FORM FOR PRESENTATION TO THE SBS.

COFIDE

FORM "A"

STATEMENT OF FINANCIAL POSITION

As at 30th September 2014

(in thousands of nuevos soles)

ASSET	Peruvian currency	Equivalent in F. C.	TOTAL
AVAILABLE	**106,659**	**921,807**	**1,028,466**
Banco Central de Reserva del Peru	52,354	52,850	105,204
Banks and other financial institutions in Peru	54,242	421,043	475,285
Bank and other financial institutions abroad	0	447,914	447,914
Others available	63	0	63
INVESTMENTS AVAILABLE FOR SALE	**2,756,430**	**757,697**	**3,514,127**
Capital instruments	2,339,156	257,672	2,596,828
Debt instruments	417,274	500,025	917,299
LOAN PORTFOLIO	**1,770,815**	**3,083,313**	**4,854,128**
Portfolio of current loans	2,161,822	3,247,175	5,408,997
Restructured loan portfolio	0	11,307	11,307
Refinanced loan portfolio	1,212	3,867	5,079
Portfolio of matured loans	4	271	275
Portfolio of loans subject to collection through the courts	0	1,180	1,180
- Provisions for loans	(392,223)	(180,487)	(572,710)
DERIVATIVES FOR HEDGING	**241**	**758**	**999**
ACCOUNTS RECEIVABLE	**1,542**	**20,144**	**21,686**
Accounts receivable from sale of goods and services and trusts	4	29	33
Other accounts receivable	1,538	20,115	21,653
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	**12,355**	**0**	**12,355**
INTANGIBLE ASSETS	**5,605**	**0**	**5,605**
Other intangible assets	5,605	0	5,605
CURRENT TAXES	**14,679**	**0**	**14,679**
OTHER ASSETS	**1,524**	**2,344**	**3,868**
TOTAL ASSETS	**4,669,928**	**4,786,063**	**9,455,991**

LIABILITY	Peruvian currency	Equivalent in F. C.	TOTAL
OBLIGATIONS TO THE PUBLIC	**103,069**	**1,548**	**104,617**
Other obligations	103,069	1,548	104,617
DEPOSITS FROM FINANCE COS. AND INTERNAT. FINAN. ENTITIES	**230,845**	**0**	**230,845**
Term deposits	230,845	0	230,845
CHARGES AND FINANCIAL OBLIGATIONS	**1,479,040**	**4,982,746**	**6,461,786**
Borrowings and obligations to Peruvian companies and financial institutions	886,342	0	886,342
Borrowings and obligations to foreign companies & internat. entities.	0	1,474,372	1,474,372
Other borrowings & obligations in Peru and abroad	66	309,788	309,854
Securities	592,632	3,198,586	3,791,218
DERIVATIVES FOR HEDGING	**97,511**	**2,726**	**100,237**
ACCOUNTS PAYABLE	**7,107**	**3,128**	**10,235**
PROVISIONS	**10,293**	**46,228**	**56,521**
Provisions for contingent loans	5,806	38,612	44,418
Provision for litigation and claims	1,730	10	1,740
Others	2,757	7,606	10,363
DEFERRED TAXES	**262,641**	**0**	**262,641**
OTHER LIABILITIES	**1,254**	**150**	**1,404**
TOTAL LIABILITIES	**2,191,760**	**5,036,526**	**7,228,286**
EQUITY			
Capital	1,532,779	0	1,532,779
Additional capital	84	0	84
Reserves	287,346	0	287,346
Adjustments to equity	317,001	16,762	333,763
Accumulated results	21,742	0	21,742
Net results of the fiscal year	51,991	0	51,991
TOTAL EQUITY	**2,210,943**	**16,762**	**2,227,705**
TOTAL LIABILITIES AND EQUITY	**4,402,703**	**5,053,288**	**9,455,991**
RISKS AND CONTINGENT COMMITMENTS	**91,974**	**490,391**	**582,365**

Director

Director

Jorge Luis Ramos Felices
General Manager

G. Percy Liñán Alcalde
Chief accountant
Reg. Nº 10283

FORM FOR PRESENTATION TO THE SBS.

COFIDE

FORM "B 1"

RESULTS

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

	Peruvian currency	Equivalent in F. C.	TOTAL
INTEREST INCOME	**161,917**	**167,970**	**329,887**
elements	1,515	1,803	3,318
Investments available for sale	23,659	26,114	49,773
Direct loan portfolio	136,743	140,053	276,796
INTEREST EXPENDITURE	**79,752**	**113,324**	**193,076**
OBLIGATIONS TO THE PUBLIC	**2,303**	**233**	**2,536**
Deposits by financial institutions and international financial entities.	**8,464**	**0**	**8,464**
Borrowings and financial obligations	**63,749**	**104,311**	**168,060**
Interest on borrowings and obligations to the Peruvian financial system	34,956	847	35,803
Borrowings and obligations with financial institutions and international financial entities.	0	29,306	29,306
Other borrowings & obligations in Peru and abroad	0	3,453	3,453
Commissions and other charges and financial obligations	147	6,767	6,914
SECURITIES, BONDS AND OBLIGATIONS IN CIRCULATION	28,646	63,938	92,584
Accounts payable	**34**	**0**	**34**
Interest on accounts payable	34	0	34
Results of hedging operations	**5,202**	**8,780**	**13,982**
GROSS FINANCIAL MARGIN	**82,165**	**54,646**	**136,811**
PROVISIONS FOR DIRECT LOANS	**(35,611)**	**1,774**	**(33,837)**
NET FINANCIAL MARGIN	**117,776**	**52,872**	**170,648**
INCOME FROM FINANCIAL SERVICES	**13,033**	**8,442**	**21,475**
Earnings on indirect loans	801	5,330	6,131
Income from trusts and confidential commissions	12,232	3,095	15,327
Income - various	0	17	17
EXPENSES FOR FINANCIAL SERVICES	**801**	**2,347**	**3,148**
Expenses on trusts and confidential commissions	9	0	9
Expenses various	792	2,347	3,139
NET FINANCIAL MARGIN ON EARNINGS AND COST OF FINANCIAL SERVICES	**130,008**	**58,967**	**188,975**
RESULTS OF FINANCIAL OPERATIONS (ROF)	**4,202**	**(16,833)**	**(12,631)**
Investments available for sale	4,193	(8,460)	(4,267)
Results of hedging operations	0	(21,515)	(21,515)
Profit (loss) on exchange rate differences	0	12,720	12,720
Others	9	422	431
OPERATING MARGIN	**134,210**	**42,134**	**176,344**
MANAGEMENT COSTS	**47,996**	**2,969**	**50,965**
Cost of personnel and board of directors	30,914	171	31,085
Cost of services received from third parties	13,335	2,784	16,119
Taxes and contributions	3,747	14	3,761
DEPRECIATION AND AMORTISATION	**2,110**	**0**	**2,110**
NET OPERATING MARGIN	**84,104**	**39,165**	**123,269**
VALUATION OF ASSETS AND PROVISIONS	**(6,469)**	**32,979**	**26,510**
Provisions for non-performing loans	(7,382)	5,518	(1,864)
Provisions for uncollectable accounts receivable	671	189	860
Provision for realisable assets, assets received in lieu of payment, recovered, adjudicated and c	(1,513)	0	(1,513)
Provision for litigation and claims	866	84	950
Other provisions	889	27,188	28,077
OPERATING RESULTS	**90,573**	**6,186**	**96,759**
OTHER INCOME AND EXPENSES	**(15,546)**	**2,287**	**(13,259)**
RESULTS OF THE FISCAL YEAR BEFORE INCOME TAX	**75,027**	**8,473**	**83,500**
INCOME TAX	**(31,509)**	**0**	**(31,509)**
NET RESULTS OF THE FISCAL YEAR	**43,518**	**8,473**	**51,991**

Director

Director

Jorge Luis Ramos Felices
General Manager

G. Percy Liñán Alcalde
Chief accountant
Reg. Nº Nº 10283

NOTES TO THE FINANCIAL STATEMENTS
AS AT 30TH SEPTEMBER 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 Finance, Insurance 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.

