Publiseg, S.A.P.I. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada

Financial statements for the years ended December 31, 2023 and 2022 and independent auditors' report of March 26, 2024

Publiseg, S.A.P.I. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada

Independent auditors' report and financial statements 2023 and 2022

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RSM México

Independent Auditors' Report

To the General Stockholders' Meeting and
to the Board of Directors of Publiseg, S.A.P.I. de C.V.,
Sociedad Financiera de Objeto Múltiple, Entidad No Regulada

Opinion.

We have audited the accompanying consolidated financial statements of Publiseg, S.A.P.I. de C.V., SOFOM, ENR (the Entity) which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Publiseg, S.A.P.I. de C.V., SOFOM, ENR as of December 31, 2023 and 2022, as well as its financial performance and cash flows for the years then ended, in conformity within Financial Reporting Standards applicable in Mexico (MX FRS).

Basis for opinion.

We performed our audit in accordance with International Auditing Standards (IAS). Our responsibilities in accordance with those standards are described hereinafter in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent from the Entity, in conformity with the Code of Ethics of the Instituto Mexicano de Contadores Públicos, A.C., (Professional Code of Ethics), together with the ethics requirements applicable to our audit of financial statements in Mexico, and we have met the other ethics responsibilities in conformity with those requirements and with the Code of Professional Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters (KAM).

Key audit matters are those matters which, according to our professional judgment, have been the most significant in our audit of the consolidated financial statements of the current period. These matters have been addressed in the context of our audit of the overall consolidated financial statements, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have met the responsibilities described in the "Auditor's responsibilities for the audit if consolidated financial statements" of our report, including those related to key audit matters. Consequently, our audit included the application of the procedures designed to respond to our evaluation of the risks of material misstatements of the accompanying consolidated financial statements. The results of our audit procedures, including the procedures applied to address the key audit matters described hereinbelow, provide the basis for our audit opinion of the accompanying consolidated financial statements.

(amounts in thousands of pesos)

1. **Consumer Lending Portfolio and allowance for loan losses $1,613,673, net**

Key audit matter: The allowance for loan losses involves a high degree of judgment for the evaluation of the payment capacity of borrowers, considering the various factors set out in the methodologies for the process of rating the loan portfolio, as well as the reliability of the documentation and restatement thereof, which serves as an input for the determination of the allowance for loan losses.

Note 4 “Loan portfolio and Allowance for loan losses” of the accompanying consolidated financial statements describes the accounting policy used by the Entity in greater detail as of December 31, 2023.

How the key audit matter was treated in our audit: The audit procedures applied on the determination by the Entity of the allowance for loan losses and its effect on income for the year included the evaluation through selective testing, of both the inputs used and the calculation mechanism for the different loan portfolios, based on current methodologies set out for each type of portfolio.

2. **Bank Loans and Loans from Other Agencies $1,230,482**

Key audit matter: The liability is represented by the amounts of lines of credit, plus accrued interest payable during the term of the credit. Accrued interest is recognized as an expense during the life of the credit, as it accrues pursuant to the periods set forth in the agreements entered into with funders and interest rates agreed upon. Fees for granting credit are recognized as an expense during the term of the credit. Those fees are amortized under the straight-line method, and they are recorded in the Interest expense account.

How the key audit matter was treated in our audit: The audit procedures applied to obtaining bank loans from financial institutions included the evaluation of the integrity of the loans, through selective tests. The process and internal control carried out were evaluated and confirmations of balances were sent and received, and the records, reasonableness, and changes of accounting provisions were analyzed.

Emphasis paragraphs.

Without affecting our opinion, we draw attention to Notes 1, 3, and 4 to the accompanying consolidated financial statements, in which the following is discussed:

- Stock trading. In February 2023, the purchase and sale agreement of 22,057 Class II, Series C shares, which represented 49% of the Capital of the Entity, between Credito Real and the other stockholders, in their capacity as buyers, which were liquidated and endorsed in the same month of February. Accordingly, new negotiable instruments were issued in benefit of the buyer stockholders and the corresponding journal entries were made in the corporate books of the Entity, thereby terminating the legal and financial relationship with Credito Real. (See Note 1)

- Changes in accounting policies. A deferred charge for fees paid to intermediaries pursuant to loans placed was recognized retrospectively in September 2023. (See Note 1)

- Going concern. The Company has evaluated its financial, technological and personnel capacity and considers that it is able to continue to operate normally, and continue to offer services to customers and suppliers for the next 12 months. Given the nature of the business of the Entity, the operating cash flow projection for the following months has been evaluated stably and in accordance with the budget of the fiscal year, without having material impacts on volatility, uncollectibility or short term financing needs. (See Note 3)

- Adoption of accounting criteria and their effects on comparability. In Note 4 to the accompanying financial statements, the Entity describes the adoption of accounting criteria to announce the presentation of the loan portfolio by stages; therefore, the amounts of fiscal 2022 were reclassified for purposes of comparability.

Management's responsibilities and of those responsible for the governance of the Entity with respect to the consolidated financial statements.

Management of the Entity is responsible for the preparation and fair presentation of the consolidated financial statements, in accordance with MX FRS, and for such internal control as deemed necessary to enable the preparation of consolidated financial statements free from material misstatements, whether due to fraud or error.

In the preparation of consolidated financial statements, Management is responsible for evaluating the Entity's ability to continue as a going concern and disclosing, if applicable, the matters relative to the going concern and using the accounting postulate for a going concern, unless Management has the intent to liquidate or suspend its operations, or there is no other realistic alternative.

Those charged with the governance of the Entity are responsible for supervising the Company's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements.

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

As part of an audit in accordance with ISAs, we apply our professional judgment and maintain an attitude of professional skepticism throughout the audit.

We also:

- Identify and evaluate the material diversion risks in the consolidated financial statements due to fraud or error, design and apply audit procedures to respond to those risks, and obtain sufficient and appropriate audit evidence to provide a basis for our opinion. The risk of not detecting a material deviation due to fraud is higher than in the case of a material misstatement due to error, since fraud can implicate collusion, falsification, deliberate omissions, intentionally erroneous manifestations, deliberate omissions or circumvention of internal control.

- Obtain knowledge of internal control relevant for the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the adequacy of the accounting policies used and the reasonableness of accounting estimates and the corresponding information disclosed by Management.

- Conclude on the appropriateness of the use by Company Management of the going concern basis and, based on the audit evidence obtained, we conclude on whether or not there is a material departure related to facts or conditions that can raise significant doubts about the Company's ability to continue as a going concern. If we conclude that there is material uncertainty, we are required to draw attention to the corresponding information disclosed in the consolidated financial statements in our report, or if those disclosures are not appropriate, we are required to express a modified opinion. Our findings are based on the audit evidence obtained so far from our audit report. However, future events or conditions can be grounds for the Entity to not have the ability to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements position, including disclosed information, and whether the financial statements position represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate the scope and timing of the planned audit and the significant findings of the audit to those in charge of the governance of the Entity, among other matters, as well as any significant deficiency in internal control that we identified during our audits.

We also furnish a statement to those responsible for the governance of the Entity that we have met the applicable ethics requirements in connection with independence, and reported all the relationships to them, as well as other issues that can reasonably be expected to affect our independence and, if applicable, the corresponding safeguards.

Among the matters that have been communicated with those charged with the governance of the Entity, we determined those of most significance in the audit of the consolidated financial statements of the current period and which are, consequently, key audit matters.

RSM México Bogarin, S.C.

Florencio Lara Venegas, C.P.A.
Partner

México City
March 26, 2024

Publiseg, S.A.P.I. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada

Consolidated balance sheets

As of December 31, 2023 and 2022
(In thousands of pesos)

Assets	2023	2022
Cash and cash equivalents **(Note 5)**	$ 42,748	$ 30,012
Investments in Securities **(Note 6)**	267,046	322,355
Derivative Financial Instruments	-	175
Consumer Lending Portfolio **(Note 7)**		
Credit Risk Stage 1	1,626,023	945,427
Credit Risk Stage 2	10,884	6,366
Credit Risk Stage 3	53,692	37,186
	1,690,599	988,979
Allowance for-		
For Loan Losses **(Note 8)**	(75,498)	(44,366)
For Contingent Portfolio **(Note 9)**	(1,428)	(23,020)
Total Loan Portfolio, net	1,613,673	921,593
Other Receivables, Net **(Note 10)**	57,944	2,621
Furniture and Equipment, net **(Note 11)**	10,096	9,088
Leased Assets **(Note 12)**	18,258	4,745
Other Permanent Investments	250	250
Deferred Taxes on Earnings, net **(Note 13)**	2,669	22,168
Taxes recoverable, net	5,487	-
Other Assets, net **(Note 14)**		
Deferred charges and prepaid expenses	210,091	109,624
Intangibles, net	72,210	100,745
Total Assets	**$ 2,300,472**	**$ 1,523,376**

Liabilities	2023	2022
Bank Loans and Loans from Other Agencies **(Note 15)**		
Short-Term	$ 215,126	$ 146,403
Long-Term	1,015,356	438,953
	1,230,482	585,356
Lease Liabilities	18,763	4,417
Taxes on Earnings Payable, net	-	16,231
Provision for Employee Benefits **(Note 16)**	13,535	9,869
Other Payables-		
Employee Profit Sharing Payable	7,188	6,640
Other Liabilities	29,984	44,936
Value Added Tax	23,386	20,238
Provision for Various Obligations	8,733	9,678
Other Payables	121,145	132,191
	190,436	213,683
Total Liabilities	**1,453,216**	**829,556**
Stockholders' equity		
Capital Stock **(Note 17)**	429,411	159,436
Additional Paid-in Capital	-	303,853
Legal Reserve **(Note 17)**	85,882	31,887
Remeasurements of Employee Benefits	1,606	3,547
Prior Year Income (Loss) **(Note 17)**	174,980	32,002
Net Income (Loss)	155,377	163,095
Total Stockholders' Equity	**847,256**	**693,820**
Total Liabilities and Stockholders' Equity	**$ 2,300,472**	**$ 1,523,376**

Memorandum Accounts (Note 18)	2023	2022
Contingent Loan Portfolio	$ 58,972	$ 206,817
Loan Portfolio Management	258,277	1,064,312
Other Memorandum Accounts	2,018,005	1,266,307
Total Memorandum Accounts	**$ 2,335,254**	**$ 2,537,436**

The accompanying notes are part of these financial statements.

