Salles Sainz
Grant Thornton

Financial statements and Independent auditor's report

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

December 31, 2022 and 2021

Contents

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Independent auditor's report

To the General Stockholders' Meeting of
Dinerito Audaz, S. A. P. I. de C. V. Sociedad Financiera de Objeto Múltiple,
Entidad No Regulada

Opinion

We have audited the financial statements of **Dinerito Audaz, S. A. P. I. de C. V. Sociedad Financiera de Objeto Múltiple, Entidad No Regulada** (the Company), which comprise the statement of financial position as of December 31, 2022, and 2021, and the statements of profit or loss, changes in stockholders' equity, and of cash flows for the years then ended, and a summary of the significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Dinerito Audaz, S. A. P. I. de C. V. Sociedad Financiera de Objeto Múltiple, Entidad No Regulada as of December 31, 2022, and 2021 as well as its results and cash flows for the years then ended, in conformity with Mexican Financial Reporting Standards (MX FRS).

Basis for opinion

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

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

In the preparation of financial statements, Management is responsible for evaluating the Company'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 the Company or suspend its operations, or there is no other realistic alternative.

Auditor's Responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements of the Dinerito Audaz, S. A. P. I. de C. V. Sociedad Financiera de Objeto Múltiple, Entidad No Regulada, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it does not a 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 in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

SALLES, SAINZ - GRANT THORNTON, S.C.

C.P.C. Julián A. Abad Riera

Mexico City, Mexico
April 10, 2023

Exhibit to the Independent Auditor's Report

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

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

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

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

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

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

We communicate the scope and timing of the planned audit and the significant findings of the audit to Company Management, among other matters, as well as any significant internal control deficiency that we identified in the course of the audit.

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

Statements of financial position

For the years ended December 31, 2022 and 2021

(Amounts stated in Pesos)

	Note	2022	2021
ASSETS			
Liquid assets	5	**$ 30,229,737**	$ 34,066,461
Loan Portfolio:	6		
Current loan portfolio		**454,829,787**	353,407,704
Nonperforming loan portfolio		**19,235,879**	25,859,032
Less:			
Allowance for loan losses		**(13,173,837)**	(19,345,843)
Total loan portfolio, net		**460,891,829**	359,920,893
Other receivables		**1,797,634**	1,732,875
Furniture, equipment and leasehold improvements, net	7	**1,056,037**	999,480
Right-of-use assets, net	8	**12,204,235**	11,449,456
Derivative financial instruments	9	**-**	98,267
Other assets		**159,328**	124,558
Total assets		**$ 506,338,800**	$ 408,391,990
LIABILITIES AND STOCKHOLDERS' EQUITY			
Loans and notes payable:			
Short-term	9	**$ 85,337,621**	$ 46,676,241
Long-term	9	**208,146,445**	223,298,273
		293,484,066	269,974,514
Other liabilities	9	**14,556,330**	1,056,058
Related parties	9	**23,338,980**	31,533,657
Derivative financial instruments	9	**5,333,615**	-
Taxes payable		**4,671,032**	5,010,242
Lease liabilities	8	**12,641,924**	11,802,825
Employee benefits	12	**1,159,143**	851,063
Total liabilities		**355,185,090**	320,228,359
STOCKHOLDERS' EQUITY	10		
Capital stock		**89,690,000**	89,690,000
Financial instruments convertible to equity		**54,300,000**	-
Legal reserve		**758,329**	252,367
Accumulated losses		**6,405,381**	(1,778,736)
Total stockholders' equity		**151,153,710**	88,163,631
Total liabilities and stockholders' equity		**$ 506,338,800**	$ 408,391,990

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

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

Statements of profit or loss

For the years ended December 31, 2022 and 2021

(Amounts stated in Pesos)

	Note	2022	2021
Interest revenue	**14**	**$ 139,610,380**	$ 108,687,267
Interest expense		**(44,810,100)**	(33,692,292)
Exchange rate effects on loans, net		**3,586,398**	(524,712)
Fees paid		**(22,662,583)**	(14,176,292)
		(63,886,285)	(48,393,296)
Financial margin		**75,724,095**	60,293,971
Allowance for loan losses		**(11,394,883)**	(10,185,420)
Financial margin adjusted for credit risks		**64,329,212**	50,108,551
Administrative expenses	**15**	**(58,515,540)**	(41,612,034)
Other income, net		**3,360,574**	1,622,722
Net profit for the year		**$ 9,174,246**	$ 10,119,239

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

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

Statements of changes in stockholders' equity

For the years ended December 31, 2022 and 2021

(Amounts stated in Pesos)

	Capital stock	instruments convertible to equity	Legal reserve	Accumulated losses	Total stockholders' equity
Balances as of December 31, 2020	$ 89,690,000	**$ -**	$ 252,367.00	$ (11,897,975)	$ 78,044,392
Net profit for the year	-	-	-	10,119,239	10,119,239
Balances as of December 31, 2021	89,690,000	-	252,367	(1,778,736)	88,163,631
Increase to legal reserve	**-**	**-**	**505,962**	**(505,962)**	**-**
Financial instruments convertible to equity	**-**	**54,300,000**	**-**	**-**	**54,300,000**
Income on financial instruments convertible to equity	**-**	**-**	**-**	**(484,167)**	**(484,167)**
Net profit for the year	**-**	**-**	**-**	**9,174,246**	**9,174,246**
Balances as of December 31, 2022	**$ 89,690,000**	**$ 54,300,000**	**$ 758,329**	**$ 6,405,381**	**$ 151,153,710**

Dinerito Audaz, S. A. P. I. de C. V.

Sociedad Financiera de Objeto Múltiple, Entidad No Regulada

Statements of cash flows

For the years ended December 31, 2022 and 2021

(Amounts stated in Pesos)