Its registered office is at Augusto Tamayo N° 160, San Isidro and its payroll (managers, officers and employees) as at the 30th of September 2014 and 31st of December 2013 was 192 and 199, respectively.

b) Approval of the Financial statements

The financial statements as at the 30th of September 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 year ending 31st of December 2013 were approved by the AGM held on the 31st of March 2014.

2. PREPARATION OF THE FINANCIAL STATEMENTS

(a) Application of changes to the Accounting Manual

The SBS issued ruling N° 7036-2012 on the 19th of September 2012, which 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, among others, 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.

The additional revelations in 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 Peru include: rules and interpretations issued or adopted by the IASB (International Accounting Standards Board), 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 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.
The accounting policies on the recognition and valuation of these items
are described in the respective accounting policies in this note.

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 negotiation or (b) financial derivatives for hedging purposes. Financial derivatives for negotiation are initially recorded at their fair 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 fair 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 reasonable value from then on will be reflected in the results of the fiscal year.

Derivatives classified as for negotiation are initially recorded at their reasonable value on the date of negotiation.

The fair values are obtained from market exchange rates and interest rates. Earnings and losses from changes in reasonable 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 requirement

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

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 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 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 30tth of September 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	Without guarantees	With preferred guarantees	With fast guarantees	With self-liquidating guarantees
	%	%	%	
- Normal				
Corporate loans	0.70	0.7	0.7	0.7
Loans to large companies	0.70	0.7	0.7	0.7
Loans to medium-sized companies	1.00	1.0	1.0	1.0
Loans to small companies	1.00	1.0	1.0	1.0
Loans to micro-enterprises	1.00	1.0	1.0	1.0
Revolving consumer loans	1.00	1.0	1.0	1.0
Non-revolving consumer loans	1.00	1.0	1.0	1.0
Housing mortgages	0.70	0.7	0.7	0.7
Potential problems	5.00	2.5	1.2	1.0
- Deficient	25.00	12.50	6.2	1.0
Doubtful	60.00	30.00	15.00	1.0
Lost	100.00	60.00	30.00	1.0

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.

The procyclic factor for loan provisions was activated from the 30th of September 2014 to the 31st of December 2012 (Circular N° CR-249-2010 dated the 28th of September 2010) The percentages used are shown below:

Loan type	Provision
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%
Non-revolvoing consumer 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

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

The Corporation keeps the following investments:

(d-1) Investments available for sale

Consists 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 their 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 instruments representing capital are recorded in equity accounts while debt instruments are recorded in the profit and loss account.

The performance of these investments is recognised when it accrues 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 reasonable 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 reasonable 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 on the date 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, furniture & 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, assets received in payment and adjudicated

Property adjudicated and received in lieu of payment is 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 that there is no likelihood of recovery.

The Corporation creates 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.
- 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 in order to evaluate possible significant changes in prior expectations or in the expected pattern of future economic benefits for those assets, incorporating the effects of any change in the estimates on net earnings or losses in the period in which they are made.

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 uses cost as the model for later recognition of intangibles.

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. Assets arising from deferred taxes are generally recognised for all temporary deductible differences and tax credits, tax reductions and losses not taken up, insofar as the Corporation considers it likely that it will have sufficient future taxable earnings to take advantage of them.

The book value of deferred tax assets is reviewed at the end of teach reporting period and reduced to the extent that it is unlikely that the Corporation will have future 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 as a liability and a cost employee profit sharing of 5% of the tax base determined in accordance with current tax legislation.

(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 pay out money 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) Dividend payments

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 in the 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 Financial position. These assets are kept separate in the 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 reasonable value and denominated in foreign currency are converted using the exchange rate applicable on the date on which the reasonable 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 recognised as net gains or losses in the fiscal year in which they occur, except for exchange rate differences arising from accounts payable or receivable for a foreign transaction for which no payment has been planned and nor is it expected that this will occur in the foreseeable future (considered part of the net investment in the foreign transaction), which are initially recognised as part of the other integrated results and reclassified as net gains or losses in the fiscal year in which the said monetary items are paid or received.

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 30th of September 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 30th of September 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)

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 PSAB issued ruling Nº 055-2014-EF/30 on the 24th of September 2014 adopting the 2014 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 2014 and 2013 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 201, they may be applied beforehand.
- **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.

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 N°	Description of the regulation	Valid from
6826-2013	Modification to the "Requirement for statutory reserve for credit risk" clarifying that unclassified exposure to finance companies (classification of financial strength) coresonding to Risk I, cover ratings from A+ to A, therefore these exposures merit a weighting factor of 20%	November 2013
4829-2013	Modifications to the Accounting Manual for Finance Companies to incorporate memorandum sub-accounts 8109.32 “Unused lines of credit that are blocked”, 8109.32 “Total multi-line credit lines", among others.	June 2014
4603-2013	Modification to the "Requirement for regulatory reserves for credit risk with respect to exposure to derivatives & counterpart risk	July 2013
1309-2013	Modifications to the Requirement for regulatory capital for credit risk with respect to exposure more than 90 days in arrears.	February / September 2013

5. AVAILABLE FUNDS

This item consists of:

	30 09 2014 S/. 000	31 12 2013 S/. 000
Banco Central de Reserva del Perú-BCRP	105,204	41,820
Current accounts	944,597	202,382
Accrued yields from available funds	1,208	471
Other available funds	63	61
Provision for country risk - available funds	(22,606)	0
Total	**1,028,466**	**244,734**

As at the 30th of September 2014, available funds included (in thousands) US$2,387 and S/.9,054 (in thousands, US$3,258 and S/.32,714 as at the 31st of December 2013) of 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 September 2014, available cash included (in thousands) US$ 15,900 and S/.43,300, in overnight deposits in the CRBP accruing interest at an effective annual rate of 0.1277% in foreign currency and 2.30% in Peruvian currency. As at 31 12 2013, COFIDE 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.

In the third quarter of 2014 provisions were created for country risk - available funds consisting of COFIDE's deposits in foreign banks (subject to country risk regulatory provisions). These deposits are short term and are expected to fall towards the end of

2014, which will gradually reduce the provision requirement. It should be pointed out that these provisions were made in accordance with instructions from the Banking and Insurance Regulator and COFIDE's internal policies on this matter.

6. INVESTMENTS AVAILABLE FOR SALE

This item includes:

	30 09 2014	31 12 2013
	S/. 000	S/. 000
CAF shares (note 3 (d.2.))	2,339,156	2,339,156
Investment funds	22,434	34,200
Mutual funds	232,712	0
Shares	2,526	2,233
Capital instruments	**2,596,828**	**2,375,589**
Structured bonds	445,719	462,304
Corporate bonds	264,657	109,614
Structured bonds / repurchase agreements	77,874	0
Securitised bonds	51,912	60,826
Global and/or treasury bonds	43,108	6,521
Global and/or treasury bonds	8,648	48,272
Commercial paper	4,623	5,167
Subordinated bonds	2,382	10,269
Financial leasing bonds	0	140
	898,923	**703,113**
Accrued yields	18,376	19,439
Debt instruments	**917,299**	**722,552**
Total	**3,514,127**	**3,098,141**

Investment in the CAF consists of Peruvian Government contributions between 1989 and 2000, as class "B" shares in 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 September 2014 and 31st of December 2013, the Corporation had 97,951 class “B” shares representing 12.43% and 12.64% of the shares in 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 on investments is recorded under “Income from interests on investments available for sale” in the income statement.

