

ANNUAL AND SUSTAINABILITY REPORT 2016



# GENTERA



LEADERS OF FINANCIAL INCLUSION

At the service of  
our clients



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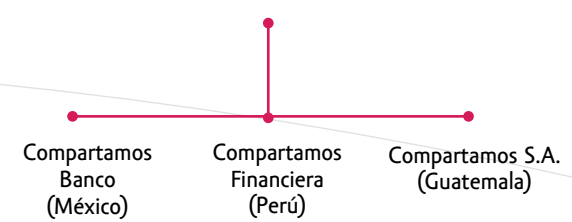
## 65 Consolidated financial statements



# Gentera and its companies

We are the entrepreneur group, leader of financial inclusion in the underserved segment. We provide appropriate and accessible financial services through each of our companies, generating shared value in the countries we operate: Mexico, Peru and Guatemala.

With a history of more than 26 years, in 2016 we continue growing with the launch of Fiinlab, our innovation lab<sup>1</sup>.



<sup>1</sup> Find more about our history: [www.gentera.com.mx](http://www.gentera.com.mx)





Is the specialized entity under which Genera provides financial services to the underserved segment. Three companies operate under the Compartamos brand in Mexico, Peru and Guatemala.

### Compartamos Banco

Financial Institution with more than 26 years of experience serving Mexican entrepreneurs. It provides loans, insurance<sup>2</sup>, savings, means of payment, remittances<sup>3</sup> and financial education.

#### Loans:

- Crédito Mujer
- Crédito Adicional
- Crédito Crece y Mejora
- Crédito Individual
- Crédito Comerciante

#### Savings:

- Mis Ahorros Compartamos
- Cuenta Básica Compartamos
- Cuenta a Mi Favor
- Inversiones Compartamos
- Mi Grupo Compartamos

#### Insurance:

- Seguro Mujer
- Seguro Comerciante
- Seguro Individual



<sup>2</sup> Insurances are designed and operated by Aterna and commercialized by Compartamos

<sup>3</sup> In 2016 Intermex was incorporated to Compartamos Banco in order to broaden its service offering with remittances





CLIENTS: **JOSÉ DEL CARMEN BETANCOURT ÁVILA (FATHER) AND MIGUEL VALENTÍN BETANCOURT CASTILLO (SON)**

LOAN OFFICER: **LILIANA TREJO MANZANILLA**

BUSINESS: **FISHING AND SELLING FISH**

LENGTH OF SERVICE: **3 YEARS**

PRODUCT: **CRÉDITO COMERCIANTE**

*His life is linked to the sea, to the wealth of the waters of the Gulf of Mexico in Progreso, Yucatan. He started helping his father when he was only a boy and continuing his experience, 12 years ago both started their own business of octopus catching.*

*Thanks to their savoir-faire, the business has been growing and since 5 years ago, it is now a cooperative of larger size, fishing grouper, red snapper, rosin pitch, snapper, jack fish, white bream, sea bass, hogfish, octopus, sea cucumber and sardine.*

*With 9 boats, the cooperative provides employment to 41 people and sells fish to companies who manufacture and export it to the United States, due to its quality. With the loan from Compartamos Banco, he buys the bait, the fishing equipment and the fuel needed to operate.*

*This business, showcases the success of team work, constituting a source of income for an entire group of families of a community that sees in the sea their present and future.*



## Compartamos Financiera

It is the Peruvian financial institution that addresses the requirements of entrepreneurs by offering them financial solutions and attending their requirements for working capital, investments and consumer loans, under the methodologies of individual and group credit. In addition, it provides saving and insurance products.

### Loans:

- Crédito Crear Pyme
- Crédito Renueva
- Crédito Vuelve
- Crédito Agro
- Crédito Súper Mujer
- Crédito Crece y Mejora
- Crédito Fácil
- Crédito Warmi
- Crédito Empresario
- Consolidación de Deuda
- Crédito Cash
- Crédito Construye
- Crédito Efectivo
- Crédito Fijo
- Crédito Construye Consumo

### Saving:

- Depósito Plazo Fijo
- Cuentas de Ahorro
- Ahorro Súper Mujer

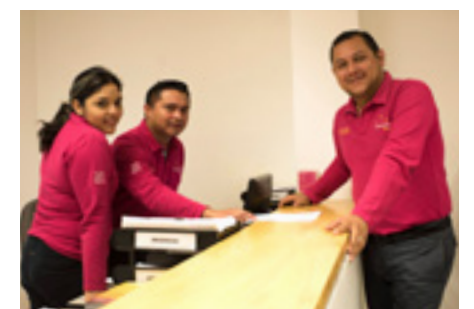
### Insurance:

- Seguro Emprendedor
- Seguro Compartamos

## Compartamos S.A.

In Guatemala, it is the financial institution that offers working capital credits and life insurance to entrepreneurial women, helping them achieve their projects and businesses.

- Crédito Mujer

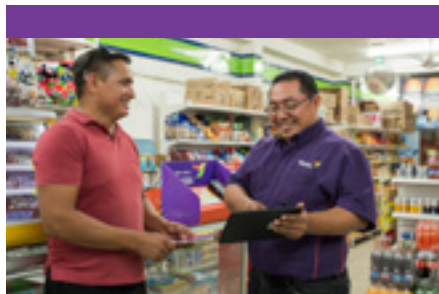







It is the insurance agent specialized in prevention services for the underserved segment. It designs and operates products and services, acting as a link between the insurance sector and the distribution channels. Through their products in Mexico, Peru and Guatemala, it promotes a prevention culture and allows clients to face the contingencies to which they are vulnerable.<sup>4</sup>

- Life Insurance
- Health Insurance
- Damage Insurance

It is the banking correspondent administrator that provides access to financial operations, service payments and cellphones airtime to the underserved segment, in a convenient way, particularly where the banking infrastructure is limited or non-existent.

- Financial operations of Compartamos Banco
- Financial Operations of National Savings and Financial Services Bank (BANSEFI, for its acronym in Spanish)
- Water service payments
- Multilevel payments
- Telephone bill payments
- Electricity bill payments
- Cable or Satellite TV bill payments
- Cell phone air time purchases

<sup>4</sup> Aterna is a joint-venture with INTERprotección.

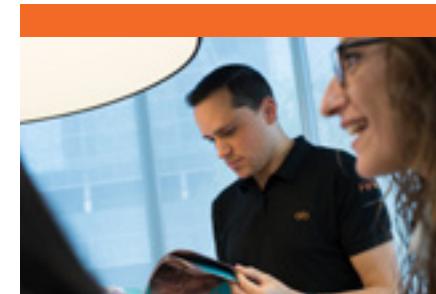



It is the payer of family remittances, leader in providing an efficient, trustworthy and secure service to its clients.

It has coverage in Mexico and its operation is linked to remittance companies in the United States to offer international service.

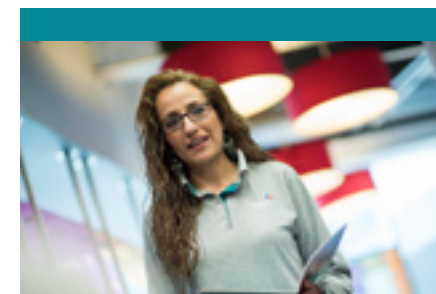
From 2016, the remittances service is offered through Compartamos Banco, Yastas and third-party correspondents.

- Payment of international remittances
- Payment of national remittances between branches
- International and national courier and parcel service
- Foreign currency exchange
- Selling cellphone air time

It is the innovation laboratory of Genera, it conceives, incubates, accelerates and creates collaboration societies along with the entrepreneurial ecosystem, for financial inclusion with technology as the main tool.

For its purpose, Fiinlab internally develops innovative initiatives and enablers to satisfy the client's requirements. It also creates companies and ventures with start-ups and other external players in order to work in favor of financial inclusion and contributes to the generation and dissemination of an innovation culture promoting financial inclusion in Genera and the entrepreneur ecosystem.

It is the non-profit organization that guides the social responsibility efforts of Genera and its companies. In addition, it develops its own programs focused on education as the main driver for social inclusion.

For a wider reach and with a collaborative focus, the Foundation sets partnerships in order to generate social value through formal education, financial education and the promotion of an entrepreneurial culture.



(102-14, 102-15)



# Message from our Presidents

It is our pleasure to introduce our Annual and Sustainability Report 2016, in which we highlight the performance of Genera and its companies, under a transparency approach, reciprocal to the trust given by our clients.

2016 has been a year of changes, of building who we want to be in the future, based on the strategy that we set in motion at the beginning of the year. We are committed with our aspiration, to empower ten million people from the underserved segment in the next ten years, to improve their life through personalized digital financial solutions, generating shared value.

The significance we seek for our operations, our present and future legacy, is based in the generation of shared value: social, economic, and human value, with the involvement of our stakeholders and the appropriate management of resources, in order to keep contributing to the progress of those communities where we have presence.

We want to be close to our clients in the development of their personal and professional projects, generating **social value**. Financial inclusion is a tool so their aspirations become a reality, a path to which we seek to contribute with credit solutions, savings, insurance, and means of payment, strengthening their knowledge of financial

management and giving them better services as well as protecting their interests.

**Compartamos** is the **leading entity** of financial services for the underserved segment in Latin America, a position reinforced every day through its operation in Mexico, Peru and Guatemala. This year it reached PS 110,543 million of disbursed credits, with an increase of 14.8% compared to last year, and the trust of 3.4 million clients, regarding the credit solutions that we provide.

The management of personal finances and entrepreneurship of the segment we attend, represent certain opportunities that along with financial education and saving solutions can be

The success of our financial solutions, understood as a contribution to the socioeconomic development of the segment we serve, has a strong foundation in the proximity with our client, the personal attention and the generated trust.



improved. At Genera we bet on credit as an option and not as an obligation, we want the population to have access to financial alternatives that can be both credit and savings. In that regard, we drive our initiatives by making accessible to all our savings product, currently with 595,248 accounts in Mexico at the end of 2016.

The success of our financial solutions, understood as the contribution to the socioeconomic development of the segment we serve, has a strong foundation in the proximity with our clients, the personal attention and the generated trust. The loan officers of Compartamos reach the homes of our clients with the purpose of providing appropriate advice on a case by case basis, our service offices and banking locations are becoming increasingly wider, with 820 points in the three countries where we operate, in addition to the other 30,419 transaction points available for our clients. We also have broadened the possibilities these transaction points offer by incorporating remittances payment services through Intermex and the commercialization of **Aterna** insurance

policies. Aterna, has increased the sales of insurance policies by 15.1% in 2016 through different channels, reaching 17.2 million policies. These as part of the synergies that we have strengthen among our companies, always thinking in the added value and benefit for the client.

Our correspondent banking network of **Yastás** is continuously growing with 2,860 business members, by the end of 2016 and an increase of 42.2% in terms of the number of municipalities in Mexico where they are present. This network is increased by **Intermex** correspondents that add the incorporation of remittances services to the Compartamos network, with an increase of 52.1% in the number of correspondents at the end of the year.

We build the future from the present, with technology as an ally. Our comprehensive network of channels, and unique ecosystem for the payment of loans and saving transactions, in Compartamos Banco branches and Yastás terminals, continues its expansion with 135 banking locations.

COMPARTAMOS  
INCREASED  
**14.8%**  
THE CREDIT  
AMOUNT  
PAID OUT

ATERNA  
INCREASED  
**15.1%**  
THE NUMBER OF  
POLICIES SOLD

INTERMEX  
INCREASED  
**52.1%**  
THE NUMBER OF  
CORRESPONDENTS

YASTÁS  
INCREASED IN  
**42.2%**  
ITS PRESENCE  
IN MEXICO'S  
MUNICIPALITIES



At Genera we believe that digitalization and accelerating technologies, at the service of a clear strategy, are the basis for innovation. In 2016, we gave a disruptor impetus to innovation in the company, developing the strategic framework and putting in operation our innovation laboratory for financial inclusion: Fiinlab. Based on collaboration, our laboratory strengthens the relationship of the Group with the entrepreneurial ecosystem for the creation of solutions that contribute to financial inclusion, with technology as a tool.

The commitment of our team makes the difference; we share values and purpose in a large family of more than 21 thousand employees. We want to grow together, thus we designed strong training programs that required, only in Mexico, more than 1 million hours, a **human value** of which we are proud of.

This strength is transferred to the community focusing on education as the seed of development, in a strategy coordinated by **Fundación Genera**. Through our Social Responsibility Fund, comprised by 63.2 million pesos in 2016, we support the initiatives developed by our companies as well as the performance of our Foundation which works every day in partnership with different civil society organizations. We are proud of our volunteering culture, 16,847 employees are part, which equals 79.5% of our labor force participating in this type of activities throughout the year.

In 2017, we expect to maintain a strong grow of our credit portfolio, underpinned in the asset quality. In this way we will continue generating social value through the delivery of finance.

In addition, in line with our strategy, we seek to integrate increasingly more clients to which we can provide appropriate solutions, fulfilling our sense of purpose of working for financial inclusion. We will continue investing in strategic projects that allow a more efficient operation and that reinforce the client service by strengthen the synergies offered by our companies. Keeping profitability as one of our values, the **economic value** creation will allow us as it has done until now, to keep building an inclusive development.

Our work does not stop, it gains momentum every day thanks to the trust of our clients, who make us evolve and give our best.

**Carlos Labarthe Costas**  
President of Genera

**Carlos Danel Cendoya**  
President of Genera

(102-7)



# Key figures



**88.4**  
HORAS PROMEDIO DE  
CAPACITACIÓN POR COLABORADOR



**3,381,455**  
CLIENTS IN MEXICO,  
PERU AND GUATEMALA



**135**  
BANKING LOCATIONS OF  
COMPARTAMOS BANCO



**21,185**  
EMPLOYEES



**685**  
SERVICE OFFICES  
IN THREE COUNTRIES



**110,543**  
MILLION  
OF PESOS DISBURSED



**4.4 MILLION**  
OF PAID REMITTANCES,  
OF WHICH 21,372 WERE  
MILLIONS OF PESOS AND 17.7  
MILLIONS OF DOLLARS.



**2,860**  
BANKING CORRESPONDANTS  
OF THE YASTÁS NETWORK



**17,156,769**  
INSURANCE POLICIES PLACED,  
PROMOTING A PREVENTION  
CULTURE

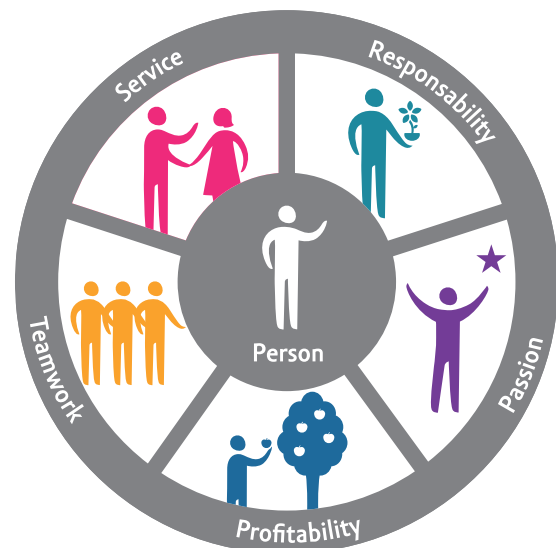


# We generate Shared Value



## Philosophy (102-16)

In Genera our purpose is to work for the financial inclusion of the underserved segment through the **creation of social, economic and human value**. With a growth track record, we work intensely committed with our actions and the practice of our institutional values, which constitutes our **Philosophy**.



We generate **shared value** through the creation of:



**Social Value:**  
We offer inclusion opportunities to the largest number of people in the shortest possible time and we seek to foster the development of communities in Mexico, Peru and Guatemala.



**Economic Value:**  
We build innovative, efficient and profitable commercial models.



**Human Value:**  
We trust in the people, in their willingness to grow, to self-realization and to be better.

## Value creation model (102-13)

In Latin America there are restrictions for access to financial services that are related to labor informality, self-employment, limited infrastructure and shortages in the socioeconomic development. However, inclusion is experiencing a growing trend, reflected in the increase of adults with at least one bank account, which went from 51% to 62% between 2011 and 2014, being the use of technology one of the main triggers (Global Findex 2014).

At Genera we aim to contribute to an inclusive financial sector, creating opportunities for those that have been excluded and strengthening the development of social capital with a sustainable management focus over time. After 26 years

working on this, since 2016 we are involved in a transformation strategy which started with the analysis of our current position, the achievements, challenges and opportunities in the sector.

We have strengthened our vision of the client as the center of all our actions; for this reason we set as an aspiration to empower 10 million people of the underserved segment in the next 10 years, in order to improve their lives through personalized, digital financial solutions, creating shared value.

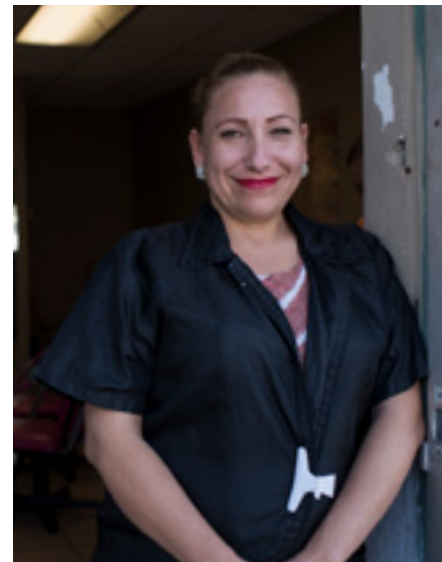
From different angles we are working in initiatives organized in 5 simultaneous points of actions, in which we have also strengthened the synergies.



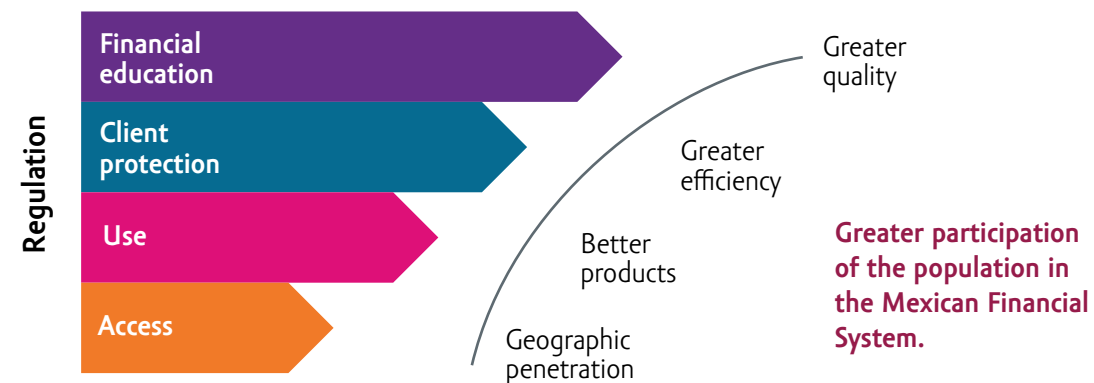
financial inclusion is understood as the result of the access and use of financial services that require in turn financial education and client protection under a regulatory context and progress towards the maturity of the created scenario<sup>5</sup>.

At Genera we work a curve towards the transcendence of inclusion, committed to geographic penetration and the delivery of better solutions as well as to greater efficiency in client protection and in the quality of financial education, which are an integral component of our solutions.

<sup>5</sup> Adapted from the Financial Inclusion Report I, National Banking and Securities Commission of Mexico (CNBV, for its acronym in Spanish) (2009).



Financial inclusion curve



Genera's contribution to Financial Inclusion

- Access**
- We have financial products and services suitable for our clients.
  - We have developed a network of transaction points through partnerships with bank networks, supermarket chains and bank correspondents.
  - We created Yastás as a baking correspondent administrator.

- Use**
- We have improved and developed our credit, savings and insurance products according to the client needs.
  - We work in synergies between our companies in order to have a better value proposition for our clients.

- Consumer protection**
- We have principles of client protection that are included in our code of ethics.
  - We implemented the Client Protection Index (IPAC, for its acronym in Spanish) complying with the standards and practices of client protection of *Smart Campaign*<sup>6</sup>:
    - Suitable products and services
    - Over indebtedness prevention
    - Transparency
    - Competitive Prices
    - Fair and respectful treatment to clients
    - Client's data privacy
    - Claims resolution mechanisms

- Financial Education**
- We seek to develop the financial abilities of our employees, clients and community to contribute to informed decision making, good resource management and responsible use of financial services for their well-being and their families well-being.

Knowing the importance of teamwork for achieving objectives, we are members of different chambers, associations, networks and sector organizations, where we seek to communicate how we manage the creation of social, economic and human value.

Asociaciones de las que participa Genera y sus empresas

México

- Asociación de Bancos de México (ABM, for its acronym in Spanish)
- Asociación Mexicana de Dirección de Recursos Humanos (AMEDIRH, for its acronym in Spanish)
- Centro de Competitividad de México (CCMX)
- Confederación Patronal de la República Mexicana (COPARMEX, for its acronym in Spanish)
- Consejo de la Comunicación (CC, for its acronym in Spanish)
- Consejo Coordinador Empresarial (CCE, for its acronym in Spanish)
- World Economic Forum
- MicroFinance Network
- Microinsurance Network
- ProDesarrollo Finanzas y Microempresa
- Red ACCION
- Unión de Instituciones Financieras Mexicanas (UNIFIMEX, for its acronym in Spanish)
- Unión Social de Empresarios de México (USEM, for its acronym in Spanish)

Perú

- Asociación de Bancos del Perú (ASBANC, for its acronym in Spanish)
- Asociación de Instituciones de Microfinanzas del Perú (ASOMIF, for its acronym in Spanish)
- Consorcio de Organizaciones Privadas de Promoción al Desarrollo de la Micro y Pequeña Empresa (COPEME, for its acronym in Spanish).

In Guatemala we keep a close follow-up of the financial sector, although we are not yet affiliated to any organization or association.

<sup>6</sup> Campaign that works with the microfinance leading companies internationally to join efforts around the common objective of keeping clients as the engine of the sector.





# Social Value



Since our origins, in Genera we have a service vocation and a clear objective, to contribute to the financial inclusion of the underserved segment. To achieve it, we work to offer credit, savings, means of payment, insurance and remittances products and services, always accompanied with the added value of financial education, client protection and the development of an entrepreneurial culture.

We believe in **service and proximity with our client**, as well as in **innovation** as core of our performance in the present and the future we are building for the Group. One cannot go without the other, the client is the focus of our offering, and its development is the purpose of our business endeavors, which we aim to be sustainable to deliver value also to stakeholders, from shareholders to our employees.

In a changing environment, the digitalization and the new technologies constitute the perfect ally to broaden our scope, and therefore the impact on financial inclusion. **We believe that the value of the ideas is on the needs that they solve, and we contribute to make them happen.**





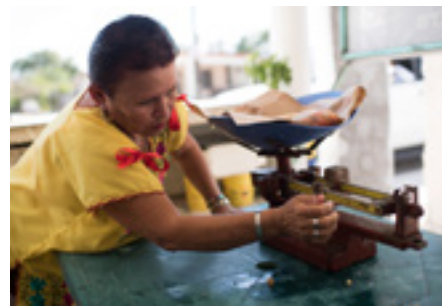


CLIENT: **MERCEDES RODRÍGUEZ PAREDES**  
 LOAN OFFICER: **LILIANA TREJO MANZANILLA**  
 BUSINESS: **RESTAURANT**  
 LENGTH OF SERVICE: **18 YEARS**  
 PRODUCT: **CRÉDITO INDIVIDUAL**

*Her story is example of persistence and eagerness to move forward. She started the business 40 years ago, with a cardboard open shed, overtime she has been able build her shop.*

*Focused on the sale of ceviches, fish, broths and seafood cocktails, she delivers to her clients the commitment of good work and home quality cooking prepared with time and dedication.*

*The success of the business allows her to employ 4 people which increases to 10 in high season and becomes a small family committed with their clients.*



Through our operations, we want to create social value that we extend to our providers from a dual perspective. On one hand we aim to contribute to their economic activity and be a source of opportunities, on the other we want to collaborate with the development of our clients. In addition, we seek to contribute to the communities where we operate as responsible corporate citizens, adding to our business activity the implementation of social initiatives that improve their conditions, particularly in the education area, with the guidance provided by Fundación Genera.





## Leaders in Financial Inclusion (102-7)

Working for financial inclusion is our purpose, our reason to be; we work to strengthen year after year the number of possibilities available to our clients and the number of beneficiaries that can materialize their personal and professional projects.

### Social Value Creation- Indicators Summary

	2014	2015	2016	Change 2016-2015
Amount disbursed in the financial transaction (in million pesos)	83,204	96,279	110,543	14.8%
Number of disbursements	8,321,000	8,750,615	9,211,911	5.3%
Number of beneficiaries	2,874,488	3,207,852	3,381,455	5.4%

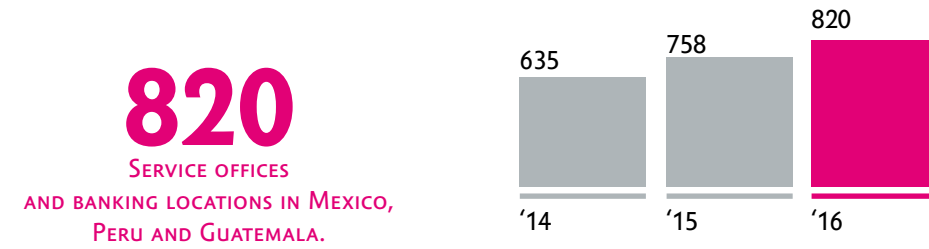
## Compartamos (102-7, 102-10, FS6, FS7)



Compartamos is the leading company in the delivery of financial services to the underserved segment. It channels the offering of Aterna and Intermex, revealing the existing synergies between the operations of Genera's companies.

It has presence in Mexico, Peru and Guatemala, through companies such as Compartamos Banco, Compartamos Financiera and Compartamos S.A., respectively. It has 685 service offices in those three countries, in addition to 135 banking locations of Compartamos Banco in Mexico.

### Branches

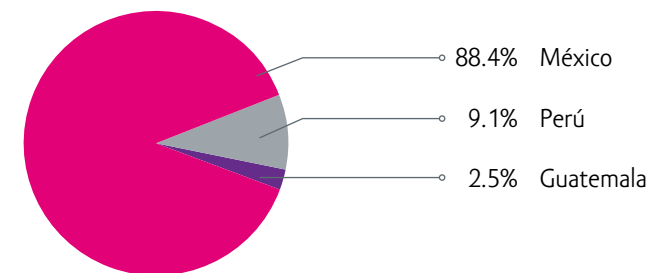


### Disbursements

Compartamos is key for the financing of the underserved segment, as shown by the financial disbursements that the institution delivers every year based on the customer's applications.

	2014	2015	2016
Disbursed average credit (pesos)	9,999	11,003	12,000
Number of disbursements	8,321,000	8,750,615	9,211,911
Disbursements (in million pesos)	83,204	96,279	110,543

### Breakdown of the number of disbursements per country (2016)



Increase of the total amount disbursed compared to 2015

**↑ 14.8%**

Growth in the contribution of Compartamos Financiera (Peru) in respect to the total disbursements:

**↑ 3%**

**Loans**

The delivery of loans to finance the personal and professional projects of our customers constitutes one of the fundamental pillars of financial inclusion, along with saving products and the creation of a prevention culture.

Our portfolio of credit products has diversified to address the current needs of the underserved segment. When hiring a credit product our clients obtain a free life insurance, as well as preferential conditions in the remaining insurance products we offer, in order to contribute to a prevention culture.

