## 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.

(Mexican pesos in millions, except when otherwise indicated)

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 portfolios that Banca Afirme, S.A. 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, exchange rates, among others).

As of the third quarter of 2022, the *Money Desk* portfolio had a position of 92,267 million pesos.

In order to show the VaR behavior during 3Q 2022, the values at the end of the third quarter of 2022 are presented, as well as the comparison with the previous quarter, for each business unit of the portfolios shown.

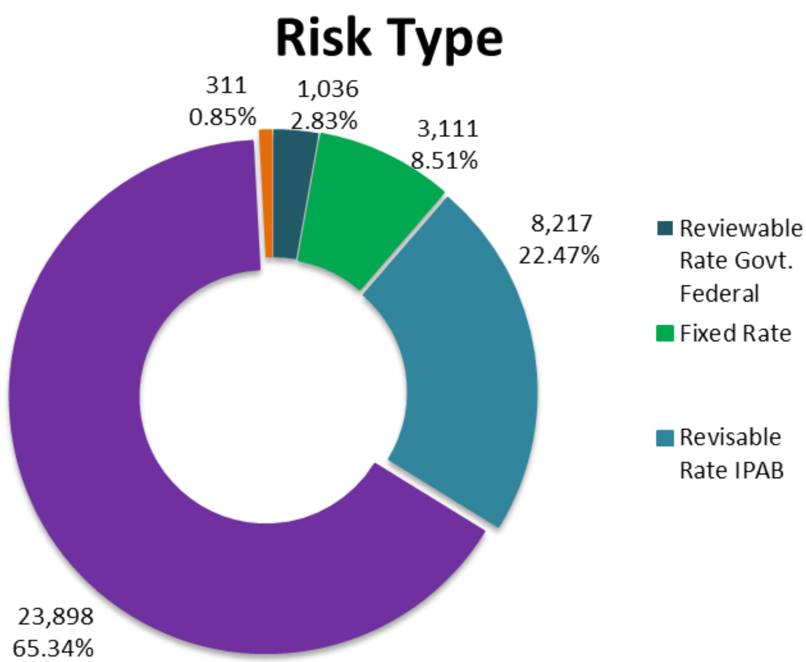
| Trading Business Unit | VaR | |
|---|---|---|
| | 30-Jun-22 | 30-Sep-22 |
| Money Desk | (5.54) | (8.05) |
| Treasury | (4.40) | (4.41) |
| **Global** | **(5.47)** | **(9.28)** |

| Business Unit Held-to-maturity | VaR |
|---|---|
| | 30-Sep-22 |
| Treasury | (2.33) |
| **Global** | **(2.33)** |

The following chart shows the composition of the total portfolio for Banca Afirme at the end of 3Q 2022 by risk type:

(Mexican pesos in millions, except when otherwise indicated)

| Risk Type | Amount * |
|---|---|
| Revisable Rate Federal Government | 1,036 |
| Actual Rate | 311 |
| Revisable Rate IPAB | 8,217 |
| Revisable Rate Other | 23,898 |
| Exchange Rate | - |
| Fixed Rate | 3,111 |
| **Total** | **36,573** |




Note: *Within the composition of the portfolio at the end of 3Q 2022, 1,036 MDP of the issue XR_BREMSR_251023 is considered, which is a Reportable Monetary Regulation Bond issued by Banco de México, with the purpose of regulating liquidity in the money market.

The average global VaR during the third quarter of 2022 was 7.49, which corresponds to 0.08% of net capital. Below is the average Value at Risk for the corresponding quarter for the different business units.

| Trading Business Unit | Average VaR Jul 2022 - Sep 2022 |
|---|---|
| Money Desk | (6.85) |
| Treasury | (4.54) |
| **Global** | **(7.49)** |

