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# Risk Management Report

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**2Q23**

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## Risk Management

Risk management at GFNorte is a key element for determining and implementing the Group's strategic planning. The Group's risk management and policies comply with regulations and market's best practices.

### 1. COMPREHENSIVE RISK MANAGEMENT FRAMEWORK

Comprehensive Risk Management Framework, which conforms objectives, guidelines, policies, and procedures, has among its main objectives:

- To provide clear rules to different business areas, which contribute to minimize risk and ensure compliance with the parameters established and approved by the Board of Directors and the Risk Policies Committee (CPR by its acronym in Spanish).
- To establish mechanisms to monitor risk-taking across GFNorte, through the use of robust systems and processes.
- To verify the observance of Risk Appetite.
- To estimate and control GFNorte's capital, under base and stressed scenarios, aiming to provide coverage for unexpected losses from market movements, credit bankruptcies, and operational risks.
- To implement identification, valuation, and management models for diverse types of risks.
- To establish procedures for portfolio's optimization and credit portfolio management.
- To update and monitor the Contingency Plan to restore capital and liquidity levels in case of adverse events.

#### 1.1. Risk Management – Structure and Corporate Governance

Regarding the structure and organization for a comprehensive Risk Management, the Board of Directors is responsible for authorizing policies and overall strategies such as:

- GFNorte's Risk Appetite.
- Comprehensive Risk Management Framework.
- Risk exposure limits, risk tolerance levels and mechanisms for corrective actions.
- Contingency Plan and the Contingency Funding Plan.
- The outcome of the internal and regulatory capital adequacy scenarios.

The Board of Directors designates the Risk Policy Committee (CPR by its acronym in Spanish) as accountable for managing the risks that GFNorte is exposed to, in order to ensure that operations comply with objectives, policies and procedures established by Risk Management.

The CPR also monitors the overall limits of risk exposure approved by the Board of Directors, in addition to approving specific limits of exposure to different types of risk.

The CPR is integrated by members and deputies of the Board, the CEO, the Managing Directors of the Group's Entities, the Risk and Credit Managing Director and the Audit Managing Director (CAE), the latter participating with voice but no vote.

Moreover, the Assets and Liabilities Committee (ALCO) and the Capital and Liquidity Group, analyze, monitors, and establish the guidelines regarding interest rate risks in the balance sheet, the financial margin, liquidity and net capital of the Institution.

The Unit for the Comprehensive Risk Management (UAIR by its acronym in Spanish) supervise the Risk Management and Credit Department (DGARC by its acronym in Spanish), and among its functions, is responsible to identify measure, monitor, limit, control, report and disclose the different types of risk to which the GFNorte is exposed to.

The DGARC reports to CPR, in compliance with the regulation related to its independence from the Business areas.

## 1.2. Main and emerging risks

The Comprehensive Risk Management Framework has strategies to identify and regulate the main and emerging risks that represent potential threats to the business, clients, collaborators, and to GFNorte's strategy. The definition and classification of potential risks allows for better management and mitigation of these, according to the nature of each type of risk.

GFNorte owns sound methodologies to manage quantifiable risks such as Credit Risk, Market Risk, Liquidity Risk, Operational Risk, Concentration Risk and Counterparty Risk.

1. Credit Risk: revenue volatility due to constitution of provisions for impaired loans, and potential losses on borrower or counterparty defaults.
2. Market Risk: revenue volatility due to market changes, which affect the valuation of book positions for assets, liabilities or contingent liabilities operations, such as: interest rates, spread over yields, exchange rates, price index, among others.
3. Balance and Liquidity Risk: potential loss by the impossibility of renewing liabilities or securing resources in normal conditions, and by early or forced sale of assets at unusual discounts to meet their obligations.
4. Operational Risk: loss resulting from inadequate or failed internal processes, employees, internal systems or external events. This definition includes Technology Risk and Legal Risk. Technology Risk groups all potential losses from damage, interruption, disruption or failures resulting from use of or reliance on hardware, software, systems, applications, networks and any other information distribution channel, while the Legal Risk involves the potential loss caused by sanctions for noncompliance with laws, as well as unfavorable administrative or judicial decisions related to GFNorte's operations.
5. Concentration Risk: potential loss by high and disproportional exposure to particular risk factors within a single category or among different risk categories.
6. ESG Risk: probability that dangerous environmental, social or governance events or conditions occur and generate adverse impacts on the institution and/or the environment and the community.

Likewise, regarding non-quantifiable risks, Risk Management's Manual in GFNorte establishes specific objectives for:

7. Reputational Risk: potential loss in the performance of Institution's activities, due to an inappropriate or unethical perception of the different stakeholders, internal or external, on their solvency and viability. Likewise, the deterioration of the Institution's image due to failures or internal or external events incompatible with corporate values.
8. Strategic Risk: potential loss due to failures or deficiencies in decision-making, in the implementation of procedures and actions to carry out the business model and strategies of the Institution, as well as due to ignorance about the risks to which it is exposed to its business activity, affecting the expected results of its strategic plan.
9. Business Risk: potential loss or impact on profitability attributable to the inherent characteristics of the business and changes in the economic cycle or market conditions in which the Institution operates.

Emerging Risks are new risks that arise from changes in economic, political, social, cultural, environment, and even technological processes. They are characterized by a recent increase in the probability of occurrence and exposure to them, therefore, their prompt identification is necessary to be able to implement effective and timely measures. Its potential for damage or loss is not yet fully known, derived from a new or evolving hazard, which may result in significant new exposure for the Group.

1. Epidemiological Risk: It is the probability that a disease in a determined population escalates to the degree of epidemic or pandemic, generating adverse impacts on the Institution, financing, health, and the community. It is expressed through various epidemiological indicators whose analysis makes it possible to design preparation and response plans.

2. **Risk of New Technologies:** risks associated with the implementation of new technologies that could materialize in economic losses for the institution. They arise from new vulnerabilities, technical threats, potential economic fraud, crimes against intellectual property, threats to the privacy of information, and cyberbullying, among others.

At GFNorte, the identification and tracking of new risks is a continuous task, strengthening and consolidating the Comprehensive Risk Management Framework, considering the ESG vision and new emerging risks.

### 1.3. Risk Management Culture at GFNorte

GFNorte's Risk Management Culture, holistically permeates all levels of the organization. The Group's decisions are based on maximizing the risk-return ratio, encouraging informed decision-making to achieve the strategic objectives of asset quality, profitability, liquidity, and solvency.

GFNorte's risk culture is made up of the following principles:

- **We Are All Risk Managers:** Promote employees' proactive participation in risk identification, escalation, and management. The operational, technological, psychosocial, credit, market, and fraud risk reporting channels make it easier for all employees to fulfill their role as the first line of defense. For example, through the Governance, Risk, and Compliance (GRC) platform, all employees report their relevant identified risks, monitoring them until their mitigation. This feedback triggers process improvements by implementing control measures based on what is reported.
- **Risk Anticipation:** Monitor the economic and business environment to anticipate future risks and incorporate market trends into models, tools, processes, and policies to prevent and mitigate risks. Close communication with clients to identify their needs and problems, preventing potential breaches.
- **Prospective Vision:** Always maintaining a future vision in line with the new business trends in the risk management strategy and the evaluation of policies and models. For a continuous improvement of products and processes, updating methodologies and tools following the best practices to estimate the future behavior of assets and create scenarios to make strategic decisions.
- **Multidisciplinary Participation:** Joint decision-making through multidisciplinary committees and teams strengthens GFNorte's perspective to identify and control risks. Risks are continuously monitored, and mitigation strategies or actions are planned and executed consensually with all the areas involved. Operating through a cell-based collaboration scheme, i.e., multidisciplinary teams assigned a specific task, such as improving a process or developing a new product. This collaboration scheme allows to react instantly to changing environments involving risks in operations and strategies or execute an existing credit prevention or mitigation plan.
- **Communication and Continuous Training:** The Board of Directors and Senior management members communicate the importance of robust risk culture. In this regard, the Group have reinforced internal training for risk management, including the content of risk management, prevention, and mitigation for all our staff.
- **Risk - Return-Based Compensation:** Risk management criteria are targeted into the employees' evaluation and compensation to maximize the risk-return ratio. To attain this, the risk indicators' formal measurement is linked with the performance evaluation process and promotion and compensation of staff. The Remuneration System establishes these incentives, where the evaluation criteria are established mainly for Senior management, consistent with reasonable risk-taking. Also a performance evaluation system has been implemented, where employees and their immediate superiors set operational, safety, and career development goals. Performance is evaluated under specific metrics, as well as professional skills and credentials, according to the profile of each position.
- **Innovation:** At GFNorte, it is known the fast development of risk management and new banking ways. Therefore, it is observed to remain at the forefront of new products, channels, technologies, and risk implications. Technological innovation is crucial to identify, measure, and control risks properly in the face of technological change and new products and segments of the digital market. These innovation products undergo a formal project evaluation process, including identifying and measuring risks determined by the relevant areas.

#### 1.3.1. Desired Risk Profile

General and specific guidelines are established throughout the Group to monitor the Desired Risk Profile. Also monitoring and formal escalation process are in place, in case of any deviation from the desired risk profile. Critical quantitative indicators by type of risk were developed, for the Group and its subsidiaries. Such indicators are sensitive to the material

risks to which the Institutions are exposed to and can be used as critical financial health indicators. These indicators are reviewed and ratified once a year by the Board of Directors and serve as a guideline for the definition and implementation of strategies and objectives.

## 2. CREDIT RISK

Credit risk is the risk of clients, issuers or counterparties not fulfilling their payment obligations. Hence, proper management is essential to maintain loan quality of the portfolio.

The objectives of Credit Risk Management at GFNorte are:

- Comply with the Risk Appetite defined by the Board of Directors.
- Improve the quality, diversification, and composition of the loan portfolio in order to optimize the risk- reward ratio.
- Provide Executive Management with reliable, timely information to assist decision making regarding funding.
- Provide Business Areas with clear and sufficient tools to support and monitor funding placement.
- Create economic value for shareholders through an efficient Credit Risk Management.
- Define and update the regulatory framework for the Credit Risk Management.
- Comply with the information requirements that the authorities establish regarding Credit Risk Management.
- Perform Risk Management in accordance with the best practices, implementing models, methodologies, procedures, and systems based on best practices worldwide.
- Measure Institution's vulnerability to extreme conditions and consider those results for decisions making.

The policies for managing, covering and mitigating Credit Risk in GFNorte are:

- Grant and Manage Retail Credit Risk according to best market practices through Parametric Models aimed to identify risk, minimize losses, and increase loan origination with quality.
- Grant and Manage Wholesale Loans to companies and other entities, according to best market practices through a credit strategy including Target Markets and Risk Acceptance Criteria, identifying, and managing risk through Loan Rating and Early Warnings methodologies.
- Monitor and control asset quality through Loan Classification System which provides treatment and general actions for defined situations, as well as departments or officers responsible for carrying out such actions.
- Surveillance and Control through Global and Specific Limits, loan rating policies, and Portfolio Credit Risk models that identify expected and unexpected losses at specific confidence levels.
- Inform and disclose Credit Risks to risk taking areas, CPR, Board of Directors, Financial Authorities, and Investors.
- Define faculties for Credit Risks taking at the Institution.

To comply with objectives and policies, a series of strategies and procedures have been defined including origination, analysis, approval, management, monitoring, recovery, and collections.

### 2.1. Credit Risk Scope, Nature, and Methodology

Risk management is supported by a framework of policies and manuals, which establish the implementation and monitoring process of Credit Risk limits, coverage, mitigation, and compensation strategies, the disclosure of the referred risk metrics, regarding to the established limits. Within these policies are detailed, among others: the characteristics, capacity, legal aspects, instrumentation issues and degree of coverage that must be considered when compensating or mitigating risk. Likewise, the execution of guarantees is contemplated as a risk compensation mechanism every time there is a breach that has not been corrected by the debtors.

The DGARC relies on various Credit Risk information and measurement systems, which comply with regulatory standards and are aligned with the best international practices in Risk Management. It is worth mentioning that the information contained in the risk systems, as well as the reports they generate, are continuously backed up, following institutional procedures in terms of computer security.

As part of the strategies and processes to monitor the continuous effectiveness of the hedges or mitigants, there are limits for Credit Risk, which are continuously monitored, and there are procedures established so that excesses and their causes are documented, as well as implementing the corresponding corrective actions to return to acceptable risk levels.

The key risk indicators are disclosed through monthly reports to the CPR and through a daily report to the main executives in the institution about credit defaults by customers that could potentiate Credit Risk.

### **2.1.1. Individual Credit Risk**

GFNorte segments the loan portfolio into two large groups: retail loans and wholesale loans.

