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.

- Execute 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. 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. 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.

(Millions of Mexican pesos, except when indicated differently)

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 Federal Official Gazette ("DOF" for its acronym in Spanish) 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 first quarter of 2022, the *Money desk* portfolio features a position of 94,584 million pesos.

In order to show the behavior of VaR during 1Q 2022, the values at the close of the first quarter 2022 are shown, as well as the comparison with the previous quarter, for each business unit of the portfolios shown.

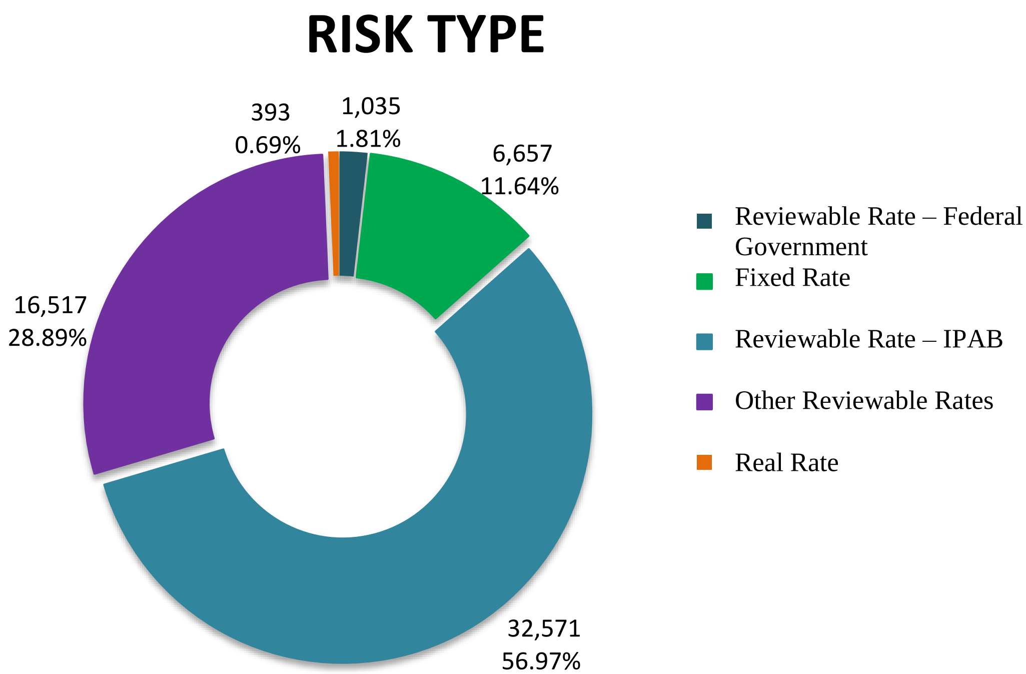
Trading Business Unit	VaR	
	Dec-31-21	Mar-31-22
Money Table	(11.81)	(18.79)
Treasury	(1.92)	(5.28)
Global	**(11.64)**	**(20.46)**

Business Unit Held-to-maturity	VaR
	Mar-31-22
Treasury	(2.51)
Global	**(2.51)**

(Millions of Mexican pesos, except when indicated differently)

The following graph shows the composition of the Total portfolio for Banca Afirme at the close of 1Q 2022 according to the Type of Risk:

Risk Type	Amount *
Federal Government Review Rate	1,035
Real Rate	393
Reviewable Rate IPAB	32,571
Reviewable Rate Others	16,517
Exchange rate	-
Fixed rate	6,657
Total	**57,173**



Note: Within the composition of the portfolio at the end of 1Q 2022, 1,035 million pesos of issuance XR_BREMSR_251023 are considered, which is a Reportable Monetary Regulation Bond of the Bank of Mexico, with the purpose of regulating liquidity in the money market.

The average global VaR during the first quarter of 2022 was 13.65, which corresponds to 0.15% of net capital. The following is the average Value at Risk for the corresponding quarter for the different business units.

