	-	-	202,872
	202,872	9,380,097	188,829	363,629	-	10,135,427
Financial liabilities						
Obligations with the public	-	-	-	-	228	228
Borrowings and financial obligations	-	-	-	-	444,323	444,323
Securities and bonds outstanding	-	-	-	-	5,015,286	5,015,286
Hedging derivatives	57,081	-	-	-	-	57,081
Other accounts payable	-	-	-	-	1,440,276	1,440,276
	57,081	-	-	-	6,900,113	6,957,194

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B. Income and expense recognition

i. Interest income and expenses

Interest income and expenses are recorded in the income statement for the year in which they are accrued, based on the effective period of operations that generate them and the interest rates established. Likewise, for the interest income corresponding to accounts receivable (Trust Agreement - COFIDE) and loan portfolio, the accounting treatment is as follows:

Interest income corresponding to accounts receivable (Trust Agreement - COFIDE)

Because the Fund grants credit lines to the IFIs to channel its resources, which disbursements of loans are made through the COFIDE Trust, and not when they are placed to sub borrower, in accordance with the SBS's Accounting Manual for Financial Companies, the yields generated by said operations are recorded on an accrual basis, and no in-suspense interest income is recognized in accordance with SBS rules for the Fund.

Interest income corresponding to loan portfolio

Loan portfolio interest income is recognized in the income statement for the year in which they are accrued, based on the effective period of operations that generate them and on the interest rates freely agreed upon with the borrowers; except for the interest accrued on past due loans, refinanced, restructured and under legal collection; as well as loans rated as doubtful or loss categories, the interest of which is recognized as collected. When Management determines that the debtor's financial situation has improved and the loan is reclassified to current status and/or as standard, potential problem or substandard categories, interest is restated on an accrual basis.

ii. Bonuses and awards for good payers

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

- The Good Payer Bonus (Bono al Buen Pagador, or "BBP" for its Spanish acronym) was created in compliance with N° 29033, issued on June 7, 2007, as a non-repayable direct assistance payable to eligible final borrowers in a maximum of S/ 13 thousand in force since April 22, 2010 (S/ 10 thousand before April 22, 2010) which is granted to borrowers who have complied with promptly cancellation of six consecutive monthly installments of the non-concessional tranche of Crédito MIVIVIENDA. For these purposes, the Fund divides the total amount of Crédito MIVIVIENDA disbursement plus its related interest into 2 schedules:
 - A half-annual amortization schedule called "concessional section" corresponding to the amount of the BBP (principal and interest); and
 - A monthly amortization schedule called "non-concessional section" corresponding to total amount of Crédito MIVIVIENDA disbursement less the amount of the concessional section (principal and interest).

In these cases, the BBP is received from the MVCS (to the extent the MVCS has funds available) at the request of the Fund, and it is recorded for financial reporting and control, in the statement of financial position as a liability in 'Good Payer Bonus (capital) received from MVCS' of 'other accounts payable'.

Upon being granted, the total amount disbursed on the Crédito MIVIVIENDA loan is recorded in "accounts receivable (Trust Agreement - COFIDE)" and the two aforementioned amortization schedules are generated by the Fund.

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The interest of both tranches is recognized on an accrual basis, based on the preferential rates agreed with IFI with which agreements have been signed, recognizing the resulting interest as financial income.

Subsequently, the Fund sends to the MVCS the list of BBP beneficiaries, reclassifying such bonus due to eligible borrowers from the liability caption 'Good Payer Bonus (capital) received from MVCS' to the caption 'Good Payer Bonus – assigned'.

- In the cases where the BBP is directly assumed by the Fund (when the requirements of Law 29033 and its amendments are not met; for instance, where the value of the house to purchase is greater than 25 tax units or when the BBP is granted with the Fund's own resources, among others), it is called 'Good Payer Award' (PBP).
- In both cases, the bonus or award are granted for the timely compliance with six installments of the payment schedule of the non-concessional tranche; said amount varies depending on the type of loan granted.
- By means of Urgent Decree N° 002-2014 published on July 28, 2014, as per indicated in the article 14.2, it has been established for the granting of Good Payer Bonus the value of the houses should be between 14 and 50 tax units. The Good Payer Bonus shall be used as a non-reimbursable financial support up to a maximum amount of S/ 13 thousand. For cash purposes, Banco de la Nación was authorized to lend to the Fund an amount of S/ 500,000 thousand through the participation of MVCS for payment purposes, as established in the loan agreement.

In these cases, the Fund previously received all BBP resources for its assignment during 2014.

For these purposes, the Fund had two modalities of BBP application in accordance with said Emergency Decree:

- Applied to finance the Good Payer Award (PBP) for an amount of S/ 10 thousand for housing values over 14 tax units and not exceeding 25 tax units for Créditos MIVIVIENDA granted from January 1, 2014 to July 28, 2014. From July 29, 2014, financing for an amount of S/ 13 thousand for housing values greater than 14 tax units and lower than 50 tax units.
- Applied as a complement to the initial installment of the mortgage loan, the BBP will be used as a complement to reach the initial minimal amount required to the sub borrower for mortgage loan purposes, and it is applied at the time of the loan disbursement, therefore it is not part of it.
- The Guidelines of Supreme Decree N° 003-2015-VIVIENDA published on January 22, 2015, established a staggered application of the Good Payer Bonus for housing values from 14 to 50 tax units, as follows:

In thousands of soles	BBP value
Housing value	
Up to 17 tax units	17
Over 17 tax units to 20 tax units	16
Over 20 tax units to 35 tax units	14
Over 35 tax units to 50 tax units	13

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

- BBP applied as a complement to the initial installment of the mortgage loan; the BBP will be used as a complement to reach the minimum initial installment required to the sub borrower for mortgage loan purposes, and it is applied at the time of the loan disbursement to the IFI, therefore it is not part of it.
 - BBP granted to finance the Good Payer Award (PBP) for the timely payment of six consecutive monthly installments corresponding to the non-concessional tranche of the loan. This BBP applies to those PBP that were granted to housing value between 35 tax units and 50 tax units, corresponding to the previous PBP modality, which was set at S/ 13 thousand.
- Supreme Decree N° 001-2017 of January 13, 2017, modified the Regulation of Law N° 29033, Creation of the Good Payer Bonus Law, approved by Supreme Decree N° 003-2015, in which the following staggered application of the BBP was established:

<i>In thousands of soles</i>	BBP value
Housing value	
Over 20 tax units to 30 tax units	14
Over 30 tax units to 38 tax units	13

For this purposes, the Fund had the modality of considering the BBP as a complement to the initial installment of the mortgage loan; the BBP was used as a complement to reach the minimum initial installment required to the sub borrower for mortgage loan purposes, and it is applied at the time of the loan disbursement to the IFI, therefore it is not part of it.

The BBP guidelines established in Supreme Decree N° 003-2015-VIVIENDA were applicable until the entry into force of the Supreme Decree N° 001-2017.

- Supreme Decree N° 017-2017 of June 24, 2017 modified the Regulation of Law N° 29033, approved by Supreme Decree N° 003-2015, and modified by Supreme Decree N° 001-2017, which established the following housing values and BBP values:

<i>In thousands of soles</i>	BBP value	BBP total
Housing value (CPI)		
S/ 57 thousand to S/ 81 thousand	4.19753	17
Over S/ 81 to S/ 122 thousand	3.45679	14
Over S/ 122 to S/ 203 thousand	3.08642	13
Over S/ 203 thousand to S/ 300 thousand	0.74074	3

- Supreme Decree N° 002-2018 of June 24, 2018 modified the Regulation of Law N° 29033, approved by Supreme Decree N° 017-2017. The values of housing and BBP were established as follows:

<i>In thousands of soles</i>	BBP value	BBP total
Housing value (CPI)		
S/ 58 thousand to S/ 82 thousand	4.19753	18
Over S/ 82 thousand to S/ 123 thousand	3.45679	14
Over S/ 123 thousand to S/ 205 thousand	3.08642	13
Over S/ 205 thousand to S/ 304 thousand	0.74074	3

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- Supreme Decree N° 004-2019 of January 23, 2019 modified the Regulation of Law N° 29033 approved by Supreme Decree N° 002-2018. The values of housing and BBP were established as follows:

<i>In thousands of soles</i>	BBP value	BBP total
Housing value (CPI)		
S/ 59 thousand to S/ 84 thousand	4.19753	18
Over S/ 84 thousand to S/ 123 thousand	3.45679	15
Over S/ 123 thousand to S/ 210 thousand	3.08642	13
Over S/ 210 thousand to S/ 311 thousand	0.74074	3

- Currently, the BBP is in force under Supreme Decree N° 003-2020 guidelines of January 24, 2020, which amended the Regulation of Law N° 29033 approved by Supreme Decree N° 017-2017. The values of housing and BBP were established as follows:

<i>In thousands of soles</i>	BBP value	BBP total
Housing value (CPI)		
S/ 60 thousand to S/ 86 thousand	4.19753	18
Over S/ 86 thousand to S/ 128 thousand	3.45679	15
Over S/ 128 thousand to S/ 214 thousand	3.08642	13
Over S/ 214 thousand to S/ 317 thousand	0.74074	3

- These BBP values will be updated due to tax unit variation, rounded up to the nearest 100. In relation to the housing ranges value of the product, they will be expressed in soles and will be updated as a result of the multiplication of the housing value of the prior year and the annual change in the Consumer Price Index- CPI of metropolitan Lima, rounded up to the nearest 100.
- When the BBP is granted, at the time sub borrower has complied timely with the payment of six consecutive monthly installments, the Fund credits the accounts receivable (principal) of the concessional tranche and charges the liability 'Good Payer Bonus - assigned to COFIDE' (note 7). Interest of the concessional tranche installment are recognized as an expense of the Fund and is presented net of the 'income from accounts receivable (Trust Agreement – COFIDE)' of the 'interest income' of income statements (note 18).
- The Good Payer Award (PBP) are resources assumed directly by the Fund to grant a Bonus.

Until June 2017 the housing values in force for the PBP were as follows:

<i>In thousands of soles</i>	BBP value
Housing value	
Over 50 tax units to 70 tax units	5

For these purposes, the Fund had two modalities of PBP application:

- PBP applied as a complement to the initial installment of the mortgage loan; the PBP will be used as a complement to reach the minimum initial installment required to the sub borrower for mortgage loan purposes, and it is applied at the time of the loan disbursement to the IFI, therefore it is not part of it.

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- PBP granted for the timely payment of six consecutive monthly installments corresponding to the non-concessional tranche. It is recognized for accounting purposes on a half-yearly basis.

Through Board Agreement N° 04-16D-2017 of July 3, 2017, the modification of the housing values and PBP value as a complement to reach the minimum initial installment required to the sub borrower for mortgage loan purposes were approved according to the following detail:

<i>Tax unit</i>	PBP value	PBP total
Housing value		
Over S/ 203 thousand to S/ 300 thousand	0.74074	3

The current PBP value as a complement to reach the initial installment was approved by means of Board Agreement N° 04-03D-2018 of February 8, 2018, according to the following:

Year 2018

<i>In tax units</i>	PBP value	PBP total
Housing value		
Over S/ 205 thousand to S/ 304 thousand	0.74074	3

Year 2019

<i>In tax units</i>	PBP value	PBP total
Housing value		
Over S/ 210 thousand to S/ 311 thousand	0.74074	3

Year 2020

<i>In tax units</i>	PBP value	PBP total
Housing value		
Over S/ 214 thousand to S/ 317 thousand	0.74074	3

The PBP as a complement to the initial installment of the mortgage loan will continue being covered by the Fund, which will be added to the BBP in the same range of housing values that is in force; likewise, it will be updated by the tax unit variation, rounded up to the nearest 100; the application amount as of December 31, 2019 is S/ 3 thousand. The housing ranges values of the product will be expressed in soles and will be updated as a result of the multiplication of the housing value of the prior year by the annual change in the Consumer Price Index- CPI of Metropolitan Lima, rounded up to the nearest 100.

- When the 'Good Payer Award -assigned' is granted using own the Fund's own resources, to sub borrower, who complied with conditions settled, the Fund records such amounts as expenses; consequently, the accounts receivable (principal) of the concessional tranche installments are reduced with a charge to 'interest expenses' of the income statement; while interest is recognized, as in the previous case, as an expense, is presented net of the 'Income from accounts receivable (Trust Agreement – COFIDE)' included in 'interest income' of the income statement (note 18).

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- Through Board Agreement N° 02-12D-,2015 dated June 16, 2015, the MIVIVIENDA Sustainable Bonus (BMS) was approved, being applicable to Créditos MIVIVIENDA. The BMS is an additional attribute of the Créditos MIVIVIENDA, which consists of direct non-reimbursable financial assistance granted to people to access sustainable housing with the MIVIVIENDA credit through the IFI. This attribute increases the amount of the initial installment, as a additional benefit to those provided by the MIVIVIENDA products such as the BFH, BBP and PBP as a complement to the initial installment, according to the following detail:

	Grade 1	Grade 2
Amount of funding		
Up to S/ 140,000	4%	4%
Over S/ 140,000 to the maximum amount of financing for MIVIVIENDA products	3%	4%

The Bonus is calculated by discounting the housing value, the initial installment and the corresponding BBP, if applicable. The amount to be financed is divided by 1.04 and/or 1.03 and multiplied by 0.04 and/or 0.03 depending on the grade of the bond, and the BMS is obtained.

It may be granted in addition to the Household Housing Bonus, Good Payer Bonus and / or Good Payer Award as a supplement to the initial installment, provided that it complies with the conditions established in its Regulations.

It is granted to people who access a MIVIVIENDA Credit to purchase sustainable housing, with the objective of encouraging and promoting the acquisition of houses that help reduce the environmental impact on their surroundings.

Related projects must have the certificate for Eligibility of Sustainable Housing Projects. BMS is granted in accordance to range determined by this certificate.

Through Board Agreement N° 002-16D-2019, it was approved to maintain current BMS and the preferential rate of 5% for 'Nuevo Crédito MIVIVIENDA Verde' credits until December 31, 2019.

Board Agreement N° 03-03D-2020, the Board approved the extension and conditions for the granting of the BMS (3 percent or 4 percent of the financing value) for the MIVIVIENDA credits entered (complying with the presentation of the complete credit file) to COFIDE until March 31, 2020 and a preferential rate of 5% to the New MIVIVIENDA credits entered to COFIDE until March 31, 2020.

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

Accounts receivable are recorded when conducting the disbursement of funds through COFIDE to IFI that channel the Fund's resources for the placement of the MIVIVIENDA products.

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The allowance for doubtful accounts (Trust Agreement - COFIDE) was calculated considering the criteria established by the SBS in the Regulation for the Evaluation and Rating of the Debtor and Enforcement of Provision, SBS Resolution N° 11356-2008, according to the following methodology:

First component: Allowance for IFI's Risk

- The capital balance of each disbursement is separated into two types: balance of capital with mortgage collateral and balance of capital without mortgage collateral.
- The allowance was calculated considering the IFI's rating, determined based on the criteria established by SBS Resolution N° 11356-2008.
- The portion of allowance related to the balance of capital with mortgage collateral is calculated as the result of the balance of capital with mortgage collateral by the SBS table 2 rate according to the classification of the IFI.
- The portion of allowance related to the balance of capital without mortgage collateral is calculated as the result of the balance of capital without mortgage collateral by the SBS table 1 rate according to the IFI's classification.

Second component: Allowance for credit risk coverage (CRC)

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

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

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

- Whether the balance without CRC is greater than or equal to the Guarantee Amount, the corresponding allowance is calculated multiplying the Balance with CRC by the SBS Table 1 rate, in accordance with the sub borrower classification. The representation of the calculation is as follows:

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

The Fund applies the following percentages in determining its allowance for doubtful accounts (Trust Agreement - COFIDE):

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

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

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In addition, given the intervention of the SBS in Financiera TFC, as of December 31, 2019, a provision has been recorded for the accounts receivable from this institution backed by mortgage loans MIVIVIENDA considering the sub-borrower risk, which are still registered as part of the 'clients' receivable' (Trust Agreement - COFIDE).

D. Loan portfolio and provision for loan losses

The Fund determines the provision for loan losses in accordance with the provisions of Resolution SBS N° 11356-2008 "Regulation for the evaluation and classification of the debtor and the requirement of provisions". In accordance with said Resolution, a classification of the borrowers is made in the following categories: (i) normal, (ii) with potential problems, (iii) substandard, (iv) doubtful or (v) loss, based on the debtor's level of compliance with loan payments.

