

# Earnings Call

April 21st, 2022

# 1Q22

# Disclaimer

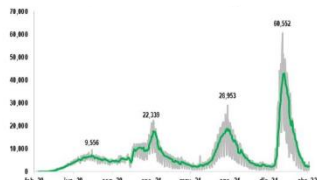
- This presentation contains certain general information as of the date hereof, information which have been prepared for information purposes only. Information is hereby presented in summary and does not pretend to be exhaustive and detailed. There is no statement or guarantee herein, expressed or implied, regarding the accuracy, thoroughness, completeness, impartiality or soundness of this information or estimations or projections considered or stated or that such projections will materialize. Grupo Financiero Banorte, S.A.B. de C.V.'s relevant information is contained in public documentation available in the webpage of the National Banking and Securities Commission (Comisión Nacional Bancaria y de Valores) and the Mexican Stock Exchange (Bolsa Mexicana de Valores, S.A.B. de C.V.) in <http://www.cnbv.gob.mx> and <http://www.bmv.com.mx>, respectively. In the event that new public information is disclosed in the aforementioned webpages, such information shall prevail and any person shall read, in detail, any such public documents before making any decision related to the content of this presentation. All analysis and statements included in this presentation are based upon information available as of the date of this presentation, and Grupo Financiero Banorte, S.A.B. de C.V. or any of its affiliates and employees undertake no obligation to update or revise any such analysis and statements, whether as a result of new information or future events or developments.
- Any person receiving this presentation, from the moment of reception, recognizes that the information contained herein is for information purposes only, and that it does not cover, or pretends to cover, all aspects required for evaluating an investment or decision, and persons shall not base any of their decisions in the information contained herein. Such persons waive any right they might have in connection with the information contained in this presentation. Any decision made pursuant to such information shall be considered to be made at their own risk. The information contained herein shall not be considered as a legal or tax recommendation. Any persons receiving this information shall seek the advice of their own legal and tax advisors.
- The content of this presentation was prepared by Grupo Financiero Banorte, S.A.B. de C.V.
- This presentation may contain forward looking statements and information related to Grupo Financiero Banorte, S.A.B. de C.V. reflecting current opinions of Grupo Financiero Banorte, S.A.B. de C.V. and its management team in regards to its performance, business management, historical facts and future events. Forward looking statements may include words such as "believes," "anticipates," "should," "estimates," "seeks," "forecasts," "will," "expects," "may," "intends," "plans" and similar expressions, that are intended to identify forward looking statements but are not the exclusive means of identifying such statements. Such statements are subject to several risks, uncertainties and assumptions. Persons receiving this presentation shall not place undue reliance on such statements, which are based on current expectations. By their very nature, forward looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward looking statements will not be achieved. We caution investors that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed or implied herein.
- Grupo Financiero Banorte, S.A.B. de C.V., or any of its affiliates, directors, managers, employees, attorneys-in-fact, legal representatives or employees shall not be held responsible by any third party, including investors, by virtue of any investment or business decision made, based on the content of this presentation and the statements contained herein. Nothing in this presentation shall be interpreted to be an agreement or engagement from Grupo Financiero Banorte, S.A.B. de C.V. of any of its affiliates to any third party, including investors.
- This presentation and its content are Grupo Financiero Banorte, S.A.B. de C.V.'s property and may not be reproduced or disclosed, totally or partially, without the prior written consent of Grupo Financiero Banorte, S.A.B. de C.V.
- By receiving this presentation and/or reviewing its content, you accept and agree to be subject to the above limitations.

