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:

   to) 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.

   to) 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 second quarter of 2021, the *Money desk* portfolio features a position of 130,573 million pesos.

In order to show the behavior of the ("VaR" for its acronym in Spanish) during 2Q 2021, the values at the end of the second quarter of 2021 are presented, as well as the comparison with the previous quarter, for each business unit of the portfolios shown.

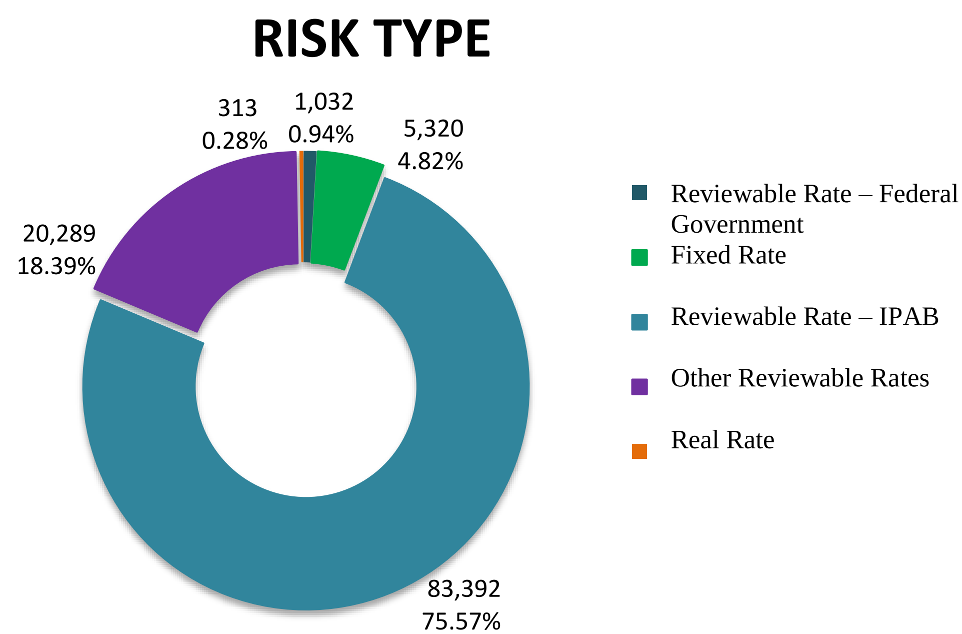
Trading Business Unit	VaR	
	31-Mar-21	30-Jun-21
Money desk	(15.03)	(9.70)
Treasury	(0.54)	(0.55)
Global	**(14.96)**	**(9.76)**

Business Unit Held-to-maturity	VaR
	30-Jun-21
Treasury	(3.66)
Global	**(3.66)**

(Millions of Mexican pesos, except when indicated differently)

The following graph shows the composition of the Total portfolio for Banca Afirme at the end of 2Q 2021 according to the Type of Risk:

Risk Type	Amount *
Federal Government Review Rate	1,032
Real Rate	313
Reviewable Rate IPAB	83,392
Reviewable Rate Others	20,289
Exchange rate	-
Fixed rate	5,320
Total	**110,345**



Note: * Within the composition of the portfolio at the close of 2Q 2021, 1,032 million pesos of the issue 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)

The following is the average Value at Risk for the corresponding quarter for the different business units.

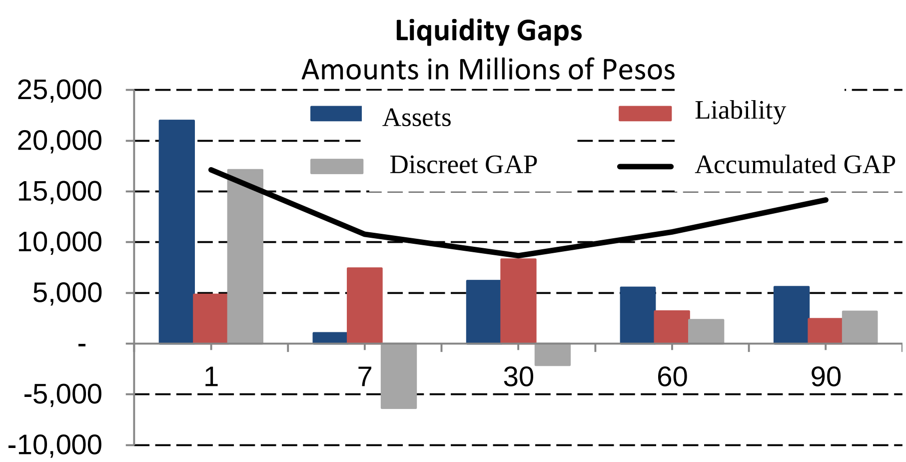
Trading Business Unit	Average VaR Apr 2021 - Jun 2021
Money table	(16.09)
Treasury	(0.77)
Global	**(15.42)**

