

Discussion on Progress & Results from the GFI Acquisition

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Recap on the Acquisition of Grupo Financiero Interacciones



Market Environment in the Government Lending Segment



Evolution of Banorte's Loan Book



Opportunities & Preliminary Estimates for 2020

Strategic Rationale

Strategic

- ✓ Successful and unique infrastructure financing business with relevant expansion potential
- ✓ Government lending business complementary to Banorte's
- ✓ Consolidates Banorte's competitive position in Mexico
- ✓ Significant synergies potential, supported by Banorte's proven track record of acquisition integrations and operational excellence
- ✓ Low integration and execution risk

Financial

- ✓ Attractive valuation based on Interacciones fundamental value
- ✓ Accretive to EPS in 2018 and high single digit for the first full year of ownership in 2019

Transaction Recap

	Commitment	Actual
<i>Accretion 2018</i>	> 3.0%	3% - 4%
<i>Accretion 2019</i>	8.5% - 10.5%	> 10.5%
Expenses Synergies	65% (2.1 bn – 2.3 bn)	65% (2.2 bn)
Funding cost Synergies	40-46 bp	102 bp
CET 1	~ 12%	13.26%
NIM	-40 bp*	+10 bp

* GFNorte projected a NIM reduction of 40 bp with incorporation of Interacciones (Transcript of Earning Call 3Q18)

“Ley de Disciplina Financiera de las Entidades Federativas y los Municipios”

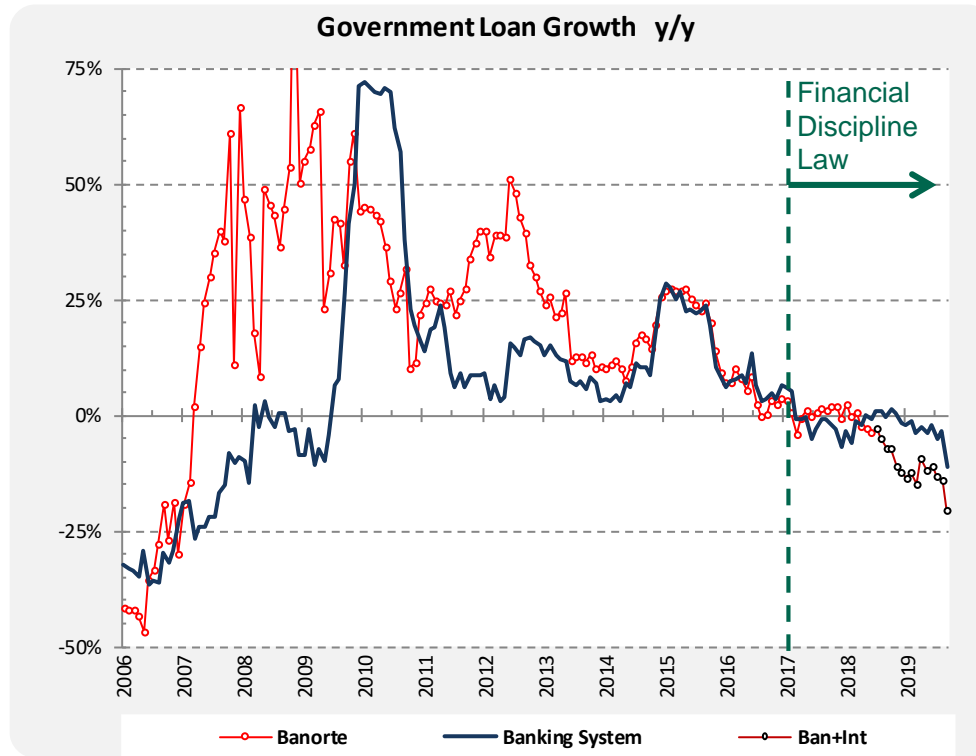


Financial Discipline Law

- Enacted in April 2016, regulates the operation of the lending market for states entities.
 - Greater financial Transparency & disclosure from states and their finances.
 - Centralized record keeping of credit operations, collateral and guarantees.
 - Accountability of debt management and leverage between local governments and their Congresses.
 - Limit setting & regular monitoring of leverage
 - Open bidding processes for financing requirements

