COFIDE

FORM FOR PRESENTATION TO THE SBS.

FORM "A"

STATEMENT OF FINANCIAL POSITION

As of September 30, 2016

(in thousands of nuevos soles)

ASSETS	Currency Peruvian	Equivalent in F. C.	TOTAL
CASH	**76,525**	**1,652,146**	**1,728,671**
Banco Central de Reserva del Peru	11,607	4,183	15,790
Banks and other financial institutions in Peru	64,854	411,345	476,199
Bank and other financial institutions abroad	0	848,801	848,801
Others available	64	387,817	387,881
AVAILABLE FOR SALE INVESTMENTS	**2,818,774**	**1,535,335**	**4,354,109**
Capital instruments	2,339,155	76,566	2,415,721
Debt instruments	479,619	1,458,769	1,938,388
LOAN PORTFOLIO, NET	**2,481,002**	**4,455,564**	**6,936,566**
Current loans	2,883,938	4,651,048	7,534,986
Restructured loans	0	12,563	12,563
Refinanced loans	727	0	727
Past-due loans	2,294	56,643	58,937
Accounts under legal collection	0	256	256
- Provisions for loans	(405,957)	(264,946)	(670,903)
HEDGING DERIVATIVES	**9,494**	**5,105**	**14,599**
ACCOUNTS RECEIVABLE, NET	**3,566**	**38,342**	**41,908**
Accounts receivable from sale of goods and services and trusts	0	11	11
Other accounts receivable	3,566	38,331	41,897
ASSETS SEIZED, RECEIVED IN PAYMENT, AWARDED	**11,104**	**0**	**11,104**
Goods received in payment and awarded	11,104	0	11,104
PROPERTY, FURNITURE AND EQUIPMENT, NET	**11,440**	**0**	**11,440**
INTANGIBLE ASSETS	**4,738**	**0**	**4,738**
Other intangible assets	4,738	0	4,738
OTHER ASSETS	**3,645**	**3,047**	**6,692**
TOTAL ASSETS	**5,420,288**	**7,689,539**	**13,109,827**

LIABILITIES	Currency Peruvian	Equivalent in F. C.	TOTAL
OBLIGATIONS TO THE PUBLIC	**8,554**	**713**	**9,267**
Other obligations	8,554	713	9,267
DEPOSITS BY BANKS AND FINANCIAL ORGANIZATIONS	**244,753**	**0**	**244,753**
Deposits	244,753	0	244,753
DEBT SECURITIES	**1,626,019**	**7,627,147**	**9,253,166**
Borrowings and obligations to Peruvian companies and financial institutions	1,093,355	0	1,093,355
Borrowings and obligations to foreign companies & internat. entities.	0	776,682	776,682
Other borrowings & obligations in Peru and abroad	159	370,923	371,082
Securities	532,505	6,479,542	7,012,047
DERIVATIVES FOR TRADING	**0**	**0**	**0**
HEDGING DERIVATIVES	**84,691**	**6,581**	**91,272**
ACCOUNTS PAYABLE	**390,306**	**3,733**	**394,039**
PROVISIONS	**15,024**	**40,971**	**55,995**
Provisions for contingent loans	8,045	29,545	37,590
Provision for litigation and claims	2,965	0	2,965
Others	4,014	11,426	15,440
DEFERRED INCOME TAXES	**231,145**	**0**	**231,145**
OTHER LIABILITIES	**5,409**	**1,388**	**6,797**
TOTAL LIABILITIES	**2,615,272**	**7,680,533**	**10,295,805**
EQUITY			
Capital	2,010,570	0	2,010,570
Additional paid in capital	84	0	84
Reserves	303,291	0	303,291
Other comprehensive income	323,098	96,391	419,489
Accumulated results	21,742	0	21,742
Net results of the fiscal year	58,846	0	58,846
TOTAL EQUITY	**2,717,631**	**96,391**	**2,814,022**
TOTAL LIABILITIES AND EQUITY	**5,332,903**	**7,776,924**	**13,109,827**
RISKS AND CONTINGENT COMMITMENTS	**51,580**	**1,003,394**	**1,054,974**

FORM FOR PRESENTATION TO THE SBS.

COFIDE

FORM "B 1"

STATEMENTS OF INCOME

For the nine months ended as of September 30, 2016

(in thousands of nuevos soles)

	Currency Peruvian	Equivalent in F. E.	TOTAL
INTEREST INCOME	**203,970**	**274,405**	**478,375**
Cash	4,595	15,620	20,215
Available for sale investments	22,585	63,297	85,882
Direct loan portfolio	176,790	195,488	372,278
INTEREST EXPENSES	**89,921**	**262,817**	**352,738**
OBLIGATIONS TO THE PUBLIC	**194**	**282**	**476**
Deposits by Banks and financial organizations	**13,365**	**0**	**13,365**
Debts and financial obligations	**68,190**	**257,274**	**325,464**
Debts and obligations to local financial entities	0	0	0
Debts and obligations to foreign financial entities and international financial organizations	0	32,996	32,996
Other debts and obligations in the country and abroad	0	2,628	2,628
Commissions and other charges from debts and financial obligations	240	7,879	8,119
Securities, bond and outstanding obligations	25,629	213,767	239,396
Payable interests	**8,172**	**0**	**8,172**
Interest on accounts payable	8,172	0	8,172
Net loss from hedging transactions	**0**	**5,261**	**5,261**
GROSS FINANCIAL MARGIN	**114,049**	**11,588**	**125,637**
PROVISIONS FOR LOAN LOSSES	**(80)**	**31,741**	**31,661**
NET FINANCIAL MARGIN	**114,129**	**(20,153)**	**93,976**
INCOME FROM FINANCIAL SERVICES	**22,199**	**10,351**	**32,550**
Income from indirect loans	607	6,034	6,641
Income from trusts and trust commissions	21,154	3,554	24,708
Sundry income	438	763	1,201
EXPENSES FOR FINANCIAL SERVICES	**796**	**1,936**	**2,732**
Expenses on trusts and confidential commissions	68	0	68
Sundry expenses	728	1,936	2,664
NET FINANCIAL MARGIN OF INCOME AND EXPENSES FOR FINANCIAL SERVICES	**135,532**	**(11,738)**	**123,794**
Profit/(loss) from financial operations	**2,402**	**5,420**	**7,822**
Available for sale investments	2,394	1,517	3,911
Derivatives for negotiation	0	2,448	2,448
Net loss from hedging operations	0	79,636	79,636
Earnings from exchange difference	0	0	0
Others	8	377	385
OPERATING MARGIN	**137,934**	**(6,318)**	**131,616**
ADMINISTRATIVE EXPENSES, DEPRECIATION AND AMORTIZATION	**51,562**	**6,331**	**57,893**
Personnel and Board of Directors' expenses	31,869	485	32,354
Expenses for services received from third parties	15,360	5,836	21,196
Taxes and contributions	4,333	10	4,343
DEPRECIATION AND AMORTIZATION	**3,601**	**0**	**3,601**
NET OPERATING MARGIN	**82,771**	**(12,649)**	**70,122**
NET VALUATION OF ASSETS AND PROVISIONS	**570**	**21,026**	**21,596**
Provisions for indirect loans	(6,741)	4,779	(1,962)
Provisions for impairment of accounts receivable	2,268	8,339	10,607
Deterioration of investments	0	152	152
Provision for lawsuits and claims	1,241	0	1,241
Other provisions	1,952	7,756	9,708
OPERATING PROFIT	**82,201**	**(33,675)**	**48,526**
Other income and expenses	3,986	31,813	35,799
PROFIT BEFORE INCOME TAX	**86,187**	**(1,862)**	**84,325**
Income tax	(25,479)	0	(25,479)
NET INCOME FOR THE YEAR	**60,708**	**(1,862)**	**58,846**

NOTES TO THE FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2016 AND AS OF DECEMBER 31, 2015

1. INCORPORATION, ECONOMIC ACTIVITY AND APPROVAL OF THE FINANCIAL STATEMENTS

(a) Incorporation and economic activity

Corporación Financiera de Desarrollo S.A. - COFIDE (COFIDE or Bank) is a company where the Peruvian Government has an equity interest of 99.2% (represented by Fondo Nacional de Financiamiento de la Actividad Empresarial del Estado – FONAFE, attached to the Ministry of Economy and Finance – MEF) and the Corporación Andina de Fomento – CAF, holds 0.8%.

COFIDE was incorporated on March 18, 1971 through Law Decree N° 18807 and it has administrative, economic and financial autonomy. The stated purpose of COFIDE is to contribute to Peru's integral development, through funds capture and financing granted through Financial Intermediation Institutions (hereinafter IFI for its acronym in Spanish), for the promotion and financing of productive investments and public and private infrastructure.

Additionally, COFIDE is dedicated to managing funds and securities mainly received from the Peruvian Government and financial institutions acting as fiduciary, for which it charges a commission.

The activities of COFIDE are regulated by different legal provisions included in its bylaws, specifically issued to define its action framework. Additionally, such activities are regulated by the Ley General del Sistema Financiero y del Sistema de Seguros y Orgánica de la Superintendencia de Banca, Seguros y Administradora de Fondos de Pensiones (General Law of the Financial and Insurance Systems and Organic Law of the Superintendency of Banking, Insurance and Private Administrators of Pension Funds (hereinafter SBS for its acronym in Spanish)) – Law N° 26702 (hereinafter General Law), and the amendments to Legislative Decree N° 1028 dated June 21, 2008.

COFIDE's legal address is Augusto Tamayo N° 160, San Isidro and the number of personnel (Managers, officers and employees) as of September 30, 2016, and December 31, 2015, was 197, and 194, respectively.

(b) Approval of the Financial statements

The financial statements for the three months ended September 30, 2016, prepared in accordance with generally accepted accounting principles in Peru (GAAP in Peru) applicable to financial entities, were authorized for issuance by COFIDE's Management on October 14, 2016. These financial statements shall be submitted for approval to the Board of Directors. COFIDE's Management believes that the financial statements, included herein, will be approved by the Board of Directors and at the Shareholders' Meeting without further amendments. The financial statements for the year ended December 31, 2015, prepared in accordance with GAAP in Peru for financial entities, were approved at the Shareholders' Meeting held on March 31, 2016.

(c) Explanation added for translation into the English language of the original financial statements issued in Spanish

These financial statements were translated into English by COFIDE for convenience of the English-speaking readers and have been derived from the financial statements originally issued in Spanish. In the event of a discrepancy, the Spanish language version prevails.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

(a) Statement of Compliance

Financial statements are prepared in accordance with legal regulations and GAAP in Peru applicable to financial entities, which comprise accounting standards and practices authorized by the SBS by virtue of the authority conferred to it by the General Law. The standards mentioned above are included in the Accounting Manual for Financial Entities (hereinafter the Accounting Manual), amended by Resolution SBS N° 7036-2012 dated September 19, 2012, effective as of January 1, 2013.

The SBS has established that if there is any situation not covered by these rules, the provisions applicable in the International Financial Reporting Standards by the IASB will emit and formalized by the Accounting Standards Board application in Peru (GAAP).

Peru GAAP are composed of: the standards and interpretations issued or adopted by the International Accounting Standards Board (hereinafter, IASB) which includes International Financial Reporting Standards (hereinafter, IFRS), International Accounting Standards (hereinafter, IAS), and the Interpretations issued by the International Financial Reporting Interpretations Committee (hereinafter, IFRIC) or by the former Standing Interpretation Committee (hereinafter, SIC) adopted by IASB, after endorsement by the Consejo Normativo de Contabilidad, the Peruvian Accounting Board, (hereinafter, CNC, for its Spanish acronym) for their application in Peru.

The following standards and interpretations have been published with application for periods beginning after the date of these financial statements:

- IFRS 9 "Financial Instruments". Effective for annual periods beginning on or after January 1, 2017.

- IFRS 14 “Regulatory Deferral Accounts”. Effective for annual periods beginning on or after January 1, 2016.

- IFRS 15 “Revenue from Contracts with Customers”. Effective for annual periods beginning on or after January 1, 2018.

- IFRS 16 “Leases”. Effective for annual periods beginning on or after January 1, 2019.

- Amendments to IFRS 11 “Joint Arrangements”. Effective for annual periods beginning on or after January 1, 2016.

- Amendments to IFRS 1 “First-time Adoption of International Financial Reporting Standards”. Effective for annual periods beginning on or after January 1, 2016.

- Amendments to IFRS 16 and IFRS 38 “Clarification of the acceptable methods of depreciation and amortization”. Effective for annual periods beginning on or after January 1, 2016.

- Amendments to IFRS 27 “Consolidated and Separate Financial Stratements”. Effective for annual periods beginning on or after January 1, 2016.

- Amendments to IFRS 10, IFRS 12 and IFR 28. Effective for annual periods beginning on or after January 1, 2016.

COFIDE’s Management believes that the application of these new pronouncements will not have a material impact on the financial statements.

Pronouncements issues bu the Accounting Standards Board (CNC)

By virtue of Resolution CNC N° 063-2016-EF/30 published by the official newspaper El Peruano on September 02, 2016, the 2016 version of the International Financial Reporting Standards was made official.

By virtue of Resolution CNC N° 059-2015-EF/30 published by the official newspaper El Peruano on August 11, 2015, the 2015 version of the International Financial Reporting Standards was made official.

(b) Responsibility for information and significant estimates

Management and the Board of Directors of COFIDE are responsible for the information contained in these financial statements. For their preparation, certain estimates to quantify some assets, liabilities, revenues, expenses and commitments recorded therein based on experience and other relevant factors. Final results could differ from those estimates.

Accounting estimates and assumptions are reviewed on an ongoing basis. Changes in accounting estimates are prospectively recognized by recording the effects of change in the corresponding income accounts for the year when the corresponding reviews are conducted.

Critical estimates used in connection with the preparation of COFIDE's financial statements include:

- Provision for direct and indirect impaired loans portfolio
- Fair value of hedging derivatives
- Provision for accounts receivable impairment
- Useful life assigned to property, furniture and equipment
- Useful life assigned to intangible assets
- Impairment estimate of property, furniture and equipment
- Impairment estimate of intangible assets
- Impairment estimate of investments
- Other assets and contingent loans
- Record of contingent liabilities
- Current and deferred income tax
- Fair values, classification and investments risks
- Revenue recognition

Management has applied critical judgment when applying accounting policies in the preparation of the accompanying financial statements, as explained in the corresponding accounting policies.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Changes in accounting estimates

In accordance with the statements made by Management, as of September 2016, no adjustments have been made as a result of the harmonization with IFRS, nor due to accounting errors that require the application of IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”.

(b) Preparation and presentation currency

COFIDE prepares and presents its financial statements in thousands of Peruvian soles (S/ 000); it is the functional currency as determined in the Accounting Manual for financial entities.

(c) *Financial instruments*

Financial instruments are classified as either financial assets, financial liabilities or as equity in accordance with the substance of the contractual arrangements from which they originate. Interests, dividends, gains and losses generated by a financial instrument classified either as financial asset or liability are recorded as income or expense in the statement of income.

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

Financial assets and liabilities presented in the statement of financial position correspond to: cash funds, available for sale investments, loan portfolios, receivables, obligations to the public, deposits by banks and international financial organizations, debt and financial obligations, securities, bonds and outstanding obligations, payables, provisions for contingent loans. Additionally, all derivative products included in other assets and liabilities are considered financial instruments.

