

Management Report

BANCA AFIRME

March 2023

Hoy creamos

Hoy creamos

EMPIEZA A IMAGINARLO

AFIRME
El Banco de Hoy

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MANAGEMENT COMMENTS AND ANALYSIS ON THE RESULTS OF OPERATION AND FINANCIAL SITUATION OF BANCA AFIRME.

OPERATING RESULTS.

Comparative analysis of the period ended March 31, 2023 compared to the period ended March 31, 2022.

Derived from the fact that from 2022 the change in the accounting regulation IFRS 9 and NIF D-5 was adopted, this report contains variations that are not comparative with previous years, for this reason such variations in some items are not explained.

At the end of the first quarter of 2023, Banca Afirme profit totaled 213.8mdp, 18.5% lower than the previous year, due to several items that will be explained below.

FINANCIAL MARGIN ANALYSIS

YIELDS GENERATED BY THE CREDIT PORTFOLIO

At the end of the third quarter of 2023, interest generated by the loan portfolio amounted to 1,930.5 million pesos, an increase of 25.1% compared to the same period of the previous year. This was mainly due to the behavior of the TIIE reference interest rate, which increased from 6.33% to 11.34% from March 2022 to March 2023, while the performing portfolio (stage 1 and 2) increased 5.0%.

Interest on loan portfolio	I Q 22	IV Q 22	I Q 23	Var.	% Var.
Business Loans	807.0	1,030.0	1,002.1	195.0	24.2%
Consumer loans	491.7	577.1	592.0	100.3	20.4%
Home loans	189.6	233.3	237.7	48.1	25.4%
Credits for Gubernamental Entities	42.4	65.4	88.7	46.3	109.3%
Credits for Financial Entities	12.3	18.3	10.1	(2.2)	-18.1%
Totals	1,542.9	1,924.2	1,930.5	387.5	25.1%

During the aforementioned period, commissions on loan transactions showed a marginal decrease of 1.0% annually.

Commissions received for Credit Operations	I Q 22	IV Q 22	I Q 23	Var.	% Var.
Business Loans	13.7	20.5	15.1	1.4	10.1%
Consumer loans	28.5	33.6	32.5	4.0	14.0%
Home loans	5.4	5.4	4.5	(0.9)	-16.6%
Credits for Gubernamental Entities	0.1	0.2	0.1	(0.0)	-41.4%
Totals	47.7	59.7	52.2	4.4	9.3%

INCOME FROM INVESTMENTS IN SECURITIES, REPURCHASE AGREEMENTS AND CASH AND CASH EQUIVALENTS.

In the first quarter of 2023, premiums, interest and investment premiums increased significantly due to the significant increase in interest rates, as in the first quarter of 2022 rates were at 6.33% vs. 11.34% this year. Unlike the first quarter of the previous year, no inflation premium was charged in 2023.

In 2022, income from hedging operations had a relatively small decrease as it represents a smaller percentage of this income. The decline was due to the decrease in current operations, given the level of rates that have been reached.

As a relevant strategy in the Institution, we continue with liquidity to be able to respond to possible unexpected events and market stability.

Premiums, interest and bonuses derived from investments in securities	I Q 22	IV Q 22	I Q 23	Var.	% Var.
For unrestricted trading securities	1,840.7	1,393.8	1,777.4	(63.3)	-3.4%
Cash and cash equivalents	96.8	129.3	163.9	67.0	69.2%
Restricted securities and securities under repurchase/resell agreements					
Interest received and premiums paid on repurchase/resell agreements	898.3	2,290.2	2,580.9	1,682.6	187.3%
Income from hedging operations	58.4	22.2	49.2	(9.2)	-15.8%
Totals	2,894.2	3,835.5	4,571.4	1,677.1	57.9%

PRIZES AND INTEREST DERIVED FROM THE CAPTURE OF

In the first quarter of 2023 interest expense showed a growth of 82.6% compared to the same period of the previous year, this increase is largely due to interest and premiums on repurchase agreements, which had a variation of 81.3%, explained by the increase in interest rates mentioned in the previous paragraphs, while time deposits increased by 135.4%, mostly due to the increase in interest rates, but also due to the growth in the balance of this item in the CStatement of Financial Position.

