

BANCA AFIRME, S. A.
Institución de Banca Múltiple,
Afirme Grupo Financiero y Subsidiarias
Notes to the Consolidated Financial Statements
(Mexican pesos in millions, except when otherwise indicated)

COMPREHENSIVE RISK MANAGEMENT

The function of identifying, measuring, monitoring, controlling and reporting the different types of risk to which Banca Afirme is exposed, is in charge of the Comprehensive Risk Management Unit (UAIR), which reports to the Risk Policies Committee, an entity instituted by the Banca Afirme Board of Directors in order to monitor the comprehensive risk management process.

The Risk Policies Committee establishes risk policies and strategies, monitors them and monitors their compliance.

The key UAIR objectives are the following:

- Standardize risk measurement and control.
- Protect the capital of the institution against unexpected losses due to market movements, credit defaults, liquidity of resources and operational, legal and technological risks.
- Develop valuation models for the different types of risks.
- Carry out diagnoses based on Comprehensive Risk Management, availability and quality of risk information.

Banca Afirme has methodologies for risk management in its different phases, such as credit, legal, liquidity, market and operational. Risk evaluation and management has been divided into the following areas:

- I. Quantifiable risks are those for which it is possible to form statistical bases that allow measuring potential losses, and within these are the following:
 1. Discretionary risks are those resulting from taking a risk position, such as:
 - a) Market risk
 - b) Credit risk
 - c) Liquidity risk
 2. Non-discretionary risks are those resulting from the operation of the business, but which are not the result of taking a risk position.
 - a) Operational risk including:
 - Technological risk
 - Legal risk
- II. Non-quantifiable risks, which are those derived from unforeseen events for which a statistical base cannot be established to measure potential losses.

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In order to identify, measure, monitor, limit, control and disclose the different types of risks that it faces in its daily activities, Banca Afirme in its daily processes in terms of Risk Management adheres to the "General provisions applicable to credit institutions" published in the Official Gazette of the Federation on December 2, 2005. Banca Afirme considers the modifications to said Provisions that are modified through Resolutions published in the aforementioned Official Gazette.

The updating and improvement of the policies and procedures for risk management has been a continuous process, in accordance with the established objectives and with the participation of all the areas involved, continuously maintaining the dissemination of the Risk Manual and its continuous updating, to through the Banca Afirme Intranet Network.

Market risk

Market Risk is defined as the volatility of income due to changes in the market, which affect the valuation of positions for active, passive or contingent liability operations, such as: interest rates, exchange rates, price indices, among others.

To measure market risk, Banca Afirme applies the non-parametric historical simulation methodology to calculate the Value at Risk (VaR), considering a confidence level of 97.5%, a time horizon of 1 day and a history of 260 days.

The meaning of the VaR, under this method, is the potential overnight loss that could be generated in the valuation of the portfolios on a certain date, under the assumption that the 259 immediate historical scenarios are repeated in the future, these scenarios are arranged from greater loss to greater profit and the VaR is determined based on the confidence level of 97.5%.

This methodology is applied to all the portfolios that Banca Afirme has identified as Business Units and that are exposed to variations in risk factors that directly affect their valuation (domestic interest rates, surcharges, foreign interest rates, rates exchange, among others).

As of the second quarter of 2024, the *Money Market* portfolio has a position of 184,198 million pesos.

In order to display the VaR behavior during Q2 2024, the values at the end of the second quarter of 2024 are presented, as well as the comparison with the previous quarter, for each business unit of the portfolios shown.

Trading Business Unit	VaR	
	March-24	June-24
Money table	(9.25)	(10.01)
Treasury	(1.20)	(0.93)
Global	(9.14)	(9.89)

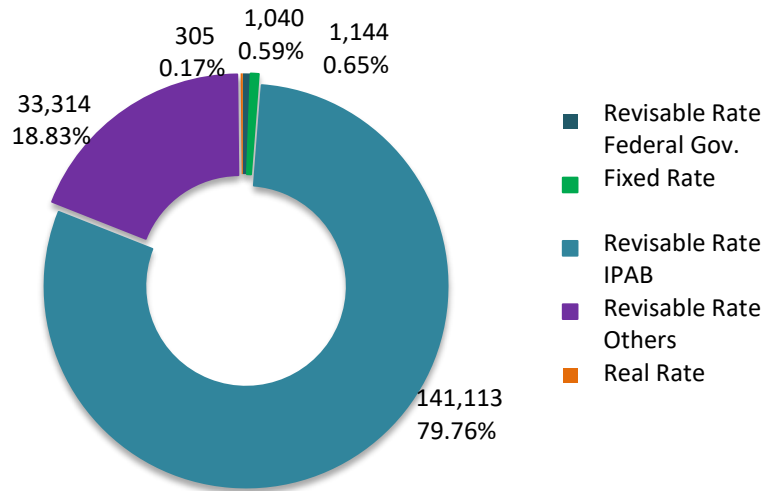
Business Unit Held-to-maturity	VaR
	June 28, 2024
Treasury	(1.88)
Global	(1.88)

The following graph shows the composition of the Total portfolio for Afirme Bank at the close of Q2 2024 according to the Type of Risk:

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Risk Type	Amount *
Federal Government Review Rate	1,040
Actual Rate	305
Revisable Rate IPAB	141,133
Revisable Rate Other	33,314
Exchange rate	-
Fixed rate	1,114
Total	176,916

Risk Type



Note: *Within the portfolio composition at the end of 2Q 2024, 1,040 MDP from the issuance XR_BREMSR_251023 are considered, which is a Reportable Monetary Regulation Bond from the Bank of Mexico, with the purpose of regulating liquidity in the money market.

The average global VaR during the second quarter of 2024 was 13.34, which corresponds to 0.12% of the net capital. The following is the average Value at Risk for the corresponding quarter for the different business units.