Business Unit Held-to-maturity	Average VaR Apr 2021 - Jun 2021
Money table	-
Treasury	(3.47)
Global	**(3.47)**

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.

The accumulated 60-day band for Banca Afirme was $ 11,011 million pesos at the end of 2Q 2021, 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.

(Millions of Mexican pesos, except when indicated differently)

As of June 30, 2021, the Liquidity Coverage Ratio is 177 **%** . In order to show the behavior of the CCL, the values at the end of 2Q 2021 compared to the previous quarter are presented below.

CCL evolution	March 2021	June 2021
Computable Liquid Assets (Weighted)	18,660	18,620
Net Exits at 30 days	10,482	10.512
CCL	**178%**	**177%**

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

Computable Liquid Assets Evolution (Unweighted)	March 2021	June 2021
Liquid Assets Level 1	16,939	17,395
Liquid Assets Level 2	2,024	1,440
Total Liquid Assets	**18,964**	**18,836**

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 2Q 2021 are presented below compared to the previous quarter.

Trading Business Unit	Liquidity-adjusted VaR	
	Mar 31, 2021	Jun 30, 2021
Money desk	(47.53)	(30.86)
Treasury	(1.70)	(1.73)
Global	**(47.32)**	**(30.86)**

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

Trading Business Unit	VaR adjusted for average liquidity
	Apr 2021 - Jun 2021
Money desk	(50.89)
Treasury	(2.43)
Global	**(48.77)**

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 Catchment June 30, 2021	
Deposits of immediate demand	34,264
Time deposits	26,366
Credit Securities Issued	-
Capture without movements	82
Total	**60,711**

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

Liquidity risk management is carried out 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, sress 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 lines of credit.

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 2Q 2021 is as follows:

VaR as of June 31, 2021

Purse	Exposition	Expected Loss (Without Recover)	Recover	Expected Loss (With Recover)	VaR @ 99% (With Recover)
Commercial	34,375	2,245	65%	791	2,192
Mortgage	3,481	396	22%	309	364
Personal loans	1,531	69	42%	40	43
Credit card*	9,214	1,175	94%	73	86
Self-term	812	134	27%	99	136
Total	**49,413**	**4,020**		**1,311**	**2,822**

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

As can be seen, the VaR stood at $ 2,673 million, which meant a consumption of 83.6% 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 the Banca Afirme portfolio as of June 30, 2021 is shown below based on 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	2,826	2,494	-
Reviewable Rate Govt. Federal	1,032	-	-
Reviewable Rate IPAB	83,392	-	-
Real Rate	50	264	-
Reviewable Rate Others	208	16,019	4,062
Total	**87,506**	**18,777**	**4,062**

Note: Within the composition of the portfolio at the end of 2Q 2021, 1,032 million pesos of the issue XR_BREMSR_251023 are considered, which is a Reportable Monetary Regulation Bond of Banco de México, with the purpose of regulating liquidity in the money market.

Non-Sovereign Risk Issuance Rating		
S&P	**HR**	**Market Value**
mxA-1	HR + 1	2,023
mxA-2	HR1	100
mxAAA	HR AAA	11
	HR + 1	393

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

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

Interest rate risk

The Bank's balance 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 June 2021, 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 9 million pesos, if assumes 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 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 actually materialized as of June 30, 2021

