



1Q21

Earnings Call

April 23rd, 2021



 **GRUPO FINANCIERO
BANORTE**

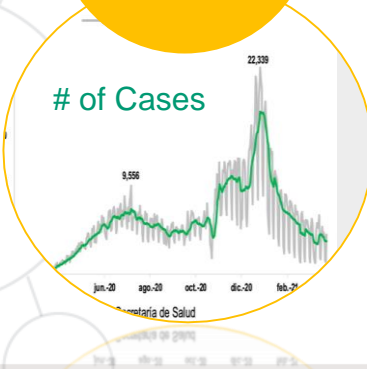
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12 months of lockdowns and support to clients and employees

Close to clients, employees and investors

COVID-19 second wave



RESULTS
Net Income +43% q/q; (6%) y/y
ROE 15.2% +428bp q/q

NIM
Group 4.9% +6bp q/q
Bank 5.6% (20bp) q/q
despite lower rates

Market Share
Performing better than peers

Credit Quality
NPL healthier than expected

Balance Sheet
No need for additional anticipated provisions

Expenses
Down and under control

Capital
CAR 21.7%
CET1 15.0%

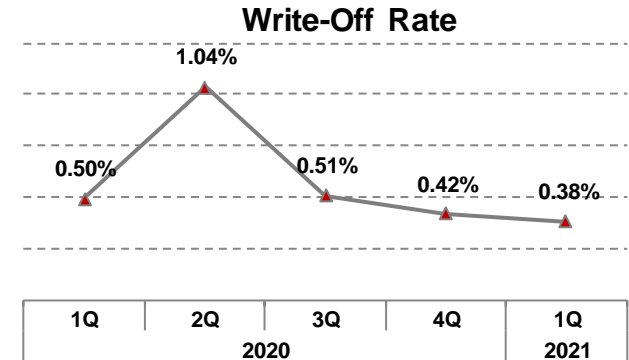
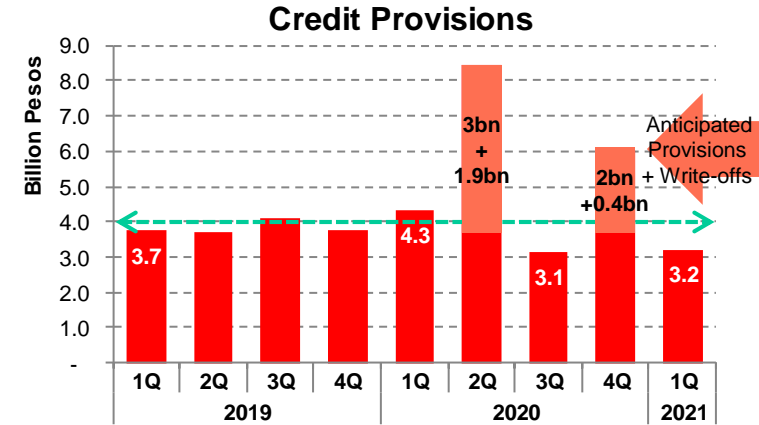
Dividends
Proposal to distribute 25% of 2019 Net Income

Provisions below expectations

- No need for additional advanced provisions.
- A Total of \$7.3bn registered in advance during 202.0
- Strategic approach to anticipate write-offs.
- The 2021 cost of risk is expected to normalize.

● NPL ratio deteriorating but below expectations with natural lower write-offs.

P & L



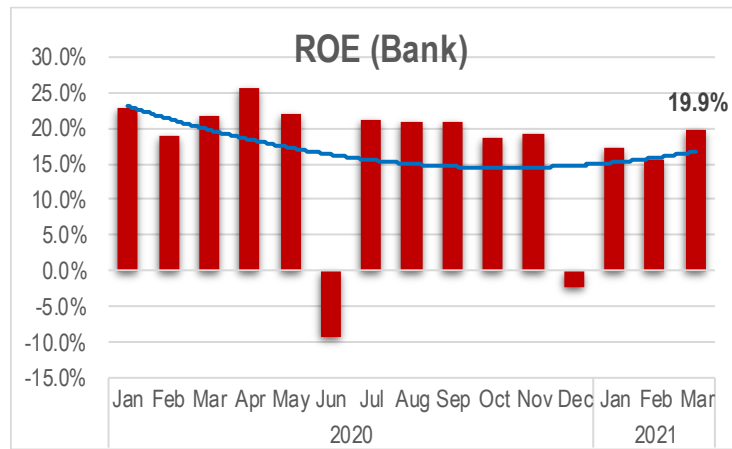
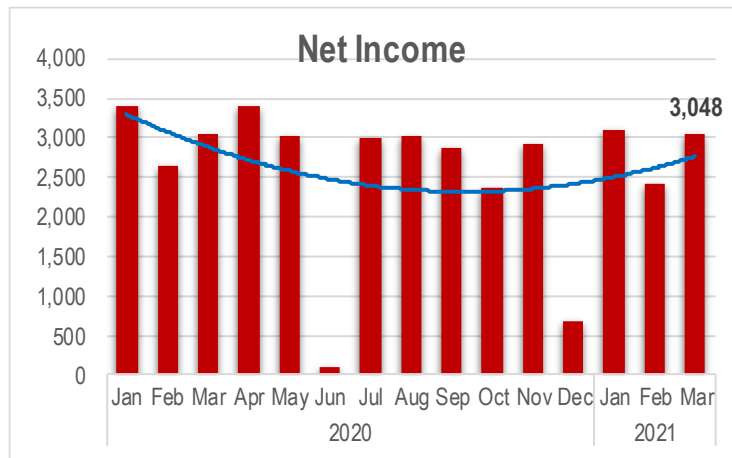
Resilient results, partially leaving the COVID-19 crisis behind

Despite the pandemic and easing cycle of rates, March's Net Income practically at the same level y/y.

