

**FINANCIERA INDEPENDENCIA
2Q24 EARNINGS CONFERENCE CALL
FRIDAY JULY 19th, 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 Second Quarter Results Conference Call. My name is Andrea, 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 Second Quarter Results 2024 conference call.

We published these 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 2Q24 operations:

- Reported Net Profit for the quarter reached 193 million pesos, another quarter of strong results, 17% higher YoY and the highest second quarter in the Company's history.
- The top line remains strong with Interest Income up 1% from prior year and operating expenses well controlled. Costs as a percentage of average portfolio remained at 34% and the quarter ending portfolio balance increased 2% versus the prior year (remaining roughly flat under constant FX).
- Liquidity is strong with cash at \$841 million pesos at quarter end with Net debt decreasing 12% YoY.
- Our equity-to-asset ratio stands at 51% at quarter end, 4.2 percentage points above the same time last year.

Our portfolio based in Mexico grew approximately 4% YoY and our US portfolio declined 6% YoY in dollars terms.

In 2Q24 loan origination was \$1.3 billion pesos, an increase of 18% compared with last year (or an increase of 15% under a constant FX). Compared to the prior quarter total loan originations increased 21% with originations in Mexico increasing 16% and those in the US increasing 28% in dollar terms. Growth in each of the portfolio's origination activities in the quarter reflects growing confidence in stable to improving macroeconomic drivers.

The consolidated NPL ratio, measured as Stage 3 loan portfolio over the total portfolio, stood at 5.7% in 2Q24, flat to the prior quarter and improving 80 basis points against the prior year.

Findep's write-offs amounted to 316 million pesos in the second quarter, 14% lower than the prior quarter and 22% down from the prior year. Compared to the average portfolio, trailing twelve months' write-offs were at 19% flat to the prior year.

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

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

- *Independencia* represents 35% of the total portfolio and its portfolio grew 1% YoY, with Net Interest income also increasing 1%.
- *Apoyo Económico Familiar* represents 28% of the total portfolio and experienced growth of 7% YoY with Net Interest Income growing 5% versus the prior year.
- *Apoyo Financiero* represents 37% of the total portfolio and remained flat YoY in pesos, down 6% in dollars. Net Interest Income increased 1% in dollars.

We are pleased with a quarter of strong results with positive expected trends across each of the businesses underpinned by consistent execution of our strategy.

Prioritizing digital transformation remains our focus which helps to drive operational efficiencies across processes and workstreams and ultimately improves 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 will now hand over the discussion to Jose Maria who will provide additional details of our results.

Jose Maria Cid Michavila – Financiera Independencia – CFO

Thank you Eduardo.

In 2Q24 Interest Income was \$1.2 billion pesos, an increase of 1% YoY with a 2% increase in the loan portfolio and almost flat under constant FX.

Interest expense of \$149 million pesos declined 2% YoY, as we continue to proactively manage outstanding indebtedness.

Net Interest Income of \$1.05 billion pesos, increased 2% YoY.

The Provision for Loan Losses or PLL, was \$335 million pesos in 2Q24, 16% higher compared to the prior quarter, and less than 1% down versus the prior year. PLL to average loans was at 17%, an improvement of 210 basis points from the prior quarter and 40 basis points from the prior year.

Non-interest expenses were \$648 million pesos in 2Q24 or 34% as a percentage of the average portfolio, reflecting continued discipline and control in managing the expense base.

Interest bearing liabilities are down 7% YoY, or 9% under constant FX, compared to a 2% increase in the loan portfolio almost flat under constant FX. Compared to the prior quarter, interest bearing liabilities have increased 4%, close to 1% under constant FX.

The Company maintains a strong financial position with Cash and Cash Equivalents at \$841 million pesos or 8% of Total Assets, and a Solvency Ratio (Equity to Total Assets) of 51%, improving 4.2 percentage points from the prior year and consistent with the prior quarter.

Net debt, measured as interest bearing liabilities minus cash and cash equivalents of \$3.1 billion pesos at the end of the quarter, was down \$435 million pesos or 12% from the prior year, a 15% decline under a constant FX rate, reflecting prudent portfolio and debt management. On a sequential basis, net debt increased \$100 million pesos.

Our operating cash flow during 2Q24 was \$640 million pesos.

The Company's Coverage Ratio was 229%, measured as Allowances for Loan Losses over Stage 3 Loans, compared with 233% in the prior quarter and 202% prior year.

The Company's Return on Equity ratio for the quarter was 14%, increasing 40 basis points from the prior year, and the Return on Assets ratio was 7.2% increasing 110 basis points from the prior year. When considering Tangible Equity for the quarter, it marginally increased to 18.0% vs 17.9% in the prior year.

Overall, the Company again delivered strong and consistent results in the quarter and achieved growth in originations and in the ending portfolio balance.

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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