

# Administration Report

## Banca Afirme

March 2021

*Hoy creamos*

*Hoy creamos*

EMPIEZA A IMAGINARLO

**AFIRME**  
El Banco de Hoy

Management's notes on the results of March 31, 2021.

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

### OPERATING RESULTS.

Comparative analysis of the period ended March 31, 2021 compared to the period ended March 31, 2020.

At the end of the first quarter of 2021, the Profit of Banca Afirme totaled 104.0 million pesos, 20.6% lower than the previous year, this result is mainly due to the result of the intermediation and the increase in preventive reserves derived from additional COVID reserves.

### FINANCIAL MARGIN ANALYSIS

#### *YIELDS GENERATED BY THE CREDIT PORTFOLIO*

At the end of the first quarter of 2021, the interest generated by the loan portfolio amounted to 1.369.2 million pesos, a decrease of 8.3% compared to the same period of the previous year. The current portfolio shows an increase of 5.5%, mainly the business portfolio which shows an annual growth of 2,393.3 million pesos (9.3%), the housing portfolio shows an increase of 354.6 million pesos (4.7%), the government portfolio grows 200.4 million pesos (9.5%) and, on the other hand, the Consumer Portfolio decreased 358.2 million pesos (-4.3%) mainly derived from the impact of the COVID19 health contingency, the behavior of the TIIE reference interest rates that went from 7.10% to 4.28 % from March 2020 to March 2021, this decrease in the reference rate impacts the interest charged.

| Credit Portfolio Interests         | II Q 2020      | IV Q 2020      | I Q 2021       | Variation      | % Var.       |
|------------------------------------|----------------|----------------|----------------|----------------|--------------|
| Business Credits                   | 732.4          | 692.9          | 658.3          | (74.1)         | -10.1%       |
| Consumer Credits                   | 495.0          | 482.3          | 465.0          | (30.0)         | -6.1%        |
| Housing Credits                    | 204.6          | 215.0          | 205.3          | 0.8            | 0.4%         |
| Credits for Gubernamental Entities | 47.6           | 29.3           | 31.7           | (15.9)         | -33.4%       |
| Credits for Financial Entities     | 12.8           | 10.3           | 8.9            | (3.9)          | -30.8%       |
| <b>Total</b>                       | <b>1,492.4</b> | <b>1,429.9</b> | <b>1,369.2</b> | <b>(123.2)</b> | <b>-8.3%</b> |

During the aforementioned period, commissions for credit operations show an annual increase of 3.2% impacted by the support program for companies due to the COVID-19 pandemic, as well as by the decrease in the consumer portfolio.

| <b>Commissions received for Credit Operations</b> | <b>II Q 2020</b> | <b>IV Q 2020</b> | <b>I Q 2021</b> | <b>Variation</b> | <b>% Var.</b> |
|---|------------------|------------------|-----------------|------------------|---------------|
| Business Credits                                  | 15.5             | 15.8             | 16.8            | 1.3              | 8.7%          |
| Customer Credits                                  | 26.3             | 25.5             | 25.2            | (1.2)            | -4.4%         |
| Housing Credits                                   | 3.8              | 5.8              | 4.4             | 0.6              | 16.3%         |
| Credits for Gubernamental Entities                | 0.2              | 0.3              | 0.9             | 0.6              | 316.0%        |
| <b>Total</b>                                      | <b>45.8</b>      | <b>47.4</b>      | <b>47.2</b>     | <b>1.4</b>       | <b>3.2%</b>   |

#### **INCOME FROM INVESTMENTS IN SECURITIES, REPORT OPERATIONS AND AVAILABILITIES.**

In accordance with the strategy that Banca Afirme has carried out, repurchase agreements have continued to increase to serve the Institution's clients. We have also continued to grow in positions in search of higher returns. The foregoing was maintained during 2020 and the first quarter of 2021, despite this, the interest collected and premiums in favor of repurchase agreements decreased due to the drop in reference interest rates compared in the 1st quarter of 2020 and the same quarter of 2021.

