FORMA OF PRESENTATION TO THE SBS

COFIDE

FORM "A"

FINANCIAL SITUATION

As at 30th June 2014

(in thousands of nuevos soles)

ASSETS	Currency Peruvian	Equivalent in F. E.	TOTAL
AVAILABLE	**96,409**	**94,901**	**191,310**
Banco Central de Reserva del Peru	40,065	61,773	101,838
Banks and other financial institutions in Peru	56,281	7,620	63,901
Bank and other financial institutions abroad	0	25,508	25,508
Others available	63	0	63
Investments available for sale	**2,787,189**	**498,014**	**3,285,203**
Capital instruments	2,364,213	12,435	2,376,648
Debt instruments	422,976	485,579	908,555
LOAN PORTFOLIO	**1,717,795**	**2,809,640**	**4,527,435**
Portfolio of current loans	2,151,198	2,954,759	5,105,957
Restructured loan portfolio	0	10,939	10,939
Refinanced loan portfolio	1,069	4,400	5,469
Portfolio of matured loans	187	263	450
Portfolio of loans subject to collection through the courts	0	1,142	1,142
- Provisions for loans	(434,659)	(161,863)	(596,522)
DERIVATIVES FOR HEDGING	**7,161**	**1,305**	**8,466**
ACCOUNTS RECEIVABLE	**1,520**	**2,827**	**4,347**
Accounts receivable from sale of goods and services and trusts	4	28	32
Other accounts receivable	1,516	2,799	4,315
Realisable property received in lieu of payment and adjudicated	**78**	**0**	**78**
Goods received in payment and adjudicated	78	0	78
REAL ESTATE, FIXTURES AND FITTINGS	**12,881**	**0**	**12,881**
INTANGIBLE ASSETS	**5,913**	**0**	**5,913**
Other intangible assets	5,913	0	5,913
CURRENT TAXES	**10,908**	**0**	**10,908**
OTHER ASSETS	**1,757**	**3,127**	**4,884**
TOTAL ASSETS	**4,641,611**	**3,409,814**	**8,051,425**

PASIVO	Currency Peruvian	Equivalent in F. E.	TOTAL
OBLIGATIONS TO THE PUBLIC	**89,459**	**3,604**	**93,063**
Other obligations	89,459	3,604	93,063
DEPOSITS FROM FINANCE COS. AND INTERNAT. FINAN. ENTITIES	**176,697**	**0**	**176,697**
Term deposits	176,697	0	176,697
CHARGES AND FINANCIAL OBLIGATIONS	**1,564,174**	**3,605,160**	**5,169,334**
Borrowings and obligations to Peruvian companies and financial institutions	961,078	84,218	1,045,296
Borrowings and obligations to foreign companies & internat. fnan. entities.	0	1,750,319	1,750,319
Other borrowings & obligations in Peru and abroad	19	340,746	340,765
Securities	603,077	1,429,877	2,032,954
DERIVATIVES FOR HEDGING	**67,765**	**5,123**	**72,888**
ACCOUNTS PAYABLE	**7,140**	**39**	**7,179**
PROVISIONS	**16,316**	**46,056**	**62,372**
Provisions for contingent loans	11,982	38,656	50,638
Provision for litigation and claims	1,720	0	1,720
Others	2,614	7,400	10,014
DEFERRED TAXES	**259,129**	**0**	**259,129**
OTHER LIABILITIES	**1,231**	**3,184**	**4,415**
TOTAL LIABILITIES	**2,181,911**	**3,663,166**	**5,845,077**
EQUITY			
Capital	1,498,762	0	1,498,762
Additional Capital	34,101	0	34,101
Reserves	287,346	0	287,346
Adjustments to equity	319,222	11,803	331,025
Accumulated results	21,742	0	21,742
Net results of the fiscal year	33,372	0	33,372
TOTAL EQUITY	**2,194,545**	**11,803**	**2,206,348**
TOTAL LIABILITIES AND EQUITY	**4,376,456**	**3,674,969**	**8,051,425**
RISKS AND CONTINGENT COMMITMENTS	**93,008**	**485,891**	**578,899**

COFIDE

FORM FOR PRESENTATION TO THE SBS.

FORM "B 1"

INCOME STATEMENT

Results from the 1st January to the 30th June 2014
(in thousands of nuevos soles)

	Peruvian currency	Equivalent in F. C.	TOTAL
INTEREST INCOME	**106,979**	**110,399**	**217,378**
elements	934	75	1,009
Investments available for sale	15,764	16,940	32,704
Direct loan portfolio	90,281	93,384	183,665
INTEREST EXPENDITURE	**53,350**	**64,087**	**117,437**
OBLIGATIONS TO THE PUBLIC	**1,352**	**168**	**1,520**
Deposits by financial institutions and international financial entities.	**4,975**	**0**	**4,975**
Borrowings and financial obligations	**43,455**	**58,168**	**101,623**
Interest on borrowings and obligations to the Peruvian financial system	23,674	670	24,344
Borrowings and obligations with financial institutions and international financial entities.	0	19,237	19,237
Other borrowings & obligations in Peru and abroad	0	2,322	2,322
Commissions and other charges and financial obligations	100	3,524	3,624
SECURITIES, BONDS AND OBLIGATIONS IN CIRCULATION	19,681	32,415	52,096
Accounts payable	**34**	**0**	**34**
Interest on accounts payable	34	0	34
Results of hedging operations	**3,534**	**5,751**	**9,285**
GROSS FINANCIAL MARGIN	**53,629**	**46,312**	**99,941**
PROVISIONS FOR DIRECT LOANS	**6,862**	**(10,751)**	**(3,889)**
NET FINANCIAL MARGIN	**46,767**	**57,063**	**103,830**
INCOME FROM FINANCIAL SERVICES	**8,430**	**5,604**	**14,034**
Earnings on indirect loans	527	3,616	4,143
Income from trusts and confidential commissions	7,903	1,971	9,874
Income - various	0	17	17
EXPENSES FOR FINANCIAL SERVICES	**567**	**1,550**	**2,117**
Expenses on trusts and confidential commissions	9	0	9
Expenses various	558	1,550	2,108
NET FINANCIAL MARGIN ON EARNINGS AND COST OF FINANCIAL SERVICES	**54,630**	**61,117**	**115,747**
RESULTS OF FINANCIAL OPERATIONS	**21**	**(225)**	**(204)**
Investments available for sale	15	(274)	(259)
Results of hedging operations	0	19,091	19,091
Profit - loss on exchange rate differences	0	(19,307)	(19,307)
Others	6	265	271
OPERATING MARGIN	**54,651**	**60,892**	**115,543**
MANAGEMENT COSTS	**33,488**	**1,805**	**35,293**
Cost of personnel and board of directors	22,470	110	22,580
Cost of services received from third parties	8,508	1,686	10,194
Taxes and contributions	2,510	9	2,519
DEPRECIATION AND AMORTISATION	**1,257**	**0**	**1,257**
NET OPERATING MARGIN	**19,906**	**59,087**	**78,993**
VALUATION OF ASSETS AND PROVISIONS	**(655)**	**11,664**	**11,009**
Provisions for non-performing loans	(1,205)	6,838	5,633
Provisions for uncollectable accounts receivable	548	243	791
Provision for realisable assets, assets received in lieu of payment, recovered, adjudicated ar	(1,513)	0	(1,513)
Provision for litigation and claims	846	0	846
Other provisions	669	4,583	5,252
OPERATING RESULTS	**20,561**	**47,423**	**67,984**
OTHER INCOME AND EXPENSES	**(15,821)**	**5,868**	**(9,953)**
RESULTS OF THE FISCAL YEAR BEFORE INCOME TAX	**4,740**	**53,291**	**58,031**
INCOME TAX	**(24,659)**	**0**	**(24,659)**
NET RESULTS OF THE FISCAL YEAR	**(19,919)**	**53,291**	**33,372**

NOTES TO THE FINANCIAL STATEMENTS
AS AT THE 30TH June 2014 AND 31ST December 2013

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

a) Incorporation and economic activity

Corporación Financiera de Desarrollo S.A. - COFIDE (hereinafter COFIDE or the Corporation) is a mixed economy company whose shareholders include the State (represented by the National Fund for Financing State Business Activities – FONAFE, an entity of the Ministry of Finance – MEF) and the Corporación Andina de Fomento – CAF, which hold 98.0% and 1.0% respectively. The Corporation also holds treasury shares representing 1.0% of the total.

COFIDE was created on the 18th of March 1971 by Decree Law Nº 18807 and enjoys administrative, economic and financial autonomy; its purpose is to contribute to the integral development of Peru by attracting deposits and granting loans through intermediate financial institutions (hereinafter IFIs) for productive investment and public and private infrastructure throughout the country.

In addition, the Corporation manages funds and securities received principally from the State and financial institutions, in its capacity as trustee, for which it charges a commission.

The Corporation's activities are regulated by a number of legal provisions included in its By-laws, specifically included to define its framework for action. In addition, these activities are governed by the Financial System and Banking, Insurance and Pension Fund Regulator (hereinafter the SBS) Framework act - Law Nº 26702 (hereinafter the Act), and modifications contained in Legislative Decree N° 1028 dated the 21st of June 2008.

The registered office of the Corporation is Augusto Tamayo N° 160, San Isidro, Lima and its personnel (managers, officers and employees) as at the 30st of June 2014 and the 31st of December 2013 numbered 194 and 199, respectively.

b) Approval of the Financial statements

The financial statements as at the 30th of June 2014, prepared in accordance with generally accepted accounting principles in Peru for financial institutions and the Accounting Manual for Financial Companies (Note 2(a)), have been approved for issue by the management of the Corporación. These statements will be submitted to the board of directors for approval. The management of the Corporation considers that the financial statements included in this report will be approved by the board without change. The financial statements for the year ending on the 31st of December 2013 were approved by the obligatory annual general meeting of shareholders held on the 31th of March 2014.

2. PREPARATION OF THE FINANCIAL STATEMENTS

(a) Application of changes to the Accounting Manual

SBS ruling N° 7036-2012, issued on the 19th of September 2012, modified the Accounting Manual for Financial Companies (hereinafter the Accounting Manual) in order to bring the accounting principles into line with the International Financial Reporting Standards (IFRS); these modifications included the following, applicable from January 2013:

- Incorporation of the conceptual framework of the IFRS into the preparation of financial statements, including the definitions of material nature and relative importance.

- Accrual of incomes within the periods of loan contracts, including commissions on indirect loans.

- Incorporation of “consolidated financial statements” including: i) The income statement and ii) the consolidated statement of comprehensive income in place of the profit and loss account.

- Separation of financial income and expenses in the income statement from other income or expenditure from treasury operations.

In accordance with the provisions of SBS ruling N° 7036-2012, all accounting changes from previous years that could arise from the application of changes in the Accounting Manual shall apply to the accumulated results as at the 1st January 2013.

Revelations in addition to the notes to the financial statements will take effect on the 31st of December 2013 and the comparative information will be revealed insofar as it is applicable.

(b) Declaration of Compliance

The financial statements are prepared and presented in accordance with accounting principles generally accepted in Peru (hereinafter the GAAP in Peru) and applicable to financial institutions, which include accounting standards and practices authorised by the SBS in the application of its delegated powers set forth in the Framework Act.

The SBS has established that circumstances not envisaged in these rules shall be subject to the GAAP Peru.

The GAAP in Peru include: the Standards and Interpretations issued or adopted by the International Accounting Standards Board (IASB), which include the (IFRS), the International Accounting Standards (IAS) and interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC), or by the former Standards Interpretation Committee (SIC) adopted by the IASB and made official by the Peruvian Accounting Standards Board (PASB) for use in Peru.

(c) Basis for measurement

The financial statements have been prepared in accordance with the historic cost principle:

- Investments available for sale are measured at fair value.
- Financial derivatives are measured at fair value.

(d) Operating and presentation currency

The Corporation prepares and submits its financial statements in nuevos soles (S/.), which is its operating currency as determined in the Accounting Manual for finance companies.

(e) Responsibility for the information and estimates used

The information contained in these financial statements is the responsibility of the board of directors and the management of the Corporation. These statements were drawn up using certain estimates used to quantify some of the assets, liabilities, expenditure and commitments recorded in them, based on their experience and other relevant factors. The actual results may differ from these estimates.

These estimates are under continual review. The modifications to the accounting estimates are recognised prospectively and the effects of the change are recorded in the corresponding earnings or loss account for the year in which the corresponding revisions took place.

The estimates and their sources of uncertainty considered most important in drawing up the financial statements of the Corporation are:

- Provision for uncollectables, direct and indirect
- Fair value of financial derivatives
- Current and deferred income tax
- Other contingent assets and loans
- Provision for non-performing accounts receivable
- Useful life of real estate, fixtures and fittings
- Useful life of intangible assets
- Fair values, classification and investment risks
- Recording of contingent liabilities

The management has used its judgement in applying accounting policies when preparing the attached financial statements, as explained in the corresponding accounting policies.

3. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies used in preparing the Corporation's financial statements are given below: These policies have been applied uniformly with those of the previous fiscal year, unless otherwise *indicated.*

a) *Financial instruments*

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual agreement from which they originate. The interest, dividends, earnings and losses generated by a financial instrument classified as a liability, are recorded as expenditure or income in the profit and loss account.

Financial instruments are offset when the Corporation has the legal right to do so and the management intends to pay them on a net basis or to realise the asset and pay the liability simultaneously.

Financial assets and liabilities shown in the financial position correspond to available funds, investments available for sale, loans, accounts receivable and liabilities in general. Furthermore, all derivatives are considered to be financial instruments.

Accounting policies on the acceptance and evaluation of these items are *given in the respective accounting policies described in these notes.*

b) *Financial derivatives*

Are financial derivatives that meet the following conditions: (a) their fair value fluctuates in response to changes in the level or price of an underlying asset, (b) they do not require an initial net investment or only require an investment lower than that which would be required in contracts that respond in a similar manner to changes in market variables and (c) they are to be liquidated at a future date.

The Corporation classifies financial derivatives and records them in its accounts in accordance with the provisions of SBS ruling N° 1737-2006 and modifications thereto; the latest being SBS ruling N° 1349-2008. The accounting treatment envisaged by the SBS includes essential aspects established by IAS 39 - "Financial Instruments: Acknowledgement and Measurement”.

