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OFFERING MEMORANDUM

US$600,000,000

Fondo MIVIVIENDA S.A.

4.625% Notes due 2027

We are offering US$600,000,000 aggregate principal amount of our 4.625% notes due 2027. The notes will mature on April 12, 2027. The notes will accrue interest at a rate of 4.625% per year. We will pay interest on the notes semi-annually in arrears on April 12 and October 12 of each year, commencing on October 12, 2022.

The notes will be our senior unsecured obligations and will rank at all times equal with all our other future unsecured and unsubordinated indebtedness (other than obligations preferred by statute or by operation of law). See "Regulatory—Intervention by the SBS and Liquidation." The notes will be effectively subordinated to all of our future secured indebtedness, to the extent of the value of the collateral securing such indebtedness.

We will be required to offer to repurchase all outstanding notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if the Peruvian state, our controlling shareholder, ceases to own more than 50% of our voting stock. We may redeem the notes, in whole or in part, before March 12, 2027, by paying the greater of 100% of the outstanding principal amount and a redemption price based on a "make-whole" premium, in each case plus accrued and unpaid interest. At any time or from time to time on or after March 12, 2027, we may redeem the notes, in whole or in part, at par, plus accrued and unpaid interest. In addition, we may redeem the notes, in whole but not in part, at par, plus accrued and unpaid interest and any additional amounts, in the event of certain changes in tax laws. See "Description of the Notes."

Investing in the notes involves risks. See "Risk Factors" beginning on page 23 for a discussion of certain risks you should consider in connection with an investment in the notes.

Offering price: 99.652% plus accrued interest, if any, from April 12, 2022

The notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), any U.S. state securities laws or the securities laws of any other jurisdiction. The notes may not be offered or sold within the United States or to any U.S. persons, except (a) to qualified institutional buyers ("QIBs") within the meaning of Rule 144A under the Securities Act ("Rule 144A"), in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A, and (b) outside the United States to non-U.S. persons in compliance with Regulation S under the Securities Act ("Regulation S"). For further details about eligible offerees and resale restrictions, see "Transfer Restrictions."

The notes and the information contained in this offering memorandum have not been and will not be registered with, or approved by the Peruvian Superintendency of the Securities Market (*Superintendencia del Mercado de Valores*, or "SMV") or the Lima Stock Exchange (*Bolsa de Valores de Lima*). Accordingly, the notes cannot be offered or sold in the Republic of Peru ("Peru"), except if: (i) such notes were previously registered with the SMV, or (ii) such offering is considered a private offering under the securities laws and regulations of Peru. The Peruvian securities market law establishes, among other things, that any particular offer may qualify as private if it is directed exclusively to institutional investors. The notes may not be offered or sold in Peru or in any other jurisdiction except in compliance with the securities laws thereof. Therefore, in making an investment decision, Peruvian investors must rely on their own examination of the terms of the offering of the notes to determine their ability to invest in them.

We intend to apply to have the notes listed on the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF Market. Delivery of the notes was made to investors in book-entry form through the facilities of The Depository Trust Company ("DTC") on April 12, 2022.

This offering memorandum constitutes a prospectus for purposes of Part IV of the Luxembourg Law on Prospectuses for Securities dated July 16, 2019

Joint Book-Running Managers

BofA Securities **Citigroup** **J.P. Morgan**

Sustainability Structuring Agent

The date of this offering memorandum is April 20, 2022.

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You should assume that the information appearing in this offering memorandum is accurate as of the date on the front cover of this offering memorandum only. Our business, financial condition, results of operations and prospects may have changed since that date. Neither the delivery of this offering memorandum nor any sale of notes made hereunder shall under any circumstances imply that the information herein is correct as of any date subsequent to the date on the cover of this offering memorandum.

The initial purchasers make no representation or warranty, expressed or implied, as to the accuracy or completeness of the information contained in this offering memorandum. Nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation by the initial purchasers as to the past or future.

This offering memorandum does not purport to summarize all of the terms, conditions, covenants and other provisions relating to the terms of the notes that are contained in the indenture being entered into in connection with the issuance of the notes as described herein and other transaction documents described herein. Certain of the market information in this offering memorandum has been obtained by us from publicly available sources deemed by us to be reliable. We accept responsibility only for correctly extracting and reproducing such information. Notwithstanding any investigation that the initial purchasers may have conducted with respect to the information contained in this offering memorandum, the initial purchasers accept no liability

in relation to the information contained in this offering memorandum or its distribution or with regard to any other information supplied by us or on our behalf.

Neither we nor the initial purchasers are making an offer to sell, or a solicitation of an offer to buy, the notes in any jurisdiction except where such an offer or sale is permitted. You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the notes or possess or distribute this offering memorandum and you must obtain any consent, approval or permission required by you for the purchase, offer or sale of the notes under the laws and regulations applicable to you in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. Neither we nor the initial purchasers are responsible for your compliance with those legal requirements.

By accepting this offering memorandum you acknowledge that:

- you have been afforded an opportunity to request from us, and to review, all additional information considered by you to be necessary to verify the accuracy of, or to supplement, the information contained in this offering memorandum;

- you have not relied on the initial purchasers or any person affiliated with the initial purchasers in connection with your investigation of the accuracy of such information or your investment decision; and

- no person has been authorized to give any information or to make any representation concerning us or the notes other than those as set forth in this offering memorandum. If given or made, any such other information or representation should not be relied upon as having been authorized by us, the initial purchasers or their agents.

We are relying upon an exemption from registration under the Securities Act for an offer and sale of securities which do not involve a public offering. By purchasing the notes, you will be deemed to have made certain acknowledgments, representations and agreements as set forth under "Transfer Restrictions." in this offering memorandum. The notes are subject to restrictions on transfer and resale and may not be transferred or resold except as permitted under the Securities Act, applicable state securities laws and applicable Peruvian law. As a prospective purchaser, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. See "Plan of Distribution" and "Transfer Restrictions."

In making an investment decision, prospective investors must rely on their own examination of us and the terms of the offering, including the merits and risks involved. None of us, the initial purchasers or any of our or their respective representatives is making any representation to you regarding the legality of an investment by you under applicable legal investment or similar laws. None of us, the initial purchasers or any of our or their respective representatives are providing you with any legal, business, tax, investment, financial or other advice in this offering memorandum, and prospective investors should not construe anything in this offering memorandum as a recommendation, investment, financial, legal, business or tax advice, or solicitation of any action. Each prospective investor should consult its own advisors as

needed to make its investment decision and to determine whether it is legally permitted to purchase the notes under applicable legal investment or similar laws or regulations.

None of the Securities and Exchange Commission (the "SEC"), any United States state securities commission or any United States, Peruvian or other regulatory authority has approved or disapproved of these securities or determined if this offering memorandum is truthful or complete. Furthermore, these authorities have not confirmed the accuracy or determined the adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.

We confirm that, after having made all reasonable inquiries, this offering memorandum contains all information with regard to us and the notes that is material to the offering and sale of the notes, that the information contained in this offering memorandum is true and accurate in all material respects and is not misleading and that there are no omissions of any facts from this offering memorandum which, by their absence herefrom, make this offering memorandum misleading. We accept responsibility for the information contained in this offering memorandum regarding us and the notes. The opinions and intentions expressed in this offering memorandum regarding us and the notes are honestly held and based on reasonable assumptions.

We reserve the right to withdraw this offering of the notes at any time, and we and the initial purchasers reserve the right to reject any commitment to subscribe for the notes in whole or in part and to allot to any prospective investor less than the full amount of notes sought by that investor.

NOTICE TO RESIDENTS OF PERU

THE NOTES WILL NOT BE SUBJECT TO A PUBLIC OFFERING IN PERU. THEREFORE, THE NOTES AND THE INFORMATION CONTAINED IN THIS OFFERING MEMORANDUM HAVE NOT BEEN, AND WILL NOT BE, REVIEWED BY, REGISTERED WITH, APPROVED BY, OR IN ANY WAY SUBMITTED TO, THE SMV OR THE LIMA STOCK EXCHANGE. PERUVIAN SECURITIES LAWS AND REGULATIONS ON PUBLIC OFFERINGS WILL NOT BE APPLICABLE TO THE OFFERING OF THE NOTES AND, THEREFORE, THE DISCLOSURE OBLIGATIONS SET FORTH THEREIN WILL NOT BE APPLICABLE TO THE ISSUER OR THE SELLERS OF THE NOTES BEFORE OR AFTER THEIR ACQUISITION BY PROSPECTIVE INVESTORS.

THIS OFFERING MEMORANDUM AND OTHER OFFERING MATERIALS RELATING TO THE OFFER OF THE NOTES ARE BEING SUPPLIED TO THOSE PERUVIAN INVESTORS WHO HAVE EXPRESSLY REQUESTED THEM. SUCH MATERIALS MAY NOT BE DISTRIBUTED TO ANY PERSON OR ENTITY OTHER THAN THE INTENDED RECIPIENTS.

ACCORDINGLY, THE NOTES CANNOT BE OFFERED OR SOLD IN PERU, EXCEPT IF (I) SUCH NOTES WERE PREVIOUSLY REGISTERED WITH THE SMV, OR (II) SUCH OFFERING IS CONSIDERED A PRIVATE OFFERING UNDER THE SECURITIES LAWS AND REGULATIONS OF PERU. THE PERUVIAN SECURITIES

MARKET LAW ESTABLISHES, AMONG OTHER THINGS, THAT ANY PARTICULAR OFFER MAY QUALIFY AS PRIVATE IF IT IS DIRECTED EXCLUSIVELY TO INSTITUTIONAL INVESTORS. IN MAKING AN INVESTMENT DECISION, PERUVIAN INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING OF THE NOTES IN ORDER TO DETERMINE THEIR LEGAL ABILITY TO INVEST IN THE NOTES.

NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA

The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation. This offering memorandum has been prepared on the basis that any offer of notes in any member state of the EEA will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of notes. This offering memorandum is not a prospectus for the purposes of the Prospectus Regulation.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, "FSMA") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation. This offering memorandum has been prepared on the basis that any offer of notes in the UK will be made pursuant to an exemption under the UK Prospectus Regulation from the requirement to publish a prospectus for offers of notes. This offering memorandum is not a prospectus for the purposes of the UK Prospectus Regulation.

INFORMATION FOR INVESTORS IN CERTAIN COUNTRIES

For information for investors in certain countries, see "Plan of Distribution" and "Transfer Restrictions."

AVAILABLE INFORMATION

For so long as any of the notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, we agree to furnish, upon the request of any holder of the notes, to the holder or beneficial owner or to each prospective purchaser designated by any such holder of the notes or interests therein who is a "qualified institutional buyer" within the meaning of Rule 144A, information required by Rule 144A(d)(4) under the Securities Act, unless we either maintain the exemption from reporting under Rule 12g3-2(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") or furnish the information to the SEC in accordance with Section 13 or Section 15 of the Exchange Act. Any such request may be directed to us in writing at our main offices, located at Av. Paseo de la República No. 3121, San Isidro, Lima 27, Peru.

We have debt securities and two local corporate bond programs registered with the Public Registry of Securities (*Registro Público del Mercado de Valores*) of the SMV. Accordingly, as long as any of our securities are registered therein, we are required to furnish certain information in Spanish to the SMV and the Lima Stock Exchange, including quarterly and annual reports and notices of relevant events (*Hechos de Importancia*). All such reports and notices are available at www.smv.gob.pe and www.bvl.com.pe. The information included or accessed through any website included or referred to in this offering memorandum is not and will not form part of this offering memorandum and is not incorporated by reference herein.

FORWARD-LOOKING STATEMENTS

This offering memorandum includes forward-looking statements. All statements other than statements of historical fact included in this offering memorandum regarding our business, financial condition, results of operations and certain of our plans, objectives, assumptions, projections, expectations or beliefs and statements regarding other future events or prospects are forward-looking statements. These statements include, without limitation, those concerning: our strategy and our ability to achieve it; expectations regarding sales, profitability and growth; our possible or assumed future results of operations; capital expenditures and investment plans; adequacy of capital; and financing plans. In addition, this offering memorandum includes forward-looking statements relating to our potential exposure to various types of market risks, such as macroeconomic risk, Peru specific risks, foreign exchange rate risk, interest rate risks and other risks related to our financial performance. The words "aim," "may," "will," "expect," "is expected to," "anticipate," "believe," "future," "continue," "help," "estimate," "plan," "schedule," "intend," "should," "would be," "seeks," "estimates," "shall," or the negative or other variations thereof, as well as other similar expressions regarding matters that are not historical fact, are or may indicate forward-looking statements.

We have based these forward-looking statements on our management's current views with respect to future events and financial performance. These views reflect the best judgment of our management but involve a number of risks and uncertainties which could cause actual results to differ materially from those predicted in our forward-looking statements and from past results, performance or achievements. Although we believe that the estimates reflected in the forward-looking statements are reasonable, such estimates may prove to be incorrect. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, among other things:

- economic, political, social and other conditions in Peru;
- the continuing impact of the COVID-19 pandemic on the Peruvian economy and on our business;
- fluctuations in the value of the *sol* compared to other currencies, particularly the U.S. dollar;
- increase in the levels of inflation in Peru;
- implementation by the Peruvian government of restrictive exchange rate policies;
- adverse effects on the Peruvian economy and the Peruvian banking sector of economic developments in regional or global markets;
- a determination by the Peruvian government to not continue supporting our operations;
- change of economic policy by the current or future presidential administration;
- credit and other risks of lending, investing and conducting our activities, including increases in defaults by borrowers and other loan delinquencies and increases in the provision for loan losses;

- mismatches in maturity or in recovery between our loan portfolio and our financings;
- increased costs of funding or our inability to obtain additional government grants;
- market volatility generated by distortions in the international financial markets that may affect the Peruvian capital markets;
- failure of financial institutions and stability of the Peruvian financial system as a result of the lack of public confidence in Peruvian banking and financial institutions;
- risks associated with development and construction activities;
- changes in applicable laws and governmental regulations, particularly the Peruvian Central Bank (*Banco Central de Reserva del Peru*) and the Superintendency of Banks, Insurance and Private Pension Fund Administrators (*Superintendencia de Banca, Seguros y* AFPs, or the "SBS") rules, related to us and our lending and other activities, and tax matters;
- limitations that would arise from an intervention in our operations by the SBS to prevent, control or reduce the effects of a failure;
- our inability to retain certain personnel and to hire additional or to replace key personnel;
- severe weather conditions, natural disasters and adverse climate changes;
- our inability to adapt to technological changes, our dependence on information technology ("IT") systems, and cybersecurity risks;
- the developing conflict between Russia and Ukraine and any restrictive actions that may be taken by the United States and other countries in response, such as sanctions; and
- other risk factors as set forth under "Risk Factors."

We urge you to read the sections of this offering memorandum entitled "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business" for a more complete discussion of the factors that could affect our future performance and the industries in which we operate. Additionally, new risks and uncertainties can emerge from time to time, and it is not possible for us to predict all future risks and uncertainties, nor can we assess their potential impact. Accordingly, you should not place undue reliance on forward-looking statements as a prediction of actual results.

All forward-looking statements included in this offering memorandum are based on information available to us on the date of this offering memorandum. We undertake no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as may be required by applicable law. All other written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained throughout this offering memorandum.

ENFORCEABILITY OF CIVIL LIABILITIES

We are a Peruvian state-owned corporation (*sociedad anónima*) organized under the laws of Peru. All of our directors, officers and the experts named herein reside outside the United States, and all of our and their assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons, including complaints and claims arising under the federal securities laws of the United States, or to enforce against such persons or us judgments rendered by United States courts predicated upon the civil liability provisions of the federal securities laws of the United States.

We have been advised by Rebaza, Alcázar & De Las Casas, our Peruvian counsel, that any final and conclusive judgment for a fixed and definitive sum obtained against us in any foreign court having jurisdiction with respect to any suit, action or proceeding against us for the enforcement of any of the obligations assumed in relation to this offering and the sale of the notes would, upon request, be deemed valid and enforceable in Peru through an exequatur judicial proceeding (without Peruvian courts reopening or reexamining the case, reviewing the merits of the cause of action under which such judgment was rendered, or relitigating the matters adjudicated), provided that: (a) there is in effect a treaty between the country where such foreign court sits and Peru regarding the recognition and enforcement of foreign judgments; or (b) in the absence of such a treaty, the original judgment is recognized by a Peruvian court (*Corte de la República del Peru*) under such exequatur proceeding, subject to the provisions of the Peruvian Civil Code and the Peruvian Civil Procedure Code. Such recognition will occur provided that the following conditions and requirements have been met and fulfilled:

(i) the judgment does not resolve matters that fall under the exclusive jurisdiction of Peruvian courts (emphasizing that the terms agreed with respect to this offering memorandum, the notes or the indenture will not be matters that fall under the exclusive jurisdiction of Peruvian courts);

(ii) the relevant foreign court had jurisdiction under its own conflict of laws rules and under general principles of international procedural competence;

(iii) the defendant was served in accordance with the laws of the place where such proceeding was held, was granted a reasonable opportunity to appear before such foreign court and was guaranteed due process rights;

(iv) the judgment has res judicata effects in the jurisdiction of the court that rendered such judgment;

(v) there is no pending litigation in Peru between the same parties for the same dispute, which shall have been filed before the commencement of the proceeding that concluded with the foreign judgment;

(vi) the foreign judgment is not incompatible with another judgment that fulfills the requirements of recognition and enforceability established by Peruvian law, unless such foreign judgment was rendered first;

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(vii) the foreign judgment is not contrary to Peruvian public policy (*orden público peruano*) or good morals (*buenas costumbres*);

(viii) it is not proven that the court that rendered the foreign judgment has denied enforcement of Peruvian judgments or has engaged in a review of the merits thereof;

(ix) an original or a copy of such judgment has been (a) duly apostilled by the competent authority of the jurisdiction of the rendering court, in case of states that are parties to the Hague Apostille Convention, or (b) certified by Peruvian consular authorities, in case of jurisdictions that are not parties to the Hague Apostille Convention, and is accompanied by a certified and officially translated copy by a public translator (*traductor público juramentado*) registered in Peru of such judgment into Spanish; and

(x) the applicable court taxes or filing fees (*tasas judiciales*) have been paid.

We have no reason to believe that any of our obligations relating to this offering and the notes, which are governed by New York Law, would be contrary to Peruvian public policy (*orden público peruano*), good morals (*buenas costumbres*), and international treaties binding upon Peru or generally accepted principles of international law.

No treaty exists between the United States and Peru for the reciprocal enforcement of foreign judgments. Therefore, unless the above-mentioned requirements are satisfied, a final judgment for payment of money rendered by judgments rendered by United States courts predicated upon the civil liability provisions of the federal securities laws of the United States, may not be enforceable, either in whole or in part, in Peru. Peruvian courts, however, have previously enforced judgments rendered in the United States based on legal principles of reciprocity and comity.

We reserve the right to plead sovereign immunity under the U.S. Foreign Sovereign Immunities Act of 1976 with respect to actions brought against us under United States federal securities laws or any state securities laws. Consequently, you may not be able to obtain a judgment in a U.S. court against us under such laws unless the U.S. court determines that we are not entitled to claim sovereign immunity with respect to such action.

In connection with the issuance of the notes, we will designate CT Corporation System as our agent upon whom process may be served in connection with any proceeding arising out of the indenture governing the notes and the notes in the State of New York.

PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

General

In this offering memorandum, except where indicated or the context otherwise requires, the terms "FMV", "Issuer", "Fund", "we", "our", "ours", "us" or similar terms refer to Fondo MIVIVIENDA S.A., a state-owned company established under the laws of Peru.

We prepare our financial statements in *soles* and in conformity with accounting standards established for financial institutions in Peru by the SBS ("SBS GAAP"). SBS GAAP accounting standards differ in certain significant respects from International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). In the case of companies such as ours, rules under SBS GAAP are generally enacted by the SBS. In accordance with the rules of the SBS, the hierarchy of application of accounting standards includes specific rules and regulations promulgated by local regulation, IFRS as adopted in Peru by the Peruvian National Accounting Standards Board (*Consejo Normativo de Contabilidad*, or "CNC") including Standards and Interpretations issued or adopted by the IASB, International Accounting Standards ("IAS"), and the Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). For more information about the principal differences between SBS GAAP and IFRS, see Annex A to this offering memorandum.

Our audited financial statements included in this offering memorandum present our financial position as of December 31, 2021, 2020 and 2019 and our results of operations for each of the years then ended.

Currency of Presentation

Unless otherwise specified or the context otherwise requires, references in this offering memorandum to "S/" and "*soles*" are to Peruvian *soles*, the official currency of Peru, references to "US$" and "U.S. dollars" are to United States dollars, and references to "UIT" are to a Peruvian tax unit (*Unidad Impositiva Tributaria*), which was equivalent to S/4,400 in 2021. This offering memorandum contains certain figures that have been translated from *soles* into U.S. dollars at specified rates solely for the convenience of the reader. Unless otherwise indicated, U.S. dollar amounts as of and for the year ended December 31, 2021 have been translated from *soles* at an exchange rate of S/3.987 per U.S. dollar, and Euros presented herein for that same date and period have been translated from *soles* at an exchange rate of S/4.538 per Euro, in each case, the rate of exchange for each such currency published by the SBS on December 31, 2021. The exchange rate conversions contained in this offering memorandum should not be construed as representations that the *sol* amounts actually represent such U.S. dollar or Euro amounts, or were converted or could be converted into U.S. dollars or Euros at the rate indicated. For a complete description of the exchange rates between the *sol* and the U.S. dollar, see "Exchange Rate Information."

Non-SBS GAAP Financial Measures

We have included the following non-SBS GAAP financial measures in this offering memorandum to clarify and enhance the understanding of our past performance: (i) Return on Average Equity, (ii) Return on Average Assets, (iii) Efficiency Ratio, and (iv) Net Yield on

Interest-Earning Assets. We believe that these non-SBS GAAP financial measures help us determine our return from our main activities and address the performance of our management of overhead costs. We also believe these measures may be useful for potential purchasers of the notes in assessing our operating performance. However, these measures are not recognized under, and do not have standardized meanings prescribed by, SBS GAAP. Rather, these measures are provided as additional information to complement SBS GAAP measures by providing further understanding of our results of operations from our management's perspective. Accordingly, they should not be considered in isolation or as a substitute for analysis of our financial information reported under SBS GAAP.

A non-GAAP financial measure is generally defined as a numerical measure of an issuer's historical or future financial performance, financial position or cash flows that: (i) excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable measure calculated and presented in the statement of income, balance sheet or statement of cash flows (or equivalent statements) of the issuer; or (ii) includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable measure so calculated and presented. Our definitions of Return on Average Equity, Return on Average Assets, Efficiency Ratio and Net Yield on Interest-Earning Assets are not necessarily comparable to similarly titled measures reported by other companies in the financial sector or otherwise. Furthermore, these measures have limitations as analytical tools and should not be considered in isolation from, or as an alternative to, other profit or loss, financial position or cash flow data prepared in accordance with SBS GAAP. You should exercise caution in comparing the non-SBS GAAP financial measures reported by us or other similar metrics as reported by other companies in the financial sector. None of our non-SBS GAAP measures is a measurement of performance under SBS GAAP, and you should not consider those measures as an alternative to net profit determined in accordance with SBS GAAP. These non-SBS GAAP financial measures do not necessarily indicate whether cash flow will be sufficient or available to meet our cash requirements and may not be indicative of our historical operating results, nor are such measures meant to be predictive of our future results. As a result, we encourage readers to consider the consolidated financial statements and other financial information contained in this offering memorandum in their entirety, and not to rely on any single financial measure.

Return on Average Equity. We calculate Return on Average Equity by dividing (a) net profit for the period by (b) average shareholder's equity, computed as the simple average of monthly balances from the last twelve months to the date of calculation.

Return on Average Assets. We calculate Return on Average Assets by dividing (a) net profit for the period by (b) average total assets, computed as the simple average of monthly balances from the last twelve months to the date of calculation.

Efficiency Ratio. We calculate Efficiency Ratio by dividing (a) administrative expenses plus depreciation of property, furniture and equipment by (b) operating margin.

Net Yield on Interest-Earning Assets. We calculate Net Yield on Interest-Earning Assets by dividing (a) net interest earnings by (b) average interest-earning assets, computed as the simple average of monthly balances for the given period from the last twelve months to the date of calculation.

The following are reconciliation of our non-SBS GAAP measures to the most directly comparable SBS GAAP measures.

Return on Average Equity

	For the years ended December 31,		
	2021	2020	2019
	(S/ in thousands, except for percentages)		
Net profit	41,937	3,528	30,003
Average shareholder's equity	3,397,774	3,316,391	3,329,212
Return on Average Equity	**1.23%**	**0.11%**	**0.90%**

Return on Average Assets

	For the years ended December 31,		
	2021	2020	2019
	(S/ in thousands, except for percentages)		
Net profit	41,937	3,528	30,003
Average total assets	10,628,575	10,203,979	9,660,169
Return on Average Assets	**0.39%**	**0.03%**	**0.31%**

Efficiency Ratio

	For the years ended December 31,		
	2021	2020	2019
	(S/ in thousands, except for percentages)		
Administrative expenses	51,337	40,497	49,941
Depreciation of property, furniture and equipment	160	210	239
Operating margin	117,514	81,948	139,134
Efficiency Ratio	**43.82%**	**49.67%**	**36.07%**

Net Yield on Interest-Earning Assets

	For the years ended December 31,		
	2021	2020	2019
	(S/ in thousands, except for percentages)		
Net interest earnings[(1)]	254,725	245,966	298,537
Average interest-earning assets[(2)]	10,092,640	9,989,740	9,441,403
Net Yield on Interest-Earning Assets	**2.52%**	**2.46%**	**3.16%**

(1) We define net interest earnings as the difference between interest earned on interest-earning assets and interest paid on interest-bearing liabilities. See "Selected Statistical Information."

(2) Average interest-earning assets are defined as the simple average of monthly balances of interest-earning assets from the last thirteen months to the date of calculation. Interest-earning assets is the sum of cash and cash equivalents, investments, loan portfolio, accounts receivable (Trust Agreement – COFIDE), accounts receivable from trust agreements CRC and PBP, and accounts receivable from Ex – Coneminsa. See "Selected Statistical Information."

Average balances

Average balance information for the full fiscal years has been calculated as the sum of month-end balances of the applicable year and the last month-end balance of the immediately preceding fiscal year divided by thirteen.

Risk classification

As described in further detail in "Management's Discussion and Analysis of Financial Condition and Results of Operations," accounting principles applicable to our loan portfolio have been determined by the SBS and derives from the fact that we do not directly disburse our loans to the final borrower, in compliance with and as provided under SBS GAAP. We make lines of credit available through a trust structure with COFIDE (*Corporación Financiera de Desarrollo*), a financial institution controlled by the Peruvian state, to intermediary financial institutions that place our loan products to the public. These lines of credit are required to be used in originating loans to the final borrowers.

As a result of this structure, our exposure to the credit risk of the final borrower is reduced by the participation of the intermediary financial institutions. Accordingly, our risk classifications are based on the credit risk category of the intermediary financial institution as well as a portion of the risk classification of the final borrower, depending on the type of product, in order to compute our provision for the related credit risk. This methodology is designed to allow us to provision for the risk of default to which we may actually be exposed. See "Business" for a description of our coverages by type of product.

All of our loans placed by the intermediary financial institutions using the funds that are made available through the COFIDE trust are eligible for credit risk coverage (*Cobertura de Riesgo Crediticio* or "CRC"), pursuant to which, upon default by the final borrower, we generally assume one third of the risk of loss of the principal due on the loan by the intermediary financial institution (except in the case of *Financiamiento Complementario Techo Propio*, where we initially assume 100% of the associated credit risk), provided that the individual mortgage is duly registered with the Peruvian Public Registry of Real Property. The intermediary financial institution retains the remaining risk of default. SBS Resolution No. 11356-2008, *Regulations for the Evaluation and Classification of Debtors and Requirement of Provisions* (the "SBS Regulations"), as amended, and our credit risk policies set forth the rules that we apply to determine whether a final borrower is in default. Pursuant to these rules, a staggered approach is followed for the treatment of overdue credit: after 30 calendar days of non-payment at the agreed date, only the unpaid portion will be considered overdue, while after 90 calendar days of the first default, the entire unpaid debt will be considered overdue. Additionally, a loan will be classified as a loss if the debtor is over 365 calendar days in default. The SBS Regulations provide the basis for the classification of each intermediary financial institution and each final borrower and set forth related provision requirements, which are described in more detail in "Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies — Provision for Loan Losses."

The COFIDE trust

Amounts due by final borrowers are paid to us by the financial intermediary through COFIDE, regardless of whether they have received payment on the underlying loan. We therefore account for our outstanding loans as "Accounts receivable, net (Trust Agreement – COFIDE)", which corresponds to amounts due from intermediary financial institutions rather than to the direct loan balances of the final borrowers, net of provisions. In addition, since most of our loan products provide that the intermediary financial institution with the direct

relationship to the final borrower retains most of the risk of loan default with the remaining risk of loss assumed by us, we considered this condition when provisioning loan losses in accordance with the SBS Regulations, under the line item "Provisions for doubtful accounts receivable (Trust receivable agreement – COFIDE)" in our financial statements.

Rounding

Certain figures included in this offering memorandum and in our financial statements have been rounded for ease of presentation. Certain percentage figures included in this offering memorandum have been calculated on the basis of such rounded figures. For this reason, percentage amounts in this offering memorandum may vary from those obtained by performing the same calculations using the figures in our financial statements. Certain other amounts that appear in this offering memorandum may not sum due to rounding.

Economic data

In this offering memorandum, all macroeconomic data relating to Peru is based on information published by the SBS, the Peruvian Central Bank, the Peruvian Ministry of Economy and Finance (*Ministerio de Economía y Finanzas*, or "MEF"), the Peruvian Ministry of Housing, Construction and Sanitation (*Ministerio de Vivienda, Construcción y Saneamiento* or "MVCS") and the Peruvian National Institute of Statistics and Information Processing (*Instituto Nacional de Estadística e Informática*, or "INEI").

Third party information has been accurately reproduced and as far as we are aware and are able to ascertain from information published by such third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

SUMMARY

This summary highlights information contained elsewhere in this offering memorandum. It does not contain all of the information that an investor should consider before making a decision to invest in the notes. For further information on our business and this offering, this summary must be read together with the detailed information included in the other sections of this offering memorandum, in particular the information included in "Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business" and the financial statements included in this offering memorandum.

Overview

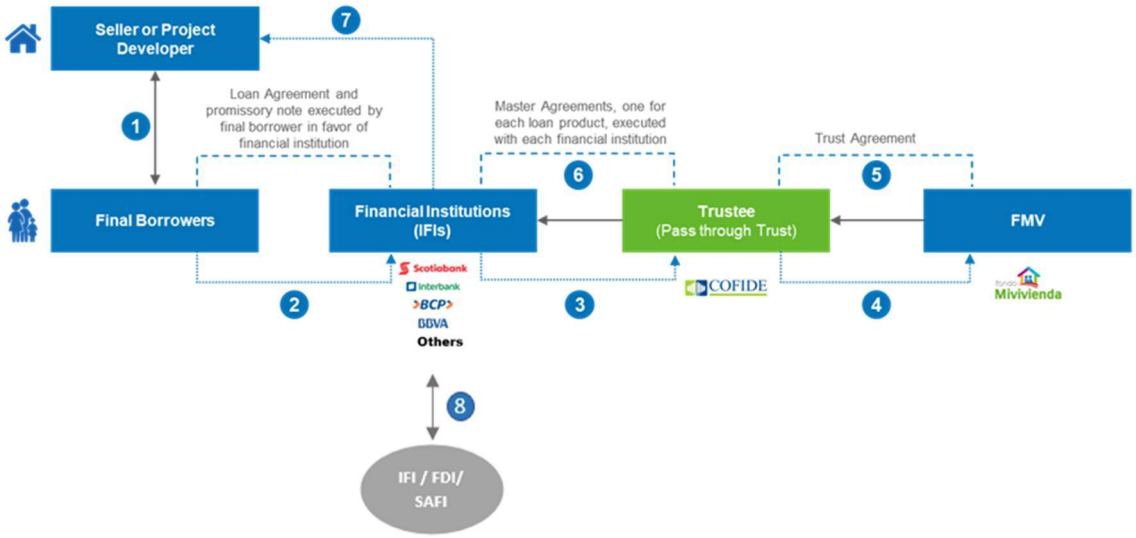
We are a for-profit entity that is wholly-owned by the Peruvian state, established with the principal goal of providing lower- and middle-income working families and individuals, who are most likely to be part of the population most affected by the quantitative and qualitative housing deficit in Peru, with access to financing to purchase, construct, or improve their residences. We are key to the Peruvian government's economic and social development policies, especially as the country addresses an estimated qualitative deficit of 1.1 million housing units and a quantitative deficit of 455,000 housing units, according to the estimates of the MVCS, which are based on the National Household Survey (*Encuesta Nacional de Hogares*) published in 2020. One of our key goals is to continue to provide innovative mortgage products and enhance our existing loan programs that target lower income borrowers and further our joint goals of increasing the penetration of mortgage loan financing as a percentage of the Gross Domestic Product ("GDP"), which represented approximately 6.7% of Peru's GDP as of December 31, 2021, and to enable our borrowers to become formal participants in the economy. By gaining access to our mortgage products, these historically un-banked and under-banked households are able to develop a credit history, enhance their wealth through home ownership, and generally improve their living conditions.

Our loan products are placed through intermediary financial institutions operating in Peru that in turn originate and share the risk on loans designed to enable our target borrowers to purchase, expand or remodel their homes. The intermediary financial institutions serve as our agents, enabling us to increase the size of our loan portfolio without significant additional operating expenditure, and are allowed to sell their loan portfolio to other financial institutions, investment funds or investment fund management companies (*sociedades administradoras de fondos de inversión*), subject to our authorization. In our business and operating model, we designate a maximum loan balance for each intermediary financial institution. Each intermediary financial institution places and services loans using our uncommitted credit lines and approves each loan application directly, using its and our credit criteria.

Funding for our loan products is made available to intermediary financial institutions through a trust. Currently, we use a trust we established in 1999 with COFIDE serving as trustee. Under this structure, the trustee confirms whether the loan complies with all our lending requirements, although we have final lending approval authority over each loan. The trustee executes a master agreement for each product with the intermediary financial institution. Upon completion of procedural requirements, the trustee disburses funds to the intermediary financial institution. Funds are then disbursed on behalf of the final borrower by the intermediary financial institution to the seller or developer of the property. Once the individual mortgage is duly registered with the Peruvian Public Registry of Real Property and the loan documentation is

executed, the loan becomes eligible for CRC, pursuant to which we assume a portion of the associated credit risk of the final borrower. Additionally, we expect to provide CRC under our new *Servicio de Cobertura de Riesgo Crediticio* (the "New CRC Product") product to financial institutions that disburse *Nuevo Crédito Mivivienda* loans using their own funds. For more information on our CRC and the New CRC Product, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Principal Trends Affecting Our Business—Trends specific to our business—Risk sharing and treatment of defaulted loans, and Credit Risk Coverage" and "Business—Description of Products and Services—New CRC Product."

The flowchart below depicts in summary form the key steps involved in our loan origination and servicing model.



1. Final borrower signs a purchase contract.
2. Final borrower applies to one of the intermediary financial institutions for a loan on basis of purchase contract and/or mortgage on property.
3. Financial institution reviews documentation and if qualified, approves loan application and sends to the trustee for review.
4. Trustee verifies application and sends materials to us for final loan approval.
5. Upon our approval, funds for each loan are released to the trustee.
6. The trustee disburses funds to the intermediary financial institution.
7. Once guarantee or mortgage (or both) is formalized and registered, funds are disbursed to seller or project developer.
8. Intermediary financial institutions can sell or assign their respective portfolio to other intermediary financial institutions, investment funds or investment fund management companies (*sociedades administradoras de fondos de inversion*).

Our loan products

We seek to achieve our mission of reducing the acute housing deficit that continues to affect Peru by designing loan products targeted at addressing both the quantitative and qualitative housing deficit. Our products provide loans at affordable and long-term fixed rates. From 1999 to 2009, we generated loans denominated in U.S. dollars. Currently, pursuant to our agreement with the Peruvian government, all our loan products are generated and are repaid in *soles*. Eligible borrowers may not own more than one residence, although our loan products can also be used to finance residences that can double as workshops or storefront businesses.

We currently have the following three principal products:

- *Nuevo Crédito Mivivienda*, which was launched in June 2009, is designed to finance the construction or acquisition of homes (both newly built and used homes), including energy-efficient residences that are certified as sustainable according to our certification procedures, which were last updated in July 2021, and has maturities ranging from 5 to 25 years. Borrowers are eligible to receive a *Nuevo Crédito MiVivienda* a maximum of twice in total, and the Good Payer Bonus (*Bono del Buen Pagador*) subsidy, as explained below. As of December 31, 2021 and 2020, we had a total of 87,304 and 82,032 *Nuevo Crédito Mivivienda* loans with an aggregate principal amount outstanding of S/8,511.2 million (US$2,134.7 million) and S/7,754.1 million, respectively.

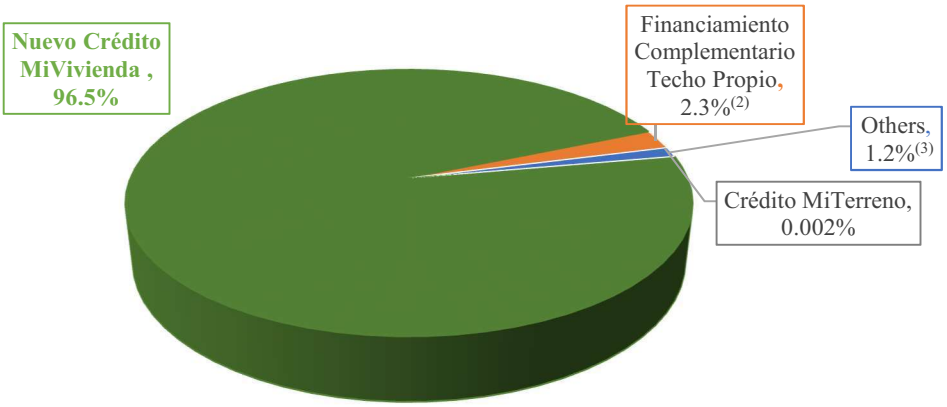
- *Financiamiento Complementario Techo Propio*, which was launched in 2003, is designed to enable borrowers to purchase or develop residential properties by complementing the Family Housing Bonus (*Bono Familiar Habitacional* or "BFH") subsidy, or the household housing bonus, which we administer on behalf of the Peruvian government since 2006. As of December 31, 2021 and 2020, we had a total of 9,375 and 8,539 *Financiamiento Complementario Techo Propio* loans with an aggregate principal amount outstanding of S/205.6 million (US$51.6 million) and S/170.2 million, respectively, all with the BFH subsidy. For purposes of this offering memorandum, we use the term *Financiamiento Complementario Techo Propio* to refer to the *Crédito Complementario Techo Propio* referred to in the audited financial statements included in this offering memorandum.

- *Crédito MiTerreno,* which was launched in March 2014, is designed to finance land purchases and has maturities up to eight years. As of December 31, 2021 and 2020, we had a total of 10 and 11 *Crédito MiTerreno* loans with an aggregate principal amount outstanding of S/183,000 (US$45,899) and S/225,160, respectively.

Of these loan products, *Nuevo Crédito Mivivienda* represented 96.5% of the outstanding balance of our loan portfolio as of December 31, 2021 and accounted for 91.3% of our interest income for the fiscal year ended December 31, 2021. The remainder of our interest income for such period was generated by the *Financiamiento Complementario Techo Propio* and the *Crédito MiTerreno*, which contributed 1.5% and 0.002% of our interest income for the fiscal year ended December 31, 2021 and represented 2.3% and 0.002% of the outstanding balance of our loan portfolio as of December 31, 2021, respectively. The remaining portion of our interest income was originated from our portfolio of outstanding loans that we have discontinued. For more information on our loan products, see "Business—Description of Products and Services."

The chart below provides a breakdown of our outstanding loan portfolio as of December 31, 2021:

Outstanding Loan Contracts by Product (%)[1]



(1) As of December 31, 2021.
(2) For purposes of this offering memorandum, we use the term *Financiamiento Complementario Techo Propio* to refer to the *Crédito Complementario Techo Propio* referred to in the audited financial statements included in this offering memorandum.
(3) Includes *Crédito MiVivienda Tradicional*, *Crédito MIHOGAR, Crédito MiVivienda Estandarizado*, *Crédito MiConstrucción* and *Crédito MiCasaMás*, all of which have been discontinued. See "Business—Description of Products and Services—Discontinued Legacy Products."

All of our loans are eligible for CRC, pursuant to which, upon default by the final borrower, we generally assume one third of the risk of loss of the principal due on the loan by the intermediary financial institution (except in the case of *Financiamiento Complementario Techo Propio*, where we initially assume 100% of the associated credit risk), provided that the individual mortgage is duly registered with the Peruvian Public Registry of Real Property. The intermediary financial institution retains the remaining risk of default.

In addition to the CRC provided to the intermediary financial institutions that place our loans using the funds that are made available to them through the COFIDE trust, we expect to provide CRC under our New CRC Product to financial institutions that disburse *Nuevo Crédito Mivivienda* loans using their own funds. The New CRC Product was approved by our board of directors in December 2021 and is expected to be launched during the first half of 2022, subject to the implementation of certain internal regulations. We expect that the CRC under the New CRC Product will be made available to financial institutions only upon the registration of the mortgage on the underlying property being financed. In consideration of the CRC provided to financial institutions under our New CRC Product, we expect to receive a fee from the financial institutions equal to approximately 1% of the principal amount of the loan.

We believe that our mortgage loan products serve as a conduit for a progressive transition of our final borrowers to formal banking services that ultimately benefits the intermediary financial institutions that service our loans as well as the Peruvian financial services industry as a whole. According to estimates and records from the *Organismo de Formalización de la Propiedad Informal* (COFOPRI), 2.5 million new title deeds were granted between 1996 and 2021. As a result of public policy initiatives promoted by successive Peruvian administrations,

land and title registrations have increased substantially in Peru in recent years. We believe increased title registrations will contribute to the expansion of mortgage lending in Peru in the future and provide a source of borrowers for our mortgage products.

The following table provides a breakdown of our loan portfolio by intermediary financial institutions that place our loans as of the dates indicated, recorded as accounts receivable, net (Trust Agreement – COFIDE) on our statement of financial position.

		As of December 31,					
		2021		2020		2019	
	International ratings as of December 31, 2021 (Moody's/S&P/ Fitch)	(S/ in thousands)	%	(S/ in thousands)	%	(S/ in thousands)	%
Banco de Crédito del Perú.....	A+/BBB/BBB	3,612,014,455	41%	3,211,845,517	40%	2,925,156,910	38%
Banco Internacional del Perú S.A.A. – Interbank.....	Baa1/BBB-/BBB	1,312,558,820	15%	1,169,232,889	14%	1,132,709,214	15%
Banco Pichincha.....	—	776,518,680	9%	687,921,132	9%	644,261,108	8%
BANBIF.....	Non Rated/AAA/B+	634,283,869	7%	625,969,131	8%	612,003,981	8%
Scotiabank Peru S.A.A.....	A3/BBB /BBB+	539,633,449	6%	547,671,808	7%	550,021,185	7%
Banco BBVA Perú.....	Baa1./BBB/BBB	508,427,652	6%	462,522,373	6%	457,351,916	6%
Others[(1)].....	—	1,439,040,546	16%	1,361,727,758	17%	1,320,907,575	17%
Total		**8,822,477,471**	**100%**	**8,066,890,606**	**100%**	**7,642,411,888**	**100%**

(1) Includes 35 financial institutions each of which has placed less than 5% of our total loan portfolio for the periods indicated.

Selected Results

Our lending activities are conducted on commercial terms that generate net profit. We have generated more than 170,000 loans under our loan programs since 1999 which have resulted in total loan disbursements of S/14,474 million (US$3,630 million) under our loans generated in *soles* and S/3,082 million (US$773 million) under our loans generated in U.S. dollars, as of December 31, 2021. Since 1999, only 14 loans or 0.0082% of total loans generated have resulted in losses to us in the amount of S/307,509 as a result of the amounts recovered in judicial foreclosure proceedings being lower than the principal due on the loan by the intermediary financial institution at the time of default.

As of December 31, 2021, we had a total portfolio of accounts receivable, net (Trust Agreement – COFIDE and Credit Direct) of S/8,659 million (US$2,172 million), substantially all derived from loans placed by intermediary financial institutions.

For the years ended December 31, 2021, 2020 and 2019, our net profit was S/41.9 million (US$10.5 million), S/3.5 million and S/30.0 million, respectively. Our shareholder's equity was S/3,472 million (US$870.7 million) as of December 31, 2021, S/3,302 million as of December 31, 2020 and S/3,309 million as of December 31, 2019.

The following table presents a comparison of various performance metrics for selected financial institutions (public and private) operating in Peru for the periods indicated, as compared to our performance.

	As of December 31, 2021			As of December 31, 2020			As of December 31, 2019		
	Equity (S/ millions)	Non-Performing Loans (%)[1]	Return on Average Assets (%)[2]	Equity (S/ millions)	Non-Performing Loans (%)[1]	Return on Average Assets (%)[2]	Equity (S/ millions)	Non-Performing Loans (%)[1]	Return on Average Assets (%)[2]
Banco de Crédito del Perú	20,292,477	3.73	1.61	18,761,998	3.2	0.49	18,837,626	2.71	2.63
Scotiabank Peru S.A.A	10,792,864	3.85	1.34	9,993,948	5.37	0.34	9,846,343	3.5	2.10
Banco BBVA Perú	10,180,246	3.7	1.46	9,352,588	3.22	0.68	9,195,288	3.02	2.00
Banco Internacional del Perú S.A.A. - Interbank.....	6,822,895	3.62	1.74	6,155,894	3.4	0.43	6,022,092	2.62	2.42
Fondo MIVIVIENDA.....	**3,471,513**	**4.68**	**0.39**	**3,302,229**	**5.43**	**0.03**	**3,308,988**	**4.21**	**0.31**
COFIDE	2,173,144	6.60	0.33	1,948,366	9.65	0.17	1,956,469	7.78	0.25
Banco de la Nación	1,587,597	2.47	0.82	2,373,978	1.98	1.76	2,764,821	2.25	3.65
Banking system	57,452,919	3.77	1.38	53,766,589	3.80	0.44	52,644,933	3.02	2.25

(1) The percentage of non-performing loans is calculated by dividing the number of direct loans held by each financial institution that are overdue according to the SBS Regulations by the total number of direct loans held by each financial institution. Therefore, the non-performing loans information reflected in the table above for each financial institution is based on SBS data. In our case, direct loans include loans placed by our intermediary financial institutions and excludes loans that have been originated directly with funds of the intermediary financial institution.

(2) Return on average assets is calculated by dividing (a) net profit by (b) average total assets, computed as the simple average of monthly balances from the last twelve months to the date of calculation. For more information on our non-SBS GAAP measures, see "Presentation of Financial and Certain Other Information—Non-SBS GAAP Financial Measures."

Source: SBS

Relationship with the Peruvian state

The Peruvian state owns 100% of our equity through the Peruvian National Fund for the Financing of Business Activities of the State (*Fondo Nacional de Financiamiento de la Actividad Empresarial del Estado* or "FONAFE"), which is responsible for managing Peru's corporate and business affairs. One of the state's principal goals is to promote home ownership for a segment of the population that has traditionally not been served by the private financial industry. Our role in that effort is to design mortgage and related loan products that can be efficiently channeled to our target borrowers through financial intermediaries and enable lower- and middle-income working families to access mortgage loans at attractive fixed rates of interest and with long-term maturities. Though we are a for-profit entity, applicable law and our bylaws (*estatuto social*) require that we invest all of our annual net profit in the development of our business after complying with applicable legal reserve requirements. See "Regulatory—General Overview of the Peruvian Banking Regulatory Framework."

Our board of directors is comprised of a maximum of five members, all of which are appointed by FONAFE, and acts independently of the Peruvian government in respect of our day-to-day affairs. Our board of directors is currently comprised of four members, of which only one director, Mr. Ernesto López Mareovich, is employed by the Peruvian government through the MEF. Our bylaws require that FONAFE specify which members are independent, however, as of the date of this offering memorandum, FONAFE has not made such specification. The members of FONAFE's board of directors are the ministers of the MEF, the MVCS, the Ministry of Communications and Transportation (*Ministerio de Transportes y Comunicaciones*), the Ministry of Energy and Mines (*Ministerio de Energia y Minas*) and the Presidency of the Council of Ministers (*Presidencia del Consejo de Ministros*).

We are an independent organization that adheres to the general policies of the MVCS. We administer the BFH subsidy on behalf of the MVCS. We are also a participant in the National Financial System (*Sistema Financiero Nacional*), which is composed of a number of private and state-owned banks, financial institutions, development organizations and state entities, and is regulated by the SBS.

Funding

Our initial source of funding was a capital contribution made by the Peruvian state through FONAFE in 2006 of approximately S/2.7 billion by means of a contribution of assets. Pursuant to Peruvian Law No. 28579 and our bylaws, we are required to capitalize all our annual net profit after complying with certain legal reserve requirements. See "Regulatory—General Overview of the Peruvian Banking Regulatory Framework". Our net profit was S/41.94 million, S/3.53 million and S/30.0 million for the years 2021, 2020, and 2019, respectively.

In recent years, we have diversified our funding sources. We incurred loans from local banks, including Banco de la Nación, as well as international Euro-denominated loans from the French development agency, Agence Française de Développement (the "AFD") and the German Development Bank (the "KFW"). We have entered into a credit agreement with the AFD with an availability of €120 million (S/545 million as of December 31, 2021) and a term of 8 years (with a three-year grace period), which matures on March 15, 2023. We have also entered into a credit agreement with the KFW with an availability of €70 million (S/318 million as of December 31, 2021), and a term of approximately 10 years (with a three-year grace period), which matures on November 15, 2031. In addition, we have entered into a syndicated credit agreement with the AFD and the KFW with an availability of €150 million (S/680 million), of which €105 million (S/476 million) were provided by the AFD and €45 million (S/204 million) were provided by the KFW, and a term of 12 years (with a three-year grace period), which matures on March 15, 2031. As of December 31, 2021, we have drawn 100% of the credit available under the credit agreement with the AFD, equivalent to €120 million (S/545 million) and under the syndicated credit agreement with the AFD and the KFW, equivalent to €150 million (S/680 million), with the total amount outstanding under these loans totaling €188.3 million (S/854.7 million) as of December 31, 2021. As of December 31, we had not made any borrowings under our credit line with the KFW. During 2021, we also entered into a credit line loan agreement with Banco de la Nación, for S/570 million, of which S/250 million matures in 2025 and S/320 million is due in 2026. As of December 31, 2021, we had fully drawn this credit line loan, and the total amount outstanding under this loan was S/570 million.

We have also accessed the international capital market through the issuance of U.S. dollar-denominated notes due 2023 in an aggregate principal amount of S/2,591.6 million (US$650 million) due 2023 in January 2013 and February 2017, and the issuance of global depositary notes in an aggregate principal amount of S/1,500 million due 2024 in February 2017. Additionally, we have registered two Peruvian corporate bond programs with the Public Registry of Securities (*Registro Público del Mercado de Valores*) of the SMV. On June 24, 2013, our board of directors approved our first corporate bond program in an aggregate principal amount up to S/1.0 billion (or its equivalent in foreign currency) which received the favorable opinion of the SBS on September 17, 2013. On May 26, 2021, our board of directors approved a second corporate bond program in an aggregate principal amount up to S/1.0 billion (or its equivalent in foreign currency) which received the favorable opinion of the SBS on August 20, 2021. Any corporate bonds issued under these programs are intended to be offered only in the Peruvian market through one or a series of public and/or private offerings. Under the first corporate bond program we made the following bonds issuances: (i) in July 2016, we issued S/310 million of bonds with a maturity of 10 years; (ii) in July 2019, we issued S/250 million of bonds with a maturity of 7 years; and (iii) in January 2020, we issued S/240 million of bonds with a maturity of 7 years. Under the second corporate bond program we are authorized to offer corporate bonds

for a six-year period as from the date of registration, which was December 28, 2021. As of the date of this offering memorandum, we have not issued any bonds under the second corporate bond program.

We will seek to continue diversifying our funding sources by raising capital in the local and international capital markets, through the bank lending markets or through other financial transactions.

We estimate that our funding needs for 2022 will be approximately S/2,900 million, primarily due to the expected repurchase of our notes due 2023, and for 2023 will be approximately S/1,000 million, primarily due to the expected partial repayment of our global depositary notes due 2024. So as to meet our funding needs, our board of directors approved in September 2021 the establishment of a new bond program for issuances in the international and local capital markets of an aggregate principal amount up to US$600 million (or its equivalent in local currencies).

Investment Considerations

We are an essential component of the Peruvian state's economic and social development strategy. We are wholly-owned by the Peruvian state and our sole corporate purpose is aligned with public policies that seek to reduce the housing deficit by designing loan products that target lower- and middle-income working families. Historically, the Peruvian government has not interfered directly in our operations, enabling us to develop sound lending policies that are tailored to the commercial realities of our lending environment rather than prevailing political prerogatives. The Peruvian state's historical support of our operations and our central role as an instrument of economic development make it likely that we will have continued strong support from our sole shareholder, if needed. The subsidies for which the final borrowers under our loans are eligible are financed by the MVCS.

We are a key participant in the historically underserved Peruvian mortgage loan segment for lower- and middle-income working families with strong potential for measured growth. Mortgage loans for working lower-and middle-income families are not readily available or accessible in the Peruvian market. We are the most important participant in this market, providing a substantial percentage of the aggregate loans disbursed to eligible borrowers at fixed interest rates and with long maturities, which are especially important in a market with limited sources of such financing. As of December 2021, approximately 26.2% of the total number of residential mortgage loans outstanding were represented by our products. Given the persistently low penetration of mortgage lending to our target borrowers, the ease with which we can increase further lending without incurring substantial costs and prevailing macroeconomic factors in Peru, we believe we have strong potential for continued growth. The innovative features of our loan products and the expansion of the lower- and middle-income working segment of the Peruvian population, have made it possible for us to continue growing our portfolio of loans. We also enable our final borrowers to develop or enhance their formal banking experience. As a result, intermediary financial institutions see us as a partner in creating a new pool of customers to whom they can cross-sell other products. We have developed new features to the *Nuevo Crédito MiVivienda*, such as the financing of sustainable residential projects, which represented 67% of our total placements (or 8,592 loan placements) as of December 31, 2021.

Our high quality loan portfolio has a low incidence of loss. The majority of our loans are placed through the largest intermediary financial institutions in Peru, which in turn lend the funds to our final borrowers and share in the risk of the loans. Pursuant to our agreements with each intermediary financial institution, payments must be remitted when due regardless of whether the final borrower is current on his or her obligations with the intermediary financial institution. Pursuant to the CRC, upon default by the final borrower, we generally assume one third of the risk of loss of the principal due on the loan by the intermediary financial institution (except in the case of *Financiamiento Complementario Techo Propio*, where we initially assume 100% of the associated credit risk), provided that the individual mortgage is duly registered with the Peruvian Public Registry of Real Property. The intermediary financial institution retains the remaining risk of default. As of December 31, 2021, our portfolio of loans had a loan-to-value ratio (defined as the value of the loan at December 31, 2021 divided by the purchase price of the mortgaged property) of 73.4% at origination (which means that, after origination, house value would need to fall, on average, more than 26.6% in order to generate a loss in case of default). This ratio improves in time as the value of the mortgaged property has generally tended to increase and the loan is paid. These loan-to-value requirements are designed to minimize losses on our loan portfolio if a loan default occurs. We have systems in place to ensure these loan-to-value requirements are maintained.

We have adopted risk management processes and policies that are complemented by those of the intermediary financial institutions that place our loans. Our loan origination policies are designed to ensure the orderly development of a portfolio of mortgage loans to our target borrowers, through a diversified pool of banks and financial institutions operating throughout Peru. We are subject to regulation and are supervised by the SBS, FONAFE, SMV and the Comptroller of the Republic. In addition, the banks and other intermediary financial institutions that sell our mortgage products must comply with applicable banking regulation, giving our portfolio of loans an additional layer of regulatory protection and supervision. Furthermore, we conduct periodic reviews of all the intermediary financial institutions in our portfolio and a representative sample of the loan portfolio of final borrowers at each intermediary financial institution at least once a year, as required by the risk committee of our board of directors, SBS regulations and our internal policies.

We have strong financial performance metrics. We have sustained profitability and strong financial margins. We have been supported by the expansion of our loan portfolio in the last five years, with a compound annual growth rate ("CAGR") of 8.46% from December 31, 2017 to December 31, 2021. During the same period, our total assets increased at a CAGR of 1.71% and our equity by 2.01%. As of December 31, 2021, our return on average equity was 1.23%, while our return on average assets was 0.39%. Our efficiency ratio was 43.82% as of December 31, 2021 compared to 49.67% as of December 31, 2020. For more information on our non-SBS GAAP measures, see "Presentation of Financial and Certain Other Information—Non-SBS GAAP Financial Measures."

Easily scalable business model allows us to increase mortgage lending with minimal additional operating expenditures. The intermediary financial institutions that place our loans are primarily responsible for originating and servicing the loans that are offered under our loan programs, though we have internal processes in place to ensure appropriate compliance with our lending criteria. Subject to our credit limits, we are able to increase the amount of credit we make available through the COFIDE trust and thereby increase the number of loans originated

without incurring significant additional administrative costs. We believe our target market is currently underserved. Intermediary financial institutions in Peru continue to participate in our loan programs because our loans are cost-effective, generate reliable revenue and enable them to develop a base of borrowers who can subsequently become reliable customers to whom banks can cross-sell other financial and banking products.

Strong corporate governance complemented by an experienced board of directors and management team. We have strengthened our corporate governance practices to comply with the SBS, FONAFE and SMV guidelines, which have created value for us, our investor and the communities where we do business, and has allowed us to open new communication channels with our stakeholders. Our board of directors is comprised of a maximum of five members designated by FONAFE for renewable terms of three years. We expect to appoint two new directors to comply with Law No. 31313, which requires that the two new directors are independent and have experience in evaluating real estate projects or designing social housing projects. In particular, we believe we are strengthened by the independence and experience of our chief executive officer and other members of our senior management team who are highly experienced in the financial sector and independent from the state. Our board of directors also has established internal risk and audit committees, each of which includes members of our board of directors and management team working together to help reinforce and monitor our risk policies.

Our Strategies

Adapt our loan products to continue promoting home ownership. We will seek to tailor our products and platforms to increase the number of homeowners we serve, focusing our mission to expand homeownership in Peru through the growth of our loan portfolio, adapting our loan products to the demands of the market and continuing to adapt and enhance our product features to the evolving demands of the low- and middle-income working class population. In addition, we develop mortgage products for home buyers who seek to buy used homes. We believe this will add to market liquidity and mobility by enabling existing borrowers to sell their current residence and upgrade to a larger property. As the market evolves, we believe we will be able to offer a wider range of products to meet the changing needs of our target borrowers.

Improve our operations. We will seek to further improve our operating performance and continue decreasing our efficiency ratio which was 43.8% as of December 31, 2021 compared to 49.7% as of December 31, 2020, mainly due to a significant increase in the operating margin as a result of lower expenses in provisions of doubtful accounts receivable. For more information on our non-SBS GAAP measures, see "Presentation of Financial and Certain Other Information—Non-SBS GAAP Financial Measures."

Commit to ESG strategies. We have a strong commitment with the communities in which we operate and with the promotion of a more inclusive and equitable society. We are committed to accompanying the intermediary financial institutions that place our loans and our final borrowers in their transition towards a more sustainable future and generating social and environmental impact. For example, we will continue to enhance our *Nuevo Crédito MiVivienda* product requiring final borrowers to implement new technologies that promote an efficient management of energy and water, and to use construction materials with low environmental impact, in order to have their residential projects certified as sustainable.

Diversify our portfolio of loans geographically. Part of our strategy relies on expanding our product offerings to historically under-served regions of Peru. The concentration of our portfolio in regions outside Lima, Metropolitana and Callao has increased in the northern and eastern areas of Peru from 38.4% in 2020 to 44.53% as of December 31, 2021. We believe that continued geographic diversification not only will allow us to seek to fulfill our primary mission of providing resources to lower- and middle-income working families throughout the country, but also mitigate the risk that concentration of our loan portfolio could pose. While a large proportion of real estate development in recent years has occurred in Lima, we believe there is significant need for new affordable housing developments in provinces throughout Peru.

The following metrics illustrate the results of our geographical diversification efforts over the last few years. Between 2019 and 2021, Lima and Callao have accounted for more than 55% of the total amount of loans disbursed, followed by the northern and central areas of Peru. Between 2020 and 2021, the area with the highest credit growth placed was the eastern area of Peru with 135.5% of growth, followed by the central area of Peru at 119.2%, while Lima and Callao grew by 38.6%. Comparing the year 2021 with the year 2019 (pre-pandemic), the northern area of Peru has shown the highest growth in the amount of loans disbursed, of 29.5%, followed by the eastern area at 10.2% growth, while the amount of loans disbursed in the southern area has fallen by 4%, and by 1.2% in Lima and Callao.

Promote new housing developments. We will seek to work with municipal and local governments to promote development of new and emerging urban areas in conjunction with private developers seeking to develop new housing stock. These initiatives will be targeted at communities that have evolving zoning areas that are being auctioned to developers for construction of affordable and mixed-use housing. Specifically, we will work with local governments to identify suitable areas for development, evaluate projects and create proposals, administer the bidding process and work with intermediary financial institutions that will place our loans to design viable loan programs.

Diversify our sources of funding. While historically our main source of funding has been based on the capitalization of our annual net profit and repayments of our loan portfolio, the continued growth of our loan portfolio requires a financially sustainable strategy in order to meet our objective of further increasing such portfolio and expanding access of credit products to a greater segment of the population. Thus we seek to explore other sources of reliable funding at lower costs to continue expanding our loan portfolio. For example, in 2013 and 2014 and 2017, we accessed the international markets with four bond issuances. Additionally, between 2015 and 2021 we obtained funding through local credit operations as a result of our loans from Banco de la Nación and in 2016, 2019 and 2020 with issuances in the Peruvian market from our first corporate bond program. Furthermore, we entered into credit operations with international funding sources such as the AFD and the KFW. We will also continue to explore opportunities to fund our operations both through the local and international capital markets as we did in the past years. We believe this additional source of funding will allow us a meaningful opportunity to further expand our loan portfolio and provide long-term capital at fixed rates.

Implement retention measures for our employees. We believe our employees are one of our key resources and will seek to develop retention and promotion initiatives to further reduce turnover. These measures include developing career plans, providing educational stipends and career-enhancing courses, and developing specific promotion opportunities based on defined performance metrics. In 2021, we were certified as a "Great Place to Work" by the consulting

firm Great Place To Work Peru. We believe these initiatives will enhance the quality and experience of our employees and serve as a strong resource for our future expansion strategies.

Environmental, Social and Governance

Our business practices are driven by environmental stewardship, social responsibility, and governance (ESG), which we believe not only strengthens our relationships with financial institutions and borrowers, but also with the communities in Peru in which we do business. Our sustainability goals are designed to meet the sustainability requirements set forth by FONAFE and include (i) promoting the development of energy-efficient residential projects that promote health and well-being, benefiting the communities with which we do business, (ii) meeting or exceeding recognized standards for sustainable development to promote projects that enable our communities to prosper more sustainably; and (iii) partnering with community organizations to support environmental and social initiatives.

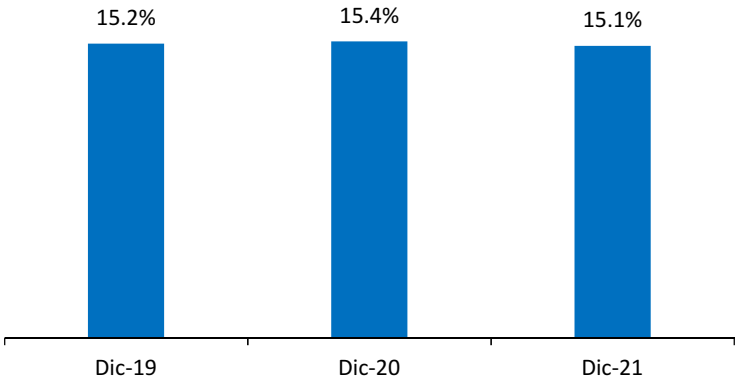
We have developed our *Nuevo Crédito MiVivienda* product to serve to finance energy-efficient residential projects that meet or exceed recognized sustainable development standards. These projects are classified in three levels of sustainability according to our procedures (Level I+, Level II+ and Level III+), each of which enables the final borrowers to apply for more favorable interest rates than the rates applicable to our *Nuevo Crédito Mivivienda* loans for non-sustainable projects and to receive greater amounts of the Good Payer Bonus. See "Business—Description of Products and Services—*Nuevo Crédito MiVivienda*."

In 2021, we were regionally recognized for our corporate governance practices by the international organization Great Place to Work. In 2020, we were acknowledged by FONAFE for our prevention practices to face the COVID-19 pandemic. In 2019 (i) the Latin American Association of Development Financing awarded us for our *Nuevo Crédito MiVivienda* product which serve to finance energy-efficient residential projects, (ii) we received the first place in the sixth edition of the Latin America Green Awards (*Premios Latinoamerica Verde*) for the implementation of our *Nuevo Crédito MiVivienda* product which serve to finance energy-efficient residential projects to promote sustainable development in the housing market, (iii) we received the first place in the Effective Environmental Management category awarded by the non-governmental organization *Ciudadanos al Día* for the impact of our *Nuevo Crédito MiVivienda* product on sustainable development, and (iv) we received the second place in the Best Labor Practices award granted by the Peruvian Ministry of Labor for our remuneration, salary policy and benefits for workers policy.

Overview of Mortgage Loan Sector in Peru

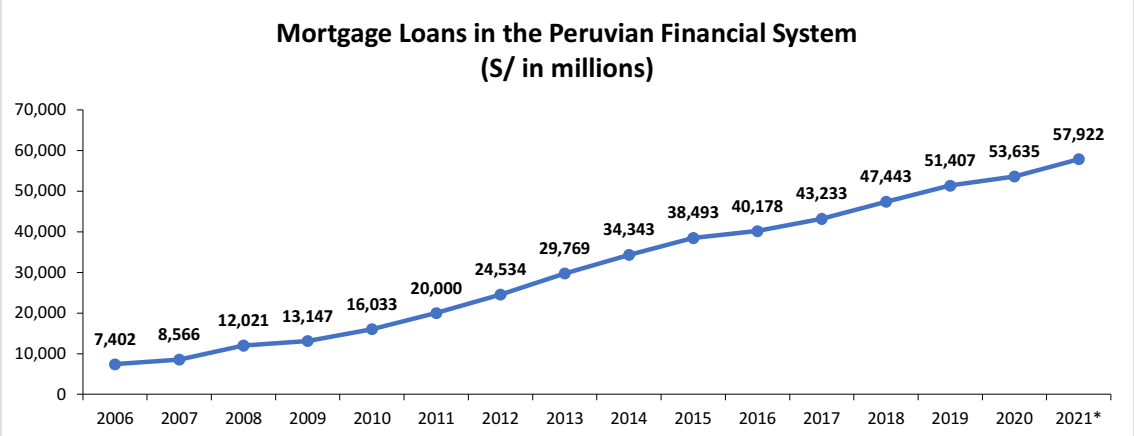
The mortgage loan market in Peru, though still in a nascent state, has experienced strong and dynamic growth in recent years. From 2016 to 2021, the average annual growth rate of the mortgage loan market in Peru increased 8%, according to data from SBS. Because of the COVID-19 pandemic, between March and June 2020, the Peruvian government imposed restrictions to all non-essential activities, including legal services required to complete applications for mortgages loans, as a result of which the annual growth rate of the mortgage loan market in Peru decreased to 4% as of December 31, 2020, according to data from the SBS. As of December 31, 2021, the annual growth rate of the mortgage loan market in Peru increased 13%, primarily as a result of the recovery of the Peruvian economy during 2021.

As of December 31, 2021, 2020 and 2019, our market share in the Peruvian mortgage market (which we define as the percentage of our outstanding mortgage loans over the total outstanding mortgage loans existing in Peru) was 15.1%, 15.4% and 15.2%, respectively. The following chart presents such market share for the periods indicated.



Source: SBS

The total principal amount of residential mortgage loan placements outstanding was S/58,296 million as of November 30, 2021, of which full service banks had originated an estimated S/56,086 million which represents 96% of all residential mortgage loans. The remaining balance was originated by municipal saving and loan institutions, microfinance institutions and finance companies, among others. As of November 30, 2021, the total number of active residential mortgage loans outstanding was 267,740, of which 102,810 were originated under our loan programs.



Source: SBS

While the Peruvian mortgage market remains relatively small, from 2011 to 2021 mortgage loans grew at an average annual rate of 11.3% compared to, for example, growth in consumer loans of 9.4%, according to data from the SBS. Mortgage loan growth during this period was driven primarily by the cumulative housing deficit which remains persistently high and is expected to continue driving demand well into the future. According to the estimates of

the MVCS, which are based on the National Household Survey (*Encuesta Nacional de Hogares*) published in 2020, the housing qualitative deficit in Peru was 1.1 million housing units and the housing quantitative deficit in Peru was 455,000 housing units. Furthermore, the recent years of economic growth have changed the structure of the Peruvian society, as a result of which the lower middle class has expanded and housing demand has increased.

The expansion of mortgage lending has also been driven by the attractiveness of mortgage loan financings that generally consist of smaller loans with very low incidence of default (3.06%) compared to micro-lending (4.7%) and loans to small enterprises (8.4%), in each case, as of December 31, 2021 (the latest date for which information is available), according to data from the SBS.

Recent Developments

On February 7, 2022, we entered into a financing agreement with BBVA Perú for a principal amount of US$50 million and a term of four months.

On March 9, 2022, the Peruvian cabinet (*Consejo de Ministros*), headed by Aníbal Torres, received a vote of confidence (*voto de confianz*a) from the Peruvian Congress after obtaining a total of 64 votes in favor, 58 votes against and 2 abstentions. As a result, the Peruvian Congress has supported the administration carried out by the Peruvian cabinet. This is the fourth cabinet that receives a vote of confidence from the Peruvian Congress under President Castillo's administration.

On March 14, 2022, the Peruvian Congress admitted a motion to impeach (*moción de vacancia*) President Castillo with a total of 76 votes in favor, 41 votes against and 1 abstention, claiming an alleged permanent moral incapacity of President Castillo. On March 28, 2022, the Peruvian Congress denied the motion to impeach with a total of 55 votes in favor, 54 votes against and 19 abstentions and as a result, President Castillo will remain in office. However, since the political opposition in the Peruvian Congress remains strong, we cannot assure that additional impeachment motions will not be presented to the Peruvian Congress against President Castillo during the remaining of his office. This is the second motion to impeach President Castillo filed with the Peruvian Congress since he took office on July 28, 2021.

On March 18, 2022, S&P Global Ratings ("S&P") downgraded its long-term sovereign ratings on Peru's foreign currency to BBB from BBB+ and local currency to BBB+ from A-. These downgrades reflect the impact of the Peruvian shifting political environment on growth and sovereign debt composition. The outlook on the Peruvian sovereign ratings is stable. On March 21, 2022, S&P downgraded its ratings on seven financial institutions operating in Peru, including us. These downgrades reflect the impact of the sovereign credit quality on the ratings on these financial institutions and the weakening in Peru's capacity to provide financial support to these entities. The outlook on these financial institutions, including us, is stable.

Concurrent Tender Offer

Concurrently with this offering, we have launched a cash tender offer (the "Tender Offer") for any and all of our outstanding 3.50% notes due 2023 (the "Existing Notes"). The Tender Offer is subject to customary conditions, including pricing of the issuance of the notes offered hereby. We cannot assure you that the Tender Offer will be consummated. The Tender

Offer will expire at 8:00 a.m. (New York City time) on April 7, 2022, unless extended or earlier terminated.

As of December 31, 2021, S/2,591.6 million (US$650 million) aggregate principal amount of the Existing Notes was outstanding.

This offering memorandum is not an offer to purchase, or the solicitation of an offer to sell, the Existing Notes. The Tender Offer is only being made by, and on the terms and conditions set forth in, the Offer to Purchase dated March 31, 2022 ("Offer to Purchase"). This offering is not conditioned on the successful consummation of the Tender Offer. We cannot assure you that the Tender Offer will be completed or that the Existing Notes will be purchased pursuant to the terms set forth in the Offer to Purchase or at all.

Our Information

We were formed in 1998 as "Fondo Hipotecario de Promoción de la Vivienda - Fondo MIVIVIENDA" and converted on January 1, 2006 to a for-profit corporation (*sociedad anónima*) under the name of "Fondo MIVIVIENDA S.A." pursuant to Law N° 26912 and Law N° 28579, respectively. As per our bylaws, we are incorporated for an indefinite duration.

Our principal executive offices are located at Av. Paseo de la República 3121, San Isidro-Lima. Our telephone number is + (511) 211-7373. Our website is www.mivivienda.com.pe. The information included on our website or which may be accessed through our website is not part of this offering memorandum and is not included herein by reference or otherwise.

THE OFFERING

This summary of certain terms and conditions of the notes is subject to, and qualified in its entirety by, reference to the "Description of the Notes" section of this offering memorandum.

Issuer	Fondo MIVIVIENDA S.A.
Securities Offered	US$600,000,000 aggregate principal amount of our 4.625% notes due 2027
Issue Price	99.652% plus accrued interest, if any, from April 12, 2022
Maturity Date	The notes will mature on April 12, 2027.
Interest	The notes will accrue interest at a rate of 4.625% per year.
Interest Payment Dates	Interest on the notes will be payable semi-annually in arrears on April 12 and October 12 of each year, beginning on October 12, 2022.
Ranking	Except as provided below, the notes will constitute our direct, senior unsecured obligations. Our obligations under the notes will rank at all times *pari passu* in right of payment to all our existing and future unsecured and unsubordinated obligations. The notes will be effectively subordinated to (i) all of our future secured indebtedness to the extent of the assets securing such indebtedness and (ii) certain other obligations that in the event of liquidation are granted preferential treatment under Peruvian law. See "Regulatory—Intervention by the SBS and Liquidation" and "Risk Factors—Risks Relating to the Notes—Our obligations under the notes will be subordinated to certain statutory liabilities in the event of insolvency." The notes will be our obligations and will not be obligations of, or guaranteed by, the Peruvian government or any governmental agency or body related thereto. As of December 31, 2021, we had total indebtedness (which we define as the sum of borrowings and financial obligations plus securities and bonds outstanding) of S/6,413 million (US$1,608 million), all of which was unsecured and all of which would rank *pari passu* with the notes in the event of our liquidation pursuant to their respective terms and conditions. See "Regulatory—Intervention by the SBS and Liquidation."
Additional Amounts	All payments in respect of the notes will be made free and clear of and without any withholding or deduction for any taxes of Peru or the jurisdiction of any paying agents outside Peru (including, for the avoidance of doubt, Luxembourg) or, in each case, any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, we will pay such additional amounts as will result in receipt by the holders of notes of such amounts as would have been received by them had no such withholding or deduction for taxes been required, subject

	to certain exceptions set forth under "Description of the Notes—Additional Amounts."
Change of Control	We will be required to offer to repurchase all outstanding notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest to the date of repurchase, if the Peruvian state, our controlling shareholder, ceases to own more than 50% of our voting stock. In the event that the holders of not less than 90% of the aggregate principal amount of outstanding notes accept such offer and we or a third party purchases all the notes held by such holders, we will have the right to redeem all of the notes that remain outstanding following such purchase at the purchase price referred to above plus, to the extent not included in such price, accrued and unpaid interest and additional amounts, if any, on the notes that remain outstanding to the date of redemption. See "Description of the Notes—Change of Control Offer."
Optional Redemption	We may redeem the notes, in whole but not in part, at any time, prior to March 12, 2027 (one month prior to maturity) at a redemption price equal to the greater (1) (a) the sum of the present values of the remaining scheduled payments of principal and interest on the notes being redeemed discounted to the redemption date on a semi-annual basis at a certain Treasury Rate (as defined below), plus 30 basis points less (b) interest accrued to the date of redemption, and (2) 100% of the principal amount of the notes to be redeemed, *plus*, in either case, accrued and unpaid interest thereon to the redemption date. We may redeem the notes, in whole but not in part, at any time, on or after March 12, 2027 at a redemption price equal to 100% of the principal amount of the notes being redeemed, plus accrued and unpaid interest thereon to the redemption date. See "Description of the Notes—Optional Redemption—Make-whole redemption" and "—Par redemption." In addition, we may redeem the notes, in whole but not in part, at any time in the event of certain changes in tax laws at a redemption price equal to 100% of their outstanding principal amount, plus accrued and unpaid interest to the date of redemption and any additional amounts. See "Description of the Notes— Optional Redemption—Tax redemption." Notice of any redemption of the notes may, at our discretion, be subject to one or more conditions precedent. See "Description of the Notes—Optional Redemption—Redemption procedures."
Covenants	The indenture will contain covenants that, among other things: • the notes will at all times rank *pari passu* with any future senior unsecured indebtedness; • require us to furnish certain periodic financial information; and • limit our ability to consolidate or merge with, or convey, transfer or lease all or substantially all of our assets, to another person, unless we comply with certain requirements; however, such covenants are subject to a

	number of important exceptions. See "Description of the Notes—Covenants."
Events of Default.....	The indenture will set forth the events of default applicable to the notes, including an event of default triggered by cross default of other debt in an amount of US$20 million or more. See "Description of the Notes—Events of Default."
Further Issues	We may from time to time, without notice or consent of the holders of the notes, create and issue an unlimited principal amount of additional notes of the same series as the notes initially issued in this offering.
Use of Proceeds.....	We intend to use an amount equal to the net proceeds from this offering to fund existing or future investments in, or financings of, Eligible Projects (as defined in "Use of Proceeds"). Pending allocation to such Eligible Projects, we intend to use the net proceeds from this offering (i) to pay the consideration for the Tender Offer and accrued and unpaid interest on the Existing Notes validly tendered and accepted by us pursuant to the terms and conditions of the Tender Offer, (ii) to pay the expenses of this offering and the Tender Offer, and (iii) for general corporate purposes. See "Summary—Concurrent Tender Offer." We and the initial purchasers make no assurances as to (i) whether the notes offered hereby will meet the criteria and expectations of investors regarding environmental impact and sustainability performance, (ii) whether the net proceeds will be used for Eligible Projects or (iii) the characteristics of the Eligible Projects, including their environmental and sustainability criteria. See "Risk Factors—Risks Relating to the Notes—There can be no assurance that we will made disbursements for projects with the specific characteristics described in the "Use of Proceeds" section in an amount equal to the proceeds from the sale of the notes."
Form and Denomination.....	The notes will be issued in book-entry form, in denominations of US$150,000 and integral multiples of US$1,000 in excess thereof, and will be represented by global notes deposited with, or on behalf of, The Depository Trust Company ("DTC") and registered in the name of a nominee of DTC. Beneficial interest in the global notes will be shown on, and transfers will be effected only through, records maintained by DTC for the accounts of its direct and indirect participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear") and Clearstream Banking, sociètè anonyme ("Clearstream"). The global notes will be exchangeable or transferable for certificated notes only in limited circumstances. See "Description of the Notes—Form of the Notes."
Transfer Restrictions	The notes have not been registered under the Securities Act. As a result, the notes are subject to limitations on transferability and resale. For more information see "Transfer Restrictions."
Listing and Trading	We intend to apply to have the notes listed on the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF market.

	The notes, however, are a new issue of securities and there is no established trading market for the notes. Accordingly, we cannot assure you that a trading market for the notes will develop or if one develops, that it will be maintained.
Governing Law.....	The indenture and the notes will be governed by, and construed in accordance with, the law of the State of New York.
Trustee, Registrar, Transfer Agent and Paying Agent.....	Citibank, N.A.
Luxembourg Transfer Agent and Paying Agent.....	Banque Internationale à Luxembourg S.A.
Risk Factors.....	You should carefully consider all of the information in this offering memorandum. See "Risk Factors" in this offering memorandum for a description of the principal risks involved in making an investment in the notes.
LEI Code	549300X41PNOK11PZ670.

SUMMARY FINANCIAL INFORMATION

The following tables set forth certain of our financial information, and should be read in conjunction with our financial statements, including the notes thereto, prepared in accordance with SBS GAAP, which are included in the offering memorandum, as well as the information included in "Presentation of Financial and Certain Other Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." The results included below and elsewhere in this offering memorandum are not necessarily indicative of future performance.

The summary financial data set forth below as of and for the years ended December 31, 2021, 2020 and 2019 is derived from our audited financial statements and related notes, which are included in this offering memorandum.

We prepare our annual financial statements and other financial information in accordance with SBS GAAP. See also "Presentation of Financial and Certain Other Information." Nevertheless, SBS GAAP continues to differ in several significant respects from IFRS. A discussion of some of the principal differences among SBS GAAP and IFRS as they relate to us is included in Annex A to this offering memorandum. However, we have not quantified the effects of such differences and therefore cannot assure you that we have identified all of the differences that are material.

	For the Year Ended December 31,			
	2021	**2021**	**2020**	**2019**
	(US$ in thousands)[1]	**(S/ in thousands)**		
INCOME STATEMENT DATA				
Interest income	129,754	517,330	489,071	526,897
Interest expenses	(76,011)	(303,056)	(286,906)	(307,416)
Gross financial margin	**53,743**	**214,274**	**202,165**	**219,481**
Allowance for direct loans, net of recoveries	348	1,388	(2,345)	2,032
Loss allowance for accounts receivable (Trust agreement - COFIDE), net of reversals	(3,484)	(13,889)	(38,405)	(8,554)
Net financial margin	**50,608**	**201,773**	**161,415**	**212,959**
Income from financial services	1,120	4,466	5,314	5,224
Financial services expenses	(679)	(2,707)	(2,280)	(2,569)
Finance margin net of income and expenses for financial services	**51,049**	**203,532**	**164,449**	**215,614**
Result from financial transactions	(21,575)	(86,018)	(82,501)	(76,480)
Operating margin	**29,474**	**117,514**	**81,948**	**139,134**
Administrative expenses	(12,876)	(51,337)	(40,497)	(49,941)
Depreciation of property, furniture and equipment	(40)	(160)	(210)	(239)
Amortization of intangible assets	(367)	(1,462)	(1,412)	(1,279)
Net operating margin	**16,191**	**64,555**	**39,829**	**87,675**
Valuation of assets and provisions:				
Recoveries (allowance) for other accounts receivable	3,667	14,619	(28,930)	(50,682)
Reversal of provision for credit risk hedging - sold portfolio, net	116	464	474	1,012
Provision for litigation and claims	(91)	(362)	(643)	(265)
Other provisions	(19)	(75)	(140)	(408)
Operating profit	**19,865**	**79,201**	**10,590**	**37,332**
Other income and expenses, net	(610)	(2,432)	4,639	6,541
Profit before tax	**19,255**	**76,769**	**15,229**	**43,873**
Income tax	(8,736)	(34,832)	(11,701)	(13,870)
Net profit	**10,518**	**41,937**	**3,528**	**30,003**

(1) For the reader's convenience, we have converted the original amounts in *soles* into U.S. dollars at the exchange rate of S/3.987 per US$1.00, which was the exchange rate published by the SBS on December 31, 2021. We make no representation that the *sol* or the U.S. dollar amounts referred to herein actually represent, could have been or could be converted into U.S. dollars or *soles*, as the case may be, at the rates indicated, at any particular rate or at all.

	As of December 31,			
	2021	2021	2020	2019
	(US$ in thousands)[1]	(S/ in thousands)		
STATEMENT OF FINANCIAL POSITION DATA				
Assets				
Cash and cash equivalents	296,402	1,181,754	1,273,223	1,479,013
Investments	64,727	258,068	285,002	242,943
Accounts receivable (Trust agreement - COFIDE), net	2,163,164	8,624,534	7,883,453	7,498,076
Loan portfolio, net	8,681	34,611	28,478	35,966
Other accounts receivable, net	8,464	33,744	110,566	147,981
Hedging derivatives	206,888	824,861	394,937	166,325
Property, furniture and equipment, net	156	620	775	915
Deferred income tax asset	2,806	11,186	71,636	78,764
Other assets, net	13,287	52,974	52,535	49,908
Total assets	**2,764,573**	**11,022,352**	**10,100,605**	**9,699,891**
Contingent risks and commitments	5,290	21,090	30,887	46,071
Liabilities				
Obligations to the public	54	217	205	223
Borrowings and financial obligations	358,900	1,430,935	944,611	635,192
Securities and bonds outstanding	1,249,607	4,982,183	4,736,106	4,284,038
Hedging derivatives	7,578	30,213	34,347	93,592
Accounts payable	269,890	1,076,050	1,060,719	1,372,876
Provisions and other liabilities	7,836	31,241	22,388	4,982
Total liabilities	**1,893,865**	**7,550,839**	**6,798,376**	**6,390,903**
Shareholder's equity				
Share capital	849,200	3,385,762	3,382,587	3,355,584
Reserves	7,635	30,440	30,087	27,087
Unrealized results	3,354	13,374	(113,973)	(103,686)
Retained earnings	10,518	41,937	3,528	30,003
Total shareholder's equity	**870,708**	**3,471,513**	**3,302,229**	**3,308,988**
Total liabilities and shareholder's equity	**2,764,573**	**11,022,352**	**10,100,605**	**9,699,891**
Contingent risks and commitments	5,290	21,090	30,887	46,071

(1) For the reader's convenience, we have converted the original amounts in *soles* into U.S. dollars at the exchange rate of S/3.987 per US$1.00, which was the exchange rate published by the SBS on December 31, 2021. We make no representation that the *sol* or the U.S. dollar amounts referred to herein actually represent, could have been or could be converted into U.S. dollars or *soles*, as the case may be, at the rates indicated, at any particular rate or at all.

	For the Year Ended December 31,			
	2021	2021	2020	2019
	(US$ in thousands)[1]	(S/ in thousands)		
Net cash flows used in operating activities	(27,711)	(110,485)	(252,818)	(285,760)
Net cash (used in) flows from investing activities	(667)	(2,660)	41,735	108,517
Net decrease in cash and cash equivalents before the effect of changes in exchange rate	(28,378)	(113,145)	(211,083)	(177,243)
Effect of exchange rate fluctuations on cash and cash equivalents held	5,437	21,676	5,293	(5,194)
Net decrease in cash and cash equivalents	**(22,942)**	**(91,469)**	**(205,790)**	**(182,437)**
Cash and cash equivalents at the beginning of the year	319,344	1,273,223	1,479,013	1,661,450
Cash and cash equivalents at the end of the year	**296,402**	**1,181,754**	**1,273,223**	**1,479,013**

(1) For the reader's convenience, we have converted the original amounts in *soles* into U.S. dollars at the exchange rate of S/3.987 per US$1.00, which was the exchange rate published by the SBS on December 31, 2021. We make no representation that the *sol* or the U.S. dollar amounts referred to herein actually represent, could have been or could be converted into U.S. dollars or *soles*, as the case may be, at the rates indicated, at any particular rate or at all.

RISK FACTORS

Investing in the notes involves risks. Before making any decision to invest, you should carefully evaluate the risks described below, together with all of the other information included in this offering memorandum. If any of the following risks should occur, our business, financial condition, results of operations or prospects could be materially and adversely affected. As a result, the trading price of the notes could fall and investors could lose all or part of their investment in the notes. Other risks that we are currently unaware of or that we currently consider immaterial could possibly have a negative effect on us and the trading price of the notes.

Risks Relating to Peru

Economic, political and social developments in Peru could have a material adverse effect on our results of operations and financial condition.

All of our operations, the intermediary financial institutions that place our loans and all of our final borrowers are located in Peru. As a result, our results of operations and financial condition are dependent on economic, political and social developments in Peru, and are affected by the economic and other policies of the Peruvian government, including devaluation, currency exchange controls, inflation, economic downturns, political instability, social unrest and terrorism.

In the past, Peru has experienced political instability that has included a succession of regimes with differing economic policies. Previous governments imposed controls on prices, exchange rates, local and foreign investment and international trade, restricted the ability of companies to dismiss employees, expropriated private sector assets and prohibited the remittance of profits to foreign investors. Peru has also experienced social and political turmoil from time to time, including riots, nationwide protests, strikes and street demonstrations, and severe terrorist activity targeted against, among others, the Peruvian government and the private sector. Most recently, the COVID-19 pandemic has led to disruptions in national and global economies, including the Peruvian economy, and to volatility and a downturn in the financial markets. In addition, the imposition of restrictive measures to combat the COVID-19 pandemic by the Peruvian government has led to significant political and social unrest.

Although Peru has been widely considered a stable democracy in recent years, in 2019 the country slid into a protracted political crisis when the then-President of the country (Mr. Martín Vizcarra) took executive action to dissolve the Peruvian Congress and called for a new election of congressional members. In January 2020, the Peruvian Constitutional Court ruled that the President's closing of the Peruvian Congress was constitutional and legally valid, and new congressional elections were held that resulted in a highly fragmented Peruvian Congress. Following these elections, the Peruvian executive and legislative branches have been at odds over several important economic and social measures, including initiatives to address the economic and social impact of the COVID-19 pandemic on Peru. In October 2020, a group of congressmen introduced a motion to hold impeachment proceedings against the then-standing President, as a result of allegations that he received illicit payments from construction companies when he was the governor of Moquegua between 2011 and 2014. In November 2020, the

Peruvian Congress approved the impeachment of the then-standing President and, because Peru did not have any designated Vice President at such time, the then-President of the Peruvian Congress (Mr. Manuel Arturo Merino de Lama) assumed the role of acting President. Following multiple protests across the country, Mr. Merino de Lama resigned his role of acting President on November 15, 2020, and the Peruvian Congress elected congressman Francisco Rafael Sagasti Hochhausler as president of the Peruvian Congress, and therefore as acting President.

Peru's general elections to elect the president of the republic, two vice-presidents and all 130 congressional members for 2021-2026, were held on April 11, 2021. The candidates for president, Mr. José Pedro Castillo Terrones and Mrs. Keiko Sofia Fujimori Higuchi, obtained the highest number of votes but no outright majority, giving place to a ballotage presidential run-off that was held on June 6, 2021, with Mr. Castillo resulting elected as the new President of Peru, taking office on July 28, 2021.

President Castillo has faced political opposition in the Peruvian Congress, which is highly fragmented, as no political party has achieved a clear majority and at least ten political parties hold minority representations, which led some groups of the Peruvian Congress to ask for his resignation. On February 8, 2022, President Castillo appointed Aníbal Torres, as the Prime Minister to serve under this government. Mr. Torres had previously served as the Ministry of Justice and Human Rights during President Castillo's government. The current Prime Minister was preceded by Héctor Valer, Mirtha Vásquez and Guido Bellido. On March 9, 2022, the Peruvian cabinet (*Consejo de Ministros*), headed by Aníbal Torres, received a vote of confidence (*voto de confianz*a) from the Peruvian Congress after obtaining a total of 64 votes in favor, 58 votes against and 2 abstentions. As a result, the Peruvian Congress has supported the administration carried out by the Peruvian cabinet. This is the fourth cabinet that receives a vote of confidence from the Peruvian Congress under President Castillo's administration. On March 14, 2022, the Peruvian Congress admitted a motion to impeach (*moción de vacancia*) President Castillo with a total of 76 votes in favor, 41 votes against and 1 abstention, claiming alleged permanent moral incapacity of President Castillo. This is the second motion to impeach against President Castillo presented to the Peruvian Congress since he took office on July 28, 2021. On March 28, 2022, the Peruvian Congress denied the motion to impeach with a total of 55 votes in favor, 54 votes against and 19 abstentions and as a result, President Castillo will remain in office. However, since the political opposition in the Peruvian Congress remains strong, we cannot assure that additional impeachment motions will not be presented to the Peruvian Congress against President Castillo during the remainder of his term.

In addition, the Peruvian government led by President Castillo may seek to modify and reform the Peruvian Constitution to expand the role of the government in activities currently undertaken by the private sector. During his campaign, Mr. Castillo made multiple public remarks in favor of expanding the state's presence. On December 27, 2021, the Peruvian Congress delegated to the Peruvian executive branch the authority to enact legislative decrees on taxation, financial markets and economic reactivation matters during a period of 90 days. We cannot assure you that measures will not be implemented that can negatively impact private investment, such as higher taxation or exchange controls, will not be implemented. The new President is expected to face challenges in aligning certain initiatives with, and obtaining support from, the Peruvian Congress. Although it is expected that a majority opposition from the Peruvian Congress against certain new policies and reforms to be proposed by the new President

will continue, there is a risk of unpredictable policymaking. We cannot assure you whether President Castillo or any of his successors, should an impeachment motion (*moción de vacancia*) be approved by the Peruvian Congress, will pursue business-friendly and open-market economic policies that stimulate economic growth and stability, and that measures negatively impacting private investment, such as higher taxation or exchange controls, will not be implemented.

Despite Peru's economic growth and stabilization over the past years, the social and political tensions and high levels of poverty and unemployment continue. As the COVID-19 pandemic continues to evolve, and given the uncertainty of its lasting effect, the social, political and fiscal impact on Peru will depend on future developments that cannot yet be determined. Future government policies to preempt or respond to social unrest could include, among other things, expropriation, nationalization, suspension of the enforcement of creditors' rights and new taxation policies. These policies could adversely and materially affect the Peruvian economy and our business.

Public health crises and epidemics or pandemics, such as the COVID-19 pandemic, may materially and adversely affect Peru's economy.

The strain of the SARS-CoV-2 virus, which causes the disease known as "COVID-19," was first identified in Wuhan, China in December 2019 and has spread around the world, including in Peru and the rest of the countries in Latin America. The rapid outbreak and further measures taken by governments to contain its spread have had dramatic adverse consequences for the global economy, including demand, operations, supply chains and financial markets. The magnitude and scope of the effects of the pandemic are difficult to evaluate and predict.

On March 11, 2020, the World Health Organization recognized COVID-19 as a pandemic. In an effort to prevent the virus from spreading, governments around the world have implemented and continue to implement strategies that restrict social gathering and promote social distancing, such as quarantines, travel restrictions, and closing of schools, workplaces, stadiums, theaters and shopping centers, among others.

On March 15, 2020, the Peruvian government declared a national state of emergency in response to the COVID-19 outbreak in Peru, which has since been extended to March 1, 2022, and is deploying various economic and public health measures to address the pandemic caused by COVID-19 and the new variants of the virus, including most recently the Delta and Omicron variants. These measures are part of an economic stimulus plan that includes tax incentives among other tools intended to address the immediate impacts of the national state of emergency invoked by the Peruvian government to attempt to contain the spread of the virus and lessen the strain on the health care system and the impact on the overall economy. The MEF, the Peruvian Central Bank, the SBS, as well as other government entities have adopted specific measures to provide economic support to certain segments of the population, such as vulnerable population and small enterprises, which are most at risk as a result of the COVID-19 pandemic.

The COVID-19 pandemic has had a material adverse impact on the Peruvian economy, resulting in a decrease of 11.1% in Peru's GDP during 2020, according to the World Bank. In addition, social distancing and stay-at-home quarantine measures imposed to minimize pressure on the healthcare system and contain social costs are adversely affecting the dynamism of

various productive sectors of the Peruvian economy. Reduced activity in these economic sectors has resulted in reduced employment and less income for families and companies. In addition, the COVID-19 pandemic has generated a negative effect on supply and demand, which amplifies its negative impact on the economy.

The Peruvian government has implemented the COVID-19 vaccination program to protect its population against COVID-19. Despite the availability of vaccines, the COVID-19 pandemic may not be fully contained for the foreseeable future and certain regions may be subject to an increase in the number of people infected and deaths. A prolonged health crisis could continue to reduce economic activity in Peru, resulting in a further decline in employment, as well as in confidence among businesses and consumers. Additionally, the post-COVID-19 environment may result in unexpected developments or changes in financial markets, the fiscal, tax and regulatory environments, which potentially could have a negative impact on our borrowers' behavior.

As of the date of this offering memorandum, there remains significant uncertainty regarding the duration of disruptions deriving from the ongoing COVID-19 pandemic. We cannot predict whether and to what extent new laws and regulations or changes to existing laws and regulations will be adopted in response to the COVID-19 pandemic, and what effect such events may have on our business, financial condition and results of operations.

A significant depreciation or devaluation of the sol or volatility in exchange rates could materially and adversely affect our business, financial condition and results or operations.

A significant depreciation or devaluation of the *sol* could have a material adverse effect on our financial condition and results of operations, and could adversely and materially affect our ability to make payments on the notes, or on our other indebtedness. Approximately 22.99% of loans in the Peruvian banking system are denominated in U.S. dollars as of December 31, 2021, according to data from the SBS. As a result, depreciation or devaluation of the *sol* against the U.S. dollar could have a negative impact on the ability of borrowers to repay loans, which could adversely affect the financial system as a whole. Volatility in exchange rates may also result in significant competitive benefits to certain of our competitors who incur a greater part of their costs in other currencies than we do or increase our hedging costs and limit our ability to hedge our exchange rate exposure. Any significant devaluation or depreciation of the *sol* against the U.S. dollar and Euro could have a material adverse effect on our results of operations and financial condition and could adversely and materially affect our ability to make payments on our indebtedness, including the notes, by, among others, increasing in *soles* terms the amount of our foreign currency-denominated liabilities.

Increased rates of inflation in Peru could have an adverse effect on the Peruvian long-term credit market as well as the Peruvian economy generally and, therefore, on our business, financial condition and results of operations.

Between 1980 and 1995, Peru has suffered through periods of high and hyperinflation, which has materially undermined the Peruvian economy and the government's ability to create conditions that support economic growth. During 2021, Peru's inflation levels increased to

6.43%, higher than the estimates of the Peruvian Central Bank, which were between 1% and 3%, mainly as a result of the increase in food and energy prices, as well as a depreciation of the *soles*.

In response to increased rates of inflation, the Peruvian Central Bank, which sets the Peruvian basic interest rate, may increase or decrease the basic interest rate in an attempt to control inflation or foster economic growth. Increases in the base interest rate could adversely affect the demand for credit and, consequently, our results of operations, increasing the cost of certain funding. Additionally, a return to a high inflation environment would undermine Peru's foreign competitiveness, with negative effects on the level of economic activity and employment, while increasing our operating costs and adversely impacting our operating margins.

The re-implementation by the Peruvian government of restrictive exchange rate policies and other laws could have an adverse effect on our business, financial condition and results of operations.

