

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

Financial statements for the years ended
December 31, 2024 and 2023 and independent
auditors' report of March 28, 2025

Independent auditors' report and financial statements 2024 and 2023

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Independent Auditors' Report

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

Opinion.

We have audited the accompanying consolidated financial statements of **Publiseg, S.A.P.I. de C.V., SOFOM, ENR** (the Entity) which comprise the consolidated statements of financial position as of December 31, 2024 and 2023, and the consolidated statements of comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of **Publiseg, S.A.P.I. de C.V., SOFOM, ENR** as of December 31, 2024 and 2023, as well as its financial performance and cash flows for the years then ended, in conformity with Mexican Financial Reporting Standards applicable in Mexico (MX FRS), issued by the Consejo Mexicano de Normas de Información Financiera y de Sostenibilidad, A.C. (CINIF).

Basis for opinion.

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

Key audit matters.

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

(amounts in thousands of pesos)

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

1. Consumer Lending Portfolio and allowance for loan losses \$2,182,675, net

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

Note 4 “Loan portfolio and Allowance for loan losses” of the accompanying consolidated financial statements describes the accounting policy used by the Entity in greater detail as of December 31, 2024.

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

2. Bank Loans and Loans from Other Agencies \$1,569,774

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

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

Emphasis paragraphs.

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

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

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

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements.

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

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

We also:

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

- Obtain knowledge of internal control relevant for the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the adequacy of the accounting policies used and the reasonableness of accounting estimates and the corresponding information disclosed by Management.
- Conclude on the appropriateness of the use by Company Management of the going concern basis and, based on the audit evidence obtained, we conclude on whether or not there is a material departure related to facts or conditions that can raise significant doubts about the Company's ability to continue as a going concern. If we conclude that there is material uncertainty, we are required to draw attention to the corresponding information disclosed in the consolidated financial statements in our report, or if those disclosures are not appropriate, we are required to express a modified opinion. Our findings are based on the audit evidence obtained so far from our audit report. However, future events or conditions can be grounds for the Entity to not have the ability to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements position, including disclosed information, and whether the financial statements position represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

RSM Mexico Bogarin, S.C.

A blue ink signature, appearing to read "Lara Venegas", written over a horizontal line.

L.C.C. and E.F. Florencio Lara Venegas
Partner

Mexico City
March 28, 2025

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Consolidated statements of financial position

As of December 31, 2024 and 2023
(In thousands of pesos)

	2024	2023		2024	2023
Assets			Liabilities		
Cash and cash equivalents (Note 5)	\$ 38,918	\$ 42,748	Bank Loans and Loans from Other Agencies (Note 16)		
Investments in Securities (Note 6)	212,667	267,046	Short-Term	\$ 563,963	\$ 215,126
Derivative Financial Instruments (Note 7)	1,924	-	Long-Term	<u>1,005,811</u>	<u>1,015,356</u>
Consumer Lending Portfolio (Note 8)				1,569,774	1,230,482
Credit Risk Stage 1	2,183,859	1,626,023	Lease Liabilities	11,134	18,763
Credit Risk Stage 2	49,776	10,884	Taxes on Earnings Payable, net	5,068	-
Credit Risk Stage 3	<u>72,227</u>	<u>53,692</u>	Deferred Taxes on Earnings, net (Note 14)	21,644	-
	2,305,862	1,690,599	Provision for Employee Benefits (Note 17)	11,368	13,535
Allowance for-			Other Payables-		
For Loan Losses (Note 9)	(123,187)	(75,498)	Employee Profit Sharing Payable	6,535	7,188
For Contingent Portfolio (Note 10)	<u>-</u>	<u>(1,428)</u>	Other Liabilities	84,641	29,984
Total Loan Portfolio, net	2,182,675	1,613,673	Value Added Tax	22,049	23,386
Other Receivables, Net (Note 11)	57,482	57,944	Provision for Various Obligations	9,772	8,733
Furniture and Equipment, net (Note 12)	8,722	10,096	Other Payables	<u>76,471</u>	<u>121,145</u>
Leased Assets (Note 13)	10,252	18,258		199,468	190,436
Other Permanent Investments	-	250	Total Liabilities	1,818,456	1,453,216
Deferred Taxes on Earnings, net (Note 14)	-	2,669	Stockholders' equity		
Taxes recoverable, net	-	5,487	Capital Stock (Note 18)	575,228	429,411
Other Assets, net (Note 15)			Legal Reserve (Note 18)	115,045	85,882
Deferred charges and prepaid expenses	285,208	210,091	Remeasurements of Employee Benefits	4,908	1,606
Intangibles, net	24,471	72,210	Prior Year Income (Loss)	155,377	174,980
Other assets	<u>20</u>	<u>-</u>	Net Income	<u>153,325</u>	<u>155,377</u>
Total Assets	\$ 2,822,339	\$ 2,300,472	Total Stockholders' Equity	<u>1,003,883</u>	<u>847,256</u>
			Total Liabilities and Stockholders' Equity	\$ 2,822,339	\$ 2,300,472
Memorandum Accounts (Note 19)					
Contingent Loan Portfolio	\$ -	\$ 58,972			
Loan Portfolio Management	741	258,277			
Other Memorandum Accounts	<u>2,744,702</u>	<u>2,018,005</u>			
Total Memorandum Accounts	\$ 2,745,443	\$ 2,335,254			

The accompanying notes are part of these financial statements.

Consolidated statements of comprehensive income

For the years ended December 31, 2024 and 2023

(In thousands of pesos)

	<u>2024</u>	<u>2023</u>
Interest Income-		
Loan Portfolio Management	\$ 17,597	\$ 35,684
Own Loan Portfolio	1,001,776	829,640
On Investments in Securities	<u>32,776</u>	<u>14,348</u>
	1,052,149	879,672
Interest Expense-		
On Bank Loans and Loans from Other Agencies	(290,274)	(129,197)
Cost and Expenses Associated with the Distribution of the Loan	<u>(169,731)</u>	<u>(127,145)</u>
	(460,005)	(256,342)
Financial Margin	592,144	623,330
Allowance for Loan Losses	(140,736)	(91,927)
Allowance for Contingent Loan Portfolio	<u>(7,672)</u>	<u>(5,712)</u>
Financial Margin Adjusted for Credit Risks	443,736	525,691
Commissions Collected (Paid), net	(19,433)	(15,053)
Gain or Loss on Brokerage	9,535	(967)
Other Operating Income (Disbursements)	<u>116,125</u>	<u>16,011</u>
Other Operating Income (Disbursements)	106,227	(9)
Management and Promotional Expenses	<u>(320,327)</u>	<u>(309,349)</u>
Income (loss) before taxes on earnings	229,636	216,333
Tax on Earnings (Note 14)	(51,998)	(41,457)
Deferred Taxes on Earnings	<u>(24,313)</u>	<u>(19,499)</u>
Net Income	153,325	155,377
Other Comprehensive Income		
Remeasurements of Employee Benefits	<u>3,302</u>	<u>(1,941)</u>
Comprehensive Income (Loss)	<u>\$ 156,627</u>	<u>\$ 153,436</u>

The accompanying notes are part of these financial statements.