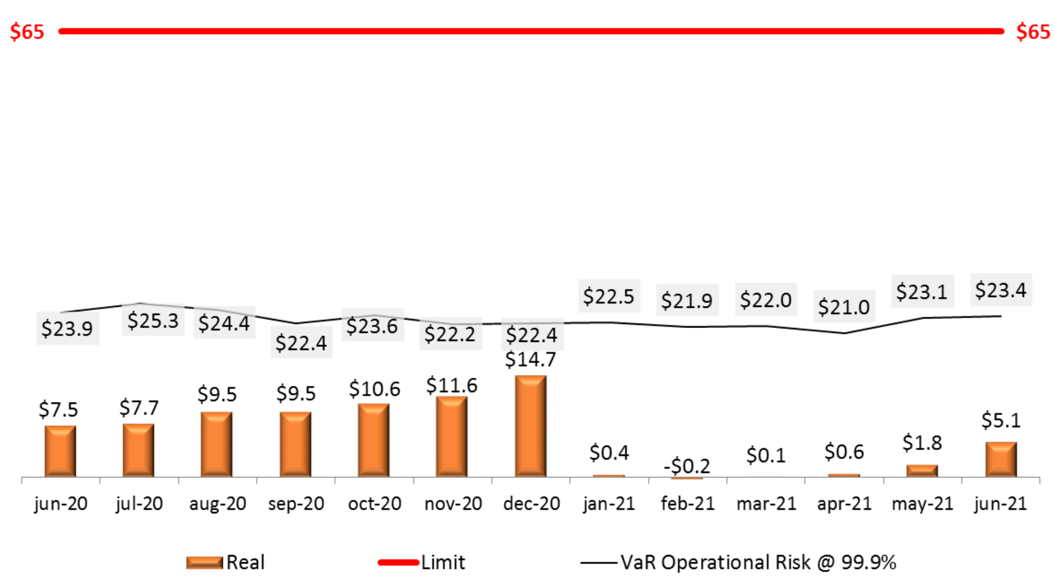
Tolerance Level Table

Total Authorized Level In millions	Real In millions
$65.0	$5.13

The monthly average amount of the last twelve months amounts to $ 1.0 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 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 Chart



Amounts in millions of pesos

The Operating Risk VaR has been estimated at $ 23.4 million at a confidence level of 99.9% at the end of 2Q 2021. According to the risk events that materialized, the real losses stood at $ 5.1 million pesos and represens t7.9% 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.

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.

(Millions of Mexican pesos, except when indicated differently)

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:

	2Q 2021 *	1Q 2021	Variation%
Assets at Credit Risk	42,384.8	40,668.6	- 4.05%
Assets at Market Risk	7,000.1	8,726.2	24.66%
Assets at Operational Risk	8,382.1	7,971.0	- 4.90%
Total Assets at Risk	57,767.0	57,365.8	-0.69%
Basic capital	6,964.7	6,830.9	- 1.92%
Complementary capital	2,151.3	2,138.7	- 0.59%
Net capital	9,116.0	8,969.6	- 1.61%
Capitalization Index	15.8%	15.6%	-0.92%

* Information before replicas from Banxico.

Portfolio Rating:

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

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

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

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

Risk level	June 2021		March 2021	
	Purse	Bookings	Purse	Bookings
A-1	29,957	168	29,218	154
A-2	8,314	102	8,986	113
B-1	4,304	92	3,131	69
B-2	1,861	53	2,024	56
B-3	1,727	67	1,778	67
C-1	858	54	1,000	67
C-2	906	102	861	100
D	2,052	669	2,071	686
E	613	410	531	354
Excepted	0	0	0	0
Total	**50,593**	**1,717**	**49,601**	**1,666**

Amounts 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				
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	2.001 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

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 organizations with the new methodology established by the Banking Commission which was published in the DOF of June 24, 2013.

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 qualification 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 Udis(“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, National Institute of Housing Fund for Workers (“INFONAVIT” for its acronym in Spanish) payment experience and characteristics of the company.

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 Investment Units, analyzing the following risk factors as appropriate: a) Quantitative Factors: payment experience , according to information from the credit information society, INFONAVIT payment experience and financial risk, b) Qualitative Factors: country and industry risk, Market positioning, Transparency and standards, Corporate governance, Administration competence.

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 Banking Commission which was published in the DOF of June 24, 2013:

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, INFONAVIT 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 Banking Commission 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 of October 5, 2011. 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 Circular and analyzing the following risk factors: a) Quantitative: experience payment, evaluation of Rating Institutions, financial risk, b) Qualitative: socio-economic risk and financial strength.

Housing mortgage portfolio

As of March 2011, the Institution is rating the home mortgage portfolio with the new methodology established by the Banking Commission 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.

