

STATEMENT OF FINANCIAL POSITION

 As of September 30, 2015
 (in thousands of nuevos soles)

| <u>ASSETS</u> | <u>Currency Peruvian</u> | <u>Equivalent in F. C.</u> | <u>TOTAL</u> | <u>LIABILITIES</u> | <u>Currency Peruvian</u> | <u>Equivalent in F. C.</u> | <u>TOTAL</u> |
|--|------------------------------|--------------------------------|-------------------|---|------------------------------|--------------------------------|-------------------|
| CASH | 40,912 | 2,351,702 | 2,392,614 | OBLIGATIONS TO THE PUBLIC | 93,458 | 1,471 | 94,929 |
| Banco Central de Reserva del Peru | 33,313 | 37,183 | 70,496 | Time deposits | 93,458 | 1,471 | 94,929 |
| Banks and other financial institutions in Peru | 7,535 | 715,313 | 722,848 | Other obligations | | | |
| Bank and other financial institutions abroad | 0 | 1,599,206 | 1,599,206 | DEPOSITS BY BANKS AND FINANCIAL ORGANIZATIONS | 74,281 | 0 | 74,281 |
| Others available | 64 | 0 | 64 | Deposits | 74,281 | 0 | 74,281 |
| AVAILABLE FOR SALE INVESTMENTS | 2,703,472 | 1,357,412 | 4,060,884 | DEBT SECURITIES | 1,827,937 | 7,654,997 | 9,482,934 |
| Capital instruments | 2,339,156 | 380,937 | 2,720,093 | Borrowings and obligations to Peruvian companies and financial institutions | 1,113,597 | 0 | 1,113,597 |
| Debt instruments | 364,316 | 976,475 | 1,340,791 | Borrowings and obligations to foreign companies & internat. entities. | 0 | 1,341,508 | 1,341,508 |
| LOAN PORTFOLIO, NET | 2,333,137 | 3,679,640 | 6,012,777 | Other borrowings & obligations in Peru and abroad | 0 | 178,366 | 178,366 |
| Current loans | 2,668,523 | 3,889,783 | 6,558,306 | Securities | 714,340 | 6,135,123 | 6,849,463 |
| Restructured loans | 0 | 11,906 | 11,906 | HEDGING DERIVATIVES | 147,865 | 4,903 | 152,768 |
| Refinanced loans | 713 | 1,884 | 2,597 | ACCOUNTS PAYABLE | 6,244 | 3,853 | 10,097 |
| Past-due loans | 381 | 53,498 | 53,879 | PROVISIONS | 5,520 | 43,280 | 48,800 |
| Accounts under legal collection | 0 | 1,316 | 1,316 | Provisions for contingent loans | 435 | 37,545 | 37,980 |
| - Provisions for loans | (336,480) | (278,747) | (615,227) | Provision for litigation and claims | 2,140 | 0 | 2,140 |
| HEDGING DERIVATIVES | 6,615 | 4,496 | 11,111 | Others | 2,945 | 5,735 | 8,680 |
| ACCOUNTS RECEIVABLE, NET | 55,751 | 71,341 | 127,092 | DEFERRED INCOME TAXES | 166,076 | 0 | 166,076 |
| Accounts receivable from sale of goods and services and trusts | 0 | 9 | 9 | OTHER LIABILITIES | 2,876 | 115 | 2,991 |
| Other accounts receivable | 55,751 | 71,332 | 127,083 | TOTAL LIABILITIES | 2,324,257 | 7,708,619 | 10,032,876 |
| ASSETS SEIZED, RECEIVED IN PAYMENT, AWARDED | 13,032 | 0 | 13,032 | EQUITY | | | |
| Goods received in payment and awarded | 13,032 | 0 | 13,032 | Capital | 1,532,779 | 0 | 1,532,779 |
| PROPERTY, FURNITURE AND EQUIPMENT, NET | 12,937 | 0 | 12,937 | Additional paid in capital | 517,233 | 0 | 517,233 |
| INTANGIBLE ASSETS | 6,211 | 0 | 6,211 | Reserves | 295,057 | 0 | 295,057 |
| Other intangible assets | 6,211 | 0 | 6,211 | Other comprehensive income | 345,936 | (137,104) | 208,832 |
| TAXES RECEIVABLE | 24,605 | 0 | 24,605 | Accumulated results | 21,742 | 0 | 21,742 |
| OTHER ASSETS | 1,945 | 2,927 | 4,872 | Net results of the fiscal year | 57,616 | 0 | 57,616 |
| TOTAL ASSETS | 5,198,617 | 7,467,518 | 12,666,135 | TOTAL EQUITY | 2,770,363 | (137,104) | 2,633,259 |
| | | | | TOTAL LIABILITIES AND EQUITY | 5,094,620 | 7,571,515 | 12,666,135 |
| | | | | RISKS AND CONTINGENT COMMITMENTS | 62,085 | 560,594 | 622,679 |

STATEMENTS OF INCOME

 For the nine months ended as of September 30, 2015
 (in thousands of nuevos soles)

| | Currency Peruvian | Equivalent in F. E. | TOTAL |
|---|----------------------|------------------------|-----------------|
| INTEREST INCOME | 172,915 | 226,383 | 399,298 |
| Cash | 1,012 | 4,175 | 5,187 |
| Available for sale investments | 22,187 | 49,584 | 71,771 |
| Direct loan portfolio | 149,716 | 172,624 | 322,340 |
| INTEREST EXPENSES | 72,067 | 175,693 | 247,760 |
| OBLIGATIONS TO THE PUBLIC | 1,418 | 223 | 1,641 |
| Deposits by Banks and financial organizations | 5,937 | 0 | 5,937 |
| Debts and financial obligations | 62,884 | 173,092 | 235,976 |
| Debts and obligations to local financial entities | 0 | 0 | 0 |
| Debts and obligations to foreign financial entities and international financial organizations | 0 | 28,336 | 28,336 |
| Other debts and obligations in the country and abroad | 0 | 1,247 | 1,247 |
| Commissions and other charges from debts and financial obligations | 231 | 4,662 | 4,893 |
| Securities, bond and outstanding obligations | 30,349 | 138,847 | 169,196 |
| Payable interests | 1,296 | 0 | 1,296 |
| Interest on accounts payable | 1,296 | 0 | 1,296 |
| Net loss from hedging transactions | 532 | 2,378 | 2,910 |
| GROSS FINANCIAL MARGIN | 100,848 | 50,690 | 151,538 |
| PROVISIONS FOR LOAN LOSSES | (29,433) | 30,985 | 1,552 |
| NET FINANCIAL MARGIN | 130,281 | 19,705 | 149,986 |
| INCOME FROM FINANCIAL SERVICES | 16,301 | 10,507 | 26,808 |
| Income from indirect loans | 717 | 6,281 | 6,998 |
| Income from trusts and trust commissions | 15,584 | 3,653 | 19,237 |
| Sundry income | 0 | 573 | 573 |
| EXPENSES FOR FINANCIAL SERVICES | 689 | 2,913 | 3,602 |
| Expenses on trusts and confidential commissions | 13 | 0 | 13 |
| Sundry expenses | 676 | 2,913 | 3,589 |
| NET FINANCIAL MARGIN OF INCOME AND EXPENSES FOR FINANCIAL SERVICES | 145,893 | 27,299 | 173,192 |
| Profit/(loss) from financial operations | (7,031) | (5,868) | (12,899) |
| Available for sale investments | 2 | 121 | 123 |
| Net loss from hedging operations | (7,028) | (6,749) | (13,777) |
| Earnings from exchange difference | 0 | 0 | 0 |
| Others | (5) | 2,089 | 2,084 |
| OPERATING MARGIN | 138,862 | 21,431 | 160,293 |
| ADMINISTRATIVE EXPENSES, DEPRECIATION AND AMORTIZATION | 50,258 | 5,674 | 55,932 |
| Personnel and Board of Directors' expenses | 28,939 | 348 | 29,287 |
| Expenses for services received from third parties | 14,023 | 5,297 | 19,320 |
| Taxes and contributions | 4,087 | 29 | 4,116 |
| Depreciation and amortization | 3,209 | 0 | 3,209 |
| NET OPERATING MARGIN | 88,604 | 15,757 | 104,361 |
| NET VALUATION OF ASSETS AND PROVISIONS | 2,743 | 51,857 | 54,600 |
| Provisions for indirect loans | (2,514) | (3,820) | (6,334) |
| Provisions for impairment of accounts receivable | 592 | 1,719 | 2,311 |
| Provision for seized goods, received in payment, recovered and awarded, and others | 3,239 | 0 | 3,239 |
| Deterioration of investments | 0 | 6,463 | 6,463 |
| Provision for lawsuits and claims | 423 | 0 | 423 |
| Other provisions | 1,003 | 47,495 | 48,498 |
| OPERATING PROFIT | 85,861 | (36,100) | 49,761 |
| Other income and expenses | 853 | 5,051 | 5,904 |
| PROFIT BEFORE INCOME TAX | 86,714 | (31,049) | 55,665 |
| Income tax | 1,951 | 0 | 1,951 |
| NET INCOME FOR THE YEAR | 88,665 | (31,049) | 57,616 |

**NOTES TO THE FINANCIAL STATEMENTS
AS OF SEPTEMBER 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 Finance – 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 September 30, 2015, and December 31, 2014, was 192, and 193, respectively.

