

**GFNorte reports Net Income of Ps 5.97 billion during 4Q20, (33%) lower than 3Q20. Net income in 2020 reached Ps 30.51 billion, (16%) lower than 2019, but 1% up with recurring figures.**

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

The most relevant results for the period ended on December 31<sup>st</sup>, 2020 were:

- This quarter was immersed in the COVID-19 pandemic, now with a second wave of infections in México, while support programs came to an end. Mexico continues with a gradual sequential economic recovery. **Net income** for the **fourth quarter** was **Ps 5.97 billion, (33%) lower than that of 3Q20**, and (34%) below 4Q19.
- The main driver of this relevant decline in net income was the extraordinary provision of **Ps 2.41 billion** that covers both, the estimated impact in 2021 of an extended pandemic during 2020, and the impact of the second wave of COVID-19 infections. This extraordinary record is made up of **Ps 2.0 billion of anticipated provisions** and **Ps 406 million in early write-offs** that were proactively applied primarily to the consumer portfolio. Thus, provisions grew 91% sequentially, but **adjusting for extraordinary provisions, they grew 14%. Cost of risk** was **3.0%**, up from 1.6% in 3Q20, and excluding advance provisions it was only 1.8%.
- **Regarding the more than 630 thousand loans that benefitted** from the consumer and SME support program launched in 2Q20, most of them have already concluded the program, and 88% of them are paying regularly.
- The weak economic activity together with the impact of interest rate cuts, drove Net Interest Income to drop (5%) over the quarter, and (3%) below the same period in 2019, resulting in a (28bp) decline in Group NIM totaling 4.8%. NIM was also impacted by a 1% increase in interest-earning assets. **NIM of the Bank, stood strong at 5.8%** for the quarter and at 5.9% for 2020.
- **Net fees rose 16%** compared to the previous quarter and total **non-interest income increased 9%. Non-interest expense was up 9%** vs. 4Q19. **ROE** for the quarter dropped substantially to **10.9%** from 16.9%, while **ROA** decreased to **1.3%** from 2.0% in the previous quarter. **Excluding anticipated provisions, ROE and ROA were 13.9% and 1.7%, respectively.**
- **Net income for 2020** totaled **Ps 30.51 billion, (16%) below** 2019; however, adjusting for the anticipated provisions in 2Q20 and 4Q20, and for the extraordinary income from the liquidation of Banorte USA in 1Q19, recurring net income **grew 1%**.
- **Net interest income for 2020 had a 3% increase during the year**, despite the decline in Banxico's benchmark rates which ended the year at 4.25% from 7.25% at the end of 2019. **NIM declined only (32 bps)** reaching **5.30%**, also driven by a 9% increase in average productive assets. **Total income** declined (0.2%) and **expenses rose 5.7%. Accumulated efficiency ratio** reached 41.4%.
- **ROE and ROA** for 2020 reached **14.8%** and **1.8%**, respectively. Both ratios were clearly impacted by the **Ps 7.28 billion** in anticipated provisions in 2Q20 and 4Q20. Recurring ROE and ROA stood at **17.1%** and **2.1%**, respectively. In addition, ROE is further impacted by the accrued dividend payable 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 2020, net profit of the Brokerage business grew 24%, Mutual Funds 7%, Annuities 51%, and Afore 16%. The Insurance segment without consolidation had a (2%) decline, and without considering Arrendadora and Factor which merged with Sólida in 3Q20.
- **Consumer loans** were up **1%** quarterly and **6%** annually, with growth across all segments except for credit cards, as expected by the COVID-19 social distancing measures. In general, consumer loans benefited from the positive effect of **support programs** which have practically concluded and are now into a new phase of individual negotiations and loan restructurings.
- **Commercial loans** grew **2%** sequentially, while **corporates fell (2%) and government loans (1%)**. Compared to 2019, **commercial and corporate portfolios both increased 12%**, and **government decreased (7%)** due to a high comparative base at the end of 2019. Overall, **total loan portfolio** grew **0.5% quarterly, and 5% annually**; excluding government loans, the **loan portfolio was up 9% y/y**.
- The non-performing portfolio grew Ps 2.27 billion, as a result of a hike in delinquency as support programs come to an end mainly in credit cards and payroll loans. Consequently, the **NPL ratio** rose to **1.1%** from 0.8%, and **coverage ratio** reached **224%**. NPL and coverage ratios have behaved in accordance with their expected levels since the beginning of the pandemic. However, the second wave of infections could mean further deterioration, which led us to create anticipated **provisions and write-offs in 4Q20**, thus maintaining a **solid balance sheet**.
- **Core Deposits increased 3%** during the quarter: **demand deposits grew 5%**; whereas **time deposits were down (1%)**. Compared to 4Q19, demand deposits were up 22%, and time deposits declined (5%), totaling **13%** annual growth in Core Deposits, aligned with strategies to improve the margin.
- **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 **20.2%**; **Core Equity Tier 1 (CET1)** reached **13.9%**; **Liquidity Coverage Ratio** reached **192.5%**, and **Leverage Ratio** stood at **12.15%**.

