



Earnings Call

2Q23

July 21st, 2023



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NIM

Group 6.2%
1H23

Bank 6.5%
1H23 +109bps y/y

Margin Sensitivity

Decreasing to Ps 0.86bn
for every 100bps
Δ in the reference rate
(local currency balance sheet)

Net Fees

+9%
1H23 y/y

Loan Book

+12% y/y
Solid growth in
retail & commercial

RESULTS

Net Income Ps 13.09 bn
+1% q/q, +14% y/y
1H23 +17% y/y

ROE 21.4%
+187bps y/y
1H23 +268bps y/y

Asset Quality

NPLs
+1bps q/q to 1.0%

CoR
+7bps q/q to 1.7%

Capital

CAR 21.7%
CET1 15.4%

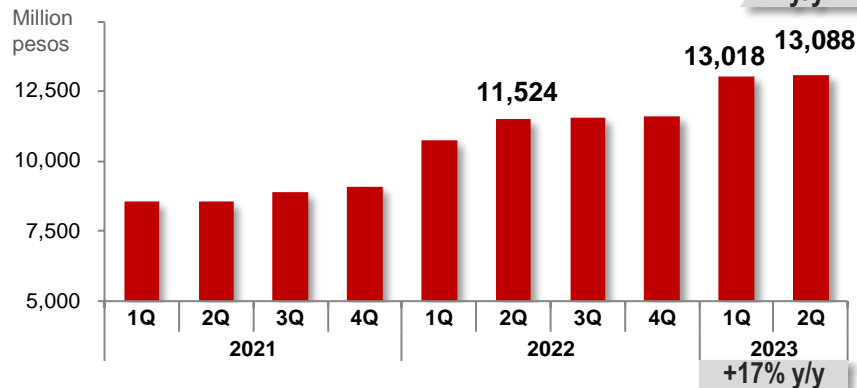
Sound profitability

■ Net Income for the quarter +14% y/y;
1H23 +17% y/y

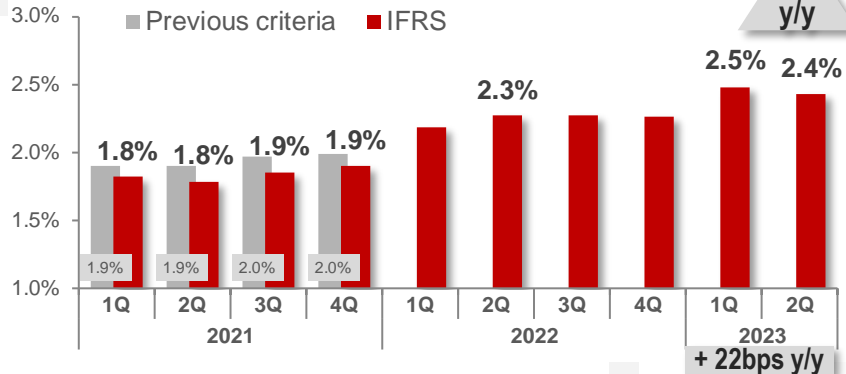
■ Good sustained profitability levels:

- ROE at 21.4%, +187bps y/y;
1H23 21.6%, +268bps y/y
- ROA at 2.4%, +16bps y/y;
1H23 2.5%, +22bps