As at the 30th of September 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 Maturity	Interest rate (coupon) As at the 30th of Sept.	As at the 31st of Dec.	Market value As at the 30th of Sept.	As at the 31st of Dec.	Unrealised results As at the 30th of Sept.	As at the 31st of Dec.
		2014	2013	2014	2013	2014	2013
		%	%	S/.000	S/.000	S/.000	S/.000
Peruvian currency							
Structured bonds	BetweenJanuary2033 andJune2037	Between 5.97-8.58	Between 5.97-8.58	341,255	336,117	19,249	9,764
Securitised bonds	BetweenDecember2014andDecember	8.50	8.50	37,345	42,095	341	636
Corporate bonds	BetweenDecember2014andSeptembe	Between 6.625-6.8437	Between 6.625-6.8437	31,584	32,570	12,757	12,613
Commercial paper	January 2015	6.60	6.60	4,623	5,167	(25)	(109)
Subordinated bonds	October2022	7.17	7.17	2,467	2,332	(179)	(268)
Investment funds	-	-	-	0	24,364	0	3,657
				417,274	**442,645**	**32,143**	**26,293**
CAF shares (note 3(d.2))	-	-	-	2,339,156	2,339,156	0	0
				2,756,430	**2,781,801**	**32,143**	**26,293**
Foreign currency							
Corporate bonds	BetweenJanuary2015andJanuary2021	Between 7.75-9.875	Between 8.350-9.875	236,342	79,677	14,556	2,728
Structured bonds	BetweenDecember2033andApril2037	Between 7.650-8.125	Between 7.650-8.125	111,639	139,748	8,336	(5,587)
Structured bonds / repurchase agreements April 2037		8.13%	-		0	(7,550)	0
Global and/or treasury bonds - repurchase agreements October 2014		7.50	-		49,160	(123)	2,108
Securitised bonds	February2021	7.34%	7.34%	18,403	20,736	633	542
Global and/or treasury bonds	BetweenOctober2014andDecember20	Between 7.50-8.00	Between 7.50-8.00	44,883	6,770	881	381
Investment funds	No contractual maturity	-	-	22,434	9,836	(1,717)	(8,614)
Mutual funds	No contractual maturity	-	-	232,712	0	(6)	0
Bladex shares	No contractual maturity	-	-	2,526	2,233	1,753	1,486
Subordinated bonds	-	-	L6m+1.15625	0	8,036	0	(372)
Financial leasing bonds	-	-	5.95	0	144	0	0
				757,697	**316,340**	**16,763**	**(7,328)**
Total				**3,514,127**	**3,098,141**	**48,906**	**18,965**

Details of this investment are as follows:

Type of instrument	Maturity	Interest rate (coupon) As at the 30th of Sept. 2014 %	Interest rate (coupon) As at the 31st of Dec. 2013 %	Market value As at the 30th of Sept. 2014 S/.000	Market value As at the 31st of Dec. 2013 S/.000	Unrealised results As at the 30th of Sept. 2014 S/.000	Unrealised results As at the 31st of Dec. 2013 S/.000
Peruvian currency							
Structured bonds	BetweenJanuary2033 andJune2037	Between 5.97-8.58	Between 5.97-8.58	341,255	336,117	19,249	9,764
Securitised bonds	BetweenDecember2014andDecember	8.50	8.50	37,345	42,095	341	636
Corporate bonds	BetweenDecember2014andSeptembe	Between 6.625-6.8437	Between 6.625-6.8437	31,584	32,570	12,757	12,613
Commercial paper	January 2015	6.60	6.60	4,623	5,167	(25)	(109)
Subordinated bonds	October2022	7.17	7.17	2,467	2,332	(179)	(268)
Investment funds	-	-	-	0	24,364	0	3,657
				417,274	**442,645**	**32,143**	**26,293**
CAF shares (note 3(d.2))	-	-	-	2,339,156	2,339,156	0	0
				2,756,430	**2,781,801**	**32,143**	**26,293**
Foreign currency							
Corporate bonds	BetweenJanuary2015andJanuary2021	Between 7.75-9.875	Between 8.350-9.875	236,342	79,677	14,556	2,728
Structured bonds	BetweenDecember2033andApril2037	Between 7.650-8.125	Between 7.650-8.125	111,639	139,748	8,336	(5,587)
Structured bonds / repurchase agreements	April 2037	8.13%	-		0	(7,550)	0
Global and/or treasury bonds - repurchase agreements	October 2014	7.50	-		49,160	(123)	2,108
Securitised bonds	February2021	7.34%	7.34%	18,403	20,736	633	542
Global and/or treasury bonds	BetweenOctober2014andDecember20	Between 7.50-8.00	Between 7.50-8.00	44,883	6,770	881	381
Investment funds	No contractual maturity	-	-	22,434	9,836	(1,717)	(8,614)
Mutual funds	No contractual maturity	-	-	232,712	0	(6)	0
Bladex shares	No contractual maturity	-	-	2,526	2,233	1,753	1,486
Subordinated bonds	-	-	L6m+1.15625	0	8,036	0	(372)
Financial leasing bonds	-	-	5.95	0	144	0	0
				757,697	**316,340**	**16,763**	**(7,328)**
Total				**3,514,127**	**3,098,141**	**48,906**	**18,965**

7. LOAN PORTFOLIO

a) The loan portfolio is made up as follows:

	30 09 2014 S/. 000	31 12 2013 S/. 000
Direct loans		
Loans to financial intermediaries	5,284,906	5,160,013
Loans	12,528	15,605
Structured loans	12,804	12,384
Refinanced loans	5,854	7,361
Loans overdue, to be settled and subject to legal action	1,489	1,599
Sub Total	**5,317,581**	**5,196,962**
Plus:		
Accrued yield from loans	112,654	51,942
Less:		
Provision for non-performing loans	(572,710)	(599,097)
Deferred interest	(3,397)	(3,796)
	(576,107)	(602,893)
Total	**4,854,128**	**4,646,011**
Contingent credits - guarantees and letters of guarantee (Note 14)	**561,931**	**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 banks are guaranteed through clauses in the global contracts for channeling 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 Central Reserve Bank of Peru (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 bank fails to pay an instalment or when, in the judgement of the Corporation, special circumstances exist that make collection of the funds granted difficult. For other IFIs the cover is similar, except that an operating bank is designated in place of the 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 09 2014	31 12 2013	30 09 2014 S/. 000	31 12 2013 S/. 000
Normal	132	137	5,455,708	5,310,748
With potential problems	17	15	363,058	339,432
Deficient	9	11	54,595	76,871
Doubtful	3	6	452	555
Lost	5	5	2,302	2,244
Total	**166**	**174**	**5,876,115**	**5,729,850**

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

	30 09 2014		31 12 2013	
	S/.000	%	S/.000	%
Second tier portfolio:				
Banks	4,136,309	770.8	3,968,536	760.4
Finance companies	752,240	140.1	737,034	140.2
Municipal savings & loans	257,997	40.9	290,982	50.6
Edpymes	61,500	10.2	59,459	10.1
Rural savings & loans	20,052	00.4	37,622	00.8
Financial leasing	30,411	00.6	37,273	00.7
Factoring	2,312	00.0	3,074	00.1
Cooperatives	26,397	00.5	29,107	00.6
	5,287,218	990.5	5,163,087	990.4
First tier portfolio				
Financial leasing and promissory notes	17,710	00.3	22,545	00.4
Other loans (i)	12,653	00.2	11,330	00.2
	30,363	00.5	33,875	00.6
Total	**5,317,581**	**1000.0**	**5,196,962**	**1000.0**
Accrued yield from loans	112,654		51,942	
General total	**5,430,235**		**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 09 2014		31 12 2013	
	Loans		Loans	
	S/.	US$	S/.	US$
	%	%	%	%
Short-term working capital	6.55	3.54	7.59	4.11
COFIDE own resources	11.19	5.89	7.78	5.49
Medium-term working capital	9.37	6.98	9.23	6.60
Probid II	-	Libor + 4.58	-	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 as 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 as at 31st December 2013	**599,097**	**44,994**	**644,091**
Provision for fiscal year	17,801	6,506	24,307
Recoveries	(49,909)	(8,370)	(58,279)
Exchange rate difference	5,721	1,288	7,009
Balances as at 30th September 2014	**572,710**	**44,418**	**617,128**