**Loans**

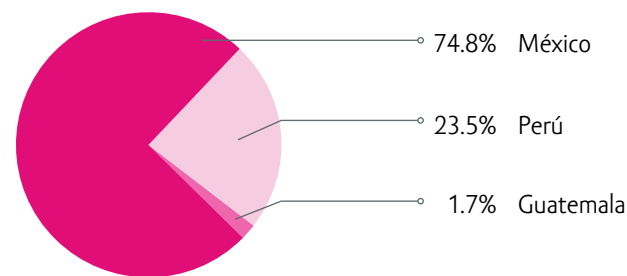
	2014	2015	2016
Number of clients (credit)	2,874,488	3,207,852	3,381,455
Portfolio (million pesos)	23,951	28,496	33,508
Client retention rate	79.9%	82.4%	81.4%
Delinquency rate <sup>8</sup>	3.28%	3.09%	4.22%
Non-performing loans (million pesos)	785	881	1,414
N° insured clients (credit)	2,229,154	2,658,550	3,078,978

**2016 Loans per Country**

	México	Perú	Guatemala
Number of clients (credit)	2,912,786	384,883	83,786
% women clients	87.4%	84.0%	100.0%
Portfolio (million pesos)	25,063	7,873	572
Client retention rate	82.7%	72.1%	78.1%
Delinquency rate	4.49%	3.37%	3.95%
Non-performing loans (million pesos)	1,126	266	22
N° insured customers (credit)	2,610,309	384,883	83,786

- The growing trend in the number of clients is maintained with an increase of 5.4% in regards to 2015.
- Increase of 17.6% in the loan portfolio, particularly in Peru, where Compartamos Financiera exceeded the growth of 50.3%, thanks to group loan portfolio placement.

**Breakdown of the total credit portfolio per country (2016)**



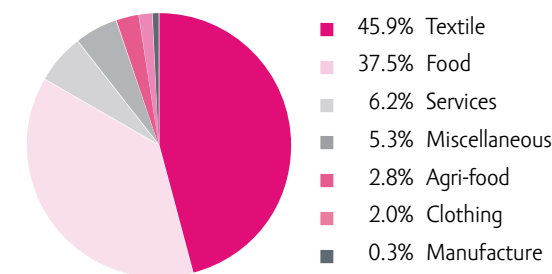
<sup>7</sup> Delinquency rate=accounting past-due portfolio /Total past-due portfolio

**Loans - México 2016**

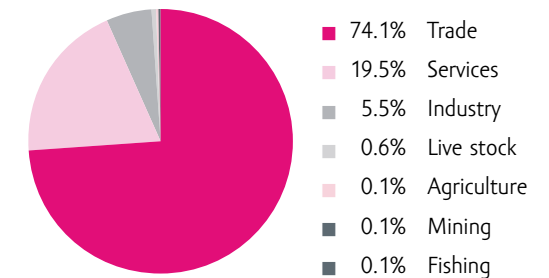
Market	Total number of clients	Products	Number of clients per product	Proportion of clients to the market we serve	Portfolio (in million pesos)
Woman Group Market	1,789,363	Woman Loan	1,789,363	61.4%	12,491
Mixed Group Market	956,216	Trader Loan	956,216	32.8%	6,021
Mixed Individual market	167,207	Individual loan	129,874	4.5%	2,676
		Grow and Improve Loan CCR*	7,708	0.3%	572
		Additional loan*	3,768	0.1%	480
		Grow and Improve Loan CM*	24,981	0.9%	2,733
		Additional loan	876	0.0%	83
		CCR*	-	0.0%	7
			2,912,786	100.0%	25,063

\*Unique customers

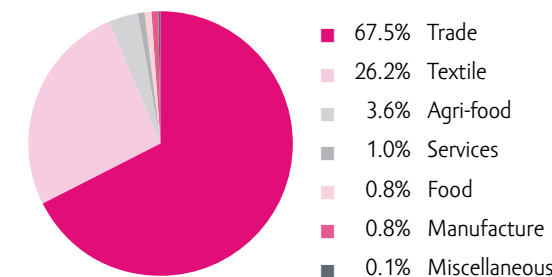
**Clients' distribution per sector - Mexico 2016**



**Clients' distribution per sector - Peru 2016**



**Clients' distribution per sector - Peru 2016**



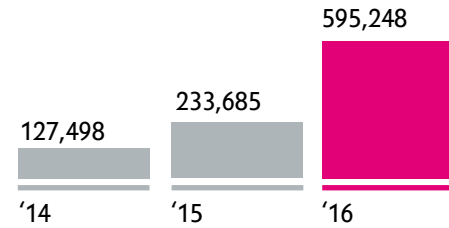


**Savings**

This year Compartamos Banco expanded its integrated ecosystem of loan payments and saving transactions launched in Puebla in 2015. This applies to the group of channels through which our solutions are distributed and operated, including the processes of the Yastás correspondent banking network and the Intermex correspondents.

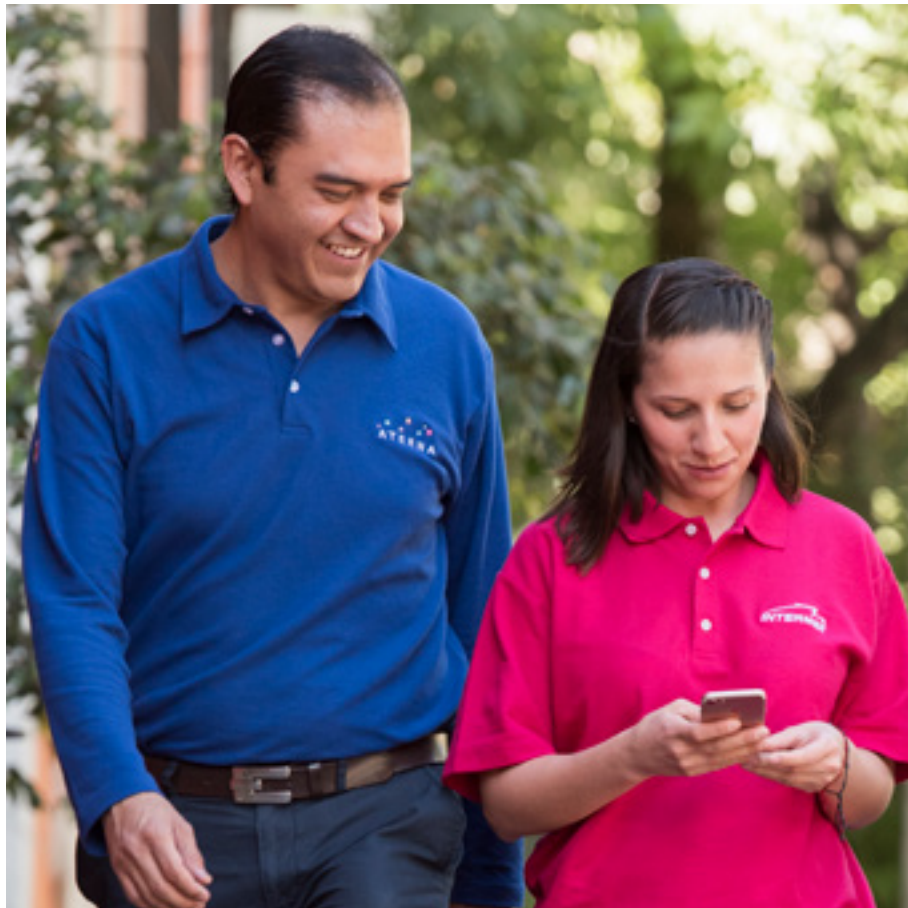
By the end of 2016, these products were already available in the 135 banking locations of Compartamos Banco in Mexico.

**Savings**



Given the expansion of our savings offer, an increase of 154.7% in the number of saving accounts in respect to 2015 took place.

**Aterna** (102-7, FS6, FS7)



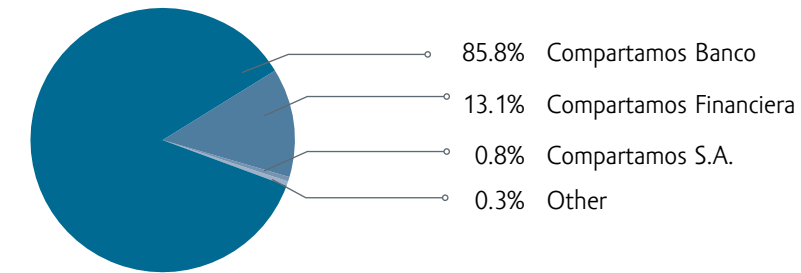
Aterna is the specialized insurance agent of the Group that offers different coverage to the underserved segment.

Aterna has a prominent role in promoting and strengthening the prevention culture, limited in the population segments we serve. It also delivers a timely and appropriate response to the clients when the execution of the policy is required.

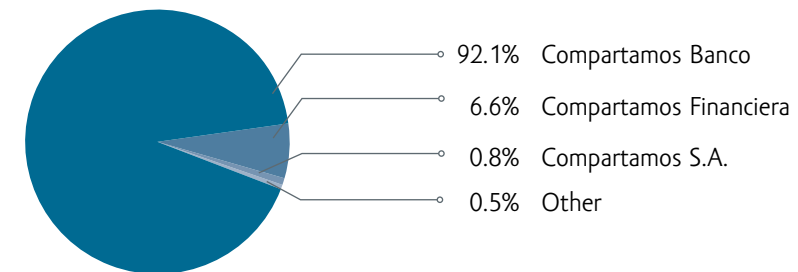
**Aterna -Operative Results**

	2014	2015	2016
Nº of distribution channels	8	8	7
Nº of claims served	7,581	9,210	13,779
Total brokered premiums (million pesos)	495	626	816
Insured sum paid to beneficiaries (million pesos)	112	141	182
Number of policies sold	12,784,953	14,899,610	17,156,769
Number of active policies	3,883,814	4,417,423	5,519,220

**Percentage of claims serviced per channel (2016)**



**Percentage of the insured sum paid to beneficiaries per channel (2016)**



- The progression of voluntary insurance is growing, which additionally implies an increase in the main associated variables.
- In 2016 the number of service claims increased 49.6% in respect to the previous year, which meant a challenge for operational logistics and efficiency of processes, while ensuring the proximity with the client that characterize all the companies of Genera.
- This is reflected in an increase of 29.1% of the insured sum paid to policy beneficiaries.
- After consolidation in Mexico, in 2016 the growth of Aterna in Peru stood out, particularly the life insurance product.

**Yastás** (102-7, 102-10, FS6, FS7, FS13, FS14)



Yastás is key for Genera's objective of contributing to financial inclusion, given its presence in the last-mile to ease the access to financial transactions and payment of services in a convenient way, through its correspondent banking network, shaped by owners of small shops (convenience, stationary, hardware shops among others), who seek to deliver an added value to their clients.

Through the Yastás points it is possible to make payments for utilities or services. By the end of 2016, there were 23 issuers (basic utilities, Cable or Satellite TV, among others), as well as the purchase of minutes for prepaid cellphones and financial transactions of Compartamos Banco and Bansefi.

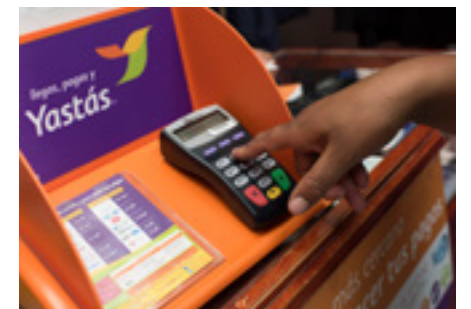
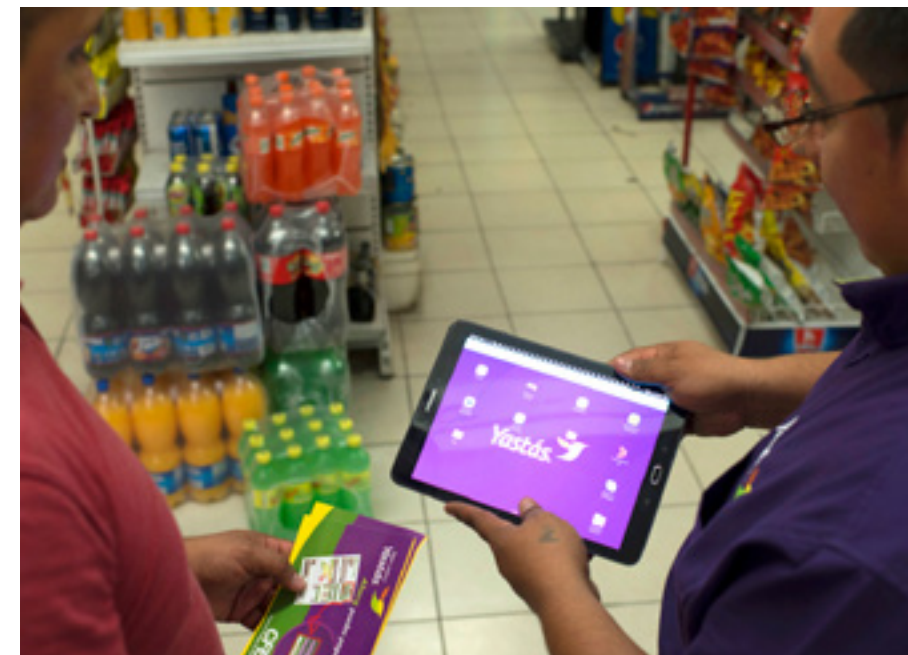
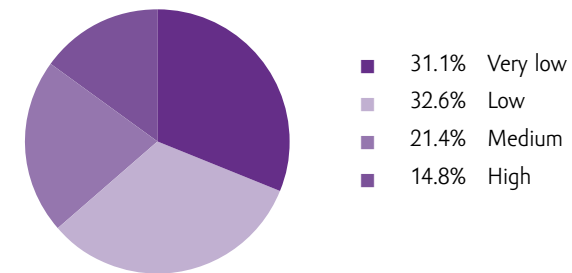
**Yastás - Operational Results**

	2014	2015	2016
Number of active correspondents	2,745	2,613	2,860
Active brokers enabled to make financial transactions of Compartamos Banco	2,000	2,222	2,719
Active brokers enabled to make savings transactions	0	405	1,452
Number of municipalities covered	492	635	903
Number of total transactions (millions)	12.7	13.7	13.2
Number of financial transactions carried out (million)	0.26	2.1	5.7

- The Yastás network extends throughout Mexico, having increased a 9.5% the number of correspondents in 2016 compared to the previous year, and a 42.2% the number of municipalities in which they have presence.
- Yastás approach as a channel for clients of Compartamos Banco in the last-mile, is gaining strength with an increase of 171.4% in the number of financial transactions carried out in respect to 2015. The 95% of the correspondents are enabled to carry out this type of transactions.
- Yastás reached the second place in credit drawdowns for Compartamos Banco.

Yastás has 14.9% of its correspondent banking network in municipalities with a high or very high degree of marginalization, where its contribution to financial inclusion is highlighted.<sup>8</sup>

**Presence of correspondents in municipalities according to the degree of marginalization**



<sup>8</sup> The classification of the degree of marginalization in municipalities is obtained from INEGI data.



## Intermex (102-7, FS6, FS7, FS13, FS14, 203-1)



Intermex provides remittances payment services through Compartamos Banco branches and through a network of correspondents. Intermex seeks to provide service to our clients adding value from the synergy of products and services offered by the companies of Genera.

Remittances constitute a key source of finance for many households in Mexico, particularly in rural areas. In 2016, 55% of households that received remittances were located in municipalities with a medium and high degree of marginalization.

### Intermex - Operational Results

	2015	2016
Number of cash remittances (million)	3.95	4.4
Remittances paid in millions of Mexican pesos	3.87	4.3
Remittances paid in USD	0.08	0.1
Remittances amount <sup>9</sup> (million)		
Amount paid in Mexican pesos	16,194.10	21,372.2
Amount paid in USD (million)	20.8	17.7
Number of users or clients <sup>7</sup>	576,114	630,762
Number of states of Mexico with branches	13	13
Total number of payment points in Mexico	1,248	1,867
Correspondents	1,188	1,807
Number of agencies in the United States	37	37

<sup>9</sup> Refers to the total number of users that collected at least one remittance through Intermex payment network.

- Intermex operational results show an increase of 11.4% in the number of remittances, which show a growth of 32.0% in the amount sent in domestic currency against the decline in the use of dollars.
- The service continues broadening its client base, with an increase of 9.5% in respect of 2015. This is supported by the increase in the number of branches of Compartamos Banco and the Yastás points of payment, as well as the standards of excellence in the service provision found in Genera companies.
- In addition to Compartamos Banco branches, the group of correspondents increased a 52.1% in respect to 2015, including Yastás points offering the service.

## Fiinlab (102-10, 203-1)

Launched in August 2016, it is the innovation laboratory of Genera. Its purpose is to foster entrepreneurship and innovation by creating solutions for financial inclusion, through sustainable models enabled by disruptive technology.



# Fiinlab

## What does it do?

## How?



Internal development of innovative initiatives, of intra-entrepreneurship projects.

By designing, building and testing financial solutions through internal teams.



Creation of companies and alliances with start-ups and other external players of the entrepreneurial ecosystem.

- Investment in start-ups that offer models that contribute to Fiinlab's objective.
- Provision of a development platform for such start-ups, that offers access to Genera and its companies infrastructure, in order to prove together their assumptions of value generation.
- Support the creation of new start-ups, through incubation and accelerator partners.



Contribution to the creation and dissemination of a culture of entrepreneurship.

Provision of an open learning and collaboration space that connects Fiinlab, Genera and the entrepreneurial community through events, conferences and the coordination of working groups.

As a promoter of innovation, during the first months Fiinlab's efforts were focused on defining the vision and innovation strategy for Genera, followed by designing their work methodology as a company of the Group. In this implementation stage, the goal of at least five relevant financial solutions by the end of 2016 was set. As a result, eight internal development projects by team members emerged. In addition, Fiinlab started to establish alliances with start-ups of the entrepreneurial ecosystem.

Fiinlab was mentioned as one of the most important spaces for fintech acceleration in the Mexican ecosystem (Global Fintech Hub Federation, 2016).

## Financial Education (FSI, FSI6)



At Genera we see financial education as an attribute of our financial solutions. For that reason, we have developed and therefore supported different programs for our clients, employees and communities where we have presence.

### Clients

In addition to the information we provide to our clients with the product hired, we develop specific financial education initiatives.

Speaking of Compartamos, as part of the credit methodology, loan officers are required to explain to the client the product characteristics such as payment frequency and interest rates, information that is also included in the contract.

In Compartamos Banco we have a financial education program called "Effective Ideas" which includes talks and materials targeted to improve the management of our clients businesses, their household budget and the responsible use of financial products and services. Through this program we aim to contribute to the creation of a prevention culture and to avoid over indebtedness. This program is taught in the two first cycles of both loans group and individual.

### Financial Education Program for Clients- "Effective Ideas"

Clients	Topics
Crédito Mujer	Budget and petty cash expenses, savings goal, formal savings, responsible use of credit and prevention culture.
Crédito Comerciante	Budget and petty cash expenses, responsible use of credit, credit bureau and prevention culture.
Crédito Individual	Payment capacity, credit history, cash management, insurance.



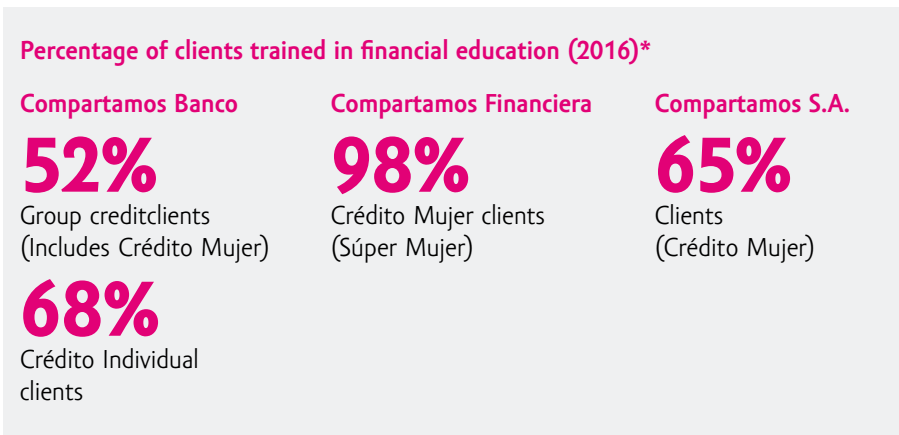
As for insurance, in addition to the marketing material given to the loan officers of Compartamos Banco in charge of the commercialization of products, there were distributed close to 10,000 brochures aiming to better inform clients about the advantages of the prevention culture.

At Compartamos Banco we seek to expand financial education in 2016 beyond our promoters activities, through the implementation of a digital strategy. To that effect, we launched the series "Pocket Stories", comprised of 10 animated learning clips placed on Compartamos Banco website which recount the experience of an entrepreneur family with more than 59,600 views.

Furthermore, a proactive dissemination of financial education material was carried out in the offices of Compartamos Banco through videos about the importance of savings and the use of electronic means of payment, as well as sending text messages to clients. Moreover, through our social media profiles, we share financial education advice.

Additionally, at Compartamos Financiera, we developed 8 workshops, providing training to more than 1,600 clients on the use of SMEs Credit.

With all this, we have strengthened the complementarity between financial education and the information we provide to clients about our products.



Our efforts of creating social value through education and knowledge development extend beyond the scope of finance. In addition to the performance of Fundación Genera which focuses on the community, during the past three years we added the Inluso Program, targeted to the children of our clients. Through the development of a digital educational program for vocational orientation and based on mobile devices we seek to contribute to strengthen the social and emotional competencies required for their future. This experience through an app was disseminated in 50 service offices of Compartamos Banco and taken also to schools which allowed us to plant the seed about new educational methods as well as gaining significant knowledge as a company in regards to the use of technology to get closer to our clients and their families. After sometime the program ended in 2016, and we now focus our efforts in other initiatives to continue contributing to value creation.

\* Clients who are in the first and second credit cycles.

**Employees (404-2, FS4)**

Our teams represent the pillar for client proximity. For that reason they have been trained on the characteristics of our portfolio. In the previous year it stands out the training in insurance due to the emphasis that we have put in its distribution. We also seek to deliver our employees the tools for managing their economy contributing to the balance and development of their households and projects.

The training provided combines classroom and on-line training throughout the different stages of development of each employee. Within the introduction we provide the course Healthy Finances in which 3,400 new employees of Support Services, Compartamos Banco, Yastás and Intermex, were certified.

In addition, we offer training during their professional development in Genera. This year we implemented the course Debt Healer in which 94% of employees of Compartamos Banco, Yastás and Intermex were certified. We also carried out a retirement savings workshop and an on-line certification on financial culture.



We trained 3,400 new employees in financial literacy.

**Community (102-12, 203-2)**

To have empowered partners in relation to finance and to trigger a savings culture, responsible management of credit and prevention are some of the objectives we have been working in Genera and our companies.

In 2016, we developed the Children's Savings Day, with activities in 882 schools in 15 cities of Mexico, reaching out 65,000 students. In addition, we participated in the National Week of Financial Education organized by the National Commission for the Protection and Advocacy of Financial Services Users (CONDUSEF), which reached the ninth edition. Furthermore, we continued with the pilot activities launched the previous year in the framework of Compartamos with the Community Days, extending their scope and adding initiatives such as the Financial Lottery.

Through Fundación Genera and the agreements it has with different organizations, we broaden the group of initiatives and their scope.



**Partnerships**

Foundation NEMI A.C.  
Messengers of Peace Mexico, I.A.P Interactive Museum of Economy (MIDE as per acronym in Spanish).  
Observe, Observatory of Interventions on Violence A.C

More than  
**85,000**

TRAINED STUDENTS

TEACHERS AND PARENTS TRAINING

## Client protection



At Genera we want to contribute to the economic and social development of our clients with an approach that extends beyond the delivery of products and services. For that reason, we seek to deliver clear and relevant information on the characteristics of our products, to empower clients in the decision making process and to contribute to a culture of prevention not only through insurance but also through training on practices to avoid over indebtedness. Our financial education initiatives constitute a very clear example of this.

Every day we work to strengthen the trust of our clients, with transparency in the products and services, advice and also ensuring the protection of their personal data.

### Information about the products and services (416-1, 417-1, FS1, FS2, FS4, FS15)

Our products are designed considering the needs of the underserved segment, with the aim to deliver relevant solutions, as well as the appropriate information for the decision making. For this, we have included in the financial solutions manual for our loan officers. It references on what to communicate, which we reinforce with training on the characteristics of the portfolio they manage.

At Compartamos Banco, the efforts are targeted towards the creation of innovative, simple, useful, inclusive, accessible, efficient and profitable products, to avoid over indebtedness of our clients and to support the preservation of their quality of life. We achieve this through:

ANALYSIS OF THE NEEDS OF OUR CLIENTS	DEVELOPMENT OF THE PRODUCT	RESEARCH AND DEVELOPMENT	MARKETING AND PROMOTION
Identification of clients segmentation	Assessment of the potential impacts on different levels: client acceptance, financial and profitability analysis, in order to define the characteristics of the new product or re-engineering to be made	Based on the results of the market and competition research  In this phase it ends the design stage	Once the client profile is identified, the development of advertisement strategies is carried out

When acquiring a group product we deliver to our clients the following:

- Agreement with the purpose of the acquired product
- Table of amortization with the group total payment per every collectability
- List of members with their respective loan amount
- Control of payments and savings where the paid amount, saved amount and credit and savings balance is recorded per collectability and per group member
- Payment book with comprehensive information on financial services, as well as advice on security and financial education



Genera's guidelines to protect the client's interests are particularly present in Compartamos, which commercialize their products and the products of Aterna and Intermex. Client protection continues throughout the different stages of the product and experience which include marketing, commercialization and client service during the validity of the financial solution.

In addition, is important to highlight that we take into account the reality of the environment in which we operate, in order to facilitate the reception and understanding of the product information by our clients. In this respect, Yastás has developed manuals in nahuatl and totonaca -indigenous languages-, with information of the payment methods available in their units, distributed in partnership with agents of the rural areas with indigenous population.

### Personal data protection (418-1)

At Genera we work according to the highest data protection standards, reciprocating the trust given by our clients, our stringent operation excellence guidelines and the quality principles, consent, purpose, information, loyalty, legality, reciprocity and responsibility, including our Data Privacy Policy Manual.

In addition to complying with the Federal Law of Personal Data Protection in Possession of Private Entities (LFDPPP)<sup>11</sup>, we have adopted a system of self-regulation with our own requirements regarding behavior, standards and additional obligations to the ones required by Law, against which Compartamos Banco and Compartamos Servicios were already certified by an external specialist accredited for this purpose.

**Compartamos Banco is the first financial entity and the ninth company in Mexico that obtained the certification "Self-regulation on Personal Data Protection", after other companies in the information technology sector.**

Moreover, we are available to our clients in regards to all enquires and claims they want to submit. Through the Data Privacy Management Office, we handle ARCO's rights requirements which are Access, Rectification, Cancellation and Opposition, having answered 334 requests in 2016.



## Innovation (102-43, 203-1)



Innovation is one of the strategic pillars set for Genera to move forward in our path to financial inclusion of the underserved segment. We understand it as the performance in the threefold strand of products & services, process and channels, always focused on the client and the bond trust established.

In 2016 in Compartamos Banco expanded the ecosystem of credit payments and saving transactions, in an effort that will continue during 2017 until we reach the number of banking locations that will allow us to consolidate a comprehensive network of client service.

Progress is also extended to Yastás, which continues to increase the variety of transactions that can be carried out through its infrastructure, with this year's progressive incorporation of the remittances services developed by Intermex. Another focus in our work is to enhance the synergies between products and services of the different companies of Genera, in order to deliver the highest added value to our clients.