	2022	2021
OPERATING ACTIVITIES:		
Net profit for the year	**$ 9,174,246**	$ 10,119,239
Cost of defined employee benefits	**308,080**	142,424
Items related with financing activities:		
Accrued interest payable	**803,689**	678,250
Items related to investment activities:		
Depreciation and amortization	**5,796,399**	4,809,147
Interest earned	**(347,481)**	(91,222)
	15,734,933	15,657,838
Loan portfolio, net	**(100,970,936)**	(106,216,723)
Other receivables	**(64,759)**	(158,854)
Other assets	**(34,770)**	(23,529)
Loans and notes payable	**15,314,875**	108,484,446
Other payables and accrued liabilities	**13,161,062**	(2,684,731)
Net cash flows from operating activities	**(56,859,595)**	15,058,447
INVESTING ACTIVITIES:		
Acquisitions of furniture, equipment and leasehold improvements	**(5,852,956)**	(4,841,713)
Interest earned	**347,481**	91,222
Derivative financial instruments	**5,431,882**	(2,496,008)
Net cash flows from investing activities	**(73,593)**	(7,246,499)
FINANCING ACTIVITIES:		
Financial instruments convertible to equity	**54,300,000**	-
Interest paid	**(803,689)**	(678,250)
Income on financial instruments convertible to equity	**(484,167)**	-
Payments of lease liabilities, net	**84,320**	(142,858)
Net cash flows from financing activities	**53,096,464**	(821,108)
Increase in cash and cash equivalents	**(3,836,724)**	6,990,840
Cash and cash equivalents at beginning of year	**34,066,461**	27,075,621
Cash and cash equivalents at end of year	**$ 30,229,737**	$ 34,066,461

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

Notes to the financial statements

December 31, 2022 and 2021

(Amounts stated in Pesos)

1 NATURE OF OPERATIONS AND MAIN BUSINESS

Dinerito Audaz, S. A. P. I. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad No Regulada (the Company) has as its main activity the regular and professional performance of payroll credit operations on a regular basis, as well as pure lease, financial lease, and financial factoring operations, which it carries out primarily in Mexico City.

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

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

The decrease in the restrictive measures implemented by the government at the federal and local level to reduce the spread of the COVID 19 virus were consistent during the years 2022 and 2021, this has generated that the Company continues to normalize its operation.

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

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

On April 23, 2021, a decree was published that modifies various federal laws concerning the subcontracting of personnel services, thereby prohibiting subcontracting and only allowing those that qualify as specialized services or execution of a specialized work. These modifications contemplate a maximum limit for the payment of Employee Profit Sharing (PTU – for its acronym in Spanish), corresponding to the highest amount between the equivalent of three months of the employee’s salary or the average paid for PTU in the last three years.

2 APPROVAL AND BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

The accompanying financial statements were authorized to be issued by Mr. Paul Bustos Gamboa, Chief Executive Officer and Ms. Maria Elena Marin Ramirez Finance and Accounting Director on April 10, 2023. Consequently, they do not reflect events that occurred subsequent to that date.

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

3 CHANGES IN ACCOUNTING POLICIES

a) New standards applicable beginning January 1, 2022

Various new standards, interpretations, and amendments to existing standards became effective on January 1, 2022, which had no effect on the financial position nor the performance of the Company.

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

As of the authorization date of these financial statements, various new standards, interpretations, and amendments to existing standards have been published by the CINIF, which become effective on January 1, 2023 and subsequent years, and are estimated not to have a significant effect on the financial position nor on the profit or loss for the Company.

<u>Improvements to MX FRS 2023</u>

The CINIF issued the 'Improvements to 2023 MX FRS', which will become effective for periods that begin on January 1, 2023. Their early application is permitted. Those improvements are estimated not to have a significant effect on the financial statements of the Company.

4 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting principles that have been used to prepare these financial statements are summarized below:

a. Functional and presentation currency

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

The functional currency is that which the Company primarily generates and uses its cash flows corresponding to its revenues and expenses.

Foreign currency balances and transactions

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

b. Impact of inflation

The financial statements as of December 31, 2022 and 2021 have been prepared on an original historical value basis. In conformity with MX FRS B-10, the Company does not recognize the impact of inflation on the financial information, since it has operated in an inflationary economic environment, insofar as accumulated inflation of the three years prior to the date of the financial statements is lower than 26%.

Annual inflation in 2021, 2020 and 2019 was 7.36%, 3.15% and 2.83%, respectively; therefore, accumulated inflation for the prior three-year period was 13.34%.

c. Statements of profit or loss

The statements of profit or loss are presented in a single statement, show costs and expenses based on their function. Since it is a financial services company, it considers that the information presented here is clearer. The Company did not generate other comprehensive income items in the years presented; therefore, profit or loss for the period and comprehensive income are the same. In addition, the caption of other income is included since it is considered advisable for presenting the amounts of activities therein, which are not related to the main operation of the Company.

Since the Company engages in granting financing to third parties, it presents its statements of financial position in the order of availability and when items become due and payable, instead of a presentation of short and long-term items, since it considers that this presentation is more appropriate for an adequate interpretation.

d. Statements of cash flows

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

e. Liquid assets

Liquid Cash is comprised of cash on hand and bank deposits in checking and investment accounts and highly liquid sight investments that are easily convertible into cash, and subject to an immaterial risk of changes in value. As of December 31, 2022 and 2021, interest accrued in bank and investment accounts is included in profit or loss for the year in the caption of “interest income”.

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

f. Financial instruments

Recognition and derecognition of financial instruments

Financial assets and liabilities are recognized when the Company forms part of the terms and conditions of a financial instrument. Financial assets and liabilities represent contractual rights and obligations, respectively, in connection with monetary economic resources.

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

Classification and initial measurement of financial assets

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

- Liquid assets
- Loan portfolio

All revenues and expenses related to financial assets are recognized in profit or loss and they are presented in financial costs, financial revenues or other financial items, except for the impairment of the loan portfolio which is presented in other expenses.

Subsequent measurement of financial assets

Financial instruments for collecting principal and interest (IFCPI for its acronym in Spanish)

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

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

- are maintained within a business model whose objective is to hold financial assets and collect their contractual cash flows; and
- the contractual terms of financial assets give rise to cash flows that are only payments of capital and interest on the balance of outstanding capital.

The measurement at amortized cost is performed by using the effective interest rate. The discount is omitted when the effect thereof is immaterial. Cash and cash equivalents of the Company, as well as the loan portfolio, which include a significant financing component, are classified in this category and measured at amortized cost.

Financial instruments held to collect or sell (IFCV)

The Company subsequently measures the IFCV at their fair value through other comprehensive income (FVTOCI), by previously allocating the gain or loss on accrued interest, exchange fluctuation, and impairment losses, provided that the assets meet the conditions of the IFCPI, and its business model also includes the possibility of selling them.

Any gain or loss recognized in other comprehensive income (OCI) will be recycled at the time it is derecognized in financial asset accounts.

Negotiable financial instruments (NFI)

Financial assets, which are maintained within a business model, other than the financial instruments for collecting principal and interest or financial instruments held to collect or sell, are subsequently measured at FVTPL. In addition, irrespective of the business model, financial assets whose contractual cash flows are not only for payments of capital and interest, they are allocated to FVTPL as well. All derivative financial instruments go into this category, except those designated and effective as hedge instruments, to which hedge accounting requirements are applied.