Trading Business Unit	Average VaR Jan 2022 – Mar 2022
Money Table	(12.81)
Treasury	(2.96)
Global	**(13.65)**

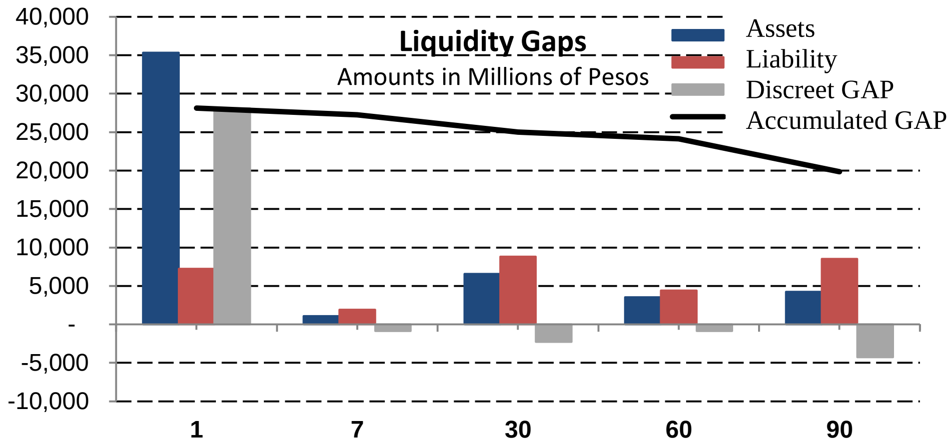
(Millions of Mexican pesos, except when indicated differently)

Business Unit Held-to-maturity	Average VaR Jan 2022 – Mar 2022
Money Table	-
Treasury	(3.05)
Global	**(3.05)**

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" for its acronym in Spanish) and the liquidity bands are determined, considering the nature of the assets and liabilities on the balance sheet over a period of time.

Banca Afirme's accumulated 60-day band was $24,142 million pesos at the end of 1Q 2022, 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 March 31, 2022, the Liquidity Coverage Ratio is 198 % . In order to show the behavior of the CCL, the values at the close of 1Q 2022 compared to the previous quarter are presented below.

CCL evolution	December 2021	March 2022
Computable Liquid Assets (Weighted)	21,264	27,571
Net Exits at 30 days	11,048	13,923
CCL	**192%**	**198%**

(Millions of Mexican pesos, except when indicated differently)

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

Computable Liquid Assets Evolution (Unweighted)	December 2021	March 2022
Liquid Assets Level 1	21,264	27,571
Liquid Assets Level 2	-	-
Total Liquid Assets	**21,264**	**27,571**

As of March 31, 2022, the Net Stable Funding Ratio is 147.24%,

Net Stable Financial Ratio	December 2021	March 2022
Amount of Stable Financing Required	49,668	48,298
Amount of Stable Financing Available	69,025	71,114
CFEN	**139%**	**147%**

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 1Q 2022 are presented below compared to the previous quarter.

Trading Business Unit	Liquidity-adjusted VaR	
	Dec 31, 2021	Mar 31, 2022
Money Table	(37.35)	(59.42)
Treasury	(6.08)	(16.69)
Global	**(36.80)**	**(64.70)**

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
	Jan 2022 – Mar 2022
Money Table	(40.51)
Treasury	(9.36)
Global	**(43.16)**

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.

Traditional Acquisition March 31, 2022	
Deposits of immediate demand	37,207
Time deposits	34,817
Credit Securities Issued	-
Acquisition without movements	74
Total	**72,097**

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.

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. Said tests are presented to the Risk Policies Committee on a monthly basis for analysis. The variables used to build adverse scenarios are overdue portfolio, interest rates and sources of financing, mainly.

The institution, in accordance with the regulations applicable to Credit Institutions, has liquidity contingency plans in case at any time 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 (Banking Commission). For this calculation, only the Banca Afirme portfolio is considered (without subsidiaries/affiliates).

