COFIDE

FORM "A"

STATEMENT OF FINANCIAL POSITION

As of June 30, 2015

(in thousands of nuevos soles)

ASSETS	Currency Peruvian	Equivalent in F. C.	TOTAL
CASH	**52,711**	**150,363**	**203,074**
Banco Central de Reserva del Peru	6,122	56,422	62,544
Banks and other financial institutions in Peru	46,525	77,026	123,551
Bank and other financial institutions abroad	0	16,915	16,915
Others available	64	0	64
AVAILABLE FOR SALE INVESTMENTS	**2,723,852**	**1,386,732**	**4,110,584**
Capital instruments	2,339,156	264,997	2,604,153
Debt instruments	384,696	1,121,735	1,506,431
LOAN PORTFOLIO, NET	**2,118,439**	**3,489,349**	**5,607,788**
Current loans	2,502,804	3,668,369	6,171,173
Restructured loans	0	11,740	11,740
Refinanced loans	889	2,535	3,424
Past-due loans	242	52,751	52,993
Accounts under legal collection	0	1,297	1,297
- Provisions for loans	(385,496)	(247,343)	(632,839)
HEDGING DERIVATIVES	**(5,005)**	**9,420**	**4,415**
ACCOUNTS RECEIVABLE, NET	**55,569**	**64,675**	**120,244**
Accounts receivable from sale of goods and services and trusts	0	12	12
Other accounts receivable	55,569	64,663	120,232
ASSETS SEIZED, RECEIVED IN PAYMENT, AWARDED	**13,032**	**0**	**13,032**
Goods received in payment and awarded	13,032	0	13,032
PROPERTY, FURNITURE AND EQUIPMENT, NET	**13,389**	**0**	**13,389**
INTANGIBLE ASSETS	**6,626**	**0**	**6,626**
Other intangible assets	6,626	0	6,626
TAXES RECEIVABLE	**22,915**	**0**	**22,915**
OTHER ASSETS	**1,991**	**3,507**	**5,498**
TOTAL ASSETS	**5,003,519**	**5,104,046**	**10,107,565**

LIABILITIES	Currency Peruvian	Equivalent in F. C.	TOTAL
OBLIGATIONS TO THE PUBLIC	**13,922**	**2,015**	**15,937**
Time deposits	277	0	277
Other obligations	13,645	2,015	15,660
DEPOSITS BY BANKS AND FINANCIAL ORGANIZATIONS	**162,937**	**0**	**162,937**
Deposits	162,937	0	162,937
DEBT SECURITIES	**1,685,136**	**5,053,314**	**6,738,450**
Borrowings and obligations to Peruvian companies and financial institutions	948,147	0	948,147
Borrowings and obligations to foreign companies & internat. entities.	0	1,323,396	1,323,396
Other borrowings & obligations in Peru and abroad	0	174,219	174,219
Securities	736,989	3,555,699	4,292,688
HEDGING DERIVATIVES	**132,675**	**8,494**	**141,169**
ACCOUNTS PAYABLE	**5,604**	**3,548**	**9,152**
PROVISIONS	**5,404**	**55,253**	**60,657**
Provisions for contingent loans	451	43,230	43,681
Provision for litigation and claims	2,140	0	2,140
Others	2,813	12,023	14,836
DEFERRED INCOME TAXES	**227,261**	**0**	**227,261**
OTHER LIABILITIES	**3,029**	**398**	**3,427**
TOTAL LIABILITIES	**2,235,968**	**5,123,022**	**7,358,990**
EQUITY			
Capital	1,532,779	0	1,532,779
Additional paid in capital	517,233	0	517,233
Reserves	295,057	0	295,057
Other comprehensive income	318,144	23,903	342,047
Accumulated results	21,742	0	21,742
Net results of the fiscal year	39,717	0	39,717
TOTAL EQUITY	**2,724,672**	**23,903**	**2,748,575**
TOTAL LIABILITIES AND EQUITY	**4,960,640**	**5,146,925**	**10,107,565**
RISKS AND CONTINGENT COMMITMENTS	**64,372**	**564,667**	**629,039**

FORM "B 1"

STATEMENTS OF INCOME

For the six months ended as of June 30, 2015

(in thousands of nuevos soles)

	Currency Peruvian	Equivalent in F. E.	TOTAL
INTEREST INCOME	**112,436**	**139,090**	**251,526**
Cash	838	662	1,500
Available for sale investments	13,641	22,767	36,408
Direct loan portfolio	97,957	115,661	213,618
INTEREST EXPENSES	**47,480**	**101,011**	**148,491**
OBLIGATIONS TO THE PUBLIC	**1,029**	**110**	**1,139**
Deposits by Banks and financial organizations	**4,519**	**0**	**4,519**
Debts and financial obligations	**40,104**	**99,275**	**139,379**
Debts and obligations to local financial entities	0	0	0
Debts and obligations to foreign financial entities and international financial organizations	0	18,448	18,448
Other debts and obligations in the country and abroad	0	746	746
Commissions and other charges from debts and financial obligations	116	4,427	4,543
Securities, bond and outstanding obligations	20,036	75,654	95,690
Payable interests	**1,296**	**0**	**1,296**
Interest on accounts payable	1,296	0	1,296
Net loss from hedging transactions	**532**	**1,626**	**2,158**
GROSS FINANCIAL MARGIN	**64,956**	**38,079**	**103,035**
PROVISIONS FOR LOAN LOSSES	**19,583**	**3,385**	**22,968**
NET FINANCIAL MARGIN	**45,373**	**34,694**	**80,067**
INCOME FROM FINANCIAL SERVICES	**10,412**	**6,655**	**17,067**
Income from indirect loans	478	3,693	4,171
Income from trusts and trust commissions	9,934	2,411	12,345
Sundry income	0	551	551
EXPENSES FOR FINANCIAL SERVICES	**450**	**2,652**	**3,102**
Sundry expenses	450	2,652	3,102
NET FINANCIAL MARGIN OF INCOME AND EXPENSES FOR FINANCIAL SERVICES	**55,335**	**38,697**	**94,032**
Profit/(loss) from financial operations	**(7,024)**	**(3,024)**	**(10,048)**
Available for sale investments	2	86	88
Net loss from hedging operations	(7,029)	(12,199)	(19,228)
Earnings from exchange difference	0	0	0
Others	3	1,934	1,937
OPERATING MARGIN	**48,311**	**35,673**	**83,984**
ADMINISTRATIVE EXPENSES, DEPRECIATION AND AMORTIZATION	**31,385**	**3,523**	**34,908**
Personnel and Board of Directors' expenses	20,350	246	20,596
Expenses for services received from third parties	8,200	3,266	11,466
Taxes and contributions	2,835	11	2,846
Depreciation and amortization	2,126	0	2,126
NET OPERATING MARGIN	**14,800**	**32,150**	**46,950**
NET VALUATION OF ASSETS AND PROVISIONS	**2,680**	**9,844**	**12,524**
Provisions for indirect loans	(2,498)	2,074	(424)
Provisions for impairment of accounts receivable	571	1,491	2,062
Provision for seized goods, received in payment, recovered and awarded, and others	3,239	0	3,239
Deterioration of investments	0	4,771	4,771
Provision for lawsuits and claims	423	0	423
Other provisions	945	1,508	2,453
OPERATING PROFIT	**12,120**	**22,306**	**34,426**
Other income and expenses	238	2,802	3,040
PROFIT BEFORE INCOME TAX	**12,358**	**25,108**	**37,466**
Income tax	2,251	0	2,251
NET INCOME FOR THE YEAR	**14,609**	**25,108**	**39,717**

NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2015 AND AS OF DECEMBER 31, 2014

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

(a) Incorporation and economic activity

Corporación Financiera de Desarrollo S.A. - COFIDE (COFIDE or Bank) is a company where the Peruvian Government has an equity interest of 98.00% (represented by Fondo Nacional de Financiamiento de la Actividad Empresarial del Estado – FONAFE, attached to the Ministry of Economy and Finances – MEF) and the Corporación Andina de Fomento – CAF, holds another 1.00%. COFIDE also maintains treasury shares representing 1.00% of total capital.

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

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

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

COFIDE's legal address is Augusto Tamayo N° 160, San Isidro and the number of personnel (Managers, officers and employees) as of June 30, 2014, and December 31, 2015, was 190, and 193, respectively.

These financial statements have been prepared only for the purposes of the offering of notes exclusively to institutional investors under the Rule "144 A" and Regulation "S" of the U.S. Securities laws.

(b) Approval of the Financial statements

The financial statements for the six months ended June 30, 2015, prepared in accordance with generally accepted accounting principles in Peru (GAAP in Peru) applicable to financial entities, were authorized for issuance by COFIDE's Management on July 10, 2015. These financial statements shall be submitted for approval to the Board of Directors and then to the Shareholders' Meeting. COFIDE's Management believes that the financial statements, included herein, will be approved by the Board of Directors and at the Shareholders' Meeting without further amendments. The financial statements for the year ended December 31, 2014, prepared in accordance with GAAP in Peru for financial entities, were approved at the Shareholders' Meeting held on March 24, 2015.

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

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

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

(a) Statement of Compliance

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

COFIDE's management believes that the application of amendments to the Accounting Manual should not materially affect its financial statements as from 2013, onwards.

(b) Basis of measurement

The SBS has established that in the event of situations not anticipated by generally accepted accounting principles in Peru, for financial entities, the provisions set forth in GAAP in Peru shall be applied.

Peru GAAP are composed of: the standards and interpretations issued or adopted by the International Accounting Standards Board (hereinafter, IASB) which includes

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

(c) Functional and presentation currency

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

(d) Responsibility for information and significant estimates

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Changes in accounting estimates

According to management, as of June 30, 2015, and throughout 2014, COFIDE has made no adjustments deriving from changes in accounting policies and/or accounting errors. During 2014 the Corporation made the following changes in accounting estimates resulting from regulatory changes:

- Deactivation of the procyclic factor applicable to the provision for non-performing loans

  On the 27th of November 2014 the SBS issued Circular B-2224–2014, which deactivating the procyclic calculation of provision for non-performing loans from the 1st of November 2014 (see note 3(d)).

- Changes in income tax rates

As of December 31, 2014, the Income Tax Act modified the tax rate for third category income earners domiciled in Peru, the net effect of which on the financial statements as of June 30, 2015, and December 31, 2014, was to increase deferred income tax assets and reduce deferred income tax liabilities by (in thousands) S/.14,444 and S./.17,836, respectively (see note 18 (g)).

(b) Financial instruments

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

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

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

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

(c) Derivatives financial instruments

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

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

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

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

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

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

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

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

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

(d) Loan portfolio and provision for loan losses

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

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

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

The provision for loans and allowance for loan losses is established in accordance with the criteria and percentages set forth in Resolution SBS N° 11356-2008 “Regulations for the Evaluation and Classification of Debtors and Required Provisions”.

Types of loans

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

Categories of classification

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

Requirements of provisions

In accordance with accounting standards and practices authorized by the SBS, COFIDE makes two classes of provisions for loan portfolio: general and specific provisions.

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

Pursuant to internal policies, and as permitted by the SBS, COFIDE establishes voluntary general provisions for the loan portfolio, whose level depends on the assessment conducted by Management on the conditions of the macroeconomic variables of the country and their impact on IFIs and debtors in general (Note 7). Also, general voluntary provisions are established as a precautionary measure on certain debtors with higher risk exposure.

In this regard, through Board of Directors agreements N° 066-2005 and Nº 003-2007, dated September 15, 2005 and January 11, 2007, respectively, the reallocation and constitution of general voluntary provisions was approved based on the following maximum provision rates:

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

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

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

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

COFIDE uses the aforementioned criteria to constitute the specific provision of accounts receivable for transferred loan portfolio, included in “Other assets” (Note 9(b)).

