

Administration Report

Banca Afirme

September 2021

Hoy creamos

Hoy creamos

EMPIEZA A IMAGINARLO

AFIRME
El Banco de Hoy

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

OPERATING RESULTS.

Comparative analysis of the period ended September 30, 2021 compared to the period ended September 30, 2020.

At the end of the third quarter of 2021, the Profit of Banca Afirme totaled 242.1 million pesos, 372.9% higher than the same period of the previous year, this result is mainly due to the decrease in loan-loss reserves and the increase in net commissions.

FINANCIAL MARGIN ANALYSIS

YIELDS GENERATED BY THE CREDIT PORTFOLIO

At the end of the third quarter of 2021, the interest generated by the loan portfolio amounted to 1,404.4 million pesos, a decrease of 5.7% compared to the same period of the previous year. The current portfolio shows an increase of 3.2%, mainly the business portfolio which shows an annual growth of 1,091.5 million pesos (3.9%), the housing portfolio shows an increase of 857.4 million pesos (11.0%), the government portfolio decreases 472.6 million pesos. (-25.1%) and, on the other hand, the Consumer Portfolio shows a marginal decrease of 44.5 million pesos (-0.6%) derived mainly from the impact of the COVID19 health contingency, the behavior in the TIIE reference interest rates that goes from 4.72% to 4.75% from September 2020 to September 2021, this marginal decrease in the reference rate impacts the interest charged given that the average rate for this quarter is lower than that of the previous quarter.

Credit Portfolio Interests	Q III 2020	Q II 2021	Q III 2021	Variation	% Var.
Business Credits	759.4	675.1	727.2	(32.2)	-4.2%
Consumer Credits	481.6	465.8	475.0	(6.5)	-1.4%
Housing Credits	210.1	191.0	163.8	(46.3)	-22.0%
Credits for Gubernamental Entities	29.5	31.3	28.4	(1.1)	-3.7%
Credits for Financial Entities	8.6	8.9	9.5	0.9	11.0%
Total	1,489.2	1,372.2	1,404.0	(85.2)	-5.7%

During the aforementioned period, commissions for credit operations show an annual increase of 29.5%, impacted by some clients who paid early.

Commissions received for Credit Operations	Q III 2020	Q II 2021	Q III 2021	Variation	% Var.
Business Credits	12.5	22.4	16.3	3.8	30.2%
Consumer Credits	24.4	30.2	32.6	8.2	33.7%
Housing Credits	4.8	5.6	5.1	0.3	6.6%
Credits for Gubernamental Entities	0.0	0.9	0.0	(0.0)	-22.6%
Total	41.8	59.1	54.1	12.3	29.5%

INCOME FROM INVESTMENTS IN SECURITIES, REPURCHASE OPERATIONS AND AVAILABILITIES.

In accordance with Banca Afirme's strategy since 2020, the positions in securities were grown in search of higher returns and to increase an anti-cyclical business. The above was maintained during 2020 and so far in 2021.

We were able to significantly increase interest income, mainly thanks to extraordinary charges on inflation and the increase in benchmark rates in the last quarter.

As a relevant strategy in the Institution, the available liquidity has been increased in order to be able to respond to possible events related to the current crisis and its recovery, this strategy generates higher income from liquid assets.

Premium, interests and premium derivatives from securities and investments	Q III 2020	Q II 2021	Q III 2021	Variation	% Var.
Not restricted titles to negotiate	1,505.0	1,279.4	1,685.3	180.3	12.0%
Restricted Liquid Assets	43.7	35.7	55.5	11.9	27.2%
Restricted and Repurchase Titles					
Interests Charged and Premiums in favor for repurchase operations	620.0	511.9	526.5	(93.5)	-15.1%
Income from covered operations	22.7	10.9	18.5	(4.2)	-18.5%
Total	2,191.4	1,837.9	2,285.9	94.5	4.3%

PRIZES AND INTERESTS DERIVED FROM THE COLLECTION

At the end of the third quarter of 2021, interest expenses show a marginal decrease of 0.9%, mainly explained by interest paid for repurchase agreements, these decreased, despite increasing their amount, due to lower interest rates. It is expected that in the near future interest will grow due to the current increase in rates.

The increase in interest on term deposits was 12.2%, occurred because we increased the strategy of term deposits despite the fact that most of them are linked to short-term rates. The stock market liability demonstrates a decrease of 25.9% as a consequence of the natural maturity of some securities.