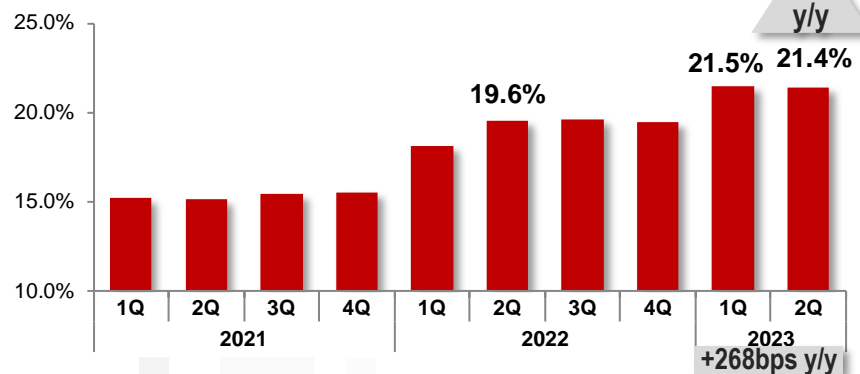
Net Income



ROA



ROE



Net Interest and Non-Interest Income

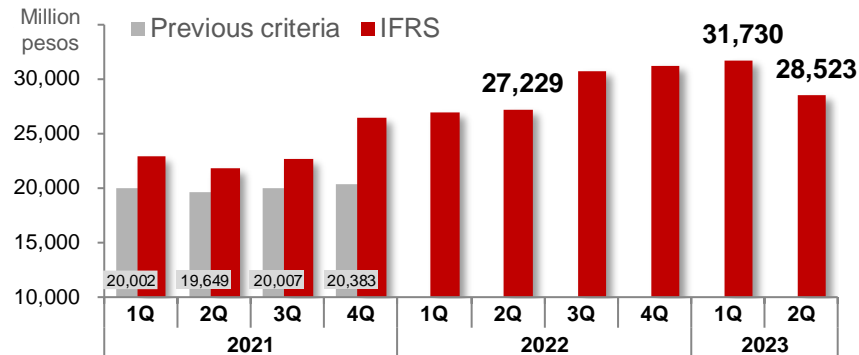
NII reduction (10%) q/q **with no effect in bottom line**, as annuities' portfolio variations are offset by lower technical reserves

NII Loans/Deposits flat q/q, 1H23 +25% y/y

Non-interest Income:

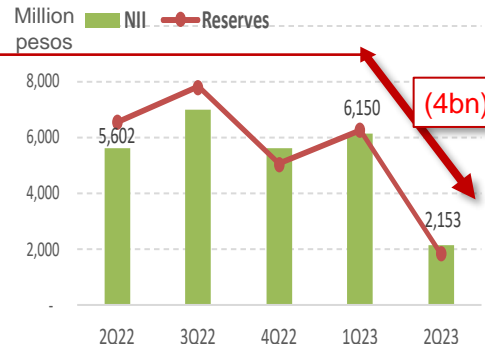
- Lower annuities' tech. reserves offset NII reduction
- Flat sequential net fees, 1H23 +9% y/y
- Insurance premium income, tech. reserves, and cost of acquisition decrease on seasonality

NII



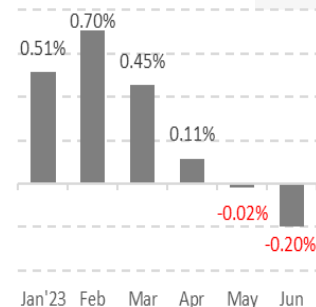
Million pesos	2Q23	q/q		y/y	1H23	y/y	
NII Loans/Deposits	21,549	38	0%	23%	43,060	25%	
NII Repos	4,001	485	14%	10%	7,516	3%	
NII Valorization Adjust*	28	241	113%	170%	(184)	(263%)	
NII Insurance	792	27	3%	70%	1,558	81%	
NII Annuities	2,153	(3,997)	(65%)	(62%)	8,304	(3,166) (28%)	
NII	28,523	(3,207)	(10%)	5%	60,254	11%	
Net Service Fees	4,187	(22)	(1%)	4%	8,395	9%	
Premium Income	12,409	(1,585)	(11%)	38%	26,403	7%	
Tech. Reserves Annuities	1,863	(4,414)	(70%)	(72%)	8,140	(5,590) (41%)	
Tech. Reserves Insurance	2,543	(781)	(23%)	393%	5,867	61%	
Cost of acq. Insurance	180	(761)	(81%)	(42%)	1,121	45%	
Claims	7,649	1,073	16%	16%	14,225	6%	
Trading Income	1,172	760	185%	38%	1,583	(29%)	
Other Income	(993)	(97)	(11%)	(58%)	(1,888)	(7%)	
Non - Interest Income	4,540	3,939	655%	613%	5,141	278%	
Total Revenues	33,063	732	2%	19%	65,395	18%	

Annuities volatility



Inflation

(UDIS monthly Growth)



Core Banking Fees keep growing

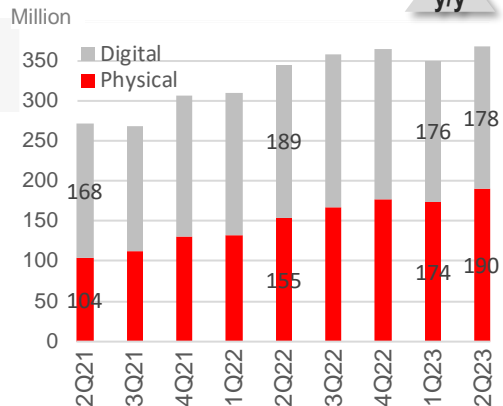
Net fees flat q/q; 1H23 +9% y/y for the group. In the Bank the growth was +19% vs 1H22