The individual Credit Risk for retail loans is identified, measured, and controlled through a parametric system (scoring) that includes models for each of the SME (small and medium enterprises) and consumer products (mortgage, auto, payroll, personal loans, and credit cards).

The individual risk for wholesale loans is identified, measured, and controlled through Target Markets, Risk Acceptance Criteria, Early Warnings and GFNorte's New Internal Risk Rating (NCIR Banorte), which are tools that integrate GFNorte's Loan Strategy and support the estimated level of Credit Risk.

The Target Markets are categories of economic activity by region, backed by economic research and loan behavior analysis as well as expert opinions, where GFNorte is interested in granting loans.

The Risk Acceptance Criteria are parameters that describe different types of risks by industry, in order to estimate the risk taking when granting loans to customers based on their economic activity. The types of risk observed in the Risk Acceptance Criteria are: Financial, Operation, Market, and Enterprise's life cycle, Legal and Regulatory Risks, besides credit experience and management quality.

Early Warnings are a set of criteria based on borrower's information and indicators, as well as their market conditions, as a mechanism for timely prevention and identification of a probable deterioration in the loan portfolio, thereby enabling the Institution to take prompt preventive actions to mitigate Credit Risk.

Banorte's NCIR is a borrower's rating methodology which assesses quantitative and qualitative criteria in order to determine credit quality. NCIR applies to commercial loans equal to or greater than the equivalent of four million investment units (UDIs) in Mexican pesos on the rating date, or borrowers whose annual sales or income are greater or equal to 14 million UDIs (in case of being enterprises).

### **2.1.2. Portfolio Credit Risk**

GFNorte developed a portfolio Credit Risk methodology that, considers the loan portfolio exposure directly to the balance of each loan, whereas for the financial instruments' portfolio, considers the present value of the instruments and their future cash flows. Since the exposure is sensible to changes in the market, it is possible to define sensitivity estimates under different economic scenarios.

This Credit Risk methodology provides current value of the entire loan's portfolio at GFNorte, that is, the loan exposure, in order to monitor risk concentration levels through risk ratings, geographical regions, economic activities, currency and type of product in order to observe the portfolio's profile and act to improve diversification, which will maximize profitability with the lowest risk.

The methodology, besides loan exposure, takes into consideration the probability of default, recovery level associated to each client and the classification of the debtor based on the Merton model. The probability of default is the probability that the debtor will not fulfill his/her debt obligation with the institution according to the originally agreed terms and conditions. The probability of default is based on transition matrixes estimated by GFNorte based on the migration of the debtors through different risk rating levels. The recovery rate is the percentage of total exposure that is expected to be recovered if the debtor defaults. The classification of the debtor, based on the Merton model, associates the debtor's future behavior to credit and market factors on which his "credit health" depends, as determined by statistical techniques.

The results of this methodology are risk measures such as the expected and unexpected loss at a one-year horizon. The expected loss is the mean of the credit portfolio's loss distribution, which is used to measure the following year's expected loss due to default or variations in debtors' credit quality. The unexpected loss is an indicator of the loss in extreme scenarios and is measured as the difference between the maximum loss given the loss distribution, at a specific confidence level which for GFNorte's as of June 2021 is 99.85%, based on Expected Shortfall (previously it was 99.95% based on VaR), and expected loss.



These results are used as a tool for better decision-making in granting loans and in the diversification of the portfolio, according to GFNorte's strategy. The individual risk identification tools and the portfolio Credit Risk methodology are periodically reviewed and updated to include the application of new techniques that may support or strengthen them.

### **2.1.3. Credit Risk of Financial Instruments**

Credit Risk Management of financial instruments is managed through a robust framework of policies for its origination, analysis, authorization, and management.

Origination policies define the types of eligible negotiable financial instruments, as well as the methodology for assessing credit quality of different types of issuers and counterparties. Credit quality is allocated through a rating obtained with an internal methodology, evaluations of external rating agencies or a combination of both. Maximum parameters of operation are also defined based on the type of issuer or counterparty, rating, and type of operation.

The Loan Committee authorizes operation lines with financial instruments for clients and counterparties in accordance with authorization policies. The authorization request is submitted by the business area and other areas involved in the operation, with all the relevant information for analysis by the Committee who, if considered appropriate, issues its authorization. Nevertheless, counterparty credit lines (mainly to financial entities) that comply with certain criteria may be approved through a parametric methodology approved by the CPR.

In the specific case of Derivatives contracts, and in line with best practices, a methodology for estimating the potential exposure to lines is used, which are analyzed and approved within the Credit Committee and are monitored on daily basis and reported monthly in the CPR, where guarantee analysis for Derivative transaction is held both for clients and financial counterparties.

The correspondent Credit Committee by region, holds the minimum faculty to approve Derivative lines for clients (when applicable, a fast-track process has been approved by the CPR). For these transactions, the use of Derivatives lines with margin calls shall be privileged in order to mitigate the risk of potential exposure to these transactions.

To determine adversely correlated lines (Wrong Way Risk "WWR") a potential exposure adjustment is considered.

On an individual level, the risk concentration on financial instruments is managed on a continuous basis, establishing, and monitoring maximum parameters of operation for each counterparty or issuer depending on the rating and type of operation. There are defined risk diversification policies for portfolios, for economic groups and internal groups. Additionally, the concentration of counterparty type or issuer, the size of financial institutions, and the region in which it operates, are monitored so that an appropriate diversification is obtained, and undesired concentrations are avoided.

Credit Risk is measured through a rating associated with the issuer, security, or counterparty which has a previously assigned risk level based on two fundamentals:

- 1) The probability of default of the issuer, security, or counterparty, which is expressed as a percentage between 0% and 100% where the better the rating or lower rate differential vs. the instrument of an equivalent government bond, the lower the probability of default and vice versa.
- 2) The loss given default that could be experienced with regard of the total of the operation in the event of non-fulfillment, is expressed as a percentage between 0% and 100% where the better the guarantees or credit structures, the smaller the loss given default and vice versa. To mitigate Credit Risk and to reduce the loss given default in the event of non-fulfillment, the counterparties have signed ISDA contracts and agreements to net out, in which credit lines and the use of collaterals to mitigate loss in the event of non-fulfillment are implemented.

## 2.2. Credit Risk Exposure

As of June 30<sup>th</sup>, 2023 the total amount of the exposure subject to the Standard Method and the Internal Models (Advanced Approach Internal Model for Credit Cards and Auto Loans, and Foundation Approach Internal Model for Business Enterprises) to estimate the Capital Ratio is the following:

<b>Gross Exposures subject to the Standard Method and Internal Models**</b> <i>(Million pesos)</i>	<b>Banorte</b>	<b>Arrendadora y Factor Banorte*</b>	<b>Total Portfolio</b>
Commercial	<b>78,582</b>	<b>1,613</b>	<b>80,194</b>
YoY Revenues or Sales < 14 MM UDIS	78,582	1,613	80,194
States or Municipalities	102,624	343	102,967
Decentralized Federal Government Agencies and State Companies	42,005	6,416	48,422
Projects with own source of payment	106,653	0	106,653
Financial Institutions	39,109	902	40,011
Mortgage	243,498	0	243,498
Consumer Non-Revolving	75,844	3	75,847
<b>Total Loans subject to the Standard Method</b>	<b>688,314</b>	<b>9,277</b>	<b>697,591</b>
Commercial	165,652	29,315	194,967
YoY Revenues or Sales >= 14 MM UDIS	165,652	29,315	194,967
Federal, State and Municipal Government Decentralized Agencies, with annual income or Sales >= 14 MM UDIS	13,294	0	13,294
<b>Total Loans subject to the Foundation Approach Internal Model</b>	<b>178,945</b>	<b>29,315</b>	<b>208,261</b>
Consumer Non-Revolving (Auto)	38,547	0	38,547
Credit Card	50,317	0	50,317
<b>Total Loans subject to Advanced Approach Internal Model</b>	<b>88,865</b>	<b>0</b>	<b>88,865</b>
<b>Eliminations and Accounting Records</b>			(17,959)
Deferred Items	2,264	(24)	2,240
BAP Portfolio	3,322	0	3,322
Not Rated			0
<b>Total Loans with BAP and DI</b>			<b>982,320</b>

\* Excludes Pure Leasing

\*\* The exposure does not consider Letters of Credit and it has accounting adjustments.

For transactions subject to Credit Risk, the Institution uses external ratings issued by the rating agencies S&P, Moody's, Fitch, HR Ratings, Verum, DBRS Ratings México and A.M. Best America Latina. Only ratings issues by rating agencies are considered and are not assigned based on comparable assets.

### 2.2.1. Loan Portfolio

GFNorte's Credit Risk loan portfolio as of 2Q23 presents a total exposure of Ps 976.76 billion, Ps 16.59 million higher vs. the previous quarter or 1.7% higher, and Ps 107.09 billion higher or a 12.3% increase versus the previous year.

Variations per product of GFNorte's total portfolio are:

<b>Product / Segment</b> <i>(Million pesos)</i>	<b>Total Loan</b>			<b>Var. vs. 1Q23</b>		<b>Var. vs. 2Q22</b>	
	<b>2Q22</b>	<b>1Q23</b>	<b>2Q23</b>	<b>Ps</b>	<b>%</b>	<b>Ps</b>	<b>%</b>
Government	166,535	180,368	164,682	(15,686)	(8.7%)	(1,853)	(1.1%)
Commercial	210,716	238,339	246,121	7,782	3.3%	35,405	16.8%
Mortgage	209,379	235,888	243,498	7,610	3.2%	34,119	16.3%
Corporate	148,707	151,272	157,746	6,474	4.3%	9,039	6.1%
Payroll	63,304	71,689	75,822	4,133	5.8%	12,518	19.8%
Credit Card	41,971	47,241	50,317	3,076	6.5%	8,347	19.9%
Auto Loans	29,052	35,374	38,572	3,198	9.0%	9,520	32.8%
<b>Total Loans</b>	<b>869,664</b>	<b>960,171</b>	<b>976,758</b>	<b>16,587</b>	<b>1.7%</b>	<b>107,094</b>	<b>12.3%</b>
Deferred Items	1,590	2,172	2,240				

BAP Portfolio	3,025	3,249	3,322			
<b>Total Loans with BAP and DI</b>	<b>874,278</b>	<b>965,592</b>	<b>982,320</b>			

Performing Loans now broken down in Stage 1 and 2 represents Ps 966.46 billion, while Non-performing loans, also known as Stage 3 Loans, represents Ps 10.30 billion.

Subsidiary (Million pesos)	Loans		Total	Total Reserves
	Performing	Non-Performing		
Banorte*	928,705	9,461	938,166	17,226
Arrendadora y Factor Banorte	37,754	837	38,592	753
Accounting Records	0	0	0	780
<b>Total Loans</b>	<b>966,459</b>	<b>10,299</b>	<b>976,758</b>	<b>18,759</b>
Deferred Items			2,240	
BAP Portfolio			3,322	
<b>Total Loans with BAP and DI</b>			<b>982,320</b>	

\* Banorte's total loans include eliminations for (Ps 17.96) billion.

Total reserves of Ps 18.76 billion include rating reserves of Ps 17.98 billion and accounting records (Covid-19 reserves, valuation, negative debts in the Credit Bureau, and BAP reserves) of Ps 780 million.

GFNorte's Performing and Non-performing portfolios in 2Q23 grouped by sector and subsidiary are detailed in the following two tables:

Sector (Million pesos)	Loans		Total Loans	Reserves		2Q23 Charge offs	Days Past-Due**
	Performing	Non-Performing		2Q23	Var vs. 1Q23		
Government	164,678	4	164,682	801	(78)	0	0
Services*	128,438	899	129,338	1,181	26	24	330
Commerce	62,101	1,224	63,325	1,090	29	66	325
Manufacturing	52,412	1,106	53,518	877	(47)	17	484
Transportation	49,484	71	49,555	346	(27)	8	116
<b>Top 5 Sectors</b>	<b>457,112</b>	<b>3,305</b>	<b>460,417</b>	<b>4,295</b>	<b>(98)</b>	<b>115</b>	<b>0</b>
Other Sectors	107,146	986	108,131	1,323	(74)	273	
Mortgage	241,444	2,054	243,498	1,102	47	435	
Consumer	160,758	3,954	164,712	11,259	668	2,897	
Accounting Records	0	0	0	780			
<b>Total Loans</b>	<b>966,459</b>	<b>10,299</b>	<b>976,758</b>	<b>18,759</b>	<b>543</b>	<b>3,720</b>	<b>0</b>
Deferred Items			2,240				
BAP Portfolio			3,322				
<b>Total Loans with BAP and DI</b>			<b>982,320</b>				

\* Includes Financial, Real Estate and Other Services

\*\* Days past due from Non-performing Loans.

