GENTERA®

LEADERS IN FINANCIAL INCLUSION

We take **development opportunities** to people

Annual and Sustainability Report

2018

Letter from **our Presidents**

Carlos Labarthe / Gentera's President

Since our creation, our objective has always been to take development opportunities to communities in need. That was our reason of being when we started in 1990 as a social project and it remains in our essence almost three decades later.

Throughout time, we have evolved to satisfy an increasing number of our clients' needs, as they saw in Gentera an ally to achieve their dreams. We started offering a loan product to satisfy their financing needs, which we have complemented with other services to create a financial inclusion ecosystem.

We are very proud of what we have achieved. However, technological advancements and changes in our clients and their needs provide constant challenges to innovate our business model and, therefore, satisfy the market's needs.

New tools allow us to get closer to the new generations, who we know because in many cases they are the children or grandchildren of our first clients. We must approach them in a different way. This is a task in the present to address the future and we will only achieve it if we evolve with and for them.

With the client as our most important asset, Gentera will continue to evolve to preserve the best value offer for millions of people who trust us.

Today, we have the opportunity to enhance the experience and capabilities of Gentera to bring opportunities to more people. We join efforts with authorities, the financial sector, regulators, allies, suppliers, clients and employees to achieve financial inclusion in Mexico, Peru and Guatemala, always with the human sense that defines us and generating shared value.

In Gentera, people are always at the center of our actions. We strive for them with the sole purpose of providing them opportunities that will allow them to keep growing. That is the dream that we are passionate about achieving and that we work towards every day.

Carlos Labarthe

Carlos Labarthe Costas
Gentera's President

C. Danel

Carlos Danel Cendoya
Gentera's President

Carlos Danel / Gentera's President

Enrique Majós / CEO Gentera

Letter from **our CEO**

2018 has been a particularly relevant year in the evolution of Gentera, not only because of the great challenges we successfully faced, but also because it represented the starting point and evolution towards a better future.

Despite changes in the financial environment, our purpose has been clear over the past three decades: to work for financial inclusion. We want all people to have access to financial services, positively impacting their life and the communities where we have the privilege of working with them.

The effort and teamwork of those who participate in Gentera, allowed us to achieve the objectives we set for 2018. These objectives represented great challenges, and gave us the opportunity to learn lessons that make us stronger today.

We made structural adjustments within the group that allowed us to provide better client service and offer products better focused on their needs. In this way, we aligned the organization's efforts on three key points: first, a greater focus on client satisfaction; second, the recovery of growth while maintaining good portfolio quality; and finally, greater clarity in the definition of priorities, which allowed us to eliminate non-productive expenses.

During 2018, in Mexico, we focused on reinventing our main product, Crédito Mujer. We awarded the loyalty and the seniority of our clients with better conditions for products and services, that surpassed by a large margin offers in the market, without losing the human sense that sets us apart.

In Peru and Guatemala we had an important increase of clients, to a greater extent, because of our group credit products, which drive the development of female entrepreneurs. In Peru we have more than 600,000 clients, while in Guatemala we already serve more than 100,000 women.

Adding the three countries, in 2018 we made 8.8 million disbursements, representing more than 118 billion pesos.

In terms of preventive financial services, we continue to bring life insurance closer to our clients. This year alone, we sold 19.6 million policies in Mexico, Peru and Guatemala. Due to this, the families who suffered a loss received financial protection, in addition to our support.

With the intention of providing an ever closer and more convenient service, Yastás, our banking correspondent administrator, totaled 15.7 million operations in 2018. Meanwhile, we paid out more than 25 billion pesos in family remittances during the year.

These achievements were made possible thanks to the passion, commitment and effort of more than 22,000 employees operating in those three countries in which we are present. Thus, Gentera reaffirms its leadership in financial inclusion.

Today we have the bases to consolidate our strategic plan 2019-2022, with which we will become a more competitive model, keeping our clients and their needs as the center of all our actions, and being faithful to our vocation of financial inclusion.

Thanks to all our employees, board members, investors and business partners for their commitment to Gentera and its clients during 2018.

Enrique Majós Ramírez
CEO Gentera

At Gentera we have a **history with value**

Who's **Gentera?**

Gentera is the leader in financial inclusion. It offers adequate and accessible financial services, generating shared benefits. Over the years, we have grown and built a relevant value offer for clients, who have learned to use these instruments in their favor and improved their quality of life and that of their families.

How is Gentera different from **other financial institutions?**

Our Philosophy is based on six institutional values: Service, Responsibility, Passion, Profitability, Teamwork and the Person at the center. Based on them, we develop a warm service and a unique attention to our clients.

Who does Gentera **provide services to?**

We started working for those who were not served by traditional banking, especially women with productive activities who needed capital for their business. We then discovered that entrepreneurs with their own business and people who want to startup their company need financing, and that we had a value offer for them as well.

How does Gentera differ from other companies **that offer financial services to this segment?**

We were pioneers in using business principles to solve social problems, which we explained in our "A Letter to our peers", published in 2008.

LETTER TO OUR PEERS

What services does **Gentera provide?**

Our main product are loans, which are offered in group and individual methodologies. We also offer savings, insurance, payment transaction channels and remittances payment

Which companies are part of **Gentera?**

Compartamos: the brand under which we deliver financial services to clients in three countries.

Yastás: banking correspondent administrator, with presence in the most remote communities, where access to financial services is limited or non-existent

Aterna: micro insurance broker, responsible for designing the coverages that protect our clients. It's a joint venture with INTERprotección.

Intermex: payer of family remittances that provides an efficient and secure service.

In addition, we have **Fiinlab**, an innovation laboratory in charge of developing solutions that help us achieve financial inclusion through disruptive tools. And **Fundación Gentera** that articulates the efforts of social responsibility for the companies that form the group.

In which countries does **Gentera operate?**

We are present in Mexico, Peru and Guatemala. In Mexico we have presence in the 32 states, we serve the population of 2,175 municipalities, which represents 88.4% of the total. In Peru we are in 13 of the country's 24 departments, where 73% of the population lives. And in Guatemala we have national coverage in its 22 departments.

How many people does **Gentera employ?**

We currently have 22,060 employees in the three countries where we have presence.

GENTERA®

Yastás® ATERNA® Compartamos® INTERMEX® Fiinlab® Fundación GENTERA®

What is the origin of **Gentera?**

It dates back to 1990, when the Asociación Programa Compartamos IAP was formed. Non-governmental organization focused on giving microloans to women from Chiapas and Oaxaca, whom are responsible for providing for their families.

With the intention of reaching more people, a decade later we became a financial institution called Financiera Compartamos S.A. de C.V., which gave us access to a business model to strengthen its growth and sustainability over time

In 2006 we took a fundamental step forward by becoming a bank, Compartamos Banco, with the objective of offering other financial services that would make our clients' lives easier.

To give continuity to the generation of economic, social and human value that already characterized us, in 2010 we formed Grupo Compartamos, which three years later evolved to Gentera.

Gentera timeline

1990
Compartamos starts as an NGO

2000
Transformation into a SOFOL

2006
Licensed full-service bank

2007
Compartamos Initial Public Offering (IPO)

2011
· Yastás starts operations
· International expansion: Peru and Guatemala
· Fundación Gentera launch

2012
Aterna starts operations

2013
Evolution to Gentera

2015
Intermex acquisition

2016
Fiinlab launch

2018
Investment in ConCrédito

What is Shared Value and **how do we generate it?**

Shared Value is the sum of the actions we take to achieve financial inclusion:

1) **Social Value**, with which we offer inclusion opportunities to the largest number of
2) **Economic Value,** with which we build innovative, efficient and profitable commercial models
3) **Human Value,** the trust we have in people to grow and be better by themselves

With 28 years of experience, at Gentera we know that a small change can transform entire families. Our clients' growth stories are an incentive to continue working for them and their communities.

Chapter 1

Financial solutions for people's well-being

We know that financial inclusion continues to be a challenge, so Gentera actively contributes to close this inequality gap through products designed to benefit people, even those without credit experience.

Our credits are the key so that the population, -which is in the under-served segment-, enters the financial system and has access to tools that allow them to improve their quality of life.

During 2018, in Gentera we made 8,802,680 disbursements, which represented $118,282 million pesos. These results drive us to work on and improve our loan products, which underpins our value offer and represents the trust we have in our 3,196,675 clients.

Results of Gentera by year

	2016	2017	2018
Amount disbursed in financial operation (millions of pesos)	110,543	110,905	118,282
Number of disbursements	9,211,911	8,631,668	8,802,680
Number of clients/ households benefited	3,381,455	3,027,179	3,196,675

We trust people and their ability to develop, so we grant loans based on the word and reputation of our clients, because we know they are committed to meeting their payment obligations and see in us a great ally to continue growing (Human value).

We know the importance of credit in the lives of our clients, as a possibility to make their dreams come true, so we offer them a convenient option. We are characterized by the simplicity of our processes, with simple and easy to understand procedures and minimum requirements to meet to obtain a loan.

Also, we value the human aspect; therefore, our promoters go along with the client during any process, with a warm and close treatment, characteristics that have distinguished us within the industry for almost 30 years. An example of this was the increase in the customer retention rate that we achieved in 2018.

83% client retention
rate during 2018

Results of Gentera by year

	2016	2017	2018
Number of client	3,381,455	3,027,179	3,196,675
Number of disbursements	9,211,911	8,631,668	8,802,680
Amount disbursed (millions of pesos)	110,543	110,905	118,282
Average loan disbursed (thousands of pesos)	12,000	12,849	13,437
Client retention rate	81%	80%	83%
Default rate	4.22%	3.26%	2.73%
Overdue portfolio (million pesos)	1,414	1,046	975

Participation in the **local economy**

Gentera offers people financial services through which they can participate in the economic activities of their communities.

Our clients require a loan that is given to them in a timely manner, since they use it to strengthen their productive activity such as: hiring personnel, buying inventory, buying tools or vehicles, in other words, expanding or growing their business.

Results of Gentera by country

	Mexico	Peru	Guatemala
Number of clients	2,485,029	610,167	101,479
% female clients	88.60%	88.50%	100%
% male clients	11.40%	11.50%	-
Client retention rate	85.40%	72.80%	75.90%
Insured clients	2,306,320	610,167	77,610
Clients with voluntary insurance	2,218,940	295,133	40,358
Average loan disbursed	13,127	15,584	10,107
Number of disbursements	7,061,679	1,458,578	282,423
Amount disbursed (millions of pesos)	92,698	22,730	2,854
% annual growth in disbursements	-2.90%	31.00%	13.90%
Default rate	2.59%	2.94%	3.66%
Overdue Portfolio (millions of pesos)	600	350	25

Loan portfolio by market type
(millions of pesos)

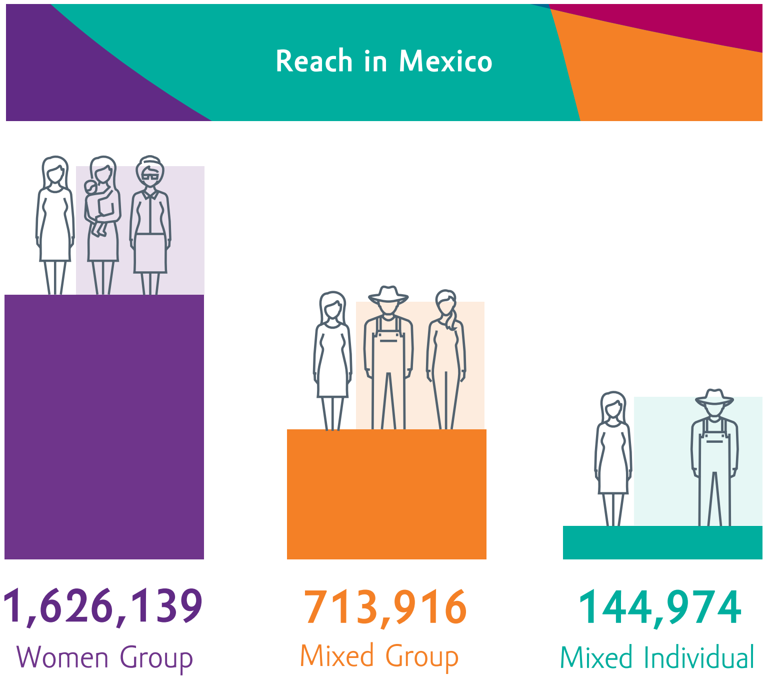
	Market type	Total (millions of pesos)	Percentage represented by the market
Mexico	Mexico Women's Group Market	**23,127**	56.4%
	Mixed Group Market		19.6%
	Individual Mixed Market		24.0%
Peru	Total structured Microbusiness	**11,928**	56.9%
	Total Penetration Microbusiness		34.6%
	Total Pre-approved Microbusiness		4.6%
	Total Structured Consumption		0.8%
	Total Penetration Consumption		2.9%
	Pre-approved Consumption		0.2%
Guatemala	Mexico Women's Group Market	**670**	100%

Loans foster the grew **of our clients**

Over the years, the transformation of our loan offer has had a positive impact on our portfolio of clients, who find in us a solution to their financing needs.

In order to maintain the best value offer for the segment, in Mexico we focused on redesigning our Crédito Mujer product, which represents 56.4% of our portfolio; this shows that we remain committed to women and their businesses. Today, our clients have a number of benefits that they do not find together in any of our competitors.

As part of this redesign, among other things, we were able to customize the rate as a recognition of loyalty.



Mexico			
Products	Number of clients per product	Percentage of clients with respect to the market we serve	Portfolio (millions of pesos)
Crédito Mujer	1,626,139	65.5%	13,036
Crédito Comerciante	712,591	28.7%	4,546
Crédito Individual	125,429	5.0%	2,775
Crédito Crece y Mejora CM	12,327	0.5%	1,912
Crédito Adicional CM	2,444	0.1%	320
Crédito Crece y Mejora CCR	3,674	0.1%	416
Crédito Adicional CCR	1,083	-	85
Crédito Crece y Mejora CI	13	-	23
Crédito Equipa tu casa	4	-	-
Crédito Grupal Digital	1,325	0.1%	14
	2,485,029	**100%**	**23,127**

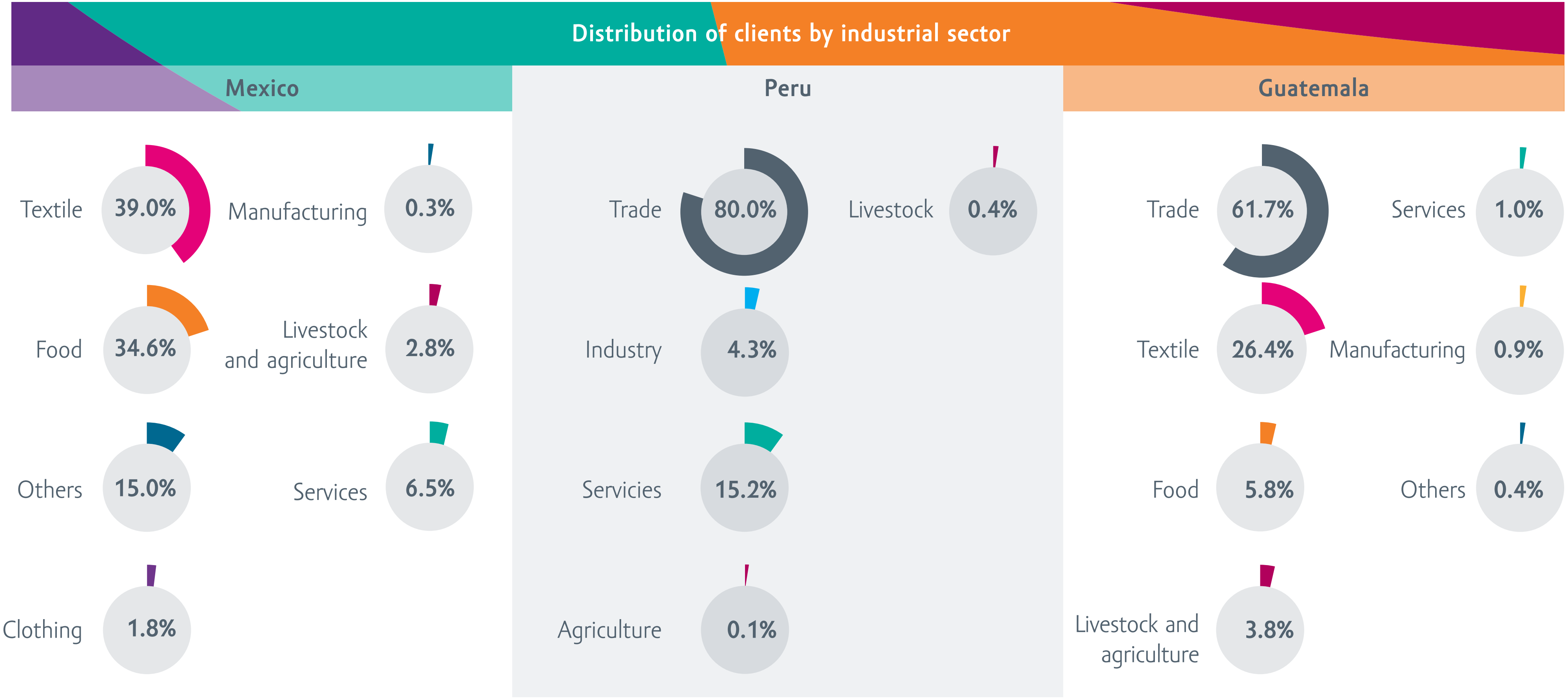
In Peru we reached 610,167 clients thanks to the growth of group credit, which today represents 72% of the people served in that country. Women have found in Crédito Súper Mujer an ally to boost their business or re-enter the financial system. In addition, we serve 171,042 individuals with individual loans, representing 77% of the portfolio.

In Guatemala we reached 101,479 clients through Crédito Mujer, which reaffirms the confidence of women entrepreneurs in our company.

72% of the people we serve in Peru
have a Crédito Súper Mujer, our group credit

Peru
Distribution by client type

Client type	Clients
Mid-size companies	64
Non-revolving consumption	22,318
Micro-businesses	540,603
Mortgage Loan	1
Small companies	47,181
Total	610,167


Distribution of clients by industrial sector
Mexico
Textile 39.0%
Food 34.6%
Others 15.0%
Clothing 1.8%
Manufacturing 0.3%
Livestock and agriculture 2.8%
Services 6.5%
Peru
Trade 80.0%
Industry 4.3%
Servicies 15.2%
Agriculture 0.1%
Livestock 0.4%
Guatemala
Trade 61.7%
Textile 26.4%
Food 5.8%
Livestock and agriculture 3.8%
Services 1.0%
Manufacturing 0.9%
Others 0.4%

This is how we open the door **to inclusion**

Gentera's commitment is to complement the offer of financial services for all our clients, with a view to ensuring that they benefit to the fullest. Understanding their needs made us see that credit is a gateway to financial inclusion, because once they know its benefits, they give complementary services a chance.

Our experience, specialization and trust gained over the years allowed us to offer important instruments for the daily life of our clients, such as savings and insurance products, transaction means and transaction points, as well as remittances payments.

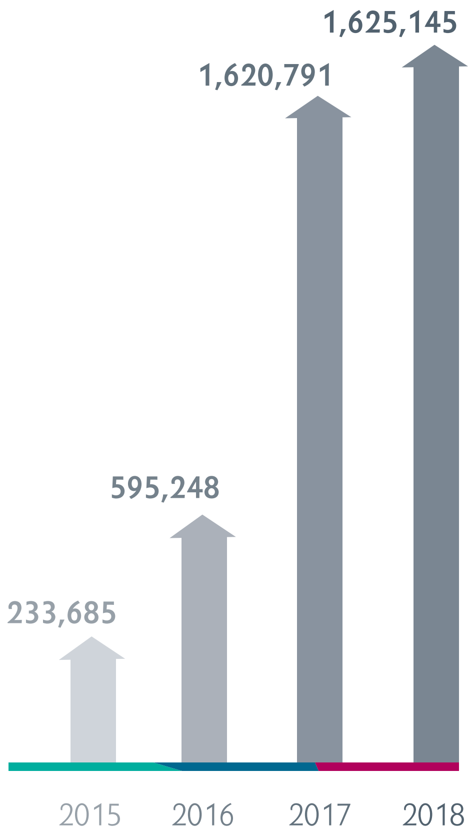
We closed 2018 with **1,625,145 savings accounts** with a balance of 2,549 million pesos

Savings

Savings is an option for our borrowers to manage their money safely and have it always available.

We want our clients to know the benefits of saving on formal instruments that allow them to take care of an emergency, acquire property or organize an important family celebration or accomplish a personal goal.

Savings accounts in Mexico



Insurance

Aterna, our insurance agent, is the key piece of the prevention culture we want to promote. It has been protecting our clients for seven years with products specially designed for our segment.

In 2018 we sold 19,613,916 policies in Mexico, Peru and Guatemala.

How do we do it? A basic life insurance is granted to those who contract their credit with us, which protects them with an insured sum in case of death. This allows beneficiaries to meet funeral expenses and carry on with the business in the event that the principal dies.

This coverage is well accepted by clients, who have seen it as an instrument to protect their family and their wealth.

After analyzing their family contexts, we realized that women and their families face health problems such as cancer, heart attacks and other medical conditions, so we also have voluntary insurance that covers these situations.

With these protection products, we closed 2018 with 5,304,741 active policies in the three countries and worked with our clients and their families in 98,485 claims.

Aterna results	2016	2017	2018
Number of distribution channels	7	8	9
Number claims serviced	13,779	47,465	98,485
Total brokered premium (millions of pesos)	816	1,153	1,289
Insured amount paid to beneficiaries (millions of pesos)	182	299	439
Number of voluntary insurance policies (millions)	6	7	7
Number of sold policies	17,156,769	18,129,163	19,613,916
Number of active policies	5,519,220	4,809,280	5,304,741

Insurance results by company	Claims serviced	Paid insured sum (millions of pesos)
Compartamos Banco	86,240	381.3
Compartamos Financiera	11,969	54.3
Compartamos S.A.	237	3.0
Other channels	39	0.4

In 2018 we sold **19,613,916 policies** in Mexico, Peru and Guatemala

Transaction channels

In order to provide convenience to our clients and facilitate the transaction of their financial operations, we have built a network of payment channels. More than 37,975 transaction points are available in Mexico.

Our reach is largely due to the use of Compartamos Banco branches, Yastás points and alliances with convenience stores, supermarkets and banks. We also have a strategy of digital channels that includes applications, electronic banking and mobile banking, which addresses the consumer habits of younger clients.

In this network of channels, our banking correspondent administrator, Yastás, stands out. Yastás has become the second largest correspondent at a national level according to the ninth edition of the National Report on Financial Inclusion, through its 3,277 broker agents.

In them, users can carry out financial operations, pay for services, recharge phone credit and collect remittances, turning these places into points aided by people, so that in 2018, 498 businesses were added to the network of commission agents.

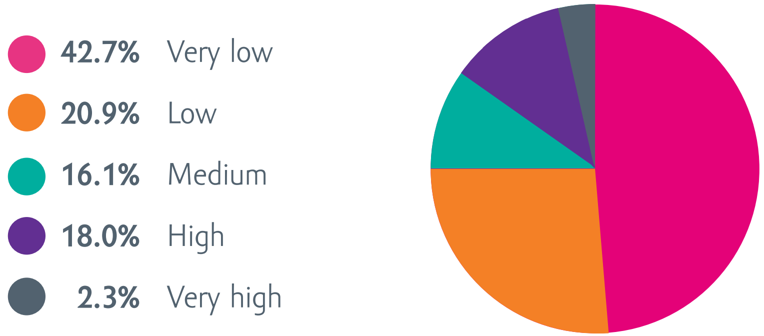
Yastás invested $13.8 million pesos last year in technology to improve the operation of broker agents and thus provide better service to users, plus using an application that allows paying services from a smartphone.

Given the level of penetration that Yastás has reached, we are evaluating making alliances with other banks so that Yastás becomes an open transaction network.

Yastás results

	2016	2017	2018
Number of active brokers in the network	2,860	2,779	3,277
Businesses authorized to carry out financial operations of Compartamos Banco	2,719	2,626	3,066
Businesses authorized to carry out savings operations	1,452	2,468	2,966
Number of municipalities in which it has a presence	903	1,019	1,082
Total number of operations (millions)	13.2	15.1	15.7
Number of financial operations carried out (millions)	5.7	7.3	7.1

Presence of Yastás commission agents in municipalities according to degree of marginalization



In Peru, there are 17,283 transaction points, while Guatemala has 4,155. In these countries, growth has been proportional to the number of clients, but we have the goal of continuing to increase options, using as a basis the actions conducted in Mexico.

Remittance disbursements

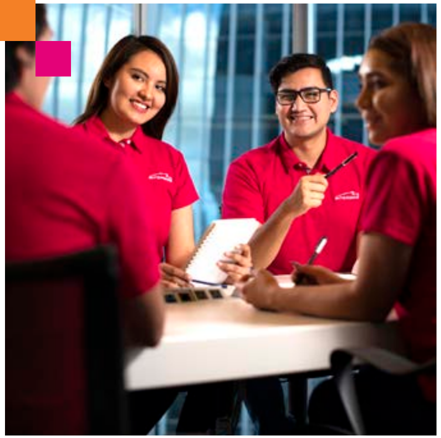
Based on the needs of our clients, in 2015 we incorporated the payment of family remittances into our financial ecosystem. During 2018, we paid 25,462 million pesos in money transfers from the United States to Mexico.

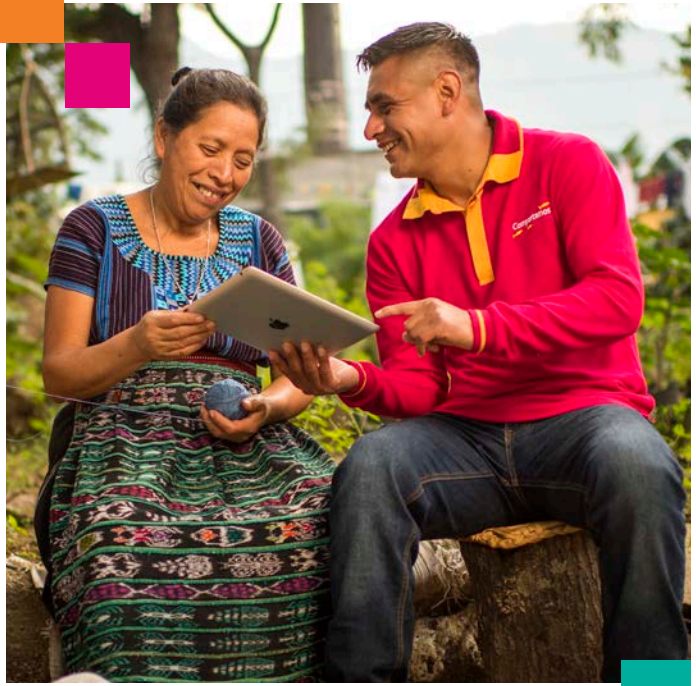
Intermex results	2017	2018
Amount paid in Mexican pesos	23,664	25,462
Amount paid in U.S dollars (millions of dollars)	11.56	0
Number of states with branches	13	12
Total payment points in Mexico	2,521	2,798
Correspondents	2,466	2,567
% of households that receive remittances and are located in municipalities with a medium and high degree of marginalization	55%	55%

This subsidiary is focused on the family remittances market, which allows us to take care of our clients, their security and ensure the full and timely payment of their money transfers, avoiding money laundering and thus complying with the regulations of the Mexican financial system.

Intermex also sends money at a national level through digital channels and branches of Compartamos Banco and Yastás points.

In order to provide a better service, in the coming years we will bet on new technologies for sending money inside and outside the country.





Digital transformations

At Gentera we have a world-class banking platform that meets any regulatory requirement and puts us at the forefront of the financial sector.

During 2018, our innovation laboratory Fiinlab worked in collaboration with the entrepreneurial ecosystem on new financial inclusion solutions. They analyzed 175 startups and spent dozens of hours promoting a culture of innovation among Gentera's employees.

In 2018 in Mexico we obtained the **re-certification of our personal data protection system**, we dealt with 199 requests with a response time of less than 20 business days

GENTERA

Chapter 2

A team committed to serving people

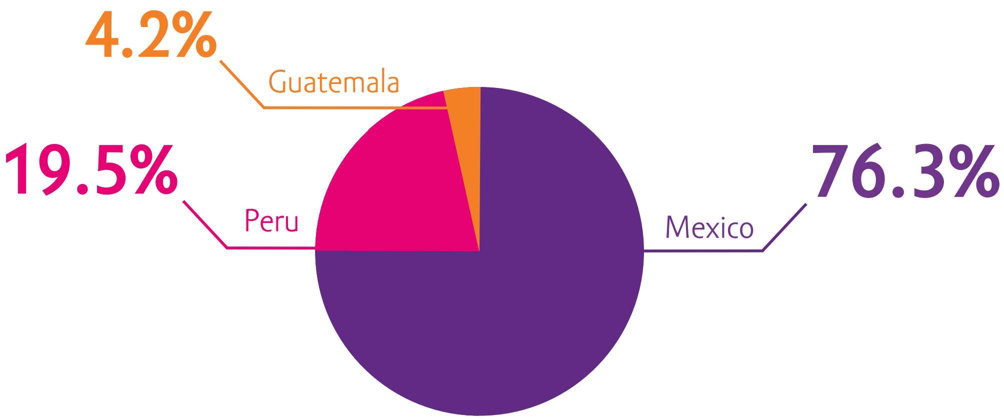
At Gentera, people are what is most important. We have 22,060 employees who are passionate about their work and, above all, committed to bringing opportunities to our clients.

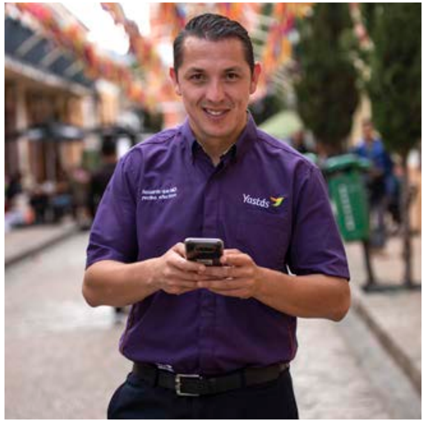
This enormous effort would not be possible without coordinated teamwork, which also allows us to offer a high quality service.