Financial asset impairment

Loan portfolio -

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

Nonperforming loan portfolio

This corresponds to outstanding balances of credits and interest, which are classified as nonperforming, in accordance with the criteria discussed below:

Credits with amortization of principal and interest agreed upon in periodic partial payments that would not have been collected and when such payments reach 150 or more days in arrears, beginning with the first default. Interest is no longer accrued once credits are considered as nonperforming portfolio.

Once the period of 360-days or more in arrears has elapsed beginning with the first default, the Company creates a 100% allowance for this type of credits.

The nonperforming portfolio is applied directly against the preventive estimate for credit risks. The recovery of a previously written off portfolio is recognized directly in profit or loss for the year in the caption of “Other income, net”.

An allowance is created for the total uncollected accrued interest considered as nonperforming portfolio.

Allowance for loan losses

The Company uses the approach for measuring impairment through the Expected Loan lost rate (ECL), which is calculated with the following formula:

$$ECL = PD * LGD * EaD * D$$

Where:

ECL	-	Expected loan loss rate
PD	-	Probability of Default
LGD	-	Loss Given Default
EaD	-	Exposure at Default
D	-	Discount Factor

A brief explanation of the parameters comprising the calculation of the allowances under the Expected Credit Loss approach is given below.

Probability of Default

The Probability of Default measures the probability that a financial instruments defaults over a specific period of time. To be in line with MX FRS C-16, the PD must consider the lifetime of the asset, including possible forward-looking impairment events

Accordingly, modeling lifetime Pds is a fundamental part for calculating the ECL, which can be extended over a lifetime horizon, in accordance with MX FRS C-16 requirements, based on the following formula:

$$ECL = \sum_{t=1}^{T} MPD_t * LGD_t * EaD_t * D_t$$

Where MPDt represents the marginal default probability or the unconditional default probability at an exact moment in the life of the financial instrument.

Loss Given Default

The Loss Given Default is an estimate of the amount that is contemplated to be lost, given that the financial instrument falls into default. Just like the PD, the LGD must be calculated for the lifetime of the instrument and not just for the first 12 months. To determine the value of the LGD, consideration must be given to what is discussed below:

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

Exposure to Default

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

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

Classification and measurement of financial liabilities

The financial liabilities of the Company include loans and notes payable and other payables. They are initially measured at fair value, and when this applies, they are adjusted for transaction costs.

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

Derivative financial instruments and hedge accounting

Derivative financial instruments contracted for hedging purposes on adverse movements in fair value, cash flows, or in a net investment in a foreign operation.

To the degree that the hedge is effective, changes in the fair value of derivatives designated as hedge instruments in cash flow hedges operations are recognized in income for the year. Any ineffectiveness in the hedge ratio is immediately recognized in profit or loss.

g. Loan portfolio

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

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

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

h. Other receivables

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

i. Furniture, equipment and leasehold improvements

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

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

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

Leasehold improvements are amortized during the useful period of the improvement, which is most estimated to be the lower of 10 years or the end of the contract.

Minor maintenance and conservation expenses are recognized directly in profit or loss for the year when disbursed.

j. Leases

The Company as a lessee

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

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

Measurement and recognition of leases as a lessee

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

The Company measure the lease liability at the present value of payments not yet due on the inception date, discounted by using the interest rate implicit in the lease agreement of that rate is easily determinable, the incremental financing rate of the Company or the risk free rate. Generally, the Company uses its incremental borrowing rate as a discount rate.

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

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

After the initial measurement, the liability will be reduced by the payments made and it will be increased by interest. The financial cost is the amount generated in a constant interest rate on the remaining balance of the financial liability.

The lease liability is revalued when there is a change in the lease payments, a change in the lease payments that arise from a modification in the lease period or a change in the evaluation of a purchase option of a leased asset. The amount of the revaluation of the lease liability is reflected as an adjustment to the book value of the right-of-use asset. The exception to the foregoing takes place when the book value of the right-of-use asset has been written down to zero. Then any excess is recognized in income.

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

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

k. Employee benefits

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

The Company recognizes the liability for employee benefits as follows:

Direct benefits such as salaries, overtime, vacations, among other things, are recognized in exchange for services rendered in the period in which they are accrued at their nominal value.

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

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

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

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

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

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

m. Provisions and liabilities

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

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

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

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

n. Capital stock and other capital components

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

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

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

o. Recognition of interest revenue

Interest in the performing portfolio when earned is recognized in profit or loss for the year. However, the earning of interest is suspended at the time when the credit is transferred to the nonperforming portfolio. Ordinary interest of nonperforming credits is recognized as income when collected.

p. Financial margin

The financial margin consists of items which, in conformity with MX FRS, form part of the "Comprehensive gain or loss on financing; therefore, interest earned and interest expense are included, as well as exchange differences. The Company presents the financial margin in the first section of the statement of profit or loss, since it is its main source of revenue, and Company Management considers that it best reflects the financial substance of the business as such.

q. Operating expenses

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

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

Significant management judgements

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

Estimation uncertainty

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

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

<u>Defined benefit obligation (DBO)</u>

Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses (as analyzed in Note 12).

5 LIQUID ASSETS

	2022	2021
Banks (a)	**$ 28,825,047**	$ 33,057,642
Short-term investments (b)	**1,404,690**	1.008,819
	$ 30,229,737	$ 34,066,461

a) Restricted cash balance comprises a bank account named concentrator in which all collections are deposited in accordance to the master trust CIB/2229, also four bank accounts, two of them, set up as receipt and distribution accounts, where monetary resources from credits granted as guaranty of collection are deposited and the remaining two bank accounts, designated as reserve accounts, in the understanding that it is prohibited to utilize the cash deposited into them in accordance to the irrevocable trust for administration, guarantee and source of payment Actinver F/3954 and F/338.

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

On April 12, 2019, an irrevocable management and source of payment trust agreement number F/3954 was entered into between the Company, in its capacity as trustor and secondary beneficiary, the trustee Banco Actinver, S.A., Institucion de Banca Multiple, Grupo Financiero Actinver, in its capacity as trustee of the Irrevocable Management and Source of Payment Trust No. F/3954 and OHP II LP, as primary beneficiaries. Where the funds are deposited of the credits assigned as a collection guarantee, in the understanding that under no circumstances may the amounts that the Company maintains deposited in that account be used, in accordance with the irrevocable management, guarantee, and source of payment trust. At July 28, 2022, OHP II LP in its capacity as assignor and OHPC LP in its capacity as assignee, entered into an agreement for the assignment of the rights and obligations of the credit agreement, by virtue of which, OHP II LP assigned all its rights and obligations derived from said credit agreement in favor of OHPC LP

As of December 31, 2022 and 2021, restricted cash amounts to $25,959,302 and $21,054,015, respectively.

b) As of December 31, 2022 and 2021, the investment in highly liquid instruments is in a mutual fund in debt instruments.

