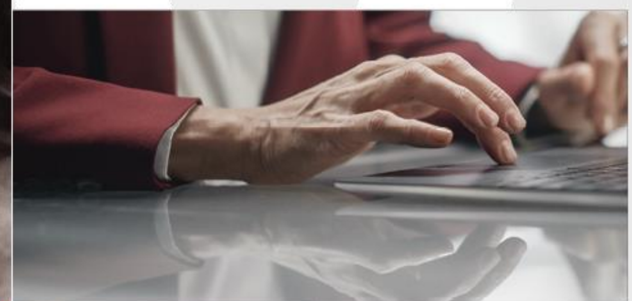


Contact information:
investor@banorte.com
investors.banorte
.com
+52 (55) 1670 2256

Risk Management Report

AS OF DECEMBER 31st 2023

4Q23

Index

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

A Comprehensive Risk Management Framework, consisting of objectives, guidelines, policies, and procedures, has the following main objectives:

- Provide clear rules to the different business areas, which help 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).
- Establish mechanisms to monitor risk-taking throughout GFNorte, through the use of robust systems and processes.
- Verify the observance of Risk Appetite.
- 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.
- Implement identification, valuation, and management models for different types of risks.
- Establish procedures for portfolio's optimization and credit portfolio management.
- 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 to which GFNorte is exposed to, in order to ensure operations compliance with the 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 composed of 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 participates with voice but no vote.

Moreover, the Assets and Liabilities Committee (ALCO) and the Capital and Liquidity Group, analyze, monitor, 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) supervises the Risk Management and Credit Department (DGARC by its acronym in Spanish), and among its functions, is responsible for identifying, measuring, monitoring, limiting, controlling, reporting, and disclosing the different types of risk to which the GFNorte is exposed to.

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

1.2. Main and emerging risks

The Comprehensive Risk Management Framework includes strategies to identify and regulate the main and emerging risks that pose as a potential threat to the business, clients, collaborators, and to GFNorte's strategy. The definition and classification of potential risks allows them to be better managed and mitigated, 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. Sustainability Risk: likelihood 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 Institution's performance 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 internal or external events that go against 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 of the risks to which the business activity is exposed to, 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, environmental, 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: 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's 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 frauds, 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, and as a result, it strengthens and consolidates the Comprehensive Risk Management Framework, considering the Sustainability 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 based on 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. It also covers the importance of close communication with clients to be able to identify their needs and problems, preventing potential breaches.

- **Prospective Vision:** Always maintaining a farsighted 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 has 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 is 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, promotion, and compensation of staff. The Remuneration System establishes these incentives, where the evaluation criteria is established mainly for Senior management, consistent with reasonable risk-taking. Additionally, 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:** GFNorte is known for its fast development in risk management and for performing with the latest banking practices. 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 innovative products go through a formal project evaluation process, which includes 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; in addition, a formal escalation process is 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 set 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 global best practices, such as, implementing models, methodologies, procedures, and systems.
- Measure Institution’s vulnerability to extreme conditions and consider those results for decision 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 scenarios as well as departments or officers responsible for carrying out such actions.
- Surveil 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, within 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 whenever 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 generated by them are continuously backed up, following institutional procedures of institutional information security procedures.

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 its 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, 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 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 equal to or greater than 14 million UDIs (in case of being enterprises).

2.1.2. Portfolio Credit Risk

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

This Credit Risk methodology provides the current value of GFNorte's entire loan's portfolio, 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.

Aside from loan exposure, the methodology takes into consideration the probability of default, the 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 the 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/her "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. 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 defaults or variations in debtors' credit quality. 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 for granting loans as well as for the diversification of the portfolio, in line with 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

The 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 by using 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, which grants approval if it deems it appropriate. 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. The potential exposure for lines calculation methodology is then analyzed by the Credit Committee, and if approved, is monitored on a daily basis as well as reported monthly in the CPR, where analysis of guarantees behind Derivative transaction is held for both clients and financial counterparties.

The correspondent regional Credit Committee 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 on these transactions.

To determine adversely correlated lines (Wrong Way Risk "WWR"), a potential exposure adjustment is taken into account.

On an individual level, the risk concentration on financial instruments is managed on a continuous basis, by establishing and monitoring maximum parameters of operation for each counterparty or issuer depending on the rating and type of operation. Defined risk diversification policies exist for portfolios, for economic groups and internal groups. Additionally, the concentration of counterparty type or issuer, the size of the financial institutions, and the region in which it operates, are monitored in order to obtain an appropriate diversification and to avoid undesired concentrations.

Credit Risk is measured through a rating associated with the issuer, security, or counterparty which has a pre-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 lower the loss given default and vice versa. In order 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 December 31st, 2023 the total amount of the exposure subject to the Standard Method and the Internal Models (Advanced Approach Internal Model for Credit Cards, Mortgages and Auto Loans, and Foundation Approach Internal Model for Business Enterprises) for the estimation of Capital Ratio is as follows:

Gross Exposures subject to the Standard Method and Internal Models** *(Million pesos)*	Banorte	Arrendadora y Factor Banorte*	Total Portfolio
Commercial	**87,721**	**2,106**	**89,826**
YoY Revenues or Sales < 14 MM UDIS	87,721	2,106	89,826
States or Municipalities	80,217	457	80,674
Decentralized Federal Government Agencies and State Companies	40,814	7,473	48,287
Projects with own source of payment	109,242	0	109,242
Financial Institutions	43,573	854	44,427
Consumer Non-Revolving	77,143	2	77,145
Total Loans subject to the Standard Method	**438,710**	**10,892**	**449,602**
Commercial	185,540	33,654	219,194
YoY Revenues or Sales >= 14 MM UDIS	185,540	33,654	219,194
Federal, State and Municipal Government Decentralized Agencies, with annual income or Sales >= 14 MM UDIS	13,125	0	13,125
Total Loans subject to the Foundation Approach Internal Model	**198,665**	**33,654**	**232,319**
Consumer Non-Revolving (Auto)	42,834	0	42,834
Credit Card	55,516	0	55,516
Mortgage	255,315	0	255,315
Total Loans subject to Advanced Approach Internal Model	**353,665**	**0**	**353,665**
Eliminations and Accounting Records			(27,243)
Deferred Items	2,436	(49)	2,386
BAP Portfolio	3,503	0	3,503
Tarjetas del Futuro			4,619
Trust F/4907			29,886
Not Rated			(31)
Total Loans with BAP and DI			**1,048,706**

* Excludes Pure Leasing.

** The exposure excludes Letters of Credit and 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 issued 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 4Q23 presents a total exposure of Ps 1,048.71 billion, Ps 22.63 billion higher than previous quarter or 2.2% higher, and Ps 113.62 billion higher or a 12.2% increase from the previous year.

Variations per product of GFNorte's total portfolio are:

Product / Segment	Total Loan			Var. vs. 3Q23		Var. vs. 4Q22	
(Million pesos)	4Q22	3Q23	4Q23	Ps	%	Ps	%
Government	171,724	171,649	171,972	323	0.2%	248	0.1%
Commercial	233,304	257,504	256,719	(785)	(0.3%)	23,415	10.0%
Mortgage	228,797	250,953	255,315	4,362	1.7%	26,518	11.6%
Corporate	148,150	168,486	178,727	10,241	6.1%	30,577	20.6%
Payroll	69,275	78,026	77,108	(918)	(1.2%)	7,834	11.3%
Credit Card	46,234	52,884	60,105	7,221	13.7%	13,871	30.0%
Auto Loans	32,371	40,864	42,870	2,007	4.9%	10,500	32.4%
Total Loans	**929,854**	**1,020,365**	**1,042,817**	**22,452**	**2.2%**	**112,962**	**12.1%**
Deferred Items	2,042	2,273	2,386	113	5.0%	344	16.8%

BAP Portfolio	3,188	3,433	3,503	70	2.0%	315	9.9%
Total Loans with BAP and DI	**935,084**	**1,026,072**	**1,048,706**	**22,634**	**2.2%**	**113,622**	**12.2%**

Performing Loans now broken down into Stage 1 and 2 represent Ps 1,059.17 billion, while Non-performing loans, also known as Stage 3 Loans, represent Ps 10.89 billion.