Accounting policies on the recognition and valuation of these items are described in the corresponding accounting policies described in this note.

(d) *Derivative financial instruments*

Derivatives refer to financial instruments characterized by: (a) changes in fair value as a result of modifications occurring in the level or price of an underlying asset; (b) not requiring net initial investment or requiring a lower investment than the one that would be required in contracts that respond in a similar way to changes in market variables and (c) having a future maturity date.

COFIDE classifies and records derivative financial instruments in accordance with the provisions set forth in the Accounting Manual and the Resolution SBS N° 1737-2006 and its amendments. The accounting treatment provided by the SBS includes essential aspects established by IAS 39 “Financial Instruments: Recognition and Measurement”.

Upon their initial recording at trading date, derivatives shall be classified under one of the following two categories for their accounting record: (a) derivative financial instruments for trade or (b) derivative financial instruments for hedging. Derivative financial instruments for trade are initially recorded at their fair value; subsequently, any change in the fair value of such derivative shall affect the results for the period. Regarding derivative financial instruments for hedging, certain requirements established by the SBS shall be met relating to procedures, techniques of application and proper and timely documentation supporting the hedging strategy.

Interest rate and currency transactions (swaps) and mandatory forward exchange contracts at an exchange rate previously agreed between the parties (forwards) are initially and subsequently accounted at fair value.

Future cash flow hedging is recorded as asset or liability in the statements of financial position and presented at fair value. To the extent such hedges are effective to offset the interest rate risks, changes in the fair value are directly recorded in an equity account. These amounts are transferred to the statement of income for the period on the date the financial liability is liquidated and presented in the statement of income under derivative financial instruments.

Regardless of the type of hedging financial instrument, these must be periodically evaluated and considered as highly effective in a range between 80% and 125% to reduce the risk associated to the exposure being covered. In case that the hedging does not continue to be effective, changes in the fair value shall be reflected in the statement of income for the period.

Derivatives classified in the trading category are initially recognized at fair value as of the trading date.

Fair values are obtained based on exchange rates and market interest rate. Gains and losses for changes in fair value are recorded in the statement of income.

The face value of derivative financial instruments is recorded in their corresponding engaged or agreed currency in contingent and memorandum accounts (Note 14 (d)).

(e) Loan portfolio and provision for loan losses

Loan portfolio is recorded when the disbursement in favor of the customers take place.

Loans are considered as refinanced or restructured when the debtor has difficulties in the payment and these change his payment schedules and/or the balance of debt capital.

Financial lease operations, from portfolio transfer contracts, are recorded in accordance with SBS standards and IAS 17 “Leases”, as loans.

Types of loans

In accordance with Resolution SBS Nº 11356-2008 loans are classified as: i) Corporate loans, ii) loans to large companies, (iii) loans to medium-sized companies, iv) loans to small companies, v) loans to micro-enterprises (MES), vi) revolving consumer loans, vii) non-revolving consumer loans and viii) housing mortgage loans. This classification takes into consideration the nature of the client (corporate, government or individual), the purpose of the loans and the size of the business measured by earnings, indebtedness and other criteria.

Categories of classification

Categories of classification established by the SBS are as follows: normal, with potential problems, substandard, doubtful and loss. These are the same for non-retail loan portfolio (corporate, large and medium business), which are mainly determined for the debtor's payment capacity, his cash flow, the level of compliance with its obligations, the classification assigned by other financial entities, the debtor's financial position and the quality of the customer's direction, while in order for the retail loan portfolio (small business, micro-business, consumer (revolving and non-revolving) and mortgage), the classification is determined based on the compliance with the payment of loans reflected in delay days, and in its classification in other financial entities.

Requirements of provisions

The provision for impaired loan portfolio is determined in accordance with criteria and percentages set forth in Resolution SBS N° 11356-2008 "Regulations for the Evaluation and Classification of Debtors and Required Provisions".

In accordance with standards in force, COFIDE makes two classes of provisions for loan portfolio: general and specific provisions.

General provisions include: (i) those established, as precaution, for debtors classified as normal in accordance with the requirements of the SBS and also the procyclical component (as defined below) when the SBS confirms its application (this component is deactivated since November 2014 by virtue of Circular Letter N° B-2224-2014); as well as (ii) general voluntary provisions.

Pursuant to internal policies, and as permitted by the SBS, COFIDE establishes voluntary general provisions for the loan portfolio, whose level depends on the assessment conducted by Management on the conditions of the macroeconomic variables of the country and their impact on IFIs and debtors in general (Note 6). Also, general voluntary provisions are established as a precautionary measure on certain debtors with higher risk exposure. In this regard, through Board of Directors agreements N° 066-2005 and Nº 003-2007, dated September 15, 2005 and January 11, 2007, respectively, the reallocation and constitution of general voluntary provisions was approved based on the following order of priority:

a) For credit risk derived from exchange rate risk (RCDR): calculated based on the classification for RCDRC, obtained by each final debtor and IFIs every six months.

b) For final debtors of business, special or structured financig: calculated based on the classification of the final debtor and provision rates associated to each classification of the table shown as follows:

Clasification	Minimum voluntary provision
Normal	0.70%
With potential problems	5.00%
Substandard	25.00%
Doubtful	60.00%
Lost	100.00%

c) For assigned portfolio: calculated based on the loan balance in the assigned portfolio, classified as substandard, doubtful, lost, restructured or refinanced.

d) For subsytems of financial institutions: calculated based on net loans on guarantees granted by rural loan and savings institution, municipal loan and saving institutions, edpymes (development entity for small and micro-businesses), financial entities, leasing companies, cooperatives and banks:

Sub-system	% provision up to
Municipal savings & loan institutions	30%
Rural savings & loan institutions	50%
Small & microenterprise development entities	30%
Cooperatives	40%
Banks	35%
Finance institutions	30%
Lessors	30%

Specific provisions are constituted on direct credits and exposure equivalent to credit risk of indirect credits of debtors classified in a category with higher risk than normal category.

Requirements of provisions are determined considering the debtor's risk classification, whether there is guarantee or not, and based on the type of guarantee.

Additionally, in compliance with Resolution SBS N° 041-2005, COFIDE assesses the exposure to credit exchange risks for loans in foreign currency and records provisions as required by the SBS.

COFIDE uses the aforementioned criteria to constitute the specific provision of accounts receivable for transferred loan portfolio, included in “other assets”.

As of September 30, 2016, and December 31, 2015, general and specific provisions are determined according to SBS. Minimum required percentages for provisions constitution are as follows:

Risk category	Un-secured	With preferred guarantees	With very fast preferred guarantees	Self-liquidating guarantees
	%	%	%	
- Normal				
Corporate loans	0.70	0.70	0.70	0.70
Loans to large companies	0.70	0.70	0.70	0.70
Loans to medium companies	1.00	1.00	1.00	1.00
Loans to small companies	1.00	1.00	1.00	1.00
Loans to microenterprises	1.00	1.00	1.00	1.00
Revolving consumer credit	1.00	1.00	1.00	1.00
Non-revolving consumer credit	1.00	1.00	1.00	1.00
Housing mortgages	0.70	0.70	0.70	0.70
- Potential problems	5.00	2.50	1.25	1.00
- Deficient	25.00	12.50	6.25	1.00
- Doubtful	60.00	30.00	15.00	1.00
- Lost	100.00	60.00	30.00	1.00

Procyclical component

Pro-cyclical provisions are required for loan portfolio in normal risk category. This represents an additional component to the aforementioned general provision rate and its recording is done as long as the “pro-cyclical standard” is activated.

The provision for “procyclical standard” is deactivated since November 2014, in accordance with Circular Letter N° B-2224-2014 dated November 27, 2014. Such Letter indicates that procyclical provisions can be reassigned to cover new debtors’ provisions. As of September 30, 2016 and December 31, 2015, COFIDE maintains a level of procyclical provisions reassigned to specific provisions for (in thousands) S/ 22,542.

When the debt is considered uncollectible, it is written-off against the corresponding provision for loan portfolio impairment. The subsequent recovery of respectively written-off amounts is recognized in the income account for the recovery of written-off portfolio in the statement of income.

The provision for uncollectible risk of loan contracts is held at a level which, in opinion of COFIDE’s Management, is sufficient to cover potential losses in loan portfolio as of the date of the statement of financial position.

(f) Investments

Investments can be classified as: investments at fair value through profit and loss, available for sale investments and held to maturity investments.

COFIDE holds investments within the following categories:

(f.1) Available for sale investments

This category comprises those securities which management has the intention of trading or obtaining profits from their commercialization before their due date. This category includes all investment instruments not classified as investments at fair value through profit or loss, held-to-maturity investments and investments in subsidiaries and associates. The valuation is made at fair value and the gain or loss generated by the changes in the fair value is recognized in the stockholders' equity until the instrument is sold or realized, when it is transferred to the statement of income for the period, except for impairment losses that are recorded in the statement of income.

Regarding available for sale investments, gaind related to the amortized cost of representative debt instruments will afect the income for the period. Representative equity instruments will be recognized in equity accounts.

Yields from these investments are recognized as earned and dividends as declared.

(f.2) Investment in Corporación Andina de Fomento - CAF

According to IAS 39 and the Regulation of Classification and Valuation of Investments of Financial Entities, Resolution SBS N° 7033-2012, investments in equity instruments that do not have a market price quoted in an active market and whose fair value cannot be reliably measured are measured at cost.

Within the frame of IFRS harmonization process, considering that CAF shares do not pay dividends in cash, do not have public active market, are not likely to have a determined estimated fair value of the investment and considering Official Letter N° 45853-2012 issued by the SBS on December 5, 2012 stating the treatment for investments based on IFRS and authorizing the use of the value determined at cost as of December 31, 2012, COFIDE has reclassified this investment as "Available for sale investments", considering the last value in records by COFIDE as cost value, reported to the SBS as of December 31, 2012.

(g) Property, furniture and equipment

Property, furniture and equipment are presented at cost, less depreciation and any recognized loss for impairment charges. Initial disbursements, as well as those incurred subsequently, regarding goods which cost could be reliably valued, being likely that they generate future economic benefits, are recognized as fixed assets. Subsequent disbursements for maintenance and repairs are expensed during the period as incurred. Gains or losses arising from the sale of withdrawal of a property, property and equipment item is determined as the difference between the sale product and the carrying amount of the asset, which are recognized in profit or loss for the year when the sale takes place.

Depreciation is calculated based on the straight-line method on estimated useful life of different assets as follows:

Item		*Useful life*
Buildings		33 years
Facilities, furniture and fixtures		10 years
Transportation units		5 years
Sundry equipment		4 & 10 years

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period in order to evaluate possible relevant changes in previous expectations or in the expected pattern of consumption of future economic benefits incorporated to assets, progressively incorporating the effects of any change in these estimates on net income or loss for the period in which they occur.

Pursuant to the General Law, COFIDE is not allowed to pledge or mortgage its fixed assets as guarantee.

(h) Foreclosed, received and awarded goods

Awarded and received goods are recorded at the lower of award cost, value agreed in payment in kind agreement or net realization value. Recovered goods due to contract resolution, if any, are initially recorded at the lowest amount resulting from the comparison between the debt unpaid balance and the net realization value. Should the unpaid balance of the debt be higher than the balance of the recovered good, the difference is recognized as a loss, provided that their recovery is unlikely.

Also, COFIDE shall establish the following provisions on these assets:

- 20% of the value of goods received at acquisition or recovery date for all goods received to the extent that the provision determined by the appraisal value is not higher.

- For goods other than real estate, the remaining balance is accrued for over a period not exceeding 18 months or 12 months, depending if COFIDE has obtained an extension from the SBS.

- Additionally, for real estate, a monthly impairment provision is recorded effective from the 18th month following the acquisition or recovery, which shall be constituted over a term of 42 months or less, based on the net value obtained during the 18th month.

(i) Intangible assets

Intangible assets with finite useful lives acquired separately are recognized at their acquisition cost less accumulated amortization and accumulated impairment losses. Amortization is determined under the straight-line method based on the useful life estimated by COFIDE. Estimates on useful lives and depreciation methods are reviewed at the end of each reporting period in order to evaluate possible relevant changes in previous expectations in the expected pattern of future economic benefits of such assets, progressively incorporating the effects of any change in these estimates on net income or loss for the period in which they occur.

Acquired licenses of computer programs are capitalized based on incurred costs to acquire or start using the specific program. These costs are amortized following the straight-line method during its estimate useful life. Useful life has been estimated between 3 and 5 years.

Costs related with the development or maintenance of computer programs are recognized as expenses when they are incurred. Costs incurred in the development of computer programs, recognized as assets, are amortized during their estimate useful lives.

Intangible assets are measured after recognition based on the cost model.

(j) Impairment loss

When there are events or economic changes indicative that the value of an asset might not be recoverable, management reviews the book value of these assets. If after analysis the book value of the asset exceeds its recoverable amount, an impairment loss is recognized in the statement of income based on the recoverable amount estimated for the asset.

(k) Deposits by Banks and financial organizations, and debt securities

Liabilities for debts and financial obligations and for securities issuance (corporate, senior and subordinated bonds) are recorded at fair value, recognizing interests accrued in the statement of income.

Premiums or discounts granted in bond placements are deferred and amortized during their lives.

(l) Income tax

Expenses for income tax are comprised of estimated income tax payable plus deferred income tax.

Current income tax is determined by applying the tax rate established in the effective tax legislation for net taxable income for the year.

Deferred income tax corresponds to the amount of tax expected to be recovered or paid upon the temporary differences between reported carrying amounts of assets and liabilities, and their corresponding tax bases. Deferred income tax liabilities are generally recognized for all deductible temporary differences and tax loans, rebates and tax losses not carried forward, to the extent in which it is likely that COFIDE will have enough future taxable profit in order to use them.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period, and reduced to the extent to which it is not likely that COFIDE has enough future taxable profit in order to recover all, or a portion, of such assets.

Deferred income tax assets and liabilities are determined using the tax rates expected to be applied when the asset is recovered or the liability settled, based on approved tax rates and laws, or for which the process of approval is practically done, by the end of the reporting period. The measurement of such deferred taxes reflects the taxable consequences arising as COFIDE expects, by the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax, are recognized in profit or loss, and included in the determination of net income or loss for the year, except when they relate to items that are recognized directly in equity accounts, in which case, the current income and deferred tax is also recognized directly in equity.

(m) Employees' benefits

Employees' benefits include, among others, short term benefits such as salaries and contributions to social security, paid annual absences, absences paid for illness and share in profit and encouragements, if paid within the twelve months following the end of the period. These benefits are recognized on profit or loss for the period in which the employee has developed the services that entitle them to receive them. Corresponding obligations payable are presented as part of other liabilities.

(m.1) Employees' profit-sharing

COFIDE recognizes a liability and an expense for employees' profit sharing on earnings upon the basis of 5% of the tax base determined in accordance with current tax legislation.

(m.2) Vacations

Annual vacations of personnel are estimated on accrued base. The provision for estimated annual vacation obligation, for services rendered by employees is recognized in the statement of financial position date.

(m.3) Severance or seniority indemnities

The accrual for employees' severance indemnities comprises all the liabilities related to the workers' vested rights according to legislation in effect. Payments made, that are considered definitive, are deposited in financial institutions selected by the employee.

(n) Provisions

Provisions are recognized when COFIDE has a present obligation (legal or constructive) as a result of past events and it is probable that COFIDE will be required to settle the obligation and a reliable estimate of the amount can be made.