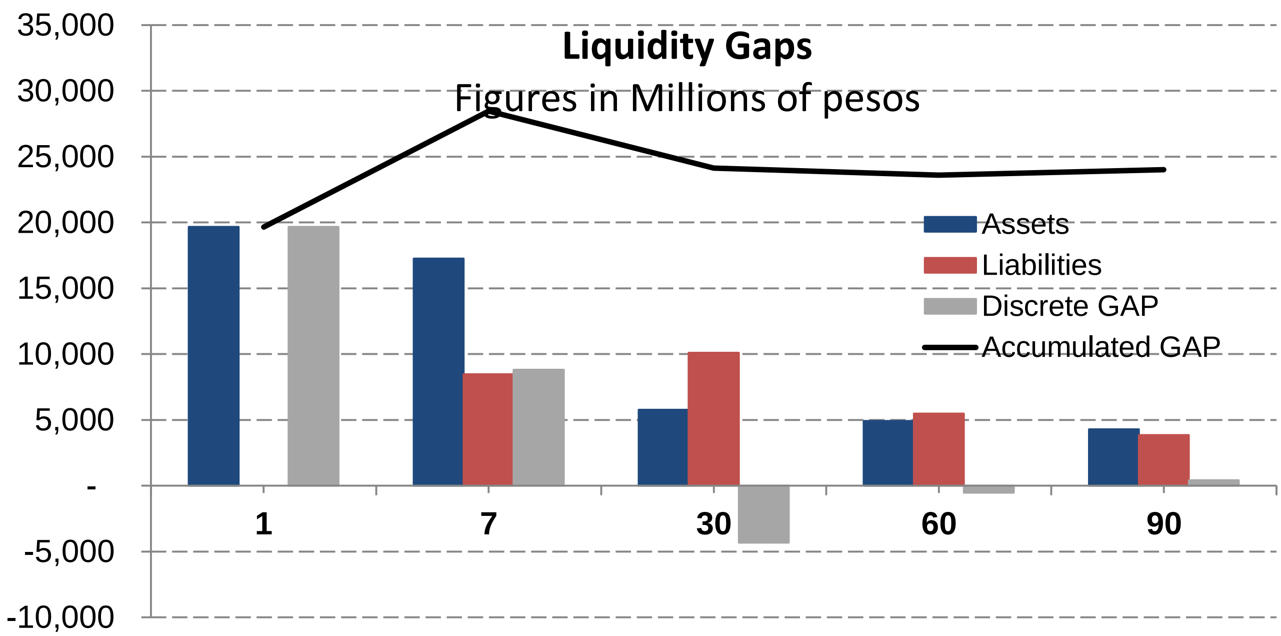
| Business Unit | Average VaR |
|---|---|

| Held-to-maturity | Jul 2022 - Sep 2022 |
|---|---|
| Money Desk | - |
| Treasury | (1.99) |
| **Global** | **(1.99)** |

**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 liquidity risk, the Liquidity Coverage Ratio (LCR) and liquidity bands are determined, considering the nature of the assets and liabilities of the balance sheet over a period of time.

Banca Afirme's accumulated 60-day band was $23,593 million pesos at the end of 3Q 2022, a level that respected the established limit. The bands per term up to 90 days would be as follows:




The Liquidity Coverage Ratio (LCR) is monitored on a daily basis, as the Supervisory Authority imposes a minimum to promote short-term resilience of the liquidity risk profile, ensuring that the Institution has sufficient high-quality liquid assets to overcome a significant stress scenario during a 30-day period.

At September 30, 2022, the Liquidity Coverage Ratio is 191%. In order to show the performance of the CCL, the values at the end of 3Q 2022 compared to the previous quarter are shown below.

| CCL Evolution | June 2022 | September 2022 |
|---|---|---|
| Computable Liquid Assets (Weighted) | 31,106 | 28,615 |
| Net 30-day outflows | 17,310 | 14,966 |

(Mexican pesos in millions, except when otherwise indicated)

| | | |
|---|---|---|
| **CCL** | **180%** | **191%** |

Below is the evolution of Computable Liquid Assets compared to the immediately preceding quarter:

| Evolution of Computable Liquid Assets (Unweighted) | June 2022 | September 2022 |
|---|---|---|
| Liquid Assets Level 1 | 31,063 | 28,615 |
| Liquid Assets Level 2 | 50 | - |
| **Total Liquid Assets** | **31,113** | **28,615** |

As of September 30, 2022, the Net Stable Funding Ratio is 137.09%.

| Net Stable Funding Ratio | June 2022 | September 2022 |
|---|---|---|
| Amount of Stable Financing Required | 49,510 | 54,663 |
| Amount of Stable Financing Available | 75,198 | 74,935 |
| **CFEN** | **152%** | **137%** |

The liquidity-adjusted market VaR is interpreted as the loss incurred by the bank for the time it would take to liquidate the securities position in the market, for which the liquidity-adjusted VaR is estimated as the product of the daily market VaR times the square root of 10.

In order to show the behavior of the VaR adjusted for liquidity, the values at the end of 3Q 2022 compared to the previous quarter are shown below.

| Trading Business Unit | VaR adjusted for liquidity | |
|---|---|---|
| | 30-Jun-2022 | 30-sep-2022 |
| Money Desk | (17.52) | (25.46) |
| Treasury | (13.90) | (13.94) |
| **Global** | **(17.28)** | **(29.34)** |

Below is the average Value at Risk adjusted for liquidity of the monthly closings of the corresponding quarter of the different business units.

| Trading Business Unit | VaR adjusted for average liquidity |
|---|---|
| | jul 2022 - sep 2022 |
| Money Desk | (21.65) |
| Treasury | (14.36) |
| **Global** | **(23.69)** |

In general, the financing needs of the Institution's loan portfolio are covered by traditional fundraising; however, other liquidity elements are maintained in case they are required, such as lines of credit and the capacity to issue bank paper in the market, with no legal, regulatory or operational limitations.

| Traditional Capture<br>September 30, 2022 | |
|---|---|
| Demand deposits | 37,456 |
| Time deposits | 37,392 |
| Debt Securities Issued | - |
| Capture without movement | 85 |
| **Total** | **74,933** |

It is important to mention that the financial desks use a strategy of financing through repurchase agreements of live 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.
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 Banca Afirme 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. This calculation considers only the portfolio of Banca Afirme (without subsidiaries/affiliates).