The provision is calculated considering the risk classification assigned and using specific percentages, which vary depending upon whether the loans are backed by Preferred readily realizable collateral – PRRC (cash deposits and rights over credit letters) or by Preferred easily realizable collaterals – PERC (public debt instruments issued by the Peruvian Government, marketable securities listed within the Selective Index of the Lima Stock Exchange, among others) or by preferred collaterals – PC (first pledge on financial instruments or movable and immovable assets, first pledge on agricultural or mining concessions, export credit insurance, among others). The guarantees received are considered at their net realizable value as determined by independent appraisers. Likewise, computing the provision must consider the credit rating of the guarantor or guaranteeing party for credits subject to secondary liability by a financial or insurance entity (credits subject to counterparty substitution). As of December 31, 2019 and 2018, the following percentages are used:

	LWC (i)	LWPC (ii)	LWRPC (iii)	LWHLPC (iv)
Risk category				
Normal	0.70%	0.70%	0.70%	0.70%
With potential problems	5.00%	2.50%	1.25%	1.00%
Substandard	25.00%	12.50%	6.25%	1.00%
Doubtful	60.00%	30.00%	15.00%	1.00%
Loss	100.00%	60.00%	30.00%	1.00%

Where:

- (i) Loans Without Collaterals.
- (ii) Loans with Preferred Collaterals.
- (iii) Loans with Readily Preferred Collaterals
- (iv) Loans with Highly Liquid Preferred Collaterals.

In addition to the provision for credit rating of the debtors, the SBS requires pro-cyclical provisions which are calculated for the credits classified in the standard category and according to the percentages established by the SBS. As of December 31, 2019, and 2018, the pro cyclical component of the provision is deactivated.

E. Derivative financial instruments

In accordance with SBS Resolution N° 1737-2006 "Regulation for Trading and Accounting of Derivative Financial Products in Financial System Entities" and its amendments, the derivative financial instruments are recorded on the trading date.

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Trading derivatives

Held-for-trading derivative financial instruments are initially recognized at cost in the statement of financial position, recognizing an asset or a liability in the statement of financial position, as applicable, and any gain or loss from the valuation or settlement of the financial derivatives is recorded in the profit or loss in the income statement. Also, transactions with derivative financial instruments are recorded in off-balance sheet accounts at the notional amount in the committed currency.

The fair value of trading derivative financial instruments is estimated based on exchange rates and market interest rates. Gains and losses from changes in the fair value of derivatives are recorded in the net income.

Hedging derivatives

A hedging derivative financial instrument is recorded as such if, on the trading date, it is expected that changes on its fair value or cash flows generated will be highly effective in offsetting the changes generated in the hedged item, which must be documented on the trading date of the derivative financial instrument and during the hedging term. A hedge is considered as highly effective if it is expected that changes in the fair value or cash flows of the hedged item and the hedging instrument ranges between 80% and 125 %.

Cash flow hedges

A hedging derivative financial instrument is valued and recognized at fair value and might have an impact on equity and profit or loss accounts. The effective portion of the adjustment at fair value is recognized in equity accounts (income statement s and other comprehensive income). The ineffective portion is recognized in the income statement.

For both types of hedges, if the derivative expires, is terminated or exercised, or no longer meets the criteria for hedging accounting, the hedging relation must be prospectively discontinued and the balances recorded in the statement of financial position and in the income statement and other comprehensive income, as applicable, are to be transferred to the income statement in the effective term of the hedged item.

F. Investments

i. Held-to-maturity investments

This category includes debt instruments whose collections are of a fixed or determinable amount and whose maturities are fixed, and which also meet the following requirements: i) they have been acquired or reclassified with the intention to hold them to maturity; ii) the Fund shall have the financial capacity to hold them to maturity; and iii) they are instruments other than those designated by the company Fund at initial recognition as at fair value through profit or loss or as available-for-sale assets.

Likewise, they should be rated by at least two local or foreign risk rating agencies, and the ratings should be within the parameters established by the SBS. These requirements do not apply to instruments of Central Banks from countries whose sovereign debt obtains as a minimum the rating corresponding to the Peruvian sovereign debt.

These financial assets are initially recorded at fair value, including the transaction costs that are directly attributable to the acquisition.

These investments are subsequently measured at amortized cost using the effective interest rate method. Any impairment loss is recognized in the statement of profit or loss.

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ii. Available-for-sale investments

This category includes all investment instruments not classified as investments at fair value through profit or loss, held-to-maturity investments, or investment in subsidiaries, associates and joint ventures. Furthermore, securities explicitly required by the SBS regulations will be classified under this category.

These investments are initially recorded at fair value, including the transaction costs that are directly attributable to the acquisition. The subsequent measurement of these investments is made at fair value; in the case of capital instruments that do not have quoted prices in active markets and whose fair value cannot be estimated reliably, they shall be measured at cost. In addition, in the case of debt instruments, prior to the measurement at fair value, their amortized cost must be updated on an accounting basis, and from this point, any gain or loss from changes in the fair value shall be recognized.

Any gain or loss arising from changes in fair value of available-for-sale investments is directly recognized in equity until the instrument is sold or realized, when any gain or loss that could have been previously recognized will be transferred and recorded in the statement of profit or loss, except for impairment losses which are recorded in profit or loss when they occur.

If an available-for-sale investments are impaired, the cumulative loss (measured as the difference between the asset acquisition cost, net of any repayment and amortization, and its current fair value, less any impairment loss on that asset previously recognized in the statement of profit or loss) is removed from equity and recognized in the statement of profit or loss. In the case of unquoted equity shares, the impairment loss shall be the difference between the carrying amount and the current value of estimated net cash flows, discounted using a current rate for similar securities.

Gains or losses from foreign exchange differences related to equity shares shall be recognized in the 'unrealized profit or loss' of the equity, while those related to debt instruments shall be recognized in the consolidated statement of profit or loss of the year.

Interest income on available-for-sale investments is recognized using the effective interest rate method, calculated over the instrument term. Premiums or discounts originated on the investment purchase date are considered in the calculation of its effective interest rate.

Dividends are recognized in the statement of profit or loss when the right to receive the payment has been established.

iii. Impairment assessment

SBS Resolution N° 7033-2012 and its respective amendments, as well as SBS Resolution N°2610-2018, establish a standard methodology for the identification of impairment of financial instruments classified as available-for-sale and held-to-maturity investment. Said methodology contemplates the following analysis:

Debt securities

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

1. Weakening in the financial situation or financial ratios of the issuer and its economic group.
2. Discount in any of the credit ratings of the instrument or the issuer, in at least 2 "notches", from the moment the instrument was acquired; where a "notch" corresponds to the minimum difference between two risk ratings within the same rating scale.

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3. Interruption of transactions or of an active market for the financial asset, due to financial difficulties of the issuer.
4. The observable data indicate that, since the initial recognition of a group of financial assets with characteristics similar to the instrument evaluated, there is a measurable decrease in its estimated future cash flows, although it cannot yet be identified with individual financial assets of the group.
5. Decrease in value due to regulatory changes (tax, regulatory or other governmental).
6. Significant decrease in fair value below amortized cost. It is considered a significant decrease if the fair value at the closing date has decreased at least 40% below its amortized cost as of that date.
7. Prolonged decrease in fair value. It is considered as a prolonged decrease if the fair value at the closing date has decreased by at least 20% compared to the amortized cost of previous 12 months and the fair value at the closing date of each month during the previous 12-month period. Has always remained below the amortized cost corresponding to the closing date of each month.

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

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

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

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

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G. Property, furniture, and equipment

Assets in the property, furniture and equipment item are recorded at acquisition cost, less accumulated depreciation. Depreciation is calculated on a straight-line basis using the following estimated useful lives:

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

Maintenance and repair costs are charged to the results of the period; all renewals and improvements are capitalized only when disbursements improve the condition of the asset and increase its useful life beyond the time originally estimated.

The cost and related accumulated depreciation of assets sold or retired are eliminated from the respective accounts and the gain or loss generated is included in results of the period.

H. Intangible assets

Intangible assets include developments and software licenses used in the operations of the Fund. Software licenses are capitalized on the basis of costs incurred to acquire them and bring to use the specific program. These intangible assets are amortized on a straight-line basis over the estimated useful life of 5 years.

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

I. Impairment of long-lived assets

When events or economic changes indicate that the value of property, furniture and equipment and intangible assets may not be recoverable, Management reviews the value of that assets in order to verify that there is no permanent impairment in value. When the carrying amount of the asset exceeds its recoverable amount, an impairment loss shall be recognized in the income statement. An asset's recoverable amount is the highest value between 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 disposal at the end of its depreciation period. In Management's opinion, there are no evidences of impairment in the value of such assets as of December 31, 2019 and 2018.

J. Realizable assets, received as payment, awarded assets

Recovered assets received as payment and awarded assets are regulated by SBS Resolution N° 1535-2005 and include mainly properties obtained in payment of loans that are difficult to recover. They are initially recorded at the value of judicial adjudication, extrajudicial, market value or debt outstanding value, the lowest.

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In accordance with current regulations, the treatment to constitute provisions for this type of assets is as follows:

- Recovered assets, received as payment and awarded assets are initially recorded at cost in books, recognizing, at the same time, a provision equivalent to 20% of the cost. If the net realizable value shown in the valuation report demonstrates that the asset is impaired by a percentage higher than 20%, then the required initial provision shall be recorded at an amount equivalent to the amount effectively impaired
- Real estate that has not been sold or leased after one year from its recovery or adjudication must be provisioned, constituting a uniform monthly provision within three and a half years until the provision is 100% of the net book value obtained in the eighteenth or twelfth month, depending on whether or not it has the extension approved by the SBS.

An impairment loss is recognized when the fair value of such assets is reduced (when their net realizable value is lower than their net carrying amount); accordingly, the carrying amount will be reduced and the loss shall be recognized in the consolidated income statement. If 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 recording of an impairment provision.

K. Income tax

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

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

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

IFRIC 23 clarifies the recognition and measurement requirements of IAS 12 *Income Taxes*, in cases where there is uncertainty about a tax position assumed by the Fund in the determining income taxes, the Interpretation Committee had previously clarified that the accounting for uncertain tax positions associated with income taxes should be treated in accordance with IAS 12 and not in accordance with IAS 37 *Provisions, contingent assets and liabilities*

IFRIC 23 sets out how to recognize and measure current and deferred tax assets and liabilities where the Fund has uncertain income tax positions. An uncertain tax position is any tax treatment applied by the Fund for which there is uncertainty as to whether it will be accepted by the tax authority. IFRIC 23 covers all aspects that may be affected by the existence of uncertain tax positions, i.e. it may affect the determination of taxable profit or tax loss, the tax base of assets and liabilities, tax credits or the tax rates used.

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L. Provisions and contingencies

i. Provisions

Provisions are recognized when the Fund has a present obligation (legal or constructive), as a result of past events, and when it is probable that an outflow of resources will be required to settle the obligation, and it is possible to reliably estimate its amount. Provisions are reviewed and adjusted in each period to reflect the best estimates as of the date of the statement of financial position.

ii. Contingencies

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

Contingent assets are not recognized in financial statements, and they are only disclosed when an inflow of economic benefits is probable.

M. Other comprehensive income

The other comprehensive income presents the unrealized gains and losses from the effective portion of the valuation of cash flow hedging derivative financial instruments and the portion of the valuation that corresponds to the exchange difference as it affects the hedged item. These balances are presented net of the related deferred income tax.

N. Cash and cash equivalents

Cash and cash equivalents considered in the statements of cash flows correspond to balances of available funds of the statement of financial position; which include deposits with original maturities less than or equal to 90 days, excluding the available funds included in the trusts.

O. Balances in foreign currency

The statements of financial position include balances of foreign currency transactions, mainly in U.S. dollars (US\$), which are recorded in soles (S/) at the exchange rate established by the SBS, that as of December 31, 2019 and 2018 was US\$ 1 = S/ 3.314 and US\$ 1 = S/ 3.373, respectively. Positions are also held in Euros (EUR), which are recorded in soles (S/) at the exchange rate established by the SBS, that as of December 31, 2019 and 2018 was EUR 1 = S/ 3.719415 and EUR 1 = S/ 3.860594, respectively.

Foreign currency transactions within the country and international trade transactions referred to the concepts authorized by Central Reserve Bank of Peru (BCRP for its Spanish acronym) are channeled through an interbank foreign exchange market. As of December 31, 2019, the buy and sell exchange rates used were US\$ 1 = S/ 3.311 and US\$ 1 = S/ 3.317, respectively (US\$ 1 = S/ 3.369 buy and US\$ 1 = S/ 3.379 sell, as of December 31, 2018).

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As of December 31, the balances in foreign currency are summarized as follows:

<i>In thousands of US dollars</i>	2019	2018
Assets		
Cash and due from banks	23,391	33,162
Investments	63,580	146,494
Loan portfolio, net	32	38
Hedging derivatives	187	390
Accounts receivable (Trust Agreement - COFIDE), net	29,185	39,925
Other accounts receivable, net	5,654	6,656
Other assets, net	31	5
Total assets	122,060	226,670
Liabilities		
Borrowings and financial obligations	(691,579)	(902,134)
Hedging derivatives	(1,661)	(3,275)
Other accounts payable	(359)	(333)
Provisions and other liabilities	(859)	(935)
Total liabilities	(694,458)	(906,677)
Net liability position	(572,398)	(680,007)
Derivative financial liabilities, net	568,951	663,068
Net position in U.S. dollars	(3,447)	(16,939)

<i>In thousands of euro</i>	2019	2018
Assets		
Cash and due from banks	13	49,940
Liabilities		
Borrowings and financial obligations	(138,913)	(115,902)
Net liability position	(138,900)	(65,962)
Derivative financial liabilities, net	139,444	65,000
Net position in euros	544	(962)

5. Cash and Due from Banks

As of December 31, this caption comprises the following:

<i>In thousands of soles</i>	2019	2018
Peruvian Central Bank (a)	5,799	6,683
Current and saving accounts (b)	1,366,398	1,588,806
Time deposits (c)	106,533	50,000
Accrued yields from available funds	223	15,435
Other available funds	60	527
Cash and cash equivalents	1,479,013	1,661,451
Plus		
Time deposits over 90 days	-	904,005
	1,479,013	2,565,456

- (a) These Peruvian Central Bank deposits corresponds to balances in soles and U.S. dollars, they are freely available, do not bear interest and are mainly used for transactions with COFIDE, under the Trust Agreement the Fund signed with this entity.

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- (b) As of December 31, they mainly correspond to balances in soles and U.S. dollars, with free withdrawal option and accruing interest at market rates, as detailed below:

<i>In thousands of soles</i>	2019	2018
Current accounts		
Banco Internacional del Perú – Interbank	1,012,726	882,297
Banco Interamericano de Finanzas	291,208	43,004
Banco de la Nación	60,393	60,497
Scotiabank del Perú	977	11
Banco de Crédito del Perú	881	15
Banco BBVA Perú	169	410,187
	1,366,354	1,396,011
Savings accounts		
Banco BBVA Perú	44	192,795
	1,366,398	1,588,806

- (c) As of December 31, 2019, it corresponds to time deposits in local banks in soles and U.S. dollars, which are freely available, bear interest at effective annual rates in soles between 2.85% and 3.30% and in rates in U.S. dollars between 1.90% and 2.05% with original maturities less than or equal to 90 days (between 5.25% and 5.35% in soles as of December 31, 2018 with original maturities less than or equal to 90 days).

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6. Investments

As of December 31, this caption comprises the following:

	2019				2018			
	Amortized cost	Gains	Losses	Estimated fair value	Amortized cost	Gains	Losses	Estimated fair value
<i>In thousands of soles</i>								
Available-for-sale investments								
Negotiable certificates of deposit (a)	-	-	-	-	185,789	99	(3)	185,885
Plus								
Accrued interest	-	-	-	-	-	-	-	2,944
	-	-	-	-	-	-	-	188,829
Held-to-maturity investments								
Corporate Bonds (b)	208,186	-	-	208,186	321,809	-	-	321,809
Peruvian Sovereign Bonds	31,316	-	-	31,316	31,796	-	-	31,796
Negotiable certificates of deposit	-	-	-	-	4,503	-	-	4,503
Plus								
Accrued interest	-	-	-	3,441	-	-	-	5,521
	-	-	-	242,943	-	-	-	363,629
	-	-	-	242,943	-	-	-	552,458

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- (a) As of December 31, 2019, the Fund does not hold certificates of deposit in its investment portfolio. During 2018, the Fund acquired certificates of deposit for a nominal value of S/ 186,003 thousand, whose book value as of December 31, 2018 amounted to S/ 185,885 thousand.
- (b) As of December 31, it corresponds to securities and bonds acquired from first level corporate and financial system companies in the country and abroad, as detailed below:

	2019	2018
	Held-to-maturity investments	Held-to-maturity investments
<i>In thousands of soles</i>		
Peruvian issuers		
Corporación Financiera de Desarrollo - COFIDE (Development Finance Corporation)	48,712	108,757
Abengoa Transmisión Norte S.A.	46,137	51,179
Banco BBVA Perú	44,163	45,001
Consorcio Transmantaro S.A.	35,606	36,070
Cementos Pacasmayo S.A.A.	25,596	25,866
Los Portales S.A.	3,037	4,216
Leasing Total S.A.	1,943	3,957
Foreign issuers		
Empresas Públicas de Medellín E.S.P.	-	16,165
CorpBanca, Sociedad Anónima Bancaria	-	15,658
AES Gener S.A.	-	11,857
Empresa Nacional de Petróleo	2,992	3,083
	208,186	321,809

- (c) During 2016, the Fund reclassified Corporate and Financial, and Peruvian Sovereign Bonds classified as available-for-sale investments into held-to-maturity investments. The carrying values at the dates of reclassification amounted to approximately S/ 620,965 thousand and the unrealized loss accumulated in net equity amounted to S/ 11,846 thousand; this latter amount shall be transferred to net income during the remaining term of the instruments, which expire in full until 2042. During years 2019 and 2018, they were transferred to profit or loss for the year of S/ 652 thousand and S/ 1,164 thousand, respectively. As of December 31, 2019, and 2018, the carrying amount of such investments included accrued interest for S/ 242,943 thousand and S/ 363,629 thousand, respectively.