Consolidated statements of changes in stockholders' equity

For the years ended December 31, 2024 and 2023
(In thousands of pesos)

	Paid-in Capital		Capital Gains				Total stockholders' Equity
	Capital Stock	Additional paid-in Shares	Legal Reserve	Employee Benefits Remeasurement	Prior Year Income (loss)	Net Income	
Balances at beginning of 2023	\$ 159,436	\$ 303,853	\$ 31,887	\$ 3,547	\$ 32,002	\$ 163,095	\$ 693,820
Movements inherent to stockholders' decisions -							
Allocation of prior year income (loss) and creation of Legal reserve	-	-	-	-	163,095	(163,095)	-
Capitalization of Additional Paid-in Capital and prior year earnings, as well as creating the Legal Reserve	269,975	(303,853)	53,995	-	(20,117)	-	-
Change inherent to recognition of comprehensive income-							
Employee Benefits Remeasurement	-	-	-	(1,941)	-	-	(1,941)
Net income	-	-	-	-	-	155,377	155,377
Balances as of December 31, 2023	429,411	-	85,882	1,606	174,980	155,377	847,256
Movements inherent to stockholders' decisions -							
Allocation of prior year income (loss)	-	-	-	-	155,377	(155,377)	-
Capitalization of prior year earnings, as well as creation of the Legal Reserve	145,817	-	29,163	-	(174,980)	-	-
Change inherent to recognition of comprehensive income-							
Employee Benefits Remeasurement	-	-	-	3,302	-	-	3,301
Net income	-	-	-	-	-	153,325	153,325
Balances as of December 31, 2024	\$ 575,228	\$ -	\$ 115,045	\$ 4,908	\$ 155,377	\$ 153,325	\$ 1,003,883

The accompanying notes are part of these financial statements.

Consolidated statements of cash flows

For the years ended December 31, 2024 and 2023

(In thousands of pesos)

	<u>2024</u>	<u>2023</u>
Net Income	\$ 153,325	\$ 155,377
Adjustments on items that do not imply cash flow:		
Depreciation	3,325	3,455
Amortization of Intangible Assets	57,106	45,071
Deferment and Amortization of Deferred Charges	(58,914)	(98,607)
Allowance for Contingent Loan Portfolio	7,672	5,712
Provisions	163	16,244
Employee Benefits Remeasurement	3,302	(1,941)
Taxes on Earnings Due and Deferred	<u>76,311</u>	<u>60,956</u>
	242,290	186,267
Operating Activity:		
(Increase) decrease in:		
Investments in Securities	54,379	55,309
Derivative Financial Instruments	(1,924)	175
Loan Portfolio, net	(576,674)	(697,792)
Deferred Charges and Prepaid Expenses	(16,202)	(1,860)
Other Operating Assets	(67,463)	(102,267)
(Decrease) increase in:		
Bank Loans and Loans from Other Agencies	339,292	645,126
Other Liabilities	<u>25,068</u>	<u>(59,640)</u>
Net cash flows from operating activities	(243,524)	(160,949)
Investing activities:		
Furniture and Equipment, net	(1,951)	(4,463)
Intangible Assets	<u>(645)</u>	<u>(8,119)</u>
Net cash flows from investing activities	(2,596)	(12,582)
Net (decrease) increase in cash and cash equivalents	(3,830)	12,736
Cash and cash equivalents at beginning of period	<u>42,748</u>	<u>30,012</u>
Cash and cash equivalents at end of period	<u>\$ 38,918</u>	<u>\$ 42,748</u>

The accompanying notes are part of these financial statements.

Notes to the consolidated financial statements

For the years ended December 31, 2024 and 2023

(Amounts in thousands of pesos)

NOTE 1. INCORPORATION AND BUSINESS

Publiseg, S.A.P.I. de C.V., Multiple Purpose Financial Institution, Unregulated Entity (the "Entity") was incorporated on April 28, 2005. The Entity habitually and professionally carries out credit, leasing or financial factoring operations, as well as carries out all types of acts relative to these operations, such as rendering financial advisory services, furnishing and receiving guarantees pursuant to negotiable instruments, pledges or mortgages, obtaining loans, among other things. The main market niche of the Entity currently consists of granting cash loans to employees of governmental agencies with which the Entity has entered into guaranteed agreements with payroll discounts. In addition, credits are granted to employees of governmental agencies that are recovered through direct debit service. The address of its registered office or main place of business is at Insurgentes Sur 664, Piso 3, Col. Del Valle, Alcaldia Benito Juarez, Mexico City, Mexico, Postal Code 03100. On the other hand, its domicile for tax purposes is located at Avenida Javier Rojo Gómez #66-C. 1er. y 2do. Piso, Col. San Pablo, Alcaldía Iztapalapa, Mexico City, Mexico, Postal Code 09000.

NOTE 2. BASIS OF CONSOLIDATION

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

The trusts that are being consolidated are listed below:

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

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

The purpose of the trusts is as follows:

- i. *Trust 4725 with Banco Invex, S.A., Master Trust* – Its purpose is to implement a mechanism to facilitate collection management of the credits that came from the Entity, in order to individualize it and redirect it to the different beneficiaries, supported by a Master Trust.
- ii. *Trust 5331 with Banco Actinver, S.A., Management Trust* – The purpose of this vehicle is to manage and individualize collection of the loan portfolio that is contributed thereto, in order to obtain bank financing, which is paid with the same collection.

Notes to the consolidated financial statements

For the years ended December 31, 2024 and 2023

(Amounts in thousands of pesos)

- iii. Trust 5425 with Banco Actinver, S.A., Management Trust, Guarantee and Source of payment – The purpose of this vehicle is to manage and individualize collection of the loan portfolio that is contributed thereto, as well as to be a guarantee and source of payment of financing obtained by the Entity.
- iv. *Trust 4091 with CI Banco, S.A., Management Trust, Guarantee and Source of payment* – The purpose of this trust is to manage and individualize collection of the loan portfolio that is contributed thereto, as well as to be a guarantee and source of payment of financing received in the trust itself.

NOTE 3. BASIS OF PRESENTATION

The financial statements as of December 31, 2024 and 2023 have been prepared in compliance with the accounting bases and practices set forth by Mexican Financial Reporting Standards (MX FRS), issued by the Consejo Mexicano de Normas de Informacion Financiera y Sostenibilidad, A.C. (CINIF). They are presented pursuant to the practices of the sector or industry to which the Entity belongs, and its operation of granting credits, which contributes to a better financial understanding of the Entity.

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

Comprehensive income – It is the modification of stockholders' equity during the year that are not contributions, decreases, and distributions of capital. It consists of the net income for the year, plus other items that represent a gain or loss for the same period, which are presented directly in stockholders' equity without affecting the statement of income. As of December 31, 2024 and 2023, comprehensive income is represented by Net income and by the Employee Benefits Remediation.

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

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

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

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

Notes to the consolidated financial statements

For the years ended December 31, 2024 and 2023

(Amounts in thousands of pesos)

- Cash flows- Given the nature of the business of the Entity, the operating cash flow projection for the following months has been evaluated as stable and in accordance with the budget of the fiscal year, without having material impacts in volatility, uncollectibility or short-term financing needs.
- Accounting estimates- As of the date evaluated, the Entity has not made changes in accounting estimates policies, in addition to those disclosed hereinbelow.