The increase in the balance was due to the Institution's strategy of increasing its term deposits in order to have even more robust liquidity and give the Institution the capacity to grow. It is to be expected that in the near future the interest paid will continue to grow, but in a more moderate manner due to the level of rates reached.

Interest expense	I Q 22	IV Q 22	I Q 23	Var.	% Var.
Demand deposits	213.7	385.0	391.8	178.2	83.4%
Time deposits	414.5	848.0	975.5	561.0	135.4%
Interbank loans and loans from other institutions	101.3	142.4	140.0	38.6	38.1%
Interest on subordinated debentures	63.8	109.5	117.7	53.9	84.4%
Stock liabilities	44.6	54.9	30.9	(13.7)	-30.8%
Interest and premiums on repurchase agreements	2,052.4	3,023.3	3,720.7	1,668.3	81.3%
Expenses from hedging operations	30.3	12.9	5.5	(24.8)	-81.9%
Interest on global deposit account	1.5	0.3	1.7	0.2	15.0%
Leasehold interest expense	31.3	20.9	23.3	(8.0)	-25.7%
Others	26.1	32.2	32.8	6.6	25.4%
Totals	2,979.6	4,629.4	5,439.8	2,460.3	82.6%

FINANCIAL MARGIN RESULT

The year 2022 was characterized for being a year with constant changes in the reference rates of our country and also because during that year there were relevant inflation premiums, this is the case in the first quarter of that year, which in 2023 will be very difficult for these events to be repeated. This largely explains the decrease in the margin in the quarterly comparison. In any case, the margin generated continues to be very satisfactory for the Institution.

FINANCIAL MARGIN	I Q 22	IV Quarter 22	I Q 23	Variation	% Var.
Total Interest Collected	4,484.9	5,819.4	6,554.0	2,069.1	46.1%
Total Interest Paid	2,979.6	4,629.4	5,439.8	2,460.3	82.6%
FINANCIAL MARGIN	1,505.3	1,189.9	1,114.2	-391.2	-26.0%

NON-FINANCIAL INCOME

COMMISSIONS AND FEES DERIVED FROM THE PROVISION OF SERVICES

At the end of the first quarter of 2023, commissions and fees charged showed an increase of 35.3% compared to the same period of the previous year, this variation is mainly due to the commissions charged in electronic banking which showed an increase of 31.9% as a result of the increase in transaction volume, highlighting ATM and POS operations, the item of other commissions and fees increased by 27.1% as a result of revenues related to correspondent banking which had a significant increase during the first quarter of 2023, the item of other commissions and fees increased 27.1% as a result of income related to correspondent banking, which had a significant increase during the first quarter of 2023, the financial advisory item increased by 17.5 million pesos due to important restructuring during the first quarter of 2023, the collection of duties increased by 9.5%, this item includes the collection of state and municipal taxes such as the ICV modules, TEOSFE, etc.

Commissions and Fees Collected	I Q 22	IV Q 22	I Q 23	Var.	% Var.
Credit operations	10.0	8.4	9.0	(1.0)	-9.5%
Transfer of funds	7.2	7.8	7.7	0.4	5.8%
Fiduciary activities	24.8	31.1	31.0	6.3	25.2%
Appraisals	1.3	2.0	1.8	0.5	39.2%
Account management	13.7	15.1	14.3	0.6	4.3%
Electronic banking	498.2	644.8	657.2	159.0	31.9%
Guarantee	0.1	0.2	0.2	0.0	33.7%
Collection of duties	28.4	30.9	31.1	2.7	9.5%
Insurance	23.5	19.7	60.6	37.1	158.0%
Financial advisory	0.1	0.1	17.6	17.5	20,513.0%
Other commissions and fees	108.8	148.3	138.2	29.5	27.1%
Social Welfare Tandas					
Totals	716.1	908.5	968.8	252.7	35.3%

FINANCIAL INTERMEDIATION INCOME

There was higher trading income in the first quarter of 2023 mainly in Trading Securities as the market has stabilized and has had less significant movements in our positions, which has allowed us to realize profits in this item.