As of December 31, 2022 and 2021, interest earned from liquid assets amounted to $1,361,309 and $197,923, respectively.

6 LOAN PORTFOLIO

The loan portfolio is summarized as shown below:

	2022	2021
Performing loan portfolio		
Capital	**$ 445,909,695**	$ 347,140,026
Interest	**8,920,092**	6,267,678
	454,829,787	353,407,704
Nonperforming loan portfolio:		
Capital	**13,363,625**	15,959,399
Interest	**5,872,254**	9,899,633
	19,235,879	25,859,032
	474,065,666	379,266,736
Less - Allowance for loan losses	**(13,173,837)**	(19,345,843)
	$ 460,891,829	$ 359,920,893

As of December 31, 2022 and 2021, interest earned on the loan portfolio amounts to $137,303,474 and $107,693,363, respectively.

The credit terms granted by the Company are payroll to employees of entities mainly of the Government Sector, guaranteed by the income of the workers themselves. The Company granted credits at an average rate of 44.54% and 39.70% for the years ended December 31, 2022 and 2021, respectively.

In order to guarantee the payment of the total financing received by OHPC LP (formerly OHP II LP) (see Note 9), the Company created the Master Trust CIB/2229, to which it assigns the collection rights of eligible credits in order to maintain the applicable aforo through the balance of the capital thereof at all times, as set forth in the credit agreements with ALTUM, and OHPC LP until each and every one of the debentures have been duly complied with in their entirety. That trust is bound to manage, divide, and allocate the collection of the credits assigned for the payment of the debentures with Altum and OHPC LP, it also includes a mechanism that binds the Company to contribute collection rights of additional eligible credits and/or an amount in cash equivalent to the additional eligible credits required to comply with the applicable aforo.

As of December 31, 2022 and 2021, the collection rights of the portfolio referred to in the Master Trust FD/2229 for OHPC LP and ALTUM amounts to $284,119,476 and $169,901,228, respectively. As of December 31, 2021, ALTUM had no collection rights, it was incorporated until October 6, 2022.

As of December 31, 2022 and 2021, the amount paid for brokerage services recorded in the loan portfolio amounts to $21,026,291 and $14,005,221, respectively,

As of December 31, 2022 and 2021, the amortized cost recorded in the loan portfolio amounted to $32,930,196 and $24,702,776, respectively.

The loan portfolio by geographic region as of December 31, 2022 and 2021 is shown below:

	2022		2021	
	Performing	**Nonperforming**	Performing	Nonperforming
Ciudad de México	**$ 122,400,304**	**$ 976,295**	$ 81,350,745	$ 1,891,103
Hidalgo	**104,706,418**	**6,172,478**	87,687,539	5,198,039
Puebla	**60,775,329**	**5,638,540**	55,185,766	5,234,543
Michoacán	**57,444,582**	**47,423**	28,884,873	151,476
Yucatán	**41,412,666**	**1,414,744**	35,308,817	1,243,229
Querétaro	**22,749,527**	**1,005,487**	23,033,842	884,613
Estado de México	**22,088,764**	**767,583**	22,539,789	533,096
Coahuila	**10,017,685**	**1,699,994**	9,915,292	5,827,456
Veracruz	**6,144,327**	**1,119,116**	9,056,472	3,889,426
Chihuahua	**3,889,067**	**-**	-	-
Nuevo Léon	**3,089,119**	**207,563**	-	-
Aguascalientes	**41,544**	**104,147**	255,581	211,071
Guadalajara	**70,455**	**63,293**	188,988	648,719
Chiapas	**-**	**19,216**	-	146,261
	$ 454,829,787	**$ 19,235,879**	$ 353,407,704	$ 25,859,032

Allowance for loan losses

As of December 31, 2022 and 2021, the preventive estimate for loan risks is summarized below:

	2022	2021
Balance at beginning of year	**$ 19,345,843**	$ 9,160,423
Increase in the estimate	**11,394,883**	10,185,420
Write-offs	**(17,566,889)**	-
Balance at end of year	**$ 13,173,837**	$ 19,345,843

7 FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS, NET

	2022	2021
Furniture and office equipment	**$ 850,670**	$ 680,880
Computer equipment	**1,186,325**	1,008,481
Communication equipment	**69,400**	69,400
Transportation equipment	**1,209,519**	1,330,123
	3,315,914	3,088,884
Less – Accumulated depreciation	**(2,259,877)**	(2,089,404)
	$ 1,056,037	$ 999,480

As of December 31, 2022 and 2021, depreciation and amortization for the year recognized in the statement of operations amounted to $308,512 and $606,686, respectively.

8 LEASES

Right-of-use asset

	2022	2021
Transportation equipment	**$ 7,115,156**	$ 7,115,156
Buildings and facilities	**20,078,612**	15,618,953
Computer equipment	**583,849**	583,849
	27,777,617	23,317,958
Less – Accumulated depreciation	**(15,573,382)**	(11,868,502)
Total right-of-use assets	**$ 12,204,235**	$ 11,449,456

Lease liability

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

	2022	2021
Short-term	**$ 4,672,300**	$ 5,344,819
Long-term	**7,969,624**	6,458,006
	$ 12,641,924	$ 11,802,825

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

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

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

	Right-of-use asset		
	Offices and facilities	Transportation equipment	Computer equipment
No. of leased right-of-use assets	14	6	31
Remaining lease term (years)	3	3	2
Average lease term (years)	3	3	2
No. of leases with an extension option	14	-	-
Lease with an option to buy	-	3	31
Leases with variable payments related to an index	14	-	-
No. of leases with termination options	-	3	31

As of December 31, 2022 and 2021, minimum lease payments are as follows:

	Less than 1 year	**From 1 to 2 years**	**From 2 to 3 years**	**From 3 to 4 years**	**Total**
December 31, 2022					
Lease payments	**$ 5,175,075**	**$ 4,991,879**	**$ 3,259,828**	**$ 108,663**	**$ 13,535,445**
Financial cost	**(502,775)**	**(260,626)**	**(128,614)**	**(1,506)**	**(893,521)**
Net present value	**$ 4,672,300**	**$ 4,731,253**	**$ 3,131,214**	**$ 107,157**	**$ 12,641,924**
December 31, 2021					
Lease payments	$ 5,937,143	$ 3,962,555	$ 2,843,908	$ -	$ 12,743,606
Financial cost	(592,324)	(275,011)	(73,386)	-	(940,781)
Net present value	$ 5,344,819	$ 3,687,544	$ 2,770,522	$ -	$ 11,802,825