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

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

<u>December 31,</u>	<u>INPC</u>	<u>of the year</u>	<u>Inflation</u> <u>Accumulated</u>
2024	137.949	4.21%	16.69%
2023	132.373	4.66%	19.83%
2022	126.478	7.82%	18.32%

NOTE 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Mexican Financial Reporting Standards (MX FRS)

Beginning January 1, 2024, the Entity adopted the following improvements to MX FRS:

Improvements to MX FRS

Improvements to MX FRS that generate accounting changes

Notes to the consolidated financial statements

For the years ended December 31, 2024 and 2023

(Amounts in thousands of pesos)

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

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

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

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

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

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

Moreover, improvements to 2024 MX FRS include modifications to MX FRS that do not generate accounting changes, which are fundamentally intended to make the statement of the issue more precise and clearer. Since they are details, they do not generate accounting changes in the financial statements:

Notes to the consolidated financial statements

For the years ended December 31, 2024 and 2023

(Amounts in thousands of pesos)

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

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

Investments in securities – The Entity invests in highly liquid instruments easily convertible into cash and subject to immaterial risks of changes in value. The investments of the Entity as of December 31, 2024 and 2023 are classified as trading securities. These securities address the Entity's own positions, which are acquired with the intent to sell them, thereby obtaining gains derived from differences in prices resulting from short-term buy and sell trading. The Entity carries out those trades as market participants. They are initially recognized at their value at the time they are acquired, which corresponds to the agreed upon price, and they are subsequently valued at fair value. The accounting effect of this valuation is recorded in income for the year in the caption of Gain or Loss on Brokerage. (See Note 6)

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

As of December 31, 2024 and 2023, Entity Management has not identified that there is objective evidence of impairment of any security.

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

The Entity recognizes derivatives that it agrees on as assets and liabilities (depending on the rights and/or obligations that they contain) in the consolidated Statement of financial position, initially at their fair value, which corresponds to the agreed upon price in the transaction. Transaction costs directly attributable to the acquisition of the derivative are recognized directly in income in the Gain or loss on brokerage. (See Note 7)

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

Notes to the consolidated financial statements

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(Amounts in thousands of pesos)

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

Loan portfolio - They represent the amounts effectively granted to borrowers. The allowance for loan losses is presented by reducing balances of the portfolio. The Entity's own credit activity is oriented toward granting consumer lending with thin collection through payroll discounts, as well as consumer lending that is recovered through direct debit service, both from employees of governmental agencies with which the Entity has entered into agreements. (See Note 8)

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

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

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

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

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

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

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

Notes to the consolidated financial statements

For the years ended December 31, 2024 and 2023

(Amounts in thousands of pesos)

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

The main credit policies are as follows:

- The Entity grants loans mainly to government employees with payroll discounts.
- The amounts of the credits granted range from \$2 to \$200.
- The term of the credits granted ranges from 6 to 60 months.
- The Entity has early liquidations, collection advances, and liquidations by granting a new credit.
- The amount of the credit as well as of the interest is guaranteed by signing a simple promissory note and loan agreement.

Restructurings and renewals -

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

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

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

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

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

Allowance for loan losses – The Entity recognizes an allowance for loan losses, beginning with Expected Credit Losses (ECL) due to impairment of the loan portfolio, considering the credit risk thereof; therefore, homogeneous risk groups are generated that segment the operations based on the billing periods adjusted for arrears, by analyzing transactions until impairment is reached.

Notes to the consolidated financial statements

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(Amounts in thousands of pesos)

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

The Entity defines a collective model for the estimate for expected impairment losses based on the estimate of the probability of default through transaction matrixes, as well as the severity of the loss based on its historical information. (See Note 9)

Operations under the collective model: the Entity defines Probability of Default (PD) for those operations that are classified as stage 3 level of credit risk, that is, a receivable presents credit impairment when the amount of the operation is not liquidated in its entirety, and it is observed that billing periods present more than 6 arrears adjusted periods, considering that there is an average 90-day credit installation period.

The Entity classifies its portfolio in the following stages of credit risk:

<u>Bucket</u>	<u>Arrears adjusted billing periods</u>	<u>Credit risk stage</u>
0	0 periods	Stage 1- Loan portfolio with low credit risk Portfolio whose arrears adjusted billing periods are equal or less than 3.
1	1 period	
2	2 periods	
3	3 periods	Stage 2- Loan portfolio with a significant increase in risk Portfolio whose arrears adjusted billing periods are equal to or higher than 4 and equal to or less than 6.
4	4 periods	
5	5 periods	
6	6 periods	Stage 3- Loan portfolio with a high credit risk Portfolio whose arrears adjusted billing periods are equal or higher than 7.
7	≥ 7 periods	

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

<u>% ECL</u>	<u>Arrears adjusted billing periods</u>
0.18%	0 periods
1.62%	1 period
5.55%	2 periods
9.07%	3 periods
11.49%	4 periods
17.10%	5 periods
19.96%	6 periods
100.00%	≥ 7 periods

Notes to the consolidated financial statements

For the years ended December 31, 2024 and 2023

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Preventive estimate for contingent portfolio - The Entity is jointly and severally bound to the debtors to be liable to factoring for 50% of the outstanding balance of the capital of uncollectible accounts. This percentage has been defined by Entity Management based on the factoring operations agreements. Based on this 50% of the contingent outstanding balance, the Entity recognizes the allowance for ECLs for this portfolio management that is measured at amortized cost. The amount of ECL is restated every reporting date to reflect the changes in credit risk from the opening recognition of the respective loan portfolio. (See Note 10)

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

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

The recoveries associated with credits written off or eliminated from the statement of financial position are recognized in income for the year when they are carried out.

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

Financial Risk Management Objectives

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

Credit risk management

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

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

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

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For the years ended December 31, 2024 and 2023

(Amounts in thousands of pesos)

- Description of the shared characteristics that identify each concentration as the counterparty, the geographic area, the currency or the market.
- Development and maintenance of the risk ratings of the Entity that allow for categorizing exposures, in accordance with the degree of risk of default.
- Development and maintenance of the methodology for calculating the Expected Credit Loss.
- Credit quality reports generated periodically aligned with regulatory compliance to identify which require corrective actions. Reports are included that contain the estimate of the reserves.
- Provide advice, orientation, and specialized skills to the business units to foster better performance in credit risk management at the Entity.

Other receivables - Accounts receivable are presented at realization value. There are primarily accounts receivable from various debtors, personal loans, and travel expense advances considered to be short-term. (See Note 11).

Furniture and equipment, net – This caption is recorded at its cost of acquisition. Depreciation is calculated in accordance with the straight-line method, based on the remaining useful life of assets, as follows (See Note 12):

	Useful life <u>(Average years)</u>
Furniture and equipment	10
Computer equipment	3
Transportation equipment	4

Leased assets – Assets recognizes in accordance with MX FRS D-5 Leases correspond to right-of-use operations of real property and computer equipment, which are depreciated at the lower period between the lease term and the useful life of the underlying asset. If the lease transfers the ownership of the underlying asset or the cost of the right-of-use asset reflects that the purchase option will be exercised, the related right-of-use asset is depreciated during the useful life of the underlying asset. Depreciation begins on the inception date of the lease. (See Note 13)

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

As of December 31, 2023, the Entity had recorded an investment in the amount of \$250, respectively, which corresponded to the equity that it had in the Asociación Mexicana de Empresas de Nómina, A.C., which it no longer has as of December 31, 2024

Notes to the consolidated financial statements

For the years ended December 31, 2024 and 2023

(Amounts in thousands of pesos)

Taxes on earnings - Income tax ("ISR") is recorded in income for the year in which it becomes due and payable, thereby giving rise to an account payable. Deferred income tax is recognized by applying the applicable rate to the temporary differences that result from comparing book and tax values of assets and liabilities and, if applicable, the benefits of tax loss carryforwards and some tax credits are included. The deferred tax asset is recorded only when there is a high likelihood that it can be recovered. (See Note 14)

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

Other assets, net – Deferred charges and prepaid expenses consist mainly of brokerage fees paid on the placement of loans that are deferred to be amortized during the life of the loan, in compliance with the provisions set forth in MX FRS D-2 Costs from Contracts with Customers, upon considering that these fees as incremental costs incurred for obtaining a contract with customers that will be recovered through the collection of interest.