The amount recognized as provision corresponds to the best estimate, as of the balance sheet date, of the disbursement necessary to settle the present obligation, considering risks and uncertainties surrounding most of the events and circumstances concurrent to its valuation. When the amount of the provision is measured using estimated cash flows to settle the obligation, the carrying amount is the present value of the corresponding disbursements.

In the event that a part or all the disbursement necessary to settle the provision is expected to be refunded by a third party, the portion receivable is recognized as an asset when its recovery is practically certain, and the amount of such portion can be reliably determined.

(o) Contingent assets and liabilities

Contingent liabilities are not recognized in the financial statements, they are only disclosed in the note to the financial statements unless the possibility of resource outflow is remote.

Contingent assets are not recognized in the financial statements, they are only disclosed in the financial statements if it is probable that a resource inflow will occur.

Items previously treated as contingent assets or liabilities will be recognized in the financial statements of the period in which the change in probabilities occurs; that is, when in the case of liabilities it is determined as probable, or virtually certain in the case of assets, that an outflow or inflow of resources will take place, respectively.

(p) Dividend distribution

Dividends distribution in cash is recognized as a liability in the financial statements when dividends are approved by COFIDE's shareholders.

(q) Income and expense recognition

Interest income and expenses are recognized in the income for the period in which they are earned, based on the validity time of operations which generate them and interest rates freely agreed with customers; except for interests generated by overdue, refinanced, restructured and in legal collection loans; as well as loans classified in doubtful and loss categories, which interests are recognized as earned to the extent they are collected. When Management determines that the financial condition of the debtor has improved and the placement is reclassified to the present situation and/or normal, with potential problems or substandard category, interests are recognized again upon an accrual basis.

Commissions for trust services are recognized as income as accrued.

Other income and expenses are recorded for the year when accrued.

(r) Trust activity

Assets held by COFIDE in its capacity as trustee upon request of government entities are not included in the balance sheet. Such assets are controlled in separate financial statements and presented in the memorandum accounts of COFIDE.

(s) Foreign currency

COFIDE's functional currency is the Peruvian Sol (S/). Transactions in currencies other than the functional currency are deemed to be in foreign currency, and are recognized at the rates of exchange prevailing at the date of transactions. At the end of each reporting period, the balances of monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items which are recognized at historical cost in foreign currencies are translated using rates of exchange prevailing at the date of transactions.

Exchange differences arising on monetary items are recognized in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified to profit or loss in the period of repayment of the monetary items.

(t) Earnings per share

Earnings per share are calculated by dividing net earnings from shareholders by weighted averages of outstanding shares during the period. For shares generated by capitalization of earnings, it is considered, for the calculation of the weighted average that said shares were always outstanding during the year. As of September 30, 2016, and December 31, 2015, COFIDE does not have financial instruments with dilutive effects; therefore basic and diluted earnings per share are the same.

(u) Cash and cash equivalents

Regarding cash and cash equivalents, COFIDE applies the indirect method in accordance with the requirements of IAS 7 – “Statement of cash flows”. Cash and cash equivalents include the balance of items Cash, Demand deposits and Checking accounts in banks.

(v) Other comprehensive income

As of September 30, 2016, and December 31, 2015, the components of the other comprehensive income correspond to profit or loss for available for sale investments and cash flow hedges, net of their pertinent deferred income tax.

4. CASH

This item includes:

	30 09 2016 S/. 000	31 12 2015 S/. 000
Banco Central de Reserva del Perú-BCRP (a)	15,790	76,923
Checking accounts	1,330,642	1,912,123
Accrued interest from cash	2,963	5,936
Other deposits (b)	387,881	64
Provision for country risks (c)	(8,605)	(38,335)
Total	**1,728,671**	**1,956,711**

(a) As of September 30, 2016, BCRP included (in thousands) US$ 1,230 and S/ 5,607 (in thousands), US$ 1,640 and S/11,636, as of December 31, 2015, corresponding to the statutory reserve that financial institutions in Peru must maintain to cover deposits and obligations to third parties. These funds are kept in the companies' own vaults or are deposited with the BCRP. Funds representing the minimum statutory reserve do not generate interest. The additional statutory reserves accrue interest at a rate established by the BCRP. In accordance with current legislation, statutory reserve funds cannot be seized.

As of September 30, 2016, the BCRP includes (in thousands) S/ 6,000 (US$17,500 as of December 31, 2015) for overnight deposits with the BCRP that accrue interest at an effective annual rate of 3.00% in local currency. Overnights accrued interest during first nine months ended as of September 30, 2016 amounting to (in thousands) US$ 66 and (in thousands) S/ 71, ((in thousands) S/ US$ 29 and S/ 73, as of December 31, 2015) included under “interest earnings on available funds” in the results.

(b) Mainly it corresponds to restricted deposits in foreign currency at the Central Bank of Peru by (in thousands) US$ 114,064 ensuring reporting operations in national currency picked up by the Central Bank (note 11 c)

(c) Provisions were recorded for country risk - available funds, arising from the Corporation's deposits in foreign banks (subject to the regulatory provision for country risk). These deposits are short term and therefore as expected, the provision requirement has gradually been reduced. It should be pointed out that these provisions were made in accordance with instructions from the SBS and the Corporation's internal policies on this matter.

5. AVAILABLE FOR SALE INVESTMENTS

	30 09 2016 S/. 000	31 12 2015 S/. 000
CAF shares (note 3 (e.2.))	2,339,156	2,339,156
Investment funds	79,857	48,372
Shares	2,729	2,520
Mutual funds	0	203,811
Impairment of Investments - Investment funds	(6,021)	(6,924)
Equity instruments	**2,415,721**	**2,586,935**
Structured bonds	1,292,934	1,159,113
Corporate bonds	439,715	257,307
Commercial papers	119,787	33,305
Securitization bonds	59,336	58,798
Subordinated bonds	2,615	2,584
Structured bonds / repos	0	23,764
	1,914,387	**1,534,871**
Accrued interest	24,001	21,061
Debt instruments	**1,938,388**	**1,555,932**
Total	**4,354,109**	**4,142,867**

The investment in CAF was a contribution by the Peruvian Government between 1989 and 2000, in the form of class "B" shares in the CAF. The class "B" shares have a nominal value of US$ 5,000 each, and enable their holder to appoint a representative to the board of directors. As of September 30, 2016, and December 31, 2015, the Corporation held 97,951 class “B” shares representing 7.04% and 10.90% of capital of CAF, respectively.

Within the framework of IFRS harmonisation process and considering that CAF shares do not pay dividends in cash, do not have a public active market, that it is not likely to determine an estimated fair value of the investment and considering Official Letter

N° 45853-2012-SBS, issued by the SBS, which establishes the treatment of investments based on IFRS since January 1, 2013, COFIDE decided to record this investment under “Available for sale investments”, considering the equivalent of the last value recorde by COFIDE as cost value, which was reported by COFIDE to the SBS as of December 31, 2012 (note 3 (f.2)).

Interest income of available for sale investments is recorded under “interest income from investments available for sale” in the profit and loss account.

As of December 31, 2015, structured bonds / repurchase agreements comprise bonds from Terminales Portuarios Paita, which were granted as guarantee of short-term financing provided by trusts managed by COFIDE (note 11(c)).

Management reviewed the carrying amount of its investments an recoginzed an impairment loss of Fondo de Inversion Latam Peru for (in thousands) US$ 1,771 as of September 30, 2016 ((in thousands) US$ 2,030 as of December 31, 2015); notwithstanding the foregoing, after the determination of impariment of investments according Resolution SBS 7033-2012, Management did not identify any event or economic change that indicates that the value of investments exceeds the recoverable amount as of September 30, 2016 and as of December 31, 2015.

As of September 30, 2016, and as of December 31, 2015, as a result of internal assesements, COFIDE established provisions for (in thousands) S/ 11,425 and S/ 6,856, respectively, for exposure to credit risk derived from exchange risk – RCDR of the investments held by COFIDE in foreign currency. (Note 11 (b)).

In accordance with the policies of COFIDE, as of September 30, 2016, and December 31, 2015, COFIDE only makes investments in instruments with credit ratings between “B” and “AAA” (see note 20.1. (e)).

Market value and unrealised profit/loss from investments are presented below:

Type of instrument	Maturities	Interest rate (coupon)		Market value		Unrealised results	
		As of September 30 2016 %	As of December 31 2015 %	As of September 30 2016 S/. 000	As of December 31 2015 S/. 000	As of September 30 2016 S/. 000	As of December 31 2015 S/. 000
Peruvian currency							
Structured bonds	Between January 2033 & June 2037	Between 5.97 & 8.58	Between 5.97 & 8.58	366,424	308,721	42,197	(10,400)
Corporate bonds	Between September 2025 & August 2031	Between 6.625 & 9.00	662.50%	101,762	30,840	14,329	12,924
Securitised bonds	December 2016	8.50%	8.50	8,733	16,257	(1)	(159)
Subordinated bonds	October 2022	7.17%	7.17	2,700	2,622	54	22
				479,619	**358,440**	**56,579**	**2,387**
CAF shares (Note 3 (e.2))	-	-	-	2,339,156	2,339,156	404,261	404,261
				2,818,775	**2,697,596**	**460,840**	**406,648**
Foreign currency							
Structured bonds	Between December 2033 & April 2037	Between 5.875 & 8.125	Between 6.0 & 8.125	942,658	858,470	77,560	7,534
Corporate bonds	Between January 2017 and July 2021	Between 1..4 & 10.5	Between 6.50 & 9.875	342,726	235,347	13,155	(27,640)
Commercial papers	Between August 2016 & May 2017	Between 2.72 - 5.50	-	120,569	33,305	787	(519)
Investment funds	No contractual maturity	-	-	79,857	48,372	1,905	(2,801)
Securitised bonds	Between February 2021 & September 2022	Between 7.34 - 8.09	7.3475	52,815	46,124	1,163	753
Bladex shares	No contractual maturity	-	-	2,730	2,520	1,822	1,609
Structured bonds / repurchase agreements	February 2016	5.83	8.125	0	24,246	0	(35)
Mutual funds	No contractual maturity	-	-	0	203,811	0	190
				1,541,355	**1,452,195**	**96,392**	**(20,909)**
Impairment of Investments - Investments Fund				**(6,021)**	**(6,924)**		
Total				**4,354,109**	**4,142,867**	**557,232**	**385,739**

6. LOAN PORTFOLIO, NET

(a) The loan portfolio is made up as follows:

	30 09 2016	31 12 2015
	S/. 000	S/. 000
Direct loans		
Loans to intermediate financial institutions	7,142,629	7,405,143
First-tier loans	15,796	164,582
Restructured loans	14,223	14,270
Refinanced loans	733	2,267
Past-due loans	59,782	57,742
Accounts under legal collection	256	257
Total direct loans	**7,233,419**	**7,644,261**
Plus:		
Accrued interests on loans	377,358	310,390
Less:		
Provision for impaired loans	(670,903)	(640,946)
Deferred interests	(3,308)	(3,709)
	(674,211)	(644,655)
Total	**6,936,566**	**7,309,996**
Contingent loans (Note 14)	**634,144**	**773,390**

The balance of the loan portfolio comprised of direct and contingent loans, mainly corresponds to loans in foreign currency granted to intermediate financial institutions (IFIs) and first tier portfolio.

Loans granted to IFIs are guaranteed through contractual clauses in global contracts of resources channeling subscribed with each debtor, where COFIDE is entitled to: i) automatically collect debt instalments by charging the debtor's current account at the BCRP and/or the nominated operating bank and ii) through an assignment of rights to the portfolio of loans financed by the Corporation's funds up to the value of the debt including interest, commissions, penal interest and other costs; this assignment to take effect if the bank fails to pay an instalment or when, in the judgement of the Corporation, special circumstances exist that make collection of the funds granted difficult. For other IFIs the cover is similar, except that an operating bank is designated in place of the BCRP.

Classification of loans and contingent loans(net of deferred interest) by risk category, conducted by the management of the Corporation, following the current rules issued by the SBS, is summarized below:

	Number of debtors		Total portfolio	
	30 09 2016	31 12 2015	30 09 2016	31 12 2015
			S/. 000	S/. 000
Normal	135	130	7,482,915	7,842,883
With potential problems	13	16	267,336	449,325
Substandard	13	10	53,610	64,295
Doubtful	9	4	3,460	4,825
Lost	5	5	56,934	52,614
Total	**175**	**165**	**7,864,255**	**8,413,942**

Placement portfolio per type of IFI is classified as follows:

	30 09 2016		31 12 2015	
	S/.000	%	S/.000	%
Second tier portfolio:				
Banks (i)	6,193,473	85.5	6,284,262	82.2
Financial entities	518,233	7.2	627,082	8.2
Municipal savings institutions	280,121	3.9	348,838	4.6
Micro and small enterprise development entities	38,730	0.5	65,261	0.9
Leasing companies	50,364	0.7	41,083	0.5
Cooperatives	21,096	0.3	26,617	0.3
Rural savings institutions	40,612	0.6	12,000	0.2
Factoring	4,068	0.1	5,458	0.1
	7,146,697	98.7	7,410,601	97.0
First tier portfolio:				
Financial lease & promissory notes	69,159	1.0	216,994	2.8
Other loans (ii)	17,563	0.2	16,666	0.2
	86,722	1.2	233,660	3.0
Sub-Total	**7,233,419**	**100.0**	**7,644,261**	**100.0**
Accrued interests of loans	377,358		310,390	
Total	**7,610,777**		**7,954,651**	

(i) Within this category there are contracts of "Participation loans or participation agreements" with the aim of channeling resources available to a non-domiciled bank, which is included so that this can lend funds to its customers. Generally this type of contract and the credit between the bank and its customer are made with international banks and under foreign law. Regarding the operation of these operations is the same as the one included in the channeling contracts.

	30 09 2016	31 12 2015
	US$ 000	US$ 000
Granted loans:		
Credit Suisse	223,902	60,804
Banco Santander (Spain)	164,765	0
Deustche Bank	155,000	155,000
Goldman Sachs Bank	125,000	125,000
Banco Santander (Panama)	115,550	0
Deustche Bank AG London Branch	100,000	100,000
FMO	18,218	18,218
HSBC	15,000	15,000
Itaú BBA S.A.	15,000	15,000
BTG Pactual	0	250,000
Total	**932,435**	**739,022**

(ii) They correspond to consumer and mortgage loans granted to employees and former employees.

(b) Interest rates and guarantees:

COFIDE freely establishes interest rates for lending operations based on the cost of funds, type of client, market, period and currency of loans granted.

