Salles Sainz
Grant Thornton

Financial statements and Independent auditor's report

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

December 31, 2023 and 2022

Contents

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Independent auditor's report

To the General Stockholders' Meeting of

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

Opinion

We have audited the financial statements of Dinerito Audaz, S. A. P. I. de C. V. Sociedad Financiera de Objeto Múltiple, Entidad No Regulada (the Company), which comprise the statement of financial position as of December 31, 2023, and 2022, and the statements of profit or loss, changes in stockholders' equity, and of cash flows for the years then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Dinerito Audaz, S. A. P. I. de C. V. Sociedad Financiera de Objeto Múltiple, Entidad No Regulada as of December 31, 2023, and 2022 and of its results and its cash flows for the years then ended, in conformity with Mexican Financial Reporting Standards (MX FRS).

Basis for opinion

We conducted our audits in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of our report, and the following 'Exhibit'. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), together with the ethical requirements that are relevant to our audits of the financial statements in Mexico in accordance with the Instituto Mexicano de Contadores Públicos A.C.'s Code of Professional Ethics (IMCP Code) and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA and IMCP Codes. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the financial statements

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

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

Auditor’s Responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of Dinerito Audaz, S. A. P. I. de C. V. Sociedad Financiera de Objeto Múltiple, Entidad No Regulada, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements

SALLES, SAINZ - GRANT THORNTON, S.C.

Julian Abad

C.P.C. Julián A. Abad Riera

Mexico City, Mexico
March 26, 2024

Exhibit to the Independent Auditor's Report

Additional description of our responsibilities for the audit of the financial statements
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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

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

Statements of financial position
As of December 31, 2023 and 2022
(Amounts stated in Pesos)

	Note	2023	2022
ASSETS			
Availabe funds	5	**$ 58,813,244**	$ 30,229,737
Loan Portfolio:	6		
Credit Portfolio with Credit Risk Stage 1			
Consumer loans		**513,618,309**	444,275,618
Credit Portfolio with Credit Risk Stage 2			
Consumer loans		**10,815,536**	9,911,732
Credit Portfolio with Credit Risk Stage 3			
Consumer loans		**31,612,775**	19,878,316
Total loan portfolio		**556,046,620**	474,065,666
Less:			
Allowance for expected credit losses		**(12,031,364)**	(13,173,837)
Total loan portfolio, net		**544,015,256**	460,891,829
Other receivables		**2,997,813**	1,329,910
Recoverable taxes		**3,003,786**	467,724
Furniture, equipment and leasehold improvements, net	7	**974,852**	1,056,037
Right-of-use assets, net	8	**17,107,765**	12,204,235
Other assets		**164,927**	159,328
Total assets		**$ 627,077,643**	$ 506,338,800
LIABILITIES AND STOCKHOLDERS' EQUITY			
Loans and notes payable:	9		
Short-term		**$ 56,166,906**	$ 85,337,621
Long-term		**351,674,018**	208,146,445
		407,840,924	293,484,066
Sundry creditors	9	**11,363,858**	14,556,330
Related parties	14	**18,240,167**	23,338,980
Derivative financial instruments	9	**2,160,809**	5,333,615
Taxes payable		**4,935,761**	4,671,032
Lease liabilities	8	**17,719,587**	12,641,924
Employee benefits	12	**1,498,736**	1,159,143
Total liabilities		**463,759,842**	355,185,090
STOCKHOLDERS' EQUITY	10		
Capital stock		**89,690,000**	89,690,000
Convertible financial instruments		**61,050,000**	54,300,000
Legal reserve		**1,217,042**	758,329
Retained earnings		**11,360,759**	6,405,381
Total stockholders' equity		**163,317,801**	151,153,710
Total liabilities and stockholders' equity		**$ 627,077,643**	$ 506,338,800
		-	-

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

Statements of profit or loss

For the years ended December 31, 2023 and 2022

(Amounts stated in Pesos)

	Note	2023	2022
Interest revenue	15	**$ 180,154,496**	$ 139,610,380
Interest expense		**(69,602,476)**	(44,810,100)
Exchange rate changes, net		**11,567,261**	3,586,398
Fees paid		**(22,557,230)**	(22,662,583)
		(80,592,445)	(63,886,285)
Net interest income		**99,562,051**	75,724,095
Allowance for credit losses on loans		**(15,276,625)**	(11,394,883)
Net interest income adjusted for credit losses		**84,285,426**	64,329,212
Administrative expenses	16	**(72,480,288)**	(58,515,540)
Other income, net		**2,778,838**	3,360,574
Net profit for the year		**$ 14,583,976**	$ 9,174,246

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

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

Statements of changes in stockholders’ equity

For the years ended December 31, 2023 and 2022
(Amounts stated in Pesos)

	Capital stock	Convertibe financial instruments	Legal reserve	Accumulated losses	Total stockholders' equity
Balances as of December 31, 2021	$ 89,690,000	$ -	$ 252,367	$ (1,778,736)	$ 88,163,631
Increase of legal reserve	-	-	505,962	(505,962)	-
Convertible financial instruemnts	-	54,300,000	-	-	54,300,000
Interests on convertible financial instruments	-	-	-	(484,167)	(484,167)
Net profit for the year	-	-	-	9,174,246	9,174,246
Balances as of December 31, 2022	89,690,000	54,300,000	758,329	6,405,381	151,153,710
Increase of legal reserve	**-**	**-**	**458,713**	**(458,713)**	**-**
Convertible financial instruments	**-**	**6,750,000**	**-**	**-**	**6,750,000**
Interest on convertibe financial instruments	**-**	**-**	**-**	**(9,169,885)**	**(9,169,885)**
Net profit for the year	**-**	**-**	**-**	**14,583,976**	**14,583,976**
Balances as of December 31, 2023	**$ 89,690,000**	**$ 61,050,000**	**$ 1,217,042**	**$ 11,360,759**	**$ 163,317,801**

Statements of cash flows

For the years ended December 31, 2023 and 2022

(Amounts stated in Pesos)

	2023	2022
OPERATING ACTIVITIES:		
Net profit for the year	**$ 14,583,976**	$ 9,174,246
Items related with financing activities:		
Accrued interest expense	**1,114,795**	803,689
Items related to investment activities:		
Depreciation and amortization	**5,871,707**	5,796,399
	21,570,478	15,774,334
Loan portfolio, net	**(83,123,427)**	(100,970,936)
Other receivables	**(4,203,965)**	(64,759)
Other assets	**(5,599)**	(34,770)
Loans and notes payable	**109,258,045**	15,314,875
Sundry creditors and accrued liabilities	**(2,588,153)**	13,469,142
Net cash flows from operating activities	**40,907,379**	(56,512,114)
INVESTING ACTIVITIES:		
Acquisitions of furniture, equipment and leasehold improvements	**(323,788)**	(5,852,956)
Derivative financial instruments	**(3,172,806)**	5,431,882
Net cash flows from investing activities	**(3,496,594)**	(421,074)
FINANCING ACTIVITIES:		
Convertible financial instruments	**6,750,000**	54,300,000
Interest paid	**(1,114,795)**	(803,689)
Interest paid from convertible financial instruments	**(9,169,885)**	(484,167)
Lease payments	**(5,292,598)**	84,320
Net cash flows from financing activities	**(8,827,278)**	53,096,464
Net increase (decrease) in available funds	**28,583,507**	(3,836,724)
Available funds at beginning of year	**30,229,737**	34,066,461
Available funds at end of year	**$ 58,813,244**	$ 30,229,737

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

Notes to the financial statements

December 31, 2023 and 2022

(Amounts stated in Pesos)

1 NATURE OF OPERATIONS AND MAIN BUSINESS

Dinerito Audaz, S.A.P.I. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada (the Company), has as its main activity is the regular and professional execution of payroll credit operations for individuals primarily employed by government entities, leasing activities and financial factoring, carrying out its operations mainly in Mexico City.

The Company is a Variable Capital Investment Promotion Corporation incorporated under Mexican Laws.

Its registered office and main place of business is at Constituyentes 349 floors 3 and 4 Colonia Daniel Garza, Miguel Hidalgo, C.P. 11830, Mexico City, Mexico.

Labor reform on vacations

On December 27, 2022, the Decree amending articles 76 and 78 of the Federal Labor Law regarding vacations was published in the Official Gazette of the Federation, which entered into force on January 1, 2023. The main change derived from this reform is to extend the periods of vacation for workers by increasing the minimum period by 6 additional days and adjust the mechanics of subsequent annual increases in days granted.

The aforementioned reform did not have an effect on the Company's financial position or results.

2 APPROVAL AND BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in accordance with Mexican Financial Reporting Standards (MX FRS), issued by the Consejo Mexicano de Normas de Información Financiera, A.C. (CINIF, for its acronym in Spanish). They have been prepared under the assumption that the Company operates on a going concern basis.

The accompanying financial statements were authorized to be issued by Mr. Paul Bustos Gamboa, Chief Executive Officer and Ms. Maria Elena Marin Ramirez Finance and Accounting Director on March 26, 2024. Consequently, they do not reflect events that occurred subsequent to that date.

The General Corporate Law and the Company’s bylaws grant powers to the stockholders to change the financial statements after they are issued. The accompanying financial statements will be submitted for approval at the next Annual Ordinary Stockholders’ Meeting.

3 CHANGES IN ACCOUNTING POLICIES

a) New standards applicable beginning January 1, 2023

Various new standards, interpretations, and amendments to existing standards became effective on January 1, 2023, which had no effect on the financial position nor the performance of the Company.

b) Standards, amendments, and interpretations of existing standards that are not effective and that have not been adopted early by the Company.

As of the date of authorization of these financial statements, several new standards and amendments to existing standards have been published by the CINIF, which are effective for periods commencing on January 1, 2024. These are not applicable or are not expected to have a material effect on the Company's financial position or results.

NIF’s Improvements 2024

The CINIF issued the ‘NIF’s Improvements 2024’, which will become effective for periods beginning January 1, 2024, its early application is permitted. Those improvements are estimated not to have a significant effect on the financial statements of the Company.