Core banking fees +4% q/q; 1H23 +7% y/y, with electronic banking services +9% y/y

POS transactions +7% y/y; +48% y/y in mobile monetary transactions

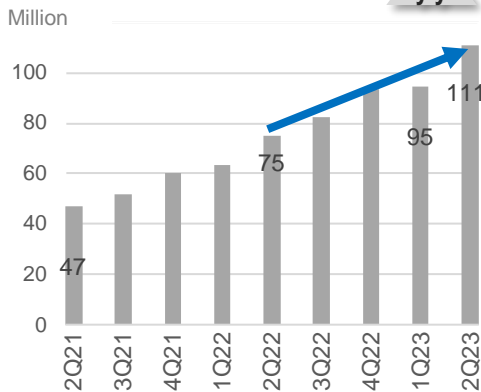
POS Transactions

+7% y/y



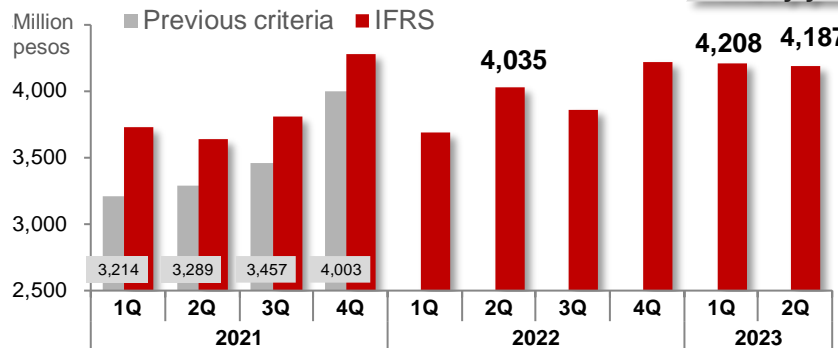
Mobile Monetary Transaction

+48% y/y



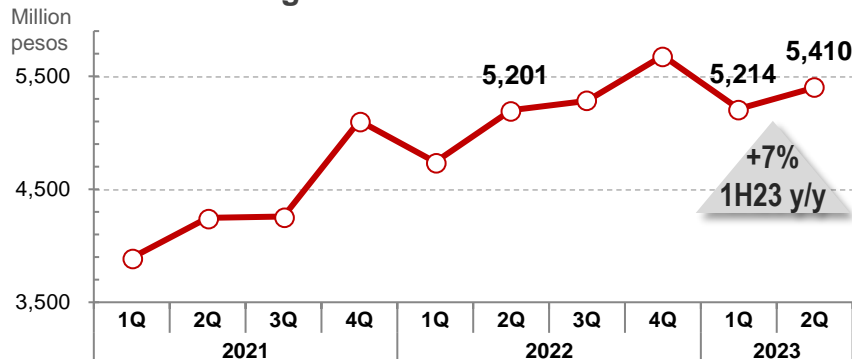
Net Fees

+9% 1H23 y/y



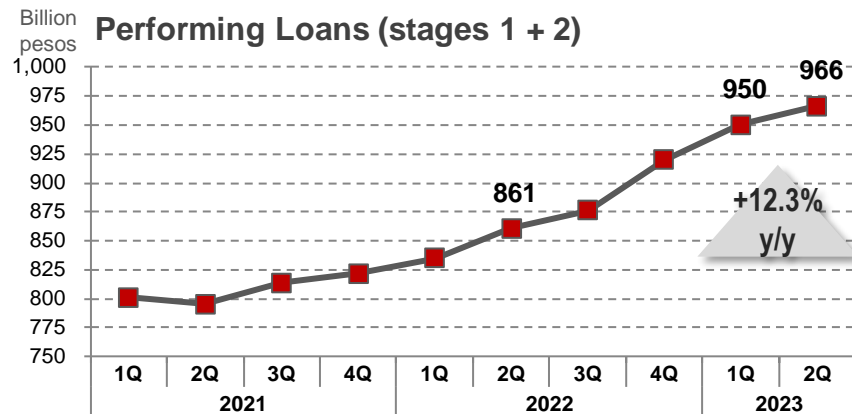
Core Banking Fees

+7% 1H23 y/y



Growth across the loan portfolio

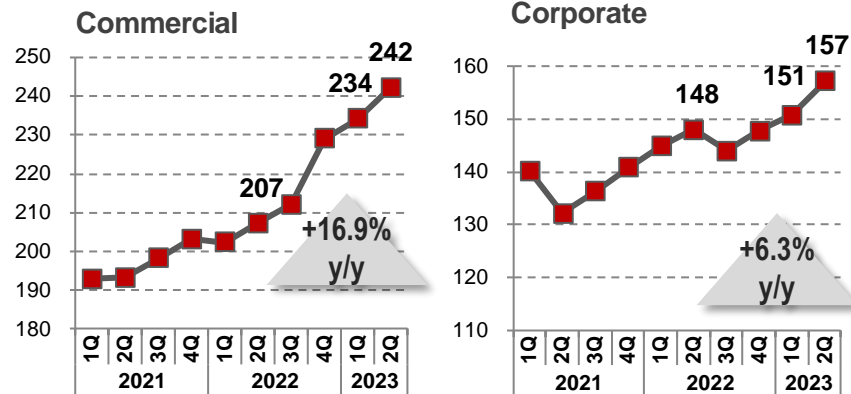
- Performing portfolio (stages 1 & 2) grew +1.7% sequentially and +12.3% y/y
- Solid quarterly expansion in commercial and corporates:
 - Commercial loans +3.5% q/q
 - Corporate loans +4.3% q/q