Average effective annual rates for the main products were as follows:

	30 09 2016		31 12 2015	
	Loans in		Loans in	
	S/.	US$	S/.	US$
	%	%	%	%
Short-term working capital	6.95	1.77	6.02	1.88
COFIDE own resources	7.92	5.16	9.78	4.77
Medium-term working capital	9.44	7.16	9.27	6.83
Probid II	-	5.37	-	Libor 6M + 4.32
Structured financial products	-	14.91	0.00	10.66

(c) Changes in provision for loans and contingent loans were as follows:

	Direct	Contingent	Total
	S/.000	S/.000	S/.000
Balances as of January 1, 2015	**594,442**	**41,564**	**636,006**
Provision for the year	124,124	11,878	136,002
Reversals	(102,752)	(16,766)	(119,518)
Write-offs, extinguishment and sales reclasifications of deferred interests	(1,136)	-	(1,136)
Exchange difference	26,268	3,116	29,384
Balances as of December 31, 2015	**640,946**	**39,792**	**680,738**
Provision for the year	65,992	5,674	71,666
Reversals	(33,738)	(7,636)	(41,374)
Exchange difference	(2,297)	(240)	(2,537)
Balances as of September 30, 2016	**670,903**	**37,590**	**708,493**

Balance of the provisions for loans and contingent loans is as follows:

	30 09 2016			31 12 2015		
	Direct	Contingent	Total	Direct	Contingent	Total
	S/.000	S/.000	S/.000	S/.000	S/.000	S/.000
Specific provision	140,419	-	140,419	153,848	-	153,848
General provision	85,407	4,842	90,249	77,110	5,806	82,916
Voluntary generic provision	445,077	32,748	477,825	409,988	33,986	443,974
Total	**670,903**	**37,590**	**708,493**	**640,946**	**39,792**	**680,738**

As of September 30, 2016, and December 31, 2015, the Corporation has recorded the total obligatory value required by the SBS for generic provisions.

As of September 30, 2016, and December 31, 2015, the procyclic rule was deactivated, however during 2014 this concept accumulated the sum of (in thousands) S/ 22,542.

The management considers that the level of provision for non-performing loans is sufficient to cover future losses in this portfolio as at the date of the statement of financial position.

(d) As of September 30, 2016, approximately 99% of the loan portfolio was concentrated in IFIs (97% as of December 31, 2015).

(e) Loan portfolio is distributed as follows:

Economic sector	30 09 2016		31 12 2015	
	S/. 000	%	S/. 000	%
Commercial loans & micro companies				
Financial intermediation (IFIs)	7,142,629	98.74	7,405,143	96.87
Manufacturing industry	53,026	0.73	53,198	0.70
Hotels & restaurants	14,223	0.20	15,629	0.20
Mortgages loans	9,211	0.13	10,347	0.14
Commerce	4,488	0.06	4502	0.06
Other activities of community services	4,068	0.07	5,458	0.07
Consumer loans	1,992	0.03	1,558	0.02
Agriculture, farming, hunting and forestry	3,782	0.05	148,413	1.94
Real estate, business & renting activities	-	-	13	0.00
Total	**7,233,419**	**100.00**	**7,644,261**	**100.00**

(f) The loan portfolio has the following maturities:

	30 09 2016		31 12 2015	
	S/.000	%	S/.000	%
Up to one year	2,339,415	32.3	3,081,505	40.3
More than 1 and less than 2 years	946,993	13.1	777,420	10.2
More than 2 and less than 3 years	755,607	10.4	564,920	7.4
More than 3 and less than 4 years	531,205	7.3	673,495	8.8
More than 4 and less than 5 years	415,579	5.7	297,981	3.9
More than 5 years	2,184,582	30.2	2,190,941	28.7
Sub Total	**7,173,381**	**99.2**	**7,586,262**	**99.2**
Overdue portfolio and in legal collection	60,038	0.8	57,999	0.8
Total loan portfolio	**7,233,419**	**100.0**	**7,644,261**	**100.0**

(g) First tier portfolio (assigned)

In compliance with global contracts of resources channelling entered into with IFIs, COFIDE entered into supplementary agreements with certain IFIs. In virtue of such right assigment agreements, those IFIs assigned their rights under contractual position on different loan agreements to COFIDE. Also, certain IFIs liquidated and intervened by the SBS, assigned several loans and financial lease agreements to COFIDE as payment for the obligations owed to the Corporation.

Annual changes in this portfolio over the last two years are as follows:

	Latino Leasing Leasing	Banco Nuevo Mundo	NBK Bank	Operaciones consolidadas	Total
	US$ 000	US$ 000	US$ 000	US$ 000	US$ 000
Balances as of December 31, 2014	**1,277**	**2,714**	**44**	**49,678**	**53,713**
Loans received (*)	0	0	0	43,491	43,491
Recoveries & others	(879)	(7)	(20)	(32,682)	(33,588)
Balances as of December 31, 2015	**398**	**2,707**	**24**	**60,487**	**63,616**
Equivalent in soles as of December 31, 2015	**1,358**	**9,234**	**81**	**206,321**	**216,994**
Loans received (*)	0	0	0	167,681	167,681
Recoveries & others	(398)	0	(23)	(210,535)	(210,956)
Balances as of September 30, 2016	**0**	**2,707**	**1**	**17,633**	**20,341**
Equivalent in soles as of September 30, 2106	**0**	**9,204**	**3**	**59,952**	**69,159**

(*)In 2016 and through contracts for the assignment of rights and contractual position, the financial intermediary who had debts with 4 operators from COSAC ceded their claims to the Corporation by (in thousands) S/ 555,588. The Corporation has signed a term sheet with a foreign bank with whom will sign a Contract of Assignment of Rights and Contractual Position.

(**)In 2015, pursuant to right and contractual position assignment agreements financial intermediaries which have debts with Cayaltí trustee assigned their debts to COFIDE for (in thousands) S/ 148,348. Also, in accordance with the contractual position assignment agreement entered into on March 6, 2015, COFIDE assigned those debts for the same amount to Consorcio Peruano Japonés Intipuquio SAC.

7. PROPERTY, FURNITURE AND EQUIPMENT, NET

As of September 30, 2016, and December 31, 2015, the change in cost and accumulated depreciation of property, furniture and equipment was as follows:

	Initial balance	Additions	Withdrawals	Final balance	Depreciation rates
	S/. 000	S/. 000	S/. 000	S/. 000	%
Cost:					
Land	469	-	-	469	
Buildings and facilities	21,873	-	-	21,873	
Furniture and fixtures	2,607	217	(17)	2,807	
Transportation units	184	-	-	184	
Sundry Equipment	17,874	615	(109)	18,380	
Total	43,007	832	(126)	43,713	
Accumulated depreciation:					
Buildings and facilities	16,334	452	(1)	16,785	3 and 10
Furniture and fixtures	2,144	64	(16)	2,192	10
Transportation units	184	-	-	184	20
Sundry Equipment	11,766	1,513	(167)	13,112	10 and 25
Total	30,428	2,029	(184)	32,273	
Net	12,579			11,440	

Management believes that the recoverable values of property, furniture and equipment as of September 30, 2016, and December 31, 2015, are higher than their book values, therefore it was not considered necessary to make any provision for losses due to deterioration of these assets.

COFIDE has entrered into insurance policies to cover lost risk to which several elements of property, furniture and equipment are subjected to, as well as possible claims that may present for the period of its activity.

8. HEDGING DERIVATIVES, ACCOUNTS RECEIVABLE, NET, ASSETS SEIZED, RECEIVED IN PAYMENT, AWARDED, INTANGIBLE ASSETS AND OTHER ASSETS

This item includes:

	30 09 2016 S/. 000	31 12 2015 S/. 000
Fair value - hedging derivatives - rate swaps	7,309	3,816
Fair value - hedging derivatives - currency swaps	7,290	0
Provision for country risk - derivatives	0	(159)
Hedging derivatives (Note 12 (a))	**14,599**	**3,657**
Restricted funds / Funds under guarantee - Margin Call (a)	25,082	58,260
Sundry accounts receivable	23,610	12,374
Accounts receivable from assigned loan portfolio	2,162	2,091
Commissions receivable	5,078	4,881
Provisions for accounts receivable and others (b)	(14,024)	(4,171)
Accounts receivable, net	**41,908**	**73,435**
Software	15,049	14,993
Software accumulated amortization	(10,311)	(8,740)
Intangible assets, net (c)	**4,738**	**6,253**
Assets seized, received in payment and awarded, net (d)	**11,104**	**13,032**
Commissions and others paid in advance	3,453	3,545
Works of art and library	795	779
Sundry items	2,444	1,264
Other assets	**6,692**	**5,588**
Total	**79,041**	**101,965**

(a) As of September 30, 2016, the Corporation held funds in guarantee amounting to (in thousands) US$ 7,377 (US$17,080 as of December 31, 2015) in favour of J. Aron & Company (J. Aron & Company as of December 31, 2015) in the form of a margin call in order to guarantee the Corporation's interest rate and currency hedging operations.

(b) Balance of the provision of accounts receivable, assigned loan portfolio and commissions receivable comprises the following:

	30 09 2016 S/. 000	31 12 2015 S/. 000
Specific provision	11,217	2,222
Voluntary generic provision	2,807	1,949
Total	14,024	4,171

The following changes took place in the provision for uncollectable accounts receivable:

	30 09 2016	31 12 2015
	S/. 000	S/. 000
Opening balances	4,171	6,462
Provision for the year	10,607	719
Reversals	-	(1,646)
Write-offs, extinguishment sales reclasifications of deferred interest	(832)	(1,561)
Exchange difference	78	197
Closing balances	14,024	4,171

(c) Software mainly comprises SAP system licences. As of September 30, 2016, the Corporation acquired certain licenses for (in thousands) S/ 57 (S/ 595 as of December 31, 2015) and recorded an amortization of (in thousands) S/ 1,571 (S/ 414 as of December 31, 2015), included under "Depreciation and amortization" in the income statement.

(d) This balance corresponds to properties, net of provisions, which were awarded in 2015 for a net amount of (in thousands) S/ 12,954, provided by the collection of guarantees from the customer, Petroleum Gas Company S.A.

9. OBLIGATIONS TO THE PUBLIC AND DEPOSITS BY BANKS AND FINANCIAL ORGANIZATIONS

	30 09 2016	31 12 2015
	S/. 000	S/. 000
Time deposits (a)	236,000	224,100
Deposits in guarantee (b)	8,525	10,867
	244,525	234,967
Interest accrued	8,754	844
	253,279	**235,811**
Severance indemnities	741	296
Total	**254,020**	**236,107**

(a) As of September 30, 2016, time deposits mainly comprise resources in local currency collected from Banco de Crédito and CMAC Arequipa, which accrued interests at annual market rates between 5.45% and 6.05% and mature in March 2017. As of December 31, 2015, term deposits consisted principally of Peruvian currency funds from Banco de Crédito and CMAC Arequipa, which accrue interest at annual market rates of between 4.70% and 5.66% and matured in December 2016.

(b) As of September 30, 2016, deposits in guarantee include retentions on disbursements pledged in favor of COFIDE, supported by loan operations for (in thousands) S/ 7,811 and US$ 210, accrue interest at annual market rates of 3.00% in Peruvian currency and 0.4108% in foreign currency and mature between October and December 2016. As of December 31, 2015, deposits in guarantee include retentions on disbursements pledged in favor of COFIDE, supported by loan operations for (in thousands) S/ 10,681 and US$54, which accrued interests at annual market rates of 2.30% in local currency and 0.1022% in foreign currency and matured between April and June 2016.

Obligations and deposits of financial entities have the following maturities:

	30 09 2016	31 12 2015
	S/. 000	S/. 000
Up to one month	5,000	37,100
Over 1 month and up to 3 months	113,000	35,704
Over 3 months and up to 6 months	125,845	26,163
Over 6 months and up to 12 months	680	136,000
Total	**244,525**	**234,967**

10. DEBT SECURITIES

	30 09 2016	31 12 2015
	S/. 000	S/. 000
Debts with financial entities (a)	2,241,119	2,888,054
Financial obligations (b)	7,012,047	7,291,067
Total	**9,253,166**	**10,179,121**

(a) As of September 30, 2016 debts with local and foreign financial entities are detailed below:

Name of creditor	Rate	30 09 2016	31 12 2015	Maturity
	%	S/.000	S/.000	
Bank of Tokyo - Mitsubishi / Sindicaded	Libor (3M) + 1.725%	-	682,200	September 2016
Bank of Tokyo - Mitsubishi / Bilateral	Libor (3M) + 0.70%	340,000	341,100	February 2017
Scotiabank Perú	from 4.53% to 6.60%	361,500	381,000	December 2015
Banco de la Nación del Perú	from 4.90% to 6.00%	195,000	351,000	December 2015
BBVA Banco Continental	from 4.10% to 5.87%	395,000	392,500	April 2017
Caja Municipal de Ahorro y Crédito de Arequipa	from 5.25% to 5.40%	60,000	-	July 2017
American Family Life Assurance of Columbus Japan Branch - AFLAC	3.75%	301,995	255,510	September 2031
Banco Internacional del Perú - INTERBANK	from 4.30% to 5.89%	54,623	35,615	September 2022
Corporación Andina de Fomento - CAF	Libor (6M) + 2.8%	102,000	102,330	October 2016
Nordic Investment Bank	Libor (6M) + 0.85%	-	8,527	September 2016
CAF issuance of shares - financial liability (Note 13 (a))		28,094	28,185	December 2023
Sub Total		**1,838,212**	**2,577,967**	
Japan International Cooperation Agency- JICA	from 0.01% to 0.60%	207,982	175,968	October 2027
Kreditanstalt Fur Wiederaufbau - EREE	1.95%	161,335	112,009	June 2025
Sub Total (a)		**369,317**	**287,977**	
Commissions for structuring obligations to Bank of Tokyo-Mitsubishi / Syndicated and bilateral		(174)	(2,136)	
Sub total		**2,207,355**	**2,863,808**	
Interests		33,764	24,246	
Total		**2,241,119**	**2,888,054**	

a) These loans were first granted by multilateral entities as detailed in the table above, to the Republic of Peru, represented by the MEF. In virtue of “Resource Transfer Agreements”, resources were transferred to COFIDE. Also, as guaranteed of debt compliance determined in such agreements irrevocable payment authorization is included on an ordinary account in foreign currency established by COFIDE in Banco Central de Reserva del Perú.

As of September 30, 2016, and December 31, 2015, loans in yen, euros and some loans are associated to swap contracts in order to reduce exchange and interest rate risk (Note 11 (a)).

Debts with financial entities (without considering interests) have the following maturities:

	30 09 2016 S/. 000	31 12 2015 S/. 000
Up to one month	296,171	117,500
Over 1 month and up to 3 months	396,342	195,000
Over 3 months and up to 6 months	672,849	277,000
Over 6 months and up to 12 months	80,061	1,285,915
Over 12 months	761,932	988,393
Total	**2,207,355**	**2,863,808**

As of September 30, 2016, and December 31, 2015, COFIDE complied with certain installments, commitments financial ratios and other specific requirements of loan agreements entered into with certain financial institutions abroad and international financial organizations.

Swap operations have been undertaken involving yen-denominated liabilities with the AFLAC and JICA in order to offset the risk of a revaluation of this currency compared with the United States dollar; they mature in September 2031 and October 2027, respectively. As of September 30, 2016, the Corporation recorded net profits on hedging operations amounting to (in thousands) S/ 79,636 (loss of (in thousands) S/ 13,777 as of September 30, 2015), shown under “Results of hedging operations” in the results of financial operations - ROF in the income statement.