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

	30 09 2014			31 12 2013		
	Direct	Contingent	Total	Direct	Contingent	Total
	S/.000	S/.000	S/.000	S/.000	S/.000	S/.000
Specific	77,089	-	77,089	81,726	-	81,726
Generic for normal clients	72,827	6,527	79,354	77,774	6,239	84,013
Voluntary generic	422,794	37,891	460,685	439,597	38,755	478,352
Total	**572,710**	**44,418**	**617,128**	**599,097**	**44,994**	**644,091**

As at the 30th of September 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 September 2014 and 31st of December 2013, the procyclic provision amounted to (in thousands) S/.21,818 and S/.21,230 respectively. Furthermore, in the same periods generic provisions amounting to (in thousands) S/.6,694 and S/.42,256, respectively, were created. The voluntary generic provisions as at 30th September 2014 and 31st December 2013 amounted to (in thousands) S/.460,685 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 September 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 09 2014		31 12 2013	
	S/. 000	%	S/. 000	%
Commercial and micro-enterprise loans:				
Financial intermediation	5,284,90699.39		5,160,01399.29	
Hotels and restaurants	16,5120.31		21,2430.41	
Housing mortgages	10,0210.19		8,7960.17	
Other community services	2,3120.04		3,0750.06	
Consumer loans	1,4520.03		1,3910.03	
Manufacturing industry	1,2380.02		1,1970.02	
Transport, warehousing & communications	9610.02		9310.02	
Farming, hunting & forestry	1060.00		1470.00	
Real estate, business and rentals	73	0.00	1690.00	
Total	**5,317,581**	**100.00**	**5,196,962**	**100.00**

(f) The loan portfolio has the following maturities:

	30 09 2014		31 12 2013	
	S/.000	%	S/.000	%
Less than one year	1,747,561	32.9	1,399,479	26.9
More than 1 year, less than 2 years	519,018	9.7	912,329	17.6
More than 2 years less than 3 years	395,543	7.4	466,434	9.0
More than 3 years less than 4 years	327,760	6.2	261,833	5.0
More than 4 years less than 5 years	370,225	7.0	268,980	5.2
More than 5 years	1,955,985	36.8	1,886,308	36.3
Subtotal	**5,316,092**	**100.0**	**5,195,363**	**100.0**
Overdue and subject to legal action	1,489	0.0	1,599	0.0
Total loan portfolio	**5,317,581**	**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	Bank Nuevo Mundo	NBK BANK	Bank Banex	Consolidated operations	Total
	US$ 000	US$ 000	US$ 000	US$ 000	US$ 000	US$ 000
Balances as at 31.12.2012	**4,944**	**2,851**	**558**	**39**	**1,554**	**9,946**
Recoveries and others	(1,064)	(93)	(143)	(39)	(78)	(1,417)
Unaccrued earnings	(463)	-	-	-	-	(463)
Balances as at 3	**3,417**	**2,758**	**415**	**-**	**1,476**	**8,066**
Equivalent in soles as at 31.12.2013	**9,551**	**7,709**	**1,160**	**-**	**4,125**	**22,545**
Recoveries and others	(1,887)	(33)	(18)	-	-	(1,938)
Balances as at 3	**1,530**	**2,725**	**397**	**-**	**1,476**	**6,128**
Equivalent in soles as at 30.09.2014	**4,422**	**7,875**	**1,147**	**-**	**4,266**	**17,710**

8. REAL ESTATE, FIXTURES AND FITTINGS

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

	Balance Initial	Aditions	Withdraw	Balance Final	Rates of depreciation
	S/. 000	S/. 000	S/. 000	S/. 000	%
Cost:					
Land	469	-	-	469	
Buildings and installations	22,498	6	-	22,504	
Fixtures and fittings	2,669	205	(11)	2,863	
Vehicles	208	-	-	208	
Equipment - various	16,824	70	(3)	16,891	
Total	42,668	281	(14)	42,935	
Accumulated depreciation					
Buildings and installations	15,729	480	-	16,209	3 and 10
Fixtures and fittings	2,259	83	(8)	2,334	10
Vehicles	191	17	-	208	20
Equipment - various	10,760	1,071	(2)	11,829	10 and 25
Total	28,939	1,651	(10)	30,580	
Net	13,729			12,355	

In the opinion of the management, the recoverable values of real estate, fixtures and fittings as at the 30th of September 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 September 2014, fully depreciated furniture and fittings still in use amounted to (in thousands) S/.8,022 (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:

	3009 2014 S/. 000	3112 2013 S/. 000
Fair value - Hedging swaps - Currency swaps	1,146	3,765
Fair value - Hedging swaps - Forwards	0	132
Provisions of country risk - derivatives	(147)	0
Hedgfing derivatives (note 12)	**999**	**3,897**
Funds in guarantee - Margin call (a)	15,375	11,376
Account receivable for assigned loans	3,002	2,929
Accounts receivable - various	7,395	2,660
Commissions receivable	1,852	2,091
Provisions for accounts receivable & others (b)	(5,938)	(5,111)
Accounts receivable, net	**21,686**	**13,945**
Software	12,376	11,700
Accumulated amortisation of software	(6,771)	(6,311)
Intangible assets, net (c)	**5,605**	**5,389**
Commissions paid in advance	1,506	3,857
Art works and library	762	753
Various	1,600	1,033
Other assets	**3,868**	**5,643**
Total	**32,158**	**28,874**

a) As at 30 09 2014 deposits in guarantee amounted to (in thousands) US$ 5,320 (US$ 4,070 as at the 31st of December 2013) 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 09 2014 S/. 000	31 12 2013 S/. 000
Specific	2,377	2,275
Generic voluntary	3,561	2,836
	5,938	5,111

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

	30 09 2014 S/. 000	31 12 2013 S/. 000
Initial balances	5,111	5,330
Provision for fiscal year	859	1,833
Recoveries	(153)	(1,234)
Exchange rate difference	121	(818)
Final balances	5,938	5,111

c) This software consists principally of SAP system licences. As at the 30th of September 2014, the Corporation recorded a cost of amortisation amounting to (in thousands) S/. 459 (S/. 40 in September 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 09 2014	31 12 2013
	S/. 000	S/. 000
Term deposits	226,784	186,800
Deposits in guarantee	16,931	22,942
Repo operations	85,952	48,849
	329,667	258,591
Accrued interest	4,865	1,932
	334,532	**260,523**
Severance pay	930	337
Total	**335,462**	**260,860**

As at the 30th September 2014, term deposits consisted principally of Peruvian currency funds received by the Banco de Credito, CMAC Trujillo and CMAC Arequipa, which accrue interest at annual market rates fluctuating between 4.55% and 7.50% and mature between October 2014 and September 2015.

As at the 30th September 2014, deposits in guarantee include withholdings from pledges to the Corporation in order to guarantee lending operations valued at (in thousands) S/.15,612 and US$456 (in thousands S/.19,492 and US$1,234 as at the 31st December 2013).

Deposits under guarantee accrue annual interest at market rates of 2.80% (Peruvian currency) and 0.1118% (foreign currency) and mature between October 2014 and March 2015.