- Government loans (8.7%) q/q due to the maturity of some short-term revolving operations



Performing Loans (stages 1 & 2)

Million pesos	2Q23	q/q	y/y
Commercial	242,282	3.5%	16.9%
Corporate	157,298	4.3%	6.3%
Government	164,678	(8.7%)	(1.1%)
Mortgage	241,444	3.2%	16.3%
Auto	38,362	9.0%	32.9%
Credit card	48,974	6.2%	19.3%
Payroll*	73,422	5.4%	19.2%
Consumer Loans	402,201	4.5%	18.6%
Stages 1 & 2 Loans	966,459	1.7%	12.3%

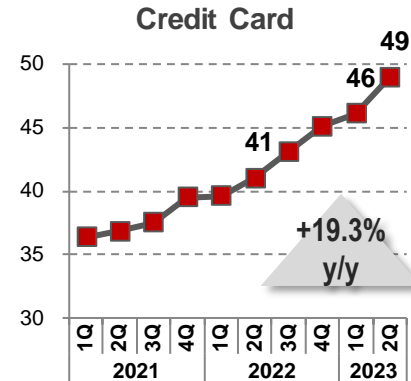
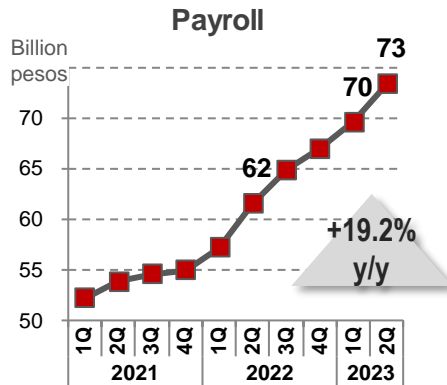
*Includes Personal Loans for Ps 1 billion



Performing loans = IFRS (Stage 1 & Stage 2)

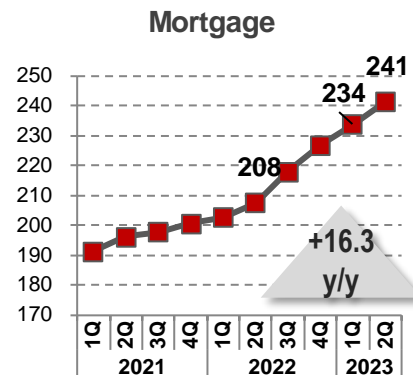
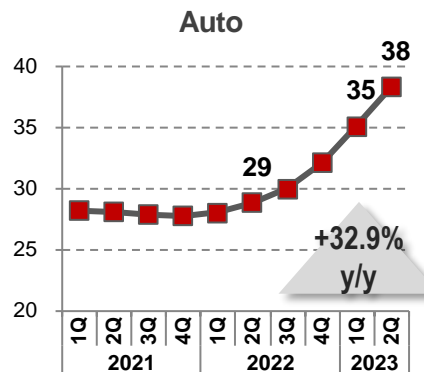
Growth across the whole consumer portfolio