4 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting principles used in the preparation of these financial statements are summarized below:

a. Functional and presentation currency

The financial statements are presented in the “peso” currency, which is also the functional currency of the Company.

The functional currency is the one in which the Company primarily generates and uses its cash flows corresponding to its sales, costs and expenses, as well as the currency in which the Company borrows funds.

Foreign currency balances and transactions

Foreign currency transactions are translated into the functional currency by using the prevailing exchange rates as of the dates of the transactions (spot exchange rate). Exchange gains and losses arising from the settlement of those transactions and the valuation of monetary items at the year-end exchange rate are recognized in profit or loss.

b. Impact of inflation

The financial statements as of December 31, 2023 and 2022, are prepared under historical cost basis. Pursuant to NIF B-10, beginning 2008, the recognition of the effects of inflation was suspended in view that the Company’s operation takes place in a non-inflationary economic environment. Accumulated inflation for the three years prior to the date of the financial statements is less than 26%.

Annual inflation in 2022, 2021 and 2020 was 7.82%, 7.36% and 3.15%, respectively; therefore, accumulated inflation for the prior three-year period was 19.39%.

c. Statements of profit or loss

The statements of profit or loss are presented in a single statement, show costs and expenses based on their function. As a financial services company, it considers that presenting information this way is clearer. The Company did not generate other comprehensive income items in the years presented; therefore, profit or loss for the period and comprehensive income are the same. In addition, the caption of other income is included as it is deemed appropriate to present therein the amounts from activities unrelated to the Company´s main operation.

d. Statements of Financial Position

Because the Company is engaged in providing financing to third parties, it presents its financial position statements in order of availability and demand ability, instead oof a short-term and long-term presentation, as it considers this presentation more appropriate for proper interpretation.

e. Statements of cash flows

The cash flows statements have been prepared using the indirect method, which consists of presenting profit or loss before taxes first, followed by changes in working capital, investing activities, and finally financing activities.

f. Available funds

Available funds are comprised of cash on hand and bank deposits in checking and investment accounts and highly liquid sight investments that are easily convertible into cash, and subject to an immaterial risk of changes in value. As of December 31, 2023 and 2022, interest accrued in bank and investment accounts is included in profit or loss for the year in the caption of "interest income".

Gains or losses due to exchange effects are included in profit or loss for the year in the caption of "interest income" or "interest expense", as appropriate.

g. Financial instruments

Recognition and derecognition of financial instruments

Financial assets and liabilities are recognized when the Company becomes a patty to the contractual provisions of the financial instrument. Financial assets and liabilities represent contractual rights and obligations, respectively, in connection with monetary economic resources.

Financial assets are derecognized when the contractual rights on the cash flows from the financial asset expire, or when the asset and substantially all its risks and benefits are transferred. A financial liability is derecognized when it is settled, extinguished, canceled or expires.

Classification and initial measurement of financial assets

The classification is determined by the Company's business model for managing the financial asset, as well as the contractual cash flow characteristics of the financial asset. Financial assets are classified in the following categories:

- Available funds
- Loan portfolio.

Available funds, both at initial recognition and subsequent measurement, are valued at their fair value, which is their nominal value.

Other accounts receivable, which do not contain a significant financing component, are initially measured at the transaction price and subsequently at the transaction price pending collection. All revenues and expenses related to financial assets are recognized in profit or loss and they are presented in financial costs, financial revenues or other financial items, except for the impairment of the loan portfolio which is presented in other expenses.

Subsequent measurement of financial assets

<u>Financial instruments for collecting principal and interest (IFCPI for its acronym in Spanish)</u>

Other receivables that do not have a financing component are subsequently measured at the transaction price pending collection.

The loan portfolio is measured at amortized cost if the assets meet the following conditions and were not designated at initial recognition at fair value through profit or loss (FVTPL):

- they are held within a business model whose objective is to hold financial assets and collect their contractual cash flows; and

- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the outstanding principal balance.

The measurement at amortized cost is performed using the effective interest rate. Discounting is omitted when the effect is immaterial. The Company's available funds (o cash and cash equivalents), as well as the loan portfolio that includes a significant financing component, are classified in this category and measured at amortized cost. Amortized cost includes increases for accrued effective interest, decreases for the amortization of transaction costs, and decreases for principal and interest collections.

Impairment of financial assets

Loan portfolio –

The Company presents the impairment existing on the loan portfolio, as follows:

This corresponds to outstanding balances of loans and interest, classified as past due according to the criteria discussed below:

Loans with principal and interest amortization agreed upon in partial periodic payments that have not been collected and that meet 150 or more days past due from the first defaults are classified as stage 2. Once the loans are considered past due, the accumulation of interest is suspended.

Upon reaching 360 days or more past due from the first default, the Company reserves 100% of this type of loans; stage 3 portfolio is applied directly against the allowance for credit losses.

The recovery of the previously written-off loans is recognized directly in the profit or loss for the year under the heading "Other income, net".

Accrued but uncollected interest, considered as past due, is fully reserved in full.

Allowance for credit losses

In accordance with the 'Expected Credit Loss (ECL) model', the assessment of impairment of financial assets uses more forward-looking information to recognize expected credit losses. This replaces the 'incurred loss model' that previously existed. Instruments within the scope of the new requirements include accounts receivable from customers, in accordance with MX FRS D-1, measured at amortized cost.

Recognition of credit losses is no longer dependent on the Company identifying a credit loss event. Instead, the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, as well as reasonable and supported forecasts that affect the expected recvery of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or have low credit risk ('Stage 1');

- financial instruments that have significantly deteriorated in credit quality since initial recognition and whose credit risk is not low ('Stage 2'); and

- financial instruments that have objective evidence of impairment at the reporting date ('Stage 3').

The ‘12-month expected credit losses’ are recognized for Stage 1 while ‘lifetime expected credit losses’ are recognized for the Stages 2 and 3.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Probability of Default

The Probability of Default measures the probability that a financial instrument will default over a specific period of time. To align with MX FRS C-16, the PD must consider the lifetime of the asset, including possible forward-looking impairment events.

Thus, modeling lifetime PDs is a fundamental part of calculating ECL, which can be extended to a lifetime horizon, in accordance with the requirements of MX FRS C-16.

Loss Given Default

The Loss Given Default is an estimate of the amount expected to be lost if the financial instrument defaults. Like PD, LGD must be calculated for the lifetime of the instrument and not just for the first 12 months. To determine the value of the LGD, the following must be considered:

- The recovery flows must not be affected by operational costs and expenses because these are reflected in the statement of profit or loss.
- The recovery flows must be discounted by using the effective rate of the instrument.

Exposure at Default

Exposure at Default represents the carrying value at the time of observation of the portfolio, taking into account future flows of the financial instruments, as well as additional drawdowns of lines of credit.

To determine the lifetime EaD, exposure in each one of the future periods of the financial instrument must be considered, which must be discounted through an effective interest rate or the original effective interest rate of the credit.

Measurement of Expected Credit Losses

Expected credit losses are the probability-weighted average of credit losses and are measured as the present value of cash shortfalls (i.e., the difference between the cash flow owed to the Company according to the contract and the cash flows it expects to receive).

Expected credit losses are discounted using the effective interest rate.

In accordance with the 'Expected Credit Loss (ECL) Model', the assessment of impairment of financial assets uses forward-looking information to recognize expected credit losses. This replaces the 'incurred loss model' that previously existed. Instruments within the scope of the new requirements include credit rights measured at amortized cost.

Recognition of credit losses no longer depends on the Company identifying a credit loss event first. Instead, the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, as well as reasonable and supported forecasts that affect the expected recovery of future cash flows from the instrument.

The approach used for calculating the allowance for credit losses regarding to the collection rights contributed to the Trust was the calculation of three parameters: PD (probability of default), LGD (loss given default) and EaD (exposure at default).

Classification and measurement of financial liabilities

The Company's financial liabilities, include loans and notes payable, related parties, and sundry creditors, which are initially measured at fair value and, where applicable, adjusted for transaction costs.

Loans are initially recognized at the transaction price, and transaction costs, as well as other prepaid items, such as commissions and interest, are added or subtracted.

Subsequently, financial liabilities are measured at amortized cost using the effective interest method.

Derivative financial instruments and hedge accounting

Derivative financial instruments entered into for the purpose of hedging against adverse movements in fair value, cash flows, or in a net investment in a foreign operation.

The Company´s hedging relationships have been designated for cash flow hedge accounting. To qualify for hedge accounting, the hedging relationship must meet all of the following requirements:

- there is an economic relationship between the hedged item and the hedging instrument.
- the effect of credit risk does not dominate the value changes resulting from such economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the amount of the hedged item that the Company actually hedges and the amount of the hedging instrument the Company actually uses to hedge such amount of the hedged item.

The Company has designated certain forward contracts as hedging instruments in cash flow hedge relationships. These contracts have been entered into to mitigate foreign currency exchange risk related to certain highly probable sales transactions denominated in foreign currency.

All derivative financial instruments that the Company has designated and that qualify for hedge accounting are initially recognized at fair value and subsequently measured at fair value in the statement of financial position.

To the extent that hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedging relationships are recognized in profit or loss. Any ineffectiveness in the hedging ratio is immediately recognized in earnings.

However, if a non-financial asset or liability is recognized as a result of the hedged transaction, the gains and losses previously recognized in other comprehensive income are included in the initial measurement of the hedged item.

h. Loan portfolio.

The balance of the loan portfolio shown in the statement of financial position is represented by financing effectively granted to borrowers, plus uncollected accrued interest. Credit is granted based on the analysis of the capacity of payment of borrowers, in conformity with the policies of the Company, based on the information furnished by the borrower, which are documented in the “Credit Manual”, approved by Management.

The Credit Committee is the primary responsible body for granting credit, once the documents that evidence it as such are authorized and signed.

The credits granted by the Company are mainly payroll loans to employees of entities of government sector entities (the entities), whose only guarantee of payment arises comes from the continued employment of the borrower, through payroll deductions made by the entities under the collaboration agreements signed by the Company.