Since 1991, the Peruvian economy has experienced a significant transformation from a highly protected and regulated system to a free market economy. Since the early 1990s, protectionist and interventionist laws and policies have been gradually dismantled to create a liberal economy dominated by market forces. In 1991, the Peruvian government eliminated all foreign exchange controls and unified the exchange rate. Currently, foreign exchange rates are determined by market conditions, with regular operations by the Peruvian Central Bank in the foreign exchange market in order to reduce volatility in the value of Peru's currency against the U.S. dollar.

We cannot assure you that the Peruvian government will not institute restrictive exchange rate policies in the future. Any such restrictive exchange rate policy could have a material adverse effect on our business, financial condition and results of operations and adversely affect our ability to repay debt or other obligations and therefore restrict our access to international financing.

In addition, if the Peruvian government were to institute restrictive exchange rate policies in the future, we might be obligated to seek an authorization from the Peruvian government to make payments on the notes. We cannot assure you that such an authorization would be obtained. Any such exchange rate restrictions or the failure to obtain such an authorization could materially and adversely affect our ability to make payments under the notes.

The stability of the Peruvian financial system depends on public confidence in Peruvian banking and financial institutions and a duly empowered banking systems regulator.

Financial institutions, including the intermediary financial institutions that use our lines of credit to extend loans to our final borrowers, depend on public confidence in the Peruvian financial system. In the event of adverse developments affecting Peru's economic, political or social conditions or if a bank faces liquidity problems, the general public may withdraw deposits and savings from the troubled bank or from banks generally, thereby precipitating a liquidity crisis, as occurred in Peru in the late 1990s.

If depositors withdraw significant holdings from banks generally, including the institutions with whom we operate, there could be a substantial adverse impact on the manner in

which financial institutions, including the intermediary financial institutions that place our loans, conduct their business, on their ability to operate, including their ability to continue operating under our lines of credit, and on their financial condition. Moreover, if the number of intermediary financial institutions decreases, or if such intermediary financial institutions default on our loans, our business could be adversely affected. In addition, we may have to assume substantial loan portfolios with distressed assets, thereby adversely affecting our business, financial condition and results of operations.

The Peruvian economy could be adversely affected by economic, social and political developments in regional or global markets.

Financial and securities markets in Peru are influenced, to varying degrees, by economic and market conditions in regional or global markets. Although economic conditions vary from country to country, investors' perceptions of the events occurring in one country may adversely affect cash flows and securities from issuers in other countries, including Peru. For example, the Peruvian economy was adversely affected by the political and economic events that occurred in several emerging economies in the 1990s, including in Mexico in 1994, which impacted the market value of securities issued by companies from markets throughout Latin America. Similar adverse consequences resulted from the crisis in the Asian markets beginning in 1997, the economic crisis in Russia in 1998, the Brazilian devaluation in 1999 and the Argentine crisis in 2001. In addition, the economy of Peru continues to be affected by events in the economies of their major regional partners and in developed economies that are trading partners of Peru or that affect the global economy.

During the 2008-2009 global economic and financial crisis, global conditions led to a slowdown in economic growth in Peru, slowing GDP growth in 2009 to 0.9%. In particular, the Peruvian economy suffered the effects of lower commodity prices in the international markets, a decrease in export volumes, a decrease in foreign direct investment inflows and, as a result, a decline in foreign reserves. Currently, the United States and other countries are suffering from increasing inflation, which may result in an increase of inflation in Peru.

Adverse developments in regional or global markets or an increase in the perceived risks associated with investing in emerging markets in the future could adversely affect the Peruvian economy and, as a result, adversely affect our business, financial condition and results of operations.

We are currently operating in a period of economic uncertainty and capital markets disruption, which has been significantly impacted by geopolitical instability due to the ongoing military conflict between Russia and Ukraine.

Our business, financial condition and results of operations may be materially adversely affected by any negative impact on the global economy and capital markets resulting from the conflict in Ukraine or any other geopolitical tensions. Global markets are experiencing volatility and disruption following the escalation of geopolitical tensions and the start of the military conflict between Russia and Ukraine. On February 24, 2022, a full-scale military invasion of Ukraine by Russian troops was reported. Although the length and impact of the ongoing military conflict is highly unpredictable, the conflict in Ukraine could lead to market disruptions,

including significant volatility in commodity prices (in particular oil and gas), credit and capital markets, increase in our energy and other input costs, and supply chain interruptions for some of our and our customers' equipment and vehicles' components, including as a result of uncertainties with regard to Russia's production and export of oil and gas, aluminum and other materials. We are continuing to monitor the situation in Ukraine and globally and assessing its potential impact on our business.

Additionally, Russia's prior annexation of Crimea, recent recognition of two separatist republics in the Donetsk and Luhansk regions of Ukraine and subsequent military interventions in Ukraine have led to sanctions and other penalties being levied by the United States, European Union and other countries against Russia, Belarus, the Crimea Region of Ukraine, the so-called Donetsk People's Republic, and the so-called Luhansk People's Republic, including agreement to remove certain Russian financial institutions from the Society for Worldwide Interbank Financial Telecommunication payment system. Additional potential sanctions and penalties have also been proposed and/or threatened. Russian military actions and the resulting sanctions could adversely affect the global economy and financial markets and lead to instability and lack of liquidity in capital markets, potentially making it more difficult for us to obtain additional funds. Specifically, the ongoing conflict between Russia and Ukraine, the sanctions and restrictive actions imposed against Russia, and the resulting market volatility, could adversely affect the Peruvian economy and could lead to a decrease in demand for individual and corporate borrowing, a decrease in demand for financial services, and an increase in past due or delinquent loans, which may, in turn, materially and adversely affect our business, financial condition and results of operation.

Any of the abovementioned factors could affect our business, prospects, financial condition, and operating results. The extent and duration of the military action, sanctions and resulting market disruptions are impossible to predict, but could be substantial. Any such disruptions may also magnify the impact of other risks described in this prospectus.

Market volatility generated by distortions in the international financial markets may affect the Peruvian capital markets.

The global financial and economic crisis of 2008 and 2009 adversely affected and increased the volatility of the performance of the Lima Stock Exchange (*Bolsa de Valores de Lima*). In recent years, the Lima Stock Exchange has experienced increased participation from local and international retail investors that react rapidly to the effects from international markets. The General Index of the Lima Stock Exchange decreased by 3.1% in 2018, increased by 6.1% in 2019, increased by 1.44% in 2020, and further increased by 1.39% in 2021. Additionally, the Lima Stock Exchange has been downgraded from an "emerging market" to "frontier market" in March 2021, which may affect trading activity in the Peruvian capital markets. Accordingly, volatility in the international markets may further adversely affect the Peruvian capital markets and could therefore impact our ability to raise funds from local capital markets at a level necessary to fund our operations.

Incidences of public corruption, among other factors, may hinder the growth of the Peruvian economy, and ongoing high-profile corruption investigations in Peru may affect the perception of Peru and its economy.

Peruvian authorities are currently conducting several high-profile corruption investigations relating to the activities of certain companies in the construction and infrastructure sectors, which have resulted in the suspension or delay of important infrastructure projects which were otherwise operational and permitted. The overall delay relating to such projects has resulted in a drop in GDP growth and overall infrastructure investment. Additional investigations and/or corruption scandals may arise. Corruption and corruption investigations, among other factors, could directly affect the Peruvian government and divert resources that would otherwise be focused on developing the economy. We cannot predict how these or future corruption scandals or investigations may affect the Peruvian economy, hinder the growth of the Peruvian economy and indirectly have a material adverse effect on our business, financial condition and results of operations.

Extreme weather conditions and natural disasters could adversely affect Peru and its financial condition.

Peru is located in an area that experiences seismic activity and occasionally is affected by earthquakes. In particular, Peru's central coast is occasionally affected by an atmospheric phenomenon known as *El Niño*, which has in the past resulted in, and has the potential to cause, extensive physical and economic damage. In early 2017, *El Niño* adversely affected agricultural production, transportation services, tourism and commercial activity, caused widespread damage to infrastructure and displaced people and resulted in a 1.5% drop in GDP growth in 2017 relative to 2016 figures. The Peruvian government estimated that *El Niño* caused US$2.8 billion in damages in affected regions in the first half of 2017.

In 2007, an earthquake with a magnitude of 7.9 on the Richter scale struck the central coast of Peru, severely damaging the region south of Lima. In May 2019, an earthquake of 8.0 magnitude struck a remote part of the Amazon in Peru, resulting in collapsed buildings, certain power failures and two reported deaths. Although our headquarters and financial stores in Peru have not been materially affected by earthquakes, a major earthquake could damage the infrastructure necessary to our operations.

The occurrence of meteorological catastrophes and natural disasters could adversely affect our results of operations and financial condition. In addition, we may be subject to further requirements from the SBS in order to provide temporary measures for the victims of the natural disasters, such as re-scheduling their credit payments. A catastrophe or other extreme weather event may also result in disruption to the local economy, and may cause labor, fuel and other resource shortages, any or all of which could have a material adverse effect on Peru's economy.

Risks Relating to Our Business and to the Peruvian Banking Industry

The banking sector is exposed to macroeconomic changes that may be negatively affected by the recent global economic and financial context.

Our business and earnings will be affected by general business and economic conditions, and accordingly, our business and earnings could be further harmed if the recent uncertain global context persists. Our business is particularly sensitive to economic and market conditions that affect our target borrowers, the construction sector, and the real estate sector.

Although there is limited basis on which to evaluate how our business and earnings will perform in the event of an economic crisis, such as a recession or a significant devaluation of the *sol*, and our historical loan loss experience may not be indicative of the performance of our loan portfolio in the future, periods of economic contraction could adversely affect our final borrowers by limiting their access to jobs, which could result in higher delinquencies and reduce the number of borrowers eligible for our loans. An increase in delinquencies, for instance, could result in higher costs to us in order to place loans throughout intermediary financial institutions, in addition to a deterioration of our risk profile, which could adversely affect our business, financial condition and results of operations, including our ability to repay the notes. Any increase in the number of delinquencies or defaults would result in higher levels of nonperforming assets and provisions for loan losses, which could adversely affect our results of operations and financial condition.

The COVID-19 pandemic, or an outbreak of another highly infectious or contagious disease, could adversely affect our business, financial condition and results of operations.

Our business is dependent upon the willingness and ability of the intermediary financial institutions with which we operate and our final borrowers to conduct banking and other financial transactions. The spread of a highly infectious or contagious disease, such as COVID-19, could cause severe disruptions and volatility in the financial markets globally, which could in turn disrupt the business, activities, and operations of the intermediary financial institutions with which we operate and our final borrowers, as well as our business and operations. In order to contain the spread of COVID-19 in Peru, the Peruvian government announced and implemented several measures such as declaring a state of emergency and ordering mandatory lockdowns and the closure of Peru's borders, which have caused us to modify our business activities, including limiting travel, temporarily closing offices and implementing remote work capabilities. As a result, our business operations have been disrupted.

During 2020, the amount of loans that we originated decreased by 31.6% to 8,362 from 12,224 during 2019, mainly due to the restrictions imposed by the Peruvian government to all non-essential business activities during the period from mid-March to June 2020 as a result of the COVID-19 pandemic, which led to a national lockdown of notary offices and to our inability to enter into new loan agreements, which must be notarized. As of December 31, 2021, our default rate (which we calculate by dividing (a) the sum of (i) the balance of our accounts receivable (Trust Agreement – COFIDE) corresponding to Financiera TFC and COOPAC AELU en Liquidacion, plus (ii) the aggregate of the balance of our direct loan portfolio with final borrowers classified as "With potential problems," "Substandard," "Doubtful" and "Loss," plus

(iii) the balance of our accounts receivable from COOPAC Presta Perú and from customers of COOPAC Presta Perú, by (b) the sum of (i) the balance of our accounts receivable (Trust agreement – COFIDE), plus (ii) the balance of our direct loan portfolios, plus (iii) the balance of our accounts receivable from COOPAC Presta Perú and from customers of COOPAC Presta Perú) was 3.67%, which represents a decrease of 0.51% compared to our default rate as of December 31, 2020, which was 4.18%, and a decrease of 0.19% compared to our default rate as of December 31, 2019, which was 4.37%. Additional changes in existing regulations or implementation of future regulations in response to the spread of COVID-19 may further restrict our existing operations, limit the expansion of our business and require extensive system and operating changes that may be difficult or costly for us to implement. Furthermore, continued spread of COVID-19 or an outbreak of another contagious disease and additional government restrictions in response to such outbreaks could also negatively impact the business and operations of third-party providers who perform critical services for our business.

In addition, the effect of COVID-19 or other global epidemics or pandemics may impact Peru's economy. As such, in addition to public health measures, the Peruvian government has also announced the adoption of other measures to generate monetary and fiscal stimulus and alleviate the financial stress on households and companies, such as extending the maturity dates and rescheduling the payments under their loans. As of December 31, 2020, the number of our rescheduled loans was 15,507, which represents an increase of 100% compared to 2019, a year in which none of our loans were rescheduled. As of December 31, 2021, the number of our rescheduled loans was 1,765, which represents a decrease of 88.62% compared to the number of our loans that were rescheduled in 2020. If such measures fail to achieve their intended results, our borrowers may be unable to meet existing payment or other obligations to us, which could materially and adversely affect our business, financial condition and results of operations.

We will continue to closely monitor and evaluate the nature and extent of the impact of COVID-19 on our business, liquidity, financial condition, results of operations and prospects. We may also take further actions that alter our business operations, as may be required by authorities, or that we determine are in the best interests of our employees and partners. These developments and changes could have an adverse impact on our results of operations and financial condition. To the extent that we are not able to adapt to the new business environment, we could experience loss of business and our results of operations and financial condition could materially suffer.

Interest rate changes could have a material adverse effect on our financial condition and results of operations.

Our financial condition and results of operations depend to a large extent on our financial margin. We charge the intermediary financial institutions that place our loans fixed interest annual rates under our products. As a result, changes in interest rates could influence not only the interest we receive on our current loans, but such changes could also adversely affect our ability to originate new loans. If we are not able to offset our cost of financing will increase in the interest rates we charge, our financial margin may be adversely affected. We cannot control or predict with certainty changes in interest rates since market interest rates are sensitive to many factors beyond our control, including the interest rate policies of the Peruvian Central Bank and the U.S. Federal Reserve. It is unclear whether interest rates on U.S. dollar or *soles* denominated

debt will rise in the future or whether increases in market interest rates in Peru could require us to increase the interest rates we charge to the intermediary financial institutions that place our loans. If we were unable to implement commensurate and timely increases in interest rates on loans they originate, our margins would decline. Most recently, as a result of the COVID-19 pandemic, the Peruvian Central Bank took several measures, such as reducing the reference interest rate by 100 basis points from 1.25% to 0.25% on April 9, 2020, although it subsequently raised the rate to 3.0% on January 6, 2022. Increases in the interest rate could adversely affect our results of operations, by impacting demand for credit, increasing the cost of certain funds and increasing the risk of default by affecting ultimate borrowers.

Mismatching in maturity or in recovery between our loan portfolio and our financings could materially and adversely affect our liquidity.

Our primary sources of funds are loans incurred from local banks, including Banco de la Nación, international Euro-denominated loans from the AFD and the KFW, as well as the issuance of notes in the domestic and international capital markets. A substantial portion of the loans we originate have are subject to long maturities up to 25 years. The difference in maturities between our sources of funds and the loans we originate could magnify the effect of any interest rate mismatch, as well as pose a liquidity risk if we were not able to obtain funding as our liabilities mature. While we seek to match the volumes and maturities of our liabilities against the loans we originate, we may not be successful in doing so.

In addition, while all the loans we originate are denominated in *soles*, a portion of our liabilities, in particular, the notes we issued in the international capital markets, are denominated in U.S. dollars. To extent we are not fully hedged against the currency volatility of our indebtedness denominated in foreign currency, a devaluation of the *sol* against the U.S. dollar may have an adverse effect on our financial condition, results of operations and cash flows in future periods by increasing in *soles* terms the amount of our U.S. dollar-denominated liabilities. Despite any devaluation of the *sol*, and absent any change in foreign exchange regulations, we would be required to continue to repay U.S. dollar-denominated liabilities.

We are subject to extensive supervision and regulation, and changes in the regulatory environment may adversely affect our financial condition and results of operations.

We are subject to extensive supervision and regulation by the SBS and the Peruvian Central Bank. Law No. 26702 (the "Peruvian Banking Law") grants the SBS authority to oversee and supervise banks, insurance companies and other financial institutions, including us. Under these laws, all banking operations in Peru require licensing by the SBS, and the SBS and the Peruvian Central Bank have general administrative responsibilities over banks and other financial institutions, including the authority to set loan loss provisions, limits on fees, regulatory capital requirements and other minimum capital adequacy and reserve requirements. In addition, financial institutions are required to provide the SBS, on a periodic basis, with information to evaluate such financial institutions' financial performance.

Changes in the supervision and regulation of financial institutions could adversely affect our results of operations and financial condition. For example, the SBS and the Peruvian Central Bank have in the past changed capital structure and reserve requirements, rules regarding

provisions for loan losses and legal lending limits applicable to Peruvian financial institutions. In addition, our business could be affected by, among other things, existing and proposed tax legislation, antitrust and competition policies, corporate governance initiatives, consumer protection laws, data use regulation and other governmental regulation and policies, and changes in the interpretation or enforcement of existing laws and rules that affect our borrowers' businesses and the financial markets.

As a result of the COVID-19 pandemic, the Peruvian Central Bank took several measures, such as reducing the reference interest rate by 100 basis points from 1.25% to 0.25% on April 9, 2020, although it subsequently raised the rate to 3.0% on January 6, 2022. The Peruvian Central Bank also approved a new liquidity instrument to provide funds to financial entities, consisting of repurchase operations using Peruvian government guaranteed loans as collateral, which could affect our results of operations.

We cannot predict whether and to what extent new laws and regulations, or changes to existing laws and regulations, affecting our business will be adopted in the future and what effect such events may have on our business, financial condition and results of operations.

Under certain circumstances, the SBS may intervene in our operations in order to prevent, control and reduce the effects of a failure, which may limit remedies otherwise available to our creditors and extend the duration of proceedings.

Under the Peruvian Banking Law, the SBS may intervene in our operations upon the occurrence of any of the following events:

- we suspend payment of our obligations or we are unable to pay our obligations as they come due;
- we breach any of our commitments to the SBS under a surveillance regime imposed by the SBS;
- our regulatory capital is less than 50% of the minimum regulatory capital required under the Peruvian Banking Law; and
- we experience a deficit or reduction of more than 50% of our regulatory capital during the preceding 12- month period.

If the SBS intervenes in our operations, the SBS would have the power to institute restrictions, such as limiting the decisions that could be taken by our sole shareholder, suspending our normal activities and segregating certain of our assets and liabilities for transfer to third parties. Furthermore, the SBS has the power under the Peruvian Banking Law to declare the wind-up or liquidation of any financial institution if an intervention extends longer than 45 days, which may be extended for another 45 days at the sole discretion of the SBS, and/or upon the occurrence of a wind- up or liquidation pursuant to the *Ley General de Sociedades* (Peruvian General Corporations Law).

Our historical rapid growth, which has posed operational challenges in the past, might not continue, which could adversely affect our business, financial condition and results of operations.

The balance of our loan portfolio (accounts receivable (Trust Agreement – COFIDE)) increased to S/8,822 million as of December 31, 2021 as compared to S/8,067 million as of December 31, 2020 and S/7,642 million as of December 31, 2019. Our growth requires us to respond to new challenges, including implementing high quality systems and hiring talented employees. We cannot assure you that we will be able to meet these challenges, which could negatively affect our credit quality and our capacity for further growth and, in turn, have a materially negative effect on our financial condition and results of operations. In addition, we may not be able to continue to grow strongly or at all in the future due to factors beyond our control, in particular considering the recent slowdown of the Peruvian economy, which could have a material adverse effect on our financial condition and results of operations.

Rapid loan growth and adverse economic conditions could have a material adverse impact on us by increasing our loan default rate.

Rapid loan growth may also reduce the ratio of past due loans to total loans until growth slows or the portfolio becomes more seasoned. The balance of our loan portfolio (accounts receivable (Trust Agreement – COFIDE)) increased to S/8,822 million as of December 31, 2021 as compared to S/8,067 million as of December 31, 2020 and S/7,642 million as of December 31, 2019. Our stock of provisions for loan losses increased to S/211 million as of December 31, 2021, which represents an increase of 7.15% and 33.25% as compared to December 31, 2020 and December 31, 2019, respectively. Notwithstanding the above, as of December 31, 2021, we have only experienced delays on amounts due by two intermediary financial institutions on our loans. We cannot offer any assurance that these delays, which may have a negative effect on our financial condition and results of operations, will not continue in the future.

Because many of our loans have long-term maturities, with the average term of our loans being 16 years, further increases in past due loans may develop as the loan portfolio becomes seasoned. This may result in increases in provisions for loan losses, charge-offs and an increase in our ratio of past due loans to total loans. Although we believe our provisions for loan losses are adequate as of the date hereof for all known losses in our loan portfolio, as the quality of our loan portfolio is largely dependent on domestic and international economic conditions, adverse economic conditions and future interventions by regulators or the deterioration of the credit quality of our intermediary financial institutions could have a material adverse impact on us by increasing our loan default rate and requiring us to make larger provisions for loan losses and to negotiate or refinance certain existing loans to distressed intermediary financial institutions or the final borrower.

Our provisions for loan losses may increase in the future if we decide to increase loan placements through microfinance lenders and as our portfolio of loans matures and becomes eligible for credit risk coverage.

The growth of our loan portfolio may lead to an increase in our provisioning levels particularly if we place a larger number of loans through microfinance entities, which have lower

risk classifications. In addition, we will have to increase our provision relating to credit risk coverage over time. At origination of a loan, the intermediary financial institution that originates the loan retains 100% of the risk of default, unless a mortgage has been duly registered on the underlying property with the Peruvian Registry of Real Property (*Registro de Propiedad Inmueble*). Upon registration of the mortgage, the loan becomes eligible for CRC under which we generally assume one third of the risk of loss on default of the loan. As our portfolio of loans matures, completion of construction of the underlying properties will result in a higher number of registration of mortgages. As this trend continues, our associated provisioning expense will increase over time. Any significant future increase in provisions for loan losses could have a material adverse effect on our business, financial condition and results of operations.

Our failure to effectively anticipate or adapt to emerging technologies or changes in borrower behavior could have a material adverse effect on our financial conditions and results of operations.

Our failure to effectively anticipate or adapt to emerging technologies or changes in borrower behavior could delay or prevent our access to new digital-based markets. Furthermore, the widespread adoption of new technologies, including payment systems, could require substantial expenditures to modify or adapt our existing products and services as we continue to grow our digital capabilities. As a result, our borrowers may choose to conduct business on alternative or emerging platforms. Such new technologies could negatively impact our investments in our premises, equipment and personnel, or if we do not properly anticipate trends, render our existing investments in our digital platform moot. If we fail to adapt to changes in technologies or changes in borrower behavior, it may have an adverse impact on our financial condition and results of operations.

We are susceptible to fraud, unauthorized transactions and operational errors.

We are susceptible to fraud or bad faith by employees or outsiders, unauthorized transactions by employees and other operational errors (including clerical or record keeping errors and errors resulting from faulty computer or telecommunications systems). Given our high volume of transactions, errors could be repeated or compounded before they are discovered and remedied. In addition, a number of transactions are not fully automated, which may further increase the risk that human error or employee tampering may result in losses that are difficult to detect quickly or at all.

While we maintain a system of internal controls designed to monitor and control operational risk aligned with the standard required by the SBS, there can be no assurance that our system of internal controls will be effective. Losses from the failure of our system of internal controls to discover and rectify such matters could have a material adverse effect on our business, financial condition and results of operations.

We are an instrumentality of the Peruvian government for the development of its objectives and we depend to a significant extent on support from the Peruvian

government, and any change in governmental policy could adversely affect our business, financial condition or results of operations.

We are an instrumentality of the Peruvian government for the execution of its loan policies and to promote economic and social development in Peru. Additionally, the members of our board of directors are appointed by the MEF through our sole shareholder, *Fondo Nacional de Financiamiento de la Actividad Empresarial del Estado* ("FONAFE"). As a result, we take into consideration the economic and social objectives of the Peruvian government in our strategic decisions, and are occasionally requested to perform certain functions on behalf of, or in cooperation with, the Peruvian government. We cannot assure you that our business decisions may involve diverting resources away from the most profitable areas of our lending and investing businesses and, thus, that our results of operations will not be negatively affected.

Additionally, the Peruvian government provides us with significant economic and institutional support to perform our operations, including through the capitalization of our net profit in any fiscal year which is required by our bylaws and by applicable law. If the Peruvian government discontinues its support to us or modifies its social and economic policies to focus on aspects of the economy that are unrelated to our operations, our business, financial condition or results of operations could be adversely affected.

The Peruvian government could in the future require us to make dividend payments to it, which would reduce the funds available for us to pay interest and principal on the notes.

Pursuant to Law No. 28579 and our bylaws, we are required to capitalize all of our annual net profit after complying with certain legal reserve requirements, which allows us to fund our operations and expand our lending capacity. However, we cannot assure you that in the future the Peruvian government will not modify the existing laws or our bylaws, or will require us to distribute dividends to the Peruvian government, thereby reducing the available funds to pay interest and principal on the notes.

Our loan portfolio with intermediary financial institutions poses unique risks not generally associated with other forms of lending.

The Peruvian Banking Law provides that in the event of any bankruptcy, intervention or extrajudicial liquidation of any intermediary financial institutions that place our loans, including as a result of the inability of our final borrowers to repay such loans, we will have a direct interest in such loans and the corresponding collateral. In addition, the resource channeling agreement (*convenio de canalización de recursos*) entered into by COFIDE and the intermediary financial institutions which place our loans contain a clause (Clause 13) pursuant to which, upon the occurrence of certain events, including the default or a poor economic performance of such intermediary financial institutions, we are entitled to assume, in our sole discretion, the assets and liabilities of a loan portfolio held by such financial institutions, or transfer such assets and liabilities from one financial institution to another. In 2020 and 2021, we invoked Clause 13 against Caja Municipal de Ahorro y Crédito de Sullana, Cooperativa de Ahorro y Crédito Quillacoop, Cooperativa de Ahorro y Crédito San Francisco, Cooperativa de Ahorro y Crédito Aelu, Caja Municipal de Ahorro y Crédito de Tacna, Caja Rural de Ahorro y Crédito Rural Prymera and Cooperativa de Ahorro y Crédito Santa María Magdalena, based on our analysis of

their economic condition. As of December 31, 2021, we continued to receive payments on these portfolios except for the portfolio of Cooperativa de Ahorro y Crédito Aelu, which is being liquidated by the SBS. We are in the process of transferring a portion of their loan portfolios to other financial institutions and expect to assume the remaining portion.

We cannot assure you that we will not be required to assume the loan portfolios from financially distressed intermediary financial institutions or that the financial institutions to which we may have to transfer our loan portfolios pursuant to the above referred Clause 13 will not default under our loans, which could result in high levels of past due loans and, in turn, materially negatively affect our financial condition and results of operations.

If the intermediary financial institutions through which we place our loans do not consider our mortgage products attractive or if they choose to place mortgage loans to our target borrowers without using funding from us, the growth of our mortgage loan portfolio may be limited.

The bulk of the growth in our loan portfolio has been driven primarily by our *Nuevo Crédito MiVivienda* product that we introduced in 2009. In prior periods, we experienced somewhat limited growth, in part as a result of the economic viability of our products. If our current mortgage products do not continue, or are unable, to garner wide acceptance or are not economically viable, we may not be able to achieve further growth or replicate historical returns in the future, which could adversely affect our business, financial condition and results of operations.

As a participant in the secondary mortgage market, we provide intermediate financing mainly to large financial institutions, as well as municipal and rural financial entities. These banks and financial institutions then are able to provide mortgage loans to individuals at fixed rates and with attractive maturities, focusing on lower- and middle-income working families. Increased access to international capital markets, as well as the recent development of the Peruvian capital markets may provide alternative funding opportunities for the intermediary financial institutions that place our loans, thereby reducing demand for our products. In addition, as we continue to prove the viability of our business model, other financial institutions may offer similar products and, as a result, we may face more intense competition from the traditional Peruvian banking system. Any such development could adversely affect our business, financial condition and results of operations.

Our ability to grow our loan portfolio may be limited by our sources of funding.

We are a Peruvian state-owned corporation that does not take deposits from the public. As a result, we can expand our business principally by incurring additional indebtedness, by capitalizing our annual net profit, through government grants and through direct capitalization by the Peruvian government. In addition, our access to funding depends on various factors, including public health crises and epidemics or pandemics (such as the ongoing COVID-19 pandemic), other conditions in global capital markets, and borrowers' perceptions of the risks of investing in Peru and emerging markets generally. If we are unable to obtain funding from our current sources or to develop new sources of funding on favorable terms, or if access to funding

is limited, we may not be able to implement our strategy, which could have a material adverse effect on our financial condition and results of operations.

We depend to a significant extent on support from the Peruvian government and any decision to withdraw or modify that support could materially and adversely affect us.

Principally because of our strong link to economic and social development policies, the Peruvian government provides us substantial support for our operations, including through the capitalization of our net profit in any fiscal year which is required by our bylaws and by applicable law. Over the past several years, government policies have emphasized the need to reduce the housing deficit that primarily affects the lower economic classes of the country. However, if the Peruvian government, either through policies of the current administration or of any future president, modifies its social and economic policies to focus on other aspects of the economy rather than the promotion of home ownership, our business, financial condition or results of operations could be adversely affected.

The value of our loan portfolio is linked to some extent to the value of the homes that underlie each loan originated under our lines of credit.

We determine the amount of our loans according to the purchase price of the homes that guarantee each loan. These homes are generally susceptible to a variety of risks, including the possibility of claims of title defects, the risk of total loss from unforeseen events such as fires, floods or seismic activities, and risks associated to the underlying debtor, such as the loss of employment. In addition, our loan portfolio is significantly concentrated in certain geographic regions such as Lima, which represents approximately 58% of our historical loan portfolio based on the total principal amount disbursed as of December 31, 2021. This concentration is due in large part to the fact that our program was initially only deployed in Lima. If a large proportion of homes in this area were to experience adversities, such as fires, floods or major seismic impacts, the value of the mortgages underlying our loans would be materially and adversely affected. Any such occurrence could have an adverse impact on our business, financial condition and results of operations.

We may be subject to disruptions in some of our information technology operations and other activities provided by third-party service providers, which may adversely affect us.

Our business operations depend on the efficient and uninterrupted service of our computer and communications hardware systems and applications, as well as our communication and networking devices. Our systems could be damaged or interrupted, including by fires, floods, power loss, telecommunications failure, sabotage, computer viruses, cyber-attacks, physical or electronic break-ins, acts of war, including the developing conflict between Russian and Ukraine, terrorists attacks and similar disruptions. Any of these events could cause system interruptions, delays and losses of critical data, and could prevent us from operating at optimal levels or at all. Any failure, interruption or breach in security of our information systems could result in failures or interruptions in our risk management, loan organization and other operations. If our information systems fail, even for a short period of time, we may be unable to serve some or all of our borrowers' needs on a timely basis. Likewise, a temporary shutdown of our information systems could result in additional costs for information retrieval and verification.

Furthermore, we may not have adequate insurance coverage or insurance limits to be compensated for losses from a major interruption.

In addition, if we experience a data security breach and confidential information is disclosed to or accessed by third parties, our borrowers could be adversely affected. The collection of information and processing of transactions require us to receive and store a large amount of personally identifiable data. This data is subject to legislation and regulation in various jurisdictions, including Peru, and we are subject to requirements to protect it. As a result, we may become exposed to potential liabilities with respect to such data, and may incur legal costs if our information security policies and procedures are not effective. Security breaches, lawsuits or adverse publicity relating to our methods of handling personal data could have a material adverse effect on our business, financial condition and results of operations due to the costs and negative market reaction relating to such developments.

Cyber-security events could negatively affect our reputation or results of operations and may result in litigation.

Information security risks have generally increased in recent years as a result of the proliferation of new technologies and the increased sophistication and activities of cyber-attacks as well as increased connections of equipment and systems to the Internet. Recently, data security breaches suffered by well-known companies and institutions have attracted a substantial amount of media attention prompting U.S. state and federal legislative proposals addressing data privacy and security. We depend on a variety of Internet-based data processing applications, communication, and information exchange platforms and networks as part of our operations and our digital strategy.

Recently, in the context of the COVID-19 pandemic, cyber-security risks have increased primarily due to the need to maintain our workforce working remotely. As a result, we have implemented additional cyber-security measures to prevent, detect, and respond to these enhanced cyber-security risks. These measures focus primarily on strengthening the security of the devices used by our employees working remotely, improving the authentication methods used on remote connections and increasing the frequency of our cyber-security awareness program. However, we cannot assure you that these measures will be successful in preventing attacks or that our systems are completely safe from cyber-attack vulnerability.

In the event of a cyber-attack, we could have our business operations disrupted, experience losses and incur additional costs, and could be subject to litigation and damage to our reputation. A cyber-attack could have a material adverse effect on our business, financial condition and results of operations

Furthermore, any changes in the nature of cyber threats might require us to adopt additional procedures for monitoring cybersecurity, which could require additional expenses and/or capital expenditures. Most recently, the escalation in conflict between Russia and Ukraine has been accompanied by cyber-attacks against the Ukrainian government and other countries in the region. It is possible that these attacks could have collateral effects on additional critical infrastructure and financial institutions globally, which could adversely affect our operations. It is difficult to assess the likelihood of such threat and any potential impact at this time.

We are dependent on key personnel.

Our development, operation and growth have depended significantly upon the efforts and experience of our board of directors, senior management and key personnel. Most of the members of our senior management have held management positions with other major financial institutions in Peru. Although we currently expect that our board of directors and other senior managers will continue in their positions, the loss of their services or our inability to attract and retain qualified personnel to replace them could have a material adverse effect on our financial condition and results of operations.

Our anti-money laundering and anti-terrorist financing measures might not prevent third parties from using us as a conduit for such activities and could damage our reputation or expose us to fines, sanctions or legal enforcement, which could have a material adverse effect on our business, financial condition and results of operations.

We believe that we are in compliance with applicable anti-money laundering and anti-terrorist financing laws and regulations and have adopted policies and procedures aimed at preventing money laundering and terrorist financing. We believe that our anti-money laundering policies and procedures are based upon, and are in compliance in all material respects with, the applicable provisions of Peruvian law. However, such measures, procedures and compliance may not be completely effective in preventing third parties from using us or our correspondent banks as a conduit for money laundering (including illegal cash operations) or terrorist financing without our knowledge. If we were to be associated with money laundering (including illegal cash operations) or terrorist financing, our reputation could suffer and/or we could become subject to fines, sanctions or legal enforcement (including being added to any "blacklists" that would prohibit certain parties from engaging in transactions with us), which could have an adverse effect on our business, financial condition and results of operations.

Supreme Decree No. 001-2022-TR, published on February 24, 2022, may adversely affect our business, financial condition and results of operations.

Supreme Decree No. 001-2022-TR published on February 24, 2022 establishes certain limitations for the use of outsourcing services by Peruvian companies. Under this regulation, which is effective as of August 22, 2022, if we use outsourcing services in connection with our business, we may have to assume the outsourced services as our own and, thus, incorporate the employees of any third-party contractor we operate with in our payroll. As a result, we may not be able to outsource services in the future, which could have an adverse impact on our business, financial condition and results of operations. We are currently evaluating the impact of Supreme Decree No. 001-2022-TR on us and cannot predict whether and to what

extent Supreme Decree No. 001-2022-TR, or changes to this regulation, may adversely affect our business, financial condition and results of operations.

We may be exposed to risks related to litigation and administrative proceedings that could materially and adversely affect our business and financial performance in the event of an unfavorable ruling.

Our business may expose us to litigation relating to regulatory, tax, labor and administrative proceedings, governmental investigations, tort claims and contract disputes, criminal prosecution, among other matters. Litigation is subject to inherent uncertainties, and unfavorable rulings may occur. In the context of these proceedings, we may not only be required to pay fines or money damages but also be subject to complementary sanctions or injunctions affecting our ability to continue our operations. Although we may establish provisions as we deem necessary, the amounts that we provision could vary significantly from any amounts we actually pay due to the inherent uncertainties in the estimation process. We cannot assure you that the legal, administrative and regulatory proceedings in which we are involved will not materially and adversely affect our ability to conduct our business in the manner that we expect or otherwise adversely affect.

Different disclosure and accounting principles that apply specifically to us may provide you with different or less information about us than you would expect under IFRS.

Securities disclosure requirements in Peru differ from those applicable in the United States. Accordingly, the information about us available to you may not be the same as the information available to security holders of a U.S. company. There may be less publicly available information about us than is regularly published about companies in the U.S. and certain other jurisdictions. We are not subject to the periodic reporting requirements of the Exchange Act and, therefore, we are not required to comply with the information disclosure requirements that it imposes. We prepare our annual financial statements and other financial information in accordance with applicable SBS GAAP. These principles differ in several significant respects from and IFRS. A discussion of some of the principal differences among SBS GAAP and IFRS as they relate to us is included in Annex A to this offering memorandum. See also "Presentation of Financial and Certain Other Information." We have not, however, quantified the effects of such differences and therefore cannot assure you that we have identified all of the differences that are material.

Risks Relating to the Notes

Our obligations under the notes will be subordinated to certain statutory liabilities in the event of insolvency.

The notes will be our senior unsecured obligations and will be effectively subordinated in the event of liquidation to labor claims, tax claims, all of our future secured indebtedness to the extent of the value of the assets securing such indebtedness and certain existing senior unsecured indebtedness incurred prior to the date of issuance of the notes, all of which are granted preferential treatment under Peruvian law. See "Regulatory—Intervention by the SBS and Liquidation."

Under the Peruvian Banking Law, future depositors, if any, would have priority of payment in the event of our liquidation over the holders of the notes. In addition, we are not restricted under the indenture governing the notes from incurring additional debt, including secured debt. The holders of any secured debt would have priority of payment in the event of our liquidation over holders of the notes to the extent of the collateral securing such debt. As of December 31, 2021, we had total indebtedness (which we define as the sum of borrowings and financial obligations plus securities and bonds outstanding) of S/6,413 million (US$1,608 million), all of which was unsecured indebtedness outstanding and all of which would rank pari passu with the notes in the event of FMV's liquidation pursuant to their respective terms and conditions.

The notes will constitute a new issue of securities for which there is no existing market, and we cannot assure you that you will be able to sell your notes in the future.

The notes will constitute a new issue of securities. There is no existing market for trading of the notes, and we cannot assure you that in the future a market for the notes will develop, or that you will be able to sell any notes you have purchased, or that any such notes may be sold for any particular price. Although we intend to apply to list the notes on the Euro MTF Market of the Luxembourg Stock Exchange, we cannot provide you with any assurances regarding the future development of a market for the notes, the ability of holders of the notes to sell their notes, or the price at which such holders may be able to sell their notes. If such market were to develop, the notes could trade at prices that may be higher or lower than the initial offering price depending on many factors, including prevailing interest rates, our results of operations and financial condition, political and economic developments in and affecting Peru and the markets for similar securities.

In addition, trading or resale of the notes (or beneficial interests therein) may be negatively affected by other factors described in this offering memorandum arising from this transaction or the market for securities of Peruvian issuers generally. As a result, we cannot assure you the level of liquidity of any trading market for the notes and you may be required to bear the financial risk of your investment in the notes indefinitely.

The notes are subject to transfer restrictions.

The notes have not been and will not be registered under the Securities Act or any U.S. state securities laws or the laws of any other jurisdiction. As a result, the notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Such exemptions include offers and sales that occur outside the United States in reliance on Regulation S under the Securities Act and in accordance with any applicable securities laws of any other jurisdiction and sales to qualified institutional buyers as defined under Rule 144A under the Securities Act. For a discussion of certain restrictions on resale and transfer, see "Plan of Distribution" and "Transfer Restrictions." Consequently, a holder of notes and an owner of beneficial interests in those notes must be able to bear the economic risk of their investment in the notes for the term of the notes

We may be unable to satisfy our note purchase obligations upon a change of control.

Upon the occurrence of a change of control, each holder of the notes may require us to purchase all or a portion of such holder's notes at a purchase price equal to 101% of the aggregate principal amount of such holder's notes, together with accrued and unpaid interest, if any, to the date of purchase. In such event, we may not have the financial resources sufficient to purchase all of the notes and our other indebtedness that might become payable upon the occurrence of a change of control.

We may choose to redeem the notes and you may be unable to reinvest the proceeds at the same or a higher rate of return.

We may redeem the notes, in whole or in part, at any time prior to March 12, 2027 at a redemption price, equal to the greater of (1) the sum of the present values of the remaining scheduled payments of principal and interest on the notes being redeemed discounted to the redemption date on a semi-annual basis at a certain Treasury Rate (as defined below), plus 30 basis points, *less* interest accrued to the date of redemption, and (2) 100% of the principal amount of the notes to be redeemed, *plus*, in either case, accrued and unpaid interest thereon to the redemption date. We may also redeem the notes, in whole or in part, at any time and from time to time on and after March 12, 2027 at a redemption price equal to 100% of principal amount of the notes being redeemed, plus accrued and unpaid interest thereon to the redemption date. Additionally, in the event of certain changes in tax laws, we will have the right to redeem the notes prior to their maturity at a price equal to 100% of their outstanding principal amount, plus accrued and unpaid interest and additional amounts, if any. See "Description of the Notes—Optional Redemption." We may choose to redeem the notes at times when prevailing interest rates may be relatively low. Accordingly, you may not be able to reinvest the redemption proceeds in a comparable security with an effective interest rate as high as that of the notes.

Holders of the notes may find it difficult to enforce civil liabilities against us.

We are organized under the laws of Peru. In addition, all of our assets are located outside of the United States. As a result, it may be difficult for holders of the notes to effect service of process within the United States or to enforce judgments against us, including in any action based on civil liabilities under the U.S. federal securities laws. There is uncertainty as to the enforceability against us in Peru, whether in original actions or in actions to enforce judgments of U.S. courts, of liabilities based solely on the U.S. federal securities laws.

In addition, your rights under the notes will be subject to the insolvency and administrative laws of Peru and we cannot assure you that you will be able to effectively enforce your rights in such bankruptcy, insolvency or similar proceedings. The bankruptcy, liquidation, insolvency, administrative and other laws of Peru may be materially different from, or in conflict with, each other, including in the areas of rights of creditors, priority of government entities and other third-party and related-party creditors, treatment of intercompany debt, and ability to obtain post-bankruptcy filing loans or to pay interest and the duration of proceedings. The laws of these jurisdictions may not be as favorable to your interests as the laws of jurisdictions with which you are familiar. The application of these laws, or any conflict among them, could call into question

what and how Peruvian laws should apply. See "Enforceability of Civil Liabilities and Service of Process."

Our sole shareholder may exercise control in a manner that differs from your interests as noteholder.

We are controlled by the Peruvian government through FONAFE, which, as of the date of this offering memorandum, holds 100% of our outstanding voting shares. Our sole shareholder may exercise its control in a manner that differs from your interests as a noteholder. In addition, since a variety of decisions related to our business needs to be confirmed with our sole shareholder, we may experience delays in making certain business decisions as a result of our corporate structure.

Our loan portfolio is held in a trust administered by COFIDE and noteholders may not have a direct claim over such assets in the event of our bankruptcy.

Substantially all of our loans are placed through the COFIDE trust to intermediary financial institutions. The related cash flows generated from these loan assets are administered through a trust structure, whereby COFIDE acts as the trustee. Under Peruvian law, assets held in trust, such as our loans, are considered to be bankruptcy remote. As a result, in the event of a bankruptcy proceeding involving us, our creditors, including holders of the notes offered hereby, will not have a direct claim to the assets held by the COFIDE trust. The funds available in the COFIDE trust will be used to amortize outstanding debts of the trust, first principal and then interest.

The perception of higher risk in other countries, especially in emerging economies, may adversely affect the Peruvian economy, our business and the market price of Peruvian securities issued by Peruvian issuers, including the notes.

The market price of the notes may be adversely affected by developments in the international financial markets and economic and market conditions in other countries, especially those in Latin America and other emerging markets. Emerging markets like Peru are subject to greater risks than more developed markets, and financial turmoil in any emerging market could disrupt business in Peru and adversely affect the price of the notes. Moreover, financial turmoil in any emerging market country may adversely affect prices in stock markets and prices for debt securities of issuers in other emerging market countries as investors move their money to more stable, developed markets. An increase in the perceived risks associated with investing in emerging markets could dampen capital flows to Peru and adversely affect the Peruvian economy in general, and the interest of investors in the notes, in particular in Peru. We cannot assure you that the market for the securities of Peruvian issuers will not be affected negatively by events elsewhere or that such developments will not have a negative impact on the market value of the notes.

We cannot assure you that the credit ratings for the notes will not be lowered, suspended or withdrawn by the rating agencies.

The credit ratings of the notes may change after issuance. Such ratings are limited in scope, and do not address all material risks relating to an investment in the notes, but rather

reflect only the views of the rating agencies at the time the ratings are issued. An explanation of the significance of such ratings may be obtained from the rating agencies. We cannot assure you that such credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in the judgment of such rating agencies, circumstances so warrant. Any lowering, suspension or withdrawal of such ratings may have an adverse effect on the market price and marketability of the notes.

On March 18, 2022, S&P downgraded its long-term sovereign ratings on Peru's foreign currency to BBB from BBB+ and local currency to BBB+ from A-. These downgrades reflect the impact of the Peruvian shifting political environment on growth and sovereign debt composition. The outlook on the Peruvian sovereign ratings is stable. On March 21, 2022, S&P downgraded its ratings on seven financial institutions operating in Peru, including us. These downgrades reflect the impact of the sovereign credit quality on the ratings on these financial institutions and the weakening in Peru's capacity to provide financial support to these entities. The outlook on these financial institutions, including us, is stable.

Negative developments in our business, results of operations and financial condition or other factors could cause the ratings agencies to lower the credit ratings, or ratings outlook, of our short- and long-term debt and, consequently, impair our ability to raise new financing or refinance our current borrowings and increase our costs of issuing any new debt instruments. Any of these factors could adversely affect our business.

There can be no assurance that we will make disbursements for projects with the specific characteristics described in the "Use of Proceeds" section in an amount equal to the proceeds from the sale of the notes.

We intend to allocate an amount equal to the net proceeds from the sale of the notes offering to the investment in, or financing of existing or new Eligible Projects. See "Use of Proceeds." However, we will retain broad discretion over the use or allocation of the net proceeds of the notes.

There can be no assurance that funds in an amount equal to the net proceeds will be totally or partially allocated to Eligible Projects or that any such Eligible Projects will be implemented in any specific manner or in accordance with a specific timetable or at all. No assurance can be given that any projects funded with the proceeds from the notes will meet investor expectations regarding green or social performance, nor can there be any assurance that any Eligible Project will lead to the results or outcomes originally declared or expected. Adverse social or environmental impacts may occur during the design, construction, commissioning and/or operation of any Eligible Projects.

Further, the trading price of the notes may be negatively impacted by any failure by us to allocate the net proceeds from the notes to Eligible Projects, take the other actions as described under "Use of Proceeds" or to otherwise meet or continue to meet the investment requirements of certain environmentally or socially focused investors with respect to the notes. The indenture pursuant to which the notes will be issued does not include covenants or agreements requiring us to allocate an amount equivalent to the net proceeds from the sale of the notes to Eligible Projects or to satisfy the reporting and other undertakings described under "Use of Proceeds—

Reporting." As a result, it will not be an event of default under the indenture or the notes if we fail to allocate an amount equivalent to the net proceeds from the sale of the notes to Eligible Projects or to satisfy the reporting and other undertakings as described under "Use of Proceeds" and holders of the notes will have no remedies under the indenture for any such failure.

Prospective investors should carefully review the information set out in this offering memorandum regarding such use of the net proceeds and must determine for themselves the relevance of such information for the purpose of any investment in the notes together with any other investigation such investor deems necessary. None of the initial purchasers for this offering or the trustee are responsible for assessing or verifying whether or not the projects to which we allocate the proceeds from the notes meet the criteria described under "Use of Proceeds" or for the monitoring of the use of proceeds or assessing or verifying whether or not the Eligible Projects meet the sustainability criteria of any investor.

There is no legal, regulatory or market definition of, or standardized criteria for, what constitutes a "green," "social," "sustainable" or other equivalently labeled project, and any such designations made by third parties with respect to the notes may not be suitable for the investment criteria of an investor.

There is currently no market consensus or clear definition (legal, regulatory or otherwise) of what precise attributes are required for a particular project or series of notes to be defined as "green," "social" or "sustainable." Accordingly, no assurance can be given to investors that any Eligible Projects selected to receive an allocation of funds from the net proceeds of the notes will meet any or all investor expectations regarding such "green," "social," "sustainable" or other equivalently-labeled performance objectives, or that adverse social or environmental impacts will not occur during the design, construction, commissioning and/or operation of any Eligible Projects funded by the proceeds from the notes, that the Eligible Projects will be capable of being implemented in accordance with any timing schedule or that the Eligible Projects will not be subject to controversy or to criticism by activist groups or other stakeholders.

Further, the Eligible Projects to which we allocate the net proceeds from the offering have complex direct or indirect environmental, social or sustainability impacts and such Eligible Projects may become controversial or criticized by environmentally or socially focused investors or other stakeholders.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by us) in connection with the issuance of the notes. For the avoidance of doubt, no such opinion or certification is, nor should it be deemed to be, incorporated into this offering memorandum. No such opinion or certification is, nor should it be deemed to be, a recommendation by us, any initial purchaser or any other person to buy, sell or hold the notes. Any such opinion or certification is only current as of the date that opinion or certification was initially issued, and any such opinion or certification may not reflect the potential impact of all risks related to the Eligible Projects and other factors that may affect the value of the notes. Prospective investors must determine for themselves the relevance of any such opinion or certification or the information contained therein for the purpose of any investment in the notes. To our knowledge, the providers of such opinions and certifications are not currently subject to any specific

regulatory or other regime or oversight. Any withdrawal of any such opinion or certification or any additional opinion or certification attesting that we are not complying in whole or in part with any matters for which such opinion or certification is opining or certifying may have a material adverse effect on the value of the notes and/or result in adverse consequences for certain investors with mandates to invest in securities to be used for a particular purpose.

The trading price of notes may be negatively affected to the extent that perception by investors of the suitability of the notes as "sustainable" bonds deteriorates or demand for sustainability-themed investment products diminishes.

Perception by investors of the suitability of the notes as "sustainable" bonds could be negatively affected by controversies involving the environmental, social or sustainability impact of our business or industry, evolving standards or market consensus as to what constitutes a "sustainable" bond or the desirability of investing in "sustainable" bonds or any opinion or certification as to the suitability of the notes as "sustainable" bonds no longer being in effect. The trading price of the notes may be also negatively affected to the extent demand for sustainability-themed investment products diminishes due to evolving investor preferences, increased regulatory or market scrutiny on funds and strategies dedicated to sustainability or environmental, social or governance themed investing or for other reasons.

USE OF PROCEEDS

The proceeds from the sale of the notes are estimated to be approximately US$596.53 million after deduction of certain expenses (but before deduction of the initial purchasers' discount fees and commissions payable to the initial purchasers).

We intend to use an amount equal to the net proceeds from this offering to fund existing or future investments in, or financings of, Eligible Green Projects or Eligible Social Projects (each as defined below) (collectively, the "Eligible Projects").

"Eligible Green Projects" are defined as financing investments and expenditures for the purchase, construction, renovation, or maintenance of certified sustainable housing units ("Sustainable Housing"). Sustainable Housing must be (i) located less than 55 kilometers from the center of a city with a population of more than 100,000 citizens in the Lima region, or less than 30 kilometers from the center of a city with a population of more than 50,000 citizens elsewhere in Peru, and (ii) be certified as Sustainable Housing by independent auditors according to our sustainability criteria. We classify Eligible Green Projects in the following three levels of sustainability:

- Level I+ is granted to projects involving water efficiency, light efficiency, bioclimatic design, waste management and on-site recycling, resource savings and natural gas and sustainable mobility equipment;

- Level II+ is granted to projects involving renewable energy generation and energy efficiency equipment, in addition to the equipment required for Level I+; and

- Level III+ is granted to projects involving gray water treatment, green roofs and urban sustainability equipment, in addition to the equipment required for Level II+.

"Eligible Social Projects" are investments and expenditures for the purchase, construction, renovation, or maintenance of housing units that meet the following requirements: (i) the value of housing unit is between S/61,200 (approximately US$16,540) to S/436,100 (approximately US$117,865); and (ii) the final borrower must not own or co-own another housing property located in Peru.

The target population for Eligible Social Projects includes individuals who are considered underserved in quality access to affordable housing, including first-time home owners in low- and moderate-income areas in Peru.

The examples of investments and expenditures within the the Eligible Project categories are for illustrative purposes only and neither we nor the initial purchasers provide any assurance that the net proceeds from the sale of the notes will be allocated to finance projects with these specific characteristics.

Furthermore, neither we nor the initial purchasers provide any assurances as to (i) whether the notes will meet the criteria and expectations of investors regarding environmental impact and sustainability performance, (ii) whether the net proceeds will be used for Eligible

Projects or (iii) the characteristics of the Eligible Projects, including their environmental, social and sustainability criteria.

Process of Project Evaluation and Selection

Key representatives from our Real Estate Projects Department ("REPD"), and our operations and finance departments will evaluate and select projects that meet the above listed criteria. Representatives from the REPD will verify that housing projects submitted by developers meet the required sustainability criteria to be certified as Eligible Projects. Afterwards, our operations department will account for the associated disbursements to eligible borrowers and representatives from our finance department will review and select the assets to which an amount equivalent to the proceeds from the sustainability financing will be allocated. All projects to be developed in accordance with our internal environmental and social risk policy framework.

The housing sustainable certification process is supervised by the REPD and consists of the following steps:

- developers file an application package with us containing the information requested by us;
- the REPD evaluates every file against our certification procedure criteria before forwarding the application package to an independent external verifier who provides the sustainability certification and will be selected by public auction conducted by FMV pursuant to the Peruvian regulations;
- once REPD has evaluated each application package, we send it to the external verifier for its evaluation;
- the external verifier receives and evaluates the application package and informs FMV about the status and any observations relating to the evaluation process;
- once the external verifier has evaluated and determined that the documentation is adequate, such documentation is sent to us including a green certification which contains a general description of the project and the corresponding level of sustainability;
- we send the certification documents to the developer to start promoting and selling sustainable housing units into the certified project; and
- we notify the certifications to financial institutions.

Management of Proceeds

So long as any notes for which the net proceeds are used to invest in, or finance, Eligible Projects remain outstanding, our internal records will show the amounts of the net proceeds which are allocated to the investment in, or finance of, Eligible Projects, as well as the amounts

of net proceeds pending allocation. Pending allocation, an amount equivalent to the net proceeds from any future sale of any such notes will be allocated and managed by our finance department according to our liquidity practices, which include investments in high quality financial instruments, and repayments or repurchases of our outstanding indebtedness.

Pending allocation to such Eligible Projects, we intend to use the net proceeds from this offering (i) to pay the consideration for the Tender Offer and accrued and unpaid interest on the Existing Notes validly tendered and accepted by us pursuant to the terms and conditions of the Tender Offer, (ii) to pay the expenses of this offering and the Tender Offer, and (iii) for general corporate purposes. See "Summary—Concurrent Tender Offer." This offering is not contingent on the consummation of the Tender Offer, although the consummation of the Tender Offer is contingent upon, among other things, the pricing of the issuance of the notes offered hereby for the financing necessary for the payment of the purchase price offered thereby and accrued interest to tendering holders of the Existing Notes, plus fees and expenses. There can be no assurance as to the amount of Existing Notes that will be tendered in the Tender Offer or that we will consummate the Tender Offer. Certain of the initial purchasers or their affiliates may be holders of the Existing Notes and, to the extent that we repurchase any such notes held by them in the Tender Offer, such initial purchasers or their affiliates will receive a portion of the proceeds of this offering. The initial purchasers are also acting as dealer managers with respect to the Tender Offer. See "Plan of Distribution—Other Relationships."

We expect to allocate all or substantially all of the proceeds from the sale of any such notes within two years from the date of the issuance of any such notes. Payment of principal and interest on any such notes will be made from our general funds and will not be directlty related to the performance of any Eligible Project. We will use reasonable efforts to substitute any material project that is no longer eligible as an Eligible Project as soon as practicable upon identifying an appropriate substitute Eligible Project.

Reporting

During the term for which any such notes are outstanding, we will provide information on the allocation of the net proceeds from the sale of any such notes, and will keep such information readily available on a designated website. Such information will be updated at least annually until the full allocation of the net proceeds and as necessary thereafter in the event of any material developments. Such information will include: (i) the amounts of net proceeds allocated to Eligible Projects, by category; (ii) the amounts of net proceeds which allocation is pending; (iii) the amounts of net procceds that have financed or refinanced; and (iv) any assertions by our management with respect to (i), (ii) and (iii) above.

Where feasible, we will adopt the guidance contained in The Harmonized Framework for Impact Reporting of June 2021. Performance of estimated impacts will not be tied to the pricing or other characteristics of the investments in, or financings of, Eligible Projects. Our impact reports will include, on a best efforts basis: (i) reporting on quantitative environmental impacts of our Eligible Projects; and (ii) case studies with additional information on highlighted projects.

External Review

Each allocation report will be accompanied by a report from an independent registered public accounting firm or other independent third party in respect of its examination of management's assertions.

EXCHANGE RATE INFORMATION

Peruvian law does not impose any restrictions on the ability of companies with operations in Peru to transfer foreign currencies from Peru to other countries, to convert s*oles* into any foreign currency or to convert any foreign currency into s*oles*. Companies may freely remit interest and principal payments abroad and investors may repatriate capital from liquidated investments. Peruvian law in the past imposed restrictions on the conversion of Peruvian currency and the transfer of funds abroad and we cannot assure you that Peruvian law will continue to permit such payments, transfers, conversions or remittances without restrictions.

The following table sets forth the high, low, average and period-end exchange rates for the periods indicated, expressed in s*oles* per U.S. dollar. Exchange rates are derived from the selling rate exchange rates reported by the SBS for s*oles* per U.S. dollar.

	***Soles* per U.S. dollar[(1)]**			
	High	**Low**	**Average[(2)]**	**Period-End**
Year ended December 31,				
2016	3.537	3.249	3.375	3.356
2017	3.392	3.231	3.261	3.241
2018	3.384	3.207	3.286	3.373
2019	3.404	3.283	3.337	3.314
2020	3.658	3.303	3.496	3.621
2021	4.134	3.596	3.881	3.987
Month ended:				
September 2021	4.134	4.082	4.108	4.134
October 2021	4.133	3.932	4.015	3.989
November 2021	4.062	4.000	4.020	4.062
December 2021	4.082	3.955	4.037	3.987
January 2022	3.991	3.827	3.889	3.843
February 2022	3.872	3.712	3.757	3.756
March 2022	3.787	3.693	3.739	3.698
April 2022 (through April 7)	3.714	3.630	3.679	3.710

(1) *Source:* SBS
(2) The average of buying rates per U.S. dollar on the last business day of each month during the applicable period.

On April 7, 2022, the exchange rate as reported by the SBS was S/3.710 per U.S. dollar.

CAPITALIZATION

The following table sets forth our total capitalization as of December 31, 2021 on an actual basis and on an as adjusted basis to give effect to this offering and the use of proceeds therefrom as described in "Use of Proceeds."

This table should be read in conjunction with "Use of Proceeds," "Selected Financial Information", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and related notes included in this offering memorandum.

	As of December 31, 2021			
	Actual		As Adjusted[1]	
	(US$ in thousands)[2]	(S/ in thousands)	(US$ in thousands) [2]	(S/ in thousands)
Total Indebtedness:[3]				
Borrowings and financial obligations	358,900	1,430,935	358,900	1,430,935
Securities and bonds outstanding	1,249,607	4,982,183	772,595	3,080,336
Notes offered hereby[4]	—	—	596,528	2,378,359
Total	**1,608,507**	**6,413,118**	**1,728,023**	**6,889,630**
Shareholder's equity	870,708	3,471,513	870,708	3,471,513
Total capitalization	**2,479,215**	**9,884,631**	**2,598,731**	**10,361,143**

(1) Reflects the repayment of S/1,901,874 thousand equivalent to US$477,012 thousand in Securities and bonds outstanding. See "Use of Proceeds—Management of Proceeds."

(2) For the reader's convenience, we have converted the original amounts in *soles* into U.S. dollars at the exchange rate of S/3.987 per US$1.00, which was the exchange rate published by the SBS on December 31, 2021. We make no representation that the *sol* or the U.S. dollar amounts referred to herein actually represent, could have been or could be converted into U.S. dollars or *soles*, as the case may be, at the rates indicated, at any particular rate or at all.

(3) In accordance with SBS GAAP, debt is recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, such financial liabilities are measured at amortized cost using the effective interest method.

(4) Corresponds to the proceeds from the sale of the notes, which are estimated to be approximately S/2,378,359 thousand equivalent to US$596,528 thousand after deduction of certain expenses (but before deduction of the initial purchasers' discount fees and commissions payable to the initial purchasers). See "Use of Proceeds."

There has been no material change in our total capitalization since December 31, 2021, other than the notes offered hereby, except for a financing agreement entered into with BBVA Perú on February 7, 2022 for a principal amount of US$50 million and a term of four months, which is not reflected in the table above.

SELECTED FINANCIAL INFORMATION

The following tables set forth certain of our financial information, and should be read in conjunction with our financial statements, including the notes thereto, prepared in accordance with SBS GAAP, which are included in the offering memorandum, as well as the information included in "Presentation of Financial and Certain Other Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." The results included below and elsewhere in this offering memorandum are not necessarily indicative of future performance.

The following selected financial data as of and for the years ended December 31, 2021, 2020 and 2019 is derived from our audited financial statements and related notes, which are included in this offering memorandum.

We prepare our annual financial statements and other financial information in accordance with SBS GAAP. See also "Presentation of Financial and Certain Other Information." Nevertheless, SBS GAAP continues to differ in several significant respects from IFRS. A discussion of some of the principal differences among SBS GAAP and IFRS as they relate to us is included in Annex A to this offering memorandum. However, we have not quantified the effects of such differences and therefore cannot assure you that we have identified all of the differences that are material.

	For the Year Ended December 31,			
	2021	2021	2020	2019
	(US$ in thousands)[1]	(S/ in thousands)		
INCOME STATEMENT DATA				
Interest income	129,754	517,330	489,071	526,897
Interest expenses	(76,011)	(303,056)	(286,906)	(307,416)
Gross financial margin	**53,743**	**214,274**	**202,165**	**219,481**
Allowance for direct loans, net of recoveries	348	1,388	(2,345)	2,032
Loss allowance for accounts receivable (Trust agreement - COFIDE), net of reversals	(3,484)	(13,889)	(38,405)	(8,554)
Net financial margin	**50,608**	**201,773**	**161,415**	**212,959**
Income from financial services	1,120	4,466	5,314	5,224
Financial services expenses	(679)	(2,707)	(2,280)	(2,569)
Finance margin net of income and expenses for financial services	**51,049**	**203,532**	**164,449**	**215,614**
Result from financial transactions	(21,575)	(86,018)	(82,501)	(76,480)
Operating margin	**29,474**	**117,514**	**81,948**	**139,134**
Administrative expenses	(12,876)	(51,337)	(40,497)	(49,941)
Depreciation of property, furniture and equipment	(40)	(160)	(210)	(239)
Amortization of intangible assets	(367)	(1,462)	(1,412)	(1,279)
Net operating margin	**16,191**	**64,555**	**39,829**	**87,675**
Valuation of assets and provisions:				
Recoveries (allowance) for other accounts receivable	3,667	14,619	(28,930)	(50,682)
Reversal of provision for credit risk hedging - sold portfolio, net	116	464	474	1,012
Provision for litigation and claims	(91)	(362)	(643)	(265)
Other provisions	(19)	(75)	(140)	(408)
Operating profit	**19,865**	**79,201**	**10,590**	**37,332**
Other income and expenses, net	(610)	(2,432)	4,639	6,541
Profit before tax	**19,255**	**76,769**	**15,229**	**43,873**

	For the Year Ended December 31,			
	2021	2021	2020	2019
	(US$ in thousands)[1]	(S/ in thousands)		
Income tax	(8,736)	(34,832)	(11,701)	(13,870)
Net profit	**10,518**	**41,937**	**3,528**	**30,003**

(1) For the reader's convenience, we have converted the original amounts in *soles* into U.S. dollars at the exchange rate of S/3.987 per US$1.00, which was the exchange rate published by the SBS on December 31, 2021. We make no representation that the *sol* or the U.S. dollar amounts referred to herein actually represent, could have been or could be converted into U.S. dollars or *soles*, as the case may be, at the rates indicated, at any particular rate or at all.

	As of December 31,			
	2021	2021	2020	2019
	(US$ in thousands)[1]	(S/ in thousands)		
STATEMENT OF FINANCIAL POSITION DATA				
Assets				
Cash and cash equivalents	296,402	1,181,754	1,273,223	1,479,013
Investments	64,727	258,068	285,002	242,943
Accounts receivable (Trust agreement - COFIDE), net	2,163,164	8,624,534	7,883,453	7,498,076
Loan portfolio, net	8,681	34,611	28,478	35,966
Other accounts receivable, net	8,464	33,744	110,566	147,981
Hedging derivatives	206,888	824,861	394,937	166,325
Property, furniture and equipment, net	156	620	775	915
Deferred income tax asset	2,806	11,186	71,636	78,764
Other assets, net	13,287	52,974	52,535	49,908
Total assets	**2,764,573**	**11,022,352**	**10,100,605**	**9,699,891**
Contingent risks and commitments	5,290	21,090	30,887	46,071
Liabilities				
Obligations to the public	54	217	205	223
Borrowings and financial obligations	358,900	1,430,935	944,611	635,192
Securities and bonds outstanding	1,249,607	4,982,183	4,736,106	4,284,038
Hedging derivatives	7,578	30,213	34,347	93,592
Accounts payable	269,890	1,076,050	1,060,719	1,372,876
Provisions and other liabilities	7,836	31,241	22,388	4,982
Total liabilities	**1,893,865**	**7,550,839**	**6,798,376**	**6,390,903**
Shareholder's equity				
Share capital	849,200	3,385,762	3,382,587	3,355,584
Reserves	7,635	30,440	30,087	27,087
Unrealized results	3,354	13,374	(113,973)	(103,686)
Retained earnings	10,518	41,937	3,528	30,003
Total shareholder's equity	**870,708**	**3,471,513**	**3,302,229**	**3,308,988**
Total liabilities and shareholder's equity	**2,764,573**	**11,022,352**	**10,100,605**	**9,699,891**
Contingent risks and commitments	5,290	21,090	30,887	46,071

(1) For the reader's convenience, we have converted the original amounts in *soles* into U.S. dollars at the exchange rate of S/3.987 per US$1.00, which was the exchange rate published by the SBS on December 31, 2021. We make no representation that the *sol* or the U.S. dollar amounts referred to herein actually represent, could have been or could be converted into U.S. dollars or *soles*, as the case may be, at the rates indicated, at any particular rate or at all.

	For the Year Ended December 31,			
	2021	2021	2020	2019
	(US$ in thousands)[1]	(S/ in thousands)		
Net cash flows used in operating activities	(27,711)	(110,485)	(252,818)	(285,760)
Net cash flows (used in) provided from investing activities	(667)	(2,660)	41,735	108,517
Net decrease in cash and cash equivalents before the effect of changes in exchange rate	(28,378)	(113,145)	(211,083)	(177,243)

	For the Year Ended December 31,			
	2021	2021	2020	2019
	(US$ in thousands)[1]	(S/ in thousands)		
Effect of exchange rate fluctuations on cash and cash equivalents held	5,437	21,676	5,293	(5,194)
Net decrease in cash and cash equivalents	**(22,942)**	**(91,469)**	**(205,790)**	**(182,437)**
Cash and cash equivalents at the beginning of the year	319,344	1,273,223	1,479,013	1,661,450
Cash and cash equivalents at the end of the year	**296,402**	**1,181,754**	**1,273,223**	**1,479,013**

(1) For the reader's convenience, we have converted the original amounts in *soles* into U.S. dollars at the exchange rate of S/3.987 per US$1.00, which was the exchange rate published by the SBS on December 31, 2021. We make no representation that the *sol* or the U.S. dollar amounts referred to herein actually represent, could have been or could be converted into U.S. dollars or *soles*, as the case may be, at the rates indicated, at any particular rate or at all.

SELECTED STATISTICAL INFORMATION

The following information relating to us is included for analytical purposes and should be read in conjunction with our financial statements appearing elsewhere in this offering memorandum as well as with the sections "Presentation of Financial Information and Certain Other Information", "Selected Financial Information", and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Interest Earning Assets and Interest Bearing Liabilities

The table below sets forth, by currency of denomination, our average balances and, where applicable, interest income on interest earning assets and interest expense on interest bearing liabilities for the years ended December 31, 2021, 2020 and 2019. Except as otherwise indicated, average balances, when used, have been classified by currency (*soles* or foreign currency), regardless of the domestic or international origin of the relevant balances. The average balance information for the full fiscal year has been calculated as the sum of month-end balances of any such year and the last-month end balance of the immediately preceding year divided by thirteen. Nominal average interest rates have been calculated by dividing interest recognized based on amortized cost on assets or on liabilities by the corresponding average balances on such assets or liabilities. In addition, accounts receivable (Trust Agreement – COFIDE) are presented before deducting the allowance for doubtful accounts.

	For the year ended December 31,					
	2021			2020		
	(S/ in thousands, except for percentages)			(S/ in thousands, except for percentages)		
	Average Balance	Interest Recognized [1]	Nominal Average Rate	Average Balance	Interest Recognized [1]	Nominal Average Rate
Interest-earning assets						
Cash and receivables from Banks[2]						
Soles	1,211,913	5,946	0.49%	1,693,237	19,912	1.18%
Foreign currency	10,067	31	0.31%	31,713	260	0.82%
Total	1,221,980	5,977	0.49%	1,724,950	20,172	1.17%
Investments[3]						
Soles	31,955	1,854	5.80%	31,946	1,873	5.86%
Foreign currency	224,035	9,870	4.41%	203,329	10,607	5.22%
Total	255,990	11,724	4.58%	235,275	12,479	5.30%
Loan Portfolio						
Soles	78,840	7,751	9.83%	68,517	4,426	6.46%
Foreign currency	157	27	17.36%	161	26	16.13%
Total	78,997	7,779	9.85%	68,678	4,452	6.48%
Accounts receivable (Trust Agreement-COFIDE)						
Soles	8,383,118	486,271	5.80%	7,757,020	443,248	5.71%
Foreign currency	68,865	3,449	5.01%	89,115	4,380	4.91%
Total	8,451,984	489,720	5.79%	7,846,136	447,628	5.71%
Accounts receivable CRC-PBP						
Soles	70,865	2,014	2.84%	101,831	4,257	4.18%
Foreign currency						
Total	70,865	2,014	2.84%	101,831	4,257	4.18%
Others Accounts receivable						
Soles	12,824	76	0.59%	12,871	87	0.68%
Foreign currency						
Total	12,824	76	0.59%	12,871	87	0.68%
Total interest-earning Assets						
Soles	9,789,516	503,912	5.15%	9,665,422	473,802	4.90%
Foreign currency	303,124	13,377	4.41%	324,318	15,272	4.71%
Total	10,092,640	517,289	5.13%	9,989,740	489,075	4.90%
Interest-bearing Liabilities						
Debts and Financial Obligations						
Soles	288,569	9,021	3.13%			
Foreign currency	913,552	9,868	1.08%	753,432	8,724	1.16%
Total	1,202,121	18,889	1.57%	753,432	8,724	1.16%
Securities and Bonds Outstanding						
Soles	2,334,770	150,844	6.46%	2,333,813	150,739	6.46%
Foreign currency	2,546,449	92,831	3.65%	2,287,404	83,646	3.66%
Total	4,881,219	243,675	4.99%	4,621,216	234,384	5.07%
Total interest-bearing Liabilities						
Soles	2,623,339	159,865	6.09%	2,333,813	150,739	6.46%
Foreign currency	3,460,000	102,699	2.97%	3,040,836	92,369	3.04%

	For the year ended December 31,					
	2021			2020		
	(S/ in thousands, except for percentages)			(S/ in thousands, except for percentages)		
	Average Balance	Interest Recognized [1]	Nominal Average Rate	Average Balance	Interest Recognized [1]	Nominal Average Rate
Total	6,083,340	262,564	4.32%	5,374,649	243,108	4.52%

(1) Corresponds to interest recognized based on amortized cost on assets or on liabilities.
(2) Consists of cash and cash equivalents and time deposits with original maturities of any length.
(3) Consists of investments and does not include time deposits with original maturities of any length.

Non-Interest-Earning Assets and Non-Interest-Bearing Liabilities

The following table sets forth, by currency of denomination, average balances for our non-interest-earning assets and non-interest-bearing liabilities and shareholder's equity for the years ended December 31, 2021, 2020 and 2019.

	For the year ended December 31,		
	2021 Average Balance	2020 Average Balance	2019 Average Balance
		(S/ in thousands)	
Non-interest earning assets			
Loss allowance for Accounts receivable (Trust agreement – COFIDE)			
Soles	(229,321)	(168,700)	(155,411)
Foreign currency	(2,055)	(2,180)	(2,912)
Total	(231,376)	(170,880)	(158,323)
Loss allowance for loans			
Soles	(49,798)	(36,751)	(35,318)
Foreign currency	(71)	(58)	(54)
Total	(49,868)	(36,809)	(35,371)
Hedging derivatives			
Soles	722,891	289,243	188,595
Foreign currency	456	68	730
Total	723,347	289,312	189,325
Other non-interest-earning assets			
Soles	92,270	119,516	129,523
Foreign currency	1,562	13,101	93,612
Total	93,832	132,617	223,135
Total non-interest-earning assets			
Soles	536,043	203,308	127,390
Foreign currency	(108)	10,931	91,377
Total	535,935	214,239	218,767
Non-interest-bearing liabilities and shareholder's equity			
Hedging derivatives			
Soles	21,100	42,012	53,518
Foreign currency	8,529	4,156	3,319
Total	29,629	46,168	56,837
Other liabilities			
Soles	1,114,537	1,463,054	1,389,855
Foreign currency	3,296	3,717	3,554
Total	1,117,833	1,466,771	1,393,409
Shareholder's equity			
Soles	3,396,643	3,315,523	3,328,197
Foreign currency	1,131	868	1,015
Total	3,397,774	3,316,391	3,329,212
Total non-interest-bearing liabilities and shareholder's equity			
Soles	4,532,280	4,820,589	4,771,570
Foreign currency	12,956	8,742	7,887
Total	4,545,235	4,829,331	4,779,458

Changes in Interest Income and Interest Expense

The following table sets forth, by currency of denomination, changes in our interest income and interest expense segregated for each major category of interest-earning assets and interest-bearing liabilities into amounts attributable to (a) changes in volume (change in volume times old rate), (b) changes in rates (change in rate times old volume), and (c) changes in rate/volume (change in rate times the change in volume) from December 31, 2021 compared to December 31, 2020, and from December 31, 2020 compared to December 31, 2019.

	December 31, 2021 compared to December 31, 2020 (S/ in thousands) Increase (Decrease) Due to Changes in:				December 31, 2020 compared to December 31, 2019 (S/ in thousands) Increase (Decrease) Due to Changes in:			
	Rate	Volume	Rate / Volume	Net Change	Rate	Volume	Rate / Volume	Net Change
Interest-earning assets								
Cash and receivables from Banks[1]								
Soles	(11,605)	(5,660)	3,299	(13,966)	(34,295)	3,805	(2,468)	(32,959)
Foreign currency	(162)	(177)	110	(229)	(1,466)	(1,719)	1,054	(2,131)
Total	(11,766)	(5,837)	3,409	(14,195)	(35,761)	2,085	(1,414)	(35,090)
Investments[2]								
Soles	(19)	1	—	(18)	368	(613)	(102)	(346)
Foreign currency	(1,649)	1,080	(168)	(737)	1,935	(4,215)	(605)	(2,884)
Total	(1,668)	1,081	(168)	(755)	2,304	(4,828)	(706)	(3,230)
Loan Portfolio								
Soles	2,310	667	348	3,325	(1,640)	(493)	126	(2,007)
Foreign currency	2	(1)	—	1	(3)	(2)	—	(5)
Total	2,312	666	348	3,326	(1,643)	(495)	126	(2,012)
Accounts receivable (Trust Agreement-COFIDE)								
Soles	6,705	35,776	541	43,023	(32,544)	39,962	(2,964)	4,454
Foreign currency	83	(995)	(19)	(931)	(233)	(1,389)	54	(1,567)
Total	6,789	34,781	522	42,092	(32,777)	38,573	(2,909)	2,887
Accounts receivable CRC-PBP								
Soles	(1,362)	(1,294)	414	(2,242)	(590)	283	(36)	(343)
Foreign currency	—	—	—	—	—	—	—	—
Total	(1,362)	(1,294)	414	(2,242)	(590)	283	(36)	(343)
Others Accounts receivable								
Soles	(11)	—	—	(11)	(24)	—	—	(24)
Foreign currency	—	—	—	—	—	—	—	—
Total	(11)	—	—	(11)	(24)	—	—	(24)
Total interest-earning Assets								
Soles	**(3,981)**	**29,489**	**4,602**	**30,110**	**(68,724)**	**42,943**	**(5,444)**	**(31,225)**
Foreign currency	**(1,726)**	**(93)**	**(77)**	**(1,895)**	**234**	**(7,325)**	**504**	**(6,587)**
Total	**(5,707)**	**29,396**	**4,526**	**28,215**	**(68,491)**	**35,618**	**(4,940)**	**(37,812)**
Interest-bearing liabilities								
Debts and Financial Obligations								
Soles	—	—	9,021	9,021	—	—	—	—
Foreign currency	(585)	1,854	(124)	1,144	(1,284)	3,446	(616)	1,545
Total	(585)	1,854	8,896	10,165	(1,284)	3,446	(616)	1,545
Securities and Bonds Outstanding								
Soles	43	62	—	105	(5,705)	22,964	(974)	16,285
Foreign currency	(258)	9,473	(29)	9,186	251	(3,314)	(10)	(3,073)
Total	(215)	9,535	(29)	9,291	(5,453)	19,650	(984)	13,213
Total interest-bearing liabilities								
Soles	**43**	**62**	**9,021**	**9,126**	**(5,705)**	**22,964**	**(974)**	**16,285**
Foreign currency	**(843)**	**11,327**	**(154)**	**10,330**	**(1,033)**	**132**	**(626)**	**(1,527)**
Total	**(800)**	**11,389**	**8,867**	**19,456**	**(6,738)**	**23,096**	**(1,600)**	**14,758**

(1) Consists of cash and cash equivalents and time deposits with original maturities of any length.
(2) Consists of investments and does not include time deposits with original maturities of any length.

Changes in Non-Interest-Earning Assets and Non-Interest-Bearing Liabilities

The following table sets forth, by currency of denomination, changes in average balances for our non-interest-earning assets and non-interest-bearing liabilities as of December 31, 2021 compared to December 31, 2020, and December 31, 2020 compared to December 31, 2019.

	December 31, 2021 compared to December 31, 2020 Changes in Average Balance	December 31, 2020 compared to December 31, 2019 Changes in Average Balance
	(S/ in thousands)	
Non-interest earning assets		
Loss allowance for accounts receivable (Trust Agreement – COFIDE)		
Soles	(60,621)	(13,289)
Foreign currency	125	732
Total	(60,495)	(12,558)
Loss allowance for loans		
Soles	(13,047)	(1,434)
Foreign currency	(13)	(4)
Total	(13,059)	(1,438)
Hedging derivatives		
Soles	433,648	100,648
Foreign currency	388	(662)
Total	434,036	99,986
Other non-interest-earning assets		
Soles	(27,246)	(10,007)
Foreign currency	(11,539)	(80,511)
Total	(38,785)	(90,518)
Total non-interest-earning assets		
Soles	**332,735**	**75,918**
Foreign currency	**(11,039)**	**(80,446)**
Total	**321,696**	**(4,528)**
Non-interest-bearing liabilities and shareholder's equity		
Hedging derivatives		
Soles	(20,912)	(11,506)
Foreign currency	4,373	837
Total	(16,539)	(10,669)
Other liabilities		
Soles	(348,517)	73,198
Foreign currency	(421)	164
Total	(348,939)	73,362
Shareholder's equity		
Soles	81,120	(12,674)
Foreign currency	263	(147)
Total	81,383	(12,821)
Total non-interest-bearing liabilities and shareholder's equity		
Soles	**(288,309)**	**49,018**
Foreign currency	**4,214**	**855**
Total	**(284,095)**	**49,873**

Interest-Earning-Assets: Net Interest Earnings and Net Yield on Interest-Earning Assets

The following table sets forth for each of the periods indicated, by currency of denomination, our levels of average interest-earning assets, net interest earnings and net yield on interest-earning assets.

	For the year ended December 31,		
	2021	2020	2019
	(S/ in thousands, except percentages)		
Average interest earning assets			
Soles	9,789,516	9,665,422	8,916,307
Foreign currency	303,124	324,318	525,096
Total	10,092,640	9,989,740	9,441,403
Net interest earnings [(1)]			
Soles	344,047	323,064	370,574
Foreign currency	(89,322)	(77,097)	(72,038)
Total	254,725	245,966	298,537
Net yield on interest-earning assets [(2)]			
Soles	3.51%	3.34%	4.16%
Foreign currency	(29.47%)	(23.77%)	(13.72%)
Total	2.52%	2.46%	3.16%

(1) We define net interest earnings as the difference between interest earned on interest-earning assets and interest paid on interest-bearing liabilities.

(2) Net yield on interest-earning assets is defined as net interest earnings divided by total interest-earning assets. See "Presentation of Financial and Certain Other Information—Non-SBS GAAP Financial Measures" for a definition of average interest-earning assets.

Investment Portfolio

The following table sets forth our available-for-sale and held-to-maturity investments by type as of the dates indicated and as a percent of our total investment portfolio. For more information regarding our investment portfolio, see note 6 to our audited financial statements included elsewhere in this offering memorandum.

	As of December 31,					
	2021		2020		2019	
	(S/ in thousands)	%	(S/ in thousands)	%	(S/ in thousands)	%
Available-for-sale investments						
Peruvian sovereign bonds	—	—	—	—	—	—
Corporate bonds	50,488	20	24,443	11	—	—
Negotiable deposit certificates	—	—	—	—	—	—
	50,488	**20**	**24,443**	**11**	—	—
Held-to-maturity investments						
Peruvian sovereign bonds	31,341	12	31,331	14	31,316	—
Corporate bonds	172,766	67	161,351	74	208,186	—
Negotiable deposit certificates	—	—	—	—	—	—
	204,107	**79**	**192,682**	**88**	**239,502**	**99**
Accrued interest	3,473	1.00	2,877	1	3,441	1
Total	**258,068**	**100.00**	**220,002**	**100.00**	**242,943**	**100.00**

The following table shows the book values, maturities and weighted average yields of debt instruments as of December 31, 2021. The weighted-average yield to maturity is calculated from the weighted yield of purchase of our investments at their market value assuming that such instruments will be paid at maturity on our investment portfolio.

	As of December 31, 2021									
	Not later than one year		Later than one year and not later than five years		Later than five years and not later than ten years		Later than ten years		Total	
	Amount (S/ million)	Yield	Amount (S/ million)	Yield	Amount (S/ million)	Yield	Amount (S/ million)	Yield	Amount (S/ million)	Yield
Peruvian sovereign bonds	-	-	10.6	4.1%	18.0	5.5%	3.7	5.2%	32.3	5.0%
Corporate bonds	27.0	2.7%	112.3	3.7%	86.6	6.4%	-	-	225.8	4.6%
Negotiable deposit certificates	-	-	-	-	-	-	-	-		-
Total	**27.0**	**2.7%**	**122.9**	**3.7%**	**104.5**	**6.2%**	**3.7**	**5.2%**	**258.1**	**4.7%**
Percentage of total	10.5%		47.6%		40.5%		1.4%		100%	

There are no investments in any individual issuers held in our investment portfolio which exceeded 10% of shareholder's equity in our statement of financial position as of December 31, 2021.

Accounts receivable from CRC-PBP trusts

The following table sets forth the composition of the two CRC-PBP Trusts (as defined below), one denominated in *soles* and the other in U.S. dollars (*soles* equivalent amounts) on the dates indicated. For more information regarding the trust funds, see "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	As of December 31,											
	2021				2020				2019			
	CRC-PBP *soles*	%	CRC-PBP U.S. Dollars[1]	%	CRC-PBP *soles*	%	CRC-PBP U.S. Dollars[2]	%	CRC-PBP *soles*	%	CRC-PBP U.S. Dollars[3]	%
	(S/ in thousands)		(S/ in thousands)		(S/ in thousands)		(S/ in thousands)		(S/ in thousands)		(S/ in thousands)	
Cash and receivables from banks	6,539	54.36	4,771	22.89	31,359	64.72	29,206	52.28	16,189	34.90	7,274	13.89
Available-for-sale investments	1,556	12.93	7,111	34.11	12,351	25.49	17,359	31.07	19,824	42.74	30,001	57.28
Held-to-maturity investments	3,935	32.71	8,965	43.00	4,742	9.78	9,303	16.65	10,374	22.36	15,084	28.80
Accounts receivable	—	—	—	—	5	0.01	—	—	—	—	18	0.03
Total	**12,030**	**100.00**	20,847	**100.00**	48,457	**100.00**	55,868	**100.00**	46,387	**100.00**	52,377	**100.00**

(1) U.S. dollar amounts were converted to *soles* using the rate of exchange of S/3.987 per US$1.00 as of December 31, 2021.
(2) U.S. dollar amounts were converted to *soles* using the rate of exchange of S/3.621 per US$1.00 as of December 31, 2020.
(3) U.S. dollar amounts were converted to *soles* using the rate of exchange of S/3.314 per US$1.00 as of December 31, 2019.

We have internal policies to undertake a quarterly review of the assets available in the CRC-PBP Trusts and report our recommendations and analysis to our Internal Risk Committee. The calculations to establish the required asset value in the trusts is based on the present value of the net cash flows generated by the trusts. Net cash flows is defined as the difference between commission income and the net payments made on the CRC and the former Good Payer Award (*Premio del Buen Pagador* or "PBP").

As of December 31, 2021, of the total assets in the CRC-PBP Trust in *soles*, 45.64% corresponds to the total investments portfolio at that date, which includes investments in sovereign bonds issued by Peru, corporate bonds, certificates of deposit and negotiable instruments. The weighted-average yield to maturity in the s*oles* trust was 7.56% as of December 31, 2021, 6.28% as of December 31, 2020 and 5.94% as of December 31, 2019. As of December 31, 2021, of the total assets in the CRC-PBP Trust in U.S. dollars, 77.11% corresponds to total investments. This portfolio consisted of assets in *soles* and U.S. dollars. The weighted average yield to maturity of the assets in *soles* was 7.03% as of December 31, 2021, 6.72% as of December 31, 2020 and 6.00% as of December 31, 2019 and the weighted average yield to maturity of the assets in U.S. dollars was 6.32% as of December 31, 2021, 6.32% as of December 31, 2020 and 5.79% as of December 31, 2019.

Accounts receivable (Trust Agreement – COFIDE)

The following table sets forth our accounts receivable from the intermediary financial institutions by product, including the products that we have discontinued, at the dates indicated.

	As of December 31,					
	2021		2020		2019	
	(S/)					
Nuevo Crédito MiVivienda	8,511,220,328	96.5%	7,754,135,277	96.1%	7,308,198,973	95.6%
Financiamiento Complementario Techo Propio[(1)]	205,635,194	2.3%	170,232,154	2.1%	154,722,349	2.0%
Crédito MiVivienda Tradicional	56,949,801	0.6%	79,366,154	1.0%	100,848,607	1.3%
Crédito MIHOGAR	34,225,789	0.4%	43,716,847	0.5%	52,228,950	0.7%
Crédito MiConstrucción	6,446,517	0.1%	9,516,352	0.1%	14,021,729	0.2%
Crédito MiCasa Más	5,093,847	0.1%	5,875,059	0.1%	7,211,996	0.1%
Crédito MiVivienda Estandarizado	2,721,927	0.0%	3,823,602	0.0%	4,917,921	0.1%
Crédito MiTerreno	184,069	0.0%	225,161	0.0%	261,362	0.0%
Total	**8,822,477,471**	**100%**	**8,066,890,606**	**100%**	**7,642,411,888**	**100%**

(1) For purposes of this offering memorandum, we use the term *Financiamiento Complementario Techo Propio* to refer to the *Crédito Complementario Techo Propio* referred to in the audited financial statements included in this offering memorandum.

Accounts receivable (Trust Agreement – COFIDE) by intermediary financial institution

The following table sets forth our accounts receivable by intermediary financial institution, at the dates indicated. Additionally, the table below sets forth the percentage of our total loans represented by our intermediate financial institutions as of December 31, 2021, 2020 and 2019.

	As of December 31,						
	2021			2020		2019	
	(S/)	%	% of total number of loans	(S/)	%	(S/)	%
Banco de Crédito del Perú	3,612,014,455	41%	29%	3,211,845,517	40%	2,925,156,910	38%
Banco Internacional del Perú S.A.A. - Interbank	1,312,558,820	15%	16%	1,169,232,889	14%	1,132,709,214	15%
Banco Pichincha	776,518,680	9%	9%	687,921,132	9%	644,261,108	8%
Banbif	634,283,869	7%	7%	625,969,131	8%	612,003,981	8%
Scotiabank Peru S.A.A	539,633,449	6%	6%	547,671,808	7%	550,021,185	7%
BBVA Continental	508,427,652	6%	8%	462,522,373	6%	457,351,916	6%
Others	1,439,040,546	16%	25%	1,361,727,758	17%	1,320,907,575	17%
Total	**8,822,477,471**	**100%**	**100%**	**8,066,890,606**	**100%**	**7,642,411,888**	**100%**

Accounts receivable (Trust Agreement – COFIDE) by maturity

The following table sets forth our accounts receivable by maturity as of December 31, 2021, including the products we have discontinued. Each loan is split into installments which are presented in the relevant columns.

	As of December 31,					
	2021		2020		2019	
	(S/ in thousands)	%	(S/ in thousands)	%	(S/ in thousands)	%
Up to 1 months	100,294	1%	69,891	1%	48,493	1%
1 - 3 months	209,106	2%	172,995	2%	143,382	2%
3 - 12 months	626,683	7%	578,283	7%	502,434	7%
1 - 3 years	1,244,572	14%	1,748,320	22%	1,686,231	22%
More than 3 years	6,641,822	75%	5,497,401	68%	5,261,872	69%
Total	**8,822,477**	**100%**	**8,066,890**	**100%**	**7,642,412**	**100%**

Accounts receivable (Trust Agreement – COFIDE) by type of interest rate

The COFIDE trust

Amounts due by final borrowers are paid to us by the financial intermediary through the COFIDE trust, regardless of whether they have received payment on the underlying loan. We therefore account for our outstanding loans as "Accounts receivable, net (Trust Agreement – COFIDE)", which corresponds to due from intermediary financial institutions rather than to the direct loan balances of the final borrowers. In addition, since most of our loan products provide that the intermediary financial institution with the direct relationship to the final borrower retains most of the risk of loan default with the remaining risk of loss assumed by us, we considered this condition when provisioning loan losses in accordance with SBS rules, under the line item "Provisions for doubtful accounts receivable (Trust receivable agreement – COFIDE)" in our financial statements.

The following table sets forth our accounts receivable (Trust Agreement – COFIDE) by type of interest rate as of the dates indicated.

	As of December 31,					
	2021		2020		2019	
	(S/)	%	(S/)	%	(S/)	%
S/ fixed interest rate	8,764,421,206.25	99%	7,986,120,003.95	99%	7,539,929,063.96	99%
US$ fixed interest rate	56,647,930.81	1%	78,145,338.50	1%	98,111,261.40	1%
S/ Vac rate[(1)]	1,408,334.41	0%	2,625,263.66	0%	4,371,562.73	0%
Total	**8,822,477,471.47**	**100%**	**8,066,890,606**	**100%**	**7,642,411,888**	**100%**

(1) Corresponds to the interest rate in *soles* as adjusted daily based upon the inflation adjustment index published by the Peruvian Central Bank on a daily basis.

Allowance for doubtful accounts

Our allowance for doubtful accounts is recorded in accordance with the SBS Regulations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations––Critical Accounting Policies—Allowance for doubtful accounts" for a description of the guidelines and procedures used in the review of our accounts receivable portfolio and the calculation of our allowance for credit risk. The following table presents our allowances for doubtful accounts.

	As of December 31,					
	2021		2020		2019	
	(S/ in thousands)	%	(S/ in thousands)	%	(S/ in thousands)	%
Opening balance	197,224	93.32%	158,594	80.41%	150,102	94.65%
Additions debited to profit or loss	88,006	41.64%	68,393	34.68%	49,520	31.22%
Reversals of provisions	(74,117)	(35.07%)	(29,988)	(15.21%)	(40,966)	(25.83%)
Exchange difference	220	0.1%	225	0.11%	(61)	(0.04%)
Closing balance	**211,333**	**100%**	**197,224**	**100%**	**158,594**	**100%**

Determination of the allowance for doubtful accounts receivable

Credit Risk Coverage

We provide CRC to the intermediary financial institutions that place our loans using the funds that are made available through the COFIDE trust only upon the registration of a valid mortgage on the underlying property being financed. Prior to our introduction of the *Nuevo Crédito MiVivienda* product in 2009, our principal loan product was *MiVivienda Tradicional*. As the houses financed under this loan program are completed, the corresponding mortgages are registered as they become eligible for CRC. That explains why most of the balances of our *MiVivienda Tradicional* loans have CRC. As our *Nuevo Crédito MiVivienda* loans are used to finance properties that are still in development, most of the properties are not yet eligible for CRC as they do not yet have the individualized title applicable to each residential property. As such, the intermediary financial institution that originates the loan retains 100% of the risk until the mortgage is registered.

In addition, we expect to provide CRC under our New CRC Product to financial institutions that disburse *Nuevo Crédito Mivivienda* loans using their own funds. The New CRC Product was approved by our board of directors in December 2021 and is expected to be launched during the first half of 2022, subject to the implementation of certain internal regulations. We expect that the CRC under the New CRC Product will be made available to financial institutions only upon the registration of the mortgage on the underlying property being financed. In consideration of the CRC provided to financial institutions under our New CRC Product, we expect to receive a fee from the financial institutions equal to approximately 1% of the principal amount of the loan.

The following table sets forth our determination of the allowance for doubtful accounts receivable at the dates indicated.

	As of December 31, 2021	As of December 31, 2020
	(S/ in thousands)	
Specific provisions[1]	155,016	146,287
General provisions[2]	56,317	50,937
Total	**211,333**	**197,224**

(1) Specific provisions cover our exposure to the credit risk associated to those loans with borrowers classified in one of the highest risk categories, which range from "With potential problems" to "Loss." For more information about the risk classification of our final borrowers, see "—Classification by Performance of Final Borrowers" and "Regulatory—Implementation of Basel II Principles—Loan Loss Reserves."

(2) General provisions are anticipatory provisions which cover our exposure to the credit risk associated to those loans with borrowers classified in the "Normal" category. For more information about the risk classification of our final borrowers, see "Classification by Performance of Final Borrowers" and "Regulatory—Implementation of Basel II Principles—Loan Loss Reserves."

During 2021, we increased loan placements with intermediary financial institutions as well as with microfinance lenders which required that we record higher provisions for the year. Financial institutions classified as "Normal" pursuant to the SBS Regulations require provisions of 0.7% of the loan balances outstanding, according to SBS regulatory requirements. Financial Institutions classified as "With potential problems" require individual provisions ranging between 2.5% to 5.0% of the loan balance outstanding, depending on whether the loan is collateralized. See "Regulatory—Implementation of Basel II Principles—Loan Loss Reserves."

The increase in our stock of provisions of accounts receivable (Trust Agreement – COFIDE) during the year ended December 31, 2021 was mainly attributable to the increase in our provisions for loan losses as a result of the application of the SBS's requirement to make provisions for the total balance of the loans that have been in default for more than 2 years. As of December 31, 2021, two of the intermediary financial institutions that place our loans failed to make timely payments.

Classification by Performance of Intermediary Financial Institution

Pursuant to the SBS Regulations, we are required to classify our intermediary financial institution and borrowers in one of the five risk categories set forth therein, with the "Normal" risk category being the most favorable and the "Loss" risk category being the least favorable. Based on these categories, we are required to maintain certain loan loss reserves. See "Regulatory—Implementation of Basel II Principles—Loan loss reserves." Additionally, the SBS Regulations require us to establish provisions for direct loans and indirect loans in order to cover the exposure to the credit risk associated to the loans with borrowers classified in one of the highest risk categories, which range from "With potential problems" to "Loss." See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Principal Trends Affecting Our Business—Trends specific to our business—Provisions for loan losses."

The following tables set forth the classification of our loan portfolio by performance of each intermediary financial institution and final borrower, as of the dates indicated. For more information about the "Normal" and "With potential problems" categories, see "Regulatory—Implementation of Basel II Principles—Loan Loss Reserves."

	As of December 31,					
	2021		2020		2019	
	(S/ in thousands)	%	(S/ in thousands)	%	(S/ in thousands)	%
Normal	8,534,696	96.74	7,689,868	95.33	7,411,435	96.98
With potential problems	805	0.01	6,894	0.09	9,387	0.12
Credit portfolio Financiera TFC (in liquidation)	220,987	2.50	221,263	2.74	221,590	2.90
Credit portfolio CMAC Sullana	56,411	0.64	147,628	1.83	—	—
Credit portfolio COOPAC Quillacoop	1,055	0.01	1,237	0.02	—	—
Credit portfolio COOPAC San Francisco.	2,648	0.03	—	—	—	—
Credit portfolio COOPAC Aelucoop	1,798	0.02	—	—	—	—
Credit portfolio CMAC Tacna	3,589	0.04	—	—	—	—
Credit portfolio CRAC Prymera	82	0.00	—	—	—	—
Credit portfolio COOPAC Santa María Magdalena	406	0.00	—	—	—	—
Total	**8,822,477**	**100.00**	**8,066,890**	**100.00**	**7,642,412**	**100.00**

Pursuant to Resolution SBS No. 5826-2019 and Resolution SBS No. 2470-2021, the SBS declared the intervention of Financiera TFC and Cooperativa de Ahorro y Crédito AELU, respectively. Upon intervention, pursuant to Clause 13 of the resource channeling agreement (*convenio de canalización de recursos*) entered into by COFIDE and the financial institutions that place our loans, we may sever the relationship with the intervened financial institution and assume direct lending relationships with the final borrower. Furthermore, pursuant to Resolution SBS No. 5855-2019 Financiera TFC's dissolution was declared.