Trading Business Unit	Average VaR
	Apr 2024 - Jun 2024
Money table	(13.34)
Treasury	(0.99)
Global	(13.34)

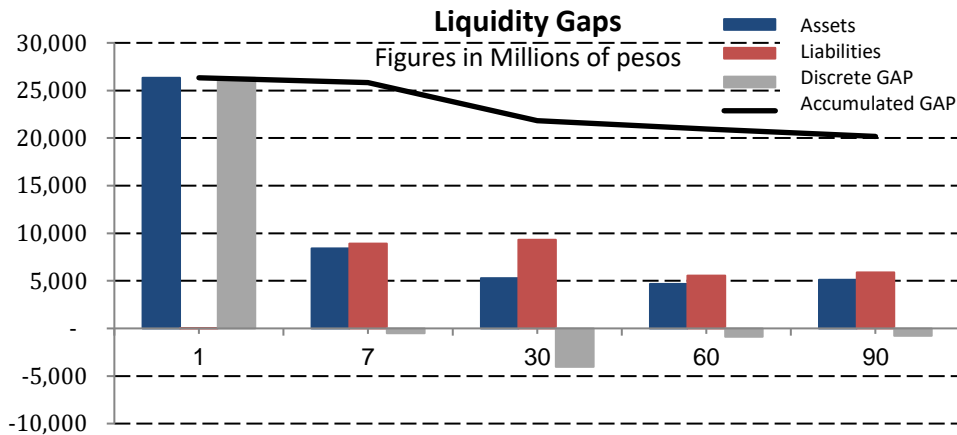
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Business Unit	Average VaR
Held-to-maturity	Apr 2024 - Jun 2024
Money table	-
Treasury	(1.77)
Global	(1.77)

Liquidity risk

Liquidity Risk is defined as the potential loss due to the impossibility of renewing liabilities or contracting others under normal conditions for Banca Afirme due to the premature or forced sale of assets at unusual discounts to meet its obligations. To measure the liquidity risk, the Liquidity Coverage Ratio (CCL) and the liquidity bands are determined, considering the nature of the assets and liabilities on the balance sheet over a period of time.

The accumulated band at 60 days of Banca Afirme was \$20.938 billion pesos at the close of 2Q 2024, a level that respected the established limit. The bands for term up to 90 days would be the following:



On a daily basis, the Liquidity Coverage Coefficient (CCL) is monitored, since the Supervisory Authority imposes a minimum to promote the short-term resistance of the liquidity risk profile, guaranteeing that the Institution has sufficient high-quality liquid assets to overcome a significant stress scenario over a 30-day period.

As of the end of June 2024, the Liquidity Coverage Ratio is 176.05%. In order to show the behavior of the CCL, the closing values for Q2 2024 are presented below, compared to the previous quarter.

CCL evolution	March 2024	June 2024*
Computable Liquid Assets (Weighted)	27,626	28,441
Net Exits at 30 days	18,707	16,156
CCL	148%	176%

* Information before replicas from Banxico.

The evolution of Computable Liquid Assets compared to the immediately preceding quarter is shown below:

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Computable Liquid Assets Evolution (Unweighted)	March 2024	June 2024
Liquid Assets Level 1	26,098	27,088
Liquid Assets Level 2	1,798	1,593
Total Liquid Assets	27,896	28,680

* Information before replicas from Banxico.

As of the end of June 2024, the Net Stable Funding Ratio is 175.38%.

Net Stable Funding Ratio	March 2024	June 2024
Amount of Stable Financing Required	64,032	60,075
Amount of Stable Financing Available	106,375	105,395
CFEN	166%	175%

* Information before replicas from Banxico.

For its part, the market VaR adjusted for liquidity, which is interpreted as the loss that the bank would incur due to the time it would take to liquidate the position of the securities in the market, for this the VaR adjusted for liquidity is estimated as the product of the daily market VaR times the square root of 10.

In order to show the behavior of the liquidity-adjusted VaR, the values at the end of Q2 2024 are presented below compared to the previous quarter.

Trading Business Unit	Liquidity-adjusted VaR	
	March-2024	June-2024
Money table	(29.26)	(31.65)
Treasury	(3.80)	(2.94)
Global	(28.91)	(31.29)

The following shows the average liquidity-adjusted Value at Risk of the monthly closings of the corresponding quarter of the different business units.

Trading Business Unit	VaR adjusted for average liquidity
	Apr 2024 - Jun 2024
Money table	(42.20)
Treasury	(3.12)
Global	(42.19)

In general, the financing needs of the Institution's loan portfolio are covered by traditional fund-raising, however, other liquidity elements are maintained if required as credit lines and the ability to issue bank paper in the market, not encountering legal, regulatory or operational limitations.

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Traditional Catchment End of June 2024	
Immediate enforceability deposits	39,572
Fixed term deposits	45,615
Credit Securities Issued	-
Capture without movements	154
Total	85,341

It is important to mention that the financial desks use a financing strategy via repurchase of direct positions, except for those securities that remain in order to maintain an adequate level of liquid assets.

Liquidity risk management is executed in the Treasury and Risk Management areas.

The Treasury area performs daily monitoring of current and future liquidity requirements, taking the necessary steps to ensure that the necessary resources are available. On the other hand, the Risk Management area performs liquidity risk analysis by analyzing liquidity gaps and repricing, as well as the effects on the structural balance of possible adverse scenarios. Both areas have a constant coordination.

To monitor the various risks to which the Institution is exposed, in particular liquidity risk, it has an organizational structure the following decision-making areas and bodies participate in:

- The Treasury area as the one in charge of managing resources.
- The Risk Management area as the area in charge of monitoring and reporting to the Risk Policy Committee on liquidity risk measurements and stress tests, as well as reporting to the Board of Directors on compliance with the established limits by said Council.
- The Assets and Liabilities Committee is in charge of monitoring the balance sheet and proposing balance management strategies, as well as authorizing hedging strategies.
- The Risk Policies Committee is in charge of approving risk measurement methodologies, stress test scenarios, risk monitoring and, where appropriate, establishing courses of action.
- The Board of Directors establishes the maximum tolerance to the risks to which the Institution is exposed, as well as authorizing contingency action plans in case of requiring liquidity.

As mentioned before, the Treasury and Risks areas generate reports that are distributed and presented to the Committees in charge of liquidity risk management, such as cash flow gaps, repricing gaps, stress test analysis and uptake compared to portfolio structure.

The bank's liquidity strategy is based mainly on two main objectives, the first is to maintain an amount of liquid assets that is significantly higher than the bank's liquidity needs and; the second is to extend the term of its collection. With the foregoing, all its clients and counterparties are guaranteed compliance with the commitments assumed by the bank.

The bank's centralized financing strategy is based on traditional deposits through the commercial network. With this strategy, fund-raising generates greater diversification and stability. The bank has significant incentives to generate higher deposits, particularly in terms of term. Our network has been increased to be able to penetrate with new clients in different geographical areas, deconcentrating our clients. In addition to the above, there are sources of financing in the formal market, as they have ample credit lines.