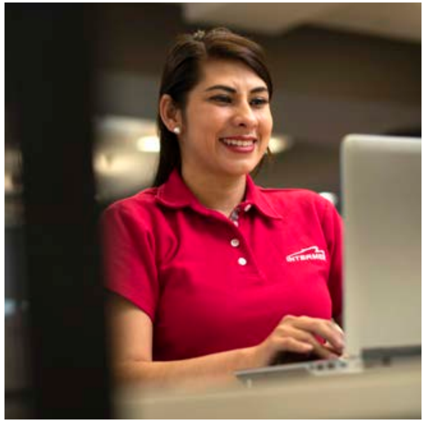
Labor demographics

	2016	2017	2018
Total number of employees	21,185	22,315	22,060
% of employees with permanent contract	98.2%	94.0%	93.0%
% of female employees	49.4%	49.0%	48.8%

Employees by country	2016	2017	2018
Mexico	17,253	17,735	16,836
Peru	3,133	3,627	4,303
Guatemala	799	953	921

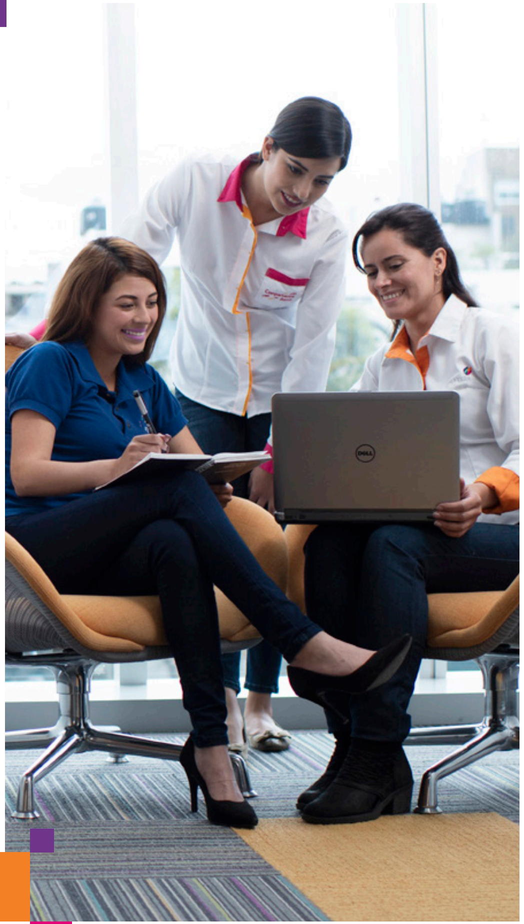






Employees by company

Compartamos Banco		Yastás		Aterna		Support services		Intermex		Compartamos Financiera		Compartamos S.A.	
Mexico		Mexico		Mexico		Mexico		Mexico		Peru		Guatemala	
M	F	M	F	M	F	M	F	M	F	M	F	M	F
8,054	7,597	139	57	12	15	462	485	9	6	2,011	2,292	606	315
15,651		196		27		947		15		4,303		921	



Employees by country, age group and gender

	Mexico			Peru			Guatemala		
	Men	Women	**Total**	Men	Women	**Total**	Men	Women	**Total**
<30 years	3,318	2,613	**5,931**	1,077	1,531	**2,608**	322	131	**453**
30-50 years	5,224	5,448	**10,672**	908	755	**1,663**	281	184	**465**
> 50 years	134	99	**233**	26	6	**32**	3	-	**3**
Total	**8,676**	**8,160**	**16,836**	**2,011**	**2,292**	**4,303**	**606**	**315**	**921**

In 2018 we received the EDGE certification MOVE level that certifies us in **gender equity**

Employees by age group and gender

	2018		
	Men	Women	**Total**
< 30 years	4,717	4,275	**8,992**
30-50 years	6,413	6,387	**12,800**
> 50 years	163	105	**268**
Total	**11,293**	**10,767**	**22,060**

Our sales force is the face of Gentera for clients. Currently, a promoter of our product Crédito Mujer serves an average of more than 300 people a month door to door, moving on foot or in the means of transportation needed such as a motorcycle, truck or even by boat.

To boost their effort, we have implemented the use of mobile devices to make their activities more efficient, while maintaining a close relationship with clients.

Average employee seniority (sales force)

Mexico
3.4 years
24.37% Turnover rate (sales force)

Peru
2.4 years
21.57% Turnover rate (sales force)

Guatemala
1.8 years
57.01% Turnover rate (sales force)

The other important team on Gentera is that of our administrative team, who are committed to providing support and services to the sales force from corporate, service offices, agencies and branches.

Persons per scale of operations

	Compartamos Banco		Yastás		Aterna		Support services		Intermex		Compartamos Financiera		Compartamos S.A.	
	Mexico		Mexico		Mexico		Mexico		Mexico		Peru		Guatemala	
	M	F	M	F	M	F	M	F	M	F	M	F	M	F
Management	46	22	2	1	1	1	54	30	0	1	7	3	3	1
Managers	70	53	2	4	1	2	111	101	0	2	32	17	4	4
Administrative team	914	2,593	38	34	10	12	297	354	9	3	308	835	83	122
Sales force	7,024	4,929	97	18	0	0	0	0	0	0	1,664	1,437	516	188

Our Philosophy promotes the integral development of our employees, both professionally and personally. To this end, we have implemented models that allow them to adopt our institutional values as a way of life.

One of these six values refers the person, whom we place at the center. Individuals are a key piece for teams to grow in all areas through the FISEP model (Physical, Intellectual, Social-Family, Spiritual and Professional), which provides specific help in each of these areas and with which they promote a complete development of the person.

In addition, we have the Serviazgo integral model, through this, our employees can become inspiring leaders who encourage their coworkers to continue growing, with service and understanding of each other and their needs.

In 2018, more than 15,379 employees in Mexico participated in Pyxis, Serviazgo's internal program, to form inspiring leaders. From this initiative we were able to recognize and develop leaders within different areas of Gentera.

Training as a development factor

In addition to the FISEP model, in Gentera we have different training and refreshment programs that we make available to employees. In 2018 we gave 977,285 hours of training with an investment of 87.8 million pesos.

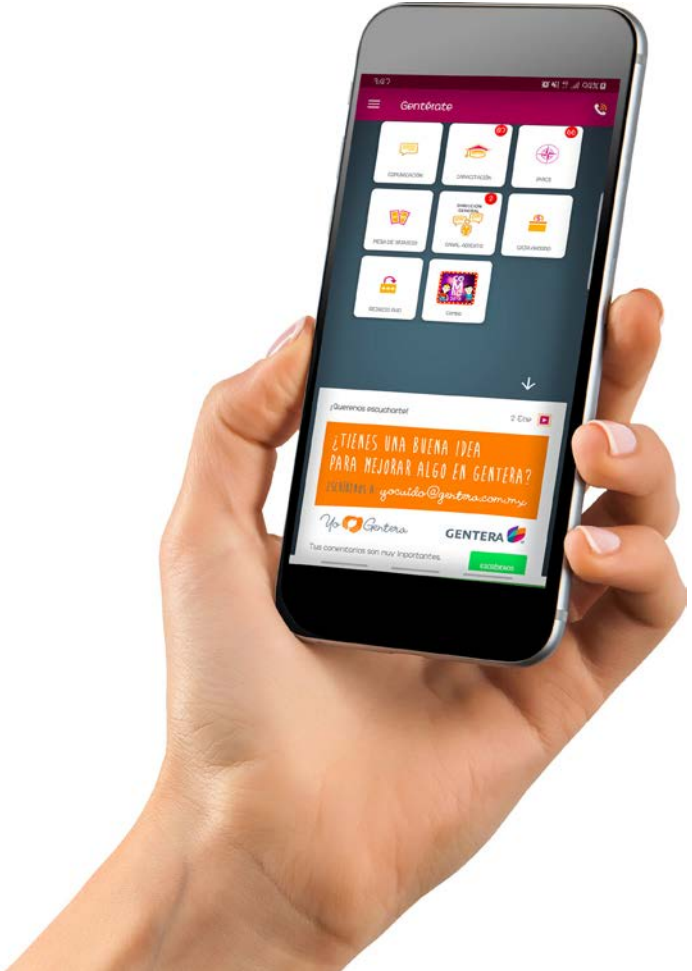
Total number of training hours			
Professional category	2016	2017	2018
Director	342	402	3,116
Deputy Director	1,026	1,446	4,969
Regional Manager	1,098	2,402	8,508
Services Offices Manager	18,217	19,150	46,196
Services Offices Deputy Manager	43,675	28,288	26,060
Instructor	1,714	4,044	8,940
Systems Technician / Administrative Assistant	35,892	63,366	59,373
Sales and Customer Service Executive	13,273	32,820	20,348
Credit adviser	49,723	47,593	67,995
Promoter	363,138	493,682	517,885
CM-CCR-CI Leader	39,981	95,906	111,959
Opening Agent	718	-	17

Total number of training hours			
Professional category	2016	2017	2018
Leader + Employees	29,668	7,376	16,003
Collection Agents	1,942	5,345	10,292
Cashier and Branch Supervisors	10,264	9,318	5,725
Cashiers	5,422	16,160	11,375
CEAS Manager	2,424	3,782	9,666
CEAS Analyst	1,496	2,492	2,842
Representatives of Persons	802	1,700	2,698
Specialist	378	1,046	605
Leveling other positions	54,428	63,520	19,496
Massifications	-	124,222	23,217
Total	**675,621**	**1,024,054**	**977,285**

Our commitment to the development of employees starts from the first day they come to work with us, with the induction program. They also participate in training to develop skills, knowledge, behaviors and attitudes to help them face everyday activities.

This year, 3,201 new employees completed the Healthy Finance to Prevent Over-indebtedness among employees certification, and 4,682 new employees completed the Personal Finance course, where topics such as expense organization, savings, credit and insurance are taught.

Since 2018 we have been using technology as a tool that allows us to train and inform our employees. Gentérate app is a communication channel to send strategic contents through information sheets, infographics, training materials, communications and links. All of it, a click away.



We know that a **person committed to their work** has a positive impact on the work of the team

We measure in order to improve

In a search for greater efficiency in our teamwork, each year we measure the performance of our employees through our ADN platform; in this way we can assign clear goals, know their strengths and areas of opportunity.

The examination model consists of four stages:

1. **Planning:** establishment of goals to be achieved throughout the year
2. **Tutoring:** mid-year reflection to identify the progress towards the agreed objectives.
3. **Examination:** assessment of compliance with annual objectives
4. **Acknowledgment:** of achievements throughout the year

Thanks to these examinations we can also identify employees who have the capacity to occupy higher positions and take on more responsibilities. With these promotions we encourage them to grow professionally.

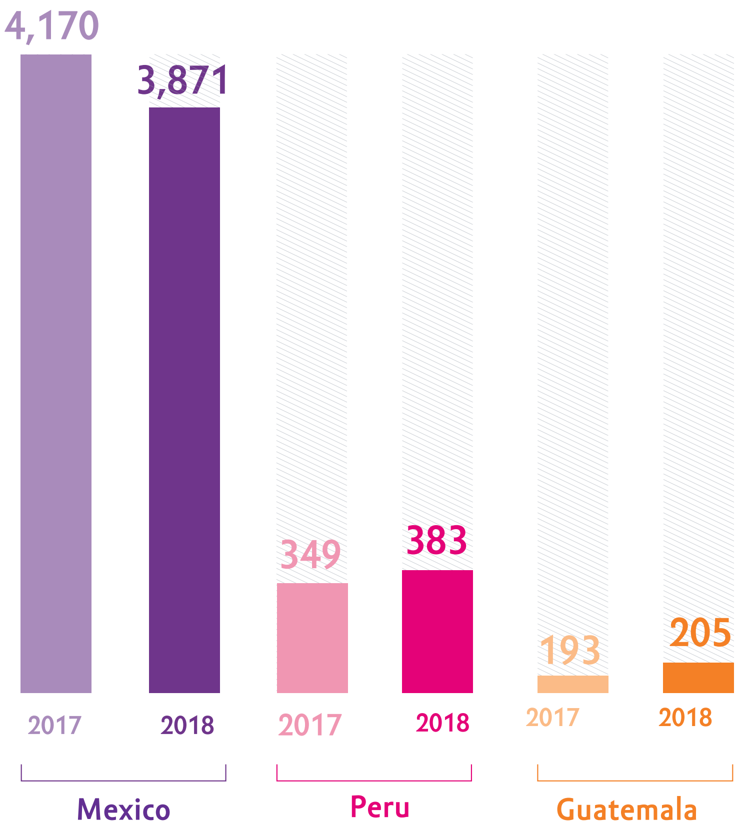
3,240 career acceleration scholarships were awarded to our employees in 2018

Employees evaluated by category

	2017	2018
Chairman	2	2
CEO	-	1
Executive / General Director	15	14
Director	49	45
Deputy Director	150	243
Manager	521	348
Employees	3,975	3,806
Total	**4,712**	**4,459**

Our **ADN platform** evaluates administrative employees in Mexico, Peru and Guatemala

Employees evaluated by country

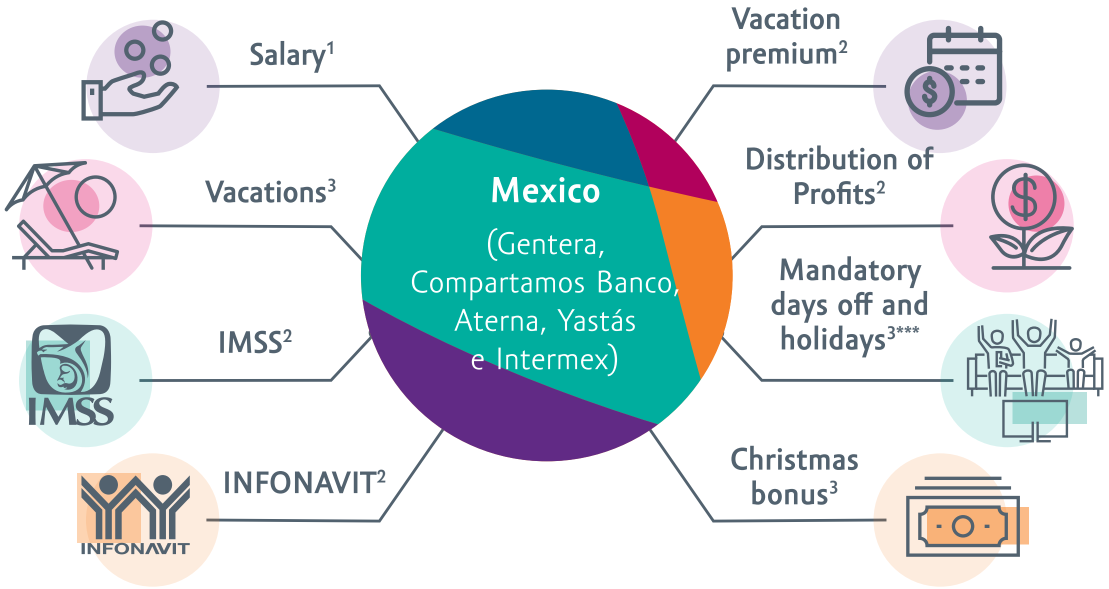


Total three countries
2017: **4,712**
2018: **4,459**

We take care of our team

At Gentera we acknowledge the daily work and commitment of our teams with an attractive offer of benefits superior to those established by law. In addition, we offer a competitive benefits package that contributes to a better quality of life and the well-being of our employees.

Fixed secured consideration in Mexico



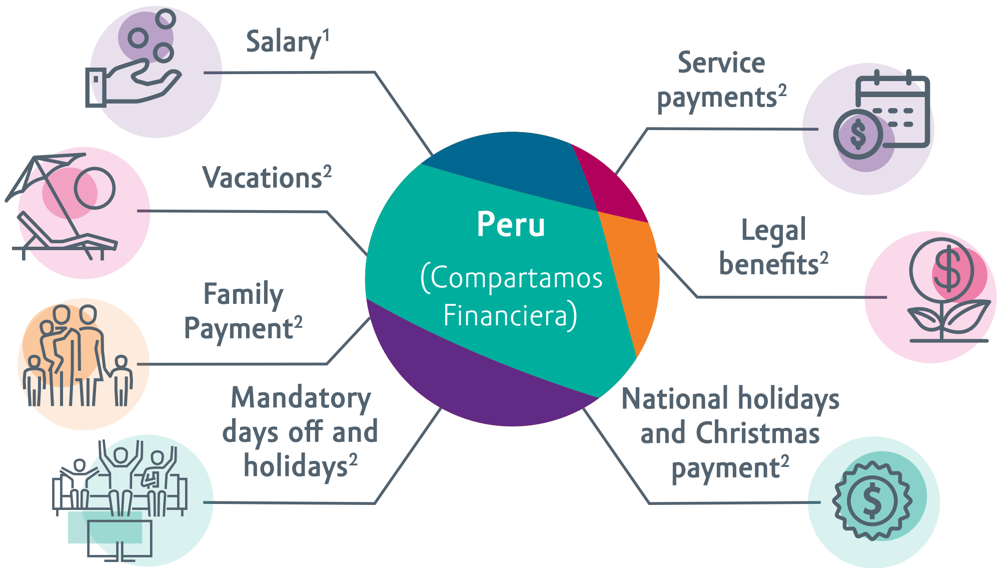
[1]*Basic compensation*

[2]*Statutory benefits*

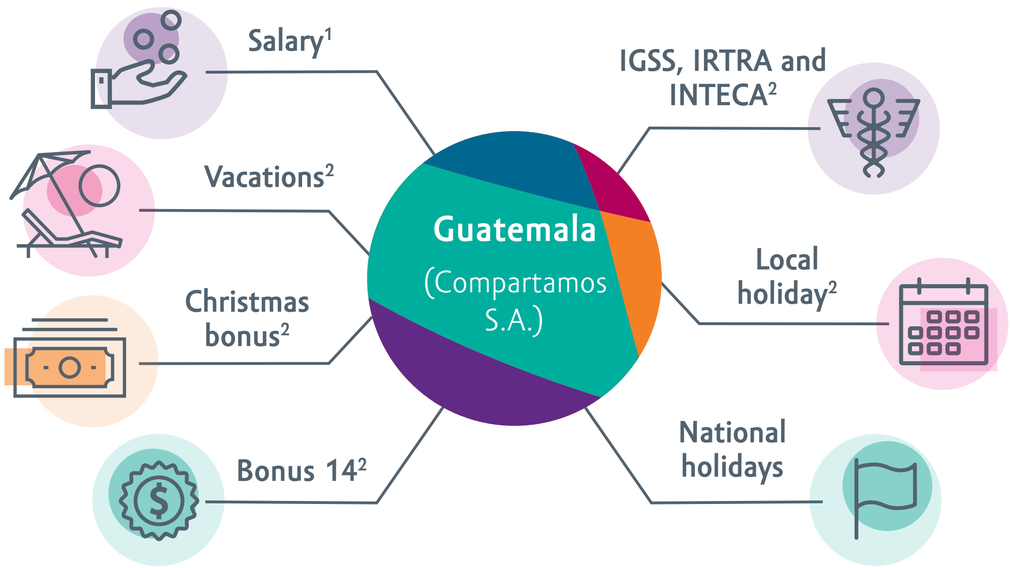
[3]*Additional benefits*

****Some holidays apply just to certain offices and/or branches due to local festivities.*

Fixed secured consideration in Peru



Fixed secured consideration in Guatemala



¹Basic compensation

²Statutory benefits

³Additional benefits

****Some holidays apply just to certain offices and/or branches due to local festivities.*

Benefits and Bonus

Mexico (Benefits of Gentera, optional for the companies)	Peru (Compartamos Financiera)	Guatemala (Compartamos S.A.)
• Savings fund ** • Food vouchers ** • Pension plan • Stock Bonus * • Personal safety insurance* • Life insurance • Health insurance* • Combo (Flexible insurance) • Benefits for new fathers and mothers (employees) • Flexible work due to maternity and paternity • School kit for employees' children • Assistance for employees in psychological and legal matters • Institutional permits • Children home • Birthday permit • Agreements • Assistance for contingencies • Operative bonus * • Performance bonus * • Seniority bonus • Savings fund • Vehicle benefit *	• Family payment • Food Benefits • Productivity Bonus (Incentives)* • Performance bonus (ED)* • Stock Bonus * • Service Payments (CTS) • Vacations • July bonus • December bonus • Life insurance • Health insurance* • ESAULD • Vehicle benefit *	• Decree bonus • Bonus 13 (Christmas) • Bonus 14 • Performance bonus (ED)* • Stock Bonus * • Incentive bonus* • Savings fund • Life insurance • Health insurance • Health Program – Sales • Combo • Crib benefit • Vehicle benefit *

** Some benefits only apply to certain positions*

***Applies after the first 6 months in the organization*

These labor conditions enabled us to attract 6,108 new employees in 2018 and reduce our turnover rate from 33.8% to 26.8%, demonstrating the commitment of both parties.

New hiring by age

	Mexico		Peru		Guatemala	
	Number	%	Number	%	Number	%
18 to 28 years old	2,040	51.1%	1,235	71.3%	251	66.1%
29 to 38 years old	1,545	38.6%	417	24.1%	109	28.6%
39 to 48 years old	353	8.8%	71	4.1%	19	5.0%
49 to 58 years old	58	1.5%	9	0.5%	1	0.3%
Total	**3,996**	**100%**	**1,732**	**100%**	**380**	**100%**

New hiring by gender and by country	Mexico		Peru		Guatemala	
	Number	%	Number	%	Number	%
Women	1,815	45.4%	923	53.3%	269	70.8%
Men	2,181	54.6%	809	46.7%	111	29.2%
Total	**3,996**	**100%**	**1,732**	**100%**	**380**	**100%**

6,108 people joined Gentera in 2018

Several national and international organizations have acknowledged the effort we make to offer suitable working environments. The Great Place to Work Institute places us in the first places and recognizes us as one of the best workplace in Mexico, Peru and Guatemala; this fills us with pride because it reflects the efforts we make to have a good working environment.

Mexico:

- Second place in the Best Workplaces in Mexico ranking, in the category with more than 5,000 employees
- 12th place in the Best Workplaces in Mexico in the area of Diversity and Inclusion 2018
- Third place in the Best Workplaces in Mexico for the Banking, Insurance and Finance sector of more than 1,000 employees
- Second place in the Best Workplaces in Mexico for the Millennial Generation in the category of more than 5,000 employees
- Recognition in the Respect area for the Best Workplaces
- Recognition for appearing 12 consecutive years in the Best Workplace ranking

Peru:

- Fourth place in the Best Workplaces ranking, in the category of more than 1,000 employees

Guatemala:

- 12th place in the ranking of Best Workplaces in Central America and the Cari-bbean in the category of 100 to 1,000 employees

We are a company that offers the same opportunities for men and women, that is why we received for the fourth time the EDGE certification MOVE level, which endorses the implementation of policies and practices of gender equity in the company. Also at the international level we participated in the study Women's Matter, conducted by McKinsey, as an example of best practices that are currently practiced in Mexico.

17,644 employees participated in Great Place to Work survey

Certification brings us **closer to excellence**

In order to offer a better service, every year all our employees are certified in different fields related to our Philosophy and the financial sector.

Code of Ethics and Conduct

This certification renews the commitment of the employees with the company, since it helps them to live the Philosophy of Gentera and the values that guide us. Thus, collaborators adhere to the rules of conduct and are aware of the means to complain available to them.

Financial education

For Gentera it is a fundamental pillar that all our employees are certified in personal finance issues and the adecuate use of financial services.

In doing so, we ensure that they understand the products they offer, as well as their impact on the client's life. At the same time, we help them learn how to manage their family economy and shape a financial culture in their personal environment.

Client Protection

Under the premise that the people are what is most important for us, we incorporate this certification so that our employees implement the seven principles with which we protect our clients every day, and that are applied in the interaction that we have with them.

1. Appropriate product design and distribution
2. Prevention of over-indebtedness
3. Transparency
4. Reasonable prices
5. Fair and respectful treatment of clients
6. Privacy of client information
7. Mechanisms for the resolution of complaints

Money laundering prevention

As part of the regulations in force in the Mexican financial system, all employees are certified in Money Laundering and Financing of Terrorism Prevention, so that they can identify unusual situations, know how to act and who to turn to.

GENTERA®

Chapter 3

We contribute to generate social and human value in communities

Thanks to the experience we have in serving the most vulnerable segments and being aware of the impact we can generate in them, we work with the communities to promote their development; this is how we work to consolidate ourselves as an organization that contributes to improving its environment.

During our more than 25 years operating, social responsibility has guided our service to the community. In order to serve better all our stakeholders we evolved into corporate citizenship.

Gentera as a responsible citizen is linked as a conscious actor within society through ethical behavior and the pursuit of the common good, assuming a proactive role with the needs of the community in which it operates.

A fundamental part of corporate citizenship is the initiatives we take on behalf of others in conjunction with other social actors. These actions are embodied in an annual plan authorized by the Social Vocation Committee and implemented by the Direction of Corporate Citizenship and Fundación Gentera in Mexico, Peru and Guatemala.

Our projects are aligned with the Sustainable Development Objectives of the United Nations (UN), with the purpose of joining the call launched by the international organization to contribute to the achievement of:

During 2018 **we benefited 190,578 people** by allocating $89,120,943 to Corporate Citizenship initiatives

We work on six lines of action that cover different scial areas in which we have an impact:

1. Education

Through education, people are able to develop skills to transform their environment. That is why we create the right conditions for people to continue studying and contribute to that transformation.

In Mexico, for example, we renewed our alliance with the *Instituto Nacional para la Educación de los Adultos* (INEA) so that our clients and family members can obtain their primary or secondary school certificates; in addition, we implemented the project *Construyendo Puentes* to avoid dropping out of school in secondary school and high school. Also, through *Capacitación para Mejorar tu Negocio*, we provide scholarships to entrepreneurs so that they have the tools to improve their business.

Results:

Capacitación para mejorar tu negocio

72 scholarships granted

INEA

2,234 people obtained their diploma

Construyendo Puentes

8,580 young people were benefited

2. Volunteering

We emerged from a movement of volunteers, concerned for the welfare of others. We maintain this social vocation in the essence of the group and we promote this type of activities among our employees.

We are convinced that volunteering provides a benefit to those who receive it and also contributes to the integral development of people, which generates a deep sense of satisfaction.

Results:

16,865 participating employees

68,218 volunteer hours

94,477 beneficiaries

15 Día Compartamos con tu Comunidad activities conducted

3. Donation

Fundación Gentera encourages generosity and promotes a culture of donation, because helping others is part of our social commitment.

Employees voluntarily contribute an amount of their salary to support educational projects. Likewise, the Foundation commits itself to the causes and doubles the donations, with which it supports the projects of the civil society organizations that participate every year in the Call for Education.

Results:

10,213 donor employees

$5,117,696 obtained

42 organizations benefited in the ninth Call for Education

4. Contingencies

We know the conditions in which the communities we serve live, as well as the risks to which they are exposed. That is why we promote a culture of prevention and, in the event of natural disasters, we provide support.

During 2018 we contributed to the reconstruction of the market 5 de Septiembre in Juchitán, Oaxaca, benefiting 800 tenants affected by the 2017 earthquakes; in addition, we supported 839 people affected by the eruption of the Volcán de Fuego in Guatemala and 8,460 people impacted by hurricane Willa, and those affected by severe rains, floods and tropical storm mainly in the states of Colima and Nayarit.

With in-kind help and fundraising, we contribute to the economic reactivation and recovery of communities.

Other support:

122 school packages

were delivered to children affected by the 2017 earthquakes in San Dionisio del Mar, Oaxaca.

7 schools

were rebuilt in Oaxaca, Puebla and Chiapas, benefiting 1,921 students

5. Environment

We are a company committed to respect and care for the environment. We contribute with concrete actions to achieve our objectives, involving our employees in the correct separation of waste and reforestation work; we voluntarily monitor Gentera's performance through the annual inventory of greenhouse gas emissions.

Iniciatives:

Preparation of the sixth **greenhouse** gas inventory

Guatemala implemented a **recycling campaign**

Participation in the **reforestation** of 2.5 hectares in Nevado de Toluca Park in Mexico

6. Client protection

The Direction of Corporate Citizenship in Gentera is responsible for monitoring the efforts made in matters of client protection, inherent attribute of financial inclusion.

16,385 employees in 2018 obtained the Client Protection certification to know and apply the seven basic principles in their daily work. This topic was integrated to the induction of the new employees, and in addition a board was implemented with the indicators related to the topic.

7. Financial Education

The Financial Education strategy during 2018 was to generate useful contents for clients, employees and communities, which were distributed through the social networks of the group's companies, with the objective of having greater diffusion.

As part of these activities, we also gave lectures to 26,535 clients who participated in the 150 Committee Meetings; we participated in the National Financial Education Week in Mexico, attended by 91,212 people; and 42 of our employees gave financial education classes to 678 elementary school children, within the framework of the Día del *Ahorro Infantil*.

The idea is to take care of basic aspects of our operation that allow our clients, our raison d'être, to maximize the use and advantage of financial services in their favor and that these services can represent an important tool in their development.

As every year, we participated in the **National Financial Education Week in Mexico**

Chapter 4

Corporate Governance: transparency and integrity

At Gentera we adopt the best national and international corporate governance practices, and we develop our own regulations that guarantee the creation of value for our stakeholders.

In Mexico, our company complies with the standards established in the Corporative Best Practices Code of the *Consejo Coordinador Empresarial* (CCE), the Code of Ethics of the Stock Community and the Internal Regulation of the Mexican Stock Exchange.

At Gentera, we have established mechanisms for the operation of the governing and administrative bodies, which are aligned with our strategy and adhere to the Code of Ethics and Conduct.