As of June 30, 2015, and December 31, 2014, general and specific provisions are determined according to SBS. Minimum required percentages for provisions constitution are as follows:

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

Procyclical component

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

The provision for “procyclical standard” is deactivated since November 2014, in accordance with Circular Letter N° B-2224-2014 dated November 27, 2014. Circular Letter N° B-2224-2014 also states that procyclical provisions may be reassigned to cover new debtors’ provisions. Provision percentages applied are shown as follows:

Type of loan	Provision rate
Corporate sized company loans	0.40%
Large sized company loans	0.45%
Medium sized company loans	0.30%
Small sized company loans	0.50%
Micro - Enterprise sized company loans	0.50%
Revolving consumer loans	1.50%
Non-revolving consumer loans	1.00%
Mortgage loans	0.40%

For corporate loans to large business and mortgages that have self-liquidating preferred guarantees, the pro-cyclical component shall be 0.3% for the portion covered by such guarantees. For other loans that count with self-liquidity preferred guarantees, the pro-cyclical component will be 0% for the portion covered by such guarantees. For consumer loans by discount agreements with paychecks, the pro-cyclical component will be 0.25%, as long as it complies with SBS Resolution N° 11356-2008.

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

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

(e) Investments

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

COFIDE holds investments within the following categories:

(e.1) Available for sale investments

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

Gains or losses for exchange rate differences in representative equity instruments shall be recognized in equity accounts and debt instruments shall be recognized in the statement of income.

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

Provisions for impairment in investments' value are based on internal evaluations made by COFIDE, depending on the credit risk and exchange rate risk that the investment issuer has. Accumulated loss for value impairment that has been directly recognized in equity shall be withdrawn from this and recognized in the profit for the year, provide such investment instruments have not been sold or withdrawn.

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

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

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

(f) Property, furniture and equipment

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

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

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

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

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

(g) Foreclosed, received and awarded goods

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

In accordance with Resolution SBS N° 1535-2005, COFIDE shall establish the following provisions:

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

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

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

(h) Intangible assets

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

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

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

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

(i) Impairment loss

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

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

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

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

(k) Income tax

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

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

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

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

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

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

(l) Employees' benefits

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

(l.1) Employees' profit-sharing

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

(l.2) Vacations

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

(l.3) Severance or seniority indemnities

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

(m) Provisions

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

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

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

(n) Contingent assets and liabilities

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

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

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

(o) Dividend distribution

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

(p) Income and expense recognition

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

Commissions for trust services are recognized as income as accrued. Other income and expenses are recorded for the year when accrued.

(q) Trust activity

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

(r) Foreign currency

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

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

(s) Earnings per share

Earnings per share are calculated by dividing net earnings from shareholders by weighted averages of outstanding shares during the period. For shares generated by capitalization of earnings, it is considered, for the calculation of the weighted average that said shares were always outstanding during the year. As of December 31, 2014, 2013 and 2012, COFIDE does not have financial instruments with dilutive effects; therefore basic and diluted earnings per share are the same (Note 17).

(t) Cash and cash equivalents

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

(u) Other comprehensive income

The components of the other comprehensive income correspond to profit or loss for available for sale investments, cash flow hedges and share in CAF investments, net of their pertinent deferred income tax.

4. NEW ACCOUNTING RULES

(a) Pronouncements of the Accounting Standards Board – CNC

By virtue of Resolution N° 053-2013-EF/30, issued on September 11, 2013, the CNC approved to make official the 2013 versions of IFRS (IAS, IFRS, IFRIC and SIC), according to the corresponding effective dates of each Standard, rendered official under such Resolution.

By virtue of Resolution N° 055-2014-EF/30, issued on July 24, 2014, the CNC approved to make official the 2014 version of International Financial Reporting Standards (IAS, IFRS, IFRIC and SIC), according to the corresponding effective dates of each Standard, rendered official under such Resolution.

Amendments to IFRS and interpretations applicable are detailed below:

- IFRS 10 "Consolidated Financial Statements". Effective for annual periods beginning on or after January 1, 2014.

- IFRS 12 "Disclosure of Interests in Other Entities". Effective for annual periods beginning on or after January 1, 2014.

- IAS 27 "Separate Financial Statements". Effective for annual periods beginning on or after January 1, 2014.

- IAS 32 "Financial Instruments: Presentation – Clarification of Requirements for offsetting financial assets and financial liabilities". Effective for annual periods beginning on or after January 1, 2014.

- IAS 36 "Impairment of Assets – recoverable amount disclosures for non-financial assets". Effective for annual periods beginning on or after January 1, 2014.

- IAS 39 “Financial Instruments: Recognition and Measurement – Novation of derivatives and continuation of hedge accounting”. Effective for annual periods beginning on or after January 1, 2014.

- IFRIC 21 “Levies”. Effective for annual periods beginning on or after January 1, 2014.

- Amendments to IAS 19 “Employee Benefits – Defined Benefit Plans: Employee Contributions”. Effective for annual periods beginning on or after July 1, 2014.

New and revised IFRS that are not mandatorily effective (but allow early application) for the year ended December 31, 2014:

- IFRS 9 “Financial Instruments”. Effective for annual periods beginning on or after January 1, 2018.

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

- IFRS 15 “Revenue from Contracts with Customers”. Effective for annual periods beginning on or after January 1, 2017.

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

- Amendments to IFRS 16 “Property, Plant and Equipment”. Effective for annual periods beginning on or after January 1, 2016.

- Amendments to IFRS 38 “Intangible Assets”. Effective for annual periods beginning on or after January 1, 2016.

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

(b) Main pronouncements of the SBS

N°	Description of the Standard	Effective as of
B-2224-2014	Approval of the deactivation of the procyclical standard.	November 2014
OM-43078-2014	The SBS stated that the fair value of the loan and deposit portfolio corresponds to the carrying amount.	November 2014
R-1014-2014	Amendments to Annex 7-A and 7-B of Chapter V “Complementary Information” of the Accounting Manual.	March 2014
R-1802-2014	Amendments to the Regulations for the Evaluation and Classification of Debtors and Required Provisions.	March 2014
R-4128-2014	Amendments to the Accounting Manual for Financial Entities and the Regulations for the Requirement of Regulatory Capital per Operational Risk.	July 2014
R-5254-2014	Amendments to the Regulations for Liquidity Risk Management and the Accounting Manual for Financial Entities.	September 2014
R-5790-2014	Approval of the Regulations for Repo Operations applicable to Financial Entities.	September 2014

5 CASH

This item includes:

	30 06 2015	31 12 2014
	S/. 000	S/. 000
Banco Central de Reserva del Perú-BCRP (a)	62,544	155,298
Checking accounts	140,412	372,235
Accrued interest from cash	55	275
Other deposits	64	64
Provision for country risks (b)	(1)	(4,190)
Total	**203,074**	**523,682**

(a) As of June 30, 2015, BCRP included (in thousands) US$ 460 and S/ 6,122 (in thousands), US$ 888 and S/.3,246, as of December 31, 2014, corresponding to the statutory reserve that financial institutions in Peru must maintain to cover deposits and obligations to third parties. These funds are kept in the companies' own vaults or are deposited with the BCRP. Funds representing the minimum statutory reserve do not generate interest. The additional statutory reserves accrue interest at a rate established by the BCRP. In accordance with current legislation, statutory reserve funds cannot be seized.

As of June 30, 2015, the BCRP includes (in thousands) US$17,300, and S/.0.0 (US$35,800 and S/.42,500 as of December 31, 2014) for overnight deposits with the BCRP that accrue interest at an effective annual rate of 0.1378% in foreign currency. Overnights accrued interest during fiscal year 2015 amounting to (in thousands) US$17 and (in thousands) S/.61, ((in thousands) S/. US$ 12 and S/. 87, as of December 31, 2014) included under “interest earnings on available funds” in the results.

(b) Provisions were recorded for country risk - available funds as of June 30, 2015 amounting to (in thousands) S/. 1 ((in thousands) S/. 4,190 as of December 31, 2014), arising from the Corporation's deposits in foreign banks (subject to the regulatory provision for country risk). These deposits are short term and therefore as expected, the provision requirement has gradually been reduced. It should be pointed out that these provisions were made in accordance with instructions from the SBS and the Corporation's internal policies on this matter.

6. AVAILABLE FOR SALE INVESTMENTS

This item includes:

	30 06 2015 S/. 000	31 12 2014 S/. 000
CAF shares (note 3 (e.2.))	2,339,156	2,339,156
Mutual funds	239,265	314,981
Investment funds	22,817	20,266
Shares	2,915	2,561
Capital instruments	**2,604,153**	**2,676,964**
Structured bonds	1,145,536	823,548
Corporate bonds	274,284	262,877
Securitised bonds	38,996	45,786
Structured bonds / repurchase agreements	0	29,805
Sovereign bonds	19,319	18,581
Commercial paper	0	2,966
Subordinated bonds	2,285	2,377
	1,480,420	**1,185,940**
Accrued yield	26,011	27,329
Debt instruments	**1,506,431**	**1,213,269**
Total	**4,110,584**	**3,890,233**

Investment in the CAF was a contribution by the Peruvian Government between 1989 and 2000, in the form of class "B" shares in the CAF. The class "B" shares have a nominal value of US$5,000 each, and enable their holder to appoint a representative to the board of directors. As of June 30, 2015, and December 31, 2014, the Corporation held 97,951 class “B” shares representing 11.73% and 12.43% of capital of CAF, respectively.

As part of the harmonisation process with IFRS and taking into account that shares in CAF do not pay cash dividends, have no active public market, a reasonable estimate of the value of the investment cannot be made and with reference to SBS official communication N° 45853-2012-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 December 31th, 2012 (note 3 (e.2)).

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

As of December 31,20144, structured bonds / repurchase agreements consisted of bonds issued by Terminales Portuarios Paita issued to guarantee short-term financing and held in trust administered by COFIDE (note 10(c)).

Furthermore, as of June 30, 2015, and December 31, 2014, the Corporation made provisions of (in thousands) S/. 12,023 and S/. 9,877, respectively for exposure to credit risk deriving from exchange rate risk – RCDR by its investments in foreign currency, as a result of internal reviews. (Note 12 (b)).

According to the Corporation's policy as of June 30, 2015, and December 31, 2014, they were invested in instruments having a credit rating of “BB-“ and “AAA” (see note 21.1. (e)).