**Ciudad de México, 21 de enero de 2021.**— As we face a second wave of COVID-19 contagion, and consequently a new partial lockdown for the country's economic activity, Banorte ended 4Q20 with a **20.2% Capital Adequacy Ratio**, one of the strongest in the banking sector, as a consequence of its solid financial strength to face challenges during 2021.

Grupo Financiero Banorte (GFNorte) totaled **Net Income of Ps 5.97 billion** during 4Q20, a (34%) decline vs. 4Q19. During 4Q20, as a preventive measure, there was a **Ps 2.41 billion anticipated loan loss provision** charge that had an impact in net income.

**Carlos Hank González, Chairman of the Board of Grupo Financiero Banorte said:** "At Banorte we are working to keep the strength that distinguishes us. We will continue being the bank that remains closest to Mexican families and businesses alike, and hand-in-hand with them, we will overcome all the challenges brought by this pandemic."

### Loan portfolio grows

At the end of 4Q20, total **Performing Loan Portfolio of the Group totaled Ps 802.14 billion, up 5%** vs. 4Q19.

Regarding the **Consumer Loan Portfolio**, which represents financing for Mexican families, totaled **Ps 304.22 billion, 6%** higher than 4Q19.

The **Mortgage** portfolio had a **10%** increase, totaling **Ps 187.74 billion**, and **Auto** loans were up **6%**, totaling **Ps 28.17 billion**.

The **Payroll Loan** balance totaled **Ps 51.67 billion**, up **1%** vs. 4Q19, and **Credit Card** balances totaled **Ps 36.65 billion**, down **(8%)**.

Consumer Loan Portfolio*	4Q19	4Q20	Change
<b>Mortgages</b>	170,086	187,736	<b>10%</b>
<b>Auto Loans</b>	26,669	28,165	<b>6%</b>
<b>Credit Card</b>	39,700	36,651	<b>(8%)</b>
<b>Payroll</b>	51,311	51,668	<b>1%</b>
<b>Total</b>	<b>287,766</b>	<b>304,220</b>	<b>6%</b>

\*Million pesos

**Commercial** loans totaled **Ps 192.93 billion**, up **12%** vs. 4Q19; the **Corporate** portfolio totaled **Ps 143.43 billion**, up **12%** compared to the same period in 2019; while the **Government** book reached **Ps 161.43 billion**, declining **(7%)** vs. 4Q19.

Performing Loan Portfolio*	4Q19	4Q20	Change
<b>Consumer</b>	287,766	304,220	<b>6%</b>
<b>Commercial</b>	172,729	192,927	<b>12%</b>
<b>Corporate</b>	128,159	143,429	<b>12%</b>
<b>Government</b>	173,988	161,563	<b>(7)%</b>
<b>Total</b>	<b>762,642</b>	<b>802,138</b>	<b>5%</b>

\*Million pesos

**NPL ratio** totaled **1.1%** from 0.8% in 3Q20, and **Coverage Ratio** totaled **224%**.

During 2020, **Banorte gained** between 31 and 155 **market share** points in its Corporate, Commercial, Mortgage, Auto, Payroll and Credit Card portfolios.

### Deposits

**Core Deposits** showed a **13%** increase vs. 4Q19. **Demand deposits** rose **22%** while **Time Deposits** had a **(5%)** decline.

### Strong Capital

Capital strength together with sound liquidity management have been instrumental for the Group throughout this period of world crisis, and even in this context, Banorte consolidates as one of the best capitalized Banks in the country with total **Capital Adequacy Ratio of 2.20%**.

**Tier 1 Capital** totaled **13.9%**, and **Leverage ratio** reached **12.15%**.

**Main Financial Results**

During 4Q20, GFNorte reported **Net Income** of **5.97 billion**, a **(34%) annual** decline. This reduction was mainly driven by the **Ps 2.41 billion** charge, which consisted of **Ps 406 million write-offs**, and **Ps 2.0 billion additional loan loss reserves**, in anticipation of a potential loan portfolio deterioration resulting from an extended COVID-19 crisis, and the more recent second wave of contagion.