Classification by Performance of Final Borrowers

We analyze the credit profile of each final borrower and record relevant provisions based on the provisioning requirements applicable to it. The following tables set forth the classification of our loan portfolio by performance of our final borrowers, as of the dates indicated. For more information about this classification, see "Regulatory—Implementation of Basel II Principles—Loan Loss Reserves."

	As of December 31,					
	2021		2020		2019	
	(S/ in thousands)	%	(S/ in thousands)	%	(S/ in thousands)	%
A: Normal	8,043,259	91.17	7,213,832	89.43	6,970,021	91.20
B: With potential problem	83,583	0.95	130,548	1.62	96,533	1.26
C: Substandard	89,296	1.01	156,113	1.94	113,517	1.49
D: Doubtful	235,385	2.67	263,893	3.27	191,437	2.50
E: Loss	370,954	4.20	302,504	3.75	270,904	3.54
Total	**8,822,477**	**100.00**	**8,066,890**	**100.00**	**7,642,412**	**100.00**

Total Indebtedness

We define total indebtedness as the sum of borrowings and financial obligations plus securities and bonds outstanding. As of December 31, 2021, we had total indebtedness of S/6,413 million (US$1,608 million), all of which was unsecured.

We entered into a credit agreement with the AFD with an availability of €120 million (S/545 million) and a term of 8 years (with a three-year grace period), which matures on March 15, 2023. We also entered into a credit agreement with the KFW, with an availability of €70

million (S/318 million), and a term of approximately 10 years (with a three-year grace period), which matures on November 15, 2031. In addition, we entered into a syndicated credit agreement with the AFD and the KFW with an availability of €150 million (S/680 million), of which €105 million (S/476 million) were provided by the AFD and €45 million (S/204 million) were provided by the KFW, and a term of 12 years (with a three-year grace period), which matures on March 15, 2031. As of December 31, 2021, we have drawn 100% of the credit available under the credit agreement with the AFD, equivalent to €120 million (S/545 million) and under the syndicated credit agreement with the AFD and the KFW, equivalent to €150 million (S/680 million), with the total amount outstanding under these loans totaling €188.3 million (S/854.7 million) as of December 31, 2021. As of December 31, we had not made any borrowings under our credit line with the KFW.

We also have a S/570 million line of credit from Banco de la Nación which allows for drawdowns with maturities of up to five years, at variable interest rates. As of December 31, 2021, we have fully drawn this credit line loan, and the total amount outstanding under this loan was S/570 million, of which S/250 million mature in 2025 and S/320 million is due in 2026.

Drawdown Date	Amount (S/ million)	Term	Maturity Date	Interest Rate
03/08/2021	120	5 years	02/10/2026	2.50%
05/28/2021	100	5 years	05/02/2026	3.31%
07/30/2021	120	4 years	07/09/2025	3.66%
09/29/2021	130	4 years	09/08/2025	5.50%
11/05/2021	100	5 years	08/10/2026	5.55%

In addition, our balance of total indebtedness as of December 31, 2021 includes the following bond issuances:

Name of Bond	Currency	Principal Amount	Term (Years)	Interest Rate	Amortization	Issue Date	Maturity Date
MIVIVI 3 1/2 01/31/23[(1)]	USD	500,000,000	10	3.500000%	Bullet	Jan. 31, 2013	Jan 31, 2023
MIVIVI 2023 (R)[(1)]	USD	150,000,000	6	3.500000%	Bullet	Feb. 14, 2017	Jan 31, 2023
FMV1BC4A	PEN	310,000,000	10	6.718750%	Bullet	July 13, 2016	July 13, 2026
MIVIVI 2024 (GDN)	PEN	1,500,000,000	7	7.000000%	Bullet	Feb 14, 2017	Feb 14, 2024
FMV1BC5A	PEN	250,000,000	7	5.031000%	Bullet	July 17,2019	July 17, 2026
FMV1BC6A	PEN	240,210,000	7	4.781000%	Bullet	Jan 15, 2020	Jan 15, 2027

(1) We intend to repurchase any and all of these bonds concurrently with the offering of the notes.

Concurrently with this offering, we have launched the Tender Offer for any and all of the Existing Notes. The Tender Offer is subject to customary conditions, including pricing of the issuance of the notes offered hereby for the financing necessary for the payment of the purchase price offered thereby and accrued interest to tendering holders of the Existing Notes, plus fees and expenses. We cannot assure you that the Tender Offer will be consummated. This offering is not conditioned on the successful consummation of the Tender Offer. See "Summary—Concurrent Tender Offer."

For more information about our indebtedness, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources."

Regulatory Capital

The following table sets forth our regulatory capital at the dates indicated. See "—Capital Adequacy (Regulatory Capital)" and "Regulatory—Supervision and Regulation" for a description of regulatory capital guidelines applicable to us.

	As of December 31,		
	2021	**2020**	**2019**
		(S/ in thousands)	
Tier 1 Regulatory Capital			
Paid-in capital	3,385,762	3,382,587	3,355,584
Legal and special reserves	30,440	30,087	27,087
Accumulated losses	(694)	(803)	(911)
Unrealized losses on available-for-sale investments	(7,193)	(4,544)	(9,067)
Other Deductions	(41,265)	(37,575)	(34,624)
Total Tier 1 Regulatory Capital	**3,367,050**	**3,369,752**	**3,338,069**
Total Regulatory Capital	**3,367,050**	**3,369,752**	**3,338,069**
Risk-weighted assets and credits	4,136,132	3,776,367	3,792,853
Tier 1 capital as a percentage of risk-weighted assets	**81.41%**	**89.23%**	**88.01%**

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion contains an analysis of our financial condition and results of operations for the years ended December 31, 2021, 2020 and 2019. The following discussion should be read in conjunction with "Risk Factors", "Selected Financial Information", "Statistical Information" and our audited financial statements, together with the notes thereto, included in this offering memorandum. Our financial statements have been prepared in accordance with SBS GAAP. See "Presentation of Financial and Certain Other Information" and the notes to our financial statements.

Overview

We are a for-profit entity that is wholly-owned by the Peruvian state, established with the principal goal of providing lower- and middle-income working families and individuals who are most likely to be part of the population most affected by the quantitative and qualitative housing deficit in Peru with access to financing to construct, purchase or improve their residences. We are also responsible for the management, acquisition and distribution of land that is transferred or acquired by the Peruvian government or local governments, in accordance with the Law No. 31,313 published on the *El Peruano* Official Gazette on July 25, 2021. We are key to the Peruvian government's economic and social development policies, especially as the country addresses an estimated qualitative deficit of 1.1 million housing units and a quantitative deficit of 455,000 housing units, according to the estimates of the MVCS, which are based on the National Household Survey (*Encuesta Nacional de Hogares*) published in 2020. One of our key goals is to continue to provide innovative mortgage products and enhance our existing loan programs that target lower income borrowers and further our joint goals of increasing the penetration of mortgage loan financing as a percentage of the GDP, which represented approximately 6.7% of Peru's GDP as of December 31, 2021, and to enable our borrowers to become formal participants in the economy. By gaining access to our mortgage products, these historically un-banked and under-banked households are able to develop a credit history, enhance their wealth through home ownership, and generally improve their living conditions.

Our loan products are placed through intermediary financial institutions operating in Peru that in turn originate and share the risk on loans designed to enable our target borrowers to purchase, expand or remodel their homes. The intermediary financial institutions serve as our agents, enabling us to increase the size of our loan portfolio without significant additional operating expenditure, and are allowed to sell their loan portfolio to other financial institutions, investment funds or investment fund management companies (*sociedades administradoras de fondos de inversion*), subject to our authorization. In our business and operating model, we designate a maximum loan balance for each intermediary financial institution. Each intermediary financial institution places and services loans using our uncommitted credit lines and approves each loan application directly, using its and our credit criteria.

Funding for our loan products is made available to intermediary financial institutions through a trust. Currently, we use a trust we established in 1999 with COFIDE serving as trustee. Under this structure, the trustee confirms whether the loan complies with all our lending requirements, although we have final lending approval authority over each loan. The trustee

executes a master agreement for each product with the intermediary financial institution. Upon completion of procedural requirements, the trustee disburses funds to the intermediary financial institution. Funds are then disbursed on behalf of the final borrower by the intermediary financial institution to the seller or developer of the property. Once the individual mortgage is duly registered with the Peruvian Public Registry of Real Property and the loan documentation is executed, the loan becomes eligible for CRC, pursuant to which we assume a portion of the associated credit risk of the final borrower. Additionally, we expect to provide CRC under our New CRC Product to financial institutions that disburse *Nuevo Crédito Mivivienda* loans using their own funds. For more information on our CRC and the New CRC Product, see "—Trends specific to our business—Risk sharing and treatment of defaulted loans, and Credit Risk Coverage" and "Business—Description of Products and Services— New CRC Product."

Our lending activities are conducted on commercial terms that generate net profit. For each of the fiscal years ended December 31, 2021, 2020 and 2019, 12,871, 8,362 and 12,224 loans have been originated under our loan programs, respectively, which have resulted in total loan disbursements of S/1,791 billion (US$449 billion), S/1,178 billion and S/1,684 billion as of December 31, 2021, 2020 and 2019, respectively. The table below shows by month the total loans and disbursements for the years ended December 31, 2021, 2020 and 2019.

	Year ended December 31,					
	2021		2020		2019	
	Loan Disbursements (in S/)	Number of Loans	Loan Disbursements (in S/)	Number of Loans	Loan Disbursements (in S/)	Number of Loans
January	118,464,785	931	159,309,563	895	117,693,043	865
February ...	120,391,640	876	124,352,692	786	97,895,197	693
March	145,600,502	1,097	67,833,884	467	142,419,674	1,121
April	151,151,676	1,090	29,393,359	149	131,897,765	976
May	154,305,654	1,135	32,993,487	201	141,823,269	1,086
June	135,080,231	1,036	79,211,891	481	124,122,064	982
July.....	158,012,597	1,155	60,790,627	505	131,946,608	1,035
August	106,813,439	699	90,676,417	695	148,055,967	1,053
September.	34,263,702	271	120,676,604	963	155,605,446	1,086
October.....	294,865,966	2,085	139,295,714	1,082	162,553,176	1,153
November.	171,584,241	1,134	142,372,538	1,086	151,642,218	1,061
December .	200,550,335	1,362	132,056,132	1,052	178,814,543	1,113
Total.....	1,791,084,768	12,871	1,178,962,909	8,362	1,684,468,969	12,224

The following table sets forth our total number of loans and the amount of loan disbursements for each year indicated:

Year ended December 31,	Number of loans originated	Aggregate principal amount disbursed
		(S/ in million)
2017.....	7,101	876
2018.....	9,144	1,139
2019.....	12,224	1,684
2020.....	8,362	1,179
2021.....	12,871	1,791

In terms of the quality of our loan portfolio, as of December 31, 2021 our default rate (which we calculate by dividing (a) the sum of (i) the balance of our accounts receivable (Trust Agreement – COFIDE) corresponding to Financiera TFC and COOPAC AELU en Liquidacion, plus (ii) the aggregate of the balance of our direct loan portfolio with final borrowers classified as "With potential problems," "Substandard," "Doubtful" and "Loss," plus (iii) the balance of

our accounts receivable from COOPAC Presta Perú and from customers of COOPAC Presta Perú, by (b) the sum of (i) the balance of our accounts receivable (Trust agreement – COFIDE), plus (ii) the balance of our direct loan portfolios, plus (iii) the balance of our accounts receivable from COOPAC Presta Perú and from customers of COOPAC Presta Perú was 3.67%, which represents a decrease of 0.51% compared to our default rate as of December 31, 2020, which was 4.18%, mainly due to the reclassification of the loan portfolio of Cooperativa de Ahorro y Crédito PrestaPerú ("COPAC Presta Perú") from other accounts receivable to direct loans, and a decrease of 0.19% compared to our default rate as of December 31, 2019, which was 4.37%, mainly due to a decrease in our loan balance and the reclassification of the loan portfolio of COPAC Presta Perú referred to above.

For the years ended December 31, 2021, 2020 and 2019, our net profit was S/41.9 million (US$10.5 million), S/3.5 million and S/30.0 million, respectively. Our shareholder's equity was S/3,472 million (US$870.7 million) as of December 31, 2021, S/3,302 million as of December 31, 2020 and S/3,309 million as of December 31, 2019. Additionally, the balance of our loan portfolio (accounts receivable (Trust Agreement – COFIDE)) totaled S/8,822 million (US$2,212.8 million) as of December 31, 2021, S/8,067 million as of December 31, 2020 and S/7,642 million as of December 31, 2019.

Principal Trends Affecting Our Business

The COVID-19 Pandemic

Beginning from March 2020, the COVID-19 pandemic has caused significant disruption of regional and global economic activity. In response to the pandemic, the Peruvian government adopted several measures, including closing Peru's international borders and ordering a national lockdown of businesses deemed non-essential. The spread of COVID-19 and the resulting regulatory measures implemented by the Peruvian government have caused us to modify our business activities, including limiting travel, temporarily closing offices and implementing remote work capabilities, and have adversely affected the cost of borrowing, hedging activities and access to capital in the Peruvian financial markets, which could materially negatively affect our business and operations.

While our default rate has not been negatively affected during 2020 and 2021, the number of loans we originated decreased significantly during 2020 as a result of the COVID-19 pandemic. See "—Overview." As of December 31, 2020, the number of loans we originated decreased by 31.6% to 8,362 from 12,224 as of December 31, 2019, mainly due to the restrictions imposed by the Peruvian to all non-essential business activities during the period from mid-March to June 2020 as a result of the COVID-19 pandemic, which led to a national lockdown of notary offices and to our inability to enter into new loan agreements, which must be notarized. As of December 31, 2021, the number of loans we originated increased by 53.9% to 12,871 from 8,362 as of December 31, 2020, mainly due to the extension of the maximum term of our *Nuevo Crédito MiVivienda* and *Financiamiento Complementario Techo Propio* loans to 25 years, the reduction of the minimum down payments under our *Nuevo Crédito MiVivienda*

loans from 10% to 7.5% of the purchase price of the property, and the elimination of such down payments from our *Financiamiento Complementario Techo Propio* loans.

Additionally, the number of our loans for which the maturity dates were extended or the payments dates were rescheduled increased as a result of the COVID-19 pandemic. As of December 31, 2020, the number of our rescheduled loans was 15,507, which represents an increase of 100% compared to 2019, a year in which none of our loans were rescheduled. As of December 31, 2021, the number of our rescheduled loans was 1,765, which represents a decrease of 88.62% compared to the number of our loans that were rescheduled in 2020.

We have implemented several measures to mitigate the negative effects that the COVID-19 pandemic may have on our financial condition and results of operations. These measures include extending the maximum term of our *Nuevo Crédito MiVivienda* and *Financiamiento Complementario Techo Propio* loans to 25 years, reducing the minimum amount of the down payments required to be made by the final borrowers under our *Nuevo Crédito MiVivienda* loans from 10% to 7.5% of the purchase price of the property, eliminating the requirement of down payments under our *Financiamiento Complementario Techo Propio* loans, and approving our New CRC Product to provide CRC to financial institutions that disburse *Nuevo Crédito Mivivienda* loans using their own funds. We believe these initiatives will enhance the quality of our loan portfolio and serve as a strong resource for our future expansion strategies.

We have worked very hard to prioritize the health and safety of our employees and business partners, and have complied with all the recommendations issued by the Peruvian government. We have implemented a series of measures focused on ensuring the safety and health of our employees and business partners and refocused our communication programs. In particular, we have limited the number of employees and other visitors which can be in our offices, in order to avoid agglomerations and decrease the density of people in our establishments, and implemented a number of measures to keep our offices clean with designated team members actively cleaning all surfaces and areas of our offices. In addition, our administrative teams have mostly worked remotely from home, ensuring business continuity in order to satisfy the consumption needs of all our business partners and we are adhering to the required mandates for proper social distancing in our offices.

Peruvian economic environment

Macroeconomic trends

The COVID-19 pandemic affected Peru significantly. The conditions of the Peruvian health system were not adequate to cope with the COVID-19 pandemic and the efficacy of the policies implemented by the Peruvian government to mitigate the effects of the pandemic was negatively affected by the infrastructure gaps existing in the Peruvian health system. In 2020, Peru's GDP decreased by 11.1% and monetary poverty, which is calculated using the cost of certain basic products, affected 32.6% of the population in Peru, mainly as a result of the COVID-19 pandemic, according to the World Bank. Also, according to the inflation report of the Peruvian Central Bank dated as of December 2021 and the INEI, Peru's Private consumption growth rate and Private investment growth rate decreased 9.8% and 16.5% in 2020, respectively.

The Peruvian economy recovered during 2021. During the first half of 2021, Peru's GDP grew by 20.9% over the same period last year, mainly as a result of the recovery of all the economic activities, except agriculture, livestock, hunting and forestry, and the increase in private and public investments. In addition, the Peruvian Central Bank and the INEI estimated that Peru's GDP grew by 13.2% as of the year ended December 31, 2021. As of December 31, 2021, Peru's inflation levels increased to 6%, higher than the estimates of the Peruvian Central Bank, which were between 1% and 3%, mainly as a result of the increase in food and energy prices, as well as a depreciation of the *soles*.

The following table shows the evolution of Peru's main macroeconomic indicators in 2021, 2020 and 2019, and the estimates for 2022, according to the inflation report of the Peruvian Central Bank dated as of December 2021 and the INEI:

	2022[(1)]	2021	2020	2019
Peruvian real GDP growth rate (%)	3.4%	13.2%[(1)]	(11.1%)	2.2%
Private consumption growth rate (%)	4.0%	11.2%[(1)]	(9.8%)	3.2%
Private investment growth rate (%)	0.0%	36.0%[(1)]	(16.5%)	4.5%
Inflation (%)	2.9%	6.4%	1.8%	2.1%
Reference interest rate (%)	N.A.	3.0%	0.25%	2.25%
Average exchange rate (S/ into US$) (%)	4.10%	3.88%	3.50%	3.34%

(1) Projected information.
Source: Peruvian Central Bank and INEI.

According to the Peruvian Central Bank, private consumption increased in 2021 as a result of the extension of customer service hours and the consequent expansion of businesses' capacity to attend costumers, and the greater customers confidence in in-person shopping due to progress in the vaccination process in Peru and the measures taken by the Peruvian government to mitigate the effects of the COVID-19 pandemic. According to the inflation report of the Peruvian Central Bank dated as of December 2021, during 2022 families in Peru are expected to continue to resume their pre-pandemic spending habits as the vaccinations advance and existing health restrictions are lifted, and labor market conditions improve.

The increase in private investments was mainly explained by a greater activity in the self-construction, housing improvement and new housing sale sectors, as well as by the increased execution of large infrastructure projects. According to the inflation report of the Peruvian Central Bank dated as of December 2021, lower business opportunities are expected to slow private investment during 2022.

The Peruvian banking industry

As of December 2021, the liquidity ratios in the Peruvian banking system, which represent the percentage of short-term liabilities over short-term assets, were 33.64% and 51.35% for instruments denominated in *soles* and in foreign currency, respectively, according to latest data published by SBS. In terms of credit risk, as of December 2021, the multi-bank delinquency rate, defined as the number of direct loans that are overdue and in judicial collection divided by total direct loans, defined as the number of total outstanding loans, restructured and rescheduled loans, overdue loans and loans in judicial collection, was 3.77%, while the ratio of refinanced and restructured portfolios was 1.88%, according to data from the SBS.

Because we account for our loan portfolio as accounts receivable (Trust Agreement – COFIDE) as our borrowers are the intermediary financial institutions that place loans to the final borrowers, our provisions for loan losses are generally lower than if we were fully exposed to the risk of default by the final borrowers. The provisions related to the final borrowers are recorded by the intermediary financial institution in accordance with the SBS Regulations, and we provision for the risk related to the intermediary financial institution. However, as we have increased our loan placements in 2021 with both intermediary financial institutions and with microfinance lenders (which generally require higher provisions) and as more of our loans become eligible for CRC upon the registration of the mortgages on the underlying properties, our provisions for doubtful accounts receivable (Trust Agreement – COFIDE) increased by 7% as of December 2021 compared to December 2020. However, our total provisions (which we define as the sum of loss allowance for accounts receivable (Trust agreement – COFIDE), net of reversals, plus allowance for direct loans, net of recoveries, plus recoveries (allowance) for other doubtful accounts) decreased by 1.4% as of December 2021 compared to December 2020 mainly due to the reclassification of the loan portfolio of COPAC Presta Perú from other accounts receivable to direct loans and the effects of the application of our credit policies with respect to our *Nuevo Crédito Mivivienda* and *Financiamiento Complementario Techo Propio* products. This decrease was partially offset by the impairment of the loan portfolio of Financiera TFC, and the activation of Clause 13 by us against the following financial institutions: Caja Municipal de Ahorro y Crédito de Sullana, Cooperativa de Ahorro y Crédito Quillacoop, Cooperativa de Ahorro y Crédito San Francisco, Cooperativa de Ahorro y Crédito Aelu, Caja Municipal de Ahorro y Crédito de Tacna, Caja Rural de Ahorro y Crédito Rural Prymera and Cooperativa de Ahorro y Crédito Santa María Magdalena. In addition, our total provisions (which we define as the sum of loss allowance for accounts receivable (Trust agreement – COFIDE), net of reversals, plus allowance for direct loans, net of recoveries, plus recoveries (allowance) for other doubtful accounts) increased by 26% as of December 2020 compared to December 2019, mainly due to the impairment of the loan portfolio of Financiera TFC and COPAC Presta Perú, and the activation of Clause 13 by us against Caja Municipal de Ahorro y Crédito de Sullana and Cooperativa de Ahorro y Crédito Quillacoop.

As of December 31, 2021, approximately 3.12% of the final borrowers are more than 90 days past due on their loans (including loans in legal collection), compared to 3.41% for the Peruvian banking system as a whole, lower than the 3.36% recorded as of December 31, 2020, and higher then the 2.61% recorded as of December 31, 2019. While this increasing rate of non-performing loans does not affect us directly because, in most cases, we are only indirectly exposed to the risk of default of the final borrower as a result of the CRC, higher incidences of defaults may adversely affect the ability or willingness of intermediary financial institutions to originate loans under our loan programs, which could affect our results of operations.

Monetary policy

The Peruvian Central Bank has an active role in the efforts to minimize the negative impact of volatility of exchange rates and inflation in Peru. The Peruvian Central Bank participates in the exchange market through, among others, the auction of exchange swaps sale and the placement of readjustable certificates of deposit, in order to minimize the volatility of the price of the *soles* and thereby preserving the monetary stability of Peru. On January 6, 2022, the Peruvian Central Bank has also raised the benchmark interest rate to 3%, thereby protecting

investments denominated in U.S. dollars and reducing the possibility of an appreciation of the U.S. dollar.

Inflation

Our performance may be impacted by the prevailing rates of inflation, because substantially all of our loans are not adjusted for the effects of inflation. During the 1980s, Peru experienced hyperinflation, negative economic growth and substantial currency devaluation. Inflation rates in Peru began to decrease in the 1990s and in the last ten years have been among the lowest rates in Latin America, partly due to the monetary policy implemented by the Peruvian Central Bank and to the conservative fiscal policy of the Peruvian government. In 2002, in order to maintain low inflation rates, the Peruvian Central Bank established an annual inflation target of 2.5% within a range of one percentage point. In 2007, the target was lowered to 2.0%. The inflation rate in Peru, as measured by the consumer price index, which is published by the INEI, was 2.14% in 2019, 1.83% in 2020 and 6.43% in 2021. The Peruvian Central Bank projects an inflation rate of approximately 5% in 2022.

The Peruvian Central Bank's inflation target has not always been met and may not be met in the future. If the Peruvian Central Bank fails to meet inflation targets, inflationary pressures could reduce our ability to access foreign financial markets, reduce the value in real terms of our assets and lead to further government intervention in the economy, including the introduction of policies that adversely affect the performance of the Peruvian economy as a whole, and consequently, us.

Exchange rate and fluctuations in the value of the sol

The *sol* floats freely against other currencies. Nevertheless, the Peruvian Central Bank participates in the market (buying or selling *soles*) in an effort to mitigate the effects of significant fluctuations in the exchange rate of the *sol* against foreign currencies, principally the U.S. dollar. Currently, our assets and liabilities are denominated in U.S. dollars, Euros and *soles*, while our financial statements are prepared in *soles.* As a consequence, the results reflected in our financial statements are affected by fluctuations in the exchange rate between the *sol* and the other two currencies, especially the U.S. dollar. In 2021, the U.S. dollar and Euro have appreciated against the *sol*, consistent with other currencies in the Latin American region. Our hedging strategy is to cover approximately 100% of our foreign currency exposure through hedging, whether through derivatives or natural hedges (assets), while remaining consistent with regulatory limits and internal policies on foreign currency exposure. See "—Liquidity and Capital Resources—Hedging Policy."

The Peruvian government has adopted a policy to encourage the de-dollarization of the economy. This policy included promoting the development of *sol* capital markets and local currency yield curves. The proportion of outstanding loans in the Peruvian banking system denominated in U.S. dollars has fallen from 51.0% as of December 31, 2011 to 26% as of December 31, 2021, according to figures published by the SBS, while the percentage of liabilities in the Peruvian banking system denominated in U.S. dollars was 53.8% as of December 31, 2011 compared to 43% as of December 31, 2021.

Effect of fluctuations in prevailing rates of interest

In general, increases in prevailing interest rates generate more interest revenue on our loans. An increase in prevailing interest rates may, however, adversely affect us as a result of reduced overall demand for loans from our target borrowers and increasing risk of default, which would affect our financial performance as generally one-third of all loan defaults are transferred to us by the intermediary financial institutions that place loans under our loan programs. Relatively high interest rates affect our funding costs, and can adversely affect spreads on our loan portfolio if we are unable to pass through the increased funding costs to the intermediary financial institutions, reducing our ability to implement programs aimed at improving home ownership and improvement in our target market. Alternatively, a decrease in interest rates can reduce the revenue we generate from our loan portfolio. This revenue decrease could be offset by an increase in the volume of loans resulting from higher demand and/or a decrease in our funding costs. Changes in prevailing interest rates can affect the value of our investments portfolio and therefore our results of operations. In the domestic market, depreciation of the *sol* may result in an increase of interest rates and on the international level, an increase in interest rates may result in an increase of our cost of funds, which could be offset by Peru's macroeconomic stability.

Trends specific to our business

Provisions for loan losses

Pursuant to the SBS Regulations, we are required to classify our intermediary financial institution and borrowers in one of the five risk categories set forth in such resolution, with the "Normal" risk category being the most favorable and the "Loss" risk category being the least favorable. Based on these categories, we are required to maintain certain loan loss reserves. See "Regulatory—Implementation of Basel II Principles—Loan loss reserves."

Additionally, the SBS Regulations require us to establish provisions for direct loans and indirect loans in order to cover the exposure to the credit risk associated to the loans with borrowers classified in one of the highest risk categories, which range from "With potential problems" to "Loss." The table below sets forth the percentages for calculating the provisions for direct loans and indirect loans according to the risk associated to the borrowers:

	Table 1[(1)]	Table 2[(2)]	Table 3[(3)]
Risk Category:			
With potential problems	5.00%	2.50%	1.25%
Substandard	25.00%	12.50%	6.25%
Doubtful	60.00%	30.00%	15.00%
Loss	100.00%	60.00%	30.00%

(1) Pursuant to the SBS Regulations, we are required to establish provisions to cover the exposure to the credit risk that is not covered with preferential guarantees by applying at least the percentages set forth below.
(2) Pursuant to the SBS Regulations, we are required to establish provisions to cover the exposure to the credit risk that is covered with preferential guarantees by applying at least the percentages set forth below.
(3) Pursuant to the SBS Regulations, we are required to establish provisions to cover the exposure to the credit risk that is covered with preferential guarantees of fast realization ("*garantías preferidas de muy rápida realización*") by applying at least the percentages set forth below.

Incidence of default

From 2015 to 2019, the SBS forced the following Peruvian micro finance entities which had portfolios of our loan products into liquidation due to the decrease of their equity levels below the minimum equity levels required by the Peruvian banking regulations: Caja Rural de Ahorros y Créditos Señor de Luren, COPAC Presta Perú, Financiera TFC, and Cooperativa de Ahorro y Credito Aelu. Pursuant to the Peruvian Banking Law, these loan portfolios were transferred by the SBS to other financial institutions, except for the portfolio held by Financiera TFC, which could not be transferred since it is currently in trial as a result of the claim made by Financiera TFC against the SBS in connection with the liquidation of Financiera TFC.

Notwithstanding the above, as of December 31, 2021, we have only experienced delays on amounts due by Financiera TFC and COPAC Presta Perú on our loans. As of December 31, 2021, the final borrowers under the loan portfolio of Financiera TFC continued making timely payments to the financial institution under the loans, however, Financiera TFC cannot transfer such payments to us due to its current trial with the SBS. As of December 31, 2021, the loan portfolio of COPAC Presta Perú was reclassified from other accounts receivable to direct loans as a result of our direct assumption of such portfolio following the liquidation of COPAC Presta Perú by the SBS and the subsequent provisioning of such portfolio according to the risk classification of the final borrower, and the final borrowers under such loan portfolio continued making timely payments to us. As of December 31, 2021, we made provisions for the payments due under the portfolios of Financiera TFC and COPAC Presta Perú according to the risk classification of the final borrower, as explained below, and we expect to make provisions for the total amounts due under the Financiera TFC portfolio against our shareholder's equity.

Upon the default or a poor economic performance of the intermediary financial institutions that place our loans, we are entitled to assume or transfer, in our sole discretion, the assets and liabilities of the loan portfolios held by such financial institutions from one financial institution to another, pursuant to Clause 13 of the resource channeling agreements (*convenio de canalización de recursos*) entered into by COFIDE and such financial institutions. In 2020 and 2021, we activated Clause 13 against the following financial institutions: Caja Municipal de Ahorro y Crédito de Sullana, Cooperativa de Ahorro y Crédito Quillacoop, Cooperativa de Ahorro y Crédito San Francisco, Cooperativa de Ahorro y Crédito Aelu, Caja Municipal de Ahorro y Crédito de Tacna, Caja Rural de Ahorro y Crédito Rural Prymera and Cooperativa de Ahorro y Crédito Santa María Magdalena. As a result, we are in the process of transferring a portion of their loan portfolios to other financial institutions and will assume the remaining portion. We are entitled to assume or transfer all the assets and liabilities outstanding under these loan portfolios as of the date of the transfer or assumption, as applicable, and as a result we remain entitled to receive payments on these portfolios. As of December 31, 2021, we continued to receive payments on these portfolios except for the portfolio of Cooperativa de Ahorro y Crédito Aelu, which is being liquidated by the SBS. See "Risk Factors—Risks Relating to Our Business and to the Peruvian Banking Industry—Our loan portfolio with intermediary financial institutions poses unique risks not generally associated with other forms of lending" and "Business—Operational Overview—Loan monitoring."

Risk sharing and Credit Risk Coverage

The intermediary financial institutions that place our mortgage products are required to make scheduled payments on the loans even if the final borrower has not remitted payment on such loan, unless the financial institution has previously notified us that the loan is in default.

Prior to registration of the mortgage on the underlying property with the Peruvian Registry of Real Property (*Registro de Propiedad Inmueble*), the intermediary financial institution retains 100% of the risk of loss of the credit. As a result, if a final borrower defaults on the applicable loan, the intermediary financial institution will be responsible for collection and will be required to reimburse us for 100% of the outstanding principal amount of the loan that is in default or undergoing collection. Once a mortgage is registered, the loan is eligible for CRC, pursuant to which, upon default by the final borrower, we generally assume one third of the risk of loss of the principal due on the loan by the intermediary financial institution, provided that the individual mortgage is duly registered with the Peruvian Public Registry of Real Property. The intermediary financial institution retains the remaining risk of default. However, under our *Financiamiento Complementario Techo Propio* we initially assume 100% of the risk of loss at loan origination and the intermediary financial institutions that place our loans assume 10% of the risk of loss after the second anniversary of the loan, with such percentage increasing by an additional 10% every two years until the fourteenth anniversary of the loan, at which point our exposure remains fixed at one third of the loan balance through maturity.

Good Payer Award and Good Payer Bonus

The Good Payer Award was originally designed to incentivize final borrowers to repay their loans on a timely manner and was historically implemented by forgiving a portion of the principal loan balance if the borrower paid six consecutive monthly installments (taking into account grace periods) in a timely manner. Although we no longer offer the Good Payer Award to our borrowers, the borrowers under those outstanding loans that were eligible for the Good Payer Award at the time of their origination continue benefitting from this subsidy.

Currently, any borrower under our *Nuevo Crédito Mivivienda* is eligible for the Good Payer Bonus in an amount calculated according to the market value of their homes as of the date of the purchase of the home. The Good Payer Bonus is a subsidy financed through the MVCS and is implemented as a supplement to the down payment that must be paid by the final borrowers under such loans. The home values that serve for the calculation of the amount of the Good Payer Bonus are revised each year. If final borrowers default under the loan, they must reimburse us the 100% of the amount of the supplement. We expect that borrowers under our New CRC Product will also be eligible for the Good Payer Bonus and BFH subsidies, subject to certain conditions, including that the final borrower has not benefited from housing programs offered through us, FONAVI or any other Peruvian public entities in the past.

For more information about the Good Payer Bonus, see “Business—Good Payer Award and Good Payer Bonus.”

The CRC-PBP Trusts

In 2007, we established two temporary trusts (the "CRC-PBP Trusts"), one in *soles* and the other in U.S. dollars in order to cover our obligations to pay CRC and the former Good Payer Award under our loans granted under our discontinued products. The loans originally covered by these trusts were funded by the financial institutions directly from their own funds in both U.S. dollars and *soles*, and we charged the financial institutions a commission for the CRC and the administration and support services in respect of the former Good Payer Award that we assumed through the funds available in these trusts. We acted as fiduciary of these trusts and invested the funds of the trusts in securities available in the market, including Peruvian sovereign bonds, corporate bonds and similar securities denominated in both U.S. dollars and *soles*.

Although we no longer offer any coverage under the CRC-PBP Trusts, the financial institutions that placed our loans that were originally eligible for the coverage of the CRC-PBP Trusts continue to benefit from such coverage. In 2012, a partial release of assets available for distribution from the CRC-PBP Trusts was approved for our benefit by the SBS, resulting in distributions of S/290.0 million (in respect of the *soles* trust) and S/50.7 million (in respect of the U.S. dollar trust). In addition, in 2021, a partial release from the CRC-PBP Trusts was approved for our benefit by our board of directors, resulting in distributions of S/41.27 million (in respect of the *soles* trust) and S/36.5 million (in respect of the U.S. dollar trust). In both cases, the resources released were used for general purposes of FMV. As of December 31, 2021, the outstanding amount in the *soles* CRC-PBP Trust is S/12.03 million and the outstanding amount in the U.S. dollar CRC-PBP Trust is S/20.85 million.

Results of Operations

Year Ended December 31, 2021 Compared to the Year Ended December 31, 2020

The table below provides a summary of our results of operations for the years ended December 31, 2021 and 2020.

	For the Year Ended December 31,			
	2021	2020	Change	
		(S/ in thousands)		%
INCOME STATEMENT DATA				
Interest income	517,330	489,071	28,259	5.78%
Interest expenses	(303,056)	(286,906)	(16,150)	5.63%
Gross financial margin	**214,274**	**202,165**	**12,109**	**5.99%**
Allowance for direct loans, net of recoveries	1,388	(2,345)	3,733	(159.19%)
Loss allowance for accounts receivable (Trust agreement - COFIDE), net of reversals	(13,889)	(38,405)	24,516	(63.84%)
Net financial margin	**201,773**	**161,415**	**40,358**	**25.00%**
Income from financial services	4,466	5,314	(848)	(15.96%)
Financial services expenses	(2,707)	(2,280)	(426)	18.68%
Finance margin net of income and expenses for financial services	**203,532**	**164,449**	**39,084**	**23.77%**
Result from financial transactions	(86,018)	(82,501)	(3,518)	4.26%
Operating margin	**117,514**	**81,948**	**35,566**	**43.40%**
Administrative expenses	(51,337)	(40,497)	(10,840)	26.77%
Depreciation of property, furniture and equipment	(160)	(210)	50	(23.81%)
Amortization of intangible assets	(1,462)	(1,412)	(50)	3.54%
Net operating margin	**64,555**	**39,829**	**24,726**	**62.08%**

Valuation of assets and provisions:				
Recoveries (allowance) for other accounts receivable	14,619	(28,930)	43,549	(150.53%)
Reversal of provision for credit risk hedging - sold portfolio, net	464	474	(10)	(2.11%)
Provision for litigation and claims	(362)	(643)	281	(43.70%)
Other provisions	(75)	(140)	65	(46.43%)
Operating profit	**79,201**	**10,590**	**68,611**	**647.88%**
Other income and expenses, net	(2,432)	4,639	(7,071)	(152.43%)
Profit before tax	**76,769**	**15,229**	**61,540**	**404.10%**
Income tax	(34,832)	(11,701)	(23,131)	197.68%
Net profit	**41,937**	**3,528**	**38,409**	**1088.69%**

Interest income

The following table sets forth the components of our interest income for 2021 and 2020.

	For the Year Ended December 31,			
	2021	**2020**	**Change**	
		(S/ in thousands)		**%**
Accounts receivable (Trust Agreement – COFIDE), net of interest related to the PBP granted by the Fund	489,720	447,627	42,093	9.40%
Cash and cash equivalents	5,977	20,172	(14,195)	(70.37%)
Investments	11,724	12,479	(755)	(6.05%)
Direct loan portfolio	7,779	4,452	3,327	74.73%
Attribution to profit or loss from CRC-PBP Trusts	2,014	4,257	(2,243)	(52.69%)
Other income	116	84	32	38.10%
Total interest income	**517,330**	**489,071**	**28,259**	**5.78%**

Interest income increased by 5.78% in 2021 to S/517.3 million from S/489.1 million in 2020, primarily as a result of an increase of S/42.1 million in interest income from our accounts receivable (Trust Agreement – COFIDE), net of interest related to the PBP granted by the Fund, and of S/3.3 million in interest income from direct loan portfolio, as explained below.

The S/42.1 million increase in interest income from our accounts receivable (Trust Agreement – COFIDE), net of interest related to the PBP granted by the Fund in 2021 was primarily attributable to an increase in loan placements under our *Nuevo Crédito MiVivienda* product, which in turn was primarily due to a higher demand for this product. The S/3.3 million increase in interest income from our direct loan portfolio in 2021 was primarily attributable to the transfer of the COPAC Presta Perú portfolio to us as a result of the liquidation of COPAC Presta Perú by the SBS. These increases were partially offset by a decrease in interest from cash and cash equivalents by S/14.2 million in 2021 mainly because of the lower short-term interest rates as a result of the monetary policies of the Peruvian government in order to attempt to offset the negative effects of the COVID-19 pandemic on the Peruvian economy.

Interest expense

The following table sets forth the components of our interest expense for the years ended December 31, 2021 and 2020.

	For the Year Ended December 31,			
	2021	2020	Change	
	(S/ in thousands)		(S/ in thousands)	%
Securities, bonds and obligations outstanding	243,675	234,384	9,291	3.96%
PBP (capital) granted by the Fund	38,674	41,890	(3,216)	(7.68%)
Borrowings and financial obligations	18,889	8,274	10,615	128.29%
PBP (capital and interest) – CRC-PBP Trusts	1,818	1,908	(90)	(4.72%)
Total interest expense	**303,056**	**286,906**	**16,600**	**5.79%**

Interest expense increased by S/16.60 million, to S/303.05 million in 2021 from S/286.9 million in 2020, mainly as a result of (i) an increase of S/9.3 million in securities, bonds and obligations outstanding, primarily attributable to the increase of the exchange rate to convert *soles* amounts to U.S. dollars from S/3.621 per US$1.00 on December 31, 2020 to S/3.987 per US$1.00 on December 31, 2021, and (ii) an increase of S/10.6 million in borrowings and financial obligations, primarily attributable to the increase of the interest accrued on our line of credit with Banco de la Nación to S/9.02 million as of December 31, 2021, while as of December 31, 2020 no interest was accrued on such line of credit.

Gross financial margin

Gross financial margin increased by S/12.1 million to S/214.3 million in 2021 from S/202.2 million in 2020 primarily due to the increase in income from accounts receivable resulting from our loan portfolio, as described above.

Provision for doubtful accounts receivable (Trust receivable agreement – COFIDE)

Provision for doubtful accounts receivable (Trust receivable agreement – COFIDE) represents our provision for loans placed through the COFIDE trust and is recorded based on SBS GAAP. The following table presents the balances and accounting transactions related to our provision for doubtful accounts receivable (Trust Agreement – COFIDE) for the period presented.

	As of December 31, 2021	As of December 31, 2020
	(S/ in thousands)	
Opening balance	197,224	158,594
Additions debited to profit or loss	88,006	68,393
Reversal of provisions	(74,117)	(29,988)
Exchange difference	220	225
Balance at the end of the year	**211,333**	**197,224**

The balance of our provision for doubtful accounts receivable (Trust agreement – COFIDE) increased by S/14.1 million to S/211.3 million as of December 31, 2021 from S/197.2 million as of December 31, 2020, primarily attributable to the impairment of the loan portfolio of Financiera TFC, and the activation of Clause 13 by us against Caja Municipal de Ahorro y Crédito de Sullana, Cooperativa de Ahorro y Crédito Quillacoop, Cooperativa de Ahorro y Crédito San Francisco, Cooperativa de Ahorro y Crédito Aelu, Caja Municipal de Ahorro y Crédito de Tacna, Caja Rural de Ahorro y Crédito Rural Prymera and Cooperativa de Ahorro y

Crédito Santa María Magdalena, which was partially offset by the application of our credit policies with respect to our CRC.

Provision for direct loans

Provision for direct loans represents our provision for doubtful loans which had been assumed by us as a result of the activation of Clause 13 of the resource channeling agreement (*convenio de canalización de recursos*) entered into by COFIDE and the intermediary financial institutions that place our loans.

The following presents our provision for direct loans for the years ended December 31, 2021 and 2020:

	For the Year Ended December 31,	
	2021	2020
	(S/ in thousands)	
Balance at the beginning of the year	37,729	35,379
Additions	4,282	3,306
Recovery of provisions	(5,670)	(961)
Reclassification of Loss allowance for accounts receivable to COOPAC Presta Perú	52,582	—
Exchange difference	6	5
Balance at the end of the year	**88,929**	**37,729**

Our balance of provision for direct loans increased by S/51.2 million to S/88.9 million as of December 31, 2021 from S/37.7 million as of December 31, 2020, mainly due to the reclassification of the loan portfolio of COPAC Presta Perú from other accounts receivable to direct loans as a result of our direct assumption of such portfolio following the liquidation of COPAC Presta Perú by the SBS and the subsequent provisioning of such portfolio according to the risk classification of the final borrower.

Income from financial services

The following presents our income from financial services for the years ended December 31, 2021 and 2020:

	For the Year Ended December 31,			
	2021	2020	Change	
	(S/ in thousands)		(S/ in thousands)	%
Commission for CRC and PBP services	3,417	3,665	(248)	(6.77%)
Execution of bank guarantees constituted by ET – BFH and the Household Savings[(1)]	475	862	(387)	(44.90%)
Others	574	787	(213)	(27.06%)
Total Income from financial services	**4,466**	**5,314**	(848)	(15.96%)

(1) The term "ET" (per its Spanish acronym, *entidades técnicas*) means the residential project developer.

Income from financial services decreased by S/0.8 million to S/4.5 million in 2021 from S/5.3 million in 2020, mainly due to a decrease of S/0.4 million in the commissions we received for the execution of bank guarantees constituted by ET – BFH and the household savings, and a decrease of S/0.2 million in commissions for CRC and PBP services, primarily attributable to the decrease of S/0.15 million in the compensation we received for the management services we provided under the CRC-PBP Trusts.

Financial services expenses

Financial services expenses increased by S/426 thousand to S/2,707 thousand in 2021 from S/2,280 thousand in 2020 mainly due to an increase of expenses related to our direct loan portfolio management services, which in turn was largely driven by an increase in the volume of our financial services transactions in 2021.

Income (loss) from financial transactions

The following table sets for the components of our results from financial transactions for 2021 and 2020.

	For the Year Ended December 31,			
	2021	2020	Change	
	(S/ in thousands)		(S/ in thousands)	%
Gain on trading derivative instruments	(447)	1,844	(2,291)	(124.2%)
Loss on hedging derivative financial products	(86,740)	(85,764)	976	1.1%
Exchange loss	862	(1,618)	2,480	153.3%
Others	307	3,037	(2,730)	(89.9%)
Total	**(86,018)**	**(82,501)**	**3,517**	**4.3%**

For the year ended December 31, 2021, the loss from financial transactions increased by S/3.5 million to a loss of S/86.0 million from a loss of S/82.5 million for 2020. This loss during 2021 was primarily attributable to a decrease of S/2.3 million in gain on trading derivative instruments as a result of the decrease of S/1.2 million in the valuation of hedging derivatives at fair value, which in turn was due to the interest rate effect, and a decrease of S/2.7 million in other income from the sale of investments.

Administrative expenses

The following table sets forth the components of our administrative expenses for 2021 and 2020.

	For the Year Ended December 31,			
	2021	2020	Change	
	(S/ in thousands)		(S/ in thousands)	%
Personnel and board of directors expenses	30,608	23,136	7,472	32.3%
Services received from third parties[(1)]	20,267	17,003	3,264	19.2%
Taxes and contributions	462	358	104	29.1%
Total	**51,337**	**40,497**	**10,840**	**26.8%**

(1) Includes mainly consulting services, advertising, rental of goods and property, maintenance and repair, protection services, communications, insurance, courier services, office supplies, telemarketing and other expenses.

Administrative expenses increased by S/10.8 million to S/51.3 million in 2021 from S/40.5 million in 2020, mainly due to a S/7.5 million increase in personnel and board of directors expenses in 2021 and a S/3.3 million increase in services received from third parties, due to the increase in advertising expenses. The increase in personnel and board of directors expenses was primarily due to a S/4.9 million increase in the compensation paid to our employees pursuant to Legislative Decree No. 892, which requires us to pay an amount equal to 5% of our taxable income to our employees after covering losses from previous years, and a S/2.2 million expense in Bonuses for management agreement – FONAFE.

Our efficiency ratio was 43.8% for the year ended December 31, 2021, compared to 49.7% for the year ended December 31, 2020, due primarily to a significant increase in the operating margin as a result of lower expenses related to provisions for doubtful accounts receivable. For more information on our non-SBS GAAP measures, see "Presentation of Financial and Certain Other Information—Non-SBS GAAP Financial Measures."

Depreciation of property, furniture and equipment

Depreciation of property, furniture and equipment decreased by S/0.05 million in 2021, to S/0.16 million from S/0.21 million in 2020, mainly due to an increase in write-offs of certain computer equipment and vehicles.

Amortization of intangible assets

Amortization of intangible assets increased by S/0.05 million in 2021, to S/1.46 million from S/1.41 million in the same period of 2020, mainly as a result of the implementation of certain software modules and the acquisition of software licenses.

Valuation of assets and provisions

The following table sets forth the components of valuation of assets and provisions for 2021 and 2020.

	For the Year Ended December 31,			
	2021	2020	Change	
	(S/ in thousands)		(S/ in thousands)	%
Recoveries (allowance) for other accounts receivable.	14,619	(28,930)	43,549	(150.53%)
Reversal of provision for credit risk hedging - sold portfolio, net	464	474	(10)	(2.11%)
Provision for litigation and claims	(362)	(643)	281	(43.70%)
Other provisions	(75)	(140)	65	(46.43%)
Valuation of assets and provisions	**14,646**	**(29,239)**	**43,885**	**(150.09%)**

Valuation of assets and provisions increased S/44 million from a loss of S/29 million for the year ended December 31, 2020 to a gain of S/15 million for the year ended December 31, 2021, mainly attributed to an increase of S/43.5 million in allowance for other accounts

receivable, net of reversal, primarily due to the reclassification of the loan portfolio of COPAC Presta Perú from other accounts receivable to direct loans as a result of our direct assumption of such portfolio following the liquidation of COPAC Presta Perú by the SBS and the subsequent provisioning of such portfolio according to the risk classification of the final borrower.

Provisions for litigation and claims decreased by 43.7% in 2021 compared to 2020 mainly because the litigation and claim procedures in which we were involved in 2020 were postponed to 2021 as a result of the regulations approved by the Peruvian government in relation to the COVID-19 pandemic, which, in turn, eliminated our existing provisions for litigation and claims in 2021.

Operating income

Operating income increased by S/68.6 million to S/78.4 million in 2021 from S/9.7 million in 2020, primarily due to the reversion of the S/17 million provisions relating to the COPAC Presta Perú loan portfolio and the reversion of the S/40 million provisions relating to other accounts receivable, as explained above.

Other income, net

Other income, net decreased by S/7.1 million in 2021 compared to 2020, mainly due to the reclassification of the loan portfolio of COPAC Presta Perú from other accounts receivable to direct loans.

Profit before income tax

Profit before income tax increased by S/61.5 million to S/76.8 million in 2021 from S/15.2 million in 2020, mainly as a result of the reversion of certain provisions related to doubtful accounts receivables as further described above.

Income tax

Income tax expense increased by S/23.1 million in 2021 to S/34.8 million from S/11.7 million in 2020, mainly as a result of an increase by S/66.4 million in the taxable income. Our effective income tax rate (defined as income tax divided by profit before tax) decreased from 76.8% in 2020 to 45.4% in 2021. This decrease was mainly attributable to the temporary difference generated by the exchange difference, net of the regularization, made of the provision of accounts receivable to the loan portfolio of COPAC Presta Perú.

Net profit

As a result of the foregoing, net profit increased by 1,088.7% to S/41.9 million in 2021 from S/3.5 million in 2020.

Year Ended December 31, 2020 Compared to the Year Ended December 31, 2019

The table below provides a summary of our results of operations for the years ended December 31, 2020 and 2019.

	For the Year Ended December 31,			
	2020	2019	Change	
	(S/ in thousands)			%
INCOME STATEMENT DATA				
Interest income	489,071	526,897	(37,826)	(7.18%)
Interest expenses	(286,906)	(307,416)	20,510	(6.67%)
Gross financial margin	**202,165**	**219,481**	**(17,316)**	**(7.89%)**
Allowance for direct loans, net of recoveries	(2,345)	2,032	(4,377)	(215.40%)
Loss allowance for accounts receivable (Trust receivable agreement – COFIDE), net of reversals	(38,405)	(8,554)	(29,851)	348.97%
Net financial margin	**161,415**	**212,959**	**(51,544)**	**(24.20%)**
Income from financial services	5,314	5,225	89	1.70%
Financial services expenses	(2,280)	(2,569)	289	(11.25%)
Finance margin net of income and expenses for financial services	**164,449**	**215,615**	**(51,166)**	**(23.73%)**
Result from financial transactions	(82,501)	(76,479)	(6,022)	7.87%
Operating margin	**81,948**	**139,136**	**(57,188)**	**(41.10%)**
Administrative expenses	(40,497)	(49,941)	9,444	(18.91%)
Depreciation of property, furniture and equipment	(210)	(241)	31	(12.86%)
Amortization of intangible assets	(1,412)	(1,279)	(133)	10.40%
Net operating margin	**39,829**	**87,675**	**(47,846)**	**(54.57%)**
Valuation of assets and provisions:				
Allowance for other accounts receivable, net of reversal	(28,930)	(50,682)	21,752	(42.92%)
Reversal of provision for credit risk hedging – sold portfolio, net	474	1,012	(538)	(53.16%)
Provision for litigation and claims	(643)	(265)	(378)	142.64%
Other provisions	(140)	(408)	268	(65.69%)
Operating profit	**10,590**	**37,332**	**(26,742)**	**(71.63%)**
Other income and expenses, net	4,639	6,541	(1,902)	(29.08%)
Profit before tax	**15,229**	**43,873**	**(28,644)**	**(65.29%)**
Income tax	(11,701)	(13,870)	2,169	(15.64%)
Net profit	**3,528**	**30,003**	**(26,475)**	**(88.24%)**

Interest income

The following table sets forth the components of our interest income for 2020 and 2019.

	For the Year Ended December 31,			
	2020	2019	Change	
	(S/ in thousands)			%
Accounts receivable (Trust Agreement – COFIDE), net of interest related to the PBP granted by the Fund	447,627	444,741	2,886	0.65%
Cash and cash equivalents	20,172	55,261	(35,089)	(63.50%)
Investments	12,479	15,710	(3,231)	(20.57%)
Direct loan portfolio	4,452	6,465	(2,013)	(31.14%)
Attribution to profit or loss from CRC-PBP Trusts	4,257	4,600	(343)	(7.46%)
Other income	84	120	(36)	(30.00%)
Total interest income	**489,071**	**526,897**	**(37,826)**	**(7.18%)**

Interest income decreased by S/37.8 million in 2020 to S/489.1 million from S/526.9 million in 2019, primarily as a result of a decrease of S/35.1 million in interest income from cash and cash equivalents. Interest income from cash and cash equivalents decreased by S/35.1 million during the year ended December 31, 2020 to S/20.2 million from S/55.3 million during the year ended December 31, 2019, mainly because of the lower short-term interest rates as a result of the monetary policies of the Peruvian Central Bank in order to attempt to offset the negative effects of the COVID-19 pandemic on the Peruvian economy.

Interest expense

The following table sets forth the components of our interest expense for 2020 and 2019.

	For the Year Ended December 31,			
	2020	2019	Change	
	(S/ in thousands)			%
Securities and bonds outstanding	234,834	221,459	13,375	6.04%
PBP (capital) granted by the Fund	41,890	76,502	(34,612)	(45.24%)
Borrowings and financial obligations	8,274	6,892	1,382	20.05%
PBP (capital and interest) – CRC-PBP Trust	1,908	2,563	(655)	(25.56%)
Total	**286,906**	**307,416**	**(20,510)**	**(6.67%)**

Interest expense decreased by S/20.5 million to S/286.9 million in 2020 from S/307.4 million in 2019, primarily attributable to a decrease of S/34.6 million in PBP (capital) granted by the Fund, which in turn was mainly a result of the discontinuation of our former Sustainable Household Bonus (*Bono Mivivienda Sostenible*), which is no longer offered to final borrowers since mid-2020. This decrease was partially offset by an increase in the interests accrued on our international bonds and an increase in borrowings and financial obligations outstanding.

Gross financial margin

Gross financial margin decreased by S/17.3 million to S/202.2 million in 2020 from S/219.5 million in 2019 mainly due to a decrease in interest from cash and receivables from banks, which in turn was due to lower short-term interest rates as a result of the monetary policies of the Peruvian government in order to attempt to offset the negative effects of the COVID-19 pandemic on the Peruvian economy.

Provision for doubtful accounts receivable (Trust Agreement – COFIDE)

The following table presents the balances and accounting transactions related to our provision for doubtful accounts receivable (Trust Agreement – COFIDE) for the period presented.

	For the Year Ended December 31,	
	2020	2019
	(S/ in thousands)	
Opening balance	158,594	150,102
Additions debited to profit or loss	68,393	49,519
Reversal of provisions	(29,988)	(40,966)
Exchange difference	225	(61)
Balance at the end of the year	**197,224**	**158,594**

The balance of our provision for doubtful accounts receivable (Trust agreement – COFIDE) increased by S/38.6 million, to S/197.2 million in 2020 from S/158.6 million in 2019, mainly due to the impairment of the loan portfolio of Financiera TFC and the activation of Clause 13 by us against Caja Municipal de Ahorro y Crédito de Sullana, with the classification of certain loans as uncollectible.

Provision for Direct Loans

The following presents our provision for direct loans for the years ended December 31, 2020 and 2019:

	For the Year Ended December 31,	
	2020	2019
	(S/ in thousands)	
Balance at the beginning of the year	35,379	37,411
Additions	3,306	2,539
Recovery of provisions	(961)	(4,571)
Exchange difference	5	—
Balance at the end of the year	**37,729**	**35,379**

Our balance of provision for direct loans increased by S/2.4 million to S/37.7 million as of December 31, 2020 from S/35.4 million as of December 31, 2019, primarily attributable to the reclassification of our final borrowers under our direct loan portfolio to less favorable risk categories pursuant to the SBS Regulations, which in turn was primarily due to the increase of the risk of default of our loans as a consequence of the effects of the COVID-19 pandemic.

Income from financial services

Income from financial services increased by S/0.1 million to S/5.3 million in 2020 from S/5.2 million in 2019 mainly due to an increase in the compensation we receive for the management services we provide under the CRC-PBP Trusts.

Financial services expenses

Financial services expenses decreased by S/0.29 million to S/2.28 million in 2020 from S/2.57 million in 2019 mainly due to an increase in the volume of our financial services transactions.

Income (Loss) from financial transactions

The following table sets for the components of our results from financial transactions for 2020 and 2019.

	For the Year Ended December 31,			
	2020	2019	Change	
	(S/ in thousands)		(S/ in thousands)	%
Trading derivatives	1,844	1,222	622	50.90
Income (Loss) from hedging transactions	(85,764)	(75,812)	9,952	13.13
Loss on exchange difference	(1,618)	(3,112)	(1,494)	(48.01)
Other	3,037	1,222	1,815	148.53
Total	**(82,501)**	**(76,480)**	**(6,021)**	**7.87**

For the year ended December 31, 2020, the loss from financial transactions increased by S/6.0 million to a loss of S/82.5 million from a loss of S/76.5 million for 2019. This loss during

2020 was primarily attributable to an increase of S/9.9 million in income (loss) from hedging transactions, mainly as a result of the increase of hedging costs associated with the new financing operations in foreign currency, and an increase of S/1.8 million in other income from the sale of certain investments held in COFIDE, a portion of which was reinvested in corporate bonds.

Administrative expenses

The following table sets forth the components of our administrative expenses for 2020 and 2019.

	For the Year Ended December 31,			
	2020	2019	Change	
	(S/ in thousands)		(S/ in thousands)	%
Personnel and board of directors expenses	23,136	31,823	(8,687)	(27.30)
Services received from third parties[1]	17,003	17,209	(206)	(1.20)
Taxes and contributions	358	909	(551)	(60.62)
Total	**40,497**	**49,941**	**(9,444)**	**(18.91)**

(1) Includes mainly consulting services, advertising, rental of goods and property, maintenance and repair, protection services, communications, insurance, courier services, office supplies, telemarketing and other expenses.

Administrative expenses decreased by S/9.4 million or 18.91% during 2020, to S/40.5 million from S/49.9 million in 2019, mainly due to a decrease in personnel expenses to S/23.1 million in 2020 from S/31.8 million in 2019, which in turn was mainly due to the fact that our employees did not receive any compensation under Legislative Decree No. 892, which requires us to pay an amount equal to 5% of our taxable income to our employees under certain circumstances.

Our efficiency ratio increased to 49.67% in 2020 from 36.07% in 2019 due primarily to a significant decrease in our operating margin. For more information on our non-SBS GAAP measures, see "Presentation of Financial and Certain Other Information—Non-SBS GAAP Financial Measures."

Depreciation of property, furniture and equipment

Depreciation of property, furniture and equipment decreased by S/0.03 million, to S/0.21 million in 2020 from S/0.24 million in 2019, mainly due to an increase in write-offs of certain vehicles.

Amortization of intangible assets

Amortization of intangible assets increased by S/0.13 million, to S/1.41 million in 2020 from S/1.28 million in 2019, mainly as a result of an increase in the implementation of software modules.

Valuation of assets and provisions

The following table sets forth the components of valuation of assets and provisions for 2020 and 2019:

	For the Year Ended December 31,			
	2020	2019	Change	
	(S/ in thousands)		(S/ in thousands)	%
Recoveries (allowance) for other accounts receivable.	(28,930)	(50,682)	21,752	(42.92%)
Reversal of provision for credit risk hedging - sold portfolio, net	474	1,012	(538)	(53.16%)
Provision for litigation and claims	(643)	(265)	(378)	142.64%
Other provisions	(140)	(408)	268	(65.69%)
Valuation of assets and provisions	**(29,239)**	**(50,343)**	**21,104**	**(41.92%)**

Valuation of assets and provisions increased S/21.1 million from a loss of S/50.3 million for the year ended December 31, 2019 to a loss of S/29.2 million for the year ended December 31, 2020, mainly due to the decrease of the provisions for the loan portfolio of COPAC Presta Perú in 2020 since the majority of the provision for this portfolio was made during 2019.

The provision for litigation and claims increased in S/0.38 million in 2020 compared to 2019 mainly due to increased judicial contingencies with probable losses in 2020.

Operating income

Operating income decreased by S/26.6 million to S/9.7 million in 2020 from S/36.3 million in 2019, primarily attributable to the impairment of the loan portfolio of Financiera TFC, and the activation of Clause 13 by us against Caja Municipal de Ahorro y Crédito de Sullana.

Other income, net

Other income, net decreased by S/2.0 million to S/5.5 million in 2020 from S/7.5 million in 2019, mainly due to the payment to us in 2019 of the management fee related to the construction of the social housing development project known as "Ciudad Alameda de Ancón," which was not paid to us in 2020.

Profit before income tax

Profit before income tax decreased by S/28.6 million to S/15.2 million in 2020 from S/43.9 million in 2019, mainly as a result of an increase in our provisioning expenses as described above.

Income tax

Income tax expense decreased by S/2.2 million in 2020 to S/11.7 million from S/13.9 million in 2019 mainly as a result of lower taxable income as a consequence of lower profits. Our effective income tax rate (defined as income tax divided by profit before tax) increased from 31.6% in 2019 to 76.8 % in 2020. This increase was mainly attributable to decrease in profit

before tax from S/43.9 million in 2019 to S/15.2 million in 2020 and a decrease in deferred income tax assets.

Net profit

As a result of the foregoing, net profit decreased by 88.2% to S/3.5 million in 2020 from S/30.0 million in 2019.

Liquidity and Capital Resources

Overview

We monitor market and liquidity risks based on the volatility of interest rates, currencies and securities indices, as well as the prices of our loan and investment portfolios. We believe that we benefit from the fact that Peru owns our capital stock, which both enhances our credit profile and provides us access to potential sources of funding, if needed.

Sources of funds

We received substantially all of our initial funding from a S/2.7 billion equity contribution in 2005 from Peru. Since then, we met our additional funding needs mainly by reinvesting our net profit annually into our business, as required by our bylaws and by applicable Peruvian law. However, since 2013, we have sought to diversify our funding sources. As a result, our principal source of funding is debt financing through international and domestic debt offerings and credit transactions. During 2021, our loan portfolio (accounts receivable (Trust Agreement – COFIDE)) represented the 62% of our funding needs for 2021.

Total indebtedness

Our total indebtedness (defined as the sum of borrowings and financial obligations plus securities and bonds outstanding) totaled S/6,413 million (US$1,608 million) as of December 31, 2021. This balance includes the following bond issuances and loan facilities:

Name of Bond	Currency	Principal Amount	Term (Years)	Interest Rate	Amortization	Issue Date	Maturity Date
MIVIVI 3 1/2 01/31/23[(1)]	USD	500,000,000	10	3.500000%	Bullet	Jan. 31, 2013	Jan 31, 2023
MIVIVI 2023 (R)[(1)]	USD	150,000,000	6	3.500000%	Bullet	Feb. 14, 2017	Jan 31, 2023
FMV1BC4A	PEN	310,000,000	10	6.718750%	Bullet	July 13, 2016	July 13, 2026
MIVIVI 2024 (GDN)	PEN	1,500,000,000	7	7.000000%	Bullet	Feb 14, 2017	Feb 14, 2024
FMV1BC5A	PEN	250,000,000	7	5.031000%	Bullet	July 17,2019	July 17, 2026
FMV1BC6A	PEN	240,210,000	7	4.781000%	Bullet	Jan 15, 2020	Jan 15, 2027

Lender	Currency	Principal Amount	Term (Years)	Interest Rate	Frequency of Payments	Issue Date	Maturity Date
Banco de la Nación	PEN	120,000,000	5	2.50%	Bi-annual	March 8, 2021	Feb 10, 2026
Banco de la Nación	PEN	100,000,000	5	3.31%	Bi-annual	May 28, 2021	May 2, 2026
Banco de la Nación	PEN	120,000,000	4	3.66%	Bi-annual	July 30, 2021	July 9, 2025
Banco de la Nación	PEN	130,000,000	4	5.50%	Bi-annual	Sep 29, 2021	Sep 8, 2025
Banco de la Nación	PEN	100,000,000	5	5.55%	Bi-annual	Nov 5, 2021	Oct 10, 2026

Lender AFD – Line 1

Lender	Currency	Amount	Term (Years)	Frequency of Payments	Issue Date	Maturity Date
AFD	EUR	12,000,000	8	Bi-annual	Sep 4, 2015	March 15, 2023
AFD	EUR	3,000,000	7	Bi-annual	Oct 4, 2016	March 15, 2023
AFD	EUR	3,333,333	5	Bi-annual	Apr 27, 2018	March 15, 2023
AFD	EUR	6,666,666	5	Bi-annual	Jul 11, 2018	March 15, 2023
AFD	EUR	13,333,333	5	Bi-annual	Ag 23, 2018	March 15, 2023

Lender AFD – Line 1

Lender	Currency	Amount	Term (Years)	Frequency of Payments	Issue Date	Maturity Date
AFD	EUR	35,000,000	12	Bi-annual	Oct 18, 2019	March 15, 2031
AFD	EUR	35,000,000	11	Bi-annual	Mar 9, 2020	March 15, 2031
AFD	EUR	35,000,000	11	Bi-annual	Oct 1, 2020	March 15, 2031

Lender KFW – Line 1

Lender	Currency	Amount	Term (Years)	Frequency of Payments	Issue Date	Maturity Date
KFW	EUR	15,000,000	12	Bi-annual	Oct 21, 2019	Nov 15, 2031
KFW	EUR	15,000,000	11	Bi-annual	Mar 9, 2020	Nov 15, 2031
KFW	EUR	15,000,000	11	Bi-annual	Oct 2, 2020	Nov 15, 2031

(1) We intend to repurchase any and all of these bonds concurrently with the offering of the notes.

Maturity Profile

The following tables set forth information as of December 31, 2021 regarding the maturity of our outstanding debt due in the period 2022-2031 on our total indebtedness and debt due per year.

	As of December 31, 2021 (S/ in millions)	
	Hedging Exchange Rate of *soles* per U.S. dollar	**Current Exchange Rate of *soles* per U.S. dollar**
Due in:		
2022	129.1	153.2
2023	2,0298.9	2,718.6
2024	1,565.4	1,572.2
2025	315.4	324.5
2026	945.4	954.1
2027	305.66	314.4
2028	65.4	74.5
2029	65.4	74.5
2030	65.5	74.5
2031	42.2	48.0
Total	**5,528.3**	**6,308.3**

As of December 31, 2021, our total indebtedness outstanding consisted of issuances and borrowings with local and international banks and bondholders, including instruments denominated in U.S. dollars, Euros and *soles*. The following table presents information as of December 31, 2021 regarding the composition of our outstanding debt by type of instrument and by currency, in each case as a percentage of our total indebtedness.

	As of December 31, 2021
	(% of total)
Type of Instrument	
International bond issuances	41.0%
Local issuances	36.4%
International bank loans	13.5%
Local bank loans	9.0%
Currency	
U.S. dollar	41.0%
Soles	45.4%
Euros	13.5%

Hedging policy

Currently, we enter into hedging arrangements exclusively to cover any mismatches in our portfolio of assets and liabilities denominated in foreign currency. Our internal policy is to maintain minimum coverage of 95% and maximum of 105% of our exposure to foreign currency. As we expand our sources of funds to local and international capital and credit markets and further incur indebtedness in currencies other than the *sol*, we are required to enter into hedging arrangements to mitigate the effects of fluctuations in the exchange rates between *soles* and U.S. dollar, among other currencies. We make all our disbursements exclusively in *soles*. As we expand our funding in the international capital markets in foreign currency, we will increase mismatches between our assets and liabilities.

Pursuant to SBS GAAP, (i) our maximum exposure to negative net foreign exchange position is 10% of our shareholder's equity, (ii) our exposure to positive net foreign exchange position may not exceed 10% of our shareholder's equity and (iii) the loss recorded from derivative instruments, including foreign exchange forward contracts, may not exceed 10% of our shareholder's equity. We have entered into hedging arrangements to cover our expected future exposure to foreign currencies to manage our risk and comply with the applicable regulations. In particular, we will be required to enter into hedging arrangements in connection with the placement of the notes offered hereby.

Capital Adequacy (Regulatory Capital)

Banking regulations on capital adequacy in Peru incorporate the recommendations of the Basel Committee. The SBS has already adopted a modified version of Basel II and certain recommendation of Basel III, and has issued guidelines to adopt all Basel III recommendations. On July 1, 2016, the SBS increased the minimum regulatory capital required for Peruvian banks to 100% of the additional capital buffer recommended by Basel III. In March 2022, the Peruvian Banking Law was modified to strengthen the composition of Tier 1 and Tier 2 Capital and introduced capital conservation buffers (*colchón de conservación)*. These changes will be implemented progressively and certain additional regulations are expected to be implemented by the SBS. We cannot assess the impact of any regulatory requirements in the future on our financial condition or results of operations.

Peruvian Banking Law provides that regulatory capital must be equal to or greater than 10% of the total risk-weighted assets. Risk-weighted assets are the sum of (i) 10 times the regulatory capital allocated to cover market risk; (ii) 10 times the regulatory capital allocated to

cover operational risk; and (iii) the total amount of credit risk-weighted assets and indirect loans. Such computation must include in our statement of financial position all exposures or assets in local or foreign currency. As of December 31, 2021, our ratio of regulatory capital to total risk-weighted assets was 81.41%.

In March 2022, the Peruvian Banking Law was amended by Legislative Decree No. 1531. Regulatory Capital still must be equal to or greater than 10% of the total risk-weighted assets, however, its composition must now consist of Tier 1 and Tier 2 Capital, instead of the Tier 3 Capital previously in place. Capital conservation buffers (*colchón de conservación)* must be at least equal to 2.5% of the total risk-weighted assets. Additionally, new solvency requirements were established and the concept of subordinated debt computable in the Regulatory Capital was redefined.

Once the new composition of the Regulatory Capital becomes effective in 2023, Tier 1 Capital will be composed by (i) Tier 1 Ordinary Capital and (ii) Tier 1 Additional Capital. Tier 1 Ordinary Capital will comprise, among others, common shares and other equity instruments that meet the SBS requirements and legal and voluntary capital reserves. Tier 1 Additional Capital will comprise, among others, subordinated debt that meet the Peruvian Banking Law and SBS requirements.

The following table sets forth our regulatory capital as of the dates indicated.

	As of December 31,		
	2021	**2020**	**2019**
Tier 1 Regulatory Capital			
Paid-in capital	3,385,762	3,382,587	3,355,584
Legal and special reserves	30,440	30,087	27,087
Accumulated losses	(694)	(803)	(911)
Unrealized losses on available-for-sale investments	(7,193)	(4,544)	(9,067)
Other Deductions	(41,265)	(37,575)	(34,624)
Total Tier 1 Regulatory Capital	**3,367,050**	**3,369,752**	**3,338,069**
Total Tier 2 Regulatory Capital	—	—	—
Total Regulatory Capital	**3,367,050**	**3,369,752**	**3,338,069**
Risk-weighted assets and credits	4,136,132	3,776,367	3,792,853
Tier 1 capital as a percentage of risk-weighted assets	**81.41%**	**89.23%**	**88.01%**

Lending

Lending policies

We have established policies and regulations to manage our credit risk, and assist with the identification, evaluation, monitoring, mitigation and reporting of credit risks. In addition, there is a framework to analyze, compare, approve, control and recover credit lines. These policies function independently of the type of product or instrument.

We assign risk categories to evaluate the level of risk of each transaction. We seek a balance between profitability and risk in all the loans allocated or marketed by the intermediary financial institutions that place our loans. Any process relating to the monitoring, recovery, liquidation or penalties for past due loans, of any type, is executed in a consistent and standardized manner.

Credit portfolio

The following table sets out the breakdown of accounts receivable (Trust Agreement – COFIDE), net as of December 31, 2021, 2020, 2019.

	As of December 31,		
	2021	**2020**	**2019**
		(S/ in thousands)	
Loan product			
Nuevo Crédito MiVivienda	8,511,220	7,754,135	7,308,199
Financiamiento Complementario Techo Propio[(1)]	205,635	79,366	154,722
Others[(2)]	105,439	233,164	179,230
Crédito MiTerreno	183	225	261
Total	**8,822,477**	**8,066,890**	**7,642,412**

(1) For purposes of this offering memorandum, we use the term *Financiamiento Complementario Techo Propio* to refer to the *Crédito Complementario Techo Propio* referred to in the audited financial statements included in this offering memorandum.

(2) Includes *Crédito MiVivienda Tradicional*, *Crédito MIHOGAR, Crédito MiVivienda Estandarizado*, *Crédito MiConstrucción* and *Crédito MiCasaMás*, all of which have been discontinued. See "Business—Description of Products and Services—Discontinued Legacy Products."

Our direct borrowers are the intermediary financial institutions that place our loans which have no past due loans with us and we currently have no pending claims against them. The final borrowers are clients of the intermediary financial institutions. Consequently, any past-due loan of the final borrower are accounted for and provisioned by the intermediary financial institution, and not directly by us; provided however that, once the individual mortgage is duly registered with the Peruvian Public Registry of Real Property (i) we provision between one third and two thirds of the risk of loss on all *Nuevo Credito MiVivienda* loans with CRC, and half of the risk of loss on all *Credito MiTerreno* loans with CRC, and (ii) we also provision as appropriate for all risk associated with our *Financiamiento Complementario Techo Propio* loan, which reduces by 10% every two years until the fourteenth anniversary of the loan, at which point our exposure remains fixed at one third of the loan balance through maturity. In addition, we expect to provision between 30% and 70% of the risk of loss on the loans that are eligible for our New CRC Product.

Lending limits

Under Article 204 of the Peruvian Banking Law, the total amount of credits and financings granted by a financial institution to another financial institution established in Peru may not exceed 30% of such financial institution's regulatory capital. Pursuant to Article 13 of SBS Resolution No. 980-2006, as amended by SBS Resolution No. 3586-2013, we are not subject to the lending limit established under article 204 of the Peruvian Banking Law, as long as we act as a second-tier bank (*i.e.,* provide access to mortgage financing to end borrowers by granting credit facilities to Peruvian financial institutions). There are other limits established in Chapter II of Title II of the Second Section of the Peruvian Banking Law that require banks or any other regulated institution to diversify their portfolio with counterparties other than financial institutions through different types of assets, giving preference to liquid and low-risk assets. See "Regulatory—Lending Limits."

Notwithstanding the fact that we are no longer subject to the lending limit established by article 204 of the Peruvian Banking Law, we have implemented internal limits to prevent the

concentration of our loan portfolio in a single intermediary financial institution which we refer to as Global Exposure Limit (*Límite de Exposición Global* or "LEG"). The LEG is not a catch-all limit applying indistinctively to all intermediary financial institutions but rather determined on a case by case basis. In order to calculate the LEG that will apply to a specific intermediary financial institution, we take into consideration its regulatory capital, risk classification, our own regulatory capital, among other factors.

Risk Management

SBS Resolution No. 272-2017, enacted in January 2017, contains guidelines for integral risk management of financial institutions. We have specific risk management policies and procedures designed to identify and manage the following risks: (i) market risk, (ii) operational risk, (iii) credit risk, (iv) liquidity risk, (v) country risk (*riesgo pais*), (vi) reputational risk, (vii) investment risk, and (viii) counterparty risk (*riesgo de contraparte*).

Market risk

Market risk is the risk of loss due to variations in interest rates and prices in the financial markets, including foreign exchange volatility or a change in the prices of investments. Our risk committee, composed by the Chairman of our Board of Directors, four members of our Board of Directors, the Chief Executive Officer and the Chief Risk Officer, sets policies that limit and monitor our market risk. In addition, SBS Resolution No. 6328-2009 defines the methodology to be applied, and the requirements to be satisfied, to calculate the regulatory capital requirement for market risks under the standard methodology and the internal rating-based ("IRB") methodology.

Since July 1, 2009, financial institutions have been allowed to use the IRB methodology (subject to prior approval by the SBS) in substitution of the standard methodology.

The investments in our portfolio are held in *soles*, U.S. dollars and Euros. Our principal assets in foreign currency relate to our portfolio of bonds that are denominated in U.S. dollars. The balance of this portfolio was S/258.1 million as of December 31, 2021. The value at risk is the basic determinant for developing internal models. We calculate the risk by taking the variations in risk factors as estimated by one or more independent market makers. Given our strategy to create a market for various financial instruments and our ability to incur such risks, we have set alerts and limits that consider such factors as the volatility of the bonds portfolio, exchange rate volatility and the relative value-at-risk position, among others. We have approved the following control tools: (i) limits on investment portfolio, (ii) exchange rate risk policies, and (iii) interest rate risk policies.

Operational risk

In general terms, operational risk is represented by the potential loss resulting from human error, deficiencies in information systems or internal control systems, information technology failures, including processing errors as well as those caused by external factors. Operational risk also encompasses legal risk, which is defined as the potential loss resulting from non-compliance with legal, administrative or contractual obligations, but excludes strategical risk and reputational risk.

We manage continuity of operations system designed to ensure the continuous operation of our systems and processes in the event of a disruption. In addition, SBS Resolution No. 2115-2009 defines the methodology to be applied, and the requirements to be satisfied by financial institutions in calculating their regulatory capital requirement for operational risk, the alternative standardized methodology and the advanced methodologies.

Furthermore, our risk committee periodically reviews our exposure to operational risk and reports to our board of directors regarding our mitigation measures. Prior to commencing a new transaction, we confirm that the operation and necessary legal documentation complies with our internal policies and manuals on the prevention of money laundering and terrorism financing. FMV's Prevention of Money Laundering and Terrorism Financing System includes a full time officer, handbooks on policies and proceedings, computer support tools and yearly trainings and workshops. We have implemented measures to collect operational risk data and have been developing contingency plans to mitigate the effects of this risk. We also have invested in upgrading our technology to improve security of our operations.

Credit risk

Credit risk represents the potential loss incurred by non-payment of a debtor, issuer or counterparty in operations carried out with us as a result of their inability or unwillingness to pay back the credit extended. In order to manage the risk of such potential loss, we have put in place credit procedures and policies to ensure credit risk is appropriately managed.

Under SBS Resolution No. 14354-2009, banks and other regulated institutions are allowed to use the standardized methodology under Basel II capital adequacy rules for banking institutions and, with the prior approval of the SBS, IRB methodologies for calculating their regulatory capital requirement for credit risk. We have decided not to request approval from the SBS to adopt the IRB methodology. As of the date of this offering memorandum, we use the standardized methodology.

We enforce a strict credit risk management process that includes: (i) using pre-determined parameters to select intermediary financial institutions to place our loans as well as requiring the intermediary financial institutions to incorporate our pre-determined parameters into their evaluation of a final borrower's credit risk; (ii) preparation and evaluation of qualitative and quantitative analysis; (iii) approval of credit proposals in accordance with approved procedures; (iv) monitoring adherence to limits and policies; and (v) drafting a corresponding credit risk report.

Liquidity risk

Management of liquidity risk implies the possibility of losses from the early or forced sale of assets at unusual discounts to meet obligations, as well as the failure to close open positions promptly or to hedge positions in sufficient quantity and at a reasonable price.

We manage liquidity risk by considering an internal liquidity ratio, liquidity gaps and scenarios. The scenarios are prepared in accordance with our internal guidelines. If we were to anticipate a liquidity risk, we have a contingency plan in which we can consider liquidating certain assets, issuing debt or incurring loans.

As of December 31, 2021, 2020 and 2019, our assets and liabilities, from the statement of financial position date to a foreseeable contract maturity date, were as follows.

	As of December 31, 2021						
	Up to 1 month	2 months	3 months	4 to 6 months	7 to 12 months	More than 12 months	Total
	(S/ in thousands)						
Assets							
Cash and receivables from banks ..	1,181,713	—	—	—	—	41	1,181,754
Available-for-sale investments.....	—	—	—	—	14,747	36,498	51,245
Held-to-maturity investments.....	—	—	1,360	1,381	15,061	189,021	206,823
Credits.....	308	325	308	933	1,877	30,860	34,611
Accounts receivable, net (Trust Agreement – COFIDE)	46,814	51,346	47,047	144,671	301,203	8,033,453	8,624,534
Other accounts receivable, net.....	—	—	—	—	—	858,605	858,605
Other assets, net	—	—	—	—	—	64,780	64,780
Liabilities							
Borrowings and financial obligations	—	—	58,123	—	95,339	6,259,656	6,413,118
Other liabilities.....	—	—	—	—	—	1,137,721	1,137,721
Gap (asset – liability)	**1,228,835**	**51,671**	**(9,408)**	**146,985**	**237,549**	**1,815,881**	**3,471,513**
Cumulative gap	**1,228,835**	**1,280,506**	**1,271,098**	**1,418,083**	**1,655,632**	**3,471,513**	

	As of December 31, 2020						
	Up to 1 month	2 months	3 months	4 to 6 months	7 to 12 months	More than 12 months	Total
	(S/ in thousands)						
Assets							
Cash and receivables from banks ..	1,317,917	—	20,002	—	—	305	1,338,224
Available-for-sale investments.....	—	—	-	—	—	24,788	24,788
Held-to-maturity investments.....	—	—	1,165	1,183	2,421	190,444	195,213
Credits.....	235	240	217	688	1,395	25,703	28,478
Accounts receivable, net (Trust Agreement – COFIDE)	44,648	46,157	39,811	131,030	271,653	7,350,153	7,883,452
Other accounts receivable, net.....	—	—	—	—	—	505,504	505,504
Other assets, net	—	—	—	—	—	124,946	124,946
Liabilities							
Borrowings and financial obligations	—	—	56,625	—	56,625	5,567,467	5,680,717
Other liabilities.....	—	—	—	—	—	1,117,659	1,117,659
Gap (asset – liability)	**1,362,800**	**46,397**	**4,570**	**132,901**	**218,844**	**1,536,717**	**3,302,229**
Cumulative gap	**1,362,800**	**1,409,197**	**1,413,767**	**1,546,668**	**1,765,512**	**3,302,229**	

	As of December 31, 2019						
	Up to 1 month	2 months	3 months	4 to 6 months	7 to 12 months	More than 12 months	Total
	(S/ in thousands)						
Assets							
Cash and receivables from banks ..	1,478,953	—	—	—	—	60	1,479,013
Held-to-maturity investments.....	—	-	1,282	3,304	5,696	232,661	242,943
Credits.....	201	212	188	598	1,240	33,528	35,967
Accounts receivable, net (Trust Agreement – COFIDE)	40,817	42,816	37,745	120,497	250,171	7,006,030	7,498,076
Other accounts receivable, net.....	—	—	—	—	—	4,878,403	4,878,403
Other assets, net	—	—	—	—	—	(4,434,509)	(4,434,509)
Liabilities							
Borrowings and financial obligations	—	—	47,585	118,516	47,585	4,705,544	4,919,230
Other liabilities.....	—	—	—	—	—	1,471,673	1,471,673
Gap (asset – liability)	**1,519,971**	**43,028**	**(8,370)**	**5,883**	**209,522**	**1,538,956**	**3,308,990**
Cumulative gap	**1,519,971**	**1,562,999**	**1,554,629**	**1,560,512**	**1,770,034**	**3,308,990**	

Exchange rate risk

Our net liability position, difference between assets and liabilities was S/3,195 million as of December 31, 2021. We hedge our U.S. dollar and Euro positions through forward and swap contracts. Considering our liability position on these two currencies, our hedge ratio is of 99.77% as of December 31, 2021.

Currency	Balance Change Position	Derivatives	Hedge Ratio
USD (in thousands)	801,370	799,537	99.77%

We manage this risk based on an ongoing monitoring and our previous experience by detecting situations that may have negative financial effects for us.

Structural and interest rate risk

Structural balance sheet risk represents the potential losses resulting from movement in interest rates, exchange rates or the liquidity gap on the structural position of all assets and liabilities both on and off the balance sheet, excluding the trading portfolio. Interest rate risk originates from the possibility that changes in interest rates have an impact on future cash flows or in financial instrument values.

We have approved the following principal policies to control structural risks: (i) risk concentration; (ii) liquidity; (iii) exchange rate; (iv) asset / liability management; and (v) structural interest rate risk policies.

The interest rate risk of cash flows refers to the risk that future cash flows of a financial instrument fluctuate due to changes in market interest rates. Interest margins may increase as a result of such changes, but also they may decrease when unexpected downward fluctuations occur.

With respect to potential losses due to interest rate risk, we report to the SBS the impact on net financial margin (profit at risk within one year) on a monthly basis and according to internal and regulatory methodologies.

	Remaining Maturity as of December 31, 2021				
	1 Month	1-3 Months	3 Months-1 Year	Over 1 Year	Total
	(S/ in thousands)				
Interest-earning assets					
Cash and due from banks	1,165,983	—	—	—	1,165,983
Available-for-sale and held-to-maturity investments	—	1,360	31,190	225,519	258,069
Accounts receivable, net (Trust Agreement – COFIDE)	48,720	102,352	463,820	8,009,643	8,624,535
Credits	195	409	1,850	32,157	34,611
Total interest-earning assets	**1,214,898**	**104,121**	**496,860**	**8,267,319**	**10,083,198**
% of total	**12%**	**1%**	**5%**	**82%**	**100%**
Interest-bearing liabilities					
Borrowings and financial obligations	60,663	101,060	98,412	6,152,983	6,413,118

	Remaining Maturity as of December 31, 2021				
	1 Month	1-3 Months	3 Months-1 Year	Over 1 Year	Total
			(S/ in thousands)		
% of total	**1%**	**2%**	**2%**	**96%**	**100%**

Contingent Accounts

The following table sets forth our contingent accounts as of the dates indicated.

	As of December 31,		
	2021	2020	2019
		(S/ in thousands)	
Contingent accounts:			
Forward sellings[(1)]	258,629	268,113	268,597
Swaps[(2)]	3,446,383	3,299,883	2,672,752
Contingent risks and commitments[(3)]	21,090	30,888	46,071
Total contingent accounts	**3,726,102**	**3,598,884**	**2,987,420**

(1) As of December 31, 2021, corresponds to the face value of commitments to purchase forwards in U.S. dollars in the amounts of US$64 million, respectively, to hedge accounts held in those currencies.

(2) As of December 31, 2021, corresponds to the face value of commitments to the following hedging operations:
- Swaps Principal Only. Purchase of U.S. dollars and Euros for coverage of accounts held in those currencies, in the amounts of US$560 million and EUR4.5 million.
- Cross Currency Swaps. Sale of U.S. dollars for coverage of U.S. dollar-denominated accounts totaling US$150 million.
- Cross Currency Swaps. Purchase of Euros for coverage of Euro-denominated accounts totaling €183 million.

(3) Corresponds to the balance of the loan portfolio that was securitized and sold to Banco de Crédito del Perú. In 2012, we sold the next 36 principal and interest payments due on a S/205.1 million loan portfolio to Banco de Crédito del Perú and received S/188.0 million as payment, which was the approximate net present value of those payments at the date of the transaction. The remaining payments due on these loans that were not sold in the transaction were retained by us.

Derivative Financial Instruments

We use swap and forward contracts to hedge our exposure to currency exchange rate risk and also use forward contracts for trading purposes. The non-deliverable forwards are a futures contract in which we settle the difference between the contracted rate and the prevailing spot rate on a notional amount.

	As of December 31, 2021		
	Assets	Liabilities	Face Value
		(S/ in thousands)	
Forwards selling	6,563	—	258,629
Total forwards	6,563	—	258,629
Swaps	818,298	(30,213)	3,446,383
Total	**824,861**	**(30,213)**	**3,705,012**

Derivative financial instruments that generate accounts receivable and accounts payable are maintained for hedging purposes against currency risk and have maturities ranging from February 2022 to November 2031. We do fully hedge our exposure to foreign currencies. As of December 31, 2021, our hedged foreign currency positions by currency and as a percentage of our total exposure to foreign currencies were as follows:

As of December 31, 2021	Hedged
U.S. dollars	73.2%
Euro	26.8%

For the years ended in December 2021 and 2020, we have recognized a net loss for trading derivatives of S/447 thousand and a gain for trading derivatives of S/1,844 thousand, respectively, as well as a net loss for hedging derivatives of S/86,740 thousand and of S/85,764 thousand, respectively.

Critical Accounting Policies

Critical accounting principles and practices used in the preparation of our financial statements included in this offering memorandum are described below.

Critical accounting estimates and judgments

The preparation of the financial statements in conformity with SBS GAAP requires management to use certain critical accounting estimates and judgments. Estimates and judgments are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which these are revised in any future periods affected. Since these are estimates, final results may differ; however, based on the opinion of our management, these estimates and assumptions do not have significant risk of causing a material adjustment to the balances of assets and liabilities in the subsequent year.

The significant estimates related to the financial statements correspond to the allowance for doubtful accounts, valuation of investments, estimate of the deferred income tax recovery, provision for income tax, and the fair value of derivative instruments.

Investments

As described in note 4 of our audited financial statements as of December 31, 2021 and 2020, investments are valued in accordance with SBS Resolution No. 7033-2012.

Classification

(1) Available-for-sale investments

Characterized as such because they are held for an indefinite period and may be sold for purposes of liquidity, due to changes in interest rates, exchange rates or cost of capital or are not qualified to be classified at fair value through profit and loss or held-to-maturity.

The fair value of available-for-sale investments is determined primarily on the basis of open market quotations or, in the absence of these, based on discounted cash flows using market rates that reflect the credit quality and maturity of said investments.

(2) Held-to-maturity investments

Investment instruments classified in this category, must meet the following criteria:

- Acquired or reclassified for the purpose of holding them until their maturity date, except for those cases when sale, assignment or reclassification are allowed by the SBS.
- The investment must have risk ratings as required by the SBS.
- In order to classify investments in this category, we must assess whether we have the financial capacity to maintain such investment instruments until their maturity, upon recognition of such instrument and at the closing of each annual period.

Recording date of the transaction

Transactions related to available-for-sale and held-to-maturity investments must be recorded on their trading date, that is, the date at which the reciprocal obligations must be fulfilled within the term established by regulations and practices in the market in which the operation takes place.

Initial recognition

The initial recognition of available-for-sale and held-to-maturity investments is carried at fair value plus transaction costs that are directly attributable to the acquisition of such investments.

Amortized cost

Any premium or discount related to these investments is considered in determining the amortized cost using the effective interest rate method, recognizing the accrued interest in the "interest on available-for-sale and held-to-maturity investments" item within the "interest income" caption of the statement of income.

Valuation

(1) Available-for-sale investments

These investments are recorded at fair value and unrealized gains and losses generated by them are recognized in net equity.

When the instrument is sold and gains or losses previously recognized as part of the net equity are realized, such gains or losses are recognized in profit or loss for the period. On the other hand, when our management believes that the decline in market value is permanent or is caused by credit impairment, we make a provision and transfer the estimated loss from equity to results.

In any of the aforementioned cases, if the SBS considers necessary to provide some additional allowance for any type of investment, such provision will be determined by the SBS based on each individual asset and then communicated to us, for its recognition in profit or loss for the period.

(2) Held-to-maturity investments

These investments are recorded at amortized cost using the effective interest rate method.

Impairments are recorded individually for negative changes in the credit capacity of the issuer, analogous to the treatment of direct loans, which directly affects our profit or loss for the period.

When these investments are sold without complying with the requirements set forth by SBS regulations and similar financial instruments are again acquired from the same issuer, the same cannot be recorded in this category unless an authorization from the SBS is obtained.

Impairment assessment

SBS Resolution No. 7033-2012 provides a standard methodology for the identification of impairment of financial instruments classified as available-for-sale and held-to-maturity investments

The "Standard Methodology for the Identification of Impairment of Available-for-Sale and Maturity Investments" *("Metodología Estándar para la Identificación del Deterioro de Valor de Inversiones Disponibles para la Venta e Inversiones a Vencimiento"*) shall be applied. However, if there is a more sophisticated methodology for identifying impairment different from the methodology required by the SBS, it may be applied with the prior authorization of the SBS.

In general terms, the "Standard Methodology for the Identification of Impairment of Available-for-Sale and Maturity Investments" classifies instruments into equity and debt instruments, and establishes that they shall be evaluated under the following considerations, among others, as appropriate:

- Impairment of financial ratios or financial position of the issuer and its business group.
- Adverse conditions of the investment and the issuer.
- Interruption in the in payment of interest or principal due to financial distress of the issuer.
- Decline in value due to policy changes (*i.e.,* tax, regulatory or other governmental regulations).

According to the aforesaid SBS resolution, if at least two of the factors mentioned above are present, there is impairment. Once an impairment loss is recognized, subsequent evaluations are made on the book value of the instruments, net of impairment losses for value previously recognized.

In addition, depending on the type of instrument, it is sufficient that one of the following specific factors be present in order to consider that impairment exists:

- Evidence that the issuer will be subject to a forced restructuring or bankruptcy procedure.

- Forced renegotiation of the contractual terms of the instrument by legal or economic factors related to the issuer.
- Disruption of a transaction or of an active market due to financial distress of the issuer.
- Significant decrease in fair value below acquisition cost.
- Prolonged decline in fair value.
- Failure of the issuer to comply with the provisions of the bylaws related to the payment of dividends.

Income tax

Current income tax, asset or liability, is measured as the amount expected to be recovered from or paid to tax authorities. Current income tax is determined based on the taxable income and recorded according to tax legislation applicable to us.

Deferred income tax is determined by the balance method based on temporary differences between assets and liabilities balances for accounting purposes and those determined for tax purposes. Deferred assets and liabilities are measured at the tax rates that are expected to be applied on taxable income in the periods when these differences are recovered or eliminated. Measurement of deferred assets and liabilities reflects tax consequences arising from the way we expect to recover or settle the value of assets and liabilities as of the date of the statement of financial position.

Deferred assets and liabilities are recognized without considering the estimated time when the temporary differences will disappear. Deferred assets are recognized when it is probable that there would be sufficient future benefits so that the deferred asset can be applied. As of the date of the statement of financial position, we evaluate the unrecognized deferred assets, as well as the accounting balance of recognized assets.

Accounts receivable (Trust agreement - COFIDE)

As described in further detail in "Management's Discussion and Analysis of Financial Condition and Results of Operations", accounting principles applicable to our loan portfolio have been determined by the SBS and derive from the fact that we do not directly disburse our loans to the final borrower, in compliance with and as provided under SBS GAAP. We make lines of credit available through a trust structure with COFIDE (*Corporación Financiera de Desarrollo*), a financial institution controlled by the Peruvian state, to intermediary financial institutions that place our loan products to the public. These lines of credit are required to be used in originating loans to the final borrowers.

As a result of this structure, our exposure to the credit risk of the final borrower is reduced by the participation of the intermediary financial institutions. Accordingly, our risk classifications are based on the credit risk category of the intermediary financial institution as well as a portion of the risk classification of the final borrower, depending on the type of product, in order to compute our provision for the related credit risk. This methodology is designed to allow us to provision for the risk of default to which we may actually be exposed. See "Summary" and "Business" for a description of our coverages by type of product.

All of our loans are eligible for CRC, pursuant to which, upon default by the final borrower, we generally assume one third of the risk of loss of the principal due on the loan by the intermediary financial institution (except in the case of *Financiamiento Complementario Techo Propio*, where we initially assume 100% of the associated credit risk), provided that the individual mortgage is duly registered with the Peruvian Public Registry of Real Property. The intermediary financial institution retains the remaining risk of default.

The COFIDE trust

Amounts due by final borrowers are paid to us by the financial intermediaries through COFIDE, regardless of whether they have received payment on the underlying loan. We therefore account for our outstanding loans as "Accounts receivable, net (Trust Agreement – COFIDE)", which corresponds to amounts due by intermediary financial institutions and includes the results of the CRC and PBP trusts denominated in *soles* and U.S. dollars. In addition, we provision loan losses in accordance with SBS rules under the line item "Provisions for doubtful accounts receivable (Trust receivable agreement – COFIDE)" in our financial statements, which includes the risk related to defaults under the loans assumed by the intermediary financial institutions throughout most of our loan products.

Derivative financial instruments

Trading derivative financial instruments are initially recognized in our statement of financial position at cost and subsequently are remeasured at fair value. Derivatives are carried as an asset when the fair value is positive and as a liability when the fair value is negative. Derivatives are recorded in memorandum accounts at the notional amount of the involved currency (see note 4 of our audited financial statements).

Fair values of derivative instruments are estimated based on prevailing market exchange and interest rates. Gains and losses arising from changes in the fair value of derivatives are recorded in profit or loss for the period.

As of December 31, 2021, we hold hedging derivatives registered (i) as cash flow hedges that are mainly used to cover the currency risk that results from the issuance of bonds denominated in U.S. dollars and the incurrence of loans in Euros, and (ii) as fair value hedges that are mainly used to hedge short-term exchange rate risk. For the latter, gains or losses in valuation are recognized in periodic results. Furthermore, as of December 31, 2021, we do not have embedded derivatives.

BUSINESS

Overview

We are a for-profit entity that is wholly-owned by the Peruvian state, established with the principal goal of providing lower- and middle-income working families and individuals who are most likely to be part of the population most affected by the quantitative and qualitative housing deficit in Peru with access to financing to construct, purchase or improve their residences. We are also responsible for the management, acquisition and distribution of land that is transferred or acquired by the Peruvian government or local governments, in accordance with the Law No. 31313 published on the *El Peruano* Official Gazette on July 25, 2021. We are key to the Peruvian government's economic and social development policies, especially as the country addresses an estimated of 1.1 million housing units and a quantitative deficit of 455,000 housing units, according to the estimates of the MVCS, which are based on the National Household Survey (*Encuesta Nacional de Hogares*) published in 2020. One of our key goals is to continue to provide innovative mortgage products and enhance our existing loan programs that target lower income borrowers and further our joint goals of increasing the penetration of mortgage loan financing as a percentage of the GDP, which represented approximately 6.7% of Peru's GDP as of December 31, 2021, and to enable our borrowers to become formal participants in the economy. By gaining access to our mortgage products, these historically un-banked and under-banked households are able to develop a credit history, enhance their wealth through home ownership, and generally improve their living conditions.

Our loan products are placed through intermediary financial institutions operating in Peru that in turn originate and share the risk on loans designed to enable our target borrowers to purchase, expand or remodel their homes. The intermediary financial institutions serve as our agents, enabling us to increase the size of our loan portfolio without significant additional operating expenditure, and are allowed to sell their loan portfolio to other financial institutions, investment funds or investment fund management companies (*sociedades administradoras de fondos de inversion*), subject to our authorization. In our business and operating model, we designate a maximum loan balance for each intermediary financial institution. Each intermediary financial institution places and services loans using our uncommitted credit lines and approves each loan application directly, using its and our credit criteria.

