

BANORTE

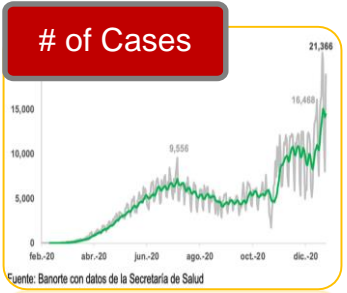
Conference Call: 4Q20 Results

January 22nd, 2021

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2020 – a year to take actions, learn and remember



COVID-19 second wave, higher than originally expected

Always close to clients, employees and investors

Strong recurring results on a difficult environment, Net Income +1% y/y

Results

NIM of Bank

Stable despite lowering rates

Capital

Robust Capital:

CAR 20.2%

CET1 13.9%

Solid & clean

Additional anticipated provisions of \$4.9 + \$2.4 bn

Balance Sheet

On a tough year, gaining Market Share on loans.

Market

Dividends at Holding Co. level, and ready to be distributed

Dividends

Credit Quality

NPL better than that of the industry.

Expenses

Under control

Counterweights of Mexico and GFNorte:

FUEL



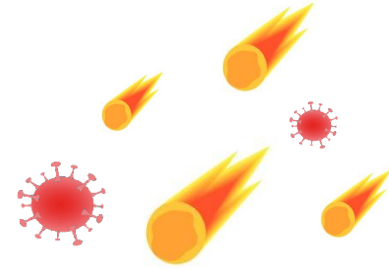
External Drivers

- ✓ US nearshoring strategy vs. China and continued performance of USMCA has brought higher FDI into Mexico.
- ✓ Strong remittances expected in 2021, as US economy is strengthened by additional fiscal stimuli.
- ✓ Central bank with sufficient leeway to increase monetary policy, if needed.
- ✓ Increased minimum wage = higher purchasing power.
- ✓ More clarity in COVID-19 vaccination timeline and scope.

Internal Drivers

- ✓ Diligent management of Relief Programs.
- ✓ Balance Sheet strength supported by additional provisions.
- ✓ Opex and Cost of Funds control.
- ✓ Added functionalities to Mobile App & strategic JV's.
- ✓ Timely actions to protect our customers and employees.

FRICION

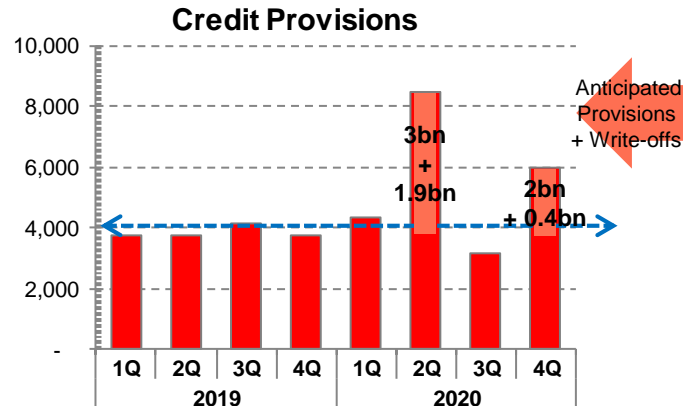


- Uncertainty caused by 2nd wave of contagion and duration of lockdowns in Mexico City and other states.
- Stressed Pemex finances and their impact on fiscal policy.
- Lower infrastructure spending and prioritization of other government projects with lower GDP impact.
- Increased Regulatory uncertainty as we approach mid-term elections in congress and state governors.

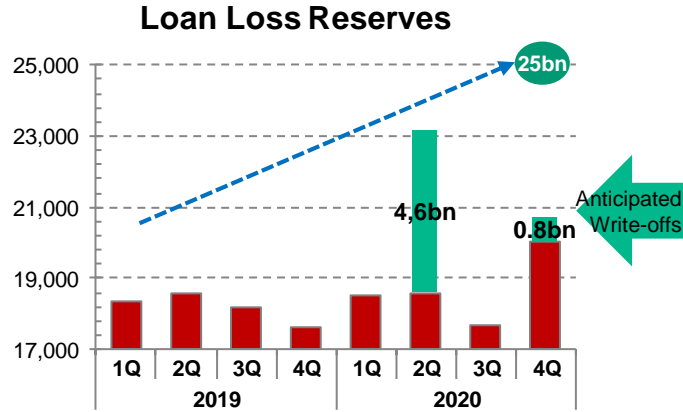
Additional provisions booked in advance due to second wave of COVID-19

- Additional advanced provisions were registered on 4Q P&L:
 - \$2.0 bn general additional provisions +
 - \$0.4 bn advance write-offs
- Considering the 2Q additional provisions, a total of \$7.3bn were registered in advance during 2020, thus, the 2021 cost of risk is expected to normalize.
- Strategic approach to anticipate write-offs to maintain a clean Balance Sheet.
- Excluding the effect of anticipated write-offs, the level of Reserves would be around \$25bn, that is, 45% above the 3-year average (2017-2019).

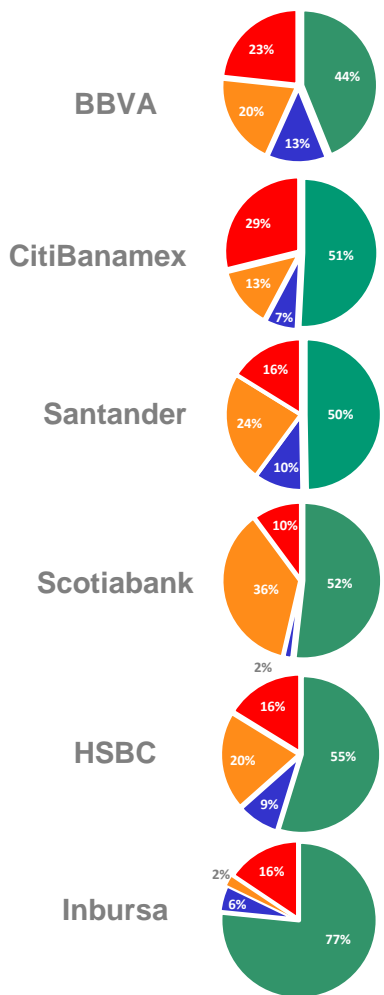
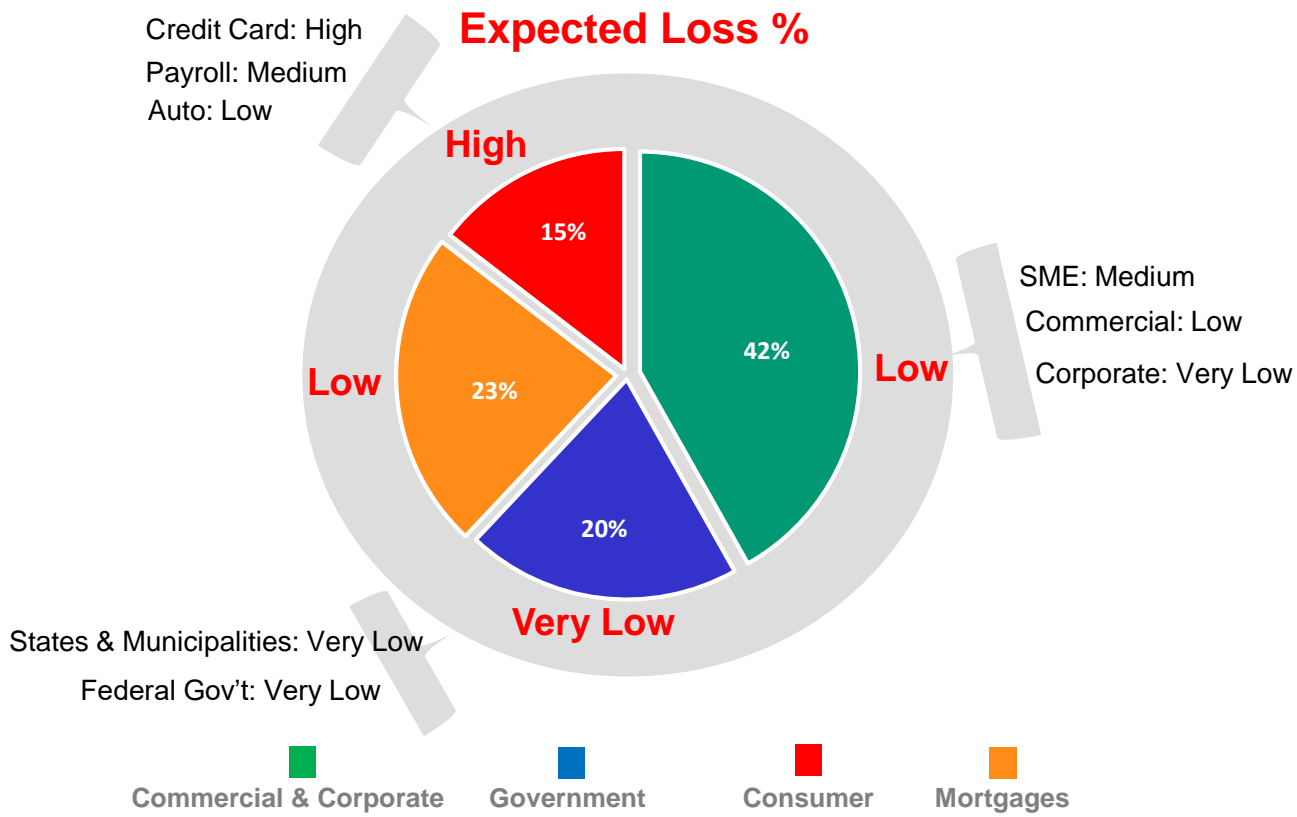
P & L