Consumer loans

As of March 2011, the Institution is rating the non-revolving consumer portfolio with the new methodology established by the Banking Commission 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.

The following is the portfolio rating table for the Bank's total portfolio with figures as of June 30, 2021:

DEGREES OF RISK	Commercial Portfolio		Housing Portfolio		Non-Revolving Consumer Portfolio		Revolving Consumer Portfolio: Credit Card		Total Portfolio	
	Purse	Bookings	Purse	Bookings	Purse	Bookings	Purse	Bookings	Purse	Bookings
A-1	19,145	103	6,624	10	3,956	34	232	21	29,957	168
A-2	7,301	78	439	3	396	10	179	11	8,314	102
B-1	3,278	59	178	2	753	25	95	6	4,304	92
B-2	1,007	23	305	4	509	23	40	3	1,861	53
B-3	1,281	45	99	2	312	17	34	4	1,727	67
C-1	219	16	280	8	303	22	56	8	858	54
C-2	138	18	356	29	345	38	67	17	906	102
D	1,159	443	517	118	314	69	62	39	2,052	669
E	76	70	114	59	396	257	28	25	613	410
Excepted	0	0	0	0	0	0	0	0	0	0
Total qualified portfolio	**33,605**	**854**	**8,912**	**234**	**7,283**	**495**	**792**	**134**	**50,593**	**1,717**
Other concepts:										
Interest cobrados for anticipantin	-12	0	0	0	0	0	0	0	-12	0
Qualified Contingent Credits Adjustment (Letters of Credit and Guarantees Granted)	-1,300	0	0	0	0	0	0	0	-1,300	0
Total	**32,293**	**854**	**8,912**	**234**	**7,283**	**495**	**792**	**134**	**49,280**	**1,717**

Qualified Credit Portfolio without Contingencies	**32,305**	**854**	**8,912**	**234**	**7,283**	**495**	**792**	**134**	**49,292**	**1,717**

Additional Reservations		**617**
Total Reserves Balance		**2,334**

Amounts in millions of pesos

The following table presents the movement of the 2nd. quarter of fiscal year 2021 of the estimate of preventive reserves 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	826	93	-65	0	0	854
Housing Portfolio	223	10	0	0	0	234
Non-Revolving Consumer Portfolio	470	142	-116	0	0	495
Revolving Consumer Portfolio: Credit Card	147	15	-28	0	0	134
Additional Reservations	615	2	0	0	0	617
Total closing of the quarter	**2,282**	**261**	**-209**	**0**	**0**	**2,334**

Amounts in millions of pesos

The estimate of preventive reserves of the commercial portfolio by economic sector as of March 31, 2021 and June 30, 2021 is presented below:

Economic Sector	Reserve Balance March 2021	Reserve Balance June 2021
Commerce	311	359
Services	233	217
Building	81	84
Manufacturing	78	61
Transport and Communications	38	33
Others	85	101
Total	**826**	**854**

Amounts in millions of pesos

The following table presents a comparison as of June 30, 2021 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:	Purse	Exposure to Default	Bookings	Bookings *	Gross Exposures
Portfolio to Companies with sales of less than 14 million UDIs	9,098	9,098	455	527	8,571
Portfolio to Companies with sales greater than 14 million UDIs	20,287	20,287	374	520	19,767
Portfolio to Government Sector Entities	2,399	2,399	14	50	2,349
Portfolio to Financial Institutions	520	520	11	11	509
Total Commercial Credit Portfolio *	**32,305**	**32,305**	**854**	**1,108**	**31,197**
Housing Portfolio	8,912	8,912	234	234	8,678
Non-Revolving Consumer Portfolio: Auto	7,283	7,283	495	495	6,788
Revolving Consumer Portfolio: Credit Card	792	1,611	134	134	1,477
Total Loan Portfolio	**49,292**	**50,111**	**1,717**	**1,971**	**48,140**

* Reserve without considering Risk mitigants
Amounts in millions of pesos

The geographic distribution of credit exposures is presented below, broken down into the main states, with figures as of June 30, 2021:

Federal entity	Commercial Portfolio	Housing Portfolio	Non-Revolving Consumer Portfolio	Revolving Consumer Portfolio: Credit Card	Total Loan Portfolio
Nuevo León	22,776	2,970	2,223	357	28,326
Mexico City	2,012	1,131	517	56	3,716
Coahuila	2,284	416	836	65	3,600
Jalisco	964	662	336	32	1,994
Baja California	740	392	227	16	1,375
Others	3,529	3,342	3,145	266	10,282
Total	**32,305**	**8,912**	**7,283**	**792**	**49,292**

