KPMG

Fondo MIVIVIENDA S.A.

Financial Statements

As of December 31, 2020 and 2019

(including Independent Auditors' Report)

(TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN SPANISH)

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(TRANSLATION OF A REPORT ORIGINALLY ISSUED IN SPANISH)

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Fondo MIVIVIENDA S.A., which comprise the statement of financial position as of December 31, 2020 and 2019, and the statements of income, of comprehensive income, changes in shareholders' equity and cash flows for the years 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 for financial institutions in Peru by the Banking, Insurance and Pension Plan Agency (Superintendencia de Banca, Seguros y Administradoras Privadas de Fondos de Pensiones – SBS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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, 2020 and 2019, and its financial performance and its cash flows for the years then ended, in accordance with accounting standards established for financial entities in Peru by the SBS.

Lima, Peru

March 29, 2021

Countersigned by:

Caipo y Asociados

Eduardo Alejos (Partner)
Peruvian CPA Registration 29180

Fondo MIVIVIENDA S.A.

Financial Statements

As of December 31, 2020 and 2019

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(Translation of Financial Statements originally issued in Spanish)

Fondo MIVIVIENDA S.A.
Statement of Financial Position
As of December 31, 2020 and 2019

In thousands of soles	**Note**	**2020**	**2019**
Assets			
Cash and cash equivalents	*5*		
Banco Central de Reserva del Perú		1,840	5,799
Bank and other financial institutions		1,336,079	1,473,154
Other available funds		304	60
		1,338,223	**1,479,013**
Investments	*6*	220,002	242,943
Accounts receivable (Trust Agreement - COFIDE), net	*7*	7,883,453	7,498,076
Loan portfolio, net	*8*	28,478	35,966
Other accounts receivable, net	*9*	110,566	147,981
Hedging derivatives	*10*	394,937	166,325
Property, furniture and equipment, net	*11*	775	915
Deferred income tax asset, net	*24*	71,636	78,764
Other assets, net	*12*	52,535	49,908
Total assets		**10,100,605**	**9,699,891**
Contingent risks and commitments		30,887	46,071

In thousands of soles	**Note**	**2020**	**2019**
Liabilities			
Obligations with the public		205	223
Borrowings and financial obligations	*13*	944,611	635,192
Securities and bonds outstanding	*14*	4,736,106	4,284,038
Hedging derivatives	*10*	34,347	93,592
Accounts payable	*15*	1,060,719	1,372,876
Provisions and other liabilities	*15*	22,388	4,982
Total liabilities		**6,798,376**	**6,390,903**
Equity	*16*		
Capital stock		3,382,587	3,355,584
Reserves		30,087	27,087
Unrealized results		(113,973)	(103,686)
Retained earnings		3,528	30,003
Total equity		**3,302,229**	**3,308,988**
Total equity and liabilities		**10,100,605**	**9,699,891**
Contingent risks and commitments		30,887	46,071

The accompanying notes on pages 6 to 90 are an integral part of these financial statements.

(Translation of Financial Statements originally issued in Spanish)

Fondo MIVIVIENDA S.A.
Income Statement
For the years ended December 31, 2020 and 2019

In thousands of soles	***Note***	**2020**	**2019**
Interest income	*18*	489,071	526,897
Interest expense	*18*	(286,906)	(307,416)
Gross financial margin		**202,165**	**219,481**
Loss allowance for accounts receivable (trust agreement - COFIDE), net of reversals	*7*	(38,405)	(8,554)
Allowance for direct loans, net of reversal	*8*	(2,345)	2,032
Net financial margin		**161,415**	**212,959**
Income from financial services	*19*	5,314	5,224
Financial services expenses	*19*	(2,280)	(2,569)
Finance margin net of income and expenses for financial services		**164,449**	**215,614**
Result from financial transactions	*20*	(82,501)	(76,480)
Operating margin		**81,948**	**139,134**
Administrative expenses	*21*	(40,497)	(49,941)
Depreciation of items of property, furniture and equipment	*11*	(210)	(239)
Amortization of intangible assets	*12(b)*	(1,412)	(1,279)
Net operating margin		**39,829**	**87,675**
Valuation of assets and provisions			
Loss allowance for other accounts receivable	*9 (h)*	(28,930)	(50,682)
Reversal of provision for credit risk hedging - sold portfolio, net		474	1,012
Provision for litigations and demands		(643)	(265)
Other provisions		(140)	(408)
Operating profit		**10,590**	**37,332**
Other income and expenses, net	*22*	4,639	6,541
Profit before tax		**15,229**	**43,873**
Income tax	*23*	(11,701)	(13,870)
Net profit		**3,528**	**30,003**

The accompanying notes on pages 6 to 90 are an integral part of these financial statements.

(Translation of Financial Statements originally issued in Spanish)

Fondo MIVIVIENDA S.A.
Statement of Comprehensive Income
For the years ended December 31, 2020 and 2019

In thousands of soles	***Note***	**2020**	**2019**
Net profit		3,528	30,003
Other comprehensive income			
Net gain on available-for-sale investments	*16.C*	1,016	548
Net loss in cash flows hedges	*16.C*	(16,164)	(34,506)
Net gain on available-for-sale investments of trusts CRC – PBP	*16.C*	288	1,844
Income tax related to components of other comprehensive income	*16.C*	4,573	9,653
Other comprehensive income, net of taxes		**(10,287)**	**(22,461)**
Total other comprehensive income		**(6,759)**	**7,542**

The accompanying notes on pages 6 to 90 are an integral part of these financial statements.

(Translation of Financial Statements originally issued in Spanish)

Fondo MIVIVIENDA S.A.
Statement of Changes in Shareholders' Equity
For the years ended December 31, 2020 and 2019

In thousands of soles	**Number of shares**	**Capital stock (note 16.A)**	**Legal reserves (note 16.B)**	**Unrealized results (note 16.C)**	**Retained earnings**	**Total equity**
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 in cash flows hedges	-	-	-	(34,506)	-	(34,506)
Unrealized gain on available-for-sale investments of trusts CRC – PBP	-	-	-	1,844	-	1,844
Income tax	-	-	-	9,653	-	9,653
Total other comprehensive income	**-**	**-**	**-**	**(22,461)**	**30,003-**	**7,542**
Changes in equity (not included in comprehensive income)						
Apply to reserves	-	-	3,430	-	(3,430)	-
Capitalization of retained earnings	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**
Balance as of January 1, 2020	3,355,584	3,355,584	27,087	(103,686)	30,003	3,308,988
Net profit	-	-	-	-	3,528	3,528
Other comprehensive income						
Unrealized gain on available-for-sale investments	-	-	-	1,016	-	1,016
Unrealized loss in cash flows hedges	-	-	-	(16,164)	-	(16,164)
Unrealized gain on available-for-sale investments of trusts CRC – PBP	-	-	-	288	-	288
Income tax	-	-	-	4,573	-	4,573
Total other comprehensive income	**-**	**-**	**-**	**(10,287)**	**3,528**	**(6,759)**
Changes in equity (not included in comprehensive income)						
Apply to reserves	-	-	3,000	-	(3,000)	-
Capitalization of retained earnings	27,003	27,003	-	-	(27,003)	-
Balance as of December 31, 2020	**3,382,587**	**3,382,587**	**30,087**	**(113,973)**	**3,528**	**3,302,229**

The accompanying notes on pages 6 to 90 are an integral part of these financial statements.

Fondo MIVIVIENDA S.A.
Statement of Cash Flows
For the years ended December 31, 2020 and 2019

In thousands of soles	***Note***	**2020**	**2019**
Reconciliation of the net profit to cash and cash equivalents from operating activities			
Net profit of the period		3,528	30,003
Adjustments			
Foreign exchange adjustment and derivatives interest		(304,021)	38,552
Unpaid accrued interest of Borrowings and financial obligations		125,952	153,917
Depreciation and amortization		1,622	1,518
Loss allowance for accounts receivable (trust agreement - COFIDE), net of reversals		38,405	8,553
Allowance for direct loans, net of reversal		2,345	(2,032)
Loss allowance for other accounts, net of reversal		28,930	50,682
Deferred tax	*24*	(11,701)	17,737
Provisions for litigations and demands, and others		41,746	(7,752)
Unrealized profit or loss on exchange difference		141,977	(7,234)
Changes in assets and liabilities			
Net (increase) decrease in assets			
Time deposits		(839,005)	904,005
Accounts receivable (trust agreement - COFIDE)		(424,479)	(848,348)
Loan portfolio		3,946	4,974
Available-for-sale investments		-	188,676
Other accounts receivable		39,563	(83,663)
Other assets		(2,694)	(4,559)
Net increase (decrease) in liabilities			
Obligations with the public		1,326	(1,360)
Unsubordinated liabilities		749,363	(664,457)
Other accounts payable		314,858	(78,490)
Provisions and other liabilities		(17,209)	(660)
Net profit for the period after changes in assets, liabilities and adjustments		**(105,548)**	**(299,938)**
Income tax		-	1,750
Cash flows from operating activities		**(105,548)**	**(298,188)**
Cash flows from investing activities			
Purchase of property, furniture and equipment	*11*	(70)	(54)
Purchase of intangible assets		(1,784)	(2,234)
Proceeds from held-to-maturity investments		43,589	110,805
Net cash flows from investing activities		**41,735**	**108,517**
Net decrease in cash and cash equivalents before the effect of changes in exchange rate		**(63,813)**	**(189,671)**
Effects of changes in exchange rates on cash and cash equivalents		(141,977)	7,234
Net decrease in cash and cash equivalents		**(205,790)**	**(182,437)**
Cash and cash equivalents at the beginning of the year	*5*	1,479,013	1,661,450
Cash and cash equivalents at the end of the year	*5*	**1,273,223**	**1,479,013**

The accompanying notes on pages 6 to 90 are an integral part of these financial statements.

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 Law for Conversion of the Housing Mortgage Fund - Fondo MIVIVIENDA to Fondo MIVIVIENDA S.A. and its by-laws. The Fund is included in the National Fund for Financing State Enterprise Activity – FONAFE under the Ministry of Housing, Construction and Sanitation (MVCS). Law 28579 disposed the conversion of Mortgage Fund for the Promotion of Housing – Fondo MIVIVIENDA into a corporation named 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 acquisition, improvement and construction of homes, especially social interest housing. Likewise, it is engaged in the promotion of capital flow to the housing finance 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 Banking, Insurance and Pension Plan Agency (Superintendencia de Banca, Seguros y AFP – SBS), by means of SBS Resolution 980-2006 "Regulation for the Fund".

The Fund manages the following programs and resources:

i. MIVIVIENDA Program.
ii. Techo Propio Program - Management of the Household Housing Bonus (BFH), commissioned by the MVCS.
iii. Resources of the Fund-Law 27677, commissioned by the Ministry of Economy and Finance (MEF).

The characteristics of each program and resource are as follows:

i. Fondo MIVIVIENDA Program

The Trust Agreement with Corporación Financiera de Desarrollo S.A. (COFIDE) allows the Fund to channel resources through the financial institutions that are part of the Peruvian Financial System for the granting of mortgage loans, which has the Good Payer Award (PBP, for its Spanish acronym), the Good Payer Bonus (BBP, for its Spanish acronym), the Credit Risk Hedging (CRC, for its Spanish acronym), and Sustainable Bonus MIVIVIENDA (BMS, for its Spanish acronym).

The following products form part of Fondo MIVIENDA program:

- New MIVIVIENDA loan
- Loan - MICONSTRUCCIÓN (*)
- Loan - MICASA MÁS (*)
- Loan - MITERRENO
- Loan - MIHOGAR (*)
- Standardized loan - MIVIVIENDA (*)
- Traditional loan - MIVIVIENDA (*)
- Supplementary financing loan Techo Propio, complementary financing to the BFH
- CRC service and PBP (*)

(*) As of December 31, 2020, and 2019, these products have been discontinued; the balances correspond only to outstanding receivable balances (note 7). The loans MICONSTRUCCIÓN and MICASA MAS were repealed by Board of Directors' Meeting 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 standardized loan MIVIVIENDA were discontinued in November 2009, loan MIHOGAR was discontinued in August 2009 and traditional loan MIVIVIENDA was discontinued since May 2006.

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 equivalent to one-third (1/3) of the total registered by each Financial Intermediaries (FIs) that contracts such service. These trusts are governed by SBS Resolution 980-2006 which approves the Regulations for the Fund.

Under the service agreements with the CRC-PBP trusts, the Fund provides the FIs with the following services:

- CRC service, as defined by article 21 of the Fund Regulation, is a guarantee the Fund provides to the FIs 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.

- PBP service, defined in article 24 of the CRC and PBP Regulations as the service provided to the FIs, by which the Fund assumes the payment of the fees corresponding to the concessional tranche (amount of the PBP) at the expense of the covered credits beneficiaries who have complied with the timely payment of the installments corresponding to the non-concessional tranche. This award is aimed to settle – every six months – the amount of the installment payable in the corresponding period for the concessional tranche of the MIVIVIENDA loans.

ii. Techo Propio Program – Management of the BFH

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

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

In all forms, housing finance within this program involves the participation of up to three components:

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

According to the Third Temporary Provision of Law 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 Management Agreement of the BFH and the Techo Propio program funds, under which the Fund is responsible for managing both the BFH and the Techo Propio Program resources. It includes the promotion, registration, recording and verification of information, the qualification of applicants, 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 27677

The Fund was entrusted with the management, reimbursement and channeling of resources resulting from the liquidation of the National Housing Fund – FONAVI, according with Law 27677, dated March 1, 2002.

Law 29625, effective December 8, 2010, decreed the reimbursement of contributions to workers who contributed to FONAVI. Article 4 of Law 29625 contemplates the constitution of an Ad Hoc Committee, which shall be responsible for conducting and supervising all procedures related to the reimbursement of contributions to FONAVI. The constitution of the Ad Hoc Committee was approved on September 24, 2012, through Ministerial Resolution 609-2012-EF/10. Pursuant to 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 management 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.

C. Economic activity during the national state of emergency

On March 15, 2020, the Peruvian government declared, through Supreme Decree 044-2020-PCM, a national state of emergency due to the serious circumstances affecting people's life as a result of the COVID-19 outbreak. At of reporting date, the national state of emergency has been extended until September 2, 2021. As a consequence, the SBS and the Central Reserve Bank of Peru (BCRP, for its Spanish acronym), in coordination with the MEF, activated a package of preventive measures focused on mitigating the impact of debtors who fail to comply with obligations due to the limitation of their displacement within and outside the national territory, and the inoperability of certain economic sectors; as well as measures focused on ensuring the continuity of the payment chain in the country.

During this period, the Fund continued operations. The Fund's operating conditions were adapted to the safety protocol to safeguard the health of its employees. The following measures were established: remote work, verifying that the employees' computers have the necessary conditions through the use of the VPN and remote desktop control with the permanent support of the IT department; minimum attendance to the offices; cleaning and disinfection of the offices; and, support and awareness programs for the prevention of contagion.

D. Approval of the financial statements

The financial statements as of December 31, 2020 were approved by management and the Board of Directors on January 13, 2021 and will be submitted for corresponding approval to the General Stockholders’ Meeting within the terms established by Law. In management's opinion, the General Stockholder's Meeting will approve the accompanying financial statements without amendments.

The General Stockholders' Meeting, held June 30, 2020 approved the financial statements as of December 31, 2019.

2. Trust Agreement – COFIDE

On March 25, 1999, a Trust Agreement was signed between Fondo MIVIVIENDA S.A., former Mortgage Fund for the Promotion of Housing – Fondo MIVIVIENDA, and COFIDE. The Trust Agreement's purpose was the creation of a trust by means of which COFIDE receives the resources from the Fund and performs as the executing agency thereof. COFIDE channels through the FIs the funds to the ultimate beneficiaries that intend to use such funds for the acquisition, expansion or improvement of homes and residences, in accordance with Article 12 of Supreme Decree 001-99-MTC Regulation on the Fund.

The main liabilities of COFIDE are as follows:

- Compliance with Articles 241 to 274 of Law 26702 "General Law of the Financial and Insurance Systems and SBS Organic Law" and its amendments (hereinafter the Banking Law);
- Verifying compliance with fis requirements and conditions according to Supreme Decree 001-99–MTC;
- Signing the Resources Intermediary Agreement with the fis that have fulfilled the corresponding requirements and conditions;
- Monitoring the use of resources, according to the provisions of the Fund's Regulation and the Resources Intermediary Agreement;
- Collecting the loans granted to the FI's;
- Contracting the necessary audit services covered by the Fund;
- Periodically submitting reports on the development of the Trust Agreement, as well as recommendations for exposure limits of the fis;
- Establishing operating procedures necessary for the proper management of the funds; and
- Other duties necessary to ensure the normal development of the Trust Agreement activities.

On May 18, 2012, the Fund signed Addendum 1 to the Trust Agreement annulling the obligation of COFIDE to issue recommendations on exposure limits of the FIs with the Fund, since the Fund is a corporation supervised by the SBS. SBS Resolution 3586-2013, states that 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 loans concentration to FIs, taking into account factors such as the regulatory capital size, risk rating and risk-weighted regulatory capital ratio.

The main liabilities of the Fund are as follows:

- Establishing the policies for the management and use of the Fund's resources;
- Approving eligibility criteria of the fis that will receive resources from the Fund for financing the acquisition of homes and the borrowing limits for each of them; and
- Establishing terms and conditions under which the Fund shall make available to the fis the resources and the mode of resource allocation.

The main faculties of COFIDE are as follows:

- Intermediating and monitoring the Fund's resources, being able to enter into all public and private deeds and documents necessary for that purpose;
- The fis shall require collateralization of the ultimate beneficiaries;
- Exercising all the powers contained in Articles 74 and 75 of the Code of Civil Procedure 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 in the process; and
- It is stated that COFIDE is not responsible for the solvency of the FIs.

