

Management Report

Banca Afirme

June 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 June 30, 2022, compared to the period ended June 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 second quarter of 2022, Banca Afirme's Profit totaled 137.7 million euros, 29.0% higher than the same period of the previous financial year, this result is impacted by the decrease in preventive reserves as a result of a better performance of the credit portfolio, on the other hand, the result by intermediation increases significantly.

FINANCIAL MARGIN ANALYSIS

YIELDS GENERATED BY THE CREDIT PORTFOLIO

At the end of the second quarter of 2022, the interest generated by the credit portfolio amounted to 1,652.2 million pesos, an increase of 20.4% compared to the same period of the previous year. This is mainly due to the behavior in the TIIE reference interest rates goes from 4.32% to 7.42% from June 2021 to June 2022.

Credit Portfolio Interests	II Q 21	I Q 22	II Q 22	Variation	% Var.
Business Credits	675.1	807.0	875.2	200.1	29.6%
Consumer loans	465.8	491.7	515.5	49.6	10.7%
Home loans	191.0	189.6	210.2	19.2	10.1%
Credits for Gubernamental Entities	31.3	42.4	36.7	5.4	17.3%
Credits for Financial Entities	8.9	12.3	14.5	5.6	62.3%
Totals	1,372.2	1,542.9	1,652.2	280.0	20.4%

During the aforementioned period, commissions for credit operations decreased by 13.7% per annum, this decrease is due to the fact that some loans were settled in advance during the previous year.

Commissions received for Credit Operations	II Q 21	I Q 22	II Q 22	Variation	% Var.
Business Credits	22.4	13.7	13.7	(8.7)	-38.9%
Consumer loans	30.2	28.5	31.4	1.2	4.1%
Home loans	5.6	5.4	5.7	0.1	2.0%
Credits for Gubernamental Entities	0.9	0.1	0.1	(0.7)	-87.2%
Totals	59.1	47.7	51.0	(8.1)	-13.7%

INCOME FROM INVESTMENTS IN SECURITIES, REPORTING OPERATIONS AND CASH AND CASH EQUIVALENTS.

In the second quarter of 2022, the positions in securities at Banca Afirme have continued to be reduced, despite the above, given the increase in yield rates, unrestricted securities show an interest charge very similar to the same period of the previous year.

Interest income continues to increase significantly, mainly due to rising interest rates and the fact that the liquidity invested in crypto has remained at relevant volumes.

As a relevant strategy in the Institution, we continue with available liquidity to be able to respond to possible events related to the current crisis and the recovery from it, said strategy generates greater income due to availabilities.

Premium, interests and premium derivatives from securities and investments	II Q 21	I Q 22	II Q 22	Variation	% Var.
Not restricted titles to negotiate	1,279.4	1,840.7	1,290.1	10.7	0.8%
Cash and cash equivalents	35.7	96.8	98.8	63.1	176.6%
Restricted and Repurchase Titles					
Interests CHarged and premiums in favor for repurchase operations	511.9	898.3	1,039.9	528.0	103.1%
Income from covered opertations	10.9	58.4	31.9	21.0	192.3%
Totals	1,837.9	2,894.2	2,460.7	622.8	33.9%

PRIZES AND INTERESTS DERIVED FROM THE COLLECTION

At the end of the second quarter of 2022, interest expenses showed a growth of 39.1% compared to the same period of the previous year, this increase is largely due to interest and cash prizes, which have a variation of 19.6%, while term deposits increased by 145.5% derived from the growth in the balance of this item on the balance sheet and impacted by the increase in the reference rate mentioned above. It is to be expected that in the near future the interest paid will continue to grow due to the continuous increase in reference rates and that we do not expect a decrease in volumes.