The monitoring of the different indicators mitigates the liquidity risk since these indicators induce the diversification of the deposits, to extend the term of the same, increase the liquid assets and punish the concentration both in term and in clients and the reduction of the liquid assets.

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Stress tests consist of applying scenarios where there are situations that could be adverse for the Institution and thus being able to verify the Institution's capacity to face the realization of said scenarios. In the particular case of liquidity risk, scenarios are made based on variables characteristic of financial crises that affect the liquidity of banks in general. This evidence is presented to the Risk Policy Committee on a monthly basis for analysis. The variables used to build adverse scenarios are overdue portfolio, interest rates and sources of financing, mainly.

In accordance with the regulations applicable to credit institutions, the Institution has liquidity contingency plans in case situations arise that could affect the Institution. These plans contain the functions of the personnel who would participate in the necessary actions, the authorization levels and the required information flow. The aforementioned actions are specifically identified and designed to generate liquidity, considering the Bank's structure for this purpose and are divided according to the severity of possible scenarios.

Credit risk

Credit Risk is defined as a potential loss in credit due to non-payment of a borrower or counterparty.

Therefore, since Credit Risk is the risk that clients do not comply with their payment obligations, its correct administration is essential to maintain a quality credit portfolio.

The objectives of Credit Risk Management at Affirme Banking are:

- Calculate credit risk exposure over time, considering and evaluating the concentration of exposures by risk ratings, geographic regions, economic activities, currencies and type of product.
- Create diversification strategies for the credit portfolio, defining limits for it.
- Implementation of a global credit risk management supervising all operations and aspects related to credit risk.

The methodology used by the Bank to determine the expected and unexpected losses of the loan portfolio is based on the *Enhanced Credit Risk +* model (a variant of the original *Credit Risk +* from Credit Suisse). This model generates calculations taking into account the diversification of the portfolio by sectors, as well as the risk considering the correlation of the sectors in which it has participation, that is, the risk taking into account the client's participation within different sectors.

For the probability of default of the loan portfolio, the criteria are applied in accordance with the general rating methodology established in the provisions issued by the National Banking and Securities Commission. For this calculation, only the Banca Afirme portfolio is considered (without subsidiaries/affiliates).

The result of our Exhibition, Expected Loss with *Recover* (Recovery Factor) and Credit VaR with *Recover* at the close of 2Q 2024 is as follows:

VaR as of June 30, 2024

Portfolio	Exposition	Expected Loss (Without Recover)	Recover	Expected Loss (With Recover)	VaR @ 99% (With Recover)
Commercial	38,681	2,740	64%	981	2,213
Mortgage	13,398	1,287	94%	80	104
Personal Loans	4,785	578	22%	451	515
Credit card	1,552	269	26%	200	210
Self-term	5,275	306	42%	176	206

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Total	63,691	5,180	1,888	3,249
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* VaR @ 99% [Credit Risk + Methodology]

As can be observed, the VaR was set at \$3,249 million, which meant a consumption of 108.3% of the authorized limit of \$3,000 million. It should be noted that any excess is notified to the Council through the Institution's collegiate bodies where it is determined whether the excess is acceptable or not.

The following shows the composition of Banca Afirme's portfolio at the end of June 2024, according to the credit quality of the various counterparts:

Exposure by Credit Quality
 (Emissions and derivatives)

Instrument	Sovereign Risk	Development Banking Risk	Non-Sovereign Risk
Fixed rate	1,144	-	-
Reviewable Rate Govt. Federal	1,040	-	-
Reviewable Rate IPAB	141,113	-	-
Real Rate	60	244	-
Revisable Rate Other	-	17,168	16,147
Total	143,358	17,412	16,147

Note: Within the portfolio composition at the end of 2Q 2024, 1,040 MDP from the issuance XR_BREMSR_251023 are considered, which is a Reportable Monetary Regulation Bond from the Bank of Mexico, with the purpose of regulating liquidity in the money market.

Non-Sovereign Risk Issuance Rating			
Rating agency			Market Value
Fitch	S&P	Moody's	
	mxA-1+		452
AAA (mex)	mxAAA		245
F1+ (mex)			245
AAA (mex)		AAA.mx	98
	mxAAA		794
Total			1,834

Note: Development Bank issues are not considered within the exposure by rating.

Like the loan portfolio, the VaR and the expected loss are calculated both for financial instruments in the debt market and for derivative operations. For this purpose, default curves and recovery factors published by the rating agencies are used and are the risk factors that are applied to the *CreditRisk +* model referred to above.

Interest rate risk

The Bank's balance is exposed to interest rate movements that affect the relationship between interest charged and interest paid, as well as the present value of assets and liabilities. Likewise, the sensitivity of the financial margin and economic value of capital is calculated considering an impact of +/- 50 basis points on interest rates.

To measure the effect of the financial margin, this uses the methodology based on the repricing of assets, liabilities, and derivatives that are on the Institution's balance sheet under the "Earnings at Risk" approach. In this methodology, assuming a constant balance and a time margin of 12 months. Therefore, all assets and

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liabilities are grouped into bands in the repricing gap and a movement in interest rates is simulated. For the position that does not have a specific expiration date, they are considered differently depending on whether they have a cost or not. If the liabilities have a cost, they are integrated in 1 day, while if they have no cost, they are placed in a band higher than 1 year. For the sensitivity of the economic value of capital, consider the total expected flows assuming a static balance, that is, without any additional assumption in assets and liabilities. For both cases, a parallel movement in interest rates is calculated and there is no base risk or reference curve.

In this regard, and applying the previously mentioned methodology, there is a sensitivity to the financial margin in the event of a 50 basis point increase in the interest rate (TIE). This would result in a profit of \$8.6 million pesos and a loss of \$293.4 million pesos to the sensitivity of the economic value of capital. If symmetry is assumed, a reduction of 50 basis points would have the opposite effect.

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Non-Discretionary Risk Management

The Institution has implemented a procedure for the daily report of operational incidents that are registered in a database. Each incident is evaluated at the operating unit level where its owners are responsible for its processes and risk mitigation mechanisms. Any incident that originates an accounting loss constitutes an operational risk event that is recorded in said database, which is controlled by the Comprehensive Risk Management Unit.