Sector/Subsidiary (Million pesos)	Banorte*	AyF	Total Loans
Government	157,923	6,759	164,682
Services**	121,828	7,509	129,338
Commerce	57,334	5,991	63,325
Manufacturing	44,194	9,324	53,518
Transportation	44,783	4,772	49,555
<b>Top 5 Sectors</b>	<b>426,062</b>	<b>34,355</b>	<b>460,417</b>
Remaining	512,104	4,236	516,341
<b>Total Loans</b>	<b>938,166</b>	<b>38,592</b>	<b>976,758</b>
Deferred Items			2,240

BAP Portfolio	3,322
<b>Total Loans with BAP and DI</b>	<b>982,320</b>

\* Banorte's total loans include eliminations for (Ps 17.96) billion.

\*\* Includes Financial and Real Estate services

As of 2Q23, GFNorte's Performing and Non-performing loans grouped by federal entity and subsidiary are detailed in the following table:

Federal Entities <i>(Million pesos)</i>	Loans		Total Loans	Total Reserves
	Performing	Non-performing		
1 Ciudad de México	281,161	2,234	283,395	3,805
2 Nuevo León	154,897	1,112	156,008	2,279
3 Estado de México	72,503	1,071	73,574	1,773
4 Jalisco	63,859	428	64,287	897
5 Sinaloa	33,629	309	33,938	513
6 Tamaulipas	28,512	343	28,854	684
7 Baja California Norte	25,821	224	26,045	528
8 Chihuahua	25,674	353	26,027	615
9 Coahuila	25,173	342	25,515	578
10 Quintana Roo	25,274	95	25,369	270
<b>Top 10</b>	<b>736,504</b>	<b>6,510</b>	<b>743,015</b>	<b>11,942</b>
Other Federal Entities	229,955	3,788	233,743	6,037
Accounting Records	0		0	780
<b>Total Loans</b>	<b>966,459</b>	<b>10,299</b>	<b>976,758</b>	<b>18,759</b>
Deferred Items			2,240	
BAP Portfolio			3,322	
<b>Total Loans with BAP and DI</b>			<b>982,320</b>	

\* Banorte's total loans include eliminations for (Ps 17.96) billion.

As of 2Q23, GFNorte's Performing and Non-performing loans grouped by term are detailed below:

Remaining Term <i>(Million pesos)</i>	Portfolio		Total Loans	Total Reserves
	Performing	Non-performing		
0 - 1 years	160,481	3,405	163,886	6,902
1 - 5 years	277,409	3,584	280,993	7,805
5 - 10 years	107,861	614	108,476	728
> 10 years	382,953	1,858	384,811	1,791
<b>Banorte*</b>	<b>928,705</b>	<b>9,461</b>	<b>938,166</b>	<b>17,226</b>
Arrendadora y Factor Banorte	37,754	837	38,592	753
Accounting Records	0		0	780
<b>Total Loans</b>	<b>966,459</b>	<b>10,299</b>	<b>976,758</b>	<b>18,759</b>
Deferred Items			2,240	
BAP Portfolio			3,322	
<b>Total Loans with BAP and DI</b>			<b>982,320</b>	

\* Banorte's total loans include eliminations for (Ps 17.96) billion.

## 2.2.2. Exposure to Financial Instruments

As of 2Q23, exposure to Credit Risk for Securities Investments of Banco Mercantil del Norte was Ps 295.85 billion, of which 97.1% is rated higher or equal to AA-(mex) on a local scale, placing them in investment grade, and the 3 main counterparties other than the Federal Government, State Governments and National Financial Institutions represent 6% of the Tier 1

Capital as of March 2023. Additionally, there is no exposure of investments with the same counterparty other than the Federal Government that represents a higher or equal concentration to 5% of the Net Capital as of March 2023.

For Derivatives operations, the exposure of the three main counterparties other than the Federal Government, State Governments and National Financial Institutions represent 4% of the Tier 1 Capital as of March 2023.

Exposure to Credit Risk for Securities Investments of Casa de Bolsa Banorte was Ps 228.46 billion, of which 100% is rated higher or equal to AA-(mex) on a local scale, placing them in investment grade and the 3 main counterparties other than the Federal Government, State Governments and National Financial Institutions represent 66% of the Equity as of March 2023. Additionally, the exposure of investments with the same counterparty besides the Federal Government that represents a higher or equal concentration to 5% of the Equity as of March 2023 has a higher or equal rating to AA-(mex) and are comprised of (*weighted average term, amounts in pesos and weighted average return to annualized maturity*): certificates of deposit and market certificates of Banco Santander Mexico for 2 years and 2 months totaling 4.49 billion at 11.5%; market certificates of BBVA Mexico for 1 year and 9 months totaling Ps 3.33 billion at 11.5%; promissory notes of JP Morgan Mexico for 1 month totaling Ps 2.47 billion at 11.5%; market certificates of Mexico City Government for 24 years and 3 months totaling Ps 2.41 billion at 11.7%; certificates of deposit of Banco del Bajío for 8 months totaling Ps 2.40 billion at 11.6%; certificates of deposit of Banco Invex for 9 months totaling Ps 2.05 billion at 11.8%; certificates of deposit of Scotiabank Inverlat for 9 months totaling Ps 2.01 billion at 11.5%; certificates of deposit and market certificates of Banobras for 2 years and 9 months totaling Ps 1.45 billion at 11.5%; market certificates of Banco Compartamos for 1 year and 10 months totaling Ps 1.40 billion at 12.0%; market certificates of BANCOMEXT for 2 years and 10 months totaling 1.10 billion at 11.4%; market certificates of FONACOT for 1 year and 9 months totaling Ps 1.01 billion at 11.7%; market certificates of Banco Actinver for 3 years and 8 months totaling Ps 803 million at 12.2%; Deutsche Bank bonds for 1 month totaling Ps 576 million at 12.3%; market certificates of Pemex for 1 year and 9 months totaling Ps 540 million at 10.8%; market certificates of FEFA for 2 years totaling Ps 521 million at 11.6%; market certificates of Grupo Aeroportuario del Pacífico for 1 year and 7 months totaling Ps 484 million at 11.7%.

For Derivatives operations, the exposure of the three main counterparties other than the Federal Government, State Governments and National Financial Institutions represent 2% of the Equity as of March 2023.

Arrendadora y Factor Banorte had no exposure to Securities Investments or to Derivatives.

Banorte's exposure to counterparty risk from transactions with derivatives is presented below, as well as the netting effect and risk mitigation based on the aggregate guarantees related to settled transactions (includes operations with Banxico. Excludes settled transactions through central counterparties).

Position Banorte (Million Pesos)	2Q23	2Q23 Average
Forwards	497	422
FX Swaps	(95)	(164)
FX	0	12
Options	(204)	(206)
Swaps with Interest Rates IRS	(990)	(1,324)
Cross Currency Swap (CCIRS)	5,790	4,306
Credit Default Swaps (CDS)	57	72
<b>Total</b>	<b>5,055</b>	<b>3,118</b>
Positive Fair Value (Positive Market Value)	17,055	15,775
Netting Effect*	11,999	12,657
Delivered Guarantees (-) /Received (+)		
Cash	9,454	8,246
Securities	0.0	0.0
<b>Total</b>	<b>9,454</b>	<b>8,246</b>

\* Difference between the positive market value (not considering the net positions) and the portfolio market value.

Transactions performed at the Clearing House are not included, as they are not subject to counter party risk.

The following table represents the current and potential levels of exposure at the end and the average of the quarter, respectively, for Banorte.

Banorte (Million Pesos)	Potential Risk		Current Risk	
<b>Financial Counterparties</b>	2Q23	2Q23 Average	2Q23	2Q23 Average
<b>FWD</b>				
<b>FX SWAP</b>	4,285	4,259	188	40
<b>FX</b>				
<b>OPTIONS</b>	3,296	3,164	687	678
<b>INTEREST RATE SWAP</b>	1,306	1,392	2,810	2,999
<b>CCS</b>	3,549	3,956	5,809	4,319
<b>CDS</b>	767	718	57	72
<b>Total</b>	<b>2,404</b>	<b>2,884</b>	<b>9,550</b>	<b>8,108</b>
<b>Clients (Non-Financial)</b>	2Q23	2Q23 Average	2Q23	2Q23 Average
<b>FWD</b>	198	228	214	230
<b>OPTIONS</b>	88	83	(890)	(885)
<b>INTEREST RATE SWAP</b>	3,663	3,480	(3,800)	(4,323)
<b>CCS</b>	10	13	(19)	(13)
<b>Total</b>	<b>3,959</b>	<b>3,803</b>	<b>(4,495)</b>	<b>(4,990)</b>

Based on conditions established in derivative agreements, tolerance levels of exposure are considered according to the rating of involved entities. The following table presents the number of guarantees to be delivered, in case of a rating downgrade. It's worth noting that with most counterparties we have migrated to zero threshold, thus, guarantees to be delivered do not depend on credit rating but to market movements:

Banorte Net Cash Outflows (Million pesos)	2Q23	2Q23 Average
Cash Outflow with 1-notch Downgrade	0	0
Cash Outflow with 2-notch Downgrade	0	0
Cash Outflow with 3-notch Downgrade	0	0

In the following table, the derivatives' market value is detailed according to the counterparties' ratings:

Banorte Rating (Million Pesos)	MoM 2Q23	2Q23 Average
<b>AAA/AA-</b>	127	175
<b>A+/A-</b>	9,109	7,781
<b>BBB+/BBB-</b>	(630)	(872)
<b>BB+/BB-</b>	446	239
<b>B+/B-</b>	(1,035)	(1,095)
<b>CCC/C</b>	0	0
<b>SC</b>	(2,962)	(3,110)
<b>Total</b>	<b>5,055</b>	<b>3,118</b>

Casa de Bolsa Banorte's exposure to counterparty risk from transactions with derivatives is presented below, as well as the netting effect and risk mitigation based on the aggregate guarantees related to settled transactions (includes operations with Banxico. Excludes settled transactions through central counterparties).

Position Casa de Bolsa Banorte (Million Pesos)	2Q23	2Q23 Average
Forwards	0	0
FX Swaps	0	0
FX	0	0
Options	0	0
Swaps with Interest Rates IRS	138	140
Cross Currency Swap (CCIRS)	0	0
Credit Default Swaps (CDS)	0	0
<b>Total</b>	<b>138</b>	<b>140</b>
Positive Fair Value (Positive Market Value)	413	449
Netting Effect*	275	309
Delivered Guarantees (-) /Received (+)		
Cash	0	0
Securities	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

\* Difference between the positive market value (not considering the net positions) and the portfolio market value.

Transactions performed at the Clearing House are not included, as they are not subject to counter party risk.

The following table represents the current and potential levels of exposure at the end and the average of the quarter, respectively, for Casa de Bolsa Banorte.

Casa de Bolsa Banorte (Million Pesos)	Potential Risk		Current Risk	
	2Q23	2Q23 Average	2Q23	2Q23 Average
<b>Financial Counterparties</b>				
<b>FWD</b>				
<b>FX SWAP</b>	0	0	0	0
<b>FX</b>				
<b>OPTIONS</b>	0	0	(19)	(18)
<b>INTEREST RATE SWAP</b>	302	340	302	340
<b>CCS</b>	0	0	0	0
<b>CDS</b>	0	0	0	0
<b>Total</b>	<b>302</b>	<b>340</b>	<b>283</b>	<b>322</b>
<b>Non-Financial Counterparties</b>				
<b>FWD</b>				
<b>OPTIONS</b>	10	9	19	18
<b>INTEREST RATE SWAP</b>	390	372	(165)	(200)
<b>CCS</b>	0	0	0	0
<b>Total</b>	<b>400</b>	<b>381</b>	<b>(146)</b>	<b>(182)</b>

Based on conditions established in derivative agreements, tolerance levels of exposure are considered according to the rating of involved entities. The following table presents the number of guarantees to be delivered, in case of a rating downgrade. It is worth noting that with most counterparties we have migrated to zero threshold, thus, guarantees to be delivered do not depend on credit rating but to market movements:

<b>Casa de Bolsa Banorte Net Cash Outflows (Million pesos)</b>	<b>2Q23</b>	<b>2Q23 Average</b>
Cash Outflow with 1-notch Downgrade	0	0
Cash Outflow with 2-notch Downgrade	0	0
Cash Outflow with 3-notch Downgrade	0	0

In the following table, the derivatives' market value is detailed according to the counterparties' ratings:

<b>Casa de Bolsa Banorte Rating (Million Pesos)</b>	<b>MoM 2Q23</b>	<b>2Q23 Average</b>
<b>AAA/AA-</b>	0	0
<b>A+/A-</b>	0	0
<b>BBB+/BBB-</b>	284	321
<b>BB+/BB-</b>	0	0
<b>B+/B-</b>	0	0
<b>CCC/C</b>	0	0
<b>SC</b>	(146)	(181)
<b>Total</b>	<b>138</b>	<b>140</b>

### 2.3. Credit Collaterals

Collaterals represent the second credit recovery source when its coverage, through the predominant activity of the applicant, is compromised. Collaterals may be real or personal.