Through the Board of Directors Agreement 005-18D-2018 dated July 25, 2018, the new Investments Policies and Procedures Manual was approved, which determined that, as of such date, the investments acquired by the Fund would be classified as available-for-sale.

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As of December 31, the maturities and the annual market yield rates of the available-for-sale and held to maturity investments are as follows:

	Maturity		Annual effective interest rates								
	2019	2018	2019				2018				
			S/		US\$		S/		US\$		
			Min. %	Max. %	Min. %	Max. %	Min. %	Max. %	Min. %	Max. %	
Available-for-sale investments											
Corporate bonds	-	-	-	-	-	-	-	-	-	-	-
Negotiable certificates of deposit	-	Mar.-19	-	-	-	-	3.69	4.75	2.79	2.79	
Commercial papers	-	-	-	-	-	-	-	-	-	-	-
Held-to-maturity investments											
Corporate bonds	May-20/Oct-28	May-19/Oct-28	-	-	3.80	7.61	-	-	3.31	7.61	
Peruvian Sovereign Bonds	Aug-26/ Feb-42	Aug-26/ Feb-42	4.10	6.95	-	-	4.10	6.95	-	-	
Negotiable certificates of deposit	-	Mar.-19	-	-	-	-	3.88	3.88	-	-	

As of December 31, 2019, some Corporate bonds denominated in U.S. dollars, classified as held-to-maturity investments, have exposure to exchange rate risk, being hedging by forward sale for a nominal amount of approximately US\$ 49,890,000 equivalent to S/ 165,335 thousand (hedged by cross currency swaps of US\$ 10,000 thousand equivalent to S/ 33,730 thousand as of December 31, 2018).

As of December 31, the Fund's available-for-sale and held-to-maturity investments present the following maturities:

	2019		2018	
	Available-for-sale investments	Held-to-maturity investments	Available-for-sale investments	Held-to-maturity investments
<i>In thousands of soles</i>				
Due within 3 months	-	-	172,136	5,908
From 3 months to 1 year	-	5,060	16,693	98,273
from 1 to 5 years	-	124,838	-	168,110
Over 5 years	-	113,045	-	91,338
	-	242,943	188,829	363,629

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7. Accounts Receivable (Trust Agreement - COFIDE), Net

As of December 31, this caption comprises the following:

<i>In thousands of soles</i>	2019	2018
Nuevo Crédito MIVIVIENDA	7,308,199	6,418,505
Crédito Complementario Techo Propio	154,722	119,070
Crédito MIVIVIENDA Tradicional	100,849	141,539
Crédito MIHOGAR	52,229	64,077
Crédito MICONSTRUCCIÓN	14,022	36,052
Crédito MICASA MÁS	7,212	8,150
Crédito MIVIVIENDA Estandarizado	4,918	6,201
Crédito MITERRENO	261	470
	7,642,412	6,794,064
Plus (less)		
Accrued yields from accounts receivable	14,257	13,743
Allowance for doubtful accounts (e)	(158,593)	(150,102)
	7,498,076	6,657,705

As described in note 2, the Fund disburses financial resources to the Trust - COFIDE on a monthly basis to be channeled to the sub borrowers through the IFI. Likewise, the Trust - COFIDE transfers to the Fund on a monthly basis the collections, prepayments or cancellations of accounts receivable made by IFI.

As of December 31, 2019, and 2018, the number of final beneficiaries (sub borrowers) is 97,176 and 93,197, respectively. There is no significant concentration of credit risk in accounts receivable, due to the type of credit operations that the Fund maintains.

The financial resources that the Fund channels through COFIDE under the Trust Agreement, are used by IFI in the granting of mortgage credits in accordance with article 12 of Supreme Decree N° 001-99-MTC.

As of December 31, the composition of the balance of accounts receivable (Agreement Trust - COFIDE) according to the characteristics of the credits offered by the Fund, is as follows:

<i>In thousands of soles</i>	2019			2018		
	With Credit Risk Coverage	Without Credit Risk Coverage	Total	With Credit Risk Coverage	Without Credit Risk Coverage	Total
Nuevo crédito MIVIVIENDA	1,871,246	5,436,953	7,308,199	2,190,834	4,227,670	6,418,504
Crédito MIVIVIENDA Tradicional	46,839	54,010	100,849	66,668	74,871	141,539
Crédito complementario Techo Propio	31,519	123,203	154,722	39,655	79,415	119,070
Crédito MIHOGAR	19,319	32,910	52,229	23,533	40,544	64,077
Crédito MICONSTRUCCIÓN	2,353	11,669	14,022	5,184	30,868	36,052
Crédito MICASA MÁS	1,235	5,977	7,212	1,382	6,768	8,150
Crédito MIVIVIENDA Estandarizado	1,639	3,279	4,918	2,067	4,134	6,201
Crédito MITERRENO	56	204	261	82	389	471
	1,974,206	5,668,205	7,642,412	2,329,405	4,464,659	6,794,064

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Accounts receivable (Trust Agreement - COFIDE) are classified by credit risk in accordance to SBS Resolutions in force as of December 31, 2019 and 2018. As described in Note 4.C, the allowance for doubtful accounts (Trust Agreement - COFIDE) is determined based on the classification of both the sub borrower and the IFI.

As of December 31, the table below presents the accounts receivable (Trust Agreement – COFIDE) corresponding to the balance without credit risk coverage based on the IFI risk classification:

<i>In thousands of soles</i>	2019		2018	
Risk category				
Normal	5,457,836	71.42%	4,369,600	64.31%
With potential problem	7,045	0.09%	95,059	1.40%
Financiera TFC in liquidation (*)	203,324	2.66%	-	-
	5,668,205	74.17%	4,464,659	65.71%
	7,642,412	100.00%	6,794,064	100.00%

(*) As of December 31, 2019, the Fund holds a balance of accounts receivable without CRC for which a provision was recorded in relation to sub-borrower risk, which corresponds to the mortgage loan portfolio MIVIVIENDA granted to Financiera TFC in liquidation, due to the intervention of the SBS on December 12, 2019, which amounts to S/ 221,590 thousand.

As of December 31, the table below presents the accounts receivable (Trust Agreement – COFIDE) corresponding to the balance with credit risk coverage based on final beneficiary classification:

<i>In thousands of soles</i>	2019		2018	
Risk category				
Normal	1,699,522	22.24%	2,046,697	30.12%
With potential problem	29,522	0.39%	40,519	0.60%
Substandard	36,083	0.47%	42,016	0.62%
Doubtful	72,405	0.95%	81,624	1.20%
Loss	118,409	1.55%	118,549	1.74%
Financiera TFC in liquidation	18,266	0.24%	-	-
	1,974,207	25.83%	2,329,405	34.29%
	7,642,412	100.00%	6,794,064	100.00%

The annual interest rates for the products offered by the Fund, are fixed interest rates established with the purpose of promoting the granting of credits. As of December 31, 2019 and 2018, they are as follows:

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

(*) The interest rate of the Nuevo Crédito MIVIVIENDA product was reduced to 5%, only for the credits with the BMS attribute disbursed until December 31, 2019, by means of Board Agreement 02-16D-2019, dated July 25, 2019.

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As of December 31, accounts receivable (Trust Agreement - COFIDE) have the following maturity dates:

<i>In thousands of soles</i>	2019	2018
Due within 1 month	48,493	41,290
From 1 to 3 months	143,382	121,281
From 3 months to 1 year	502,434	486,212
From 1 to 3 years	1,686,231	1,503,696
Over 3 years	5,261,872	4,641,585
	7,642,412	6,794,064

The movement in the allowance for doubtful accounts (Trust Agreement - COFIDE) determined according to the criteria described in note 4.C is as follows:

<i>In thousands of soles</i>	<i>Note</i>	2019	2018
Balance at the beginning of the year		150,102	130,924
Additions debited to profit or loss		49,519	50,380
Recovery of provisions		(40,966)	(32,359)
Reclassification of the provision for the 2007 sold portfolio	15	-	1,003
Exchange difference		(61)	154
Balance at the end of the year		158,594	150,102

Management considers that the level of allowance for doubtful accounts (Trust Agreement - COFIDE) covers possible losses that may be generated as of the date of the statement of financial position, and has been made in compliance with SBS regulatory requirements in effect as of December 31, 2019 and 2018.

8. Loan Portfolio, Net

As of December 31, this caption comprises the following:

<i>In thousands of soles</i>	2019	2018
Outstanding	35,047	41,704
Refinanced	914	-
Past due	34,832	35,401
Under legal collection	152	156
	70,945	77,261
Plus (less)		
Accrued interest on current loans	400	404
Provision for loan losses	(35,379)	(37,411)
	35,966	40,254

As of December 31, 2019 and 2018, the loan portfolio consists mainly of the portfolio transferred by Caja Rural de Ahorro y Creditos Señor de Luren, hereinafter "Caja Luren", which through SBS Resolution N° 3503-2015 dated June 19, 2015, entered into official liquidation process.

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In this context, the debts that Caja Luren had with their debtors, including the Fund, became outstanding; for this reason, the Fund began to enforce certain collaterals that safeguarded the related loans, as follows:

- Execution of clause 13 that correspond to the assignment of rights over said loan portfolio, in favor of the Fund under the "Agreement for Channeling the Resources from Fondo MIVIVIENDA" subscribed by Caja Rural de Ahorro y Créditos Señor de Luren S.A. on October 19, 1999.
- On July 17, 2017, the Fund subscribed assignment agreements with Caja Municipal de Ahorro y Crédito Sullana and with Financiera Efectiva S.A. through which the Fund transferred them part of the loan portfolio, amounting to S/ 22,514 thousand and S/ 12,067 thousand, respectively, which were included in the "Accounts receivable, net (Trust Agreement - COFIDE)" caption and corresponded to debt balances from Caja Luren. Likewise, through agreements with said IFI, the Fund granted them with management of the non-transferred portfolio amounting to S/ 87,587 thousand. As of December 31, 2019, and 2018, the expenses for loan portfolio management services recorded in the 'Expenses for financial services' in the income statement amounted to S/ 2,114 thousand and S/ 2,140 thousand, respectively.
- On July 31, 2017, the principal balance owed by Caja Luren for S/ 87,587 thousand was withdrawn from Accounts Receivable (Trust Agreement - COFIDE) and reclassified to allowance for doubtful accounts of S/ 23,987 thousand from the allowance for doubtful accounts.

As of December 31, the balance of the loan's portfolio classified by product type is as follows:

<i>In thousands of soles</i>	Number of borrowers		Amount	
	2019	2018	2019	2018
Nuevo Crédito MIVIVIENDA	1,182	1,201	69,605	75,500
Crédito Complementario Techo Propio	810	877	9,678	10,386
Crédito MIVIVIENDA Tradicional	16	16	453	496
Crédito MIHOGAR	1	1	48	50
Deferred income	-	-	(8,839)	(9,171)
	2,009	2,095	70,945	77,261

As of December 31, 2019, the loan portfolio is backed by preferred collaterals of S/ 63,865 thousand (S/ 32,893 thousand as of December 31, 2018) and non-preferred collaterals for S/ 81,094 thousand (S/ 115,328 thousand as of December 31, 2018). During 2019 and 2018, the amount of S/ 12,116 thousand and S/ 12,100 thousand, respectively, have been collected from this portfolio.

According to SBS regulations, as of December 31, the credit risk classification of the loan portfolio is as follows:

<i>In thousands of soles</i>	Number of borrowers		Amount	
	2019	2018	2019	2018
Normal	870	905	30,706	36,662
With potential problems	58	76	1,694	1,632
Substandard	44	61	1,537	2,121
Doubtful	150	224	4,326	7,525
Loss	887	829	32,682	29,321
	2,009	2,095	70,945	77,261

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Annual effective interest rate of this loan portfolio was determined based on market conditions. As of December 31, 2019, and 2018, the minimal and maximum annual interest rate in local currency was 9.00% and 13.50%, respectively.

Interest, commissions and expenses on credits or installments that are in past due situation, under legal collection, or classified in doubtful and loss categories, are recorded as income or suspense income and are recognized as an income in the income statement when they are effectively collected. As of December 31, 2019, and 2018, the amount not recognized as income for this concept amounted to S/ 20,418 thousand and S/ 14,544 thousand, respectively.

The table below presents the loan portfolio balance classified by maturity dates as of December 31:

<i>In thousands of soles</i>	2019		2018	
To be due				
Due within 1 month	217	0.31%	233	0.30%
From 1 to 3 months	232	0.33%	497	0.64%
From 3 months to 1 year	1,991	2.81%	2,175	2.82%
From 1 to 5 years	13,411	18.96%	15,151	19.61%
Over 5 years	22,934	32.42%	26,306	34.05%
	38,785	54.82%	44,362	57.42%
Past-due and under legal collection	40,799	57.67%	42,071	54.45%
Deferred income	(8,839)	(12.49%)	(9,172)	(11.87%)
	70,745	100.00%	77,261	100.00%

The changes in the allowance for loan losses were as follows:

<i>In thousands of soles</i>	2019	2018
Balance at the beginning of the year	37,411	32,087
Additions	2,539	7,673
Recovery of provisions	(4,571)	(2,351)
Exchange difference	-	(2)
Balance at the end of the year	35,379	37,407

Management considers that the level of provision for loan losses covers possible losses that may be generated as of the date of the statement of financial position and has been made in compliance with SBS regulatory requirements in effect as of December 31, 2019 and 2018.

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9. Other Accounts Receivable, Net

As of December 31, this caption comprises the following:

<i>In thousands of soles</i>	2019	2018
Accounts receivable from banks in liquidation (a)	99,882	99,988
Accounts receivable from CRC-PBP Trusts (b) margin call (c)	98,764	91,721
Accounts receivable from Ex-CONEMINSA portfolio (d)	18,825	22,297
Account receivable from ICCGSA (e)	12,869	13,002
Accounts receivable from CAC Presta Perú (f)	3,794	3,794
Other accounts receivable	78,692	-
	1,463	1,637
	314,289	232,439
Allowance for doubtful accounts (g)		
Banks in liquidation	(99,882)	(99,988)
Ex-CONEMINSA Portfolio	(10,727)	(10,770)
Account receivable from ICCGSA	(3,794)	(3,794)
Accounts receivable from CAC Presta Perú	(50,615)	-
Other accounts receivable	(1,290)	(1,205)
	147,981	116,682

- (a) Corresponds to accounts receivable generated by time deposits, certificates of deposit, among other, held by the Fund, before being a financial entity supervised by the SBS (prior to January 2006), with certain financial institutions that later went into liquidation process. The detail of the balances and their respective allowance, as of December 31, is as follows:

<i>In thousands of soles</i>	2019	2018
Capital		
Banco Nuevo Mundo, in liquidation	53,044	53,044
Banco República, in liquidation	39,922	39,922
Banco Banex, in liquidation – in lieu of payment	4,592	4,674
Banco República, liquidation – in lieu of payment	2,324	2,348
	99,882	99,988
Less: Allowance for doubtful accounts		
Banco Nuevo Mundo, in liquidation	(53,044)	(53,044)
Banco República, in liquidation	(39,922)	(39,922)
Banco Banex, in liquidation – in lieu of payment	(4,592)	(4,674)
Banco República, liquidation – in lieu of payment	(2,324)	(2,348)
	(99,882)	(99,988)
	-	-

During the liquidation process of these financial institutions, conducted under the supervision and intervention of SBS, the Fund has received property assets, real estate, and collection of loans as part payment of these debts.

Management recorded an allowance for 100% of the accounts receivable from Banco Nuevo Mundo, Banco República and Banco Banex, all of them under liquidation process, and recognizes the recoveries received based on their realization. During 2019, the Fund has not received recoveries from banks in liquidation, while during 2018, the Fund received in cash from Banco Nuevo Mundo in Liquidation and Banco República in Liquidation, payments for S/ 114 thousand and S/ 13 thousand, respectively, as recoveries of the provisions recorded for these accounts receivable.

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The Fund's Management believes that the allowance for doubtful accounts from banks in liquidation recorded as of December 31, 2019 and 2018 is sufficient.

- (b) Corresponds to the balance of the net assets (total assets less total liabilities) of the trusts managed by the Fund, which ensure the payment of credit risk coverage (CRC) to the IFI and the Good Payer award (PBP) to those who access this benefit as part of the credit programs offered by the Fund. The balances mentioned are as follows:

<i>In thousands of soles</i>	2019	2018
CRC-PBP Trust – Nuevos soles	46,387	43,405
CRC-PBP Trust - U.S. dollars	52,377	48,316
	98,764	91,721

Through constitutional acts signed in June 2007 by the Fund as trustee and trustor simultaneously, these trusts were constituted with the purpose of ensuring the availability of resources so that the Fund fulfills the obligations of the Fund arising from the CRC and PBP service contracts signed with some IFIs, as well as allowing those resources to be managed efficiently.

