

# Management Report

## BANCA AFIRME

March 2024

*Hoy creamos*

*Hoy creamos*

EMPIEZA A IMAGINARLO

 **AFIRME**  
El Banco de Hoy

## Document Index

OPERATING RESULTS.	2
FINANCIAL MARGIN ANALYSIS	2
YIELDS GENERATED BY THE CREDIT PORTFOLIO	2
INCOME FROM INVESTMENTS IN SECURITIES REPURCHASES OPERATIONS AND	
CASH AND CASH EQUIVALENTS	3
PRIZES AND INTERESTS DERIVED FROM THE COLLECTION	4
FINANCIAL MARGIN RESULT	5
NON-FINANCIAL INCOME	5
COMMISSIONS AND FEES DERIVED FROM THE PROVISION OF SERVICES	5
INTERMEDIATION	6
OTHER OPERATING INCOME (EXPENSE)	6
ADMINISTRATIVE EXPENSES	7
CURRENT AND DEFERRED TAXES	8
FINANCIAL SITUATION, LIQUIDITY AND CAPITAL RESOURCES	8
EVOLUTION OF THE FINANCIAL SITUATION STATEMENT	9
TREASURY POLICIES	10
INTERNAL CONTROL	10
RISKS AND REMUNERATION COMMITTEE	11
OTHER RELEVANT EVENTS	15
CERTIFICATION	17

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

### OPERATING RESULTS.

Comparative analysis of the period ended March 31, 2024 compared to the period ended March 31, 2023.

At the end of the first quarter of 2024, Banca Afirme profit totaled 129.6 million pesos, 39.4% lower than the same period of the previous year. This decrease is the result of the increase in reserves, to a lesser extent the result from intermediation among other factors that will be analyzed later.

### FINANCIAL MARGIN ANALYSIS

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

At the end of the first quarter of 2024, the interest generated by the credit portfolio amounts to 2,285.0 million pesos, an increase of 18.4% compared to the same period of the previous year. This is due, on one hand, to the behavior of the reference interest rates TIIE, the annual average goes from 11.06% to 11.48% from March 2023 to March 2024. On the other hand, the stage 1 portfolio increases by 15.3% and the stage 2 portfolio decreases by 50.8%, which together represents an increase of 7,163 million pesos, that is, 13.3%.

Interest on loan portfolio	I Q 23	IV Q 23	I Q 24	Variation	% Var.
Business Loans	1,002.1	1,132.9	1,154.3	152.2	15.2%
Consumer loans	592.0	718.2	725.7	133.7	22.6%
Housing loans	237.7	285.2	287.0	49.3	20.8%
Loans to government entities	88.7	96.1	107.3	18.6	21.0%
Loans to financial institutions	10.1	11.7	10.7	0.7	6.6%
<b>Totals</b>	<b>1,930.5</b>	<b>2,244.0</b>	<b>2,285.0</b>	<b>354.6</b>	<b>18.4%</b>

During the mentioned period, commissions for credit operations show a decrease of 16.9% annually.

<b>Credit Transaction Fees and Commissions</b>	<b>I Q 23</b>	<b>IV Q 23</b>	<b>I Q 24</b>	<b>Variation</b>	<b>% Var.</b>
Business Loans	15.1	13.9	13.4	(1.7)	-11.6%
Consumer loans	32.5	29.2	28.0	(4.5)	-13.8%
Housing loans	4.5	1.2	1.9	(2.6)	-57.8%
Loans to government entities	0.1	0.1	0.1	0.0	26.6%
<b>Totals</b>	<b>52.2</b>	<b>44.4</b>	<b>43.4</b>	<b>(8.8)</b>	<b>-16.9%</b>

***INCOME FROM INVESTMENTS IN SECURITIES, REPURCHASES TRANSACTIONS AND CASH AND CASH EQUIVALENTS.***

During the second semester of 2023, the awards, interests, and premiums for investments significantly increased mainly because the positions in securities as a profitability strategy of the Institution were increased. In the comparison of the first quarter of this year and the first quarter of the previous year, the growth in positions is reflected, so the results have reflected the change in the composition of the Financial Situation Statement.