Funding for our loan products is made available to intermediary financial institutions through a trust. Currently, we use a trust we established in 1999 with COFIDE serving as trustee. Under this structure, the trustee confirms whether the loan complies with all our lending requirements, although we have final lending approval authority over each loan. The trustee executes a master agreement for each product with the intermediary financial institution. Upon completion of procedural requirements, the trustee disburses funds to the intermediary financial institution. Funds are then disbursed on behalf of the final borrower by the intermediary financial institution to the seller or developer of the property. Once the individual mortgage is duly registered with the Peruvian Public Registry of Real Property and the loan documentation is executed, the loan becomes eligible for CRC, pursuant to which we assume a portion of the associated credit risk of the final borrower. Additionally, we expect to provide CRC under our New CRC Product to financial institutions that disburse *Nuevo Crédito Mivivienda* loans using their own funds. For more information on our CRC and the New CRC Product, see

"Management's Discussion and Analysis of Financial Condition and Results of Operations—Principal Trends Affecting Our Business—Trends specific to our business—Risk sharing and treatment of defaulted loans, and Credit Risk Coverage" and "—Description of Products and Services— New CRC Product."

As of December 2021, 170,149 loans have been placed under our programs, representing a total disbursement of S/14,474 million (US$3,630 million) under our loans generated in *soles* and US$773 million under our loans generated in U.S. dollars since 1999.

Description of Products and Services

We have three principal products: (i) *Nuevo Crédito Mivivienda*; (ii) *Financiamiento Complementario Techo Propio*, which is designed to complement the BFH subsidy that we administer on behalf of the Peruvian government; and (iii) *Crédito MiTerreno*. In addition, we expect to provide CRC under our New CRC Product to financial institutions that disburse *Nuevo Crédito Mivivienda* loans using their own funds. The New CRC Product was approved by our board of directors in December 2021 and is expected to be launched during the first half of 2022, subject to the implementation of certain internal regulations. We expect that the CRC under the New CRC Product will be made available to financial institutions only upon the registration of the mortgage on the underlying property being financed. In consideration of the CRC provided to financial institutions under our New CRC Product, we expect to receive a fee from the financial institutions equal to approximately 1% of the principal amount of the loan. All of our current products are denominated in *soles*, placed and serviced through intermediary financial institutions and ultimately secured by a mortgage on the property. The table below sets out the general features of each of our products as of December 31, 2021.

	As of December 31, 2021		
	Nuevo Crédito Mivivienda	***Financiamiento Complementario Techo Propio***	***Crédito MiTerreno***
Number of loans outstanding	87,304	9,375	10
Amount outstanding (in thousands of S/)	8,511,220	205,635	183
Average disbursed amount at origination (in S/)	125,112	24,164	37,769
Interest charged to intermediary financial institution	7.1% for *Nuevo Crédito Mivivienda* loans for the financing of non-sustainable residential projects; and 7.1%, 6% and 5% for *Nuevo Crédito Mivivienda* loans for the financing of sustainable residential projects I+, II+ and III+, respectively	7.25%	15%
Interest charged to final borrower	8.35% for *Nuevo Crédito Mivivienda* loans for the financing of non-sustainable residential projects; and 8.88%, 8.34% and 7.84% for *Nuevo Crédito Mivivienda* loans for the financing of sustainable residential projects I+, II+ and III+, respectively	14.77%	18%
Approximate average term (in months)	198	169	91
Our portion of the credit risk	Ranging from 1/3 to 2/3 for the total duration of loan	100%, decreasing 10% every two years and 1/3 after the 14th anniversary of the loan	1/2 for the total duration of loan

Nuevo Crédito Mivivienda

Nuevo Crédito MiVivienda was introduced in 2009 and is designed to finance the purchase of new and used homes that cost between S/61,200 and S/436,100, as well as to finance housing construction and improvement works. It is our most popular product, representing 96.5% of the outstanding balance of our loan portfolio as of December 31, 2021. Borrowers are only eligible to receive a *Nuevo Crédito MiVivienda* loan a maximum of twice in total, subject to their compliance with the requirements set forth below. The term of our *Nuevo Crédito MiVivienda* loans is between 5 to 25 years. We charge the intermediary financial institutions that place our *Nuevo Crédito MiVivienda* loans a fixed annual interest rate of 7.1%, which generally translates into an average 8.35% rate to the final borrower.

Our *Nuevo Crédito MiVivienda* loans also serve to finance the development of energy-efficient residential projects that are certified as sustainable projects upon their design and completion according to our certification procedures, and meet or exceed recognized sustainable development standards. Our certification procedures were last updated in July 2021 and set forth the three levels of sustainability (Level I+, Level II+ and Level III+) in which sustainable projects are classified, each of which is granted according to the type of sustainability equipment involved in the project, as follows:

- Level I+ is granted to projects involving water efficiency, light efficiency, bioclimatic design, waste management and on-site recycling, resource savings and natural gas and sustainable mobility equipment;

- Level II+ is granted to projects involving renewable energy generation and energy efficiency equipment, in addition to the equipment required for Level I+; and

- Level III+ is granted to projects involving gray water treatment and green roofs and urban sustainability equipment, in addition to the equipment required for Level II+.

Intermediary financial institutions and final borrowers under our *Nuevo Crédito Mivivienda* loans for the financing of sustainable residential projects are eligible for the application of more favorable interest rates than the rates applicable to our *Nuevo Crédito Mivivienda* loans for non-sustainable projects. Additionally, final borrowers under our *Nuevo Crédito Mivivienda* loans for sustainable residential projects are eligible to receive greater amounts of the Good Payer Bonus.

Borrowers under our *Nuevo Crédito MiVivienda* loans are eligible for the Good Payer Bonus. The Good Payer Bonus is a subsidy financed through the MVCS and is implemented as a supplement to the down payment that must be paid by the final borrowers under such loans . For further information about the Good Payer Bonus, see "—Good Payer Award and Good Payer Bonus."

We offer CRC to the financial institutions that place our *Nuevo Crédito MiVivienda* loans, which covers up to 70% of the loss of default. CRC is available once a mortgage on the underlying property is duly registered. Prior to registration of the mortgage, the intermediary financial institutions retain 100% of the risk of loss.

We believe we have strong collateral supporting our loans through the mortgages obtained by the intermediary financial institutions on the properties and the down payments we receive from the final borrowers through the intermediary financial institutions, which range from 7.5% of the purchase price of the property, if the principal amount of the loan is 90% of the value of the home, to 30% of the purchase price of the property, if the principal amount of the loan is less than 90% of the value of the home. The value of the collateral generally continues to improve over time as the value of the property increases.

We require that any borrower for a *Nuevo Crédito MiVivienda* loan (i) has not benefited from housing programs offered through us, *Fondo Nacional de Vivienda* ("FONAVI") or any other Peruvian public entities, more than twice (ii) does not (and/or his or her spouse, partner or under age children do not) have any other home in Peru, (iii) will not spend more than 40% of his or her monthly income on monthly installments due on the loan for housing values up to S/218,100 as of the date of its purchase, and 50% for housing values above such amount as of the same date, (iv) has savings or other sources of funds to make a down payment of at least 7.5% of the purchase price of the property, and (v) the maximum amount of financing shall not exceed 90% of the value of the home. The intermediary financial institutions may require additional requisites to final borrowers.

Financiamiento Complementario Techo Propio

The *Financiamiento Complementario Techo Propio* program was introduced in 2003 and is designed to enable lower-income borrowers to (i) purchase homes that cost up to S/109,200, (ii) build a home at a minimum cost of 5.9 UIT (S/27,140 in 2022) and a maximum cost of 20 UIT (S/92,000 in 2022); or (iii) finance improvements of their existing home at a maximum cost of 2.5 UIT (S/11,500 in 2022) of the cost of the improvement works. In order to be eligible as lower-income borrowers, borrowers must have household income of S/3,715 per month or less in order to purchase homes and S/2,706 in order to build a home. These income thresholds are revised on a yearly basis and, as of the date of this offering memorandum, the home value ranges applicable in 2020 and 2021 are currently in force. The maximum term of this loan product is 25 years. Borrowers under the *Financiamiento Complementario Techo Propio* are eligible for the BFH subsidy, which is funded by the MVCS and granted to individuals who, among others, are members of a family unit, do not have any other home or land in Peru, and have not benefited from housing programs offered through us, FONAVI or any other Peruvian public entities. For purposes of this offering memorandum, we use the term *Financiamiento Complementario Techo Propio* to refer to the *Crédito Complementario Techo Propio* referred to in the audited financial statements included in this offering memorandum.

We charge 7.25% annual interest to each intermediary financial institution that places this loan product, which generally translates to an approximate average 14.77% annual interest rate to the final borrower. The maximum amount available under the BFH subsidy is 8.75 UIT (S/40,250 in 2022) for the purchase of new homes, 6 UIT (S/27,600 in 2022) for the construction of new homes and 2.3 UIT (S/10,580 in 2022) for improvement of existing homes. Down payments required to be made by borrowers range between 0.023 of an UIT (S/105.8 in 2022) to 0.3% of the value of the property. We provide CRC for this product, whereby we assume up to 70% of the risk of default. The intermediary financial institutions that place loans under this program assume the remaining portion of the risk.

We require that any borrower for these loans (i) does not (and/or his or her spouse, partner, under aged children) own any other home or residence in Peru and (ii) has not previously benefited from housing programs offered through us, FONAVI or any other Peruvian public entities of the Peruvian government. The intermediary financial institutions may require additional requisites to final borrowers.

In addition, we administer the *Techo Propio* program of the MVCS. We receive funds from the MVCS for the BFH subsidy under the *Techo Propio* program and we disburse those funds either directly to borrowers or to real estate developers in the name of the borrowers. As the administrator of the *Techo Propio* program, real estate developers provide stand-by letters of credit and surety bonds to us on behalf of the MVCS.

Crédito MiTerreno

Crédito MiTerreno was approved by our board of directors in April 2014 and is designed to finance land acquisitions to build a home. As of December 31, 2021, we had issued a total of 10 *Crédito MiTerreno* loans with an aggregate principal amount outstanding of S/183,000 (US$45,899). The annual interest rate we charge to intermediary financial institutions that place these loans is approximately 15.0%. Under this product, we assume up to half of the risk of default by the final borrower.

We expect to require that any borrower for these loans (i) does not own, or their spouse or children do not own, a home or a residential land in Peru, and (ii) has savings or other sources of funds to make a down payment of at least 30% of the purchase price of the property. The intermediary financial institutions may require additional requisites for the final borrowers.

New CRC Product

The New CRC Product was approved by our board in December 2021 and is expected to be launched during the first half of 2022. It is designed to provide CRC to financial institutions that disburse *Nuevo Crédito Mivivienda* loans using their own funds. We expect that the CRC under New CRC Product will be made available to financial institutions only upon the registration of the mortgage on the underlying property being financed. In consideration of the CRC provided to financial institutions under our New CRC Product, we expect to receive a fee from the financial institutions equal to approximately 1% of the principal amount of the loan. We also expect that the final borrowers will be eligible for the Good Payer Bonus and BFH subsidies, subject to certain conditions, including that the final borrower has not benefited from housing programs offered through us, FONAVI or any other Peruvian public entities in the past.

The table below sets forth the CRC that we expect to provide to financial institutions depending on the home value and the type of loan disbursed.

Home value as of the date of its purchase	*Nuevo Crédito Mivivienda* for the financing of non-sustainable residential projects	*Nuevo Crédito Mivivienda* for the financing of sustainable residential projects		
		Level I+	Level II+	Level III+
	% of the principal amount of the loans			
From S/61,200 up to S/130,900	40%	50%	60%	70%
More than S/130,900 up to S/436,100	30%	40%	50%	60%

Discontinued Legacy Products

As part of our strategy to serve greater numbers of borrowers, from 2006 to 2021 we discontinued the following products: *Crédito MiVivienda Estandarizado*, *Crédito MIHOGAR*, *Crédito MiVivienda Tradicional, Crédito MiConstrucción, Crédito MiCasaMás,* all of which were integrated in the current *Nuevo Crédito Mivivienda*, and *Servicio CRC-PBP*, which was a temporary product designed to provide the intermediary financial institutions with resources to disburse the loans through temporary trusts. As a result, we no longer make disbursements under these products, although we continue to carry existing balances due on all of these loan products on our balance sheets, which we expect to pay off by December 2037.

For each of these products, we operated using a different business model in which we did not fund loans. Instead, intermediary financial institutions issued qualifying loans using their own funds. We enhanced these loans with the following two services: (i) CRC, in which we agreed to assume between one third and two thirds of the unpaid balance of the loan or of the loss upon default, whichever is lower, and (ii) a subsidy to incentivize final borrowers to repay their loans on a timely manner by assuming the cost of one loan installment for every six installments that the final borrower paid on a timely manner, which was formerly known as the Good Payer Award (*premio al buen pagador*) and is no longer in force.

To fund and administer the legacy CRC and the former Good Payer Award, we established two trusts in June 2007, one in *soles* and one in U.S. dollars. We set the regulations for these programs as well as administer any payments due. To fund the program, we charged the intermediary financial institutions an additional commission at the time the CRC is incurred, which occurred when a mortgage is duly registered with the Peruvian Public Registry of Real Property in favor of the intermediary financial institution. These commissions related to our legacy products were deposited into accounts held by the trusts, which we managed and used solely for funding CRC and Good Payer Award expenses.

The tables below set forth the commissions we charged through the CRC-PBP Trusts for CRC, and the Good Payer Award on these legacy products.

	Commission - CRC U.S. dollars	Commission - CRC *soles*
Range of years of original term of the loan	**% amount disbursed**	**% amount disbursed**
16 -20 years	0.0175%	0.0175%
11 - 15 years	0.0135%	0.0135%
10 years	0.0070%	0.0070%

	Commission - Good Payer Award (U.S. dollars)	Commission – Good Payer Award (*soles*)
Range of years of original term of the loan	**% of installment for the Good Payer Award tranche**	**% of installment for the Good Payer Award tranche**
15- 20 years	16.5830%	12.4380%
10-14 years	16.5830%	16.5830%

For further details regarding CRC-PBP trusts, see "Selected Statistical Information—Accounts receivable from the CRC-PBP Trusts" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Principal Trends Affecting Our Business—Trends specific to our business—The CRC-PBP Trusts."

Good Payer Award and Good Payer Bonus

The Good Payer Award was originally designed to incentivize final borrowers to repay their loans on a timely manner and was historically implemented by forgiving a portion of the principal loan balance if the borrower paid six consecutive monthly installments (taking into account grace periods) on a timely manner. Although we no longer offer the Good Payer Award to our borrowers, the borrowers under those outstanding loans that were eligible for the Good Payer Award at the time of their origination continue benefitting from this subsidy.

Currently, any borrower under our *Nuevo Crédito Mivivienda* is eligible for the Good Payer Bonus in an amount calculated according to the market value of their homes as of the date of the purchase of the home. The Good Payer Bonus is a subsidy financed through the MVCS and is implemented as a supplement to the down payment that must be paid by the final borrowers under such loans. The home values that serve for the calculation of the amount of the Good Payer Bonus are revised each year. If final borrowers default under the loan, they must reimburse us the 100% of the amount of the supplement. We expect that borrowers under our New CRC Product will also be eligible for the Good Payer Bonus and BFH subsidies, subject to certain conditions, including that the final borrower has not benefited from housing programs offered through us, FONAVI or any other Peruvian public entities in the past.

The table below sets forth the amounts of the Good Payer Bonus that borrowers are eligible to receive, which were established by means of Decree No. 003-2015-VIVIENDA and last updated by means of Decree No. 003-2021-VIVIENDA, and are revised by the MVCS periodically:

Home value as of the date of its purchase	Good Payer Bonus Maximum Value for non-sustainable residential projects (UIT)[1]	Good Payer Bonus Maximum Value for non-sustainable residential projects (in *Soles*)	Good Payer Bonus Maximum Value for sustainable residential projects (UIT)	Good Payer Bonus Maximum Value for non-sustainable residential projects (in *Soles*)
S/61,200 up to S/87,400	5.58139	24,600	6.74418	29,700
More than S/87,400 up to S/130,900	4.65116	20,500	5.81395	25,600
More than S/130,900 up to S/218,100	4.25581	18,800	5.4186	23,900
More than S/218,100 up to S/323,100	1.58139	10,300[1]	2.74418	15,400[1]

(1) This figure includes a Good Payer Bonus subsidy in the amount of S/3,300.

Since the commencement of our operations, we have granted the Good Payer Bonus to our borrowers in an amount up to S/810,279,300.

Relationship with COFIDE and the Intermediary Financial Institutions that Place our Products

COFIDE administers our relationship with all of the intermediary financial institutions that place our loans pursuant to a trust agreement with us dated March 25, 1999. In accordance with the trust agreement, we established a trust with COFIDE, who acts as the trustee and administers funds provided through the trust. Pursuant to the terms of the trust agreement, we establish the policies for fund disbursements under our loan programs, approve the minimum criteria that intermediary financial institutions must use to screen borrowers and establish how and under what conditions funds are to be made available to intermediary financial institutions for disbursement to the final borrower. COFIDE does not assume any risk pursuant to our arrangement and receives a monthly S/10,000 commission at disbursement of funds to an intermediary financial institution and an additional 0.23% effective annual interest rate in funded loan balances for its services. Pursuant to the terms of the trust agreement, COFIDE is responsible for:

- ensuring overall compliance with applicable laws and regulations;
- verifying that the relevant intermediary financial institution is in compliance with terms (including credit approval policies) imposed by us;
- executing master agreements with intermediary financial institutions that place our loans;
- monitoring the disbursement of funds provided by each program, as established in our regulations and in the channeling agreements entered into with intermediary institutions;
- pursuing payment of loans granted in favor of intermediary institutions;
- commissioning audits and submitting reports;
- sending us periodic reports regarding the development of the fund, as well as recommendations regarding our exposure limits to our participating intermediary financial institutions; and

- establishing further rules and regulations for our intermediary financial institutions, as necessary.

COFIDE is a party to master agreements with each intermediary financial institution that places our loans under each of our products. These agreements cover the procedures the intermediary financial institution must follow as well as minimum requirements for evaluation of the final borrower. The intermediary financial institutions sign loan agreements with the borrower, and a promissory note is issued by the intermediary financial institution to the COFIDE Trust. Though these are ultimately assigned to COFIDE for our benefit, we believe the perception among our borrowers that the loan is coming from the intermediary financial institution rather than a state-owned entity elevates the importance of the obligation to repay and has contributed to our low default rate.

Operational Overview

Our existing products are funded through lines of credit we make available to intermediary financial institutions through the COFIDE trust. Per the terms of the trust agreement, COFIDE confirms the loan complies with all our requirements, although we have final lending approval authority over each loan. COFIDE executes a master agreement for each product with the intermediary financial institution and also makes funds under our lines of credit available for the final borrower. Funds are disbursed by the intermediary financial institution once the mortgage is duly registered with the Peruvian Public Registry of Real Property and the loan documentation is executed.

Approval Procedures

The first step in any loan origination occurs when the potential borrower submits an application to an intermediary financial institution that offers our products. Pursuant to the master agreement between the intermediary financial institution and COFIDE, the final borrower is required to submit certain documentation as part of the credit application. The intermediary financial institutions may require additional requisites to final borrowers. In addition, we do not impose or suggest interest rates to be charged to final borrowers – each financial institution sets rates in accordance with prevailing market rates.

Once the financial institution has completed its review and approved the application, it is sent to COFIDE which processes the loan application and determines if all requirements imposed by us have been met. In general, applicants are approved if it is determined that they meet the minimum requirements based on our objective qualification criteria. Upon COFIDE's approval, each loan application is subject to our final approval. In all cases, we certify that the final borrower complies with our internal credit criteria.

Disbursement Procedures

Once we have approved a borrower, we disburse the funds to COFIDE, which has three business days to disburse the funds to the intermediary financial institution placing the loan. The final borrower must execute a loan agreement and promissory note in favor of the intermediary financial institution placing the loan, although under the master agreement between the financial

institution and COFIDE, both the loan agreement and the promissory note are assigned to COFIDE for our benefit. Funds are only disbursed by the financial institution when a mortgage is duly registered with the Peruvian Public Registry of Real Property, or other guarantee, such as a letter of credit, is executed by the final borrower. At that point, the financial institution has five business days to disburse the loan to the project developer or seller.

Repayment Procedures

Final borrowers are required to begin repayment upon disbursement of the loan, depending on the loan product. This occurs regardless of whether the funds have been released to the seller or project developer and regardless of whether the final borrower's home or project is complete. The borrower pays the intermediary financial institution in equal installments according to a schedule developed at disbursement. Payments from the intermediary financial institutions to us are processed through COFIDE by automatic wire transfer. COFIDE, acting pursuant to irrevocable instructions, debits the intermediary financial institution's account at the Peruvian Central Bank for any amount owed. This occurs regardless of whether the final borrower has remitted payment and comes from any available funds in the intermediary financial institution's name, unless the financial institution has previously notified COFIDE and us that the borrower is in default under the terms of the loan. Once the debit is successful, COFIDE instructs the Peruvian Central Bank to transfer the funds to a bank we have designated.

Loan monitoring

We continuously monitor both the intermediary financial institutions that place our loans as well as the final borrowers. We regularly visit the intermediary financial institutions and conduct a review of select groups of credit agreements and records or other documents. Our agreements with the intermediary financial institutions contain a clause (Clause 13) that allows us to withdraw our portfolio from the intermediary financial institution without penalty if specified events occur or if we, at our own discretion, decide to do so. While generally used sparingly and only as a last resort, we have invoked this clause in the past when we felt an intermediary financial institution's deteriorating financial situation made such action prudent. This was the case early in 2012, when we removed our portfolio of loans from a microfinance institution because of concern that it had too much exposure to the fishing industry, which had been experiencing certain disruptions. Additionally, in 2020 and 2021, we invoked Clause 13 against Caja Municipal de Ahorro y Crédito de Sullana, Cooperativa de Ahorro y Crédito Quillacoop, Cooperativa de Ahorro y Crédito San Francisco, Cooperativa de Ahorro y Crédito Aelu, Caja Municipal de Ahorro y Crédito de Tacna, Caja Rural de Ahorro y Crédito Rural Prymera and Cooperativa de Ahorro y Crédito Santa María Magdalena, based on our analysis of their economic condition. In the cases where we invoke Clause 13, we will either place the portfolio with another intermediary financial institution or assume the portfolio of loans directly.

Environmental, Social and Governance

Our business practices are driven by environmental stewardship, social responsibility, and governance (ESG), which we believe not only strengthens our relationships with financial institutions and borrowers, but also with the communities in Peru in which we do business. Our sustainability goals are designed to meet the sustainability requirements set forth by FONAFE

and include (i) promoting the development of energy-efficient residential projects that promote health and well-being, benefiting the communities with which we do business, (ii) meeting or exceeding recognized standards for sustainable development to promote projects that enable our communities to prosper more sustainably; and (iii) partnering with community organizations to support environmental and social initiatives.

We have developed our *Nuevo Crédito MiVivienda* product to serve to finance energy-efficient residential projects that meet or exceed recognized sustainable development standards. These projects are classified in three levels of sustainability according to our procedures (Level I+, Level II+ and Level III+), each of which enables the final borrowers to apply for more favorable interest rates than the rates applicable to our *Nuevo Crédito Mivivienda* loans for non-sustainable projects and to receive greater amounts of the Good Payer Bonus. See "—Description of Products and Services—*Nuevo Crédito MiVivienda*."

In 2021, we were regionally recognized for our corporate governance practices by the international organization Great Place to Work. In 2020, we were acknowledged by FONAFE for our prevention practices to face the COVID-19 pandemic. In 2019 (i) the Latin American Association of Development Financing awarded us for our *Nuevo Crédito MiVivienda* product which serve to finance energy-efficient residential projects, (ii) we received the first place in the sixth edition of the Latin America Green Awards (*Premios Latinoamerica Verde*) for the implementation of our *Nuevo Crédito MiVivienda* product which serve to finance energy-efficient residential projects to promote sustainable development in the housing market, (iii) we received the first place in the Effective Environmental Management category awarded by the non-governmental organization *Ciudadanos al Día* for the impact of our *Nuevo Crédito MiVivienda* product on sustainable development, and (iv) we received the second place in the Best Labor Practices award granted by the Peruvian Ministry of Labor for our remuneration, salary policy and benefits for workers policy.

Screening Procedures for Intermediary Financial Institutions that Place our Loans

When considering whether to accept a new intermediary financial institution or approve a new product for an existing one, we screen the relevant intermediary financial institutions using the following six-step process: (i) background evaluation, (ii) quantitative evaluation; (iii) qualitative evaluation; (iv) document analysis; (v) risk analysis and (vi) financial indicators and other criteria. After we disburse funds to an intermediary financial institution, we monitor both the financial institution and the individual final borrowers on an ongoing basis.

Background evaluation

We carry out a preliminary assessment of the economic and financial situation of the financial institutions. In particular, we assess whether the credit risk policies of the financial

institutions align with our own credit risk policies, whether the financial institutions grant mortgage loans, and the risk classification of the financial institutions.

Quantitative evaluation

At this step, we consider:

- the overall liquidity situation of the intermediary financial institution, as well any restrictions that might be imposed on it by the SBS or other regulators;
- the quality of the assets of the intermediary financial institution, including doubtful accounts, overall trends in the portfolio, concentrations in the portfolio, the overall quality of borrowers in the portfolio, any credit ratings per SBS guidelines of the portfolio and the amount of coverage provided by provisions;
- the profitability of the intermediary financial institution, including its retained earnings, net operational margin, return on average equity, return on average assets and return on sales; and
- the intermediary financial institution's solvency, encompassing equity commitments, the on-lender's structure, its leverage, structure of loans by type of currency and exposure to exchange rate risks and any open lines of credit with other intermediary financial institutions.

Qualitative evaluation

At this step, we consider:

- ratings agency reports regarding the subject financial institution;
- the overall status and historical performance of our loans;
- the results of our annual audit;
- our credit risk policies;
- our investment limits and guidelines to determine our maximum risk tolerance and investment sublimit, in compliance with our risk policies, applicable SBS regulations and the Peruvian Banking Law; and
- the mix of our products the intermediary financial institution intends to offer.

Documentation analysis

For this step, we review the intermediary financial institution's documentation, including:

- the financial institution's credit application;

- annual reports containing audited financial statements and notes for the prior two years;
- financial statements for the most recently available interim period;
- information regarding the potential pool of final borrowers;
- details of funding sources of the intermediary financial institution;
- a summary of the financial institution's shareholders, board of directors and current management staff;
- a report on the intermediary financial institution's housing projects, including their location, approximate number of units, average price, etc., as well as which builders the intermediary financial institution expects to work with in the coming months; and
- any external risk evaluations conducted.

Risk analysis

Our risk department conducts its own analysis, which reviews the areas described above as well as:

- market developments, which evaluate the overall position of loans in the Peruvian financial system as well as considering relevant factors of the intermediary financial institution (for instance, whether it is a startup, number of branches or market share);
- the financial capacity of the intermediary financial institution's shareholders and the management skills of its managers, based on their professional development and experience gained in the management of other companies, as well as their credit reports;
- the availability of funding sources to raise funds when needed;
- a determination of what our maximum permitted exposure should be to the intermediary financial institution;
- an evaluation of the intermediary financial institution's liquidity and ability to meet short-term obligations;
- an evaluation of the quality of the intermediary financial institution's assets;
- an evaluation of the intermediary financial institution's solvency over the medium and long term, particularly its ability to withstand increased competition or economic downturn; and
- the intermediary financial institution's profitability, particularly during economic downturns or periods of increased competitive pressure.

Financial indicators and other criteria

Aside from holistic reviews of an intermediary financial institution, we use financial indicators both as part of the initial evaluation and its ongoing evaluation. We focus on four areas of assessment: liquidity, asset quality, profitability, coverage and solvency as set forth below.

- *Liquidity*: for intermediary financial institutions the adjusted liquidity ratio (which is liquid assets adjusted for borrowed resources divided by short-term liabilities adjusted for borrowed funds) should be greater than 8% with respect to *soles* and 20% for foreign currency.

- *Asset quality:* for high risk portfolios, which includes portfolios that are refinanced, restructured and past due in bankruptcy, provisions should be at least 85% of the high risk portfolio.

- *Profitability*: retained earnings over the last in 12 months plus or minus return on investment should be greater than zero.

- *Coverage*: coverage provisions for high risk portfolios, including portfolios that are refinanced, restructured and past due, should be greater than or equal to 85%.

- *Solvency*: Global Capital Ratio (*Ratio de Capital Global*) should be greater than or equal to 12%.

Information Technology

Our IT infrastructure is supported by a data center hosted and managed by CANVIA, S.A. (www.canvia.com) in a facility designed to withstand earthquakes. We have, in addition, a backup data center also hosted and managed by CANVIA S.A. ten kilometers from our main datacenter. We also have an open technology platform supported by the Oracle 10 database and Microsoft IIS as a webserver.

Our infrastructure is broken down into the following four categories:

- *Communications*: Contains applications and processes for our stakeholders, such as the website, the transparency portal and intranet.

- *Control*: Contains applications and processes for risk management, SBS reports, anti-money-laundering efforts and audits.

- *Operations: Contains applications and processes for:*

    - Loans and recoveries through the COFIDE operations control system.

    - Investment management systems for our investments and monitoring programs of financial information sources, such as Bloomberg, Reuters, Datatec.

    - *Techo Propio*: an integrated program of granting *Techo Propio* loans that identifies and records the beneficiary, and all steps through, including the processes of allocation and registration of real estate projects.

    - Commercial, with customer systems, care and follow-up claims to real estate.

- *Back office*: Contains enterprise resource management software that manages the entire procurement flow, our budget, human resources functions, and treasury and accounting.

Currently, we are updating our IT platform to deploy modern technology to support critical and noncritical processes by implementing the following:

- new asset and liability management software for optimal management of our investments and accounts receivable;

- new software to optimize the BFH subsidy we administer on behalf of the Peruvian state;

- a new platform aimed at finance institutions that do not have the appropriate technology for the placement of our loan products. This project will include the digitalization of files and on-line connection to banks systems to get data about our credit operations; and a master system manager (core system) to manage and centralize operations; and

- a new business intelligence strategy based on new data cleaning techniques.

Facilities

We lease our headquarters, located at Av. Paseo de la República 3121, San Isidro-Lima, Peru. We have not acquired other properties that would be material to our business and financial condition. At some point in the future, we are planning to acquire a new property that will be used as our headquarters.

Employees

As of December 31, 2021, we had 206 full time employees. We conduct our hiring process independently, in accordance with FONAFE's administrative guidelines. As part of our strategy to continuously improve our long term competitiveness, we emphasize investment in human resources. Our employees are not unionized, are not a party to collective bargaining agreements and have not been involved in a strike or work stoppage.

We believe our employees are key to our business and in helping us successfully achieve our objectives. We focus our investments in human resources on providing continual, high quality training to our employees. We encourage all of our employees to complete at least one training program per year that are sponsored by us.

Competition

As a participant in the mortgage market, we provide intermediate financing to the principal Peruvian financial institutions. These intermediary financial institutions ultimately provide mortgage loans to individuals, focusing on lower- and middle-income working families, and can determine if they will place our products or not. Increased access to international capital markets, as well as the recent development of the Peruvian capital markets may provide alternative funding opportunities for the intermediary financial institutions that place our loans, reducing demand for our products. In addition, as we continue to prove the viability of our business model, other intermediary financial institutions may offer similar products, and as a result, we may face more intense competition from the traditional Peruvian banking system.

Legal Proceedings

We are a party to a number of legal proceedings in the ordinary course of our business. We are also party to a number of legal proceedings that relate to labor disputes involving former employees. These proceedings are not likely to have a material adverse effect on our financial condition and results of operations.

REGULATORY

General Overview

We were formed in 1998 under the name of "Fondo Hipotecario de Promoción de la Vivienda - Fondo MIVIVIENDA*"* and converted in 2005 to a for-profit corporation (*sociedad anónima*) under the name of "*Fondo MIVIVIENDA S.A.*" pursuant to Law No. 26912 and Law No. 28579, respectively. According to article 7 of the Peruvian Banking Law and the SBS Resolution No. 980-2006, as amended, we are deemed part of the Peruvian Financial System.

Therefore, we are a wholly state-owned company regulated by Law No. 28579, as amended by Law No. 31313, our bylaws (*estatuto*), the Peruvian Banking Law, the SBS Resolution No. 980-2006 (*Reglamento del Fondo MIVIVIENDA S.A.*) and other ancillary regulations. Accordingly, we are an independent organization that is part of the MVCS umbrella which adheres to the general policies of the MVCS and are subject to the supervision of the Comptroller General (as defined below), the SBS and the SMV.

Our bylaws allow us to promote and finance the acquisition, improvement and construction of housing for lower-, lower-middle and middle-income families in Peru (typically referred to as economic classes E, D and C), and also to stimulate and facilitate capital flows towards the Peruvian housing finance market and the development of the Peruvian capital markets.

Comptroller General of the Republic

We are subject to the supervision of the Comptroller General of the Republic (the "Comptroller General"). Under Peruvian Law, any entity in which Peru holds an equity interest is subject to the supervision of the Comptroller General.

The Comptroller General is the regulatory authority of the National Control System (*Sistema Nacional de Control*), which is responsible for supervising the systems and proceedings of the government and its affiliates in order to ensure the correct, efficient and transparent use and management of the government's resources and assets, and the activities and roles of public officers.

Ministry of Housing, Construction and Sanitation (MVCS)

Pursuant to Law No. 28579 (*Ley de Conversión del Fondo Hipotecario de Promoción de la Vivienda –MiVivienda a Fondo MIVIVIENDA S.A.*), we are part of the MVCS umbrella and must follow their general policies. The MVCS is the regulatory authority in charge of the approval, execution and supervision of the public policies in connection with housing, urban matters, construction, infrastructure and sanitation projects.

FONAFE

Pursuant to Law No. 28579 (*Ley de Conversión del Fondo Hipotecario de la Promoción de la Vivienda – MiVivienda a Fondo MIVIVIENDA S.A.*), we are wholly owned by FONAFE, a

Peruvian state-owned company that is responsible for managing the Peruvian government's corporate affairs.

FONAFE is responsible for, among other things (i) making the Peruvian government's capital contributions to Peruvian state-owned companies, (ii) making budget allocations as determined by the Peruvian government to finance its business activities, and (iii) making other allocations from the profits generated from Peruvian state-owned companies.

FONAFE's resources are comprised of: (i) the annual contributions made by the Peruvian Public Treasury, (ii) 100% of all distributable profits obtained from all Peruvian state-owned companies, and (iii) any income FONAFE may generate from its own operations. Such resources are mainly allocated to capital contributions to new or existing entities owned by the Peruvian government.

General Overview of the Peruvian Banking Regulatory Framework

According to SBS Resolution 980-2006, we are deemed part of the Peruvian National Financial System and, as such, we are subject to the Peruvian Banking Law and SBS Regulations. Peruvian banking regulation follows the standards set by the Basel Committee on Banking Supervision. Peruvian banks and other Peruvian financial institutions are primarily governed by two banking regulatory authorities: the SBS and the Peruvian Central Bank. The Peruvian Constitution establishes that the SBS's main function and responsibility is to protect depositors of the Peruvian financial system, while the main function of the Peruvian Central Bank is to preserve monetary stability. The regulatory framework for the operation of the institutions that are part of the Peruvian national financial system and for investments that Peru holds in COFIDE, Banco de la Nación, Banco Agropecuario and Fondo MIVIVIENDA, is set forth in the Peruvian Banking Law, which was enacted in December 1996.

In June 2008, as a way to facilitate the adoption process to the Basel II principles, the Peruvian Banking Law was amended by Legislative Decree No. 1028 and Legislative Decree No. 1052, to comply with international standards. The changes introduced have been designed to be implemented progressively. The SBS has issued several regulations that seek to adapt the Peruvian financial system to the new Basel Capital Accord. Peruvian banks and other regulated institutions owned by Peru, such as us, are principally regulated by the SBS.

In March 2022, the Peruvian Banking Law was amended by Legislative Decree No. 1531. Most changes are intended to conform with Basel III standards of regulatory capital requirements. The changes introduced will be implemented progressively and certain additional regulations are expected to be implemented by the SBS. Among other changes, the enacted law has strengthened regulatory capital requirements, and modified subordinated debt and solvency requirements for certain Peruvian financial institutions, including us.

SBS

The SBS is the regulatory authority responsible for the implementation and enforcement of the Peruvian Banking Law and the rules and regulations promulgated thereunder, and, more generally, for the supervision and regulation of all banks and other financial institutions in Peru.

Since July 2005, the SBS has also been responsible for supervising the Peruvian private pension funds administrators and us.

The purpose of the SBS is to: (i) protect the public interest; (ii) safeguard the financial stability of the institutions over which it has authority; and (iii) penalize violations of its rules and regulations.

The responsibilities of the SBS include the following: (i) reviewing and approving, with the assistance of the Peruvian Central Bank, the establishment, organization and operations of the institutions it regulates and their subsidiaries; (ii) overseeing mergers, dissolutions and reorganization of banks, financial institutions and insurance companies; (iii) supervising financial, insurance and related companies from which information on an individual or consolidated basis is required, through changes in ownership and management control; (iv) reviewing the by-laws and related amendments of these companies; (v) setting forth criteria governing the transfer of bank shares, when permitted by law, valuing assets and liabilities for purposes of establishing minimum capital requirements; (vi) controlling the Bank Risk Assessment Center (*Central de Riesgos*), to which all regulated financial institutions are legally required to provide information regarding all business and individuals with whom they deal regardless of the credit risk (the information provided is made available to all banks and other regulated institutions to allow them to monitor individual borrowers' overall exposure to Peru's financial system); and (vii) supervising the anti-money laundering system through its financial intelligence unit.

The SBS enforces the Peruvian Banking Law on an ongoing basis through periodic resolutions. The Peruvian Banking Law provides for strict loan loss reserve standards, aligns asset risk weighing with the Basel Committee on Banking Supervision guidelines and includes the supervision of holding companies of financial institutions by the SBS.

Similar to other financial institutions in Peru subject to the supervision of the SBS, we are required to provide to the SBS, on a periodic basis, our audited financial statements, board of directors' reports, auditor's reports and any other reports which reflect the operation of our business.

The SBS also conducts an annual on-site examination to ensure compliance with the Peruvian Banking Law and the rules and regulations thereunder.

The SBS has the power to impose administrative sanctions on institutions subject to its supervision, including their directors and employees, as a result of any violation of the Peruvian financial system rules. Sanctions vary from monetary fines to revoking licenses. The SBS may also sanction directors and other officers of the institutions that are subject to its supervision for breaching SBS Regulations.

The Peruvian Central Bank

The Peruvian Central Bank was incorporated in 1922 and performs the functions common to a central or reserve bank, such as issuing bank notes, implementing governmental monetary policies, regulating the money supply, managing official gold and foreign exchange reserves and managing the interbank cash clearance system. The Peruvian Central Bank

exercises its power and authority independently and is responsible for its affairs in accordance with the government's policies. The Peruvian Central Bank is empowered to determine the inflation target and to adopt a monetary policy in accordance thereof and is also responsible for establishing mandatory minimum liquidity reserves. The Peruvian Central Bank manages Peruvian international reserves and gathers and publishes data on its finances and is also the sole issuer of Peruvian currency.

SMV

The SMV is the Peruvian securities market regulatory authority. Its main purpose is to promote, supervise and regulate the securities market, the transactions of individuals and institutions participating in the capital markets and enforce compliance of the Peruvian Securities Market Law and its regulations. Under our organizational documents, we may act as the grantor, trustee or beneficiary of mortgage securitization transactions for the purpose of financing housing projects. In the event that we act in such capacity, we will be required to comply with certain specific regulations issued by the SMV in connection with such transactions. In addition, since our first issuance of the 2013 Notes we have been registered with the Public Registry of Securities (*Registro Público del Mercado de Valores*) of the SMV, are subject to the supervision of such entity and are required to comply with the Peruvian Securities Market Law and all applicable regulations promulgated thereunder, including the filings of quarterly and annual reports and notices of material events (*hechos de importancia*).

Banking Supervision and Regulation

Financial institutions' regulations on capital adequacy in Peru take into account the recommendations of the Basel Committee. The SBS has taken into account the principles and guidelines of Basel II and Base III in implementing local regulations. Accordingly, the SBS has been gradually increasing the minimum regulatory capital requirement.

Implementation of Basel II Principles

To carry out the implementation of Basel II, the SBS has approved a schedule of two phases: a first mandatory phase and a second voluntary phase. During the first phase, which started in 2008 and ended in June 2009, the SBS performed quantitative impact studies and drafted the most important regulations. On June 22, 2008, Legislative Decree No. 1028 was issued, which contains certain amendments to the current Peruvian Banking Law, most of which were aimed to adapt the banking regulations to Basel II standards.

In order to conform to Basel II standards, the methodology for measuring credit, market and operational risks has been amended to allow both standardized and internal model-based methods for measuring market and credit risks. All Peruvian financial institutions should have implemented the standardized approach methodology by June 2009. We apply the standard method for calculating the requirement of additional cash assets. Financial institutions are able to request validation and approval to implement the IRB methodology. Only those financial institutions that apply to use the IRB methodology will follow the second phase of implementation of Basel II standards.

The second phase consists of a validation process of the IRB methodology by the SBS and its subsequent approval. Once the IRB methodology has been validated and approved by the SBS, the relevant financial institution will use regulatory capital floors to calculate their capital requirements. The amount of required capital may not be less than the percentage of capital requirements obtained under the methodology.

Implementation of Basel III Principles

In order to implement the Basel III principles, in July 2011 the SBS approved Resolution No. 8425-2011 (*Reglamento para el Requerimiento de Patrimonio Efectivo Adicional*) which requires additional regulatory capital based on the risk profile of each financial institution in accordance with the guidelines approved by the SBS. This resolution also includes capital requirements based on the Basel III principles related to capital conservation in order to mitigate the following risks: (a) economic cycle risk, (b) business concentration risk (by individual industry and/or region), (c) market concentration risk, (d) banking book risk and (e) other risks. This regime was implemented in five phases, where by July 2016 all financial institutions should have increased their regulatory capital by 100%. As of the date of this offering memorandum we are in compliance with the additional capital requirements.

Legal reserve requirements

Pursuant to Article 67 of the Peruvian Banking Law, all financial institutions are required to have a legal reserve. A financial institution under the jurisdiction of the Peruvian Banking Law must allocate 10% of its net profit to its legal reserve until its legal reserve is equal to 35% of its paid-in capital. Any subsequent increases in paid-in capital will imply a corresponding increase in the required level of the legal reserves to be funded as described above.

Lending limits

Under Article 204 of the Peruvian Banking Law, the total amount of credits and financings granted by a financial institution to another financial institution may not exceed 30% of such financial institution's regulatory capital. Pursuant to Article 13 of SBS Resolution No. 980-2006, as amended by SBS Resolution No. 3586-2013, we are not subject to the lending limit established under article 204 of the Peruvian Banking Law, as long as we act as a second-tier bank (*i.e.,* provide access to mortgage financing to end borrowers by granting credit facilities to Peruvian financial institutions.) There are other limits established in Chapter II of Title II of the Second Section of the Peruvian Banking Law that require banks or any other regulated institution to diversify their portfolio with counterparties other than financial institutions through different types of assets, giving preference to liquid and low-risk assets. For example, our exposure to a single final borrower may not exceed 10% of our regulatory capital, due to the requirement that a financial institution's exposure to a single person shall not exceed 10% of the relevant financial institution's regulatory capital. A "person" is defined for such purposes as "a person or group of persons or entities representing a common single risk."

Notwithstanding the fact that we are no longer subject to the lending limit established by article 204 of the Peruvian Banking Law, we have implemented internal limits to prevent the concentration of our loan portfolio in a single intermediary financial institution which we refer to

as Global Exposure Limit (*Límite de Exposición Global or LEG*). The LEG is not a catch-all limit applying indistinctively to all intermediary financial institutions but rather determined on a case by case basis. In order to calculate the LEG that will apply to a specific intermediary financial institution we take into consideration its regulatory capital, risk classification, our own regulatory capital, among other factors.

Lending to related parties

The Peruvian Banking Law regulates and limits transactions with related parties and affiliates of financial institutions. In 2015, the SBS and the SMV enacted regulations containing definitions of indirect ownership, related parties and economic groups, which serve as the basis for determining limits on transactions with related parties and affiliates. These regulations also provide the basis for the subsequent development of specific supervision standards of financial institutions and conglomerates formed by financial institutions.

Additionally, pursuant to Article 202 of the Peruvian Banking Law, the aggregate amount of loans to related-party borrowers may not exceed 30% of a bank's or any other regulated institution's regulatory capital. For purposes of this test, related-party borrowers include any person or an affiliate of that person, holding, directly or indirectly, 4% or more of a bank's or any other regulated institution's capital stock or having significant influence on the bank's or any other regulated institution's management. All loans to related parties must be made on an arm's-length basis with terms no more favorable than the terms that we would offer to the public.

In addition, under Article 201 of the Peruvian Banking Law, the total amount of loans extended to directors, officers, employees or close relatives of any such persons may not exceed 7% of a bank's or any other regulated institution's regulatory capital. All loans made to a single related-party borrower may not exceed 0.35% of a bank's or any other regulated institution's regulatory capital (*i.e.,* 5% of the overall 7% limit) per each person, including such person's spouse and relatives. In addition, the Peruvian Banking Law generally provides that banks and the other regulated institutions may not extend credit to or guarantee the obligations of employees or members of the board of directors, except for home mortgage loans to employees and directors.

Classification of the loan portfolio

We classify our loan portfolio in accordance with SBS regulations. Pursuant to the SBS Regulations, as of July 1, 2010, we must classify our loan portfolio partly as "Corporate loans" (*créditos corporativos*), with respect to the risk we undertake with financial institutions, and partly as residential mortgage loans, with respect to the risk we undertake with the final borrowers, although we only grant loans to Peruvian financial institutions.

Country Risk Reserve Requirements

SBS Resolution No. 7932-2015 requires the funding of reserves to cover exposure to country risk, which is defined to include sovereign risk, transfer risk and expropriation or nationalization risk, all of which may affect operations with companies or individuals in foreign countries. The SBS has also established guidelines indicating the procedures and responsibilities necessary for coping with country risk.

Loan loss reserves

Procedures relating to loan loss reserves are set forth in regulations issued by the SBS. Pursuant to the SBS Regulations, banks and the other regulated institutions, such as us, are required to classify its intermediary financial institutions and borrowers in one of the following categories:

	Number of days past due	Minimum Rates of Provisions	
		Without mortgage	With mortgage
Classifications			
Normal[(1)]	0-30	0.70%	0.70%
With potential problems[(2)]	31-60	5%	2.50%
Substandard[(3)]	61-120	25%	12.50%
Doubtful[(4)]	121-365	60%	30%
Loss[(5)]	More than 365	100%	60%

(1) Pursuant to the SBS Regulations, debtors are classified in the "Normal" category if they (i) have financial liquidity and a low level of equity indebtedness; (ii) timely comply with their loan obligations; and (iii) are highly competitive in their activities.

(2) Pursuant to the SBS Regulations, debtors are classified in the "With potential problems" category if they (i) have an adequate financial position and profitability; and (ii) have delayed the performance of their loan obligations for no more than 60 days.

(3) Pursuant to the SBS Regulations, debtors are classified in the "Substandard" category if they (i) have an inadequate financial position; (ii) do not generate profits; and (iii) have delayed the performance of their loan obligations for more than 60 days and no more than 120 days.

(4) Pursuant to the SBS Regulations, debtors are classified in the "Doubtful" category if they (i) do not generate sufficient cash flows to cover the payment of principal or interest on their loans; (ii) have an adverse financial position and a significantly high level of equity indebtedness; (iii) are forced to sell material assets to continue their business, which sale may have a negative effect on their results of operations; and (iv) have delayed the performance of their loan obligations for more than 120 days and no more than 1 year.

(5) Pursuant to the SBS Regulations, debtors are classified in the "Loss" category if they (i) do not generate sufficient cash flows to cover their operating costs; (ii) have suspended payments and it is likely that they will not comply with any potential restructuring obligations; (iii) are involved in bankruptcy proceedings or forced to sell material assets to continue their business, which sale may have a negative effect on their results of operations; and (iv) have delayed the performance of their loan obligations for more than 1 year.

Our direct borrowers, Peruvian financial institutions, are classified as Normal and With Potential Problems. Our loan portfolio placed by the financial institution has all five classifications.

SBS regulations require Peruvian banks and other regulated institutions to maintain two types of loan loss reserves: (a) general loan loss reserves (*provisiones genéricas*) on their total direct and indirect loan portfolio that is classified as "Normal" (*Normal*), with an allowance rate of a minimum of 0.7% for corporate loans, large-sized business loans and residential mortgage loans, and (b) specific reserves (*provisiones específicas*) on their total direct and indirect loan portfolio classified under the With Potential Problems, Substandard, Doubtful and Loss categories, at an allowance rate of 5%, 25%, 60% and 100%. These percentages may be reduced if the loans are secured with certain types of collateral and for certain special types of loans, provided that certain requirements are satisfied.

We must report loan classifications on a monthly basis to the SBS. The worst classification assigned to a single person by any bank or other regulated institution, such as us, affects classification and provisioning requirements for all other banks and the other regulated institutions, which means that all banks and the other regulated institutions by the SBS are bound by the worst classification that is assigned to any given debtor by any bank and the other regulated institution in the Peruvian banking system.

Corporate loans are, among others, those granted to companies with annual sales of more than S/200 million during the last two years, accordingly to their latest audited financial

statements. Large-sized company loans are those granted to companies: (a) with annual sales of more than S/20 million but less than S/200 million during the last two years, accordingly to their latest financial statements; or (b) having outstanding debt instruments in the capital market in the last year. Medium-sized company loans are those extended to companies that have outstanding loans with local financial institutions during the last six months, in an amount greater than S/300,000, but that do not meet the requirements to be classified as "corporate" or "large-sized company." Small-sized company loans are those extended to finance the production and sale of goods and services of companies or individuals which, during the last six months, had outstanding loans with local financial institutions (other than residential mortgage loans) in an amount greater than S/20,000 but less than S/300,000. Micro-business loans are those extended to finance the production and sale of goods and services of companies or individuals which, during the last six months, had outstanding loans with local financial institutions (other than residential mortgage loans) of less than S/20,000. Revolving consumer loans are revolving credits extended to individuals to pay for goods, services or expenses, not related to business activities. Non-revolving consumer loans are non-revolving credits extended to individuals to pay for goods, services or expenses, not related to business activities. Residential mortgage loans are loans extended to individuals for the purchase, construction, remodeling, subdivision or improvement of the individual's own home, in each case secured by a mortgage. The classification of a loan determines the amount of allowance that should be recorded in the event that the borrower defaults in its payments.

Risk of over-leveraged consumers

According to SBS Resolution No. 6941-2008, (*Reglamento para la Administración de Riesgo de Sobre Endeudamiento de Deudores Minoristas*), as amended, banks and other regulated institutions, such as the financial institutions that place our loans, must adopt a system to manage the risk of over-indebtedness that (a) mitigates such risk before and after making the loan, (b) constantly monitors the portfolio to identify over-leveraged borrowers and (c) periodically evaluates control mechanisms used and any corrective actions or improvements required, as the case may be.

The board of directors of banks and other regulated institutions, such as the financial institutions that place our loans, are responsible for (i) establishing and reviewing the policies and proceedings for the identification, measurement, treatment, control, reporting and monitoring of the risk from the level of indebtedness of its consumer banking customers and (ii) causing management to adopt the necessary measures to monitor and control such risks. We do not directly undertake these activities as we lend exclusively to financial institutions. In addition, the board of directors must cause the bank or the regulated institution to have an organizational structure that guarantees total independence between the risk and the commercial divisions and that the incentive schemes for employees' performance do not cause a conflict of interest with risk management policies.

Banks and financial entities that are not able to monitor, control and identify the risk of over-indebtedness are required to maintain a special loan loss reserve. Banks and Financial entities that comply with the requirements described above are not required to maintain any such specific provision.

Corporate Governance and Integral Risk Management

SBS Resolution No. 272-2017 (*Reglamento de Gobierno Corporativo y la Gestión Integral de Riesgos*), as amended, contains guidelines for the implementation of good corporate governance practices and the integral risk management of financial institutions.

We intend to define principles, standards and general guidelines for the adoption and implementation of corporate governance practices in order to guide the actions of our governing bodies. Our board of director approved our code of corporate governance in 2013 and our code of ethics in 2019. In addition, we have approved internal regulations of our board of directors, a manual of risk management and certain policies related to conflict of interests.

Integral risk management is a process intended to identify potential events that can affect banks or other regulated institutions and to manage those events according to its nature and risk level. This regulation covers all kinds of risks that could affect a banking operation, such as operational, market, credit, strategic, liquidity, legal and reputational risks.

Investments in financial instruments

Investments in financial instruments by Peruvian banks and other regulated institutions, such as us, is restricted to those financial instruments listed in the Peruvian Banking Law, such as equity instruments traded on a stock exchange, debt instruments (to the extent that certain requirements are satisfied), sovereign debt instruments and shares in mutual and investment funds, among others.

Pursuant to SBS Resolution No. 7033-2012, (*Reglamento de Clasificación y Valorización de las Inversiones de las Empresas del Sistema Financiero*) investments in financial instruments by Peruvian banks and other regulated institutions, such as us, must be classified into any of the following categories: (a) investments at fair value with changes in results (short-term), (b) available-for-sale investments, (c) held-to-maturity investments (long-term) and (d) investments in subsidiaries, affiliates and joint ventures.

Financial instruments are valued at their market value, provided that there is an active market for them. If there is no active market for a financial instrument, then such financial instrument will be valued pursuant to methodologies and models that allow the determination of the fair value of such financial instruments or, as approved by the SBS, pursuant to valuations made by valuation institutions or other sources of information that publish or sell market prices.

Banks and other regulated institutions, such as us, will evaluate, on a quarterly basis, if there is evidence that a financial instrument in which it has invested has lost value and will make the corresponding provisions. For such purposes, a bank and other regulated institutions will lower the value of a financial instrument to its recoverable value if there is objective evidence of a deterioration of such financial instruments as a consequence of an event occurring after its initial registration on the bank's balance sheet, to the extent that such event has a negative impact (that can be measured with confidence) on the future cash flows of the financial instrument.

Credit risk

According to the Peruvian Banking Law, banks and other regulated institutions are allowed to use the IRB methodology instead of the standardized methodology for calculating their regulatory capital requirement for credit risk, after receiving prior approval from the SBS. Under SBS Resolution No. 14354-2009 (*Reglamento para el Requerimiento de Patrimonio Efectivo por Riesgo de Crédito*), banks and other regulated institutions are allowed to use the standardized methodology and, with the prior approval of the SBS, IRB methodologies for calculating their regulatory capital requirement for credit risk. We have decided not to request approval from the SBS to adopt the IRB methodology. At the moment we use the standardized methodology. In addition, according to SBS Resolution No. 3780-2011, banks and other regulated institutions are required to implement an organizational structure and certain procedures in connection with control on interest management and strategic needs procedures in order to adequately manage credit risk.

Market risk

Pursuant to SBS Resolution SBS No. 4906-2017 (*Reglamento para la Gestión del Riesgo de Mercado*), as amended, banks and other regulated institutions are required to establish internal policies and procedures to monitor market risk, as well as market risk exposure limits. Regulations define market risk as the probability of loss derived from exposure to various classes of commodities, securities, foreign exchange, derivative operations or commercial assets that banks and the other regulated institutions may hold in their portfolio, which may, or may not, be accounted for in their balance sheets.

Since July 1, 2009, in accordance with SBS Resolution No. 6328-2009 (*Reglamento para el Requirimiento de Patrimonio Efectivo por Riesgo de Mercado*), banks and other regulated institutions have been allowed to use the IRB methodology (subject to prior approval by the SBS) in substitution of the standardized methodology.

Operational risk

SBS Resolution No. 2115-2009 (*Reglamento para el Requerimiento de Patrimonio Efectivo por Riesgo Operacional*) sets forth the methodology to be applied, and the requirements to be satisfied by banks and other regulated institutions, including us, to calculate their regulatory capital requirement for operational risk under the basic indicator approach (*método del indicador básico*), the alternative standardized methodology and the advanced methodologies. The basic indicator approach (*método del indicador básico*) uses a bank's gross operational margin as an "exposure indicator" and its application does not require the prior approval by the SBS. Application of the alternative standardized methodology or the advanced methodologies requires compliance with certain provisions included in SBS Resolution No. 2115-2009 and prior approval from the SBS.

SBS Resolution No. 2116-2009, (*Reglamento para la Gestión de Riesgo Operacional*), which approves the guidelines for managing operational risk, defines "operational risk" as the possibility of suffering losses due to inadequate procedures, failures of personnel, information technology or external events, including, without limitation, legal risks (but excluding strategic

and reputational risk). It also establishes that a bank's board of directors is responsible for designing the general policies to manage operational risk and that a bank's and other regulated institutions' management is in charge of implementing such policies. Finally, it provides that each bank is obligated to create a database of all of such bank's losses due to operational risk, classifying such losses by event.

Anti-Money Laundering Rules

Money laundering is considered a criminal act in Peru. Law No. 27693, (*Ley que crea la Unidad de Inteligencia Financiera – Perú*), established a special legal framework which follows the 40 recommendations of the Financial Action Task Force on Money Laundering, or "FATF", established by the G-7. Since then, this legal framework has been amended in order to improve and increase the efficiency of the Peruvian anti-money laundering system.

Money laundering includes a wide range of serious offenses such as tax evasion, terrorism, drug trafficking, illegal mining, corruption and other criminal activities. A special set of anti-money laundering rules applies specifically to banks and other regulated institutions, which include specific rules for customer and employee due-diligence and record-keeping. In May 2015, the SBS enacted additional anti-money laundering provisions, pursuant to Resolution SBS No. 2660-2015, in order to adapt these provisions to international new standards established by the GAFI in 2012, according to which, among other things, banks and other regulated institutions, including us, must establish a set of policies and procedures specifically aimed to prevent asset laundering and the financing of terrorist activities as well as to manage the risks of money laundering and financing of terrorism to which they are exposed.

The government agency responsible for supervising the anti-money laundering system is the Peruvian Financial Intelligence Unit (the "UIF-Peru"), which was made part of the SBS in July 2007. The chairman of this agency is appointed by the chairman of the SBS. The UIF-Peru receives, analyzes and transmits information in order to identify criminal acts relating to money laundering or financing of terrorism, and implements systems to prevent and report suspicious acts relating to money laundering or financing of terrorism.

Disclosure of Material Information

We have securities listed on the Lima Stock Exchange. Thus, we are subject to the disclosure and reporting rules contained in the Peruvian Securities Market Law and the internal regulations of the Lima Stock Exchange. We can give no assurance that our debt securities will continue to be listed on the Lima Stock Exchange in the future or that we will continue to be subject to the disclosure and reporting rules contained in the Peruvian Securities Market Law and the internal regulations of the Lima Stock Exchange.

Under these rules, listed companies such as banks are required to disclose to the market in a timely manner all information that investors are reasonably likely to consider material (*Hechos de Importancia*). The importance of an event is measured according to the influence it may have on an investor's decision to invest in the security. Special regulations provide for specific parameters to determine what is considered relevant information.

Intervention by the SBS and Liquidation

Pursuant to the Peruvian Banking Law, the SBS has the power to halt the operations of a financial institution under its supervision in order to prevent it from, or to control and reduce the effects of, the failure of a financial institution. Accordingly, the SBS may intervene in a financial institution's business by adopting either a temporary surveillance regime ("Surveillance") or a definitive intervention regime ("Intervention") depending on how critical the situation is deemed to be by the SBS. Either of these actions, depending on the event, must be adopted upon the occurrence of certain events regulated by the Peruvian Banking Law in respect of which some apply to us due to our corporate purposes established by Law No. 28579 (*Ley de conversión del Fondo Hipotecario de la Vivienda– Mivivienda a Fondo MIVIVIENDA S.A.*), as amended, and our bylaws (*estatuto social*), including (a) suspension of payments; (b) repeated failure to comply with instructions from the SBS or the Peruvian Central Bank; (c) repeated violations of the Peruvian Banking Law or the financial institution's by-laws; (d) unauthorized or unsound management; or (e) deficit of regulatory capital (to the extent that if it is in excess of 50%, then an Intervention is mandatory). The event to which clause (e) above refers will be adjusted pursuant to Legislative Decree No. 1531 in order to comply with the new solvency requirements determined for regulatory capital. Such adjustment will be effective as of March 31, 2023. Less drastic measures, such as (i) placing additional requirements, (ii) ordering a capital increase or an asset divesture, or (iii) imposing a financial restructuring plan, may be adopted by the SBS when the situation allows for them.

An Intervention may suspend a financial institution's operations for up to 45 days, which may be extended for a second period of up to 45 additional days, during which time the SBS may institute measures such as (a) canceling losses by reducing reserves, capital and subordinated debt; (b) segregating certain assets and liabilities for transfer to another financial institution; and (c) merging the intervened institution with another acquiring institution. After an Intervention, the SBS will proceed to dissolve and liquidate the financial institution unless it merges with another acquiring institution or another recovery measure is adopted.

From the date on which a resolution of the SBS subjecting a financial institution to an Intervention regime is issued until such Intervention is concluded at the time the liquidation process begins, the Peruvian Banking Law prevents any creditor of the financial institution from: (a) initiating any judicial or administrative procedure for the collection of any amount owed by the financial institution, (b) enforcing any judicial decision rendered against the financial institution to secure payment of any of its obligations, (c) constituting a lien or attachment over any of the assets of the financial institution to secure payment of any of its obligations, or (d) making any payment, advance or netting payment obligations or assuming any obligation on behalf of the financial institution, with the funds or assets that may belong to it and are held by third parties, except for: (i) the netting of payment obligations that are made between regulated institutions of the Peruvian financial system and insurance systems, and (ii) under certain circumstances, the netting of payment obligations arising from repurchase agreements and derivatives transactions entered into with local or foreign financial and insurance institutions, provided that certain requirements under applicable law are met.

In a liquidation proceeding, claims filed by creditors of a financial institution rank as follows:

First order - Labor claims:

1st. Employee compensation.

2nd. Social benefits, contributions to the private and public pension system and other labor claims against the financial institution accrued until the date when the dissolution is declared, retirement pensions or the capital required to redeem those pensions or to secure them by purchasing annuities.

Second order – If applicable, claims for financial institution deposits and other types of saving instruments provided under the Peruvian Banking Law, in the portion not covered by the Deposit Insurance Fund, as well as any claims of the Deposit Insurance Fund with respect to its contributions. As of the date of this offering memorandum, this order does not apply to us because under Law No. 28579 (*Ley de conversión del Fondo Hipotecario de la Vivienda – Fondo MIVIVIENDA a Fondo MIVIVIENDA S.A*.) and our bylaws (*estatuto social*) we currently cannot take deposits from the public.

Third order - Taxes:

1st. Claims by the Peruvian social security administration (*EsSalud*) related to health care benefits for which the financial institution is responsible as employer.

2nd. Taxes.

Fourth order - Unsecured and non-privileged claims:

1st. All unsecured and non-privileged claims against the financial institution rank (unless otherwise agreed in such instances among creditors) on the basis of the date they were assumed or incurred by the financial institution, whereby obligations assumed or incurred on an earlier date shall rank senior in right of payment to obligations assumed or incurred by the financial institution at a later date.

Obligations assumed or incurred by the financial institution on a date that cannot be determined shall rank junior in right of payment to all the obligations assumed or incurred on a determinable date and *pari passu* among themselves.

2nd. The legal interests on the financial institution's obligations that may accrue during the liquidation.

3rd. Subordinated debt.

Except for unsecured and non-privileged claims (unless otherwise agreed in such instances amongst creditors), all claims within an order will be ranked *pari passu* among themselves. Each category of creditors will collect in the order indicated above, whereby distributions in one order will be subject to completing full distribution in the prior order.

Any security interest created before the issuance of the resolution declaring the financial institution's dissolution and the initiation of the liquidation process shall subsist in order to guarantee the obligations it secures. The secured creditors shall retain the right to collect from

the proceeds of the sale of the collateral, on a preferred basis (except with respect to labor claims and savings, which are privileged claims), subject to certain rules established under Article 119 of the Peruvian Banking Law.

Peruvian financial institutions, such as us, are not subject to the regime of insolvency and bankruptcy otherwise applicable to Peruvian corporations in general.

MANAGEMENT

Board of Directors

Our board of directors is currently comprised of four members, all of which have been appointed by FONAFE. Our bylaws require that FONAFE specify which members are independent, however, as of the date of this offering memorandum, FONAFE has not made such specification. The business address of each director is Fondo MIVIVIENDA S.A. – Av. Paseo de la República 3121, San Isidro, Lima 27, Peru. Set forth below are the names, positions, dates of appointment, expiration of appointment and brief biographical descriptions of the members of our board of directors as of the date hereof. Each director is appointed for a term of three years of service.

Name	Position	Date of Appointment	Expiration of Appointment	Age
Pedro Gary Arroyo Marquina.....	Chairman	September 30, 2021	September 30, 2024	56
Roger Lizandro Gavidia Johanson	Director	September 30, 2021	September 30, 2024	42
Gonzalo Renato Arrieta Jovic	Director	September 30, 2021	September 30, 2024	36
Ernesto López Mareovich	Director	December 1, 2021	December 1, 2024	53

Pedro Gary Arroyo Marquina is the chairman of our board of directors since September 30, 2021. Previously, he was Administrative Manager at Saber Community SAC and Servicentro Ulloa SRLTDA from October 2018 to April 2020, and from November 2016 to March 2018, respectively. Mr. Arroyo has also worked as a zone manager for approximately 3 years in Cajamarca, Bambamarca and Chota. Mr. Arroyo holds a Master's degree in Economic Sciences with special mention in Business Administration from Universidad de Trujillo, and has received a certification as Business Manager from Universidad ESAN.

Roger lizandro Gavidia Johanson is one of our directors since September 30, 2021. Previously, Mr. Gavidia worked as General Manager at Corporacion Gerencia.com SAC since September 2010. He is a founding partner and current Manager of Gavidia Johanson & Asociados SCRL, which is an entity providing audit services. He has extensive experience of approximately 15 years holding positions in finance, accounting and commercial areas at different Peruvian companies. Mr. Gavidia holds a Bachelor degree in Public Accounting from Universidad Privada del Norte, and a Master's degree in Business Administration from Pontificia Universidad Catolica del Peru.

Gonzalo Renato Arrieta Jovic is one of our directors since September 30, 2021. Previously, Mr. Arrieta worked as Commercial and Financial Director at Structura Financial Services SAC from 2018 to 2019. He is a founding partner and current General Manager of Incrementum Sociedad Anonima Cerrada SAC, which is a Peruvian company providing investment banking services. Mr. Arrieta worked as Manager at BancoColombia for approximately 7 years, managing support areas in Peru, Colombia, Puerto Rico and Panama. Mr. Arrieta holds a Bachelor degree in Industrial Engineering from Universidad de Lima, and a Master's degree in Marketing and Business Management from Universidad Peruana de Ciencias Aplicadas.

Ernesto López Mareovich is one of our directors since December 01, 2021. Mr. López worked as a Vice Minister of *MYPE e Industria* at the Peruvian Ministry of Production from

2017 to 2018. In addition, Mr. López was a Vice President and member of the Board of Directors of OSITRAN during 2019. Mr. López has been a member of the boards of directors of several Peruvian companies as well as of FINCYT, FIDECOM and FONDOEMPLEO. Mr. López has 25 years of experience in public and private sectors, and 20 years of teaching experience in different Peruvian universities such as Pontificia Universidad Catolica del Peru, Universidad Peruana de Ciencias Aplicadas, Universidad del Pacifico, among others. Mr. López holds a Bachelor degree in Economics from Pontificia Universidad Catolica del Peru, and a Master's degree in Economic Policy Administration from Columbia University in the City of New York.

Executive Officers

We are currently managed by eight executive officers. Our executive officers are appointed by the board of directors for indefinite terms of office. The business address of each executive officer is Fondo MIVIVIENDA S.A. – Av. Paseo de la República 3121, San Isidro, Lima 27, Peru. Set forth below are the names, positions, dates of appointment and brief biographical descriptions of each executive officer as of the date hereof.

Name	Position	Age
Jose Carlos Forero Monroe.....	Chief Executive Officer	44
Ivan Gil Grados Cabrera	Chief Financial Officer	42
Ivan Huertas Gastiaburu	Chief Risk Officer	51
Cesar Edgardo Berrocal Moreno	Chief Administrative Officer	46
Paulo Cesar Moran Villanueva	Chief Commercial Officer	35
Hernando Carpio Montoya.....	Vice President Real Estate Development Officer	52
Juan Carlos Toledo Baldeón	Chief Vice President Operations Officer	45
Pablo Arciniega Perez Alcazar	Chief Legal Officer(e)	36

Jose Carlos Forero Monroe is our Chief Executive Officer since October 2, 2021. Previously, Mr. Forero was our Business Manager from September 2018 to August 2020, and then our General Manager until February 2021. Mr. Forero worked as Sales Manager and DPI Manager from March 2017 to February 2018. Mr. Forero holds a Bachelor degree in Business Administration from Universidad San Ignacio de Loyola and a Master's degree in Business Administration from Universidad ESAN.

Ivan Gil Grados Cabrera is our Chief Financial Officer since April 2019. Mr. Grados previously worked as Head of our Department of Structuring and Investments from October 2013 to April 2019. Mr. Grados has experience in the public and private sector, including the Department of Treasury and Financial Asset Management of the MEF, Banco de la Nación and NCF Consultores. Mr. Grados holds a Master's degree in Strategic Business Administration from Pontificia Universidad Catolica del Peru and specializes in management and strategy development in areas related to financing, investment portfolio, treasury, financial derivatives, project evaluation, financial planning and economic studies.

Iván Huertas Gastiaburu is our Chief Risk Officer since October 12, 2020. Mr. Huertas has worked in the Peruvian financial system for more than 15 years, including as a Deputy Risk Manager at Interbank from June 2017 to 2020. In previous years, Mr. Huertas worked as Credit

Documentation Officer at Banco Standard Chartered and held different positions at Banco Exterior de los Andes y de España – EXTEBANDES. In addition, he has teaching experience at UCIK, Instituto Peruano de Administración de Empresas - IPAE and Universidad San Ignacio de Loyola. Mr. Huertas holds a Bachelor degree in Economics from Universidad Peruana de Ciencias Aplicadas – UPC and a Master's degree in Management and Administration from the Escuela de Organización Industrial in Spain.

Cesar Edgardo Berrocal Moreno is our Chief Administrative Officer since October 2, 2021. He has 23 years of experience in human resources management and business consultancy, and has recently been recognized as a "HR Influencer 2021 Peru" by Go Integro. Mr. Berrocal was Head of Human Resources at FMV from February 2013 to September 2020. In addition, he has experience as a teacher at Universidad Ricardo Palma. Mr. Berrocal holds a Bachelor degree in Industrial Engineering from Universidad Ricardo Palma and a Master's degree in Strategic Business Administration from Pontificia Universidad Catolica del Peru.

Paulo Cesar Moran Villanueva is our Chief Commercial Officer since June 16, 2021. Mr. Moran has previously held several positions with us since 2015. Previously, he served as Sales Executive at Banco de Credito del Peru from August 2007 to December 2014. Mr. Moran holds a Bachelor degree in Industrial Engineer from Universidad Nacional de Trujillo.

Patricia Heredia Landeo is our Vice President Real Estate Development Officer since February 24, 2022. Mrs. Heredia held several positions with us since 2009. Mrs. Heredia holds a college degree in Architecture from the Universidad Nacional Federico Villareal in Lima.

Juan Carlos Toledo Baldeon is our Chief Vice President Operations Officer since October 2, 2021. Previously, Mr. Toledo held several positions with us since 2009. Mr. Toledo has seven years of experience in the public sector, from 2010 to 2016. Mr. Toledo holds a Bachelor degree in Business Administration from Universidad Ricardo Palma and a Master's degree in Finance and Administration from Universidad Peruana de Ciencias Aplicadas.

Pablo Arciniega Perez Alcazar is our Chief Legal Officer since October 2, 2021. Previously, Mr. Arciniega has held several positions with us since 2018. In previous years, he had served as a lawyer in various companies such as Sedapal, Scotiabank, Interbank and others. Mr. Arciniega holds a Bachelor degree in law from Universidad San martin de Porres and a Master's degree in Finance and Corporate Law from Universidad ESAN.

Compensation

Compensation of our directors is set annually by FONAFE. Our directors receive a fixed payment per meeting. In 2021 and 2020, annual compensation to our board members totaled S/536,167 and S/505,500, respectively. In 2021 and 2020, annual compensation for our executive officers totaled S/2,790,343.04 and S/3,229,589.53, respectively.

Committees

We have the following committees composed of members of our board of directors and executive officers.

Board Committees

Risk committee: The risk committee is composed of at least three directors, the Chief Executive Officer and the Chief Risk Officer, and approves our risk-related policies as well as our risk assessment structure. The committee also makes recommendations on the allocation of our assets to the intermediary financial institutions that place our loans.

Internal audit committee: The audit committee is composed of three directors and monitors our accounting processes and financial reporting to ensure they are appropriate for our business operations, as well as our internal and external auditors. This committee keeps the board of directors apprised of limitations on the reliability of accounting and financial processes.

Asset and Liability Management Committee: Our asset and liability management committee is responsible for developing strategies, analyzing and monitoring our commercial and financial policies for managing our asset and liability positions. This committee also monitors our market risk exposures, the impact of these risks on our levels of liquidity, analyzes the impact of new products and services on our positions, establishes management objectives for our assets and liabilities and identifies our sources of financing and liquidity. This committee is also responsible for undertaking stress analysis on our loan portfolio and to propose modifications to our prevailing strategies, if necessary, based on results achieved and projected.

Executive Officer Committees

Risk committee: The risk committee is composed of the Chairman of our Board of Directors, a member of our Board of Directors, the Chief Executive Officer and the Chief Risk Officer, and approves our risk-related policies as well as our risk assessment structure. The committee also makes recommendations on the allocation of our assets to the intermediary financial institutions that place our loans.

Asset and Liability Management Committee: Our asset and liability management committee is responsible for developing strategies, analyzing and monitoring our commercial and financial policies for managing our asset and liability positions. This committee also monitors our market risk exposures, the impact of these risks on our levels of liquidity, analyzes the impact of new products and services on our positions, establishes management objectives for our assets and liabilities and identifies our sources of financing and liquidity. This committee is also responsible for undertaking stress analysis on our loan portfolio and to propose modifications to our prevailing strategies, if necessary, based on results achieved and projected.

Internal control committee: The internal control committee overviews the training on our internal controls, reviews our internal controls on an ongoing basis and proposes changes to our internal controls.

SOLE SHAREHOLDER

Our only outstanding voting securities are our common shares. As of December 31, 2021, we had 3,385,761,836 common shares outstanding.

As of December 31, 2021, 100% of our outstanding common shares were held by FONAFE, a Peruvian public company controlled by the MEF, responsible for regulating and coordinating the business activities of entities owned by the Peruvian government.

RELATED-PARTY TRANSACTIONS

As of December 31, 2021, we had a S/570 million credit line with Banco de la Nación, which is a governmental entity that is part of FONAFE's economic group.

Peruvian Banking Law regulates and limits transactions with related parties and affiliates of financial institutions. In 2015, the SBS and the SMV enacted regulations containing definitions of indirect ownership, related parties and economic groups, which serve as the basis for determining limits on transactions with related parties and affiliates. These regulations also provide the basis for the subsequent development of specific regulation standards of financial institutions and conglomerates formed by financial institutions.

Pursuant to Article 202 of the Peruvian Banking Law, the aggregate amount of loans to related party borrowers may not exceed 30% of a bank's regulatory capital. For purposes of this test, related-party borrowers includes any person or an affiliate of that person, holding, directly or indirectly, 4% or more of a bank's capital stock, or directors, certain of the bank's principal executive officers or other persons in more junior positions affiliated with the bank's management. All loans to related parties must be made on an arm's-length basis with terms no more favorable than the best terms offered to non-related parties.

In addition, under Article 201 of the Peruvian Banking Law, the total amount of loans extended to directors, officers, employees or close relatives of any such persons may not exceed 7% of a bank's regulatory capital. Furthermore, no individual director or employee may receive more than five (5%) of the indicated overall limit, taking into consideration for such purposes, their spouses and relatives. In addition, the Peruvian Banking Law generally provides that bank's may not extend credit to or guarantee the obligations of employees or members of the board of directors, except for home loans to employees or directors.

DESCRIPTION OF THE NOTES

We will issue the notes pursuant to an indenture dated as of April 12, 2022 to be entered into by us, Citibank, N.A., as trustee and Banque Internationale à Luxembourg S.A., as Luxembourg paying agent. We will, under the indenture, appoint a registrar, paying agents and transfer agents, which are identified on the inside back cover page of this offering memorandum. A copy of the indenture will be available for inspection during normal business hours at the offices of the trustee and any other paying agents. You should refer to the indenture for more detailed information of the terms and conditions of the notes and the indenture, including our obligations and your rights.

You will find the definitions of capitalized terms used in this section under "— Definitions."

General

The notes will:

- be our senior unsecured obligations;
- initially be issued in an aggregate principal amount of US$600 million;
- mature on April 12, 2027;
- be subject to optional redemption or tax redemption as described under "— Optional Redemption;"
- be issued in denominations of US$150,000 and integral multiples of US$1,000 in excess thereof; and
- be represented by registered notes in global form and may be exchanged for notes in certificated form only in limited circumstances.

Interest on the notes will:

- accrue on their outstanding principal amount at the rate of 4.625% per year;
- accrue from the date of original issuance, if no interest has been paid, or from the most recent interest payment date;
- be payable in cash semi-annually in arrears on April 12 and October 12 of each year, commencing on October 12, 2022;
- be payable to the holders of record on the April 1 and October 1 immediately preceding the related interest payment dates (whether or not a business day); and
- be computed on the basis of a 360-day year comprised of twelve 30-day months.

We may, from time to time, without notice or consent of the holders of the notes, create and issue an unlimited principal amount of additional notes having the same terms and conditions (except for issue date, issue price and, if applicable, the first payment date) as, and forming a single series with, the notes initially issued in this offering. Any additional notes will be part of the same issue as the notes offered hereby, but may be represented by a different CUSIP or ISIN number (and will be required to be represented by a different CUSIP or ISIN number if they are not fungible with the notes offered hereby for U.S. federal income tax purposes), and will vote on all matters as a single series with the notes offered hereby.

The indenture does not include any debt covenants or other provisions which afford holders of the notes protection in the event of a highly leveraged transaction.

Ranking

The notes will constitute our direct, senior unsecured obligations, except as provided below. Our obligations under the notes will rank at all times pari passu in right of payment to all our existing and future unsecured and unsubordinated obligations. The notes will be effectively subordinated to (i) all of our future secured indebtedness to the extent of the assets securing such indebtedness and (ii) certain other obligations that in the event of our liquidation are granted preferential treatment under Peruvian law. See "Regulatory" and "Risk Factors—Risks Relating to the Notes—Our obligations under the notes will be subordinated to certain statutory liabilities in the event of insolvency."

As of December 31, 2021, we had total indebtedness of S/6,413 million (US$1,608 million), all of which was unsecured indebtedness outstanding and all of which would rank *pari passu* with the notes in the event of our liquidation pursuant to their respective terms and conditions.

Optional Redemption

Make-whole redemption

Prior to the Par Call Date, we may redeem the notes at our option, in whole or in part, at any time and from time to time, at a redemption price (expressed as a percentage of principal amount and rounded to three decimal places) equal to the greater of:

(1) (a) the sum of the present values of the remaining payments of principal and interest on the notes being redeemed discounted to the redemption date (assuming the notes matured on the Par Call Date) on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 30 basis points less (b) interest accrued to the date of redemption, and

(2) 100% of the principal amount of the notes to be redeemed,

plus, in either case, accrued and unpaid interest thereon to the redemption date.

"Treasury Rate" means, with respect to any redemption date, the yield determined by us in accordance with the following two paragraphs.

The Treasury Rate shall be determined by us after 4:15 p.m., New York City time (or after such time as yields on U.S. government securities are posted daily by the Board of Governors of the Federal Reserve System), on the third business day preceding the redemption date based upon the yield or yields for the most recent day that appear after such time on such day in the most recent statistical release published by the Board of Governors of the Federal Reserve System designated as "Selected Interest Rates (Daily) - H.15" (or any successor designation or publication) ("H.15") under the caption "U.S. government securities–Treasury constant maturities–Nominal" (or any successor caption or heading). In determining the Treasury Rate, we shall select, as applicable: (1) the yield for the Treasury constant maturity on H.15 exactly equal to the period from the redemption date to the Par Call Date (the "Remaining Life"); or (2) if there is no such Treasury constant maturity on H.15 exactly equal to the Remaining Life, the two yields – one yield corresponding to the Treasury constant maturity on H.15 immediately shorter than and one yield corresponding to the Treasury constant maturity on H.15 immediately longer than the Remaining Life – and shall interpolate to the Par Call Date on a straight-line basis (using the actual number of days) using such yields and rounding the result to three decimal places; or (3) if there is no such Treasury constant maturity on H.15 shorter than or longer than the Remaining Life, the yield for the single Treasury constant maturity on H.15 closest to the Remaining Life. For purposes of this paragraph, the applicable Treasury constant maturity or maturities on H.15 shall be deemed to have a maturity date equal to the relevant number of months or years, as applicable, of such Treasury constant maturity from the redemption date.

If on the third business day preceding the redemption date H.15 or any successor designation or publication is no longer published, we shall calculate the Treasury Rate based on the rate per annum equal to the semi-annual equivalent yield to maturity at 11:00 a.m., New York City time, on the second business day preceding such redemption date of the United States Treasury security maturing on, or with a maturity that is closest to, the Par Call Date, as applicable. If there is no United States Treasury security maturing on the Par Call Date but there are two or more United States Treasury securities with a maturity date equally distant from the Par Call Date, one with a maturity date preceding the Par Call Date and one with a maturity date following the Par Call Date, we shall select the United States Treasury security with a maturity date preceding the Par Call Date. If there are two or more United States Treasury securities maturing on the Par Call Date or two or more United States Treasury securities meeting the criteria of the preceding sentence, we shall select from among these two or more United States Treasury securities the United States Treasury security that is trading closest to par based upon the average of the bid and asked prices for such United States Treasury securities on or about 11:00 a.m., New York City time. In determining the Treasury Rate in accordance with the terms of this paragraph, the semi-annual yield to maturity of the applicable United States Treasury security shall be based upon the average of the bid and asked prices (expressed as a percentage of principal amount) on or about 11:00 a.m., New York City time, of such United States Treasury security, and rounded to three decimal places.

Our actions and determinations in determining the redemption price shall be conclusive and binding for all purposes, absent manifest error.

On and after the redemption or purchase date, interest will cease to accrue on the notes or any portion of the notes called for redemption or purchase (unless we or another person default

in the payment of the redemption or purchase price and accrued and unpaid interest). On or before 11:00 a.m., New York City time, on the redemption or purchase date, we will deposit with the trustee money sufficient to pay the redemption or purchase price of and (unless the redemption or purchase date shall be an interest payment date) accrued and unpaid interest to the redemption or purchase date on the notes to be redeemed or purchased on such date. If less than all of the notes are to be redeemed or purchased, the notes to be redeemed or purchased shall be selected by the trustee by such method as set forth in the Indenture.

Par redemption

On or after the Par Call Date, we may redeem the notes, in whole or in part, at any time and from time to time, at a redemption price equal to 100% of the principal amount of the notes being redeemed plus accrued and unpaid interest thereon to the redemption date.

"Par Call Date" means March 12, 2027 (the date that is one month prior to the stated maturity of the notes).

Tax redemption

The notes will be redeemable at our option, in whole but not in part, at 100% of their outstanding principal amount plus accrued and unpaid interest to the date of redemption and any Additional Amounts (as defined under "—Additional Amounts") payable with respect thereto, only if:

(1) on the next interest payment date we would, for reasons outside of our control, (i) be obligated to pay Additional Amounts in excess of the Additional Amounts that we would pay if payments in respect of the notes were subject to deduction or withholding at a rate of 4.99% generally (excluding any value added taxes) or (ii) be obligated to make a payment to indemnify any holder or any other Person in respect of value added taxes, or be directly liable for value added taxes in respect of the notes, determined in each case without regard to any interest, fees, penalties or other additions to tax, as a result of any change in, or amendment to, the laws or regulations of any Taxing Jurisdiction (as defined under "—Additional Amounts") or any authority or agency thereof or therein having power to tax, or any change in, or a pronouncement by competent authorities of the relevant Taxing Jurisdiction with respect to, the official application or official interpretation of such laws or regulations, which change, amendment or pronouncement occurs after the date of the indenture (or, in the case of any withholding taxes imposed by the jurisdiction of the paying agent, after the date of appointment of such paying agent); and

(2) such obligation cannot be avoided by us taking reasonable measures available to us; *provided* that for this purpose reasonable measures shall not include any change in our jurisdiction of organization or location of our principal executive office. For the avoidance of doubt, reasonable measures may include a change in the jurisdiction of the paying agent, *provided* that such change shall not require us to incur material additional costs or legal or regulatory burdens.

No such notice of redemption will be given earlier than 60 days prior to the earliest date on which we would be obligated to pay such Additional Amounts or value added taxes if a payment in respect of the notes were then due.

Prior to the giving of any notice of redemption of the notes as described under "—Notices," we must deliver to the trustee an officers' certificate confirming that we are entitled to exercise such right of redemption. We will also deliver an opinion of legal counsel of recognized standing stating that we would be obligated to pay such Additional Amounts or value added taxes due to the changes in tax laws or regulations or changes in, or pronouncements with respect to, the official application or official interpretation of such laws or regulations. The trustee will accept this certificate and opinion as conclusive evidence of the satisfaction of the conditions precedent set forth in clauses (1) and (2) above, and, upon delivery thereof to the trustee, it will be conclusive and binding on the holders.

Redemption procedures

In any case of optional redemption, we will give a notice of redemption to the trustee and each holder (which, in the case of global notes, will be The Depository Trust Company ("DTC")) in accordance with the procedures described under "—Notices" at least 10 days and not more than 60 days prior to the redemption date.

Notice of any redemption of the notes may, at our discretion, be subject to one or more conditions precedent.

In the event that less than all of the notes are to be redeemed at any time, selection of notes for redemption will be made by the trustee in compliance with the requirements governing redemptions of the principal securities exchange, if any, on which notes are listed or if such securities exchange has no requirement governing redemption or the notes are not then listed on a securities exchange, on a pro rata basis or by lot (or, in the case of notes issued in global form, the notes will be redeemed by lot, on a pro rata basis or by such other method as the trustee shall deem to be fair and appropriate and in accordance with the applicable procedures of DTC).

Unless we default in the payment of the redemption price, interest will cease to accrue on the notes on and after the redemption date.

Open market purchases

We or any of our Affiliates may at any time purchase notes in the open market or otherwise at any price.

Change of Control Offer

Upon the occurrence of a Change of Control (as defined below), unless we have exercised our option to redeem the notes as described above under "Optional Redemption—Make-whole redemption," we will be required to make an offer (the "Change of Control Offer") to each holder to repurchase all or any part (residual if any equal to US$150,000 or any integral multiple of US$1,000 in excess thereof) of that holder's notes at a purchase price equal to 101.0% of the aggregate principal amount of notes repurchased plus accrued and unpaid interest to the date of repurchase (the "Change of Control Payment").

Within 30 days following the date upon which the Change of Control occurred, or, at our option, prior to any Change of Control but after public announcement of the transaction that constitutes or may constitute the Change of Control, a notice will be given to holders of the notes (with a copy to the trustee) describing the transaction that constitutes or may constitute the Change of Control, offering such holders to repurchase the notes on the date specified in the notice (the "Change of Control Payment Date"), which date will be no earlier than 30 days and no later than 60 days from the date such notice is given or, if the notice is given prior to the Change of Control, no earlier than 30 days and no later than 60 days from the date on which the Change of Control occurs. The notice will, if given prior to the date of consummation of the Change of Control, state that the offer to purchase is conditioned on the Change of Control occurring on or prior to the Change of Control Payment Date.

On the Change of Control Payment Date, we will, to the extent lawful:

(a) accept for payment all notes or portions of notes properly tendered pursuant to the Change of Control Offer;

(b) deposit with the paying agents an amount equal to the Change of Control Payment in respect of all notes or portions of notes properly tendered; and

(c) deliver or cause to be delivered to the trustee the notes properly accepted together with an officers' certificate stating the aggregate principal amount of notes or portions of notes being repurchased.

We will publicly announce the results of the Change of Control Offer on or as soon as possible after the Change of Control Payment Date.

"Change of Control" means if the Peruvian government ceases to (a) be the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the U.S. Securities Exchange Act of 1934 (the "Exchange Act")), directly or indirectly, of more than 50.0% of our outstanding Voting Stock or (b) possess, directly or indirectly, the power to direct or cause the direction of our management and policies, whether through the ownership of voting securities, by contract or otherwise, in each case, including, without limitation, as a result of a consolidation or merger or conveyance, transfer or lease of assets.

We will not be required to make a Change of Control Offer upon the occurrence of a Change of Control if a third party makes such an offer in the manner, at the time and otherwise in compliance with the requirements for an offer made by us and the third party purchases all notes properly tendered and not withdrawn under its offer.

We will comply in all material respects with the requirements of Rule 14e-1 under the Exchange Act, and any other securities laws and regulations thereunder, to the extent those laws and regulations are applicable in connection with the repurchase of the notes as a result of a Change of Control. To the extent that the provisions of any such securities laws or regulations conflict with the Change of Control Offer provisions of the notes, we will comply with those securities laws and regulations and will not be deemed to have breached our obligations under the Change of Control Offer provisions of the notes by virtue of any such conflict.

In the event that the holders of not less than 90% of the aggregate principal amount of outstanding notes accept the Change of Control Offer and we or a third party purchases all the notes held by such holders, we will have the right, on not less than 10 nor more than 60 days' prior notice, given not more than 30 days following the Change of Control Payment Date, to redeem all of the notes that remain outstanding following such purchase at the purchase price equal to the Change of Control Payment plus, to the extent not included in the Change of Control Payment, accrued and unpaid interest and Additional Amounts, if any, on the notes that remain outstanding to the date of redemption.

Payments

We will make all payments on the notes exclusively in the currency of the United States as at the time of payment will be legal tender for the payment of public and private debts.

We will make payments of principal, premium, if any, and interest on the notes to the paying agents. The trustee will initially act as a paying agent with respect to the notes. So long as the notes are listed on the Luxembourg Stock Exchange, we will also maintain a paying agent in Luxembourg.

We will pay interest on the outstanding principal amount of the notes to the Persons in whose name the notes are registered on the relevant record date (which, in the case of global notes, will be DTC) and will pay principal and premium, if any, on the notes to the Persons in whose name the notes are registered on the due date for payment (which, in the case of global notes, will be DTC). Payments of principal, premium, if any, and interest in respect of each note will be made by the paying agents by wire transfer to the US dollar account specified by such Person or, if no such account is specified, by US dollar check drawn on a bank in New York City and mailed to the Person entitled thereto at its registered address. We will make payments of principal and premium, if any, upon surrender of the relevant notes at the applicable corporate trust office of the trustee or any of the paying agents.

Under the terms of the indenture, payment by us of any amount payable under the notes to the paying agents in accordance with the indenture will satisfy our obligation to make such payment. We have agreed in the indenture to indemnify the holders in the event that there is subsequent failure by the trustee or any paying agent to pay any amount due in respect of the notes in accordance with the indenture as will result in the receipt by the holders of such amounts as would have been received by them had no such failure occurred.

All payments will be subject in all cases to any applicable tax or other laws and regulations, but without prejudice to the provisions of "—Additional Amounts." No fees or expenses will be charged to the holders in respect of such payments.

Subject to applicable law, the trustee and the other paying agents will pay to us upon written request any monies held by them for the payment of principal, premium, if any, or interest that remains unclaimed for two years, and, thereafter, holders entitled to such monies must look to us for payment as general creditors. After the return of such monies by the trustee or the other paying agents to us, neither the trustee nor the other paying agents will be liable to the holders in respect of such monies.

Form, Denomination and Title

The notes will be issued in fully registered form without coupons attached in minimum denominations of US$150,000 and integral multiples of US$1,000 in excess thereof.

Notes sold in offshore transactions in reliance on Regulation S will be represented by one or more global notes in fully registered form without coupons deposited with a custodian for and registered in the name of a nominee of DTC. Notes sold in reliance on Rule 144A will be represented by one or more global notes in fully registered form without coupons deposited with a custodian for and registered in the name of a nominee of DTC. Beneficial interests in the global notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants, including Euroclear and Clearstream. Except in certain limited circumstances, definitive registered notes will not be issued in exchange for beneficial interests in the global notes. See "Form of the Notes—Global notes."

Title to the notes will pass by registration in the register. The holder of any note will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, writing on, or theft or loss of, the definitive note issued in respect of it) and no Person will be liable for so treating the holder.

Transfer of Notes

Notes may be transferred in whole or in part in an authorized denomination upon the surrender of the note to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the applicable corporate trust office of the registrar or any transfer agent. Transfer of beneficial interests in the global notes will be effected only through records maintained by DTC and its participants. See "Form of the Notes." Notes will be subject to certain restrictions on transfer as more fully set out in the indenture. See "Transfer Restrictions."

The trustee will initially act as the registrar and as a transfer agent with respect to the notes. So long as the notes are listed on the Luxembourg Stock Exchange, we will also maintain a transfer agent in Luxembourg.

Transfer will be effected without charge by or on behalf of us, the registrar or the transfer agents, but upon payment, or the giving of such indemnity as the registrar or the relevant transfer agent may require, in respect of any tax or other governmental charges which may be imposed in relation to it. The trustee (and any registrar or transfer agents) may require a holder, among other things, to furnish appropriate endorsements and transfer documents.

We are not required to transfer or exchange any note selected for redemption. No holder may require the transfer of a note to be registered during the period of 15 days ending on the due date for any payment of principal, premium, if any, or interest on that note.

Additional Amounts

All payments in respect of the notes will be made free and clear of and without any withholding or deduction for or on account of any present or future Taxes (as defined below), unless the withholding or deduction of such Taxes is required by law or the official interpretation

thereof, or by the administration thereof. If the applicable withholding agent is so required by any law of any Taxing Jurisdiction (as defined below) to withhold or deduct any Taxes from or in respect of any sum payable under the notes, we will (a) pay such additional amounts ("Additional Amounts") as may be necessary in order that the net amounts receivable by holders of any notes after such withholding or deduction equals the respective amounts which would have been receivable by such holder in the absence of such withholding or deduction, (b) make such withholding or deduction, and (c) pay the full amount withheld or deducted to the relevant tax or other authority in accordance with applicable law, except that no such Additional Amounts will be payable in respect of any note:

(i) to the extent that such Taxes are imposed or levied by reason of such holder (or the beneficial owner) having some connection with the Taxing Jurisdiction other than the mere holding (or beneficial ownership) of such note or receiving principal or interest payments on the notes (including but not limited to citizenship, nationality, residence, domicile, or existences of a business, permanent establishment, a dependent agent, a place of business or a place of management present or deemed present in the Taxing Jurisdiction);

(ii) to the extent that any Tax is imposed other than by deduction or withholding from payments of principal, premium, if any, or interest on the notes;

(iii) in respect of any Tax that would not have been so withheld or deducted but for the failure by the holder (or beneficial owner) to comply with any certification, identification or other reporting requirement concerning its nationality, residence, identity or connection with the Taxing Jurisdiction if (1) compliance is required by applicable law, regulation, administrative practice or treaty as a precondition to exemption from all or part of the Taxes, (2) the holder (or beneficial owner) is able to comply with these requirements without undue hardship and (3) we have given the holders (or beneficial owners) at least 30 calendar days prior notice that they will be required to comply with such requirement;

(iv) in the event that the holder fails to surrender (where surrender is required) its note for payment within 30 days after we have made available a payment of principal or interest, *provided* that we will pay Additional Amounts to which a holder would have been entitled had the note been surrendered on the last day of such 30-day period;

(v) to the extent that such Taxes are imposed by reason of an estate, inheritance, gift, personal property, value added, use or sales tax or any similar taxes, assessments or other governmental charges;

(vi) for any Taxes or equivalent thereof imposed pursuant to Sections 1471 through 1474 of the Internal Revenue Code of 1986, as amended (or any successor provisions), any current or future regulations promulgated thereunder or other official administrative interpretations thereof and any agreements entered into pursuant to Section 1471(b)(1) of the Internal Revenue Code of 1986, as amended, and including (for the avoidance of doubt) any intergovernmental

agreements (and any law, regulation, rule or practice implementing any such intergovernmental agreement) in respect of the foregoing; or

(vii) any combination of items (i) through (vi) above.

Furthermore, no Additional Amounts will be paid to a holder that is a fiduciary or a partnership or not the sole beneficial owner of such payment to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such partnership or such beneficial owner would not have been entitled to receive the Additional Amounts had such beneficiary, settlor, member or beneficial owner been the holder.

Notwithstanding the above, for Peruvian law purposes, we will be treated as assuming the obligation of any Taxes and any Additional Amounts in respect thereof, subject to the conditions and exclusions described above.

"Taxes" means, with respect to payments on the notes, all taxes, withholdings, duties, assessments or governmental charges in the nature of a tax imposed or levied by or on behalf of Peru or, in the event that we appoint paying agents outside of Peru, the jurisdiction of any such paying agents (including, for the avoidance of doubt, Luxembourg) or, in each case, any political subdivision thereof (each, a "Taxing Jurisdiction") or any authority or agency therein or thereof having power to tax.

We will provide the trustee with the official acknowledgment of the relevant taxing authority (or, if such acknowledgment is not available, other reasonable documentation) evidencing any payment of any Taxes in respect of which we have paid any Additional Amounts. Copies of such documentation will be made available to the holders of the notes or the paying agents, as applicable, upon request therefor.

In addition, we will pay any stamp, issue, excise, property, registration, documentary or other similar taxes and duties, including interest and penalties, imposed by a Taxing Jurisdiction in respect of the creation, issue, offering, execution, delivery, enforcement or registration of the notes, the indenture or any other document or instrument in relation thereof. We will also pay and indemnify the trustee and the holders from and against all court taxes or other taxes and duties, including interest and penalties, imposed by a Taxing Jurisdiction and paid by any of them in any jurisdiction in connection with any action permitted to be taken by the holders to enforce our obligations under the notes. In addition, notwithstanding the language in items (ii) and (v) above, we will pay and indemnify the holders against any Peruvian value added tax that is imposed on a payment of interest on the notes, except to the extent that such Peruvian value added tax is described in (or Additional Amounts would not be paid pursuant to) items (i), (iii), (iv), (vi) or (vii) above (or any combination thereof).

