

# Administration Report

## Banca Afirme

March 2022

*Hoy creamos*

*Hoy creamos*

EMPIEZA A IMAGINARLO

**AFIRME**  
El Banco de Hoy

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

### OPERATING RESULTS.

Comparative analysis of the period ended March 31, 2022, compared to the period ended March 31, 2021.

*Derived from the fact that as of 2022 the change in accounting regulation IFRS9 and NIF D-5 was adopted, this report contains variations that are not comparable with previous years, for this reason, said variations in some items are not explained.*

At the end of the first quarter of 2022, the Profit of Banca Afirme totaled 262.2 million pesos, 61.7% higher than the same period of the previous year, this result is impacted by the decrease in preventive reserves as a result of a better performance of the loan portfolio Likewise, due to the increase in other income and expenses, which shows significant growth.

### FINANCIAL MARGIN ANALYSIS

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

At the end of the first quarter of 2022, the interest generated by the loan portfolio amounts to 1,542.9 million pesos, an increase of 12.7% compared to the same period of the previous year. This is mainly due to the behavior of the TIIE reference interest rates, which went from 4.28% to 6.33% from March 2021 to March 2022.

Credit Portfolio Interests	I Q 21	IV Q 21	I Q 22	Variation	% Var.
Business Credits	658.3	777.1	807.0	148.8	22.6%
Consumer Credits	465.0	476.5	491.7	26.7	5.8%
Housing Credits	205.3	184.8	189.6	(15.8)	-7.7%
Credits for Gubernamental Entities	31.7	26.2	42.4	10.6	33.6%
Credits for Financial Entities	8.9	10.6	12.3	3.4	38.7%
<b>Total</b>	<b>1,369.2</b>	<b>1,475.2</b>	<b>1,542.9</b>	<b>173.8</b>	<b>12.7%</b>

During the aforementioned period, commissions for credit operations show a marginal increase of 1.0% per year.

<b>Commissions received for Credit Operations</b>	<b>I Q 21</b>	<b>IV Q 21</b>	<b>I Q 22</b>	<b>Variation</b>	<b>% Var.</b>
Business Credits	16.8	14.2	13.7	(3.1)	-18.3%
Customer Credits	25.2	30.3	28.5	3.3	13.3%
Housing Credits	4.4	4.8	5.4	1.0	21.8%
Credits for Gubernamental Entities	0.9	0.0	0.1	(0.7)	-87.2%
<b>Total</b>	<b>47.2</b>	<b>49.3</b>	<b>47.7</b>	<b>0.5</b>	<b>1.0%</b>

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

As of 2022, positions in securities in Banca Afirme have begun to reduce, despite the above, given the increase in yield rates, unrestricted securities show higher interest charges 19.2% higher than the same period of the previous exercise.

We were able to significantly increase interest income, mainly thanks to the rise in interest rates and the premiums charged for inflation, impacting repurchase agreements by 59.5%.

As a relevant strategy in the Institution, the available liquidity has been maintained to be able to respond to possible events related to the current crisis and its recovery, said strategy generates higher income from cash availability, 137.5% higher than the same period of the previous year .

<b>Premium, interests and premium derivatives from securities and investments</b>	<b>I Q 21</b>	<b>IV Q 21</b>	<b>I Q 22</b>	<b>Variation</b>	<b>% Var.</b>
Not restricted titles to negotiate	1,544.8	1,698.7	1,840.7	295.9	19.2%
Restricted Liquid Assets	40.8	71.0	96.8	56.1	137.5%
<b>Restricted and Repurchased Titles</b>					
Interests Charged and premiums in favor for repurchase operations	563.3	720.3	898.3	335.0	59.5%
Income from covered operations	17.3	15.9	58.4	41.1	236.8%
<b>Total</b>	<b>2,166.3</b>	<b>2,505.9</b>	<b>2,894.2</b>	<b>728.0</b>	<b>33.6%</b>

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

At the end of the first quarter of 2022, interest expenses show a growth of 35.8% in relation to the same period of the previous year, this increase is largely due to interest and premiums on repurchase agreements, which have a variation of 29.3% for their part. time deposits increased by 94.0% derived from the 88.7% growth in the balance of this item in the balance sheet and impacted by the increase in the reference rate mentioned above. It is to be expected that in the near future the interest paid will continue to grow due to the continuous increase in the reference rates.

