

Annual Report 2023

Grupo Financiero Banorte, S.A.B. de C.V.

IN ACCORDANCE WITH REGULATIONS APPLICABLE TO THE FINANCIAL INFORMATION OF CONTROLLING COMPANIES OF FINANCIAL GROUPS SUBJECT TO SUPERVISION BY THE NATIONAL BANKING AND SECURITIES COMMISSION (CNBV),

Published in the Mexican Official Gazette of the Federation (Diario Oficial de la Federacion) on January 31, 2011, and modified through the Resolution published in the Official Gazette on July 18, 2011.

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I. Management's Discussion & Analysis

When analyzing the information contained herein is important to take the following into consideration:

- ✓ As of January 2022, new accounting rules, approaching convergence to IFRS international standards, were adopted by the Mexican banking system, reflecting changes in the main indicators. As a result, 2021 figures are not comparable; therefore, such period is not presented in this report.
- ✓ The financial information contained in this report is based on the Audited Consolidated Financial Statements of Grupo Financiero Banorte (GFNorte) for the year ended December 31, 2022, published by Galaz, Yamazaki, Ruiz Urquiza, S. C. Member of Deloitte Touche Tohmatsu Limited, dated February 28, 2023. For the year ended December 31, 2023, the financial figures are based on the Audited Consolidated Financial Statements of GFNorte, published by Galaz, Yamazaki, Ruiz Urquiza, S. C. Member of Deloitte Touche Tohmatsu Limited, dated February 29, 2024.
- ✓ As of December 2023, Grupo Financiero Banorte consolidates line-by-line the operations of the Joint Venture with Rappi, hereinafter referred to as "Tarjetas del Futuro", in its financial statements.
- ✓ The financial information presented in this report has been calculated in pesos and the tables are in million pesos, thus, differences are the result of rounding effects.
- ✓ For comparison purposes, is relevant to consider that GFNorte owns 98.2618% of shares of the Bank, therefore in some cases certain figures may vary when referring to them, both for the Group and the Bank.

A) Operating Results

SELECTED FINANCIAL INFORMATION

	2023	2022
Net Income	\$52,418	\$45,408
Total Assets GFNorte	\$2,274,859	\$2,070,072
Total Liabilities GFNorte	\$2,025,654	\$1,831,041
Stockholders' Equity GFNorte	\$249,205	\$239,031
INFORMATION PER SHARE		
Earnings per share Basic (pesos)	\$18.31	\$16.11
Earnings per share Diluted (pesos)	\$18.18	\$15.96
Dividend approved per share (pesos) ¹⁾	\$13.08	\$11.89
Book value per share (pesos) (excluding minority interest) ²⁾	\$86.48	\$81.86
Shares outstanding Basic (millions)	\$2,862.68	\$2,856.68
Shares outstanding Diluted (millions)	\$2,883.46	\$2,883.46
PROFITABILITY RATIOS		
NIM	6.32%	6.32%
NIM Adjusted for Credit Risk	5.53%	5.67%
NIM from Loan Portfolio	8.59%	8.37%
Return on Assets (ROA)	2.39%	2.26%
Return on Equity (ROE)	21.41%	19.19%

OPERATIONS

Efficiency Ratio ³⁾	36.23%	38.05%
Operating Efficiency Ratio ⁴⁾	2.22%	2.22%
LCR Banorte and SOFOM - Basel III	160.54%	154.61%

ASSET QUALITY INDICATORS

Non-Performing Loan Ratio	1.04%	1.07%
Coverage Ratio	182.33%	179.47%

CAPITALIZATION RATIO

Banco Mercantil del Norte	20.69%	22.85%
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INFRASTRUCTURE AND EMPLOYEES

Bank Branches ⁵⁾	1,164	1,154
ATMs (automated teller machines)	10,372	9,938
Points of Sale	197,216	167,148
Full-time employees	32,705	30,941
Full-time employees and professional services	32,707	30,943

Million pesos.

1. In 2023, dividends declared by the Shareholders' meetings were those corresponding to 83% of the profit of 2022; a first dividend of Ps 22,704,037,531.52, at Ps 7.873896065842770 per share, paid on June 12, 2023, and a second dividend of Ps 15,000,000,000.00, at Ps 5.202089752699080 per share, paid on October 16, 2023, charged against the profits of prior years. For 2022, dividends declared were those corresponding to 50% of the profit for 2021, or Ps 17,524,084,240.96, at Ps 6.077457270353830 per share, paid on May 31, 2022, and a second dividend corresponding to 25% of the profit of 2019 and 25% of 2020, or Ps 16,759,016,371.63, at Ps 5.812127155478170 per share, paid on December 8, 2022.

2. The number of issued shares considered for the 2023 period were 2,883,456,594.

3. Non-Interest Expense / (Net Interest Income + Non-Interest Income).

4. Non-Interest Expense / Average Total Assets.

5. Includes bank modules and excludes 1 branch in the Cayman Islands.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Earnings' contribution for 2023 by business sector –as per the participation method– was as follows:

GFNorte's profit, given the participation of its subsidiaries, was Ps 52.42 billion at the end of 2023, a 15% increase versus 2022.

Consolidated Bank's net income amounted to Ps 41.22 billion in 2023, increasing Ps 7.27 billion or 21% compared to 2022, contributing with 78.6% of GFNorte's net income.

The Brokerage Sector, which includes Casa de Bolsa Banorte and Operadora de Fondos Banorte, reported net income of Ps 751 million in 2023, a (54%) decline versus 2022. The accumulated profit represented 1.4% of the group's earnings.

Net income of the Long-Term Savings sector, constituted by Seguros Banorte, Afore XXI Banorte (50% subsidiary), and Pensiones Banorte, amounted to Ps 8.16 billion, growing 9% compared to 2022, representing 15.6% of the group's earnings.

SOFOM and other financial companies, comprising Arrendadora Banorte, Almacenadora Banorte, Sólida Administradora de Portafolios, and Banco Bineo (formerly Ixe Servicios), reported net income of Ps 779 million, growing 17% versus 2022, and representing 1.5% of the financial group's earnings.

1. Grupo Financiero Banorte

- **Consolidated Income Statement**

	2023	2022
Interest income ¹⁾	\$ 375,497	\$ 268,628
Interest expense	(248,015)	(152,469)
NET INTEREST INCOME	127,482	116,159
Credit Provisions	(15,942)	(11,881)
NET INTEREST INCOME ADJUSTED FOR CREDIT RISK	111,540	104,278
Fees Charged ¹⁾	35,073	32,348
Fees Paid ²⁾	(18,119)	(15,305)
Premium Income Ins. & Annu. (Net)	48,259	42,855
Technical Reserves Ins. & Annu.	(28,288)	(29,541)
Cost of Acquisition from Insurance Operations	(1,735)	(1,387)
Net Cost of Claims and Other Obligations	(29,222)	(26,566)
Trading Income ³⁾	3,913	3,660
Other Operating Income (Expenses) ³⁾	(3,278)	(4,548)
Non-Interest Income	6,603	1,516
Non-Interest Expense ²⁾	(48,582)	(44,772)
OPERATING INCOME	69,561	61,022
Subsidiaries' Net Income	1,413	966
PRE-TAX INCOME	70,974	61,988
Taxes	(17,832)	(15,963)
NET INCOME BEFORE DISCONTINUED OPERATIONS	53,142	46,025

Discontinued Operations	-	-
NET INCOME FROM CONTINUOUS OPERATIONS (100%)	\$ 53,142	\$ 46,025
<i>Minority Interest</i>	<i>(724)</i>	<i>(617)</i>
NET INCOME	\$ 52,418	\$ 45,408
Other Comprehensive Income		
Financial Instruments to Collect or Sell Valuation	1,417	(4,376)
Cash Flow Hedges Valuation	1,725	1,118
Defined remeasurements for employee's benefits	(81)	92
Remeasurement by result in the valuation of the unexpired risk reserve due to variation in discount rates	(7)	315
Cumulative foreign currency translation adjustment	(192)	(86)
Comprehensive Income	\$ 56,004	\$ 43,088

Million pesos

- As of 2023, interest charged on collateral for derivatives traded on the Chicago Stock Exchange was reclassified from the fees charged account to the interest income account.
- As of 2023, card operating expenses are recorded in "Interchange Fees" and "Other Fees" within Fees Paid on Services (formerly recorded in Administrative Expenses).
- As of 2023, the Expected Credit Loss of the Insurance and Annuities financial instruments portfolio are recorded in Trading Income (formerly recorded in Other Income).

The following is a breakdown of the most important items of the Income Statement:

- Net Interest Income – NII**

	2023	2022
Interest income ⁴⁾	\$375,497	\$ 268,628
Interest expense	(248,015)	(152,469)
NET INTEREST INCOME	127,482	116,159
Credit Provisions	(15,942)	(11,881)
NET INTEREST INCOME ADJUSTED FOR CREDIT RISK	\$111,540	\$ 104,278
Average Earnings Assets	\$2,017,095	\$ 1,839,143
NIM ¹⁾	6.32%	6.32%
NIM adjusted for Credit Risk ²⁾	5.53%	5.67%
NIM from Loan Portfolio ³⁾	8.59%	8.37%

Million pesos

- NIM (Net Interest Margin) = Net Interest Income / Average Earnings Assets.
- NIM adjusted for Credit Risk = Net Interest Income adjusted for Credit Risk / Average Earnings Assets.
- NIM from Loan Portfolio = Net Interest Margin from Loan Portfolio / Average Performing Loans.
- As of 2023, interest charged on collateral for derivatives traded on the Chicago Stock Exchange was reclassified from the fees charged account to the interest income account.

In 2023, **net interest income reached Ps 127.48 billion, expanding 10% versus 2022**. The result was driven by a 17% expansion in the NII of the loan book, given volume and mix, together with the 75bps adjustment in the reference rate in the last 12 months, offsetting the negative effect of inflation in inflation-indexed securities of the annuities business. Interest expenses went up 63%, aligned with the reference rate's adjustments; nevertheless, deposits' mix has remained relatively stable, with 72% demand and 28% time. **NIM stood stable at 6.32%**, due to the combined effect of an improving mix of the loan portfolio and the benefit of the rate levels, which offset higher average earning assets and the effect of inflation in the annuities business. **NIM of the loan book increased 22bps to 8.59% at the end of 2023**.

- **Loan Loss Provisions**

	2023	2022
Commercial, Corporate & Government	(\$ 886)	(\$ 1,634)
Consumer	(16,793)	(13,029)
Charge offs and discounts	1,738	2,782
Credit Provisions	(\$ 15,942)	(\$ 11,881)

Million pesos

At the end of 2023, provisions were Ps 4.06 billion, or 34% higher vs. 2022, related with the dynamism and mix of credit origination, especially given the nature of payroll and credit card portfolios.

Regarding the additional reserves created in 2020 to face the COVID-19 pandemic, during 2023, Ps 403 million were used and Ps 297 million were canceled. Therefore, the balance at the end of the year was zero.