All references in this offering memorandum to principal, premium, if any, and interest on the notes will include any Additional Amounts payable by us in respect of such principal, premium, if any, and interest.

If we are or will become obligated to pay Additional Amounts under or with respect to any payment made on the notes, at least 30 days prior to the date of such payment (unless the obligation to pay Additional Amounts arises after the 30th day prior to that payment date, in which case we shall deliver the below-mentioned officers' certificate promptly thereafter), we

will deliver to the trustee an officers' certificate stating the fact that Additional Amounts will be payable and the amount so payable and such other information necessary to enable the trustee (or any paying agent) to pay Additional Amounts to holders of notes on the relevant payment date.

Covenants

The indenture contains the following covenants:

Limitation on consolidation, merger or transfer of assets

We will not consolidate with or merge with or into, or convey, transfer or lease all or substantially all of our assets to, any Person, unless:

(1) the successor Person (if not us) is a Person organized and existing under the laws of Peru, and expressly assumes, by a supplemental indenture to the indenture, executed and delivered to the trustee, all of our obligations under the indenture and the notes;

(2) immediately prior to such transaction and immediately after giving effect to such transaction, no Default or Event of Default will have occurred and be continuing; and

(3) we deliver to the trustee an officers' certificate and an opinion of counsel of recognized standing, each stating that such transaction and such supplemental indenture, if any, comply with the indenture.

In case of any such consolidation, merger, conveyance or transfer, such successor Person will succeed to and be substituted for us as obligor on the notes with the same effect as if it had issued the notes. Upon the assumption of our obligations by any such successor Person in such circumstances, subject to certain exceptions, we will be discharged from all obligations under the indenture and the notes.

Ranking

We covenant that the notes offered hereby will at all times rank pari passu with any future senior unsecured indebtedness.

Reporting requirements

We will provide or cause to be provided to the trustee any financial statements which we may file with the SMV, or which are otherwise made available to the public in such language or form as such financial statements are prepared. In addition to the foregoing (and without duplication), we will cause to be provided to the trustee, (i) in English (or accompanied by an English translation thereof) as soon as available and in any case within 60 days after the end of each fiscal quarter (other than the fourth quarter), our consolidated (to the extent applicable) unaudited balance sheet, statement of income, statement of changes in stockholders' equity and statements of cash flow calculated in accordance with SBS GAAP, or such other accounting standards as may from time to time be required for or applicable to us pursuant to applicable law and SBS regulations and (ii) in English (or accompanied by an English translation thereof) as soon as available and in any case within 90 days after the end of each fiscal year, our

consolidated (to the extent applicable) audited balance sheet, statement of income, statement of changes in stockholders' equity and statement of cash flow calculated in accordance with SBS GAAP, or such other accounting standards as may from time to time be required for or applicable to us pursuant to applicable law and SBS regulations and accompanied by a report thereon by an independent public accountant of recognized international standing; in all cases under (i) and (ii) together with a management description and analysis of our financial condition and results of operations substantially in the form set forth under "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this offering memorandum.

For as long as the notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, we will furnish to any holder of notes issued under Rule 144A, or to any prospective purchaser designated by such holder of notes, upon request of such holder of notes, financial and other information described in paragraph (d)(4) of Rule 144A (as amended from time to time and including any successor provision) with respect to us to the extent required in order to permit such holder of notes to comply with Rule 144A with respect to any resale of its note, unless, at the time of such request, we are subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, or exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act.

Delivery of reports, information and documents to the trustee is for informational purposes only and its receipt of such reports shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including our or any other Persons' compliance with any of its covenants under the indenture or the notes (as to which the trustee is entitled to rely exclusively on officers' certificates).

The trustee shall not be obligated to monitor or confirm, on a continuing basis or otherwise, our or any other Person's compliance with the covenants described herein or with respect to any reports or other documents filed under the indenture.

Maintenance of approvals

We will obtain and maintain in full force and effect all governmental approvals, consents or licenses of any governmental authority under the law of Peru or any other jurisdiction having jurisdiction over us, except to the extent that the failure to so maintain does not have a material adverse effect on our business, operation or financial condition or our ability to comply with our obligations under the indenture or the notes our business or the transactions contemplated herein, as well as of any third party under any agreement to which we may be subject, in connection with our execution, delivery and performance of the transaction documents related to this offering or the validity or enforceability thereof.

Listing

In the event that the notes are admitted to listing on the Euro MTF Market of the Luxembourg Stock Exchange, we will use our reasonable best efforts to maintain such listing, *provided* that if we could be required to publish financial information either more regularly than we otherwise would be required to or according to accounting principles which are materially different from the accounting principles which we would otherwise use to prepare our published financial information, or we determine that it is unduly burdensome to maintain a listing on the

Euro MTF Market of the Luxembourg Stock Exchange, we may delist the notes from the Euro MTF Market of the Luxembourg Stock Exchange and seek an alternative admission to listing, trading and/or quotation for the notes on a different section of the Luxembourg Stock Exchange or by such other listing authority, stock exchange and/or quotation system inside or outside the European Union as we may decide. Although we cannot assure you as to the liquidity that may result from a listing on the Euro MTF Market of the Luxembourg Stock Exchange, delisting the notes from the Euro MTF Market of the Luxembourg Stock Exchange may have a material effect on the ability of holders of the notes to resell the notes in the secondary market.

Events of Default

An "Event of Default" occurs if:

(1) we default in any payment of interest (including any related Additional Amounts) on any note when the same becomes due and payable, and such default continues for a period of 30 days;

(2) we default in any payment of principal (including premium, if any, and any related Additional Amounts) of any note when the same becomes due and payable upon its stated maturity, redemption, repurchase or otherwise;

(3) we fail to comply with any of our covenants or agreements in the notes or the indenture (other than those referred to in clauses (1) and (2) above), and such failure continues for 60 days after the notice specified below;

(4) we default with respect to any of our Debt (whether such Debt now exists or is created after the date of the indenture), which default (a) is caused by failure to pay principal of or premium, if any, or interest on such Debt after giving effect to any grace period provided in such Debt on the date of such default ("Payment Default") or (b) results in the acceleration of such Debt prior to its stated maturity and, in each case, the principal amount of any such Debt, together with the principal amount of any other such Debt under which there has been a Payment Default or the maturity of which has been so accelerated, totals US$20.0 million (or the equivalent thereof at the time of determination) or more in the aggregate;

(5) one or more final judgments or decrees for the payment of money of US$20.0 million (or the equivalent thereof at the time of determination) or more in the aggregate are rendered against us and are not paid (whether in full or in installments in accordance with the terms of the judgment) or otherwise discharged and, in the case of each such judgment or decree, either (a) an enforcement proceeding has been commenced by any creditor upon such judgment or decree and is not dismissed within 30 days following commencement of such enforcement proceedings or (b) there is a period of 60 days following such judgment during which such judgment or decree is not discharged, waived or the execution thereof stayed;

(6) certain events subjecting us to a special management regime under the law of Peru, certain events of bankruptcy, intervention, dissolution, winding-up or

insolvency with respect to us or certain events which under the laws of Peru have an analogous effect; or

(7) any material provision of the indenture or the notes ceases to be in full force and effect or binding and enforceable against us or it becomes unlawful for us to perform any material obligation under the indenture or the notes, or we contest the enforceability of any of the indenture or the notes or deny that we have any liability under the indenture or the notes.

A Default under clause (3) above will not constitute an Event of Default until the trustee or the holders of at least 25% in aggregate principal amount of the notes outstanding notify us (and the trustee if given by the holders) of the Default and we do not cure such Default within the time specified after receipt of such notice.

If an Event of Default (other than an Event of Default specified in clauses (6) and (7) above) occurs and is continuing, the trustee or the holders of not less than 25% in aggregate principal amount of the notes then outstanding may declare all unpaid principal of and accrued interest on all notes to be due and payable immediately, by a notice in writing to us (and the trustee if given by the holders), and upon any such declaration such amounts will become due and payable immediately. If an Event of Default specified in clauses (6) and (7) above occurs and is continuing, then the principal of and accrued interest on all notes will become and be immediately due and payable without any declaration or other act on the part of the trustee or any holder.

The trustee will be under no obligation to exercise any of its rights or powers under the indenture at the request or direction of any of the holders, unless such holders will have offered to the trustee indemnity satisfactory to the trustee. Subject to such provision for the indemnification of the trustee and certain other conditions set forth in the indenture, the holders of a majority in aggregate principal amount of the outstanding notes will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee.

We are required to deliver to the trustee, within 90 days after the end of each fiscal year ending after the issue date, a certificate indicating whether the signers thereof know of any Default or Event of Default that occurred during the previous year. We are also required to deliver to the trustee, within 30 business days after the occurrence thereof, written notice of any events which would constitute a Default or Event of Default, their status and what action we are taking or proposing to take in respect thereof.

Defeasance

We may at any time terminate all of our obligations with respect to the notes ("defeasance"), except for certain obligations, including those regarding any trust established for a defeasance and obligations to register the transfer or exchange of the notes, to replace mutilated, destroyed, lost or stolen notes and to maintain agencies in respect of notes. We may at any time terminate our obligations under certain covenants set forth in the indenture, and any omission to comply with such obligations will not constitute a Default or an Event of Default with respect to the notes issued under the indenture ("covenant defeasance"). In order to

exercise either defeasance or covenant defeasance, we must irrevocably deposit in trust, for the benefit of the holders of the notes, with the trustee money or U.S. government obligations, or a combination thereof, in such amounts as will be sufficient, in the opinion of an internationally recognized firm of independent accountants expressed in a written certificate delivered to the trustee, without consideration of any reinvestment, to pay the principal of, the premium, if any, and interest on the notes to redemption or stated maturity and comply with certain other conditions, including the delivery of opinions of Peruvian and U.S. counsel as to certain tax matters (including that holders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such defeasance or covenant defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance or covenant defeasance, as the case may be, had not occurred). In the case of defeasance, such an opinion must be based on a ruling by the U.S. Internal Revenue Service or a change in the applicable U.S. federal income tax law.

Amendment, Supplement, Waiver

Subject to certain exceptions, the notes and the indenture may be amended or supplemented with the written consent of the holders of at least a majority in aggregate principal amount of the notes then outstanding, and any Default or Event of Default and its consequences may be waived with the consent of the holders of at least a majority in aggregate principal amount of the notes then outstanding. However, without the consent of each holder of an outstanding note affected thereby, no amendment, supplement or waiver may:

(1) reduce the rate of or extend the time for payment of interest on any note;

(2) reduce the principal of or change the stated maturity of any note;

(3) reduce the amount payable upon the redemption or repurchase of any note or change the time at which any note may be redeemed or must be repurchased (for the avoidance of doubt, changing the period provided for any notice under the indenture and the notes is not limited by this clause);

(4) change the currency for payment of principal of, premium, if any, or interest on, any note;

(5) impair the right to institute suit for the enforcement of any payment on or with respect to any note;

(6) waive a Default or Event of Default in the payment of principal of, premium, if any, and interest on the notes;

(7) reduce the principal amount of notes whose holders must consent to any amendment, supplement or waiver; or

(8) make any change in the amendment, supplement or waiver provisions which require each holder's consent.

The holders of the notes will receive prior notice as described under "—Notices" of any proposed amendment, supplement or waiver to the notes or the indenture described in this

section. After an amendment, supplement or waiver described in the preceding paragraph becomes effective, we are required to give to the holders a notice briefly describing such amendment, supplement or waiver. However, the failure to give such notice to all holders of the notes, or any defect therein, will not impair or affect the validity of the amendment, supplement or waiver.

The consent of the holders of the notes is not necessary to approve the particular form of any proposed amendment, supplement or waiver. It is sufficient if such consent approves the substance of the proposed amendment, supplement or waiver.

We and the trustee may, without notice to or the consent of any holder of the notes, amend or supplement the notes or the indenture for the following purposes:

(1) to cure any ambiguity, omission, defect or inconsistency (including, without limitation, any inconsistency between the text of the indenture or the notes and the description of the indenture and the notes contained in this offering memorandum, as set forth in an officers' certificate);

(2) to comply with the covenant described under "—Covenants—Limitation on consolidation, merger or transfer of assets";

(3) to add guarantees or collateral with respect to the notes;

(4) to add to our covenants for the benefit of holders of the notes;

(5) to surrender any right conferred by the indenture upon us;

(6) to evidence and provide for the acceptance of an appointment by a successor trustee;

(7) to provide for the issuance of additional notes; or

(8) to make any other change that does not materially and adversely affect the rights of any holder of the notes.

Any notes owned by us or any of our Affiliates will be disregarded for purposes of determining whether holders of the requisite principal amount of notes outstanding have given any request, demand, authorization, direction, consent or waiver under the indenture.

Notices

For so long as notes in global form are outstanding, notices to be given to holders will be given to DTC, in accordance with its applicable policies as in effect from time to time. If notes are issued in individual definitive form, notices to be given to holders will be deemed to have been given upon the mailing by first class mail, postage prepaid, of such notices to holders of the notes at their registered addresses as they appear in the register maintained by the registrar, regardless of whether the addressee receives such notice. In addition, so long as the notes are listed on the Luxembourg Stock Exchange and the rules of such exchange so require, notices will also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be *Luxembourger Wort*) or on the website of the Luxembourg Stock Exchange

(www.bourse.lu). Any such notice will be deemed to have been delivered on the date of first publication.

Trustee

Citibank, N.A. is the trustee under the indenture.

The indenture contains provisions for the indemnification of the trustee and for its relief from responsibility. The obligations of the trustee to any holder are subject to such immunities and rights as are set forth in the indenture. The indenture also contains provision for the replacement of the trustee by us.

Except during the continuance of an Event of Default, the trustee needs to perform only those duties that are specifically set forth in the indenture and no others, and no implied covenants or obligations will be read into the indenture against the trustee. In case an Event of Default has occurred and is continuing, the trustee shall exercise those rights and powers vested in it by the indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs. No provision of the indenture will require the trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties thereunder, or in the exercise of its rights or powers, unless it receives indemnity satisfactory to it against any loss, liability or expense.

We may from time to time enter into normal banking and trustee relationships with the trustee. The trustee may hold notes in its own name.

Registrar, Transfer Agent and Paying Agents

The trustee will initially act as registrar for the notes. The trustee will also act as transfer agent and paying agent for the notes. We have the right at any time to change or terminate the appointment of the registrar, any paying agents or any transfer agents and to appoint a successor registrar or additional or successor paying agents or transfer agents in respect of the notes. Registration of transfers of the notes will be effected without charge, but upon payment (with the giving of such indemnity as we may require) in respect of any tax or other governmental charges that may be imposed in relation to it. We will not be required to register or cause to be registered the transfer of notes after all the notes have been called for redemption.

For so long as the notes are listed on the Luxembourg Stock Exchange, we will maintain a paying agent and transfer agent in Luxembourg. We have initially appointed Banque Internationale à Luxembourg S.A. as Luxembourg paying agent and transfer agent.

Governing law, Submission to Jurisdiction and Claims

The notes and the indenture will be governed by, and construed in accordance with, the laws of the State of New York.

We will submit to the jurisdiction of the U.S. Federal and New York state courts located in the Borough of Manhattan, New York City for purposes of all legal actions and proceedings

instituted in connection with the notes and the indenture. We have appointed CT Corporation System, as our authorized agent upon which process may be served in any such action.

According to the laws of the State of New York, claims against us for the payment of principal of and premium, if any, and interest on the notes must be made within six years from the due date for payment thereof.

Waiver of Immunities

To the extent that we may claim for ourselves or our assets immunity from a suit, execution, attachment, whether in aid of execution, before judgment or otherwise, or other legal process in connection with the notes or the indenture and to the extent that in any jurisdiction there may be immunity attributable to us or our assets, whether or not claimed, we, for the benefit of the holders of the notes, irrevocably waive and agree not to claim such immunity to the fullest extent permitted by law.

Currency Indemnity

US dollars are the sole currency of account and payment for all sums payable by us under or in connection with the notes, including damages. Any amount received or recovered in a currency other than dollars (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of us or otherwise) by any holder of a note in respect of any sum expressed to be due to it from us will only constitute a discharge of us to the extent of the dollar amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that dollar amount is less than the dollar amount expressed to be due to the recipient under any note, we will indemnify such holder against any loss sustained by it as a result. In any event, we will indemnify the recipient against the cost of making any such purchase.

For the purposes of the preceding paragraph, it will be sufficient for the holder of a note to certify in a satisfactory manner (indicating the sources of information used) that it would have suffered a loss had an actual purchase of dollars been made with the amount so received in that other currency on the date of receipt or recovery (or, if a purchase of dollars on such date had not been practicable, on the first date on which it would have been practicable; it being required that the need for a change of date be certified in the manner mentioned above). These indemnities constitute a separate and independent obligation from the other obligations of ours, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by any holder of a note and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any note.

Definitions

The following is a summary of certain defined terms used in the indenture. Reference is made to the indenture for the full definition of all such terms.

"Affiliate" means, with respect to any specified Person, any other Person which, directly or indirectly, is in control of, is controlled by or is under common control with such specified Person. For purposes of this definition, control of a Person means the power, direct or indirect,

to direct or cause the direction of the management and policies of such Person whether by contract or otherwise and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Debt" means, with respect to any Person, without duplication:

(a) indebtedness for money borrowed and premium, if any, and accrued interest in respect thereof;

(b) liabilities under or in respect of any acceptance or credit;

(c) the principal and premium, if any, and any accrued and unpaid interest in respect of any bonds, notes, debentures, certificates of deposit or other securities (whether issued for cash or in whole or in part for consideration other than cash);

(d) all obligations issued or assumed as the deferred purchase price of property, all conditional sale obligations and all obligations under any title retention agreement (but excluding trade accounts payable in the ordinary course of business);

(e) guarantees and other contingent obligations in respect of Debt referred to in clauses (a) through (d) above; and

(f) any other obligations of such Person which are required to be, or are in such Person's financial statements, recorded or treated as indebtedness under SBS GAAP.

"Default" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Debt or other obligation of any Person and any obligation, direct or indirect, contingent or otherwise, of such Person (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation of such Person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (b) entered into for purposes of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided* that the term "guarantee" will not include endorsements for collection or deposit in the ordinary course of business. The term "guarantee" used as a verb has a corresponding meaning.

"holder" means the Person in whose name a note is registered in the register.

"IFRS" means the International Financial Reporting Standards as adopted by the International Accounting Standards Board.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

"Peruvian Banking Law" means the Peruvian General Law of the Financial and Insurance Systems and Organic Law of the Superintendency of Banking and Insurance (*Ley No. 26702, Ley General del Sistema Financiero y del Sistema de Seguros y Orgánica de la Superintendencia de Banca y Seguros*), or any successor laws thereto, as in effect from time to time.

"Peruvian government" means the governing authority in effective control of all or a substantial part of the territory of Peru or any political subdivision or agency thereof (including, without limitation, *Fondo Nacional de Financiamiento de la Actividad Empresarial del Estado* (FONAFE)).

"SBS" means the Peruvian Superintendency of Banks, Insurance and Private Pension Funds Administrators (*Superintendencia de Banca, Seguros y Administradoras de Fondos de Pensiones*), or any successor thereto.

"SBS GAAP" means accounting principles prescribed by the SBS for us (which includes accounting principles of general application to Peruvian financial entities and specific accounting rules promulgated by the SBS specifically for us).

"SEC" means the U.S. Securities and Exchange Commission, or any successor thereto.

"Share Capital" means, with respect to any Person, any and all shares of stock, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated, whether voting or non-voting) such Person's equity (including any preferred stock, but excluding any debt securities convertible into or exchangeable for such Share Capital).

"SMV" means the Peruvian Superintendency of Capital Markets (*Superintendencia del Mercado de Valores*), or any successor thereto.

"stated maturity" means, with respect to any security, the date specified in such security as the fixed date on which any principal of such security is due and payable, including pursuant to any mandatory redemption or purchase provision (but excluding any provision providing for the purchase of such security at the option of the holder thereof upon the happening of any contingency unless such contingency has occurred).

"Voting Stock" means, with respect to any Person, securities of any class of Share Capital of such Person entitling the holders thereof to vote in the election of members of the board of directors or equivalent governing body of such Person.

Form of the Notes

Notes sold pursuant to Regulation S will be represented by a global note in fully registered form without interest coupons (the "Regulation S Global Note") and will be registered in the name of a nominee of DTC and deposited with a custodian for DTC. Notes sold pursuant to Rule 144A will be represented by a global note in fully registered form without interest coupons (the "Rule 144A Global Note" and, together with the Regulation S Global Note, the "global notes") and will be deposited with a custodian for DTC and registered in the name of a nominee of DTC.

The notes are being offered and sold in this initial offering in the United States solely to "qualified institutional buyers" under Rule 144A under the Securities Act and in offshore transactions to persons other than U.S. persons, as defined in Regulation S under the Securities Act, in reliance on Regulation S. Following this offering, the notes may be sold:

to qualified institutional buyers under Rule 144A;

to non-U.S. persons outside the United States pursuant to Regulation S; and

under other exemptions from, or in transactions not subject to, the registration requirements of the Securities Act, as described under "Transfer Restrictions."

Prior to the 40th day after the date of original issuance of the notes, any resale or transfer of beneficial interests in the Regulation S Global Note to U.S. persons will not be permitted unless such resale or transfer is made pursuant to Rule 144A.

Exchanges between the global notes

Transfers by an owner of a beneficial interest in a Regulation S Global Note to a transferee, who takes delivery of that interest through a note offered and sold in the United States to qualified institutional buyers pursuant to a Rule 144A Global Note, will be made only in accordance with applicable procedures and upon receipt by the trustee of a written certification from the transferee of the beneficial interest in the form provided in the indenture to the effect that the transfer is being made to a qualified institutional buyer within the meaning of Rule 144A in a transaction complying with the requirements of Rule 144A. Transfers by an owner of a beneficial interest in a Rule 144A Global Note to a transferee who takes delivery of the interest through a Regulation S Global Note will be made only upon receipt by the trustee of a certification from the transferor that the transfer is being made to a non-U.S. person in accordance with Regulation S.

Any beneficial interest in one of the global notes that is transferred to a person who takes delivery in the form of an interest in another global note will, upon transfer, cease to be an interest in that global note and become an interest in the other global note and, accordingly, will then be subject to any transfer restrictions and other procedures applicable to beneficial interests in the other global note.

Global notes

Upon receipt of the Regulation S Global Note and the Rule 144A Global Note, DTC will credit, on its internal system, the respective principal amount of the individual beneficial interests represented by such global note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the initial purchasers. Ownership of beneficial interests in a global note will be limited to persons who have accounts with DTC ("DTC Participants") or persons who hold interests through DTC Participants. Ownership of beneficial interests in the global notes will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of DTC Participants) and the records of DTC Participants (with respect to interests of persons other than DTC Participants).

So long as DTC, or its nominee, is the registered owner or holder of a global note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the notes represented by such global note for all purposes under the indenture and the notes. Except as described in "Certificated Notes," owners of beneficial interests in a global note will not be entitled to have any portions of such global note registered in their names, will not receive or be entitled to receive physical delivery of notes in certificated form and will not be considered the owners or holders of the global note (or any notes represented thereby) under the indenture or the notes. In addition, no beneficial owner of an interest in a global note will be able to transfer that interest except in accordance with DTC's applicable procedures (in addition to those under the indenture referred to herein and, if applicable, those of Euroclear Bank S.A./N.V., as operator of Euroclear System ("Euroclear") and Clearstream Banking, societe anonyme ("Clearstream")).

Investors may hold interests in the global notes through Euroclear or Clearstream, if they are participants in such systems. Euroclear and Clearstream will hold interests in the global notes on behalf of their account holders through customers' securities accounts in their respective names on the books of their respective depositaries, which, in turn, will hold such interests in the global notes in customers' securities accounts in the depositaries' names on the books of DTC.

Payments of the principal of and interest on global notes will be made to DTC or its nominee as the registered owner thereof. None of us, any initial purchaser, the trustee or any paying agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the global notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. We anticipate that DTC or its nominee, upon receipt of any payment of principal or interest in respect of a global note representing any notes held by its nominee, will credit DTC Participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such global note as shown on the records of DTC or its nominee. We also expect that payments by DTC Participants to owners of beneficial interests in such global note held through such DTC Participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC Participants.

Transfers between DTC Participants will be effected in accordance with DTC's procedures. The laws of some jurisdictions require that certain persons take physical delivery of securities in certificated form. Consequently, the ability to transfer beneficial interests in a global note to such persons may be limited. Because DTC can only act on behalf of DTC Participants, who in turn act on behalf of indirect participants and certain banks, the ability of a person having a beneficial interest in a global note to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificated note in respect of such interest. Transfers between accountholders in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the notes described above, cross market transfers between DTC participants, on the one hand, and directly or indirectly through Euroclear or Clearstream account holders, on the other hand, will be effected

in DTC in accordance with DTC rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depositary; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with its rules and procedures and within its established deadlines. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the global notes in DTC, and making or receiving payment in accordance with normal procedures for same day funds settlement applicable to DTC. Euroclear and Clearstream account holders may not deliver instructions directly to the depositaries for Euroclear or Clearstream.

Because of time zone differences, the securities account of a Euroclear or Clearstream account holder purchasing an interest in a global note from a DTC Participant will be credited during the securities settlement processing day (which must be a business day for Euroclear or Clearstream, as the case may be) immediately following the DTC settlement date and such credit of any transactions in interests in a global note settled during such processing day will be reported to the relevant Euroclear or Clearstream accountholder on such day. Cash received in Euroclear or Clearstream as a result of sales of interests in a global note by or through a Euroclear or Clearstream account holder to a DTC Participant will be received for value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream cash account only as of the business day following settlement in DTC.

DTC has advised that it will take any action permitted to be taken by a holder of notes (including the presentation of notes for exchange as described below) only at the direction of one or more DTC Participants to whose account or accounts with DTC interests in the global notes are credited and only in respect of such portion of the aggregate principal amount of the notes as to which such DTC Participant or DTC Participants has or have given such direction. However, in the limited circumstances described below, DTC will exchange the global notes for certificated notes (in the case of notes represented by the Rule 144A Global Note, bearing a restrictive legend), which will be distributed to its participants. Holders of indirect interests in the global notes through DTC Participants have no direct rights to enforce such interests while the notes are in global form.

The giving of notices and other communications by DTC to DTC Participants, by DTC Participants to persons who hold accounts with them and by such persons to holders of beneficial interests in a global note will be governed by arrangements between them, subject to any statutory or regulatory requirements as may exist from time to time.

DTC has advised as follows: DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the Uniform Commercial Code and a "Clearing Agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for DTC Participants and to facilitate the clearance and settlement of securities transactions between DTC Participants through electronic book-entry changes in accounts of DTC Participants, thereby eliminating the need for physical movement of certificates. DTC Participants include security brokers and dealers, banks, trust companies and clearing corporations and may include certain other organizations. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or

maintain a custodial relationship with a DTC Participant, either directly or indirectly ("indirect participants").

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures in order to facilitate transfers of interests in the global notes among participants and accountholders of DTC, Euroclear and Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither we nor the initial purchasers will have any responsibility for the performance of DTC, Euroclear or Clearstream or their respective participants, indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

Certificated notes

If (1) DTC or any successor to DTC is at any time unwilling or unable to continue as a depositary for a global note and a successor depositary is not appointed by us within 90 days, (2) any of the notes has become immediately due and payable in accordance with "Events of Default" or (3) if we, at our sole discretion, determine that the global notes will be exchangeable for certificated notes and we notify the trustee thereof, we will issue certificated notes in registered form in exchange for the Regulation S Global Note and the Rule 144A Global Note, as the case may be. In the event of the occurrence of any clauses (1), (2) or (3) above, we will use our best efforts to make arrangements with DTC for the exchange of interests in the global notes for certificated notes and cause the requested certificated notes to be executed and delivered to the registrar in sufficient quantities and authenticated by the trustee for delivery to holders. Persons exchanging interests in a global note for certificated notes will be required to provide the registrar with (a) written instruction and other information required by us and the registrar to complete, execute and deliver such certificated notes and (b) certification that such interest is being transferred in compliance with the Securities Act. In all cases, certificated notes delivered in exchange for any global note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by DTC.

Certificated notes will not be eligible for clearing and settlement through DTC, Euroclear or Clearstream.

TAXATION

The following discussion summarizes certain Peruvian and United States federal income tax consequences of acquiring, holding and disposing of the notes.

This discussion is not a comprehensive discussion of all the tax considerations that may be relevant to a decision to purchase our notes and is not applicable to all categories of investors, some of which may be subject to special rules, and does not specifically address all of the Peruvian and United States federal income tax considerations applicable to any particular holder. It is based upon the tax laws of Peru and the United States as in effect on the date of this offering memorandum, which are subject to change, possibly with retroactive effect, and to differing interpretations. Each prospective purchaser is urged to consult its independent tax advisor about the particular Peruvian and United States federal income tax consequences that would affect it due to an investment in the notes.

Peruvian Tax Considerations

The following summary of certain Peruvian tax matters as enforced on the date of this offering memorandum describes the principal tax consequences of an investment in the offered notes by (i) an individual or legal entity who resides in Peru for Peruvian tax purposes ("Peruvian holder") or (ii) an individual or legal entity who is not a resident of Peru for Peruvian tax purposes and does not invest in the offered notes in connection with the conduct of a trade or business through a permanent establishment in Peru ("non-Peruvian holder").

For Peruvian tax purposes, Peruvian or foreign individuals are deemed to be residents of Peru provided that such individuals have resided or stayed in Peru for more than 183 calendar days during any 12-month period. A legal entity is deemed to be resident of Peru for Peruvian tax purposes if it has been incorporated in Peru.

This summary is not intended to be a comprehensive description of all the tax considerations that may be relevant to a decision to make an investment in the notes and should not be considered as tax advice but rather an informative notice to be discussed by the holders with their tax advisors. This summary does not describe any tax consequences arising under the laws of any taxing jurisdiction other than Peru.

Peru has executed treaties to avoid double taxation with the Andean Community (Bolivia, Colombia and Ecuador), Brazil, Canada, Chile, Switzerland, South Korea, Mexico, Portugal and Japan all of which are currently in force. Non-Peruvian holders that are domiciled in any of these countries should consult an independent tax advisor regarding the application of the relevant tax treaty.

Income tax

General information

Peruvian residents, individuals or legal entities, as the Peruvian holders, are liable for income tax on their worldwide income, whereas non-resident individuals and non-resident legal

entities, as the non-Peruvian holders, are only liable for income tax on their Peruvian source income.

Permanent establishments in Peru of non-resident legal entities are deemed to be residents of Peru for income tax purposes, but they are only liable for income tax on the Peruvian source income attributed to said permanent establishment. Tax exemptions may be applicable.

Payment of principal and interest on the notes

Repayments of principal on the notes by us will not be subject to withholding.

Payments of interest on the notes by us will not be subject to withholding, as in accordance with article 19 (q) of the Peruvian Income Tax Law –approved by the Supreme Decree No. 179-2004-EF– and Supreme Decree No. 136-2011-EF, interest and other gains derived from credit facilities granted by non-residents, to the Peruvian National Public Sector, as is the case of the issuer, are subject to a temporary tax exemption. We may assume that such requirement will be satisfied.

This exemption will be in force until December 31, 2023 in accordance with Law No. 31106. If said exemption is not extended, we must apply a 4.99% withholding income tax in respect of payments of interest on the notes to non-Peruvian holders, provided that the following conditions are met: (i) the non-Peruvian holders and the issuer are not considered to be related parties pursuant to the Peruvian Income Tax Law and (ii) in the case of non-Peruvian holders that are individuals, the interest (a) does not derive from a transaction from or through a low or no-tax jurisdiction or a non-cooperative jurisdiction; and/or (b) is not subject to a preferential tax regime; otherwise, the income tax rate will be 30%.

The above tax consequences on payments of interest will remain applicable as long as any non-resident is deemed as owner or holder of the notes.

In the event that the beneficial interests in the global notes are exchanged for certificated notes, the above tax consequences on payments of interest will remain applicable as long as a non-resident is deemed owner of the certificated notes.

In the event that a Peruvian resident is deemed owner of the beneficial interests in the global notes or the certificated notes (if the beneficial interests in the global notes are exchanged for certificated notes), legal entities must add the interest to their worldwide income which will be subject to income tax at the general tax rate of 29.5%, whereas in the case of individuals the Fund will apply a withholding tax at an effective 5% rate.

Payment of a premium by the issuer upon early redemption or repurchase of the beneficial interests in the global notes or the certificated notes (if the beneficial interests in the global notes are exchanged for certificated notes) would be treated as an interest payment and would therefore be subject to the rules described in the preceding paragraphs of this section.

We have agreed to pay additional amounts in respect of any interest withholding tax, if it becomes applicable, subject to specific exceptions and limitations (see “Description of the Notes—Additional Amounts”).

Sale of a beneficial interest in a global note or a certificated note

Proceeds received by a non-Peruvian holder on a sale, exchange or disposition of a beneficial interest in a global note will not be subject to any Peruvian withholding or capital gains tax. In the event that the beneficial interests in the global notes are exchanged for certificated notes, capital gains arising from the sale, exchange or other disposition of said certificated notes by non-Peruvian holders could be subject to Peruvian income tax. However, in accordance with article 19 (q) of the Peruvian Income Tax Law –approved by the Supreme Decree No. 179-2004-EF– and Supreme Decree No. 136-2011-EF, if the capital gains are characterized as "other gains" related to credit facilities granted by non-residents, such as the non-Peruvian holders, to the Peruvian National Public Sector, as is the case of the issuer, such capital gains would be subject to a temporary tax exemption. The application of this exemption must be analyzed on a case-by-case basis.

This exemption will be in force until December 31, 2023 in accordance with Law No. 31106. If said exemption is not extended or is not applicable, any capital gain arising from the sale, exchange or other disposition of said notes by non-Peruvian holders would be subject to Peruvian income tax at a 30% rate and the cost basis must be certified before any payment is received, except where such capital gain is otherwise subject to the 5% Peruvian income tax rate, if (i) such notes are registered in the Public Registry of Securities (*Registro Público del Mercado de Valores*) of the SMV and (ii) the notes are negotiated in a Peruvian Stock Market without having to certify the cost basis.

Any capital gain arising from the sale, exchange or other disposition by a Peruvian holder of a beneficial interest in a global note will be subject to income tax. Peruvian holders must add those capital gains to their net taxable income. In the event that the beneficial interests in the global notes are exchanged for certificated notes, any capital gain arising from the sale, exchange or other disposition of said certificated notes by Peruvian holders would be subject to Peruvian income tax. Peruvian holders being legal entities must add those capital gains to their worldwide income which will be subject to taxation at the general rate of 29.5%, whereas Peruvian holders being individuals will be subject to an effective tax rate of 5%, unless losses are obtained in other trades of securities during the fiscal year, which will have to be analyzed by the holder.

Tax exemptions may be applicable.

Value Added Tax (VAT)

No VAT is payable in connection with the purchase, ownership or disposition of a note, a beneficial interest in a global note or a certificated note.

Financial transaction tax

Additionally, it is important to mention that in Peru there is a Financial Transactions Tax ("FTT") at a 0.005% rate on debits and credits made in a Peruvian bank or other financial institution account, either in national or foreign currency. If the issue price paid for the notes is deposited in a Peruvian Financial System (*Sistema Financiero Peruano* or "PFS") bank account, such credit will also be levied at the corresponding FTT rate. The taxpayer of the FTT is the holder of the PFS bank account, but the PFS bank acts as withholding agent.

United States Federal Income Tax Considerations

The following is a summary of certain United States federal income tax consequences of the purchase, ownership and disposition of the notes. This summary deals only with notes that are held as capital assets by a U.S. holder (as defined below) who acquires our notes upon original issuance at their initial offering price.

A "U.S. holder" means a beneficial owner of the notes that is, for United States federal income tax purposes, any of the following:

- an individual who is a citizen or resident of the United States;
- a corporation (or any other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

This summary is based upon provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and regulations, rulings and judicial decisions thereunder as of the date hereof. Those authorities may be changed, perhaps retroactively, so as to result in United States federal income tax consequences different from those summarized below. This summary does not address all of the United States federal income tax consequences that may be relevant to U.S. holders in light of their particular circumstances, nor does it address the Medicare tax on net investment income, United States federal estate and gift taxes or the effects of any state, local or non-United States tax laws. In addition, it does not represent a detailed description of the United States federal income tax consequences applicable to you if you are subject to special treatment under the United States federal income tax laws. For example, this summary does not address:

- tax consequences to U.S. holders who may be subject to special tax treatment, such as dealers or brokers in securities or currencies, traders in securities that elect to use the mark-to-market method of accounting for their securities, financial institutions, regulated investment companies, real estate investment trusts, partnerships or other pass-through entities for United States federal income tax purposes, tax-exempt entities or insurance companies;
- tax consequences to persons holding the notes as part of a hedging, integrated, constructive sale or conversion transaction or a straddle;
- tax consequences to U.S. holders whose "functional currency" is not the U.S. dollar;
- tax consequences to persons that tender Existing Notes pursuant to the Tender Offer;

- tax consequences attributable to persons being required to accelerate the recognition of any item of gross income with respect to the notes as a result of such income being recognized on an applicable financial statement; or

- alternative minimum tax consequences, if any.

If a partnership (or other entity or arrangement treated as a partnership for United States federal income tax purposes) holds our notes, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partnership or a partner of a partnership considering an investment in our notes, you should consult your tax advisors.

If you are considering the purchase of notes, you should consult your own tax advisors concerning the particular United States federal income tax consequences to you of the purchase, ownership and disposition of the notes, as well as the consequences to you arising under other United States federal tax laws and the laws of any other taxing jurisdiction.

Payments of Interest

Stated interest on a note (including any Peruvian tax withheld and additional amounts paid in respect thereof) will generally be taxable to you as ordinary income at the time it is paid or accrued in accordance with your method of accounting for United States federal income tax purposes. Such interest income generally will be considered foreign source income and, for purposes of the United States foreign tax credit, generally will be considered passive category income. You may be entitled to deduct or credit any Peruvian withholding tax, subject to certain limitations (including that the election to deduct or credit foreign taxes applies to all of your foreign taxes for a particular tax year). You will generally be denied a foreign tax credit for foreign taxes imposed with respect to the notes where you do not meet a minimum holding period requirement during which you are not protected from risk of loss. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisors regarding the availability of the foreign tax credit under your particular circumstances.

Sale, Exchange, Retirement or other Taxable Disposition of Notes

Upon the sale, exchange, retirement or other taxable disposition of a note, you will recognize gain or loss equal to the difference between the amount you realize upon the sale, exchange, retirement or other taxable disposition (less an amount equal to any accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income) and your adjusted tax basis in the note. Your adjusted tax basis in a note will generally be your cost for that note. Any gain or loss you recognize will generally be capital gain or loss and will generally be long-term capital gain or loss if you have held the note for more than one year. Long-term capital gains of non-corporate U.S. holders (including individuals) are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Any gain or loss you recognize will generally be treated as United States source gain or loss.

Backup Withholding and Information Reporting

Generally, information reporting requirements will apply to payments of interest and principal on a note and the proceeds from a sale or other taxable disposition of a note that are paid to you within the United States (and in certain cases, outside the United States), unless you are an exempt recipient. A backup withholding tax may apply to any payments described in the preceding sentence if you fail to provide your taxpayer identification number or a certification of exempt status, or if you fail to report in full dividend and interest income.

Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your United States federal income tax liability, provided the required information is timely furnished to the Internal Revenue Service (the "IRS").

Certain U.S. holders are required to report information relating to an interest in the notes, subject to certain exceptions (including an exception for notes held in accounts maintained by certain financial institutions), by attaching a complete IRS Form 8938, Statement of Specified Foreign Financial Assets, with their tax return for each year in which they hold an interest in the notes. You are urged to consult your own tax advisors regarding information reporting requirements relating to your ownership of the notes.

The above description is not intended to constitute a complete analysis of all tax consequences relating to the ownership of notes. Prospective purchasers of notes should consult their own tax advisors concerning the tax consequences of their particular situations.

PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in a purchase agreement among us and the initial purchasers, we have agreed to sell to the initial purchasers named below, and each of the initial purchasers has agreed, severally and not jointly, to purchase from us, the principal amount of notes set forth opposite its name below.

Initial purchaser	Principal Amount of Notes
BofA Securities, Inc.	US$200,000,000
Citigroup Global Markets Inc.	200,000,000
J.P. Morgan Securities LLC	200,000,000
Total	**US$600,000,000**

Subject to the terms and conditions set forth in the purchase agreement, the initial purchasers have agreed, severally and not jointly, to purchase all of the notes sold under the purchase agreement if any of these notes are purchased. If an initial purchaser defaults, the purchase agreement provides that the purchase commitments of the non-defaulting initial purchasers may be increased or the purchase agreement may be terminated. The initial purchasers may offer and sell notes through certain of their affiliates.

We have agreed to indemnify the initial purchasers and their affiliates against certain liabilities in connection with this offering, including liabilities under the Securities Act, or to contribute to payments the initial purchasers may be required to make in respect of those liabilities.

The initial purchasers are offering the notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the notes, and other conditions contained in the purchase agreement, such as the receipt by the initial purchasers of officer's certificates and legal opinions. The initial purchasers reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

You should be aware that the laws and practices of certain countries require investors to pay stamp taxes and other charges in connection with purchases of the notes.

Commissions and Discounts

The initial purchasers have advised us that they propose initially to offer the notes at the offering price set forth on the cover page of this offering memorandum. After the initial offering, the offering price or any other term of the offering may be changed.

Notes Are Not Being Registered

The notes have not been registered under the Securities Act or any state securities laws. The initial purchasers propose to offer the notes for resale in transactions not requiring registration under the Securities Act or applicable state securities laws, including sales pursuant to Rule 144A and Regulation S. The initial purchasers will not offer or sell the notes except to persons they reasonably believe to be qualified institutional buyers or pursuant to offers and sales

to non-U.S. persons that occur outside of the United States within the meaning of Regulation S. In addition, until 40 days following the commencement of this offering, an offer or sale of notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A or another exemption from registration under the Securities Act. Each purchaser of the notes will be deemed to have made acknowledgments, representations and agreements as described under "Transfer Restrictions."

New Issue of Notes

The notes are a new issue of securities with no established trading market. We intend to apply to list the notes on the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF Market. We have been advised by the initial purchasers that they presently intend to make a market in the notes after completion of the offering. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. We cannot assure the liquidity of the trading market for the notes. If an active trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected. If the notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors.

Settlement

Delivery of the notes was made to investors on April 12, 2022, which is the third business day following the date of this offering memorandum (such settlement being referred to as "T+ 3"). Under Rule 15c6-1 under the Exchange Act, trades in the secondary market are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade notes prior to the delivery of the notes hereunder may be required, by virtue of the fact that the notes initially settle in T+ 3, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the notes who wish to trade the notes prior to their date of delivery hereunder should consult their advisors.

No Sales of Similar Securities

We have agreed that we will not, for a period of 90 days after the date of this offering memorandum, without first obtaining the prior written consent of BofA Securities, Inc., Citigroup Global Markets Inc., and J.P. Morgan Securities LLC, directly or indirectly, issue, sell, offer to contract or grant any option to sell, pledge, transfer or otherwise dispose of, any debt securities or securities exchangeable for or convertible into debt securities, except for the notes sold to the initial purchasers pursuant to the purchase agreement, sol-denominated debt securities issued or sold in the local Peruvian market and securities sold in the form of global depositary notes issued through a third party or depositary.

Short Positions

In connection with the offering, the initial purchasers may purchase and sell the notes in the open market. These transactions may include short sales and purchases on the open market

to cover positions created by short sales. Short sales involve the sale by the initial purchasers of a greater principal amount of notes than they are required to purchase in the offering. The initial purchasers must close out any short position by purchasing notes in the open market. A short position is more likely to be created if the initial purchasers are concerned that there may be downward pressure on the price of the notes in the open market after pricing that could adversely affect investors who purchase in the offering.

Similar to other purchase transactions, the initial purchasers' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of the notes or preventing or retarding a decline in the market price of the notes. As a result, the price of the notes may be higher than the price that might otherwise exist in the open market.

In connection with the offering of the notes, the initial purchasers (the "Stabilising Manager(s)") (or persons acting on their behalf) may over allot notes or effect transactions with a view to supporting the market price of the notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 calendar days after the date on which the issuer received the proceeds of the issue and 60 calendar days after the date of the allotment of the notes. Any stabilisation action or over allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on their behalf) in accordance with all applicable laws and rules and will be undertaken at the offices of the Stabilising Manager(s) (or persons acting on their behalf) and on the Euro MTF or over the counter market.

Neither we nor any of the initial purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the notes. In addition, neither we nor any of the initial purchasers make any representation that the initial purchasers will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Other Relationships

Some of the initial purchasers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

The initial purchasers are acting as dealer managers in connection with the concurrent Tender Offer for which they will receive customary fees.

In addition, in the ordinary course of their business activities, the initial purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. Certain initial purchasers or their affiliates that have a lending relationship with us routinely hedge, and certain

other of those initial purchasers or their affiliates may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, these initial purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the notes offered hereby. The initial purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Notice to Prospective Investors in the European Economic Area

This offering memorandum has been prepared on the basis that any offer of the notes in any Member State of the European Economic Area ("EEA") will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of the notes.

The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a "retail investor" means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Each person in a Member State of the EEA who receives any communication in respect of, or who acquires any notes under, the offers to the public contemplated in this offering memorandum, or to whom the notes are otherwise made available, will be deemed to have represented, warranted, acknowledged and agreed to and with each initial purchaser and us that it and any person on whose behalf it acquires the notes is not a "retail investor" (as defined above).

Any distributor subject to MiFID II (for the purposes of this paragraph, a "distributor") subsequently offering, selling or recommending the notes is responsible for undertaking its own target market assessment in respect of the notes and determining the appropriate distribution channels for the purposes of the MiFID II product governance rules under Commission Delegated Directive (EU) 2017/593 ("Delegated Directive"). Neither we nor any of the initial purchasers make any representations or warranties as to a distributor's compliance with the Delegated Directive.

Notice to Prospective Investors in the United Kingdom

This offering memorandum and any other material in relation to the notes described herein is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000

(Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order, (iii) are outside the UK or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (as amended, the "FSMA")) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This offering memorandum and any other material in relation to the notes described herein is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

This offering memorandum is not a prospectus for the purposes of the UK Prospectus Regulation. This offering memorandum has been prepared on the basis that any offer of notes in the UK will be made pursuant to an exemption under the UK Prospectus Regulation and the FSMA from the requirement to publish a prospectus for offers of notes.

The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a "retail investor" means a person who is one (or more) of: (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Each person in the UK who receives any communication in respect of, or who acquires any notes under, the offers to the public contemplated in this document, or to whom the notes are otherwise made available, will be deemed to have represented, warranted, acknowledged and agreed to and with each initial purchaser and us that it and any person on whose behalf it acquires notes is not a "retail investor" (as defined above).

Any distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "UK MiFIR Product Governance Rules") (for the purposes of this paragraph, a "distributor") subsequently offering, selling or recommending the notes is responsible for undertaking its own target market assessment in respect of the notes and determining the appropriate distribution channels. Neither we nor any of the initial purchasers make any representations or warranties as to a distributor's compliance with the UK MiFIR Product Governance Rules.

Notice to Prospective Investors in Switzerland

This offering memorandum is not intended to constitute an offer or solicitation to purchase or invest in the notes described herein. The notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this offering memorandum nor any other offering or marketing material relating to the notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland or a simplified prospectus or a prospectus as such term is defined in the Swiss Collective Investment Scheme Act, and neither this offering memorandum nor any other offering or marketing material relating to the notes may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this offering memorandum nor any other offering or marketing material relating to the offering nor the notes have been or will be filed with or approved by any Swiss regulatory authority. The notes are not subject to the supervision by any Swiss regulatory authority, e.g., the Swiss Financial Markets Supervisory Authority FINMA (FINMA), and investors in the notes will not benefit from protection or supervision by such authority.

Notice to Prospective Investors in the United Arab Emirates

Federal

The notes have not been, and are not being, publicly offered, sold, promoted or advertised in the United Arab Emirates other than in compliance with the laws of the United Arab Emirates governing the issue, offering and sale of securities. Further, this offering memorandum does not constitute a public offer of securities in the United Arab Emirates and is not intended to be a public offer. This offering memorandum has not been approved by or filed with the Central Bank of the United Arab Emirates or the Securities and Commodities Authority.

Abu Dhabi Global Market

This offering memorandum is for distribution only to persons who (a) are outside the Abu Dhabi Global Market, or (b) are Authorised Persons or Recognised Bodies (as such terms are defined in the Financial Services and Markets Regulations 2015 ("FSMR")), or (c) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 18 of FSMR) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons" for the purposes of this paragraph). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons.

This offer document is an "Exempt Offer" as prescribed under, and in accordance with, the Market Rules of the ADGM Financial Services Regulatory Authority. This Exempt Offer document is intended for distribution only to persons of a type specified in the Market Rules. It must not be delivered to, or relied on by, any other person. The ADGM Financial Services

Regulatory Authority has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The ADGM Financial Services Regulatory Authority has not approved this Exempt Offer document nor taken steps to verify the information set out in it, and has no responsibility for it. The notes to which this Exempt Offer relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the notes offered should conduct their own due diligence on the notes. If you do not understand the contents of this Exempt Offer document you should consult an authorised financial advisor.

Dubai International Financial Centre

This offering memorandum is for distribution only to persons who (a) are outside the Dubai International Financial Centre, (b) are persons who meet the Professional Client criteria set out in Rule 2.3.4 of the DFSA Conduct of Business Module or (c) are persons to whom an invitation or inducement in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons" for the purposes of this paragraph). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

This offering memorandum relates to an "Exempt Offer" as prescribed under, and in accordance with, the Markets Rules of the Dubai Financial Services Authority ("DFSA"). This offering memorandum is intended for distribution only to persons of a type specified in the Markets Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this offering memorandum nor taken steps to verify the information set forth herein and has no responsibility for the offering memorandum. The notes to which this offering memorandum relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the notes offered should conduct their own due diligence on the notes. If you do not understand the contents of this offering memorandum you should consult an authorized financial advisor.

Notice to Prospective Investors in Peru

The notes will not be subject to a public offering in Peru. This offering memorandum and the notes have not been, and will not be registered with or approved by the SMV or the Lima Stock Exchange. Accordingly, the notes cannot be offered or sold in Peru, except in compliance with the applicable securities laws and regulations of Peru. This notice is for informative purposes only and it does not constitute a public offering of any kind.

Notice to Prospective Investors in Chile

Pursuant to Chilean Capital Markets Act and *Norma de Carácter General* ("General Rule") No. 336, dated June 27, 2012, issued by the Chilean Financial Market Commission ("CMF"), the existing notes may be privately offered in Chile to certain "qualified investors" identified as such by CMF General Rule No. 336 (which in turn are further described in CMF General Rule No. 216, dated June 12, 2008, and in CMF General Rule No. 410, dated July 27,

2016). General Rule No. 336 requires the following information to be provided to prospective investors in Chile:

1. Date of commencement of the offer: March 31, 2022. The offer of the notes is subject to General Rule No. 336, dated June 27, 2012, issued by the CMF;

2. The subject matter of this offer are securities not registered with the Foreign Securities Registry (*Registro de Valores Extranjeros*) of the CMF, and as such are not subject to the oversight of the CMF;

3. Since the notes are not registered in Chile there is no obligation by us to make publicly available information about the notes in Chile; and

4. The notes shall not be subject to public offering in Chile unless registered with the relevant Securities Registry of the CMF.

Información a los Potenciales Inversionistas Chilenos

De conformidad con la Ley de Mercado de Valores y la Norma de Carácter General N° 336 (la "NCG 336"), de 27 de junio de 2012, de la Comisión para el Mercado Financiero ("CMF"), la oferta por los bonos puede ser efectuada de forma privada a ciertos "Inversionistas Calificados", a los que se refiere la NCG 336 y que se definen como tales en la norma de carácter general N° 216, de 12 de junio de 2008 y en la Norma de Carácter General N° 410 de fecha 27 de Julio de 2016, ambas de la CMF. La NCG 336 dispone que la siguiente información debe ser entregada a los inversionistas:

1. La oferta de los bonos comienza el 31 de marzo de 2022 y se encuentra acogida a la NCG N° 336, de fecha 27 de junio de 2012, de la CMF;

2. La oferta versa sobre valores que al ser emitidos y colocados no fueron inscritos en el Registro de Valores o en el Registro de Valores extranjeros que lleva la CMF, por lo que tales valores no están sujetos a la fiscalización de la CMF;

3. Por tratarse de valores no inscritos en Chile no existe la obligación por parte del emisor de entregar en Chile información pública sobre estos valores; y

4. La oferta por los bonos no es objeto de oferta pública y estos valores no han sido y ni podrán ser objeto de oferta pública en Chile mientras no sean inscritos en el registro de valores correspondiente.

Notice to Prospective Investors in Colombia

The notes have not been, and will not be, registered in the National Securities and Issuers Registry (*Registro Nacional de Valores y Emisores*) of Colombia or traded on the Colombian Stock Exchange (*Bolsa de Valores de Colombia*). Therefore, the notes may not be publicly offered in Colombia or traded on the Colombian Stock Exchange.

The offering memorandum is for the sole and exclusive use of the addressee as an offeree in Colombia, and the offering memorandum shall not be interpreted as being addressed to any third party in Colombia or for the use of any third party in Colombia, including any shareholders, administrators or employees of the addressee.

The recipient of the notes acknowledges that certain Colombian laws and regulations (specifically foreign exchange and tax regulations) are applicable to any transaction or investment made in connection with the notes being offered and represents that it is the sole party liable for full compliance with any such laws and regulations.

Notice to Prospective Investors in Hong Kong

The notes may not be offered or sold in Hong Kong by means of any document other than: (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances that do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), and no advertisement, invitation or document relating to the notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to the notes that are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Notice to Prospective Investors in Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) (the "SFA")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) or any person pursuant to Section 275(1A) of the SFA and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to compliance with conditions set forth in the SFA.

Where the notes are subscribed for under Section 275 of the SFA by a relevant person which is: (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, then securities or securities-based derivatives contracts (each term as defined in Section 2 (1) of the SFA) of that corporation or the beneficiaries' rights

and interest (howsoever described) in that trust shall not be transferable within six months after that corporation or that trust has acquired the notes under Section 275 of the SFA except: (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA; (ii) where no consideration is or will be given for the transfer; (iii) where the transfer is by operation of law; (iv) as specified in Section 276(7) of the SFA; or (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Any references to the SFA is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Singapore Securities and Futures Act Product Classification – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the SFA (Chapter 289 of Singapore), we have determined, and hereby notify all relevant persons (as defined in Section 309A of the SFA) that the notes are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Notice to Prospective Investors in Japan

The notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, or the "FIEA"). The notes may not be offered or sold, directly or indirectly, in Japan or to or for the benefit of any resident of Japan (including any person resident in Japan or any corporation or other entity organized under the laws of Japan) or to others for reoffering or resale, directly or indirectly, in Japan or to or for the benefit of any resident of Japan, except pursuant to an exemption from the registration requirements of the FIEA and otherwise in compliance with any relevant laws and regulations of Japan.

Notice to Prospective Investors in Canada

The notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment hereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* ("NI 33-105"), the initial purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Notice to Prospective Investors in Brazil

The notes have not been, and will not be, registered with the Brazilian Securities Commission (*Comissão de Valores Mobiliários*, or the "CVM"). The notes may not be offered or sold in Brazil. The notes are not being offered into Brazil. Documents relating to the offering of the notes, as well as information contained therein, may not be supplied in Brazil, nor be used in connection with any offer for subscription or sale of the notes in Brazil.

Notice to Prospective Investors in Luxembourg

The notes may not be offered or sold to the public in the Grand Duchy of Luxembourg, directly or indirectly, and, neither this offering memorandum nor any other circular, prospectus, form of application, advertisement, communication or other material may be distributed, or otherwise made available in, or from or published in, the Grand Duchy of Luxembourg, except in circumstances where the offer benefits from an exemption to or constitutes a transaction otherwise not subject to the requirement to publish a prospectus, in accordance with the Prospectus Regulation and the Luxembourg law of July 16, 2019 on prospectuses for securities and except for the sole purpose of the listing of the notes on the Official List of the Luxembourg Stock Exchange and their admission to trading on the Luxembourg Stock Exchange's Euro MTF market.

Notice to Prospective Investors in Ireland

The notes are not being offered, directly or indirectly, to the general public in Ireland and no offers or sales of any securities under or in connection with this offering memorandum may be effected except in conformity with the provisions of Irish law including the Irish Companies Acts 1963 to 2009, the Prospectus (Directive 2003/71/EC) Regulations 2005 of Ireland, the European Communities (Markets in Financial Instruments) Regulations 2007 (Nos. 1 to 3) of Ireland and the Market Abuse (Directive 2003/6/EC) Regulations 2005 of Ireland.

Notice to Prospective Investors in Italy

The offering of the notes has not been registered with or cleared by the *Commissione Nazionale per la Società e la Borsa* ("**CONSOB**")(the Italian Securities Exchange Commission), pursuant to Italian securities legislation. Accordingly, each initial purchaser has represented and agreed that it has not offered, sold or delivered, directly or indirectly, any notes to the public in the Republic of Italy.

For the purposes of this provision, the expression "offer of the notes to the public" in Italy means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe the notes, including the placement through authorized intermediaries.

The notes will not be offered, sold or delivered, directly or indirectly, to any person and copies of this offering memorandum or of any other document relating to the notes will not be distributed in the Republic of Italy except:

1. to qualified investors (*investitori qualificati*), as defined under Article 100 of the Legislative Decree No. 58 of February 24, 1998, as amended (the "Italian Financial Act"), as implemented by Article 26, paragraph 1(d) of CONSOB Regulation No. 16190 of October 29, 2007, as amended ("Regulation No. 16190" pursuant to Article 34-ter, first paragraph, letter b), of CONSOB Regulation No. 11971 of May 14, 1999, as amended ("Regulation No. 11971"); or
2. in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Italian Financial Act and its implementing CONSOB regulations including Regulation No. 11971.

Any such offer, sale or delivery of the notes or distribution of copies of the offering memorandum or any other document relating to the notes in the Republic of Italy must be in compliance with the selling restriction under (1) and (2) above and must be:

(a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with the relevant provisions of the Italian Financial Act, Regulation No. 16190, Legislative Decree No. 385 of September 1, 1993 as amended (the "Banking Act") (in each case, as amended from time to time), and any other applicable laws and regulations;
(b) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended, pursuant to which the Bank of Italy may request information on the offering or issue of securities in Italy or by Italian persons outside of Italy; and
(c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or the Bank of Italy or any other Italian authority.

Any investor purchasing the notes is solely responsible for ensuring that any offer, sale, delivery or resale of the notes by such investor occurs in compliance with applicable Italian laws and regulations.

Notice to Prospective Investors in Mexico

The notes have not been, and will not be, registered with the National Securities Registry (*Registro Nacional de Valores*) maintained by the Mexican National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores*, or the "**CNBV**") and, therefore the notes may not be publicly offered or sold nor be the subject of intermediation in Mexico, publicly or otherwise, except that the notes may be offered in Mexico to institutional and qualified investors pursuant to the private placement exception set forth in Article 8 of the Mexican Securities Market Law.

Notice to Prospective Investors in Panama

The notes have not been, and will not be, registered for public offering in Panama with the Panamanian Superintendence of the Securities Market (*Superintendencia del Mercado de Valores*, previously the National Securities Commission of Panama) under Decree-Law 1 of July 8, 1999, as reformed by Law 67 of 2011 (the "Panamanian Securities Act"). Accordingly, the notes may not be offered or sold in Panama or to persons domiciled in Panama, except in certain limited transactions exempted from the registration requirements of the Panamanian Securities Act. The notes do not benefit from tax incentives accorded by the Panamanian Securities Act, and are not subject to regulation or supervision by the Panamanian Superintendence of the Securities Market.

Notice to Prospective Investors in Taiwan

Each of the initial purchasers has represented and warranted that the offer of the notes has not been and will not be registered with the Financial Supervisory Commission of Taiwan pursuant to relevant securities laws and regulations and the notes may not be sold, issued or offered within Taiwan through a public offering or in a circumstance which constitutes an offer within the meaning of the Notes and Exchange Act of Taiwan requiring registration or approval of the Financial Supervisory Commission of Taiwan. Each of the initial purchasers has represented and warranted that no person or entity in Taiwan has been authorized to offer, sell, give advice regarding or otherwise intermediate the offering and sale of the notes in Taiwan.

Notice to Prospective Investors in France

No offering memorandum (including any amendment, supplement or replacement thereto) has been prepared in connection with this offering of the notes that has been approved by the Autorité des Marchés Financiers or by the competent authority of another state that is a contracting party to this agreement on the European Economic Area and notified to the Autorité des Marchés Financiers; no notes have been offered or sold and will be offered or sold, directly or indirectly, to the public in France except to permitted investors ("Permitted Investors") consisting of persons licensed to provide the investment service of portfolio management for the account of third-parties, qualified investors (investisseurs qualifiés) acting for their own account and/or corporate investors meeting one of the four criteria provided in article D. 341-1 of the French Code Monétaire et Financier and belonging to a limited circle of investors (cercle restreint d'investisseurs) acting for their own account, with "qualified investors" and "limited circle of investors" having the meaning ascribed to them in Article L. 411-2, D. 411-1, D. 411-2, D. 734-1, D. 744-1, D. 754-1 and D. 764-1 of the French Code Monétaire et Financier; none of this offering memorandum or any other materials related to the offer or information contained therein relating to the notes has been released, issued or distributed to the public in France except to Permitted Investors; and the direct or indirect resale to the public in France of any notes acquired by any Permitted Investors may be made only as provided by articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 to L. 621-8-3 of the French Code Monétaire et Financier and applicable regulations thereunder.

TRANSFER RESTRICTIONS

The notes have not been registered and will not be registered under the Securities Act, any U.S. state securities laws or the laws of any other jurisdiction, and may not be offered or sold except pursuant to an effective registration statement or pursuant transactions exempt from, or not subject to, registration under the Securities Act and the securities laws of any other jurisdiction. Accordingly, the notes are being offered and sold only:

- in the United States to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A under the Securities Act; and

- outside of the United States, to certain persons, other than U.S. persons, in offshore transactions meeting the requirements of Rule 903 in reliance on Regulation S under the Securities Act.

This offering memorandum and the notes have not been, and will not be, registered with or approved by the SMV or the Lima Stock Exchange. Accordingly, the notes cannot be offered or sold in Peru, except in compliance with the applicable securities laws and regulations of Peru.

Purchasers' Representations and Restrictions on Resale and Transfer

Each purchaser of notes (other than the initial purchasers in connection with the initial issuance and sale of notes) and each owner of any beneficial interest therein will be deemed, by its acceptance or purchase thereof, to have represented and agreed as follows:

(1) it is purchasing the notes for its own account or an account with respect to which it exercises sole investment discretion and it and any such account is either (a) a qualified institutional buyer and is aware that the sale to it is being made pursuant to Rule 144A or (b) a non-U.S. person that is outside the United States;

(2) it acknowledges that the notes have not been registered under the Securities Act or with any securities regulatory authority of any U.S. state or any other jurisdiction (other than Peru) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;

(3) it understands and agrees that notes initially offered in the United States to qualified institutional buyers will be represented by a global note and that notes offered outside the United States pursuant to Regulation S will also be represented by a global note;

(4) it will not resell or otherwise transfer any of such notes except (a) to us, (b) within the United States to a qualified institutional buyer in a transaction complying with Rule 144A under the Securities Act, (c) outside the United States in compliance with Rule 903 or 904 under the Securities Act, (d) pursuant to another exemption from registration under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act;

(5) it agrees that it will give to each person to whom it transfers the notes notice of any restrictions on transfer of such notes;

(6) it acknowledges that prior to any proposed transfer of notes (other than pursuant to an effective registration statement or in respect of notes sold or transferred either pursuant to (a) Rule 144A or (b) Regulation S) the holder of such notes may be required to provide certifications relating to the manner of such transfer as provided in the indenture;

(7) it acknowledges that the trustee, registrar or transfer agent for the notes will not be required to accept for registration the transfer of any notes acquired by it, except upon presentation of evidence satisfactory to us that the restrictions set forth herein have been complied with;

(8) it acknowledges that we, the initial purchasers and other persons will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the acknowledgements, representations and agreements deemed to have been made by its purchase of the notes are no longer accurate, it will promptly notify us and the initial purchasers;

(9) if it is acquiring the notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each account;

(10) if it is in the United Kingdom, it is not a "retail investor", where "retail investor" means a person who is one (or more) of: (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA;

(11) if it is in the European Economic Area, it is not a "retail investor", where "retail investor" means a person who is one (or more) of: a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; and

(12) it is a person (i) who has professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order"), (ii) falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order, (iii) outside the UK or (iv) to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated.

Legends

The following is the form of restrictive legend which will appear on the face of the Rule 144A global note, and which will be used to notify transferees of the foregoing restrictions on transfer:

> **"This note has not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or any U.S. state securities laws. The holder hereof, by purchasing this note, agrees for the benefit of the issuer that this note or any interest or participation herein may be offered, resold, pledged or otherwise transferred only (1) to the issuer, (2) so long as this note is eligible for resale pursuant to Rule 144A under the Securities Act ("Rule 144A"), to a person who the seller reasonably believes is a qualified institutional buyer (as defined in Rule 144A) in accordance with Rule 144A, (3) in an offshore transaction in accordance with Rule 903 or 904 of Regulation S under the Securities Act, (4) pursuant to an exemption from registration under the Securities Act (if available) or (5) pursuant to an effective registration statement under the Securities Act, and in each of such cases in accordance with any applicable securities laws of any state of the United States or other applicable jurisdiction. The holder hereof, by purchasing this note, represents and agrees that it shall notify any purchaser of this note from it of the resale restrictions referred to above.**
>
> **This legend may be removed solely at the discretion and at the direction of the issuer."**

The following is the form of restrictive legend which will appear on the face of the Regulation S global note and which will be used to notify transferees of the foregoing restrictions on transfer:

> **"This note has not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or any U.S. state securities laws. The holder hereof, by purchasing this note, agrees that neither this note nor any interest or participation herein may be offered, resold, pledged or otherwise transferred in the absence of such registration unless such transaction is exempt from, or not subject to, such registration and in accordance with any applicable securities laws of any other applicable jurisdiction."**

For further discussion of the requirements (including the presentation of transfer certificates) under the indenture to effect exchanges or transfers of interest in global notes and certificated notes, see "Description of the Notes."

LEGAL MATTERS

The validity of the notes will be passed upon for us by Simpson Thacher & Bartlett, our U.S. counsel, and by Rebaza, Alcázar & De Las Casas, our Peruvian counsel, and for the initial purchasers by Shearman & Sterling LLP, U.S. counsel to the initial purchasers, and by Miranda & Amado, Peruvian counsel to the initial purchasers.

INDEPENDENT AUDITORS

The financial statements of Fondo MIVIVIENDA S.A. for the years ended December 31, 2021, 2020 and 2019, included in this offering memorandum, have been audited by Caipo y Asociados S. Civil de R.L., independent auditors, as stated in their reports appearing herein.

LISTING AND GENERAL INFORMATION

1. The issuance of the notes has been authorized by resolutions of our board of directors at a meeting held on September 22, 2021. Under Peruvian law, we are not required to obtain the approval of our shareholder in order to issue the notes.

2. Except as disclosed herein, there are no litigation or arbitration proceedings against or affecting us or any of our assets, nor are we aware of any pending or threatened proceedings, which are or might reasonably be expected to be material in the context of the issuance of the notes.

3. Except as disclosed herein, there has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise), prospects and financial position or our general affairs since December 31, 2021 (the end of the most recent fiscal period for which financial statements have been prepared) that is material in the context of the issuance of the notes.

4. For so long as any notes remain outstanding, copies of the indenture under which the notes will be issued may be inspected during normal business hours at the offices of each of the Luxembourg listing agent and our principal office, at the addresses listed on the inside back cover page of this offering memorandum.

5. For so long as any notes remain outstanding, copies of the following documents (together, where necessary, with English translations thereof) may be obtained during normal business hours, at our principal office, at the address listed on the inside back cover page of this offering memorandum:

   a. our latest published unaudited interim financial statements, which are published on a quarterly basis, and audited year-end financial statements; and

   b. our *estatuto social* (by-laws).

Additionally, this offering memorandum will be available free of charge in our offices or on the website of the Luxembourg Stock Exchange.

6. To the best of our knowledge, the information contained in this offering memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information. Accordingly, we accept responsibility.

7. The global notes representing the notes have been accepted into the systems used by DTC. The CUSIP, ISIN and Common Code numbers, as applicable, for the notes are as follows:

Rule 144A Note CUSIP:	Rule 144A Note ISIN:	Rule 144A Note Common Code:
344593 AF5	US344593AF57	246980292

Regulation S Note CUSIP: P42009 AE3	Regulation S Note ISIN: USP42009AE34	Regulation S Note Common Code: 246980284

ANNEX A

PRINCIPAL DIFFERENCES BETWEEN SBS GAAP AND IFRS

Our financial statements have been prepared in accordance with SBS GAAP. The SBS has stated that in case situations unforeseen by applicable standards arise, provisions set forth in Generally Accepted Accounting Principles in Peru shall be applied. All references to "IFRS" in this Appendix refer to IFRS as adopted by the IASB.

SBS GAAP differs in certain material respects from IFRS. We have not undertaken efforts to prepare a quantitative reconciliation of specific differences among SBS GAAP and IFRS. Had such an effort been undertaken, other potentially significant differences might have been identified and disclosed herein.

The following paragraphs summarize the areas in which we consider that differences among SBS GAAP and IFRS could be significant to our results of operations and financial position as of and for the year ended on December 31, 2021. We have not prepared financial statements in accordance with IFRS and, accordingly, cannot offer any assurances that all existing differences have been identified and that the differences described below could, in fact, be the largest differences between our financial statements and those prepared under IFRS. In addition, we cannot estimate the net effect that applying IFRS would have on our result of operations or financial position or any component thereof, in any of the presentations of individually or in aggregate, material, and in particular, as a result of such, it may be that the total shareholder's equity, net profit, and other items of the financial statements, prepared on the basis of SBS GAAP would be materially different from the ones reported under IFRS. Differences in the presentation of the financial statements as well as differences in the information provided in the footnotes to the financial statements have not been reported. Furthermore, the differences discussed below represent the differences based on the effects of standards that were in effect as of December 31, 2021 and does not consider the effects of standards previously issued that will become effective in the future

Highlights of certain differences among SBS GAAP and IFRS

Content and format of the financial statements

Under SBS GAAP, the presentation and content of the accounts included in the financial statements are detailed in the "Accounting Manual for Financial Entities" issued by the SBS. Under IFRS, IAS 1 and IFRS 7, there are principles about the presentation of the financial statements for financial services.

Cash flow statements

Under SBS GAAP, cash flow statements are presented in accordance with the "Accounting Manual for Financial Entities" issued by the SBS and contain significant presentational differences in respect of cash flow statements prepared in accordance with IFRS (IAS 7).

Investments in associates and subsidiaries

Under SBS GAAP, investments in associates are recorded in accordance with criteria established by SBS Resolution No. 7033-2012, which became effective on January 1, 2013. This category includes only equity securities acquired with the purpose of (i) having equity participation and/or (ii) having significant influence in other entities or institutions. Their initial recognition is at fair value; subsequently they are recorded using the equity participation method.

The initial accounting record of investments in subsidiaries, associates and interests in joint ventures will be implemented at fair value.

In the initial accounting record of investments in subsidiaries, associates and interests in joint ventures, the difference between the cost of the investment and the portion corresponding to the investor in the net fair value of the identifiable assets and liabilities of the investee, will be accounted for in accordance with the provisions established in the "Accounting Manual for Financial Entities" issued by the SBS.

Under IFRS (IAS 28) all the associates in which an entity has significant influence are accounted for using the equity method. For this purpose, under IFRS significant influence is generally presumed if an investor holds directly or indirectly 20% or more of the voting power of the investee.

Under IFRS (IFRS 10) the parent entity that controls one or more the subsidiaries have to present consolidated financial statements. IFRS 10 defines the principle of control, and establishes control as the basis for consolidation; sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee; sets out the accounting requirements for the preparation of consolidated financial statements; and defines an investment entity and sets out an exception to consolidating particular subsidiaries of an investment entity.

An investor *controls* an investee when the investor is exposed to (has rights to) variable returns from its involvement with the investee, and has the ability to affect those returns through its power over the investee. Control requires power, exposure to variability of returns and a linkage between the two.

Debt and equity securities

Under SBS GAAP, the initial recognition and the subsequent measurement of investments in debt and equity securities are recorded in accordance with criteria established by SBS Resolution No. 7033-2012, which became effective on January 1, 2013 and is to be applied prospectively. Investments at fair value through profit or loss (formerly recorded as trading securities) are initially recognized at cost (excluding acquisitions costs, which are recorded as expenses) and subsequently are measured at fair value. Available-for-sale investments and held-to-maturity investments are initially recognized at cost including acquisition costs that are directly attributable to the acquisition and subsequently re-measured at fair value and amortized cost (using the effective interest rate method), respectively. Additionally, Resolution No. 7033-2012 established an additional category: Investments in subsidiaries, associates and joint ventures are initially recognized at fair value, and thereafter, are recorded following the equity participation method.

Under IFRS (IFRS 9 and IFRS 13), all investments in securities are initially recognized at fair value (plus the incremental costs related to the transactions that are directly attributable to the purchase) being the fair value of the consideration given and including acquisition costs associated with the investment. IFRS 13 establishes the definition of fair value and contains a single source of guidance under IFRS for all fair value measurements. Subsequent measurement of investments is based upon the valuation principles of the portfolios they are classified, in at the time of purchase, in one of the categories defined by IFRS 9, financial assets at fair value through profit or loss, at fair value though other comprehensive income and at amortized cost, based on:

- The business model for managing the financial assets, which reflects how the financial assets are managed to generate cash flows, and does not depend on management's intentions with regard to an individual instrument. Financial assets can be managed for the purpose of: (i) obtaining contractual cash flows; (ii) obtaining contractual cash flows and sale or (iii) others.

- The characteristics of the contractual cash flows of the financial asset.

Impairment of debt and equity securities

Under SBS GAAP, the impairment of debt and equity securities is determined following guidelines established by SBS Resolution No. 7033-2012 – Annex Standard Methodology for identification of impairment on financial instruments as available-for-sale and held-to-maturity prescribed by SBS, which became effective on January 1, 2013 and is to be applied prospectively.

Under SBS GAAP, the allowance for loan losses is determinate following guidelines established by SBS Resolutions No. 11356-2008 and No. 6941-2008.

Under IFRS, the financial assets classified or designated at fair value through profit of loss and the equity instruments designated at fair value through other comprehensive income, are not subject to impairment evaluation. The impairment is based on a forward looking basis the expected credit losses associated with its debt instruments carried at fair value through other comprehensive income, or "FVOCI." The impairment methodology applied depends on whether there has been a significant increase in credit risk. The calculations of credit losses are products of models with a series of underlying assumptions with regard to the choice of the variable inputs and their interdependencies. The impairment mode for expected credit loss reflects the present value of all the cash deficit events related to the events of default, whether (i) during the following twelve months or (ii) during the expected useful life of a financial instrument depending on the impairment of the credit from the beginning. The expected credit loss reflects an unbiased result weighted by probability that considers a range of multiple outcomes based on reasonable and supportable forecasts.

The provisions for credit losses is measured on each reporting date following a three-stage model of expected credit losses based on the degree of credit impairment from its origin:

- Stage 1: Financial assets whose credit risk has not increased significantly since its initial recognition, a reserve will be recognized for losses equivalent to the credit losses expected to occur from defaults in the following 12 months. For those instruments with a maturity less than 12 months, a probability of default corresponding to the remaining term until maturity is used.

- Stage 2: Financial assets that have presented a significant increase in credit risk compared with initial recognition, but are not considered impaired, a reserve will be recognized for losses equivalent to the credit losses expected to occur during the remaining life of the asset.

- Stage 3: Financial assets with evidence of impairment on the reporting date, a reserve will be recognized for losses equivalent to the expected credit losses during the entire life of the asset. The interest income will be recognized based on the carrying amount of the asset, net of the loss reserve.

Derivative financial instruments

Through SBS Resolution No. 1737-2006, the SBS has approved the Regulations for the Trading and Accounting Recording of Derivative Financial Instruments in Companies of the Financial System, which establishes accounting criteria for derivative financial instruments under SBS GAAP (which are based in the requirements for derivatives defined by IAS 39).

Under SBS GAAP, IFRS (IFRS 9 and IFRS 13), derivative financial instruments are initially recognized at fair value. Derivative transactions that do not qualify for hedge accounting are treated as derivatives held for trading and any gains and losses arising from changes in fair value are taken directly to income. Under IFRS, the hedge relationship meets all of the following hedge effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument.

- The effect of credit risk does not dominate the value changes that result from the economic relationship.

- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

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Fondo MIVIVIENDA S.A.

Financial Statements

As of December 31, 2021 and 2020

(including Independent Auditors' Report)

KPMG en Perú
Torre KPMG. Av. Javier Prado Este 444, Piso 27
San Isidro. Lima 27, Perú

Teléfono 51 (1) 611 3000
Fax 51 (1) 421 6943
Internet www.kpmg.com/pe

INDEPENDENT AUDITORS' REPORT

To the Stockholders and Directors of
Fondo MIVIVIENDA S.A.

We have audited the accompanying financial statements of Fondo MIVIVIENDA S.A. (hereinafter the "Fund"), which comprise the statement of financial position as of December 31, 2021 and 2020, and the income statement, the statements of other comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting standards established for financial institutions in Peru by the Banking, Insurance and Pension Plan Agency (Superintendencia de Banca, Seguros y Administradoras Privadas de Fondos de Pensiones – SBS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing approved for their application in Peru by the Dean's Council of the Peruvian Professional Associations of Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Caipo y Asociados S. Civil de R. L. sociedad civil peruana de responsabilidad limitada y firma miembro de la organización global KPMG de firmas miembro independientes afiliadas a KPMG International Limited, una compañía privada inglesa limitada por garantía. Todos los derechos reservados".

Inscrita en la partida Nº 01681796 del Registro de Personas Jurídicas de Lima.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fondo MIVIVIENDA S.A. as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended, in accordance with accounting standards established for financial institutions in Peru by the SBS.

Lima, Peru

February 28, 2022

Countersigned by:

Caipo y Asociados

Eduardo Alejos (Partner)
Peruvian CPA Registration 29180

Fondo MIVIVIENDA S.A.

Financial Statements

As of December 31, 2021 and 2020

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Fondo MIVIVIENDA S.A.
Statement of Financial Position
As of December 31, 2021 and 2020

In thousands of soles	***Note***	**2021**	**2020**
Assets			
Cash and cash equivalents	*5*	1,181,754	1,273,223
Investments	*6*	258,068	285,002
Accounts receivable (Trust agreement - COFIDE), net	*7*	8,624,534	7,883,453
Loan portfolio, net	*8*	34,611	28,478
Other accounts receivable, net	*9*	33,744	110,566
Hedging derivatives	*10*	824,861	394,937
Property, furniture and equipment, net	*11*	620	775
Deferred income tax asset	*24*	11,186	71,636
Other assets, net	*12*	52,974	52,535
Total assets		**11,022,352**	**10,100,605**
Contingent risks and commitments		21,090	30,887

In thousands of soles
Liabilities
Obligations to the public
Borrowings and financial obligations
Securities and bonds outstanding
Hedging derivatives
Accounts payable
Provisions and other liabilities
Total liabilities
Shareholder's equity
Share capital
Reserves
Unrealized results
Retained earnings
Total shareholder's equity
Total liabilities and shareholder's equity
Contingent risks and commitments

The accompanying notes on pages 6 to 75 are an integral part of these financial statements.

Fondo MIVIVIENDA S.A.
Income Statement
For the years ended December 31, 2021 and 2020

In thousands of soles	***Note***	**2021**	**2020**
Interest income	*18*	517,330	489,071
Interest expenses	*18*	(303,056)	(286,906)
Gross financial margin		**214,274**	**202,165**
Loss allowance for accounts receivable (Trust agreement - COFIDE), net of reversals	*7*	(13,889)	(38,405)
Allowance for direct loans, net of recoveries	*8*	1,388	(2,345)
Net financial margin		**201,773**	**161,415**
Income from financial services	*19*	4,466	5,314
Financial services expenses	*19*	(2,707)	(2,280)
Finance margin net of income and expenses for financial services		**203,532**	**164,449**
Result from financial transactions	*20*	(86,018)	(82,501)
Operating margin		**117,514**	**81,948**
Administrative expenses	*21*	(51,337)	(40,497)
Depreciation of property, furniture and equipment	*11*	(160)	(210)
Amortization of intangible assets	*12(b)*	(1,462)	(1,412)
Net operating margin		**64,555**	**39,829**
Valuation of assets and provisions			
Recoveries (allowance) for other accounts receivable	*9 (g)*	14,619	(28,930)
Reversal of provision for credit risk hedging - sold portfolio, net		464	474
Provision for litigations and demands		(362)	(643)
Other provisions		(75)	(140)
Operating profit		**79,201**	**10,590**
Other income and expenses, net	*22*	(2,432)	4,639
Profit before tax		**76,769**	**15,229**
Income tax	*23*	(34,832)	(11,701)
Net profit		**41,937**	**3,528**

The accompanying notes on pages 6 to 75 are an integral part of these financial statements.

Fondo MIVIVIENDA S.A.
Statement of Other Comprehensive Income
For the years ended December 31, 2021 and 2020

In thousands of soles	***Note***	**2021**	**2020**
Net profit		41,937	3,528
Other comprehensive income (loss)			
Net gain on available-for-sale investments	*16.C*	694	1,016
Net gain (loss) in cash flows hedges	*16.C*	180,623	(16,164)
Net (loss) gain on available-for-sale investments of trusts CRC – PBP	*16.C*	(959)	288
Income tax related to components of other comprehensive income	*16.C*	(53,011)	4,573
Other comprehensive income (loss), net of taxes		**127,347**	**(10,287)**
Total other comprehensive income (loss)		**169,284**	**(6,759)**

The accompanying notes on pages 6 to 75 are an integral part of these financial statements.

Fondo MIVIVIENDA S.A.
Statement of Changes in Shareholders' Equity
For the years ended December 31, 2021 and 2020

In thousands of soles	Number of shares	Share capital (note 16.A)	Reserves (note 16.B)	Unreal resul (note 1
Balance as of January 1, 2020	3,355,584	3,355,584	27,087	(103
Net profit	-	-	-	
Other comprehensive loss				
Unrealized gain on available-for-sale investments	-	-	-	1
Unrealized loss in cash flows hedges	-	-	-	(16
Unrealized gain on available-for-sale investments of trusts CRC – PBP	-	-	-	
Income tax	-	-	-	4
Total other comprehensive loss	**-**	**-**	**-**	**(10**
Changes in shareholder's equity (not included in comprehensive loss)				
Transfer to reserves	-	-	3,000	
Capitalization of retained earnings	27,003	27,003	-	
Balance as of December 31, 2020	**3,382,587**	**3,382,587**	**30,087**	**(113**
Balance as of January 1, 2021	3,382,587	3,382,587	30,087	(113
Net profit	-	.	.	
Other comprehensive loss				
Unrealized gain on available-for-sale investments	-	-	-	
Unrealized gain in cash flows hedges	-	-	-	180
Unrealized loss on available-for-sale investments of trusts CRC – PBP	-	-	-	
Income tax	-	-	-	(53
Total other comprehensive loss	**-**	**-**	**-**	**127**
Changes in shareholder's equity (not included in comprehensive gain)				
Transfer to reserves	-	-	353	
Capitalization of retained earnings	3,175	3,175	-	
Balance as of December 31, 2021	**3,385,762**	**3,385,762**	**30,440**	**13**

The accompanying notes on pages 6 to 75 are an integral part of these financial statements.

Fondo MIVIVIENDA S.A.
Statement of Cash Flows
For the years ended December 31, 2021 and 2020

In thousands of soles	***Note***	**2021**	**2020**
Reconciliation of the net profit to cash and cash equivalents from operating activities			
Net profit		41,937	3,528
Adjustments			
Foreign exchange adjustment and derivatives interest		(253,426)	(304,021)
Unpaid accrued interest of borrowings and financial obligations		107,348	125,952
Depreciation and amortization		1,622	1,622
Loss allowance for accounts receivable (trust agreement - COFIDE), net of reversals		13,889	38,405
Allowance for direct loans, net of reversal		(1,388)	2,345
Allowance for other accounts, net of reversal		(14,619)	28,930
Income tax		34,832	11,701
Provisions for litigations and demands, and others		40,140	41,746
Other adjustments		(28,117)	(5,293)
Changes in assets and liabilities			
Net (increase) decrease in assets			
Time deposits		65,000	(65,000)
Accounts receivable (Trust agreement - COFIDE)		(755,587)	(424,479)
Loan portfolio		(4,758)	3,946
Other accounts receivable		86,052	24,127
Other assets		(54,744)	(26,096)
Net increase (decrease) in liabilities			
Obligations to the public		(1,295)	(1,326)
Non-subordinated financial liabilities		625,053	749,363
Other accounts payable		4,878	(441,059)
Provisions and other liabilities		(17,302)	(17,209)
Net profit for the period after changes in assets, liabilities and adjustments		**(110,485)**	**(252,818)**
Income tax paid		-	-
Net cash flows used in operating activities		**(110,485)**	**(252,818)**
Cash flows from investing activities			
Purchase of property, furniture and equipment	*11*	(13)	(70)
Purchase of intangible assets		(2,647)	(1,784)
Proceeds from held-to-maturity investments		-	43,589
Net cash flows (used in) provided from investing activities		**(2,660)**	**41,735**
Net decrease in cash and cash equivalents before the effect of changes in exchange rate		**(113,145)**	**(211,083)**
Effect of exchange rate fluctuations on cash and cash equivalents held		21,676	5,293
Net decrease in cash and cash equivalents		**(91,469)**	**(205,790)**
Cash and cash equivalents at the beginning of the year	*5*	1,273,223	1,479,013
Cash and cash equivalents at the end of the year	***5***	**1,181,754**	**1,273,223**

The accompanying notes on pages 6 to 75 are an integral part of these financial statements.

1. Identification and Business Activity

A. Identification

Fondo MIVIVIENDA S.A. (hereinafter "the Fund") is a state-owned company under private law and is governed by Law 28579 Law for Conversion of the Housing Mortgage Fund - Fondo MIVIVIENDA to Fondo MIVIVIENDA S.A. and its by-laws. The Fund is included in the National Fund for Financing State Enterprise Activity – FONAFE under the Ministry of Housing, Construction and Sanitation (MVCS). Law 28579 disposed the conversion of Mortgage Fund for the Promotion of Housing – Fondo MIVIVIENDA into a corporation named Fondo MIVIVIENDA S.A., since January 1, 2006.

The Fund's legal domicile is located at Av. Paseo de la República N° 3121, San Isidro, Lima, Peru.

B. Business activity

The Fund is engaged in the promotion and financing of acquisition, improvement and construction of homes, especially social interest housing. Likewise, it is engaged in the promotion of capital flow to the housing finance market, participation in the secondary mortgage market, as well as contributing to the development of the Peruvian capital market.

All the Fund's activities are regulated by the Banking, Insurance and Pension Plan Agency (Superintendencia de Banca, Seguros y AFP – SBS), by means of SBS Resolution 980-2006 "Regulation for Fondo MIVIVIENDA S.A.".

The Fund manages the following programs and resources:

i. MIVIVIENDA Program.
ii. Techo Propio Program - Management of the Household Housing Bonus (BFH), commissioned by the MVCS.
iii. Resources of the Fund-Law 27677, commissioned by the Ministry of Economy and Finance (MEF).

The characteristics of each program and resource are as follows:

i. Fondo MIVIVIENDA Program

The Trust Agreement with Corporación Financiera de Desarrollo S.A. (COFIDE) allows the Fund to channel resources through the financial institutions from the Peruvian Financial System (IFI) for the granting of mortgage loans. These mortgage loans have certain benefits to those who access them (the final borrowers) or place them (the IFIs), such as the following: the Good Payer Award (PBP, for its Spanish acronym), the Good Payer Bonus (BBP, for its Spanish acronym), the Sustainable Bonus MIVIVIENDA (BMS, for its Spanish acronym), and the Credit Risk Hedging (CRC, for its Spanish acronym). This is what is known as the Fondo MIVIVIENDA Program.

The following products form part of Fondo MIVIENDA program:

- New MIVIVIENDA loan
- Loan - MICONSTRUCCIÓN (*)
- Loan - MICASA MÁS (*)
- Loan - MITERRENO
- Loan - MIHOGAR (*)
- Standardized loan - MIVIVIENDA (*)
- Traditional loan - MIVIVIENDA (*)
- Techo Propio complementary financing
- CRC service and PBP (*)

(*) As of December 31, 2021, and 2020, these products have been discontinued; the balances correspond only to outstanding receivable balances (note 7). The loans MICONSTRUCCIÓN and MICASA MAS were repealed by Board of Directors' Meeting 01-20D-2017, dated August 24, 2017; likewise, an adaptation period was allowed until December 31, 2017 to cease its granting. The CRC - PBP service and the standardized loan MIVIVIENDA were discontinued in November 2009, loan MIHOGAR was discontinued in August 2009 and traditional loan MIVIVIENDA was discontinued since May 2006.

In order to ensure the obligations of the Fund for the payment service of the PBP and the CRC, as well as to ensure the resources to meet the amount equivalent to one third (1/3) of the total mortgage loans placed by each financial institution intermediary (IFI) that hires this service, the Fund established the CRC - PBP Trusts, both in Nuevos Soles and in US Dollars. These trusts are regulated by SBS Resolution No. 980-2006 through which the Fund Regulations were approved.

Under the service agreements with the CRC-PBP trusts, the Fund provides the IFIs with the following services:

- CRC service, defined by article 21 of the CRC and PBP Regulation as a guarantee that the Fund provides to the IFIs for either up to one third of the unpaid balance of the covered loan or one-third of the loss, whichever is lower. Said amount shall be notified by the IFI to the Fund, on terms and conditions provided for in the Regulation.

- Good-payer award service (PBP service), defined in article 24 of the CRC and PBP Regulations as the service provided to the IFI, for which the Fund assumes the payment of the installments corresponding to the concessional tranche (amount of the PBP) charged to the beneficiaries of the covered credits who have complied with the timely payment of the installments corresponding to the non-concessional tranche. This award is used to pay every six months the amount of the installment payable in said period that corresponds to the concessional tranche of the MIVIVIENDA loans.

ii. Techo Propio Program – Management of the BFH

The Techo Propio Program is aimed exclusively at families with low economic resources so that they can buy, build, or improve their home, which will have basic electricity, water and drainage services.

The main benefit of the Techo Propio Program is the Bono Familiar Habitacional (BFH), which is a direct subsidy granted by the government to a family as a one-time reward for their saving effort and is not returned (Note 15.(a)).

Eligibility requirements to access the BFH

- Form a Family Group (FG): It must be made up of a Head of Family, who will declare one or more dependents.
- Not having received housing support from the Government
- The Monthly Family Income – Net must not exceed S/ 3,715 (applicable to the Family Group).
- Do not have housing, own land or independent airs for housing at the national level.

Techo Propio Complementary Financing

The Techo Propio Complementary Financing is a mortgage loan channeled through the IFIs with resources from the Fund that complements the BFH and savings of the final borrower if it meets the requirements of the Techo Propio Program.

Terms and conditions of Techo Propio Complementary Financing are the following:

- The maximum amount of a loan from an IFI to a final borrower, financed with the Fund resources, will not exceed 80% of the 'home value' including closing costs.
- Loans granted to final borrowers who acquire future goods may be granted a grace period of up to 12 months.
- The loan must be evaluated according to the policies established by each IFI; however, for the evaluation of loans with informal income and without credit history under the programmed savings modality, the savings term will not be less than six (06) months.

According to the Third Temporary Provision of Law 28579, the Fund was engaged by the Government to manage the BFH resources and the Techo Propio Program.

On April 28, 2006, the Fund, the MVCS and FONAFE signed the Management Agreement of the BFH funds and the Techo Propio Program, under which the Fund is responsible for managing both the BFH resources and the Techo Propio Program. It includes the promotion, registration, recording and verification of information, the qualification of applicants, allocation, and transfer of the BFH funds to the developer, seller-builder, or the respective technical unit.

iii. Fund Law 27677

The Fund was entrusted with the management, reimbursement and channeling of resources resulting from the liquidation of the National Housing Fund – FONAVI, according with Law 27677, dated March 1, 2002.

Law 29625, effective December 8, 2010, decreed the reimbursement of contributions to workers who contributed to FONAVI. Article 4 of Law 29625 contemplates the constitution of an Ad Hoc Committee, which shall be responsible for conducting and supervising all procedures related to the reimbursement of contributions to FONAVI. The constitution of the Ad Hoc Committee was approved on September 24, 2012, through Ministerial Resolution 609-2012-EF/10. Pursuant to these rules, the Fund would provide to the Ad Hoc Committee with all relevant documentation and reports so that it will be in charge of the management and recovery of debts, funds and assets of FONAVI, as well as the liabilities. Since 2014, the Fund has transferred the managed resources for S/ 454,668 thousand, in accordance with the requirements of the Ad Hoc Committee.

C. Approval of the financial statements

The financial statements as of December 31, 2021 were approved by management on February 28, 2022 and will be submitted for corresponding approval to the General Stockholders' Meeting within the terms established by Law.

The General Stockholders' Meeting held on March 31, 2021 approved the audited financial statements as of December 31, 2020.

2. Trust Agreement – COFIDE

On March 25, 1999, a Trust Agreement was signed between Fondo MIVIVIENDA S.A., former Mortgage Fund for the Promotion of Housing – Fondo MIVIVIENDA, and COFIDE. The Trust Agreement's purpose was the creation of a trust by means of which COFIDE receives the resources from the Fund and performs as the executing agency thereof. COFIDE channels through the IFIs the funds to the final borrowers that intend to use such funds for the acquisition, expansion or improvement of homes and residences, in accordance with Article 12 of Supreme Decree 001-99-MTC Regulation on the Fund.

The main liabilities of COFIDE are as follows:

- Compliance with Articles 241 to 274 of Law 26702 "General Law of the Financial and Insurance Systems and SBS Organic Law" and its amendments (hereinafter the Banking Law);
- Verifying compliance with IFIs requirements and conditions according to Supreme Decree 001-99–MTC;
- Signing the Resources Intermediary Agreement with the IFIs that have fulfilled the corresponding requirements and conditions;
- Monitoring the use of resources, according to the provisions of the Fund's Regulation and the Resources Intermediary Agreement;
- Collecting the loans granted to the IFI;
- Contracting the necessary audit services covered by the Fund;

- Periodically submitting reports on the development of the Trust Agreement, as well as recommendations for exposure limits of the IFI;
- Establishing operating procedures necessary for the proper management of the funds; and
- Other duties necessary to ensure the normal development of the Trust Agreement activities.

On May 18, 2012, the Fund signed Addendum 1 to the Trust Agreement annulling the obligation of COFIDE to issue recommendations on exposure limits of the IFI with the Fund, since the Fund is a corporation supervised by the SBS.

SBS Resolution 3586-2013, states that the Fund is not subject to the limits established in the article 204 of the Banking Law, because it acts as a second-tier bank. However, the Fund has established internal limits to prevent the loans concentration to IFI, considering factors such as the regulatory capital size, risk rating and risk-weighted regulatory capital ratio.

The main liabilities of the Fund are as follows:

- Establishing the policies for the management and use of the Fund's resources;
- Approving eligibility criteria of the IFI that will receive resources from the Fund for financing the acquisition of homes and the borrowing limits for each of them; and
- Establishing terms and conditions under which the Fund shall make available to the IFI the resources and the mode of resource allocation.

The main faculties of COFIDE are as follows:

- Intermediating and monitoring the Fund's resources, being able to enter into all public and private deeds and documents necessary for that purpose;
- The IFI shall require collateralization of the final borrowers;
- Exercising all the powers contained in Articles 74 and 75 of the Code of Civil Procedure necessary for carrying out the assignment given. Consequently, COFIDE may sue, counterclaim, answer complaints and counterclaims, desist processes or claims, agree to claims, reconcile, settle and arbitrate the claims in the process; and
- It is stated that COFIDE is not responsible for the solvency of the IFI.

On December 30, 2016, the Fund signed Addendum 2 to the Trust Agreement in order to modify the commissions paid to COFIDE for the services provided to the Fund, as well as the term of the Trust Agreement, as follows:

There two commissions for the services provided by COFIDE, in force since January 2, 2017, are the following:

- A monthly commission on the Trust Agreement payable by the Fund amounting to S/ 10 thousand plus value added tax. This commission will be charged on the last business day of each month covered by the Fund's resources; and
- An annual collection commission equivalent to 0.23% effective to rebate on outstanding balances for accounts receivable beginning January 2, 2017 and covered by the IFI. This commission shall be charged on collection dates of loan installments granted by the IFI.

The term of the Trust agreement will be 3 years from January 2, 2017, and will be automatically renewed if, within 30 days prior to its expiration, none of the parties expresses it will terminate the agreement. As of reporting date, the Trust Agreement is in force.

3. Basis of Preparation of the Financial Statements

A. Statement of compliance

The accompanying financial statements have been prepared based on the Fund's accounting records and are presented in accordance with accounting standards established for financial institutions in Peru by the SBS. In the absence of such applicable SBS regulations, the International Financial Reporting Standards (IFRS) made official in Peru by the Peruvian Accounting Board (CNC, for its Spanish acronym) are applied.

B. Basis of measurement

The financial statements have been prepared on a historical cost basis, except for the following items, which are measured at fair value:

- Derivative instruments
- Financial instruments measured at fair value through profit or loss (FVTPL); and
- Available-for-sale financial assets.

C. Functional and presentation currency

The financial statements are presented in soles (S/ or PEN), which is the Fund's functional and presentation currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

D. Use of judgments and estimates

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Fund's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The accounting estimates and judgments used are reviewed on an ongoing basis. Adjustments arising from the review of the accounting estimates are prospectively recognized.

The most significant judgments and estimates in the preparation of the Fund's financial statements are as follows:

- Determination of fair value of investments (note 4.F);
- Loss allowance for accounts receivable (Trust agreement - COFIDE) (note 4.C);
- Loss allowance for loans (note 4.D);
- Provision for realizable, received as payment and repossessed assets (note 4.J);
- Useful life of property, furniture, and equipment, and intangible assets (note 4.G);
- Provision for income tax (note 4.K);
- Determination of the fair value of derivative instruments (note 4.E); and
- Impairment of non-monetary items (note 4.I).