In addition, we want to obtain the best technology for our operations. For that reason in Compartamos Banco we invested in three platforms to provide electronic services to our credit and savings clients. We implemented an ATM pilot program with two units in Puebla to assess the benefit they deliver to clients.

The electronic and mobile banking deliver numerous benefits to our clients and that is why we are strengthening them through our own innovation and that of third parties. On the one hand mobile banking is convenient for the user that avoids transportation and finds it available 24-hour. This promptness facilitates the management of the client finances, encouraging saving decisions. But that infrastructure would not be possible without our network of banking locations and Yastás points that handle the diversity of users and circumstances, bringing balance between proximity and technology.

On the other hand, during 2016 the main milestone for innovation in Genera was the launch of Fiinlab, our laboratory to trigger and strengthen entrepreneurship and innovation in the company and in an ecosystem of collaborative partnerships, always with the purpose of financial inclusion.

## Development of value chain (102-9, 102-10, 203-1, 203-2)

At Genera we bet on excellence in operations as well as in products and services, an effort of which value chain is part of. Our allies join the contribution made by the suppliers to bring our products and services to the clients, playing together a part in financial inclusion.

Our chain is increasingly robust and diverse, reflecting the social value that we seek to create with our operations. In 2016 in Mexico we had 1,223 providers that had operations with the Acquisitions Department, an 89% more than the previous year. We aim to support talent in our environment, entrepreneurship and the business sector, and 99% of our providers are local.

In the case of Yastás, the service model includes the participation of correspondents, whom make available to the public the transaction terminals in their shops, which in turn, deliver an added value to their business. In 2016, the correspondents (middlemen) network reached 2,860, with presence in 903 municipalities in Mexico<sup>10</sup>. For its part, Intermex adds in total 1,807 of correspondents to the commercialization of its service in the branches of Compartamos Banco.

We seek that our providers are aligned to the philosophy of Genera. To achieve that, we have a specific Code of Ethics and Conduct, that they commit to comply with and we carry out assessments in that regard, as well as

in relation to the job performance, transparency and other topics linked to sustainability.

We promote a trusting relationship, making an effort to developing it, to achieve a shared growth. This is particularly evident with our Yastás network of correspondents, in our win-win model. Through their small businesses we provide last mile services and facilitate the transactions for our clients, in many cases also theirs, while the correspondents get an added value for their business and the availability of a wider audience.

In 2016 we invested 10.6 in Yastás infrastructure, of which 93% was allocated to transaction points and its associated systems. The network increased in 247 new agents and the group received 52 million pesos for service commissions.

Yastás seeks to empower its correspondents in business management, having carried out 7 workshops of business development throughout four states of Mexico, with 459 attendees.

<sup>10</sup> More information on Yastás service model and its network is found in the chapter "Leaders of Financial Inclusion".

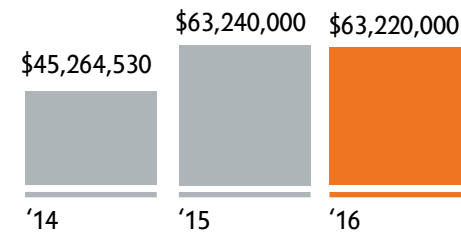
## Commitment with the communities (201-1)



We understand social value creation as an extensive commitment to the communities we operate in, where we provide services, supporting the families and neighbors of our clients and employees.

In Genera we allocate 2% of the annual net profits to the **Social Corporate Responsibility Fund**, of which one part is allocated to **Fundación Genera** and the remaining to social responsibility initiatives developed by the different companies. Is the Foundation who defines the strategic lines for the development of programs and activities with **focus on education** both formal education as well as financial education and entrepreneurship culture. In addition, there are other lines of action: the promotion of volunteering, the **donation culture** and the **assistance in contingencies**.

### Corporate Social Responsibility Fund



## Fundación Genera (201-1)

Is the organization that sets the strategy and coordinates the efforts of Genera and all its companies in regards to social responsibility -associated to the effects of the provision of financial services- and social investment; the later as a contribution to the development of communities through donations, partnerships and other mechanisms.

Its main focus is education which is viewed as the seed and foundation of social inclusion.

### LINES OF ACTION

- Education: formal, financial and entrepreneurship culture
- Volunteering culture
- Donation culture
- Contingencies



The lines of action set by the Foundation are implemented through programs and initiatives developed by their own team, by the social responsibility departments of the different companies or together with the participation of external specialists and organizations, through partnerships.

We aim to propose initiatives that create value, helping with the needs of the environment by designing and implementing them very closely to the communities. This is the case of Compartamos Financiera y Compartamos S.A. which have the strategic support of Fundación Genera, while all the social responsibility and social investment activities are carried out by their own teams.

The Foundation sets their own budget based on the contribution of Genetera's Corporate Social Responsibility Fund and the donations of employees and other organizations.

### Economic value allocated

	2014	2015	2016
<b>Income</b>	\$12,568,545	\$9,298,593	\$21,576,207
Donations from the Corporate Social Responsibility Fund	\$12,146,432	\$6,077,476	\$8,231,915
Other donations (employees, directors and other related parties)	\$26,794	\$2,892,149	\$13,073,983
Other income	\$395,319	\$328,968	\$270,309
<b>Amount spent</b>	\$6,149,991	\$20,383,597	\$23,300,132
Dental health projects in the communities where we operate	\$1,164,878	\$818,960	\$816,640
Education Call	-	\$5,664,432	\$8,233,825
Education projects (Formal, financial, and entrepreneurship)			
Partnerships	\$1,915,827	\$8,072,249	\$8,665,600
Projects on education, financial education and entrepreneurship culture.			
Volunteering	\$897,512	\$2,654,172	\$2,784,171
Operational management and administrative expenses.	\$2,171,774	\$3,171,784	\$2,799,896



**Education**

The development of abilities in the community, contributes to the creation of knowledge which triggers social transformations as well as financial inclusion with its associated impacts.

Fundación Genera works in three lines within education: formal education, financial education and entrepreneurship, through partnerships and donations.

**More than  
100,000**  
PEOPLE BENEFITED IN REGARDS  
TO EDUCATION, THROUGH  
PARTNERSHIPS AND DONATIONS.

**Alianzas y donaciones 2016 - Educación**

Line of Action	Initiatives	Beneficiaries
Formal Education	<ul style="list-style-type: none"> <li>Education</li> <li>Basic education</li> <li>Programs to reinforce formal schooling</li> <li>Comprehensive living expenses</li> </ul>	13,111clients and community 1,201 children benefited with school equipment
Financial Education	Financial Education	35,900
Training to entrepreneurs	Entrepreneurship courses	54,330

**Donation culture**

At Genera we were born with a vocation of service, of helping others, and we expect it to be part of all the members of the team. The donation culture is part of this and we work to embed it in our companies.

Every year, we launch the **Education call**, where we invite employees to contribute to civil society organizations working in the promotion of children, youth and adult education. Fundación Genera contributes with the same amount donated by the employees, who also can nominate civil society organizations as beneficiaries.

As novelty, Fundación Genera has launched a program in which the employees that participated in the call would be able to know firsthand the impact of their contributions and meet the beneficiaries.

**Volunteering**

It represents a central pillar of the initiatives within our companies, which reflects our values and allows us to contribute to improving the conditions of our surroundings in a shared effort that strengthens our ties as a team. 8 of every 10 employees have taken part in at least one activity.



**Volunteering 2016**

COUNTRY	COMPANY <sup>11</sup>	Nº OF VOLUNTEERS	Nº OF HOURS
México	Genera Servicios	653	3,816
	Compartamos Banco	12,773	53,584
	Yastás	89	543
	Aterna	32	145
Perú	Compartamos Financiera	2,707	14,012
Guatemala	Compartamos S.A.	593	2,287
<b>Total</b>		<b>16,847</b>	<b>74,386</b>

<sup>11</sup> 2016 volunteering activities. ntermex did not take place.

Among the volunteering initiatives developed in Genera the following stand out:

- **Holidays of solidarity**, where the employees allocate five of their leave days to build houses in vulnerable communities.
- **Direction in action and volunteering in the service offices**, in which the corporate and branch teams propose causes to participate, allocating work hours and receiving economic support from the Foundation for the development of activities.
- **Being an entrepreneur**, in which employees raise awareness of entrepreneurial culture and provide training on the development of business plans.

We also carry out the Compartamos (Lets Share) with the Community Days, in which our companies Compartamos Banco, Compartamos Financera and Compartamos S.A. participate given that their operation is carried out with more proximity with the community. Through these days which include volunteering of our employees and the participation of civil society organizations, we work in restoring social spaces, delivering preventive health services and offering cultural events. This year we have also incorporated financial education activities although specific programs in this issue continue to exist in Genera.

Also in Compartamos, we had set the goal that all the service offices would carry out at least one volunteering activity, and we are proud to say that we have fulfilled it 100%.

**Compartamos Days with the Community 2016**

Country	Nº of days	Investment	Nº of States/ Departments impacted	Nº of volunteers	Nº of hours	Type of volunteers	Nº of beneficiaries
México	26	\$9,665,185	14	3,457	11,325	Employees, clients, guests, and community	10,878
Perú	2	\$1,634,649	2	186	744	Employees	157
Guatemala	2	\$545,846	2	279	520	Employees, clients, family members and community	470

**Contingencies**

Our program is ready for activation when a whether contingency occurs, which has to be designated as emergency by the Continuity Commission, led by the Business Continuity Department with the involvement of representatives of other teams and companies of Genera. Once the program is launched, Fundación Genera proceeds with the delivery of food provisions packages and/or water filters.

Also, we launched the program "Resilience Brigades", in collaboration with the Committee of Assistance in National Disasters and Emergencies (CADENA A.C. as per its acronym in Spanish), which is designated to train vulnerable communities in risk prevention and assistance in emergencies, as well as to create community brigades for civil protection, which has benefited more than 3,000 people throughout the year.

In 2016 we delivered 2,124 food packages to communities affected by the adverse whether events in Puebla and Guerrero (Mexico).

**Partnerships (102-12)**

In Fundación Genera as well as in the rest of the Group, **we believe in collaboration as a driving platform for social development**, with focus on education as the trigger of opportunities. We create partnerships with different civil society organizations, in order to support their projects with economic and technical resources so they implement the initiatives in different areas where they operate throughout Mexico, Peru and Guatemala.

**70**  
ORGANIZATIONS  
**134,950**  
BENEFICIARIES

- TOPICS:**
- Education
  - Children support
  - Women's development
  - Entrepreneurship
  - Community empowerment

# Human Value

At Genera we continue offering employment and professional development opportunities, in a difficult environment for the region and the financial sector, as part of a committed team that performs according to a deep corporate culture.

## Team description (102-8, 102-36, 102-37, 102-41, 201-3, 401-1, 401-2, 405-1)

As evidence of this, in 2016, we reached 21,185 employees with growth of 51.3% in our workforce in Guatemala and 31.7% in Peru. These are the markets of most recent incursion and have a smaller workforce in comparison with 81.4% growth of the team in Mexico.

We believe in the richness brought by **gender diversity** in the teams and we facilitate work-life balance. For this, we extend the maternity leave by three additional weeks of the legal requirement or the option of reduced hours during six months, as well as the incorporation to a flexible work team during a year. For fathers, the benefit is of an additional week of the legal requirement or reduced hours during 20 days. These measures, in addition to the inclusive environment that characterizes Genera, allowed a 49.4% of women presence by the end of the year. The progressive increase in their participation led us to surpassed in 2016 50% of administrative and sales employees.

As part of our commitment to provide better environments and work opportunities, we consider labor stability as key and we support it through the permanent contracting. We contribute to employment creation in our supply chain with the direct participation in our operations of 465 employees of external companies.

### Labor Demographics

	2014	2015	2016
Total number of employees	18,999	20,179	21,185
Permanent contract (%)	84.0	89.5	98.2
Women employees (%)	48.3	48.7	49.4





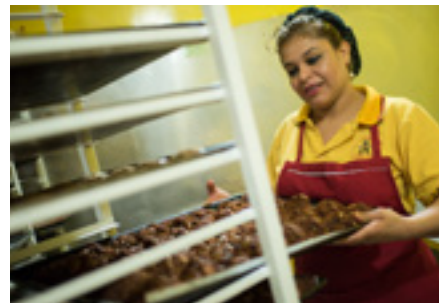
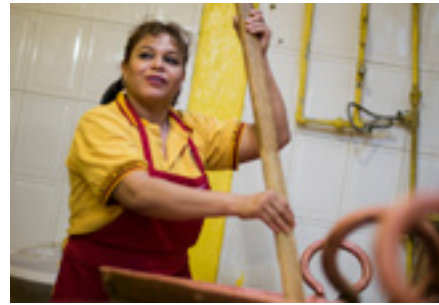


CLIENT: **OLIVIA SANDOVAL CERVANTES**  
 LOAN OFFICER: **SANDRA PATRICIA NAVARRO ESPINOSA**  
 BUSINESS: **SALE OF ARTISAN SWEETS**  
 LENGTH OF SERVICE: **3 YEARS 6 MONTHS**  
 PRODUCT: **CRÉDITO MUJER**

*Born in Coahuila from where she relocated to Monterrey, she heads a family company of manufacture and sale of artisan sweets.*

*The business was founded by her in-laws more than 25 years ago, years in which they have been offering tasty products to different generations.*

*Throughout this time, she has had the support of Compartamos Banco, who has accompanied her to overcome some crisis. Today, her business is growing with strength, providing employment to eight people.*



**Employees by country**

	2014	2015	2016	2016 (%)
Mexico	16,448	17,272	17,253	81.4
Peru	2,057	2,379	3,133	14.8
Guatemala	494	528	799	3.8
Total	18,999	20,179	21,185	100

**Workforce by age group and sex - 2016**

	Less than 30 years old	Between 30-40 years	More than 50 years	Total
Men	5,045	5,527	149	10,721
Women	4,822	5,547	95	10,464
Total	9,867	11,074	244	21,185

**Workforce per professional category and sex**

Category	2014		2015		2016	
	Nº of employees	% women	Nº of employees	% women	Nº of employees	% women
Management	157	31.2	176	31.3	160	33.1
Managers	278	43.2	324	45.7	337	42.1
Administrative	1,322	51.5	1,884	55.7	2,184	57.1
Sales Force	17,242	48.3	17,795	47.7	18,504	48.8
Total	18,999	48.3	20,179	48.7	21,185	49.4

**Workforce by company - 2016**

Compartamos Banco	Yastás	Aterna	Servicios de soporte	Intermex	Compartamos Financiera	Compartamos S.A.
15,635	208	38	1,320	52	3,133	799

At Genera we guarantee freedom of association having unionized employees in Mexico, who represent 61.4% of our workforce in the country. This also contributes to our efforts of listening and encouraging participation.

Building environments with career and personal development opportunities, as well as the opportunity of a performance with social significance, contribute to the commitment of our employees. In Mexico, our rotation in 2016 was of 31.5% and for the sales force it reached 37.1%. Due to the dynamics of commercial activity, the sales team is one of the teams most exposed, but despite this we have an average of 3 years of tenure.

We set remunerations considering market references and the characteristics of every post. To the fix compensation we add a variable component linked to annual performance results

for corporate and operational support positions, and according to an incentive plan for selling positions, which is monitored on a monthly basis.

In addition to the maternity and paternity benefits, we aim to go beyond the law requirements in terms of the Christmas bonus and the number of days of leave, according to the position and internal policies in that regard.

Depending of the company and country we offer life and health insurance in addition to other bonus and benefits. All of this is available for our employees after 6 months of service. For our operations in

Mexico, we have a pension plan aimed at ensuring the availability of income when retiring. The employee contributes with between 1 and 6% of their monthly salary, depending of their length of service in the company and their age, Genera equals that amount. In 2016, Genera delivered an average of 42,244.8 pesos per participant, up to a total of 18,842,968.6 million of pesos. In the case of our people in Peru and Guatemala, their social prevention systems have a higher coverage and we seek to balance this situation in Mexico.

## Training and career development (404-1, 404-2, 404-3)

Throughout the year we deliver an average of 88.4 hours of training per employee<sup>13</sup>

At Genera we believe in people's potential and the transformative power of commitment with a purpose and as a team. We offer our employees individual plans of development, with training as a key component. If we contextualize the figures for Mexico, we provided 1,045,096 training hours throughout the year<sup>12</sup> with growth of 11.1% in respect of the previous year and an investment of 91.6 million pesos. It is particularly knowledge transfer generated within Genera, which represents one of the most important assets.



Internal training hours per professional category<sup>14</sup>

Professional category	2016
Director	342
Deputy Director	1,026
Regional Manager	1,098
Manager of the Service Office	18,217
Deputy Manager of the Service Office	43,675
Instructor	1,714
Systems administrator/Administrative assistant	35,892
Sales and client service executive	13,273
Credit Adviser	49,723
Promoter	363,138
Coordinator	39,981
Accounts opener	718
Leader+Employees	29,668
Other	77,156
<b>TOTAL</b>	<b>675,621</b>

Employees that interact directly with the client, are trained in features of the products so they can deliver appropriate advice. In addition, we train all our staff in regards to the Ethics Code and Genera's Philosophy.

It is worth mentioning the Personal Development Program, which focuses on the comprehensive development of our employees that addresses abilities, knowledge, behavior and attitude in the personal, family and social realms, as well as the Serviazgo Program and the team meetings<sup>15</sup>.

We also have a Career acceleration program that contribute with the financing of third level studies for our employees, among them high school students for

whom Genera becomes an ally in their professional development. In 2016 we delivered 594 scholarships within the framework of this program, besides other supports we offer in Genera<sup>16</sup>.

When our employees are in a severance process, we offer them an outplacement program, that includes emotional support, advice for management of economic resources and training in basic capacities for the returning to the labor market. In this way we aim to be a bridge towards a new employment opportunity.

<sup>12</sup> It considers operational as well as Philosophy and Serviazgo training of Compartamos Servicios, Compartamos Banco, Aterna and Yastás.

<sup>13</sup> It considers the operational (internal) and external training.

<sup>14</sup> It considers the operational training (internal).

<sup>15</sup> The Serviazgo Program and the team meetings are described respectively in the sub-chapters of "Philosophy and Serviazgo and "Labor environment".

<sup>16</sup> Scholarships for programs: Career acceleration, development programs, technical, English academy and in house training.

Moreover, training accompanied with efficiency and productivity in operations, is critical for **development** within Genera. Annually, we carry out a **performance assessment**, through an exercise that is increasing the scope of positions subject to it. This assessment is developed in four stages throughout the year and it is characterized by communication and trust between employee and leader.

As novelty in 2016, the implementation of the process through the technology platform "DNA" in Mexico and Guatemala, stands out. The Success Factors system, developed for the connectivity within this great team, has been a success in managing the performance of employees and we expect to expand it to Peru in 2017, beyond the pilot currently in development.

Infographic of the performance assessment model in four stages



### Performance Assessment

Professional category	N° assessed employees	
	2015	2016
President	2	2
Executive Director/CEO	12	12
Director	41	38
Deputy Director	112	128
Manager	410	438
Employees	1,588	3,618
<b>TOTAL</b>	<b>2,165</b>	<b>4,236</b>

From the results obtained in the performance assessment, along with experience and competencies, when covering positions we favor internal talent, with a more exhaustive assessment at more senior levels.

In addition, in 2016 we launched the exercise of Talent Detection for those employees that want to upgrade to manager or higher positions. It is a process comprised by the following five phases:

1. Self-assessment in core competencies
2. Assessment from immediate superior in such competencies and issuance of rating
3. Rating confirmation by third party employees delivered (calibration)
4. Succession tables, where the position/potential destination and the time horizons are identified
5. Development Plan design, which includes identified gaps in competencies.







## Work environment (102-43)

Given the results achieved in 2016, we are proud to continue as one of the best companies to work for Mexico and Latin America, according to diverse rankings produced by Great Place to Work Institute.

Under an approach of continuous improvement we work in the promotion and practice of an organizational culture within Genera. Annually we measure progress through the survey Great Place to Work (GPTW) which we enhanced with additional questions to the standard structure, given the importance we give it as a tool.

In accordance to the results in 2016, we are proud to continue to be one of the best companies to work for in Mexico and Latin America, according to diverse rankings produced by the Great Place to Work Institute.

**Genera** obtained the 1<sup>o</sup> position of Great Place to Work Institute in Mexico, in the category of "The Best Company to Work for" with more than 5,000 employees, with a special recognition in the fairness category.

**Genera** was recognized for the third consecutive year by Great Place to Work Institute Mexico as the "Best Company to Work for in Mexico" within the Banking, Insurance and Finance sectors in the category of more than 1,000 employees.

**Genera** obtained the 3<sup>rd</sup> place of the Great Place to Work Institute Mexico, in the category of the "Best Companies to Work for in Mexico: Gender equality" with more than 1,000 employees.

**Compartamos S.A.** Obtained the 8<sup>o</sup> place of the Great Place to Work Institute in the category "the Best Companies to Work for in Guatemala".

**Compartamos S.A.** Obtained the 5<sup>o</sup> place of the Great Place to Work Institute in the category "the Best Companies to Work for in the Caribbean and Central America", from 100 to 1,000 employees.

Throughout the year, with technology as an ally, we finished implementing a management software for greater efficiency in processes and connectivity among the teams in a Group who is growing every day. Now, all employees can be connected through a mobile application that will strengthen the promotion of the culture that characterizes Genera and its companies and after its implementation in Mexico it will be extended to Peru and Guatemala.

We understand that the following steps shall combine technology with the human factor, linking remote connectivity with in-person team leaders meetings that we carry out annually, as well as for the employees of Support Services, Yastás, Aterna and Intermex. In Compartamos Banco, we carry out regional meetings with the sales teams.

## Philosophy and Serviazgo® (102-43)

Our philosophy, which is a great differentiator that brings together our way of thinking and acting, with the final purpose of financial inclusion, is based on the practice of our institutional values. This constitutes our Philosophy, which we aim to reinforce in every employee with the Model FISEP based on the being integrality with its physical, intellectual, social & family, spiritual and professional dimensions. We take into account these strands of a person in their development within Genera.

Values: Person, Service, Responsibility, Passion, Profitability and Teamwork.

We understand leadership in terms of commitment to service, of being available to those who contribute daily to the creation of shared value of Genera and its companies, and we call it "Serviazgo". Throughout our teams we develop annually a training program in Serviazgo for those professionals with teams in their charge.

To measure the practice of our values every year we carry out the Philosophy survey, which was incorporated in 2016 to the framework of the GPTW environment. With the participation of 17,460 employees, we obtained 88% of practice of Philosophy, a proportion very similar to the previous year.

### Valores:

Person

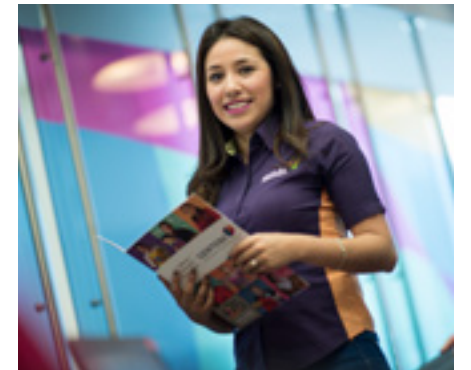
Service

Responsibility

Passion

Profitability

Teamwork





# Economic Value

## Relevant Financial Data (204-1)

At Genera we **create value** hand in hand with stakeholders, for them and with their participation, with the objective of financial inclusion. Our operation generates a positive impact through the delivery of financing opportunities, the contribution to the socioeconomic development of the communities and employment creation, among other aspects. We aim that this contribution grows in time, with an **economic management that underpins our permanence, through efficiency and profitability.**

In the framework of our transformation strategy, we are shaping the company we want to be in the future, based on our track record and objectives.

We believe in **long-term shared value creation**, through our portfolio of companies and solutions, immersed in innovation.

Under a proactive risk management, we bring together financial health prevention and social value creation, protecting the interests of our shareholders and financiers which include commercial, development and debt market banking. It is worth to highlight that we do not receive support or financing by governments.

We work according to our annual business plan, implementing the set budget and monitoring its management. In this regard, we have worked to maximize our experience in group and individual loans, promoting insurance and saving options and empowering innovation

as a differential of Genera. Under a continuous improvement approach, we continue to implement initiatives for the operational efficiency both of business processes and support processes, strengthening the team's capacities.

The trust of our clients and the performance of our employees delivered, in 2016 a **credit portfolio of 33,508 million pesos**, which represents an increase of 17.6% in respect to the previous year.

Despite the macroeconomic context that could affect the payment capacity of our clients, our management of the credit portfolio's asset quality helped to maintain the **delinquency rate at 4.22%.**

The financial management of our asset portfolio results in a **ROA of 8.6%** and the management of our equity in a **ROE of 22.8%.**

**Genera's stability is reflected in the net annual profit of 3,410 million pesos which equates to 2.08 per share.**





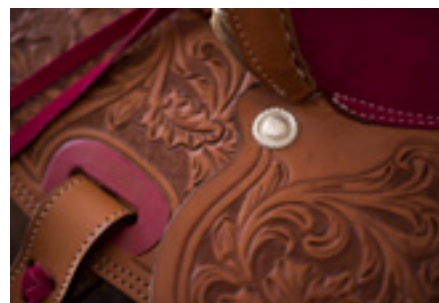
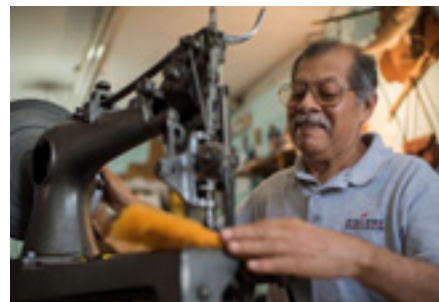


CLIENT: **GERMÁN ESCOBEDO LOERA**  
 LOAN OFFICER: **ALEJANDRO ANTONIO SERRATO RAMÍREZ**  
 BUSINESS: **SADDLERY (MANUFACTURE AND SALE OF SADDLES)**  
 LENGTH OF SERVICE: **10 YEARS**  
 PRODUCT: **CRÉDITO INDIVIDUAL**

*In charge of a business of manufacture and sale of saddles in Monterrey, Nuevo León. It is a clear example of how talent and quality along with determination open borders. Currently they export their products to Canada, United States, Spain and Italy.*

*He has transmitted to his son his passion for working the leather, shaping valued products that have the seal of the family, a legacy forged with dedication and commitment.*

*The loan allows him to invest in raw materials and to continue advancing in his business, looking after every detail of the product.*



## Economic Value Distribution (102-5, 201-1, 201-4)

We generate economic value under the premise of efficiency and profitability, which is combined with human value and constitutes the strength of our team and the resulting social value of the economic development of our clients and the communities to which they belong.

The income we obtained in Genera as a result of our operations is distributed between the different stakeholders, complementing the above mentioned positive impacts generated by our operations.