The good performance of the group, and of the companies that make it up, is based on compliance with and adherence to the By-Laws, the Code of Good Corporate Governance and the Regulations of the Board of Directors; all of them have been created for the good functioning and to foster our commitment to the Philosophy and institutional values.

The Code of Good Corporate Governance of Gentera maintains the sense of organization, increases the generation of value of our group, ensures long-term sustainability and transparency of financial information and risks in the market.

Through the high performance standards that we promote with this code, we encourage ethical and professional business conduct, which ensures integrity and reliability on Gentera.

With this document we also comply with the will of the General Shareholders' Meeting and follow up on the business strategy approved by the Board of Directors.

These efforts have allowed us to build a corporate culture that differentiates Gentera and its companies in the financial sector.

What makes us different

75%
of the committees are chaired by independent directors

64%
of the members of the Board of Directors of Gentera are independent directors

18%
of the members of the Board of Directors are women in key committee positions

48 a 79 años
years is the age range of directors

The members of Management who are part of the Board do **not receive remuneration**

Each year all the members of the Board of Directors

- are certified and ratify their adherence to the Code of Ethics and Conduct of Gentera
- adhere to the policy to operate under the values of Gentera, and other issuers of which they have access to confidential or privileged information
- implement a comprehensive quality and performance evaluation of their functions, along with the Audit Committee

In addition, we have:

- Manual for the Identification and Approval of Operations with Related Parties that allows us to identify and treat the operations, pursuant to the applicable regulations and, thus, to resolve possible conflicts of interest.
- corporate governance structure in each subsidiary, with which we address the legal nature and applicable legislation in each case

Classes and certifications for employees such as: Conflicts of Interest, Prevention of Money Laundering and Financing of Terrorism, Commitment to Financial Inclusion and Client Protection, and Fraud Prevention; and for the members of the Board of Directors we provide training in topics related to the organization, the situation of the country and the world.

Board of Directors

Is responsible for establishing Gentera's strategy, supervising the management and results of the management team, as well as approving the guidelines for internal control, auditing and remuneration policies for managers.

It has the authority to call a Shareholders' Meeting, present the Annual Report of the CEO and give its opinion, and then be in charge of the execution of the resolutions deriving therefrom.

The Board is chaired by Carlos Antonio Danel Cendoya, who has extensive knowledge of the microfinance sector.

The rest of the board also has extensive experience in the sector, as well as a proven track record and moral solvency in the financial industry.

Members of the Board of Directors

Directors	Position	Seniority in the Board	Age
Antonio Rallo Verdugo	Independent	3 years	57 years
Carlos Antonio Danel Cendoya	Related	18 years	49 years
Carlos Labarthe Costas	Related	18 years	50 years
Claudio Xavier González Guajardo	Independent	7 years	55 years
Francisco Javier Arrigunaga Gómez del Campo	Independent	3 years	55 years
John Anthony Santa Maria Otazua	Independent	10 years	61 years
José Ignacio Ávalos Hernández	Related	18 years	59 years
José Manuel Canal Hernando	Independent	15 years	79 years
Juan Ignacio Casanueva Pérez	Related	8 years	50 years
Martha Elena González Caballero	Independent	12 years	64 years
Rose Nicole Dominique Reich Sapire	Independent	5 years	53 years

Chairman Carlos Antonio Danel Cendoya

Secretary Manuel de la Fuente Morales

Alternate Secretary Mariel Eloina Cabanas Suárez

The term of office is one year, and directors may be re-elected for equal periods, after evaluation by the Board of Directors.

The appointment, ratification or removal of its members corresponds to the General Shareholders' Meeting. In addition, together with the Nomination and Evaluation Committee, they select and evaluate the candidates; they also verify that they comply with the legal requirements and that they cover the professional and personal profile required by the Good Corporate Governance Code of Gentera.

Information of the members **of the Board of Directors**

Antonio Rallo Verdugo

Date of entry to the Board: 2015

Studies: Marine Biologist graduated from the University of California at San Diego, California, with a postgraduate degree in Aquaculture at Aix Marseille III, France.

Current activities: Executive president of ID345 - Startup, a company focused on early-stage investments in scalable software platforms with a focus on key technologies.

Experience: He was Vice President of Strategy and Technology of Grupo Televisa, co-founder and Chairman of the Board of NCubo Holdings, incubator of technology companies such as: Kionetworks.com. Founder and CEO of iWeb; founder and CEO of Digital Media Studio; Regional Director, Multimedia Technologies Division, Apple Europe.

Other boards where he participates: KIO Networks; Banco Compartamos, S.A. Institución de Banca Múltiple; KarmaPulse; Openpay; Yalochat and Reverscore.com.

Field of expertise: systems and technology.

Carlos Antonio Danel Cendoya

Date of entry to the Board: 2000

Studies: Architect graduated from the Universidad Iberoamericana, with a master's degree in Business Administration from the Instituto Panamericano de Alta Dirección de Empresas (IPADE). He has attended microfinance programs at The Economic Institute at Boulder and has taught at Harvard Business School.

Current activities: Chairman of the Board of Directors of Gentera, S.A.B. de C.V. and member of the Board of Banco Compartamos, S.A. Institución de Banca Múltiple.

Experience: Almost three decades in microfinance, in Gentera, S.A.B. de C.V., a company that brings together six companies with the purpose of working for financial inclusion. Three of them are focused on offering financial services for the under-served segment in Mexico, Peru and Guatemala, under the Compartamos brand. The other three are dedicated to offering insurance for popular segments, managing a network of bank commission agents, the payment of family remittances, as well as an innovation laboratory to create new business models based on technology and a foundation

.

Other boards in which he participates: Banco Compartamos, S.A., Institución de Banca Múltiple; Aterna, Agente de Seguros y Fianzas, S.A. de C.V.; Controladora AT, S.A.P.I. de C.V.; Fundación Gentera, A.C.

Field of expertise: microfinance and business.

Carlos Labarthe Costas

Date of entry to the Board: 2000

Studies: Industrial Engineer graduated from the Universidad Anahuac del Norte, with studies in Business Management by the Instituto Panamericano de Alta Dirección de Empresas (IPADE).

Current activities: Chairman of the Board of Directors of Banco Compartamos, S.A. Institución de Banca Múltiple and member of the Board of Directors of Gentera, S.A.B. de C.V.

Experience: Almost three decades in microfinance, in Gentera, S.A.B. de C.V., a company that brings together six companies with the purpose of working for financial inclusion. Three of them are focused on offering financial services for the under-served segment in Mexico, Peru and Guatemala, under the Compartamos brand. The other three are dedicated to offering insurance for popular segments, managing a network of bank commission agents, the payment of family remittances, as well as an innovation laboratory to create new business models based on technology and a foundation.

In 2015, he was recognized by the Great Place to Work Institute and Wobi magazine as The Most Trusted CEO in Mexico.

Other boards in which he participates: Banco Compartamos, S.A., Institución de Banca Múltiple; Red Yastás, S.A. de C.V.; Controladora AT, S.A.P.I de C.V.; Aterna, Agente de Seguros y Fianzas, S.A. de C.V.; Advenio; Worldfund; Grupo Kipling; Promotora Ignia, S.C.; Instituto Tecnológico y de Estudios Superiores de Monterrey; Compartamos Financiera, S.A. (Perú); Compartamos, S.A. (Guatemala); and Compartamos Servicios, S.A. de C.V.

Field of expertise: microfinance and business.

Claudio Xavier González Guajardo

Date of entry to the Board: 2012

Studies: Graduate in Law from the Escuela Libre de Derecho, with a master's degree in Law and Diplomacy and a doctorate in Law and International Relations from The Fletcher School of Law and Diplomacy, Tufts University.

Current activities: Cofounder and chairman of Mexicanos Contra la Corrupción, A.C., Cofounder and president of Mexicanos Primero, A.C., Cofounder of Despacho de Investigación y Litigio Estratégico, A.C. (DILE), Cofounder and chairman of Aprender Primero, A.C., Cofounder and honorary chairman of the Unión de Empresarios para la Tecnología en la Educación (UNETE).

Experience: Co-founder and former chairman of Fundación Televisa, A.C., public official for nine years in the Presidency of the Republic and the Ministries of Agriculture and Labor, Cofounder of the International Diploma for Transforming Educational Leaders (DILET).

Other boards in which he participates: Banco Compartamos, S.A. Institución de Banca Múltiple; Fundación El Colegio de México, A.C.; Instituto Tecnológico de Estudios Superiores de Monterrey, A.C.; Fundación Televisa, A.C.; Fundación BBVA Bancomer, A.C.; Ver Bien para Aprender Mejor, A.C.; Inter-American Dialogue (Washington, D.C.); Fundación Comunitaria Oaxaca, A.C.; World Education & Development Fund, (Mexico-New York); and, U.S. - México Foundation (México-Washington).

Field of expertise: Philanthropy, social activation and strengthening of organized civil society.

Francisco Javier Arrigunaga Gómez del Campo

Date of entry to the Board: 2015

Studies: Graduated in Law from the Universidad Iberoamericana, with a Master in Law from Columbia University and specialization in Corporate Law and Finance.

Current activities: Chairman of the Board of Directors of Grupo Aeroméxico, S.A.B. de C.V. and Chief Executive Officer of Xokan, a financial advisory firm.

Experience: CEO of Grupo Financiero Banamex (a subsidiary of Citigroup), Ambassador of Mexico to the OECD, various positions in Banco de México, Director of the Fondo Bancario de Protección al Ahorro, Chairman of the Asociación de Bancos de México, has been a member of the Board of Directors of various companies and institutions, such as the Bolsa Mexicana de Valores, Grupo Financiero Banamex, the Comisión Nacional Bancaria y de Valores and Grupo Financiero Inverlat.

Other councils in which he participates: Banco Compartamos, S.A., Institución de Banca Múltiple; Grupo Dine, Grupo Kuo; Paralelo 19; and Associate of the General Assembly of the Universidad Iberoamericana.

Field of expertise: finance and corporate governance.

John Anthony Santa Maria Otazua

Date of entry to the Board: 2008

Studies: Business Administrator and Master of Finance, graduated from the Southern Methodist University Dallas, Texas.

Current activity: Chairman of Coca-Cola FEMSA.

Experience: Career at McKinsey & Company and PepsiCo, joined Coca-Cola FEMSA in 1995, where he was President of Operations for Mexico, Strategic Planning and Mergers and Acquisitions Officer, Strategic Planning and Business Development Officer, and President of Operations for Coca-Cola FEMSA's South American division.

Other boards in which he participates: Banco Compartamos, S.A., Institución de Banca Múltiple.

Field of expertise: strategic planning.

José Ignacio Ávalos Hernández

Date of entry to the Board: 2000

Studies: Business Administration graduate from Universidad Anahuac del Norte.

Current Activity: Chairman of the Board of Directors of Promotora Social México, A.C., Founder and Chairman of Un Kilo de Ayuda, A.C.

Experience: More than 33 years of experience in philanthropy and finance.

Other boards in which he participates: Banco Compartamos, S.A., Institución de Banca Múltiple; COFAS, I.A.P.; Cooperación y Desarrollo, A.C.; Desarrollo, Ayuda y Alimentos, S.A.; Alimentos en Zonas Rurales, A.C.; Impulsora Social, S.A.; Mexicanos Primero, A.C.

Field of expertise: philanthropy and microfinance.

José Manuel Canal Hernando

Date of entry to the Board: 2003

Studies: Certified Public Accountant graduated from the Universidad Autónoma de México (UNAM).

Current activity: Director, Commissioner and Adviser to the Board of Directors of several national private companies, registered in the stock market in matters of internal control and corporate governance.

Experience: Independent Auditor, Adviser, Commissioner and Adviser to companies in various financial, industrial and consumer product groups in the country.

Other boards in which he participates: Banco Compartamos, S.A., Institución de Banca Múltiple; FEMSA, Coca-Cola FEMSA; Grupo Kuo; Grupo Industrial Saltillo; Fundación Bécalos; Alsea; Consorcio Comex; and Estafeta.

Field of expertise: accounting, auditing, internal control and corporate governance.

Juan Ignacio Casanueva Pérez

Date of entry to the Board: 2010

Education: Public Accountant graduated from the Universidad Iberoamericana, with studies in Business Administration from the Instituto Panamericano de Alta Dirección de Empresas (IPADE).

Current activity: Chairman of the Board of Directors of Grupo Casanueva Pérez S.A.P.I. de C.V. and Chairman of the Board of Interprotección Agente de Seguros y de Fianzas.

Experience: Over 25 years of experience in the insurance, brokerage, reinsurance and surety sectors with global presence and recognition.

Other boards in which he participates: Grupo AXO, S.A de C.V.; Kionetworks; Banco Compartamos, S.A. Institución de Banca Múltiple; Aterna, Agente de Seguros y Fianzas, S.A. de C.V.; Controladora AT, S.A.P.I. de C.V.; Hombre Naturaleza A.C.; Endeavor Mexico; Consejo Empresarial de América Latina; Chairman of Fundación Carlos Casanueva Pérez; and Chairman of Fideicomiso Probosque de Chapultepec.

Field of expertise: insurance.

Martha Elena González Caballero

Date of entry to the Board: 2006

Education: Certified Public Accountant, graduated from the Universidad Iberoamericana.

Current activity: Independent professional practice, Commissioner and Counselor of various public and private sector companies.

Experience: Over 30 years as an independent auditor.

Other boards in which she participates: Banco Compartamos, S.A., Institución de Banca Múltiple; SD Indeval, Contraparte Central de Valores; Technical Committee Fondo de Defunción del Colegio de Contadores Públicos de México; and INFONAVIT.

Field of expertise: Audit in the financial sector.

Rose Nicole Dominique Reich Sapire

Date of entry to the Board: 2013

Education: Bachelor in Computer Science from Instituto Tecnológico de Estudios Superiores Monterrey (ITESM), with a master's degree in Business Administration from Instituto Tecnológico Autónomo de México (ITAM); corporate leadership program from Harvard Business School, Boston, Massachusetts, USA and executive program from Kellogg School of Management at Northwestern University, USA.

Current Activity: CEO of BNP Paribas Cardif Mexico and independent director of several companies in Mexico and abroad.

Experience: From 2007 to 2012 she was executive vice president and CEO of Grupo Financiero Scotiabank Mexico; CEO of Scotiabank in the Dominican Republic. At Citigroup, she held senior management positions, including general manager and CEO for Peru, Chile and the Dominican Republic.

Other boards in which she participates: Banco Compartamos, S.A., Institución de Banca Múltiple; Diesco Internacional (Dominican Republic and Puerto Rico) and WPO Mexico Chapter, among others.

Field of expertise: Finance, insurance and banks.

To fulfill its functions, the Board operates through four committees that address specialized issues and report their results. Each is made up of advisers and invited experts in the field, most of which are chaired by independent directors.

1) Audit Committee

Audit Committee			
Members	Title	Position	Seniority in the committee
Martha Elena González Caballero	Chairman	Independent	8 years, 11 months
Claudio Xavier González Guajardo	Member	Independent	6 years, 10 months
José Manuel Canal Hernando	Member	Independent	4 years, 10 months
Antonio Rallo Verdugo	Member	Independent	2 years, 10 months
Jerónimo Luis Patricio Curto de la Calle	Guest*	Independent Specialist Advisor	4 years, 10 months
Oscar Luis Ibarra Burgos	Guest*	Internal Audit Director	8 years, 11 months

**With voice, but no vote*

In 2018, this committee met eight times, seven ordinary meetings and one extraordinary.

Duties:

- Review the integrity of financial statements and reports, as well as accounting and tax criteria and practices.
- Monitor the internal and operational control system, as well as the execution and follow-up of the updating of the operative processes that integrate it
- Ensure that the internal and external audit function is carried out objectively and independently
- Monitor the degree of compliance with the principles established in the Code of Ethics and Conduct of Gentera
- To review the results of the tests to the systems that conform the plan of continuity of Gentera
- Review related party transactions submitted by the Director of Internal Audit and recommend to the Board of Directors the approval of Material Related Party Transactions

2) Executive Committee

Executive Committee			
Members	Title	Position	Seniority in the committee
Carlos Antonio Danel Cendoya	Chairman	Related	5 years, 9 months
Carlos Labarthe Costas	Member	Related	7 years, 9 months
José Ignacio Ávalos Hernández	Member	Independent	7 years, 9 months
Francisco Javier Arrigunaga Gómez del Campo	Member	Independent	2 years, 9 months
Enrique Majós Ramírez	Member	Related / CEO Gentera	1 year, 3 months
Patricio Diez de Bonilla García Vallejo	Member	Related /CEO of Banco Compartamos, S.A. Institución de Banca Múltiple.	8 months
Manuel de la Fuente Morales	Guest*	Corporate CEO	8 months
Juan José Gutiérrez Chapa	Guest*	Independent Specialist Advisor	8 months
Álvaro Rodríguez Arregui	Guest*	Independent Specialist Advisor	3 years, 9 months

**With voice, but no vote*

In 2018, this committee held six ordinary sessions.

Duties:

- Follow-up on the strategy approved by the Board of Directors
- Support the management team in the analysis and discussion of strategic or highly relevant matters, especially when the Board of Directors is not in session
- Evaluate new business options and follow up on relevant negotiations
- Serve as the link that fosters communication between the Board of Directors and the management team of the administration

3) Corporate Practices Committee

Corporate Practices Committee			
Members	**Title**	**Position**	**Seniority in the committee**
Rose Nicole Dominique Reich Sapire	Chairman	Independent	3 years, 9 months
Francisco Javier Arrigunaga Gómez del Campo	Member	Independent	8 months
John Anthony Santa Maria Otazua	Member	Independent	2 years, 9 months
Martha Elena González Caballero	Member	Independent	7 years, 6 months
Manuel de la Fuente Morales	Guest*	Corporate CEO	8 months

**With voice, but no vote*

In 2018, this committee held four ordinary and one extraordinary sessions.

Duties:

- Participate in the supervision, retention, evaluation and compensation of the CEO and the management team
- Develop and approve talent development policies and succession bases
- Determine the remuneration policies of the members of the Board of Directors and managers of Gentera and its subsidiaries
- Be familiar with and prepare the Annual Activity Report, including the Transactions with Related Parties carried out during the fiscal year

4) Risk Committee

Risk Committee			
Members	Title	Position	Seniority in the committee
José Manuel Canal Hernando	Chairman	Independent	3 years, 9 months
Rose Nicole Dominique Reich Sapire	Member	Independent	3 years, 9 months
José Ignacio Ávalos Hernández	Member	Related	8 months
Carlos Antonio Danel Cendoya	Member	Related	2 years, 9 months
Patricio Diez de Bonilla García Vallejo	Member	CEO Banco Compartamos	3 months
Francisco Gandarillas González	Member	Internal Control Director	8 months
Oscar Luis Ibarra Burgos	Guest*	Internal Auditor General	3 years, 9 months

With voice, but no vote

In 2018, this committee met twelve times.

Duties:

- Identify, monitor and develop mechanisms to mitigate the risks to which Gentera or its companies are exposed
- Establish the appropriate risk mapping, mitigation strategies, monitoring and follow-up controls for these processes
- Define, propose and approve risk exposure limits and risk tolerance
- Ensure that the organization's risk profile is in line with current guidelines
- Monitor the performance of indicators, as well as the alerts that are detected, in order to establish the appropriate mitigation and control measures for each case

We also have a Strategy Committee, responsible for strategic planning and monitoring its implementation. The chairmen of the Board of Directors of Gentera, S.A.B. de C.V. and Banco Compartamos S.A. Institución de Banca Múltiple, as well as the CEO of Gentera and the executive directors of the group's companies participate in it.

In addition, we periodically hold Leaders' Meetings, where we review business results and align efforts. These meetings are chaired by the CEO of Gentera and attended by Executive Directors, CEOs, Principal Directors and Deputy Directors.

Ethics

Our Philosophy is embodied in our Code of Ethics and Conduct that leads us to work attached to the values that govern Gentera and that differentiate us in the financial sector. In addition, we have an Integrity Policy in accordance with the *Ley General de Responsabilidades Administrativas*, which allows us to have a global system of ethics and integrity within the group.

1,537 uses of the Code of Ethics and Conduct complaint means were acknowledged and serviced

With this system we build the following policies and actions, the fundamental axis to generate a promise of value attached to our Philosophy:

1. Each area of the structure has clear organizational and procedural manuals that define its roles and duties.
2. All employees and suppliers, as well as civil organizations supported or allied in social projects, are aware of the Code of Ethics and Conduct, which is being constantly updated
3. At Gentera we have control, monitoring and auditing systems that periodically examine legal and regulatory compliance
4. The employees know the means of complains within the organization and those to be filed before the competent authorities
5. At Gentera we provide constant training to generate a culture of compliance and report on disciplinary mechanisms, as well as the consequences of non-compliance with the law or internal regulations
6. The people department is responsible for attracting and selecting talent that have the culture profile of compliance
7. Gentera has mechanisms to ensure transparency, through the disclosure of relevant and timely information

Risk management

Our business model is proactive in identifying and managing the risks involved in the business, always under the prevention model based on the assumptions established by the regulatory authorities.

The periodic analysis of these risks allows us to review and update the management models, in order to carry out continuous improvement. To this end, each area involved in this topic carries out specific activities.

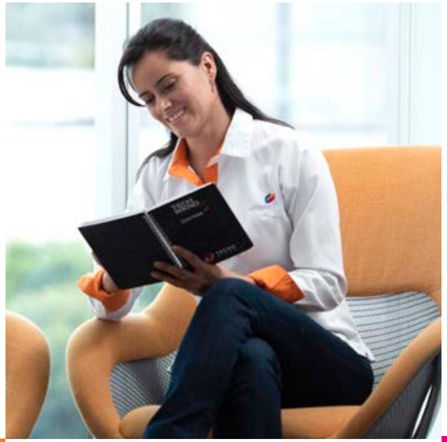
Government agencies verify compliance with the applicable regulation on risk management in each of the companies that make up Gentera.

Our Board of Directors is responsible for approving the desired risk profiles, always establishing global limits and tolerance levels according to the risks to be assumed.

The Risk Committee monitors the Comprehensive Risk Management System, mainly of Compartamos Banco in Mexico and Compartamos Financiera in Peru, and provides quarterly reports.

The Comprehensive Risk Management Unit (UAIR) generates methodologies to identify, measure and monitor the risks of each company that makes up Gentera. In addition, it monitors events that may turn into internal or external fraud.

Cyber risks are becoming increasingly important within the financial sector, so this year we are redoubling our efforts to strengthen information security systems that enable us to protect sensitive data and information flows. In addition, we have an updated platform and a certified provider that has prevented us from being affected by hacking attempts to our system.



GENTERA®

Chapter 5

Our economic performance

In all earnestness we can say that 2018 was a good year for Gentera and its companies. The results are aligned with the goals we set ourselves.

In 2018 the number of clients increased 5.6% over the previous year. In addition, our loan portfolio increased 11.4%, while our overdue portfolio was 2.73%, 0.5 percentage points lower than last year and demonstrating our commitment to clients.

We constantly generate shared value for all our stakeholders, working according to annual plans and monitoring team management for continuous improvement.

In the search for greater efficiency in the processes and establishing priorities, this year we made internal adjustments in Gentera. As a consequence, the group's net income was 2,990 million pesos, representing an increase of 1.8% over the previous year, while our market capitalization value was 23,523 million pesos.

Over nearly 30 years, we have built innovative, efficient and profitable business models that have a positive impact on the communities in which we work.

Our commitment to the future is to develop innovative tools that meet the needs of our youngest clients.

Undoubtedly, the promise of financial inclusion is more present than ever on Gentera.

Operating results and financial indicators (millions of pesos)

Concept	2016	2017	2018
Credit Clients	3,381,455	3,027,179	3,196,675
Employees	21,185	22,315	22,060
Service Offices	685	725	739*
Branches	135	268	231*
Portfolio (millions of pesos)	33,508	32,074	35,725
Average balance per client	9,909	10,595	11,176
Default rate	4.22%	3.26%	2.73%
Interest on loan portfolio	19,828	20,671	20,700
Income from financial investments	189	218	287
Proceeds from the sale of assets	-4	-13	-27
Interest income	20,017	20,889	20,987
Interest expenses	1,179	1,517	1,711
Financial margin	18,838	19,372	19,276
Risk-adjusted financial margin	15,600	15,732	16,564

Concept	2016	2017	2018
Operative expenses	11,194	12,655	13,768
Wages and benefits	6,693	7,823	8,775
Taxes	1,439	1,044	1,070
Result of operations	4,926	4,012	3,992
Net Result	3,410	2,937	2,990
Capitalization (broken down in terms of debt)	24,512	23,937	30,024
Capitalization (in terms of equity)	15,929	16,805	18,083
Average Portfolio	30,996	31,772	33,203
Average productive assets	34,586	35,996	39,289
Operative income / average portfolio	15.9%	12.6%	12.0%
Net income / average portfolio	11.0%	9.2%	9.0%
Average operative income / productive assets	14.2%	11.1%	10.2%
Net income / average productive assets	9.9%	8.2%	7.6%

**91 service offices and branch offices share premises*

Balance Sheet (millions of pesos)			
Concept	2016	2017	2018
ASSETS			
Availability + Investments in securities + Debtors under repurchase agreements	6,570	6,236	8,727
Total Assets	43,751	43,677	51,588
Liquidity (availability + investments in securities) / total assets	15.0%	14.3%	16.9%
Total portfolio	33,508	32,074	35,725
Overdue portfolio	1,414	1,046	975
Fixed assets	1,069	1,311	1,144
LIABILITIES			
Total liabilities	27,822	26,872	33,505
Liabilities with cost	24,512	23,937	30,024
EQUITY	15,929	16,805	18,083
Net income per share (in pesos)	2.08	1.80	1.84
Average assets	39,790	41,873	47,280
Average equity	14,950	16,612	17,444

Other financial indicators (million of pesos)	2016	2017	2018
ROAA (net income / average assets)	8.6%	7.0%	6.3%
ROAE (net income / average equity)	22.8%	17.7%	17.1%
Share value as of the last business day of the year	33.38	16.39	14.48
Exchange rate	20.6194	19.6629	19.6512*
Number of shares	1,631,898,230	1,627,011,414	1,624,551,415
Number of effective shareholders	3	3	3

** Published on January 2, 2019 in the DOF*

Net income by country (millions of pesos)

	2016	2017	2018
Mexico (Compartamos Banco)	3,119	2,385	2,051
Peru	159	214	469
Guatemala	48.94	47.00	47
Gentera, S.A.B. and subsidiaries	3,410	2,937	2,990

Amount disbursed by country (millions of pesos)

	2016	2017	2018
Mexico	96,152	91,830	92,698
Peru	12,294	16,645	22,730
Guatemala	2,096	2,430	2,854
Total	**110,543**	**110,905**	**118,282**

Loan portfolio by country (millions of pesos)

	2016	2017	2018
Mexico*	25,063	21,908	23,127
Peru	7,873	9,587	11,928
Guatemala	572	579	670
Total	**33,508**	**32,074**	**35,725**

Interest income by country

	2016		2017		2018	
Mexico*	17,458	87.2%	17,564	84.1%	16,781	80.0%
Peru	2,132	10.7%	2,807	13.4%	3,632	17.3%
Guatemala	427	2.1%	518	2.5%	574	2.7%
Total	**20,017**	**100%**	**20,889**	**100%**	**20,987**	**100%**

**Only includes Commercial loan portfolio, i.e. excludes $500 million pesos of commercial*

Main indicators	Mexico		Peru		Guatemala	
	2017	Δ vs 2016	2017	Δ vs 2016	2017	Δ vs 2016
Overdue portfolio / total portfolio	3.28%	-1.21 pp	3.09%	-0.28 pp	5.38%	1.43 pp
Coverage rate	211.5%	61.0 pp	232.4%	48.6 pp	135.3%	5.5 pp
ROAA	8.5%	-2.3 pp	2.2%	0.1 pp	6.7%	-1.0 pp
ROAE	20.3%	-10.1 pp	10.4%	1.7 pp	7.3%	-1.5 pp

Main indicators	Mexico		Peru		Guatemala	
	2018	Δ vs 2017	2018	Δ vs 2017	2018	Δ vs 2017
Overdue portfolio / total portfolio	2.59%	-0.69 pp	2.94%	-0.15 pp	3.66%	-1.72 pp
Coverage rate	225.2%	13.7 pp	237.9%	5.5 pp	164.4%	29.1 pp
ROAA	7.1%	-1.4 pp	3.8%	1.6 pp	6.3%	-0.4 pp
ROAE	18.8%	-1.5 pp	20.2%	9.8 pp	7.0%	-0.3 pp

Percentage of portfolio broken down by business unit						
Year	Compartamos Banco (Mexico)	Yastás (Mexico)	Aterna (Mexico)	Gentera (Mexico)	Compartamos Financiera (Peru)	Compartamos S.A. (Guatemala)
2016	74.8%	0.0%	0.0%	0.0%	23.5%	1.71%
2017	68.3%	0.0%	0.0%	0.0%	29.9%	1.80%
2018	64.7%	0.0%	0.0%	0.0%	33.4%	1.9%

Created, distributed and retained economic value			
Concept (millions of pesos)	**2016**	**2017**	**2018**
Direct economic value created (1)	21,228	22,237	22,605
Distributed economic value (2)	14,091	15,117	16,206
Retained economic value (3)	7,137	7,120	6,399
Net Result	3,410	2,937	2,990

(1) Direct economic value created = interest income + commissions and fees collected + result from brokerage + other income (expense) from the operation, net.

(2) Economic value distributed = interest expenses + commissions and fees paid + administration and promotion expenses + participation in the result of the associate + taxes - depreciation and amortization.

(3) Retained economic value = direct economic value created - distributed economic value.