Despite the decrease in positions, the Institution continues to actively participate in the financial markets, including the Money Market and Foreign Exchange Operations, applying investment and operating strategies within the authorized risk limits.

FINANCIAL INTERMEDIATION INCOME	I Q 22	IV Q 22	I Q 23	Var.	% Var.
Fair Value Gain (Loss) and Impairment Loss on Securities Valued at Cost.	(24.2)	16.4	2.8	27.0	111.7%
Trading Securities	(24.2)	16.4	2.8	27.0	111.7%
Derivative Instruments for Hedging Purposes	0.0	0.0	0.0	0.0	0.0%
Gain (loss) on purchase and sale of securities and foreign currencies	41.0	42.8	204.7	163.7	398.9%
Trading securities	(3.4)	1.4	168.9	172.3	5,033.9%
Result from foreign currency purchase and sale	44.5	41.4	35.9	(8.6)	-19.3%
Totals	16.9	59.2	207.6	190.7	1,130.1%

OTHER OPERATING INCOME (EXPENSE)

By the end of the first quarter of 2023, other operating income (expenses) shows a decrease of 87.4 million pesos compared to the previous year, which represents 55.4%, mainly explained by the IPAB item, which includes 78.3 million pesos that were part of administrative expenses and that as of the second quarter of 2022 are presented in this item. 1% mainly because during the first quarter of 2022 the new commercial portfolio rules were applied which resulted in a lower reserve requirement, the other + funds item increased 49.6%, mainly because this item includes the BIN sponsor operations which have had a significant increase, on the other hand, the recovery of written-off loans increased 28.1% as a result of a better management.

Other Net Operating Income (Expenses)	I Q 22	IV Q 22	I Q 23	Var.	% Var.
Recoveries	15.8	43.8	20.3	4.4	28.1%
Debugging of accounts payable	2.2	2.2	7.0	4.8	219.0%
Income from operating leases	(0.6)	(1.1)	(2.8)	(2.2)	359.7%
Collection of written-off loans	42.1	31.1	44.5	2.4	5.7%
Consultancies	95.5	(24.6)	64.9	(30.7)	-32.1%
Release of reserves	0.4	0.0	2.0	1.6	442.8%
Release of reserves for other debts	1.5	2.6	7.1	5.7	385.8%
Sale of furniture and real estate	3.0	7.4	0.9	(2.1)	-68.9%
TDC and TDD use voucher	25.0	57.2	37.4	12.4	49.6%
Other + funds	(0.8)	(0.1)	(0.2)	0.6	-72.8%
Loss on sale of portfolio	(16.1)	(19.3)	(25.3)	(9.3)	57.7%
Customer bonuses	(0.9)	(8.3)	(1.9)	(0.9)	99.0%
Various losses	(8.7)	(8.4)	(11.4)	(2.6)	30.4%
Allowance for other past due accounts payable	0.3	(3.8)	2.4	2.1	847.6%
Reserve foreclosed assets	0.0	(78.8)	(78.3)	(78.3)	0.0%
IPAB Quotas	(0.8)	(6.6)	3.8	4.6	-578.0%
Others					
Totals	157.8	(6.7)	70.4	(87.4)	-55.4%

ADMINISTRATIVE AND PROMOTION EXPENSES

During the first quarter of 2023, administrative expenses presented a variation of 7.8%, mainly due to the IPAB which, as explained above, was no longer presented as an expense and is now included in other income and expenses, depreciation decreased by 85.4 million pesos, or 29.9%, mainly due to the sale of assets, other operating expenses increased by 22.8 million pesos, or 5.2%, and electronic banking operating expenses increased by 22.8 million pesos, or 5.2% within this item are recorded the operating expenses of electronic banking which increased as a result of a higher transaction rate, remunerations and benefits increased 14.2mdp or 3.4%, mainly due to the performance of the financial desk, fees decreased 15.3% mainly due to a lower requirement for specialized services, promotional expenses increased 25.1mdp mainly due to sponsorships and advertising campaigns related to digital products and services.