The operations of these trusts are recorded in accordance with SBS Resolution N° 980-2006 "Regulations of the Fondo MIVIVIENDA S.A. ", that is, in a single account in the statement of financial position. The trusts accounting is kept separate for control purposes and shows the following balances as of December 31:

CRC-PBP Trust – Nuevos soles

<i>In thousands of soles</i>	2019	2018
Statement of financial position		
Assets		
Cash and due from banks	16,189	1,580
Available-for-sale financial investments (*)	19,824	30,928
Held-to-maturity investments (*)	10,374	10,897
Total assets	46,387	43,405
Net equity and surplus		
Surplus from collections, net	2,517	2,431
Unrealized profit or loss	127	(573)
Retained earnings	43,743	41,547
Total equity and net surplus	46,387	43,405

(*) During 2016, the CRC-PBP trust – Nuevos Soles reclassified investments classified as available-for-sale to investments into held-to-maturity investments. The carrying amount at the dates of reclassification amounted to approximately S/ 33,683 thousand and the unrealized loss accumulated in net equity amounted to S/ 1,344 thousand; this latter amount is transferred to results during the remaining term of the instruments. During 2019 and 2018, the Trust transferred approximately S/ 114 thousand and S/ 432 thousand to net income, respectively.

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<i>In thousands of soles</i>	2019	2018
Income statements		
Income		
Interest income	2,273	2,364
Investment valuation, net	31	31
Investment impairment reversal	171	-
Total revenues	2,475	2,395
Expenses		
Administration fee	(269)	(256)
Tax on financial transactions	(1)	(2)
Miscellaneous expense for financial services	(9)	(8)
Loss on impairment of investments	-	(203)
Total expenses	(279)	(469)
Net surplus	2,196	1,926

CRC-PBP Trust U.S. dollars

<i>In thousands of US dollars</i>	2019	2018
Statement of financial position		
Assets		
Cash and due from banks	7,274	5,127
Available-for-sale financial investments (*)	30,001	19,351
Held-to-maturity investments (*)	15,084	23,820
Other accounts receivable	18	18
Total assets	52,377	48,316
Net equity and surplus		
Initial equity	21,013	21,013
Surplus from collections, net	9,538	9,024
Unrealized results	(81)	(1,225)
Retained earnings	21,907	19,504
Total equity and net surplus	52,377	48,316

(*) During 2016, the CRC-PBP trust – US Dollars reclassified investments classified as available-for-sale to investments into held-to-maturity investments. The carrying amounts at the dates of reclassification amounted to approximately S/ 35,327 thousand and the unrealized loss accumulated in net equity amounted to S/ 1,784 thousand; this latter amount shall be transferred to results during the remaining term of the instruments. During 2019 and 2018, transfers of approximately S/ 326 thousand and S/ 273 thousand has been made to net income, respectively.

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<i>In thousands of soles</i>	2019	2018
Income statement		
Income		
Interest income	2,540	2,394
Exchange rate difference, net	-	416
Investment impairment reversal	228	-
Other	114	-
Total revenues	2,882	2,810
Expenses		
Administration fee	(302)	(282)
Exchange rate difference, net	(165)	-
Tax on financial transactions	(2)	(1)
Miscellaneous expense for financial services	(9)	(8)
Provisions for impairment of investments	-	(271)
Total expenses	(478)	(562)
Net profit	2,404	2,248

- (c) As of December 31, 2019, and 2018, this corresponds to the margin required by the counterparties as a result of the valuation of the derivative financial instruments contracted in U.S. dollars. As of December 31, 2019, there are balances with Morgan Stanley for US\$ 4,190 thousand, Merrill Lynch for US\$ 891 thousand and Bank of Nova Scotia for US\$ 600 thousand, equivalent to S/ 13,886 thousand, S/ 2,951 thousand and S/ 1,988 thousand, respectively, which earned a daily "fund fed" rate of 1.55% and 2.40% in the years 2019 and 2018. These margins are deposited in foreign banks.
- (d) Corresponds to the portfolio of accounts receivable of mortgage loans granted by Compañía de Negociaciones Mobiliarias e Inmobiliarias S.A. – CONEMINSA, which was received by the Fund under an in lieu of payment agreement signed on December 30, 2003 for its administration and recovery.
- (e) Corresponds to the account receivable from Ingenieros Civiles Contratistas Generales S.A.C. - ICCGSA, for the commercial papers that the Fund maintained, which expired on October 22, 2018, and for which an account receivable was recognized with its respective allowance for doubtful accounts for an amount of approximately S/ 3,794 thousand, of which S/ 3,500 thousand corresponded to capital and S/ 294 thousand to interest as of December 31, 2018.
- (f) In August 2019, after activating the thirteenth clause of the Regulation and the Agreement for Channeling of Resources signed with Cooperativa de Ahorro y Crédito de Perú (Prestaperú), the Fund authorized the withdrawal of the balance owed by the aforementioned IFI from the administration of the COFIDE Trust, directly demanding from the IFI the payment of the outstanding fees from February to August 2019 in the amount of S/ 4,230 thousand.

This account receivable maintains an allowance for doubtful accounts of S/ 2,538 thousand, determined by applying the percentage of allowance that corresponds to a debtor classified as Doubtful, which is the rating that Prestaperú maintains as of December 31, 2019 in the amount of S/ 74,462 thousand.

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- (g) The changes in the allowance for other doubtful accounts are detailed below:

<i>In thousands of soles</i>	2019	2018
Balance at the beginning of the year	(115,757)	(113,575)
Additions	(50,735)	(4,012)
Recovery of provisions	53	2,110
Exchange rate difference, net	128	(282)
Other	3	2
Balance at the end of the year	(166,308)	(115,757)

In Management's opinion, the allowance for other doubtful accounts recorded as of December 31, 2019 and 2018, adequately covers the credit risk of this caption at those dates.

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10. Hedging Derivatives

As of December 31, 2019, and 2018, the Fund holds agreements related to foreign currency forwards, cross currency swaps (CCS), interest rate swaps (IRS), and options. As of December 31, the changes in fair value of these derivative financial instruments are recorded as accounts receivable (assets) or accounts payable (liabilities).

<i>In thousands of soles</i>	2019				2018				Underlying
	Assets	Liabilities	Face value	Maturity	Assets	Liabilities	Face value	Maturity	
Cash flows									
Currency swaps - POS	159,922	31,321	1,696,054	Between January and March, 2023	198,977	29,558	2,008,458	Between June 2018 and March 2023	Debts and securities
Cross currency swaps - CCS	-	62,230	976,698	Between January 2023 and October 2023	3,085	22,072	738,501	Between March 2018 and March 2023	Investments, debts and securities
Currency swaps - IOS	-	41	-	March 2023	55	9	-	March 2023	Borrowings
Fair value									
Currency forwards	6,403	-	268,597	Between January and May 2020	755	5,442	283,101	Between January and March, 2019	Investments, securities and Deposits
	166,325	93,592	2,941,349		202,872	57,081	3,030,060		

IOS: Interest only swaps, POS: Principal only swaps.

During the years 2019 and 2018, the Fund has recognized net gains of S/ 1,222 thousand and S/ 336 thousand, respectively, and net loss on hedging derivative financial instruments for S/ 75,812 thousand and S/ 95,945 thousand, respectively (note 20).

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11. Property, Furniture, and Equipment, Net

The movement in property, furniture, and equipment and accumulated depreciation in 2019 and 2018 is as follows:

<i>In thousands of soles</i>	Land	Buildings	Installations	Furniture and fixtures	Computer Equipment	Various equipment	Vehicles	Work in progress	Total
Cost									
Balance as of January 1, 2018	103	36	183	679	1,463	965	759	-	4,188
Additions	-	-	6	89	146	25	-	33	299
Retirements	-	-	-	(21)	(153)	(8)	-	-	(182)
Balance as of December 31, 2018	103	36	189	747	1,456	982	759	33	4,305
Additions	-	-	-	2	29	55	-	-	86
Retirements	-	-	-	(30)	(83)	(198)	-	(33)	(344)
Balance as of December 31, 2019	103	36	189	719	1,402	839	759	-	4,047
Accumulated depreciation									
Balance as of January 1, 2018	-	12	63	502	1,331	673	549	-	3,130
Additions	-	-	14	27	72	58	73	-	244
Retirements	-	-	-	(20)	(154)	(4)	-	-	(178)
Balance as December 31, 2018	-	12	77	509	1,249	727	622	-	3,196
Additions	-	-	15	34	69	50	72	-	240
Retirements	-	-	-	(28)	(83)	(193)	-	-	(304)
Balance as December 31, 2019	-	12	92	515	1,235	584	694	-	3,132
Net book amount									
As of December 31, 2018	103	24	112	238	207	255	137	33	1,109
As of December 31, 2019	103	24	97	204	167	255	65	-	915

According to the current legislation, banks in Peru may not grant as guarantee assets that are part of their property, furniture, and equipment, except for those acquired through the issuance of finance lease bonds and to carry out finance lease operations.

In Management's opinion, there is no evidence of impairment of fixed assets held by the Fund as of December 31, 2019 and 2018. As of December 31, 2019, the Fund has fully depreciated property, plant, and equipment amounting to S/ 2,332 thousand (S/ 2,455 thousand as of December 31, 2018).

The Fund maintains insurance policies on its key property, furniture and equipment in accordance with policies established by Management. For this purpose, as of December 31, 2019 and 2018, the Fund has contracted an insurance policy against all risks that covers the value of the Fund's net assets, including property, furniture and equipment. In Management's opinion, its insurance policies are consistent with the usual practices in the industry.

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12. Other Assets, Net

As of December 31, this caption comprises the following:

<i>In thousands of soles</i>	2019	2018
Current income tax asset, net (a)	39,172	69,186
Intangible assets, net (b)	5,987	5,032
Prepaid expenses	1,956	2,002
Others	2,793	973
	49,908	77,193

(a) The balance of the current income tax, net is made up as follows:

<i>In thousands of soles</i>	2019	2018
Temporary tax on net assets	41,088	41,238
Pre-payments of income tax	29,691	46,750
	70,779	87,988
Provision for income tax	(31,607)	(18,802)
	39,172	69,186

(b) The item of intangible assets is composed of software and licenses used by the Fund's computers, the cost of which as of December 31, 2019 is S/ 12,752 thousand and accumulated amortization of S/ 6,765 thousand (total cost as of December 31, 2018 was S/ 10,518 thousand and accumulated amortization of S/ 5,486 thousand).

During 2019 and 2018, 'intangible assets' increase mainly due to the activation of new software for the implementation of new systems and modules for S/ 2,234 thousand and S/ 1,779 thousand, respectively. Amortization of intangible assets is calculated following the straight-line method over a maximum of a 5-year period.

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13. Debts and Financial Obligations

As of December 31, this caption comprises the following:

<i>In thousands of soles</i>	Currency	Maturity	Annual interest rate %	2019				2018			
				Principal	Amortized cost	Interest and commissions	Total	Principal	Amortized cost	Interest and commissions	Total
Entity											
Asociación Francesa de Desarrollo (AFD)	Euros	2023 and 2031	0.61 to 1.30	462,861	(2,444)	1,175	461,592	443,968	(902)	1,257	444,323
Kreditanstalt für Wiederaufbau (KfW)	Euros	2031	0.7875	55,791	(816)	110	55,085	-	-	-	-
Banco BBVA Perú	U.S. dollars	2020	3.10	115,990	-	2,525	118,515	-	-	-	-
				634,642	(3,260)	3,810	635,192	443,968	(902)	1,257	444,323

Certain loan contracts include standard clauses regarding compliance with financial ratios and administrative matters. In management's opinion, as of December 31, 2019 and 2018, these clauses have been complied with and do not represent any restriction on the operations of the Fund.

As of December 31, 2019, a loan denominated in euros from AFD amounting to EUR 124,444 thousand (equivalent to S/ 462,861 thousand) and a loan in euros from KfW amounting to EUR 15,000 thousand (equivalent to S/ 55,791 thousand), both exposed to exchange rate risk, being hedged by cross currency swaps (CCS), principal only swaps (POS) and interest only swaps (IOS) for a nominal amount of approximately EUR 128,944 thousand (equivalent to S/ 479,598 thousand), EUR 10,500 thousand (equivalent to S/ 39,054 thousand), respectively (note 10).

The table below presents the balance of debts and financial obligations classified by contractual maturity:

<i>In thousands of soles</i>	2019	2018
From 3 months to 1 year	213,686	98,738
From 1 to 5 years	288,114	345,585
Over 5 years	133,392	-
	635,192	444,323

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14. Securities and Bonds Outstanding

As of December 31, this caption comprises the following:

<i>In thousands</i>	Annual nominal interest rate (%)	Maturity	Amount issued	Book value in S/	
				2019	2018
Local issuance of corporate bonds					
1st issuance ("A" series)	6.66	April 2019	S/ 116,045	-	116,010
4th issuance ("A" series)	6.72	July 2026	S/ 310,000	309,802	309,789
3rd issuance ("A" series)	7.00	February 2024	S/ 1,500,000	1,495,819	1,495,103
5th issuance ("A" series)	5.02	July 2026	S/ 250,000	249,618	-
International issuances of corporate bonds					
1st issuance (b)	3.50	January 2023	US\$ 500,000	1,648,530	1,675,364
2nd issuance (c)	3.38	April 2019	US\$ 300,000	-	827,578
Reopening of 1st issuance (d)	3.50	January 2023	US\$ 150,000	493,278	500,921
				4,197,047	4,924,765
Interest payable				86,991	90,521
				4,284,038	5,015,286

The funds raised through the issuance of securities and bonds are used to finance the Fund's operations.

- (a) At the Board Meeting held on November 16, 2012, the First Corporate Bond Program was approved; the Fund may issue securities up to the amount of US\$ 800,000 thousand or its equivalent in soles. In April and July 2016 and February 2017 and July 2019, the Fund issued the first and fourth, and third issuance of the Corporate Bonds, respectively.
- (b) In January 2013, the Fund issued bonds under Rule 144 and Regulation S of the U.S. Securities Act, in the international market. The issuance corresponded to a face value of US\$ 500,000 thousand maturing in 10 years. Bonds were placed at a price of 99.15%, at a coupon rate of 3.50% with semi-annual payments of interest and amortization at maturity.

As of December 31, 2019, and 2018, said bonds have exposure to exchange rate risk; they are hedged by principal only swaps (POS) for a nominal amount of approximately US\$ 500,000 thousand (equivalent to S/ 1,657,000 thousand and S/ 1,686,500 thousand, respectively.)

- (c) In April 2014, the Fund issued bonds under Rule 144 and Regulation S of the U.S. Securities Act, as amended in the international market. The issuance corresponded to a face value of US\$ 300,000 thousand maturing in five years. Bonds were placed at a price of 99.76% and at a coupon rate of 3.38% with semiannual interest payment of interest and amortization at maturity.

During the months from January to June 2018, the Fund redeemed these bonds in advance for an amount of US\$ 33,075 thousand (equivalent to S/ 111,562 thousand). This operation generated an approximate loss of S/ 1,063 thousand, recorded in "Results from financial transactions" in the income statement.

As of December 31, 2018, said bonds have exposure to exchange rate risk, being hedged by principal only swaps (POS) for a nominal amount of US\$ 80,000 (equivalent to S/ 269,840 thousand) and forwards for a nominal amount of US\$ 13,500 thousand (equivalent to S/ 45,536 thousand).

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- (d) In February 2017, the Fund issued bonds under Rule 144 or Regulation S of the U. S. Securities Act in the international market through the reopening of the First Issuance called "3,5% Notes due 2023" made in January 2013. The new issuance corresponded to a face value of US\$ 150,000 thousand maturing of six years. The bonds were placed below par at a price of 99.802%, at a coupon rate of 3.50%, with semi-annual interest payments and amortization at maturity.

As of December 31, 2019, and 2018, said bonds have exposure to exchange rate risk; they are hedged by cross-currency swaps (CCS) for a nominal amount of approximately US\$ 150,000 thousand (equivalent to S/ 497,100 thousand and S/ 505,950 thousand, respectively).