The market value and unrealised results of these investments are as follows:

Type of instrument	Maturities	Interest rate (coupon)		Market value		Impairment Provision		Unrealised results	
		As at 30th June 2015 %	As at 31st Dec. 2014 %	As at 30th June 2015 S/. 000	As at 31st Dec. 2014 S/. 000	As at 30th June 2015 S/. 000	Al 31 de Dic. 2013 S/. 000	As at 30th June 2015 S/. 000	As at 31st Dec. 2014 S/. 000
Peruvian currency									
Structured bonds	Between January 2033 & June 2037	Between 5.97% & 8.58%	Between 5.97 & 8.58	328,545	350,459	0	0	2,574	23,209
Corporate bonds	September 2025	6.63%	Between 6.625 & 6.8437	30,106	30,702	0	0	12,351	13,061
Securitised bonds	Between June 2015 & December 2016	8.50%	8.50	23,723	30,469	0	0	104	242
Commercial paper	March 2015	6.60%	6.60	0	2,966	0	0	0	(4)
Subordinated bonds	October 2022	7.17%	7.17	2,322	2,416	0	0	(277)	(185)
				384,696	**417,012**	**0**	**0**	**14,752**	**36,323**
CAF shares (Note 3 (e.2))	-	-	-	2,339,156	2,339,156	0	0	404,261	404,261
				2,723,852	**2,756,168**	**0**	**0**	**419,013**	**440,584**
Foreign currency									
Structured bonds	Between December 2033 & April 2037	Between 5.88% & 8.125%	Between 6.0 & 8.125	829,967	487,056	0	0	14,433	17,796
Corporate bonds	Entre mayo 2016 y enero 2021	Between 6.50% & 9.875%	Between 6.50 & 9.875	252,292	240,046	0	0	7,282	6,478
Structured bonds / repurchase agreements	Marzo 2015	8.125%	8.125%	0	30,448	0	0	0	(10,624)
Securitised bonds	February 2021	7.3475%	7.3475%	19,379	19,384	0	0	1,023	688
Sovereign bonds	December 2015	8.00%	8.00%	20,096	19,323	0	0	639	301
Mutual funds	No contractual maturity	-	-	239,266	314,981	0	0	854	118
Investment funds	No contractual maturity	-	-	22,817	20,266	(4,771)	0	(2,392)	(5,906)
Bladex shares	No contractual maturity	-	-	2,915	2,561	0	0	2,066	1,763
				1,386,732	**1,134,065**	**(4,771)**	**0**	**23,905**	**10,614**
Total				**4,110,584**	**3,890,233**	**(4,771)**	**0**	**442,918**	**451,198**

7. LOAN PORTFOLIO, NET

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

	30 06 2015 S/. 000	31 12 2014 S/. 000
Direct loans		
Loans to intermediate financial institutions	5,738,806	5,390,624
Loans	160,617	13,201
Restructured loans	13,291	12,492
Refinanced loans	3,865	5,066
Overdue loans	53,787	144,058
Loans to be settled and subject to legal action	1,264	1,219
Sub Total	**5,971,630**	**5,566,660**
Plus:		
Accrued yield from loans	272,756	225,742
Minus:		
Provision for non-performing loans	(632,839)	(594,442)
Deferred interest	(3,792)	(3,213)
	(636,631)	(597,655)
Total	**5,607,755**	**5,194,747**
Contingent loans - guarantees & letters of guarantee (Note 14)	**614,091**	**658,468**

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 BCRP and/or the nominated operating bank and ii) through an assignment of rights to the portfolio of loans financed by the Corporation's funds up to the value of the debt including interest, commissions, penal interest and other costs; this assignment to take effect if the bank fails to pay an instalment or when, in the judgement of the Corporation, special circumstances exist that make collection of the funds granted difficult. For other IFIs the cover is similar, except that an operating bank is designated in place of the BCRP.

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

	Number of debtors		Total portfolio	
	30 06 2015	31 12 2014	30 06 2015	31 12 2014
			S/. 000	S/. 000
Normal	125	127	6,005,448	5,408,720
With potential problems	21	21	440,415	613,745
Deficient	8	9	81,496	197,664
Doubtful	5	3	53,081	343
Lost	4	4	1,522	1,443
Total	**163**	**164**	**6,581,962**	**6,221,915**

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

	30 06 2015		31 12 2014	
	S/.000	%	S/.000	%
Second tier portfolio:				
Banks	4,705,157	78.7	4,137,297	74.3
Financial institutions	567,767	9.5	781,736	14.0
Municipal savings & loans	333,458	5.6	316,827	5.7
Edpymes	67,027	1.1	72,733	1.3
Financial leasing	35,444	0.6	34,947	0.6
Cooperatives	16,607	0.3	26,357	0.5
Rural savings & loans	13,346	0.2	20,727	0.4
Factoring	1,907	0.0	3,284	0.1
	5,740,713	96.0	5,393,908	97.0
First tier portfolio:				
Financial leasing & promissory notes	213,923	3.6	160,387	2.9
Other loans (i)	17,027	0.3	12,365	0.2
	230,950	3.9	172,752	3.0
Total portfolio	**5,971,663**	**100.0**	**5,566,660**	**100.0**
Rendimiento devengado de créditos	272,756		225,742	
Total general	**6,244,419**		**5,792,402**	

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

(b) Rates of interest and guarantees:

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

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

	30 06 2015		31 12 2014	
	Loans in		Loans in	
	S/.	US$	S/.	US$
	%	%	%	%
Short-term working capital	6.13	1.75	6.53	1.8
COFIDE own resources	9.59	5.27	9.37	5.71
Medium-term working capital	9.24	6.74	9.37	7.02
Probid II	-	Libor 6M + 4.44	-	Libor 6M + 4.46
Structured financial products	23.99	10.66	21.27	10.91

(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 2013	**599,097**	**44,994**	**644,091**
Provision for fiscal year	100,444	5,393	105,837
Recoveries	(115,254)	(11,423)	(126,677)
Write-downs	(930)	-	(930)
Exchange rate differences	11,085	2,600	13,685
Balances as at 31st December 2014	**594,442**	**41,564**	**636,006**
Provision for fiscal year	53,480	3,134	56,614
Recoveries	(29,465)	(3,557)	(33,022)
Exchange rate differences	14,382	2,540	16,922
Balances as at 30th June 2015	**632,839**	**43,681**	**676,520**

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

	30 06 2015			31 12 2014		
	Direct	Contingent	Total	Direct	Contingent	Total
	S/.000	S/.000	S/.000	S/.000	S/.000	S/.000
Specific	141,551	-	141,551	147,194	-	147,194
Generic for normal clients	56,777	4,664	61,441	55,531	5,470	61,001
Voluntary generic	434,511	39,017	473,528	391,717	36,094	427,811
Total	**632,839**	**43,681**	**676,520**	**594,442**	**41,564**	**636,006**

As of June 30, 2015, and December 31, 2014, the Corporation had recorded the total obligatory value required by the SBS for generic provisions.

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

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

(d) As of June 30, 2015, approximately 96% of the loan portfolio was concentrated in IFIs (97% as of December 31, 2014).

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

Economic sector	30 06 2015		31 12 2014	
	S/. 000	%	S/. 000	%
Commercial & microenterprise loans				
Financial intermediation	5,738,806	96.10	5,390,624	96.84
Farming, livestock, hunting & forestry	148,409	2.49	109	0.00
Manufacturing industry	49,548	0.83	144,157	2.59
Hotels & restaurants	16,191	0.27	16,305	0.29
Housing mortgages	10,122	0.17	9,638	0.17
Trade	4,193	0.07	0	0.00
Other community services	1,906	0.04	3,285	0.06
Transport, storage & communications	1,058	0.02	993	0.02
Consumer loans	1,414	0.02	1,507	0.03
Real estate, business & rentals	16	0.00	42	0.00
Total	**5,971,663**	**100.00**	**5,566,660**	**100.00**

(f) The loan portfolio has the following maturities:

	30 06 2015		31 12 2014	
	S/.000	%	S/.000	%
Up to one year	2,107,926	35.3	1,966,823	35.3
More than 1 but less than 2 years	576,934	9.7	544,443	9.8
More than 2 but less than 3 years	412,639	6.9	314,973	5.7
More than 3 but less than 4 years	547,464	9.2	348,011	6.3
More than 4 but less than 5 years	475,526	8.0	340,937	6.1
More than 5 years	1,796,090	30.1	1,906,196	34.3
Sub Total	**5,916,579**	**99.1**	**5,421,383**	**97.4**
Overdue and subject to legal action	55,084	0.9	145,277	2.6
Total loan portfolio	**5,971,663**	**100.0**	**5,566,660**	**100.0**

(g) First tier portfolio (assigned)

In accordance with its global contracts for channelling funds with IFIs, the Corporation entered into complementary agreements with certain IFIs, by which the IFIs in question assigned their rights and contractual positions in a number of loan contracts to the Corporation. Furthermore, some IFS liquidated and taken over by the SBS assigned to the Corporation various lending and financial leasing contracts as payment of their obligations to the Corporation.

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

	Latino Leasing	Banco Nuevo Mundo	NBK Bank	Consolidated operations	Total
	US$ 000	US$ 000	US$ 000	US$ 000	US$ 000
Balances as at 31.12.2013	**3,417**	**2,758**	**415**	**1,476**	**8,066**
Loans received (*)	-	-	-	48,202	48,202
Recoveries & others	(2,140)	(44)	(371)	-	(2,555)
Balances as at 31.12.2014	**1,277**	**2,714**	**44**	**49,678**	**53,713**
Equivalent in soles as at 31.12.2014	**3,813**	**8,104**	**131**	**148,339**	**160,387**
Loans received (*)	-	-	-	46,694	46,694
Recoveries & others	(364)	(7)	(19)	(32,682)	(33,072)
Balances as at 30.06.2015	**913**	**2,707**	**25**	**63,690**	**67,335**
Equivalent in soles as at 31.03.2015	**2,901**	**8,600**	**79**	**202,343**	**213,923**

(*) The Corporation signed joint financing contracts in August 2013 with Itau BBA S.A. in order to participate in a financing project with Maple Etanol S.R.L. and Maple Biocombustibles amounting to (in thousands) US$ 40,000, and in April 2014 with Banco Interbank in order to take part in another financing project with Maple Etanol S.R.L. and Maple Biocombustibles valued at (in thousands) US$15,000. In December 2014 the Corporation assigned the rights to its loan portfolio to Itau BBA S.A. and Banco Interbank as a result of a non-payment by Maple Etanol S.R.L. and Maple Biocombustibles.

(**) Through contracts for the assignment of rights and contractual position, the financial intermediaries who are owed money by Fiducia Cayalti assigned their debts to Cofide. Temporarily, and as part of the intervention by our investor in EAI Cayalti SAA, Cofide assigned these debts to Consorcio Peruano Japonés Intipuquio SAC.

8. PROPERTY, FURNITURE AND EQUIPMENT, NET

Changes in the cost and accumulated depreciation of property, furniture and equipment as of June 30, 2015, and December 31, 2014, were as follows:

	Initial balance S/. 000	Additions S/. 000	Withdrawals S/. 000	Final balance S/. 000	Depreciation rates %
Cost:					
Land	469	-	-	469	
Buildings and facilities	21,873	-	-	21,873	
Furniture and fixtures	2,544	7	-	2,551	
Transportation units	184	-	-	184	
Sundry Equipment	15,889	1,530	-	17,419	
Total	40,959	1,537	-	42,496	
Accumulated depreciation:					
Buildings and facilities	15,728	302	-	16,030	3 and 10
Furniture and fixtures	2,059	45	-	2,104	10
Transportation units	184	-	-	184	20
Sundry Equipment	9,840	949	-	10,789	10 and 25
Total	27,811	1,296	-	29,107	
Net	13,148			13,389	

In the opinion of the management, the recoverable values of real estate, fixtures and fittings as of June 30, 2015, and December 31, 2014, are higher than their book values, therefore it was not considered necessary to make any provision for losses due to 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.

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

This item includes:

	30 06 2015 S/. 000	31 12 2014 S/. 000
Fair value - hedging derivatives - rate swaps	4,560	0
Fair value - hedging derivatives - currency swaps	0	139
Provision for country risk - derivatives	(145)	(139)
Hedging derivatives (Note 12 (a))	**4,415**	**0**
Restricted funds / Funds under guarantee - Margin Call (a)	55,343	49,538
Account receivable from MEF-Law 30283 (Note 13 (b))	52,182	0
Accounts receivable - various	15,007	9,610
Accounts receivable from assigned loan portfolio	2,002	1,923
Commissions receivable	2,811	1,800
Provisions for accounts receivable and others (b)	(7,101)	(6,462)
Accounts receivable, net	**120,244**	**56,409**
Software	14,534	14,398
Software accumulated amortization	(7,908)	(7,079)
Intangible assets, net (c)	**6,626**	**7,319**
Commissions and others paid in advance	3,953	1,765
Works of art and library	775	765
Various	770	1,392
Other assets	**5,498**	**3,922**
Total	**136,783**	**67,650**

(a) As of June 30, 2015, the Corporation held funds in guarantee amounting to (in thousands) US$17,420 (US$16,590 as of December 31, 2014) in favour of J. Aron & Company (J. Aron & Company as of December 31, 2014) in the form of a margin call in order to guarantee the Corporation's interest rate and currency hedging operations.