As at the 30th September 2014, repo operations involved funds in Peruvian currency in various trusts managed by the Corporation, which accrue interest at annual market rates that fluctuate between 3.59 and 4.46% in soles and are guaranteed by Peruvian government bonds and those of Terminales Portuarios Paita, and mature between October and December 2014.

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

	30 09 2014	31122013
	S/. 000	S/. 000
Less than one month	104,94	65,24
More than 1 month, less than 3 months	28,93	26,40
More than 3 months, less than 6 months	10,00	43,33
More than 6 months, less than 12 months	186,71	123,94
Tota	330,59	258,92

11. CHARGES AND FINANCIAL OBLIGATIONS

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

Name ofs Creditors Maturity	Rate	30 09 2014	31 12 2013
	%	S/.000	S/.000
Bank of Tokyo - Mitsubishi / Sindicado September 2016	Libor (3M) + 1.725%	578,000	559,000
Bank of Tokyo - Mitsubishi / Bilateral February 2017	Libor (3M) + 0.70%	289,000	279,500
Scotiabank Perú June 2015	de 4.74% a 5.98%	426,000	517,100
Banco de la Nación del Perú April 2015	de 1.00% a 5.80%	278,000	310,963
BBVA Banco Continental Septembmer 2015	de 3.90% a 4.90%	132,000	-
HSBC Bank USA, N.A., December 2016	Libor (3M) + 0.70%	-	279,500
American Family Life Assurance of Columbus Japan Branch - AFLAC September 2031	3.75%	237,339	239,346
Banco Interamericano de Desarrollo - BID May 2015	Libor (6M) + 0.61%	165,880	196,078
Banco Interamericano de Desarrollo - BID May 2015	2.51%	35,468	38,114
Banco Interamericano de Desarrollo - BID May 2015	2.00%	36,125	36,457
Banco Interamericano de Desarrollo - BID May 2015	Libor (6M) + 0.61%	2,066	2,998
Japan Bank For International Coopetation - JBIC February 2019	de 1.5% a 2.3%	151,985	187,331
Banco Internacional del Perú - INTERBANK September 2022	de 2.30% a 7.24%	33,468	127,999
Corporación Andina de Fomento - CAF October 2016	Libor (6M) + 2.8%	86,700	83,850
Japan International Coopetation Agency- JICA October 2027	de 0.01% a 0.60%	120,184	73,026
Citibank, Sucursal en el Perú July 2014	1.39%	-	61,490
Nordic Investment Bank March 2015	Libor (6M) + 0.85%	14,450	20,963
Kreditanstalt Fur Wiederaufbau - Phase II June 2034	2.00%	18,662	19,725
Kreditanstalt Fur Wiederaufbau - Phase I December 2029	2.00%	14,463	15,780
China Development Bank October 2014	Libor (6M) + 3.25%	5,780	11,180
The Opec Fund For International Cooperation October 2015	5.00%	1,445	1,864
Corporación de Fomento a la Produccion - CORFO June 2015	4.25%	511	821
		2,627,526	**3,063,085**
CAF share issue - financial liabilities (note 13 (b))		23,880	23,095

Related costs		(4,612)	(5,351)
Sub-total	**2,646,79**	**3,080,82**	
Interest	23,774	26,860	
Total			

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

	30 09 2014	31 12 2013
	S/. 000	S/. 000
Less than one month	177,75	169,60
More than 1 month, less than 3 months	321,65	485,38
More than 3 months, less than 6 months	298,81	239,27
More than 6 months, less than 12 months	149,99	204,83
More than 12 months	1,698,57	1,981,72
Total	2,646,794	3,080,829

The majority of loans from multilateral organisations and government agencies have been granted to the Republic of Peru, with COFIDE as the executive entity. Loans from local or international commercial banks do not have specific guarantees.

As at the 30th September 2014 and 31st of December 2013, loans in yen and 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 September 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 June September, the Corporation recorded net losses on hedging operations amounting to (in thousands) S/.21,515 (loss of S/.54,055 as at the 30th September 2013), shown under “Results of hedging operations” under results of financial operations - ROF in the statement of results.

b) Financial obligations consist of:

Series	Issue Date	Issue Value	Date maturity	Rate interest	30092014	31122013
		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%	12,000	15,000
Eighth-Series B	02/04/2008	10,000	02/04/2018	6.65%	7,500	9,000
Twelfth-Series A	16/01/2009	7,065	15/01/2015	7.94%	599	1,481
					20,099	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					**585,164**	**640,546**
Accrued yield					7,468	17,703
Total Peruvian currency					**592,632**	**658,249**

b) <u>In foreign currency</u>						
First international issue	08/02/2012	400,000	08/02/2022	4.75%	1,156,000	1,118,000
Reopened first international issue	03/12/2012	100,000	08/02/2022	4.75%	289,000	279,500
Second international issue	08/07/2014	300,000	15/07/2019	3.25%	867,000	0
Second international issue - subordinated	08/07/2014	300,000	15/07/2029	5.25%	867,000	0
Total nominal value					**3,179,000**	**1,397,500**
Net price difference (below / above par) and related costs					(5,681)	6,056
Accrued yield					25,267	26,184
Total foreign currency					**3,198,586**	**1,429,740**

Total **3,791,218** **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$200'000,000 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) 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 Ratings of “BBB+”.

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

(b.3) Second bond issue in the international market

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 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.

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

Total	**123,979**	**94,194**

This item is made up as follows:

	30 09 2014 S/. 000	31 12 2013 S/. 000
Fair value - Derivatives for hedging - Currency swaps	98,376	71,967
Fair value - Derivatives for hedging - Interest rate swaps	1,861	2,846
Derivatives for hedging (a)	**100,237**	**74,813**
Taxes payable	699	652
Accounts payable - various	9,536	6,465
Accounts payable	**10,235**	**7,117**
RCDRC provision - Investments available for sale	7,606	3,984
Provision for claims and litigation	1,740	874
Provision for holidays accruing	2,757	2,371
Provision for claims, litigation and others (b)	**12,103**	**7,229**
Operations in progress	1,331	4,933
Deferred sales	73	102
Accounts payable	**1,404**	**5,035**

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 as at 30 09 2014

(inthousands of nuevossoles)

DESCRIPTION	N° Oper.	Value Nominal	Exchange rate Asset	Exchange rate Liability	Interest accrued Asset	Interest accrued Liability	Earning / (Loss) Asset	Earning / (Loss) Liability	Earning / (Loss) Realised	Fair value Asset	Fair value Liability
CURRENCY SWAPS FOR HEDGING/US$	16	509,120	14,575	128,524	625	2,564	(14,053)	(40,686)	-	1,147	90,402
CURRENCY SWAPS FOR HEDGING US$ / S/.	3	112,625	-	5,833	264	1,127	(264)	1,014	-	-	7,974
CURRENCY SWAPS - HEDGING	**19**	**621,745**	**14,575**	**134,357**	**889**	**3,691**	**(14,317)**	**(39,672)**	**-**	**1,147**	**98,376**
FORWARD-HEDGINGUS$/S/.	0	0	0	0	0	0	0	0	-	0	0
FORWARD -HEDGINGUS$/S/.	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-**	**0**	**0**
TOTAL-CURRENCYDERIVATIVES	**19**	**621,745**	**14,575**	**134,357**	**889**	**3,691**	**(14,317)**	**(39,672)**	**-**	**1,147**	**98,376**
INTEREST RATE SWAPS - HEDGING	**1**	**39,015**	**-**	**-**	**16**	**163**	**(16)**	**1,698**	**-**	**-**	**1,861**
			14,575	**134,357**	**905**	**3,854**	**(14,333)**	**(37,974)**	**-**	**1,147**	**100,237**

CURRENCY SWAPS - HEDGING YEN/US$	15	499,225	24,386	11,330	1,331	4,641	(21,952	(59,482)	-	3,765	56,488
CURRENCY SWAPS - HEDGING US$ / S/.	4	129,678	-	11,000	193	2,360	(193	2,119	-	-	15,479
CURRENCY SWAPS - HEDGING	**19**	**628,903**	**24,386**	**22,330**	**1,524**	**7,001**	**(22,145**	**(57,363)**	**-**	**3,765**	**71,967**

FINANCIAL DERIVATIVES as at 31 12 2013

(inthousands of nuevossoles)

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 SWAPS - HEDGING	**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 September 2014, the net position payable for foreign currency swaps amounted to (in thousands) S/.98,376 (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 September 2014, the net position payable for interest rate swaps amounted to (in thousands) S/. 1,861 (S/.2,846 as at the 31st of December 2013), which offsets variations in the borrowing rates.