At the time of initial recording in the accounts, financial derivatives should be classified in one of the following two categories: (a) financial derivatives for trading or (b) financial derivatives for hedging purposes. Financial derivatives for trading are initially recorded at their reasonable value; all subsequent changes in the reasonable value of the derivative will affect the results of the fiscal year. Financial derivatives used for hedging purposes should meet certain requirements established by the SBS concerning procedures, techniques applicable and adequate, opportune documentation to support the hedging strategy.

Swaps and forwards classified as financial derivatives for hedging purposes are entered in the accounts initially at their reasonable value.

Future cash flow hedges are recorded as hedging derivatives, both as assets and liabilities, as appropriate, in the statement of financial position and are shown at their fair value. Insofar as these hedging operations effectively offset exchange rate and/or interest rate risk, changes in reasonable value are recorded directly under "Changes in equity" in the equity account. These amounts are transferred to the results of the fiscal year in which the financial liability is liquidated and are shown under the heading profit or loss from financial derivatives.

Hedging instrument of all types should be valued periodically and when in a range of 80-125% are considered highly effective at reducing the risk associated with the exposure they are hedging. If at any time the hedge ceases to be effective, changes in the fair value from then on will be reflected in the results of the fiscal year.

Derivatives classified for trading are initially recorded at their fair value on the date of the trade.

The fair values are obtained from market exchange rates and interest rates. Earnings and losses from changes in fair value are recorded in the profit and loss account.

The nominal value of financial derivatives is recorded in its agreed currency in contingencies and memorandum accounts (Note 14 (a)).

c) *Loan portfolio and provision for non-performing items of the loan portfolio*

Loans are recorded when funds are disbursed to clients.

Those loans whose payment schedules and/or capital owed are changed because of difficulties with payment by the debtor are considered to be refinanced or restructured.

Financial leasing operations deriving from portfolio assignment agreements are recorded in the accounts in accordance with SBS regulations and IAS 17 - "Leases", as loans.

From the 1st of July 2010, the Corporation applied the criteria established in SBS ruling Nº 11356-2008 "Regulations for Evaluation and Classification of Debtors and Provision Requirement" to the recording of its loans and provision for uncollectables.

Type of loans

In accordance with SBS ruling 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.

Classification categories

The classification categories established by the SBS are as follows: Normal, potentially problematical, deficient, doubtful and lost; in the case of the non-retail loan portfolio (corporate clients, large and medium-sized companies) classification is determined principally by the debtor's ability to pay, its cash flow, the degree of compliance with its obligations, classifications assigned by other financial entities, the debtor's financial position and the quality of its management; whilst loans to small companies, MES and consumer loans (revolving and non-revolving) and mortgages are classified as a function of the number of days in arrears in repayment and classification by other financial entities.

Provision requirements

In accordance with current regulations, the Corporation makes two classes of provisions for its loan portfolio: generic and specific provisions.

Generic provisions include those preventive provisions covering debtors in the SBS's normal category and, in addition, a procyclic component when the required by the SBS; as well as voluntary generic provisions. In accordance with internal policies permitted by the SBS, the Corporation makes voluntary generic provisions for the loan portfolio, the level of which depends on an evaluation carried out by the management on the country's macroeconomic variables and their impact on IFIs and debtors in general (Note 7). Furthermore, voluntary generic provisions are created as a preventive measure for certain debtors with greater exposure to risk.

In this regard, agreements by the board of directors N° 066-2005 and Nº 003-2007, dated the 15th of September 2005 and 11th of January 2007 respectively, approved the redistribution and creation of voluntary generic provisions. The value of the voluntary generic provisions is reported to the SBS.

Specific provisions are those created to cover direct loans and equivalent credit risk exposure arising from indirect loans included in a higher risk category than normal.

Provision requirements are determined using the debtor's risk classification, whether or not there is any collateral guarantee and as a function of the type of guarantees provided.

Furthermore, in compliance with SBS Ruling N° 041-2005, the regulations for the management of exchange rate risk, the Corporation evaluates the exposure to exchange rate risk by loans denominated in foreign currency and makes provisions as required by the SBS.

The Corporation uses the above criteria to set aside a specific provision for accounts receivable in the assigned loan portfolio, included under the heading Other Assets (Note 9-b)).

As at the 30tf of June 2014 and the 31st of December 2013, the provisions are determined in accordance with SBS instructions. The minimum percentages required for loan provisions are given below:

Risk category	No guarantees	Preferred guarantees	Very quickly realisable 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-sized companies	1.00	1.00	1.00	1.00
Loans to small companies	1.00	1.00	1.00	1.00
Loans to micro-enterprises	1.00	1.00	1.00	1.00
Revolving consumer loans	1.00	1.00	1.00	1.00
Non-revolving consumer loans	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

Procyclic component

A procyclic provision is required for the normal risks portfolio. This represents an additional component to the generic provision mentioned above and depends on the "procyclic rule" being activated.

As at the 30th of June 2014 and the 31st of December 2013 the procyclic factor had been activated for loan provisions (Circular N° CR-249-2010 dated the 28th of September 2010). The percentages used are shown below:

Type of loan	Provision rate
Corporate loans	0.40%
Loans to large companies	0.45%
Loans to medium-sized companies	0.30%
Loans to small companies	0.50%
Loans to micro-enterprises	0.50%
Revolving consumer loans	1.50%
mer loans	1.00%
Housing mortgages	0.40%

For corporate loans, loans to large companies and mortgages with self-liquidating preferred guarantees, the procyclic component shall be 0.3% for the portion covered by such guarantees. For other loans with self-liquidating preferred guarantees the procyclic component shall be 0% for the part covered by the guarantees. For consumer loans repaid by payroll discounts the procyclic component shall be 0.25%, provided that they meet the requirements of SBS ruling N° 11356-2008.

When a debt is considered uncollectable it is written off against the respective provision for non-performing loans. Later recovery of sums that have been written off are recorded on the entries side of the profit and loss account.

The provision for overdue accounts is kept at a level that, in the opinion of the company's management, is sufficient to cover potential losses in the loan portfolio as at the date of the Financial position.

d) ***Investments***

Investments can be classified as: Investments at fair value with changes in the results, investments available for trading and investments held to maturity.

The Corporation keeps the following investments:

(d-1) Investments available for sale

These consist of those securities that the management intends to sell for gain before maturity. This category includes all investment instruments that are not classified as investments at reasonable value or investments held to maturity. They are valued at fair value and gains or losses arising from changes in this reasonable value are recorded in the equity account until the instrument is sold or realised, at which time they are transferred to the results of the fiscal year except for losses due to impairment of their value, which are recorded in the results.
Gains or losses caused by exchange rate differences in capital instruments are recorded in equity accounts while debt instruments are recorded in the profit and loss account.

Yields of these investments are recognised when they accrue and dividends when they are declared.

Provisions for impairment in the value of investments are based on internal evaluations carried out by the Corporation and depend on the credit risk and exchange rate risk to which the issuer of the investment is exposed. Losses through impairment of accumulated value recognised directly under equity should be removed from this account and entered in the results of the fiscal year, even though these investment instruments have not been sold or withdrawn.

(d-2) Investment in Corporación Andina de Fomento

In accordance with IAS 39 and the Executive Regulations for the Classification and Valuation of Investments (Ruling N° 7033-2012-SBS), investments in equity instruments that are not quoted in an active market and whose fair value cannot be measured reliably shall be measured at cost.

As part of the harmonisation process with IFRS (SBS ruling N° 45853-2012) and taking into account that shares in CAF do not pay cash dividends, have no active public market, a fair estimate of the value of the investment cannot be made and with reference to SBS official communication N° 5-2012-SBS, which requires them to be treated in line with IFRS, the Corporation maintains these investments as "Investments available for sale" at cost value, which is equivalent to the last book value recorded by the Corporation and reported by COFIDE to the SBS on 31 12 2012.

e) *Real estate, fixtures and fittings*

Real estate, fixtures and fittings are shown at cost less depreciation and any loss through impairment of the recognised value. Initial disbursements and those occurring later, relating to assets whose cost can be reliably determined and are likely to be the sources of future economic benefits, are recognised as fixed assets. Disbursements for maintenance and repairs are recognised as expenses in the period in which they occur. Profits or losses from the sale or withdrawal of items in the real estate, fixtures and fittings account consist of the difference between the sale price and the book value of the asset and are recorded in the profit and loss account of the fiscal year in which the sale is completed.

Depreciation is calculated using the straight line method on the estimated useful life of the different assets; estimated useful life is shown below:

Item	Useful life
Buildings	33 years
Installations, fixtures & fittings	10 years
Vehicles	5 years
Equipment - various	4 and 10 years

Estimates of useful life, residual value and methods of depreciation are reviewed at the end of each reporting period in order to evaluate possible significant changes in earlier expectations or in the expected pattern of consumption of the future economic benefits incorporated into the assets; the effects of any change in these estimates are incorporated prospectively in net earnings or losses of the period in which they occur.

In accordance with the provisions of the Act, the Corporation is prohibited from using its fixed assets as guarantees.

f) *Realisable assets received in lieu of payment and adjudicated*

Assets adjudicated and received in lieu of payment are recorded at the adjudication value or value agreed in the payment contract, or the net value realised, whichever is lower. Assets recovered after termination of a contract, if any, are initially recorded at the unpaid value of the debt or the net value realised, whichever is lower. If the unpaid value of the debt is greater than that of the recovered asset, the difference is recorded as a loss, provided there is no likelihood of recovery.

The Corporation has created the following provisions as required by the SBS:

- 20% of the value on the date of adjudication or recovery of all property received, unless the provision determined by the valuation is higher.
- For assets other than real estate, a provision is made to cover the remaining balance in a period of not more than 18 months.

- In addition, a monthly provision for devaluation of real estate from the 18th month after adjudication or recovery should be made within a maximum period of 42 months, based on the net value obtained in the 18th month.

g) ***Intangible assets***

Intangible assets with finite useful lives acquired separately are recorded at cost less accumulated amortisation and any accumulated loss arising from impairment of the recorded value. Amortisation is calculated using the straight line method using the useful life estimated by the Corporation. Estimates of useful life and methods of depreciation are reviewed at the end of each reporting period to evaluate possible significant changes in earlier expectations or in the expected pattern of consumption of the future economic benefits incorporated into the assets; the effects of any change in these estimates are incorporated prospectively in net earnings or losses of the period in which they occur.

Licences for computer programs are capitalised on the basis of the cost of acquisition or making use of the specific computer program. These costs are amortised using the straight line method during the estimated useful life. Useful life is estimated at between 3 and 5 years.

Costs linked to the development or maintenance of computer programs are recorded as costs when they are incurred. Costs incurred in the development of computer programs recorded as assets are amortised over their estimated useful lives.

The Corporation recognises intangibles at cost.

h) ***Loss through impairment***

When events or economic changes occur that indicate that the value of an asset with a long life cannot be recovered, the management reviews the book value of these assets as at the date of each balance sheet. If this analysis shows that the book value exceeds the recoverable value, a loss is recorded in the profit and loss account. Recoverable values are recorded for each asset.

i) ***Borrowings and financial obligations - securities and obligations in circulation***

Liabilities under the heading borrowings and financial obligations and arising from the issue of securities (corporate bonds) are recorded at their nominal value with accrued interest recorded in the profit and loss account.

Discounts granted in bond placements are deferred and are amortised during their lives.

j) ***Income tax***

Income tax expenditure includes the estimated amount of income tax payable plus deferred income tax.

Current income tax is calculated by applying the tax rate established in current tax legislation to net taxable income for the year.

Deferred income tax is the amount of tax it is expected to recover or to pay on temporary differences between the book values of assets and liabilities and their corresponding tax bases. Deferred income tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences and tax credits, rebates and tax losses not made use of, insofar as the Corporation considers it likely that it will have sufficient taxable gains in the future to be able to make use of them.

The book value of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is unlikely that the Corporation will have sufficient taxable gains in the future to recover all or part of these assets.

Taxes on deferred assets and liabilities are calculated using the tax rate that it is expected will apply when the asset is realised or the liability cancelled, based on rates and legislation approved or approval of which is almost completed, at the end of the reporting period. Measurement of these deferred taxes reflects the fiscal consequences deriving from the way in which the Corporation waits to recover or liquidate the book value of its assets and liabilities at the end of the reporting period.

Income taxes, both current and deferred, are recognised as expenditure or income and included in the calculation of earnings or losses for the period, except if those taxes are related to items recorded directly in the equity account, in which case the tax on current or deferred income is also recorded directly in the equity account.

k) Employee benefits

Benefits for employees include, among others, short-term benefits such as salaries and social security contributions, annual holiday pay, sick pay and profit sharing and incentives, if paid within twelve months of the end of the period. These benefits are set against the profit or loss of the period in which an employee has provided the services giving rise to the right to receive them. The corresponding payment obligations are contained under other liabilities.

(k-1) Employee profit sharing

The company recognises employee profit sharing of 5% of the tax base, determined in accordance with current tax legislation, as a liability and a cost.

(k-2) Holidays

Annual holidays are on an accrual basis. The provision for the estimated cost of annual holidays and other paid absence arising from services provided by the employees is recognised as at the date of the financial position.

(k-3) Severance pay

Provision for employee severance pay consists of the whole amount due in accordance with current legislation. Payments are deposited in banks chosen by the employees.

l) Provisions

Provisions are accepted when the Corporation has a present obligation (whether legal or implicit) arising from a past event and it is likely that the Corporation will have to disburse funds that incorporate an economic benefit to pay that obligation and can make a reliable estimate of its value.

The value of the provision corresponds to the best estimate, as at the date of the financial position, of the disbursement necessary to pay the obligation, taking into consideration the risks and uncertainties inherent in the majority of the events and circumstances involved in assigning a value to the obligation. When the value of the provision is measured using estimated cash flows to pay an obligation, the book value is the present value of the corresponding disbursements.

If it is expected that all or part of the disbursement necessary to cancel the provision will be reimbursed by a third party, the receivable portion is recorded as an asset when its recovery is practically certain and the value of this portion can be reliably determined.

m) Contingent assets and liabilities

Contingent liabilities are not recognised in the financial statements, they are only revealed in the notes. When there is little possibility of funds being used to cover a contingent liability, such a revelation is not required.