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

On December 30, 2016, the Addendum 2 to the Trust Agreement was signed in order to modify the fees for the services provided by COFIDE and modify the term of the Trust Agreement, as follows:

The two fees for the services provided by COFIDE, effective January 2, 2017, are the following:

- A monthly fee on the trust agreement payable by the Fund amounting to S/ 10 thousand plus sales tax. This fee shall be collected on the last business day of each month covered by the Fund's resources; and
- An annual collection fee equivalent to 0.23% effective to rebate on outstanding balances for accounts receivable beginning January 2, 2017 and covered by the FIs. This fee shall be collected on collection dates of loan installments granted by the FIs.

The term of the trust agreement will be 3 years from January 2, 2017, and will be automatically renewed if, within 30 days prior to its expiration, none of the parties expresses its will to terminate the agreement. At of reporting date, the Trust Agreement is in force.

3. Basis of Preparation of the Financial Statements

A. Statement of compliance

The accompanying financial statements have been prepared based on the Fund's accounting records and are presented in accordance with current regulations and accounting principles authorized by the SBS. In the absence of such applicable SBS regulations, 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 IFRSs, 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

The financial statements have been prepared on a historical cost basis, except for those items related to derivative instruments, which are measured at fair value:

- Derivative instruments
- Financial instruments measured at FVTPL; and
- Available-for-sale financial assets.

C. Functional and presentation currency

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

D. Use of judgments and estimates

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

The accounting estimates and judgments used are reviewed on an ongoing basis. Adjustments arising from the review of the accounting estimates are prospectively recognized.

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

- Determination of fair value of investments;
- Loss allowance for accounts receivable (trust agreement - cofide);
- Provision for direct loan losses;
- Provision for realizable, received as payment and repossessed assets;
- Provision for employee benefits;
- Useful life of property, furniture, and equipment, and intangible assets;
- Provision for income tax;
- Determination of the fair value of derivative instruments; and
- Impairment of non-monetary items.

E. New accounting pronouncements

i. New accounting pronouncements issued but not yet adopted

The following standards are applicable to annual periods beginning on or after January 1, 2021 and have not been applied in preparing these financial statements. Those that might be relevant to the Fund are detailed below.

Amendments to IFRSs	Effective date
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	Annual periods beginning on or after January 1, 2022 to existing contracts on the adoption date. Early adoption is permitted.
Annual Improvements to IFRS Standards 2018-2020.	Annual periods beginning on or after January 1, 2022. Early adoption is permitted.
Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16)	Annual periods beginning on or after January 1, 2022. Early adoption is permitted.
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Effective date deferred indefinitely.
Reference to the Conceptual Framework (Amendments to IFRS 3)	Annual periods beginning on or after January 1, 2022. Early adoption is permitted.
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	Annual periods beginning on or after January 1, 2021. Early adoption is permitted.

ii. Resolutions and standards issued by the CNC and the Superintendence of Securities Market (SMV) concerning the approval and adoption of IFRSs in Peru

As of the date of the financial statements, the CNC through:

- Resolution 001-2020-EF/30, issued July 17, 2020, formalized amendments to IAS 1 Presentation of Financial Statements and the IFRSs 2020 edition, which References to the Conceptual Framework in IFRS Standards and amendments to IFRS 16 *Leases* (COVID-19-Related Rent Concessions).

  Resolution 002-2020-EF/30, issued September 10, 2020, formalized amendments to IAS 16 *Property, Plant and Equipment*, IFRS 3 *Business Combinations*, IFRS 4 *Insurance Contracts*, IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments* and IAS 41 *Agriculture*.

As indicated in note 3.A, the standards and interpretations detailed in i. and ii. shall only be applicable to Fund in the absence of applicable SBS regulations for situations not covered in the Accounting Manual. Management has not determined the effects on the preparation of its financial statements since those standards have not been authorized by the SBS.

iii. IFRSs issued by the IASB for annual periods beginning on or after January 1, 2020

- *Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards.*
- *Amendments to References to the Conceptual Framework in IFRS Standards.*
- IFRIC 3 *Definition of a Business.*
- *Definition of Material* (Amendments to IAS 1 and IAS 8).

Clarifications to the application of IFRS 16 Leases
SBS Official Letter 467-2019-SBS, dated January 7, 2019, stated that IFRS 16 *Leases* shall not be applied to supervised entities until the relevant provisions are established; therefore, supervised entities shall continue to apply IAS 17 *Leases*.

iv. Main pronouncements issued by the SBS in the year 2020
In 2020, the SBS issued a number of statements that impact the Fund's accounting records as detailed:

- SBS Official Letter 10997-2020-SBS, dated March 13, 2020, established the application of SBS Official Letter 5345-2010-SBS to amend the loan agreements with customers and not consider such amendments as refinancing. Such amendments shall be effective only if the customer does not have delay of loam payments when the national state of emergency was established.

- SBS Official Letter 11150-2020-SBS, dated March 16, 2020 and effective March 17, 2020, established that the loans' terms and conditions could be modified without be in contact with the customer, without refinancing (or impairment of the credit rating), provided that the loans total term is not extended for more than 6 month of the original term, and that the debtors do not have delay of loans payments when the national state of emergency was established.

- SBS Official Letter 11170-2020-SBS, dated March 2020, established that to apply the amendments of SBS Official Letter 10997-2020-SBS and 11150-2020-SBS, a customer shall not have delay of loan payments; namely, the loan payment shall not be more than 15 days past due as of February 29, 2020. For those customers whose loan payments have more than 15 days past due as of February 29, 2020, the past due days count reported as of such date shall be suspended during the national state of emergency. SBS Official Letter 11170-2020-SBS, dated March 2020 and effective March 21, 2020, established that if the retailer loans become past due past due after the payment obligation of the new schedule is resumed, the company must return the uncollected accrued revenue, having a 6-month period to proportionally conduct such return.

- SBS Official Letter 12679-2020-SBS, dated May 5, 2020, established complementary prudential measures related to the national estate of emergency as detailed:

  (i) Financial institutions will be able to modify the contractual conditions for the first time to loan agreements until May 31, 2020, whether the requirements established by SBS Official Letter 11170-2020-SBS are met.

(ii) In relation to the proportional return of uncollected accrued revenue, referred to in SBS Official Letter 11170-2020-SBS, which specifies that it is applicable to retail loans that change to the past due accounting situation after the payment obligation is resumed according to the new schedule. Such convenience will be applicable only for those loans that change their accounting status to past due for the first time since the payment obligation is resumed. Likewise, such proportional return shall be applicable for loans that change their accounting status to past due as of March 31, 2021.

- SBS Official Letter 13195-2020, dated May 19, 2020 and effective May 9, 2020, establishes that in a preventive and responsible manner, the financial institutions must make the best effort to permanently evaluate the possibilities of recovery of rescheduled operations, as well as constitute the necessary voluntary provisions that allow them to face the increases in risk in such portfolios, when they materialize.

- SBS Official Letter 13805-2020-SBS, dated May 29, 2020, established complementary prudential measures related to the national estate of emergency as detailed:

  (i) Financial institutions shall make the unilateral modification of the contractual conditions of the retail portfolios and medium-sized companies for the first time, provided that their loan payments are not past due when the national state of emergency was established, or have a maximum of 15 days past due as of February 29, 2020.

  (ii) The total term of the loans subject to the modifications of the contractual conditions referred to in numeral (i) above, may not be extended for more than twelve (12) months of the original term. The schedule extension may be applicable to all loans that have been subject to modification, since the issuance of SBS Official Letter 11150-2020-SBS.

  (iii) For contractual modifications that are made from the date on, and solely for the purposes of the national state of emergency, it will be considered that a loan is a maximum of 30 days past due at the time of the modification to comply with the requirement of not being delay on loan payments and do not be past due as of the date of the contractual modifications.

  (iv) As of June 1, 2020, in the case of new contractual modifications of revolving loans for credit cards, those that only consider an extension or grace period for the minimum payment will not apply, and the full debt must be considered in a new schedule to be framed in the provisions of this Official Letter.

  (v) In the case of loans that as of February 29, 2020 were more than 15 and up to 60 days past due, said suspension of the calculation of past due days will continue until the end of the month following the lifting of the national state of emergency.

- SBS Official Letter 15944-2020-SBS, dated July 2, 2020, established complementary prudential measures related to the national estate of emergency as detailed: It specifies the suspension of past due days count applicable to those credits that were more than 15 days past due as of February 29, 2020, which must be maintained only until July 31, 2020.

- SBS Official Letter 19109-2020-SBS, dated August 7, 2020, established complementary prudential measures related to the national estate of emergency as detailed (Supreme Decree 044-2020-PCM):

  - The conditions under which a loan should cease to be considered a rescheduled loan within the economic support programs given due to the national state of emergency for COVID-19.

  - Accounting method for interest income recognition of rescheduled loans that migrate from one type of retail credit to another non-retail one, or vice versa, due to the credit rating process. In these cases, financial institutions must apply the accrual or received method, corresponding to the type of initial loan in which the operation was modified.

  - Regarding the suspension of the calculation of past due days reported as of February 29, 2020, it must be maintained until August 31, 2020. Likewise, financial institutions can maintain the accounting situation of such loans until the same date, overruling the provision of Numeral 1 of SBS Official Letter 15944-2020-SBS.

- SBS Official Letter 42138-2020-SBS, dated December 13, 2020, established measures related to the reduction of capital, legal reserve and/or other equity accounts in order to constitute new generic and specific provisions (including voluntary provisions) for the loan portfolio, after compliance with and review of the provisions set forth in the SBS Official Letter.

- SBS Resolution 3155-2020-SBS, dated December 17, 2020, modifies the Regulation on Debtor Risk Assessment and Credit Rating, and Provision Requirements according to the following dispositions:

  (i) Loans rescheduled due to the SBS prudential measures established during the national state of emergency classified as Standard, should be subject to provisions as if they were classified as "With potential problems (CPP, for its Spanish acronym)".

  (ii) The accrued interests of the consumer, micro-business and small-business portfolios for which payment of an installment, including capital, has not been received, in the last 6 months, provisions must be applied according to the percentages classified as Substandard.

  (iii) These provisions should not affect the classification of the debtor to be reported.

  (iv) Uncollected accrued interest that is capitalized within the new rescheduled schedule must be recorded as deferred revenue and recognized throughout the term of the rescheduled schedule.

  (v) These regulations will not apply to agricultural loans or loans under any government program.

4. Accounting Principles and Practices

A. Financial instruments

A financial instrument is classified as asset, liability, or equity according to the contract that gave rise to the financial instrument. Interest, dividends, gains and losses generated by a financial instrument classified as an asset or a liability are recorded as income or expense.

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

The financial assets and liabilities presented in the statement of financial position correspond to cash and cash equivalents, investments, accounts receivable (Trust Agreement - COFIDE), loan portfolio, other accounts receivable, Obligations with the public, Borrowings and financial obligations, securities and bonds outstanding, other accounts payable and other liabilities in general. Likewise, all derivatives are considered as financial instruments.

As of December 31, the classification for the Fund's financial assets and liabilities is as follows:

	Financial assets and liabilities measured at fair value					
In thousands of soles	**Held for trading and hedging**	**Loans and accounts receivable**	**Available-for-sale investments**	**Held-to-maturity investments**	**Financial liabilities measured at amortized cost**	**Total**
As of December 31, 2020						
Financial assets						
Cash and cash equivalents	-	1,338,223	-	-	-	1,338,223
Investments	-	-	24,788	195,214	-	220,002
Accounts receivable (trust agreement - COFIDE), net	-	7,883,453	-	-	-	7,883,453
Loan portfolio, net	-	28,478	-	-	-	28,478
Other accounts receivable, net	-	110,566	-	-	-	110,566
Hedging derivatives	394,937	-	-	-	-	394,937
	394,937	**9,360,720**	**24,788**	**195,214**	**-**	**9,975,659**
Financial liabilities						
Obligations with the public	-	.	-	-	205	205
Borrowings and financial obligations	-	.	-	-	944,611	944,611
Securities and bonds outstanding	-	-	-	-	4,736,106	4,736,106
Hedging derivatives	34,347	-	-	-	-	34,347
Other accounts payable	-	-	-	-	1,060,719	1,060,719
	34,347	**-**	**-**	**-**	**6,741,641**	**6,775,988**

In thousands of soles	Financial assets and liabilities measured at fair value Held for trading and hedging	Loans and accounts receivable	Available-for-sale investments	Held-to-maturity investments	Financial liabilities measured at amortized cost	Total
As of December 31, 2019						
Financial assets						
Cash and cash equivalents	-	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**

B. Recognition of revenue and expenses

i. Interest income and Expense

Interest income and expense are recognized in profit or loss for the period on an accrual basis, depending on the term of the generating transactions and the interest rate agreed upon with the customers. Likewise, accounting treatment for interest income from accounts receivable (trust agreement - COFIDE) and direct loan portfolio is as follows:

- ***Interest income from accounts receivable (trust agreement - COFIDE)***

Since the Fund grants credit lines to the FIs for the channeling of resources, which disbursement is conducted through the Trust Agreement - COFIDE, and not when they are placed to the ultimate beneficiary, in accordance with the provisions of the SBS Accounting Manual for financial institutions, the accrued interest by these disbursements are recorded according to the accrual criterion, and no suspended interest is recognized in accordance with the accounting treatment stipulated by the SBS for the Fund.

- ***Revenue from loan portfolio interest***

Revenue from loan portfolio interest is recognized in profit or loss of the period in which they are accrued, based on the effective term of transactions generating them and on the interest rates freely agreed upon with customers, except for interest on past due, refinanced, restructured and under legal collection loans, as well as loans rated as "doubtful" or "loss", which is recognized as earned when it is paid. If management determines that the borrower's financial condition has improved and the credit is reclassified to the current situation and/or to the "standard," "with potential problems" or "substandard" categories, interest is recognized on an accrual basis again.

ii. Good payer award and bonus

In accordance with the accounting treatment accepted by SBS for the Fund, the BBP and PBP, including their interest, are recognized as follows:

- The BBP was created in compliance with Law 29033, dated June 7, 2007, as a non-repayable direct aid payable to eligible ultimate beneficiaries for a maximum of S/ 13 thousand, since April 22, 2010 (S/ 10 thousand before such date), which is granted to borrowers who have complied with promptly settlement of six consecutive monthly installments of the non-concessional tranche of MIVIVIENDA loan. For these purposes, the Fund divides the total amount of MIVIVIENDA loan disbursement plus its related interest into 2 schedules:

  - A semi-annual amortization schedule named "concessional tranche" corresponding to total of the BBP (capital and interest); and
  - A monthly amortization schedule named "non-concessional tranche" corresponding to total amount of MIVIVIENDA loan disbursement, less the amount of the concessional tranche (capital 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 as a liability in 'BBP (capital) received from MVCS' of 'other accounts payable', in the statement of financial position.

  When the MIVIVIENDA loan is disbursed, the Fund records the total amount disbursed in 'accounts receivable (Trust Agreement - COFIDE)' and generates the two aforementioned amortization schedules.

  The interest of both tranches is recognized on an accrual basis, based on the preferential rates agreed with the FIs with whom agreements have been signed, recognizing the accrued interest as finance income.

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

- In the cases where the BBP is directly assumed by the Fund, namely, when the requirements of Law 29033 and its amendments are not met–i.e., where the value of the house to acquire is greater than 25 tax units or when the bonus is granted with the Fund's own resources, among others, it is called 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; such amount varies depending on the type of loan granted.

- Emergency Decree 002-2014, published on July 28, 2014, in Article 14.2, established that for the granting of BBP the value of the houses should be between 14 and 50 tax units. The BBP shall be used as a non-reimbursable financial support up to S/ 13 thousand. For such 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 settlement purposes, as established in the loan agreement.

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

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

- Applied to finance the PBP, for an amount of S/ 10 thousand for housing values between 14 and 25 tax units, for MIVIVIENDA loans granted from January 1 to July 28, 2014. From July 29, 2014, financing for an amount of S/ 13 thousand for housing values between 14 and 50 tax units.

- Applied as a complement to the initial payment, the BBP will serve as a complement to the contribution of the ultimate beneficiaries to reach the minimum initial payment required and is applied when the loans is disbursed; therefore, it is not part of the loan.

▪ The guidelines of Supreme Decree 003-2015-VIVIENDA, published on January 22, 2015, established a graded application of the BBP 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
From 17 to 20 tax units	16
From 20 to 35 tax units	14
From 35 to 50 tax units	13

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

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

- BBP granted to finance the 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 and 50 tax units, corresponding to the previous PBP modality, which was set at S/ 13 thousand.

▪ Supreme Decree 001-2017, dated January 13, 2017, modified the Regulation of Law 29033, Law to create the BBP, approved by Supreme Decree 003-2015, in which the following graded application of the BBP was established:

In thousands of soles	**BBP value**
Housing value	
From 20 to 30 tax units	14
From 30 to 38 tax units	13

For these purposes, the Fund had the modality of applying the BBP as a complement to the initial installment, which served as a complement to the contribution of the beneficiaries to reach the minimum initial installment required and is applied at the time of the loan disbursement to the FIs; therefore, it is not part of the loan.