### Compartamos financial indicators

#### Compartamos - Credit behavior

	2014	2015	2016
Cartera (millones de pesos)	23,951	28,496	33,508
Saldo promedio por cliente	8,332	8,883	9,909
Índice de morosidad	3.28%	3.09%	4.22%

#### Compartamos - Credit Portfolio per country (million pesos)

	2014	2015	2016
México	18,961	22,850	25,063
Perú	47,683	5,237	7,873
Guatemala	221	409	572
Total	23,951	28,496	33,508

#### Income from interests per country (million pesos)

	2015	2016
México	15,442	17,458
Perú	1,569	2,132
Guatemala	265	427
Total	17,276	20,017

Other indicators	México		Perú		Guatemala	
	2015	Δ vs 2014	2015	Δ vs 2014	2015	Δ vs 2014
Past due portfolio/ total portfolio	2.86%	0.20 pp	4.18%	-1.47 pp	2.23%	-2.74 pp
Coverage rate	179.90%	4.9 pp	168.2%	19.6 pp	182.0%	64.6 pp
ROA	11.60%	-3.4 pp	2.9%	-1.5 pp	3.2%	3.4 pp
ROE	31.70%	-7.2 pp	12.5%	-21.2 pp	4.4%	4.6 pp

Other indicators	México		Perú		Guatemala	
	2016	Δ vs 2015	2016	Δ vs 2015	2016	Δ vs 2015
Past due portfolio/ total portfolio	4.49%	1.63 pp	3.37%	-0.81 pp	3.95%	1.72 pp
Coverage rate	150.5%	-29.4 pp	183.8%	15.6 pp	129.8%	-52.2 pp
ROA	10.8%	-0.8 pp	2.1%	-0.8 pp	7.7%	4.5 pp
ROE	30.4%	-1.3 pp	8.7%	-3.8 pp	8.8%	4.4 pp





#### Funding of Compartamos Banco

	Capital	Commercial Banking	Development	Multilateral	Cebures	Raising
dic-14	44.4%	0.4%	10.0%	1.0%	44.0%	0.2%
dic-15	35.3%	0.9%	22.7%	0.8%	37.9%	2.4%
dic-16	36.9%	0.9%	22.0%	0.7%	35.6%	3.9%

#### Funding of Compartamos Financiera

	Capital	Commercial Banking	Development	Multilateral	Investment Funds	Raising
dic-14	14.2%	10.6%	18.8%	7.9%	29.6%	18.9%
dic-15	26.0%	12.8%	20.0%	2.7%	20.7%	17.8%
dic-16	24.90%	15.50%	10.10%	0.60%	14.10%	34.80%

Genera and Mexico's Data	2014		2015		2016	
	Banco	Genera	Banco	Genera	Banco	Genera
Efficiency ratio accumulated	63.0%	65.7%	68.1%	68.6%	68.5%	69.4%
Stockholder's equity/Total assets	41.4%	39.5%	34.0%	37.0%	34.6%	36.4%
ICAP	33.1%	N/A	29.1%	N/A	27.5%	N/A

#### Financial Indicators of Genera

Portfolio percentage breakdown, according to region and/or business unit	Year	Compartamos Banco	Yastás	Aterna	Genera	Compartamos Financiera	Compartamos S.A.
		(México)	(México)	(México)	(México)	(Perú)	(Guatemala)
	2015	80.2%	0.0%	0.0%	0.0%	18.4%	1.4%
	2016	74.80%	0.00%	0.00%	0.00%	23.50%	1.71%

#### Economic indicators (million pesos) - Table 1

	2014	2015	2016
Credit portfolio interests	14,348	17,167	19,828
Income from financial investments	103	109	189
Income from asset divestiture (tangible and intangible)	7	-15	-4
Income from interests	14,451	17,276	20,017
Expenditure from interests	822	885	1,179
Financial spread	13,629	16,391	18,838
Risk adjusted financial spread	11,937	14,185	15,600
Operational expenditure	7,939	10,156	11,194
Salaries and benefits	4,905	6,030	6,693
Taxes	981	1,445	1,439
Investments in communities			
Monetary + in kind donations (CSRF)	32.1	36.7	42.8
Single contributions (education call)	N/A	5.7	8.2
Volunteering (Foundation)	0.9	2.7	3.5
In kind contributions of services or equipment	2.8	6.8	5.5
Donation management, volunteering and community programs costs (CSRF)	0.8	0.5	1.6
Environmental protection expenses and investments			
Environment prevention and management costs	1.3	1.6	0.1

#### Economic indicators (million pesos) - Table 2

	2014	2015	2016
Operation results	4,147	4,658	4,926
Net result	3,162	3,161	3,410
Capitalization (breakdown in terms of debt)	16,083	21,142	24,512
Capitalization (in terms of equity)	12,060	13,501	15,929
Average portfolio	22,801	26,460	30,996
Average productive assets	25,442	29,110	34,586
Operational Result/Average portfolio (%)	18.2%	17.6%	15.9%
Net Result/Average portfolio (%)	13.9%	11.9%	11.0%
Operational Result/Average productive assets (%)	16.3%	16.0%	14.2%
Net Result/Average productive assets (%)	12.4%	10.9%	9.9%
Operational efficiency (operational expenses/average assets)	27.6%	30.0%	28.13%



## Assets, liabilities and stockholder's equity (million pesos)

	2014	2015	2016
<b>Assets</b>			
Availability+ investment in securities + Debtors per report	3,363	3,539	6,570
Assets	30,543	36,514	43,751
Liquidity (availability + investment in securities)/Total asset	11.0%	9.7%	15.0%
Total portfolio	23,951	28,496	33,508
Past due portfolio	785	881	1,414
Fixed asset	921	1,087	1,069
<b>Liabilities</b>			
Total liabilities	18,483	23,014	27,822
Liabilities with cost	16,083	21,142	24,512
<b>Shareholder's Equity</b>	12,060	13,501	15,929
Net profit	3,162	3,161	3,410
Net profit per share (in pesos)	1.90	1.93	2.08
Average assets	28,726	33,855	39,790
Average stockholder's equity	10,758	12,587	14,950
Stockholder's equity per share (in pesos)	7.3	8.2	9.8
Share prices at financial year-end (in pesos)	29.70	33.35	33.38
Number of shares	1,648,211,536	1,638,682,719	1,631,898,230
Number of effective shareholders	5	3	3

## Net profit (million pesos)

	2014	2015	2016
México (Compartamos Banco)	3,233	3,001	3,119
Perú	205.79	149	159
Guatemala	0.77	15.32	48.94
Genera, S.A.B. and subsidiaries	3,162	3,161	3,410

## Economic and financial profitability

	2014	2015	2016
ROA (net result / average asset)	11.0%	9.3%	8.6%
ROA (net result / stockholder's equity average)	29.4%	25.1%	22.8%

<sup>(1)</sup> Direct economic value generated = income from Interests + commissions and charged fees + brokerage result + other operation income (expenses), net.

<sup>(2)</sup> Economic value distributed = interest expenses+commissions and fees paid + management and promotion expenses + participation in the associate result + taxes - depreciation and amortization.

<sup>(3)</sup> Economic value retained= direct economic value generated - economic value distributed.

## Economic value generated and distributed (million pesos)

	2014	2015	2016
Direct economic value generated <sup>(1)</sup>	15,257	18,641	21,228
Economic value distributed <sup>(2)</sup>	10,071	12,880	14,091
Economic value retained <sup>(3)</sup>	5,186	5,761	7,137
Net result	3,162	3,161	3,410

# Corporate Governance

## Structure (102-5, 102-18, 102-19, 102-20, 102-21, 102-22, 102-23, 102-24, 102-25, 102-26, 102-27, 102-28, 102-35, 102-36, 405-1)

At Genera we have a governance system in compliance with legal provisions, which seeks **excellence** taking into account the highest national and international standards, such as the Corporate Best practice Code of the Business Coordinator Board (CCE as per its acronym in Spanish) and the Professional Ethics Code of the Mexican Stock Market Community. The objective of the system is to ensure **due diligence in the decision making process.**

The 99.7% of our shares are listed in the Mexican Stock Market (BMV as per its acronym in Spanish) and our market capitalization value was 54,472.76 million pesos in 2016. As a public company, Genera has a **Shareholders Meeting** that approves the Group's accounts and is responsible for appointing and reelecting members of the Board of Directors, proposed by the Appointments and Assessments Commission, who validates that candidates fulfill the legal and organizational requirements.

The **Board of Directors** is comprised of 13 directors of which 8 are independent. The range of age of the members is between 46 and 77 years old, and 15.4% are women.

With an indefinite renewable term of office, the independent board members shall proof their experience when they are proposed, as well as demonstrating the competencies and abilities required to fulfill their duties and fiduciary responsibilities, free of conflicts of interest. Independent board members are compensated by their performance, associated board members who act as well as senior management of Genera, are not.

The Board is chaired by Mr. Carlos Antonio Danel Cendoya who is co-founder of Genera and has a broad knowledge of the company and the



The Board of Directors is highest government body and is comprised by 13 directors, 8 of which are independent.

The Board of Directors is highest government body and is comprised by 13 directors, 8 of which are independent.

sector that extends to the rest of the members, with an average seniority of 9 years in the position.

All board members fulfill their loyalty, diligence and informed judgment duties, which is reinforced by continuous training through courses and conferences on relevant topics for the company. In 2016, topics such as the political and economic environment of Mexico and the rest of the world, the fight against corruption and the impact of the USA elections were covered. These, in addition to the support of external advisers and experts.

With their duties described in the Articles of Incorporation and the Code of Good Governance, which was launched in 2016, the Board of Directors is responsible for monitoring the wellbeing of Genera, set their strategic direction as well as to monitor the allocation and use of financial resources with the objective of protecting our shareholders, clients, employees and suppliers interests. Their performance and the quality of their activities are assessed on annual basis.

The Board has **4 support committees**, comprised by directors and chaired mostly by independent members. These bodies have their own powers, reporting on a regular basis to the Board on the decisions adopted.

Consejeros <sup>18</sup>	Carácter
Antonio Rallo Verdugo	Independent
Carlos Antonio Danel Cendoya	Associated
Carlos Labarthe Costas	Associated
Claudio Xavier González Guajardo	Independent
Francisco Javier Arrigunaga Gómez del Campo	Independent
John Anthony Santa María Otazúa	Independent
José Ignacio Ávalos Hernández	Associated
José Manuel Canal Hernando	Independent
Juan Ignacio Casanueva Pérez	Associated
Juan José Gutiérrez Chapa	Associated
Luis Fernando Narchi Karam	Independent
Martha Elena González Caballero	Independent
Rose Nicole Dominique Reich Sapire	Independent

(102-18, 102-29, 102-30, 102-31)

Committee	Duties
Audit	Sessions regularly and is comprised by 4 independent board members and 3 guests with advisory capacity but no voting rights. Their duties are: <ul style="list-style-type: none"> <li>To review the financial statements and reports, as well as the accounting and tax standards applied.</li> <li>To monitor the internal control system, in terms of implementation and follow-up of operational policies that constitute it.</li> <li>To supervise that the internal and external audit are performed with the highest objectivity and independence.</li> <li>To monitor compliance with the principles set in Genera's Ethics and Conduct Code.</li> <li>To review transactions with related parties and propose them for their approval by the Board of Directors.</li> </ul>
Corporate Practices	Sessions regularly and is comprised by 4 aboard members and 2 guests with advisory capacity but no voting rights. Their duties are: <ul style="list-style-type: none"> <li>To assess and create compensation plans for the CEO and their management team.</li> <li>To prepare policies of talent development and succession.</li> <li>To decide the compensation policies for Board members.</li> <li>To monitor the operations with related parties requiring approval from the Board.</li> </ul>
Executive	Meets regularly and is comprised by 5 board members and an independent specialist advisor in an advisory capacity without voting rights. Their duties are: <ul style="list-style-type: none"> <li>To follow up the strategy approved by the Board of Directors.</li> <li>To support management in the analysis and discussion of strategic and high importance matters.</li> <li>To act as a link and promote better communication between the Board of Directors and the senior management team.</li> </ul>
Risks	Meets regularly and is constituted by 7 members. Their duties are: <ul style="list-style-type: none"> <li>To identify, monitor and develop mechanisms to mitigate risks to which Genera is exposed to.</li> <li>To define Genera's risk map, as well as its control strategy.</li> <li>To set the appropriate controls and provide follow-up.</li> <li>To approve risk exposure limits.</li> <li>To ensure the risk profile is consistent to the guidelines approved by the Board.</li> </ul>

Moreover, our **senior management team** keeps informed the different committees and Board; and it is comprised of the company's CEO and corporate department directors of cross-cutting management areas such as culture and people management, finance and external relations, among others.

In addition to management, Genera's companies have their own

corporate government structure, established taking into account their legal nature and laws of the country they operate.

Stakeholders concerns are identified through our teams with different mechanisms and with a listening approach. Through management these concerns are communicated to the committees and then to the Board, in a way that the decision making can take place at each management level.

## Ethics (102-16, 102-17, 102-25, 205-1, 205-2, 205-3, 410-1, 412-2, 415-1)

Our **Philosophy** goes beyond a corporate culture; it constitutes a **differential**, underpinned by the values shaping our **Philosophy** and on how our employees put them into practice every day. We shaped the Ethics and Conduct Code so it serves as a support tool informing on the as support tool, communicating

Employees are informed about the Ethics and Conduct Code when they join the company and they are certified on their knowledge, which is an annual requirement. In addition, we carry out other training with reinforced and broader content, which includes conduct norms such as corruption prevention, information management and non-discrimination. That is the case of the Ethical Judgement Workshop, provided to 655 employees this year. We implemented training adapted to the activities in Compartamos Banco, Aterna and Yastás, with the participation of 475 employees.

We have a training version specifically developed for suppliers, because we seek their relationship with Genera to be based on our Philosophy, by bringing it close to them and by requesting them to sign a letter of commitment for their application. This includes our security suppliers, responsible in turn of communicating our Code to their staff .

The Code in its different versions is assessed on an annual basis if necessary subject to the approval of the Audit Committee.

**Through the promotion of high standards of conduct and professional behavior, we seek to preserve Genera's reliability, ensuring compliance with the law, protecting clients' interests, establishing a fair and equitable work environment for our employees, and protecting the trust deposited by the ensemble of stakeholders.**

So non-compliance of the Ethics and Conduct Code events can be reported, we have a set of mechanisms that include an e-mail address, mailbox in our website and a hotline. The reports are analyzed by the Honor Commission who decides the imposition of penalties and its character<sup>17</sup>. We also have a Fraud Detection and Follow-up Unit, who participates in the management of reports of this kind.

**Prevention of conflicts of interest and the implementation of anti-corruption** practices constitute this Code, which extends also to board members and committee members of Genera's companies.

Monitoring compliance with the Code which is carried out by the Director of Philosophy and Serviazgo, as well as its active implementation by our employees and suppliers, allow us to emphasize the absence of corruption cases.

At Genera, we aim to ensure the integrity of our operations thus, we do not make political monetary contributions.

**5,278** NEW EMPLOYEES  
Obtained the Certification on the Ethics and Conduct Code.

**100%** OF OUR EMPLOYEES  
Got re-certification in the Ethics and Conduct Code.

<sup>17</sup> Except in the cases provided in the Code, for which different reporting paths are proposed in order to guarantee an objective analysis.





## Risk management (102-11, 102-15, 102-29, 102-30, 102-31, FS2)

The diligence in our activities pursuant conduct standards that guarantee integrity, also extends to risk management, both in risks that we can incur through our performance and in risks associated to external factors. We act proactively in their identification, creating a risk map which is updated regularly prior consultation with primary executives as well as the proposing prevention measures and monitoring their compliance, all this within an internal control procedure which feeds from the close dialogue with our stakeholders.

It is important to mention the role of the **Risks Committee**, both in the definition of internal guidelines and in monitoring their compliance, reporting on a quarterly basis to the Board of Directors, as well as through extraordinary process if required. In this way, the Board is informed and can decide in relation to the general framework and strategy it has defined which includes the exposure and tolerance levels.

We have a **Risk Directorate** at the group level, who is responsible for the design and validation on a case-by-case basis of methodologies of identification, measurement and following-up risks by company. In turn each company is responsible for their implementation and of reporting to management as well as of the comprehensive monitoring in Genera.

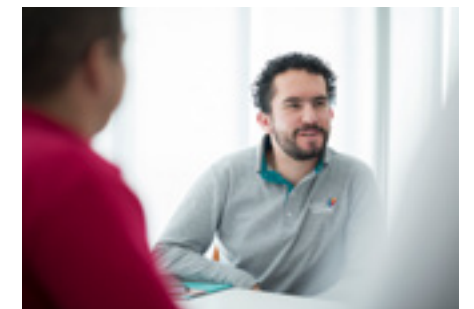
The type of activities we carry out both at Genera level as well as within the different companies, the characteristics of the financial sector and the macroeconomic and social context, determine the type of risks we are exposed to. In this regard the main risks are credit, market, liquidity, operational, technology and reputational risks.

As a company that delivers finance, through Compartamos, the credit risk is relevant, even though the portfolio's delinquency rate continued in 2016 at around 4% in the three countries we operate. In terms of market risk, of significant changes in the value of our assets due to fluctuations in the economic scenario (ej. Interest rates), we are less exposed than other financial groups due to the characteristics of the segment we attend. Although the economic context could led to an increase in the costs of those services denominated in dollars and to raised funding costs, among other circumstances, we have robust assets against the potential liquidity risk. In addition, the Board has powers to approve the required contingency plans. However, we remain attentive and assess the potential implications in order to be able to act proactively, with monthly meetings of the Risk Committees of Compartamos Banco and Compartamos Financiera.

Our transactions can be affected by a combination of human and technology factors, with a risk in respect to its implementation. In 2015, we carried out a in depth analysis of our processes, identifying potential operational risks and prioritizing them in terms of the occurrence and severity variables, in a way that has enabled us to focus our actions, without losing sight of the risk universe. The Audit Committee is in charge, along with the executive teams, of monitoring the operational risks to which Genera's companies are exposed. We also apply this proactive management to technology risks in the context of banking digitalization, although in Genera we maintain the proximity to the client through a face-to-face service as one of our differentials.

Our performance seeks value creation for the different stakeholders, with the purpose of financial inclusion, contributing to the socioeconomic development of the community. With a committed team to which we provide growth opportunities and a strict adherence to the current regulations and the self-regulation that we have set of ourselves as guarantee of excellence, we have brands with strong recognition such as Compartamos. For that reason, face to a reputational risk, we have been working in trust building with a track-record reflecting such efforts.

Moreover in order to guarantee that our activities follow the internal regulations and standards we have set, we have **strong internal auditing processes**, performed according to an annual plan to which we add external assessments.





# About our report

**(102-50, 102-51, 102-52, 102-53)**

We present our Annual Sustainability Report, which shares the environmental performance of Genera and its companies in 2016, incorporating, for the first time, the activities from Fiinlab after its launch this year.

Continuing with our previous path, we made the Report based on an internationally referenced methodology, developed by the Global Reporting Initiative (GRI), for the first time considering the GRI Standards in their latest version.

For more information about the application of the GRI Standards, including the determination process for topics about materials, we have a specific report that may be consulted on the internet.

We seek to deliver clear and pertinent information, which shows our performance, next to the results and patterns.

For more information about the determination process for topics about materials, and the conformity with GRI Standards, please consult the specific document that is available on our website.



For more information about the present report, please contact us at:

**Investor relations**  
[investor-relations@genera.com.mx](mailto:investor-relations@genera.com.mx)

**Information about sustainability  
and other topics**  
[contacto@genera.com.mx](mailto:contacto@genera.com.mx)







CLIENTS: **DIONISIO CUEVAS MENDOZA**  
LOAN OFFICER: **JORGE HERMOSILLO LÓPEZ**  
BUSINESS: **MATTRESS MANUFACTURING AND REPARACIÓN.**  
LENGTH OF SERVICE: **1 YEAR 6 MONTH**  
PRODUCT: **CRÉDITO INDIVIDUAL**

*With a decade of experience manufacturing and repairing mattresses, he got into the business thanks to his brother in law. He wanted to improve the processes and the results, and sought to make a difference. It is the example of someone that comes back to open his own business, after living in Texas (USA) for several years.*

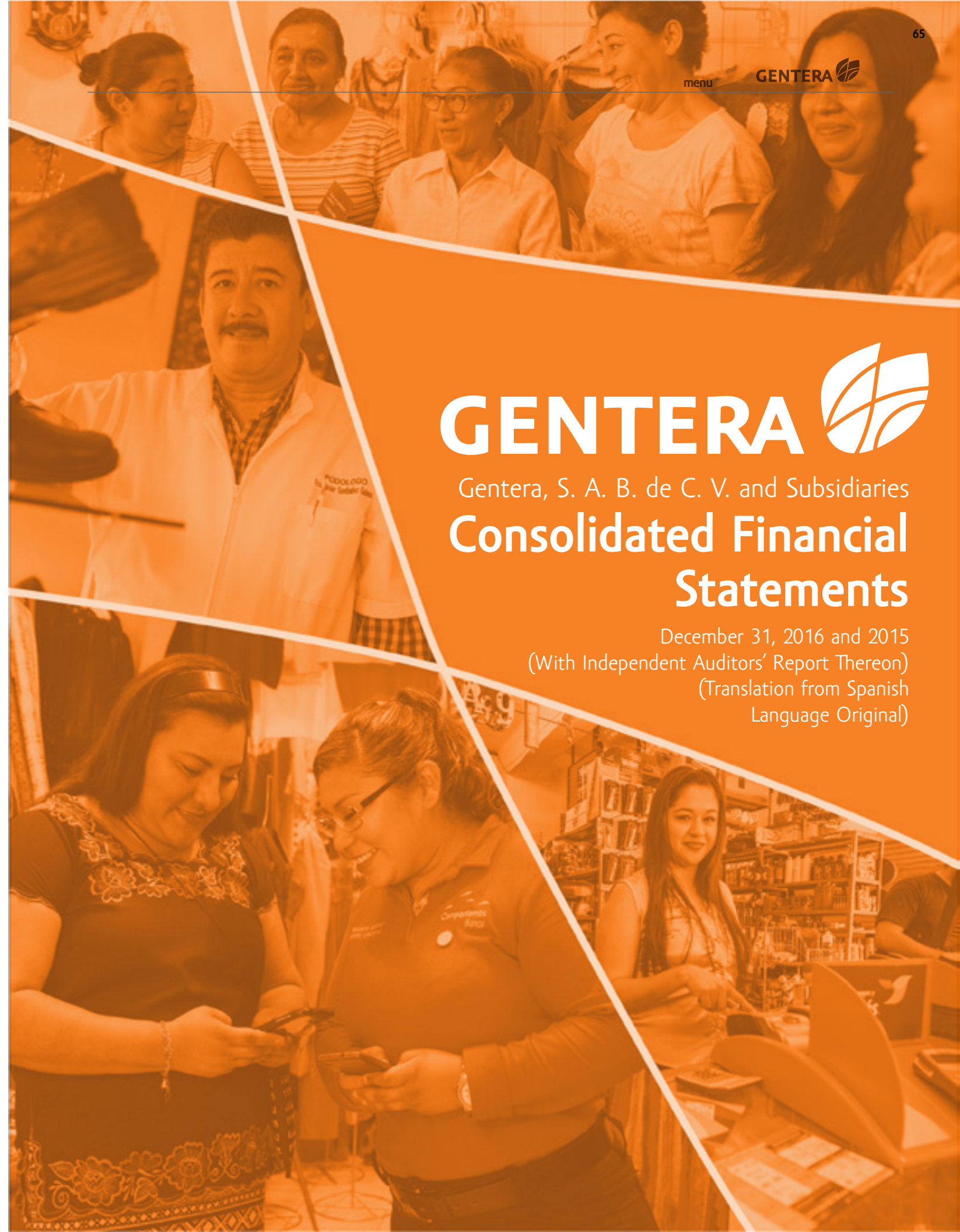
*Today, his company manufactures 16 mattresses a day – something which makes him very proud. He sells to individual clients and furniture stores alike, both of whom recognize Dionisio’s dedication and quality product.*

# GENTERA

Genera, S. A. B. de C. V. and Subsidiaries

## Consolidated Financial Statements

December 31, 2016 and 2015  
(With Independent Auditors’ Report Thereon)  
(Translation from Spanish Language Original)







## Independent Auditors' Report

### The Board of Directors and Stockholders Genera, S. A. B. de C. V.:

#### Opinion

We have audited the consolidated financial statements of Genera, S. A. B. de C. V. and subsidiaries (Genera), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, 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 Genera, 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 Genera 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.

#### Emphasis of Matter

During 2016, accounting changes were made as described in note 4 to the consolidated financial statements. Our opinion is not modified in respect of this matter.

#### 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.

#### Current and deferred income taxes (see notes 3(l) 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 derived of the interpretation of the in force legislation in the matter, so it requires a high degree of professional judgment. The valuation of deferred income tax assets requires the assessment of factors both current and future that allow to estimate the realization of such assets.	The audit procedures applied in assessing the reasonableness of the calculations determined by the Administration for the recognition of current and deferred income taxes, included selective tests of the inputs used, as well as the nature of the items that were part of the calculation, considering the in force legislation in fiscal matter. In addition, we assessed the reasonableness of the tax profit projections determined by the Administration of Genera that support the probability of materialization of deferred income tax assets.

#### Calculation of labor obligations related to retirement and termination (see notes 3(r) and 15 to the consolidated financial statements)

Key audit matter	How the key audit matter was treated in our audit
Genera has a mixed pension plan (defined benefit and defined contribution) for its employees in addition to the obligations that correspond to the retirement and termination. The determination of the liability corresponding to these concepts was made through complex actuarial calculations that requires a high degree of 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 the assessing, through the participation of our actuaries, both the reasonableness of the assumptions used by the Administration 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.

#### Impairment of goodwill (see notes 3(n) and 12 to the consolidated financial statements)

Key audit matter	How the key audit matter was treated in our audit
Genera recognized a goodwill arising from the acquisition of two of its subsidiaries. Such goodwill is subject to impairment testing which is performed through the use of valuation techniques that involve a high degree of judgment for the determination of the future cash flows estimated by the Administration.	As part of our audit procedures, we evaluated, through the participation of our corporate valuation specialists, both the reasonableness of the assumptions used by the Administration for the estimation of the discount rate and determination of the value of use of aforementioned goodwill, as well as the method of calculation used.  In addition, we evaluate the reasonableness of the projections used for estimating the future economic flows determined by the Genera's Administration.

#### Other Matters

The Administration is responsible for the other information. The other information includes the information included in the annual report for the year ended December 31, 2016, to be presented to the Commission and the Mexican Stock Exchange (the Annual Report), but does not include the consolidated financial statements and our auditors' report on them. 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 about it.

In relation with our audit of the consolidated financial statements, our responsibility is to read the other information when is available and, in so doing, 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 mistake in that other information, we are required to report that fact to those responsible in charge for the government entity.



### Responsibilities of Management and those charged with governance in relation of 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 Genera'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 Genera or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Genera'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 taken 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 for 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 Genera'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 conditions that may cast significant doubt on Genera'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 Genera to cease to continue as a going concern.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Genera 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 institution 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 who 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 disclose publicly these matters or, in extremely rare circumstances, we determine that a matter should not be communicate in our report because it could be reasonably be expected that the adverse consequences thereof would exceed the public benefits interest of the same one.

KPMG CÁRDENAS DOSAL, S.C.  
**Carlos Fernández Galguera**  
 Mexico City, February 21, 2017.