(iii) As at the 30th of September 2014, unrealised net earnings from financial derivatives amounted to (in thousands) S/.23,641 (S/.32,865 as at the 31st December 2013). See note 13d.

(iv) As at the 30th September 2014, the Corporation held mainly currency swap contracts to offset the risk of a revaluation of the yen value of 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).

Provisions for litigation, claims and others

As at the 30th of September 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, therefore it was not deemed necessary to increase the provision for these contingencies.

13. EQUITY

(a) Capital

As at the 30th September 2014 the Corporation's capital is 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 one, 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.

Shareholdings in the Corporation were as follows:

Class		30/09/2014 Shares	%	31/12/2013 Shares	%
Class "A"	MEF-FONAFE	1,063,561,110	68.00	1,044,441,413	68.26
Class "C"	MEF-FONAFE	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 and redeemable or able to be repurchased; 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.

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 September 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 September 2014 and 31st of December 2013
2013 (in thousands of nuevos soles):

DETAILS	Capital	Own shares held in portfolio	Additional capital
. FONAFE - Ordinary shares "A" and "C"	1,488,861	0	0
. CAF ordinary shares "B" / capital premium	15,640	0	14,643
Balances as at 1st January 2013	**1,504,501**	**0**	**14,643**
- Capital share issues	**9,901**	**0**	**23,145**
. FONAFE - Ordinary shares "A" and "C"	9,901	0	0
. CAF "preference B" shares	0	0	15,640
. Capital premium - "Preference B" shares	0	0	7,505
- Sales of ordinary "B" shares (CAF): Treasury shares (COFIDE)	**0**	**(15,640)**	**(14,643)**
-Increase (reduction) from transfers of financial liabilities	**0**	**0**	**(23,145)**
. "Preference B" shares	0	0	(15,640)
	0	0	(7,505)
Balances as at 31st December 2013	**1,514,402**	**(15,640)**	**0**
- Capital share issues	**34,017**	**0**	**0**
. FONAFE - Ordinary shares "A" and "C"	10,205	0	0
. FONAFE - Ordinary shares "A" and "C"	23,812	0	0
- Increase (reduction) from transfers and other changes	**0**	**0**	**84**
. Transfer from additional capital to capital - "Preference B" shares	15,640	0	(15,640)
. Transfer accounts Capital obligations - "Preference B" shares	(15,640)	0	15,640
. Donated fixtures & fittings	0	0	84
Balances as at 30th September 2014	**1,548,419**	**(15,640)**	**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 the fiscal year
2013 of (in thousands) S/.7'638.

A general meeting of shareholders held on the 22st of March 2013 approved a legal reserve equivalent to 10% of profits for the fiscal year
2012 of (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 balance sheets being approved. The percentage profit for distribution is fixed by the State, after discounts for statutory reserves and reserves to increase capital in order to maintain the solvency and liquidity of the 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 value, in accordance with COFIDE's dividends policy, it was decided to reinvest (in thousands) S/.10’205, equivalent to 15% of the dividends payable to FONAFE for fiscal year 2013. A cash contribution was also agreed amounting to (in thousands) S/. 23’812, to be paid by FONAFE within 30 calendar days after COFIDE has transferred the dividends to it in cash (FONAFE made this contribution on 28 05 2014). 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 was approved; 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 consist of:

	30 09 2014 S/. 000	31 12 2013 S/. 000
Accumulated results		
Adjustment to deferred employee profit sharing IAS 12	12,647	12,647
Difference in value of COFIDE "B" shares 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:		
Gain from adjustment in value of investment in CAF	404,261	404,261
Less: deferred income tax	(121,279)	(121,279)
	282,982	282,982
Gain from changes in the value of investments tradable and available for sale	48,906	18,965
Less: deferred income tax	(14,672)	(5,689)
	34,234	13,276
Loss on cash flow derivatives	23,639	32,865
Less: deferred income tax	(7,092)	(9,860)
	16,547	23,005
Total	**333,763**	**319,263**

14. CONTINGENT AND MEMORANDUM ACCOUNTS

This item includes:

	30 09 2014 S/. 000	31 12 2013 S/. 000
Contingent accounts		
Swap and forward operations (a)	621,745	642,920
Guarantees issued (note 7)	561,931	536,684
Other contingent accounts	20,434	22,136
	1,204,110	**1,201,740**
Memorandum accounts		
Loan guarantees (b):		
Promissory notes	4,551,305	4,753,267

Mortgages	36,863	34,358
Deposits under guarantee	16,930	22,942
Documentary guarantees	11,507	9,448
Warrants	104	101
Other guarantees	140,638	160,982
	4,757,347	**4,981,098**
Trusts & confidential commissions (c):		
Guarantees for trust lending operations	8,378,901	7,551,948
Trust and confidential commission contra-accounts		
	7,639,266	6,910,639
Funds in trust	7,090,383	6,257,474
Funds in confidential commissions	507,257	487,533
Nominal value - interest rate swaps (a)	39,015	46,118
Other memorandum accounts	8,520,601	6,703,851
	36,932,770	**32,938,661**
Total contingent and memorandum	**38,136,880**	**34,140,401**

Contingent loans

In the normal course of its business, the Corporation takes part in off-balance-sheet transactions that involve risk. These transactions expose the Corporation to credit risk in addition to the amounts shown on the 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 September 2014 and 31st of 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 12).

b) Guarantees for lending operations

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 September 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 September 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/.94,063 (in thousands, S/.97,847 as at the 31st December 2013).

15. PERSONNEL & DIRECTORS' EXPENSES

This item consists of:

	30 09 2014	30 09 2013
	S/. 000	S/. 000
Salaries	12,186	11,829
Profit sharing	5,454	4,359
Bonuses	2,618	3,392
Gratuities	2,498	2,426
Social charges & others	2,010	1,916
Severance pay	1,475	1,329
Directors' emoluments	111	282
Holidays	203	222
Assignations	64	64
Other personnel costs	4,466	3,750
Total	**31,085**	**29,569**

16. COST OF SERVICES RECEIVED FROM THIRD PARTIES

This item includes:

	30 09 2014	30 09 2013
	S/. 000	S/. 000
Other services	4,717	3,174
Consultancy services	3,929	2,373
Professional fees	1,709	1,906
Repairs and maintenance	1,041	783
Electronic processing	926	1,210
Communications	662	638
Security & protection	687	726
Advertising	746	827
Supplies - various	381	371
Electricity & water	279	238
Rentals	268	249
Transport	230	164
Electronic transfers	56	52
Subscriptions & quotations	127	94
Notary and registry office fees	67	76
Travel expenses	106	74
Insurance	154	136
Court costs	16	29
Entertainment expenses	18	15
Total	**16,119**	**13,135**

17. BASIC EARNINGS AND DILUTED EARNINGS PER SHARE

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

	30 09 2014	30 09 2013
	S/. 000	S/. 000
Profits (Numerator)	51,991	54,448
Shaares (Denominator)	1,535,509	1,514,402
Profit per basic shhare and diluted	**0.034**	**0.036**

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.