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

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

In thousands of soles	**BBP value**	**Total of BBP**
Housing value (CPI)		
From S/ 57 to S/ 81 thousand	4.19753	17
From S/ 81 to S/ 122 thousand	3.45679	14
From S/ 122 to S/ 203 thousand	3.08642	13
From S/ 203 to S/ 300 thousand	0.74074	3

- Supreme Decree 002-2018, dated June 24, 2019, modified the Regulation of Law 29033, approved by Supreme Decree 017-2017. The values of housing and BBP were established as follows:

In thousands of soles	**BBP value**	**Total of BBP**
Housing value (CPI)		
From S/ 58 to S/ 82 thousand	4.19753	18
From S/ 82 to S/ 123 thousand	3.45679	14
From S/ 123 to S/ 205 thousand	3.08642	13
From S/ 205 to S/ 304 thousand	0.74074	3

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

In thousands of soles	**BBP value**	**Total of BBP**
Housing value (CPI)		
From S/ 59 to S/ 84 thousand	4.19753	18
From S/ 84 to S/ 123 thousand	3.45679	15
From S/ 123 to S/ 210 thousand	3.08642	13
From S/ 210 to S/ 311 thousand	0.74074	3

- Supreme Decree 003-2020, dated January 24, 2020, modified the Regulation of Law 29033, approved by Supreme Decree 017-2017. The values of housing and BBP were established as follows:

In thousands of soles	**BBP value**	**Total of BBP**
Housing value (CPI)		
From S/ 60 to S/ 86 thousand	4.19753	18
From S/ 86 to S/ 128 thousand	3.45679	15
From S/ 128 to S/ 214 thousand	3.08642	13
From S/ 214 to S/ 317 thousand	0.74074	3

- At reporting date, the BBP is in force under guidelines of Supreme Decree 007-2020, dated May 16, 2020, which amended the Regulation of Law 29033, approved by Supreme Decree 003-2020. The values of housing and BBP were established as follows:

In thousands of soles	**BBP value**	**Total of traditional BBP**	**Total of Sustainable BBP**
Housing value (CPI)			
From S/ 60 to S/ 86 thousand	4.19753	24	5
From S/ 86 to S/ 128 thousand	3.45679	20	5
From S/ 128 to S/ 214 thousand	3.08642	18	5
From S/ 214 to S/ 317 thousand	0.74074	7	5

- These BBP values will be updated due to tax unit variation, rounded up to the nearest thousand. 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 thousand.

- When the BBP becomes effective, namely, when the ultimate beneficiary has made the timely payment of six consecutive monthly installments, the Fund credits the accounts receivable (capital) of the installments of the concessionary tranche charged to the liability for the 'BBP (capital) assigned to COFIDE,' note 7. Interest of the concessional tranche installment are recognized as an expense of the Fund and is presented net of 'Income from accounts receivable (Trust Agreement – COFIDE)' of the 'interest income' of the statements of profit or loss (note 18).

- The PBPs 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:

In thousands of soles	**BBP value**
Housing value	
From 50 to 70 tax units	5

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

  - PBP, as a complement to the initial installment, which will serve as a complement to the contribution of the beneficiaries to reach the required minimum initial installment, and is applied at the time of the loan disbursement; therefore, it is not part of the loan.

  - 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 semi-annual basis.

  Board of Director's Meeting 04-16D-2017, held July 3, 2017, approved the modification of the housing values and PBP value as a complement to reach the minimum initial installment required to the beneficiary for mortgage loan purposes according to the following detail:

In tax units	**PBP value**	**Total of PBP**
Housing value		
From S/ 203 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 of Directors' Meeting 04-03D-2018, held February 8, 2018, according to the following:

Year 2018

In tax units	**PBP value**	**Total of PBP**
Housing value		
From S/ 205 to S/ 304 thousand	0.74074	3

Year 2019

In tax units	**PBP value**	**Total of PBP**
Housing value		
From S/ 210 to S/ 311 thousand	0.74074	3

Year 2020

In tax units	**PBP value**	**Total of PBP**
Housing value		
From S/ 214 to S/ 317 thousand	0.74074	3

The PBP, as a complement to the initial installment of the mortgage loan, will continue being hedge by the Fund which will be added to the BBP in the same range of housing values that is in force. Likewise, the PBP will be updated by the tax unit variation, rounded up to the nearest thousand. The application amount as of December 31, 2020 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 housing value of the prior year multiplied by the annual change in the CPI of Metropolitan Lima, rounded up to the nearest thousand.

- When the PBP-assigned is granted using the Fund's resources to the ultimate beneficiary, who complied with conditions settled, the Fund records such amounts as expenses. Consequently, the accounts receivable (capital) of the concessional tranche installments are reduced and recorded in 'interest expenses' of the statement of profit or loss; while interest, as in the previous case, is recognized as an expense and is recorded net of the 'Income from accounts receivable (Trust Agreement – COFIDE)', in 'interest income' of the statement of profit or loss (note 18).

- Board of Directors' Meeting 02-12D-2015, dated June 16, 2015, approved the creation of the BMS, which is applicable to MIVIVIENDA loans. The BMS is an additional attribute of MIVIVIENDA loans, which consists of direct non-reimbursable financial assistance granted to people to access sustainable housing with the MIVIVIENDA loan through the FIs. This attribute increases the amount of the initial installment, as an additional benefit to those provided by MIVIVIENDA products such as the BFH, BBP and PBP as a complement to the initial installment, according to the following detail:

	Level 1	**Level 2**
Total financing		
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 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 bonus level, and the BMS is obtained.

It may be granted in addition to the BFH, BBP and/or PBP 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 loan to acquire 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 such certificate.

Board of Directors' Meeting 002-16D-2019, approved to maintain current BMS and the preferential rate of 5% for MIVIVIENDA Verde new loan until December 31, 2019.

Board of Directors' Meeting 03-03D-2020, approved the extension and conditions for the granting of the BMS (3% or 4% of the financing value) for the MIVIVIENDA loans entered, in compliance with the presentation of the complete loan file, to COFIDE until March 31, 2020 and a preferential rate of 5% to the MIVIVIENDA new loans entered to COFIDE until March 31, 2020.

Board of Directors' Meeting 02-09D-2020, approved a new term related to the Board of Directors' Meeting 03-03D-2020, until June 9, 2020, in compliance with the presentation of the complete loan file before COFIDE.

C. Accounts receivable (Trust Agreement - COFIDE) and allowance for doubtful accounts
Accounts receivable are recorded when conducting the disbursement of funds through COFIDE to the FIs that channel the Fund’s resources for the loan allocation of the MIVIVIENDA products.

The allowance for doubtful accounts (Trust Agreement - COFIDE) was calculated considering the criteria established by the SBS Resolution 11356-2008 Regulation on Debtor Risk Assessment and Credit Rating, and Provision Requirements according to the following dispositions:

First component: Allowance for FIs Risk

- The capital balance of each disbursement is divided into two types: capital balance with mortgage guarantee and capital balance without mortgage guarantee.

- The allowance was calculated considering the FI's rating, which is determined based on the criteria established by SBS Resolution 11356-2008.

- The portion of allowance related to the capital balance with mortgage guarantee is calculated as the result of the capital balance without mortgage guarantee by the table 2 SBS rate, according to the FIs classification.

- The portion of allowance related to the capital balance without mortgage guarantee is calculated as the result of the capital balance without mortgage guarantee by the table 1 SBS rate, according to the FIs classification.

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

- If 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 Table 1 SBS rate according to the beneficiary rating plus (guarantee amount - balance without credit risk coverage (BWCRC)) multiplied by the Table 2 SBS rate according to the beneficiary classification. The representation of the calculation is as follows:

  Provision = (TB –GA) * (Table 1 SBS rate) + (GA – BWCRC) * (Table 2 SBS rate)

- If 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 Table 1 SBS rate, in accordance with the beneficiary rating. The representation of the calculation is as follows:

  Provision = BWCRC * (Table 1 SBS rate)

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

	Table 1	**Table 2**
Credit risk ratings		
Standard	0.70%	0.70%
With potential problems	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 FIs, the Fund, within its internal regulations, has established a methodology for the regulatory classification of the FIs, which is equivalent to the credit risk ratings established by the SBS.

In addition, given the SBS intervention in Financiera TFC, as of December 31, 2020, a provision has been recorded for the accounts receivable from this institution that are guaranteed by MIVIVIENDA mortgage loans considering the beneficiary risk, which are recorded as part of 'accounts receivable (Trust Agreement - COFIDE).'

Due to the COVID-19 pandemic, as of December 31, 2020, the Fund records loans rescheduling in 'accounts receivable (Trust Agreement - COFIDE), which are provisioned in accordance with the current methodology.

D. Loan portfolio and loss allowance for accounts receivable

i. Type of loans
The Fund determines loss allowance for accounts receivable in accordance with SBS Resolution 11356-2008 Regulation on Debtor Risk Assessment and Credit Rating, and Provision Requirements. In accordance with such Resolution, the borrowers are classified as follows: (i) Standard, (ii) With potential problems, (iii) Substandard, (iv) Doubtful or (v) Loss, based on the debtor’s level of compliance with loan payments.

As of December 31, 2020 and 2019, loan portfolio comprises the loans of Ex Caja Rural de Ahorro y Crédito Señor de Luren and Cooperativa de Ahorro y Crédito del Perú (hereinafter "CAC Presta Perú"), due to the execution of Article 13 of the Agreement signed with such FIs.

ii. Credit risk ratings

The provision is calculated considering the credit risk ratings assigned and using specific percentages, which vary depending upon whether the loans are guarantee by self-liquidating loans collateral (cash deposits and letter-of-credit right) or by readily liquidating preferred collateral (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 (first pledge on financial instruments or personal and real property, 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, to calculate the provision must be consider the guarantor or guaranteeing party credit rating for credits subject to secondary liability of a financial institution or insurance company (credits subject to counterparty substitution). As of December 31, 2020 and 2019, this caption comprises the following percentages:

	LWC (i)	**LWPC (ii)**	**LWRLPC (iii)**	**LWSLPC (iv)**
Credit risk ratings				
Standard	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 liquidating preferred collateral.
(iv) Loans with Self-liquidating preferred collateral.

iii. Procyclical Provision

In addition to the provision for debtors' credit rating, the SBS requires pro-cyclical provisions which are calculated for the loans classified as Standard and according to the percentages established by the SBS. As of December 31, 2020, and 2019, the pro cyclical component of the provision is deactivated.

iv. Rescheduling of direct loans during the national state of emergency

Financial institutions, after assessing, may modify the contractual conditions of the various loans modalities that they grant, without conducting a refinancing, to the extent that the total term of the aforementioned loans does not extend for more than 6 months of the original term, and that on the date of the national state of emergency declaration the debtors are up to date with their payments. The capital balance and interest of rescheduling shall be record as memorandum accounts.

For the purposes of complying with the requirement of being up to date in payments or not presenting past due days on the date of the national state of emergency declaration, and only for the purposes of this national state of emergency (due to the COVID-19 Pandemic), it should be considered as a criterion that the loan of a debtor present no more than 15-days past due as of February 29, 2020 or be up to date on their payments at the beginning of the national state of emergency.

Financial institutions shall apply the accrual criterion for the accounting record of the retail loans interest that shall be rescheduled. In case these retail loans change to the past due accounting situation after the payment obligation is resumed according to the new schedule, the company must return the uncollected accrued revenue, having a 06-months period to proportionally conduct shall return.

As of December 31, 2020, due to the COVID-19 Pandemic, the Fund has rescheduled loans from the mortgage loans portfolio, which are provisioned in accordance with the current methodology.

v. Suspension of the past due days count during the national state of emergency

In the case of debtors who present loans with more than 15-days past due as of February 29, 2020, the past due days count is suspended; likewise, financial institutions may maintain the accounting situation of such loans, in as long as the national state of emergency is maintained.

The number of past due days as of February 29, 2020 must be considered for the credit rating process and for the calculation of the requirement of regulatory provisions during the months in which the count is suspended.

The count of past due days, and the corresponding accounting situation of the loans mentioned in the previous paragraphs, were suspended until August 31, 2020.

E. Derivative financial instruments

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

Held-for-trading derivatives

Held-for-trading derivative instruments are initially recognized at cost in the statement of financial position, and subsequently measured at fair value, recognizing an asset or a liability in the statement of financial position, as applicable, and any gain or loss from the valuation is recorded in the statement of profit or loss. The face value of derivative instruments is recorded in the agreed-upon currency in suspense accounts.

The fair value of trading derivative instruments is estimated based on exchange rates and market interest rates.

Hedging derivatives

A hedging derivative 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 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 instrument is valued and recognized at fair value and might have an impact on 'equity' and 'profit or loss'. The effective portion of the adjustment at fair value is recognized in 'equity' of the statement of 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 statement of comprehensive income, as applicable, are transferred to 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 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 income statement.

ii. Available-for-sale investments

It includes all investments in instruments not classified as investments at FVTPL, or held-to-maturity investments or investments in subsidiaries and associates and interests in joint ventures. Likewise, all instruments shall be included in this category as required by the SBS.

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 income statement, except for impairment losses which are recorded in profit or loss when they occur.

If an available-for-sale investment is credit-impaired, the cumulative loss (difference between the acquisition cost, net of any repayment and amortization, and the current fair value, less any impairment loss previously recognized in the income statement) is reclassified from equity to the income statement. Impairment of unquoted shares is the difference between the carrying amount and the present value of future net cash flows discounted using the prevailing market rates for a similar instrument.

Exchange gains or losses from equity instruments are recognized in 'unrealized gains and losses,' and those related to debt instruments are recognized in profit or loss.

Interest income from available-for-sale investments is recognized using the effective interest method, calculated over the useful life of the instrument. Premiums and discounts originated on the acquisition date are included in the calculation of effective interest rates.

Dividends are recognized in the consolidated income statement when the right to receive the payment has been established.

iii. Impairment test

SBS Resolution 7033-2012 and its respective amendments, as well as SBS Resolution 2610-2018, establish a standard methodology to identify impairment available-for-sale and held-to-maturity investment. Such methodology contemplates the following analysis:

Debt instruments

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

1. Weakening in financial position or financial ratios of the issuer and its economic group;
2. Credit rating downgrade for the instrument or issuer of two notches—notching is when a credit rating agency bumps up or down the credit rating;
3. Disappearance of an active market for that financial asset because of financial difficulties of the issuer;
4. Observable data about a measurable decrease in the future cash flows from a group of similar financial assets since their initial recognition;
5. Decline in the fair value due to changes in laws;
6. Significant decline in the fair value below its 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 available-for-sale debt instruments, according to the criteria established by the aforementioned Resolution, regardless of the accounting classification that has the debt instrument. If the decline in the fair value of the debt instrument results from the increase in the risk-free interest rate, such decline shall 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. Otherwise, evidence that a debt instrument is credit-impaired includes any of the following:

- A breach of contract, such as a default in the payment of interest or capital;
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; and
- Credit rating downgrade for the instrument classified as investment.

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 profit or loss in the period in which the SBS requires such provision.

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
Premises	10
Furniture and fixtures	10
Various equipment	10
Vehicles	5
IT 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 useful life and residual value of an asset is reviewed and adjusted, if necessary, at the date of each statement of financial position.

Cost and accumulated depreciation of disposed or sold assets are eliminated from their respective accounts, and any resulting gain or loss is recorded in profit or loss of the year.

H. Intangible assets
Intangible assets include developments and software licenses used in the operations of the Fund. Software licenses acquired by the Fund are capitalized based on costs incurred to acquire and use the specific software. 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 exceeds its recoverable amount, the Fund recognizes an impairment loss in the income statement. The recoverable amount is the higher of an asset's net selling price and its value in use.

Net selling price corresponds to the amount that would be received to sell an asset in a free market. Value in use is the present value of future cash flows expected to be derived from the continued use of an asset and from its subsequent disposal at the end of its useful life. In management’s opinion, there are no evidences of impairment in the value of such assets as of December 31, 2020 and 2019.

J. Realizable, received as payment and repossessed assets
Realizable, received as payment and repossessed assets are regulated by SBS Resolution 1535-2005. They mainly comprise items of property, furniture and equipment received as payment for impairment loss on loans, and are, at initial recognition, measured at the lower of repossession cost, recoverable amount, market price or outstanding debt.

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

- At initial recognition, realizable, received as payment and repossessed assets are measured at cost and the Fund records a provision equivalent to 20% of the cost. If the net realizable value shown in the valuation report demonstrates that the asset is credit-impaired by a percentage higher than 20%, the initial provision shall be recorded at an amount equivalent to the amount impaired.

- The Fund records a provision for fixed assets that have not been sold or leased within a 1-year term from the recovery or repossession. This provision shall be recorded on a monthly basis over a term of three and a half years until completing up to 100% of the net carrying amount obtained in the eighteenth or twelfth month, depending on whether there is an extension option approved by the SBS.

  An asset is impaired when its carrying amount exceeds its recoverable amount. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. The impairment loss shall be recognized in the consolidated income statement. If the recoverable amount exceeds the carrying amount, the higher amount shall not be recognized.

  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 tax is calculated based on the taxable profit according to the tax law applicable to the Fund.

Deferred tax is calculated using the liability method. Deferred tax liabilities and assets are the amounts of income taxes payable and recoverable, respectively, in future periods in respect of temporary differences—i.e., differences between the carrying amount of an asset or liability in the statement of financial position and its tax base. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized, or the liability is settled.

A deferred tax asset and liability is recognized without considering the period in which the temporary differences are expected to reverse. A deferred tax asset is recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be used.

IFRIC 23 clarifies how to apply the recognition and measurement requirements in IAS 12 *Income Taxes* when there is uncertainty over income tax treatments. Previously, IFRIC 23 clarified that an entity shall apply the requirements in IAS 12 and not in IAS 37 when there is uncertainty over income tax treatments.

Likewise, IFRIC 23 explains how to recognize and measure current or deferred tax assets and liabilities when there is uncertainty over income tax treatments. An uncertain tax treatment is a tax treatment for which there is uncertainty over whether the Tax Authorities will accept the tax treatment under tax law. When there is uncertainty over income tax treatments, IFRIC 23 addresses how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

L. Provision and contingencies

i. Provisions
A provision is recognized when the Fund has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period and adjusted to reflect the best estimate as of the date of the consolidated statement of financial position.

ii. Contingencies
A contingent liability is not recognized in the financial statements. They are disclosed in notes to the financial statements, unless the possibility of an outflow of economic resources is remote.