The loan portfolio is valued at amortized cost and is initially recognized at its fair value, which corresponds to the transaction price, i.e., the net financed amount, resulting from adding or subtracting from the original loan amount the transaction costs, commissions, interest and other items collected in advance.

The balance in the loan portfolio is the amount actually granted to the borrower. Transaction costs are recognized as a deferred charge or credit, and once the loan is granted, they are amortized against income over the life of the loan, in accordance with the effective interest rate. The amount of deferred charges and credits that are part of the effective interest are presented as part of the loan portfolio.

i. Other receivables

They mainly represent, among other things, unsupported expenses of officers and taxes recoverable.

j. Furniture, equipment and leasehold improvements

Furniture, equipment, and leasehold improvements are recorded at acquisition cost.

Depreciation and amortization are calculated by using the straight-line method, based on the useful life estimated by Company Management. Annual depreciation and amortization rates of the main groups of assets are as shown below:

Furniture and office equipment	10%
Computer equipment	30%
Communication equipment	25%
Transportation equipment	25%
Leasehold improvements	5%

Leasehold improvements are amortized during the useful period of the improvement, which is mostly estimated at 10 years or the term of the contract, whichever is shorter.

In the case of right-of-use assets, the expected useful lives are determined by reference to other comparable own assets or the lease term, if the latter is shorter.

The estimated residual value and estimated useful life are updated as required, at least once a year.

Gains or losses arising from the disposal of property, plant and equipment are the result of the difference between the proceeds from the disposal and the carrying amount of the assets and are recognized in net profit or loss for the period.

Minor maintenance expenses are recognized directly in profit or loss as incurred.

k. Leases

The Company as a lessee

The Company enters into lease agreements mainly for its office space, computer equipment, and automobiles. The lease agreements for offices are normally negotiated for periods between 2 and 3 years, and some have renewal options. The lease periods of automobiles have 3-year lease periods, without any extension option. All leases are negotiated individually, and they have a wide variety of different terms and conditions, such as a purchase option.

The Company evaluates if it is a contract or if it contains a lease at the inception of the contract. A lease transfers the right to direct the use and obtain substantially all the economic benefits of an asset identified during a period of time in exchange for a consideration.

Measurement and recognition of leases as a lessee

On the inception date of the lease, the Company recognizes a right-of-use asset and a lease liability in the statement of financial position. The right-of-use asset is measured at cost, which consists of the initial measurement of the lease liability, initial direct costs incurred by the Company, variable payments based on an index or rate, amounts that are expected to be settled under a guarantee of residual value and payments arising from options with a reasonable certainty of being exercised.

The Company measures the lease liability at the present value of payments unpaid at that date, discounted by using the interest rate implicit in the lease agreement if that rate is easily determinable, the incremental borrowing rate of the Company or the risk free rate. Generally, the Company uses its incremental borrowing rate as a discount rate.

The Company depreciates right-of-use assets on a straight-line from the inception date of the lease up to the lesser of the end of the useful life of the right-to-use asset or the end of the lease term. The Company also evaluates the impairment of the value of the right-of-use asset when there are impairment indicators.

Lease payments included in the measurement of the lease liability are comprised of fixed payments (including in-substance fixed payments), variable payments based on an index or rate, amounts expected to be settled under a guarantee of residual value and payments arising from options with a reasonable certainty of being exercised.

Subsequent to the initial measurement, the liability will be reduced by lease payments made and it will be increased by interest. The financial cost is the amount that produces a constant interest rate on the remaining balance of the lease liability.

The lease liability is reassessed when there is a change in the lease payments, a change in the lease payments that arise from a change in the lease term or a change in the assessment of an option to purchase a leased asset. The revised lease payments are discounted using the Company's incremental borrowing rate on the date of the reassessment when the rate implicit in the lease cannot be readily determined. The amount of the remeasurement of the lease liability is reflected as an adjustment to the carrying amount of the right-of-use asset. The exception being when the carrying amount of the right-of-use asset has been reduced to zero then any excess is recognized in income.

Lease payments may also change when there is either a change in the amounts expected to be paid under residual value guarantees or when future payments change through an index or a rate used to determine those payments, including changes in market rental rates following a market rate review. Lease liability is remeasured only when the adjustment to lease payments takes effect and the revised contractual payments for the remainder of the lease term are discounted using the unchanged discount rate. Except for where the change in lease payments results from a change in floating interest rates, in which case the discount rate is amended to reflect the change in interest rates.

The Company presents right-of-use assets that do not meet the definition of investment property in “furniture, equipment and leasehold improvements” and lease liabilities in “Lease liabilities” in the statement of financial position.

The Company has elected to consider leases of printers as low value assets by using practical solutions. Instead of recognizing a right-of-use asset and a lease liability, the payments in relation to these assets are recognized as an expense in income on a straight-line basis over the lease term.

l. Employee benefits

The benefits for termination or post-employment in the Federal Labor Law in Mexico refer mainly to seniority premiums payable to employees that have completed fifteen or more years of service and indemnifications payable for voluntary or involuntary separation.

The Company recognizes the liability for employee benefits as follows:

Direct benefits such as salaries, overtime, and vacation among others, are recognized as they accrue at their nominal value and are classified in the short- or long-term whether these benefits are settled or not within the following twelve months.

Termination benefits paid to employees before their retirement for not having pre-existing conditions are recognized in income for the year at the time of the payment, or a liability is recorded as part of short or long-term obligations.

Post-employment benefits that include payments for seniority premiums and indemnifications with pre-existing conditions of a legal type or contractual are determined based on actuarial calculations for the years of service of personnel. The defined benefit obligation (DBO) is covered in the liability.

Gains or losses on the plan arising from increases or decreases in the DBO are recorded in the net profit or loss on the date on which they are generated.

m. Income tax and employee profit sharing, prepaid or deferred.

Provisions for income tax (ISR for its acronym in Spanish) and employee profit sharing (PTU for its acronym in Spanish) are recorded in profit or loss for the year they become payable. Also, a deferred tax related to these two items is included, arising from temporary differences resulting from comparing book and tax values of assets and liabilities, including the benefit of tax loss carryforwards and tax credits. A deferred tax asset is recorded only when there is a high likelihood that it can be recovered. Deferred taxes are determined using enacted tax rates that are estimated will be effective on the dates temporary items shall be reversed or realized. In relation to the foregoing, as of fiscal year 2021, for the purposes of deferred PTU, the Company evaluates whether the enacted rate will be lower than the incurred rate, by virtue of the limits established in current legislation for the payment of PTU, and if so, it determines the rate that it expects to accrue either through financial projections or based on the PTU rate incurred in the current fiscal year.

Current and deferred PTU is considered an ordinary expense associated to employee benefits.

n. Provisions, liabilities, and contingent assets

Provisions are recognized when current obligations arising from a past event will probably lead to an outflow of economic resources, and the amounts can be estimated reliably to a certain degree. The time or the amount of the outflow can still be uncertain. A present obligation arises from the presence of a legal or contractual commitment that that has arisen from past events, for example, legal disputes or onerous contracts.

Provisions are measured based on the estimated expense required to liquidate the current obligation based on the most reliable evidence available at the reporting date, including risks and uncertainties associated with the current obligation. When there is a group of similar obligations, the possibility that an outflow is required to settlement is measured overall as a single class of obligations. Provisions are discounted at their present value, in the cases in which the value in time of the money is material.

All provisions are reviewed on each date of the report, and they are adjusted to reflect the best current estimate.

In those cases, in which a possible outflow of economic resources is considered improbable or remote as a result of present obligations, a liability is not recognized unless it is presumed in the course of a business combination.

The potential inflow of economic benefits to the Company that does not yet meet the criteria to recognize an asset is considered a contingent asset.

o. Capital stock and other capital components.

Capital stock represents the par value of shares that have been issued (see Note 10).

Retained earnings include profit or loss for the year and prior periods.

Convertible financial instruments, represent the amount subscribed between individuals and the Company on the "Perpetual Subordinated Financial Instrument" contract (see Note 10).

Financial Instruments Characteristics of both Liability and Equity - Financial instruments that include elements of equity, liabilities or both are classified by the Company, considering the economic substance of the transaction rather than its legal nature.

When financial instruments issued by the Company have components of both liabilities and equity, the Company recognizes each component separately on initial recognition.

For these purposes, the initial carrying amount of the compound financial instrument is allocated to its liability and equity components, the equity component, is assigned the residual amount after deducting from the fair value of the consideration received the fair value determined for the liability component.

When the financial instrument has an option to be converted into equity for a fixed number of shares, it has two components: a liability for the amounts of principal and interest that the entity contractually has to pay to the holder of the instrument at the specified term and one of equity, represented by the value of the mandatory conversion of such financial instrument into a fixed number of shares on a certain date. In these cases, the financial instrument should not provide for its redemption before its conversion date, by delivering cash or other financial instrument.

The Company determines the fair value of the liability assumed by discounting the cash flows that must be paid in the future to its present value, at the discount rate that would correspond to the issuance of a debt instrument without the equity component. The rate is the one that reflects the time value of money under prevailing market conditions in which a similar financial instrument operates, which is only debt, considering the entity’s own risk.

When the conversion of the financial instrument is mandatory, the issuer determines the value of each of the components, from its initial recognition and valuation, as follows:

First determine the liability component, based on the fair value of a similar instrument (bond or debenture) that does not have an associated equity component. For this, it must be based on the amount of future contractual payments established by the instrument, such as the interest to be paid and any amount to be settled before its conversion. The corresponding amount must be discounted to its present value at a market rate and represents the liability part of the amount received when issuing the financial instrument; and

Determine the value of the equity component, which will be converted into shares, based on the residual value of the instrument, after subtracting the amount of the liability component from the fair value of the consideration received when issuing the compound financial instrument, which coincides with the residual nature of stockholders' equity.

The interest rate for discounting the liability component of a compound financial instrument must be determined based on observable market rates for financial instruments that do not have an associated equity component, such as: credit risk, term and other conditions; or in cases where there are no observable market rates for similar financial instruments, the average weighted interest rate of the entity's financial liabilities must be used.

