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

Financial statements for the years ended December 31, 2022 and 2021 and independent auditors' report of March 30, 2023

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

Independent auditors' report and financial statements 2022 and 2021

Content **Page**

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, 2022 and 2021, 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, 2022 and 2021, as well as its financial performance and cash flows for the years then ended, in conformity with in 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 is 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.

Emphasis paragraphs.

Without affecting our opinion, we draw attention to Notes 1 and 2 to the accompanying consolidated financial statements, in which the following is discussed:

- Related party transactions. The Entity assigned part of the credits in factor that it places with its related party. The exclusivity agreement signed between the Entity and its related party, which set forth that the Entity could only fund its credit operation with its related party, reached its conclusion in November 2021. Since the end of 2021, the Company has significantly reduced the assignments of its accounts receivable in factoring to its related party; therefore, it has relied on other sources of financing in order to continue to operate and reach its credit placement objectives. (See Note 1)

- Proposed sale of shares of Credito Real. In November 2022, the Board of Directors was informed that the shareholder Credito Real received an unsolicited offer to purchase 11,704 shares that represent 26% of the Capital stock of the Entity. This offer was accepted by Credito Real; therefore, the share transfer was submitted for authorization. As of December 31, 2022, that transaction has not been formalized. (See Note 1)

- Going concern. The Entity has evaluated that the economic environment and the financial position of its related will not place business sustainability at risk for the next 12 months, although part of the service supply chain, some of its customers and suppliers will be affected. This will not have an impact of immediate effect on normal business operations, nor will it place the performance of contracts with customers at risk, as well as suppliers, agencies and government regulators, employees, and all those with which there is a business relationship. (See Note 3)

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 a high 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 on the basis of 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:

- We 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 in the course of 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 Mexico Bogarin, S.C.

Florencio Lara Venegas, C.P.A.
Partner

Mexico City
March 30, 2023

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

Consolidated balance sheets

As of December 31, 2022 and 2021
(In pesos)

Assets	2022	2021
Cash and cash equivalents **(Note 5)**	$ 30,012,431	$ 6,862,878
Investments in Securities **(Note 6)**	322,355,395	359,945,445
Derivative Financial Instruments	175,260	-
Loan portfolio-		
Consumer Lending **(Note 7)**	988,979,151	346,196,657
Allowance for-		
For Loan Losses **(Note 8)**	(44,366,464)	(27,785,536)
For Contingent Portfolio (Note 9)	(23,020,125)	(133,987,937)
Total Loan Portfolio, net	921,592,562	184,423,184
Other receivables **(Note 10)**	2,620,940	5,066,428
Furniture and Equipment, Net **(Note 11)**	9,087,728	9,100,283
Leased Assets **(Note 12)**	4,744,835	7,405,959
Other Permanent Investments	250,001	260,000
Deferred Taxes on Earnings (Note 13)	54,195,103	70,805,566
Taxes recoverable, net	-	9,133,007
Other Assets, net **(Note 14)**	103,612,302	308,009,405
Total Assets	**$ 1,448,646,557**	**$ 961,012,155**

Liabilities	2022	2021
Bank Loans **(Note 15)**-		
Short-Term	$ 146,402,796	$ 14,965,376
Long-Term	438,953,110	107,345,695
	585,355,906	122,311,071
Due to Related Parties **(Note 16)**	22,246,746	209,281,476
Other Payables-		
Taxes on Earnings Payable, net	16,231,249	-
Employee Profit Sharing Payable	6,639,595	6,129,782
Other Liabilities and Other Payables-		
Trade payables	9,601,596	19,693,444
Lease Liabilities	4,417,060	8,218,926
Value Added Tax	20,237,790	12,202,081
Provision for Employee Benefits **(Note 17)**	9,869,381	10,661,239
Other Liabilities	29,509,191	2,774,469
Other Payables	125,447,638	54,177,653
	199,082,656	107,727,812
Total Liabilities	**829,556,152**	**445,450,141**
Stockholders' equity		
Capital Stock (Note 18)	159,435,518	18,666,761
Additional Paid-in Capital	303,853,287	303,853,287
Legal Reserve **(Note 18)**	31,887,103	3,733,352
Remeasurements of Employee Benefits	3,547,092	268,872
Prior Year Income (Loss) **(Note 18)**	20,117,234	140,768,757
Net Income (Loss)	100,250,171	48,270,985
Total Stockholders' Equity	**619,090,405**	**515,562,014**
Total Liabilities and Stockholders' Equity	**$ 1,448,646,557**	**$ 961,012,155**

Memorandum Accounts (Note 19)	2022	2021
Contingent Loan Portfolio	$ 206,816,753	$ 748,177,118
Loan Portfolio Management	1,064,311,693	3,642,457,221
Other Memorandum Accounts	1,266,307,268	380,260,654
Total Memorandum Accounts	**$ 2,537,435,714**	**$ 4,770,894,993**

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, 2022 and 2021
(In pesos)

	2022	2021
Interest Income-		
Loan Portfolio Management	$ 219,825,087	$ 391,570,666
Own Loan Portfolio	496,908,073	209,188,004
On Investments in Securities	16,512,392	8,640,513
	733,245,552	609,399,183
Interest Expense-		
On Bank Loans and Related Parties	(47,611,450)	(13,927,289)
Cost and Expenses Associated with the Distribution of the Loan	(162,837,250)	(48,821,305)
	(210,448,700)	(62,748,594)
Financial Margin	522,796,852	546,650,589
Allowance for Loan Losses	(52,583,223)	(44,109,728)
Provision for Management Loan Portfolio	61,484,887	(159,673,889)
Financial Margin Adjusted for Credit Risks	531,698,516	342,866,972
Commissions Collected (Paid), net	(407,011)	(11,689,762)
Gain or Loss on Brokerage	(2,510,239)	(1,261,946)
Other Operating Income (Disbursements)	20,038,818	34,897,410
Other Operating Income (Disbursements)	17,121,568	21,945,702
Selling expenses	(55,020,262)	(138,300,682)
Operating Expenses	(126,656,687)	(37,286,006)
Administrative Expenses	(207,137,637)	(128,051,941)
Operating and Promotional Expenses	(388,814,586)	(303,638,629)
Income (loss) before taxes on earnings	160,005,498	61,174,045
Tax on Earnings **(Note 13)**	(43,144,864)	(25,195,288)
Deferred Taxes on Earnings	(16,610,463)	12,292,228
Net Income (Loss)	100,250,171	48,270,985
Other Comprehensive Income		
Remeasurements of Employee Benefits	3,278,220	268,872
Comprehensive Income (Loss)	**$ 103,528,391**	**$ 48,539,857**