(Mexican pesos in millions, except when otherwise indicated)

The result of our Exposure, Expected Loss with *Recoverability* (Recovery Factor) and Credit VaR with *Recoverability* at the end of 3Q 2022 is as follows:

**VaR as of September 30, 2022**

| Portfolio | Exposition | Expected Loss (Without Recover) | Recover | Expected Loss (With Recover) | VaR @ 99% (With Recover) |
|---|---|---|---|---|---|
| Commercial | 35,766 | 3,666 | 64% | 1,308 | 2,537 |
| Mortgage | 11,195 | 1,194 | 94% | 74 | 96 |
| Personal Loans | 3,939 | 430 | 21% | 338 | 389 |
| Credit Card | 1,001 | 166 | 26% | 123 | 134 |
| Autoplazo | 3,259 | 146 | 42% | 84 | 101 |
| **Total** | **55,160** | **5,602** | | **1,927** | **3,257** |

*VaR @99% [Credit Risk + Methodology] *VaR @99% [Credit Risk + Methodology] *VaR @99% [Credit Risk + Methodology].*

As can be seen, the VaR was $3,257 million, which meant a consumption of 108.6% of the authorized limit of $3,000 million. It should be noted that any excess is reported to the Board through the Institution's collegiate bodies where it is determined whether the excess is acceptable or not.

The composition of Banca Afirme's portfolio as of September 30, 2022, according to the credit quality of the various counterparties, is shown below:

**Credit Quality Exposure**
(Emissions and derivatives)

| Instrument | Sovereign Risk | Development Banking Risk | Non-Sovereign Risk |
|---|---|---|---|
| Fixed Rate | 2,985 | 126 | - |
| Reviewable Rate Govt. Federal | 1,036 | - | - |
| Revisable Rate IPAB | 8,217 | - | - |
| Actual Rate | 311 | - | - |
| Revisable Rate Other | - | 16,685 | 7,214 |
| **Total** | **12,549** | **16,811** | **7,214** |

Note: Within the composition of the portfolio at the end of 3Q 2022, 1,036 MDP of the issue XR_BREMSR_251023 is considered, which is a Reportable Monetary Regulation Bond issued by Banco de México, with the purpose of regulating liquidity in the money market.

| Rating of Non-Sovereign Risk Issues | | | |
|---|---|---|---|
| Rating agency | | | Market Value |
| Fitch | S&P | Moodys | |
| AAA (mex) | mxAAA | AAA.mx | 285 |
| F1+ (mex) | mxA-1+ | ML A-1+ | 978 |
| Total | | | 1,263 |

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

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 sheet is exposed to interest rate movements that affect the relationship of interest charged and interest paid. To measure this effect, the methodology based on the repricing of assets, liabilities and derivatives that are in the Institution's balance sheet under the "*Earnings at Risk"* approach is used, in this methodology the effect of an increase in rates is calculated of interest in the positions, assuming that this effect affects them in the period of time between their repricing date and 1 year. Therefore, all assets and liabilities are grouped into bands in the repricing gap and a movement in interest rates is simulated. It is assumed that there is a parallel movement in interest rates and there is no base or reference curve risk. Liabilities that do not have a specific expiration date are considered differently depending on whether they have a cost or not. If the liabilities have a cost, they are included in band 1 (1 day) of the repricing gap, while if they do not have a cost, they are included in a band greater than 1 year.

In this regard and applying the aforementioned methodology, at the end of September 2022, there is a sensitivity that an increase of 50 basis points in the interest rate (TIIE) would result in a gain of Ps. 6 million; assuming symmetry, a reduction of 50 basis points would have the opposite effect.

**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 monitored periodically against events that have resulted in an accounting loss and are discussed in the Risk Policy Committee.

The following table shows a summary of the authorized tolerance level and the amount of risk actually materialized as of September 30, 2022.