As a relevant strategy in our Bank, we continue with liquidity to be able to respond to possible unexpected events and market stability, the above coupled with what was explained in the first paragraph causes an increase of 29.7% in the interest charged, mainly explained in the charge for negotiable securities that grew 173.1%.

In summary, the growth of our liquidity and the increase in the Financial Situation Statement of values led to higher revenues in these items, so the change is significant.

The reduction in the interest charged for repurchase agreements was due to the fact that at the same time as the securities position was increased, the purchase of securities by repurchase agreement was reduced in a certain proportion. The total result, as we expected, was an increase in interest income and the financial margin of the Institution.

<b>Premiums, interest and bonuses derived from investments in securities</b>	<b>I Q 23</b>	<b>IV Q 23</b>	<b>I Q 24</b>	<b>Variation</b>	<b>% Var.</b>
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For unrestricted trading securities	1,777.4	4,599.7	4,853.7	3,076.3	173.1%
Cash and cash equivalents	163.9	145.7	172.5	8.6	5.3%
<b>Restricted securities and repurchase</b>					
Interest received and premiums on repo transactions	2,580.9	891.7	811.5	(1,769.3)	-68.6%
Income from hedging operations	49.2	64.6	89.0	39.9	81.0%
<b>Totals</b>	<b>4,571.4</b>	<b>5,701.7</b>	<b>5,926.8</b>	<b>1,355.5</b>	<b>29.7%</b>

### ***PRIZES AND INTEREST DERIVED FROM THE CAPTURE OF***

During the first quarter of 2024, interest expenses show a growth of 28.4% in relation to the previous year, this increase is largely due to the interest and premiums on repurchase agreement, which have a variation of 32.2%, mainly explained by the increase in position. On the other hand, term deposits have increased by 26.8%, mostly due to the increase in savings.

The increase in term deposit balance mentioned was due to the strategy that the Institution has maintained to increase its term collection in order to have an even more robust liquidity and give the Institution the capacity for growth.

<b>Interest expense</b>	<b>I Q 23</b>	<b>IV Q 23</b>	<b>I Q 24</b>	<b>Variation</b>	<b>% Var.</b>
Immediate callable deposits	391.8	480.1	428.9	37.1	9.5%
Term deposits	975.5	1,182.5	1,237.3	261.8	26.8%
Interbank loans and from other institutions	140.0	161.5	131.8	(8.1)	-5.8%
Interest on subordinated debentures	117.7	125.6	123.9	6.1	5.2%
Stock market liabilities	30.9	49.5	53.8	22.9	74.2%

Interest and premiums on repurchase agreements	3,720.7	4,586.4	4,917.3	1,196.6	32.2%
Expenses from hedging operations	5.5	15.0	21.9	16.4	299.6%
Interest on global deposit account	1.7	1.1	1.7	0.0	1.4%
Lease interest expense	23.3	(16.9)	25.8	2.6	11.0%
Other	32.8	40.0	40.0	7.2	22.0%
<b>Totals</b>	<b>5,439.8</b>	<b>6,624.8</b>	<b>6,982.4</b>	<b>1,542.6</b>	<b>28.4%</b>

### **FINANCIAL MARGIN RESULT**

Based on what was explained in the previous points, the actions taken have allowed the margin compared to the first quarter of 2023 to grow by 14.2%, achieving the result due to the strategy proposed within the Institution.

<b>FINANCIAL MARGIN</b>	<b>I Q 23</b>	<b>IV Q 23</b>	<b>I Q 24</b>	<b>Variation</b>	<b>% Var.</b>
Total Interest Collected	6,554.0	7,990.2	8,255.3	1,701.3	26.0%
Total Interest Paid	5,439.8	6,624.8	6,982.4	1,542.6	28.4%
<b>Financial Margin</b>	<b>1,114.2</b>	<b>1,365.3</b>	<b>1,272.9</b>	<b>158.7</b>	<b>14.2%</b>

### **NON-FINANCIAL INCOME**

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

At the end of the first quarter of 2024, the Commissions and fees charged show an increase of 13.0% compared to the same period of the previous year. This variation is mainly due to the commissions charged in electronic banking, which show an increase of 20.4%, mainly by an increase in electronic banking transactions (POS and ATMs, mainly), insurance commissions increase by 18.4% due to greater placement of said services, The financial advisory category decreases 17.5 million pesos derived from structuring commission during the first quarter of 2023.