(b) As of September 30, 2016, and December 31, 2015, financial obligations are as follows:

Series	Issue Date	Issue Value	Maturity date	Interest rate	30 09 2016	31 12 2015
		S/.000			S/.000	S/.000
a) **In Peruvian currency**						
Second programme						
Eighth - Series A	01/06/2007	20,000	15/07/2017	5.90%	4,000	7,000
Eighth - Series B	02/04/2008	10,000	02/04/2018	6.65%	3,500	5,000
					7,500	12,000
Third programme						
First - Series A	24/01/2011	50,000	24/01/2016	6.25%	0	50,000
Ninth - Series A	27/04/2012	150,000	27/04/2027	6.65%	150,000	150,000
Tenth - Series A	28/06/2012	50,000	28/06/2027	6.20%	50,000	50,000
Tenth - Series A	28/06/2012	50,000	28/06/2027	6.20%	50,000	50,000
Eleventh - Series A	30/10/2012	90,000	30/10/2042	5.630%	90,000	90,000
					340,000	390,000
Fourth programme						
Second - Series A	30/04/2013	100,000	30/04/2043	5.35%	100,000	100,000
Fifth - Series A	30/01/2015	78,445	30/01/2020	5.65%	78,445	78,445
					178,445	178,445
Certificates of deposit 2nd programme						
Third issue - Series A	15/01/2015	40,115	11/01/2016	4.50%	0	40,115
Fourth issue - Series A	30/04/2015	50,000	24/04/2016	4.85%	0	50,000
Fourth issue - Series B	23/07/2015	32,375	17/07/2016	4.80%	0	32,375
					0	122,490
Total nominal value					**525,945**	**702,935**
Accrued yield					6,560	19,900
Total Peruvian currency					**532,505**	**722,835**
b) **In foreign currency**						
First international issue	08/02/2012	400,000	08/02/2022	4.75%	1,360,000	1,364,400
Reopening, first international issue	03/12/2012	100,000	08/02/2022	4.75%	340,000	341,100
Second international issue - senior	08/07/2014	300,000	15/07/2019	3.25%	1,020,000	1,023,300
Second international issue - subordinated	08/07/2014	300,000	15/07/2029	5.25%	1,020,000	1,023,300
Third international issue - Notes due 2019	15/07/2015	200,000	15/07/2019	3.25%	680,000	682,200
Third international issue - Notes due 2025	15/07/2015	600,000	15/07/2025	4.75%	2,040,000	2,046,600
Total nominal value					**6,460,000**	**6,480,900**
Net price difference (under / over par) and related costs					(34,976)	(39,207)
Accrued yield					54,518	126,539
Total foreign currency					**6,479,542**	**6,568,232**
Total					**7,012,047**	**7,291,067**

Second Program - Bonds

The proceeds were used primarily to finance new intermediation business activities through the Peruvian financial system and to optimize the financial results by financing negotiable investments in the local capital market. These bonds are guaranteed by the equity of the Corporation and they have been entered in the register of CAVALI ICLV S.A.. They are represented by annotations in account and are freely negotiable.

Third Program - Bonds

This program has been approved for up to (in thousands) US$ 200,000 or its equivalent in Peruvian soles or any foreign currency. Corporate bonds have maximum local risk rating granted by Apoyo & Asociados Internacionales S.A.C. Clasificadora de Riesgo and by Equilibrium Clasificadora de Riesgo S.A., AAA (pe) and AAA pe, respectively.

Fourth Program - Bonds

This program has been approved for up to (in thousands) US$ 400,000 or its equivalent in Peruvian soles or any foreign currency. Corporate bonds have maximum local risk rating granted by Apoyo & Asociados Internacionales S.A.C. Clasificadora de Riesgo and by Equilibrium Clasificadora de Riesgo S.A., AAA (pe) and AAA pe, respectively.

First bond issuance in the international market (Senior unsecured notes – Due 2022)

At the shareholders' Meeting held on March 14th, 2011, approved an international bond issue valued at up to (in thousands) US$500,000 consisting of the placement of "senior unsecured notes" valued at (in thousands) US$ 400,000 having a payment date on February 8th, 2012; they accrue interest at an annual coupon rate of 4.75% amortised every six months and with the capital maturing in 10 years. This issue has an international classification from Standard & Poor's and Fitch Ratings of "BBB+".

On the settlement date, the 3rd of December 2012, this international issue was reopened for (in thousands) US$ 100,000 also maturing in 10 years and with an international "BBB+" rating granted by Standard & Poor's and Fitch Ratings.

Second bond issuance in the international market

COFIDE´s general shareholders meeting held on May 19th, 2014, approved the issue of senior and/or subordinated bonds. On July 8th, 2014, the Corporation placed bonds valued at (in thousands) US$ 600,000 in the international market in two tranches: (in thousands) US$ 300,000 of senior bonds maturing in 5 years with a coupon of 3.250% annually and a yield of 3.297%, which were given investment grade BBB+ by Standard & Poor's and Fitch Ratings; and, (in thousands) US$ 300,000 of tier II subordinate bonds at 15 years with a coupon of 5.250% annually and a yield of 5.263% up to year 10, after which they become variable rate instruments. The subordinate bonds were investment-rated at BBB by Standard & Poor's Fitch Ratings.

Third bond issuance in the international market

A general meeting of shareholders held on May 19th, 2014, approved the issue of senior and/or subordinated bonds. On July 15th, 2015, the Corporation placed bonds valued at (in thousands) US$ 800,000 in the international market in two tranches: (in thousands) US$ 200,000 of senior bonds maturing in 4 years with a coupon of 3.250% annually and a yield of 3.367%, and, (in thousands) US$ 600,000 of senior bonds maturing in 10 years with a coupon of 4.750% annually and a yield of 4.874%. Both bonds were given investment grade BBB+ by Standard & Poor's and Fitch Ratings.

The funds obtained will be used mainly to finance an increase in loans to infrastructure projects and productive investments, which represent one of the Corporation's four strategic pillars.

11. HEDGING DERIVATIVES, ACCOUNT PAYABLE, PROVISIONS AND OTHER LIABILITIES

This item includes:

	30 09 2016	31 12 2015
	S/. 000	S/. 000
Fair value - hedging derivatives - currency swaps	91,272	149,748
Hedging derivatives (a)	**91,272**	**149,748**
Accounts payable BCRP - Repurchase agreements	382,500	21,401
Taxes payable	681	848
Sundry accounts payable - various	10,858	11,508
Accounts payable	**394,039**	**33,757**
Provision for contingent loans (Note 7(b))	37,590	39,792
Provision for lawsuits and claims (b)	2,965	1,810
Other provisions (b)		
- Provision RCDR - available for sale investments	11,425	6,856
- Provision for accrued vacations	2,402	2,949
- Provision for retirement - Law N° 20530	1,613	-
Provisions for lawsuits, claims and others	**55,995**	**51,407**
Operations in process	6,724	3,112
Deferred sales	73	73
Other liabilities	**6,797**	**3,185**
Total	**548,103**	**238,097**

(a) Hedging derivatives

This item refers to accounts receivable and/or payable for currency and interest swaps and derivative financial instruments held by COFIDE, and mainly comprises amounts arising from the fluctuactions of valuations of such financial instruments.

COFIDE

As of September 30, 2016, and December 31, 2015, operations in derivative financial instruments for cash flow hedging purposes are the following:

FINANCIAL DERIVATIVES AS OF 30 09 2016

(in thousands of nuevos soles)

DESCRIPTION	N° Oper.	Nominal value	Exchange rate diff.		Interest accrued		Earning / (Loss)			Fair value	
			Asset	Liability	Asset	Liability	Asset	Liability	Realised	Asset	Liability
CURRENCY SWAPS - HEDGING YEN/US$	4	509,977	39,552	128,913	501	2,850	(32,673)	(40,491)	-	7,290	91,272
CURRENCY SWAPS - HEDGING	**4**	**509,977**	**39,552**	**128,913**	**501**	**2,850**	**(32,673)**	**(40,491)**	**-**	**7,290**	**91,272**
TOTAL - CURRENCY DERIVATIVES	**4**	**509,977**	**39,552**	**128,913**	**501**	**2,850**	**(32,673)**	**(40,491)**	**-**	**7,290**	**91,272**
INTEREST RATE SWAPS - HEDGING	**1**	**680,000**	**-**	**-**	**4,604**	**3,731**	**2,705**	**(3,731)**	**-**	**7,309**	**-**
			39,552	**128,913**	**5,105**	**6,581**	**(29,968)**	**(44,222)**	**-**	**14,599**	**91,272**

FINANCIAL DERIVATIVES AS OF 31 12 2015

(in thousands of nuevos soles)

DESCRIPTION	N° Oper.	Nominal value	Exchange rate diff.		Interest accrued		Earning / (Loss)			Fair value	
			Asset	Liability	Asset	Liability	Asset	Liability	Realised	Asset	Deposit
CURRENCY SWAPS - HEDGING YEN/US$	4	384,895	8,188	177,185	111	3,015	(8,299)	(30,452)	-	-	149,748
CURRENCY SWAPS - HEDGING	**4**	**384,895**	**8,188**	**177,185**	**111**	**3,015**	**(8,299)**	**(30,452)**	**-**	**0**	**149,748**
TOTAL - CURRENCY DERIVATIVES	**4**	**384,895**	**8,188**	**177,185**	**111**	**3,015**	**(8,299)**	**(30,452)**	**-**	**-**	**149,748**
INTEREST RATE SWAPS - HEDGING	**1**	**635,400**	**-**	**-**	**10,162**	**6,560**	**(6,346)**	**(6,560)**	**-**	**3,816**	**-**
			8,188	**177,185**	**10,273**	**9,575**	**(14,645)**	**(37,012)**	**-**	**3,816**	**149,748**

(i) As of September 30, 2016, the net position payable for foreign currency swaps amounted to (in thousands) S/ 83,982 (S/149,748 as of December 31, 2015), which offsets the reduction in liability arising from the depreciation of the yen against the United States dollar.

(ii) As of September 30, 2016, the net position receivable of interest rate swaps amounted to (in thousands) S/ 7,309 (S/3,816 as of December 31, 2015), which offset variations in the borrowing rates applicable to these borrowings.

(iii) As of September 30, 2016, an unrealised net gain was obtained from these financial derivatives amounting to (in thousands) S/ 14,164 (net gain (in thousands) of S/ 22,367 as of December 31, 2015). See note 13(d)

(iv) As of September 30, 2016, the Corporation held mainly currency swap contracts to offset the risk of a strengthening of the yen affecting borrowings from AFLAC and JICA, which mature in September 2031 and October 2027, respectively. The Corporation uses currency swaps to obtain a fixed exchange rate in dollars, and pays a variable exchange rate in the same currency; for the remaining amount the Corporation receives at a variable rate and pays at a set rate (note 11).

(b) Provision for litigation, claims and other provisions

As of September 30, 2016, and December 31, 2015, the balance included provisions for lawsuits against the Corporation relating to its activities.

Other provisions include mainly those arising from internal reviews of exposure to credit risk deriving from exchange rate risk – RCDR applicable to the Corporation's investments.

(c) As of September 30, 2016, Reporting Operations include local currency which captured from the Central Reserve Bank of Peru, bearing interest at an annual rate between 5.01% and 6.10% and are secured by restricted foreign currency at the Central Bank by (in thousands) US$ 114,064 deposits and have a maturity in June 2018. As of December 31, 2015 reporting operations included in national currency resources raised from various trusts managed by the Corporation, which bore market interest at annual rates of 5.83% and they were guaranteed by Terminales Portuarios Paita Structured Bonds maturity February 2016.

12. EQUITY

(a) Capital Stock

As of September 30, 2016, the Corporation's capital was represented by 2,010,569,891 ordinary shares and 15,639,765 preference shares (1,548,418,292 ordinary shares and 15,639,765 preference shares as of December 31, 2015), having a nominal value of S/ 1.00 each, fully subscribed and paid up.

Shareholdings in the Corporation were as follows:

Share		30 09 2016		31 12 2015	
class	Holder	Nº of shares	% shareholding	Nº of shares	% shareholding
Class "A"	MEF-FONAFE	1,402,706,994	69.23	1,063,561,110	68.00
Class "C"	MEF-FONAFE	607,862,897	30.00	469,217,417	30.00
		2,010,569,891	99.23	1,532,778,527	98.00
Class "B"	COFIDE (Treasury)	0	0.00	15,639,765	1.00
		2,010,569,891	**99.23**	**1,548,418,292**	**99.00**
Class "B Preferred"	CAF	15,639,765	0.77	15,639,765	1.00
		2,026,209,656	**100.00**	**1,564,058,057**	**100.00**

As of September 30, 2016, and December 31, 2015, COFIDE holds 15,639,765 class "B" shares as part of its treasury, which were adquired from CAF on June 26, 2013.

The class "B" shares belong to the Corporation and are part of its treasury.

The class "B" preferred shares belong to different Peruvian State companies and entities (unless they have been bought back). They are preference shares and are redeemable or may be bought back; they are non-voting shares and accrue an annual preferred and cumulative dividend (Libor 360 days plus 4.5% of the initial value paid in dollars by CAF).

Class "C" shares belong to the Peruvian State. They are freely negotiable and may be listed on the stock exchange and/or any registry necessary for them to be traded on the exchange, with the prior approval of the board of directors.

(b) Additional paid in capital

As of September 30, 2016, this item consisted of capital in the process of registration at the Public Records Office, deriving from: (i) a general meeting of the shareholders in COFIDE held on March 31th, 2016, which approved the reinvestment of 15% of profits from fiscal year 2015 payable to FONAFE and amounting to (in thousands) S/ 10'896, which is equivalent to 10,896,251 new shares (7,627,376 Class "A" shares and 3,268,875 Class "C" shares), (ii) a general meeting of the shareholders in COFIDE held on March 31th, 2015, which approved the reinvestment of 15% of profits from fiscal year 2014 payable to FONAFE and amounting to (in thousands) S/ 10'409, which is equivalent to 10,409,162 new shares, and, (iii) a general meeting of shareholders of the Corporation, held on the 22nd of June 2015 approved a cash increase in capital by an amount of (in thousands) S/ 31,228 in the following way: (in thousands) S/ 15,640 for the subscription of 15,639,765 current shares and (in thousands) S/ 15,588 for the subscription of 15,587,721 new shares.

A General Meeting of Shareholders held on December 23, 2015, ratified creation and issue of 25,996,883 new shares indicated in (b.2) and (b.3) distributed as follows: 18,197,818 shares of Class "A" and 7,799,065 Shares of Class "C", all subscribed and fully paid.

Additionally, at the General Meeting of Shareholders held on December 23, 2015 and in accordance with the fourth complementary and final provision of Law N° 30283 the "Public Sector Borrowing for Fiscal Year 2015 Act", it was approved the capitalization of credits amounting to (in thousands) S/ 425,258 to be distributed (in thousands) S/ 297,681 for subscription of 297,680,925 shares Class "A" and (in thousands) S/ 127,577 for subscription of 127,577,540 shares Class "C".

(c) Legal reserves

In accordance with current legislation, the Corporation must set aside a statutory reserve of not less than 35% of its paid up capital. This reserve is created by annual transfers of not less than 10 percent of net profits.

COFIDE's general shareholders meeting held as of March 31, 2016, approved a legal reserve equivalent to 10% of profits for fiscal year 2015 (in thousands) S/ 8,234.

COFIDE's general shareholders meeting held as of March 31, 2015, approved a legal reserve equivalent to 10% of profits for fiscal year 2014 (in thousands) S/7,711.

(d) Retained earnings and other comprehensive income

Law Nº 23337 created the Public Sector Infrastructure and Counterparty Fund (later known as - FONAFE) whose funds consisted of the profits available for distribution earned by state-owned companies (100% of these profits in the case of banks and finance companies), which were to be transferred to the fund within 60 days of the balance sheets being approved. Profits available for distribution means the percentage set by the State after allowing for statutory reserves and capital reserves aimed at maintaining the solvency and liquidity of these companies.