Publiseg, S.A.P.I. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada

Consolidated statements of comprehensive income

For the years ended December 31, 2023 and 2022
(In thousands of pesos)

	2023	2022
Interest Income-		
Loan Portfolio Management	$ 35,684	$ 219,825
Own Loan Portfolio	829,640	497,020
On Investments in Securities	14,348	16,512
	879,672	733,357
Interest Expense-		
On Bank Loans and Loans from Other Agencies	(129,197)	(47,612)
Cost and Expenses Associated with the Distribution of the Loan	(127,145)	(73,058)
	(256,342)	(120,670)
Financial Margin	623,330	612,687
Allowance for Loan Losses	(91,927)	(52,583)
Allowance for Contingent Loan Portfolio	(5,712)	61,485
Financial Margin Adjusted for Credit Risks	525,691	621,589
Commissions Collected (Paid), net	(15,053)	(1,405)
Gain or Loss on Brokerage	(967)	(2,707)
Other Operating Income (Disbursements)	16,011	19,864
Other Operating Income (Disbursements)	(9)	15,752
Management and Promotional Expenses	(309,349)	(387,557)
Income (loss) before taxes on earnings	216,333	249,784
Tax on Earnings **(Note 13)**	(41,457)	(43,145)
Deferred Taxes on Earnings	(19,499)	(43,544)
Net Income (Loss)	155,377	163,095
Other Comprehensive Income		
Remeasurements of Employee Benefits	(1,941)	3,278
Comprehensive Income (Loss)	**$ 153,436**	**$ 166,373**

The accompanying notes are part of these financial statements.

Publiseg, S.A.P.I. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada

Consolidated statements of changes in stockholders' equity

For the years ended December 31, 2023 and 2022
(In thousands of pesos)

	Paid-in Capital		Capital Gains					
	Capital Stock	Additional paid-in capital	Legal Reserve	Employee Benefits Remeasurement	Prior Year Income (loss)	Net income	Total stockholders´ equity
Balances at beginning of 2022	$ 18,667	$ 303,853	$ 3,733	$ 269	$ 140,769	$ 48,271	$ 515,562
Retrospective adjustments due to changes in accounting policies	-	-	-	-	-	11,885	11,885
Balances at beginning of 2022 adjusted	$ 18,667	$ 303,853	$ 3,733	$ 269	$ 140,769	$ 60,156	$ 527,447
Movements inherent to stockholders' decisions -							
Allocation of prior year income (loss) and creation of Legal reserve	-	-	28,154	-	32,002	(60,156)	-
Capitalization of prior year income	140,769	-	-	-	(140,769)	-	-
Change inherent to recognition of comprehensive income-							
Employee Benefits Remeasurement	-	-	-	3,278	-	-	3,278
Net income	-	-	-	-	-	163,095	163,095
Balances as of December 31, 2022	159,436	303,853	31,887	3,547	32,002	163,095	693,820
Movements inherent to stockholders' decisions -							
Allocation of prior year income (loss)	-	-	-	-	163,095	(163,095)	-
Capitalization of Additional Paid-in Capital and prior year earnings, as well as creating the Legal Reserve	269,975	(303,853)	53,995	-	(20,117)	-	-
Change inherent to recognition of comprehensive income-							
Employee Benefits Remeasurement	-	-	-	(1,941)	-	-	(1,941)
Net income	-	-	-	-	-	155,377	155,377
Balances as of December 31, 2023	**$ 429,411**	**$ -**	**$ 85,882**	**$ 1,606**	**$ 174,980**	**$ 155,377**	**$ 847,256**

The accompanying notes are part of these financial statements.

Publiseg, S.A.P.I. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada

Consolidated statements of cash flows

For the years ended December 31, 2023 and 2022
(In thousands of pesos)

	2023	2022
Net Income (Loss)	$ 155,377	$ 163,095
Adjustments on items that do not imply cash flow:		
Depreciation	3,455	3,130
Amortization of Intangible Assets	45,071	59,323
Deferment and Amortization of Deferred Charges	(98,607)	(102,855)
Allowance for Contingent Loan Portfolio	5,712	(61,485)
Provisions	16,244	87,354
Employee Benefits Remeasurement	(1,941)	3,278
Taxes on Earnings Due and Deferred	60,956	86,689
	186,267	238,529
Operating Activity:		
(Increase) decrease in:		
Investments in Securities	55,309	37,590
Derivative Financial Instruments	175	(175)
Loan Portfolio, net	(697,792)	(675,684)
Deferred Charges and Prepaid Expenses	(1,860)	18,243
Other Operating Assets	(102,267)	14,239
(Decrease) increase in:		
Bank Loans and Loans from Other Agencies	645,126	463,045
Other Liabilities	(59,640)	(209,438)
Net cash flows from operating activities	(160,949)	(352,180)
Investing activities:		
Furniture and Equipment, net	(4,463)	(3,118)
Intangible Assets	(8,119)	139,918
Net cash flows from investing activities	(12,582)	136,800
Net (decrease) increase in cash and cash equivalents	12,736	23,149
Cash and cash equivalents at beginning of period	30,012	6,863
Cash and cash equivalents at end of period	$ 42,748	$ 30,012

The accompanying notes are part of these financial statements.

Notes to the consolidated financial statements

For the years ended December 31, 2023 and 2022
(Amounts in thousands of pesos)

NOTE 1. INCORPORATION AND BUSINESS

Publiseg, S.A.P.I. de C.V., Multiple Purpose Financial Institution, Unregulated Entity (the "Entity") was incorporated on April 28, 2005. The Entity habitually and professionally carries out credit, leasing or financial factoring operations, as well as carries out all types of acts relative to these operations, such as rendering financial advisory services, furnishing and receiving guarantees pursuant to negotiable instruments, pledges or mortgages, obtaining loans, among other things. The main market niche of the Entity currently consists of granting cash loans to employees of governmental agencies with which the Entity has entered into guaranteed agreements with payroll discounts. In addition, credits are granted to employees of governmental agencies that are recovered through direct debit service. The address of its registered office or main place of business is at Insurgentes Sur 664, Piso 3, Col. Del Valle, Alcaldia Benito Juarez, Mexico City, Mexico, Postal Code 03100.

RELEVANT EVENTS 2023

- In February 2023, the purchase and sale agreement of 22,057 (twenty-two thousand fifty-seven) Class II, Series C shares, which represented 49% of the Capital of the Entity, between Credito Real and the other stockholders, in their capacity as buyers, which were liquidated and endorsed in the same month of February. Accordingly, new negotiable instruments were issued in benefit of the buyer stockholders and the corresponding journal entries were made in the corporate books of the Entity, thereby terminating the legal and financial relationship with Credito Real.

- As discussed in Note 4, Summary of significant accounting policies, a deferred charge for fees paid to brokers arising from loans placed was recognized retrospectively due to a change in accounting policies, in accordance with the provisions of Mexican Financial Reporting Standards (MX FRS) in September 2023.

NOTE 2. BASIS OF CONSOLIDATION

The accompanying consolidated financial statements include the amounts of the Entity and the trusts as to which the Entity is the owner of the beneficial interests, created as part of the structured financing contracted to fund the operation of the Entity.

The trusts that are being consolidated are listed below:

	Percentage of equity	Functional currency
Invex Trust 4725	100%	Mexican Pesos
Actinver Trust 5331	100%	Mexican Pesos
Actinver Trust 5425	100%	Mexican Pesos
CIBanco Trust 4091	100%	Mexican Pesos

All significant balances and transactions between the Entity and the trusts have been eliminated as part of the consolidation process.

The purpose of the trusts is as follows:

i. *Trust 4725 with Banco Invex, S.A., Master Trust* – Its purpose is to implement a mechanism to facilitate collection management of the credits that came from the Entity, in order to individualize it and redirect it to the different beneficiaries, supported by a Master Trust.

ii. *Trust 5331 with Banco Actinver, S.A., Management Trust* – The purpose of this vehicle is to manage and individualize collection of the loan portfolio that is contributed thereto, in order to obtain bank financing, which is paid with the same collection.

iii. Trust 5425 with Banco Actinver, S.A., Management Trust, Guarantee and Source of payment – The purpose of this vehicle is to manage and individualize collection of the loan portfolio that is contributed thereto, as well as to be a guarantee and source of payment of financing obtained by the Entity.

iv. *Trust 4091 with CI Banco, S.A., Management Trust, Guarantee and Source of payment* – The purpose of this trust is to manage and individualize collection of the loan portfolio that is contributed thereto, as well as to be a guarantee and source of payment of financing received in the trust itself.

