GFNorte reports Net Income of Ps 8.91 billion during 3Q20, 1% higher than 3Q19 and 37% above 2Q20.

(BMV: GFNORTEO; OTCQX: GBOOY; Latibex: XNOR)

The most relevant results for the period ended on September 30th, 2020 were:

- This quarter was still immersed in the quarantine caused by the COVID-19 pandemic; meanwhile, support programs came to an end for 64% of the enrolled clients. In Mexico, there has been a moderate recovery with improved levels of unemployment vs. 2Q20. **Net income** for the **third quarter** was **Ps 8.91 billion**, **up 37% sequentially** and 1% higher vs. 3Q19.
- **630 thousand clients benefited** from the consumer and SME support programs, out of which 64% have already concluded their program and 91% of them are paying regularly. Therefore, **provisions were down (63%)** versus the previous quarter, reflecting a **1.6% cost of risk**, down from 4.2% in 2Q20.
- Overall, the operating performance of the business was resilient despite the social distancing measures and the low interest rate environment. **Net interest income was stable sequentially and 2% higher when compared to 3Q19**. **Group's NIM** declined (18bps) vs. 2Q20, reaching 5.1% due to a 3% increase in average productive assets. **NIM of the Bank, stood at 5.8%** for the quarter and at 6.0% for 9M20.
- **Net fees increased 1%** compared to the previous quarter and **non-interest income declined (17%) on normalized trading income**. **Non-interest expense was practically unchanged** vs. 3Q19, in line with the annual expense guidance. **ROE** for the quarter improved substantially to **16.9%** from 13.0%, while **ROA** stood at **2.0%** up from 1.5% in the previous quarter.
- **Net income** for **9M20** totaled **Ps 24.54 billion**, **(11%) below** 3Q19. However, adjusting for the anticipated provisions in 2Q20 and for the extraordinary income from the liquidation of Banorte USA in 1Q19, recurring net income **grew 6%.**
- **Net interest income for 9M20 increased 5%** annually despite the decline to 4.25% from 8.25% of Banxico's benchmark rates during most of 9M19. **NIM declined only (17 bps)** reaching **5.45%,** driven by an 8% increase in average productive assets. **Total income** increased 1% and **expenses rose 4%**, **the latter in line with the commitment to grow between 4.0% and 4.8% for the year**. **Accumulated efficiency ratio** reached **39.8%.**
- **ROE** and **ROA** for 9M20 reached **16.2%** and **1.9%,** respectively. Both ratios were clearly impacted by the anticipated provisions in 2Q20. ROE was further impacted by the dividend sitting at the group's level, as we continue to follow the government´s ongoing recommendation not to distribute dividends.
- Non-banking **subsidiaries** contributed positively to the group's performance. During 9M20, net profit of the Brokerage business grew 39%, Mutual Funds 7%, Insurance 6%, Annuities 38%, and Afore 12%.
- **Consumer loans** were up **6%** annually, showing growth across all segments except for credit cards, as expected. This was mainly driven by a moderate economic recovery in the country, and further supported by the positive effect of **support programs**, which have not yet concluded for a third of the enrolled clients. **Commercial loans** grew **1%** and **corporate** loans declined **(2%)** sequentially, while government loans were flat. Compared to 3Q19, **commercial and corporate portfolios increased 12% and 18% respectively**, and **government was up 3%.** Overall, **total loan portfolio** grew **1% quarterly, and 9% annually**; excluding government loans, the **loan portfolio was up 11% y/y**.
- The non-performing portfolio declined (28%) driven by the effect of the support programs for individuals and SMEs, as well as by the liquidity lines for commercial and corporate businesses. Consequently, the **NPL ratio** fell to **0.8% from 1.2%**, and the **coverage ratio** reached **265%** from 201%. NPL and coverage ratios are temporarily restrained by the ongoing support programs; however, the preliminary results from customers coming out of their programs allow us to leave our **provisions and write-offs estimates unchanged vs. 2Q20, maintaining a solid balance sheet**.
- **Core Deposits increased 3%** during the quarter: **demand deposits grew 6%**; whereas, **time deposits were down (2%)**. Compared to 3Q19, demand deposits were up 27%, and time deposits declined (7%), totaling **14%** annual growth in Core Deposits.
- **Capital preservation, as well as adequate liquidity** management have been top priorities for the Financial Group during this challenging period. As a result, the **bank´s total capital ratio** reached **21.1%** from **19.7%; Core Equity Tier 1 (CET1)** reached **13.7%, Liquidity Coverage Ratio** increased to **193.6%,** while **Leverage Ratio stood at 12.1%.**

Mexico City, October 29th, 2020.— Amidst the challenges brought by the COVID-19 pandemic for the economies of Mexican families and companies, Grupo Financiero Banorte (GFNorte) increased its **performing loan portfolio** by **9%** during 3Q20.

Carlos Hank González, Chairman of the Board of Grupo Financiero Banorte, said: **"Our greatest pride is to remain close to Mexicans and continue to support them, granting loans to families and companies so they can cope with their challenges."**

Loan portfolio

As of 3Q20, the Group's **performing loan portfolio** totaled **Ps 798 billion**, **up 9%** vs. 3Q19.