## Consolidated Balance Sheets

Genera, S. A. B. de C. V. and Subsidiaries Years ended December 31, 2016 and 2015 (Millions of Mexican pesos, except earning per share)

Assets	2016	2015
Cash and cash equivalents (note 6)	\$ 6,261	3,378
Investment securities (note 7):		
Available-for-sale securities	289	25
Debtors on repurchase/resell agreements (note 8)	20	136
Current loan portfolio (note 9):		
Commercial loans:		
Business and commercial	875	547
Consumer loans	31,196	27,030
Residential mortgages	23	38
Total current loan portfolio	32,094	27,615
Past-due loan portfolio (note 9):		
Commercial loans:		
Business and commercial	31	21
Consumer loans	1,381	858
Residential mortgages	2	2
Total past-due loan portfolio	1,414	881
Total loan portfolio	33,508	28,496
Less:		
Allowance for loan losses (note 9)	2,212	1,560
Loan portfolio, net	31,296	26,936
Other accounts receivable, net (note 10)	985	1,987
Property, furniture and equipment, net (note 11)	1,069	998
Investment in associated company (note 3k)	47	124
Deferred income tax, net (note 16)	1,040	596
Other assets, deferred charges and intangibles, net (note 12)	2,744	2,334
<b>Total assets</b>	<b>\$ 43,751</b>	<b>36,514</b>

Memorandum accounts	2016	2015
Contingent assets (note 6)	\$ 3,540	1,464
Uncollected interest accrued on past due loans (note 9)	184	126
Other memorandum accounts (note 14)	12,121	23,227

The historical capital stock as of December 31, 2016 and 2015, 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 "General Provisions Applicable to Issuers of Securities and Other Securities Markets

Carlos Labarthe Costas  
Chief Executive Officer

Patricio Diez de Bonilla García Vallejo  
Chief Financial Officer

Oscar Luis Ibarra Burgos  
General Internal Auditor

Marco Antonio Guadarrama Villalobos  
Controller

Liabilities and Stockholders' Equity	2016	2015
Liabilities:		
Deposit funding (note 13):		
Demand deposits	\$ 440	174
Time deposits:		
General public	2,662	777
Money market	418	624
Debt securities issued	10,556	10,014
	14,076	11,589
Bank and other loans (note 14):		
Short-term	2,529	3,860
Long-term	7,907	5,692
	10,436	9,552
Derivatives:		
Trading (note 3f)	-	7
Other accounts payable:		
Income tax payable	764	11
Employee statutory profit sharing payable (note 16)	52	45
Sundry creditors and other accounts payable (note 17)	2,488	1,756
	3,304	1,812
Deferred credits and prepayments	6	53
Total liabilities	27,822	23,013
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	1,253	1,045
Prior years' results	5,227	3,693
Valuation of available-for-sale securities	1	-
Cumulative translation adjustment	843	258
Remeasurements for employees defined benefits	(160)	-
Net income	3,390	3,150
	10,554	8,146
Non-controlling interest	53	33
Total stockholders' equity	15,929	13,501
Commitments and contingent liabilities (note 20)		
<b>Total liabilities and stockholders' equity</b>	<b>\$ 43,751</b>	<b>36,514</b>

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."



## Consolidated Statements of Income

Genera, S. A. B. de C. V. and Subsidiaries Years ended December 31, 2016 and 2015  
(Millions of Mexican pesos, except earning per share)

	2016	2015
Interest income (note 22)	\$ 20,017	17,276
Interest expense (note 22)	(1,179)	(885)
Financial margin	18,838	16,391
Provision for loan losses (note 9)	(3,238)	(2,206)
Financial margin after provision for loan losses	15,600	14,185
Commissions and fee income (note 22)	1,402	1,189
Commissions and fee expense (note 22)	(691)	(736)
Financial intermediation result	33	18
Other operating income (expenses), net (note 22)	(224)	158
Administrative and promotional expenses	(11,194)	(10,156)
Operating income	4,926	4,658
Equity method of associated company (note 3k)	(77)	(52)
Operating income before income tax	4,849	4,606
Current income tax (note 16)	(1,781)	(985)
Deferred income tax (note 16)	342	(460)
Net income	3,410	3,161
Non-controlling interest	(20)	(11)
Controlling interest net income	\$ 3,390	3,150
Earning per share (in pesos)	\$ 2.08	1.93

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 "General Provisions Applicable to Issuers of Securities and Other Securities Markets Participants" applied on a consistent basis. Accordingly, they reflect the revenues and disbursements related 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".

Carlos Labarthe Costas  
Chief Executive Officer

Patricio Díez de Bonilla García Vallejo  
Chief Financial Officer

Oscar Luis Ibarra Burgos  
General Internal Auditor

Marco Antonio Guadarrama Villalobos  
Controller



## Consolidated Statements of Changes in Stockholders' Equity

Genera, S. A. B. de C. V. and Subsidiaries Years ended December 31, 2016 and 2015 (Millions of Mexican pesos)

	Paid-in capital			Earned capital						Non-controlling interest	Total stockholders' equity
	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		
Balances as of December 31, 2014	\$ 4,764	763	870		2,150	-	147	-	3,125	241	12,060
<b>Changes resulting from stockholders' decisions:</b>											
Resolutions agreed on April 24, 2015:											
Constitution of statutory reserve (note 19)	-	-	156		(156)	-	-	-	-	-	-
Constitution of reserve for the fund to repurchase shares (note 19)	-	-	185		(185)	-	-	-	-	-	-
Appropriation of prior year's net income (note 19)	-	-	-		3,125	-	-	-	(3,125)	-	-
Dividend payment (note 19)	-	-	-		(1,241)	-	-	-	-	-	(1,241)
Repurchase of shares (note 19)	-	-	(166)		-	-	-	-	-	-	(166)
Premium paid for change in the subsidiary participation (note 19)	-	(205)	-		-	-	-	-	-	-	(205)
Total	-	(205)	175		1,543	-	-	-	(3,125)	-	(1,612)
<b>Changes related to the recognition of comprehensive income:</b>											
Net income	-	-	-		-	-	-	-	3,150	11	3,161
Cumulative translation adjustment of subsidiaries	-	-	-		-	-	111	-	-	-	111
Total	-	-	-		-	-	111	-	3,150	11	3,272
<b>Non-controlling interest</b>	-	-	-		-	-	-	-	-	(219)	(219)
Balances as of December 31, 2015	4,764	558	1,045		3,693	-	258	-	3,150	33	13,501
<b>Changes resulting from stockholders' decisions:</b>											
Resolutions agreed on April 20, 2016:											
Constitution of statutory reserve (note 19)	-	-	158		-	-	-	-	(158)	-	-
Constitution of reserve for the fund to repurchase shares (note 19)	-	-	140		-	-	-	-	(140)	-	-
Appropriation of prior year's net income (note 19)	-	-	-		2,852	-	-	-	(2,852)	-	-
Dividend payment (note 19)	-	-	-		(1,253)	-	-	-	-	-	(1,253)
Repurchase of shares (note 19)	-	-	(90)		-	-	-	-	-	-	(90)
Total	-	-	208		1,599	-	-	-	(3,150)	-	(1,343)
<b>Changes related to the recognition of comprehensive income:</b>											
Net income	-	-	-		-	-	-	-	3,390	20	3,410
Valuation of available-for-sale securities	-	-	-		-	1	-	-	-	-	1
Cumulative translation adjustment of subsidiaries	-	-	-		-	-	585	-	-	-	585
Remeasurements for employees defined benefits	-	-	-		(65)	-	-	(160)	-	-	(225)
Total	-	-	-		(65)	1	585	(160)	3,390	20	3,771
Balances as of December 31, 2016	\$ 4,764	558	1,253		5,227	1	843	(160)	3,390	53	15,929

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 "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".



## Consolidated Statements of Cash Flows

Genera, S. A. B. de C. V. and Subsidiaries  
Years ended December 31, 2016 and 2015 (Millions of Mexican pesos)

	2016	2015
Net income	\$ 3,390	3,150
Adjustment for items not requiring cash flows:		
Losses of impairment associated with investment activities	4	-
Depreciation and amortization	489	394
Provisions	1,226	361
Current and deferred income tax	1,439	1,445
Equity investment in associated company	77	52
	3,235	2,252
<b>Operating activities:</b>		
Change in investment securities	(263)	(1)
Change in debtors on repurchase/resell agreements	116	60
Change in loan portfolio (net)	(4,360)	(4,279)
Change in other operating assets (net)	470	295
Change in deposit funding	2,487	1,342
Change in derivatives	(7)	7
Change in bank and other loans	884	3,716
Change in other operating liabilities	(852)	(1,881)
Payments of income tax	(642)	(1,995)
	(2,167)	(2,736)
Net cash flows from operating activities	4,458	2,666
<b>Investment activities:</b>		
Increase in subsidiary's participation	-	(231)
Premium paid for change in the subsidiary participation	-	(205)
Proceeds from the disposal of furniture and equipment	4	6
Payments in the acquisition of furniture and equipment	(342)	(478)
Investment in associated company	-	(69)
Increase in intangibles assets	(291)	(181)
Net cash flows from investment activities	(629)	(1,158)
<b>Financing activities:</b>		
Payments associated to repurchase of own shares	(90)	(166)
Dividends payments in cash	(1,253)	(1,241)
Change in non-controlling interest	20	23
Net cash flows from financing activities	(1,323)	(1,384)
Net increase in cash and cash equivalents	2,506	124
Effects on changes in cash and cash equivalents	377	111
Cash and cash equivalents at the beginning of the year	3,378	3,143
Cash and cash equivalents at the end of the year	\$ 6,261	3,378

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 "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".

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015  
(Millions of Mexican pesos)

These consolidated financial statements have been translated from the Spanish language original and for the convenience of foreign/English-speaking readers.

### (1) Description of business and significant transactions-

#### Description of business-

Genera, S. A. B. de C. V. (Genera) 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, 2016 and 2015, Genera 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 loans, 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 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. ("Intermex") (subsidiary beginning 2015, see fraction III of 2015 significant transactions in this note), 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.

#### 2016 Significant transaction-

On February 9, 2016, through Board of Directors' Meeting, a capital contribution to Compartamos Guatemala was approved for an amount of \$121, through the subscription and payment of 500,000 representative shares of the capital stock of the aforementioned subsidiary.

#### 2015 Significant transactions-

- I. On March 23, 2015, Genera acquired remaining 15.79% of the shares of Compartamos Financiera, with this transaction Genera becomes holding company of 99.99% of shares of this subsidiary. Derived from this latest acquisition, Genera recognized a charge of \$205 under the caption "Additional paid-in capital".
- II. Through official letter No. 142-4/11122/2015 dated March 27, 2015, the National Banking and Securities Commission (the Commission), authorized the Bank beginning April 16, 2015, to start foreign exchange trading transactions.
- III. On April 15, 2015, Genera concluded the acquisition process of Intermex (see fraction III of 2014 significant transactions in this note) which main activity is the operation of money orders and foreign exchange trading; this transaction represented, through the use of the Intermex infrastructure, the incorporation of sixty branches to the Bank, as well as the purchase of foreign currency positions to Intermex for subsequent sale. In addition, the incorporation of these branches represented the increase of cash and cash equivalents.
- IV. On July 28, 2015, through Board of Directors' Meeting, the investment increase in the associated Finestrella, S. A. P. I. de C. V. (Finestrella) was approved, through the subscription and payment of shares for \$66, thus at December 31, 2015, percentage of participation was increased to 43.16% of capital stock. Likewise, a funding for \$30 convertible into shares, when certain agreements and financial goals are met, was approved.
- V. At the Extraordinary Shareholders' Meeting held on November 30, 2015, the merger of Compartamos Servicios as merging company with its related party Pagos S. A. de C. V. (formerly Monex Servicios, S. A. de C. V.) was approved.

## (2) Authorization and basis of presentation-

### Authorization

On February 21, 2017, the following officers approved the issuance of the accompanying consolidated financial statements and their related notes.

Carlos Labarthe Costas	Chief Executive Officer
Patricio Diez de Bonilla García Vallejo	Chief Financial Officer
Oscar Luis Ibarra Burgos	General Internal Auditor
Marco Antonio Guadarrama Villalobos	Controller

The shareholders of Genera are empowered to modify the consolidated financial statements after its issuance. The accompanying 2016 consolidated financial statements were authorized for issuance by the Board of Directors.

### 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 72% and 87% of the consolidated assets and revenues, respectively, as of and for the year ended December 31, 2016 (75% and 84% respectively, in 2015), the accompanying consolidated financial statements have been prepared in conformity with the accounting criteria established by the Commission throughout the accounting criteria 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 for credit institutions 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, 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 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) month-end for monetary and non-monetary assets and liabilities (\$6.1440 Mexican pesos per sol and \$2.7411 Mexican pesos per quetzal as of December 31, 2016), b) historical for stockholder's equity and c) weighted average of the period (\$6.0411 Mexican pesos per sol and \$2.7334 Mexican pesos per quetzal) for revenues costs and expenses, translation effects are presented as part of stockholders' equity. The exchanged rates used in 2015 were a) month-end for monetary and non-monetary assets and liabilities (\$5.0567 Mexican pesos per sol and \$2.2599 Mexican pesos per quetzal), b) historical for stockholder's equity and c) weighted average of the period (\$5.0494 Mexican pesos per sol and \$2.2430 Mexican pesos per quetzal) for revenues, costs and expenses, presenting translation effects 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 Genera recognize assets and liabilities arising from investment securities and repurchase/resell agreements on the trade date, regardless of the settlement date.

**(3) Summary of significant accounting policies-**

In the next page is a 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.

**(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", Genera and Subsidiaries operates 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:

December 31	UDI	Inflation	
		Yearly	Cumulative
2016	\$ 5.5629	3.38%	9.97%
2015	5.3812	2.10%	10.39%
2014	5.2703	4.18%	12.38%

**(b) Basis of consolidation-**

The accompanying consolidated financial statements as of and for the years ended December 31, 2016 and 2015, include the balances of Genera and its subsidiaries mentioned below. All significant balances and transactions between Genera and the subsidiaries have been eliminated upon consolidation.

Entity	Equity	Functional currency
Bank	99.98%	Mexican pesos
Compartamos Guatemala	99.99%	Quetzales
Compartamos Financiera	99.99%	Soles
Red Yastás	99.99%	Mexican pesos
Compartamos Servicios	99.99%	Mexican pesos
Controladora AT*	50.00%	Mexican pesos
Intermex**	99.99%	Mexican pesos

\* Controladora AT is consolidated because Genera has control on the financial policies and operating decisions of the subsidiary.  
\*\* Intermex is consolidated beginning April 15, 2015, due to in such date the purchase process was concluded.

**(c) Cash and cash equivalents-**

This caption comprises cash, bank accounts in local and foreign banks, documented bank loans with original maturities of up to three days ("Call Money"), and deposits with the Central Bank, 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 are recognized in the consolidated income statement on an accrual basis.

The restricted cash and cash equivalents include Call Money, deposit auctions with the Central Bank and the Deposit of Monetary Regulation 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.

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.

Call Money operations, the saving fund of Genera's employees and guarantee deposits with financial institutions in Peru are recognized as restricted cash.

**(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 Genera assigns at the date of their acquisition as described below:

**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 use 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.

As of December 31, 2016 and 2015, there are no investments in securities classified for trading purposes. Likewise for the year ended as of December 31, 2015, there were no transactions of repurchase/resell for trading securities.

**Available-for-sale securities-**

Available-for-sale securities are composed of equity instruments, whose intention is not 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 Genera and are subsequently valued at 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 to 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 income of the year in the same period in which the right to receive the payment is generated.

**Securities impairment-**

A security is impaired and therefore a loss is incurred from this impairment when there is objective evidence of the impairment as a result of one or more events that occurred after the initial recognition of the security, which had an impact in the estimated cash flows and could be determined on a trust-worthy basis, recognizing a loss in the consolidated results for the year.

**(e) Repurchase/resell agreements-**

The repurchase/resell agreements that do not comply with the terms of the criteria C-1 "Recognition and derecognition of financial assets", are treated as collateralized financing transactions, which reflects the economic substance of those transactions regardless of whether it is a "cash oriented" or "security-oriented" repurchase/resell agreements.

Genera acting as a seller on resell agreements recognizes cash received or a debit to a settlement account, as well as a payable account valued at the price agreed at origination, which represents the obligation to repay the cash to the buyer reclassifying the financial assets given as collateral to present them as restricted. While Genera acting as a buyer on resell agreements recognizes the out flow of cash and cash equivalents or a credit to a settlement account, booking an account receivable for the agreed price, which represents the right to recover the cash given and recognizes the collateral received in memorandum accounts.

Throughout the life of the repurchase/resell agreements the account payable or receivable is presented in the consolidated balance sheet as debtors or creditors on repurchase/resell agreements as appropriate and is valued at amortized cost by recognizing the interest from the repurchase/resell agreements on the years' income as accrued according to the effective interest method.

Interest accrued on repurchase/resell agreements transactions are presented under the caption "Interest income" or "Interest expense" in the consolidated statement of income whichever is applicable. The difference, if any, generated by selling or using the collateral in lieu of payment will be presented in the caption "Financial intermediation result".

**(f) Derivatives-**

Transactions with derivative financial instruments comprise those for trading purposes. Irrespective of their purpose, derivatives are recognized at fair value.

The valuation effect of the derivatives for trading purposes is shown in the consolidated balance sheet and consolidated statement of income under "Derivatives", in the assets or liabilities, accordingly, and "Financial intermediation income", respectively.

As of December 31, 2015, Intermex has agreed five derivative financial instruments of exchange rate "Forwards", with maturity in February and July, 2016. For the years ended on December 31, 2016 and 2015, the loss from derivatives valuation amounts to \$12 and \$7, respectively. As of December 31, 2016, Intermex has no position in derivative financial instruments.

**(g) Loan portfolio-**

Represents the outstanding balances of the amounts granted to borrowers (including financed insurances), plus uncollected interest earned. Outstanding loan and interest balances are classified as past due according to the following criteria:

**Commercial loans with one principal amortization and interest payment** – 30 days or more after due date.

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

**Residential mortgages** – When the outstanding loan balance present installments not fully collected for 90 or more due days.



Consumer 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 to the borrower's financial position, the economic feasibility of the investment projects and other general characteristics established in the Credit Institutions Law, Genera's manuals and internal policies.

Loans are controlled by periodic visits to the client by Genera 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, when clients make loan payments in the form of deposits in accounts contracted by Genera with other multiple banking institutions solely for that purpose, as well as correspondents to conduct this type of operations.

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

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

Interests are recognized in income as they accrue. However, the accumulation of interests is suspended when a loan is transferred to past due loan portfolio and are recorded in memorandum accounts. When such interests are 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.

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

As of December 31, 2016 and 2015, Genera had mainly a short-term consumer loan portfolio (note 9).

In the event that Genera 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, 2016 and 2015, Genera did not carry out sales of loan portfolio.

#### (h) Allowance for loan losses-

An allowance for loan losses is maintained 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" issued by the Commission, which include those mentioned in the next page.

#### 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 "General dispositions applicable to credit institutions" (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 methodology described in Annex 21 of 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 made at December 31, 2016 and 2015 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

#### 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. This methodology considers variables such as: i) outstanding amount, ii) payment made, iii) past-due days, iv) total term, v) remaining term, vi) the original loan amount, vii) the original value of the property, viii) loan balance and ix) the type of loan.

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

The allowance for loans losses for non-revolving consumer loan portfolio as of December 31, 2016 and 2015, 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) integration of the file. The total amount of reserve for each credit assessed is the result of multiplying the probability of default for the loss given default and exposure at default.

Degree of risk and percentages of allowance for loan losses at December 31, 2016 and 2015 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

**Troubled loans** – Commercial loans with a high probability of not being collected. As of December 31, 2016 and 2015, Genera has troubled loans for \$18 and \$10, respectively, which come from Compartamos Financiera. These loans have been fully reserved.

**Write-offs** – The Bank has the policy that within the first days of each month, it will write-off consumer loan portfolio pending to be collected at 180 days after being considered past-due until the last day of the month immediately preceding, given that during that period and once carried out all recovery efforts, its practical impossibility of recovery is determined. Such write-offs are conducted by cancelling the outstanding balance of the loan against the allowance for loan losses. In the event that the loan balance to be written-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 eliminated from the consolidated balance sheet are recognized in 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, 2016 and 2015, and management considers that the allowances resulting from such grading are sufficient to absorb the portfolio's loan loss risks.

#### (i) 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, such as legal expenses, which beginning in 2015 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 reserve 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 Genera's policies.

#### (j) 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 Genera 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.

#### (k) Investment in associated-

Investment in associated companies, which Genera owns less than 50% stake in the capital stock and has no control, are accounted for using the equity method based on financial statements of the associate as of and for the years ended December 31, 2016 and 2015. At December 31, 2016 and 2015, the participation of 43.16% (in both years), in the capital stock in the associate Finestrella amounts to \$44 and \$121.



The equity investment in the associate for the year ended December 31, 2016 and 2015 is a loss of \$77 and \$52, respectively. During 2015, Compartamos Financiera acquired an investment in the associated company "Pagos Digitales Peruanos, S. A.", with a participation of 2.45%, whose balance as at December 31, 2016 and 2015, amounts to \$3 in both years.

**(l) 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 results of the period in which they were enacted.

The current and deferred IT and ESPS are presented and classified to the results of the period, except for those originated from a transaction that was recognized in the caption of "Other Comprehensive Income" or directly in Stockholders' equity.

Deferred asset for ESPS is reserved, given that Genera 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.

**(m) 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, 2016 and 2015, are not subject to impairment losses or reversals of impairment losses, since these still have the capacity to generate economic future benefits.

**(n) Impairment of long-lived assets-**

Genera periodically assesses the net carrying amount of property, furniture and equipment and intangibles assets, 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, Genera records the necessary provisions. When Genera 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, impairment testing is performed annually and assets with a definite life are only subject to impairment testing when there are signs of impairment.

**(o) Deposit funding-**

Liabilities arising from deposit funding including demand deposits, time deposits and debt securities issued 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 results for the period, according to the term of the debt issuance from which they derived.

**(p) Bank and other loans-**

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

**(q) Provisions-**

Provisions for liabilities represent present obligations arising from past events, likely to require the use of economic resources to settle the obligation in the short term. These provisions have been recorded under Management's best estimate.

**(r) Employee benefits-**

The benefits granted by Genera 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 Genera 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-**

Genera's net obligation in relation to the direct long-term benefits and which Genera 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 Genera 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 wholly within twelve after the date of the most recent consolidated balance sheet presented, then they are discounted.

**Post-employment benefits-**

Genera 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 pension plan covers the permanent employees. Likewise the benefits are based on 10 and 65 years of service considering for its determination the daily integrated salary.

The defined benefit plan is funded entirely by Genera, and the defined contribution plan is funded with the contributions from both Genera 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 make Genera to the individual employees bank account.

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

Genera 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 (before 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.

**(s) Share-based payment-**

Since the year 2015, Genera established 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 cover 100%). The award of the shares is conditional upon performance and permanence in Genera recognizing the expense and obligation of payment when these conditions are fulfilled.

The estimated amount of the obligation is determined on the fair value of equity instruments granted, taking into consideration the timing and conditions on which the equity instruments are awarded. The plan provides that the subsidiaries of Genera acquire independently in the market, the shares of the capital of Genera. As of December 31, 2016 and 2015, the liability for this concept amounts to \$50 and \$34, respectively, which are recorded in the consolidated year's results under the caption of "Administrative and promotional expenses".

**(t) 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.

**(u) 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.

**(v) Cumulative translation adjustment-**

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

**(w) Comprehensive income-**

Comprehensive income comprises the net income, cumulative translation adjustment of subsidiaries 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.

**(x) Revenue recognition-**

Interest earned from cash and cash equivalents, investments in securities and repurchase/resell agreements 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 income 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) Genera is likely to receive economic benefits from the sale.

**(y) Interest expense-**

This caption comprises interest accrued on financing received to fund the operations of Genera and the interest accrued from the demand and time deposits received, debt securities issued and bank and other loans.

**(z) 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.

**(aa) 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, 2016 and 2015, the earning per share is \$2.08 Mexican pesos and \$1.93 Mexican pesos, respectively.

**(bb) 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, 2016 and 2015, amounted to \$60 and \$52, respectively, which were charged directly to results of the year.



**(cc) 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 the national currency 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.

**(dd) 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 mentioned to in the preceding paragraph, as well as the valuation at fair value of trading securities and derivative instruments.

**(ee) 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 virtually certain (note 20).

**(ff) 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 reclassifications-**

The Mexican Board of Financial Reporting Standards (CINIF – Spanish abbreviation), issued new FRS are listed below:

**FRS D-3 “Employee benefits”**- Entered into force for the years beginning after January 1, 2016 with retrospective effects and early adoption is allowed as of January 1, 2015, and it leaves without effect the dispositions from the previous FRS D-3. Between the principal changes includes the following:

- **Direct benefits** – The classification of direct short-term benefits was modified and the recognition of deferred Employee Statutory Profit Sharing (ESPS) was ratified.
- **Termination benefits** – The bases were modified for identifying when payments for the termination of a work relationship actually meet post-employment benefits or when they are termination benefits.
- **Plan Asset Ceiling (PA)** – Identifies a plan asset ceiling and specifies which entity contributed funds do not qualify as such.

- **Post-employment benefits** – Among others, the following were modified: the accounting recognition of multi-employer plans; government plans and plans of entities under common control; the recognition of the net defined benefit liability (asset); the bases for determining the actuarial hypothesis in the discount rate; the recognition of the Service Cost of Past Periods (SCPP) and of the Early Settlement of Obligations (ESO).
- **Remeasurements** – In recognizing post-employment benefits, the corridor approach is eliminated in the treatment of the plan's profits and losses (PPL); therefore, they are recognized as accrued and recognized directly in Other Comprehensive Income (“ORI”), requiring their recycling to the period's net profit or loss under certain conditions.
- **Recognition in profit or loss of PM, SR and gains or losses from Early Settlement of Obligations (ESO)** – In post-employment benefits, the totality of the Service Cost of Past Periods (SCPP) of Plan Modifications (PM), Staff Reductions (SR) and the gains or losses from Early Settlement of Obligations (ESO) are immediately recognized in profit or loss.
- **Discount rate** – Establishes that the discount rate of Defined Benefit Obligations (DBO) is based on investment grade corporate bond rates (deep market) and, in their absence, on government bond rates.
- **Termination benefits** – Requires an analysis as to whether separation payments qualify as termination benefits or are actually post-employment benefits and notes that if the benefit is non-cumulative with no preexisting granting conditions, it is a termination benefit and, therefore, it should be recognized when the event occurs. However, if preexisting conditions are present, either contractually, by law or payment practices, it is deemed a cumulative benefit and should be recognized as a post-employment benefit.

The initial effects of the adoption of the new FRS D-3 amounted to \$160 and \$65, corresponding to the effects generated by the recognition of actuarial gains and losses of obligations, plan assets, reclassification of remeasurement (net of deferred taxes) and past unrecognized services, respectively, which have been determined using a government bond rate to discount flows to present value, these effects were recognized in 2016 under “Remeasurements for employee defined benefits” and “Prior years’ results”, respectively, within stockholders’ equity.

Management did not recognize the initial effects derived from the adoption of this new FRS in a retrospective way for considering them slightly material.

**2016 FRS Improvements**

In December 2015, the CINIF issued the document called “2016 FRS Improvements”, which contains precise modifications to some of the existing FRS. These improvements entered into force for the years beginning on January 1, 2016, and did not generate applicable effects in the financial information of Genera.

**2017 FRS Improvements**

In October 2016, the CINIF issued the document called “2017 FRS Improvements”, which contains precise modifications to some current FRS Improvements, these improvements are described below, but did not generate effects in the consolidated financial statements of Genera.

**FRS B-13 “Subsequent events as of the date of the financial statements” FRS B-6 “Statement of financial position”** - Modifies the classification requirements of assets, liabilities and stockholders’ equity, primarily to establish that it is appropriate to maintain the classification of an item as long term as of the date of the financial statements, in the case of a financial asset or financial liability that: a) was contracted on a long-term collection or payment basis; and b) even when the borrower is in default as of the date of the financial statement, during the subsequent period (between the date of the financial statements and the date on which they are authorized to be issued to third parties) if an agreement is reached to maintain collection or payment on a long-term basis. This revision will be effective for periods starting on or after January 1, 2017, allowing early adoption for periods starting on or after January 1, 2016 and resulting accounting changes should be recognized prospectively.