Main indicators	2016	2017	2018
Number of clients	3,381,455	3,027,179	3,196,675
Financial margin (millions of pesos)	18,838	19,372	19,276
Operative efficiency	28.1%	30.0%	29.1%
Operative result (millions of pesos)	4,926	4,012	3,992
Net income (millions of pesos)	3,410	2,937	2,990

Funding Compartamos Banco

	Capital	Commercial Banking	Development Banking	Multilateral	Cebures	Collection	Total
Dec-16	36.9%	0.9%	22.0%	0.7%	35.6%	3.9%	100%
Dec-17	43.1%	0.0%	17.2%	0.0%	32.9%	6.8%	100%
Dec-18	36.4%	0.0%	27.9%	0.0%	27.1%	8.6%	100%

Information of Compartamos Financiera	Funding Compartamos Financiera						
	Capital	Commercial Banking	Development Banking	Multilateral	Investment Funds	Collection	Total
Dec-16	24.9%	15.5%	10.1%	0.6%	14.1%	34.8%	100%
Dec-17	19.4%	13.4%	6.7%	0.0%	8.4%	52.1%	100%
Dec-18	17.4%	20.7%	4.0%	0.0%	7.9%	50.0%	100%

Information of Gentera and Mexico	2016		2017		2018	
	Banco	Gentera	Banco	Gentera	Banco	Gentera
Cumulative efficiency index	68.5%	69.4%	77.0%	75.9%	80.2%	77.5%
Equity / Total Assets	34.6%	36.4%	40.9%	38.5%	35.1%	35.1%
ICAP	27.5%	N/A	36.9%	N/A	31.0%	N/A

GENTERA®

Gentera, S. A. B. de C. V. and subsidiaries

Consolidated financial statements

December 31, 2018 and 2017

(With Independent Auditors' Report Thereon)

INDEPENDENT AUDITORS' REPORT

THE BOARD OF DIRECTORS AND STOCKHOLDERS GENTERA, S. A. B. DE C. V.:

(MILLIONS OF PESOS)

Opinion

We have audited the consolidated financial statements of Gentera, S. A. B. de C. V. and subsidiaries (Gentera), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements of Gentera, S. A. B. de C. V. and subsidiaries, have been prepared, in all material respects, in accordance with the Accounting Criteria for Credit Institutions in Mexico, set forth by the National Banking and Securities Commission (the Commission).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of Gentera in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Mexico, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

The key audit matters are those that, according to our professional judgment, have been of the major relevance in our audit of the consolidated financial statements of the current period. These matters have been treated in the context of our audit of the consolidated financial statements as a whole and in the formation of our opinion on these, and we do not express an opinion separately on these matters.

Allowance for loan losses for $2,224 in the consolidated balance sheet

See notes 3(f) and 8 to the consolidated financial statements

Key audit matter	How the key audit matter was treated in our audit
The calculation of the allowance for loan losses is complex, mainly because it involves the evaluation of different factors established in the methodology set forth by the Commission for the consumer credit portfolio, as well as the reliability in the update of information, which serves as an input for its determination.	The audit procedures applied to the determination by Management of the allowance for loan losses and the effect on income for the year included the evaluation, through selective tests, of both the inputs used and the calculation method for the consumer credit portfolio, based on the methodologies in force established by the Commission.

Calculation of labor obligations related to retirement and termination for $734 in the consolidated balance

See notes 3(p) and 15 to the consolidated financial statements

Key audit matter	How the key audit matter was treated in our audit
Gentera has a mixed pension plan (defined benefit and defined contribution) for its employees in addition to the obligations that correspond to retirement and termination. The determination of the liability related to these concepts was made through complex actuarial calculations that requires significant judgment in the selection of the assumptions used to determine the net liabilities for defined benefits of labor obligations related to retirement and termination.	Our audit procedures included assessing, through the involvement of our actuaries, both the reasonableness of the assumptions used by management to determine the net liability for defined benefits of the labor obligations related to retirement and termination, as well as the method of calculation used. In addition, selective items were tested to corroborate the suitable incorporation of the personnel data that were included as a base for the actuarial calculation.

Current income taxes for $1,123 and deferred income taxes for $1.303 in the consolidated statement of income and consolidated balance sheet, respectively.

See notes 3(j) and 16 to the consolidated financial statements

Key audit matter	How the key audit matter was treated in our audit
The determination of current and deferred income taxes is complex, mainly because of the interpretation of the in force legislation in the matter and requires significant judgment mainly of the valuation of deferred income tax assets to the assessment of factors, both current and future, that allow to estimate the realization of such assets.	The audit procedures applied in assessing thereasonableness of the calculations determined by Management for the recognition of current and deferred income taxes, included selective tests of the inputs used, as well as an assessment on the nature of the items that were part of the calculation, considering the in force legislation in tax matters. With involvement of our tax specialists, we assessed the reasonableness of important tax assumptions and the reverse period of temporary differences and the tax losses carry forwards expiration, as well as the reasonableness of tax strategies proposed by Management of Gentera. In addition, we assessed the reasonableness of the taxable income projections determined by Management of Gentera that support the probability of materialization of deferred income tax assets.

Goodwill impairment test assessment for $2,487 in the consolidated balance sheet.

See notes 3(l) and 12 to the consolidated financial statements

Key audit matter	How the key audit matter was treated in our audit
Gentera recognized a goodwill arising from theacquisition of two of its subsidiaries and associated entities. Such goodwill is subject to impairment testing which is performed through the use of valuation techniques that involve a significant judgment for the determination of the future cash flows estimated by management. Most of the goodwill has been assigned to the cash flow generating units (CGUs) of the acquired businesses. The annual impairment test for goodwill is considered a key audit issue due to the complexity of the calculations and the significant judgments necessary in determining the assumptions to be used to estimate the recoverable amount. The recoverable amount of the CGUs stems from the predicted discounted cash flow models. These models use several key assumptions, including future sales prices, growth percentages of the terminal values and the weighted average cost of capital (discount rate).	Our audit procedures for this key issue included, among others, the following: • We involved our specialists to assist us in evaluating the appropriateness of the discount rates used, which included comparing the weighted-average cost of capital to the average of the sectors of the relevant markets in which the CGUs operate. • We assessed the appropriateness of the assumptions applied to key data such as volumes, operating costs, inflation and long-term growth rates, which included comparing such data to external sources as well as our evaluation based • We carried out our own sensitivity analysis, which included assessments of the effects of possible reasonable reductions in growth rates and projected cash flows to evaluate the impact on the current difference between the goodwill originated and the value of the CGUs. • Assess the adequacy of the disclosures in the financial statements.

Other Information

Management is responsible for the other information. The other information includes the information included in the Annual Report corresponding to the year ended December 31, 2018, to be presented to the Commission and the Mexican Stock Exchange, but does not include the consolidated financial statements and our auditors' report thereon. The Annual Report is estimated to be available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any kind of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information when available and, in doing so, consider if the other information is materially inconsistent with the consolidated financial statements or with our knowledge obtained during the audit, or if it appears to be materially incorrect.

When we read the Annual Report, if we conclude that there is a material misstatement in that other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and those charged with governance in relation to the consolidated financial statements

Management is responsible for the preparation of the consolidated financial statements in accordance with the accounting criteria set forth by the Commission, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing Gentera's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate Gentera or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Gentera's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Gentera's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or with conditions that may cast significant doubt on Gentera's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Gentera to cease to continue as a going concern.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Gentera to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide to those charged with governance of the entity a statement that we have fulfilled the applicable requirements of ethics in relation with the independence and that we have communicated to them all the relationships and other matters from which it is possible to hope reasonably that they can affect our independence and, where appropriate, the corresponding safeguards.

Among the matters that have been an object of communication with those charged with governance, we determine those which have been of the major relevance in the audit of the consolidated financial statements of the current period and that are, in consequence, the key audit matters. We describe these matters in our auditor´s report unless legal or regulatory provisions prohibit public disclosure of the matter or, in extremely rare circumstances, we determine that a matter should not be communicated in our report as it could be reasonably expected that the adverse consequences thereof would exceed its public interest benefits.

KPMG Cárdenas Dosal S. C.

C.P.C. Carlos Fernández Galguera

Mexico City, February 26, 2019.

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2018 AND 2017
(MILLIONS OF PESOS)

Assets	2018	2017
Cash and cash equivalents (note 6)	$ 7,795	5,986
Cash and cash equivalents (note 7)		
Trading	300	-
Available-for-sale securities	632	250
	932	250
Current loan portfolio (note 8):		
Commercial loans:		
Business and commercial	1,398	1,182
Consumer loans	33,347	29,837
Residential mortgages	5	9
Total current loan portfolio	34,750	31,028

Liabilities and stockholders' equity	2018	2017
Liabilities:		
Deposit funding (note 13):		
Demand deposits	$ 1,484	1,071
Time deposits:		
General public	7,388	5,772
Money market	620	833
Debt securities issued	8,459	8,554
Global account of deposits with no movements	1	-
	17,952	16,230
Banking and other borrowings (note 14):		
Short-term	3,851	2,107
Long-term	8,221	5,600
	12,072	7,707

Past-due loan portfolio (note 8):		
Commercial loans:		
Business and commercial	49	41
Consumer loans	925	1,003
Residential mortgages	1	2
Total past-due loan portfolio	975	1,046
Total loan portfolio	35,725	32,074
Less:		
Allowance for loan losses (note 8)	2,224	2,252
Loan portfolio, net	33,501	29,822
Other accounts receivable, net (note 9)	1,570	1,837
Proerty, furniture and equipment, net (note 10)	1,144	1,311
Investment in associated companies (note 11)	2,399	100

Other accounts payable:		
Income tax payable	188	115
Employee statutory profit sharing Consumer loans 925 1 ,003 payable (note 16)	104	71
Sundry creditors and other accounts payable (note 17)	3,185	2,745
	3,477	2,931
Deferred credits and prepayments	4	4
Total liabilities	33,505	26,872
Stockholders' equity (note 19):		
Paid-in capital:		
Capital stock	4,764	4,764
Additional paid-in capital	558	558
	5,322	5,322
Earned capital:		
Statutory reserves	1,948	1,358
Prior years' results	7,699	6,803

	2018	2017
Deferred income tax, net (note 16)	1,303	1,228
Other assets, deferred charges and intangibles, defined benefits (489) (400)	2,944	3,143
Total assets	$ 51,588	43,677

	2018	2017
Valuation of available-for-sale securities	(54)	(61)
Cumulative translation adjustment	642	793
Remeasurements for employees' defined benefits	(489)	(400)
Net income	2,965	2,905
	12,711	11,398
Non-controlling interest	50	85
Total stockholders' equity	18,083	16,805
Commitments and contingent liabilities (note 20)		
Total liabilities and stockholders' equity	$ 51,588	43,677

Memorandum accounts	2018	2017
Contingent assets (note 6)	$ 1,808	893
Uncollected interest accrued on past-due loans (note 8)	184	184
Other memorandum accounts (note 14)	9,545	12,874

The historical capital stock as of December 31, 2018 and 2017, amounts to $4,764, in both years.

The accompanying notes are an integral part of these consolidated financial statements.

"These consolidated balance sheets were prepared in accordance with the accounting criteria for credit institutions issued by the National Banking and Securities Commission based on Article 78 of the "General Provisions Applicable to Issuers of Securities and Other Securities Markets Participants" applied on a consistent basis. Accordingly, they reflect the transactions carried out by the Institution through the dates noted above. Furthermore, these transactions were carried out and valued in accordance with sound banking practices and the applicable legal and administrative provisions."

"These consolidated balance sheets were approved by the Board of Directors under the responsibility of the following officers."

Enrique Majós Ramírez	Mario Ignacio Langarica Ávila	Marco Antonio Guadarrama Villalobos	C.P.C. Oscar Luis Ibarra Burgos
Chief Executive Officer	*Chief Financial Officer*	*Controller*	*Auditor General Interno*

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2018 AND 2017

(MILLIONS OF PESOS, EXCEPT EARNING PER SHARE)

	2018	2017
Interest income (note 22)	$ 20,987	20,889
Interest expense (note 22)	(1,711)	(1,517)
Financial margin	19,276	19,372
Allowance for loan losses (note 8)	(2,712)	(3,640)
Margen financiero ajustado por riesgos crediticios	16,564	15,732
Commissions and fee income (note 22)	1,357	1,412
Commissions and fee expense (note 22)	(422)	(413)
Financial intermediation result	1	2
Other operating income (expenses), net (note 22)	260	(66)
Administrative and promotional expenses	(13,768)	(12,655)
Operating income	3,992	4,012
Equity method of associated companies (note 11)	68	(31)
Operating income before income tax	4,060	3,981
Current income tax (note 16)	(1,123)	(1,047)
Deferred income tax (note 16)	53	3
Net income	2,990	2,937
Non-controlling interest	(25)	(32)
Controlling interest net income	$ 2,965	2,905
Earning per share (in pesos, see note 3(y))	$ 1.84	1.80

The accompanying notes are an integral part of these consolidated financial statements.

“These consolidated statements of income were prepared in accordance with the accounting criteria for credit institutions issued by the National Banking and Securities Commission based on Article 78 of the “General Provisions Applicable to Issuers of Securities and Other Securities Markets Participants” applied on a consistent basis. Accordingly, they reflect the revenues and disbursements relating to the transactions carried out by the Institution during the years noted above. Furthermore, these transactions were carried out and valued in accordance with sound banking practices and the applicable legal and administrative provisions.”

“These consolidated statements of income were approved by the Board of Directors under the responsibility of the following officers.”

Enrique Majós Ramírez
Chief Executive Officer

Mario Ignacio Langarica Ávila
Chief Financial Officer

Marco Antonio Guadarrama Villalobos
Controller

Oscar Luis Ibarra Burgos
General Internal Auditor

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2018 AND 2017
(MILLIONS OF PESOS)

	Paid-in capital		Earned capital							
	Capital stock	Additional paid-in capital	Statutory reserves	Prior years' results	Valuation of available-for-sale securities	Cumulative translation adjustment	Remeasurements for employees defined benefits	Net income	Non-controlling interest	Total stockholders' equity
Balances as of December 31, 2016	$ 4,764	558	1,253	5,227	1	843	(160)	3,390	53	15,929
Changes resulting from stockholders' decisions:										
Resolutions agreed on April 20, 2017:										
Constitution of statutory reserve (note 19)	-	-	170	-	-	-	-	(170)	-	-
Constitution of reserve for the fund to repurchase shares (note 19)	-	-	80	-	-	-	-	(80)	-	-
Appropriation of prior year's net income	-	-	-	3,140	-	-	-	(3,140)	-	-
Dividend payment (note 19)	-	-	-	(1,251)	-	-	-	-	-	(1,251)
Repurchase of shares	-	-	(145)	-	-	-	-	-	-	(145)
Total	-	-	105	1,889	-	-	-	(3,390)	-	(1,396)

	Paid-in capital		Earned capital							
	Capital stock	Additional paid-in capital	Statutory reserves	Prior years' results	Valuation of available-for-sale securities	Cumulative translation adjustment	Remeasurements for employees defined benefits	Net income	Non-controlling interest	Total stockholders' equity
Change related to the change in allowance for loan losses estimate:										
Recognition of change in the methodology to calculate the allowance for loan losses - net of deferred taxes (note 4)	-	-	-	(369)	-	-	-	-	-	(369)
Changes related to the recognition of comprehensive income:										
Net income	-	-	-	-	-	-	-	2,905	32	2,937
Valuation of available-for-sale securities, net of deferred taxes	-	-	-	-	(62)	-	-	-	-	(62)
Cumulative translation adjustment of subsidiaries, net	-	-	-	-	-	(50)	-	-	-	(50)
Remeasurements for employees defined benefits, net of deferred taxes	-	-	-	56	-	-	(240)	-	-	(184)
Total	-	-	-	56	(62)	(50)	(240)	2,905	32	2,641
Balances as of December 31, 2017	4,764	558	1,358	6 ,803	(61)	793	(400)	2,905	85	16,805
Changes resulting from stockholders' decisions:										
Resolutions agreed on April 20, 2018:										

	Paid-in capital		Earned capital							
	Capital stock	Additional paid-in capital	Statutory reserves	Prior years' results	Valuation of available-for-sale securities	Cumulative translation adjustment	Remeasurements for employees defined benefits	Net income	Non-controlling interest	Total stockholders' equity
Constitution of statutory reserve (note 19)	-	-	145	-	-	-	-	(145)	-	-
Constitution of reserve for the fund to repurchase shares (note 19)	-	-	780	-	-	-	-	(780)	-	-
Appropriation of prior year's net income	-	-	-	1,980	-	-	-	(1,980)	-	-
Dividend payment (note 19)	-	-	-	(1,084)	-	-	-	-	(60)	(1,144)
Repurchase of shares	-	-	(335)	-	-	-	-	-	-	(335)
Total	-	-	590	896	-	-	-	(2,905)	(60)	(1,479)
Changes related to the recognition of comprehensive income:										
Net income	-	-	-	-	-	-	-	2,965	25	2,990
Valuation of available-for-sale securities, net of deferred taxes	-	-	-	-	7	-	-	-	-	7
Cumulative translation adjustment of subsidiaries, net	-	-	-	-	-	(151)	-	-	-	(151)
Remeasurements for employees defined benefits, net of deferred taxes	-	-	-	-	-	-	(89)	-	-	(89)
Total	-	-	-	-	7	(151)	(89)	2,965	25	2,757
Balances as of December 31, 2018	$ 4,764	558	1,948	7,699	(54)	642	(489)	2,965	50	18,083

The accompanying notes are an integral part of these consolidated financial statements.

“These consolidated statements of changes in stockholders’ equity were prepared in accordance with the accounting criteria for credit institutions issued by the National Banking and Securities Commission based on Article 78 of the “General Provisions Applicable to Issuers of Securities and Other Securities Markets Participants” applied on a consistent basis. Accordingly, they reflect all the stockholders’ equity account entries relating to the transactions carried out by the Institution during the years noted above. Furthermore, these transactions were carried out and valued in accordance with sound banking practices and the applicable legal and administrative provisions.”

“These consolidated statements of changes in stockholders’ equity were approved by the Board of Directors under the responsibility of the following officers.”

Enrique Majós Ramírez	**Mario Ignacio Langarica Ávila**	**Marco Antonio Guadarrama Villalobos**	**Oscar Luis Ibarra Burgos**
Chief Executive Officer	*Chief Financial Officer*	*Director Contraloría*	*Controller*

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2018 AND 2017 (MILLIONS OF PESOS))

	2018	2017
Net income	$ 2,965	2 ,905
Adjustment for items not requiring cash flows:		
(Reverse) losses of impairment associated with investment activities	(4)	18
Depreciation and amortization	697	543
Provisions	922	931
Current and deferred income tax	1,070	1,044
Equity investment in associated companies	(68)	31
	2,617	2 ,567
Operating activities:		
Change in investment securities	(671)	(50)
Change in debtors on repurchase/resell agreements	-	20
Change in loan portfolio (net)	(3,697)	970
Change in other operating assets (net)	261	(897)
Change in deposit funding	1,722	2,154
Change in banking and other borrowings	4,365	(2,729)
Change in other operating liabilities	(535)	(813)
Payments of income tax	(1,090)	(1,751)
	355	(3,096)
Net cash flows from operating activities	5,937	2,376
Investment activities:		
Proceeds from the disposal of furniture and equipment	3	9
Payments in the acquisition of furniture and	(275)	(578)
Investment in associated company	(2,132)	(84)
Increase in intangibles assets	(199)	(595)
Net cash flows from investment activities	(2,603)	(1,248)

Financing activities:		
Payments associated to repurchase of own shares	(335)	(145)
Dividends payments in cash	(1,084)	(1,251)
Change in non-controlling interest	(35)	32
Net cash flows from financing activities	(1,454)	(1,364)
Net increase (decrease) in cash and cash equivalents	1,880	(236)
Effects on changes in cash and cash equivalents	(71)	(39)
Cash and cash equivalents at the beginning	5,986	6,261
Cash and cash equivalents at the end of the year	$ 7,795	5 ,986

The accompanying notes are an integral part of these consolidated financial statements.

“These consolidated statements of cash flows were prepared in accordance with the accounting criteria for credit institutions, issued by the National Banking and Securities Commission, based on Article 78 of the “General Provisions Applicable to Issuers of Securities and Other Securities Markets Participants” applied on a consistent basis. Accordingly, they reflect the cash inflows and outflows arising from transactions carried out by the Institution during the years noted above. Furthermore, these transactions were carried out and valued in accordance with sound banking practices and the applicable legal and administrative provisions.”

“These consolidated statements of cash flows were approved by the Board of Directors under the responsibility of the following officers.”

Enrique Majós Ramírez
Chief Executive Officer

Mario Ignacio Langarica Ávila
Chief Financial Officer

Marco Antonio Guadarrama Villalobos
Controller

Oscar Luis Ibarra Burgos
General Internal Auditor

GENTERA, S. A. B. DE C. V. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (MILLIONS OF PESOS)

(1) Description of business and significant transactions-

Description of business-

Gentera, S. A. B. de C. V. (Gentera) is a Mexican corporation which purpose is to promote, organize and manage all types of civil or commercial entities, including but not limited to, multiple banking entities with the purpose of providing banking and credit services pursuant to the Law of Credit Institutions, as well as other financial entities, both domestic and foreign.

At December 31, 2018 and 2017, Gentera and its consolidated subsidiaries are comprised of:

i. Banco Compartamos, S. A., Institución de Banca Múltiple (the Bank) which in accordance with the Law for Credit Institutions, is authorized to carry out multiple banking activities which comprise, among others, granting loans, receipt of deposits, acceptance of borrowings, operation with securities and other financial instruments in Mexico.

ii. Compartamos, S. A. (Compartamos Guatemala) is an entity incorporated in Guatemala, which main activity is, among others, granting any type of loans and financing to individuals or entities with own funds in Guatemala, as well as granting or obtaining loans or financing of any nature.

iii. Compartamos Financiera, S. A. (Compartamos Financiera) is an entity incorporated under the regulations of the Republic of Peru, which purpose is to operate as a financial services entity, and is allowed to carry out all transactions and provide all services, by any means that result applicable and correspond, in accordance with established legal provisions that regulate entities of this nature in conformity with Peruvian legislation.

iv. Red Yastás, S. A. de C. V. (Red Yastás), is an entity incorporated in Mexico, which purpose is: a) to enter into agreements to provide services, either mandates or commercial commission with credit institutions to engage with other people on behalf of the aforementioned credit institutions, the commissions or services mandated, complying with applicable regulation on each transaction or banking service, b) to service credit institutions as manager of commission agents with the purpose of organizing service providers' networks or banking commission agents to carry out certain activities and c) to receive, process and distribute all types of funds or economic resources through electronic, manual or telephonic transfers or directly online through any other means of communication, among others.

v. Compartamos Servicios S. A. de C. V. (Compartamos Servicios), is an entity incorporated in Mexico, which purpose is to provide human resources services and personnel to the entities of the group, as well as to provide advisory in planning, organization and management of companies, among other activities.

vi. Controladora AT, S. A. P. I. de C. V. (Controladora AT), is an entity incorporated in Mexico, which consolidates Aterna, Agente de Seguros y Fianzas, S. A. de C. V. (Aterna). Controladora AT has as a purpose the purchase, sale, transfer, assessment, and in general the marketing in any way with shares, stocks, rights and interests in commercial corporations, and any other entities, domestic and foreign, either as a founder or by acquiring shares in companies that were previously constituted. Aterna is an entity incorporated in Mexico, which purpose is to act as insurance and bonding agent under the terms of the General Law for Insurance and Mutual Insurance Companies, Federal Bonding Institutions Act and Regulation of Insurance Agents and Bonding.

vii. Pagos Intermex, S. A. de C. V. ("Pagos Intermex") is an entity incorporated in Mexico, which main activity is the operation of money orders from the United States of America, mainly of Mexicans to their families in different states of Mexico, which are delivered through its network of correspondents.

On June 13, 2018, Gentera carried out a non-controlling investment in Fin Útil, S. A. de C. V. SOFOM, E.N.R. ("Fin Útil") and Comfu, S. A. de C. V. ("Comfu"), (collectively "ConCrédito"). The transaction involved a global amount of $2,585, (including an investment of $2,085 representing 36.8% of the capital share of the companies and $500 in a convertible loan). Fin Útil operates in 20 states of the Mexican Republic and specializes in consumer credit. The investment in ConCrédito was authorized by the Federal Commission of Economic Competition (note 11).

On November 29, 2018, Gentera carried out a non-controlling investment in Talento ConCrédito, S. A. de C. V. ("Talento ConCrédito"), part of the ConCrédito group for an amount of $7, which represents a 37.27% stake of the company's capital stock. (note 11).

(2) Authorization and basis of presentation-

Authorization

On February 26, 2019, the Board of Directors and the following officers approved the issuance of the accompanying consolidated financial statements and their related notes:

Enrique Majós Ramírez	Chief Executive Officer
Mario Ignacio Langarica Ávila	Chief Financial Officer
Marco Antonio Guadarrama Villalobos	Controller
Oscar Luis Ibarra Burgos	General Internal Auditor

The Stockholders of Gentera are empowered to modify the consolidated financial statements after its issuance.

Basis of preparation

a) Statement of compliance

On March 16, 2011, the Commission issued the "Resolution that modifies the general regulations applicable to securities issuers and other securities market participants", which establishes that securities issuers which, through its subsidiaries, carry out mainly financial activities subject to the supervision of Mexican authorities, are required to prepare and audit its financial statements under the same basis applicable to such subsidiaries, with the purpose of ensuring that the financial information of both entities is comparable.

The aforementioned is determined when such activities represent more than 70% of consolidated assets, liabilities or total revenues at the prior year-end. Consequently, since the Bank comprises 60% and 78% of the consolidated assets and revenues, respectively, as of and for the year ended December 31, 2018 (62% and 83% respectively, in 2017), the accompanying consolidated financial statements have been prepared in conformity with the accounting criteria established by the Commission for credit institutions in Mexico.

The accounting criteria referred to in the prior paragraph, points out that the Commission will issue particular rules for specialized transactions and in the absence of specific accounting criteria from the Commission and in a broader context the Mexican Financial Reporting Standards (Mexican FRS) supplementary use of Mexican FRS A-8 will be followed and only in the event that the International Financial Reporting Standards (IFRS) referred to by Mexican FRS A-8 do not provide guidance to the accounting treatment, another set of established accounting standards may be used in the following order: generally accepted accounting principles in the United States of America ("US GAAP") or any other formal and recognized accounting criteria, that do not contravene the criteria of the Commission.

b) Use of estimates and judgments

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the recorded amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported amounts of income and expenses during the reporting period. The most significant captions subject to these types of estimates and assumptions include valuation of financial instruments, allowance for loan losses, book value for furniture and equipment, valuation allowance for other accounts receivable, intangible assets, measurement of impairment of investments in associated companies, realization of deferred income tax asset, and liabilities relating to employee benefits. Actual results may differ from these estimates and assumptions.

c) Functional and reporting currency

The financial statements of the subsidiaries have been translated prior to consolidation, to the accounting criteria for credit institutions in Mexico set forth by the Commission, to present financial information in accordance with such criteria.

The financial statements of the foreign subsidiaries have been translated into Mexican pesos (reporting currency) considering that their recording and functional currency are the same, resulting in the use of the following exchange rates: a) year-end for monetary and non-monetary assets and liabilities ($5.8260) Mexican pesos per Peruvian sol and $2.5399 Mexican pesos per Guatemalan quetzal as of December 31, 2018), b) historical for stockholders' equity and c) weighted average of the period ($5.8503 Mexican pesos per Peruvian sol and $2.5445 Mexican pesos per Guatemalan quetzal) for revenues costs and expenses, translation effects are presented as part of stockholders' equity.

The exchanged rates used in 2017 were a) year-end for monetary and non-monetary assets and liabilities ($6.0669 Mexican pesos per Peruvian sol and $2.6771 Mexican pesos per Guatemalan quetzal, b) historical for stockholder's equity and c) weighted average of the period ($5.9159 Mexican pesos per Peruvian sol and $2.6143 Mexican pesos per Guatemalan quetzal) for revenues costs and expenses, translation effects are presented as part of stockholders' equity.

For purposes of disclosure in the notes to the consolidated financial statements, pesos or "$" refers to millions of Mexican pesos, and when reference is made to dollars, it means dollars of the United States of America.

d) Recognition of assets and liabilities for financial instruments

The consolidated financial statements of Gentera recognize assets and liabilities arising from investment securities on the trade date, regardless of the settlement date.

3) Summary of significant accounting policies-

The summary of the most significant accounting criteria followed during the preparation of the consolidated financial statements, which have been applied on a consistent basis for the years presented, are described in the following page.

a) Recognition of the effects of inflation-

The accompanying consolidated financial statements include the recognition of inflation effects in the financial information through December 31, 2007, based on the measurement factor derived from the value of the Investment Unit (UDI – Spanish abbreviation) which is an index, whose value is determined by Banco de México (the Central Bank) derived from inflation, given that beginning in 2008, in accordance with the Mexican FRS B-10 "Effects of Inflation", Gentera and subsidiaries operate on a non-inflationary economic environment (accumulated inflation in the prior three-year period less than 26%). The percentage of accumulated inflation in the prior three-year period, yearly inflation and the value of UDI at each of the year-end are shown as follows:

		Inflation	
December 31	UDI	Yearly	Cumulative
2018	$ 6.226631	4.92 %	15.71 %
2017	5.934551	6.68%	12.60 %
2016	5.562883	3.38%	9.97 %

b) Basis of consolidation-

The accompanying consolidated financial statements as of and for the years ended December 31, 2018 and 2017, include the balances of Gentera and its subsidiaries mentioned below. All significant balances and transactions between Gentera and the subsidiaries have been eliminated upon consolidation:

Entity	Equity	Functional currency
Bank	99.98%	Mexican pesos
Compartamos Guatemala	99.99%	Guatemalan quetzales
Compartamos Financiera	99.99%	Peruvian soles
Red Yastás	99.99%	Mexican pesos
Compartamos Servicios	99.99%	Mexican pesos
Controladora AT*	50.00%	Mexican pesos
Pagos Intermex	99.99%	Mexican pesos

* Controladora AT is consolidated because Gentera has control on the financial policies and operating decisions of the subsidiary.

c) Cash and cash equivalents-

This caption comprises cash, bank accounts in local and foreign banks and restricted cash which are recognized at face value, and cash and cash equivalents in foreign currency are valued at the exchange rate issued by the Central Bank at the date of presentation of the consolidated financial statements. Interest earned from cash and cash equivalents is recognized in the consolidated income statement on an accrual basis (note 6).