Subsidiary *(Million pesos)*	**Loans**		**Total**	**Total Reserves**
	Performing	**Non-Performing**		
Banorte*	981,345	9,695	963,796	17,256
Arrendadora y Factor Banorte	43,661	885	44,545	853
Trust F/4907	29,886	0	29,886	176
Tarjetas del Futuro	4,277	311	4,589	1,308
Accounting Records	0	0	0	10
Total Loans	**1,059,169**	**10,891**	**1,042,817**	**19,603**
Deferred Items			2,386	0
BAP Portfolio			3,503	254
Total Loans with BAP and DI			**1,048,706**	**19,857**

* Banorte' s total loans include eliminations for (Ps 27,24) billion.

Total reserves of Ps 19.86 billion include rating reserves of Ps 19.59 billion and accounting records (Credit Letters reserves, revaluations and BAP reserves) of Ps 264 million.

GFNorte's Performing and Non-performing portfolios in 4Q23 grouped by sector and subsidiary are detailed in the following two tables:

Sector *(Million pesos)*	**Loans**		**Total Loans**	**Reserves**		**4Q23 Charge offs**	**Days Past--Due****
	Performing	**Non-Performing**		**4Q23**	**Var vs. 3Q23**		
Government	171,961	11	171,972	920	80	0	124
Services*	139,592	679	140,271	989	57	34	404
Commerce	65,925	1,291	67,216	1,115	(64)	91	380
Manufacturing	58,005	1,089	59,094	933	(38)	30	636
Transportation	52,072	140	52,212	369	3	2	117
Top 5 Sectors	**487,555**	**3,210**	**490,765**	**4,326**	**37**	**157**	
Other Sectors	115,969	684	116,653	861	(713)	320	
Mortgage	253,138	2,177	255,315	1,252	34	513	
Consumer	170,986	4,509	175,495	11,846	132	3,607	
Tarjetas del Futuro	4,277	311	4,589	1,308	1,308	0	
Accounting Records				10			
Total Loans	**1,031,926**	**10,891**	**1,042,817**	**19,603**	**798**	**4,596**	
Deferred Items			2,386				
BAP Portfolio			3,503	254			
Total Loans with BAP and DI			**1,048,706**	**19,857**			

* Includes Financial, Real Estate and Other Services.

** Days past due from Non-performing Loans.

Sector/Subsidiary *(Million pesos)*	**Banorte***	**Tarjetas del Futuro**	**AyF**	**Trust F/4907**	**Total Loans**
Government	134,155		7,930	29,886	171,972
Services**	131,156		9,116		140,271
Commerce	61,069		6,147		67,216
Manufacturing	49,179		9,915		59,094

Transportation	45,782		6,430		52,212
Top 5 Sectors	**421,341**	**0**	**39,538**	**29,886**	**490,765**
Remaining	542,455	4,589	5,008	0	552,052
Total Loans	**963,796**	**4,589**	**44,545**	**29,886**	**1,042,817**
Deferred Items					2,386
BAP Portfolio					3,503
Total Loans with BAP and DI					**1,048,706**

* Banorte' s total loans include eliminations for (Ps 27.24) billion.

** Includes Financial and Real Estate services.

As of 4Q23, GFNorte's Performing and Non-performing loans grouped by federal entity and subsidiary are detailed in the following table:

	Federal Entities *(Million pesos)*	Loans Performing	Loans Non-performing	Total Loans	Total Reserves
1	Ciudad de México	293,216	1,795	295,011	3,320
2	Nuevo León	163,952	1,247	165,199	2,422
3	Estado de México	76,886	1,043	77,928	1,835
4	Jalisco	69,510	519	70,029	1,000
5	Sinaloa	39,644	304	39,948	490
6	Baja California Norte	30,093	232	30,325	574
7	Tamaulipas	29,553	390	29,943	737
8	Coahuila	28,576	434	29,010	726
9	Chihuahua	27,380	411	27,790	684
10	Quintana Roo	26,786	115	26,902	282
	Top 10	**785,597**	**6,489**	**792,085**	**12,070**
	Other Federal Entities	242,052	4,091	246,143	6,479
	Tarjetas del Futuro	4,277	311	4,589	1,308
	Total Loans	**1,031,926**	**10,891**	**1,042,817**	**19,857**
	Deferred Items			2,386	
	BAP Portfolio			3,503	
	Total Loans with BAP and DI			**1,048,706**	

* Banorte' s total loans include eliminations for (Ps 27.24) billion.

As of 4Q23, GFNorte's Performing and Non-performing loans grouped by term are detailed below:

Remaining Term *(Million pesos)*	Portfolio Performing	Portfolio Non-performing	Total Loans	Total Reserves
0 - 1 years	179,732	3,356	183,089	7,029
1 - 5 years	296,596	3,733	300,329	7,847
5 - 10 years	104,870	609	105,480	570
> 10 years	372,903	1,996	374,899	1,810
Banorte*	**954,101**	**9,695**	**963,796**	**17,256**
Tarjetas del Futuro	4,277	311	4,589	1,308
Arrendadora y Factor Banorte	43,661	885	44,545	853
Trust F/4907	29,886		29,886	176
Accounting Records				10
Total Loans	**1,031,926**	**10,891**	**1,042,817**	**19,603**
Deferred Items			2,386	
BAP Portfolio			3,503	254
Total Loans with BAP and DI			**1,048,706**	**19,857**

* Banorte' s total loans include eliminations for (Ps 27,24) billion.

2.2.2. Exposure to Financial Instruments

As of 4Q23, exposure to Credit Risk for Securities Investments of Banco Mercantil del Norte was Ps 383.68 billion, of which 97.9% 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 28% of the Tier 1 Capital as of September 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 Net Capital as of September 2023 is rated as AAA(mex) and is comprised of (*weighted average term, amounts in pesos and weighted average return to annualized maturity*): certificates of deposit and market certificates of BANOBRAS for 9 months totaling Ps 19.88 billion at 11.2%; US Treasury Bonds for 1 year and 9 months totaling Ps 22.91 billion at 4.7%; and market certificates of the state government portfolio securitized (BANORCB Trust 4907) for 24 years totaling Ps 27.07 billion at 11.9%.

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 September 2023.

Exposure to Credit Risk for Securities Investments of Casa de Bolsa Banorte was Ps 236.19 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 65% of the Equity as of September 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 September 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 1 month totaling 6.73 billion at 11.5%; market certificates of BBVA Mexico for 2 years and 4 months totaling Ps 3.41 billion at 11.6%; certificates of deposit and market certificates of Scotiabank Inverlat for 8 months totaling Ps 2.62 billion at 11.5%; market certificates of Mexico City Government for 23 years and 9 months totaling Ps 2.41 billion at 11.7%; certificates of deposit of Banco del Bajío for 7 months totaling Ps 2.38 billion at 11.6%; certificates of deposit of Banco Invex for 6 months totaling Ps 2.01 billion at 11.8%; market certificates of NAFIN for 2 years and 9 months totaling Ps 2.00 billion at 11.6; certificates of deposit and market certificates of BANOBRAS for 2 years and 1 month totaling Ps 1.86 billion at 11.5%; market certificates of BANCOMEXT for 2 years and 5 months totaling 1.56 billion at 11.5%; market certificates of Banco Compartamos for 1 year and 9 months totaling Ps 1.28 billion at 12.0%; market certificates of FONACOT for 1 year and 3 months totaling Ps 1.00 billion at 11.6%; market certificates of Banco Actinver for 3 years and 2 months totaling Ps 804 million at 12.2%; market certificates of Sociedad Hipotecaria Federal for 3 years and 3 months totaling Ps 700 million at 11.6%; CABEI bonds for 3 years and 1 month totaling Ps 628 million at 11.8%; market certificates of PEMEX for 1 year and 4 months totaling Ps 546 million at 10.5%; market certificates of FEFA for 1 year and 6 months totaling Ps 521 million at 11.4%; promissory notes of JP Morgan Mexico for 11 days totaling Ps 498 million at 11.4%; market certificates of Grupo Aeroportuario del Pacifico for 1 year and 1 month totaling Ps 486 million at 11.7%; certificates of deposit of Banco Sabadell Mexico for 5 months totaling Ps 478 million at 11.7%; market certificates of CFE for 1 year totaling 334 million at 11.9%.

