

Management Report

Banca Afirme

June 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 June 30, 2023 compared with the period ended June 30, 2022.

At the end of the second quarter of 2023, Banca Afirme profit totaled 74.0 million pesos, a 46.1% decrease compared to the previous year, due to various factors that will be explained later.

FINANCIAL MARGIN ANALYSIS

YIELDS GENERATED BY THE CREDIT PORTFOLIO

At the end of the second quarter of 2023, the interest generated by the credit portfolio amounts to 2,033.0mdp, an increase of 23.1% compared to the same period of the previous year. This is due, on one hand, to the behavior of the benchmark interest rates TIIE going from 7.42% to 11.50% from June 2022 to June 2023, on the other hand; the increase in stage 1 and 2 portfolio that increase by 6.5% and 6.2% respectively, which together represents 3,383mdp.

Credit Portfolio Interests	II Q 22	I Q 23	II Q23	Variation	% Var.
Business Credits	875.2	1,002.1	1,055.2	180.0	20.6%
Consumer loans	515.5	592.0	642.6	127.2	24.7%
Home loans	210.2	237.7	253.1	42.9	20.4%
Credits for Gubernamental Entities	36.7	88.7	70.7	33.9	92.3%
Credits for Financial Entities	14.5	10.1	11.4	(3.1)	-21.4%
Totals	1,652.2	1,930.5	2,033.0	380.9	23.1%

During the mentioned period, commissions for credit operations have experienced a marginal decrease of 1.3% per year.

Commissions received for Credit Operations	II Q 22	I Q 23	II Q23	Variation	% Var.
Business Credits	13.7	15.1	13.0	(0.7)	-5.4%
Consumer loans	31.4	32.5	32.7	1.2	3.9%
Home loans	5.7	4.5	4.6	(1.1)	-19.2%
Credits for Gubernamental Entities	0.1	0.1	0.1	(0.0)	-37.5%
Totals	51.0	52.2	50.3	(0.7)	-1.3%

INCOME FROM INVESTMENTS IN SECURITIES, REPURCHASE AGREEMENT OPERATIONS AND CASH AND CASH EQUIVALENTS.

In the second quarter of 2023, the awards, interest, and premiums for investments increased significantly due to a significant increase in interest rates. In the first quarter of 2022, the rates were at 7.42% compared to 11.50% this year. Unlike the 1st quarter of the previous year, in 2023 there has been no charge for inflation premium.

At the end of the second quarter of 2023, positions in securities increased significantly as a profitability strategy of the Institution and due to a decrease in capital in our Investment Bank.

As a relevant strategy in the Institution, we continue with liquidity in order to respond to possible unforeseen events and market stability. The aforementioned along with the rise in benchmark interest rates causes an increase of 110.7% in the interest charged in favor of repo operations.

The sum of the previous factors explains the increase of 106.9% in revenues from securities investments.

Premium, interests and premium derivatives from securities and investments	II Q 22	I Q 23	II Q23	Variation	% Var.
Not restricted titles to negotiate	1,290.1	1,777.4	2,645.4	1,355.3	105.1%
Cash and cash equivalents	98.8	163.9	209.5	110.7	112.0%
Restricted and Repurchase Titles					
Interests Charged and premiums in favor for repurchase operations	1,039.9	2,580.9	2,190.8	1,150.9	110.7%
Income from covered operations	31.9	49.2	44.9	12.9	40.4%
Totals	2,460.7	4,571.4	5,090.6	2,629.9	106.9%

PRIZES AND INTEREST DERIVED FROM THE CAPTURE OF

In the second quarter of 2023, interest expenses show a growth of 101.9% in relation to the same period of the previous year. A large part of this increase is due to the interest and premiums in repurchase agreements, which have a variation of 116.6%, explained by the rise in interest rates, mentioned in the previous paragraphs, and by the increase in reported positions. On the other hand, term deposits increase by 111.1%, mostly due to the rise in rates but also due to the growth in the balance of this item in the balance sheet.

The increase in the mentioned balance was due to the strategy that the institution has maintained to increase its term deposits in order to have even more robust liquidity and give the institution the ability to grow. It is expected that in the near future paid interest will continue to grow due to the increase in the balance size, no longer influenced by increases in the level of rates achieved.