A contingent asset is not recognized in the financial statements, but it is disclosed where an inflow of resources embodying economic benefits is probable.

M. Other comprehensive income
The other comprehensive income presents the unrealized results from the effective portion of the valuation of cash flow hedging derivative 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. Foreign currency transactions

The statements of financial position include balances of foreign currency transactions, mainly in U.S. dollars (US$), which are recorded in soles (S/) at the exchange rate established by the SBS, that as of December 31, 2020 and 2019 was US$ 1 = S/ 3,621 and US$ 1 = S/ 3.314, 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, 2020 and 2019 was EUR 1 = S/ 4.423946 and EUR 1 = S/ 3.719415, respectively.

Foreign currency transactions in the Peru or international trading transactions referred to the concepts authorized by the BCRP are channeled through a free banking system. As of December 31, 2020, buy and sell exchange rates used were US$ 1 = S/ 3.618 and US$ 1 = S/ 3.624, respectively (2019: US$ 1 = S/ 3.311 and US$ 1 = S/ 3.317).

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

In thousands of U.S. dollars	2020	2019
Assets		
Cash and cash equivalents	11,032	23,391
Investments	51,850	63,580
Accounts receivable (trust agreement - COFIDE), net	21,240	29,185
Loan portfolio, net	27	32
Hedging derivatives	58	187
Other accounts receivable, net	34	5,654
Net asset position	133	31
Total assets	**84,374**	**122,060**
Liabilities		
Outstanding instruments	(657,008)	(691,579)
Hedging derivatives	(1,750)	(1,661)
Other accounts payable	(332)	(359)
Provisions and other liabilities	(520)	(859)
Total liabilities	**(659,610)**	**(694,458)**
Net liability position	**(575,236)**	**(572,398)**
Derivative instruments, net	575,956	568,951
Net position in U.S. dollars	**720**	**(3,447)**

In thousands of EUR	2020	2019
Assets		
Cash and cash equivalents	14	13
Other accounts receivable, net	5	-
Liabilities		
Borrowings and financial obligations	(213,522)	(138,913)
Net liability position	**(213,503)**	**(138,900)**
Derivative instruments, net	213,889	139,444
Net position in EUR	**386**	**544**

5. Cash and Cash Equivalents

This caption comprises the following:

In thousands of soles	2020	2019
Savings and checking accounts (a)	1,196,979	1,366,398
Time deposits (b)	73,968	106,533
Banco Central de Reserva del Perú (c)	1,840	5,799
Other available funds	304	60
Accrued interest on cash and cash equivalents	132	223
Cash and cash equivalents	**1,273,223**	**1,479,013**
More:		
Time deposits with original maturities over 90 days (d)	65,000	-
	1,338,223	**1,479,013**

(a) 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:

In thousands of soles	2020	2019
Checking accounts		
Banco Internacional del Perú S.A.A. – Interbank	1,003,168	1,012,726
Banco de la Nación	183,070	60,393
Banco Interamericano de Finanzas S.A. – BanBif	10,362	291,208
Banco BBVA Perú	150	169
Banco de Crédito del Perú S.A.	133	881
Scotiabank Perú S.A.A.	36	977
	1,196,919	**1,366,354**
Savings accounts		
Banco BBVA Perú	60	44
	1,196,979	**1,366,398**

(b) As of December 31, 2020, it corresponds to time deposits in local banks in soles and U.S. dollars, with free withdrawal and accrue interest at effective annual rates in soles between 0.30% and 0.54% and in U.S. dollars between 0.30% with original maturities less than or equal to 90 days (2019: between 2.85% and 3.30% in soles, and 1.90% and 2.05% in U.S. dollars).

(c) As of December 31, it corresponds to balances in soles and U.S. dollars, with free withdrawal, do not accrue interest and are mainly used for transactions with COFIDE, under the Trust Agreement the Fund signed with this entity.

(d) As of December 31, 2020, the Fund maintains time deposits in local banks in soles, with free withdrawal and accrue interest at effective annual rates between 0.25% and 0.65%, with original maturities greater than 90 days. As of December 31, 2019, the Fund did not maintain such type of time deposit.

6. Investments

This caption comprises the following:

	2020			2019		
In thousands of soles	**Amortized cost**	**Profit (loss)**	**Carrying amount**	**Amortized cost**	**Profit (loss)**	**Carrying amount**
Available-for-sale investments						
Corporate bonds (a)	24,348	95	24,443	-	-	-
Plus						
Accrued interest	345	-	345	-	-	-
	24,693	**95**	**24,788**	**-**	**-**	**-**
Held-to-maturity investments						
Corporate bonds (b)	161,351	-	161,351	208,186	-	208,186
Sovereign bonds from the Republic of Peru (b)	31,331	-	31,331	31,316	-	31,316
Plus						
Accrued interest	-	-	2,532	-	-	3,441
	192,682	**-**	**195,214**	**239,502**	**-**	**242,943**
	217,375	**95**	**220,002**	**-**	**-**	**242,943**

(a) As of December 31, 2020, the Fund acquired bonds for a nominal value of S/ 23,073 thousand, whose carrying amount amounted to S/ 24,788 thousand. As of December 2019, the Fund did not maintain any bond from financial institutions in its available-for-sale investment portfolio.

In thousands of soles	**2020**	**2019**
Issues by Peruvian entities		
Banco BBVA Perú	9,662	-
Banco Internacional del Perú S.A.A. – Interbank	8,680	-
Banco de Crédito del Perú S.A.	6,101	-
	24,443	**-**

(b) As of December 31, it corresponds to securities and bonds acquired from first level corporate companies and financial institutions in the country and abroad, as detailed below:

	2020	**2019**
Issues by peruvian entities		
Banco BBVA Perú	48,108	44,163
Abengoa Transmisión Norte S.A.	45,801	46,137
Consorcio Transmantaro S.A.	39,169	35,606
Cementos Pacasmayo S.A.A.	28,273	25,596
Corporación Financiera de Desarrollo S.A.	-	48,712
Los Portales S.A.	-	3,037
Leasing Total S.A.	-	1,943
Issued by foreign entities		
Empresa Nacional de Petróleo	-	2,992
	161,351	**208,186**

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. In 2020 and 2019, the Fund transferred to profit or loss the amount of S/ 860 thousand S/ 652 thousand, respectively. As of December 31, 2020 and 2019, the carrying amount of such investments which includes accrued interest amounts to S/ 195,214 thousand and S/ 242,943 thousand, respectively.

Board of Directors' Meeting 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.

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 date		Annual effective interest rate							
			2020				2019			
			PEN		USD		PEN		USD	
	2020	2019	Min. %	Max. %	Min. %	Max. %	Min. %	Max. %	Min. %	Max. %
Available-for-sale investments										
Corporate bonds	August-22 / April-23	-	-	-	3.38	5.00	-	-	-	-
Held-to-maturity investments										
Corporate bonds	August-22 / October-28	May-20 / October-28	-	-	4.50	6.53	-	-	3.80	7.61
Sovereign bonds from the Republic of Peru	August-26 / February-42	August-26 / February-42	6.85	8.20	-	-	4.10	6.95	-	-

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

	2020		2019	
In thousands of soles	Available-for-sale investments	Held-to-maturity investments	Available-for-sale investments	Held-to-maturity investments
3–12 months	-	-	-	5,060
1–5 years	24,788	79,370	-	124,838
More than 5 years	-	115,844	-	113,045
	24,788	**195,214**	**-**	**242,943**

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

This caption comprises the following:

In thousands of soles	2020	2019
New loan - MIVIVIENDA	7,754,135	7,308,199
Traditional loan - MIVIVIENDA	170,232	100,849
Supplementary loan - Techo Propio	79,366	154,722
Loan - MIHOGAR	43,717	52,229
Loan - MICONSTRUCCIÓN	9,516	14,022
Loan - MICASA MÁS	5,875	7,212
Standardized loan - MIVIVIENDA	3,824	4,918
Loan - MITERRENO	225	261
	8,066,890	**7,642,412**
Plus (less):		
Accrued interest on accounts receivable	13,787	14,257
Loss allowance for accounts receivable (e)	(197,224)	(158,593)
	7,883,453	**7,498,076**

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

As of December 31, 2020 and 2019, the Fund has 99,326 and 97,176 ultimate beneficiaries (final debtors), 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 FIs in the granting of mortgage credits in accordance with Article 12 of Supreme Decree 001-99-MTC.

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

	2020			2019		
In thousands of soles	**With credit risk hedging**	**Without credit risk hedging**	**Total**	**With credit risk hedging**	**Without credit risk hedging**	**Total**
New loan - MIVIVIENDA	1,692,208	6,061,927	7,754,135	1,871,246	5,436,953	7,308,199
Traditional loan MIVIVIENDA	35,366	44,001	79,366	46,839	54,010	100,849
Supplementary loan - Techo Propio	29,879	140,353	170,232	31,519	123,203	154,722
Loan - MIHOGAR	14,669	29,048	43,717	19,319	32,910	52,229
Loan - MICONSTRUCCIÓN	2,270	7,245	9,516	2,353	11,669	14,022
Loan - MICASA MÁS	1,750	4,124	5,875	1,235	5,977	7,212
Standardized loan - MIVIVIENDA	1,275	2,549	3,824	1,639	3,279	4,918
Loan - MITERRENO	113	113	225	56	204	261
	1,777,530	**6,289,360**	**8,066,890**	**1,974,206**	**5,668,205**	**7,642,412**

Accounts receivable (Trust Agreement - COFIDE) are classified by credit risk in accordance to SBS Resolutions in force as of December 31, 2020 and 2019. 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 FIs.

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 FIs risk classification:

	2020		2019	
In thousands of soles	**S/000**	**%**	**S/000**	**%**
Credit risk ratings FI				
Standard	5,980,314	74.13	5,457,836	71.42
With potential problems	4,825	0.06	7,045	0.09
Financiera TFC (*)	203,054	2.52	203,324	2.66
CMAC Sullana (**)	100,267	1.25	-	-
CAC Quillacoop (**)	900	0.01	-	-
	6,289,360	**77.97**	**5,668,205**	**74.17**
	8,066,890	**100.00**	**7,642,412**	**100.00**

(*) As of December 31, 2020 and 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/ 203,054 thousand.

(**) In 2020, The Fund decided to execute the thirteenth clause of the Resource Channeling Agreements signed with CMAC Sullana and Quillacoop due to impairment in their financial indicators between May and June 2020, respectively. The balance without credit risk coverage of these portfolios is provisioned for borrower risk.

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:

	2020		2019	
In thousands of soles	**S/000**	**%**	**S/000**	**%**
Risk category of the final debtor				
Standard	1,473,160	18.26%	1,699,522	22.24%
With potential problems	35,352	0.45%	29,522	0.39%
Substandard	41,598	0.52%	36,083	0.47%
Doubtful	88,926	1.09%	72,405	0.95%
Loss	120,307	1.49%	118,409	1.55%
Financiera TFC	18,187	0.23%	18,266	0.24%
	1,777,530	**22.03%**	**1,974,207**	**25.83%**
	8,066,890	**100.00%**	**7,642,412**	**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, 2020 and 2019, the Fund's shareholding structure is as follows:

	%
New loan - MIVIVIENDA (*)	7.10
Traditional loan MIVIVIENDA	7.75
Supplementary loan - Techo Propio	7.25
Loan - MIHOGAR	7.60
Loan - MICONSTRUCCIÓN	8.00
Standardized loan - MIVIVIENDA	6.90 & 7.30
Loan - MICASA MÁS	7.70
Loan - 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 of Directors0 Meeting 02-16D-2019, dated July 25, 2019.

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

In thousands of soles	**2020**	**2019**
Up to 1 months	69,891	48,493
1 – 3 months	172,995	143,382
3–12 months	578,283	502,434
1 – 3 years	1,748,320	1,686,231
More than 3 years	5,497,401	5,261,872
	8,066,890	**7,642,412**

Due to the COVID-19 Pandemic, the Peruvian government decreed a national state of emergency in the country, generating a health and economic impact on the population, including the borrowers of MIVIVIENDA loans; therefore, 13,438 operations were rescheduled, requested by the FIs, of which 132 operations were canceled and 13,306 are in force as of December 31, 2020, as detailed below:

In thousands of	**Number of loans**	**PEN**	**US$**
New loan MIVIVIENDA	11,900	1,321,517	-
Traditional loan MIVIVIENDA	247	-	1,589
Supplementary financing loan Techo Propio	749	11,956	27
Loan - MIHOGAR	219	5,788	-
Loan - MICONSTRUCCIÓN	152	3,270	-
Standardized loan - MIVIVIENDA	14	394	-
Loan - MICASA MÁS	22	2,870	-
Loan - MITERRENO	3	66	-
	13,306	**1,345,861**	**1,616**

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

In thousands of soles	**2020**	**2019**
Opening balance	158,594	150,102
Additions debited to profit or loss	68,393	49,519
Reversal of provisions	(29,988)	(40,966)
Exchange difference	225	(61)
Closing balance	**197,224**	**158,594**

In 2020, as a result of its inspection visit, the SBS determined a deficit in the provision for direct loans of S/. 22,274 corresponding to debtors classified as "Loss" for more than 24 months. The SBS granted a deadline for its implementation until February 28, 2021, consequently the Fund has recognized this deficit in a proportional manner since October 2020. Through Official Letter 25-2021-FMV/GG, dated January 29, 2021, the Fund requested the SBS to extend the term until September 30, 2021 to implement the observation, specifying that as of December 31, 2020, it has been constituted S/ 15,440 thousand of the total required.

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, 2020 and 2019.

8. Loan Portfolio, Net

This caption comprises the following:

In thousands of soles	**2020**	**2019**
Outstanding	26,817	35,047
Refinanced	1,092	914
Past due	37,870	34,832
Under legal collection	153	152
	65,932	**70,945**
Plus (less):		
Accrued interest on current loans	275	400
Provision for loan losses	(37,729)	(35,379)
	28,478	**35,966**

As of December 31, 2020 and 2019, the loan portfolio consists mainly of the portfolio transferred by Caja Rural de Ahorro y Crédito Señor de Luren (hereinafter "Caja Luren"), which through SBS Resolution N° 3503-2015, dated June 19, 2015, entered into official liquidation process.

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 the 13 Article of the Resources Intermediary Agreement signed with the FIs on October 19, 1999, which corresponds to the assignment of rights to the underlying loan portfolio in favor of the Fund.

- 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)" and corresponded to debt balances from Caja Luren. Likewise, through agreements with said FI, the Fund granted them with management of the non-transferred portfolio amounting to S/ 87,587 thousand. As of December 31, 2020, and 2019, the expenses for loan portfolio management services recorded in the 'Expenses for financial services' in the Income statement amounted to S/ 1,874 thousand and S/ 2,114 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:

	Number of borrowers		Amount	
In thousands of soles	**2020**	**2019**	**2020**	**2019**
Nuevo Crédito MIVIVIENDA	1,168	1,182	65,071	69,605
Crédito Complementario Techo Propio	760	810	8,984	9,678
Crédito MIVIVIENDA tradicional	14	16	381	453
Crédito MIHOGAR	1	1	47	48
Deferred incorme	-	-	(8,551)	(8,839)
	1,943	**2,009**	**65,932**	**70,945**

As of December 31, 2020, the loan portfolio is backed by preferred collaterals of S/ 61,358 thousand (2019: S/ 63,865 thousand) and non-preferred collaterals for S/ 80,373 thousand (2019: S/ 81,094 thousand). In 2020 and 2019, the Fund received from this portfolio amounts to S/ 9,033 thousand S/ 12,116 thousand, respectively.

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

	Number of borrowers		Amount	
In thousands of soles	**2020**	**2019**	**2020**	**2019**
Normal	771	870	22,385	30,706
With potential problems	52	58	1,672	1,694
Substandard	62	44	1,780	1,537
Doubtful	126	150	5,596	4,326
Loss	932	887	34,499	32,682
	1,943	**2,009**	**65,932**	**70,945**

Annual effective interest rate of this loan portfolio was determined based on market conditions. As of December 31, 2020, and 2019, the minimal and maximum annual interest rate in local currency was 13.50% and 9.00%, respectively.

Compensatory interest on loans that are past due, under legal collection, or rated as "doubtful" or "loss," are recorded as income in suspense and are recognized in the income statement when they are effectively received. As of December 31, 2020 and 2019, unrecognized revenue amounts to S/ 23,450 thousand and S/ 20,418 thousand, respectively.

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

In thousands of soles	2020		2019	
To be due				
Due within 1 month	163	0.25%	217	0.31%
From 1 to 3 months	331	0.50%	232	0.33%
From 3 months to 1 year	1,528	2.32%	1,991	2.81%
From 1 to 5 years	10,289	15.60%	13,411	18.96%
Over 5 years	17,595	26.68%	22,934	32.42%
	29,906	**45.35%**	**38,785**	**54.82%**
Plus (less)				
Loans past due and loans under legal collection	44,577	67.61%	40,799	57.67%
Deferred revenue	(8,551)	(12.96%)	(8,839)	(12.49%)
	65,932	**100.00%**	**70,745**	**100.00%**

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

In thousands of soles	2020	2019
Balance at the beginning of the year	35,379	37,411
Additions	3,306	2,539
Recovery of provisions	(961)	(4,571)
Exchange difference	5	-
Balance at the end of the year	**37,729**	**35,379**

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, 2020 and 2019.

The Fund, based on the policies indicated in note 4.D, reprogrammed loans to customers whose past due days do not exceed 15-days as of February 29, 2020 and who are up to date before the declaration of national state of emergency. This accessibility included payment rescheduling of up to 180 days, which were carried out under the massive modality.