Contingent assets are not recognised in the financial statements, they are only revealed in the notes to the financial statements when income is likely.

The items formerly treated as contingent liabilities are recorded in the financial statements for the period in which the change of probabilities occurs, that is, when it is thought likely that funds will be required to cover the liability in question. Items treated as contingent assets are recorded in the consolidated financial statements in the period in which it is thought to be virtually certain that income will be received.

n) Distribution of dividends

Cash dividends are recorded as a liability in the financial statements in the year in which dividends are approved by the Corporation's shareholders.

o) *Recognition of income and expenditure*

Interest earnings and payments are recorded in the results of the period in which they accrue, as a function of the validity of the operations generating them and the interest rates agreed with clients; except interest generated by overdue, refinanced and restructured loans and those subject to legal action; as well as loans classified in the doubtful and lost categories, interest on which is recognised as earned as and when it is collected. When the management decides that the financial condition of the debtor has improved and the loan is reclassified as current and/or normal, potentially problematical or deficient, the interest is once again recognised as and when accrued.

Commissions for services are recognised as income when received. Other income and expenditure is recorded in the period in which it accrues.

p) *Trustee activity*

Assets maintained by the Corporation in its capacity as trustee on behalf of clients or state entities, are not included in the statement of financial position. These assets are shown in separate financial statements and are recorded in the Corporation's memorandum accounts.

q) *Foreign currency*

The operating currency of the Corporation is the Peruvian nuevo sol (S/.) Operations in currencies other than the Peruvian nuevo sol are considered as "foreign currency" transactions and are recorded using the exchange rates in force on the dates of the said transactions. At the end of the reporting period, balances for foreign-currency-denominated monetary items are converted using the exchange rates in force on that date. Non-monetary balances recorded at fair value and denominated in foreign currency are converted using the exchange rate applicable on the date on which the fair value was determined. Balances of non-monetary items recorded at historic cost in foreign currencies are converted using the exchange rates in force on that date.

Exchange rate differences arising from monetary items are recorded as profits or losses in the fiscal year in which they occur, except for exchange rate differences arising from monetary items receivable or payable for foreign operations for which payment has not been planned nor is expected to occur in the foreseeable future (considered part of the net investment in the foreign operation), which are recorded initially as part of other consolidated results and reclassified as net gains or losses in the fiscal year in which the said monetary items are received or paid.

r) Profit per share

Profit per basic share is calculated by dividing net profit for shareholders by the weighted average of shares in circulation during the period. The calculation of the weighted average considers that shares created by the capitalisation of profits were always in circulation during the period. As at the 30st of June 2014 and 31st of December 2013, the Corporation had no financial instruments that diluted profits per share, therefore basic profit and profit per share are the same (note 17).

s) Cash and cash equivalent

For cash and cash equivalent, the Corporation uses the indirect method in accordance with IAS 7 - "Cash flow accounts"; cash and the cash equivalents include the balance of the items Available and Sight Deposits in Banks.

t) Other integrated results

As at the 30st of June 2014 and 31st of December 2013, the components of the income statement and other consolidated results correspond to the results of investments available for sale and used for cash flow hedges, net of the corresponding deferred income tax.

u) Reclassification in the presentation

As at the 31st of December 2013, the Corporation submitted a RCDRC provision, deducting the balance of provisions available for sale, as if they were provisions for impairment of the investment portfolio. Taking into consideration that this provision for RCDRC derives from internal evaluations carried out by the Corporation of exposure to Exchange Rate Risk Derived Credit Risk applicable to the investor; the Corporation complies with the provisions of the SBS by recording these provisions as "Other Provisions", under liabilities in the statement of financial position.

As a consequence of the above, in the first quarter of 2014 the Corporation recorded a reclassification of "Provision for Impairment of Investments" (assets) as "Other Provisions" (liabilities) valued at in thousands) S/. 3,984. This reclassification is also included in the statement of financial position for fiscal year 2013 for comparative purposes.

4. NEW ACCOUNTING RULES

a) Rulings by the Accounting Standards Board (PASB)

By means of ruling Nº 048-2011-EF/30 issued on the 6th of January 2012, the PSAB approved the 2011 versions of IAS, IFRS, IFRSIC and SIC adopted internationally by the IASB for use in Peru starting the day after publication.

The PSAB issued ruling Nº 053-2013-EF/30 on the 11th of September 2013 adopting the 2013 version of the International Financial Reporting Standards (IAS, IFRS, IFRSIC and SIC), which will replace the 2012 version approved by the Board, in accordance with the respective dates of application contained in each one of the standards approved by the said ruling.

The following new IFRS and interpretations applicable to 2013 and 2012 do not have a significant effect on the values reported and revelations in those fiscal years:

- **IFRS 10 "Consolidated financial statements".** Effective for annual periods commencing on or after the 1st of January 2013.
- **IFRS 11 "Joint Arrangements".** Effective for annual periods commencing on or after the 1st of January 2013.
- **IFRS 12 "Disclosure of Interests in Other Entities".** Effective for annual periods commencing on or after the 1st of January 2013.
- **IAS 27 (revised in 2011) "Separate Financial Statements"**. Effective for annual periods commencing on or after the 1st of January 2013.
- **IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures"**. Effective for annual periods commencing on or after the 1st of January 2013.
- **IFRS 13 "Fair Value Measurement"**. Effective for annual periods commencing on or after the 1st of January 2013; may be applied before then.
- **Amendments to IAS 1 – "Presentation of Elements of Other Consolidated Results"**. Effective for annual periods commencing on or after the 1st of January 2013.
- **IAS 19 (revised in 2011) "Employee Benefits".** Effective for annual periods commencing on or after the 1st of January 2013.
- **Amendments to IFRS "Annual Improvements to IFRS 2009-2011"**. Effective for annual periods commencing on or after the 1st of January 2013. The amendments include amendments to IAS 16 "Property, Plant and Equipment" and IAS 32 "Financial Instruments: presentation".

The new IFRS and interpretations taking effect after the presentation of the financial statements, or when implemented by the SBS are as follows:

- **IFRS 9 "Financial instruments".** Effective for annual periods commencing on or after the 1st of January 2017.

- **Amendments to IFRS 10, IFRS 12 and IAS 27 "Investment Entities".** Effective for annual periods commencing on or after the 1st of January 2014.

- **Amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities".** Effective for annual periods commencing on or after the 1st of January 2014 and 2013 for disclosures.

The management of the Corporation believes that the application of these new publications will have no material impact on its financial statements.

b) Main SBS publications

SBS Ruling Nº	Description	In force from
6826-2013	Modification to the "Credit risk effective equity regulation", in order to define unclassified exposure to companies in the financial system (classification of financial strength) corresponding to Risk I, to cover ratings from A+ to A, therefore giving these exposures a 20% weighting factor.	November 2013
4829-2013	Modification to the Accounting Manual for Financial Companies to incorporate memorandum sub-accounts 8109.32 “Blocked unused lines of credit”, 8109.32 “Total multi-line credit lines” among others.	June 2014
4603-2013	Modification to the "Credit risk effective equity regulation", concerning exposure to derivatives and counterparty risk.	July 2013
1309-2013	Modification to the "Credit risk effective equity regulation" concerning exposure to non-payments of more than 90 days.	February / September 2013

5. AVAILABLE

This item consists of:

	30 06 2014 S/. 000	31 12 2013 S/. 000
Banco Central de Reserva del Perú-BCRP	101,838	41,820
Current accounts	88,968	202,382
Accrued yields from available funds	441	471
Other availables	63	61
Total	**191,310**	**244,734**

As at the 30th of June 2014, available funds included (in thousands) US$3,593 and S/.3,565 (in thousands, US$3,258 and S/.32,714 as at the 31st of December 2013), being 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 CRBP.

Funds representing the minimum statutory reserve do not generate interest. The additional statutory reserves accrue interest at a rate established by the CRBP. In accordance with current legislation, statutory reserve funds cannot be seized.

As at the 30th of June 20014 available cash included (in thousands) US$ 18,500 and S/.36,500, in overnight deposits in the CRBP accruing interest at an effective annual rate of 0.1118% in foreign currency and 2.80% in Peruvian currency. As at 31 12 2013 the Corporation had no outstanding balances for overnight deposits as they had been paid in full before that date; nevertheless, these accrued interest amounting to (in thousands) S/.75, which are included under “Earnings from Interest of Available Cash” in the income statement.

6. INVESTMENTS AVAILABLE FOR SALE

This item consists of:

	30 06 2014	31 12 2013
	S/. 0000	S/. 0000
CAF shares (note 3 (d.2.))	2,339,156	2,339,156
Investment funds	35,129	34,200
Shares	2,363	2,233
Capital instruments	**2,376,648**	**2,375,589**
Structured bonds	447,606	462,304
Corporate bonds	259,824	109,614
ured bonds / repurchase agreements	60,536	0
Securitisation bonds	53,029	60,826
Global and/or treasury bonds	44,371	6,521
Global and/or treasury bonds / repurchase agreements	9,234	48,272
Commercial paper	6,221	5,167
Subordinate bonds	2,393	10,269
Financial leasing bonds	0	140
	883,214	**703,113**
Accrued yield	25,341	19,439
Debt instruments	**908,555**	**722,552**
Total	**3,285,203**	**3,098,141**

The investment in the 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 at the 30th of June 2014 and the 31st of December 2012, the Corporation held 97,951 class “B” shares representing 12.43% and 12.64% of the capital of CAF, respectively.

As part of the harmonisation process with IFRS and taking into account that shares in CAF do not pay cash dividends, have no active public market, a reasonable estimate of the value of the investment cannot be made and with reference to SBS official communication N° 45853-0.2-SBS, which requires them to be treated in line with IFRS, as at the 1st of March 2013 the Corporation maintains these investments as “Investments available for sale” at cost value, which is equivalent to the last book value recorded by the Corporation and reported by COFIDE to the SBS on 31 12 2012 (note 3 (d.2)).

Interest income from these investments is recorded under “income from investments available for sale” in the income statement.

As at the 30th of June 2014, global and sovereign bonds and structured/repurchase agreements consisted of Peruvian Government bonds and bonds issued by Terminales Portuarios Paita issued to guarantee short-term financing and held in trust administered by COFIDE (note 10).

Details of these investments are as follows:

Type of instrument	Maturities	Interest rate (coupon)		Market value		Unrealised results	
		As at 30th June 2014	As at 31st December 2013	As at 30th June 2014	As at 31st Dec. 2013	As at 30th June 2014	As at 31st Dec. 2013
		%	%	S/. 000	S/. 000	S/. 000	S/. 000
Peruvian currency							
Structured bonds	Between January 2033 & June 2037	Between 5.97 - 8.58	Between 5.97 - 8.58	346,169	336,117	19,571	9,764
Securitisation bonds	Between December 2014 & December 2016	8.50	8.50	36,719	42,095	479	636
Corporate bonds	Between December 2014 & December 2016	Between 6.625 - 6.8437	Between 6.625 - 6.8437	31,435	32,570	12,620	12,613
Commercial paper	January 2015	6.60	6.60	6,221	5,167	(69)	(109)
Subordinate bonds	October 2022	7.17	7.17	2,431	2,332	(169)	(268)
Investment funds	No contractual maturity	-	-	25,058	24,364	4,351	3,657
				448,033	**442,645**	**36,783**	**26,293**
CAF shares (Note 3 (d.2))	-	-	-	2,339,156	2,339,156	0	0
				2,787,189	**2,781,801**	**36,783**	**26,293**
Foreign currency							
Corporate bonds	Between January 2015 & January 2021	Between 7.75 - 9.875	Between 8.350 - 9.875	235,624	79,677	16,873	2,728
Structured bonds	Between December 2033 & April 2037	Between 7.650 - 8.125	Between 7.650 - 8.125	113,287	139,748	5,870	(5,587)
Struct. Bonds / repurch. agreements	April 2037	8.13%	-	61,866	0	(5,957)	0
Global and/or treasury bonds - repurch. Agre	October 2014	7.50	-	9,624	49,160	32	2,108
Securitisation bonds	February 2021	7.34%	7.34%	19,717	20,736	868	542
Global and/or treasury bonds	Between October 2014 & December 2015	Between 7.50-8.00	Between 7.50-8.00	45,461	6,770	1,515	381
Investment funds	No contractual maturity	-	-	10,072	9,836	(9,013)	(8,614)
Bladex shares	No contractual maturity	-	-	2,363	2,233	1,616	1,486
Subordinate bonds	-	-	L6m+1.15625	0	8,036	0	(372)
Financial leasing bonds	-	-	5.95	0	144	0	0
				498,014	**316,340**	**11,804**	**(7,328)**
Total				**3,285,203**	**3,098,141**	**48,587**	**18,965**

7. LOAN PORTFOLIO

a) The loan portfolio is made up as follows:

	30 06 2014	31 12 2013
	S/. 000	**S/. 000**
Direct loans		
Loans to financial intermediaries	5,007,382	5,160,013
Loans	11,825	15,605
Restructured loans	12,388	12,384
Refinanced loans	6,322	7,361
Loans overdue, to be liquidated and subject to legal action	1,624	1,599
Sub Total	**5,039,541**	**5,196,962**
Plus:		
Accrued yield from loans	87,863	51,942
Minus:		
Provision for uncollectables	(596,522)	(599,097)
Deferred interest	(3,447)	(3,796)
	(599,969)	(602,893)
Total	**4,527,435**	**4,646,011**
Contingent credits - guarantees and letters of guarantee (note 14)	**556,291**	**536,684**

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

Loans to IFIs are guaranteed through clauses in the global contracts for channelling resources entered into with each debtor, which enable the Corporation to: i) automatically collect debt instalments by charging the debtor's current account at the CRBP 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 IFI 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 CRBP.

