

Management Report

Banca Afirme

September 2022

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 September 30, 2022 compared to the period ended September 30, 2021.

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 third quarter of 2022, Banca Afirme's income totaled 106.4 million pesos, 56.0% lower than the same period of the previous year, this result is impacted by an increase in preventive reserves, on the other hand, the net result of the financial desk was lower than the same period of the previous year.

FINANCIAL MARGIN ANALYSIS

YIELDS GENERATED BY THE CREDIT PORTFOLIO

At the end of the third quarter of 2022, interest generated by the loan portfolio amounted to 1,784.7 million pesos, an increase of 27.1% compared to the same period of the previous year. This is mainly due to the behavior of the reference interest rate TIIE, which increased from 4.75% to 8.88% from September 2021 to September 2022, while the performing portfolio (stage 1 and 2) increased 12.5%.

Interest on loan portfolio	III Q 21	II Q 22	III Q 22	Variation	% Var.
Business Loans	727.2	875.2	956.1	228.9	31.5%
Consumer loans	475.0	515.5	545.5	70.4	14.8%
Home loans	163.8	210.2	219.3	55.5	33.9%
Credits for Gubernamental Entities	28.4	36.7	46.7	18.3	64.5%
Credits for Financial Entities	9.5	14.5	17.1	7.6	79.4%
Totals	1,404.0	1,652.2	1,784.7	380.7	27.1%

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

Commissions received for Credit Operations	III Q 21	II Q 22	III Q 22	Variation	% Var.
Business Loans	16.3	13.7	14.6	(1.6)	-10.1%
Consumer loans	32.6	31.4	32.9	0.2	0.7%
Home loans	5.1	5.7	6.0	0.8	16.1%
Credits for Gubernamental Entities	0.0	0.1	0.1	0.1	218.9%
Totals	54.1	51.0	53.6	(0.5)	-1.0%

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

In the third quarter of 2022, securities positions in Banca Afirme have continued to be reduced, despite the previous decrease and given the increase in yield rates, unrestricted securities show an interest collection only 7.5% lower.

Interest income continues to increase significantly, mainly due to the increase in interest rates and the fact that liquidity invested in repurchase agreements has been maintained in relevant volumes.

As a relevant strategy in the Institution, we continue to have liquidity available to be able to respond to possible events related to the current crisis and its recovery.

Premiums, interest and bonuses derived from investments in securities	III Q 21	II Q 22	III Q 22	Variation	% Var.
For unrestricted trading securities	1,685.3	1,290.1	1,559.6	(125.7)	-7.5%
Cash and cash equivalents	55.5	98.8	104.2	48.6	87.5%
Restricted securities and securities under repurchase/resell agreements					
Interest received and premiums paid on repurchase/resell agreements	526.5	1,039.9	1,556.6	1,030.1	195.6%
Income from hedging operations	18.5	31.9	32.0	13.5	73.0%
Totals	2,285.9	2,460.7	3,252.3	966.5	42.3%

PRIZES AND INTEREST DERIVED FROM THE CAPTURE OF

At the end of the third quarter of 2022, interest expense showed a growth of 61.7% 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 42.4%, while time deposits increased by 158.4% due to the growth in the balance of this item in the balance sheet and impacted by the increase in the reference rate mentioned above. It is expected that in the near future the interest paid will continue to grow due to the continuous increase in reference rates and we do not expect a decrease in volumes.

Interest expense	III Q 21	II Q 22	III Q 22	Variation	% Var.
Demand deposits	159.5	284.8	368.0	208.5	130.7%
Time deposits	274.8	546.3	709.8	435.1	158.4%
Interbank loans and loans from other institutions	81.1	97.7	116.8	35.6	43.9%
Interest on subordinated debentures	53.7	74.2	86.9	33.1	61.7%
Stock liabilities	32.8	45.9	49.6	16.7	51.0%
Interest and premiums on repurchase agreements	1,703.8	1,833.0	2,426.8	723.0	42.4%
Expenses from hedging operations	32.7	26.8	9.3	(23.4)	-71.7%
Interest on global deposit account	2.4	0.2	(0.3)	(2.6)	-111.9%
Leasehold interest expense	0.0	31.5	27.2	27.2	0.0%
Others	24.3	27.7	29.7	5.4	22.3%
Totals	2,365.1	2,968.1	3,823.8	1,458.7	61.7%

FINANCIAL MARGIN RESULT

Although the comparative financial margin increased more in interest paid than interest collected, the results in the margin continue to be very positive, thanks to the fact that we were able to fix some of our funding costs, despite the crisis, and to charge fixed interest or interest indexed to inflation. Continuing with very important profitability for the Institution.