9 FINANCIAL INSTRUMENTS

Categories of financial assets and liabilities

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

	2022	2021
Financial assets		
Par Value		
Liquid assets	**$ 30,229,737**	$ 34,066,461
Amortized cost		
Loan portfolio	**460,891,829**	359,920,893
Derivative financial instruments	**-**	98,267
	$ 491,121,566	$ 394,085,621
Financial liabilities		
Amortized cost		
Loans and notes payable	**$ 293,484,066**	$ 269,974,514
Other liabilities	**14,556,330**	1,056,058
Related parties	**23,338,980**	31,533,657
Derivative financial instruments	**5,333,615**	-
	$ 336,712,991	$ 302,564,229

Note 14 provides a description of the risks of the financial instruments of the Company, including management's objectives and policies of these risks.

a. Loans and notes payable

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

	2022		2021	
	Short-term	**Long-term**	Short-term	Long-term
OHPC LP. (assignee) before OHP II LP (assignor), integrating credit for 7,984,431 US dollars, with payment of ordinary monthly interest at a fixed rate of 15.50% per year, according to credit agreement entered into in April 2019. This debt was assigned through an agreement of assignment of rights between OHP II L.P. and OHPC L.P., where the former assigns all the rights referred to in the credit agreement, signed on July 28, 2022	**$ 51,670,715**	**$ 84,844,785**	$ -	$ -
Funding through MINTOS MARKET PLACE A.S.'s investment platform which amount 4,838,590 and 1,599,795 euros as of December 31, 2022, and 2021, respectively, obtained through valid credit portfolio placement and collection vía payroll discount.	**-**	**66,212,512**	-	112,620,789
Altum, S.A.P.I. de C.V. SOFOM E.N.R., with payment of ordinary interest, at an annual rate of TIIE + 10 points not exceeding 19%, payable on a monthly basis, due on March 31, 2026, according to a contract entered into on October 6, 2022. First disposition October 7, 2022 for $26,000,000 and second disposition November 17, 2022 for $19,500,000. With a grace period of 6 months, the first repayment of the principal will begin on April 1, 2023	**11,375,000**	**34,125,000**	-	-
CKD RF Estructura S.A.P.I. de C.V. SOFOM E.N.R., with payment of ordinary interest, at an annual rate of TIIE + 10 points without exceeding 19%, payable on a monthly basis, due on March 31, 2026, according to a contract entered into on October 6, 2022. First disposition date October 7, 2022 for $14,000,000 and second disposition November 17, 2022 for $10,500,000. With a grace period of 6 months, the first repayment of the principal will begin on April 1, 2023.	**6,125,000**	**18,375,000**	-	-
Simple credit current account in pesos dated May 27, 2021, granted by Finqro, S. A. de C. V. SOFOM, E. N. R. up to the amount of $20,000,000, with payment of ordinary interest, the equivalent of 16.00% per year due on May 27, 2026.	**16,166,906**	**-**	-	16,166 ,906
OHP II LP, credit 10th payroll distribution USD 1,254,119 with monthly ordinary interest payments on the 9th of every month, at an 13.25% fixed annual rate, at an initial exchange rate of $21.3677 Mexican pesos, according to the contract entered into in April 2020. On September 9, 2022, it was restructured in advance.	**-**		6,978,062	10,888,521
This sum continues on following page	**$ 85,337,621**	**$203,557,297**	$ 6,978,062	$139,676,216

	2022		2021	
	Short-term	**Long-term**	Short-term	Long-term
Sum from previous page	**$ 85,337,621**	**$203,557,297**	$ 6,978,062	$139,676,216
OHP II LP loan, eleventh drawdown amounts 341,050 USD, with monthly interests' payment on the nineth of each month at a 13.25% fixed annual interest rate and an initial $20.5833 Mexican pesos exchange rate per US dollar in accordance with the loan agreement entered on February 2020. On September 9, 2022, it was restructured in advance.	**-**	**-**	4,871,734	-
OHP II LP loan, twelfth drawdown amounts 358,507 USD, with monthly interests' payment on the nineth of each month at a 13.25% fixed annual interest rate and an initial $20.0950 Mexican pesos exchange rate per US dollar in accordance with the loan agreement entered on February 2020. On September 9, 2022, it was restructured in advance.	**-**	**-**	5,721,926	-
OHP II LP loan, thirteenth drawdown amounts 1,359,384 USD, with monthly interests' payment on the nineth of each month at a 13.25% fixed annual interest rate and an initial $19.8313 Mexican pesos exchange rate per US dollar in accordance with the loan agreement entered on February 2020. On September 9, 2022, it was restructured in advance.	**-**	**-**	7,149,438	16,593,877
OHP II LP loan, fourteenth drawdown amounts 1,115,559 USD, with monthly interests' payment on the nineth of each month at a 13.25% fixed annual interest rate and an initial $20.0245 Mexican pesos exchange rate per US dollar in accordance with the loan agreement entered on February 2020. On September 9, 2022, it was restructured in advance.	**-**	**-**	14,920,337	-
OHP II LP loan, fifteenth drawdown amounts 1,656,294 USD, with monthly interests' payment on the nineth of each month at a 13.25% fixed annual interest rate and an initial $20.2293 Mexican pesos exchange rate per US dollar in accordance with the loan agreement entered in February 2020. On September 9, 2022, it was restructured in advance.	**-**	**-**	7,034,744	17,888,621
	$ 85,337,621	**$203,557,297**	$ 46,676,241	$174,158,714
Related parties				
Amir Manzur Escobar, loan granted on March 8, 2022, for the amount of $6,300,000, which does not generate ordinary interest and must be settled within a period of 5 years, once this period has elapsed it will accrue interest at a rate of 14% per month	**2,755,539**	**-**	-	-
Vanguardia Inmobiliaria Manesa S.A. de C.V., loan granted on March 8, 2022, for the amount of $ 15,669,000, which does not generate ordinary interest and must be settled within a period of 5 years, once this period has elapsed it will accrue interest at a rate of 14% per month.	**14,020,000**	**-**	-	-
Interest free mutual credit with Plaza Mompani, S. de R. L. de C. V. (related party) up to the amount of $14,960,308, provided that payments are made in due time and proper form. Otherwise, 14% monthly interest would be paid in pesos, due 2022.	**6,061,885**	**-**	4,364,380	-
	22,837,424	**-**	4,364,380	-
	$108,175,045	**$203,557,297**	$ 51,040,621	$174,158,714

As of December 31, 2022 and 2021, interest expense on loans amounted to $32,834,135 and $20,553,940, respectively.