(b) The balance of provisions for accounts receivable - various, assigned loan portfolio and commissions receivable consists of:

	30 06 2015 S/. 000	31 12 2014 S/. 000
Specific provision	3,795	2,177
Voluntary generic provision	3,306	4,285
Total	7,101	6,462

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

	30 06 2015 S/. 000	31 12 2014 S/. 000
Opening balances	6,462	5,111
Provision for the year	2,200	2,452
Reversals	(137)	(183)
Write-offs	(1,561)	(1,131)
Exchange rate differences	137	213
Closing balances	7,101	6,462

(c) This software consists principally of SAP system licences. As of June 30, 2015,, the Corporation had acquired (in thousands) S/. 137 (S/..2,696,696 as of December 31, 2014) and recorded amortisation of (in thousands) S/. 829 (S/. 151 as of June 30, 2014), included under “Depreciation and amortisation” in the income statement.

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

This item includes:

	30 06 2015	31 12 2014
	S/. 000	S/. 000
Time deposits	155,988	191,784
Deposits in guarantee	15,181	18,151
Reporting operations	-	28,861
Other obligations	277	-
	171,446	238,796
Interest accrued	6,952	3,717
	178,398	**242,513**
Severance indemnities	476	513
Total	**178,874**	**243,026**

(a) As of June 30, 2015, term deposits consisted principally of Peruvian currency funds from CMAC Trujillo, CMAC Arequipa and CMAC Santa, which accrue interest at annual market rates of between 4.16% and 5.40% and mature between July and September 2015. As of December 31, 2014, term deposits consisted principally of Peruvian currency funds from CMAC Trujillo and CMAC Arequipa, which accrue interest at annual market rates of between 4.40% and 5.40% and mature between March and September 2015.

(b) As of June 30, 2015, deposits in guarantee including amounts withheld from pledged disbursements in favour of the Corporation to support lending operations valued at (in thousands) S/. 13,480 and US$535, accrue interest at annual market rates of 2.30% in Peruvian currency and 0.1279% in foreign currency and mature between September and December 2015. As of December 31, 2014, deposits in guarantee included withholdings on pledged disbursements to the Corporation to support lending operations valued at (in thousands) S/.16,552 and US$535, they accrued interest at annual market rates of 2.30% in Peruvian currency and 0.1279% in foreign currency and became due between March and August 2015.

(c) During the first six months ended as of June 30, 2015, repo transactions were closed at their maturity date. As of December 31, 2014, repo transactions consisted of funds in Peruvian currency held in Peruvian currency in various trusts administered by the Corporation, which accrue interest at market rates varying between 3.88% and 4.72% in soles; they are guaranteed by structured bonds issued by Terminales Portuarios Paita, and mature between March and June 2015.

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

	30 06 2015	31 12 2014
	S/. 000	S/. 000
Up to one month	34,416	4,847
More than 1 month and up to 3 months	136,753	11,767
More than 3 months and up to 6 months	753	63,311
More than 6 months and up to 12 months	-	159,384
Total	**171,922**	**239,309**

11. DEBT SECURITIES

This item includes:

	30 06 2015	31 12 2014
	S/. 000	S/. 000
Debts with financial entities (a)	2,445,762	2,835,231
Financial obligations (b)	4,292,688	3,910,495
	6,738,450	6,745,726

(a) As of June 30, 2015 debts with financial entities are detailed below:

Name of creditor		Rate	30 06 2015	31 12 2014	Maturity
		%	S/.000	S/.000	
Bank of Tokyo - Mitsubishi / Sindicaded		Libor (3M) + 1.725%	635,400	597,200	September 2016
Bank of Tokyo - Mitsubishi / Bilateral		Libor (3M) + 0.70%	317,700	298,600	February 2017
Scotiabank Perú		from 3.80% to 5.98%	318,000	420,000	December 2015
Banco de la Nación del Perú		from 3.95% to 4.90%	219,000	308,000	December 2015
BBVA Banco Continental		from 4.25% to 4.90%	340,500	227,000	September 2015
American Family Life Assurance of Columbus Japan Branch - AFLAC		3.75%	233,460	224,370	September 2031
Banco Internacional del Perú - INTERBANK		from 5.89% to 7.24%	57,075	43,010	September 2022
Corporación Andina de Fomento - CAF		Libor (6M) + 2.8%	95,310	89,580	October 2016
Nordic Investment Bank		Libor (6M) + 0.85%	11,914	14,930	September 2015
CAF share issue - financial liability (Note 13 (a))			26,252	24,673	December 2023
Corporación de Fomento a la Produccion - CORFO		4.25%	-	178	June 2015
Sub Total			**2,254,611**	**2,247,541**	
Banco Interamericano de Desarrollo - BID	(a.2)		-	171,390	
Banco Interamericano de Desarrollo - BID	(a.2)		-	36,646	
Banco Interamericano de Desarrollo - BID	(a.2)		-	35,703	
Banco Interamericano de Desarrollo - BID	(a.2)		-	1,067	
Japan Bank For International Coopetation - JBIC	(a.2)		-	143,680	
Kreditanstalt Fur Wiederaufbau - Fase II	(a.2)		-	18,015	
Kreditanstalt Fur Wiederaufbau - Fase I	(a.2)		-	13,856	
The Opec Fund For International Cooperation	(a.2)		-	996	
Japan International Coopetation Agency- JICA		from 0.01% to 0.60%	118,220	113,617	October 2027
Kreditanstalt Fur Wiederaufbau - EREE		1.95%	54,288	33,108	June 2025
Sub Total (a.1)			**172,508**	**568,078**	
Commissions for structuring obligations to Bank of Tokyo-Mitsubishi / Syndicated and bilateral			(3,268)	(4,164)	
Sub total			**2,423,851**	**2,811,455**	
Interest			21,911	23,776	
Total			**2,445,762**	**2,835,231**	

(a.1) These loans were first granted by the multilateral entities detailed in the table above to the Republic of Peru, represented by the MEF. These funds were transferred to the Corporation by means of "pass-through agreements. In addition, an irrevocable payment authorisation on the original foreign currency account established by the Corporation at the Central Reserve Bank of Peru was included in order to guarantee debt servicing of these agreements.

(a.2) In accordance with the fourth final and complementary provision of Law N° 30283, the Corporation's debt to the MEF was capitalised on the 15th of February 2014 (see notes 9 and 13 (b)).

As of June 30, 2015, and December 31, 2014, loans in yen, euros and certain loans denominated in United States dollars are associated with swap contracts aimed at reducing exchange rate and interest rate risk (Note 12 (a)).

These debts (not including interest) have the following due dates:

	30 06 2015 S/. 000	31 12 2014 S/. 000
Up to one month	197,160	227,152
More than 1 and up to 3 months	189,949	345,056
More than 3 and up to 6 months	376,485	205,795
More than 6 and up to 12 months	44,798	291,858
More than 12 months	1,615,459	1,741,594
Total	**2,423,851**	**2,811,455**

As of June 30, 2015, and December 31, 2014, the Corporation has not submitted reports in non-compliance with either capital or interest. Furthermore, it is complying with certain clauses, financial ratios and other conditions specified in Loans 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 September 2031 and October 2027, respectively. As of June 30, 2015, the Corporation recorded net losses on hedging operations amounting to (in thousands) S/. 19,091 (profits of (in thousands) S/. 19,091 as of June 30, 2015), shown under “Results of hedging operations” in the results of financial operations - ROF in the income statement.

(b) As of June 30, 2015, and December 31, 2014, the financial obligations are made up of:

Series	Issue Date	Issue Value	Maturity date	Interest rate	30 06 2015	31 12 2014
		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%	9,000	11,000
Eighth - Series B	02/04/2008	10,000	02/04/2018	6.65%	6,000	7,000
Twelfth - Series A	16/01/2009	7,065	15/01/2015	7.94%	0	305
					15,000	18,305
Third programme						
First - Series A	24/01/2011	50,000	24/01/2016	6.25%	50,000	50,000
Fourth - Series A	21/07/2011	45,065	21/07/2015	7.00%	45,065	45,065
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
					435,065	435,065
Fourth programme						
Second - Series A	30/04/2013	100,000	30/04/2043	5.35%	100,000	100,000
Fifth - Series A	30/01/2015	78,445	30/01/2020	5.65%	78,445	0
					178,445	100,000
Certificates of deposit 2nd programme						
Third issue - Series A	15/01/2015	40,115	11/01/2016	4.50%	40,115	0
Third issue - Series A	30/04/2015	50,000	24/04/2016	4.86%	50,000	0
					90,115	0
Total nominal value					**718,625**	**553,370**
Accrued yield					18,364	15,301
Total Peruvian currency					**736,989**	**568,671**
b) In foreign currency						
First international issue	08/02/2012	400,000	08/02/2022	4.75%	1,270,800	1,194,400
Reopening, first international issue	03/12/2012	100,000	08/02/2022	4.75%	317,700	298,600
Second international issue - senior	08/07/2014	300,000	15/07/2019	3.25%	953,100	895,800
Second international issue - subordinated	08/07/2014	300,000	15/07/2029	5.25%	953,100	895,800
Total nominal value					**3,494,700**	**3,284,600**
Net price difference (under / over par) and related costs					(5,894)	(5,648)
Accrued yield					66,893	62,872
Total foreign currency					**3,555,699**	**3,341,824**
Total					**4,292,688**	**3,910,495**

Second Program - Bonds

The funds 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 Program - 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 Program - Bonds

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.

First bond issuance in the international market (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.

Second bond issuance in the international market

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

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 OTHERLIABILITIES

This item includes:

	30 06 2015 S/. 000	31 12 2014 S/. 000
Fair value - hedging derivatives - currency swaps	141,169	153,586
Fair Value - hedging derivatives - rate swaps	0	2,113
Hedging derivatives (a)	**141,169**	**155,699**
Taxes payable	620	981
Accounts payable - various	8,532	8,442
Accounts payable	**9,152**	**9,423**
Provision for contingent loans (Note 7(b))	43,681	41,564
Provision for lawsuits and claims (b)	2,140	1,730
Other provisions (b)		
- RCDRC provision - available for sale investments	12,023	9,877
- Provision for accrued vacations	2,813	2,589
Provisions	**60,657**	**55,760**
Operations in progress	3,354	1,006
Deferred sales	73	73
Other liabilities	**3,427**	**1,079**
Total	**214,405**	**221,961**

(a Derivatives for hedging

Accounts receivable and/or payable for currency and interest rate swaps, financial derivatives held by the Corporation and consisting principally of the amounts deriving from fluctuations in the values of these financial instruments.