Expenses from Interests	Q III 2020	Q II 2021	Q III 2021	Variation	% Var.
Immediate enforceability deposits	165.8	153.0	160.9	(4.9)	-2.9%
Fixed term deposits	244.8	222.5	274.8	30.0	12.2%
Interbank and other businesses loans	78.4	83.6	81.1	2.8	3.5%
Interests for subordinated liabilities	54.4	51.6	53.7	(0.6)	-1.2%
Bursatile debt	44.3	28.5	32.8	(11.5)	-25.9%
Interests and premiums from repurchase	1,734.3	1,532.5	1,703.8	(30.6)	-1.8%
Expenses from covered operations	39.1	36.7	32.7	(6.4)	-16.3%
Interests from global accounts of funds raised	0.0	1.6	1.0	1.0	0.0%
Others	25.2	24.4	24.3	(0.9)	-3.4%
Total	2,386.2	2,134.5	2,365.1	(21.1)	-0.9%

FINANCIAL MARGIN RESULT

In the comparison of the financial margin, we achieved that the interest income will increase and the interests paid will decrease, this thanks to being able to fix our fund-raising costs, despite the crisis, and to charge fixed or inflation-referenced interest. Thus improving the financial margin and profitability of the Institution.

Financial Margin	Q III 2020	Q II 2021	Q III 2021	Variation	% Var.
Total of Interests Charged	3,722.3	3,269.2	3,743.9	21.6	0.6%
Total of Interests Paid	2,386.2	2,134.5	2,365.1	-21.1	-0.9%
Financial Margin	1,336.1	1,134.8	1,378.8	42.7	3.2%

NON-FINANCIAL INCOME

COMMISSIONS AND FEES DERIVED FROM THE PROVISION OF SERVICES

During the third quarter of 2021 there is an increase of 18.6% in the commissions charged, this variation is mainly due to the commissions charged in electronic banking, which shows an increase of 65.2% as a result of the increase in these services, highlighting the operations in ATMs and POS terminals. The item of other commissions shows an increase of 65.8% as a result of income related to remittances and correspondents which had a significant increase, the item of fiduciary activities decreased 86.8% due to extraordinary operations during the same period of the previous year, Tandas Bienestar decreased 100% derived from the term of said program.

Commissions and Duties Paid	Q III 2020	Q II 2021	Q III 2021	Variation	% Var.
Credit Operations	11.8	12.7	11.2	(0.5)	-4.6%
Funds transfer	4.7	6.6	7.0	2.3	48.0%
Trust Companies Activities	120.0	22.5	15.9	(104.1)	-86.8%
Appraisals	1.4	2.0	2.2	0.7	49.7%
Account Management	13.4	13.3	12.9	(0.6)	-4.3%
Electronic Banking	274.9	414.5	454.1	179.2	65.2%
Guarantee	0.1	0.2	0.2	0.2	292.8%
Right to severance pay	14.6	19.4	17.9	3.3	22.9%
Insurance	51.3	47.2	62.6	11.3	22.1%
Financial Advisory	0.0	0.0	0.1	0.0	12.5%
Other commissions and duties	61.5	87.5	101.9	40.5	65.8%
Social Wealth Batches	24.4	1.7	0.0	(24.4)	-100.0%
Total	578.1	627.5	685.9	107.8	18.6%

RESULT BY INTERMEDIATION

The result for the sale and purchase of the third quarter of 2021 has behaved in a similar way throughout the year, unlike the valuation that, despite being negative, was significantly reduced, which produces a significantly higher result from trading. The improvement in the valuation item is explained by a more stable market and a lesser impact on the prices of the securities held on the balance sheet due to inflationary effects.

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.

Intermediate Results	Q III 2020	Q II 2021	Q III 2021	Variation	% Var.
Valuation Results to Fair Market Value and Reduction of Titles Valuated at Cost	(115.7)	11.8	(1.8)	113.9	-98.4%
Titles to Negotiate	(115.7)	11.8	(1.8)	113.9	-98.4%
Derivative instruments with coverage purposes	0.0	0.0	0.0	0.0	-84.8%
Results from Sales and Purchase of Securities and Foreign Exchange	6.3	4.7	10.4	4.1	64.5%
Titles to Negotiate	(26.3)	(25.2)	(25.1)	1.2	-4.7%
Results for Sales and Purchase of Currency	32.6	29.9	35.5	2.9	8.8%
Total	(109.4)	16.5	8.6	118.0	107.9%