Unrestricted trading securities had higher premiums and interest due to increased volume, despite lower interest rates. From the first quarter of 2020 the behavior of hedging was extraordinary since, due to the clear downward trend, hedging operations changed significantly, the nature of these operations is to hedge our risk in the event of a rise in rates, so the Income from these operations decreased, as the volume of these hedges decreased.

| <b>Premium, interests and premium derivatives from securities and investments</b> | <b>I Q 2020</b> | <b>IV Q 2020</b> | <b>I Q 2021</b> | <b>Variation</b> | <b>% Var.</b> |
|---|-----------------|------------------|-----------------|------------------|---------------|
| Not restricted titles to negotiate  | 1,029.9         | 1,239.1          | 1,544.8         | 514.9            | 50.0%         |
| Restricted Liquid Assets  | 50.5            | 43.4             | 40.8            | (9.8)            | -19.3%        |
| <b>Restricted and Repurchased Titles</b>  |                 | 0.0              |                 |                  |               |
| Interests Charged and premiums in favor for repurchase operations                 | 862.0           | 554.5            | 563.3           | (298.7)          | -34.6%        |
| Income from covered operations  | 28.8            | 21.4             | 17.3            | (11.5)           | -39.8%        |
| <b>Total</b>  | <b>1,971.2</b>  | <b>1,858.4</b>   | <b>2,166.3</b>  | <b>195.0</b>     | <b>9.9%</b>   |

## **PRIZES AND INTERESTS DERIVED FROM THE COLLECTION**

At the end of the first quarter of 2021, interest expenses show a decrease of 11.7%, mainly explained by the decrease in interest on deposits of immediate demand and time deposits that decrease 44.5% and 29.7% respectively, since most of them are referenced to short-term rates, which have entailed a significant decrease in the year, recalling that rates in the last year have decreased by 281 bp, the stock market liability shows a decrease of 34.0% as a consequence of the natural maturity of some securities. Regarding interest paid for repurchase agreements, these, as well as those for assets, decreased despite increasing their amount due to the significant drop in interest rates. On the other hand, expenses from hedging operations increased due to the modification of our strategy in view of the extraordinary year that led us to seek to fix our funding cost.

Unlike the other items, the expenses for interbank loans rose, since in this period the Institution has resorted to an increase in the use of lines with other banks to maintain a healthy balance in the face of the situation, by all known, that occurred since the first quarter of last year

| <b>Expenses from interests</b>                | <b>I Q 2020</b> | <b>IV Q 2020</b> | <b>I Q 2021</b> | <b>Variation</b> | <b>% Var.</b> |
|---|-----------------|------------------|-----------------|------------------|---------------|
| Immediate enforceability deposits             | 259.9           | 147.1            | 144.3           | (115.6)          | -44.5%        |
| Fixed term deposits                           | 303.8           | 220.3            | 213.7           | (90.2)           | -29.7%        |
| Interbank and other businesses loans          | 74.1            | 77.0             | 85.0            | 10.9             | 14.7%         |
| Interests for subordinated liabilities        | 55.1            | 53.3             | 51.9            | (3.2)            | -5.8%         |
| Bursatile debt                                | 56.4            | 46.1             | 37.2            | (19.1)           | -34.0%        |
| Interests and premiums from repurchase        | 1,672.5         | 1,621.7          | 1,587.5         | (85.0)           | -5.1%         |
| Expenses from covered operations              | 32.8            | 45.7             | 49.0            | 16.2             | 49.5%         |
| Interest from global accounts of funds raised | 2.1             | 1.8              | 1.4             | (0.8)            | -36.0%        |
| Other   | 27.5            | 25.1             | 24.3            | (3.2)            | -11.7%        |
| <b>Total</b>                                  | <b>2,484.2</b>  | <b>2,238.2</b>   | <b>2,194.3</b>  | <b>(289.9)</b>   | <b>-11.7%</b> |