As of June 30, 2015, and December 31, 2014 derivative operations for cash flow hedging consisted of:

FINANCIAL DERIVATIVES AS AT 30 06 2015

(in thousands of nuevos soles)

DESCRIPTION	N° Oper.	Nominal value	Exchange rate diff.		Interest accrued		Earning / (Loss)			Fair value	
			Asset	Liability	Asset	Liability	Asset	Liability	Realised	Asset	Deposit
CURRENCY SWAPS - HEDGING YEN/US$	4	351,680	-	164,214	100	2,803	(100)	(25,848)	-	-	141,169
CURRENCY SWAPS - HEDGING US$/S/.	0	-	-	-	-	-	-	-	-	-	-
CURRENCY SWAPS - HEDGING	**4**	**351,680**	**-**	**164,214**	**100**	**2,803**	**(100)**	**(25,848)**	**-**	**0**	**141,169**
TOTAL - CURRENCY DERIVATIVES	**4**	**351,680**	**-**	**164,214**	**100**	**2,803**	**(100)**	**(25,848)**	**-**	**-**	**141,169**
INTEREST RATE SWAPS - HEDGING	**1**	**635,400**	**-**	**-**	**9,465**	**5,692**	**(4,905)**	**(5,692)**	**-**	**4,560**	**-**
			-	**164,214**	**9,565**	**8,495**	**(5,005)**	**(31,540)**	**-**	**4,560**	**141,169**

FINANCIAL DERIVATIVES AS AT 31 12 2014

(in thousands of nuevos soles)

DESCRIPTION	N° Oper.	Nominal value	Exchange rate diff.		Interest accrued		Earnings / (Loss)			Fair value	
			Lending	Deposit	Lending	Deposit	Lending	Deposit	Realised	Lending	Deposit
CURRENCY SWAPS - HEDGING YEN/US$	16	481,300	9,463	171,929	1,082	4,803	(10,545)	(27,594)	-	-	149,138
CURRENCY SWAPS - HEDGING US$/S/.	3	114,743	1,615	3,545	151	1,886	(1,766)	(983)	-	-	4,448
CURRENCY SWAPS - HEDGING	**19**	**596,043**	**11,078**	**175,474**	**1,233**	**6,689**	**(12,311)**	**(28,577)**	**-**	**0**	**153,586**
TOTAL CURRENCY DERIVATIVES	**19**	**596,043**	**11,078**	**175,474**	**1,233**	**6,689**	**(12,311)**	**(28,577)**	**-**	**-**	**153,586**
INTEREST RATE SWAPS - HEDGING	**1**	**40,311**	**-**	**-**	**51**	**505**	**(51)**	**1,608**	**-**	**-**	**2,113**
			11,078	**175,474**	**1,284**	**7,194**	**(12,362)**	**(26,969)**	**-**	**-**	**155,699**

(i) As of June 30, 2015, the net position payable for foreign currency swaps amounted to (in thousands) S/. 141,169 (S/.153,586 as of December 31, 2014), which offsets the reduction in liability arising from the depreciation of the yen against the United States dollar.

(ii) As of June 30, 2015, the net position receivable of interest rate swaps amounted to (in thousands) S/. 4,560 (S/.2,113 as of December 31, 2014), which offset variations in the borrowing rates applicable to these borrowings.

(iii) As of June 30, 2015, an unrealised net gain was obtained from these financial derivatives amounting to (in thousands) S/. 26,535 (net gain (in thousands) of S/. 14,606 as of December 31, 2014). See note 13(d)

(iv) As of June 30, 2015, the Corporation held mainly currency swap contracts to offset the risk of a strengthening of the yen affecting borrowings from AFLAC and JICA, which mature in September 2031 and October 2027, respectively. The Corporation uses currency swaps to obtain a fixed exchange rate in dollars, and pays a variable exchange rate in the same currency; for the remaining amount the Corporation receives at a variable rate and pays at a set rate (note 11).

(b) Provision for litigation, claims and other provisions

As of June 30, 2015, and December 31, 2014, the balance included provisions for lawsuits against the Corporation relating to its activities.

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

13. EQUITY

(a) Capital Stock

As of June 30, 2015, the Corporation's capital was represented by 1,548,418,292 ordinary shares and 15,639,765 preference shares (1,548,418,292 ordinary shares and 15’639,765 preference shares as of December 31, 2014), having a nominal value of S/.1.00 each, fully subscribed and paid up. Of the above sum, as of December 31, 2014, the Corporation held 15,639,765 ordinary treasury shares.

A general meeting of shareholders of the Corporation, held on the 31st of March 2015 approved an increase in capital by the capitalisation of profits payable to FONAFE from fiscal year 2014 amounting to (in thousands) S/.10,409.

A general meeting of shareholders of the Corporation, held on the 22nd of June 2015 approved a cash increase in capital by an amount of (in thousands) S/. 31,228, made on 24th of June 2015.

A general meeting of shareholders of the Corporation held on the 31st of March 2014 approved an increase in capital by: (i) capitalisation of profits payable to FONAFE from fiscal year 2013 amounting to (in thousands) S/.10,205 and (ii) capital contributions in cash of (in thousands) S/.23,812 made on the 28th of May 2014.

Shareholdings in the Corporation were as follows:

Share class	Holder	30 06 2015 Nº of shares	30 06 2015 % shareholding	31 12 2014 Nº of shares	31 12 2014 % shareholding
Class "A"	MEF-FONAFE	1,063,561,110	68.00	1,063,561,110	68.00
Class "C"	MEF-FONAFE	469,217,417	30.00	469,217,417	30.00
		1,532,778,527	98.00	1,532,778,527	98.00
Class "B"	COFIDE (Treasury)	15,639,765	1.00	15,639,765	1.00
		1,548,418,292	**99.00**	**1,548,418,292**	**99.00**
Class "B Preference"	CAF	15,639,765	1.00	15,639,765	1.00
		1,564,058,057	**100.00**	**1,564,058,057**	**100.00**

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

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

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

(b) Additional paid in capital

As of June 30, 2015, this item consisted of capital in the process of registration at the Public Records Office, deriving from: (i) a general meeting of the shareholders in COFIDE held on the 31st of March 2015, which approved the reinvestment of 15% of profits from fiscal year 2014 payable to FONAFE and amounting to (in thousands) S/: 10’409, (ii) in accordance with the fourth complementary and final provision of Law N° 30283 the “Public Sector Borrowing for Fiscal Year 2015 Act”, which took effect on the 1st of January 2015, the balances owed by the Corporation to the MEF were capitalised, with a cut-off date of the 15th of February 2014, amounting to (in thousands) S/.475,5122, notes 9 and 11(a.2) and, (iii) a general meeting of shareholders of the Corporation, held on the 22nd of June 2015 approved a cash increase in capital by an amount of (in thousands) S/. 31,228.

In addition, as of June 30, 2015 and December 31, 2014, this item also contained a donation of moveable property amounting to (in thousands) S/.84.

(c) Legal reserves

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

A general meeting of shareholders held on the 31nd of March 2015 approved a legal reserve equivalent to 10% of profits for fiscal year 2014 (in thousands) S/.7,711.

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

(d) Retained earnings and other comprehensive income

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

A general meeting of shareholders in COFIDE held on the 31st of March 2015 approved dividends payable from the earnings of fiscal year 2014 amounting to (in thousands) S/.69,394. A general meeting of shareholders in COFIDE held on the 31st of March 2014 approved dividends payable from the earnings of fiscal year 2012 amounting to (in thousands) S/. 68,743.

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

Total accumulated results and adjustments to equity consists of:

	30 06 2015	31 12 2014
	S/. 000	S/. 000
Retained earnings:		
Adjustment to deferred equity share of employees - IAS 12	12,647	12,647
Difference of value of "B" shares of COFIDE when redeeming to CAF (Note 13 (a))	7,599	7,599
Accumulated earning without capital agreement	1,496	1,496
Total	**21,742**	**21,742**
Other comprehensive income		
Unrealized profit for the adjustment in value of CAF investment	404,261	404,261
Less: deferred income tax	(109,152)	(113,194)
	295,109	291,067
Profit for fluctuation of value of available for sale investments	38,657	46,937
Less: deferred income tax	(10,824)	(13,142)
	27,833	33,795
Profit (loss) cash flow hedging derivatives	26,535	14,606
Less: deferred income tax	(7,430)	(4,090)
	19,105	10,516
Total	**342,047**	**335,378**

14. CONTINGENT AND MEMORANDUM ACCOUNTS

This item includes:

	30 06 2015	31 12 2014
	S/.000	S/.000
Contingent risks and commitments (a)		
Joint signatures granted (Note 7)	614,091	658,468
Other contingent accounts	14,948	20,890
	629,039	**679,358**
Trusts & confidential commissions (b):		
Guarantees for operations of credit of trusts	8,863,127	8,545,570
Counter-accounts of trusts and trust commissions	8,385,912	7,902,032
Trust funds	8,341,442	7,899,409
Funds in trust commissions	562,035	522,764
	26,152,516	**24,869,775**
Off-balance sheet accounts		
Guarantees for loan transactions (c)		
Promissory notes	4,778,078	4,897,227
Mortgages	40,138	211,345
Guarantee deposits	15,181	18,151
Documentary guarantees	15,498	12,549
Mercantile pledges	932	-
Warrants	114	108
Other guarantees	130,177	130,643
Other off-balance sheet accounts	9,106,455	8,552,481
	14,086,573	**13,822,504**
Swaps and forwards (d):		
Swap and forward operations	351,680	596,043
Nominal value - interest rate swap	635,400	40,311
	987,080	**636,354**
Total contingent and off-balance sheet accounts	**1,616,119**	**1,315,712**

(a) Contingent loans

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

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

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

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

The Corporation's management believes that there will be no significant losses in addition to the amounts for which provision has been made under the heading provision for contingent loans, covering contingent operations current as of June 30, 2015 and December 31, 2014.

(b) Trusts and trust commissions

As of June 30, 2015, the Corporation managed 4 funds, 1866 items of equity in trust and 2 programmes (4 funds, 185 items of equity in trust and 2 programmes as of December 31, 2014), for which it received commissions varying from 0.25% to 2% as of June 30, 2015, and December 31, 2014, received monthly, quarterly or every six months. The Corporation has no liability for the funds, equity or programmes.

As of December 31, 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/.90,947. As of June 30, 2015, COFIDE no longer guaranteed these loans as they had been repaid.

(c) Credit operations' guarantees

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

(d) Currency swaps and forward operations

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

15. PERSONNEL AND BOARD OF DIRECTOR'S EXPENSES

This item includes:

	30 06 2015	30 06 2014
	S/. 000	S/. 000
Wages	8,186	8,153
Profit sharing	3,226	4,662
Bonuses	1,689	2,131
Benefits	1,534	1,681
Social charges and others	1,518	1,365
Severance indemnities	813	967
Vacations	118	100
Directors' attendance fees	100	72
Assignations	42	43
Other personnel expenses	3,370	3,406
Total	**20,596**	**22,580**

16. EXPENSES FOR SERVICES RECEIVED FROM THIRD PARTIES

This item includes:

	30 06 2015	30 06 2014
	S/. 000	S/. 000
Other services	3,606	2,704
Consulting services	2,563	2,508
Professional fees	1,240	1,257
Electronic processing	844	557
Repairs and maintenance	821	711
Surveillance and protection	477	442
Communications	466	436
Rentals	264	172
Supplies - various	242	273
Advertisement	231	436
Electricity and water	209	193
Insurance	146	86
Transport	142	144
Travel expenses	65	72
Subscriptions and quotations	56	87
Electronic transfers	55	54
Notary and registry office fees	19	39
Court costs	10	11
Entertainment expenses	10	12
Total	**11,466**	**10,194**

17. BASIC AND DILUTED EARNINGS PER SHARE

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

	Number of shares, in thousands	
	30 06 2015	30 06 2014
Outstanding at the beginning of the year	1,548,419	1,514,402
Outstanding at the end of the year	1,548,419	1,514,402
Net profit for period (in S/. X 1,000)	39,717	33,372
Shares (denominator)	1,548,419	1,514,402
Basic and diluted earnings per share (S/.)	**0.0257**	**0.0220**

18. INCOME TAX

(a) Income tax regime

Tax rates

As of June 30, 2015, and December 31, 2014, the income tax rates for corporations domiciled in Peru were 28% and 30%, respectively.