FINANCIAL MARGIN	III Q 21	II Q 22	III Q 22	Variation	% Var.
Total Interest Collected	3,743.9	4,163.9	5,090.6	1,346.6	36.0%
Total Interest Paid	2,365.1	2,968.1	3,823.8	1,458.7	61.7%
FINANCIAL MARGIN	1,378.8	1,195.8	1,266.8	-112.0	-8.1%

NON-FINANCIAL INCOME

COMMISSIONS AND FEES DERIVED FROM THE PROVISION OF SERVICES

During the third quarter of 2022 there was an increase of 24.4% in fees charged compared to the same period of the previous year, this variation is mainly due to the fees charged in electronic banking, which showed an increase of 29.1% as a result of the increase in these services, highlighting ATM and POS transactions. Other fees and commissions show an increase of 42.5% as a result of revenues related to remittances and correspondent services which had a significant increase during the third quarter of 2022, trust activities show an increase of 84.8% as a result of the increase in this service.

Commissions and Fees Collected	III Q 21	II Q 22	III Q 22	Variation	% Var.
Credit operations	11.2	9.8	10.0	(1.3)	-11.3%
Transfer of funds	7.0	7.6	7.9	0.9	13.2%
Fiduciary activities	15.9	26.6	29.4	13.5	84.8%
Appraisals	2.2	2.8	2.6	0.4	17.7%
Account management	12.9	18.0	16.2	3.3	25.7%
Electronic banking	454.1	551.4	586.2	132.1	29.1%
Endorsements	0.2	0.2	0.2	(0.1)	-26.0%
Collection of duties	17.9	21.8	19.7	1.8	9.9%
Insurance	62.6	0.0	36.1	(26.4)	-42.3%
Financial advisory	0.1	0.1	0.2	0.1	231.2%
Other commissions and fees	101.9	118.5	145.2	43.3	42.5%
Social Welfare Tandas	0.0	0.0	0.0	0.0	0.0%
Totals	685.9	756.7	853.6	167.6	24.4%

BROKERAGE INCOME

There was lower third quarter 2022 sale and purchase income. The brokerage result was lower than the previous year, due to the materialization of the purchases/sales of securities that have been affected in 2022. In spite of the above, in the overall results, the movement in trading income is not significant for the Institution's results.

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

BROKERAGE INCOME	III Q 21	II Q 22	III Q 22	Variation	% Var.
Fair Value Gain (Loss) and Impairment Loss on Securities Valued at Cost.	(1.8)	39.9	7.0	8.8	-485.9%
Trading Securities	(1.8)	39.9	7.0	8.8	-486.3%
Derivative Instruments for Hedging Purposes	0.0	0.0	0.0	0.0	-100.0%

Gain (loss) on purchase and sale of securities and foreign currencies	10.4	233.3	-24.2	(34.6)	-331.8%
Trading securities	(25.1)	197.0	(64.6)	(39.5)	157.6%
Result from foreign currency purchase and sale	35.5	36.3	40.4	4.9	13.9%

OTHER OPERATING INCOME (EXPENSE)

By the end of the third quarter of 2022, other operating income (expenses) decreased by 255.6 million pesos compared to the same period of the previous year, which represents a 383.3% decrease.3%, mainly explained by the item of Others, which includes 147.8mdp from the IPAB, which was part of the administration expenses and which as of this quarter is presented in this item, the item of release of reserves of other overdue debts decreased by 94.3% due to the release of additional global preventive reserves created during the previous fiscal year to face the pandemic crisis, recoveries increased 77.1% as a result of a better performance in the collection management, on the other hand, the collection of written-off loans increased 41.6% as a result of a better management.