Cost of risk stood at 1.6% in 2023, growing 25bps vs. 2022.

- **Non-Interest Income**

	2023	2022
Net Service Fees ^{1) 3)}	\$ 16,954	\$ 17,043
Premium Income Ins. & Annu. (Net)	48,259	42,855
Technical Reserves Ins. & Annu.	(28,288)	(29,541)
Cost of Acquisition from Insurance Operations	(1,735)	(1,387)
Net Cost of Claims and Other Obligations	(29,222)	(26,566)
Trading ²⁾	3,913	3,660
Other Operating Income (Expenses) ²⁾	(3,278)	(4,548)
Non-Interest Income	\$ 6,603	\$ 1,516

Million pesos

1. As of 2023, card operating expenses are recorded in "Interchange Fees" and "Other Fees" within Fees Paid on Services (formerly recorded in Administrative Expenses).
2. As of 2023, the Expected Credit Loss of the Insurance and Annuities financial instruments portfolio are recorded in Trading Income (formerly recorded in Other Income).
3. As of 2023, interest charged on collateral for derivatives traded on the Chicago Stock Exchange was reclassified from the fees charged account to the interest income account.

Non-interest income reached Ps 6.60 billion, increasing Ps 5.09 billion YoY, associated with an improved technical result in insurance and annuities, benefiting from solid business generation and lower inflation in the period, along with better trading income, and higher other operating income (expenses). The **technical result of insurance and annuities was (Ps 10.99 billion)**, growing 25% in the year.

Premium income from insurance and annuities increased 13%, driven by insurance business generation, mainly in the life and auto portfolios; consequently, the acquisition cost increased 25%. Technical reserves fell (4%), in line with lower inflation in the period and a contraction in the annuities market. Claims increased 10% given a larger portfolio and the effect - albeit limited - of hurricane Otis in the insurance business.

- **Service Fees**

	2023	2022
Fund Transfers	\$2,028	\$ 2,040
Account Management Fees	1,922	1,910
Electronic Banking Services	18,114	16,972
Basic Banking Services Fees	\$ 22,063	\$ 20,921
For Commercial and Government Loans	2,089	1,876
Consumer Loan Fees	7,729	6,144
Fiduciary	540	537
Mutual Funds	2,468	2,109
Trading & Financial Advisory Fees	441	572
Other Fees Charged ^{1) 3)}	(257)	190
Fees Charged on Services	\$ 35,073	\$ 32,348
Interchange Fees ²⁾	(12,580)	(10,442)
Other Fees Paid ²⁾	(5,539)	(4,863)
Fees Paid on Services	(\$ 18,119)	(\$ 15,305)
Net Service Fees	\$ 16,954	\$ 17,043

Million pesos

- 1) Includes fees from funds, warehousing services, and others.
- 2) As of 2023, card operating expenses are recorded in "Interchange Fees" and "Other Fees" within Fees Paid on Services (formerly recorded in Administrative Expenses).
- 3) As of 2023, interest charged on collateral for derivatives traded on the Chicago Stock Exchange was reclassified from the fees charged account to the interest income account.

In 2023, fees charged grew 8%, due to the boost in self-service through electronic banking services, higher advisory and structuring fees in commercial and government portfolios, as well as higher transaction volumes in consumer products, combining the operation of Banorte and Tarjetas del Futuro, and reflecting the strength of private consumption. **Fees paid grew 18% YoY**, driven by higher loan origination fees through the external sales force, an increase in trading services, and higher interchange fees. Altogether, **net service fees fell (1%)** versus 2022.

- **Trading**

	2023	2022
Currency and Metals	(\$ 7,009)	(\$ 1,602)
Derivatives	546	1,606
Negotiable Instruments	1,562	(104)
Valuation	(\$ 4,901)	(\$ 100)
Currency and Metals	7,895	4,524
Derivatives	48	(909)
Negotiable Instruments ^{1) 2)}	871	145
Trading	\$ 8,814	\$ 3,760
Trading Income	\$ 3,913	\$ 3,660

Million pesos

1. Includes other financial results.
2. As of 2023, the Expected Credit Loss of the Insurance and Annuities financial instruments portfolio are recorded in Trading Income (formerly recorded in Other Income).

Trading income grew 7% versus 2022. The result was driven by the negative valuation seen in the currency position given the appreciation of Mexican Peso/ USD Dollar exchange rate, as well as the valuation benefit resulting from a larger insurance securities position. On the other hand, the trading operation was driven by currency operations and derivative maturities.

▪ **Other Operating Income (Expenses)**

	2023	2022
Contributions to IPAB	(\$ 4,292)	(\$ 3,859)
Expenses Incurred in the Recovery of Credit Portfolio	(1,516)	(1,421)
Result for Foreclosed Assets	933	629
Lease Income	394	322
From Insurance & Annuities	501	263
Others ¹⁾	702	(483)
Other Operating Income (Expenses)	(\$ 3,278)	(\$ 4,548)

Million pesos

1. As of 2023, the Expected Credit Loss of the Insurance and Annuities financial instruments portfolio are recorded in Trading Income (formerly recorded in Other Income).

Other operating income (expense) **increased 28% versus 2022**, to (Ps 3.28 billion), due to the recording of extraordinary expenses and fiscal provisions in the BAP sector during 2022, along with a larger write-off of accounts receivable, higher income from operating leases and lower asset impairment expenses.

• **Non-Interest Expense**

	2023	2022
Personnel	(\$ 22,013)	(\$ 19,580)
Professional Fees	(3,633)	(3,603)
Administrative and Promotional ¹⁾	(6,591)	(5,858)
Rents, Depreciation & Amortization	(11,398)	(10,623)
Other Taxes	(2,753)	(2,233)
Employee Profit Sharing (PTU)	(893)	(1,507)
Other expenses	(1,300)	(1,368)
Non-Interest Expense	(\$ 48,582)	(\$ 44,772)

Million pesos.

1. As of 2023, card operating expenses are recorded in "Interchange Fees" and "Other Fees" within Fees Paid on Services (formerly recorded in Administrative Expenses).

Non-interest expenses in 2023 were (Ps 48.58 billion), expanding 9% YoY, resulting from the IT center investment, to increase redundancy and stability of the systems, as well as higher personnel expenses related to: i) inflationary adjustments on wages; ii) development of organic growth projects; and iii) incentives provisioning, in line with business generation and advanced severance payments.

- **Net Income**

	2023	2022
Operating Income	\$ 69,561	\$ 61,022
Subsidiaries' Net Income	1,413	966
Pre-Tax Income	\$ 70,974	\$ 61,988
Taxes	(17,832)	(15,963)
Net Income from Continuous Operations (100%)	\$ 53,142	\$ 46,025
<i>Minority Interest</i>	<i>(724)</i>	<i>(617)</i>
Net Income	\$ 52,418	\$ 45,408
Other Comprehensive Income		
Financial Instruments to Collect or Sell Valuation	1,417	(4,376)
Cash Flow Hedges Valuation	1,725	1,118
Defined remeasurements for employee's benefits	(81)	92
Remeasurement by result in the valuation of the unexpired risk reserve due to variation in discount rates	(7)	315
Cumulative foreign currency translation adjustment	(192)	(86)
Comprehensive Income	\$ 56,004	\$ 43,088

Million pesos

In 2023, net operating income grew 14%, with good business dynamics in the group's main subsidiaries. Net income reached Ps 52.42 billion at the end of 2023, 15% higher than 2022.

- **Stage 1 and 2 loans**

	2023	2022
<i>Mortgage</i>	\$ 253,138	\$ 226,932
<i>Car Loans</i>	42,604	32,173
<i>Credit Cards</i>	58,137	45,127
<i>Payroll</i>	74,522	67,051
Consumer	\$ 428,402	\$ 371,284
Commercial	253,015	229,126
Corporate	178,549	147,752
Government	171,961	171,720
Stage 1 and 2 loans	\$ 1,031,927	\$ 919,882
Stage 3 loans	10,890	9,973
% NPL Ratio	1.04%	1.07%

Million pesos

In 2023, the **consumer portfolio expanded 15%**, driven by a 12% rise in mortgages, with an average monthly increase of over Ps 2.1 billion in high-value customers. Payroll and credit cards grew 11% and 29%, respectively, and auto loans rose 32%. The commercial portfolio expanded 10%, reflecting dynamism in economic activity and the strategic focus on growing and monetizing relationships with SMEs. On the other hand, the government portfolio remained flat versus the previous year, influenced by credit regulatory restrictions as we approach the electoral period.

Market share position (using CNBV records as of November 2023):

Banorte reached **15.0%** of market share on stages 1 and 2 loans, ranking second in the banking system:

- **Mortgage Loans:** Banorte held a **19.6% market share**, increasing 53bps YoY, keeping the second place in the system.
- **Credit Card Loans:** Banorte decreased (22bps) **its market share** in the year, ending at **9.8%**.
- **Auto Loans:** In the year, Banorte regained 192bps market share to **22.0%**, still ranking second in the system.
- **Payroll Loans:** Banorte held a **20.2%** market share, decreasing (62bps) in the year, ranking second in the market.
- **Commercial Loans:** Market share totaled **12.2%**, (including corporate and SMEs according to the CNBV classification). Market share increased 94bps in the last 12 months, maintaining the second place in the system.
- **Government Loans:** Banorte's market share increased 70bps to **27.1%**, ranking second in the banking system.

Within the commercial portfolio, **SME stage 1 and 2 loans** were 24% higher in 2023. The NPL ratio remained unchanged during the year at 1.09%. Such performance was in line with the appropriate risk profiles for operations in this segment and the expansion in origination volume.

	2023	2022
Stage 1 and 2 loans	\$ 50,283	\$ 40,416
% of Commercial Portfolio, stage 1 and 2 loans	19.9%	17.6%
% of Total Portfolio, stage 1 and 2 loans	4.9%	4.4%
NPL Ratio	1.09%	1.09%

Million pesos

In 2023, GFNorte's corporate book is well diversified by industry and by region, showing low concentration risk. The 20 main private sector corporate borrowers accounted for 10.9% of the group's stages 1 and 2 loans, with the largest corporate exposure representing 1.2%, whereas number 20 represented 0.3%. The 20 corporates have an A1 credit rating.

Government book, stages 1 and 2, remained mostly stable in the annual comparison, with a balance of **Ps 171.96 billion**. The government portfolio is well diversified by region, showing an adequate risk profile, given that 31.7% of the portfolio is Federal Government exposure and 83% of municipal and state government loans are backed by fiduciary guarantees.

Stage 3 Loans

During the year, stage 3 loans increased Ps 918 million, impacting mainly credit card, considering the consolidation of Tarjetas del Futuro. However, the assessment and implementation of various programs continue to promote orderly portfolio growth. At an institutional level, Banorte is focused on growing with quality.