## **FINANCIAL MARGIN RESULT**

In the financial margin comparison, we managed to maintain interest income very similar to the first quarter of last year, thanks to the increase in volume and to finding assets with higher profitability. On the other hand, we also managed to reduce the interest paid, taking advantage of the lower interest rates and therefore significantly improving the financial margin of the Institution.

| <b>FINANCIAL MARGIN</b>    | <b>II Q 2020</b> | <b>IV Q 2020</b> | <b>I Q 2021</b> | <b>Variation</b> | <b>% Var.</b> |
|----------------------------|------------------|------------------|-----------------|------------------|---------------|
| Total of interests charged | 3,509.4          | 3,335.7          | 3,582.6         | 73.3             | 2.1%          |
| Total of interests paid    | 2,484.2          | 2,238.2          | 2,194.3         | -289.9           | -11.7%        |
| <b>Financial Margin</b>    | <b>1,025.2</b>   | <b>1,097.5</b>   | <b>1,388.4</b>  | <b>363.2</b>     | <b>35.4%</b>  |

## **NON-FINANCIAL INCOME**

### **COMMISSIONS AND FEES DERIVED FROM THE PROVISION OF SERVICES**

During the first quarter of 2021 there is an increase of 7.9% in the commissions charged, this variation is mainly due to the commissions charged in electronic banking that shows an increase of 13.1% as a result of the increase in these services, the item of other commissions shows an increase of 55.7% as a result of income related to remittances and correspondents which had an increase as of the second quarter of 2020, the item of trust activities decreased 60.7% due to extraordinary operations during the same period of the previous year, on the other hand , Insurance commissions increased by 35.1% due to a greater placement of products offering this type of service.

| <b>Commissions and Duties Paid</b> | <b>I Q 2020</b> | <b>IV Q 2020</b> | <b>I Q 2021</b> | <b>Variation</b> | <b>% Var.</b> |
|------------------------------------|-----------------|------------------|-----------------|------------------|---------------|
| Credit operations                  | 11.3            | 11.3             | 11.8            | 0.5              | 4.6%          |
| Funds transfer                     | 4.2             | 4.9              | 5.0             | 0.8              | 19.6%         |
| Trust Companies Activities         | 69.9            | 47.2             | 27.4            | (42.5)           | -60.7%        |
| Appraisals                         | 1.9             | 1.7              | 3.1             | 1.2              | 66.6%         |
| Account Management                 | 8.6             | 12.7             | 12.2            | 3.6              | 41.7%         |
| Electronic Banking                 | 300.9           | 322.1            | 340.4           | 39.5             | 13.1%         |
| Guarantee                          | 0.1             | 0.1              | 0.1             | 0.0              | 22.1%         |
| Right to severance pay             | 25.5            | 15.7             | 23.4            | (2.1)            | -8.4%         |
| Insurance                          | 47.5            | 37.4             | 64.1            | 16.7             | 35.1%         |
| Financial Advisory                 | 0.2             | 0.0              | 0.1             | (0.1)            | -45.9%        |
| Other commissions and duties       | 43.4            | 64.4             | 67.6            | 24.2             | 55.7%         |
| Social Wealth Batches              | 2.5             | 8.6              | 1.7             | (0.8)            | -33.2%        |
| <b>Totals</b>                      | <b>515.9</b>    | <b>526.0</b>     | <b>556.9</b>    | <b>41.0</b>      | <b>7.9%</b>   |

## **RESULT BY INTERMEDIATION**

The result for the sale and purchase of the first quarter of 2021 has been significantly lower than the comparable in 2020, given the fall in interest rates and the higher risk premium that the market has demanded in some instruments. Some lost market value by having lower referral rates and a higher requirement on the prize paid. The foregoing resulted in negative sale and purchase operations.

The purchase / sale result and the valuation result were largely offset to have a result in the first quarter of this year close to zero in trading results, but with a financial margin significantly higher than its comparable the previous year.

