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Q2 2026 GRUPO FINANCIERO BANORTE SAB DE CV EARNINGS CALL

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PRESENTATION

Jose Ramirez Miguel *Grupo Financiero Banorte SAB de CV - Chief Executive Officer, Executive Director*

(audio in progress)

increasing execution of Plan Mexico, transportation, weather and telecommunications as well as by measures designated to facilitate project development and encourage public-private investment. With this in mind, we maintained our GDP growth expectation for 2026 at around 1.4%.

On the trade front, discussions around the USMCA review officially began on July 1. Our base case continues to assume a constructive dialogue between all parties that the annual review process will serve as a framework to further deepen economic integration across the region. This view is supported by the structural advantages that Mexico offers, including its manufacturing scale, competitive labor force, and strategic position with North America supply chain.

Regarding monetary policy, as we highlighted in previous calls, we believe Mexico has reached the end of the easing cycle, with a reference rate at 6.5%, a level we expect to hold through 2026-2027. Inflation has evolved in a favorable direction, and while it may close the year slightly above target, recent indicators suggest that price dynamics remain broadly under control. Finally, on the exchange rate, we've maintained our forecast of around MXN18.10 per dollar by year-end.

Shifting gears to the results on slide number 3. Our second quarter results reflect positive underlying business momentum. Net interest income for both the group and the bank expanded year over year. driven mainly by lower funding costs and healthy growth in lending volumes. As I mentioned earlier, group NII was impacted by a seasonal dynamic within the annuities business during the quarter.

Excluding seasonal dynamic margin remain positive and continue to reflect the strength of our operating fundamentals. On asset quality, cost of risk declined 29 basis points sequentially and it's on track with our guidance for the year.

On capital, we successfully complemented our AT1 issuance for USD1.35 billion during the quarter. The transaction attracted significant investor interest, reflecting confidence in our business model and financial profile. The issuance provides additional flexibility in managing our capital structure and aligns with our objective of maintaining AT1 instruments within the 30 to 40 range of regulatory capital. Rafa will provide additional color later in the presentation.

Moving to slide number 4. Net income for the quarter reached MXN15.6 billion, up 1% sequentially. The Results were supported by healthy business trends across our main segments, continued funding optimization, lower provisions, and favorable market-related income. These results were achieved despite the benefit from a business sale recorded during last quarter.

For the first half of 2026, net income reached MXN31 billion, 4% higher than the same period last year, already incorporating the non-deductibility of the VAT. Nevertheless, consistent execution of our strategy and the sound evolution of the business supported positive results.

Profitability metrics remained solid, with ROE for the quarter reaching 25.7%, up 209 basis points year over year, supported by continued earnings generation and the effect of the dividend payment in May. ROA stood at 2.3%, broadly stable compared of last year.

Analyzing results by subsidiary on the slide number 5, the bank delivered another strong quarter, reported net income of MXN12.4 billion, up 6% sequentially. Results displayed strong core banking operations, boosted by a decline in cost of funds, a more dynamic lending activity, larger net fees, and a stronger market-related revenue, despite the higher base given the additional income recorded in the first quarter for the aforementioned business sale.

For the first half of the year, the bank generated MXN24 billion in net income, 6% above the first half of 2025. Altogether, the results yielded an ROE of 32.4%, 223 points higher than the previous quarter, with accumulated figures ROA stood at 31.3%.

The insurance company net income declined 43% in the quarter and 4% compared to second quarter. The sequential variation mainly reflects the normalization of premium origination following the seasonal peak of the first quarter. For the first half of the year, results reflect the regulatory changes associated with the non-deductibility of VAT. Even so, commercial dynamics remain favorable, with premium volumes continuing to grow across the business.

The annuities business grew 13% on a cumulated basis and was supported by higher business volumes and lower claims across the portfolio. Pension funds reported a strong quarter with net income rising 65% sequentially and 23% on an accumulated basis.

Results were boosted by a larger base of assets under management, driving higher fee income alongside higher valuation. Lastly, the brokerage sector accumulated decline mainly reflected lower market valuation in the securities portfolio.

Turning to slide number 6. Loan portfolio expanded 8% year over year. Growth was supported by a dynamic activity across the portfolio, particularly in consumer lending, while commercial and corporate loans contributed 8% and 2%, respectively.

Corporate balances continued to be affected by prepayments and exchange rate movements and our dollar-denominated book which accounts already for 13% of the total portfolio. Excluding these FX effects, total loan growth reached close to 9% year over year. Despite uncertainty around annual revision of the USMCA, we anticipate a strong pipeline of corporate and commercial loans related to real estate, financial services, and tourism sectors.

Government lending increased 7% compared to last year. Although quarterly performance continued to reflect the impact of short-term maturities and repayments mainly from states and municipalities. Our view on this segment remains unchanged, and we continue to see opportunities linked to Plan Mexico as we gain visibility throughout the year.

Turning to slide number 7. Consumer lending remains the main driver of portfolio expansion, increasing 10% year over year. This reflects sustained customer demand or streamlined operating model and the continued rollout of our hyper personalization strategy, supported by expanding digital capabilities.

Auto loans once again posted outstanding annual growth of 26%, benefiting from stronger commercial partnerships and our continued efforts to broaden distribution channels across the country. The credit card portfolio was up 12% year on year, supported by effective commercial campaigns, greater customer engagement during seasonal spending periods, and a broader value propositions across the product offering, resulting in a solid pace of origination.

Payroll loans grew 4% year over year, reflecting the effectiveness of our commercial strategy and digital offerings as well as the consistent execution of our sales force. Finally, mortgages increased 5% year over year. During the quarter, we remain focused on refining our origination processes and strengthening the customer journey and we remain constructive for this portfolio as the year goes by.

Moving to slide number 8. Asset quality remains within expected levels when the NPL ratio standing at 1.5% for the quarter. As we have discussed before, this figure continues to reflect the isolated commercial portfolio as well as the impact of changes to our mortgage write-off policy, even with the continued expansion of the consumer lending asset quality asset quality trends remains with our respective ranges and cost of risk continues to move in line with our guidance for the year.

It is worth noting that the recent regulatory adjustment affecting certain government to guaranteed loans provided a modest benefit to provisioning during the quarter. However, the impact in our results was not material.

Net fees on slide number 9, expanded 17% year over year and 16% during the first half of 2026. This performance was mainly driven by higher transaction volumes, mainly in consumer products, larger loans structural fees, and mutual fund operations, as well as our focus on profitability and in affiliated digital businesses.

On the ESG front, on slide number 10, I would like to highlight that throughout the year, we continue working on multiple fronts to improve our disclosures regarding risk, insurance activities, and sustainable products.

Next to this, FTSE improved its ESG rating for Banorte and ratify our performance in its FTSE for Good Index series. Moreover, Banorte was recognized among the world's most sustainable companies in 2026 by Time and by Statista. These events are clear evidence of our constant commitment towards strengthening our progress in sustainability.

Now, before passing the word to Rafa, I would like to touch on three topics that many investors have asked about in recent weeks as well as two recognitions granted to Banorte's customer-centric operating volumes and digital capabilities.

First, I will briefly address our approach to AML sanctions and the compliance policies that support our institutions. Even before the FTO designations announced last year, Banorte maintained a robust framework supported by a strong governance, broad oversight, and controls aligned with international standards.