	2023	2022
Credit Card	\$ 1,968	\$ 1,108
Payroll	2,586	2,223
Car Loans	267	198
Mortgage	2,177	1,865

Commercial	3,704	4,178
Corporate	178	398
Government	11	4
Total	\$ 10,890	\$ 9,973

Million pesos

NPL ratio stood at 1.04%, still below the historical average, driven by strict loan origination controls and strong prevention, mitigation, and collection management. During the year it improved (3bps), remaining as one of the healthiest in the system.

	2023	2022
Credit Card	3.27%	2.40%
Payroll	3.35%	3.21%
Car Loans	0.62%	0.61%
Mortgage	0.85%	0.82%
Commercial	1.44%	1.79%
<i>SME</i>	1.09%	1.09%
<i>Commercial</i>	1.53%	1.94%
Corporate	0.10%	0.27%
Government	0.01%	0.00%
Total	1.04%	1.07%

- **Deposits**

	2023	2022
Non-Interest-Bearing Demand Deposits	\$ 424,912	\$ 412,119
Interest-Bearing Demand Deposits	260,650	207,440
Global Account of Deposits Without Movements	3,656	3,253
Total Demand Deposits	689,217	622,812
Time Deposits – Retail	273,207	216,787
Money Market	110,707	79,369
Total Bank Deposits	1,073,131	918,969
GFNorte's Total Deposits	1,056,418	897,192
Third Party Deposits	222,668	202,459
Total Assets Under Management	\$ 1,295,799	\$ 1,121,427

Million pesos

In 2023, total deposits reached Ps 1,056.42 billion, an annual growth of 18%. Demand deposits reached Ps 689.22 billion, in line with the institutional strategy of focusing on low-cost funding; the funding mix has remained stable, even with the current rate conditions and the accelerated portfolio expansion.

- **Capital**

Shareholders' equity in 2023 was **Ps 249.21 billion**, up 4% versus 2022. The main changes during the year were: net income of Ps 52.42 billion, dividend payments in June and October of (Ps 37.70 billion), and interest on subordinated notes of (Ps 3.99 billion).

2. Consolidated Bank

• Consolidated Income Statement

	2023	2022
Interest income ²⁾	\$ 327,638	\$ 226,642
Interest expense	(226,763)	(141,399)
NET INTEREST INCOME	100,875	85,243
Credit Provisions	(15,782)	(11,722)
NET INTEREST INCOME ADJUSTED FOR CREDIT RISK	85,093	73,521
Fees Charged ²⁾	34,985	31,163
Fees Paid ¹⁾	(17,780)	(14,975)
Trading Income	2,276	2,931
Other Operating Income (Expenses)	(4,002)	(4,831)
Non-Interest Income	15,479	14,288
Non-Interest Expense ¹⁾	(44,406)	(40,942)
OPERATING INCOME	56,166	46,867
Subsidiaries' Net Income	175	168
Pre-Tax Income	56,341	47,035
Taxes	(14,425)	(12,486)
NET INCOME BEFORE DISCONTINUED OPERATIONS	41,916	34,549
Discontinued Operations	-	-
NET INCOME FROM CONTINUOUS OPERATIONS (100%)	\$ 41,946	\$ 34,549
<i>Minority Interest</i>	<i>(30)</i>	<i>0.23</i>
NET INCOME	\$ 41,916	\$ 34,549
Other Comprehensive Income		
Financial Instruments to Collect or Sell Valuation	1,352	(4,045)
Cash Flow Hedges Valuation	1,755	1,138
Defined remeasurements for employee's benefits	(69)	113
Cumulative foreign currency translation adjustment	(154)	(71)
Comprehensive Income	\$ 44,800	\$ 31,684

Million pesos

- As of 2023, card operating expenses are recorded in "Interchange Fees" and "Other Fees" within Fees Paid on Services (formerly recorded in Administrative Expenses).
- As of 2023, interest charged on collateral for derivatives traded on the Chicago Stock Exchange was reclassified from the fees charged account to the interest income account.

The following is a breakdown of the most important items of the income statement:

- **Net Interest Income – NII**

	2023	2022
Interest income ³⁾	\$ 327,638	\$ 226,642
Interest expense	(226,763)	(141,399)
Net Interest Income	\$ 100,875	\$ 85,243
Credit Provisions	(15,782)	(11,722)
Net Interest Income Adjusted for Credit Risk	\$ 85,093	\$ 73,521
Average Earnings Assets	\$ 1,536,450	\$ 1,437,673
NIM ¹⁾	6.57%	5.93%
NIM adjusted for Credit Risk ²⁾	5.54%	5.11%

Million pesos

1. NIM (Net Interest Margin) = Net Interest Income / Average Earnings Assets.

2. NIM adjusted for Credit Risk = Net Interest Income adjusted for Credit Risk / Average Earnings Assets.

3. As of 2023, interest charged on collateral for derivatives traded on the Chicago Stock Exchange was reclassified from the fees charged account to the interest income account.

Net interest income (NII) increased 18% vs. 2022, driven by 16% higher revenues in the loan portfolio, in line with a greater pace in loan origination and portfolio mix, as well as the 75bps adjustment in the reference rate in the last 12 months. Interest expenses grew 60%, driven by the 351bps adjustment in the average reference rate TIE28d, reaching 11.40%, fostering migration into time deposits; nevertheless, funding mix remains relatively stable considering the accelerated growth of the loan book.

NIM increased 64bps in the period, to **6.57%** from 5.93%.

- **Credit Provisions**

	2023	2022
Commercial, Corporate & Government	(\$ 755)	(\$ 1,516)
Consumer	(16,752)	(12,986)
Charge offs and discounts	1,725	2,781
Credit Provisions	(\$ 15,782)	(\$ 11,722)

Million pesos

Provisions increased 35% or Ps 4.06 billion vs. 2022, in line with loan volume and origination mix. **NIM adjusted for credit risks improved 42bps** in the year, **reaching 5.54% at the end of 2023**.

- **Non- Interest Income**

	2023	2022
Net Service Fees ^{1) 2)}	\$ 17,205	\$ 16,188
Trading	2,276	2,931
Other Operating Income (Expenses)	(4,002)	(4,831)
Non-Interest Income	\$ 15,479	\$ 14,288

Million pesos

1. As of 2023, card operating expenses are recorded in "Interchange Fees" and "Other Fees" within Fees Paid on Services (formerly recorded in Administrative Expenses).
2. As of 2023, interest charged on collateral for derivatives traded on the Chicago Stock Exchange was reclassified from the fees charged account to the interest income account.

Fees charged increased 12% vs. 2022, driven by higher transactional volume in consumer products and affiliated businesses, reflecting the strength of private consumption, and the increase in the fee scheme paid by Seguros Banorte to the bank for products' placement through bancassurance. **Fees paid expanded 19%**, mainly due to higher interchange fees given increasing transactional volumes, higher fees for loan origination through the external sales force, and an increase in trading services. As a result, **net fees increased 6% compared to 2022**.

Trading income fell (22%) in the annual comparison, due to the negative effect on the valuation of currencies, due to the volatility of the exchange rate, mainly in the U.S. dollar.

Other operating income (expense) improved Ps 830 million compared to 2022, mostly explained by the impact of extraordinary expenses recorded in the first quarter of 2022, within "other items", and by higher revenues from the sale of loan portfolios.

Overall, **non-interest income expanded 8% vs. 2022**.

- **Non- Interest Expense**

	2023	2022
Personnel	(\$ 19,598)	(\$ 17,513)
Professional Fees	(3,154)	(3,076)
Administrative and Promotional ¹⁾	(6,578)	(5,883)
Rents, Depreciation & Amortization	(10,863)	(10,065)
Other Taxes	(2,418)	(1,946)
Employee Profit Sharing (PTU)	(770)	(1,415)
Other expenses	(1,027)	(1,045)
Non-Interest Expense	(\$ 44,406)	(\$ 40,942)

Million pesos.

1. As of 2023, card operating expenses are recorded in "Interchange Fees" and "Other Fees" within Fees Paid on Services (formerly recorded in Administrative Expenses).

Non-interest expenses grew 8% during the year, given higher personnel expenses linked to organic growth, inflationary adjustments on wages, as well as higher investments in IT projects, to increase redundancy in the systems. All in, the **efficiency ratio stood at 38.2% at the end of 2023**.

- **Stage 1 and 2 loans**

	2023	2022
<i>Mortgage</i>	\$ 253,139	\$ 226,932
<i>Car Loans</i>	42,602	32,170
<i>Credit Cards</i>	58,137	45,127
<i>Payroll</i>	74,522	67,051
Consumer	\$ 428,400	\$ 371,281
Commercial	229,913	210,158
Corporate	184,752	149,392
Government	164,035	165,940
Stage 1 and 2 loans	\$ 1,007,100	\$ 896,771
Stage 3 loans	10,006	9,143
Total loan portfolio	\$ 1,017,105	\$ 905,914
% NPL Ratio	0.98%	1.01%

Million Pesos

At the end of 2023, stage 1 and 2 portfolios stood at **Ps 1,007.1 billion**, growing 12% in the year. The consumer portfolio stands out for the good activity in the mortgage and credit card portfolios, where Tarjetas del Futuro is consolidated. Stage 3 portfolio ended the year at Ps 10.01 billion, bringing the NPL ratio to 0.98%, a historically low level.

- **Deposits**

	2023	2022
Non-Interest-Bearing Demand Deposits	\$ 424,912	\$ 412,119
Interest-Bearing Demand Deposits	260,650	207,440
Global Account of Deposits Without Movements	3,656	3,253
Total Demand Deposits	689,217	622,812
Time Deposits – Retail	273,207	216,787
Money Market	110,707	79,369
Total Bank Deposits	\$ 1,073,131	\$ 918,969

Million pesos

The bank's total deposits amounted to **Ps 1,073.13 billion** at the end of 2023, 17% higher than 2022. Time deposits expanded 26% during the year, while demand deposits grew 11%; the annual increase in interest-bearing demand deposits of 26% was noteworthy for the period.

Money market operations grew 39% in 2023.

- **Capital**

Shareholders' equity in 2023 was **Ps 150.97 billion**, a 4% increase vs. 2022. The main changes during the year were: net income of Ps 41.92 billion, (Ps 31.00 billion) from dividend payments, and (Ps 4.06 billion) from interest on subordinated notes.

3. Brokerage

	2023	2022
Net Income	\$ 751	\$ 1,649
Stockholders' Equity	4,475	5,779
Total Assets	250,929	217,602
Assets Under Management	1,161,116	1,009,825

Million pesos.

The Brokerage Business (Casa de Bolsa Banorte and Operadora de Fondos) reported a **Net Income of Ps 751 million** in 2023, a (54%) YoY reduction, affected by higher interest expenses.

In 2023, the earnings of the Brokerage Business represented 1.4% of the Group's total profit.

- **Assets Under Management**

At the end of 2023, **Assets Under Management** totaled **Ps 1,161 billion**, growing 15% YoY.