Market Environment in Government Lending

Long term trends evidence periods of volatile growth

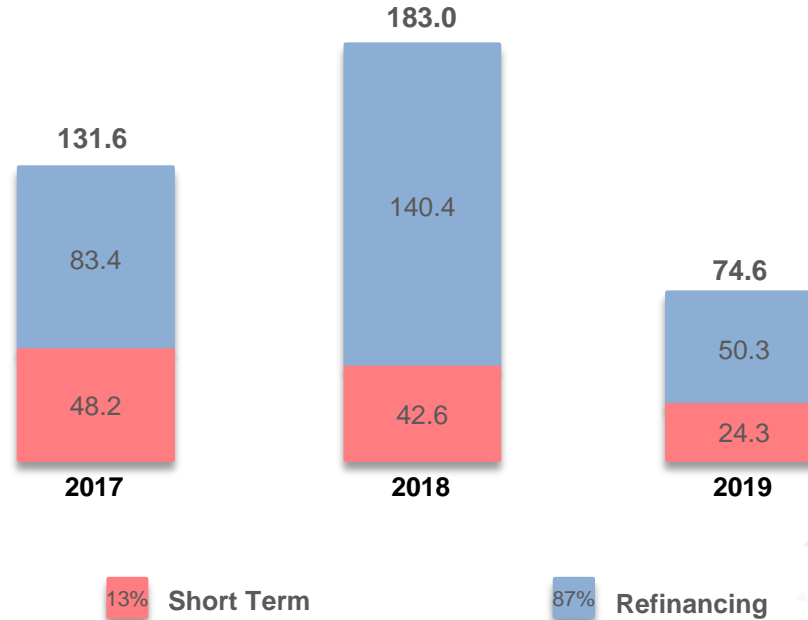


Market Environment in Government Lending

On average 87% is demand for refinancing existing debt

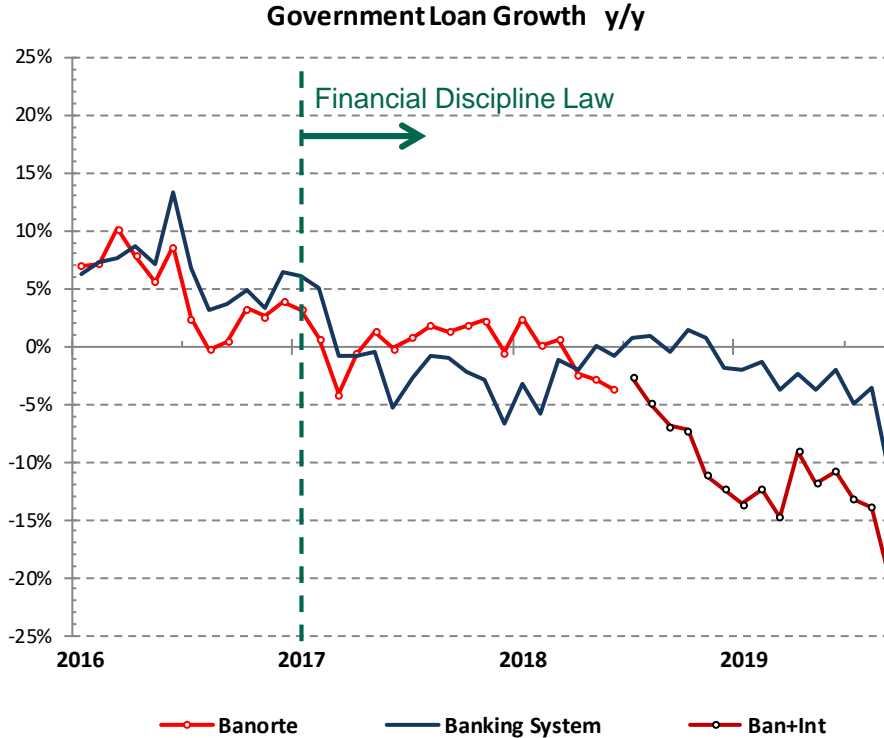
Subnational Financing Requirements

(billion pesos)