The restricted cash and cash equivalents include documented bank loans with original maturities of up to three days ("Call Money"), deposit auctions and the deposit of monetary regulation, both with the Central Bank in accordance with the Law, in order to regulate the money market liquidity, such deposit bears interest at interbank funding rate. Also, this caption includes the saving fund of Gentera's employees and guarantee deposits with financial institutions in Peru.

The foreign exchange currencies acquired and agreed to be settled at later date to the purchase/sale transaction are recognized as restricted cash (foreign currency to be received), while foreign currency sold is recorded as cash outflow (currency to be delivered). The rights and obligations arising from the foreign exchange sales and purchases are recorded in the captions "Other accounts receivable" and "Sundry creditors and other accounts payable", respectively.

d) Investment securities-

Investment securities consist of equity instruments, government and banking securities, listed and unlisted, which are classified in accordance with the intention of use that Gentera assigns at the date of their acquisition as described in the following page.

Trading securities-

Trading securities which are held for operation in the market are recorded at fair value using current prices obtained from specialists in the supply and price calculation to value securities portfolios, authorized by the Commission, known as "price vendors", and in case of unlisted securities, market prices of financial instruments with similar characteristics are used as reference, which uses prices calculated based on formal and widely accepted valuation techniques. The fair value is the amount at which interested parties are willing to exchange for the financial instrument, in an uninfluenced transaction. Valuation effects of this category are directly recognized in the consolidated income statement of the year under the caption "Financial intermediation result".

Expenses incurred in the acquisition of trading securities are recognized in the income of the year. Interest income is recognized in the consolidated income statement as accrued.

Available-for-sale securities-

Available-for-sale securities are comprised of equity instruments, whose intention is not to obtain profits derived from the differences in prices resulting from trading transactions, and therefore represent a residual category, that is, they are acquired with a different intention from trading or held-to-maturity securities

At the moment of acquisition, these securities are recorded at fair value plus acquisition costs for the transaction, which represents the cost of acquisition for Gentera and are subsequently valued in the same way as trading securities; the valuation effect is recognized in stockholders' equity under "Unrealized gain or loss from valuation of available-for-sale securities", net of deferred taxes, which is cancelled to recognize in income the difference between the net value of realization and acquisition cost at the time of the sale.

The yield on debt securities is recorded in accordance with the effective interest method as appropriate according with the nature of the instrument; such income is recognized as realized in the consolidated income statement under "Interest income".

The cash dividends of the stock securities are recognized in the consolidated income of the year in the same period in which the right to receive the payment is generated.

Reclassifications between categories-

Reclassifications of securities from trading to available-for-sale could be only permissible with the express authorization of the Commission.

Securities impairment-

When there is objective evidence that an available-for-sale security is impaired, the book value of the security is modified and the amount of the loss is recognized in the consolidated results for the year.

e) Loan portfolio-

Represents the outstanding balances of the amounts granted to borrowers, plus uncollected interest earned in accordance with the payment scheme. Outstanding loan and interest balances are classified as past-due according to the following criteria:

Commercial loans with principal and interest periodic partial payments – 90 or more days after due date.

Commercial loans with principal and interest payments – 60 or more days after due date.

Consumer and mortgage loans – 90 or more days past due.

Residential mortgages - When the outstanding loan balance presents installments payments not fully collected for 90 or more due days.

Loans are granted based on an analysis of the customer's application and the consultations made at the credit information bureaus. In some cases, as required, an analysis is conducted of the borrower's financial position and other general characteristics established in the applicable laws, Gentera's manuals and internal policies.

Loans, mainly consumer portfolio, are controlled by periodic visits to the clients by Gentera personnel, and by daily monitoring of the payments through the system, where the relevant personnel can follow-up on late payments.

Loans are collected weekly, biweekly or monthly. According with the contracted credit, clients make loan payments through deposits in banking accounts contracted by Gentera with other multiple banking institutions solely for that purpose, as well as its correspondents to conduct this type of operations and through its branch offices.

Evaluation on the credit risk of each client is handled by verifying their credit history with Gentera, and checking clients' credit ratings with the credit bureau.

Gentera's policy for avoiding risk concentration is based mainly on setting maximum amount limits on loans by the borrower.

Interests are recognized in income as accrued. However, the accumulation of interests is suspended when a loan is transferred to past due loan portfolio recording interest in memorandum accounts. When such interest is collected, these are recognized as income. Reserves are created for the total balance of non-collected accrued ordinary interest, related to the loans transferred to past due loans, at the moment of transfer.

Past due loans are transferred to current loans when the outstanding balances of past-due loans (principal and interest, among others) are totally settled or that existed evidence of sustained payments.

It is considered that there is sustained payment when the borrower shows compliance of the payment without delay for the total amount of principal and interest, for at least three consecutive installment payment of the loan payment scheme.

Commissions on late payment of loans are recognized in the consolidated income statement when the delay occurs.

As of December 31, 2018 and 2017, Gentera had mainly a short-term consumer loan portfolio (note 8).

In the event that Gentera sold loan portfolio previously written-off, the internal policy corresponding to such process, provides that participants be unrelated parties having as purpose obtaining the best possible market price. In addition, economic and reputational assessment of each participant is performed to make the best decision. During the years ended on December 31, 2018 and 2017, Gentera did not carry out sales of loan portfolio.

f) Allowance for loan losses-

An allowance for loan losses is booked which, in Management's opinion, is sufficient to cover for credit risks associated with the loan portfolio, as well as other credit risks.

Allowances for loan losses are based on analytical studies of the portfolio in accordance with the "General dispositions applicable to credit institutions" (the Dispositions) issued by the Commission, which include the following:

Commercial loan portfolio-

Allowances for loan losses for commercial loan portfolio are based on the individual assessment of the credit risk and classification of the costumers in accordance with the Dispositions issued by the Commission.

The loan portfolio with companies and individuals with business activity, with annual income or net sales less than 14 million UDIS is rated by the methodology described in Annex 21 of the Dispositions. Such methodology is based on the expected loss, which considers the probability of default, loss given default and exposure at default.

Allowances for loan losses booked at December 31, 2018 and 2017 were determined in conformity with the degree of risk and the corresponding percentage ranges of allowance as shown below:

Degree of risk	Percentage ranges of allowance
A-1	0.000 to 0.9
A-2	0.901 to 1.5
B-1	1.501 to 2.0
B-2	2.001 to 2.5
B-3	2.501 to 5.0
C-1	5.001 to 10.0
C-2	10.001 to 15.5
D	15.501 to 45.0
E	Greater than 45.0

Troubled loans -

Commercial loans with a high probability of not being totally collected.

Consumer loan portfolio-

The calculation of the allowance for loan losses for consumer loans is made in conformity with the current dispositions issued by the Commission, which model of expected loss establishes that the allowance for loan losses is based on the probability of default, loss given default and exposure at default, considering for the calculation of the allowance the figures at the last day of each month.

The inputs to be considered in such model to determine the probability of default are comprised of: i) number of billings past due, ii) maximum number of billings past due, iii) payment made, iv) balance reported in the credit information companies, v) amount demandable reported in the credit information companies, vi) seniority of the borrower at the Gentera, vii) months elapsed since the last late payment in the last thirteen months reported in the credit information companies, viii) number of members of the group, ix) group cycles of the borrower, and x) original credit amount.

Additionally, when non-revolving consumer loans have collaterals, the covered and exposed parts must be segregated, considering an assignment in the given default loss of 10% to the covered part if related to cash collateral and /or liquid collateral and in case of mortgage collaterals a loss given default of 60% to the covered part may be assigned.

The allowance for loans losses for non-revolving consumer loan portfolio as of December 31, 2018 and 2017, is determined by the degree of risk assigned to the loan, as shown below:

Degree of risk	Percentage ranges of allowance
A-1	0.00 to 2.0
A-2	2.01 to 3.0
B-1	3.01 to 4.0
B-2	4.01 to 5.0
B-3	5.01 to 6.0
C-1	6.01 to 8.0
C-2	8.01 to 15.0
D	15.01 to 35.0
E	35.01 to 100.0

Mortgage loan portfolio-

The allowance for loan losses for residential mortgages is determined using the corresponding balances at the last day of each month. Furthermore, factors such as:

i) outstanding amount, ii) payment made, iii) value of property, iv) loan balance, v) past-due days, vi) loan denomination and vii) completeness of the file are considered. The total amount of allowance for each loan assessed is the result of multiplying the probability of default by the loss given default and exposure at default.

Degree of risk and percentages of allowance for loan losses at December 31, 2018 and 2017 are as shown below:

Degree of risk	Percentage ranges of allowance
A-1	0.000 to 0.50
A-2	0.501 to 0.75
B-1	0.751 to 1.00
B-2	1.001 to 1.50
B-3	1.501 to 2.00
C-1	2.001 to 5.00
C-2	5.001 to 10.00
D	10.001 to 40.00
E	40.001 to 100.00

Write-offs -

Gentera has the policy to write-off the consumer loan portfolio that had 180 days after being considered past-due, except for those loans in process of judicial collection, given that during that period and once carried out all recovery efforts, its practical impossibility of recovery is determined, except in cases where management determines that a loan or group of loans must be written-off prior to this number of days. Such write off is carried out during the first days of each month, considering the loans that comply with the aforementioned term until the last day of the immediate previous month, canceling the unpaid balance of the loan against the allowance for loan losses. In the event that the loan balance to be write-off exceeds its corresponding allowance, prior to the write-off, such allowance is increased up to the amount of the difference.

In the case of commercial loans and residential mortgages the policy of write-off fits the moment once its recovery is determined to be impractical.

Recoveries related to written-off loans or loans written-down from the consolidated balance sheet are recognized in the consolidated statement income of the year under the caption of "Other operating income (expenses), net".

The grading of the loan portfolio was conducted as of December 31, 2018 and 2017, and Management considers that the allowances resulting from such grading are sufficient to absorb the portfolio's loan loss risks.

g) Other accounts receivable-

This caption represents, among others, receivables from employees, accounts receivable from correspondents, recoverable income taxes and items directly related to the loan portfolio, which an allowance for doubtful receivables is determined based on the same percentage of risk assigned to the associated loan.

For the other receivables, including accounts receivable from correspondents, related to identified debtors with maturity exceeding 90 calendar days, a provision is created for the total unpaid balance (60 days if balances are unidentified), except for those related to recoverable tax balances and clearing accounts.

Management considers that the reserve for doubtful accounts is sufficient to absorb losses in accordance with Gentera's policies.

h) Property, furniture and equipment-

Property, furniture and equipment, including acquisitions from capitalized leases, are stated as follows:

i. Acquisitions conducted from January 1, 2008 at their historical cost, and

ii. Acquisitions made up to December 31, 2007 at their restated values, determined applying factors derived from the UDI, to their acquisition costs up to December 31, 2007.

Depreciation is calculated using the straight-line method, based on the estimated assets' useful life determined by Gentera's Management.

The leases are capitalized if the contract terms substantially transferred all inherent risks and benefits of ownership of the leased asset. The capitalized value is the value of the leased asset or the present value of minimum lease payments, whichever is less at lease inception. In the case of capital lease agreements, the interest rate used for calculating the present value of minimum payments is implicit in the related agreement. If interest rate is not available, the incremental rate as established on Mexican FRS D-5 "Leases" is used.

The related liability with the lessor is included in the consolidated balance sheet as an obligation for capitalized lease. The financial costs of the financing granted by the lessor to acquire the leased assets are recognized in the consolidated income statement as accrued. Lease payments are allocated between finance charges and reduction of the lease obligation in order to achieve a constant interest rate on the remaining balance of the liability. Assets held under capitalized leases are included within furniture and equipment and computer equipment captions, and its depreciation is calculated according to the term of the lease.

i) Investment in associated companies-

Permanent investments in associated companies, in which Gentera has significant influence or control, are valued using the equity method, through which the participation in the results and in the stockholders' equity of these companies is recognized using the financial statements of the Company. Same date and for the same Gentera period.

The other permanent investments made by the Group are recorded at cost, see note 11.

j) Income tax (IT) and employee statutory profit sharing (ESPS)-

The current IT and ESPS are determined according to current tax legislation (note 16).

Deferred IT and ESPS are recognized using the assets and liabilities method, which compares their accounting and tax values. Deferred IT and ESPS (assets and liabilities) are recognized for future tax consequences attributable to temporary differences between the value reflected in the consolidated financial statements of existing assets and liabilities and their respective tax bases, as well as for operating loss carryforwards and other recoverable tax credit.

Deferred IT and ESPS (assets and liabilities) are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered. The effect of changes in tax rates on deferred IT and ESPS are recognized in consolidated results of the period in which they were enacted.

The current and deferred IT and ESPS are presented and classified to the consolidated results of the period, except for those originated from a transaction that was recognized directly in stockholders' equity.

Deferred asset for ESPS is totally reserved, given that Gentera has the policy to reward its employees up to a month of salary, even when there is no resulting payment base for ESPS according to the current tax legislation.

k) Other assets, deferred charges and intangibles-

This caption is mainly comprised of guarantee deposits, insurance and expenses paid in advance, intangibles, goodwill and expenses for debt issuance. Amortization is accounted for using the straight-line method during the life of each transaction.

The expenses paid in advance as of December 31, 2018 and 2017, are not subject to impairment losses or reversals of impairment losses, since these still have the capacity to generate economic future benefits.

Amortization is calculated using the straight-line method, based on the estimated intangible's useful life determined by Management.

l) Impairment of long-lived assets-

Gentera periodically assesses the net carrying amount of property, furniture and equipment, intangibles assets and goodwill, to determine whether there is an indication that the carrying amount exceeds the recoverable amount. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to future net revenues reasonably expected to be generated by the asset. If the net carrying amount of the asset exceeds the recoverable amount, Gentera records the necessary provisions. When Gentera has the intention to sell such assets, these are reported in the consolidated balance sheet at the lower of net carrying amount or realizable value.

Long-lived assets, both tangible and intangible, are subject to impairment testing, in the case of assets with an indefinite life and goodwill, impairment testing is performed annually and assets with a definite life are only subject to impairment testing when there are signs of impairment.

m) Deposit funding-

Liabilities arising from deposit funding including demand deposits, time deposits, debt securities issued and global account of deposits with no movements are recorded at placement cost, plus interest expense, determined using the straight-line method as accrued.

Those securities issued at a price different from the face value, shall recognize a deferred charge or credit for the difference between the face value of the security and the amount of cash received, which will be recognized in the consolidated income statement as an interest income or expense as accrued, taking into account the maturity of the security.

Issuance expenses are initially recognized as deferred charges and amortized against the consolidated results for the period, according to the term of the debt issuance from which they derived.

n) Banking and other borrowings-

Banking and other borrowings comprise borrowings from banks and financing provided by development banking institutions and development funds specialized in financing economic, productive or development activities. The banking and other borrowings are recorded at the value of the contractual obligation; interest is recognized on an accrual basis in the consolidated income statement.

o) Provisions-

iability provisions represent present obligations whereby the transfer of assets or the rendering of services is virtually unavoidable and arises as a consequence of past events, mainly for services and advice, legal provisions, other payments to personnel, commissions, among others.

p) Employee benefits-

The benefits granted by Gentera to its employees are described as follows:

Short-term direct benefits-

Short-term direct benefits are recognized in income of the period in which the services rendered are accrued. A liability is recognized for the amount expected to be paid if Gentera has a legal or assumed obligation to pay this amount as a result of the past services provided and the obligation can be reasonably estimated.

Long-term direct benefits-

Gentera's net obligation in relation to the direct long-term benefits and which is expected to pay at least twelve months after the date of the most recent consolidated balance sheet presented, is the amount of future benefits that the employees have obtained in exchange for their service in the current and previous periods. This benefit is discounted to its present value. Remeasurements are recognized in income in the period in which they are accrued.

Termination benefits-

A liability is recognized for termination benefits along with a cost or expense when Gentera has no realistic alternative other than to make the corresponding payments or when the offer of these benefits cannot be withdrawn or when conditions that require the recognition of restructuring costs are met, whichever occurs first. If benefits are not expected to be settled within twelve after the date of the most recent consolidated balance sheet presented, then they are discounted.

Post-employment benefits

Gentera has implemented a pension plan, which consists of a mixed scheme in which the benefit is derived from two components that are a defined benefit plan and a defined contribution plan.

The defined benefit plan is funded entirely by Gentera, and the defined contribution plan is funded with the contributions from both Gentera and the employees.

The cost of defined benefit plan is determined in accordance with provisions of the FRS D-3 "Employee benefits" and the cost of the defined contribution plan is equivalent to the amount of the contributions that Gentera makes to the individual employees bank account.

Gentera has the obligation to pay a compensation in case of unjustified dismissal.

Gentera records a provision to meet obligations for severance and seniority premiums. The recording of the provision is recognized in the results of each year based on actuarial calculations under the projected unit credit method using nominal interest rates and considering projected salaries.

Remeasurements (known before as actuarial gains and losses), resulting from differences between projected and actual actuarial assumptions at the end of the period, are recognized in the period when incurred under the caption "Remeasurements for employee defined benefits" within stockholders' equity.

q) Share-based payment-

Until at December 31, 2017, Gentera had a share-based payment compensation program for its employees; as part of a package of remuneration in addition to salary and other benefits, payable in a period of 4 years (payments of 25% annually until a 100% coverage was achieved). The award of the shares was conditional upon performance and permanence in Gentera recognized the expense and obligation of payment when these conditions were fulfilled.

The estimated amount of the obligation was determined on the fair value of Gentera equity instruments granted, taking into consideration the timing and conditions on which the equity instruments were awarded. The plan provided that the subsidiaries of Gentera acquired independently the shares in the market.

Gentera approved the cancellation of the share-based payment program for fiscal year 2018. The effect was a charge to the consolidated result of the year for $115 under the caption “Administrative and promotional expenses”.

r) Stockholders’ equity-

Capital stock, statutory reserves and prior years’ results are stated as follows: i) movements made beginning January 1, 2008 at their historical cost, and ii) movements made prior to January 1, 2008, at their restated values determined by applying factors derived from UDIS to their historical values through December 31, 2007.

s) Repurchase of shares-

The own shares acquired are shown as a decrease in the fund for the repurchase of own shares, included in the consolidated financial statements under the statutory reserves. Dividends received are recognized by decreasing their cost.

With respect to the sale of repurchased shares, the amount obtained in excess or deficit of their restated cost is recognized as additional paid-in capital.

t) Cumulative translation adjustment-

Represents the difference arising from translating foreign operations from the recording and functional currency, which are the same, to the reporting currency.

u) Comprehensive income-

Comprehensive income comprises the net income, cumulative translation adjustment of subsidiaries, remeasurements for employees defined benefits and unrealized gain from valuation of available-for-sale securities, as well as, items required by specific accounting standards to be included in the stockholders’ equity, such items do not constitute capital contributions, reductions or distributions.

v) Revenue recognition-

Interest earned from cash and cash equivalents, investments in securities are recognized in the consolidated income statement as accrued, as per the effective interest method; while equity instruments are recognized at the time the right to receive payment is generated, against the consolidated results for the year.

Loan portfolio interest is recognized as accrued, except for those related to past-due portfolio, which are recognized in income when collected. Commissions are recognized when earned under the caption "Commissions and fee expense" in the consolidated income statement.

Amortization of premiums for the issuance of debt securities is also considered as income.

Income from sales of furniture and equipment is recognized in the consolidated income statement when all of the following requirements are met: a) the risks and benefits of the goods have been transferred to the buyer and no significant control thereon is retained; b) income, costs incurred or costs to be incurred are determined on a reliable basis, and c) Gentera is likely to receive economic benefits from the sale.

w) Interest expense-

This caption comprises interest accrued on financing received to fund the operations of Gentera and the interest accrued from the demand and time deposits and the global account of deposits without movements, debt securities issued and banking and other borrowings, as well as the effects on changes in cash and cash equivalents.

x) Other operating income (expense)-

This caption includes income and expenses such as recoveries of loan portfolio, financing cost of capital lease, charges for doubtful accounts, write-offs, donations, impairment losses of long-lived assets and result in the sale of furniture and equipment.

y) Earning per share-

This caption represents the result of dividing the profit for the period by the weighted average of current shares during the period. For the years ended on December 31, 2018 and 2017, the earning per share is $1.84 Mexican pesos and $1.80 pesos, respectively.

z) Contributions to the Banks Savings Protection Institute (IPAB Spanish abbreviation)-

Contributions made by multiple banking institutions to the IPAB are made in order to establish a system to protect the banking savings of parties conducting guaranteed operations in the terms and with the restrictions stipulated in the Bank Savings Protection Law, as well as to regulate the financial support granted to multiple banking institutions for the protection of the interests of the savings of the public.

Contributions made for this concept for the years ended December 31, 2018 and 2017, amounted to $57 and $54, respectively, which were charged directly to results of the year.

aa) Foreign currency transactions-

The accounting records are maintained in both Mexican pesos and foreign currencies, which for consolidated financial statement presentation purposes, currencies other than dollars are translated to the dollar equivalent and subsequent to Mexican pesos as established by the Commission. For the dollar translation into Mexican pesos, the exchange rate determined by the Central Bank for the settlement in Mexico of transactions denominated in foreign currencies is used. Exchange gains and losses are recognized on accrual basis in the consolidated results of the year.

bb) Financial intermediation result-

Arises from the difference between the exchange rate used to buy or sell foreign currencies, including the adjustment to the final position, valued at the exchange rate referred to in the preceding paragraph, as well as the valuation at fair value of trading securities.

cc) Contingencies-

Liabilities or important losses related to contingencies are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. When a reasonable estimation cannot be made, qualitative disclosure is provided in the notes to the consolidated financial statements. Contingent income, earnings or assets are not recognized until their realization is certain (note 19).

dd) Segment information-

The accounting criteria prescribed by the Commission establishes that multiple banking institutions must segregate their activities in order to identify the different operating segments, which as minimum include: i) loan operations; ii) treasury and investment banking operations, and iii) operations conducted on behalf of third parties. In addition, due to materiality, additional operating segments and sub-segments can be identified (note 22).

(4) New accounting standards and special criterion-

Amendments to Banking general provisions

On January 6 and subsequently amended on June 26, 2017, the Commission published in the Federal Gazette (DOF for its acronym in Spanish) the Resolutions that modified different articles of the General Provisions applicable to credit institutions (the Resolutions), which included the change to the methodology to calculate the allowance for loan losses of non-revolving loans and mortgages, as well as of non-revolving consumer loans that according to the such Resolutions are classified as "personal loans or small business loans". The amending resolution published on January 6, 2017 came into effect on June 1, 2017.

The methodology in effect until May 31, 2017 considered the following factors for the determination of the probability of default: i) amount due, ii) payment made, iii) days of delay, iv) total term, v) remaining term, vi) original amount of the credit, vii) original value of the asset, viii) credit balance, ix) type of credit, x) members, and xi) average cycle of the group. As of June 1, 2017, a new methodology for calculating the allowance for loan losses became effective, so the factors to be considered for the probability of default are those disclosed in item f) of Note 3 to the consolidated financial statements.

Gentera opted to recognize the initial accumulated financial effect derived from the first application of the new methodology on December 31, 2017, as allowed by the Resolutions. The aforementioned change in the model generated an increase in the allowance for loan losses in the consolidated balance sheet of $477 ($369 net of deferred taxes) in "Prior years' results" in stockholders' equity (see notes 8 and 16).

Special criterion-

The Commission, through communication P-290/2017 dated September 15, 2017 and regarding the aforementioned communication, through the issuance of communication No. 320-1/14057/2017 dated October 17, 2017, authorized the credit Institutions in Mexico to apply special accounting criteria in order to assist clients that have their address or loans whose source of payment is located in cities declared "emergency zone, extraordinary emergency, disaster or natural disaster" that severely affected different locations of Mexico and that have been declared as such by the Ministry of Interior, during September 2017, in the DOF.

The application of assistance to borrowers consists of granting a grace period with respect to fulfilling payment obligations according to the original loan terms, both principal and interest, of a month (deferral), provided that these borrowers were classified as current as of the date of the disaster, as set forth by the Provisions.

If the special accounting criterion had not been applied, the decrease in the current portfolio from the transfer to the past-due portfolio would have been for $2, with an effect on results for the suspension of accumulation of accrued interest of $1 and $3 for the creation of the allowance for loan losses.

The list of concepts and estimated amounts, for which the accounting records were carried out as a result of the mentioned authorization, are as follows:

		Deferred amount	
Type of portfolio	Number of	Principal	Interest
Consumer loans	14,028	$ 53	11

5) Foreign currency position-

In the case of the Bank, the Central Bank regulations establish the standards and limits for operations in foreign currencies carried out by the credit institutions as follows:

1. The (short or long) position in US dollars must not exceed a maximum of 15% of the Bank's basic capital.
2. The foreign currency position must not exceed 2% of net capital, except for the dollar or currencies referred to the dollar, which can reach up to 15% of the basic capital of the Bank.
3. The net foreign currency position must not exceed 1.83 times the Bank's basic capital.

4. The foreign currency operations investment regulations make it necessary to hold a minimum amount of liquid assets, in accordance with a calculation mechanism established by the Central Bank, based on the maturity of operations in foreign currency.

At December 31, 2018 and 2017, the Bank complies with the limits and standards established by Central Bank.

Foreign currency position (figures in millions) of Gentera and subsidiaries as of December 31, 2018 and 2017 is analyzed as follows:

	2018		2017	
	Dollars	Pesos	Dollars	Pesos
Assets				
National banks	2	$ 46	-	-
Foreign banks	13	245	-	-
Intermediation debts	-	-	1	18
Accounts receivable	2	47	6	117
Restricted funds:				
Interbank borrowings*	-	-	10	194
Long position – net	17	$ 338	17	$ 329

	2018		2017	
	Guatemalan Quetzals	Pesos	Guatemalan Quetzals	Pesos
Assets	308	$ 781	277	$ 742
Liabilities	31	(78)	(19)	(50)
Long position – net	277	$ 703	258	$ 692

	2018		2017	
	Peruvian Soles	Pesos	Peruvian Soles	Pesos
Assets	2,491	$ 14,514	2,027	$ 12,299
Liabilities	(1,941)	(11,309)	(1,557)	(9,446)
Long position – net	550	$ 3,205	470	$ 2,853

* Settlement period less than 3 business days.

As of December 31, 2018, the exchange rate determined by Central Bank and used by Gentera to value foreign currency assets was $19.6512 pesos per dollar ($19.6629 pesos per dollar in 2017). As of February 26, 2019, issuing date of the consolidated financial statements, the exchange rate is $19.1630 pesos per dollar.

(6) Cash and cash equivalents-

At December 31, 2018 and 2017, cash and cash equivalents consist of the following:

	2018	2017
Cash on hand	$ 2,201	1,756
Mexican banks	1,137	211
Foreign banks	1,493	1,805
Restricted funds: *		
Monetary regulation deposit with the Central	308	308
Bank loans with original maturity up to three days	-	585
Deposit auction with the Central Bank	1,500	-
Other restricted funds	1,156	1,321
	$ 7,795	5,986

* Included as part of the caption "Contingent assets" in memorandum accounts.

For the years ended on December 31, 2018 and 2017, interest earned from Mexican and foreign banks, restricted funds and other restricted funds amounted to $265 and $209, respectively, recorded under the caption "Interest income" in the consolidated statement of income (see note 22):

The interest earned from banking accounts amounted to $117 and $95, for the years ended on December 31, 2018 and 2017, respectively.

At December 31, 2018 and 2017, the monetary regulatory deposit with Central Bank has no established term and bears interest at the rate of bank deposit funding. For the years ended December 31, 2018 and 2017, the interest income earned from monetary regulatory deposit amounted to $24 and $21, respectively.

At December 31, 2018, the average rate of interbank loans with maturity up to 3 days was 7.72% (6.37% in 2017). For the years ended on December 31, 2018 and 2017, the interest income earned from Call Money transactions amounted to $103 and $78, respectively.

At December 31, 2018, and 2017, the weighted rate of the deposit auction with the Central Bank with an average term of 1 and 2 days was 7.33% and 6.05%, respectively, additionally, the interest income amounted to $21 and $15, respectively.

As of December 31, 2018, the other restricted funds correspond to Gentera's savings fund for $7 and Mexican pesos time deposits of Gentera for $167, Compartamos Financiera for $59, Compartamos Servicios for $631, Red Yastás for $161, Pagos Intermex for $50 and Aterna for $81, with an average term of 5 days, and an average rate of 6.64%. As of December 31, 2017, other restricted funds correspond to guarantee deposits made by Compartamos Financiera for $45, savings fund for Gentera employees for $7 and Mexican pesos time deposits of Gentera for $616, Compartamos Financiera for $6, Compartamos Servicios for $238, Red Yastás for $151, Pagos Intermex for $85 and Aterna for $173, at an average term of 3 days and an average rate of 5.3%.

At December 31, 2018 and 2017, Gentera has no coined precious metals.

(7) Investment securities-

Cash surpluses resulting from Gentera operations are invested in debt instruments, searching for the best available rate with the authorized counterparties.

Investments in securities are subject to different types of risks directly related to the market in which they operate, such as interest rates and credit and market liquidity inherent risks.

Risk management policies, as well as the analysis of the risks which Gentera is exposed to are described in note 23.

As of December 31, 2018, investments in securities classified as trading are comprised of one Certificate of Deposit (CEDE) with a fair value of $300 at a rate of 8.75% and a term of 252 days.

At December 31, 2018, available-for-sale securities are comprised of 8,542,309 shares corresponding to net equity instruments, with a market value of $124 (4,938,109 shares corresponding to net equity instruments, with a market value of $81 in 2017). Also, as of December 31, 2018 and 2017, this caption is comprised of certificates of deposit of the Central Bank of the Republic of Peru for $491 and 157, respectively and by Peruvian Treasury Bills for $17 and $12, respectively

For the years ended December 31, 2018 and 2017, the caption of investments securities classified as available-for-sale securities recognized a net income (loss) in stockholders' equity net of deferred taxes, for $7 and ($62), respectively.