**FRS D-3 "Employee benefits"** - Establishes that the interest rate to be used in determining the present value of long-term labor liabilities must be a market rate free of, or with very low credit risk, representing the value of money over time, such as, the government bond market rate or the high-quality corporate bond market rate in absolute terms in a deep market, respectively, and that the chosen rate should be used consistently over time. Additionally, it allows the recognition of remeasurements in Other Comprehensive Income (OCI), requiring them to be subsequently reclassified to net income or loss or else directly to net income or loss as of the date of origin. These revisions will take effect for years beginning on or after January 1, 2017, although early adoption is allowed. Accounting effects arising from changes in the discount rate should be recognized prospectively, while those arising from a change in the option to recognize remeasurements should be recognized retrospectively.

#### Reclassifications

The consolidated balance sheet at December 31, 2015, was reclassified for proper comparability with the presentation used at December 31, 2016, as shown below:

	Figures as of December 31, 2015		
	Figures originally reported	Reclassifications	Figures reclassified
Property, furniture and equipment, net	\$ 1,087	(89)	998
Other assets, deferred charges and intangibles, net	\$ 2,245	89	2,334
Employee statutory profit sharing payable	\$ 35	10	45
Sundry creditors and other accounts payable	\$ 1,766	(10)	1,756

#### (5) Foreign currency position-

Central Bank regulations establish the following standards and limits for operations in foreign currencies carried out by the credit institutions:

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. Liabilities in foreign currency 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.

As of December 31, 2016 and 2015, the Bank had a long position of 20,418,500 dollars and 1,681,162 dollars, respectively, within the limits set forth by Central Bank. The net assets at December 31, 2016 of Compartamos Guatemala and Compartamos Financiera represent a long position of 32,148,470 dollars and 135,603,893 dollars, respectively (long position of 22,542,912 dollars and 80,060,068 dollars, respectively, in 2015).

The net assets at December 31, 2016, corresponding to Intermex and Genera represents a long position of 632,615 dollars and 779,792 dollars, respectively (long position of 604,092 dollars and 36,249 dollars, respectively, in 2015).

As of December 31, 2016, the exchange rate determined by the Central Bank and used by Genera to value its assets in foreign currency was \$20.6194 Mexican pesos per dollar (\$17.2487 Mexican pesos per dollar in 2015). On February 21, 2017, issuance date of the consolidated financial statements, the exchange rate was \$20.4489 Mexican pesos per dollar.

#### (6) Cash and cash equivalents-

At December 31, 2016 and 2015, cash and cash equivalents consist of the following:

	2016	2015
Cash on hand	\$ 855	260
Mexican banks	878	1,224
Foreign banks	590	349
Restricted funds:		
Monetary regulation deposit with the Central Bank*	308	308
Bank loans with maturity up to three days*	2,237	1,150
Deposit auction with the Central Bank*	995	
Other restricted funds	398	87
	\$ 6,261	3,378

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

For the years ended on December 31, 2016 and 2015, interest earned from banks and other restricted funds amounted to \$183 and \$42, respectively.

At December 31, 2016 and 2015, 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, 2016 and 2015, interest earned from monetary regulatory deposit amount to \$13 and \$9, respectively.

At December 31, 2016 and 2015, other restricted funds correspond to guarantee deposits with financial institutions in Peru celebrated by Compartamos Financiera for \$47 and \$75, respectively, and the saving fund of Genera's employees for \$7 and \$6, respectively. Likewise at December 31, 2016, other restricted funds include national currency promissory notes of Compartamos Servicios, Red Yastás and Controladora AT for amounts of \$120, \$120 and \$104, respectively, with an average term of 3 days, and an average rate of 5.3%.



At December 31, 2016, the average rate of interbank loans maturing in 3 days was 4.10% (2.90% in 2015). For the years ended on December 31, 2016 and 2015, interest earned from call money transactions amounted to \$64 and \$40, respectively. At December 31, 2016, the weighted rate of the deposit auction with the central bank with an average term of 2 days was 4.42%. For the year ended on that date, the interest earned amounted to \$5.

At December 31, 2016 and 2015, Genera has no coined precious metals.

## (7) Investment securities-

Cash surpluses resulting from Genera 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 Genera is exposed to are described in note 23.

At December 31, 2016, investments securities are comprised of 6,656,006 shares corresponding to equity instruments, classified as available-for-sale securities, with a market value of \$222. This caption also includes certificates of deposit with the Central Bank of the Republic of Peru for \$67 and \$25 as of December 31, 2016 and 2015, respectively.

At December 31, 2016 and 2015, the valuation of available-for-sale securities recognized within stockholders' equity, net of deferred tax, represents a profit of \$1 and 18,248 Mexican pesos, respectively.

At December 31, 2016 and 2015, the average rates of investments were 4.41% and 3.73%, respectively. Likewise, for the years ended on December 31, 2016 and 2015, interest income from investments amounted to \$4 and \$2, respectively.

At December 31, 2016 and 2015, there were no transfer in securities between categories and there is no indicators of impairment over the value of the securities.

## (8) Debtors on repurchase/resell agreements-

Genera carries out transactions of repurchase/resell agreements, acting as buyer. As of December 31, 2016 and 2015, the balance of \$20 and \$136, respectively, relates to Federal Government Development Bonds (BONDESD-spanish abbreviation) in both years.

During the years ended on December 31, 2016 and 2015, the interest income arising from repurchase/resell agreements transactions in the consolidated income statement amount to \$2 and \$8, respectively.

The terms of transactions of repurchase/resell agreements as of December 31, 2016 and 2015, are 3 and 4 days, respectively, with weighted interest rates of 3.95% and 2.97%, respectively.

## (9) Loan portfolio-

The loan portfolio is comprised mainly of non-revolving consumer loans in Mexican pesos, 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 2016 and 2015, total loan portfolio (current and past-due loans) are comprised as shown on the next page.

	Principal	Accrued interest	Total loan portfolio
<b>2016</b>			
Current loans:			
Commercial loans:			
Business and commercial	\$ 863	12	875
Consumer loans	30,563	633	31,196
Residential mortgages	22	1	23
	31,448	646	32,094
Past-due loans:			
Commercial loans:			
Business and commercial	28	3	31
Consumer loans	1,245	136	1,381
Residential mortgages	2	-	2
	1,275	139	1,414
<b>Total loan portfolio</b>	<b>\$ 32,723</b>	<b>785</b>	<b>33,508</b>
<b>2015</b>			
Current loans:			
Commercial loans:			
Business and commercial	\$ 539	8	547
Consumer loans	26,504	526	27,030
Residential mortgages	37	1	38
	27,080	535	27,615
Past-due loans:			
Commercial loans:			
Business and commercial	19	2	21
Consumer loans	773	85	858
Residential mortgages	2	-	2
	794	87	881
<b>Total loan portfolio</b>	<b>\$ 27,874</b>	<b>622</b>	<b>28,496</b>

Income from interest and commissions for the years ended at December 31, 2016 and 2015, segmented by type of loan are described as follows:

	2016	2015
Interest income (note 22):		
Commercial loans:		
Business and commercial	\$ 213	145
Consumer loans	19,608	17,012
Residential mortgages	7	10
	\$ 19,828	17,167
Commissions income (note 22):		
Consumer loans	\$ 518	493

At December 31, 2016 and 2015, the loans (current and past-due loans), are broken-down by economic sector, as follows:

Economic activity	2016		2015	
	Amount	%	Amount	%
Commerce	\$ 26,765	80	23,049	81
Construction	47	-	40	-
Professional services	3,236	10	2,408	8
Agriculture	222	1	193	1
Cattle raising	334	1	285	1
Manufacturing	849	2	611	2
Other	2,055	6	1,910	7
	\$ 33,508	100	28,496	100

The distribution of the loan portfolio at December 31, 2016 and 2015, by geographical region is shown as follows:

In Mexico:	2016		2015	
	Current	Past-due	Current	Past-due
Aguascalientes	\$ 125	5	121	4
Baja California Norte	787	27	606	12
Baja California Sur	350	14	281	15
Campeche	201	8	216	4
Chiapas	1,082	51	1,056	33
Chihuahua	366	20	327	13
Coahuila	804	44	723	22
Colima	90	5	86	3
Mexico City	1,181	42	937	23
Durango	422	21	401	13
Estado de México	3,099	98	2,663	65
Guanajuato	641	24	623	18
Guerrero	855	27	780	15
Hidalgo	667	20	627	12
Jalisco	629	41	582	22
Michoacán	784	26	705	15
Morelos	379	20	343	9
Nayarit	206	10	205	9
Nuevo León	791	53	751	31
Oaxaca	968	27	867	14
Puebla	1,604	59	1,544	34
Querétaro	228	8	200	4
Quintana Roo	379	19	371	8
San Luis Potosí	335	16	380	10
Sinaloa	442	15	404	13
Sonora	609	29	546	19
Tabasco	784	55	894	26
Tamaulipas	1,064	59	983	35
Tlaxcala	607	16	583	8
Veracruz	2,421	137	2,456	71
Yucatán	311	13	307	5
Zacatecas	219	4	193	2
Total Mexico carried forward	\$ 23,430	1,013	21,761	587



	2016		2015	
	Current	Past-due	Current	Past-due
Total Mexico brought forward	\$ 23,430	1,013	21,761	587
<b>Abroad:</b>				
Guatemala	536	20	389	8
Perú	7,482	242	4,930	199
Total abroad	8,018	262	5,319	207
Accrued interests	646	139	535	87
Total loan portfolio	\$ 32,094	1,414	27,615	881

As of December 31, 2016 and 2015, aging of the past-due loan portfolio is as follows:

	Aging				
			Years		Total
	1 to 180 days	181 to 365 days	1 to 2	More than 2	
<b>2016</b>					
Commercial loans:					
Business and commercial	\$ 11	7	6	7	31
Consumer loans	1,023	267	41	50	1,381
Residential mortgages	1	-	1	-	2
	\$ 1,035	274	48	57	1,414
<b>2015</b>					
Commercial loans:					
Business and commercial	\$ 7	6	5	3	21
Consumer loans	601	196	35	26	858
Residential mortgages	1	1	-	-	2
	\$ 609	203	40	29	881

Following is an analysis of the movements of the past-due loans, for the years ended December 31, 2016 and 2015.

	2016	2015
Past-due loans at the beginning of the year	\$ 881	785
Plus:		
Transfer from current loans	3,347	2,179
Less:		
Write-offs	2,663	1,924
Collections	173	152
Transfer to current loans	27	15
Exchange rate fluctuation	(49)	(8)
Past-due loans at year-end	\$ 1,414	881

Interest and commission income for the years ended December 31, 2016 and 2015, according to the type of loan is comprised as follows:

	2016			2015		
	Interest	Commission	Total	Interest	Commission	Total
Current loans:						
Business and commercial	\$ 213	-	213	145	-	145
Consumer loans	19,598	514	20,112	17,007	492	17,499
Residential mortgages	7	-	7	10	-	10
	19,818	514	20,332	17,162	492	17,654
Past-due loans:						
Consumer loans	10	4	14	5	1	6
	\$ 19,828	518	20,346	17,167	493	17,660

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, 2016 and 2015, amounts to \$184 and \$126, respectively.

For the years ended on December 31, 2016 and 2015, the amount recovered on the previously written-off loan portfolio, net of expenses incurred for their collection, represented a profit of \$50 and \$28, respectively, (note 22).

#### Credit losses insurance

On November 7, 2014, the Bank entered into a contract of warranty service with the Special Fund for Technical Assistance and Agricultural Credit Guarantee (Fondo Especial de Asistencia Técnica - "FEAGA"), through the Central Bank, the latter in its capacity as Trustee in the schemes of second losses of some products of consumer loan portfolio of the Bank established by contract. At December 31, 2015, the amount of the loan portfolio selected by the Bank for guarantee with the FEAGA amounts to \$9,101, and the commission paid for the insurance was \$21, amount that was recognized in the caption "Commissions and fee expense" in the consolidated income statement. The amount from the Bank's insured loan portfolio, if any, would be recovered as maximum under contractual conditions through FEAGA coverage ranges between 0.1% and 1.5% of the guaranteed amount. During the year ended on December 31, 2016, the guarantee with FEAGA expired.

During the year ended on December 31, 2016, the Bank executed guarantees under FEAGA insurance for an amount of \$31, recognizing an income in the caption "Other operating income (expenses), net". During the year ended on December 31, 2015, guarantees under FEAGA were no executed.

At December 31, 2016 and 2015, the loan portfolio of the Bank and Compartamos Guatemala is not given as security. The Compartamos Financiera's loan portfolio at December 31, 2016 and 2015, given as security for funding received for its operation amounts to \$787 and \$1,011, respectively.

**Loan management**

The authorization of loans as responsibility of the Board of Directors is centralized in committees and empowered officers, who 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, 2016 and 2015, Compartamos Financiera restructured loans for \$20 and \$33, respectively; these restructurings did not include capitalized interest.

**Allowance for loan losses**

As of December 31, 2016 and 2015, the rating of the overall loan portfolio and the provisions created based on the actual risk tables for each year, are as follows:

2016 Risk	Rated loan portfolio			
	Commercial	Consumer	Residential	Total
A - 1	\$ 560	19,808	14	20,382
A - 2	30	135	-	165
B - 1	46	3,570	1	3,617
B - 2	4	3,449	1	3,454
B - 3	67	541	-	608
C - 1	42	1,911	2	1,955
C - 2	93	822	3	918
D	35	313	3	351
E	29	2,028	1	2,058
Total	\$ 906	32,577	25	33,508

2016 Risk	Required allowance			
	Commercial	Consumer	Residential	Total
A - 1	\$ 3	107	-	110
A - 2	-	3	-	3
B - 1	-	133	-	133
B - 2	-	155	-	155
B - 3	1	30	-	31
C - 1	1	128	-	129
C - 2	1	82	-	83
D	4	72	1	77
E	26	1,464	1	1,491
Total	\$ 36	2,174	2	2,212

2015 Risk	Rated loan portfolio			
	Commercial	Consumer	Residential	Total
A - 1	\$ 337	17,619	22	17,978
A - 2	20	147	1	168
B - 1	29	2,269	1	2,299
B - 2	1	3,158	2	3,161
B - 3	42	412	1	455
C - 1	35	1,966	2	2,003
C - 2	56	754	6	816
D	29	277	4	310
E	19	1,286	1	1,306
Total	\$ 568	27,888	40	28,496

2015 Risk	Required allowance			
	Commercial	Consumer	Residential	Total
A - 1	\$ 2	93	-	95
A - 2	-	4	-	4
B - 1	-	84	-	84
B - 2	-	143	-	143
B - 3	-	23	-	23
C - 1	1	132	-	133
C - 2	-	77	1	78
D	4	62	1	67
E	18	914	1	933
Total	\$ 25	1,532	3	1,560

The movements in the allowance for loan losses during the years ended December 31, 2016 and 2015, are as follows:

	2016	2015
Allowance for loan losses at the beginning of the year	\$ 1,560	1,294
Plus:		
Increase in the provision for loan losses	3,238	2,206
Less application of reserves due to write-offs:		
From current loans (by death)	48	36
From past-due loans	2,663	1,924
Exchange rate fluctuation	(125)	(20)
Allowance for loan losses at year-end	\$ 2,212	1,560

At December 31, 2016 and 2015, the allowance for loan losses recorded by Genera includes \$36 and \$24, respectively, as a complement to reserve 100% of accrued interest from past-due loans at the end of these years.



**(10) Other accounts receivable-**

At December 31, 2016 and 2015, this caption is comprised as follows:

	2016	2015
Loan portfolio accessories	\$ 175	147
Other receivables:		
Sundry debtors <sup>1</sup>	423	281
Debit from transactions with correspondents	519	495
Debit by intermediation	154	104
Income tax recoverable	-	1,021
	1,271	2,048
Less:		
Allowance for doubtful accounts <sup>2</sup>	(286)	(61)
	\$ 985	1,987

<sup>1</sup> Includes a related party balance of \$211 in 2016 and \$50 in 2015 (see note 21).

<sup>2</sup> For the year ended on December 31, 2016, Genera created an allowance for \$211, corresponding to the account receivable with its associate, recognizing the effect in the consolidated income for the year, within the caption "Other operating income (expenses), net".

**(11) Property, furniture and equipment-**

At December 31, 2016 and 2015, this caption is comprised as follows:

	Original cost	Depreciation and amortization annual rate (%)	Accumulated depreciation	Net value
<b>2016</b>				
Land	\$ 2	-	-	2
Constructions	22	5	(11)	11
Office furniture and equipment	300	10 and 20	(122)	178
Transportation equipment	119	20 and 25	(57)	62
Computer equipment	391	10 to 30	(284)	107
Others:				
Leasehold improvements	959	*	(409)	550
Telecommunications equipment	255	10	(92)	163
	2,048		(975)	1,073
Less:				
Impairment of office furniture and equipment <sup>(1)</sup>	-		(4)	(4)
	\$ 2,048		(979)	1,069
<b>2015</b>				
Land	\$ 2	-	-	2
Constructions	17	5	(8)	9
Office furniture and equipment	262	10 and 20	(90)	172
Transportation equipment	98	20 and 25	(57)	41
Computer equipment	398	10 and 30	(242)	156
Others:				
Leasehold improvements	760	*	(280)	480
Telecommunications equipment	210	10	(72)	138
	\$ 1,747		(749)	998

<sup>1</sup> Impairment corresponding to disuse of certain printing equipment in service offices.

\* See explanation on the next page.

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, 2016, the charge to the consolidated income statement in the "Administrative and promotional expenses" caption, related to depreciation and amortization amounted to \$192 and \$104, respectively (\$179 and \$90, respectively, in 2015).

**Totally depreciated assets**

	Original cost	
	2016	2015
Constructions	\$ 5	4
Office furniture and equipment	14	11
Transportation equipment	14	8
Computer equipment	367	256
Leasehold improvements	152	101
	\$ 552	380

The property, furniture and equipment owned by Genera, does not have any pledge or restriction for its use or disposal.

Genera as lessee has capitalized leases for transportation equipment, mobile devices and automated teller machines with a term of 3 years and no purchase option. The lease of furniture, computer 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, 2016 and 2015, assets leased through capitalized leases are comprised as follows:

	2016	2015
Office furniture and equipment	\$ 3	7
Computer equipment	-	31
Transportation equipment	17	16
	20	54
Less accumulated depreciation	11	41
	\$ 9	13

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

	2016			2015		
	Future minimum payments	Discounted interest	Present value	Future minimum payments	Discounted interest	Present value
Less than one year	\$ 5	-	5	9	-	9
Between one and five years	6	(1)	5	6	(1)	5
	\$ 11	(1)	10	15	(1)	14

Interest expense from capitalized leases during the years ended on December 31, 2016, and 2015, was \$1 y \$6, respectively, which is recorded under the caption of "Other operating income (expenses), net" in the consolidated statements of income.

**(12) Other assets, deferred charges and intangibles-**

At December 31, 2016 and 2015, this caption is comprised as follows:

	2016	2015
Goodwill (a)	\$ 981	815
Guarantee deposits (b)	51	49
Insurance (c)	4	2
Development of the electronic banking system, intangibles and license (d)	2,095	1,644
Advance payments	198	150
Debt issuance costs	25	24
	3,354	2,684
Less:		
Accumulated amortization of electronic banking system	610	350
	\$ 2,744	2,334

- (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, 2016 and 2015, amounted to \$64 and \$67, 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, 2016 and 2015, amounted to \$193 and \$125, respectively.

**(13) Deposit funding-**

Deposit funding includes deposits on demand, time deposits and debt securities issued in Mexican pesos. As part of the deposit funding, demand deposits for \$225 and \$78, correspond to the Bank and 35 and 19 million of soles correspond to Compartamos Financiera at December 31, 2016 and 2015, respectively (equivalent to \$215 and \$96 at December 31, 2016 and 2015, respectively). At December 31, 2016, time deposits from general public include \$315 from the Bank, as well as 382 and 154 million of soles at December 31, 2016 and 2015, respectively, (equivalent to \$2,347 and \$777, respectively).



The weighted average rates of the different deposits funding products (unaudited information) during the years ended on December 31, 2016 and 2015, are analyzed as follows:

	2016	2015
Demand deposits	2.11%	1.43%
Time deposits	3.92%	3.54%

At December 31, 2015, money market time deposits, correspond to Certificates of Deposit (CEDES-Spanish acronym) in domestic currency, issued by the Bank in the months of April and August of 2015, for an accumulated amount of principal of \$550, also at December 31, 2016 and 2015, comprises 80 and 14 million of soles, issued by Compartamos Financiera in the months of April and August 2016, respectively (equivalent to \$418 and \$74, respectively), with maturities of one year. Interest accrued of CEDES for the years ended on December 31, 2016 and 2015, amounts to \$13 in both years (see note 22).

At December 31, 2016 and 2015, long term un-secured Cebures were issued in domestic currency, under the current issuance program approved by the Commission for an amount of \$9,000 in both years. The current issued Cebures are as follows:

Cebures	2016				
	Amount of issuance	Date of issuance	Maturity date	Interes rate	Balance
COMPART 12	\$ 2,000	August 2012	August 2017	TIIE 28 Days + 70 bp	\$ 2,000
COMPART 13	2,000	September 2013	August 2018	TIIE 28 Days + 60 bp	2,000
COMPART 14	2,000	June 2014	June 2019	TIIE 28 Days + 40 bp	2,000
COMPART 15	2,000	September 2015	August 2020	TIIE 28 Days + 50 bp	2,000
COMPART 16	500	October 2016	October 2019	TIIE 28 Days + 47 bp	500
COMPART 16-2	2,000	October 2016	October 2023	Fixed 7.50%	2,000
					10,500
Interest payable					56
Total debt issuance					\$ 10,556

Cebures	2015				
	Amount of issuance	Date of issuance	Maturity date	Interes rate	Balance
COMPART 11	2,000	September 2011	March and September 2016	TIIE 28 Days + 85 bp	\$ 2,000
COMPART 12	2,000	August 2012	August 2017	TIIE 28 Days + 70 bp	2,000
COMPART 13	2,000	September 2013	August 2018	TIIE 28 Days + 60 bp	2,000
COMPART 14	2,000	June 2014	June 2019	TIIE 28 Days + 40 bp	2,000
COMPART 15	2,000	September 2015	August 2020	TIIE 28 Days + 50 bp	2,000
					10,000
Interest payable					14
Total debt issuance	\$				\$ 10,014

Interest accrued by Cebures for the year ended on December 31, 2016, amounted to \$485 (\$391 in 2015), see note 22. At December 31, 2016 and 2015, Cebures had the following maturity terms:

Cebures	2016					Contractual value
	1 to 179 days	6 to 12 months	More than 1 to 2 years	Over 2 years	Balance	
Cebures	\$ 56	2,000	2,000	6,500	10,556	10,500
Cebures	2015					Contractual value
	1 to 179 days	6 to 12 months	More than 1 to 2 years	Over 2 years	Balance	
Cebures	\$ 1,014	1,000	2,000	6,000	10,014	10,000

**(14) Bank and other loans-**

At December 31, 2016 and 2015, Genera had contracted the following loans in Mexican pesos and in soles translated into Mexican pesos, as follows:

	2016	2015
Short term:		
Loans from development banks	\$ 2	801
Loans from multiple banking institutions	1,879	1,328
Public trusts loans	18	608
Other institutions	630	1,123
Total short-term	2,529	3,860
Long-term:		
Loans from development banks	2,230	1,400
Loans from multiple banking institutions	100	52
Public trusts loans	4,278	3,192
Other institutions	1,299	1,048
Total long-term	7,907	5,692
Total bank and other loans	\$ 10,436	9,552

For the year ended on December 31, 2016, the accrued interest of bank and other loans amounted to \$562 (\$414 in 2015), see note 22.

Credit facilities received by Genera, at December 31, 2016 and 2015, as well as the unused portion are as follows:

Institution	2016	
	Credit facility received	Unused portion*
Fideicomiso Instituido en Relación con la Agricultura (FIRA)	\$ 8,000	3,708
Nacional Financiera, S. N. C. (NAFIN)	4,000	1,770
BBVA Bancomer, S. A.	250	200
Banco Nacional de México, S. A.	845	745
HSBC México, S. A.	550	550
Banco Ve por Más, S. A.	200	200
Corporación Interamericana de Inversiones	400	200
International Finance Corporation	71	41
Banco Mercantil del Norte, S. A. (Banorte)	1,000	900
Banco Santander (México), S. A.	250	250
Corporación Financiera de Desarrollo S.A. (COFIDE)	2,225	1,523
FONDEMI - COFIDE	74	55
Microfinanzas puno	27	5
Banco de la Nación	369	324
FIDEICOMISO MIMDES - FONCODES	74	-
BBVA Banco Continental	722	139
Banco Interbank	103	60
Corporación Andina de Fomento - CAF	123	101
BlueOrchard Microfinance Fund	51	-
Microfinance Growth Fund LLC	94	-
Micro, Small & Medium Enterprise Bonds SA	373	-
Pettelaar effectenbewaarbedrijf N.V.	62	-
ResponsAbility Management	188	-
ResponsAbility SICAV (Lux)	242	-
Credit Suisse Microfinance Fund Management	44	-
Dual Return Fund SICAV	51	-
Symbiotics SICAV (Lux)	86	-
Banco GNB Perú, S.A.	245	123
Scotiabank Peru S.A.	103	103
Citibank Perú S.A.	722	212
Banco del Bajío.	500	500
Banco G&T Continental, S.A.	69	60
Caja Municipal de Ahorro y Crédito de Arequipa, S.A.	30	-
Banco de Crédito del Perú, S.A.	103	103
	\$ 22,246	11,872

\* See explanation on the next page.



Institution	2015	
	Credit facility received	Unused portion*
Fideicomiso Instituido en Relación con la Agricultura (FIRA)	\$ 6,000	2,200
Nacional Financiera, S. N. C. (NAFIN)	4,000	1,800
BBVA Bancomer, S. A.	400	400
Banco Nacional de México, S. A.	845	745
HSBC México, S. A.	550	550
Banco Ve por Más, S. A.	200	50
Corporación Interamericana de Inversiones	416	200
International Finance Corporation	233	106
Banco Mercantil del Norte, S. A. (Banorte)	490	490
Banco Santander (México), S. A.	250	250
Corporación Financiera de Desarrollo S.A. (COFIDE)	1,946	1,232
FONDEMI – COFIDE	51	31
Microfinanzas puno	21	1
Banco de la Nación	253	6
FIDEICOMISO MIMDES – FONCODES	61	-
Citibank	131	-
BBVA Banco Continental	483	36
Banco Interbank	150	150
BlueOrchard Microfinance Fund	56	-
Corporación Andina de Fomento – CAF	103	47
Microfinance Growth Fund LLC	78	-
Micro, Small & Medium Enterprise Bonds SA	179	-
Pettelaar effectenbewaarbedrijf N.V.	78	-
Triodos Fair Share Fund	19	-
Triodos SICAV II - Triodos Microfinance Fund	24	-
ResponsAbility SICAV (Lux)	170	-
Credit Suisse Microfinance Fund Management	208	-
Dual Return Fund SICAV	42	-
Banco GNB Perú, S.A.	278	126
Symbiotics SICAV (Lux)	71	-
Scotiabank Peru S.A.	86	86
Citibank Perú S.A.	345	269
Banco del Bajío.	500	500
Finethic Microfinance Societé en Commandite par Actions (S.C.A.)	26	-
Banco G&T Continental, S.A.	136	81
Interbanco	34	34
	\$ 18,913	9,390

\*The amount of the credit lines not used are recognized in memorandum accounts as part of the caption "Other memorandum accounts".

At December 31, 2016, Genera had obtained funding from NAFIN and FIRA for \$2,230 and \$4,292, respectively (\$2,200 and \$3,800 in 2015, respectively). This funding was assigned to small entrepreneurs and the amount of accrued interest for the year ended on December 31, 2016, from the loans of NAFIN and FIRA were \$97 and \$184, respectively (\$70 and \$69, in 2015, respectively).