As of December 31, 2022 and 2021, notes payable are summarized as shown below:

	Issue I		2016 Issue	
Bondholders	**2022**	2021	**2022**	2021
Federico Terrazas Becerra	**$ 1,023,722**	$ 1,013,202	**$ -**	$ -
José Ernesto González Guerrero	**1,015,944**	1,015,733	**-**	-
Patricia de Marbella Creel Gómez	**511,083**	778,829	**-**	-
Eunice Andrea Páez Marin	**258,944**	511,835	**-**	-
Oscar Alejandro Páez Marin	**255,736**	502,012	**-**	-
Erika Cházaro Pérez	**-**	-	**1,523,719**	1,510,889
Rodolfo Robles Rios **(a)**	**-**	11,079,389	**-**	-
Eugenio Rodriguez Redondo **(a)**	**-**	4,045,111	**-**	-
Rafael Avitia Enriquez **(a)**	**-**	3,836,128	**-**	2,027,016
Maria Guadalupe Molina Moreno **(a)**	**-**	3,039,986	**-**	-
Martine Magny Ruiz **(a)**	**-**	1,527,369	**-**	-
Brenda Ibarra Reséndez **(a)**	**-**	1,017,092	**-**	-
Deisi Valdez Mendez **(a)**	**-**	776,285	**-**	-
Consuelo Cervantes Martinez **(a)**	**-**	771,826	**-**	-
Martin Arellano Reynoso **(a)**	**-**	501,264	**-**	-
Maria Fernanda Arellano Alonso **(a)**	**-**	257,664	**-**	-
Vesna Elvia Gonzalez Moscoso **(a)**	**-**	250,681	**-**	-
Enrique de San Martín Bardawil Matuk	**-**	-	**-**	8,596,748
Edmundo Bardawill Matuk	**-**	-	**-**	3,042,167
Claudia Bardawill Matuk	**-**	-	**-**	3,038,333
	$ 3,065,429	$ 30,924,406	**$ 1,523,719**	$ 18,215,153
Related parties				
Sergio Núñez Martínez	**501,556**	1,013,500	**-**	-
Carlos Fernando Gamboa Heredia **(a)**	**-**	3,553,449	**-**	1,502,917
Dorian Manzur Cruz **(a)**	**-**	3,024,893	**-**	-
Said Guillermo Manzur Escobar	**-**	2,857,885	**-**	-
Aida P Gamboa Heredia **(a)**	**-**	2,269,250	**-**	-
Arlette Escobar Moguel **(a)**	**-**	2,072,579	**-**	2,206,832
Rosario Emilia Pawling Sánchez **(a)**	**-**	1,533,735	**-**	750,775
Maria Cecilia Heredia Molina **(a)**	**-**	1,016,969	**-**	-
Martha Alicia Moya Anchondo **(a)**	**-**	1,003,484	**-**	2,003,348
Paulina del Perpetuo Socorro Portugal Pawling **(a)**	**-**	1,006,611	**-**	-
José Escobar Olie **(a)**	**-**	588,105	**-**	514,457
Wilma Frances Combs Line **(a)**	**-**	250,488	**-**	-
	501,556	20,190,948	**-**	6,978,329
	$ 3,566,985	$ 51,115,354	**$ 1,523,719**	$25,193,482

Issue I

Pursuant to the General Ordinary and Extraordinary Stockholders' Meeting held on July 5, 2018, the stockholders resolved to authorize the creation of a collective credit, in conformity with the provisions of the General Law of Securities and Transactions. That credit was through issue I of 200 debentures which, in accordance with the applicable legal system, the Company has full standing to carry out that placement in local territory. In that case, it is proposed that the total value of the debentures to be issued be in an amount up to $50,000,000, each one of them with par value in the amount of $250,000.

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

2016 Issue

Pursuant to the General Ordinary and Extraordinary Stockholders' Meeting held on February 16, 2016, the stockholders resolved to authorize the creation of a collective credit, in conformity with the provisions of the General Law of Securities and Transactions. That credit was through the issue of 49 debentures which, in accordance with the applicable legal system, the Company has full standing to carry out that placement in local territory. In that case, it is proposed that the total value of the debentures to be issued be in an amount up to $24,500,000, each one of them with par value in the amount of $500,000.

Renewal agreements were entered into between private party "bondholders" and the Company for 36 additional months on the dates of March 4, 2019, March 7, 2019, March 14, 2019, March 15, 2019, May 5, 2019, June 21, 2019, June 8, 2019. July 11, 2019, October 6, 2019, October 31, 2019, November 8, 2019, and December 22, 2019. In addition, adhesion agreements in which the admission of bondholders is accepted were entered into between private parties on the dates of February 8, 2017, June 22, 2017, July 19, 2017, August 2, 2017, August 5, 2017, and September 1, 2017.

a) As of November 2022, these bondholders decided to settle the credit agreement that each had contracted with the Company and signed the "Perpetual Subordinated Financial Instrument" contract, referred to in Note 10.

As of December 31, 2022 and 2021, the interest expense on the financing received for the bondholders amounted to $9,323,709 and $11,532,108, respectively

As of December 31, 2022 and 2021, interest earned on financing received from related party bondholders amounts to $2,729,930 and $3,879,485, respectively.

As of December 31, 2022 and 2021, the sum of the item of loans and notes payable to third parties is summarized as follows:

	2022	2021
Short-term		
Loans with third parties	**$ 85,337,621**	$ 46,676,241
Long-term		
Loans with third parties	**203,557,297**	174,158,714
Third party bondholders Issue I	**3,065,429**	30,924,406
Third party bondholders 2016 Issue	**1,523,719**	18,215,153
	$ 208,146,445	$ 223,298,273

Derivative financial instruments

As of December 31, 2022 and 2021, the Company had contracted the following foreign exchange hedges on the Forward purchase operation as shown below.

Masari Casa de Bolsa, S.A.

2022			
Amount of the purchase U.S. dollars	**U.S. dollar exchange rate agreed upon**	**Amount in local currency**	**Due date**
291,761	**20.8112**	**$ 6,071,897**	**January 09, 23**
206,061	**20.8112**	**4,288,377**	**February 09, 23**
203,895	**20.8112**	**4,243,300**	**March 09, 23**
300,841	**20.8112**	**6,260,862**	**April 10, 23**
155,176	**20.8112**	**3,229,399**	**May 09, 23**
155,016	**20.8112**	**3,226,069**	**June 09, 23**
154,186	**20.8112**	**3,208,796**	**July 10, 23**
129,521	**20.8112**	**2,695,487**	**August 09, 23**
1,596,457		**$ 33,224,187**	

Kantox Limited

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

As of December 31, 2022, the Company has contracted various positions whose agreed maturity will occur during the months of January to November 2023, the expiration date is linked to the date on which the credits were requested on the MINTOS MARKET PLACE A.S. platform, the average settlement time of the coverage is one year.