# Solid performance with sequential improvements

COVID-19

End of fourth wave

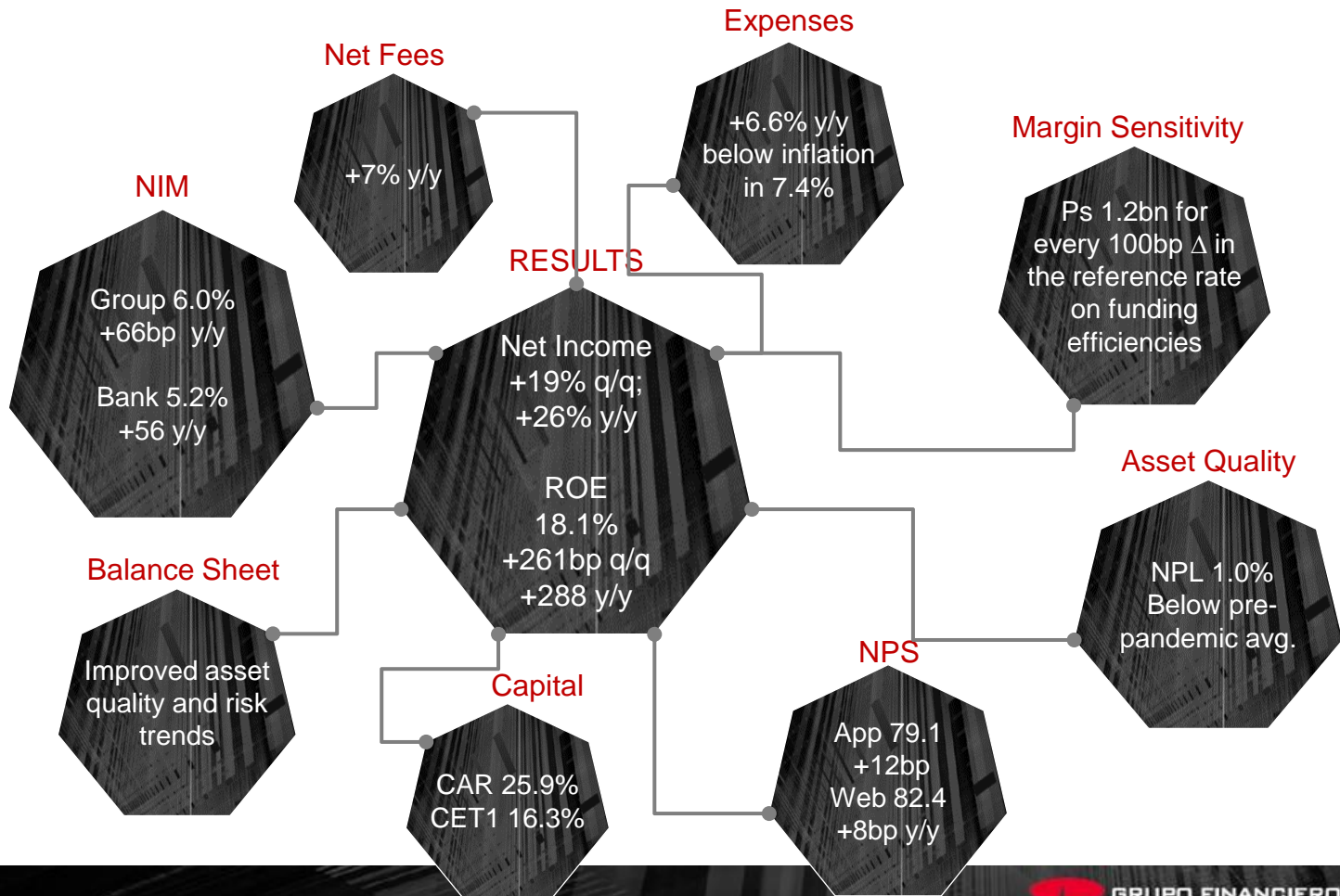
# of Cases



\*Fuente: Boletín con datos de la Secretaría de Salud

GRUPO FINANCIERO BANORTE

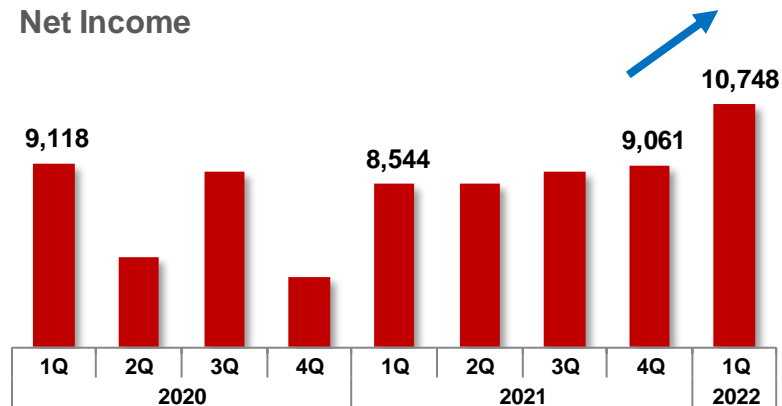
GRUPO FINANCIERO BANORTE



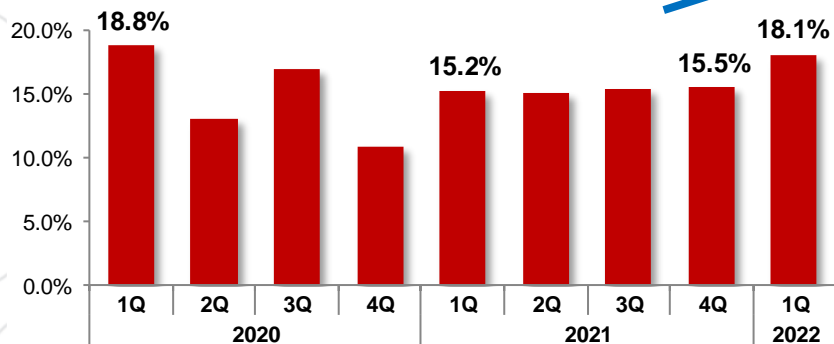
# Resilient results

- Net Income +19% sequentially, and 26% full year.
- ROE at 18.1%, +261bp q/q, recovering but still affected by insurance claims and undistributed dividends.
- ROA 2.2%, +28bp q/q.

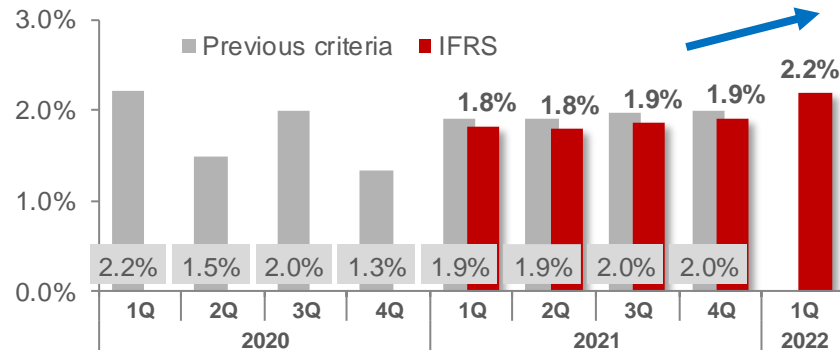
### Net Income



### ROE



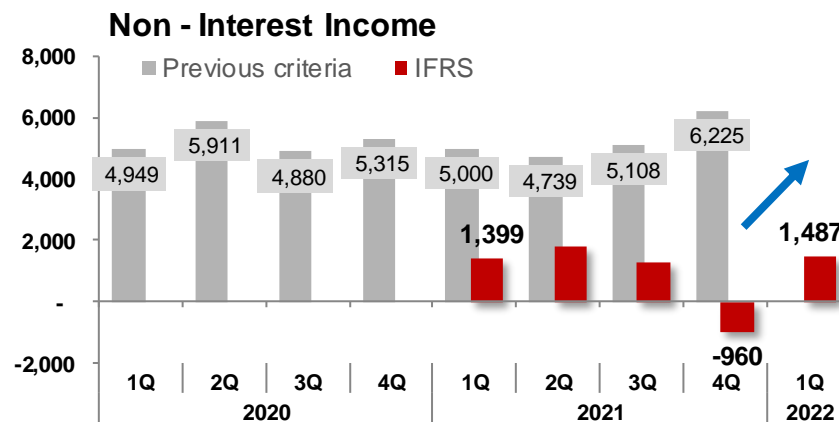
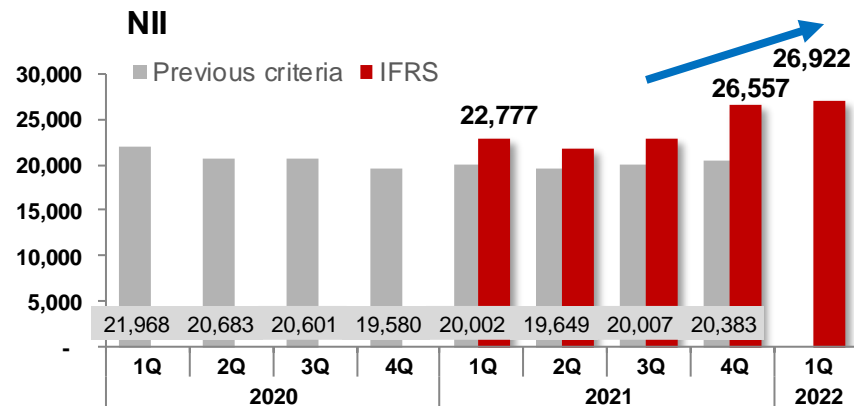
### ROA



## Net Interest and Non-Interest Income

- Robust NII, driven by NII on Loans +2% q/q.
- Non-interest Income grew +6% y/y, now accounting for the Insurance & Annuities lines.
- Trading with good quarter, above normal range, at Ps 1.47bn.

Million pesos	1Q22	q/q	y/y
NII Loans/Deposits	16,963	2%	11%
NII Repos	3,635	45%	57%
NII Valorization Adjust*	154	N.A.	(194%)
NII Insurance	313	(22%)	22%
NII Annuities	5,857	(18%)	14%
<b>NII</b>	<b>26,922</b>	<b>1%</b>	<b>18%</b>
Net Service Fees	4,010	(6%)	7%
Premium Income Ins. & Annu.	15,756	39%	3%
Tech. Reserves Ins. & Annu.	11,699	9%	6%
Cost of Acquisition Ins. Op.	468	80%	40%
Claims Ins. & Annu. (Net)	6,796	2%	(4%)
Trading Income	1,466	18%	70%
Other Income	(783)	(445%)	820%
<b>Non-Interest Income</b>	<b>1,487</b>	<b>255%</b>	<b>6%</b>
<b>Total Revenues</b>	<b>28,409</b>	<b>11%</b>	<b>18%</b>



# Core Banking Fees quite above pre-pandemic levels and continuously growing

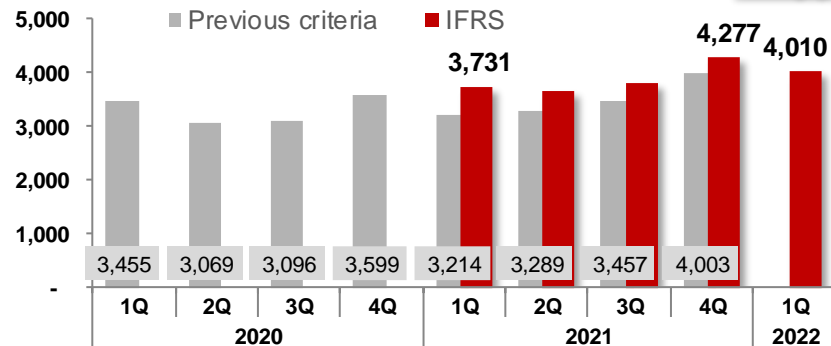
Net Fees +7% y/y on economic recovery, and (6%) q/q on seasonality.

Core banking fees decline (7%) q/q, but relevant growth +22% y/y:

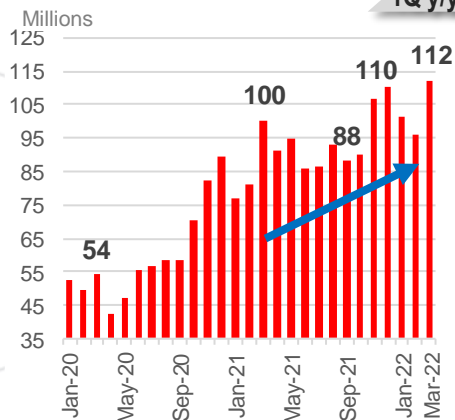
- Consumer Loan Fees +20% y/y.
- Electronic banking services +30% y/y.