Expenses from interests	II Q 22	I Q 23	II Q23	Variation	% Var.
Immediate enforceability deposits	284.8	391.8	474.6	189.8	66.6%
Fixed term deposits	546.3	975.5	1,153.4	607.1	111.1%
Interbank loans and loans from other institutions	97.7	140.0	138.7	41.0	42.0%
Interests for subordinated liabilities	74.2	117.7	124.4	50.3	67.8%
Bursatile debt	45.9	30.9	35.6	(10.4)	-22.6%
Interests and premiums from repurchase	1,833.0	3,720.7	3,969.7	2,136.7	116.6%
Expenses from covered operations	26.8	5.5	9.2	(17.6)	-65.5%
Interest from global accounts of funds raised	0.2	1.7	0.0	(0.2)	-100.0%
Lease interest expenses	31.5	23.3	52.0	20.5	65.1%
Others	27.7	32.8	34.7	7.0	25.4%
Totals	2,968.1	5,439.8	5,992.3	3,024.2	101.9%

FINANCIAL MARGIN RESULT

2022 was characterized by being a year with constant changes in our country's reference rates and also because there were significant inflation premiums during that year, this was the case in the second quarter of that year, which in 2023 will be very difficult for these events to repeat. The above has been offset by the increase in the size of the balance sheet. In any case, the margin generated remains very satisfactory for the Institution.

FINANCIAL MARGIN	II Q 22	I Q 23	II Q23	Variation	% Var.
Total of interests charged	4,163.9	6,554.0	7,173.9	3,010.0	72.3%
Total of interests paid	2,968.1	5,439.8	5,992.3	3,024.2	101.9%
FINANCIAL MARGIN	1,195.8	1,114.2	1,181.6	-14.2	-1.2%

NON-FINANCIAL INCOME

COMMISSIONS AND FEES DERIVED FROM THE PROVISION OF SERVICES

At the end of the second quarter of 2023, the commissions and fees charged show an increase of 28.7% compared to the same period of the previous year. This variation is mainly due to the commissions charged on electronic banking, which show an increase of 25.2% as a result of the increase in transactions, highlighting the operations on POS terminals. The category of other commissions and fees increased by 21.8% as a result of revenues related to correspondent banks, which had a significant increase during the second quarter of 2023.

Commissions and Fees Charged	II Q 22	I Q 23	II Q23	Variation	% Var.
Credit operations	9.8	9.0	9.4	(0.4)	-3.9%
Funds transfer	7.6	7.7	7.4	(0.2)	-2.8%
Trust Companies Activities	26.6	31.0	22.0	(4.6)	-17.2%
Appraisals	2.8	1.8	3.1	0.4	12.9%
Account Management	18.0	14.3	14.3	(3.6)	-20.2%
Electronic Banking	551.4	657.2	690.3	138.9	25.2%
Guarantee	0.2	0.2	0.2	0.1	37.3%
Right to severance pay	21.8	31.1	21.5	(0.3)	-1.2%
Insurance	0.0	60.6	61.5	61.5	0.0%
Financial Advisory	0.1	17.6	0.1	(0.0)	-14.3%
Other commissions and duties	118.5	138.2	144.3	25.8	21.8%
Totals	756.7	968.8	974.1	217.5	28.7%

RESULT BY INTERMEDIATION

There was a lower income from buying and selling in the second quarter of 2023, mainly in securities to negotiate as we have made fewer movements in the position, due to the market's change of perception about the future in reference rates and that the position in securities, instead of reducing as in past periods, has increased.

The Institution continues to actively participate in the financial markets, including the Money Market and Foreign Exchange Operations, applying investment and operation strategies under the authorized risk limits.

RESULT BY INTERMEDIATION	II Q 22	I Q 23	II Q23	Variation	% Var.
Valuation Results to Fair Market Value and Reduction of Titles valued at cost	39.9	2.8	4.9	(35.0)	-87.7%
Titles to negotiate	39.9	2.8	4.9	(35.0)	-87.7%
Derivatif instruments with coverage purposes	0.0	0.0	0.0	0.0	0.0%
Results from Sales and Purchase of Securities and Foreign Exchange	233.3	204.7	45.8	(187.5)	-80.4%
Titles to negotiate	197.0	168.9	8.0	(189.0)	-95.9%
Results for Sales and Purchase of Currency	36.3	35.9	37.8	1.4	3.9%
Totals	273.2	207.6	50.7	(222.6)	-81.5%