OTHER INCOME (EXPENSES) FROM THE OPERATION

For the closing of the third quarter of 2021, the item of other income (expenses) of the operation shows an annual increase of 49.2 million pesos, which represents 281.8%, mainly explained by the item Release of reserves from other debts, which increases 39.1 million pesos (As a result of the adverse economic scenarios generated by the pandemic related to the Sars-CoV2 virus, since July 2020 the Company began to establish, with the approval of the CNBV, additional global loan-loss reserves aimed at facing a possible deterioration of the portfolio derived from the crisis generated by the aforementioned pandemic. Due to the fact that the Company's portfolio has not been significantly impacted by the crisis derived from the pandemic, and the recovery indicators of the economy show encouraging signs of recovery, the Company carried out the release of the total balance of the item of Additional loan-loss reserves for a total amount of 72.5 million pesos, which generates the main variation in this item ") on the other hand, the item of other + funds increased 10.0 million pesos, mainly due to income related to BIN sponsor services and other non-recurring income.

Other income (expenses) from net operation	Q III 2020	Q II 2021	Q III 2021	Variation	% Var.
Reuced Assets	16.3	18.1	15.1	(1.3)	-7.7%
Accounts Payable clearance	(1.4)	(1.0)	(0.5)	0.9	-65.6%
Results from operative loan	1.4	1.3	0.7	(0.7)	-51.2%
Collection of Loans	25.2	33.7	23.3	(1.9)	-7.6%
Advisory	0.0	0.0	0.0	0.0	0.0%
Reserve clearance	0.6	0.0	0.0	(0.6)	-100.0%
Reserve clearance from other loans	0.0	0.1	39.1	39.1	100.0%
Sale of personal and real property	1.8	(0.3)	2.0	0.2	13.3%
Bond from the use of Debit and Credit Cards	0.0	2.9	0.3	0.3	0.0%
Other funds	9.2	13.5	19.1	10.0	108.8%
Losses from portfolio sales	(1.2)	(0.8)	(0.3)	0.9	-76.2%
Clients bonus	(14.3)	(14.3)	(15.5)	(1.2)	8.1%
Other losses	(1.8)	(5.0)	(3.8)	(2.0)	111.5%
Reserve for other amounts debited	(8.1)	(5.3)	(4.6)	3.5	-43.3%
Reserve from awarded goods	(9.7)	(0.1)	(7.9)	1.7	-18.0%
Others	(0.4)	(0.4)	(0.3)	0.2	-38.5%
Total	17.5	42.3	66.7	49.2	281.8%

ADMINISTRATION EXPENSES

At the end of the third quarter of 2021, Administration expenses presented a variation of 20.8%, on the one hand, salaries and benefits increased by 160.46 million pesos, that is, 51.1%, mainly due to the performance of the financial desk, Other administrative expenses increased 35.9% as a result of the increase in electronic banking, surveillance and other minor expenses , fees increased 28.7% as a consequence of the increase in professional services (mainly portfolio recovery services, legal fees, paperwork, etc.), depreciation increased 33.8 million pesos, 41.7% due mostly to computer equipment such as result of the implementation of various projects.

Administrative Expenses	Q III 2020	Q II 2021	Q III 2021	Variation	% Var.
Salaries and Claims	314.1	317.1	474.7	160.6	51.1%
Professional Fees	149.5	181.7	106.7	(42.8)	-28.7%
Leases	74.3	86.5	96.9	22.6	30.5%
Marketing	33.8	59.7	28.1	(5.6)	-16.6%
Other administrative and operative expenses	255.3	296.0	346.9	91.6	35.9%
Multiple Taxes	52.6	53.6	62.5	9.9	18.8%
Depreciation and Amortization	81.1	112.8	114.9	33.8	41.7%
Nondeductible concepts for ISR	1.4	2.9	3.1	1.7	124.5%
IPAB Contributions	58.4	62.6	63.6	5.3	9.0%
Caused PTU	6.7	8.5	16.7	10.0	148.6%
Total	1,027.1	1,181.4	1,314.2	287.2	28.0%

INCURRED AND DEFERRED TAXES

Tax on Profit	Q III 2020	Q II 2021	Q III 2021	Variation	% Var.
Caused ISR	(124.2)	(28.9)	14.1	138.31	-111.3%
Differed ISR	91.0	(2.5)	(84.9)	(175.92)	-193.2%
Total	(33.2)	(31.4)	(70.8)	(37.6)	113.4%

At the end of the third quarter of 2021, 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.