Classification of the loan and contingency portfolios (net of deferred interest) by risk category, carried out by the management of the Corporation and following the current rules issued by the SBS, is summarised as follows:

	Number of debtors		Total portfolio	
	30 06 2014	31 12 2013	30 06 2014	31 12 2013
			S/. 0000	S/. 0000
Normal	134	137	5,165,435	5,310,748
With potential problems	18	15	366,541	339,432
Deficient	9	11	57,705	76,871
Doubtful	4	6	465	555
Lost	5	5	2,239	2,244
Total	**170**	**174**	**5,592,385**	**5,729,850**

The loan portfolio broken down by type of IFI is classified as follows:

	30 06 2014		31 12 2013	
	S/.000	%	S/.000	%
Second tier portfolio:				
Banks	3,955,863	78.5	3,968,536	76.4
Finance companies	683,011	13.6	737,034	14.2
Municipal savings & loans	235,012	4.7	290,982	5.6
Edpymes	56,929	1.1	59,459	1.1
Rural savings & loans	21,456	0.4	37,622	0.8
Financial leasing	31,994	0.6	37,273	0.7
Factoring	2,237	0.0	3,074	0.1
Cooperatives	23,117	0.5	29,107	0.6
	5,009,619	99.4	5,163,087	99.4
First tier portfolio:				
Financial leasing & promissory notes	17,892	0.4	22,545	0.4
Other loans (i)	12,030	0.2	11,330	0.2
	29,922	0.6	33,875	0.6
Total portfolio	**5,039,541**	**100.0**	**5,196,962**	**100.0**
Accrued yield from loans	87,863		51,942	
Total general	**5,127,404**		**5,248,904**	

(i) Consumer loans and mortgages to employees and former employees.

(b) Rates of interest and guarantees:

The Corporation is free to establish the interest rates applicable to its lending operations as a function of the cost of funds, type of client, market and currency in which the loan is denominated.

The effective annual average rates for the main products were as follows:

	30 06 2014		31 12 2013	
	Loans in		Loans in	
	S/.	US$	S/.	US$
	%	%	%	%
Short-term working capital	7.59	4.96	7.59	4.11
COFIDE own funds	10.00	5.72	7.78	5.49
Medium-term working capital	9.42	6.97	9.23	6.60
Probid II	-	Libor + 4.52	-	Libor + 4.27
Structured financial products	10.60	10.15	10.60	10.15

(c) Changes in the provision for non-performing direct and contingent loans were as follows:

	Direct	Contingent	Total
	S/.000	S/.000	S/.000
Balances at 31st December 2012	**600,625**	**28,203**	**628,828**
Provision for fiscal year	66,471	14,296	80,767
Recoveries	(80,827)	(33)	(80,860)
Exchange rate difference	12,828	2,528	15,356
Balances at 31st December 2013	**599,097**	**44,994**	**644,091**
Provision for fiscal year	21,284	7,735	29,019
Recoveries	(23,898)	(2,102)	(26,000)
Exchange rate difference	39	11	50
Balances at 30th June 2014	**596,522**	**50,638**	**647,160**

The balance of provisions for non-performing direct and contingent loans is made up as follows:

	30 06 2014			31 12 2013		
	Direct	Contingent	Total	Direct	Contingent	Total
	S/.000	S/.000	S/.000	S/.000	S/.000	S/.000
Specific	76,017	-	76,017	81,726	-	81,726
Generic for normal clients	70,868	6,455	77,323	77,774	6,239	84,013
Generic voluntary	449,637	44,183	493,820	439,597	38,755	478,352
Total	**596,522**	**50,638**	**647,160**	**599,097**	**44,994**	**644,091**

As at the 30th of June 2014 and 31st of December 2013, the Corporation had recorded the total obligatory value required by the SBS for generic provisions.

As at the 30th of June 2014 and 31st of December 2013, the procyclic provision amounted to (in thousands) S/.20,659 and S/.21,230 respectively. Furthermore, in the same periods generic provisions amounting to (in thousands) S/.14,087 and S/.42,256, respectively, were created. Voluntary generic provisions as at the 30th of June 2014 and the 31st of December 2013 amounted to (in thousands) S/.493,820 and S/.478,352, respectively.

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 at June 2014, approximately el 99% of the loan portfolio was concentrated in IFIs (99% in December 2013).

(e) The loan portfolio is distributed among the following sectors:

Economic sector	30 06 2014		31 12 2013	
	S/. 000	%	S/. 000	%
Commercial & micro-enterprise loans				
Financial intermediation	5,007,382	99.36	5,160,013	99.29
Hotels & restaurants	16,702	0.33	21,243	0.41
Housing mortgages	9,520	0.19	8,796	0.17
Other community services	2,237	0.05	3,075	0.06
Consumer loans	1,369	0.03	1,391	0.03
Manufacturing industry	1,197	0.02	1,197	0.02
Transport, storage & communications	931	0.02	931	0.02
Real estate, business and rental	100	0.00	169	0.00
Farming, hunting & forestry	103	0.00	147	0.00
Total	**5,039,541**	**100.00**	**5,196,962**	**100.00**

(f) The loan portfolio has the following maturities:

	30 06 2014		31 12 2013	
	S/.000	%	S/.000	%
Up to one year	1,629,167	32.3	1,399,479	26.9
More than 1 and less than 2 years	526,500	10.5	912,329	17.6
More than 2 and less than 3 years	306,595	6.1	466,434	9.0
More than 3 and less than 4 years	333,760	6.6	261,833	5.0
More than 4 and less than 5 years	334,836	6.6	268,980	5.2
More than 5 years	1,907,059	37.9	1,886,308	36.3
Sub Total	**5,037,917**	**100.0**	**5,195,363**	**100.0**
Overdue and subject to legal action	1,624	0.0	1,599	0.0
Total loan portfolio	**5,039,541**	**100.0**	**5,196,962**	**100.0**

g) First tier portfolio (assigned)

In applying the global funding contracts with the IFIs, from 1998 to 2002 the Corporation has signed complementary agreements with certain IFIs, some of which have been liquidated or subject to intervention by the SBS. By means of assignment of rights agreements, these IFIs assigned to the Corporation their contractual position in a number of loan and financial leasing contracts selected by the Corporation, in payment of obligations to the Corporation.

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

	Latino Leasing	Banco Nuevo Mundo	NBK Bank	Banco Banex	Consolidated operations	Total
	US$ 000	US$ 000	US$ 000	US$ 000	US$ 000	US$ 000
Balances at 31.12.2012	**4,944**	**2,851**	**558**	**39**	**1,554**	**9,946**
Recoveries & others	(1,064)	(93)	(143)	(39)	(78)	(1,417)
Unaccrued earnings	(463)	-	-	-	-	(463)
Balances at 31.12.2013	**3,417**	**2,758**	**415**	**-**	**1,476**	**8,066**
Equivalent in soles at 31.12.2013	**9,551**	**7,709**	**1,160**	**-**	**4,125**	**22,545**
Recoveries & others	(1,627)	(23)	(17)	-	-	(1,667)
Balances at 30.06.2014	**1,790**	**2,735**	**398**	**-**	**1,476**	**6,399**
Equivalent in soles at 30.06.2014	**5,005**	**7,647**	**1,113**	**-**	**4,127**	**17,892**

8. REAL ESTATE, FIXTURES AND FITTINGS

Changes in the cost and accumulated depreciation of real estate, fixtures and fittings as at the 30th of June 2014 were as follows:

	Initial balance S/.	Additions S/.	Withdrawals S/.	Final balance S/.	Depreciation rates %
Cost:					
Land	469	-	-	469	
Buildings & installations	22,498	6	-	22,504	
Fixtures & fittings	2,669	184	-	2,853	
Vehicles	208	-	-	208	
Equipment - various	16,824	67	-	16,891	
Total	42,668	257	-	42,925	
Accum. depreciation:					
Buildings & installations	15,729	320	-	16,049	3 y 10
Fixtures & fittings	2,259	53	-	2,312	10
Vehicles	191	13	-	204	20
Equipment - various	10,760	719	-	11,479	10 y 25
Total	28,939	1,105	-	30,044	
Net	13,729			12,881	

In the opinion of the management, the recoverable values of real estate, fixtures and fittings as at the 30th of June 2014 and the 31st of December 2013 are higher than their book values, therefore it was not considered necessary to make any provision for losses due to the deterioration of these assets.

The Corporation holds insurance policies to cover possible risks to which its real estate and furniture and fittings are exposed, as well as possible claims that it may receive in the pursuance of its business.
As at the 30th of June 2014, fully depreciated furniture and fittings still in use amounted to (in thousands) S/.7,784 (S/.8,614 as at the 31st of December 2013).

9. DERIVATIVES FOR HEDGING, ACCOUNTS RECEIVABLE, INTANGIBLE ASSETS AND OTHER ASSETS

This item consists of:

	30 06 2014	31 12 2013
	S/. 000	S/. 000
Fair value - hedging swaps - currency swaps	8,630	3,765
Fair value - hedging swaps - forward	0	132
Provision for country risk - derivatives	(164)	0
Hedging derivatives (Note 12)	8,466	3,897
Guarantee funds - margin call (a)	0	11,376
Accounts receivable - assigned loan portfolio	2,896	2,929
Accounts receivable - various	5,418	2,660
Commissions receivable	1,775	2,091
Provisions for accounts receivable & others (b)	(5,742)	(5,111)
Accounts receivable, net	4,347	13,945
Software	12,376	11,700
Accumulated amortisation of software	(6,463)	(6,311)
Intangible assets, net ©	5,913	5,389
Commissions and others paid in advance	2,224	3,857
Artworks and library	761	753
Various	1,899	1,033
Other assets	4,884	5,643
Total	23,610	28,874

a) b) As at the 31st of December 2013, deposits in guarantee amounted to (in thousands) US$ 4,070 in favour of J. Aron & Company (Goldman Sachs) to cover a “Margin Call” agreed when creating interest rate and currency hedges kept by the Corporation with that institution.

b) The balance of the provision for uncollectable accounts receivable is made up of:

	30 06 2014	31 12 2013
	S/. 000	S/. 000
Specific	2,304	2,275
Generic voluntary	3,438	2,836
	5,742	5,111

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

	30 06 2014	31 12 2013
	S/. 000	S/. 000
Initial balances	5,111	5,330
Provision for fiscal year	693	1,833
Recoveries	(64)	(1,234)
Exchange rate difference	2	(818)
Final balances	5,742	5,111

c) This software consists principally of SAP system licences. As at the 30th of June 2014, the Corporation recorded a cost of amortisation amounting to (in thousands) S/. 151 (S/. 11 in June 2013), which is shown under “Depreciation and amortization” in the income statement.

10. OBLIGATIONS TO THE PUBLIC AND DEPOSITS BY FINANCE COMPANIES AND INTERNATIONAL FINANCIAL ENTITIES.

Obligations and deposits are made up as follows:

	30 06 2014	31 12 2013
	S/. 000	S/. 000
Term deposits	172,236	186,800
Deposits in guarantee	19,403	22,942
Repo operations	72,720	48,849
	264,359	258,591
Interest accrued	4,971	1,932
	269,330	**260,523**
Severance pay	430	337
Total	**269,760**	**260,860**

As at the 30th of June 2014, term deposits consisted principally of funds in Peruvian currency deposited by the Banco de Crédito, CMAC Trujillo, CMAC Arequipa and Caja Municipal de Crédito Popular Caja Metropolitana, which accrue interest at annual market rates fluctuating between 4.44% and 7.50% and mature between July 2014 and July 2015.

Deposits in guarantee include withholdings from pledges to the Corporation in order to guarantee lending operations valued at (in thousands) S/.15,951 and US$1,234 (in thousands, S/.19,492 and US$1,234 as at the 31st of December 2103).

Deposits under guarantee accrue annual interest at market rates of 2.80% (Peruvian currency) and 0.1118% (foreign currency) and mature between July and December 2014.

As at the 30st of March 2014, repo transactions consisted of funds in Peruvian currency held in Peruvian currency in various trusts administered by the Corporation, which accrue interest at market rates varying between 4.35% and 4.56% in soles; they are guaranteed by Peruvian government bonds and bonds issued by Terminales Portuarios Paita, and mature between July and October 2014.

Obligations and deposits made by companies belonging to the financial system have the following maturities:

	30 06 2014	31 12 2013
	S/. 000	S/. 000
Up to one month	101,818	65,249
More than 1 and up to 3 months	67,972	26,400
More than 3 and up to 6 months	70,694	43,337
More than 6 and up to 12 months	21,299	123,942
More than 12 months	3,006	-
Total	264,789	258,928

11. BORROWINGS AND FINANCIAL OBLIGATIONS

a) Borrowings from finance companies in Peru and abroad consist of:

Bank of Tokyo - Mitsubishi / Sindicado	Libor (3M) + 1.725%	559,200	559,000	September 2016
Bank of Tokyo - Mitsubishi / Bilateral	Libor (3M) + 0.70%	279,600	279,500	February 2017
Scotiabank Perú	de 4.74% a 5.98%	512,000	517,100	October 2014
Banco de la Nación del Perú	de 1.00% a 5.80%	371,592	310,963	October 2014
HSBC Bank USA, N.A.,	Libor (3M) + 0.70%	279,600	279,500	December 2016
American Family Life Assurance of Columbus Japan Branch - AFLAC	3.75%	248,445	239,346	September 2031
Banco Interamericano de Desarrollo - BID	Libor (6M) + 0.61%	178,317	196,078	may-15
Banco Interamericano de Desarrollo - BID	2.51%	36,221	38,114	may-15
Banco Interamericano de Desarrollo - BID	2.00%	34,950	36,457	may-15
Banco Interamericano de Desarrollo - BID	Libor (6M) + 0.61%	1,999	2,998	May 2015
Japan Bank For International Coopetation - JBIC	de 1.5% a 2.3%	176,776	187,331	February 2019
Banco Internacional del Perú - INTERBANK	de 2.30% a 7.24%	131,224	127,999	July 2014
Corporación Andina de Fomento - CAF	Libor (6M) + 2.8%	83,880	83,850	October 2016
Japan International Cooperation Agency- JICA	de 0.01% a 0.60%	125,808	73,026	October 2027
Citibank, Sucursal en el Perú	1.39%	13,980	61,490	July 2014
Nordic Investment Bank	Libor (6M) + 0.85%	17,475	20,963	September 2014
Kreditanstalt Fur Wiederaufbau - Fase II	2.00%	19,578	19,725	June 2034
Kreditanstalt Fur Wiederaufbau - Fase I	2.00%	15,173	15,780	December 2029
China Development Bank	Libor (6M) + 3.25%	5,592	11,180	October 2014
The Opec Fund For International Cooperation	5.00%	1,398	1,864	October 2015
Corporación de Fomento a la Produccion - CORFO	4.25%	494	821	June 2015
		3,093,302	**3,063,085**	
CAF share issues - financial liability (Note 13 (b))		23,103	23,095	
Related expenses		(4,797)	(5,351)	
Sub total		**3,111,608**	**3,080,829**	
Interest		24,772	26,860	
Total		**3,136,380**	**3,107,689**	

(a.1) Borrowings and financial obligations (not including interest) have the following maturities:

	30 06 2014 S/. 000	31 12 2013 S/. 000
Up to 1 month	148,723	169,608
More than 1 and up to 3 months	361,887	485,388
More than 3 and up to 6 months	354,289	239,276
More than 6 and up to 12 months	237,410	204,836
More than 12 months	2,009,299	1,981,721
Total	3,111,608	3,080,829

The majority of loans from multilateral organisations and government agencies have been granted to the Republic of Peru or are guaranteed by it. The other loans from local or international commercial banks do not have specific guarantees except for loans granted to finance foreign trade operations, which are backed by a loan portfolio.