Expenses from interests	II Q 21	I Q 22	II Q 22	Variation	% Var.
Immediate enforceability deposits	154.3	213.7	284.8	130.5	84.5%
Fixed term deposits	222.5	414.5	546.3	323.8	145.5%
Subtracting Bank and other agencies	83.6	101.3	97.7	14.1	16.9%
Interests for subordinated liabilities	51.6	63.8	74.2	22.5	43.7%
Bursatile debt	28.5	44.6	45.9	17.4	61.0%
Interests and premiums from repurchase	1,532.5	2,052.4	1,833.0	300.4	19.6%
Expenses from covered operations	36.7	30.3	26.8	(9.9)	-27.0%
Interest from global accounts of funds raised	0.2	1.5	0.2	(0.0)	-9.6%
Lease interest expenses	0.0	31.3	31.5	31.5	0.0%
Others	24.4	26.1	27.7	3.3	13.5%
Totals	2,134.5	2,979.6	2,968.1	833.6	39.1%

FINANCIAL MARGIN RESULT

As at the beginning of the year, in the financial margin comparison, we managed to increase interest income more than the interest paid grew, this thanks to being able to fix some of our collection costs, despite the crisis, and to charge fixed interest or referenced to inflation. Thus, improving the financial margin and profitability of the Institution.

FINANCIAL MARGIN	II Q 21	I Q 22	II Q 22	Variation	% Var.
Total of interests charged	3,269.2	4,484.9	4,163.9	894.6	27.4%
Total of interests paid	2,134.5	2,979.6	2,968.1	833.6	39.1%
FINANCIAL MARGIN	1,134.8	1,505.3	1,195.8	61.0	5.4%

NON-FINANCIAL INCOME

COMMISSIONS AND FEES DERIVED FROM THE PROVISION OF SERVICES

During the second quarter of 2022, there was a 20.6% increase in the commissions charged compared to the same period of the previous year, this variation is mainly due to the commissions charged in electronic banking, which shows an increase of 33.0% as a result of the increase in these services, highlighting operations at ATMs and POS terminals. The item of other commissions and fees shows an increase of 35.5% as a result of income related to remittances and correspondences, which had a significant increase during the second quarter of 2022.

Commissions and Fees Charged	II Q 21	I Q 22	II Q 22	Variation	% Var.
Credit operations	12.7	10.0	9.8	(2.9)	-23.1%
Funds transfer	6.6	7.2	7.6	1.0	15.9%
Trust Companies Activities	22.5	24.8	26.6	4.1	18.3%
Appraisals	2.0	1.3	2.8	0.8	41.1%
Account Management	13.3	13.7	18.0	4.7	35.5%
Electronic Banking	414.5	498.2	551.4	136.9	33.0%
Guarantee	0.2	0.1	0.2	(0.0)	-8.7%
Right to severance pay	19.4	28.4	21.8	2.4	12.5%
Insurance	47.2	23.5	0.0	(47.2)	-100.0%
Financial Advisory	0.0	0.1	0.1	0.0	80.2%
Other commissions and duties	87.5	108.8	118.5	31.0	35.5%
Social Wealth Batches	1.7	0.0	0.0	(1.7)	-100.0%
Totals	627.5	716.1	756.7	129.1	20.6%

RESULT BY INTERMEDIATION

There was a very significant improvement in the sales results for the second quarter of 2022. The intermediation result was higher than the previous year due to the materialization of the purchase /sales of securities that had been revalued in 2021, in addition, the increase in the margin causes an even better result, registering a very profitable second quarter for the securities in position.

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 21	I Q 22	II Q 22	Variation	% Var.
Valuation Results to Fair Market Value and Reduction of Titles valued at cost	11.8	(24.2)	39.9	28.1	238.1%
Titles to negotiate	11.8	(24.2)	39.9	28.1	237.9%
Derivatif instruments with coverage purposes	0.0	0.0	0.0	0.0	-100.0%
Results from Sales and Purchase of Securities and Foreign Exchange	4.7	41.0	233.3	228.6	4,882.1%
Titles to negotiate	(25.2)	(3.4)	197.0	222.2	-880.7%
Results for Sales and Purchase of Currency	29.9	44.5	36.3	6.4	21.5%
Totals	16.5	16.9	273.2	256.7	1,557.4%

OTHER INCOME (EXPENSES) FROM THE OPERATION

For the closing of the second quarter of 2022, the item of other income (expenses) of the operation presents a decrease of 20.2 million of pesos during the same period of the previous year, which represents 47.8%, explained mainly by the item Reserve for other overdue debits which increases 35.3 million pp mainly as a result of reserve for other overdue debits. interest receivable balance IETU, the item of reserves Release which is increased 12.5 million of pesos, on the other hand the item of "Other + funds" is increased 9.8 millions of pesos largely due to non-recurring income, recoveries decrease 14.0% this as a result of the better performance in this item during the same period of the previous year, on the other hand the collection of punished credits increases 19.1% as a result of better management.