The amortization of these deferred charges is monthly over the life of the credit in a fixed amount independently from the periodicity of the payment of the loan., which is in accordance with transferring control of the goods to the customer. In the event that the credit should be terminated early, either by early settlement, default, sale or otherwise, the outstanding unamortized balance is recognized directly in income (loss) for the year.

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

Intangible assets mostly consist of an Intangible asset, which corresponds mainly to the value of the agreements and patents of the "Credifiel" trademark. These intangible assets have been amortized against income for the period beginning fiscal 2022. (See Note 15)

Impairment of long-lived assets in use – The Entity reviews the book value of long-lived assets in use annually, in the presence of any impairment indicator that could indicate that the book value might not be recoverable, which considers the higher of the present value of net future cash flows or the net selling price in case of their eventual disposal. Impairment is recorded if the book value exceeds the higher of the values referred to above. Impairment indicators considered for these purposes are, among other things, operating losses or negative cash flows in the period if they are combined with a history and projection of losses, depreciation, and amortization expensed which, in percentage terms, substantially exceed those of prior years, as well as other economic and legal factors. As of December 31, 2024 and 2023, Entity Management considers that there are no impairment indicators.

Bank loans and loans from other agencies – This caption represents the amounts of lines of credit that the Entity has, plus accrued interest payable during the term of the loan. Accrued interest is recognized as an expense during the life of the credit, as it accrues pursuant to the periods set forth in the agreements entered into with funders and interest rates agreed upon. Fees for granting credit are recognized as an expense during the term of the credit. Those fees are amortized under the straight-line method, and they are recorded in the Interest expense account. (See Note 16)

Notes to the consolidated financial statements

For the years ended December 31, 2024 and 2023

(Amounts in thousands of pesos)

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

Provision for employee benefits – The obligation of the Entity in connection with long-term direct benefits that are expected to be paid by the Entity is calculated annually by actuaries, by using the projected unit credit method. The labor cost of the current service, which represents the cost of the period of employee benefits for having completed one more year of labor life based on benefit plans, is recognized in operating and administrative expenses. (See Note 17).

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

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

Capital stock – As of December 31, 2024, capital stock is comprised of registered common shares with no par value shown. Series “A” shares represent 40.75% of capital stock, and they may be acquired only by Mexicans. Series “A-1” shares represent 59.25% of capital stock, and they may also be acquired only by Mexicans. Variable capital is unlimited. (See Note 18)

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

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

Other Memorandum Accounts correspond mainly to the amount of uncollected unaccrued interest of its own loan portfolio. (See Note 19)

Notes to the consolidated financial statements

For the years ended December 31, 2024 and 2023

(Amounts in thousands of pesos)

Payment periods and recovery of Financial assets and liabilities – The contractual terms to maturity are shown of the financial liabilities of the Entity, based on the payment periods and the assets that will be recovered in accordance with the expected flow. (See Note 20).

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

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

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

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

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

NOTE 5. CASH AND CASH EQUIVALENTS

As of December 31, 2024 and 2023, the caption of cash and cash equivalents is summarized as shown below:

	<u>2024</u>	<u>2023</u>
Cash	\$ 9	\$ 11
Banks	<u>38,909</u>	<u>42,737</u>
Total	<u>\$ 38,918</u>	<u>\$ 42,748</u>

The caption of Banks is represented mainly by cash in local currency. As of December 31, 2024 and 2023, there are checking accounts in Euros amounting to 742,590 Euros and 231,486 Euros, respectively, as well as checking accounts in U.S. dollars amounting to 119,113 dollars, respectively, which are translated at the exchange rates published by the Bank of Mexico of 21.5241 pesos per euro and 18.6896 pesos per euro, and 20.2683 pesos per dollar and 16.8935 pesos per dollar, as of the closing of December 31, 2024 and 2023, respectively.

Notes to the consolidated financial statements

For the years ended December 31, 2024 and 2023

(Amounts in thousands of pesos)

NOTE 6. INVESTMENTS IN SECURITIES

As of December 31, 2024 and 2023, the caption of Investments in securities summarized as shown below:

<u>2024</u>	<u>Cost of acquisition</u>	<u>Accrued interest</u>	<u>Increase (decrease) in valuation</u>	<u>Book Value</u>
Government bonds	\$ 189,278	\$ 1	\$ -	\$ 189,279
Promissory notes payable upon maturity	23,355	-	-	23,355
Equity instruments, net	6,009	-	(6,006)	3
Productive account	<u>30</u>	<u>-</u>	<u>-</u>	<u>30</u>
Total	<u>\$ 218,672</u>	<u>\$ 1</u>	<u>\$ (6,006)</u>	<u>\$ 212,667</u>

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

Due to the operation that the Entity has with the line of credit contracted with Sociedad Hipotecaria Federal, S.N.C., Institución de Banca de Desarrollo (SHF), there is a restricted investment that functions like a liquid guarantee of the line of credit. As of December 31, 2024 and 2023, the liquid guarantee presents an amount of \$16,970 and \$9,782, respectively.

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

The weighted average terms to maturity of investments in securities as of December 31, 2024 and 2023 are at 4 days. As of December 31, 2024 and 2023, the weighted average rate for investments in securities was 9.57% and 10.45%, respectively.

NOTE 7. DERIVATIVE FINANCIAL INSTRUMENTS

As of December 31, 2024 and 2021, the caption of Investments in securities is summarized as shown below:

Notes to the consolidated financial statements

For the years ended December 31, 2024 and 2023

(Amounts in thousands of pesos)

	Thousands of Euros <u>Nominal amount</u>	<u>Borrowing position</u>
<u>Borrowing position</u>		
Exchange rate options	4,000	\$ 1,924
	<u>4,000</u>	<u>\$ 1,924</u>

The valuation effect of derivative financial instruments is recorded in the statement of income

Management of policies for the use of derivative financial instruments

The main objective of Comprehensive Risk Management lies in contributing with the risk/yield positioning of the Entity. This is possible through identifying, measuring, and monitoring the impact of the implicit risks in the business to be able to allocate the resources of the Entity efficiently, as well as control the effect thereof on earnings and the value of capital by applying mitigation strategies and integration of a risk culture and its proactive management in daily operations

NOTE 8. LOAN PORTFOLIO

As of December 31, 2024 and 2023, the loan portfolio underwent the following changes:

	<u>2024</u>	<u>2023</u>
Opening balance	\$1,690,599	\$ 988,979
Credits granted	1,254,765	1,163,613
Refinancing	2,279	26,283
Portfolio collection	(548,398)	(427,883)
Portfolio write-offs	(93,047)	(60,795)
Other changes	<u>(336)</u>	<u>402</u>
Final balance	<u>\$ 2,305,862</u>	<u>\$1,690,599</u>

As of December 31, 2024 and 2023, the portfolio consists of 102,357 and 79,549 credits, respectively, at terms of 6 to 60 months with different fixed interest rates. The increase in the number of credits was due to the change in the business model whereby the Entity relies on other sources of financing to reach its credit placement objectives.