Actinver Casa de Bolsa S.A. de C.V.

Amount of the purchase U.S. dollars	U.S. dollar exchange rate agreed upon	Amount in local currency	Due date
173,805	20.4820	$ 3,559,874	January 10, 2022
152,551	20.4820	3,124,550	February 9, 2022
142,674	20.4820	2,922,249	March 9, 2022
61,368	20.4820	1,256,939	April 11, 2022
530,398		$ 10,863,612	

As of December 31, 2022 and 2021, the exchange rate of the US dollar was $19.3615 and $20.5075 and the exchange rate in euros of $20.7810 and $23.2753, respectively; therefore, the Company recorded a loss in the amount of $(5,333,614) and $98,267 as of that date. This loss is presented in the statement of profit or loss of 2022, which forms part of the exchange effect as an exchange (loss) profit, and as a financial instrument liability in the statement of financial position.

Hedge ineffectiveness can arise when the critical terms of the forecasted transaction no longer coincides with those of the hedging instrument. For example, if there was a change at the time of the forecasted sales transactions beginning with what was initially estimated of if the volume of the currency in the hedged item was below expectations, which leads to an excessive hedge.

Hedged items and the hedging instrument are denominated in the same currency and, as a result, the hedge ratio is always one to one.

10 STOCKHOLDERS' EQUITY

a Capital stock

As of December 31, 2022 and 2021, capital stock is consisted of 25,077,123 shares with no par value shown, respectively, subscribed for and paid, which is summarized as follows:

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

b Financial instruments convertible to equity

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

- Variable yields, including VAT, are subject to the yield and compliance with all obligations to make payment and capacity of the senior debt (guaranteed) that the Company has. The Holder of the instrument will be entitled to the variable returns that are generated from the date of signing the contract and until whichever comes first (i) the total payment of the obligations derived from this contract is carried out, or (ii) a conversion event is carried out.

- The payment of the "Perpetual Subordinated Financial Instrument" is subordinated to the payment of ordinary debts that the Company has or may have, so that the obligation to pay the Holder will have the same degree of priority as the obligation to reimburse the capital to the shareholders of the Company and shall be paid pari passu in respect of other holders of perpetual subordinated financial instruments with the same characteristics as the Perpetual Financial Instrument, and also in respect of capital repayments to shareholders of the Company.

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

- The amount contributed by the Holder will be used for the granting of new credits originated by the current operation of the Company and / or for the payment of any expense or commission related to the conclusion of this Contract.

As of December 31, 2022, the amount subscribed by the Holders amounts to $54,300,000 and is integrated as follows:

	2022
Rodolfo Robles Rios	$ **10,500,000**
Rafael Avitia Enriquez	**5,750,000**
Eugenio Rodriguez Redondo	**4,000,000**
Ma. Guadalupe Molina Moreno	**3,000,000**
Consuleo Cervantes Martinez	**1,000,000**
Martine Magny Ruiz	**1,750,000**
Sonia Alonso Gómez	**1,500,000**
Brenda Ibarra Resendez	**1,000,000**
Deisi Valdez Méndez	**750,000**
Martín Arellano Reynoso	**500,000**
María Fernanda Arellano Reynoso	**250,000**
Vesna Elvira Gónzalez Moscoso	**250,000**
Related parties	
Arlette Escobar Moguel	**5,000,000**
Carlos Fernando Gamboa Heredia	**5,000,000**
Dorian Manzur Escobar	**3,500,000**
Martha Alicia Moya Anchondo	**2,550,000**
Rosario Emilia Pawling Sánchez	**2,000,000**
Aida Patricia Gamboa Heredia	**2,000,000**
José Escobar Olie	**1,000,000**
Wilma Frances Conbs Line	**1,000,000**
María Cecilia Heredia Molina	**1,000,000**
Paulina del Perpetuo Socorro Portugal Pawling	**1,000,000**
	$ 54,300,000

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

c Legal reserve

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

Pursuant to the minutes of the General Ordinary Stockholders Meeting held on April 20, 2022, the stockholders approved that the amount of $505,962 be created for the legal reserve, which represent 5% of the earnings obtained as of December 31, 2021.

d Distributed earnings

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

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

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

As of December 31, 2022, and 2021, Net After-Tax Profit Account has no balance.

e Capital decreases

As of December 31, 2022 and 2021, the restated balance of the Restated Paid-in Capital Account (CUCA) amounts to $121,885,111 and $113,055,478, respectively. In the case of a reimbursement or capital decreases in benefit of the stockholders, the excess of that reimbursement over this amount should be treated as a distributed earning for tax purposes.

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

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

For the year ended December 31, 2022 and 2021, the Company generated a tax income (loss) income amounting to $5,931,556 and $(4,324,767), respectively, which differs from net income (loss), due mainly to the following items:

	2022	2021
Net income for the year	**$ 9,174,246**	$ 10,119,239
Temporary items		
Tax over book depreciation	**(24,942)**	(111,636)
Amortized cost of assets and liabilities	**5,453,299**	(6,012,251)
Unamortized fees paid	**(16,350,246)**	(4,626,369)
Allowance for loan losses	**11,394,883**	10,185,420
Lease, net	**216,111**	274,139
Employee benefits.	**473,159**	142,424
Other items	**2,387,270**	(4,090,208)

	2022	2021
Permanent items		
Annual adjustment on inflation	**(6,590,210)**	(5,479,689)
Losses	**(1,254,213)**	(5,804,619)
Nondeductible expenses	**1,052,199**	1,078,783
Net effect	**(3,242,690)**	(14,444,006)
Taxable income (Tax loss)	**$ 5,931,556**	$ (4,324,767)

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

Deferred income tax

As of December 31, 2022 and 2021, the asset on the accrued deferred Income Tax effect is as shown below:

	2022	2021
Deferred assets:		
Allowance for loan losses	**$ 13,173,837**	$ 19,345,843
Undeducted write-offs	**17,604,459**	9,484,550
Furniture and equipment, net and lease	**345,092**	293,699
Provision for employee benefits	**1,159,143**	851,063
Unpaid PTU due	**542,362**	21,472
Tax loss carryforwards	**13,445,129**	17,896,042
Total deferred assets	**42,270,022**	47,892,669
Deferred liabilities:		
Amortized cost, net	**(32,930,196)**	(24,702,776)
Total deferred liabilities	**(32,930,196)**	(24,702,776)
Base for deferred Income Tax	**13,339,826**	23,189,893
Income tax rate	**30%**	30%
Deferred income tax asset	**4,001,948**	6,956,968
Valuation Allowance	**(4,001,948)**	(6,956,968)
	$ -	$ -

Company Management estimates that it will not generate sufficient taxable income to recover this asset in the short-term; therefore, it has decided to create a provision therefor.