Level of debt at the end of the third quarter of 2021

Banca Afirme's total liabilities as of September 30, 2020 and 2021, is \$ 158,342.0 million pesos and \$ 185,475.4 correspondingly. The following table shows the total liabilities of Banca Afirme corresponding to these years:

Total Liability	Sep 20	Jun 21	Sep 21	Var	%
Transactional Funds Raised	54,546.6	60,660.3	63,156.0	8,609.4	15.8%
Titles for Issuing Credits	384.1	232.3	766.1	382.0	99.5%
Interbank Credits and Other Creditors	4,993.5	6,664.6	5,753.7	760.1	15.2%
Businesses Repurchase	89,408.7	100,091.5	99,395.5	9,986.8	11.2%
Other payable accounts	5,942.2	2,892.5	13,524.7	7,582.4	127.6%
Differed Credits	49.5	60.7	54.2	4.7	9.5%
Other Liabilities	3,017.4	2,832.7	2,825.3	(192.1)	-6.4%
Total Liability	158,342.0	173,434.4	185,475.4	27,133.4	17.1%

EVOLUTION OF THE BALANCE SHEET

The total assets of Banca Afirme show an increase regarding September 30 of the previous year of 17.2% mainly due to the increase in the balance of securities to be traded, which increased by 28.9% as a result of a greater operation, for its part the portfolio of outstanding credit shows a growth of 3.2% mainly in the Commercial, Government and Housing portfolio explained above.

Deposits increased its balances, mainly term deposits, which increased by 23.9%, and demand deposits increased by 9.8%, on the other hand, the balance of issued credit instruments increased by 382 million pesos, reaching an amount of 766 million pesos.

INDICADORES RELEVANTES					
	Q III 20	Q IV 20	Q I 21	Q II 21	Q III 21
Debt Index (nonperforming loan portfolio / total portfolio)	2.68%	3.15%	3.73%	3.83%	3.62%
Covered Non-performing Loan Portfolio (preventive estimation/ non-performing loan portfolio)	1.47	1.36	1.26	1.24	1.24
Operative efficiency (marketing and administrative expenses / total average of assets)	2.49%	2.52%	2.76%	2.65%	2.81%
ROE (Capital Profitability)	6.76%	1.84%	6.26%	5.98%	13.21%
ROA (Assets profitability)	0.25%	0.07%	0.24%	0.24%	0.52%
Liquidity Index (Liquid Assets / Liquid Liability)	0.88	0.85	0.90	0.92	1.03
MIN (Financial Margin adjusted for Loan Risk / Productive Assets)	2.20%	1.51%	2.23%	2.04%	2.52%
Credit Capitalization Index	18.25%	18.32%	22.06%	21.51%	22.50%
Total Capitalization Index	13.20%	14.06%	15.64%	15.78%	16.34%
Basic Capital Index	10.32%	10.51%	11.91%	12.06%	12.64%
Assets subject to credit, market and operative risks					
Credit	42,702	44,168	40,669	42,385	42,254
Market	8,795	5,628	8,726	7,000	7,336
Operative	7,541	7,761	7,971	8,382	8,580
Total	59,038	57,557	57,366	57,767	58,170

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" for its acronym in Spanish) instructed by the National Banking and Securities Commission ("Banking 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:

President
Independent Director
Adviser
Independent Director
Chief Executive Officer
Head of Comprehensive Risk Management
Deputy General Director of Risk and Credit Management
Deputy General Director Corporate Administration
Secretary
Legal and Trustee Director
Independent Expert
Guest with voice, without vote

The Human Department Committee appropriate, 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.

Resources participates in this to inform and, where request the approval

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 fiscal year 2021, the list of these positions is:

MONEY DESK	DGA BUSINESS	STAFF
DIRECTOR OF ECONOMIC STUDIES	DIRECTOR ADQ. PARTNERSHIP AND TERRITORY DIRECTOR	CONTROLLER GENERAL
DIRECTOR OF FINANCIAL MARKETS	COMMERCIAL PARTNERSHIP DIRECTOR	DGA RISK AND CREDIT MANAGEMENT
MONEY AND EXCHANGE MARKET DIRECTOR	SELF-SERVICE AND ACQUISITION DIRECTOR	GOVERNMENT CREDIT ANALYSIS DIRECTOR
DIRECTOR OF INTERIOR DISTRIBUTION TABLE	GOVERNMENT BANK DIRECTOR NUEVO LEON	AUDIT DIRECTOR
FINANCIAL MARKET PROMOTION DIRECTOR	DIRECTOR DIGITAL BANKING	DIRECTOR SPECIALIZED BANKING
DERIVATIVE DEPUTY DIRECTOR	BUSINESS BANKING DIRECTOR	CONTROLLER DIRECTOR
DEPUTY DIRECTOR OF PROMOTION	SME BANKING DIRECTOR	MONEY MARKET CONTROLLER DIRECTOR
MONEY MARKET MANAGER	CAPTAINING DIRECTOR	DIRECTOR CORP RELATIONS INSTI AND BCA GOB
ADMINISTRATIVE DEPUTY MANAGER	SME CENTERS DIRECTOR	IT CORP, OPERATIONS AND PROCESSES DIRECTOR
DIRECTOR ASSISTANT	COMMERCIAL DIRECTOR FOR THE TERRITORIAL FORCES	DIRECTOR OF PARAMETRIC CREDITS
	DIRECTOR OF MORTGAGE AND SELF-PLACEMENT	DIRECTOR OF DEVELOPMENT CENTRAL SERVICES AND TRADITIONAL CHANNELS
	DIRECTOR OF NEW TECHNOLOGIES	DIRECTOR OF INFRASTRUCTURE AND SERVICES
	DIVISIONAL DIRECTOR	DIRECTOR OF INFORMATION SECURITY
	COMMERCIAL AND DIGITAL EXECUTIVE DIRECTOR	DIRECTOR OF SECURITY AND INTELLIGENCE
	EXECUTIVE DIRECTOR OF PRODUCTS	CORPORATE SERVICES DEVELOPMENT DIRECTOR
	EXECUTIVE DIRECTOR BUSINESS BUSINESSES	EXECUTIVE DIRECTOR ADMIN. OF RISKS
	DEPUTY MANAGING DIRECTOR OF BUSINESS	EXECUTIVE DIRECTOR CREDIT
	PAYROLL AND PAYROLL CREDIT DIRECTOR	EXECUTIVE DIRECTOR OPERATIONS AND PROCESSES
	CAPTAINING SEGMENT DIRECTOR	LEGAL EXECUTIVE DIRECTOR
	CONSUMER SEGMENT DIRECTOR	EXECUTIVE PROJECTS DIRECTOR
	BUSINESS SEGMENT DIRECTOR	HUMAN RESOURCE EXECUTIVE DIRECTOR
	SME SEGMENT DIRECTOR	TREASURY BALANCE SHEET EXECUTIVE DIRECTOR
	CREDIT AND DEBIT CARD DIRECTOR	FIDUCIARY STRUCTURING DIRECTOR
	CONSUMER SEGMENT DIRECTOR	FINANCE DIRECTOR

	DEPUTY MANAGING DIRECTOR INVESTMENTS
	DEPUTY LEGAL DIRECTOR GENERAL AND FID.
	GOVERNMENT AND INFRASTRUCTURE DIRECTOR
	LEGAL DIRECTOR OF RECOVERY
	LEGAL EXECUTIVE DIRECTOR
	LEGAL STRUCTURING BUSINESS DIRECTOR
	IT PROCESS AND ARCHITECTURE DIRECTOR
	DIRECTOR OF PROCESSES AND SEC CREDITS STRUCT.
	REGULATORY CONTROLLER DIRECTOR
	TRUSTEE 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 2020, where the positions of Segment Directors with their own goals and measurements according to their responsibility were integrated into the System. 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 purpose 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: 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 third quarter of 2021, Banca Afirme has an asset level of 192,933 million pesos, showing an increase of 17.2 % compared to the same period in the previous year.

The credit titles issued have a balance as of September 30, 2021 of \$766 million pesos.

Capitalization

Banca Afirme Capitalization ratio stood at 16.23% at the end of the third quarter 2021 with a basic capital ratio of 12.55%.

Issuance of Subordinated Bonds

At the Extraordinary General Shareholders' Meeting held on October 22, 2020, the Shareholders agreed to carry out an issuance of subordinated non-preferred capital bonds and not susceptible to being converted into shares, obtaining authorization from the Central Bank for their issuance through official letters 153/12258/220. The bond issues was performed through a public offering 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 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%.

At the Extraordinary General Shareholders' Meeting held on March 17, 2020, the Shareholders agreed to carry out an issuance of subordinated bonds 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 bonds 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 bonds compared to the amount issued was 25%.

At the end of the third quarter of 2021, the subordinated bonds program has a balance of 2.741 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 April 15, 2021, the shareholders agreed to make an additional paid-in for the increase of future capital of 25 million pesos.

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

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

Capital increases

At the Extraordinary General Shareholders' Meeting held on May 14, 2021, it was agreed to increase the share capital, by 528 million pesos, by capitalizing the account of "additional paid-in capital"

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 Jesus Antonio Ramírez Garza
Chief Executive Officer

CP Gustavo M. Vergara Alonso
Chief Financial Officer Finance Controller

CPC Jesus Ricardo Gámez del Castillo
Chief Financial Officer

CP David Gerardo Martínez Mata
Director of Internal Audit