COFIDE's general shareholders meeting held on March 31th, 2016, approved as a dividend policy to reinvest 15% the net income corresponding to FONAFE. As of December 31, 2015, the distributable income amounted to (in thousands) S/ 74,107 whereby the Corporation capitalized (in thousands) S/ 10,896 and paid in cash (in thousands) S/ 63,211. COFIDE's general shareholders meeting held on March 31th, 2015, approved as a dividend policy to reinvest 15% the net income corresponding to FONAFE. As of December 31, 2014, the distributable income amounted to (in thousands) S/ 69,394 whereby the Corporation capitalized (in thousands) S/ 10,409 and paid in cash (in thousands) S/ 58,985.

Dividends payable to shareholders other than companies domiciled in Peru are subject to income tax at a rate of 4.1%; this tax is withheld and paid by the Corporation.

Total accumulated results and adjustments to equity consists of:

	30 09 2016 S/. 000	31 12 2015 S/. 000
Retained earnings:		
Adjustment to deferred equity share of employees - IAS 12	12,647	12,647
Difference of value of "B" shares of COFIDE when redeeming to CAF (Note 13 (a))	7,599	7,599
Accumulated earning without capital agreement	1,496	1,496
Total	**21,742**	**21,742**
Other comprehensive income		
Unrealized profit for the adjustment in value of CAF investment	404,261	404,261
Less: deferred income tax	(105,109)	(105,109)
	299,152	299,152
Profit for fluctuation of value of available for sale investments	152,971	(18,522)
Less: deferred income tax	(42,832)	5,186
	110,139	(13,336)
Profit (loss) cash flow hedging derivatives	14,164	22,367
Less: deferred income tax	(3,966)	(6,263)
	10,198	16,104
Total	**419,489**	**301,920**

13. CONTINGENT AND MEMORANDUM ACCOUNTS

This item includes:

	30 09 2016	31 12 2015
	S/.000	S/.000
Contingent risks and commitments (a)		
Joint signatures granted (Note 7)	634,144	773,390
Other contingent accounts	140,053	15,407
Diverse responsabilities	280,777	-
	1,054,974	**788,797**
Trusts & confidential commissions (b):		
Guarantees for operations of credit of trusts	9,757,138	9,336,229
Counter-accounts of trusts and trust commissions	10,253,513	9,308,867
Trust funds	10,216,927	9,212,791
Funds in trust commissions	602,951	604,665
	30,830,529	**28,462,552**
Off-balance sheet accounts		
Guarantees for loan transactions (c)		
Promissory notes	4,319,753	5,320,225
Mortgages	41,334	42,574
Guarantee deposits	7,845	10,867
Documentary guarantees	21,266	19,070
Warrants	123	123
Other guarantees	141,192	143,523
Other off-balance sheet accounts	11,940,232	12,049,170
	16,471,745	**17,585,552**
Swaps and forwards (d):		
Swap and forward operations	509,977	384,896
Nominal value - interest rate swap	680,000	682,200
	1,189,977	**1,067,096**
Total contingent and off-balance sheet accounts	**49,547,225**	**47,903,997**

(a) Contingent loans

In the normal course of its business, the Corporation takes part in off-balance-sheet transactions that involve risk. These transactions expose the Corporation to credit risk in addition to the amounts shown on the statement of financial position.

The credit risk involved in contingent operations is related to the likelihood of one of the participants in the respective contract failing to honour the terms of the contract. The corresponding contracts include the amounts to be assumed by the Corporation for losses in contingent operations.

The Corporation uses similar policies to evaluate and grant loans, both direct and contingent. In the opinion of the management, contingent transactions do not represent an exceptional credit risk, given that it is expected that a portion of these contingent loans will expire without having been used; the total value of contingent loans does not necessarily represent future cash disbursements by the Corporation.

When, in the judgement of the management, there is a reasonable likelihood of a contingent operation causing a loss for the Corporation, that operation is included in the calculation of the loan provision as if it were a direct loan.

The Corporation's management believes that there will be no significant losses in addition to the amounts for which provision has been made under the heading provision for contingent loans, covering contingent operations current as of September 30, 2016 and December 31, 2015.

(b) Trusts and trust commissions

As of September 30, 2016, the Corporation managed 4 funds, 186 items of equity in trust and 2 programmes (4 funds, 185 items of equity in trust and 2 programmes as of December 31, 2015), for which it received commissions varying from 0.25% to 2% as of September 30, 2016, and December 31, 2015, received monthly, quarterly or every six months. The Corporation has no liability for the funds, equity or programmes.

(c) Credit operations' guarantees

The balance of this item, guarantees received, is based on the agreed value of the guarantees as at the date of the loan contract. This balance does not necessarily represent the market value of the assets used as guarantees for the Corporation's loans.

(d) Currency swaps and forward operations

The Corporation's commitments consist mainly of swaps in different currencies and at different interest rates aimed at hedging risks relating to foreign-currency-denominated borrowings (note 12).

14. PERSONNEL AND BOARD OF DIRECTOR'S EXPENSES

This item includes:

	30 09 2016	**30 09 2015**
	S/. 000	S/. 000
Wages	12,529	12,314
Profit sharing	5,854	4,518
Benefits	2,328	2,298
Bonuses	3,625	2,227
Social charges and others	2,184	2,140
Severance indemnities	1,371	1,319
Directors' attendance fees	258	178
Vacations	385	115
Assignations	75	63
Other personnel expenses	3,745	4,115
Total	**32,354**	**29,287**

15. EXPENSES FOR SERVICES RECEIVED FROM THIRD PARTIES

This item includes:

	30 09 2016	30 09 2015
	S/. 000	S/. 000
Other services	6,585	6,468
Consulting services	5,644	4,360
Electronic processing	2,186	1,368
Professional fees	932	1,809
Repairs and maintenance	1,684	1,431
Advertisement	1,001	561
Communications	678	737
Surveillance and protection	741	713
Rentals	459	398
Supplies - various	370	371
Electricity and water	345	297
Insurance	117	225
Transport	142	208
Travel expenses	58	148
Subscriptions and quotations	82	98
Electronic transfers	65	57
Notary and registry office fees	64	40
Entertainment expenses	14	19
Court costs	29	12
Total	**21,196**	**19,320**

16. BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is given below:

	Number of shares, in thousands	
	30 09 2016	**30 09 2015**
Outstanding at the beginning of the year	2,026,210	1,548,559
Outstanding at the end of the year	2,026,210	1,548,559
Net profit for period (in S/. X 1,000)	58,846	57,616
Shares (denominator)	2,026,210	1,548,559
Basic and diluted earnings per share (S/.)	**0.0290**	**0.0372**

17. INCOME TAX

(a) Income tax regime

Tax rates

As of September 30, 2016, and December 31, 2015, the income tax rates for corporations domiciled in Peru were 28% and 28%, respectively.

Companies domiciled in Peru are subject to an additional rate of 4.1% on any sum that can be classified as a dividend or other form of profit distribution.

(b) Significant modifications to income tax

The Peruvian Congress has promulgated laws promoting economic growth and the reactivation of the country's economy. It has thus introduced a number of measures modifying and adding to the Income Tax Act and Tax Code, and created a special regime for early claw back of value added tax in order to encourage capital goods acquisitions. The principal measures are:

- From the 1st of January 2015 net employment income tax (fourth and fifth category income) and net income from foreign sources obtained by individuals domiciled in Peru is taxed at the following cumulative rates, depending on the sum of the said net incomes:

Sum of net earned income and earnings from foreign sources	Tasas
Up to 5 UIT	8%
More than 5 UIT up to 20 UIT	14%
More than 20 UIT up to 35 UIT	17%
More than 35 UIT up to 45 UIT	20%
More than 45 UIT	30%

- The articles regulating the rate applicable to dividends and any other form of profit distribution have been modified to include a gradual increase in the rate of income tax, as shown in the following table:

Fiscal years	Rates
2015 - 2016	6.80%
2017 - 2018	8.00%
2019 onwards	9.30%

  Furthermore, accumulated profits or other concepts that may generate taxable dividends obtained as of December 31, 2014, which are included in the distribution of dividends or any other form of profit distribution, are taxed at a rate of 4.1%.

- Similarly, third category income tax has been reduced, as shown in the following table:

Fiscal years	Rates
2015 - 2016	28.00%
2017 - 2018	27.00%
2019 onwards	26.00%

(c) Income tax expenses include:

	30 09 2016	31 03 2015
	S/. 000	S/. 000
Current income tax	31,142	8,622
Deferred income tax (paragraph (g))	(5,663)	(9,218)
Total	25,479	(596)

Estimated current income tax consists of the tax payable calculated using the rate of 28% of estimated taxable income after deduction of employee profit sharing, Leg. Decree N° 892 at 5%.

(d) Reconciliation of the effective tax rate with the actual tax rate:

As of September 30, 2016, and December 31, 2015, the effective income tax rate differs from the rate applicable to earnings before tax. This difference is due to certain items relating to the calculation of taxable income, whose effects on the applicable tax rate are summarised below (in percentages of earnings before tax):

	30 09 2016		31 03 2015	
	S/. 000	%	S/. 000	%
Income tax calculated according to current tax rate	**23,797**	**28.00**	**6,407**	**28.00**
Tax effects on additions:				
Non-deductible expenses	6,055	7.12	1,070	4.68
Exempts earnings	(82)	(0.10)	(12)	(0.05)
Other permanent differences	(4,291)	(5.05)	(8,061)	(35.23)
Current and deferred income tax recorded according to effective rate	**25,479**	**29.57**	**(596)**	**(2.60)**

(e) Tax reimbursable:

Income tax debit and credit balances are as follows:

	30 09 2016	31 12 2015
	S/. 000	S/. 000
Reimbursable:		
Income tax payments on account	22,002	55,253
Payable:		
Income tax payable	31,142	33,863
Tax recoverable	**(9,140)**	**21,390**

(f) The Corporation's tax position

Income tax returns for fiscal years 2011 to 2015 are awaiting review by the tax authority, which can carry out such a review for four years after the corresponding income tax return has been submitted. The management believes that no significant liabilities will arise from pending reviews.

The Peruvian Tax Authority issued letter N°140011424760-01 SUNAT dated on January 3th, 2014, initiating a tax audit of fiscal year 2011, which at the date of this report is still ongoing, with the respective report not yet issued.

Because legislation applicable to the company can be interpreted in different ways by the tax authority, it is not possible at this date to say whether additional tax liabilities will arise as a result of future audits or the audit currently in progress. Any additional tax, fines or interest, if any, will be recognised in the results of the year in which the difference in interpretation with the tax authority is resolved. The management believes that no significant liabilities will arise as a result of these possible audits.

(g) Deferred income tax - balances

Deferred assets tax and liabilities are made up as follows:

	Balance as at 01 01 2015	Changes in results Accumulated	Changes in results Fiscal year	Balance as at 31 12 2015	Changes in results Accumulated	Changes in results Fiscal year	Balance as at 30 09 2016
	S/. 000	S/. 000	S/. 000	S/. 000	S/. 000	S/. 000	S/. 000
Temporary differences in assets:							
Generic provision for loans and contingencies	572,461	-	13,147	585,608	-	35,904	621,512
Other generic provisions	18,525	-	31,583	50,108	-	(23,097)	27,011
Provision for changes in securities	-	-	6,923	6,923	-	(902)	6,021
Generic provision - accounts receivable	4,285	-	(2,063)	2,222	-	8,321	10,543
Provision for adjudicated assets	2,246	-	3,239	5,485	-	-	5,485
	597,517	**-**	**52,829**	**650,346**	**-**	**20,226**	**670,572**
Temporary differences in liabilities:							
Depreciation of buildings	(257)	-	(257)	(514)	-	-	(514)
Changes in value of CAF shares	(1,444,318)	-	-	(1,444,318)	-	-	(1,444,318)
Unrealised earnings (loss) on investment in securities	(46,935)	28,412	-	(18,523)	(171,492)	-	(152,969)
Unrealised earnings (loss) on derivatives	(14,606)	(7,760)	-	(22,366)	8,202	-	(14,164)
Comments on 2003 tax return - provisions, write-downs and othe	16,823	-	(4,113)	12,710	-	-	12,710
	(1,489,293)	**20,652**	**(4,370)**	**(1,473,011)**	**(163,290)**	**-**	**(1,599,255)**
Temporary differences in liabilities, net	**(891,776)**	**20,652**	**48,459**	**(822,665)**	**(163,290)**	**20,226**	**(928,683)**
Movements in deferred income tax	-	16,155	13,569	-	(45,721)	5,663	-
Changes in deferred income tax (rate change)	-	8,085	20,801	-	-	-	-
Deferred income tax	**(249,697)**	**24,240**	**34,370**	**(191,088)**	**(45,721)**	**5,663**	**(231,145)**

18. TRANSACTIONS WITH NON-ARM'S LENGTH PARTIES

As of September 30, 2016, and December 31, 2015, the principal transactions with the CAF were financing operations.

The Corporation's transactions with this non-arm's length company took place in the normal course of its business and under similar conditions to those that would have applied to third parties.

Operations carried out with CAF in the periods ending as of September 30, 2016, and September 30, 2015, include interest payments on borrowings and obligations to international bodies valued (in thousands) S/ 3,949 and S/ 3,466, respectively.

Payments to the Board of Directors

The amount paid as of September 30, 2016, and September 30, 2015 for directors' emoluments was (in thousands) S/ 258 and S/ 178, respectively.

Payments to managers

Salaries, other benefits and professional fees paid as of September 30, 2016, to employees of the Corporation with executive responsibility (managers) amounted to (in thousands) S/ 2,051 (S/ 2,047 in September 2015).

Personnel loans

As of September 30, 2016, and December 31, 2015, the directors, officials and employees of the Corporation had taken out loans permitted by the Act, which regulates and establishes certain limits for transactions with directors, officials and employees of banks in Peru. As of September 30, 2016, and December 31, 2015, loans to employees, directors, officers and key personnel amounted (in thousands) to S/ 8,418 and S/ 8,882; respectively.