The table below presents the balance of securities and bonds outstanding classified by contractual maturity as of December 31:

<i>In thousands of soles</i>	2019	2018
From 1 to 2 years	-	945,392
From 2 to 5 years	3,709,141	2,215,321
Over 5 years	574,898	1,854,573
	4,284,039	5,015,286

15. Other Accounts Payable, Provisions and Other Liabilities

As of December 31, this caption comprises the following:

<i>In thousands of soles</i>	<i>Note</i>	2019	2018
Other accounts payable			
BFH and bonus for improving anti seismic quality of houses (a)		994,578	1,123,601
BBP (capital) allocated to COFIDE (b)		102,010	110,464
BBP (capital) received from MVCS (c)		92,272	39,771
Balance payable for reconciliation with MEF		81,822	-
Rental bonus fomenting savings for future purchase of a home ("BVA), payable		51,948	-
Eligible Household Savings to be transferred to technical entities (d)		22,470	20,574
FONAVI contributions (e)		8,644	90,466
Workers' profit sharing payable	21	5,639	3,354
Bond 500, Emergency Decree N° 014-2017 (f)		3,646	42,995
Accounts payable to suppliers		3,263	2,377
Bonuses for Management agreement – FONAFE	21	2,234	2,186
Resources to transfer for executed bank guarantees		1,984	2,486
Vacation and settlement of social benefits payable		1,009	978
Eligible Household Savings to be transferred for BAV (g)		7	-
Others		1,350	1,024
		1,372,876	1,440,276
Provisions and other liabilities			
Provisions for CRC - overdue portfolio (h)		2,084	3,151
Provision for contingencies (i)		1,139	2,198
Deferred income		895	88
Others		864	1,028
		4,982	6,465

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- (a) Corresponds to the balance to be transferred to technical institutions (builders) for the financing of the BFH and the bonus for improving anti seismic quality of houses for those households that accessed to the Techo Propio Program, received from the MVCS. During the year 2019, the Fund received resources from the MVCS for this purpose, by means of Agreements N° 320-2018, N° 412-2018, N° 005-2019, N° 013-2019 and N° 165-2019 in the amount of S/ 137,026 thousand, S/ 8,151 thousand, S/ 1,165,000 thousand, S/ 3,105 thousand and S/ 3,570 thousand, respectively.

During 2018, the Fund received resources from the MVCS, through Agreements N° 003-2017, N° 126-2018, and N° 320-2018 in the amounts of S/ 7,717 thousand, S/ 865,000 thousand and S/ 379,190, thousand, respectively.

- (b) Corresponds to the funds received from the MVCS for the granting of the BBP, which were assigned to the authorized credits to the IF (Crédito MIHOGAR and Crédito Nuevo MIVIVIENDA) after reviewing compliance with the requirements established in the Regulations.

The changes in the balance of this caption are shown below:

<i>In thousands of soles</i>	2019	2018
Balance at the beginning of the year	110,464	119,328
Allocations received (d)	98,983	82,741
Disbursement of BBP for initial installment (f)	(98,983)	(82,741)
Application of BBP for installments of Crédito MIHOGAR	(999)	(3,924)
Application of BBP to installments of Nuevo Crédito MIVIVIENDA	(7,422)	(4,818)
Application of BBP to installments of Caja Luren, in liquidation	(114)	(122)
Balance at the end of the year	101,929	110,464

- (c) Corresponds to the balance of funds received from MVCS, pending allocation to beneficiaries that request loan products offered by the Fund. The Fund performs the allocation of these resources through COFIDE when disbursements are authorized to IFI for loans approved. The changes in the balance of this caption are shown below:

<i>In thousands of soles</i>	2019	2018
Balance at the beginning of the year	39,771	46,555
Resources received from MVCS (i)	150,000	75,000
BBP Assigned (ii)	(98,983)	(82,741)
Transfer of BBP Assigned	698	672
Transfers of BBP Assigned from finished agreements	2,539	1,390
Refund to IFI – Recovery for reversed	(108)	(55)
Refund of resources to MVCS	(1,645)	(1,050)
Balance at the end of the year	92,272	39,771

- (i) During 2019, the Fund received resources from the MVCS corresponding to the new Agreement for the execution of BBP N° 004-2019-VIVIENDA for S/ 75,000 thousand, and S/ 75,000 thousand for an addendum to said Agreement. During 2018, the Fund received resources from the MVCS corresponding to the Agreement for the execution of the Good Payer Bonus N° 124-2018-VIVIENDA for an amount of approximately S/ 75,000 thousand.

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- (ii) As of December 31, 2019, the allocation of the resources of the BBP correspond to agreements N°004-2019, N° 124-2018, and N° 039-2017 amounting to S/ 59,189 thousand, S/ 39,689 thousand and S/ 105 thousand, respectively. As of December 31, 2018, corresponds to Agreements N° 039-2017 and N° 124-2018 amounting to S/ 47,079 thousand and S/ 35,662 thousand, respectively.
- (d) Corresponds to the balance payable to Technical Institutions on behalf of eligible households who have accessed to the Techo Propio Program. This balance comprises the saving deposited by the household in the Fund's accounts.
- (e) As of December 31, this caption comprises the following:

<i>In thousands of soles</i>	2019	2018
FONAVI collections according to Law N° 26969 (i)	-	81,822
FONAVI contributions pending transfer to the MEF (ii)	8,023	8,023
Refund of not collected FONAVI checks (iii)	621	621
	8,644	90,466

- (i) Corresponds mainly to the balances assigned to the Fund as a result of the tax collections received from SUNAT, related to contributions to FONAVI made by taxpayers in accordance with Law N° 26969.

The changes in the balance of this caption were as follows:

<i>In thousands of soles</i>	2019	2018
Balance at the beginning of the year	81,822	95,152
Transfer to the AD HOC Committee of refunds of FONAVI contributions (*)	-	(71,101)
Reclassification of adjustments to contributions pending transfer to the FEM (**)	(81,822)	-
Refund of resources to FONAVI	-	57,771
Balance at the end of the year	-	81,822

(*) Corresponds to the transfer of resources managed by the Fund classified as " FONAVI collections according to Law 26969 " to the "Ad Hoc Committee Executing Unit of the MEF, created by Law N° 29625 for an amount of approximately S/ 71,101 thousand. This transfer was made effective by Letter N° 00094-2018-FMV / DVO dated January 12, 2018.

(**) Corresponds to the reclassification of balances by reconciliation with the MEF.

- (ii) Corresponds mainly to FONAVI contributions pending from being transferred to the MEF for collections made by SUNAT of FONAVI contributions made by taxpayers who have a stabilized tax regime applicable as per Law N° 27071.

During the year 2018, the Fund reclassified S/ 57,771 thousand from the 'FONAVI contributions pending transfer to the MEF' account to the 'FONAVI collections according to Law N° 26969', by way of collections that would later be transferred to the Ad Hoc Committee.

- (iii) Corresponds to checks issued from 1999 to 2016 pending collection by the beneficiaries. These checks were issued as reimbursement of FONAVI contributions according to SUNAT communications, which is the entity responsible for the collection of these resources.

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- (f) Corresponds to the funds received from the MVCS, approved by Ministerial Resolution N° 455-2017-VIVIENDA of November 24, 2017, which were assigned as financial aid to the homeless population that occupied a home that was in a collapsed or disabled condition, due to the occurrence of rains and dangers associated with the natural phenomenon known as "Niño Costero" occurred in the year 2017. In this sense, the economic aid is given monthly, for the lease of a house worth S/ 500 monthly, which will continue to be delivered until the resources of this fund are exhausted.
- (g) Corresponds to the balances payable to the eligible households that accessed the BAV. This balance comprises the saving deposited by the household in the Fund's accounts.
- (h) The changes in the provision for CRC – portfolio sold, is as follows:

<i>In thousands of soles</i>	2019	2018
Balance at the beginning of the year	3,151	4,964
Additions debited to net income	408	590
Recovery of provisions	(1,421)	(1,572)
Reclassification to provision for COFIDE trust	-	(1,003)
Exchange rate difference, net	(54)	172
Balance at the end of the year	2,084	3,151

- (i) Corresponds to provisions recorded for judicial proceedings associated with claims and probable labor contingencies. In the opinion of the Fund's Management and legal advisors, the recorded provision is sufficient to cover the risk of loss for such contingencies as of December 31, 2019 and 2018.

16. Shareholder's Equity

A. Capital stock

As of December 31, 2019, and 2018, the Fund's capital stock is represented by 3,355,584,361 and 3,324,714,384 common shares subscribed and paid, respectively, whose face value is S/ 1.00 per share. Its sole stockholder is FONAFE.

On April 1, 2019, the General Stockholders' Meeting agreed to capitalize the earnings generated in 2018, net of legal reserve, for approximately S/ 30,870 thousand. On March 28, 2018, the General Stockholders' Meeting agreed to capitalize the earnings generated in 2017, net of legal reserve, for approximately S/ 22,094 thousand.

B. Legal reserve

Pursuant to current legislation, the Fund is required to establish a legal reserve for an amount equivalent to at least 35% of its paid-in capital. This reserve is constituted through an annual appropriation of at least 10% of net income and can only be used to absorb losses or be capitalized, in both cases there is an obligation to replenish it.

The General Stockholder's Meetings held on April 1, 2019 and March 28, 2018, approved the recording of legal reserves for net income 2018 and 2017, for S/ 3,430 thousand and S/ 2,455 thousand, respectively.

Due to the change in the methodology for the calculation of provisions beginning August 1, 2017, in December 2017, the SBS through SBS Resolution N° 4907 -2017 authorized to the Fund to record the provision deficit from accounts receivable (Trust Agreement - COFIDE) for S/ 71,027 thousand thus reducing the 'Legal Reserve' balance.

In 2018, the Fund recorded the deferred tax related to this methodological change of S/ 20,953 thousand (note 24).

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C. Unrealized results

The movement in unrealized during 2019 and 2018 is presented net of its tax effect, and is as follows:

<i>In thousands of soles</i>	<i>Note</i>	Balance as January 1, 2018	(Debit)/credit to statements of comprehensive income	Balance as of December 31, 2018	(Debit)/credit to statements of comprehensive income	Balance as of December 31 2019
Available-for-sale investments from the Fund						
Unrealized gain or loss on available-for-sale investments		46	50	96	(96)	-
Unrealized gain or loss from debt instruments reclassified from 'available – for sale investments' to 'held - -to maturity investments'		(8,692)	1,164	(7,528)	644	(6,884)
		(8,646)	1,214	(7,432)	548	(6,884)
Income tax	24	74	(190)	(116)	(78)	(194)
Subtotal		(8,572)	1,024	(7,548)	470	(7,078)
Cash flow hedges						
Unrealized gain or loss on cash flow hedging instruments		71,163	111,646	182,809	(84,652)	98,157
Transfer to realized profit or loss from cash flow hedge derivatives		(229,215)	(55,784)	(284,999)	50,146	(234,853)
		(158,052)	55,862	(102,190)	(34,506)	(136,696)
Income tax	24	46,625	(16,479)	30,146	10,179	40,325
Subtotal		(111,427)	39,383	(72,044)	(24,327)	(96,371)
Available-for-sale investments from CRC-PBP Trusts						
Unrealized gain or loss on available-for-sale investments		(1,922)	124	(1,798)	1,844	46
Income tax	24	124	41	165	(448)	(283)
Subtotal		(1,798)	165	(1,633)	1,396	(237)
Total		(121,797)	40,572	(81,225)	(22,461)	(103,686)

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D. Regulatory capital

In June 2008, through L.D. N° 1028 'Banking Law' was amended, establishing that the regulatory capital must be equal to or greater than 10% of assets and contingent credits by total risk corresponding to the sum of: (i) the regulatory capital requirement for market risk multiplied by 10, (ii) the regulatory capital requirement for operational risk multiplied by 10, and (iii) the weighted assets and contingent credits by credit risk.

As of December 31, pursuant to Legislative Decree N° 1028 and amendments, the Fund keeps the following amounts related to weighted assets and contingent credits by risk and regulatory capital (basic and supplementary), in soles:

<i>In thousands of soles</i>	2019	2018
Total risk weighted assets and credits	379,285	415,325
Total regulatory capital	3,338,068	3,301,405
Basic regulatory capital (Level 1)	3,338,068	3,301,405
Global regulatory capital ratio	88.01%	79.49%

As of December 31, 2019 and 2018, the Fund has been complying with the Resolutions SBS N° 2115-2009 - Regulations for the Regulatory Capital Requirement for Operational Risk, SBS N° 6328-2009 - Regulations for the Regulatory Capital Requirement for Market Risk, and SBS N° 14354-2009 - Regulations for the Regulatory Capital Requirement for Credit Risk and amendments. These resolutions establish, mainly, the methodologies to be applied by financial entities to calculate the weighted assets and credits for each type of risk.

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

Likewise, the regulation has established a period of gradual adaptation of five years starting since July 2012. As of December 31, 2019, the percentage of adequacy established by SBS is 100%, therefore the additional requirement of regulatory capital estimated by the Fund amounts to approximately S/ 70,416 thousand (S/ 73,929 thousand considering an adequacy of 100% established by the SBS as of December 31, 2018).

In Management's opinion, the Fund has complied with the requirements set forth in the aforementioned Resolution and will have no problem in continuing to comply with them, since the regulatory capital by the Fund cover these requirements completely.

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17. Contingencies

As of December 31, 2019, and 2018, the Fund maintains the following contingency processes:

- (a) Various labor processes from its operations related to legal claims for payment of profit sharing and reimbursement of social benefits, recording a provision of approximately S/ 1,135 thousand as of December 31, 2019 (S/ 2,198 thousand as of December 31, 2018). In opinion of the Management and the legal advisors the provision for legal contingencies recorded as of December 31, 2019 and 2018, is adequate to cover these contingencies. For the administrative processes, a provision of approximately S/ 4 thousand has been recorded.
- (b) Various constitutional processes (appeal for legal protection) related to the restitution of labor rights to former workers of the Fund. Also, processes originated by discrimination in the right for participating in awarding and contracting processes, cancellation of registration of Technical Entities for infractions committed. In the Management's opinion and its legal counsels, those contingencies will not cause possible losses at the end of those processes.

18. Interest Income and Expenses

This caption comprises the following:

<i>In thousands of soles</i>	2019	2018
Interest income		
Accounts receivable (Trust Agreement – COFIDE), net of interest related to the PBP granted by the Fund	444,741	403,722
Cash and due from banks	55,261	90,690
Investments	15,710	25,939
loan portfolio	6,465	7,368
Attribution to profit or loss from CRC-PBP Trusts	4,600	4,174
Other income	120	193
	526,897	532,086
Interest expenses		
Securities and bonds outstanding	221,459	247,882
PBP (capital) granted by the Fund	76,502	54,267
Debts and financial obligations	6,892	3,623
Good payer award (capital and interest) – CRC-PBP Trust	2,563	3,607
	307,416	309,379

19. Income and Expenses from Financial Services

This caption comprises the following:

<i>In thousands of soles</i>	<i>Note</i>	2019	2018
Income from financial services			
Commission for CRC and PBP services		4,368	3,710
Execution of bank guarantees constituted by ET – BFH and the Household Savings		192	132
Others		664	656
		5,224	4,498
Expenses in financial services			
Loan portfolio management service	8	2,114	2,140
Securities custody service and banking commissions		183	208
Other		272	267
		2,569	2,615

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20. Result from Financial Transactions

This caption comprises the following:

<i>In thousands of soles</i>	2019	2018
Gain on trading derivative financial instruments	(1,222)	(336)
Loss on hedging derivative financial products	75,812	95,945
Loss on exchange rate difference	3,112	5,199
Others	(1,222)	158
	76,480	100,966

21. Administrative Expenses

This caption comprises the following:

<i>In thousands of soles</i>	2019	2018
Personnel and board of directors expenses (a)	31,823	29,458
Services received from third parties (b)	17,209	22,252
Taxes and contributions	909	632
	49,941	52,342

(a) The table below presents the composition of personnel and Board of Directors expenses:

<i>In thousands of soles</i>	2019	2018
Salaries	12,734	12,597
Workers' profit sharing	5,639	3,354
Gratuities	2,310	2,268
Social security	2,086	2,098
Bonuses for Management agreement – FONAFE	2,234	2,186
Severance indemnity expenses	1,355	1,334
Vacations	1,171	1,207
Internship subsidy	888	740
Food services	884	822
Staff attire	607	598
Others bonuses	486	527
Training	261	182
Termination pay	88	506
Per diem for board of directors	418	513
June or December bonus	257	220
Other	405	306
	31,823	29,458

The average number of employees in 2019 and 2018 was 205.

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- (b) The table below presents the composition of the expenses for services provided by third parties:

<i>In thousands of soles</i>	2019	2018
Fees and consultancy	2,587	2,915
Property and good rentals	2,483	2,596
Expenses from bonds issued	2,150	1,976
Repair and maintenance	1,752	2,060
Advertising	1,330	6,499
Communications	1,250	825
Other expenses	1,138	1,437
Document storage	976	282
Telemarketing services	905	671
Miscellaneous management charges	828	801
IT and communication share services – FONAFE	824	885
Travel expenses	304	202
Transport	294	283
Miscellaneous supplies	201	184
Insurance	187	636
	17,209	22,252

22. Other Income and Expenses, Net

This caption comprises the following:

<i>In thousands of soles</i>	2019	2018
Other income		
Prestaperú portfolio interest	2,765	-
Other income	2,121	1,578
Compliance with letters of guarantee for non-compliance with projects	1,440	-
Margin Call interest	512	400
Income from Ex – CONEMINSA portfolio	111	241
Commission for participation in land award	-	804
	6,949	3,023
Other expenses	(408)	(590)
Total other income and expenses, net	6,541	2,433

23. Tax Situation

- A. The Fund is subject to the Peruvian tax regime. As of December 31, 2019, and 2018, corporate income tax rate in Peru is calculated on the basis of the net taxable income at a rate of 29.5%, according to Legislative Decree N° 1261, published on December 10, 2016 and effective January 1, 2017.

The Income Tax rate applicable to dividend distribution and any other form of profit distribution to 5%, in the case of profits generated and distributed since January 1, 2017.