Financing for Mexican families through **Consumer loans** rose to **Ps 301 billion**, **up 6%** vs. a year ago. **Mortgages** had a **10% increase**, totaling **Ps 182.6 billion**, and **auto loans grew 6%**, reaching **Ps 27.4 billion**.

The credit card portfolio ended the quarter at **Ps 38.5 billion**, and **payroll loans** at **Ps 52.3 billion**.

Consumer Loan Portfolio*	3Q19	3Q20	Change
Mortgages	166,286	182,685	**10%**
Auto Loans	25,889	27,394	**6%**
Credit Card	39,028	38,585	**(1%)**
Payroll	52,096	52,342	**0%**
Total	**283,298**	**301,005**	**6%**

*Million pesos

The **commercial** book totaled **Ps 188.2 billion**, up **12%** vs. 3Q19, while the **corporate** loan portfolio reached **Ps 146.6 billion, up 18% YoY**. The **government** portfolio had an ending balance of **Ps 162.6 billion**, growing **3%** vs. the previous year.

Performing Loan Portfolio*	3Q19	3Q20	Change
Consumer	283,298	301,005	**6%**
Commercial	167,839	188,237	**12%**
Corporate	123,767	146,626	**18%**
Government	157,821	162,609	**3%**
Total	**732,726**	**798,478**	**9%**

*Million pesos

NPL ratio fell to **0.8%** and coverage ratio reached 265% from 201% in 2Q20.

Deposits

Core Deposits had a **14%** increase vs. 3Q19. **Demand deposits rose 27%**, and **time deposits** were **down (7%)**. Compared to 2Q20, core deposits were up **3%**.

Main financial performance metrics

Driven by a moderate reactivation of economic activity in the country and by the continued trust of our clients in their products and services, GFNorte's **Net Income** totaled **Ps 8.9 billion** in 3Q20, up 1% vs. the previous quarter.

Year-to-date, Net income amounts to **Ps 24.5 billion**, down (7%) vs. a year ago with recurring figures.

EPS for the Group totaled **Ps 3.09** during the quarter; **ROE** reached **16.9%,** and **ROA** at **2.0%**; **efficiency ratio** ended the quarter at **41.7%**.

During the quarter, **Loan Loss Provisions** reached **Ps 3.1 billion**, down **(63%) vs. the previous quarter.** This decline further confirms the Group's expectation that the anticipated provisions generated in 2Q20 will be enough to cope with future challenges on the loan portfolio for the rest of 2020 and part of 2021.

Strong capital levels

GFNorte ended the third quarter with **Capital Adequacy Ratio** reaching **21.1%** from 19.7% in 2Q20. **Core Equity Tier 1 (CET1)** totaled **13.7%,** and **Leverage Ratio** reached **12.1%**.

With this, Banorte positions itself as one of the best capitalized banks in the country.

Banorte remains close to Mexican families

From the beginning of the COVID-19 crisis, **Banorte was the first bank to offer a deferral program to its clients**. At the end of 3Q20 **there were more than 630,000 loans enrolled in these programs**.

Currently, 64% of these enrolled clients have concluded their support program, and 91% of them are paying regularly. On the back of this program, **Banorte has proactively approached some of its clients with supporting facilities** tailored to their specific needs.

This effort by Banorte is underpinned by its ability to have a deeper knowledge of its clients enabling it **to offer unique alternatives, differentiated by product type, and tailored to the specific situation of each client**.

Recent Events

1. **CARLOS HANK GONZÁLEZ, CHAIRMAN OF GRUPO FINANCIERO BANORTE, PARTICIPATED IN THE INTERNATIONAL PANEL "PRINCIPLES FOR RESPONSIBLE BANKING: ONE YEAR ON" TO CELEBRATE THE FIRST ANNIVERSARY OF THE PRINCIPLES OF RESPONSIBLE BANKING OF THE UN.**

On September 22nd, 2020, a year after the worldwide launch of the UN Principles for Responsible Banking and under the European Forum for Sustainable Investments, Carlos Hank González, Chairman of the Board of Directors of Grupo Financiero Banorte, stated that post-pandemic global economic recovery shall be based on sustainable development.

During his participation in the panel "Principles for Responsible Banking: One year on", Hank González analyzed the impact of the COVID-19 pandemic on the economy and considered that the financial sector will be key in the recovery as long as it incorporates the environmental, social and corporate governance (ESG) dimensions.

2. **THE GOVERNMENT OF QUINTANA ROO AND BANORTE INSURED SOME OF THE STATE'S BEACHES AND REEFS**

Seguros Banorte signed a contract with the government of Quintana Roo for a policy that protects the beaches and reefs of 5 municipalities in the state against possible hurricanes. This insurance has a coverage of up to 42.5 million pesos per event, which would allow rapid restoration of the affected area to offset the hurricane damages and mitigate the impact on the local economy.

The policy was reinsured by Hannover Re, the third largest reinsurer in the world, and was structured by Global Parametrics, an international firm specialized in designing financial solutions to mitigate the impact of natural disasters.