Other Income (Expenses) of the Net Operation	II Q 21	I Q 22	II Q 22	Variation	% Var.
Recoveries	18.1	15.8	15.6	(2.5)	-14.0%
Debugging accounts payable	(1.0)	2.2	(1.3)	(0.3)	34.0%
Result from operating lease	1.3	(0.6)	(1.3)	(2.6)	-199.8%
Collection of written-off credits	33.7	42.1	40.1	6.4	19.1%
Advisory	0.0	0.0	0.0	0.0	0.0%
Release of reserves	0.0	95.5	12.5	12.5	0.0%
Release of reserves from other debts	0.1	0.4	0.4	0.3	408.0%
Sale of furniture and real estate	(0.3)	1.5	2.1	2.4	-719.6%
Bond from the use of Debit and Credit Cards	3.6	3.0	(0.3)	(3.9)	-108.2%
Other + funds	12.8	25.0	22.6	9.8	76.8%
Loss on portfolio sale	(0.8)	(0.8)	(1.0)	(0.2)	21.9%

Customer bonuses	(14.3)	(16.1)	(15.9)	(1.6)	11.0%
Miscellaneous bankruptcies	(5.0)	(0.9)	(7.0)	(2.0)	40.9%
Reserve for other overdue debts	(5.3)	(8.7)	(40.6)	(35.3)	669.1%
Reserve foreclosed assets	(0.1)	0.3	(2.4)	(2.3)	2,315.4%
Others	(0.4)	(0.8)	(1.4)	(0.9)	231.5%
Totals	42.3	157.8	22.1	(20.2)	-47.8%

ADMINISTRATION EXPENSES

At the end of the second quarter of 2022, administrative expenses presented a variation of 14.1%, on the one hand, remuneration and benefits increased by 120.6 million pesos, that is, 38.0% this is mainly due to the performance of the financial desk, the item of other administrative expenses increases by 36.2% as a result of the increase in electronic banking operations, fees decrease by 41.5% mainly due to the effect of the transfer of outsourcing personnel to the payroll, depreciation increases 99.6 million pesos, that is, 88.3% (depreciation and Income impacted by NIF D5).

ADMINISTRATION EXPENSES	II Q 21	I Q 22	II Q 22	Variation	% Var.
Salaries and Claims	317.1	422.0	437.7	120.6	38.0%
Professional Fees	181.7	131.2	106.4	(75.3)	-41.5%
Leases	86.5	13.9	(0.8)	(87.3)	-100.9%
Marketing	59.7	29.7	31.7	(28.0)	-46.9%
Other administrative and operative expenses	296.0	437.8	403.2	107.1	36.2%
Multiple Taxes	53.6	80.4	72.2	18.7	34.8%
Depreciation and Amortization	112.8	285.2	212.4	99.6	88.3%
Nondeductible concepts for ISR	2.9	1.7	3.3	0.5	16.5%
IPAB Contribution	62.6	73.8	74.0	11.4	18.3%
Caused PTU	8.5	34.0	1.5	(7.0)	-82.5%
Deferred PTU	0.0	0.0	6.5	6.5	0.0%
Totals	1,181.4	1,509.8	1,348.2	166.8	14.1%

INCURRED AND DEFERRED TAXES

Tax on Profit	II Q 21	I Q 22	II Q 22	Variation	% Var.
Caused ISR	(28.8)	0.0	0.0	28.85	-100.0%
Differed ISR	(2.5)	(32.0)	(32.0)	(29.46)	1,182.1%
Totals	(31.3)	(32.0)	(32.0)	(0.6)	2.0%

At the end of the second quarter of 2022, Banca Afirme submits its tax returns individually, and to date it has no pending tax credits or debts.