(Millions of Mexican pesos, except when indicated differently)

The result of our Exposure, Expected Loss with *Recover* (Recovery Factor) and Credit VaR with *Recover* at the end of 1Q 2022 is as follows:

VaR as of March 31, 2022

Portfolio	Exposition	Expected Loss (Without Recover)	Recover	Expected Loss (With Recover)	VaR @ 99% (With Recover)
Commercial	34,868	3,051	64%	1,087	2,409
Mortgage	10,231	1,200	94%	75	95
Personal loans	3,641	402	21	315	363
Credit card	867	152	26%	112	126
Self-term	2,458	101	42%	58	68
Total	**52,065**	**4,907**		**1,648**	**3,062**

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

As can be seen, the VaR stood at $ 3,062 million, which meant a consumption of 102.1% 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 composition of Banca Afirme's portfolio as of March 31, 2022 is shown below, according to the credit quality of the various counterparties:

Exposure by Credit Quality
(Emissions and derivatives)

Instrument	Sovereign Risk	Development Banking Risk	Non-Sovereign Risk
Fixed rate	4,406	1,666	585
Reviewable Rate Govt. Federal	1,035	-	-
Reviewable Rate IPAB	32,571	-	-
Real Rate	149	244	-
Reviewable Rate Others	-	13,799	2,718
Total	**38,161**	**15,708**	**3,303**

Note: Within the composition of the portfolio at the end of 1Q 2022, 1,035 million pesos of the issuance XR_BREMSR_251023 are considered, which is a Reportable Monetary Regulation Bond of the Bank of Mexico, with the purpose of regulating liquidity in the money market.

(Millions of Mexican pesos, except when indicated differently)

Non-Sovereign Risk Issuance Rating			
Rating agency			Market Value
Fitch	S&P	Moodys	
AAA (mex)	mxAAA		580
AA (mex)			60
F1 (mex)	mxA-2		501
F1+ (mex)	mxA-1+	MX-1	954
		MX-1	703
	mxA-1+		251
	mxAA		-
Total			3,049

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. Therefore, default curves and recovery factors published by the rating agencies are used and are the risk factors applied to the model *CreditRisk* + aforementioned.

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 have no cost, they are in a band greater than 1 year.

In this sense and applying the aforementioned methodology, at the end of March 2022, there is a sensitivity that in the event of an increase of 50 basis points in the interest rate (TIIE) there would be a gain of 36 million pesos, if symmetry is assumed 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 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 materialized as of March 31, 2022

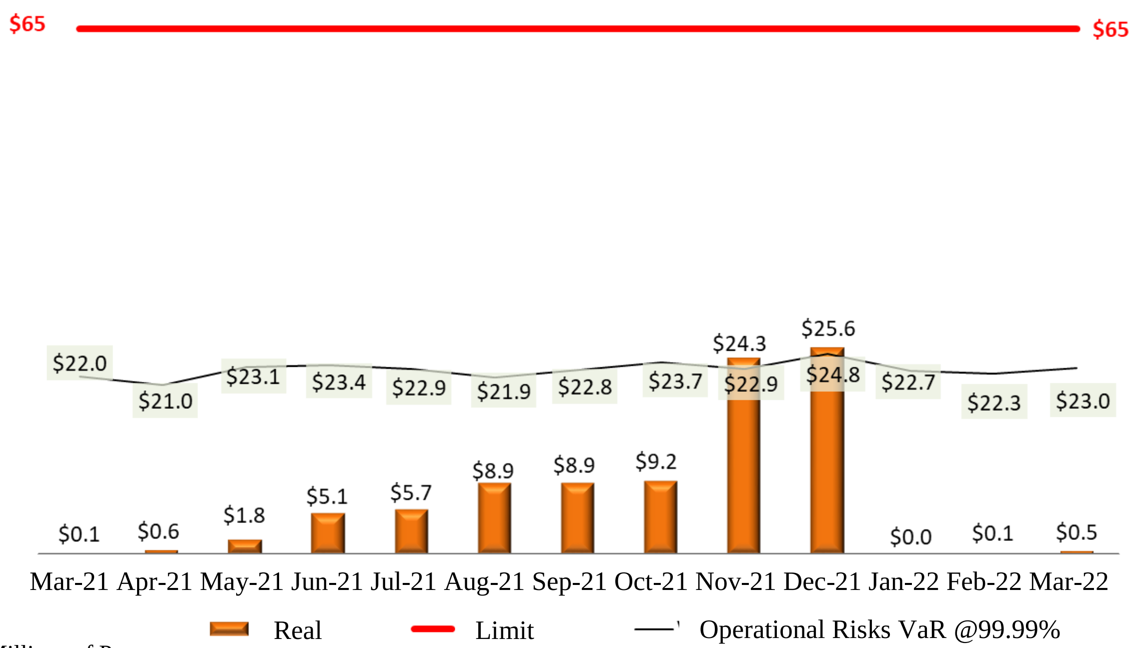
Tolerance Level Table

Total Authorized Level	Real
In millions	In millions
$65.0	$0.5

The average monthly amount for the last twelve months is $ 2.1 million pesos and incorporates the three types of non-discretionary risk aforementioned.