It is presumed and no proof to the contrary shall be admitted, that the distribution of dividends or any other form of profit distribution correspond to the retained earnings or other items that could generate older taxable dividends.

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- B. In accordance with current Peruvian tax legislation, non-domiciled individuals only pay taxes for its Peruvian source income. Thus, in general terms, revenues obtained by non-domiciled individuals from the services rendered in the country shall be subject to a 30% income tax rate on gross income, provided that no double tax treaties are applicable. On this concern, currently Peru has entered into double tax treaties with the Andean Community, Chile, Canada, Brazil, Portugal, Switzerland, Mexico and South Korea.

Concerning the technical assistance or digital services rendered by non-domiciled individuals to domiciled individuals, regardless of the place where the service is rendered, they shall be subject to a 15%- and 30%-income tax rate on gross income, respectively. This as long as the application of double tax treaty does not apply, so there would be no withholding. Technical assistance will be subject to a 15% rate, provided that Income Tax Act requirements are met. As indicated above, the withholding rate in these cases may vary or even the withholding may be inapplicable in the cases where some provisions of an effective double tax treaty are applied.

- C. The Fund computed its taxable base for the years ended December 31, 2019 and 2018 and determined current income tax of S/ 31,607 thousand and S/ 18,802 thousand, respectively.

Income tax expense comprises:

<i>In thousands of soles</i>	2019	2018
Current tax	(31,607)	(18,802)
Deferred tax	17,737	6,345
	(13,870)	(12,457)

Reconciliation of effective rates of income tax to the tax rate is as follows:

<i>In thousands of soles</i>	2019		2018	
Income before income tax	43,873	100.00%	46,757	100.00%
Theoretical expense	(12,943)	(29.50%)	(13,793)	(29.50%)
Plus (less)				
Net effect of permanent items	(927)	(2.11%)	1,336	2.86%
Income tax	(13,870)	(31.61%)	(12,457)	(26.64%)

Income tax exemptions and exceptions

- D. From year 2010, capital gains from the disposal or redemption of securities made in centralized trading mechanisms are subject to income tax. For this purpose, the computable cost is the highest of the value of securities at the closing of taxable fiscal year 2009 (quotation value), acquisition cost, or increase in the equity value, as per procedure established by Supreme Decree N° 011-2010-EF.

Emergency Decree N° 005-2019 extended the period of the exemption until December 31, 2022 and included as new exempted cases: i) Debt securities, ii) Certificates of participation in mutual funds of investment in securities, iii) Certificates of participation in real estate investment (FIRBI, for its Spanish acronym) and certificates of participation in real estate trusts (FIBRA, for its Spanish acronym), and iv) negotiable invoices. To be eligible for this exemption, certain conditions shall be met.

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Temporary tax on net assets

- E. The Fund is subject to temporary tax on net assets whose taxable base is composed of the prior period adjusted net asset value less depreciations, amortizations, legal cash reserve, and specific provisions for credit risk. The tax rate is 0.4% for the years 2019 and 2018 and is applied to the amount of net assets exceeding S/ 1 million. It may be paid in cash or in nine consecutive monthly installments. The paid amount may be used as a credit against payments on account of income tax for taxable periods from March to December of the fiscal period for which the tax was paid until maturity date of each of the payments on account, and against the payment for regularization of income tax of the corresponding taxable period. In the event a remaining balance is not applied, its refund could be requested.

Tax on financial transactions

- F. For fiscal years 2019 and 2018, the Tax on Financial Transactions (ITF for its Spanish acronym) was fixed at the rate of 0.005%. This tax is applied on charges and credits in bank accounts or movements of funds made through the financial system, unless the account is tax-exempt.

Transfer pricing

- G. For income tax purposes, transfer pricing for transactions carried out with related parties, and with companies domiciled in territories offering low or null taxation or preferential regimes, or non-cooperative countries or territories, shall be supported with documentation and information about the valuation methods used, and the criteria considered, for the pricing. Until fiscal year 2016, the formal obligations of Transfer Pricing were the presentation of a Transfer Pricing Sworn Statement and a Technical Study.

By means of Legislative Decree N° 1312, published on December 31, 2016 and effective January 1, 2017, the following formal obligations were established to replace the former ones: (i) presentation of a Local File (if accrued income exceeds 2,300 tax units (UIT, for its Spanish acronym)), (ii) presentation of a Master File (if accrued income of the taxpayer exceeds 20,000 UIT) and (iii) presentation of a Country-by-Country Reporting (if previous year (2017) combined accrued revenues of the multinational group's Parent Company exceeds S/ 2,700,000 thousand or € 750,000,000 thousand. The last two reports are mandatory for transactions corresponding to fiscal year 2017 onwards.

According to Peruvian Tax Authorities' Resolution N° 014-2018-SUNAT, published on January 18, 2019, the Electronic Form 3560 for the presentation of the Local File, deadline, content, and format to be included were approved.

Thus, the deadline for the presentation of the Local File for fiscal year 2019 will be in June 2020, in accordance with the maturity schedule established for tax period of May, published by the Tax Authorities.

The content and format of the Local File have been stated in the Appendixes I, II, III and IV of the Tax Authorities' resolution N° 014-2018-SUNAT.

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Likewise, in addition, the Decree N° 1312 established that intra-group services with low added value shall not have a margin greater than 5% of their costs. Concerning the services rendered between related parties, taxpayers shall comply with the benefit test and provide the documentation and information under specific conditions for the deduction of costs or expenses.

Legislative Decree N° 1116 established that Transfer Pricing Standards are not applicable to sales tax (IGV, for its Spanish acronym).

Tax assessment

- H. The tax authorities are entitled to audit and, if applicable, to correct the income tax calculated by the Fund within the four years following the year of the tax return filing. The Fund's income and sales tax returns for the years 2016 through 2019 are open for review by the Peruvian tax authorities. As of the date of this report, the Tax Authority has completed the review of the corporate income tax return, non-domiciled income tax return and transfer pricing affidavit for the year 2013. The tax returns of financial years 2014 and 2015 are under review.

Therefore, in the opinion of management and its legal advisers, these tax processes and the years pending tax review should not result in significant liabilities that would impact the Fund's financial results, in accordance with IFRIC 23.

Due to the possibility of various interpretations of the current legal regulations by the Tax Authority, it is not possible to determine, to date, whether a future tax audit will or will not result or in liabilities for the Fund; therefore, any major tax, surcharges, and sanctions that might arise from eventual tax audits would be applied to profit or loss of the period in which they are determined. However, it is the opinion of Management and its internal legal advisors that any possible additional settlement of taxes would not be significant for the Fund's financial statements as of December 31, 2019 and 2018.

Tax regime applicable to sales tax (IGV)

- I. Legislative Decree 1347, published on January 7, 2017 and effective July 1, 2017, established the possible reduction of one percentage point in the Sales Tax, provided that the goal of annual sales tax collection as of May 31, 2017 is reached, net of internal refunds of 7.2% of gross domestic product. In other words, if the aforementioned is met, the Sales Tax rate (including the municipal tax) will be reduced from 18% to 17%.

However, the estimated collection goal was not met at the end of the term, so the Sales Tax rate shall be held at 18%.

Major amendments to tax laws effective from January 1, 2019

- J. **The new accrual concept**
Legislative Decree N° 1425 introduced the definition of "legal accrual" for income tax purposes, stating that: a) income from transfer of goods occurs when i) control has been transferred (in accordance with IFRS 15); or ii) risk has been transferred to the acquirer (Risk Theory set out in the Civil Code), whichever occurs first; and b) income from service rendering occurs when realization level of the rendered service has been established.

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The new legal accrual concept is applicable to lessees for determining the tax treatment of the expense associated with lease agreements regulated by IFRS 16 (e.g. operating leases for tax purposes).

The concept serving as comment will not be applicable for those entities accruing income or expenses for Income Tax in accordance with tax provisions establishing a special (sectorial) regime of accrual.

K. Thin capitalization

Beginning 2019 and until December 31, 2020, the finance cost generated by indebtedness of independent and related parties is subject to thin capitalization limit of 3:1 debt-to-equity ratio, which is calculated at the end of the prior period. Beginning January 1, 2021, finance cost will be deductible up to 30% of the tax-EBITDA (Net Income – Loss Offsetting + Net Interest + Depreciation + Amortization) of the prior period. There are some exemptions regarding this 30% limit for banks, taxpayers whose income is lower than 2,500 UIT (tax units), infrastructure, public services, among others.

L. Deduction of expenses or costs incurred in operations with non-domiciled individuals

Legislative Decree N° 1369 requires that costs and/or expenses (including outbound interest) incurred with non-domiciled individuals must be paid effectively to be deducted in the year they were incurred. Otherwise, their impact on the determination of net income will be deferred to the year in which they are actually paid and the corresponding withholding will be applied.

The aforementioned standard abolished the obligation to pay the amount equivalent to the withholding on the amount recorded as cost and/or expense.

M. Indirect loans

As from January 1, 2019, under certain requirements, domiciled entities receiving foreign inbound dividends may deduct as direct loan the income tax that would have been levied on the foreign dividends and the corporate income tax (indirect loan) paid by the tier 1 and tier 2 non-domiciled entity (provided they are in the same jurisdiction) that would have been applied to distribute the dividends from abroad.

N. Measures to implement the General Anti-avoidance Rule provided in the regulation XVI of Tax Code

Legislative Decree N° 1422 set up the procedure to implement the General Anti-avoidance Rule, mainly stating that: (i) it is applicable only in final audit procedures in which acts, events or situations that occurred since July 19, 2012, are reviewed; (ii) it is applicable only if there is a favorable opinion from a review committee composed of Tax Authorities' officers (said opinion is not appealable); and (iii) final audit procedures, in which the General Anti-avoidance Rule is applicable, are not subject to the one (1) year term to request information from the audited parties.

On May 6, 2019, Supreme Decree N° 145-2019-EF was published in the Official Gazette *El Peruano*. This Decree approves the substantive and formal parameters for the application of the general anti-avoidance rule contained in Rule XVI of the Tax Code, thus, complying with the requirement to release the suspension established by Law 30230 for the application of said rule.

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Likewise, SUNAT's Audit Procedure Regulations have been adapted for this purpose.

O. Information related to ultimate beneficiaries

In line with the regulations to strengthen the fight against tax evasion and avoidance, as well as against money laundering and terrorism financing, as from August 3, 2018, provisions introduced by Legislative Decree N° 1372 are currently in force. The aforementioned decree requires the presentation of information related to ultimate beneficiaries to the competent authorities by means of a sworn statement of the ultimate beneficiaries. Said statement shall disclose the names of the natural persons that effectively retain ownership or control. Accordingly, it is mandatory to report the following information: (i) identification of the ultimate beneficiary; (ii) chain of title with its respective supporting documents; and (iii) identification of third parties that have said information, if applicable. Also, it states that the information related to the identification of the ultimate beneficiaries of legal persons and legal entities provided to the competent authorities within the framework of these standards neither violates professional secrecy nor is subject to restrictions on the disclosure of information arising from secrecy requirements under contracts or any regulatory provision.

On December 12, 2019, Emergency Decree N° 25-2019 was published, amending paragraph 3.1 c) of Legislative Decree 1372, excepting from the presentation of ultimate beneficiary statement to public companies whose capital is one hundred percent (100%) owned by the Peruvian State.

P. Indirect transfer of shares

Since January 1, 2019, an anti-avoidance measure has been applied to prevent the split of operations, which allows indirect transfer of shares of companies domiciled in Peru.

Thus, in order to determine if, within a 12-month period, the transfer of 10% or more of the Peruvian company's capital has been executed, transfers of the analyzed individual and transfers to its related parties will be considered, whether transfers are executed by one or several (simultaneous or successive) operations. The relationship shall be set up in accordance with provisions of section b) of article 32-A of the Income Tax Law.

Likewise, regardless of compliance with the provisions of the Income Tax Law, an indirect taxable transfer shall always be established when, over any period of 12 months, the total amount of transferred shares of the Peruvian legal person is equal to or greater than forty thousand (40,000) UIT.

Likewise, when the transferor is a non-domiciled legal person that has a branch office or any permanent establishment in Peru with allocated equity, the latter is considered a jointly liable party. Thus, the latter is required to provide information, among other, regarding the transferred shares or interest of the non-domiciled legal person.

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Q. Joint and several liability of legal representatives and Directors

Legislative Decree N° 1422 establishes that from September 14, 2018, when an audited individual is subject to the General Anti-Avoidance Rule, there is joint and several liability of legal representatives due to fraud, gross negligence or misuse of powers, unless proven otherwise. The aforementioned joint and several liability shall be attributed to said representatives provided that they collaborated in the design, approval or execution of the acts, situations or business relationships with an avoidance purpose.

This regulation also applies to the members of the Board of Directors, indicating that they shall establish a tax strategy for the companies in which they act as directors, having to decide whether or not to approve the acts, situations or business relationships to be carried out within the framework of tax planning; they shall not delegate such responsibility.

Lastly, the members of the domiciled companies' Board of Directors were granted a term, with maturity on March 29, 2019, to verify or modify the acts, situations or business relationships carried out within the tax planning and implemented as of September 14, 2018, that continue having tax effect to date.

Considering said term established for compliance with said formal obligation, the aforementioned joint and several liability attributable to legal representatives and directors, and the absence of a definition of 'tax planning', it will be crucial to review any act, situation or economic relation that has: (i) increased tax allocation; and/or (ii) generated a lower payment of taxes for the aforementioned periods, in order to avoid the attribution of joint and several liability, both administratively and punitively, depending on the supervisory agent criterion. The latter, in case the company to be audited by the Tax Authorities is subject to the General Anti-Avoidance Rule.

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24. Deferred Tax

The deferred tax has been calculated applying the liability method and is attributed to the following items:

<i>In thousands of soles</i>	Balance as of January 1, 2018	(Debit) credit to net income	(Debit) credit to equity	Balance as of December 31, 2018	(Debit) credit to net income	(Debit) credit to equity	Balance as of December 31, 2019
Deferred assets							
Allowance for doubtful accounts (Trust Agreement – COFIDE)	12,602	(5,218)	-	7,384	(2,766)	1,435	6,053
Allowance for doubtful accounts (Trust Agreement – COFIDE), 2017 adjustment (*)	-	-	20,953	20,953	-	(1,435)	19,518
Unrealized loss from debt instruments, reclassified from 'Available-for-sale investments' to 'Held-to-maturity investments'	87	-	(87)	-	-	-	-
Unrealized losses from the valuation of derivatives for hedging purposes	46,625	-	(16,479)	30,146	-	10,180	40,326
Unrealized losses on investments from CRC-PBP Trusts	124	-	41	165	-	(165)	-
Deferred income from loan portfolio	3,090	754	-	3,844	(432)	-	3,412
Others	1,913	1,226	(5)	3,134	14,907	-	18,041
Total deferred assets	64,441	(3,238)	4,423	65,626	11,709	10,015	87,350
Deferred liabilities							
Unrealized gains on investments from CRC-PBP Trusts	-	-	-	-	-	(282)	(282)
Unrealized gains from debt instruments reclassified from 'available – for sale investments' to 'held-to maturity investments'	-	-	(84)	(84)	-	(110)	(194)
Unrealized gain on available-for-sale investments	(13)	-	(19)	(32)	-	32	-
Foreign exchange adjustment in monetary assets and liabilities	(23,721)	9,583	-	(14,138)	6,957	-	(7,181)
Debt and financial obligations	-	-	-	-	(929)	-	(929)
Others	(1)	-	5	4	-	(4)	-
Total deferred liabilities	(23,735)	9,583	(98)	(14,250)	6,028	(364)	(8,586)
Total deferred assets, net	40,706	6,345	4,325	51,376	17,737	9,651	78,764

(*) As a result of the observation made by the SBS in its Inspection Visit report N° 06-VIG/2017 "C", the Management of the Fund modified the methodology for calculating the allowance for doubtful accounts (Trust Agreement - COFIDE) beginning August 1, 2017, thus determining a deficit of allowances for S/ 71,027 thousand as of July 31, 2017, which, as authorized by the SBS by means of Resolution N° 4907-2017-SBS of December 20, 2017, was recorded by the Fund in December 2017 reducing the balance maintained in 'legal reserve' of the equity, see note 16.

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During 2018, the Fund reviewed the tax treatment of the aforementioned allowance for doubtful accounts and determined the need to record the related deferred income tax charging to 'legal reserve' the amount of S/ 20,953 thousand. This treatment was authorized and subsequently approved by the SBS through Official Letter N° 02450-2019-SBS dated January 18, 2019. In accordance with the SBS accountings practices, the Fund recorded this amount prospectively, presenting it as an equity movement in the year 2018 with a charge to the deferred asset for income tax.

25. Financial Risk Management

The activities of the Fund are mainly related to the credit placement of its resources through IFI of the country for the acquisition of housing by natural persons. Financial institutions are evaluated and assigned long-term credit lines; the Fund also participates in work to encourage the construction and promotion of housing, and manage the resources received from the State (such as BFH) and its own resources, investing these funds mainly, in interest-bearing demand deposits and time deposits, in fixed income and grade investments, with the purpose of making them profitable and preserving their value over time, ensuring the liquidity required to fulfill their obligations and its lending activities.