NOTE 3. BASIS OF PRESENTATION

The financial statements as of December 31, 2023 and 2022 have been prepared in compliance with the accounting bases and practices set forth by Mexican Financial Reporting Standards (MX FRS), issued by the Consejo Mexicano de Normas de Informacion Financiera, A.C. (CINIF). They are presented pursuant to the practices of the sector or industry to which the Entity belongs, and its operation of granting credits, which contributes to a better financial understanding of the Entity.

The financial statements corresponding to the year ended December 31, 2022 include certain reclassifications and renaming of some captions of the financial statements to present and make them comparable with the bases used in the year ended December 31, 2023.

Balance sheet – The balance sheet is presented pursuant to the practices of the sector or industry to which the Entity belongs; therefore, it has grouped the balance sheet pursuant to the assets and liabilities derived from its operation of granting credits, as well as memorandum accounts, since it contributes to a better understanding.

Comprehensive income – It is the modification of stockholders' equity during the year that are not contributions, decreases, and distributions of capital. It consists of the net income for the year, plus other items that represent a gain or loss for the same period, which are presented directly in stockholders' equity without affecting the statement of income. As of December 31, 2023 and 2022, comprehensive income is represented by Net income and by the Employee Benefits Remediation.

(Amounts in thousands of pesos)

Classification of costs and expenses – They are presented pursuant to their function, since that is the practice of the sector to which the Entity belongs.

Financial margin - It is obtained by reducing interest expenses and costs and expenses associated with the distribution of the loan from the total income from the loan portfolio itself under management and other income. Even when not required by MX FRS B-3 Statement of comprehensive Income, this line is included in the statements of comprehensive income presented, since it contributes to a better understanding of the economic and financial performance of the Entity.

Going concern - The financial statements have been prepared by Management, assuming that the Entity will continue to operate as a going concern. The Entity analyzed the following considerations for determining the qualitative and quantitative:

- The Company has financial, technological and personnel capacity to continue to operate normally, and continue to offer services to customers and suppliers.

- Cash flows- Given the nature of the business of the Entity, the operating cash flow projection for the following months has been evaluated as stable and in accordance with the budget of the fiscal year, without having material impacts in volatility, uncollectibility or short-term financing needs.

- Accounting estimates- As of the date evaluated, the Entity has not made changes in accounting estimates policies, in addition to those disclosed hereinbelow.

Recognition of the impact of inflation – The financial statements are prepared on a historical cost basis, Beginning January 1, 2008, MX FRS) B-10 “Impact of inflation” is disactivated; therefore, the impact of inflation is no longer recognized in the accounting as of that date, since the Entity is a non-inflationary economic environment. The application of this MX FRS will be reactivated when accumulated inflation exceeds 26% in a three-year period.

The ratios used for purposes of determining a non-inflationary economic environment were as follows:

		Inflation	
December 31,	INPC	of the year	Accumulated
2022	126.478	7.82%	18.32%
2021	117.308	7.36%	13.33%
2020	109.271	3.15%	10.81%

NOTE 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements comply with Mexican FRS, and their preparation requires that Entity Management perform certain estimates and use determined assumptions to determine the valuation of some items included in the financial statements and make the disclosures that are required therein. However, real results can differ from those estimates.

Entity Management, in applying its professional judgment, considers that the estimates and assumptions used were appropriate in the present circumstances. The significant accounting policies followed by the Entity are as follows:

Accounting changes -

Beginning 2023 and in compliance with the provisions of MX FRS, costs per transaction that include, among other captions, the fees paid to brokers arising from loans placed were recognized as a deferred charge to be amortized against income (loss) for the year for the period corresponding to the life term of the loan.

This changes in accounting policy were recognized retrospectively beginning with the starting-up of operations, which was in fiscal 2021. Consequently, a deferred charge was recognized in the amount of $74,730, due to the net effects of deferred taxes that affected prior year income (loss) in 2023.

Those effects were recognized retrospectively to make the financial statements of 2022 comparable.

Mexican Financial Reporting Standards (MX FRS)

Beginning January 1, 2023, the following standards went into effect:

MX FRS B-14 Earnings per basic share - This standard did not generate accounting changes in its initial application, since detailed explanations were made that facilitate the determination of earnings per share (EPS). The structure of the standard was modified to clarify the determination of the EPS. Detailed explanations were made related to preferred dividends. Clarifications were made to identify the effects of potential common shares better in the determination of EPS, and it defined in detail that the shares that would be issued for the conversion of a forced conversion of a financial instrument designated as a capital instrument, in terms of MX FRS C-12. They must be included in the calculation of basic EPS as of the date on which the contract is signed.

MX FRS A-1 Conceptual framework - The CINIF considered it advisable to update the Conceptual Framework (CF) of MX FRS to maintain the highest convergence possible with international standards. In addition, since the CF of MX FRS was issued in 2005, a large number of particular MX FRS has been issued which also gave rise to the need to update it to assure that it continues to be functional. The main changes were:

a) MX FRS A-1 to MX FRS A-8 were eliminated.
b) MX FRS A-1 was distributed in chapters from 10 to 90.

c) The reference to "Technical Reports" was included as part of the documents issued by the CINIF to give accounting guidelines on emerging issues.
d) The qualitative characteristics were primary and secondary. The qualitative characteristics in this new MX FRS are divided into fundamentals and improvement.
e) This MX FRS only includes two fundamental characteristics; relevance and faithful representation (formerly reliability). Consequently, the foregoing primary characteristics of understandability and comparability are now considered improvement characteristics, since financial statements without these secondary characteristics can even be useful for economic decision-making.
f) Some adjustments were made to the definitions of assets and liabilities.
g) The concepts of initial recognition and subsequent recognition were changed to those of initial valuation and subsequent valuation, thereby setting forth that recognition is only one and it occurs when an item is incorporated into the financial statements for the first time.
h) The base was eliminated of the valuation of historical cash or cash equivalents that is covered by the new valuation base of amortized cost, applicable to both a financial asset and a financial liability. Moreover, the guidelines were eliminated for valuing present value, since this is a valuation technique and not a valuation base.
i) Requirements related to effective communication were incorporated to successfully have financial statements be useful for users. Furthermore, the bases are added for presentation standards as to the compensation and grouping of items in the financial statements.

Improvements to MX FRS

Improvements to MX FRS that generated accounting changes

MX FRS B-11 Disposition of long-lived assets and discontinued operations – Long-lived assets held for distribution to owners, that is, they will be used to pay dividends or capital reimbursements. They are valued at the lower between their net carrying value and their fair value, less costs of dispositions; therefore, this improvement to the MX FRS incorporates the accounting recognition that would be generated by the difference that could exist between the amount payable to owners and the value of those long-lived assets. Since they involve gains to stockholders, that value must affect retained earnings.

MX FRS B-15 Foreign currency translation – This MX FRS includes a practical solution as an exception whereby financial statements can be issued in a reporting currency that is equal to the recording currency, even when both are different from the functional currency, without translating into the functional currency. The bases for conclusions of MX FRS B-15 set forth that the foregoing exception is permitted as a practical matter for the financial statements used for legal and tax purposes can be prepared in a uniform currency that is equal to the recording currency. To make the practical solution clearer, modifications were made to paragraphs 19A and BC19.

Moreover, improvements to 2023 MX FRS included improvements to MX FRS that did not generate accounting changes. It is fundamentally intended to make the statement of the issue more precise and clearer. Since they are details, they do not generate accounting changes in the financial statements:

The Entity concluded that there were no significant impacts on the financial statements, arising from the adoption of these MX FRS and improvements of MX FRS.

Cash and cash equivalents – This caption consists mainly of bank deposits in checking accounts in local currency, Dollars, and Euros. Cash and cash equivalents is presented is stated at its face value. The exchange rate used for the translation of currencies in Dollars and Euros is published by the Bank of Mexico. The appreciation effect is recorded in the statement of income as interest earned or interest expense, as appropriate. (See Note 5)

Investments in securities – The Entity invests in highly liquid instruments easily convertible into cash and subject to immaterial risks of changes in value. The investments of the Entity as of December 31, 2023 and 2022 are classified as trading securities. These securities address the Entity's own positions, which are acquired with the intent to sell them, thereby obtaining gains derived from differences in prices resulting from short-term buy and sell trading. The Entity carries out those trades as market participants. They are initially recognized at their value at the time they are acquired, which corresponds to the agreed upon price, and they are subsequently valued at fair value. The accounting effect of this valuation is recorded in income for the year in the caption of Gain or Loss on Brokerage. (See Note 6)

Impairment in the value of a security – The Entity evaluates if there is objective evidence that a security is impaired as of the date of the balance sheet. A security is considered to be impaired and, therefore, an impairment loss is impaired, if and only if there is objective evidence of impairment as the result or one or more events that occurred subsequently to the opening recognition of the security, which had an impact on its estimated future cash flows that can be determined reliably. It is rather not probable that an event is identified that is the individual cause of the impairment. It is more feasible that the combined effect of various events could have caused such impairment. Expected losses as the result of future events are not recognized, irrespective of how probable they are.