As at the 30th of June 2014 and 31st of December 2013, loans in yen, euros and certain loans denominated in United States dollars are associated with swap contracts aimed at reducing exchange rate and interest rate risk (Note 12 (a))

As at the 30th of June 2014 and 31st December 2013, the Corporation has not submitted reports of non-compliance with either capital or interest. Furthermore, it is complying with certain clauses, financial ratios and other conditions specified in loan agreements entered into with foreign financial institutions and international financial bodies.

Swap operations have been undertaken involving yen-denominated liabilities with the JBIC and AFLAC in order to offset the risk of a revaluation of this currency compared with the United States dollar; they mature in February 2019, September 2031 and October 2017, respectively. As at the 30th of June 2014, the Corporation recorded gains on hedging operations amounting to (in thousands) S/.19,091 (loss of S/.54,911 as at the 30th June 2013), shown under "Results of hedging operations" in the results of financial operations - ROF in the income statement.

b) Financial obligations consist of:

	Serie	Issue Date	Issue Value	Date of maturity	Interest rate	30 06 2014	31 12 2013
			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%	13,000	15,000
	Eighth - series B	02/04/2008	10,000	02/04/2018	6.65%	8,000	9,000
	Twelfth - series A	16/01/2009	7,065	15/01/2015	7.94%	893	1,481
						21,893	25,481
	Third programme						
	First - series A	24/01/2011	50,000	24/01/2016	6.25%	50,000	50,000
	Third - series A	30/06/2011	50,000	30/06/2014	6.70%	0	50,000
	Fourth - series A	21/07/2011	45,065	21/07/2015	7.00%	45,065	45,065
	Fifth - series A	28/10/2011	30,000	28/10/2014	5.60%	30,000	30,000
	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
						465,065	515,065
	Fourth programme						
	Second - series A	30/04/2013	100,000	30/04/2043	5.35%	100,000	100,000
						100,000	100,000
	Total nominal value					**586,958**	**640,546**
	Accrued yield					16,119	17,703
	Total Peruvian currency					**603,077**	**658,249**
b)	In foreign currency:						
	First international issue	08/02/2012	400,000	08/02/2022	4.75%	1,118,400	1,118,000
	First international issue reopening	03/12/2012	100,000	08/02/2022	4.75%	279,600	279,500
	Total nominal value					**1,398,000**	**1,397,500**
	Net price difference (below / above par) and related expenses					5,684	6,056
	Accrued yield					26,193	26,184
	Total foreign currency					**1,429,877**	**1,429,740**
	Total					**2,032,954**	**2,087,989**

(b.1) Bonds in Peruvian currency do not have specific guarantees.

Second bond programme

The resources obtained were used principally to finance new intermediation operations as part of the business through the domestic financial system as well as to optimise financial results by financing negotiable investments in the capital market. These bonds are guaranteed in generic terms by the equity of the Corporation and they have been registered with CAVALI ICLV S.A., and are therefore represented by account entries and are freely negotiable.

Third Programme - Bonds

This programme has been approved for up to US$200,000 or the equivalent in nuevos soles or any foreign currency. Corporate bonds enjoy the maximum local risk classification from Apoyo & Asociados Internacionales S.A.C. Clasificadora de Riesgo and by Equilibrium Clasificadora de Riesgo S.A., AAA (pe) and AAA pe, respectively.

Fourth bond programme

This programme has been approved for up to US$400,000 or the equivalent in nuevos soles or any foreign currency. Corporate bonds enjoy the maximum local risk classification from Apoyo & Asociados Internacionales S.A.C. Clasificadora de Riesgo and by Equilibrium Clasificadora de Riesgo S.A., AAA (pe) and AAA pe,respectively.

(b.2) First issue of international securities (senior unsecured notes - due 2022)

The AGM held on the 14th of March 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 of the 8th of February 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 Rating 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.

12. DERIVATIVES FOR HEDGING, ACCOUNTS PAYABLE, PROVISIONS AND OTHER LIABILITIES

The breakdown of this item is as follows:

	30 06 2014	31 12 2013
	S/. 000	S/. 000
Fair value - hedging derivatives - currency swaps	70,383	71,967
Valor razonable - Derivados de cobertura - Swaps de tasas	2,505	2,846
Hedging derivatives (a)	**72,888**	**74,813**
Taxes payable	691	652
Accounts payable - various	6,488	6,465
Accounts payable	**7,179**	**7,117**
RCDRC provision - investments available for sale	7,400	3,984
Provision for litigation & claims	1,720	874
Provision for holidays accrued	2,614	2,371
Provision for litigation, claims and others (b)	**11,734**	**7,229**
Operations in progress	4,335	4,933
Deferred sales	80	102
Accounts payable	**4,415**	**5,035**
Total	**96,216**	**94,194**

a) Accounts payable from derivatives for hedging

The Corporation engages in currency and interest rate swaps. The risk arises from the possibility of the counterparty failing to comply with the agreed terms, and fluctuations in interest rates.
Accounts receivable and payable for operations involving financial derivatives contained in the financial position, principally consisting of amounts accrued from fluctuations in the exchange rates and interest rates applicable to financial derivatives.

Financial derivatives for cash flow hedging purposes are:

FINANCIAL DERIVATIVES AS AT 30 06 2014

(in thousands of nuevos soles)

DESCRIPTION	N° Oper.	Nominal value	Exchange rate diff.		Accrued interest		Earning / (loss)			Fair value	
			Active	Passive	Active	Passive	Active	Passive	Realised	Active	Passive
CURRENCY - HEDGING SWAPS YEN/US$	16	550,576	26,139	94,896	1,270	4,620	(18,779)	(42,773)	-	8,630	56,743
CURRENCY - HEDGING SWAPS US$/S/.	3	117,185	-	9,875	148	2,018	(148)	1,747	-	-	13,640
CURRENCY - HEDGING SWAPS	**19**	**667,761**	**26,139**	**104,771**	**1,418**	**6,638**	**(18,927)**	**(41,026)**	**-**	**8,630**	**70,383**
FORWARD - HEDGING US$/S/.	0	0	0	0	0	0	0	0	-	0	0
FORWARD - HEDGING US$/S/.	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-**	**0**	**0**
TOTAL - CURRENCY DERIVATIVES	**19**	**667,761**	**26,139**	**104,771**	**1,418**	**6,638**	**(18,927)**	**(41,026)**	**-**	**8,630**	**70,383**
INTEREST RATE - HEDGING SWAPS	**1**	**41,940**	**-**	**-**	**51**	**503**	**(51)**	**2,002**	**-**	**-**	**2,505**
			26,139	**104,771**	**1,469**	**7,141**	**(18,978)**	**(39,024)**	**-**	**8,630**	**72,888**

FINANCIAL DERIVATIVES AS AT 31 12 2013

(in thousands of nuevos soles)

DESCRIPTION	N° Oper.	Nominal value	Exchange rate diff. Activo	Exchange rate diff. Passive	Accrued interest Active	Accrued interest Passive	Earnings / (Loss) Active	Earnings / (Loss) Passive	Earnings / (Loss) Realised	Fair value Active	Fair value Passive
CURRENCY - HEDGING SWAPS YEN/US$	15	499,225	24,386	11,330	1,331	4,641	(21,952)	(59,482)	-	3,765	56,488
CURRENCY - HEDGING SWAPS US$/S/.	4	129,678	-	11,000	193	2,360	(193)	2,119	-	-	15,479
CURRENCY - HEDGING SWAPS	**19**	**628,903**	**24,386**	**22,330**	**1,524**	**7,001**	**(22,145)**	**(57,363)**	**-**	**3,765**	**71,967**
FORWARD - HEDGING US$/S/.	1	14,017	128	0	0	0	4	0	-	132	0
FORWARD - HEDGING US$/S/.	**1**	**14,017**	**128**	**0**	**0**	**0**	**4**	**0**	**-**	**132**	**0**
TOTAL - CURRENCY DERIVATIVES	**20**	**642,920**	**24,514**	**22,330**	**1,524**	**7,001**	**(22,141)**	**(57,363)**	**-**	**3,897**	**71,967**
INTEREST RATE - HEDGING SWAPS	**2**	**46,118**	**-**	**-**	**70**	**558**	**(70)**	**2,287**	**-**	**-**	**2,846**
			24,514	**22,330**	**1,594**	**7,559**	**(22,211)**	**(55,076)**	**-**	**3,897**	**74,813**

(i) As at the 30th of June 2014, the net position payable for foreign currency swaps amounted to (in thousands) S/.70,383 (S/.71,967 as at the 31st December 2013), which offsets the reduction in liability arising from the depreciation of the yen against the United States dollar.

(ii) As at the 30th of June 2014, the net position payable for interest rate swaps amounted to (in thousands) S/. 2,505 (S/. 2,846 as at the 31st of December 2013), which offsets variations in the borrowing rates.

(iii) As at the 30th of June 2014, unrealised net earnings from financial derivatives amounted to (in thousands) S/.20,046 (S/.32,865 as at the 31st December 2013). See note 13d.

(iv) As at the 30th of June 2014, the Corporation holds currency swaps to offset the risk of a revaluation of the yen affecting borrowings from the Japan Bank For International Cooperation – JBIC, American Family Life Assurance of Columbus, Japan Branch – AFLAC and Japan International Cooperation Agency - JICA, which mature in February 2019, 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) Provisions for litigation, claims and others

As at the 30th of June 2014 and 31st December 2013, provisions for RCDRC arose from internal reviews by the Corporation of its exposure to credit risk deriving from exchange rate risk affecting the issuer of the investment made by the Corporation (notes 6 and 20). Furthermore, the balance includes provisions for lawsuits against the Corporation and holidays accrued but not taken, relating to activities carried out by the Corporation, which in the opinion of the management will not generate significant liabilities, and therefore it was not deemed necessary to increase the provision for these contingencies.

13. EQUITY

(a) Capital

As at the 30th of June 2014 the Corporation's capital was represented by 1,548’418,292 ordinary shares and 15’639,765 preference shares (1,514’401,683 ordinary shares and 15’639,765 preference shares as at the 31st December 2013), having a nominal value of S/.1.00 each, authorised, subscribed and paid up. Of the above value, the Corporation holds 15’639,765 ordinary treasury shares.

The AGM of COFIDE held on the 31st of March 2014 approved, in accordance with COFIDE's dividends policy, the reinvestment of (in thousands) S/.10’205, equivalent to 15% of profits distributable to FONAFE from fiscal year 2013. A cash contribution of (in thousands) S/. 23’812 was also approved, to take place on 28 05 2014.

The shareholdings in the Corporation are as follows:

Share class		Holder	30 06 2014		31 12 2013	
			Nº of shares	% shareholding	Nº of shares	% shareholding
Class "A"		MEF-FONAFE	1,044,441,413	66.78	1,044,441,413	68.26
Class "A"	(*)	MEF-FONAFE	19,119,697	1.22	0	0.00
			1,063,561,110	68.00	1,044,441,413	68.26
Class "C"		MEF-FONAFE	454,320,505	29.05	454,320,505	29.70
Class "C"	(*)	MEF-FONAFE	14,896,912	0.95	0	0.00
			469,217,417	30.00	454,320,505	29.70
			1,532,778,527	98.00	1,498,761,918	97.96
Class "B"		COFIDE (Treasury)	15,639,765	1.00	15,639,765	1.02
			1,548,418,292	**99.00**	**1,514,401,683**	**98.98**
Class "B Preference"		CAF	15,639,765	1.00	15,639,765	1.02
			1,564,058,057	**100.00**	**1,530,041,448**	**100.00**

The class "B" shares belong to COFIDE and are part of its portfolio.

The class "B" preference 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.

(*) As at the 30th of June 2014, the Corporation shows part of the shares held by MEF-FONAFE (“A” and “C” shares), as part of its additional capital, given that they are undergoing registration at the public records office even though they are fully subscribed and paid up.

A general meeting of shareholders on the 26th of June 2013 agreed:

- To buy-back all the class "B" ordinary shares that belonged to Corporación Andina de Fomento - CAF, which will remain in the portfolio (without being amortised) for a maximum period of 2 years (as allowed by Article 104 of Law N° 26887 – the

Companies Act), at a total value of (in thousands) S/. 22'684, and a value per share of S/. 1.45039 based on the book value of equity at the close of fiscal year 2011, in accordance with the provisions of a share subscription agreement entered into by COFIDE and CAF in 1997. The book value of the shares as at the 31st December 2012 was (in thousands) S/. 30,283, generating earnings from share buy-backs of (in thousands) S/. 7,599.

- To approve the characteristics of new "class B preference shares" to be issued by COFIDE and for which CAF will pay a total of (in thousands) S/. 23'145, and a value per share of S/. 1.479863 based on COFIDE's booked equity value at the close of fiscal year 2012.

- To increase the capital of COFIDE through an issue of 15'639,765 "class B preference shares" to be acquired by CAF at their nominal value of S/. 1.00 each plus a capital premium of (in thousands) S/. 7'505. The total value of (in thousands) S/. 23'145, was paid by CAF by capitalising a credit (derived from the buy back of class "B" shares, (in thousands) S/. 22'684 and by a cash contribution of (in thousands) S/. 461, in accordance with a capital contributions agreement entered into on the 3rd of December 2013 between COFIDE and CAF.