Assets under management by mutual funds totaled **Ps 288 billion** at the end of December 2023, representing a **21.4%** annual increase. Assets held in **fixed income funds** amounted to **Ps 264 billion**, 22.0% higher in the year. Assets held in **equity funds** amounted to **Ps 24 billion**, expanding 15.0% in the year, as of December 2023.

As of December 2023, Banorte held an 8.5% share of the mutual fund market, comprised of 10.3% share in fixed income funds and 2.9% in equity funds.

4. Long-Term Savings

The following figures correspond to what was reported in the Financial Statements of each company. The total sector figures are not consolidated figures, as they include eliminations. See note 32 of the Audited Financial Statements.

	2023	2022
Long-Term Savings Sector		
Net Income	\$ 8,155	\$ 7,509
Stockholders' Equity	36,052	34,535
Total Assets	336,777	303,746
Seguros Banorte*		
Net Income	\$ 5,635	\$ 4,781
Stockholders' Equity	24,736	23,280
Total Assets	81,305	66,537
Afore XXI Banorte¹⁾		
Net Income	\$ 2,455	\$ 1,604
Stockholders' Equity	24,866	24,030
Total Assets	26,740	25,989
AUM ²⁾	1,168,122	1,056,391
Pensiones Banorte		
Net Income	\$ 2,470	\$ 2,733
Stockholders' Equity	11,054	11,101
Total Assets	255,805	237,428

Million pesos.

1. Figures 100%

2. Source: CONSAR

* Consolidated Seguros: Includes Seguros and Afore XXI (50%)

- **Seguros Banorte**

Net Interest Income increased 65% in 2023, mainly due to higher instruments' valuation and interests.

Premium income was 34% higher in 2023, related to new client acquisition, especially in the life and auto segments, as well as the commercial focus in the sale of flexible products. As a result, technical reserves went up 228%, mainly due to higher flexible product sales, which are a 100% reserved. Good business performance is maintained, especially in the bancassurance business, expanding at double digits YoY.

Damages and Claims grew 8% YoY, given the business growth and claims' mix in the portfolio, with lower claims in life and higher in auto and medical expenses.

By the end of 2023, claims registered under damages and auto related to Hurricane Otis amounted to Ps 398 million; nevertheless, the reinsurance programs mitigated the effect of net claims at Ps 94 million. Even if the process continues to adjust claims, such figure is the maximum exposure we will have to the event and was fully recognized at the end of 2023.

Net Operating Income grew 13% in the year, driven by higher yields and instruments' valuation, along with business growth, which offset higher costs given the changes in the intercompany fee scheme.

Net Income for Seguros Banorte expanded 18% YoY; excluding its subsidiary Afore XXI Banorte, it totaled **Ps 4.43 billion** in 2023, increasing 11% YoY.

Net Income for Seguros Banorte, excluding its subsidiary Afore XXI Banorte, accounted for 8.5% of GFNorte's net income in the year.

ROE for the Insurance business, excluding Afore XXI, stood at 49.4% in 2023.

Regarding the disclosure requested by the General Provisions applicable to Financial Groups' holding companies, for this reporting period:

- i. Risks assumed through the issuance of insurance premiums and bonds, with respect to operations and authorized branches of cancelled operations.
 - *No cancellations were registered 2023 that involved any technical risk.*
- ii. Damages and claims, as well as compliance of reinsurers and bonding companies with their obligations.
 - *In 2023 damage ratios remained under control and reinsurers complied with their obligations.*
- iii. Costs generated from issuance of insurance policies and bonds.
 - *There were no relevant events to disclose in 2023.*
- iv. Transfer of risks through reinsurance and bonding contracts
 - *In the Life and Damages book, risks were transferred to reinsurers, for the most part to foreign reinsurers.*
- v. Contingencies arising from non-compliance of reinsurers and bonding companies.
 - *There were no relevant issues related to non-compliance during 2023.*

- **Afore XXI Banorte**

In 2023, **Afore XXI Banorte** reported **net income of Ps 2.46 billion**, expanding 53% YoY, given higher yields from financial products, an increase in assets under management, and the effect of the extraordinary expenses' recognition in 2022.

ROE for 2023 reached 10.3%, growing 354bps YoY. Afore XXI Banorte's net income represented 2.3% of the Group's earnings in the year.

In 2023, Afore XXI Banorte's **Assets Under Management** totaled **Ps 1,168 billion**.

- **Pensiones Banorte**

In 2023, **Net Interest Income** amounted to **Ps 20.02 billion**, declining (17%) or (Ps 4.05 billion), out of which (Ps 5.45 billion) were driven by the valuation effect of inflation-indexed securities (UDIS), despite Ps 1.40 billion higher interest income.

Technical results rose Ps 3.63 billion given (30%) fewer reserves due to the inflation update and pensioners deposits; in the year, the market contracted (9.4%). The latter offset higher claims vs. 2022, resulting from portfolio growth, annual annuities update, and the effect of an extraordinary reserves' release and mortality in 2022.

Net Income for Pensiones Banorte **stood at Ps 2.47 billion**, decreasing (10%) YoY given the effect of the extraordinary reserves' release in 2022. Net income of the business represented 4.7% of the Financial Group's net income in 2023.

ROE stood at **22.7%** by the end of **2023**.

5. SOFOM and Other Finance Companies

The following figures correspond to what was reported in the Financial Statements of each company. The total sector figures are not consolidated figures. See *note 32 of the Audited Financial Statements*.

	2023	2022
SOFOM and Other Finance Companies		
Net Income	\$ 779	\$ 663
Stockholders' Equity	13,929	12,544
Total Portfolio	44,546	36,328
Stage 3 Loans	885	830
Loan Loss Provisions	(854)	(726)
Total Assets	59,086	49,536
Leasing and Factoring ¹⁾		
Net Income	\$ 665	\$ 598
Stockholders' Equity	11,211	10,540
Total Portfolio	44,496	36,328
Stage 3 Loans	885	830
Loan Loss Provisions	(854)	(726)
Total Assets	54,692	46,219
Warehousing		
Net Income	\$ 51	\$ 36
Stockholders' Equity	378	327
Inventories	938	975
Total Assets	1,793	1,488
Banco Bineo ²⁾ (before Ixe Servicios)		
Net Income	\$ 63	\$ 30
Stockholders' Equity	2,339	1,677
Total Assets	2,602	1,828

Million pesos

- Includes portfolio of assets under pure lease and assets in own fixed assets recorded in real estate, furniture, and equipment (net).
- On November 29th, 2022, shareholders of Ixe Servicios, S.A. de C.V. adopted unanimous resolutions outside the shareholders' meeting, through which it was agreed to modify its corporate name to Banco Bineo, S.A., Institución de Banca Múltiple, Grupo Financiero Banorte. The protocolization of the respective resolutions were registered in the Public Registry of Commerce on January 3rd, 2023, prior authorization from the National Banking and Securities Commission.

- **Leasing and Factoring (Merger between Sólida and Arrendadora)**

In 2023, **net income** totaled **Ps 665 million, growing 11% YoY**, driven by higher charged fees and other operating income, related to a decrease in asset deterioration registration and higher income in operative leasing.

Non-performing loan ratio, reached **2.0%** in 2023. **Capital Ratio** totaled **28.5%**, considering **Total Risk-Weighted Assets** of **Ps 34.83 billion**. **Leverage Ratio** for December 2023 was **17.0%**, considering **Adjusted Assets** of **Ps 58.38 billion**.

In 2023, **Net Income** from **Leasing and Factoring** represented **1.3%** of the Group's total results.

As of September 2023, Arrendadora y Factor Banorte ranks 1st place in terms of portfolio size among the 61 companies in this sector, according to the Asociación Mexicana de Sociedades Financieras de Arrendamiento, Crédito y Factoraje, A.C. (AMSOFAC).

- **Warehouse**

In 2023, the **Warehousing Business** reported a **net income** of **Ps 51 million**, growing **44% YoY**. **ROE** reached **14.6%** and the **Capital Ratio** reached **132.9%**, considering a Ps 378 million equity. Negotiable Certificates of Deposit issued in active warehouses totaled Ps 2.39 billion.

Almacenadora Banorte ranked 3rd place in the sector in terms of net income at the end of September 2023.

B) Financial situation, Liquidity and Capital resources**GFNorte's Equity**

	2023	2022
Paid-in Capital	14,988	14,955
Share Subscription Premiums	47,648	48,440
Subscribed Capital	62,636	63,395
Capital Reserves	33,885	33,342
Retained Earnings	155,928	145,218
Comprehensive Income		
Financial instruments to collect or sell valuation	(1,411)	(2,783)
Cash flow hedges valuation	181	(1,544)
Defined remeasurements for employee's benefits	(1,947)	(1,866)
Remeasurement by result in the valuation of the unexpired risk reserve due to variation in discount rates	189	196
Cumulative foreign currency translation adjustment	(108)	84
Earned Capital	186,717	172,647
Minority Interest	(148)	2,989
Total Shareholders' Equity	\$249,205	\$239,031

Million pesos

Consolidated Bank's Equity

	2023	2022
Paid-in Capital	18,795	18,795
Share Subscription Premiums	4,500	4,651
Subscribed Capital	23,295	23,446
Capital Reserves	18,959	18,959
Retained Earnings	115,000	108,126
Comprehensive Income		
Financial instruments to collect or sell valuation	(969)	(2,326)
Cash flow hedges valuation	183	(1,572)
Defined remeasurements for employee's benefits	(1,993)	(1,924)
Cumulative foreign currency translation adjustment	(191)	(37)
Earned Capital	130,989	121,226
Minority Interest	(3,318)	5
Total Shareholders' Equity	\$150,966	\$144,677

Million pesos

Banco Mercantil del Norte's Capitalization Ratio

	Dec-23	Dec-22
Tier 1 Capital	193,590	191,574
Tier 2 Capital	2,229	3,349
Net Capital	\$195,819	\$194,923
Credit Risk Assets	672,465	629,486
Market & Operational Risk Assets	274,128	223,737
Total Risk Assets	\$946,593	\$853,223
Net Capital / Credit Risk Assets	29.12%	30.97%
Capitalization Ratio		
Tier 1	20.45%	22.45%
Tier 2	0.24%	0.39%
Total Capitalization Ratio	20.69%	22.85%

Million pesos.

Banorte has fully adopted the capital requirements established to date by Mexican authorities and international standards, so-called Basel III, which came into effect in January 2013.

In 2023, Banorte was confirmed as Level II - Systemically Important Financial Institution, which implies that Banorte must maintain a 0.90 pp capital buffer. Therefore, starting on December 2019, the minimum Capital Adequacy Ratio required for Banorte is 11.40% (corresponding to the regulatory minimum of 10.5% plus the 0.90 pp capital supplement), which includes a minimum requirement of Core Equity Tier 1 (CET1) of 7.90%.

Banorte, as a Systemically Important Financial Institution, is subject to the net capital supplement TLAC (Total loss-absorbing capacity) incorporated in the regulation during 2021, and effective as of December 2022, with annual increases of 1.65 pp, up to 6.5 pp in December 2025, taking the minimum Capital Adequacy Ratio required for Banorte to 17.90% from 11.40%.