As of December 31, 2020, the Fund's shareholding structure is as follows:

In thousands of soles	2020
New loan MIVIVIENDA	4,554
Techo Propio	115
	4,669

As of December 31, 2020, 99 requests for the rescheduling of loans in local currency have been addressed by the FIs that manage the Fund's direct portfolio, attended between the months of April to July 2020 (12 correspond to Techo Propio loans and 87 to the new MIVIVIENDA loan).

The Fund's Rescheduling Regulation focuses on the most vulnerable debtors, who before the COVID-19 Pandemic were good payers, and whose ability to pay has been affected as a result of the situation and therefore required to reschedule their debts.

In December 2020, the minutes for the transfer of the direct portfolio of the former CAC Presta Perú were signed between the Temporary Administrators of the SBS and the Fund.

Financiera Efectiva (Manager of the collection of the portfolio of former CAC Pretaperú) is processing on behalf of the Fund the information of the payment schedules and histories and reviewing the electronic information provided by the SBS Intervening Commission of the former CAC Presta Perú (note 27).

9. Other Accounts Receivable, Net

This caption comprises the following:

In thousands of soles	2020	2019
Accounts receivable from trust agreements CRC and PBP (a)	104,325	98,764
Accounts receivable from banks in liquidation (b)	99,596	99,882
Accounts receivable from customers of CAC Presta Perú (e)	74,462	74,462
Accounts receivable form Ex - CONEMINSA (c)	12,850	12,869
BFH overpaid, to be recovered (d)	5,540	-
Accounts receivable from CAC Presta Perú (e)	4,230	4,230
Accounts receivable from ICCGSA (f)	3,794	3,794
Invoices receivable	649	1,081
Other accounts receivable	481	382
Margin call (g)	-	18,825
	305,927	**314,289**
Loss allowance for accounts receivable (h)		
Banks in liquidation	(99,596)	(99,882)
Accounts receivable from customers of CAC Presta Perú	(74,462)	(48,077)
Portfolio Ex – CONEMINSA	(12,630)	(10,727)
Accounts receivable from CAC Presta Perú	(4,230)	(2,538)
Accounts receivable from ICCGSA	(3,794)	(3,794)
Invoices receivable	(628)	(1,269)
Other accounts receivable	(21)	(21)
	(195,361)	**(166,308)**
	110,566	**147,981**

(a) 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 CRC to the FIs and the PBP to those who access this benefit as part of the credit programs offered by the Fund. As of December 31, the balances mentioned are as follows:

In thousands of soles	2020	2019
Trust agreement CRC and PBP - PEN	48,457	46,387
Trust agreement CRC and PBP - USD	55,868	52,377
	104,325	**98,764**

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 FIs, as well as allowing those resources to be managed efficiently.

The operations of these trusts are recorded in accordance with SBS Resolution 980-2006 'Regulations of the Fund,' namely, 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

In thousands of soles	**2020**	**2019**
Statement of Financial Position		
Assets		
Cash and cash equivalents	31,359	16,189
Available-for-sale investments (*)	12,351	19,824
Held-to-maturity investments (*)	4,742	10,374
Other accounts receivable (*)	5	-
Total assets	**48,457**	**46,387**
Equity and net surplus		
Retained earnings	45,223	43,743
Collection surplus, net	2,939	2,517
Unrealized gains and losses	295	127
Total equity and net surplus	**48,457**	**46,387**

(*) *During 2016, the CRC-PBP trust agreement – 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. In 2020 and 2019, the Fund transferred to profit or loss of the year the amount of S/ 120 thousand and S/ 114 thousand, respectively.*

In thousands of soles	**2020**	**2019**
Income Statement		
Revenue		
Interest income	1,766	2,273
Reversal of investment impairment	6	171
Measurement of investments, net	-	31
Total revenue	**1,772**	**2,475**
Expenses		
Administration fee	(284)	(269)
Financial transaction tax	(2)	(1)
Various financial services expenses	(6)	(9)
Total expenses	**(292)**	**(279)**
Net profit	**1,480**	**2,196**

CRC-PBP Trust U.S. dollars

In thousands of soles	**2020**	**2019**
Statement of Financial Position		
Assets		
Cash and cash equivalents	29,206	7,274
Available-for-sale investments (*)	17,359	30,001
Held-to-maturity investments (*)	9,303	15,084
Other accounts receivable	-	18
Total assets	**55,868**	**52,377**
Equity and net surplus		
Initial equity	21,013	21,013
Retained earnings	24,684	21,907
Collection surplus, net	10,133	9,538
Unrealized gains and losses	38	(81)
Total equity and net surplus	**55,868**	**52,377**

(*) *During 2016, the CRC-PBP trust agreement – US Dollars 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/ 35,327 thousand and the unrealized loss accumulated in net equity amounted to S/ 1,784 thousand; this latter amount is transferred to results during the remaining term of the instruments. In 2020 and 2019, the Fund transferred to profit or loss of the year the amount of S/ 66 thousand and S/ 326 thousand, respectively.*

In thousands of soles	**2020**	**2019**
Income Statement		
Revenue		
Interest income	2,177	2,540
Exchange difference, net	728	-
Reversal of investment impairment	42	228
Others	167	114
Total revenue	**3,114**	**2,882**
Expenses		
Administration fee	(326)	(302)
Exchange difference, net	-	(165)
Financial transaction tax	(3)	(2)
Various financial services expenses	(8)	(9)
Impairment loss on investments	-	-
Total expenses	**(337)**	**(478)**
Net profit	**2,777**	**2,404**

(b) 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:

In thousands of soles	2020	2019
Capital		
Banco Nuevo Mundo in liquidation	52,205	53,044
Banco República in liquidation	39,922	39,922
Banco Banex in liquidation - nonrecourse debt	5,018	4,592
Banco República in liquidation - nonrecourse debt	2,451	2,324
	99,596	**99,882**
Less: Loss allowance		
Banco Nuevo Mundo in liquidation	(52,205)	(53,044)
Banco República in liquidation	(39,922)	(39,922)
Banco Banex in liquidation - nonrecourse debt	(5,018)	(4,592)
Banco República in liquidation - nonrecourse debt	(2,451)	(2,324)
	(99,596)	**(99,882)**
	-	-

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 2020, the Fund received in cash from Banco Nuevo Mundo in Liquidation, payment of S/ 839 thousand, while in 2019, the Fund did not receive recoveries from banks in liquidation.

Management believes that the allowance for doubtful accounts from banks in liquidation recorded as of December 31, 2020 and 2019 is sufficient.

(c) It 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 a payment in kind agreement signed on December 30, 2003 for its management and recovery.

(d) It corresponds to the granting in excess of the BFH in areas of the VRAEM pending recovery.

(e) In August 2019, after activating the 13 Article of the Regulation and the Agreement for Channeling of Resources signed with Cooperativa de Ahorro y Crédito del Perú (CAC Presta Perú), the Fund authorized the withdrawal of the balance owed by the aforementioned FI from the management of the Trust Agreement - COFIDE, directly demanding from the FIs payment of the outstanding fees from February to August 2019 in the amount of S/ 4,230 thousand.

As of December 31, 2020 and 2019, this account receivable maintains an allowance for doubtful accounts of S/ 4,230 thousand, determined by applying the percentage of allowance that corresponds to a debtor classified as Loss, which is classified as of December 31, 2020.

In August 2019, after activating the 13 Article of the Regulation and the Agreement for Channeling of Resources signed with Cooperativa de Ahorro y Crédito del Perú (CAC Presta Perú), the Fund authorized the withdrawal of the balance owed by the aforementioned FI from the management of the Trust Agreement - COFIDE, recording at the end of August 2019 a balance of accounts receivable for S/ 74,462 thousand.

This account receivable maintains an allowance for doubtful accounts of S/ 74,462 thousand, determined by applying the percentage of allowance that corresponds to a debtor classified as Loss, which is classified as of December 31, 2020.

(f) It 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.

(g) As of December 31, 2019, this corresponds to the margin required by the counterparties as a result of the valuation of the derivative instruments contracted in U.S. dollars. As of December 31, 2020, no balances are maintained with Morgan Stanley, Merryl Lynch and Bank of Nova Scotia, since the refund was requested during 2020.

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

In thousands of soles	**2020**	**2019**
Opening balance	166,308	115,757
Additions	30,004	50,735
Reversal of provisions	(1,074)	(53)
Exchange difference, net	623	(128)
Others	(500)	(3)
Closing balance	**195,361**	**166,308**

In management's opinion, the loss allowance for accounts receivable as of December 31, 2020 and 2019 adequately hedges the credit risk of these items as of those dates.

10. Hedging Derivatives

As of December 31, 2020, and 2019, the Fund holds agreements related to foreign currency forwards, cross currency swaps (CCS), and interest only swaps (IRS). As of December 31, the changes in fair value of these derivative financial instruments are recorded as accounts receivable (assets) or accounts payable (liabilities).

	2020				2019				
In thousands of soles	**Assets**	**Liabilities**	**Face value**	**Maturity date**	**Assets**	**Liabilities**	**Face value**	**Maturity date**	**Underlying asset**
Cash flows									
Currency swap - POS	310,975	18,859	1,843,680	Between January and March 2023	159,922	31,321	1,696,054	Between January and March 2023	Borrowings and financial obligations and instruments
Currency swap - CCS	83,689	12,845	1,456,203	Between January 2023 and October 2031	-	62,230	976,698	Between January 2023 and October 2031	Investments, Borrowings and financial obligations and instruments
Currency swap - IOS	64	-	-	March 2023	-	41	-	March 2023	Borrowings and financial obligations
Fair value									
Currency forward	209	2,643	268,113	Between January and May 2021	6,403	-	268,597	Between January and May 2020	Investments, instruments and deposits
	394,937	**34,347**	**3,567,996**		**166,325**	**93,592**	**2,941,349**		

IOS: Interest only swaps, POS: Principal only swaps. As of December 31, 2020 and 2019, the reference values of operations with derivative instruments are recorded in off-balance sheet accounts in the committed currency.

During the years 2020 and 2019, the Fund contracted currency forwards, negotiated and settled during the period, which generated gains of S/ 1,844 thousand and S/ 1,222 thousand, respectively, reflected in the income statement in 'profit or loss from financial operations' (note 20).

Likewise, during the years 2020 and 2019, the Fund contracted financial hedging derivatives which generated a net loss of S/ 85,764 thousand and S/ 75,812 thousand, respectively, reflected in the income statement in 'results from financial operations' (note 20).

As of December 31, 2020, active hedging derivatives increased mainly due to the new contracts that hedge the use of AFD and KfW credit lines during 2020 (note 13), as well as the valuation of the principal only purchase derivatives.

11. Property, Furniture and Equipment, Net

The movement in property, furniture, and equipment and accumulated depreciation in 2020 and 2019 is as follows:

In thousands of soles	Land	Buildings	Facilities	Furniture and fixtures	Computer equipment	Various equipment	Vehicles	Work-in-progress	Total
Costs									
Balance as of January 1, 2019	103	36	189	747	1,456	982	759	33	4,305
Additions	-	-	-	2	29	55	-	-	86
Disposals	-	-	-	(30)	(83)	(198)	-	(33)	(344)
Balance as December 31, 2019	**103**	**36**	**189**	**719**	**1,402**	**839**	**759**	**-**	**4,047**
Additions	-	-	-	-	11	59	-	-	70
Disposals	-	-	(46)	(24)	(39)	(19)	-	-	(128)
Balance as December 31, 2020	**103**	**36**	**143**	**695**	**1,374**	**879**	**759**	**-**	**3,989**
Accumulated depreciation									
Balance as of January 1, 2019	-	12	77	509	1,249	727	622	-	3,196
Additions	-	-	15	34	69	50	72	-	240
Disposals	-	-	-	(28)	(83)	(193)	-	-	(304)
Balance as December 31, 2019	**-**	**12**	**92**	**515**	**1,235**	**584**	**694**	**-**	**3,132**
Additions	-	-	14	30	67	48	51	-	210
Disposals	-	-	(46)	(24)	(39)	(19)	-	-	(128)
Balance as December 31, 2020	**-**	**12**	**60**	**521**	**1,263**	**613**	**745**	**-**	**3,214**
Net book value									
As of December 31, 2019	**103**	**24**	**97**	**204**	**167**	**255**	**65**	**-**	**915**
As of December 31, 2020	**103**	**24**	**83**	**174**	**111**	**266**	**14**	**-**	**775**

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 the items in property, furniture and equipment held by the Fund as of December 31, 2020 and 2019. As of December 31, 2020, the Fund has fully depreciated property, furniture, and equipment amounting to S/ 2,522 thousand (2019: S/ 2,332 thousand).

The Fund has insured its main assets in accordance with management's policies. For this purpose, as of December 31, 2020 and 2019, 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.

12. Other Assets, Net

As of December 31, this caption comprises the following:

In thousands of soles	**2020**	**2019**
Current income tax asset, net (a)	42,414	39,172
Intangible assets, net (b)	6,360	5,987
Prepaid expenses	2,156	1,956
Others	1,605	2,793
	52,535	**49,908**

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

In thousands of soles	**2020**	**2019**
Temporary tax on net assets	38,825	41,088
Pre - payments for income tax	3,589	29,691
	42,414	**70,779**
Provision for income tax	-	(31,607)
	42,414	**39,172**

(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, 2020 is S/ 14,537 thousand and accumulated amortization of S/ 8,177 thousand (2019: total cost of S/ 12,752 thousand and accumulated amortization of S/ 6,765 thousand).

During 2020 and 2019, 'intangible assets' increase mainly due to the activation of new software for the implementation of new systems and modules for S/ 2,659 thousand and S/ 2,234 thousand, respectively. Amortization of intangible assets is calculated following the straight-line method over a maximum of a 5–year period.

13. Debts and Financial Obligations

As of December 31, this caption comprises the following:

				2020				2019			
In thousands of soles	Currency	Maturity date	Annual interest rate (%)	Principal	Adjustment at amortized cost	Interest and fees	Total	Principal	Adjustment at amortized cost	Interest and fees	Total
Entity											
Aaociación Francesa de Desarrollo (AFD)	Euro	2023 & 2031	0.61 – 1.30	747,155	(2,287)	1,299	746,167	462,861	(2,444)	1,175	461,592
Kreditanstakt fur Wiederaufbau (KfW)	Euro	2031	0.61	199,078	(836)	202	198,444	55,791	(816)	110	55,085
Banco BBVA Perú	US$	2020	3.10	-	-	-	-	115,990	-	2,525	118,515
				946,233	**(3,123)**	**1,501**	**944,611**	**634,642**	**(3,260)**	**3,810**	**635,192**

Certain loan contracts include standard clauses regarding compliance with financial ratios and administrative matters. In management's opinion, as of December 31, 2020 and 2019, these clauses have been complied with and do not represent any restriction on the operations of the Fund.

As of December 31, 2020, 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, principle only swaps and interest only swaps for a nominal amount of approximately EUR 206,389 thousand (equivalent to S/ 913,053 thousand), EUR 7,500 thousand (equivalent to S/ 33,180 thousand), respectively (note 10). As of December 31, 2019, a loan denominated in euros from AFD amounting to EUR 124,102 thousand (equivalent to S/ 461,592 thousand) and a loan in euros from KfW amounting to EUR 14,810 thousand (equivalent to S/ 55,085 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).

The increase in the balance of debts is mainly due to the use of the AFD and KfW credit lines during 2020.

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

In thousands of soles	**2020**	**2019**
Less than 3 months	56,625	-
3–12 months	56,625	213,686
1–5 years	423,057	288,114
More than 5 years	408,304	133,392
	944,611	**635,192**

14. Securities and Bonds Outstanding

As of December 31, this caption comprises the following:

In thousands	**Annual interest rate (%)**	**Maturity date**	**Issued amount**	**Carrying amount in S/ 2020**	**Carrying amount in S/ 2019**
Corporate bond local issuance (a)					
Fourth issuance of series A bonds	6.72	July 2026	S/ 310,000	309,877	309,802
Third issuance of series A bonds	7.00	February 2024	S/ 1,500,000	1,496,887	1,495,819
Fifth issuance of series A bonds	5.02	July 2026	S/ 250,000	249,699	249,618
Sixth issuance of series A bonds	4.7813	January 2027	S/ 240,210	239,888	-
Corporate bond foreign issuance					
First issuance (b)	3.50	January 2023	US$ 500,000	1,804,233	1,648,530
Reopening of the first issuance (c)	3.50	January 2023	US$ 150,000	540,302	493,278
				4,640,886	**4,197,047**
Interest payable				95,220	86,991
				4,736,106	**4,284,038**

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

(a) The Board of Directors' Meeting, held on November 16, 2012, approved the First Corporate Bond Program. The Fund may issue securities up to US$ 800,000 thousand or its equivalent in soles. In April and July 2016, February 2017, July 2019 and January 2020, the Fund issued the first, third, fifth and sixth issuance of the Corporate Bonds, respectively.

On January 15, 2020, the sixth issuance of local Corporate Bonds was made for the amount of 48,042 bonds at a value of S/ 5 thousand for a total value of S/ 240,210 thousand, with a term of 7 years with maturity on January 15, 2027, at a nominal annual rate of 4.7813%. This issuance is part of the approval of up to an amount of US$ 800,000 thousand or its equivalent in soles.

(b) In January 2013, the Fund issued bonds under Rule 144 and Regulations 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, 2020, and 2019, 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/ 1,810,500 thousand and S/ 1,657,000 thousand, respectively.)

(c) 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 6 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, 2020, and 2019, said bonds have exposure to exchange rate risk; they are hedged by cross-currency *swaps* for a face value of approximately US$ 150,000 thousand (equivalent to US$ 543,150 thousand and S/ 497,100 thousand, respectively).