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.

In line with these powers, the Government issued Legislative Decrees N° 1112, 1116, 1120 and 1124 introducing modifications to Peru's current income tax regime, most of which take effect 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, whether 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 amount deductible or maximum deductible shall be the amount referred to in the previous paragraph, except that in the Fiscal year the Value Deductible unless the amount deductible in the last fiscal year is greater than the value of the asset after depreciation, in which case the latter figure 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 transferor, 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.
- Cost 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 take 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 that a monthly advance payment shall be made consisting of either the amount resulting from applying the coefficient or 1.5%, whichever is 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 expenditure consists of:**

	30 09 2014	30 09 2013
	S/. 000	S/. 000
Current income tax	31,086	24,844
Deferred income tax (paragraph (g))	423	(5,675)
Total	31,509	19,169

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

During the periods ending on the 30th of September 2014 and the 30th of September 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 09 2014		30 09 2013	
	S/. 000	%	S/. 000	%
Income tax calculated using current tax rate	25,050	30.00	22,085	30.00
Tax effect on additions (deductions):				
Non-deductible costs	17,986	21.54	3,583	4.87
Exempt income	(31)	(0.03)	(80)	(0.11)
Other permanent differences	(11,496)	(13.77)	(6,419)	(8.72)
Current & deferred income tax recorded at effective rate	31,509	37.74	19,169	22.94

Reclassification of financial assets and liabilities -

As at the 30th of September 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 the above, on the 31st December 2013 the Corporation reclassified "B preference shares
    - Additional capital" valued at (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; In accordance with SBS instructions, the Corporation considered recording this provision under "Other provisions" on the liabilities side of the Statement of financial position.

  As a result 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 30th of September 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 for each borrower, including banks, investments or other debtors, is established by assigning limits to cover operating risk on and off the statement of financial position (contingent accounts), regular evaluation of the operations and risk limits for elements subject to negotiation, such as foreign currency and interest rate swaps and foreign currency forward contracts. Real exposure and comparisons with the established limits are reviewed monthly.

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

- 98.9 percent and 98.4 percent, respectively of loans are considered as neither due nor impaired.
- 90.7 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:

Assets (*)	Notes	30 09 2014 S/. 000	31 12 2013 S/. 000
Available funds	5	1,028,466	244,734
investments available for sale	6	3,514,127	3,098,141
Loan portfolio	7	4,854,128	4,646,011
Derivatives for hedging	9	999	3,897
Accounts receivable	9	21,686	13,945
Other assets	9	1,020	839
Total		**9,420,426**	**8,007,567**
Contingencies (**)	7 y 14	**537,947**	**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; which means an important mitigation of the credit risk assumed. The criteria for valuing guarantees and procedures for updating them are described in the Debtor Credit Risk Policy Manual (Policy on Guarantees), which also incorporates SBS provisions.

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

(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 investments 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 the principal 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 09 2014	31 12 2013
	S/. 000	S/. 000
Instruments issued in Peru		
AAA	50,013	52,595
AA- a AA+	293,430	101,975
4 (pe)	13,628	1,165
Unclassified	56,379	59,962
Total national	**413,450**	**215,697**
Instruments issued abroad		
AAA	227,584	215,664
AA- a AA+	2,339,156	2,339,156
BBB- a BBB+	208,911	162,347
BB- a BB+	306,650	145,838
Total foreign	**3,082,301**	**2,863,005**
Interest accrued	**18,376**	**19,439**
TOTAL	**3,514,127**	**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 arising 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 09 2014				
Exposure to liquidity risk	**Less than 1**	**More than 1 month**	**More than 3 less than 12**	**More than 1**	**Total**
	S/. 000	**S/. 000**	**S/. 000**	**S/. 000**	**S/. 000**
Financial position risk					
Liability					

Obligations to the public	81,949	4,934	17,734	-	104,617
Deposits from finance companies and international financial entities	24,377	25,376	181,092	-	230,845
Borrowings and financial obligations	215,617	331,622	539,159	5,375,388	6,461,786
Derivatives for hedging	1,193	2,386	10,740	85,918	100,237
Accounts payable	3,762	804	5,669	-	10,235
Other liabilities	-	-	-	-	
Total	**326,898**	**365,122**	**754,394**	**5,461,306**	**6,907,720**
Financial position risk					
Contingent liabilities	-		39,636	622,079	661,715
Total	**326,898**	**365,122**	**794,030**	**6,083,385**	**7,569,435**

Exposure to liquidity **RISK**	**31 12 2013**				
	Less than 1	**More than 1 month**	**More than 3 less than 12**	**More than 1**	**Total**
	S/. 000	**S/. 000**	**S/. 000**	**S/. 000**	**S/. 000**
Financial position **risk**					
Liability					
Obligations to the public	48,849	-	23,377	-	72,226
Deposits from finance companies and international financial entities	16,600	26,498	145,536	-	188,634
Borrowings and financial obligations	191,688	530,596	535,395	3,937,999	5,195,678
Derivatives for hedging	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 position **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 September 2014 and 31st of December
2013 as they form part of investments assigned in repurchase agreements.

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 09 2014 and 31 12 2013, is as follows:

	30 09 2014	31 12 2013
GER=	S/. 30,762,093.22 (1.0999% P.e)	S/. 19,003,787.15 (1.0096% p.e)
VPR=	S/. 48,134,836.23 (1.7210% 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 09 2014 and 31 12 2013, given a 200 pbs shock is shown below:

	30 09 2014	31 12 2013
GER=	S/. 32,730,500.43 (1.1702% p.e)	S/. 31,861,066.53 (1.6927% p.e)
VPR=	S/. 58,115,809.07 (2.0779% 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.

(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 currencies denominated operations are carried out using free market exchange rates.

As at the 30th of September 2014 the weighted average free market exchange rate published by the SBS for transactions in United States dollars was S/. 2.888 (buying) and S/. 2.892 (selling) per US dollar (S/. 2.794 and S/. 2.796 as at the 31st December 2013, respectively). As at the 30th of September 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/. 2.890 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 September 2014 and the 31st December 2013 are shown below:

	30th September 2014				31st December 2013			
	US dollars	Other currencies	Nuevos Soles	Total	US dollars	Other currencies	Nuevos Soles	Total
	S/. 000	S/. 000	S/. 000	S/. 000	S/. 000	S/. 000	S/. 000	S/. 000
Assets								
Available funds	913,611	8,196	106,659	1,028,466	121,057	9,109	114,568	244,734
Investments available for sale	722,929	34,768	2,756,430	3,514,127	279,269	37,073	2,781,799	3,098,141
Loan portfolio, net	3,083,313	-	1,770,815	4,854,128	2,851,162	-	1,794,849	4,646,011

Derivatives for hedging	280	478	241	999	263	1,332	2,302	3,897
Accounts receivable	20,144	-	1,542	21,686	12,580	2	1,363	13,945
Other assets	826	-	194	1,020	621	-	218	839
	4,741,103	43,442	4,635,881	9,420,426	3,264,952	47,516	4,695,099	8,007,567
Liabilities								
Obligations to the public	1,548	-	103,069	104,617	3,455	-	68,771	72,226
Deposits from finance companies	-	-	230,845	230,845	-	-	188,634	188,634
Borrowings and financial obligations	1,240,037	544,123	886,408	2,670,568	1,617,255	536,660	953,774	3,107,689
Securities, and obligations in circulation	3,198,703	(117)	592,632	3,791,218	1,429,852	(112)	658,249	2,087,989
Derivatives for hedging	2,726	-	97,511	100,237	5,200	-	69,613	74,813
Accounts payable	3,128	-	7,107	10,235	20	-	7,097	7,117
Other liabilities	38,762	-	6,987	45,749	35,932	-	13,995	49,927
	4,484,904	544,006	1,924,559	6,953,469	3,091,714	536,548	1,960,133	5,588,395
Forwards position, net	-	-	-	-	14,017	-	(14,017)	-
Swaps position, net	(510,443)	509,120	1,323	-	(456,491)	499,225	(42,734)	-
Monetary position, net	(254,244)	8,556	2,712,645	2,466,957	(269,236)	10,193	2,678,215	2,419,172

As at the 30th of September 2014 the Corporation recorded net exchange rate losses (in thousands) of S/. 12,720 (a gain of S/. 33,290 as at 30 09 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 are shown below: Because of its volume, the position in United States dollars is the only exposure that could cause a material loss for the Corporation. Negative changes represent potential losses while positive changes represent potential gains.