CAR decreased (2.16 pp) vs. 2022 due to the following effects:

	2023 vs 2022
	<u>-2.16pp</u>
1. Net Income in the period	+4.47 pp
2. Securities' mark-to-market valuation and Hedging Derivatives (1)	+0.25 pp
3. Other Capital Effects (2)	-0.10 pp
4. Effects in Risk Assets – Market	-0.19 pp
5. Effects in Risk Assets – Credit (Others) (3)	-0.31 pp
6. Effects in Risk Assets – Credit	-0.77 pp
7. Effects in Risk Assets – Operation (4)	-0.99 pp
8. Capital Notes (5)	-1.32 pp
9. Dividend to the Financial Group	-3.20 pp

(1) Includes hedging derivatives on positions that are not marked to market.

(2) Includes employee actuarial reserve effects and variation of permanent and intangible investments.

(3) Includes issuer's risk, committed credit lines, and other assets.

(4) Includes effect of the Business Indicator Method's implementation, with a negative impact of (0.90 pp).

At the end of 2023 the estimated Capital Adequacy Ratio (CAR) for Banorte was 20.69% considering credit, market, and operational risks, and 29.12% considering only credit risk. The Core Equity Tier 1 reached 14.72%. The above classifies the institution in Level I of capitalization under CNBV classification.

CASH FLOW STATEMENT

The cash flow statement reveals cash available to the institution at a certain point in time in order to meet its obligations with creditors. The structure of the cash flow statement provides details of the cash generated by the operation, and uses of resources for net financing and the investment program. As of December 2023, available cash amounted to Ps 100.23 billion, (7.41%) lower than the Ps 108.25 billion registered in December 2022.

GFNorte's Cash Flow Statement

	2023	2022
Operation activities		
Net income before taxes	\$70,974	\$61,988
Adjustments for items associated with investing activities		
Depreciation in property, furniture, and equipment	3,685	3,564
Amortization of intangible assets	800	804
Participation in the net income of other entities	(1,413)	(966)
Adjustments for items associated with financing activities:		
Interest associated with interbank loans and loans from other organizations	3,214	2,296
Interest associated with financial instruments that qualify as a liability	2,530	1,100
	8,816	6,798
Changes in operating items:		
Change in margin accounts (derivative financial instruments)	560	2,522
Changes in investments in securities (net)	(82,540)	(66,690)
Changes in debtor balances under repurchase and resale agreements (net)	(18,779)	32,767
Change in derivative financial instruments (asset)	6,744	(8,720)
Change in loan portfolio (net)	(111,664)	(99,739)
Change in acquired collection rights (net)	(440)	382
Changes in debtors of insurance and surety companies	(700)	324
Changes in reinsurance and surety agencies (net)	(372)	2,050
Changes in merchandise inventory	37	51
Change in other accounts receivable (net)	(1,834)	(9,985)
Change in foreclosed assets	(1,920)	(1,088)
Cambio in deposits	159,226	98,166
Change in technical reserves	29,731	28,736
Change in interbank and other loans	(7,277)	(4,579)
Change in creditor balances under repurchase and sale agreements	11,773	202,562
Collateral sold or pledged	15,583	(188,968)
Change in liability position of derivative financial instruments	(7,586)	6,678
Changes in reinsurance and surety agencies (net) (liability)	650	(785)
Change in hedging instruments related to operations	(2,560)	(2,297)
Change in assets/liabilities for employee benefits	1,848	1,512
Change in other accounts payable	3,497	25,444
Income tax payments	(21,855)	(10,524)
Net cash flows from operating activities	51,912	76,605
Investment activities:		
Payments for acquisition of property, furniture, and equipment	(9,064)	(11,791)
Proceeds on disposal of property, furniture, and equipment	3,940	962
Payment on acquisitions of subsidiaries, joint ventures, and associated companies	(94)	(914)
Charges for cash dividends	954	1,817
Net cash flows from investing activities	(4,264)	(9,926)

Financial activities:

Lease liability payments	(362)	(1,018)
Payments associated with financial instruments that qualify as capital	(3,988)	(4,768)
Dividends paid in cash	(37,704)	(34,283)
Payments associated with the repurchase of own shares	-	(1,042)
Payments associated with financial instruments that qualify as a liability	(13,090)	(15,693)
Interest payments for lease liability	(379)	(408)
Net cash flows from financing activities	(55,523)	(57,212)
Net increase or decrease in cash and cash equivalents	(7,875)	9,467
Effects of changes in the value of cash and cash equivalent	(149)	(55)
Cash and cash equivalents at the beginning of the period	108,254	98,842
Cash and cash equivalents at the end of the period	\$100,230	\$108,254

Million pesos

DIVIDENDS

By resolution of the Ordinary General Shareholders' Meeting held on April 30, 2019, it was approved to amend GFNorte's Dividend Policy so that the dividend payment be a percentage in accordance with the following:

1. Payment between 16% and up to 50% of the net income of the previous year.

For reference, the former Dividend Policy stated the following:

- a) By resolution of the Ordinary General Shareholders' Meeting held on November 19, 2015, it was approved to amend GFNorte's Dividend Policy so that the dividend payment be a percentage in accordance with the following:

1. Payment between 16% and up to 40% of the net income of the previous year.

- b) By resolution of the Ordinary General Shareholders' Meeting held on October 17, 2011, the dividend payment was disbursed according to the following:

1. 16% of recurring net income in case profit grows between 0% and 10% during the year.
2. 18% of recurring net income in case profit grows between 11% and 20% during the year.
3. 20% of recurring net income in case profit grows more than 21% during the year.

POLICIES GOVERNING TREASURY ACTIVITIES OF THE FINANCIAL GROUP**Regulatory Framework**

All operations carried out by the Treasury will be executed in strict accordance with regulations established by the Banking Institution's regulatory authorities, such as the Central Bank (BANXICO), the National Banking and Securities Commission (CNBV), the Ministry of Finance and Public Credit (SHCP), as well as those set forth in the Law of Credit Institutions.

Moreover, the Treasury is subject to policies regarding liquidity, market, and counterparty credit risk management, established by the Risk Policy Committee (CPR) and which are set according to limits established annually to the following operation parameters:

Market Risk:

- VaR (Value at Risk)
- DV01 (sensitivity by security, term, and currency)

Liquidity Risk:

- LCR (Liquidity Coverage Ratio)

- ACLME (Regime of liabilities admission and investment in foreign currency and regime of FX risk position)
- NSFR (Net Stable Funding Ratio)
- Survival horizon

Credit Risk:

- Counterparty Lines.

Capital Management:

- Tier 1, Core Tier 1, and Net Capital (these are monitoring thresholds, the Treasury will set mechanisms to the extent that the Bank or any of its subsidiaries approaches the limits established by the CPR).

Treasury Management

To maintain a prudent strategy in the asset & liability management through stable funding sources, constitute and maintain liquid assets at optimum levels, the Treasury applies the following guidelines:

1. Diversification of funding sources in national and international markets.
2. Structure liabilities in such a way as to avoid the accumulation of maturities that significantly influence the administration and control of the Treasury's resources.
3. Ensure liquidity by tapping mid and long-term liabilities.
4. Manage and maintain liquid assets to total assets considering its effects on profitability and liquidity needs.
5. Determine and propose the Transfer Costs Policy according to the current business plan.

Treasury's Funding sources

Sources of financing for the Treasury are classified as follows:

1. Public:
 - Demand Deposits
 - Retail Deposits
2. Market:
 - Commercial paper
 - Cross Currency Swaps
 - Securitizations
 - Deposit Certificates
 - Issuance Programs
 - Bank Loans
3. National Banks and Development Funds:
 - National Banks
 - Funds
4. Correspondent Banks:
 - Foreign Banks
5. Available credit lines: (not disposed)
 - Commercial paper
 - Call Money
 - Correspondent banks

Through diverse long-term financing programs, proposals are analyzed and implemented to consolidate the debt profile.

The Treasury, in coordination with the Risk Management department, continuously monitors compliance with the Liquidity Coverage Ratio limits established by the CPR and authorities.

PAID AND DEFERRED TAX

Concept	As of December 31, 2023
Income Tax (ISR)	17,323
Employee Profit Sharing (PTU)	893
Updated caused taxes	0
Deferred ISR & PTU	397
Updated deferred taxes	0
Total	\$18,613

Million pesos

Temporary Asset Differences	ISR	PTU	Net
Allowance for potential loan losses	577		577
Fiscal losses	307	0	307
Reserves for loan losses	5,232	0	5,232
Excess of tax over book value of foreclosed and fixed assets	1,073	0	1,073
Caused and deductible Employee Profit Sharing	393	0	393
Fees collected in advance	1,245	0	1,245
Accounting provisions	1,853	0	1,853
Other items	91	0	91
Total Assets	\$10,771	\$0	\$10,771

Million pesos

Temporary Liability Differences	ISR	PTU	Neto
Excess of tax over book value of foreclosed and fixed assets	(342)	0	(342)
Portfolio acquisition	(402)	0	(402)
Capitalized projects' expenses	(7,087)	0	(7,087)
Valuation of Financial Instruments	(4,404)	0	(4,404)
Anticipated contributions to the pension fund	(2)	0	(2)
Intangible Assets	(301)	0	(301)
Deferred derived from purchase method on IXE acquisition	(6)	0	(6)
Other liabilities	(65)	0	(65)
Total liabilities	(\$12,609)	\$0	(\$12,609)

Assets (Liabilities) Accumulated Net	(\$1,838)	\$0	(\$1,838)
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Million pesos

GFNorte recognizes the effect of deferred taxes determined under the assets and liabilities method, in accordance with NIF D-4 "Income Tax", through a comparison of their accounting and fiscal values. Temporary differences arise from this comparison to which the corresponding tax rate was applied.

On the other hand, employee profit sharing (PTU) is determined using the guidelines established by the Mexican Political Constitution (*Constitución Política de los Estados Unidos Mexicanos*), so deferred taxes are not generated.

The net effect of all the aforementioned operations is shown in the Balance Sheet under assets entitled "Deferred Taxes".

The deferred taxes for each subsidiary as of December 31, 2023, are as follows:

Deferred Taxes	As of December 31, 2023
Banco Mercantil del Norte S.A.	(882)
Grupo Financiero Banorte S.A.B. de C.V.	(6)
Arrendadora y Factor Banorte S.A. de C.V.	826
Banorte Ahorro y Previsión S.A. de C.V.	(1,637)
Casa de Bolsa Banorte, S. A. de C. V.	(134)
Almacenadora Banorte S.A. de C.V.	8
Banco Bineo (formerly Ixe Servicios)	(25)
Operadora de Fondos	12
Total	(\$1,838)

Million pesos

TAX CREDITS OR DEBTS

The tax credits listed below are currently in litigation:

	As of December 31, 2023
AFORE XXI	\$2
<i>Loan # 4429309391 Payroll Tax of the state of Coahuila</i>	2
PENSIONES BANORTE	
Fiscal Credit year 2014	\$364
Seguros Banorte, SA de CV	
Fiscal Credit year 2014	\$1,185
Seguros Banorte, SA de CV	
Fiscal Credit year 2015	\$1,377
Seguros Banorte, SA de CV	
Fiscal Credit year 2017	\$2,119

Million pesos

C) Internal Control

For GFNorte, internal control is a shared responsibility among all of its constituents; therefore, the Board of Directors, other Corporate Governance entities, the senior management team, and each one of its executives and employees are part of the Internal Control System (ICS).