Other Net Operating Income (Expenses)	III Q 21	II Q 22	III Q 22	Variation	% Var.
Recoveries	15.1	15.6	26.7	11.6	77.1%
Debugging of accounts payable	(0.5)	(1.3)	(1.0)	(0.5)	93.0%
Income from operating leases	0.7	(1.3)	(1.4)	(2.1)	-306.1%
Collection of written-off loans	23.3	40.1	33.0	9.7	41.6%
Consultancies	0.0	0.0	0.0	0.0	0.0%
Release of reserves	0.0	12.5	0.0	0.0	0.0%
Release of reserves for other debts	39.1	0.4	2.2	(36.9)	-94.3%
Sale of furniture and real estate	2.0	2.1	6.4	4.4	219.7%
Bonus use of TDC and TDD	0.3	(0.3)	5.3	5.1	1,922.9%
Other + funds	19.1	22.6	10.0	(9.1)	-47.7%
Loss on sale of portfolio	(0.3)	(1.0)	(0.2)	0.1	-21.4%
Customer bonuses	(15.5)	(15.9)	(17.7)	(2.2)	14.1%
Various losses	(3.8)	(7.0)	(12.8)	(9.1)	241.5%
Allowance for other past due accounts payable	(4.6)	(40.6)	(9.9)	(5.2)	113.5%
Reserve foreclosed assets	(7.9)	(2.4)	(1.8)	6.2	-77.7%
Others	(0.3)	(1.4)	(227.8)	(227.5)	83,623.0%
Totals	66.7	22.1	(188.9)	(255.6)	-383.3%

ADMINISTRATIVE EXPENSES

At the end of the third quarter of 2022, Administrative expenses presented a variation of -15.6%, mainly as a result of the reclassification of IPAB to Other Income and Expenses, such reclassification is for the accumulated total 147.8mdp, remunerations and benefits decreased 31.7mdp or 6.7%, mainly due to the performance of the financial desk, fees increased 6.6% mainly due to legal fees, depreciation increased 134.7mdp or 117.2% (depreciation and rents impacted by NIF D5).

ADMINISTRATIVE EXPENSES	III Q 21	II Q 22	III Q 22	Variation	% Var.
Compensation and Benefits	474.7	437.7	443.0	(31.7)	-6.7%
Fees	106.7	106.4	113.7	7.1	6.6%
Rentals	96.9	(0.8)	11.0	(85.9)	-88.6%
Promotion	28.1	31.7	32.7	4.6	16.2%
Other operating and administrative expenses	346.9	403.2	333.0	(13.9)	-4.0%
Miscellaneous Taxes	62.5	72.2	63.4	1.0	1.6%
Depreciation and amortization	114.9	212.4	249.6	134.7	117.2%
Non-deductible items for income tax purposes	3.1	3.3	7.7	4.6	147.3%
IPAB Quotas	63.6	74.0	(147.8)	(211.4)	-332.2%
PTU Accrued	16.7	1.5	16.9	0.2	1.1%
Deferred PTU	0.0	6.5	(14.6)	(14.6)	0.0%
Totals	1,314.2	1,348.2	1,108.8	(205.4)	-15.6%

CURRENT AND DEFERRED TAXES

Income Taxes	III Q 21	II Q 22	III Q 22	Variation	% Var.
Income Tax Accrued	14.1	0.0	0.0	(14.08)	-100.0%
Deferred income tax	(84.9)	(32.0)	(12.9)	72.00	-84.8%
Totals	(70.8)	(32.0)	(12.9)	57.9	-81.8%

At the end of the third quarter of 2022, Banca Afirme files individual tax returns, and to date has no outstanding tax credits or 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.

Indebtedness level at the end of the third quarter of 2022

Banca Afirme's total liabilities as of September 30, 2021 and 2022, amounted to 185,475.4 billion pesos and 105,741.9 billion pesos, respectively.

EVOLUTION OF THE BALANCE SHEET

Banca Afirme's total assets showed a decrease of -41.3% compared to the same period of the previous year, mainly due to the decrease in the balance of financial instruments, which decreased by -70.0%.

Deposits and deposits increased their balances, mainly time deposits, which increased 28.7%, and demand deposits increased 10.0%; on the other hand, the balance of debt securities issued decreased 235.0 million pesos, with a balance as of September 30, 2022 of 531.1 million pesos.

RELEVANT INDICATORS					
	IIIQ 21	IVQ 21	IQ 22	IIQ 22	IIIQ 22
Non-performing loans ratio (non-performing portfolio / total portfolio)	3.62%	3.35%	3.09%	4.19%	4.29%
Non-performing loans coverage (allowance for loan losses / nonperforming loans)	1.24	1.31	1.39	1.10	1.09
Operating efficiency (administrative and promotional expenses/average total assets)	2.81%	2.71%	3.75%	3.91%	3.63%
ROE (return on equity)	13.21%	11.60%	14.39%	7.41%	5.71%
ROA (return on assets)	0.52%	0.45%	0.65%	0.40%	0.35%
Liquidity Ratio (liquid assets/liquid liabilities)	1.03	0.91	0.93	0.92	0.89
MIN (credit risk-adjusted net interest margin / earning assets)	2.52%	2.09%	3.39%	2.54%	3.42%