Digital transactions leading annual growth, +20% in POS, +48% in mobile monetary transactions.

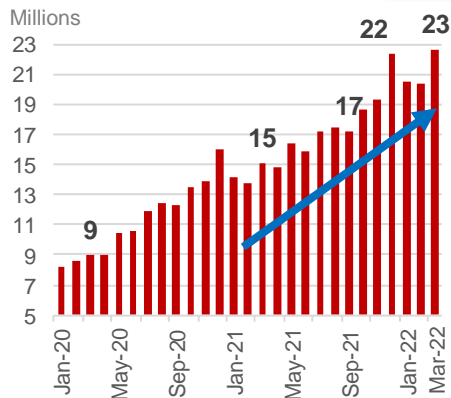
## Net Fees



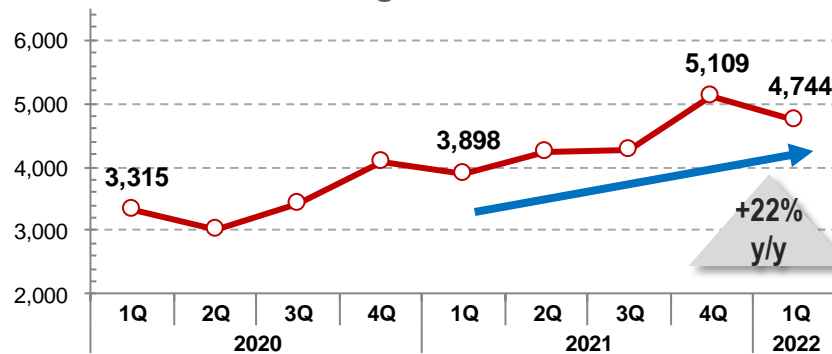
## POS Transactions



## Mobile Monetary Transactions



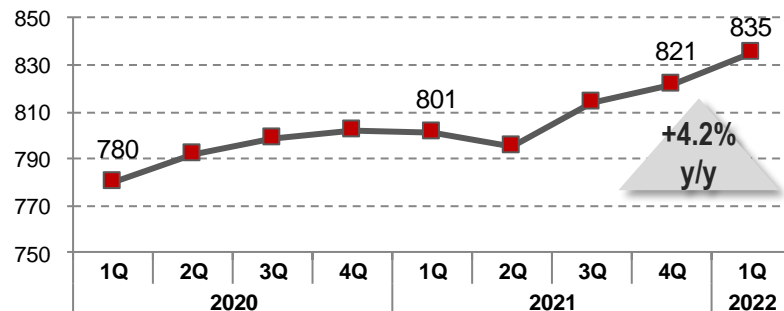
## Total Core Banking



# Loan growth, mixed and moderate, but growing

- Good quarterly expansion in corporate +2.8% and government +3.7%.
- Sustained growth in payroll loans +4.1% q/q, +9.6% y/y.
- Total performing portfolio grew +4.2% y/y.

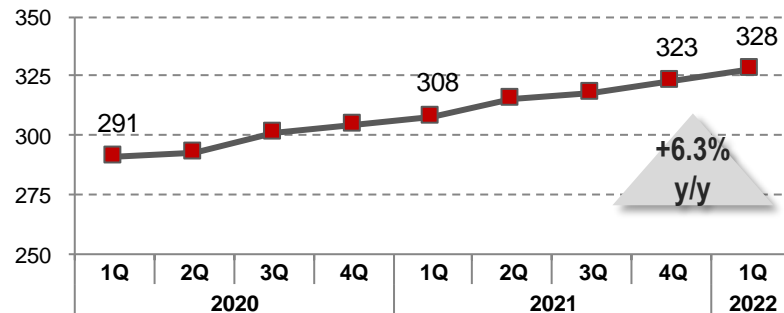
## Performing Loans



## Performing Loans (Stages 1 + 2)

	1Q22	q/q	y/y
<b>Commercial</b>	202,283	(0.5%)	4.9%
<b>Corporate</b>	144,857	2.8%	3.4%
<b>Government</b>	160,031	3.7%	(0.0%)
Mortgage	202,642	1.0%	5.9%
Auto	28,051	0.9%	(0.7%)
Credit card	39,606	0.2%	8.9%
Payroll	57,278	4.1%	9.6%
<b>Consumer Loans</b>	327,577	1.4%	6.3%
<b>Total Loans Stages 1 + 2</b>	<b>834,748</b>	<b>1.6%</b>	<b>4.2%</b>
<b>Total ex-Gov</b>	674,716	1.1%	5.2%

## Consumer & Mortgage Portfolio

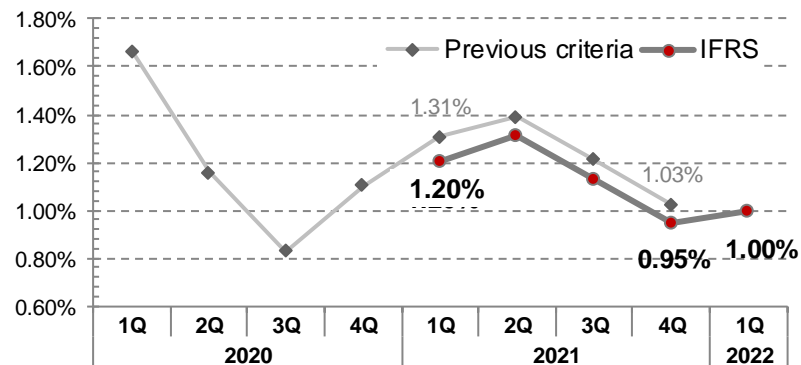


Performing loans = IFRS (Stage 1 + Stage 2)

# Healthy Loan Portfolio

- Benefit of around 10bp with new criteria.
- Better than estimated asset quality.
- NPL ratio well below expectations.

### NPL Ratio



## Non-performing Loans Ratio

	Previous Criteria				IFRS				
	1Q21	2Q21	3Q21	4Q21	1Q21	2Q21	3Q21	4Q21	1Q22
Credit Card	7.2%	4.9%	3.9%	<b>3.3%</b>	5.2%	3.6%	2.7%	2.3%	<b>2.2%</b>
Payroll	2.9%	2.5%	2.6%	<b>2.6%</b>	2.9%	2.4%	2.4%	2.5%	<b>2.4%</b>
Auto	1.3%	1.1%	0.9%	<b>0.8%</b>	1.3%	1.1%	0.9%	0.8%	<b>0.7%</b>
Mortgage	1.1%	1.0%	1.1%	<b>1.0%</b>	1.0%	1.0%	1.0%	1.0%	<b>0.9%</b>
Commercial	1.7%	1.9%	1.9%	<b>1.6%</b>	1.7%	1.9%	1.9%	1.6%	<b>1.7%</b>
SME	3.4%	3.4%	2.5%	<b>1.8%</b>	2.6%	2.7%	2.3%	1.6%	<b>1.7%</b>
Commercial ex-SME	1.3%	1.6%	1.8%	<b>1.5%</b>	1.5%	1.7%	1.9%	1.6%	<b>1.7%</b>
Corporate	0.2%	1.3%	0.4%	<b>0.0%</b>	0.2%	1.3%	0.4%	0.0%	<b>0.3%</b>
Government	0.1%	0.1%	0.1%	<b>0.1%</b>	0.1%	0.1%	0.1%	0.1%	<b>0.1%</b>
<b>Total GFNorte</b>	<b>1.3%</b>	<b>1.4%</b>	<b>1.2%</b>	<b>1.0%</b>	<b>1.2%</b>	<b>1.3%</b>	<b>1.1%</b>	<b>0.9%</b>	<b>1.0%</b>