OTHER OPERATING INCOME (EXPENSE)

For the close of the second quarter of 2023, the item of other income (expenses) from the operation shows an increase of 21.0 million pesos compared to the same period of the previous year, which represents a 95.1%, mainly explained by the item reserves for other overdue debts decreased by 123.3% mainly due to the fact that during the second quarter of 2022 a reserve account was created for Interest receivable IETU balance for 35.3 million pesos, the item of other + funds increases by 154.0%, mainly due to the fact that in this item the BIN sponsor operations are recorded, which have had a significant increase, on the other hand the write-off of creditor accounts increases the write-off item of accounts payable by 49.9 million pesos.

Other Income (Expenses) of the Net Operation	II Q 22	I Q 23	II Q23	Variation	% Var.
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Recoveries	15.6	20.3	16.6	1.1	6.8%
Debugging accounts payable	(1.3)	7.0	48.6	49.9	-3,886.2%
Result from operating lease	(1.3)	(2.8)	(15.5)	(14.2)	1,094.6%
Collection of written-off credits	40.1	44.5	42.8	2.7	6.7%
Release of reserves	12.5	64.9	0.0	(12.5)	-100.0%
Release of reserves from other debts	0.4	2.0	0.1	(0.3)	-76.4%
Sale of furniture and real estate	2.1	7.1	3.6	1.6	76.0%
Bond from the use of Debit and Credit Cards	(0.3)	0.9	4.4	4.7	-1,605.4%
Other + funds	22.6	37.4	57.4	34.8	154.0%
Loss on portfolio sale	(1.0)	(0.2)	0.0	1.0	-100.0%
Customer bonuses	(15.9)	(25.3)	(25.8)	(9.9)	62.2%
Miscellaneous bankruptcies	(7.0)	(1.9)	(11.0)	(4.0)	56.8%
Reserve for other overdue debts	(40.6)	(11.4)	9.5	50.0	-123.3%
Reserve foreclosed assets	(2.4)	2.4	1.9	4.3	-178.6%
IPAB Contribution	0.0	(78.3)	(85.3)	(85.3)	0.0%
Others	(1.4)	3.8	(4.2)	(2.8)	210.4%
Totals	22.1	70.4	43.1	21.0	95.1%

ADMINISTRATIVE EXPENSES

During the second quarter of 2023, Administrative expenses showed a variation of 21.6%, primarily due to the IPAB which was no longer presented within the expense and is now housed in other income and expenses and represents 74.0mdp of the variation, depreciations decrease 40.5mdp, i.e., a 19.1% mainly due to asset sales, the category of other operating expenses which decreases 188.4mdp representing a 46.7%, remunerations and benefits increase 44.6mdp i.e., 10.2% mainly due to the performance of the financial desk, fees decrease by 50.7% primarily due to less demand for specialized services, promotional expenses increase 13.9mdp primarily due to sponsorships and advertising campaigns related to digital products and services.

ADMINISTRATION EXPENSES	II Q 22	I Q 23	II Q 23	Variation	% Var.
Salaries and Claims	437.7	436.2	482.3	44.6	10.2%
Professional Fees	106.4	111.2	52.4	(54.0)	-50.7%
Leases	(0.8)	21.8	2.0	2.7	-355.3%
Marketing	31.7	54.8	45.6	13.9	43.9%
Other administrative and operative expenses	403.2	460.6	214.8	(188.4)	-46.7%
Multiple Taxes	72.2	81.9	81.4	9.2	12.7%

Depreciation and Amortization	212.4	199.9	171.9	(40.5)	-19.1%
Nondeductible concepts for ISR	3.3	4.5	5.6	2.3	67.7%
IPAB Contribution	74.0	0.0	0.0	(74.0)	-100.0%
Caused PTU	1.5	21.5	(12.7)	(14.2)	-958.5%
Deferred PTU	6.5	(0.0)	14.1	7.5	115.0%
Totals	1,348.2	1,392.3	1,057.4	(290.8)	-21.6%

INCURRED AND DEFERRED TAXES

Tax on Profit	II Q 22	I Q 23	II Q23	Variation	% Var.
Caused income tax	0.0	0.0	(12.3)	(12.32)	0.0%
Differed income tax	(32.0)	(63.1)	5.7	37.64	-117.8%
Totals	(32.0)	(63.1)	(6.6)	25.3	-79.2%

At the end of the second quarter of 2023, Banca Afirme submits its tax returns individually, and to date it has no pending tax credits or debts.