ADMINISTRATIVE AND PROMOTION EXPENSES	I Q 22	IV Q 22	I Q 23	Var.	% Var.
Compensation and Benefits	422.0	523.4	436.2	14.2	3.4%
Fees	131.2	38.6	111.2	(20.0)	-15.3%
Rentals	13.9	15.3	21.8	7.9	56.9%
Promotion	29.7	51.8	54.8	25.1	84.4%
Other operating and administrative expenses	437.8	420.9	460.6	22.8	5.2%
Miscellaneous Taxes	80.4	64.8	81.9	1.4	1.8%
Depreciation and amortization	285.2	230.9	199.9	(85.4)	-29.9%
Non-deductible items for income tax purposes	1.7	(1.2)	4.5	2.7	159.4%
IPAB Quotas	73.8	0.0	0.0	(73.8)	-100.0%
PTU Accrued	34.0	41.0	21.5	(12.5)	-36.7%
Deferred PTU	0.0	(47.6)	(0.0)	(0.0)	0.0%
Totals	1,509.8	1,338.1	1,392.3	(117.5)	-7.8%

CURRENT AND DEFERRED TAXES

Income Taxes	I Q 22	IV Q 22	I Q 23	Var.	% Var.
Income Tax Accrued	0.0	0.0	0.0	0.00	0.0%
Deferred income tax	(32.0)	(51.6)	(63.1)	(31.18)	97.6%
Totals	(32.0)	(51.6)	(63.1)	(31.2)	97.6%

At the end of the first quarter of 2021, Banca Afirme presents its tax returns individually, and to date it has no credits or pending tax debts.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

The Bank's internal sources of liquidity are constituted by the issuance of its own paper, traditional fundraising and external sources from credit lines granted by financial institutions and development banks.

Level of indebtedness at the end of the first quarter of 2023

Banca Afirme total liabilities as of March 31, 2022 and 2023, amounted to 137,365.6 billion pesos and 219,074.3 billion pesos, respectively.

EVOLUTION OF THE STATEMENT OF FINANCIAL POSITION

The total assets of Banca Afirme show an increase of 56.7% with respect to the same period of the previous fiscal year, mainly due to the increase in debtors under repurchase agreements, mainly because during the previous fiscal year a "netting" was performed between the asset and liability operations of such operations, and as of this fiscal year the aforementioned netting was discontinued.

Deposits increased their balances, mainly time deposits, which increased by 16.9%, and demand deposits increased by 4.7%; on the other hand, the balance of debt securities issued increased by 74.6 billion pesos, with a balance as of March 31, 2023 of 917.6 billion pesos.

RELEVANT INDICATORS					
	IT 22	IIT 22	IIIT 22	IVT 22	IT 23
Non-performing loans ratio (non-performing portfolio / total portfolio)	3.09%	4.19%	4.29%	5.47%	5.66%
Non-performing loans coverage (allowance for loan losses / nonperforming loans)	1.39	1.10	1.09	0.85	0.83
Operating efficiency (administrative and promotional expenses/average total assets)	3.75%	3.91%	3.63%	2.73%	2.54%
ROE (return on equity)	14.39%	7.41%	5.71%	8.58%	11.05%
ROA (return on assets)	0.65%	0.40%	0.35%	0.33%	0.39%
Liquidity Ratio (liquid assets/liquid liabilities)	0.93	0.92	0.89	0.95	0.97
MIN (credit risk-adjusted net interest margin / earning assets)	3.39%	2.54%	3.42%	2.13%	1.64%
Banca Afirme					
Credit Capitalization Ratio	20.23%	19.49%	20.15%	20.00%	20.75% (1)
Total Capitalization Index	15.39%	15.23%	15.92%	15.76%	15.94% (1)
Core Capital Ratio	11.81%	11.66%	11.71%	11.57%	11.80% (1)

(1) Previous data before replicas with Banxico

Note: The details of the assets at risk are included in the financial notes.