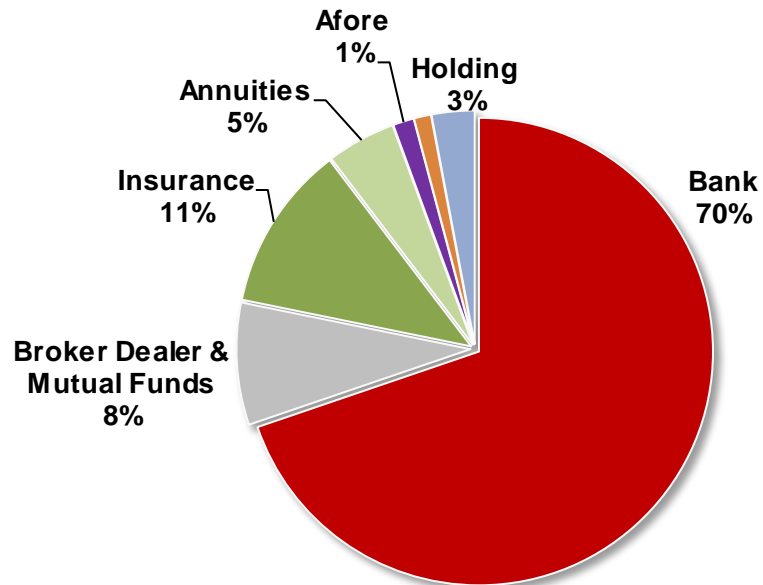
## Subsidiaries returning to normal, but Insurance is still affected

- Business diversification, a lever in difficult times:
  - Bank +13 q/q, +28% y/y, driven by NII growth.
  - Broker Dealer +189% q/q, +116% y/y.
  - Insurance recovery on seasonality +168% q/q but remains affected by **COVID-19 related claims**.
- Afore impacted by the anticipated effect of the regulatory cap in fees, rate hikes, and severance payments.

Net Income by Subsidiary

Million pesos	1Q22	q/q	y/y	ROE 1Q22
Bank	7,499	13%	28%	20.8%
Broker Dealer & Mutual Funds	907	189%	116%	44.8%
Insurance	1,232	168%	44%	75.7%
Annuities	511	(6%)	3%	23.6%
Pension Funds (Afore)	155	(74%)	(61%)	5.2%
Other Finance Comp.	127	6%	(49%)	
Holding	318	(14%)	29%	
<b>GFNorte</b>	<b>10,748</b>	<b>19%</b>	<b>26%</b>	<b>18.1%</b>

Net Income by Subsidiary  
1Q22



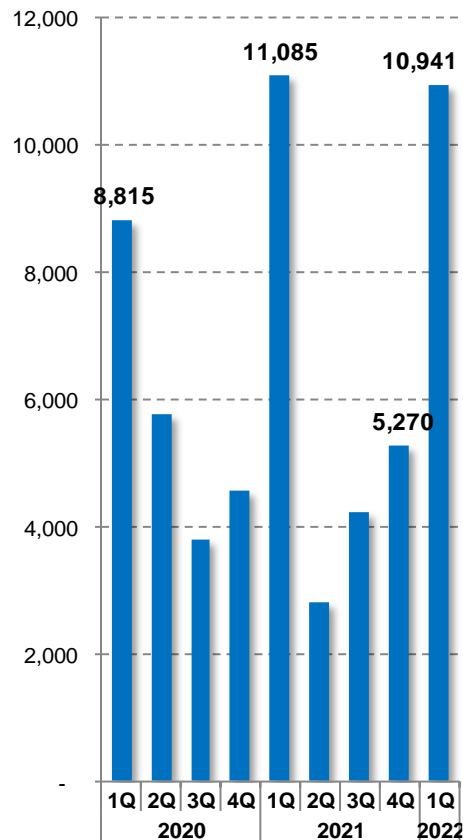
# Insurance business affected by pandemic

Operating Income +234% sequentially on seasonality and +41% y/y.

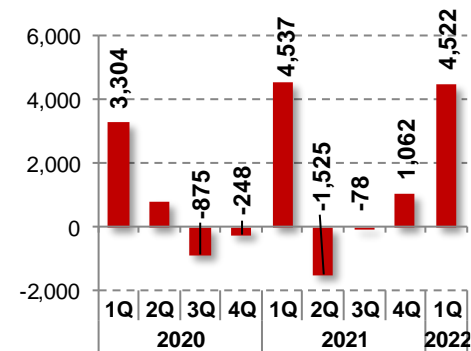
Damages and claims remain affected by COVID-19, +3% above 4Q21; nevertheless, such claims are in a downward trend, as expected.

(Million Pesos)	1Q22	Change	
		4Q21	1Q21
<b>Interest Income (Net)</b>	314	(22%)	22%
Premium Income (Net)	10,941	108%	(1%)
Net Increase in Technical Reserves	4,522	326%	(0%)
Cost of Aquisition from Insur. Oper.	731	43%	17%
Claims	4,018	3%	(18%)
Securities-Realized Gains	0	(100%)	(100%)
Other Operating Income	226	(66%)	(16%)
Non-Interest Expense	484	14%	27%
<b>Operating Income</b>	<b>1,726</b>	<b>234%</b>	<b>41%</b>

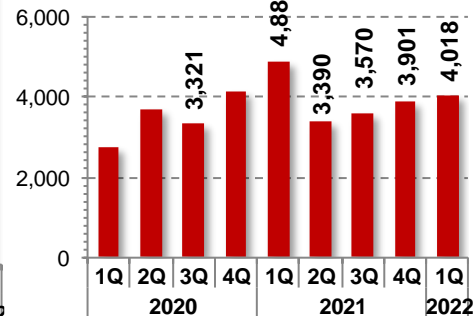
### Retained Insurance Premiums



### Technical Reserves



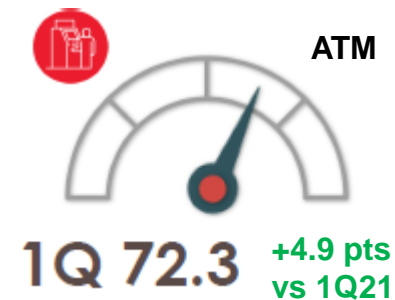
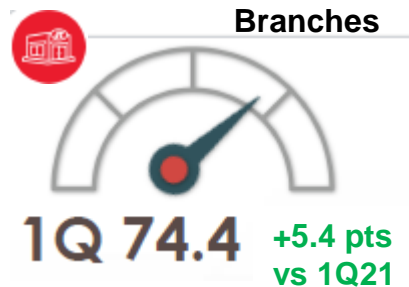
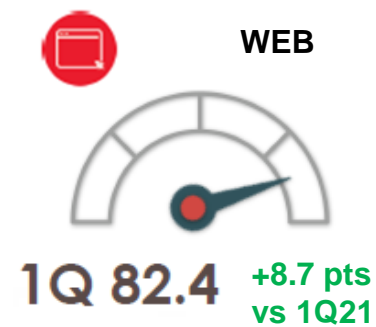
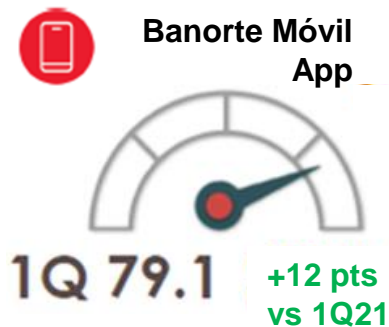
### Damages & Claims



# Customers' voice, key in Banorte's evolution

## 225 improvements from the Internal Customers

- 38% processes / services / systems
- 33% products
- 29% branch-administration, contingency, others



## Banorte's focus on M&A transactions



# Banorte has a life of its own

- Banorte does not need inorganic growth to reach its strategic goals
- We have a well-planned strategy, independent of the transaction

## Digital transformation

- Customer centric
- NPS close follow-up
- Digitized processes
- Banking in minutes
- Hyper-personalization

## Digital Bank

- Team & systems ready
- Waiting for the license

## JV with Rappi

- 515k issued cards
- 485k with purchases
- 56% credit line >Ps 5k
- 73% monthly active
- \$1,381M average billing<sup>1</sup>
- 78% under 36 years old