At December 31, 2018 and 2017, the average rates of investments were 2.56% and 3.47%, respectively. Likewise, for the years ended on December 31, 2018 and 2017, interest income from investments amounted to $22 and $9, respectively, recorded under the caption "Interest income" in the consolidated statement of income.

At December 31, 2018 and 2017, there were no transfer in securities between categories and there are no indicators of impairment over the value of the securities.

(8) Loan portfolio-

The loan portfolio is comprised mainly of non-revolving consumer loans, with an average term of four months with a fixed rate and joint guarantee of the borrowers. Principal and interest are mainly paid on a weekly basis.

As of December 31 2018 and 2017, total loan portfolio (current and past-due loans) are comprised as follows:

2018	Principal	Accrued interest	Total leon portafolio
CURRENT LOANS:			
Commercial loans:			
Business and commercial	$ 1,381	17	1,398
Commercial loans:	32,673	674	33,347
Residential mortgages	5	-	5
	34,059	691	34,750
PAST-DUE LOANS:			
Commercial loans:			
Business and commercial	45	4	49
Consumer loans	828	97	925
Residential mortgages	1	-	1
	874	101	975
Total loan portfolio	$ 34,933	792	35,725

2017	Capital	Intereses devengados	Total cartera
Current loans:			
Business and commercial	$ 1,166	16	1,182
Consumer loans	29,181	656	29,837
Residential mortgages	9	-	9
	30,356	672	31,028
Past-due loans:			
Commercial loans:			
Business and commercial	38	3	41
Consumer loans	905	98	1,003
Residential mortgages	2	-	2
	945	101	1,046
Total loan portfolio	$ 31,301	773	32,074

At December 31, 2018 and 2017, the loans (current and past-due loans), broken-down by economic sector, are as follows:

	2018		2017	
Economic activity	Amount	%	Amount	%
Commerce	$ 24,884	70	25,089	78
Construction	43	-	39	-
Professional services	4,025	11	3,618	11
Agriculture	221	1	210	1
Cattle raising	316	1	310	1
Manufacturing	1,159	3	981	3
Others	5,077	14	1,827	6
Total	$ 35,725	100	32,074	100

The distribution of the loan portfolio at December 31, 2018 and 2017, by geographical region is shown as follows:

	2018		2017	
	Current	Past-due	Current	Past-due
En Mexico:				
Aguascalientes	$ 120	2	112	2
Baja California	761	18	685	25
Baja California Sur	358	12	339	10
Campeche	158	4	155	5
Chiapas	1,032	36	1,020	37
Chihuahua	332	7	303	10
Coahuila	714	17	670	23
Colima	83	3	80	2
Ciudad de México	1,192	37	1,140	38
Durango	349	13	355	19
Estado de México	3,142	85	2,984	78
Guanajuato	615	15	547	13
Guerrero	860	19	770	18
Hidalgo	735	12	625	16
Jalisco	509	15	490	19

	2018		2017	
	Vigente	Vencida	Vigente	Vencida
Michoacán	782	20	732	18
Morelos	363	10	337	10
Nayarit	363	4	170	5
Nuevo León	692	16	622	30
Oaxaca	859	16	809	25
Puebla	1,529	32	1,400	43
Querétaro	232	4	196	4
Quintana Roo	307	6	307	10
San Luis Potosí	332	7	321	6
Sinaloa	390	12	403	13
Sonora	532	14	527	24
Tabasco	600	13	582	24
Tamaulipas	886	13	807	37
Tlaxcala	602	11	572	10
Veracruz	2,318	49	2,158	63
Yucatán	271	5	249	6
Zacatecas	217	4	216	4
Total Mexico, brought forward	$ 22,037	531	20,683	644

Abroad:

Guatemala	626	22	533	28
Peru	11,396	321	9,140	273
Total abroad	12,022	343	9,673	301
Accrued interests	691	101	672	101
Total loan portfolio	**$ 34,750**	**975**	**31,028**	**1,046**

As of December 31, 2018 and 2017, aging of the past-due loan portfolio is as follows:

	Aging				
	Days		Years		
2018	1 to180	181 to 365	1 to 2	More than 2	Total
Commercial loans:					
Business and commercial	$ 17	16	8	8	49
Consumer loans	607	236	34	48	925
Residential mortgages	-	1	-	-	1
	$ 624	253	42	56	975

	Aging				
	Days		Years		
2017	1 to180	181 to 365	1 to 2	More than 2	Total
Commercial loans:					
Business and commercial	$ 11	15	7	8	41
Consumer loans	683	232	39	49	1,003
Residential mortgages	-	1	-	1	2
	$ 694	248	46	58	1,046

Following is an analysis of the movements of the past-due loans, for the years ended December 31, 2018 and 2017:

	2018	2017
Past-due loans at the beginning of the year	$ 1,046	1,414
Plus:		
Transfer from current loans	2,765	3,828
Less:		
Write-offs	2,653	4,046
Collections	144	142
Collections	26	8
Exchange rate fluctuation	13	-
Past-due loans at year-end	$ 975	1,046

As of December 31, 2018 and 2017, Gentera had a troubled loan portfolio of $11 and $16, respectively, from Compartamos Financiera, which is 100% reserved.

Interest and commission income for the years ended December 31, 2018 and 2017, according to the type of loan is comprised as follows:

	2018			2017		
	Interest	Commission	Total	Interest	Commission	Total
Current loans:						
Business and commercial	$ 376	-	376	361	-	361
Consumer loans	20,312	355	20,667	20,298	461	20,759
Residential mortgages	1	-	1	4	-	4
Subtotal, carried forward	$ 20,689	355	21,044	20,663	461	21,124
Past-due loans:						
Business and commercial	1	-	1	1	-	1
Consumer loans	10	-	10	7	3	10
	11	-	11	8	3	11
	$ 20,700	**355**	**21,055**	**20,671**	**464**	**21,135**

Interest accrued not collected on past-due loans, which by accounting criteria is recorded in memorandum accounts and applied to income until collected, at December 31, 2018 and 2017, amounts to $184 and $183, respectively.

For the years ended on December 31, 2018 and 2017, the amount recovered on the previously written-off loan portfolio, net of expenses incurred for their collection, represented a profit of $78 and $60, which were recorded in the caption "Other income (expenses) of the operation, net" in the consolidated statement of income, see note 22.

At December 31, 2018 and 2017, the loan portfolio of the Bank and Compartamos Guatemala has not been pledged as collateral. The Compartamos Financiera's loan portfolio at December 31, 2018 and 2017, pledged as collateral for funding received for its operation, amounts to $435 and $686, respectively.

Loan management

The authorization of loans as responsibility of the Board of Directors is centralized in committees and empowered officers, whom in turn can delegate this authorization to the services office personnel.

For credit management, the general process is defined from the promotion to the recovery of the loan, specifying from each business unit policies, procedures and responsibilities of the officers involved and the tools to be used in each stage of the process.

The loan process is based on an in-depth analysis of loan applications in order to determine the overall risk of the borrower.

During the years ended on December 31, 2018 and 2017, Compartamos Financiera restructured loans for $65 and $50, respectively; these restructurings did not include capitalized interest, and likewise, no portfolio acquisitions were made for the previous years.

Allowance for loan losses

As of December 31, 2018 and 2017, the rating of the overall loan portfolio and the provisions created based on the actual risk tables for each year, are as follows:

2018 Risk		Rated loan portfolio Commercial	Consumer	Residential	Total	%
A - 1	$	54	18,575	4	18,633	52
A – 2		101	991	-	1,092	3
B – 1		462	272	-	734	2
B – 2		430	8,794	-	9,224	26
B – 3		27	495	-	522	2
C – 1		124	1,712	-	1,836	5
C – 2		31	1,002	1	1,034	3
D		207	912	1	1,120	3
E		11	1,519	-	1,530	4
Total	**$**	**1,447**	**34,272**	**6**	**35,725**	**100**

Risk		Required allowance Consumer	Residential	Total	%	%
A - 1	$	-	206	-	206	9
A – 2		1	26	-	27	1
B – 1		8	9	-	17	1
B – 2		10	360	-	370	17
B – 3		1	28	-	29	1
C – 1		10	123	-	133	6
C – 2		4	112	-	116	5
D		52	195	-	247	11
E		9	1,070	-	1,079	49
Total	**$**	**95**	**2,129**	**-**	**2,224**	**100**

2017	Rated loan portfolio					
Risk		Consumer	Residential	Total	%	%
A - 1	$	46	16,224	7	16,277	51
A – 2		113	990	-	1,022	3
B – 1		391	195	-	586	2
B – 2		334	7,678	-	8,012	25
B – 3		16	589	-	605	2
C – 1		113	1,717	1	1,831	6
C – 2		26	1,071	2	1,099	3
D		175	726	1	902	3
E		9	1,731	-	1,740	5
Total	**$**	**1,223**	**30,840**	**11**	**32,074**	**100**

	Required allowance					
Risk		Consumer	Residential	Total	%	%
A - 1	$	-	182	-	182	8
A – 2		2	23	-	25	1
B – 1		7	7	-	14	1
B – 2		7	314	-	321	14
B – 3		1	33	-	34	2
C – 1		9	124	-	133	6
C – 2		3	118	-	121	5
D		43	157	-	200	9
E		8	1,214	-	1,222	54
Total	**$**	**80**	**2,172**	**-**	**2,252**	**100**

The movements in the allowance for loan losses during the years ended December 31, 2018 and 2017, are as follows:

		2018	2017
Allowance for loan losses at the beginning of the year	$	2,252	2,212
Plus:			
Increase in the provision for loan losses		2,712	3,640
Recognized effect in prior years result resulting of changes in the methodology (note 4)		-	477
Less application of reserves due to write-offs:			
From current loans (by death)		54	47
From past-due loans		2,653	4,046
Cancelation of allowance for earned interests		2	13
Exchange rate fluctuation		31	(29)
Allowance for loan losses at year-end	$	2,224	2,252

At December 31, 2018 and 2017, the allowance for loan losses recorded by Gentera includes $25, in both years, as a complement to reserve 100% of accrued interest from past-due loans at the end of these years.

(9) Other accounts receivable-

At December 31, 2018 and 2017, this caption is comprised as follows:

		2018	2017
Loan portfolio accessories	$	163	155
Other receivables:			
Sundry debtors[1]		756	342
Debit from transactions with correspondents		499	482
Debit by intermediation		215	186
Income tax recoverable		-	742
		1,633	1,907
Less allowance for doubtful accounts		(63)	(70)
	$	1,570	1,837

(1) Includes balances with related parties and associated companies for $586 in 2018 and $117 in 2017, see note 21.

(10) Property, furniture and equipment-

At December 31, 2018 and 2017, this caption is comprised as follows:

	Original cost	Depreciation and Amortization annual rate (%)	Accumulated depreciation and amortization	Net value
	2018			
Land	$ 2	-	$ -	2
Constructions	18	5	(9)	9
Office furniture and equipment	330	10 to 20	(161)	169
Transportation equipment	217	25	(82)	135
Computer equipment	442	15 to 57	(320)	122
Others:				
Leasehold improvements	1,271	*	(753)	518
Telecommunications equipment	331	10	(142)	189
	$ 2,611		**$ (1,467)**	**1,144**

	Original cost Original	Depreciation and Amortization annual rate (%)	Accumulated depreciation and amortization	Net value
	2017			
Land	$ 2	-	$ -	2
Constructions	22	5	(12)	10
Office furniture and equipment	331	10 to 20	(140)	191
Transportation equipment	183	25	(55)	128
Computer equipment	451	15 to 67	(298)	153
Others:				
Leasehold improvements	1,213	*	(570)	643
Telecommunications equipment	307	10	(119)	188
Subtotal, carried forward	2,509		$ (1,194)	1,315
Subtotal, brought forward	2,509		$ (1,194)	1,315
Less: Impairment of office furniture and equipment (1)	-		(4)	(4)
	$ 2,509		**$ (1,198)**	**1,311**

(1) The aimpairment reserve for furniture and equipment created in 2017 was reversed in 2018 due to its sale.

* The amortization rate of leasehold improvements is in accordance with the term of the lease agreement for each property.

For the year ended December 31, 2018, the charge to the consolidated income statement in the "Administrative and promotional expenses" caption, related to depreciation and amortization amounted to $234 and $169, respectively ($181 and $139, respectively, in 2017).

Fully depreciated assets

	Original cost	
	2018	**2017**
Constructions	$ 4	5
Office furniture and equipment	33	46
Transportation equipment	10	9
Computer equipment	200	164
Leasehold improvements	261	165
Telecommunications equipment	7	6
	$ 515	**395**

The property, furniture and equipment owned by Gentera, is not pledged or restricted for its use or disposal.

Gentera as lessee has capitalized leases for transportation equipment, mobile devices and automated teller machines with terms of 3 to 4 years with purchase option. The lease of furniture and transportation equipment was recognized as capitalized because the present value of minimum lease payments exceeds 90% of fair market value of the asset at the beginning of the agreement.

At December 31, 2018 and 2017, assets leased through capitalized leases are comprised as follows:

	2018	**2017**
Office furniture and equipment	$ -	1
Transportation equipment	36	23
	36	24
Less accumulated depreciation	13	9
	$ 23	15

The payable liability related to capitalized leases is as follows (see note 17):

		2018			2017		
		Future minimum payments	Discounted interest	Present value	Future minimum payment	Discounted interest	Present value
Less than one year	$	13	-	13	1	-	1
Between one and five years		20	(4)	16	18	(1)	17
	$	33	(4)	29	19	(1)	18

Interest expense from capitalized leases during the years ended December 31, 2018, and 2017, was $3 and $1, respectively, which is recorded under the caption of "Other operating income (expenses), net" in the consolidated statements of income (see note 22).

(11) Permanent investments-

On June 13, 2018, Gentera carried out a non-controlling investment in Fin Útil, S. A. de C. V. SOFOM, E.N.R. ("Fin Útil") and Comfu, S. A. de C. V. ("Comfu"), (collectively "ConCrédito"). The transaction involved a global amount of $2,585, (including an investment of $2,085 representing 36.8% of the capital share of the companies and $500 in a convertible loan). Fin Útil operates in 20 states of the Mexican Republic and specializes in consumer credit. The investment in ConCrédito was authorized by the Federal Commission of Economic Competition (note 11).

On November 29, 2018, Gentera carried out a non-controlling investment in Talento ConCrédito, S. A. de C. V. ("Talento ConCrédito"), part of the ConCrédito group for an amount of $7, which represents a 37.26% stake of the company's capital stock. (note 11).

Until December 14, 2017, Gentera had a 36.61% stake in Finestrella, S. A. P. I. de C. V. (Finestrella), which was valued by the equity method based on its financial statements.

On October 27, 2017, Gentera entered into a sales agreement with third parties, through which it sold 48,788,080 shares representing 43.16% of the variable portion of the share capital it held in Finestrella, for a consideration of $4 pesos, recognizing a loss for sale of shares of $22 registered in the caption "Other income (expenses) of the operation, net", in the consolidated statement of income.

Subsequently, on December 14, 2017, Gentera capitalized the loan granted to Finestrella for $247, equivalent to 65,299,885 shares representing the variable part of the share capital. On the same day, it sold those shares in exchange for a consideration of $261,720 pesos, recognizing a loss on sale of $247 in the caption "Other income (expenses) of the operation, net", in the consolidated statement of income. Given that the aforementioned loan had a reserve of $211, when carrying out the capitalization, the allowance for doubtful accounts of doubtful accounts was released in the same caption as "Other income (expenses) of the operation, net".

The participation in the consolidated result of the year from associated companies, recorded for the year ended December 31, 2018 and 2017, was for a profit in 2018 and a loss in 2017 of $68 and $31, respectively.

The investment in associated companies is valued by the equity method, considering the results and the stockholders´equity of the companies. The associated companies are the following:

	Ownership		Main activity
	2018	2017	
Aflore, S. A. S. (Aflore)	33.70%	35.30%	Microloans
Fin Útil	36.80%	-	Microloans
Comfu	36.80%	-	Services
Talento ConCrédito	37.26%	-	Services

The judgments and significant assumptions to determine the non-existence of control were the following:

- There is no control over financial policies; and
- Operating decisions fall on the controlling shareholders

As of December 31, 2018 and 2017, the investment in associated companies is integrated as follows:

	%		Net assets	Equity in net assets
DECEMBER 31, 2018				
Aflore	33.70	$	125	42
Fin Útil [1]	36.80		1,587	584
Comfu [1]	36.80		68	25
Talento ConCrédito	37.26		14	5
		$	1,794	656
DECEMBER 31, 2017				
Aflore	33.70	$	125	49

(1) See explanation on next page.

(2) As of December 31, 2018, the goodwill derived from the investment in ConCrédito amounts to $1,554.

As of December 31, 2018 and 2017, the other permanent investments at acquisition cost are as follows:

		2018	2017
IDE345 II, S. A. P. I. de C. V.	$	15	15
Grupo Aliada MX, S. A. P. I. de C. V.		2	2
Epesos, S. A. P. I. de C. V.		44	28
Avante.com.vc SOLUÇÕES E PARTICIPAÇÕES, S. A.		109	-
Pagos digitales Peruanos, S. A.		19	6
	$	189	51

The participation in the result of associated companies for the years ended December 31, 2018 and 2017, is as follows:

	%		Net income	Equity in net income
DECEMBER 31, 2018				
Aflore	33.70	$	(46)	(17)
Fin Útil	36.80		158	80
Comfu	36.80		10	7
Talento ConCrédito	37.26		(6)	(2)
		$	116	68
DECEMBER 31, 2017				
Aflore	33.70		-	(9)
Finestrella	-	$	(81)	(22)
			(81)	(31)

(12) Other assets, deferred charges and intangibles-

At December 31, 2018 and 2017, this caption is comprised as follows:

		2018	2017
Goodwill (a)	$	933	969
Guarantee deposits (b)		57	54
Insurance (c)		4	5
Development of the electronic banking system, intangibles and licenses (d)		2,729	2,673
Advance payments		231	257
Debt issuance costs		19	17
		3,973	3,975
Less:			
Accumulated amortization of development of electronic banking system and licenses		1,029	832
	$	2,944	3,143

a) It derives from the acquisition of Compartamos Financiera and Intermex which is subject to impairment testing.

b) Not amortizable, subject to recovery upon expiration of each leasing agreement for the respective service office.

c) Insurance is amortized according to the duration of each policy. The amount charged to the consolidated income statement for the years ended on December 31, 2018 and 2017, amounted to $98 and $93, respectively.

d) Investment in intangibles, includes the rent of licenses and acquisition of software of the Bank, for the development of the new electronic system to book and control the banking operation, which began its utilization in May 2014. The estimated useful life of the intangible asset and software is ten and seven years, respectively. The amortization of intangible assets and software for the years ended as of December, 31, 2018 and 2017, amounted to $294 and $223, respectively.

(13) Deposit funding-

Deposit funding includes deposits on demand, time deposits and debt securities issued in Mexican pesos and global account of deposits with no movements. As part of the deposit funding, demand deposits for $935 and $701, as of December 31, 2018 and 2017, respectively, and $1 for the global deposit account with no movement as of December 31, 2018, correspond to the Bank and 94 and 61 million of Peruvian soles correspond to Compartamos Financiera at December 31, 2018 and 2017, respectively (equivalent to $549 and $370 at December 31, 2018 and 2017, respectively). At December 31, 2018 and 2017, time deposits from general public include $1,321 and $1,059, respectively, from the Bank, as well as 1,041 and 777 million of Peruvian soles at December 31, 2018 and 2017, respectively (equivalent to $6,067 and $4,713, respectively).

The weighted average rates (non-audited) of the different deposits funding products (unaudited information) during the years ended on December 31, 2018 and 2017, are analyzed as follows:

	2018	2017
Demand deposits	1.51%	2.59%
Time deposits	4.81%	3.94%
Money market	4.77%	6.56%

As of December 31, 2018, the Bank had no time deposits in money market. As of December 31, 2018 and 2017, Compartamos Financiera carried out money market issuances of Certificates of Deposit (CEDES) in Peruvian soles, which include 105 and 140, respectively (equivalent in Mexican pesos to $620 and $833), with maturities of one year. The interest expense by the CEDES during the years ended December 31, 2018 and 2017, amounts to $22 and $45, respectively (see note 22).

Compartamos Financiera, carried out a public offer on June 6, 2018, for series "A" corporate bonds for 70 million of Peruvian soles (equivalent to Mexican pesos for $409), at a fixed annual nominal interest rate of 4.8125% plus 203 basis points After a period of 2 years, the current program was registered in the Public Registry of the Securities Market of the Superintendency of the Securities Market of Peru. The interest expense recognized by the Corporate Bonds as of December 31, 2018 amounts to $11, see note 22.

At December 31, 2018 and 2017, long term unsecured Cebures were issued in Mexican pesos, under the current issuance program approved by the Commission for an amount of $12,000 and $9,000, respectively. The current issued Cebures are as follows:

Cebures 2018	Amount of issuance	Date of issuance	Maturity date	Interes rate	Balance
COMPART 14 $	2,000	June 2014	June 2019	TIIE 28 Days + 40 pb	$ 1,000
COMPART 15	2,000	September 2015	August 2020	TIIE 28 Days + 50 pb	2,000
COMPART 16	500	October 2016	October 2019	TIIE 28 Days + 47 pb	500
COMPART 16-2	2,000	October 2016	October 2023	Fixed rate 7.50%	2,000
COMPART 18	2,500	October 2018	Septiembre 2022	TIIE 28 Days + 42 pb	2,500
					$ 8,000
Interest payable					50
Total debt issuance					$ 8,050

Cebures 2017	Amount of issuance	Date of issuance	Maturity date	Interes rate	Balance
COMPART 13 $	2,000	September 2013	August 2018	TIIE 28 Days + 60 pb	$ 2,000
COMPART 14	2,000	June 2014	June 2019	TIIE 28 Days + 40 pb	2,000
COMPART 15	2,000	September 2015	August 2020	TIIE 28 Days + 50 pb	2,000
COMPART 16	500	October 2016	October 2019	TIIE 28 Days + 47 pb	500
COMPART 16-2	2,000	October 2016	October 2023	Fixed rate 7.50%	2,000
					$ 8,500
Interest payable					54
Total debt issuance					$ 8,554

Interest accrued derived from Cebures for the year ended on December 31, 2018, amounted to $648 ($699 in 2017), see note 22.

At December 31, 2018 and 2017, Cebures had the following maturity terms:

2018						
Concept	1 to 179 days	6 to12 months	More than 1 to 2 years	Over 2 years	Balance	Contractual value
Cebures	$ 1,050	500	2,000	4,500	8,050	8,000

2017						
Concept	1 to 179 days	6 to12 months	More than 1 to 2 years	Over 2 years	Balance	Contractual value
Cebures	$ 54	2,000	2,500	4,000	8,554	8,500

(14) Banking and other borrowings-

At December 31, 2018 and 2017, Gentera had contracted the following borrowings in Mexican pesos and in Peruvian soles, translated into Mexican pesos, as follows:

	2018	2017
Short term:		
Borrowings from development banks	$ 573	6
Borrowings from multiple banking institutions	1,871	1,487
Public trusts borrowings	517	32
Other institutions	890	582
Total short-term	3,851	2,107
Long-term:		
Borrowings from development banks	2,000	1,100
Borrowings from multiple banking institutions	503	-
Public trusts borrowings	5,272	3,334
Other institutions	446	1,166
Total long-term	8,221	5,600
Total banking and other borrowings	$ 12,072	7,707

For the year ended December 31, 2018, the accrued interest from banking and other borrowings amounted to $648 ($510 in 2017), see note 22.

Gentera´s received credit facilities as of December 31, 2018 and 2017, as well as the unused portion thereof, are shown below:

Institution	2018		
		Credit facility received	Unused portion*
Fideicomiso Instituido en Relación con la Agricultura (FIRA)	$	8,000	2,213
Nacional Financiera, S. N. C. (NAFIN)		4,000	1,500
BBVA Bancomer, S. A.		97	97
Banco Nacional de México, S. A.		851	701
HSBC México, S. A.		560	560
Banco Mercantil del Norte		550	400
International Finance Corporation		38	38
Banco Santander (México), S. A.		500	300
Corporación Financiera de Desarrollo S. A. (COFIDE)		2,725	2,369
FONDEMI – COFIDE		69	69
Línea puno - COFIDE	$	25	18
Banco de la Nación		89	17
Fideicomiso MIMDES – FONCODES		87	-
BBVA Banco Continental		590	47
Banco Interbank		59	31
Corporación Andina de Fomento – CAF		197	197
Banco GNB Perú, S. A.		234	29
Scotiabank Perú, S. A.		98	98
Citibank Perú, S. A.		688	41
Banco del Bajío, S. A.		500	500
Banco G&T Continental, S. A.		64	64
Caja Municipal de Ahorro y Crédito de Arequipa, S. A.		41	41
ICBC International Trade Processing center		196	10

Institution	2018	
	Credit facility received	Unused portion*
Banco Interamericano de Finanzas	196	196
Banco de Crédito del Perú, S. A.	236	9
Pettelaar Effectanbewaarbedrijf	59	-
Responsability SICAV (Lux)	218	-
Responsability SICAV (Lux) Subordinada	11	-
Micro-Small & Medium Enterprises Bonds, S. A.	354	-
Responsability Management	178	-
Credit Suisse Microf Fund Manage	42	-
	$ 21,552	9,545

Institution	2017	
	Credit facility received	Unused portion*
Fideicomiso Instituido en Relación con la Agricultura (FIRA)	$ 8,000	4,653
Nacional Financiera, S. N. C. (NAFIN)	4,000	2,900
BBVA Bancomer, S. A.	250	250
Banco Nacional de México, S. A.	560	560
HSBC México, S. A.	550	550
Banco Ve por Más, S. A.	200	200
International Finance Corporation	40	40
Banco Santander (México), S. A.	250	250
Corporación Financiera de Desarrollo S.A. (COFIDE)	2,412	2,004
FONDEMI – COFIDE	72	72
Microfinanzas puno	26	2
Banco de la Nación	364	111
FIDEICOMISO MIMDES – FONCODES	$ 73	-

Institution	2017	
	Credit facility received	Unused portion*
BBVA Banco Continental	726	174
Banco Interbank	98	56
Corporación Andina de Fomento – CAF	197	197
Banco GNB Perú, S.A.	243	-
Scotiabank Peru S.A.	98	98
Citibank Perú S.A.	764	151
Banco del Bajío, S. A.	500	500
Banco G&T Continental, S.A.	67	67
Caja Municipal de Ahorro y Crédito de Arequipa, S.A.	36	-
Banco de Crédito del Perú, S.A.	39	39
	$ 19,565	12,874

* The amount of the unused credit facilities are recognized in memorandum accounts as part of the caption "Other memorandum accounts".

At December 31, 2018, Gentera had obtained funding from NAFIN and FIRA for $2,500 and $5,787, respectively ($1,100 and $3,347 in 2017, respectively). This funding was assigned to small entrepreneurs and the amount of accrued interest for the year ended on December 31, 2018, from the loans of NAFIN and FIRA were $94 and $346, respectively ($75 and $215, in 2017, respectively).

As of December 31, 2018, borrowings accrued interest at average annual interest rates (non-audited) in Mexican pesos of 7.81% (7.22% in 2017), in Peruvian soles of 7.31% (6.58% in 2017).

Under article 106, section III of the Law of Credit Institutions, the Bank may not pledge debt securities issued or accepted by them or kept in their treasury.

(15) Employees' benefits-

Gentera has a pension plan in a mixed scheme, in which the benefit that is granted to the personnel is derived from two components: defined benefit plan and defined contribution plan. The retirement pension plan covers the permanent employees. The benefits are based on 10 years of service and 65 years of age on the integrated daily wage. The defined benefit plan is funded in its entirety by the Company, and the defined contribution plan is funded with contributions from both Gentera and the employees.

Gentera granted for one time only in 2012 a recognition bonus of $35,100 for employees who had at that date two or more years of service in Gentera, and who enrolled in the plan at the time of its establishment, for financing purposes the total amount of such bonus will be contributed annually into a trust during 10 years, provided that the employees earn with their permanence in each year the right to receive it; the first year of contribution was 2012. As of December 31, 2018, Gentera has contributed $22.

Cash flows

The contributions and benefits paid for the years ended December 31, 2018 and 2017, are as follows:

		2018	
		Contribution to the fund	Benefits paid from the fund
Termination (until October 2018)	$	-	146
Recognition bonus		2	-
Defined benefit		-	-
Total	**$**	**2**	**146**

		2017	
		Contribution to the fund	Benefits paid from the
Termination (until October 2017)	$	-	105
Recognition bonus		3	-
Defined benefit		70	-
Total	**$**	**73**	**105**

Obligations-

The components of the defined benefit cost for the years ended December 31, 2018 and 2017, are shown on the following page.

	Legal compensation		Seniority premium		Pension plan	
	2018	2017	2018	2017	2018	2017
Current Service Cost (CSC)	$ 51	23	14	10	69	55
Prior Service Labor (income) cost provided in the year	(88)	12	(11)	-	(102)	-
Net interest on defined benefit net liability (DBNL)	27	12	3	3	11	11
Reclassification of remeasurements of DBNL in	172	34	2	-	38	4
Net cost for the period	162	81	8	13	16	70

	Legal compensation		Seniority premium		Pension plan	
	2018	2017	2018	2017	2018	2017
Increase (decrease) in remeasurements of the DBNL or (DBNA) in OCI	(3)	241	-	4	122	(1)
Defined benefit cost	$ 159	322	8	17	138	69
Beginning balance of DBNL or (DBNA) remeasurements	$ 438	197	8	4	75	76
Remeasurements generated in the year	169	275	2	4	160	3
Reclassification of remeasurements recognized in OCI of the year	(172)	(34)	(2)	-	(38)	(4)
Ending balance of DBNL remeasurements	435	438	8	8	197	75
Increase (decrease) in remeasurements of the DBNL or (DBNA) in OCI	(3)	241	-	4	122	(1)
Beginning balance of DBNL	$ 388	175	46	37	140	141

	Legal compensation		Seniority premium		Pension plan	
	2018	2017	2018	2017	2018	2017
Defined benefit cost	159	322	8	17	138	69
Contributions to the plan	-	-	-	-	-	(70)
Payments charge to DBNL	(137)	(109)	(8)	(8)	-	-
Ending balance of DBNL	$ 410	388	46	46	278	140

As of December 31, 2018 and 2017, the financial situation of the obligation is as follows:

Defined benefit obligations (DBO)	$ (410)	(388)	(46)	(46)	(510)	(375)
Plan assets	-	-	-	-	232	235
Financial position of the obligation	$ (410)	(388)	(46)	(46)	(278)	(140)

During November and December, 2018 and 2017, Gentera paid termination benefits to employees for an amount of $16 and $27, respectively, reducing the labor obligations liability with respect to the one actuarially determined.