Market Environment in Government Lending

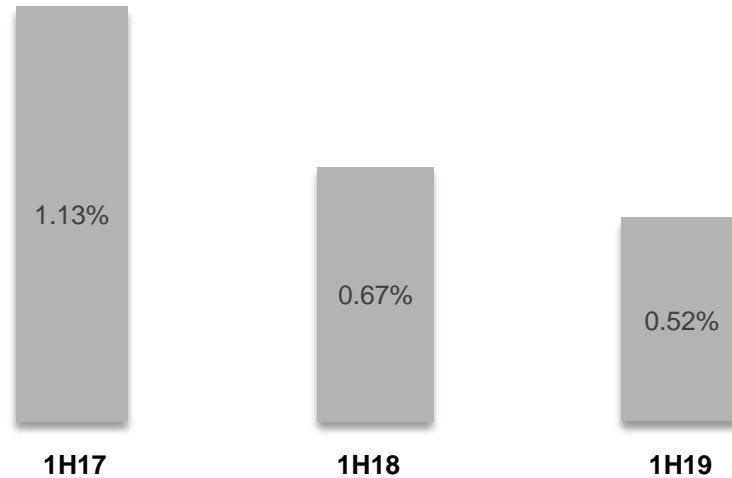
Greater competition and scarcity of “new loan demand”



Market Environment in Government Lending

Soft demand & strong competition have driven down spreads

GEM Spread above TIIE



Evolution of Banorte's Government Book

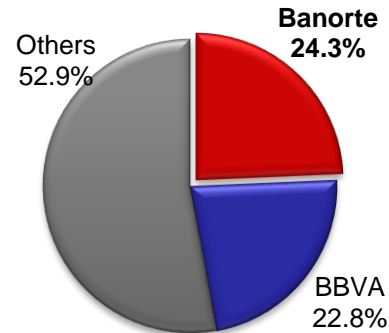
Proven ability to maintain market share, despite market conditions