Balance Sheet



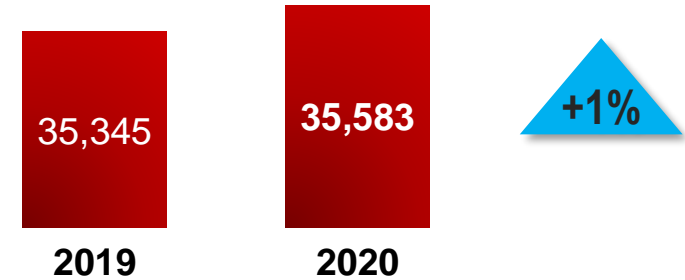
Relevant loan portfolios have the lowest Expected Loss



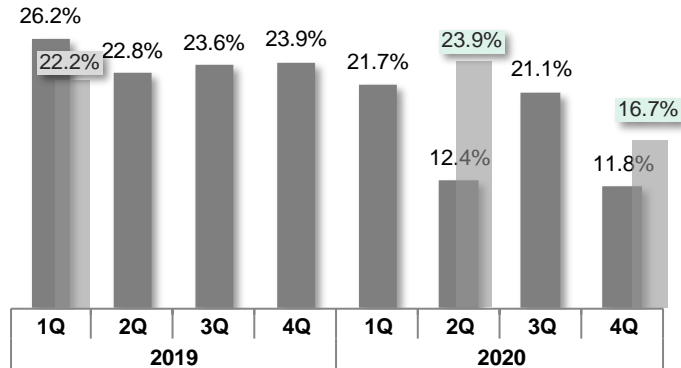
Recurring Net Income affected yet resilient

| Million pesos | 4Q20 | q/q | y/y | 2020 | y/y |
|-------------------|---------------|---------|-------|--------|---------|
| Net Income | 5,966 | (33%) | (34%) | 30,508 | (16%) |
| <i>Recurring*</i> | | | | 35,583 | 1% |
| EPS | 2.07 | (33%) | (34%) | 10.58 | (16%) |
| <i>Recurring*</i> | | | | 12.34 | 1% |
| ROE | 10.9% (602)bp | (809)bp | | 14.8% | (528)bp |
| <i>Recurring*</i> | | | | 17.1% | |
| ROA | 1.33% (66)bp | (95)bp | | 1.76% | (53)bp |
| <i>Recurring*</i> | | | | 2.05% | |

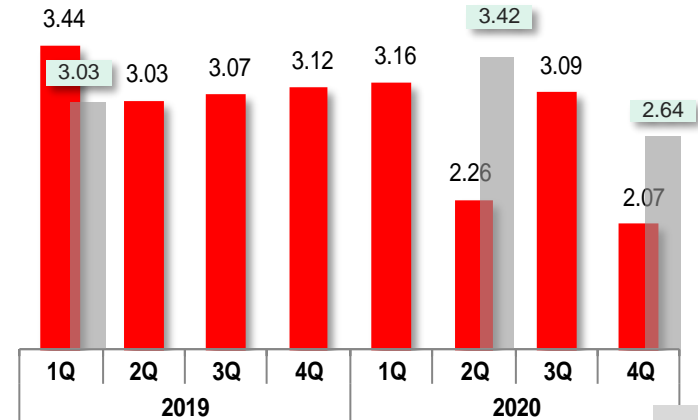
Net Income (recurring)



ROE of the Bank



EPS



*Recurring

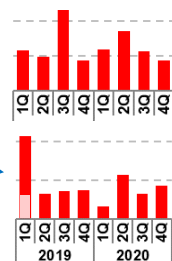
* Excluding the effect of non-recurring income in 1Q19 derived from the dissolution of Banorte USA and additional provisions in 2Q20 and 4Q20

Net Interest and Non-Interest Income

- Robust NII, +3% y/y growth in 2020
- Standard quarter in trading & other income
- Total revenues* up by +1% y/y

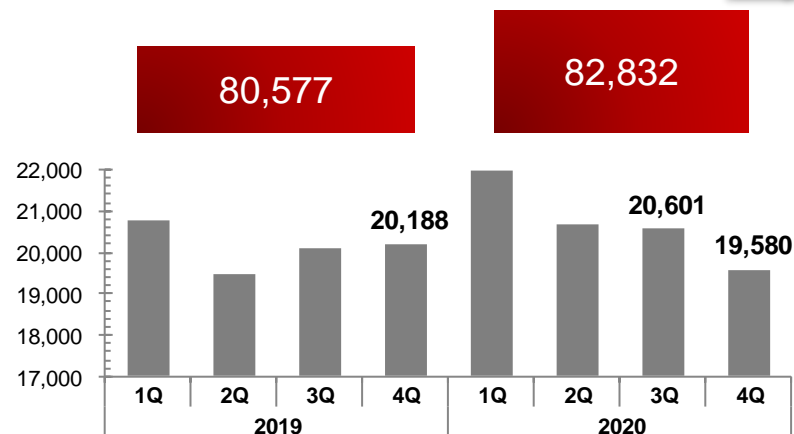
| Million pesos | 4Q20 | q/q | y/y | 2020 | y/y |
|----------------------------|---------------|-------------|-------------|----------------|-------------|
| NII Loans/Deposits | 15,308 | (3%) | (7%) | 63,539 | 1% |
| NII Repos | 2,170 | (13%) | 2% | 9,070 | 8% |
| NII Valorization Adjust | 334 | 278% | 385% | 416 | 131% |
| NII Insurance & Annuities | 1,769 | (18%) | 12% | 9,807 | 8% |
| NII | 19,580 | (5%) | (3%) | 82,832 | 3% |
| NIM | 4.8% | (28)bp | (87)bp | 5.3% | (32)bp |
| NIM ex-Insur. & Annui. | 5.0% | (18)bp | (90)bp | 5.3% | (28)bp |
| NIM from loan portfolio | 7.6% | (31)bp | (109)bp | 8.0% | (14)bp |
| Net Service Fees | 3,599 | 16% | (15%) | 13,219 | (6%) |
| Trading Income | 858 | (24%) | (2%) | 4,854 | (8%) |
| Other Income | 859 | 31% | 15% | 2,983 | 15% |
| Non-Interest Income | 5,315 | 9% | (9%) | 21,056 | (4%) |
| Total Revenues | 24,896 | (2%) | (4%) | 103,888 | 1% |