FINANCIAL SITUATION, LIQUIDITY AND CAPITAL RESOURCES

Banca Afirme internal sources of liquidity are constituted by the issuance of its own paper, traditional capture and external sources coming from credit lines granted by financial institutions and development banks.

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

The total liability of Banca Afirme as of June 30, 2022, and 2023, has been 123,866.4mdp and 247,793.7mdp respectively, the main component of the liabilities are the operations of the Financial Table.

Total Liabilities	June 2022	Mar 2023	June 2023	Go	%
Traditional Catchment	76,688.0	79,651.6	88,757.9	12,069.9	15.7%
Credit securities issued	792.1	917.6	1,493.3	701.3	88.5%
Interbank Loans and Other Organizations	5,611.8	4,900.1	5,351.4	(260.4)	-4.6%

Repo Creditors	33,181.1	126,293.1	144,615.9	111,434.9	335.8%
Other Accounts Payable	2,766.8	2,538.9	2,416.4	(350.4)	-12.7%
Deferred Credits	81.8	87.5	108.5	26.7	32.6%
Lease Liability	1,693.4	1,212.4	1,525.5	(167.9)	-9.9%
Other liabilities	3,051.5	3,473.0	3,524.7	473.2	15.5%
Total Liability	123,866.4	219,074.3	247,793.7	123,927.3	100.0%

EVOLUTION OF THE BALANCE SHEET

The total assets of Banca Afirme show an increase of 94.8% compared to the same period of the previous year, impacted by the increase in financial instruments and debtors for repo. This is mainly due to the fact that during the previous year, a "netting" was made between the active and passive operations of these transactions, and from this year, the aforementioned netting was stopped.

The intake increases its balances mainly the term intake, which increases by 23.5%, and the on-demand intake increases by 8.5%. On the other hand, the balance in issued credit securities increases by 701.3 million pesos, showing a balance as of June 30, 2023 of 1,493.3 million pesos.

RELEVANT INDICATORS					
	IIQ 22	IIIQ 22	IVQ 22	IQ 23	IIQ 23
NPL ratio (past due portfolio/total portfolio)	4.19%	4.29%	5.47%	5.66%	5.87%
Overdue portfolio coverage (preventive estimate/past due portfolio)	1.10	1.09	0.85	0.83	0.70
Operating efficiency (administration and promotion expenses/average total assets)	3.91%	3.63%	2.73%	2.54%	1.75%
ROE (return on equity)	7.41%	5.71%	8.58%	11.05%	3.76%
ROA (return on assets)	0.40%	0.35%	0.33%	0.39%	0.12%
Liquidity Ratio (liquid assets/liquid liabilities)	0.92	0.89	0.95	0.97	0.99
MIN (financial margin adjusted for credit risks/productive assets)	2.54%	3.42%	2.13%	1.64%	0.92%
BANCA AFIRME					
Credit Capitalization Index	19.49%	20.15%	20.00%	20.79%	21.37% (1)
Total Capitalization Ratio	15.23%	15.92%	15.76%	15.94%	15.38% (1)
Basic Capital Index	11.66%	11.71%	11.57%	11.81%	11.53% (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 Management positions of the first two levels of the Staff areas, and to the Management positions of the first three levels of 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 DIRECTOR OF RISK AND CREDIT MANAGEMENT	COMMERCIAL PARTNERSHIP DIRECTOR
DEPUTY 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 considers as eligible personnel the Managerial positions of the first two levels of the Staff areas and the Managerial positions of the first three levels of 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 an 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)

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

- d)

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

Note: The percentage that account 6410 of Banca Afirme represents in relation to account 6400 (Administration and Promotion Expenses) is 35.8103%.

OTHER RELEVANT EVENTS

At the end of the second quarter of 2023, Banca Afirme has an asset level of 255,709.4mdp, showing an increase of 94.8% against the same period of the previous year. This increase is impacted by the increase in repo debtors as a result of a change in accounting regulations where repo debtors are presented without offsetting with its counterparty, which increases both total Assets and Liabilities.