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

Arrendadora y Factor Banorte had no exposure neither to Securities Investments nor 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 and excludes settled transactions through central counterparties).

Position Banorte (*Million Pesos*)	**4Q23**	**4Q23 Average**
Forwards	149	204
FX Swaps	58	96
FX	(9)	(2)
Options	(29)	(114)
Swaps with Interest Rates IRS	(128)	(2,325)
Cross Currency Swap (CCIRS)	3,331	1,959
Credit Default Swaps (CDS)	(11)	(15)

Total	**3,360**	**(195)**
Positive Fair Value *(Positive Market Value)*	13,515	12,406
Netting Effect*	10,155	12,603
Delivered Guarantees (-) /Received (+)		
Cash	7,197	6,329
Securities	0.0	0.0
Total	**7,197**	**6,329**

* Difference between the positive market value (excluding 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 shows the current and potential levels of exposure at the end of the quarter and the average amount for the quarter for Banorte:

Banorte (*Million Pesos*)	**Potential Risk**		**Current Risk**	
Financial Counterparties	4Q23	4Q23 Average	4Q23	4Q23 Average
FWD FX SWAP FX	2,889	3,826	65	241
OPTIONS	3,391	3,517	637	740
INTEREST RATE SWAP	1,288	1,293	2,767	2,673
CCS	2,774	3,337	3,341	1,964
CDS	11	100	(11)	(15)
Total	**1,588**	**1,902**	**6,799**	**5,604**
Clients (Non-Financial)	4Q23	4Q23 Average	4Q23	4Q23 Average
FWD	137	98	132	57
OPTIONS	175	167	(666)	(854)
INTEREST RATE SWAP	3,001	2,249	(2,895)	(4,998)
CCS	13	18	(10)	(5)
Total	**3,325**	**2,532**	**(3,439)**	**(5,799)**

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 we have migrated to a zero threshold for most counterparties, thus, guarantees to be delivered are not dependent on credit rating but rather on market movements:

Banorte Net Cash Outflows (*Million pesos*)	**4Q23**	**4Q23 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 4Q23**	**4Q23 Average**
AAA/AA-	107	115
A+/A-	7,158	5,615
BBB+/BBB-	(1,247)	(1,094)
BB+/BB-	594	(168)
B+/B-	(756)	(852)
CCC/C	0	0
SC	(2,496)	(3,810)
Total	**3,360**	**(195)**

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 and excludes settled transactions through central counterparties).

Position Casa de Bolsa Banorte (*Million Pesos*)	**4Q23**	**4Q23 Average**
Forwards	0	0
FX Swaps	0	0
FX	0	0
Options	0	0
Swaps with Interest Rates IRS	133	132
Cross Currency Swap (CCIRS)	0	0
Credit Default Swaps (CDS)	0	0
Total	**133**	**132**
Positive Fair Value *(Positive Market Value)*	471	668
Netting Effect*	339	536
Delivered Guarantees (-) /Received (+)		
Cash	0	0
Securities	0	0
Total	0	0

* 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 shows the current and potential levels of exposure at the end and the average amount of the quarter, respectively, for Casa de Bolsa Banorte.

Casa de Bolsa Banorte (*Million Pesos*)	**Potential Risk**		**Current Risk**	
Financial Counterparties	4Q23	4Q23 Average	4Q23	4Q23 Average
FWD				
FX SWAP	0	0	0	0
FX				
OPTIONS	0	0	(12)	(17)
INTEREST RATE SWAP	404	645	405	644
CCS	0	0	0	0

CDS	0	0	0	0
Total	**404**	**645**	**393**	**628**
Non-Financial Counterparties	4Q23	4Q23 Average	4Q23	4Q23 Average
FWD	0	0	0	0
OPTIONS	8	16	12	17
INTEREST RATE SWAP	339	242	(272)	(512)
CCS	0	0	0	0
Total	**347**	**257**	**(261)**	**(496)**

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

Casa de Bolsa Banorte Net Cash Outflows (*Million pesos*)	**4Q23**	**4Q23 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:

Casa de Bolsa Banorte Rating (*Million Pesos*)	**MoM 4Q23**	**4Q23 Average**
AAA/AA-	0	0
A+/A-	0	0
BBB+/BBB-	393	628
BB+/BB-	0	0
B+/B-	0	0
CCC/C	0	0
SC	(261)	(496)
Total	**133**	**132**

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 without 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 for monitoring and periodically making inspection visits to ensure the existence, legitimacy, value, and quality of the guarantees accepted as an alternative credit support. Furthermore, when the guarantees are a type securities, there are policies and procedures to monitor their market valuation; furthermore, additional guarantees may be required if needed.

The following table shows the covered loan portfolio by collateral type.

Collateral Type (Million Pesos)	**4Q23**			
	Banorte	**Banorte Ahorro y Previsión**	**Arrendadora y Factor Banorte****	**GFNorte***
Total Loan Portfolio	**1,019,541**	**3,503**	**44,496**	**1,048,706**
Covered Loan Portfolio by type of collateral				
Real Financial Guarantees	38,629	0	0	38,629
Real Non-Financial Guarantees	579,179	0	8,341	587,519
Pari Passu	46,241	0	0	46,241
First Losses	11,148	0	0	11,148
Personal Guarantees	50,592	0	5,216	55,808
Total Loan Portfolio Covered	**725,790**	**0**	**13,557**	**739,347**

* Total Loans include eliminations and accounting records for (Ps 18.84 billion).
** Excludes Pure Leasing.

2.4. Expected Loss

As of 4Q23, Banco Mercantil del Norte's total portfolio was Ps 993.48 billion. The expected loss represents 1.7%, while the unexpected loss is 3.7% of the total portfolio. The average expected loss is 1.8%, for the period October - December 2023.

Regarding Casa de Bolsa Banorte, the credit exposure of investments is Ps 236.67 billion and the expected loss represents 0.003% of the exposure. The average expected loss is 0.003% for the period October - December 2023.

The total portfolio of Arrendadora y Factor Banorte, including pure leasing is Ps 47.60 billion. The expected loss represents 1.8% and the unexpected loss is 5.1% of the total portfolio. The average expected loss is 1.8%, for the period October - December 2023.

2.5. Internal Models

In October 2016, the Board of Directors approved the implementation plan for the Internal Models for estimating reserves 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 not 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 with 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.

Since January 2022, the NIF C16 (IFRS9[1]) rule has been 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[2].
- 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 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; likewise, the validity of this model has 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 calculation by credit risk with an Advanced Approach (Document 111-3/706/2017). As indicated by the regulation, Internal Models are periodically 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); additionally, 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.

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

- Probability of Default (PD): Indicates the probability that a credit card customer defaults on its contractual obligations within the next twelve months starting 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 debt at the time of default, considering a time frame of twelve months starting 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	2,538	3,524	0	0	70.0%			0.3%			16,783	28%
2	6,423	8,508	0	0	71.0%			0.6%			27,235	25%
3	6,237	8,941	0	0	71.8%			1.3%			24,232	30%
4	8,028	10,437	0	0	73.8%			2.0%			15,821	23%
5	5,485	6,980	0.001	0	75.1%	69.2%		2.8%	2.9%		5,907	21%
6	5,985	7,776	0.021	0	75.7%	69.2%		4.3%	4.3%		7,978	23%

[1] IFRS9 = International Financial Reporting Standards 9, IRB = Internal Rate Based Models.