We continue to build on that foundation by further improving our monitoring and compliance capabilities and investing more in technology, data in analytics, analytics, and AI-based tools to support these efforts with important investments deployed over the last three years. I want to stress that we maintain an ongoing dialogue with both Mexican and US authorities, ensuring we are aligned with evolving regulatory expectations.

At UniTeller, we have taken a similar approach to constantly improve our capabilities and address the changing dynamics of the money services industry. We take this responsibility very seriously and remain confident in the strength of our controls, governance, and compliance programs, supported by leading US Mexican external advisers.

Turning to our digital proposition for joint clientele, Banorte continues to gain traction gradually and in line with our expectations. Our approach is centered on financial inclusion, responsible lending, and financial education, while some competitors have pursued faster portfolio growth, we remain focused on helping customers build healthy credit habits, and strengthen their financial profiles and achieve sustainable financial progress over time rather than prioritizing rapid origination that could eventually lead to signs of deterioration. Our strategy is built for long run, growing hand in hand with our customers, supporting their increasing financial sophistication and creating sustainable value of enduring relationships.

Staying on the topic of technology, I would like to follow up on AI progress. we discussed during the first quarter call. As I mentioned before, our objective is to build an AI agnostic platform that allows us to scale these tools across the origination. We continue to advance our hyper personalization strategy, which now gains a new dimension to the implementation of artificial intelligence, enabling a more granular understanding of our clients and creating new opportunities to enhance loan origination and customer satisfaction.

This approach is already reflected in our customer lifetime value and credit risk assessment models, enabling us to deliver more personalized pricing, strengthen our commercial efforts, and further advance our vision of one agent per client.

By year end, we expect around 10,000 employees across the bank to incorporate AI into their daily workflows, supporting greater productivity, faster execution, and improved service levels. Early applications are already simplifying internal processes and reducing repetitive tasks, allowing our teams to dedicate more time to customers and business development.

Looking ahead, we expect AI to play an increasingly important role in software development, application design, and analytical work across business and risk functions. We are pleased with the progress achieved so far, and we will continue to update the market as these efforts span throughout their organization.

Last, but not least, I would like to highlight some of the most relevant recognitions we have received during the year. Banorte has named Best Corporate Governance and Best Consumer Bank in Mexico by World Finance and Best Bank by Global Finance. These awards reinforce what we see across the business every day. a strong institution, a customer-focused strategy and differentiated capabilities that continue to position us well for the future.

With this, I conclude my remarks. Rafa, please go ahead.

Rafael Arana De La Garza *Grupo Financiero Banorte SAB de CV - Chief Financial and Operating Officer*

Thank you, Marcos. Good morning to all. If I move basically to the highlights of the financial numbers that we -- that Marcos has already explained, but pointing to more detail. I think relevant numbers come from the NII, especially on the loans to deposit track that is growing around 13%, basically run by the funding cost that is trending lower at a faster pace.

Margins are -- the spread on the margin side continue to evolve. So NII to loans to deposits continue to be a very positive story for Banorte. We'll continue to do so in the coming months. There's some issues as always on the second quarter and sometimes it flows to the third quarter, especially on the annuity side. But as you know, inflation-related instruments have been affected by the lower inflation part, that is basically fully compensated on a net income basis by the technical reserves, but it affects the overall numbers on the NII.

So that's what I'm highlighting the NII, there is more clarity -- any external issues, the loans-to-deposit that is, as I mentioned before, growing at a 13% base.

Overall, when you look at the total revenue, it's growing 10% when you add everything that is related to the group, not just for the bank. In the following slide, we will go deep into the bank performance to try to explain the highlights of that evolution for the year.

If I move to the next one, please. When we go deep into the bank, what you could see is the NII of the bank is growing at 15% year on year, as I mentioned, basically for what we has been doing on the funding side and also on the evolution of the consumer book that continues to grow at a very reasonable pace.

The net interest margin for the bank is reaching 6.9% above what we gave as a guidance for the year. The high end of the guidance was around 6.85%. So now we are sitting at 6.9%. Fees continues to be a very good story.

The bank net fees are growing growth, notwithstanding the fact that, as you know, since the high growth that we have on the -- especially on the car loans and some parts on the mortgage side, that you have to pay in advance some of the fees related to the selling process. So taking even including that, you continue to see a very positive growth on the net fees.

This is basically related to the activity that we have having in every single of the channels of the bank, that is giving us a very reasonable growth on the fees, going from the mutual funds go also on the corporate investment banking that continues to basically provide companies to issuance pacing to the market because they are not really appealing for the more for the loan growth. So they are basically going to the market for the issuance of bonds, we are very present in that part. So overall, very good growth in the bank net fees.

In the next one, this is what really is giving us that stability on the net interest margin that is basically related to the to the manage of the balance sheet on the sensitivity side, but you see we are much more liability sensitive now. The full the full sensitivity of the overall balance sheet dollar and peso book is [981], [281] for the peso book on that part, and that will continue to really -- to go steady into the low end.

So sensitivity continues to be where we will want it to be -- you know that the fixed rate part of the book continues to strengthen because of the growth that we have on the car loans and also on the mortgage group. So that is basically sustaining this part along with a very good evolution on the funding side.

On an NII basis is basically nothing with 0.2% on the sensitivity on the NII. So I think we are very, very reshow the all is being positioned, but notwithstanding the fact that we are always begin about an issue that we could see on the evolution of the interest rates.

If I move to the next one, if I go now to the profitability metrics for the bank, the return on equity of the bank is growing at 221 basis points year on year, reaching 32.4% in the second quarter. It is basically 200 basis points on a year-to-year basis on this part.

The net income has grown at 5% and the ROA of the bank is growing at [263] basis points on a year-to-year basis. So all the profitability metrics and if you go down to the return on tangible, tangible is reaching 36.2%, on a tangible basis, when you basically strip down the effect of the pension company on that part.

If we move to the next one, please. This is what really shows how being managing the evolution of the funding cost the reference against the active rate and the funding rate and also how the balance sheet positioning has allowed us to keep a very sustainable net interest margin for the loan portfolio.

As you can see, it keeps on growing to 8.9% now. So that is giving us additional spread on the loan book. So even though the rates continue to go down, we continue to be very beneficial because of the funding cost and the and the combination that we have on the fixed and variable rates on the book.

And also, I would like to stress the fact that we continue to not because we are pricing our loans in the market at a higher price on a contrary based upon a risk philosophy that will go for the clients that we like the risk. Sometimes, we are very comfortable offering the best price in the market for the clients that we like the risk. So that is allowing us to have the clients that we like, the client that we want, and also being able to grow the close relationship that we have with them in a very important way.

On the next one, please. Here is the funding cost. The funding cost will continue to go down in this part. We have the cost of funds reduction on a year-to-year basis has been more than 300 basis points. And it's not just having in Mexico, but also a very efficient managing of the relationship with the clients, offering the right offers to them in a very, I would say, appealing way for the clients based upon the asset mix and the funding mix. So when we do the hyper personalization offer, we take into account the asset side and the funding side in order to give the best price to the client.

Sometimes it goes to the funding side, sometimes go to the asset side on this part. Another good story is the noninterest bearing, it continues to grow at 11% for year on year, above the loan growth time deposits continue to be also a very good story around 9%. So when you see the time deposits and noninterest-bearing deposits are continues to give us a very sustainable flow of funds to keep on pricing our offering to the market at the best conditions for the clients.

But we have been reducing is the high interest rates that we have in some positions that we have on the funding side, and we have been able to get rid of those in the past year. So that trend will continue to be a pretty good story.