Source: JV Banorte Rappi, as of March 31, 2022

<sup>1</sup>. Average monthly billing of 1Q22





## ENVIRONMENTAL

● **RELEASE** of the **FIRST TCFD Report** (Task Force on Climate-related Financial Disclosures)

● **RELEASE** of the **FIRST PACTA Report** (Paris Agreement Capital Transition Assessment)



## SOCIAL

● **CEMEFI** recognition for the **12<sup>th</sup> YEAR** in a row for Banorte

● **CEMEFI** recognition for the **3<sup>rd</sup> YEAR** in a row for Afore XXI Banorte

● **CEMEFI** recognition for the **8<sup>th</sup> YEAR** in a row for Seguros y Pensiones Banorte

● **UN Global Compact** Communication on Progress (**COP**) **2022** report

● **2<sup>nd</sup>** place “Best Workplace 2022” by **Computrabajo**

● Constituent of the **Bloomberg Gender-Equality Index**



## GOVERNANCE

● In **2022** GFNorte was included for the **1<sup>st</sup> TIME** as part of the **Sustainability Yearbook** issued by **S&P GLOBAL**

● Release of the **2021 Integrated Annual Report**

● **NPS 1Q22: 70.33**

▲ 5.14 vs 1T21

▲ 2.29 vs 4T21



## SUSTAINABLE FINANCE

● **RELEASE** of the **PRB** (Principles for Responsible Banking) **UNEP FI** report

● **UPDATE** to the **Sustainable Bonds Framework**

● **INCORPORATION** of ESG and climate risks in the Risk Manual

● **LAUNCHING** of the car loan “**Autoestrene Verde Banorte**”



# ***Financial Highlights***

# Material Differences on restating 2021 under IFRS

## Assets

- Loan portfolio is broken down into Stage 1, Stage 2, & Stage 3. Performing loans are stages 1 + 2

○ Repos

○ Leasing

## Liabilities

○ Repos

○ Leasing

*Full disclosure,  
not netted*

## Indicators

- ROA, NIM, NPL, Cost to Income

## Income Statement

- 1 \* Premium Income (Net)  
\* Technical Reserves  
\* Damages, Claims and Other Obligations  
\* Technical Results Insurance & Annuities
- 2 \* Insurance Fees Net
- 3 \* Interest on Derivatives  
Derivatives now explicitly record income and expense separately
- 4 \* Contributions to IPAB
- 5 \* It includes a section with Comprehensive Results that is part of Stockholders' Equity (includes the following concepts: valuation of financial instruments for collection, hedges, -remeasurement of employee benefits, accumulated conversion effect, valuation of current risk reserve)

Interest Income	
Interest Expense	
Technical Results (Insurance & Annuities) + Premiums – Reserve - Claims	1
<b>Net Interest Income</b>	
Fees Charged on Services	
Fees Paid on Services	2
Technical Results (Insurance & Annuities) + Premiums – Reserve - Claims	
Cost of Acquisition from Insurance Operations	3
Trading	
Other Operating Income (Expenses)	
<b>Non Interest Income</b>	
<b>Total Income</b>	
Non Interest Expense	4
Provisions	
<b>Operating Income</b>	
Taxes	
Subsidiaries & Minority Interest	
<b>Net Income</b>	
<b>Comprehensive Results</b>	5



# Delivering amidst political and economic uncertainty

Balance Sheet

**Shielded Balance Sheet to face 2022 & benefit from rates cycle**

NIM

Group NIM: 6.0%  
Bank NIM: 5.2%;  
+18bp q/q  
Cost of funds  
NII sensitivity

Expenses

Efficient control at institutional level;  
below inflation

Digital

Digital Transformation, Digital Bank, and JV with Rappi, the main pillars of Banorte's strategy

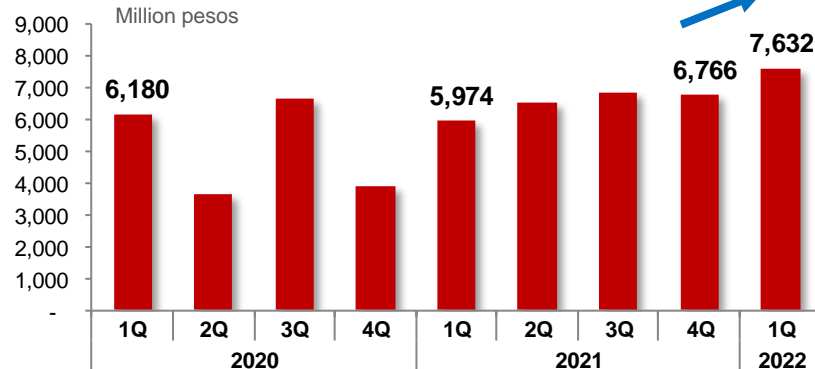
Capital

CAR 25.9%  
CET1 16.3%

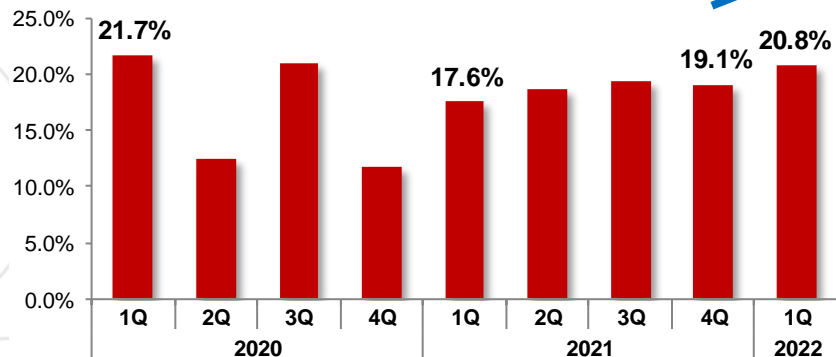
## Resilient results, particularly at the bank level

- NII of the Bank growing 6% sequentially and 18% y/y.
- NIM affected by Repos' new accounting rules. But good quarter with comparable data, 5.2%, +18bp sequential growth.
- Net Income with solid results and growth, 13% q/q, 28% y/y.
- ROE of the Bank at 20.8%, recovery fueled by better NII and quality of the loan portfolio.