Sensitivity analysis	**Exchange rate shocks % ***	**30 09 2014 S/. 000**	**31 12 2013 S/. 000**
Devaluation			
United States dollar	0.1851%	82,020	17,016
Revaluation			
United States dollar	0.1851%	-82,020	-17,016

* Volatility in daily Sol / dollar exchange rates (issued by the SBS) in the 252 days up to 30 09 2014. COFIDE had excess sales of US$ as at 30 09 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 instruments.
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:

	Notes	30 09 2014 bool value	30 09 2014 Fair value	31 12 2013 Book value	31 12 2013 Fair value
		S/. 000	S/. 000	S/. 000	S/. 000
Fair value and book value					

ASSETS				
Available funds	1,028,466	1,028,466	244,734	244,734
Investments available for sale				
Capital instruments	2,596,828	2,596,828	2,375,589	2,375,589
DebtInstruments	917,299	917,299	722,552	722,552
Loan portfolio	4,854,128	4,854,128	4,646,011	4,646,011
Derivatives for hedging	999	999	3,897	3,897
Accounts receivable	21,686	21,686	13,945	13,945
Other Assets	1,020	1,020	839	839
Total	**9,420,426**	**9,420,426**	**8,007,567**	**8,007,567**
LIABILITIES				
Obligations to the public	104,617	104,617	72,226	72,226
Deposits from finance companies	230,845	230,845	188,634	188,634
Borrowings and financial obligations	2,670,568	2,775,197	3,107,689	3,196,262
Securities and obligations in circulation	3,791,218	3,790,647	2,087,989	2,087,752
Derivatives for hedging	100,237	100,237	74,813	74,813
Accounts payable	10,235	10,235	7,117	7,117
Other liabilities	45,749	45,749	49,927	49,927
Total	**6,953,469**	**7,057,527**	**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 September 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 September 2014				**As at the 31st December 2013**				
	Note	**Assets**	**Liabilities Reference value**	**Maturity**		**Assets**	**Liabilities Reference value**	**Maturity of**	**hedged instruments**
	S/. 000	S/. 000	S/. 000		S/. 000	S/. 000	S/. 000		
Derivatives denominated in Cash flow hedges									
Currency swaps - USD / JPY	131	-	4,659	15/02/2019	434	-	5,743	15/02/2019	Borrowings JBIC
Currency swaps - USD / JPY	445	-	10,979	15/02/2019	1,179	-	13,532	15/02/2019	Borrowings JBIC
Currency swaps - USD / JPY	103	-	10,662	15/02/2019	707	-	13,142	15/02/2019	Borrowings JBIC
Currency swaps - USD / JPY	468	-	11,457	15/02/2019	1,212	-	14,121	15/02/2019	Borrowings JBIC
Currency swaps - USD / JPY	-	312	10,945	15/02/2019	233	-	13,491	15/02/2019	Borrowings JBIC
Currency swaps - USD / JPY	-	427	8,458	15/02/2019	-	248	10,425	15/02/2019	Borrowings JBIC
Currency swaps - USD / JPY	-	359	13,731	15/02/2019	-	18	16,924	15/02/2019	Borrowings JBIC
Currencyswaps - PEN / USD	-	3,421	36,125	05/12/2025	-	4,626	36,457	05/12/2025	Borrowings BID US$ 25 MM
Currency swaps - USD / JPY	-	1,475	27,682	15/02/2019	-	861	34,119	15/02/2019	Borrowings JBIC
Currency swaps - USD / JPY	-	1,736	28,807	15/02/2019	-	1,112	35,506	15/02/2019	Borrowings JBIC
Currency swaps - USD / JPY	-	340	5,646	15/02/2019	-	218	6,959	15/02/2019	Borrowings JBIC
Currency swaps - USD / JPY	-	672	11,598	15/02/2019	-	421	14,295	15/02/2019	Borrowings JBIC
Currency swaps - USD / JPY	-	409	6,973	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
Currencyswaps - PEN / USD	-	2,424	38,250	15/02/2019	-	5,372	45,213	15/02/2019	Borrowings BID US$ 200 MM
Currency swaps - PEN / USD	-	2,129	38,250	15/02/2019	-	4,971	45,213	15/02/2019	Borrowings BID US$ 200 MM
Currency swaps - USD / JPY	-	74,691	237,339	08/09/2031	-	53,109	239,346	08/09/2031	Borrowings AFLAC
currency swaps - USD / JPY	-	4,883	68,565	20/10/2027	-	235	69,144	20/10/2027	Borrowings JICA currency
swaps - USD / JPY	-	262	3,850	20/10/2027	-	10	3,883	20/10/2027	Borrowings JICA Swaps de moneda
- USD / JPY	-	4,836	47,769	20/10/2027	-	-	-		Endeudamiento JICA Forward de moneda -
PEN / USD	-	-	-	12/03/2014	132	-	14,017	12/03/2014	Endeudamiento Citibank
	1,147	**98,376**	**621,745**		**3,897**	**71,967**	**642,920**		
Interest rate swaps - fixed rate / Rate Libor 6M - USD	-	-	-	15/02/2014	-	36	4,193	15/02/2014	Borrowings BID US$ 200 MM
Interest rate swaps - fixed rate / Rate Libor 6M - USD	-	1,861	39,015	15/02/2019	-	2,810	41,925	15/02/2019	Borrowings BID US$ 200 MM

-	1,861	39,015	-	2,846	46,118

As at the 30th of September 2014 and 30th of September 2013, the accumulated unrealised net loss from cash flow hedges, shown as other integral earnings in the results of current hedging (unrealised earnings of (in thousands) S/. -6,458 and S/. 48,937, 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 September 2014, the Corporation had nineteen currency swaps (twenty as at 31 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 September 2014, the Corporation held one (two as at 31 12 2013) interest rate swaps designed to cover the variable rate of certain borrowings, maturing 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 quarter 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, profitability risk and guidelines for the management and assignation of capital.

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

In accordance with SBS rules, the Corporation is obliged to maintain regulatory capital equal to or greater than 10% of risk-weighted assets and contingencies, including regulatory capital requirements for market risk, operating risk and credit risk. As at the 30th of September 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 September 2014 and 31st December 2013, the regulatory capital of COFIDE, calculated in accordance with current legislation was (in thousands) S/.2,796,913 and S/.1,882,271 respectively; This figure is used to calculate certain limits and restrictions applicable to banks in Peru, which the management believes it has met in full.

As at the 30th of September 2014, assets and contingent loans weighted by credit risk amounted to (in thousands) S/.5,846,245 (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 totaled (in thousands) S/.619,397 (S/.518,996 as at the 31st December 2013); which generate a global capital ratio of 45.16% (36.27% as at 31st December 2013).

23. SUBSEQUENT EVENTS

There are no known events occurring after the closing date of these financial statements and of this report that could have a significant effect on either of them.