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, 2022 and 2021
(In pesos)

	Paid-in Capital		Capital Gains						
	Capital Stock	Additional paid-in capital	Legal Reserve	Intangible Value	Employee Benefits Remeasurement	Prior year Income (loss)	Net income	Total stockholders' equity
Balances at beginning of 2021	$ 18,666,761	$ 303,853,287	$ 3,733,352	$ 532,957,697	$ -	$ 173,566,494	$ 30,234,974	$ 1,063,012,565
Movements inherent to stockholders' decisions -								
Allocation of prior year income (loss)	-	-	-	-	-	30,234,974	(30,234,974)	-
Dividends paid	-	-	-	-	-	(63,032,711)	-	(63,032,711)
Change inherent to recognition of comprehensive income-								
Early Amortization of Intangible Assets	-	-	-	(532,957,697)	-	-	-	(532,957,697)
Employee Benefits Remeasurement	-	-	-	-	268,872	-	-	268,872
Net income	-	-	-	-	-	-	48,270,985	48,270,985
Balances as of December 31, 2021	18,666,761	303,853,287	3,733,352	-	268,872	140,768,757	48,270,985	515,562,014
Movements inherent to stockholders' decisions -								
Allocation of prior year income (loss) and creation of Legal reserve	-	-	28,153,751	-	-	20,117,234	(48,270,985)	-
Capitalization of prior year income	140,768,757	-	-	-	-	(140,768,757)	-	-
Change inherent to recognition of comprehensive income-								
Employee Benefits Remeasurement	-	-	-	-	3,278,220	-	-	3,278,220
Net income	-	-	-	-	-	-	100,250,171	100,250,171
Balances as of December 31, 2022	**$ 159,435,518**	**$ 303,853,287**	**$ 31,887,103**	**$ -**	**$ 3,547,092**	**$ 20,117,234**	**$ 100,250,171**	**$ 619,090,405**

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, 2022 and 2021
(In pesos)

	2022	2021
Net Income (Loss)	$ 100,250,171	$ 48,270,985
Adjustments on items that do not imply cash flow:		
Depreciation and Amortization	3,130,264	3,227,844
Amortization of Intangible Assets	59,323,205	4,869,566
Allowance for Contingent Loan Portfolio	(61,484,887)	159,673,889
Provisions	87,353,998	4,475,529
Employee Benefits Remeasurement	3,278,220	268,872
Taxes on Earnings Due and Deferred	59,755,327	12,903,060
	251,606,298	233,689,745
Operating Activity:		
(Increase) decrease in:		
Investments in Securities	37,590,051	(72,477,374)
Derivative Financial Instruments	(175,260)	-
Loan Portfolio, net	(675,684,491)	(125,536,823)
Other Assets	14,239,619	(4,686,131)
(Decrease) increase in:		
Bank Loans	463,044,836	68,314,120
Due to Related Parties	(118,211,406)	33,732,045
Other Liabilities	46,420,367	(75,078,368)
Net cash flows from operating activities	(232,776,284)	(175,732,531)
Investing activities:		
Furniture and Equipment, net	(3,117,709)	(3,084,494)
Other Permanent Investments	10,000	(10,000)
Intangible Assets	7,427,248	(3,643,136)
Net cash flows from investing activities	4,319,539	(6,737,630)
Financing activity:		
Dividends paid	-	(63,032,711)
Net cash flows from financing activities	-	(63,032,711)
Net (decrease) increase in cash and cash equivalents	23,149,553	(11,813,127)
Cash and cash equivalents at beginning of period	6,862,878	18,676,005
Cash and cash equivalents at end of period	$ 30,012,431	$ 6,862,878

The accompanying notes are part of these financial statements.

Notes to the consolidated financial statements

For the years ended December 31, 2022 and 2021
(Amounts in Pesos)

NOTE 1. INCORPORATION AND BUSINESS

Publiseg, S.A.P.I. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada (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 located at Insurgentes Sur 664, Piso 3, Col. Del Valle, Alcaldia Benito Juarez, Mexico City, Mexico, Postal Code 03100.

The Entity assigned part of the credits in factoring that it placed with Credito Real, S.A.B de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada ("Credito Real") (related party), holding company of 49% of the shares of the Entity.

The exclusivity agreement signed between the Entity and its Credito Real, which set forth that the Entity could only fund its credit operation with Credito Real, reached its conclusion in November 2021. Since the end of 2021, the Entity significantly reduced the assignments of its accounts receivable in factoring to Credito Real; therefore, it has relied on other sources of financing in order to continue to operate and reach its credit placement objectives.

As of December 31, 2022, the Entity assigned 2.6% and 56.4%, respectively, of the credits that it placed in those years.

RELEVANT EVENTS 2022

Capitalization of profits. In March 2022, the General Stockholders' Meeting of the Entity, pursuant to 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 $140,768,757, 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.

Bylaws Amendment. In May and June, 2022, the Shareholders of the Entity held individual General Meetings, whereby they approved the amendment of various articles of the Bylaws of the Entity, among other things. The objective of these amendments was to make certain adjustments to the relationship that connects the Entity with its shareholders, by amending the rights thereof in proportion to their contribution, in addition to taking into consideration the current context and existing circumstances more than a decade ago (when special rights were set out for the shareholders) as to those that prevailed in those months.