[2] Circular Única de Bancos.

7	6,705	8,254	1	0	78.7%	70.0%		6.5%	6.5%		3,358	19%
8	4,846	6,080	2	0	79.2%	70.7%		9.5%	9.5%		1,679	20%
9	4,168	5,261	9	0	81.1%	72.1%		16.1%	16.1%		831	21%
10	3,446	3,474	675	0	83.4%	83.2%		42.9%	42.9%		199	17%
11	1,657		0	1,656			85.3%			100.0%	(5)	0%
Total Portfolio	**55,516**	**69,234**	**687**	**1,656**	**75.5%**	**82.7%**	**85.3%**	**6.3%**	**42.5%**	**100.0%**	**104,017**	**22%**

* Scale of Risk Level for the Advanced Approach Internal Model.
** The balance under Exposure at Default includes 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 4Q22.

Backtesting				
Portfolio	**Expected Loss Internal Model***	**Observed Loss***	**Difference Ps (Observed Loss – Expected Loss)**	**% NCL Coverage**
Credit Card	4,574	4,162	(413)	110%
Total Portfolio	**4,574**	**4,162**	**(413)**	**110%**

* 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 for reserves and regulatory capital calculation 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 exclusively for the calculation of Capital Requirements for a period of 18 months; in addition, 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.

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

- Probability of Default (PD). Indicates the probability that an auto customer defaults on its contractual obligations within the next twelve months starting 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 debt at the time of default, considering a time frame of twelve months starting 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	3,553	0	0	3,553	0	0	50.05%			0.12%
2	12,204	0.2	0	12,204	0.2	0	58.39%	46.49%		0.29%
3	9,966	0.1	0	9,966	0.1	0	62.04%	65.52%		0.56%

4	5,800	0.5	0	5,800	0.5	0	62.76%	66.88%		0.89%
5	4,267	0.4	0	4,267	0.4	0	61.26%	56.01%		1.33%
6	3,735	0.9	0	3,735	0.9	0	62.25%	75.04%		2.32%
7	2,124	39	0	2,124	39	0	57.69%	64.10%		6.25%
8	542	337	0	542	337	0	55.65%	57.43%		23.76%
9	0	0	263	0	0	263			62.71%	100.00%
Total Portfolio	**42,192**	**378**	**263**	**42,192**	**378**	**263**	**470.11%**	**431.48%**	**62.71%**	**2.10%**

* 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 4Q22.

Backtesting				
Portfolio	**Expected Loss Internal Model***	**Observed Loss**	**Difference Ps (Observed Loss – Expected Loss)**	**% NCL Coverage**
Auto Loans	616	508	(108)	121%
Total Portfolio	**616**	**508**	**(108)**	**121%**

* Data as of December 2022.

2.5.3. Advanced Approach Internal Model for Mortgages

On July 27, 2023, GFNorte received approval from the banking regulator (Comisión Nacional Bancaria y de Valores) to use Internal Models with an Advanced Approach for regulatory capital calculation on the Mortgage portfolio (Document 111-2/1628/2023), for a period of 18 months. In addition, the Board of Directors authorized, in its meeting on April 20, 2023, the use of reserve methodology based on NIF-C16 for a period of 18 months.

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

- Probability of Default (PD). Indicates the probability that an auto customer defaults on its contractual obligations within the next twelve months starting 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 debt at the time of default, considering a time frame of twelve months starting after the month being rated.

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

Mortgage 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	76,051	40	0	76,051	40	0	14.37%	13.08%		0.09%
2	71,043	0	0	71,043	0	0	16.34%			0.28%
3	58,686	0	0	58,686	0	0	17.02%			0.69%
4	20,288	6	0	20,288	6	0	19.03%	31.55%		1.58%
5	12,312	3	0	12,312	3	0	16.89%	19.03%		3.39%

6	1,745	48	0	1,745	48	0	12.34%	12.33%		7.06%
7	4,197	324	0	4,197	324	0	17.45%	17.54%		11.48%
8	3,938	2,773	0	3,938	2,773	0	14.72%	15.07%		30.39%
9	0	0	1,831	0	0	1,831			16.25%	100.00%
Total Portfolio	**248,259**	**3,193**	**1,831**	**248,259**	**3,193**	**1,831**	**15.79%**	**15.06%**	**16.25%**	**2.34%**

* Accounting Balance excludes Joint Portfolio for Ps 2.1 billion

The next table shows the difference between expected loss and observed loss resulting from the Advance Approach Internal Model for Mortgage from 4Q23.

Backtesting				
Portfolio	**Expected Loss Internal Model***	**Observed Loss**	**Difference Ps (Observed Loss – Expected Loss)**	**% NCL Coverage**
Mortgage	1,031	862	(168)	120%
Total Portfolio	**1,031**	**862**	**(168)**	**120%**

* Expected and Observed Loss is estimated as the Average for the last 12 months.

2.5.4. Foundation Approach Internal Model for Commercial Loans

On November 30th, 2018, GFNorte received authorization from the banking regulator CNBV (Comisión Nacional Bancaria y de Valores) to use the Internal Model (IM) for Commercial Loans for the generation of reserves 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 1st, 2019, for Arrendadora y Factor Banorte as per Documents (111-1/160/2019 and 111-1/161/2019). As indicated by the regulation, Internal Models are periodically 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 equal to or greater than 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 at Banco Mercantil del Norte since February 2019 (January figures) and at Arrendadora y Factor Banorte since March 2019 (with February figures). The parameter authorized under the Foundation Approach Internal Model for Corporations is:

- Probability of Default (PD). Indicates the likelihood that a borrower will default on its contractual obligations within twelve months after the month being rated. Each borrower is assigned a score, 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 Stage 1 Loans			*(Million Pesos)*
Risk Level	**Accounting Balance**	**Exposure at Default (EAD)***	**PD weighted by EAD**
1	122,383	123,747	0.08%
2	68,799	69,304	0.15%
3	31,238	31,879	0.48%
4	20,994	21,207	1.15%

5	3,449	3,553	2.44%
6	635	635	4.61%
7	679	699	8.88%
8	773	773	5.74%
9	0	0	46.98%
Total	**248,950**	**251,798**	**0.32%**

* 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			*(Million Pesos)*
Risk Level	**Accounting Balance**	**Exposure at Default (EAD)***	**PD weighted by EAD**
1	0	0	0.00%
2	2	2	0.14%
3	102	102	0.57%
4	0	0	0.00%
5	2	2	0.07%
6	0	0	0.00%
7	18	18	13.70%
8	272	272	30.96%
9	15	15	8.38%
Total	**411**	**411**	**21.57%**

* 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			*(Million Pesos)*
Risk Level	**Accounting Balance**	**Exposure at Default (EAD)***	**PD weighted by EAD**
Stage 3	1,342	1,342	87.12%
Total	**1,342**	**1,342**	**87.12%**

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

Commercial Loans subject to the Foundation Approach Internal Model GFNorte Total Loans			*(Million Pesos)*
Risk Level	**Accounting Balance**	**Exposure at Default (EAD)***	**PD weighted by EAD**
1	122,383	123,747	0.08%
2	68,800	69,306	0.15%
3	31,340	31,981	0.48%
4	20,994	21,207	1.15%
5	3,451	3,555	2.44%
6	635	635	4.61%
7	697	717	9.00%
8	1,045	1,045	12.31%

9	15	15	8.82%
Stage 3	1,342	1,342	87.12%
Total	**250,703**	**253,551**	**0.82%**

* 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:

Commercial Loans Portfolio subject to the Foundation Approach Internal Model			*(Million Pesos)*
Subsidiary	**Accounting Balance**	**Exposure at Default (EAD)****	**Expected Loss**
Banco Mercantil del Norte	216,867	219,715	709
Arrendadora y Factor Banorte	33,836	33,836	274
Total Loans*	**250,703**	**253,551**	**983**

* The balance includes Letters of Credit of Ps 18.2 billion and excludes accounting adjustments of Ps 1.5 million in Banorte and Ps 183 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.