ROE recovering q/q on Insurance seasonality and lower expenses. But affected by undisbursed dividends.

ROE of the Bank coming back to 20% levels in March.

Million pesos	1Q21	q/q	y/y
NII	20,002	2%	(9%)
Service Fees	3,214	(11%)	(7%)
Net Income	8,544	43%	(6%)
EPS	2.96	43%	(6%)
ROE	15.2%	428bp	(355 bp)
ROA	1.90%	57bp	(30 bp)



Net Interest and Non-Interest Income

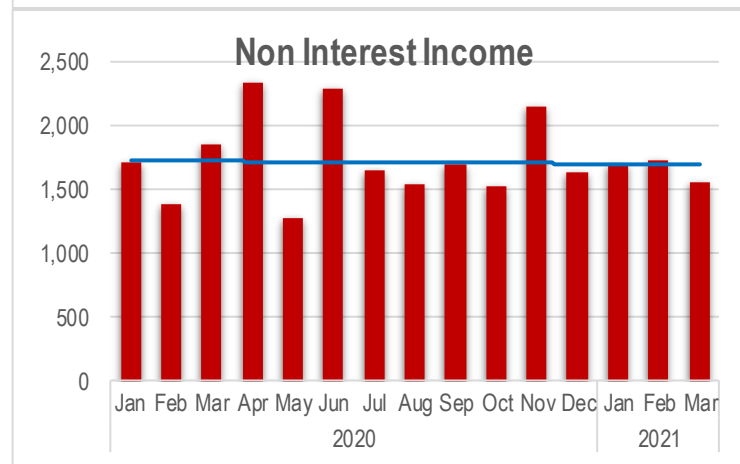
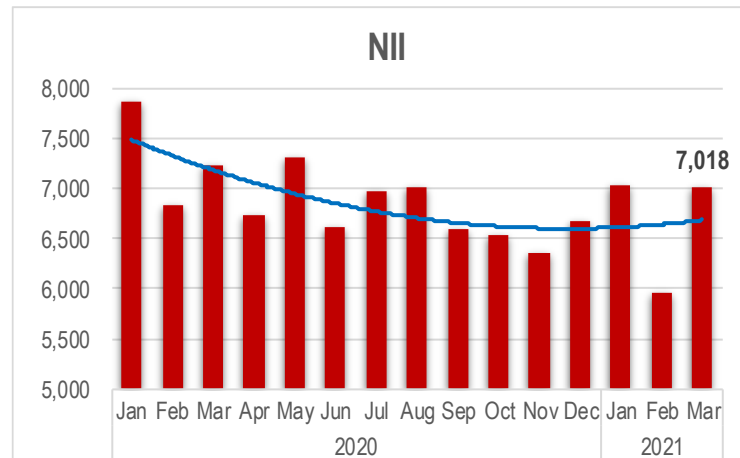
Robust NII, +2% q/q growth supported by insurance seasonality, **but affected on claims.**

Fees (11%) q/q, waiting for the economic reactivation post holiday season.

Standard quarter in trading & other income.

Total revenues (7%) y/y.

Million pesos	1Q21	q/q	y/y
NII Loans/Deposits	15,045	(2%)	(8%)
NII Repos	2,490	15%	24%
NII Valorization Adjust*	-163	(149%)	123%
NII Insurance & Annuities	2,630	49%	(27%)
NII	20,002	2%	(9%)
NIM	4.9%	6bp	(105)bp
NIM ex-Insur. & Annu.	4.8%	(15)bp	(73)bp
NIM from loan portfolio	7.4%	(17)bp	(96)bp
Net Service Fees	3,214	(11%)	(7%)
Trading Income	964	12%	(17%)
Other Income	822	(4%)	151%
Non-Interest Income	5,000	(6%)	1%
Total Revenues	25,003	0%	(7%)



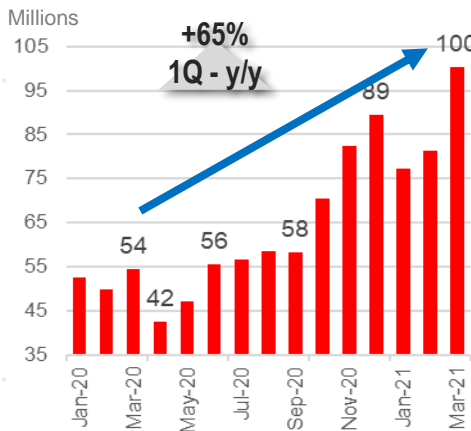
Fees on services affected but recovering

Quarterly Net Fees down on seasonality, and affected by COVID-19 over the last 12 months.