<b>Expenses from interests</b>	<b>I Q 21</b>	<b>IV Q 21</b>	<b>I Q 22</b>	<b>Variation</b>	<b>% Var.</b>
Immediate enforceability deposits	144.3	203.1	213.7	69.3	48.0%
Fixed term deposits	213.7	305.2	414.5	200.8	94.0%
Interbank and other businesses loans	85.0	90.6	101.3	16.3	19.2%
Interests for subordinated liabilities	51.9	57.3	63.8	12.0	23.0%
Bursatile debt	37.2	39.7	44.6	7.4	19.8%
Interests and premiums from repurchase	1,587.5	2,052.4	2,052.4	464.9	29.3%
Expenses from covered operations	49.0	61.8	30.3	(18.7)	-38.2%
Interest from global accounts of funds raised	1.4	1.2	1.5	0.1	10.8%
Other	0.0	0.0	31.3	31.3	0.0%
	24.3	24.9	26.1	1.9	7.7%
<b>Total</b>	<b>2,194.3</b>	<b>2,836.3</b>	<b>2,979.6</b>	<b>785.3</b>	<b>35.8%</b>

## **FINANCIAL MARGIN RESULT**

In the comparison of the financial margin, we achieved that the interest income will increase more than the interest paid increased, thanks to being able to fix our deposit costs, despite the crisis, and to charge fixed or inflation-linked interest. Thus improving the financial margin and profitability of the Institution.

<b>FINANCIAL MARGIN</b>	<b>I Q 21</b>	<b>IV Q 21</b>	<b>I Q 22</b>	<b>Variation</b>	<b>% Var.</b>
Total of interests charged	3,582.6	4,030.4	4,484.9	902.3	25.2%
Total of interests paid	2,194.3	2,836.3	2,979.6	785.3	35.8%
<b>Financial Margin</b>	<b>1,388.4</b>	<b>1,194.0</b>	<b>1,505.3</b>	<b>116.9</b>	<b>8.4%</b>

## NON-FINANCIAL INCOME

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

During the first quarter of 2022, there is an increase of 28.6% in commissions charged compared to the same period of the previous year, this variation is mainly due to commissions charged in electronic banking, which shows an increase of 46.4% as a consequence of the increase in these services, highlighting ATM and POS operations. The item of other commissions and fees shows an increase of 60.8% as a result of income related to remittances and correspondents, which had a significant increase during the first quarter of 2022.

Commissions and Duties Paid	I Q 21	IV Q 21	I Q 22	Variation	% Var.
Credit operations	11.8	9.8	10.0	(1.8)	-15.3%
Funds transfer	5.0	7.3	7.2	2.3	45.2%
Trust Companies Activities	27.4	39.1	24.8	(2.7)	-9.7%
Appraisals	3.1	2.8	1.3	(1.8)	-57.8%
Account Management	12.2	12.8	13.7	1.6	12.9%
Electronic Banking	340.4	505.4	498.2	157.8	46.4%
Guarantee	0.1	0.2	0.1	0.0	27.5%
Right to severance pay	23.4	17.9	28.4	5.1	21.7%
Insurance	64.1	66.2	23.5	(40.6)	-63.4%
Financial Advisory	0.1	0.1	0.1	(0.0)	-17.1%
Other commissions and duties	67.6	106.9	108.8	41.1	60.8%
Social Wealth Batches	1.7	0.0	0.0	(1.7)	-100.0%
<b>Total</b>	<b>556.9</b>	<b>768.6</b>	<b>716.1</b>	<b>159.2</b>	<b>28.6%</b>

### RESULT BY INTERMEDIATION

The result from the sale and purchase of the first quarter of 2022 more than compensates the result of the valuation of our securities at market. The brokerage result was higher than the previous year due to the materialization of the purchase/sales of securities that had been revalued in 2021, in addition to this, the increase in the margin causes even better results, registering a very profitable first quarter for the securities.

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	I Q 21	IV Q 21	I Q 22	Variation	% Var.
<b>Valuation Results to Fair Market Value and Reduction of Titles valued at cost</b>	<b>59.3</b>	<b>(24.2)</b>	<b>(67.9)</b>	<b>-155.2%</b>	
Titles to negotiate	43.8	59.3	(24.2)	(67.9)	-155.2%
Derivatif instruments with coverage purposes	0.0	0.0	0.0	0.0	-100.0%
<b>Results from Sales and Purchase of Securities and Foreign Exchange</b>	<b>-49.7</b>	<b>18.2</b>	<b>41.0</b>	<b>90.8</b>	<b>-182.5%</b>
Titles to negotiate	(81.5)	(24.1)	(3.4)	78.1	-95.8%
Results for Sales and Purchase of Currency	31.8	42.3	44.5	12.7	39.9%
<b>Total</b>	<b>(6.0)</b>	<b>77.5</b>	<b>16.9</b>	<b>22.8</b>	<b>-383.0%</b>