And if you compare this trend to public information, Banorte is the one that has been able to reduce in comparison with the other players in the market, the most in the funding cost. That doesn't mean that we have the lowest funding costs but that we -- the trend is the highest trend on the lower part of the funding cost.

If we go to the next one, please. quality on the portfolio, there has been some -- some questions about the evolution of the cost of risk and on the NPLs and the write-off rate. And I think that this really shows the story. The cost of risk is down 29 basis points on a quarter-to-quarter basis.

No matter that we still have that -- the specific loan that went sour on the third quarter of last year that continues to be very on the cost of risk, but notwithstanding that, we are already trending to a much better goal that is basically what we gave the guidance at the beginning of the year.

We continue to work on that loan, and we hope to have better news in the coming months. But it's important to say that since most of the provisions are already in place, we will continue to be on the protective way to build up a very small amount of provisions in the, I think, in the month of September because we basically, based upon the valuation of the asset, we take a very precautionary way and adjust the value of the asset since it has been not working that asset, that reduces the value that we have in the market.

I immediately adjust that in the provision itself. So -- but we are on guidance, and we think we will continue to be on guidance for the year. Credit provisions went down for the for the quarter on this part, write-off rates continues to be steady as we have always been. But I would say that if you strip that specific loan, the NPLs that -- and the cost of risk will go exactly as we expected at the beginning of the year.

So the 1.9, we will be down to the 1.8 and the NPLs will also be very close to the 1.1 that we -- when we got at the beginning of the year. So that is playing heavy on this number, but it's just one isolated was on that part.

If we move into the next one, the expense growth is still -- and here, you have to do an adjustment taking into consideration because of Vineo and TDF that happened at the end of the year that basically move away from the income statement and then went back again into that -- into the numbers of the bank at the beginning of the year.

If you strip that the expense growth instead of being the 10% year on year will be 8.6% year on year, excluding Vineo and TDF that we hope to finalize that process in the remaining of the year. Cost-to-income ratio is at 36.2%. We know we need to trend back again to the numbers that we like. That is from 34% to 35%. And I think we will be trending to that number by the end of the year.

So the -- I would say the cost income is not where we wanted to be, but it's right on track where we want to put the position of the bank at the end of the year and fully into the next year.

The next one, please. Capital, and this is related to what Marcos mentioned about the issuance that we did on the AT1. As Marcos already said, there was a very reasonable position into the market. The appetite was there, close to 5 times the book. And basically, what we have achieved on this part is what we wanted always to be around 30 to 40 in the overall capital numbers to have the AT1.

This is important to really bring into the table. Why do we issuance the AT1s? And what's the focus of those? And I'm going to stay only on the business side. Banorte was not present at all on the dollar book. Now we are 15.1 percentage points of market share on that. So we are the second in the market and we achieved that only in five years in that part.

So it's very beneficial for us, allow us to keep on position ourselves with clients that we didn't have in the past that we were needed on the dollar book. So that has been a very good story on that, that will continue to do so. So basically, total cap is around 21.5%, core Tier 1 12.5%. As you know, we always commit from 12.5% to 13.5%. Above that, we basically move into an extraordinary dividend on that part.

And that number of 12.5% will continue to grow through the year you will see in July a release on capital that we advised at the beginning of the year where we modified the models in the credit card on the other part. And we will release that from the mortgage book, around 65 basis points that will come into the core Tier 1 and in addition to the evolution of the net income that is providing the strength on the capital numbers. So no issues on the capital numbers, well above all the requirements that we have on this part, okay?

So if I go to the next one, please. We continue to stay with the guidance. When you go to the loan growth, and right now, we are barely reaching the 8% overall for the loan growth. But if you adjust that by the FX side, the loan growth is really 8.8% for the year on this part. Net interest margin is above guidance is reaching 6.9% for the bank. So one basically moving, and I think that the number will be hovering around 6.8% to 6.9%.

Expenses, we still want to end the year at a single digit, not double digit, but single digit by the end of the year. Cost of risk will be in the range that we guide the market. The return on equity for the bank, as you know, is already above that, but we would like to stay maybe for the high end of the guidance, around '29 to '30 and the return of this probe will be basically from the '23 to 2024.

ROA is on line more on the 2.4% than in the 2.2%. Basically, I would say, in a very challenging environment, Banorte continues to deliver based upon the relationship that we have with our clients, the evolution and the technology that we have that we could provide the solutions to the client on a one-to-one basis.

And also looking forward to the -- to what we are already seeing the potential evolution of the artificial intelligence day-to-day in the life of our employees that could really bring up another step on the efficiency side.

On the analytical side, we are already testing many, many initiatives concerning basically hyper personalization. As Marcos mentioned, financial inclusion, financial, what would like to really allow the clients to be fully in control of the finance numbers that they have on a very permanent basis by reaching that we could deploy an agent per client by the end of the year. We would like to be testing that part on a specific part of the customer base to see how the customers relates to that and how the customers really what they like, why they all like on that part.

So basically, with this, I conclude my remarks. Thank you very much.

QUESTIONS AND ANSWERS

Tomas Lozano Derbez *Grupo Financiero Banorte SAB de CV - Director - Investor Relations, Corporate Development and Sustainability*

Thank you. We will now move to our Q&A session. As always, we kindly ask you to present only your most relevant question. We will be happy to take any other questions any time after the call. (Operator Instructions).

Dan and myself will be calling the name of the person that is next in the line. If there are any technical difficulties, please let us know by using the chat. Thank you. We're now ready to start.

We'll take our first question from Brian Flores from Citi. Brian, please go ahead.

Brian Flores *Citi Infrastructure Investments LLC - Analyst*

Thomas, congratulations and also a lot of success in the new journey. I wanted to ask you on asset quality, particularly on credit cards, right? Because we saw that on the monthly deltas in terms of H3, the segment was the largest contributor. So I just wanted to understand if you're seeing a deterioration in this segment, how is your appetite changing as you see this, obviously, underlying trends in asset quality. And if this in any sense changes what you're expecting in terms of cost of risk?

Jose Ramirez Miguel *Grupo Financiero Banorte SAB de CV - Chief Executive Officer, Executive Director*

Thank you, Brian. Gerardo?

Gerardo Viezca *Grupo Financiero Banorte SAB de CV - Chief Risk Management and Credit Officer*

Thank you, Marcos. This is Carlos Viezca, Chief Risk and Credit Officer. Most of the increase in the credit card delinquency rate is attributable to the rapid portfolio growth in recent years. new accounts, which naturally have higher delinquency rates now represent a larger share of the portfolio than they did in previous years. As a result, while the individual vintages remain stable, the portfolios past-due loan ratio is higher because of the change in portfolio mix, and that's it.

But I can give you the safeguards that we have put in place at the credit card business, protecting asset quality while continue to grow the portfolio remains one of our highest priorities. We are now relying on several safeguards.

I will mention just two or three of them. We have more than 10 safeguards regarding the managing of risk at the card portfolio. One of that is disciplined underwriting. The other one is portfolio segmentation. Another one is analytics and artificial intelligence and also early warning systems.

Obviously, collections optimization are paramount as well as fraud prevention. While we are not relaxing underwriting standards to support growth, the current normalization remains within our pricing, provisioning and risk appetite assumptions, we continue to recalibrate our models as new portfolio performance data become available.

In short, what we have set in place safeguards within our strategy are five fronts: the first one is selective origination; the second one, data-driven portfolio management; third one, proactive risk monitoring; the fourth one, effective collections; and the fifth one is strong governance. That is rigorous portfolio oversight, stress testing and adherence to our risk appetite.