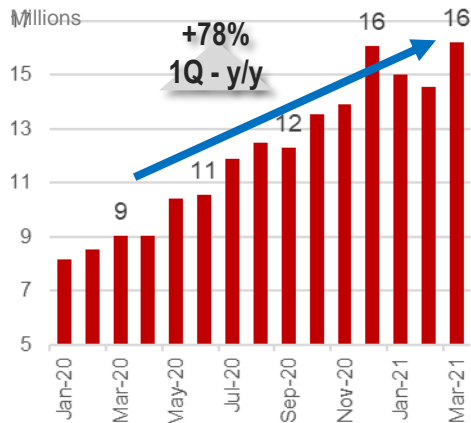
Fees charged (19%) q/q, +4% y/y, Core banking fees (5%) q/q, +17% y/y.

Digital transactions leading growth, +65% q/q in POS, +78% in mobile monetary.

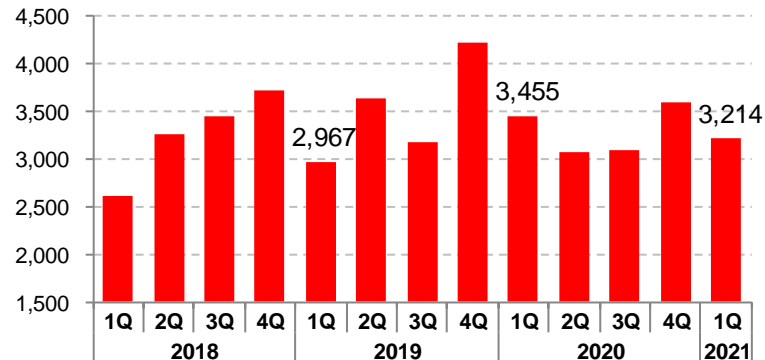
POS's Transactions



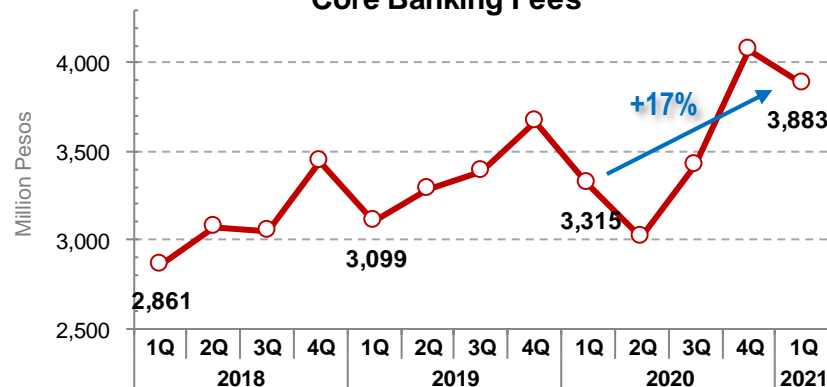
Mobile's Monetary Transactions



Net Fees



Core Banking Fees

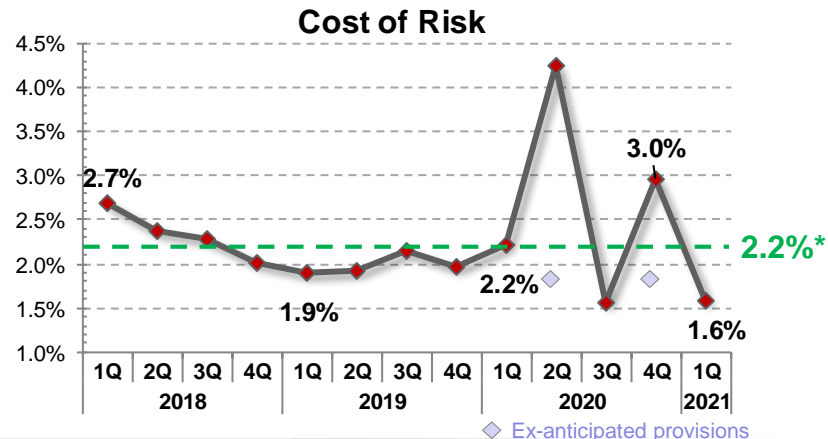
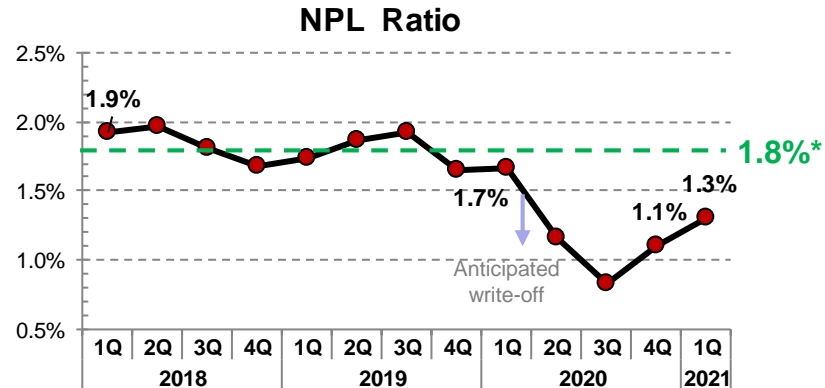


Moderated loan growth and quality better than expected

Good quarter for mortgages: +2% q/q growth.
Flat in commercial loans and (2%) in Corporates, q/q.
Government (1%) q/q.