As of December 31, 2023 and 2022, Entity Management has not identified that there is objective evidence of impairment of any security.

Derivative financial Instruments – The Entity carries out operations with derivative financial instruments designated as hedges, with the intent of offsetting exchange risks arising from variations in the exchange rate, as well as in the exchange rate of liabilities contracted in Euros.

The Entity recognizes derivatives that it agrees on as assets and liabilities (depending on the rights and/or obligations that they contain) in the consolidated Balance sheet, initially at their fair value, which corresponds to the agreed upon price in the transaction. Transaction costs directly attributable to the acquisition of the derivative are recognized directly in income in the Gain or loss on brokerage.

All derivatives are subsequently valued at their fair value, without deducting the transaction costs that could be incurred in the sale or another type of disposal. That valuation effect is recognized in income (loss) for the period in the same caption, Gain or loss on brokerage.

Cash deposits made for granting guarantees on the contracting of hedging structures of an exchange rate fluctuation range (Collar), which could be converted into a derivative financial instrument, are included in Investments in securities.

Loan portfolio - They represent the amounts effectively granted to borrowers. The allowance for loan losses is presented by reducing balances of the portfolio. The Entity's own credit activity is oriented toward granting consumer lending with thin collection through payroll discounts, as well as consumer lending that is recovered through direct debit service, both from employees of governmental agencies with which the Entity has entered into agreements. (See Note 7)

Accrued interest is recognized as income during the life of the credit as it is collected against income (loss) for the year.

Credits with delegated collection with payroll discounts – As part of the credit placement strategy, the Entity operates with credits with a payroll discount through Distributors, who carry out the promotion activities and distribution for the promotion and offer of the different financial products, within an assigned region, pursuant to the policies, guidelines, and procedures determined by the Entity. The Entity has various agreements entered into with Governmental agencies to have access to placing credits with the employees thereof (borrowers of the Entity).

Credits granted to employees of governmental entities and agencies are documented in loan agreements and promissory notes in benefit of the Entity. They are derived through the collaboration agreements with the Agencies, whereby the collection is set forth of the service of the debt of those credits with the direct payroll discount, through an irrevocable court order executed by the borrower to his or her employer, thereby authorizing the Agencies that pay the Entity by name and for account of the borrower, to make the payments of the credit granted by the Entity through payroll deductions.

Categorization of the loan portfolio by level of credit risk - The loan portfolio is categorized in accordance with the following stages of credit risk:

Loan portfolio Stage 1.- They are those loans whose credit risk has not increased significantly from their initial recognition up to the date of the financial statements and they are not in the assumptions to be considered as stage 2 or 3 in terms of this criterion.

Loan portfolio Stage 2.- It includes those loans that show a significant increase in credit risk from its initial recognition up to the date of the financial statements, in accordance with the provisions of the calculation models of the allowance for loan losses.

Loan portfolio Stage 3.- They are those loans with impaired credit due to one or more events that have occurred, which have a negative impact on the expected future cash flows from those loans.

Main policies and procedures for granting credits – Credits are granted based on the analysis of the borrower, the general characteristics that are set forth in the applicable laws, and the internal manuals and policies of the Entity for granting credits.

The main credit policies are as follows:

- The Entity grants loans mainly to government employees with payroll discounts.
- The amounts of the credits granted range from $2 to $200.
- The term of the credits granted ranges from 6 to 60 months.

- The Entity has early liquidations, collection advances, and liquidations by granting a new credit.
- The amount of the credit as well as of the interest is guaranteed by signing a simple promissory note and loan agreement.

Restructurings and renewals -

A restructuring is that operation in which the original loan terms or the payment schedule are modified, which include the following:

- Change of interest rate set forth for the remaining term of the credit;
- Change of currency or account unit; or
- Granting a waiting period with regard to meeting payment obligations in accordance with the original terms of the loan, unless that period is granted after completing the period originally agreed upon. In that case, it will involve a renewal.

Restructurings are not considered as such when payment compliance of the total amount of the principal and interest due and payable is submitted, and only one or various of the original credit conditions are modified:

- Interest rate: when the interest rate agreed upon improves.
- Currency: provided that the corresponding rate is applied to the new currency.
- Payment date: only in the event that the change does not imply exceeding or modifying the scheduled payments. Under no circumstances should the change of payment date allow for omitting payment in any period.

A renewal is that operation in which the credit term is extended during or upon maturity of that credit, or that credit is liquidated at any time with the proceeds from another credit contracted with the same entity, in which the same debtor or another person is party to, which constitute common risks due to their joint interests. A credit is not considered to be renewed when the drawdowns are carried out during the validity of a pre-established line of credit.

Allowance for loan losses – The Entity recognizes an allowance for loan losses, beginning with Expected Credit Losses (ECL) due to impairment of the loan portfolio, considering the credit risk thereof; therefore, homogenous risk groups are generated that segment the operations based on the days in arrears in their payment (inactivity), by analyzing transactions until reaching impairment.

The Entity recognizes the allowance for loan losses for financial assets (loan portfolio) that are measured at amortized cost. The amount of expected credit losses is restated every reporting date to reflect the changes in credit risk from the opening recognition of the respective loan portfolio.

The Entity defines a collective model for the estimate for expected impairment losses based on the estimate of the probability of default through transaction matrixes, as well as the severity of the loss based on its historical information. (See Note 8)

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Operations under the collective model: the Entity defines Probability of Default (PD) for those operations that are classified as stage 3 level of credit risk, that is, a receivable presents credit impairment when the amount of the operation is not liquidated in its entirety, and it is observed that debts present more than 180 days in arrears, considering that there is an average 90-day credit installation period.

The Entity classifies its portfolio in the following stages of default:

Bucket	Inactivity days	Default stage
0	0 days	
1	< 30	
2	31-60	Stage 1- Loan portfolio with low credit risk
3	61-90	Portfolio whose unpaid period from 1 to 150 days.
4	91-120	
5	121-150	
6	151-180	Stage 2- Loan portfolio with a significant increase in risk Portfolio whose unpaid period impairment ranges from 91 to 180 days.
7	> 180	Stage 3- Loan portfolio with a high credit risk Portfolio whose unpaid period exceeds 180 days.

The Entity estimates the ECL based on the default range in which it is: The matrix of loss rates used in the allowance for the expected loss is presented below, which is obtained because of the probability of default and the severity of the los determined:

% EL	Inactivity days Group
0.18%	0 days
1.26%	>30
4.39%	31-60
7.08%	61-90
10.46%	91-120
16.83%	121-150
20.09%	151-180
100.00%	>180

Preventive estimate for contingent portfolio - The Entity is jointly and severally bound to the debtors to be liable to factoring for 50% of the outstanding balance of the capital of uncollectible accounts. This percentage has been defined by Entity Management based on the factoring operations agreements. Based on this 50% of the contingent outstanding balance, the Entity recognizes the allowance for ECLs for this portfolio management that is measured at amortized cost. The amount of ECL is restated every reporting date to reflect the changes in credit risk from the opening recognition of the respective loan portfolio. (See Note 9)

Write-offs, eliminations, and loan portfolio recoveries - The Entity periodically evaluates if a stage 3 credit risk must remain on the balance sheet, or be written off. That write-off is carried out by charging the outstanding balance of the loan against the allowance for loan losses. When the credit to be written off exceeds the balance of its associated allowance, that allowance is increased up to the amount of the difference before carrying out the write-off.

Credits are written off in the accounting when the present 365 calendar days or more in arrears, which further considers that there is an average 90-day installation period of the 90-day credits. That write-off is carried out by charging the outstanding balance of the allowance for loan losses account.

The recoveries associated with credits written off or eliminated from the balance sheet are recognized in income for the year when they are carried out.

Entity Management, based on its analyses and projections, is responsible for strictly following up on those credits that present any impairment, or with which they have not fully complied with the agreed upon terms and conditions. Moreover, all those situations are reviewed that allow for assuming that a change is necessary in the allowance of the preventive reserve of a borrower, based on the recovery evidence of the same credits.

Financial Risk Management Objectives

Supervise and manage financial risks related to the operations of the Entity through internal reports, which analyze exposures by degree and magnitude of the risks. These risks include market risk, credit risk, and liquidity risk.

Credit risk management

The Entity considers and discloses all the elements that represent an exposure to credit risk for risk management purposes, for example, the individual risk of default or sectorial risk.

The area responsible for monitoring and controlling the credit risk of the Entity has conducted the following information analyses to generate and support current disclosures:

- Setting out policies and processes in credit risk management, as well as the documentation and methodology for measuring it.

- Description of the shared characteristics that identify each concentration as the counterparty, the geographic area, the currency or the market.

- Development and maintenance of the risk ratings of the Entity that allow for categorizing exposures, in accordance with the degree of risk of default.

- Development and maintenance of the methodology for calculating the Expected Credit Loss.

- Credit quality reports generated periodically aligned with regulatory compliance to identify which require corrective actions. Reports are included that contain the estimate of the reserves.

- Provide advice, orientation, and specialized skills to the business units to foster better performance in credit risk management at the Entity.

Other receivables - Accounts receivable are presented at realization value. There are primarily accounts receivable from various debtors, personal loans, and travel expense advances considered to be short-term. (See Note 10).