*Recurring



Net Interest Income

+3%
y/y



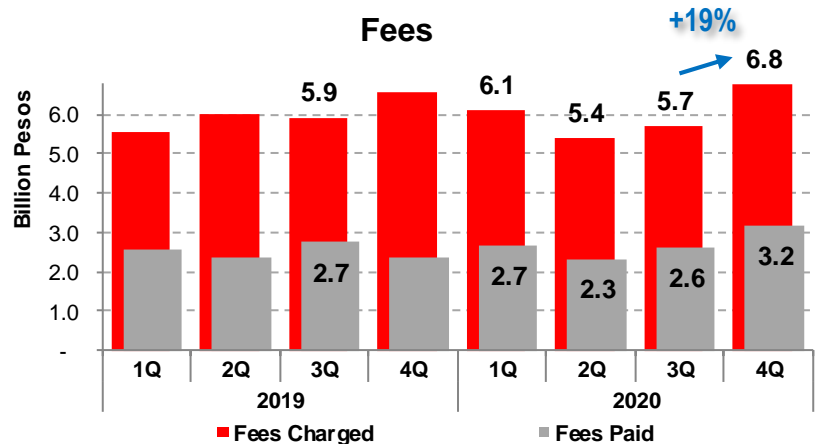
Total Revenues (recurring)

+1%
y/y

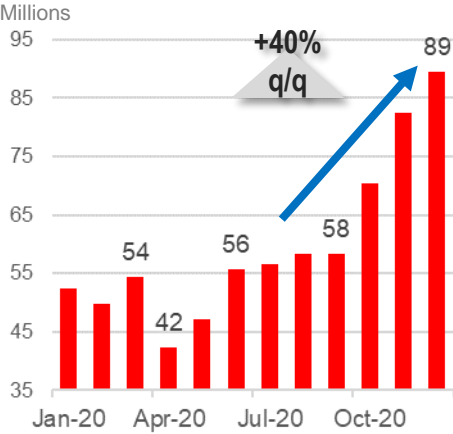


Service Fees recovering

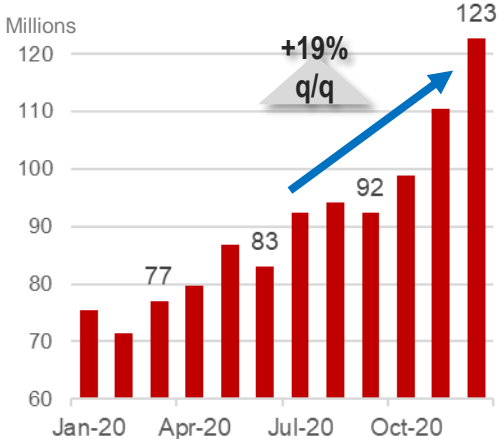
- Fees recovering due to better economic activity
- Fees charged +19% q/q:
Core banking fees +11% q/q
Electronic banking services fees +28% q/q
- Remote digital transactions lead growth,
+40% q/q in POS, +19% in mobile



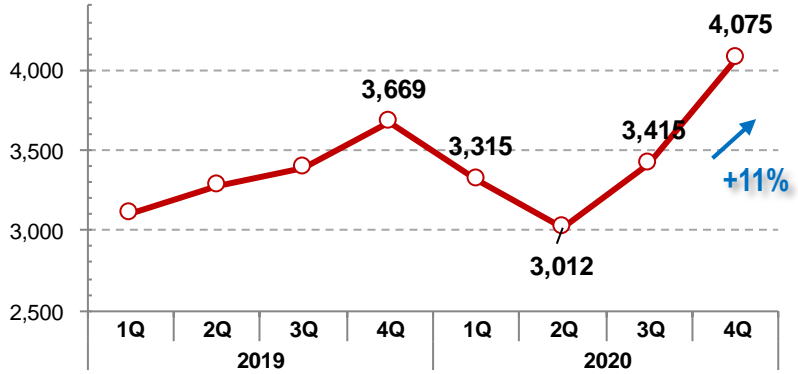
POS's Transactions



Mobile's Monetary Transactions



Core Banking Fees

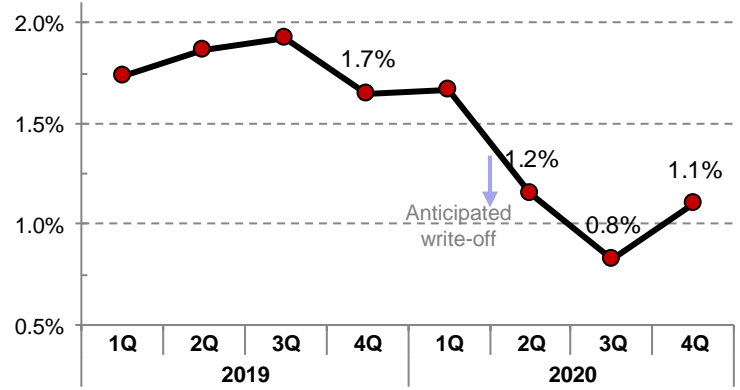


Loan Growth with quality

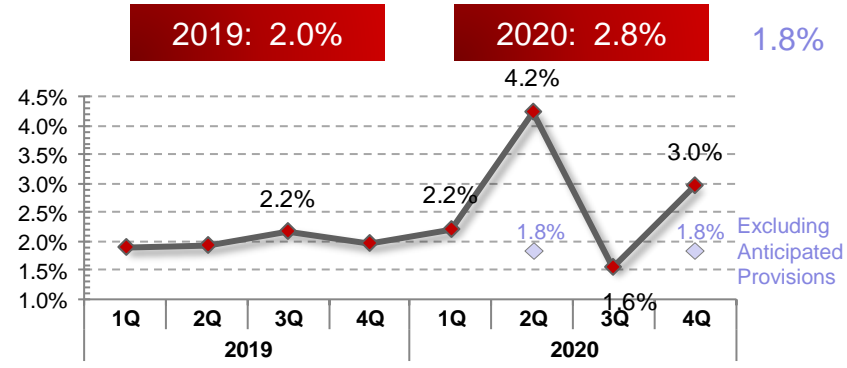
- Good quarter for mortgages and auto loans: +3% q/q growth.
- Moderate increase in commercial loans: +2% q/q.
- Government (1%) q/q.
- Asset quality reverts trend as relief programs come to an end.

| | Performing Loans | | | Past Due Loans | |
|---------------------|------------------|-----------|-----------|----------------|--------------|
| | 4Q20 | q/q | y/y | 4Q20 | q/q |
| Commercial | 192,927 | 2% | 12% | 2,364 | 596 |
| Corporate | 143,429 | (2%) | 12% | 166 | (278) |
| Government | 161,563 | (1%) | (7%) | 38 | (251) |
| Mortgages | 187,736 | 3% | 10% | 1,658 | (152) |
| Car Loans | 28,165 | 3% | 6% | 161 | (33) |
| Credit Card | 36,651 | (5%) | (8%) | 3,120 | 1,874 |
| Payroll | 51,668 | (1%) | 1% | 1,425 | 515 |
| Consumer Loans | 304,220 | 1% | 6% | 6,364 | 2,204 |
| Total | 802,138 | 0% | 5% | 8,931 | 2,271 |
| Total ex-Gov | 640,576 | 1% | 9% | | |