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

(b) Significant modifications to income tax

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

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

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

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

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

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

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

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

(c) Income tax expenses include:

	30 06 2015 S/. 000	30 06 2014 S/. 000
Current income tax	17,164	26,574
Deferred income tax (paragraph (g))	(19,415)	(1,915)
Total	(2,251)	24,659

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

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

As of June 30, 2015, and June 30, 2014, the effective income tax rate differs from the rate applicable to earnings before tax. This difference is due to certain items relating to the calculation of taxable income, whose effects on the applicable tax rate are summarised below (in percentages of earnings before tax):

	30 06 2015		30 06 2014	
	S/. 000	%	S/. 000	%
Income tax calculated according to current tax rate	**10,491**	**28.00**	**17,409**	**30.00**
Tax effect on additions (deductions):				
Non-deductible expenses	2,979	7.95	9,579	16.51
Exempt earnings	(32)	(0.08)	(22)	(0.04)
Other permanent differences	((15,689)	(41.88)	(2,307)	(3.98)
Current and deferred income tax recorded According to effective rate	**(2,251)**	**(6.01)**	**24,659**	**42.49**

(e) Tax reimbursable:

Income tax debit and credit balances are as follows:

	30 06 2015 S/. 000	31 12 2014 S/. 000
Reimbursable:		
Income tax payments on account	40,360	54,319
Payable:		
Income tax payable	17,165	28,879
Tax recoverable	**23,195**	**25,440**

(f) The Corporation's tax position

Income tax returns for fiscal years 2010 to 2014 are awaiting review by the tax authority, which can carry out such a review for four years after the corresponding income tax return has been submitted. The management believes that no significant liabilities will arise from pending reviews.

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

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

During the second half of 2013 the tax authority carried out an audit of fiscal year 2008, which revealed an omission of income tax and corresponding fine. The Corporation did not lodge an appeal, but modified its income tax return for 2008 and made a payment to the tax authority amounting to a total (in thousands) of S/0.25.

(g) Deferred income tax - balances

Deferred assets tax and liabilities are made up as follows:

	Balance as at 01 01 2014	Changes in results		Balance as at 31 12 2014	Changes in results		Balance as at 30 06 2015
		Accumulated	Fiscal year		Accumulated	Fiscal year	
	S/. 000	S/. 000	S/. 000	S/. 000	S/. 000	S/. 000	S/. 000
Temporary differences in assets:							
Generic provision for loans and contingencies	609,113	-	(36,652)	572,461	-	27,795	590,421
Other generic provisions	3,245	-	15,280	18,525	-	(1,403)	14,654
Provision for changes in securities	3,984	-	(3,984)	-	-	4,771	-
Generic provision - accounts receivable	2,835	-	1,450	4,285	-	(979)	4,611
Provision for adjudicated assets	3,760	-	(1,514)	2,246	-	3,239	2,246
	622,937	**-**	**(25,420)**	**597,517**	**-**	**33,423**	**611,932**
Temporary differences in liabilities:							
Depreciation of buildings	(514)	-	257	(257)	-	(129)	(321)
Changes in value of CAF shares	(1,444,318)	-	-	(1,444,318)	-	-	(1,444,318)
Unrealised earnings (loss) on investment in securities	(18,964)	(27,971)	-	(46,935)	7,069	-	(39,866)
Unrealised earnings (loss) on derivatives	(32,864)	18,258	-	(14,606)	8,820	-	(5,786)
Comments on 2003 tax return - provisions, write-downs and othe	20,378	-	(3,555)	16,823	-	(1,098)	16,823
	(1,476,282)	**(9,713)**	**(3,298)**	**(1,489,293)**	**15,889**	**(1,227)**	**(1,473,468)**
Temporary differences in liabilities, net	**(853,345)**	**(9,713)**	**(28,718)**	**(891,776)**	**15,889**	**32,196**	**(861,536)**
Movements in deferred income tax	-	(2,914)	(8,615)	-	(1,022)	9,014	-
Changes in deferred income tax (rate change)	-	9,316	8,520	-	4,043	10,401	-
Deferred income tax	**(256,004)**	**6,402**	**(95)**	**(249,697)**	**3,021**	**19,415**	**(227,261)**

19. TRANSACTIONS WITH NON-ARM'S LENGTH PARTIES

As of June 30, 2015, and December 31, 2014, the principal transactions with the CAF were financing operations.

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

Operations carried out with CAF in the periods ending as of June 30, 2015, and June 30, 2014, include interest payments on borrowings and obligations to international bodies valued (in thousands) S/. 2,159 and S/. 2,030, respectively.

Payments to the Board of Directors

The amount paid as of June 30, 2015, and 2014 for directors' emoluments was (in thousands) S/. 100 and S/. 72, respectively.

Payments to managers

Salaries, other benefits and professional fees paid as of June 30, 2015, to employees of the Corporation with executive responsibility (managers) amounted to (in thousands) S/. 2,090 (S/. 2,412 in June 2014).

Personnel loans

As of June 30, 2015, and December 31, 2014, the directors, officials and employees of the Corporation had taken out loans permitted by the Act, which regulates and establishes certain limits for transactions with directors, officials and employees of banks in Peru. As of June 30, 2015, and December 31, 2014, loans to employees, directors, officers and key personnel amounted (in thousands) to S/.8,882 and S/.8,215, respectively.

20. CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

	As at 30th June 2015					As at 31 December 2014			
	Financial assets					Financial assets			
	Loans and items receivable	Available for sale at fair value	Derivatives for hedging	Total		Loans and items receivable	Available for sale at fair value	Derivatives for hedging	Total
	S/. 000	S/. 000	S/. 000	S/. 000		S/. 000	S/. 000	S/. 000	S/. 000
Asset					**Asset**				
Available funds	203,074	-	-	203,074	Available funds	523,682	-	-	523,682
Investments available for sale	-	-	-	-	Investments available for sale	-	-	-	-
- Capital instruments	-	2,604,153	-	2,604,153	- Capital instruments	-	2,676,964	-	2,676,964
- Debt instruments	-	1,506,431	-	1,506,431	- Debt instruments	-	1,213,269	-	1,213,269
Loan portfolio	5,607,788	-	-	5,607,788	Loan portfolio	5,194,747	-	-	5,194,747
Derivatives for hedging		-	4,415	4,415	Derivatives for hedging		-	-	-
Accounts receivable	120,244	-	-	120,244	Accounts receivable	56,409	-	-	56,409
Other assets	769	-	-	769	Other eassets	623	-	-	623
Total	5,931,875	4,110,584	4,415	10,046,874	**Total**	5,775,461	3,890,233	-	9,665,694

	As at 30th June 2015				As at 31st December 2014			
	Financial liabilities				Financial liabilities			
	At amortised cost	Other liabilities	Derivatives for hedging	Total	At amortised cost	Other liabilities	Derivatives for hedging	Total
	S/. 000	S/. 000	S/. 000	S/. 000	S/. 000	S/. 000	S/. 000	S/. 000
Liabilities								
Obligations to the public	-	15,937	-	15,937	-	47,557	-	47,557
Deposits by financial institutions and international financial entities	-	162,937	-	162,937	-	195,469	-	195,469
Borrowings & financial obligations	2,445,762	-	-	2,445,762	2,835,231	-	-	2,835,231
Securities & obligations in circulation	4,292,688	-	-	4,292,688	3,910,495	-	-	3,910,495
Derivatives for hedging	-	-	141,169	141,169	-	-	155,699	155,699
Accounts payable	-	9,152	-	9,152	-	9,423	-	9,423
Other liabilities	-	47,034	-	47,034	-	42,570	-	42,570
Total	6,738,450	235,060	141,169	7,114,679	6,745,726	295,019	155,699	7,196,444

21. FINANCIAL RISK MANAGEMENT

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

- **Credit risk:** it is generated by the possibility that a counterparty of the agreement of the financial instrument or obliged third parties do not fulfill their contractual obligations due to insolvency or to not being able to pay, and creates a financial loss to the counterpart. It includes management of the counterparty risk, concentration risk, country risk and credit risk derived from the exchange risk.

- **Market risk:** it is generated by the possibility of losses in value of held positions, derived from variations in market conditions. It generally includes the following type of risks: exchange rate risk, risk of variations in fair value for interest rate, price, among others.

- **Liquidity risk:** it is generated by the fact that COFIDE may not fulfill its payment commitments given that it has incurred in losses for not fulfilling financing and application requirements of funds that arise from discrepancies of cash flows.

A description of COFIDE's management of such risks is explained below. COFIDE presents annual comparative financial information for 2014, 2013 and 2012. However, some additional disclosures to notes to the financial statements shall be applicable as from December 31, 2013, and their comparative information with 2012 shall be disclosed to the extent applicable:

a. *Structure and organization of risk management*

COFIDE has a structure of governance and management that allows it to properly articulate the administration and control of financial risks.

(i) Board of Directors

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

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

(ii) Risk Committee

Risk committee is a division created by the Board of Directors, responsible of pre-approving policies and establishing procedures and methodologies for integral risk management, as well as of the identification and administration of risks faced by COFIDE. The committee meets biweekly and reports monthly to the Board of Directors all significant matters discussed and agreements adopted in relation to risks management. The Committee comprises a Director (who directs it), the chief executive officer, and the officers from seven divisions of COFIDE, the head of the Internal Audit Unit (with voice, but without vote), and the Chief Legal Officer (with voice, but without vote, who develops secretary functions). In order to carry out its function, the Board of Directors functionally supports on the risk division of COFIDE.

(iii) Audit Committee

The audit committee is a division created by the Board of Directors. Its main purpose is to monitor the proper functioning of the internal control system within the risk management context in accounting and financial reporting processes of COFIDE. Additionally, it aims to assess activities held by internal and external auditors. The audit committee comprises two Directors (one of them chairs), and the head of the internal audit unit, who performs the function of the committee's secretary. Both representatives of the Board of Directors do not perform activities of management in order to avoid conflicts of interest and incompatibility with their functions. The committee ordinarily meets once a month and reports to the Board of Directors about issues discussed. In order to carry out its function, it is functionally supported by the internal audit division of COFIDE.

(iv) Assets and liabilities Committee

The Assets and liabilities committee (ALCO) is a division created by the Board of Directors. Its main function is to manage the financial structure of the statement of position of COFIDE, according to policies and effective standards. The Committee of assets and liabilities safeguards the proper management of liquidity, interest rate and exchange rate risks, deciding about necessary actions to implement correcting actions needed in the event of deviations regarding tolerance levels to risk and degrees of exposure assumed. The committee meets at least twice a month. In order to carry out its functions, the Committee has the support of the Finance Management (area in charge of investment activities). The committee comprises the chief executive officer (who directs it), financial, risk, intermediation and financial innovation, corporate businesses and environmental officers, chief legal officer (without a vote), audit head, financial services head, treasury and markets head (without a vote) and senior officers of global and market risk (without a vote).

(v) Management Committee

The management committee is the coordinating and decision-making organization regarding strategic, administrative, informatics and management topics. The management committee pre-approves the strategic plan of COFIDE, proposes and presents to the Board of Directors the organic structure and the regulations of the organization and functions; additionally, it approves action plans to manage risks implying the use of greater resources assigned and follows-up the execution of tests of alternative procedures.

(vi) Presidency

Up to October 2013, the Chairman's Office was in charge of the Risk Area.

(vii) Chief Executive Officer - CEO

The chief executive officer is responsible for establishing within the organization a proper risk management according to dispositions set forth by the Board of Directors and the Risks Committee within the regulatory framework of COFIDE. It safeguards the proper management of divisions under its governance, as well as, the proper framework in order to identify, assess, control, follow-up and report main risks to guarantee the compliance with policies and proper risk management. As from November 1, 2013, it represents the maximum directive division from the Risk division.

(viii) Internal Audit Unit

Internal audit functionally reports to the Board of Directors. It renders independent services regarding the proper functioning of the internal control system according to standards of risk management so as to reduce the risk to established tolerance level. Internal audit inform all responsible divisions regarding potential risk situations and other relevant respects in relation to risk management assessment of COFIDE.

(ix) Risk Office

The risk office is an independent area in charge of proposing policies, procedures and methodologies for competent risk management, encouraging the lining-up of all measurements for treating risk and the development of proper controls.

b. Action framework for integral risk management

In order to properly manage financial risks, COFIDE considers the internal control environment, objectives established, identification, assessment and treatment of risks, processes of information and communication, follow-up activities, sub-contractions, trainings and external audit processes.

(i) Credit risk

It is the main risk to be managed by COFIDE and, so as to manage its exposure and provide proper hedging, it has established a series of measurements, among which the following are the most important:

- Policies applicable to the identification, measurement, follow-up, control and report processes of credit risk with debtors, as well as assessment, analysis, approval, follow-up and recovery process.