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.

| <b>Intermediate Results</b>  | <b>I Q 2020</b> | <b>IV Q 2020</b> | <b>I Q 2021</b> | <b>Variation</b> | <b>% Var.</b> |
|--|-----------------|------------------|-----------------|------------------|---------------|
| <b>Valuation Results to Fair Market Value and Reduction of Titles valued at cost</b> | 5.8             | 80.4             | 43.8            | 37.9             | 650.3%        |
| Titles to negotiate  | 5.8             | 80.4             | 43.8            | 37.9             | 648.7%        |
| Derivatif instruments with coverage purposes   | 0.0             | 0.0              | 0.0             | 0.0              | -46.7%        |
|  |                 | 0.0              |                 |                  |               |
| <b>Results from Sales and Purchase of Securities and Foreign Exchange</b>            | 41.1            | -1.3             | -49.7           | (90.9)           | -220.9%       |
| Titles to negotiate  | 11.3            | -33.6            | -81.5           | (92.8)           | -822.7%       |
| Results for Sales and Purchase of Currency   | 29.8            | 32.3             | 31.8            | 1.9              | 6.5%          |
| <b>Totals</b>  | <b>47.0</b>     | <b>79.1</b>      | <b>(6.0)</b>    | <b>(52.9)</b>    | <b>112.7%</b> |

## OTHER INCOME (EXPENSES) FROM THE OPERATION

For the close of the first quarter of 2021, the item of other income (expenses) of the operation shows an annual decrease of 11.5 million pesos, which represents 12.7%, mainly explained by the item Bonus use of Debit and Credit Cards that decreases 85 million pesos due to the VISA incentive. received during the first quarter of 2020, the variation in release for other overdue debts that shows a decrease of 32.6 million pesos, which represents a variation of 98.6% as a result of a greater recovery during the previous year, on the other hand, , reserves for adjudicated assets increased 7.9 million pesos, the item of bonuses to clients shows an increase of 17.9% this is a consequence of the support to electronic banking clients where commissions for low invoicing and low average balance are reduced in addition to Covid19 program bonuses "We reward you", where interests of various participating products are rewarded.

| Other income (expenses) from net operation  | I Q 2020    | IV Q 2020   | I Q 2021    | Variation     | % Var.        |
|---|-------------|-------------|-------------|---------------|---------------|
| Rescued Assets                              | 20.5        | 16.7        | 62.7        | 42.2          | 205.6%        |
| Accounts Payable clearance                  | 0.7         | 4.9         | (3.3)       | (4.0)         | -595.8%       |
| Results from operative loan                 | 1.8         | 1.0         | 1.2         | (0.6)         | -34.7%        |
| Collection of Loans                         | 29.7        | 25.6        | 30.7        | 1.0           | 3.2%          |
| Advisory                                    | 0.0         | 0.0         | 0.0         | 0.0           | 0.0%          |
| Reserve clearance                           | 0.0         | (0.0)       | 1.3         | 1.3           | 0.0%          |
| Reserve clearance from other loans          | 33.0        | 0.1         | 0.5         | (32.6)        | -98.6%        |
| Sale of personal and real property          | 2.0         | 3.0         | 0.5         | (1.6)         | -76.8%        |
| Bond from the use of Debit and Credit Cards | 85.0        | 35.1        | 0.0         | (85.0)        | -100.0%       |
| Other funds                                 | 8.8         | 5.9         | 10.2        | 1.4           | 16.4%         |
| Losses from portfolio sales                 | (27.3)      | (1.9)       | (1.2)       | 26.1          | -95.6%        |
| Clients bonus                               | (11.0)      | (12.8)      | (13.0)      | (2.0)         | 17.9%         |
| Other losses                                | (3.4)       | (5.3)       | (1.4)       | 2.0           | -59.1%        |
| Reserve for other amounts debited           | (38.8)      | 8.8         | (6.5)       | 32.3          | -83.1%        |
| Reserve from awarded goods                  | (9.9)       | 1.9         | (2.0)       | 7.9           | -79.9%        |
| Other                                       | (0.3)       | (0.6)       | (0.1)       | 0.2           | -56.9%        |
| <b>Total</b>                                | <b>90.9</b> | <b>82.5</b> | <b>79.4</b> | <b>(11.5)</b> | <b>-12.7%</b> |