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 June 30, 2021:

Economic Sector	Commercial Portfolio
Commerce	10,113
Electricity and Water	5,116
Services	4,795
Building	2,924
Real Estate Services and Rentals	2,407
Government entities	2,024
Others	4,926
Total	**32,305**

Amounts in millions of pesos

The following is the distribution by remaining terms of the credit exposures, with figures as of June 30, 2021:

Deadline to expire	Commercial Portfolio	Housing Portfolio	Non-Revolving Consumer Portfolio	Revolving Consumer Portfolio: Credit Card	Total Loan Portfolio
Credits with terms already overdue	543	0	29	0	573
1 to 184 days	9,869	1	1,018	0	10,887
185 to 366 days	530	6	266	0	801
From 367 to 731 days	1,548	31	958	0	2,537
732 to 1,096 days	1,351	33	2,446	0	3,830
1,097 to 1,461 days	1,407	56	1,297	0	2,760
1,462 to 1,827 days	1,836	78	1,121	0	3,035
More than 1,827 days	15,221	8,707	149	792	24,869
Total	**32,305**	**8,912**	**7,283**	**792**	**49,292**

Amounts in millions of pesos

The following table shows the age of the overdue portfolio of the Bank's total portfolio with figures as of June 30, 2021:

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	302	266	200	45	814
Default from 181 to 365 days	406	155	25	0	586
Delay greater than 365 days	231	253	3	0	486
Total Overdue Portfolio	**939**	**674**	**227**	**45**	**1,885**

Amounts in millions of pesos

The following presents the Bank's commercial portfolio classified into current portfolio, past due portfolio and troubled portfolio with figures as of June 30, 2021, classified by degree of risk, states, and economic sectors:

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

Risk level	Current Commercial Portfolio						Overdue Commercial Portfolio						Total Portfolio	
	Current Commercial Portfolio		Troubled Current Commercial Portfolio		Total Current Commercial Portfolio		Overdue Commercial Portfolio		Troubled Overdue Commercial Portfolio		Total Overdue Commercial Portfolio			
	Purse	Bookings	Purse	Bookings	Purse	Bookings	Purse	Bookings	Purse	Bookings	Purse	Bookings	Purse	Bookings
A-1	18,109	103	0	0	18,109	103	1	0	0	0	1	0	18,110	103
A-2	7,051	78	0	0	7,051	78	0	0	0	0	0	0	7,051	78
B-1	3,268	59	0	0	3,268	59	0	0	0	0	0	0	3,268	59
B-2	1,002	23	0	0	1,002	23	0	0	0	0	0	0	1,002	23
B-3	1,281	45	0	0	1,281	45	0	0	0	0	0	0	1,281	45
C-1	210	15	5	0	215	15	0	0	5	0	5	0	219	16
C-2	133	17	0	0	133	17	0	0	5	1	5	1	138	18
D	264	60	42	17	306	77	0	0	853	367	853	367	1,159	443
E	0	0	0	0	0	0	0	0	76	70	76	70	76	70
Excepted	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	**31,319**	**399**	**47**	**18**	**31,366**	**416**	**1**	**0**	**939**	**438**	**939**	**438**	**32,305**	**854**

Amounts in millions of pesos

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2) By geographic regions

Current, Overdue, and Troubled Commercial Portfolio by State:

Federal entity	Current Commercial Portfolio						Overdue Commercial Portfolio						Total Portfolio	
	Current Commercial Portfolio		Troubled Current Commercial Portfolio		Total Current Commercial Portfolio		Overdue Commercial Portfolio		Troubled Overdue Commercial Portfolio		Total Overdue Commercial Portfolio			
	Purse	Bookings	Purse	Bookings	Purse	Bookings	Purse	Bookings	Purse	Bookings	Purse	Bookings	Purse	Bookings
Aguascalientes	200	4	1	0	201	4	0	0	3	2	3	2	205	6
Baja California	735	8	0	0	735	8	0	0	5	2	5	2	740	10
Chihuahua	195	3	1	0	196	3	0	0	12	5	12	5	208	8
Mexico City	1,684	33	6	2	1,690	35	0	0	322	150	322	150	2,012	185
Coahuila	2,258	31	5	2	2,263	33	0	0	21	10	21	10	2,284	43
Colima	152	2	0	0	152	2	0	0	14	7	14	7	166	10
Durango	19	1	0	0	19	1	0	0	4	2	4	2	23	2
Mexico state	225	6	3	1	228	7	0	0	74	36	74	36	302	44
Guanajuato	44	1	0	0	44	1	0	0	6	3	6	3	50	3
Warrior	186	3	0	0	186	3	0	0	15	7	15	7	200	11
Jalisco	863	14	1	1	864	15	0	0	100	45	100	45	964	60
Michoacan	598	9	0	0	598	9	1	0	10	5	10	5	608	14
Morelos	477	4	0	0	477	4	0	0	25	12	25	12	502	16
Nuevo Leon	22,532	245	18	6	22,550	251	0	0	227	102	227	102	22,776	354
Puebla	95	3	4	2	99	4	0	0	8	6	8	6	107	10
Queretaro	152	2	4	2	156	4	0	0	27	13	27	13	182	17
Quintana Roo	23	1	0	0	23	1	0	0	10	5	10	5	33	6
San Luis Potosi	236	3	0	0	236	3	0	0	4	2	4	2	240	5
Sinaloa	181	13	2	1	183	14	0	0	27	12	27	12	210	25
Sonora	40	1	1	0	40	1	0	0	5	2	5	2	45	3
Tamaulipas	296	11	1	0	297	11	0	0	22	10	22	10	319	21
Yucatan	129	1	0	0	129	1	0	0	0	0	0	0	129	1
Total	**31,319**	**399**	**47**	**18**	**31,366**	**416**	**1**	**0**	**939**	**438**	**939**	**438**	**32,305**	**854**

Amounts in millions of pesos

3) By Economic Sectors

Current, Overdue and Troubled Commercial Portfolio 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		Troubled Overdue Commercial Portfolio		Total Overdue Commercial Portfolio			
	Purse	Bookings	Purse	Bookings	Purse	Bookings	Purse	Bookings	Purse	Bookings	Purse	Bookings	Purse	Bookings
Farming	191	3	0	0	191	3	0	0	2	1	2	1	193	3
Commerce	9,644	130	14	5	9,658	134	1	0	455	225	455	225	10,113	359
Building	2,811	40	0	0	2,812	40	0	0	112	44	112	44	2,924	84
Electricity and Water	5,116	28	0	0	5,116	28	0	0	0	0	0	0	5,116	28
Financial entities	520	11	0	0	520	11	0	0	0	0	0	0	520	11
Government entities	2,399	14	0	0	2,399	14	0	0	0	0	0	0	2,399	14
Manufacturing	1,585	21	8	2	1,593	23	0	0	86	38	86	38	1,679	61
Mining and Petroleum	1,389	26	0	0	1,389	26	0	0	0	0	0	0	1,389	26
Services	4,156	92	16	7	4,173	99	0	0	247	115	247	115	4,420	214
Real Estate Services and Rentals	2,403	18	1	0	2,404	19	0	0	4	2	4	2	2,407	21
Transport and Communications	1,105	15	7	3	1,112	18	0	0	33	14	33	14	1,144	33
Total	**31,319**	**399**	**47**	**18**	**31,366**	**416**	**1**	**0**	**939**	**438**	**939**	**438**	**32,305**	**854**

Amounts in millions of pesos

The following table presents the movement of the 2nd. quarter of fiscal year 2021 of the preventive reserves of the Bank's troubled commercial portfolio:

Concept:	June 2021
Balance at the beginning of the quarter	$457
Creation of reservations (current or previous period)	63
Applications by: Punishments and Removals	-65
Balance at the end of the quarter	**$ 455**
Recoveries recorded in the quarter of written-off loans	-9

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:

  to. 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, Banca 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 Real Guarantees	
- Liquid	1.63%
Non-Financial Real Guarantees	
- Trusts	62.90%
- Mortgages	23.22%
- Other	4.22%
Personal Guarantees	
- Insurers and Others	4.68%
- Development Bank	3.35%
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	311
Non-Financial Real Guarantees	17,188
Guarantees granted by the Development Bank	637
Personal and Other Guarantees	890

Amounts in millions of pesos