ICS is the general framework set forth by the Board of Directors with the objective of reaching institutional objectives through policies and monitoring activities and procedures, which have a positive impact on risk management, on the trustworthiness of financial information being generated, and on regulatory compliance.

ICS establishes the objectives and general guidelines which provide a framework to activities and responsibilities applicable to all personnel in charge of origination, operational processing, and execution. Such activities are monitored by teams specialized in risk monitoring and in mitigating controls.

ICS is structured around three defense lines:

- A. **First.** The owners of support and business processes, who are ultimately responsible for the primary internal control function in their activities.
- B. **Second.** Risk, Credit, Legal and Comptroller departments, which provide permanent control and monitoring support, and
- C. **Third.** Internal Audit, which with the independence granted by its direct line of report to the Internal Audit and Corporate Practices Committee, supervises all activities and the adequate development of all functions across all areas.

At GNorte, we are convinced that having an adequate control environment is yet another competitive advantage that drives our growth and solid presence in the domestic financial market. Therefore, all executives and employees perform their daily activities with discipline as well as with strict adherence to the norm; following a philosophy of getting things done right the first time without having to rely on reviews that might be carried out by other areas.

During 2023, there was a continuous development of activities related to strengthening control, risk evaluation and management, establishment and monitoring of controls, and quality of information assurance, highlighting the following:

- A. The various Corporate Governance Committees have had the required financial, economic, accounting and/or legal information for proper decision-making.
- B. Corporate Governance documents related to Internal Control were reviewed, updated, and submitted through the CAPS for the Board of Directors' approval.
- C. Frameworks containing policies and procedures remained updated for changes in external regulations, new products and services, and changes in the Institution's processes or improvements to internal controls.
- D. Requests from different internal areas regarding internal control matters were addressed, both in support of the development of new institutional projects, as well as with those that derive from regulatory changes.
- E. GFNorte's business and operating support processes were constantly monitored through the Business Process and Management Comptrollers. They issued periodic compliance reports and identified areas of opportunity for their appropriate remediation.
- F. Various activities regarding internal accounting control were carried out in line with the work plan established at the beginning of the year.

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- G. Effectiveness tests related to the Business Continuity Plan were carried out in accordance with the calendar dates and scope, approved by the corresponding Corporate Governance Committee in this matter.
 - H. We continued to monitor the improvement initiatives derived from the observations made by the different Authority members regarding the operation of payment methods SPID, SPEI, and CoDi.
 - I. Transaction monitoring of client's accounts continued for the detection of possible operations that, due to its characteristics, might be related to money laundering and financing of terrorism.
 - J. Different actions were carried out to ensure the proper processing of personal data, maintaining the comprehensive compliance certification by an evaluating institute approved by the INAI.
 - K. The Information Security Officer (CISO) submitted to GFNorte's CEO for authorization the Master Plan, carrying out its functions on the basis of the Plan, reporting the findings and details of the activities carried out to the CEO and the corresponding Corporate Governance Committees, while maintaining a matrix coordination with the Comptroller as part of the SCI.
 - L. Continued follow-up of the improvement actions regarding the observations made by the different members of the SCI.
 - M. Requirements of the Supervisory Authorities were answered, and the information requirements required by the external regulation were fulfilled. In addition, ordinary inspector visits from the Authorities were attended and follow-ups in remediation from the resulting recommendations have been fulfilled.

II. Main Transactions and Intragroup Exposure

OPERATIONS WITH RELATED PARTIES AND CONFLICTS OF INTEREST

In Banco Mercantil del Norte, GFNorte's main subsidiary, the portion of the loan portfolio operated with related individuals and companies, does not exceed the established limit of 35% of the Tier 1 Capital for December 2023 and 2022.

	Banorte	
	Dec-23	Dec-22
Portfolio Art. 73 Banorte	Ps 22,105	Ps 17,251
Portfolio Art. 73 / Tier 1 Capital	11.2%	9.3%
Portfolio Art. 73 / Limit established of Tier 1 Capital	31.9%	26.6%

Million Pesos

The granted loans are under the limit set forth by the LIC.

As of **December 31, 2023**, total loans granted to related parties, under Article 73 of the Law of Credit Institutions, was Ps 22.11 billion (including Ps 2.58 billion in Letters of Credit "CC", which are registered in memorandum accounts), representing 2.2% of Banorte's total loan portfolio (excluding the balance of CC). Out of the total related loans balance, Ps 11.95 billion were loans granted to clients linked to Members of the Board of Directors, and Ps 10.16 billion were linked to companies related to GFNorte. At the end of December 2023, there were no loans granted to clients related to shareholders.

In accordance with Article 73 of the Law for Credit Institutions, the balance of GFNorte's related party loan portfolio for individuals and corporations at the end of December 2023 was 11.2% of Core Equity.

Related party loans have been granted under market conditions and rated in accordance with the policies, procedures, and rating systems applicable to the rest of GFNorte's loan portfolio based on the general dispositions applicable to credit institutions regarding rating of loan portfolios issued by CNBV. Additionally, 93% of the related party loans are rated in Category "A", and most of these loans were classified as commercial loans.

As of **December 31, 2022**, total loans granted to related parties, under Article 73 of the Law of Credit Institutions, was Ps 17.25 billion (including Ps 1.82 billion in Letters of Credit "CC", which are registered in memorandum accounts), representing 1.9% of Banorte's total loan portfolio (excluding the balance of CC). Out of the total related loans balance, Ps 16.42 billion were loans granted to clients linked to Members of the Board of Directors, and Ps 834 million were linked to companies related to GFNorte. At the end of December 2022, there were no loans granted to clients related to shareholders.

In accordance with Article 73 of the Law for Credit Institutions, the balance of GFNorte's related party loan portfolio for individuals and corporations at the end of December 2022 was 9.3% of Core Equity.

Related party loans have been granted under market conditions and rated in accordance with the policies, procedures, and rating systems applicable to the rest of GFNorte's loan portfolio based on the general dispositions applicable to credit institutions regarding rating of loan portfolios issued by CNBV. Additionally, 100% of the related party loans are rated in Category "A", and most of these loans were classified as commercial loans.

III. Board of Directors

The Board of Directors of Grupo Financiero Banorte, S.A.B. de C.V. is made up of 14 Regular Directors, and when appropriate their respective Alternates; out of which, 9 are independent. Alternate Directors can only replace their respective Regular Director in the event of a temporary vacancy, in the understanding that Alternates of Independent Regular Directors have the same capacity.

Frequency of sessions: The Board meets every quarter and, under extraordinary circumstances, at the request of the Board's Chairman, 25% of Regular Directors, or the respective Chairmans of the Corporate Practices and Audit Committees, respectively.

Quorum: 51% of the Board Members, including at least one Alternate Director.

- All Regular Directors of the Board have voice and vote in the meetings.
- In the absence of a Regular Director the Alternate is entitled to vote, and his/her presence is considered part of the required quorum.
- When a Regular Director is present, the Alternate is not entitled to vote, and his/her presence is not considered part of the required quorum.
- Decisions are made by the majority vote of those present.

The Board of Directors was approved during the Annual General Shareholders' Meeting held on April 21, 2023. It is comprised by the following Members:

NAME	POSITION	WITH THE COMPANY SINCE	PROFESSIONAL BACKGROUND
Carlos Hank González	Chairman of the Board of Directors Regular Director	October 2014	<ul style="list-style-type: none"> • He is Vice Chairman of the Board of Directors at Gruma. • He is a Member of the Board of Directors of the Mexican Stock Exchange. • He is an Independent Member of the Board of Directors of Televisa. • He is Chairman of the Board of Directors of Cerrey. • He is CEO of Grupo Hermes. • He was CEO of Grupo Financiero Interacciones, and Interacciones Casa de Bolsa. • He was Deputy Managing Director of Grupo Financiero Banorte. • He has a degree in Business Administration, from Universidad Iberoamericana.
Juan Antonio González Moreno	Regular Director	April 2004	<ul style="list-style-type: none"> • He is Chairman of the Board and CEO of Gruma and Gimsa. • He has been the Managing Director of Gruma Asia and Oceania, Senior Vice Chairman of Special Projects of Gruma Corporation, Chairman of the Board and CEO of CarAmigo USA,

NAME	POSITION	WITH THE COMPANY SINCE	PROFESSIONAL BACKGROUND
			<p>Vice Chairman of Central and East Regions of MissionFoods, as well as Chairman and Vice Chairman of sales of Azteca Milling.</p> <ul style="list-style-type: none"> • He graduated in Business Management from Universidad Regiomontana and holds an MBA from the University of San Diego.
David Juan Villarreal Montemayor	Regular Director	October 1993	<ul style="list-style-type: none"> • CEO and major shareholder of Artefactos Laminados, S. A. de C.V. • He is Chairman of the Board of Directors and Deputy Managing Director of Inmobiliaria Montevi, S.A. de C.V. and Inmobiliaria Monyor S.A. de C.V. • He is a Regional Advisor of Banco Nacional de México, S.A. (Banamex) and Financial Advisor and Business Developer for SISMEX, Sistemas Mexicanos S.A. de C.V. • He is a Mechanical and Electrical Engineer from Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM), holds a Master's Degree in Science of Automatic Controls from the same institution. He participated in the Advanced Management program from Instituto Panamericano de Alta Dirección (IPADE).
José Marcos Ramírez Miguel	Regular Director	April 2015	<ul style="list-style-type: none"> • CEO of Grupo Financiero Banorte and Banco Mercantil del Norte. • He has been the Head of Wholesale Banking as well as Chief Corporate Officer at Grupo Financiero Banorte. • He was Chairman of Asociación Mexicana de Intermediarios Bursátiles. He also worked at Nacional Financiera, S.N.C., Banque Nationale de Paris, and Banque Indosuez México. Founded Finventia and served as an interdisciplinary consultant at Peat Marwick México.