Banca Afirme

Credit Capitalization Ratio	22.45%	20.59%	20.23%	19.49%	20.15%(1)
Total Capitalization Index	16.32%	15.33%	15.39%	15.23%	15.92%(1)
Core Capital Ratio	12.62%	11.95%	11.81%	11.66%	11.71%(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 Executive positions of the first two levels of the Staff areas, for the Executive positions of the first three levels of the Deputy General Directorate of Business and for the Money Market area.

For the 2022 financial year, the list of these positions is:

MONEY DESK	DGA BUSINESS	STAFF
DIRECTOR OF ECONOMIC STUDIES	DEPUTY MANAGING DIRECTOR OF BUSINESS	DIRECTOR SPECIALIZED BANKING
DIRECTOR OF FINANCIAL MARKETS	DIRECTOR OF ACQUISITION	HUMAN RESOURCE EXECUTIVE DIRECTOR
MONEY AND EXCHANGE MARKET DIRECTOR	COMMERCIAL PARTNERSHIP DIRECTOR	DGA RISK AND CREDIT MANAGEMENT
DIRECTOR OF INTERIOR DISTRIBUTION TABLE	DIRECTOR SELF-SERVICES	DIRECTOR OF PARAMETRIC CREDITS
FINANCIAL MARKET PROMOTION DIRECTOR	GOVERNMENT BANK DIRECTOR NUEVO LEON	EXECUTIVE DIRECTOR ADMIN. OF RISKS
DIRECTOR TREASURY	DIRECTOR DIGITAL BANKING	EXECUTIVE DIRECTOR CREDIT
DERIVATIVE DEPUTY DIRECTOR	BUSINESS BANKING DIRECTOR	DIRECTOR FACTORING
DEPUTY DIRECTOR OF PROMOTION	CAPTAINING DIRECTOR	FINANCE DIRECTOR
MONEY MARKET MANAGER	SME CENTERS DIRECTOR	MONEY MARKET CONTROLLER DIRECTOR

ADMINISTRATIVE DEPUTY MANAGER	COMMERCIAL DIRECTOR FOR THE TERRITORIAL FORCES	TREASURY BALANCE SHEET EXECUTIVE DIRECTOR
DIRECTOR ASSISTANT	MORTGAGE DIRECTOR	DEPUTY MANAGING DIRECTOR INVESTMENTS
	DIRECTOR OF NEW TECHNOLOGIES	GOVERNMENT CREDIT ANALYSIS DIRECTOR
	DIVISIONAL DIRECTOR	LEGAL EXECUTIVE DIRECTOR
	COMMERCIAL AND DIGITAL EXECUTIVE DIRECTOR	FIDUCIARY STRUCTURING DIRECTOR
	EXECUTIVE DIRECTOR OF PRODUCTS	TRUSTEE DIRECTOR
	EXECUTIVE DIRECTOR BUSINESS BUSINESSES	DEPUTY LEGAL DIRECTOR GENERAL AND FID.
	PAYROLL AND PAYROLL CREDIT DIRECTOR	GOVERNMENT AND INFRASTRUCTURE DIRECTOR
	CAPTAINING SEGMENT DIRECTOR	LEGAL DIRECTOR OF RECOVERY
	CONSUMER SEGMENT DIRECTOR	LEGAL STRUCTURING BUSINESS DIRECTOR
	BUSINESS SEGMENT DIRECTOR	DIRECTOR OF PROCESSES AND SEC CREDITS STRUCT.
	SME SEGMENT DIRECTOR	DIRECTOR GOVERNMENT BANKING
	CREDIT AND DEBIT CARD DIRECTOR	DIRECTOR CORP RELATIONS INSTI AND BCA GOB
		DIRECTOR ARCHITECTURE AND METHODOLOGY
		IT CORP, OPERATIONS AND PROCESSES DIRECTOR
		DIRECTOR OF DEVELOPMENT CENTRAL SERVICES AND TRADITIONAL CHANNELS
		DIRECTOR OF INFRASTRUCTURE AND SERVICES
		CORPORATE SERVICES DEVELOPMENT DIRECTOR
		EXECUTIVE DIRECTOR. OPERATIONS AND PROCESSES
		DIRECTOR PREV. FRAUDS AND CLARIFICATIONS
		IT PROCESS AND ARCHITECTURE DIRECTOR
		CONTROLLER GENERAL
		AUDIT DIRECTOR
		DIRECTOR AUDIT IT, BRANCHES AND INV
		CONTROLLER DIRECTOR
		REGULATORY CONTROLLER DIRECTOR
		DIRECTOR OF OPERATIONAL CONTROL
		DIRECTOR OF INFORMATION SECURITY
		DIRECTOR OF SECURITY AND INTELLIGENCE
		DIRECTOR OF OPERATIONAL CONTROL
		EXECUTIVE PROJECTS DIRECTOR