Furniture and equipment, net – This caption is recorded at its cost of acquisition. Depreciation is calculated in accordance with the straight-line method, based on the remaining useful life of assets, as follows (See Note 11):

	Useful life (Average years)
Furniture and equipment	10
Computer equipment	3
Transportation equipment	4

Leased assets – Assets recognizes in accordance with MX FRS D-5 Leases correspond to right-of-use operations of real property and computer equipment, which are depreciated at the lower period between the lease term and the useful life of the underlying asset. If the lease transfers the ownership of the underlying asset or the cost of the right-of-use asset reflects that the purchase option will be exercised, the related right-of-use asset is depreciated during the useful life of the underlying asset. Depreciation begins on the inception date of the lease. (See Note 12)

Other permanent investments - These investments represent that permanent investment made by the Entity in another entity in which it does not have control, joint control or significant influences. They are initially recorded at the cost of acquisition, and dividends received are recognized in income for the period, unless they are drawn against earnings of periods prior to the acquisition. In that case, they are reduced from the permanent investment.

As of December 31, 2023 and 2022, the Entity has recorded an investment in the amount of $250, respectively, which primarily corresponds to the equity that it has in the Asociación Mexicana de Empresas de Nómina, A.C.

Taxes on earnings - Income tax (“ISR”) is recorded in income for the year in which it becomes due and payable, thereby giving rise to an account payable. Deferred income tax is recognized by applying the applicable rate to the temporary differences that result from comparing book and tax values of assets and liabilities and, if applicable, the benefits of tax loss carryforwards and some tax credits are included. The deferred tax asset is recorded only when there is a high likelihood that it can be recovered. (See Note 13)

Estimated payments on Income Tax made monthly are recognized as a prepaid expense in the Asset, which is offset when the annual tax return is filed for the corresponding tax year.

Other assets, net – Deferred charges and prepaid expenses consist mainly of fees paid on the placement of loans that are deferred to be amortized during the life of the loan. Amortization is monthly in a fixed amount, independently from the periodicity of the payment of the loan. In the event that the credit should be terminated early, either by early settlement, default, sale or otherwise, the outstanding unamortized balance is recognized directly in income (loss) for the year.

Prepaid expenses are amortized on a straight-line based on the estimated useful life.

Intangible assets mostly consist of an Intangible asset, which corresponds mainly to the value of the agreements and patents of the “Credifiel” trademark. These intangible assets have been amortized against income for the period beginning fiscal 2022. (See Note 14)

Impairment of long-lived assets in use – The Entity reviews the book value of long-lived assets in use annually, in the presence of any impairment indicator that could indicate that the book value might not be recoverable, which considers the higher of the present value of net future cash flows or the net selling price in case of their eventual disposal. Impairment is recorded if the book value exceeds the higher of the values referred to above. Impairment indicators considered for these purposes are, among other things, operating losses or negative cash flows in the period if they are combined with a history and projection of losses, depreciation, and amortization expensed which, in percentage terms, substantially exceed those of prior years, as well as other economic and legal factors. As of December 31, 2023 and 2022, Entity Management considers that there are no impairment indicators.

Bank loans and loans from other agencies – This caption represents the amounts of lines of credit that the Entity has, plus accrued interest payable during the term of the loan. Accrued interest is recognized as an expense during the life of the credit, as it accrues pursuant to the periods set forth in the agreements entered into with funders and interest rates agreed upon. Fees for granting credit are recognized as an expense during the term of the credit. Those fees are amortized under the straight-line method, and they are recorded in the Interest expense account. (See Note 15)

Lease liabilities – On the inception date of the lease, these liabilities are recognized considering the present value of lease payments to be made. Future payments include: i) fixed payments less any incentive; ii) variable payments that depend on any index or rate; iii) payments expected from guarantee of scrap value; iv) options to buy if there is certainty that they will be exercised; v) payments that will be exercised on the option of terminating the lease, and they are discounted by using the implicit interest rate in the lease, or by otherwise using the incremental financing rate of the Entity. They are subsequently valued by: i) adding accrued interest; ii) reducing lease payments; and iii) remeasuring the effects of revaluations or modifications, and the effect of changes in the future fixed in-substance lease payments. Variable payments not included in the valuation of lease liabilities are recognized in income in the period in which they are accrued.

Provision for employee benefits – The obligation of the Entity in connection with long-term direct benefits that are expected to be paid by the Entity is calculated annually by actuaries, by using the projected unit credit method. The labor cost of the current service, which represents the cost of the period of employee benefits for having completed one more year of labor life based on benefit plans, is recognized in operating and administrative expenses. (See Note 16).

Provisions - They are recognized when there is a present obligation as the result of an event, which probably gives rise to the outflow of economic resources.

Compensation of financial (trading) assets and financial (trading) liabilities - Financial assets and liabilities are subject to being offset so that the debit or credit balance, as appropriate, if and only if there is a contractual right to offset the amounts recognized, and the intent to liquidate the net amount, or to realize the asset and write off the liability simultaneously.

Capital stock – As of December 31, 2023, capital stock is comprised of registered common shares with no par value shown. Series "A" Class I shares represent 1.16% of capital stock, and they may be acquired only by Mexicans. Series "A" Class II shares represent 98.84% of capital stock, and they may also be acquired only by Mexicans. Variable capital is unlimited. (See Note 17)

Memorandum accounts - The contingent loan portfolio corresponds to the amount on which the Entity is jointly and severally bound with debtors to be liable for factoring, which corresponds to 50% of the outstanding amount of capital of loan portfolio management.

Loan Portfolio Management mainly represents the balance of the amounts effectively delivered to the borrowers, plus uncollected accrued interest, which was discounted in factoring. The Entity continues to manage and recover the portfolio. Toward that end, it receives the bonification of the discount of those operations as a consideration in reliance on factoring operations.

Other Memorandum Accounts correspond mainly to the amount of uncollected unaccrued interest of its own loan portfolio. (See Note 18)

Payment periods and recovery of Financial assets and liabilities – The contractual terms to maturity are shown of the financial liabilities of the Entity, based on the payment periods and the assets that will be recovered in accordance with the expected flow. (See Note 19).

Revenue recognition on portfolio management - Portfolio revenues assigned in factoring, which is managed and recovered, are recognized in the period in which the risks and benefits are transferred of the portfolio assigned in factoring as they are collected.

Recognition of interest income from its own portfolio – Interest earned from credits granted is recognized pursuant to the amortizations of the credit with increasing payments on capital, and it is recorded in the statement of income as collected, pursuant to the terms and interest rates set forth in the agreements entered into with borrowers.

Recognition of interest expenses and fees – Interest payable on bank loans and loans from other agencies are recorded in the statement of income as accrued.

Expense recognition– - Expenses incurred by Entity Management are recognized in the statement of income as incurred or accrued.

(Amounts in thousands of pesos)

Statement of cash flows - The Entity reports cash flows for operating activities by using the indirect method., whereby income or loss before taxes is adjusted for purposes of transactions of a nature other than cash, as well as considering any past or future deferment or accrual of cash inflows and outflows and income items or expenses associated with cash flows for investing or financing activities.

NOTE 5. CASH AND CASH EQUIVALENTS

As of December 31, 2023 and 2022, the caption of cash and cash equivalents is summarized as shown below:

	2023	2022
Cash	$ 11	$ 61
Banks	42,737	29,951
Total	$ 42,748	$ 30,012

The caption of Banks is represented mainly by cash in local currency. As of December 31, 2023 and 2022, there are checking accounts in Euros amounting to 231,486 Euros and 261,176 Euros, respectively, as well as checking accounts in U.S. dollars amounting to 51,100 dollars for both fiscal years, which are translated at the exchange rates published by the Bank of Mexico of 18.6896 pesos per euro and 20.7810 pesos per euro, and 16.8935 pesos per dollar and 19.3615 pesos per dollar, as of the closing of December 31, 2023 and 2022, respectively.

NOTE 6. INVESTMENTS IN SECURITIES

As of December 31, 2023 and 2022, the caption of Investments in securities summarized as shown below:

2023	Cost of acquisition	Accrued interest	Increase (decrease) in valuation	Book Value
Government bonds	$ 244,748	$ 58	$ -	$ 244,806
Promissory notes payable upon maturity	20,175	-	-	20,175
Debt mutual funds	2,018	-	6	2,024
Equity instruments, net	6,009	-	(5,968)	41
Total	$ 272,950	$ 58	$ (5,962)	$ 267,046

Notes to the consolidated financial statements

For the years ended December 31, 2023 and 2022
(Amounts in thousands of pesos)

2022	Cost of acquisition	Accrued interest	Increase (decrease) in valuation	Book Value
Government bonds	$ 193,325	$ -	$ -	$ 193,325
Promissory notes payable upon maturity	22,871	-	-	22,871
Debt mutual funds	103,645	-	-	103,645
Equity instruments, net	8,470	-	(5,956)	2,514
Total	$ 328,311	$ -	$ (5,956)	$ 322,355

Due to the operation that the Entity has with the line of credit contracted with Sociedad Hipotecaria Federal, S.N.C., Development Banking Institution (SHF), there is a restricted investment that functions like a liquid guarantee of the line of credit. As of December 31, 2023 and 2022, the liquid guarantee presents an amount of $9,782 and $12,968, respectively.

Moreover, as of December 31, 2023, due to the hedge structure (collar) contracted to hedge the exchange risk of the liabilities in Euros, there is an investment amounting to $ 12,560, which corresponds to the guarantees of that hedge.

