

**FINANCIERA INDEPENDENCIA
1Q24 EARNINGS CONFERENCE CALL
FRIDAY APRIL 26th, 2024**

Company Participants

- Eduardo Messmacher, Chief Executive Officer
- José María Cid, Chief Financial Officer

Operator

Good morning everyone and welcome to Financiera Independencia's 2024 First Quarter Results Conference Call. My name is [*], and I will be your operator for today's call. At this time, all participants are in a listen only mode. After the speakers' remarks, there will be a question-and-answer session.

(OPERATOR INSTRUCTIONS)

As a reminder, this video conference is being recorded. Joining us today from Financiera Independencia is Mr. Eduardo Messmacher, Chief Executive Officer, and Mr. Jose Maria Cid, Chief Financial Officer. I would now like to turn the call over to Mr. Jose Maria Cid.

Mr. Cid, you may begin.

Jose Maria Cid Michavila - Financiera Independencia – Chief Financial Officer

Good morning. Thank you for joining FINDEP's First Quarter 2024 results conference call.

We published our 1Q24 results yesterday, which are available on our Investor Relations website, FINDEP.MX

I would like to remind you that the information shared during this conference call may include forward-looking statements, and as such, are subject to assumptions, uncertainties, risks, and other factors that could cause actual results to differ materially from those described, including risks that may be beyond the Company's control.

Now, I will turn the call over to Eduardo Messmacher.

Eduardo Messmacher – Financiera Independencia – CEO

Thank you Jose Maria. Good morning everyone.

I will start with some highlights from our 1Q24 operations:

- Reported Net Profit for the quarter reached 179 million pesos, kicking off the year with strong performance, 8% higher YoY.
- The top line remains strong and operating expenses remain well controlled, with costs as a percentage of our average portfolio at 34% in the context of a decreasing portfolio balance primarily driven by our prudent approach to US economic conditions and FX effects.
- Liquidity is strong with cash at \$782 million pesos at quarter end. Net debt decreased \$137 million pesos from the prior quarter and 22% YoY.
- Our equity-to-asset ratio stands at 51% at quarter end, 7.8 percentage points above the same time last year.

Our Loan Portfolio of \$7.5 billion pesos decreased 7% YoY, including 8% appreciation of the Mexican Peso. Under a constant FX rate the consolidated group portfolio declined 3% YoY. Our portfolio based in Mexico grew approximately one half of a percent YoY and our US portfolio declined 11% YoY in dollars terms.

In 1Q24 loan origination was \$1.1 billion pesos, an increase of 2% compared with last year (or an increase of 5% under a constant FX). Compared to the prior quarter total loan originations decreased 3% with originations in Mexico increasing 2% while those in the US decreased 11% in dollar terms. Origination activities continue to reflect our prudent stance in the context of the prevailing macroeconomic environment.

The consolidated NPL ratio, measured as Stage 3 loan portfolio over the total portfolio, stood at 5.7% in 1Q24, improving 60 basis points against the prior quarter and 80 basis points against the prior year.

Findep's write-offs amounted to 368 million pesos in the first quarter, 7% lower than the prior quarter and 15% down from the prior year. Compared to the average portfolio, trailing twelve months' write-offs were at 20% vs 17% in the prior year.

NPLs plus trailing twelve month (TTM) write-offs over the total loan portfolio including TTM write-offs was 22% compared with 20% in the prior year.

Now I would like to share some performance highlights from each of our businesses during the quarter.

- *Independencia* represents 36% of the total portfolio and experienced a contraction of 3% YoY, with Net Interest income declining 2%. We also continue to see a reduction in operational expenses.
- *Apoyo Económico Familiar* represents 28% of the total portfolio and experienced a growth of 5% YoY with Net Interest Income growing 2% versus the prior year.
- *Apoyo Financiero* represents 35% of the total portfolio and experienced a contraction of 18% YoY or 11% in dollar terms with a 1% decline in Net Interest Income, in dollar terms.

We are pleased with a quarter of consistent and solid results with positive expected trends across each of the businesses.

Our digital transformation remains our top priority helping us to drive operational efficiencies across processes and workstreams ultimately improving the service we can provide to our customers and the quality of our results.

We remain committed to our strategy of focusing on our core business in our strategic markets, leveraging our expertise in credit analysis and loan origination while prudently managing liquidity and debt through macroeconomic cycles.

I'll now hand over the discussion to Jose Maria so he can provide additional details of our results.

Jose Maria Cid Michavila – Financiera Independencia – CFO

Thank you Eduardo.

Financial Results

In 1Q24 Interest Income was \$1.2 billion pesos, a decrease of 3% YoY despite a 7% decrease in the loan portfolio, or 3% under a constant FX rate.

Interest expense of \$148 million pesos declining 9% YoY, as we continue to proactively manage outstanding indebtedness.

Net Interest Income of \$1.03 billion pesos, declined 3% YoY.

The Provision for Loan Losses or PLL, was \$288 million pesos in 1Q24, 25% lower compared to the prior quarter and 14% lower than the prior year. PLL to average loans was at 15%, an improvement of 470 basis points from the prior quarter and 90 basis points from the prior year.

Non-interest expenses were \$644 million pesos in 1Q24 or 34% as a percentage of the average portfolio, reflecting continued discipline and control to manage the expense base in the context of a decreasing portfolio balance.

Interest bearing liabilities are down 23% YoY, or 21% under constant FX, compared to a 7% decrease in the loan portfolio or 3% decrease under constant FX. Compared to the prior quarter, interest bearing liabilities have decreased 2%, or 1.5% under constant FX.

Financial Position

The Company maintains a strong financial position with Cash and Cash Equivalents at \$782 million pesos or 7% of Total Assets, and a Solvency Ratio (Equity to Total Assets) of 51%, improving 7.8 percentage points from the prior year and 1 full point above the prior quarter.

Net debt, measured as interest bearing liabilities minus cash and cash equivalents of \$3 billion pesos at the end of the quarter, was down \$821 million pesos or 22% from the prior year, a 19% decline under a constant FX rate, reflecting prudent portfolio and debt management. On a sequential basis, net debt decreased \$137 million pesos.

Our operating cash flow during 1Q24 was \$579 million pesos.

The Company's Coverage Ratio was 233%, measured as Allowances for Loan Losses over Stage 3 Loans, compared with 217% in the prior quarter and 205% prior year.

The Company's Return on Equity ratio for the quarter was 13.4%, decreasing 55 basis points from the prior year, and the Return on Assets ratio was 6.8% increasing 95 basis points from the prior year. When considering Tangible Equity for the quarter, it decreased to 16.5% vs 17.7% in the prior quarter.

Overall, the Company delivered strong and consistent results in the quarter with continued disciplined execution of our key priorities.

Operator, we'd like to open the call for questions at this time.

Jose Maria Cid Michavila - Financiera Independencia – CFO

Thank you very much for your time and interest in Financiera Independencia. My contact information is available on our website at FINDEP.MX, if you have any further questions.

Have a great day.

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