In this sense, the financial risk management comprises the administration of the main risks, which the Fund faces due to the nature of its operations. These are: credit, market, liquidity and operation risks.

- Credit risk: the possibility of losses due to the inability or unwillingness of debtors, issuers, counterparties or obligated third parties to fulfill their contractual obligations.
- Market risks: the possibility of losses in positions on and off- statement of financial position derived from variations on interest rates, exchange rates, prices of equity instruments and other market prices, which affect the valuation of positions in financial instruments.
- Liquidity risk: the possibility that the Fund cannot meet with the payment at maturity of its obligations incurring losses that significantly affect its equity position.
- Operation risk: the possibility of losses due to inadequate processes, staff failures, information technology or external events.

In order to management said risks, the Fund has a structure and organization specialized in the management, measurement and reporting systems, and mitigation and coverage processes.

i. Structure and organization of risk management

The Fund has a managerial and governance structure that allows it to adequately articulate the management and control of the risks it is exposed to.

Board of Directors

The Fund's Board of Directors is responsible for establishing an adequate integrated management of risks and for fostering an internal environment that facilitates its development. The Board of Directors keeps permanently informed about the degree of exposure of the various risks managed by the Fund.

The Board has created a number of specialized committees in which it has delegated specific functions with the objective of strengthening risk management and internal control.

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Risk committee

The Risk Committee (henceforth "RC") is a collegiate body created by agreement of the Board of Directors. It is responsible for approving the policies and the organization for the integral management of risks, as well as the modifications made. The Committee defines the level of tolerance and the degree of exposure to risk that the Fund is willing to assume in the development its business and decides the needed actions for the implementation of corrective measures required, in case there are deviations from the levels of tolerance to the risk and the degrees of exposure assumed. The Committee meets monthly and is comprised by the Chairman of the Board and two Directors, the General Manager and the Risk Manager. The Committee reports quarterly to the Board of Directors the agreements reached and issues discussed in the Risk Committee meetings.

Special audit committee

The Special Audit Committee (hereinafter "the Special Committee") is a collegiate body created in a Board session. It is responsible for assisting the Board of Directors in its purpose of ensuring that the accounting and financial reporting processes are appropriate, evaluating the activities carried out by internal and external auditors and monitoring the proper functioning of the implemented internal control system. The Committee is comprised of three members who do not hold executive positions in the Fund.

The General Manager and Head of the Office of Internal Audit, as well as the officials that the Special Committee deems necessary, participate as guests at the meetings of the Special Committee.

The Committee meets at least once a month and reports quarterly to the Board on the topics discussed. However, it may meet as often as necessary depending on the priority and number of issues to be discussed, when determined by the Chairman of the Committee or when requested by at least two of its members.

Assets and liabilities management committee

The Assets and Liabilities Management Committee ("ALCO") is a collegiate body created by Board of Directors agreement. Its main function is to manage the financial structure of the Fund's statement of financial position, in accordance with the profitability and risk targets. The Committee is also responsible for proposing new products or operations or strategies that contain market and liquidity risk components. It is also the communication channel with the areas that generate market and liquidity risk. The Committee meets monthly and is comprised by the General Manager, Commercial Manager, Finance Manager and Risk Manager.

General management

The General Management is responsible for implementing an adequate integral management of risks in the Fund. It manages and coordinates the efforts of the different managements and offices, ensuring an adequate balance between risk and profitability. The Risk Management is a line organ and depends directly on the General Management; this management is in charge of proposing the policies, procedures and methodologies for a competent comprehensive risk management, promotes the alignment of the measures of treatment of the Fund's risks with the levels of appetite and risk tolerance and the development of appropriate controls. The Risk Management is comprised by the Market Risk, Liquidity and Operational Department and the Credit Risk and Portfolio Tracking Department.

Internal audit

The Internal Audit Office reports functionally to the Board of Directors and administratively to the General Manager. Provides independent services, and assurance and consultation objectives. Assists to the Fund in achieving its objectives applying a systematic and disciplined approach to assessing and improving the effectiveness of corporate governance, risk management and control processes.

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Its organization and operation are in accordance with the Banking Law and the Regulation of Internal Audit.

ii. Risk measurement and reporting systems

The Fund uses different risk management models and tools for risk management. These tools measure and assess risk to make better decisions at different stages of the credit life cycle, or of an investment.

Management indicators are reviewed and analyzed on an ongoing basis in order to identify possible deviations in the risk profile from the stipulated risk appetite and to take corrective measures in a timely manner. This information is presented monthly to the RC Committee and periodically to the Board of Directors.

iii. Risk concentration

Through its policies and procedures, the Fund has established the necessary guidelines and mechanisms to avoid an excessive concentration of risks, maintaining a diversified portfolio consequently. In the event that a concentration risk is identified, the Fund has specialized units that allow it to control and manage said risk.

A. Market risk

Market risk is the probability of loss due to variations in financial market conditions. The main variations to which the Fund is exposed to are exchange rates and interest rates; said variations can affect the value of the Fund's financial assets and liabilities. The Fund separates its exposures to market risk in the following manner:

Value at risk

Value at Risk (VaR) is a statistical technique that measures the maximum loss that a financial asset or a portfolio of financial assets can experience within a time horizon, given a level of confidence. The VaR model used by the Fund is the Historical VaR for foreign currency exposures (VaR Exchange) and for the investment portfolio (VaR of Interest Rates), both with a confidence level of 99% and a liquidation period of 10 days. It should be mentioned that this method does not assume any distribution function for profit and loss and is based only on the observed historical behavior.

Interest rate risk

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

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

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The SBS denominates these two impacts, as Earnings at Risk (EAR) and Equity Value at Risk (VAR), which are indicators of short- and long-term structural rate risk, respectively.

As of December 31, 2019 and 2018, the Fund monitors that the gains at risk are below the regulatory limit of 5% of the Fund's net equity. In addition, respect to equity value at risk, the Fund has an internal limit of 20% for the regulatory calculation and an internal limit of 20 % for the internal calculation.

As of December 31, 2019, the interest rate risk of the fixed income portfolio is monitored through the calculation of the market value of each investment instrument recorded as available-for-sale divided by its acquisition cost. According with the provisions of the Investment Policies and Procedures Manual, if the indicator falls 5% or more, the Finance Management, prior opinion of the Risk Management, informs the Assets and Liabilities Management Committee that shall determine if the causes of the value deterioration are due to market factors or to changes in the conditions of the issuer, in order to decide whether to maintain, reduce or eliminate the position in the instrument

The management of structural interest rate risk is made through the monitoring and reporting of regulatory indicators: gains at risk and equity at risk. These indicators are derived from the regulatory annexes required by the SBS: Annex 7-A "Measuring of the Interest Rate Risk - Gain at Risk" and the Annex 7-B "Measuring of Interest Rate Risk – Equity value". The results of the indicators are reported to the Risk Committee and the Assets and Liabilities Management Committee, which decide on actions to mitigate exposure to rate risk.

Repricing gaps

In order to determine the impact of interest rate movements, an analysis of repricing gaps is performed. The analysis consists of allocating the balances of the operations that will change the interest rate in different time gaps. Based on this analysis, the impact for each gap of the change in the valuation of assets and liabilities is calculated.

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The following table summarizes the Fund's exposure to interest rate risks. The Fund's financial and non-financial instruments are presented at carrying amount, classified by the period of the contract's interest rate repricing or maturity date, whichever occurs first:

<i>In thousands of soles</i>	2019						Total
	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Non-interest bearing	
Assets							
Cash and due from banks	1,478,953	-	-	-	60	-	1,479,013
Investments	-	1,282	9,000	148,549	84,112	-	242,943
Accounts receivable (Trust Agreement - COFIDE), net	40,817	80,561	370,668	2,505,818	4,500,211	-	7,498,076
Loan portfolio, net	32	64	298	1,962	33,610	-	35,966
Other accounts receivable, net	-	-	-	-	129,127	-	129,126
Hedging derivatives	-	-	-	-	-	166,325	166,325
Other assets, net	-	-	-	-	-	148,442	148,442
Total assets	1,519,802	81,907	379,966	2,656,329	4,747,120	314,767	9,699,891
Liabilities and equity							
Obligations to the public	-	-	223	-	-	-	223
Borrowings and financial obligations	-	47,585	166,101	288,115	133,390	-	635,191
Securities and bonds outstanding	-	-	-	3,709,141	574,898	-	4,284,039
Hedging derivatives	-	-	-	-	-	93,592	93,592
Other accounts payable, provisions and other liabilities	1,050,741	-	-	-	-	327,117	1,377,858
Equity	-	-	-	-	-	3,308,988	3,308,988
Total liabilities and equity	1,050,741	47,585	166,324	3,997,256	708,288	3,729,697	9,699,891
Off-balance sheet accounts:							
Hedging derivative financial instruments (assets)	-	-	-	-	-	2,672,752	2,672,752
Hedging derivative financial instruments (liabilities)	-	-	-	-	-	268,597	268,597
Marginal gap	469,061	34,322	213,642	(1,340,927)	4,038,832	(3,414,930)	-
Accumulated gap	469,061	503,383	717,025	(623,902)	3,414,930	-	-

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	2018						Total
	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Non-interest bearing	
<i>In thousands of soles</i>							
Assets							
Cash and due from banks	1,932,601	500,354	131,975	-	526	-	2,565,456
Investments	-	178,043	114,966	168,110	91,339	-	552,458
Accounts receivable (Trust Agreement - COFIDE), net	34,954	74,715	326,228	2,261,793	3,960,015	-	6,657,705
Loan portfolio, net	18	43	190	1,453	38,550	-	40,254
Other accounts receivable, net	-	-	-	-	116,682	-	116,682
Hedging derivatives	-	-	-	-	-	202,872	202,872
Other assets, net	-	-	-	-	-	129,678	129,678
Total assets	1,967,573	753,155	573,359	2,431,356	4,207,112	332,550	10,265,105
Liabilities and equity							
Obligations to the public	-	-	228	-	-	-	228
Borrowings and financial obligations	-	49,369	49,369	345,585	-	-	444,323
Securities and bonds outstanding	-	-	945,392	2,215,321	1,854,573	-	5,015,286
Hedging derivatives	-	-	-	-	-	57,081	57,081
Other accounts payable, provisions and other liabilities	-	-	-	-	-	1,446,741	1,446,741
Equity	-	-	-	-	-	3,301,446	3,301,446
Total liabilities and equity	-	49,369	994,989	2,560,906	1,854,573	4,805,268	10,265,105
Off-balance sheet accounts:							
Hedging derivative financial instruments (assets)	-	-	-	-	-	2,758,764	2,758,764
Hedging derivative financial instruments (liabilities)	-	-	-	-	-	271,296	271,296
Marginal gap	1,967,573	703,786	(421,630)	(129,550)	2,352,539	(4,472,718)	-
Accumulated gap	1,967,573	2,671,359	2,249,729	2,120,179	4,472,718	-	-

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Sensitivity to changes in interest rates

Following is the sensitivity of the statement of profit or loss, as well as the valuation of the non-trading book in the face of various interest rate fluctuations. Fluctuations affect both the expected flows and the value of the balances.

In the case of the statement of profit or loss, the calculation reflects the expected variation of the financial margin for a period equivalent to one year. In doing so, the Fund takes into account the current position of revenues and expenses and considers the annual effect of the interest rates variations. The figures express the expected change in the value of assets minus liabilities for various time gaps. Likewise, it includes the effect of the derivative financial instruments that are subject to interest rates.

The fluctuations in interest rates are applied equally all through the yield curve, which means that it considers a parallel move of the curve. The effects are considered independently for each of the two currencies presented.

The calculations are based on the interest rate risk regulatory model approved by the SBS in force at the date of the statements of financial position. The sensitivities are calculated before the Income Tax effect.

The interest rate exposure is overseen by the ALCO, as well as the RC, the latter being in charge of approving the permitted maximum limits.

The effects due to estimated changes in interest rates as of December 31 are the following:

<i>In thousands of soles</i>	2019				
	Changes in basis points	Profit or loss sensitivity		Equity sensitivity	
U.S. dollars	+/-25	+ / -	(275)	+ / -	(18)
U.S. dollars	+/-50	+ / -	(550)	+ / -	(37)
U.S. dollars	75	+	(824)	+	(55)
U.S. dollars	100	+	(1,099)	+	(73)
Soles	50	- / +	10,384	- / +	22,642
Soles	+/-75	- / +	15,576	- / +	33,963
Soles	+/-100	- / +	20,768	- / +	45,284
Soles	+/-150	- / +	31,152	- / +	67,925

<i>In thousands of soles</i>	2018				
	Changes in basis points	Profit or loss sensitivity		Equity sensitivity	
U.S. dollars	+/-25	+ / -	(197)	+ / -	(56)
U.S. dollars	+/-50	+ / -	(393)	+ / -	(113)
U.S. dollars	75	+	(590)	+	(169)
U.S. dollars	100	+	(787)	+	(225)
Soles	50	- / +	12,438	- / +	23,338
Soles	+/-75	- / +	18,656	- / +	35,007
Soles	+/-100	- / +	24,875	- / +	46,676
Soles	+/-150	- / +	37,313	- / +	70,014

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i. Foreign exchange risk

The exchange rate risk is related to the variation of the positions both on and off the statements of financial position that may be negatively affected by exchange rates movements.

Board of Directors sets limits to the exposure to foreign exchange risk and monitors them daily. Most assets and liabilities designated in foreign currency are held in US dollars.

Exchange rate risk is controlled as from an internal hedge limit, which is in the range of 95% and 105% percent with respect to the Fund's exchange position in foreign currency. Likewise, the Fund has an internal limit to the value at risk of the global position equal to 0.75% of its regulatory equity.

The Fund monitors foreign exchange risk through the internal limit of hedge on foreign currency exchange position. Regarding the maximum losses from adverse movements of the exchange rate, these are calculated using the value-at-risk internal model. In addition, the Fund uses the regulatory model and its methodological notes to measure these expected maximum losses (the methodology of the internal model is detailed in the Market Risk Policies Manual of the Fund).

The results of the regulatory and internal value at risk (at 99% confidence and with a 10-day settlement period) are shown below:

<i>In thousands of soles</i>	2019		2018	
Internal model	724	0.02%	1,099	0.03%
Global position	9,406	0.28%	57,718	1.75%

(*) On June 1, 2018, the Regulation for Market Risk Management, approved by SBS Resolution 4906-2017, which amended the Accounting Manual with respect to Annex 9 "Affected Positions at Risk", came into force. Exchange, replacing it with new Annex 9 "Results of Market Risk Measurement Models".

Transactions in foreign currency are accounted for by using the exchange rates prevailing on the market.

As of December 31, the weighted average free market exchange rate published by SBS for the accounting of foreign currency assets and liabilities accounts is as follows:

<i>In soles</i>	Symbol	2019	2018
U.S. dollars	US\$	3.314	3.3730
Euros	EUR	3.719415	3.860594
Swiss francs	CHF	3.426739	3.428192

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The table below presents the detail of the Fund's currency position as of December 31:

<i>In thousands of soles</i>	2019					2018				
	U.S. dollar	Soles	Euros	Swiss francs	Total	U.S. dollar	Soles	Euros	Swiss francs	Total
Assets										
Cash and due from banks	77,516	1,401,450	47	-	1,479,013	111,854	2,260,803	192,799	-	2,565,456
Available-for-sale investments	-	-	-	-	-	167,873	20,956	-	-	188,829
Held-to-maturity investments	210,704	32,239	-	-	242,943	326,254	37,375	-	-	363,629
Accounts receivable (Trust Agreement - COFIDE), net	96,717	7,401,359	-	-	7,498,076	134,666	6,523,039	-	-	6,657,705
Loan portfolio, net	107	35,859	-	-	35,966	128	40,126	-	-	40,254
Other accounts receivable, net	18,737	129,244	-	-	147,981	22,452	94,230	-	-	116,682
Hedging derivatives	619	165,706	-	-	166,325	1,314	201,558	-	-	202,872
Other asset accounts	101	129,486	-	-	129,587	17	129,661	-	-	129,678
	404,501	9,295,343	47	-	9,699,891	764,558	9,307,748	192,799	-	10,265,105
Liabilities										
Obligations to the public	-	223	-	-	223	-	228	-	-	228
Borrowings and financial obligations	118,516	-	516,676	-	635,192	-	-	444,323	-	444,323
Securities and bonds outstanding	2,173,376	2,110,662	-	-	4,284,038	3,042,899	1,972,387	-	-	5,015,286
Hedging derivatives	93,592	-	-	-	93,592	11,045	46,036	-	-	57,081
Other accounts payable	1,190	1,371,686	-	-	1,372,876	1,124	1,439,152	-	-	1,440,276
Other liability accounts	2,085	2,897	-	-	4,982	3,152	3,543	-	-	6,695
	2,388,759	3,485,468	516,676	-	6,390,903	3,058,220	3,461,346	444,323	-	6,963,889
Currency forward position, net	(268,597)	-	-	-	(268,597)	(192,030)	-	-	-	(192,030)
Currency swaps position, net	2,154,100	-	518,653	-	2,672,753	2,428,560	-	250,939	-	2,679,499
Net monetary position	(98,755)	5,809,875	2,024	-	5,713,144	(57,132)	5,846,402	(585)	-	5,788,685

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The Fund manages foreign exchange risk through the matching of its asset and liability operations, overseeing the global exchange position on a daily basis. The Fund's global exchange position is equivalent to the result of long positions minus short positions in currencies different to the sol. The global exchange position includes the spot positions and also the derivative positions.