Asset quality better than expected,
Cost of risk at only 1.6%.

	Performing Loans			Past Due Loans	
	1Q21	q/q	y/y	1Q21	q/q
Commercial	192,834	(0%)	6%	3,381	1,017
Corporate	140,140	(2%)	(4%)	268	102
Government	160,042	(1%)	(1%)	192	155
Mortgages	191,220	2%	10%	2,071	413
Car Loans	28,247	0%	4%	375	214
Credit Card	35,589	(3%)	(8%)	2,761	(358)
Payroll	52,256	1%	1%	1,558	133
Consumer Loans	307,312	1%	6%	6,766	402
Total	800,328	(0%)	3%	10,607	1,676
Total ex-Gov	640,286	(0%)	4%		



Subsidiaries

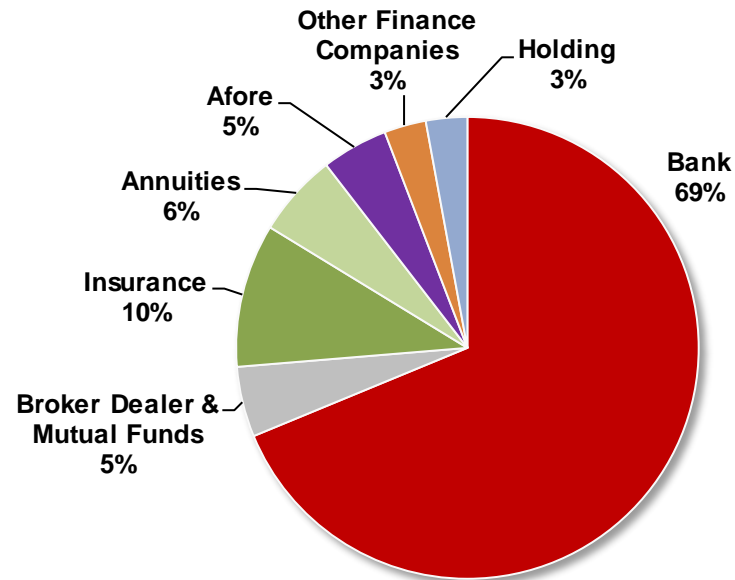
Business diversification pays-off in difficult times:

- Broker Dealer & Mutual Funds +18% q/q
- Insurance +82% q/q
- Others +185% q/q

Long-Term Savings businesses contribute with 20% of total NI.

Million pesos	1Q21	q/q	y/y		ROE 1Q21
Bank	5,870	53%	(3%)		17.6%
Broker Dealer & Mutual Funds	420	18%	34%		26.4%
Insurance	858	82%	(50%)		30.9%
Annuities	496	(1%)	75%		29.6%
Afore	396	(17%)	22%		13.3%
BAP (Holding)	8	(10%)	(41%)		
Other Finance Co.	250	185%	277%		
Holding	247	6%	(27%)		
GFNorte	8,544	43%	(6%)		15.2%

Net Income by Subsidiary
1Q21

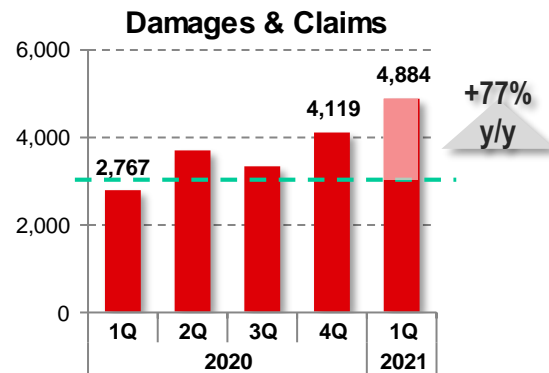
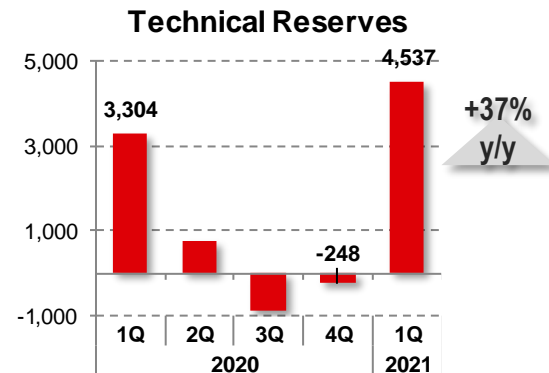
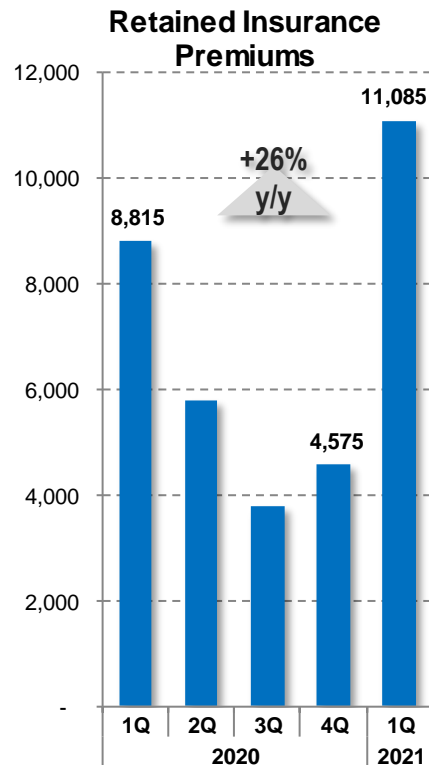


Insurance business affected by COVID-19

Robust insurance seasonality, **but affected on claims.**

Damages and claims affected by \$1.8bn in relation to COVID-19.