Private Banking System Government Book

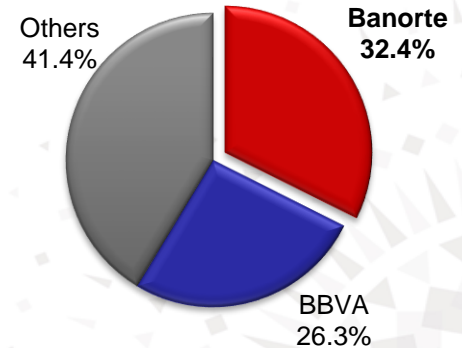
Ps 546 bn

2017



Ps 485 bn

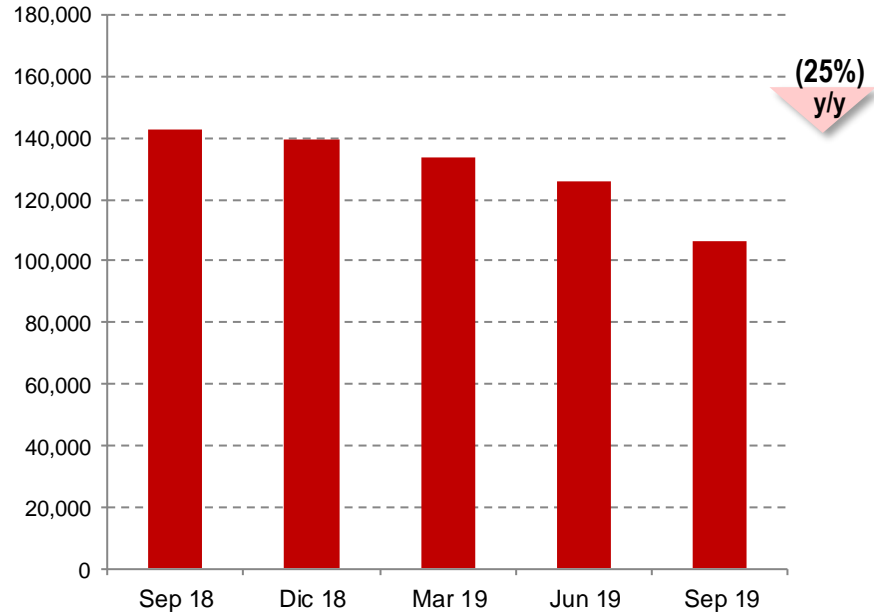
Sep-19



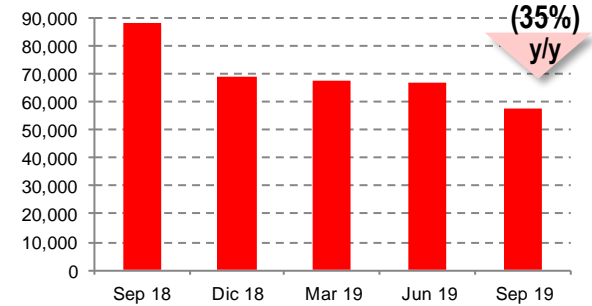
Evolution of Banorte's Government Book

Since July 13, 2018 Business decisions done based on an integrated book, not independent books.

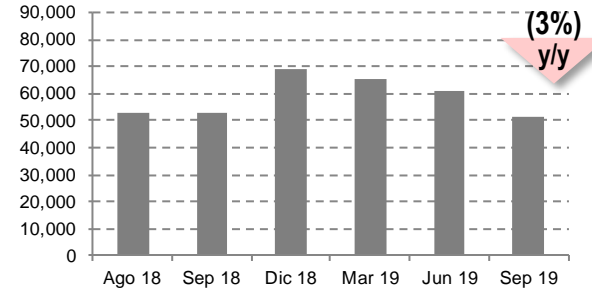
GFNorte GEM Loan Portfolio



Banorte GEM Loan Portfolio

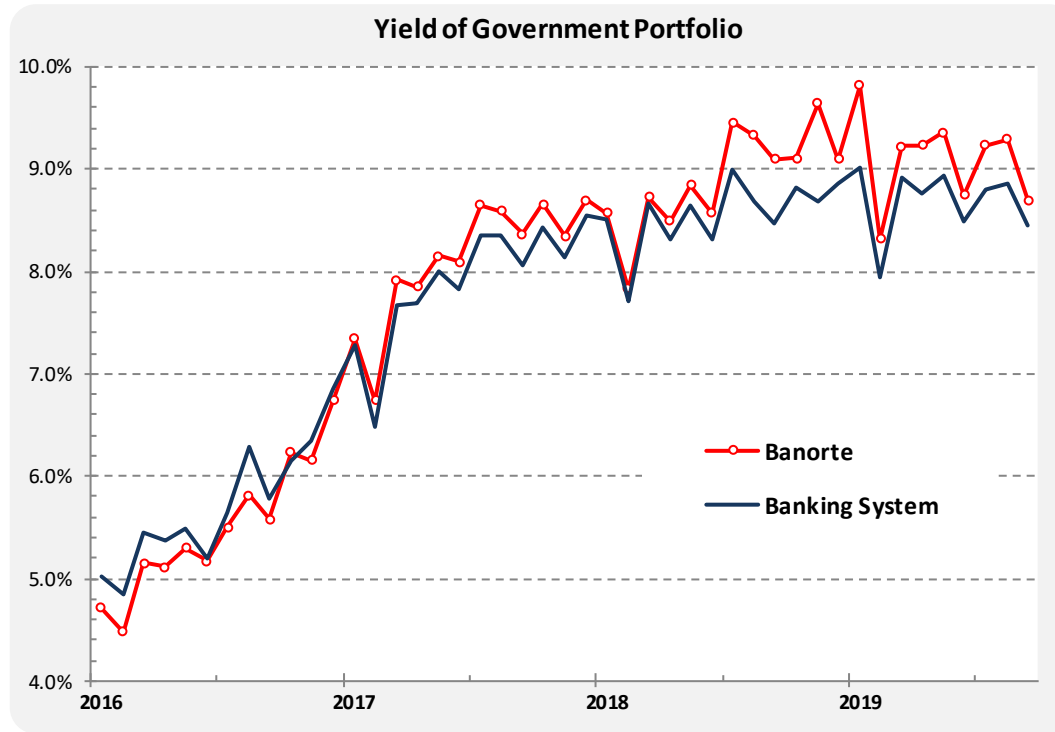


Interacciones GEM Loan Portfolio



Evolution of Banorte's Government Book

Business decisions demonstrate proven ability to maintain book's profitability above industry, despite market conditions