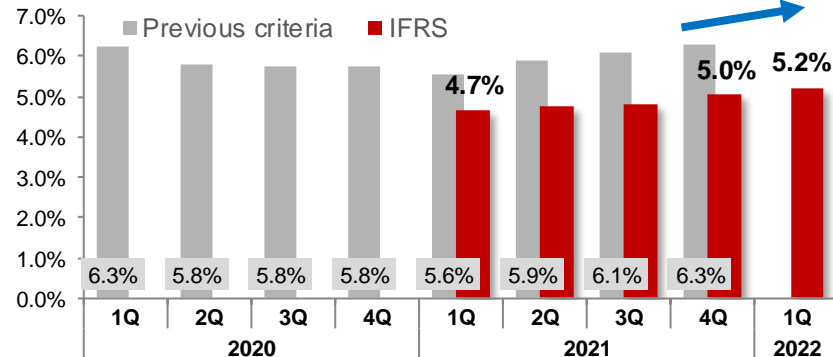
### Net Income of the Bank



### ROE of the Bank

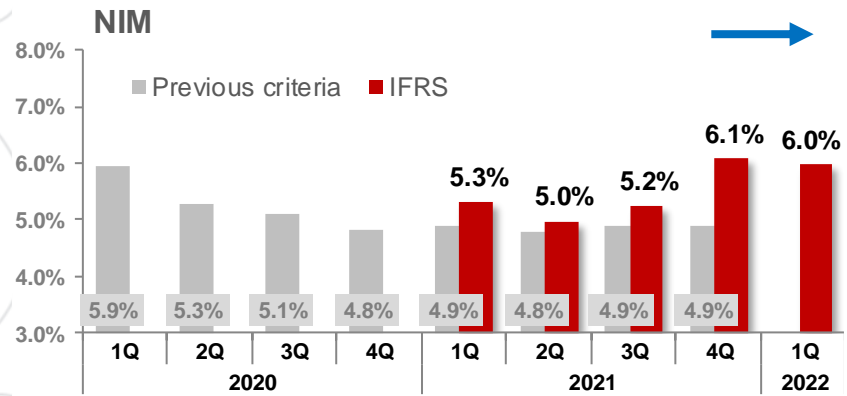


### NIM of the Bank

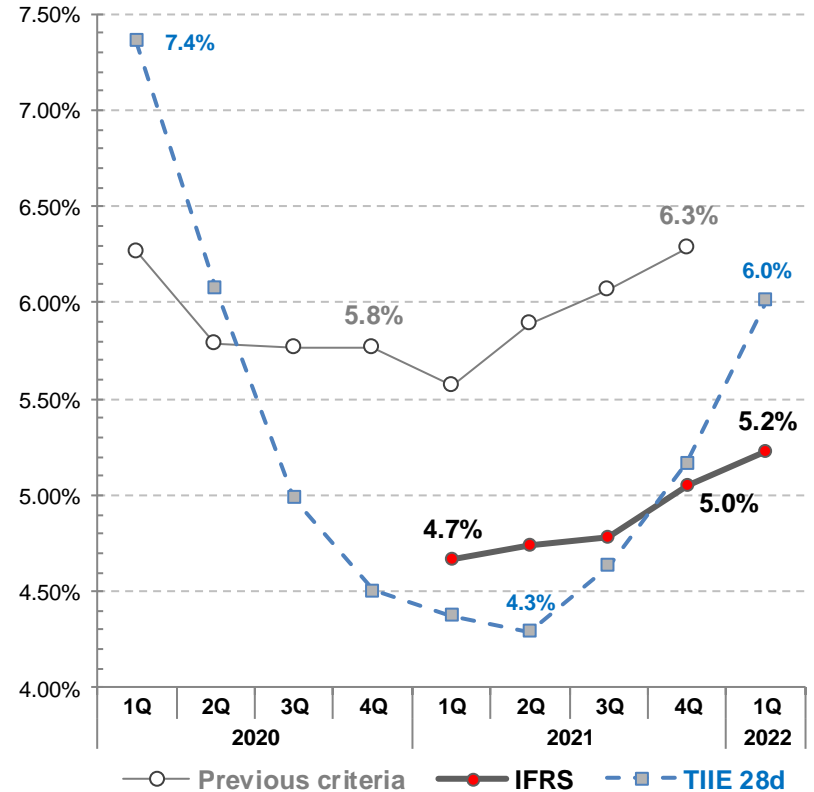


# NIM expansion

- NIM of the Bank with positive reaction to rate hikes, at 5.2%. Effects from the last rate hike of March is still pending.
- Expansion on good portfolio mix, efficient cost of funds, and margin sensitivity to rates.
- Group's NIM at 6.0%, as current accounting excludes technical results. Average Earning Assets grew 3%, in greater proportion to the 1% in NII, thus, bringing down the NIM 10bps.



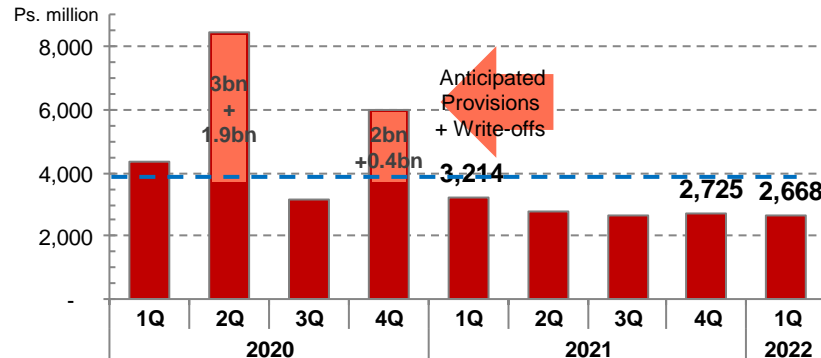
## NIM of the Bank



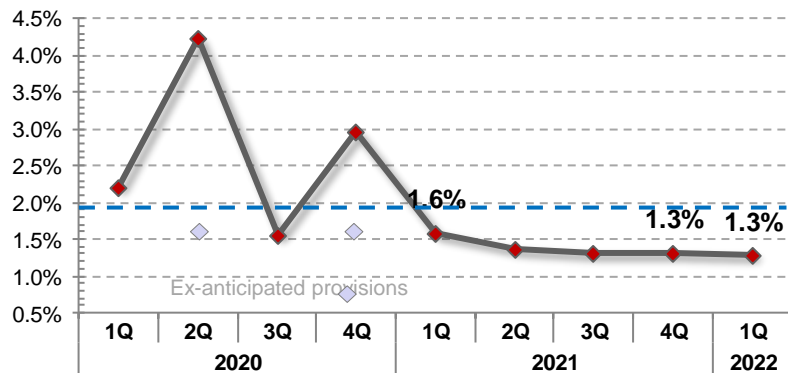
# Asset quality better than expected

- Shielded balance sheet with remaining Ps 1.8bn in excess provisions.
- Write-off rate at 0.37%, below its normal.
- Cost of risk still at historically low levels.

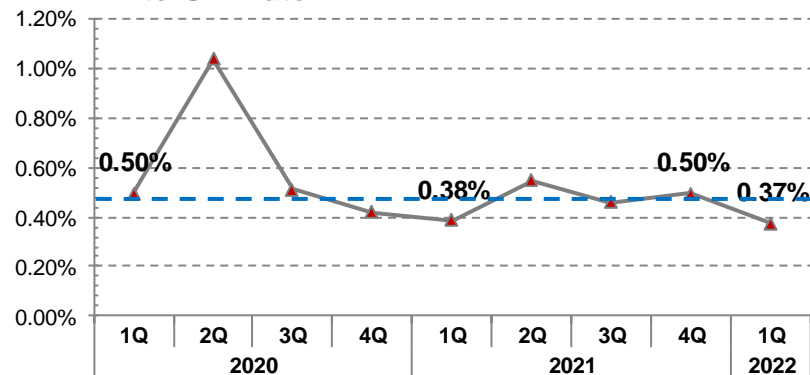
### Credit Provisions



### Cost of Risk



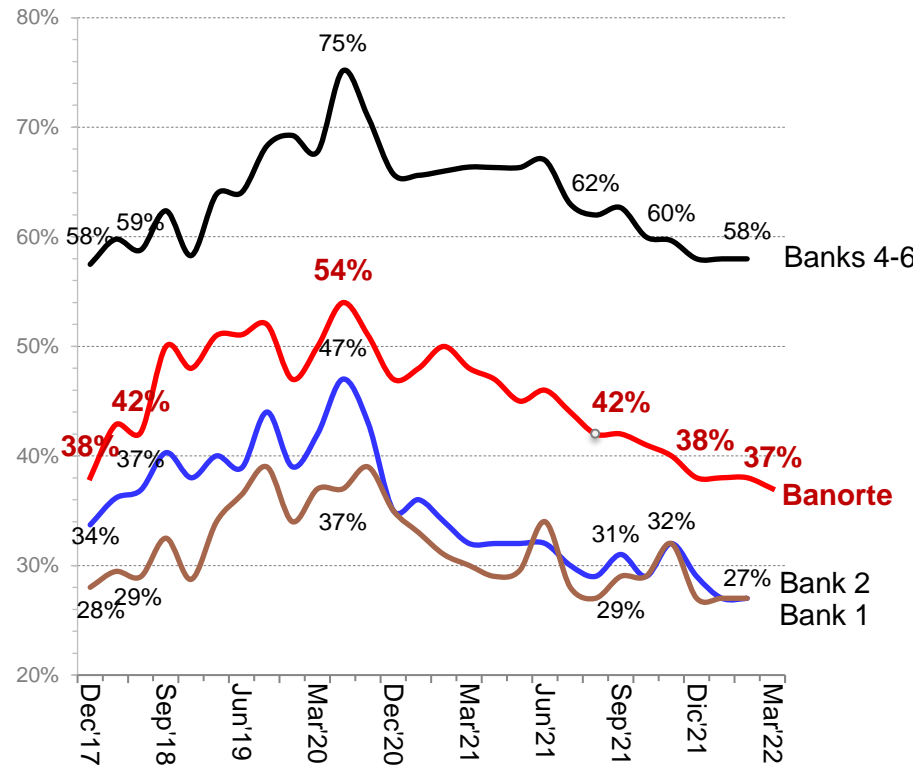
### Write-Off Rate



## Funding Cost trending downward

- Cost of funds at 37% of CETES, improving significantly since the peak in June 2020.
- Successful strategy at branch network to increase deposits.
- Demand deposits represent 73% of total core deposits.