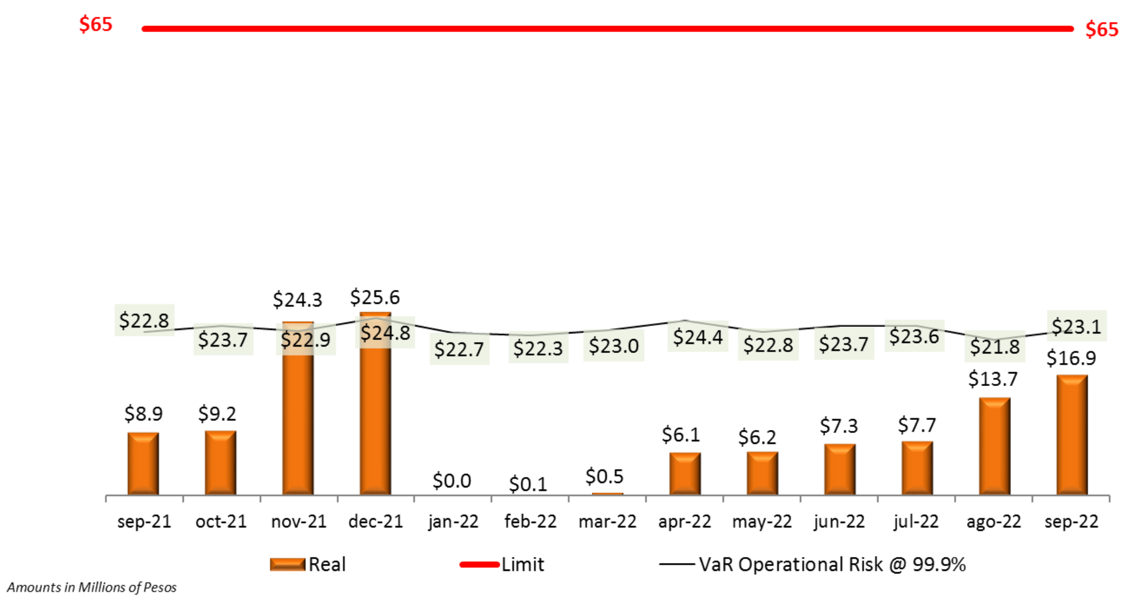
**Table Tolerance Level**

| Total Authorized Level | Real |
|---|---|
| In millions | In millions |
| $65.0 | $16.9 |

The average monthly amount for the last twelve months is $2.8 million pesos and incorporates the three types of non-discretionary risk mentioned above.

In order to estimate the losses that the materialization of non-discretionary risks would generate on the business, the institution has currently established a VaR model based on the probability of occurrence and degree of impact of the risk events observed historically. 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.

**Operating VaR Chart**




Operating Risk VaR has been estimated at $23.1 million at a 99.9% confidence level at the end of 3Q 2022. Based on the materialized risk events, actual losses amounted to $16.9 million pesos, representing 25.9% 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.

On March 11, 2020, the World Health Organization declared the SARS Cov-2 ("COVID-19") outbreak a pandemic given its rapid spread around the world. Governments of different countries are taking increasingly strict measures to help contain this virus. By virtue of the foregoing, on March 23, 2020, the "Agreement by which the General Health Council recognizes the SARS Cov-2 virus epidemic ("COVID- 19") in Mexico, as a serious disease of priority attention and the activities of preparation and response to said epidemic are established".

Afirme has promptly followed up on the events that occurred due to the pandemic and its evolution in the national territory. In this sense, we followed the health safety protocols implemented by the Federal Government, among others, through the Ministry of Health, as well as redefined and evaluated the measures and mechanisms necessary to safeguard the integrity and health of our customers, users and personnel. As of September 30, the Institution has taken the following actions, among others:

a) Safety and hygiene protocols and standards have been reinforced, both in buildings and in branch offices, incorporating specialized suppliers and increasing the frequency of cleaning and disinfection in all areas.
b) Personnel considered vulnerable have been identified and protected, as well as the social distancing protocols have been continued.
c) Work schemes were defined within the Institution which combine remote work, verifying that critical processes are adequately addressed.

(Mexican pesos in millions, except when otherwise indicated)

d) In the case of the branches, they have been kept open and operating with the proper safety and hygiene measures.
e) The protocols and indications of the Federal Government have been followed, as well as the monitoring of covid traffic lights by state, in order, if possible, to opt for a healthy return of personnel to the facilities.

In addition, it is important to note that the institution has coverage of non-quantifiable risks through insurance policies that are reviewed annually and has established a contingency plan called "Disaster Recovery Plan" that provides for mitigating the effects of a force majeure event.

**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 September 30, 2022, the Institution had satisfactorily complied with this requirement. Assets at risk and capitalization index are presented below.

| | 3T 2022* | 2T 2022 | Variation |
|---|---|---|---|
| **Assets at Credit Risk** | 47,535.2 | 46,762.9 | 1.65% |
| **Market Risk Assets** | 5,350.3 | 4,365.4 | 22.56% |
| **Assets at Operational Risk** | 7,273.0 | 8,722.0 | -16.61% |
| **Total Assets at Risk** | 60,158.5 | 59,850.3 | 0.51% |
| **Basic Capital** | 7,044.9 | 6,981.5 | 0.91% |
| **Supplemental Capital** | 2,534.1 | 2,134.0 | 18.75% |
| **Net Equity** | 9,579.0 | 9,115.5 | 5.08% |
| **Capitalization Index** | 15.9% | 15.2% | 4.55% |

*Information before Banxico's aftershocks.