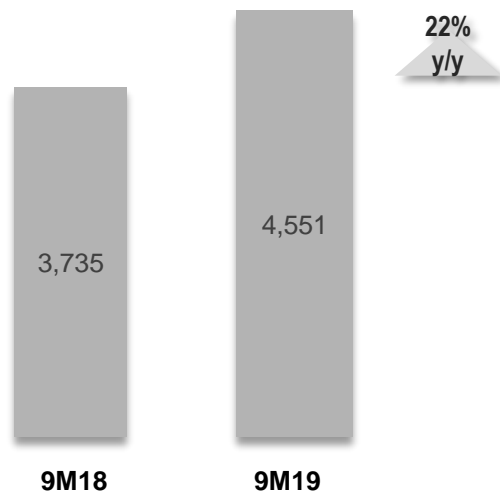


Source: CNBV

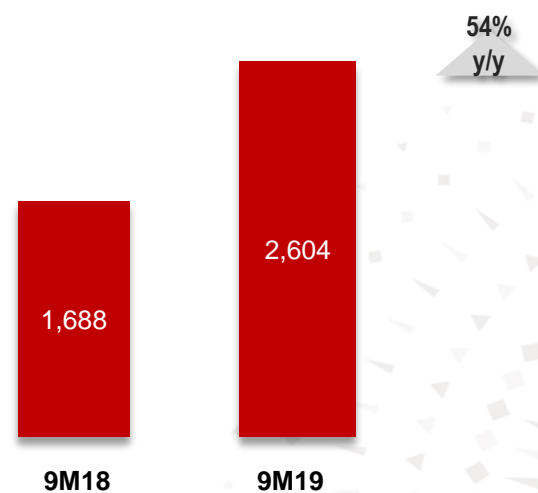
Evolution of Banorte's Government Book

Post-integration profitability has doubled on correct business decisions: funding cost management, cross-sell, selective growth.

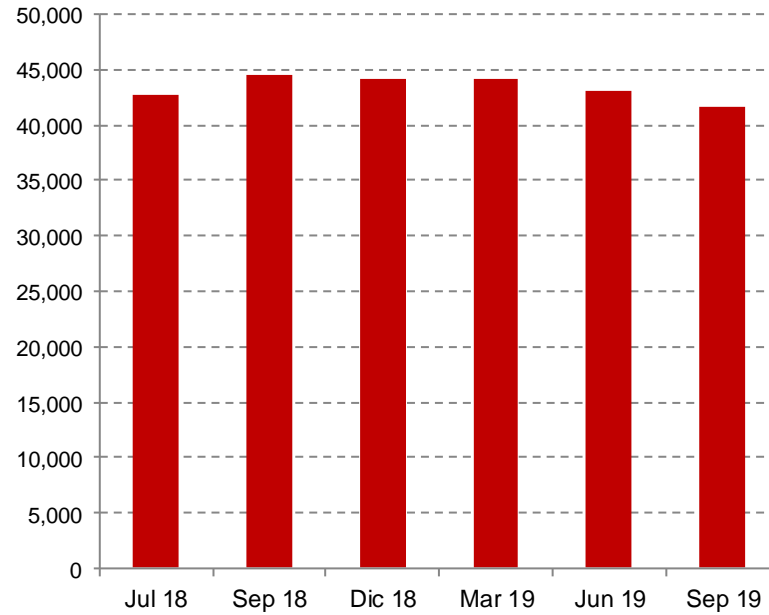
Total Income



Net Income



GFNorte Infrastructure Loan Book



(6%)
y/y

- Approval of USMCA expected in the short-term.
- Low inflation and lower interest rates should support greater appetite for credit.
- Positive resolution on the gas pipeline negotiation impacts business confidence.
- Mexico City new construction guidelines disclosed –restart of construction activity–.
- Fiscally responsible Federal budget.
- National & Subnational Infrastructure plan is an opportunity to support growth.
- As a result of US-China trade war, some deployment of Asian investment moving to the center and north of Mexico in the manufacturing and auto industries.

Ref. rates from 7.25% to 6.0% by end of 2020

Inflation 3.4%

GDP +1.4%

- Loan Growth doubling the pace of nominal GDP, with consumer as the main driver
- Double digit growth in Revenues
- Stable cost of risk
- Expenses increasing at mid-single digit
- Double digit growth in profits