NOTE 9. ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses, under the simplified collective approach in fiscal years 2024 and 2023, shows the following changes:

Notes to the consolidated financial statements

For the years ended December 31, 2024 and 2023

(Amounts in thousands of pesos)

	<u>2024</u>	<u>2023</u>
Opening balance	\$ 75,498	\$ 44,366
Increase in income	140,736	91,927
Portfolio allocations (write-offs)	<u>(93,047)</u>	<u>(60,795)</u>
Final balance	<u>\$ 123,187</u>	<u>\$ 75,498</u>

As of December 31, 2024 and 2023, the loan portfolio shows the following ECL per Bucket:

	<u>2024</u>			<u>2023</u>		
<u>Bucket</u>	<u>ECL</u> <u>Rate</u>	<u>Loan</u> <u>portfolio</u>	<u>ECL</u>	<u>ECL</u> <u>Rate</u>	<u>Loan</u> <u>portfolio</u>	<u>ECL</u>
0	0.18%	\$ 2,123,562	\$ 3,737	0.18%	\$ 1,549,073	\$ 2,732
1	1.62%	22,989	373	1.26%	23,536	296
2	5.55%	20,954	1,163	4.39%	15,596	696
3	9.07%	16,354	1,483	7.08%	13,861	995
4	11.49%	17,255	1,982	10.46%	12,535	1,322
5	17.10%	15,438	2,640	16.83%	11,422	1,936
6	19.96%	17,083	3,409	20.09%	10,884	2,185
7	100.00%	<u>72,227</u>	<u>72,227</u>	100.00%	<u>53,692</u>	<u>53,692</u>
Total		<u>\$ 2,305,862</u>	87,014		<u>\$ 1,690,599</u>	63,854
Provision for Condusef cases			9			9
Additional reserves due to origination			<u>36,164</u>			<u>11,635</u>
			<u>\$</u> <u>123,187</u>			<u>\$</u> <u>75,498</u>

The additional reserves due to origination are derived from the operation that the Entity has with the line of credit contracted with SHF, and they are created as they are funded through that broker and they are held for 6 months.

The evaluation of default of the Loan portfolio, based on the allowance for loan losses as of December 31, 2024 and 2023, is as follows:

		<u>2024</u>	
<u>Impairment</u>	<u>Loan</u> <u>portfolio</u>	<u>Expected</u> <u>Credit Loss</u>	<u>% of Expected</u> <u>Credit Loss</u>
Not impaired	\$ 2,233,635	\$ 14,787	0.7%
Impaired	72,227	72,227	100.0%
Additional reserves	<u>-</u>	<u>36,173</u>	
Total	<u>\$ 2,305,862</u>	<u>\$ 123,187</u>	5.3%

Notes to the consolidated financial statements

For the years ended December 31, 2024 and 2023

(Amounts in thousands of pesos)

		<u>2023</u>	
<u>Impairment</u>	<u>Loan portfolio</u>	<u>Expected Credit Loss</u>	<u>% of Expected Credit Loss</u>
Not impaired	\$ 1,636,907	\$ 10,162	0.6%
Impaired	53,692	53,692	100.0%
Additional reserves	<u>-</u>	<u>11,644</u>	
Total	<u>\$ 1,690,599</u>	<u>\$ 75,498</u>	4.5%

NOTE 10. PREVENTIVE ESTIMATE FOR CONTINGENT PORTFOLIO

The preventive estimate for the Contingent portfolio, the joint and several obligation for being liable for 50% of the outstanding balance of the capital of the management portfolio in fiscal years 2024 and 2023, shows the following changes:

	<u>2024</u>	<u>2023</u>
Opening balance	\$ 1,428	\$ 23,020
Increase (release) in income	7,671	5,712
Portfolio allocations (write-offs)	<u>(9,099)</u>	<u>(27,304)</u>
Final balance	<u>\$ -</u>	<u>\$ 1,428</u>

NOTE 11. OTHER RECEIVABLES

As of December 31, 2024 and 2023, other receivables are shown below:

	<u>2024</u>	<u>2023</u>
Collection rights	\$ 36,209	\$ 43,073
Loans to employees	10,545	12,466
Value Added Tax (VAT) creditable	4,720	2,120
Other receivables	6,439	717
Allowance for doubtful accounts	<u>(431)</u>	<u>(431)</u>
Total	<u>\$ 57,482</u>	<u>\$ 57,944</u>

NOTE 12. FURNITURE AND EQUIPMENT, NET

As of December 31, 2024 and 2023, furniture and Equipment, net are shown below:

Notes to the consolidated financial statements

For the years ended December 31, 2024 and 2023

(Amounts in thousands of pesos)

	<u>2024</u>	<u>2023</u>
Original amount of the investment:		
Furniture and equipment	\$ 7,818	\$ 7,493
Transportation equipment	10,293	10,060
Computer equipment	6,172	6,056
Adaptations and improvements	<u>356</u>	<u>355</u>
	<u>24,639</u>	<u>23,964</u>
Accumulated depreciation:		
Furniture and equipment	(4,156)	(3,587)
Transportation equipment	(5,831)	(4,541)
Computer equipment	(5,575)	(5,562)
Adaptations and improvements	<u>(355)</u>	<u>(178)</u>
	<u>(15,917)</u>	<u>(13,868)</u>
Net	<u>\$ 8,722</u>	<u>\$ 10,096</u>

Depreciation expensed as of December 31, 2024 and 2023 amounted to \$3,325 and \$3,455, respectively.

NOTE 13. LEASED ASSETS

As of December 31, 2024 and 2023, leased assets on which the Entity recognizes the rights-of-use correspond to the floors where the corporate offices are, as well as computer equipment, which shows the following changes:

	<u>2024</u>	<u>2023</u>
Investment:		
Opening balances:	\$ 38,173	\$ 16,432
Contracts entered into / Capitalized costs	<u>717</u>	<u>21,741</u>
Balances as of December 31	<u>\$ 38,890</u>	<u>\$ 38,173</u>
Accumulated depreciation:		
Opening balances	\$ (20,095)	\$ (11,687)
Depreciation for the year	<u>(8,543)</u>	<u>(8,228)</u>
Balances as of December 31	<u>\$ (28,638)</u>	<u>\$ (19,915)</u>
Net balances as of December 31	<u>\$ 10,252</u>	<u>\$ 18,258</u>

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For the years ended December 31, 2024 and 2023

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NOTE 14. DEFERRED TAX ON EARNINGS

The Entity is subject to Income Tax in accordance with the Income Tax Law. The rate for 2024 and 2023 was 30% and it will continue to be as such in subsequent years.

Taxes on earnings are summarized as follows:

	<u>2024</u>	<u>2023</u>
Income Tax:		
Due	\$ (51,998)	\$ (41,457)
Deferred	<u>(24,313)</u>	<u>(19,499)</u>
Total	<u>\$ (76,311)</u>	<u>\$ (60,956)</u>

a) As of December 31, 2024 and 2023, deferred tax on earnings is summarized as shown below:

	<u>2024</u>	<u>2023</u>
Deferred income tax asset (liability):		
Provisions	\$ 37,571	\$ 46,243
Allowance for loan losses	26,107	19,266
Deferred charges	(84,587)	(62,131)
Prepaid expenses	<u>(736)</u>	<u>(709)</u>
Total deferred tax assets (liabilities)	<u>\$ (21,645)</u>	<u>\$ 2,669</u>

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

	<u>2024</u>		<u>2023</u>	
	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>
Statutory rate	\$ 68,891	30.0%	\$ 64,900	30.0%
Add (less)				
Effects of permanent differences, mainly nondeductible expenses	3,678	1.7%	(5,042)	(2.3%)
Amortization intangible assets	14,515	6.7%	10,996	5.1%
Impact of inflation	<u>(10,773)</u>	<u>(5.0%)</u>	<u>(9,898)</u>	<u>(4.6%)</u>
Effective rate	<u>\$ 76,311</u>	33.4%	<u>\$ 60,956</u>	28.2%

NOTE 15. OTHER ASSETS, NET

As of December 31, 2024 and 2023, other assets are summarized as follows:

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(Amounts in thousands of pesos)

	<u>2024</u>	<u>2023</u>
Deferred charges and prepaid expenses-		
Cost and expenses associated with deferred credit granted	\$ 277,869	\$ 205,364
Security deposits	2,505	2,395
Deferred expenses	3,055	507
Insurance and other prepaid expenses	<u>1,779</u>	<u>1,825</u>
	<u>\$ 285,208</u>	<u>\$ 210,091</u>
Intangibles, net-		
Intangible assets (agreements and trademark), net	\$ 20,705	\$ 69,089
Software licenses	8,294	8,230
Amortization of licenses	<u>(4,528)</u>	<u>(5,109)</u>
	<u>\$ 24,471</u>	<u>\$ 72,210</u>
Other assets-		
Savings Fund Assets	<u>\$ 20</u>	<u>\$ -</u>
	<u>\$ 20</u>	<u>\$ -</u>

NOTE 16. BANK LOANS

In October 2024, the Entity issued fractional bonds on the European market, in an amount of 15 million Euros through AS Mintos Marketplace (Mintos). This issue has a 4-year term to maturity, with maturity in October 2028.