For a financial instrument to be considered as equity, the holder must be exposed to the risks and be entitled to the returns of the entity's operation. for which the instrument must not stipulate a redemption amount at a fixed date, either at the discretion of the holder or the issuer of the instrument; and the payment or reimbursement of the instrument must be subordinated to the payment of all of the Company’s obligations.

To make this a determination, the Company's Management evaluates that the financial instrument does not include a contractual obligation to deliver cash or another financial instrument to the holder, or to exchange a financial asset for another with a lower value, or a financial liability for another with a higher value; and that the financial instrument issued is settled with the Company’s own equity financial instruments.

Recognition of interest revenue

Interest in the performing portfolio when earned is recognized in profit or loss for the year.

The accumulation of accrued interest on credit operations is suspended at the moment that the unpaid balance of the loan is considered to be at credit risk stage 3.

For those loans that contractually capitalize interest to the outstanding balance, the accumulation of interest is also suspended. Likewise, the unamortized balance of transaction costs as well as items collected in advance, are taken to income.

p. Net interest income

The Institution's financial margin is made up of the resulting difference between interest income minus interest expense.

Interest income comprises the returns generated by the loan portfolio, contractually called interest. Additionally, interest expenses include the amortization of costs and expenses associated with credit granting (transaction costs), the amortization of interest collected in advance, discounting and assignment of credit rights, as well as premiums and interest from other financial operations inherent to the Institution such as deposits in financial institutions, investments in financial instruments, transactions with derivative financial instruments, as well as premiums for the placement of debt.

Interest expenses encompass premiums, discounts and interest derived from interbank loans, the interest, transaction costs and discounts charged for the issuance of financial instruments that qualify as liabilities. Additionally, expenses arising from hedging operations and trading derivative financial instruments, as well as premiums paid for the early redemption of financial instruments that qualify as liabilities, are considered interest expense. Exchange rate fluctuations are also considered interest expense, provided that they stem from assets or liabilities related to expenses or income that are part of Net interest income.

The Company presents Net interest income in the first section of the statement of profit or loss since it is its main source of revenue, and the Company's Management considers that it better reflects the financial substance of the business as such.

q. Operating expenses

Operating expenses are recognized in profit or loss at the time the service is used or as incurred.

r. Significant management judgement in applying accounting policies and estimation uncertainty.

Significant management judgements

The following are the judgements made by management in applying the accounting policies of the Company that have the most significant effect on the financial statements.

Deferred tax assets

The amount by which a deferred tax asset may be recognized is based on the assessment of the likelihood of having future taxable earnings for which the Company's deferred tax assets may be utilized. In addition, significant judgment is required to assess the impact of certain legal, tax or economic limits (see Note 11).

Estimation uncertainty

<u>Useful lives of depreciable assets</u>

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility expected.

Defined benefit obligation (DBO)

Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases.

Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses (as analyzed in Note 12).

5 AVAILABLE FUNDS

		2023		2022
Banks (a)	**$**	**47,624,146**	$	28,825,047
Short-term investments (b)		**2,823,098**		1,404,690
Other investments (c)		**8,366,000**		-
	$	**58,813,244**	$	30,229,737

a) Restricted cash balance comprises a bank account called a concentration account, where all collections are deposited in accordance to the master trust CIB/2229, and four bank accounts, two of them named receiving and distribution accounts, where the resources from loans assigned as collateral for collection are deposited and the remaining two bank accounts, named as reserve accounts, understanding that the deposits cannot be used according to the irrevocable trust for administration, guarantee and payment source, Actinver F/3954 and F/338.

   On February 27, 2018, an irrevocable management and payment source trust agreement number F/3338 was signed, among Dinerito Audaz, in its capacity as trustor and trustee in second instance, the fiduciary Banco Actinver, S.A. Multiple Banking Institution, Grupo Financiero Actinver, in its capacity as fiduciary of the Irrevocable Trust for Administration and source of payment F/3338 and Altum and Recupérate, as trustees in first instance; where monetary resources coming from credits granted as guaranty of collection are deposited, on the agreement that, under no circumstances, can be utilized the amounts that the Company holds into that account, as agreed through the irrevocable trust for administration, guarantee and source of payment. As of October 6, 2022, Recupérate ceases to be considered as trustee and joins CKD Reestructurada, S.A.P.I. de C.V. SOFOM, E.N.R, in accordance with the aforementioned contract.

   On April 12, 2019, an irrevocable management and source of payment trust agreement number F/3954 was entered into between the Company, in its capacity as trustor and secondary beneficiary, the trustee Banco Actinver, S.A., Institucion de Banca Multiple, Grupo Financiero Actinver, in its capacity as trustee of the Irrevocable Management and Source of Payment Trust No. F/3954 and OHP II LP, as primary beneficiaries.

   Where the funds are deposited of the credits assigned as a collection guarantee, in the understanding that under no circumstances may the amounts that the Company maintains deposited in that account be used, in accordance with the irrevocable management, guarantee, and source of payment trust. On July 28, 2022, OHP II LP in its capacity as assignor and OHPC LP in its capacity as assignee, entered into an agreement for the assignment of the rights and obligations of the credit agreement, by virtue of which, OHP II LP assigned all its rights and obligations derived from said credit agreement in favor of OHPC LP

   As of December 31, 2023 and 2022, restricted cash amounts to $43,270,742 and $25,959,302, respectively.

b) As of December 31, 2023 and 2022, the investment in highly liquid instruments is in a mutual fund in debt instruments.

c) As of December 31, 2023, the other investments correspond to the contribution to its related party Buen Capital, S.A. de C.V. which has not been notarized. As of the date of issuance of the financial statements, the full payment has not been completed; payments correspond to 64% of these capital and subscription premium according to the Extraordinary General Shareholders Meeting of Buen Capital, S.A. de C.V., held on October 26, 2023.

As of December 31, 2023 and 2022, interest earned from liquid assets amounted to $2,907,551 and $1,361,309, respectively.

6 LOAN PORTFOLIO

The loan portfolio is summarized as shown below:

	2023	2022
Consumer Credit Portfolio with Credit Risk Stage 1		
Principal	**$ 459,255,808**	$ 404,900,439
Interest	**9,325,671**	7,593,657
Amortized Cost	**45,036,830**	31,781,522
	513,618,309	444,275,618
Consumer Credit Portfolio with Credit Risk Stage 2		
Principal	**8,509,897**	8,089,061
Interest	**1,363,821**	1,326,435
Amortized Cost	**941,819**	496,236
	10,815,536	9,911,732
Consumer Credit Portfolio with Credit Risk Stage 3		
Principal	**23,390,410**	13,363,625
Interest	**5,476,772**	5,872,254
Amortized Cost	**2,745,593**	642,437
	31,612,775	19,878,316
Total loan portfolio	**556,046,620**	474,065,666
Less - Allowance for expected credit losses	**(12,031,364)**	(13,173,837)
Total loan portfolio, net	**$ 544,015,256**	$ 460,891,829

As of December 31, 2023 and 2022, interest earned on the loan portfolio amounts to $175,722,712 and $137,303,474, respectively.

The credit terms granted by the Company are payroll to employees of entities mainly of the Government Sector, guaranteed by the income of the workers themselves. The Company granted credits at an average rate of 41,76% and 44,54% for the years ended December 31, 2023 and 2022, respectively.

As of December 31, 2023 and 2022, the amount recognized in income for brokerage services related to our external sales force amounts to $18,927,717 and $20,026,291, respectively.

As of December 31, 2023 and 2022, the amortized cost recorded in the loan portfolio amounted to $48,724,241 and $32,930,196, respectively.

In order to guarantee the payment of all the financing received by OHPC LP (formerly OHP II LP) (see Note 9), the Company established the CIB/2229 Master Trust, to which it assigns the rights to collect eligible credits in order to maintain at all times through the principal balance of the same the applicable capacity corresponds to 1.30 and 1.40 times set forth in the credit agreements with ALTUM and OHPC LP until each and every secured obligation has been duly fulfilled in full; said trust has the obligation to administer, divide and direct the collection of the assigned credits for the payment of the obligations with Altum and OHPC LP and includes a mechanism that obliges the Company, in the event of insufficiency of the contractually agreed capacity, to provide collection rights of additional eligible credits and/or a cash amount equivalent to the additional eligible credits that are required, to comply with the applicable capacity.

As of December 31, 2023 and 2022, the collection rights of the portfolio referred to in the Master Trust FD/2229, amounts to $282,633,314 and $191,569,635 respectively for OHPC LP; and for ALTUM amount to $132,875,668 and $50,471,881, respectively.