These changes arose from the termination of the contracts with an option to buy and exclusivity by the shareholder Credito Real; therefore there were necessary to continue to diversify the sources of funding of the Entity.

Offer to Purchase of shares of Credito Real. In November 2022, the Board of Directors was informed that the shareholder Credito Real received an unsolicited offer to purchase 11,704 shares that represent 26% of the Capital stock of the Entity. This offer was accepted by Credito Real; therefore, the share transfer was submitted for authorization. As of December 31, 2022, that transaction has not been formalized.

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

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 Trist* – 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.

NOTE 3. BASIS OF PRESENTATION

The financial statements as of December 31, 2022 and 2021 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, 2021 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, 2022.

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, 2022 and 2021, comprehensive income is represented by “Net income” and by the “Employee benefits remeasurement”.

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, cost of bad debt, the cost of irrecoverable credits, allowance for loan losses, and operating and administrative expenses from the total interest income from its portfolio assigned in factoring, interest income from its own portfolio, and other interest income. Even when not required by Mexican Financial Reporting Standard (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 repercussions, as well as the financial position of its shareholder Credito Real:

- Going concern- The Entity has evaluated that the economic and financial environment of Credito Real will not place business sustainability at risk for the next 12 months, although as part of the service supply chain, some of its customers and suppliers will be affected. This will not have an impact of immediate or significant effect on normal business operations, nor will it place the performance of contracts with customers at risk, as well as suppliers, agencies and government regulators, employees, and all those with which there is a business relationship.

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

- Accounting policies and procedures- The Entity has not made any change in its current accounting policies and procedures as a result of the effects of the sanitary contingency. The way of working in some cases has been modified to contemplate the “work at home or telework” scheme, with a totally normal operation.

- 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 the accounting estimates policies, nor are there short-term plans for increasing, reducing and/or creating other estimates for dealing with the economic and sanitary contingency that arose in 2020.

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 there 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
2021	117.308	7.36%	13.33%
2020	109.271	3.15%	10.81%
2019	105.934	2.83%	14.43%

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 -

Improvements to MX FRS 2022 that generate accounting changes:

MX FRS B-7, Business acquisitions. A method is established for recognizing business acquisitions between entities under common control known as the "book value method", when the purchase method is not required to be used.

International Financial Information Standards (IFRS) clearly set forth that IFRS 3, Business combinations, does not apply if entities under common control are combined, notwithstanding that there are non-controlling financial interests in some of the entities, that is, IFRS 3 does not include business combinations under common control within its scope. MX FRS B-7 includes the book recognition of business acquisitions under common control in its scope.

MX FRS B-15, Foreign currency translation. A practical solution is included in the form of an exception whereby the financial statements can be issued in a reporting currency that is equal to the recording currency, even when both currencies are different from the functional currency, without translating into the functional currency. The exception is permitted as a practical matter when the financial statements, which are used for legal and tax purposes, must be prepared in a reporting currency that is equal to the recording currency,

The effectiveness of the Improvement to MX FRS B-15 repeals INIF 15, Financial statements whose reporting currency is the same as the recording currency, but different from the functional currency, since its content is incorporated into MX FRS B-15 itself.

MX FRS D-3, Employee benefits. MX FRS D-3 sets forth that deferred Employee Profit Sharing (PTU) must be determined by using the Asset and liability method set forth in MX FRS D-4, Taxes on earnings, for the calculation of deferred taxes on earnings. However, by having changed the determination of PTU due and payable, pursuant to the decree published by the Federal Government on April 23, 2021, the entity may need to make certain judgments in the determination of deferred PTU, particularly in the cases in which the payment of PTU in future periods will be at a rate lower than 10% of taxable income, since this payments would be subject to established limits. In these cases, the entity must make the best possible estimate of the rate with which temporary differences will materialize that give rise to deferred PTU. Toward that end, the entity must prepare financial projections.

MX FRS B-1, Accounting changes and error corrections. The requirement is eliminated of disclosing proforma information when a change occurs in the structure of the economic entity.

MX FRS B-10, Impact of Inflation. It sets forth that disclosures will be made when the entity considers it relevant when the entity operates in a non-inflationary environment.

MX FRS B-17, Determination of fair value. This MX FRS sets forth that the information to disclose of MX FRS B-1, Accounting changes and error and corrections, is not required for a change in the book estimate arising from a change in a valuation technique or in its application.

MX FRS C-6, Property plant and equipment. It eliminates the indication of disclosing the time that is planned to carry out the constructions in progress, when there are plans approved therefor.

MX FRS C-15 Impairment in the value of long-lived assets. The new MX FRS converges substantially with International Financial Reporting Standards (IFRS), particularly with IAS 36, Impairment of the Value of Assets.

The significant changes presented in this MX FRS in connection with the above standard are:

- The requirement to use a net sale price is changed to that of fair value in terms of MX FRS B-17, Determination of fair value, less the costs of disposition for carrying out impairment tests;

- The recognition of goodwill impairment is incorporated in two;

- The calculation of impairment through perpetuity value in indefinite-lived intangible assets, which form part of the prorated distribution of the other long-lived assets that form part of the Cash Generating Unit (CGU); and

- The impairment test is modified for indefinite-lived intangible assets.

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 payable, 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, 2022 and 2021 are classified as trading securities. They 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, 2022 and 2021, Entity Management has not identified that there is objective evidence of impairment of any security.

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

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 earmarked toward granting personal consumer lending with delegated collection via payroll deductions. (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.

Nonperforming loan portfolio – The credits are recorded as nonperforming portfolio when, in the case of credits with amortizations that have been agreed upon in periodic partial payments, they have 90 calendar days subsequent to the due date of the first past due amortization not liquidated by the Borrower.