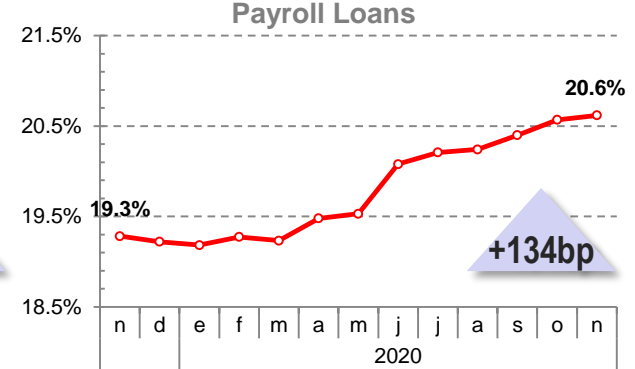
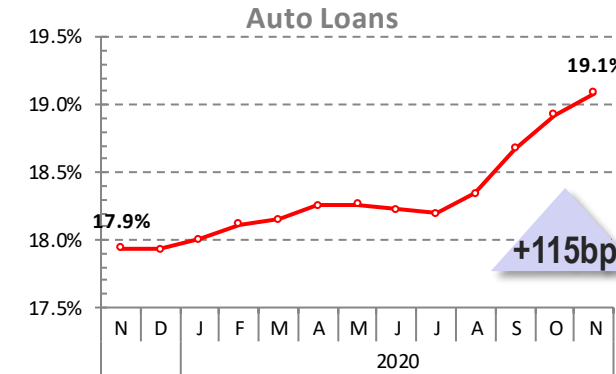
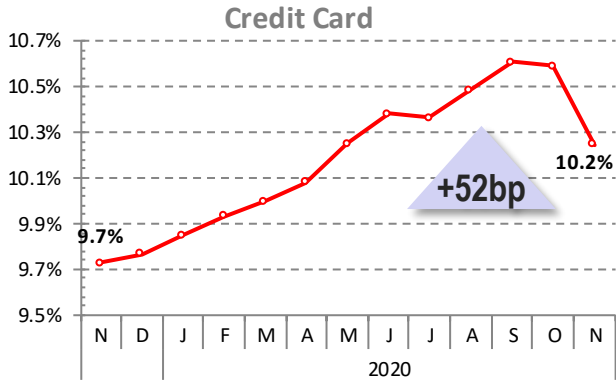
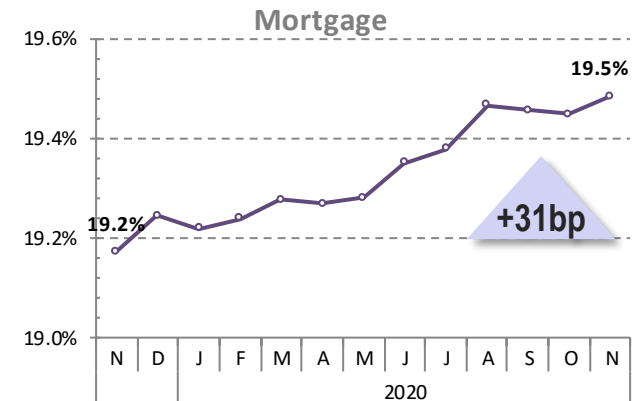
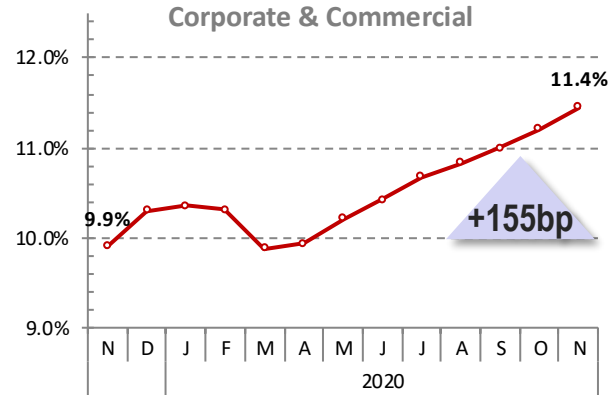
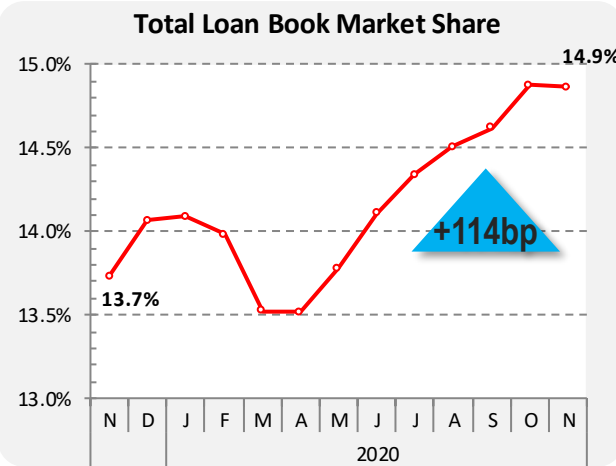
NPL Ratio



Cost of Risk



On a tough year, gaining Market Share on Loans



Subsidiaries

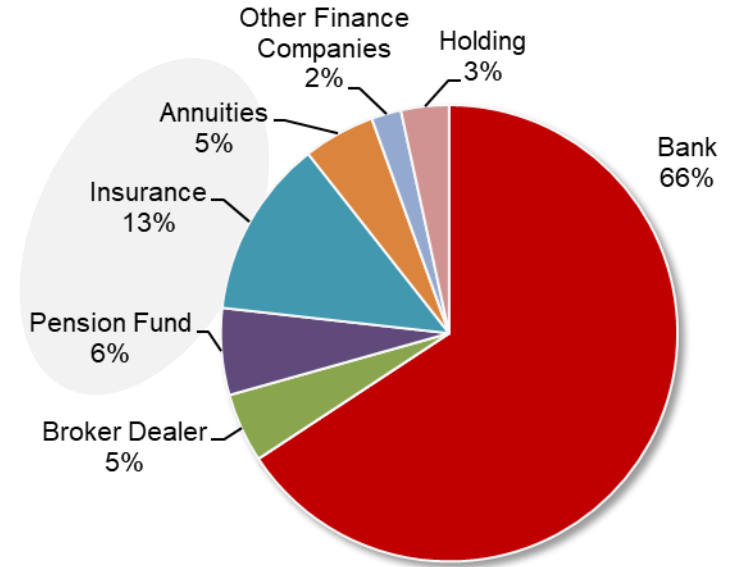
Business diversification providing robust results for the Group in 2020:

- Broker Dealer & Mutual Funds +18% y/y
- Annuities +51% y/y
- Afore +16% y/y
- Insurance (2%) y/y

Long-Term Savings businesses contribute 24% of total NI

| Million pesos | 4Q20 | q/q | y/y | 2020 | y/y | ROE 2020 |
|------------------------------|--------------|--------------|--------------|---------------|--------------|---------------------|
| Bank | 3,833 | (41%) | (43%) | 20,029 | (26%) | 16.6% 20.6%* |
| Broker Dealer & Mutual Funds | 356 | (0%) | (6%) | 1,492 | 18% | 27.6% |
| Insurance | 471 | (37%) | (37%) | 3,846 | (2%) | 42.4% |
| Annuities | 503 | 48% | 85% | 1,551 | 51% | 27.7% |
| Afore | 475 | 5% | 32% | 1,873 | 16% | 15.6% |
| BAP (Holding) | 9 | 15% | 452% | 39 | N.A. | |
| Other Finance Co. | 88 | (64%) | (49%) | 641 | (18%) | |
| GFNorte | 5,966 | (33%) | (34%) | 30,508 | (16%) | 14.8% 17.1%* |