The main types of real collaterals are the following:

- Civil Mortgage
- Industrial Mortgage
- Regular Pledge
- Pledge w/o possession transfers
- Pledge / Pledge Bond
- Pledge Bond
- Caution Securities
- Securities Pledge
- Management and Payments Trust
- Development Funds

For assets granted in guarantee, the Institution has policies and procedures to monitor and make periodic inspection visits to ensure the existence, legitimacy, value, and quality of the guarantees accepted as an alternative credit support. Furthermore, when guarantees are securities, there are policies and procedures to monitor its market's valuation and require additional guarantees if needed.



The covered loan portfolio by type of collateral is as follows:

Collateral Type (Million Pesos)	2Q23			
	Banorte	Banorte Ahorro y Previsión	Arrendadora y Factor Banorte**	GFNorte*
<b>Total Loan Portfolio</b>	<b>958,388</b>	<b>3,322</b>	<b>38,568</b>	<b>982,320</b>
Covered Loan Portfolio by type of collateral				
Real Financial Guarantees	22,810	0	0	22,810
Real Non-Financial Guarantees	544,492	0	7,722	552,215
Pari Passu	41,336	0	0	41,336
First Losses	19,189	0	0	19,189
Personal Guarantees	31,724	0	4,442	36,165
<b>Total Loan Portfolio Covered</b>	<b>659,551</b>	<b>0</b>	<b>12,164</b>	<b>671,715</b>

\* Total Loans includes eliminations and accounting records for (Ps 17.96 billion).

\*\* Excludes Pure Leasing

## 2.4. Expected Loss

As of 2Q23, Banco Mercantil del Norte's total portfolio was Ps 958.39 billion. The expected loss represents 1.9% and the unexpected loss is 3.9% of the total portfolio. The average expected loss is 1.9% for the period April - June 2023.

Regarding Casa de Bolsa Banorte, the credit exposure of investments is Ps 228.89 billion and the expected loss represents 0.01% of the exposure. The average expected loss is 0.01% between April - June 2023.

The total portfolio of Arrendadora y Factor Banorte, including pure leasing is Ps 41.39 billion. The expected loss represents 1.7% and the unexpected loss is 5.7% of the total portfolio. The average expected loss is 1.7% for the period April - June 2023.

## 2.5. Internal Models

In October 2016, the Board of Directors approved the implementation plan for the Internal Models for reserves estimation and capital requirements, on all applicable portfolios, which was dispatched to CNBV in the same year. In accordance with this implementation plan, the models for the Credit Card, Commercial Loans and Auto Loans portfolios were certified.

At the end of 2018, the CNBV released the project to migrate Standard and Internal Methodologies under the IFRS9 approach, but it was until March 2020 that the definitive rule for Internal Methodologies of reserves based on NIF C-16 (IFRS9), effective as of January 2021, was published in the Federation Official Journal (DOF by its acronym in Spanish). However, due to the COVID-19 pandemic, the CNBV issued a press release in April 2020 indicating that the rule would be effective as of January 2022.

Therefore, GFNorte complied the new regulation and adopted the Internal Reserve Methodologies based on NIF C-16, for which the Risk Policies Committee (CPR by its acronym in Spanish) and the Board of Directors were requested in April 2021 to approve the new Implementation Plan (Capital and Reserves), which was authorized by the CNBV in January 2022 through Document 111-2/852/2022.

As of January 2022, the NIF C16 (IFRS9<sup>1</sup>) rule is effective for the calculation of preventive reserves for credit risks, both in the Standard Approach and Internal Models. Consequently, for Internal Models, estimates for risk parameters will consider two approaches: IRB to compute capital requirements and IFRS9 to compute reserves:

- The capital approach will maintain long-term estimates ("Through the Cycle", TTC), under Annex 15 of the CUB<sup>2</sup>.
- The reserves approach will consider current behaviors ("Point in Time", PIT) and with a prospective approach (future macroeconomic environment), under Annex 15 Bis of the CUB. In addition, the new methodology indicates

<sup>1</sup> IFRS9 = International Financial Reporting Standards 9, IRB = Internal Rate Based Models

<sup>2</sup> Circular Única de Bancos

that the portfolio must be classified into three risk stages, being necessary for stage 2 a reserve calculation for the remaining term (LifeTime).

Given the new guidelines of the CUB on Internal Models, the regulator (CNBV) will only issue a Document of approval for the use of methodology for Capital Estimation, for a maximum period of 18 months. The use of Internal Model for Reserve methodology is authorized by Banorte's Board of Directors and by the Board of Arrendadora y Factor Banorte, accordingly, with the support of the Technical Evaluation made by the Independent Evaluator which guarantees compliance with the Model under the standards established in Annex 15 Bis. It should be noted that the Technical Evaluation Report is sent to the CNBV for review, the validity of this model is also for a maximum period of 18 months.

### 2.5.1. Advanced Approach Internal Model for Credit Card

On November 15, 2017, GFNorte received approval from the banking regulator (Comisión Nacional Bancaria y de Valores) to use Internal Models (IM) for credit card rating for reserves and regulatory capital generation by credit risk with an Advanced Approach (Document 111-3/706/2017). Periodically (as indicated by the regulation), Internal Models are recalibrated, on December 15, 2022, the CNBV granted authorization for the use of IM for the calculation of Capital Requirements for a period of 18 months (Document 111-2/948/2022) and the Board of Directors authorized the use of the Reserve methodology based on NIF C16 in its session on October 20, 2022 for a period of 18 months.

These internal models improve overall credit risk management by estimating risk parameters from the bank's own experience. The aforementioned parameters are:

- Probability of Default (PD). Indicates the probability that a credit card customer defaults on its contractual obligations within the next twelve months after the month being rated. For each loan, there is a score, which is mapped to a Master rating scale.
- Loss Given Default (LGD). Measures the intensity of the loss upon default expressed as a percentage of the Exposure at Default (EAD).
- Exposure at Default (EAD). The amount of the debt at the time of default, considering a time frame of twelve months after the month being rated.

The next table shows the Credit Card portfolio subject to the Advanced Approach Internal Model, classified by degrees of Internal Model risk:

Consumer Revolving Credit Card Portfolio under Advanced Approach Internal Model												(Million Pesos)
Risk Level*	Account. Balance	Exposure at Default (EAD)**			Loss Given Default			PD factored by EAD			Unused Credit Lines	EAD factored by Exposure
		Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3		
1	2,650	3,597	0	0	70.0%			0.4%			15,746	26%
2	6,324	8,339	0	0	70.9%			0.7%			25,671	24%
3	6,063	8,603	0	0	71.6%			1.5%			23,075	30%
4	7,230	9,380	0	0	73.7%			2.3%			14,058	23%
5	5,123	6,527	0	0	74.8%	69.2%		3.3%	3.3%		5,496	22%
6	5,097	6,664	0	0	75.3%	69.9%		5.0%	5.0%		6,639	24%
7	6,010	7,412	0	0	78.4%	70.2%		7.6%	7.6%		2,870	19%
8	4,156	5,235	2	0	78.9%	71.2%		11.1%	11.1%		1,341	21%
9	3,482	4,388	12	0	81.4%	72.8%		18.7%	18.7%		692	21%
10	2,839	2,766	633	0	83.4%	83.5%		49.9%	49.9%		111	16%
11	1,344	0	0	1,344			85.5%			100.0%	16	0%
<b>Total Portfolio</b>	<b>50,317</b>	<b>62,910</b>	<b>648</b>	<b>1,344</b>	<b>75.2%</b>	<b>82.9%</b>	<b>85.5%</b>	<b>6.8%</b>	<b>49.1%</b>	<b>100.0%</b>	<b>95,715</b>	<b>22%</b>

\* Scale of Risk Level for the Advanced Approach Internal Model.

\*\* The balances under Exposure at Default include Potential Risk as well as used credit line balance.

The next table shows the difference between expected loss and observed loss resulting from the Advance Approach Internal Model for Credit Cards from 2Q22.

Backtesting				
Portfolio	Expected Loss Internal Model*	Observed Loss*	Difference Ps (Observed Loss – Expected Loss)	% NCL Coverage
Credit Card	4,148	3,389	(760)	122%
<b>Total Portfolio</b>	<b>4,148</b>	<b>3,389</b>	<b>(760)</b>	<b>122%</b>

\* Expected and Observed Loss is equal to the last twelve months' average.

### 2.5.2. Advanced Approach Internal Model for Auto Loans

On November 25, 2019, GFNorte received approval from the banking regulator (Comisión Nacional Bancaria y de Valores) to use Internal Models (IM) for Auto Loans rating for reserves and regulatory capital generation by credit risk with an Advanced Approach (Document 111/678/2019). Periodically (as indicated by the regulation), Internal Models are recalibrated, on September 28, 2022, the CNBV (Document 111-2/917/2022) granted authorization for the use of IM only for the calculation of Capital Requirements for a period of 18 months, and the Board of Directors authorized, in its meeting on July 2022, the use of reserve methodology based on NIF-C16 for a period of 18 months.

These internal models improve overall credit risk management by estimating risk parameters from the bank's own experience. The aforementioned parameters are:

- Probability of Default (PD). Indicates the probability that an auto customer defaults on its contractual obligations within the next twelve months after the month being rated. For each loan, there is a score, which is mapped to a Master rating scale.
- Loss Given Default (LGD). Measures the intensity of the loss upon default expressed as a percentage of the Exposure at Default (EAD).
- Exposure at Default (EAD). The amount of the debt at the time of default, considering a time frame of twelve months after the month being rated.

The next table shows the Auto portfolio subject to the Advanced Approach Internal Model, classified by degrees of Internal Model risk:

Consumer Revolving Auto Portfolio under Advanced Approach Internal Model										(Million Pesos)
Risk Level*	Accounting Balance			Exposure at Default (EAD)			Loss Given Default			PD factored by EAD
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
1	3,073	0	0	3,073	0	0	49.76%			0.17%
2	10,512	0	0	10,512	0	0	57.55%			0.42%
3	9,174	0	0	9,174	0	0	62.05%	70.28%		0.80%
4	4,922	1	0	4,922	1	0	62.07%	66.88%		1.28%
5	5,644	2	0	5,644	2	0	63.64%	67.25%		1.91%
6	2,432	5	0	2,432	5	0	60.80%	70.65%		3.32%
7	1,716	64	0	1,716	64	0	56.78%	64.70%		8.96%
8	506	291	0	506	291	0	55.21%	56.73%		34.07%
9	0	0	207	0	0	207			63.30%	100.00%
<b>Cartera Total</b>	<b>37,978</b>	<b>363</b>	<b>207</b>	<b>37,978</b>	<b>363</b>	<b>207</b>	<b>59.03%</b>	<b>57.99%</b>	<b>63.30%</b>	<b>2.63%</b>

\* Scale of Risk Level for the Advanced Approach Internal Model.

The next table shows the difference between expected loss and observed loss resulting from the Advance Approach Internal Model for Auto Loans from 2Q22.

Backtesting				
Portfolio	Expected Loss Internal Model*	Observed Loss	Difference Ps (Observed Loss – Expected Loss)	% NCL Coverage
Auto Loans	616	445	(171)	139%
<b>Total Portfolio</b>	<b>616</b>	<b>445</b>	<b>(171)</b>	<b>139%</b>

\* Data as of June 2022.

### 2.5.3. Foundation Approach Internal Model for Commercial Loans

On November 30th, 2018, GFNorte obtained authorization from the banking regulator CNBV (Comisión Nacional Bancaria y de Valores) to use the Internal Model (IM) for Commercial Loans for reserves generation and regulatory capital requirements by credit risk with a Foundation Approach, as per (Document 111-3/1472/2018) in Banco Mercantil del Norte, and on March 1<sup>st</sup>, 2019, for Arrendadora y Factor Banorte as per Documents (111-1/160/2019 and 111-1/161/2019). Periodically (as indicated by the regulation), Internal Models are recalibrated, on December 15, 2022, the CNBV granted authorization for the use of IM only for the calculation of Capital Requirements for a period of 18 months for Banco Mercantil del Norte (Document 111-2/938/2022) and on December 2, 2022 for Arrendadora y Factor Banorte (Document 111-2/939/2022). Likewise, the Board of Directors authorized the use of the Reserve methodology based on NIF C16 in its session on July 21, 2022 for Banco Mercantil del Norte and on July 20, 2022 for Arrendadora y Factor Banorte, for a period of 18 months.

Exposures subject to this rating are those pertaining to corporations (other than states, municipalities, and financial entities), and individuals (sole proprietorships), both with annual sales higher or equal to 14 million UDIs.