The cost, obligations and other elements of pension plans, seniority premiums and legal termination benefits other than restructuring, mentioned in note 3(p), was determined based on calculations prepared by independent actuaries at December 31, 2018 and 2017.

Main actuarial assumptions

The main actuarial assumptions used, expressed in absolute terms, as well as the discount rates, yield of the plan assets, salary increases and changes in the indexes or other variables referred, at December 31, 2018 and 2017, the same actuarial assumptions in both years, as indicated below:

Age	Death (%) Men	Death (%) Women	Disability (%)	Rotation	Retirement
20	0.00197	0.00093	0.00076	0.60606	0.000000
25	0.00230	0.00095	0.00100	0.11217	0.000000
30	0.00274	0.00099	0.00112	0.06802	0.000000
35	0.00332	0.00105	0.00129	0.04273	0.000000
40	0.00411	0.00116	0.00164	0.02734	0.000000
45	0.00517	0.00132	0.00221	0.01634	0.000000
50	0.00661	0.00158	0.00347	0.00903	0.000000
55	0.00859	0.00199	0.00712	0.00381	0.000000
60	0.01131	0.00270	0.00000	0.00000	0.510062
65	0.01512	0.00396	0.00000	0.00000	1.000000

	2018	2017
Discount rate	9.18%	7.78%
Rate of salary increases	7.00%	5.25%
Rate of increases to the minimum	4.15%	3.50%

During the years of 2018 and 2017, the amount contributed to the defined contribution pension plan was $17 and $23, respectively.

(16) Income Tax (IT) and Employee Statutory Profit Sharing (ESPS)-

(a) IT

According to the current IT Law in Mexico, the IT rate for the fiscal years of 2018 and 2017 was 30%. The ESPS rate for the fiscal years of 2018 and 2017 was 10%. The IT rate in Peru for fiscal years of 2018 and 2017 was 29.5%. The IT rate in Guatemala for fiscal years of 2018 and 2017 was 25%.

The tax result differs from the accounting result, mainly in such items that are taxable or deductible differently for accounting and tax purposes, by the recognition of the inflation effects for tax purposes, as well as such items that only affect either the accounting or tax results.

Gentera does not consolidate its subsidiaries for tax proposes, following is presented for informative purposes the expense (income) in the consolidated income statement related to current and deferred income taxes for the years ended December 31, 2018 and 2017:

	2018			2017		
	Current IT	Deferred IT in OCI	Deferred IT	Current IT	Deferred IT in OCI	Deferred IT
Bank	$ 628	-	102	657	-	106
Gentera	-	-	(71)	-	-	-
Compartamos Financiera	215	5	(52)	133	-	(64)
Compartamos Servicios	224	(27)	(48)	190	(80)	(45)
Pagos Intermex	21	-	(1)	22	-	1
Controladora AT	19	-	-	25	-	1
Red Yastás	-	-	16	-	-	1
Compartamos Guatemala	16	-	1	20	-	3
	$ 1,123	(22)	(53)	1,047	(80)	(3)

The reconciliation between the current and effective IT tax rates of the Bank for the years ended on December 31, 2018 and 2017, which provision is the main consolidated IT expense, is shown as follows:

	2018	2017
Income before IT	$ 2,781	3,148
IT at 30% rate on income before IT	$ (834)	(944)
Plus (less) the effect of IT on:		
Deductible annual inflation adjustment	102	159
Allowance for loan losses	(618)	(932)
Loan portfolio write-offs	690	1,114
Other, net	32	54
Current IT	(628)	(657)
Deferred IT	(102)	(106)
IT expense	(730)	(763)
Deferred effect from recognition of change in the allowance constitution model of the loan portfolio	-	105
	$ (730)	(658)
Effective IT rate	26%	21%

At December 31, 2018 and 2017, the main temporary differences of Gentera on which deferred IT asset (liability), are analyzed in the following page.

	2018	2017
Allowance for loan losses	$ 527	530
Furniture and equipment	44	34
Installation expenses	155	117
Employees' benefits	346	318
Provisions	62	129
Tax losses carryforward	447	434
Other	(18)	(30)
	1,563	1,532
Less:		
Valuation allowance*	260	304
Deferred IT asset, net	1,303	1,228

* As of December 31, 2018 and 2017, the valuation allowance corresponds mainly to the tax loss carryforwards from Gentera.

As of December 31, 2018 and 2017, a deferred liability relating to cumulative translation effect of subsidiaries was not recognized, given that the management intends to hold these equity investments.

For the year ended December 31, 2018, the deferred IT movement represented a credit to income of the year of $53 and a debit of $22 to stockholders' equity (a credit of $3 in results of the year, a credit of $80 to "OCI"and a credit of $105 to "Prior years' results", mainly due to the change in the allowance for loan losses, in 2017).

As of December 31, 2018 and 2017, deferred tax asset derived from ESPS amounted to $132 and $106, respectively, which is fully reserved.

The combined amounts of Capital Contributions Account (Cuenta de Capital de Aportación - CUCA -Spanish abbreviation) and the net tax profit account (Cuenta de Utilidad Fiscal Neta - CUFIN -Spanish abbreviation) of Gentera and subsidiaries as of December 31, 2018 and 2017, amounts to $8,297 and $22,174, and $1,753 and $21,476, respectively.

(b) ESPS-

For the years ended on December 31, 2018 and 2017, determinated ESPS amounts to $98 and $68, respectively, which was recognized under the "Administrative and promotional expenses" caption in the consolidated statement of income.

As of December 31, 2018 and 2017, the ESPS payable from previous years amounts to $6 and $3, respectively.

(17) Sundry creditors and other accounts payable-

At December 31, 2018 and 2017, the balance of this caption is comprised as follows:

	2018	2017
Capitalized lease liabilities (note 10)	$ 29	18
Social security contributions	162	148
Other taxes	316	336
Labor liabilities (note 15) (1)	803	600
Sundry provisions (2)	922	931
Sundry creditors	953	712
	$ 3,185	2,745

(1) Includes $30 and $46, at December 31, 2018 and 2017, respectively, of labor liability mainly from the subsidiaries abroad.

(2) In December 2017, Gentera management announced that during the first quarter of 2018, there would be a restructuring of personnel, for which a provision for $140 was recorded in the consolidated results for the year.

Following is the analysis of the most significant provisions for the years ended December 31, 2018 and 2017:

Type of provision	Balance at January 1, 2018	Plus increases	Less aplications	Less cancelations	Balance at December 31, 2018
Short term:					
Sundry provisions	$ 931	1,619	1,379	249	922

Type of provision		Balance at January 1, 2017	Plus increases	Less aplications	Less cancelations	Balance at December 31, 2017
Short term: Sundry provisions	$	811	2,973	2,808	45	931

Provisions represent present obligations for past events where it is more likely than not, there will be outflow of economic resources in the short-term.

In the following page are presented the main provision concepts at December 31, 2018 and 2017.

		2018	2017
Employees bonuses	$	236	372
Advisory and services		114	126
Legal provisions (1)		28	176
Commissions		7	6
Other provisions		537	251
	$	922	931

(1) In 2017, legal provision includes $165 of ESPS from trial against the Bank, promoted by the SAT. This provision was canceled in 2018, due to the fact that the distribution of profits was inadmissible pursuant to section I of article 127 of the Federal Labor Law (see note 22).

(18) Institute for the protection of bank saving (IPAB-Spanish abbreviation)-

The System for the Protection of Bank Savings, in effect since 2005, comprises, among other changes, the protection of deposits from the general public amounting to the equivalent of 400,000 UDI (approximately $2.5 and $2.4 at December 31, 2018 and 2017, respectively), excluding interbank deposits and those payable to its stockholders and upper bank management, among others

Fees paid to the IPAB during the years ended December 31, 2018 and 2017, amounted to $57 and $54, respectively, which were charged directly to the consolidated results of the year within the caption of “Administrative and promotional expenses”.

(19) Stockholders' equity-

(a) Structure of capital stock and movements of stockholders' equity-

Gentera was incorporated with a minimum fixed capital of fifty thousand Mexican pesos and unlimited variable capital.

2018 movements-

At the general ordinary stockholder meeting held on April 20, 2018, the stockholders resolved to declare and pay dividends of $1,084, payable in two installments by wire transfer; the first payment was made on June 28, 2018 corresponding to $0.34 pesos per share; the second payment was made no later than November 29, 2018 corresponding to $0.34 pesos per share and both were settled through S. D. Indeval, S. A. de C. V. (Institución para el Depósito de Valores).

At the same meeting, it was resolved to increase the legal reserve for $145, the restoration of the fund for the acquisition of own shares for $80, increase the fund for the acquisition of own shares for $700, and cancel 2,459,999 nominative ordinary shares without nominal value expression , without reducing capital stock.

2017 movements-

At the general ordinary stockholder meeting held on April 20, 2017, the stockholders resolved to declare and pay dividends of $1,251, payable in two installments by wire transfer; the first payment was made on July 3, 2017 corresponding to $0.39 pesos per share; the second payment was made no later than December 1, 2017 corresponding to $0.38 pesos per share and both were settled through S. D. Indeval, S. A. de C. V. (Institución para el Depósito de Valores).

At the same meeting, the stockholders resolved to increase the statutory reserve for $170, reestablishing the fund for the acquisition of own shares for $80, to cancel 4'886,816 common registered shares with no par value, without reducing capital stock and to cancel 46,008 common registered shares without par value, single series corresponding to the variable portion of capital, which were held in treasury without reducing capital stock.

Gentera's subscribed and paid capital at December 31, 2018 and 2017, is comprised as follows:

2018				
Series	Shares	Description		Amount
"Unique"	415,595,676	Minimum fixed capital with no withdrawal rights	$	1,201
	1,208,955,739	Variable capital		3,563
	1,624,551,415	Capital stock	$	4,764

2017				
Series	Shares	Description		Amount
"Unique"	415,595,676	Minimum fixed capital with no withdrawal rights	$	1,201
	1,211,415,738	Variable capital		3,563
	1,627,011,414	Capital stock	$	4,764

(b) Restrictions on stockholders' equity-

The General Corporations Law requires the Company to separate annually 5% of their profits to constitute the statutory reserve until it reaches 20% of the capital stock.

Dividends paid are not subject to IT if they are paid from the net tax profit account (CUFIN -Spanish abbreviation). Any dividends paid in excess of this account will cause IT. The current tax will be payable by Gentera and may be credited against its IT in the same year or the following two years.

Dividends paid to individuals and residents abroad shall be subject to an additional tax of 10% with a definitive character, which shall be retained by the entities to distribute the dividends. The new rule applies only to the distribution of profits that are generated from January 1st 2014.

In the event of a capital reduction, the provisions of the IT Law state any excess of stockholders' equity over capital contributions, to be accounted with the same tax treatment as dividends.

(c) Capitalization requirements (unaudited)-

The Ministry of Finance and Public Credit (SHCP-Spanish acronym) requires banks in Mexico to have a percentage of capitalization on assets at risk, which are calculated by applying certain percentages depending on assigned risk. As of December 31, 2018 and 2017, the Bank had complied with the percentage.

Minimum capital stock-

The Bank's subscribed and paid-in minimum capital is equivalent, in Mexican pesos, to the value of ninety million UDIs. The minimum capital stock required for the Bank to operate must be subscribed and paid-in. When the capital stock exceeds the minimum, at least 50% must be paid-in, provided this percentage is not below the established minimum.

In order to comply with minimum capital requirements, the Bank can consider the net capital held, as per the provisions of article 50 of the Law of Credit Institutions. At no time net capital can be less than minimum capital.

Capitalization-

Net capital-

The Bank maintains a net capital related to the market, credit and operating risk to which it is exposed, and which is not lower than the sum of the capital requirements for the aforementioned risks, in terms of the Capitalization Requirement Rules for Multiple Banking Institutions issued by the SHCP.

At December 31, 2018 and 2017, the Bank is in compliance with the capitalization rules, which require the Bank to maintain a certain net capital in relation to market and credit risks incurred in its operations, which may not be lower than the total amount from adding up capital requirements for both types of risk.

Capitalization index of the Bank-

Capitalization rules for financial institutions establish requirements for specific levels of net capital, such as a percentage of assets subject to market, credit or operational risk. The Bank's capitalization Index (ICAP by its acronym in Spanish) as of December 31, 2018 and 2017 was 30.98% and 36.85%, respectively.

The ICAP on assets subject to credit risk ("ASRC" by its acronym in Spanish) as of December 31, 2018 and 2017, is 38.94% and 43.33%, respectively.

Following are the most relevant items of the ICAP at December 31, 2018 and 2017:

		2018	2017
Assets in market risk	$	4,801	2,538
Assets in credit risk		24,498	22,702
Assets in operational risk		1,511	1,449
Total risk assets	$	30,810	26,689
Net capital	$	9,563	9,836
Ratio on assets subject to credit risk		39.04%	43.33%
Ratio on assets subject to total risk		31.04%	36.85%

The Bank's net capital requirement derived from its exposure to credit risk must be at a minimum ICAP of 10.5%, which is the result of multiplying the weighted assets for which the standard method was used.

The net capital is determined as follows:

		December 31, 2018	2017
Stockholders' equity1	$	10,808	11,210
Deduction of intangibles and deferred expenses or costs		(1,245)	(1,374)
Basic capital		9,563	9,836
Complementary capital		-	-
Net capital	$	9,563	9,836

According to Article 220 of the Dispositions applicable to Credit Institutions, issued in the Official Gazette on December 2, 2005 and subsequent amendments, the Bank has as of December 31, 2018 a Fundamental Capital Ratio (CCF by its acronym in Spanish) higher than 0.7 plus the sum of the Systemic Countercyclical Supplement Capital (SCCS by its acronym in Spanish) and the Countercyclical Supplement Capital Ratio (SCCI by its acronym in Spanish), a Ratio of Basic Capital higher than 0.085 for the years of 2018 and 2017, plus the sum of SCCS and SCCI and an ICAP higher than 10.5%, for both years, plus the sum of SCCS and SCCI. Therefore the Bank is classified in the "I" category in accordance with the aforementioned provisions in both years.

(1) As of December 31, 2018 and 2017, the computation only considers the following capital accounts: i) capital stock, ii)statutory reserves, iii) prior years' results, iv) net income, v) valuation of available-for-sale securities and vi) remeasurements for employees defined benefit . All this in accordance with the modification of Article 2 Bis, Section I, subsection a) of the General Provisions applicable to Credit Institutions, issued in the Official Gazette on November 28, 2012.

The Ratio of Basic Capital 1 and the Ratio of Basic Capital, is determined as follows:

RBC1 = (Basic Capital 1 / Weighted Assets subject to Total Risks) / ICAPM

RBC = [(Basic Capital 1 + Basic Capital 2) / Weighted Assets subject to Total Risks] - / $ICAP_M$

$ICAP_M$ = Ratio of minimum capitalization.

Multiple banking institutions will be notified by the Commission of their rating with respect to their categories, as well as the applicable minimum corrective measures and/or special additional measures.

Special additional corrective measures could be applied by the Commission in addition to minimum corrective measures, which, depending on the category, could include the requirement to issue more detailed reports to the Board of Directors of those institutions and the Commission, and hiring special auditors to deal with specific questions with external auditors authorized by the Commission, to the replacement of officers, directors, statutory auditors, the modification of interest rate policies and the withdrawal of the Bank's operating authorization.

Market risk-

The capital required for the position of assets at market risk of the Bank as of December 31, 2018 and 2017 is as follows:

	Amount of the equivalent positions		Capital requirement	
Item	2018	2017	2018	2017
Operations at nominal rate in local	$ 4,363.85	2,245.7	349.10	179.66
Operations at nominal rate in foreign currency	0.36	0.24	0.03	0.02
Shares and on shares positions	-	-	-	-
Positions in foreign currency or with return indexed to exchange rates	436.82	292.14	34.95	23.37
	$ 4,801.03	2,538.08	384.08	203.05

Credit risk –

The amount corresponding to weighted assets subject to credit risk and their respective capital requirements of the Bank as of December 31, 2018 and 2017 is shown below per risk group and item:

	Risk weighted assets		Capital requierement	
	2018	**2017**	**2018**	**2017**
Risk group:				
Group III (weighted at 20%)	$ 198.873	141.28	15.9099	11.303
Group III (weighted at 100%)	0.003	0.51	0.0003	0.041
Group VI (weighted at 100%)	21,649.944	20,287.52	1,732.9956	1,623.002
Group VII_A (weighted at 20%)	48.905	0.04	3.9124	0.003
Group VIII (weighted at 115%)	145.546	114.00	11.6437	9.120
For transactions with related persons:				
Group III (weighted at 115%)	574.219	-	45.9375	-
Of issuers of debt securities in position:				
Group III (weighted at 20%)	60.000	-	4.8000	-

	Amount of the equivalent positions		Capital requirement	
Item	**2018**	**2017**	**2018**	**2017**
Permanent investments and other assets:				
Group III (weighted at 20%)	0.704	0.40	0.0564	0.032
Group IV (weighted at 20%)	0.312	0.48	0.0249	0.039
Group VII_A (weighted at 100%)	603.200	605.63	48.2560	48.450
Group IX (weighted at 100%)	1,214.038	1,549.04	97.1230	123.923
Group X (weighted at 1250%)	2.581	2.58	0.2065	0.206
Group X (weighted at 1250%)	$ 24,498.325	22,701.48	1,960.8662	1,816.119

Operational risk-

The capital requirement due to the exposure to the Bank's operational risk for December 2018 is $120.9, while for 2017 it was $115.9. In July 2017, the Commission granted the Bank, through official document 142-5/2749/2017, authorization to use the alternative standard method for calculating the capital requirement for operational risk.

Capital requirements are calculated periodically and the sufficiency of the capital is evaluated. At December 31, 2018 and 2017, the Bank has maintained a capitalization index of 30.98% and 36.85%, respectively, higher than the current regulatory limit (10.5%).

Leverage index-

The rule for calculating the leverage index, as of December 31, 2018 and 2017 this index considers the follows:

	2018	2017
Basic capital	$ 9,563	9,836
Accounting assets	30,764	27,411
Deductions	1,242	1,373
Derivatives	-	-
Repurchase/resell agreements and loan of securities	-	-
Memo accounts – credit commitments	350	850
Leverage index	32%	37%

(d) Bank´s agencies credit rating-

As of December 31, 2018 and 2017 the Bank obtained the following agencies credit rating in both years:

Agency	Domestic ranking	Global ranking
Fitch Ratings(1)	'AA+(mex) / F1+(mex)'	BBB / F2
Standard&Poor´s (2)	'mxAAA / mxA-1+'	BBB / A-2

(1) Ratified rating on April 26, 2018.
(2) Ratified rating on May 29, 2018.

Liquidity coverage ratio-

2018	Unweighted amount (average)	Weighted amount (average)
Computable Liquid assets		
Total Computable Liquid Assets	$ N/A*	$ 2,544
Cash outflows		
Non-guaranteed retail financing	1,192	74
Stable financing	898	45
Less stable financing	294	29
Non-guaranteed wholesale financing	812	553
Operational deposits	-	-
Non-operational deposits	812	553
Unsecured debt	-	-
Guaranteed wholesale financing	N/A*	-
Additional requirements:	303	15
Outflows related to derivative financial instruments and other guarantee requirements	-	-
Outflows related to debt instrument financing losses	-	-
Lines of credit and liquidity	303	15
Other contractual financing obligations	130	130
Other contingent financing obligations	-	-
Total cash outflows	N/A*	773
Cash inflows		
Cash inflows from guaranteed transactions	-	-
Cash inflows from non-guaranteed transactions	9,824	6,124
Other cash inflows	-	-
Total cash inflows	9,824	6,124
Total computable liquid assets	N/A*	2,544
Total net cash outflows	N/A*	193
Liquidity coverage ratio	N/A*	1,765%

* N/A = Not applicable, since the values subject to division are zero.

2017	Unweighted amount (average)	Weighted amount (average)
Computable Liquid assets		
Total Computable Liquid Assets	$ N/A*	1,944
Cash outflows		
Non-guaranteed retail financing	$ 866	49
Stable financing	761	38
Less stable financing	106	11
Non-guaranteed wholesale financing	596	268
Operational deposits	-	-
Non-operational deposits	596	268
Unsecured debt	-	-
Guaranteed wholesale financing	N/A*	-
Additional requirements:	850	43
Outflows related to derivative financial instruments and other guarantee requirements	-	-

2017	Importe sin ponderar (promedio)	Importe ponderado (promedio)
Outflows related to debt instrument financing losses	-	-
Lines of credit and liquidity	850	43
Other contractual financing obligations	146	146
Other contingent financing obligations	-	-
Total cash outflows	N/A*	505
Cash inflows		
Cash inflows from guaranteed transactions	-	-
Cash inflows from non-guaranteed transactions	$7,790	4,288
Other cash inflows	-	-
Total cash inflows	$7,790	4,288
Total computable liquid assets	N/A*	1,944
Total net cash outflows	N/A*	126
Liquidity coverage ratio	N/A*	1,604.88%

* N/A = Not applicable, since the values subject to division are zero.

The Liquidity Coverage Coefficient is calculated monthly, which is a regulatory requirement and determines the coverage provided by the Available Liquid Assets to cover the Net Cash Outflows in the next 30 days, the support system to perform the calculation of this indicator is the Compartamos Risk Management System (Sistema de Administración de Riesgos Compartamos (SARC)). The average presented considers the information, corresponding to the period from October 1 to December 31, 2018 and 2017.

During the 2018 and 2017 quarter there was no departure from the daily Liquidity Coverage Ratio, and the corresponding scenario according to the Liquidity Provisions was Scenario I.

(20) Commitments and contingent liabilities–

Compartamos Servicios entered into a lease agreement of a building for the exclusive use of corporate offices in Mexico, the amount of the rent is in dollars and it was translated into Mexican pesos as of April 1, 2013, date when conditions are met to occupy the building.

The term of the agreement is for a period of 126 months, starting on October 1, 2012, and ending on March 31, 2023, paying a total of 44,889,935 dollars at an exchange rate of $12.62 Mexican pesos per dollar, during the aforementioned period. For the payment of the rent Gentera has a grace period of six months to condition the property for its use beginning on October 1, 2012. On October 29, 2018, Compartamos Servicios celebrated a contract modification with the lessor in which it undertakes to return floors 19, 20 and 21, as well as 113 parking spaces as of May 1, 2019.

Between 2018 and 2017, the use of 5 more floors in addition to those already contracted to be used for operations, was added to the contract, thus the expense for this concept during the years ended December 31, 2018 and 2017 was $138 and $127, respectively.

Gentera has entered into a number of lease agreements for its head office and service offices from which it performs its transactions. The average terms of these agreements range from two to five years. Rent payments to be made over the next five years amount to $3,890 ($643 in 2019, $707 in 2020, $774 in 2021, $844 in 2022 and $922 in 2023).

The majority of the lease agreements for the service offices are based on Gentera's templates, containing the following clauses: purpose, intent, duration, rent, guarantee deposit, form of payment, expense, additional obligations, rescission, returning of the building, maintenance and leasehold improvements, privation, non-compliance, contractual penalty, modifications, notices and notifications, assignment, absence of flaws and jurisdiction.

Most of the agreements establish the option of early termination for Gentera, prior notification to the lessor in writing.

For the most part, contract renewals require that the lessor respect the preemptive right established in the legislation, as well as signature of a new lease agreement in the same terms and conditions set forth in the expiring agreement. The lessor is to grant Gentera 60 days prior to expiration of the agreement to conduct the renewal.

Gentera will enjoy a term of 10 business days as from the first working date after the lesser delivers the agreement, in order for the former to decide whether or not to sign the agreement.

Gentera does not sign lease agreements with an option to buy.

All of the lease agreements are guaranteed with cash deposits, which are the equivalent to 1 or 2 months' rent, as the case may be. Under no circumstances does Gentera offer additional guarantees.

Rent agreements are paid on a monthly basis and are updated annually and increases are determined based on the National Consumer Price Index published by Central Bank the previous month prior to signing the agreement supporting said increase.

In most cases, the annual increase is capped to 10% of the rent price paid the prior year, in the event of macroeconomic contingencies, this percentage will be increased.

Rent increases must be supported through an amending agreement, to be signed 30 days prior to the date on which the rent is to be increased.

Gentera's lease agreements do not consider caps on dividend payments and debt contracting.

For the years ended on December 31, 2018 and 2017, lease payments were recorded in the consolidated income statement for $848 and $800, respectively.

As of December 31, 2108, the Bank is involved in several claims and trials, derived from the normal course of its operations, according to the opinion of its legal counsels and the assessment made by management, there are elements of defense in which exists a probability to obtain a favorable outcome. As part of those claims, up to date stands out the nullity trials and claims brought by the Mexican Internal Revenue Service (SAT-Spanish acronym) for fiscal years 2006, 2010 and 2011, whose claim comes mainly from the difference in the criteria applied up to 2011 for determining the ESPS; the amounts observed by the SAT, regarding to ESPS are $74, $200, and $215 for the same years, respectively. In addition, the Bank have other claims filed by the SAT related to fiscal years 2006, 2007 and 2011, whose complaint comes from other concepts related to differences in deductibility criteria applied to the IT, which amount to $19, $3 and $65 (thousands of Mexican pesos), respectively.

Compartamos Servicios is involved in several claims and labor trials, derived from the demands of ex-employees, whose effects are not expected to have material effect.

(21) Balances and operations with related parties-

During the normal course of operations, Gentera conducted transactions with related parties.

Related parties are defined as either individuals or entities holding direct or indirect control of 2% or more of the shares representing Gentera's capital and the members of the Board of Directors.

Also considered as related parties are entities, as well as the advisors and officers thereof, in which Gentera has direct or indirect control over 10% or more of their shares.

The total sum of operations with related parties did not exceed 50% of the basic portion of the Bank's net capital, as set out in article 50 of the Law of Credit Institutions.

For the years ended on December 31, 2018 and 2017, Gentera granted to key management personnel, short term direct benefits for $304 and $248, respectively.

The main transactions celebrated with related parties for the years ended on December 31, 2018 and 2017, are as follows:

	2018	2017
Donations expenses	$ -	23
Interest income from associated companies	43	36
Cost on associated shares sale (note 3i)	-	(269)

The main balances with related parties for the years ended December 31, 2018 and 2017, are shown below:

	2018	2017
Accounts receivable		
Aflore	$ 30	-
Comfu	12	-
Fin Útil	527	-
C4 uno	17	-
Total	586	_

(22) Additional segments information-

Gentera has consumer, commercial and mortgage loans, thus its source of income is derived from interest of the loan products offered, in addition to the products of treasury operations, such as interest from investments in securities and repurchase/resell agreements. Liability transactions include demand and time deposits, debt securities issued and bank and other loans, from which interest expenses arise.

Out of the total income earned by the Bank (main subsidiary) for the years ended December 31, 2018 and 2017, 93% and 95% came from its loan operation. Consequently, the resources of deposit funding and bank and other loans obtained during the year were primarily used for the placement of loans, therefore the accrued interest are identified by the credit segment, same trend is reflected in administrative expenses. The remaining operations are the treasury segment and commissions from insurance operations.

Financial margin

For the years ended on December 31, 2018 and 2017, the financial margin is shown below:

		2018	2017
Interest income:			
Loan portfolio interest	$	20,700	20,671
Interest on cash and cash equivalents		265	209
Interest arising from investments in securities		22	9
	$	20,987	20,889

		2018	2017
Interest expense:			
Demand and time deposits	$	355	220
Certificates of deposit		22	45
Cebures (includes amortization of issuance expenses of $18 and $19 in 2018 and 2017, respectively)		666	718
Corporate bonds (includes the amortization of the expenses for issuance of $1)		11	-
Banking and other borrowings		648	510
Result from the valuation of funds		9	24
	$	1,711	1,517

Interests and commissions per type of loan

Los intereses y comisiones ganados por tipo de crédito, por los años terminados el 31 de diciembre de 2018 y 2017 se integran como se muestra a continuación:

		2018		2017	
		Current	Past-due	Current	Past-due
Interest income					
Commercial loans:					
Business and commercial	$	376	1	361	1
Consumer loans		20,312	10	20,298	7
Residencial mortgages	$	1	-	4	-
	$	20,689	11	20,663	8

For the years ended on December 31, 2018 and 2017, income and expense for commissions and fees, are comprised as follows:

		2018	2017
Commissions and fees income:			
Consumer loans	$	355	464
Insurance operations		582	650
Correspondent		62	50
Other		358	248
		1,357	1,412

		2018	2017
Commissions and fees expense:			
Bank fees	$	135	171
Brokers		203	170
Insurance operations		81	56
Borrowings received		3	8
Other		-	8
	$	422	413

For the years ended on December 31, 2018 and 2017, "Other operating income (expenses), net", is analyzed as follows:

		2018	2017
Other operating income (expenses), net:			
Loan portfolio recoveries	$	78	60
Cancelation of excess amounts of allowance for loan losses		2	13
Allowance for bad debts (includes the net loss on Sales of shares of $58 (see note 11)		(118)	(166)
Miscellaneous losses		(24)	(19)
Donations		(13)	(52)
Results on sales of furniture and equipment		(27)	(13)
Capitalized leases		(3)	(1)
Cancellation of provisions(1)		234	39
Other income (mainly insurance premium)		131	73
Total	**$**	**260**	**(66)**

1) For the year ended December 31, 2018, includes provision cancellation for $165, see note 17.