(b) Approval of the Financial statements

The financial statements for the nine months ended September 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 October 15, 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 31, 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 uncollectibles, 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 September 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 November 27th, 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 September 30, 2015, and December 31, 2014, was to increase deferred income tax assets and reduce deferred income tax liabilities by (in thousands) S/. 21,665 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 N° 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 N° 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 September 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:

| <u>Type of loan</u> | <u>Provision rate</u> |
|--|------------------------------|
| 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 or 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 September 30, 2015, and December 31, 2014, 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:

| | <u>30 09 2015</u> | <u>31 12 2014</u> |
|--|-------------------------|-----------------------|
| | <u>S/. 000</u> | <u>S/. 000</u> |
| Banco Central de Reserva del Perú-BCRP (a) | 70,496 | 155,298 |
| Checking accounts | 2,367,430 | 372,235 |
| Accrued interest from cash | 2,600 | 275 |
| Other deposits | 64 | 64 |
| Provision for country risks (b) | <u>(47,976)</u> | <u>(4,190)</u> |
| Total | <u>2,392,614</u> | <u>523,682</u> |

(a) As of September 30, 2015, BCRP included (in thousands) US\$ 540 and S/ 13,312 (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 September 30, 2015, the BCRP includes (in thousands) US\$11,000, and S/. 20,000 (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 0.1022% in foreign currency and 2.25% in local currency. Overnights accrued interest during fiscal year 2015 amounting to (in thousands) US\$ 20 and (in thousands) S/. 66, ((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 September 30, 2015 amounting to (in thousands) S/. 47,976 ((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 09 2015 | 31 12 2014 |
|--|-------------------------|-------------------------|
| | S/. 000 | S/. 000 |
| CAF shares (note 3 (e.2.)) | 2,339,156 | 2,339,156 |
| Mutual funds | 355,807 | 314,981 |
| Investment funds | 23,002 | 20,266 |
| Shares | <u>2,128</u> | <u>2,561</u> |
| Capital instruments | <u>2,720,093</u> | <u>2,676,964</u> |
| Structured bonds | 918,350 | 823,548 |
| Corporate bonds | 256,169 | 262,877 |
| Securitized bonds | 37,372 | 45,786 |
| Structured bonds / repurchase agreements | 82,567 | 29,805 |
| Sovereign bonds | 20,067 | 18,581 |
| Commercial paper | 0 | 2,966 |
| Subordinated bonds | <u>2,325</u> | <u>2,377</u> |
| | <u>1,316,850</u> | <u>1,185,940</u> |
| Accrued yield | 23,941 | 27,329 |
| Debt instruments | <u>1,340,791</u> | <u>1,213,269</u> |
| Total | <u>4,060,884</u> | <u>3,890,233</u> |

The investment in CAF was a contribution by the Peruvian Government between 1989 and 2000, in the form of class "B" shares in the CAF. The class "B" shares have a nominal value of US\$5,000 each, and enable their holder to appoint a representative to the board of directors. As of September 30, 2015, and December 31, 2014, the Corporation held 97,951 class "B" shares representing 11.50% 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 31st, 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 September 30, 2015, and December 31, 2014, 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 September 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 September 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 September | As at 31st Dec. | As at 30th September | As at 31st Dec. | As at 30th September | Al 31 de Dic. | As at 30th September | As at 31st Dec. |
| | | <u>2015</u> % | <u>2014</u> % | <u>2015</u> S/. 000 | <u>2014</u> S/. 000 | <u>2015</u> S/. 000 | <u>2013</u> S/. 000 | <u>2015</u> S/. 000 | <u>2014</u> S/. 000 |
| Peruvian currency | | | | | | | | | |
| Structured bonds | Between January 2033 & June 2037 | Between 5.965% & 8.58% | Between 5.97 & 8.58 | 307,967 | 350,459 | 0 | 0 | (14,807) | 23,209 |
| Corporate bonds | September 2025 | 6.63% | Between 6.625 & 6.8437 | 29,925 | 30,702 | 0 | 0 | 12,097 | 13,061 |
| Securitized bonds | December 2016 | 8.50% | 8.50 | 24,015 | 30,469 | 0 | 0 | (102) | 242 |
| Commercial paper | March 2015 | 6.60% | 6.60 | 0 | 2,966 | 0 | 0 | 0 | (4) |
| Subordinated bonds | October 2022 | 7.17% | 7.17 | 2,409 | 2,416 | 0 | 0 | (237) | (185) |
| | | | | 364,316 | 417,012 | 0 | 0 | (3,049) | 36,323 |
| CAF shares (Note 3 (e.2)) | - | - | - | 2,339,156 | 2,339,156 | 0 | 0 | 404,261 | 404,261 |
| | | | | 2,703,472 | 2,756,168 | 0 | 0 | 401,212 | 440,584 |
| Foreign currency | | | | | | | | | |
| Structured bonds | Between December 2033 & April 2037 | Between 6.0% & 8.125% | Between 6.0 & 8.125 | 624,257 | 487,056 | 0 | 0 | (122,415) | 17,796 |
| Corporate bonds | Entre mayo 2016 y enero 2021 | Between 6.50% & 9.875% | Between 6.50 & 9.875 | 229,815 | 240,046 | 0 | 0 | (13,901) | 6,478 |
| Structured bonds / repurchase agreements | Marzo 2015 | 8.125% | 8.125% | 84,312 | 30,448 | 0 | 0 | (3,632) | (10,624) |
| Securitized bonds | February 2021 | 7.3475% | 7.3475% | 17,628 | 19,384 | 0 | 0 | 867 | 688 |
| Sovereign bonds | December 2015 | 8.00% | 8.00% | 20,463 | 19,323 | 0 | 0 | 334 | 301 |
| Mutual funds | No contractual maturity | - | - | 355,807 | 314,981 | 0 | 0 | 1,248 | 118 |
| Investment funds | No contractual maturity | - | - | 23,002 | 20,266 | (6,530) | 0 | (871) | (5,906) |
| Bladex shares | No contractual maturity | - | - | 2,128 | 2,561 | 0 | 0 | 1,267 | 1,763 |
| | | | | 1,357,412 | 1,134,065 | (6,530) | 0 | (137,103) | 10,614 |
| Total | | | | 4,060,884 | 3,890,233 | (6,530) | 0 | 264,109 | 451,198 |