An agreement was signed with Lendermarket Limited (Lendermarket) in August 2023, whereby there is an unlimited line of credit in Euros. This European company operates through a platform, receiving investments in notes backed by the Entity's credits.

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

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

In May 2022, the opening of a line of credit was formalized with Consubanco, S.A., Institución de Banca Múltiple (Consubanco), in the amount of \$300,000 at 60 months, through Trust F/5331, which it has with Banco Actinver where the entity is a trustor.

In April 2022, the Entity formalized a cooperation agreement to obtain initial funding amounting to 6 million Euros from AS Mintos Marketplace (Mintos), a European investment firm, whereby investments in notes supported by the credits of the Entity are received through a platform. The line of funding currently has no established limit.

These financings complement the revolving credit agreement with Sociedad Hipotecaria Federal, S.N.C., Institución de Banca de Desarrollo (SHF), up to \$220,000 with a date of maturity of December 31, 2049.

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For the years ended December 31, 2024 and 2023

(Amounts in thousands of pesos)

As of December 31, 2024 and 2023, bank loans are summarized as follows:

	<u>2024</u>	<u>2023</u>
Short-term-		
SHF	\$ 112,538	\$ 73,072
Mintos	201,430	131,766
Lendermarket	541	-
Consubanco	174,000	10,288
Indigo	69,316	-
Promecap	6,028	-
Eurobond	<u>110</u>	<u>-</u>
	<u>\$ 563,963</u>	<u>\$ 215,126</u>
Long-term		
SHF	\$ 95,859	\$ 24,142
Mintos	216,470	148,502
Lendermarket	1,149	-
Consubanco	37,000	279,712
Indigo	150,684	220,000
Promecap	500,000	343,000
Eurobond	<u>4,649</u>	<u>-</u>
	<u>\$ 1,005,811</u>	<u>\$ 1,015,356</u>
Total	<u>\$ 1,569,774</u>	<u>\$ 1,230,482</u>

NOTE 17. EMPLOYEE BENEFITS

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

The net cost for the period in 2024 for the obligations arising from seniority premiums and legal indemnifications for dismissal and from obligations assumed amounted to \$609 and \$1,848, respectively, for a total amount of \$2,457, whereas it amounted to \$1,632 and \$1,833, respectively, for a total amount of \$3,465 in 2023.

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

Notes to the consolidated financial statements

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(Amounts in thousands of pesos)

As of December 31, 2024 and 2023, actuarial losses and/or gains, also referred to as unamortized remeasurements, amount to \$4,085 and \$236, respectively, and consider both benefits, which will be recycled to the statement of income of subsequent fiscal years, based on the remaining years of service of employees. As of December 31, 2024 and 2023, balances and changes of labor obligations derived from defined benefit plans of the Entity, which include seniority bonuses and legal indemnifications for dismissal, are shown as follows:

	<u>2024</u>	<u>2023</u>
Defined benefits obligation -		
Liability at beginning of period	\$ 13,535	\$ 9,869
Net cost for the period	2,457	3,465
Recycling of Remeasurements	571	1,705
Remeasurements	(4,085)	236
Payment of benefits	<u>(1,110)</u>	<u>(1,740)</u>
Projected net liability	<u>\$ 11,368</u>	<u>\$ 13,535</u>
Provision for employee benefits	<u>\$ 11,368</u>	<u>\$ 13,535</u>

The net cost for the period is summarized as follows:

Cost of the service for the year	\$ 1,730	\$ 4,378
Financial cost	1,298	792
Recycling of remediations /	<u>(571)</u>	<u>(1,705)</u>
Net cost for the period	<u>\$ 2,457</u>	<u>\$ 3,465</u>

The financial and economical hypotheses used were:

Discount rate	10.00%	9.70%
Long-term inflation rate	3.64%	4.50%
Rate of wage increase	5.00%	7.80%

NOTE 18. STOCKHOLDERS' EQUITY

As of December 31, 2024 and 2023, capital stock is comprised of registered common shares with no par value shown. Series A shares represent fixed capital stock, and they can be acquired only by Mexicans. Series A-I shares represent part of variable capital stock, and they can be acquired only by Mexicans. Variable capital is unlimited.

On December 27, 2024, at the General Extraordinary Stockholders' Meeting, the stockholders resolved to approve the restructuring of the Entity's capital stock, through the conversion of thirty-four thousand one hundred and forty-seven Series A-1 registered common shares, representative of variable capital stock of the entity, in the same number of Series A registered common shares, representative of the fixed capital stock of the Company.

Notes to the consolidated financial statements

For the years ended December 31, 2024 and 2023

(Amounts in thousands of pesos)

In turn, on May 16, 2024, the General Stockholders' Meeting of the Entity resolved to approve the capital stock increase of the Company through the capitalization of the total amount of the prior year Income general ledger account in the amount of \$145,817, by issuing 46,763 registered common shares, with no par value shown, corresponding to \$95,900 and 32,747 Series a shares and \$49,917 and 14,016 Series A-1 shares, an increase in proportion to the equity of Stockholders in the capital stock of the Entity.

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

Pursuant to the foregoing, Capital Stock of the Entity amounts to \$575,228 as of December 31, 2024, which is presented and summarized as follows:

	<u>Number of shares</u>		<u>Amount</u>
Fixed capital:			
Series A	68,294	40.75%	\$ 200,000
Variable capital:			
Series A-1	<u>99,287</u>	59.25%	<u>375,228</u>
Total	<u>167,581</u>		<u>\$ 575,228</u>

At the same General Stockholders' Meeting held by the Entity on May 16, 2024, the stockholders resolved to approve the separation of the additional paid-in capital and prior year income account amounting to \$29,163, for its contribution to the legal reserve capital fund, in order to comply with the provisions of Article 20 of the General Corporate Law.

Moreover, at the same General Stockholders' Meeting of the Entity held on July 28, 2023, the stockholders resolved to approve the separation of the additional paid-in capital and prior year income account amounting to \$53,995, for its contribution to the legal reserve capital fund.

As of December 31, 2024 and 2023, the Legal reserve amounts to \$115,045 and \$85,882, respectively.