Each incident or event of operational risk is classified according to its origin and particular characteristics, each effect is identified against previously established risk factors. Next, a probability of occurrence and a level of economic impact are assigned that is scaled to the type of impact and its importance based on internal statistics that allows generating a risk indicator.

This procedure is an aid in determining the level of risk tolerance. However, the Risk Policies Committee is the body that proposes to the Board the level of tolerance by type of risk for the entire financial year. This tolerance level is segregated by type of non-discretionary risk, that is, there is a tolerance level for operational risk, one for legal risk and another for technological risk, highlighting that image risk, also known as risk Reputational risk is considered an integral element of operational risk. The tolerance level is periodically monitored against events that have led to an accounting loss and are dealt with in the Risk Policies Committee.

The following table shows a summary of the authorized tolerance level and the amount of risk effectively materialized as of June 30, 2024.

Tolerance Level Table

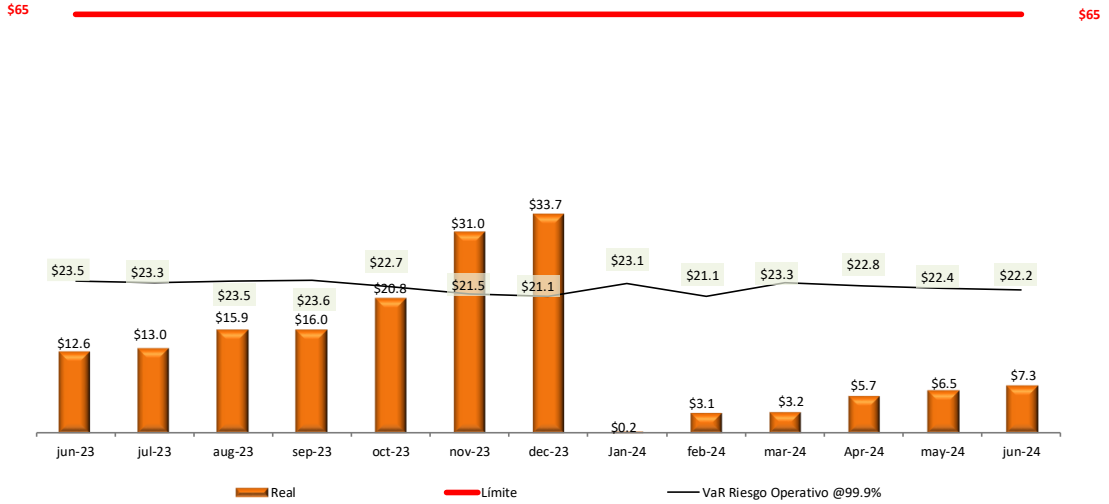
Total Authorized Level	Real
In millions	In millions
\$65.0	\$7.3

The average monthly amount for the last twelve months amounts to \$2.4 million pesos and includes the three types of non-discretionary risks mentioned above.

In order to estimate the losses that the materialization of non-discretionary risks would generate on the business, the institution currently has a VaR model established that is based on the probability of occurrence and degree of impact of historically observed risk events. This VaR is treated monthly in the Risk Policies Committee and is based on statistics collected in a database managed by the Risk Management Unit.

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Operating ("VaR" for its acronym in Spanish) Chart



Figures in millions of pesos

The Operational Risk VaR has been estimated at \$22.2 million at a confidence level of 99.9% at the close of 2Q2024. In accordance with the materialized risk events, the actual losses amounted to \$7.3 million pesos and represent 11.23% of the level authorized by the Board.

Non-Quantifiable Risk Management

Non-quantifiable risks are those that originate from fortuitous events over which the institution has no control, such as hurricanes, earthquakes, floods and other incidents classified as acts of God or force majeure.

During Q2 2024, Storm Alberto hit the north of the country, causing the state of Nuevo León to declare a state of emergency. As a result, no branches opened as usual on Thursday, June 20. However, the entity continued its operations remotely via VPN. In addition to the above, the full-time operational areas carried out long-term stays to ensure business continuity.

However, it is important to highlight that the institution has coverage for non-quantifiable risks through insurance policies that are reviewed annually and has established a contingency plan called "Disaster Recovery Plan" that allows to mitigate the effects of force majeure

Figures in millions of pesos

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Main indicators of assets at risk

Based on the Law of Credit Institutions, Banxico requires credit institutions to have a minimum percentage of capitalization over assets at risk. The required capitalization percentage is 10.5 percent.

As of the end of June 2024, the Institution successfully met this requirement. Next, the assets at risk and capitalization index are presented.

	2Q 2024*	1Q 2024	Variation%
Assets at Credit Risk	52,061.9	52,337.1	-0.53%
Assets at Market Risk	9,862.1	9,775.6	0.88%
Assets at Operational Risk	9,644.8	9,250.9	4.26%
Total Assets at Risk	71,568.8	71,363.6	0.29%
Basic Capital	8,319.3	8,104.4	2.65%
Complementary Capital	2,556.9	2,553.7	0.13%
Net Capital	10,876.2	10,658.1	2.05%
Capitalization Index	15.2%	14.9%	1.75%

* Information before replicas from Banxico.

Portfolio Rating:

The Bank carries out its portfolio qualification process applying the Methodology established in Chapter V "Credit Portfolio Qualification" of the Provisions issued by the Commission.

In accordance with the Provisions, the Bank uses, for the purposes of rating the commercial portfolio, information related to the quarters ending in the months of March, June, September and December and records preventive reserves in the accounting at the end of each quarter. corresponding, considering the balance of the debt registered on the last day of the aforementioned months.

For the two months after the close of each quarter, the rating corresponding to the credit in question that has been used at the close of the quarter immediately prior to the balance of the debt recorded on the last day of the aforementioned months may be applied. However, when they have an intermediate rating after the end of said quarter, the latter may be applied to the aforementioned balance.