(b) Additional capital

As at the 30th of June 2014 this consisted of capital being registered at the public records office, deriving from a decision by a general meeting of shareholders of COFIDE held on the 31st of March 2014, which approved a reinvestment of 15% of distributable profit from fiscal year 2013 to FONAFE, amounting to (in thousands) S/. 10'205, as well as an additional cash contribution of (in thousands) S/. 23'812, which was made effective by FONAFE on the 28th of May 2014.

In addition, on the 30th of June 2014 a donation of real estate was registered at a value of (in thousands) S/.84.

As at the 31st of December 2013 this was initially the sale value of "B preference" shares, valued at (in thousands) S/. 23'145, which were acquired by CAF and were at that time undergoing registration at the public records office. Of this value, (in thousands) S/. 15'640 and S/. 7'505 corresponds to capital and issue premium, respectively; these values were in turn reclassified in their entirety as "Borrowings and financial obligations" and charged to the "Additional capital" account, given that CAF has the right to require the purchases of these shares by COFIDE, for which they represent a financial liability (note 11 (a)).

The following table shows changes in capital, additional capital and portfolio shares as at the 30th of June 2014 and 31st of December 2013.

DETAILS	Capital	Own shares in portfolio	Additional capital
. FONAFE - ordinary shares "A" & "C"	1,488,861	0	0
. CAF - ordinary shares "B" / capital premium	15,640	0	14,643
Balances at 1st January 2013	**1,504,501**	**0**	**14,643**
- Share issues	**9,901**	**0**	**23,145**
. FONAFE - ordianry shares "A" & "C"	9,901	0	0
. CAF - "Preference B" shares	0	0	15,640
. Capital premium - "Preference B" shares	0	0	7,505
- Sale of ordinary shares "B" (CAF) : treasury shares (COFIDE)	**0**	**(15,640)**	**(14,643)**
- Increase (reduction) resulting from transfer to financial liabilities	**0**	**0**	**(23,145)**
. "Preference B" shares	0	0	(15,640)
. Capital premium - "Preference B" shares	0	0	(7,505)
Balances at 31st December 2013	**1,514,402**	**(15,640)**	**0**
- Share issues	**0**	**0**	**34,017**
. FONAFE - ordinary shares "A" & "C"	0	0	34,017
- Increase (reduction) resulting from transfers & other changes	**0**	**0**	**84**
. Transfer additional capital to capital - "Preference B" shares	15,640	0	(15,640)
. Transfer capital to obligations - "Preference B" shares	(15,640)	0	15,640
. Furniture donations	0	0	84

(c) 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.

A general meeting of shareholders held on the 31ST OF March 2014 approved a legal reserve equivalent to 10% of profits for fiscal year 2013, amounting to (in thousands) S/.7,638.

A general meeting of shareholders held on the 22nd of March 2013 approved a legal reserve equivalent to 10% of profits for fiscal year 2012 (in thousands) S/.7,411.

(d) Accumulated results and adjustments to equity

Law Nº 23337 created the Public Sector Infrastructure and Counterparty Fund (later known as the National Fund for Financing State Business Activities - 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 financial statements 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.

A general meeting of shareholders in COFIDE held on the 31st of March 2014 approved dividends payable from the earnings of fiscal year 2013 amounting to (in thousands) S/.68,743. Of this amount and in accordance with COFIDE's dividend policy, it approved the reinvestment of (in thousands) S/.10’205, equivalent to 15% of dividends payable to FONAFE in fiscal year 2013. A cash contribution of (in thousands) S/. 23’812 was also agreed, to be paid by FONAFE within 30 calendar days after COFIDE has transferred the dividends to it in cash). The CAF decided not to make the contribution corresponding to its proportion of these shares and therefore did not exercise its right of first refusal to subscribe new shares.

A general meeting of shareholders in COFIDE held on the 22nd of March 2013 approved dividends payable from the earnings of fiscal year 2012 amounting to (in thousands) S/.66'699. Furthermore, in virtue of COFIDE's dividend policy, capitalisation of (in thousands) S/.9'901, equivalent to 15% of the dividends payable to FONAFE for fiscal year 2012 was approved. The CAF decided not to make the contribution corresponding to its proportion of these shares and therefore did not exercise its right of first refusal to subscribe new shares.

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 06 2014	31 12 2013
	S/. 000	S/. 000
Accumulated results:		
Adjustment for edeferred employee profit sharing - IAS 12	12,647	12,647
COFIDE "B" shares difference on redemption by CAF (Note 13(a)).	7,599	7,599
Accumulated profit without capital agreement	1,496	1,496
Total	**21,742**	**21,742**
Equity adjustment:		
Unrealised gain from adjustment to value of CAF investment	404,261	404,261
Minus: deferred income tax	(121,279)	(121,279)
	282,982	282,982
Gain from fluctuation in value of negotiable investments available for sale	48,587	18,965
Minus: deferred income tax	(14,576)	(5,689)
	34,011	13,276
Loss derived from cash flow hedging	20,046	32,865
Minus: deferred income tax	(6,014)	(9,860)
	14,032	23,005
Total	**331,025**	**319,263**

14. CONTINGENT AND MEMORANDUM ACCOUNTS

This item consists of:

	30 06 2014
	S/. 000
Contingent accounts:	
Swap and forward operations (a)	667,761
Guarantees issued (note 7)	556,291
Other contingent accounts	22,608
	1,246,660
Memorandum accounts	
Loan guarantees (b):	
Promissory notes	4,420,315
Mortgages	35,162
Deposits in guarantee	19,403
Documentary guarantees	10,927
Warrants	101
Other guarantees	160,981
	4,646,889
Fideicomisos y Comisiones de Confianza (c):	
Guarantees for trust lending operations	8,049,051
Counterguarantees for trusts and confidential commissions	7,108,607
Funds in trust	6,772,809
Funds in confidential commissions	491,613
Nominal value - interest rate swap (a)	41,940
Other memorandum accounts	6,653,710
	33,764,619
Total contingent and memorandum accounts	**35,011,279**

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 in 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 at the 30th June 2014 and as at the 31st December 2013.

a) Financial derivatives

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

b) Loan 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.

c) Trusts and confidential commissions

As at the 30th of June 2014 and 31st of December 2013 the Corporation managed 4 funds, 179 equity trusts and 2 programmes, for which it received commissions of between 0.25% and 2%, paid monthly, quarterly or every six months. The Corporation has no liability for the funds, equity or programmes. This account includes the account balances of trusts and confidential commissions administered by the Corporation.

As at the 30th of June 2014 the Corporation has guaranteed loans to the Agroindustrial Cayaltí S.A. Trust by Banco Financiero, Interbank, BBVA Banco Continental, Banco de Comercio and CMAC Huancayo amounting to (in thousands) S/.97,142 (in thousands, S/.97,847 as at the 31st December 2013).

15. EXPENDITURE ON PERSONNEL AND DIRECTORS

This item consists of:

	30 06 2014	30 06 2013
	S/.	S/.
Salaries	8,153	7,869
Profit sharing	4,662	2,120
Bonuses	2,131	2,586
Extra payments	1,681	1,618
Social charges and others	1,365	1,312
Severance pay	967	884
Directors' emoluments	72	180
Holidays	100	182
Assignations	43	43
Other personnel costs	3,406	2,966
Total	**22,580**	**19,760**

16. COST OF SERVICES RECEIVED FROM THIRD PARTIES

This item consists of:

	S/.	S/.
Other services	2,704	2,107
Consulting services	2,508	1,511
Professional fees	1,257	1,166
Repairs and maintenance	711	479
Electronic processing	557	812
Communications	436	409
Security & protection	442	489
Advertising	436	612
Supplies - various	273	256
Electricity & water	193	168
Rentals	172	161
Transport	144	101
Electronic transfers	54	57
Subscriptions & quotations	87	56
Notary & registry office fees	39	49
Travel expenses	72	46
Insurance	86	94
Court costs	11	11
Entertainment expenses	12	8
Total	**10,194**	**8,592**

17. BASIC EARNINGS AND DILUTED EARNINGS PER SHARE

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

	30 06 2014	30 06 2013
	S/. 000	S/. 000
Profit (numerator)	33,372	31,699
Shares (denominator)	1,528,948	1,509,369
Basic & diluted profit per share	**0.022**	**0.021**

18. INCOME TAX

a) Income tax regime

Tax rates

Income tax payable by corporations domiciled in Peru is 30%.

Companies domiciled in Peru are subject to an additional rate of 4.1%, payable on all sums considered to be indirect payments of earnings, including amounts charged to expenditure and undeclared income; this means expenditure that may have benefited shareholders, among others; private expenditure not connected with the business; expenditure by shareholders, among others, that are paid by the corporation.

b) Significant modifications to income tax

By means of Law 29884, the Peruvian Congress delegated to the Executive the power to modify the existing tax regime through legislative decrees, in order to improve the Peruvian tax system.

Legislative Decrees 1112, 1116, 1120 and 1124 were issued under these powers, modifying Peru's income tax regime, most of which come into force in fiscal year 2013. A summary of the most important modifications is given below:
- Accountable costs. Accountable costs should be supported by validly issued payment receipts.
- Disposal of shares or transferable securities. The market value is determined by the highest of transaction value, stock market price if applicable, equity value or any other valuation set forth in the Executive Regulations. Furthermore it establishes that third category capital losses will not be deductible when shares or transferable securities of the same type as those sold are purchased, or purchase options acquired, within a period of 30 days before or after disposal.
- Transfer Pricing. All transactions with non-arms-length parties in Peru or abroad, as well as transactions with residents in tax havens are subject to transfer pricing analysis. Price adjustments only take place when lower taxes are found in Peru, thus eliminating the possibility of making a negative adjustment in the event of excess tax that is disadvantageous to the taxpayer.

All transactions generating income or imputed income carried out between non-arms-length parties, or with parties in tax havens shall be subject to transfer pricing rules. When non-domiciled parties are involved, adjustments shall only take place to transactions that generate taxable income from a Peruvian source and/or deductions for calculating tax payable in Peru. As far as Advance Pricing Agreements are concerned, SUNAT may enter into such agreements with the tax authorities of countries with which agreements have been entered into to prevent double taxation.

Transfer pricing rules no longer apply to VAT calculations.

- Depreciation. Percentage depreciation should be applied to the results of adding costs incurred to acquisition, production and construction values. This means the costs incurred with respect to an asset that has generated taxable income that, in accordance with accounting rules, should be recognised as costs.
  The value deductible or the maximum deductible shall be the value referred to in the previous paragraph, except when in the previous fiscal year the deductible value is higher than the residual value of the asset after depreciation, in which case the latter shall be deducted.
- Donations. When deducting the cost of donations, SUNAT shall decide on the classification of the recipient and not the Ministry of Finance - MEF. This change took effect on the 30th of June 2012.
- Non-deductible costs. Costs consisting of the difference between the nominal value of a loan between non-arms-length parties and its transfer value to third parties that assume the credit risk of the debtor are not deductible.

If such loan transfers generate accounts receivable in favour of the transferrer, the provisions and/or write-downs arising from such accounts being uncollectable do not constitute deductible expenses.

- Exchange rate differences. From fiscal year 2013 the rules on capitalisation of exchange rate differences arising from liabilities in foreign currency relating to inventories and fixed assets are eliminated. Nevertheless, exchange rate differences generated up to December 2012 activated as a function of existing legislation, shall continue to be treated as before.
- Costs of training personnel. The cost of training personnel is no longer deductible.
- Costs of vehicles. Light trucks in categories B1.3 and B1.4 are included in the limit for the deduction of vehicle costs. Pick-up trucks are excluded.
- Technical aid. With respect to the application of the 15% rate, the need to obtain a sworn statement from the company providing the service has been eliminated. The requirement to obtain a report from an auditing company certifying that the technical aid has been provided applies only to service costing more than 140 STU at the time the contract was signed. This regulation will took effect on the 1st of August 2012.
- Monthly payments on account. The applicable percentage has been reduced from 2% to 1.5% and the system of calculating payments on account has been modified. The modification implies payment monthly in advance of the sum calculated using the coefficient system or the amount calculated using the 1.5% figure, whichever is the greater. The legislation now incorporates the possibility of modifying the percentage after the May monthly payment based on the profit and loss account as at the 30th of April, using the coefficient resulting from this financial statement. Specific rules have been issued for the advance payments for

August to December 2012, given that the modification takes effect for the August payment.

c) **Income tax expenses include:**

	30 06 2014	30 06 2013
	S/. 000	S/. 000
Current income tax	26,574	12,082
Deferred tax (paragraph (g))	(1,915)	(1,939)
Total	24,659	10,143

Estimated current income tax consists of the tax payable calculated using the rate of 30% of estimated taxable income after deduction of employee profit sharing (Leg. Decree 892) at 5%.

d) Conciliation of the effective tax rate with the combined tax rate:

During the periods ending on the 30th of June 2014 and the 30th of June 2013, 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 06 2014		30 06 2013	
	S/. 000	%	S/. 000	%
Income tax calculated using the current tax rate	**17,409**	**30.00**	**12,553**	**30.00**
Tax effect on additions (deductions):				
Non-deductible expenses	9,579	16.51	2,355	5.63
Exempt income	(22)	(0.04)	(73)	(0.18)
Other permanent differences	(2,307)	(3.98)	(4,692)	(11.21)
Current & deferred income tax recorded at effective rate	**24,659**	**42.49**	**10,143**	**17.46**

e) Tax reimbursable:

Income tax debit and credit balances are as follows:

	30 06 2014	31 12 2013
	S/. 000	S/. 000
To be recovered:		
Income tax payments on account	37,731	51,992
Total	**37,731**	**51,992**
Payable:		
Income tax payable	26,574	35,819
Total	**26,574**	**35,819**
Tax to be recovered	**11,157**	**16,173**

f) Tax position of the Company

Income tax returns for fiscal years 2010 to 2013 inclusive, 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.

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. 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.