Cost of Funds vs CETES Reference Rate



Source: Banxico, data as November 2021,

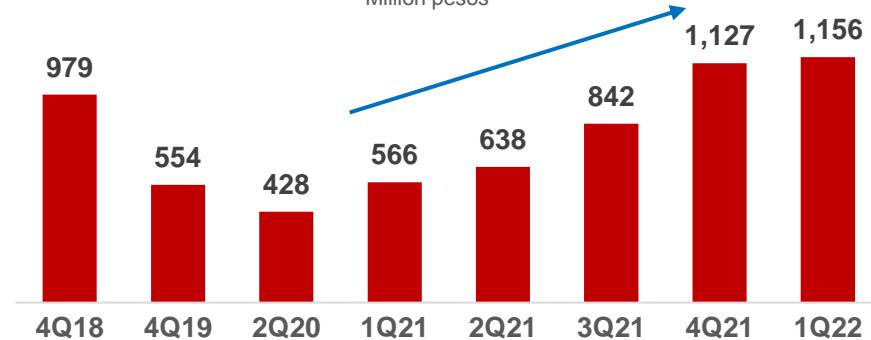
## Margin sensitivity evolution

- Dynamic risk management hedges.
- Focus on stable low-cost liabilities.
- Active ALCO.
- Organic growth of floating rate portfolio.

### Margin Sensitivity – 100 bps on NII

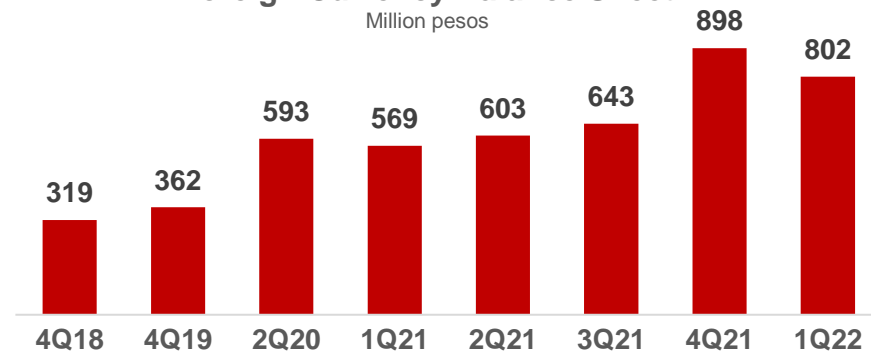
#### Local Currency Balance Sheet

Million pesos



#### Foreign Currency Balance Sheet

Million pesos



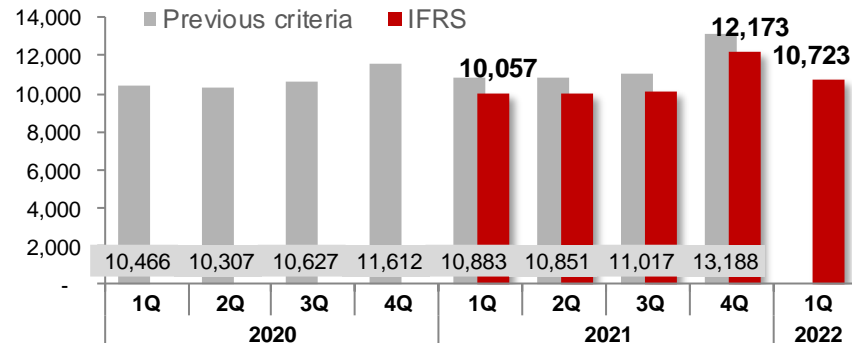
# Expenses

Expenses and Cost to Income ratio stepping down on IFRS (contributions to IPAB reclassified in other operating income).

With 2021 figures restated to IFRS, +6.6% y/y, affected mainly by inflation 7.45%.

Cost to income below previous comparable quarters, now in 37.7% on better operating income and cost control.

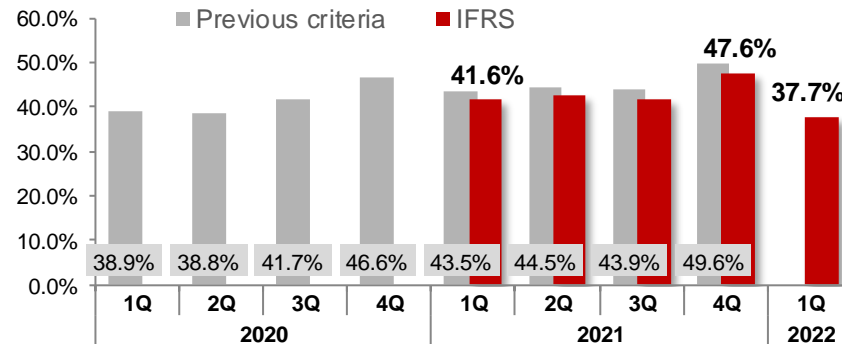
## Non-Interest Expenses Million pesos



+6.6%  
y/y

	1Q22	q/q	y/y
Personnel	4,330	(8%)	4%
Professional Fees	797	(15%)	(2%)
Administrative and Promotional	1,863	(24%)	(0%)
Rents, Deprec. & Amortization	2,412	14%	13%
Other Taxes	532	3%	2%
Employee Profit Sharing (PTU)	385	(65%)	146%
Other expenses	405	23%	4%
<b>Non-Interest Expenses</b>	<b>10,723</b>	<b>(12%)</b>	<b>7%</b>