The Internal Model (IM) enhances the overall credit risk management practice by estimating risk parameters through the institution's own experience with such customers. These models have been applied since February 2019 (January figures) at Banco Mercantil del Norte, and starting in March 2019 (with February figures) at Arrendadora y Factor Banorte. The parameter authorized under the Foundation Approach Internal Model for Corporations is:

- Probability of Default (PD). Shows the likelihood that a borrower defaults on its contractual obligations within twelve months after the month being rated. There is a score assigned to each borrower, which is in turn mapped against a master rating scale.

The following tables show the portfolio which is subject to the Foundation Approach Internal Model for Commercial Loans, classified by stage and risk level:

Commercial Loans subject to the Foundation Approach Internal Model GFNorte				(Million Pesos)
Stage 1 Loans				
Risk Level	Accounting Balance	Exposure at Default (EAD)*	PD weighted by EAD	
1	103,232	104,710	0.11%	
2	61,784	61,954	0.23%	
3	31,875	32,483	0.76%	
4	17,085	17,085	1.67%	
5	5,976	6,280	3.03%	
6	2,123	2,123	6.79%	
7	500	500	12.60%	
8	553	553	23.73%	
9	-	-	-	
<b>Total</b>	<b>223,128</b>	<b>225,687</b>	<b>0.59%</b>	

\* EAD balances include both potential risk as well as used balance risk.

Commercial Loans subject to the Foundation Approach Internal Model GFNorte Stage 2 Loans				<i>(Million Pesos)</i>
Risk Level	Accounting Balance	Exposure at Default (EAD)*	PD weighted by EAD	
1	19	19	0.94%	
2	3	3	0.73%	
3	7	7	1.38%	
4	9	9	0.49%	
5	0	0	4.60%	
6	28	28	10.50%	
7	39	39	24.19%	
8	-	-	-	
9	-	-	-	
<b>Total</b>	<b>105</b>	<b>105</b>	<b>12.15%</b>	

\* EAD balances include both potential risk as well as used balance risk.

Commercial Loans subject to the Foundation Approach Internal Model GFNorte Stage 3 Loans				<i>(Million Pesos)</i>
Risk Level	Accounting Balance	Exposure at Default (EAD)*	PD weighted by EAD	
Stage 3	2,011	2,011	92.24%	
<b>Total</b>	<b>2,011</b>	<b>2,011</b>	<b>92.24%</b>	

\* EAD balances include both potential risk as well as used balance risk.

Commercial Loans subject to the Foundation Approach Internal Model GFNorte Total Loans				<i>(Million Pesos)</i>
Risk Level	Accounting Balance	Exposure at Default (EAD)*	PD weighted by EAD	
1	103,251	104,728	0.11%	
2	61,787	61,957	0.23%	
3	31,882	32,490	0.76%	
4	17,094	17,094	1.67%	
5	5,976	6,280	3.03%	
6	2,151	2,151	6.84%	
7	539	539	13.44%	
8	553	553	23.73%	
9	-	-	-	
Stage 3	2,011	2,011	93.17%	
<b>Total</b>	<b>225,244</b>	<b>227,804</b>	<b>1.41%</b>	

\* EAD balances include both potential risk as well as used balance risk.

A breakdown of risk exposure and expected loss by subsidiary is shown below:

<b>Commercial Loans Portfolio subject to the Foundation Approach Internal Model</b> <i>(Million Pesos)</i>			
<b>Subsidiary</b>	<b>Accounting Balance</b>	<b>Exposure at Default (EAD)**</b>	<b>Expected Loss</b>
Banco Mercantil del Norte	195,769	198,328	1,036
Arrendadora y Factor Banorte	29,475	29,475	610
<b>Total Loans*</b>	<b>225,244</b>	<b>227,804</b>	<b>1,647</b>

\* The balance includes Letters of Credit of Ps 16.8 billion and excludes accounting adjustments of Ps 0.5 million in Banorte and Ps 160 million in Arrendadora y Factor Banorte.

\*\* EAD balances include both potential risk as well as used balance risk.

The following table shows the difference between expected loss estimated by the Foundation Approach Internal Model for Commercial Loans, and the real loss observed in the following 12 months. Since the model was just recently authorized, the table shows the estimations obtained during the parallel model run period.

<b>Backtesting</b> <i>(Million Pesos)</i>			
<b>Period</b>	<b>Expected Loss with Internal Model</b>	<b>Observed Loss</b>	<b>% Coverage (Expected Loss / Observed Loss)</b>
2Q22	1,515	291	520%

## 2.6. Risk Diversification

In December 2005, the CNBV issued "General Provisions Applicable to Credit Institutions related to Risk Diversification". These guidelines state that institutions must perform an analysis of their borrowers and/or loans to determine the amount of "Common Risk"; also, institutions must have the necessary information and documentation to prove that the person or group of people represent a common risk in accordance with the assumptions established in those rules.

In compliance with risk diversification regulation on active and passive operations, **Banco Mercantil del Norte** presents the following information:

<b>Tier 1 Capital as of March 31, 2023</b> <i>(Million Pesos)</i>	<b>197,469</b>
<b>I. Loans with individual balance greater than 10% of Tier 1 Capital:</b>	
<u>Loan Operations</u>	
Number of loans	0
Total amount of loans	0
% in relation to Tier 1	0%
<u>Money Market Operations</u>	
Number of loans	0
Total amount of loans	0
% in relation to Tier 1	0%
<u>Overnight Operations</u>	
Number of loans	0
Total amount of loans	0
% in relation to Tier 1	0%
<b>II. Maximum amount of credit with the 3 largest debtors and common risk groups:</b>	<b>48,940</b>

In compliance with risk diversification regulation on active and passive operations, **Arrendadora y Factor Banorte** presents the following information:

<b>Equity as of March 31, 2023</b> <i>(Million Pesos)</i>	<b>10,437</b>
<b>I. Loans with individual balance greater than 10% of Equity:</b>	
<u>Loan Operations</u>	
Number of loans	3
Total amount of loans	7,376
% in relation to Equity	71%
<u>Money Market Operations</u>	
Number of loans	0
Total amount of loans	0
% in relation to Equity	0%
<u>Overnight Operations</u>	
Number of loans	0
Total amount of loans	0
% in relation to Equity	0%
<b>II. Maximum amount of credit with the 3 largest debtors and common risk groups:</b>	<b>5,357</b>

### 3. MARKET RISK (Banorte and Casa de Bolsa Banorte)

GFNorte's objectives regarding Market Risk are:

- Comply with the Desired Profile Risk defined by the Group's Board of Directors.
- Maintain an adequate monitoring on Market Risk.
- Maintain the Senior Management adequately informed in time and form.
- Quantify exposure to Market Risk through the use of various methodologies.
- Define maximum risk levels the Institution is willing to maintain.
- Measure the Institution's vulnerability to extreme market conditions and consider such results when making decisions.

GFNorte's Market Risk Policies are:

- New products subject to market risk must be evaluated and approved through the new products' guidelines approved by the CPR.
- The Board of Directors is the entitled body to approve global limits and market risk's appetite metrics, as well as their amendments.
- The CPR is the entitled body to approve models, methodologies, and specific limits, as well as their amendments.
- Market risk models will be valid by an independent area, which is different from the one that develop and manage them.
- Market risk inputs and models will be valid as per a properly approved policy by the CPR.

#### 3.1. Scope, Methodologies and Reports for Market Risk

Market Risk Management is controlled through a series of fundamental pillars, highlighting the use of models and methodologies such as potential loss commonly known as "*expected shortfall*", Backtesting and Stress Testing, which are used to measure the risk of traded products and portfolios in the financial markets. Banorte implemented during January 2019 the calculation of expected shortfall, thus replacing the calculation of VaR. In addition, it was implemented the valuation of derivatives by OIS curves and curves adjusted for collateral following international standards.

Risk management is supported by a framework of policies and manuals, which establish the implementation and monitoring of Market Risk limits, the disclosure of risk metrics and their monitoring with respect to the established limits. Within these policies, the following are detailed, among others: the characteristics, capacity, legal aspects, instrumentation issues and degree of coverage that must be considered when compensating or mitigating the risk.

Market Risk management is supported by various information and risk measurement systems, which comply with regulatory standards and are aligned with the best international practices in Risk Management. It is worth mentioning that the information contained in the risk systems, as well as the reports they generate, are continuously backed up following institutional procedures regarding information security.

Key risk ratios are disclosed in monthly reports to the Risk Policy Committee and through a daily report to top executives at the Institution, related to the Market Risk risk-taking.

#### 3.2. Market Risk Exposure Banorte

Exposure of the Institution's financial portfolios to Market Risk is quantified using the methodology denominated Expected Shortfall which is the average of losses once VaR is surpassed.

The expected shortfall model considers a one-day horizon base and considers a non-parametric historical simulation with a 97.5% confidence level and 500 historical observations on risk factors, and an additional stress scenario. Furthermore, it considers all the positions (money market, treasury, equities, FX and derivatives) classified for accounting purposes as trading assets, both on and off the balance sheet.

The average expected shortfall of the Bank's portfolio for 2Q23 was Ps 119.9 million (Ps 27.8 million higher than the average expected shortfall from last quarter).



The result shows that the Bank's expected shortfall, using a 97.5% confidence level, is on average Ps 119.9 million.

<b>Expected Shortfall (Million Pesos)</b>	<b>Average 2Q23</b>
Total Expected Shortfall	119.9
Net Capital	198,494
<b>Expected Shortfall/Net Capital</b>	<b>0.060%</b>

Expected shortfall by risk factor behavior during the second quarter of the year:

<b>Risk Factor (Million Pesos)</b>	<b>2Q23</b>	<b>Average 2Q23</b>
Domestic Rates	102.6	94.5
Foreign Rates	55.1	64.2
Surcharges	457.4	57.3
FX	23.4	41.5
Others	98.0	82.5
Diversification Effect	(222.9)	(220.1)
<b>Bank's Expected Shortfall</b>	<b>113.6</b>	<b>119.9</b>

Expected shortfall for 2Q23 was Ps 113.6 million. The contribution to the Bank's Expected shortfall for each risk factor is:

<b>Risk Factor (Million Pesos)</b>	<b>2Q23</b>	<b>Average 2Q23</b>
Domestic Rates	66.8	63.0
Foreign Rates	(2.7)	8.3
Surcharges	2.3	15.7
FX	9.3	9.4
Others	37.9	23.6
<b>Bank's Expected Shortfall</b>	<b>113.6</b>	<b>119.9</b>

Expected shortfall by risk factor is determined by simulating 500 historical scenarios and an additional stress scenario to each risk factor and assessing instruments by their main risk factor. It is important to note that all positions classified as trading were considered, positions classified as held to maturity and available for sale were excluded.

The average proportion by market risk factor excluding the diversification effect is:

<b>Risk Factor</b>	<b>2Q23</b>
Rates	59%
Surcharges	13%
FX	8%
Equity	20%

### 3.2.1. Sensitivity Analysis and Stress Testing under extreme conditions

With the purpose of complementing and strengthening risk analysis, Banorte tests under extreme conditions known as Stress Testing. The results of this tests are presented to the Risk Policy Committee on monthly basis with the main objective of assessing the impact on the Institution's positions of extreme movements in risk factors.

### 3.2.2. Backtesting Banorte

In order to validate the effectiveness and accuracy of the expected shortfall, a monthly Backtesting analysis is presented to the Risk Policy Committee. Through this analysis, it is possible to compare losses and gains observed regarding the estimated expected shortfall and if necessarily make the required adjustments to the parameter.

### 3.2.3. Expected Shortfall of Casa de Bolsa Banorte

The expected shortfall average in 2Q23 was Ps 119.6 million, Ps 24.3 million higher vs. 1Q23.

The result shows that potential loss for Casa de Bolsa Banorte, using a 97.5% confidence level, is on average Ps 119.6 million:

Expected Shortfall (Million Pesos)	Average 2Q23
Total Expected Shortfall	119.6
Net Capital	5,136
<b>Expected Shortfall/Net Capital</b>	<b>2.32%</b>

The expected shortfall by risk factor for Casa de Bolsa Banorte portfolio behavior during the second quarter of the year was:

Risk Factor (Million Pesos)	2Q23	Average 2Q23
Domestic Rates	64.8	53.8
Foreign Rates	0.5	0.5
Surcharges	83.7	77.3
FX	0.0	0.0
Others	0.0	0.0
Diversification effect	(17.1)	(12.0)
<b>Casa de Bolsa Banorte Expected Shortfall</b>	<b>131.9</b>	<b>119.6</b>

Expected shortfall at the end of 2Q23 was Ps 131.9 million.