**Net Income** for 2020 totaled **Ps 30.51 billion**, down **(16%)** with respect to 2019.

The Group reported **EPS** of **Ps 2.069 pesos** during 4Q20; **ROE** totaled **10.9%**, **ROA 1.3%** and **Efficiency Ratio** reached **46.6%**.

As mentioned before, there was a **Ps 2.41 billion additional loan loss provision** charge during the quarter, resulting in **Ps 5.99 billion total Loan Loss Provisions** for the quarter.

**Digital Boost**

The pandemic brought changes that boosted the digital transformation of GFNorte. During 2020, mobile transactions in **Banorte Móvil**, its mobile app, **grew 44%** from 753 million in 2019 to **1.08 billion** in 2020. Banorte accelerated transactions migration towards self-service channels, thus reducing the volume of transactions at the branches.

**Banorte Supports Mexicans**

Since the beginning of the COVID-19 crisis, **Banorte was the first bank to offer a support program for its customers**. At the end of 4Q20, there were **more than 630 thousand loans** enrolled into this program. Currently, approximately 88% of these customers are paying regularly.

**Recent Events****1. BANORTE, “BANK OF THE YEAR 2020”: THE BANKER**

On December 2<sup>nd</sup>, 2020, Banorte was recognized by The Banker as the “Bank of the Year 2020 in Mexico” for its profitability and results, driven by the development of digital channels and the growth of its self-service processes, reflecting its commitment to transform banking services in the benefit of clients. One of the main attributes taken into account in the recognition of Banorte was the increase in many of its digital transactions from 2 to 3-digit growth rates so far this year, especially through its Banorte Móvil mobile application, which has helped to reduce the volume of transactions carried out at the branches to only 4%.

In addition, The Banker recognized the accelerated migration of Banorte towards self-service formats while increasing the level of customer satisfaction seen in NPS (Net Promoter Score), supported by the “Cells” working culture, comprised of multidisciplinary teams aiming to exceed customer service expectations.

**2. BANORTE IS AWARDED WITH THE ALAS20 INSTITUTION AWARD, YEAR 2020, MEXICO.**

On November 20<sup>th</sup>, Grupo Financiero Banorte was the winner of the ALAS 20 Institution award, The ALAS20 Institution category is the most important category to which an investor can aspire in the Sustainable Leaders Agenda-that is organized by GOVERNART-and it is awarded only to those investors who demonstrate leadership, consistency, and excellence in public disclosure of information regarding their practices towards responsible investment relations, corporate governance, and sustainability research. The decision is based on the results of each of the three winners in each of the three categories, and weighing their scores according to the following criteria:

1st place, in the category of Leading Institution in Responsible Investment, Mexico.

1st place, in the category of Leading Institution in Corporate Governance, Mexico.

1st place, in the Leading Institution in Sustainability Research category, Mexico.

Winner in the category Institution ALAS20 2020, Mexico

Winner in the category Grand Prix Institution ALAS20 Year 2020

**3. INVESTOR BANORTE AND RAPPI PRESENT RAPPICARD, THE CREDIT CARD OF THEIR STRATEGIC ALLIANCE.**

On November 23<sup>rd</sup>, as part of their joint venture, Grupo Financiero Banorte (GFNorte) and Rappi presented the new RappiCard credit card, which offers an innovative value proposition in the national market.

The Rappi-Banorte alliance invited all those interested in the RappiCard credit card, to register on the waiting list through the link: [rappicard.mx](http://rappicard.mx). Those users who have signed up to the waiting list and are approved will receive a limited-edition card in the first month of release. By inviting friends to join, customers can advance places thus reduce the waiting time to apply for the card, which will be officially launched in early 2021.

**4. BANORTE SELECTED FOR THE THIRD TIME TO BE PART OF THE DOW JONES MILA PACIFIC ALLIANCE 2020 SUSTAINABILITY INDEX.**

Grupo Financiero Banorte, chaired by Carlos Hank González was selected for the third time to be part of the MILA Pacific Alliance 2020 Sustainability Index of Dow Jones. Dow Jones recently updated the conformation of its different indexes especially those that screen for companies with high performance on ESG (Environmental, Social and Corporate Governance). Grupo Financiero Banorte was recognized after a year of advances in the integration of sustainability strategies in operations that reflect better client, employees and investor relations.