The weighted average terms to maturity of investments in securities as of December 31, 2023 and 2022 are at 4 days. As of December 31, 2023 and 2022, the weighted average rate for investments in securities was 10.45% and 10.08%, respectively.

NOTE 7. LOAN PORTFOLIO

As of December 31, 2023 and 2022, the loan portfolio underwent the following changes:

	2023	2022
Opening balance	$ 988,979	$ 346,197
Credits granted	1,163,613	729,250
Refinancing	26,283	191,575
Portfolio collection	(427,883)	(269,208)
Portfolio bought (sold)	-	26,388
Portfolio write-offs	(60,795)	(36,002)
Other changes	402	779
Final balance	$ 1,690,599	$ 988,979

As of December 31, 2023 and 2022, the portfolio consists of 79,549 and 43,984 credits, respectively, at terms of 6 to 60 months with different fixed interest rates. The increase in the number of credits was due to the change in the business model whereby the Entity relies on other sources of financing to reach its credit placement objectives.

(Amounts in thousands of pesos)

NOTE 8. ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses, under the simplified collective approach in fiscal years 2023 and 2022, shows the following changes:

	2023	2022
Opening balance	$ 44,366	$ 27,786
Increase in income	91,927	52,583
Portfolio allocations (write-offs)	(60,795)	(36,002)
Final balance	$ 75,498	$ 44,366

As of December 31, 2023 and 2022, the loan portfolio shows the following ECL per Bucket:

	2023			2022		
Days in arrears	ECL Rate	Loan portfolio	ECL	ECL Rate	Loan portfolio	ECL
0 days	0.18%	$ 1,549,073	$ 2,732	0.18%	$ 867,839	$ 1,560
< 30	1.26%	23,536	296	1.08%	30,198	327
31-60	4.39%	15,596	696	2.57%	15,557	399
61-90	7.08%	13,861	995	4.76%	11,265	536
91-120	10.46%	12,535	1,322	6.57%	12,104	795
121-150	16.83%	11,422	1,936	9.34%	8,464	791
151-180	20.09%	10,884	2,185	14.83%	6,366	944
> 180	100.00%	53,692	53,692	100.00%	37,186	37,185
Total		$ 1,690,599	63,854		$ 988,979	42,537
Provision for Condusef cases			9			9
Additional reserves due to origination			11,635			1,820
			$ 75,498			$ 44,366

The evaluation of default of the Loan portfolio, based on the allowance for loan losses as of December 31, 2023 and 2022, is as follows:

Notes to the consolidated financial statements

For the years ended December 31, 2023 and 2022
(Amounts in thousands of pesos)

2023

Impairment	Loan portfolio	Expected Credit Loss	% of Expected Credit Loss
Not impaired	$ 1,636,907	$ 10,162	0.6%
Impaired	53,692	53,692	100.0%
Additional expected credit losses	-	11,644	
Total	$ 1,690,599	$ 75,498	4.5%

2022

Impairment	Loan portfolio	Expected Credit Loss	% of Expected Credit Loss
Not impaired	$ 951,793	$ 5,352	0.6%
Impaired	37,186	37,185	100.0%
Additional expected credit losses	-	1,829	
Total	$ 988,979	$ 44,366	4.5%

NOTE 9. PREVENTIVE ESTIMATE FOR CONTINGENT PORTFOLIO

The preventive estimate for the Contingent portfolio, the joint and several obligations for being liable for 50% of the outstanding balance of the capital of the management portfolio in fiscal years 2023 and 2022, shows the following changes:

	2023	2022
Opening balance	$ 23,020	$ 133,988
Increase (release) in income	5,712	(61,485)
Portfolio allocations (write-offs)	(27,304)	(49,483)
Final balance	$ 1,428	$ 23,020

NOTE 10. OTHER RECEIVABLES

As of December 31, 2023 and 2022, other receivables are shown below:

Notes to the consolidated financial statements

For the years ended December 31, 2023 and 2022
(Amounts in thousands of pesos)

	2023	2022
Collection rights	$ 43,073	$ -
Loans to employees	12,466	587
Value Added Tax (VAT) to be credited	2,120	709
Other receivables	717	1,756
Allowance for doubtful accounts	(431)	(431)
Total	$ 57,944	$ 2,621

NOTE 11. FURNITURE AND EQUIPMENT, NET

As of December 31, 2023 and 2022, furniture and Equipment, net are shown below:

	2023	2022
Original amount of the investment:		
Furniture and equipment	$ 7,493	$ 6,214
Transportation equipment	10,060	7,715
Computer equipment	6,056	7,630
Adaptations and improvements	355	-
Telephony equipment	-	53
	23,964	21,612
Accumulated depreciation:		
Furniture and equipment	(3,587)	(3,058)
Transportation equipment	(4,541)	(2,966)
Computer equipment	(5,562)	(6,447)
Adaptations and improvements	(178)	-
Telephony equipment	-	(53)
	(13,868)	(12,524)
Net	$ 10,096	$ 9,088

Depreciation expensed as of December 31, 2023 and 2022 amounted to $3,455 and $3,130, respectively.

NOTE 12. LEASED ASSETS

As of December 31, 2023 and 2022, leased assets on which the Entity recognizes the rights-of-use correspond to the floors where the corporate offices are, as well as computer equipment, which are shows the following changes:

(Amounts in thousands of pesos)

	2023	2022
Investment:		
Opening balances:	$ 16,432	$ 12,960
Contracts entered into / Capitalized costs	21,741	3,472
Balances as of December 31	$ 38,173	$ 16,432
Accumulated depreciation:		
Opening balances	$ (11,687)	$ (5,554)
Depreciation for the year	(8,228)	(6,133)
Balances as of December 31	$ (19,915)	$ (11,687)
Net balances as of December 31	$ 18,258	$ 4,745

NOTE 13. DEFERRED TAX ON EARNINGS

The Entity is subject to Income Tax in accordance with the Income Tax Law. The rate for 2023 and 2022 was 30% and it will continue to be as such in subsequent years.

Taxes on earnings are summarized as follows:

	2023	2022
Income Tax:		
Due	$ (41,457)	$ (43,145)
Deferred	(19,499)	(43,544)
Total	$ (60,956)	$ (86,689)

a) As of December 31, 2023 and 2022, deferred tax on earnings is summarized as shown below:

	2023	2022
Deferred income tax asset:		
Provisions	$ 46,243	$ 36,728
Allowance for loan losses	19,266	18,167
Deferred charges	(62,131)	(32,027)
Prepaid expenses	(709)	(700)
Total deferred tax asset	$ 2,669	$ 22,168

b) The reconciliation of the statutory rate and the effective rate stated in amounts and as a percentage of income before taxes on earnings is as follows:

(Amounts in thousands of pesos)

	2023		2022	
	Amount	Rate	Amount	Rate
Statutory rate	$ 64,900	30.0%	$ 74,935	30.0%
Add (less)				
Effects of permanent differences, mainly nondeductible expenses	(5,042)	(2.3%)	3,669	1.5%
Amortization intangible assets	10,996	5.1%	17,797	7.1%
Impact of inflation	(9,898)	(4.6%)	(9,712)	(3.9%)
Effective rate	$ 60,956	28.2%	$ 86,689	34.7%

NOTE 14. OTHER ASSETS, NET

As of December 31, 2023 and 2022, other assets are summarized as follows:

	2023	2022
Deferred charges and prepaid expenses-		
Cost and expenses associated with deferred credit granted	$ 205,364	$ 106,757
Security deposits	2,395	2,040
Deferred expenses	507	757
Insurance and other prepaid expenses	1,825	70
	$ 210,091	$ 109,624
Intangibles, net-		
Intangible assets (agreements and trademark), net	$ 69,089	$ 99,646
Software licenses	8,230	3,895
Amortization of licenses	(5,109)	(2,797)
	$ 72,210	$ 100,745

NOTE 15. BANK LOANS

In May 2023, the Entity signed an unsecured credit opening agreement through the CIBanco 4091 Trust up to $500,000, with a maturity date of June 2028, with Promecade, S.A.P.I. de C.V., SOFOM, E.N.R. (Promecap).

In August 2022, the Entity obtained an unsecured loan up to the amount of $220,000, with a maximum date of maturity of May 2027, with Estructura Indigo, S.A. de C.V., SOFOM, E.N.R. (Indigo).

In May 2022, the opening of a line of credit was formalized with Consubanco, Service Banking Institution (Consubanco), in the amount of $300,000 at 60 months, through Trust F/5331, which it has with Banco Actinver where the entity is a trustor.

(Amounts in thousands of pesos)

In April 2022, the Entity formalized a cooperation agreement to obtain initial funding amounting to six million Euros from AS Mintos Marketplace (Mintos), a European investment firm, whereby investments in notes supported by the credits of the Entity are received through a platform.

These financings complement the revolving credit agreement with Sociedad Hipotecaria Federal, S.N.C., Development Banking Institution (SHF), up to $220,000 with a date of maturity of December 31, 2049.

As of December 31, 2023 and 2022, bank loans are summarized as follows:

	2023	2022
Short-term-		
SHF	$ 73,072	$ 145,152
Mintos	131,766	1,251
Consubanco	10,288	-
	$ 215,126	$ 146,403
Long-term		
SHF	$ 24,142	$ 45,902
Mintos	148,502	41,051
Consubanco	279,712	200,000
Indigo	220,000	152,000
Promecap	343,000	-
	$ 1,015,356	$ 438,953
Total	$ 1,230,482	$ 585,356

NOTE 16. EMPLOYEE BENEFITS

In accordance with the Federal Labor Law (LFT-as per is acronym in Spanish), the Entity has labor obligations for legal indemnifications for dismissal and seniority premiums, payable to employees who no longer render their services under determined circumstances provided for in the Federal Labor Law itself.