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.

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



Amounts in Millions of Pesos

The Operating Risk VaR has been estimated at $ 23 million at a confidence level of 99.9% at the end of 1Q 2022. According to the risk events that materialized, the real losses were $0.5 million pesos and represented 0.8% 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. Therefore, on March 23, 2020, the "Agreement whereby the General Health Council recognizes the SARS Cov-2 virus epidemic ("COVID- 19") in Mexico, as a serious disease of priority care and the preparation and response activities before 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 continue with the health security protocols implemented, among others, by the Federal Government, through the Ministry of Health; as well as rethinking and evaluating the measures and mechanisms necessary to safeguard the integrity and health of our clients, users and staff. As of March 31, the Institution has followed the following actions, among others:

a) Safety and hygiene protocols and standards have been strengthened, both in buildings and in branches, 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.

(Millions of Mexican pesos, except when indicated differently)

c) Work schemes were defined within the Institution which combine remote work, verifying that critical processes are adequately addressed.
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

Regarding the evolution of variations in the main indicators of assets at risk, a comparison of assets at risk and capitalization index is presented below:

	1Q 2022*	4Q 2021	Variation%
Assets at Credit Risk	45,312.0	42,403.3	-6.42%
Assets at Market Risk	5,617.2	6,146.8	9.43%
Assets at Operational Risk	8,618.8	8,402.8	-2.51%
Total Assets at Risk	59,548.0	56,953.0	-4.36%
	-	-	
Basic Capital	7,077.0	6,808.1	-3.80%
Complementary Capital	2,130.4	1,924.5	-9.66%
Net Capital	9,207.4	8,732.6	-5.16%
Capitalization Index	15.5%	15.3%	-0.84%

* Information before replicas from Banxico.

Portfolio Rating:

The Bank carries out its portfolio rating process applying the Methodology established in Chapter V "Credit Portfolio Rating" 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 precautionary 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:

Risk level	March'2022		December'2021	
	Portfolio	Reserves	Portfolio	Reserves
A-1	38,659	202	28,338	137
A-2	5,082	73	10,101	135
B-1	2,076	53	3,319	72
B-2	1,234	39	2,354	62
B-3	2,099	76	2,278	93
C-1	728	51	2,135	141
C-2	1,010	111	1,075	126
D	2,239	761	3,092	1,120
E	1,327	864	554	351
Excepted	0	0	0	0
Total	**54,455**	**2,230**	**53,247**	**2,238**

Amounts in millions of pesos

According to article 129 of the Official Publication, as of December 31, 2013, the classification of precautionary reserves of the loan portfolio is as follows:

PERCENTAGE OF PRECAUTIONARY RESERVES				
DEGREES OF RISK	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 (IFRS91) standard came into force for the calculation of precautionary reserves for credit risks according to the Provisions, classifying the loan portfolio in risk stages and calculating the precautionary reserves under the loss model. expected and full life reserves according to the following:

- Current portfolio - risk stage 1 and risk stage 2 – Expected loss reserve
    - $\boldsymbol{Reserve\ Stages\ 1\ or\ 3_i = PI_i^X \times SP_i^X \times EI_i^X}$
- Non-Performing Loan Portfolio – risk stage 3 – takes the maximum value between the Expected Loss Reserve and the Full Life Reserve
    - $\boldsymbol{Reserves\ Stage\ 2_i = Max\left(Reserves\ Complete\ life_i, PI_i^X \times SP_i^X \times EI_i^X\right)}$

Commercial portfolio

As of December 2013, the Institution is rating the business portfolio and the portfolio in charge of federal government entities and federal, state and municipal decentralized entities with the methodology established by the C.N.B.V. which was published in the DOF on June 24, 2013 and applying the modifications of the new methodology for rating the commercial portfolio and calculating the precautionary 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 companies and individuals with business activity with net sales or annual net income of less than 14 million Investment Units ("Udis" for its acronym in Spanish), which exclusively considers quantitative factors, analyzing the following risk factors: experience of payment according to information from the credit information society, payment experience before the institution.