Commissions and Fees Collected	I Q 23	IV Q 23	I Q 24	Variation	% Var.
Credit operations	9.0	5.9	7.3	(1.8)	-19.4%
Transfers of funds	7.7	7.6	7.3	(0.3)	-4.2%
Fiduciary activities	31.0	41.5	31.7	0.7	2.3%
Appraisals	1.8	4.2	3.6	1.7	93.8%
Account management	14.3	14.8	14.3	(0.1)	-0.4%
Electronic banking	657.2	767.3	791.0	133.8	20.4%
Endorsements	0.2	0.4	0.4	0.2	97.4%
Royalty collection	31.1	19.0	24.3	(6.9)	-22.0%
Insurance	60.6	63.0	71.7	11.2	18.4%
Financial advisory services	17.6	0.1	0.1	(17.5)	-99.3%
Other commissions and fees	138.2	148.8	143.3	5.1	3.7%
<b>Totals</b>	<b>968.8</b>	<b>1,072.7</b>	<b>1,094.9</b>	<b>126.1</b>	<b>13.0%</b>

### RESULT BY INTERMEDIATION

Revenue from valuation in the first quarter of 2024 had significant growth, given the new rate expectations in the market and the fact that the Bank of Mexico effectively reduced the reference rate by 25 basis points. Regarding the result from buying/selling, it remained very similar to the last quarter and was reduced compared to the first quarter of 2023 due to the decrease in these buying/selling operations during the quarter.

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.

Intermediation Result	I Q 23	IV Q 23	I Q 24	Variation	% Var.
<b>Fair Value Gain (Loss) and Impairment Loss on Securities Valued at Cost.</b>	<b>2.8</b>	<b>13.4</b>	<b>51.9</b>	<b>49.1</b>	<b>1,738.2%</b>
Trading Securities	2.8	13.4	51.9	49.1	1,738.2%
Derivative Instruments for Hedging Purposes	0.0	0.0	0.0	0.0	0.0%
<b>Results from purchase and sale of securities and foreign currencies</b>	<b>204.7</b>	<b>56.5</b>	<b>51.5</b>	<b>(153.2)</b>	<b>-74.8%</b>
Trading securities	168.9	13.6	10.3	(158.5)	-93.9%

Result from foreign exchange trading	35.9	42.8	41.2	5.3	14.8%
<b>Totals</b>	<b>207.6</b>	<b>69.9</b>	<b>103.4</b>	<b>(104.1)</b>	<b>-50.2%</b>

### **OTHER INCOME (EXPENSES) FROM THE OPERATION**

At the end of the first quarter of 2024, the item of other income (expenses) of the operation presents a decrease of 7.1 million pesos compared to the same period of the previous year, which represents 10.1%, mainly explained by the reserve release item where during the first quarter of the previous year there was a greater reserve release showing a decrease of 98.4%, the other + funds item increased 19.8%, mainly due to the fact that operations are recorded in this item of BIN sponsor which have had growth in recent months, the collection of charged-off loans increases by 61.7%, on the other hand, due to changes in accounting criteria, some items are not comparable, such as the result from operating leases.