7. LOAN PORTFOLIO, NET

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

| | 30 09 2015 | 31 12 2014 |
|---|-------------------|-------------------|
| | S/. 000 | S/. 000 |
| Direct loans | | |
| Loans to intermediate financial institutions | 6,101,760 | 5,390,624 |
| Loans | 163,608 | 13,201 |
| Restructured loans | 13,479 | 12,492 |
| Refinanced loans | 2,942 | 5,066 |
| Overdue loans | 54,684 | 144,058 |
| Loans to be settled and subject to legal action | 1,316 | 1,219 |
| Sub Total | 6,337,789 | 5,566,660 |
| Plus: | | |
| Accrued yield from loans | 293,891 | 225,742 |
| Minus: | | |
| Provision for non-performing loans | (615,227) | (594,442) |
| Deferred interest | (3,676) | (3,213) |
| | (618,903) | (597,655) |
| Total | 6,012,777 | 5,194,747 |
| Contingent loans - guarantees & letters of guarantee (Note 14) | 607,544 | 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 09 2015 | 31 12 2014 | 30 09 2015 S/. 000 | 31 12 2014 S/. 000 |
| Normal | 148 | 127 | 6,393,492 | 5,408,720 |
| With potential problems | 16 | 21 | 438,311 | 613,745 |
| Deficient | 9 | 9 | 54,507 | 197,664 |
| Doubtful | 3 | 3 | 4,562 | 343 |
| Lost | 5 | 4 | 50,785 | 1,443 |
| Total | 181 | 164 | 6,941,657 | 6,221,915 |

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

| | 30 09 2015 | | 31 12 2014 | |
|--------------------------------------|------------------|--------------|------------------|--------------|
| | S/.000 | % | S/.000 | % |
| Second tier portfolio: | | | | |
| Banks | 5,079,453 | 80.0 | 4,137,297 | 74.3 |
| Financial institutions | 568,282 | 9.0 | 781,736 | 14.0 |
| Municipal savings & loans | 330,747 | 5.2 | 316,827 | 5.7 |
| Edpymes | 63,667 | 1.0 | 72,733 | 1.3 |
| Financial leasing | 32,730 | 0.5 | 34,947 | 0.6 |
| Cooperatives | 14,881 | 0.2 | 26,357 | 0.5 |
| Rural savings & loans | 12,000 | 0.2 | 20,727 | 0.4 |
| Factoring | 4,832 | 0.1 | 3,284 | 0.1 |
| | 6,106,592 | 96.3 | 5,393,908 | 97.0 |
| First tier portfolio: | | | | |
| Financial leasing & promissory notes | 214,060 | 3.4 | 160,387 | 2.9 |
| Other loans (i) | 17,137 | 0.3 | 12,365 | 0.2 |
| | 231,197 | 3.6 | 172,752 | 3.0 |
| Total portfolio | 6,337,789 | 100.0 | 5,566,660 | 100.0 |
| Loan accrued interests | 293,891 | | 225,742 | |
| Total general | 6,631,680 | | 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 09 2015 | | 31 12 2014 | |
|-------------------------------|------------|-----------------|------------|-----------------|
| | Loans in | | Loans in | |
| | S/. | US\$ | S/. | US\$ |
| | % | % | % | % |
| Short-term working capital | 6.04 | 1.74 | 6.53 | 1.8 |
| COFIDE own resources | 9.71 | 4.98 | 9.37 | 5.71 |
| Medium-term working capital | 9.27 | 6.75 | 9.37 | 7.02 |
| Probid II | - | Libor 6M + 4.40 | - | Libor 6M + 4.46 |
| Structured financial products | 0.00 | 10.01 | 21.27 | 10.91 |

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

| | Direct S/.000 | Contingent S/.000 | Total S/.000 |
|--|------------------|----------------------|-----------------|
| Balances as of December 31, 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 of December 31, 2014 | 594,442 | 41,564 | 636,006 |
| Provision for fiscal year | 50,332 | 5 | 50,337 |
| Recoveries | (47,603) | (6,339) | (53,942) |
| Exchange rate differences | 18,056 | 2,750 | 20,806 |
| Balances as of September 30, 2015 | 615,227 | 37,980 | 653,207 |

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

| | 30 09 2015 | | | 31 12 2014 | | |
|----------------------------|----------------|---------------|----------------|----------------|---------------|----------------|
| | Direct | Contingent | Total | Direct | Contingent | Total |
| | S/.000 | S/.000 | S/.000 | S/.000 | S/.000 | S/.000 |
| Specific | 149,111 | - | 149,111 | 147,194 | - | 147,194 |
| Generic for normal clients | 60,976 | 4,623 | 65,599 | 55,531 | 5,470 | 61,001 |
| Voluntary generic | 405,140 | 33,357 | 438,497 | 391,717 | 36,094 | 427,811 |
| Total | 615,227 | 37,980 | 653,207 | 594,442 | 41,564 | 636,006 |

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

As of September 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 September 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 09 2015 | | 31 12 2014 | |
|--|------------------|---------------|------------------|---------------|
| | S/. 000 | % | S/. 000 | % |
| Commercial & microenterprise loans | | | | |
| Financial intermediation | 6,101,760 | 96.28 | 5,390,624 | 96.84 |
| Farming, livestock, hunting & forestry | 148,410 | 2.34 | 109 | 0.00 |
| Manufacturing industry | 50,250 | 0.79 | 144,157 | 2.59 |
| Hotels & restaurants | 15,632 | 0.25 | 16,305 | 0.29 |
| Housing mortgages | 10,004 | 0.16 | 9,638 | 0.17 |
| Trade | 4,833 | 0.08 | 0 | 0.00 |
| Other community services | 4,253 | 0.08 | 3,285 | 0.06 |
| Transport, storage & communications | 1,562 | 0.02 | 993 | 0.02 |
| Consumer loans | 1,071 | 0.02 | 1,507 | 0.03 |
| Real estate, business & rentals | 14 | 0.00 | 42 | 0.00 |
| Total | 6,337,789 | 100.00 | 5,566,660 | 100.00 |

(f) The loan portfolio has the following maturities:

| | 30 09 2015 | | 31 12 2014 | |
|-------------------------------------|------------------|--------------|------------------|--------------|
| | S/.000 | % | S/.000 | % |
| Up to one year | 2,139,552 | 33.8 | 1,966,823 | 35.3 |
| More than 1 but less than 2 years | 702,097 | 11.1 | 544,443 | 9.8 |
| More than 2 but less than 3 years | 415,331 | 6.6 | 314,973 | 5.7 |
| More than 3 but less than 4 years | 623,280 | 9.8 | 348,011 | 6.3 |
| More than 4 but less than 5 years | 426,354 | 6.7 | 340,937 | 6.1 |
| More than 5 years | 1,975,175 | 31.2 | 1,906,196 | 34.3 |
| Sub Total | 6,281,789 | 99.1 | 5,421,383 | 97.4 |
| Overdue and subject to legal action | 56,000 | 0.9 | 145,277 | 2.6 |
| Total loan portfolio | 6,337,789 | 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 US\$ 000 | Banco Nuevo Mundo US\$ 000 | NBK Bank US\$ 000 | Consolidated operations US\$ 000 | Total US\$ 000 |
|---|-------------------------------|----------------------------------|----------------------|--|-------------------|
| Balances as of December 31, 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 of December 31, 2014 | 1,277 | 2,714 | 44 | 49,678 | 53,713 |
| Equivalent in soles as of December 31, 2014 | 3,813 | 8,104 | 131 | 148,339 | 160,387 |
| Loans received (*) | - | - | - | 46,694 | 46,694 |
| Recoveries & others | (609) | (7) | (20) | (32,682) | (33,318) |
| Balances as of September 30, 2015 | 668 | 2,707 | 24 | 63,690 | 67,089 |
| Equivalent in soles as of September 30, 2015 | 2,152 | 8,722 | 77 | 203,109 | 214,060 |

(*) 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 September 30, 2015, and December 31, 2014, were as follows:

| | Initial balance | Additions | Withdrawals | Final balance | Depreciation rates |
|----------------------------------|--------------------|-----------|-------------|------------------|-----------------------|
| | S/. 000 | S/. 000 | S/. 000 | S/. 000 | % |
| Cost: | | | | | |
| Land | 469 | - | - | 469 | |
| Buildings and facilities | 21,873 | - | - | 21,873 | |
| Furniture and fixtures | 2,544 | 52 | - | 2,596 | |
| Transportation units | 184 | - | - | 184 | |
| Sundry Equipment | 15,889 | 1,706 | (310) | 17,285 | |
| Total | 40,959 | 1,758 | (310) | 42,407 | |
| Accumulated depreciation: | | | | | |
| Buildings and facilities | 15,728 | 452 | - | 16,180 | 3 and 10 |
| Furniture and fixtures | 2,059 | 64 | - | 2,123 | 10 |
| Transportation units | 184 | - | - | 184 | 20 |
| Sundry Equipment | 9,840 | 1,448 | (305) | 10,983 | 10 and 25 |
| Total | 27,811 | 1,964 | (305) | 29,470 | |
| Net | 13,148 | | | 12,937 | |