Tax loss carryforwards

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

As of December 31, 2022, tax loss carryforwards restated at that date are summarized as shown below:

Year incurred	Restated amount	Year of expiration
2018	**$ 26,003**	2028
2020	**8,939,940**	2030
2021	**4,479,186**	2031
	$ 13,445,129	

12 EMPLOYEE BENEFITS

As of December 31, 2022 and 2021, the actuarial studies show the following information:

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

	2021		
	Severance payments	**Seniority premium**	**Total**
Net liability for defined benefits	**$ 653,810**	**$ 217,141**	**$ 870,951**
Current labor service cost	**$ 96,230**	**$ 79,895**	**$ 176,125**
Financial cost	**53,309**	**(67,122)**	**(13,813)**
Net cost for the period	**$ 149,539**	**$ 12,773**	**$ 162,312**

	2022	2021
Actuarial hypotheses used in absolute terms:		
Nominal discount rate used for calculating the present value of obligations	**9.20%**	7.65%
Nominal incremental rate in salary levels	**6.00%**	5.00%
Rate of minimum wage increase	**5.50%**	5.00%

As of December 31, 2021, the Company recorded as a result of the employee benefit plan a cost for the period amounting to $142,424, hence the related liability at that date amounts to $851,063, which differs by $19,888 from the amount determined and disclosed on the 2021 actuarial report; the Administration deems it as an immaterial variance.

13 EMPLOYEE PROFIT SHARING

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

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

For the year ended December 31, 2022, the Company generated a base for PTU of $5,423,618, in accordance with the ISR law, whose PTU payable of $542,362, was considered as final by virtue of said amount was less than the limits established in the LFT. The basis for PTU differs from the ISR base for each year due to the payment of PTU made and the amount of other benefits paid to employees that are not fully deductible for purposes of the ISR law.

For the year ended December 31, 2021 it did not generate a basis for employee profit sharing.

As of December 31, 2022 and 2021, deferred PTU is summarized as follows:

		2022		2021
Excess (book) tax value over tax book value of assets and liabilities for income tax, net, without considering tax losses	**$**	**647,665**	$	(5,272,379)
Rate		**10%**		10%
Deferred employee profit sharing asset	**$**	**64,766**		(527,238)
Less - Valuation allowance		**(64,766)**		527,238
Deferred Employee Profit Sharing	**$**	**-**	$	-

As of December 31, 2022, the Company decided not to recognize the deferred PTU liability, considering that it is not material.

As of December 31, 2021, the Company decided to provide for the deferred PTU liability and asset, respectively, by considering that it will not be possible to recover them.

14 INTEREST INCOME

		2022		2021
Interest on loans granted	**$**	**137,303,474**	$	107,693,363
Investment interest		**1,361,309**		197,923
Other interests		**945,597**		795,981
	$	**139,610,380**	$	108,687,267

15 ADMINISTRATIVE EXPENSES

		2022		2021
Salaries and social security contributions	**$**	**27,562,932**	$	18,821,516
Professional fees		**10,615,033**		7,231,678
IT Services		**4,305,662**		4,193,022
Depreciation of assets by right of use		**4,091,503**		2,594,275
Other expenses		**3,701,376**		2,420,198
Collection Services		**3,665,377**		2,027,306
Depreciation and amortization		**1,704,896**		2,214,872
Advertising		**951,327**		764,835
Donations		**745,074**		899,589
Telephone and electric power		**629,998**		444,743
PTU expense		**542,362**		-
	$	**58,515,540**	$	41,612,034

16 FINANCIAL INSTRUMENT RISK:

Risk management objectives and policies

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

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

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

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

Credit risk analysis

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

Contract assets

The Company's exposure to credit risk is affected mainly by the individual characteristics of each governmental agency to which the Company lends money to their corresponding employees.

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

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

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

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

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

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

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

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

As of December 31, 2022 and 2021, the maximum exposure to credit risk for assets was as follows:

	2022	2021
Stage 1	**$ 275,264,227**	$ 232,204,781
Stage 2	**134,019,402**	82,940,158
Stage 3	**18,193,115**	16,563,069
	$ 427,476,744	$ 331,708,008

Mutual funds

As of December 31, 2022 and 2021, the Company held mutual funds whose issuer is rated between the ‘mxA-1’ and ‘mxAAA+’, according to the S&P Rating Global Ratings Agency.

As of December 31, 2022 and 2021, the loan portfolio more than one year old amounts to $1,008,819 and $1,404,690, respectively.

Liquidity risk analysis

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

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

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

As of December 31, 2022 and 2021, the Company is exposed to liquidity risk due to the outflow represented by holding unsecured bank loans and issues of collective credit.

Market risk analysis

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

Currency risk

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

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

As of December 31, 2022 and 2021, foreign currency denominated assets and liabilities that expose the Company to an exchange risk are summarized below:

	US dollars		Euros	
	2022	2021	**2022**	2021
Assets	**338,078**	51,129	**253,340**	370,969
Liabilities	**(10,705,069)**	(4,627,976)	**(3,186,204)**	(4,838,590)
Borrowing position	**(10,366,991)**	(4,576,847)	**(2,932,864)**	(4,467,621)

As of December 31, 2022 and 2021, and April 10, 2023, issue date of the accompanying financial statements, the exchange rates of the US dollar were $19.3615, $20.4672 and $18.1765, respectively.

As of December 31, 2022 and 2021, and April 10, 2023, issue date of the accompanying financial statements, the exchange rates of the euro were $20.7810, $23.2753 and $19.8242, respectively.

As of April 10, 2023, the unaudited foreign currency position is similar to the position as of December 31, 2022.

Interest rate risk

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

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

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

Market price risk

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

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

17 CONTINGENCIES

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

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

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

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

18 EVENTS SUBSEQUENT TO THE REPORTING DATE

Management permanently monitors the development of the COVID-19 pandemic and its impact on the Company. Pursuant to that monitoring, no significant event related to the pandemic has been identified between the reporting date and authorization date of the accompanying financial statements that requires any adjustment or disclosure.

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