As of December 31, 2016, borrowings accrued interest at average annual interest rates in Mexican pesos of 4.64% (3.87% in 2015), in soles of 6.92 % (7.21 % in 2015) and in quetzals of 7.75% (10.89% in 2015).

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-

At December 31, 2016 and 2015, Genera has a mixed pension plan (defined benefit and defined contribution) that covers its employees and includes: a) defined benefit, which represents the present value of the accrued benefits in accordance with the years of service provided by the employees and that Genera expects to incur at the time of retirement and b) defined contribution, which represents an incentive of savings to the employees, where Genera make contributions equivalent to 100% of the contribution paid with a maximum limit of 6%. Genera's policy to fund the defined benefit plan is to contribute according to the projected credit unit method, while funding the pension plan of defined contribution is according to seniority and age of the employees. The amount charge to results of the years 2016 and 2015 for the defined contribution plan amounted to \$19 and \$10 respectively.

At December 31, 2016 and 2015, the net defined benefit liability and the projected liability net, respectively, recognized in the aforementioned dates, are shown on the next page.

### (a) Cash flows

The contributions and benefits paid for the year ended on December 31, 2016, are as follows:

	Contributions to the funds	Benefits paid from the funds
Termination (until October 2016)	\$ -	91
Recognition bonus	3	-
Defined benefit	64	-
Total	\$ 67	91

- (b) Reconciliation between the present value of the defined benefit obligations (OBD-Spanish abbreviation) and the net defined benefits liability (PNBD- Spanish abbreviation) recognized on the consolidated balance sheet, at December 31, 2016, is shown as follows:

	Termination	Retirement	Pension plan
Beginning balance of PNBD	\$ (89)	(29)	-
Defined benefit cost	(18)	(10)	(64)
Plan contributions	-	-	64
Past service not recognized with impairment in retained earnings	-	-	(66)
Accumulated remeasurement generated	(153)	(4)	(94)
Payments charged to PNBD	86	5	-
Ending balance of PNBD	(174)	(38)	(160)
OBD amount	\$ (174)	(38)	(292)
Plan assets at fair value	-	-	132
<b>Financial position of the obligation</b>	<b>(174)</b>	<b>(38)</b>	<b>(160)</b>

During November and December 2016, Genera carried out the liquidation of employees, for an amount of \$ 22, reducing the labor obligations liability with respect to the actuarially determined.

- (c) The cost, obligations and other elements of pension plans, seniority premiums and remuneration at employment relationship ending other than restructuring, mentioned in note 3 (r), were determined based on calculations prepared by independent actuaries at December 31, 2016.

An analysis of the defined benefit cost by type of plan is presented as follows:

	Termination	Retirement	Pension plan
Defined benefit cost:			
Current service cost	\$ 12	8	50
Net interest	6	2	11
Reclassification of remeasurements	-	-	3
Defined benefit cost	\$ 18	10	64

- (d) Main actuarial assumptions

The main actuarial assumptions used, expressed in absolute terms, as well as the discount rates, yield of the plan assets (AP-Spanish abbreviation), salary increases and changes in the indexes or other variables referred, at December 31, 2016, are as follows:

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

	2016
Discount rate	7.97%
Rate of salary increases	5.25%
Rate of increases to the minimum salary	7.95%

At December 31, 2015, the labor liability for defined benefits obligations is comprised as follows:

- (a) Reconciliation between the initial and final balances of the present value of the defined benefit obligations (OBD-Spanish abbreviation) for the year ended at December 31, 2015:

Financial position of assets and liabilities	Pre-retirement severance	Pre-retirement seniority payment premium	Seniority premium at retirement	Pension plan
OBD at beginning of period	\$ (42)	(11)	(11)	(110)
Plus (less):				
Labor cost of current service	(6)	(4)	(3)	(18)
Financial cost	(3)	(1)	(1)	(8)
Actuarial earnings (losses) generated in the period	(52)	(1)	-	(68)
Past services recognition	(12)	-	-	(28)
Paid benefits	26	3	-	-
OBD at the end of the period	\$ (89)	(14)	(15)	(232)



- (b) The value of the acquired benefits obligations as of December 31, 2015 was 156,199 Mexican pesos.
- (c) Reconciliation of the OBD and the Net Projected Liability (PNP-Spanish abbreviation).

Following is the reconciliation between the OBD and the PNP recognized in the consolidated balance sheets, as of December 31, 2015.

Financial position of assets and liabilities	Pre-retirement severance	Pre-retirement seniority payment premium	Seniority premium at retirement	Pension plan
OBD at beginning of the period	\$ (89)	(14)	(15)	(232)
Plan assets	-	-	-	81
Financial position of plan	(89)	(14)	(15)	(151)
Past service pending of amortization	-	-	-	65
Actuarial loss	-	-	-	86
PNP	\$ (89)	(14)	(15)	-

- (d) Period net cost (CNP-Spanish abbreviation):

An analysis of the CNP by type of plan is presented as follows:

CNP	Pre-retirement severance	Pre-retirement seniority payment premium	Seniority premium at retirement	Pension plan
Labor cost of the current service	\$ 6	4	3	18
Financial cost	3	1	1	8
Actuarial (earnings) losses	52	1	-	-
Expected return on plan assets	-	-	-	(4)
Amortization of the transition liability	12	-	-	2
Total	\$ 73	6	4	24

- (e) Main actuarial assumptions:

The main actuarial assumptions used, expressed in absolute terms, as well as the discount rates, yield of the plan assets (AP-Spanish abbreviation), salary increases and changes in the indexes or other variables referred, at December 31, 2015 are as follows:

Age	Death (%)		Disability (%)	Rotation (%)
	Men	Women		
20	0.00197	0.000930	0.000760	0.606061
25	0.00230	0.000950	0.001000	0.112179
30	0.00274	0.000990	0.001120	0.068027
35	0.00332	0.001050	0.001290	0.042735
40	0.00411	0.001160	0.001640	0.027349
45	0.00517	0.001320	0.002210	0.016340
50	0.00661	0.001580	0.003470	0.009033
55	0.00859	0.001990	0.007120	0.003814
60	0.01131	0.002700	0.000000	0.000000
65	0.01512	0.003960	0.000000	0.000000

	2015
Discount rate	7.61%
Rate of salary increases	5.25%
Rate of increases to the minimum salary	3.50%

- (f) OBD and plan situation at the end of the last five annual periods.  
The OBD value, the plan situation, as well as the adjustments by experience of the last five years are shown as follows:

Year	Seniority premium			Adjustments from experience OBD (%)
	OBD	AP	Plan situation	
2015	\$ 29	-	29	-
2014	22	-	22	-
2013	18	-	18	-
2012	13	-	13	-
2011	7	-	7	2

Severance compensation before retirement				
Historical amounts				
Year	OBD	AP	Plan situation	Adjustments from experience OBD (%)
2015	\$ 89	-	89	-
2014	42	-	42	-
2013	33	-	33	-
2012	34	-	34	-
2011	21	-	21	-

## (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 2016 and 2015 was 30%. The ESPS rate for the fiscal years of 2016 and 2015 was 10%. The IT rate in Peru for fiscal years of 2016 and 2015 was 28%.

The tax result differ 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.

Notwithstanding that Genera 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, 2016 and 2015.

	2016		2015	
	Current IT	Deferred IT	Current IT	Deferred IT
Bank	\$ 1,489	192	787	448
Compartamos Financiera	87	17	50	-
Compartamos Servicios	149	(13)	130	3
Intermex	20	5	9	9
Controladora AT	16	-	9	-
Red Yastás	-	137	9	-
Guatemala	20	4	-	-
	\$ 1,781	342	985	460

The reconciliation between the current and effective IT tax rates of the Bank for the years ended on December 31, 2016 and 2015, which provision is the main consolidated IT expense, is shown as follows:

	2016	2015
Income before IT	\$ 4,416	4,236
IT at 30% rate on income before IT	\$ (1,325)	(1,271)
Plus (less) the effect of IT on:		
Deductible annual inflation adjustment	76	42
Allowance for loan losses	(845)	(555)
Loan portfolio write-offs	689	629
Deduction from the loan portfolio sale	-	358
Other non-deductible or taxable items, net	(88)	10
Current IT	(1,493)	(787)
Current IT prior year	4	-
Deferred IT	192	(448)
IT expense	\$ (1,297)	(1,235)
Effective IT rate	29%	29%

At December 31, 2016 and 2015, the main temporary differences of Genera on which deferred IT asset (liability) was recognized are as follows:

	2016	2015
Allowance for loan losses	\$ 1,745	1,199
Furniture and equipment	59	75
Installation expenses	267	171
Subtotal, carried forward	\$ 2,071	1,445

	2016	2015
Subtotal, brought forward	\$ 2,071	1,445
Employees' benefits	744	308
Provisions	280	229
Tax losses carryforward	1,069	1,093
Other	(65)	26
	4,099	3,101
IT rate	30%	30%
Deferred IT	1,229	928
Less:		
Valuation allowance*	189	332
Deferred IT asset, net	\$ 1,040	596

\* As of December 31, 2016 and 2015, the valuation allowance corresponds mainly to the tax losses carryforward from Genera and Yastás.



As of December 31, 2016 and 2015, the deferred tax asset related to the allowance for loan losses which amounts to \$1,745 and \$1,199, respectively, is mainly comprised of the total balance of the Bank's allowance for loan losses to that dates.

As of December 31, 2016 and 2015, 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 on December 31, 2016, the movement of deferred IT balance represented a debit on the income statement of \$342 (credit to income statement of \$460 in 2015).

As of December 31, 2016 and 2015, Compartamos Servicios recognized a deferred tax asset derived from ESPS, which amounted to \$65 and \$44, 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 Genera and subsidiaries as of December 31, 2016 and 2015, amounts to \$1,642 and \$13,797, and \$7,453 and \$16,381, respectively.

#### (b) ESPS-

For the years ended December 31, 2016 and 2015, Compartamos Servicios calculated ESPS based on article 9 of the IT Law. The amount of ESPS determined for the years ended on December 31, 2016 and 2015, amounts to \$33 and \$35, respectively, which was recognized under the "Administrative and promotion expenses" caption in the consolidated statement of income. At December 31, 2016 and 2015, Compartamos Financiera recorded a provision of \$19 and \$10, respectively, for ESPS, recognizing this amounts in the aforementioned caption.

### (17) Sundry creditors and other accounts payable-

At December 31, 2016 and 2015, the balance of this caption is comprised as follows:

	2016	2015
Capitalized lease liabilities (note 11)	\$ 10	14
Social security contributions	139	41
Other taxes	315	382
Labor liabilities (note 15) (*)	389	131
Sundry provisions	818	443
Sundry creditors	817	745
	\$ 2,488	1,756

(\*) Includes \$39 and \$13, at December 31, 2016 and 2015, respectively, of labor liability mainly from the subsidiaries abroad.

Following is the analysis of the most significant provisions for the years ended December 31, 2016 and 2015.

Type of provision	Balance at January 1, 2016	Plus increases	Less applications	Less cancellations	Balance at 31, December 2016
Short term:					
Sundry provisions	\$ 443	2,250	1,852	30	811

Type of provision	Balance at January 1, 2015	Plus increases	Less applications	Less cancellations	Balance at 31, December 2015
Short term:					
Sundry provisions	\$ 481	1,491	1,375	154	443

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.

Following are presented the main provision concepts at December 31 2016 and 2015.

	2016	2015
Employees bonuses	\$ 397	314
Advisory and services	146	56
Legal provisions	181	21
Commissions	16	16
Other	71	36
Total provisions	\$ 811	443

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

The Bank Savings Protection Law entered into force on January 20, 1999 as part of the measures adopted by the federal government to deal with the economic crisis arising in late 1994. The law provides for the creation of the IPAB to replace the Bank Savings Protection Fund.

The purpose of the IPAB is to apply a series of preventive measures designed to avoid financial problems, which can affect banks and ensure compliance with bank obligations towards their depositors.

The IPAB manages the Bank Savings Protection System, which is gradually restructured as per the established transition guidelines. The new 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 \$2.22 and \$2.15 at December 31, 2016 and 2015, 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, 2016 and 2015, amounted to \$60 and \$52, respectively, which were charged directly to the results of the year.

## (19) Stockholders' equity-

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

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

#### 2016 movements-

At the April 20, 2016, Ordinary General Stockholders' Meeting, it was resolved to reconstitute the fund for the acquisition of own shares for \$140. During 2016, some shares were repurchased for an amount of \$90. Furthermore, an increase of the statutory reserve for \$158 was approved. In the same Stockholders' Meeting, it was decided to declare and pay dividends for \$1,253, equivalent to \$0.77 Mexican pesos per share, which was paid on May 13, 2016 through S. D. Ineval, S. A. de C. V. Instituto para el Depósito de Valores (Institution for the Custody of Securities in Mexico). In addition, the shareholders authorized the cancellation of 6,784,489 common shares without nominal value expression corresponding to the variable capital that Genera held in treasury.

#### 2015 movements-

At the April 24, 2015, Ordinary General Stockholders' Meeting, it was resolved to reconstitute the fund for the acquisition of own shares for \$185. During 2015, some shares were repurchased for an amount of \$166. Furthermore, an increase of the statutory reserve for \$156 was approved. In the same Stockholders' Meeting, it was decided to declare and pay dividends for \$1,241, equivalent to \$0.76 Mexican pesos per share, which was paid on May 15, 2015 through S. D. Ineval, S. A. de C. V. Instituto para el Depósito de Valores (Institution for the Custody of Securities). In addition, the shareholders was authorized the cancellation of 9,482,809 common shares without nominal value expression corresponding to the variable capital that Genera held in treasury.

Genera's subscribed and paid capital at December 31, 2016 and 2015, is comprised as follows:

2016			
Series	Shares	Description	Amount
"Unique"	415'595,676	Minimum fixed capital with no withdrawal rights	\$ 1,201
	1,216'302,554	Variable capital	3,563
	1,631'898,230	Capital stock	\$ 4,764

2015			
Series	Shares	Description	Amount
"Unique"	415'595,676	Minimum fixed capital with no withdrawal rights	\$ 1,201
	1,223'087,043	Variable capital	3,563
	1,638'682,719	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 Genera and may be credited against its IT in the same year or the following two years.

Dividends paid to individuals and resident 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 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, 2016 and 2015, 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, 2016 and 2015, 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, 2016 is 27.51% according to the current rules. As of December 31, 2015 is 29.05%.

The ICAP on assets subject to credit risk ("ASRC" by its acronym in Spanish) as of December 31, 2016 and 2015, is 36.76% and 34.77%, respectively.

Following are the most relevant items of the ICAP at December 31, 2016 and 2015:

	2016	2015
Assets in market risk	\$ 1,696	1,495
Assets in credit risk	26,284	23,855
Assets in operational risk	7,141	3,196
Total risk assets	\$ 35,121	28,546
Net capital	\$ 9,661	8,293
Ratio on assets subject to credit risk	36.76%	34.77%
Ratio on assets subject to total risk	27.51%	29.05%

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,	
	2016	2015
Stockholders' equity <sup>1</sup>	\$ 10,918.0	9,321.0
Deferred taxes, asset from tax differences	(1.6)	(2.0)
Deduction of intangibles and deferred expenses or costs	(1,255.4)	(1,025.8)
Basic capital	9,661.0	8,293.2
Complementary capital	-	-
Net capital	\$ 9,661.0	8,293.2

<sup>1</sup> As of December 31, 2016 and 2015, 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 the Article 2 Bis, Section I, subsection a) of the General Provisions applicable to Credit Institutions, issued in the Official Gazette on November 28, 2012.

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, 2016 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 2016 and 2015, 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 "1" category in accordance with the aforementioned provisions in both years.

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] - / ICAPM  
 ICAPM = 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 multiple banking institution's operating authorization.

#### Market risk-

The capital required for the position of assets at market risk of the Bank as of December 31, 2016 and 2015 is as follows:

Item	Amount of the equivalent positions		Capital requirement	
	2016	2015	2016	2015
Operations at nominal rate in local currency	\$ 1,033.4	1,451.1	82.7	116.1
Operations at nominal rate in foreign currency	0.5	-	0.04	-
Shares and on shares positions	30.8	-	2.5	-
Positions in foreign currency or with return indexed to exchange rates	631.7	43.5	50.5	3.5
	\$ 1,696.4	1,494.6	135.74	119.6

#### Credit risk-

The amount corresponding to weighted assets subject to credit risk and their respective capital requirements of the Bank as of December 31, 2016 and 2015 is shown below per risk group and item:

Risk group:	Risk-weighted assets		Capital requirement	
	2016	2015	2016	2015
Group III (weighted at 20%)	\$ 345.6	234.4	27.6	18.8
Group III (weighted at 50%)	200.1	-	16	-
Group III (weighted at 100%)	250.6	7.7	20	0.6
Group VI (weighted at 100%)	23,111.0	21,520.3	1,848.9	1,721.6
Group VII (weighted at 20%)	82.8	-	6.6	-
Group VII (weighted at 115%)	295.7	178.7	23.7	14.3
Group VIII (weighted at 150%)	-	233.1	-	-
Permanent investments and other assets	1,998.5	1,859.8	159.9	148.8
Total credit risk	\$ 26,284.3	24,034.0	2,102.7	1,904.1



**Operational risk-**

The capital requirement from its exposure to operational risk for December 2016 is \$571.2, while in 2015 was \$255.7, both equivalent to the corresponding percentage, as established in the Article 2 Bis 112 of the capitalization requirements for multiple banking institutions, of the average of 15% of the requirement for market and credit risks and credit for 2015 and of 30%, in 2016.

Capital requirements are calculated periodically and the sufficiency of the capital is evaluated. At December 31, 2016 and 2015, the Bank has maintained 18 and 20 basis points in average, higher than the current regulatory limit (10.5%) of ICAP.

**Leverage index-**

From the year ended on December 31, 2016, the Commission established the rule for calculating the leverage index, which considers the follows:

Basic capital	\$	9,661
Accounting assets	\$	31,567
Deductions	\$	1,257
Derivatives	\$	-
Repurchase/resell agreements and loan of securities	\$	-
Leverage index		26%

**d) Bank's agencies credit rating-**

As of December 31, 2016 and 2015 the Bank obtained the following agencies credit rating in both years:

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

<sup>(1)</sup> Ratified rating on December 15, 2016.

<sup>(2)</sup> Ratified rating on August 17, 2016.

**(20) Commitments and contingent liabilities-**

Genera 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 \$1,304 (\$339 in 2017, \$285 in 2018, \$249 in 2019, \$222 in 2020, and \$209 in 2021).

Compartamos Servicios entered into a lease agreement of a building for the exclusive use of corporate offices, 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 to an exchange rate of \$12.62 Mexican pesos per dollar, during the aforementioned period. For the payment of the rent Genera has a grace period of six months to condition the property for its use beginning on October 1, 2012.

The majority of the lease agreements for the service offices are based on Genera'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 Genera, 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 Genera 60 days prior to expiration of the agreement to conduct the renewal.

Genera 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.

Genera 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 Genera 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 applied.

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.

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

For the years ended on December 31, 2016 and 2015, lease payments were recorded in the consolidated income statement for \$562 and \$384, respectively.

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, 2007, 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, \$97, \$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 2009, whose complaint comes from other concepts related to differences in deductibility criteria applied to the IT, which amount to \$19, \$21 and \$3, 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, Genera 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 Genera'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 Genera 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, 2016 and 2015, Genera granted to key management personnel, short term direct benefits for \$247 and \$188, respectively.

The main transactions celebrated with related parties for the years ended on December 31, 2016 and 2015, are as follows:

	2016	2015
Donations expenses	\$ 8	8
Income from associate interest	\$ 23	4

## (22) Additional segments information-

Genera 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, 2016 and 2015, 96% and 97% 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 (approximately 4% and 3% of the operation of the Bank for 2016 and 2015, respectively) are the treasury segment and commissions from insurance operations.

## Financial margin-

For the years ended on December 31, 2016 and 2015, the financial margin is shown as follows:

	2016	2015
<b>Interest income:</b>		
Loan portfolio interest	\$ 19,828	17,167
Interest on cash and cash equivalents	183	91
Interest arising from investments in securities	4	2
Interest from repurchase/resell agreements	2	8
Placement premium	-	8
	\$ 20,017	17,276
<b>Interest expense:</b>		
Demand and time deposits	\$ 119	60
Cebures (includes amortization of issuance expenses of \$13 and \$19 in 2016 and 2015, respectively)	498	410
Bank and other loans	562	414
Foreign exchange losses	-	1
	\$ 1,179	885

## Interests and commissions per type of loan-

Interests and commissions per type of loan, for the years ended on December 31, 2016 and 2015, are comprised as follows:

	2016		2015	
	Current	Past-due	Current	Past-due
<b>Interest income</b>				
Commercial loans:				
Business and commercial	\$ 213	-	145	-
Consumer loans	19,598	10	17,007	5
Residential mortgages	7	-	10	-
	\$ 19,818	10	17,162	5

For the years ended on December 31, 2016 and 2015, income and expense for commissions and fees, are comprised as follows:

	2016	2015
<b>Commissions and fees income:</b>		
Consumer loans	\$ 518	493
Insurance operations	472	313
Other	412	383
	<b>\$ 1,402</b>	<b>1,189</b>
<b>Commissions and fees expense:</b>		
Bank fees	\$ 249	214
Brokers	339	364
Insurance operations	70	114
Loans received	6	34
Other	27	10
	<b>\$ 691</b>	<b>736</b>

For the years ended on December 31, 2016 and 2015, "Other operating income (expenses), net", is analyzed as follows:

	2016	2015
<b>Other operating income (expenses), net:</b>		
Loan portfolio recoveries	\$ 50	28
Allowance for bad debts	(364)	(56)
Miscellaneous losses	(19)	(7)
Donations	(51)	(42)
Results on sales of furniture and equipment	(4)	(15)
Capitalized leases	(1)	(6)
Cancellation of provisions	41	177
Other income (expenses) (mainly insurance premium)	124	79
Total	<b>\$ (224)</b>	<b>158</b>

Following is a condensed consolidated income statement (including intercompany balances eliminations) of Genera and Subsidiaries for the years ended on December 31, 2016 and 2015.

2016	Subsidiaries								
	Genera	Bank	Compartamos Guatemala	Financiera Compartamos	Red Yastás	Compartamos Servicios	Controladora AT	Intermex	Total
Interest income	\$ 2	17,420	427	2,132	3	28	3	2	20,017
Interest expense	-	811	6	362	-	-	-	-	1,179
Financial margin	2	16,609	421	1,770	3	28	3	2	18,838
Financial margin adjusted for credit risk	2	13,791	370	1,401	3	28	3	2	15,600
Operating income before income tax	(283)	11,773	68	229	(78)	(7,064)	89	115	4,849
Net income	(283)	10,424	52	159	59	(7,225)	73	100	3,410

2015	Subsidiaries								
	Genera	Bank	Compartamos Guatemala	Financiera Compartamos	Red Yastás	Compartamos Servicios	Controladora AT	Intermex	Total
Interest income	\$ 12	15,407	265	1,569	2	20	1	-	17,276
Interest expense	-	592	11	282	-	-	-	-	885
Financial margin	12	14,815	254	1,287	2	20	1	-	16,391
Financial margin adjusted for credit risk	12	12,964	233	953	2	20	1	-	14,185
Operating income before income tax	(82)	10,953	19	200	8	(6,596)	53	51	4,606
Net income	(82)	9,717	19	150	8	(6,728)	44	33	3,161



### (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:

- Commitment by Top Management and the Board of Directors to properly manage risks encountered.
- Ongoing supervision of CRM policies and procedures.
- Clear segregation of duties to ensure independence and objectivity in risk management.
- Formal cooperation between the CRM structure and the business units.
- Clear determination of responsibilities pertaining to CRM.
- 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, 2016 and 2015 is made up in 100% of loans made to individuals for a specific purpose (consumer portfolio) 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, 2016 and 2015, the portfolio is comprised for 3.4 and 3.3 million loans, respectively, as well the average outstanding balance in this dates has remained at approximately \$6,983 and \$6,556 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 2016 and \$150,000 Mexican pesos in 2015, 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 liability 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(h).

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 General Provisions Applicable to Credit Institutions.

#### Consumer loans

Rating	Distribution of the loan portfolio by rating (data in percentages to the total loan portfolio)			
	2016		2015	
	Balance	Average	Balance	Average
A-1	68.4	69.6	70.7	70.8
A-2	0.4	0.4	0.6	0.6
B-1	2.4	2.1	0.9	1.0
B-2	8.8	9.9	9.4	11.2
B-3	1.8	1.6	1.5	1.6
C-1	7.5	7.0	8.5	6.4
C-2	3.1	3.3	3.1	3.7
D	0.9	0.9	0.9	0.
E	6.7	5.2	4.4	3.9
Total	100.0	100.0	100.0	100.0

#### Expected loss and loss given default weighted for exposition

	2016	2015	Variation (%)
Total exposure	\$ 25,063	22,850	9.68
Expected loss (exposure weighted) (%)	\$ 9.13	7.08	28.95
Loss given default (exposure weighted) (%)	75.34	75.34	-

The measurement methodology used in calculating expected and unexpected losses arising from the portfolio's credit risk is a Credit Risk+ model, which generates a thousand scenarios for each loan pertaining to the portfolio considered. The risk exposure which includes the model is the loan portfolio that has shown no default at the date of the analysis, defining default as an event in which a loan has not been paid adequate and timely.

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

## Commercial loan portfolio

Concept	Credit risk 2016		Credit risk 2015	
	Balance	Average	Balance	Average
Commercial loan portfolio:				
Total exposure	\$ -	-	-	0.9
Expected loss	-	-	-	12.7
Unexpected loss at 95%	-	-	-	399.8
	===	===	===	===
Expected loss/total exposure	N/A*	N/A*	0.0%	0.2%
Unexpected loss/total exposure	N/A*	N/A*	0.0%	3.2%

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

At December 31, 2016 and 2015 the quantitative information for the credit risk of the consumer loan portfolio, is as follows:

Concept	Credit risk			
	Balance	Average	Balance	Average
	2016	2015	2016	2015
Consumer loan portfolio:				
Total exposure	\$ 25,063	25,113	22,165	20,229
Expected loss	1,164	1,567	332	269
Unexpected loss at 95%	1,672	1,575	335	271
	=====	=====	=====	=====
Expected loss/total exposure	6.64%	6.24%	1.5%	1.3%
Unexpected loss/total exposure	6.67%	6.27%	1.5%	1.3%

The expected loss pertaining to the portfolio under consideration as of December 31, 2016 represents 6.64% of the overall balance exposed to default. The Bank has set up loan loss reserves totaling \$1,695, equivalent to 6.76% of the balance of the overall portfolio. As of December 31, 2015, the expected loss was of 1.5% and the allowance amounted to \$1,175; 5.14% 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, 2016 and 2015, no additional allowance for loan losses were required (note 9).

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, 2016, income from loan operations amounted to \$17,301, representing 99.3% of the Bank's total income, compared to the same item at December 31, 2015, the variation in income, in percentage terms is 9.4%.

## Income from loan operations

	2016	2015	Variation (%)
Loan income	\$ 17,301	15,805	9.4%
Total income	\$ 17,420	16,305	6.8%
Income from loan operations (%)	99	97	2.1%

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 daily basis. Such allowance is part of the daily report on market risk. As of December 31, 2016, the position in financial instruments subject to counterparty risk totals \$2,238; 100% in Call Money operations. The expected loss pertaining to counterparty risk is 1.36% of the overall exposure. In comparison, as of December 31, 2015, the Bank's position in financial instruments subject to counterparty risk totaled \$1,150; 100% in call money operations with an expected loss from counterparty risk of 0.5%, 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, 2016 and 2015, as well as the maximum exposure to such risk during these years, are as follows:

	Exposure to counterparty risk at December 31, 2016		
	Amount at year-end	Maximum exposure	Concentration at year-end (%)
Total position	\$ 2,238	30.4	100%
Purchase/sale of securities			
Rating AAA	-	-	-
Rating AA	-	-	-
Rating A	-	-	-
Call Money	\$ 2,238	30.4	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 \$7,312.