In the opinion of the management, the recoverable values of real estate, fixtures and fittings as of September 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:

| | <u>30 09 2015</u> | <u>31 12 2014</u> |
|--|-------------------|-------------------|
| | <u>S/. 000</u> | <u>S/. 000</u> |
| Fair value - hedging derivatives - rate swaps | 11,261 | 0 |
| Fair value - hedging derivatives - currency swaps | 0 | 139 |
| Provision for country risk - derivatives | (150) | (139) |
| Hedging derivatives (Note 12 (a)) | 11,111 | 0 |
| Restricted funds / Funds under guarantee - Margin Call (a) | 61,669 | 49,538 |
| Account receivable from MEF-Law 30283 (Note 13 (b)) | 52,182 | 0 |
| Accounts receivable - various | 15,268 | 9,610 |
| Accounts receivable from assigned loan portfolio | 2,035 | 1,923 |
| Commissions receivable | 3,293 | 1,800 |
| Provisions for accounts receivable and others (b) | (7,355) | (6,462) |
| Accounts receivable, net | 127,092 | 56,409 |
| Software | 14,535 | 14,398 |
| Software accumulated amortization | (8,324) | (7,079) |
| Intangible assets, net (c) | 6,211 | 7,319 |
| Realisable goods, net of provisions | 13,032 | 78 |
| Commissions and others paid in advance | 3,127 | 1,765 |
| Works of art and library | 776 | 765 |
| Various | 969 | 1,392 |
| Other assets | 4,872 | 3,922 |

(a) As of September 30, 2015, the Corporation held funds in guarantee amounting to (in thousands) US\$19,140 (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:

| | <u>30 09 2015</u> | <u>31 12 2014</u> |
|-----------------------------|-------------------|-------------------|
| | <u>S/. 000</u> | <u>S/. 000</u> |
| Specific provision | 5,276 | 2,177 |
| Voluntary generic provision | 2,079 | 4,285 |
| Total | <u>7,355</u> | <u>6,462</u> |

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

| | <u>30 09 2015</u> | <u>31 12 2014</u> |
|---------------------------|-------------------|-------------------|
| | <u>S/. 000</u> | <u>S/. 000</u> |
| Opening balances | 6,462 | 5,111 |
| Provision for the year | 3,573 | 2,452 |
| Reversals | (1,262) | (183) |
| Write-offs | (1,561) | (1,131) |
| Exchange rate differences | 143 | 213 |
| Closing balances | 7,355 | 6,462 |

(c) This software consists principally of SAP system licences. As of September 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/. 1,245 (S/. 459 as of September 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 09 2015 | 31 12 2014 |
|-----------------------|-------------------|-------------------|
| | S/. 000 | S/. 000 |
| Time deposits | 74,000 | 191,784 |
| Deposits in guarantee | 13,105 | 18,151 |
| Reporting operations | 80,767 | 28,861 |
| | <hr/> | <hr/> |
| | 167,872 | 238,796 |
| Interest accrued | 598 | 3,717 |
| | <hr/> | <hr/> |
| | 168,470 | 242,513 |
| Severance indemnities | 740 | 513 |
| | <hr/> | <hr/> |
| Total | 169,210 | 243,026 |

- (a) As of September 30, 2015, time deposits consisted principally of Peruvian currency funds from CMAC Trujillo, CMAC Arequipa and CMAC Santa, which accrue interest at annual market rates of between 5.05% and 5.70% and mature in October 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 September 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/. 11,637 and US\$456, accrue interest at annual market rates of 2.25% in Peruvian currency and 0.1022% in foreign currency and mature between April and June 2016. 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 nine months ended as of September 30, 2015, 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 5.73% and 6.11% in soles; they are guaranteed by structured bonds issued by Terminales Portuarios Paita, and mature between October 2015 and February 2016. 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 09 2015 | 31 12 2014 |
|--|-------------------|-------------------|
| | S/. 000 | S/. 000 |
| Up to one month | 90,181 | 4,847 |
| More than 1 month and up to 3 months | 44,275 | 11,767 |
| More than 3 months and up to 6 months | 34,156 | 63,311 |
| More than 6 months and up to 12 months | - | 159,384 |
| Total | 168,612 | 239,309 |

11. DEBT SECURITIES

This item includes:

| | 30 09 2015 | 31 12 2014 |
|-----------------------------------|-------------------|-------------------|
| | S/. 000 | S/. 000 |
| Debts with financial entities (a) | 2,633,471 | 2,835,231 |
| Financial obligations (b) | 6,849,463 | 3,910,495 |
| | 9,482,934 | 6,745,726 |

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

| Name of creditor | Rate | 30 09 2015 | 31 12 2014 | Maturity |
|---|---------------------|------------------|------------------|----------------|
| | % | S/000 | S/000 | |
| Bank of Tokyo - Mitsubishi / Sindicaded | Libor (3M) + 1.725% | 644,400 | 597,200 | September 2016 |
| Bank of Tokyo - Mitsubishi / Bilateral | Libor (3M) + 0.70% | 322,200 | 298,600 | February 2017 |
| Scotiabank Perú | from 3.80% to 5.98% | 437,000 | 420,000 | December 2015 |
| Banco de la Nación del Perú | from 3.95% to 4.90% | 272,000 | 308,000 | December 2015 |
| BBVA Banco Continental | from 4.25% to 4.90% | 370,000 | 227,000 | April 2017 |
| American Family Life Assurance of Columbus Japan Branch - AFLAC | 3.75% | 241,929 | 224,370 | September 2031 |
| Banco Internacional del Perú - INTERBANK | from 5.89% to 7.24% | 16,600 | 43,010 | September 2022 |
| Corporación Andina de Fomento - CAF | Libor (6M) + 2.8% | 96,660 | 89,580 | October 2016 |
| Nordic Investment Bank | Libor (6M) + 0.85% | 8,055 | 14,930 | September 2016 |
| CAF share issue - financial liability (Note 13 (a)) | | 26,623 | 24,673 | December 2023 |
| Corporación de Fomento a la Produccion - CORFO | 4.25% | - | 178 | June 2015 |
| Sub Total | | 2,435,467 | 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 Cooperation - 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 Cooperation Agency- JICA | from 0.01% to 0.60% | 122,508 | 113,617 | October 2027 |
| Kreditanstalt Fur Wiederaufbau - EREE | 1.95% | 55,057 | 33,108 | June 2025 |
| Sub Total (a.1) | | 177,565 | 568,078 | |
| Commissions for structuring obligations to Bank of Tokyo-Mitsubishi / Syndicated and bilateral | | (2,666) | (4,164) | |
| Sub total | | 2,610,366 | 2,811,455 | |
| Interest | | 23,105 | 23,776 | |
| Total | | 2,633,471 | 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 September 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 09 2015 | 31 12 2014 |
|---------------------------------|-------------------|-------------------|
| | S/. 000 | S/. 000 |
| Up to one month | 271,758 | 227,152 |
| More than 1 and up to 3 months | 271,734 | 345,056 |
| More than 3 and up to 6 months | 267,853 | 205,795 |
| More than 6 and up to 12 months | 835,284 | 291,858 |
| More than 12 months | 963,737 | 1,741,594 |
| Total | 2,610,366 | 2,811,455 |

As of September 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 September 30, 2015, the Corporation recorded net losses on hedging operations amounting to (in thousands) S/. 13,777 (profits of (in thousands) S/. 21,515 as of September 30, 2015), shown under “Results of hedging operations” in the results of financial operations - ROF in the income statement.