To comply with article 138 of the Sole Circular, the consumer, housing and commercial loan portfolio is presented below by degree of risk A-1, A-2, B-1, B-2, B-3, C- 1, C-2, D and E:

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Risk level	March 2024		June 2024	
	Portfolio	Reserves	Portfolio	Reserves
A-1	46,731	214	48,529	222
A-2	7,770	97	6,070	86
B-1	2,780	69	2,987	75
B-2	1,366	47	1,285	45
B-3	870	39	739	35
C-1	1,968	169	1,964	166
C-2	1,299	144	1,209	132
D	1,963	641	2,049	686
E	1,217	822	1,289	861
Except	0	0	0	0
Total	65,964	2,242	66,121	2,308

According to article 129 of the Unique Circular, as of December 31, 2013, the classification of preventive reserves of the loan portfolio is as follows:

PERCENTAGE OF PREVENTIVE RESERVES				
RISK GRADES	COMMERCIAL PORTFOLIO	HOUSING PORTFOLIO	CONSUMER PORTFOLIO	
			Non-Revolution Consumption	Revolving Consumption
A-1	0 to 0.9	0 to 0.50	0 to 2.0	0 to 3.0
A-2	0.901 to 1.5	0.501 to 0.75	2.01 to 3.0	3.01 to 5.0
B-1	1,501 to 2.0	0.751 to 1.0	3.01 to 4.0	5.01 to 6.5
B-2	2.001 to 2.50	1,001 to 1,50	4.01 to 5.0	6.51 to 8.0
B-3	2,501 to 5.0	1,501 to 2.0	5.01 to 6.0	8.01 to 10.0
C-1	5.001 to 10.0	2001 to 5.0	6.01 to 8.0	10.01 to 15.0
C-2	10.001 to 15.5	5.001 to 10.0	8.01 to 15.0	15.01 to 35.0
D	15.501 to 45.0	10.001 to 40.0	15.01 to 35.0	35.01 to 75.0
E	Greater than 45.0	40.001 to 100.0	35.01 to 100.0	Greater than 75.01

As of January 2022, the NIF C16 standard (IFRS 9) came into force for the calculation of preventive reserves for credit risks according to the Provisions, classifying the credit portfolio into risk stages and calculating the preventive reserves under the expected losses model and full-life reserves according to the following:

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- Current portfolio - risk stage 1 and risk stage 2 - Reserve expected loss
 - *Reservas Etapa 1 o 3_i = $PI_i^X \times SP_i^X \times EI_i^X$*
- Overdue portfolio - risk stage 3 - takes the maximum value between the expected loss Reserve and full life reserve
 - *Reservas Etapa 2_i = $Max(Reservas Vida Completa_i, PI_i^X \times SP_i^X \times EI_i^X)$*

Commercial portfolio

As of December 2013, the Institution is rating the business portfolio and the portfolio in charge of federal government entities and decentralized federal, state and municipal agencies with the methodology established by the C.N.B.V. which was published in the DOF of June 24, 2013 and applying the modifications of the new methodology for rating the commercial portfolio and calculating the preventive reserves published on March 13, 2020.

With the new rating methodology, reserves are determined considering the probability of default, the severity of the loss and the exposure to default, in accordance with the provisions of the Sole Banking Circular and analyzing the quantitative and qualitative factors applying the following rating Annexes:

Portfolio to Companies:

Annex 21.- Rating model for the portfolio in charge of legal entities and individuals with business activity with net sales or annual net income less than 14 million Udis, which considers exclusively quantitative factors, analyzing the following risk factors: payment experience according to information from the credit information society, payment experience with the credit institution, credit risk, credit risk, etc.

Annex 22.- Model to qualify the portfolio in charge of legal entities and individuals with business activity with net sales or annual net income greater than 14 million Udis, analyzing the following risk factors as appropriate: a) Quantitative factors: payment experience, according to information from the credit information society, payment experience with the Institution and financial risk, b) Qualitative Factors: country and industry risk, customer dependence, transparency and standards, organizational and shareholder structure.

Portfolio to Financial Institutions:

As of March 2014, the Institution is rating the portfolio in charge of financial entities with the new methodology established by the C.N.B.V. which was published in the DOF of June 24, 2013 and applying the modifications to the qualification methodology published on March 13, 2020:

Annex 20.- Model to qualify the portfolio in charge of financial institutions, analyzing the following risk factors as appropriate: a) Quantitative factors: payment experience, according to information from the credit information society, payment experience with the Institution and financial risk, b) Qualitative factors: business context, organizational structure and management competence.

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Credits to Federative Entities, Municipalities and their Decentralized Organizations:

As of October 2011, the Institution is grading the portfolio of Federal Entities and Municipalities with the new methodology established by the C.N.B.V. applying the new Annex 18 - Qualification and provisioning method applicable to loans held by Federal Entities and Municipalities, which was published in the DOF of October 5, 2011 and applying the modifications to the qualification methodology published on March 13, 2020. With the new rating methodology, reserves are determined by considering the probability of default, the severity of the loss and the exposure to default, in accordance with the provisions of the Single Circular and analyzing the following risk factors: a) Quantitative: payment experience with credit information companies, payment experience with the Institution itself and financial risk, b) Qualitative: financial strength and transparency.

Housing mortgage portfolio

As of March 2011, the Institution is qualifying the housing mortgage portfolio with the new methodology established by the C.N.B.V. and published in the DOF in October and November 2010, which establishes that the reserves will be determined considering the probability of default, the severity of the loss and the exposure to default for each loan, in accordance with the provisions of the Sole Circular, and analyzing the following factors: number of arrears to the rating date, maximum historical delay, willingness to pay, current loan to value, integration of the credit file and the type of currency; Likewise, in the DOF of January 6, 2017 modifications to the rating methodology were published, which were applied as of June 2017, incorporating into the model variables of the borrower on their credit behavior registered in the Credit Information Societies such as months elapsed since the last delay greater than thirty days and applying the modifications on the new rating methodology and precautionary reserves calculation publishes on March 13th, 2020.

Consumer loans

As of March 2011, the Institution is rating the non-revolving consumer portfolio with the new methodology established by the CNBV and published in the DOF in October and November 2010, which establishes that the reserves will be determined considering the probability of default, the severity of the loss and the exposure to default for each loan, in accordance with the provisions of the Sole Circular, and analyzing the following factors according to the type of credit in question: number of arrears on the rating date, maximum historical delay, willingness to pay, percentage representing the credit balance, original amount of the credit, arrears index, percentage that the remaining term represents of the total term of the credit, number of times the borrower pays the original value of the asset, type of credit, and in group credits among other factors, considering the number of arrears on the rating date, the willingness to pay, the number of people that make up the group to which the borrower belongs and the average number of cycles of the group the borrower belongs to. Likewise, in the DOF of January 6, 2017 modifications to the rating methodology were published, which were applied as of June 2017, incorporating variables of the borrower on their credit behavior registered in the Credit Information Companies into the model. such as months elapsed since the last delay greater than thirty days, amount to be paid to the Institution, amount to be paid reported in the credit information companies, balance reported in the credit information companies, debt levels, monthly income of the borrower, seniority of the Borrower in the Institution, seniority of the Borrower with Institutions.