FINANCIAL SITUATION, LIQUIDITY AND CAPITAL RESOURCES

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

Debt level at the end of the second quarter of 2022

The total liabilities of Banca Adige as of June 30, 2021, and 2022, were 173,434.4 million pesos and 122,085.2 million pesos, respectively.

EVOLUTION OF THE BALANCE SHEET

The total assets of Banca Afirme show a decrease with respect to the same period of the previous year of -27.3% due mainly to the decrease in the balance of securities to negotiate which decreased by -57.0%.

The collection increases its balances mainly the term collection that increases by 39.6%, and the collection at sight increases by 16.4%, on the other hand, the balance in issued credit securities increases by 560 million pesos reaching an amount of 792 million pesos

RELEVANT INDICATORS					
	IIQ 21	IIIQ 21	IVQ 21	IQ 22	IIQ 22
NPL ratio (past due portfolio/total portfolio)	3.83%	3.62%	3.35%	3.09%	4.19%
Overdue portfolio coverage (preventive estimate/past due portfolio)	1.24	1.24	1.31	1.39	1.10
Operating efficiency (administration and promotion expenses/average total assets)	2.65%	2.81%	2.71%	3.75%	3.91%
ROE (return on equity)	5.98%	13.21%	11.60%	14.39%	7.41%
ROA (return on assets)	0.24%	0.52%	0.45%	0.65%	0.40%
Liquidity Ratio (liquid assets/liquid liabilities)	0.92	1.03	0.91	0.93	0.92
MIN (financial margin adjusted for credit risks/productive assets)	2.04%	2.52%	2.09%	3.39%	2.54%
Banca Afirme					
Credit Capitalization Index	21.51%	22.45%	20.59%	20.23%	19.52% (1)
Total Capitalization Ratio	15.78%	16.32%	15.33%	15.39%	15.26% (1)
Basic Capital Index	12.06%	12.62%	11.95%	11.81%	11.69% (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:

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 System when necessary. The Finance Department participates by evaluating the results of the different areas.

The Remuneration Manual applies to the Executive positions of the first two levels of the Staff Executive positions of the first three levels of the Deputy Directorate of Business and for the Money Market area.

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

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

Resources Department this Committee to where appropriate, approval of and/or new variable schemes of the System when The Finance Department participates by results of the schemes areas.

Remuneration Manual Executive positions of levels of the Staff Executive positions of levels of the Deputy Directorate of Business Money Market area.

financial year, the list of 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 considered 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 second quarter of 2022, Banca Afirme had an asset level of 131,261 million pesos, showing a decrease of -27.3% compared to the same period of the previous year.

The credit notes issued have a balance as of June 30, 2022, of 792.1 million pesos.

Capitalization

The Banca Afirme Capitalization Index stood at 15.26% at the end of the second quarter of 2022 with a core capital index of 11.69%.

Issuance of Subordinated Bonds

At the Extraordinary General Meeting of Shareholders held on March 17, 2020, the Shareholders agreed to carry out an issue of non-preferred subordinated capital obligations that are not eligible for conversion into shares, obtaining authorization from the Central Bank for their issuance through oficios 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. Said issuance was for an amount of \$201 million pesos, the proportion of the authorized amount of the subordinated bonds compared to the amount issued was 100%.

As of June 30, 2021, and 2020, subordinated debentures do not have a discount or award rate.

At the Extraordinary General Meeting of Shareholders held on October 22, 2020, the Shareholders agreed to carry out an issue of non-preferred subordinated capital obligations that are not eligible for conversion into shares, obtaining authorization from the Central Bank for their issuance through oficios 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. Such an issue was in the amount of 500million of pesos, the ratio keeping the authorized number of subordinated obligations to the issued amount was 25%.

At the end of the second quarter of 2022, the subordinated obligations program had a balance of 2,944 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 629million 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. Jesús Antonio Ramírez Garza
Chief Executive Officer

C.P. Gustavo M. Vergara Alonso
General Director of Finance and Financial Controller

C.P.C. Jesús Ricardo Gámez del Castillo
Chief Financial Officer

C.P. David Gerardo Martínez Mata
Internal Audit Director