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

| Series | Issue | | Maturity date | Interest rate | 30 09 2015 | 31 12 2014 |
|---|------------|-----------------|---------------|---------------|------------------|------------------|
| | Date | Value 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% | 8,000 | 11,000 |
| Eighth - Series B | 02/04/2008 | 10,000 | 02/04/2018 | 6.65% | 5,500 | 7,000 |
| Twelfth - Series A | 16/01/2009 | 7,065 | 15/01/2015 | 7.94% | 0 | 305 |
| | | | | | <u>13,500</u> | <u>18,305</u> |
| 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% | 0 | 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 |
| | | | | | <u>390,000</u> | <u>435,065</u> |
| 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 |
| | | | | | <u>178,445</u> | <u>100,000</u> |
| Certificates of deposit 2nd programme | | | | | | |
| Third issue - Series A | 15/01/2015 | 40,115 | 11/01/2016 | 4.50% | 40,115 | 0 |
| Fourth issue - Series A | 30/04/2015 | 50,000 | 24/04/2016 | 4.85% | 50,000 | 0 |
| Fourth issue - Series B | 23/07/2015 | 32,375 | 17/07/2016 | 4.80% | 32,375 | 0 |
| | | | | | <u>122,490</u> | <u>0</u> |
| Total nominal value | | | | | 704,435 | 553,370 |
| Accrued yield | | | | | 9,905 | 15,301 |
| Total Peruvian currency | | | | | 714,340 | 568,671 |
| b) In foreign currency | | | | | | |
| First international issue | 08/02/2012 | 400,000 | 08/02/2022 | 4.75% | 1,288,800 | 1,194,400 |
| Reopening, first international issue | 03/12/2012 | 100,000 | 08/02/2022 | 4.75% | 322,200 | 298,600 |
| Second international issue - senior | 08/07/2014 | 300,000 | 15/07/2019 | 3.25% | 966,600 | 895,800 |
| Second international issue - subordinated | 08/07/2014 | 300,000 | 15/07/2029 | 5.25% | 966,600 | 895,800 |
| Third international issue - Notes due 2019 | 15/07/2015 | 200,000 | 15/07/2019 | 3.25% | 644,400 | 0 |
| Third international issue - Notes due 2025 | 15/07/2015 | 600,000 | 15/07/2025 | 4.75% | 1,933,200 | 0 |
| Total nominal value | | | | | 6,121,800 | 3,284,600 |
| Net price difference (under / over par) and related costs | | | | | (38,341) | (5,648) |
| Accrued yield | | | | | 51,664 | 62,872 |
| Total foreign currency | | | | | 6,135,123 | 3,341,824 |

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)

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

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

Second bond issuance in the international market

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

Third bond issuance in the international market

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

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

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

This item includes:

| | 30 09 2015 | 31 12 2014 |
|--|-------------------|-------------------|
| | S/. 000 | S/. 000 |
| Fair value - hedging derivatives - currency swaps | 152,768 | 153,586 |
| Fair Value - hedging derivatives - rate swaps | 0 | 2,113 |
| Hedging derivatives (a) | 152,768 | 155,699 |
| Taxes payable | 683 | 981 |
| Accounts payable - various | 9,414 | 8,442 |
| Accounts payable | 10,097 | 9,423 |
| Provision for contingent loans (Note 7(b)) | 37,980 | 41,564 |
| Provision for lawsuits and claims (b) | 2,140 | 1,730 |
| Other provisions (b) | | |
| - RCDRC provision - available for sale investments | 5,735 | 9,877 |
| - Provision for accrued vacations | 2,945 | 2,589 |
| Provisions | 48,800 | 55,760 |
| Operations in progress | 2,918 | 1,006 |
| Deferred sales | 73 | 73 |
| Other liabilities | 2,991 | 1,079 |
| Total | 214,656 | 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 September 30, 2015, and December 31, 2014 derivative operations for cash flow hedging consisted of:

FINANCIAL DERIVATIVES AS AT 30 09 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 | 364,437 | 2,386 | 161,150 | 283 | 2,080 | (2,669) | (10,462) | - | - | 152,768 |
| CURRENCY SWAPS - HEDGING US\$/S/. | 0 | - | - | - | - | - | - | - | - | - | - |
| CURRENCY SWAPS - HEDGING | 4 | 364,437 | 2,386 | 161,150 | 283 | 2,080 | (2,669) | (10,462) | - | 0 | 152,768 |
| TOTAL - CURRENCY DERIVATIVES | 4 | 364,437 | 2,386 | 161,150 | 283 | 2,080 | (2,669) | (10,462) | - | - | 152,768 |
| INTEREST RATE SWAPS - HEDGING | 1 | 635,400 | - | - | 4,363 | 2,823 | 6,898 | (2,823) | - | 11,261 | - |
| | | | 2,386 | 161,150 | 4,646 | 4,903 | 4,229 | (13,285) | - | 11,261 | 152,768 |

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 September 30, 2015, the net position payable for foreign currency swaps amounted to (in thousands) S/. 152,768 (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 September 30, 2015, the net position receivable of interest rate swaps amounted to (in thousands) S/. 11,261 (S/.2,113 as of December 31, 2014), which offset variations in the borrowing rates applicable to these borrowings.
- (iii) As of September 30, 2015, an unrealised net gain was obtained from these financial derivatives amounting to (in thousands) S/. 17,514 (net gain (in thousands) of S/. 14,606 as of December 31, 2014). See note 13(d)
- (iv) As of September 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 September 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 September 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.

COFIDE's general shareholders meeting held on March 31st, 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.

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

COFIDE's general shareholders meeting held on March 31th, 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 May 28th, 2014.

Shareholdings in the Corporation were as follows:

| Share class | Holder | 30 09 2015 | | 31 12 2014 | |
|---------------------|-------------------|----------------------|----------------|----------------------|----------------|
| | | Nº of shares | % shareholding | Nº of shares | % 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 Preferred" | 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" preferred shares belong to different Peruvian State companies and entities (unless they have been bought back). They are preference shares and are redeemable or may be bought back; they are non-voting shares and accrue an annual preferred and cumulative dividend (Libor 360 days plus 4.5% of the initial value paid in dollars by CAF).

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

(b) Additional paid in capital

As of September 30, 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 March 31th, 2015, which approved the reinvestment of 15% of profits from fiscal year 2014 payable to FONAFE and amounting to (in thousands) S/: 10'409, 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.

On the other hand, 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)

In addition, as of September 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.

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

COFIDE's general shareholders meeting held on March 31th, 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 N° 23337 created the Public Sector Infrastructure and Counterparty Fund (later known as - FONAFE) whose funds consisted of the profits available for distribution earned by state-owned companies (100% of these profits in the case of banks and finance companies), which were to be transferred to the fund within 60 days of the balance sheets being approved. Profits available for distribution means the percentage set by the State after allowing for statutory reserves and capital reserves aimed at maintaining the solvency and liquidity of these companies.

COFIDE's general shareholders meeting held on March 31th, 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 March 31th, 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:

| | <u>30 09 2015</u> | <u>31 12 2014</u> |
|---|-------------------|-------------------|
| | <u>S/. 000</u> | <u>S/. 000</u> |
| <u>Retained earnings:</u> | | |
| 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 |
| <u>Other comprehensive income</u> | | |
| Unrealized profit for the adjustment in value of CAF investment | 404,261 | 404,261 |
| Less: deferred income tax | (107,130) | (113,194) |
| | <u>297,131</u> | <u>291,067</u> |
| Profit for fluctuation of value of available for sale investments | (140,152) | 46,937 |
| Less: deferred income tax | 39,243 | (13,142) |
| | <u>(100,909)</u> | <u>33,795</u> |
| Profit (loss) cash flow hedging derivatives | 17,514 | 14,606 |
| Less: deferred income tax | (4,904) | (4,090) |
| | <u>12,610</u> | <u>10,516</u> |
| Total | 208,832 | 335,378 |