**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:

| Degree of Risk | September'2022 | | June'2022 | |
|---|---|---|---|---|
| | Portfolio | Reserves | Portfolio | Reserves |
| A-1 | 39,965 | 192 | 38,814 | 201 |
| A-2 | 5,357 | 74 | 5,041 | 70 |
| B-1 | 3,129 | 71 | 2,715 | 64 |
| B-2 | 1,171 | 37 | 1,226 | 38 |
| B-3 | 891 | 36 | 1,169 | 50 |
| C-1 | 1,746 | 153 | 1,696 | 149 |
| C-2 | 963 | 107 | 983 | 107 |
| D | 2,736 | 896 | 2,717 | 873 |
| E | 1,463 | 998 | 1,358 | 909 |
| Except | 0 | 0 | 0 | 0 |
| **Total** | **57,421** | **2,564** | **55,719** | **2,461** |

*Figures in millions of pesos*

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-Revolving 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:

- Current portfolio - risk stage 1 and risk stage 2 - Reserve expected loss

- $\boldsymbol{Reservas\ Etapa\ 1\ o\ 3_i = PI_i^X \times SP_i^X \times EI_i^X}$

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

**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:**

A 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.

**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 os 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 reserves will be determined considering the probability of default, loss severity and 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 loan in question: number of arrears at the rating date, maximum historical arrears, willingness to pay, percentage of the loan balance, original amount of the loan, arrears rate, percentage of the total loan term represented by the remaining term, number of times the borrower has defaulted on the loan, number of times the borrower has defaulted on the loan, number of times the borrower has defaulted on the loan, and number of times the borrower has defaulted on the loan.The following factors, among others, are considered: number of times the borrower pays the original value of the asset, type of loan, and in group loans, considering the number of arrears at the rating date, the willingness to pay, the number of persons in the group to which the borrower belongs, and the average number of cycles of the group to which the borrower belongs. 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 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 methodology for rating and calculating the allowance for loan losses published on March 13, 2020 were applied.

Below is the portfolio rating table for the Bank's total portfolio as of September 30, 2022:

| Risk Grades | 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 | 26,258 | 114 | 8,554 | 13 | 4,814 | 41 | 339 | 24 | 39,965 | 192 |
| A-2 | 4,084 | 46 | 614 | 4 | 446 | 11 | 213 | 13 | 5,357 | 74 |
| B-1 | 1,845 | 30 | 217 | 2 | 960 | 32 | 107 | 7 | 3,129 | 71 |
| B-2 | 290 | 6 | 315 | 4 | 521 | 23 | 45 | 4 | 1,171 | 37 |
| B-3 | 453 | 14 | 112 | 2 | 286 | 16 | 40 | 4 | 891 | 36 |
| C-1 | 1,219 | 116 | 159 | 5 | 300 | 22 | 68 | 10 | 1,746 | 153 |
| C-2 | 61 | 8 | 486 | 40 | 333 | 37 | 83 | 22 | 963 | 107 |
| D | 1,908 | 685 | 471 | 103 | 280 | 61 | 77 | 47 | 2,736 | 896 |
| E | 855 | 617 | 186 | 102 | 396 | 256 | 26 | 23 | 1,463 | 998 |
| Except | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total Rated Portfolio** | **36,973** | **1,636** | **11,114** | **275** | **8,336** | **499** | **998** | **154** | **57,421** | **2,564** |
| **Other Concepts:** | | | | | | | | | | |
| Interest collected in advance | -117 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -117 | 0 |
| Qualified Contingent Credits Adjustment (Letters of Credit and Guarantees Granted) | -1,300 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -1,300 | 0 |
| **Total** | **35,556** | **1,636** | **11,114** | **275** | **8,336** | **499** | **998** | **154** | **56,004** | **2,564** |
| | | | | | | | | | | |
| **Rated Loan Portfolio without Contingencies** | **35,673** | **1,636** | **11,114** | **275** | **8,336** | **499** | **998** | **154** | **56,121** | **2,564** |
| | | | | | | | | | | |
| **Additional Reservations** | | | | | | | | | | **56** |
| **Total Reserves Balance** | | | | | | | | | | **2,621** |

*Figures in millions of pesos*

The following table shows the movement of the 3rd. quarter of fiscal year 2022 of the Bank's estimated allowance for loan losses on the Bank's portfolio:

The estimated allowance for loan loss reserves for the commercial portfolio by economic sector as of June 30, 2022 and September 30, 2022 are presented below:

| Portfolio Segment | Movement of reserves | | | | | |
|---|---|---|---|---|---|---|
| | Balance at beginning of quarter (Reserve of Balance Sheet) | Creation of reservations | Applications by: Penalties and Remissions | Other Movements Recovery/Special Creations | Variation by exchange rate | Balance at the end of the quarter (Reserve of Balance Sheet) |
| Commercial Portfolio | 1,536 | 100 | 0 | 0 | 0 | 1,636 |
| Housing Portfolio | 273 | 0 | 0 | 0 | 0 | 273 |
| Non-Revolving Consumer Portfolio | 504 | 157 | -162 | 0 | 0 | 499 |
| Revolving Consumer Portfolio: Credit Card | 148 | 35 | -29 | 0 | 0 | 154 |
| Additional Reservations | 49 | 10 | 0 | 0 | 0 | 59 |
| **Total quarter end** | **2,510** | **302** | **-191** | **0** | **0** | **2,621** |