Backtesting			*(Million Pesos)*
Period	**Expected Loss with Internal Model**	**Observed Loss**	**% Coverage (Expected Loss / Observed Loss)**
4Q22	1,703	391	436%

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"; institutions must also 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 these rules.

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

Tier 1 Capital as of September 30, 2023 ***(Million Pesos)***	**197,708**
I. Large Exposures (Groups and Clients whose joint exposure represents more than 10% of Tier 1 Capital):	
Number of Groups and Clients	6
Total Exposure of Groups and Clients as a whole	159,695
% in relation to Tier 1	81%
II. Maximum amount of credit with the 4 largest debtors and common risk groups:	**104,941**

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

Equity as of September 30, 2023 *(Million Pesos)*	**10,870**
I. Large Exposures (Groups and Clients whose joint exposure represents more than 10% of Tier 1 Capital):	
Number of Groups and Clients	6
Total Exposure of Groups and Clients as a whole	15,007
% in relation to Equity	138%
II. Maximum amount of credit with the 4 largest debtors and common risk groups:	**8,012**

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

GFNorte's Market Risk objectives are:

- Adhere to the Desired Profile Risk defined by the Group's Board of Directors.
- Ensure proper monitoring of Market Risk. Keep, in a timely manner, the Senior Management properly informed.
- Quantify the exposure to Market Risk through the use of various methodologies.
- Define the maximum risk levels the Institution is willing to maintain.
- Measure the Institution's vulnerability to extreme market conditions and consider such results in decision making.

GFNorte's Market Risk Policies are:

- New products subject to market risk must be evaluated and approved though 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 separate from the one that develops and manages them.
- Market risk inputs and models will be valid in accordance with 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, the valuation of derivatives through OIS curves and curves adjusted for collateral was implemented in accordance with 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. These policies detail, among other things, 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 international best practices in Risk Management. It is worth mentioning that the information contained in the risk systems as well as the reports generated by them, are continuously backed up following institutional information security procedures.

Key risk ratios are disclosed in monthly reports to the Risk Policy Committee and through a daily report to the Institution's senior executives, in relation to the Market risk-taking.

3.2. Market Risk Exposure Banorte

The Institution's financial portfolios' exposure 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 is based on a one-day horizon base and takes into account a non-parametric historical simulation with a 97.5% confidence level and 500 historical observations on risk factors, as well as an additional stress scenario. It also takes into account all positions (money market, treasury, equities, FX and derivatives) that are classified as trading assets, both on and off the balance sheet.

The average expected shortfall of the Bank´s portfolio for 4Q23 was Ps 106.0 million (Ps 36.3 million higher than the average expected shortfall from the previous quarter).

The result shows that the Bank's expected shortfall, using a 97.5% confidence level, is an average of Ps 106.0 million, as shown in the following table:

Expected Shortfall (*Million Pesos*)	Average 4Q23
Total Expected Shortfall	106.0
Net Capital	195,819
Expected Shortfall/Net Capital	**0.054%**

The expected shortfall by risk factor behavior in 4Q23 is detailed in the following table:

Risk Factor (*Million Pesos*)	4Q23	Average 4Q23
Domestic Rates	166.5	106.5
Foreign Rates	40.2	42.2
Surcharges	52.7	54.9
FX	8.1	9.4
Others	27.7	34.6
Diversification Effect	(134.8)	(141.6)
Bank's Expected Shortfall	**160.4**	**106.0**

The expected shortfall for 4Q23 is an average of Ps 160.4 million. The contribution to the Bank´s Expected shortfall for each risk factor is shown in the following table:

Risk Factor (*Million Pesos*)	4Q23	Average 4Q23
Domestic Rates	165.6	98.8
Foreign Rates	(9.9)	(3.5)
Surcharges	(0.1)	3.9
FX	3.2	1.0
Others	1.6	5.8
Bank's Expected Shortfall	**160.4**	**106.0**

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

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

Risk Factor	4Q23
Rates	90%
Surcharges	4%
FX	1%
Others	5%

3.2.1. Sensitivity Analysis and Stress Testing under extreme conditions

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

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 the losses and profits observed in relation to the estimated expected shortfall, and if necessary, make the required adjustments to the parameter.

3.2.3. Expected Shortfall of Casa de Bolsa Banorte

The average expected shortfall in 4Q23 was Ps 127.3 million, Ps 4.8 million higher in comparison with 3Q23.

The result shows that the potential loss for Casa de Bolsa Banorte, using a 97.5% confidence level, is on average Ps 127.3 million:

Expected Shortfall (*Million Pesos*)	Average 4Q23
Total Expected Shortfall	127.3
Net Capital	3,580
Expected Shortfall/Net Capital	**3.55%**

The expected shortfall by risk factor for Casa de Bolsa Banorte portfolio behavior during 4Q23 is:

Risk Factor *(Million Pesos)*	4Q23	Average 4Q23
Domestic Rates	45.4	49.3
Foreign Rates	0.4	0.4
Surcharges	89.7	88.1
FX	0.7	0.7
Others	1.4	0.5
Diversification effect	(12.1)	(11.8)
Casa de Bolsa Banorte Expected Shortfall	**125.5**	**127.3**

The expected shortfall at the end of 4Q23 is Ps 125.5 million.

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

Concentration by Market Risk factor is mainly reflected in interest rates.

3.2.4. Sensitivity Analysis and Stress Testing under extreme conditions

In addition to the potential losses methodology, with the aim of improving risk analysis, Casa de Bolsa Banorte complements its risk analysis by carrying out tests under extreme conditions, knows as Stress Testing. This is presented to the Risk Policy Committee on a monthly basis, with the main objective of assessing the impact of extreme movements on the Institution's positions.

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 necessary, make the required adjustments to the parameter.

4. BALANCE AND LIQUIDITY RISK

GFNorte's Balance and Liquidity Risk objectives are:

- Adhere to the Risk Appetite defined by the Group's Board of Directors.
- Ensure proper monitoring of Balance and Liquidity Risk.
- Assess, through the use of different methodologies, Balance and Liquidity Risk exposure.
- Measure the Institution's vulnerability to extreme market conditions and consider such results for decision making.
- Keep, in a timely manner, the Senior Management properly informed 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:

- Establish specific global limits of Balance and Liquidity Risk Management.
- Measure and monitor Balance and Liquidity Risk.
- Inform and disclose of Liquidity Risk to risk-taking areas, CPR, Board of Directors, Financial Authorities and 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, including the use of key indicators such as the Liquidity Coverage Ratio (LCR), re-price gaps and liquidity as well as stress testing. The latter is based on a framework of policies and manuals, including a funding contingency plan, and a contingency plan to preserve solvency and liquidity. It is also supported by monitoring limits and Risk Appetite metrics of Balance and Liquidity Risk. The disclosure of the metrics and indicators and their compliance with established limits and desired established risk profile is done 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 international best practices in Risk Management. It is worth noting that the information contained in the risk systems as well as the reports they generate, are continuously safeguarded in accordance with institutional information security procedures.

4.2. Profile and Funding Strategy

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

Funding Source (Million Pesos)	3Q23	4Q23	Change vs. 3Q23
Demand Deposits			
Local Currency (1)	609,435	618,555	1.5%
Foreign Currency (1)	76,596	70,711	(7.7%)
Demand Deposits	**686,031**	**689,266**	**0.5%**
Time Deposits – Core			
Local Currency (2)	257,568	268,712	4.3%
Foreign Currency	3,998	4,495	12.4%
Core Deposits	**947,597**	**962,473**	**1.6%**
Money Market			
Local Currency (3)	59,528	68,598	15.2%
Foreign Currency (3)	34,069	41,074	20.6%
Banking Sector Deposits	**1,041,194**	**1,072,144**	**3.0%**

1. Includes balance of the Global Deposits without Movement.
2. Includes eliminations among subsidiaries.

3. Money Market & Time Deposits.

4.3. Liquidity Coverage Ratio (LCR)

The LCR measures Liquidity Risk through the relationship between Liquid Assets and Net Cash Outflows ratio 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, and under an extreme scenario, to use only high-quality liquid assets as source of funding.