19. CLASSIFICATION OF FINANCIAL INSTRUMENTS

The values of financial assets and liabilities in each item of the income statement are given below, broken down by category as established in the Accounting Manual:

	As of September 30, 2016			
	Financial assets			
	Loans and items receivable	Available for sale at fair value	Derivatives for hedging	Total
Asset	S/. 000	S/. 000	S/. 000	S/. 000
Available funds	1,728,671	-	-	1,728,671
Available for sale Investments	-	-	-	-
- Capital instruments	-	2,415,721	-	2,415,721
- Debt instruments	-	1,938,388	-	1,938,388
Loan portfolio	6,936,566	-	-	6,936,566
Derivatives for hedging		-	14,599	14,599
Accounts receivable	41,908	-	-	41,908
Other assets	831	-	-	831
Total	8,707,976	4,354,109	14,599	13,076,684

	As of December 31, 2015			
	Financial assets			
	Loans and items receivable	Available for sale at fair value	Derivatives for hedging	Total
Asset	S/. 000	S/. 000	S/. 000	S/. 000
Available funds	1,956,711	-	-	1,956,711
Available for sale Investments	-	-	-	-
- Capital instruments	-	2,586,935	-	2,586,935
- Debt instruments	-	1,555,932	-	1,555,932
Loan portfolio	7,309,996	-	-	7,309,996
Derivatives for hedging		-	3,657	3,657
Accounts receivable	73,435	-	-	73,435
Other assets	1,264	-	-	1,264
Total	9,341,406	4,142,867	3,657	13,487,930

	As of September 30, 2016				As of December 31, 2015				
	Financial liabilities				Financial liabilities				
	At amortised cost	Other liabilities	Derivatives for hedging	Total	At amortised cost	Other liabilities	Derivatives for hedging	Total	
Liabilities	S/. 000	S/. 000	S/. 000	S/. 000	S/. 000	S/. 000	S/. 000	S/. 000	
Obligations to the public	-	9,267	-	9,267	-	-	32,564	-	32,564
Deposits by financial institutions and international financial entities	-	244,753	-	244,753	-	-	224,944	-	224,944
Borrowings & financial obligations	2,241,119	-	-	2,241,119	2,835,231	2,888,054	-	-	2,888,054
Securities & obligations in circulation	7,012,047	-	-	7,012,047	3,910,495	7,291,067	-	-	7,291,067
Derivatives for hedging	-	-	91,272	91,272	-	-	-	149,748	149,748
Accounts payable	-	394,039	-	394,039	-	-	12,356	-	12,356
Other liabilities	-	44,314	-	44,314	-	-	42,904	-	42,904
Total	9,253,166	692,373	91,272	10,036,811	6,745,726	10,179,121	312,768	149,748	10,641,637

20. FINANCIAL RISK MANAGEMENT

Financial risk management comprises managing main risks that, by nature of its operations, COFIDE faces, such as credit, market and liquidity risk.

20.1. Credit risk

Credit risk is defined as the possibility of incurring in financial losses due to non-fulfillment of contractual obligations by the counterparty or third parties obliged by insolvency, incapacity or lack of will of payment or by any other motive generating the fulfillment of contracted obligations.

Below are presented control measures used by COFIDE to reduce credit risk:

(a) COFIDE selects a risk policy that safeguards sustainable and profitable growth. In order to do so, it incorporates procedures of analysis for the proper decision-making, as well as tools and methodologies that allow identifying, measuring, reducing and controlling different risks more efficiently an according to SBS establishments. As well, it develops management models that allow a proper measurement, quantification and monitoring of credits, encouraging the continuous improvement of policies, tools, methodologies and processes.

(b) Maximum credit risk exposure

As of September 30, 2016, Management has estimated that the maximum credit risk amount it is exposed to is represented by the carrying amount of financial assets presenting a potential credit risk and that mainly consist of: cash, available for sale investments, placements (direct and indirect, without considering market value of guarantees or collaterals), operations with derivative financial instruments, accounts receivable and other monetary assets.

Exposure for each borrower, including banks, investments or other debtors, is established by assigning limits that cover risks for operations in the statement of financial position and off of it (contingent accounts), punctual assessment of operations, as well as risk limits for elements subjected to negotiation, such as swaps in foreign currency and interest rates, and forwards in foreign currency. Real exposures and their comparison to limits established are monthly reviewed.

On that regard as of September 30, 2016 and December 31, 2015:

- 98.4 percent and 98.4 percent , respectively of loans are considered as neither due nor impaired.

- 90.5 percent and 91.3 percent, respectively of investments are at least investment grade (BBB- or better) or are debt instruments issued by the central government.

The following table shows COFIDE's maximum exposure to credit risk broken down by type of financial asset:

Asset (*)	Notes	30 09 2016 S/. 000	31 12 2015 S/. 000
Available funds	5	1,728,671	1,956,711
Available for sale Investments	6	4,354,109	4,142,867
Loan portfolio	7	6,936,566	7,309,996
Derivatives for hedging	9	14,599	3,657
Accounts receivable	9	41,908	73,435
Other assets	9	831	1,264
Total		**13,076,684**	**13,487,930**
Contingent (**)	7 and 14	**736,307**	**749,005**

(*) Net of provisions

(**) Includes contingent net of provisions

(c) Guarantee management

The Corporation has policies for the negotiation and management of in rem and personal guarantees that must be provided for any type of lending operation, maintaining minimum clearance in the margin of coverage between the existing value of the guarantees and the magnitude of the risk covered, including degree of realisation of the assets involved and the final recovery of the debt; which means an important mitigation of the credit risk assumed. The criteria for valuing guarantees and procedures for updating them are described in the Debtor Credit Risk Policy Manual (Policy on Guarantees), which also incorporates SBS provisions.

It should be mentioned that the Corporation has no guarantees for other financial instruments such as its investment portfolio, business portfolio and derivatives used for hedging.

The Corporation has departments specialising in the creation, management and release of guarantees.

(d) Loan portfolio credit risk management

Risk management of loans to debtors in which the Corporation assumes the risk of the final debtors as well as of IFIS, the Corporation has a process that consists of three basic stages: i) admission of the risks, ii) follow-up and monitoring of these risks, and iii) recovery of the non-performing and impaired portfolio. The purpose of these stages in the process is to maintain portfolio quality in accordance with the appetite for risk defined by the directors of the Corporation.

Stage i) admission of loans is based on good knowledge of the client and its business, with an evaluation of its payment capacity, credit history and solvency being determining factors. This process rests on the use of risk management methodologies and management tools that enable us to measure ans value the quality of the risk and these in turn are based on models and qualification systems for accepting credit.

Stage ii), monitoring and follow-up of the portfolio, consists of a system of early warnings for detecting credit risk from financial intermediaries based on sub-systems that enable us to identify financial entities with potential risks that might affect their ability to pay, as well as a monitoring classification methodology by which points are assigned for the performance and risk profile of the intermediary, leading to action being taken. There is also a methodology for monitoring the risk profile of debtors (not intermediaries) and a methodology for monitoring the risk of over-indebtedness (retail portfolio) by which we monitor variations in and management of debtor risks and decision-taking, leading to regularisation or collection. For every business segment we continually monitor the main portfolio trends in terms of changing quality indicators, sector concentration and products in the placement portfolio, as well as counterparty risk exposure indicators, among others.

Finally, in stage iii) loans in the non-performing and impaired portfolio are collected through a series of coordinated actions applied to ensure prompt recovery of the loans, to minimise losses through elevated exposure to credit risk.

(e) Management of investments credit risk

COFIDE controls the credit risk of its investments based on an evaluation of the risk inherent in the issuers and instruments in question. The evaluation of foreign investments takes into account the ratings issued by international ratings agencies, as well as the issuer's country risk, which is evaluated taking into account its principle macroeconomic variables. For local investments, local ratings organisations' ratings are used and if applicable, internal analyses of their financial situation are produced.

The following table shows the risk classification of investments available for sale:

	30 09 2016	31 12 2015
	S/. 000	S/. 000
Instruments issued in Peru		
AAA	37,496	47,843
AA- to AA+	204,532	198,083
A- to A+	0	13,174
BBB- to BBB+	6,665	0
4 (pe)	69,055	37,535
Unclassified	38,946	88,569
Total Peru	**356,694**	**385,204**
Instruments issued abroad		
AAA	0	197,660
AA- to AA+	2,569,348	2,339,156
A- to A+	51,344	0
BBB- to BBB+	978,946	874,445
BB- to BB+	122,939	325,341
B- to B+	182,405	0
CCC	68,432	0
Total foreign	**3,973,414**	**3,736,602**
Interest accrued	**24,001**	**21,061**
TOTAL	**4,354,109**	**4,142,867**

(f) Risk concentration

The Corporation possesses policies and procedures to ensure adequate diversification of its financial assets and liabilities, whether or not they are included in the statement of financial position; It seeks, when appropriate, and adequate ratio of concentration risk and the degree of equity capitalisation of the Corporation. The diversification and concentration policies in the policies manual for assets and liabilities establish warnings that reflect the Corporations appetite for risk, such as:

(i) Warnings of a concentration of assets with a single risk:

In order to avoid an excessive concentration in direct and indirect lending operations (available Interbank funds, investments, loans, accounts receivable and contingencies, including equivalent exposure to credit risk from derivatives) with counterpart constituting a minimum and unique risk.

(ii) Warnings of diversification by economic sector

Its purpose is to maintain adequate diversification throughout the investment portfolio, as a function of the economic sector in which each counterparty operates, or in the case of specialist financing operations, the economic sector upon which the underlying risk depends.

(iii) Warnings of diversification of investments and available cash by market

Related to different market behaviours, for which the Corporation considers it prudent to diversify in relation to systemic risk.

(iv) Warnings of a Concentration of liabilities with a single risk

With this warning the Corporation seeks to avoid a concentration of sources of financing by type of debtor institution.

Furthermore, the Corporation has established limits policies to ensure that its credit risk is sufficiently spread and diversified within the organisation's corporate objectives, for which it has established:

-Limits to exposure to IFIS sub-systems with higher relative risk.
- Limits on exposure to IFIS with higher relative risk.
- Monitoring of single risk concentration.
- Monitoring of implicit credit exposure quality.
- Monitoring of explicit credit exposure quality.
- Limits to shares in business, specialist and structured financing operations.

The Corporation also has levels of autonomy, which have to be approved by the board of directors, which are related to:

- Lending operations.
- Position limits.
- Investment operations.
- Borrowing operations.

- Operations with derivatives.
- Special interest rates.

As far as investments are concerned COFIDE’s policies on warnings of portfolio concentration contain limits to relative risk and issue risk affecting the investment portfolio

21.2. Liquidity risk

Liquidity risk consists of the inability of the Corporation to pay its obligations as they fall due, or the need to do so using funds set aside for lending, thus incurring losses that may have a significant effect on its equity position. This risk derives from possible losses on early (or forced) sales of assets and unusual and/or significant discounts offered in order to obtain the necessary funds quickly; or from the impossibility of renewing or obtaining new financing under normal conditions for the institution.

The Corporation manages its liquidity by centralising the flow of funds generated by all of its intermediation and treasury operations and all operations relating to its own investments, in accordance with liquidity risk tolerances and regulatory requirements.

The Corporation's liquidity is managed by the Assets and Liabilities Committee (ALCO) through a department of the treasury, which continually examines economic and market conditions in order to minimise the cost of liquidity in accordance with approved parameters. Thus the Committee can periodically review levels of liquidity and mismatches between total maturity and currencies in the portfolio. Liquidity risk is in turn monitored by the Risks Committee and Risks Department, which defines the level of risk that the Corporation is willing to assume and which also reviews the corresponding indicators, limits and controls.

Furthermore, the Corporation evaluates liquidity in the medium and long terms by means of a structural analysis of its income and outgoings at different maturities, using as tools static and dynamic cash flow modelling and estimates of liquidity gaps between lending and borrowing positions on and off the statement of financial position over a given horizon. This process reveals the different sources of funds, how the need for liquidity grows and any maturity mismatches. Internal assumptions are considered for both assets and liabilities, in operations that have no fixed maturity dates. Also included are estimated obligations derived from contingent liabilities such as letters of guarantee or unused lines of credit. This information is used in taking decisions necessary to maintain the target levels of liquidity.

The following table shows cash flows payable by the Corporation in accordance with agreed contractual periods. For liabilities with undefined maturities, terms are assumed by internal assumptions, in accordance with the methodological notes in Annex 16 - Liquidity Table by Maturity. The amounts shown are undiscounted cash flows in accordance with contractual terms, and include the respective interest accrued.

Exposure to liquidity risk	30 09 2016				
	Up to 1 month	More than 1 month up to 3 months	More than 3 up to 12	More than 1 year	Total
	S/. 000	S/. 000	S/. 000	S/. 000	S/. 000
Risk to financial liability position					
Obligations to the public	-	741	8,526	-	9,267
Deposits by financial institutions and international financial entities	5,199	117,323	122,231	-	244,753
Borrowings and financial obligations	313,171	426,390	843,405	7,670,200	9,253,166
Derivatives for hedging	1,087	2,174	9,779	78,232	91,272
Accounts payable	5,962	943	5,854	380,600	393,359
Other liabilities	215	-	465	-	680
Total	**325,634**	**547,571**	**990,260**	**8,129,032**	**9,992,497**
Risk to financial position					
Contingent liabilities	-	-	-	599,338	599,338
Total	**325,634**	**547,571**	**990,260**	**8,728,370**	**10,591,835**

Exposure to liquidity risk	31 12 2015				
	Up to 1 month	More than 1 month up to 3 months	More than 3 up to 12	More than 1 year	Total
	S/. 000	S/. 000	S/. 000	S/. 000	S/. 000
Risk to financial liability position					
Obligations to the public	-	21,051	11,513	-	32,564
Deposits by financial institutions and international financial entities	37,246	36,169	151,529	-	224,944
Borrowings and financial obligations	322,776	271,567	1,641,128	7,943,650	10,179,121
Derivatives for hedging	1,783	3,566	16,044	128,355	149,748
Accounts payable	4,800	6,096	335	-	11,231
Other liabilities	633	-	492	-	1,125
Total	**367,238**	**338,449**	**1,821,041**	**8,072,005**	**10,598,733**
Risk to financial position					
Contingent liabilities	-	-	-	553,892	553,892
Total	**367,238**	**338,449**	**1,821,041**	**8,625,897**	**11,152,625**

21.3. Market risk

Market risk is the likelihood of losses deriving from changes in the conditions of the financial market. The main variations should occur in: i) interest rates, ii) exchange rates and iii) prices.

(a)Trading portfolio

The Corporation is exposed to interest rate, exchange rate and price risks, which affect the value of its assets and business portfolio positions. As of September 30, 2016, and December 31, 2015, the business portfolio was not exposed to such risk.

The Corporation applies VaR (value at risk) as a basic statistical measure used to measure, manage and control market risks, given that maximum losses are calculated for positions in the business portfolio for a time horizon of 10 days and a 99% confidence level under normal market conditions. The VaR calculation is analysed by risk factor: principally interest rate and exchange rate.

The concept of duration was used to estimate the value of interest rate risk, as a measure of sensitivity of the Corporations investment and derivatives portfolio. As far as exchange rate risk is concerned, the level of exposure for each currency is calculated by adding the present value of investments and estimated derivatives. As far as price risk is concerned, the market value of each investment is calculated at the time of the evaluation. Once the risk factors for interest rate and exchange rate have been determined, the sensitivity of these specific risk factors and variables is estimated. The VaR for foreign exchange interest rates is then determined, together with the VaR for exchange rate risk, VaR for price risk and VaR for aggregate market risk. Stress tests and backtesting of the model are also carried out every month.

(b) Non-trading assets and liabilities

The Corporation is exposed to the following risks applicable to non-traded assets and liabilities: i) interest rate, and ii) exchange rate.

(i) Interest rate risk

Interest rate risk arises from the possibility that market interest rate changes will have an adverse effect on the financial position of a company, affecting its profits and equity value.

The Corporation's internal methodologies include differentiation between the effect of interest rate risk on profits (interest receivable) and on interest payable (repricing, reinvestment or refinancing); and the effect on economic value (equity value), relating to the actual value of the company's assets and liabilities and the updated interest rates applicable to the future cash flows generated by them.

In other words, the impact of changes in interest rates is shown in two forms: the first is the impact on expected profits, which is directly related to the reinvestment risk, refinancing risk and repricing risk. The second is related to the valuation of the Corporation's assets and liabilities and, therefore, the economic or real value of its equity.

The impact on expected profits is determined by profit at risk (PAR), which is the expected variation in the Corporation's financial resulting from expected changes in interest rates. In other words, the impact on the company's earnings. The impact on equity is determined by value at risk (VAR), which is the change in the value of the Corporation's equity resulting from changes in the interest rates used to value it. In other words, the impact of market interest rate changes on the statement of financial position.