As of December 31, the balance of securities and bonds outstanding classified by their maturity are as follows:

In thousands of soles	**2020**	**2019**
2 – 5 years	3,915,860	3,709,141
More than 5 years	820,246	574,898
	4,736,106	**4,284,039**

15. Other Accounts Payable, Provisions and Other Liabilities

As of December 31, this caption comprises the following:

In thousands of soles	***Note***	**2020**	**2019**
Other accounts payable			
BFH and bonus for improving quality of houses (a)		752,429	994,578
BBP (capital) allocated to COFIDE (b)		94,429	102,010
Balance payable for reconciliation with MEF (h)		81,822	81,822
BBP (capital) received from MVCS (d)		49,223	92,272
Housing rental bonus (BAV), payable (e)		48,449	51,948
Contributions to FONAVI (c)		8,644	8,644
Resources to transfer for executed bank guarantees		7,376	1,984
Eligible household savings to be transferred to technical entities (f)		7,274	22,470
Accounts payable to suppliers		3,086	3,263
Eligible household savings to be transferred for BAV (g)		2,711	7
Holidays and settlement of fringe benefits		1,045	1,009
Bond 500 for Emergency Decree N° 014-2017		19	3,646
Employees' profit sharing	*21*	-	5,639
Bonuses for management agreement – FONAFE	*21*	-	2,234
Others		4,212	1,350
		1,060,719	**1,372,876**
Provisions and other liabilities			
Deferred income (i)		18,981	895
Provisions for CRC - overdue portfolio (j)		1,803	2,084
Provision for contingencies (k)		1,394	1,139
Others		210	864
		22,388	**4,982**

(a) It corresponds to BFH and/or bonus for improving quality of houses (BVPP, for its Spanish acronym) for returning to the MVCS or disbursing to technical entities (builders) for the financing of the BFH and that of the family groups that accessed the Techo Propio program. In 2020, the Fund received resources from MVCS. During 2020, the Fund received resources from the MVCS, through Agreements N° 013-2019, N° 120-2020, and N° 587-2020 in the amounts of S/ 2,970 thousand, S/ 568,012 thousand and S/ 535,350, thousand, respectively.

During 2019, the Fund received resources from the MVCS, through Agreements N° 320-2018, N° 412-2018, N° 005-2019, N° 013-2019 and N° 165-2019 for S/ 137,026 thousand, S/ 8,151 thousand, S/ 1,165,000 thousand, S/ 3,105 thousand and S/ 3,570 thousand, respectively.

(b) It corresponds to the funds received from the MVCS for the granting of the BBP, which were assigned to the authorized credits to the IFs (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:

In thousands of soles	**2020**	**2019**
Balance at the beginning of the year	102,010	110,464
Allocations received	116,042	98,983
Disbursement of BBP for initial installment	(116,042)	(98,983)
Application of BBP for installments of Crédito MIHOGAR	(700)	(999)
Application of BBP to installments of Nuevo Crédito MIVIVIENDA	(6,714)	(7,422)
Application of BBP to installments of Caja Luren, in liquidation	(111)	(114)
Reported adjustments	(56)	81
Balance at the end of the year	**94,429**	**102,010**

(c) This caption comprises the following:

In thousands of soles	**2020**	**2019**
FONAVI contributions pending transfer to the MEF (i)	8,023	8,023
Refund of not collected FONAVI checks (ii)	621	621
	8,644	**8,644**

(i) It corresponds mainly to FONAVI contributions pending from being transferred to the MEF for collections made by the Tax Authorities of FONAVI contributions made by taxpayers who have a stabilized tax regime applicable as per Law N° 27071.

(ii) It corresponds to checks issued from 1999 to 2016 pending collection by the beneficiaries. These checks were issued as reimbursement of FONAVI contributions according to Tax Authorities communications, which is the entity responsible for the collection of these resources.

(d) It 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 FI for loans approved. This caption comprises the following:

In thousands of soles	**2020**	**2019**
Opening balance	92,272	39,771
Resources received from MVCS (i)	75,000	150,000
BBP Assigned (ii)	(117,947)	(98,983)
Transfer of BBP assigned	562	698
Transfers of BBP Assigned from finished agreements	1,964	2,539
Refund to FIs – Recovery for reversed	-	(108)
Refund of resources to MVCS	(2,628)	(1,645)
Closing balance	**49,223**	**92,272**

(i) During 2020, the Fund received resources from the MVCS corresponding to the Agreement for the execution of the BBP 605-2020-VIVIENDA for an amount of S/ 75,000 thousand. During 2019, the Fund received resources from the MVCS corresponding to the Agreement for the execution of the BBP 004-2019-VIVIENDA for an amount of S/ 150,000 thousand.

(ii) As of December 31, 2020, the allocation of the resources of the BBP correspond to Agreements N° 004605, N° 124-2020, and N° 004-2019 amounting to S/ 59,189 thousand, S/ 26,387 thousand and S/ 91,560 thousand, respectively. As of December 31, 2019, it corresponds to agreements 004-2019, 124-2018, and 039-2017 amounting to S/ 59,189 thousand, S/ 39,689 thousand and S/ 105 thousand, respectively.

(e) It corresponds to a benefit (subsidy) granted to families for the housing rental, encouraging savings to access a home and improve living conditions. This money will be distributed by the beneficiaries as follows; 70% of the money for the payment of the monthly rent and the other 30% for savings for the acquisition of a house.

(f) It 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.

(g) It 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) It corresponds to the collection of FONAVI from those taxpayers without a tax stability agreement, which was transferred by the Tax Authorities in accordance with the provisions of Paragraph 8.1 of Article 8 of Law 26969 and Literal c) of Article 5 of Law N° 26912.

(i) Deferred revenue corresponds mainly to the rescheduled portfolio of the Trust Agreement - COFIDE for S/ 18,566 thousand; and deferred revenue from portfolio refinancing of the EX-Coneminsa portfolio for S/ 271 thousand (note 7).

(j) The changes in the provision for CRC – portfolio sold, is as follows:

In thousands of soles	**2020**	**2019**
Balance at the beginning of the year	2,083	3,151
Additions debited to profit or loss	392	408
Reversal of provisions	(866)	(1,421)
Exchange difference, net	194	(54)
Balance at the end of the year	**1,803**	**2,084**

(k) 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, 2020 and 2019.

16. Shareholder's Equity

A. Capital stock

As of December 31, 2020 and 2019, the Fund's capital stock is represented by 3,382,587 and 3,355,584 ordinary shares with a face value of S/ 1.00 each. Its sole stockholder is FONAFE.

On June 30, 2020, the General Stockholders´ Meeting agreed to capitalize the earnings generated in 2019, net of legal reserve, for approximately S/ 27,003 thousand. On April 1, 2019, the General Stockholders´ Meeting agreed to capitalize the earnings generated in 2018, net of legal reserve, for S/ 30,870 thousand.

B. Legal reserve

In accordance with current regulations, the Fund shall reach a legal reserve of more than 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 June 30, 2020 and April 1, 2019, approved the recording of legal reserves for net income 2019 and 2018, for S/ 3,000 thousand and S/ 3,430 thousand, respectively.

C. Unrealized results

The changes in unrealized profit or loss during 2020 and 2019 is presented net of its tax effect, and is as follows:

In thousands of soles	*Note*	Balance as of January 1, 2019	Debit (credit) to the statement of other comprehensive income	Balance as of December 31, 2019	Debit (credit) to the statement of other comprehensive income	Balance as of December 31, 2020
Fund's available-for-sale investments						
Unrealized results on available-for-sale investments		96	(96)	-	95	95
Unrealized gain or loss from debt instruments reclassified from 'available-for-sale investments' to 'held-to-maturity investments'		(7,528)	644	(6,884)	921	(5,963)
		(7,432)	**548**	**(6,884)**	**1,016**	**(5,868)**
Income tax	*24*	(116)	(78)	(194)	**(142)**	**(336)**
Subtotal		**(7,548)**	**470**	**(7,078)**	**874**	**(6,204)**
Cash flow hedges						
Unrealized gains from cash flow hedges		182,809	(84,652)	98,157	296,559	394,716
Transfer to profit or loss of realized gain and loses in derivative from cash flow hedges		(284,999)	50,146	(234,853)	(312,723)	(547,576)
		(102,190)	**(34,506)**	**(136,696)**	**(16,164)**	**(152,860)**
Income tax	*24*	30,146	10,179	40,325	**4,769**	**45,094**
Subtotal		**(72,044)**	**(24,327)**	**(96,371)**	**(11,395)**	**(107,766)**
Available-for-sale investments CRC – PBP						
Unrealized results on available-for-sale investments		(1,798)	1,844	46	288	334
Income tax	*24*	165	(448)	(283)	(54)	(337)
Subtotal		**(1,633)**	**1,396**	**(237)**	**234**	**(3)**
Total		**(81,225)**	**(22,461)**	**(103,686)**	**(10,287)**	**(113,973)**

D. Regulatory capital

In June 2008, Legislative Decree N° 1028 amended the Banking Law 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:

In thousands of soles	**2020**	**2019**
Total risk-weighted assets and credits	377,637	379,285
Total regulatory capital	3,369,752	3,338,068
Basic regulatory capital – Tier 1	3,369,752	3,338,068
Global regulatory capital ratio	89.23%	88.01%

As of December 31, 2020 and 2019 the Fund has been complying with the SBS Resolutions N° 2115-2009 Regulations for the Regulatory Capital Requirement for Operational Risk, SBS Resolution N° 6328-2009 - Regulations for the Regulatory Capital Requirement for Market Risk, and SBS Resolution N° 14354-2009 - Regulations for the Regulatory Capital Requirement for Credit Risk and amendments. Such Resolutions mainly establish the methods that financial institutions shall use to calculate risk-weighted assets and loans (per risk).

SBS Resolution N° 8425-2011, dated July 2011, states that, in order to determine the level of additional regulatory capital, financial institutions shall develop a process to assess the adequacy of their regulatory capital based on their risk profile, in accordance with the method described in such Resolution. The Resolution also states that the additional regulatory capital requirements shall be equal to the sum of regulatory capital requirements calculated for each of the following components: economic cycle, concentration risk, market risk concentration, interest rate risk in the banking book, and other risks.

Likewise, it establishes a 5-year term beginning in July 2012 to adjust the Bank's regulatory capital to the new requirements. As of December 31, 2020, the percentage of adequacy established by SBS is 100%, therefore the additional requirement of regulatory capital estimated by the Fund amounts to approximately S/ 71,209 thousand (2019: S/ 70,416 thousand considering an adequacy of 100% established by the SBS).

In management's opinion, the Fund complies with the requirements set forth in the aforementioned Resolution and will continue to comply with them.

17. Contingencies

As of December 31, 2020, and 2019, 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/ 1,394 thousand as of December 31, 2020 (2019: S/ 1,135 thousand). In opinion of the management and the legal advisors, the provision for legal contingencies recorded as of December 31, 2020 and 2019, is adequate to cover these contingencies.

(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 opinion of the management and the legal advisors, those contingencies will not cause possible losses at the end of those processes.

18. Interest Income and Expense

This caption comprises the following:

In thousands of soles	**2020**	**2019**
Interest income		
Accounts receivable (Trust Agreement – COFIDE), net of interest related to the PBP granted by the Fund (a)	447,627	444,741
Cash and cash equivalents	20,172	55,261
Investments	12,479	15,710
Direct loan portfolio	4,452	6,465
Attribution to profit or loss from CRC-PBP Trusts	4,257	4,600
Other income	84	120
	489,071	**526,897**
Interest expenses		
Securities and bonds outstanding	234,834	221,459
PBP (capital) granted by the Fund (b)	41,890	76,502
Borrowings and financial obligations	8,274	6,892
PBP (capital and interest) – CRC-PBP Trust	1,908	2,563
	286,906	**307,416**

(a) In 2020 and 2019, it corresponds to the interest for yields accrued from the Trust Agreement - COFIDE for S/ 466,794 thousand and S/ 468,577 thousand, respectively, plus the accrued interest of the rescheduled 2020 portfolio for S/ 336 thousand net of interest from the PBP for S/ 19,503 thousand and S/ 23,836 thousand, respectively.

(b) In 2020 and 2019, it corresponds mainly to the PBP for the MiVivienda traditional loan and new Mivivienda loan for S/ 10,221 thousand and S/ 21,271 thousand, respectively (2019: S/ 13,950 thousand and S/ 22,876 thousand, respectively.)

19. Financial Service Revenue and Expense

This caption comprises the following:

In thousands of soles	2020	2019
Income from financial services		
Commission for CRC and PBP services	3,701	4,368
Execution of bank guarantees constituted by ET – BFH and the Household Savings	862	192
Others	751	664
	5,314	**5,224**
Financial services expenses		
Loan portfolio management service	(2,016)	(2,114)
Securities custody service and banking fees	(229)	(183)
Others	(35)	(272)
	(2,280)	**(2,569)**

20. Result from Financial Transactions

This caption comprises the following:

In thousands of soles	*Note*	2020	2019
Loss on hedging derivative financial products	*10*	(85,764)	(75,812)
Gain on trading derivative instruments	*10*	1,844	1,222
Exchange loss		(1,618)	(3,112)
Others		3,037	1,222
		(82,501)	**(76,480)**

21. Administrative Expenses

This caption comprises the following:

In thousands of soles	2020	2019
Personnel and Board of Directors expenses (a)	(23,136)	(31,823)
Services received from third parties (b)	(17,003)	(17,209)
Taxes and contributions	(358)	(909)
	(40,497)	**(49,941)**

(a) Personnel and Board of Directors expenses are allocated as follows:

In thousands of soles	**2020**	**2019**
Remunerations	(12,273)	(12,734)
Legal bonuses	(2,221)	(2,310)
Social security contributions	(2,074)	(2,086)
Severance payment	(1,307)	(1,355)
Holidays	(1,149)	(1,171)
Food services	(914)	(884)
Other bonuses	(753)	(486)
Internship subsidy	(713)	(888)
Remuneration to the Board of Directors' members	(398)	(418)
July or December bonus	(298)	(257)
Staff attire	(291)	(607)
Termination pay	(217)	(88)
Training	(84)	(261)
Employees' profit sharing	-	(5,639)
Bonuses for management agreement – FONAFE	-	(2,234)
Others	(444)	(405)
	(23,136)	**(31,823)**

The average number of employees in the years 2020 and 2019 was 204 and 205, respectively.

(b) Third-party services expenses are allocated as follows:

In thousands of soles	**2020**	**2019**
Fees and advisory	(2,718)	(2,587)
Property and good rentals	(2,702)	(2,483)
Expenses from bonds issued	(2,148)	(2,150)
Repairs and maintenance	(1,791)	(1,752)
Miscellaneous management charges	(1,555)	(828)
IT and communication share services – FONAFE	(1,260)	(824)
Communications	(1,154)	(1,250)
Insurance	(1,057)	(187)
Other expenses	(861)	(1,138)
Telemarketing services	(853)	(905)
Advertising	(363)	(1,330)
Document storage	(255)	(976)
Various supplies	(170)	(201)
Transportation expenses	(78)	(294)
Travel expenses	(38)	(304)
	(17,003)	**(17,209)**

22. Other Income and Expenses, Net

This caption comprises the following:

In thousands of soles	2020	2019
Other income		
Presta Perú portfolio interest	4,211	2,765
Revenue portfolio Ex – CONEMINSA	87	111
Margin Call interest	68	512
Compliance with letters of guarantee for non-compliance with projects	-	1,400
Reversal of provision in Trust Agreement - COFIDE Portfolio Sold 2007	-	408
Other income	694	1,565
	5,060	**6,761**
Other expenses	(421)	(220)
Total other income and expenses, net	**4,639**	**6,541**

23. Tax Matters

A. The Fund is subject to the Peruvian tax regime. As of December 31, 2020 and 2019, the corporate income tax is calculated on the basis of the net taxable income determined by the Fund at a rate of 29.5%, in accordance to Legislative Decree 1261.

The aforementioned Decree also established the amendment to the income tax rate applicable to dividend distribution and any other form of profit distribution to 5% for profits generated and distributed from January 1, 2017.

It shall be presumed, without otherwise evidence, that the dividend distribution or any other form of profit distribution corresponds to retained earnings or other items that may generate older taxable dividends.

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

Concerning the technical support 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 support shall be subject to a 15% applicable rate, provided that Income Tax Law requirements are met. As noted above, the retention ratio in these situations may vary or retention may not be applicable if provisions of current double tax treaties are applied.

Income tax determination

C. The Fund computed its tax base for the years ended December 31, 2020 and 2019 and determined current tax for S/ 0 and S/ 31,607 thousand, respectively.

Tax expense comprises the following:

In thousands of soles	**2020**	**2019**
Current income tax	-	(31,607)
Deferred income tax	(11,701)	17,737
	(11,701)	**(13,870)**

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

In thousands of soles	**2020**		**2019**	
Profit before tax	**15,229**	**100.00%**	**43,873**	**100.00%**
Implicit cost	**(4,493)**	**(29.50%)**	**(12,943)**	**(29.50%)**
Plus (less)				
Net effect of permanent items	(7,208)	(47.33%)	(927)	(2.11%)
Income tax	**(11,701)**	**(76.83%)**	**(13,870)**	**(31.61%)**

Income tax exemptions and exceptions

D. From the year 2010, the capital gains from the disposal or redemption of transferable instruments made in a centralized market are subject to income tax. For this purpose, the cost basis of instruments is the higher of quoted price at the end of the taxable year 2009 or acquisition cost, or increase in equity value, according to the procedure established in Supreme Decree 011-2010-EF.

Emergency Decree 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. The aforementioned exemption shall be applicable provided that certain requirements are met.