Damages & claims +19% q/q growth, but +77% versus 1Q20.



\$1.8bn related to COVID-19



Integrated Annual Report 2020

Updates

- ESG data was present throughout the report and not just in one chapter, as we did in previous years.
- First time using the SASB standards (Sustainability Accounting Standards Board).
- We updated our Sustainability Model and our Materiality Matrix.

We used the framework proposed by the International Integrated Reporting Council (IIRC) reporting the information in the following way:

- Financial Capital
- Technology and Infrastructure Capital
- Human Capital
- Intellectual Capital
- Social Capital
- Natural Capital

GFNorte Reports through the years

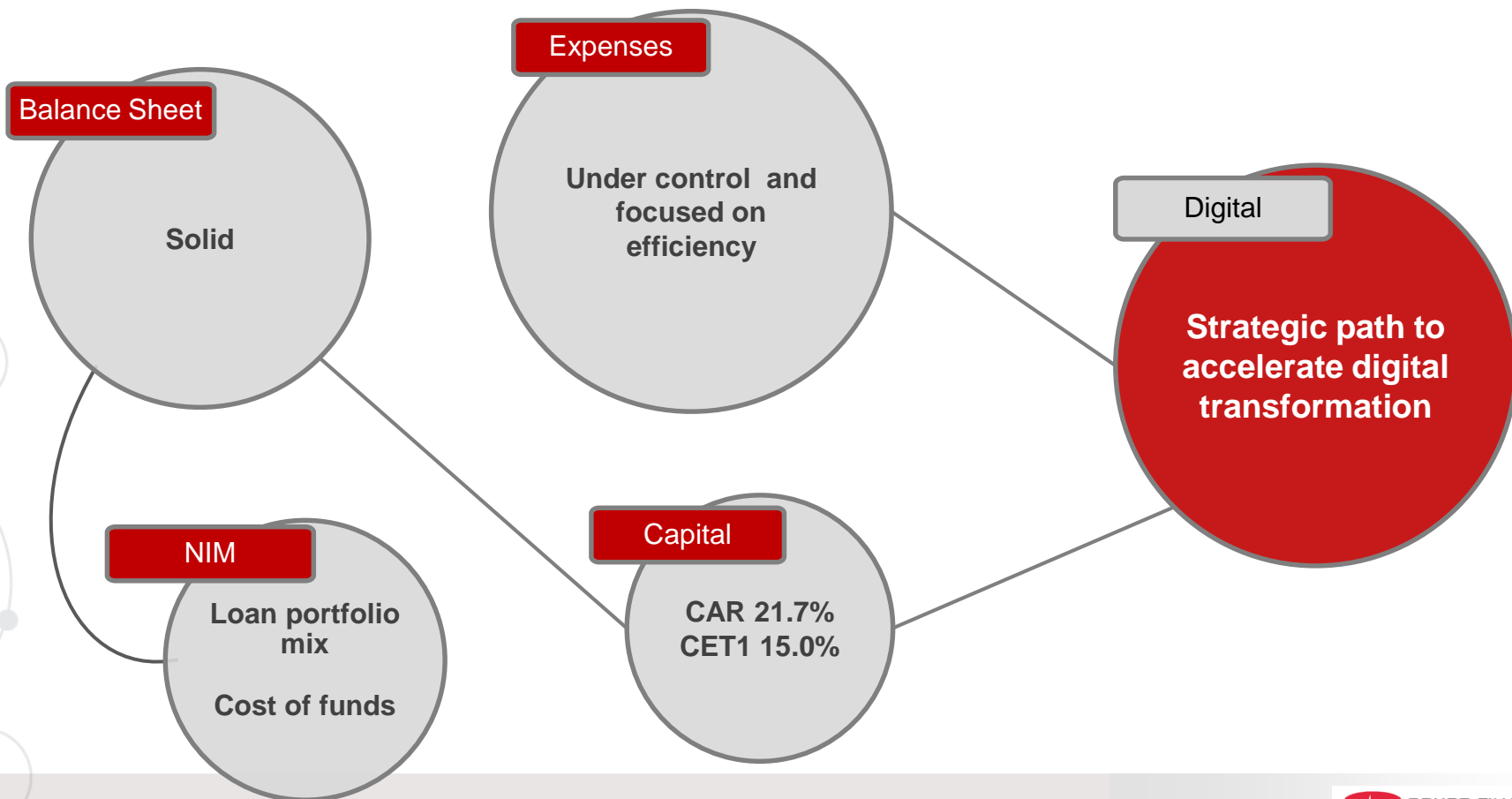
- 2000: First report that integrated ESG information
- 2009: First ESG report aligned with GRI
- 2011: First ESG report aligned with the UN Global Compact
- 2016: First ESG report aligned with IIRC
- 2020: First ESG report aligned with SASB reports [here](#)

Note: All GFNorte reports are independently verified.