So we believe the recent increase in delinquencies reflects portfolio normalization, not deterioration following strong growth rather than structural deterioration in grade quality. Our underwriting standards remain unchanged, and our risk management framework is proactive, and we are confident that portfolio performance will continue to evolve within the assumptions embedded in our guidance.

Rafael Arana De La Garza *Grupo Financiero Banorte SAB de CV - Chief Financial and Operating Officer*

If I just add one thing on this part. I think you will continue to see these numbers on the credit card for the third quarter, and that will evolve in a positive way for the fourth quarter. As Carlos mentioned, I think you have also to take into consideration that the inclusion of the portfolio of TDS also increased on a minimal basis the NPL base, not that the portfolio isn't back, but a big part of the risk of the portfolio.

And remember that in the first quarter, Gerardo also advised that we adjust the models for the credit card to adjust to the new information that we will get into the market. We are confident about the policy, the payment flows and also the number of people that place in full but we are taking into consideration also a very specific seasonal effect that comes from the World Cup that people use the line a little bit more than usual. Okay.

Tomas Lozano Derbez *Grupo Financiero Banorte SAB de CV - Director - Investor Relations, Corporate Development and Sustainability*

We will now continue with Renato Meloni. Renato, please go ahead.

Renato Meloni *Autonomous Research - Analyst*

Congrats, Tomas, on your new role. I have a question on the NIM trajectory for the rest of the year. I'm wondering if you still expect to see your cost of funds coming down? And if you could add to that, if you see loan growth picking up, do you think you can maintain your same level of funding costs or that might increase a little bit if your asset growth is outpacing your capacity to grow deposits?

Rafael Arana De La Garza *Grupo Financiero Banorte SAB de CV - Chief Financial and Operating Officer*

No, I think on the NIM, think you will continue to see a drop in the funding cost. I think the dynamics that we have in the noninterest range at 11%. Remember that basically, the first part of the year to July is the low the low season for gathering funds, and we're already getting the 11% and going down on the funding cost.

Another very relevant part is that part of the funding base that we had we have been getting rid of the high cost of the -- some of the funding side related to a specific companies or institutions that we don't need that funding anymore because of the pace of growth of the noninterest-bearing side.

So I think you will continue to see a very positive expansion on the net interest margin and also on the spread on the loan book based upon the funding cost and the already very good activity that we have gathering the noninterest bearing and the low funding cost that we currently. So I think that will continue to be -- and even if the loan book picks up, as you can see on the LDR basis, we are basically for now to the 100%, and we have a continuous flow of funds that will come into the second part of the year.

That will allow to balance any extraordinary growth that I hope it happens because we could fund that at a very good cost. But I think we don't have any pressure now to raise more funding based upon trends that we currently have in the what we call the demand deposit base.

Tomas Lozano Derbez *Grupo Financiero Banorte SAB de CV - Director - Investor Relations, Corporate Development and Sustainability*

Now we'll go with Marcelo Mizrahi from Bradesco. Please, Marcelo.

Marcelo Mizrahi *Bradesco SA - Analyst*

Congratulations, Tomas. And so my question is regarding the growth, the perspective of growth of the portfolio, especially the corporate portfolio, so the commercial portfolio, not just in terms a possibility to have a better second half, but also comparing to the competition. So we saw in the last numbers that the system seems to growing more than Banorte.

So my question is regarding how is the competition right now? And if the competition is affecting the possibility to grow for trust the growth on the corporate side, how do you guys are seeing that? And why you are still very comfortable regarding the guidance of growth of the portfolio?

Jose Ramirez Miguel *Grupo Financiero Banorte SAB de CV - Chief Executive Officer, Executive Director*

Marcelo, yes, we are comfortable with the guidance that we are not increasing the guidance. Yes, some competitors there, I don't know, when they try to go faster. I don't know how to say it, but please, Gerardo, go ahead.

Gerardo Viezca *Grupo Financiero Banorte SAB de CV - Chief Risk Management and Credit Officer*

Yes. But I will say, Marcelo, is that the confidence that we have in achieving our loan growth guidance has to do with what we are already seeing in the business. Commercial lending has clearly reaccelerated. Consumer demand remains healthy across payroll, credit cards, auto and mortgages and funding costs continue to improve, and our commercial pipeline remains very robust, which is very important. So corporate customers as well as those companies that are above SMEs or between corporate and SMEs have a very robust pipeline.

I want to tell you that there is also a seasonality effect. If you add into consideration, the last six months of 2025. There was not even one month from July to December, in which you could see a decrease in average loan balances. Our loan book kept on growing. So importantly, this growth is not being achieved by relaxing underwriting standards.

It reflects stronger customer and corporate demand improved with client analytics and continued market share gains, which I should emphasize. There are several loan segments in which we have achieved a bigger market share. And based on the momentum we have today, we remain comfortable with our loan growth guidance in that regard.

Jose Ramirez Miguel *Grupo Financiero Banorte SAB de CV - Chief Executive Officer, Executive Director*

And yes, you are right, some competitive to a pursue faster portfolio growth. But we really remain focused on helping customers build healthy credit habits and to achieve sustainable room with them. So our strategy is to build for the long run, and we will keep there. And we are very happy with the things that we are doing, and let's see what happened in the future.

Tomas Lozano Derbez *Grupo Financiero Banorte SAB de CV - Director - Investor Relations, Corporate Development and Sustainability*

And Marcelo also in the public numbers, there are some peers that report some number -- some loans as commercial, some of the government. So we are happy to connect after the call with you and show you the details.

Jose Ramirez Miguel *Grupo Financiero Banorte SAB de CV - Chief Executive Officer, Executive Director*

Yes, the numbers are done really to focus on what is the box of every number.

Marcelo Mizrahi *Bradesco SA - Analyst*

Great. So you -- so no pressures on spreads as well looking forward?

Jose Ramirez Miguel *Grupo Financiero Banorte SAB de CV - Chief Executive Officer, Executive Director*

No, no. no.

Tomas Lozano Derbez *Grupo Financiero Banorte SAB de CV - Director - Investor Relations, Corporate Development and Sustainability*

Now we'll continue with Gabilondo from Bank of America.

Ernesto Gabilondo *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Thank you. Hi, good morning, Marcos, Rafa and Tomas, and good morning to all your team. Thank you for the opportunity to ask questions. And Tomas, congrats on your new position, well deserved, and I wish you a successful role.

My question will be a follow-up on loan growth. So given the softer macroeconomic backdrop and the annual revisions to the USMCA agreement, how do you see the sentiment again towards corporate loans? You already anticipated ever pipeline. But what will be other initiatives to accelerate loan growth? You mentioned you have been taking market share, accelerating SME.

So any more color on that will be very helpful. And also related, any concerns with competition, such as Banamex or fintechs to be more specific. And I don't know if you can provide like your expectations by segment.

Also related to this, how do you see the development of the Mexico Plan and the potential activation of public-private associations, is there room for total loans, including governments to reach double-digit growth in the second half?

Jose Ramirez Miguel *Grupo Financiero Banorte SAB de CV - Chief Executive Officer, Executive Director*

Thank you, Ernesto. Let me start at the competitors, yes, they are there and welcome. Maybe the we have the alteration of their strategy. I don't know. Our strategy is long term, we will grow, and we will be there, and let's see what happens.