- Robust expansion continues in the consumer portfolio, +18.6% y/y
- All consumer products with sustained quarterly expansion and annual double-digit growth
 - Mortgage +3.2% q/q
 - Auto +9.0% q/q
 - Credit card +6.2% q/q
 - Payroll +5.4% q/q



Performing Loans (stages 1 & 2)

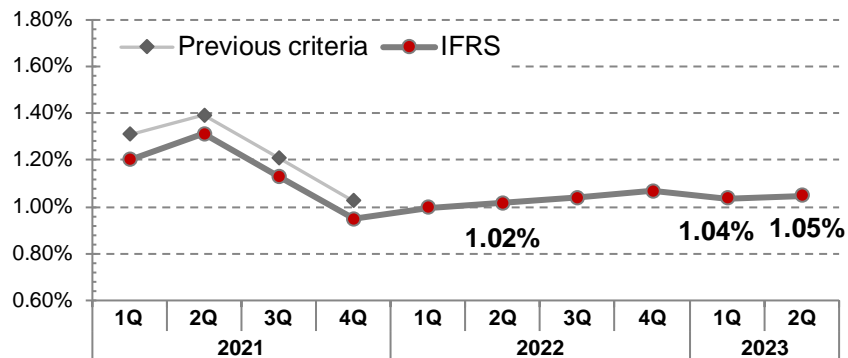
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*Includes Personal Loans for Ps 1 billion

- Resilient asset quality at 1.05%
- NPL ratio continues well below expectations
- No negative signs in sector or geographic trends

NPL Ratio



Non-performing Loans Ratio

	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23
Credit Card	3.6%	2.7%	2.3%	2.2%	2.2%	2.2%	2.4%	2.4%	2.7%
Payroll	2.4%	2.4%	2.5%	2.4%	2.7%	2.8%	3.2%	2.8%	3.2%
Auto	1.1%	0.9%	0.8%	0.7%	0.6%	0.7%	0.6%	0.5%	0.5%
Mortgage	1.0%	1.0%	1.0%	0.9%	0.9%	0.9%	0.8%	0.8%	0.8%
Commercial	1.9%	1.9%	1.6%	1.7%	1.6%	1.7%	1.8%	1.8%	1.6%
SME	3.4%	2.5%	1.8%	1.7%	1.6%	1.4%	1.1%	1.0%	1.0%
Commercial ex-SME	1.6%	1.8%	1.5%	1.7%	1.6%	1.8%	1.9%	1.9%	1.7%
Corporate	1.3%	0.4%	0.0%	0.3%	0.5%	0.4%	0.3%	0.3%	0.3%
Government	0.1%	0.1%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%
Total GFNorte	1.3%	1.1%	0.9%	1.0%	1.0%	1.0%	1.1%	1.0%	1.0%

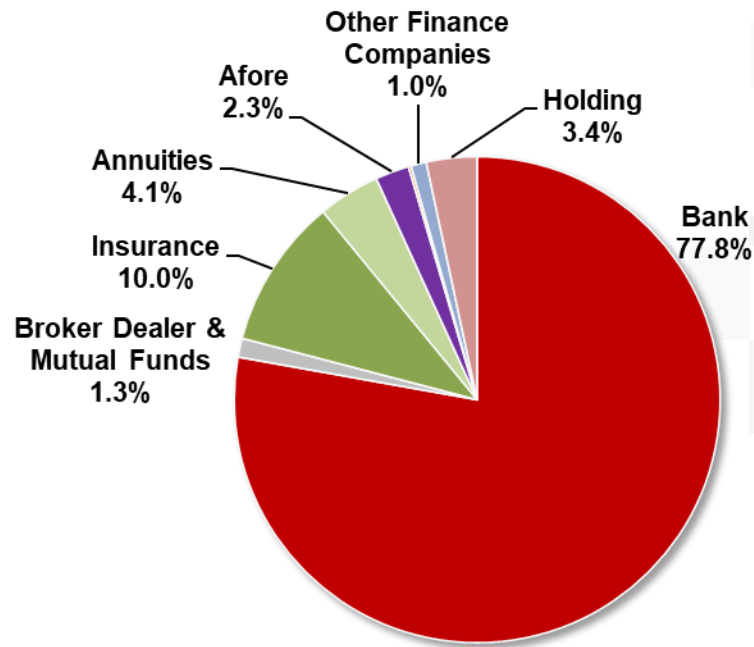
Business diversification, a lever in challenging times:

- Bank +1% q/q, and 1H23 +22% y/y
- Insurance 1H23 +25% y/y
- Annuities 1H23 +4% y/y on market contraction
- Afore recovering 1H23 +131% y/y