## ADMINISTRATION EXPENSES

At the close of the first quarter of 2021, Administration expenses presented a variation of 11.3%, on the one hand, the item of other administration expenses increased by 37.4% as a result of maintenance of buildings, surveillance and adjustments for the prevention of COVID, Remunerations show a decrease of 4.3% as a result of the efficiency program implemented to face the COVID19 health contingency, depreciation increases 11.7 million pesos, which represents 12.4% as a result of the closure of projects, on the other hand, promotion expenses are They increased 10.3 million pesos, that is, 40.1%, mainly due to the increase in campaigns for various products.

| Administrative Expenses                     | I Q 2020       | IV Q 2020      | I Q 2021       | Variation    | % Var.       |
|---|----------------|----------------|----------------|--------------|--------------|
| Salaries and Claims                         | 324.1          | 288.3          | 310.2          | (13.9)       | -4.3%        |
| Professional Fees                           | 184.8          | 173.0          | 184.0          | (0.8)        | -0.4%        |
| Leases                                      | 85.1           | 77.6           | 94.3           | 9.2          | 10.9%        |
| Marketing                                   | 25.8           | 26.9           | 36.2           | 10.3         | 40.1%        |
| Other administrative and operative expenses | 234.5          | 240.6          | 322.1          | 87.6         | 37.4%        |
| Multiple Taxes                              | 56.4           | 48.4           | 63.7           | 7.3          | 12.9%        |
| Depresiation and Amortization               | 94.8           | 99.3           | 106.5          | 11.7         | 12.4%        |
| Nondeductible concepts for ISR              | 2.1            | 2.6            | 0.7            | (1.4)        | -65.9%       |
| IPAB Contribution                           | 54.0           | 60.1           | 63.1           | 9.0          | 16.7%        |
| Caused PTU                                  | 12.4           | 40.2           | 14.7           | 2.3          | 18.4%        |
| <b>Total</b>                                | <b>1,074.1</b> | <b>1,057.0</b> | <b>1,195.6</b> | <b>121.5</b> | <b>11.3%</b> |

## CAUSED AND DEFERRED TAXES

| Tax on Profit | I Q 2020      | IV Q 2020    | I Q 2021      | Variation  | % Var.        |
|---------------|---------------|--------------|---------------|------------|---------------|
| Caused ISR    | (41.0)        | (55.9)       | (43.9)        | (2.89)     | 7.1%          |
| Differed ISR  | (6.4)         | 48.7         | 5.4           | 11.88      | -184.3%       |
| <b>Total</b>  | <b>(47.5)</b> | <b>(7.2)</b> | <b>(38.5)</b> | <b>9.0</b> | <b>-18.9%</b> |

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

## FINANCIAL 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.

*Level of indebtedness at the end of the first quarter of 2021*

Banca Afirme's total liabilities as of March 31, 2020 and 2021, have been \$ 151.029.6 million pesos and \$ 168.449.0 respectively. The following table shows the total liabilities of Banca Afirme corresponding to these years:

| <b>Total Liability</b>                | Mar 20           | Dic 20           | Mar 21           | Var             | %            |
|---------------------------------------|------------------|------------------|------------------|-----------------|--------------|
| Tradutional Fund Raised               | 55,419.1         | 57,404.7         | 57,475.6         | 2,056.5         | 3.7%         |
| Titles for Issuing Credits            | 765.6            | 416.4            | 231.5            | (534.1)         | -69.8%       |
| Interbank Credits and Other Creditors | 4,005.1          | 6,446.6          | 6,320.3          | 2,315.2         | 57.8%        |
| Businesses Repurchase                 | 60,227.6         | 92,574.6         | 99,361.6         | 39,134.1        | 65.0%        |
| Other payable accounts                | 27,653.7         | 4,725.3          | 2,120.3          | (25,533.4)      | -92.3%       |
| Differed Credits                      | 1.5              | 56.4             | 54.5             | 53.0            | 3466.3%      |
| Other liability                       | 2,957.1          | 3,258.9          | 2,885.2          | (71.9)          | -2.4%        |
| <b>Total Liability</b>                | <b>151,029.6</b> | <b>164,882.7</b> | <b>168,449.0</b> | <b>17,419.4</b> | <b>11.5%</b> |