NAME	POSITION	WITH THE COMPANY SINCE	PROFESSIONAL BACKGROUND
			<ul style="list-style-type: none"> • He was CFO, Managing Director of Wholesale Banking, Managing Director of Santander Brokerage, and Executive Vice Chairman of Grupo Financiero Santander. • He holds a Bachelor's Degree in Actuarial Science from Universidad Anahuac, a Post-graduate Degree in Finance from Instituto Tecnológico Autónomo de México (ITAM) and an MBA from E.S.A.D.E. in Barcelona, Spain.
Carlos de la Isla Corry	Regular Director	April 2020	<ul style="list-style-type: none"> • He is Director of the Chairman's Office in Grupo Hermes. • He was Managing Director of Risk and Credit Administration of Grupo Financiero Banorte. • He was Director of Administration and Finance of Hermes Group from 2003 to 2014, responsible for the corporate industry, including tourism, transportation, construction, and concessions' operations. He was Member of the Board of Directors of the Industrial Group. • He was a Member of the Board of Directors of the companies in Grupo Financiero Interacciones. • He also served as Chairman of the Credit Committee of Banco Interacciones and in the Financial Group as Chairman of the Risk Committee and Member of the Audit, Compensations, and Corporate Practices Committees. • He is an Engineer in Electronics and Digital Systems from Universidad Nacional Autónoma de México (UNAM) and holds an MBA from the University of Texas at Austin.
Everardo Elizondo Almaguer	Independent Regular Director	April 2010	<ul style="list-style-type: none"> • He is an Independent Member of the Board of Directors of Compañía Minera Autlán. • He is an Independent Member of the Board of Directors of Cemex. • He is an Independent Member of the Board of Directors of Gruma.

NAME	POSITION	WITH THE COMPANY SINCE	PROFESSIONAL BACKGROUND
			<ul style="list-style-type: none"> • Founder and first Director of the Graduate School of Economics, at Universidad Autónoma de Nuevo León. He is Professor of International Finance at EGADE, Business School, ITESM. • He was the Director of Economic Studies of Grupo Industrial Alfa (Alfa Group). • He founded Consultoría Index, Economía Aplicada S.A. • He was Deputy Governor of the Mexican Central Bank. • He is Doctor Honoris Causa by Universidad Autónoma de Nuevo León, and graduated in Economics from the same institution. He holds a Master's Degree in economics and is a Ph.D. candidate in Economics, both from the University of Wisconsin-Madison.
Alicia Alejandra Lebrija Hirschfeld	Independent Regular Director	April 2022	<ul style="list-style-type: none"> • She is currently the Executive Chairman of Fundación Televisa, a position she was appointed to in 2011. • She founded several programs, such as Bécalos, which has benefitted more than 500 thousand students and teachers. Additionally, she has helped more than 2.5 million children and young adults through technological programs for education and has worked on the Tecnolochicas and Cuantrix program, focused on closing gender gaps. • She was an Economics Professor at ITAM in 1994 and was appointed Director of International Relations in 1996 in that same institution. She left the academic field at ITAM in 2006 to become Director of Education at Fundación Televisa. • She was founder and Director of the Institute for European Integration Studies, a joint program developed between the European Commission and ITAM (January 1999 - December 2000); as well as

NAME	POSITION	WITH THE COMPANY SINCE	PROFESSIONAL BACKGROUND
			<p>School Principal (August 1995 - August 1996), and Professor of the Economics Department, (January 1994 - January 2003). At the Economics Research Center (CIDE), she was a Visiting Professor in the International Studies Department (January - June 2000). Additionally, she was a Visiting Professor at the Matías Romero Institute in the Ministry of Foreign Affairs (April 1995- June 1997). Finally, at the Center for Economic Analysis and Research (CAIE) she was a Research Assistant (January - December 1989).</p>
Clemente Reyes Retana Valdés	Independent Regular Director	April 2021	<ul style="list-style-type: none"> • He is a Managing Partner of the firm Reyes Retana Consultores, S.C. as of February 2008. • He has been a consultant for Grupo Bal, Indeval, Envases y Laminados, GNP Seguros and other companies related to real estate development, vehicle financing, pharma, manufacturing, and information technology. • He has acted as an independent professional Member and Chairman of several Auditing and Corporate Practices Committees in various companies, like Bolsa Mexicana de Valores and Grupo Comercial Chedraui. • He was Director of Administration and Finance (1992 - 1994) and Deputy Managing Director (1994 - 2008) at Invex Grupo Financiero, S.A.B. de C.V. • He has a degree in Actuarial Sciences from the Universidad Nacional Autónoma de México.
Mariana Baños Reynaud	Independent Regular Director	April 2023	<ul style="list-style-type: none"> • She is the founder and CEO of Fundación Origen, a comprehensive platform for women in vulnerable situations, offering human and economic development programs which help

NAME	POSITION	WITH THE COMPANY SINCE	PROFESSIONAL BACKGROUND
			<p>to break the violence cycle and decrease poverty in México.</p> <ul style="list-style-type: none"> • She holds a Bachelor's Degree in Art History by Universidad Iberoamericana.
Federico Carlos Fernández Senderos	Independent Regular Director	April 2023	<ul style="list-style-type: none"> • He is the Founder and Executive Chairman of Grupo SIM, a company dedicated to provide comprehensive solutions in medical equipment, specialized services, qualified personnel, and information technologies to improve medical attention; including Grupo SIM's subsidiaries, such as AVANT SOFOM (created in 2004); SEAC Back Office Operator (created in 2005); and SIM-A Investment Fund for Seed Capital (created in 2010). • He is an Independent Proprietary Member of Grupo Comercial Chedraui, Related Regular Director of Grupo Kuo, and Patrimonial Regular Director of Grupo Dine. • He holds a bachelor's degree in business administration from Universidad Anáhuac and a Master's Degree from IPADE.
David Peñaloza Alanís	Independent Regular Director	April 2019	<ul style="list-style-type: none"> • He is CEO and Chairman of the Board of Directors of Promotora y Operadora de Infraestructura, S.A.B. de C.V. (PINFRA). • Formerly, worked at Soci�t� G�n�rale, GBM, and Serf�n. • He holds a bachelor's degree in public accounting from Universidad Anáhuac and a Graduate Degree in Business Administration from Harvard University.
Jos� Antonio Chedraui Egu�a	Independent Regular Director	April 2015	<ul style="list-style-type: none"> • He is CEO of Grupo Comercial Chedraui. • He has held positions as Commercial Director and then as CEO of Comercial Las Galas. • He participates in the organizations Fundaci�n

NAME	POSITION	WITH THE COMPANY SINCE	PROFESSIONAL BACKGROUND
			<p>Chedraui, Young Presidents' Organization, and México Nuevo.</p> <ul style="list-style-type: none"> • He holds a bachelor's degree in accounting and finance from Universidad Anáhuac.
Alfonso de Angoitia Noriega	Independent Regular Director	April 2015	<ul style="list-style-type: none"> • He is Executive Co-Chairman and Chairman of the Finance Committee at Grupo Televisa, S.A.B. de C.V. He has served on the Board and Executive Committee and has held the position of Executive Vice Chairman of Administration and Finance at Grupo Televisa. • He is Member of the Board of Directors of Cablevisión, S.A. de C.V., Innova, S. de R.L. de C.V. (Sky), Cablemás Telecomunicaciones, S.A. de C.V., Operbes, S.A. de C.V. (Bestel), Televisión Internacional, S.A. de C.V., Grupo Axo, S.A.P.I. de C.V. and The Americas Society. • He is Chairman of the Board of Kardias Foundation and Member of the UNAM Foundation and the Mexican Health Foundation. • Co-founder of the Law firm Mijares, Angoitia, Cortés y Fuentes, S.C. • He was a Member of the Board of Grupo Modelo, S.A.B. de C.V. and The American School Foundation. • He holds a bachelor's degree in law from the Universidad Autónoma de México (UNAM).
Thomas S. Heather Rodríguez	Independent Regular Director	April 2016	<ul style="list-style-type: none"> • Partner at Creel, García-Cuellar, Auza y Enriquez, S.C., specialized in external funding, restructurings, and securities offerings. • He is Legal Advisor of the Consejo Coordinador Empresarial (CCE) and is permanent Member of the drafting Committee of the CCE's Code of Best Corporate Practices. • He is an Independent Member and Chairman of the CAPS at Gruma, S.A.B. de C.V. and Grupo Industrial Maseca, S.A.B. de C.V.

NAME	POSITION	WITH THE COMPANY SINCE	PROFESSIONAL BACKGROUND
			<ul style="list-style-type: none"> • He was a Member of the Board of Directors and of the Audit and Corporate Practices Committee (CAPS) of Grupo Bimbo, S.A.B. de C.V. • He holds a Bachelor's Degree in Law from Escuela Libre de Derecho with a Master's Degree from the University of Texas at Austin- "Master of Comparative Jurisprudence- Financial Law". Moreover, he holds several specialties from Universidad Panamericana, Universidad Nacional Autónoma de México, and New York University.
Graciela González Moreno	Alternate Director	April 2013	<ul style="list-style-type: none"> • She is a private accountant, graduated from Universidad Labastida in Monterrey, N.L. • She was accountant at the air conditioning factory Trane-Realven in Monterrey from 1967 to 1970. • From 1988 to 2010, she participated as a founding partner and Member of the Board of Directors of Asociación Gilberto, A.C., serving as Vice- Chair from 2007 to 2010.
Juan Antonio González Marcos	Alternate Director	April 2014	<ul style="list-style-type: none"> • He was a Director of Marketing Projects at Mission Foods. • He holds a Bachelor's Degrees in Audio Production from SAE Institute of Melbourne and in Fine Arts from the University of North Texas. Furthermore, he holds a Master's in Fine Arts from University of Texas in Dallas.
Alberto Halabe Hamui	Independent Alternate Director	April 2014	<ul style="list-style-type: none"> • He is Deputy Managing Director of Inmobiliaria IHM, S.A. de C.V., and Director of Comercializadora de Viviendas Albatros, S.A. de C.V. and Nueva Imagen Construcciones, S.A. de C.V. • He is Member of the Administration and Operations Committee of St. Regis México. Formerly, Member of the Board of Directors of Micro Financiera Finsol.