*Figures in millions of pesos*

| Economic Sector | Reserve Balance Jun'2022 | Reserve Balance Sep'2022 |
|---|---|---|
| Mining and Petroleum | 477 | 491 |
| Trade | 382 | 409 |
| Services | 209 | 228 |
| Electricity and Water | 197 | 208 |
| Construction | 81 | 93 |
| Others | 190 | 207 |
| **Total** | **1,536** | **1,636** |

*Figures in millions of pesos*

The following table presents a comparison as of September 30, 2022 of credit risk exposures, 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 loan portfolio:

| Concept: | Portfolio | Exposure to Default | Reserves | Bookings * | Gross Exposures |
|---|---|---|---|---|---|
| Portfolio to Companies with sales of less than 14 million UDIs | 9,986 | 9,986 | 752 | 836 | 9,150 |
| Portfolio to Companies with sales over 14 million UDIs | 23,292 | 23,292 | 870 | 1,097 | 22,195 |
| Portfolio to Government Sector Entities | 1,861 | 1,861 | 11 | 20 | 1,841 |
| Portfolio to Financial Institutions | 534 | 534 | 2 | 1 | 532 |
| **Total Commercial Loan Portfolio** | **35,673** | **35,673** | **1,635** | **1,954** | **33,718** |
| Housing Portfolio | 11,114 | 11,114 | 276 | 276 | 10,839 |
| Non-Revolving Consumer Portfolio: Auto | 8,336 | 8,336 | 499 | 499 | 7,837 |
| Revolving Consumer Portfolio: Credit Card | 998 | 998 | 154 | 154 | 1,753 |
| **Total Loan Portfolio** | **56,121** | **56,121** | **2,564** | **2,883** | **54,147** |

* Reserve without considering risk mitigants
*Figures in millions of pesos*

Below is the geographic distribution of credit exposures broken down by main states, with figures as of September 30, 2022:

| State | Commercial Portfolio | Housing Portfolio | Non-Revolving Consumer | Revolving Consumer Portfolio: | Total Loan Portfolio |
|---|---|---|---|---|---|

| | | | Portfolio | Credit Card | |
|---|---|---|---|---|---|
| Nuevo León | 25,313 | 3,620 | 2,534 | 495 | 31,962 |
| Mexico City | 2,480 | 617 | 996 | 85 | 4,178 |
| Coahuila | 2,399 | 1,422 | 612 | 61 | 4,494 |
| Michoacán | 404 | 344 | 422 | 54 | 1,224 |
| Mexico | 428 | 478 | 512 | 43 | 1,461 |
| Others | 4,649 | 4,633 | 3,260 | 260 | 12,802 |
| **Total** | **35,673** | **11,114** | **8,336** | **998** | **56,121** |

*Figures in millions of pesos*

The following table shows the distribution by economic sector of the commercial portfolio exposures, with figures as of September 30, 2022:

| Economic Sector | Commercial Portfolio |
|---|---|
| Trade | 10,922 |
| Services | 6,584 |
| Electricity and Water | 5,020 |
| Construction | 3,319 |
| Real Estate Services and Rental | 2,307 |
| Manufacturing | 2,276 |
| Others | 5,245 |
| **Total** | **35,673** |

*Figures in millions of pesos*

The following is the distribution by remaining terms of the credit exposures, with figures as of September 30, 2022:

| Deadline to expire | Commercial Portfolio | Housing Portfolio | Non-Revolving Consumer Portfolio | Revolving Consumer Portfolio: Credit Card | Total Loan Portfolio |
|---|---|---|---|---|---|
| Loans with past due terms | 1,003 | 0 | 48 | 0 | 1,051 |
| From 1 to 184 days | 10,926 | 6 | 1,033 | 0 | 11,965 |
| From 185 to 366 days | 667 | 10 | 268 | 0 | 945 |
| From 367 to 731 days | 1,271 | 16 | 968 | 0 | 2,255 |
| From 732 to 1,096 days | 2,720 | 29 | 1,779 | 0 | 4,528 |
| From 1,097 to 1,461 days | 2,500 | 67 | 1,719 | 0 | 4,286 |
| From 1,462 to 1,827 days | 2,784 | 90 | 2,435 | 0 | 5,309 |
| More than 1,827 days | 13,802 | 10,896 | 86 | 998 | 25,782 |
| **Total** | **35,673** | **11,114** | **8,336** | **998** | **56,121** |