14. CONTINGENT AND MEMORANDUM ACCOUNTS

This item includes:

| | <u>30 09 2015</u> | <u>31 12 2014</u> |
|--|-------------------|-------------------|
| | <u>S/.000</u> | <u>S/.000</u> |
| <u>Contingent risks and commitments (a)</u> | | |
| Joint signatures granted (Note 7) | 607,544 | 658,468 |
| Other contingent accounts | 15,135 | 20,890 |
| | <u>622,679</u> | <u>679,358</u> |
| <u>Trusts & confidential commissions (b):</u> | | |
| Guarantees for operations of credit of trusts | 9,037,870 | 8,545,570 |
| Counter-accounts of trusts and trust commissions | 8,818,916 | 7,902,032 |
| Trust funds | 8,748,297 | 7,899,409 |
| Funds in trust commissions | 573,923 | 522,764 |
| | <u>27,179,006</u> | <u>24,869,775</u> |
| <u>Off-balance sheet accounts</u> | | |
| <u>Guarantees for loan transactions (c)</u> | | |
| Promissory notes | 4,749,235 | 4,897,227 |
| Mortgages | 40,446 | 211,345 |
| Guarantee deposits | 13,105 | 18,151 |
| Documentary guarantees | 18,068 | 12,549 |
| Mercantile pledges | 945 | - |
| Warrants | 116 | 108 |
| Other guarantees | 142,511 | 130,643 |
| Other off-balance sheet accounts | 11,811,687 | 8,552,481 |
| | <u>16,776,113</u> | <u>13,822,504</u> |
| <u>Swaps and forwards (d):</u> | | |
| Swap and forward operations | 364,437 | 596,043 |
| Nominal value - interest rate swap | 644,400 | 40,311 |
| | <u>1,008,837</u> | <u>636,354</u> |
| Total contingent and off-balance sheet accounts | 44,963,956 | 39,328,633 |

(a) *Contingent loans*

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

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

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

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

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

(b) *Trusts and trust commissions*

As of September 30, 2015, the Corporation managed 4 funds, 186 items of equity in trust and 2 programmes (4 funds, 185 items of equity in trust and 2 programmes as of December 31, 2014), for which it received commissions varying from 0.25% to 2% as of September 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 September 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 mainly 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 09 2015 | 30 09 2014 |
|----------------------------|-------------------|-------------------|
| | S/. 000 | S/. 000 |
| Wages | 12,314 | 12,186 |
| Profit sharing | 4,518 | 5,454 |
| Bonuses | 2,298 | 2,498 |
| Benefits | 2,227 | 2,618 |
| Social charges and others | 2,140 | 2,010 |
| Severance indemnities | 1,319 | 1,475 |
| Vacations | 178 | 111 |
| Directors' attendance fees | 115 | 203 |
| Assignations | 63 | 64 |
| Other personnel expenses | 4,115 | 4,466 |
| Total | 29,287 | 31,085 |

16. EXPENSES FOR SERVICES RECEIVED FROM THIRD PARTIES

This item includes:

| | 30 09 2015 | 30 09 2015 |
|---------------------------------|-------------------|-------------------|
| | S/. 000 | S/. 000 |
| Other services | 6,468 | 4,717 |
| Consulting services | 4,360 | 3,929 |
| Professional fees | 1,809 | 1,709 |
| Electronic processing | 1,431 | 1,041 |
| Repairs and maintenance | 1,368 | 926 |
| Surveillance and protection | 737 | 662 |
| Communications | 713 | 687 |
| Rentals | 561 | 746 |
| Supplies - various | 398 | 268 |
| Advertisement | 371 | 381 |
| Electricity and water | 297 | 279 |
| Insurance | 225 | 154 |
| Transport | 208 | 230 |
| Travel expenses | 148 | 106 |
| Subscriptions and quotations | 98 | 127 |
| Electronic transfers | 57 | 56 |
| Notary and registry office fees | 40 | 67 |
| Court costs | 19 | 18 |
| Entertainment expenses | 12 | 16 |
| Total | 19,320 | 16,119 |

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 09 2015 | 30 09 2014 |
| Outstanding at the beginning of the year | 1,548,419 | 1,528,559 |
| Outstanding at the end of the year | 1,548,419 | 1,528,559 |
| Net profit for period (in S/. X 1,000) | 57,616 | 51,991 |
| Shares (denominator) | 1,548,419 | 1,528,559 |
| Basic and diluted earnings per share (S/.) | 0.0372 | 0.0340 |

18. INCOME TAX

(a) Income tax regime

Tax rates

As of September 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:

| | <u>30 09 2015</u> | <u>30 09 2014</u> |
|-------------------------------------|-------------------|-------------------|
| | S/. 000 | S/. 000 |
| Current income tax | 24,036 | 31,086 |
| Deferred income tax (paragraph (g)) | (25,987) | 423 |
| Total | <u>(1,951)</u> | <u>31,509</u> |

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

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

As of September 30, 2015, and September 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):

| | <u>30 09 2015</u> | | <u>30 09 2014</u> | |
|--|-----------------------|----------------------|----------------------|---------------------|
| | S/. 000 | % | S/. 000 | % |
| Income tax calculated according to current tax rate | 15,586 | 28.00 | 25,050 | 30.00 |
| Tax effect on additions (deductions): | | | | |
| Non-deductible expenses | 17,375 | 31.21 | 17,986 | 21.54 |
| Exempt earnings | (36) | (0.05) | (31) | (0.04) |
| Other permanent differences | (34,876) | (62.66) | (11,496) | (13.77) |
| Current and deferred income tax recorded | | | | |
| According to effective rate | <u>(1,951)</u> | <u>(3.50)</u> | <u>31,509</u> | <u>37.73</u> |

- (e) Tax reimbursable:

Income tax debit and credit balances are as follows:

| | <u>30 09 2015</u> | <u>31 12 2014</u> |
|--------------------------------|----------------------|----------------------|
| | S/. 000 | S/. 000 |
| Reimbursable: | | |
| Income tax payments on account | 48,892 | 54,319 |
| Payable: | | |
| Income tax payable | 24,036 | 28,879 |
| Tax recoverable | <u>24,856</u> | <u>25,440</u> |

- (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 on January 3th, 2014, initiating a tax audit of fiscal year 2011, which at the date of this report is still ongoing, with the respective report not yet issued.

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

(g) Deferred income tax - balances

Deferred assets tax and liabilities are made up as follows:

| | Balance as at | Changes in results | | Balance as at | Changes in results | | Balance as at |
|--|--------------------|--------------------|-----------------|--------------------|--------------------|----------------|--------------------|
| | 01 01 2014 | Accumulated | Fiscal year | 31 12 2014 | Accumulated | Fiscal year | 30 06 2015 |
| | 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 | - | (9,599) | 562,862 |
| Other generic provisions | 3,245 | - | 15,280 | 18,525 | - | 40,422 | 58,947 |
| Provision for changes in securities | 3,984 | - | (3,984) | - | - | 6,530 | 6,530 |
| Generic provision - accounts receivable | 2,835 | - | 1,450 | 4,285 | - | (2,206) | 2,079 |
| Provision for adjudicated assets | 3,760 | - | (1,514) | 2,246 | - | 3,239 | 5,485 |
| | 622,937 | - | (25,420) | 597,517 | - | 38,386 | 635,903 |
| Temporary differences in liabilities: | | | | | | | |
| Depreciation of buildings | (514) | - | 257 | (257) | - | (193) | (450) |
| 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) | 187,088 | - | 140,153 |
| Unrealised earnings (loss) on derivatives | (32,864) | 18,258 | - | (14,606) | (2,908) | - | (17,514) |
| Comments on 2003 tax return - provisions, write-downs and othe | 20,378 | - | (3,555) | 16,823 | - | (1,098) | 15,725 |
| | (1,476,282) | (9,713) | (3,298) | (1,489,293) | 184,180 | (1,291) | (1,306,404) |
| Temporary differences in liabilities, net | (853,345) | (9,713) | (28,718) | (891,776) | 184,180 | 37,095 | (670,501) |
| Movements in deferred income tax | - | (2,914) | (8,615) | - | 51,570 | 10,386 | - |
| Changes in deferred income tax (rate change) | - | 9,316 | 8,520 | - | 6,064 | 15,601 | - |
| Deferred income tax | (256,004) | 6,402 | (95) | (249,697) | 57,634 | 25,987 | (166,076) |

19. TRANSACTIONS WITH NON-ARM'S LENGTH PARTIES

As of September 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 September 30, 2015, and September 30, 2014, include interest payments on borrowings and obligations to international bodies valued (in thousands) S/. 3,466 and S/. 3,078, respectively.

Payments to the Board of Directors

The amount paid as of September 30, 2015, and 2014 for directors' emoluments was (in thousands) S/. 178 and S/. 111, respectively.

Payments to managers

Salaries, other benefits and professional fees paid as of September 30, 2015, to employees of the Corporation with executive responsibility (managers) amounted to (in thousands) S/. 8,990 (S/. 8,215 in September 2014).