- Admission policies for business financing operations, specialized and structured, financings where COFIDE assumes the direct or contingent risk of final debtors.

- Guidelines in relation to the origin and participation of COFIDE in sundry operations, negotiation and management of real and personal guarantees that should be constituted backed-up with credit operations, and those considered when following-up all operations portfolio.

- Policies to recover and standardize substandard credit operations (where changes in conditions originally agreed are required, and that present impairment of their obligations in time or form).

- Credit risk policies for intermediaries, in relation to those risks involved in IFIs operations, which must be reflected in degrees of individual exposure and global composition; as well as in the assignment of provisions and prices based on risks.

- Asset and liability management policies in relation to diversification, concentration risk, counterparty risk and issuer risk.

- Country risk policies, which define parameters to perform active financial operations with non-domiciled individuals in the country and susceptible of being exposed to country risk.

- Policies for credit risk management derived from exchange management, where guidelines to manage credit risk induced by variations in exchange rates are identified, as well as in placements in foreign currency with debtors whose income and obligations do not match in terms of currency.

(ii) Market risk

Market risk derives from movements in market prices, exchange risk and interest rate risks for negotiation positions. For market risk management, the following is considered:

- Limits are defined in relation to:

  - Volatility of exchange rate and interest rate alerts.

  - Alerts and control of losses in negotiation portfolio.

- Estimates are made on the following:

  - Potential losses to which COFIDE is exposed to in order to maintain a portfolio comprising asset or liability positions in primary or derived instruments.

  - Maximum possible loss (VaR) for exchange risk.

  - Valuation of positions recorded in investments by COFIDE, of investments in instruments representative of debt or capital recorded at fair value through profit or loss or available for sale.

- Market value of financial instruments derived for reporting and permanent following-up purposes of such positions at market values.

- Potential losses for maintaining positions sensitive to changes in interest rate.

(iii) Structural risk of the statements of financial position

Structural risk of the statement of financial position represents potential losses created by movements in interest rates, exchange rates over structural positions of assets and liabilities, on as well as off the statement of financial position, without including negotiation portfolio.

In the case of interest rate risk, potential loss analysis focuses in the impact over net financial margin (profit in risk at one year) and impact over discounted value of assets and liabilities (equity value at risk).

In the case of structural exchange risk, COFIDE has two main sources of risk (direct and indirect). The direct source is provided by the position of structural change held by COFIDE for its investments in CAF. The indirect source is provided by the structural dollarization of its portfolio towards its debtors, issuers and local intermediaries, with whom it faces credit risk derived from exchange risk.

In order to manage this risk, the following policies have been established:

- Asset and liability management policies
- Policies of diversification and concentration risk
- Policies of counterparty risk and issuer risk
- Investment policies
- Indebtedness policies
- Derivatives policies
- Exchange rate risk policies
- Interest rate risk policies

(iv) Liquidity risk

In order to manage liquidity risk, there are policies defining guidelines for constituting a reserve of high-quality liquid assets, availability of credit line, minimum requirements of contingent credit line and high-quality liquidity reserve, as well as limits in the concentration of cash. Additionally, with a Contingent Plan towards lack of liquidity, this considers the operating procedure to be followed in the event of an individual liquidity crisis, as well as systemic.

c. Risk concentration

COFIDE has policies and procedures to safeguard a proper diversification of financial assets and liabilities, on and off the statement of financial position; and seek, as it may correspond, a proper relation between risk for concentration and degree of equity capitalization. COFIDE Diversification policies and concentration of its policies manual for assets and liabilities management establish alerts that reflectors risk appetite, such as:

- Alerts of assets concentration for unique risk.
- Alerts of diversification per economic activity sector.
- Alerts of diversification of investments and cash for market.
- Alerts of concentration of liabilities for unique risk.

Additionally, COFIDE has established policies on limits in order for the credit risk incurred to be sufficiently quoted and diversified within corporate objectives of the organization, for which it has established the following:

- Limits to the exposure with subsystems of IFIs of higher relative risk.
- Limits to the exposure with IFIs of higher relative risk.
- Follow-up of unique risk concentration.
- Follow-up of quality of the implicit credit exposure.
- Follow-up of the quality of the explicit credit exposure.
- Participation limits in business financing operations, specialized and structured.

Furthermore, there are Autonomy Levels, which must be approved by the Board of Directors, related to:

- Credit operations.
- Position limits.
- Investment operations.
- Indebtedness operations.
- Derivative operations.
- Special interest rates.

Regarding investments, COFIDE has defined within its alert policies for concentration of negotiation portfolio, and has established limits for the portfolio investment for risk and limits of portfolio for issuance risk.

d. Measurement systems and risk reporting

COFIDE uses, to manage different risks, models and tools of ranking to measure and assess each type of risks in relation to financial instruments. These tools are supported on models, methodologies and applications, allowing taking better decisions of risks in different stages of the credit life cycle.

Tools are monitored permanently and periodically validated in order to safeguard that levels of prediction and performance are maintained and corrective measurements or adjustments to models can be made, when necessary. COFIDE has been working on the estimate of risk parameters (likelihood of compliance, severance of loss and factors of credit translation) using methodologies and internal historic information. These parameters shall allow to measure and prospect the level of risk of the portfolio, estimate expected losses and economic capital.

Management indications are permanently reviewed and analyzed in order to identify possible deviations in the risk profile regarding the risk appetite stablished by COFIDE in order to timely take corrective measurements. This information is monthly presented to the risks committee and periodically to the Board of Directors.

21.1. Credit risk

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

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

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

(b) Maximum credit risk exposure

As of June 30, 2015, Management has estimated that the maximum credit risk amount it is exposed to is represented by the carrying amount of financial assets presenting a potential credit risk and that mainly consist of: cash, available for sale investments, placements (direct and indirect, without considering market value of guarantees or collaterals), operations with derivative financial instruments, accounts receivable and other monetary assets.

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

On that regard as of June 30, 2015 and December 31, 2014:

- 97.7 percent and 96.4 percent , respectively of loans are considered as neither due nor impaired.

- 91.5 percent and 89.7 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:

Asset (*)	Notes	30 06 2015 S/. 000	31 12 2014 S/. 000
Available funds	5	203,074	523,682
Investments available for sale	6	4,110,584	3,890,233
Loan portfolio	7	5,607,788	5,194,747
Derivatives for hedging	9	4,415	-
Accounts receivable	9	120,244	56,409
Other assets	9	769	623
Total		**10,046,874**	**9,665,694**
Contingent (**)	7 and 14	**585,358**	**637,794**

(*) Net of provisions
(**) Includes contingent net of provisions

(c) Guarantee management

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

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

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

(d) Loan portfolio credit risk management

Risk management of loans to debtors in which the Corporation assumes the risk of the final debtors as well as of IFIS, the Corporation has a process that consists of three basic stages: i) admission of the risks, ii) follow-up and monitoring of these risks, and iii) recovery of the non-performing and impaired portfolio. The purpose of these stages in the process is to maintain portfolio quality in accordance with the appetite for risk defined by the directors of the Corporation.
Stage i) admission of loans is based on good knowledge of the client and its business, with an evaluation of its payment capacity, credit history and solvency being determining factors. This process rests on the use of risk management methodologies and management tools that enable us to measure ans value the quality of the risk and these in turn are based on models and qualification systems for accepting credit.

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

For every business segment we continually monitor the main portfolio trends in terms of changing quality indicators, sector concentration and products in the placement portfolio, as well as counterparty risk exposure indicators, among others.

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

(e) Management of investments credit risk

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

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

	30 06 2015	31 12 2014
	S/. 000	S/. 000
Instruments issued in Peru		
AAA	46,556	49,502
AA- a AA+	210,190	295,226
4 (pe)	17,494	14,092
Unclassified	92,713	93,262
Total Peru	**366,953**	**452,082**
Instruments issued abroad		
AAA	213,330	229,621
AA- a AA+	2,339,156	2,339,156
BBB- a BBB+	834,926	531,008
BB- a BB+	330,208	311,037
Total foreign	**3,717,620**	**3,410,822**
Interest accrued	**26,011**	**27,329**
TOTAL	**4,110,584**	**3,890,233**

(f) Risk concentration

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

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

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

(ii) Warnings of diversification by economic sector

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

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

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

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

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

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

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

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

- Lending operations.
- Position limits.
- Investment operations.
- Borrowing operations.
- Operations with derivatives.

- Special interest rates.

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

21.2. Liquidity risk

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

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

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

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

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

Exposure to liquidity risk	30 06 2015				
	Up to 1 month	More than 1 month up to 3 months	More than 3 up to 12	More than 1 year	Total
	S/. 000	S/. 000	S/. 000	S/. 000	S/. 000
Risk to financial liability position					
Obligations to the public	-	-	15,937	-	15,937
Deposits by financial institutions and international financial entities	53,802	109,135	-	-	162,937
Borrowings and financial obligations	281,222	239,319	584,004	5,633,905	6,738,450
Derivatives for hedging	1,681	3,362	15,126	121,000	141,169
Accounts payable	5,280	9	2,963	-	8,252
Other liabilities	495	-	407	-	902
Total	**342,480**	**351,825**	**618,437**	**5,754,905**	**7,067,647**
Risk to financial position					
Contingent liabilities	-	-	-	515,894	515,894
Total	**342,480**	**351,825**	**618,437**	**6,270,799**	**7,583,541**

Exposure to liquidity risk	31 12 2014				
	Up to 1 month	More than 1 month up to 3 months	More than 3 up to 12	More than 1 year	Total
	S/. 000	S/. 000	S/. 000	S/. 000	S/. 000
Risk to financial liability position					
Obligations to the public	4,847	1,767	40,943	-	47,557
Deposits by financial institutions and international financial entities	-	10,183	185,286	-	195,469
Borrowings and financial obligations	285,387	381,940	551,491	5,526,908	6,745,726
Derivatives for hedging	1,854	3,708	16,682	133,455	155,699
Accounts payable	3,374	5,068	-	-	8,442
Other liabilities	652	-	463	-	1,115
Total	**296,114**	**402,666**	**794,865**	**5,660,363**	**7,154,008**
Risk to financial position					
Contingent liabilities	-	21,948	18,719	641,745	682,412
Total	**296,114**	**424,614**	**813,584**	**6,302,108**	**7,836,420**

21.3. Market risk

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

(a)Trading portfolio

The Corporation is exposed to interest rate, exchange rate and price risks, which affect the value of its assets and business portfolio positions. As of June 30, 2015, and December 31, 2014, the business portfolio was not exposed to such risk.

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

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

(b) Non-trading assets and liabilities

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

(i) Interest rate risk

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

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

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

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

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

	30 06 2015	31 12 2014
GER=	S/. 22,031,369.37 (0.6442% p.e)	S/. 29,314,290.50 (1.0367% p.e)
VPR=	S/. 71,792,627.09 (2.0992% p.e)	S/. 64,557,323.06 (2.2832% p.e)

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

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

	30 06 2015	31 12 2014
GER=	S/. 25,175,497.33 (0.7361% p.e)	S/. 49,077,301.38 (1.7357% p.e)
VPR=	S/. 67,129,517.16 (1.9628% p.e)	S/. 54,354,634.53 (1.9223% p.e)

It should be pointed out that this information derives from the Corporations internal interest rate model updated in December 2014.

(ii) Foreign currency exchange rate risk -

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

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

As of June 30, 2015, the weighted average free market exchange rate published by the SBS for transactions in United States dollars was S/. 3.174 (buying) and S/. 3.179 (selling) per US dollar (S/.2.981 and S/.2.989 as of December 31, 2013, respectively). As of June 30, 2015,, the exchange rate for asset and liability accounts in foreign currency set by the SBS was the mean of the buying and selling rates, equivalent to S/.3.177 per US$1 (S/.2.986 as of December 31, 2014).