The loan portfolio by geographic region as of December 31, 2023 and 2022 is shown below:

	2023			2022		
	Stage 1	**Stage 2**	**Stage 3**	Stage 1	Stage 2	Stage 3
Mexico City	**$ 97,655,148**	**$ 645,708**	**$ 192,127**	$ 12,931,866	$ 193,626	$ 976,295
Michoacán	**79,935,668**	**156,442**	**469,922**	1,109,546	2,258,722	47,423
Puebla	**64,445,458**	**2,258,711**	**4,052,938**	50,254,389	815,878	5,587,519
Hidalgo	**55,829,087**	**2,233,430**	**12,837,568**	24,836,898	95,557	6,172,478
Yucatán	**50,309,683**	**586,574**	**889,291**	39,688,339	185,609	1,414,744
State of México	**31,786,580**	**421,809**	**782,109**	4,727,606	1,253,137	767,583
Veracruz	**24,059,627**	**962,408**	**3,842,290**	91,746,892	307,983	1,119,116
Coahuila	**23,036,251**	**1,019,240**	**1,451,170**	19,191,269	3,063,544	1,699,994
Querétaro	**20,623,595**	**123,828**	**857,855**	4,780,753	277,908	1,005,487
Chihuahua	**11,212,094**	**808,572**	**664,175**	100,000	35,300	-
Nuevo León	**5,821,935**	**597,208**	**2,801,456**	51,441,246	175,411	207,563
Jalisco	**3,735,336**	**59,787**	**11,740**	111,653,839	743,575	63,293
Durango	**121,016**	**-**	**-**	-	-	-
Aguascalientes	**-**	**-**	**14,541**	31,452	9,244	104,147
Chiapas	**-**	**-**	**-**	-	-	70,237
	468,581,479	**9,873,718**	**28,867,182**	412,494,096	9,415,495	19,235,879
Amortized cost	**45,036,830**	**941,819**	**2,745,592**	31,781,522	496,236	642,437
	$ 513,618,309	**$ 10,815,537**	**$ 31,612,774**	$ 444,275,618	$ 9,911,732	$ 19,878,316

Allowance for expected credit losses

As of December 31, 2023 and 2022, the preventive estimate for loan risks is summarized below:

	2023	2022
Balance at beginning of year	**$ 13,173,837**	$ 19,345,843
Increase in the allowance	**15,276,625**	11,394,883
Write-offs	**(16,419,098)**	(17,566,889)
Balance at end of year	**$ 12,031,364**	$ 13,173,837

7 FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS, NET

	2023	2022
Furniture and office equipment	**$ 891,362**	$ 850,670
Computer equipment	**1,349,473**	1,186,325
Communication equipment	**69,400**	69,400
Transportation equipment	**1,329,467**	1,209,519
	3,639,702	3,315,914
Less – Accumulated depreciation	**(2,664,850)**	(2,259,877)
	$ 974,852	$ 1,056,037

As of December 31, 2023 and 2022, depreciation and amortization for the year recognized in the statement of operations amounted to $404,973 and $308,512, respectively.

8 LEASES

Right-of-use asset

	2023	2022
Transportation equipment	**$ 16,187,120**	$ 7,115,156
Buildings and facilities	**21,376,909**	20,078,612
Computer equipment	**583,849**	583,849
	38,147,878	27,777,617
Less – Accumulated depreciation	**(21,040,113)**	(15,573,382)
Total right-of-use assets	**$ 17,107,765**	$ 12,204,235

Lease liability

Lease liabilities are presented in the statement of financial position as follows:

	2023	2022
Short-term	**$ 6,710,863**	$ 4,672,300
Long-term	**11,008,724**	7,969,624
	$ 17,719,587	$ 12,641,924

The Company has leased locales in different states for the objective of using them as branches for managing and granting credits, as well as certain transportation equipment to be used by executives. Leases are generally entered into for a period from 12 to 24 months. Except for short-term leases and low value assets, each lease is recorded in the statement of financial position as a right-of-use asset and a lease liability. The Company classifies its right-of-use assets consistently with is furniture and equipment, and leasehold improvements.

Each lease generally imposes a restriction which, unless there is a contractual right for the Company to sublease the asset to a third party, the right-of-use asset can only be used by the Company. Leases are non-cancelable or can only be canceled if a significant penalty is incurred due to termination. Some lease agreements contain the option to buy the leased underlying asset directly upon termination of the agreement or by extending the lease agreement for a longer period. The Company is prohibited from selling or furnishing the underlying asset as collateral.

The following table describes the nature of the leasing activities of the Company by type of right-of-use asset recognized in the balance sheet.

	Right-of-use asset		
	Offices and facilities	Transportation equipment	Computer equipment
No. of leased right-of-use assets	11	13	31
Remaining lease term (years)	2	3	1
Average lease term (years)	2	3	1
No. of leases with an extension option	11	-	31
Lease with an option to buy	-	-	-
Leases with variable payments related to an index	11	-	-
No. of leases with termination options	-	3	31

As of December 31, 2023 and 2022, minimum lease payments are as follows:

	Less than 1 year	**From 1 to 2 years**	**From 2 to 3 years**	**From 3 to 4 years**	**Total**
December 31, 2023					
Lease payments	**$8,428,367**	**$7,625,913**	**$3,476,209**	**$1,825,733**	**$21,356,222**
Financial cost	**(1,717,504)**	**(1,161,590)**	**(542,537)**	**(215,004)**	**(3,636,635)**
Net present value	**$6,710,863**	**$6,464,323**	**$2,933,672**	**$1,610,729**	**$17,719,587**
December 31, 2022					
Lease payments	$5,175,075	$4,991,879	$3,259,828	$ 108,663	$13,535,445
Financial cost	(502,775)	(260,626)	(128,614)	(1,506)	(893,521)
Net present value	$4,672,300	$4,731,253	$3,131,214	$ 107,157	$12,641,924

9 FINANCIAL INSTRUMENTS

Categories of financial assets and liabilities

Note 4f) provides a description of the accounting policies for each one of the categories of financial assets and liabilities. The carrying values of financial instruments are as follows:

	2023	2022
Financial assets		
Nominal value or transaction price pending collection		
Available funds	**$ 58,813,244**	$ 30,229,737
Other Accounts Receivable	**2,997,813**	1,329,910
Amortized cost		
Loan portfolio	**544,015,256**	460,891,829
	$ 605,826,313	$ 492,451,476

Financial liabilities		
Amortized cost		
Loans and notes payable	**$ 407,840,924**	$ 293,484,066
Related parties	**18,240,167**	23,338,980
Value of the transaction pending payment		
Sundry creditors	**11,363,858**	14,556,330
Fair value		
Derivative Financial Instruments	**2,160,809**	5,333,615
	$ 439,605,758	$ 336,712,991

Note 17 provides a description of the risks of the financial instruments of the Company, including management's objectives and policies of these risks.

a. Loans and notes payable

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

	2023		2022	
	Short-term	**Long-term**	Short-term	Long-term
OHPC LP. (assignee) formerly OHP II LP (assignor), consolidation loan for 7,984,431 US dollars, with payment of ordinary monthly interest at a fixed rate of 15.50% per annum, according to a credit agreement entered into in April 2019. This debt was assigned through an assignment of rights agreement between OHP II L.P. and OHPC L.P., in which the former assigns all the rights referred to in the credit agreement, signed on July 28, 2022.	**$ -**	**$ -**	$ 51,670,715	$ 84,844,785
On August 14, 2023 OHPC LP. (assignee) before OHP II LP (assignor) entered into an agreement amending and restating the original credit agreement to convert it into a revolving credit up to the amount of 16,500,000 US dollars, making a disposition on August 18, 2023 for 12,957,754 US dollars with payment of ordinary monthly interest at a prime rate of 15.00% + 10 points with a maximum rate of 15.50% per annum.	**$ -**	**$206,223,329**	-	-
MINTOS MARKET PLACE A.S., funding of €4,564,951 and €4,838,590 as of December 31, 2023 and 2022, respectively, obtained on the Mintos platform through the placement of outstanding portfolio loans with a payroll discount with an average monthly interest payment of 10.50% per annum.	**-**	**95,450,689**	-	66,212,512
Altum, S.A.P.I. de C.V. SOFOM E.N.R., with payment of ordinary interest, at an annual interest rate of TIIE + 10 points not exceeding 19%, payable monthly, maturing on March 31, 2026, according to the contract entered into on October 6, 2022. First disposition October 7, 2022 for $26,000,000, second disposition November 17, 2022 for $19,500,000, third disposition January 19, 2023 for $13,000,000, fourth disposition March 23, 2023 for $13,000,000 and fifth disposition April 19, 2023 for $6,500,000. With a grace period of 6 months, the first repayment of the principal began on April 1, 2023.	**26,000,000**	**32,500,000**	11,375,000	34,125,000

CKD RF Estructurada S.A.P.I. de C.V. SOFOM E.N.R., with payment of ordinary interest, at an annual interest rate of TIIE + 10 points not exceeding 19%, payable on a monthly basis, due on March 31, 2026, according to the contract entered into on October 6, 2022. Date of first disposition October 7, 2022 for $14,000,000, second disposition November 17, 2022 for $10,500,000, third disposition January 19, 2023 for $7,000,000, fourth disposition March 23, 2023 for $7,000,000, and fifth disposition April 19, 2023 for $3,500,000. With a grace period of 6 months, the first repayment of the principal began on April 1, 2023.	**14,000,000**	**17,500,000**	6,125,000	18,375,000
Simple revolving credit facility in pesos dated May 27, 2021, granted by Finqro, S. A. de C. V. SOFOM, E. N. R. up to the amount of $20,000,000, with payment of ordinary interest, the equivalent of 16.00% per annum maturing on May 27, 2026.	**16,166,906**	**-**	16,166,906	-
	$ 56,166,906	**$351,674,018**	$ 85,337,621	$203,557,297

As of December 31, 2023 and 2022, interest expense on loans amounted to $61,678,244 and $29,091,113, respectively.

As of December 31, 2023 and 2022, notes payable are summarized as shown below:

	Issue I		**2016 Issue**	
Bondholders	**2023**	2022	**2023**	2022
Federico Terrazas Becerra	**$ -**	$ 1,023,722	**$ -**	$ -
José Ernesto González Guerrero	-	1,015,944	-	-
Patricia de Marbella Creel Gómez	-	511,083	-	-
Eunice Andrea Páez Marin	-	258,944	-	-
Oscar Alejandro Páez Marin	-	255,736	-	-
Erika Cházaro Pérez	-	-	-	1,523,719
	$ -	$ 3,065,429	**$ -**	$ 1,523,719

Issue I

On July 5, 2018, through an Ordinary and Extraordinary General Shareholders' Meeting, it was resolved to authorize the creation of a collective loan through the issuance I of 200 bonds for up to $50,000,000, each bond with a nominal value of $250,000. This placement was carried out in accordance with the provisions of the General Law of Securities and Credit Operations. The Company is fully authorized to carry out such placement within the national territory in accordance with the applicable legal regulations.