But having said that, we are growing the car loans, 15% to 20%, the credit cards 14%, so consumer is going to be 10% to 14% houses 6% to 7%. And that's why we are confident in commercial 8% to 11%, corporate to and maybe the government that we still don't know, but from around 5%. That's the idea of growing. So the is going to grow from 8% to 11%. We will keep on that number is our guide, and we will keep it -- we are confident that we will achieve it.

And regarding the other Atlanta, Alejandro Padilla is going to help us.

Alejandro Padilla *Grupo Financiero Banorte SAB de CV - Chief Economist and Managing Director of Research*

Thank you, Marcos. Thank you, Ernesto. This is Alejandro Padilla, Chief Economist. Well, I'm going to address three parts of your us. First one related to GDP, our 1.4% of GDP growth for this year.

And I think that it's important to walk you through some details about the Mexican economy. Obviously, following a weak first quarter of 2026, during which the economy contracted 0.6% quarter over quarter. High-frequency indicators suggest that for the second quarter, we should see an encouraging recovery.

For example, April IGAE, which is the Mexico's monthly proxy of GDP increased 1.2%, and that was a very positive number. Tomorrow, we have the data for May. I think it's going to be slightly negative. Maybe month-on-month, it's going to be 0.4% negative. That will imply a positive annual rate of 0.6%.

But then June, I think, is going to be positive again with a plus 0.5% on a monthly basis. So if you put that number -- those numbers together, I think that the second quarter will depict a very strong 1.3% quarter by quarter. That's basically 2% on an annual basis. Then when we look at what's happening by breakdown of the aggregate demand, consumption has been relatively well.

We might see some positive effects coming from what happened with the World Cup. Exports are performing really, really well. I mean just to put an example, the data between January to May of Mexican exports depict growth of almost 23%. So I think that despite we are in this review process with the US and Canada, and we are facing some tariffs.

Mexican exports having really strong, very resilient, gaining a lot of momentum, especially in industries related with AI.

And then I think the third one is that despite that when we sit down with the US and Canada on July 1 and the US decided not to extend for 16 more years, the agreement we still have the USMCA for the next 10 years. So I think that these annual revisions will take place in the next couple of years.

but this will be a transition process until reaching an agreement to extend this USMCA. Why we are thinking that at one moment, the US will decide to be in them with Canada and Mexico to extend the USMCA for 16 more years. because it makes a lot of sense for them. I think regional integration will be highly important for the US to be more competitive vis-a-vis China that's why we think that good things can go in the right way, especially in the exporting sector.

And regarding Plan Mexico, what you asked, well, I think that it's important to take into account that I mean overall, I think that the Mexican government has been more open about how to execute this program. We have been observing some positive news regarding energy.

For example, there were projects approved by the Federal Electricity Commission, CFE. And out of those 37 projects, 31 were involved in private developers. So maybe it has been slow, but we are observing a shift in that regard.

And I think in the second quarter, we might see some momentum in terms of investment in Mexico, especially in infrastructure, as you can recall from what I mentioned in previous calls, and Mexico and the infrastructure plan is focusing mainly on energy. 50% of the plants are focusing on energy.

The rest is telecommunications is anything that has to do with roads, trains, and when you see the 2026 budget of the government, MXN722 billion are going to be deployed into this type of investments. So I'm positive that throughout the second half of the year, we might see some momentum regarding investments. So that's basically comments from those questions.

Tomas Lozano Derbez *Grupo Financiero Banorte SAB de CV - Director - Investor Relations, Corporate Development and Sustainability*

Thank you, Ernesto. Now we'll go with Tito Labarta from Goldman Sachs.

Tito Labarta *Goldman Sachs International - Analyst*

Also congratulations, Tomas, on the new role. My question on capital. You mentioned you should have about a 65 bps benefit in July. You're already at 12.5%, better to about 13% and then you should continue to be generating capital given the profitability and expected loan growth. So just thinking about potential additional dividends later in the year, further buybacks, how are you thinking about capital evolution and ability to continue to return capital above the 50% payout that you did?

Jose Ramirez Miguel *Grupo Financiero Banorte SAB de CV - Chief Executive Officer, Executive Director*

Thank you, Tito. CFO will answer that. Tomas.

Tomas Lozano Derbez *Grupo Financiero Banorte SAB de CV - Director - Investor Relations, Corporate Development and Sustainability*

Thank you, Marcos. As always, as you mentioned, capital generation continues to be very strong and above the 13% to 13.5%, depending also on the loan growth and the use of capital, we would consider either buybacks or extraordinary dividends. So I think the answer is yes, with the capital projection that we have and the guidance, there should be space for an extraordinary dividend or a buyback. The size of that will depend on the loan growth and the capital generation, as I mentioned before.

Tito Labarta *Goldman Sachs International - Analyst*

Okay. Great. And maybe if I can, just one quick follow-up. I know there's been a couple of questions on competition. particularly on the funding side, you've been able to reduce your funding costs despite more pressure from fintechs, even though they've been reducing some of the remuneration recently, but also thinking about incumbent banks that have been underinvested in over the years, maybe becoming more aggressive.

How you're seeing just the competitive dynamics from both incumbents and fintechs and your position relative to them?

Jose Ramirez Miguel *Grupo Financiero Banorte SAB de CV - Chief Executive Officer, Executive Director*

Rafa, please go ahead.

Rafael Arana De La Garza *Grupo Financiero Banorte SAB de CV - Chief Financial and Operating Officer*

The numbers speak by themselves. I think when you grow 11% to 12%, the noninterest-bearing and our continuous flow, every time from a higher base that gives you the message that the market is receiving that you are not going for the high funding benefit that some of these companies offer for the full relationship, I think when you have a full value proposition in place and the way we manage now the pricing for the client, sometimes you play hard on the funding side. And sometimes you play on the on the asset side, depending on the risk of the client and the lifetime value of the client.

So that gives you a very flexible way that the clients are always surprised in a very positive way of how they relate to the bank. So when you look at the numbers of these incumbents and you see the size of the funding side, that is basically sometimes in some cases, 4 times the asset side that can give you an idea of how imbalance and the cost of liquidities for these companies.

And another important thing is that -- and that is related to what Marcos mentioned about the evolution of our new offer for the young clients. But we are looking at the market is that many of these clients, still clients

Unfortunately, they end up having four or five credit cards that are really creating a huge burden on their finance on the personal finance because if you also look at the rates that those clients are being charged for using those cards, it's basically impossible for that to pay for that.

So our view on the market is that clients are moving to a much more permanent relationship to someone that can give you a full value proposition on a payroll on a credit card, sometimes on a guaranteed credit card that allows you to reduce substantially the rate that you pay for the other incumbents. So I think we have many tools that allow us to link not just the funding side but also the asset side can allow the clients to grow in a good way, not in an accelerated way that they end up in the credit bureau, unfortunately, and that's not what we are looking for financial inclusion. So I think that's something that is important.

And also, there has been like a big advertising that basically, these incumbents are coming with huge analytics and huge -- believe me, I would say, speaking for Banorte, and also, I know all our main competitors believe me. We have -- I will not say the same, but maybe a much better technology to offer to the clients based upon what we have evolved and where we tested with in and what we I think we are in a very good position to know exactly how to guide the clients into this new venture when they become financial included into the financial system.

So I think we have the tools and we are very, very comfortable fighting this for the clients in a way that we could really evolve them into a multiple site to keep growing into the financial inclusion journey.