Temporary tax on net assets

E. The Fund is subject to the temporary tax on net assets, whose tax base is composed of the prior period adjusted net asset value less depreciations, amortizations, legal reserve requirements and specific provisions for credit risk. The tax rate is 0.4% for the years 2020 and 2019 and is applied to the amount of net assets exceeding S/ 1,000 thousand. It may be paid in cash or nine consecutive monthly installments. The paid amount may be used as a credit against income tax paid for tax periods from March to December of the taxable year in which the tax was paid until maturity date of each down payment, and against the payment for regularization of income tax of the relevant taxable year. In the event a remaining balance is not applied, its refund could be requested.

Financial transaction tax

F. Financial transaction tax for the years 2020 and 2019 was fixed at the rate of 0.005%. This tax is applicable to debits and credits in bank accounts or movements in funds made through the financial system, unless the account is tax-exempt.

Transfer pricing

G. In determining income tax, transfer pricing with related parties and entities domiciled in territories with low or zero taxation, non-cooperating and preferential agreements shall be supported with documents and information on the valuation techniques and the criteria used for the pricing. Until taxable year 2016, formal obligations of transfer pricing were the presentation of a transfer pricing sworn statement and a technical study.

Legislative Decree 1312, published December 31, 2016 and effective January 1, 2017, established the following formal obligations to replace the former ones: (i) presentation of a Local File (if accrued revenue of the taxpayer exceeds 2,300 tax units [UIT, for its Spanish acronym]); (ii) presentation of a Master File (if accrued revenue of the taxpayer in a group exceeds 20,000 tax units); and (iii) presentation of a Country-by-Country Reporting (if accrued, consolidated revenue from the prior year of the taxpayer in a multinational group exceeds S/ 2,700,000 or EUR 750,000). The presentation of the Master File and the Country-by-Country Reporting are mandatory for transactions corresponding to the year 2017 onwards.

Tax Authorities' Resolution 014-2018-SUNAT, published January 18, 2019, approved the Electronic Form 3560 for presentation of the Local File, establishing the deadlines for its presentation and the content and format that shall be included therein.

Thus, the deadline for the presentation of the Local File for the taxable year 2019 shall be June 2020, in accordance with the maturity schedule agreed upon for May and published by the Tax Authorities.

The content and format of the Local File are stated in the Appendixes I, II, III and IV of Tax Authorities' Resolution 014-2018-SUNAT.

Legislative Decree 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 1116 established that transfer pricing regulations are not applicable to sales tax.

Tax assessment

H. The Tax Authorities are entitled to audit and, if applicable, to correct the income tax calculated by the Fund within the 4 years following the year of the tax return filing. The Fund and its Subsidiary's income and sales tax returns for the years from 2016 to 2020 are open for review by the Tax Authorities.

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 possible interpretations of the current laws by the Tax Authorities, it is not possible to determine, to date, whether a future tax assessment will result in liabilities for the Fund. Therefore, any major tax or surcharge that might arise from eventual tax assessments would be applied to profit or loss when they are determined. However, it is the opinion of management and its legal advisors that any possible additional settlement of taxes would not be significant for the financial statements as of December 31, 2020 and 2019.

Sales tax regime

I. Legislative Decree 1347, published January 7, 2017 and effective July 1, 2017, established the possible reduction of 1% 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. Accordingly, if the aforementioned goal is met, the sales tax rate (including the municipal tax) shall 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 for periods beginning on January 1, 2019

Legislative Decree1425 introduced the definition of "legal accrual" for income tax purposes, stating that: a) revenue from transfer of goods occurs when i) control has been transferred (under IFRS 15); or ii) risk has been transferred to the acquirer (Risk Theory set out in the Civil Code), whichever occurs first; and b) revenue from rendering the service occurs when realization level of the rendered service has been established.

The new legal accrual concept is applicable to lessees when determining the tax treatment of the expense associated with leases regulated by IFRS 16—i.e., operating leases for tax purposes.

This concept shall not be applicable for those entities accruing income or expenses for income tax purposes in accordance with tax laws establishing a special (sector) accrual system.

J. **Thin capitalization:**
From 2019 to December 31, 2020, borrowing costs generated by debts of independent and related parties are subject to the thin capitalization limit of 3:1 debt-to-equity ratio, which is calculated at the end of the prior period. From January 1, 2021, borrowing costs shall be deductible up to 30% of the tax-EBITDA (Net Income – Loss Compensation + Net Interest + Depreciation + Amortization) of the prior period. There are some exceptions to the application of this limitation–i.e., to companies of the financial and insurance system indicated in Article 16 of Law 26702, taxpayers with income not exceeding 2,500 UIT, infrastructure, public services, etc.

K. **Deduction of expenses or costs incurred in transactions with non-domiciled individuals:**
Legislative Decree 1369 states that costs and/or expenses (including outbound interest) incurred with non-domiciled individuals shall be paid effectively to be deducted in the period in which they are incurred. Otherwise, their effect on the determination of net income shall be deducted in the period they are actually paid, and the relevant withholding shall be applied.

Such regulation abolished the obligation to pay the amount equivalent to the withholding on the amount recorded as cost and/or expense.

L. **Indirect loans:**
From January 1, 2019, under certain requirements, domiciled entities receiving foreign inbound dividends may deduct as direct loan the income tax that taxed the foreign dividends and the corporate income tax (indirect loan) paid by the tier 1 and tier 2 non-domiciled entity (provided that they are in the same jurisdiction) that distributed the dividends from abroad.

M. **Measures to implement the General Anti-avoidance Rule provided in the Regulation XVI of Tax Code:**
Legislative Decree 1422 sets 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 (unappealable) from a review committee composed of Tax Authorities' officers; and (iii) final audit procedures, in which the General Anti-avoidance Rule is applicable, are not subject to a 1-year term to request information from the audited parties.

Supreme Decree 145-2019-EF, dated May 6, 2019 and published on the official daily newspaper of Peru "El Peruano," approved all the formal and substantial parameters for the application of the General Anti-avoidance Rule provided in the Regulation XVI of Tax Code. Consequently, the requirement to end the suspension of the application for such rule, established by Law 30230, is deemed as complied with.

Likewise, the Regulation on Tax Assessment has been modified for such purposes.

N. **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, from August 3, 2018, provisions introduced by Legislative Decree 1372 are currently in force. The aforementioned Decree requires the presentation of information related to ultimate beneficiaries to the competent authorities through a sworn statement of the ultimate beneficiaries. Such statement shall disclose the names of the natural persons that effectively retain ownership or control. Thus, it is mandatory to report the following: (i) identification of the ultimate beneficiaries; (ii) chain of title with its respective supporting documents; and (iii) identification of third parties that have such 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 under these regulations neither violates professional secrecy nor is subject to restrictions on the disclosure of information arising from secrecy requirements under contracts or any regulatory provision.

Lastly, if the informative sworn statement with the information related to the ultimate beneficiaries is not presented, the legal representatives of the entity that failed to comply with the presentation of such statement shall assume the joint and several liability.

O. ***Indirect transfer of shares***

From January 1, 2019, an anti-avoidance measure is included to prevent the split of transactions, which allows indirect transfer of shares of entities domiciled in Peru.

In order to determine if a Peruvian entity has made a transfer within a 12-month period of 10% or more of capital, transfers of the analyzed entity and transfers to related parties shall be considered, whether transfers are made through one or several (simultaneous or successive) transactions.

The relationship shall be set up in accordance with Article 32-A (b) of Income Tax Law.

Likewise, regardless of compliance with the provisions of the Income Tax Law, an indirect taxable transfer shall always be made when, over any 12-month period, the total amount of transferred shares of the Peruvian legal person is equal to or greater than 40,000 tax units.

Lastly, from January 1, 2019, 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, it is required to provide information, among others, regarding the transferred shares or interests of the non-domiciled legal person.

P. **Joint and several liability of legal representatives and directors**
From September 14, 2018, through Legislative Decree 1422, 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 such representatives provided that they collaborated with the design or approval or execution of acts, situations or economic relationships with an avoidance purpose.

Such regulation also involves the members of the Board of Directors, since it is stated that these individuals are responsible for setting the tax strategy of the entities where they are directors. Thus, the latter are responsible for determining whether to approve the acts, situations or economic relationships carried out within the tax planning framework, and finally they shall not delegate such liability.

Lastly, members of the domiciled entities' Board of Directors were granted a term (until March 29, 2019) to verify or modify the acts, situations or economic relationships carried out within the tax planning framework and implemented from September 14, 2018 that are effective to date.

Considering 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 relationship that has: (i) increased tax attributes; and/or (ii) generated a lower payment of taxes of such 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 entity to be audited by the Tax Authorities is subject to the General Anti-Avoidance Rule.

Major amendments to tax laws effective for periods beginning on January 1, 2020

Q. Law 31011, published March 27, 2020, approved to delegate powers to the executive branch to, among others, legislate on tax matters for 45 calendar days. Major measures are the following:

- Facilitate the payment of tax debts managed by the Tax Authorities;
- Introduce changes in the Income Tax Law regarding the calculation of down payments, term for tax loss carryforwards, depreciation rate of fixed assets, among others; and
- Extend the tax refund regime regulated by Law 30296, which promotes economic recovery.

R. Through Tax Authorities' Resolution 008-2020, published March 18, 2020, the Tax Authorities discretionally decided not to impose penalties for failure to comply with tax obligations incurred by taxpayers during the national state of emergency, declared through Supreme Decree 044-2020-PCM, as well as tax offenses committed or detected between March 16, 2020 and March 18, 2020.

S. Emergency Decree 26-2020, published March 15, 2020, stated a suspension period of 30 business days (from March 16, 2020) for the calculation of time limits for processing administrative procedures either accepted or rejected as of March 16, 2020, except for those procedures with a pronouncement that has not been notified by the relevant authorities. Such suspension period may be extended by a supreme decree endorsed by the Prime Minister of Peru.

T. Legislative Decree 1488 established a special depreciation regime and modified depreciation periods by increasing depreciation rates for certain assets to promote private sector investment and provide greater liquidity given the economic outlook due to the COVID-19 pandemic.

From taxable year 2021, buildings and constructions shall be depreciated for income tax purposes, applying an annual depreciation rate of 20% until full depreciation, provided that assets are subject to corporate income tax.

From taxable year 2021, the assets below—acquired in the years 2020 and 2021 and subject to income tax—shall be depreciated by applying the following depreciation rates until full depreciation:

- Data processing equipment at a rate of 50%;
- Machinery and equipment at a rate of 20%;
- Road transport vehicles (except for railways)—subject to euro 4, tier 2 and epa 2007 vehicle emission standards, under supreme decree 010-2017-minam, used by authorized entities rendering transportation services of people and goods at provincial, regional and national levels—at a rate of 33.3%; and
- Hybrid road transport vehicles (except for railways) with a piston engine and electric motor, or electric road transport vehicles with an electric motor at a rate of 50%.

U. Law 31107, published December 31, 2020, modified Legislative Decree 1488 establishing a temporary depreciation regime for taxpayers, subject to the income tax regime, depreciating assets as follows:

- Buildings and constructions at an annual depreciation rate of 20% until full depreciation, provided that assets are solely used for business development purposes and meet the requirements of such Law.

- However, from taxable year 2021, data processing equipment (except for slot machines); Euro 4, Tier 2 and EPA 2007 road transport vehicles used by authorized entities; and hybrid, electric or natural gas road transport vehicles acquired in the years 2020 and 2021 and subject to income tax shall be depreciated at a depreciation rate of 50%, 33.3%, 50.0%, respectively, until full depreciation.

V. Law 31106, published December 31, 2020, extended the penalty relief period for tax debts included in the Article 19 of Income Tax Law until December 31, 2023. Likewise, the Tax Authorities were given the responsibility of publishing annually on their website a list of religious societies or institutions, foundations and non-profit organizations subject to corporate income tax exemption, including the amount of income subject to tax exemption according to the Taxpayer Identification Number.

W. Law 31104, published December 31, 2020, granted a 30-day period for the refund of temporary tax on net assets of the taxable year 2020 to reduce the economic effects of COVID-19. The Tax Authorities shall refund the temporary tax on net assets of the taxable year 2020 through deposits into accounts of taxpayers requesting the refund. If the Tax Authorities have not sent any response to the request for refund at the end of this period, the request is considered as approved.

X. Supreme Decree 417-2020-EF, published December 30, 2020, modified the Regulation on Temporary Tax on Net Assets so that payments of temporary tax on net assets may be used as a credit against income tax and down payments of income tax in the taxable periods from March to December of the taxable year 2020.

Y. Supreme Decree 432-2020-EF, published December 31, 2020, stated that—according to the Article 37(a) of Income Tax Law, modified by the Single Supplementary Modifying Provision of Legislative Decree 1424, effective January 1, 2021—, companies (taxpayers) that started their business activities or incorporated during the year shall include the tax-EBITDA of the taxable year 2020.

24. Deferred Income Tax Asset, Net

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

In thousands of soles	Balance as of January 1, 2019	(Debit) credit to profit or loss	(Debit) credit to equity	Balance as of December 31, 2019	(Debit) credit to profit or loss	(Debit) credit to equity	Balance as of December 31, 2020
Deferred income asset							
General provision for accounts receivable (trust agreement - COFIDE).	7,384	(2,766)	1,435	6,053	362	-	6,415
General provision for accounts receivable (trust agreement - COFIDE) - adjustment 2017 (*)	20,953	-	(1,435)	19,518	(1,255)	-	18,263
Unrealized loss from debt instruments, reclassified from Available-for-sale investments to Held-to-maturity investments	-	-	-	-	-	-	-
Unrealized losses from the valuation of derivatives for hedging purposes	30,146	-	10,180	40,326		4,769	45,095
Unrealized losses on investments from CRC-PBP Trust Agreement	165	-	(165)	-	-	-	-
Deferred revenue from loan portfolio	3,844	(432)	-	3,412	5,198	-	8,610
Provision from accounts receivable – Presta Perú	-	14,183	-	14,183	7,783	-	21,966
Provision from accounts receivable - ICCGSA	1,120	(1)	-	1,119	-	-	1,119
Others	2,014	725	-	2,739	221	-	2,960
Total deferred income asset	**65,626**	**11,709**	**10,015**	**87,350**	**12,309**	**4,769**	**104,428**
Deferred income liability							
Unrealized gains on investments from CRC-PBP Trusts Agreement	-	-	(282)	(282)	-	(54)	(336)
Unrealized gains from debt instruments reclassified from available – for sale investments to held-to maturity investments	(84)	-	(110)	(194)	-	(113)	(307)
Unrealized gains on available-for-sale investments	(32)	-	32	-	-	(28)	(28)
Foreign exchange adjustment in monetary assets and liabilities	(14,138)	6,957	-	(7,181)	(23,842)		(31,023)
Borrowings and financial obligations	-	(929)	-	(929)	929	-	-
Costs incurred for Borrowings and financial obligations	-	-	-	-	(1,105)	-	(1,105)
Others	4	-	(4)	-	7	-	7
Total deferred income liability	**(14,250)**	**6,028**	**(364)**	**(8,586)**	**(24,011)**	**(195)**	**(32,792)**
Total deferred income asset, net	**51,376**	**17,737**	**9,651**	**78,764**	**(11,701)**	**4,573**	**71,636**

(*) As a result of the observation made by the SBS in its Inspection Visit report 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, dated of July 31, 2017, which, as authorized by the SBS by means of Resolution 4907-2017-SBS, dated December 20, 2017, was recorded by the Fund in December 2017 reducing the balance maintained in 'legal reserve' of the equity, see note 16.

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 SBS Official Letter 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 FIs 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.

Financial risk management comprises managing the main risks that Funds faces due to the nature of its activities, such as credit, market, liquidity and operational risk.

- 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 governance and management structure that allows it to articulate the management and control of the risks it faces.

Board of Directors

The Board of Directors of the Fund is responsible for establishing proper management of risks and providing an internal environment that allows its proper development. The Board of Directors is continuously informed about the degree of exposure of various risks managed by the Fund.

The Board of Directors has created specialized committees to which it delegated specific functions in order to strengthen risk management and internal control.

Risk Committee
The Risk Committee (hereinafter "RC") is a division created by 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 RC 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 RC meets monthly and is comprised by the Chairman of the Board and two Directors, the General Manager and the Risk Manager. The RC reports monthly to the Board of Directors the agreements reached, and issues discussed in the RC meetings.

Special Audit Committee
The Special Audit Committee (hereinafter "the Special Committee") is a division created in a Board of Directors' Meeting. 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 Special 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 Special Committee meets at least once a month and reports quarterly to the Board of Directors' Meeting 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 Special Committee or when requested by at least two of its members.

Assets and Liabilities Management Committee
The Asset-Liability Committee ("ALCO") is a division created by the Board of Directors. Its main function is to manage the financial structure of the statement of financial position of the Fund, based on profitability and risk goals. 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. Risk Management is a line body and reports directly to the General Management and is in charge of proposing policies, procedures and methodologies for competent risk management, encouraging the alignment of all measures for treating the risks of the Fund with appetite levels, risk limits and the development of proper 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 Unit 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.

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

ii. Risk measurement and reporting system

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 in order to identify possible deviations in the risk profile regarding the risk appetite established by Fund, so as to take corrective measurements in a timely manner. This information is presented monthly to the Risk 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 possibility of losses due to variations in the conditions of the financial market. 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 one is related to the valuation of assets and liabilities of the Fund, and therefore, the economic value or actual value of its equity. This modality occurs when the market interest rates change, which impact the valuation of the various instruments that form part of the financial statement of the Fund.

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, 2020 and 2019, 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 VAR, 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, 2020, 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. In accordance with what is indicated in the Investment Policies and Procedures Manual, if the indicator falls 5% or more, the Finance Management, after the opinion of the Risk Management, informs the Asset and Liability Management Committee, which will determine whether the causes of impairment are due to market factors or changes in the issuer's conditions, 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 gap
An analysis of repricing gaps is made in order to determine the impact of changes in interest rates. The analysis consists in assigning the balances of transactions that will change interest rates in different time intervals. Based on this analysis, the impact for each gap of variation in the valuation of assets and liabilities is calculated.