Adhesion agreements in which the admission of bondholders is accepted were entered into between private parties on the dates of July 5, 2018, July 25, 2018, August 8, 2018, August 13, 2018, August 22, 2018, September 12, 2018, September 24, 2018, November 1, 2018, November 22, 2018, December 3, 2018, December 20, 2018, January 31, 2019, February 12, 2019, February 20, 2019, March 12, 2019, March 13, 2019, March 19, 2019, March 27, 2019, April 2, 2019, June 17, 2019, July 12, 2019, August 14, 2019, August 19, 2019, September 1, 2019, September 4, 2019, September 18, 2019, November 1, 2019, February 9 and 12, 2020, March 13 and 24, 2020, August 24 and 31, 2020, September 1, 9, and 18 2020, October 5, 2020, December 10, 2020, January 16, 2021, March 09, 2021, July 9, 2021, September 13, 23 and 29, 2021, October 21, 2021, November 9, 2021 and December 4, 2021, adhesion contracts were entered into between individuals, whereby the bondholders were admitted to take part of the Company.

2016 Issue

On February 16, 2016, through an Ordinary and Extraordinary General Shareholders' Meeting, it was resolved to authorize the creation of a collective loan through the issuance of 49 bonds for up to $24,500,000, each bond with a nominal value of $500,000. . This placement was carried out in accordance with the provisions of the General Law on Securities and Credit Operations. The Company is fully authorized to carry out such placement within the national territory in accordance with the applicable legal regulations.

Dated 4 March 2019, 7 March 2019, 14 March 2019, 15 March 2019, 5 May 2019, 21 June 2019, 8 June 2019, 11 July 2019, 6 October 2019, 31 October 2019, 8 November 2019 and 22 December 2019, renewal agreements were entered into for an additional 36 months, which were entered into between the "bondholder" individuals and the Company; as well as, on February 8, 2017, June 22, 2017, July 19, 2017, August 2, 2017, August 5, 2017 and September 1, 2017, adhesion agreements were entered into between individuals, whereby the bondholders were admitted were admitted to take part of the Company.

A) From November 2022 to April 2023, the amounts adhered to the new instrument were $54,300,000 and $6,750,000, respectively. These bondholders decided to settle the credit agreement each had entered into with the Company, the majority of which adhered to and subscribed the "Perpetual Subordinated Financial Instrument" agreement mentioned in Note 10.

As of December 31, 2023 and 2022, the interest expense on the financing received for the bondholders amounted to $309,480 and $9,323,709, respectively.

As of December 31, 2023 and 2022, the sum of the item of loans and notes payable to third parties is summarized as follows:

	2023	2022
Short-term		
Loans with third parties	**$ 56,166,906**	$ 85,337,621
Long-term		
Loans with third parties	**351,674,018**	203,557,297
Third party bondholders Issue I	**-**	3,065,429
Third party bondholders 2016 Issue	**-**	1,523,719
	$ 351,674,018	$ 208,146,445

Derivative financial instruments

As of December 31, 2023 and 2022, the Company had contracted the following foreign exchange hedges on the Forward purchase operation as shown below.

Masari Casa de Bolsa, S.A.

2023			
Amount of the purchase U.S. dollars	**U.S. dollar exchange rate agreed upon**	**Amount in local currency**	**Maturity date**
24,444	**19.8090**	**$ 484,211**	**09-ene-24**
24,444	**19.9220**	**486,974**	**09-feb-24**
48,888		**$ 971,185**	

2022			
Amount of the purchase U.S. dollars	U.S. dollar exchange rate agreed upon	Amount in local currency	Maturity date
291,761	20.8112	$ 6,071,897	09-ene-23
206,061	20.8112	4,288,377	09-feb-23
203,895	20.8112	4,243,300	09-mar-23
300,841	20.8112	6,260,862	10-abr-23
155,176	20.8112	3,229,399	09-may-23
155,016	20.8112	3,226,069	09-jun-23
154,186	20.8112	3,208,796	10-jul-23
129,521	20.8112	2,695,487	09-ago-23
1,596,457		$ 33,224,187	

Kantox Limited

2023			
Amount of the purchase euros	**euro exchange rate agreed upon**	**Amount in local currency**	**Maturity date**
2,149,639	**20.0974**	**$ 43,572,315**	Various

2022			
Amount of the purchase euros	euro exchange rate agreed upon	Amount in local currency	Maturity date
1,935,079	22.1145	$ 41,590,099	Various

As of December 31, 2023, the Company has contracted various positions whose agreed maturity dates from January to November 2024. The maturity date is linked to the date the credits were requested on the MINTOS MARKETPLACE A.S. platform. The average settlement time of the coverage is one year.

10 STOCKHOLDERS' EQUITY

a Capital stock

As of December 31, 2023 and 2022, capital stock is consisted of 25,077,123 shares with no par value shown, respectively, subscribed for and paid, which is summarized as follows:

	No. shares	**Historical capital**
Fixed minimum capital stock (Series A)	**50,000**	**$ 50,000**
Variable capital stock (Series B)	**24,733,700**	**24,733,700**
Preferential capital stock (Series C)	**293,423**	**64,906,300**
	25,077,123	**$ 89,690,000**

b Convertible Financial Instrument

As of December 31, 2023, and 2022, the item corresponds to the "Perpetual Subordinated Financial Instrument" contract entered into between the Company and individuals, whether individuals and/or legal entities, with the following characteristics:

- Variable yields, including VAT, are subject to the yields and compliance with all payment obligations and capacity of the senior debt (secured) held by the Company. The Holder of the instrument shall be entitled to the variable returns that are generated from the date of signing the contract and until the occurrence of the earlier of (i) the total payment of the obligations arising from this contract, or (ii) a conversion event.

- The payment of the "Perpetual Subordinated Financial Instrument" is subordinated to the payment of ordinary debts (secured and unsecured) held or that may be held by the Company, so that the obligation to pay the Holder will have the same priority level as the obligation to reimburse the capital to the Company's shareholders and shall be paid pari passu with respect of other holders of perpetual subordinated financial instruments with the same characteristics as the Perpetual Financial Instrument, and also with respect of capital reimbursements to Company's shareholders.

- Once the sixth anniversary from the date of signing the contract has elapsed, the Holder shall have the right to convert the "Perpetual Subordinated Financial Instrument", including accrued variable returns and uncollected accrued default interest, and VAT, outstanding for payment, into Convertible Shares at Conversion Value.

- The amount contributed by the Holder shall be used for granting of new credits originated by Company's ordinary operation and / or for the payment of any expenses or commissions related to the execution of this Contract.

As of December 31, 2023 and 2022, the amount subscribed by the Holders amounts to $61,050,000 and $54,300,000, respectively, and is comprised as follows:

	2023	2022
Rodolfo Robles Rios	**$ 10,000,000**	$ 10,500,000
Rafael Avitia Enriquez	**6,750,000**	5,750,000
Eugenio Rodriguez Redondo	**4,000,000**	4,000,000
Ma. Guadalupe Molina Moreno	**4,000,000**	3,000,000
Consuleo Cervantes Martinez	**1,000,000**	1,000,000
Martine Magny Ruiz	**2,250,000**	1,750,000
Sonia Alonso Gómez	**1,500,000**	1,500,000
Brenda Ibarra Resendez	**1,000,000**	1,000,000
Deisi Valdez Méndez	**750,000**	750,000
Martín Arellano Reynoso	**1,250,000**	500,000
María Fernanda Arellano Reynoso	**250,000**	250,000
Vesna Elvira Gónzalez Moscoso	**250,000**	250,000
Manuel Hernández Parra	**250,000**	-
Eduardo Eric Peuelas Guzmán	**250,000**	-
Gyda Robles Rios	**500,000**	-
Federico Terrazas	**1,000,000**	-
Patricia de Marbella Creel Gomez	**500,000**	-

Related parties		
Arlette Escobar Moguel	**5,000,000**	5,000,000
Carlos Fernando Gamboa Heredia	**5,000,000**	5,000,000
Dorian Manzur Escobar	**4,500,000**	3,500,000
Martha Alicia Moya Anchondo	**2,550,000**	2,550,000
Rosario Emilia Pawling Sánchez	**2,000,000**	2,000,000
Aida Patricia Gamboa Heredia	**2,000,000**	2,000,000
José Escobar Olie	**1,000,000**	1,000,000
Wilma Frances Conbs Line	**1,000,000**	1,000,000
María Cecilia Heredia Molina	**1,000,000**	1,000,000
Paulina del Perpetuo Socorro Portugal Pawling	**1,500,000**	1,000,000
	$ 61,050,000	$ 54,300,000

As of December 31, 2023, and 2022, yields of $9,169,885, and $484,167 were paid, the latter being presented net of accumulated results.

c Legal reserve

Net income for the year, when generated, is subject to the legal provision which requires that 5% of that income be allocated to a legal reserve until that reserve equals 20% of the capital stock. The balance of the legal reserve may not be distributed to the stockholders, except as stock dividends.

At the Ordinary General Shareholders' Meeting held on April 30, 2023, it was agreed to increase the legal reserve by $458,713, which represents 5% of the profit obtained on December 31, 2022.

Through the minutes of the Ordinary General Shareholders' Meeting held on April 20, 2022, it was approved to increase the legal reserve by $505,962, which represents 5% of the profit obtained on December 31, 2021.

d Distributed earnings

Dividends or earnings that are distributed to stockholders that are drawn against the Net Taxable income Account (CUFIN) will not be subject to income tax (ISR) assessed on legal entities that reside in the country until that account is exhausted. Dividends paid to nonresident individuals or legal entities on earnings generated beginning January 1, 2014 are subject to a 10% tax, which is considered to be a final payment.

In addition to the foregoing, dividends not drawn against the CUFIN will continue to be subject to the payment of income tax payable by the entity, determined based on the general statutory rate, which is considered to be final, and it may be credited against income tax for the year and tax for the two following years.

The balance of this CUFIN account and the CUCA account discussed in the above paragraph may be restated up to the date such dividends are distributed, by using the National Consumer Price Index (NCPI).

As of December 31, 2023, and 2023, Net After-Tax Profit Account has no balance.

e Capital decreases

As of December 31, 2023, and 2022, the restated balance of the Restated Paid-in Capital Account (CUCA) amounts to $127,564,957 and $121,885,111, respectively. In the case of a reimbursement or capital decreases in benefit of the stockholders, the excess of that reimbursement over this amount should be treated as a distributed earning for tax purposes.