Net Income by Subsidiary 2020





Environmental

- **“Bóscares” Award** (urban forests) by **Reforestamos México**
- **Sustainable mobility initiative in Mexico City and Monterrey**
- Adherence to the **Alliance for Climate Action of Mexico City** (ACA-CDMX)



Social

- **Top-10 Great Place to Work** (diversity and inclusion)
- **New diversity strategy in talent- attraction and retention** (HR)
- Launch – **Sustainable Supply Chain Program** for 215 Mexican companies
- Continued involvement and active participation in the **National Financial Education Week**



Governance

- **CDP climate change questionnaire: 2020: A-** (2019: B)
- **Dow Jones Sustainability Index MILA Pacific Alliance** (member since 2017)
- Launch of **“Our Journey” newsletter**
- **Sustainability Committee: Results 2020**

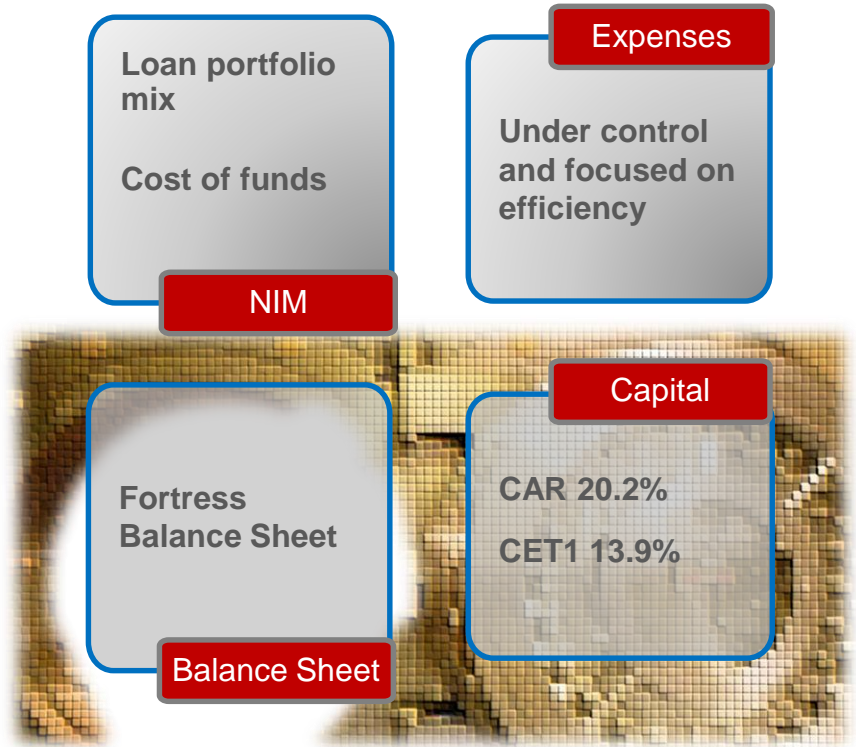
Sustainable Finance

- **Banorte Mutual Funds: PRI signatory**
- **UNDP SDGs impact report - Family Remittances**
- **Inclusion of nature-related risks in the risk-management system** – WWF
- **Involvement in the TEEB Agrifood program** - Capital Coalition Global Initiative



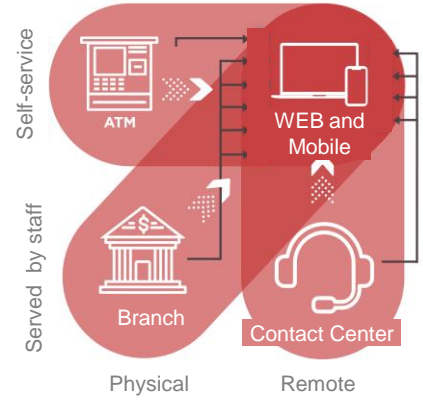
Financial Highlights

Prepared for the new normal



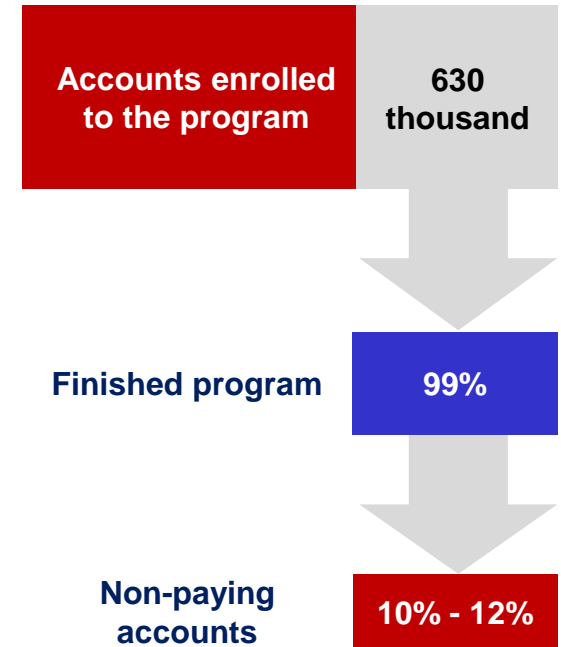
Two strategic decisions to accelerate digital transformation well under way

Digital



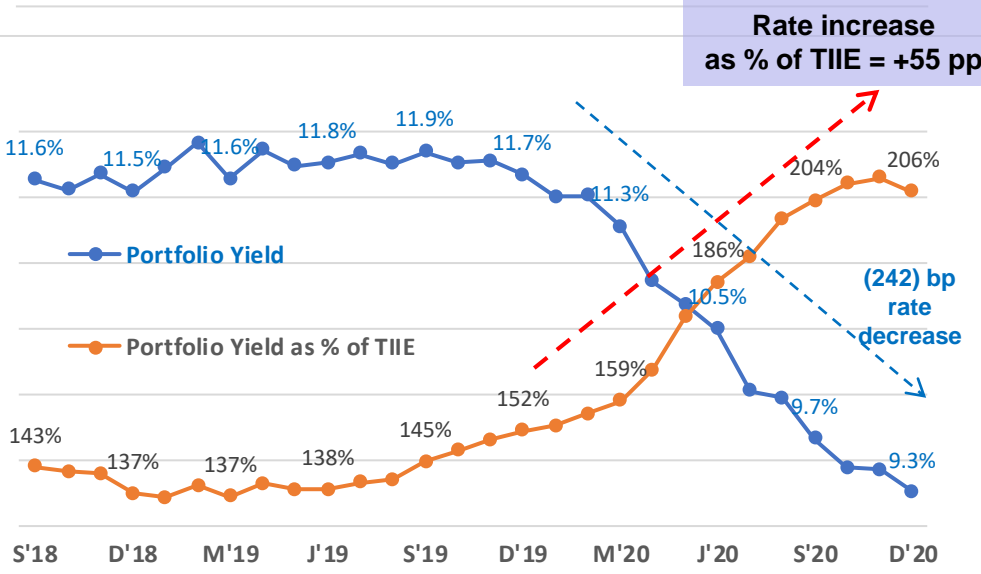
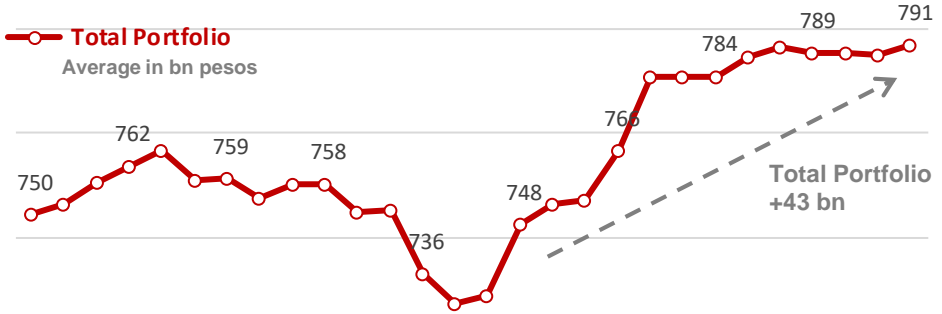
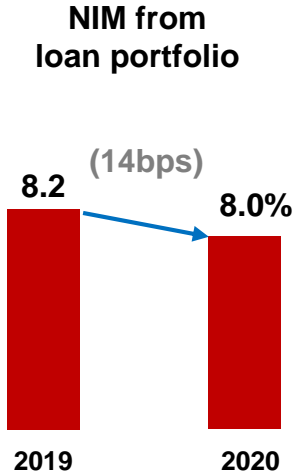
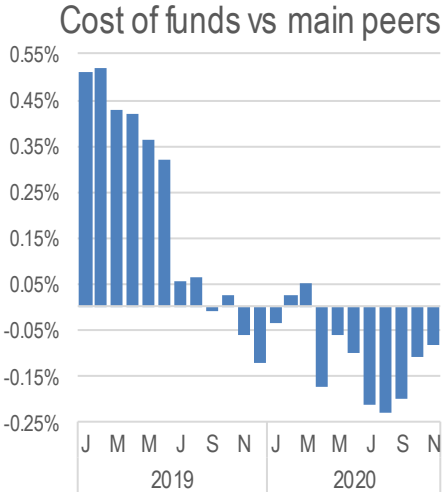
Relief program for consumer and SMEs loans