<b>Other Net Operating Income (Expenses)</b>	<b>I Q 23</b>	<b>IV Q 23</b>	<b>I Q 24</b>	<b>Variation</b>	<b>% Var.</b>
Recoveries	20.3	21.1	17.6	(2.6)	-12.9%
Write-off of accounts payable	7.0	15.7	0.4	(6.6)	-93.7%
Income from operating leases	(2.8)	132.1	61.2	64.0	-2,276.5%
Collection of written-off loans	44.5	31.3	72.0	27.5	61.7%
Release of reserves	64.9	2.7	1.0	(63.8)	-98.4%
Release of reserves for other accounts payable	2.0	0.0	0.3	(1.7)	-86.7%
Sale of furniture and real estate	7.1	1.1	1.9	(5.2)	-73.1%
Bonus use of TDC and TDD	0.9	14.6	1.3	0.4	40.0%
Other + funds	37.4	38.9	44.7	7.4	19.8%
Loss on sale of portfolio	(0.2)	(143.1)	(0.3)	(0.1)	50.2%
Customer bonuses	(25.3)	(32.3)	(34.4)	(9.1)	35.7%
Sundry losses	(1.9)	(17.0)	(3.8)	(1.9)	103.7%
Allowance for other past due accounts receivable	(11.4)	(6.4)	(0.7)	10.6	-93.4%
Reserve for foreclosed assets	2.4	(7.7)	(5.6)	(8.0)	-334.9%
IPAB fees	(78.3)	(87.8)	(91.0)	(12.8)	16.3%
Other	3.8	(1.2)	(1.3)	(5.1)	-135.5%
<b>Totals</b>	<b>70.4</b>	<b>(37.8)</b>	<b>63.3</b>	<b>(7.1)</b>	<b>-10.1%</b>



## ADMINISTRATIVE EXPENSES

During the first quarter of 2024, administrative expenses showed a variation of 6.8%, mainly due to remunerations and benefits increasing by 24% largely due to the performance of the financial table, depreciations that are not comparable due to changes in accounting criteria, the item of other operating expenses decreases by 33.1mdp which represents a 7.2%, fees decrease by 20.3% mainly due to a lower requirement for specialized services, promotional expenses decrease by 13.6mdp which represents a 24.8% due to a decrease in this type of services.

Administrative Expenses	I Q 23	IV Q 23	I Q 24	Variation	% Var.
Compensation and Benefits	436.2	509.3	540.7	104.5	24.0%
Fees	111.2	107.6	88.6	(22.6)	-20.3%
Income	21.8	17.5	22.9	1.1	5.0%
Promotion	54.8	37.3	41.2	(13.6)	-24.8%
Other Operating and Administrative Expenses	460.6	475.6	427.5	(33.1)	-7.2%
Miscellaneous Taxes	81.9	78.4	87.6	5.8	7.0%
Depreciation and Amortization	199.9	361.9	262.7	62.8	31.4%
Items not deductible for income tax purposes	4.5	1.3	2.1	(2.3)	-52.4%
PTU Accrued	21.5	(35.3)	13.3	(8.2)	-38.1%
PTU Deferred	(0.0)	38.8	0.0	0.0	-100.0%
<b>Totals</b>	<b>1,392.3</b>	<b>1,592.3</b>	<b>1,486.7</b>	<b>94.5</b>	<b>6.8%</b>

## CURRENT AND DEFERRED TAXES

Taxes on Profit	I Q 23	IV Q 23	I Q 24	Variation	% Var.
Income Taxes Accrued	0.0	55.3	(42.8)	(42.82)	0.0%
Income Tax Deferred	(63.1)	(73.8)	0.0	63.13	-100.0%
<b>Totals</b>	<b>(63.1)</b>	<b>(18.5)</b>	<b>(42.8)</b>	<b>20.3</b>	<b>-32.2%</b>

At the end of the first quarter of 2024, Banca Afirme individually presents its tax returns, and to date has no outstanding tax credits or debts.

## FINANCIAL SITUATION, LIQUIDITY AND CAPITAL RESOURCES

The internal sources of liquidity for Banca Afirme are constituted both by the issuance of its own paper, traditional collection, and external sources coming from credit lines granted by financial institutions and development banking.

### *Level of indebtedness at the end of the first quarter of 2024*

The total liabilities of Banca Afirme as of March 31, 2023 and 2024, has been 219,074.3 million pesos and 277,523.0 million pesos respectively, the main component of the liabilities are the operations of the Financial Desk.