E. New accounting pronouncements

i. New accounting pronouncements issued but not yet adopted

The following accounting pronouncements are applicable to annual periods beginning on or after January 1, 2022, and have not been applied in the preparation of the accompanying financial statements. Those that could be relevant to the Fund are listed below:

Effective date	Modifications
January 1, 2022	Annual improvements to IFRS 2018-2020.
	Amendments to IAS 16 - Property, Plant and Equipment - Revenue before intended use.

Effective date	Modifications
January 1, 2023	Amendments to IAS 1 and Practice Statement 2 "Preparation of Judgments Related to Materiality" - Disclosures of accounting policies.
	Amendments to IAS 8 - Definition of accounting estimates.
	Amendments to IAS 12 - Deferred tax related to assets and liabilities arising from a single transaction.

ii. Resolutions and standards issued by the CNC and the Superintendence of Securities Market (SMV) concerning the approval and adoption of IFRSs in Peru

At the date of the financial statements, the CNC through Resolution No. 001-2021-EF/30, issued on November 15, 2021, made official the amendments to IFRS 16 - Leases, to IAS 8 - Accounting Policies : Changes in Accounting Estimates and Errors, to IAS 1 - Presentation of Financial Statements, to IAS 12 - Income Tax; and the complete set of International Financial Reporting Standards version 2021 that includes the Conceptual Framework for Financial Reporting.

As indicated in note 3.A, the standards and interpretations detailed in i. and ii. shall only be applicable to Fund in the absence of applicable SBS regulations for situations not covered in the Accounting Manual. Management has not determined the effects on the preparation of its financial statements since those standards have not been authorized by the SBS.

iii. Main pronouncements issued by the SBS in the year 2021

In 2021, the SBS issued complementary prudential measures related to the national state of emergency with an impact on the accounting record of the Fund's operations, as detailed below:

Multiple Official Letter No. 6302-2021-SBS of February 5, 2021, which establishes the following:

- Precisions related to contractual modifications or rescheduling in the framework of COVID-19, after individual evaluation of the customer's ability to pay.
- The income recognition criteria (earning or received).
- Conditions for unilateral rescheduling.
- The definition of the requirement to be up to date with their payments or not to show arrears on the rescheduling date.
- The treatment of interest accrued and not collected on the rescheduling date.
- Treatment of provisions in the event of an improvement in the classification of the debtor in application of the multiple official letters.

4. Accounting Principles and Practices

A. Financial instruments

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability, or equity instrument in another.

Financial instruments are recognized on the date on which they are originated, and are classified as asset, liability, or equity instruments according to the contract that gave rise to the financial instrument. Interest, dividends, gains and losses generated by a financial instrument classified as an asset or a liability are recorded as income or expense in the statement of income. The payment to holders of financial instruments classified as equity is recorded directly in equity.

The Fund classifies its financial instruments into one of the following categories established by IAS 39, which were determined in SBS Resolution 7033-2012: (i) financial assets and financial liabilities at fair value through profit or loss (FVTPL); (ii) loans and accounts receivable; (iii) available-for-sale investments; (iv) held-to-maturity investments; and (v) other financial liabilities. The Fund determines the classification of financial instruments on initial recognition and on instrument-by-instrument basis.

The classification of financial instruments on initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are initially recognized at their fair value plus incremental costs related to the transaction that are directly attributable to the acquisition or issuance of the instrument, except for financial assets or financial liabilities measured at FVTPL.

Financial instruments are subsequently measured at fair value or amortized cost, depending on their classification. See notes 4.E y 4.F for a description of the policy applicable of subsequent measurement of financial instruments of the Fund.

Acquisitions or sales of financial assets that require assets' delivery within a period established by regulations or conventions in the market concerned are recognized at trade date.

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

Financial assets and liabilities presented in the statement of financial position correspond to cash and cash equivalents, investments, accounts receivable (Trust Agreement - COFIDE), loan portfolio, other assets and liabilities, unless otherwise indicated in the note corresponding to the asset or liability. Likewise, all derivatives are considered as financial instruments.

As of December 31, the classification for the Fund's financial assets and liabilities is as follows:

In thousands of soles	Financial assets and liabilities at fair value Held for trading and hedging	Loans and accounts receivable	Available-for-sale investments	Held-to-maturity investments	Financial liabilities measured at amortized cost	Total
As of December 31, 2021						
Financial assets						
Cash and cash equivalents	-	1,181,754	-	-	-	1,181,754
Investments	-	-	51,245	206,823	-	258,068
Accounts receivable (trust agreement - COFIDE), net	-	8,624,534	-	-	-	8,624,534
Loan portfolio, net	-	34,611	-	-	-	34,611
Other accounts receivable, net	-	33,744	-	-	-	33,744
Hedging derivatives	824,861	-	-	-	-	824,861
	824,861	**9,874,653**	**51,245**	**206,823**	**-**	**10,957,572**
Financial liabilities						
Obligations with the public	-	-	-	-	217	217
Borrowings and financial obligations	-	-	-	-	1,430,935	1,430,935
Securities and bonds outstanding	-	-	-	-	4,982,183	4,982,183
Hedging derivatives	30,213	-	-	-	-	30,213
Other accounts payable	-	-	-	-	1,076,050	1,076,050
	30,213	**-**	**-**	**-**	**7,489,385**	**7,519,598**

In thousands of soles	Financial assets and liabilities at fair value Held for trading and hedging	Loans and accounts receivable	Available-for-sale investments	Held-to-maturity investments	Financial liabilities measured at amortized cost	Total
As of December 31, 2020						
Financial assets						
Cash and cash equivalents	-	1,273,223	-	-	-	1,273,223
Investments	-	-	24,788	260,214	-	220,002
Accounts receivable (trust agreement - COFIDE), net	-	7,883,453	-	-	-	7,883,453
Loan portfolio, net	-	28,478	-	-	-	28,478
Other accounts receivable, net	-	110,566	-	-	-	110,566
Hedging derivatives	394,937	-	-	-	-	394,937
	394,937	**9,295,720**	**24,788**	**260,214**	**-**	**9,910,659**
Financial liabilities						
Obligations with the public	-	.	-	-	205	205
Borrowings and financial obligations	-	.	-	-	944,611	944,611
Securities and bonds outstanding	-	-	-	-	4,736,106	4,736,106
Hedging derivatives	34,347	-	-	-	-	34,347
Other accounts payable	-	-	-	-	1,060,719	1,060,719
	34,347	**-**	**-**	**-**	**6,741,641**	**6,775,988**

B. Recognition of revenue and expenses

i. Interest income and Expense

Interest income and interest expense are recognized in profit or loss in the period they accrue, depending on the term of the generating transactions and the interest rate agreed upon with the customers. Likewise, accounting treatment for interest income from accounts receivable (Trust agreement - COFIDE) and direct loan portfolio is as follows:

- ***Interest income from accounts receivable (Trust agreement - COFIDE)***

Interest income from Accounts receivable (Trust agreement – COFIDE) is recognized in profit or loss in the period they accrue.

- ***Revenue from loan portfolio interest***

Revenue from loan portfolio interest is recognized in profit or loss in the period it accrue, based on the term of transactions that generate them and on the interest rates freely agreed upon with customers.

Interest generated by past due, refinanced, restructured and under legal collection loans, as well as loans classified under "Doubtful" or "Loss" credit risk rating categories are recognized as revenue when they are collected. If management determines that the debtor's financial condition has improved and the loan is reclassified to the current situation and/or to the "Standard," "With potential problems" or "Substandard" credit risk rating categories, the recognition on an accrual basis is restated (See credit risk rating categories in Note 4.D.ii).

ii. Good payer bonus and Good payer award

The Good Payer Bonus (Bono del Buen Pagador or BBP for its acronym in Spanish), the Good Payer Award (Premio del Buen Pagador or PBP for its acronym in Spanish) and the Sustainable Mivivienda Bonus (Bono Mivivienda Sostenible or BMS by its acronym in Spanish) are direct non-reimbursable aids to eligible final borrowers that is granted if they acquire MIVIVIENDA loans through the IFI.

In accordance with the accounting treatment accepted by SBS for the Fund, the BBP, the PBP and the BMS, including their interest are recognized as follows:

Good payer bonus (BBP)

- The BBP was created by Law 29033, dated June 7, 2007, as direct non-reimbursable aid to eligible final borrowers for a maximum amount of S/ 13 thousand, since April 22, 2010 (S/ 10 thousand before such date), which is granted to final borrowers who have timely paid six consecutive monthly installments of the non-concessional tranche of MIVIVIENDA loan. For these purposes, the Fund divides the total amount of MIVIVIENDA loan disbursement plus its interest into 2 schedules:

  - A semi-annual amortization schedule named "concessional tranche" corresponding to total of the BBP (capital and interest); and

  - A monthly amortization schedule named "non-concessional tranche" corresponding to total amount of MIVIVIENDA loan disbursement, less the amount of the concessional tranche (capital and interest).

  In these cases, the BBP is received from the MVCS (to the extent the MVCS has funds available) at the request of the Fund, and it is recorded for financial reporting and control as a liability in 'BBP (capital) received from MVCS' of 'Other accounts payable' in the statement of financial position.

  When the MIVIVIENDA loan is disbursed, the Fund records the total amount disbursed in 'Accounts receivable (Trust Agreement - COFIDE)' and generates the two aforementioned amortization schedules.

  The interest of both tranches is recognized on an accrual basis, based on the preferential rates agreed with the IFI with whom agreements have been signed, recognizing the accrued interest as finance income.

  Subsequently, the Fund sends to the MVCS the list of BBP beneficiaries, reclassifying such bonus due to eligible beneficiaries from 'BBP (capital) received from MVCS' to 'BBP– assigned'.

  When the BBP becomes effective, that is, when the final borrower has complied with the timely payment of six consecutive monthly installments of the MIVIVIENDA loan, the Fund credits for the amount of the installments of the concessional tranche to 'Accounts receivable (capital)' charged to 'Good payer bonus (capital) assigned to COFIDE' (note 7). The interest of the concessional tranche installment is recognized as an expense by the Fund and is presented net of 'Income from accounts receivable (Trust Agreement – COFIDE)' of the 'Interest income' caption of the income statement (note 18).

- In the cases where the BBP is directly assumed by the Fund, namely, when the requirements of Law 29033 and its amendments are not met–i.e., where the value of the house to acquire is greater than 25 tax units or when the bonus is granted with the Fund's own resources, among others, it is called PBP.

- In both cases, the bonus or award are granted for the timely compliance with six installments of the payment schedule of the non-concessional tranche; such amount varies depending on the type of loan granted.

- Emergency Decree 002-2014, dated July 28, 2014, established that for the granting of BBP, the value of the houses to be acquired should be between 14 and 50 tax units. The BBP is provided as a non-reimbursable financial aid up to a maximum amount of S/ 13 thousand. For such purpose, Banco de la Nación was authorized to lend to the Fund an amount of S/ 500,000 thousand with the participation of MVCS for settlement purposes, as established in the loan agreement.

  In these cases, the Fund previously received all BBP resources for its allocation during 2014.

  For these purposes, the Fund established two modalities of BBP application:

  - BBP applied to finance the PBP, for an amount of S/ 10 thousand for housing values between 14 and 25 tax units, for MIVIVIENDA loans granted from January 1 to July 28, 2014. From July 29, 2014, financing for an amount of S/ 13 thousand for housing values between 14 and 50 tax units.

  - BBP applied as a complement to the initial installment, BBP will be used as a complement to reach the minimum initial installment required to the final borrower and is applied when the MIVIVIENDA loan is disbursed; therefore, it is not part of the loan.

- Supreme Decree 003-2015-VIVIENDA, published on January 22, 2015, established a graded application of the BBP for housing values from 14 to 50 tax units, as follows:

In thousands of soles	**BBP value**
Housing value	
Up to 17 tax units	17
From 17 to 20 tax units	16
From 20 to 35 tax units	14
From 35 to 50 tax units	13

  For these purposes, the Fund established two modalities of BBP application:

  - BBP applied as a complement to the initial installment, will be used as a complement to reach the minimum initial installment required to the final borrower and is applied at the time the MIVIVIENDA loan is disbursed; therefore, it is not part of the loan.

  - BBP applied to finance the PBP for the timely payment of six consecutive monthly installments corresponding to the non-concessional tranche of the MIVIVIENDA loan. This BBP applies to those PBP that were granted to housing value between 35 and 50 tax units, corresponding to the previous PBP modality, which was set at S/ 13 thousand.

- Supreme Decree 001-2017, dated January 13, 2017, modified the Regulation of Law 29033, Law to create the BBP approved by Supreme Decree 003-2015, in which the following graded application of the BBP was established:

In thousands of soles	**BBP value**
Housing value	
From 20 to 30 tax units	14
From 30 to 38 tax units	13

- Supreme Decree 017-2017, dated June 24, 2017, modified the Regulation of Law 29033, approved by Supreme Decree 003-2015, and modified by Supreme Decree 001-2017, which established the following housing values and BBP values:

Housing value	BBP value in tax units	Total of BBP in thousands of soles
From S/ 57 to S/ 81 thousand	4.19753	17
From S/ 81 to S/ 122 thousand	3.45679	14
From S/ 122 to S/ 203 thousand	3.08642	13
From S/ 203 to S/ 300 thousand	0.74074	3

- Supreme Decree 002-2018, dated June 24, 2019, modified the Regulation of Law 29033, approved by Supreme Decree 017-2017, establishing the following housing values and BBP values:

Housing value	BBP value in tax units	Total of BBP in thousands of soles
From S/ 58 to S/ 82 thousand	4.19753	18
From S/ 82 to S/ 123 thousand	3.45679	14
From S/ 123 to S/ 205 thousand	3.08642	13
From S/ 205 to S/ 304 thousand	0.74074	3

- Supreme Decree 004-2019, dated January 23, 2019, modified the Regulation of Law 29033, approved by Supreme Decree 002-2018, which established the following housing values and BBP values:

Housing value	BBP value in tax units	Total of BBP in thousands of soles
From S/ 59 to S/ 84 thousand	4.19753	18
From S/ 84 to S/ 123 thousand	3.45679	15
From S/ 123 to S/ 210 thousand	3.08642	13
From S/ 210 to S/ 311 thousand	0.74074	3

- Supreme Decree 003-2020, dated January 24, 2020, modified the Regulation of Law 29033, approved by Supreme Decree 017-2017, establishing the following housing values and BBP values:

Housing value	BBP value in tax units	Total of BBP in thousands of soles	Sustainable BBP in thousands of soles
From S/ 60 to S/ 86 thousand	4.19753	18	5
From S/ 86 to S/ 128 thousand	3.45679	15	5
From S/ 128 to S/ 214 thousand	3.08642	13	5
From S/ 214 to S/ 317 thousand	0.74074	3	5

- Supreme Decree 007-2020, dated May 16, 2020, amended the Regulation of Law 29033, approved by Supreme Decree 003-2020, establishing the following housing values and BBP values:

Housing value	BBP value In tax units	Traditional BBP in thousands of soles	Sustainable BBP in thousands of soles
From S/ 60 to S/ 86 thousand	4.19753	24	5
From S/ 86 to S/ 128 thousand	3.45679	20	5
From S/ 128 to S/ 214 thousand	3.08642	18	5
From S/ 214 to S/ 317 thousand	0.74074	7	5

- Supreme Decree 003-2021, dated March 24, 2021, amended the Regulation of Law 29033, approved by Supreme Decree 007-2020, establishing the following housing values and BBP values:

Housing value	BBP value In tax units	Traditional BBP in thousands of soles	Sustainable BBP in thousands of soles
From S/ 61 to S/ 87 thousand	5.58139	25	5
From S/ 87 to S/ 131 thousand	4.65116	21	5
From S/ 131 to S/ 218 thousand	4.25581	19	5
From S/ 218 to S/ 323 thousand	1.58139	7	5

- These BBP values will be updated due to tax unit variation, rounded up to the nearest thousand. In relation to the housing value ranges of the product, they will be expressed in soles and will be updated as a result of the multiplication of the housing value of the prior year and the annual change in the Consumer Price Index (CPI) of Metropolitan Lima, rounded up to the nearest thousand.

Good payer award (PBP)

- The PBP is a benefit granted directly by the Fund with its own resources.

  Until June 2017, the housing values in force for the PBP were as follows:

Housing value	PBP value in thousands of soles
From 50 to 70 tax units	5

  For these purposes, the Fund established two modalities of PBP application:

  - PBP applied as a complement to the initial installment of MIVIVIENDA loans, PBP will be used as a complement to reach the minimum initial installment required to the final borrower, and is applied when the loan is disbursed; therefore, it is not part of the loan.

  - PBP granted for the timely payment of six consecutive monthly installments of MIVIVIENDA loan, corresponding to the non-concessional tranche.

In Board of Director's Meeting 04-16D-2017, dated July 3, 2017, were approved modifications to the housing value and PBP value as follow:

Housing value	PBP value in tax units	Total of PBP in thousands of soles
From S/ 203 to S/ 300 thousand	0.74074	3

The current PBP value was approved by means of Board of Directors' Meeting 04-03D-2018, dated February 8, 2018, as follow:

Housing value	PBP value in tax units	Total of PBP in thousands of soles
2020		
From S/ 214 to S/ 317 thousand	0.74074	3
2021		
From S/ 218 to S/ 333 thousand	0.74074	3

The PBP as a complement to the initial installment will continue being assumed by the Fund, which will be added to the BBP in the range of housing value that is in force. Likewise, it will be updated by the variation of the amount of the tax unit, rounded up to the nearest thousand. The amount as of December 31, 2021 and 2020 is S/ 3 thousand. The housing value ranges will be expressed in soles and will be updated by the variation of the Consumer Price Index of Metropolitan Lima, rounded up to the nearest thousand.

- When the PBP-assigned is granted using the Fund's resources to the final borrower, who complied with conditions settled, the Fund records such amounts as expenses. Consequently, the accounts receivable (capital) of the concessional tranche installments are reduced and recorded in 'interest expenses' of the statement of profit or loss; while interest, as in the previous case, is recognized as an expense and is recorded net of the 'Income from accounts receivable (Trust Agreement – COFIDE)', in 'Interest income' of the income statement (note 18).

Sustainable Mivivienda Bonus

- In Board of Directors' Meeting 02-12D-2015, dated June 16, 2015, it was approved the creation of the Sustainable Mivivienda Bonus (Bono Mivivienda Sostenible or BMS by its acronym in Spanish), which is applicable to MIVIVIENDA loans. The BMS is a direct non-reimbursable financial assistance granted to final borrowers to access sustainable housing with the MIVIVIENDA loan through the IFI. This attribute increases the amount of the minimum initial installment of MIVIVIENDA loan required to the final borrower, as an additional benefit to those provided by MIVIVIENDA products such as the BFH, BBP and PBP as a complement to the initial installment, as follow:

Total financing	Level 1	Level 2
Up to S/ 140,000	4%	4%
Over S/ 140,000 to the maximum amount of financing for MIVIVIENDA products	3%	4%

The Bonus is calculated discounting the housing value, the initial installment and the corresponding BBP, if applicable. The amount to be financed is divided by 1.04 and/or 1.03 and multiplied by 0.04 and/or 0.03 depending on the bonus level, and the BMS is obtained.

It may be granted in addition to the BFH, BBP and/or PBP as a supplement to the initial installment requested to the final borrower of MIVIVIENDA loan, provided that it complies with the conditions established.

It is granted to people who access a MIVIVIENDA loan to acquire sustainable housing, with the objective of encouraging and promoting the acquisition of houses that help to reduce the environmental impact on their surroundings.

Related projects must have the certificate for Eligibility of Sustainable Housing Projects. BMS is granted in accordance with range determined by such certificate.

Board of Directors' Meeting 002-16D-2019, approved to maintain current BMS and the preferential rate of 5% for MIVIVIENDA Verde new loan until December 31, 2019.

Board of Directors' Meeting 03-03D-2020, approved the extension of the term for the granting of BMS (3% or 4% of the financing value) to MIVIVIENDA loans (which comply with the presentation of the complete credit file to COFIDE) until March 31, 2020, and the preferential interest rate of 5% for New MIVIVIENDA loans until March 31, 2020.

Board of Directors' Meeting 02-09D-2020, approved a new extension of the term for the granting of BMS to MIVIVIENDA loans (which comply with the presentation of the complete credit file to COFIDE) until June 9, 2020.

C. Accounts receivable (Trust Agreement - COFIDE) and allowance for doubtful accounts

Accounts receivable are recorded when conducting the disbursement of funds through COFIDE to the IFIs that channel the Fund's resources for the loan allocation of the MIVIVIENDA products.

The allowance for doubtful accounts (Trust Agreement - COFIDE) was calculated considering the criteria established by the SBS Resolution 11356-2008 Regulation on Debtor Risk Assessment and Credit Rating, and Provision Requirements according to the following dispositions:

First component: Allowance for IFI Risk

- The capital balance of each disbursement is divided into two types: capital balance with mortgage guarantee and capital balance without mortgage guarantee.

- The allowance was calculated considering the IFI's rating, which is determined based on the criteria established by SBS Resolution 11356-2008.

- The portion of allowance related to the capital balance with mortgage guarantee is calculated as the result of the capital balance without mortgage guarantee by the table 2 SBS rate, according to the IFI classification.

- The portion of allowance related to the capital balance without mortgage guarantee is calculated as the result of the capital balance without mortgage guarantee by the table 1 SBS rate, according to the IFI classification.

Second component: Allowance for credit risk coverage (CRC)
The capital balance of each disbursement is multiplied by the sum of the hedge factors (CRC and CRCA), resulting in the balance with credit risk hedging:

- If the balance without CRC is lower than the guarantee amount, the corresponding allowance is calculated according to the following: (total balance (TB) - guarantee amount (GA)) multiplied by the Table 1 SBS rate according to the beneficiary rating plus (guarantee amount - balance without credit risk coverage (BWCRC)) multiplied by the Table 2 SBS rate according to the beneficiary classification. The representation of the calculation is as follows:

  Provision = (TB –GA) * (Table 1 SBS rate) + (GA – BWCRC) * (Table 2 SBS rate)

- If the balance without CRC is greater than or equal to the guarantee amount, the corresponding allowance is calculated multiplying the Balance with CRC by the Table 1 SBS rate, in accordance with the beneficiary rating. The representation of the calculation is as follows:

  Provision = BWCRC * (Table 1 SBS rate)

The Fund applies the following percentages in determining its allowance for doubtful accounts (Trust Agreement - COFIDE):

Credit risk ratings	Table 1	Table 2
Standard	0.70%	0.70%
With potential problems	5.00%	2.50%
Substandard	25.00%	12.50%
Doubtful	60.00%	30.00%
Loss	100.00%	60.00%

To determine the risk classification per IFI, the Fund, within its internal regulations, has established a methodology for the regulatory classification of the IFI, which is equivalent to the credit risk ratings established by the SBS.

In addition, given the intervention of the SBS to Financiera TFC in Liquidation, as of December 31, 2020, the accounts receivable from this institution (guaranteed by MIVIVIENDA mortgage loans), have been provisioned by the Fund considering the sub-borrower risk rating. These accounts receivable net of provision is recorded as part of Accounts Receivable (Trust Agreement – COFIDE) as of December 31, 2021 and 2020, respectively.

D. Loan portfolio and loss allowance for direct loans
As of December 31, 2021 and 2020, loan portfolio comprises the mortgage loans from Ex Caja Rural de Ahorro y Crédito Señor de Luren and Cooperativa de Ahorro y Crédito del Perú (hereinafter "COOPAC Presta Perú"), due to the execution of Article 13 of the Agreement signed with such IFI.

i. Type of loans
In accordance with SBS Resolution 11356-2008, loans are classified as corporate loans, large business loans, medium business loans, small business loans, micro business loans, revolving consumer loans, non-revolving consumer loans, and mortgage loans. This classification considers the nature of the client, the purpose of the loan, and business size measured per revenues and indebtedness, among others. The Fund only has mortgage loans in its loan portfolio.

ii. Credit risk rating categories
The credit risk rating categories established by the SBS are the following: Standard, with potential problems, Substandard, Doubtful and Loss, based on the debtor's level of compliance with loan payments.

iii. Loss allowance for direct loans

The Fund determines loss allowance for direct loans in accordance with SBS Resolution 11356-2008 'Regulation for the Assessment and Classification of Debtor and Requirements of Provisions'.

According to Resolution 11356-2008, there are two classes of loss allowance for loans, generic and specific. The generic allowance is recorded in a preventive manner for those direct loans rated as Standard, and additionally a procyclical component is recorded if the SBS orders its application. The specific allowance is recorded for direct loans of debtors rated in a risk rating higher than Standard credit risk category.

The provision is calculated considering the credit risk ratings assigned to the debtor and using specific percentages, which vary depending upon whether the loans are guarantee by self-liquidating loans collateral (cash deposits and letter-of-credit right) or by readily liquidating preferred collateral (public debt instruments issued by the Peruvian Government, marketable securities listed within the Selective Index of the Lima Stock Exchange, among others) or by preferred collaterals (first pledge on financial instruments or personal and real property, first pledge on agricultural or mining concessions, export credit insurance, among others). The guarantees received are considered at their net realizable value as determined by independent appraisers. Likewise, to calculate the provision must be consider the guarantor or guaranteeing party credit rating for credits subject to secondary liability of a financial institution or insurance company (credits subject to counterparty substitution). The percentages applied to determine the loss allowance for direct loan portfolio are as follow:

	Without collateral	Preferred collateral	Readily liquidating preferred collateral	Self-liquidating preferred collateral
Credit risk ratings				
Standard	0.70%	0.70%	0.70%	0.70%
With potential problems	5.00%	2.50%	1.25%	1.00%
Substandard	25.00%	12.50%	6.25%	1.00%
Doubtful	60.00%	30.00%	15.00%	1.00%
Loss	100.00%	60.00%	30.00%	1.00%

Los allowance for direct loans are presented by deducting the balance of the corresponding asset (note 8).

E. Derivative financial instruments

In accordance with SBS Resolution 1737-2006 "Regulation on Trading and Accounting of Derivative Products in Financial Institutions" and its amendments, the derivative financial instruments are recorded on the trading date.

Held-for-trading derivatives

Held-for-trading derivative instruments are initially recognized at cost in the statement of financial position, and subsequently measured at fair value, recognizing an asset or a liability in the statement of financial position, as applicable, and any gain or loss from the valuation is recorded in the statement of profit or loss. The face value of derivative instruments is recorded in the agreed-upon currency in 'Contingent risks and commitments' accounts (off-balance sheet accounts).

The fair value of trading derivative instruments is estimated based on exchange rates and market interest rates.

Hedging derivatives
A hedging derivative instrument is recorded as such if, on the trading date, it is expected that changes on its fair value or cash flows generated will be highly effective in offsetting the changes generated in the hedged item, which must be documented on the trading date of the derivative instrument and during the hedging term. A hedge is considered as highly effective if it is expected that changes in the fair value or cash flows of the hedged item and the hedging instrument ranges between 80% and 125 %.

Cash flow hedge
A derivative financial instrument for cash flow hedging is valued and recognized at its fair value, and may affect both equity accounts and income statements. The effective part of the adjustment at fair value is recognized in equity accounts (from the statement of other comprehensive income), while the ineffective part is recognized in the income statement.

For both types of hedges, if the derivative expires, is sold, terminates or is executed, or ceases to meet the criteria for hedge accounting, the hedging relationship terminates prospectively and the balances recorded in the statement of financial position and in the statement of other comprehensive income, as appropriate, are transferred to the income statement within the effective term of the hedged item.

F. Investments

i. Held-to-maturity investments
This category includes debt instruments whose collections are of a fixed or determinable amount and whose maturities are fixed, and which also meet the following requirements: i) they have been acquired or reclassified with the intention to hold them to maturity; ii) the Fund shall have the financial capacity to hold them to maturity; and iii) they are instruments other than those designated by the Fund at initial recognition as at fair value through profit or loss or as available-for-sale assets.

Likewise, they should be rated by at least two local or foreign risk rating agencies, and the ratings should be within the parameters established by the SBS. These requirements do not apply to instruments of Central Banks from countries whose sovereign debt obtains as a minimum the rating corresponding to the Peruvian sovereign debt.

These financial assets are initially recorded at fair value, including the transaction costs that are directly attributable to the acquisition.

These investments are subsequently measured at amortized cost using the effective interest rate method. Any impairment loss is recognized in the income statement.

ii. Available-for-sale investments
It includes all investments in instruments not classified as investments at fair value to profit or loss or held-to-maturity investments or investments in subsidiaries and associates and interests in joint ventures. Likewise, all instruments shall be included in this category as required by the SBS.

These investments are initially recorded at fair value, including the transaction costs that are directly attributable to the acquisition. The subsequent measurement of these investments is made at fair value; in the case of capital instruments that do not have quoted prices in active markets and whose fair value cannot be estimated reliably, they shall be measured at cost. In addition, in the case of debt instruments, prior to the measurement at fair value, their amortized cost must be updated, and from this point, any gain or loss from changes in the fair value shall be recognized.

Any gain or loss arising from changes in fair value of available-for-sale investments is directly recognized in equity until the instrument is sold or realized, when any gain or loss that could have been previously recognized will be transferred and recorded in the income statement, except for impairment losses which are recorded in profit or loss when they occur.

If an available-for-sale investment is credit-impaired, the cumulative loss (difference between the acquisition cost, net of any repayment and amortization, and the current fair value, less any impairment loss previously recognized in the income statement) is reclassified from equity to the income statement. Impairment of unquoted shares is the difference between the carrying amount and the present value of future net cash flows discounted using the prevailing market rates for a similar instrument.

Exchange gains or losses from equity instruments are recognized in 'unrealized gains and losses,' and those related to debt instruments are recognized in profit or loss.

Interest income from available-for-sale investments is recognized using the effective interest method, calculated over the useful life of the instrument. Premiums and discounts originated on the acquisition date are included in the calculation of effective interest rates.

Dividends are recognized in the income statement when the right to receive the payment has been established.

iii. Impairment test

SBS Resolution 7033-2012 and its respective amendments, as well as SBS Resolution 2610-2018, establish a standard methodology to identify impairment of available-for-sale and held-to-maturity investment. Such methodology contemplates the following analysis:

Debt instruments

At the end of each quarter, for the entire debt representative portfolio, the following occurrences should be evaluated:

1. Weakening in financial position or financial ratios of the issuer and its economic group;
2. Credit rating downgrade for the instrument or issuer of two notches—notching is when a credit rating agency bumps up or down the credit rating;
3. Disappearance of an active market for that financial asset because of financial difficulties of the issuer;
4. Observable data about a measurable decrease in the future cash flows from a group of similar financial assets since their initial recognition even though it cannot yet be identified with individual financial assets of the group;
5. Decline in the fair value due to changes in laws;
6. Significant decline in the fair value below its amortized cost; it is considered a significant decrease if the fair value at the closing date has decreased at least 40% below its amortized cost as of that date.
7. Prolonged decrease in fair value. It is considered as a prolonged decrease if the fair value at the closing date has decreased by at least 20% compared to the amortized cost of previous 12 months and the fair value at the closing date of each month during the previous 12-month period. Has always remained below the amortized cost corresponding to the closing date of each month.

The fair value to be used for the purpose of evaluating criteria 6 and 7 is that considered for the purpose of the valuation of available-for-sale debt instruments, according to the criteria established by the aforementioned Resolution, regardless of the accounting classification that has the debt instrument. If the decline in the fair value of the debt instrument results from the increase in the risk-free interest rate, such decline shall not be considered as an indication of impairment.

If at least 2 of the situations described above are met, it will be considered that there is impairment. Otherwise, evidence that a debt instrument is credit-impaired includes any of the following:

- A breach of contract, such as a default in the payment of interest or capital;
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; and
- Credit rating downgrade for the instrument classified as investment.

On the other hand, when the SBS considers necessary to establish any additional provision for any type of investment, such provision must be determined on the basis of each individual instrument and should be recorded in profit or loss in the period in which the SBS requires such provision.

G. Property, furniture and equipment

Assets in the property, furniture and equipment item are recorded at acquisition cost, less accumulated depreciation. Depreciation is calculated on a straight-line basis using the following estimated useful lives:

	Years
Buildings	20
Premises	10
Furniture and fixtures	10
Various equipment	10
Vehicles	5
IT equipment	4

Maintenance and repair costs are charged to the results of the period; all renewals and improvements are capitalized only when disbursements improve the condition of the asset and increase its useful life beyond the time originally estimated.

The useful life and residual value of an asset is reviewed and adjusted, if necessary, at the date of each statement of financial position.

Cost and accumulated depreciation of disposed or sold assets are eliminated from their respective accounts, and any resulting gain or loss is recorded in profit or loss of the year.

H. Intangible assets

Intangible assets include developments and software licenses used in the operations of the Fund. Software licenses acquired by the Fund are capitalized based on costs incurred to acquire and use the specific software. These intangible assets are amortized on a straight-line basis over the estimated useful life of 5 years.

The estimated useful life and amortization method are periodically reviewed to ensure they are consistent with the expected economic pattern of benefits of such intangible assets.

I. Impairment of long-lived assets

When events or economic changes indicate that the value of property, furniture and equipment and intangible assets may not be recoverable, management reviews the value of that assets in order to verify that there is no impairment in value. When the carrying amount exceeds its recoverable amount, the Fund recognizes an impairment loss in the income statement. The recoverable amount is the higher of an asset's net selling price and its value in use.

Net selling price corresponds to the amount that would be received to sell an asset in a free market. Value in use is the present value of future cash flows expected to be derived from the continued use of an asset and from its subsequent disposal at the end of its useful life. In management's opinion, there are no evidence of impairment in the value of such assets as of December 31, 2021 and 2020.

J. Realizable, received as payment and repossessed assets

Realizable assets and assets seized and recovered through legal actions are recorded at the value determined by a court or arbitrator or at the value agreed in the payment in kind contract. Recovered goods due to termination of contract are initially recorded at the lower of the debt unpaid balance and the net realizable value. Should the debt unpaid balance be higher than the balance of the recovered good, the difference is recognized as a loss, provided that its recovery is unlikely.

Furthermore, the following provisions shall be made in accordance with Resolution SBS 1535-2005 "Regulation for the Treatment of Recovered and Awarded Assets and Provisions":

- 20% of the value on the date of award or recovery for all assets received.

- For properties, a monthly impairment provision shall be made in a term not exceeding 42 months on the net value obtained during the 12th or the 18th month of its award or recovery, depending on whether an extension by the SBS is granted, and until 100% of the asset carrying amount is completed. Every year the net carrying amounts of properties is compared with the realizable value determined by a qualified independent appraiser, and in if this value is lower, an impairment provision is recorded.

- For assets other than properties, a provision for the remaining balance is made in a term not exceeding 18 or 12 months, depending on whether an extension by the SBS is granted.

An impairment loss is recognized when the fair value of such assets is reduced (when their net realizable value is lower than their net carrying amount); accordingly, the carrying amount will be reduced and the loss shall be recognized in the statement of income. If the net realizable value is higher than the net carrying amount, the higher value shall not be recognized in the books.

The annual update of the valuation of these assets determined by an independent appraiser implies, if necessary, the constitution of provisions for impairment.

K. Income tax

Current tax is calculated based on the taxable profit according to the tax law applicable to the Fund.

Deferred tax is calculated using the liability method. Deferred tax liabilities and assets are the amounts of income taxes payable and recoverable, respectively, in future periods in respect of temporary differences—i.e., differences between the carrying amount of an asset or liability in the statement of financial position and its tax base. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized, or the liability is settled.

A deferred tax asset and liability is recognized without considering the period in which the temporary differences are expected to reverse. A deferred tax asset is recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be used.

IFRIC 23 clarifies how to apply the recognition and measurement requirements in IAS 12 *Income Taxes* when there is uncertainty over income tax treatments. Previously, IFRIC 23 clarified that an entity shall apply the requirements in IAS 12 and not in IAS 37 when there is uncertainty over income tax treatments.

Likewise, IFRIC 23 explains how to recognize and measure current or deferred tax assets and liabilities when there is uncertainty over income tax treatments. An uncertain tax treatment is a tax treatment for which there is uncertainty over whether the Tax Authorities will accept the tax treatment under tax law. When there is uncertainty over income tax treatments, IFRIC 23 addresses how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

L. Provision and contingencies

i. Provisions
A provision is recognized when the Fund has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period and adjusted to reflect the best estimate as of the date of the statement of financial position.

ii. Contingencies
A contingent liability is not recognized in the financial statements. They are disclosed in notes to the financial statements unless the possibility of an outflow of economic resources is remote.

A contingent asset is not recognized in the financial statements, but it is disclosed where an inflow of resources embodying economic benefits is probable.

M. Other comprehensive income
The other comprehensive income presents the unrealized loss on investments available for sale, unrealized results from the effective portion of the valuation of cash flow hedging derivative instruments and the portion of the valuation that corresponds to the exchange difference as it affects the hedged item. These balances are presented net of the related deferred income tax.

N. Cash and cash equivalents
Cash and cash equivalents considered in the statements of cash flows correspond to balances of available funds of the statement of financial position; which include deposits with original maturities less than or equal to 90 days, excluding the available funds included in the trusts.

O. Foreign currency transactions
The statements of financial position include balances of foreign currency transactions, mainly in U.S. dollars (US$), which are recorded in soles (S/) at the exchange rate established by the SBS, that as of December 31, 2021 and 2020 was US$ 1 = S/ 3.987 and US$ 1 = S/ 3,621, respectively. Positions are also held in Euros (EUR), which are recorded in soles (S/) at the exchange rate established by the SBS, that as of December 31, 2021 and 2020 was EUR 1 = S/ 4.538936 and EUR 1 = S/ 4.423946, respectively.

Foreign currency transactions in the Peru or international trading transactions referred to the concepts authorized by the BCRP are channeled through a free banking system. As of December 31, 2021, buy and sell exchange rates used were US$ 1 = S/ 3.979 and US$ 1 = S/ 3.991, respectively (2020: US$ 1 = S/ 3.618 and US$ 1 = S/ 3.624).

As of December 31, the balances in foreign currency are summarized as follows:

In thousands of U.S. dollars	**2021**	**2020**
Assets		
Cash and cash equivalents	2,460	11,032
Investments	56,635	51,850
Accounts receivable (trust agreement - COFIDE), net	13,920	21,240
Loan portfolio, net	20	27
Hedging derivatives	567	58
Other accounts receivable, net	27	34
Net asset position	76	133
Total assets	**73,705**	**84,374**
Liabilities		
Securities and bonds outstanding	(658,177)	(657,008)
Hedging derivatives	(1,672)	(1,750)
Other accounts payable	(443)	(332)
Provisions and other liabilities	(390)	(520)
Total liabilities	**(660,682)**	**(659,610)**
Net liability position	**(586,977)**	**(575,236)**
Derivative instruments, net	585,132	575,956
Net position in U.S. dollars	**(1,845)**	**720**

In thousands of EUR	**2021**	**2020**
Assets		
Cash and cash equivalents	56	14
Other accounts receivable, net	-	5
Total Assets	56	19
Liabilities		
Borrowings and financial obligations	(188,380)	(213,522)
Net liability position	**(188,324)**	**(213,503)**
Derivative instruments, net	188,333	213,889
Net position in EUR	**9**	**386**

P. Participation to workers

The Fund recognizes a liability and an expense for employee profit sharing based on 5% of taxable material, determined in accordance with current tax legislation.

5. Cash and Cash Equivalents

As of December 31, this caption comprises the following:

In thousands of soles	**2021**	**2020**
Bank and other financial institutions		
Savings and checking accounts (a)	1,165,942	1,196,979
Time deposits (b)	-	73,968
Accrued interest on cash and cash equivalents	-	132
	1,165,942	**1,271,079**
Banco Central de Reserva del Perú (c)	15,771	1,840
Other available funds	41	304
	1,181,754	**1,273,223**

(a) As of December 31, they mainly correspond to balances in soles and U.S. dollars, with free withdrawal option and accruing interest at market rates, as detailed below:

In thousands of soles	**2021**	**2020**
Checking accounts		
Banco Internacional del Perú S.A.A. – Interbank	793,793	1,003,168
Banco de la Nación	213,640	183,070
Banco Interamericano de Finanzas S.A. – BanBif	157,770	10,362
Banco BBVA Perú	201	150
Banco de Crédito del Perú S.A.	144	133
Scotiabank Perú S.A.A.	144	36
	1,165,692	**1,196,919**
Savings accounts		
Banco BBVA Perú	250	60
	1,165,942	**1,196,979**

(b) As of December 31, 2020, it corresponds to time deposits in local banks in soles and U.S. dollars, with free withdrawal and accrue interest at effective annual rates in soles between 0.30% and 0.54% and in U.S. dollars 0.30% with original maturities less than or equal to 90 days.

(c) As of December 31, it corresponds to balances in soles and U.S. dollars, with free withdrawal, do not accrue interest and are mainly used for transactions with COFIDE, under the Trust Agreement the Fund signed with this entity.

6. Investments

As of December 31, this caption comprises the following:

	2021			**2020**		
In thousands of soles	**Amortized cost**	**Unrealized gain (loss)**	**Carrying amount**	**Amortized cost**	**Unrealized gain (loss)**	**Carrying amount**
Available-for-sale investments						
Corporate bonds (a)	50,577	(89)	50,488	24,348	95	24,443
Plus						
Accrued interest	757	-	757	345	-	345
	51,334	**(89)**	**51,245**	**24,693**	**95**	**24,788**
Held-to-maturity investments						
Corporate bonds (b)	172,766	-	172,766	161,351	-	161,351
Sovereign bonds from the Republic of Peru	31,341	-	31,341	31,331	-	31,331
Time deposits (c)	-	-	-	65,000	-	65,000
Plus						
Accrued interest	-	-	2,716	-	-	2,532
	204,107	**-**	**206,823**	**257,682**	**-**	**260,214**
	255,441	**(89)**	**258,068**	**282,375**	**95**	**285,002**

(a) In 2021, the Fund acquired bonds from local financial institutions for a nominal value of S/ 24,137 thousand, whose book value as of December 31, 2021 amounted to S/ 24,893 thousand. In 2020, the Fund acquired bonds from local financial institutions for a nominal value of S/ 23,073 thousand, whose book value as of December 31, 2020 amounted to S/ 24,788 thousand.

In thousands of soles	**2021**	**2020**
Issues by Peruvian entities		
Banco Internacional del Perú S.A.A. – Interbank	29,513	8,680
BBVA Perú	14,502	9,662
Banco de Crédito del Perú S.A.	6,473	6,101
	50,488	**24,443**

(b) As of December 31, it corresponds to securities and bonds acquired from first level corporate companies and financial institutions in the country and abroad, as detailed below:

	2021	**2020**
Issues by peruvian entities		
Banco BBVA Perú	52,796	48,108
Abengoa Transmisión Norte S.A.	45,059	45,801
Consorcio Transmantaro S.A.	43,429	39,169
Cementos Pacasmayo S.A.A.	31,482	28,273
	172,766	**161,351**

In 2016, the Fund reclassified Corporate and Financial, and Peruvian Sovereign Bonds classified as available-for-sale investments into held-to-maturity investments. The carrying values at the dates of reclassification amounted to approximately S/ 620,965 thousand and the unrealized loss accumulated in net equity amounted to S/ 11,846 thousand; this latter amount shall be transferred to net income during the remaining term of the instruments, which expire in full until 2042. In 2021 and 2020, the Fund transferred to profit or loss the amount of S/ 772 and thousand S/ 860 thousand, respectively. As of December 31, 2021, and 2020, the carrying amount of such investments which includes accrued interest amounts to S/ 206,823 thousand and S/ 195,214 thousand, respectively.

(c) As of December 31, 2020, it corresponds to time deposits in banks of the country denominated in soles, with original maturities greater than 90 days that are freely available and generate interest at effective annual rates between 0.25% and 0.65%.

In Board of Directors' Meeting 005-18D-2018 of July 25, 2018, the new Investment Policies and Procedures Manual of the Fund was approved, which establishes that, as of that date, the investments acquired by the Fund would be classified as available-for-sale.

As of December 31, the maturities and the annual market yield rates of the available-for-sale and held to maturity investm

						Annual effective intere
		2021				
		PEN		USD		
	Maturity date	Min. %	Max. %	Min. %	Max. %	Min.
Available-for-sale investments						
Corporate bonds	Aug-22 / Apr-23	-	-	0.99	1.32	
Held-to-maturity investments						
Corporate bonds	Aug-22 / Octr-28	-	-	4.39	6,54	
Sovereign bonds from the Republic of Peru	Aug-26 / Feb-42	4.10	6.95	-	-	6.
Time deposits	-	-	-	-	-	0.

As of December 31, available-for-sale and held-to-maturity investments have the following maturities:

	2021		
In thousands of soles	Available-for-sale investments	Held-to-maturity investments	Availab inve
3–12 months	-	12,235	
1–5 years	51,245	86,365	
More than 5 years	-	108,223	
	51,245	**206,823**	

7. Accounts Receivable (Trust Agreement - COFIDE), Net

As of December 31, this caption comprises the following:

In thousands of soles	**2021**	**2020**
New loan - MIVIVIENDA	8,511,220	7,754,135
Supplementary loan - Techo Propio	205,635	79,366
Traditional loan - MIVIVIENDA	56,950	170,232
Loan – MIHOGAR	34,226	43,717
Loan - MICONSTRUCCIÓN	6,447	9,516
Loan - MICASA MÁS	5,094	5,875
Standardized loan – MIVIVIENDA	2,722	3,824
Loan – MITERRENO	183	225
	8,822,477	**8,066,890**
Plus (less):		
Accrued interest on accounts receivable	13,390	13,787
Loss allowance for accounts receivable	(211,333)	(197,224)
	8,624,534	**7,883,453**

As described in note 2, the Fund disburses financial resources to the Trust COFIDE monthly to be channeled to the sub borrowers through the IFI. Likewise, the Trust COFIDE transfers to the Fund monthly the collections, prepayments or cancellations of accounts receivable made by IFI.

As of December 31, 2021, and 2020, the Fund has 103,578 and 99,326 final borrowers, respectively. There is no significant concentration of credit risk in the accounts receivable (Trust Agreement – COFIDE), due to the type of credit operations that the Fund maintains.

The financial resources that the Fund channels through COFIDE under the Trust Agreement, are used by IFI in the granting of mortgage credits in accordance with Article 12 of Supreme Decree 001-99-MTC.

As of December 31, the composition of the balance of accounts receivable (Trust Agreement – COFIDE) according to the characteristics of the loans offered by the Fund, is as follows:

	2021			**2020**		
In thousands of soles	**With credit risk coverage**	**Without credit risk coverage**	**Total**	**With credit risk coverage**	**Without credit risk coverage**	**Total**
New loan – MIVIVIENDA	1,929,606	6,581,614	8,511,220	1,692,208	6,061,927	7,754,135
Supplementary loan - Techo Propio	28,719	176,917	205,636	29,879	140,353	170,232
Traditional loan MIVIVIENDA	25,198	31,752	56,950	35,366	44,001	79,366
Loan - MIHOGAR	12,024	22,202	34,226	14,669	29,048	43,717
Loan - MICONSTRUCCIÓN	1,558	4,888	6,446	2,270	7,245	9,516
Loan - MICASA MÁS	1,588	3,535	5,093	1,750	4,124	5,875
Standardized loan - MIVIVIENDA	907	1,815	2,722	1,275	2,549	3,824
Loan - MITERRENO	92	92	184	113	113	225
	1,999,662	**6,822,815**	**8,822,477**	**1,777,530**	**6,289,360**	**8,066,890**

Accounts receivable (Trust Agreement - COFIDE) are classified by debtor credit risk rating in accordance with SBS rules in force as of December 31, 2021 and 2020. As described in Note 4.C, the loss allowance for accounts receivable (Trust Agreement - COFIDE) is determined based on the classification of both the sub borrower and the IFI.

Table below presents the accounts receivable (Trust Agreement – COFIDE) corresponding to the balance without credit risk coverage (CRC) based on the IFI credit risk rating as of December 31:

	2021		2020	
In thousands of soles	**S/000**	**%**	**S/000**	**%**
Credit risk rating IFI				
Standard	6,571,687	74.49	5,980,314	74.13
With potential problems	613	0.01	4,825	0.06
Financiera TFC (*)	203,353	2.30	203,054	2.52
CMAC Sullana (**)	39,409	0.45	100,267	1.25
CMAC Tacna (**)	3,309	0.04	-	-
COOPAC San Francisco (**)	2,117	0.02	-	-
COOPAC AELU en Liquidación (*)	1,199	0.01	-	-
COOPAC Quillacoop (**)	749	0.01	900	0.01
COOPAC Santa María Magdalena (**)	325	-	-	-
CRAC Prymera (**)	54	-	-	-
	6,822,815	**77.33**	**6,289,360**	**77.97**
	8,822,477	**100.00**	**8,066,890**	**100.00**

(*) As of December 31, 2021 and 2020, these accounts receivable have been provisioned considering the credit risk rating of the sub-borrower, since both IFI have been intervened by the SBS, Financiera TFC on December 12, 2019, and COOPAC AELU on August 23, 2021. As of December 31, 2021 and 2020, the provision related to these accounts receivable amounts to S/ 34,288 thousand and S/ 15,135 thousand, respectively.

(**) In the years 2021 and 2020, the Fund decided to execute the thirteenth clause of the Resource Channeling Agreements signed with these entities, due to deterioration in their financial indicators. The balance without credit risk coverage of these portfolios has been provisioned considering the credit risk of the sub-borrower. As of December 31, 2021 and 2020, this provision amounts to S/ 16,091 thousand and S/ 13,617 thousand.

As of December 31, the table below presents the accounts receivable (Trust Agreement – COFIDE) corresponding to the balance with credit risk coverage (CRC) based on final beneficiary classification:

	2021		2020	
In thousands of soles	**S/000**	**%**	**S/000**	**%**
Risk category of the final debtor				
Standard	1,748,956	19.82%	1,473,160	18.26%
With potential problems	25,366	0.29%	35,352	0.45%
Substandard	26,755	0.30%	41,598	0.52%
Doubtful	78,262	0.89%	88,926	1.09%
Loss	102,089	1.16%	120,307	1.49%
Financiera TFC	17,635	0.20%	18,187	0.23%
COOPAC AELU	599	0.01%	-	-
	1,999,662	**22.67%**	**1,777,530**	**22.03%**
	8,822,477	**100.00%**	**8,066,890**	**100.00%**

The annual interest rates for the products offered by the Fund, are fixed interest rates established with the purpose of promoting the granting of credits. As of December 31, 2021 and 2020, they are as follows:

	%
New loan - MIVIVIENDA (*)	7.10
Traditional loan MIVIVIENDA	6.00
Supplementary loan - Techo Propio	7.25
Loan - MIHOGAR	7.60
Loan - MICONSTRUCCIÓN	8.00
Standardized loan - MIVIVIENDA	6.90 & 7.30
Loan - MICASA MÁS	7.70
Loan - MITERRENO	9.00

(*) The interest rate of the New loan - MIVIVIENDA product was reduced to 5%, only for the credits with the BMS attribute disbursed until December 31, 2019, by means of Board of Directors Meeting 02-16D-2019, dated July 25, 2019.

As of December 31, accounts receivable (Trust Agreement - COFIDE) have the following maturity dates:

In thousands of soles	**2021**	**2020**
Up to 1 months	100,294	69,891
1 – 3 months	209,106	172,995
3–12 months	626,683	578,283
1 – 3 years	1,244,572	1,748,320
More than 3 years	6,641,822	5,497,401
	8,822,477	**8,066,890**

The movement in the loss allowance for accounts receivable (Trust Agreement - COFIDE) determined according to the criteria described in note 4.C is as follows:

In thousands of soles	**2021**	**2020**
Opening balance	197,224	158,594
Additions debited to profit or loss	88,006	68,393
Reversal of provisions	(74,117)	(29,988)
Exchange difference	220	225
Closing balance	**211,333**	**197,224**

Management considers that the level of allowance for doubtful accounts (Trust Agreement - COFIDE) covers possible losses that may be generated as of the date of the statement of financial position and has been made in compliance with SBS regulatory requirements in effect as of December 31, 2021 and 2020.

8. Loan Portfolio, Net

As of December 31, this caption comprises the following:

In thousands of soles	**2021**	**2020**
Outstanding	30,387	26,817
Refinanced	306	1,092
Past due	92,338	37,870
Under legal collection	137	153
	123,168	**65,932**
Plus (less):		
Accrued interest on current loans	372	275
Loss allowance for loans	(88,929)	(37,729)
	34,611	**28,478**

As of December 31, 2020, the loan portfolio is mainly composed of the mortgage loan portfolio transferred to the Fund by Caja Rural de Ahorro y Crédito Señor de Luren, which through SBS Resolution No. 3503-2015 of June 19, 2015, entered the liquidation process.

In October 2021, the capital balance owed by Cooperativa de Ahorro y Crédito Presta Perú (COOPAC Presta Perú) to the Fund, recorded in 'Other accounts receivable' was reclassified to 'Loan portfolio' for S/ 69,928 thousand, net of the loss allowance for other accounts receivable for S/ 52,582 thousand, after became effective the transfer of the Presta Perú (in liquidation) mortgage loan portfolio to the Fund, which guaranteed the debt that this IFI (now in liquidation) had with the Fund before the start of its dissolution and liquidation process in 2019 (SBS Resolution No. 3881-2019 of August 22, 2019).

As of December 31, the balance of the loan portfolio classified by type of MIVIVIENDA product is as follows:

	Number of borrowers		**Balances**	
In thousands of soles	**2021**	**2020**	**2021**	**2020**
New loan - MIVIVIENDA	1,908	1,168	110,124	65,071
Supplementary loan - Techo Propio	1,085	760	14,310	8,984
Traditional loan – MIVIVIENDA	13	14	323	381
Loan - MIHOGAR	1	1	45	47
Loan - MI CONSTRUCCIÓN	559	-	14,206	-
Deferred income	-	-	(15,840)	(8,551)
	3,566	**1,943**	**123,168**	**65,932**

As of December 31, 2021, the direct loan portfolio is backed by preferential guarantees for S/ 59,054 thousand (S/ 61,358 thousand as of December 31, 2020) and non-preferred guarantees for S/ 98,403 thousand (S / 80,373 as of December 31, 2020). In the years 2021 and 2020, the collections of the direct loan portfolio amount to S/ 10,536 thousand and S/ 9,033 thousand, respectively.

As of December 31, according to the SBS regulations, the credit risk rating of the loan portfolio borrowers is as follows:

	Number of borrowers		Balances	
In thousands of soles	**2021**	**2020**	**2021**	**2020**
Normal	924	771	26,107	22,385
With potential problems	68	52	1,847	1,672
Substandard	70	62	1,870	1,780
Doubtful	276	126	9,483	5,596
Loss	2,228	932	83,861	34,499
	3,566	**1,943**	**123,168**	**65,932**

Annual effective interest rate of this loan portfolio was determined based on market conditions. As of December 31, 2021, and 2020, the minimal and maximum annual interest rate in local currency was 13.50% and 9.00%, respectively.

As of December 31, 2021 and 2020, the interest in suspense on loans that are past due, under legal collection, or rated as "Doubtful" or "Loss" amounts to S/ 41,510 thousand and S/ 23,450 thousand, respectively. Such interests are recognized in the income statement when they are collected.

The table below presents the loan portfolio balance classified by maturity dates as of December 31:

In thousands of soles	**2021**		**2020**	
Due within 1 month	179	0.15%	163	0.25%
From 1 to 3 months	364	0.30%	331	0.50%
From 3 months to 1 year	1,677	1.36%	1,528	2.32%
From 1 to 5 years	11,292	9.17%	10,289	15.60%
Over 5 years	19,313	15.67%	17,595	26.69%
	32,825	**26.65%**	**29,906**	**45.36%**
Plus (less)				
Loans past due and loans under legal collection	106,183	86,21%	44,577	67.61%
Deferred revenue of loans past due and loans under legal collection	(13,096)	(10.63%)	(6,554)	(9.94%)
Deferred revenue of outstanding and refinanced loans	(2,744)	(2.23%)	(1,997)	(3.03%)
	123,168	**100.00%**	**65,932**	**100.00%**

The changes in the loss allowance for loans were as follows:

In thousands of soles	***Note***	**2021**	**2020**
Balance at the beginning of the year		37,729	35,379
Additions		4,282	3,306
Recovery of provisions		(5,670)	(961)
Reclassification of Loss allowance for accounts receivable to COOPAC Presta Perú	*9 (g)*	52,582	-
Exchange difference		6	5
Balance at the end of the year		**88,929**	**37,729**

Management considers that the level of provision for uncollectability of the direct loan portfolio covers eventual losses that may be generated at the date of the statement of financial position and has been made in compliance with the regulatory requirements of the SBS in force as of December 31, 2021 and 2020.

9. Other Accounts Receivable, Net

As of December 31, this caption comprises the following:

In thousands of soles	**2021**	**2020**
Accounts receivable from banks in liquidation (a)	100,255	99,596
Accounts receivable from trust agreements CRC and PBP (b)	32,877	104,325
Accounts receivable from Ex - CONEMINSA (c)	12,777	12,850
Accounts receivable from COOPAC Presta Perú (d)	8,764	4,230
Accounts receivable from customers of COOPAC Presta Perú (d)	-	74,462
Accounts receivable from ICCGSA (e)	3,794	3,794
BFH overpaid, to be recovered (f)	2,676	5,540
Invoices receivable	708	649
Other accounts receivable	777	481
	162,628	**305,927**
Loss allowance for accounts receivable (g)		
Banks in liquidation	(100,255)	(99,596)
Portfolio Ex – CONEMINSA	(12,678)	(12,630)
Accounts receivable from COOPAC Presta Perú	(8,764)	(4,230)
Accounts receivable from customers of COOPAC Presta Perú	-	(74,462)
Accounts receivable from ICCGSA	(3,794)	(3,794)
BFH overpaid, to be recovered	(2,676)	-
Invoices receivable	(696)	(628)
Other accounts receivable	(21)	(21)
	(128,884)	**(195,361)**
	33,744	**110,566**

(a) Corresponds to accounts receivable generated by time deposits, certificates of deposit, among other, held by the Fund, before being a financial entity supervised by the SBS (prior to January 2006), with certain financial institutions that later went into liquidation process. The detail of the balances and their respective allowance, as of December 31, is as follows:

In thousands of soles	**2021**	**2020**
Capital		
Banco Nuevo Mundo in liquidation	52,205	52,205
Banco República in liquidation	39,922	39,922
Banco Banex in liquidation - nonrecourse debt	5,525	5,018
Banco República in liquidation - nonrecourse debt	2,603	2,451
	100,255	**99,596**
Less: Loss allowance		
Banco Nuevo Mundo in liquidation	(52,205)	(52,205)
Banco República in liquidation	(39,922)	(39,922)
Banco Banex in liquidation - nonrecourse debt	(5,525)	(5,018)
Banco República in liquidation - nonrecourse debt	(2,603)	(2,451)
	(100,255)	**(99,596)**
	-	**-**

During the liquidation process of these financial institutions, conducted under the supervision and intervention of SBS, the Fund received property assets, real estate, and collection of loans as part payment of these debts.

Management recorded an allowance for 100% of the accounts receivable from Banco Nuevo Mundo, Banco República and Banco Banex, all of them under liquidation process, and recognizes the recoveries received based on their realization. In 2021, the Fund has not received any recoveries from banks in liquidation. In 2020, the Fund received in cash from Banco Nuevo Mundo in Liquidation payment for S/ 839 thousand.

The Fund Management considers that the provision for uncollectibility of accounts receivable from banks in liquidation constituted as of December 31, 2021 and 2020 is sufficient to cover the related uncollectibility risk.

(b) Corresponds to the balance of the net assets (total assets minus total liabilities) of the trusts managed by the Fund, which ensure the payment of CRC to the IFI and the PBP to those who access this benefit as part of the credit programs offered by the Fund. As of December 31, the balances mentioned are as follows:

In thousands of soles	**2021**	**2020**
Trust agreement CRC and PBP – PEN	12,030	48,457
Trust agreement CRC and PBP – USD	20,847	55,868
	32,877	**104,325**

Through constitutional acts signed in June 2007 by the Fund as trustee and trustor simultaneously, these trusts were constituted with the purpose of ensuring the availability of resources so that the Fund fulfills the obligations of the Fund arising from the CRC and PBP service contracts signed with some IFI, as well as allowing those resources to be managed efficiently.

The operations of these trusts are recorded in accordance with SBS Resolution 980-2006 'Regulations of the Fund,' namely, in a single account in the statement of financial position. The trusts accounting is kept separate for control purposes and shows the following balances as of December 31:

CRC-PBP Trust – Nuevos soles

In thousands of soles	**2021**	**2020**
Statement of Financial Position		
Assets		
Cash and cash equivalents	6,539	31,359
Available-for-sale investments (*)	1,556	12,351
Held-to-maturity investments (*)	3,935	4,742
Other accounts receivable (*)	-	5
Total assets	**12,030**	**48,457**
Equity and net surplus		
Retained earnings	8,737	45,223
Collection surplus, net	3,386	2,939
Unrealized gains and (losses)	(93)	295
Total equity and net surplus	**12,030**	**48,457**

(*) *In 2016, the CRC Trust and PBP Nuevos Soles reclassified available-for-sale investments to the held-to-maturity category. The book value at the reclassification date amounted to S/ 33,683 thousand, and the accumulated unrealized loss in equity amounted to S/ 1,344 thousand; this last amount is being transferred to results in the remaining term of the instruments. In 2021 and 2020, S/ 51 thousand and S/ 120 thousand, respectively, have been transferred to results.*

In thousands of soles	**2021**	**2020**
Income Statement		
Revenue		
Interest income	762	1,766
Reversal of investment impairment	35	-
Total revenue	**797**	**1,766**
Expenses		
Administration fee	(199)	(284)
Financial transaction tax	(2)	(2)
Various financial services expenses	(6)	(6)
Provision for impairment of investments, net	(76)	6
Total expenses	**(283)**	**(286)**
Net profit	**514**	**1,480**

CRC-PBP Trust U.S. dollars

In thousands of soles	**2021**	**2020**
Statement of financial position		
Assets		
Cash and cash equivalents	4,771	29,206
Available-for-sale investments (*)	7,111	17,359
Held-to-maturity investments (*)	8,965	9,303
Total assets	**20,847**	**55,868**
Equity and net surplus		
Initial equity	9,013	21,013
Retained earnings	1,685	24,684
Collection surplus, net	10,681	10,133
Unrealized gains and losses	(532)	38
Total equity and net surplus	**20,847**	**55,868**

(*) In 2016, the equity in Trust Fund CRC and PBP American Dollars reclassified available-for-sale investments to the category of held-to-maturity investments. The book value at the reclassification date amounted to S/ 35,327 thousand, and the accumulated unrealized loss in equity amounted to S/ 1,784 thousand; this last amount is being transferred to results during the remaining term of the instruments. In 2021 and 2020, S/ 59 thousand and S/ 66 thousand, respectively, have been transferred to results.

In thousands of soles	**2021**	**2020**
Income statement		
Revenue		
Interest income	1,315	2,177
Exchange difference, net	349	728
Gain on sale of investments	113	167
Reversal of investment impairment	-	42
Total revenue	**1,777**	**3,114**
Expenses		
Administration fee	(262)	(326)
Various financial services expenses	(8)	(8)
Financial transaction tax	(6)	(3)
Total expenses	**(276)**	**(337)**
Net profit	**1,501**	**2,777**

(c) It corresponds to the portfolio of accounts receivable of mortgage loans granted by Compañía de Negociaciones Mobiliarias e Inmobiliarias S.A. – CONEMINSA, which was received by the Fund under a payment in kind agreement signed on December 30, 2003 for its management and recovery.

(d) In August 2019, after activating the thirteenth clause of the Resource Channeling Agreement signed with COOPAC Presta Perú, the Fund authorized the withdrawal of the balance owed by this IFI from the administration of the COFIDE Trust for S/ 74,462 thousand. Directly demanding the payment of the outstanding installments of the debtor that he had with the Fund for the period from February to August 2019 for thousands of S/ 4,230.

In 2021, after completing the transfer of the mortgage loan portfolio from COOPAC Presta Perú to the Fund, thousands of S/ 4,534 were reclassified from Other accounts receivable from customers of COOPAC Presta Perú to Accounts receivable from COOPAC Presta Perú and S/ 69,928 thousand to Loan portfolio (note 8).

As of December 31, 2021, the other accounts receivable from COOPAC Presta Perú have a provision for bad debts of 100%.

(e) It corresponds to the account receivable from Ingenieros Civiles Contratistas Generales S.A.C. (ICCGSA), for the commercial papers that the Fund maintained, which expired on October 22, 2018, and for which an account receivable was recognized with its respective allowance for doubtful accounts for an amount of S/ 3,794 thousand, of which S/ 3,500 thousand corresponded to capital and S/ 294 thousand to interest as of December 31, 2018.

(f) It corresponds to a claim to third parties (technical entities that build social housing for the population) for the excess payment of a bonus granted by the MVCS, called Family Housing Bonus (BFH), whose administration is in charge of the Fund.

(g) The changes in the allowance for other doubtful accounts are detailed below:

In thousands of soles	***Note***	**2021**	**2020**
Opening balance		195,361	166,308
Additions		2,751	30,004
Reclassification to loss allowance for loans COOPAC Presta Perú portfolio	*8*	(52,582)	-
Reversal of allowance for doubtful accounts COOPAC Presta Perú		(17,345)	-
Reversal of provisions		(25)	(1,074)
Exchange difference, net		724	623
Others		-	(500)
Closing balance		**128,884**	**195,361**

In management's opinion, the loss allowance for accounts receivable as of December 31, 2021 and 2020 adequately hedges the credit risk of these items as of those dates.

10. Hedging Derivatives

As of December 31, 2021, and 2020, the Fund holds agreements related to foreign currency forwards, cross currency sw
("IOS"). As of December 31, the changes in the fair value of these derivative financial instruments are presented as acco
payable (liability), as appropriate:

	2021				2020			
In thousands of soles	**Assets**	**Liabilities**	**Face value**	**Maturity date**	**Assets**	**Liabilities**	**Face value**	**Ma**
Cash flows								
Currency swap - POS	557,917	19,389	2,013,925	Between January and March 2023	310,975	18,859	1,843,680	Between Ja 2023
Currency swap - CCS	260,347	10,824	1,432,458	Between January 2023 and Ma 2031	83,689	12,845	1,456,203	Between Ja October 20
Currency swap - IOS	34	-	-	March 2023	64	-	-	March 2023
Fair value								
Currency forward	6,563	-	258,629	Between January and Jun 2021	209	2,643	268,113	Between Ja 2021
	824,861	**30,213**	**3,705,012**		**394,937**	**34,347**	**3,567,996**	

IOS: Interest only swaps, POS: Principal only swaps. As of December 31, 2021 and 2020, the reference values of operations with derivative instruments are recorde currency.

In the years 2021 and 2020, the Fund contracted currency forwards, negotiated and settled during the period, which gene gains of S/ 1,844 thousand, respectively, reflected in the income statement. in 'results from financial transactions' (note 2

In addition, during the years 2021 and 2020, the hedging financial instruments contracted by the Fund generated a net los S/ 85,764 thousand, respectively, reflected in the statement of income in the caption 'results from financial transactions'

As of December 31, 2021, the asset for hedging derivatives increased mainly due to the acquisition of new cross currenc investment position, as well as to the gain in valuation of principal only swaps due to exchange rate fluctuation.

11. Property, Furniture and Equipment, Net

The movement in property, furniture, and equipment and accumulated depreciation in 2021 and 2020 is as follows:

In thousands of soles	Land	Buildings	Facilities	Furniture and fixtures	Computer equipment	Var equip
Costs						
Balance as of January 1, 2020	103	36	189	719	1,402	
Additions	-	-	-	-	11	
Disposals	-	-	(46)	(24)	(39)	
Balance as December 31, 2020	**103**	**36**	**143**	**695**	**1,374**	
Additions	-	-	-	-	-	
Disposals	-	-	-	(39)	(284)	
Balance as December 31, 2021	**103**	**36**	**143**	**656**	**1,090**	
Accumulated depreciation						
Balance as of January 1, 2020	-	12	92	515	1,235	
Additions	-	-	14	30	67	
Disposals	-	-	(46)	(24)	(39)	
Balance as December 31, 2020	**-**	**12**	**60**	**521**	**1,263**	
Additions	-	-	14	29	56	
Disposals	-	-	-	(39)	(284)	
Balance as December 31, 2021	**-**	**12**	**74**	**511**	**1,035**	
Net book value						
As of December 31, 2020	**103**	**24**	**83**	**174**	**111**	
As of December 31, 2021	**103**	**24**	**69**	**145**	**55**	

According to the current legislation, banks in Peru may not grant as guarantee assets that are part of their property, furnitur
acquired through the issuance of finance lease bonds and to carry out finance lease operations.

In management's opinion, there is no evidence of impairment of the items in property, furniture and equipment held by the Fund as of December 31, 2021 and 2020. As of December 31, 2021, the Fund has fully depreciated property, furniture, and equipment amounting to S/ 2,384 thousand (2020: S/ 2,522 thousand).

The Fund has insured its main assets in accordance with management's policies. For this purpose, as of December 31, 2021 and 2020, the Fund has contracted an insurance policy against all risks that covers the value of the Fund's net assets, including property, furniture and equipment. In management's opinion, its insurance policies are reasonable for its activity.

12. Other Assets, Net

As of December 31, this caption comprises the following:

In thousands of soles	**2021**	**2020**
Current income tax asset, net (a)	43,535	42,414
Intangible assets, net (b)	7,545	6,360
Prepaid expenses	416	2,156
Others	1,478	1,605
	52,974	**52,535**

(a) The balance of the current income tax, net is made up as follows:

In thousands of soles	**2021**	**2020**
Temporary tax on net assets	39,632	38,825
Pre - payments for income tax	3,903	3,589
Provision for income tax	**43,535**	**42,414**

(b) The item of intangible assets is composed of software and licenses used by the Fund's computers, the cost of which as of December 31, 2021 is S/ 17,184 thousand and accumulated amortization of S/ 9,639 thousand (2020: total cost of S/ 14,537 thousand and accumulated amortization of S/ 8,177 thousand).

In 2021 and 2020, 'intangible assets' increase mainly due to the capitalization of new software for the implementation of new systems and modules for S/ 2,647 thousand and S/ 2,659 thousand, respectively. Amortization of intangible assets is calculated following the straight-line method over a maximum of a 5–year period.

13. Debts and Financial Obligations

As of December 31, this caption comprises the following:

				2021				
In thousands of soles	Currency	Maturity date	Annual interest rate (%)	Principal	Adjustment at amortized cost	Interest and fees	Total	Principa
Entity								
Asociación Francesa de Desarrollo (AFD)	Euro	2023 & 2031	0.61 – 1.30	650,581	(1,814)	1,005	649,772	747,1
Kreditanstakt fur Wiederaufbau (KfW)	Euro	2031	(*)	204,252	(726)	1,749	205,274	199,0
Banco de la Nación	Soles	2025 & 2026	2.50 – 5.55	570,000	-	5,889	575,889	
				1,424,833	**(2,540)**	**8,642**	**1,430,935**	**946,2**

(*) The rate of this loan is the latest available rate. The line of credit with KFW was agreed at a variable interest rate (Euribor 6 months + 110 basis points), which chang of the loan.

Certain loan contracts include standard clauses regarding compliance with financial ratios. In management's opinion, as of clauses have been complied with and do not represent any restriction on the operations of the Fund.

As of December 31, 2021, a loan denominated in euros from AFD amounting to EUR 143,155 thousand (equivalent to S/ 6 from KfW amounting to EUR 45,225 thousand (equivalent to S/ 205,274 thousand), both exposed to exchange rate risk, be principle only swaps (POS) and interest only swaps (IOS) for a nominal amount of EUR 183,833 thousand (equivalent to S/ thousand (equivalent to S/ 20,425 thousand), respectively (note 10). As of December 31, 2020, a loan denominated in euro EUR 168,665 thousand (equivalent to S/ 746,167 thousand) and a loan in euros from KfW amounting to EUR 44,857 thousa thousand), both exposed to exchange rate risk, being hedged by cross currency swaps, principle only swaps (POS) and inte amount of EUR 206,389 thousand (equivalent to S/ 913,053 thousand), EUR 7,500 thousand (equivalent to S/ 33,180 thous

In the months of March to November 2021, the Fund received loans from Banco de la Nación amounting to S/ 570,000 tho of the products it maintains.

The table below presents the balance of debts and financial obligations classified by contractual maturity:

In thousands of soles	**2021**	**2020**
Less than 3 months	58,123	56,625
3–12 months	96,844	56,625
1–5 years	931,064	423,057
More than 5 years	344,904	408,304
	1,430,935	**944,611**

14. Securities and Bonds Outstanding

As of December 31, this caption comprises the following:

	Annual interest rate		**Issued**	**Carrying amount in S/**	
In thousands	**(%)**	**Maturity date**	**amount**	**2021**	**2020**
Corporate bond local issuance (a)					
Fourth issuance of series A bonds	6.72	July 2026	S/ 310,000	309,896	309,877
Third issuance of series A bonds	7.00	February 2024	S/ 1,500,000	1,497,732	1,496,887
Fifth issuance of series A bonds	5.02	July 2026	S/ 250,000	249,747	249,699
Sixth issuance of series A bonds	4.7813	January 2027	S/ 240,210	239,929	239,888
Corporate bond foreign issuance					
First issuance (b)	3.50	January 2023	US$ 500,000	1,989,806	1,804,233
Reopening of the first issuance (c)	3.50	January 2023	US$ 150,000	596,367	540,302
				4,883,477	**4,640,886**
Interest payable				98,706	95,220
				4,982,183	**4,736,106**

The funds raised through the issuance of securities and bonds are used to finance the Fund's operations.

(a) The Board of Directors' Meeting, held on November 16, 2012, approved the First Corporate Bond Program. The Fund may issue securities up to US$ 800,000 thousand or its equivalent in soles. In April and July 2016, February 2017, July 2019 and January 2020, the Fund issued the first, third, fifth and sixth issuance of the Corporate Bonds, respectively.

On January 15, 2020, the sixth issuance of local Corporate Bonds was made for the amount of 48,042 bonds at a value of S/ 5 thousand for a total value of S/ 240,210 thousand, with a term of 7 years with maturity on January 15, 2027, at a nominal annual rate of 4.7813%.

(b) In January 2013, the Fund issued bonds under Rule 144 and Regulations S of the U.S. Securities Act, in the international market. The issuance corresponded to a face value of US$ 500,000 thousand maturing in 10 years. Bonds were placed at a price of 99.15%, at a coupon rate of 3.50% with semi-annual payments of interest and amortization at maturity.

As of December 31, 2021, and 2020, said bonds have exposure to exchange rate risk; they are hedged by principal only swaps (POS) for a nominal amount of approximately US$ 500,000 thousand (equivalent to S/ 1,993,500 thousand and S/ 1,810,500 thousand, respectively.)

(c) In February 2017, the Fund issued bonds under Rule 144 or Regulation S of the U. S. Securities Act in the international market through the reopening of the First Issuance called "3,5% Notes due 2023" made in January 2013. The new issuance corresponded to a face value of US$ 150,000 thousand maturing of 6 years. The bonds were placed below par at a price of 99.802%, at a coupon rate of 3.50%, with semi-annual interest payments and amortization at maturity.

As of December 31, 2021, and 2020, said bonds have exposure to exchange rate risk; they are hedged by cross-currency *swaps* for a face value of approximately US$ 150,000 thousand (equivalent to S/ 598,050 thousand and S/ 543,150 thousand, respectively).

As of December 31, the balance of securities and bonds outstanding classified by their maturity are as follows:

In thousands of soles	**2021**	**2020**
1 – 2 years	2,624,150	-
2 – 5 years	2,112,798	3,915,860
More than 5 years	245,235	820,246
	4,982,183	**4,736,106**

15. Accounts Payable, Provisions and Other Liabilities

As of December 31, this caption comprises the following:

In thousands of soles	***Note***	**2021**	**2020**
Accounts payable			
BFH and bonus for improving quality of houses (a)		809,852	752,429
BBP (capital) allocated to COFIDE (b)		87,317	94,429
Balance payable for reconciliation with MEF (c)		81,822	81,822
Housing rental bonus (BAV), payable (d)		49,524	48,449
LAIF Agreement (e)		9,082	-
Contributions to FONAVI (f)		8,644	8,644
Accounts payable to suppliers		6,048	3,086
Eligible household savings to be transferred to technical entities (g)		5,647	7,274
Employees' profit sharing	*21*	4,888	-
Resources to transfer for executed bank guarantees		4,134	7,376
BBP (capital) received from MVCS (h)		4,078	49,223
Bonuses for management agreement – FONAFE	*21*	2,167	-
Holidays and settlement of fringe benefits		1,088	1,045
Eligible household savings to be transferred for BAV (i)		-	2,711
Bond 500 for Emergency Decree N° 014-2017		-	19
Others		1,759	4,212
		1,076,050	**1,060,719**
Provisions and other liabilities			
Deferred income (j)		28,070	18,981
Provisions for CRC - overdue portfolio (k)		1,521	1,803
Provision for contingencies (l)		1,404	1,394
Others		246	210
		31,241	**22,388**

(a) It corresponds to BFH and Bonus for Improving Quality of Houses (BVPP, for its acronym in Spanish) to be returned to the MVCS or disbursed to technical entities (builders) for the financing of the BFH and the family groups that accessed the Techo Propio Program.

In 2021, the Fund received resources from the MVCS, through Agreements N° 003-2021, N° 069-2021, and N° 095-2021 in the amounts of S/ 1,444,421 thousand, S/ 1,787 thousand and S/ 25,552, thousand, respectively.

In 2020, the Fund received resources from the MVCS, through Agreements N° 013-2019, N° 120-2020, and N° 587-2020 in the amounts of S/ 2,970 thousand, S/ 568,012 thousand and S/ 535,350, thousand, respectively.

(b) It corresponds to the funds received from the MVCS for the granting of the BBP, which were assigned to the authorized credits to the IFI (Loans - MIHOGAR and New Loan - MIVIVIENDA) after reviewing compliance with the requirements established in the Regulations.

The changes in the balance of this caption are shown below:

In thousands of soles	**2021**	**2020**
Balance at the beginning of the year	94,429	102,010
Allocations received	199,152	116,042
Disbursement of BBP for initial installment	(199,152)	(116,042)
Application of BBP for installments of Loan - MIHOGAR	(682)	(700)
Application of BBP to installments of New Loan - MIVIVIENDA	(6,255)	(6,714)
Application of BBP to installments of Caja Luren in liquidation	(140)	(111)
Reported adjustments	(33)	(56)
Balance at the end of the year	**87,317**	**94,429**

(c) It corresponds mainly to FONAVI contributions pending from being transferred to the MEF for collections made by the Tax Authorities of FONAVI contributions made by taxpayers who have a stabilized tax regime applicable as per Law N° 27071.

(d) It corresponds to a benefit (subsidy) granted to families for the housing rental, encouraging savings to access a home and improve living conditions. This money will be distributed by the beneficiaries as follows; 70% of the money for the payment of the monthly rent and the other 30% for savings for the acquisition of a house.

(e) The purpose of this Agreement is to finance the Fund up to EUR 10,000,000, for the continuity of the Sustainable Mivivienda Program or Mivivienda Verde, which promotes the improvement of the social and environmental certification criteria of the homes under the Program. As of December 31, 2021, the balance corresponds to the bonds disbursed to the beneficiaries.

(f) This caption comprises the following:

In thousands of soles	**2021**	**2020**
FONAVI contributions pending transfer to the MEF (i)	8,023	8,023
Refund of not collected FONAVI checks (ii)	621	621
	8,644	**8,644**

(i) It corresponds to the collection made by Tax Authorities of contributions to FONAVI from taxpayers who have a tax stability agreement under Law No. 27071, pending transfer to the Ministry of Economy and Finance (MEF).

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(ii) It corresponds to checks issued from 1999 to 2016 pending collection by the beneficiaries. These checks were issued as reimbursement of FONAVI contributions according to Tax Authorities communications, which is the entity responsible for the collection of these resources.

(g) It corresponds to the balance payable to technical institutions on behalf of eligible households who have accessed to the Techo Propio Program. This balance comprises the saving deposited by the household in the Fund's accounts.

(h) It corresponds to the balance of funds received from MVCS, pending allocation to beneficiaries that request loan products offered by the Fund. The Fund performs the allocation of these resources through COFIDE when disbursements are authorized to IFI for loans approved. This caption comprises the following:

In thousands of soles	**2021**	**2020**
Opening balance	49,223	92,272
Resources received from MVCS (i)	151,149	75,000
BBP Assigned (ii)	(197,450)	(117,947)
Transfer of BBP assigned	3,865	562
Transfers of BBP Assigned from finished agreements	-	1,964
Refund of resources to MVCS	(2,709)	(2,628)
Closing balance	**4,078**	**49,223**

(i) In 2021, the Fund received resources from the MVCS corresponding to the Agreement for the execution of the BBP 605-2020-VIVIENDA for an amount of S/ 151,149 thousand. In 2020, the Fund received resources from the MVCS corresponding to the Agreement for the execution of the BBP 605-2020-VIVIENDA for an amount of S/ 75,000 thousand.

(ii) As of December 31, 2021, the allocation of the resources of the BBP correspond to Agreements N° 004605, N° 124-2020, and N° 004-2019 amounting to S/ 149,285 thousand, S/ 48,994 thousand and S/ 872 thousand, respectively. As of December 31, 2020, the allocation of the resources of the BBP correspond to Agreements N° 004605, N° 124-2020, and N° 004-2019 amounting to S/ 26,387 thousand and S/ 91,560 thousand, respectively.

(i) It corresponds to the balances payable to the eligible households that accessed the Housing Lease Bonus (BAV for its acronym in Spanish). This balance comprises the saving deposited by the household in the Fund's accounts.

(j) As of December 31, 2021, it corresponds mainly to deferred income from accounts receivable (COFIDE Trust) rescheduled for S/ 27,712 thousand; and to the deferred income of the refinanced portfolio EX – Coneminsa for S/ 235 thousand (note 7).

(k) The changes in the provision for CRC – portfolio sold, is as follows:

In thousands of soles	**2021**	**2020**
Balance at the beginning of the year	1,803	2,084
Additions debited to profit or loss	380	392
Reversal of provisions	(844)	(866)
Exchange difference, net	182	193
Balance at the end of the year	**1,521**	**1,803**

(l) Corresponds to provisions recorded for judicial proceedings associated with claims and probable labor contingencies. In the opinion of the Fund's management and legal advisors, the recorded provision is sufficient to cover the risk of loss for such contingencies as of December 31, 2021 and 2020.

16. Shareholder's Equity

A. Share capital

As of December 31, 2021 and 2020, the Fund's capital stock is represented by 3,385,762 and 3,382,587 ordinary shares with a face value of S/ 1.00 each. Its sole stockholder is FONAFE.

On March 31, 2021, the General Stockholders´ Meeting agreed to capitalize the earnings generated in 2020, net of legal reserve, for S/ 3,175 thousand. On June 30, 2020, the General Stockholders´ Meeting agreed to capitalize the earnings generated in 2019, net of legal reserve, for S/ 27,003 thousand.

B. Reserves

In accordance with current regulations, the Fund shall reach a legal reserve of at list 35% of its paid-in capital. This reserve is constituted through an annual appropriation of at least 10% of net income and can only be used to absorb losses or be capitalized, in both cases there is an obligation to replenish it.

The General Stockholder's Meetings, held on March 31, 2021 and June 30, 2020, approved the recording of legal reserves for net income 2020 and 2019, for S/ 353 thousand and S/ 3,000 thousand, respectively.

C. Unrealized results

The changes in unrealized profit or loss during 2021 and 2020 is presented net of its tax effect, and is as follows:

In thousands of soles	***Note***	**Balance as of January 1, 2020**	**Debit (credit) to the statement of other comprehensive income**	**Balance as of December 31, 2020**	**D s**
Fund's available-for-sale investments					
Unrealized results on available-for-sale investments		-	95	95	
Unrealized gain or loss from debt instruments reclassified from 'available-for-sale investments' to 'held-to-maturity investments'		(6,884)	921	(5,963)	
		(6,884)	**1,016**	**(5,868)**	
Income tax	*24*	(194)	**(142)**	**(336)**	
Subtotal		**(7,078)**	**874**	**(6,204)**	
Cash flow hedges					
Unrealized gains from cash flow hedges		98,157	296,559	394,716	
Transfer to profit or loss of realized gain and loses in derivative from cash flow hedges		(234,853)	(312,723)	(547,576)	
		(136,696)	**(16,164)**	**(152,860)**	
Income tax	*24*	40,325	4,769	45,094	
Subtotal		**(96,371)**	**(11,395)**	**(107,766)**	
Available-for-sale investments CRC – PBP					
Unrealized results on available-for-sale investments		46	288	334	
Income tax	*24*	(283)	(54)	(337)	
Subtotal		**(237)**	**234**	**(3)**	
Total		**(103,686)**	**(10,287)**	**(113,973)**	

D. Regulatory capital

In June 2008, Legislative Decree N° 1028 amended the Banking Law establishing that the regulatory capital must be equal to or greater than 10% of assets and contingent credits by total risk corresponding to the sum of: (i) the regulatory capital requirement for market risk multiplied by 10, (ii) the regulatory capital requirement for operational risk multiplied by 10, and (iii) the weighted assets and contingent credits by credit risk.

As of December 31, pursuant to Legislative Decree N° 1028 and amendments, the Fund keeps the following amounts related to weighted assets and contingent credits by risk and regulatory capital (basic and supplementary), in soles:

In thousands of soles	**2021**	**2020**
Total risk-weighted assets and credits	413,613	377,637
Total regulatory capital	3,367,051	3,369,752
Basic regulatory capital – Tier 1	3,367,051	3,369,752
Global regulatory capital ratio	81,41%	89.23%

As of December 31, 2021 and 2020 the Fund has been complying with the SBS Resolutions N° 2115-2009 Regulations for the Regulatory Capital Requirement for Operational Risk, SBS Resolution N° 6328-2009 - Regulations for the Regulatory Capital Requirement for Market Risk, and SBS Resolution N° 14354-2009 - Regulations for the Regulatory Capital Requirement for Credit Risk and amendments. Such Resolutions mainly establish the methods that financial institutions shall use to calculate risk-weighted assets and loans (per risk).

SBS Resolution N° 8425-2011, dated July 2011, states that, in order to determine the level of additional regulatory capital, financial institutions shall develop a process to assess the adequacy of their regulatory capital based on their risk profile, in accordance with the method described in such Resolution. The Resolution also states that the additional regulatory capital requirements shall be equal to the sum of regulatory capital requirements calculated for each of the following components: economic cycle, concentration risk, market risk concentration, interest rate risk in the banking book, and other risks.

As of December 31, 2021 and 2020, the adequacy percentage established by the SBS is 100%, for which the additional requirement of regulatory capital estimated by the Fund amounts to S/ 151,223 thousand and S/ 71,209 thousand, respectively.

In management's opinion, as of December 31, 2021, the Fund complies with the requirements established in the aforementioned resolution and will continue complying with them, given that the Fund's equity comfortably covers said requirements.

17. Contingencies

As of December 31, 2021, and 2020, the Fund maintains the following contingency processes:

(a) Various labor processes from its operations related to legal claims for payment of profit sharing and reimbursement of social benefits, recording a provision of S/ 1,404 thousand as of December 31, 2021 (2020: S/ 1,394 thousand). In opinion of the management and the legal advisors, the provision for legal contingencies recorded as of December 31, 2021 and 2020, is adequate to cover these contingencies.

(b) Various constitutional processes (appeal for legal protection) related to the restitution of labor rights to former workers of the Fund. Also, processes originated by discrimination in the right for participating in awarding and contracting processes, cancellation of registration of Technical Entities for infractions committed. In opinion of the management and the legal advisors, those contingencies will not cause possible losses at the end of those processes.

18. Interest Income and Expense

This caption comprises the following:

In thousands of soles	**2021**	**2020**
Interest income		
Accounts receivable (Trust Agreement – COFIDE), net of interest related to the PBP granted by the Fund (a)	489,720	447,627
Cash and cash equivalents	5,977	20,172
Investments	11,724	12,479
Direct loan portfolio	7,779	4,452
Attribution to profit or loss from CRC-PBP Trusts	2,014	4,257
Other income	116	84
	517,330	**489,071**
Interest expenses		
Securities and bonds outstanding	243,675	234,384
PBP (capital) granted by the Fund (b)	38,674	41,890
Borrowings and financial obligations	18,889	8,724
PBP (capital and interest) – CRC-PBP Trust	1,818	1,908
	303,056	**286,906**

(a) In 2021 and 2020, it corresponds to the interest for yields accrued from the Trust Agreement - COFIDE for S/ 503,880 thousand and S/ 466,794 thousand, respectively, plus accrued interest on the rescheduled portfolio for S/ 2,681 thousand and S/ 336 thousand, respectively, net of interest from the PBP for S/ 16,841 thousand and S/ 19,503 thousand, respectively.

(b) In 2021, it corresponds mainly to the PBP for the MiVivienda traditional loan and new Mivivienda loan for S/ 10,189 thousand and S/ 20,281thousand, respectively (2020: S/ 10,221 thousand and S/ 21,271 thousand, respectively.)

19. Financial Service Revenue and Expense

This caption comprises the following:

In thousands of soles	**2021**	**2020**
Income from financial services		
Commission for CRC and PBP services	3,417	3,665
Execution of bank guarantees constituted by ET – BFH and the Household Savings	475	862
Others	574	787
	4,466	**5,314**
Financial services expenses		
Loan portfolio management service	(2,417)	(2,016)
Securities custody service and banking fees	(250)	(229)
Others	(40)	(35)
	(2,707)	**(2,280)**

20. Result from Financial Transactions

This caption comprises the following:

In thousands of soles	***Note***	**2021**	**2020**
Loss on hedging derivative financial products	*10*	(86,740)	(85,764)
Gain on trading derivative instruments	*10*	(447)	1,844
Exchange loss		862	(1,618)
Others		307	3,037
		(86,018)	**(82,501)**

21. Administrative Expenses

This caption comprises the following:

In thousands of soles	**2021**	**2020**
Personnel and Board of Directors expenses (a)	(30,608)	(23,136)
Services received from third parties (b)	(20,267)	(17,003)
Taxes and contributions	(462)	(358)
	(51,337)	**(40,497)**

(a) Personnel and Board of Directors expenses are allocated as follows:

In thousands of soles	**2021**	**2020**
Remunerations	(12,124)	(12,273)
Employees' profit sharing	(4,887)	-
Legal bonuses	(2,248)	(2,221)
Bonuses for management agreement – FONAFE	(2,167)	-
Social security contributions	(1,950)	(2,074)
Severance payment	(1,307)	(1,307)
Holidays	(1,140)	(1,149)
Food services	(924)	(914)
Other bonuses	(811)	(753)
Internship subsidy	(890)	(713)
Remuneration to the Board of Directors' members	(312)	(398)
July or December bonus	(240)	(298)
Staff attire	(306)	(291)
Termination pay	(111)	(217)
Training	(96)	(84)
Oncology insurance	(150)	(24)
Others	(945)	(420)
	(30,608)	**(23,136)**

The average number of employees in the years 2021 and 2020 was 206 and 204, respectively.

(b) Third-party services expenses are allocated as follows:

In thousands of soles	**2021**	**2020**
IT and communication share services – FONAFE	(4,157)	(1,260)
Property and good rentals	(2,792)	(2,702)
Fees and advisory	(2,159)	(2,718)
Expenses from bonds issued	(2,141)	(2,148)
Repairs and maintenance	(1,922)	(1,791)
Miscellaneous management charges	(1,449)	(1,555)
Telemarketing services	(1,403)	(853)
Communications	(1,035)	(1,154)
Insurance	(964)	(1,057)
Other expenses	(878)	(861)
Advertising	(974)	(363)
Document storage	(193)	(255)
Various supplies	(97)	(170)
Transportation expenses	(73)	(78)
Travel expenses	(30)	(38)
	(20,267)	**(17,003)**

22. Other Income and Expenses, Net

This caption comprises the following:

In thousands of soles	**2021**	**2020**
Other income		
Revenue portfolio Ex – CONEMINSA	76	87
Margin Call interest	1	68
Presta Perú portfolio income	-	4,211
Other income	897	694
	974	**5,060**
Other expenses	(3,406)	(421)
Total other income and expenses, net	**(2,432)**	**4,639**

23. Tax Matters

A. The Fund is subject to the Peruvian tax regime. As of December 31, 2021 and 2020, the income tax is calculated on the basis of the net taxable income determined by the Fund at a rate of 29.5%, in accordance to Legislative Decree 1261.

The income tax rate applicable to dividend distribution and any other form of profit distribution to 5% for profits generated and distributed from January 1, 2017.

It shall be presumed, without otherwise evidence, that the dividend distribution or any other form of profit distribution corresponds to retained earnings or other items that may generate older taxable dividends.

B. In accordance with current tax law in Peru, non-domiciled subjects pay taxes only on their Peruvian source income. In general terms, the income obtained by individuals not domiciled for services provided in our country is subject to Income Tax at a rate of 30% on a gross basis, this as long as the application of an Agreement to avoid Double Taxation does not apply (IDC). In this regard, Peru has currently signed CDI with the Andean Community, Chile, Canada, Brazil, Portugal, Switzerland, Mexico and South Korea. The CDI with Japan is added (Legislative Resolution No. 31098, ratified by Supreme Decree No. 060-2020-RE that entered into force on January 29, 2021).

For the purposes of technical assistance services or digital services provided by non-domiciled individuals in favor of domiciled individuals, the place of provision of these will be indistinct and in all cases will be taxed with Income Tax at a rate of 15% and 30%. on a gross basis, respectively, this as long as the application of the CDI does not apply, so withholding tax would not apply. The rate applicable to technical assistance services will be 15%, provided that the requirements indicated in the Income Tax Law are met. As indicated in the previous paragraph, the withholding tax rate in these cases may vary or even the withholding tax may be inapplicable in case the provisions of a current CDI are resorted to.

Income tax determination

C. The Fund computed its tax base for the years ended December 31, 2021 and 2020 and determined current tax for S/ 27,936 and S/ 0 thousand, respectively.

Tax expense comprises the following:

In thousands of soles	**2021**	**2020**
Current income tax	(27,396)	-
Deferred income tax	(7,436)	(11,701)
	(34,832)	**(11,701)**

Reconciliation of the effective tax rate to the tax rate is as follows:

In thousands of soles	**2021**		**2020**	
Profit before tax	**76,769**	**100.00%**	**15,229**	**100.00%**
Implicit cost	**(22,647)**	**29.50%**	**(4,493)**	**(29.50%)**
Plus (less)				
Net effect of permanent items	(12,185)	14.72%	(7,208)	(47.33%)
Income tax	**(34,832)**	**44.22%**	**(11,701)**	**(76.83%)**

Income tax exemptions and exceptions

D. From the year 2010, the capital gains from the disposal or redemption of transferable instruments made in a centralized market are subject to income tax. For this purpose, the cost basis of instruments is the higher of quoted price at the end of the taxable year 2009 or acquisition cost, or increase in equity value, according to the procedure established in Supreme Decree 011-2010-EF.

Emergency Decree 005-2019 extended the period of the exemption until December 31, 2022 and included as new exempted cases: i) Debt securities, ii) Certificates of participation in mutual funds of investment in securities, iii) Certificates of participation in real estate investment (FIRBI, for its Spanish acronym) and certificates of participation in real estate trusts (FIBRA, for its Spanish acronym), and iv) negotiable invoices. The aforementioned exemption shall be applicable provided that certain requirements are met.

Temporary tax on net assets

E. The Fund is subject to the temporary tax on net assets, whose tax base is composed of the prior period adjusted net asset value less depreciations, amortizations, legal reserve requirements and specific provisions for credit risk. The tax rate is 0.4% for the years 2021 and 2020 and is applied to the amount of net assets exceeding S/ 1,000s thousand. It may be paid in cash or nine consecutive monthly installments. The paid amount may be used as a credit against income tax paid for tax periods from March to December of the taxable year in which the tax was paid until maturity date of each down payment, and against the payment for regularization of income tax of the relevant taxable year. In the event a remaining balance is not applied, its refund could be requested.

Financial transaction tax

F. Financial transaction tax for the years 2021 and 2020 was fixed at the rate of 0.005 %. This tax is applicable to debits and credits in bank accounts or movements in funds made through the financial system unless the account is tax-exempt.

Tax Unit

G. For the years 2021 and 2020, the value of the tax unit amounts to S/ 4,400 and S/ 4,300, respectively.

Tax assessment

H. The Tax Authorities are entitled to audit and, if applicable, to correct the income tax calculated by the Fund within the 4 years following the year of the tax return filing. The Fund 's income and sales tax returns for the years from 2017 to 2021 are open for review by the Tax Authorities.

Therefore, in the opinion of management and its legal advisers, these tax processes and the years pending tax review should not result in significant liabilities that would impact the Fund's financial results, in accordance with IFRIC 23.

Due to the possible interpretations of the current laws by the Tax Authorities, it is not possible to determine, to date, whether a future tax assessment will result in liabilities for the Fund. Therefore, any major tax or surcharge that might arise from eventual tax assessments would be applied to profit or loss when they are determined. However, it is the opinion of management and its legal advisors that any possible additional settlement of taxes would not be significant for the financial statements as of December 31, 2021 and 2020.

24. Deferred Income Tax Asset, Net

The deferred income tax has been calculated applying the liability method and is attributed to the following items:

In thousands of soles	Balance as of January 1, 2020	(Debit) credit to profit or loss	(Debit) credit to equity	Balance as of December 31, 2020	(
Deferred income asset					
General loss allowance for accounts receivable (trust agreement - COFIDE).	14,280	639	-	14,919	
General loss allowance for accounts receivable (trust agreement - COFIDE) - adjustment 2017 (*)	11,223	(1,514)	-	9,709	
Unrealized losses from the valuation of derivatives for hedging purposes	40,326	-	4,768	45,094	
Unrealized losses on investments from CRC-PBP Trust Agreement	-	-	-	-	
Deferred revenue from loan portfolio	2,607	(84)	-	2,523	
Loss allowance for accounts receivable – Presta Perú	14,183	7,783	-	21,966	
Loss allowance for accounts receivable - ICCGSA	1,119	-	-	1,119	
Unrealized losses on investments available for sale	-	-	-	-	
Others	3,612	5,493	-	9,105	
Total deferred income asset	**87,350**	**12,317**	**4,768**	**104,435**	
Deferred income liability					
Unrealized gains on investments from CRC-PBP Trusts Agreement	(282)	-	(53)	(335)	
Unrealized gains from debt instruments reclassified from available – for sale investments to held-to maturity investments	(194)	-	(114)	(308)	
Unrealized gains on available-for-sale investments	-	-	(28)	(28)	
General loss allowance for accounts receivable (Trust Agreement-COFIDE) adjustment 2017 (*)	-	-	-	-	
Unrealized gains on valuation of derivatives for hedging purposes	-	-	-	-	
Foreign exchange adjustment in monetary assets and liabilities	(7,181)	(23,842)	-	(31,023)	
Borrowings and financial obligations	(929)	929	-	-	
Costs incurred for Borrowings and financial obligations	-	(1,105)	-	(1,105)	
Total deferred income liability	**(8,586)**	**(24,018)**	**(195)**	**(32,799)**	
Total deferred income asset, net	**78,764**	**(11,701)**	**4,573**	**71,636**	

(*) As a result of the observation made by the SBS in its Inspection Visit report 06-VIG/2017 "C", the Management of the Fund modified the methodology for calculat Agreement - COFIDE) beginning August 1, 2017, thus determining a deficit of allowances for S/ 71,027 thousand, dated of July 31, 2017, which, as authorized by the dated December 20, 2017, was recorded by the Fund in December 2017 reducing the balance maintained in 'legal reserve' of the equity, see note 16.