Following are the sensitivities for U.S. dollar and euro variations. The negative variations represent potential losses, while the positive ones represent potential gains.

<i>In thousands of soles</i>	Changes in exchanges rates	2019	2018
Sensitivity analysis			
Revaluation			
U.S. dollar	5%	(571)	(2,857)
U.S. dollar	10%	(1,143)	(5,713)
Devaluation			
U.S. dollar	5%	571	2,857
U.S. dollar	10%	1,143	5,713

<i>In thousands of soles</i>	Changes in exchanges rates	2019	2018
Sensitivity analysis			
Revaluation			
Euros	5%	101	(29)
Euros	10%	202	(59)
Devaluation			
Euros	5%	(101)	29
Euros	10%	(202)	59

B. Liquidity risk

The liquidity risk consists of the Fund's inability to comply with the maturity of its obligations, thus incurring into losses that importantly affect its equity position. This risk may arise as result of diverse events such as: the unexpected decrease of funding sources, the inability to rapidly settle assets, among others.

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

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

Liquidity risk is managed through the analysis of contractual maturities. The main component of the Fund's assets are accounts receivable (Trust Agreement - COFIDE). The maturities are based on the monthly maturities of the loans made. Another component of the assets are held to maturity and available-for-sale investments, which are distributed according to contractual term.

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C. Credit risk

It is defined as the likelihood of incurring in financial losses originated by the breaching of the contractual obligations by a counterpart or bound third parties due to insolvency, inability or lack of willingness to pay.

The Fund opts for a risk policy that ensures sustained and profitable growth; for this purpose, incorporates analysis procedures for adequate decision-making, tools and methodologies to identify, measure, mitigate and control the different risks in the most efficient manner and in accordance with the SBS. It also develops management models that allow an adequate measurement, quantification and monitoring of the credits granted to IFI, promoting the continuous improvement of policies, tools, methodologies and processes.

The exposure to Fund's credit risk is managed through the continuous analysis of the capacity of the debtors to comply with the payments of interest and capital of their obligations and through the monitoring of the use of the general credit line granted to the IFI.

i. Maximum exposure to credit risk

As of December 31, 2019 and 2018, the Fund Management has estimated that the maximum amount of credit risk to which the Fund is exposed is represented by the carrying amount of financial assets that present a credit risk exposure and that consist mainly of bank deposits, available for sale investments, held to maturity investments, accounts receivable, loan portfolio, transactions with financial derivative instruments and other monetary assets. Exposure by each counterparty is limited by internal and regulatory guidelines.

In that sense, as of December 31, 2019 and 2018:

- 100% of the accounts receivable (Trust Agreement - COFIDE) are classified, according to IFI risk, into the two upper levels defined by the SBS (note 7).
- 89.60% and 90.35% of the loan portfolio are classified according to the risk of the sub borrower, in the two upper levels defined by the SBS (note 8).
- 79.19% and 93.42%, respectively, of the available-for-sale and held-to-maturity investments of the instruments classified abroad have at least a BBB- rating, for long-term instruments, or at least a CP-2 rating, for short-term instruments.
- 100% and 99.34%, respectively, of the Cash and due from banks represent the amounts deposited at domestic prime financial institutions.

With respect to the evaluation of the accounts receivable (Trust Agreement - COFIDE), and the loan portfolio, the Fund classifies the borrowers into the risk categories established by the SBS and according to the classification criteria indicated for each type of credit: that is, for the debtors of the mortgage portfolio. The classification of the debtors is determined by a methodology based on the criteria of Resolution SBS 11356-2008 "Regulation for the evaluation and classification of the debtor and the requirement of provisions" and their modifications (note 4.C and 4.D).

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ii. Credit risk management for accounts receivable (Trust Agreement - COFIDE)

Credit risk is managed mainly through the admission, monitoring and control of the IFI.

Credit risk analysis at the IFI is mainly based on: (i) economic, financial and commercial evaluation, (ii) market development evaluation, (iii) IFI management evaluation, (iv) funding sources evaluation and real estate projects to be developed, (v) evaluation of collateral and guarantee, (vi) economic sector evaluation.

The main functions of credit risk management are: (i) IFI credit risk analysis, (ii) IFI classification and allowance, (iii) review of accounts receivable (Trust Agreement – COFIDE) portfolio, through the evaluation of its credit policies, operating procedures, and in general, and (iv) the monitoring and monthly control of the IFI from internally defined financial indicators.

The accounts receivable (Trust Agreement – COFIDE) granted by the Fund are placed in national currency. It is important to note that the Fund still maintains accounts receivable (Trust Agreement – COFIDE) balances in US dollars, corresponding to products, which are no longer granted (as of December 31, 2019 and 2018, U.S. dollar portfolio represents 1.28% and 2.01% of the total portfolio, respectively).

As of December 31, 2019, and 2018, the maximum level of exposure to Fund's credit risk of the accounts receivable (Trust Agreement – COFIDE) is S/ 7,642,412 thousand and S/ 6,794,064 thousand, respectively, corresponding to their balances at those dates.

In accordance with the Agreement for Channeling of Resources signed between the Fund and the IFIs, the IFIs has responsibility about the constitution of mortgage guarantee for each sub borrowing.

Due to its fiduciary role, COFIDE has mechanisms through the Contracts of Channeling Resources signed with the IFIs, which ensure the mass of mortgage loans placed by the Fund, for which the IFI must respond.

The evaluation and proposal of the credit line is made by the Commercial Management. Risk Management reviews the proposal, analyses the risks, issues a conclusive opinion and submits the proposal to the Risk Committee for approval or rejection.

As of December 31, the Accounts Receivable (Trust Agreement - COFIDE) without CRC, classified by IFI risk are as follows:

<i>In thousands of soles</i>	2019		2018	
Standard	5,457,836	100.58%	4,369,600	98.61%
With potential problem	7,045	0.13%	95,059	2.15%
	5,464,881	100.71%	4,464,659	100.76%
Allowance for doubtful accounts (Trust Agreement - COFIDE)	38,434	(0.71%)	33,674	(0.76%)
	5,426,447	100.00%	4,430,985	100.00%

In addition, as of December 31, 2019, there is a balance of accounts receivable (Trust Agreement - COFIDE) without CRC for S/ 221,590 thousand for which a provision was recorded in relation to sub-borrower risk for S/ 10,056 thousand, which corresponds to the mortgage loan portfolio MIVIVIENDA of Financiera TFC in liquidation, due to the intervention of the SBS on December 12, 2019.

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iii. Credit risk management in investments

The Fund controls the credit risk of its investments based on the risk assessment of issuers and instruments. In the case of investments abroad, the assessment takes into account the ratings issued by international agencies as well as the country-risk of the issuer's country, which is assessed considering its main macroeconomic variables.

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

	2019				2018			
	Available-for-sale investments		Held-to-maturity investments		Available-for-sale investments		Held-to-maturity investments	
<i>In thousands of soles</i>								
Instruments issued and rated in Peru								
AAA	-	-	31,316	12.89%	-	-	31,796	8.74%
AA- to AA+	-	-	85,204	35.07%	-	-	94,049	25.86%
CP-1(+/-)	-	-	-	-	20,609	10.91%	4,503	1.24%
CP-2(+/-)	-	-	-	-	-	-	-	-
	-	-	116,520	47.96%	20,609	10.91%	130,348	35.85%
Instruments issued in Peru and rated abroad								
A- to A+	-	-	-	-	-	-	-	-
BBB- to BBB+	-	-	94,395	38.85%	-	-	155,130	42.66%
BB- to BB+	-	-	25,596	10.54%	-	-	25,866	7.11%
	-	-	119,991	49.39%	-	-	180,996	49.77%
Instruments issued and rated abroad								
BBB- to BBB+	-	-	2,992	1.23%	-	-	46,764	12.86%
CP-1(+/-)	-	-	-	-	-	-	-	-
CP-2(+/-)	-	-	-	-	165,276	87.53%	-	-
	-	-	239,503	98.58%	185,885	98.44%	358,108	98.48%
Accrued interest	-	-	3,440	1.42%	2,944	1.56%	5,521	1.52%
	-	-	242,943	100%	188,829	100%	363,629	100%

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iv. Financial instruments exposed to credit risk - Concentration

As of December 31, financial instruments with credit risk exposure are distributed according to the following economic sectors:

	2019					2018				
	At fair value through profit or loss					At fair value through profit or loss				
	Held-for-trading and hedging	Accounts receivable	Available-for-sale investments	Held-to-maturity investments	Total	Held for trading and hedging	Accounts receivable	Available-for-sale investments	Held-to-maturity investments	Total
<i>In thousands of soles</i>										
Financial services	166,325	8,998,397	-	94,819	9,259,541	202,872	9,249,268	185,885	177,876	9,815,901
Central Government	-	-	-	31,317	31,317	-	-	-	31,796	31,796
Power, gas, and water	-	-	-	84,734	84,734	-	-	-	118,354	118,354
Construction	-	-	-	28,633	28,633	-	-	-	30,082	30,082
Other	-	147,952	-	-	147,952	-	116,682	-	-	116,682
	166,325	9,146,349	-	239,503	9,552,177	202,872	9,365,950	185,885	358,108	10,112,815
Interest	-	14,686	-	3,441	18,127	-	14,147	2,944	5,521	22,612
	166,325	9,161,035	-	242,944	9,570,304	202,872	9,380,097	188,829	363,629	10,135,427

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As of December 31, the financial instruments exposed to credit risk according to geographic area are the following:

	2019					2018				
	At fair value through profit or loss					At fair value through profit or loss				
	Held-for-trading and hedging	Accounts receivable	Available-for-sale investments	Held-to-maturity investments	Total	Held for trading and hedging	Accounts receivable	Available-for-sale investments	Held-to-maturity investments	Total
<i>In thousands of soles</i>										
Peru	6,403	9,146,349	-	236,511	9,389,263	2,116	9,365,950	20,608	311,345	9,700,019
United States of America	77,478	-	-	-	77,478	95,919	-	-	-	95,919
Colombia	-	-	-	-	-	-	-	-	16,165	16,165
Chile	-	-	-	2,992	2,992	-	-	-	30,598	30,598
China	-	-	-	-	-	-	-	165,277	-	165,277
Germany	8,289	-	-	-	8,289	10,204	-	-	-	10,204
UK	74,155	-	-	-	74,155	94,633	-	-	-	94,633
	166,325	9,146,349	-	239,503	9,552,177	202,872	9,365,950	185,885	358,108	10,112,815
Interest	-	14,686	-	3,441	18,127	-	14,147	2,944	5,521	22,612
	166,325	9,161,035	-	242,944	9,570,304	202,872	9,380,097	188,829	363,629	10,135,427

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Following are the Fund's cash flows payable as of December 31, by agreed contractual maturity, the amounts disclosed are the undiscounted cash flows and include accrued interest.

<i>In thousands of soles</i>	2019					
	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Financial liabilities by type						
Obligations to the public	-	-	223	-	-	223
Borrowings and financial obligations	-	47,585	166,101	288,115	133,391	635,192
Securities and bonds outstanding	-	-	-	3,709,140	574,898	4,284,038
Other accounts payable	1,056,833	5,797	709	-	309,537	1,372,876
Total non-derivative financial liabilities	1,056,833	53,382	167,033	3,997,255	1,017,826	6,292,329
Derivatives financial liabilities (*)						
Contractual amounts receivable (inflow)	349,088	268,427	129,543	2,335,535	-	3,082,593
Paid contractual amounts (outflows)	(214,494)	(250,805)	(298,272)	(4,456,707)	-	(5,220,278)
	134,594	17,622	(168,729)	(2,121,172)	-	(2,137,685)
<i>In thousands of soles</i>	2018					
	Up to 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Total
Financial liabilities by type						
Obligations to the public	-	-	228	-	-	228
Borrowings and financial obligations	-	41,174	51,233	351,916	-	444,323
Securities and bonds outstanding	48,782	52,500	1,062,932	1,926,088	1,924,984	5,015,286
Other accounts payable	1,171,957	151	4,038	-	264,130	1,440,276
Total non-derivative financial liabilities	1,220,739	93,825	1,118,431	2,278,004	2,189,114	6,900,113
Derivatives financial liabilities (*)						
Receive contractual amounts (inflows)	16,614	310,509	342,995	2,453,812	-	3,123,930
Paid contractual amounts (outflows)	(46,602)	(322,143)	(382,345)	(2,407,369)	-	(3,158,459)
	(29,988)	(11,634)	(39,350)	46,443	-	(34,529)

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D. Capital management

As of December 31, 2019 and 2018, the Fund has complied with the mandates of Legislative Decree 1028 and SBS Resolutions 2115-2009, 6328-2009, 14354-2009, 8425 -2011, 4128-2014 and their amendments, which contain the Regulations for the Regulatory Capital Requirement for Operational, Market and Credit Risk, respectively, and amendments. These regulations mainly establish the methodologies to be used by the financial entities to calculate the requirements of regulatory equity.

26. Fair Value

Fair value is the amount for which an asset may be exchanged between a purchaser and a seller duly informed, or the amount for which the obligation between a debtor and a creditor may be settled with enough information, under terms of a freely negotiated transaction.

The fair value is a market-based measurement, so a financial instrument traded on an actual transaction in an active and liquid market has a price that supports its fair value. When the price for a financial instrument is not observable in an active market, fair value must be measured by applying other valuation technique, trying to maximize the use of relevant measurable variables and minimize the use of non-measurable variables.

To calculate the fair value of an instrument that is not listed on liquid markets, the market value of an instrument that is actively listed in the market and which has similar characteristics can be used or can be obtained by some analytical technique, such as analysis of discounted flows or valuation by market multiples.

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

- Financial instruments recorded at fair value - The fair value is based on market prices or some other methods of financial valuation. The positions valued at market prices are mainly investments traded on centralized mechanisms. The positions valued by some method of financial valuation include derivative financial instruments and instruments that may not have market prices in which case their fair value is mainly determined by using the market interest rate curves and the price vector provided by the SBS.
- Instruments whose fair value is similar to their book value – For the financial assets and liabilities that are liquid or have short-term maturities (less than three months), it is considered that the book value is similar to the fair value. This assumption is also applicable to term deposits, savings accounts without a specific maturity and variable interest rate financial instruments.
- Fixed rate financial instruments – Fair value of financial assets and liabilities maintained at fixed and variable interest rate at amortized cost are determined comparing market interest rates at initial recognition to current market rates related to similar financial instruments. In the case of quoted issued debt, the fair value is determined on the basis of the quoted market prices. The fair value of the loan portfolio and deposits and obligations, according to SBS Multiple Official Letter 1575-2014, corresponds to the carrying amount.

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i. Financial instruments measured at fair value and fair value hierarchy

The following table presents an analysis of the financial instruments that are measured at fair value as of December 31, including the level of the fair value hierarchy. The amounts are based on the balances presented in the statements of financial position:

<i>In thousands of soles</i>	2019				2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Available-for-sale investments	-	-	-	-	-	188,829	-	188,829
Hedging derivatives	-	166,325	-	166,325	-	202,872	-	202,872
	-	166,325	-	166,325	-	391,701	-	391,701
Financial liabilities								
Hedging derivatives	-	93,592	-	93,592	-	57,081	-	57,081

The financial assets included in Level 1 are those measured based on market observable data, to the extent that their quoted prices reflect an active and liquid market, and that are available in some centralized trading mechanism, trading agent, price supplier or regulatory entity.

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

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

During 2019 and 2018, the Fund has not transferred financial instruments from Level 3 to Level 1 or to Level 2.

ii. Financial instruments not measured at fair value

The table below shows a comparison of carrying amounts and fair values of the financial instruments not measured at fair value in the statement of financial position as of December 31:

<i>In thousands of soles</i>	2019		2018	
	Fair value	Carrying amount	Fair value	Carrying amount
Assets				
Cash and due from banks	1,479,013	1,479,013	2,565,456	2,565,456
Held-to-maturity investments	263,009	242,943	370,647	363,629
Accounts receivable (Trust Agreement - COFIDE), net	7,498,076	7,498,076	6,657,705	6,657,705
Loan portfolio, net	35,966	35,966	40,254	40,254
Other accounts receivable, net	147,981	147,981	116,682	116,682
	9,424,045	9,403,979	9,750,744	9,743,726
Liabilities				
Obligations to the public	223	223	228	228
Borrowings and financial obligations	635,192	635,192	444,323	444,323
Securities and bonds outstanding	4,284,038	4,284,038	5,119,926	5,015,286
Other accounts payable	1,372,876	1,372,876	1,440,276	1,440,276
	6,292,329	6,292,329	7,004,753	6,900,113

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27. Subsequent Events

Subsequent to December 31, 2019 and until the date of this report, no events have occurred that may require adjustment or disclosure to the Fund's financial statements as of December 31, 2019.



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Author

Ochoy@Kpmg.Com

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