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

For the closing of the first quarter of 2022, the item of other income (expenses) of the operation presents an increase of 78.4 million pesos against the same period of the previous year, which represents 98.8%, mainly explained by the item Release of reserves, which is increases 95.5 million pesos, on the other hand, the item of other + funds increases 14.7 million pesos, largely due to non-recurring income, recoveries decrease 74.8% this as a result of the better performance in this item during the same period of the previous year, on the other hand the collection of written-off loans increased 37.2% as a result of better management.

Other income (expenses) from net operation	I Q 21	IV Q 21	I Q 22	Variation	% Var.
Rescued Assets	62.7	21.5	15.8	(46.9)	-74.8%
Accounts Payable clearance	(3.3)	5.5	2.2	5.6	-166.0%
Results from operative loan	1.2	1.3	(0.6)	(1.8)	-153.1%
Collection of Loans	30.7	32.2	42.1	11.4	37.2%
Advisory	0.0	0.0	0.0	0.0	0.0%
Reserve clearance	1.3	417.0	95.5	94.3	7,419.1%
Reserve clearance from other loans	0.5	0.1	0.4	(0.1)	-22.6%
Sale of personal and real property	0.5	2.4	1.5	1.0	210.9%
Bond from the use of Debit and Credit Cards	0.0	4.9	3.0	3.0	0.0%
Other funds	10.2	21.3	25.0	14.7	144.1%
Losses from portfolio sales	(1.2)	(0.4)	(0.8)	0.4	-30.8%
Clients bonus	(13.0)	(16.1)	(16.1)	(3.1)	23.5%

Other losses	(1.4)	(15.9)	(0.9)	0.4	-32.1%
Reserve for other amounts debited	(6.5)	(14.7)	(8.7)	(2.2)	33.2%
Reserve from awarded goods	(2.0)	(5.8)	0.3	2.2	-112.7%
Other	(0.1)	(1.7)	(0.8)	(0.7)	506.3%
<b>Total</b>	<b>79.4</b>	<b>451.6</b>	<b>157.8</b>	<b>78.4</b>	<b>98.8%</b>

## ADMINISTRATION EXPENSES

At the end of the first quarter of 2022, Administration expenses presented a variation of 26.3%, on the one hand, salaries and benefits increased by 111.7 million pesos, that is, 36.0%, mainly due to the performance of the financial desk, the item of other administrative expenses increases by 35.9% as a result of the increase in electronic banking operations, and other minor expenses, fees decrease by 28.7% mainly due to the effect of the transfer of outsourcing personnel to the payroll, depreciations increase by 178.7 million pesos, that is say 167.7% (depreciation and income impacted by NIF D5).

Administrative Expenses	I Q 21	IV Q 21	I Q 22	Variation	% Var.
Salaries and Claims	310.2	432.5	422.0	111.7	36.0%
Professional Fees	184.0	69.4	131.2	(52.8)	-28.7%
Leases	94.3	86.2	13.9	(80.4)	-85.3%
Marketing	36.2	26.5	29.7	(6.4)	-17.8%
Other administrative and operative expenses	322.1	282.1	437.8	115.7	35.9%
Multiple Taxes	63.7	58.6	80.4	16.7	26.2%
Depreciation and Amortization	106.5	188.7	285.2	178.7	167.7%
Nondeductible concepts for ISR	0.7	(1.4)	1.7	1.0	138.7%
IPAB Contribution	63.1	67.8	73.8	10.7	17.0%
Caused PTU	14.7	28.8	34.0	19.3	131.2%
<b>Total</b>	<b>1,195.6</b>	<b>1,042.3</b>	<b>1,509.8</b>	<b>314.2</b>	<b>26.3%</b>

## INCURRED AND DEFERRED TAXES

Tax on Profit	I Q 21	IV Q 21	I Q 22	Variation	% Var.
Caused ISR	(43.9)	(143.7)	0.0	43.90	-100.0%
Differed ISR	5.4	64.1	(100.4)	(105.81)	1,946.1%
<b>Total</b>	<b>(38.5)</b>	<b>(79.6)</b>	<b>(100.4)</b>	<b>(61.9)</b>	<b>160.9%</b>



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

## FINANCIAL SITUATION, LIQUIDITY AND CAPITAL RESOURCES

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

### *Indebtedness level at the end of the first quarter of 2022*

The total liabilities of Banca Afirme as of March 31, 2021 and 2022, have been 168,449.0 million pesos and 135,365.6 million pesos, correspondingly.