<b>Total Liabilities</b>	Mar 23	Dec 23	Mar 24	Var	%
Traditional Fund Raising	79,651.6	82,283.8	84,522.5	2,238.8	2.7%
Debt securities issued	917.6	1,326.8	1,736.0	409.2	30.8%
Interbank Loans and Other Organizations	4,900.1	5,802.0	4,843.4	(958.6)	-16.5%
Repurchase Agreements	126,293.1	173,810.4	178,492.0	4,681.6	2.7%
Other accounts payable	2,538.9	2,031.3	2,668.7	637.3	31.4%
Deferred Credits	87.5	106.3	104.7	(1.6)	-1.5%
Lease Liabilities	1,212.4	1,695.5	1,605.0	(90.5)	-5.3%
Other Liabilities	3,473.0	3,522.4	3,550.7	28.3	0.8%
<b>Total Liabilities</b>	<b>219,074.3</b>	<b>270,578.6</b>	<b>277,523.0</b>	<b>6,944.5</b>	<b>2.6%</b>

## EVOLUTION OF THE FINANCIAL SITUATION STATEMENT

The total assets of Banca Afirme show an increase compared to the same period of the previous year of 26.0%, impacted by the increase in financial instruments and repurchase agreement debtors which increased by 35.9% as a result of a larger operation of the financial desk.

The collection increases its balances mainly the term collection which increases by 11.2%, the sight collection shows a marginal growth of 0.7%, on the other hand, the balance in issued credit titles increases by 818.4 million pesos showing a balance as of March 31, 2024 of 1,736.0 million pesos.

RELEVANT INDICATORS					
	IQ 23	IIQ 23	IIIQ 23	IVQ 23	IQ 24
Delinquency rate (stage 3 portfolio / total portfolio)	5.66%	5.87%	5.82%	5.13%	5.22%
Non-performing loan coverage (allowance for loan losses / stage 3 portfolio)	0.83	0.70	0.67	0.70	0.69
Operating efficiency (administrative and promotional expenses / average total assets)	2.54%	1.75%	2.01%	2.18%	2.11%
ROE (return on equity)	11.05%	3.76%	5.04%	5.63%	6.33%
ROA (return on assets)	0.39%	0.12%	0.16%	0.18%	0.18%
Liquidity Ratio (liquid assets / liquid liabilities)	0.97	0.99	0.98	0.96	0.97
MIN (net interest margin adjusted for credit risk / productive assets)	1.64%	0.92%	1.31%	1.39%	1.32%
Delinquency rate (stage 3 portfolio / total portfolio)					
<b>Banca Afirme</b>					
Credit Capitalization Ratio	20.79%	21.37%	20.99%	20.81%	20.36% (1)
Total Capitalization Ratio	15.94%	15.38%	15.42%	15.20%	14.93% (1)
Basic Capital Ratio	11.81%	11.53%	11.65%	11.49%	11.36% (1)

(1) Previous data before replications 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:

<b>President</b>
<b>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</b>
<b>Legal and Trustee Director</b>
<b>Independent Expert</b>
<b>Guest with voice, without vote</b>

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

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

For the 2024 financial year, the list of these positions is:

<b>STAFF</b>	<b>BUSINESS</b>
EXECUTIVE DIRECTOR MONEY MARKET	DIVISIONAL DIRECTOR
DEPUTY MANAGING DIRECTOR INVESTMENTS	GOVERNMENT BANK DIRECTOR NUEVO LEON
CORPORATE SERV. DEVELOPMENT DIRECTOR	PEOPLE SEGMENT DIRECTOR
FINANCE DIRECTOR	DIRECTOR DIGITAL BANKING
MONEY MARKET CONTROLLER EXECUTIVE DIRECTOR	EXECUTIVE DIRECTOR OF PRODUCTS
DIRECTOR FACTORING	MORTGAGE DIRECTOR