Tomas Lozano Derbez *Grupo Financiero Banorte SAB de CV - Director - Investor Relations, Corporate Development and Sustainability*

We now will go to Ricardo Buchpiguel from BTG. Please, Ricardo.

Ricardo Buchpiguel *BTG Pactual - Analyst*

Hi, everyone, and thank you for the opportunity of making questions. Can you provide more color on the outlook for the insurance and annuities business for the second half of the year and 2027? We have been seeing more increased competition in the out insurance segment. So I was Wondering if you are seeing a similar trend across the insurance industry as a whole. And given the -- some impact that you mentioned, for the year in the insurance segment, I wanted to see your view on a recovery?

Rafael Arana De La Garza *Grupo Financiero Banorte SAB de CV - Chief Financial and Operating Officer*

Yes. The (inaudible) business, I think, is in a very good position. As you know, the return on equity for the company is above 50%. But the most important thing is that not because this is tight sales because it's not for sales in any way, but the pace that we are growing on credit cards, the base we are growing in car loans, the pace that we're going on the mortgage side, on the SME side, and also on the commercial and the corporate side, continues to give us a very solid platform to keep increasing the sales on the insurance company.

But we have been a little slow in developing is in the new product development that are more really targeted to the young people that will come into the third -- on the end of the third quarter that will also give us an additional push into the insurance business.

If you look at the premium growth in the insurance business, you really see that the evolution of the business is pretty solid on this part. But you are also taking into consideration is that in order to have a very specific arms-length negotiations with the insurance company, the fees that are coming into the bank are reaching now 32% on that part. That's what the market is doing, and we didn't have we have any beneficial either to the bank or to the insurance company.

So I would say that you have to look at the dynamics of the insurance company and basically, the evolution on the premiums continues to be very, very positive on this part. So we don't see any -- we have a lot of appetite for the insurance business. I think we have been a little slow in developing and deploying the new products into the market, but they will come in, as I mentioned into the third quarter. But I don't see any -- honestly, any weaknesses on that based upon the full service that we provide to clients and the pace of growth that we have and the product that could be offered and insurance related to the sales.

So no, I honestly don't see any weakness at all. Our technical reserves and everything is online. So we don't see any specific thing that we don't like about the insurance company.

Tomas Lozano Derbez *Grupo Financiero Banorte SAB de CV - Director - Investor Relations, Corporate Development and Sustainability*

Thank you. Now continue with Carlos Gomez-Lopez from HSBC. Carlos, please go ahead.

Carlos Gomez-Lopez *Hsbc International - Analyst*

Hello, I would like to also join in congratulating Tomas. Good luck in your new role to be reporting to Rafael, which we see is not demanding but at all. So it will be a busy job. Question for you, on the fees, we have seen an increase in the fees, but it's mostly because the interchange fees have been declining. Can you clarify the process by which this has happened and what we should expect for fees overall going forward?

And I know it's only one question, but if you can explain a little bit more the 65 basis points in capital savings that you're going to get from mortgage models and when that would apply?

Jose Ramirez Miguel *Grupo Financiero Banorte SAB de CV - Chief Executive Officer, Executive Director*

Thank you, Carlos. Rafa?

Rafael Arana De La Garza *Grupo Financiero Banorte SAB de CV - Chief Financial and Operating Officer*

Yes. I would say that when you look at what happened, especially for the gas stations and things on the inlet side and on the acquiring side, I think we have a larger client side at an issuing side. So that explains part of the benefit on that part in the rest is basically the activity that we have on the bank. I think the credit card fees, the mutual phone fees the fees that are coming on the Forward banking, the cash management piece.

So I think the activity of the bank keeps growing at a pace of 28% to 32% per year. So that every single transaction comes potentially with a fee where we could charge the fee on that part. But I would say that electronic banking, everything is moving in the right direction on that part that allow us to have a 22% growth on the net fees for the bank.

So I would like to I would love to give you a specific part, but I think it's the overall pace of growth of the bank and the activity that the bank is having on every single office channels, ATM mobile cash management, mutual on every single part is growing at a very good pace, opening of new accounts relation with driven fees. So that's -- I want to point any specific issue that is really that's because we are growing 22%. Is the overall pace of growth of the bank.

Tomas Lozano Derbez *Grupo Financiero Banorte SAB de CV - Director - Investor Relations, Corporate Development and Sustainability*

I think you also had a question of the mortgage recalibration. That is related to basal if Gerardo wants to give something, but it's basically the recognition of the benefit of the internal model that gets phased out in different years, no?

Gerardo Viezca *Grupo Financiero Banorte SAB de CV - Chief Risk Management and Credit Officer*

That's correct. As Tomas is telling you, there is Carlos 62 basis points net of the impact on capital. So that's a onetime effect because of internal modeling. And that's a propriety for (inaudible).

Rafael Arana De La Garza *Grupo Financiero Banorte SAB de CV - Chief Financial and Operating Officer*

The 82 -- close to 82 basis points that will took last quarter that we took last quarter on credit cards and the commercial side.

Jose Ramirez Miguel *Grupo Financiero Banorte SAB de CV - Chief Executive Officer, Executive Director*

So I think it's very dynamic all the time. Just remember, we have more than 120 internal models trying to originate and also to optimize provisions and capital use. They move the needle. They move a bit sometimes in favor of us and sometimes against us, all of them.

Carlos Gomez-Lopez *Hsbc International - Analyst*

Yes. Okay. Now sort of the 65 basis points or 62 to mortgages, that would come to your numbers this year or next year. I wanted to have an idea of the timing?

Jose Ramirez Miguel *Grupo Financiero Banorte SAB de CV - Chief Executive Officer, Executive Director*

This year in July.

Carlos Gomez-Lopez *Hsbc International - Analyst*

This year in July. So it will be in the --

Jose Ramirez Miguel *Grupo Financiero Banorte SAB de CV - Chief Executive Officer, Executive Director*

62 basis points.

Carlos Gomez-Lopez *Hsbc International - Analyst*

62 basis points, as of today, you should have 13.2% CET1.

Rafael Arana De La Garza *Grupo Financiero Banorte SAB de CV - Chief Financial and Operating Officer*

Exactly right. Yes. (inaudible) the generation of income that we have for this month.

Carlos Gomez-Lopez *Hsbc International - Analyst*

All right. And sorry. For the piece. I was, in particular, referring to the fees paid and you can see a reduction in the fees paid for interchange. And I wonder if there was one general agreement or something one particular reason for that to go down.

That's not one that accepts that fee and expense that declines.

Rafael Arana De La Garza *Grupo Financiero Banorte SAB de CV - Chief Financial and Operating Officer*

Yes. The fact is that we were having a relationship with a very large, I would say, (inaudible) clients, but we were not making any money with them. So we part ways with them, on that part. So that's why you see that there's been a reduction on that.

So now we are much more in control of how the flows are being priced in not having a difficult way to negotiate the price with companies that have a huge size on the transaction side. But basically, you just see the transaction flow, you don't get any benefit on that.

Carlos Gomez-Lopez *Hsbc International - Analyst*

Okay. So this is the elimination of a correspondent partner and to whom you don't pay fees any?

Rafael Arana De La Garza *Grupo Financiero Banorte SAB de CV - Chief Financial and Operating Officer*

Right, specific two partners.

Tomas Lozano Derbez *Grupo Financiero Banorte SAB de CV - Director - Investor Relations, Corporate Development and Sustainability*

We'll continue Pablo Ordonez from GBM. Pablo, please go ahead.