During the second fortnight of July 2013 the tax authority carried out an audit of fiscal year 2008, which revealed an omission of income tax and corresponding fine. The Corporation did not lodge an appeal, but modified its income tax return for 2008 and made a payment to the tax authority amounting to a total (in thousands) of S/.25.

g) Deferred income tax - balances

Deferred assets tax and liabilities are made up as follows:

	Balance at 01 01 2013	Changes in results		Balance at 31 12 2013	Changes in results		Balance at 30 06 2014
		Accumulated	Fiscal year		Accumulated	Fiscal year	
	S/.		S/.	S/.	S/.	S/.	S/.
Temporary differences - assets:							
Generic provision for loans and contingencies	594,645	-	14,468	609,113	-	6,002	615,115
Other generic provisions	2,806	-	439	3,245	-	8,654	11,899
Provision for changes in value	5,323	-	(1,339)	3,984	-	(3,984)	-
Generic provision - accounts receivable	3,189	-	(354)	2,835	-	603	3,438
Provision - Adjudicated assets	2,246	-	1,514	3,760	-	(1,514)	2,246
	608,209	**-**	**14,728**	**622,937**	**-**	**9,761**	**632,698**
Temporary differences - liabilities:							
Depreciation of buildings	(771)	-	257	(514)	-	128	(386)
Changes iin valoe of CAF shares	(1,444,318)	-	-	(1,444,318)	-	-	(1,444,318)
Unrealised gain (Loss) from investments in securities	(137,083)	118,119	-	(18,964)	(29,621)	-	(48,585)
Unrealised Gain (Loss) from derivatives	45,972	(78,836)	-	(32,864)	12,818	-	(20,046)
Adjustments: DJ. 2003 - provisions, penalties and others	21,410		(1,032)	20,378	-	(3,505)	16,873
	(1,514,790)	**39,283**	**(775)**	**(1,476,282)**	**(16,803)**	**(3,377)**	**(1,496,462)**
Temporary differences in liabilities, net	**(906,581)**	**39,283**	**13,953**	**(853,345)**	**(16,803)**	**6,384**	**(863,764)**
Deferred income tax (30%)	**(271,974)**	**11,785**	**4,186**	**(256,004)**	**(5,040)**	**1,915**	**(259,129)**

19. TRANSACTIONS WITH NON-ARM'S LENGTH PARTIES

As at the 30th of June 2014 and 31st of December 2013, 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 on the 30th June 2014 and 30th June 2013 include interest payments on borrowings and obligations to international bodies valued (in thousands) S/.2,030 and S/.1,760, respectively.

Directors' emoluments

The amount paid in the third quarter of 2014 and in 2013 for directors' emoluments was (in thousands) S/.72 and S/.180, respectively.

Managers' salaries

Salaries, other benefits and professional fees paid as at the 30th of June 2014 to employees of the Corporation with executive responsibility (managers) amounted to (in thousands) S/.2,412 (S/.2,575 as at June 2013).

Loans to personnel

As at the 30th of June 2014 and the 31st of December 2013, 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 financial institutions in Peru. As at the 30th of June 2014 and the 31st December 2013, direct loans to employees, directors, officials and key personnel amounted to (in thousands) S/.7,958 and S/.7,088, respectively.

20. Classification of Financial Instruments

The values of financial assets and liabilities shown in the statement of financial position and categorised according to IAS Nº 39 "Financial instruments" are as follows:

	As at the 30th June 2014					As at the 31st December 2013			
	Financial assets					Fincnaial assets			
	Loans & items receivable	Available for sale at fair value	Derivatives for hedging	Total		Loans & items receivable	Available for sale at fair value	Derivatives for hedging	Total
	S/. (000)	S/. (000)	S/. (000)	S/. (000)		S/. (000)	S/. (000)	S/. (000)	S/. (000)
Asset					**Asset**				
Available	191,310	-	-	191,310	Available	244,734	-	-	244,734
Investments available for sale	-	-	-	-	Investments available for sale	-	-	-	-
- Capital instruments	-	2,376,648	-	2,376,648	- Capital instruments	-	2,375,589	-	2,375,589
- Debt instruments	-	908,555	-	908,555	- Debt instruments	-	722,552	-	722,552
Loan portfolio	4,527,435	-	-	4,527,435	Loan portfolio	4,646,011	-	-	4,646,011
Hedging derivatives		-	8,466	8,466	Hedging derivatives		-	3,897	3,897
Accounts receivable	4,347	-	-	4,347	Accounts receivable	13,945	-	-	13,945
Other assets	911	-	-	911	Other assets	839	-	-	839
Total	4,724,003	3,285,203	8,466	8,017,672	**Total**	4,905,529	3,098,141	3,897	8,007,567

	As at 30th June 2014				As at 31st December 2013			
	Financial liabilities				Financial liabilities			
	At amortised cost	Other liabilities	Derivatives for hadging	Total	At amortised cost	Other liabilities	Derivatives for hedging	Total
	S/. (000)	S/. (000)	S/. (000)	S/. (000)	S/. (000)	S/. (000)	S/. (000)	S/. (000)
Liability								
Obligations to the public	-	93,063	-	93,063	-	72,226	-	72,226
Deposits from finance companies & international financial organisations	-	176,697	-	176,697	-	188,634	-	188,634
Borrowings & financial obligations	3,136,380	-	-	3,136,380	3,107,689	-	-	3,107,689
Bonds, securities & obligations in circulation	2,032,954	-	-	2,032,954	2,087,989	-	-	2,087,989
Hedging derivatives	-	-	72,888	72,888	-	-	74,813	74,813
Accounts payable	-	7,179	-	7,179	-	7,117	-	7,117
Other liabilities	-	54,973	-	54,973	-	49,927	-	49,927
Total	5,169,334	331,912	72,888	5,574,134	5,195,678	317,904	74,813	5,588,395

Reclassification of financial assets and liabilities -

As at the 30th of June 2014 and 31st of December 2013, the following financial instruments were reclassified as part of the process of harmonisation with International Financial Reporting Standards – IFRS, required by SBS Ruling N° 7036-2012:

- As at the 31st December 2013, the Corporation included a tranche of shares belonging to the Corporación Andina de Fomento-CAF (“B preference" shares) as part of its additional capital in the equity statement, given that they were then being processed by the public records office despite being fully subscribed and paid up. Therefore, in accordance with IAS 32 "Financial instruments – Presentation", the Corporation recorded these shares as financial liabilities.

  As a result of this, the Corporation recorded an accounting reclassification on the 31st December 2013 of the “B preference shares – additional capital” amounting to (in thousands) S/. 23,095,000 under “Financial Borrowings and Obligations”, classifying them as a financial liability at their fair value.

- As at the 31st of December 2013, the Corporation submitted a RCDRC provision, deducting the balance of provisions available for sale, as if they were provisions for impairment of the investment portfolio. Taking into consideration that this provision for RCDRC derives from internal evaluations carried out by the Corporation of exposure to Exchange Rate Risk Derived Credit Risk applicable to the investor; the Corporation complies with the provisions of the SBS by recording these provisions as “Other Provisions”, under liabilities in the statement of financial position.

  As a consequence of the above, in the first quarter of 2014 the Corporation recorded a reclassification of “Provision for Impairment of Investments” (assets) as “Other Provisions” (liabilities) valued at in thousands) S/. 3,984. This reclassification is also included in the statement of financial position for fiscal year 2013 for comparative purposes.

21. Financial risk Management

Financial risk management includes the administration of the principal risks faced by the Corporation in the course of its business, such as credit risk, liquidity risk and market risk.

21.1 Credit risk -

Credit risk is defined as the likelihood of incurring a financial loss through non-compliance with the contractual obligations of a counterparty or third party for reasons of insolvency, incapacity or unwillingness to pay or for any another reason leading to non-compliance with contractual obligations.

The controls used by the Corporation to mitigate credit risk are described below:

a) The Corporation has opted for a risk policy that ensures sustained and profitable growth. It therefore incorporates analysis procedures to ensure good decision taking, as well as tools and methodologies to identify, measure, mitigate and control the different risks in a more efficient manner and according to directives established by the SBS. It has also developed management models that enable adequate measuring, quantification and monitoring of loans, as well as encouraging continual improvement of policies, tools, methodologies and processes.

b) Maximum exposure to credit risk-

As at the 30st of June 2014 and 31st of December 2013, the management estimates that the maximum credit risk to which the Corporation is exposed is represented by the book value of financial assets that imply a potential credit risk and consist principally of: available, investments available for sale, placements (direct and indirect, regardless of the market value of guarantees or collateral), financial derivative transactions, accounts receivable and other monetary assets.

Exposure broken down by borrower, including banks, investments and other debtors, is established by assigning limits to cover operating risks on the statement of financial position and off it (contingent accounts), specific evaluations of transactions and risk limits for elements subject to negotiation, such as foreign currency and interest rate swaps and forward positions in foreign currency. Real exposure and comparisons with the established limits are reviewed monthly.

Thus as at the 30th of June 2014 and 31st December 2013:

- 98.8 percent and 98.4 percent, respectively of loans are considered as neither due nor impaired.
- 90.6 percent and 95.1 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 the Corporation's maximum exposure to credit risk broken down by type of financial asset:

	Notas	30 06 2014	31 12 2013
		S/. (000)	S/. (000)
Asset (*)			
Available	5	191,310	244,734
Investments available for sale	6	3,285,203	3,098,141
Loan portfolio	7	4,527,435	4,646,011
Hedging derivatives	9	8,466	3,897
Accounts receivable	9	4,347	13,945
Other assets	9	911	839
Total		**8,017,672**	**8,007,567**
ontingencies (**)	7 y 14	**528,261**	**513,826**
(*) Net of provisions			
(**) Includes contingencies 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, resulting in significant 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.

(d) Credit risk management for placements-

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 overindebtedness (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 unperforming 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 investment credit risk-

The Corporation 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 the SBS 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 06 2014	31 12 2013
	S/.	S/.
Instruments issued in Peru		
AAA	49,625	52,595
AA- a AA+	86,711	101,975
4 (pe)	1,447	1,165
Unclassified	59,826	59,962
Total Peruvian	**197,609**	**215,697**
Instruments issued abroad		
AAA	225,728	215,664
AA- a AA+	2,339,156	2,339,156
BBB- a BBB+	198,176	162,347
BB- a BB+	299,193	145,838
Total foreign	**3,062,253**	**2,863,005**
Interest accrued	**25,341**	**19,439**
TOTAL	**3,285,203**	**3,098,141**

(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:

- Warnings of a concentration of assets with a single risk
- Warnings of diversification by economic sector
- Warnings of diversification of investments and available cash by market
- Warnings of a concentration of liabilities with a single risk

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 IFI sub-systems with higher relative risk.
- Limits on exposure to IFI 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 the Corporation'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.

	30 06 2014				
Exposure to liquidity risk		**More than 1 month**	**More than 3**		
	Up to 1 month	**Up to 3 months**	**up to 12**	**More than 1 year**	**Total**
	S/. 0.000	**S/. 0.000**	**S/. 0.000**	**S/. 0.000**	**S/. 0.000**
Financial situation risk					
Liabilities					
Obligations to the public	45,497	3,959	43,607	-	93,063
Deposits by finance companies and international financial entities	53,093	66,481	54,116	3,007	176,697
Borrowings & financial obligations	169,313	399,946	637,763	3,962,312	5,169,334
Hedging derivatives	868	1,736	7,809	62,475	72,888
Accounts payable	2,070	4,665	444	-	7,179
Other liabilities	-	-	-	-	-
Total	**270,841**	**476,787**	**743,739**	**4,027,794**	**5,519,161**
Financial situation risk					
Contingent liabilities	-	20,825	20,825	620,624	662,274
Total	**270,841**	**497,612**	**764,564**	**4,648,418**	**6,181,435**

Exposure to liquidity risk	31 12 2013				
	Hasta 1 mes	More than 1 month up to 3 months	More than 3 up to 12	More than 1 year	Total
	S/. 0.000	S/. 0.000	S/. 0.000	S/. 0.000	S/. 0.000
Financial situation risk					
Liabilities					
Obligations to the public	48,849	-	23,377	-	72,226
Deposits by finance companies and international financial entities	16,600	26,498	145,536	-	188,634
Borrowings & financial obligations	191,688	530,596	535,395	3,937,999	5,195,678
Hedging derivatives	891	1,781	8,016	64,125	74,813
Accounts payable	176	6,290	-	-	6,466
Other liabilities	479	-	663	-	1,142
Total	**258,683**	**565,165**	**712,987**	**4,002,124**	**5,538,959**
Financial situation risk					
Contingent liabilities	-	38,075	20,819	591,767	650,661
Total	**258,683**	**603,240**	**733,806**	**4,593,891**	**6,189,620**

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) Business portfolio

As far as market risk is concerned, the Corporation is exposed to interest rate, exchange rate and price risk, which affects the value of its assets and positions, consisting of sovereign, global and structured bonds in foreign currency (dollars and euros) restricted as at the 30th of June 2014 and 31st of December 2013 because they are part of the investments assigned in a repurchase agreement.

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-traded 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 internal interest rate risk indicators under normal conditions as at 30 06 2014 and 31 12 2013, is as follows:

	30 06 2014	31 12 2013
GER=	S/. 30,956,102.47 (1.6070% p.e)	S/. 19,003,787.15 (1.0096% p.e)
VPR=	S/. 31,088,922.94 (1.6139% p.e)	S/. 31,198,903.98 (1.6575% 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 sensitivity of the interest rate indicators for 30 06 2014 and 31 12 2013, given a 200 pbs shock is shown below:

	30 06 2014	31 12 2013
GER=	S/. 28,430,412.12 (1.4759% p.e)	S/. 31,861,066.53 (1.6927% p.e)
VPR=	S/. 27,621,269.12 (1.4339% p.e)	S/. 26,085,043.16 (1.3858% p.e)

It should be pointed out that this information derives from the Corporations internal interest rate model updated in December 2013.

Repricing gap

Repricing gap analysis is carried out to determine the impact of changes in interest rates. The analysis consists of assigning operating balances in different time gaps, the interest rates of which will change. This analysis is used to calculate the impact on each gap of variations in the interest rate.

The following table summarises the Corporation's exposure to interest rate risk. The Corporation's financial instruments are shown at book value broken down by interest rate repricing gap on the agreed date or at maturity.