IT CORP, OPERATIONS AND PROCESSES DIRECTOR	BANKING RECRUITMENT AND CORRESPONDENCE DIRECTOR
GOVERNMENT CREDIT ANALYSIS DIRECTOR	DIRECTOR SELF-SERVICES
EXECUTIVE DIRECTOR. OPERATIONS AND PROCESSES	PAYROLL AND PAYROLL CREDIT DIRECTOR
LEGAL AND APPRAISALS EXECUTIVE DIRECTOR	DIRECTOR OF ACQUISITION
DIRECTOR CORP RELATIONS INSTI AND BCA GOB	BUSINESS BANKING MONTERREY EXECUTIVE DIRECTOR
DIRECTOR PREV. FRAUDS AND CLARIFICATIONS	DEPUTY MANAGING DIRECTOR OF BUSINESS
LEGAL DIRECTOR OF RECOVERY	CREDIT AND DEBIT CARD DIRECTOR
EXECUTIVE PROJECTS DIRECTOR	BUSINESS DEVELOPMENT CENTERS DIRECTOR
CONTROLLER GENERAL	BILLU DIRECTOR
DIRECTOR OF INFRASTRUCTURE AND SERVICES	ESTATE SEGMENT DIRECTOR
IT PROCESS AND ARCHITECTURE DIRECTOR	SPECIALIZED SALES EXECUTIVE DIRECTOR
DIRECTOR OF SECURITY AND INTELLIGENCE	BANKING INSURANCE EXECUTIVE DIRECTOR
DIRECTOR OF INFORMATION SECURITY	CORPORATE COMMERCIAL AND DIGITAL DIRECTOR
MONEY MARKET DIRECTOR	COMMERCIAL PARTNERSHIP DIRECTOR
CONTROLLER DIRECTOR	BUSINESS SEGMENT DIRECTOR
AUDIT DIRECTOR	DGA BUSINESS DEVELOPMENT IN BANKING
GOVERNMENT AND INFRASTRUCTURE DIRECTOR	SME SEGMENT DIRECTOR
TRUSTEE DIRECTOR	REGIONAL COMMERCIAL DIRECTOR
LEGAL STRUCTURING BUSINESS DIRECTOR	BUSINESS BANKING DIRECTOR
REGULATORY CONTROLLER DIRECTOR	
EXECUTIVE DIRECTOR CREDIT	
ADMINISTRATIVE RECOVERY AND CALL CENTER DIRECTOR	
DGA RISK AND CREDIT MANAGEMENT	
DIRECTOR OF PARAMETRIC CREDITS	
HUMAN RESOURCE EXECUTIVE DIRECTOR	
NON-CREDIT RISK EXECUTIVE DIRECTOR	
DIRECTOR SPECIALIZED BANKING	
TREASURY BALANCE SHEET EXECUTIVE DIRECTOR	
DEPUTY LEGAL DIRECTOR GENERAL AND FID.	
CENTER SERVICES DEVELOPMENT AND TRAD CHANNELS DIRECTOR	
DIRECTOR GOVERNMENT BANKING	
WORKS AND MAINTENANCE DIRECTOR	
ADMINISTRATIVE CONTROL AND PURCHASES DIRECTOR	
CREDIT RISK EXECUTIVE DIRECTOR	
CALL CENTER DIRECTOR	
RECOVERY CONSUMPTION AND TRADE DIRECTOR.	
PERIMETER SECURITY DIRECTOR	
CORPORATE SERVICES DEVELOPMENT DIRECTOR	

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **Quantitative Information System Remuneration**

- a) Number of meetings of the Risk and Remuneration Committee during the year: 4 on a quarterly basis.
- b) Number of employees: 81
1. Number of covered bonds: 4  
Percentage: 0.14141%
  2. Number of bonds awarded: 71  
Percentage: 4.42111%

3. Number of compensation and settlements: 6  
Percentage: 0.66826%
4. Bonds pending to be awarded in cash: 0  
Percentage: 0%
5. Fixed + Variable Compensation of personnel subject to SR  
Total: 14.92296%

c)

1. Fixed Remuneration: 8.98235%  
Variable Remuneration: 4.56252%
2. Transferred: 0%  
Not Transferred: 4.56252%
3. Pecuniary: 4.42111%

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 36.9868%.

## **OTHER RELEVANT EVENTS**

At the end of the first quarter of 2024, Banca Afirme has an asset level of 285,806.8 million pesos, showing an increase of 26.0% against the same period of the previous year. This variation is impacted by the increase in financial instruments resulting from the transfer of operations from Afirme Investment Bank to Banca Afirme, which increases both total Assets and Liabilities.

### ***Capitalization***

Banca Afirme capitalization ratio was 14.93% at the end of March 2024 with a core capital ratio of 11.36%.