- Over 630 thousand individuals and SMEs registered, amounting to 18% of the total portfolio
- Close and efficient communication:
 - With enrolled, extended and new eligible applicants
 - Based on archetypes & individual risk levels
 - +2m or +1m extension on a case-by-case basis
 - Restructure for specific cases in SME-Mortgage-Car
- 99% of the initially enrolled clients have concluded their program
- 10 to 12% of the aforementioned clients have not resumed payment, representing 6% of the total loans enrolled to the program, or 1% of total loans.



Loan portfolio yield and NIM

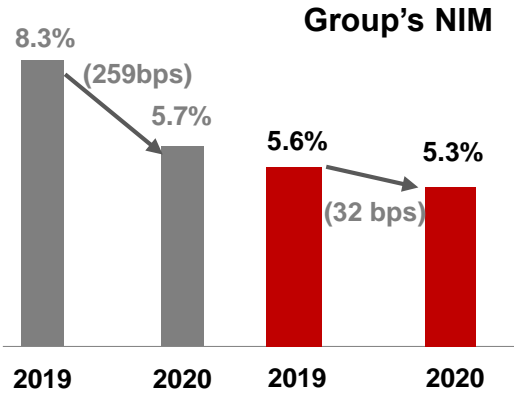
- Average portfolio grew \$43 bn y/y
- Better performance vs. reference rate
- Cost of funds remains below peers'
- NIM from loan portfolio down only (14bps) y/y



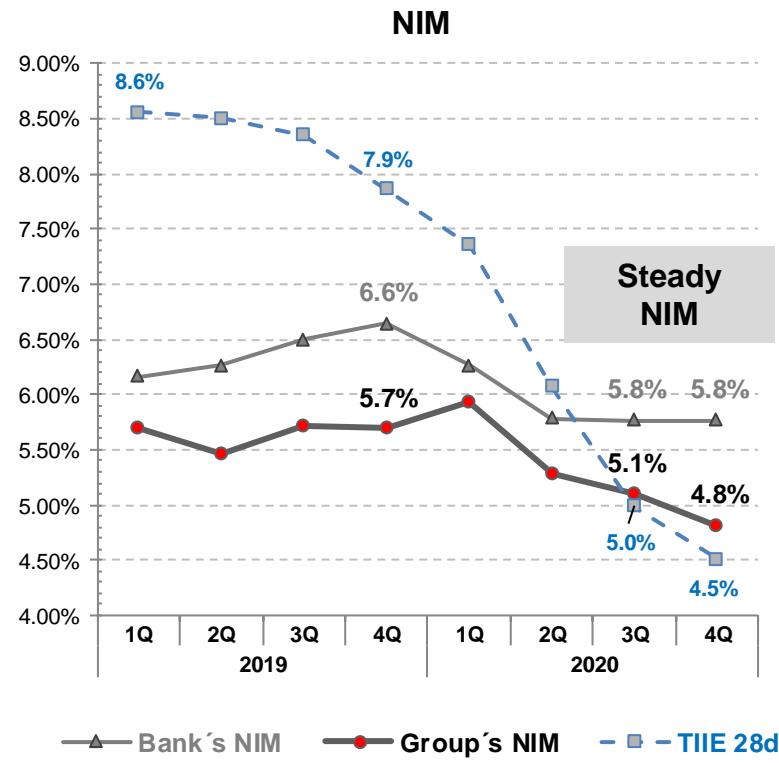
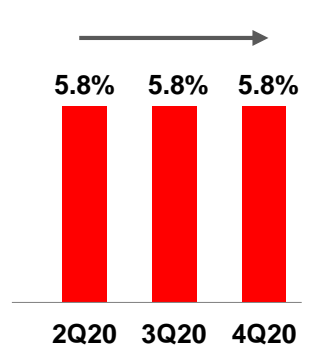
Resilient NIM

- Bank's NIM steady over the past 3 quarters
- Resilient on good portfolio mix
- Improved cost of funds

Reference Rate (TIIE) Average



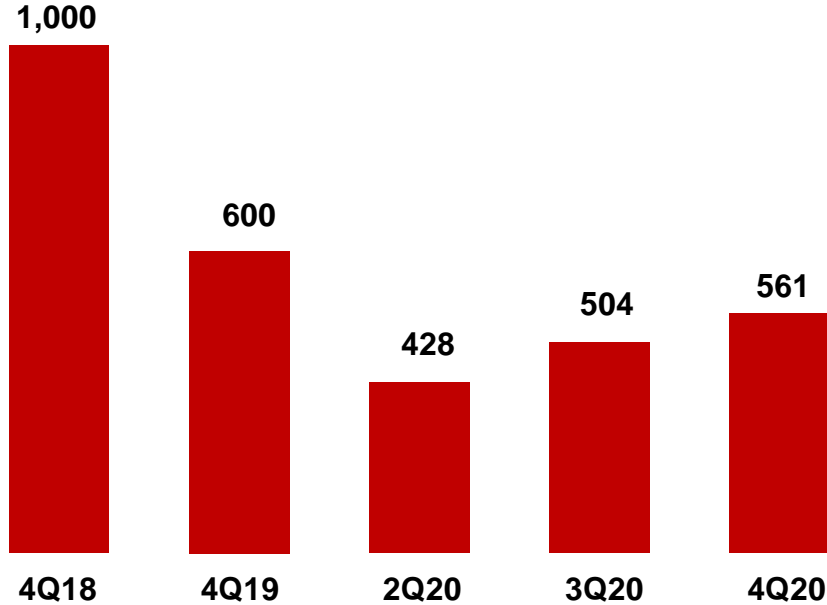
Bank's NIM



Margin sensitivity evolution

- Fixed rate hedges elimination
- Dynamic risk management hedges
- Variable rate funding
- Active ALCO
 - A-L rates spread