The table below presents the Fund's exposure to interest rate risk. The table provides the carrying amounts of the Fund's financial and non-financial instruments, which are classified into the repricing date of the contractual interest rate or maturity date, whichever occurs first.

	2020						
In thousands of soles	**Up to 1 month**	**1 – 3 months**	**3 – 12 months**	**1 – 5 years**	**More than 5 years**	**Do not accrue interest**	**Total**
Assets							
Cash and cash equivalents	1,317,917	20,002	-	-	304	-	1,338,223
Investments	-	1,165	3,604	143,551	71,682	-	220,002
Accounts receivable (trust agreement - COFIDE), net	235	456	2,083	12,095	13,609	-	28,478
Loan portfolio, net	44,648	85,968	402,683	2,675,693	4,674,461	-	7,883,453
Other accounts receivable, net	-	-	-	-	110,566	-	110,566
Hedging derivatives	-	-	-	-	-	394,937	394,937
Net asset position	-	-	-	-	-	124,946	124,946
Total assets	**1,362,800**	**107,591**	**408,370**	**2,831,339**	**4,870,622**	**519,883**	**10,100,605**
Equity and liabilities							
Obligations with the public	-	-	205	-	-	-	205
Borrowings and financial obligations	-	56,625	56,625	423,057	408,304	-	944,611
Outstanding instruments	-	-	-	3,915,860	820,246	-	4,736,106
Hedging derivatives	-	-	-	-	-	34,347	34,347
Other accounts payable, provisions and other liabilities	804,432	-	-	-	-	278,675	1,083,107
Equity	-	-	-	-	-	3,302,229	3,302,229
Total equity and liabilities	**804,432**	**56,625**	**56,830**	**4,338,917**	**1,228,550**	**3,615,251**	**10,100,605**
Off-balance sheet accounts							
Hedging derivative instruments, assets	-	-	-	-	-	3,299,883	3,299,883
Hedging derivative instruments, liabilities	-	-	-	-	-	268,113	268,113
Marginal gap	**558,368**	**50,966**	**351,540**	**(1,507,578)**	**3,642,072**	**472,628**	**3,567,996**
Accumulated gap	**558,368**	**609,334**	**960,874**	**(546,704)**	**3,095,368**	**3,567,996**	**-**

	2019						
In thousands of soles	**Up to 1 month**	**1 – 3 months**	**3 – 12 months**	**1 – 5 years**	**More than 5 years**	**Do not accrue interest**	**Total**
Assets							
Cash and cash equivalents	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	-	129,127
Hedging derivatives	-	-	-	-	-	166,325	166,325
Net asset position	-	-	-	-	-	148,442	148,442
Total assets	**1,519,802**	**81,907**	**379,966**	**2,656,329**	**4,747,120**	**314,767**	**9,699,891**
Equity and liabilities							
Obligations with the public	-	-	223	-	-	-	223
Borrowings and financial obligations	-	47,585	166,101	288,115	133,390	-	635,191
Outstanding instruments	-	-	-	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 equity and liabilities	**1,050,741**	**47,585**	**166,324**	**3,997,256**	**708,288**	**3,729,697**	**9,699,891**
Off-balance sheet accounts							
Hedging derivative instruments, assets	-	-	-	-	-	2,672,752	2,672,752
Hedging derivative instruments, liabilities	-	-	-	-	-	268,597	268,597
Marginal gap	**469,061**	**34,322**	**213,642**	**(1,340,927)**	**4,038,832**	**(473,581)**	**2,941,349**
Accumulated gap	**469,061**	**503,383**	**717,025**	**(623,902)**	**3,414,930**	**2,941,349**	**-**

Sensitivity to changes in interest rates
Following is the sensitivity of the income statement, 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 income statement, 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 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.

Exposure to interest rate risk is supervised by the Asset-Liability Committee, as well as by the Risk Committee. The latter approves maximum allowed limits.

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

	2020				
In thousands of soles	**Changes in basis points**	**Profit or loss sensitivity**		**Equity sensitivity**	
USD	+/-25	+/-	(165)	+/-	5
USD	+/-50	+/-	(330)	+/-	9
USD	75	+	(496)	+	14
USD	100	+	(661)	+	19
PEN	+/- 50	+/-	5,606	+/-	16,804
PEN	+/-75	+/-	8,408	+/-	25,206
PEN	+/-100	+/-	11,211	+/-	33,608
PEN	+/-150	+/-	16,817	+/-	50,413

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

i. Foreign exchange risk

Exchange rate risk in foreign currency 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 of assets and liabilities in foreign currency are held in U.S. 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:

In thousands of soles	**2020**		**2019**	
Internal model	1,181	0.03%	724	0.02%
Global position	4,314	0.13%	9,406	0.28%

(*) 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".

Foreign currency transactions are entered into a free-market exchange rate.

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:

In soles	**Symbol**	**2020**	**2019**
USD	US$	3.621	3.314
Euro	EUR	4.423946	3.719415
Swiss francs	CHF	4.089213	3.426739

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

	2020					2019				
In thousands of soles	**USD**	**PEN**	**Euro**	**Swiss francs**	**Total**	**USD**	**PEN**	**Euro**	**Swiss francs**	**Total**
Assets										
Cash and cash equivalents	39,946	1,298,214	63	-	1,338,223	77,516	1,401,450	47	-	1,479,013
Investments	187,748	32,254	-	-	220,002	210,704	32,239	-	-	242,943
Accounts receivable (Trust Agreement - COFIDE), net	76,911	7,806,542	-	-	7,883,453	96,717	7,401,359	-	-	7,498,076
Loan portfolio, net	99	28,379	-	-	28,478	107	35,859	-	-	35,966
Other accounts receivable, net	124	110,421	21	-	110,566	18,737	129,244	-	-	147,981
Hedging derivatives	210	394,727	-	-	394,937	619	165,706	-	-	166,325
Other asset accounts	480	124,466	-	-	124,946	101	129,486	-	-	129,587
	305,518	**9,795,003**	**84**	**-**	**10,100,605**	**404,501**	**9,295,343**	**47**	**-**	**9,699,891**
Liabilities										
Obligations with the public	-	205	-	-	205	-	223	-	-	223
Borrowings and financial obligations	-	-	944,611	-	944,611	118,516	-	516,676	-	635,192
Outstanding instruments	2,379,026	2,357,080	-	-	4,736,106	2,173,376	2,110,662	-	-	4,284,038
Hedging derivatives	6,336	28,011	-	-	34,347	93,592	-	-	-	93,592
Other accounts payable	1,203	1,059,516	-	-	1,060,719	1,190	1,371,686	-	-	1,372,876
Other liability accounts	1,882	20,506	-	-	22,388	2,085	2,897	-	-	4,982
	2,388,447	**3,465,318**	**944,611**	**-**	**6,798,376**	**2,388,759**	**3,485,468**	**516,676**	**-**	**6,390,903**
Currency forward position, net	(268,113)	-	-	-	(268,113)	(268,597)	-	-	-	(268,597)
Currency swaps position, net	2,353,650	-	946,233	-	3,299,883	2,154,100	-	518,653	-	2,672,753
Net monetary position	**2,608**	**6,329,685**	**1,706**	**-**	**6,333,999**	**(98,755)**	**5,809,875**	**2,024**	**-**	**5,713,144**

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. Negative variations represent potential losses, while positive variations represent potential earnings.

In thousands of soles	**Changes in exchanges rates**	**2020**	**2019**
Sensitivity analysis			
Revaluation			
USD	5%	130	(571)
USD	10%	261	(1,143)
Devaluation			
USD	5%	(130)	571
USD	10%	(261)	1,143

In thousands of soles	**Changes in exchanges rates**	**2020**	**2019**
Sensitivity analysis			
Revaluation			
Euro	5%	85	101
Euro	10%	171	202
Devaluation			
Euro	5%	(85)	(101)
Euro	10%	(171)	(202)

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 is held to maturity and available-for-sale investments, which are distributed according to contractual term.

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 FIs, 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, 2020 and 2019, 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, 2020 and 2019:

- 100% of the accounts receivable (Trust Agreement - COFIDE) are classified, according to FI risk, into the two upper levels defined by the SBS (note 7).

- 78.93% 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 other available funds 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 SBS Resolution N° 11356-2008"Regulation for the evaluation and classification of the debtor and the requirement of provisions" and their modifications (notes 4.C and 4.D).

ii. Credit risk management for accounts receivable (Trust Agreement - COFIDE)
Credit risk is managed mainly through the admission, monitoring and control of the FIs.

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) FIs credit risk analysis, (ii) FIs 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, 2020 and 2019, U.S. dollar portfolio represents 0.97% and 1.28% of the total portfolio, respectively).

As of December 31, 2020, and 2019, the maximum level of exposure to Fund´s credit risk of the accounts receivable (Trust Agreement – COFIDE) is S/ 8,066,891 thousand and S/ 7,642,412 thousand, respectively, corresponding to their balances at those dates.

In accordance with the Agreement for Channeling of Resources signed between the Fund and the FIs, the IFI 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 FIs, which ensure the mass of mortgage loans placed by the Fund, for which the FI 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 FI risk are as follows:

In thousands of soles	**2020**		**2019**	
Standard	5,980,314	100.63%	5,457,836	100.58%
With potential problems	4,825	0.08%	7,045	0.13%
	5,985,139	**100.71%**	**5,464,881**	**100.71%**
Allowance for doubtful accounts (Trust Agreement - COFIDE)	41,995	(0.71%)	38,434	(0.71%)
	5,943,144	**100.00%**	**5,426,447**	**100.00%**

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:

	2020				**2019**			
In thousands of soles	**Available-for-sale investments**		**Held-to-maturity investments**		**Available-for-sale investments**		**Held-to-maturity investments**	
Instruments issued and rated in Peru								
AAA	-	-	-	-	-	-	85,204	35.07%
AA- to AA+	-	-	82,953	42.29%	-	-	-	-
CP-1(+/-)	-	-	-	-	-	-	-	-
CP-2(+/-)	-	-	-	-	-	-	-	-
	-	**-**	**82,953**	**42.29%**	**-**	**-**	**85,204**	**47.96%**
Instruments issued in Peru and rated abroad							-	-
A- to A+	-	-	-	-	-	-	125,711	38.85%
BBB- to BBB+	24,443	98.61%	81,456	41.73%	-	-	25,596	10.54%
BB- to BB+	-	-	28,273	14.48%	-	-	-	-
	24,443	**98.61%**	**109,729**	**56.21%**	**-**	**-**	**151,307**	**49.39%**
Instruments issued and rated abroad								
BBB- to BBB+	-	-	-	-	-	-	2,992	1.23%
CP-1(+/-)	-	-	-	-	-	-	-	-
CP-2(+/-)	-	-	-	-	-	-	-	-
	24,443	**98.61%**	**192,682**	**98.70%**	**-**	**-**	**239,503**	**98.58%**
Accrued interest	345	1.39%	2,532	1.30%	-	-	3,441	1.42%
	24,788	**100.00%**	**195,214**	**100.00%**	**-**	**-**	**242,944**	**100.00%**

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:

	2020					2019				
	Investments at FVTPL					Investments at FVTPL				
In thousands of soles	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
Financial services	394,937	9,236,094	24,443	48,108	9,703,582	166,325	8,998,397	-	94,819	9,259,541
Central Government	-	-	-	31,331	31,331	-	-	-	31,316	31,316
Power, gas and water	-	-	-	84,969	84,969	-	-	-	84,734	84,734
Construction	-	-	-	28,273	28,273	-	-	-	28,633	28,633
Others	-	110,566	-	-	110,566	-	147,952	-	-	147,952
	394,937	**9,346,660**	**24,443**	**192,681**	**9,958,721**	**166,325**	**9,146,349**	**-**	**239,502**	**9,552,176**
Interest	-	14,061	345	2,533	16,939		14,686	-	3,441	18,127
	394,937	**9,360,721**	**24,788**	**195,214**	**9,975,660**	**166,325**	**9,161,035**	**-**	**242,943**	**9,570,303**

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

	2020					2019				
	Investments at FVTPL					Investments at FVTPL				
In thousands of soles	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
Peru	40,119	9,346,660	24,443	192,681	9,603,903	6,403	9,146,349	-	236,511	9,389,263
United States of America	168,118	-	-	-	168,118	77,478	-	-	-	77,478
Colombia	-	-	-	-	-	-	-	-	-	-
Chile	-	-	-	-	-	-	-	-	2,992	2,992
China	-	-	-	-	-	-	-	-	-	-
Germany	14,511	-	-	-	14,511	8,289	-	-	-	8,289
Canada	5,831	-	-	-	5,831					
United Kingdom	166,358	-	-	-	166,358	74,155	-	-	-	74,155
	394,937	**9,346,660**	**24,443**	**192,681**	**9,958,721**	**166,325**	**9,146,349**	**-**	**239,503**	**9,552,177**
Interest	-	14,061	345	2,533	16,939	-	14,686	-	3,441	18,127
	394,937	**9,360,721**	**24,788**	**195,214**	**9,975,660**	**166,325**	**9,161,035**	**-**	**242,944**	**9,570,304**

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.

	2020					
In thousands of soles	**Up to 1 months**	**1 – 3 days**	**3–12 months**	**1–5 years**	**More than 5 years**	**Total**
Financial liabilities by type						
Obligations with the public	-	-	205	-	-	205
Borrowings and financial obligations	-	56,625	56,625	423,057	408,303	944,610
Outstanding instruments	-	-	-	3,915,860	820,246	4,736,106
Other accounts payable	788,119	20,154	684	-	251,762	1,060,719
Total non-derivative financial liabilities	**788,119**	**76,779**	**57,514**	**4,338,917**	**1,480,311**	**6,741,718**
Derivative instruments (*)						
Contractual amounts receivable (inflow)	137,335	143,720	122,495	2,821,085	-	3,224,635
Paid contractual amounts (outflows)	(168,901)	(142,680)	(171,300)	(2,505,939)	-	(2,988,820)
	(31,566)	**1,040**	**(48,805)**	**315,146**	**-**	**235,815**

	2019					
In thousands of soles	**Up to 1 months**	**1 – 3 days**	**3–12 months**	**1–5 years**	**More than 5 years**	**Total**
Financial liabilities by type						
Obligations with the public	-	-	223	-	-	223
Borrowings and financial obligations	-	47,585	166,101	288,115	133,391	635,192
Outstanding instruments	-	-	-	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**
Derivative instruments (*)						
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)**

D. Capital management
As of December 31, 2020 and 2019, the Fund has complied with the mandates of Legislative Decree N° 1028 and SBS Resolutions N° 2115–2009, N° 6328-2009, N° 14354-2009, N° 8425 -2011, N° 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 could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The fair value is a market-based measurement, so a financial instrument traded in a real 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, the fair value must be measured applying other valuation technique, trying to maximize the use of relevant measurable variables and minimize the use of unobservable 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.

- Assets whose fair value is similar to their carrying amount: For financial assets and financial liabilities that are liquid or have short-term maturities (under 3 months), management considers that the carrying amount 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 Obligations with the public, according to SBS Official Letter N° 1575-2014, corresponds to the carrying amount.

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 values recognized in the statement of financial position:

	2020				2019			
In thousands of soles	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets								
Available-for-sale investments	-	24,788	-	24,788	-	-	-	-
Hedging derivatives	-	394,937	-	394,937	-	166,325	-	166,325
	-	**419,725**	**-**	**419,725**	**-**	**166,325**	**-**	**166,325**
Financial liabilities	-	34,347	-	34,347	-	-	-	-
Hedging derivatives	-	34,347	-	34,347	-	93,592	-	93,592

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 2020 and 2019, the Fund has not transferred financial instruments from Level 2 to Level 1 or to Level 3.

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:

	2020		2019	
In thousands of soles	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**
Assets				
Cash and cash equivalents	1,338,223	1,338,223	1,479,013	1,479,013
Held-to-maturity investments	218,611	195,214	263,009	242,943
Accounts receivable (trust agreement - COFIDE), net	7,883,453	7,883,453	7,498,076	7,498,076
Loan portfolio, net	28,478	28,478	35,966	35,966
Other accounts receivable, net	110,566	110,566	147,981	147,981
	9,579,331	**9,555,934**	**9,424,045**	**9,403,979**
Liabilities				
Obligations with the public	205	205	223	223
Borrowings and financial obligations	944,610	944,610	635,192	635,192
Outstanding instruments	5,763,547	4,736,106	4,284,038	4,284,038
Other accounts payable	1,060,719	1,060,719	1,372,876	1,372,876
	7,769,081	**6,741,640**	**6,292,329**	**6,292,329**

27. Subsequent Events

(a) As described in note 1.C, the Peruvian government issued various supreme and emergency decrees related to COVID-19 in the year 2020. Likewise, the Peruvian government implemented various restrictive measures to prevent the spread of COVID-19. Such measures still effective as of reporting date. In this sense, management continuously monitors the measures dictated by the Peruvian government.

(b) On January 15, 2021, the Fund informed to the SBS through Letter N° 381-2021-FMV/GO that it received at the end of December 2020 the electronic information (schedules and payment histories) of the Mivivienda portfolio of the CAC Presta Perú, which was sent to Financiera Efectiva, who is the collection management, for analysis, verification, validation of schedules (TNC and TC), application of payments and reconciliation, finding incomplete and inconsistent information.

On February 24, 2021, the Fund informed to the SBS, through Letter N° 1334-2021-FMV/GO, the working plan for registering the Mivivienda Portfolio of the CAC Presta Perú as a mortgage portfolio in the Fund's financial statements. In this sense, and according to the elaborated plan, the requested registration will be available at the end of August 2021. (note 8).