	Exposure to counterparty risk at December 31, 2015		
	Amount at year-end	Maximum exposure	Concentration at year-end (%)
Total position	\$ 1,150	5.8	100%
Purchase/sale of securities			
Rating AAA	-	-	-
Rating AA	-	-	-
Rating A	-	-	-
Call Money	\$ 1,150	5.8	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 \$6,918.

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.

As of December 31, 2016 and 2015, the Bank's portfolio of financial instruments subject to market risk is comprised solely of Call Money. 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, 2016:

Portfolio	Value at Risk, 1 day (VaR) on December 31, 2016			
	Market Value	VaR at 99%	% Position	Use of limit (%) <sup>1</sup>
Total position <sup>1</sup>	\$ 2,604	7.99	0.31%	75.8%
Money <sup>2</sup>				
Purchase of securities	\$ -	-	-	-
Call Money	\$ 2,237	0.09	0.004%	0.9%
Derivatives <sup>3</sup>	\$ -	-	-	-
Foreign currencies	\$ 366	7.9	2.15%	74.9%
Equity	\$ -	-	-	-

1. At December 31, 2016 the authorized risk limit is calculated based on the maximum exposure, with an exposure of \$2,604 corresponds 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.

Following is the quantitative information for market risk as of December 31, 2015:

Portfolio	Value at Risk, 1 day (VaR) on December 31, 2015			
	Market Value	VaR at 99%	% Position	Use of limit (%) <sup>1</sup>
Total position <sup>1</sup>	\$ 1,179	0.42	0.040	33
Money <sup>2</sup>				
Purchase of securities	\$ -	-	-	-
Call Money	\$ 1,150	0.01	0.001	32
Derivatives <sup>3</sup>	\$ -	-	-	-
Foreign currencies	\$ 29	0.41	1.400	1
Equity	\$ -	-	-	-

1. The authorized risk limit is calculated based on the maximum exposure, at December 31, 2015 with an exposure of \$1,179 corresponds a limit of \$300,000 Mexican pesos.
2. The positions subject to market risk referred to are call money operations.
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 2016 was \$2,512,396 Mexican pesos, corresponding to 24% of the limit calculated exposure as of December 31, 2016. The daily average VaR held in 2015 was \$237,628 Mexican pesos, corresponding to 79.2% of the last ASRM product x ICAP known as of December 31, 2015.



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 97%.

The sensitivity analyses conducted periodically normally considers movements of  $\pm 100$  base points in rates or risk factors. Whereas to generate stress scenarios, movements of  $\pm 150$  base points are considered in rates or risk factors.

On the next page the sensitivity and stress tests conducted as of December 31, 2016 and 2015, respectively are shown.

	Sensitivity analysis as of December 31, 2016			
	Market Value	VaR at 99%	Sensitivity +100 bp	Stress +150bp
Total position	\$ 2,604	7.99	12	16
Money:				
Purchase of securities				
Call Money	\$ 2,237	0.09	0.2	0.3
Foreign currencies	\$ 366	7.9	11.8	15.7

	Sensitivity analysis as of December 31, 2015			
	Market Value	VaR at 99%	Sensitivity +100 bp	Stress +150bp
Total position	\$ 1,179	0.42	0.74	1.02
Money:				
Purchase of securities	-	-	-	-
Call Money	\$ 1,150	0.01	0.12	0.19
Foreign currencies	\$ 29	0.41	0.62	0.83

Income from treasury operations at the end of 2016 was \$85, accounting for 0.5% of the Bank's overall interest income. The variation in treasury income was determined comparing the same item for the prior year 2015, which was \$59.

	Income from treasury operations		
	2016	2015	Variation (%)
Income from treasury operations	\$ 85	59	44.1%
Total interest income	\$ 17,419	15,434	12.9%
Income from treasury operations (%)	0.5%	0.4%	25%

### 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, 2016, the quantitative information for the analysis of liquidity gaps is as follows:

Bucket	Analysis of liquidity gaps (accumulated) <sup>1</sup>		
	2016		
	Gap	Limit*	Use of limit (%)
1-30 days	2,133	14%	0%
31-60 days	9,186	62%	0%
61-90 days	13,571	91%	0%
91-120 days	15,559	104%	0%
121-180 days	17,019	114%	0%
181-270 days	18,136	122%	0%
271-360 days	16,499	111%	0%
361-720 days	17,005	114%	0%
721-1,080 days	13,053	88%	0%
1,081-1,440 days	10,041	67%	0%
1,441-1,800 days	(2,344)	(16%)	16%

Analysis of liquidity gaps as of December 31, 2016			
Bucket	Gap	Limit*	Use of limit (%)
1-30 days	2,133	14%	0%
31-60 days	7,053	62%	0%
61-90 days	4,385	91%	0%
91-120 days	1,989	104%	0%
121-180 days	1,460	114%	0%
181-270 days	1,117	122%	0%
271-360 days	(1,637)	111%	0%
361-720 days	506	114%	0%
721-1,080 days	(3,952)	88%	0%
1,081-1,440 days	(3,011)	67%	0%
1,441-1,800 days	(12,386)	(16%)	16%

\* The authorized risk limit is calculated as a percentage of the total liquid assets plus available lines.

1 The calculation of the accumulated gaps is presented in order to clarify the period, where a gap of liquidity exists.

The liquid assets plus available lines as of December 31, 2016, were \$14,917.

As of December 31, 2015, the quantitative information for the analysis of liquidity gaps is as follows:

Analysis of liquidity gaps (accumulated) <sup>2</sup> as of December 31, 2015			
Bucket	Gap	Limit*	Use of limit (%)
1-30 days	7,855	79%	0%
31-60 days	13,481	135%	0%
61-90 days	17,944	179%	0%
91-120 days	19,626	196%	0%
121-180 days	20,900	209%	0%
181-270 days	19,266	193%	0%
271-360 days	19,669	197%	0%
361-720 days	15,405	154%	0%
721-1,080 days	13,909	139%	0%
1,081-1,440 days	9,726	97%	0%
1,441-1,800 days	(2,656)	(27%)	27%

Analysis of liquidity gaps as of December 31, 2015			
Bucket	Gap	Limit*	Use of limit (%)
1-30 days	7,855	79%	0%
31-60 days	5,626	135%	0%
61-90 days	4,467	179%	0%
91-120 days	1,682	196%	0%
121-180 days	1,275	209%	0%
181-270 days	(1,635)	193%	0%
271-360 days	403	197%	0%
361-720 days	(4,264)	154%	0%
721-1,080 days	(1,496)	139%	0%
1,081-1,440 days	(4,184)	97%	0%
1,441-1,800 days	(12,382)	(27%)	27%

\* The authorized risk limit is calculated as a percentage of the total liquid assets plus available lines.

2 The calculation of the accumulated gaps is presented in order to clarify the period, where a gap of liquidity exists

The liquid assets plus available lines as of December 31, 2015 were \$10,606.

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 2016, of \$16,499. The overall accumulated gap is negative.

At December 31, 2016 the quantitative information for liquidity risk of the Bank, is as follows:

VaR Liquidity, 10 days 2016			
	Value	Position (%)	Use of limit (%)*
VaR liquidity at 99%	\$ 25.2	0.96%	75.8%
Money			
Purchase of securities	-	-	-
Call Money	0.28	0.01%	0.9%
Foreign currencies	\$ 24.9	0.095%	74.9%

\* The authorized risk limit is calculated based on the maximum exposure at December 31, 2016 with an exposure of \$2,604 corresponds a limit of \$33,203,915 Mexican pesos.

The Bank net capital as of December 31, 2016 is \$9,775.

At December 31, 2015 the quantitative information for liquidity risk of the Bank, is as follows:

VaR Liquidity, 10 days			
2015			
	Value	Position (%)	Use of limit (%)*
VaR liquidity at 99%	\$ 1.34	0.115%	33.42%
Money			
Purchase of securities	-	-	-
Call Money	0.04	0.004%	1.28%
Foreign currencies	\$ 1.30	0.111%	32.14%

\* The authorized risk limit is calculated based on the maximum exposure at December 31, 2015 with an exposure of \$1,179 corresponds a limit of 950,000 Mexican pesos.

The Bank net capital as of December 31, 2015 is \$8,293.

The average liquidity VaR for 2016 was 7,944,895 Mexican pesos, equivalent to 24% of the limit calculated at December 31, 2016 (33,203,915 Mexican pesos). Sensitivity and stress tests are also conducted for liquidity risk management. The average liquidity VaR for 2015 was 751,446 Mexican pesos, equivalent to 18% of Institution's net capital as of December 31, 2015 (4,100,000 Mexican pesos).

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.

A global level of tolerance has been established for operational risks, taking into account the causes, origin and risk factors thereof.

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.

Loss events related to operational risks, including technological and legal risks, are recorded systematically, with an association to the corresponding lines of business or business units, as well as to the type of loss. The Bank considers events of fraud or asset damage to be its main exposures.

Business Continuity Plan (BCM) is in process of implementation, which includes a Disaster Recovery Plan (DRP) focusing on technological risks, as well as a Business Contingency Plan (BCP). Special officers are designated to ensure that such plans are duly updated.

#### 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. There are policies and procedures in place intended to minimize the negative impacts of materialization of technological risks such as: historical filing of all operations and transactions entered into, daily reconciliations, contingency policies in the event of: electrical power failure, communication failure, acts of vandalism, and natural disasters, among others.

Due to the nature and characteristics of the market served by the Bank, there are no channels of distribution for banking operations conducted with customers via the Internet.

#### Legal risk-

With respect to legal risk management, the Bank has implemented policies and procedures for minimizing this risk, which include the following matters:

- I. The review and approval of all agreements by the Legal Director's Office to ensure proper instrumentation of agreements and contracts.
- II. Detailed management of powers granted to the Board of Directors, so as to avoid misuse.
- III. Procedures for filing and safeguarding agreements and other legal information.
- IV. Preparation of reports on the likelihood of issuance of adverse legal or administrative rulings. The reports are prepared at least on a quarterly basis.



At the end of December 2016 and 2015, Tolerance Level which by definition can be understood as the Bank's Operational Risk Exposure, is 0.3% of its annualized income, estimated on a monthly basis. Equivalent to \$52.3 for 2016 and \$160 for 2015, on average. The materialized loss events, associated with the operational risk, during 2016 reached only 0.2% and 0.1% in 2015 as a percentage of annualized income, below the maximum tolerance in both years.

### (24) Recently issued financial reporting and regulatory standards-

On January 6, 2017, the Commission published in the Official Gazette the resolution amending various articles of general provisions applicable to credit institutions, including the change of allowance for loan losses methodology for non-revolving consumer loans and residential mortgages. These provisions shall enter into force since June 1, 2017.

Management is currently in process of evaluating the accounting effects that will generate on their financial statements, derived from the adoption of the new allowance for loan losses methodology for non-revolving consumer loans.

The CINIF has issued the FRS and FRS improvements listed below:

- FRS B-17 "Determination of fair value"
- FRS C-2 "Investment in financial instruments"
- FRS C-3 "Accounts receivable"
- FRS C-9 "Provisions, Contingencies and Commitments"
- FRS C-10 "Derivative financial instruments and hedging relationships"
- FRS C-16 "Impairment of financial instruments receivable"
- FRS C-19 "Financial instruments payable"
- FRS C-20 "Financing instruments receivable"
- FRS D-1 "Revenue from contracts with customers"
- FRS D-2 "Costs from contracts with customers"

#### 2017 FRS Improvements

In October 2016, CINIF issued a document called "2017 FRS Improvements" containing precise modifications to some of the existing FRS. The main revisions that bring about accounting changes are the following:

- FRS B-13 "Subsequent events as of the date of the financial statements"
- FRS B-6 "Statement of financial position"
- FRS C-6 "Property, plant and equipment"
- FRS C-11 "Stockholders' equity"
- FRS D-3 "Employee benefits"

Management estimates that the new FRS and the FRS improvements will not have important effects on the Genera's financial statements, given that they are not applicable or exist specific accounting criteria set forth by the Commission.

**GENTERA**

LEADERS OF FINANCIAL INCLUSION

**Materiality and  
Stakeholders  
Annual and Sustainability  
Report 2016**

## Relations with stakeholders (102-21, 102-40, 102-42, 102-43, 102-44)

At Genera, we consider dialogue with stakeholders to be an essential part of our operations; aligned with our goal of creating shared value, and fostering communication through a variety of channels. Beyond the purpose of knowing their expectations and sharing our responses, we seek to strengthen trustworthy relationships, and to push their participation in our different administration and communication processes.

We determine stakeholders through an analysis made with the help of external experts, which consider entities and individuals that could be affected by our operations, and those that could have an impact on us.

Below we share our different stakeholders, the mechanisms we offer, as well as the expectations and interests obtained through them.

Stakeholders	Main communication channels and mechanisms	Highlighted expectations and interests
Clients	<ul style="list-style-type: none"> <li>Customer service phone line</li> <li>Website</li> <li>Suggestion box</li> <li>Advisor (direct communication)</li> <li>Satisfaction surveys</li> <li>Social media</li> <li>Magazines and printed publicity</li> </ul>	<ul style="list-style-type: none"> <li>Excellent and speedy delivery of products and services</li> <li>Product security</li> <li>Clear information about the products and services</li> <li>Information about financial administration (financial education)</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Internal communication (notice board, intranet, screens, mail, internal bulletins and magazines)</li> <li>Code of Ethics and Conduct report channel</li> <li>Integration meetings (monthly)</li> <li>Annual sales and support services events (CEAS)</li> <li>Annual work environment survey</li> <li>Focus group for the Annual and Sustainability Report 2016</li> </ul>	<ul style="list-style-type: none"> <li>Contribution to society through volunteering and donations</li> <li>Work environment and organizational culture</li> <li>Training opportunities and career development</li> <li>Health and security in the work environment</li> <li>Excellence in customer satisfaction care</li> </ul>
Investors	<ul style="list-style-type: none"> <li>Area for Investor Relations</li> <li>Comments and analysis about the administration</li> <li>Consolidated financial statements (every trimester)</li> <li>Notes about Consolidated Financial Statements (every trimester)</li> <li>Corporate presentation (every trimester)</li> <li>Conference call (every trimester)</li> <li>Financial information package (every trimester)</li> <li>Information instruments (every trimester)</li> <li>Annual and Sustainability Report</li> <li>Trimester report to BMV</li> <li>Annual report to BMV</li> <li>Financial Statements (annual)</li> </ul>	<ul style="list-style-type: none"> <li>Financial and operational results</li> <li>Corporate strategy: business model, innovation, and market positioning</li> </ul>

Stakeholders	Main communication channels and mechanisms	Highlighted expectations and interests
Providers	<ul style="list-style-type: none"> <li>Procurement Area</li> <li>Code of Ethics and Conduct for providers</li> <li>Audits for providers</li> <li>Website</li> <li>Complaint channels (transparency mailbox, telephone line)</li> </ul>	<ul style="list-style-type: none"> <li>Ethics and integrity in operations</li> <li>Efficiency in operational processes</li> <li>Business growth</li> </ul>
Authorities, regulators, and legislators	<ul style="list-style-type: none"> <li>Reunion 1x1</li> <li>Field visits</li> <li>Presentations with business information</li> <li>Fact sheets</li> <li>Website</li> <li>Annual and Sustainability Report</li> </ul>	<ul style="list-style-type: none"> <li>Norm compliance</li> <li>Conditions for a favourable business environment</li> <li>Risk prevention and management</li> </ul>
Community	<ul style="list-style-type: none"> <li>Website</li> <li>Email</li> <li>Social media</li> <li>Volunteer activities</li> </ul>	<ul style="list-style-type: none"> <li>Information about how to administer finances (financial education)</li> <li>Social and economic development Possibilities offered by Genera's products and services for social and economic development</li> </ul>
Civil Society Organizations	<ul style="list-style-type: none"> <li>Website</li> <li>Email</li> <li>Workshops for NGOs that work with Genera</li> <li>Annual and Sustainability Report</li> <li>Call for Education (annual)</li> <li>Activities report of the Genera Foundation</li> </ul>	<ul style="list-style-type: none"> <li>Financial inclusion through products and services</li> <li>Contribution to the social and economic development of the clients and their environment</li> <li>Promotion of financial education in society</li> </ul>
Competitors	<ul style="list-style-type: none"> <li>Public financial results</li> <li>Publicity campaigns</li> <li>Website</li> <li>Social media</li> </ul>	<ul style="list-style-type: none"> <li>Corporate strategy and market positioning</li> <li>Competition practices</li> <li>Economic results</li> </ul>
Future generations	<ul style="list-style-type: none"> <li>Incluso Program</li> <li>Web Chavitos</li> <li>Social media</li> <li>Initiatives with NGOs</li> <li>Volunteer activities</li> <li>Family Day (annual)</li> </ul>	<ul style="list-style-type: none"> <li>Economic and social development</li> <li>Financial education</li> </ul>
Media and Opinion Leaders	<ul style="list-style-type: none"> <li>Positioning campaigns in massive media channels</li> <li>Advertisements</li> <li>Press bulletins</li> <li>Bulletin website</li> <li>Interviews 1x1</li> <li>Website for the media</li> <li>Email</li> </ul>	<ul style="list-style-type: none"> <li>Economic results, growth, and market positioning</li> <li>Security and protection of client information</li> <li>Business ethics and integrity</li> <li>Innovation and integration of new technologies</li> </ul>



Stakeholders	Main communication channels and mechanisms	Highlighted expectations and interests
Allies	<ul style="list-style-type: none"> <li>• Agreements</li> <li>• Social alliances</li> <li>• Fiinlab programs</li> </ul>	<ul style="list-style-type: none"> <li>• Contribution to social and economic development</li> <li>• Promotion of financial education in society</li> <li>• Ethics and integrity in operations</li> <li>• Innovation and integration of new technologies</li> </ul>
Webs, Associations, and Organisms	<ul style="list-style-type: none"> <li>• Participation in forums and committees</li> <li>• Meeting 1x1</li> <li>• Delivery of business information</li> </ul>	<ul style="list-style-type: none"> <li>• Contribution to socio-economic development</li> <li>• Financial inclusion</li> <li>• Transparency, ethics, and integrity</li> </ul>
Academia	<ul style="list-style-type: none"> <li>• Summer Internship Program, social service, and professional internships</li> <li>• Website</li> <li>• Email</li> </ul>	<ul style="list-style-type: none"> <li>• Business model and social impact</li> </ul>

## Contribution to the Sustainable Development Goals

At Genera, our purpose is financial inclusion, which is key for socio-economic development of an sub-served segment, which in this way it can implement its personal and professional projects.

Through credit, we facilitate the access of the sub-served segment, to solutions that improve their quality of life and contribute to strengthen their family and community situation. Moreover, through financial education and delivery of saving solutions, we promote the administration of our clients' and the community's finances. With insurances, we contribute by creating a culture of prevision.

In 2015, the United Nations approved the 2030 Agenda, that focuses on the international community's efforts regarding social, environmental, and economic issues. It established 17 Sustainable Development Goals, that materialize the issues to be resolved through a collective effort between the public administrators, companies, and civil society organizations.

From the start, through the different solutions that we offer, we have worked to resolve some of these challenges. We've helped our clients implement their projects, along with the contributions that they transfer to their communities. With our emphasis in the sub-served segment, and especially on women, we push for gender equality and for the reduction of social inequality.

We mainly contribute to:

**ODS 1:** Ending poverty in all its forms, everywhere.

**ODS 5:** Achieve gender equality and empower all women and girls.

**ODS 10:** Reduce inequality within and among countries.

## General parameters (102-32, 102-48, 102-49, 102-50, 102-51, 102-52, 102-53, 102-54, 102-56)

In Genera, we share our financial and non-financial development, including information about social issues and corporate government through our Annual and Sustainability Report. From the beginning, we consider the methodology crafted by Global Reporting Initiative (GRI) and its updates. In this sense, the present report has been developed adhered to GRI Standards and its option of essential conformity. Additionally, we consider the supplemental content of the GRI for the financial services sector that is linked to material issues.

The content has been revised and approved by the Executive Directorate for External Relations and Corporate Responsibility, and by the Internal Audit Area, with the purpose of strengthening the monitoring processes and compilation of information after Genera's growth, and the adaptation of the new GRI Standards. Because of this, and contrary to the preceding report, we have made the decision of to not proceed with an external verification in this case.

In the present integrated report, we offer Genera's performance, as well as that of the entirety of our companies from 2016, including, for the first time, FiinLab's performance, our innovation laboratory for financial inclusion, as well as this year's creation and official launch.

Throughout this publication, we detail measuring mechanisms and calculation formulas from Employees. We stress that there is no re-expression of data pertaining to what is included in the Annual and Sustainability Report 2015.

For more information about the present report, please contact the following:

**Investment relations**  
investor-relations@genera.com.mx

**Sustainability information**  
contacto@genera.com.mx

## Determination of material issues (102-46, 102-47, 102-49)

For the definition of the content that is to be included in this report, or which topics are to be considered 'material', as well as the internal and external limits, wherever they are relevant, we perform a **4-stage process:** identification, prioritization, validation, and revision. This has allowed us to integrate **the company's strategic focus** from **the perspective of our stakeholders**, with specific activities from each stage:

### Revision and identification

Genera's Focus	<ul style="list-style-type: none"> <li>• Analysis of corporative documents, including our Ethics Code and some of the main policies, etc.</li> <li>• Interviews with key Genera executives, as well as from our companies, which planned an wide array of topics.</li> </ul>
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Perspective from our stakeholders

- Analysis of Genera’s results, as well as from our companies and subsidiaries, from the interactions maintained with stakeholders, including the work environment survey (Great Place to Work, GPTW) and the main information requirements from the investors.
- Moreover, we made an analysis of the main topics from each industry, based on what is indicated in important publications from the Global Reporting Initiative (GRI Section Supplement for Financial Services, Sustainability Topics for Sectors), included in the annual RobecoSAM analysis (Sustainability Yearbook), the materiality from SASB, aspects included in the referenced documents from the PSI initiative from UNEP –FI, and in the Financial Inclusion in Latin America and the Caribbean: Data and Tendencies 2015, from FOMIN<sup>1</sup>.

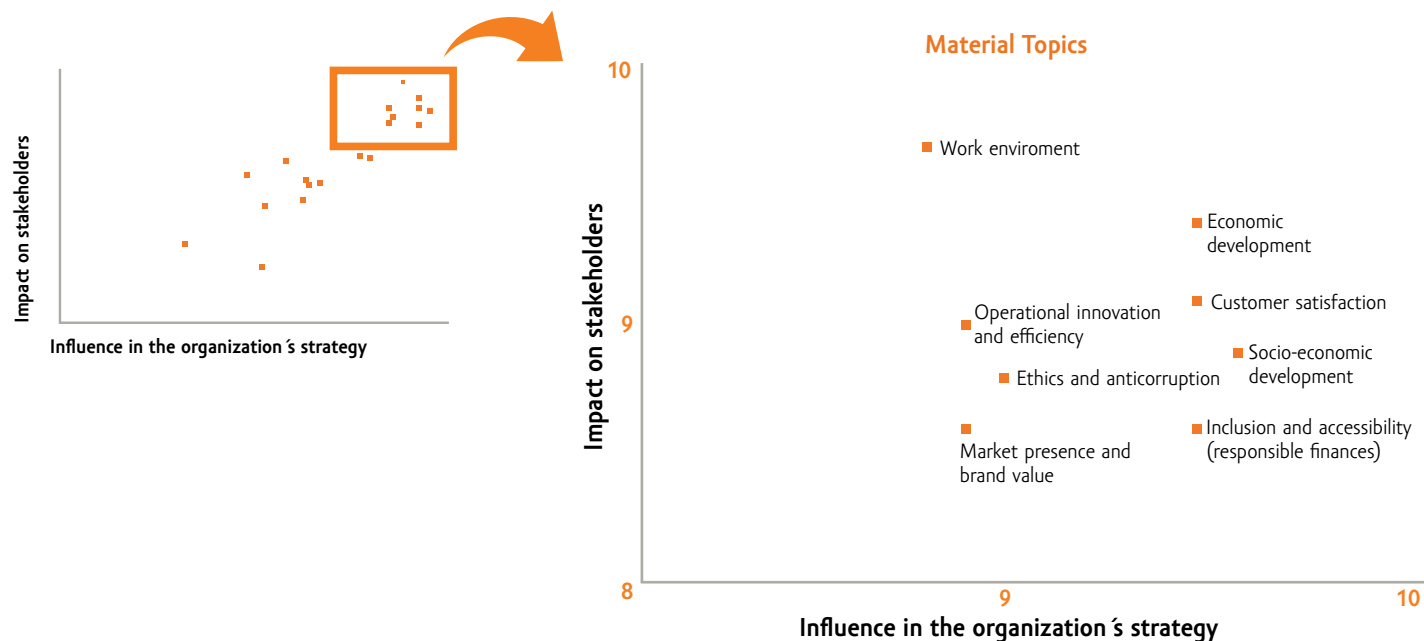
**Prioritization and validation**

After the generation of the list of potentially relevant issues, we proceeded to the prioritization of these topics, and the determination of ‘material’ issues, considering the double perspective of the company’s strategy, and the focus of the stakeholders. In this case, by:

Enfoque Genera	<ul style="list-style-type: none"> <li>• Importance given to the issues by the interviewed executives.</li> </ul>
Perspectiva de los grupos de interés	<ul style="list-style-type: none"> <li>• Direct consultation with our Employees via the realization of a focus group, as well as indirect consultation with our clients through studies of brand perception, interviews with the team in charge of its positioning, and the visit to various branches in the State of Puebla.</li> </ul>

The list of material issues was validated by the Executive Directorate of External Relations and Corporate Responsibility, for its inclusion in the present report, and we present it below:

**Materialization Matrix**



<sup>1</sup> Sustainability Accounting Standard Board (SASB), Principles for Sustainable Insurance (PSI), The United Nations Environment Programme Finance Initiative (UNEP-FI), Fondo Multilateral de Inversiones (FOMIN).

Material Topic (GRI STANDARD 102-47)	INTERNAL (GRI STANDARD 103-1)	LIMITS (Coverage)	
		EXTERNAL (GRI STANDARD 103-1)	
Work environment	Genera <sup>1</sup>	N/A	
Socio-economic development		Clients	
Economic performance		Investors and other capital providers	
Ethics and anti-corruption		N/A	
Risk management		Investors and other capital providers Commissionists Clients	
Inclusion y accesibility (responsible finances)		Commissionists Clients	
Operational innovation and efficiency		Commissionists Financial entities (delivery/credit reception) Clients	
Market presence and brand value		Investors Commissionists	
Client satisfaction		Commissionists Clients	

Aside from the topics deemed to be material, Genera administers and communicates its greenhouse gases, setting every year’s inventory at the disposal of the corresponding stakeholders. The emission report for 2016 could be consulted in the following website:

<https://www.genera.com.mx/wps/portal/genera/responsabilidad-social/>

<sup>1</sup> Due to similarities in client segments and type of businesses from the various subsidiaries (financial and insurance sector), the limit is entirely made up by entities that form Genera.

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Relevant Topic	GRI Standard	Disclosure	Page/s
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**GENTERA**   
LEADERS OF FINANCIAL INCLUSION

(102-1, 102-3, 102-5)

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Clave de pizarra en la Bolsa Mexicana de Valores durante 2016: GENTERA