Pablo Ordonez Peniche *Grupo Bursatil Mexicano SA de CV Casa de Bolsa - Equity Analyst*

Congratulations on your results and your appointment, Tomas. I have a more structural question on how are you reading the fundamentals of your consumer client base. How is the balance sheet and the leverage of your consumer clients after all these years of loan growth. Have you seen any signs of household balance sheet deterioration from the structural supply of credit card from (inaudible) and in terms of formal jobs, it seems to be gradually improving, but they are mostly concentrated in the central part of Mexico. Overall, I would love to hear your readings on your -- on the fundamentals of your consumer segment.

Jose Ramirez Miguel *Grupo Financiero Banorte SAB de CV - Chief Executive Officer, Executive Director*

Thank you, Pablo. I think Carlos Salazar can give us some color on that.

Carlos De La Isla Corry *Grupo Financiero Banorte SAB de CV - Proprietary Director*

Yes. Yes. I will start from the above. If I give you a view of what we see in the consumer loan book, just trying to first play with three variables. We measure asset quality with three indicators.

And these three indicators are NPLs cost of risk and coverage ratios. They all work together, and I will tell you that we remain very confident that there is no systemic impact on the behavior of our consumers because the labor market keeps going on strong, also consumer sales are stable, and all the economic indicators that tried to explain the fundamentals are working very well together.

If I give you a systemic view, I will tell you that NPLs are backward looking. I will just remind you of that coverage is current. That answers another question, how prepared are we today? And cost of risk is forward-looking, what losses that we expect.

And if I put these three ingredients together, I could summarize the following. We think our consumer credit quality can be viewed by these complementary lenses. The first one, the NPL ratio is a backward-looking indicator that reflects loans that have already become nonperforming; Second, cost of risk is forward-looking as it reflects the expected losses recognized during the period based on IFRS 9 models, portfolio composition and also macroeconomic assumptions. The third lens that we try to use looking at our consumer loan portfolio is the coverage ratio, which measures the relationship between reserves and existing.

So it naturally depends on movements in both reserves and the stock of nonperforming loans. For that reason, this metric should always be interpreted together rather than individually. And this quarter, the modest increase in NPLs reflects expected normalization, and I underline that normally in certain consumer portfolios following strong growth, while cost of risk remained within our guidance. That indicates that expected losses continue to evolve broadly in line with our assumptions.

So rather than discussing cost of risk, NPL and coverage separately, you can just come to a conclusion, a very brief conclusion, in which review these metrics as complementary grade independent and NPLs yo(inaudible) has been, cost of risk reflects the losses we expect going forward and the coverage ratio measures the reserves we hold against existing problem loans. That's why we don't necessarily move in the same direction and why we always have led them to be. So we keep a very positive outlook on consumer loans, and they have been evolving in line with our risk appetite with very handsome percentages of.

Operator

Now we'll go with (inaudible) from White Oak. Please go ahead.

Unidentified Participant

I wanted to ask the slide where you show the NIM of loan portfolio has been stable even as rates have been going down, does this include or exclude the impact of any hedges you might be doing?

Rafael Arana De La Garza *Grupo Financiero Banorte SAB de CV - Chief Financial and Operating Officer*

Could you repeat the last part? Because there was some noise on the line, please.

Unidentified Participant

Okay. Sorry. Yes. So when you show that your NIM of the loan portfolio has remained stable even as rates have been going down, does that include or exclude the impact of hedges, derivative hedges that you might be doing?

Tomas Lozano Derbez *Grupo Financiero Banorte SAB de CV - Director - Investor Relations, Corporate Development and Sustainability*

(inaudible) this one, you take the deals that you charge on the asset side, then the one that you pay on the passive, and you include just the natural hedges that is the mortgages and so on. That is the market-related hedges is in the other margin that we report.

Jose Ramirez Miguel *Grupo Financiero Banorte SAB de CV - Chief Executive Officer, Executive Director*

Everything is on the (inaudible) is all this goes to the plant, and that's the result of all the inputs that we received there. So that's why we manage everything and we see the whole picture, and we can move from there. But yes, the hedges are in.

Unidentified Company Representative

Yes. I will remind you, (inaudible) we perform active balance sheet management as every bank. But what we consider our structural pillars are for in order to protect NIM. The first one is dynamic interest rate risk hedging all the time, that (inaudible) mentioned. But also, if you -- I gave you a complementary view of that, I will add a second front, which is focused on stable low-cost liabilities, which are very evident. The third front is active outcome management. And the fourth one is organic growth of fixed rate loans. Those four pillars have been just maintaining NIM. But as Rafael was telling you at the beginning of this call has increased the NIM, although the reference rates in the market has, as you know, going down.

Rafael Arana De La Garza *Grupo Financiero Banorte SAB de CV - Chief Financial and Operating Officer*

Yes, I would say that which is pure and pure management of the balance sheet and the natural hedges on the we use for that. But I would say that is a very clean evolution of the margin, honestly, on this part is low funding cost, fixed rate, as Gerardo mentioned, good trend on the consumer book on the fixed -- on the fixed part. And the most important thing, a continuous trending down on the funding cost by increasing the size of the noninterest-bearing deposits and demand deposits. I would say is, I would say, feel banking on stream.

Unidentified Participant

Perfect. That's very helpful. On the part that has helped you expand the NIM basis reference rate spread, would you say it's 50-50 funding cost, lower funding cost and better trends on the natural hedges on balance sheet, like our mortgages and the fixed-rate loans? Or would you say funding cost has a bigger role to play?

Rafael Arana De La Garza *Grupo Financiero Banorte SAB de CV - Chief Financial and Operating Officer*

I think I would say that it's not exactly 50-50, but I would say that at this point in time, funding cost is playing most important role. On another part of the evolution of the margin, the fixed rate part was playing a very good part of that part. So it moves -- if the funding cost continues to go down as we expect that to go down, you will continue to see a pretty good evolution of the margin, even though maybe the mix on the fixed rate part of the book, and the variable rate part of the book stays basically the same that is basically reaching the 60-40.

Unidentified Participant

Great. My final question on this topic is while we are maintaining this NIM, is it coming at a constant risk profile of our loan book? Or is the risk profile of loan book increasing marginally to deliver the high end is

Rafael Arana De La Garza *Grupo Financiero Banorte SAB de CV - Chief Financial and Operating Officer*

Why are we making? I would say that this has been in the making for the last five years to building up the fixed rate part of the book, that was clear also to getting rid of high funding costs that was present when the loan growth was growing at a very fast pace.

I would say that the third part of that and the most important one is a continuous strength on the funding cost. If I can give you a number that I already said, we have lowered the funding cost for Banorte 111 basis points for the year. I think we are top compared to the market on that part.

And that's not because not paying the client what he deserves. I think what we are giving is an overall value proposition that sometimes I referred to that before. You are beneficial on the funding and some tile beneficial on the asset. That's based upon the profile of the client.

So there are many variables on this but this has been on the making for the last five years. It's not a result that just happened last year. A lot of natural hedges, a lot of very good growth on the part of the book that we wanted.

And let me just give you something. When we were building this, there was a part on this building that cost us MXN2 billion to position the fixed rate part of the portfolio at a point in time. That was recovering test that six, seven months when we start moving into that direction. But instead of paying very high cost hedges we were for the natural hedges and for the relationship for the client that allow us to be seen in the market as the best offer on the mortgage side specifically, if we like the risk.