## EVOLUTION OF THE BALANCE SHEET

The total assets of Banca Afirme show an increase with respect to March 31 of the previous year of 11.8% mainly due to the increase in the balance of the securities to be traded, which increased by 87.7% as a result of a greater operation, for its part the portfolio Current credit shows a marginal decrease of 2.0%, mainly in the Consumer portfolio, the same effect is seen in the behavior of the national market, impacted by the effects of the pandemic on the economy.

Funding increases its balances, mainly term deposits, which increased by 6.5%, on the other hand, a balance in credit instruments is maintained for an amount of 231.0 million pesos, 69.8% lower than the same period of the previous year as a result of the natural expiration of the same.

| RELEVANT INDICATORS  | IT 20         | IIT 20        | IIIT 20       | IVT 20        | IT 21         |
|--|---------------|---------------|---------------|---------------|---------------|
| <b>Debt Index</b> (nonperforming loan portfolio / total portfolio)                                 | 3.21%         | 2.86%         | 2.68%         | 3.15%         | 3.73%         |
| <b>covered nonperforming loan portfolio</b> (preventive estimation/ non-performing loan portfolio) | 1.04          | 1.22          | 1.47          | 1.36          | 1.26          |
| <b>Operative efficiency</b> (marketing and administrative expenses / total average of assets)      | 3.18%         | 2.53%         | 2.49%         | 2.52%         | 2.76%         |
| <b>ROE</b> (Capital Profitability)   | 9.04%         | 3.98%         | 6.76%         | 1.84%         | 6.26%         |
| <b>ROA</b> (Assets profitability)  | 0.39%         | 0.15%         | 0.25%         | 0.07%         | 0.24%         |
| <b>Liquidity Index</b> (Liquid Assets / Liquid Liability)  | 0.73          | 0.82          | 0.88          | 0.85          | 0.90          |
| <b>MIN</b> (Financial Margin adjusted for Loan Risk / Productive Assets)                           | 3.04%         | 1.89%         | 2.20%         | 1.51%         | 2.23%         |
| Credit Capitalization Index  | 17.49%        | 17.39%        | 18.25%        | 18.32%        | 22.05%        |
| Total Capitalization Index   | 13.15%        | 13.13%        | 13.20%        | 14.06%        | 15.64%        |
| Basic Capital Index  | 10.23%        | 10.20%        | 10.32%        | 10.51%        | 11.91%        |
| <b>Assets subject to credit, market, and operative risks</b>                                       |               |               |               |               |               |
| Credit   | 41,901        | 42,469        | 42,702        | 44,168        | 40,685        |
| Market   | 6,350         | 6,646         | 8,795         | 5,628         | 8,722         |
| Operative  | 7,487         | 7,124         | 7,541         | 7,761         | 7,971         |
| <b>Total</b>   | <b>55,738</b> | <b>56,238</b> | <b>59,038</b> | <b>57,557</b> | <b>57,378</b> |

## 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:

- Active and passive 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" for its acronym in Spanish) 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 Remuneration Committee is composed of:

|  |
|--|
| <b>President<br/>Independent Director</b>                    |
| <b>Adviser</b>   |
| <b>Independent Director</b>                                  |
| <b>Managing Director</b>                                     |
| <b>Head of Comprehensive Risk Management</b>                 |
| <b>Deputy General Director of Risk and Credit Management</b> |
| <b>Deputy General Director Corporate Administration</b>      |
| <b>Secretary<br/>Legal and Trustee Director</b>              |
| <b>Independent Expert<br/>Guest with voice, without vote</b> |

There is an External Human Resources Advisor for the different issues related to remuneration, training and development, recruitment and selection, etc.