	30/06/2014						
	Hasta 1mes	De 1 a 3 meses	De 3 a 12 meses	De 1 a 5 años	Más 5 años	No devengan intereses	Total
	S/. (000)	S/. (000)	S/. (000)	S/. (000)	S/. (000)	S/. (000)	S/. (000)
Activos							
Disponible	191,310	0	0	0	0	0	191,310
Fondos Interbancarios	0	0	0	0	0	0	0
Inversiones	26,922	1,517	19,424	146,961	679,733	2,410,646	3,285,203
Cartera de créditos	46,696	497,724	1,124,180	1,500,594	1,956,585	(598,344)	4,527,435
Ctas por cobrar deriv negociación	0	0	0	0	0	0	0
Ctas por cobrar deriv cobertura	103	206	925	4,932	2,464	(164)	8,466
Otras cuentas por cobrar	0	0	0	0	0	4,347	4,347
Otros activos	0	0	0	0	0	34,664	34,664
Total activos	265,031	499,447	1,144,529	1,652,487	2,638,782	1,851,149	8,051,425
Obligaciones con el público	0	0	0	0	0	93,063	93,063
Depósitos y obligaciones	53,093	66,481	54,116	3,007	0	0	176,697
Adeudos y obligaciones financieras	151,338	373,631	602,112	1,567,417	441,882	0	3,136,380
Fondos interbancarios	0	0	0	0	0	0	0
Valores títulos y obligaciones en circulación	17,975	26,315	35,651	113,009	1,840,004	0	2,032,954
Ctas por pagar deriv negociación	0	0	0	0	0	0	0
Ctas por pagar deriv cobertura	868	1,736	7,809	41,650	20,825	0	72,888
Otras cuentas por pagar	0	0	0	0	0	7,179	7,179
Otros pasivos	0	0	0	0	0	325,916	325,916
Patrimonio	0	0	0	0	0	2,206,348	2,206,348
Total pasivos y patrimonio	223,274	468,163	699,688	1,725,083	2,302,711	2,632,506	8,051,425
Fuera de balance:							
Instrumentos derivados activos	7,950	15,900	71,550	381,600	190,761	0	667,761
Instrumentos derivados pasivos	8,886	17,772	79,974	426,528	213,234	0	746,394
Brecha marginal	40,821	29,412	436,417	(117,524)	313,598	(781,357)	
Brecha acumulada	40,821	70,233	506,650	389,126	702,724		

(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 at the 30th of June 2014 the weighted average free market exchange rate published by the SBS for transactions in United States dollars was S/. 2.795 (buying) and S/. 2.796 (selling) per US dollar (S/. 2.794 and S/. 2.796 as at the 31st December 2013, respectively). As at the 30th of June 2014, 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/. 2.796 per US$1 (S/. 2.795 as at the 31st December 2013).

Details of the Corporation's position broken down by currency as at the 30th of June 2014 and the 31st December 2013 are shown below:

	As at the 30th June 2014				As at the 31st December 2013				
	Assets	Liabilities	Reference amount	Maturity	Assets	Liabilities	Reference amount	Maturity	Instruments hedged
	S/. (000)	S/. (000)	S/. (000)		S/. (000)	S/. (000)	S/. (000)		
Derivados designados de cobertura - De flujo de efectivo:									
Currency swaps - USD / JPY	586	-	5,419	15/02/2019	434	-	5,743	15/02/2019	Borrowing JBIC
Currency swaps - USD / JPY	1,526	-	12,770	15/02/2019	1,179	-	13,532	15/02/2019	Borrowing JBIC
Currency swaps - USD / JPY	1,099	-	12,401	15/02/2019	707	-	13,142	15/02/2019	Borrowing JBIC
Currency swaps - USD / JPY	1,580	-	13,326	15/02/2019	1,212	-	14,121	15/02/2019	Borrowing JBIC
Currency swaps - USD / JPY	677	-	12,731	15/02/2019	233	-	13,491	15/02/2019	Borrowing JBIC
Currency swaps - USD / JPY	187	-	9,837	15/02/2019	-	248	10,425	15/02/2019	Borrowing JBIC
Currency swaps - USD / JPY	659	-	15,971	15/02/2019	-	18	16,924	15/02/2019	Borrowing JBIC
Currency swaps - USD / JPY	-	4,477	34,949	05/12/2025	-	4,626	36,457	05/12/2025	Borrowing BID US$ 25 MM
Currency swaps - USD / JPY	552	-	32,197	15/02/2019	-	861	34,119	15/02/2019	Borrowing JBIC
Currency swaps - USD / JPY	396	-	33,505	15/02/2019	-	1,112	35,506	15/02/2019	Borrowing JBIC
Currency swaps - USD / JPY	79	-	6,567	15/02/2019	-	218	6,959	15/02/2019	Borrowing JBIC
Currency swaps - USD / JPY	173	-	13,489	15/02/2019	-	421	14,295	15/02/2019	Borrowing JBIC
Currency swaps - USD / JPY	105	-	8,110	15/02/2019	-	256	8,595	15/02/2019	Borrowing JBIC
Currency swaps - PEN / USD	-	-	-	15/02/2014	-	510	2,795	15/02/2014	Borrowing BID US$ 200 MM
Currency swaps - PEN / USD	-	4,755	41,118	15/02/2019	-	5,372	45,213	15/02/2019	Borrowing BID US$ 200 MM
Currency swaps PEN / USD	-	4,407	41,118	15/02/2019	-	4,971	45,213	15/02/2019	Borrowing BID US$ 200 MM
Currency swaps USD / JPY	-	56,022	248,445	08/09/2031	-	53,109	239,346	08/09/2031	Borrowing AFLAC
Currency swaps USD / JPY	960	-	71,773	20/10/2027	-	235	69,144	20/10/2027	Borrowing JICA
Currency swaps USD / JPY	51	-	4,030	20/10/2027	-	10	3,883	20/10/2027	Borrowing JICA
Currency swaps USD / JPY	-	722	50,005	20/10/2027	-	-	-		Borrowing JICA
Currency forward - PEN / USD	-	-	-	12/03/2014	132	-	14,017	12/03/2014	Borrowing Citibank
	8,630	**70,383**	**667,761**		**3,897**	**71,967**	**642,920**		
Interest rate swaps - fixed rate / Libor 6M - USD	-	-	-	15/02/2014	-	36	4,193	15/02/2014	Borrowing BID US$ 200 MM
Interest rate swaps - fixed rate / Libor 6M - USD	-	2,505	41,940	15/02/2019	-	2,810	41,925	15/02/2019	Borrowing BID US$ 200 MM
	-	**2,505**	**41,940**		**-**	**2,846**	**46,118**		

As at the 30th of June 2014 the Corporation recorded exchange rate losses (in thousands) of S/. 19,307 (a gain of S/. 34,076 as at 30 06 2013), which is shown net under the heading “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 nuevo 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 is 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.

(in thousands of nuevos soles)

Sensitivity analysis	Exchange rate shocks %*	30.06.2014	31.12.2013
Devaluation			
United States dollar	0.2590%	77,441	17,016
Revaluation			
United States dollar	0.2590%	-77,441	-17,016

*E is the volatility of daily variations in the sol / dollar exchange rates (SBS value) over the last 252 days as at 30.06.2014. COFIDE was oversold in US$ as at 30 06 2014.

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:
   1. Prices of instrument quoted in active markets.
   2. Prices quoted in active markets for identical.
   3. Valuation techniques 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:

Fair value & book value	30 06 2014 Book value S/. (000)	30 06 2014 Fair value S/. (000)	31 12 2013 Book value S/. (000)	31 12 2013 Fair value S/. (000)
ASSETS				
Available	191,310	191,310	244,734	244,734
Investments available for sale				
Capital instruments	2,376,648	2,376,648	2,375,589	2,375,589
Debt instruments	908,555	908,555	722,552	722,552
Loan portfolio	4,527,435	4,527,435	4,646,011	4,646,011
Hedging derivatives	8,466	8,466	3,897	3,897
Accounts receivable	4,347	4,347	13,945	13,945
Other assets	911	911	839	839
Total	**8,017,672**	**8,017,672**	**8,007,567**	**8,007,567**
LIABILITIES				
Obligations to the public	93,063	93,063	72,226	72,226
Deposits by finance companies	176,697	176,697	188,634	188,634
Borrowings & financial obligations	3,136,380	3,218,276	3,107,689	3,196,262
Bonds, securities & obligations in circulation	2,032,954	2,032,351	2,087,989	2,087,752
Hedging derivatives	72,888	72,888	74,813	74,813
Accounts payable	7,179	7,179	7,117	7,117
Other liabilities	54,973	54,973	49,927	49,927
Total	**5,574,134**	**5,655,427**	**5,588,395**	**5,676,731**

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 cash flow hedges to cover these risks.

The following table shows the fair value of financial derivatives as at the 30th of June 2014 and 31st December 2013, 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 at the 30th of June 2014 and 30th of June 2013, the accumulated unrealised

	As at the 30th June 2014				As at the 31st December 2013				
	Assets	Liabilities	Refernce amount	Maturity	Assets	Liabilities	Reference amount	Maturity	Instruments hedged
	S/. (000)	S/. (000)	S/. (000)		S/. (000)	S/. (000)	S/. (000)		
Hedging derivatives									
Cash flow -									
Currency swaps - USD / JPY	586	-	5,419	15/02/2019	434	-	5,743	15/02/2019	Borrowings JBIC
Currency swaps - USD / JPY	1,526	-	12,770	15/02/2019	1,179	-	13,532	15/02/2019	Borrowings JBIC
Currency swaps - USD / JPY	1,099	-	12,401	15/02/2019	707	-	13,142	15/02/2019	Borrowings JBIC
Currency swaps - USD / JPY	1,580	-	13,326	15/02/2019	1,212	-	14,121	15/02/2019	Borrowings JBIC
Currency swaps - USD / JPY	677	-	12,731	15/02/2019	233	-	13,491	15/02/2019	Borrowings JBIC
Currency swaps - USD / JPY	187	-	9,837	15/02/2019	-	248	10,425	15/02/2019	Borrowings JBIC
Currency swaps - USD / JPY	659	-	15,971	15/02/2019	-	18	16,924	15/02/2019	Borrowings JBIC
Currency swaps - PEN / USD	-	4,477	34,949	05/12/2025	-	4,626	36,457	05/12/2025	Borrowings BID US$ 25 MM
Curency swaps - USD / JPY	552	-	32,197	15/02/2019	-	861	34,119	15/02/2019	Borrowings JBIC
Currency swaps - USD / JPY	396	-	33,505	15/02/2019	-	1,112	35,506	15/02/2019	Borrowings JBIC
Currency swaps - USD / JPY	79	-	6,567	15/02/2019	-	218	6,959	15/02/2019	Borrowings JBIC
Currency swaps - USD / JPY	173	-	13,489	15/02/2019	-	421	14,295	15/02/2019	Borrowings JBIC
Currency swaps - USD / JPY	105	-	8,110	15/02/2019	-	256	8,595	15/02/2019	Borrowings JBIC
Currency swaps - PEN / USD	-	-	-	15/02/2014	-	510	2,795	15/02/2014	Borrowings BID US$ 200 MM
Currency swaps - PEN / USD	-	4,755	41,118	15/02/2019	-	5,372	45,213	15/02/2019	Borrowings BID US$ 200 MM
Currency swaps - PEN / USD	-	4,407	41,118	15/02/2019	-	4,971	45,213	15/02/2019	Borrowings BID US$ 200 MM
Currency swaps - USD / JPY	-	56,022	248,445	08/09/2031	-	53,109	239,346	08/09/2031	Borrowings AFLAC
Currency swaps - USD / JPY	960	-	71,773	20/10/2027	-	235	69,144	20/10/2027	Borrowings JICA
Currency swaps - USD / JPY	51	-	4,030	20/10/2027	-	10	3,883	20/10/2027	Borrowings JICA
Currency swaps - USD / JPY	-	722	50,005	20/10/2027	-	-	-		Borrowings JICA
Currency forward - PEN / USD	-	-	-	12/03/2014	132	-	14,017	12/03/2014	Borrowings Citibank
	8,630	**70,383**	**667,761**		**3,897**	**71,967**	**642,920**		
Interest rate swaps - fixed rate / Libor 6M - USD	-	-	-	15/02/2014	-	36	4,193	15/02/2014	Borrowings BID US$ 200 MM
Interest rate swaps - fixed rate / Libor 6M - USD	-	2,505	41,940	15/02/2019	-	2,810	41,925	15/02/2019	Borrowings BID US$ 200 MM
	-	**2,505**	**41,940**		**-**	**2,846**	**46,118**		

net loss from cash flow hedges, shown as other integral earnings in the results of current hedging (unrealised earnings of (in thousands) S/. -8,973 and S/. 40,920, respectively) which is being realised in the term of the underlying financial instrument. Furthermore, the unrealised loss from cash flow hedges has not been transferred to the earnings statement.

As at the 30th of June 2014, the Corporation had nineteen currency swaps (twenty as at 2014 12 2013), which according to SBS regulations quality as cash flow hedges from borrowings. In economic terms, this operation covers the Corporation's debts.

In addition, as at the 30th of June 2014, the Corporation had one (two as at 31 12 2013) interest rate swap aimed at covering the variable rate component of certain borrowings; it matures in 2019.

The Corporation has a method for measuring the degree of ineffectiveness of its financial derivative hedges that are used for that purpose. During the first half year of 2014 and the whole of fiscal year 2013, the Corporation showed no reduction in the ineffectiveness of these hedges in its earnings statement.

22. MANAGEMENT OF OTHER RISKS

(a) Operating 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 Corporation 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) to maintain 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 at the 30th of June 2014 and 31st December 2013, 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 at the 30th of June 2014 and 31st December 2013, the regulatory capital of the Corporation, calculated in accordance with current legislation was (in thousands) S/.1,926,286 and S/.1,882,271 respectively; This figure is used to calculate certain limits and restrictions applicable to banks in Peru, which the management of the Corporation believes it has met in full.

As at the 30th of June 2014, assets and contingent loans weighted by credit risk amounted to (in thousands) S/.5,068,704 (S/.4,888,989 as at the 31st December 2013) and the equity requirement for credit risk, market risk and operating risk determined by the Corporation according to current legislation totalled (in thousands) S/.533,994 (S/.518,996 as at the 31st December 2013); these figures generate a global capital ratio of 36.07% (36.27% as at the 31st December 2013).

23. SUBSEQUENT EVENTS

On the 8th of July 2014, COFIDE placed US$ 600 MM in bonds in two tranches (maturing in 5 and 15 years) in international capital markets: US$ 300 MM of senior bonds at 5 years, maturing in 2019 with a coupon of 3,250% annually and a yield of 3,297%. The senior bonds were investment-rated at BBB+ by Standard & Poor’s and Fitch Ratings; and, US$ 300 MM 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 and Fitch Ratings.

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