Tomas Lozano Derbez *Grupo Financiero Banorte SAB de CV - Director - Investor Relations, Corporate Development and Sustainability*

Thank you. Now we'll continue with Andres Soto from Santander.

Andres Soto *Santander Osbkinc - Analyst*

My question is regarding -- I'm back. Sorry about that. My question is regarding provisioning. On the isolated commercial exposure you mentioned, could you please clarify, is this the PEMEX supplier that you have referred in the past? And I would like to understand if those September provision should be seen as a final adjustment to this exposure, and if this will, in the end, bring the cost of risk at the top end of your guidance for the full year, even as you may expect some improvement in the fourth quarter.

Jose Ramirez Miguel *Grupo Financiero Banorte SAB de CV - Chief Executive Officer, Executive Director*

(inaudible) you know, because of the confidentiality we can give you this is not the PEMEX supplier. (inaudible)

Rafael Arana De La Garza *Grupo Financiero Banorte SAB de CV - Chief Financial and Operating Officer*

No. I think Andres, what you've seen is that we already mostly fully provide for this and the (inaudible) operation that you see coming on this part. And also in September, as I mentioned before, is the adjustment of the value of the asset on that part. That will continue to build up some provisions, very small compared to the whole size of the provision cycle.

If you ask me, if we get rid of this that we book that we can get greed and normalize this, into the usual numbers that Banorte runs the cost of risk that is from 1.8% to 1% to 2%. Right now, we are at around 2.1. But basically, if you see the trend from the first quarter to the second quarter, there was already a reduction in the cost of risk. And that will continue to do so based upon what Gerardo was mentioned a very good origination processes are very good collection process on this part and the adjust of the models on the most risk part of the portfolio, what's happened in January is already delivering good results. So I would say that, that's a specific asset, and we will continue to adjust the value of the asset as we see fit in order to not have any surprises as we thinking in the worst case possible.

Andres Soto *Santander Osbkinc - Analyst*

Thank you, Rafa. So you mentioned year-to-date cost of risk at 2.1% for the second quarter specifically, it was 2%. We can assume that this 2% is what is sort of your normal cost of risk, but up in the third quarter and coming down in the 41. So most likely, it will be in between 2.1% for the full year. Is that the right approach to look at this?

Rafael Arana De La Garza *Grupo Financiero Banorte SAB de CV - Chief Financial and Operating Officer*

1.8% to 2%.

Andres Soto *Santander Osbkinc - Analyst*

Even 2%, not even the 2.1%. Perfect. So congratulations to Tomas on his appointment.

Operator

Now we'll go with Jorge Perez from Itau.

Jorge Perez *Banco Itau BBA SA - Analyst*

First, congratulations, Tomas, for the new position. My question is mainly about the loan growth in the corporate portfolio, specifically in the business portfolio. We saw some acceleration in the second quarter, but it's also seen that the bank is -- has been losing market share -- and if we zoom in by the segment, there appears to be significantly weakness in the e-commerce specifically.

So I think which is an important segment for the bank. So I want to understand what is driving that. Are you seeing more competition in the segment, pricing risk appetite or you're looking for growth in other segments of the economy? That's all

Jose Ramirez Miguel *Grupo Financiero Banorte SAB de CV - Chief Executive Officer, Executive Director*

Thank you, we have an explanation for Tomas.

Tomas Lozano Derbez *Grupo Financiero Banorte SAB de CV - Director - Investor Relations, Corporate Development and Sustainability*

(inaudible) and when you look at the CNBV numbers, normally, we look at the consolidated. But when you look at segments, as you mentioned, commerce specifically, you don't look at the consolidated. So you have there the impact that we have the loan to [Tarjeta Futuro] that was -- the JV with rapid was around 10 billion. So from December to January, when we integrated the company, you reduced that. So I think that's the main effect that you consider.

I don't know this is clear or you want me to give you more details?

Jorge Perez *Banco Itau BBA SA - Analyst*

No, no, that's very clear. So the debt that (inaudible) --

Tomas Lozano Derbez *Grupo Financiero Banorte SAB de CV - Director - Investor Relations, Corporate Development and Sustainability*

(inaudible) the convertible and additional line for the funding of the company the two were registered in that bill that you are seeing, that is the nonconsolidated view. You used to have that in the commerce book specifically. When we integrated the company, that line basically disappear. And that's why you see the reduction. You don't see these numbers on the consolidated.

That is the normal view that you have, but I think you did a very good job looking at the details and the specifics of the segment. And there, you don't see the numbers with the same of consolidation.

We'll continue with Edson Murguia from Summacap, please go ahead.

Edson Murguia *SummaCap - Analyst*

Congrats on the new role. My question is a quick one regarding on AI investment. You mentioned in the remarks, Marcos and Rafa about 10,000 people by the end of 2026 using different type of AI tools in the bank. So how much of investment is Banorte doing it to achieve that?

Rafael Arana De La Garza *Grupo Financiero Banorte SAB de CV - Chief Financial and Operating Officer*

So I cannot -- sorry, but I cannot give you a specific number because that will put me in budget with my provider. So sorry. What I can give you is that when we talk about the 10,000 people, basically, it's related to the day-to-day job that they do about the same time we are doing on the coating side, on the aging side and all that.

But I think the numbers that you see on the expense line on the IT side are already embedded in this part Obviously, that has to be compensated by productivity and also -- but also, especially on the coating side, we see a huge opportunity on the total side.

So I would say that, that will be a bad thing. Remember that AI is expensive tools because you have to build up infrastructure on the cooling side, on the energy side, and also it's not cheap the tokens and everything is not cheap on that part.

So -- but I think we are doing it in the right way. And I think we can provide that by the first quarter of next year, in comparison to the first quarter or when you see the full deployment of the budget, we will be specifically on the AI investment.

Operator

Now we'll take our last question with Anand Vaswani from Wide Oak.

Unidentified Participant

My question is on cost of funds. In the presentation on slide 17, we show it's 45% of the reference rate. Given the competition from digital banks, fintechs, where do you think this will settle over the next couple of years?

Rafael Arana De La Garza *Grupo Financiero Banorte SAB de CV - Chief Financial and Operating Officer*

I think what you will see is that banks like BBVA sales and we continue to lower the funding cost because of all the different venues that we have to gather funding, cash management, mutual funds and thanks on that part that are related to flow. Also, the acquiring business provides a huge inflow of funds on the chip side. So I think you will continue to see that from the large parts, the funding cost trending down on that part.

I think the fintech needs to evolve to a much more sustainable business on the funding side, not just by offering high yields on pure funding, but they need to go and move into related business like SMEs and things like that. But that will also create another additional cost that needs to recover and then they have to balance the profitability of the relationship. I would say that we will continue to play their funding game on the low end, on the low cost end. And I think we have all the tools to do so by the huge offering that we have on the market.

SMEs, for instance, is a huge source of of cheap funding for us because of the relationship that we have, payrolls, new accounts in that way. So acquiring business, merchant business. So I think we don't see really any weaknesses that we cannot cover by the offer that we have. Obviously, we have rolled that offer in a continuous way. And we adjust and we have bought and we transform on that part, we are never sitting idle loans, looking at how the market.

That's why we tested the market with Vineland TDF for almost three years to understand exactly the alignment of that market. And I think we understand that pretty well. That doesn't mean that we doesn't need to evolve. We continue to evolve in that process. I think they moved to a much more digital offering, especially on the SME is going to be mandatory.

Operator

Thank you, Anand. With this, we conclude our call. Thank you, everyone, for joining.

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