Dividends to Bank

At the Ordinary General Shareholders' Meeting held on April 24, 2023, the Shareholders of Investment Funds decreed dividends to the Bank for \$10, which was paid on May 17.

Capitalization

The Capitalization Index of Banca Afirme was at 15.38% at the end of the second quarter of 2023 with a basic capital index of 11.53%.

Issuance of Subordinated Bonds

QAFIRME15

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 issuance of the bonds was carried out through a private offer for up to 11,000,000 subordinated bonds with a face value of \$100 pesos each, which accrue interest at a TIIE + 4.0% rate, this issuance is not guaranteed, the interest payment period is every three months, it has no maturity 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 bonds was carried out through a public offering of up to 12,000,000 subordinate bonds with a face value of \$100 pesos each, which earn interest at a TIIE + 2.8% rate, this issuance is not secured, the interest payment period 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 Shareholder's Meeting held on March 17, 2020, the Shareholders agreed to carry out an issuance of non-preferential subordinated capital bonds that cannot be converted into shares, obtaining authorization from the Central Bank for their issuance through official document 153/12258/2020. Through an issuance act dated March 24, 2020, it was carried out through a public offer of up to 5,000,000 subordinated obligations with a nominal value of \$100.00 pesos each, which accrue interest at a TIIE + 2.8% rate, this issue is not guaranteed, the interest payment period is every 28 days and its maturity will be in March 2030. Said issuance was for an amount of \$ 500, the proportion of the authorized amount of the subordinated bonds compared to the amount issued was 100%.

QBAFIRME20 - 2

At the Extraordinary General Shareholder's Meeting held on March 17, 2020, the Shareholders agreed to carry out an issuance of non-preferential subordinated capital bonds that cannot be converted into shares, obtaining authorization from the Central Bank for their issuance through official document 153/12258/2020. Through an issuance deed dated October 22, 2020, a public offer was carried out for up to 2,300,000 subordinated bonds with a nominal value of \$100.00 pesos each, which accrue interest at a TIIE + 2.8% rate. This issuance is not guaranteed, the interest payment period is every 28 days and its maturity will be in October 2030. Said issuance was for an amount of \$ 230, the proportion of the authorized amount of subordinated bonds compared to 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-preferential subordinated capital bonds that cannot be converted into shares, obtaining authorization from the Central Bank for their issuance through document 153/12258/2020. By means of the act of issue dated February 15, 2022, the subordinated obligations were issued through a public offer for up to 2,012,500 subordinated obligations with a nominal value of \$ 100.00 pesos each, which accrue interest at a TIIE rate of 28 days + 2.8%, this issue is not guaranteed, the interest payment period is every 28 days and its maturity will be in February 2032. Said issuance was for an amount of \$ 201, the proportion of the authorized amount of the subordinated bonds compared to the amount issued was 100%. As of March 31, 2023 and 2022, the subordinated obligations do not have a discount rate nor a premium.

QBAFIRME22-2

At the Extraordinary General Shareholders' Meeting held on March 17, 2020, the shareholders agreed to carry out an issue of non-preferential subordinate capital obligations which cannot be converted into bank shares, obtaining authorization from the Central Bank for their issuance through official letter 153/12258/2020. On September 14, 2022, the subordinated debentures were issued through a public offering of 4,025,000 subordinated debentures,

considering that the Issuer exercised its over-allotment right for 525,000 subordinated debentures, with a nominal value of Ps. 100.00 each, bearing interest at a TIIE rate for a term of up to 28 days.00 pesos each, bearing interest at a TIIE rate for a term of up to 28 days, this issue is unsecured, the interest payment period is every 28 days and maturity will be in September 2032. This issuance was for \$403. At September 30, 2022, the amount issued was \$392 and the ratio of the authorized amount of subordinated debentures to the amount issued was 97%.

At the end of the second quarter of 2023, the subordinate obligations program has a balance of 3,357.0 million pesos.

Capital increases

At the Extraordinary General Shareholders' Meeting (Banca Afirme), held on February 22, 2022, it was agreed to increase the share capital, by 629mdp, 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

Alejandro Garay Espinosa
Deputy General Officer of Corporate Administration

Financial Controller

Lic. Luis Arturo Arias Medina
Chief Financial Officer

C.P. David Gerardo Martínez Mata
Audit Director