In accordance with the modifications made by the Commission to the Provisions published in the DOF on August 12, 2009, the Bank rates the revolving consumer portfolio related to credit card operations considering the following factors: balance to be paid, payment made , credit limit, minimum payment required, default of payment; Likewise, in the DOF of December 16, 2015 modifications to the rating methodology were published, which were applied as of April 2016, incorporating variables of the borrower on their credit behavior registered

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in the Credit Information Societies into the model. such as the amount to be paid to the Institution, the amount to be paid reported in the credit information companies, months that have elapsed since the last delay of more than one day from the borrower in his credit commitments, as well as the length of time of the borrower at the Institution. The amount of the credit card reserves will be determined considering the probability of default, the severity of the loss and the exposure to default, in accordance with the provisions of the Provisions.

Likewise, the modifications of the new rating methodology and calculation of preventive reserves published on March 13, 2020 were applied.

Below is the portfolio rating table of the total portfolio of the Bank with figures as of June 30, 2024:

DEGREES OF RISK	Commercial Portfolio		Housing Portfolio		Non-Revolving Consumer Portfolio		Revolving Consumer Portfolio: Credit Card		TOTAL PORTFOLIO	
	Portfolio	Reserves	Portfolio	Reserves	Portfolio	Reserves	Portfolio	Reserves	Portfolio	Reserves
A-1	31,700	124	10,409	15	5,829	47	591	35	48,529	221
A-2	4,494	49	669	4	592	15	315	18	6,070	86
B-1	1,346	22	321	3	1,174	40	146	10	2,987	75
B-2	240	5	275	3	708	31	62	6	1,285	45
B-3	187	7	150	3	348	20	54	6	739	36
C-1	1,213	116	275	11	397	29	79	11	1,964	167
C-2	37	5	582	47	487	54	103	26	1,209	132
D	1,052	398	512	130	357	79	128	79	2,049	686
E	494	343	165	93	578	381	52	43	1,289	860
Except	0	0	0	0	0	0	0	0	0	0
Total qualified portfolio	40,763	1,069	13,358	309.00	10,470	696	1,530	234	66,121	2,308
Other concepts:										
Interest cobrados for anticipatin	-123	0	0	0	0	0	0	0	-123	0
Qualified Contingent Credits Adjustment (Letters of Credit and Guarantees Granted)	-1,561	0	0	0	0	0	0	0	-1,561	0
Total	39,079	1,069	13,358	309	10,470	696	1,530	234	64,437	2,308
Qualified Credit Portfolio without Contingencies	39,202	1,069	13,358	309	10,470	696	1,530	234	64,560	2,308
Additional Reserves										88
Total Reserves Balance										2,396

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The following table shows the movement of the 2nd. quarter of the fiscal year 2024 of the preventive reserves of the Institution's portfolio:

	Commercial			Consumption	Housing	Total
	Commercial activities	Financial entities	Governmental entities			
Stage 1						
Balance at the beginning of the year	\$ 250	0	10	493	69	823
Creation / Release of Reserves in Results	-23	0	-3	7	2	-17
Liberation due to methodology change - Commercial Portfolio	0	0	0	0	0	0
Reserves due to change of methodologies	0	0	0	0	0	0
Punishments	0	0	0	-3	0	-3
	226	0	8	497	71	802
Stage 2						
Balance at the beginning of the year	44	0	0	150	33	226
Creation / Release of Reserves in Results	4	0	0	14	-3	16
Liberation due to methodology change - Commercial Portfolio	0	0	0	0	0	0
Reserves due to change of methodologies	0	0	0	0	0	0
Punishments	0	0	0	-5	0	-5
	48	0	0	159	30	237
Stage 3						
Balance at the beginning of the year	762	0	0	304	215	1,281
Creation / Release of Reserves in Results	59	0	0	272	28	360
Liberation due to methodology change - Commercial Portfolio	0	0	0	0	0	0
Reserves due to change of methodologies	0	0	0	0	0	0
Punishments	0	0	0	-284	0	-284
	821	0	0	293	243	1,357
Total stages 1 to 3	\$ 1,095	0	8	949	344	2,396

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The estimation of preventive reserves for the commercial portfolio by economic sector as of March 31, 2024 and June 30, 2024 is presented below:

Economic Sector	Reserve Balance March 2024	Balance Reserve Jun'2024
Mining and Petroleum	302	303
Commerce	246	265
Services	210	217
Electricity and Water	117	115
Construction	52	55
Others	106	114
Total	1,033	1,069

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The following table presents a comparison as of June 30, 2024, of exposures with credit risk, reported credit reserves, and those derived from gross exposures, without considering the effects of credit risk hedging techniques, broken down by the main types of credit portfolio:

Concept:	Portfolio	Exposure to Default	Reserves	Bookings *	Gross Exposures
Portfolio to Companies with sales of less than 14 million UDIs	11,420	11,420	603	1,172	10,247
Portfolio to Companies with sales greater than 14 million UDIs	25,366	25,366	458	738	24,628
Portfolio to Government Sector Entities	2,376	2,376	8	14	2,362
Portfolio to Financial Institutions	40	40	0	0	40
Total Commercial Credit Portfolio *	39,202	39,202	1,069	1,924	37,277
Housing Portfolio	13,358	13,358	309	309	13,049
Non-Revolving Consumer Portfolio: Auto	10,470	10,470	696	696	9,774
Revolving Consumer Portfolio: Credit Card	1,530	2,755	234	234	2,521
Total Loan Portfolio	64,560	65,785	2,308	3,163	62,621

* Reserve without considering Risk mitigants
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The following is the geographical distribution of credit exposures broken down into the main federal entities, with figures as of June 30, 2024:

Federal entity	Commercial Portfolio	Housing Portfolio	Non-Revolver Consumer Portfolio	Revolving Consumer Portfolio: Credit Card	Total Loan Portfolio
Nuevo León	27,063	4,701	3,945	825	36,534
Mexico City	2,749	1,449	810	79	5,087
Coahuila	2,246	1,153	1,158	132	4,689
Baja California	1,535	587	377	30	2,529
Chihuahua	883	449	718	41	2,091
Others	4,726	5,019	3,462	423	13,630
Total	39,202	13,358	10,470	1,530	64,560