In the event that stockholders' equity should exceed the balance of the Restated Paid-in Capital account (CUCA), the spread will be considered as a dividend or distributed earning subject to the payment of income tax. If the earnings referred to above are drawn against the net taxable income account, there will be no corporate tax payable for the capital decrease or reimbursement. Otherwise, the spread should be treated as a dividend or a distributed earning.

11 INCOME TAX (ISR, for its acronym in Spanish)

For the year ended December 31, 2023 and 2022, the Company generated a tax income (loss) income amounting to ($5,814,868) and $5,931,556, respectively, which differs from net income (loss), due mainly to the following items:

	2023	2022
Net income for the year	**$ 14,583,976**	$ 9,174,246
Temporary items		
Tax Depreciation on Accounting	**(46,791)**	(24,942)
Amortized Cost of Assets and Liabilities	**(21,472,427)**	5,453,299
Tax Deduction of Uncollectible Accounts	**(15,283,320)**	(16,350,246)
Precautionary estimation for credit risks	**15,276,625**	11,394,883
Lease, net	**174,135**	216,111
Employee Benefits	**1,498,736**	473,159
Other items	**5,265,700**	2,387,270
Permanent items		
Annual adjustment on inflation	**4,589,250**	6,590,210)
Losses	**(1,135,293)**	(1,254,213)
Nondeductible expenses	**1,265,936**	1,052,199
Net effect	**(20,398,844)**	(3,242,690)
Tax (loss) income	**$ (5,814,868)**	$ 5,931,556

As of December 31, 2022, the determined tax profit was fully amortized against the restated amount of tax loss carryforward.

According to the current Income Tax Law, the rate for 2023, 2022 and subsequent years is 30%.

Deferred income tax

As of December 31, 2023 and 2022, the asset on the accrued deferred Income Tax effect is as shown below:

	2023	2022
Deferred assets:		
Allowance for loan losses	**$ 12,031,364**	$ 13,173,837
Undeducted write-offs	**16,418,613**	17,604,459
Furniture and equipment, net and lease	**46,791**	345,092
Provision for employee benefits	**1,498,736**	1,159,143
Unpaid PTU due	-	542,362
Tax loss carryforwards	**19,898,692**	13,445,129
Total deferred assets	**49,894,196**	46,270,022

Deferred liabilities:		
Amortized cost, net	**(48,724,242)**	(32,930,196)
Total deferred liabilities	**(48,724,242)**	(32,930,196)
Base for deferred Income Tax	**1,169,954**	13,339,826
Income tax rate	**30%**	30%
Deferred income tax asset	**350,986**	4,001,948
Valuation Allowance	**(350,986)**	(4,001,948)
	$ -	$ -

The Company's Management estimates that it will not generate sufficient taxable income to recover this asset in the short-term; so they have decided to reserve it.

Tax loss carryforwards

Tax loss carryforwards can be offset against taxable income subject to income tax in the following ten years. Those tax loss carryforwards may be restated by using the NCPI.

As of December 31, 2023, tax loss carryforwards restated at that date are summarized as shown below:

Year incurred	Restated amount	Year of expiration
2018	**$ 26,003**	2028
2020	**8,939,940**	2030
2021	**4,479,186**	2031
2023	**5,974,196**	2033
	$ 19,898,692	

12 EMPLOYEE BENEFITS

As of December 31, 2023 and 2022, the actuarial studies show the following information:

	2023		
	Severance payments	**Seniority premium**	**Total**
Net liability for defined benefits	**$ 1,100,357**	**$ 398,379**	**$ 1,498,736**
Current labor service cost	**124,318**	**139,365**	**263,683**
Financial cost	**901,093**	**122,401**	**1,023,494**
Remeasurements of DBO recognized in income of the period	**189,072**	**22,487**	**211,559**
Net cost for the period	**$ 1,214,483**	**$ 284,253**	**$ 1,498,736**

	2022		
	Severance payments	**Seniority premium**	**Total**
Net liability for defined benefits	$ 850,561	$ 308,582	$ 1,159,143
Current labor service cost	$ 99,487	$ 113,885	$ 213,372
Financial cost	44,034	15,766	59,800
Remeasurements of DBO recognized in income for the period	189,564	(9,465)	180,099
Net cost for the period	$ 333,085	$ 120,186	$ 453,271

	2023	2022
Actuarial hypotheses used in absolute terms:		
Nominal discount rate used for calculating the present value of obligations	**9.05%**	9.20%
Nominal incremental rate in salary levels	**6.50%**	6.00%
Rate of minimum wage increase	**5.50%**	5.50%

As of December 31, 2023, the Company used 100% of the reserve recognized under D-3 in the 2022 fiscal year. This was due to the settlements made, which mainly affected the balance and the effect of the estimation corresponding to the net cost for the period. Therefore, according to the 2023 actuarial calculation, the total liability was recognized and adjusted accordingly.

13 EMPLOYEE PROFIT SHARING

The manner of calculating the payment of PTU to workers was modified. The determination of PTU requires that a 10% rate be applied to the base calculated for that profit sharing, in accordance with the Income Tax Law. This amount determined must be allocated to each employee based on the provisions of the Federal Labor (LFT for its acronym in Spanish). However, the amount allocated to each employee may not exceed the greater between the equivalent of 3 months of the employee's current salary or the average of PTU received by the employee in the previous three years.

When PTU determined in conformity with the income Tax Law exceeds PTU allocated to each and every one of the employees, according to the limits discussed, PTU allocated to employees is considered PTU due for the period. The LFT considers that the difference between both amounts does not incur a payment obligation neither in the current period nor in future periods. PTU determined in conformity with the Income Tax Law, which is lower than or equal to the PTU allocated to each and every one of the employees, will be PTU due for the period.

For the year ended December 31, 2023, there was no basis for employee profit sharing.

For the year ended December 31, 2023, the Company generated a base for PTU of $5,423,618, in accordance with the ISR law, whose PTU payable of $542,362, was considered as final by virtue of said amount was less than the limits established in the LFT.

The basis for PTU differs from the ISR base for each year due to the payment of PTU made and the amount of other benefits paid to employees that are not fully deductible for purposes of the ISR law.

As of December 31, 2023 and 2022, deferred PTU is summarized as follows:

	2023	2022
Excess (book) tax value over (tax) book value of assets and liabilities for income tax, net, without considering tax losses	**$ 18,728,738**	$ 647,665
Rate	**10%**	10%
Deferred employee profit sharing asset	**1,872,874**	64,766
Less - Valuation allowance	**(1,872,874)**	(64,766)
Deferred Employee Profit Sharing	**$ -**	$ -

As of December 31, 2023, and 2022, the Company decided not to reserve the deferred employee profit sharing liability, considering it will not be recoverable.

14 RELATED PARTY BALANCES AND TRANSACTIONS

As of December 31, 2023, and 2022, the Company had balances and had transactions with related parties for the years then ended, as follows:

	2023			
	Payable	**Income**	**Costs and Expenses**	**Equity**
Vanguardia Inmobiliaria Manesa, S.A. de C.V. (a)	**$ 12,120,000**	**$ -**	**$ 4,660,245**	**$ -**
Plaza Mompani, S.A. de C.V. (b)	**-**	**-**	**34,270**	**-**
Buen Capital, S.A. de C.V. (c)	**-**	**144,444**	**1,755,820**	**-**
Carlos Fernando Gamboa Heredia.	**-**	**-**	**-**	**718,889**
Amir Manzur Escobar (d)	**6,120,167**	**-**	**191,256**	**-**
Dorian Manzur Cruz	**-**	**-**	**-**	**603,361**
Arlette Escobar Moguel	**-**	**-**	**-**	**719,167**
Martha Alicia Moya Anchondo	**-**	**-**	**-**	**364,296**
Aida Patricia Gamboa Heredia	**-**	**-**	**-**	**287,889**
Rosario Emilia Pawling Sanchez	**-**	**-**	**-**	**287,556**
Paulina del Perpetuo Socorro Portugal Pawling	**-**	**-**	**-**	**165,417**
Maria Cecilia Heredia Molina	**-**	**-**	**-**	**142,861**
José Escobar Oile	**-**	**-**	**-**	**143,806**
Wilma Frances Conbs Line	**-**	**-**	**-**	**143,778**
	$ 18,240,167	**$ 144,444**	**$ 6,641,591**	**$ 3,577,020**

	2022			
	Payable	Income	Costs and Expenses	Equity
Vanguardia Inmobiliaria Manesa, S.A. de C.V. (a)	$ 14,020,000	$ -	$ 3,737,575	$ -
Plaza Mompani, S.A. de C.V. (b)	6,061,885	-	411,889	-
Carlos Fernando Gamboa Heredia.	-	-	596,128	117,645
Amir Manzur Escobar (d)	2,755,539	-	605,539	-
Dorian Manzur Cruz	-	-	452,460	41,749
Arlette Escobar Moguel	-	-	253,607	114,745
Martha Alicia Moya Anchondo	-	-	336,861	30,417
Aida Patricia Gamboa Heredia	-	-	244,320	47,058
Rosario Emilia Pawling Sanchez	-	-	230,117	47,058
Paulina del Perpetuo Socorro Portugal Pawling	-	-	129,889	11,928
Said Guillermo Manzur Escobar	-	-	140,486	-
Maria Cecilia Heredia Molina	-	-	117,975	11,928
José Escobar Oile	-	-	92,644	23,529
Sergio Nuñez Martinez (e)	501,556	-	82,652	-
Wilma Frances Conbs Line	-	-	29,654	23,529
	$ 23,338,980	$ -	$ 7,461,796	$ 469,586

(a) The outstanding balance as of December 31, 2023, and 2022 originates from a loan granted on March 8, 2022, for $15,669,000. This loan accrues ordinary interest and must be repaid within a 5-year period. After this period, it will accrue interest at a rate of 14% per month.

(b) The company entered into a simple interest-free loan agreement with Plaza Mompani, S. A. de C. V. for up to $14,960,308. As long as the payments are made on a timely manner, no interest is charged. Otherwise, an interest rate of 14% per annum in pesos applies, with maturity in 2023.