The following tables shows the average evolution of LCR components in 4Q23.

	LCR Components	Consolidated Entity	
	(Million Pesos)	**Unweighted amount (Average)**	**Weighted amount (Average)**
COMPUTABLE LIQUID ASSETS			
1	Total Computable Liquid Assets	**NA**	**183,918**
CASH DISBURSEMENTS			
2	**Unsecured retail financing**	531,947	33,988
3	Stable financing	384,139	19,207
4	Less stable financing	147,808	14,781
5	**Unsecured wholesale financing**	388,162	115,936
6	Operational Deposits	300,903	68,976
7	Non-Operational Deposits	82,859	42,559
8	Unsecured debt	4,401	4,401
9	**Secured wholesale financing**	274,984	10,743
10	**Additional Requirements:**	421,687	33,634
11	Disbursements related to derivatives and other guarantee requirements	16,688	10,531
12	Disbursements related to losses from debt financing	0	0
13	Lines of credit and liquidity	404,998	23,103
14	Other contractual financing obligations	2,940	349
15	Other contingent financing liabilities	0	0
16	**TOTAL CASH DISBURSEMENTS**	**NA**	**194,649**
CASH INFLOWS			
17	Cash Inflows for secured operations	120,073	10,508
18	Cash Inflows for unsecured operations	93,913	64,113
19	Other Cash Inflows	4,897	4,897
20	**TOTAL CASH INFLOWS**	**218,882**	**79,518**
			Adjusted amount
21	**TOTAL COMPUTABLE LIQUID ASSETS**	**NA**	**183,918**
22	**TOTAL NET CASH DISBURSEMENTS**	**NA**	**115,131**
23	**LIQUIDITY COVERAGE RATIO**	**NA**	**160.54%**

LCR Components (Million Pesos)		Bank Stand Alone	
		Unweighted amount (Average)	Weighted amount (Average)
COMPUTABLE LIQUID ASSETS			
1	Total Computable Liquid Assets	**NA**	**183,918**
CASH DISBURSEMENTS			
2	**Unsecured retail financing**	531,947	33,988
3	Stable financing	384,139	19,207
4	Less stable financing	147,808	14,781
5	**Unsecured wholesale financing**	381,532	112,814
6	Operational Deposits	300,903	68,976
7	Non-Operational Deposits	76,229	39,438
8	Unsecured debt	4,401	4,401
9	**Secured wholesale financing**	274,984	10,743
10	**Additional Requirements:**	380,011	31,447
11	Disbursements related to derivatives and other guarantee requirements	16,688	10,531
12	Disbursements related to losses from debt financing	0	0
13	Lines of credit and liquidity	363,323	20,916
14	Other contractual financing obligations	2,940	349
15	Other contingent financing liabilities	0	0
16	**TOTAL CASH DISBURSEMENTS**	**NA**	**189,341**
CASH INFLOWS			
17	Cash Inflows for secured operations	120,073	10,508
18	Cash Inflows for unsecured operations	92,429	66,783
19	Other Cash Inflows	4,897	4,897
20	**TOTAL CASH INFLOWS**	**217,398**	**82,188**
			Adjusted amount
21	**TOTAL COMPUTABLE LIQUID ASSETS**	**NA**	**183,918**
22	**TOTAL NET CASH DISBURSEMENTS**	**NA**	**107,153**
23	**LIQUIDITY COVERAGE RATIO**	**NA**	**172.82%**

During 4Q23, the 92-day average LCR for the Consolidated Entity was 160.54% with a 92-day average for the Bank's Stand-Alone LCR of 172.82%, and at the end of 4Q23, the LCR for the Consolidated Entity was 181.34%, while the bank's Stand-Alone LCR for 4Q23 was 202.53%; 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[3].

[3] 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 3Q23 and 4Q23 is presented in the following table:

LCR Component (Million Pesos)	3Q23	4Q23	Var. vs. 3Q23
Liquid Assets	187,352	176,366	(5.9%)
Cash Inflows	64,227	92,090	43.4%
Cash Outflows	186,387	189,346	1.6%

The Liquid Assets that compute in the LCRs for the Bank and Sofomes between 3Q23 and 4Q23 are distributed as follows:

Type of Asset (Million Pesos)	3Q23	4Q23	Var. vs. 3Q23
Total	**187,352**	**176,366**	**(5.9%)**
Level I	180,888	169,340	(6.4%)
Level II	6,464	7,026	8.7%
Level II A	3,540	4,005	13.1%
Level II B	2,923	3,020	3.3%

4.5. Main Causes of LCR Results

The changes in the Liquidity Coverage Ratio between 3Q23 and 4Q23 are the result of growth in sticky deposits and the consequent increase in available liquidity.

It is worth noting that Banorte has not used the Ordinary Facilities or the Extraordinary Facilities of Banco de México during 4Q23.

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 4Q23, the estimated outflows for derivatives were as follows:

Derivatives Cash Outflows (Million Pesos)	3Q23	4Q23	Var. vs. 3Q23
Net cash outflows at market value and for potential future exposure	6,751	6,962	3.1%
Cash outflows for a 3-notch credit rating downgrade.	0	0	0.0%

The assessment shows that potential outflows for derivatives may represent a liquidity requirement of up to Ps 6,96 billion, an increase of 3.1% compared to 3Q23.

4.7. Net Stable Funding Ratio (NSFR)

The NSFR is an indicator that should be interpreted as the proportion between the Available Stable Financing, made up of internal and external resources that are considered reliable over a time horizon, and the Required Stable Financing, made up of liquidity, asset maturities and off-balance sheet positions.

The following tables present the average evolution of NSFR components in 4Q23:

NSFR		Consolidated Entity				
(Million Pesos)		Unweighted value by residual maturity				Weighted Value
		No Maturity	< 6 months	6 months to < 1 year	> 1 year	
Available Stable Funding Items						
1	Capital:	203,000	0	0	0	203,000
2	*Regulatory Capital*	203,000	0	0	0	203,000
3	*Other capital instruments*	0	0	0	0	0
4	Retail deposits and deposits from small business customers:	0	617,785	1,912	198	579,808
5	*Stable deposits.*	0	436,656	983	118	415,875
6	*Less Stable deposits*	0	181,128	930	81	163,933
7	Wholesale funding:	0	673,326	4,867	83,917	393,683
8	*Operational deposits*	0	65,876	0	0	32,938
9	*Other wholesale funding*	0	607,450	4,867	83,917	360,745
10	Liabilities with matching interdependent assets	0	741	732	8,015	0
11	Other liabilities	19,755		29,877		12,720
12	*NSFR derivative liabilities*	NA		0		NA
13	*All other liabilities and equity not included in the above categories*	19,755	5,875	22,565	1,437	12,720
14	**Total Available Stable Funding**	NA	NA	NA	NA	**1,189,211**
Required Stable Funding Items						
15	Total NSFR high-quality liquid assets (HQLA)	NA	NA	NA	NA	77,071
16	Deposits held at other financial institutions for operational purposes	0	1,327	0	0	663
17	Performing loans and securities:	0	269,339	97,984	695,819	698,941
18	*Performing loans to financial institutions secured by Level 1 HQLA*	0	79,656	0	0	7,966
19	*Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions*	0	22,120	9,005	9,131	16,952
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:*	0	146,881	81,089	432,479	463,755
21	*With a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk*	0	31,299	25,544	89,186	86,393
22	*Performing residential mortgages, of which:*	0	6,713	4,642	237,977	187,086
23	*With a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk.*	0	2,421	1,561	104,358	69,824
24	*Securities that are not in default and do not qualify as HQLA, including exchange-traded equities*	0	13,969	3,247	16,232	23,182
25	*Assets with matching interdependent liabilities*	0	741	732	8,015	0
26	Other assets:	46,774		688,453		102,572
27	*Physical traded commodities, including gold*	11	NA	NA	NA	9
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*	NA		1		1
29	*NSFR derivative assets*	NA		35,951		5,378
30	*NSFR derivative liabilities before deduction of variation margin posted*	NA		438,877		1,861
31	*All other assets not included in the above categories*	46,763	201,829	154	11,641	95,323