In 2018, the Fund reviewed the tax treatment of the aforementioned allowance for doubtful accounts and determined the need to record the related deferred income tax charging to legal reserve the amount of S/ 20,953 thousand. This treatment was authorized and subsequently approved by SBS Official Letter 02450-2019-SBS, dated January 18, 2019. In accordance with the SBS accountings practices, the Fund recorded this amount prospectively, presenting it as an equity movement in the year 2018 with a charge to the deferred asset for income tax.

25. Financial Risk Management

The activities of the Fund are mainly related to the credit placement of its resources through IFI of the country for the acquisition of housing by natural persons. Financial institutions are evaluated and assigned long-term credit lines; the Fund also participates in work to encourage the construction and promotion of housing, and manage the resources received from the State (such as BFH) and its own resources, investing these funds mainly, in interest-bearing demand deposits and time deposits, in fixed income and grade investments, with the purpose of making them profitable and preserving their value over time, ensuring the liquidity required to fulfill their obligations and its lending activities.

Financial risk management comprises managing the main risks that Funds faces due to the nature of its activities, such as credit, market, liquidity and operational risk.

- Credit risk: the possibility of losses due to the inability or unwillingness of debtors, issuers, counterparties or obligated third parties to fulfill their contractual obligations.

- Market risks: the possibility of losses in the value of held positions, derived from variations in market conditions. It generally includes the exchange rate risk, interest rate risk, price risk, among others.

- Liquidity risk: the possibility that the Fund cannot meet with the payment at maturity of its obligations incurring losses that significantly affect its equity position.

- Operation risk: the possibility of losses due to inadequate processes, staff failures, information technology or external events.

In order to management said risks, the Fund has a structure and organization specialized in the management, measurement and reporting systems, and mitigation and coverage processes.

i. Structure and organization of risk management

The Fund has a governance and management structure that allows it to articulate the management and control of the risks it faces.

Board of Directors

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

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

Risk Committee
The Risk Committee (hereinafter "RC") is a division created by the Board of Directors. It is responsible for approving the policies and the organization for the integral management of risks, as well as the modifications made. The RC defines the level of tolerance and the degree of exposure to risk that the Fund is willing to assume in the development of its business and decides the needed actions for the implementation of corrective measures required, in case there are deviations from the levels of tolerance to the risk and the degrees of exposure assumed. The RC meets monthly and is comprised by the Chairman of the Board and two Directors, the General Manager and the Risk Manager. The RC reports monthly to the Board of Directors the agreements reached, and issues discussed in the RC meetings.

Special Audit Committee
The Special Audit Committee (hereinafter "the Special Committee") is a division created in a Board of Directors' Meeting. It is responsible for assisting the Board of Directors in its purpose of ensuring that the accounting and financial reporting processes are appropriate, evaluating the activities carried out by internal and external auditors and monitoring the proper functioning of the implemented internal control system. The Special Committee is comprised of three members who do not hold executive positions in the Fund.

The General Manager and Head of the Office of Internal Audit, as well as the officials that the Special Committee deems necessary, participate as guests at the meetings of the Special Committee.

The Special Committee meets at least once a month and reports quarterly to the Board of Directors' Meeting on the topics discussed. However, it may meet as often as necessary depending on the priority and number of issues to be discussed, when determined by the Chairman of the Special Committee or when requested by at least two of its members.

Assets and Liabilities Management Committee
The Asset-Liability Committee ("ALCO") is a division created by the Board of Directors. Its main function is to manage the financial structure of the statement of financial position of the Fund, based on profitability and risk goals. The committee is also responsible for proposing new products or operations or strategies that contain market and liquidity risk components. It is also the communication channel with the areas that generate market and liquidity risk. The committee meets monthly and is comprised by the General Manager, Commercial Manager, Finance Manager and Risk Manager.

General Management
The General Management is responsible for implementing an adequate integral management of risks in the Fund. It manages and coordinates the efforts of the different managements and offices, ensuring an adequate balance between risk and profitability. Risk Management is a line body and reports directly to the General Management and is in charge of proposing policies, procedures and methodologies for competent risk management, encouraging the alignment of all measures for treating the risks of the Fund with appetite levels, risk limits and the development of proper controls. The Risk Management is comprised by the Market Risk, Liquidity and Operational Department and the Credit Risk and Portfolio Tracking Department.

Internal Audit
The Internal Audit Unit reports functionally to the Board of Directors and administratively to the General Manager. Provides independent services, and assurance and consultation objectives. Assists to the Fund in achieving its objectives applying a systematic and disciplined approach to assessing and improving the effectiveness of corporate governance, risk management and control processes.

Its organization and operation are in accordance with the Banking Law and the Regulation of Internal Audit.

ii. Risk measurement and reporting system

The Fund uses different risk management models and tools for risk management. These tools measure and assess risk to make better decisions at different stages of the credit life cycle, or of an investment.

Management indicators are reviewed and analyzed in order to identify possible deviations in the risk profile regarding the risk appetite established by Fund, so as to take corrective measurements in a timely manner. This information is presented monthly to the Risk Committee and periodically to the Board of Directors.

iii. Risk concentration

Through its policies and procedures, the Fund has established the necessary guidelines and mechanisms to avoid an excessive concentration of risks, maintaining a diversified portfolio consequently. In the event that a concentration risk is identified, the Fund has specialized units that allow it to control and manage said risk.

A. Market risk

Market risk is the possibility of losses due to variations in the conditions of the financial market. The main variations to which the Fund is exposed to are exchange rates and interest rates; said variations can affect the value of the Fund's financial assets and liabilities. The Fund separates its exposures to market risk in the following manner:

Value at risk

Value at Risk (VaR) is a statistical technique that measures the maximum loss that a financial asset or a portfolio of financial assets can experience within a time horizon, given a level of confidence. The VaR model used by the Fund is the Historical VaR for foreign currency exposures (VaR Exchange) and for the investment portfolio (VaR of Interest Rates), both with a confidence level of 99% and a liquidation period of 10 days. It should be mentioned that this method does not assume any distribution function for profit and loss and is based only on the observed historical behavior.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or financial instruments fair values. The risk of the cash flow interest rate is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The risk on the fair value of interest rates is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The impact of changes in interest rates can be presented in two ways: the first, which translates into an impact on expected earnings, directly related to reinvestment risk and the risk that is generated when movements in interest rates expose the entity to higher costs in financing operations (passive interest rates); or lower returns on their investment operations (active interest rates). The second one is related to the valuation of assets and liabilities of the Fund, and therefore, the economic value or actual value of its equity. This modality occurs when the market interest rates change, which impact the valuation of the various instruments that form part of the financial statement of the Fund.

The SBS denominates these two impacts, as Earnings at Risk (EAR) and Equity Value at Risk (VAR), which are indicators of short- and long-term structural rate risk, respectively.

As of December 31, 2021 and 2020, the Fund monitors that the gains at risk are below the regulatory limit of 5% of the Fund's net equity. In addition, respect to VAR, the Fund has an internal limit of 20% for the regulatory calculation and an internal limit of 20 % for the internal calculation.

As of December 31, 2021, the interest rate risk of the fixed income portfolio is monitored through the calculation of the market value of each investment instrument recorded as available-for-sale divided by its acquisition cost. In accordance with what is indicated in the Investment Policies and Procedures Manual, if the indicator falls 5% or more, the Finance Management, after the opinion of the Risk Management, informs the Asset and Liability Management Committee, which will determine whether the causes of impairment are due to market factors or changes in the issuer's conditions, in order to decide whether to maintain, reduce or eliminate the position in the instrument.

The management of structural interest rate risk is made through the monitoring and reporting of regulatory indicators: gains at risk and equity at risk. These indicators are derived from the regulatory annexes required by the SBS: Annex 7-A "Measuring of the Interest Rate Risk - Gain at Risk" and the Annex 7-B "Measuring of Interest Rate Risk – Equity value". The results of the indicators are reported to the Risk Committee and the Assets and Liabilities Management Committee, which decide on actions to mitigate exposure to rate risk.

Repricing gap
An analysis of repricing gaps is made in order to determine the impact of changes in interest rates. The analysis consists in assigning the balances of transactions that will change interest rates in different time intervals. Based on this analysis, the impact for each gap of variation in the valuation of assets and liabilities is calculated.

The table below presents the Fund's exposure to interest rate risk. The table provides the carrying amounts of the Fund's instruments, which are classified into the repricing date of the contractual interest rate or maturity date, whichever occurs

				2021	
In thousands of soles	**Up to 1 month**	**1 – 3 months**	**3 – 12 months**	**1 – 5 years**	**More 5 y**
Assets					
Cash and cash equivalents	1,181,713	-	-	-	
Investments	-	1,360	31,190	156,423	
Accounts receivable (Trust agreement - COFIDE), net	46,814	98,393	445,874	2,918,808	5,1
Loan portfolio, net	308	633	2,809	15,520	
Other accounts receivable, net	-	-	-	-	
Hedging derivatives	-	-	-	-	
Other assets	-	-	-	-	
Total assets	**1,228,835**	**100,386**	**479,873**	**3,090,751**	**5,2**
Shareholder's equity and liabilities					
Obligations with the public	-	-	217	-	
Borrowings and financial obligations	-	58,123	95,339	931,733	3
Securities and bonds outstanding	-	-	-	4,736,948	2
Hedging derivatives	-	-	-	-	
Other accounts payable, provisions and other liabilities	860,281	-	-	-	
Shareholder's equity	-	-	-	-	
Total shareholder's equity and liabilities	**860,281**	**58,123**	**95,556**	**5,668,681**	**5**
Off-balance sheet accounts					
Hedging derivative instruments, assets	-	-	-	-	
Hedging derivative instruments, liabilities	-	-	-	-	
Marginal gap	**368,554**	**42,263**	**384,317**	**(2,577,930)**	**4,0**
Accumulated gap	**368,554**	**410,817**	**795,134**	**(1,782,796)**	**2,8**

				2020	
In thousands of soles	**Up to 1 month**	**1 – 3 months**	**3 – 12 months**	**1 – 5 years**	**More 5 y**
Assets					
Cash and cash equivalents	1,317,917	20,002	-	-	
Investments	-	1,165	3,604	143,551	
Accounts receivable (Trust agreement - COFIDE), net	44,648	85,968	402,683	2,675,693	4,6
Loan portfolio, net	235	456	2,083	12,095	
Other accounts receivable, net	-	-	-	-	
Hedging derivatives	-	-	-	-	
Other assets	-	-	-	-	
Total assets	**1,362,800**	**107,591**	**408,370**	**2,831,339**	**4,8**
Shareholder's equity and liabilities					
Obligations with the public	-	-	205	-	
Borrowings and financial obligations	-	56,625	56,625	423,057	4
Securities and bonds outstanding	-	-	-	3,915,860	8
Hedging derivatives	-	-	-	-	
Other accounts payable, provisions and other liabilities	804,432	-	-	-	
Shareholder's equity	-	-	-	-	
Total shareholder's equity and liabilities	**804,432**	**56,625**	**56,830**	**4,338,917**	**1,2**
Off-balance sheet accounts					
Hedging derivative instruments, assets	-	-	-	-	
Hedging derivative instruments, liabilities	-	-	-	-	
Marginal gap	**558,368**	**50,966**	**351,540**	**(1,507,578)**	**3,6**
Accumulated gap	**558,368**	**609,334**	**960,874**	**(546,704)**	**3,6**

Sensitivity to changes in interest rates

Following is the sensitivity of the income statement to various interest rate fluctuations. Fluctuations affect both the expected flows and the value of the balances of assets and liabilities.

In the case of the income statement, the calculation reflects the expected variation of the financial margin for a period equivalent to one year. In doing so, the Fund takes into account the current position of revenues and expenses and considers the annual effect of the interest rates variations. The figures express the expected change in the value of assets minus liabilities for various time gaps. Likewise, it includes the effect of the derivative instruments that are subject to interest rates.

The fluctuations in interest rates are applied equally all through the yield curve, which means that it considers a parallel move of the curve. The effects are considered independently for each of the two currencies presented.

The calculations are based on the interest rate risk regulatory model approved by the SBS in force at the date of the statements of financial position. The sensitivities are calculated before the Income Tax effect.

Exposure to interest rate risk is supervised by the Asset-Liability Committee, as well as by the Risk Committee. The latter approves maximum allowed limits.

The effects due to estimated changes in interest rates as of December 31 are the following:

	2021				
In thousands of soles	**Changes in basis points**	**Profit or loss sensitivity**		**Equity sensitivity**	
USD	+/-25	+/-	(148)	+/-	(4)
USD	+/-50	+/-	(297)	+/-	(8)
USD	75	+	(445)	+	(11)
USD	100	+	(593)	+	(15)
PEN	+/- 50	+/-	4,644	+/-	18,067
PEN	+/-75	+/-	6,967	+/-	27,101
PEN	+/-100	+/-	9,289	+/-	36,135
PEN	+/-150	+/-	13,933	+/-	54,202

	2020				
In thousands of soles	**Changes in basis points**	**Profit or loss sensitivity**		**Equity sensitivity**	
USD	+/-25	+/-	(165)	+/-	5
USD	+/-50	+/-	(330)	+/-	9
USD	75	+	(496)	+	14
USD	100	+	(661)	+	19
PEN	+/- 50	+/-	5,606	+/-	16,804
PEN	+/-75	+/-	8,408	+/-	25,206
PEN	+/-100	+/-	11,211	+/-	33,608
PEN	+/-150	+/-	16,817	+/-	50,413

i. Foreign exchange risk

Exchange rate risk in foreign currency is related to the variation of the positions both on and off the statements of financial position that may be negatively affected by exchange rates movements.

Board of Directors sets limits to the exposure to foreign exchange risk and monitors them daily. Most of assets and liabilities in foreign currency are held in U.S. dollars.

Exchange rate risk is controlled as from an internal hedge limit, which is in the range of 95% and 105% percent with respect to the Fund's exchange position in foreign currency. Likewise, the Fund has an internal limit to the value at risk of the global position equal to 0.75% of its regulatory equity.

The Fund monitors foreign exchange risk through the internal limit of hedge on foreign currency exchange position. Regarding the maximum losses from adverse movements of the exchange rate, these are calculated using the value-at-risk internal model. In addition, the Fund uses the regulatory model and its methodological notes to measure these expected maximum losses (the methodology of the internal model is detailed in the Market Risk Policies Manual of the Fund).

The results of the regulatory and internal value at risk (at 99% confidence and with a 10-day settlement period) are shown below:

In thousands of soles	**2021**		**2020**	
Internal model	2,849	0.08%	1,181	0.03%
Global position	7,308	0.22%	4,314	0.13%

(*) On June 1, 2018, the Regulation for Market Risk Management, approved by SBS Resolution 4906-2017, which amended the Accounting Manual with respect to Annex 9 "Affected Positions at Risk", came into force. Exchange, replacing it with new Annex 9 "Results of Market Risk Measurement Models".

Foreign currency transactions are entered into a free-market exchange rate.

As of December 31, the weighted average free market exchange rate published by SBS for the accounting of foreign currency assets and liabilities accounts is as follows:

In soles	**Symbol**	**2021**	**2020**
USD	US$	3.987	3.621
Euro	EUR	4.538936	4.423946

The table below presents the detail of the Fund's currency position as of December 31:

	2021				
In thousands of soles	**USD**	**PEN**	**Euro**	**Total**	**USD**
Assets					
Cash and cash equivalents	9,809	1,171,692	253	1,181,754	39,946
Investments	225,805	32,263	-	258,068	187,748
Accounts receivable (Trust Agreement - COFIDE), net	55,500	8,569,034	-	8,624,534	76,911
Loan portfolio, net	79	34,532	-	34,611	99
Other accounts receivable, net	109	33,635	-	33,744	124
Hedging derivatives	2,261	822,600	-	824,861	210
Other assets	305	64,475	-	64,780	480
	293,868	**10,728,231**	**253**	**11,022,352**	**305,518**
Liabilities					
Obligations with the public	-	217	-	217	-
Borrowings and financial obligations	-	575,889	855,046	1,430,935	-
Securities and bonds outstanding	2,624,150	2,358,033	-	4,982,183	2,379,026
Hedging derivatives	6,666	23,547	-	30,213	6,336
Other accounts payable	1,766	1,074,284	-	1,076,050	1,203
Other liabilities	1,555	29,686	-	31,241	1,882
	2,634,137	**4,061,656**	**855,046**	**7,550,839**	**2,388,447**
Currency forward position, net	(258,629)	-	-	(258,629)	(268,113)
Currency swaps position, net	2,591,550	-	854,833	3,446,383	2,353,650
Net monetary position	**(7,348)**	**6,666,575**	**40**	**6,659,267**	**2,608**

The Fund manages foreign exchange risk through the matching of its asset and liability operations, overseeing the global exchange position on a daily basis. The Fund's global exchange position is equivalent to the result of long positions minus short positions in currencies different to the sol. The global exchange position includes the spot positions and also the derivative positions.

Following are the sensitivities for U.S. dollar and euro variations. Negative variations represent potential losses, while positive variations represent potential earnings.

In thousands of soles	**Changes in exchanges rates**	**2021**	**2020**
Sensitivity analysis			
Revaluation			
USD	5%	(367)	130
USD	10%	(735)	261
Devaluation			
USD	5%	367	(130)
USD	10%	735	(261)

In thousands of soles	**Changes in exchanges rates**	**2021**	**2020**
Sensitivity analysis			
Revaluation			
Euro	5%	2	85
Euro	10%	4	171
Devaluation			
Euro	5%	(2)	(85)
Euro	10%	(4)	(171)

B. Liquidity risk

The liquidity risk consists of the Fund's inability to comply with the maturity of its obligations, thus incurring into losses that importantly affect its equity position. This risk may arise as result of diverse events such as: the unexpected decrease of funding sources, the inability to rapidly settle assets, among others.

Liquidity risk management focuses on the development of a portfolio of assets and liabilities seeking the diversification of sources of financing in order to achieve the fit between the terms of assets and liabilities.

The internal control indicators are the internal liquidity ratio, liquidity gaps, resource duration analysis and stress analysis. These internal control indicators are prepared in accordance with internal and regulatory methodologies (contained in the Liquidity Risk Policy and Management Manual of the Fund and in the methodological notes of the SBS for the preparation of regulatory liquidity annexes, respectively). In any event that could give rise to a liquidity risk, the Fund has a liquidity contingency plan, which considers the liquidation of certain assets, debt issuance or debt collection.

Liquidity risk is managed through the analysis of contractual maturities. The main component of the Fund's assets are accounts receivable (Trust Agreement - COFIDE). The maturities are based on the monthly maturities of the loans made. Another component of the assets is held to maturity and available-for-sale investments, which are distributed according to contractual term.

Following are the Fund's cash flows payable as of December 31, by agreed contractual maturity, the amounts disclosed are t
accrued interest.

	2021			
In thousands of soles	**Up to 1 months**	**1 – 3 days**	**3–12 months**	**1–5 years**
Financial liabilities by type				
Obligations with the public	-	-	217	
Borrowings and financial obligations	-	58,123	95,339	931,73
Securities and bonds outstanding	-	-	-	4,736,94
Other accounts payable	869,221	5,047	716	
Total non-derivative financial liabilities	**869,221**	**63,170**	**96,272**	**5,668,68**
Derivative instruments (*)				
Contractual amounts receivable (inflow)	10,466	263,256	172,063	2,970,84
Paid contractual amounts (outflows)	(40,774)	(252,235)	(208,385)	(2,346,05
	(30,308)	**11,021**	**(36,322)**	**624,78**

	2020			
In thousands of soles	**Up to 1 months**	**1 – 3 days**	**3–12 months**	**1–5 years**
Financial liabilities by type				
Obligations with the public	-	-	205	
Borrowings and financial obligations	-	56,625	56,625	423,05
Securities and bonds outstanding	-	-	-	3,915,86
Other accounts payable	788,119	20,154	684	
Total non-derivative financial liabilities	**788,119**	**76,779**	**57,514**	**4,338,91**
Derivative instruments (*)				
Contractual amounts receivable (inflow)	137,335	143,720	122,495	2,821,08
Paid contractual amounts (outflows)	(168,901)	(142,680)	(171,300)	(2,505,93
	(31,566)	**1,040**	**(48,805)**	**315,14**

C. Credit risk

It is defined as the likelihood of incurring in financial losses originated by the breaching of the contractual obligations by a counterpart or bound third parties due to insolvency, inability or lack of willingness to pay.

The Fund opts for a risk policy that ensures sustained and profitable growth; for this purpose, incorporates analysis procedures for adequate decision-making, tools and methodologies to identify, measure, mitigate and control the different risks in the most efficient manner and in accordance with the SBS. It also develops management models that allow an adequate measurement, quantification and monitoring of the credits granted to IFI, promoting the continuous improvement of policies, tools, methodologies and processes.

The exposure to Fund´s credit risk is managed through the continuous analysis of the capacity of the debtors to comply with the payments of interest and capital of their obligations and through the monitoring of the use of the general credit line granted to the IFI.

i. Maximum exposure to credit risk

As of December 31, 2021 and 2020, the Fund Management has estimated that the maximum amount of credit risk to which the Fund is exposed is represented by the carrying amount of financial assets that present a credit risk exposure and that consist mainly of bank deposits, available for sale investments, held to maturity investments, accounts receivable, loan portfolio, transactions with financial derivative instruments and other monetary assets. Exposure by each counterparty is limited by internal and regulatory guidelines.

In that sense, as of December 31, 2021 and 2020:

- 100% of the accounts receivable (Trust Agreement - COFIDE) are classified, according to IFI risk, into the two upper levels defined by the SBS (note 7).

- 81.34% and 78.93%, respectively, of the available-for-sale and held-to-maturity investments of the instruments classified abroad have at least a BBB- rating, for long-term instruments, or at least a CP-2 rating, for short-term instruments.

- 100% and 99.34%, respectively, of other available funds represent the amounts deposited at domestic prime financial institutions.

With respect to the evaluation of the accounts receivable (Trust Agreement - COFIDE), and the loan portfolio, the Fund classifies the borrowers into the risk categories established by the SBS and according to the classification criteria indicated for each type of credit: that is, for the debtors of the mortgage portfolio. The classification of the debtors is determined by a methodology based on the criteria of SBS Resolution N° 11356-2008"Regulation for the evaluation and classification of the debtor and the requirement of provisions" and their modifications (notes 4.C and 4.D).

ii. Credit risk management for accounts receivable (Trust Agreement - COFIDE)

Credit risk is managed mainly through the admission, monitoring and control of the IFI.

Credit risk analysis at the IFI is mainly based on: (i) economic, financial and commercial evaluation, (ii) market development evaluation, (iii) IFI management evaluation, (iv) funding sources evaluation and real estate projects to be developed, (v) evaluation of collateral and guarantee, (vi) economic sector evaluation.

The main functions of credit risk management are: (i) IFI credit risk analysis, (ii) IFIs classification and allowance, (iii) review of accounts receivable (Trust Agreement – COFIDE) portfolio, through the evaluation of its credit policies, operating procedures, and in general, and (iv) the monitoring and monthly control of the IFI from internally defined financial indicators.

The accounts receivable (Trust Agreement – COFIDE) granted by the Fund are placed in national currency. It is important to note that the Fund still maintains accounts receivable (Trust Agreement – COFIDE) balances in US dollars, corresponding to products, which are no longer granted (as of December 31, 2021 and 2020, U.S. dollar portfolio represents 0.64% and 0.97% of the total portfolio, respectively).

As of December 31, 2021, and 2020, the maximum level of exposure to Fund´s credit risk of the accounts receivable (Trust Agreement – COFIDE) is S/ 8,822,477 thousand and S/ 8,066,891 thousand, respectively, corresponding to their balances at those dates.

In accordance with the Agreement for Channeling of Resources signed between the Fund and the IFI, the IFI has responsibility about the constitution of mortgage guarantee for each sub borrowing.

Due to its fiduciary role, COFIDE has mechanisms through the Contracts of Channeling Resources signed with the IFI, which ensure the mass of mortgage loans placed by the Fund, for which the IFI must respond.

The evaluation and proposal of the credit line is made by the Commercial Management. Risk Management reviews the proposal, analyses the risks, issues a conclusive opinion and submits the proposal to the Risk Committee for approval or rejection.

As of December 31, the Accounts Receivable (Trust Agreement - COFIDE) without CRC, classified by IFI risk are as follows:

In thousands of soles	**2021**		**2020**	
Standard	6,571,687	100.70%	5,980,314	100.63%
With potential problems	613	0.01%	4,825	0.08%
	6,572,300	**100.71%**	**5,985,139**	**100.71%**
Allowance for doubtful accounts (Trust Agreement - COFIDE)	(46,023)	(0.71%)	(41,995)	(0.71%)
	6,526,277	**100.00%**	**5,943,144**	**100.00%**

iii. Credit risk management in investments

The Fund controls the credit risk of its investments based on the risk assessment of issuers and instruments. In the case assessment takes into account the ratings issued by international agencies as well as the country-risk of the issuer's cou main macroeconomic variables.

The table below presents the risk classification of available-for-sale and held to maturity investments:

	2021				
In thousands of soles	**Available-for-sale investments**		**Held-to-maturity investments**		**Available-for- investmen**
Instruments issued and rated in Peru					
AAA	-	-	-		-
AA- to AA+	-	-	85,856	41.51%	-
CP-1(+/-)	-	-	-	-	-
CP-2(+/-)	-	-	-	-	-
	-	**-**	**85,856**	**41.51%**	**-**
Instruments issued in Peru and rated abroad					
A- to A+	-	-	-	-	-
BBB- to BBB+	50,488	98.52%	86,769	41.95%	24,443
BB- to BB+	-	-	31,482	15.22%	-
	50,488	**98.52%**	**118,251**	**57.17%**	**24,443**
Instruments issued and rated abroad					
BBB- to BBB+	-	-	-	-	-
CP-1(+/-)	-	-	-	-	-
CP-2(+/-)	-	-	-	-	-
	50,488	**98.52%**	**204,107**	**98.69%**	**24,443**
Accrued interest	757	1.48%	2,716	1.31%	345
	51,245	**100.00%**	**206,823**	**100.00%**	**24,788**

iv. Financial instruments exposed to credit risk - Concentration

As of December 31, financial instruments with credit risk exposure are distributed according to the following economic se

	2021							
	Investments at FVTPL					Investments at FVTPL		
In thousands of soles	Held-for-trading and hedging	Accounts receivable	Available-for-sale investments	Held-to-maturity investments	Total	Held-for-trading and hedging	Accounts receivable	A
Financial services	824,861	9,736,525	50,488	52,796	10,664,670	394,937	9,236,094	
Central Government	-	-	-	31,341	31,341	-	-	
Power, gas and water	-	-	-	88,489	88,482	-	-	
Construction	-	-	-	31,482	31,482	-	-	
Others	-	33,744	-	-	33,744	-	110,566	
	824,861	**9,770,268**	**50,488**	**204,108**	**10,849,725**	**394,937**	**9,346,660**	
Interest	-	13,762	757	2,716	17,235	-	14,061	
	824,861	**9,784,030**	**51,245**	**206,824**	**10,866,960**	**394,937**	**9,360,721**	

As of December 31, the financial instruments exposed to credit risk according to geographic area are the following:

	2021						
	Investments at FVTPL					Investments at FVTPL	
In thousands of soles	Held-for-trading and hedging	Accounts receivable	Available-for-sale investments	Held-to-maturity investments	Total	Held-for-trading and hedging	Accounts receivable
Peru	118,303	9,770,268	50,488	204,108	10,143,167	40,119	9,346,660
United States of America	337,719	-	-	-	337,719	168,118	-
Germany	24,073	-	-	-	24,073	14,511	-
Canada	7,216	-	-	-	7,216	5,831	-
United Kingdom	337,550	-	-	-	337,550	166,358	-
	824,861	**9,770,268**	**50,488**	**204,108**	**10,849,725**	**394,937**	**9,346,660**
Interest	-	13,672	757	2,716	17,235	-	14,061
	824,861	**9,784,030**	**51,245**	**206,824**	**10,866,960**	**394,937**	**9,360,721**

D. Capital management

As of December 31, 2021 and 2020, the Fund has complied with the mandates of Legislative Decree N° 1028 and SBS Resolutions N° 2115–2009, N° 6328-2009, N° 14354-2009, N° 8425 -2011, N° 4128-2014 and their amendments, which contain the Regulations for the Regulatory Capital Requirement for Operational, Market and Credit Risk, respectively. These regulations mainly establish the methodologies to be used by the financial entities to calculate the requirements of regulatory equity.

26. Fair Value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The fair value is a market-based measurement, so a financial instrument traded in a real transaction in an active and liquid market has a price that supports its fair value. When the price for a financial instrument is not observable, the fair value must be measured applying other valuation technique, trying to maximize the use of relevant measurable variables and minimize the use of unobservable variables.

To calculate the fair value of an instrument that is not listed on liquid markets, the market value of an instrument that is actively listed in the market and which has similar characteristics can be used or can be obtained by some analytical technique, such as analysis of discounted flows or valuation by market multiples.

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

- Financial instruments recorded at fair value - The fair value is based on market prices or some other methods of financial valuation. The positions valued at market prices are mainly investments traded on centralized mechanisms. The positions valued by some method of financial valuation include derivative financial instruments and instruments that may not have market prices in which case their fair value is mainly determined by using the market interest rate curves and the price vector provided by the SBS.

- Assets whose fair value is similar to their carrying amount: For financial assets and financial liabilities that are liquid or have short-term maturities (under 3 months), management considers that the carrying amount is similar to the fair value. This assumption is also applicable to term deposits, savings accounts without a specific maturity and variable interest rate financial instruments.

- Fixed rate financial instruments – Fair value of financial assets and liabilities maintained at fixed and variable interest rate at amortized cost are determined comparing market interest rates at initial recognition to current market rates related to similar financial instruments. In the case of quoted issued debt, the fair value is determined on the basis of the quoted market prices. The fair value of the loan portfolio and Obligations with the public, according to SBS Official Letter N° 1575-2014, corresponds to the carrying amount.

i. Financial instruments measured at fair value and fair value hierarchy

The following table presents an analysis of the financial instruments that are measured at fair value as of December 31, including the level of the fair value hierarchy. The amounts are based on the values recognized in the statement of financial position:

	2021				2020			
In thousands of soles	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets								
Available-for-sale investments	-	51,245	-	51,245	-	24,788	-	24,788
Hedging derivatives	-	824,861	-	824,861	-	394,937	-	394,937
		876,106		**876,106**	**-**	**419,725**	**-**	**419,725**
Financial liabilities								
Hedging derivatives	-	30,213	-	30,213	-	34,347	-	34,347

The financial assets included in Level 1 are those measured based on market observable data, to the extent that their quoted prices reflect an active and liquid market, and that are available in some centralized trading mechanism, trading agent, price supplier or regulatory entity.

The financial instruments included in Level 2 are valued with the market prices of other instruments possessing similar characteristics or with financial valuation models based on information of variables that can be available on the market (interest rate curves, price vectors, etc.).

The financial assets included in Level 3 are valued by using assumptions and data that do not correspond to prices of operations traded on the market.

In 2021 and 2020, the Fund has not transferred financial instruments from Level 2 to Level 1 or to Level 3.

ii. Financial instruments not measured at fair value

The table below shows a comparison of carrying amounts and fair values of the financial instruments not measured at fair value in the statement of financial position as of December 31:

	2021		2020	
In thousands of soles	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**
Assets				
Cash and cash equivalents	1,181,754	1,181,754	1,273,223	1,273,223
Held-to-maturity investments	212,579	206,823	283,611	260,214
Accounts receivable (Trust agreement - COFIDE), net	8,624,535	8,624,535	7,883,453	7,883,453
Loan portfolio, net	34,611	34,611	28,478	28,478
Other accounts receivable, net	33,744	33,744	110,566	110,566
	10,087,223	**10,081,467**	**9,579,331**	**9,555,934**
Liabilities				
Obligations with the public	217	217	205	205
Borrowings and financial obligations	1,430,935	1,430,935	944,610	944,610
Securities and bonds outstanding	5,298,130	4,982,183	5,763,547	4,736,106
Other accounts payable	1,076,050	1,076,050	1,060,719	1,060,719
	7,805,332	**7,489,385**	**7,769,081**	**6,741,640**

27. Subsequent Events

After December 31, 2021 and up to the date of this report, no events or facts have occurred that represent or require adjustments or disclosures in the financial statements as of December 31, 2021.

Fondo MIVIVIENDA S.A.

Financial Statements

As of December 31, 2020 and 2019

(including Independent Auditors' Report)

KPMG en Perú
Torre KPMG. Av. Javier Prado Este 444, Piso 27
San Isidro. Lima 27, Perú

Teléfono 51 (1) 611 3000
Fax 51 (1) 421 6943
Internet www.kpmg.com/pe

INDEPENDENT AUDITORS' REPORT

To the Stockholders and Directors of
Fondo MIVIVIENDA S.A.

We have audited the accompanying financial statements of Fondo MIVIVIENDA S.A. (hereinafter the "Fund"), which comprise the statement of financial position as of December 31, 2020 and 2019, and the income statement, the statements of other comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting standards established for financial institutions in Peru by the Banking, Insurance and Pension Plan Agency (Superintendencia de Banca, Seguros y Administradoras Privadas de Fondos de Pensiones – SBS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing approved for their application in Peru by the Dean's Council of the Peruvian Professional Associations of Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Caipo y Asociados S. Civil de R. L. sociedad civil peruana de responsabilidad limitada y firma miembro de la organización global KPMG de firmas miembro independientes afiliadas a KPMG International Limited, una compañía privada inglesa limitada por garantía. Todos los derechos reservados".

Inscrita en la partida Nº 01681796 del Registro de Personas Jurídicas de Lima.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fondo MIVIVIENDA S.A. as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended, in accordance with accounting standards established for financial institutions in Peru by the SBS.

Lima, Peru

March 29, 2021

Countersigned by:

Caipo y Asociados

Eduardo Alejos (Partner)
Peruvian CPA Registration 29180

Fondo MIVIVIENDA S.A.

Financial Statements

As of December 31, 2020 and 2019

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Fondo MIVIVIENDA S.A.
Statement of Financial Position
As of December 31, 2020 and 2019

In thousands of soles	***Note***	**2020**	**2019**
Assets			
Cash and cash equivalents	*5*	1,273,223	1,479,013
Investments	*6*	285,002	242,943
Accounts receivable (Trust agreement - COFIDE), net	*7*	7,883,453	7,498,076
Loan portfolio, net	*8*	28,478	35,966
Other accounts receivable, net	*9*	110,566	147,981
Hedging derivatives	*10*	394,937	166,325
Property, furniture and equipment, net	*11*	775	915
Deferred income tax asset	*24*	71,636	78,764
Other assets, net	*12*	52,535	49,908
Total assets		**10,100,605**	**9,699,891**
Contingent risks and commitments		**30,887**	**46,071**

In thousands of soles
Liabilities
Obligations to the public
Borrowings and financial obligations
Securities and bonds outstanding
Hedging derivatives
Accounts payable
Provisions and other liabilities
Total liabilities
Shareholder's equity
Share capital
Reserves
Unrealized results
Retained earnings
Total shareholder's equity
Total liabilities and shareholder's equity
Contingent risks and commitments

The accompanying notes on pages 6 to 80 are an integral part of these financial statements.

Fondo MIVIVIENDA S.A.
Income Statement
For the years ended December 31, 2020 and 2019

In thousands of soles	***Note***	**2020**	**2019**
Interest income	*18*	489,071	526,897
Interest expenses	*18*	(286,906)	(307,416)
Gross financial margin		**202,165**	**219,481**
Loss allowance for accounts receivable (Trust agreement - COFIDE), net of reversals	*7*	(38,405)	(8,554)
Allowance for direct loans, net of recoveries	*8*	(2,345)	2,032
Net financial margin		**161,415**	**212,959**
Income from financial services	*19*	5,314	5,224
Financial services expenses	*19*	(2,280)	(2,569)
Finance margin net of income and expenses for financial services		**164,449**	**215,614**
Result from financial transactions	*20*	(82,501)	(76,480)
Operating margin		**81,948**	**139,134**
Administrative expenses	*21*	(40,497)	(49,941)
Depreciation of property, furniture and equipment	*11*	(210)	(239)
Amortization of intangible assets	*12(b)*	(1,412)	(1,279)
Net operating margin		**39,829**	**87,675**
Valuation of assets and provisions			
Loss allowance for other accounts receivable	*9 (h)*	(28,930)	(50,682)
Reversal of provision for credit risk hedging - sold portfolio, net		474	1,012
Provision for litigations and demands		(643)	(265)
Other provisions		(140)	(408)
Operating profit		**10,590**	**37,332**
Other income and expenses, net	*22*	4,639	6,541
Profit before tax		**15,229**	**43,873**
Income tax	*23*	(11,701)	(13,870)
Net profit		**3,528**	**30,003**

The accompanying notes on pages 6 to 80 are an integral part of these financial statements.

Fondo MIVIVIENDA S.A.
Statement of Other Comprehensive Income
For the years ended December 31, 2020 and 2019

In thousands of soles	***Note***	**2020**	**2019**
Net profit		3,528	30,003
Other comprehensive loss			
Net gain on available-for-sale investments	*16.C*	1,016	548
Net loss in cash flows hedges	*16.C*	(16,164)	(34,506)
Net gain on available-for-sale investments of trusts CRC – PBP	*16.C*	288	1,844
Income tax related to components of other comprehensive income	*16.C*	4,573	9,653
Other comprehensive loss, net of taxes		**(10,287)**	**(22,461)**
Total other comprehensive (loss) income		**(6,759)**	**7,542**

The accompanying notes on pages 6 to 80 are an integral part of these financial statements.

Fondo MIVIVIENDA S.A.
Statement of Changes in Shareholders' Equity
For the years ended December 31, 2020 and 2019

In thousands of soles	**Number of shares**	**Share capital (note 16.A)**	**Reserves (note 16.B)**	**Unreal resul (note 1**
Balance as of January 1, 2019	3,324,714	3,324,714	23,657	(81
Net profit	-	-	-	
Other comprehensive income				
Unrealized gain on available-for-sale investments	-	-	-	
Unrealized loss in cash flows hedges	-	-	-	(34
Unrealized gain on available-for-sale investments of trusts CRC – PBP	-	-	-	1
Income tax	-	-	-	9
Total other comprehensive income	**-**	**-**	**-**	**(22**
Changes in shareholder's equity (not included in comprehensive income)				
Transfer to reserves	-	-	3,430	
Capitalization of retained earnings	30,870	30,870	-	
Balance as of December 31, 2019	**3,355,584**	**3,355,584**	**27,087**	**(103**
Balance as of January 1, 2020	3,355,584	3,355,584	27,087	(103
Net profit	-	-	-	
Other comprehensive loss				
Unrealized gain on available-for-sale investments	-	-	-	1
Unrealized loss in cash flows hedges	-	-	-	(16
Unrealized gain on available-for-sale investments of trusts CRC – PBP	-	-	-	
Income tax	-	-	-	4
Total other comprehensive loss	**-**	**-**	**-**	**(10**
Changes in shareholder's equity (not included in comprehensive loss				
Transfer to reserves	-	-	3,000	
Capitalization of retained earnings	27,003	27,003	-	
Balance as of December 31, 2020	**3,382,587**	**3,382,587**	**30,087**	**(113**

The accompanying notes on pages 6 to 80 are an integral part of these financial statements.

Fondo MIVIVIENDA S.A.
Statement of Cash Flows
For the years ended December 31, 2020 and 2019

In thousands of soles	***Note***	**2020**	**2019**
Reconciliation of the net profit to cash and cash equivalents from operating activities			
Net profit		3,528	30,003
Adjustments			
Foreign exchange adjustment and derivatives interest		(304,021)	38,552
Unpaid accrued interest of borrowings and financial obligations		125,952	153,917
Depreciation and amortization		1,622	1,518
Loss allowance for accounts receivable (trust agreement - COFIDE), net of reversals		38,405	8,553
Allowance for direct loans, net of reversal		2,345	(2,032)
Loss allowance for other accounts, net of reversal		28,930	50,682
Income tax		11,701	13,870
Provisions for litigations and demands, and others		41,746	(7,752)
Other adjustments		(5,293)	5,194
Changes in assets and liabilities			
Net (increase) decrease in assets			
Time deposits		(65,000)	904,005
Accounts receivable (Trust agreement - COFIDE)		(424,479)	(848,348)
Loan portfolio		3,946	4,974
Available-for-sale investments		-	188,676
Other accounts receivable		24,127	(83,663)
Other assets		(26,096)	1,058
Net increase (decrease) in liabilities			
Obligations to the public		(1,326)	(1,360)
Non-subordinated financial liabilities		749,363	(664,457)
Other accounts payable		(441,059)	(78,490)
Provisions and other liabilities		(17,209)	(660)
Net profit for the period after changes in assets, liabilities and adjustments		**(252,818)**	**(285,760)**
Income tax paid		-	-
Net cash flows used in operating activities		**(252,818)**	**(285,760)**
Cash flows from investing activities			
Purchase of property, furniture and equipment	*11*	(70)	(54)
Purchase of intangible assets		(1,784)	(2,234)
Proceeds from held-to-maturity investments		43,589	110,805
Net cash flows from investing activities		**41,735**	**108,517**
Net decrease in cash and cash equivalents before the effect of changes in exchange rate		**(211,083)**	**(177,243)**
Effect of exchange rate fluctuations on cash and cash equivalents held		5,293	(5,194)
Net decrease in cash and cash equivalents		**(205,790)**	**(182,437)**
Cash and cash equivalents at the beginning of the year	*5*	1,479,013	1,661,450
Cash and cash equivalents at the end of the year	*5*	**1,273,223**	**1,479,013**

The accompanying notes on pages 6 to 80 are an integral part of these financial statements.

1. Identification and Business Activity

A. Identification

Fondo MIVIVIENDA S.A. (hereinafter "the Fund") is a state-owned company under private law and is governed by Law 28579 Law for Conversion of the Housing Mortgage Fund - Fondo MIVIVIENDA to Fondo MIVIVIENDA S.A. and its by-laws. The Fund is included in the National Fund for Financing State Enterprise Activity – FONAFE under the Ministry of Housing, Construction and Sanitation (MVCS). Law 28579 disposed the conversion of Mortgage Fund for the Promotion of Housing – Fondo MIVIVIENDA into a corporation named Fondo MIVIVIENDA S.A., since January 1, 2006.

The Fund's legal domicile is located at Av. Paseo de la República N° 3121, San Isidro, Lima, Peru.

B. Business activity

The Fund is engaged in the promotion and financing of acquisition, improvement and construction of homes, especially social interest housing. Likewise, it is engaged in the promotion of capital flow to the housing finance market, participation in the secondary mortgage market, as well as contributing to the development of the Peruvian capital market.

All the Fund's activities are regulated by the Banking, Insurance and Pension Plan Agency (Superintendencia de Banca, Seguros y AFP – SBS), by means of SBS Resolution 980-2006 "Regulation for Fondo MIVIVIENDA S.A.".

The Fund manages the following programs and resources:

i. MIVIVIENDA Program.
ii. Techo Propio Program - Management of the Household Housing Bonus (BFH), commissioned by the MVCS.
iii. Resources of the Fund-Law 27677, commissioned by the Ministry of Economy and Finance (MEF).

The characteristics of each program and resource are as follows:

i. Fondo MIVIVIENDA Program

The Trust Agreement with Corporación Financiera de Desarrollo S.A. (COFIDE) allows the Fund to channel resources through the financial institutions from the Peruvian Financial System (IFI) for the granting of mortgage loans. These mortgage loans have certain benefits to those who access them (the final borrowers) or place them (the IFIs), such as the following: the Good Payer Award (PBP, for its Spanish acronym), the Good Payer Bonus (BBP, for its Spanish acronym), the Sustainable Bonus MIVIVIENDA (BMS, for its Spanish acronym), and the Credit Risk Hedging (CRC, for its Spanish acronym). This is what is known as the Fondo MIVIVIENDA Program.

The following products form part of Fondo MIVIENDA program:

- New MIVIVIENDA loan
- Loan - MICONSTRUCCIÓN (*)
- Loan - MICASA MÁS (*)
- Loan - MITERRENO
- Loan - MIHOGAR (*)
- Standardized loan - MIVIVIENDA (*)
- Traditional loan - MIVIVIENDA (*)
- Techo Propio complementary financing
- CRC service and PBP (*)

(*) As of December 31, 2020, and 2019, these products have been discontinued; the balances correspond only to outstanding receivable balances (note 7). The loans MICONSTRUCCIÓN and MICASA MAS were repealed by Board of Directors' Meeting 01-20D-2017, dated August 24, 2017; likewise, an adaptation period was allowed until December 31, 2017 to cease its granting. The CRC - PBP service and the standardized loan MIVIVIENDA were discontinued in November 2009, loan MIHOGAR was discontinued in August 2009 and traditional loan MIVIVIENDA was discontinued since May 2006.

In order to ensure the obligations of the Fund for the payment service of the PBP and the CRC, as well as to ensure the resources to meet the amount equivalent to one third (1/3) of the total mortgage loans placed by each financial institution intermediary (IFI) that hires this service, the Fund established the CRC - PBP Trusts, both in Nuevos Soles and in US Dollars. These trusts are regulated by SBS Resolution No. 980-2006 through which the Fund Regulations were approved.

Under the service agreements with the CRC-PBP trusts, the Fund provides the IFIs with the following services:

- CRC service, defined by article 21 of the CRC and PBP Regulation as a guarantee that the Fund provides to the IFIs for either up to one third of the unpaid balance of the covered loan or one-third of the loss, whichever is lower. Said amount shall be notified by the IFI to the Fund, on terms and conditions provided for in the Regulation.

- Good-payer award service (PBP service), defined in article 24 of the CRC and PBP Regulations as the service provided to the IFI, for which the Fund assumes the payment of the installments corresponding to the concessional tranche (amount of the PBP) charged to the beneficiaries of the covered credits who have complied with the timely payment of the installments corresponding to the non-concessional tranche. This award is used to pay every six months the amount of the installment payable in said period that corresponds to the concessional tranche of the MIVIVIENDA loans.

ii. Techo Propio Program – Management of the BFH

The Techo Propio Program is aimed exclusively at families with low economic resources so that they can buy, build, or improve their home, which will have basic electricity, water and drainage services.

The main benefit of the Techo Propio Program is the Bono Familiar Habitacional (BFH), which is a direct subsidy granted by the government to a family as a one-time reward for their saving effort and is not returned (Note 15.(a)).

Eligibility requirements to access the BFH

- Form a Family Group (FG): It must be made up of a Head of Family, who will declare one or more dependents.
- Not having received housing support from the Government
- The Monthly Family Income – Net must not exceed S/ 3,715 (applicable to the Family Group).
- Do not have housing, own land or independent airs for housing at the national level.

Techo Propio Complementary Financing

The Techo Propio Complementary Financing is a mortgage loan channeled through the IFIs with resources from the Fund that complements the BFH and savings of the final borrower if it meets the requirements of the Techo Propio Program.

Terms and conditions of Techo Propio Complementary Financing are the following:

- The maximum amount of a loan from an IFI to a final borrower, financed with the Fund resources, will not exceed 80% of the 'home value' including closing costs.
- Loans granted to final borrowers who acquire future goods may be granted a grace period of up to 12 months.

- The loan must be evaluated according to the policies established by each IFI; however, for the evaluation of loans with informal income and without credit history under the programmed savings modality, the savings term will not be less than six (06) months.

According to the Third Temporary Provision of Law 28579, the Fund was engaged by the Government to manage the BFH resources and the Techo Propio Program.

On April 28, 2006, the Fund, the MVCS and FONAFE signed the Management Agreement of the BFH funds and the Techo Propio Program, under which the Fund is responsible for managing both the BFH resources and the Techo Propio Program. It includes the promotion, registration, recording and verification of information, the qualification of applicants, allocation, and transfer of the BFH funds to the developer, seller-builder, or the respective technical unit.

iii. Fund Law 27677

The Fund was entrusted with the management, reimbursement and channeling of resources resulting from the liquidation of the National Housing Fund – FONAVI, according with Law 27677, dated March 1, 2002.

Law 29625, effective December 8, 2010, decreed the reimbursement of contributions to workers who contributed to FONAVI. Article 4 of Law 29625 contemplates the constitution of an Ad Hoc Committee, which shall be responsible for conducting and supervising all procedures related to the reimbursement of contributions to FONAVI. The constitution of the Ad Hoc Committee was approved on September 24, 2012, through Ministerial Resolution 609-2012-EF/10. Pursuant to these rules, the Fund would provide to the Ad Hoc Committee with all relevant documentation and reports so that it will be in charge of the management and recovery of debts, funds and assets of FONAVI, as well as the liabilities. Since 2014, the Fund has transferred the managed resources for S/ 454,668 thousand, in accordance with the requirements of the Ad Hoc Committee.

C. Economic activity during the national state of emergency

On March 15, 2020, the Peruvian government declared, through Supreme Decree 044-2020-PCM, a national state of emergency due to the serious circumstances affecting people's life because of the COVID-19 outbreak. At of reporting date, the national state of emergency has been extended until September 2, 2021. Therefore, the SBS and the Central Reserve Bank of Peru (BCRP, for its Spanish acronym), in coordination with the MEF, activated a package of preventive measures focused on mitigating the impact of debtors who fail to comply with obligations due to the limitation of their displacement within and outside the national territory, and the inoperability of certain economic sectors; as well as measures focused on ensuring the continuity of the payment chain in the country (Note 3.E.iii).

During this period, the Fund continued operations. The Fund's operating conditions were adapted to the safety protocol to safeguard the health of its employees. The following measures were established: remote work, verifying that the employees' computers have the necessary conditions using the VPN and remote desktop control with the permanent support of the IT department; minimum attendance to the offices; cleaning and disinfection of the offices; and support and awareness programs for the prevention of contagion.

D. Approval of the financial statements

The financial statements as of December 31, 2020 were approved by management on March 29, 2021 and will be submitted for corresponding approval to the General Stockholders' Meeting within the terms established by Law.

The General Stockholders' Meeting held on June 30, 2020 approved the audited financial statements as of December 31, 2019.

2. Trust Agreement – COFIDE

On March 25, 1999, a Trust Agreement was signed between Fondo MIVIVIENDA S.A., former Mortgage Fund for the Promotion of Housing – Fondo MIVIVIENDA, and COFIDE. The Trust Agreement's purpose was the creation of a trust by means of which COFIDE receives the resources from the Fund and performs as the executing agency thereof. COFIDE channels through the IFIs the funds to the final borrowers that intend to use such funds for the acquisition, expansion or improvement of homes and residences, in accordance with Article 12 of Supreme Decree 001-99-MTC Regulation on the Fund.

The main liabilities of COFIDE are as follows:

- Compliance with Articles 241 to 274 of Law 26702 "General Law of the Financial and Insurance Systems and SBS Organic Law" and its amendments (hereinafter the Banking Law);
- Verifying compliance with IFIs requirements and conditions according to Supreme Decree 001-99–MTC;
- Signing the Resources Intermediary Agreement with the IFIs that have fulfilled the corresponding requirements and conditions;
- Monitoring the use of resources, according to the provisions of the Fund's Regulation and the Resources Intermediary Agreement;
- Collecting the loans granted to the IFIs;
- Contracting the necessary audit services covered by the Fund;
- Periodically submitting reports on the development of the Trust Agreement, as well as recommendations for exposure limits of the IFIs;
- Establishing operating procedures necessary for the proper management of the funds; and
- Other duties necessary to ensure the normal development of the Trust Agreement activities.

On May 18, 2012, the Fund signed Addendum 1 to the Trust Agreement annulling the obligation of COFIDE to issue recommendations on exposure limits of the IFIs with the Fund, since the Fund is a corporation supervised by the SBS. SBS Resolution 3586-2013, states that the Fund is not subject to the limits established in the article 204 of the Banking Law, because it acts as a second-tier bank. However, the Fund has established internal limits to prevent the loans concentration to IFIs, considering factors such as the regulatory capital size, risk rating and risk-weighted regulatory capital ratio.

The main liabilities of the Fund are as follows:

- Establishing the policies for the management and use of the Fund's resources;
- Approving eligibility criteria of the IFIs that will receive resources from the Fund for financing the acquisition of homes and the borrowing limits for each of them; and
- Establishing terms and conditions under which the Fund shall make available to the IFIs the resources and the mode of resource allocation.

The main faculties of COFIDE are as follows:

- Intermediating and monitoring the Fund's resources, being able to enter into all public and private deeds and documents necessary for that purpose;

- The IFIs shall require collateralization of the final borrowers;

- Exercising all the powers contained in Articles 74 and 75 of the Code of Civil Procedure necessary for carrying out the assignment given. Consequently, COFIDE may sue, counterclaim, answer complaints and counterclaims, desist processes or claims, agree to claims, reconcile, settle and arbitrate the claims in the process; and

- It is stated that COFIDE is not responsible for the solvency of the IFIs.

On December 30, 2016, the Fund signed Addendum 2 to the Trust Agreement in order to modify the commissions paid to COFIDE for the services provided to the Fund, as well as the term of the Trust Agreement, as follows:

There two commissions for the services provided by COFIDE, in force since January 2, 2017, are the following:

- A monthly commission on the Trust Agreement payable by the Fund amounting to S/ 10 thousand plus value added tax. This commission will be charged on the last business day of each month covered by the Fund's resources; and

- An annual collection commission equivalent to 0.23% effective to rebate on outstanding balances for accounts receivable beginning January 2, 2017 and covered by the IFIs. This commission shall be charged on collection dates of loan installments granted by the IFIs.

The term of the Trust agreement will be 3 years from January 2, 2017, and will be automatically renewed if, within 30 days prior to its expiration, none of the parties expresses its will terminate the agreement. As of reporting date, the Trust Agreement is in force.

3. Basis of Preparation of the Financial Statements

A. Statement of compliance

The accompanying financial statements have been prepared based on the Fund's accounting records and are presented in accordance with accounting standards established for financial institutions in Peru by the SBS. In the absence of such applicable SBS regulations, the International Financial Reporting Standards (IFRS) made official in Peru by the Peruvian Accounting Board (CNC, for its Spanish acronym) are applied.

B. Basis of measurement

The financial statements have been prepared on a historical cost basis, except for the following items, which are measured at fair value:

- Derivative instruments
- Financial instruments measured at fair value through profit or loss (FVTPL); and
- Available-for-sale financial assets.

C. Functional and presentation currency

The financial statements are presented in soles (S/ or PEN), which is the Fund's functional and presentation currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

D. Use of judgments and estimates

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Fund's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The accounting estimates and judgments used are reviewed on an ongoing basis. Adjustments arising from the review of the accounting estimates are prospectively recognized.

The most significant judgments and estimates in the preparation of the Fund's financial statements are as follows:

- Determination of fair value of investments (note 4.F);
- Loss allowance for accounts receivable (Trust agreement - COFIDE) (note 4.C);
- Provision for direct loan losses (note 4.D);
- Provision for realizable, received as payment and repossessed assets (note 4.J);
- Useful life of property, furniture, and equipment, and intangible assets (note 4.G);
- Provision for income tax (note 4.K);
- Determination of the fair value of derivative instruments (note 4.E); and
- Impairment of non-monetary items (note 4.I).

E. New accounting pronouncements

i. New accounting pronouncements issued but not yet adopted

The following standards are applicable to annual periods beginning on or after January 1, 2021 and have not been applied in preparing these financial statements. Those that might be relevant to the Fund are detailed below.

Amendments to IFRSs	Effective date
Annual Improvements to IFRS Standards 2018-2020.	Annual periods beginning on or after January 1, 2022. Early adoption is permitted.
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	Annual periods beginning on or after January 1, 2021. Early adoption is permitted.

ii. Resolutions and standards issued by the CNC and the Superintendence of Securities Market (SMV) concerning the approval and adoption of IFRSs in Peru

As of the date of the financial statements, the CNC through:

- Resolution 001-2020-EF/30, issued July 17, 2020, formalized amendments to IAS 1 Presentation of Financial Statements and the IFRSs 2020 edition, which References to the Conceptual Framework in IFRS Standards and amendments to IFRS 16 *Leases* (COVID-19-Related Rent Concessions).

- Resolution 002-2020-EF/30, issued September 10, 2020, formalized amendments to IAS 16 Property, Plant and Equipment, IFRS 3 Business Combinations, IFRS 4 Insurance Contracts, IAS 37 Provisions, Contingent Liabilities and Contingent Assets, IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments and IAS 41 Agriculture.

As indicated in note 3.A, the standards and interpretations detailed in i. and ii. shall only be applicable to Fund in the absence of applicable SBS regulations for situations not covered in the Accounting Manual. Management has not determined the effects on the preparation of its financial statements since those standards have not been authorized by the SBS.

iii. Main pronouncements issued by the SBS in the year 2020

In the year 2020, the SBS issued several statements that impact the Fund's accounting records as detailed:

- SBS Official Letter 10997-2020-SBS, dated March 13, 2020, which establishes the application of SBS Official Letter 5345-2010-SBS to amend loan agreements with customers (payment rescheduling), and not consider them as refinancing. Such amendments shall be effective only if the debtor does not have delay of loan payments at the time the National State of Emergency was established.

- SBS Official Letter 11150-2020-SBS, dated March 16, 2020 and effective March 17, 2020, which establishes that the loans' terms and conditions could be modified without be in contact with the customer, without refinancing (or impairment of the credit rating), provided that the loan total term is not extended for more than 6 month of the original term, and that the debtors do not have delay of loans payments when the National State of Emergency was established.

- SBS Official Letter 11170-2020-SBS, dated March 2020, which establishes that to apply the amendments of SBS Official Letter 10997-2020-SBS and 11150-2020-SBS, a customer shall not have delay of loan payments; means, the loan payment shall not be more than 15 days past due as of February 29, 2020. For those customers whose loan payments have more than 15 days past due as of February 29, 2020, the past due days count reported as of such date shall be suspended during the National State of Emergency. This SBS Official Letter also establishes that if retail loans become past due after the payment obligation of the new schedule is resumed, the financial institution must reverse the uncollected accrued interest income, having a 6-month period to proportionally conduct that.

- SBS Official Letter 12679-2020-SBS, dated May 5, 2020, established complementary prudential measures related to the National Estate of Emergency as detailed:

  (i) Financial institutions will be able to modify the contractual conditions for the first time to loan agreements until May 31, 2020, whether the requirements established by SBS Official Letter 11170-2020-SBS are met.

  (ii) In relation to the proportional reverse of uncollected accrued interest income, referred to in SBS Official Letter 11170-2020-SBS, which specifies that it is applicable to retail loans that change to the past due accounting situation after the payment obligation is resumed according to the new schedule. Such convenience will be applicable only for those loans that change their accounting status to past due for the first time since the payment obligation is resumed. Likewise, such proportional reverse shall be applicable for loans that change their accounting status to past due as of March 31, 2021.

- SBS Official Letter 13195-2020, dated May 19, 2020 and effective May 9, 2020, establishes that in a preventive and responsible manner, the financial institutions must make the best effort to permanently evaluate the possibilities of recovery of rescheduled operations, as well as constitute the necessary voluntary provisions that allow them to face the increases in risk in such portfolios, when they materialize.

- SBS Official Letter 13805-2020-SBS, dated May 29, 2020, established complementary prudential measures related to the National Estate of Emergency as detailed:

  (i) Financial institutions shall make the unilateral modification of the contractual conditions of the retail portfolios and medium-sized companies for the first time, provided that their loan payments are not past due when the National State of Emergency was established or have a maximum of 15 days past due as of February 29, 2020.

  (ii) The total term of the loans subject to the modifications of the contractual conditions referred to in numeral (i) above, may not be extended for more than twelve (12) months of the original term. The schedule extension may be applicable to all loans that have been subject to modification since the issuance of SBS Official Letter 11150-2020-SBS.

  (iii) For contractual modifications that are made from the date on, and solely for the purposes of the national state of emergency, it will be considered that a loan is a maximum of 30 days past due at the time of the modification to comply with the requirement of not being delay on loan payments and do not be past due as of the date of the contractual modifications.

  (iv) As of June 1, 2020, in the case of new contractual modifications of revolving loans for credit cards, those that only consider an extension or grace period for the minimum payment will not apply, and the full debt must be considered in a new schedule to be framed in the provisions of this Official Letter.

  (v) In the case of loans that as of February 29, 2020 were more than 15 and up to 60 days past due, said suspension of the calculation of past due days will continue until the end of the month following the lifting of the national state of emergency.

- SBS Official Letter 15944-2020-SBS, dated July 2, 2020, established complementary prudential measures related to the national estate of emergency as detailed: It specifies the suspension of past due days count applicable to those credits that were more than 15 days past due as of February 29, 2020, which must be maintained only until July 31, 2020.

- SBS Official Letter 19109-2020-SBS, dated August 7, 2020, established complementary prudential measures related to the national estate of emergency as detailed (Supreme Decree 044-2020-PCM):

  - The conditions under which a loan should cease to be considered a rescheduled loan within the economic support programs given due to the national state of emergency for COVID-19.

  - Accounting method for interest income recognition of rescheduled loans that migrate from one type of retail credit to another non-retail one, or vice versa, due to the credit rating process. In these cases, financial institutions must apply the accrual or received method, corresponding to the type of initial loan in which the operation was modified.

  - Regarding the suspension of the calculation of past due days reported as of February 29, 2020, it must be maintained until August 31, 2020. Likewise, financial institutions can maintain the accounting situation of such loans until the same date, overruling the provision of Numeral 1 of SBS Official Letter 15944-2020-SBS.

- SBS Resolution 3155-2020-SBS, dated December 17, 2020, modifies the Regulation on Debtor Risk Assessment and Credit Rating, and Provision Requirements according to the following dispositions:

  (i) Loans rescheduled due to the SBS prudential measures established during the National State of Emergency classified as Standard, should be subject to provisions as if they were classified as "With potential problems (CPP, for its Spanish acronym)".

  (ii) The accrued interests of the consumer, micro-business, and small-business portfolios for which payment of an installment, including capital, has not been received, in the last 6 months, provisions must be applied according to the percentages classified as Substandard.

  (iii) These provisions should not affect the classification of the debtor to be reported.

  (iv) Uncollected accrued interest income that is capitalized within the new rescheduled schedule must be recorded as deferred revenue and recognized throughout the term of the rescheduled schedule.

  (v) These regulations will not apply to agricultural loans or loans under any government program.

The effect of these measures on the financial statements of the Fund are disclosed in notes 7 and 8.

4. Accounting Principles and Practices

A. Financial instruments

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability, or equity instrument in another.

Financial instruments are recognized on the date on which they are originated, and are classified as asset, liability, or equity instruments according to the contract that gave rise to the financial instrument. Interest, dividends, gains and losses generated by a financial instrument classified as an asset or a liability are recorded as income or expense in the statement of income. The payment to holders of financial instruments classified as equity is recorded directly in equity.

The Fund classifies its financial instruments into one of the following categories established by IAS 39, which were determined in SBS Resolution 7033-2012: (i) financial assets and financial liabilities at fair value through profit or loss (FVTPL); (ii) loans and accounts receivable; (iii) available-for-sale investments; (iv) held-to-maturity investments; and (v) other financial liabilities. The Fund determines the classification of financial instruments on initial recognition and on instrument-by-instrument basis.

The classification of financial instruments on initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are initially recognized at their fair value plus incremental costs related to the transaction that are directly attributable to the acquisition or issuance of the instrument, except for financial assets or financial liabilities measured at FVTPL.
Financial instruments are subsequently measured at fair value or amortized cost, depending on their classification. See notes 4.E y 4.F for a description of the policy applicable of subsequent measurement of financial instruments of the Fund.

Acquisitions or sales of financial assets that require assets' delivery within a period established by regulations or conventions in the market concerned are recognized at trade date.

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

Financial assets and liabilities presented in the statement of financial position correspond to cash and cash equivalents, investments, accounts receivable (Trust Agreement - COFIDE), loan portfolio, other assets and liabilities, unless otherwise indicated in the note corresponding to the asset or liability. Likewise, all derivatives are considered as financial instruments. Accounting policies on recognition and measurement of these items are disclosed in the corresponding accounting policies described in this note.

As of December 31, the classification for the Fund's financial assets and liabilities is as follows:

In thousands of soles	Financial assets and liabilities at fair value Held for trading and hedging	Loans and accounts receivable	Available-for-sale investments	Held-to-maturity investments	Financial liabilities measured at amortized cost	Total
As of December 31, 2020						
Financial assets						
Cash and cash equivalents	-	1,273,223	-	-	-	1,273,223
Investments	-	-	24,788	260,214	-	285,002
Accounts receivable (trust agreement - COFIDE), net	-	7,883,453	-	-	-	7,883,453
Loan portfolio, net	-	28,478	-	-	-	28,478
Other accounts receivable, net	-	110,566	-	-	-	110,566
Hedging derivatives	394,937	-	-	-	-	394,937
	394,937	**9,295,720**	**24,788**	**260,214**	**-**	**9,975,659**
Financial liabilities						
Obligations with the public	-	.	-	-	205	205
Borrowings and financial obligations	-	.	-	-	944,611	944,611
Securities and bonds outstanding	-	-	-	-	4,736,106	4,736,106
Hedging derivatives	34,347	-	-	-	-	34,347
Other accounts payable	-	-	-	-	1,060,719	1,060,719
	34,347	**-**	**-**	**-**	**6,741,641**	**6,775,988**

In thousands of soles	Financial assets and liabilities measured at fair value Held for trading and hedging	Loans and accounts receivable	Available-for-sale investments	Held-to-maturity investments	Financial liabilities measured at amortized cost	Total
As of December 31, 2019						
Financial assets						
Cash and cash equivalents	-	1,479,013	-	-	-	1,479,013
Investments	-	-	-	242,943	-	242,943
Accounts receivable (trust agreement - COFIDE), net	-	7,498,076	-	-	-	7,498,076
Loan portfolio, net	-	35,966	-	-	-	35,966
Other accounts receivable, net	-	147,981	-	-	-	147,981
Hedging derivatives	166,325	-	-	-	-	166,325
	166,325	**9,161,036**	**-**	**242,943**	**-**	**9,570,304**
Financial liabilities						
Obligations with the public	-	-	-	-	223	223
Borrowings and financial obligations	-	-	-	-	635,192	635,192
Securities and bonds outstanding	-	-	-	-	4,284,038	4,284,038
Hedging derivatives	93,592	-	-	-	-	93,592
Other accounts payable	-	-	-	-	1,372,876	1,372,876
	93,592	-	-	-	**6,292,329**	**6,385,921**

B. Recognition of revenue and expenses

i. Interest income and Expense

Interest income and interest expense are recognized in profit or loss in the period they accrue, depending on the term of the generating transactions and the interest rate agreed upon with the customers. Likewise, accounting treatment for interest income from accounts receivable (Trust agreement - COFIDE) and direct loan portfolio is as follows:

- ***Interest income from accounts receivable (Trust agreement - COFIDE)***

Interest income from Accounts receivable (Trust agreement – COFIDE) is recognized in profit or loss in the period they accrue.

- ***Revenue from loan portfolio interest***

Revenue from loan portfolio interest is recognized in profit or loss in the period it accrue, based on the term of transactions that generate them and on the interest rates freely agreed upon with customers.

Interest generated by past due, refinanced, restructured and under legal collection loans, as well as loans classified under "Doubtful" or "Loss" credit risk rating categories are recognized as revenue when they are collected. If management determines that the debtor's financial condition has improved and the loan is reclassified to the current situation and/or to the "Standard," "With potential problems" or "Substandard" credit risk rating categories, the recognition on an accrual basis is restated (See credit risk rating categories in Note 4.D.ii).

ii. Good payer bonus and Good payer award

The Good Payer Bonus (Bono del Buen Pagador or BBP for its acronym in Spanish), the Good Payer Award (Premio del Buen Pagador or PBP for its acronym in Spanish) and the Sustainable Mivivienda Bonus (Bono Mivivienda Sostenible or BMS by its acronym in Spanish) are direct non-reimbursable aids to eligible final borrowers that is granted if they acquire MIVIVIENDA loans through the IFIs.

In accordance with the accounting treatment accepted by SBS for the Fund, the BBP, the PBP and the BMS, including their interest are recognized as follows:

Good payer bonus (BBP)

- The BBP was created by Law 29033, dated June 7, 2007, as direct non-reimbursable aid to eligible final borrowers for a maximum amount of S/ 13 thousand, since April 22, 2010 (S/ 10 thousand before such date), which is granted to final borrowers who have timely paid six consecutive monthly installments of the non-concessional tranche of MIVIVIENDA loan. For these purposes, the Fund divides the total amount of MIVIVIENDA loan disbursement plus its interest into 2 schedules:

  - A semi-annual amortization schedule named "concessional tranche" corresponding to total of the BBP (capital and interest); and

  - A monthly amortization schedule named "non-concessional tranche" corresponding to total amount of MIVIVIENDA loan disbursement, less the amount of the concessional tranche (capital and interest).

  In these cases, the BBP is received from the MVCS (to the extent the MVCS has funds available) at the request of the Fund, and it is recorded for financial reporting and control as a liability in 'BBP (capital) received from MVCS' of 'Other accounts payable' in the statement of financial position.

  When the MIVIVIENDA loan is disbursed, the Fund records the total amount disbursed in 'Accounts receivable (Trust Agreement - COFIDE)' and generates the two aforementioned amortization schedules.

  The interest of both tranches is recognized on an accrual basis, based on the preferential rates agreed with the IFIs with whom agreements have been signed, recognizing the accrued interest as finance income.

  Subsequently, the Fund sends to the MVCS the list of BBP beneficiaries, reclassifying such bonus due to eligible beneficiaries from 'BBP (capital) received from MVCS' to 'BBP– assigned'.

  When the BBP becomes effective, that is, when the final borrower has complied with the timely payment of six consecutive monthly installments of the MIVIVIENDA loan, the Fund credits for the amount of the installments of the concessional tranche to 'Accounts receivable (capital)' charged to 'Good payer bonus (capital) assigned to COFIDE' (note 7). The interest of the concessional tranche installment is recognized as an expense by the Fund and is presented net of 'Income from accounts receivable (Trust Agreement – COFIDE)' of the 'Interest income' caption of the income statement (note 18).

- In the cases where the BBP is directly assumed by the Fund, namely, when the requirements of Law 29033 and its amendments are not met–i.e., where the value of the house to acquire is greater than 25 tax units or when the bonus is granted with the Fund's own resources, among others, it is called PBP.

- In both cases, the bonus or award are granted for the timely compliance with six installments of the payment schedule of the non-concessional tranche; such amount varies depending on the type of loan granted.

- Emergency Decree 002-2014, dated July 28, 2014, established that for the granting of BBP, the value of the houses to be acquired should be between 14 and 50 tax units. The BBP is provided as a non-reimbursable financial aid up to a maximum amount of S/ 13 thousand. For such purpose, Banco de la Nación was authorized to lend to the Fund an amount of S/ 500,000 thousand with the participation of MVCS for settlement purposes, as established in the loan agreement.

  In these cases, the Fund previously received all BBP resources for its allocation during 2014.

  For these purposes, the Fund established two modalities of BBP application:

  - BBP applied to finance the PBP, for an amount of S/ 10 thousand for housing values between 14 and 25 tax units, for MIVIVIENDA loans granted from January 1 to July 28, 2014. From July 29, 2014, financing for an amount of S/ 13 thousand for housing values between 14 and 50 tax units.

  - BBP applied as a complement to the initial installment, BBP will be used as a complement to reach the minimum initial installment required to the final borrower and is applied when the MIVIVIENDA loan is disbursed; therefore, it is not part of the loan.

- Supreme Decree 003-2015-VIVIENDA, published on January 22, 2015, established a graded application of the BBP for housing values from 14 to 50 tax units, as follows:

In thousands of soles	**BBP value**
Housing value	
Up to 17 tax units	17
From 17 to 20 tax units	16
From 20 to 35 tax units	14
From 35 to 50 tax units	13

  For these purposes, the Fund established two modalities of BBP application:

  - BBP applied as a complement to the initial installment, will be used as a complement to reach the minimum initial installment required to the final borrower and is applied at the time the MIVIVIENDA loan is disbursed; therefore, it is not part of the loan.

  - BBP applied to finance the PBP for the timely payment of six consecutive monthly installments corresponding to the non-concessional tranche of the MIVIVIENDA loan. This BBP applies to those PBP that were granted to housing value between 35 and 50 tax units, corresponding to the previous PBP modality, which was set at S/ 13 thousand.

- Supreme Decree 001-2017, dated January 13, 2017, modified the Regulation of Law 29033, Law to create the BBP approved by Supreme Decree 003-2015, in which the following graded application of the BBP was established:

In thousands of soles	**BBP value**
Housing value	
From 20 to 30 tax units	14
From 30 to 38 tax units	13

- Supreme Decree 017-2017, dated June 24, 2017, modified the Regulation of Law 29033, approved by Supreme Decree 003-2015, and modified by Supreme Decree 001-2017, which established the following housing values and BBP values:

Housing value	**BBP value in tax units**	**Total of BBP in thousands of soles**
From S/ 57 to S/ 81 thousand	4.19753	17
From S/ 81 to S/ 122 thousand	3.45679	14
From S/ 122 to S/ 203 thousand	3.08642	13
From S/ 203 to S/ 300 thousand	0.74074	3

- Supreme Decree 002-2018, dated June 24, 2019, modified the Regulation of Law 29033, approved by Supreme Decree 017-2017, establishing the following housing values and BBP values:

Housing value	**BBP value in tax units**	**Total of BBP in thousands of soles**
From S/ 58 to S/ 82 thousand	4.19753	18
From S/ 82 to S/ 123 thousand	3.45679	14
From S/ 123 to S/ 205 thousand	3.08642	13
From S/ 205 to S/ 304 thousand	0.74074	3

- Supreme Decree 004-2019, dated January 23, 2019, modified the Regulation of Law 29033, approved by Supreme Decree 002-2018, which established the following housing values and BBP values:

Housing value	**BBP value in tax units**	**Total of BBP in thousands of soles**
From S/ 59 to S/ 84 thousand	4.19753	18
From S/ 84 to S/ 123 thousand	3.45679	15
From S/ 123 to S/ 210 thousand	3.08642	13
From S/ 210 to S/ 311 thousand	0.74074	3

- Supreme Decree 003-2020, dated January 24, 2020, modified the Regulation of Law 29033, approved by Supreme Decree 017-2017, establishing the following housing values and BBP values:

Housing value	BBP value in tax units	Total of BBP in thousands of soles
From S/ 60 to S/ 86 thousand	4.19753	18
From S/ 86 to S/ 128 thousand	3.45679	15
From S/ 128 to S/ 214 thousand	3.08642	13
From S/ 214 to S/ 317 thousand	0.74074	3

- Supreme Decree 007-2020, dated May 16, 2020, amended the Regulation of Law 29033, approved by Supreme Decree 003-2020, establishing the following housing values and BBP values:

Housing value	BBP value In tax units	Traditional BBP in thousands of soles	Sustainable BBP in thousands of soles
From S/ 60 to S/ 86 thousand	4.19753	24	5
From S/ 86 to S/ 128 thousand	3.45679	20	5
From S/ 128 to S/ 214 thousand	3.08642	18	5
From S/ 214 to S/ 317 thousand	0.74074	7	5

- These BBP values will be updated due to tax unit variation, rounded up to the nearest thousand. In relation to the housing value ranges of the product, they will be expressed in soles and will be updated as a result of the multiplication of the housing value of the prior year and the annual change in the Consumer Price Index (CPI) of Metropolitan Lima, rounded up to the nearest thousand.

Good payer award (PBP)

- The PBP is a benefit granted directly by the Fund with its own resources.

  Until June 2017, the housing values in force for the PBP were as follows:

Housing value	PBP value in thousands of soles
From 50 to 70 tax units	5

  For these purposes, the Fund established two modalities of PBP application:

  - PBP applied as a complement to the initial installment of MIVIVIENDA loans, PBP will be used as a complement to reach the minimum initial installment required to the final borrower, and is applied when the loan is disbursed; therefore, it is not part of the loan.

  - PBP granted for the timely payment of six consecutive monthly installments of MIVIVIENDA loan, corresponding to the non-concessional tranche.

In Board of Director's Meeting 04-16D-2017, dated July 3, 2017, were approved modifications to the housing value and PBP value as follow:

Housing value	PBP value in tax units	Total of PBP in thousands of soles
From S/ 203 to S/ 300 thousand	0.74074	3

The current PBP value was approved by means of Board of Directors' Meeting 04-03D-2018, dated February 8, 2018, as follow:

Housing value	PBP value in tax units	Total of PBP in thousands of soles
2019		
From S/ 210 to S/ 311 thousand	0.74074	3
2020		
From S/ 214 to S/ 317 thousand	0.74074	3

The PBP as a complement to the initial installment will continue being assumed by the Fund, which will be added to the BBP in the range of housing value that is in force. Likewise, it will be updated by the variation of the amount of the tax unit, rounded up to the nearest thousand. The amount as of December 31, 2020 is S/ 3 thousand. The housing value ranges will be expressed in soles, and will be updated by the variation of the Consumer Price Index of Metropolitan Lima, rounded up to the nearest thousand.

- When the PBP-assigned is granted using the Fund's resources to the final borrower, who complied with conditions settled, the Fund records such amounts as expenses. Consequently, the accounts receivable (capital) of the concessional tranche installments are reduced and recorded in 'interest expenses' of the statement of profit or loss; while interest, as in the previous case, is recognized as an expense and is recorded net of the 'Income from accounts receivable (Trust Agreement – COFIDE)', in 'Interest income' of the income statement (note 18).

Sustainable Mivivienda Bonus

- In Board of Directors' Meeting 02-12D-2015, dated June 16, 2015, it was approved the creation of the Sustainable Mivivienda Bonus (Bono Mivivienda Sostenible or BMS by its acronym in Spanish), which is applicable to MIVIVIENDA loans. The BMS is a direct non-reimbursable financial assistance granted to final borrowers to access sustainable housing with the MIVIVIENDA loan through the IFIs. This attribute increases the amount of the minimum initial installment of MIVIVIENDA loan required to the final borrower, as an additional benefit to those provided by MIVIVIENDA products such as the BFH, BBP and PBP as a complement to the initial installment, as follow:

Total financing	Level 1	Level 2
Up to S/ 140,000	4%	4%
Over S/ 140,000 to the maximum amount of financing for MIVIVIENDA products	3%	4%

The Bonus is calculated discounting the housing value, the initial installment and the corresponding BBP, if applicable. The amount to be financed is divided by 1.04 and/or 1.03 and multiplied by 0.04 and/or 0.03 depending on the bonus level, and the BMS is obtained.

It may be granted in addition to the BFH, BBP and/or PBP as a supplement to the initial installment requested to the final borrower of MIVIVIENDA loan, provided that it complies with the conditions established.

It is granted to people who access a MIVIVIENDA loan to acquire sustainable housing, with the objective of encouraging and promoting the acquisition of houses that help to reduce the environmental impact on their surroundings.

Related projects must have the certificate for Eligibility of Sustainable Housing Projects. BMS is granted in accordance with range determined by such certificate.

Board of Directors' Meeting 002-16D-2019, approved to maintain current BMS and the preferential rate of 5% for MIVIVIENDA Verde new loan until December 31, 2019.

Board of Directors' Meeting 03-03D-2020, approved the extension of the term for the granting of BMS (3% or 4% of the financing value) to MIVIVIENDA loans (which comply with the presentation of the complete credit file to COFIDE) until March 31, 2020, and the preferential interest rate of 5% for New MIVIVIENDA loans until March 31, 2020.

Board of Directors' Meeting 02-09D-2020, approved a new extension of the term for the granting of BMS to MIVIVIENDA loans (which comply with the presentation of the complete credit file to COFIDE) until June 9, 2020.

C. Accounts receivable (Trust Agreement - COFIDE) and allowance for doubtful accounts

Accounts receivable are recorded when conducting the disbursement of funds through COFIDE to the IFIs that channel the Fund's resources for the loan allocation of the MIVIVIENDA products.

The allowance for doubtful accounts (Trust Agreement - COFIDE) was calculated considering the criteria established by the SBS Resolution 11356-2008 Regulation on Debtor Risk Assessment and Credit Rating, and Provision Requirements according to the following dispositions:

First component: Allowance for IFIs Risk

- The capital balance of each disbursement is divided into two types: capital balance with mortgage guarantee and capital balance without mortgage guarantee.

- The allowance was calculated considering the IFI's rating, which is determined based on the criteria established by SBS Resolution 11356-2008.

- The portion of allowance related to the capital balance with mortgage guarantee is calculated as the result of the capital balance without mortgage guarantee by the table 2 SBS rate, according to the IFIs classification.

- The portion of allowance related to the capital balance without mortgage guarantee is calculated as the result of the capital balance without mortgage guarantee by the table 1 SBS rate, according to the IFIs classification.

Second component: Allowance for credit risk coverage (CRC)
The capital balance of each disbursement is multiplied by the sum of the hedge factors (CRC and CRCA), resulting in the balance with credit risk hedging:

- If the balance without CRC is lower than the guarantee amount, the corresponding allowance is calculated according to the following: (total balance (TB) - guarantee amount (GA)) multiplied by the Table 1 SBS rate according to the beneficiary rating plus (guarantee amount - balance without credit risk coverage (BWCRC)) multiplied by the Table 2 SBS rate according to the beneficiary classification. The representation of the calculation is as follows:

  Provision = (TB –GA) * (Table 1 SBS rate) + (GA – BWCRC) * (Table 2 SBS rate)

- If the balance without CRC is greater than or equal to the guarantee amount, the corresponding allowance is calculated multiplying the Balance with CRC by the Table 1 SBS rate, in accordance with the beneficiary rating. The representation of the calculation is as follows:

  Provision = BWCRC * (Table 1 SBS rate)

The Fund applies the following percentages in determining its allowance for doubtful accounts (Trust Agreement - COFIDE):

Credit risk ratings	Table 1	Table 2
Standard	0.70%	0.70%
With potential problems	5.00%	2.50%
Substandard	25.00%	12.50%
Doubtful	60.00%	30.00%
Loss	100.00%	60.00%

To determine the risk classification per IFIs, the Fund, within its internal regulations, has established a methodology for the regulatory classification of the IFIs, which is equivalent to the credit risk ratings established by the SBS.

In addition, given the intervention of the SBS to Financiera TFC in Liquidation, as of December 31, 2020, the accounts receivable from this institution (guaranteed by MIVIVIENDA mortgage loans), have been provisioned by the Fund considering the sub-borrower risk rating. These accounts receivable net of provision is recorded as part of Accounts Receivable (Trust Agreement – COFIDE).

Due to the COVID-19 Pandemic, as of December 31, 2020, the Fund records mortgage loans rescheduling that is reflected in 'Accounts receivable (Trust Agreement - COFIDE)', which are provisioned in accordance with the current methodology (Note 7).

D. Loan portfolio and loss allowance for direct loans
As of December 31, 2020 and 2019, loan portfolio comprises the mortgage loans from Ex Caja Rural de Ahorro y Crédito Señor de Luren and Cooperativa de Ahorro y Crédito del Perú (hereinafter "CAC Presta Perú"), due to the execution of Article 13 of the Agreement signed with such IFIs.

i. Type of loans
In accordance with SBS Resolution 11356-2008, loans are classified as corporate loans, large business loans, medium business loans, small business loans, micro business loans, revolving consumer loans, non-revolving consumer loans, and mortgage loans. This classification considers the nature of the client, the purpose of the loan, and business size measured per revenues and indebtedness, among others. The Fund only has mortgage loans in its loan portfolio.

ii. Credit risk rating categories

The credit risk rating categories established by the SBS are the following: Standard, With potential problems, Substandard, Doubtful and Loss, based on the debtor's level of compliance with loan payments.

iii. Loss allowance for direct loans

The Fund determines loss allowance for direct loans in accordance with SBS Resolution 11356-2008 'Regulation for the Assessment and Classification of Debtor and Requirements of Provisions'.

According to Resolution 11356-2008, there are two classes of loss allowance for loans, generic and specific. The generic allowance is recorded in a preventive manner for those direct loans rated as Standard, and additionally a procyclical component is recorded if the SBS orders its application. The specific allowance is recorded for direct loans of debtors rated in a risk rating higher than Standard credit risk category.

The provision is calculated considering the credit risk ratings assigned to the debtor and using specific percentages, which vary depending upon whether the loans are guarantee by self-liquidating loans collateral (cash deposits and letter-of-credit right) or by readily liquidating preferred collateral (public debt instruments issued by the Peruvian Government, marketable securities listed within the Selective Index of the Lima Stock Exchange, among others) or by preferred collaterals (first pledge on financial instruments or personal and real property, first pledge on agricultural or mining concessions, export credit insurance, among others). The guarantees received are considered at their net realizable value as determined by independent appraisers. Likewise, to calculate the provision must be consider the guarantor or guaranteeing party credit rating for credits subject to secondary liability of a financial institution or insurance company (credits subject to counterparty substitution). The percentages applied to determine the loss allowance for direct loan portfolio are as follow:

	Without collateral	Preferred collateral	Readily liquidating preferred collateral	Self-liquidating preferred collateral
Credit risk ratings				
Standard	0.70%	0.70%	0.70%	0.70%
With potential problems	5.00%	2.50%	1.25%	1.00%
Substandard	25.00%	12.50%	6.25%	1.00%
Doubtful	60.00%	30.00%	15.00%	1.00%
Loss	100.00%	60.00%	30.00%	1.00%

Los allowance for direct loans are presented by deducting the balance of the corresponding asset (note 8).

iv. Rescheduling of direct loans during the National State of Emergency

Financial institutions may modify the contractual conditions of the various loans modalities that they grant (massively or individually), without conducting a refinancing, to the extent that the total term of the aforementioned loans does not extend for more than 6 months of the original term, and that on the date of the National State of Emergency declaration the debtors are up to date with their payments. The capital balance and interest of rescheduling shall be record in memorandum accounts.

For the purposes of complying with the requirement of being up to date in their payments, and only for the purposes of the current National State of Emergency (due to the COVID-19 Pandemic), it should be considered that debtor's loan presents no more than 15-days past due as of February 29, 2020 or that the debtor be up to date on its payments at the beginning of the National State of Emergency.

Financial institutions may apply the accrual criterion for the accounting record of the interests associated with the retail loans rescheduled. In case these retail loans change to the accounting status of 'overdue', after the payment obligation is resumed according to the new schedule, financial institution must refund the uncollected accrued income, having a six (06) month term to carry out said refund proportionally.

As a result of the COVID-19 Pandemic, as of December 31, 2020, the Fund has rescheduled mortgage loans from its direct portfolio, which loss allowance provision has been determined in accordance with current regulation.

v. Suspension of the past due days count during the national state of emergency

In the case of debtors who present loans with more than 15-days past due as of February 29, 2020, the past due days count is suspended; likewise, financial institutions may maintain the accounting situation of such loans, in as long as the national state of emergency is maintained.

The number of past due days as of February 29, 2020 must be considered for the credit rating process and for the calculation of the requirement of regulatory provisions during the months in which the count is suspended.

The count of past due days, and the corresponding accounting situation of the loans mentioned in the previous paragraphs, were suspended until August 31, 2020.

E. Derivative financial instruments

In accordance with SBS Resolution 1737-2006 "Regulation on Trading and Accounting of Derivative Products in Financial Institutions" and its amendments, the derivative financial instruments are recorded on the trading date.

Held-for-trading derivatives

Held-for-trading derivative instruments are initially recognized at cost in the statement of financial position, and subsequently measured at fair value, recognizing an asset or a liability in the statement of financial position, as applicable, and any gain or loss from the valuation is recorded in the statement of profit or loss. The face value of derivative instruments is recorded in the agreed-upon currency in 'Contingent risks and commitments' accounts (off-balance sheet accounts).

The fair value of trading derivative instruments is estimated based on exchange rates and market interest rates.

Hedging derivatives

A hedging derivative instrument is recorded as such if, on the trading date, it is expected that changes on its fair value or cash flows generated will be highly effective in offsetting the changes generated in the hedged item, which must be documented on the trading date of the derivative instrument and during the hedging term. A hedge is considered as highly effective if it is expected that changes in the fair value or cash flows of the hedged item and the hedging instrument ranges between 80% and 125 %.

Cash flow hedges
A hedging derivative instrument is valued and recognized at fair value and might have an impact on 'equity' and 'profit or loss'. The effective portion of the adjustment at fair value is recognized in 'equity' of the statement of other comprehensive income. The ineffective portion is recognized in the income statement.

For both types of hedges, if the derivative expires, is terminated, or exercised, or no longer meets the criteria for hedging accounting, the hedging relation must be prospectively discontinued and the balances recorded in the statement of financial position and in the statement of other comprehensive income, as applicable, are transferred to income statement in the effective term of the hedged item.

F. Investments

i. Held-to-maturity investments
This category includes debt instruments whose collections are of a fixed or determinable amount and whose maturities are fixed, and which also meet the following requirements: i) they have been acquired or reclassified with the intention to hold them to maturity; ii) the Fund shall have the financial capacity to hold them to maturity; and iii) they are instruments other than those designated by the Fund at initial recognition as at fair value through profit or loss or as available-for-sale assets.

Likewise, they should be rated by at least two local or foreign risk rating agencies, and the ratings should be within the parameters established by the SBS. These requirements do not apply to instruments of Central Banks from countries whose sovereign debt obtains as a minimum the rating corresponding to the Peruvian sovereign debt.

These financial assets are initially recorded at fair value, including the transaction costs that are directly attributable to the acquisition.

These investments are subsequently measured at amortized cost using the effective interest rate method. Any impairment loss is recognized in the income statement.

ii. Available-for-sale investments
It includes all investments in instruments not classified as investments at fair value to profit or loss or held-to-maturity investments or investments in subsidiaries and associates and interests in joint ventures. Likewise, all instruments shall be included in this category as required by the SBS.

These investments are initially recorded at fair value, including the transaction costs that are directly attributable to the acquisition. The subsequent measurement of these investments is made at fair value; in the case of capital instruments that do not have quoted prices in active markets and whose fair value cannot be estimated reliably, they shall be measured at cost. In addition, in the case of debt instruments, prior to the measurement at fair value, their amortized cost must be updated, and from this point, any gain or loss from changes in the fair value shall be recognized.

Any gain or loss arising from changes in fair value of available-for-sale investments is directly recognized in equity until the instrument is sold or realized, when any gain or loss that could have been previously recognized will be transferred and recorded in the income statement, except for impairment losses which are recorded in profit or loss when they occur.

If an available-for-sale investment is credit-impaired, the cumulative loss (difference between the acquisition cost, net of any repayment and amortization, and the current fair value, less any impairment loss previously recognized in the income statement) is reclassified from equity to the income statement. Impairment of unquoted shares is the difference between the carrying amount and the present value of future net cash flows discounted using the prevailing market rates for a similar instrument.

Exchange gains or losses from equity instruments are recognized in 'unrealized gains and losses,' and those related to debt instruments are recognized in profit or loss.

Interest income from available-for-sale investments is recognized using the effective interest method, calculated over the useful life of the instrument. Premiums and discounts originated on the acquisition date are included in the calculation of effective interest rates.

Dividends are recognized in the income statement when the right to receive the payment has been established.

iii. Impairment test

SBS Resolution 7033-2012 and its respective amendments, as well as SBS Resolution 2610-2018, establish a standard methodology to identify impairment of available-for-sale and held-to-maturity investment. Such methodology contemplates the following analysis:

Debt instruments

At the end of each quarter, for the entire debt representative portfolio, the following occurrences should be evaluated:

1. Weakening in financial position or financial ratios of the issuer and its economic group;

2. Credit rating downgrade for the instrument or issuer of two notches—notching is when a credit rating agency bumps up or down the credit rating;

3. Disappearance of an active market for that financial asset because of financial difficulties of the issuer;

4. Observable data about a measurable decrease in the future cash flows from a group of similar financial assets since their initial recognition;

5. Decline in the fair value due to changes in laws;

6. Significant decline in the fair value below its amortized cost; it is considered a significant decrease if the fair value at the closing date has decreased at least 40% below its amortized cost as of that date.

7. Prolonged decrease in fair value. It is considered as a prolonged decrease if the fair value at the closing date has decreased by at least 20% compared to the amortized cost of previous 12 months and the fair value at the closing date of each month during the previous 12-month period. Has always remained below the amortized cost corresponding to the closing date of each month.

The fair value to be used for the purpose of evaluating criteria 6 and 7 is that considered for the purpose of the valuation of available-for-sale debt instruments, according to the criteria established by the aforementioned Resolution, regardless of the accounting classification that has the debt instrument. If the decline in the fair value of the debt instrument results from the increase in the risk-free interest rate, such decline shall not be considered as an indication of impairment.

If at least 2 of the situations described above are met, it will be considered that there is impairment. Otherwise, evidence that a debt instrument is credit-impaired includes any of the following:

- A breach of contract, such as a default in the payment of interest or capital;
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; and
- Credit rating downgrade for the instrument classified as investment.

On the other hand, when the SBS considers necessary to establish any additional provision for any type of investment, such provision must be determined on the basis of each individual instrument and should be recorded in profit or loss in the period in which the SBS requires such provision.

G. Property, furniture and equipment

Assets in the property, furniture and equipment item are recorded at acquisition cost, less accumulated depreciation. Depreciation is calculated on a straight-line basis using the following estimated useful lives:

	Years
Buildings	20
Premises	10
Furniture and fixtures	10
Various equipment	10
Vehicles	5
IT equipment	4

Maintenance and repair costs are charged to the results of the period; all renewals and improvements are capitalized only when disbursements improve the condition of the asset and increase its useful life beyond the time originally estimated.

The useful life and residual value of an asset is reviewed and adjusted, if necessary, at the date of each statement of financial position.

Cost and accumulated depreciation of disposed or sold assets are eliminated from their respective accounts, and any resulting gain or loss is recorded in profit or loss of the year.

H. Intangible assets

Intangible assets include developments and software licenses used in the operations of the Fund. Software licenses acquired by the Fund are capitalized based on costs incurred to acquire and use the specific software. These intangible assets are amortized on a straight-line basis over the estimated useful life of 5 years.

The estimated useful life and amortization method are periodically reviewed to ensure they are consistent with the expected economic pattern of benefits of such intangible assets.

I. Impairment of long-lived assets

When events or economic changes indicate that the value of property, furniture and equipment and intangible assets may not be recoverable, management reviews the value of that assets in order to verify that there is no impairment in value. When the carrying amount exceeds its recoverable amount, the Fund recognizes an impairment loss in the income statement. The recoverable amount is the higher of an asset's net selling price and its value in use.

Net selling price corresponds to the amount that would be received to sell an asset in a free market. Value in use is the present value of future cash flows expected to be derived from the continued use of an asset and from its subsequent disposal at the end of its useful life. In management's opinion, there are no evidence of impairment in the value of such assets as of December 31, 2020 and 2019.

J. Realizable, received as payment and repossessed assets

Realizable assets and assets seized and recovered through legal actions are recorded at the value determined by a court or arbitrator or at the value agreed in the payment in kind contract. Recovered goods due to termination of contract are initially recorded at the lower of the debt unpaid balance and the net realizable value. Should the debt unpaid balance be higher than the balance of the recovered good, the difference is recognized as a loss, provided that its recovery is unlikely.

Furthermore, the following provisions shall be made in accordance with Resolution SBS 1535-2005 "Regulation for the Treatment of Recovered and Awarded Assets and Provisions":

- 20% of the value on the date of award or recovery for all assets received.

- For properties, a monthly impairment provision shall be made in a term not exceeding 42 months on the net value obtained during the 12th or the 18th month of its award or recovery, depending on whether an extension by the SBS is granted, and until 100% of the asset carrying amount is completed. Every year the net carrying amounts of properties is compared with the realizable value determined by a qualified independent appraiser, and in if this value is lower, an impairment provision is recorded.

- For assets other than properties, a provision for the remaining balance is made in a term not exceeding 18 or 12 months, depending on whether an extension by the SBS is granted.

An impairment loss is recognized when the fair value of such assets is reduced (when their net realizable value is lower than their net carrying amount); accordingly, the carrying amount will be reduced and the loss shall be recognized in the statement of income. If the net realizable value is higher than the net carrying amount, the higher value shall not be recognized in the books.

K. Income tax

Current tax is calculated based on the taxable profit according to the tax law applicable to the Fund.

Deferred tax is calculated using the liability method. Deferred tax liabilities and assets are the amounts of income taxes payable and recoverable, respectively, in future periods in respect of temporary differences—i.e., differences between the carrying amount of an asset or liability in the statement of financial position and its tax base. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized, or the liability is settled.

A deferred tax asset and liability is recognized without considering the period in which the temporary differences are expected to reverse. A deferred tax asset is recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be used.

IFRIC 23 clarifies how to apply the recognition and measurement requirements in IAS 12 *Income Taxes* when there is uncertainty over income tax treatments. Previously, IFRIC 23 clarified that an entity shall apply the requirements in IAS 12 and not in IAS 37 when there is uncertainty over income tax treatments.

Likewise, IFRIC 23 explains how to recognize and measure current or deferred tax assets and liabilities when there is uncertainty over income tax treatments. An uncertain tax treatment is a tax treatment for which there is uncertainty over whether the Tax Authorities will accept the tax treatment under tax law. When there is uncertainty over income tax treatments, IFRIC 23 addresses how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

L. Provision and contingencies

i. Provisions
A provision is recognized when the Fund has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period and adjusted to reflect the best estimate as of the date of the statement of financial position.

ii. Contingencies
A contingent liability is not recognized in the financial statements. They are disclosed in notes to the financial statements unless the possibility of an outflow of economic resources is remote.

A contingent asset is not recognized in the financial statements, but it is disclosed where an inflow of resources embodying economic benefits is probable.