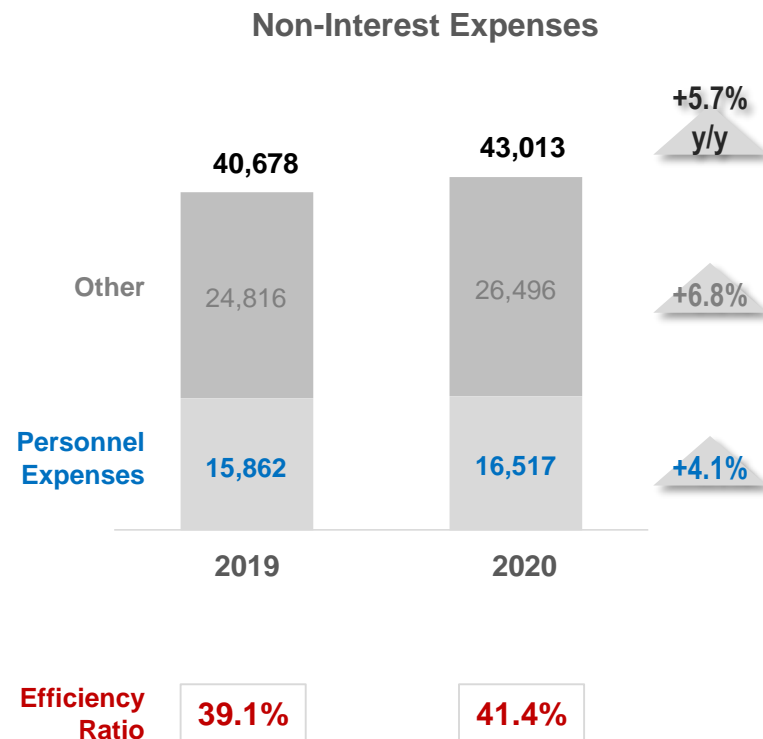
Margin Sensitivity
Δ 100 bps on NII
Million pesos



Expenses with strict control

- Personnel expenses growth driven by efficiency program, +15% q/q on severance reserves for 2021.
- Excluding severance reserves, total growth would have been in line with guidance: 4.6% y/y
- Strict expense control and structural adjustments in order to compensate for current environment.

| | 4Q20 | q/q | y/y | 2020 | y/y |
|---|---------------|-----------|------------|---------------|-------------|
| Personnel Expenses | 4,660 | 15% | 14% | 16,517 | 4% |
| Professional Fees | 962 | 12% | 54% | 3,373 | 9% |
| Administrative and Promotional | 2,141 | 3% | -10% | 8,630 | (1%) |
| Rents, Depreciation & Amortization | 2,136 | 3% | 11% | 8,203 | 17% |
| Taxes other than income tax & non-deductible expenses | 648 | 31% | 8% | 2,126 | (4%) |
| Contributions to IPAB | 931 | (2%) | 15% | 3,630 | 10% |
| Employee Profit Sharing | 136 | 2% | 0% | 535 | 6% |
| Non-Interest Expense | 11,612 | 9% | 10% | 43,013 | 5.7% |

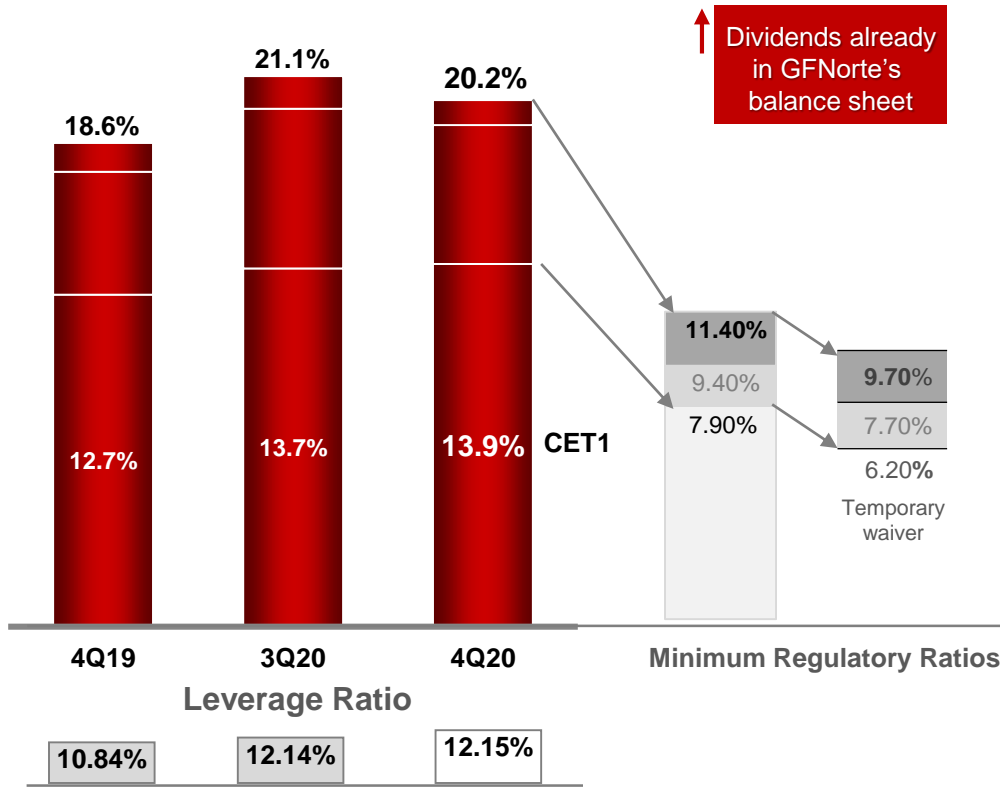


Bank regulatory Capital Ratio

- Strong CAR and CET1, well above regulatory requirements
- Dividends not computing for CET1 (currently sitting in GFNorte's balance sheet, not in the Bank's)
- Capital not supported by leverage

Capital Adequacy Ratio (CAR)

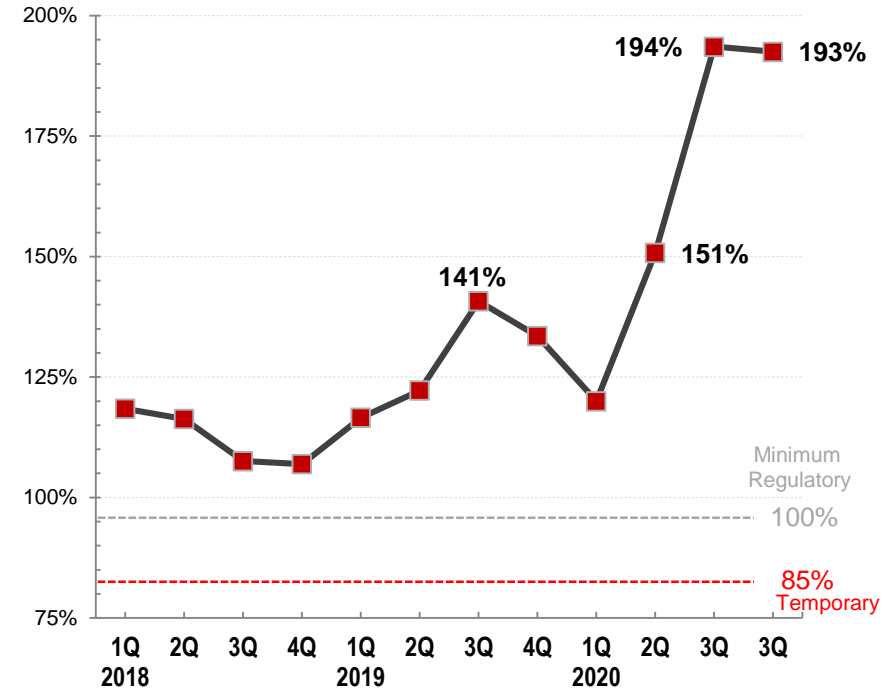
Basel III



Liquidity

- Strong liquidity, supported by deposits growth
- Liquidity coverage ratio well above minimum regulatory requirements