32	Off-balance sheet items	NA		437,186		21,859
33	**Total Required Stable Funding**	NA	NA	NA	NA	901,106
34	**Net Stable Funding Ratio (%)**	NA	NA	NA	NA	**131.97%**

NSFR		**Stand-Alone**				
(Million Pesos)		**Unweighted value by residual maturity**				**Weighted Value**
		No Maturity	**No Maturity**	**No Maturity**	**No Maturity**	
Available Stable Funding Items						
1	Capital:	203,000	0	0	0	203,000
2	*Regulatory Capital*	203,000	0	0	0	203,000
3	*Other capital instruments*	0	0	0	0	0
4	Retail deposits and deposits from small business customers:	0	617,785	1,912	198	579,808
5	*Stable deposits.*	0	436,656	983	118	415,875
6	*Less Stable deposits*	0	181,128	930	81	163,933
7	Wholesale funding:	0	659,120	4,835	80,877	384,889
8	*Operational deposits*	0	65,876	0	0	32,938
9	*Other wholesale funding*	0	593,244	4,835	80,877	351,951
10	Liabilities with matching interdependent assets	0	741	732	8,015	0
11	Other liabilities	19,755		29,877		12,720
12	*NSFR derivative liabilities*	NA		0		NA
13	*All other liabilities and equity not included in the above categories*	19,755	5,875	22,565	1,437	12,720
14	**Total Available Stable Funding**	NA	NA	NA	NA	1,180,416
Required Stable Funding Items						
15	Total NSFR high-quality liquid assets (HQLA)	NA	NA	NA	NA	77,071
16	Deposits held at other financial institutions for operational purposes	0	1,327	0	0	663
17	Performing loans and securities:	0	253,323	95,940	689,247	682,374
18	*Performing loans to financial institutions secured by Level 1 HQLA*	0	79,656	0	0	7,966
19	*Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions*	0	30,888	9,296	16,588	25,869
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:*	0	122,097	78,754	418,450	438,271
21	*With a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk*	0	31,299	25,544	89,186	86,393
22	*Performing residential mortgages, of which:*	0	6,713	4,642	237,977	187,086
23	*With a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk.*	0	2,421	1,561	104,358	69,824
24	*Securities that are not in default and do not qualify as HQLA, including exchange-traded equities*	0	13,969	3,247	16,232	23,182
25	*Assets with matching interdependent liabilities*	0	741	732	8,015	0
26	Other assets:	46,774		735,216		102,572

27	*Physical traded commodities, including gold*	11	NA	NA	NA	9
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*	NA		1		1
29	*NSFR derivative assets*	NA		35,951		5,378
30	*NSFR derivative liabilities before deduction of variation margin posted*	NA		438,877		1,861
31	*All other assets not included in the above categories*	46,763	201,829	154	11,641	95,323
32	Off-balance sheet items	NA		395,694		19,785
33	**Total Required Stable Funding**	NA	NA	NA	NA	882,464
34	**Net Stable Funding Ratio (%)**	NA	NA	NA	NA	**133.76%**

During 4Q23, the NSFR for the Consolidated Entity had a 92-days quarterly average of 131.97%, while the bank's quarterly average stand-alone NSFR was 133.76%, with an end of quarter consolidated entity NSFR of 132.34%; 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 3Q23 to 4Q23 is shown in the following figure.

	3Q23			4Q23			Variation		
	Available Stable Funding	Required Stable Funding	NSFR	Available Stable Funding	Required Stable Funding	NSFR	Available Stable Funding	Required Stable Funding	NSFR
< 6 months	1,098,585	222,276		1,109,917	211,986		1.0%	(4.6%)	
From 6 months to < 1 year	15,304	37,333		19,634	42,632		28.3%	14.2%	
>1 year	52,599	617,246	**133.0%**	71,661	653,069	**132.3%**	36.2%	5.8%	(0.5%)

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 the issuance of subordinated debt, but also, by the stability of customer deposits, which allow a natural coverage of asset balance, from high-quality liabilities.

4.10. Liquidity Risk in foreign currency

In order to quantify and monitor the liquidity risk, in the specific case of the foreign currency denominated portfolio, Banorte uses the criteria established by the 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 Bank's liquidity analysis, 30-day liquidity gaps are analyzed for the institution's assets and liabilities (obligations). The results for the Bank at the end of 4Q23 are shown in the following table:

Concept *(Million Pesos)*	3Q23	4Q23	Var. vs. 3Q23
Cumulative 30-day Gap	(4,297)	6,690	(255.7%)
Liquid Assets	186,423	176,571	(5.3%)

The mismatch between inflows and outflows (gaps) for the next 30 days is covered by liquid assets. In addition, a more granular breakdown of the liquidity gaps is presented, remaining as follows for 4Q23:

Concept (Million pesos)	1 day	7 days	1 month	3 months	6 months	12 months
Natural Gap	(4,100)	15,543	(4,752)	52,382	43,301	72,192
Accumulated Gap	(4,100)	11,442	6,690	59,072	102,373	174,566

4.12. Stress Testing under liquidity extreme conditions

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

4.13. Contingency Funding Plan

In order to comply with comprehensive liquidity management practices, and to ensure its operation in adverse Liquidity situations, 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 the 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 into 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 considers a twelve-month period. Only the bands with a duration of less than 1 year are affected by stimulated interest rate fluctuations. Relevant considerations behind margin sensitivity calculations are:

- Consideration of repricing outcomes for all financial assets and liabilities on the balance sheet.
- Separate 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 over time. It does not take into account organic growth, interest rate structure, or product mix changes or strategies.

The following table shows the Financial Margin Sensitivity for Banorte Bank:

Margin Sensitivity *(Million Pesos)*	**3Q23**	**4Q23**	**Change vs. 3Q23**
Local Currency Balance	650	582	(10.5%)
Foreign Currency Balance	880	687	(21.9%)

At the end of 4Q23, the local currency balance sensitivity for a 100bps shift in reference rates, changed from Ps 650 million in 3Q23 to Ps 582 million. The foreign currency balance sensitivity for a 100bps shift in reference rates changed from Ps 880 million to Ps 687 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 188.13 billion at the end of 4Q23, with an average balance of Ps 170.73 billion.

4.14.2. Economic Value of Equity

The economic value of Equity (EVE) is a long-term economic measure that contrasts the difference in the present value of assets and the present value of liabilities, under different interest rate scenarios. This measure also considers the previously mentioned assumptions for the sensitivity of the financial margin.

The following table shows the economic value of equity for Banco Banorte, in a parallel scenario of +100 bps.

Economic Value of Equity *(Bsp)*	**4Q23**
Generalized Increase +100Bsp	174

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. In order 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 4Q23.

Liquidity Ratio *(Million Pesos)*	**Casa de Bolsa Banorte**	**Arrendadora y Factor Banorte**
Cumulative 30 days Gap	3,810	(4,783)
Liquid assets	3,782	56

5. OPERATIONAL RISK

GFNorte has a formal Operational Risk department that reports 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 to:

a) Enable and support the organization in achieving its institutional objectives through prevention and management of operational risks.

b) Ensure that the existing operational risks and the required controls are properly identified, assessed, and aligned with the organization's risk strategy.

c) 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 maintain close communication and coordination with the Regulatory Comptrollership in order to facilitate effective Internal Control in which proper procedures and controls are established to mitigate Operational Risk between processes and are monitored by the Internal Audit Department.