*Figures in millions of pesos*

The following table shows the aging of the past due portfolio of the Bank's total portfolio as of September 30, 2022:

| Range of days past due | Commercial Portfolio | Housing Portfolio | Non-Revolving Consumer Portfolio | Revolving Consumer Portfolio: Credit Card | Total |
|---|---|---|---|---|---|
| Delinquent from 1 to 180 days | 175 | 152 | 185 | 21 | 533 |
| Delinquent from 181 to 365 days | 687 | 180 | 39 | 0 | 906 |
| Delinquency greater than 365 days | 593 | 368 | 2 | 0 | 963 |
| **Total past due portfolio** | **1,455** | **700** | **226** | **21** | **2,402** |

*Figures in millions of pesos*

Below is the Bank's commercial portfolio classified in Stage 1, Stage 2 and Stage 3 with figures as of September 30, 2022, classified by risk grade, federal entities and economic sectors:

**Commercial Portfolio (Stage 1, Stage 2 and Stage 3) by degree of risk:**

| Risk level | Current Commercial Portfolio | | | | | | Overdue Commercial Portfolio | | Total Portfolio | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Commercial Portfolio Stage 1 | | Commercial Portfolio Stage 2 | | Total Current Commercial Portfolio | | Commercial Portfolio Stage 3 | | | |
| | Portfolio | Reserves | Portfolio | Reserves | Portfolio | Reserves | Portfolio | Reserves | Portfolio | Reserves |
| A-1 | 25,000 | 114 | 0 | 0 | 25,000 | 114 | 0 | 0 | 25,000 | 114 |
| A-2 | 4,063 | 46 | 0 | 0 | 4,063 | 46 | 0 | 0 | 4,063 | 46 |
| B-1 | 1,832 | 30 | 0 | 0 | 1,832 | 30 | 0 | 0 | 1,832 | 30 |
| B-2 | 291 | 6 | 0 | 0 | 291 | 6 | 0 | 0 | 291 | 6 |
| B-3 | 449 | 14 | 4 | 0 | 453 | 14 | 0 | 0 | 453 | 14 |
| C-1 | 200 | 15 | 531 | 53 | 731 | 68 | 479 | 48 | 1,210 | 115 |
| C-2 | 51 | 6 | 8 | 1 | 59 | 7 | 1 | 0 | 61 | 8 |
| D | 1,655 | 601 | 83 | 23 | 1,737 | 624 | 170 | 61 | 1,908 | 685 |
| E | 10 | 6 | 40 | 19 | 50 | 25 | 805 | 592 | 855 | 617 |
| Excepted | 0 | 0 | 0 | 0 | 0 | 0 | 1,455 | 701 | 1,455 | 701 |
| **Total** | **33,551** | **838** | **666** | **96** | **34,217** | **935** | **1,455** | **701** | **35,673** | **1,636** |

*Amounts in millions of pesos*

**Commercial Portfolio (Stage 1, Stage 2 and Stage 3) by Federal Entity:**

| Federal entity | Current Commercial Portfolio | | | | | | Overdue Commercial Portfolio | | Total Portfolio | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Current Commercial Portfolio | | Troubled Current Commercial Portfolio | | Total Current Commercial Portfolio | | Overdue Commercial Portfolio | | | |
| | Portfolio | Reserves | Portfolio | Reserves | Portfolio | Reserves | Portfolio | Reserves | Portfolio | Reserves |
| Aguascalientes | 104 | 1 | 0 | 0 | 104 | 1 | 61 | 34 | 166 | 36 |
| Baja California | 417 | 3 | 0 | 0 | 417 | 3 | 3 | 2 | 420 | 5 |
| Chihuahua | 192 | 1 | 0 | 0 | 192 | 1 | 15 | 11 | 206 | 12 |
| Ciudad de México | 2,088 | 16 | 18 | 4 | 2,107 | 20 | 293 | 198 | 2,399 | 218 |
| Coahuila | 2,429 | 23 | 1 | 0 | 2,431 | 23 | 49 | 27 | 2,480 | 50 |
| Colima | 169 | 2 | 2 | 1 | 170 | 2 | 5 | 4 | 175 | 6 |
| Durango | 27 | 1 | 0 | 0 | 27 | 1 | 3 | 2 | 30 | 3 |
| Estado de México | 370 | 6 | 4 | 1 | 374 | 7 | 54 | 39 | 428 | 46 |
| Guanajuato | 340 | 2 | 1 | 0 | 341 | 2 | 4 | 3 | 345 | 5 |
| Guerrero | 137 | 1 | 0 | 0 | 137 | 1 | 10 | 8 | 147 | 10 |
| Jalisco | 1,097 | 9 | 3 | 1 | 1,101 | 10 | 108 | 76 | 1,209 | 86 |
| Michoacán | 641 | 4 | 3 | 0 | 644 | 5 | 9 | 7 | 653 | 12 |
| Morelos | 21 | 0 | 0 | 0 | 21 | 0 | 8 | 6 | 29 | 6 |
| Nuevo León | 23,980 | 750 | 595 | 80 | 24,575 | 831 | 738 | 219 | 25,313 | 1,050 |
| Puebla | 114 | 2 | 3 | 1 | 117 | 3 | 10 | 6 | 126 | 9 |
| Querétaro | 177 | 3 | 20 | 4 | 196 | 8 | 16 | 13 | 212 | 21 |
| Quintana Roo | 34 | 1 | 0 | 0 | 34 | 1 | 2 | 2 | 36 | 3 |
| San Luis Potosí | 261 | 3 | 10 | 1 | 271 | 4 | 2 | 2 | 274 | 6 |
| Sinaloa | 232 | 4 | 6 | 3 | 238 | 7 | 11 | 5 | 249 | 12 |
| Sonora | 68 | 1 | 0 | 0 | 68 | 1 | 4 | 3 | 72 | 4 |
| Tamaulipas | 354 | 3 | 0 | 0 | 354 | 3 | 50 | 33 | 404 | 35 |
| Yucatán | 298 | 1 | 0 | 0 | 298 | 1 | 0 | 0 | 298 | 1 |
| **Total** | **33,551** | **838** | **666** | **96** | **34,217** | **935** | **1,455** | **701** | **35,673** | **1,636** |