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

	30th June 2015				31st December 2014			
	US dollar	Other currencies	Nuevos Soles	Total	US dollar	Other currencies	Nuevos Soles	Total
	S/. 000	S/. 000	S/. 000	S/. 000	S/. 000	S/. 000	S/. 000	S/. 000
Assets								
Available funds	150,217	146	52,711	203,074	369,678	41,397	112,607	523,682
Investments available for sale	1,386,732	-	2,723,852	4,110,584	1,134,065	-	2,756,168	3,890,233
Loan portfolio - net	3,489,349	-	2,118,439	5,607,788	3,383,363	-	1,811,384	5,194,747
Derivatives for hedging	9,464	(44)	(5,005)	4,415	202	943	-1,145	-
Accounts receivable	64,675	-	55,569	120,244	54,535	-	1,874	56,409
Other assets	506	2	261	769	468	-	155	623
	5,100,943	104	4,945,827	10,046,874	4,942,311	42,340	4,681,043	9,665,694
Liabilities								
Obligations to the public	2,015	-	13,922	15,937	1,808	-	45,749	47,557
Deposits by financial institutions	-	-	162,937	162,937	-	-	195,469	195,469
Borrowings and financial obligations	1,145,267	352,348	948,147	2,445,762	1,308,611	515,174	1,011,446	2,835,231
Securities and obligations in circulation	3,555,801	(102)	736,989	4,292,688	3,341,935	(112)	568,672	3,910,495
Derivatives for hedging	8,494	-	132,675	141,169	5,309	-	150,390	155,699
Accounts payable	3,548	-	5,604	9,152	3,196	-	6,227	9,423
Other liabilities	43,628	-	3,406	47,034	38,740	-	3,830	42,570
	4,758,753	352,246	2,003,680	7,114,679	4,699,599	515,062	1,981,783	7,196,444
Forwards position, net	-	-	-	-	-	-	-	-
Currency swaps position, net	309,264	(352,143)	42,879	-	(529,022)	481,300	47,722	-
Currancy position, net	651,454	(704,285)	2,985,026	2,932,195	(286,310)	8,578	2,746,982	2,469,250

As of June 30, 2015,, the Corporation recorded net exchange rate gains of (in thousands) S/. 7,155 (loss of (in thousands) S/. 19,307 as of June 30, 2014), which is shown net under “earnings from exchange rate differences”, in the earnings statement.

The Corporation manages exchange rate risk by matching its assets and liabilities and monitors its global exchange rate position on a monthly basis. The Corporation's global exchange rate position is equal to long positions minus short positions in currencies other than the 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 rates %	30 06 2015 S/. 000	31 12 2014 S/. 000
Devaluation			
US dollar	5	26,973	21,501
US dollar	10	53,947	43,002
Revaluation			
US dollar	5	(26,973)	(21,501)
US dollar	10	(53,947)	(43,002)

21.4. Fair value

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

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

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

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

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

Level 1 Prices of instrument quoted in active markets.

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

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

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

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

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

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

(iii) Fixed yield financial instruments

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

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

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

	30 06 2015		31 12 2014	
	Book Value	**Fair Value**	**Book Value**	**Fair Value**
Fair value and book value	**S/. 000**	**S/. 000**	**S/. 000**	**S/. 000**
ASSETS				
Available funds	203,074	203,074	523,682	523,682
Investments available for sale				
Capital Instruments	2,604,153	2,604,153	2,676,964	2,676,964
Debt Instruments	1,506,431	1,506,431	1,213,269	1,213,269
Loan portfolio	5,607,788	5,607,788	5,194,747	5,194,747
Derivatives for hedging	4,415	4,415	-	-
Accounts receivable	120,244	120,244	56,409	56,409
Other assets	769	769	623	623
Total	**10,046,874**	**10,046,874**	**9,665,694**	**9,665,694**
LIABILITIES				
Obligations to the public	15,937	15,937	47,557	47,557
Deposits from financial institutions	162,937	162,937	195,469	195,469
Borrowings & financial obligations	2,445,762	2,445,505	2,835,231	2,835,231
Securities and obligations in circulation	4,292,688	4,291,264	3,910,495	3,910,495
Derivatives for hedging	141,169	141,169	155,699	155,699
Accounts payable	9,152	9,152	9,423	9,423
Other liabilities	47,034	47,034	42,570	42,570
Total	**7,114,679**	**7,112,998**	**7,196,444**	**7,196,444**

Assets assigned in guarantee

As of December 31, 2014, the Corporation carried out operations with repurchase agreements involving funds denominated in peruvian currency totalling (in thousands) S/. 28,861, obtained from different trusts managed by the Corporation, which accrue interest at a given annual rate and are guaranteed by structured bonds having a book value of (in thousands) S/. 30,448 and a nominal value of (in thousands) US$ 10,643 as of December 31, 2014. The funds acquired are used to cover the Corporation's various obligations.

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 in financial derivatives as of June 30, 2015, and December 31, 2014, 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 30 June 2015				As at 31st December 2014				
	Note	Assets	Liabilities	Reference value	Maturity	Assets	Liabilities	Referenc e value	Maturity	Instruments hedged
		S/. 000	S/. 000	S/. 000		S/. 000	S/. 000	S/. 000		
Derivatives for hedging										
Cash flow:										
Curency swaps - USD / JPY		-	-	-	-	-	298	4,404	15/02/2019	Borrowings JBIC
Currency swaps - USD / JPY		-	-	-	-	-	561	10,379	15/02/2019	Borrowings JBIC
Currency swaps - USD / JPY		-	-	-	-	-	874	10,080	15/02/2019	Borrowings JBIC
Currency swaps - USD / JPY		-	-	-	-	-	571	10,831	15/02/2019	Borrowings JBIC
Currency swaps - USD / JPY		-	-	-	-	-	1,327	10,347	15/02/2019	Borrowings JBIC
Currency swaps - USD / JPY		-	-	-	-	-	1,256	7,995	15/02/2019	Borrowings JBIC
Currency swaps - USD / JPY		-	-	-	-	-	1,692	12,981	15/02/2019	Borrowings JBIC
Currency swaps - PEN / USD		-	-	-	-	-	1,556	35,702	05/12/2025	Borrowings BID US$ 25 MM
Currency swaps - USD / JPY		-	-	-	-	-	4,198	26,169	15/02/2019	Borrowings JBIC
Currency swaps - USD / JPY		-	-	-	-	-	4,617	27,233	15/02/2019	Borrowings JBIC
Currency swaps - USD / JPY		-	-	-	-	-	906	5,337	15/02/2019	Borrowings JBIC
Currency swaps - USD / JPY		-	-	-	-	-	1,814	10,964	15/02/2019	Borrowings JBIC
Currency swaps - USD / JPY		-	-	-	-	-	1,102	6,592	15/02/2019	Borrowings JBIC
Currency swaps - PEN / USD		-	-	-	-	-	1,595	39,521	15/02/2019	Borrowings BID US$ 200 MM
Currency swaps - PEN / USD		-	-	-	-	-	1,297	39,521	15/02/2019	Borrowings BID US$ 200 MM
Currency swaps - USD / JPY		-	115,613	233,460	08/09/2031	-	108,335	224,370	08/09/2031	Borrowings AFLAC
Currency swaps - USD / JPY		-	13,909	67,444	20/10/2027	-	11,586	64,818	20/10/2027	Borrowings JICA
Currency swaps - USD / JPY		-	750	3,787	20/10/2027	-	623	3,640	20/10/2027	Borrowings JICA
Currency swaps - USD / JPY		-	10,897	46,989	20/10/2027	-	9,377	45,159	20/10/2027	Borrowings JICA
		-	**141,169**	**351,680**		**-**	**153,585**	**596,043**		
Interest rate swaps - fixed rate / Libor rate 6M - USD		-	-	-	15/02/2019	-	2,114	40,311	15/02/2014	Borrowings BID US$ 200 MM
Interest rate swaps - fixed rate / Libor rate 6M - USD		4,560	-	635,400	15/07/2019	-	-	-	15/02/2019	COFIDE corporate bonds 2019 US$ 300MM
		4,560	**-**	**635,400**		**-**	**2,114**	**40,311**		

In January 2015, an early settlement for fifteen Currency and interest rate swaps was made, which turned out in a transfer of the unrealized loss of coverage for cumulative cash flow in an amount of (in thousands) S/. 7,070, so that by June 30, 2015 and December 31, 2014, the cumulative cash flow hedge balance, which is presented as other comprehensive income result of existing hedges (unrealized net of tax deferred income (in thousands) was a net unrealized gain of S/. 8,589 and a net unrealized loss of S/. 12,489 respectively ; see coverage of cash flow statement of changes in equity), is being held within the underlying financial instrument.

As of June 30, 2015,, the Corporation had four currency swaps (nineteen as of December 31, 2014), which according to SBS regulations qualify as cash flow hedges from borrowings. In economic terms, this operation covers the Corporation's debts.

In addition, as of June 30, 2015, the Corporation had one (two as of December 31, 2014) interest rate swaps aimed at covering the variable rate component of certain borrowings; it matures in 2019.

The Corporation has a method for measuring the degree of ineffectiveness of its financial derivative hedges that are used for that purpose. As of June 30, 2015, and December 31, 2014, the Corporation showed no reduction in the ineffectiveness of these hedges in its earnings statement.

22. MANAGEMENT OF OTHER RISKS

a) Operational risk

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

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

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

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

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

(b) Capital management – statutory reserve

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

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

In accordance with SBS rules, the Corporation is obliged to maintain regulatory capital equal to or greater than 10% of risk-weighted assets and contingencies, including regulatory capital requirements for market risk, operating risk and credit risk. As of June 30, 2015, and December 31, 2014, the Corporation used the standard method for calculating its regulatory capital requirement for credit risk and market risk, and the basic method for operating risk. Furthermore, the 20th of July 2011 saw the publication of SBS ruling N° 8425-2011 (rules for additional statutory reserve) by which companies must comply with requirements throughout the economic cycle to cover the risk of market concentration, interest rate risk and other risks. This additional regulatory capital requirement must be achieved in five years, the first stage being 40% of the total requirement by July 2012. The reserve will gradually increase each year at a rate of 15% to achieve 100% by the 31st of July 2016. It should be mentioned that the economic cycle requirement is activated and deactivates as a function of the procyclic provisions for loans.

As of June 30, 2015, and December 31, 2014, the regulatory capital of the Corporation, calculated in accordance with current legislation was (in thousands) S/. 3,419,629 and S/.2,827,529 respectively; This figure is used to calculate certain limits and restrictions applicable to banks in Peru, which the management believes it has met in full.

As of June 30, 2015,, assets and contingent loans weighted by credit risk amounted to (in thousands) S/. 6,876,167 (in thousands S/.6,050,988 as of December 31, 2014) and the equity requirement for credit risk, market risk and operating risk determined by the Corporation according to current legislation totaled (in thousands) S/. 722,114 (S/.640,633 as of December 31, 2014); these figures generate a global capital ratio of 47.36% (44.14% as of December 31, 2014).

23. SUBSEQUENT EVENTS

On July 15, 2015 , COFIDE issued US $ 800 MM of corporate bonds in two tranches (with maturities of 4 and 10 years) in the international capital market : the reopening of US $ 200MM Senior Notes due in 2019 , they were placed at a 3.25% annual coupon and a yield of 3.367 % (price 99.566 %) ; and the new issue of US $ 600 MM Senior Notes due 2025 , which were placed at a coupon of 4.750% per annum with a yield of 4.874 % (price 99.028 %). The bonds were rated BBB + investment grade by Standard & Poor's and and Fitch Ratings.

The proceeds will be used to finance mainly the increase in the loan portfolio in infrastructure and productive investment, representing one of the four strategic pillars of the Corporation.