Personnel loans

As of September 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 September 30, 2015, and December 31, 2014, loans to employees, directors, officers and key personnel amounted (in thousands) to S/.8,990 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 of September 30th, 2015 | | | | | As of September 30th, 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 | 2,392,614 | - | - | 2,392,614 | Available funds | 523,682 | - | - | 523,682 |
| Available for sale Investments | - | - | - | - | Available for sale Investments | - | - | - | - |
| - Capital instruments | - | 2,720,093 | - | 2,720,093 | - Capital instruments | - | 2,676,964 | - | 2,676,964 |
| - Debt instruments | - | 1,340,791 | - | 1,340,791 | - Debt instruments | - | 1,213,269 | - | 1,213,269 |
| Loan portfolio | 6,012,777 | - | - | 6,012,777 | Loan portfolio | 5,194,747 | - | - | 5,194,747 |
| Derivatives for hedging | | - | 11,111 | 11,111 | Derivatives for hedging | | - | - | - |
| Accounts receivable | 127,092 | - | - | 127,092 | Accounts receivable | 56,409 | - | - | 56,409 |
| Other assets | 969 | - | - | 969 | Other eassets | 623 | - | - | 623 |
| Total | 8,533,452 | 4,060,884 | 11,111 | 12,605,447 | Total | 5,775,461 | 3,890,233 | - | 9,665,694 |

| | 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 | - | 94,929 | - | 94,929 | - | 47,557 | - | 47,557 |
| Deposits by financial institutions and international financial entities | - | 74,281 | - | 74,281 | - | 195,469 | - | 195,469 |
| Borrowings & financial obligations | 2,633,471 | - | - | 2,633,471 | 2,835,231 | - | - | 2,835,231 |
| Securities & obligations in circulation | 6,849,463 | - | - | 6,849,463 | 3,910,495 | - | - | 3,910,495 |
| Derivatives for hedging | - | - | 152,768 | 152,768 | - | - | 155,699 | 155,699 |
| Accounts payable | - | 10,097 | - | 10,097 | - | 9,423 | - | 9,423 |
| Other liabilities | - | 40,898 | - | 40,898 | - | 42,570 | - | 42,570 |
| Total | 9,482,934 | 220,205 | 152,768 | 9,855,907 | 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 established 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 according to SBS

establishments. As well, it develops management models that allow a proper measurement, quantification and monitoring of credits, encouraging the continuous improvement of policies, tools, methodologies and processes.

(b) Maximum credit risk exposure

As of September 30, 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 September 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 COFIDE's maximum exposure to credit risk broken down by type of financial asset:

| | Notes | 30 09 2015 | 31 12 2014 |
|--|----------|-------------------|------------------|
| | | S/. 000 | S/. 000 |
| Asset (*) | | | |
| Available funds | 5 | 2,392,614 | 523,682 |
| Available for sale Investments | 6 | 4,060,884 | 3,890,233 |
| Loan portfolio | 7 | 6,012,777 | 5,194,747 |
| Derivatives for hedging | 9 | 11,111 | - |
| Accounts receivable | 9 | 127,092 | 56,409 |
| Other assets | 9 | 969 | 623 |
| Total | | 12,605,447 | 9,665,694 |
| Contingent (**) | 7 and 14 | 584,699 | 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 and value the quality of the risk and these in turn are based on models and qualification systems for accepting credit.

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

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

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

(e) Management of investments credit risk

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

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

| | 30 09 2015 | 31 12 2014 |
|--|-------------------|-------------------|
| | S/. 000 | S/. 000 |
| <u>Instruments issued in Peru</u> | | |
| AAA | 46,286 | 49,502 |
| AA- a AA+ | 257,850 | 295,226 |
| 4 (pe) | 19,296 | 14,092 |
| Unclassified | 159,102 | 93,262 |
| Total Peru | 482,534 | 452,082 |
| <u>Instruments issued abroad</u> | | |
| AAA | 199,261 | 229,621 |
| AA- a AA+ | 2,339,156 | 2,339,156 |
| BBB- a BBB+ | 701,125 | 531,008 |
| BB- a BB+ | 314,867 | 311,037 |
| Total foreign | 3,554,409 | 3,410,822 |
| Interest accrued | 23,941 | 27,329 |
| TOTAL | 4,060,884 | 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 COFIDE's policies on warnings of portfolio concentration contain limits to relative risk and issue risk affecting the investment portfolio

21.2. Liquidity risk

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

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

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

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

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

| Exposure to liquidity risk | 30 09 2015 | | | | |
|---|----------------|-------------------|------------------|------------------|-------------------|
| | Up to 1 month | More than 1 month | More than 3 | | |
| | S/. 000 | up to 3 months | 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 | 16,181 | 44,276 | 34,472 | - | 94,929 |
| Deposits by financial institutions and international financial entities | 74,281 | - | - | - | 74,281 |
| Borrowings and financial obligations | 280,654 | 281,148 | 1,346,324 | 7,574,808 | 9,482,934 |
| Derivatives for hedging | 1,819 | 3,638 | 16,368 | 130,943 | 152,768 |
| Accounts payable | 4,245 | 651 | 4,267 | - | 9,163 |
| Other liabilities | 477 | - | 206 | - | 683 |
| Total | 377,657 | 329,713 | 1,401,637 | 7,705,751 | 9,814,758 |
| Risk to financial position | | | | | |
| Contingent liabilities | - | - | - | 523,202 | 523,202 |
| Total | 377,657 | 329,713 | 1,401,637 | 8,228,953 | 10,337,960 |

| Exposure to liquidity risk | 31 12 2014 | | | | |
|---|--------------------------|--|------------------------------------|-----------------------------|------------------|
| | Up to 1 month S/. 000 | More than 1 month up to 3 months S/. 000 | More than 3 up to 12 S/. 000 | More than 1 year S/. 000 | Total 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 September 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:

| | <u>30 09 2015</u> | <u>31 12 2014</u> |
|------|-------------------------------|---------------------------------|
| GER= | S/. 32,189,882 (0.9584% p.e) | S/. 29,314,290.50 (1.0367% p.e) |
| VPR= | S/. 165,478,272 (4.9270% 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:

| | <u>30 09 2015</u> | <u>31 12 2014</u> |
|------|-------------------------------|---------------------------------|
| GER= | S/. 32,853,568 (0.9782% p.e) | S/. 49,077,301.38 (1.7357% p.e) |
| VPR= | S/. 168,619,798 (5.0205% p.e) | S/. 54,354,634.53 (1.9223% p.e) |

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

(ii) Foreign currency exchange rate risk -

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

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

As of September 30, 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 September 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 | 2,351,561 | 141 | 40,912 | 2,392,614 | 369,678 | 41,397 | 112,607 | 523,682 |
| Available for sale Investments | 1,357,412 | - | 2,703,472 | 4,060,884 | 1,134,065 | - | 2,756,168 | 3,890,233 |
| Loan portfolio - net | 3,679,640 | - | 2,333,137 | 6,012,777 | 3,383,363 | - | 1,811,384 | 5,194,747 |
| Derivatives for hedging | 4,363 | 133 | 6,615 | 11,111 | 202 | 943 | -1,145 | - |
| Accounts receivable | 71,341 | - | 55,751 | 127,092 | 54,535 | - | 1,874 | 56,409 |
| Other assets | 691 | - | 278 | 969 | 468 | - | 155 | 623 |
| | 7,465,008 | 274 | 5,140,165 | 12,605,447 | 4,942,311 | 42,340 | 4,681,043 | 9,665,694 |
| Liabilities | | | | | | | | |
| Obligations to the public | 1,471 | - | 93,458 | 94,929 | 1,808 | - | 45,749 | 47,557 |
| Deposits by financial institutions | - | - | 74,281 | 74,281 | - | - | 195,469 | 195,469 |
| Borrowings and financial obligations | 1,154,935 | 364,939 | 1,113,597 | 2,633,471 | 1,308,611 | 515,174 | 1,011,446 | 2,835,231 |
| Securities and obligations in circulation | 6,135,318 | (195) | 714,340 | 6,849,463 | 3,341,935 | (112) | 568,672 | 3,910,495 |
| Derivatives for hedging | 4,903 | - | 147,865 | 152,768 | 5,309 | - | 150,390 | 155,699 |
| Accounts payable | 3,853 | - | 6,244 | 10,097 | 3,196 | - | 6,227 | 9,423 |
| Other liabilities | 37,660 | - | 3,238 | 40,898 | 38,740 | - | 3,830 | 42,570 |
| | 7,338,140 | 364,744 | 2,153,023 | 9,855,907 | 4,699,599 | 515,062 | 1,981,783 | 7,196,444 |
| Forwards position, net | - | - | - | - | - | - | - | - |
| Currency swaps position, net | (523,202) | 364,437 | 158,765 | - | (529,022) | 481,300 | 47,722 | - |
| Currency position, net | (396,334) | (33) | 3,145,907 | 2,749,540 | (286,310) | 8,578 | 2,746,982 | 2,469,250 |