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

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

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

	2024	2023
Net taxable income account (CUFIN)	<u>\$ 640,503</u>	<u>\$ 506,362</u>
Restated paid-in capital account (CUCA)	<u>\$ 513,013</u>	<u>\$ 492,302</u>

NOTE 19. MEMORANDUM ACCOUNTS

As of December 31, 2024 and 2023, memorandum accounts are summarized as follows:

	<u>2024</u>	<u>2023</u>
Contingent loan portfolio (a)	\$ -	\$ 58,972
Loan Portfolio Management (b)	741	258,277
Other memorandum accounts (c)	<u>2,744,702</u>	<u>2,018,005</u>
Total	<u>\$ 2,745,443</u>	<u>\$ 2,335,254</u>

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

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

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

NOTE 20. PAYMENT PERIODS AND RECOVERY OF FINANCIAL LIABILITIES AND ASSETS

The following table shows contractual terms to maturity are shown of the financial liabilities of the Entity as of December 31, 2024, based on the payment periods and the assets that will be recovered in accordance with the expected flow and they are:

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	<u>Up to 1 year</u>	<u>From 1 year to 5 years</u>	<u>Total</u>
Bank loans	\$ (563,963)	\$ (1,005,811)	\$ (1,569,774)
Lease liabilities	(8,758)	(2,376)	(11,134)
Taxes on earnings payable, net	(5,068)	-	(5,068)
Provision for employee benefits	(11,369)	-	(11,369)
Other payables	<u>(199,467)</u>	<u>-</u>	<u>(199,467)</u>
Total liabilities	<u>\$ (788,625)</u>	<u>\$ (1,008,187)</u>	<u>\$ (1,796,812)</u>
Cash and cash equivalents	\$ 38,918	\$ -	\$ 38,918
Investments in securities	212,667	-	212,667
Derivative financial instruments	1,924	-	1,924
Loan portfolio, net	604,718	1,577,958	2,182,676
Other receivables, net	<u>55,466</u>	<u>2,016</u>	<u>57,482</u>
Total assets	<u>\$ 913,693</u>	<u>\$ 1,579,974</u>	<u>\$ 2,493,667</u>
Assets less liabilities	<u>\$ 125,068</u>	<u>\$ 571,787</u>	<u>\$ 696,855</u>

NOTE 21. CONTINGENCIES

As of December 31, 2024 and 2023, as a consequence of the operations inherent in its activity, Entity Management, based on the opinion of internal and external legal, tax, and labor advisors, has evaluated the possible accounting contingencies that could arise and consider that the provision on contingent liabilities related to lawsuits against the Entity for ordinary proceedings, which has been created, is sufficient. Moreover, there is no knowledge that its assets are subject to any type of legal action that are not routine and inherent in its activity that implies that a contingent liability may be generated.

NOTE 22. SUBSEQUENT EVENTS

On February 13, 2025, the Entity formalized an open account credit in the amount of \$500,000 with Banco Multiva, S.A., Institución de Banca Múltiple at 60 months, through Trust F/5984 in Banco Invex, which is the trustor.

NOTE 23. NEW ACCOUNTING PRONOUNCEMENTS

As of December 31, 2024, the Consejo Mexicano de Normas de Información Financiera y Sostenibilidad, A.C. (CINIF) has enacted the following MX FRS and Improvements to MX FRS that could have an impact of the financial statements of the Entity:

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MX FRS

Effective beginning January 1, 2026, and their early adoption is permitted for 2024:

MX FRS A-2 Going concern uncertainty - MX FRS A-1 sets forth that the management of an entity must be making a constant evaluation of the possible continuity of the business. The entity must determine in that evaluation if there are events and conditions that can give rise to uncertainties that are considered significant, and can affect the ability of the entity to continue as a going concern.

This MX FRS is issued for the main objective of setting forth the bases for valuation, presentation, and disclosure of the financial statements of an entity that is uncertain of continuing as a going concern, or that it is already in the process of ceasing their activities or liquidation, as well as set out more precise bases to analyze those events and conditions that lead to a better identification of the significant uncertainties and the risk as to the entity's ability to continue as a going concern, as well as the evaluation of feasibility and effectiveness of the actions that the entity may be able to establish to mitigate those risks, aspects that are considered in this MX FRS.

Improvements to MX FRS

Improvements to MX FRS that generate accounting changes

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

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

Moreover, MX FRS A-1 provides for the disclosure of significant accounting policies to have entities make a more effective disclosure of such policies, in accordance with the concept of relative importance. The disclosure of significant accounting policies is necessary for users to be able to understand the information on transactions and other events recognized or disclosed in the financial statements, considering not only the size of the transaction, but its nature as well. The disclosure of accounting policies is more useful for the user when specific information of the entity is included instead of only standardized information or that duplicates or summarizes the content of particular MX FRS requirements.

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Pursuant to the foregoing, the Conceptual Framework of MX FRS includes the definition of public interest entities, and the bases of separation of particular disclosure standards for each type of entity. Moreover, paragraphs 84.2.2, 84.2.5, and 84.2.6 are modified and paragraphs 84.2.3 and 84.2.4 are replaced in this MX FRS.

MX FRS B-2 Statement of cash flows - MX FRS B-2 requires that the entity disclose information that helps understand its financial position and liquidity in different situations. However, users of financial statements have highlighted the needs for additional information about financing agreements for payment to suppliers that (agreements), also known as reverse factoring (supply chain finance). Pursuant to the foregoing, general disclosure standards were added to MX FRS B-2, that is, applicable to Public Interest Entities (PIE), and Entities that are not of Public Interest (NPIE) to provide information on financing agreements for payment to suppliers that enable users of financial statements to understand this type of agreements and their effect on the financial statements.

MX FRS B-3 Statement of comprehensive income, MX FRS B-16 Financial statements of non-profit organizations, and MX FRS C-3 Accounts receivable - In accordance with MX FRS D-1 Revenues from contracts with customers, the price of the transaction is the amount of the consideration to which the entity considers that it is entitled to receive in exchange for transferring control over the goods or services agreed upon with the customer. If the consideration agreed upon in the contract includes a variable amount, for example, due to discounts, returns, reimbursements, credits, price reductions, incentives, premiums to be met, penalties or other similar elements, an entity must estimate the amount of the consideration to which it considers it is entitled to receive in exchange for transferring control over the goods or services agreed upon with the customer. This way, the net income of variable amounts that have no high probabilities of being reversed is recognized. Some MX FRS require or allow discounts, rebates, and refunds to be presented in a separate item in the statement of comprehensive income, which could give rise to an inconsistency with the provisions of MX FRS D-1, concerning the recognition of net income, which is why the corresponding MX FRS are modified. However, an entity can disclose the items and amounts that comprise net income in notes to the financial statements.

MX FRS B-14 Earnings per share – Given the nature of the disclosure and in convergence with IAS-33 “Earnings per share”, the scope of MX FRS B-14 is amended to have it apply only to entities that have capital instruments listed or to be listed on a stock exchange.

MX FRS B-15 Foreign currency translation – MX FRS B-15 does not set forth what must be done by an entity when it is determined on a certain translation date that a certain currency cannot be translated; therefore, the applicable rules are included in convergence with recent amendments enacted to IAS 21 Effects of Changes in Foreign Exchange Rates. The amendment includes disclosure requirements, which correspond to general disclosures, that is, applicable to Public Interest Entities (PIE), as well as Entities that are not of Public Interest (NPIE),

MX FRS C-6 Property, plant and equipment - MX FRS C-6 sets forth that there are various depreciation methods of fixed assets, which include the special depreciation method. However, several years after having issued this MX FRS, it was concluded that this method must not really be considered a depreciation method, but rather as a practical way of applying any other of the methods set out in the MX FRS; therefore, it was eliminated. However, considering that this methodology is based on using average depreciation rates based on a group of immaterial assets, an entity can continue to use these weighted determinations,

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provided that they adhere to the concept of immateriality. In addition, the MX FRS includes the description of each one of the depreciation methods, even when they can be consulted in the NIFC6GA Application Guide A - Implementation of MX FRS, of MX FRS C-6 that is on the CINIF (web) page.