## EVOLUTION OF THE BALANCE SHEET

The total assets of Banca Afirme show a decrease of -17.5% regarding the same period of the previous year, mainly due to the decrease in the balance of trading securities.

Deposits increased their balances, mainly term deposits, which increased by 45.1%, and demand deposits increased by 11.2%. On the other hand, the balance in issued credit instruments increased by 612 million pesos, reaching an amount of 843 million pesos.

RELEVANT INDICATORS	IQ 21	IIQ 21	IIIQ 21	IVQ 21	IQ 22
<b>Debt Index</b> (nonperforming loan portfolio / total portfolio)	3.73%	3.83%	3.62%	3.35%	3.09%
<b>covered nonperforming loan portfolio</b> (preventive estimation/ non-performing loan portfolio)	1.26	1.24	1.24	1.31	1.39
<b>Operative efficiency</b> (marketing and administrative expenses / total average of assets)	2.76%	2.65%	2.81%	2.71%	3.75%
<b>ROE</b> (Capital Profitability)	6.26%	5.98%	13.21%	11.60%	14.39%
<b>ROA</b> (Assets profitability)	0.24%	0.24%	0.52%	0.45%	0.65%
<b>Liquidity Index</b> (Liquid Assets / Liquid Liability)	0.90	0.92	1.03	0.91	0.93
<b>MIN</b> (Financial Margin adjusted for Loan Risk / Productive Assets)	2.23%	2.04%	2.52%	2.09%	3.39%
Credit Capitalization Index	22.06%	21.51%	22.45%	20.59%	20.32% (1)

Total Capitalization Index	15.64%	15.78%	16.32%	15.33%	15.46%	(1)
Basic Capital Index	11.91%	12.06%	12.62%	11.95%	11.88%	(1)
<b>Assets subject to credit, market, and operative risks</b>						
Credit	40,669	42,385	42,356	42,403	45,312	(1)
Market	8,726	7,000	7,316	6,147	5,617	(1)
Operative	7,971	8,382	8,580	8,403	8,619	(1)
<b>Total</b>	<b>57,366</b>	<b>57,767</b>	<b>58,252</b>	<b>56,953</b>	<b>59,548</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:

- 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 Compensation Committee is composed of:

<b>President Independent Director</b>
<b>Adviser</b>
<b>Independent Director</b>
<b>Chief Executive Officer</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 Legal and Trustee Director</b>
<b>Independent Expert 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 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:

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

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

DGA BUSINESS	STAFF
DEPUTY MANAGING DIRECTOR OF BUSINESS	DIRECTOR SPECIALIZED BANKING
ACQUISITION DIRECTOR	HUMAN RESOURCE EXECUTIVE DIRECTOR
COMMERCIAL PARTNERSHIP DIRECTOR	DGA RISK AND CREDIT MANAGEMENT
SELF-SERVICE DIRECTOR	DIRECTOR OF PARAMETRIC CREDITS
GOVERNMENT BANK DIRECTOR NUEVO LEON	EXECUTIVE DIRECTOR ADMIN. OF RISKS
DIRECTOR DIGITAL BANKING	EXECUTIVE DIRECTOR CREDIT
BUSINESS BANKING DIRECTOR	FACTORING DIRECTOR
CAPTAINING DIRECTOR	FINANCE DIRECTOR
SME CENTERS DIRECTOR	MONEY MARKET CONTROLLER DIRECTOR
COMMERCIAL DIRECTOR FOR THE TERRITORIAL FORCES	TREASURY BALANCE SHEET EXECUTIVE DIRECTOR
MORTGAGE MANAGER	DEPUTY MANAGING DIRECTOR INVESTMENTS
DIRECTOR OF NEW TECHNOLOGIES	GOVERNMENT CREDIT ANALYSIS DIRECTOR
DIVISIONAL DIRECTOR	LEGAL EXECUTIVE DIRECTOR
COMMERCIAL AND DIGITAL EXECUTIVE DIRECTOR	FIDUCIARY STRUCTURING DIRECTOR
EXECUTIVE DIRECTOR OF PRODUCTS	TRUSTEE DIRECTOR
EXECUTIVE DIRECTOR BUSINESS BUSINESSES	DEPUTY LEGAL DIRECTOR GENERAL AND FID.
PAYROLL AND PAYROLL CREDIT DIRECTOR	GOVERNMENT AND INFRASTRUCTURE DIRECTOR
CAPTAINING SEGMENT DIRECTOR	LEGAL DIRECTOR OF RECOVERY
CONSUMER SEGMENT DIRECTOR	LEGAL STRUCTURING BUSINESS DIRECTOR
BUSINESS SEGMENT DIRECTOR	DIRECTOR OF PROCESSES AND SEC CREDITS STRUCT.
SME SEGMENT DIRECTOR	DIRECTOR OF GOVERNMENT BANKING
CREDIT AND DEBIT CARD DIRECTOR	DIRECTOR CORP RELATIONS INSTI AND BCA GOB
	ARCHITECTURE AND METHODOLOGY DIRECTOR
	IT CORP, OPERATIONS AND PROCESSES DIRECTOR
	DIRECTOR OF DEVELOPMENT CENTRAL SERVICES AND TRADITIONAL CHANNELS
	DIRECTOR OF INFRASTRUCTURE AND SERVICES
	CORPORATE SERVICES DEVELOPMENT DIRECTOR
	EXECUTIVE DIRECTOR OPERATIONS AND PROCESSES
	PREV. DIRECTOR FRAUD AND CLARIFICATIONS
	IT PROCESS AND ARCHITECTURE DIRECTOR
	CONTROLLER GENERAL
	AUDIT DIRECTOR
	IT, BRANCHES AND INV AUDIT DIRECTOR
	CONTROLLER DIRECTOR
	REGULATORY CONTROLLER DIRECTOR

OPERATING COMPTROLLER DIRECTOR
DIRECTOR OF INFORMATION SECURITY
DIRECTOR OF SECURITY AND INTELLIGENCE
OPERATING COMPTROLLER DIRECTOR
EXECUTIVE PROJECTS DIRECTOR

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

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

The personnel included were chosen based on the fact that the decisions they make in their daily activities may involve a risk for the Institution.

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

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

The last update of the Remuneration System was carried out in July 2021, where a subsection was added in the section on General Policies Regarding Ordinary Remuneration, in order to align it with the Manual of Policies and Guidelines for Diversity, Equity and Inclusion . Additionally, it was established that the Remuneration Manual would be applicable to both Afirme Banking and Afirme Investment Banking.

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

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

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

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

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

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

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

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

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

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

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

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

### **Quantitative Information System Remuneration**

- a) Number of meetings of the Risk and Remuneration Committee during the year: 4 on a quarterly basis.

- b) Number of employees: 89

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

- c)

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

- d)

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

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

## **OTHER RELEVANT EVENTS**

At the end of the third quarter of 2022, Banca Afirme has an asset level of 144,787.00 million pesos, showing a decrease of -17.5 % compared to the same period in the previous year.

The credit titles issued have a balance as of March 31, 2021 of \$ 843.0 million pesos.

### ***Capitalization***

Banca Afirme Capitalization ratio stood at 15.46% at the end of the first quarter of 2022 with a basic capital ratio of 11.88%.

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

At the Extraordinary General Shareholders' Meeting held on March 17, 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. By means of an issuance certificate dated February 15, 2022, the issuance of the subordinated bonds was carried out through a public offering of up to 2,012,500 subordinated bonds with a nominal value of \$100.00 pesos each, which accrue interest at a TIIE 28 rate. days + 2.8%, this issue is not guaranteed, the interest payment period is every 28 days and its maturity will be in February 2032. Said issuance was for an amount of \$201 million pesos, the proportion of the authorized amount of the subordinated bonds compared to the amount issued was 100%.

As of March 31, 2021 and 2020, the subordinated obligations do not have a discount or premium rate.

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 million pesos, the proportion of the authorized amount of the 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 2022, the subordinated bonds program has a balance of 2,940 million pesos.

### ***Capital increases***

At the Extraordinary General Shareholders' Meeting (Banca Afirme) held on Feb 22, 2022, it was agreed to increase the share capital, by 629 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".

Jesus Antonio Ramirez Garza  
Chief Executive Officer

Gustavo M. Vergara Alonso  
Chief Financial Officer / Financial Controller

Jesus Ricardo Gamez del Castillo  
Chief Financial Officer

David Gerardo Martinez Mata  
Director of Internal Audits