The expected shortfall by risk factor is determined by simulating 500 historical scenarios and an additional stress scenario, performing a grouping of instruments by their main risk factor. It is important to note that all positions classified as trading were considered, excluding the held-to-maturity position and available for sale.

Concentration by Market Risk factor is mainly reflected in interest rates

### 3.2.4. Sensitivity Analysis and Stress Testing under extreme conditions

Complementing the potential losses methodology with the purpose of enhancing risk analysis, Casa de Bolsa Banorte complements its risk analysis enforcing tests under extreme conditions known as Stress Testing. This is presented to the Risk Policy Committee on a monthly basis with the main objective of assessing the impact on the Institution's positions of extreme movements in risk factors

### **3.2.5. Backtesting Casa de Bolsa Banorte**

In order to validate the effectiveness and accuracy of the expected shortfall, a monthly Backtesting analysis is presented to the Risk Policy Committee. Through this analysis it is possible to compare losses and gains observed regarding the estimated expected shortfall and if necessarily make the required adjustments to the parameter.

## 4. BALANCE AND LIQUIDITY RISK

GFNorte's Balance and Liquidity Risk objectives are:

- Comply with the Risk Appetite defined by the Group's Board of Directors.
- Provide proper monitoring of Balance and Liquidity Risk.
- Assessing through the use of different methodologies, Balance and Liquidity Risk exposure.
- Measure Institution's vulnerability to extreme market conditions and consider such results for decision making.
- Maintain Senior Management properly informed in a timely manner on Balance and Liquidity Risk exposure and on any limits' and risk profile's deviation.
- Follow-up on the institution's coverage policy and review it at least annually.
- Maintain a sufficient level of liquid assets eligible to guarantee the institution's liquidity even under stress conditions.

GFNorte's Liquidity Risk Policies are:

- Establishment of specific global limits of Balance and Liquidity Risk Management.
- Measurement and monitoring of Balance and Liquidity Risk.
- Information and disclosure of Liquidity Risk to risk-taking areas, CPR, Board of Directors, Financial Authorities and to public investors.

### 4.1. Scope, Methodologies and Report of Balance and Liquidity Risk

Balance and Liquidity risk is managed through a series of fundamental pillars that include the use of key indicators such as the Liquidity Coverage Ratio (LCR), re-price gaps and liquidity, as well as stress testing. The latter, based on a framework of policies and manuals, including a funding contingency plan, and a contingency plan to preserve solvency and liquidity. Similarly, it is enhanced with monitoring limits and Risk Appetite metrics of Balance and Liquidity Risk. The disclosure of metrics and indicators and their compliance with established limits and desired established risk profile is performed through monthly reports to the CPR, weekly reports to the capital and liquidity management group, and quarterly reports to the Board of Directors.

Balance and Liquidity Risk management is supported by various information and risk measurement systems, which comply with regulatory standards and are aligned with the best international practices in Risk Management. It is worth mentioning that the information contained in the risk systems, as well as the reports they generate, are continuously backed up following institutional procedures regarding information security.

### 4.2. Profile and Funding Strategy

The composition and evolution of the Bank's funding during the quarter is shown in the following table:

Funding Source (Million Pesos)	1Q23	2Q23	Change vs. 1Q23
Demand Deposits			
Local Currency <sup>(1)</sup>	539,648	578,664	7.2%
Foreign Currency <sup>(1)</sup>	74,643	74,292	(0.5%)
<b>Demand Deposits</b>	<b>614,291</b>	<b>652,956</b>	<b>6.3%</b>
Time Deposits – Core			
Local Currency <sup>(2)</sup>	216,035	239,856	11.0%
Foreign Currency	2,813	2,826	0.4%
<b>Core Deposits</b>	<b>833,139</b>	<b>895,638</b>	<b>7.5%</b>
Money Market			
Local Currency <sup>(3)</sup>	64,137	50,472	(21.3%)
Foreign Currency <sup>(3)</sup>	39,756	34,272	(13.8%)
<b>Banking Sector Deposits</b>	<b>937,031</b>	<b>980,383</b>	<b>4.6%</b>

1. Includes balance of the Global Deposits without Movement.

2. Includes eliminations among subsidiaries.

### 4.3. Liquidity Coverage Ratio (LCR)

The LCR measures Liquidity Risk through the relationship between Liquid Assets and Net Cash Outflows in the next 30 days, under a regulatory stress scenario.

The LCR is an indicator designed to ensure that the institution has sufficient liquidity to meet its short-term obligations, under an extreme scenario using exclusively high-quality liquid assets as source of funding.

The following tables presents the average evolution of LCR components in 2Q23.

LCR Components (Million Pesos)	Consolidated Entity	
	Unweighted amount (Average)	Weighted amount (Average)
<b>COMPUTABLE LIQUID ASSETS</b>		
1 Total Computable Liquid Assets	NA	130,025
<b>CASH DISBURSEMENTS</b>		
2 Unsecured retail financing	485,323	30,921
3 Stable financing	352,227	17,611
4 Less stable financing	133,096	13,310
5 Unsecured wholesale financing	351,795	94,364
6 Operational Deposits	292,577	67,107
7 Non-Operational Deposits	57,937	25,977
8 Unsecured debt	1,281	1,281
9 Secured wholesale financing	304,082	10,554
10 Additional Requirements:	408,103	32,514
11 Disbursements related to derivatives and other guarantee requirements	16,363	10,054
12 Disbursements related to losses from debt financing	0	0
13 Lines of credit and liquidity	391,740	22,460
14 Other contractual financing obligations	1,127	281
15 Other contingent financing liabilities	0	0
<b>16 TOTAL CASH DISBURSEMENTS</b>	<b>NA</b>	<b>168,635</b>
<b>CASH INFLOWS</b>		
17 Cash Inflows for secured operations	137,814	10,111
18 Cash Inflows for unsecured operations	104,124	77,138
19 Other Cash Inflows	4,625	4,625
<b>20 TOTAL CASH INFLOWS</b>	<b>246,564</b>	<b>91,874</b>
		<b>Adjusted amount</b>
<b>21 TOTAL COMPUTABLE LIQUID ASSETS</b>	<b>NA</b>	<b>130,025</b>
<b>22 TOTAL NET CASH DISBURSEMENTS</b>	<b>NA</b>	<b>76,760</b>
<b>23 LIQUIDITY COVERAGE RATIO</b>	<b>NA</b>	<b>169.78%</b>

LCR Components (Million Pesos)	Bank Stand Alone	
	Unweighted amount (Average)	Weighted amount (Average)
<b>COMPUTABLE LIQUID ASSETS</b>		
1 Total Computable Liquid Assets	<b>NA</b>	<b>130,025</b>
<b>CASH DISBURSEMENTS</b>		
<b>2 Unsecured retail financing</b>	485,323	30,921
3 Stable financing	352,227	17,611
4 Less stable financing	133,096	13,310
<b>5 Unsecured wholesale financing</b>	348,567	92,976
6 Operational Deposits	292,577	67,107
7 Non-Operational Deposits	54,709	24,589
8 Unsecured debt	1,281	1,281
<b>9 Secured wholesale financing</b>	304,082	10,554
<b>10 Additional Requirements:</b>	366,423	30,297
11 Disbursements related to derivatives and other guarantee requirements	16,363	10,054
12 Disbursements related to losses from debt financing	0	0
13 Lines of credit and liquidity	350,060	20,243
14 Other contractual financing obligations	1,127	281
15 Other contingent financing liabilities	0	0
<b>16 TOTAL CASH DISBURSEMENTS</b>	<b>NA</b>	<b>165,030</b>
<b>CASH INFLOWS</b>		
17 Cash Inflows for secured operations	137,814	10,111
18 Cash Inflows for unsecured operations	101,237	77,901
19 Other Cash Inflows	4,625	4,625
<b>20 TOTAL CASH INFLOWS</b>	<b>243,676</b>	<b>92,637</b>
		<b>Adjusted amount</b>
<b>21 TOTAL COMPUTABLE LIQUID ASSETS</b>	<b>NA</b>	<b>130,025</b>
<b>22 TOTAL NET CASH DISBURSEMENTS</b>	<b>NA</b>	<b>72,392</b>
<b>23 LIQUIDITY COVERAGE RATIO</b>	<b>NA</b>	<b>179.76%</b>

During 2Q23, the 90-day average LCR for the Consolidated Entity was 169.78% with a 91-day average Bank's Stand-Alone LCR of 179.76%, and at the end of 2Q23 the LCR for the Consolidated Entity was 172.86%, while the bank's Stand-Alone LCR for 2Q23 was 172.64%; the aforementioned levels are above the Risk Appetite and the regulatory minimum standards. These results show that Banorte can meet all of its short-term obligations in a crisis scenario<sup>3</sup>.

<sup>3</sup> The Liquidity Coverage Ratio information is preliminary and is subject to Banco de Mexico's validation.

#### 4.4. Evolution of LCR Components

The evolution of the LCR components comparing 1Q23 and 2Q23 is presented in the following table:

LCR Component (Million Pesos)	1Q23	2Q23	Var. vs. 1Q23
Liquid Assets	134,130	145,122	8.2%
Cash Inflows	81,599	95,443	17.0%
Cash Outflows	154,240	179,396	16.3%

The Liquid Assets that compute in the LCRs for the Bank and Sofomes between 1Q23 and 2Q23 are distributed as follows:

Type of Asset (Million Pesos)	1Q23	2Q23	Var. vs. 1Q23
<b>Total</b>	<b>134,130</b>	<b>145,122</b>	<b>8.2%</b>
Level I	128,630	139,454	8.4%
Level II	5,500	5,668	3.0%
Level II A	2,434	2,726	12.0%
Level II B	3,066	2,942	(4.1%)

#### 4.5. Main Causes of LCR Results

Liquidity Coverage Ratio variations between 1Q23 and 2Q23, are consequence of increases in wholesale deposits, offset by increases in available liquidity due to issuances during the quarter, portfolio origination, and the liquidity inherent to the aforementioned growth in deposits.

It is worth noting that Banorte has not used the Ordinary Facilities or the Extraordinary Facilities of Banco de México during 2Q23.

#### 4.6. Exposure to Derivatives and possible Margin calls

Banorte applies the regulatory methodology to determine potential cash outflows for derivatives. At the end of 2Q23, estimated outflows for derivatives were as follows:

Derivatives Cash Outflows (Million Pesos)	1Q23	2Q23	Var. vs. 1Q23
Net cash outflows at market value and for potential future exposure	6,751	6,751	0.0%
Cash outflows for a 3-notch credit rating downgrade.	0	0	0.0%

The measurement shows that potential outflows for derivatives may represent a liquidity requirement up to Ps 6.75 billion, stable against 1Q23.

#### 4.7. Net Stable Funding Ratio (NSFR)

The CFEN is an indicator that should be interpreted as the proportion between the Available Stable Financing, constituted from own and external resources that are considered reliable over a time horizon; and the Required Stable Financing, constituted from liquidity, asset maturities and off-balance sheet positions.