As of September 30, 2015,, the Corporation recorded net exchange rate loss of (in thousands) S/. 1,329 (gains of (in thousands) S/. 12,720 as of September

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 09 2015 S/. 000 | 31 12 2014 S/. 000 |
|----------------------|---------------------|-----------------------|-----------------------|
| Depreciation | | | |
| US dollar | 5 | 16,958 | 21,501 |
| US dollar | 10 | 33,916 | 43,002 |
| Appreciation | | | |
| US dollar | 5 | (16,958) | (21,501) |
| US dollar | 10 | (33,916) | (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:

| Fair value and book value | 30 09 2015 | | 31 12 2014 | |
|---|-------------------|-------------------|------------------|------------------|
| | Book Value | Fair Value | Book Value | Fair Value |
| | S/. 000 | S/. 000 | S/. 000 | S/. 000 |
| ASSETS | | | | |
| Available funds | 2,392,614 | 2,392,614 | 523,682 | 523,682 |
| Investments available for sale | | | | |
| Capital Instruments | 2,720,093 | 2,720,093 | 2,676,964 | 2,676,964 |
| Debt Instruments | 1,340,791 | 1,340,791 | 1,213,269 | 1,213,269 |
| Loan portfolio | 6,012,777 | 6,012,777 | 5,194,747 | 5,194,749 |
| Derivatives for hedging | 11,111 | 11,111 | - | - |
| Account receivable | 127,092 | 127,092 | 56,409 | 56,409 |
| Other assets | 969 | 969 | 623 | 623 |
| Total | 12,605,447 | 12,605,447 | 9,665,694 | 9,665,694 |
| LIABILITIES | | | | |
| Obligations to the public | 94,929 | 94,929 | 47,557 | 47,557 |
| Deposits from financial institutions | 74,281 | 74,281 | 195,469 | 195,469 |
| Borrowings & financial obligations | 2,633,471 | 2,632,076 | 2,835,231 | 2,835,576 |
| Securities and obligations in circulation | 6,849,463 | 6,850,605 | 3,910,495 | 3,910,336 |
| Derivatives for hedging | 152,768 | 152,768 | 155,699 | 155,699 |
| Account payable | 10,097 | 10,097 | 9,423 | 9,423 |
| Other liabilities | 40,898 | 40,898 | 42,570 | 42,570 |
| Total | 9,855,907 | 9,855,654 | 7,196,444 | 7,196,630 |

Assets assigned in guarantee

As of September 30, 2015, the Corporation carried out operations with repurchase agreements involving funds denominated in peruvian currency totalling (in thousands) S/. 80,767, 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/. 84,312 and a nominal value of (in thousands) US\$ 26,760.

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 September 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.

| | Note | As of September 30, 2015 | | | | As of December 31, 2014 | | | | Instruments hedged |
|---|------|--------------------------|----------------|-----------------|------------|-------------------------|----------------|-----------------|------------|--|
| | | Assets | Liabilities | Reference value | Maturity | Assets | Liabilities | Reference value | Maturity | |
| | | S/. 000 | S/. 000 | S/. 000 | | S/. 000 | S/. 000 | S/. 000 | | |
| Derivatives for hedging | | | | | | | | | | |
| Cash flow : | | | | | | | | | | |
| Currency sw aps - USD / JPY | | - | - | - | - | - | 298 | 4,404 | 15/02/2019 | Borrowings JBIC |
| Currency sw aps - USD / JPY | | - | - | - | - | - | 561 | 10,379 | 15/02/2019 | Borrowings JBIC |
| Currency sw aps - USD / JPY | | - | - | - | - | - | 874 | 10,080 | 15/02/2019 | Borrowings JBIC |
| Currency sw aps - USD / JPY | | - | - | - | - | - | 571 | 10,831 | 15/02/2019 | Borrowings JBIC |
| Currency sw aps - USD / JPY | | - | - | - | - | - | 1,327 | 10,347 | 15/02/2019 | Borrowings JBIC |
| Currency sw aps - USD / JPY | | - | - | - | - | - | 1,256 | 7,995 | 15/02/2019 | Borrowings JBIC |
| Currency sw aps - USD / JPY | | - | - | - | - | - | 1,692 | 12,981 | 15/02/2019 | Borrowings JBIC |
| Currency sw aps - PEN / USD | | - | - | - | - | - | 1,556 | 35,702 | 05/12/2025 | Borrowings BID US\$ 25 MM |
| Currency sw aps - USD / JPY | | - | - | - | - | - | 4,198 | 26,169 | 15/02/2019 | Borrowings JBIC |
| Currency sw aps - USD / JPY | | - | - | - | - | - | 4,617 | 27,233 | 15/02/2019 | Borrowings JBIC |
| Currency sw aps - USD / JPY | | - | - | - | - | - | 906 | 5,337 | 15/02/2019 | Borrowings JBIC |
| Currency sw aps - USD / JPY | | - | - | - | - | - | 1,814 | 10,964 | 15/02/2019 | Borrowings JBIC |
| Currency sw aps - USD / JPY | | - | - | - | - | - | 1,102 | 6,592 | 15/02/2019 | Borrowings JBIC |
| Currency sw aps - PEN / USD | | - | - | - | - | - | 1,595 | 39,521 | 15/02/2019 | Borrowings BID US\$ 200 MM |
| Currency sw aps - PEN / USD | | - | - | - | - | - | 1,297 | 39,521 | 15/02/2019 | Borrowings BID US\$ 200 MM |
| Currency sw aps - USD / JPY | | - | 126,331 | 241,929 | 08/09/2031 | - | 108,335 | 224,370 | 08/09/2031 | Borrowings AFLAC |
| Currency sw aps - USD / JPY | | - | 14,402 | 69,891 | 20/10/2027 | - | 11,586 | 64,818 | 20/10/2027 | Borrowings JICA |
| Currency sw aps - USD / JPY | | - | 778 | 3,925 | 20/10/2027 | - | 623 | 3,640 | 20/10/2027 | Borrowings JICA |
| Currency sw aps - USD / JPY | | - | 11,257 | 48,693 | 20/10/2027 | - | 9,377 | 45,159 | 20/10/2027 | Borrowings JICA |
| | | - | 152,768 | 364,438 | | - | 153,585 | 596,043 | | |
| Interest rate sw aps - fixed rate / Libor rate 6M - USD | | - | - | - | 15/02/2019 | - | 2,114 | 40,311 | 15/02/2014 | Borrowings BID US\$ 200 MM |
| Interest rate sw aps - fixed rate / Libor rate 6M - USD | | 11,261 | - | 644,400 | 15/07/2019 | - | - | - | 15/02/2019 | COFIDE corporate bonds 2019 US\$ 300MM |
| | | 11,261 | - | 644,400 | | - | 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 September 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/. 2,094 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 September 30, 2015, COFIDE 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 September 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.

COFIDE has a method for measuring the degree of ineffectiveness of its financial derivative hedges that are used for that purpose. As of September 30, 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 September 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 September 30, 2015, and December 31, 2014, the regulatory capital of the Corporation, calculated in accordance with current legislation was (in thousands) S/. 3,358,599 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 September 30, 2015, assets and contingent loans weighted by credit risk amounted to (in thousands) S/. 8,973,563 (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/. 944,166 (S/.640,633 as of December 31, 2014); these figures generate a global capital ratio of 35.57% (44.14% as of December 31, 2014).

23. SUBSEQUENT EVENTS

There are no any subsequent event that can have a significant impact on the company performance.