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 2020 financial year, the list of these positions is:

| MONEY DESK                              | DGA BUSINESS                                   | STAFF                                      |
|---|--|--|
| DIRECTOR OF ECONOMIC STUDIES            | GOVERNMENT BANK DIRECTOR NUEVO LEON            | CONTROLLER GENERAL                         |
| DIRECTOR OF FINANCIAL MARKETS           | DIRECTOR DIGITAL BANKING                       | DGA RISK AND CREDIT MANAGEMENT             |
| MONEY AND EXCHANGE MARKET DIRECTOR      | BUSINESS BANKING DIRECTOR                      | GOVERNMENT CREDIT ANALYSIS DIRECTOR        |
| DIRECTOR OF INTERIOR DISTRIBUTION TABLE | CAPTAINING DIRECTOR                            | ARCHITECTURE AND METHODOLOGY DIRECTOR      |
| FINANCIAL MARKET PROMOTION DIRECTOR     | COMMERCIAL DIRECTOR FOR THE TERRITORIAL FORCES | AUDIT DIRECTOR                             |
| DERIVATIVE DEPUTY DIRECTOR              | DIRECTOR OF MORTGAGE AND SELF-PLACEMENT        | IT, BRANCHES AND INVEST AUDIT DIRECTOR     |
| DEPUTY DIRECTOR OF PROMOTION            | DIRECTOR OF NEW TECHNOLOGIES                   | GOVERNMENT BANKING DIRECTOR                |
| MONEY MARKET MANAGER                    | ALLIANCES DEVELOPMENT DIRECTOR                 | DIRECTOR SPECIALIZED BANKING               |
| ADMINISTRATIVE DEPUTY MANAGER           | DIVISIONAL DIRECTOR                            | CONTROLLER DIRECTOR                        |
| DIRECTOR ASSISTANT                      | EXECUTIVE PARTNERSHIP AND TERRITORY DIRECTOR   | MONEY MARKET CONTROLLER DIRECTOR           |
|   | COMMERCIAL EXECUTIVE DIRECTOR                  | DIRECTOR CORP RELATIONS INSTI AND BCA GOB  |
|   | EXECUTIVE DIRECTOR OF PRODUCTS                 | IT CORP, OPERATIONS AND PROCESSES DIRECTOR |
|   | FACTORING DIRECTOR                             | DIRECTOR OF PARAMETRIC CREDITS             |
|   | DEPUTY MANAGING DIRECTOR OF BUSINESS           | DIRECTOR OF DEVELOPMENT A                  |
|   | PAYROLL AND PAYROLL CREDIT DIRECTOR            | DIRECTOR OF INFRASTRUCTURE AND SERVICES    |
|   | CAPTAINING SEGMENT DIRECTOR                    | DIRECTOR OF INFORMATION SECURITY           |
|   | CONSUMER SEGMENT DIRECTOR                      | DIRECTOR OF SECURITY AND INTELLIGENCE      |
|   | BUSINESS SEGMENT DIRECTOR                      | SYSTEMS DEVELOPMENT DIRECTOR               |
|   |  | EXECUTIVE DIRECTOR ADMIN. OF RISKS         |
|   |  | EXECUTIVE DIRECTOR CREDIT                  |
|   |  | EXECUTIVE OPERATIONS DIRECTOR              |
|   |  | EXECUTIVE PROCESS DIRECTOR                 |
|   |  | EXECUTIVE PROJECTS DIRECTOR                |
|   |  | HUMAN RESOURCE EXECUTIVE DIRECTOR          |
|   |  | TREASURY BALANCE SHEET EXECUTIVE DIRECTOR  |
|   |  | TRUSTEE DIRECTOR                           |
|   |  | FINANCE DIRECTOR                           |
|   |  | DEPUTY MANAGING DIRECTOR INVESTMENTS       |
|   |  | DEPUTY LEGAL DIRECTOR GENERAL AND FID.     |
|   |  | GOVERNMENT AND INFRASTRUCTURE DIRECTOR     |
|   |  | LEGAL DIRECTOR OF RECOVERY                 |
|   |  | LEGAL DIRECTOR AND TRUSTEE                 |

|                        |
|------------------------|
| BIA OPERATING DIRECTOR |
| IT PROCESSES DIRECTOR  |
| PROJECT DIRECTOR       |
| RISK 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 April 2019, where goals and measurements of the Government Banking segment were integrated into the Commercial scheme of the Divisional Directors. No changes were reported either in the job profiles, or in the job levels established to join the Remuneration System that make decisions that imply a risk for the institution.