*Amounts in millions of pesos*

**Commercial Portfolio (Stage 1, Stage 2 and Stage 3) by Economic Sector:**

| Economic sectors | Current Commercial Portfolio | | | | | | Overdue Commercial Portfolio | | Total Portfolio | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Current Commercial Portfolio | | Troubled Current Commercial Portfolio | | Total Current Commercial Portfolio | | Overdue Commercial Portfolio | | | |
| | Portfolio | Reserves | Portfolio | Reserves | Portfolio | Reserves | Portfolio | Reserves | Portfolio | Reserves |
| Agriculture | 251 | 2 | 0 | 0 | 251 | 2 | 24 | 15 | 275 | 17 |
| Commerce | 10,464 | 97 | 54 | 18 | 10,518 | 115 | 404 | 294 | 10,922 | 409 |
| Construction | 3,180 | 31 | 12 | 1 | 3,192 | 33 | 127 | 61 | 3,319 | 93 |
| Electricity and Water | 4,016 | 107 | 522 | 52 | 4,538 | 159 | 482 | 49 | 5,020 | 208 |
| Financial entities | 534 | 2 | 0 | 0 | 534 | 2 | 0 | 0 | 534 | 2 |
| Government entities | 1,861 | 11 | 0 | 0 | 1,861 | 11 | 0 | 0 | 1,861 | 11 |
| Manufacturing | 2,174 | 16 | 10 | 2 | 2,184 | 19 | 91 | 64 | 2,276 | 83 |
| Mining and Oil | 1,406 | 491 | 0 | 0 | 1,406 | 491 | 0 | 0 | 1,406 | 491 |
| Services | 6,308 | 58 | 62 | 22 | 6,371 | 80 | 214 | 148 | 6,584 | 228 |
| REAL ESTATE SERVICES AND RENT | 2,283 | 17 | 2 | 0 | 2,284 | 17 | 23 | 17 | 2,307 | 34 |
| Transport and Communications | 1,074 | 6 | 4 | 0 | 1,078 | 6 | 90 | 55 | 1,169 | 60 |
| **Total** | **33,551** | **838** | **666** | **96** | **34,217** | **935** | **1,455** | **701** | **35,673** | **1,636** |

The following table shows the movement in the 3rd quarter of fiscal 2022 of the Bank's Stage 3 commercial portfolio allowance for loan losses:

| Concept: | Sep'2022 |
|---|---|
| Balance at beginning of quarter | $615 |
| Creation of reservations (current or previous periods) | 86 |
| Applications by: Penalties and Remissions | 0 |
| **Balance at the end of the quarter** | **$701** |

| | |
|---|---|
| Recoveries recorded during the quarter of written-off loans | -7 |

*Figures in millions of pesos*

**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.

- **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.

The following table shows the distribution of the aforementioned guarantees that apply to the commercial portfolio:

| Guarantee Type | % Guarantee |
|---|---|
| Financial collateral | |
| - Liquida | 1.82% |
| - BMV Shares | 2.49% |
| Non-Financial Guarantees | |
| - Trusts | 56.53% |
| - Mortgages | 25.97% |
| - Pledge : Certificates | 4.36% |
| - Other | 1.30% |
| Personal Guarantees | |
| - Insurance Companies and Others | 2.84% |
| - Development Banking | 4.69% |
| **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 collateral | 819 |
| Non-Financial Guarantees | 16,760 |
| Guarantees granted by the Development Banks | 893 |
| Personal and Other Guarantees | 540 |

*Figures in millions of pesos*