The following tables present the average evolution of NSFR components in 2Q23:

NSFR  (Million Pesos)		Consolidated Entity				
		Unweighted value by residual maturity				Weighted Value
		No Maturity	< 6 months	6 months to < 1 year	> 1 year	
<b>Available Stable Funding Items</b>						
1	Capital:	206,266	517	0	0	206,525
2	<i>Regulatory Capital</i>	206,266	0	0	0	206,266
3	<i>Other capital instruments</i>	0	517	0	0	259
4	Retail deposits and deposits from small business customers:	0	565,399	2,017	330	531,118
5	<i>Stable deposits.</i>	0	401,046	1,216	197	382,346
6	<i>Less Stable deposits</i>	0	164,353	801	132	148,772
7	Wholesale funding:	0	676,298	19,834	65,357	373,973
8	<i>Operational deposits</i>	0	36,354	0	0	18,177
9	<i>Other wholesale funding</i>	0	639,944	19,834	65,357	355,796
10	Liabilities with matching interdependent assets	0	2,420	177	8,213	0
11	Other liabilities	19,748		30,877		13,139
12	<i>NSFR derivative liabilities</i>	NA		0		NA
13	<i>All other liabilities and equity not included in the above categories</i>	19,748	5,627	24,224	1,027	13,139
<b>14</b>	<b>Total Available Stable Funding</b>	NA	NA	NA	NA	<b>1,124,755</b>
<b>Required Stable Funding Items</b>						
15	Total NSFR high-quality liquid assets (HQLA)	NA	NA	NA	NA	67,314
16	Deposits held at other financial institutions for operational purposes	0	987	0	0	494
17	Performing loans and securities:	0	318,527	76,130	653,606	666,588
18	<i>Performing loans to financial institutions secured by Level 1 HQLA</i>	0	112,340	610	0	11,539
19	<i>Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions</i>	0	24,235	7,900	6,644	14,229
20	<i>Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:</i>	0	161,734	63,124	404,827	440,448
21	<i>With a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk</i>	0	66,066	13,090	80,419	91,851
22	<i>Performing residential mortgages, of which:</i>	0	6,446	2,426	227,421	179,470
23	<i>With a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk.</i>	0	2,079	1,348	91,369	61,103
24	<i>Securities that are not in default and do not qualify as HQLA, including exchange-traded equities</i>	0	13,773	2,069	14,715	20,902
25	<i>Assets with matching interdependent liabilities</i>	0	2,420	177	8,213	0
26	Other assets:	47,386		647,976		103,283
27	<i>Physical traded commodities, including gold</i>	10	NA	NA	NA	8
28	<i>Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs</i>	NA		2		2
29	<i>NSFR derivative assets</i>	NA		37,236		3,959
30	<i>NSFR derivative liabilities before deduction of variation margin posted</i>	NA		447,802		2,154



31	<i>All other assets not included in the above categories</i>	47,376	152,813	1,189	8,934	97,159
32	Off-balance sheet items	NA		428,525		21,426
<b>33</b>	<b>Total Required Stable Funding</b>	NA	NA	NA	NA	859,104
<b>34</b>	<b>Net Stable Funding Ratio (%)</b>	NA	NA	NA	NA	<b>130.92%</b>

(Million Pesos)		Stand-Alone				
		Unweighted value by residual maturity				Weighted Value
		No Maturity	No Maturity	No Maturity	No Maturity	
<b>Available Stable Funding Items</b>						
1	Capital:	206,266	517	0	0	206,525
2	<i>Regulatory Capital</i>	206,266	0	0	0	206,266
3	<i>Other capital instruments</i>	0	517	0	0	259
4	Retail deposits and deposits from small business customers:	0	565,399	2,017	330	531,118
5	<i>Stable deposits.</i>	0	401,046	1,216	197	382,346
6	<i>Less Stable deposits</i>	0	164,353	801	132	148,772
7	Wholesale funding:	0	662,103	15,878	64,603	365,800
8	<i>Operational deposits</i>	0	36,354	0	0	18,177
9	<i>Other wholesale funding</i>	0	625,749	15,878	64,603	347,623
10	Liabilities with matching interdependent assets	0	2,420	177	8,213	0
11	Other liabilities	19,748		30,877		13,139
12	<i>NSFR derivative liabilities</i>	NA		0		NA
13	<i>All other liabilities and equity not included in the above categories</i>	19,748	5,627	24,224	1,027	13,139
<b>14</b>	<b>Total Available Stable Funding</b>	NA	NA	NA	NA	<b>1,116,581</b>
<b>Required Stable Funding Items</b>						
15	Total NSFR high-quality liquid assets (HQLA)	NA	NA	NA	NA	67,314
16	Deposits held at other financial institutions for operational purposes	0	987	0	0	494
17	Performing loans and securities:	0	299,451	69,899	647,530	646,132
18	<i>Performing loans to financial institutions secured by Level 1 HQLA</i>	0	112,340	610	0	11,539
19	<i>Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions</i>	0	33,199	8,118	9,971	19,010
20	<i>Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:</i>	0	133,693	56,677	395,424	415,211
21	<i>With a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk</i>	0	48,573	13,090	80,419	83,104
22	<i>Performing residential mortgages, of which:</i>	0	6,446	2,426	227,421	179,470
23	<i>With a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk.</i>	0	2,079	1,348	91,369	61,103
24	<i>Securities that are not in default and do not qualify as HQLA, including exchange-traded equities</i>	0	13,773	2,069	14,715	20,902
25	<i>Assets with matching interdependent liabilities</i>	0	2,420	177	8,213	0

26	Other assets:	47,386		695,352		103,283
27	<i>Physical traded commodities, including gold</i>	10	NA	NA	NA	8
28	<i>Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs</i>	NA		2		2
29	<i>NSFR derivative assets</i>	NA		37,236		3,959
30	<i>NSFR derivative liabilities before deduction of variation margin posted</i>	NA		447,802		2,154
31	<i>All other assets not included in the above categories</i>	47,376	152,813	1,189	8,934	97,159
32	Off-balance sheet items	NA		387,214		19,361
<b>33</b>	<b>Total Required Stable Funding</b>	NA	NA	NA	NA	836,583
<b>34</b>	<b>Net Stable Funding Ratio (%)</b>	NA	NA	NA	NA	<b>133.47%</b>

During the 2Q23, the NSFR for the Consolidated Entity had a 91-days quarter average of 130.92%, while the quarters average bank's stand-alone NSFR was 133.47%, with an end of quarter consolidated entity NSFR of 133.85%, forementioned levels are above the Risk Appetite and the regulatory minimum standards. Such levels show that Banorte has the stable funding required for its assets and off-balance sheet items.

#### 4.8. Evolution of NSFR Components

The evolution of the components of the Net Stable Funding Ratio from 1Q23 to 2Q23 is shown in the following figure.

	1Q23			2Q23			Change		
	Available Stable Funding	Required Stable Funding	NSFR	Available Stable Funding	Required Stable Funding	NSFR	Available Stable Funding	Required Stable Funding	NSFR
< 6 months	1,009,469	223,194		1,046,181	224,240		3.6%	0.5%	
From 6 months to < 1 year	29,375	40,025		20,825	51,423		(29.1%)	28.5%	
>1 year	65,059	587,080	<b>129.8%</b>	73,106	576,151	<b>133.8%</b>	12.4%	(1.9%)	<b>3.1%</b>

#### 4.9. Main Causes of NSFR Results

The solid levels of the Net Stable Funding Ratio are supported not only by the strength of Banorte's Tier 1 capital, reinforced by a strong long-term funding structure derived from subordinated debt issuances; but also, by the stability of customer deposits, which allow natural coverage of asset balance, from high-quality liabilities.

#### 4.10. Liquidity Risk in foreign currency

For Liquidity Risk quantification and monitoring, in the specific case of the foreign currency denominated portfolio, Banorte uses the criteria established by Banco de México for the assessment of the foreign currency Liquidity Coefficient.

The Liquidity Coefficient in foreign currencies should be interpreted as the ability of the institution to meet its liquidity mismatches with liquid assets, both in foreign currency.

#### 4.11. Liquidity Gaps

As part of the liquidity analysis for the Bank, 30-day liquidity gaps for the Institution's assets and liabilities (obligations) are analyzed. Results for the Bank at the end of 2Q23 is presented in the following table.

Concept (Million Pesos)	1Q23	2Q23	Var. vs. 1Q23
Cumulative 30-day Gap	(91,652)	(123,167)	34.4%
Liquid Assets	98,764	144,209	46.0%

Mismatch among inflows and outflows (gaps) for the next 30 days are covered with liquid assets. In addition, a more granular breakdown of the liquidity gaps is presented, remaining as follows for 2Q23:

Concept (Million pesos)	1 day	7 days	1 month	3 months	6 months	12 months
Natural Gap	(143,002)	29,684	(9,848)	48,761	34,836	60,888
Accumulated Gap	(143,002)	(113,319)	(123,167)	(74,406)	(39,570)	21,318

#### 4.12. Stress Testing under liquidity extreme conditions

As part of its Liquidity Risk management, Banorte performs tests under extreme liquidity circumstances with internal scenarios, to assess the Bank's liquidity adequacy under adverse conditions from the environment as well as by the bank's intrinsic conditions. A total of 9 scenarios, based on 3 sources of risk (systemic, idiosyncratic and combined) with 3 levels of severity (moderate, medium and severe) are used.

#### 4.13. Contingency Funding Plan

To comply with comprehensive liquidity management practices, and to ensure its operation in adverse situations in terms of Liquidity, Banorte has implemented a contingency funding plan, which incorporates elements to identify possible liquidity problems and defines alternate funding sources available to deal with contingencies.

#### 4.14. Balance Risk

Interest rate risk entails estimating its impact on the financial margin. Financial margin is the difference between interest income and costs associated to interest bearing liabilities (interest expense). Depending on the balance's structure, variations in interest rates may have either a positive or negative impact in the rate scenarios.

Given that financial margin follows the flow structure of assets and liabilities in the balance sheet, the model used is a re-pricing model by brackets in which all assets and liabilities are distributed in different bands depending on their re-pricing characteristics and/or tenure. Once categorized by re-pricing structure, the impact that each of these bands have on these metrics can be estimated.

##### 4.14.1. Financial Margin Sensitivity

Financial Margin sensitivity is a static metric that takes into consideration a twelve-month period. Only the bands with duration lower than 1 year are affected by interest rate simulated fluctuations. Relevant considerations behind margin sensitivity calculations are:

- Considers repricing outcomes for all financial assets and liabilities in the balance sheet.
- Separated trading book surveillance.
- Considers the behavior for all balance sheet models, such as mortgage prepayments and deposit survival.
- The balance sheet is considered static and constant through time. Neither organic growth nor interest rate structure or changes or strategies in the product mix are considered.

The following table shows Financial Margin Sensitivity for Banorte Bank:

<b>Margin Sensitivity</b> <i>(Million Pesos)</i>	<b>1Q23</b>	<b>2Q23</b>	<b>Change vs. 1Q23</b>
Local Currency Balance	1,064	865	(18.7%)
Foreign Currency Balance	977	1,018	4.2%

At the end of 2Q23, local currency balance sensitivity for a 100bps shift in reference rates, changed from Ps 1,064 million in 1Q23 to Ps 865 million. Foreign currency balance sensitivity for a 100bps shift in reference rates changed from Ps 977 million to Ps 1,018 million. It is important to highlight that the Financial Markets positions immunize, via intermediation results, the impact of lower rates on the Balance. The Available for Sale portfolio had a balance of Ps 115,54 billion at the end of 2Q23, with an average of Ps 109.04 billion balance.

#### **4.15. Subsidiaries**

Balance and Liquidity Risk Management processes for the Bank and its Sofomes are centralized in GFNorte's Credit and Risk Management and Credit Managing Direction. To monitor Sofomes' liquidity, an analysis of the balance sheet structural behavior is conducted, as well as funding diversification. Furthermore, a liquidity gap analysis is performed. Specifically, for Casa de Bolsa Banorte, regulatory liquidity requirements are monitored.

The following table shows the composition of the gap indicators for the Bank's subsidiaries and SOFOMES at the end of 2Q23.

<b>Liquidity Ratio</b> <i>(Million Pesos)</i>	<b>Casa de Bolsa Banorte</b>	<b>Arrendadora y Factor Banorte</b>
Cumulative 30 days Gap	5,152	3,202
Liquid assets	5,296	67

## 5. OPERATIONAL RISK

GFNorte has a formal Operational Risk department reporting directly to the Chief Risk Officer.

Operational Risk is defined as the potential loss due to failures or deficiencies in internal controls, errors in operation processing and storing, or in data transmitting, as well as to adverse administrative and judicial rulings, fraud or theft (this definition includes Technological and Legal Risk).

The objectives of Operational Risk Management are:

- a) Enable and support the organization to reach its institutional objectives through prevention and management of operational risks.
- b) To ensure that the existing operational risks and the required controls are properly identified, assessed, and in line with the risk strategy established by the organization.
- c) To ensure that operational risks are properly quantified in order to adequately allocate capital by Operational Risk.

### 5.1. Policies, Objectives and Guidelines

As part of the Institutional regulations, there are documented policies, objectives, guidelines, methodologies, and responsible areas in Operating Risk management for its administration, coverage, and mitigation.

The Operational Risk Management Directors maintains close communication and coordination with the Regulatory Comptrollership in order to facilitate effective Internal Control in which proper procedures and controls are established for mitigating Operating Risk among the processes and provide monitoring through the Internal Audit Department.

The Regulatory Comptrollership, as part of the Internal Control System, carries out the following activities to mitigate risk:

- a) Internal control validations.
- b) Institutional regulations management and control.
- c) Monitoring of operating processes' internal control by means of control indicators reports, that are reported by the process comptrollers in the various areas.
- d) Money Laundering Prevention process management.
- e) Control and monitoring of the regulatory provisions.
- f) Analysis and assessment of the operating processes and projects with the participation of the responsible Directors of each process in order to ensure adequate internal control.

### 5.2. Quantitative and Qualitative Measuring Tools

#### 5.2.1. Operational Losses Database

In order to record operational loss events, the Institution owns a system that enables, the central information supplier areas, to directly record such events online, which are classified by Type of Event in accordance with the following categories:

Internal Fraud: Losses derived from a type of action intended to defraud; unlawfully assets appropriation; or sidestep regulations, laws or company policies (excluding diversity/discrimination events) in which at least one company party is involved.

External Fraud: Losses derived from a type of action intended to defraud; unlawfully assets appropriation; or sidestep the laws, caused by a third party.