Annex 22.- Model to qualify the portfolio in charge of companies 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 and financial risk, b) Qualitative Factors: country and industry risk of the industry, client dependence, transparency and standards, organizational structure, shareholders.

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. published in the DOF on June 24, 2013, and applying the modifications to the rating methodology published on March 13, 2020:

Annex 20.- Model to qualify the portfolio in charge of financial entities, analyzing the following risk factors as appropriate: a) Quantitative Factors: payment experience, according to information from the credit information society, payment experience 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 rating the portfolio of Federative 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 credits in charge of Federal Entities and Municipalities, which was published in the DOF on October 5, 2011, and applying the modifications to the qualification methodology published on March 13 of 2020. With the new rating methodology, the 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 Single Circular and analyzing the following risk factors: a) Quantitative: experience of payment with the 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 rating the home 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 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 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 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 classification methodology and calculation of preventive reserves published on March 13, 2020 were applied.

The following is the portfolio rating table for the Bank's total portfolio with figures as of March 31, 2022:

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	26,149	130	7,865	12	4,383	37	263	23	38,659	202
A-2	4,040	49	429	3	428	11	185	11	5,082	73
B-1	925	16	208	2	843	28	100	7	2,076	53
B-2	492	11	206	2	496	22	40	4	1,234	39
B-3	1,701	55	85	1	277	15	36	4	2,099	76
C-1	246	17	140	4	280	20	62	9	728	51
C-2	44	5	585	50	301	34	80	21	1,010	111
D	1,466	560	447	100	256	56	71	45	2,239	761
E	740	502	168	84	390	252	29	26	1,327	864
Excepted	0	0	0	0	0	0	0	0	0	0
Total qualified portfolio	**35,805**	**1,346**	**10,132**	**258**	**7,655**	**477**	**864**	**149**	**54,455**	**2,230**
Other concepts:										
Interest cobrados for anticipantin	-156	0	0	0	0	0	0	0	-156	0
Qualified Contingent Credits Adjustment (Letters of Credit and Guarantees Granted)	-1,320	0	0	0	0	0	0	0	-1,320	0
Total	**34,328**	**1,346**	**10,132**	**258**	**7,655**	**477**	**864**	**149**	**52,978**	**2,230**

Rated loan portfolio without contingencies	**34,484**	**1,346**	**10,132**	**258**	**7,655**	**477**	**864**	**149**	**53,135**	**2,230**

Additional Reserves	**42**
Total Reserves Balance	**2,273**

Amounts in millions of pesos

The following table shows the operations of the 1st. quarter of fiscal year 2022 of the Bank's portfolio

Portfolio Segment	Movement of reserves					
	Balance at the beginning of the quarter (Balance Reserve)	Creation of reservations	Applications by: Punishments and Removals	Other Movements Recovery/Special Creations	Variation by exchange rate	Balance at the end of the quarter (Balance Reserve)
Commercial Portfolio	1,395	23	-8	-64	0	1,346
Housing Portfolio	237	10	0	11	0	258
Non-Revolving Consumer Portfolio	474	137	-139	5	0	477
Revolving Consumer Portfolio: Credit Card	132	41	-24	0	0	149
Additional Reserves	44	-2	0	0	0	43
Total closing of the quarter	**2,282**	**209**	**-171**	**-48**	**0**	**2,273**

Amounts in millions of pesos

precautionary reserves estimate:

The estimate of precautonary reserves of the commercial portfolio by economic sector as of December 31, 2021 and March 31, 2022 is shown below:

Economic Sector	Reserve Balance December 2021	Reserve Balance Mar´2022
Mining and Oil	487	463
Commerce	369	385
Services	201	196
Manufacturing	64	77
Construction	98	74
Others	176	152
Total	**1,395**	**1,346**

Amounts in millions of pesos

The following table presents a comparison as of March 31, 2022, of the 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 loan portfolio:

Concept:	Portfolio	Exposure to Default	Reserves	Bookings *	Gross Exposures
Portfolio to Companies with sales of less than 14 million UDIs	9,126	9,126	594	666	8,460
Portfolio to Companies with sales greater than 14 million UDIs	22,987	22,987	738	920	22,067
Portfolio to Government Sector Entities	1,770	1,770	11	20	1,749
Portfolio to Financial Institutions	600	600	4	4	597
Total Commercial Credit Portfolio *	**34,484**	**34,484**	**1,346**	**1,610**	**32,873**
Housing Portfolio	10,132	10,132	258	258	9,873
Non-Revolving Consumer Portfolio: Auto	7,655	7,655	477	477	7,178
Revolving Consumer Portfolio: Credit Card	864	1,749	149	149	1,600
Total Loan Portfolio	**53,134**	**54,019**	**2,230**	**2,494**	**51,525**

* Reserve without considering Risk mitigants
Amounts in millions of pesos

The geographical distribution of credit exposures is shown below, broken down into the main states, with figures as of March 31, 2022:

Federal entity	Commercial Portfolio	Housing Portfolio	Non-Revolving Consumer Portfolio	Revolving Consumer Portfolio: Credit Card	Total Loan Portfolio
Nuevo León	24,343	3,305	2,355	405	30,408
Mexico City	2,354	1,278	556	57	4,246
Coahuila	2,367	538	887	75	3,868
Jalisco	1,139	718	357	32	2,246
Michoacan	611	339	426	36	1,412
Others	3,671	3,952	3,074	258	10,955
Total	**34,484**	**10,132**	**7,655**	**864**	**53,135**

Amounts in millions of pesos

The following table shows the distribution by economic sectors of the exposures of the commercial portfolio, with figures as of March 31, 2022:

Economic Sector	Commercial Portfolio
Commerce	10,327
Electricity and Water	6,044
Services	5,621
Construction	3,148
REAL ESTATE SERVICES AND RENT	2,301
Manufacturing	1,825
Others	5,218
Total	**34,484**

Amounts in millions of pesos

The following is the distribution by remaining terms of credit exposures, with figures as of March 31, 2022:

Term to expire	Commercial Portfolio	Housing Portfolio	Non-Revolving Consumer Portfolio	Revolving Consumer Portfolio: Credit Card	Total Loan Portfolio
Credits with terms already overdue	503	0	47	0	550
1 to 184 days	9,818	2	980	0	10,800
185 to 366 days	1,712	10	287	0	2,009
From 367 to 731 days	1,063	22	948	0	2,033
732 to 1,096 days	1,927	30	1,834	0	3,791
1,097 to 1,461 days	2,464	61	1,342	0	3,867
1,462 to 1,827 days	2,093	99	2,161	0	4,353
More than 1,827 days	14,902	9,909	56	864	25,732
Total	**34,484**	**10,132**	**7,655**	**864**	**53,135**

Amounts in millions of pesos

The following table shows the age of the non performing loan portfolio risk stage 3 of the Bank's total portfolio with figures as of March 31, 2022:

Range of days past due	Commercial Portfolio	Housing Portfolio	Non-Revolving Consumer Portfolio	Revolving Consumer Portfolio: Credit Card	Total
Default from 1 to 180 days	172	150	169	20	511
Default from 181 to 365 days	169	114	40	0	322
Delay greater than 365 days	446	357	0	0	804
Total Overdue Portfolio	**787**	**621**	**209**	**20**	**1,637**

Amounts in millions of pesos

Below is the commercial portfolio of the Bank classified as Current Portfolio Stage 1 and Stage 2 and nonperforming loan portfolio Stage 3 with figures as of March 31, 2022, classified by risk levels, states and economic sectors:

Commercial Portfolio (Stage 1, Stage 2, Stage 3) per Risk Type:

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	24,859	130	0	0	24,859	130	0	0	24,859	130
A-2	4,040	49	0	0	4,040	49	0	0	4,040	49
B-1	899	16	0	0	899	16	0	0	899	16
B-2	489	11	0	0	489	11	0	0	489	11
B-3	1,701	55	0	0	1,701	55	0	0	1,701	55
C-1	226	15	20	2	246	17	0	0	246	17
C-2	32	4	8	1	41	5	3	0	44	5
D	1,193	477	168	45	1,361	522	105	38	1,466	560
E	26	14	36	18	61	32	679	470	740	502
Excepted	0	0	0	0	0	0	0	0	0	0
Total	**33,464**	**771**	**232**	**66**	**33,697**	**838**	**787**	**508**	**34,484**	**1,346**