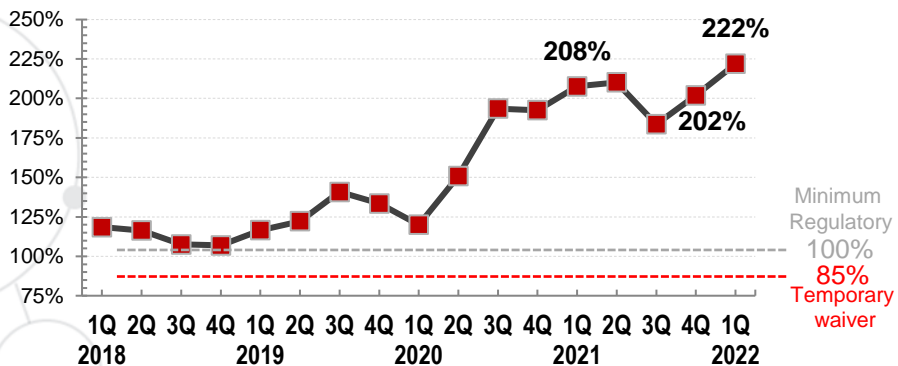
## Cost to Income Ratio



# Bank's regulatory capital ratio & liquidity

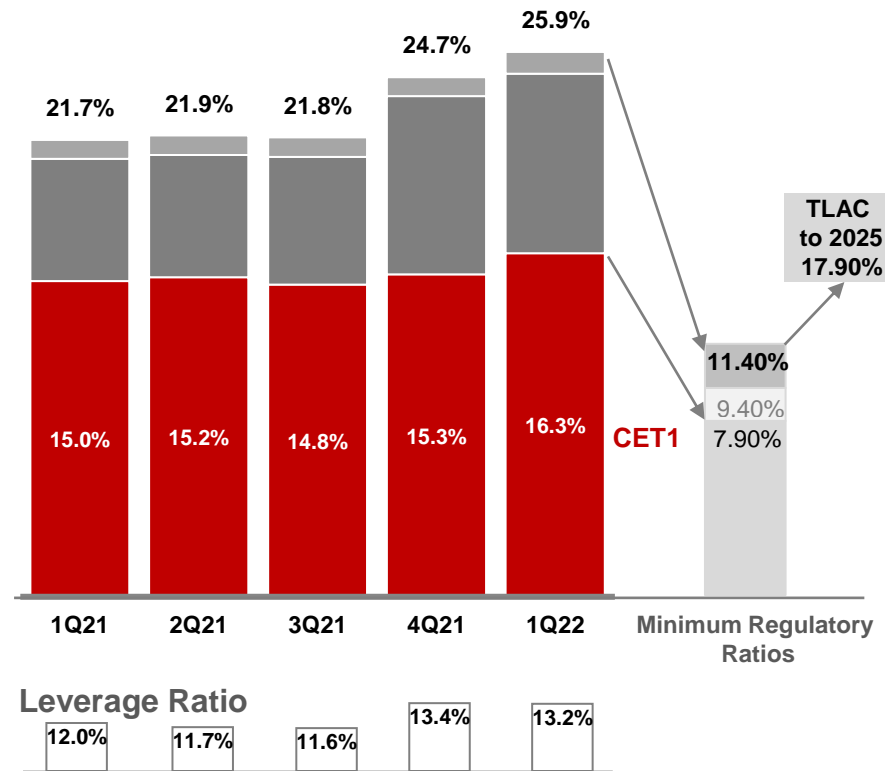
- Strong CAR and CET1, well above regulatory requirements.
- CET1 still above management's optimal range, even after full dividends are distributed.
- Unlevered Capital.
- Liquidity coverage ratio far exceeds minimum regulatory requirements.

Liquidity Coverage Ratio CCL (%)

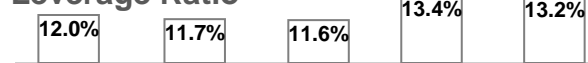


## Capital Adequacy Ratio (CAR)

Basel III



## Leverage Ratio





## 2022 guidance update

	2022 previous	Actual *
Loan Growth	7% – 9%	5% – 7%
NIM expansion	30 – 40 bps	25 – 35 bps
NIM of Bank expansion	45 – 65 bps	50 – 70 bps
Expense Growth	7.0% – 7.6%	7.0% – 7.6%
Efficiency	41.9% – 42.7%	38.9% – 39.7%
Cost of Risk	1.6% – 1.9%	1.4% – 1.7%
Tax Rate	26% – 27%	25% – 26%
Net Income	39.5 – 41.1 bn	40.5 – 42.0 bn
ROE	17.0% – 18.0%	17.5% – 18.5%
ROA	2.0% – 2.2%	2.0% – 2.2%
GDP	~ 3%	~1.5
Inflation Rate	4.2% – 6.0%	6.0% – 7.6%
Banxico's Reference Rate (Avg.)	6.42%	7.21%

\* *Estimates of growth comparable with IFRS numbers*

# ***Appendix***

## Selected industry exposures

	Vs. Total Loans 1Q22
<b>Oil Industry*</b>	<b>5.7%</b>
<b>Electricity Companies*</b>	<b>2.3%</b>
<b>Construction &amp; Real Estate</b>	
Housing	<b>1.3%</b>
Commercial	<b>1.7%</b>
Others	<b>1.2%</b>
<b>Malls</b>	<b>2.0%</b>
<b>Tourism</b>	<b>4.3%</b>
<b>Restaurants</b>	<b>0.2%</b>
<b>Airports</b>	<b>0.0%</b>

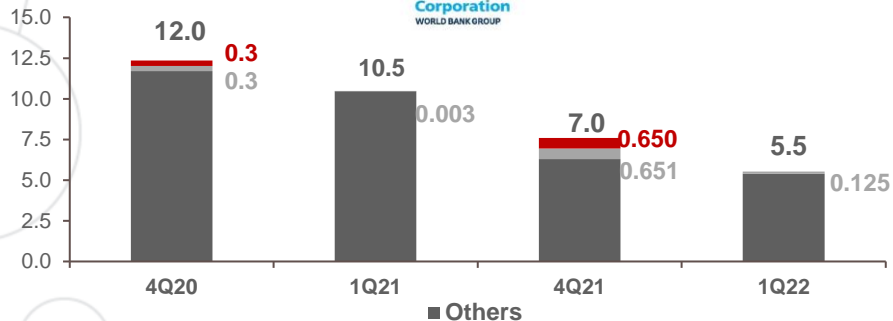
- *Including suppliers*

<b>SMEs</b> • 77% Nafin / Bancomext guaranteed loans, 45% of SME book	4.5%
<b>Dollar denominated</b>	11.5%

# Sustainable Finance

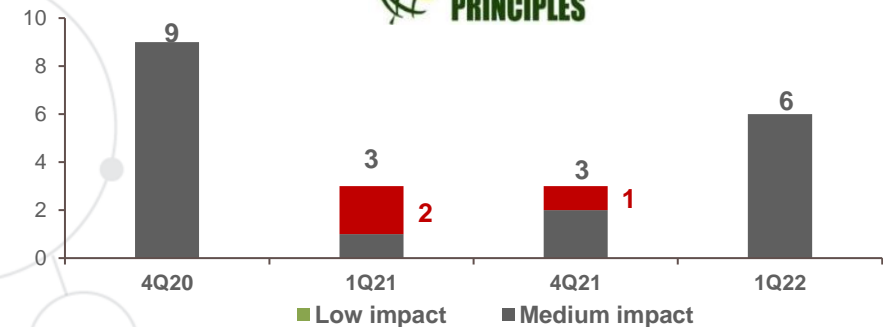
## Loan book evaluation

of wholesale banking loan book



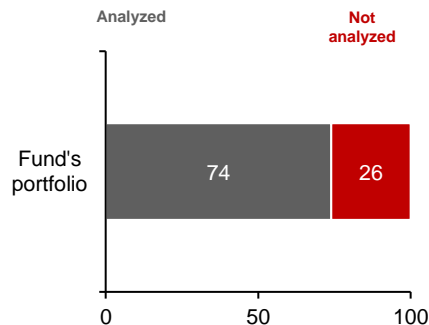
## Loan book evaluation under Equator Principles

Number of analyzed projects

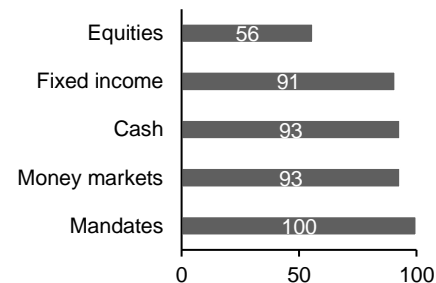


## Responsible Investments – Mutual Funds

% of share of total analyzed AUM by instrument

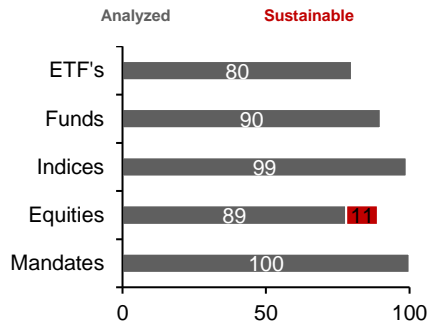


Analyzed by asset class

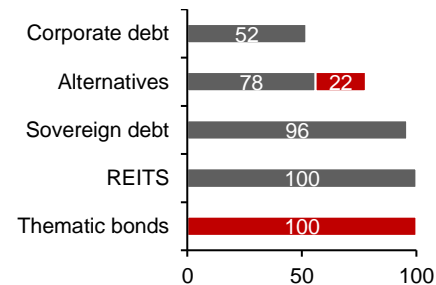


## Responsible Investments – Pension Funds

%, share of total analyzed AUM by instrument



Analyzed Sustainable



# Earnings Call

April 21st, 2022

# 1Q22