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.

Remunerations 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: 86

1. Number of covered bonds: 3  
Percentage: 0.20827%
2. Number of bonds awarded: 79  
Percentage: 5.90024%
3. Number of compensation and settlements: 4  
Percentage: 0.16443%
4. Bonds pending to be awarded in cash: 0  
Percentage: 0%
5. Fixed + Variable Compensation of personnel subject to SR  
Total: 19.87400%

- c)

1. Fixed Remuneration: 12.23723%  
Variable Remuneration: 5.90024%
2. Transferred: 0%  
Not Transferred: 5.90024%
3. Pecuniary: 5.69198%

- 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 with respect to the account 6400 (Administration and Promotion Expenses) is 29.49483%.

## **OTHER RELEVANT EVENTS**

At the end of the first quarter of 2021, Banca Afirme has an asset level of 175.480 million pesos, showing an increase of 11.8% compared to the previous year.

The credit titles issued have a balance as of March 31, 2021 of \$ 231 million pesos.

### ***Capitalization***

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

### ***Issuance of Subordinated Obligations.***

At the Extraordinary General Shareholders' Meeting held on October 22, 2020, the Shareholders agreed to carry out an issuance of subordinated non-preferred capital obligations and not susceptible to being converted into shares, obtaining authorization from the Central Bank for their issuance through official letters 153/12258/220. The issuance of the obligations was carried out through a public offering for up to 2,300,000 subordinated obligations with a nominal value of \$ 100 pesos each, which accrue interest at a TIIE rate + 2.8%, this issuance is not guaranteed, the payment period of interest is every 28 days and its maturity will be in October 2030. Said issuance was for an amount of \$ 230, the proportion of the authorized amount of subordinated obligations compared to the amount issued was 100%.

At the Extraordinary General Shareholders' Meeting held on March 17, 2020, the Shareholders agreed to carry out an issuance of subordinated obligations of preferred or non-preferred capital and not susceptible to being converted into shares, obtaining authorization from the Central Bank for their issuance through official letters OFI/003-29279. The issuance of the obligations was carried out through a public offering of up to 20,000,000 subordinated obligations with a nominal value of \$ 100.00 pesos each, which accrue interest at a TIIE rate + 2.8%, this issuance is not guaranteed, the payment period of interest is every 28 days and its maturity will be in March 2030. Said issuance was for an amount of \$ 500, the proportion of the authorized amount of the subordinated obligations compared to the amount issued was 25%. At the close of fiscal year 2020, the subordinated obligation program has a balance of 2.734 million pesos.

### ***Arrendadora Afirme Consolidated Company in Banca Afirme***

In accordance with the corporate restructuring approved by the Board of Directors of the entity, on July 19, 2018, the contribution in kind to Banca Afirme, SA of the subscribed and exhibited capital of Arrendadora Afirme SA de CV was approved. formerly a subsidiary of Afirme Grupo Financiero, S.A. de C.V.

### ***Paid-in capital for the increase of future capital***

In the Ordinary General Assembly, held on March 29, 2021, the shareholders agreed to make an additional paid-in for the increase of future capital of \$ 604 million pesos

In the Ordinary General Assembly, held on August 26, 2020, the shareholders agreed to make an additional paid-in for the increase of future capital of \$ 223 million pesos.

### **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".

CP Jesús Antonio Ramírez Garza  
Chief Executive Officer

CP Gustavo Manuel Vergara Alonso  
Chief Financial Officer Finance Controller

CPC Jesús Ricardo Gámez del Castillo  
Chief Financial Officer

CP David Gerardo Martínez Mata  
Director of Internal Audit