Liquidity Coverage Ratio CCL (%)



2021 Guidance

| | Guidance |
|-----------------|----------------|
| Loan Growth | 6% – 8% |
| NIM Contraction | (15) – (30bps) |
| Expense Growth | 3.5% – 4.2% |
| Efficiency | 39.5% – 41.0% |
| Cost of Risk | 2.1% – 2.3% |
| Tax Rate | 26% – 27% |
| Net Income | 33.5 – 35.0 |
| ROE | 15% – 16% |
| Bank ROE | 18% - 19% |

Macro Estimates for 2021

| | |
|----------------|---------|
| GDP | 3% - 4% |
| Inflation | 4.0% |
| Reference Rate | 4.00% |

Selected industry exposures

**Vs. Total
Loans 4Q20**

Oil Industry

| | |
|-----------------|-------------|
| Pemex | 2.8% |
| Pemex Suppliers | 1.7% |

Electricity Company

| | |
|---------------|-------------|
| CFE | 2.3% |
| CFE Suppliers | 0.4% |

Construction & Real State

| | |
|------------|-------------|
| Housing | 1.1% |
| Commercial | 1.9% |
| Others | 1.9% |

| | |
|--------------------|-------------|
| Malls | 2.0% |
| Tourism | 4.0% |
| Restaurants | 0.2% |
| Airports | 0.1% |

SMEs

• 77% Nafin / Bancomext guaranteed loans, 45% of SME book

4.7%

Dollar denominated

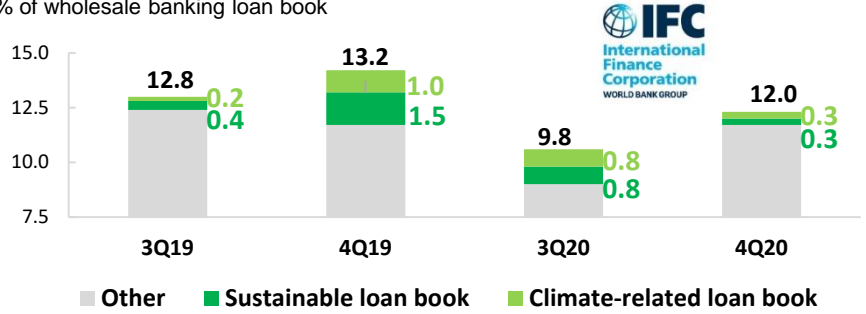
9.0%

ESG Appendix

Sustainable Finance

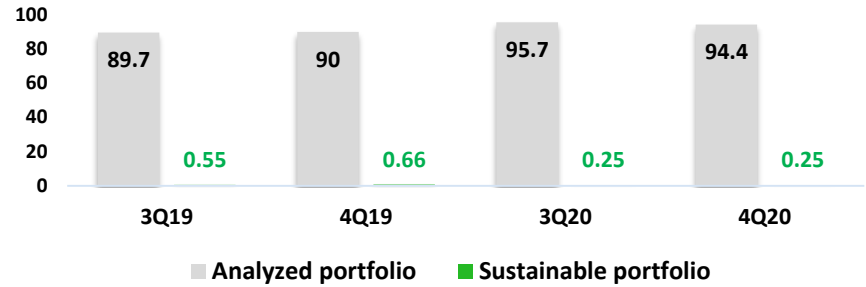
Sustainable finance loan book evaluation

% of wholesale banking loan book



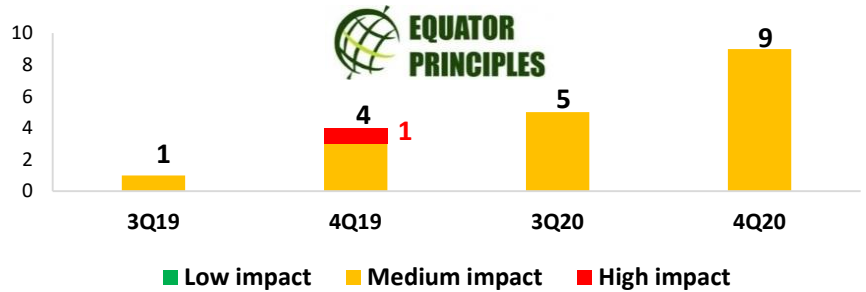
Responsible investments - Mutual funds

%, share of total analyzed AUM



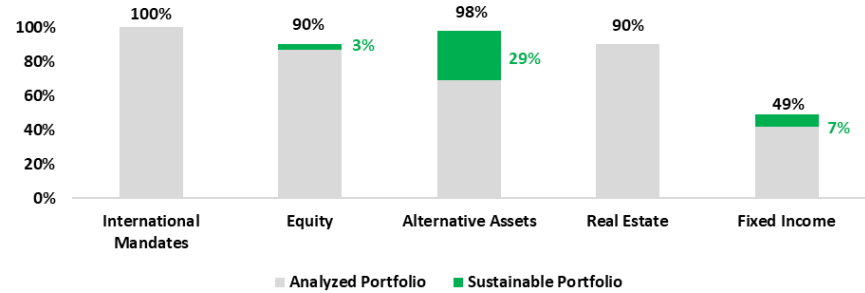
Loan book evaluation under Equator Principles

Number of analyzed projects



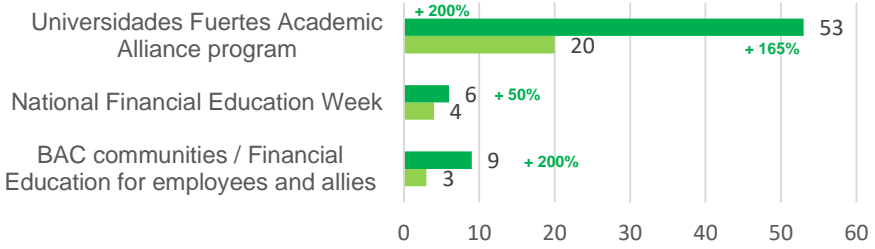
Responsible investments – Pension funds (Afore)

%, share of total analyzed AUM by instrument



Financial Education Program results 2020 vs. 2019

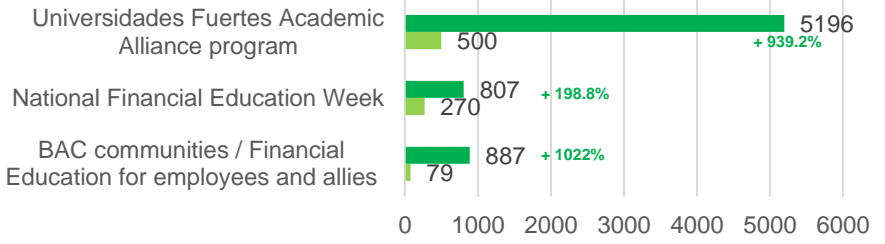
Workshops



| | Workshops | % Growth |
|------|-----------|----------|
| 2019 | 27 | +152% |
| 2020 | 68 | |

■ 2020 ■ 2019

Beneficiaries



| | Beneficiaries | % Growth |
|------|---------------|----------|
| 2019 | 849 | +711% |
| 2020 | 6890 | |

■ 2020 ■ 2019

National Scope



| | States | % Growth |
|------|--------|----------|
| 2019 | 5 | +711% |
| 2020 | 15 | |

- Main States:**
- Mexico City
 - Hidalgo
 - Veracruz
 - Puebla
 - Zacatecas

Main Topics:

- Financial Awareness
- Family Finances
- Economic Analysis
- Finance and COVID-19
- Sustainable Finance
- Remittances/Savings/Digital Banking/Investments



Conference Call: 4Q20 Results

January 22nd, 2021