The net cost for the period in 2023 for the obligations arising from seniority premiums and legal indemnifications for dismissal and from obligations assumed amounted to $1,632 and $1,833, respectively, for a total amount of $3,465, whereas it amounted to $292 and $3,121, respectively, for a total amount of $3,413 in 2022.

The Entity annually records the net cost for the period for creating a book provision to cover future benefits of seniority premiums and legal indemnifications for dismissal, as those benefits are accrued, and in accordance with actuarial calculations performed by independent actuaries. These calculations are based on the projected unit credit method, as well as on parameters agreed upon with the entity (actuarial hypothesis). Pursuant to the foregoing, a liability is recognized in the accounting of the Entity that consists of the present value of benefits accrued as of the date of valuation, whereby the defined benefits obligation is covered of all the employees with an employment contract in effect as of closing of the fiscal year in which they worked for the Entity.

(Amounts in thousands of pesos)

As of December 31, 2023 and 2022, actuarial losses and/or gains, also referred to as unamortized remeasurements, amount to $236 and ($3,460), respectively, and consider both benefits, which will be recycled to the statement of income of subsequent fiscal years, based on the remaining years of service of employees. As of December 31, 2023 and 2022, balances and changes of labor obligations derived from defined benefit plans of the Entity, which include seniority bonuses and legal indemnifications for dismissal, are shown as follows:

	2023	2022
Defined benefits obligation -		
Liability at beginning of period	$ 9,869	$ 10,661
Net cost for the period	3,465	3,413
Recycling of Remeasurements	1,705	118
Immediate recognitions	-	63
Remeasurements	236	(3,460)
Payment of benefits	(1,740)	(927)
Projected net liability	$ 13,535	$ 9,869
Provision for employee benefits	$ 13,535	$ 9,869

The net cost for the period is summarized as follows:

	2023	2022
Cost of the service for the year	$ 4,378	$ 2,931
Financial cost	792	663
Recycling of remediations /	(1,705)	(181)
Net cost for the period	$ 3,465	$ 3,413

The financial and economical hypotheses used were:

	2023	2022
Discount rate	9.70%	9.70%
Long-term inflation rate	4.50%	4.50%
Rate of wage increase	7.80%	5.00%

NOTE 17. STOCKHOLDERS' EQUITY

As of December 31, 2023 and 2022, capital stock is comprised of registered common shares with no par value shown. Series “A” Class I shares represent fixed capital stock, and they can be acquired only by Mexicans. Series “A” Class II shares represent part of variable capital stock, and they can be acquired only by Mexicans. Series “C” Class II shares represent the other part of capital stock, and they may be subscribed for freely. Variable capital is unlimited.

(Amounts in thousands of pesos)

On March 2, 2022, the General Stockholders' Meeting of the Entity, pursuant to unanimous Resolutions adopted outside of the Meeting, approved the capitalization of the Prior Year Income (Loss) account as of December 31, 2021, by increase the variable Capital Stock of the Entity in the amount of $140,769, by issuing 39,525 registered common shares with no par value shown, Series A, Class II, and Series C, Class II, in proportion to the equity of the shareholders in the Capital Stock of the Entity.

On July 28, 2023, the General Stockholders' Meeting of the Entity resolved to approve the variable capital stock increase of the Company, by capitalizing: (i) the total amount of the additional paid-in capital in the amount of $253,211; and (ii) the total amount of the general ledger account of prior year income in the amount of $16,764, which gives a total of $269,975, by issuing 75,803 registered common shares, with no par value shown, Series A, Class II,, in proportion to the equity of the Stockholders in the capital stock of the Entity.

Pursuant to the foregoing, Capital Stock of the Entity amounts to $429,411, which is presented and summarized as follows:

	Number of shares		Amount
Fixed capital:			
Series A Class I	1,400	1.16%	$ 4,100
Variable capital:			
Series A Class II	119,418	98.84%	425,311
Total	120,818		$ 429,411

On April 29, 2022, pursuant to a General Shareholders’ Meeting, in accordance with the report submitted of the performance of the Entity as of December 31, 2021, the shareholders resolved to separate and contribute the amount of $28,154 of the net income for fiscal 2021 to the Legal Reserve fund, in order to comply with the provisions of Article 20 of the General Corporate Law to maintain the equivalent of 20% of capital stock. The shareholders resolved to transfer the remaining amount of $20,117 to the Prior Year Income (Loss) account.

At the same General Stockholders' Meeting of the Entity held on July 28, 2023, the stockholders resolved to approve the separation of the additional paid-in capital and prior year income account amounting to $53,995, for its contribution to the legal reserve capital fund until it reaches the amount of $85,882, in order to comply with the provisions of Article 20 of the General Corporate Law.

As of December 31, 2023 and 2022, the Legal reserve amounts to $85,882 and $31,887, respectively.

The distribution of stockholders' equity, except for the restated amounts of contributed capital stock and tax retained earnings, will be subject to Income Tax at the currently enacted rate. The tax paid on that distribution may be credited against Income Tax for the year in which the dividend tax is paid and in the two immediately subsequent years against tax for the year and estimated payments thereon.

(Amounts in thousands of pesos)

Dividends paid to individuals resident in Mexico and nonresidents, drawn against earnings generated beginning January 1, 2014, may be subject to an additional Income Tax up to 10%, which must be withheld by the Entity.

The balances of tax accounts as of December 31 are as follows:

	2023 unaudited	2022 unaudited
Net taxable income account (CUFIN)	$ 506,362	$ 392,647
Restated paid-in capital account (CUCA)	$ 492,302	$ 503,743

NOTE 18. MEMORANDUM ACCOUNTS

As of December 31, 2023 and 2022, memorandum accounts are summarized as follows:

	2023	2022
Contingent loan portfolio (a)	$ 58,972	$ 206,817
Loan Portfolio Management (b)	258,277	1,064,312
Other memorandum accounts (c)	2,018,058	1,266,307
Total	$ 2,335,307	$ 2,537,436

(a) This caption corresponds to the contingent amount on which the Entity is jointly and severally bound with debtors to be liable for factoring operations, which correspond to 50% of the outstanding amount of capital of the portfolio in administration.

(b) It corresponds to the unpaid balances of capital, plus unaccrued interest and taxes, of the loan portfolio in administration.

(c) It corresponds to unaccrued interest and taxes of the own loan portfolio recognized in assets.

(Amounts in thousands of pesos)

NOTE 19. PAYMENT PERIODS AND RECOVERY OF FINANCIAL LIABILITIES AND ASSETS

The following table shows contractual terms to maturity are shown of the financial liabilities of the Entity as of December 31, 2023, based on the payment periods and the assets that will be recovered in accordance with the expected flow and they are:

	Up to 1 year	From 1 year to 5 years	Total
Bank loans	$ (215,126)	$ (1,015,356)	$ (1,230,482)
Lease liabilities	(8,282)	(10,481)	(18,763)
Provision for employee benefits	(13,535)	-	(13,535)
Other payables	(190,436)	-	(190,436)
Total liabilities	$ (427,379)	$ (1,025,837)	$ (1,453,216)
Cash and cash equivalents	$ 42,748	$ -	$ 42,748
Investments in securities	267,046	-	267,046
Loan portfolio, net	678,999	934,674	1,613,673
Other receivables, net	57,328	616	57,944
Taxes recoverable, net	5,487	-	5,487
Total assets	$ 1,051,608	$ 935,290	$ 1,986,898
Assets less liabilities	$ 624,229	$ (90,547)	$ 533,682

NOTE 20. CONTINGENCIES

As of December 31, 2023 and 2022, as a consequence of the operations inherent in its activity, Entity Management, based on the opinion of internal and external legal, tax, and labor advisors, has evaluated the possible accounting contingencies that could arise and consider that the provision on contingent liabilities related to lawsuits against the Entity for ordinary proceedings, which has been created, is sufficient. Moreover, there is no knowledge that its assets are subject to any type of legal action that are not routine and inherent in its activity that implies that a contingent liability may be generated.

NOTE 21. SUBSEQUENT EVENTS

- To improve the costs of funding, a partial early voluntary amortization of the line of credit contracted with Consubanco was carried out in the amount of $50,000 in March 2024. This transaction was carried out through Trust F/5331 that it has with Banco Actinver, which generated in a balance amounting to $240,000 in the line of credit as of March 26.

NOTE 22. NEW ACCOUNTING PRONOUNCEMENTS

As of December 31, 2023, the CINIF has issued the following standards:

Improvements to MX FRS

Improvements to MX FRS that generate accounting changes

Effective beginning January 1, 2024, and their early adoption is permitted for 2023:

MX FRS C-6, Property, plant and equipment, MX FRS D-6 "Capitalization of the comprehensive gain or loss, and **MX FRS E-1, Agricultural activities** - Modifications were made to these MX FRS to set forth that a biological asset producer is a ratable asset, while it is not ready to start to be produced (intentional use), and it must undertake the capitalization of the comprehensive gain or loss (RIF) as part of its cost of acquisition. The foregoing converges with the provisions of IAS 23, Borrowing costs; therefore, the difference is eliminated that existed between MX FRS D-6 and that MX FRS.