TREASURY POLICIES

The Treasury is governed by internal policies in accordance with the regulations issued by various authorities, as well as prudential risk levels defined by internal collegiate bodies, among others, regarding the following:

- Assets and Liabilities operations;
- Accounting record of transactions;
- Liquidity ratios;
- Capacity of payment systems; and
- Market, liquidity and credit risks.

The main objective of the Treasury is to level the funding requirements or surpluses between the different business units to maximize profitability, taking care of the adequate management of the risks to which it is affected, in accordance with the official regulations in force.

INTERNAL CONTROL

Banca Afirme is subject to an Internal Control System in which its objectives, policies and guidelines are set and approved by the Board of Directors, through a common and homogeneous methodology that is in accordance with the General Provisions Applicable to Credit Institutions in Mexico (CUB) instructed by the National Banking and Securities Commission.

The scope of the Internal Control System establishes the implementation of operating mechanisms, according to the strategies and purposes of the entity, allowing to provide reasonable security for its management processes, as well as for its registration procedures, data automation, and administration of risks.

The different functions and responsibilities between its corporate bodies, administrative units and its staff are focused on ensuring efficiency and effectiveness in carrying out activities and allow the identification, management, monitoring and evaluation of risks that may arise in the development of the corporate purpose and have As an institutional premise, mitigate possible losses or contingencies that may be incurred.

Likewise, measures and controls were implemented so that the financial, economic, accounting, legal and administrative information is correct, accurate, complete, reliable and timely in order to contribute to the strict compliance with the applicable regulations and standards and to contribute to the proper decision making.

The objectives and guidelines of the Internal Control System are reviewed and documented by the Comptroller's area and submitted at least once a year by the Board of Directors through the analysis and evaluation of the quarterly reports formulated by the General Management and by the Audit Committee.

Qualitative Information System Remuneration

- a) For all positions there is a fixed remuneration consisting of a monthly base salary and guaranteed benefits that can be annual or monthly, such as:
- Christmas bonus, 30 days a year.
 - Vacation Premium, 25% of vacation days according to the LFT table.
 - Savings Fund, 10% monthly with legal limit.

Management positions have bonus schemes for meeting business objectives and/or goals, profitability, improvement and efficiency projects, service level evaluations, etc.

- b) The Remuneration Committee was integrated into the Risk Committee and its function is to evaluate and, where appropriate, authorize the necessary adjustments to the remuneration schemes of eligible personnel, in compliance with the regulations issued for that purpose.

The Risk and Compensation Committee is composed of:

President
Independent Director
Adviser
Independent Director
Managing Director
Head of Comprehensive Risk Management
Deputy General Director of Risk and Credit Management
Deputy General Director Corporate Administration
Secretary
Legal and Trustee Director
Independent Expert
Guest with voice, without vote

The Human Resources Department participates in this Committee to inform and, where appropriate, request the approval of modifications and/or new variable compensation schemes of the Remuneration System when necessary. The Finance Department participates by evaluating the results of the schemes of the different areas.

The Remuneration Manual applies to the first two levels of Management positions in the Staff areas, and to the first three levels of Management positions in the Deputy General Business Management.

For the 2023 financial year, the list of these positions is:

STAFF	BUSINESS
CONTROLLER GENERAL	DIRECTOR OF ACQUISITION
DEPUTY GENERAL MANAGER CREDIT AND RISK MANAGEMENT	COMMERCIAL PARTNERSHIP DIRECTOR
ASSISTANT GENERAL MANAGER BUSINESS DEVELOPMENT IN BANKING	DIRECTOR SELF-SERVICES
DEPUTY MANAGING DIRECTOR INVESTMENTS	GOVERNMENT BANK DIRECTOR NUEVO LEON
DEPUTY LEGAL DIRECTOR GENERAL AND FID.	DIRECTOR DIGITAL BANKING
GOVERNMENT CREDIT ANALYSIS DIRECTOR	BUSINESS BANKING DIRECTOR
AUDIT DIRECTOR	CAPTAINING DIRECTOR
DIRECTOR GOVERNMENT BANKING	SME CENTERS DIRECTOR
DIRECTOR SPECIALIZED BANKING	COMMERCIAL DIRECTOR FOR THE TERRITORIAL FORCES
CONTROLLER DIRECTOR	MORTGAGE DIRECTOR
MONEY MARKET CONTROLLER DIRECTOR	DIRECTOR OF NEW TECHNOLOGIES
REGULATORY CONTROLLER DIRECTOR	DIVISIONAL DIRECTOR
DIRECTOR OF OPERATIONAL CONTROL	COMMERCIAL AND DIGITAL EXECUTIVE DIRECTOR
DIRECTOR CORP RELATIONS INSTI AND BCA GOB	EXECUTIVE DIRECTOR OF PRODUCTS
IT CORP, OPERATIONS AND PROCESSES DIRECTOR	EXECUTIVE DIRECTOR BUSINESS BUSINESSES
DIRECTOR OF PARAMETRIC CREDITS	DEPUTY MANAGING DIRECTOR OF BUSINESS
DIRECTOR OF DEVELOPMENT CENTRAL SERVICES AND TRADITIONAL CHANNELS	PAYROLL AND PAYROLL CREDIT DIRECTOR
DIRECTOR OF INFRASTRUCTURE AND SERVICES	CAPTAINING SEGMENT DIRECTOR
DIRECTOR OF ADMINISTRATIVE RECOVERY	CONSUMER SEGMENT DIRECTOR
DIRECTOR OF INFORMATION SECURITY	BUSINESS SEGMENT DIRECTOR
DIRECTOR OF SECURITY AND INTELLIGENCE	SME SEGMENT DIRECTOR
CORPORATE SERVICES DEVELOPMENT DIRECTOR	CREDIT AND DEBIT CARD DIRECTOR
EXECUTIVE DIRECTOR. OPERATIONS AND PROCESSES	
EXECUTIVE DIRECTOR ADMIN. OF RISKS	
EXECUTIVE DIRECTOR CREDIT	
LEGAL EXECUTIVE DIRECTOR	
EXECUTIVE DIRECTOR MONEY MARKET	
EXECUTIVE PROJECTS DIRECTOR	
HUMAN RESOURCE EXECUTIVE DIRECTOR	
TREASURY BALANCE SHEET EXECUTIVE DIRECTOR	
FIDUCIARY STRUCTURING DIRECTOR	
DIRECTOR FACTORING	
TRUSTEE DIRECTOR	
FINANCE DIRECTOR	
GOVERNMENT AND INFRASTRUCTURE DIRECTOR	
LEGAL DIRECTOR OF RECOVERY	
MONEY AND EXCHANGE MARKET DIRECTOR	
LEGAL STRUCTURING BUSINESS DIRECTOR	

DIRECTOR PREV. FRAUDS AND CLARIFICATIONS
IT PROCESS AND ARCHITECTURE DIRECTOR
DIRECTOR OF PROCESSES AND SEC CREDITS STRUCT.

- c) Banca Afirme operates a Remuneration System that promotes and is consistent with effective risk management.

The Compensation System contemplates as eligible personnel the first two levels of Management positions in the Staff areas and the first three levels of Management positions in the Deputy General Business Management. The personnel included were chosen based on the fact that the decisions they make in their daily activities may involve a risk for the Institution.

The extraordinary remuneration schemes established for eligible personnel are subject to analysis by the Comprehensive Risk Management Unit in order to propose adjustments or deferrals to them.

On the other hand, the Comprehensive Risk Management Unit will deliver the analysis described above to the Remuneration Committee, including scenarios and projections on the effects of the materialization of the risks inherent to the activities of the people subject to the Remuneration System and the application of remuneration schemes on the stability and solidity of the Institution.

The last update of the Remuneration System was carried out in July 2021, where a subsection was added in the General Policies section Related to Ordinary Remuneration, in order to align it with the Manual of Diversity, Equity and Inclusion Policies and Guidelines.