The results of these 2 indicators of internal interest rate risk in a normal scenario are as follows:

	30 09 2016	31 12 2015
GER=	S/ 21,146,315 (0.60% p.e)	S/. 23,558,205 (0.677% p.e)
VPR=	S/. 128,222,143 (3.65% p.e)	S/. 140,661,988 (4.0440% p.e)

Monitoring of interest rate risk is reported to the Risks Committee and also to the ALCO Committee. The Risks Committee approves the various limits used to manage risk and monitoring is the responsibility of the Risks Department.

The following shows the sensitivity of the interest rate indicators to a 200 basis point (pbs) shock:

	30 09 2016	31 12 2015
GER=	S/ 21,565,188 (0.61% p.e)	S/. 24,045,627 (0.691% p.e)
VPR=	S/ 130,783,680 (3.73% p.e)	S/. 143,377,616 (4.122% p.e)

It should be pointed out that this information derives from COFIDE's internal interest rate model updated in December 2015.

(ii) Foreign currency exchange rate risk -

Foreign currency exchange risk is related to variations in the value of the company's positions shown on the statement of financial position and off it, which could be negatively affected by changes in the exchange rate. This risk depends on the position in each currency and the volatility of exchange rates. A significant part of the Corporation's assets and liabilities are denominated in United States dollars. The management sets limits for the levels of exposure to each currency and these are monitored monthly. The majority of the foreign currency denominated assets and liabilities are in United States dollars.

Foreign currency denominated operations are carried out using free market exchange rates.

As of September 30, 2016, the weighted average free market exchange rate published by the SBS for transactions in United States dollars was S/ 3.397 (buying) and S/ 3.403 (selling) per US dollar (S/ 3.408 and S/ 3.413 as of December 31, 2015, respectively). As of September 30, 2016, the exchange rate for asset and liability accounts in foreign currency set by the SBS was the mean of the buying and selling rates, equivalent to S/ 3.400 per US$1 (S/ 3.411 as of December 31, 2015).

Details of the Corporation's position broken down by currency are shown below:

	As of September 30, 2016				As of December 31, 2015			
	US dollar	Other currencies	Nuevos Soles	Total	US dollar	Other currencies	Nuevos Soles	Total
	S/. 000	S/. 000	S/. 000	S/. 000	S/. 000	S/. 000	S/. 000	S/. 000
Assets								
Available funds	1,651,952	194	76,525	1,728,671	1,812,664	46,204	97,843	1,956,711
Available for sale Investments	1,535,335	-	2,818,774	4,354,109	1,445,271	-	2,697,596	4,142,867
Loan portfolio - net	4,455,564	-	2,481,002	6,936,566	4,913,372	-	2,396,624	7,309,996
Derivatives for hedging	4,604	501	9,494	14,599	10,162	(48)	(6,457)	3,657
Accounts receivable	38,342	-	3,566	41,908	69,222	-	4,213	73,435
Other assets	607	-	224	831	936	-	328	1,264
	7,686,404	695	5,389,585	13,076,684	8,251,627	46,156	5,190,147	13,487,930
Liabilities								
Obligations to the public	713	-	8,554	9,267	185	-	32,379	32,564
Deposits by financial institutions	-	-	244,753	244,753	-	-	224,944	224,944
Borrowings and financial obligations	636,939	510,667	1,093,514	2,241,120	1,280,178	431,802	1,176,074	2,888,054
Securities and obligations in circulation	6,479,717	(176)	532,505	7,012,046	6,568,424	(193)	722,836	7,291,067
Derivatives for hedging	6,581	-	84,691	91,272	9,575	-	140,173	149,748
Accounts payable	3,733	-	390,306	394,039	4,374	-	7,982	12,356
Other liabilities	30,933	-	13,381	44,314	26,704	-	16,200	42,904
	7,158,616	510,491	2,367,704	10,036,811	7,889,440	431,609	2,320,588	10,641,637
Forwards position, net	-	-	-	-	-	-	-	-
Currency swaps position, net	(599,338)	509,977	89,361	-	(553,892)	384,895	168,997	-
Currancy position, net	(71,550)	181	3,111,242	3,039,873	(191,705)	(558)	3,038,556	2,846,293

As of September 30, 2016, the Corporation recorded net exchange rate loss of (in thousands) S/ 78,558 (loss of (in thousands) S/ 1,329 as of September 30, 2015), which is shown net under "earnings from exchange rate differences", in the earnings statement.

The Corporation manages exchange rate risk by matching its assets and liabilities and monitors its global exchange rate position on a monthly basis. The Corporation's global exchange rate position is equal to long positions minus short positions in currencies other than the sol. The global position includes spot positions and derivatives.

Variations in exchange rates affect the financial statements by modifying income and expenditure in local currency, as well as the values of all of the Corporation's assets and liabilities. Exchange rate risk is held within the calculated limits of VaR and the analysis of sensitivity to exchange rates. Furthermore, the regulatory and internal limits on foreign currency positions are monitored monthly.

Sensitivity to variations in the United States dollar are shown below: Because of its volume, the position in United States dollars is the only exposure that could cause a material loss for the Corporation. Negative changes represent potential losses while positive changes represent potential gains.

Sensitivity analysis	exchange rates %	30 09 2016 S/. 000	31 12 2015 S/. 000
Depreciation			
US dollar	5	34,658	24,888
US dollar	10	69,316	49,776
Appreciation			
US dollar	5	(34,658)	(24,888)
US dollar	10	(69,316)	(49,776)

21.4. Fair value

The fair value is the amount for which an asset may be exchanged between duly informed vendor and purchaser, or for which an obligation may be paid between debtor and creditor with sufficient information under the terms of a free contract.

Fair value is a market-based measurement; therefore a financial instrument traded in an active and liquid market has a price on which its fair value is based. When the price of a financial instrument is not observable, its fair value must be measured using another valuation technique, attempting to maximise the use of relevant observable variables and minimise the use of variables that cannot be observed.

In order to calculate the fair value of an instrument that is not quoted in liquid markets, the market value of an instrument with similar characteristics that is quoted in the market can be used, or the price can be obtained from analytical techniques such as discounted cash flow analysis or the multiples method.

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

(i) Financial instruments booked at fair value. – Fair value is based on the following hierarchy:

Level 1 Prices of instrument quoted in active markets.

Level 2. Prices quoted in active markets for identical instruments.

Valuation using data from observable markets (using market rate curves and the price vector provided by the SBS).

Positions valued at market prices consist mainly of investments traded on centralised trading mechanisms.

Positions valued using other valuation techniques include financial derivatives and others (financial liabilities).

The fair value of the Corporation's investment in the CAF is classified, according to Official Communication SBS N° 45853-2012, under “investments available for sale”, with the cost value being the last value recorded in COFIDE's books, which is also used as the fair value.

(ii) Instruments whose fair value is similar to their book value. - Short-term financial assets and liabilities, including available cash, interbank funds and similar items.

(iii) Fixed yield financial instruments

Fixed yield financial assets (loan portfolio, obligations to the public and deposits by banks and finance companies) - according to Official Communication SBS N° 1575-2014 the fair value of these items is their book value.

Fixed yield financial liabilities - these liabilities may or may not be quoted in active markets. The fair value of the Corporation's own bonds quoted in active markets is the quoted market value.
The fair value of liabilities not quoted in an active market (borrowings and bonds issued by the Corporation) is calculated as a function of discounted future cash flows using the original effective interest rate.

The following table gives a comparison between the book values and fair values of the Corporation's financial instruments, using the methodology explained above, shown in the statements of financial position:

	30 09 2016		31 12 2015	
	Book Value	**Fair Value**	**Book Value**	**Fair Value**
Fair value and book value	**S/. 000**	**S/. 000**	**S/. 000**	**S/. 000**
ASSETS				
Available funds	1,728,671	1,728,671	1,956,711	1,956,711
Investment available for sale				
Equity Instruments	2,415,721	2,415,721	2,586,935	2,586,935
Debt Instruments	1,938,388	1,938,388	1,555,932	1,555,932
Loan portfolio	6,936,566	6,936,566	7,309,996	7,309,996
Derivatives for hedging	14,599	14,599	3,657	3,657
Account receivable	41,908	41,908	73,435	73,435
Other assets	831	831	1,264	1,264
Total	**13,076,684**	**13,076,684**	**13,487,930**	**13,487,930**
LIABILITIES				
Obligations to the public	9,267	9,267	32,564	32,564
Deposits from financial institutions	244,753	244,753	224,944	224,944
Borrowings & financial obligations	2,241,119	2,212,131	2,888,054	2,886,867
Securities and obligations in circulation	7,012,047	7,202,025	7,291,067	7,316,673
Derivatives for hedging	91,272	91,272	149,748	149,748
Account payable	394,039	394,039	12,356	12,356
Other liabilities	44,314	44,314	42,904	42,904
Total	**10,036,811**	**10,197,801**	**10,641,637**	**10,666,056**

Assets assigned in guarantee

As of September 30, 2016, the Corporation carried out operations with repurchase agreements involving funds denominated in peruvian currency totalling (in thousands) S/ 380,600, obtained from Peru Central, which accrue interest at a given annual rate between 5.01% and 6.10% and are guaranteed by restricted deposits (in thousands) by US$ 114,064. As of December 31, 2015 the Corporation carried out operations with repurchase agreements involving funds denominated in peruvian currency totalling (in thousands) S/ 21,051, obtained from different trusts which were guaranteed by structured bonds having a book value of (in thousands) S/ 24,246 and a nominal value of (in thousands) US$ 6,978.

Hedging operations

The Corporation is exposed to fluctuations in future cash flows from financial assets and liabilities denominated in foreign currency and/or that generate interest at variable rates. The Corporation uses financial derivatives as cas h flow hedges to cover these risks.

The following table shows the fair value in financial derivatives as of September 30, 2016, and December 31, 2015, recorded as assets or liabilities, together with their nominal values and maturities. The reference value, given gross, is the value of the asset underlying the derivative and is the basis upon which changes in the fair values of derivatives are measured.

		As of September 30, 2016				As of December 31, 2015				
	Note	Assets	Liabilities	Reference value	Maturity	Assets	Liabilities	Reference value	Maturity	Instruments hedged
		S/. 000	S/. 000	S/. 000		S/. 000	S/. 000	S/. 000		
Derivatives for hedging										
Cash flow:										
Currency swaps - USD / JPY		-	88,910	301,995	08/09/2031	-	125,438	255,510	15/02/2019	Borrowings AFLAC
Currency swaps - USD / JPY		-	852	87,243	20/10/2027	-	13,263	73,814	08/09/2031	Borrowings JICA
Currency swaps - USD / JPY		-	47	4,899	20/10/2027	-	717	4,145	20/10/2027	Borrowings JICA
Currency swaps - USD / JPY		-	1,463	60,783	20/10/2027	-	10,330	51,426	20/10/2027	Borrowings JICA
Currency swaps - USD / JPY		7,290	-	55,057	20/10/2027	-	-	-	20/10/2027	Borrowings JICA
		7,290	**91,272**	**509,977**		**-**	**149,748**	**384,895**		
Interest rate swaps - fixed rate / Libor rate 6M - USD		7,309	-	680,000	15/07/2019	3,816	-	682,200	15/02/2019	COFIDE corporate bonds 2019 US$ 300MM
		7,309	**-**	**680,000**		**3,816**	**-**	**682,200**		

As of September 30, 2016, COFIDE had five currency swaps (four as of December 31, 2015), which according to SBS regulations qualify as cash flow hedges from borrowings. In economic terms, this operation covers the Corporation's debts.

In addition, as of September 30, 2016, the Corporation had one (one as of December 31, 2015) interest rate swaps aimed at covering the variable rate component of certain borrowings; it matures in 2019.

COFIDE has a method for measuring the degree of ineffectiveness of its financial derivative hedges that are used for that purpose. As of September 30, 2016, and December 31, 2015, the Corporation showed no reduction in the ineffectiveness of these hedges in its earnings statement.

21. MANAGEMENT OF OTHER RISKS

a) *Operational risk*

Operating risk originates from human, process, or system error, or external factors, including legal risk.

The Corporation has identified its operating risks, concentrating on the complementary processes that make up its operations. Furthermore, successive improvements have been made in the policies and methodologies for identifying, evaluating and monitoring operating risk, as well as in the definition of the roles and responsibilities of those involved in managing it.

Indicators have been created to analyse the causes and effectiveness of the control and mitigation measures for operating risk. Furthermore, a number of reports are generated to permit continual monitoring of these risks and to determine the measures necessary to mitigate them, in accordance with limits set by the board of directors. At the same time, the Corporation's divisions and departments are responsible for the qualitative valuation of their risks and controls through the operating risk coordinators.

A database of losses to operating risk has been designed to complement the qualitative analysis described above with a quantitative analysis.

Thus, although the eCorporation currently bases its operating risk management on the qualitative actions described, it is moving towards a management of this risk that complements qualitative valuations with quantitative ones.

(b) *Capital management – statutory reserve*

The Corporation actively manages a capital base to cover the risks inherent in its activities. The Corporation's capital adequacy is monitored using, among other measures, the rules and ratios established by the SBS; it has policies for capital adequacy that define levels of appetite for and tolerance of capital adequacy risk through indicators that seek to optimise the risk / return ratio, as well as guidelines for the management and assignation of capital.

The Corporation's capital management objectives are broader in concept than “net equity” shown in the financial statements, and are: (i) To comply with the capital requirements established by the SBS; (ii) To safeguard the ability of the Corporation to continue operating and provide returns to its shareholders and benefits to other participants; and (iii) maintaining a strong capital base to support future activities.

In accordance with SBS rules, the Corporation is obliged to maintain regulatory capital equal to or greater than 10% of risk-weighted assets and contingencies, including regulatory capital requirements for market risk, operating risk and credit risk. As of September 30, 2016, and December 31, 2015, the Corporation used the standard method for calculating its regulatory capital requirement for credit risk and market risk, and the basic method for operating risk. Furthermore, the 20th of July 2011 saw the publication of SBS ruling N° 8425-2011 (rules for additional statutory reserve) by which companies must comply with requirements throughout the economic cycle to cover the risk of market concentration, interest rate risk and other risks. This additional regulatory capital requirement must be achieved in five years, the first stage being 40% of the total requirement by July 2012. The reserve will gradually increase each year at a rate of 15% to achieve 100% by the 31st of July 2016. It should be mentioned that the economic cycle requirement is activated and deactivates as a function of the procyclic provisions for loans.

As of September 30, 2016, and December 31, 2015, the regulatory capital of the Corporation, calculated in accordance with current legislation was (in thousands) S/ 3,509,379 and S/ 3,478,121 respectively; This figure is used to calculate certain limits and restrictions applicable to banks in Peru, which the management believes it has met in full.

As of September 30, 2016, assets and contingent loans weighted by credit risk amounted to (in thousands) S/ 11,425,137 (in thousands S/ 11,066,813 as of December 31, 2015) and the equity requirement for credit risk, market risk and operating risk determined by the Corporation according to current legislation totaled (in thousands) S/ 1,183,496 (S/ 1,139,910 as of December 31, 2015); these figures generate a global capital ratio of 29.65% (30.51% as of December 31, 2015).

22. SUBSEQUENT EVENTS

COFIDE is not aware of any subsequent events that occurred between the closing date of these financial statements and the date of this report, which may affect it significantly.