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 $2,000 to $200,000.
- 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, 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 define a collective model for the estimate for expected impairment losses based on the estimate of the probability of default through transaction matrixes, the severity of the loss based on the estimate issued by the Comisión Nacional Bancaria y de Valores (Mexican Banking and Securities Commission) in the General Provisions Applicable to Lending Institutions (“CUB” - as per its acronym in Spanish) as a market reference point. (See Note 8)

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 debt recoveries - The Entity periodically evaluates if a past-due credit 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 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.

The matrix of loss rates used in the allowance for loan losses is presented below.

% EL	Accounts receivable days Group
1.53%	Current
21.78%	>30

% EL	Accounts receivable days Group
53.37%	31-60
72.07%	61-90
87.11%	91-120
93.89%	121-150
98.77%	151-180
100.00%	>180

Probability of Default (PD) Operations under the collective model: the Entity defines default for those operations that are classified as nonperforming portfolio, 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	Days in arrears	Default stage
0	Current	
1	< 30	Stage 1- FICPI with low credit risk
2	31-60	Performing portfolio whose unpaid period ranges from 1 to 90 days.
3	61-90	
4	91-120	Stage 2- FICPI with significant increase in risk.
5	121-150	Impaired portfolio whose unpaid period impairment ranges from 91
6	151-180	to 180 days.
7	> 180	Stage 3- FICPI with high credit risk Nonperforming portfolio whose unpaid period exceeds 180 days.

Expected Credit Losses ("ECL")*:* The Entity estimates the ECL based on the default range it is in:

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 from earnings of periods prior to the acquisition. In that case, they are reduced from the permanent investment.

As of December 31, 2022 and 2021, the Entity has recorded an investment in the amount of $250,001 and $260,000, respectively, which primarily corresponds to the equity that it has in the Asociación Mexicana de Empresas de Nómina, A.C. amounting to $250,000.

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 – These assets mostly consist of an Intangible asset, which correspond mainly to the agreements and patents of the "Credifiel" trademark. The Entity has indefinite-lived intangible assets such as agreements, trademarks, and licenses to be able to operate, which are not amortized and they are subject to impairment tests.

For the objective of improving relevance, understanding, and objectivity of the financial information, the determination was made to modify the accounting policy of Intangible assets through their amortization in 2021. As of December 31, 2021, the amount of $532,957,697 was amortized against the item of Capital Gains, identified as Intangible Value. The remaining balance is amortized against income for the year in a 10-year period, beginning 2022.

Prepaid expenses are amortized on a straight-line based on the estimated useful life. (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, 2022 and 2021, Entity Management considers that there are no impairment indicators.

Bank loans – This caption represents the amounts of lines of credit that the Entity has, 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. (See Note 15)

Due to related parties – This caption is represented mainly by loans and unpaid services to related parties. (See Note 16)

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. As of December 31, 2022 and 2021, these liabilities are summarized in the caption of other liabilities and other payables.

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 17).

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, 2022 and 2021, capital stock is comprised of registered common shares with no par value shown. Series "A" Class I shares represent 21.9% of capital stock, and the may be acquired only by Mexicans. Series "A" Class II shares represent 29.1% of capital stock, and the may be acquired only by Mexicans. Series "C" Class II shares represent 49% of capital stock, and they may be subscribed for freely. Variable capital is unlimited. (See Note 18)

Memorandum accounts - Contingent loan portfolio – This caption 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 the portfolio in administration with Credito Real. ***Loan Portfolio Management -*** This caption 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. (See Note 19)

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 20).

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 due to related parties are recorded in the statement of income as accrued.

Costs and expenses related to distribution of credit - Costs and expenses related to the distribution of credit are recognized in income in the caption of "Interest expenses".

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

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, 2022 and 2021, the caption of cash and cash equivalents is summarized as shown below:

	2022	2021
Cash	$ 61,500	$ 66,314
Banks	29,950,931	6,796,564
Total	$ 30,012,431	$ 6,862,878

NOTE 6. INVESTMENTS IN SECURITIES

As of December 31, 2022 and 2021, the caption of Investments in securities summarized as shown below:

2022	Amount invested	Average rate	Balance
Mutual Fund (Santander)	$ 46,646,442	7.26%	$ 46,646,442
Primary investment account (Santander)	50,081	-	50,081
Mutual Fund (Banamex)	14,117,345	-	14,117,345
Repurchase transaction (Banamex)	71,606,796	9.40%	71,606,796
Mutual Fund (Actinver)	5,305,241	6.46%	5,305,241
Mutual Fund (BX+)	9,902,318	7.69%	9,902,318
Mutual Fund (BBVA)	158,492	-	158,492
Securities exchange certificates (Banorte Ixe)	2,470,564	10.54%	2,467,489
Eurobond (Banorte Ixe)	3,922,266	9.12%	46,853
Repurchase transaction (Banorte Ixe)	53,626,338	10.25%	53,626,433
Mutual Fund (Multiva)	3,063,033	9.99%	3,063,033
Repurchase transaction (Invex)	10,988,453	10.30%	10,988,499
Repurchase transaction (Accival)	11,453,583	10.08%	11,453,633
Liquid Guarantee SHF (Multiva)	12,968,480	9.68%	12,968,480
Mutual Fund (Invex)	66,332,905	10.25%	66,332,961
Mant Mutual Fund (Actinver)	494,083	-	494,083
Reserve Mutual Fund (Actinver)	3,880,546	-	3,880,546
General Mutual Fund (Actinver)	41,203	-	41,203
Reserve Mutual Fund (Santander) Índigo (Actinver)	4,555,759	5.40%	4,555,759
Collection Mutual Fund (Actinver)	4,649,708	5.03%	4,649,708
Total	$ 326,233,636		$ 322,355,395