Amounts in millions of pesos

The following table presents the distribution by economic sectors of the exposures of the commercial portfolio, with figures as of June 30, 2024:

Economic Sector	Commercial Portfolio
Commerce	10,852
Services	8,595
Electricity and Water	5,120
Construction	4,480
Manufacturing	2,605
Government Entities	2,376
Others	5,174
Total	39,202

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The following is the distribution of remaining terms for credit exposures, with figures as of June 30, 2024:

Deadline to expire	Commercial Portfolio	Housing Portfolio	Non-Revolutioning Consumer Portfolio	Revolving Consumer Portfolio: Credit Card	Total Loan Portfolio
Credits with terms already overdue	1,354	4	61	0	1,419
1 to 184 days	10,798	8	1,222	0	12,028
185 to 366 days	1,782	4	308	0	2,094
From 367 to 731 days	3,811	24	1,053	0	4,888
732 to 1,096 days	3,639	52	2,647	0	6,338
1,097 to 1,461 days	2,339	93	2,144	0	4,576
1,462 to 1,827 days	3,600	167	2,640	0	6,407
More than 1,827 days	11,879	13,006	395	1,530	26,810
Total	39,202	13,358	10,470	1,530	64,560

Amounts in millions of pesos

The following table shows the age of the portfolio in stage 3 of the total Bank portfolio with figures as of June 30, 2024:

Range of days past due	Commercial Portfolio	Housing Portfolio	Non-Revolutioning Consumer Portfolio	Revolving Consumer Portfolio: Credit Card	Total
Default from 1 to 180 days	215	221	257	46	739
Default from 181 to 365 days	78	183	65	0	326
Delay greater than 365 days	2,072	345	9	0	2,426
Total Overdue Portfolio	2,365	749	331	46	3,491

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Next, the Bank's commercial portfolio is presented, classified into Stage 1, Stage 2, and Stage 3 with figures as of June 30, 2024, sorted by risk levels, federal entities, and economic sectors:

Current, Overdue, and Troubled Commercial Portfolio by degree of risk:

Risk level	Commercial Portfolio Stages 1 and 2						Commercial Portfolio Stage 3		Total Portfolio	
	Commercial Portfolio Stage 1		Commercial Portfolio Stage 2		Total Commercial Portfolio Stages 1 and 2		Commercial Portfolio Stage 3			
	Portfolio	Bookings	Portfolio	Bookings	Portfolio	Bookings	Portfolio	Bookings	Purse	Bookings
A-1	30,152	124	0	0	30,152	124	0	0	30,152	124
A-2	4,486	49	0	0	4,486	49	0	0	4,486	49
B-1	1,341	22	0	0	1,341	22	0	0	1,341	22
B-2	240	5	0	0	240	5	0	0	240	5
B-3	186	7	1	0	187	7	0	0	187	7
C-1	199	14	13	1	212	15	1,000	100	1,212	115
C-2	18	2	20	3	38	5	0	0	38	5
D	33	9	114	30	147	39	905	360	1,052	399
E	3	2	31	14	34	16	460	327	494	343
Excepted	0	0	0	0	0	0	0	0	0	0
Total	36,658	234	179	48	36,837	282	2,365	787	39,202	1,069

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Current, Overdue, and Troubled Commercial Portfolio by State:

Federal entity	Commercial Portfolio Stages 1 and 2						Commercial Portfolio Stage 3		Total Portfolio	
	Commercial Portfolio Stage 1		Commercial Portfolio Stage 2		Total Commercial Portfolio Stages 1 and 2		Commercial Portfolio Stage 3			
	Portfolio	Bookings	Portfolio	Bookings	Portfolio	Bookings	Portfolio	Bookings	Purse	Bookings
Baja California	1,532	6	3	1	1,535	7	0	0	1,535	7
Campeche	5	0	0	0	5	0	0	0	5	0
Chihuahua	871	5	1	0	872	5	11	8	883	13
Ciudad de Mexico	2,639	16	36	8	2,675	24	74	57	2,749	81
Coahuila	2,131	17	0	0	2,131	17	114	71	2,245	88
Colima	462	4	2	0	464	4	7	5	471	9
Durango	35	0	2	0	37	0	0	0	37	0
Mexico state	402	5	18	5	420	10	39	20	459	30
Guanajuato	4	0	1	0	5	0	0	0	5	0
Guerrero	95	1	3	1	98	2	7	5	105	7
Jalisco	705	5	5	1	710	6	45	31	755	37
Michoacan	624	6	1	0	625	6	10	6	635	12
Morelos	17	0	0	0	17	0	5	2	22	2
Nayarit	144	1	1	0	145	1	4	3	149	4
Nuevo Leon	24,973	152	89	28	25,062	180	2,001	546	27,063	726
Puebla	84	1	0	0	84	1	5	3	89	4
Queretaro	616	4	9	2	625	6	7	5	632	11
Quintana Roo	72	1	2	1	74	2	8	6	82	8
Sinaloa	236	2	2	0	238	2	11	7	249	9
Sonora	157	1	0	0	157	1	6	5	163	6
Tamaulipas	510	5	4	1	514	6	10	6	524	12
Yucatan	344	2	0	0	344	2	1	1	345	3
Total	36,658	234	179	48	36,837	282	2,365	787	39,202	1,069

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Current, Overdue and Troubled Commercial Portfolio by Economic Sector:

Economic sectors	Commercial Portfolio Stages 1 and 2						Commercial Portfolio Stage 3		Total Portfolio	
	Commercial Portfolio Stage 1		Commercial Portfolio Stage 2		Total Commercial Portfolio Stages 1 and 2		Commercial Portfolio Stage 3			
	Portfolio	Bookings	Portfolio	Bookings	Portfolio	Bookings	Portfolio	Bookings	Portfolio	Bookings
Agriculture	373	3	25	11	398	14	10	7	408	21
Commerce	10,531	83	46	11	10,577	94	275	171	10,852	265
Construction	4,430	28	0	0	4,430	28	50	27	4,480	55
Electricity and Water	4,117	13	0	0	4,117	13	1,003	102	5,120	115
Financial entities	40	0	0	0	40	0	0	0	40	0
Government entities	2,376	7	0	0	2,376	7	0	0	2,376	7
Manufacturing	2,540	19	18	5	2,558	24	47	29	2,605	53
Mining and Petroleum	223	1	0	0	223	1	754	302	977	303
Services	8,295	58	88	21	8,383	79	213	138	8,596	217
Real Estate Services and Rentals	1,789	13	0	0	1,789	13	1	1	1,790	14
Transport and Communications	1,944	9	2	0	1,946	9	13	10	1,959	19
Total	36,658	234	179	48	36,837	282	2,365	787	39,202	1,069