The salaries of the participating personnel in the Risk, Audit and Compliance areas are based on the fulfillment of their own and specific objectives in their areas.

- d) The main risks considered when applying remuneration measures are market and credit risks.

These types of risk are a function of the institution's risk appetite and are defined in its respective policy.

Excesses to the established limits are monitored, and the risk levels are taken into account for the final allocation of the deferral and retention of remuneration.

The risk limits to which the operations are subject are established according to the risk appetite of the Institution.

- e) The main performance parameters for the institution, the business units and the individual staff are related to profitability, operating profit, budget compliance with sales goals, portfolio quality, level of customer service, among others.

Individual remunerations are related to the total performance of the institution to the extent that the purse for its payment must be generated with the fulfillment of the budgetary goals.

Remuneration can be adjusted, deferred or canceled based on non-compliance with risk parameters, codes of conduct, breaches of regulations and for not reaching the minimum percentage of compliance with the budget goal.

- f) Variable remuneration in the institution is paid in cash as a concept within the Payroll for all employees who participate in the Remuneration System.

Quantitative Information System Remuneration

a) Number of meetings of the Risk and Remuneration Committee during the year: 4 on a quarterly basis.

b) Number of employees: 76

1. Number of covered bonds: 3
Percentage: 0.13847%
2. Number of bonds awarded: 67
Percentage: 5.45444%
3. Number of compensation and settlements: 6
Percentage: 0.23877%
4. Bonds pending to be awarded in cash: 0
Percentage: 0%
5. Fixed + Variable Compensation of personnel subject to SR
Total: 15.09065%

c)

- Fixed Remuneration: 8.26756% 1.
Variable Remuneration: 5.59290%
2. Transferred: 0%
Not Transferred: 5.59290%
 3. Pecuniary: 5.45444%.

d)

1. Percentage exposed to subsequent adjustments: 0%
2. Percentage of reductions made due to adjustments: 0%

Note: The percentage represented by account 6410 of Banca Afirme with respect to account 6400 (Administration and Promotion Expenses) is 35.8103%.

OTHER RELEVANT EVENTS

At the end of the first quarter of 2023, Banca Afirme had assets of 226,919.2 billion pesos, showing an increase of 56.7% compared to the same period of the previous year. This increase is impacted by the increase in debtors under repurchase agreements as a result of a change in accounting regulations where debtors under repurchase agreements are presented without offsetting with their counterparty, which increases both total Assets and total Liabilities.

Capitalization

Banca Afirme Capitalization ratio stood at 15.64% at the end of the first quarter of 2021 with a basic capital ratio of 11.91%.

Issuance of Subordinated Debentures.

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At the Extraordinary General Shareholders' Meeting held on February 4, 2015, the Shareholders agreed to issue non-preferred capital subordinated bonds, perpetual and susceptible to be converted into shares at the Bank's option, obtaining authorization from the Central Bank for their Issuance through official letters OFI/S33-001-12465 and OFI/S33-001-12722 dated January 21, 2015, and February 3, 2015, correspondingly. The bond issue was executed through a private offer for up to 11,000,000 subordinated bonds with a nominal value of \$ 100.00 pesos each, which accrue interest at a TIIE rate + 4.0%, this issuance is not guaranteed, the payment period of interest is every three months, it has no expiration date. Said issuance was for an amount of \$ 800, the proportion of the authorized amount of subordinated bonds compared to the amount issued was 73%.

QBAFIRME18

At the Extraordinary General Shareholders' Meeting held on October 1, 2018, the Shareholders agreed to carry out an issuance of subordinated non-preferred capital bonds and not susceptible to being converted into shares, obtaining authorization from the Central Bank for their issuance through OFI/official letters 033-24335. The issuance of the obligations was carried out through a public offering of up to 12,000,000 subordinated obligations with a nominal value of \$ 100.00 pesos each, which accrue interest at a TIIE rate + 2.8%, this issuance is not guaranteed, the payment period of interest is every 28 days and its maturity will be in September 2028. Said issuance was for an amount of \$ 1,200, the proportion of the authorized amount of the subordinated obligations compared to the amount issued was 100%.