Labor Relations and Workplace Safety: Losses caused by acts incompatible with the legislation or labor agreements regarding hygiene or safety, the payment of personal damage claims, or cases associated with diversity/discrimination.

Customers, Products & Business Practices: Losses caused by involuntary noncompliance or negligence of a professional obligation to specific customers (including fiduciary and adjustment requirements), or due to the nature or design of a product.

Natural Disasters and Other Events: Losses caused by damage or harm to material assets as a consequence of natural disasters or other events.

Business Incidences and Technological Failures: Losses caused by incidences in the business and systems failures.

Process Execution, Delivery and Management: Losses caused by errors in operations processing or management, as well as relations with commercial counterparties and suppliers.

This historical Database provides the statistics of the operational events in which the institution has incurred to determine their trends, frequency, impact and distribution.

### **5.2.2. Legal and Fiscal Contingencies Database**

For recording and monitoring legal, administrative and tax issues that may arise from adverse ruling, an internal system called "Legal Risk Issues Monitoring System" (SMARL by its acronym in Spanish) was developed. This system enables the central data supplying areas to record such events directly and on-line, which are then classified by company, sector and legal issue, among others.

As part of GFNorte's Legal Risk Management, legal and fiscal contingencies are estimated by the attorneys that process the cases, determining its risk level based on an internal methodology. This allows to constitute necessary reserves in a specific term (according to lawsuit's term) to face such Contingencies.

### **5.3. Risk Management Model**

GFNorte achieves its defined objectives, through different plans, programs and projects. Compliance with such objectives may be adversely affected due to operational risks, therefore it is imperative to provide a methodology for managing them within the organization. Consequently, Operational Risk Management is now an institutional policy defined and supported by senior management.

To perform Operational Risk Management, each of the operational risks involved in the processes must be identified in order to analyze them. In this regard, the risks identified by the Regulatory Comptrollership with the support of Process Comptrollership, are processed in order to eliminate or mitigate them (seeking to reduce their severity or frequency) and if applicable, define tolerance levels.

### **5.4. Required Capital Calculation**

In accordance with the current Capitalization for Operational Risk Regulations, for Banorte, the Institution has adopted the Business Indicator Method, which is estimated and reported periodically to the authorities.

### **5.5. Information Systems, Measurement and Reporting of Operational Risk**

The information generated by the Database and the Management Model is processed periodically to report to the Risk Policies Committee and the Board of Directors regarding the main operational events that were detected, the trends, identified risks and their mitigating strategies. The status of the main Operational Risk mitigation initiatives implemented by the various areas of the organization, is also being reported.

Operational Risk management is supported by various information and risk measurement systems, which comply with regulatory standards and are aligned with the best international practices in Risk Management. It is worth mentioning that the information contained in the risk systems, as well as the reports they generate, are continuously backed up following institutional procedures regarding information security.

### **5.6. Technology Risk**

Technology Risk is defined as all potential losses from damage, interruption, alteration or failures derived from the use of or dependence on hardware, software, systems, applications, networks and any other information distribution channel in the rendering of banking services to the customers. This risk forms an inherent part of Operational Risk, which is the reason its management is overseen collectively throughout the entire organization.

To address the Operational Risk associated with information integrity, an "Integrity Committee" has been created. Its objectives are to align security and information control efforts under a prevention focus, to define new strategies, policies, processes or procedures and to provide solutions to information security issues that affect or may affect the Institutional patrimony.

The functions established by the CNBV (Comisión Nacional Bancaria y de Valores) for Technology Risk Management are performed by the Institution under regulatory and Integrity Committee guidelines.

To address the Operational Risk caused by high impact external events, GFNorte has a Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP) based on a same-time data replication system at an alternate computer site. All the above, cover the backup and recovery of the Institution's critical applications in the event or any relevant operating contingency.

### **5.7. Legal risk**

Legal Risk is defined as the potential loss from failure to comply with the applicable legal and administrative provisions, the issuance of indisputable unfavorable court rulings and the application of penalties regarding the operations that the institution performs.

The Legal Risk must be measured as an inherent part of Operational Risk in order to understand and estimate its impact. Therefore, those legal issues which result in actual operational losses of the SMARL system are subsequently recorded in the database of operational events.

Based on the statistics of the current legal issues and real loss events, the Institution can identify specific legal or operational risks, which are analyzed in order to eliminate or mitigate them in an attempt to reduce or limit their future occurrence or impact.

## **6. SECURITIZATIONS PERFORMED BY GFNORTE**

The main objective of the securitization operations conducted by the Group, is to transfer risks and benefits of certain financial assets to third parties.

GFNorte has carried out the following securitization:

- On October 11<sup>th</sup>, 2006, Fincasa Hipotecaria (Fincasa), now merged with Banorte, held the irrevocable trust for the issuance of market certificates No. 563, issuer code FCASACB, whose underlying assets are mortgages originated and transferred by Fincasa.

In accordance with criterion C-1 *Recognition and Disposal of Financial Assets*, these assets were written off from the Institution's balance sheet as a sale, given that conditions for the risk and benefit's transfer inherent in the ownership of the financial assets were met. The Institution is not responsible for assumed or retained risks regarding the trust assets, its sole responsibility is the fulfillment of its obligations in the trust agreement and administration contract.

The Institution is responsible for each of the assigned loans meeting eligibility criteria, at the time of their respective allocation. If the trust, the common representative, the financial guarantor, identify any non-eligible loans, they may require Banorte to replace such loan or if replacement is not possible, to make payment for the "non-replaced ineligible loan" in question. If Banorte identifies any non-eligible loan, it must be notified and replace it or make the corresponding payment.

The Institution's Board of Directors has no pre-determined policies for the issuance of securitizations, authorization for any new issuance must be requested.

The Institution does not participate in securitizations of third-party positions.

There are several risk factors for securitizations that may affect trusts' assets. If these risks materialize, payment to market certificates' holders could be adversely affected. The main risks to which these financial instruments are exposed to are credit, market, liquidity, and operational risk, which have been detailed in previous sections.

To monitor the quality of Credit Risk exposure of financial instruments arising from securitized assets, the Institution estimates expected loss within one-year time horizon. Likewise, in order to monitor exposure to market risk, the value at risk is calculated with a one-day time horizon and a 99% confidence level, for these instruments.

Banorte is the settlor and trustee of trusts for the conducted securitizations. At the same time, it acts as underwriter on each issue, offering bonds to investors. Additionally, the Institution also performs the duties of administrator in each of the trusts.

As of June 30<sup>th</sup>, 2023 GFNorte does not have securities of the FCASACB securitization in its own position:

Securitization (Million pesos)	Issued Securities	Banorte	Seguros Banorte	Total GFNorte	Total Clients
97_FCASACB_06U	1,351,386	0.0%	0.0%	0.0%	100.0%

Ratings assigned by each rating agency at the end of the quarter for each market certificate issued by the aforementioned trust is as follows:

Securitization	Standard & Poor's		Fitch Ratings		Moody's		HR Ratings		Verum		Best		DBRS	
	Local	Global	Local	Global	Local	Global	Local	Global	Local	Global	Local	Global	Local	Global
97_FCASACB_06U	mxCCC		CCC (mex)											

As of June 30<sup>th</sup>, 2023 the amounts of the underlying assets of the securitization were:

Securitization (Million pesos)	Amount		
	Performing	Non-performing	Total
97_FCASACB_06U	Ps 56	Ps 97	Ps 153

No securitization position is registered in memorandum accounts and no maintained securitization position is deducted from Tier 1 Capital.

Securitization from Trust 563 considers early amortization provisions. The institution has not made revolving securitizations or re-securitizations operations during the quarter.

### 6.1 Applied Accounting Policies

All securitization operations conducted by the Institution were recognized as sales in accordance with criterion C-1 *Recognition and Disposal of Financial Assets*. Despite retaining the contractual rights to receive cash flows from financial assets, a contractual obligation is assumed to pay such cash flows to a third party. In addition, it was concluded from an analysis of the transfer of these assets, that the entity substantially transfers all the risks and benefits inherent with ownership of the financial assets. Registration of profits from sales conforms to the provisions in paragraph 31 of criterion C-1, which states:

- a) Eliminate transferred financial assets at the last book value;
- b) Recognition for the consideration received in the operation;
- c) Recognition of profit or loss in the income statement, for the difference between the book value of eliminated financial assets, and the sum of (i) compensation received (recognized at fair value) and (ii) the effect (gain or loss) by cumulative valuation recognized in equity.

The MBS (Mortgage-Backed Securities) Trust issued certificates in favor of the institution, as holders of rights in last place under the trust agreement. These certificates provide the right to receive a percentage of the distributions and in general to the corresponding proportions of the remnant that may be in the trust after full payment of the bonds. Valuation of the certificates is based on the method of net present value of remaining cash flows expected over the lifespan of the securitization. Remaining cash flows for the MBS the sum of cash flows to be received from the securitized loan portfolio, minus cash flow to be paid to securitized portfolios, minus the monthly administration expenses, plus the income from sales of foreclosed properties, if applicable. At the end of the period, the certificate related to securitization FCASACB 06U shows a fair market value of zero, since no remaining cash flows are expected to be received.

Remaining flows are discounted with the B1 banking curve, which takes into consideration the trusts' Credit Risks. The most important assumptions in the valuation of the certificates are the following:

- a) Non-compliance rate: cash flows to be received from loan portfolios are adjusted by a determined percentage of the outstanding portfolio amount that is estimated to fall into non-compliance. That percentage is estimated



- using historical performance information of this portfolio. This percentage is applied to flows greater than 12 months.
- b) Prepayment rate: cash flows to be received from the loan portfolio are adjusted by a determined percentage of the outstanding portfolio amount estimated to be prepaid. That percentage is estimated using historical performance information of this portfolio.
  - c) Portfolio term: is estimated using WAM (*Weighted Average Maturity*) of the securitized portfolio.
  - d) Portfolio interest rate: is estimated using WAC (*Weighted Average Coupon*) of the securitized portfolio.
  - e) Portfolio payment dates: loan portfolio payment dates are considered to be the same as those of the stock certificates.
  - f) Reserve to be rated: the current value of the remaining flows is reduced by the amount of the reserve to be rated. This reserve corresponds to the non-compliance risk for cash flows in the first 12 months.
  - g) General account: the current value of the remaining flows is added to the amount of cash or cash equivalents deposited in the general account, collection account and if the case, in the expense reserve account, in case of total payment of the stock certificates, these assets would be distributed to the certificate holders.
  - h) General terms of stock certificates: estimated to be in accordance with prices published by PiP-Latam.

Regarding the policies for recognizing obligations in balance sheet of the agreements that may require financial support from the Institution in case of asset's securitization: all amounts due under the stock certificates of the different existing securitizations, will be charged to the trust estate. If, for any reason, the liquid assets of the trust net worth are not sufficient to ensure payment of the amounts due under the stock certificates, holders will not have the right to claim payment from the Institution, the Trust, the common representative, the placement agent, the guarantor or guarantors in the case, or anyone else. The stock certificates have not been guaranteed or endorsed by any of the persons involved in the issuance thereof, therefore none of them are obligated to make payments to the certificate holders, with the exception, in the case of a trust, where payments may be charged to the trust in accordance with the trust agreement.

## 7 POSITION IN SHARES

At the end of 2Q23, Banco Mercantil del Norte held shares for an amount of Ps 770.7 million, with gains of Ps 386.8 million accumulated.

During the second quarter of the year, there were no gains from the purchase and sale of securities.

The capital requirement for Market Risk was Ps 229.66 million.

Institution	Type of Trading	Accounting Classification	Capitalization Treatment	Market Value 2Q23	Gains / Losses Cumm.	Profit / Loss Sales / Purchases
Banorte	Public Trading	Negotiation	Market Risk	9.7	(47.4)	0
Banorte	Public Trading	Negotiation	Capital Deduction	216.7	116.0	0
Banorte	w/o Public trading	Negotiation	Market Risk	543.0	317.9	0
Banorte	w/o Public trading	Negotiation	Market and Credit Risk	1.3	0.3	0
			<b>Total</b>	<b>770.7</b>	<b>386.8</b>	<b>0</b>

As of 2Q23 a position of Ps 559.4 million is held in Casa de Bolsa Banorte with cumulative gains of Ps 263.1 million.

During the quarter, there were gains of Ps 3.14 million from purchases and sales of securities.

Regarding Market Risk Capital Requirement, the amount was Ps 167.57 million of the total position in shares of Banorte.

Institution	Type of Trading	Accounting Classification	Capitalization Treatment	Market Value 2Q23	Gains / Losses Cumm.	Profit / Loss Sales / Purchases
Casa de Bolsa Banorte	Public	Negotiation	Market Risk	559.4	263.1	3.14
			<b>Total</b>	<b>559.4</b>	<b>263.1</b>	<b>3.14</b>