In addition, it was further observed that based on MX FRS E-1, plant and animal producers must be valued by following the provisions of MX FRS C-6. However, those assets are not included in the scope; therefore, it is modified to include them.

MX FRS C-10, Derivative financial instruments and hedge ratios - The amendments are made to this MX FRS to include the accounting treatment of a financial instrument hedge whose valuation at fair value is recognized in other comprehensive income (OCI), in accordance with the provisions set forth in MX FRS C-2, Investment in financial instruments, which converges with the provisions set forth in IFRS 9, Financial Instruments.

MX FRS B-2 Statement of cash flows, **MX FRS B-6 Statement of financial position**, **MX FRS B-17 Determination of fair value**, **MX FRS C-2 Investment in financial instruments**, **MX FRS C-16 Impairment of financial instruments receivable**, and **MX FRS C-20 Financial instruments for collection of principal and interest**, and **IMX FRS 24 Recognition of the effect of the application of the new benchmark rates** - In terms of MX FRS C-2, an entity classifies financial statements based on its business model, among other things, such as financial instruments held for collection or sale (IFVC-as per its acronym in Spanish), which are defined in the MX FRS Glossary as those whose objective is to collect the contractual cash flows on principal and interest, or obtain a profit on its sale when it is advisable. However, it has been observed in practice that this definition can give rise to a misinterpretation, since the main objective of these instruments must be to obtain a profit on their sale, which will be carried out when optimum market conditions occur and, meanwhile, collect the contractual cash flows, that is, they are held for collection and sale.

Pursuant to the foregoing, the term financial instruments held to collect or sell is eliminated to be substituted by financial instruments held to collect and sell. It is understood that in accordance with its business model, its objective is to comply with both matters, that is, collect contractual cash flows and sell financial assets. In conclusion, it might not be sold due to expected market conditions that fail to materialize. However, that would not affect its initial classification.

MX FRS D-4, Taxes on earnings D-4 - Paragraphs 28B, 36B, and 44 are added to clarify that in a scenario where there are incentives in tax rates arising from the capitalization of earnings, the tax rate that must be used for determining the deferred tax on earnings assets and liabilities is the rate applicable to undistributed earnings.

Effective beginning January 1, 2025, and their early adoption is permitted for 2024:

MX FRS A-1 Conceptual framework of Mexican Financial Reporting Standards - The CINIF reviewed the disclosure requirements of MX FRS, through a comparative analysis of the disclosure requirements contained in each one of its particular MX FRS, and the requirements issued by the International Financial Reporting Standards Advisory Council. This was done to adopt a specific approach of reduced disclosures applicable to entities that are not of public interest, in convergence with the international trend. As a result of this review, it was considered appropriate to separate the disclosure requirements in MX FRS in: 1) Disclosures applicable to all entities in general (public interest entities and non-public interest entities), 2) Disclosures applicable only to public interest. entities.

Pursuant to the foregoing, the Conceptual Framework of MX FRS includes the definition of public interest entities, and the bases of separation of particular disclosure standards for each type of entity. These modifications are incorporated in paragraphs 84.1.2,84.1.3, 84.3.6, and paragraphs 84.5.1 to 84.5.5 are added as well as paragraph 100.3 of MX FRS A-1.

Improvements to MX FRS that do not generate accounting changes

Moreover, improvements to 2024 MX FRS include improvements to MX FRS that do not generate accounting changes. It is fundamentally intended to make the statement of the issue more precise and clearer. Consequently, it is not necessary to establish an effective date for these improvements, which are listed below:

MX FRS A-1 Conceptual framework of Mexican Financial Reporting Standards - The qualitative characteristics of financial reporting set forth in the conceptual framework of MX FRS includes the term of relative importance as a characteristic associated with the relevance of the information. However, the CINIF observed that there were certain inconsistencies in the use of this term, since the term significant was used occasionally. Therefore, the CINIF eliminates that inconsistency with this improvement.

MX FRS B-3 Statement of comprehensive Income - This MX FRS allows entities to present the statement of comprehensive income on a combined basis, that is, certain expenses are presented as classified by function and others in accordance with their nature, for the purpose of facilitating the presentation of consolidated financial information of entities that prepare it one way or another individually. At present, this option is not contemplated in IFRS; therefore, there is a difference that MX FRS B-3 has with that IFRS. However, this is not set out in the introductory paragraphs of MX FRS B-3. This improvement addresses this issue in the introductory paragraphs.

MX FRS B-7, Business acquisitions - This MX FRS sets out that some assets and liabilities were occasionally not recognized prior to the business acquired, in accordance with any Financial Reporting Standard. However, its recognition can be appropriate on the acquisition date, since it considers that those assets and liabilities are included in the fair value of the transaction. It further cites, as an example of liabilities, that employee benefits that have unamortized items are partially recognized. However, in accordance with MX FRS D-3 Employee benefits, currently in effect, unamortized items are no longer recognized; therefore, the references made to this item in MX FRS B-7 are eliminated to keep it updated.

MX FRS B-8 Consolidated or combined financial statements - This MX FRS includes an additional requirement not contemplated in IFRS is included, which must be met by the holding company if it wishes to opt for not presenting consolidated financial statements. Accordingly, the holding company must issue separate financial statements with a specific purpose that is understood by the user, for example, for legal purposes. That difference with IFRS is not discussed in the introduction of MX FRS B-8; therefore, a paragraph is added to indicate it.

MX FRS B-11 Disposition of long-lived assets and discontinued operations - In IFRS 5, Non-current assets held for sale and discontinued operations, there is a definition of component, which indicates that it must be a cash generating unit. On the other hand, for MX FRS, at that time, did not consider it necessary to include that definition. However, this wording can be construed as a difference regarding the provisions set out in IFRS, without being as such in reality; therefore, the paragraph is modified to avoid any difference.

MX FRS C-2 Investment in financial instruments - Paragraph 43.1 is modified to point out some clarifications are made on capital instruments. By irrevocable choice, the effects of their valuation at fair value are recognized in other comprehensive income (OCI).

MX FRS C-9, Provisions, contingencies and commitments, MX FRS C-10, Derivative financial instruments and hedge ratios, and **MX FRS C-5 Prepaid expenses -** Various clarifications were made for a better understanding of the accounting treatment for the issuer, as well as for the holder of financial guarantee contract.

MX FRS C-6, Property, plant and equipment - It sets out that costs, as well as revenues derived from the sale of items produced while the component of property, plant and equipment is located at the place and in the conditions provided for its use that are not capitalized must be recognized in income for the period.

MX FRS C-6, Property, plant and equipment and **MX FRS C-8, Intangible assets -** These MX FRS set forth that scrap value, the period, and depreciation or amortization method must be reviewed periodically. However, it sets forth that it should be at least once a year, in accordance with IFRS.

MX FRS C-7 Investment in associates, joint ventures and other permanent investments.- It includes an explanation concerning the treatment provided for in MX FRS on capital contributions in the form of a nonmonetary asset and refers to a capital contribution that does not comprise a business.

MX FRS C-8, Intangible assets. - The CINIF observed confusion as to whether expenditures in preoperating stages are in tangibles in all cases, in a stage of research and development and, therefore, could defer from the provisions set out in IAS 38, Intangible assets, of IFRS. The intent of this MX FRS is to set forth the accounting treatment for expenditures in preoperating stages that can be recognized as intangible assets, if they meet the recognition criteria set forth for that purpose in MX FRS C-8 itself. Otherwise, they must be recognized as an expense; therefore, paragraphs IN15, 71, and BC34 were modified in this MX FRS.

MX FRS C-19 Financial instruments payable - Various clarifications are made as to the paragraphs relative to debt renegotiations for clarifying which fees must be included in cash flows of the so-called 10% test, as well as to clarify the presentation of the gain or loss arising from the debt reduction or renegotiation.

MX FRS D-8 Share-based payments - This MX FRS sets forth that a price of the good or service payable is set with a variable number of actions based on the market value thereof on the date on which they are delivered, in cases of third parties. A liability is generated, and it is considered that the debt existing with the supplier of the good or provider of the service is being capitalized at the time at which the shares are issued, which is consistent with the basic postulate of economic substance of the conceptual framework of MX FRS. However, it not considered a liability in IFRS, which maintains a difference even with other IFRS, as to whether a liability or capital is distinguished in accordance with the economic substance of the transaction. Pursuant to the foregoing, that difference is added to the introductory paragraphs of the MX FRS.

MX FRS A-1 Conceptual framework of Mexican Financial Reporting Standards, **MX FRS B-17 Determination of fair value**, **MX FRS C-4 Inventories**, **MX FRS C-8 Intangible assets**, and **MX FRS D-5 leases** - Various modifications were made to clarify and specify captions described in these MX FRS.

As of the issue date of these financial statements, the Entity is in the process of determining the effects from the adoption of these new MX FRS and improvements to MX FRS.

NOTE 23. AUTHORIZATION TO ISSUE THE FINANCIAL STATEMENTS

The accompanying financial statements were authorized to be issued by Mr. Leonel Cravioto Garcia, Chief Executive Officer of the Entity, on March 26, 2024. Consequently, they do not reflect the events that occurred after that date. They are also subject to the approval at the Ordinary Stockholders Meeting of the Entity, which can decide its modification, in accordance with the General Corporate Law.

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