QBAFIRME20

At the Extraordinary General Shareholders' Assembly held on March 17, 2020, the Shareholders agreed to carry out an issuance of non-preferred, non-convertible subordinated capital bonds, obtaining authorization from the Central Bank through letter 153/12258/2020. Through an issuance deed dated March 24, 2020, a public offering was conducted for up to 5,000,000 subordinated bonds with a nominal value of \$100.00 pesos each, bearing interest at a rate of TIIE + 2.8%. This issuance is unsecured, with interest payments due every 28 days, and the bonds will mature in March 2030. The total amount of the issuance was \$500, and the proportion between the authorized amount of subordinated bonds and the amount issued was 100%.

QBAFIRME20-2

At the Extraordinary General Shareholders' Meeting held on March 17, 2020, the Shareholders agreed to carry out an issuance of non-preferred, non-convertible subordinated capital bonds, obtaining authorization from the Central Bank through letter 153/12258/2020. Through an issuance deed dated October 22, 2020, a public offering was conducted for up to 2,300,000 subordinated bonds with a nominal value of \$100.00 pesos each, bearing interest at a rate of TIIE + 2.8%. This issuance is unsecured, with interest payments due every 28 days, and the bonds will mature in October 2030. The total amount of the issuance was \$230, and the proportion between the authorized amount of subordinated bonds and the amount issued was 100%.

QBAFIRME22

At the Extraordinary General Shareholders' Meeting held on March 17, 2020, the Shareholders agreed to carry out an issuance of non-preferred, non-convertible subordinated capital bonds, obtaining authorization from the Central Bank through letter 153/12258/2020. Through an issuance deed dated February 15, 2022, the issuance of the subordinated bonds was conducted via a public offering for up to 2,012,500 subordinated bonds with a nominal value of \$100.00 pesos each, bearing interest at a rate of TIIE 28 days + 2.8%. This issuance is unsecured, with interest payments due every 28 days, and the bonds will mature in February 2032. The total amount of the issuance was \$201, and the proportion between the authorized amount of subordinated bonds and the amount issued was 100%. As of March 31, 2023, and 2022, the subordinated bonds do not have a discount or premium rate.

QBAFIRME22-2

At the Extraordinary General Shareholders' Meeting held on March 17, 2020, the Shareholders agreed to carry out an issuance of non-preferred, non-convertible subordinated capital bonds by the Bank, obtaining authorization from the Central Bank through letter 153/12258/2020. Through an issuance deed dated September 14, 2022, the issuance of the subordinated bonds was conducted via a public offering for 4,025,000 subordinated bonds, taking into account that the Issuer exercised the oversubscription right for 525,000 subordinated bonds, with a nominal value of \$100.00 pesos each, bearing interest at a rate of TIIE up to 28 days. This issuance is unsecured, with interest payments due every 28 days, and the bonds will mature in September 2032. The total amount of the issuance was \$403. As of September 30, 2022, the amount issued was \$392, and the proportion between the authorized amount of subordinated bonds and the amount issued was 97%.

As of the end of the first quarter of 2023, the subordinated bonds program has a balance of 3,349.3 million pesos.

Increases in capital stock

At the Extraordinary General Shareholders' Meeting (Banca Afirme), held on February 22, 2022, it was agreed to increase the share capital, by 629 millions of pesos, through the capitalization of the "contributions for future capital increases" account

CERTIFICATION

"The undersigned declare under protest of saying the truth that, within the scope of our respective functions, we prepare the information regarding Banca Afirme contained in this annual report, which, to the best of our knowledge and belief, reasonably reflects its situation. Likewise, we declare that we are not aware of relevant information that has been omitted or falsified in this annual report or that it contains information that could mislead investors".

C.P. Jesus Antonio Ramirez Garza
Managing Director

C.P. Gustavo M. Vergara Alonso
Deputy Chief Financial Officer and Financial Controller

Lic. Luis Arturo Arias Medina
Chief Financial Officer

C.P. David Gerardo Martínez Mata
Audit Director