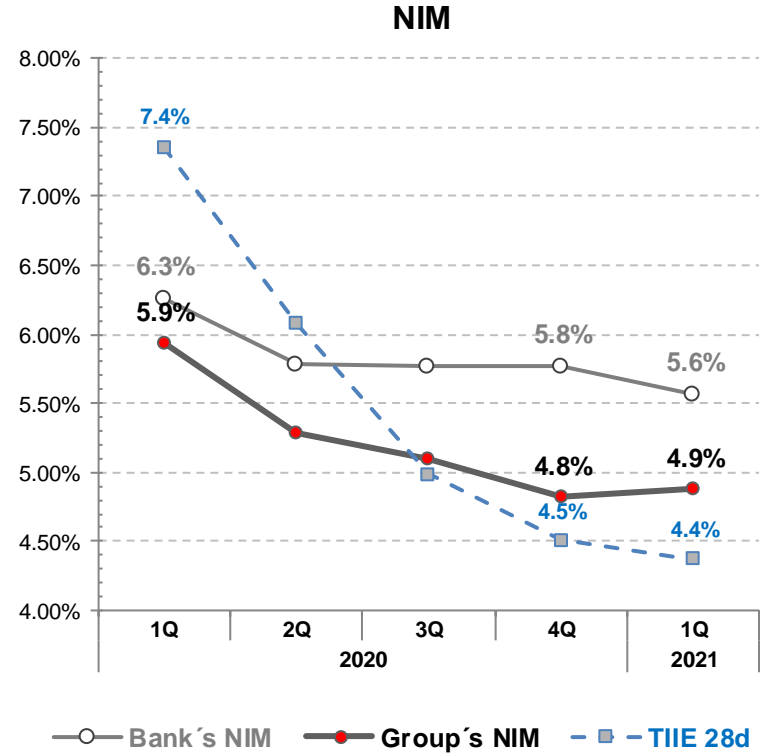
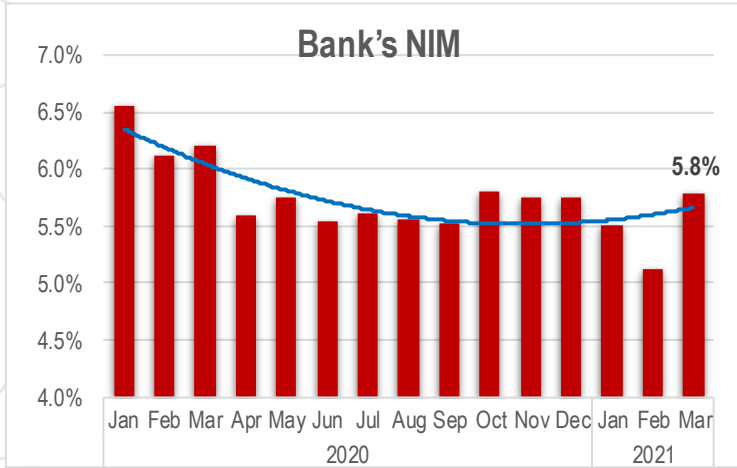
Financial Highlights

Prepared for the new normal



Resilient NIM

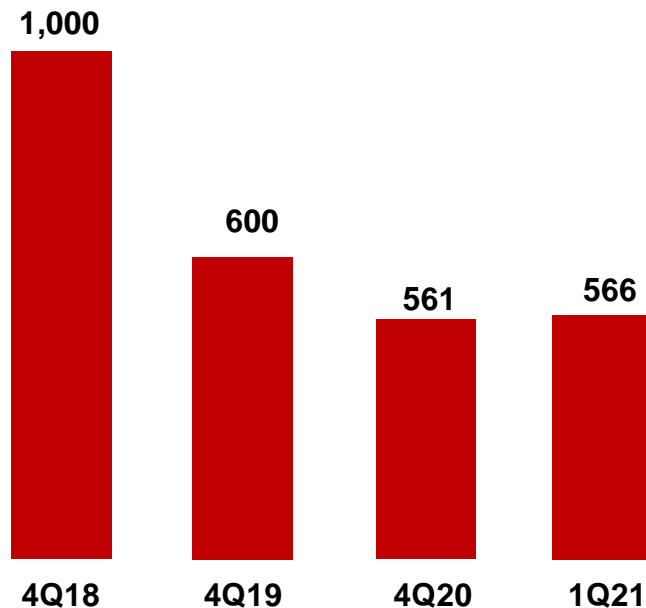
- Bank's NIM temporarily affected but again in the 5.8% level.
- Resilient on good portfolio mix and cost of funds.
- Group's NIM affected in the quarter by insurance technical reserves and claims.



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

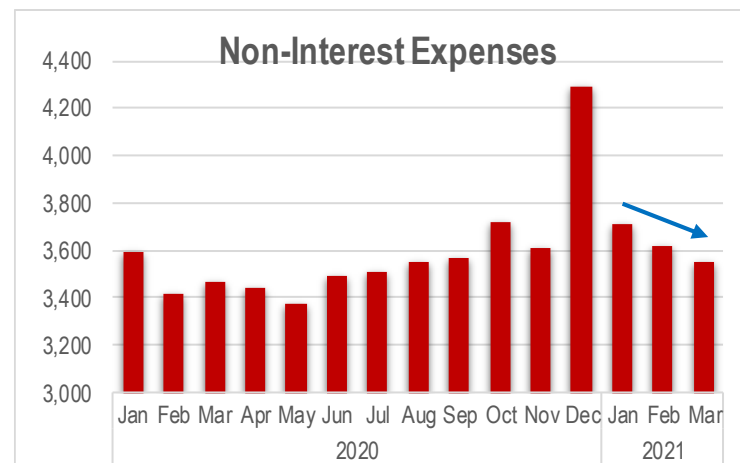


Expenses with strict control

- Personnel expenses reduced driven by efficiency program.
- Total growth in line with guidance: 4.0% y/y.
- Strict expense control and structural adjustments strategy for 2021.