2021	Amount invested	Average rate	Balance
Mutual fund (Santander)	$ 41,485,238	4.85%	$ 41,485,238
Primary investment account (Santander)	49,838	-	49,838
Mutual fund (Banamex)	566,660	-	566,660
Repurchase transaction (Banamex)	82,287,380	5.37%	82,287,380
Mutual Funds (Actinver)	13,876,232	5.18%	13,876,232
Investment account (BX+)	41,181,682	4.20%	41,181,682
Investment account (BBVA)	13,071,813	2.75%	13,071,813
Securities exchange certificates (Banorte Ixe)	2,461,363	5.89%	2,464,415
Eurobond (Banorte Ixe)	6,009,046	9.13%	3,922,266
Repurchase transaction (Banorte Ixe)	58,944,858	5.25%	58,944,885
Mutual funds (Multiva)	8,715,170	4.88%	8,715,170
Repurchase transaction (Banorte)	46,999,966	5.20%	47,000,000
Repurchase transaction (Accival)	36,980,385	5.40%	36,980,385
Liquid Guarantee SHF (Multiva)	9,399,481	5.10%	9,399,481
Total	$ 362,029,112		$ 359,945,445

NOTE 7. LOAN PORTFOLIO

As of December 31, 2022 and 2021, the loan portfolio is summarized as follows:

	2022	2021
Consumer lending-		
Performing portfolio	$ 951,793,677	$ 332,248,522
Nonperforming portfolio	37,185,474	13,948,135
Total	$ 988,979,151	$ 346,196,657

As of December 31, 2022 and 2021, the loan portfolio underwent the following changes:

	2022	2021
Opening balance	$ 346,196,657	$ 348,672,239
Credits granted	729,249,722	312,809,738
Refinancing	191,575,173	38,086,333
Portfolio collection	(269,580,571)	(156,660,720)
Portfolio bought (sold)	25,420,778	(118,357,947)
Portfolio write-offs	(36,002,295)	(86,251,429)
Other changes	2,119,687	7,898,443
Final balance	$ 988,979,151	$ 346,196,657

As of December 31, 2022 and 2021, the portfolio consists of 43,984 and 16,986 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 no longer assigns its portfolio in factoring to Credito Real, and it relies on other sources of financing to continue operating and reach its credit placement objectives.

NOTE 8. ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses, under the simplified collective approach in fiscal years 2022 and 2021, shows the following changes:

	2022	2021
Opening balance	$ 27,785,536	$ 69,927,237
Increase in income	52,583,223	44,109,728
Portfolio allocations (write-offs)	(36,002,295)	(86,251,429)
Final balance	$ 44,366,464	$ 27,785,536

As of December 31, 2022, the loan portfolio shows the following ECL per Bucket. Due to the sanitary contingency that started in 2020 and pursuant to a conservative criterion, it has included an additional ECL rate since that year:

Days in arrears	ECL Rate	Loan portfolio	ECL	Additional ECL Rate	Additional ECL	Total ECL
Current	1.01%	$963,980,612	$9,763,841	1.01%	$ 9,763,841	$19,527,682
< 30	6.94%	3,450,109	239,462	6.94%	239,462	478,924
31-60	17.42%	2,083,031	362,935	17.42%	362,935	725,870
61-90	33.96%	1,361,320	462,241	33.96%	462,241	924,482
91-120	52.65%	785,416	413,515	52.65%	413,515	827,030
121-150	67.12%	459,328	308,288	67.12%	308,288	616,576
151-180	77.23%	189,521	146,370	77.23%	146,370	292,740
> 180	100.00%	16,669,814	16,669,814	25.82%	4,303,346	20,973,160
Total		$988,979,151	$28,366,466		$15,999,998	$44,366,464

As of December 31, 2021, the ECL rate and the additional ECL rate per Bucket are presented as follows:

Days in arrears	ECL Rate	Loan portfolio	ECL	Additional ECL Rate	Additional ECL	Total ECL
Current	1.15%	$329,789,827	$ 3,784,338	1.15%	$ 3,784,338	$ 7,568,676
< 30	16.34%	2,958,939	483,343	16.34%	483,343	966,686
31-60	40.03%	1,516,438	606,992	40.03%	606,992	1,213,984
61-90	54.05%	1,094,904	591,823	54.05%	591,823	1,183,646
91-120	65.33%	383,842	250,773	65.33%	250,773	501,546
121-150	70.42%	239,054	168,336	70.42%	168,336	336,672
151-180	74.08%	83,540	61,885	74.08%	61,885	123,770
> 180	100.00%	10,130,113	10,130,113	56.86%	5,760,443	15,890,556
Total		$346,196,657	$16,077,603		$ 11,707,933	$27,785,536

The evaluation of default of the Loan portfolio, based on the allowance for loan losses as of December 31, 2022 and 2021, is as follows:

Impairment	Loan portfolio	2022 Expected Credit Loss	% of Expected Credit Loss
Not impaired	$ 972,309,337	$ 11,696,652	1.20%
Impaired	16,669,814	16,669,814	100.00%
Additional expected credit losses	-	15,999,998	
Total	$ 988,979,151	$ 44,366,464	4.49%

Impairment	Loan portfolio	2021 Expected Credit Loss	% of Expected Credit Loss
Not impaired	$ 336,066,544	$ 5,947,490	1.77%
Impaired	10,130,113	10,130,113	100.00%
Additional expected credit losses	-	11,707,933	
Total	$ 346,196,657	$ 27,785,536	8.03%

NOTE 9. PREVENTIVE ESTIMATE FOR CONTINGENT PORTFOLIO

The preventive estimate for the Contingent portfolio, the joint and several obligation for being liable for 50% of the outstanding balance of the capital of the management portfolio of Credito Real in fiscal years 2022 and 2021, shows the following changes:

	2022	2021
Opening balance	$ 133,987,937	$ 60,184,751
Increase (release) in income	(61,484,887)	159,673,889
Portfolio allocations (write-offs)	(49,482,925)	(85,870,703)
Final balance	$ 23,020,125	$ 133,987,937

As of December 31, 2022, the contingent portfolio shows the following ECL per Bucket. Due to the sanitary contingency that started in 2020 and pursuant to a conservative criterion, it has included an additional ECL rate since that year:

Days in arrears	Contingent portfolio	ECL Rate	ECL	Additional ECL Rate	Additional ECL	Total ECL
Current	$192,690,232	0.91%	$ 1,748,437	0.91%	$ 1,748,437	$ 3,496,874
< 30	2,610,221	6.37%	166,186	6.37%	166,186	332,372
31-60	1,515,991	15.70%	238,012	15.70%	238,012	476,024
61-90	701,433	33.67%	236,205	33.67%	236,205	472,410
91-120	253,045	50.35%	127,396	50.35%	127,396	254,792
121-150	127,319	65.74%	83,694	65.74%	83,694	167,388
151-180	37,572	77.70%	29,193	77.70%	29,193	58,386
> 180	8,880,940	100.00%	8,880,940	100.00%	8,880,939	17,761,879
Total	$206,816,753		$11,510,063		$11,510,062	$23,020,125

As of December 31, 2021, the ECL rate and the additional ECL rate per Bucket are presented as follows:

Days in arrears	Contingent portfolio	ECL Rate	ECL	Additional ECL Rate	Additional ECL	Total ECL
Current	$638,973,273	1.15%	$ 7,332,218	1.15%	$ 7,332,218	$14,664,436
< 30	25,619,076	16.33%	4,184,876	16.33%	4,184,876	8,369,752
31-60	10,916,046	40.03%	4,369,420	40.03%	4,369,420	8,738,840
61-90	6,987,995	54.05%	3,777,186	54.05%	3,777,186	7,554,372
91-120	2,613,926	65.33%	1,707,743	65.33%	1,707,743	3,415,486
121-150	1,300,935	70.42%	916,086	70.42%	916,086	1,832,172
151-180	600,688	74.08%	444,981	74.08%	444,981	889,962
> 180	61,165,179	100.00%	61,165,179	44.73%	27,357,738	88,522,917
Total	$748,177,118		$83,897,689		$50,090,248	$133,987,937

The evaluation of default of the Contingent portfolio, based on the allowance for loan losses as of December 31, 2022 and 2021, is as follows:

Impairment	Contingent portfolio	2022 Expected Credit Loss	% of Expected Credit Loss
Not impaired	$ 197,935,813	$ 2,629,123	1.33%
Impaired	8,880,940	8,880,940	100.00%
Additional expected credit losses	-	11,510,062	
Total	$ 206,816,753	$ 23,020,125	11.13%

Impairment	Contingent portfolio	2021 Expected Credit Loss	% of Expected Credit Loss
Not impaired	$ 687,011,948	$ 22,732,510	3.31%
Impaired	61,165,179	61,165,179	100.00%
Additional expected credit losses	-	50,090,248	
Total	$ 748,177,127	$ 133,987,937	17.91%

NOTE 10. OTHER RECEIVABLES

As of December 31, 2022 and 2021, other receivables are shown below:

	2022	2021
Other receivables	$ 1,737,063	$ 2,197,272
Value Added Tax (VAT) creditable	883,877	2,869,156
Total	$ 2,620,940	$ 5,066,428

NOTE 11. FURNITURE AND EQUIPMENT, NET

As of December 31, 2022 and 2021, furniture and Equipment, net are shown below:

	2022	2021
Original amount of the investment:		
Furniture and equipment	$ 6,213,963	$ 6,225,362
Transportation equipment	7,714,528	6,570,854
Computer equipment	7,630,023	7,674,752
Telephony equipment	52,900	257,863
	21,611,414	20,728,831
Accumulated depreciation:		
Furniture and equipment	(3,058,316)	(2,595,553)
Transportation equipment	(2,965,985)	(3,078,633)
Computer equipment	(6,446,489)	(5,913,048)
Telephony equipment	(52,896)	(41,314)
	(12,523,686)	(11,628,548)
Net	$ 9,087,728	$ 9,100,283

Depreciation expensed as of December 31, 2022 and 2021 amounted to $3,130,264 and $3,227,844, respectively.

NOTE 12. LEASED ASSETS

As of December 31, 2022 and 2021, 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:

	2022	2021
Investment:		
Opening recognition as of January 1	$ 12,960,429	$ 14,797,146
Contracts entered into / Capitalized costs	3,471,986	-
Remeasurement of the leased assets liability	-	(1,836,717)
Balances as of December 31	$ 16,432,415	$ 12,960,429
Accumulated depreciation:		
Opening balances	$ (5,554,470)	$ (1,258,217)
Depreciation for the year	(6,133,110)	(4,296,253)
Balances as of December 31	$ (11,687,580)	$ (5,554,470)
Net balances as of December 31	$ 4,744,835	$ 7,405,959

NOTE 13. DEFERRED TAX ON EARNINGS

The Entity is subject to Income Tax in accordance with the Income Tax Law. The rate for 2022 and 2021 was 30% and it will continue to be 30% in subsequent years.

Taxes on earnings are summarized as follows:

	2022	2021
Income Tax:		
Due	$ (43,144,864)	$ (25,195,288)
Deferred	(16,610,463)	12,292,228
Total	$ (59,755,327)	$ (12,903,060)

a) As of December 31, 2022 and 2021, deferred tax on earnings is summarized as shown below:

	2022	2021
Deferred income tax asset:		
Provisions	$ 36,727,740	$ 67,945,860
Furniture and equipment	-	3,047,050
Allowance for loan losses	18,167,461	8,335,661
Prepaid expenses	(700,098)	(8,523,005)
Total deferred tax asset	$ 54,195,103	$ 70,805,566

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:

	2022		2021	
	Amount	Rate	Amount	Rate
Statutory rate	$ 48,001,649	30.0%	$ 18,352,214	30.0%
Add (less)				
Effects of permanent differences, mainly nondeductible expenses	3,668,865	2.3%	61,225	0.1%
Amortization intangible assets	17,796,961	11.1%	-	-
Impact of inflation	(9,712,148)	(6.1%)	(5,510,379)	(9.0%)
Effective rate	$ 59,755,327	37.3%	$ 12,903,060	21.1%