MX FRS D-1, Revenues from Contracts with Customers - IFRS 17 Insurance contracts was modified, in which its main purpose for accounting recognition is to render services at a fixed payment. Although its economic substance is similar to that of an insurance contract, an entity can opt to apply IFRS 15 Revenue from contracts with customers, instead of IFRS 17 if, and only if, specified conditions are met. By the same token, the CINIF considers that an entity that applies MX FRS, upon issuing contracts that are similar to an insurance contract in economic substance, that is, a contract in which one of the parties (issuer of the contracts) accepts a significant insurance risk from the other party (contract holder), whereby it is agreed to offset the holder by rendering services, if an uncertain event occurs (the insured event) that adversely affects the holder of the insurance, MX FRS D -1 "Revenues from contracts with customers must be applied for its accounting recognition, provided that the entity is a service provider and meets specified requirements. The possibility is eliminated of suppletorily applying IFRS 17. This is why the scope of MX FRS D-1 is modified.

Effective beginning January 1, 2026, and their early adoption is permitted for 2024:

MX FRS C-19 Financial instruments payable – In convergence with the amendments made to International Financial Reporting Standard (IFRS) 9 Financial instruments. Certain requirements are added to derecognize a financial liability when its payment is made in cash by using an electronic payment system.

MX FRS C-19 Financial instruments payable and MX FRS C-20 and Financial instruments for collecting principal and interest – To understand the nature and scope of the risks that arise from financial instruments with contingent clauses since they are linked to compliance with an environmental, social or governance objective, an entity is required to disclose information that enables users of financial statements to know the uncertainty of future cash flows, as an investor and/or issuer of this type of instruments. The disclosure requirements added will be applicable only to Public Interest Entities.

Improvements to MX FRS that do not generate accounting changes

Moreover, improvements to 2025 MX FRS include modifications to MX FRS that do not generate accounting changes. It is fundamentally intended to make the statement of the issue more precise and clearer. Consequently, it is not necessary to establish an effective date for these improvements, which are listed below:

MX FRS A-1 Conceptual framework of Mexican Financial Reporting Standards and MX FRS B-9 Interim financial reporting – The connectivity between Sustainable Reporting Standards (SRS) and MX FRS is necessary, mainly because sustainability matters can generate risks that can impact the financial statements. That risk is required to be disclosed when faced with the existence of events or circumstances that generate any significant risk, due to environmental, social or governance matters that can have an effect on the financial statements that are being issued. Likewise, this is done with other risks such as liquidity, credit, market or cash flow risks. Public Interest Entities (PIE) must also disclose new risks that can impact interim financial statements. Moreover, the definition of users of financial statements is amended to be consistent with the definition in IAS.

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Moreover, in reference to accounting policies, both the Conceptual Framework of MX FRS and particular MX FRS set forth that it is sufficient to only disclose those that are significant.

MX FRS C-19 Financial instruments payable – In accordance with MX FRS C-19, other payables, just like long-term trade accounts payable (exceeding one year), must be valued at their amortized cost since their recognition. The necessary clarifications are made to the standard.

FRS B-8 - Consolidated or combined financial statements - As part of the modifications of the revised disclosures project that will become effective beginning January 1, 2025, the disclosure was homologated with respect to when there is significant non-controlling equity; therefore, the reference made to the difference is eliminated in the convergence section with IFRS in MX FRS B-8.

MX FRS C-6 Property, plant and equipment - The disclosure is eliminated of the amount of the accumulated and estimated was eliminated for the completion of constructions-in-progress; therefore, the paragraph is eliminated that addressed that difference with respect to IAS 16 Property, plant and equipment in the convergence section of MX FRS NIF C-6.

MX FRS C-8 Intangible assets - IAS 38 Intangible assets sets forth that the price paid to acquire an intangible asset separately reflects the probability that the entity may obtain future economic benefits; therefore, it is assumed that the probability criterion is always complied with in these cases. On the other hand, that exception is not contemplated in MX FRS C-8 and in all cases, it is required to analyze if the intangible meets the criteria for its recognition, consistent with the provisions in the MX FRS Conceptual Framework. Consequently, the difference is maintained and included in its reference made in the convergence section with IFRS.

MX FRS C-9 Provisions, contingencies and commitments – MX FRS C-9 sets for standards applicable to onerous contracts, including those relative to the costs of performing the clauses of the contract. A description of costs to consider in their determination is added for a better understanding of such costs, consistent with IAS 37, Provisions, contingent assets and contingent liabilities.

MX FRS C-10 Derivative financial instruments and hedge relationships - MX FRS C-10 has an additional criterion as a requirement for determining the effectiveness of a hedge relationship, which sets out that the counterparties have the economic and operating capacity to meet the commitments agreed upon. That requirement does not contemplate IFRS 9 Financial instruments, but the CINIF considers it necessary; therefore, the difference with IFRS is maintained and an introductory paragraph is included with that reference in the convergence section with IFRS.

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MX FRS D-8 Share-based payments – MX FRS D-8 does not clarify how to recognize a withholding of any tax on a share-based payment relative to shares paid to an employee, whereas IFRS 2 Share-based payments does address this matter. In this respect, it was decided to make the necessary clarifications to include the cases on which a tax withholding must be made from a third party on a share-based payment, not only when an employee is involved.

MX FRS A-1 “Conceptual framework of Mexican Financial Reporting Standards” - It is not clear in some MX FRS how OCI (other comprehensive income) is recycled. In this respect, it is considered that the recycling of OCI to the statement of comprehensive income must be proportionate to the realization of the item that gave rise thereto; therefore, the following specific definition is made in MX FRS A-1 for it to be applicable to all particular MX FRS details.

MX FRS B-5 Financial segment reporting - This standard applies to Public Interest Entities (PEI), which have financial instruments listed or unlisted in a stock exchange. In that case, the terms of the scope of this MX FRS are homologated with the terms in which the PIE referenced in the MX FRS conceptual Framework are defined.

MX FRS C-15 Impairment in the value of long-lived assets – MX FRS C-15 requires that the justification be disclosed for using a discount rate of the future cash flow projections that exceed the average long-term growth rate. However, the reference to that rate is not provided for in valuation standards for the determination of the amount recoverable for value-in-use; therefore, the clarification is included.

Modifications were made to various MX FRS, since transition paragraphs of MX FRS that are no longer in effect were identified; therefore, they are eliminated. Moreover, references to the paragraphs of each MX FRS in the glossary in those in which the definitions are set out are eliminated, and only the reference to the corresponding specific MX FRS is maintained.

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

Sustainability Reporting Standards (SRS)

SRS A-1. - It sets forth the bases to develop particular SRS and their application in the preparation and disclosure of sustainability reporting of an entity. Moreover, it sets forth the quality requirements with which this information must meet.

SRS B-1. - It requires that Basic Sustainability Indicators (BSI) be determined and disclosed. BSIs are a point of departure to identify risks and opportunities related to sustainability and, therefore, implement the necessary infrastructure in the entity to manage them and set out better sustainability practices, as well as to provide information that meets the needs of users.

These standards become effective for fiscal years that begin as of January 1, 2025. Their early application is permitted provided that they are applied jointly.

Notes to the consolidated financial statements

For the years ended December 31, 2024 and 2023

(Amounts in thousands of pesos)

Entity Management is in an evaluation process to determine the effects of option of Sustainability Reporting Standards.

NOTE 24. AUTHORIZATION TO ISSUE THE FINANCIAL STATEMENTS

The accompanying financial statements were authorized to be issued by Mr. Leonel Cravioto Garcia, Chief Executive Officer of the Entity, on March 28, 2025. Consequently, they do not reflect the events that occurred after that date. They are also subject to the approval at the Ordinary Stockholders Meeting of the Entity, which can decide its modification, in accordance with the General Corporate Law.

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