	1Q21	q/q	y/y
Personnel Expenses	4,006	(14%)	2%
Professional Fees	806	(16%)	8%
Administrative and Promotional	2,223	4%	(7%)
Rents, Depreciation & Amortization	2,243	5%	15%
Taxes other than income tax & non-deductible expenses	553	(15%)	11%
Contributions to IPAB	912	(2%)	10%
Employee Profit Sharing	139	2%	5%
Non-Interest Expense	10,883	(6%)	4%

+4.0%
1Q
y/y

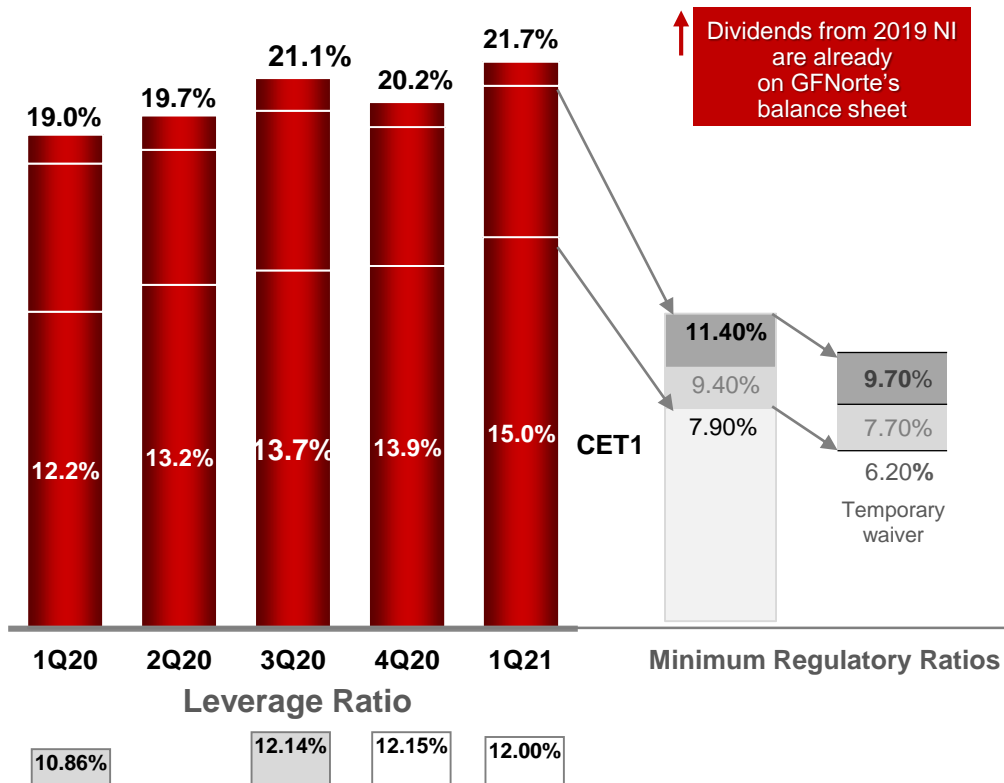


Bank regulatory Capital Ratio

- 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)

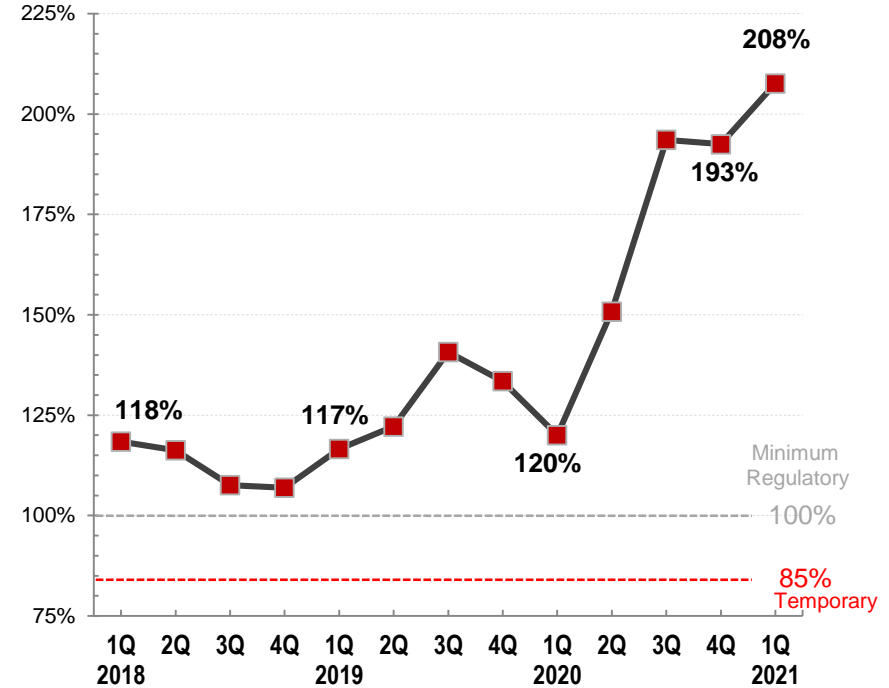
Basel III



Liquidity

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

Liquidity Coverage Ratio CCL (%)