(c) Buen Capital, S.A. de C.V. provides executive mobility services for the Company's personnel, as well as leasing computer equipment and operating lease of vehicles (see Note 8).

(d) The outstanding balance as of December 31, 2023, originated from a loan granted on November 10, 2023, in the amount of $6,000,000, with an interest rate of 14% per month to be repaid over a 5-year period. As of December 31, 2022, it originated from loans granted on February 15 and June 14, 2022, for $5,000,000 and $1,500,000, respectively, with an interest rate of 14% per month that was fully repaid on June 1, 2023.

(e) On July 5, 2018, through an Ordinary and Extraordinary General Shareholders' Meeting, authorization was granted to create a collective credit in accordance with the provisions of the General Law on Securities and Credit Operations. This credit was through the issuance I of 200 bonds, and the Company has full legitimacy to carry out such issuance within the national territory. It is proposed that the total value of the bonds to be issued be up to $50,000,000 with a nominal value of $250,000 each.

15 NET INTEREST INCOME

	2023	2022
Interest on loans granted	**$ 175,722,712**	$ 137,303,474
Investment interest	**2,907,551**	1,361,309
Other interests	**1,524,233**	945,597
Interest income	**180,154,496**	139,610,380
Interest expense	**(69,602,476)**	(44,819,100)
Exchange rate changes, net	**11,567,261**	3,586,398
Commissions Paid	**(22,557,230)**	(22,662,583)
	(80,592,445)	(63,886,285)
Net interest income	**$ 99,562,051**	$ 75,724,095

16 ADMINISTRATIVE EXPENSES

	2023	2022
Salaries and social security contributions	**$ 34,270,726**	$ 27,562,932
Professional fees	**13,511,215**	10,615,033
IT Services	**7,560,113**	4,305,662
Depreciation of assets by right of use	**5,466,733**	5,487,887
Other expenses	**4,647,139**	3,701,376
Collection Services	**4,953,188**	3,665,377
Depreciation and amortization	**2,096,969**	1,704,896
Advertising	**404,974**	308,512
Donations	**57,448**	745,074
Telephone and electric power	**716,212**	629,998
PTU expense	-	542,362
	$ 72,480,288	$ 58,515,540

17 FINANCIAL INSTRUMENT RISK:

Risk management objectives and policies

The Company is exposed to various risks related to financial instruments. The financial assets and liabilities of the Company by category are summarized in Note 9. The main types of risks are credit risk, liquidity risk, and market risk.

The maximum authority in making operating decisions is the Board of Directors, which has the general responsibility of establishing and supervising the risk management policies of the Company. The Board of Directors has determined that the General Administrative Offices be in charge of developing and supervising the Company's risk management policies and report its activities.

The Company's risk management policies are set out to identify and analyze the risks faced by the Company, establish limits and appropriate risk controls, and monitor risks and meet deadlines. Risk management policies and systems are reviewed periodically to reflect the changes in market conditions in the Company's activities.

Through training and management procedures, the Company's objective is to develop a disciplined, constructive control environment in which all employees understand their duties and obligations.

Credit risk analysis.

Credit risk represents the potential that an issuer of a financial instrument can cause the counterparty, by not meeting its obligations, and which arise mainly from the loan portfolio and investments in debt instruments.

Contract assets

The Company's exposure to credit risk is impacted by the specific attributes of the governmental entities where the employees, to whom the Company extends credit, are employed.

The Credit Committee has established a credit policy under which each new agreement is analyzed individually with regard to its solvency before offering standard payment conditions and delivery of the Company. The review of the Company includes external ratings when they are available, financial statements, information from credit agencies, industry information and, in some cases, bank references. Credit limits are set for each customer, and they are reviewed whenever it is necessary. Any credit that exceeds those limits is required to be approved by the Credit Committee.

Upon monitoring the credit risk of customers, those risks are grouped according to their credit characteristics, including if they correspond to a governmental entity and its days in arrears.

The Company uses the Expected Loss Model (ECL) to estimate the impairment credit allowance. How the Company estimates this allowance is through the estimate of the Default Probability (PD) parameters and Severity of the Loss (LGD).

Generally, the probability of default is estimated through the estimation of loss rates observed by cuts to which they are adjusted based on distribution, in order to obtain marginal probabilities for the contractual lifetime period of the credits. The analysis is performed by the segmentation of credits by days in arrears in 3 different stages.

The Loss Given Default is estimated based on the calculation of the present value of recovery flows subsequent to impairment, divided by the balance at the moment of the event of default.

The Company does not currently incorporate prospective information in the allowance for its bad debts, since it does not have sufficient information without cost or a disproportionate effort to perform an analysis of its losses in connection with macroeconomic variables.

On the other hand, the Company is closely monitoring the governmental entities to which it grants credit to carry out actions to limit its exposure, if necessary, write them off.

The Company does not request guarantees in connection with payroll credits granted.

As of December 31, 2023 and 2022, the maximum exposure to credit risk for assets was as follows:

	2023	2022
Stage 1 -	**$ 366,045,956**	$ 275,264,227
Stage 2 -	**108,315,575**	134,019,402
Stage 3 -	**18,682,959**	18,193,115
	$ 493,044,490	$ 427,476,744

Mutual funds

As of December 31, 2023 and 2022, the Company held mutual funds whose issuer is rated between the ‘mxA-1’ and ‘mxAAA+’, according to the S&P Rating Global Ratings Agency.

As of December 31, 2023 and 2022, the loan portfolio more than one year old amounts to $2,823,098 and $1,403,963, respectively.

Liquidity risk analysis

Liquidity risk is the risk which the Company has difficulties in meeting its obligations associated with its financial liabilities, which are settled through the delivery of cash or other financial assets.

The Company's approach for managing liquidity is to assure as much as possible that it will always have sufficient liquidity to meet its obligations when they become due and payable, in both normal and tension conditions, without incurring in unacceptable losses or risking the Company's reputation.

The Company uses the cost method based on activities to defray its products and services, which helps to monitor cash flow requirements and optimize its cash return on investments.

As of December 31, 2023 and 2022, the Company is exposed to liquidity risk due to the outflow represented by holding unsecured bank loans and issues of collective credit.

Market risk analysis

The market risk is the risk that changes in market prices, for example, exchange rates, interest rates or prices of shares, affect the Company's revenues or the value of the financial instruments that it holds. The objective of market risk management is to manage and control exposures to this risk within reasonable parameters and optimize profitability at the same time.

Currency risk

Most of the Company's transactions are carried out in pesos. Exposures to exchange rates arise from the credits that it has contracted, which are basically denominated in US dollars (USD) and euros.

To mitigate the Company's exposure to exchange risk, cash flows that are not in pesos are monitored and future exchange contracts are entered into in accordance with the Company's risk management policies. Generally, the Company's risk management procedures distinguish short-term foreign currency short-term flows (which mature within 12 months) from long-term cash flows (that mature after 12 months). Future exchange contracts are carried out for foreign currency exposures that are not expected to be able to be offset in another currency.

As of December 31, 2023 and 2022, foreign currency denominated assets and liabilities that expose the Company to an exchange risk are summarized below:

	US dollars		Euros	
	2023	2022	**2023**	2022
Assets	**68,911**	338,078	**2,284,520**	253,340
Liabilities	**(12,186,699)**	(10,705,069)	**(5,088,078)**	(3,186,204)
Borrowing position	**(12,117,788)**	(10,366,991)	**(2,803,558)**	(2,932,864)

As of December 31, 2023 and 2022, and March 26, 2024, issue date of the accompanying financial statements, the exchange rates of the US dollar were $16.8935, $19.3615 and $16.7032, respectively.

As of December 31, 2023 and 2022, and March 26, 2024, issue date of the accompanying financial statements, the exchange rates of the euro were $18.6896, $20.7810 and $18.1081 respectively.

As of March 26, 2024, the unaudited foreign currency position is similar to the position as of December 31, 2023.

Interest rate risk

The interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The fluctuation in interest rates depends largely on the state of the global economy.

The Company's exposure to interest rate risk is concentrated in unsecured bank loans where the cash flows of interest payable is referenced to the EIIR rate, plus a spread.

Market price risk

The Company is exposed to the price risk of securities of mutual funds classified as IFN. Significant investments in the portfolio are managed individually, and all buy and sell decisions are approved by the Finance and Accounting Division.

The main objective of the Company is to maximize investment returns. In accordance with this strategy, investments are designated at fair value with changes in income, since their yield is monitored actively, and they are managed on a fair value basis.

18 CONTINGENCIES

a) In accordance with currently enacted tax legislation, the authorities have the power to review up to the five fiscal years prior to the last income tax return filed.

b) Tax differences could arise for resident related party transactions if the tax authorities, upon reviewing such transactions, consider that the prices and amounts used by the Company are not comparable with those used with or between independent parties in arm’s length transactions.

In the event that the tax authorities should review the prices and reject the amounts determined, they could impose fines on the omitted contributions, in addition to collecting the pertinent taxes and related charges (restatement and surcharges), which could be as much as 100% of the restated amount of the contributions. The Company holds a transfer pricing study which supports that its related party transactions are equivalent to those performed with or between independent parties in comparable operations.

c) The Company is involved in various litigations and claims derived from the normal course of its operations, which are not expected to have a significant effect on its financial position and future income.

19 EVENTS SUBSEQUENT TO THE REPORTING DATE

On Jnuary 29, 2024, the Company entered into a credit opening agreement with Altum CP, S.A.P.I. de C.V. and CKD RF Estructura, S.A.P.I. de C.V., for the amounts of $115,500,000 and $34,500,000, respectively. The agreements stipulate the payment of ordinary interest, whichever is higher between the annual rate of 17% or the TIIE Rate plus a margin of 10 percentage points, not exceeding 19% annually. Interest is payable monthly, with maturity on October 31, 2027.

No significant event has occurred between the reporting date and date of authorization of the accompanying financial statements that requires any adjustment or disclosure.