NOTE 14. OTHER ASSETS, NET

As of December 31, 2022 and 2021, other assets are summarized as follows:

	2022	2021
Intangible assets (agreements and patents)	$ 829,573,719	$ 829,573,719
Prepaid expenses and security deposits	3,009,080	8,288,552
Software licenses	3,753,760	4,218,085
	836,336,559	842,080,356
Accumulated amortization		
Intangible assets	(729,927,551)	(532,957,697)
Expenses and licenses	(2,796,706)	(1,113,254)
	(732,724,257)	(534,070,951)
Net	$ 103,612,302	$ 308,009,405

NOTE 15. BANK LOANS

In April 2022, the Entity formalized a cooperation agreement to obtain initial funding amounting to 6 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.

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

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

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

As of December 31, 2022 and 2021, bank loans are summarized as follows:

	2022	2021
Short-term-		
SHF	$ 145,151,842	$ 14,965,376
Mintos	1,250,954	-
	$ 146,402,796	$ 14,965,376
Long-term		
SHF	$ 45,901,706	$ 107,345,695
Mintos	41,051,404	-
Consubanco	200,000,000	-
Indigo	152,000,000	-
	$ 438,953,110	$ 107,345,695
Total	$ 585,355,906	$ 122,311,071

NOTE 16. RELATED PARTY BALANCES AND TRANSACTIONS

As of December 31, 2022 and 2021, the Entity has the following balances due from and due to its related party, which is presented in the caption of “Due to related parties”, as follows:

	2022	2021
Short-term-		
Accounts receivable:		
Reimbursed marketing expenses	$ (14,000,000)	$ (464,566)
Funding of credits not yet received	-	(2,170,295)
Other receivables	(4,152,817)	(1,460,596)
	(18,152,817)	(4,095,457)
Accounts payable:		
Unpublished collections	30,272,789	152,604,101
Outstanding refinancing	3,890,155	10,918,780
Outstanding losses	3,704,220	25,255,790

	2022	2021
Lines of credit	-	16,714,120
Unappropriated early liquidations	2,532,399	7,884,142
	40,399,563	213,376,933
Total	$ 22,246,746	$ 209,281,476

The Entity has carried out the following transactions with its related party Credito Real as of December 31:

	2022	2021
Loan portfolio management revenues	$ 225,867,471	$ 404,024,493
Revenue refund on losses	(6,042,384)	(12,453,827)
	$ 219,825,087	$ 391,570,666
Interest expenses	$ (778,739)	$ (7,705,148)
Courier service	$ 305,455	$ 721,958

NOTE 17. 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 2022 for the obligations arising from seniority premiums and legal indemnifications for dismissal and from obligations assumed amounted to $291,512 and $3,121,723, respectively, for a total amount of $3,413,235, whereas it amounted to $452,302 and $4,962,927, respectively, for a total amount of $5,415,229 in 2021.

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.

As of December 31, 2022 and 2021, actuarial losses and/or gains, also referred to as unamortized remeasurements, amount to (3,459,374) and ($833,219), 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, 2022 and 2021, 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:

	2022	2021
Defined benefits obligation -		
Liability at beginning of period	$ 10,661,239	$ 7,917,011
Net cost for the period	3,413,235	5,415,229
Recycling of Remeasurements	118,380	(528,224)
Immediate recognitions	62,774	-

	2022	2021
Remeasurements	(3,459,374)	(833,219)
Payment of benefits	(926,873)	(1,309,558)
Projected net liability	$ 9,869,381	$ 10,661,239
Provision for employee benefits	$ 9,869,381	$ 10,661,239

The net cost for the period is summarized as follows:

Cost of the service for the year	$ 2,931,395	$ 4,524,553
Financial cost	662,993	362,452
Recycling of remeasurements /	(181,153)	528,224
Net cost for the period	$ 3,413,235	$ 5,415,229

The financial and economical hypotheses used were:

Discount rate	9.70%	7.50%
Long-term inflation rate	4.50%	4.40%
Rate of wage increase	5.00%	5.00%

NOTE 18. STOCKHOLDERS' EQUITY

As of December 31, 2022 and 2021, capital stock is comprised of registered common shares with no par value shown. Series "A" Class I shares represent fixed capital stock, and they may be acquired only by Mexicans. Series "A" Class II shares represent part of variable capital stock, and they may be acquired only by Mexicans. Series "C" Class II shares represent the other part capital stock, and the may be subscribed for freely. Variable capital is unlimited.

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 $140,768,757, 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. Pursuant to the foregoing, Capital Stock of the Entity amounts to $159,435,518, which is presented and summarized as follows:

	Number of shares		Amount
Fixed capital:			
Series A Class I	1,400	3.1%	$ 4,100,000
Variable capital:			
Series A Class II	21,558	47.9%	77,212,114
Series C Class II	22,057	49.0%	78,123,404
Total	45,015		$ 159,435,518

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 $28,153,751 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 $20,117,234 to the Prior Year Income (Loss) account.

As of December 31, 2022 and 2021, the Legal Reserve amounts to $31,887,103 and $3,733,352, respectively.

In a Unanimous Resolution adopted outside of the General Shareholders' Meeting held on August 9, 2021, the shareholders resolved to declare and pay dividends in the amount of $63,032,711, charged to "Prior Year Income (Loss)", corresponding to the fiscal year ended December 31, 2018.

The distribution of stockholders' equity on the dividend charged to the entity at the currently enacted rate, except for the restated amounts of contributed capital stock and tax retained earnings, will be subject to Income Tax. 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.