### ***Issuance of Subordinated Bonds***

#### **QAFIRME15**

At the Extraordinary General Shareholders' Meeting held on February 4, 2015, the Shareholders agreed to issue non-preferred capital subordinated bonds, perpetual and susceptible to be converted into shares at the Bank's option, obtaining authorization from the Central Bank for their Issuance through official letters OFI/S33-001-12465 and OFI/S33-001-12722 dated January 21, 2015, and February 3, 2015, correspondingly. The issuance of the bonds was carried out through a private offer for up to 11,000,000 subordinated bonds with a face value of \$100 pesos each, which accrue interest at a TIIE + 4.0% rate, this issuance is not guaranteed, the interest payment



period is every three months, it has no maturity date. Said issuance was for an amount of \$ 800, the proportion of the authorized amount of subordinated bonds compared to the amount issued was 73%.

#### **QBAFIRME18**

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

#### **QBAFIRME20**

At the Extraordinary General Shareholder's Meeting held on March 17, 2020, the Shareholders agreed to carry out an issuance of non-preferential subordinated capital bonds that cannot be converted into shares, obtaining authorization from the Central Bank for their issuance through official document 153/12258/2020. Through an issuance act dated March 24, 2020, it was carried out through a public offer of up to 5,000,000 subordinated obligations with a nominal value of \$100.00 pesos each, which accrue interest at a TIIE + 2.8% rate, this issue is not guaranteed, the interest payment period is every 28 days and its maturity will be in March 2030. Said issuance was for an amount of \$ 500, the proportion of the authorized amount of the subordinated bonds compared to the amount issued was 100%.

#### **QBAFIRME20 - 2**

At the Extraordinary General Shareholder's Meeting held on March 17, 2020, the Shareholders agreed to carry out an issuance of non-preferential subordinated capital bonds that cannot be converted into shares, obtaining authorization from the Central Bank for their issuance through official document 153/12258/2020. Through an issuance deed dated October 22, 2020, a public offer was carried out for up to 2,300,000 subordinated bonds with a nominal value of \$100.00 pesos each, which accrue interest at a TIIE + 2.8% rate. This issuance is not guaranteed, the interest payment period is every 28 days and its maturity will be in October 2030. Said issuance was for an amount of \$ 230, the proportion of the authorized amount of subordinated bonds compared to the amount issued was 100%.

## **QBAFIRME22**

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

## **QBAFIRME22-2**

At the Extraordinary General Shareholders' Meeting held on March 17, 2020, the Shareholders agreed to carry out an issue of non-preferred, non-convertible subordinated capital obligations of the Bank, obtaining authorization from the Central Bank for their issuance through official letter 153/12258/2020. On September 14, 2022, the subordinated debentures were issued through a public offering of 4,025,000 subordinated debentures, considering that the Issuer exercised its over-allotment right for 525,000 subordinated debentures, with a nominal value of \$100.00 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%.

## **BAFIRME 23**

At the Extraordinary General Shareholders' Meeting held on November 27, 2023, the Shareholders agreed to carry out an issue of non-preferred, non-convertible subordinated capital obligations of the Bank, obtaining authorization from the CNBV for their issuance through official letter 153/5758/2023. Through the issuance record dated November 30, 2023, the issuance of subordinated obligations was carried out through a public offer for 12,000,000 subordinated obligations. The Issuer did not exercise the over-allotment right, with a nominal value of \$100.00 pesos each, which accrue interest at a TIIE rate for up to 28 days, this issuance is not guaranteed, the interest payment period is every 28 days and its maturity will be in November 2033. This issuance was for \$1,200. The proportion of the authorized amount of subordinated obligations to the issued amount was 47%. The authorized program is for a total amount of \$2,550.

At the end of the first quarter of 2024, the subordinated debenture program had a balance of 3,353.7 billion 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".

Jesus Antonio Ramirez Garza

Chief Executive Officer

Alejandro Garay Espinosa

General Director of Corporate Management

Financial Controller

Luis Arturo Arias Medina

Chief Financial Officer

David Gerardo Martínez Mata

Director of Internal Audit