NAME	POSITION	WITH THE COMPANY SINCE	PROFESSIONAL BACKGROUND
			<ul style="list-style-type: none"> • He holds a Bachelor's Degree in Economics from Instituto Tecnológico Autónomo de México (ITAM) and has graduate studies in the Building and Real Estate Companies Management Program from the same Institution.
Gerardo Salazar Viezca	Alternate Director	April 2019	<ul style="list-style-type: none"> • He is the Managing Director of Risk and Credit Management of GFNorte. • CEO of Banco Interacciones from 2004 to 2018 and Risk Management Corporate Director of Grupo Financiero Interacciones from 2002 to 2004. • Previously, he performed as Corporate Banking Director at Bancomer and BBVA-Bancomer. • He holds a Bachelor's Degree in Economics from Universidad Iberoamericana. • He has also stood out in academics as teacher and by virtue of his graduate studies, including PhD, Master's Degrees and specializations in Economics, Business Administration, Finance, and Social Science in institutions such as Tec de Monterrey, UIA (of which he was the Economics Department Director), ITAM, Harvard University, and New York Institute of Finance. • He has been the recipient of grants from different Boards and Foundations such as Conacyt and Fulbright. In terms of Corporate Governance, he is certified by the National Association of Corporate Directors (NACD) and the Director Consortium of the Universities of Stanford, Chicago and Dartmouth.
Alberto Pérez-Jácome Friscione	Alternate Director	April 2020	<ul style="list-style-type: none"> • He is the CEO of Hermes Infraestructura, S.A. de C.V., a company constituted in 2012 from the merger of Hermes Construcción, S.A. de C.V., Hermes Concesiones, S.A. de

NAME	POSITION	WITH THE COMPANY SINCE	PROFESSIONAL BACKGROUND
			<p>C.V., and Hermes Operación, S.A. de C.V.</p> <ul style="list-style-type: none"> • He was CEO of Hermes Construcción, S.A. de C.V. from 2010 to 2012. • He was Executive Director of Hermes Corporativo, S.A. de C.V. from 2006 to 2010. • He served as Minister in the Permanent Representation of Mexico in the Organization for Economic Cooperation and Development (OECD) from 2003 to 2005. • He is an Industrial Engineer with Honors from Universidad Iberoamericana, holds a Masters' Degree in Business from the Massachusetts Institute of Technology and a Master's in Public Administration from Harvard University (Fulbright).
Diego Martínez Rueda-Chapital	Independent Alternate Director	April 2019	<ul style="list-style-type: none"> • He is a Partner of the DLA Piper México, S.C. Law Firm, serving in Corporate Law with an emphasis on Banking and Capital Markets. • He has extensive experience in mergers and acquisitions and in real estate, especially in the Tourism, Industrial, and Housing branches. • He was a Partner in the Cervantes Sainz office. • He was Director of Stock Market Projects at the National Banking and Securities Commission. • He has a Law Degree from Universidad Panamericana and a Masters' Degree in Law from Georgetown University, with a specialization in banking, securities, and regulation of financial entities.
Roberto Kelleher Vales	Independent Alternate Director	April 2014	<ul style="list-style-type: none"> • He is Chairman and partner of the Volkswagen, Seat, and Audi dealerships as well as in a tire company in Mérida. • He is shareholder and Vice Chairman of Inmobilia Desarrollos.

NAME	POSITION	WITH THE COMPANY SINCE	PROFESSIONAL BACKGROUND
			<ul style="list-style-type: none"> • He was Chairman and Member of the Volkswagen National Dealers Association and Member of the Mexican Association of Car Dealers. • He is an Industrial and Systems Engineer from Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM) and has several financial and management specializations from the same institution. He also participated in the Advanced Management Program from Instituto Panamericano de Alta Dirección (IPADE).
Cecilia Goya de Riviello Meade	Independent Alternate Director	April 2021	<ul style="list-style-type: none"> • She is the Founding Partner and CEO of Balanceship Consultores, S.C., a firm focused on the development and coaching of high-performance Teams and Leaders. • She is CEO of Grupo Acritus (Zapaterías Capa de Ozono and Dorothy Gaynor). • She has been a Member of the Board of public and private companies such as: Sicrea Autofinanciamiento, Grupo Ruz, Grupo Acritus, Ipeth, and Aguas Zoe; and current Member of the Board of Grupo Chedraui, Novelty, Bizarro Joyerías, Iluméxico, and Provive. • She has 30 years of experience in managing international and national businesses in areas such as General Management, Strategic Planning, Marketing, and Sales. She is also an expert in managing financial statements and in generating efficiency in business profitability. • She is a Member of the IWF (International Women's Forum), WCD (Women Corporate Directors), Vital Voices, and an independent advisor of several NGOs (Casa Hogar Alegría, Mitz, and Wish-México, where she is

NAME	POSITION	WITH THE COMPANY SINCE	PROFESSIONAL BACKGROUND
			also the Chair of the Board). She has been an active Mentor at Endeavor since 2004.
José María Garza Treviño	Independent Alternate Director	April 2014	<ul style="list-style-type: none"> • Chairman of Grupo Garza Ponce. • He was Member of the Board of Directors in Grupo Financiero BITAL, Finanzas Monterrey, Banca Afirme, and Banca Confia - Abaco Grupo Financiero. • He served as Vice- Chairman of the Mexican Camera of the Construction Industry and of the Mexican Association of Industrial Parks (A.M.P.I. P), as well as an adviser in COPARMEX and in the Chamber of Real-Estate Owners. He was also Chairman of the Ex-Alumni Society of Civil Engineers at Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM). • He is a Civil Engineer from Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM) and holds an MBA from the same institution.
Manuel Francisco Ruiz Camero	Independent Alternate Director	April 2023	<ul style="list-style-type: none"> • He is the CEO of Grupo SIM since 2001. • He was Regulatory and Compliance Officer and CFO of Grupo Eulen. • He was CEO of Universum Investment. • He holds a Degree in Economics and Business Administration from the University of Málaga.
Carlos Césarman Kolteniuk	Independent Alternate Director	April 2019	<ul style="list-style-type: none"> • He is Member of the Board of Directors, CFO, and Investor Relations Director of Promotora y Operadora de Infraestructura, S.A.B. de C.V. (PINFRA). • He worked at Industrias Campos Hermanos. • He founded Inovamed, a company dedicated to the health industry. • He holds a Bachelor's Degree in Economics from Universidad Anáhuac and is a professor of Business Administration and

NAME	POSITION	WITH THE COMPANY SINCE	PROFESSIONAL BACKGROUND
			Economics in Universidad Iberoamericana.
Humberto Tafolla Núñez	Independent Alternate Director	April 2018	<ul style="list-style-type: none"> • He is the Director of Administration and Finance at Grupo Comercial Chedraui, S.A.B. of C.V. • He has more than 20 years of experience in financial areas. • He was CFO of Industrias Mabe for 8 years. • He holds a Degree in Business Administration from Instituto Tecnológico Autónomo de México (ITAM), a Corporate Finance Diploma from Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM), and a Postgraduate in Business Administration and Management from Instituto de Empresas (IE) of Madrid.
Carlos Philips Margain	Independent Alternate Director	April 2023	<ul style="list-style-type: none"> • He is Corporate Vice Chairman of Finance at Grupo Televisa. • He was Senior Vice Chairman of ITAU BBA USA Securities. • He was Executive Director of BBVA Securities. • He was Vice Chairman of Goldman Sachs & Co. • He was an associate at J.P. Morgan. • He holds a Bachelor's Degree in Economics from Instituto Tecnológico Autónomo de México.
Ricardo Maldonado Yáñez	Independent Alternate Director	April 2016	<ul style="list-style-type: none"> • He is a partner of the Law firm Mijares, Angoitia, Cortés y Fuentes, S.C. since 1999. • Member of the Board of Directors of several companies, such as: Biossman Group, Endeavor México, and Seadrill Couragious and Secretary of the Board of Directors of companies such as: Grupo Televisa, Consorcio Ara, Controladora Vuela Compañía de Aviación (Volaris), and Cablevisión Enterprises.

NAME	POSITION	WITH THE COMPANY SINCE	PROFESSIONAL BACKGROUND
			<ul style="list-style-type: none"> • He was an Associate of the Law firm, White & Case, New York Office from 1993 to 1995. • He holds a Bachelor's Degree in Law from Universidad Nacional Autónoma de México (UNAM) and a Master's Degree in Law from the Law School of Chicago University.

Note: Ricardo Maldonado Yáñez resigned as an Independent Alternate Director on January 14, 2024.

IV. Remuneration and Benefits

The total amount of compensations and benefits paid to Banorte's main officers in 2023 reached Ps 335.9 million approximately.

Compensations and Benefits are as follows:

- **Fixed Compensation:** Salary.

- **Annual Bonus Plan for 2023:**

The Bonus Plan for each business area evaluates an estimated profit for that particular business, as well as an evaluation of individual performance, which considers the achievement of each participant's goals and objectives. The bonus for certain departments is also adjusted based on operational risk evaluations carried out by the Control Department. Likewise, eligibility to receive the deferred variable compensation for a group of managers is determined by a risk and compliance mechanics' review.

Eligible personnel of staff areas are evaluated based on the attainment of estimated profit for the Group, as well as individual performance in accordance with the achievement of each candidate's goals and objectives.

For the senior management, yearly bonuses are covered by 60% and the remaining 40% is covered in three annual installments of 13%, 13%, and 14%, respectively.

- **Banorte's Long-Term Incentive Plans:**

Stock Options:

The long-term incentive scheme consists of assigning a stock options package through a trust, with a 100% right in a period for up to 4 years, for designated Officers by the Compensation Committee. Participants will be entitled to exercise a percentage of the package each year, receiving the shares in their capital account.

- **Vacations:** From 12 to 40 working days, depending on each employee's years of service.
- **Vacation Premium:** From 8 to 23 days of salary payable in each employee's anniversary, depending on the number of years of service.
- **Legally Mandated Christmas Bonus:** Equivalent to 42 days of salary.
- **Savings Fund:** The Corporation matches the amount of the employee's contribution to a maximum of 13% of their monthly salary, in accordance with the legal limits established by the Income Tax Law.
- **Medical Service: Traditional Scheme:** Banorte provides medical services through recognized medical institutions, obtaining efficiency in cost and service. **Full Medical Insurance Scheme:** Medical coverage via a Major Medical Expenses Insurance Policy.
- **Life Insurance:** In the event of death or total incapacity, a life insurance policy provides a sum of up to 36 months' salary. In the event of accidental death, verified by the insurance company, the compensation is doubled.
- **Pension and Retirement:** The institution has two types of plans: 1) Defined Benefits (Traditional and Special) and 2) Defined Contribution (Asegura tu Futuro).
- **Asegura tu Futuro:** A defined contribution plan, established on January 1, 2001, that is constituted by a percent contribution by the employee and GFNorte, to create the retirement fund for the employee until the

labor relationship is terminated. This plan begins with an "initial individual contribution" (only for employees hired prior January 1, 2001), which includes the pension's benefits of the accumulated past services up to the date the plan was created. The maximum monthly contribution is 10% of the gross nominal wage (5% employee and 5% company). The total amount accumulated by Banorte in "Asegura tu Futuro", for the company's main officers amounts to Ps 223.9 million.

V. Responsible Officers

The undersigned hereby declare that within the scope of our respective functions, we have truthfully prepared the information contained in this annual report related to Grupo Financiero Banorte, which to the best of our knowledge and understanding reasonably reflects the situation.

Act. José Marcos Ramírez Miguel
Chief Executive Officer of Grupo Financiero Banorte

Eng. Rafael Arana de la Garza
Chief Operating Officer & Chief Financial Officer

C.P. Isaías Velázquez González
Managing Director of Internal Audit

Lic. Jorge Eduardo Vega Camargo
Deputy Managing Director of Comptrollership

C.P.C. Mayra Nelly López López
Deputy Managing Director of Accounting

VI. Audited Financial Statements

The Audited Financial Statements are available online (investors.banorte.com) in

<https://investors.banorte.com/es/financial-information/financial-statements/grupo-financiero-banorte/2023>

This report is also available in:

<https://investors.banorte.com/es/financial-information/annual-reports/2023>