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:

	2022 unaudited	2021 unaudited
Net taxable income account (CUFIN)	$ 392,646,910	$ 271,431,082
Restated paid-in capital account (CUCA)	$ 503,743,352	$ 467,251,045

NOTE 19. MEMORANDUM ACCOUNTS

As of December 31, 2022 and 2021, memorandum accounts are summarized as follows:

	2022	2021
Contingent loan portfolio (a)	$ 206,816,753	$ 748,177,118
Loan Portfolio Management:		
Crédito Real (b)	1,062,684,545	3,640,718,629
Other financial intermediary (c)	1,627,148	1,738,592
Other memorandum accounts (d)	1,266,307,268	380,260,654
Total	$2,537,435,714	$4,770,894,993

(a) This caption corresponds to the contingent amount on which the Entity is jointly and severally bound with debtors to be liable for factoring with Credito Real, which corresponds 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, loan portfolio management, which was assigned to Credito Real through financial factoring operations, with a term to maturity of 6 to 60 months. In accordance with the factoring framework agreement entered into with Credito Real, bonuses are paid for portfolio placement and collection management.

(c) It corresponds to the unpaid balances of capital, plus unaccrued interest and taxes, the remaining loan portfolio in administration from a line of funding that the Entity had with that intermediary.

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

As of December 31, 2022 and 2021, the loan portfolio in management of Credito Real is summarized as follows:

	2022	2021
Unpaid capital	$ 413,633,507	$1,496,354,234
Uncollected accrued interest	559,526,757	1,848,709,610
Uncollected Value Added Tax	89,524,281	295,654,785
Total	$1,062,684,545	$3,640,718,629

NOTE 20. 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, 2022, 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	$ (146,402,796)	$ (438,953,110)	$ (585,355,906)
Due to related parties	(22,246,746)	-	(22,246,746)
Taxes on earnings payable, net	(16,231,249)	-	(16,231,249)
Employee profit sharing payable	(6,639,595)	-	(6,639,595)
Other liabilities and other payables	(188,760,193)	(10,322,463)	(199,082,656)
Total liabilities	$ (380,280,579)	$ (449,275,573)	$ (829,556,152)
Cash and cash equivalents	$ 30,012,431	-	$ 30,012,431
Investments in securities	322,355,395	-	322,355,395
Derivative financial instruments	175,260	-	175,260
Loan portfolio, net	323,178,381	621,434,306	944,612,687
Other receivables	2,580,940	40,000	2,620,940
Total assets	$ 678,302,407	$ 621,474,306	$1,299,776,713
Assets less liabilities	$ 298,021,828	$ 172,198,733	$ 470,220,561

NOTE 21. CONTINGENCIES

As of December 31, 2022 and 2021, 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 22. SUBSEQUENT EVENTS

- On February 13, 2023, the Board of Directors was informed that the offer to buy 11,704 shares, which represented 26% of the Capital stock of the Entity, received by Credito Real and authorized by that Board at its meeting held on November 30, 2022, was not formalized. Moreover, it was informed at a later date that Credito Real and the acquiring shareholders, it was agreed that the transfer of shares would be for the total shares held by Credito Real, that is, for 22,057 Class II, Series C shares, which represented 49% of the Capital of the Entity. That transfer was authorized by the Board of Directors.

- On February 15, 2023, the purchase and sale agreement of the 22,057 Class II, Series C shares, which represented 49% of the Capital of the Entity, between Credito Real and the acquiring shareholders was formalized, agreeing upon the liquidation thereof within the subsequent 30 calendar days, with which the bargain and sale would be perfected, and the certificates that represent the shares sold would be delivered physically, duly endorsed in benefit of the buying shareholders.

- On February 28, 2023, once the shares were settled and delivered duly endorsed, the share certificates that Credito Real had were cancelled, new certificates were issued to the buying shareholders and the corresponding entries were made in the corporate books of the Entity, thereby terminating the financial relationship with Credito Real.

NOTE 23. NEW ACCOUNTING PRONOUNCEMENTS

As of December 31, 2022, the CINIF has issued the following standards:

Mexican Financial Reporting Standards (MX FRS)

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

MX FRS B-14 Earnings per basic share - This does 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 is modified to clarify the determination of the EPS. Detailed explanations are made related to preferred dividends. Clarifications are made to identify the effects of potential common shares better in the determination of EPS, and it defines in detail that the shares that will 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 was 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 in order to assure that it continues to be functional. The main changes are:

a) MX FRS A-1 to MX FRS A-8 are eliminated.
b) MX FRS A-1 is distributed in chapters from 10 to 90.
c) The reference to “Technical Reports” is 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 is 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 are 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 generate accounting changes

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

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 in order 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.

Improvements to MX FRS that do not generate accounting changes

Moreover, improvements to 2023 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 B-10 Impact of Inflation – The reference made to 8% of the annual inflation average was eliminated.

MX FRS C-2 Investment in financial instruments – An introductory paragraph is added to point out the difference existing between MX FRS C-2 Investment in trading financial instruments and International Financial Reporting Standard ("IFRS") 9, Financial instruments, concerning the initial valuation of an investment in financial instruments, whose fair value is significantly distinct from the price of the consideration and that fair value is not based on observable data.

MX FRS C-3 Accounts Receivable – The term “commercial” was eliminated from accounts receivable and it was added to the scope that this MX FRS also applies to other receivables.

MX FRS C-4 Inventories - Various detailed explanations were made to clarify diverse regulatory concepts in MX FRS.

MX FRS D-6 Capitalization of the comprehensive gain or loss on financing - An introductory paragraph is added to point out the difference existing between MX FRS D-6 “Capitalization of the comprehensive gain or loss on financing” and International Accounting Standard (“IAS”) 23 “Borrowing costs”.

MX FRS A-1 Conceptual framework of Mexican Financial Reporting Standards – Various changes were made to specific MX FRS and the MX FRS glossary, derived from the new conceptual framework that will become effective on January 1, 2023

As of the issue date of these financial statements, the Company is in the process of determining the effects of these new MX FRS and improvements to MX FRS in its accounting information.

NOTE 24. 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 30, 2023. 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.

* * * * * *