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The following table presents the movement of the 2nd. quarter of fiscal year 2024 of the preventive reserves of the commercial portfolio of Stage 3 of the Bank:

Concept:	June 2024
Balance at the beginning of the quarter	\$729
Creation of reservations (current or previous period)	58
Applications by: Punishments and Removals	0
Balance at the end of the quarter	\$787
Recoveries recorded in the quarter of written-off loans	-6

Amounts in millions of pesos

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Risk mitigation techniques

In general terms, Credit Risk is mitigated through the use of guarantees. The guarantee is a security that is offered with respect to an economic loss, it is a reinforcement measure that is added to a credit operation in order to mitigate the loss due to non-compliance with the payment obligation. The guarantee is an element to mitigate the severity of the operation in the event of default. Its purpose is to reduce the final loss in operations.

The guarantees aimed at ensuring the fulfillment of the payment of the credits granted to its borrowers can be real and/or personal:

- **Real Guarantees.-** They are those that are constituted on property (movable or immovable) or rights, concrete and determined. They are rights that assure the creditor the fulfillment of the main obligation through the special bond of a good. As a consequence of this special link, in the event of a breach of the guaranteed obligation, the creditor can realize the economic value of the asset through a regulated procedure and be collected with the amount obtained, the preference in the collection in this way being opposable over the rest of creditors.
- **Personal guarantees.-** These confer on the creditor a right of a personal nature or a power that is directed to the guarantor's own assets. The Personal Guarantee is the one that contributes or is derived from a natural or legal person, by virtue of the personal credit that it inspires or deserves.

Real Guarantees:

- The real guarantee is the one based on tangible assets, which the subject of the Credit grants to respond for the obligation contracted with the Credit.
- The collateral that supports a credit operation should be analyzed with respect to the following:
 - a. Degree of cash convertibility
 - b. Tax aspects that may affect your award
 - c. Considering the nature of the asset given as collateral, an Appraisal must be obtained, which should preferably be prepared by a Valuation Expert authorized by the Institution, or a different Appraisal may be accepted in accordance with the established procedures; Likewise, in the case of guarantees located in places where there are no registered Afirme Grupo Financiero experts, the Appraisal prepared by third parties may be used, which could be validated by the Internal Appraisal Area if deemed necessary.

Main Guarantees accepted by the Institution:

Real Guarantees:

- **Mortgage.-** It is the one that is constituted on goods that are not delivered to the creditor and that entitles the latter, in the event that the guaranteed obligation is breached, to be paid the debt with the value of the goods object of the guarantee taking in consideration of the place and degree of preference in its assessment.

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- **Pledge.-** The Pledge Guarantee of movable property must be established in accordance with the provisions of article 334 of the General Law of Titles and Credit Operations. The transmission of possession depends on the nature of the object good. The Credit Pledge may be authorized in books, which must be contained in the Credit Agreement and it must be stated that the Credits granted in Pledge are listed in notes or lists duly signed by the representatives of the borrower or the third guarantor.
- **Fiduciary.-** The patrimony of the Administration and Payment and Guarantee Trusts can be cash, real estate, furniture, accounts receivable, credit rights, etc.
- **Guarantee with Irrevocable Mandate.-** Liability in charge of the Institution (except at sight) or of any Credit Institution or Holding Companies, formalized through a trust, which are granted to support a Credit operation or, liability in charge of the Institution (except at sight) with Irrevocable Mandate on money of the Institution.
- **Insurance.-** These are contracts that are entered into with the Insurance Companies, which by paying a premium, are obliged to compensate for damage or to pay a sum of money in the event that the loss foreseen in the contract occurs.
- **Letter of Guarantee.-** It is the commitment that a company based abroad acquires to cover the Institution's capital, interests and expenses related to Credits granted to a subsidiary or subsidiary of the former, located in national territory, in the event that it incurs in the breach of its obligations. The foregoing when permitted by the Legal Provisions, requesting a review of said Letter of Guarantee from the Legal Area.
- **Participations in Federal Revenues.-** These are resources periodically received by the state and municipal governments from the national collection of federal revenues.

Personal Guarantees:

- **Guarantee.-** It is a unilateral declaration of the will of a natural or legal person to guarantee by signing the total or partial payment of a Credit title.
- **Solidarity Debt and / or Solidarity Bond.-** It is a document in which a person jointly and severally undertakes to guarantee the debts that the borrower contracts with the Institution, which is formalized through a contract.
- **Bond.-** It is a contract by which a person agrees with the creditor to pay for the debtor if he does not do so. It is an accessory contract in which a creditor, a principal debtor and a guarantor intervene through a contractual relationship. It is a contract by virtue of which a surety institution undertakes to guarantee compliance with obligations with an economic content, contracted by a natural or legal person before another private or public natural or legal person, in the event that that person does not comply.

Regarding the concentration of guarantees, the Institution's portfolio is guaranteed mainly by trusts, mortgages, guarantees granted by the Development Bank and cash guarantees.

In accordance with the rules of Annexes 24 and 25 of the Sole Banking Circular, Afirme considers real and personal guarantees to estimate the Loss Severity used in the standard qualification model of preventive reserves for credit risks reported in the Balance Sheet of the institution.

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The following table presents the distribution of the aforementioned guarantees that apply to the commercial portfolio.

Guarantee Type	% Guarantee
Financial collateral	
- Liquid	3.06%
- BMV Stocks	1.66%
Non-Financial Real Guarantees	
- Trusts	52.72%
Mortgages	26.46%
- Pledge : Certificates	3.73%
- Other	2.48%
Personal Guarantees	
- Insurers and Others	3.91%
Development Bank	6.00%
Total	100.00%

The following table shows the total exposure amount that is covered by financial collateral, non-financial collateral, and admissible personal collateral:

Commercial Portfolio:

Guarantee Type	Indoor exhibition
Financial Real Guarantees	954
Non-Financial Real Guarantees	17,281
Guarantees granted by the Development Bank	1,214
Personal and Other Guarantees	791

Amounts in millions of pesos