Derived from the new legislation on Subcontracting, as of July 1, 2021, the Money Desk staff of Banca Afirme was transferred to the company Banco de Inversión Afirme, so for the second semester 2021, the staff participating in the Banca Afirme Remuneration System was as follows:

DGA BUSINESS	STAFF
DEPUTY MANAGING DIRECTOR OF BUSINESS	DIRECTOR SPECIALIZED BANKING
DIRECTOR OF ACQUISITION	HUMAN RESOURCE EXECUTIVE DIRECTOR
COMMERCIAL PARTNERSHIP DIRECTOR	DGA RISK AND CREDIT MANAGEMENT
DIRECTOR SELF-SERVICES	DIRECTOR OF PARAMETRIC CREDITS
GOVERNMENT BANK DIRECTOR NUEVO LEON	EXECUTIVE DIRECTOR ADMIN. OF RISKS

DIRECTOR DIGITAL BANKING	EXECUTIVE DIRECTOR CREDIT
BUSINESS BANKING DIRECTOR	DIRECTOR FACTORING
CAPTAINING DIRECTOR	FINANCE DIRECTOR
SME CENTERS DIRECTOR	MONEY MARKET CONTROLLER DIRECTOR
COMMERCIAL DIRECTOR FOR THE TERRITORIAL FORCES	TREASURY BALANCE SHEET EXECUTIVE DIRECTOR
MORTGAGE DIRECTOR	DEPUTY MANAGING DIRECTOR INVESTMENTS
DIRECTOR OF NEW TECHNOLOGIES	GOVERNMENT CREDIT ANALYSIS DIRECTOR
DIVISIONAL DIRECTOR	LEGAL EXECUTIVE DIRECTOR
COMMERCIAL AND DIGITAL EXECUTIVE DIRECTOR	FIDUCIARY STRUCTURING DIRECTOR
EXECUTIVE DIRECTOR OF PRODUCTS	TRUSTEE DIRECTOR
EXECUTIVE DIRECTOR BUSINESS BUSINESSES	DEPUTY LEGAL DIRECTOR GENERAL AND FID.
PAYROLL AND PAYROLL CREDIT DIRECTOR	GOVERNMENT AND INFRASTRUCTURE DIRECTOR
CAPTAINING SEGMENT DIRECTOR	LEGAL DIRECTOR OF RECOVERY
CONSUMER SEGMENT DIRECTOR	LEGAL STRUCTURING BUSINESS DIRECTOR
BUSINESS SEGMENT DIRECTOR	DIRECTOR OF PROCESSES AND SEC CREDITS STRUCT.
SME SEGMENT DIRECTOR	DIRECTOR GOVERNMENT BANKING
CREDIT AND DEBIT CARD DIRECTOR	DIRECTOR CORP RELATIONS INSTI AND BCA GOB
	DIRECTOR ARCHITECTURE AND METHODOLOGY
	IT CORP, OPERATIONS AND PROCESSES DIRECTOR
	DIRECTOR OF DEVELOPMENT CENTRAL SERVICES AND TRADITIONAL CHANNELS
	DIRECTOR OF INFRASTRUCTURE AND SERVICES
	CORPORATE SERVICES DEVELOPMENT DIRECTOR
	EXECUTIVE DIRECTOR. OPERATIONS AND PROCESSES
	DIRECTOR PREV. FRAUDS AND CLARIFICATIONS
	IT PROCESS AND ARCHITECTURE DIRECTOR
	CONTROLLER GENERAL
	AUDIT DIRECTOR
	DIRECTOR AUDIT IT, BRANCHES AND INV
	CONTROLLER DIRECTOR
	REGULATORY CONTROLLER DIRECTOR
	DIRECTOR OF OPERATIONAL CONTROL
	DIRECTOR OF INFORMATION SECURITY
	DIRECTOR OF SECURITY AND INTELLIGENCE
	DIRECTOR OF OPERATIONAL CONTROL
	EXECUTIVE PROJECTS DIRECTOR

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

The Remuneration System considers as eligible personnel the Executive positions of the first two levels of the Staff areas, the Executive positions of the first three levels of the Deputy General Directorate of Business and the Money Market area.