Amounts in Millions of Pesos

(Millions of Mexican pesos, except when indicated differently)

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	119	1	58	11	176	13	4	3	180	15
Baja California	585	3	0	0	586	3	3	2	588	5
Chihuahua	161	2	0	0	161	2	13	9	174	11
Mexico City	2,123	25	24	6	2,147	30	206	137	2,354	168
Coahuila	2,346	16	2	1	2,348	17	19	13	2,367	30
Colima	188	2	3	1	191	3	5	4	196	6
Durango	16	1	0	0	16	1	7	4	23	5
Mexico state	255	4	23	3	278	8	49	34	327	42
Guanajuato	350	2	1	0	351	2	3	2	355	4
Guerrero	492	3	4	1	496	5	12	8	508	13
Jalisco	1,024	8	8	3	1,031	11	108	72	1,139	83
Michoacan	600	4	0	0	600	4	10	7	611	11
Morelos	15	0	0	0	16	0	9	4	24	5
Nuevo León	24,013	677	82	29	24,095	706	248	153	24,343	860
Puebla	99	2	4	2	103	3	8	4	111	8
Queretaro	140	2	2	1	142	3	16	12	158	16
Quintana Roo	28	1	0	0	28	1	2	2	30	3
San Luis Potosi	192	3	0	0	192	3	3	2	195	5
Sinaloa	150	9	14	5	164	14	12	5	176	19
Sonora	72	1	2	1	75	1	3	2	78	3
Tamaulipas	364	5	5	2	369	7	45	28	414	35
Yucatan	132	1	0	0	132	1	0	0	132	1
Total	**33,464**	**771**	**232**	**66**	**33,697**	**838**	**787**	**508**	**34,484**	**1,346**

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	291	3	12	7	303	10	11	6	314	16
Commerce	9,891	112	59	20	9,950	132	377	252	10,327	385
Construction	3,077	35	1	0	3,079	36	69	38	3,148	74
Electricity and Water	6,042	53	1	0	6,043	53	1	0	6,044	54
Financial entities	600	4	0	0	600	4	0	0	600	4
Government entities	1,770	11	0	0	1,770	11	0	0	1,770	11
Manufacturing	1,713	13	24	7	1,737	21	88	56	1,825	77
Mining and Oil	1,321	463	0	0	1,321	463	0	0	1,321	463
Services	5,357	53	76	20	5,432	73	188	124	5,621	196
REAL ESTATE SERVICES AND RENT	2,276	16	1	1	2,278	16	23	12	2,301	28
Transport and Communications	1,126	7	57	11	1,183	19	29	21	1,212	40
Total	**33,464**	**771**	**232**	**66**	**33,697**	**838**	**787**	**508**	**34,484**	**1,346**

The following table shows the movement of the 1st. quarter of fiscal year 2022 of the precautionary reserves of the Bank's Stage 3 commercial portfolio:

Concept:	Mar'2022
Balance at the beginning of the quarter	$370
Creation of reservations (current or previous period)	146
Applications by: Punishments and Removals	-8
Balance at the end of the quarter	**$508**

Recoveries recorded in the quarter of written-off loans	-13

Amounts 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.

  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 personal 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 if the loss foreseen in the contract occurs.

- **Guarantee Letter**. - 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.

- **Revenues of Government Sector Entities. -** These are resources that state and municipal governments periodically receive from the collection of taxes and contributions established by law that must be paid by individuals and legal entities that are in the legal or de facto situation provided for by law. same.

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.

(Millions of Mexican pesos, except when indicated differently)

- **Joint Debt and / or Joint 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, if 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 Notification, Banca Afirme considers real and personal guarantees to estimate the Loss Severity used in the precautionary reserves standard rating model 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 Real Guarantees	
- Liquid	1.84%
- BMV shares	2.60%
Non-Financial Real Guarantees	
- Trusts	58.16%
Mortgages	24.96%
- Pledge : Certificates	4.28%
- Other	1.23%
Personal Guarantees	
- Insurers and Others	2.65%
Development Bank	4.27%
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	854
Non-Financial Real Guarantees	17,054
Guarantees granted by the Development Bank	822
Personal and Other Guarantees	510

Amounts in millions of pesos