M. Other comprehensive income
The other comprehensive income presents the unrealized loss on investments available for sale, unrealized results from the effective portion of the valuation of cash flow hedging derivative instruments and the portion of the valuation that corresponds to the exchange difference as it affects the hedged item. These balances are presented net of the related deferred income tax.

N. Cash and cash equivalents
Cash and cash equivalents considered in the statements of cash flows correspond to balances of available funds of the statement of financial position; which include deposits with original maturities less than or equal to 90 days, excluding the available funds included in the trusts.

O. Foreign currency transactions
The statements of financial position include balances of foreign currency transactions, mainly in U.S. dollars (US$), which are recorded in soles (S/) at the exchange rate established by the SBS, that as of December 31, 2020 and 2019 was US$ 1 = S/ 3,621 and US$ 1 = S/ 3.314, respectively. Positions are also held in Euros (EUR), which are recorded in soles (S/) at the exchange rate established by the SBS, that as of December 31, 2020 and 2019 was EUR 1 = S/ 4.423946 and EUR 1 = S/ 3.719415, respectively.

Foreign currency transactions in the Peru or international trading transactions referred to the concepts authorized by the BCRP are channeled through a free banking system. As of December 31, 2020, buy and sell exchange rates used were US$ 1 = S/ 3.618 and US$ 1 = S/ 3.624, respectively (2019: US$ 1 = S/ 3.311 and US$ 1 = S/ 3.317).

As of December 31, the balances in foreign currency are summarized as follows:

In thousands of U.S. dollars	**2020**	**2019**
Assets		
Cash and cash equivalents	11,032	23,391
Investments	51,850	63,580
Accounts receivable (trust agreement - COFIDE), net	21,240	29,185
Loan portfolio, net	27	32
Hedging derivatives	58	187
Other accounts receivable, net	34	5,654
Net asset position	133	31
Total assets	**84,374**	**122,060**
Liabilities		
Outstanding instruments	(657,008)	(691,579)
Hedging derivatives	(1,750)	(1,661)
Other accounts payable	(332)	(359)
Provisions and other liabilities	(520)	(859)
Total liabilities	**(659,610)**	**(694,458)**
Net liability position	**(575,236)**	**(572,398)**
Derivative instruments, net	575,956	568,951
Net position in U.S. dollars	**720**	**(3,447)**

In thousands of EUR	**2020**	**2019**
Assets		
Cash and cash equivalents	14	13
Other accounts receivable, net	5	-
Liabilities		
Borrowings and financial obligations	(213,522)	(138,913)
Net liability position	**(213,503)**	**(138,900)**
Derivative instruments, net	213,889	139,444
Net position in EUR	**386**	**544**

5. Cash and Cash Equivalents

As of December 31, this caption comprises the following:

In thousands of soles	**2020**	**2019**
Bank and other financial institutions		
Savings and checking accounts (a)	1,196,979	1,366,398
Time deposits (b)	73,968	106,533
Accrued interest on cash and cash equivalents	132	223
	1,271,079	**1,473,154**
Banco Central de Reserva del Perú (c)	1,840	5,799
Other available funds	304	60
	1,273,223	**1,479,013**

(a) As of December 31, they mainly correspond to balances in soles and U.S. dollars, with free withdrawal option and accruing interest at market rates, as detailed below:

In thousands of soles	**2020**	**2019**
Checking accounts		
Banco Internacional del Perú S.A.A. – Interbank	1,003,168	1,012,726
Banco de la Nación	183,070	60,393
Banco Interamericano de Finanzas S.A. – BanBif	10,362	291,208
Banco BBVA Perú	150	169
Banco de Crédito del Perú S.A.	133	881
Scotiabank Perú S.A.A.	36	977
	1,196,919	**1,366,354**
Savings accounts		
Banco BBVA Perú	60	44
	1,196,979	**1,366,398**

(b) As of December 31, 2020, it corresponds to time deposits in local banks in soles and U.S. dollars, with free withdrawal and accrue interest at effective annual rates in soles between 0.30% and 0.54% and in U.S. dollars 0.30% with original maturities less than or equal to 90 days (2019: between 2.85% and 3.30% in soles, and 1.90% and 2.05% in U.S. dollars).

(c) As of December 31, it corresponds to balances in soles and U.S. dollars, with free withdrawal, do not accrue interest and are mainly used for transactions with COFIDE, under the Trust Agreement the Fund signed with this entity.

6. Investments

As of December 31, this caption comprises the following:

	2020			**2019**		
In thousands of soles	**Amortized cost**	**Unrealized gain (loss)**	**Carrying amount**	**Amortized cost**	**Unrealized gain (loss)**	**Carrying amount**
Available-for-sale investments						
Corporate bonds (a)	24,348	95	24,443	-	-	-
Plus						
Accrued interest	345	-	345	-	-	-
	24,693	**95**	**24,788**	**-**	**-**	**-**
Held-to-maturity investments						
Corporate bonds (b)	161,351	-	161,351	208,186	-	208,186
Sovereign bonds from the Republic of Peru	31,331	-	31,331	31,316	-	31,316
Time deposits (c)	65,000	-	65,000	-	-	-
Plus						
Accrued interest	-	-	2,532	-	-	3,441
	257,682	**-**	**260,214**	**239,502**	**-**	**242,943**
	282,375	**95**	**285,002**	**-**	**-**	**242,943**

(a) During 2020, the Fund acquired bonds for a nominal value of S/ 23,073 thousand, whose carrying amount as of December 31, 2020 is S/ 24,788 thousand. As of December 31, 2019, the Fund did not maintain bonds from financial institutions in its available-for-sale investment portfolio.

In thousands of soles	**2020**	**2019**
Issues by Peruvian entities		
Banco BBVA Perú	9,662	-
Banco Internacional del Perú S.A.A. – Interbank	8,680	-
Banco de Crédito del Perú S.A.	6,101	-
	24,443	**-**

(b) As of December 31, it corresponds to securities and bonds acquired from first level corporate companies and financial institutions in the country and abroad, as detailed below:

	2020	**2019**
Issues by peruvian entities		
Banco BBVA Perú	48,108	44,163
Abengoa Transmisión Norte S.A.	45,801	46,137
Consorcio Transmantaro S.A.	39,169	35,606
Cementos Pacasmayo S.A.A.	28,273	25,596
Corporación Financiera de Desarrollo S.A.	-	48,712
Los Portales S.A.	-	3,037
Leasing Total S.A.	-	1,943
Issued by foreign entities		
Empresa Nacional de Petróleo	-	2,992
	161,351	**208,186**

During 2016, the Fund reclassified Corporate and Financial, and Peruvian Sovereign Bonds classified as available-for-sale investments into held-to-maturity investments. The carrying values at the dates of reclassification amounted to approximately S/ 620,965 thousand and the unrealized loss accumulated in net equity amounted to S/ 11,846 thousand; this latter amount shall be transferred to net income during the remaining term of the instruments, which expire in full until 2042. In 2020 and 2019, the Fund transferred to profit or loss the amount of S/ 860 thousand S/ 652 thousand, respectively. As of December 31, 2020, and 2019, the carrying amount of such investments which includes accrued interest amounts to S/ 195,214 thousand and S/ 242,943 thousand, respectively.

(c) As of December 31, 2020, the Fund maintains time deposits in local banks in soles, with free withdrawal and accrue interest at effective annual rates between 0.25% and 0.65%, with original maturities greater than 90 days. As of December 31, 2019, the Fund did not maintain such type of time deposit.

In Board of Directors' Meeting 005-18D-2018 of July 25, 2018, the new Investment Policies and Procedures Manual of the Fund was approved, which establishes that, as of that date, the investments acquired by the Fund would be classified as available-for-sale.

As of December 31, the maturities and the annual market yield rates of the available-for-sale and held to maturity investm

	Maturity date		Annual effective in				
			2020				
			PEN		USD		
	2020	2019	Min. %	Max. %	Min. %	Max. %	M
Available-for-sale investments							
Corporate bonds	Aug-22 / Apr-23	-	-	-	3.38	5.00	
Held-to-maturity investments							
Corporate bonds	Aug-22 / Octr-28	May-20 / Oct-28	-	-	4.50	6.53	
Sovereign bonds from the Republic of Peru	Aug-26 / Feb-42	Aug-26 / Feb-42	6.85	8.20	-	-	
Time deposits	-	-	0.25	0.65	-	-	

As of December 31, available-for-sale and held-to-maturity investments have the following maturities:

	2020		
In thousands of soles	Available-for-sale investments	Held-to-maturity investments	Availab inve
3–12 months	-	65,000	
1–5 years	24,788	79,370	
More than 5 years	-	115,844	
	24,788	**260,214**	

7. Accounts Receivable (Trust Agreement - COFIDE), Net

As of December 31, this caption comprises the following:

In thousands of soles	**2020**	**2019**
New loan - MIVIVIENDA	7,754,135	7,308,199
Traditional loan - MIVIVIENDA	170,232	100,849
Supplementary loan - Techo Propio	79,366	154,722
Loan – MIHOGAR	43,717	52,229
Loan - MICONSTRUCCIÓN	9,516	14,022
Loan - MICASA MÁS	5,875	7,212
Standardized loan – MIVIVIENDA	3,824	4,918
Loan – MITERRENO	225	261
	8,066,890	**7,642,412**
Plus (less):		
Accrued interest on accounts receivable	13,787	14,257
Loss allowance for accounts receivable (e)	(197,224)	(158,593)
	7,883,453	**7,498,076**

As described in note 2, the Fund disburses financial resources to the Trust COFIDE monthly to be channeled to the sub borrowers through the IFIs. Likewise, the Trust COFIDE transfers to the Fund monthly the collections, prepayments or cancellations of accounts receivable made by IFIs.

As of December 31, 2020, and 2019, the Fund has 99,326 and 97,176 final borrowers, respectively. There is no significant concentration of credit risk in the accounts receivable (Trust Agreement – COFIDE), due to the type of credit operations that the Fund maintains.

The financial resources that the Fund channels through COFIDE under the Trust Agreement, are used by IFIs in the granting of mortgage credits in accordance with Article 12 of Supreme Decree 001-99-MTC.

As of December 31, the composition of the balance of accounts receivable (Trust Agreement – COFIDE) according to the characteristics of the loans offered by the Fund, is as follows:

	2020			**2019**		
In thousands of soles	**With credit risk coverage**	**Without credit risk coverage**	**Total**	**With credit risk coverage**	**Without credit risk coverage**	**Total**
New loan – MIVIVIENDA	1,692,208	6,061,927	7,754,135	1,871,246	5,436,953	7,308,199
Traditional loan MIVIVIENDA	35,366	44,001	79,366	46,839	54,010	100,849
Supplementary loan - Techo Propio	29,879	140,353	170,232	31,519	123,203	154,722
Loan - MIHOGAR	14,669	29,048	43,717	19,319	32,910	52,229
Loan - MICONSTRUCCIÓN	2,270	7,245	9,516	2,353	11,669	14,022
Loan - MICASA MÁS	1,750	4,124	5,875	1,235	5,977	7,212
Standardized loan - MIVIVIENDA	1,275	2,549	3,824	1,639	3,279	4,918
Loan - MITERRENO	113	113	225	56	204	261
	1,777,530	**6,289,360**	**8,066,890**	**1,974,206**	**5,668,205**	**7,642,412**

Accounts receivable (Trust Agreement - COFIDE) are classified by debtor credit risk rating in accordance with SBS rules in force as of December 31, 2020 and 2019. As described in Note 4.C, the loss allowance for accounts receivable (Trust Agreement - COFIDE) is determined based on the classification of both the sub borrower and the IFIs.

Table below presents the accounts receivable (Trust Agreement – COFIDE) corresponding to the balance without credit risk coverage (CRC) based on the IFIs credit risk rating as of December 31:

	2020		2019	
In thousands of soles	**S/000**	**%**	**S/000**	**%**
Credit risk rating IFI				
Standard	5,980,314	74.13	5,457,836	71.42
With potential problems	4,825	0.06	7,045	0.09
Financiera TFC (*)	203,054	2.52	203,324	2.66
CMAC Sullana (**)	100,267	1.25	-	-
COOPAC Quillacoop (**)	900	0.01	-	-
	6,289,360	**77.97**	**5,668,205**	**74.17**
	8,066,890	**100.00**	**7,642,412**	**100.00**

(*) As of December 31, 2020, and 2019, corresponds to the balance of accounts receivable without CRC from Financiera TFC. These accounts receivable have been provisioned for sub-borrower credit risk rating, due to the IFI's intervention of the SBS on December 12, 2019. As of December 31, 2020, such provision amounts to S/ 15,135 thousand.

(**) In 2020, The Fund decided to execute the thirteenth clause of the Resource Channeling Agreements signed with CMAC Sullana and COOPAC Quillacoop due to deterioration in their financial indicators between May and June 2020, respectively. The balance without credit risk coverage of these portfolios is provisioned for borrower risk. As of December 2020, such provision amounts to S/ 13,507 thousand and S/111 thousand, respectively.

As of December 31, the table below presents the accounts receivable (Trust Agreement – COFIDE) corresponding to the balance with credit risk coverage (CRC) based on final beneficiary classification:

	2020		2019	
In thousands of soles	**S/000**	**%**	**S/000**	**%**
Risk category of the final debtor				
Standard	1,473,160	18.26%	1,699,522	22.24%
With potential problems	35,352	0.45%	29,522	0.39%
Substandard	41,598	0.52%	36,083	0.47%
Doubtful	88,926	1.09%	72,405	0.95%
Loss	120,307	1.49%	118,409	1.55%
Financiera TFC	18,187	0.23%	18,266	0.24%
	1,777,530	**22.03%**	**1,974,207**	**25.83%**
	8,066,890	**100.00%**	**7,642,412**	**100.00%**

The annual interest rates for the products offered by the Fund, are fixed interest rates established with the purpose of promoting the granting of credits. As of December 31, 2020 and 2019, the Fund's shareholding structure is as follows:

	%
New loan - MIVIVIENDA (*)	7.10
Traditional loan MIVIVIENDA	7.75
Supplementary loan - Techo Propio	7.25
Loan - MIHOGAR	7.60
Loan - MICONSTRUCCIÓN	8.00
Standardized loan - MIVIVIENDA	6.90 & 7.30
Loan - MICASA MÁS	7.70
Loan - MITERRENO	9.00

(*) The interest rate of the Nuevo Crédito MIVIVIENDA product was reduced to 5%, only for the credits with the BMS attribute disbursed until December 31, 2019, by means of Board of Directors Meeting 02-16D-2019, dated July 25, 2019.

As of December 31, accounts receivable (Trust Agreement - COFIDE) have the following maturity dates:

In thousands of soles	**2020**	**2019**
Up to 1 months	69,891	48,493
1 – 3 months	172,995	143,382
3–12 months	578,283	502,434
1 – 3 years	1,748,320	1,686,231
More than 3 years	5,497,401	5,261,872
	8,066,890	**7,642,412**

The movement in the loss allowance for accounts receivable (Trust Agreement - COFIDE) determined according to the criteria described in note 4.C is as follows:

In thousands of soles	**2020**	**2019**
Opening balance	158,594	150,102
Additions debited to profit or loss	68,393	49,519
Reversal of provisions	(29,988)	(40,966)
Exchange difference	225	(61)
Closing balance	**197,224**	**158,594**

Management considers that the level of allowance for doubtful accounts (Trust Agreement - COFIDE) covers possible losses that may be generated as of the date of the statement of financial position and has been made in compliance with SBS regulatory requirements in effect as of December 31, 2020 and 2019.

8. Loan Portfolio, Net

As of December 31, this caption comprises the following:

In thousands of soles	**2020**	**2019**
Outstanding	26,817	35,047
Refinanced	1,092	914
Past due	37,870	34,832
Under legal collection	153	152
	65,932	**70,945**
Plus (less):		
Accrued interest on current loans	275	400
Provision for loan losses	(37,729)	(35,379)
	28,478	**35,966**

As of December 31, 2020, and 2019, the loan portfolio consists mainly of the loan portfolio transferred by Caja Rural de Ahorro y Crédito Señor de Luren (hereinafter "Caja Luren"), which through SBS Resolution N° 3503-2015, dated June 19, 2015, entered in official liquidation process.

As of December 31, the balance of the loan's portfolio classified by product type is as follows:

	Number of borrowers		**Balances**	
In thousands of soles	**2020**	**2019**	**2020**	**2019**
Nuevo Crédito MIVIVIENDA	1,168	1,182	65,071	69,605
Crédito Complementario Techo Propio	760	810	8,984	9,678
Crédito MIVIVIENDA tradicional	14	16	381	453
Crédito MIHOGAR	1	1	47	48
Deferred income	-	-	(8,551)	(8,839)
	1,943	**2,009**	**65,932**	**70,945**

As of December 31, 2020, the loan portfolio is backed by preferred collaterals for S/ 61,358 thousand (2019: S/ 63,865 thousand) and non-preferred collaterals for S/ 80,373 thousand (2019: S/ 81,094 thousand). In 2020 and 2019, S/ 9,033 thousand and S/ 12,116 thousand, respectively, have been collected from this portfolio.

As of December 31, according to the SBS regulations, the credit risk rating of the loan portfolio borrowers is as follows:

	Number of borrowers		**Balances**	
In thousands of soles	**2020**	**2019**	**2020**	**2019**
Normal	771	870	22,385	30,706
With potential problems	52	58	1,672	1,694
Substandard	62	44	1,780	1,537
Doubtful	126	150	5,596	4,326
Loss	932	887	34,499	32,682
	1,943	**2,009**	**65,932**	**70,945**

Annual effective interest rate of this loan portfolio was determined based on market conditions. As of December 31, 2020, and 2019, the minimal and maximum annual interest rate in local currency was 13.50% and 9.00%, respectively.

As of December 31, 2020 and 2019, the interest in suspense on loans that are past due, under legal collection, or rated as "Doubtful" or "Loss" amounts to S/ 23,450 thousand and S/ 20,418 thousand, respectively. Such interests are recognized in the income statement when they are collected.

The table below presents the loan portfolio balance classified by maturity dates as of December 31:

In thousands of soles	**2020**		**2019**	
Due within 1 month	163	0.25%	217	0.31%
From 1 to 3 months	331	0.50%	232	0.33%
From 3 months to 1 year	1,528	2.32%	1,991	2.81%
From 1 to 5 years	10,289	15.60%	13,411	18.96%
Over 5 years	17,595	26.68%	22,934	32.42%
	29,906	**45.35%**	**38,785**	**54.82%**
Plus (less)				
Loans past due and loans under legal collection	44,577	67.61%	40,799	57.67%
Deferred revenue of loans past due and loans under legal collection	(6,554)	(9.94%)	(5,815)	(8.22%
Deferred revenue of outstanding and refinanced loans	(1,997)	(3.02%)	(3,024)	(4.27%
	65,932	**100.00%**	**70,745**	**100.00%**

The changes in the loss allowance for direct loans were as follows:

In thousands of soles	**2020**	**2019**
Balance at the beginning of the year	35,379	37,411
Additions	3,306	2,539
Recovery of provisions	(961)	(4,571)
Exchange difference	5	-
Balance at the end of the year	**37,729**	**35,379**

In 2020, because of its inspection visit, the SBS determined a deficit in the provision for direct loans of S/. 22,274 corresponding to debtors classified as "Loss" for more than 24 months. The SBS granted a deadline for its implementation until February 28, 2021, consequently the Fund has recognized this deficit in a proportional manner since October 2020. Through Official Letter 25-2021-FMV/GG, dated January 29, 2021, the Fund requested the SBS to extend the term until September 30, 2021 to implement the observation, specifying that as of December 31, 2020, it has been constituted S/ 15,440 thousand of the total required.

Management considers that the level of provision for loan losses covers possible losses that may be generated as of the date of the statement of financial position and has been made in compliance with SBS regulatory requirements in effect as of December 31, 2020 and 2019.

The Fund, based on the policies indicated in note 4.D.iv, reprogrammed loans to customers whose past due days do not exceed 15-days as of February 29, 2020 and who are up to date before the declaration of national state of emergency. This accessibility included payment rescheduling of up to 180 days, which were carried out massively.

As of December 31, 2020, credit rescheduling is as follows:

In thousands of soles	**2020**
New loan MIVIVIENDA	4,554
Techo Propio	115
	4,669

As of December 31, 2020, 99 requests for the rescheduling of loans in local currency have been addressed by the IFIs that manage the Fund's direct portfolio, attended between the months of April to July 2020 (12 correspond to Techo Propio loans and 87 to the new MIVIVIENDA loan).

The Fund's Rescheduling Regulation focuses on the most vulnerable debtors, who before the COVID-19 Pandemic were good payers, and whose ability to pay has been affected as a result of the situation and therefore required to reschedule their debts.

In December 2020, the minutes for the transfer of the direct portfolio of the former CAC Presta Perú were signed between the Temporary Administrators of the SBS and the Fund.

Financiera Efectiva (Manager of the collection of the portfolio of former CAC Pretaperú) is processing on behalf of the Fund the information of the payment schedules and histories and reviewing the electronic information provided by the SBS Intervening Commission of the former CAC Presta Perú (note 27).

9. Other Accounts Receivable, Net

As of December 31, this caption comprises the following:

In thousands of soles	**2020**	**2019**
Accounts receivable from trust agreements CRC and PBP (a)	104,325	98,764
Accounts receivable from banks in liquidation (b)	99,596	99,882
Accounts receivable from customers of CAC Presta Perú (c)	74,462	74,462
Accounts receivable from Ex - CONEMINSA (d)	12,850	12,869
BFH overpaid, to be recovered (e)	5,540	-
Accounts receivable from CAC Presta Perú (c)	4,230	4,230
Accounts receivable from ICCGSA (f)	3,794	3,794
Invoices receivable	649	1,081
Other accounts receivable	481	382
Margin call (g)	-	18,825
	305,927	**314,289**
Loss allowance for accounts receivable (h)		
Banks in liquidation	(99,596)	(99,882)
Accounts receivable from customers of CAC Presta Perú	(74,462)	(48,077)
Portfolio Ex – CONEMINSA	(12,630)	(10,727)
Accounts receivable from CAC Presta Perú	(4,230)	(2,538)
Accounts receivable from ICCGSA	(3,794)	(3,794)
Invoices receivable	(628)	(1,269)
Other accounts receivable	(21)	(21)
	(195,361)	**(166,308)**
	110,566	**147,981**

(a) Corresponds to the balance of the net assets (total assets less total liabilities) of the trusts managed by the Fund, which ensure the payment of CRC to the IFIs and the PBP to those who access this benefit as part of the credit programs offered by the Fund. As of December 31, the balances mentioned are as follows:

In thousands of soles	**2020**	**2019**
Trust agreement CRC and PBP – PEN	48,457	46,387
Trust agreement CRC and PBP – USD	55,868	52,377
	104,325	**98,764**

Through constitutional acts signed in June 2007 by the Fund as trustee and trustor simultaneously, these trusts were constituted with the purpose of ensuring the availability of resources so that the Fund fulfills the obligations of the Fund arising from the CRC and PBP service contracts signed with some IFIs, as well as allowing those resources to be managed efficiently.

The operations of these trusts are recorded in accordance with SBS Resolution 980-2006 'Regulations of the Fund,' namely, in a single account in the statement of financial position. The trusts accounting is kept separate for control purposes and shows the following balances as of December 31:

CRC-PBP Trust – Nuevos soles

In thousands of soles	**2020**	**2019**
Statement of Financial Position		
Assets		
Cash and cash equivalents	31,359	16,189
Available-for-sale investments (*)	12,351	19,824
Held-to-maturity investments (*)	4,742	10,374
Other accounts receivable (*)	5	-
Total assets	**48,457**	**46,387**
Equity and net surplus		
Retained earnings	45,223	43,743
Collection surplus, net	2,939	2,517
Unrealized gains and losses	295	127
Total equity and net surplus	**48,457**	**46,387**

(*) *During 2016, the CRC-PBP trust agreement – Nuevos Soles reclassified investments classified as available-for-sale to investments into held-to-maturity investments. The carrying amount at the dates of reclassification amounted to approximately S/ 33,683 thousand and the unrealized loss accumulated in net equity amounted to S/ 1,344 thousand; this latter amount is transferred to results during the remaining term of the instruments. In 2020 and 2019, the Fund transferred to profit or loss of the year the amount of S/ 120 thousand and S/ 114 thousand, respectively.*

CRC-PBP Trust – Nuevos soles

In thousands of soles	**2020**	**2019**
Income Statement		
Revenue		
Interest income	1,766	2,273
Reversal of investment impairment	6	171
Measurement of investments, net	-	31
Total revenue	**1,772**	**2,475**
Expenses		
Administration fee	(284)	(269)
Financial transaction tax	(2)	(1)
Various financial services expenses	(6)	(9)
Total expenses	**(292)**	**(279)**
Net profit	**1,480**	**2,196**

CRC-PBP Trust U.S. dollars

In thousands of soles	**2020**	**2019**
Statement of Financial Position		
Assets		
Cash and cash equivalents	29,206	7,274
Available-for-sale investments (*)	17,359	30,001
Held-to-maturity investments (*)	9,303	15,084
Other accounts receivable	-	18
Total assets	**55,868**	**52,377**
Equity and net surplus		
Initial equity	21,013	21,013
Retained earnings	24,684	21,907
Collection surplus, net	10,133	9,538
Unrealized gains and losses	38	(81)
Total equity and net surplus	**55,868**	**52,377**

(*) During 2016, the CRC-PBP trust agreement – US Dollars reclassified investments classified as available-for-sale to investments into held-to-maturity investments. The carrying amount at the dates of reclassification amounted to approximately S/ 35,327 thousand and the unrealized loss accumulated in net equity amounted to S/ 1,784 thousand; this latter amount is transferred to results during the remaining term of the instruments. In 2020 and 2019, the Fund transferred to profit or loss of the year the amount of S/ 66 thousand and S/ 326 thousand, respectively.

CRC-PBP Trust U.S. dollars

In thousands of soles	**2020**	**2019**
Income Statement		
Revenue		
Interest income	2,177	2,540
Exchange difference, net	728	-
Reversal of investment impairment	42	228
Others	167	114
Total revenue	**3,114**	**2,882**
Expenses		
Administration fee	(326)	(302)
Exchange difference, net	-	(165)
Financial transaction tax	(3)	(2)
Various financial services expenses	(8)	(9)
Impairment loss on investments	-	-
Total expenses	**(337)**	**(478)**
Net profit	**2,777**	**2,404**

(b) Corresponds to accounts receivable generated by time deposits, certificates of deposit, among other, held by the Fund, before being a financial entity supervised by the SBS (prior to January 2006), with certain financial institutions that later went into liquidation process. The detail of the balances and their respective allowance, as of December 31, is as follows:

In thousands of soles	**2020**	**2019**
Capital		
Banco Nuevo Mundo in liquidation	52,205	53,044
Banco República in liquidation	39,922	39,922
Banco Banex in liquidation - nonrecourse debt	5,018	4,592
Banco República in liquidation - nonrecourse debt	2,451	2,324
	99,596	**99,882**
Less: Loss allowance		
Banco Nuevo Mundo in liquidation	(52,205)	(53,044)
Banco República in liquidation	(39,922)	(39,922)
Banco Banex in liquidation - nonrecourse debt	(5,018)	(4,592)
Banco República in liquidation - nonrecourse debt	(2,451)	(2,324)
	(99,596)	**(99,882)**
	-	**-**

During the liquidation process of these financial institutions, conducted under the supervision and intervention of SBS, the Fund has received property assets, real estate, and collection of loans as part payment of these debts.

Management recorded an allowance for 100% of the accounts receivable from Banco Nuevo Mundo, Banco República and Banco Banex, all of them under liquidation process, and recognizes the recoveries received based on their realization. During 2020, the Fund received in cash from Banco Nuevo Mundo in Liquidation, payment of S/ 839 thousand, while in 2019, the Fund did not receive recoveries from banks in liquidation.

Management believes that the allowance for doubtful accounts from banks in liquidation recorded as of December 31, 2020 and 2019 is sufficient.

(c) In August 2019, after activating the 13 Article of the Resource Channeling Agreement signed with Cooperativa de Ahorro y Crédito del Perú (CAC Presta Perú), the Fund authorized the withdrawal of the balance owed by the aforementioned IFI from the management of the Trust COFIDE, directly demanding from the IFI the payment of the outstanding fees from February to August 2019 in the amount of S/ 4,230 thousand.

As of December 31, 2020, this account receivable maintains an allowance for doubtful accounts of S/ 4,230 thousand (2019: S/ 2,538 thousands), determined by applying the percentage of allowance that corresponds to a debtor classified as Loss, which is the classification it maintains as of December 31, 2020.

In August 2019, after activating the 13 Article of the Regulation and the Agreement for Channeling of Resources signed with Cooperativa de Ahorro y Crédito del Perú (CAC Presta Perú), the Fund authorized the withdrawal of the balance owed by the aforementioned IFI from the management of the Trust Agreement - COFIDE, recording at the end of August 2019 a balance of accounts receivable for S/ 74,462 thousand.

This account receivable maintains an allowance for doubtful accounts of S/ 74,462 thousand, determined by applying the percentage of allowance that corresponds to a debtor classified as Loss, which is classified as of December 31, 2020.

(d) It corresponds to the portfolio of accounts receivable of mortgage loans granted by Compañía de Negociaciones Mobiliarias e Inmobiliarias S.A. – CONEMINSA, which was received by the Fund under a payment in kind agreement signed on December 30, 2003 for its management and recovery.

(e) It corresponds to a claim against third parties (technical entities that build social housing for the population) for the excess payment of a bonus granted by the Ministry of Housing and Construction, the BFH, whose administration is in charge of the Fund.

(f) It corresponds to the account receivable from Ingenieros Civiles Contratistas Generales S.A.C. (ICCGSA), for the commercial papers that the Fund maintained, which expired on October 22, 2018, and for which an account receivable was recognized with its respective allowance for doubtful accounts for an amount of S/ 3,794 thousand, of which S/ 3,500 thousand corresponded to capital and S/ 294 thousand to interest as of December 31, 2018.

(g) As of December 31, 2019, this corresponds to the margin required by the counterparties as a result of the valuation of the derivative instruments contracted in U.S. dollars. As of December 31, 2020, no balances are maintained with Morgan Stanley, Merryl Lynch and Bank of Nova Scotia since the refund was requested during 2020.

(h) The changes in the allowance for other doubtful accounts are detailed below:

In thousands of soles	**2020**	**2019**
Opening balance	166,308	115,757
Additions	30,004	50,735
Reversal of provisions	(1,074)	(53)
Exchange difference, net	623	(128)
Others	(500)	(3)
Closing balance	**195,361**	**166,308**

In management's opinion, the loss allowance for accounts receivable as of December 31, 2020 and 2019 adequately hedges the credit risk of these items as of those dates.

10. Hedging Derivatives

As of December 31, 2020, and 2019, the Fund holds agreements related to foreign currency forwards, cross currency sw
(IRS). As of December 31, the changes in fair value of these derivative financial instruments are recorded as accounts rec
(liabilities).

	2020				2019			
In thousands of soles	**Assets**	**Liabilities**	**Face value**	**Maturity date**	**Assets**	**Liabilities**	**Face value**	**Maturi**
Cash flows								
Currency swap - POS	310,975	18,859	1,843,680	Between January and March 2023	159,922	31,321	1,696,054	Between Janua 2023
Currency swap - CCS	83,689	12,845	1,456,203	Between January 2023 and October 2031	-	62,230	976,698	Between Janua October 2031
Currency swap - IOS	64	-	-	March 2023	-	41	-	March 2023
Fair value								
Currency forward	209	2,643	268,113	Between January and May 2021	6,403	-	268,597	Between Janua 2020
	394,937	**34,347**	**3,567,996**		**166,325**	**93,592**	**2,941,349**	

IOS: Interest only swaps, POS: Principal only swaps. As of December 31, 2020 and 2019, the reference values of operations with derivative instruments are recorde currency.

During the years 2020 and 2019, the Fund contracted currency forwards, negotiated, and settled during the period, which thousand and S/ 1,222 thousand, respectively, reflected in the income statement in 'profit or loss from financial operation

Likewise, during the years 2020 and 2019, the Fund contracted financial hedging derivatives which generated a net loss o thousand, respectively, reflected in the income statement in 'results from financial operations' (note 20).

As of December 31, 2020, active hedging derivatives increased mainly due to the new contracts that hedge the use of AF (note 13), as well as the valuation of the principal only purchase derivatives.

11. Property, Furniture and Equipment, Net

The movement in property, furniture, and equipment and accumulated depreciation in 2020 and 2019 is as follows:

In thousands of soles	Land	Buildings	Facilities	Furniture and fixtures	Computer equipment	Various equipment	Ve
Costs							
Balance as of January 1, 2019	103	36	189	747	1,456	982	
Additions	-	-	-	2	29	55	
Disposals	-	-	-	(30)	(83)	(198)	
Balance as December 31, 2019	**103**	**36**	**189**	**719**	**1,402**	**839**	
Additions	-	-	-	-	11	59	
Disposals	-	-	(46)	(24)	(39)	(19)	
Balance as December 31, 2020	**103**	**36**	**143**	**695**	**1,374**	**879**	
Accumulated depreciation							
Balance as of January 1, 2019	-	12	77	509	1,249	727	
Additions	-	-	15	34	69	50	
Disposals	-	-	-	(28)	(83)	(193)	
Balance as December 31, 2019	**-**	**12**	**92**	**515**	**1,235**	**584**	
Additions	-	-	14	30	67	48	
Disposals	-	-	(46)	(24)	(39)	(19)	
Balance as December 31, 2020	**-**	**12**	**60**	**521**	**1,263**	**613**	
Net book value							
As of December 31, 2019	**103**	**24**	**97**	**204**	**167**	**255**	
As of December 31, 2020	**103**	**24**	**83**	**174**	**111**	**266**	

According to the current legislation, banks in Peru may not grant as guarantee assets that are part of their property, furnitu
acquired through the issuance of finance lease bonds and to carry out finance lease operations.

In management's opinion, there is no evidence of impairment of the items in property, furniture and equipment held by the Fund as of December 31, 2020 and 2019. As of December 31, 2020, the Fund has fully depreciated property, furniture, and equipment amounting to S/ 2,522 thousand (2019: S/ 2,332 thousand).

The Fund has insured its main assets in accordance with management's policies. For this purpose, as of December 31, 2020 and 2019, the Fund has contracted an insurance policy against all risks that covers the value of the Fund's net assets, including property, furniture and equipment. In management's opinion, its insurance policies are reasonable for its activity.

12. Other Assets, Net

As of December 31, this caption comprises the following:

In thousands of soles	**2020**	**2019**
Current income tax asset, net (a)	42,414	39,172
Intangible assets, net (b)	6,360	5,987
Prepaid expenses	2,156	1,956
Others	1,605	2,793
	52,535	**49,908**

(a) The balance of the current income tax, net is made up as follows:

In thousands of soles	**2020**	**2019**
Temporary tax on net assets	38,825	41,088
Pre - payments for income tax	3,589	29,691
	42,414	**70,779**
Provision for income tax	-	(31,607)
	42,414	**39,172**

(b) The item of intangible assets is composed of software and licenses used by the Fund's computers, the cost of which as of December 31, 2020 is S/ 14,537 thousand and accumulated amortization of S/ 8,177 thousand (2019: total cost of S/ 12,752 thousand and accumulated amortization of S/ 6,765 thousand).

During 2020 and 2019, 'intangible assets' increase mainly due to the capitalization of new software for the implementation of new systems and modules for S/ 2,659 thousand and S/ 2,234 thousand, respectively. Amortization of intangible assets is calculated following the straight-line method over a maximum of a 5–year period.

13. Debts and Financial Obligations

As of December 31, this caption comprises the following:

				2020				
In thousands of soles	Currency	Maturity date	Annual interest rate (%)	Principal	Adjustment at amortized cost	Interest and fees	Total	Principa
Entity								
Aaociación Francesa de Desarrollo (AFD)	Euro	2023 & 2031	0.61 – 1.30	747,155	(2,287)	1,299	746,167	462,8
Kreditanstakt fur Wiederaufbau (KfW)	Euro	2031	0.61	199,078	(836)	202	198,444	55,7
Banco BBVA Perú	US$	2020	3.10	-	-	-	-	115,9
				946,233	**(3,123)**	**1,501**	**944,611**	**634,6**

Certain loan contracts include standard clauses regarding compliance with financial ratios. In management's opinion, as of December 31, 2020 and 2019, these clauses have been complied with and do not represent any restriction on the operatio

As of December 31, 2020, a loan denominated in euros from AFD amounting to EUR 168,665 thousand (equivalent to S/ 7 from KfW amounting to EUR 44,857 thousand (equivalent to S/ 198,444 thousand), both exposed to exchange rate risk, be principle only swaps (POS) and interest only swaps (IOS) for a nominal amount of EUR 206,389 thousand (equivalent to S/ thousand (equivalent to S/ 33,180 thousand), respectively (note 10). As of December 31, 2019, a loan denominated in euro EUR 124,102 thousand (equivalent to S/ 461,592 thousand) and a loan in euros from KfW amounting to EUR 14,810 thousa both exposed to exchange rate risk, being hedged by cross currency swaps (CCS), principal only swaps (POS) and interest amount of approximately EUR 128,944 thousand (equivalent to S/ 479,598 thousand), EUR 10,500 thousand (equivalent to

The increase in the balance of debts is mainly due to the use of the AFD and KfW credit lines during 2020.

The table below presents the balance of debts and financial obligations classified by contractual maturity:

In thousands of soles	**2020**	**2019**
Less than 3 months	56,625	-
3–12 months	56,625	213,686
1–5 years	423,057	288,114
More than 5 years	408,304	133,392
	944,611	**635,192**

14. Securities and Bonds Outstanding

As of December 31, this caption comprises the following:

	Annual interest rate		**Issued**	**Carrying amount in S/**	
In thousands	**(%)**	**Maturity date**	**amount**	**2020**	**2019**
Corporate bond local issuance (a)					
Fourth issuance of series A bonds	6.72	July 2026	S/ 310,000	309,877	309,802
Third issuance of series A bonds	7.00	February 2024	S/ 1,500,000	1,496,887	1,495,819
Fifth issuance of series A bonds	5.02	July 2026	S/ 250,000	249,699	249,618
Sixth issuance of series A bonds	4.7813	January 2027	S/ 240,210	239,888	-
Corporate bond foreign issuance					
First issuance (b)	3.50	January 2023	US$ 500,000	1,804,233	1,648,530
Reopening of the first issuance (c)	3.50	January 2023	US$ 150,000	540,302	493,278
				4,640,886	**4,197,047**
Interest payable				95,220	86,991
				4,736,106	**4,284,038**

The funds raised through the issuance of securities and bonds are used to finance the Fund's operations.

(a) The Board of Directors' Meeting, held on November 16, 2012, approved the First Corporate Bond Program. The Fund may issue securities up to US$ 800,000 thousand or its equivalent in soles. In April and July 2016, February 2017, July 2019 and January 2020, the Fund issued the first, third, fifth and sixth issuance of the Corporate Bonds, respectively.

On January 15, 2020, the sixth issuance of local Corporate Bonds was made for the amount of 48,042 bonds at a value of S/ 5 thousand for a total value of S/ 240,210 thousand, with a term of 7 years with maturity on January 15, 2027, at a nominal annual rate of 4.7813%. This issuance is part of the approval of up to an amount of US$ 800,000 thousand or its equivalent in soles.

(b) In January 2013, the Fund issued bonds under Rule 144 and Regulations S of the U.S. Securities Act, in the international market. The issuance corresponded to a face value of US$ 500,000 thousand maturing in 10 years. Bonds were placed at a price of 99.15%, at a coupon rate of 3.50% with semi-annual payments of interest and amortization at maturity.

As of December 31, 2020, and 2019, said bonds have exposure to exchange rate risk; they are hedged by principal only swaps (POS) for a nominal amount of approximately US$ 500,000 thousand (equivalent to S/ 1,810,500 thousand and S/ 1,657,000 thousand, respectively.)

(c) In February 2017, the Fund issued bonds under Rule 144 or Regulation S of the U. S. Securities Act in the international market through the reopening of the First Issuance called "3,5% Notes due 2023" made in January 2013. The new issuance corresponded to a face value of US$ 150,000 thousand maturing of 6 years. The bonds were placed below par at a price of 99.802%, at a coupon rate of 3.50%, with semi-annual interest payments and amortization at maturity.

As of December 31, 2020, and 2019, said bonds have exposure to exchange rate risk; they are hedged by cross-currency *swaps* for a face value of approximately US$ 150,000 thousand (equivalent to US$ 543,150 thousand and S/ 497,100 thousand, respectively).

As of December 31, the balance of securities and bonds outstanding classified by their maturity are as follows:

In thousands of soles	**2020**	**2019**
2 – 5 years	3,915,860	3,709,141
More than 5 years	820,246	574,898
	4,736,106	**4,284,039**

15. Other Accounts Payable, Provisions and Other Liabilities

As of December 31, this caption comprises the following:

In thousands of soles	***Note***	**2020**	**2019**
Other accounts payable			
BFH and bonus for improving quality of houses (a)		752,429	994,578
BBP (capital) allocated to COFIDE (b)		94,429	102,010
Balance payable for reconciliation with MEF (h)		81,822	81,822
BBP (capital) received from MVCS (d)		49,223	92,272
Housing rental bonus (BAV), payable (e)		48,449	51,948
Contributions to FONAVI (c)		8,644	8,644
Resources to transfer for executed bank guarantees		7,376	1,984
Eligible household savings to be transferred to technical entities (f)		7,274	22,470
Accounts payable to suppliers		3,086	3,263
Eligible household savings to be transferred for BAV (g)		2,711	7
Holidays and settlement of fringe benefits		1,045	1,009
Bond 500 for Emergency Decree N° 014-2017		19	3,646
Employees' profit sharing	*21*	-	5,639
Bonuses for management agreement – FONAFE	*21*	-	2,234
Others		4,212	1,350
		1,060,719	**1,372,876**
Provisions and other liabilities			
Deferred income (i)		18,981	895
Provisions for CRC - overdue portfolio (j)		1,803	2,084
Provision for contingencies (k)		1,394	1,139
Others		210	864
		22,388	**4,982**

(a) It corresponds to BFH and Bonus for Improving Quality of Houses (BVPP, for its acronym in Spanish) to be returned to the MVCS or disbursed to technical entities (builders) for the financing of the BFH and the family groups that accessed the Techo Propio Program. In 2020, the Fund received resources from the MVCS, through Agreements N° 013-2019, N° 120-2020, and N° 587-2020 in the amounts of S/ 2,970 thousand, S/ 568,012 thousand and S/ 535,350, thousand, respectively.

During 2019, the Fund received resources from the MVCS, through Agreements N° 320-2018, N° 412-2018, N° 005-2019, N° 013-2019 and N° 165-2019 for S/ 137,026 thousand, S/ 8,151 thousand, S/ 1,165,000 thousand, S/ 3,105 thousand and S/ 3,570 thousand, respectively.

(b) It corresponds to the funds received from the MVCS for the granting of the BBP, which were assigned to the authorized credits to the IFIs (Crédito MIHOGAR and Crédito Nuevo MIVIVIENDA) after reviewing compliance with the requirements established in the Regulations.

The changes in the balance of this caption are shown below:

In thousands of soles	**2020**	**2019**
Balance at the beginning of the year	102,010	110,464
Allocations received	116,042	98,983
Disbursement of BBP for initial installment	(116,042)	(98,983)
Application of BBP for installments of Crédito MIHOGAR	(700)	(999)
Application of BBP to installments of Nuevo Crédito MIVIVIENDA	(6,714)	(7,422)
Application of BBP to installments of Caja Luren, in liquidation	(111)	(114)
Reported adjustments	(56)	81
Balance at the end of the year	**94,429**	**102,010**

(c) This caption comprises the following:

In thousands of soles	**2020**	**2019**
FONAVI contributions pending transfer to the MEF (i)	8,023	8,023
Refund of not collected FONAVI checks (ii)	621	621
	8,644	**8,644**

(i) It corresponds mainly to FONAVI contributions pending from being transferred to the MEF for collections made by the Tax Authorities of FONAVI contributions made by taxpayers who have a stabilized tax regime applicable as per Law N° 27071.

(ii) It corresponds to checks issued from 1999 to 2016 pending collection by the beneficiaries. These checks were issued as reimbursement of FONAVI contributions according to Tax Authorities communications, which is the entity responsible for the collection of these resources.

(d) It corresponds to the balance of funds received from MVCS, pending allocation to beneficiaries that request loan products offered by the Fund. The Fund performs the allocation of these resources through COFIDE when disbursements are authorized to IFI for loans approved. This caption comprises the following:

In thousands of soles	**2020**	**2019**
Opening balance	92,272	39,771
Resources received from MVCS (i)	75,000	150,000
BBP Assigned (ii)	(117,947)	(98,983)
Transfer of BBP assigned	562	698
Transfers of BBP Assigned from finished agreements	1,964	2,539
Refund to IFIs – Recovery for reversed	-	(108)
Refund of resources to MVCS	(2,628)	(1,645)
Closing balance	**49,223**	**92,272**

(i) During 2020, the Fund received resources from the MVCS corresponding to the Agreement for the execution of the BBP 605-2020-VIVIENDA for an amount of S/ 75,000 thousand. During 2019, the Fund received resources from the MVCS corresponding to the Agreement for the execution of the BBP 004-2019-VIVIENDA for an amount of S/ 150,000 thousand.

(ii) As of December 31, 2020, the allocation of the resources of the BBP correspond to Agreements N° 004605, N° 124-2020, and N° 004-2019 amounting to S/ 59,189 thousand, S/ 26,387 thousand and S/ 91,560 thousand, respectively. As of December 31, 2019, it corresponds to agreements 004-2019, 124-2018, and 039-2017 amounting to S/ 59,189 thousand, S/ 39,689 thousand and S/ 105 thousand, respectively.

(e) It corresponds to a benefit (subsidy) granted to families for the housing rental, encouraging savings to access a home and improve living conditions. This money will be distributed by the beneficiaries as follows; 70% of the money for the payment of the monthly rent and the other 30% for savings for the acquisition of a house.

(f) It corresponds to the balance payable to technical institutions on behalf of eligible households who have accessed to the Techo Propio Program. This balance comprises the saving deposited by the household in the Fund's accounts.

(g) It corresponds to the balances payable to the eligible households that accessed the Housing Lease Bonus (BAV for its acronym in Spanish). This balance comprises the saving deposited by the household in the Fund's accounts.

(h) It corresponds to the collection of FONAVI from those taxpayers without a tax stability agreement, which was transferred by the Tax Authorities in accordance with the provisions of Paragraph 8.1 of Article 8 of Law 26969 and Literal c) of Article 5 of Law N° 26912.

(i) Deferred revenue corresponds mainly to the rescheduled portfolio of the Trust Agreement - COFIDE for S/ 18,566 thousand; and deferred revenue from portfolio refinancing of the EX-Coneminsa portfolio for S/ 271 thousand (note 7).

(j) The changes in the provision for CRC – portfolio sold, is as follows:

In thousands of soles	**2020**	**2019**
Balance at the beginning of the year	2,084	3,151
Additions debited to profit or loss	392	408
Reversal of provisions	(866)	(1,421)
Exchange difference, net	193	(54)
Balance at the end of the year	**1,803**	**2,084**

(k) Corresponds to provisions recorded for judicial proceedings associated with claims and probable labor contingencies. In the opinion of the Fund's management and legal advisors, the recorded provision is sufficient to cover the risk of loss for such contingencies as of December 31, 2020 and 2019.

16. Shareholder's Equity

A. Share capital

As of December 31, 2020 and 2019, the Fund's capital stock is represented by 3,382,587 and 3,355,584 ordinary shares with a face value of S/ 1.00 each. Its sole stockholder is FONAFE.

On June 30, 2020, the General Stockholders´ Meeting agreed to capitalize the earnings generated in 2019, net of legal reserve, for S/ 27,003 thousand. On April 1, 2019, the General Stockholders´ Meeting agreed to capitalize the earnings generated in 2018, net of legal reserve, for S/ 30,870 thousand.

B. Reserves

In accordance with current regulations, the Fund shall reach a legal reserve of at list 35% of its paid-in capital. This reserve is constituted through an annual appropriation of at least 10% of net income and can only be used to absorb losses or be capitalized, in both cases there is an obligation to replenish it.

The General Stockholder's Meetings, held on June 30, 2020 and April 1, 2019, approved the recording of legal reserves for net income 2019 and 2018, for S/ 3,000 thousand and S/ 3,430 thousand, respectively.

C. Unrealized results

The changes in unrealized profit or loss during 2020 and 2019 is presented net of its tax effect, and is as follows:

In thousands of soles	***Note***	**Balance as of January 1, 2019**	**Debit (credit) to the statement of other comprehensive income**	**Balance as of December 31, 2019**
Fund's available-for-sale investments				
Unrealized results on available-for-sale investments		96	(96)	-
Unrealized gain or loss from debt instruments reclassified from 'available-for-sale investments' to 'held-to-maturity investments'		(7,528)	644	(6,884)
		(7,432)	**548**	**(6,884)**
Income tax	*24*	(116)	(78)	(194)
Subtotal		**(7,548)**	**470**	**(7,078)**
Cash flow hedges				
Unrealized gains from cash flow hedges		182,809	(84,652)	98,157
Transfer to profit or loss of realized gain and loses in derivative from cash flow hedges		(284,999)	50,146	(234,853)
		(102,190)	**(34,506)**	**(136,696)**
Income tax	*24*	30,146	10,179	40,325
Subtotal		**(72,044)**	**(24,327)**	**(96,371)**
Available-for-sale investments CRC – PBP				
Unrealized results on available-for-sale investments		(1,798)	1,844	46
Income tax	*24*	165	(448)	(283)
Subtotal		**(1,633)**	**1,396**	**(237)**
Total		**(81,225)**	**(22,461)**	**(103,686)**

D. Regulatory capital

In June 2008, Legislative Decree N° 1028 amended the Banking Law establishing that the regulatory capital must be equal to or greater than 10% of assets and contingent credits by total risk corresponding to the sum of: (i) the regulatory capital requirement for market risk multiplied by 10, (ii) the regulatory capital requirement for operational risk multiplied by 10, and (iii) the weighted assets and contingent credits by credit risk.

As of December 31, pursuant to Legislative Decree N° 1028 and amendments, the Fund keeps the following amounts related to weighted assets and contingent credits by risk and regulatory capital (basic and supplementary), in soles:

In thousands of soles	**2020**	**2019**
Total risk-weighted assets and credits	377,637	379,285
Total regulatory capital	3,369,752	3,338,068
Basic regulatory capital – Tier 1	3,369,752	3,338,068
Global regulatory capital ratio	89.23%	88.01%

As of December 31, 2020 and 2019 the Fund has been complying with the SBS Resolutions N° 2115-2009 Regulations for the Regulatory Capital Requirement for Operational Risk, SBS Resolution N° 6328-2009 - Regulations for the Regulatory Capital Requirement for Market Risk, and SBS Resolution N° 14354-2009 - Regulations for the Regulatory Capital Requirement for Credit Risk and amendments. Such Resolutions mainly establish the methods that financial institutions shall use to calculate risk-weighted assets and loans (per risk).

SBS Resolution N° 8425-2011, dated July 2011, states that, in order to determine the level of additional regulatory capital, financial institutions shall develop a process to assess the adequacy of their regulatory capital based on their risk profile, in accordance with the method described in such Resolution. The Resolution also states that the additional regulatory capital requirements shall be equal to the sum of regulatory capital requirements calculated for each of the following components: economic cycle, concentration risk, market risk concentration, interest rate risk in the banking book, and other risks.

Likewise, it establishes a 5-year term beginning in July 2012 to adjust the Bank's regulatory capital to the new requirements. As of December 31, 2020, the percentage of adequacy established by SBS is 100%, therefore the additional requirement of regulatory capital estimated by the Fund amounts to approximately S/ 71,209 thousand (2019: S/ 70,416 thousand considering an adequacy of 100% established by the SBS).

In management's opinion, the Fund complies with the requirements set forth in the aforementioned Resolution and will continue to comply with them.

17. Contingencies

As of December 31, 2020, and 2019, the Fund maintains the following contingency processes:

(a) Various labor processes from its operations related to legal claims for payment of profit sharing and reimbursement of social benefits, recording a provision of S/ 1,394 thousand as of December 31, 2020 (2019: S/ 1,135 thousand). In opinion of the management and the legal advisors, the provision for legal contingencies recorded as of December 31, 2020 and 2019, is adequate to cover these contingencies.

(b) Various constitutional processes (appeal for legal protection) related to the restitution of labor rights to former workers of the Fund. Also, processes originated by discrimination in the right for participating in awarding and contracting processes, cancellation of registration of Technical Entities for infractions committed. In opinion of the management and the legal advisors, those contingencies will not cause possible losses at the end of those processes.

18. Interest Income and Expense

This caption comprises the following:

In thousands of soles	**2020**	**2019**
Interest income		
Accounts receivable (Trust Agreement – COFIDE), net of interest related to the PBP granted by the Fund (a)	447,627	444,741
Cash and cash equivalents	20,172	55,261
Investments	12,479	15,710
Direct loan portfolio	4,452	6,465
Attribution to profit or loss from CRC-PBP Trusts	4,257	4,600
Other income	84	120
	489,071	**526,897**
Interest expenses		
Securities and bonds outstanding	234,834	221,459
PBP (capital) granted by the Fund (b)	41,890	76,502
Borrowings and financial obligations	8,274	6,892
PBP (capital and interest) – CRC-PBP Trust	1,908	2,563
	286,906	**307,416**

(a) In 2020 and 2019, it corresponds to the interest for yields accrued from the Trust Agreement - COFIDE for S/ 466,794 thousand and S/ 468,577 thousand, respectively, plus the accrued interest of the rescheduled 2020 portfolio for S/ 336 thousand net of interest from the PBP for S/ 19,503 thousand and S/ 23,836 thousand, respectively.

(b) In 2020 and 2019, it corresponds mainly to the PBP for the MiVivienda traditional loan and new Mivivienda loan for S/ 10,221 thousand and S/ 21,271 thousand, respectively (2019: S/ 13,950 thousand and S/ 22,876 thousand, respectively.)

19. Financial Service Revenue and Expense

This caption comprises the following:

In thousands of soles	**2020**	**2019**
Income from financial services		
Commission for CRC and PBP services	3,701	4,368
Execution of bank guarantees constituted by ET – BFH and the Household Savings	862	192
Others	751	664
	5,314	**5,224**
Financial services expenses		
Loan portfolio management service	(2,016)	(2,114)
Securities custody service and banking fees	(229)	(183)
Others	(35)	(272)
	(2,280)	**(2,569)**

20. Result from Financial Transactions

This caption comprises the following:

In thousands of soles	***Note***	**2020**	**2019**
Loss on hedging derivative financial products	*10*	(85,764)	(75,812)
Gain on trading derivative instruments	*10*	1,844	1,222
Exchange loss		(1,618)	(3,112)
Others		3,037	1,222
		(82,501)	**(76,480)**

21. Administrative Expenses

This caption comprises the following:

In thousands of soles	**2020**	**2019**
Personnel and Board of Directors expenses (a)	(23,136)	(31,823)
Services received from third parties (b)	(17,003)	(17,209)
Taxes and contributions	(358)	(909)
	(40,497)	**(49,941)**

(a) Personnel and Board of Directors expenses are allocated as follows:

In thousands of soles	**2020**	**2019**
Remunerations	(12,273)	(12,734)
Legal bonuses	(2,221)	(2,310)
Social security contributions	(2,074)	(2,086)
Severance payment	(1,307)	(1,355)
Holidays	(1,149)	(1,171)
Food services	(914)	(884)
Other bonuses	(753)	(486)
Internship subsidy	(713)	(888)
Remuneration to the Board of Directors' members	(398)	(418)
July or December bonus	(298)	(257)
Staff attire	(291)	(607)
Termination pay	(217)	(88)
Training	(84)	(261)
Employees' profit sharing	-	(5,639)
Bonuses for management agreement – FONAFE	-	(2,234)
Others	(444)	(405)
	(23,136)	**(31,823)**

The average number of employees in the years 2020 and 2019 was 204 and 205, respectively.

(b) Third-party services expenses are allocated as follows:

In thousands of soles	**2020**	**2019**
Fees and advisory	(2,718)	(2,587)
Property and good rentals	(2,702)	(2,483)
Expenses from bonds issued	(2,148)	(2,150)
Repairs and maintenance	(1,791)	(1,752)
Miscellaneous management charges	(1,555)	(828)
IT and communication share services – FONAFE	(1,260)	(824)
Communications	(1,154)	(1,250)
Insurance	(1,057)	(187)
Other expenses	(861)	(1,138)
Telemarketing services	(853)	(905)
Advertising	(363)	(1,330)
Document storage	(255)	(976)
Various supplies	(170)	(201)
Transportation expenses	(78)	(294)
Travel expenses	(38)	(304)
	(17,003)	**(17,209)**

22. Other Income and Expenses, Net

This caption comprises the following:

In thousands of soles	**2020**	**2019**
Other income		
Presta Perú portfolio income	4,211	2,765
Revenue portfolio Ex – CONEMINSA	87	111
Margin Call interest	68	512
Compliance with letters of guarantee for non-compliance with projects	-	1,400
Reversal of provision in Trust Agreement - COFIDE Portfolio Sold 2007	-	408
Other income	694	1,565
	5,060	**6,761**
Other expenses	(421)	(220)
Total other income and expenses, net	**4,639**	**6,541**

23. Tax Matters

A. The Fund is subject to the Peruvian tax regime. As of December 31, 2020 and 2019, the corporate income tax is calculated on the basis of the net taxable income determined by the Fund at a rate of 29.5%, in accordance to Legislative Decree 1261.

The aforementioned Decree also established the amendment to the income tax rate applicable to dividend distribution and any other form of profit distribution to 5% for profits generated and distributed from January 1, 2017.

It shall be presumed, without otherwise evidence, that the dividend distribution or any other form of profit distribution corresponds to retained earnings or other items that may generate older taxable dividends.

B. In accordance with current Peruvian tax legislation, non-domiciled individuals only pay taxes for their Peruvian source income. Thus, in general terms, income obtained by non-domiciled individuals from the services rendered in Peru shall be subject to a 30% income tax rate on gross income, provided that no double tax treaties are applicable. On this concern, Peru has currently entered into double tax treaties with the Andean Community, Chile, Canada, Brazil, Portugal, Switzerland, Mexico and South Korea.

Concerning the technical support or digital services rendered by non-domiciled individuals to domiciled individuals, regardless of the place where the service is rendered, they shall be subject to a 15% and 30% income tax rate on gross income, respectively. This as long as the application of double tax treaty does not apply, so there would be no withholding. Technical support shall be subject to a 15% applicable rate, provided that Income Tax Law requirements are met. As noted above, the retention ratio in these situations may vary or retention may not be applicable if provisions of current double tax treaties are applied.

Income tax determination

C. The Fund computed its tax base for the years ended December 31, 2020 and 2019 and determined current tax for S/ 0 and S/ 31,607 thousand, respectively.

Tax expense comprises the following:

In thousands of soles	**2020**	**2019**
Current income tax	-	(31,607)
Deferred income tax	(11,701)	17,737
	(11,701)	**(13,870)**

Reconciliation of the effective tax rate to the tax rate is as follows:

In thousands of soles	**2020**		**2019**	
Profit before tax	**15,229**	**100.00%**	**43,873**	**100.00%**
Implicit cost	**(4,493)**	**(29.50%)**	**(12,943)**	**(29.50%)**
Plus (less)				
Net effect of permanent items	(7,208)	(47.33%)	(927)	(2.11%)
Income tax	**(11,701)**	**(76.83%)**	**(13,870)**	**(31.61%)**

Income tax exemptions and exceptions

D. From the year 2010, the capital gains from the disposal or redemption of transferable instruments made in a centralized market are subject to income tax. For this purpose, the cost basis of instruments is the higher of quoted price at the end of the taxable year 2009 or acquisition cost, or increase in equity value, according to the procedure established in Supreme Decree 011-2010-EF.

Emergency Decree 005-2019 extended the period of the exemption until December 31, 2022 and included as new exempted cases: i) Debt securities, ii) Certificates of participation in mutual funds of investment in securities, iii) Certificates of participation in real estate investment (FIRBI, for its Spanish acronym) and certificates of participation in real estate trusts (FIBRA, for its Spanish acronym), and iv) negotiable invoices. The aforementioned exemption shall be applicable provided that certain requirements are met.

Temporary tax on net assets

E. The Fund is subject to the temporary tax on net assets, whose tax base is composed of the prior period adjusted net asset value less depreciations, amortizations, legal reserve requirements and specific provisions for credit risk. The tax rate is 0.4% for the years 2020 and 2019 and is applied to the amount of net assets exceeding S/ 1,000 thousand. It may be paid in cash or nine consecutive monthly installments. The paid amount may be used as a credit against income tax paid for tax periods from March to December of the taxable year in which the tax was paid until maturity date of each down payment, and against the payment for regularization of income tax of the relevant taxable year. In the event a remaining balance is not applied, its refund could be requested.

Financial transaction tax

F. Financial transaction tax for the years 2020 and 2019 was fixed at the rate of 0.005%. This tax is applicable to debits and credits in bank accounts or movements in funds made through the financial system unless the account is tax-exempt.

Tax Unit

G. For the years 2020 and 2019, the value of the tax unit amounts to S/ 4,300 and S/ 4,200, respectively.

Tax assessment

H. The Tax Authorities are entitled to audit and, if applicable, to correct the income tax calculated by the Fund within the 4 years following the year of the tax return filing. The Fund 's income and sales tax returns for the years from 2016 to 2020 are open for review by the Tax Authorities.

Therefore, in the opinion of management and its legal advisers, these tax processes and the years pending tax review should not result in significant liabilities that would impact the Fund's financial results, in accordance with IFRIC 23.

Due to the possible interpretations of the current laws by the Tax Authorities, it is not possible to determine, to date, whether a future tax assessment will result in liabilities for the Fund. Therefore, any major tax or surcharge that might arise from eventual tax assessments would be applied to profit or loss when they are determined. However, it is the opinion of management and its legal advisors that any possible additional settlement of taxes would not be significant for the financial statements as of December 31, 2020 and 2019.

24. Deferred Income Tax Asset, Net

The deferred income tax has been calculated applying the liability method and is attributed to the following items:

In thousands of soles	Balance as of January 1, 2019	(Debit) credit to profit or loss	(Debit) credit to equity	Balance as of December 31, 2019	(
Deferred income asset					
General provision for accounts receivable (trust agreement - COFIDE).	13,024	1,256	-	14,280	
General provision for accounts receivable (trust agreement - COFIDE) - adjustment 2017 (*)	15,231	(4,008)	-	11,223	
Unrealized losses from the valuation of derivatives for hedging purposes	30,146	-	10,180	40,326	
Unrealized losses on investments from CRC-PBP Trust Agreement	165	-	(165)	-	
Deferred revenue from loan portfolio	2,706	(99)	-	2,607	
Provision from accounts receivable – Presta Perú	-	14,183	-	14,183	
Provision from accounts receivable - ICCGSA	1,120	(1)	-	1,119	
Others	3,234	378	-	3,612	
Total deferred income asset	**65,626**	**11,709**	**10,015**	**87,350**	
Deferred income liability					
Unrealized gains on investments from CRC-PBP Trusts Agreement	-	-	(282)	(282)	
Unrealized gains from debt instruments reclassified from available – for sale investments to held-to maturity investments	(84)	-	(110)	(194)	
Unrealized gains on available-for-sale investments	(32)	-	32	-	
Foreign exchange adjustment in monetary assets and liabilities	(14,138)	6,957	-	(7,181)	
Borrowings and financial obligations	-	(929)	-	(929)	
Costs incurred for Borrowings and financial obligations	-	-	-	-	
Others	4	-	(4)	-	
Total deferred income liability	**(14,250)**	**6,028**	**(364)**	**(8,586)**	
Total deferred income asset, net	**51,376**	**17,737**	**9,651**	**78,764**	

(*) As a result of the observation made by the SBS in its Inspection Visit report 06-VIG/2017 "C", the Management of the Fund modified the methodology for calculat Agreement - COFIDE) beginning August 1, 2017, thus determining a deficit of allowances for S/ 71,027 thousand, dated of July 31, 2017, which, as authorized by the dated December 20, 2017, was recorded by the Fund in December 2017 reducing the balance maintained in 'legal reserve' of the equity, see note 16.

During 2018, the Fund reviewed the tax treatment of the aforementioned allowance for doubtful accounts and determined the need to record the related deferred income tax charging to legal reserve the amount of S/ 20,953 thousand. This treatment was authorized and subsequently approved by SBS Official Letter 02450-2019-SBS, dated January 18, 2019. In accordance with the SBS accountings practices, the Fund recorded this amount prospectively, presenting it as an equity movement in the year 2018 with a charge to the deferred asset for income tax.

25. Financial Risk Management

The activities of the Fund are mainly related to the credit placement of its resources through IFIs of the country for the acquisition of housing by natural persons. Financial institutions are evaluated and assigned long-term credit lines; the Fund also participates in work to encourage the construction and promotion of housing, and manage the resources received from the State (such as BFH) and its own resources, investing these funds mainly, in interest-bearing demand deposits and time deposits, in fixed income and grade investments, with the purpose of making them profitable and preserving their value over time, ensuring the liquidity required to fulfill their obligations and its lending activities.

Financial risk management comprises managing the main risks that Funds faces due to the nature of its activities, such as credit, market, liquidity and operational risk.

- Credit risk: the possibility of losses due to the inability or unwillingness of debtors, issuers, counterparties or obligated third parties to fulfill their contractual obligations.

- Market risks: the possibility of losses in the value of held positions, derived from variations in market conditions. It generally includes the exchange rate risk, interest rate risk, price risk, among others.

- Liquidity risk: the possibility that the Fund cannot meet with the payment at maturity of its obligations incurring losses that significantly affect its equity position.

- Operation risk: the possibility of losses due to inadequate processes, staff failures, information technology or external events.

In order to management said risks, the Fund has a structure and organization specialized in the management, measurement and reporting systems, and mitigation and coverage processes.

i. Structure and organization of risk management

The Fund has a governance and management structure that allows it to articulate the management and control of the risks it faces.

Board of Directors

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

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

Risk Committee
The Risk Committee (hereinafter "RC") is a division created by the Board of Directors. It is responsible for approving the policies and the organization for the integral management of risks, as well as the modifications made. The RC defines the level of tolerance and the degree of exposure to risk that the Fund is willing to assume in the development of its business and decides the needed actions for the implementation of corrective measures required, in case there are deviations from the levels of tolerance to the risk and the degrees of exposure assumed. The RC meets monthly and is comprised by the Chairman of the Board and two Directors, the General Manager and the Risk Manager. The RC reports monthly to the Board of Directors the agreements reached, and issues discussed in the RC meetings.

Special Audit Committee
The Special Audit Committee (hereinafter "the Special Committee") is a division created in a Board of Directors' Meeting. It is responsible for assisting the Board of Directors in its purpose of ensuring that the accounting and financial reporting processes are appropriate, evaluating the activities carried out by internal and external auditors and monitoring the proper functioning of the implemented internal control system. The Special Committee is comprised of three members who do not hold executive positions in the Fund.

The General Manager and Head of the Office of Internal Audit, as well as the officials that the Special Committee deems necessary, participate as guests at the meetings of the Special Committee.

The Special Committee meets at least once a month and reports quarterly to the Board of Directors' Meeting on the topics discussed. However, it may meet as often as necessary depending on the priority and number of issues to be discussed, when determined by the Chairman of the Special Committee or when requested by at least two of its members.

Assets and Liabilities Management Committee
The Asset-Liability Committee ("ALCO") is a division created by the Board of Directors. Its main function is to manage the financial structure of the statement of financial position of the Fund, based on profitability and risk goals. The committee is also responsible for proposing new products or operations or strategies that contain market and liquidity risk components. It is also the communication channel with the areas that generate market and liquidity risk. The committee meets monthly and is comprised by the General Manager, Commercial Manager, Finance Manager and Risk Manager.

General Management
The General Management is responsible for implementing an adequate integral management of risks in the Fund. It manages and coordinates the efforts of the different managements and offices, ensuring an adequate balance between risk and profitability. Risk Management is a line body and reports directly to the General Management and is in charge of proposing policies, procedures and methodologies for competent risk management, encouraging the alignment of all measures for treating the risks of the Fund with appetite levels, risk limits and the development of proper controls. The Risk Management is comprised by the Market Risk, Liquidity and Operational Department and the Credit Risk and Portfolio Tracking Department.

Internal Audit
The Internal Audit Unit reports functionally to the Board of Directors and administratively to the General Manager. Provides independent services, and assurance and consultation objectives. Assists to the Fund in achieving its objectives applying a systematic and disciplined approach to assessing and improving the effectiveness of corporate governance, risk management and control processes.

Its organization and operation are in accordance with the Banking Law and the Regulation of Internal Audit.

ii. Risk measurement and reporting system

The Fund uses different risk management models and tools for risk management. These tools measure and assess risk to make better decisions at different stages of the credit life cycle, or of an investment.

Management indicators are reviewed and analyzed in order to identify possible deviations in the risk profile regarding the risk appetite established by Fund, so as to take corrective measurements in a timely manner. This information is presented monthly to the Risk Committee and periodically to the Board of Directors.

iii. Risk concentration

Through its policies and procedures, the Fund has established the necessary guidelines and mechanisms to avoid an excessive concentration of risks, maintaining a diversified portfolio consequently. In the event that a concentration risk is identified, the Fund has specialized units that allow it to control and manage said risk.

A. Market risk

Market risk is the possibility of losses due to variations in the conditions of the financial market. The main variations to which the Fund is exposed to are exchange rates and interest rates; said variations can affect the value of the Fund's financial assets and liabilities. The Fund separates its exposures to market risk in the following manner:

Value at risk

Value at Risk (VaR) is a statistical technique that measures the maximum loss that a financial asset or a portfolio of financial assets can experience within a time horizon, given a level of confidence. The VaR model used by the Fund is the Historical VaR for foreign currency exposures (VaR Exchange) and for the investment portfolio (VaR of Interest Rates), both with a confidence level of 99% and a liquidation period of 10 days. It should be mentioned that this method does not assume any distribution function for profit and loss and is based only on the observed historical behavior.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or financial instruments fair values. The risk of the cash flow interest rate is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The risk on the fair value of interest rates is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The impact of changes in interest rates can be presented in two ways: the first, which translates into an impact on expected earnings, directly related to reinvestment risk and the risk that is generated when movements in interest rates expose the entity to higher costs in financing operations (passive interest rates); or lower returns on their investment operations (active interest rates). The second one is related to the valuation of assets and liabilities of the Fund, and therefore, the economic value or actual value of its equity. This modality occurs when the market interest rates change, which impact the valuation of the various instruments that form part of the financial statement of the Fund.

The SBS denominates these two impacts, as Earnings at Risk (EAR) and Equity Value at Risk (VAR), which are indicators of short- and long-term structural rate risk, respectively.

As of December 31, 2020 and 2019, the Fund monitors that the gains at risk are below the regulatory limit of 5% of the Fund's net equity. In addition, respect to VAR, the Fund has an internal limit of 20% for the regulatory calculation and an internal limit of 20 % for the internal calculation.

As of December 31, 2020, the interest rate risk of the fixed income portfolio is monitored through the calculation of the market value of each investment instrument recorded as available-for-sale divided by its acquisition cost. In accordance with what is indicated in the Investment Policies and Procedures Manual, if the indicator falls 5% or more, the Finance Management, after the opinion of the Risk Management, informs the Asset and Liability Management Committee, which will determine whether the causes of impairment are due to market factors or changes in the issuer's conditions, in order to decide whether to maintain, reduce or eliminate the position in the instrument.

The management of structural interest rate risk is made through the monitoring and reporting of regulatory indicators: gains at risk and equity at risk. These indicators are derived from the regulatory annexes required by the SBS: Annex 7-A "Measuring of the Interest Rate Risk - Gain at Risk" and the Annex 7-B "Measuring of Interest Rate Risk – Equity value". The results of the indicators are reported to the Risk Committee and the Assets and Liabilities Management Committee, which decide on actions to mitigate exposure to rate risk.

Repricing gap
An analysis of repricing gaps is made in order to determine the impact of changes in interest rates. The analysis consists in assigning the balances of transactions that will change interest rates in different time intervals. Based on this analysis, the impact for each gap of variation in the valuation of assets and liabilities is calculated.

The table below presents the Fund's exposure to interest rate risk. The table provides the carrying amounts of the Fund's instruments, which are classified into the repricing date of the contractual interest rate or maturity date, whichever occurs

	2020				
In thousands of soles	**Up to 1 month**	**1 – 3 months**	**3 – 12 months**	**1 – 5 years**	**More 5 y**
Assets					
Cash and cash equivalents	1,273,223	-	-	-	
Investments	44,694	21,167	3,604	143,551	
Accounts receivable (Trust agreement - COFIDE), net	44,648	85,968	402,683	2,675,693	4,6
Loan portfolio, net	235	456	2,083	12,095	
Other accounts receivable, net	-	-	-	-	
Hedging derivatives	-	-	-	-	
Other assets	-	-	-	-	
Total assets	**1,362,800**	**107,591**	**408,370**	**2,831,339**	**4,8**
Shareholder's equity and liabilities					
Obligations with the public	-	-	205	-	
Borrowings and financial obligations	-	56,625	56,625	423,057	
Securities and bonds outstanding	-	-	-	3,915,860	8
Hedging derivatives	-	-	-	-	
Other accounts payable, provisions and other liabilities	804,432	-	-	-	
Shareholder's equity	-	-	-	-	
Total shareholder's equity and liabilities	**804,432**	**56,625**	**56,830**	**4,338,917**	**1,2**
Off-balance sheet accounts					
Hedging derivative instruments, assets	-	-	-	-	
Hedging derivative instruments, liabilities	-	-	-	-	
Marginal gap	**558,368**	**50,966**	**351,540**	**(1,507,578)**	**3,6**
Accumulated gap	**558,368**	**609,334**	**960,874**	**(546,704)**	**3,6**

	2019				
In thousands of soles	**Up to 1 month**	**1 – 3 months**	**3 – 12 months**	**1 – 5 years**	**Mor 5 y**
Assets					
Cash and cash equivalents	1,478,953	-	-	-	
Investments	-	1,282	9,000	148,549	
Accounts receivable (Trust agreement - COFIDE), net	40,817	80,561	370,668	2,505,818	4,5
Loan portfolio, net	32	64	298	1,962	
Other accounts receivable, net	-	-	-	-	
Hedging derivatives	-	-	-	-	
Other assets	-	-	-	-	
Total assets	**1,519,802**	**81,907**	**379,966**	**2,656,329**	**4,**
Shareholder's equity and liabilities					
Obligations with the public	-	-	223	-	
Borrowings and financial obligations	-	47,585	166,101	288,115	
Securities and bonds outstanding	-	-	-	3,709,141	5
Hedging derivatives	-	-	-	-	
Other accounts payable, provisions and other liabilities	1,050,741	-	-	-	
Shareholder's equity	-	-	-	-	
Total shareholder's equity and liabilities	**1,050,741**	**47,585**	**166,324**	**3,997,256**	**7**
Off-balance sheet accounts					
Hedging derivative instruments, assets	-	-	-	-	
Hedging derivative instruments, liabilities	-	-	-	-	
Marginal gap	**469,061**	**34,322**	**213,642**	**(1,340,927)**	**4,**
Accumulated gap	**469,061**	**503,383**	**717,025**	**(623,902)**	**3,**

Sensitivity to changes in interest rates

Following is the sensitivity of the income statement to various interest rate fluctuations. Fluctuations affect both the expected flows and the value of the balances of assets and liabilities.

In the case of the income statement, the calculation reflects the expected variation of the financial margin for a period equivalent to one year. In doing so, the Fund takes into account the current position of revenues and expenses and considers the annual effect of the interest rates variations. The figures express the expected change in the value of assets minus liabilities for various time gaps. Likewise, it includes the effect of the derivative instruments that are subject to interest rates.

The fluctuations in interest rates are applied equally all through the yield curve, which means that it considers a parallel move of the curve. The effects are considered independently for each of the two currencies presented.

The calculations are based on the interest rate risk regulatory model approved by the SBS in force at the date of the statements of financial position. The sensitivities are calculated before the Income Tax effect.

Exposure to interest rate risk is supervised by the Asset-Liability Committee, as well as by the Risk Committee. The latter approves maximum allowed limits.

The effects due to estimated changes in interest rates as of December 31 are the following:

	2020				
In thousands of soles	**Changes in basis points**	**Profit or loss sensitivity**		**Equity sensitivity**	
USD	+/-25	+/-	(165)	+/-	5
USD	+/-50	+/-	(330)	+/-	9
USD	75	+	(496)	+	14
USD	100	+	(661)	+	19
PEN	+/- 50	+/-	5,606	+/-	16,804
PEN	+/-75	+/-	8,408	+/-	25,206
PEN	+/-100	+/-	11,211	+/-	33,608
PEN	+/-150	+/-	16,817	+/-	50,413

	2019				
In thousands of soles	**Changes in basis points**	**Profit or loss sensitivity**		**Equity sensitivity**	
USD	+/-25	+/-	(275)	+/-	(18)
USD	+/-50	+/-	(550)	+/-	(37)
USD	75	+	(824)	+	(55)
USD	100	+	(1,099)	+	(73)
PEN	+/- 50	+/-	10,384	+/-	22,642
PEN	+/-75	+/-	15,576	+/-	33,963
PEN	+/-100	+/-	20,768	+/-	45,284
PEN	+/-150	+/-	31,152	+/-	67,925

i. Foreign exchange risk

Exchange rate risk in foreign currency is related to the variation of the positions both on and off the statements of financial position that may be negatively affected by exchange rates movements.

Board of Directors sets limits to the exposure to foreign exchange risk and monitors them daily. Most of assets and liabilities in foreign currency are held in U.S. dollars.

Exchange rate risk is controlled as from an internal hedge limit, which is in the range of 95% and 105% percent with respect to the Fund's exchange position in foreign currency. Likewise, the Fund has an internal limit to the value at risk of the global position equal to 0.75% of its regulatory equity.

The Fund monitors foreign exchange risk through the internal limit of hedge on foreign currency exchange position. Regarding the maximum losses from adverse movements of the exchange rate, these are calculated using the value-at-risk internal model. In addition, the Fund uses the regulatory model and its methodological notes to measure these expected maximum losses (the methodology of the internal model is detailed in the Market Risk Policies Manual of the Fund).

The results of the regulatory and internal value at risk (at 99% confidence and with a 10-day settlement period) are shown below:

In thousands of soles	**2020**		**2019**	
Internal model	1,181	0.03%	724	0.02%
Global position	4,314	0.13%	9,406	0.28%

(*) On June 1, 2018, the Regulation for Market Risk Management, approved by SBS Resolution 4906-2017, which amended the Accounting Manual with respect to Annex 9 "Affected Positions at Risk", came into force. Exchange, replacing it with new Annex 9 "Results of Market Risk Measurement Models".

Foreign currency transactions are entered into a free-market exchange rate.

As of December 31, the weighted average free market exchange rate published by SBS for the accounting of foreign currency assets and liabilities accounts is as follows:

In soles	**Symbol**	**2020**	**2019**
USD	US$	3.621	3.314
Euro	EUR	4.423946	3.719415

The table below presents the detail of the Fund's currency position as of December 31:

	2020					
In thousands of soles	**USD**	**PEN**	**Euro**	**Total**	**USD**	**PEN**
Assets						
Cash and cash equivalents	39,946	1,233,214	63	1,273,223	77,516	1,401
Investments	187,748	97,254	-	285,002	210,704	32
Accounts receivable (Trust Agreement - COFIDE), net	76,911	7,806,542	-	7,883,453	96,717	7,401
Loan portfolio, net	99	28,379	-	28,478	107	35
Other accounts receivable, net	124	110,421	21	110,566	18,737	129
Hedging derivatives	210	394,727	-	394,937	619	165
Other assets	480	124,466	-	124,946	101	129
	305,518	**9,795,003**	**84**	**10,100,605**	**404,501**	**9,295**
Liabilities						
Obligations with the public	-	205	-	205	-	
Borrowings and financial obligations	-	-	944,611	944,611	118,516	
Securities and bonds outstanding	2,379,026	2,357,080	-	4,736,106	2,173,376	2,110
Hedging derivatives	6,336	28,011	-	34,347	93,592	
Other accounts payable	1,203	1,059,516	-	1,060,719	1,190	1,371
Other liabilities	1,882	20,506	-	22,388	2,085	2
	2,388,447	**3,465,318**	**944,611**	**6,798,376**	**2,388,759**	**3,485**
Currency forward position, net	(268,113)	-	-	(268,113)	(268,597)	
Currency swaps position, net	2,353,650	-	946,233	3,299,883	2,154,100	
Net monetary position	**2,608**	**6,329,685**	**1,706**	**6,333,999**	**(98,755)**	**5,809**

The Fund manages foreign exchange risk through the matching of its asset and liability operations, overseeing the global exchange position on a daily basis. The Fund's global exchange position is equivalent to the result of long positions minus short positions in currencies different to the sol. The global exchange position includes the spot positions and also the derivative positions.

Following are the sensitivities for U.S. dollar and euro variations. Negative variations represent potential losses, while positive variations represent potential earnings.

In thousands of soles	**Changes in exchanges rates**	**2020**	**2019**
Sensitivity analysis			
Revaluation			
USD	5%	130	(571)
USD	10%	261	(1,143)
Devaluation			
USD	5%	(130)	571
USD	10%	(261)	1,143

In thousands of soles	**Changes in exchanges rates**	**2020**	**2019**
Sensitivity analysis			
Revaluation			
Euro	5%	85	101
Euro	10%	171	202
Devaluation			
Euro	5%	(85)	(101)
Euro	10%	(171)	(202)

B. Liquidity risk

The liquidity risk consists of the Fund's inability to comply with the maturity of its obligations, thus incurring into losses that importantly affect its equity position. This risk may arise as result of diverse events such as: the unexpected decrease of funding sources, the inability to rapidly settle assets, among others.

Liquidity risk management focuses on the development of a portfolio of assets and liabilities seeking the diversification of sources of financing in order to achieve the fit between the terms of assets and liabilities.

The internal control indicators are the internal liquidity ratio, liquidity gaps, resource duration analysis and stress analysis. These internal control indicators are prepared in accordance with internal and regulatory methodologies (contained in the Liquidity Risk Policy and Management Manual of the Fund and in the methodological notes of the SBS for the preparation of regulatory liquidity annexes, respectively). In any event that could give rise to a liquidity risk, the Fund has a liquidity contingency plan, which considers the liquidation of certain assets, debt issuance or debt collection.

Liquidity risk is managed through the analysis of contractual maturities. The main component of the Fund's assets are accounts receivable (Trust Agreement - COFIDE). The maturities are based on the monthly maturities of the loans made. Another component of the assets is held to maturity and available-for-sale investments, which are distributed according to contractual term.

Following are the Fund's cash flows payable as of December 31, by agreed contractual maturity, the amounts disclosed are t
accrued interest.

	2020			
In thousands of soles	**Up to 1 months**	**1 – 3 days**	**3–12 months**	**1–5 years**
Financial liabilities by type				
Obligations with the public	-	-	205	
Borrowings and financial obligations	-	56,625	56,625	423,05
Securities and bonds outstanding	-	-	-	3,915,86
Other accounts payable	788,119	20,154	684	
Total non-derivative financial liabilities	**788,119**	**76,779**	**57,514**	**4,338,91**
Derivative instruments (*)				
Contractual amounts receivable (inflow)	137,335	143,720	122,495	2,821,08
Paid contractual amounts (outflows)	(168,901)	(142,680)	(171,300)	(2,505,93
	(31,566)	**1,040**	**(48,805)**	**315,14**

	2019			
In thousands of soles	**Up to 1 months**	**1 – 3 days**	**3–12 months**	**1–5 years**
Financial liabilities by type				
Obligations with the public	-	-	223	
Borrowings and financial obligations	-	47,585	166,101	288,11
Securities and bonds outstanding	-	-	-	3,709,14
Other accounts payable	1,056,833	5,797	709	
Total non-derivative financial liabilities	**1,056,833**	**53,382**	**167,033**	**3,997,25**
Derivative instruments (*)				
Contractual amounts receivable (inflow)	349,088	268,427	129,543	2,335,53
Paid contractual amounts (outflows)	(214,494)	(250,805)	(298,272)	(4,456,70
	134,594	**17,622**	**(168,729)**	**(2,121,17**

C. Credit risk

It is defined as the likelihood of incurring in financial losses originated by the breaching of the contractual obligations by a counterpart or bound third parties due to insolvency, inability or lack of willingness to pay.

The Fund opts for a risk policy that ensures sustained and profitable growth; for this purpose, incorporates analysis procedures for adequate decision-making, tools and methodologies to identify, measure, mitigate and control the different risks in the most efficient manner and in accordance with the SBS. It also develops management models that allow an adequate measurement, quantification and monitoring of the credits granted to IFIs, promoting the continuous improvement of policies, tools, methodologies and processes.

The exposure to Fund´s credit risk is managed through the continuous analysis of the capacity of the debtors to comply with the payments of interest and capital of their obligations and through the monitoring of the use of the general credit line granted to the IFI.

i. Maximum exposure to credit risk

As of December 31, 2020 and 2019, the Fund Management has estimated that the maximum amount of credit risk to which the Fund is exposed is represented by the carrying amount of financial assets that present a credit risk exposure and that consist mainly of bank deposits, available for sale investments, held to maturity investments, accounts receivable, loan portfolio, transactions with financial derivative instruments and other monetary assets. Exposure by each counterparty is limited by internal and regulatory guidelines.

In that sense, as of December 31, 2020 and 2019:

- 100% of the accounts receivable (Trust Agreement - COFIDE) are classified, according to IFI risk, into the two upper levels defined by the SBS (note 7).

- 78.93% and 93.42%, respectively, of the available-for-sale and held-to-maturity investments of the instruments classified abroad have at least a BBB- rating, for long-term instruments, or at least a CP-2 rating, for short-term instruments.

- 100% and 99.34%, respectively, of other available funds represent the amounts deposited at domestic prime financial institutions.

With respect to the evaluation of the accounts receivable (Trust Agreement - COFIDE), and the loan portfolio, the Fund classifies the borrowers into the risk categories established by the SBS and according to the classification criteria indicated for each type of credit: that is, for the debtors of the mortgage portfolio. The classification of the debtors is determined by a methodology based on the criteria of SBS Resolution N° 11356-2008"Regulation for the evaluation and classification of the debtor and the requirement of provisions" and their modifications (notes 4.C and 4.D).

ii. Credit risk management for accounts receivable (Trust Agreement - COFIDE)

Credit risk is managed mainly through the admission, monitoring and control of the IFIs.

Credit risk analysis at the IFI is mainly based on: (i) economic, financial and commercial evaluation, (ii) market development evaluation, (iii) IFI management evaluation, (iv) funding sources evaluation and real estate projects to be developed, (v) evaluation of collateral and guarantee, (vi) economic sector evaluation.

The main functions of credit risk management are: (i) IFIs credit risk analysis, (ii) IFIs classification and allowance, (iii) review of accounts receivable (Trust Agreement – COFIDE) portfolio, through the evaluation of its credit policies, operating procedures, and in general, and (iv) the monitoring and monthly control of the IFI from internally defined financial indicators.

The accounts receivable (Trust Agreement – COFIDE) granted by the Fund are placed in national currency. It is important to note that the Fund still maintains accounts receivable (Trust Agreement – COFIDE) balances in US dollars, corresponding to products, which are no longer granted (as of December 31, 2020 and 2019, U.S. dollar portfolio represents 0.97% and 1.28% of the total portfolio, respectively).

As of December 31, 2020, and 2019, the maximum level of exposure to Fund´s credit risk of the accounts receivable (Trust Agreement – COFIDE) is S/ 8,066,891 thousand and S/ 7,642,412 thousand, respectively, corresponding to their balances at those dates.

In accordance with the Agreement for Channeling of Resources signed between the Fund and the IFIs, the IFI has responsibility about the constitution of mortgage guarantee for each sub borrowing.

Due to its fiduciary role, COFIDE has mechanisms through the Contracts of Channeling Resources signed with the IFIs, which ensure the mass of mortgage loans placed by the Fund, for which the IFI must respond.

The evaluation and proposal of the credit line is made by the Commercial Management. Risk Management reviews the proposal, analyses the risks, issues a conclusive opinion and submits the proposal to the Risk Committee for approval or rejection.

As of December 31, the Accounts Receivable (Trust Agreement - COFIDE) without CRC, classified by IFI risk are as follows:

In thousands of soles	**2020**		**2019**	
Standard	5,980,314	100.63%	5,457,836	100.58%
With potential problems	4,825	0.08%	7,045	0.13%
	5,985,139	**100.71%**	**5,464,881**	**100.71%**
Allowance for doubtful accounts (Trust Agreement - COFIDE)	(41,995)	(0.71%)	(38,434)	(0.71%)
	5,943,144	**100.00%**	**5,426,447**	**100.00%**

iii. Credit risk management in investments

The Fund controls the credit risk of its investments based on the risk assessment of issuers and instruments. In the case assessment takes into account the ratings issued by international agencies as well as the country-risk of the issuer's cou main macroeconomic variables.

The table below presents the risk classification of available-for-sale and held to maturity investments:

	2020				
In thousands of soles	**Available-for-sale investments**		**Held-to-maturity investments**		**Available-for- investment**
Instruments issued and rated in Peru					
AAA	-	-	-	-	-
AA- to AA+	-	-	147,953	56.85%	-
CP-1(+/-)	-	-	-	-	-
CP-2(+/-)	-	-	-	-	-
	-	**-**	**147,953**	**56.85%**	**-**
Instruments issued in Peru and rated abroad					
A- to A+	-	-	-	-	-
BBB- to BBB+	24,443	98.61%	81,456	31.30%	-
BB- to BB+	-	-	28,273	10.87%	-
	24,443	**98.61%**	**109,729**	**42.17%**	**-**
Instruments issued and rated abroad					
BBB- to BBB+	-	-	-	-	-
CP-1(+/-)	-	-	-	-	-
CP-2(+/-)	-	-	-	-	-
	24,443	**98.61%**	**257,682**	**99.02%**	**-**
Accrued interest	345	1.39%	2,532	0.08%	-
	24,788	**100.00%**	**260,214**	**100.00%**	**-**

iv. Financial instruments exposed to credit risk - Concentration

As of December 31, financial instruments with credit risk exposure are distributed according to the following economic se

	2020							
In thousands of soles	**Investments at FVTPL Held-for-trading and hedging**	**Accounts receivable**	**Available-for-sale investments**	**Held-to-maturity investments**	**Total**	**Investments at FVTPL Held-for-trading and hedging**	**Accounts receivable**	**A**
Financial services	394,937	9,236,094	24,443	113,108	9,768,582	166,325	8,998,397	
Central Government	-	-	-	31,331	31,331	-	-	
Power, gas and water	-	-	-	84,969	84,969	-	-	
Construction	-	-	-	28,273	28,273	-	-	
Others	-	110,566	-	-	110,566	-	147,952	
	394,937	**9,346,660**	**24,443**	**257,681**	**10,023,721**	**166,325**	**9,146,349**	
Interest	-	14,061	345	2,533	16,939		14,686	
	394,937	**9,360,721**	**24,788**	**260,214**	**10,040,660**	**166,325**	**9,161,035**	

As of December 31, the financial instruments exposed to credit risk according to geographic area are the following:

	2020						
	Investments at FVTPL					Investments at FVTPL	
In thousands of soles	Held-for-trading and hedging	Accounts receivable	Available-for-sale investments	Held-to-maturity investments	Total	Held-for-trading and hedging	Accounts receivable
Peru	40,119	9,346,660	24,443	192,681	9,603,903	6,403	9,146,349
United States of America	168,118	-	-	-	168,118	77,478	-
Colombia	-	-	-	-	-	-	-
Chile	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-
Germany	14,511	-	-	-	14,511	8,289	-
Canada	5,831	-	-	-	5,831		
United Kingdom	166,358	-	-	-	166,358	74,155	-
	394,937	**9,346,660**	**24,443**	**192,681**	**9,958,721**	**166,325**	**9,146,349**
Interest	-	14,061	345	2,533	16,939	-	14,686
	394,937	**9,360,721**	**24,788**	**195,214**	**9,975,660**	**166,325**	**9,161,035**

D. Capital management

As of December 31, 2020 and 2019, the Fund has complied with the mandates of Legislative Decree N° 1028 and SBS Resolutions N° 2115–2009, N° 6328-2009, N° 14354-2009, N° 8425 -2011, N° 4128-2014 and their amendments, which contain the Regulations for the Regulatory Capital Requirement for Operational, Market and Credit Risk, respectively. These regulations mainly establish the methodologies to be used by the financial entities to calculate the requirements of regulatory equity.

26. Fair Value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The fair value is a market-based measurement, so a financial instrument traded in a real transaction in an active and liquid market has a price that supports its fair value. When the price for a financial instrument is not observable, the fair value must be measured applying other valuation technique, trying to maximize the use of relevant measurable variables and minimize the use of unobservable variables.

To calculate the fair value of an instrument that is not listed on liquid markets, the market value of an instrument that is actively listed in the market and which has similar characteristics can be used or can be obtained by some analytical technique, such as analysis of discounted flows or valuation by market multiples.

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

- Financial instruments recorded at fair value - The fair value is based on market prices or some other methods of financial valuation. The positions valued at market prices are mainly investments traded on centralized mechanisms. The positions valued by some method of financial valuation include derivative financial instruments and instruments that may not have market prices in which case their fair value is mainly determined by using the market interest rate curves and the price vector provided by the SBS.

- Assets whose fair value is similar to their carrying amount: For financial assets and financial liabilities that are liquid or have short-term maturities (under 3 months), management considers that the carrying amount is similar to the fair value. This assumption is also applicable to term deposits, savings accounts without a specific maturity and variable interest rate financial instruments.

- Fixed rate financial instruments – Fair value of financial assets and liabilities maintained at fixed and variable interest rate at amortized cost are determined comparing market interest rates at initial recognition to current market rates related to similar financial instruments. In the case of quoted issued debt, the fair value is determined on the basis of the quoted market prices. The fair value of the loan portfolio and Obligations with the public, according to SBS Official Letter N° 1575-2014, corresponds to the carrying amount.

i. Financial instruments measured at fair value and fair value hierarchy

The following table presents an analysis of the financial instruments that are measured at fair value as of December 31, including the level of the fair value hierarchy. The amounts are based on the values recognized in the statement of financial position:

	2020				2019			
In thousands of soles	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets								
Available-for-sale investments	-	24,788	-	24,788	-	-	-	-
Hedging derivatives	-	394,937	-	394,937	-	166,325	-	166,325
	-	**419,725**	**-**	**419,725**	**-**	**166,325**	**-**	**166,325**
Financial liabilities	-	34,347	-	34,347	-	-	-	-
Hedging derivatives	-	34,347	-	34,347	-	93,592	-	93,592

The financial assets included in Level 1 are those measured based on market observable data, to the extent that their quoted prices reflect an active and liquid market, and that are available in some centralized trading mechanism, trading agent, price supplier or regulatory entity.

The financial instruments included in Level 2 are valued with the market prices of other instruments possessing similar characteristics or with financial valuation models based on information of variables that can be available on the market (interest rate curves, price vectors, etc.).

The financial assets included in Level 3 are valued by using assumptions and data that do not correspond to prices of operations traded on the market.

During 2020 and 2019, the Fund has not transferred financial instruments from Level 2 to Level 1 or to Level 3.

ii. Financial instruments not measured at fair value

The table below shows a comparison of carrying amounts and fair values of the financial instruments not measured at fair value in the statement of financial position as of December 31:

	2020		2019	
In thousands of soles	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**
Assets				
Cash and cash equivalents	1,273,223	1,273,223	1,479,013	1,479,013
Held-to-maturity investments	283,611	260,214	263,009	242,943
Accounts receivable (Trust agreement - COFIDE), net	7,883,453	7,883,453	7,498,076	7,498,076
Loan portfolio, net	28,478	28,478	35,966	35,966
Other accounts receivable, net	110,566	110,566	147,981	147,981
	9,579,331	**9,555,934**	**9,424,045**	**9,403,979**
Liabilities				
Obligations with the public	205	205	223	223
Borrowings and financial obligations	944,610	944,610	635,192	635,192
Securities and bonds outstanding	5,763,547	4,736,106	4,284,038	4,284,038
Other accounts payable	1,060,719	1,060,719	1,372,876	1,372,876
	7,769,081	**6,741,640**	**6,292,329**	**6,292,329**

27. Subsequent Events

On January 15, 2021, the Fund informed to the SBS through Letter N° 381-2021-FMV/GO that it received at the end of December 2020 the electronic information (schedules and payment histories) of the Mivivienda portfolio of the CAC Presta Perú, which was sent to Financiera Efectiva, who is the collection management, for analysis, verification, validation of schedules (TNC and TC), application of payments and reconciliation, finding incomplete and inconsistent information.

On February 24, 2021, the Fund informed to the SBS, through Letter N° 1334-2021-FMV/GO, the working plan for registering the Mivivienda Portfolio of the CAC Presta Perú as a mortgage portfolio in the Fund's financial statements. In this sense, and according to the elaborated plan, the requested registration will be available at the end of August 2021. (note 8).

Fondo MIVIVIENDA S.A.

Av. Paseo de la República 3121
San Isidro-Lima
Lima, Peru

INDEPENDENT AUDITORS

Caipo y Asociados S. Civil de R.L., a member firm of
KPMG International Cooperative
Av. Javier Prado Oeste 203
San Isidro, Lima, Peru

TRUSTEE, PAYING AGENT, REGISTRAR AND TRANSFER AGENT

Citibank, N.A.
388 Greenwich Street, 4th Floor
New York, New York 10013
United States of America

LISTING AGENT FOR LUXEMBOURG, PAYING AGENT AND TRANSFER AGENT FOR LUXEMBOURG

Banque Internationale à Luxembourg S.A.
69, route d'Esch
L - 2953 Luxembourg
Grand Duchy of Luxembourg

LEGAL ADVISERS

To the Issuer as to U.S. Law

Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, NY 10017
United States of America

To the Initial Purchasers as to U.S. Law

Shearman & Sterling LLP
599 Lexington Avenue
New York, NY 10022
United States of America

To the Issuer as to Peruvian Law

Rebaza, Alcázar & De Las Casas
Avenida Víctor Andrés Belaúnde 147,
Via Principal 133, Pisos 2 y 3, Edificio Real Dos
San Isidro, Lima, Peru

To the Initial Purchasers as to Peruvian Law

Miranda & Amado
Avenida José Larco 1301, Piso 20
Torre Parque Mar, Miraflores 18
Lima, Peru