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. Additionally, it was established that the Remuneration Manual was applicable for both Banca Afirme and Banca de Inversión Afirme.

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) The variable remuneration to be paid to the Money Market area is calculated by applying 35% to the result generated in each quarter. As a result, the direct expenses identified in this area are deducted, thus determining the total amount to be paid.

To the amount of the variable remuneration resulting from the previous paragraph, 20% is applied and is paid within thirty calendar days after the close of each quarter, the remaining 80% is paid in the four immediately following quarters, applying the equivalent of 20 % in each of the four quarters, as long as the maximum amount of accumulated deferred variable remuneration does not exceed the established retention limits, so once this limit is reached, the amount of the applicable variable remuneration will be paid within 30 calendar days after the end of each quarter.

In the event that the results of the period are negative for the Money Market area, these results will be offset with deferred variable remuneration until they are exhausted.

- g) 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: 89

1. Number of covered bonds: 3
Percentage: 0.17205%
2. Number of bonds awarded: 68
Percentage: 5.00806%
3. Number of compensation and settlements: 1
Percentage: 0.07841%
4. Bonds pending to be awarded in cash: 0
Percentage: 0%
5. Fixed + Variable Compensation of personnel subject to SR
Total: 16.45000%

c)

1. Fixed Remuneration: 9.95674%
Variable Remuneration: 5.00806%
2. Transferred: 0%
Not Transferred: 5.00806%
3. Pecuniary: 4.83601%

d)

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

Note: The percentage that the account 6410 of Banca Afirme represents regarding the account 6400 (Administration and Promotion Expenses) is 31.94479% .

OTHER RELEVANT EVENTS

At the end of the third quarter of 2022, Banca Afirme had assets of 113,250 billion pesos, a decrease of -41.3% compared to the same period of the previous year.

The debt securities issued have a balance as of September 30, 2022 of 531.1 million pesos.

Capitalization

Banca Afirme's capitalization ratio was 15.92% at the end of the third quarter of 2022 with a core capital ratio of 11.71%.

Issuance of Subordinated Debentures.

At the Extraordinary General Shareholders' Meeting held on March 17, 2020, the Shareholders agreed to issue subordinated debentures of non-preferred capital and not convertible into shares of the Bank, obtaining authorization from the Central Bank for their issuance by means of official letter 153/12258/220. 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 Extraordinary General Shareholders' Meeting held on March 17, 2020, the Shareholders agreed to issue subordinated debentures of non-preferred capital and not convertible into shares, obtaining authorization from the Central Bank for their issuance by means of official letters 153/12258/220. 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. This issuance was for an amount of 201 million pesos, and the ratio of the authorized amount of subordinated debentures to the amount issued was 100%.

As of September 30, 2021 and 2020, the subordinated debentures do not have a discount rate or premium.

At the Extraordinary General Shareholders' Meeting held on October 22, 2020, the Shareholders agreed to issue subordinated debentures of non-preferred capital and not convertible into shares, obtaining authorization from the Central Bank for their issuance by means of official letters 153/12258/220. The issue of the bonds was carried out through a public offer for up to 2,300,000 subordinated bonds with a nominal value of \$ 100 pesos each, which accrue interest at a TIIE rate + 2.8%, this issue 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 million pesos, the proportion of the authorized amount of the subordinated bonds compared to the amount issued was 100%.

At the Extraordinary General Meeting of Shareholders held on March 17, 2020, the Shareholders agreed to carry out an issue of preferred or non-preferred subordinated capital obligations and not susceptible to becoming shares, obtaining authorization from the Central Bank for their issuance through oficios OFI/003-29279. The issue of the bonds was carried out through a public offer for up to 20,000,000 subordinated bonds with a nominal value of \$

100.00 pesos each, which accrue interest at a TIIE rate + 2.8%, this issue is not guaranteed, the interest payment period is every 28 days and its maturity will be in March 2030. This issuance was for an amount of \$500 million pesos, and the ratio of the authorized amount of subordinated debentures to the amount issued was 25%.

At the end of the third quarter of 2022, the subordinated debenture program had a balance of 3,346 billion 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 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

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