Following is a condensed consolidated income statement (including intercompany balances eliminations) of Gentera and subsidiaries for the years ended on December 31, 2018 and 2017:

2018		Subsidiaries							
	Gentera	Bank	Compartamos Guatemala	Financiera Compartamos	Red Yastás	Compartamos Servicios	Compartamos AT	Intermex	Total
Interest income	$ 18	16,704	574	3,633	13	31	9	5	20,987
Interest expense	(11)	(1,168)	-	(532)	-	-	-	-	(1,711)
Financial margin	7	15,536	574	3,101	13	31	9	5	19,276
Financial margin adjusted for credit risk	7	13,478	500	2,521	13	31	9	5	16,564
Operating income before income tax	(3)	11,309	71	632	(49)	(8,200)	102	130	3,992
Net income	**135**	**10,579**	**54**	**469**	**(65)**	**(8,376)**	**84**	**110**	**2,990**

2017		Subsidiaries							
	Gentera	Bank	Compartamos Guatemala	Financiera Compartamos	Red Yastás	Compartamos Servicios	Compartamos AT	Intermex	Total
Interest income	$ 8	17,521	518	2,807	8	16	7	4	20,889
Interest expense	-	(1,055)	-	(462)	-	-	-	-	(1,517)
Financial margin	8	16,466	518	2,345	8	16	7	4	19,372
Financial margin adjusted for credit risk	8	13,359	454	1,876	8	16	7	4	15,732
Operating income before income tax	(20)	11,181	69	284	(83)	(7,681)	126	136	4,012
Net income	(50)	10,418	51	215	(84)	(7,826)	100	113	2,937

(23) Comprehensive risk management (CRM) from the Bank, main subsidiary (unaudited)-

The Bank recognizes that the essence of its business is to assume risks in seeking potential financial and social returns. Consequently, CRM is a core component of the business' strategy for identifying, measuring, overseeing and controlling the different types of risks faced during the normal course of operations.

The Bank's CRM is considered to be an on-going process involving all levels of management. The structure for the Bank's CRM is based on the following guidelines:

a. Commitment by Top Management and the Board of Directors to properly manage risks encountered.
b. Ongoing supervision of CRM policies and procedures.
c. Clear segregation of duties to ensure independence and objectivity in risk management.
d. Formal cooperation between the CRM structure and the business units.
e. Clear determination of responsibilities pertaining to CRM.
f. On-going supervision of the Internal Control and Audit area, to ensure proper compliance with CRM duties.

The Board of Directors has set up a Risk Committee to ensure that operations are conducted in line with the objectives, policies and procedures for CRM, as well as with the exposure limits approved by said committee. This committee meets at least once a month and works in accordance with the guidelines set out in the General dispositions applicable to credit institutions.

The Risk Committee is aided by the Comprehensive Risk Management Unit (CRMU) for identification, measurement, oversight and disclosure of risks as per the General Provisions Applicable to Credit Institutions in effect and applicable best practices.

CRMU is mainly based on the determination of a structure of global and specific limits, and on applying of risk methodology authorized by the Board of Directors.

Credit risk-

Credit risk management considers: identification, quantification, establishing of limits, risk policies and risk monitoring, potential losses due to borrower or counterparty default in operations with financial instruments.

The Bank's loan portfolio at December 31, 2018 and 2017 is made up in 97.9% and 100%, respectively, of loans made to individuals for a specific purpose (consumer portfolio) and 2.1% with related parties in Mexican pesos. The consumer portfolio is sufficiently diversified to represent no concentration risk and there is a scarce value of individual positions. In accordance with the criteria set forth in paragraph 70 of "International convergence of capital measurements and capital standards" Basel II, the Bank's loan portfolio can be classified as retail portfolio.

As of December 31, 2018 and 2017, the portfolio is comprised for 2.8 and 2.9 million loans, respectively, as well the average outstanding balance in this dates has remained at approximately $8,016 and $7,654 Mexican pesos, respectively at an average term of five and four months, respectively.

The maximum authorized amount for a loan is $200,000 Mexican pesos in both years, as a result of which, the maximum financing limits established in the provisions for one individual or group of individuals representing a common risk were complied with no exceptions. In addition, no operations were conducted with customers considered an individual or group of individuals who, comprising one or more liabilty operations payable by the Bank, exceeded 100% of the basic capital.

Analyses of quality of the loan portfolio and credit risk rating thereof are conducted at least monthly. Loans are rated as per the methodology mentioned in note 3(f).

Rating-based distribution of the loan portfolio, that could be interpreted as the risk profile of the Bank's loan portfolio, shows its greatest concentration in rating A-1, current loan portfolio.

For comparative and sensitivity purposes, following is a table which considers the modification of the Article 129 of the Provisions.

Consumer loans

	Distribution of the loan portfolio by rating (data in percentages to the total loan portfolio)			
	2018		2017	
Rating	Balance	Average	Balance	Average
"A-1"	67.2	66.9	64.2	75.1
"A-2"	4.0	4.1	3.8	2.6
"B-1"	1.1	1.1	0.8	1.4
"B-2"	7.7	7.8	8.1	6.1
"B-3"	2.1	2.1	2.6	1.8
"C-1"	7.4	7.8	7.8	5.4
"C-2"	4.0	4.0	4.7	3.3
"D"	2.2	1.9	2.0	1.3
"E"	4.3	4.3	6.0	3.0
Total	100.0	100.0	100.0	100.0

Probability of default and loss given default weighted for exposure

	2018	2017	Variation (%)
Total exposure	$ 23,127	21,908	5.6
Probability of default (exposure weighted) (%)	7.7	9.2	-16.3
Loss given default(ponderado (exposure weighted) (%)	76.4	76.2	0.3

The measurement methodology used to calculate the unexpected losses from the portfolio credit risk is an approximation of said loss through a Gamma distribution with parameters associated to the regulator model plus a calibration factor.

The expected loss is calculated, multiplying the exposure of the operation by the pobability of default by the borrower, using the aforementioned rating model for assigning of probability of default, mentioned above.

Commercial loan portfolio

Concept	Credit risk 2018 Balance	Credit risk 2018 Average	Credit risk 2017 Balance	
Commercial loan portfolio:				
Total exposure	$ 500.2	500.2	-	-
Expected loss	-	-	-	-
Unexpected loss at 95%	-	-	-	-
Expected loss/total exposure	N/A*	N/A*	N/A*	N/A*
Unexpected loss/total exposure	N/A*	N/A*	N/A*	N/A*

At December 31, 2018 and 2017, the quantitative information for the credit risk of the consumer loan portfolio, is as following page.

* N/A = It is not applicable, because the values subject to division are zero.

Concept	Credit risk Balance 2018	Credit risk Average 2018	Credit risk Balance 2017	Credit risk Average 2017
Consumer loan portfolio:				
Total exposure	$ 23,127	22,767	21,908	23,350
Expected loss	2,650	2,553	2,989	3,562
Unexpected loss at 95%	2,654	2,557	2,991	3,810
Expected loss/total exposure	11.5%	11.2%	13.6%	15.3%
Unexpected loss/total exposure	11.5%	11.2%	13.7%	16.3%

The expected loss pertaining to the loan portfolio under consideration as of December 31, 2018 represents 11.5% of the overall balance exposed to default. The Bank has set up loan loss reserves totaling $1,351, equivalent to 5.7% of the balance of the overall portfolio. As of December 31, 2017, the expected loss was of 13.6% and the allowance amounted to $1,521; 6.9% with respect to the balance of the overall portfolio at such date. The loan portfolio is rated in accordance with the rules for rating the loan portfolio issued by the SHCP and the methodology established by the Commission. The Bank only sets up allowance for loan losses in addition to those created as a result of the portfolio rating process, in compliance with Title Two, Chapter I, Section Four of Article 39 of the General Provisions Applicable to Credit Institutions. As of December 31, 2017, additional reserves had been constituted by instruction of the Commission for $269,929 pesos, which are maintained as of December 31, 2018.

Expected and unexpected losses are calculated on a monthly basis under different scenarios (sensitivity analyses), including stress scenarios. The results of the analysis are presented to the areas involved in portfolio risk management, to the Chief Executive Officer's Office and to the Risk Committee.

At December 31, 2018, interest income from loan operations amounted to $16,583, representing 99% of the Bank's total interest income, compared to the same item at December 31, 2017, the variation in income, in percentage terms is -4.7%.

Income from loan operations

		2018	2017	Variation (%)
Loan interest income	$	16,583	17,400	-4.7%
Total interest income		16,744	17,521	-4.4%
Income from loan operations (%)		99.0	99.3	

With respect to credit risk management for operations with financial instruments or counterparty risk, the credit risk exposure in operations with financial instruments, and the expected and unexpected loss thereof, are calculated on a monthly basis. As of December 31, 2018, the position in financial instruments subject to counterparty risk totals $300; 100% in direct commercial banking (Certificates of Deposits in the money market). The expected loss pertaining to counterparty risk is 0.01% of the overall exposure. In comparison, as of December 31, 2017, the Bank's position in financial instruments subject to counterparty risk totaled $585; 100% in call money operations with an expected loss from counterparty risk of 0.83%, with respect to the overall exposure.

The methodology for managing credit risk in financial operations consists of an economic capital type model which generates an allocation of capital that must be available to cover the losses.

Probability of default: This information is obtained from the next sources: 1) Standard & Poors, rating granted to financial institutions based on their rating scale known as CAVAL over the long term; 2) Moody's, as with S&P, according to the rating granted over the long-term;

3) Fitch, is the third source for learning the rating granted by this agency, 4) HR Ratings and VERUM (these authorized rating agencies, according to the Appendix 1-B of the General Provisions for Banks), and 5) in the event the Bank has no rating from any of the three agencies, an average rating is assigned according to its group. The above grouping refers to the group to which it pertains in the market (P8, AAA, P12, other). In the event of rating differences, the lowest rating is used.

Following is the exposure to counterparty risk for purchase/sale of securities and interbank loans as of December 31, 2018 and 2017, as well as the maximum exposure to such risk during these years.

	Exposure to counterparty risk at December 31, 2018		
	Amount at year-end	Maximum exposure	Concentration at year-end (%)
Total position	$ 300.03	0.02	100%
Purchase/sale of securities			
Rating AAA	-	-	-
Rating AA	-	-	-
Rating A	-	-	-
Call Money	$ 300.03	0.02	100%

* The authorized counterparty risk limit is 8% of the product related to the ASRC of the Bank's latest known net capital. The ASRC product x ICAP of the period was $609.

	Exposure to counterparty risk at December 31, 2017		
	Amount at year-end	Maximum exposure	Concentration at year-end (%)
Total position	$ 585	4.8	100%
Purchase/sale of securities	-	-	-
Rating AAA	-	-	-
Rating AA	-	-	-
Rating A	-	-	-
Call Money	$ 585	4.8	100%

* The authorized counterparty risk limit is 8% of the product related to the ASRC of the Bank's latest known net capital. The ASRC product x ICAP of the period was $669.

Due to the nature of its business, it is the Bank's policy not to conduct brokerage operations or to act as issuer of derivative products.

Market risk-

Market risk management considers, at least, identification, quantification and establishing of limits and monitoring of risks arising from changes in the risk factors affecting the valuation or expected results of asset or liability operations or those giving rise to contingent liabilities.

The portfolio of financial instruments subject to market risk in the Bank is comprised solely of certificates of deposit transactions in the money market in 2018 and call money in 2017. As a result, the main risk factors that could affect the value of the investment portfolio are interest rates, spreads, and the prices of other financial instruments. It should be mentioned that the Bank's treasury operation is limited to investment of cash surpluses from the credit operation.

The process for risk measurement of risk assumed by the Bank to manage this type of risk is the Value at Risk (VaR), which is calculated on a daily basis. VaR is an estimation of the potential loss in value of a determined period of time given the level of confidence. The method used by the Bank is the historical simulation method.

Parameters used in calculating the VaR.

- Method: Historical simulation
- Confidence level: 99%
- Investment horizon: one day
- Number of observations: 252 days
- Weighting of scenarios: Equally probable

Following is the quantitative information for market risk as of December 31, 2018.

Value at Risk, 1 day (VaR) on December 31, 2018					
Portfolio		Market value	VaR at 99%	% Position	Us of limit (%)[1]
Total position	$	591.23	$ 3.96	0.67	52.76
Money[2]		300.03	0.03	0.01	0.41
Purchase of securities		-	-	-	-
Call Money		-	-	-	-
Derivatives[3]		-	-	-	-
Foreign currencies		291.20	3.95	1.36	52.66
Equity		-	-	-	-

1. At December 31, 2017 the authorized risk limit is calculated based on the maximum exposure, with an exposure of $591.23 corresponds a limit of $7.5.
2. The positions subject to market risk referred to are certificates of deposits in the money market.
3. There are no derivative operations for trade or hedge purposes.

Following is the quantitative information for market risk as of December 31, 2017.

Value at Risk, 1 day (VaR) on December 31, 2017					
Portfolio		Market value	VaR at 99%	% Position	Us of límit (%)[1]
Total position	$	585.51	2.93	0.50%	29.33%
Money[2]					
Purchase of securities		-	-	-	-
Call Money		584.79	2.93	0.50%	29.31%
Derivatives[3]		-	-	-	-
Foreign currencies		0.72	0.01	1.37%	0.10%
Equity		-	-	-	-

1. At December 31, 2017 the authorized risk limit is calculated based on every million dollars of investment, with an exposure of $585 corresponds to a limit of $10.
2. The positions subject to market risk referred to are call money operations and foreign currencies.
3. There are no derivative operations for trade or hedge purposes.

The market VaR is calculated daily, including the main positions, asset and liability, subject to market risk shown in the balance sheet, which is also used for interest rate risk management. The daily average VaR of the Bank in 2018 was $4, corresponding to 44% of the limit calculated exposure as of December 31, 2018. The daily average VaR held in 2017 was $6, corresponding to 63% of the last ASRM product x ICAP known as of December 31, 2017.

As part of the market-risk management process, backtesting, sensitivity and stress scenario tests are conducted.

Backtesting is conducted monthly to compare the losses and gains that would have been observed had the same positions been maintained, considering only the change in value due to market movements, against the calculation of the VaR. This allows for evaluating the accuracy of the prediction. To date, testing has been highly effective by more than 99.21%.

The sensitivity analyses conducted periodically normally considers movements of ±100 base points in rates or risk factors. Whereas to generate stress scenarios, movements of ±150 base points are considered in rates or risk factors.

The sensitivity and stress tests conducted as of December 31, 2018 and 2017, respectively are shown in the following page.

Sensitivity analysis as of December 31, 2018					
		Market value	VaR at 99%	Sensitivity +100 pb	Stress +150 pb
Total position	$	591.23	3.96	14.11	21.41
Money:					
Purchase of securities:					
Call Money		-	-	-	-
Direct		300.03	0.03	0.24	0.12
Foreign currencies		291.20	3.95	14.82	22.23

Sensitivity analysis as of December 31, 2017					
		VaR at 99%	Sensitivity +100 pb	Stress +150 pb	Estrés +150 pb
Total position	$	585.51	2.93	3.63	4.94
Money:					
Purchase of					
Call Money		584.79	2.93	4.24	5.55
Foreign currencies		0.72	0.01	0.01	0.02

Income from treasury operations at the end of 2018 was $161, accounting for 4% of the Bank's overall interest income, the variation was $40.

Income from treasury operations				
		2018	**2017**	Variation (%)
Income from treasury operations	$	161	121	33.05%
Total interest income		16,744	17,521	-4.4%
Income from treasury operations (%)		1.0%	0.7%	42.86%

Interest rate risk-

Interest rate risk is defined as the impact that variations in interest rates may generate on the balance sheet products, which may affect the results and the current value of the Bank's positions.

Interest rate risk management is based on the generation of interest gaps with contractual and stress scenarios to measure the possible impact of a movement in interest rates. The CRMU carries out, through its own reports, the correct elaboration and consolidation of information for the analysis of results in the corresponding committees.

To monitor the interest rate risk, the following scenario is considered:

An increase in the reference interest rate of 1,000 basis points (bp) is assumed and applied to the total flow of liabilities, which will generate an additional cash flow for interest payments. As of December 31, 2018 this increase means an over run of $1,894.

Derived from the structure of the Bank's balance sheet, it was determined not to consider the deposits without maturity for their analysis of the interest rate. Additionally, as of December 31, 2018, the Bank has outstanding loans that, due to their nature, need to simulate their early repayments.

The Assets and Liabilities Committee (ALCO) conducts follow-up sessions that analyze market expectations, their possible impact on the Bank's interest rate and capital risk, as well as the efficiency of risk hedges within the operations of the balance sheet.

Liquidity risk-

Liquidity risk management includes, at least, identification, measurement and establishment of limits and follow up on risks or potential losses arising from the impossibility or difficulty of renewing liabilities or of contracting others under normal Institution conditions due to early or forced sale of assets at unusual discounts to settle its obligations, or to the fact that a position cannot be promptly sold, acquired or hedged by means of establishing an equivalent contrary position.

The Bank's business model is based on its reputation as a solid institution that always responds to its customers' credit needs. Therefore, liquidity risk management is an essential element for timely prevention of the differences arising from the possible "gap" between its main positions in terms of liquidity risk: expected cash flows (payments on current loans) and projected outflows (current expenses, placement of new loans).

The measurement methodology used in liquidity risk management is:

- Liquidity gap analyses consider the Bank's main assets and liabilities, whether recorded on or off the balance sheet, establishing maturity bands according to the characteristics of the products offered. A limit is established for each bucket.
- Liquidity Value at Risk (liquidity VaR) for measurement of the market's liquidity risk determines the possible inability to liquidate positions in one day and is calculated in the same way as the market VaR with a 10-day horizon.

As of December 31, 2018, the quantitative information for the analysis of liquidity gaps is as follows:

Analysis of liquidity gaps (accumulated)[1] 2018

Bucket	Gap	Limit*	Use of limit (%)
0-1 days	$ 3,920	35%	-
2-7 days	3,972	36%	-
8-15 days	4,293	38%	-
16-23 days	4,790	43%	-
24-30 days	5,237	47%	-
31-60 days	6,768	61%	-
61-90 days	9,935	89%	-
91-180 days	13,917	124%	-
181-360 days	5,086	45%	-
361-720 days	(707)	-6%	-6%
721-1,080 days	(3,974)	-36%	-36%
1,081-1,440 days	(8,934)	-80%	-80%
1,441-1,800 days	(12,097)	-108%	-108%
> 1,800 days	(12,097)	-108%	-108%

[1] The calculation of the accumulated gaps is presented in order to clarify the period, where a gap of liquidity exists.

Analysis of liquidity gaps asof December 31, 2018			
Bucket	Gap	Limit*	Use of limit (%)
0-1 days	$ 3,920	35%	
2-7 days	52	-	-
8-15 days	320	3%	-
16-23 days	497	4%	-
24-30 days	448	4%	-
31-60 days	1,531	14%	-
61-90 days	3,167	28%	-
91-180 days	3,982	36%	-
181-360 days	(8,831)	-79%	-79%
361-720 days	(5,793)	-52%	-52%
721-1,080 days	(3,267)	-29%	-29%
1,081-1,440 days	4,960)	-44%	-44%
1,441-1,800 days	(3,163)	-28%	-28%
> 1,800 days	-	-	-

* The authorized risk limit is calculated as a percentage of the total liquid assets plus available lines.lines.

The liquid assets plus available lines as of December 31, 2018, were $11,181.

As of December 31, 2017, the quantitative information for the analysis of liquidity gaps is as follows:

Analysis of liquidity gaps (accumulated)[1] 2017			
Bucket	Gap	Limit*	Us of límit (%)
1-30 days	$ 176	1.4%	-
31-60 days	4,930	39.3%	-
61-90 days	8,689	69.2%	-
91-120 days	9,731	77.5%	-
121-180 days	11,927	95.0%	-
181-270 days	11,937	95.1%	-
271-360 days	11,361	90.5%	-
361-720days	10,018	79.8%	-
721-1,080 days	6,611	52.6%	-
1,080 - 1,440 days	5,302	42.2%	-
1,441-1,800 days	2,999	23.9%	-

[1] The calculation of the accumulated gaps is presented in order to clarify the period, where a gap of liquidity exists.

Analysis of liquidity gaps as of December 31, 2017				
Bucket		Gap	Limit*	Us of límit (%)
1-30 days	$	176	1.4%	-
31-60 days		4,930	39.3%	-
61-90 days		3,759	69.2%	-
91-120 days		1,042	77.5%	-
121-180 days		2,196	95.0%	-
181-270 days		10	95.1%	-
271-360 days		(576)	90.5%	-
361-720 days		1,343	79.8%	-
721-1,080 days		(3,407)	52.6%	-
1,080 - 1,440 days		(1,309)	42.2%	-
1,441-1,800 days		2,303	23.9%	-

* The authorized risk limit is calculated as a percentage of the total liquid assets plus available lines..

The liquid assets plus available lines as of December 31, 2017, were $12,557.

Differences in flows (gaps) show excesses (greater asset flows than liability flows) in the first buckets, which is natural for the type of operations handled by the Bank, as 90% of the assets considered correspond to cash flows arising from recovery of loans with an average term of four months and investments at terms below 180 days, while liability flows correspond to financing contracted at the short and medium term maturity date, giving rise to a positive accumulated gap over 360 days, at the end of 2018, of $5,086. The overall accumulated gap is positive.

At December 31, 2018 the quantitative information for liquidity risk of the Bank, is as follows:

VaR Liquidity, 10 days 2018				
		Value	Position	Use of limit (%)*
VaR liquity at 99%	$	12.5	2.1%	52.8%
Money:				
Purchase of securities				
Call Money		-	-	-
Foreign currencies		12.5	2.1%	52.7%
Direct		0.1	0.02%	0.4%

The authorized risk limit is calculated based on the maximum exposure at December 31, 2018 with an exposure of $591.2 corresponds to a limit of $24.

The Bank net capital as of December 31, 2018 is $9,563.

December 31, 2017 the quantitative information for liquidity risk of the Bank, is as follows:

VaR Liquidity, 10 days 2017				
		Vaue	Position	Us of limit (%)*
VaR liquidity at 99%	$	9.3	1.6%	29.3%
Money:				
Purchase of securities		-	-	-
Call Money		9.3	1.6%	29.3%
Foreign currencies		0.0	4.5%	0.1%

* The authorized risk limit is calculated based on the maximum exposure at December 31, 2017 with an exposure of $19.7 corresponds to a limit of $32.

The Bank net capital as of December 31, 2017 is $9,836.

The average liquidity VaR for 2018 was $11, equivalent to 46.9% of the limit calculated at December 31, 2018 ($24). Sensitivity and stress tests are also conducted for liquidity risk management. The average liquidity VaR for 2017 was $20, equivalent to 62.9% of Institution's net capital as of December 31, 2017 ($32).

Diversification of the Bank's sources of financing are assessed periodically, assuming the related risk limits established in Chapter III of the General Provisions Applicable to Credit Institutions on Risk Diversification for conducting asset and liability operations. The diversification is evaluated through the aforementioned liquidity indicators, aforementioned above.

Additionally, in complying with the General Provisions Applicable to Credit Institutions, there is a Liquidity Contingency Plan in place, the purpose of which is to ensure that the Bank will be able to face its daily obligations under any circumstances, including a liquidity crisis; said Plan has been included in the policies and procedures manual for CRMU.

Operational risk (including legal and technological risk)-

Operational risk can be defined as the potential loss due to defects or deficiencies in internal controls resulting from errors in processing and storing operations or in the transmission of information, as well as to adverse administrative and legal rulings, fraud or theft, and it includes legal and technological risks.

In the Bank's methodology, management and control of operational risks include the following matters, among others:

The processes that describe each area's duties are identified and documented. The Bank has areas engaged in developing and documenting methods, procedures and processes under the Internal Control Director's Office.

Inherent operational risks and the controls pertaining to the processes that describe the Bank's substantial processes under "Risk and Control Matrixes" are identified and documented. Additionally, the internal audit area has implemented its audit model based on risks.

Consequences for the business arising from materialization of identified risks are assessed and reported to the heads of the areas involved, to the Chief Executive Officer and the Risk Committee. Each area must be aware of and participate in the control and management of own risks.

A historical database is maintained through systematic recording of the different loss events and their effects on the accounting records. Those events are duly identified through classification per business unit within the Bank, and are recorded in the Operational risk system.

Loss events identified by both the Risk area and the other Institution's areas are recorded, which are responsible for reporting any operating risk event that could arise or that has represented a loss for the Bank, the mentioned above environment of a culture of risk.

The operational risk loss events, including technological and legal, are recorded systematically, associating them with the corresponding business lines or units as well as the type of risk (1. Internal fraud, 2. Outside fraud, 3. Labor relations and occupational safety, 4. Clients, products and business practices, 5.External events, 6.Incidents in the business and flaws in the system, as well as 7. Execution, delivery and process management). The Bank considers fraud and damage to assets its main exposures.

A global tolerance level has been established for operational risk, taking into account the causes, origins or risk factors.

There is a Business Continuity Plan (BCM) that includes a Disaster Recovery Plan (DRP) aimed at technology risks and a Business Contingency Plan (BCP). The update of such plans is the responsibility of the leaders named for such purpose.

At closing of December 2018 and 2017 the Tolerance Level, which by the way it is defined can be understood as the Bank's Exposure to Operational Risk, is 0.30% of annual income, estimated monthly, equivalent to $43.8 for 2018 and $52.6 for 2017. The materialized loss events associated to operational risk amounted to 0.26% in 2018 and 0.38% in 2017 as a percentage of annual income, above the tolerance limit in both years, due to the payment of lawsuits, as well as losses from external causes and natural disasters.

Technological risk-

One important aspect of operational risk management is that pertaining to technological risk, which involves potential loss due to damage or failure from use or reliance on hardware, software, systems, applications, networks and any other means of conveying information in the Bank's supply of services to its customers.

The Bank has different internal controls that have the objective of minimizing the negative impacts due to the materialization of technology risks, internal controls such as:

i. Government structuring aimed at maintaining an adequate control of technological risks, ensuring an agile response capacity.

ii. Have the Operation Continuity Plan, through criteria such as criticality of applications and technological risk.

iii. Risk assessment, determination of treatment actions and evaluation of technological controls.

iv. Database backup and restoration procedures to ensure the availability and integrity of the historical archive of operations in case of contingency.

v. Automated processes for carrying out daily reconciliations, in addition to generation of control figures to ensure the integrity of transactions between systems.

Legal risk-

The Bank's legal risk management, defined as the potential loss due to non-compliance with the applicable legal and administrative provisions, the issuance of unfavorable administrative and judicial resolutions and the application of sanctions, in relation to the Operations that the Institution carries out, has implemented policies and procedures to mitigate this risk that consider, among other things:

i. The review and approval of all agreements by the Legal Director's Office to ensure proper instrumentation of agreements and contracts.

ii. Procedures for filing and safeguarding agreements and other legal information.

iii. Detailed management of powers granted to the Board of Directors, so as to avoid misuse.

iv. Procedures to ensure adequate action in response to litigation, defend efficiently and effectively, be able to take action to protect and preserve the rights of the Bank.

v. Preparation of reports on the likelihood of issuance of adverse legal or administrative rulings. The reports are prepared at least on a quarterly basis.

vi. Procedures established to ensure that the Legal department safeguards the correct use of the Bank's trademarks, local trademarks, commercial notices and copyrights

(24) Recently issued financial reporting and regulatory standards -

Changes in the provisions of the Commission

On November 15, 2018, the DOF published a modification to the Resolution issued on December 27, 2017, changing its entry into force to the 1st. January 2020. Except for Accounting Criteria B-6, "Loan Portfolio" and D-2 "Income Statement" that come into effect on the 1st. January 2019.

The Resolution published in the DOF on December 27, 2017 included several amendments to the Accounting Criteria. The most relevant changes are mentioned below:

Accounting Criteria A-2 "Application of particular standards"

Certain FRS issued by the Mexican Board of Financial Information Standards (Consejo Mexicano de Normas de Información Financiera, A. C. (CINIF)) are incorporated so that they are applicable to credit institutions at the time of determining the term for enforcement, in order for these financial institutions to be able to comply. These FRS are the following:

B-17 “Determination of fair value”

C-3 “Accounts receivable”

C-9 “Provisions, Contingencies and Commitments”

C-16 “Impairment of financial instruments receivable”

C-19 “Financial instruments payable”

C-20 “Financial instruments receivable principal and interest”

D-1 “Revenues from contracts with clients”

D-2 “Costs from contracts with clients”.

D-5 “Leasings”

Accounting criteria B-6, “Loan portfolio” and D-2 “Statement of income”

The accounting criteria applicable to credit institutions are adjusted so that they can cancel, in the period in which they occur, the excesses in the balance of allowance for loan losses, as well as to recognize the recovery of credits previously written off against “Allowance for loan losses” in the consolidated statement of income.

The Gentera’s management is in the process of evaluating the financial effects that will arise from these changes in the Commission’s Provisions.

FRS 2019 Revisions

In December of 2017 the Mexican Board of Financial Information Standards issued a document called “FRS 2019 Revisions”, which contains specific modifications to some existing FRS. These revisions are in the next page, but did not have any effects on the annual consolidated financial statements.

Ing. Enrique Majós Ramírez
Chief Executive Officer

Lic. Mario Ignacio Langarica Ávila
Chief Financial Officer

C.P.C. Marco Antonio Guadarrama Villalobos
Controller

C.P.C. Oscar Luis Ibarra Burgos
General Internal Auditor

Corporate **information**

Av. Insurgentes Sur 1458
Colonia Actipan, Alcaldía Benito Juárez
Mexico City

Investment Relations
investor-relations@gentera.com.mx

Independent Audit
KPMG, Cárdenas Dosal, S.C.

Sustainability information
contacto@gentera.com.mx

Gentera presents its Annual and Sustainability Repor 2018 “We take opportunities to people” as a mean to share the performance of the company from January 1 to December 31, 2018

GENTERA®

www.gentera.com.mx

@gentera

gentera.mx

gentera_mx

gentera

Yastás® ATERNA® Compartamos® INTERMEX® Fiinlab® Fundación GENTERA®