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

a) Validation of internal controls.

b) Management and control of Institutional regulations.

c) Monitoring of the 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 for 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 online such events, 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; unlawful appropriation of assets; or sidestep of laws, committed by a third party.

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

Customers, Products and Business Practices: Losses caused by involuntary noncompliance by neglect 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 management or processing operations as well as relations with commercial counterparties and suppliers.

This historical Database provides the statistics on 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

An internal system called "Legal Risk Issues Monitoring System" (SMARL by its acronym in Spanish) has been developed to record and monitor legal, administrative and tax issues that may arise as a result of adverse ruling. This system enables the central data supplying areas to directly and online record such events, 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, who determine risk level based on an internal methodology. This allows the necessary reserves to be constituted in a specific term (according to lawsuit's term) to face such Contingencies.

5.3. Risk Management Model

GFNorte achieves its defined objectives, through various 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, 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 generated by them, are continuously backed up following institutional information security procedures.

5.6. Technology Risk

Technology Risk is defined as all potential losses from damage, interruption, alteration or failures derived from the use of, or reliance on, hardware, software, systems, applications, networks and any other information distribution channels in the rendering of banking services to the customers. This risk is an inherent part of Operational Risk, which is why its management is collectively overseen 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 Institution's capital.

The functions established by the CNBV (Comisión Nacional Bancaria y de Valores) for Technology Risk Management are performed by the Institution under the 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 of 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 resulting from non-compliance with the applicable legal and administrative provisions, the issuance of indisputable unfavorable court rulings, and the application of penalties related to the operations performed by the Institution.

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 will be able to 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 primary objective of the Group's securitization operations, is to transfer risks and benefits of certain financial assets to third parties. Likewise, it represents an alternative funding source for the Group.

GFNorte has carried out the following securitization:

- On October 11th, 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.
- On December 5th, 2023, Banorte held the irrevocable trust for the issuance of market certificates No. 4907, issuer code BANORCB. The issuance took place on December 21st, 2023, these are backed by loans to governments, states and municipalities, all originated and assigned by Banorte.

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. However, with respect to the BANORCB 23 securitization, the risks assumed and retained by the trust are relevant given the participation in the market certificates.

The Institution is responsible for ensuring that each of the assigned loans meet the eligibility criteria at the time of their respective allocation. If the fiduciary, the common representative or 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 replaced or make the corresponding payment.

The Institution's Board of Directors does not have 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 associated with securitizations that may affect the trust's 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, as described in the previous sections.

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

Banorte is the settlor and trustee of trusts for the conducted securitizations. Additionally, the Institution also performs the duties of administrator in each of the trusts.

On the other hand, Banorte also acts as an investor by acquiring securities certificates issued by the trusts established for the securitizations. As of December 31st, 2023, GFNorte has in its own position the following securities and amounts from those securitizations carried out by the Institution:

Securitization *(Million pesos)*	**Banorte**		**Seguros**		**Total GFNorte**	
	Securities	**Ps**	**Securities**	**Ps**	**Securities**	**Ps**
91_BANORCB_23	270,000,000	27,067	-	-	270,000,000	27,067
97_FCASACB_06U	-	-	-	-	-	-

The following table shows the proportion of Securities held by Grupo Financiero Banorte, for each series as of December 31st in its own position:

Securitization *(Million pesos)*	**Issued Securities**	**Banorte**	**Seguros Banorte**	**Total GFNorte**	**Total Clients**
91_BANORCB_23	270,000,000	100.0%	0.0%	100.0%	0.0%
97_FCASACB_06U	1,351,386	0.0%	0.0%	0.0%	100.0%

The ratings assigned by each rating agency as of the end of the quarter for each market certificate issued by the aforementioned trusts are 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**
91_BANORCB_23							HRAAA		AAA/ M					
97_FCASACB_06U	mxBB		CCC (mex)											

As of December 31st, 2023 the amounts of the underlying assets of the securitization were as follows:

Securitization *(Million pesos)*	**Amount**		
	Performing	**Non-performing**	**Total**
91_BANORCB_23	Ps 29,744	Ps 0	Ps 29,744
97_FCASACB_06U	Ps 51	Ps 96	Ps 146

Securitization exposure broken down by Credit Risk Weight is shown below:

Securitization by Risk Level *(Millon Pesos)*	**Exposure**	**Capital Requirements**
Securitizations with Risk Level 1	27,067	974
Securitizations with Risk Level 2	0	0
Securitizations with Risk Level 3	0	0
Securitizations with Risk Level 4	0	0
Securitizations with Risk Level 5.1 to 5.4	0	0
Securitizations with Risk Level 5.5 to 5.9	0	0

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

Trust 563 Securitization takes into account early amortization provisions, and Trust 4907 Securitization does not consider 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 in accordance with criterion C-14 *Transfer and Elimination of Financial Assets*. Despite retaining the contractual rights to receive cash flows from financial assets for the BORHIS Securitization, a contractual obligation is assumed to pay such cash flows to a third party. In addition, an analysis of the transfer of these assets indicates 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 43.1.1 of criterion C-14, 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.

Regarding the GEM Securitization, it was concluded that the entity did not effectively sold to a third party, as it does not transfer substantially all the risks and benefits inherent to the transferred assets. For this reason, these assets are not unsubscribed at a consolidated level.

Both Securitizations 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 are 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 and maintenance expenses, minus any increase in principal or interest reserve, 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. Likewise, the certificate related to securitization BANORCB 23 shows a fair market value of 3.86 billion pesos, which is only recognized in the accounting notes of Banco Banorte (individual level). At the consolidated Banco Banorte balance level, this certificate is eliminated as part of the consolidation entries.

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 GEM certificates are the following:

a) Default: Considers credit reserve of the securitized loans in accordance with the CNBV rating methodology in order to reflect the risk of default of principal and/or interest of the securitized portfolio.
b) Prepayment: In the event of the existence of prepayments, the notional of the portfolio is adjusted to update the future cash flows to be discounted.
c) Portfolio term: All contractual payments of principal and interest are considered on each payment date of each of the securitized assets.
d) Portfolio interest rate: The contractual rates of each of the securitized assets are considered. In the case of variable interest rates, forward rates are estimated based on the TIIE28 curve at the valuation date.
e) 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, interest and principal reserve account, in case of total payment of the stock certificates, these assets would be distributed to the certificate holders.

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 fiduciary, 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 therefore none of them are obligated to make payments to the certificate holders, except for the fiduciary, whose payments may be charged to the fiduciary's account in accordance with the trust agreement.

7 POSITION IN SHARES

At the end of 4Q23, Banco Mercantil del Norte held shares for an amount of Ps 758.2 million, with gains of Ps 376 million accumulated.

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

The capital requirement for Market Risk was Ps 327.54 million.

Institution	Type of Trading	Accounting Classification	Capitalization Treatment	Market Value 4Q23	Gains / Losses Cumm.	Profit / Loss Sales / Purchases
Banorte	Public Trading	Negotiation	Market Risk	5.1	(51.3)	0
Banorte	Public Trading	Negotiation	Capital Deduction	214.4	113.7	0
Banorte	w/o Public trading	Negotiation	Market Risk	538.8	313.6	0
Banorte	w/o Public trading	Negotiation	Market and Credit Risk	0.0	0.0	0
			Total	**758.2**	**376.0**	**0**

As of 4Q23 a position of Ps 583.6 million is held in Casa de Bolsa Banorte with cumulative gains of Ps 258.7 million.

During the quarter, there were gains of Ps 2.94 million from purchases and sales of securities.

Regarding Market Risk Capital Requirement, the amount was Ps 175.04 million of the total position in shares of Banorte.

Institution	Type of Trading	Accounting Classification	Capitalization Treatment	Market Value 4Q23	Gains / Losses Cumm.	Profit / Loss Sales / Purchases
Casa de Bolsa Banorte	Public	Negotiation	Market Risk	583.6	258.7	2.94
			Total	**583.6**	**258.7**	**2.94**