* Financing through the use of the swap line from the US Federal Reserve (*dollars*)

2021 Guidance without change

	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 1Q21**

Oil Industry

Pemex	3.4%
Pemex Suppliers	1.8%

Electricity Company

CFE	2.3%
CFE Suppliers	0.4%

Construction & Real State

Housing	1.1%
Commercial	1.9%
Others	2.0%

Malls	2.1%
Tourism	4.2%
Restaurants	0.2%
Airports	0.1%

SMEs

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

4.7%

Dollar denominated

10.2%

Appendix

Continuous evolution in ESG on the back of constant feedback from investors

Environmental



- Carpool Waze Mexico - Adherence of Afore XXI
- Smart mobility strategy (MOVIN) - Corporate offices in Mexico City
- Waste management program - Expansion to corporate headquarters (Mexico City & Monterrey)
- Earth Hour Initiative (WWF) – Promotion of energy efficiency

Social



- “Cross-border Payment Companies” (FXCIntelligence) - Uniteller
- 30% Club Mexico - Inter-organization women mentoring program
- Gender-Equality Index Bloomberg – 4th year
- Corporate Social Responsibility (Mexican Center for Philanthropy) – 11th year
- International Women´s Day Commemoration

Governance



- Integrated Annual Report
- Updated Materiality Matrix
- Code of Conduct training - 82.3% of employees as of 1Q21
- NPS (65 pts): +13% vs 1Q20 and +2% vs 4Q20
- 30% Club Mexico – Pension fund (Afore XXI Banorte) and Mutual Funds and AM company signed a request for issuers to promote a goal of at least 30% of women participation in the Boards of Directors by year 2025
- Newsletter “Our Journey”

Sustainable Finance



- TCFD (UNEP FI) – Participation in the 3rd pilot
- Launch of the NTEESG Fund in partnership with Franklin Templeton and a training program for 153 customers and 160 private banking advisors
- Publication of the first report on the Principles for Responsible Banking
- Training program on sustainability and responsible investment for 210 investment executives
- Green building and Real-Estate certification training program

Sustainable finance

Sustainable finance loan book evaluation*

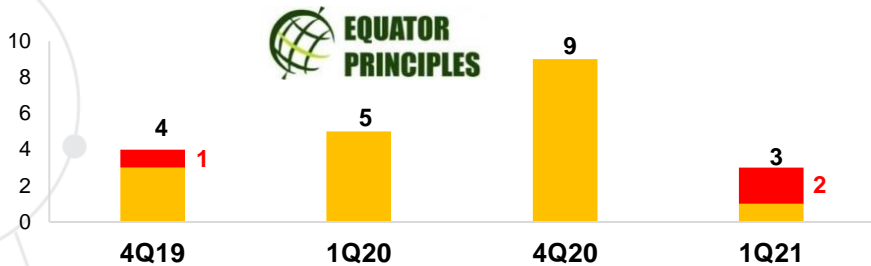
% of wholesale banking loan book



Other Sustainable loan book Climate-related loan book

Loan book evaluation under Equator Principles

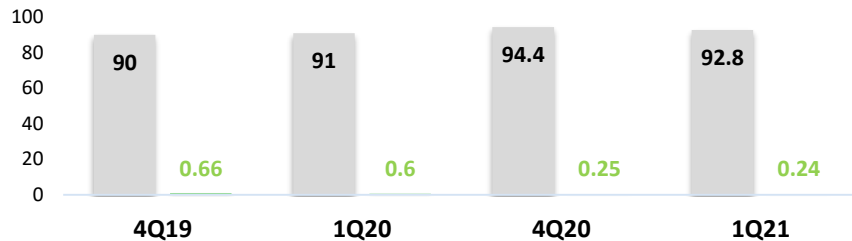
Number of analyzed projects



Low impact Medium impact High impact

Responsible investments - Mutual funds

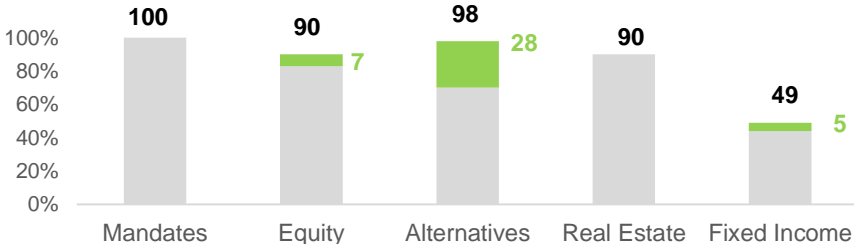
% share of total analyzed AUM



Analyzed portfolio Sustainable portfolio

Responsible investments – Pension funds (Afore)

% share of total analyzed AUM by instrument



Analyzed portfolio Sustainable portfolio



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