Net Income by Subsidiary

Million pesos	2Q23	q/q	y/y	1H23	y/y	ROE 1H23
Bank	10,184	1%	11%	20,314	22%	27.2%
Broker Dealer & Mutual F.	239	170%	(22%)	328	(73%)	11.2%
Insurance	1,221	(12%)	43%	2,610	25%	56.4%
Annuities	489	(17%)	(6%)	1,075	4%	20.2%
Pension Funds (Afore)	295	1%	198%	588	131%	10.2%
BAP (Holding)	20	(26%)	1477%	47	1655%	
Other Finance Comp.	156	42%	(36%)	266	(28%)	
Holding	484	23%	67%	878	44%	
GFNorte	13,088	1%	14%	26,106	17%	21.6%

Net Income by Subsidiary 1H23



* ROTE 1H23: Bank 31.8%, Afore 35.3%

Insurance business operating at normalized levels

- Atypical second quarter on announced delay of a multiannual premium renewal (registered in 2Q instead of 1Q)

- Aggregated 1H23 results provide a better view on business behavior:

- Premiums +22%

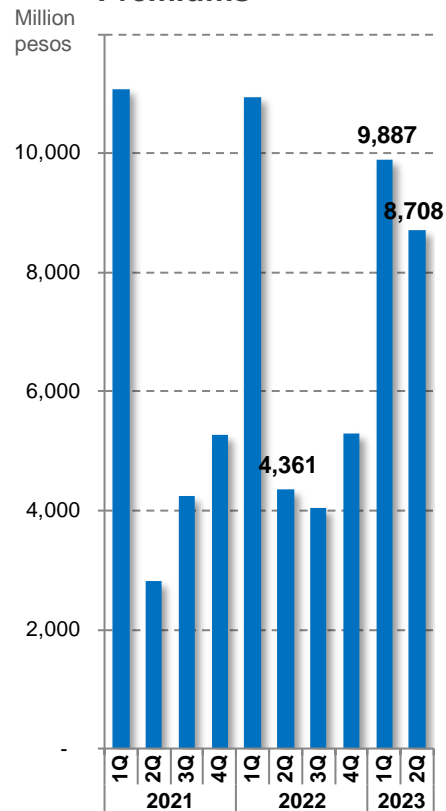
- Claims only +1%

- Acquisition cost increased +83% on bancassurance fees adjustment (offset by more fees in the bank, and no impact in the group)

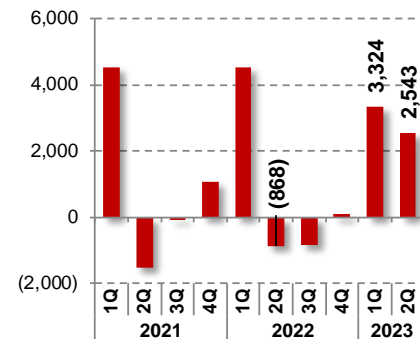
- Net Income +25% y/y

(Million Pesos)	2Q23	Change		1H23	Change
		q/q	y/y		y/y
Net Interest Income (NII)	800	4%	71%	1,567	82%
Premium Income	8,708	(12%)	100%	18,595	22%
Net Increase in Tech. Reserves	2,543	(23%)	393%	5,867	61%
Cost of Aq. from Insur. Oper.	848	(46%)	44%	2,417	83%
Claims	4,316	26%	18%	7,743	1%
Securities-Realized Gains	277	120%	403%	402	335%
Other Operating Income	99	(13%)	(56%)	214	(53%)
Non-Interest Expense	420	(25%)	(4%)	981	6%
Operating Income	1,757	(13%)	52%	3,771	31%

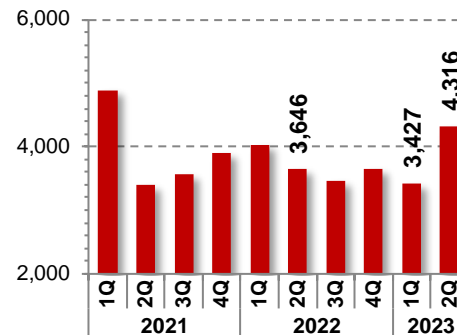
Retained Insurance Premiums



Technical Reserves



Damages & Claims





Environmental

- Adherence to the **CLIMATE DATA WORKING GROUP (CDWG)** by **PCAF**

- Participation in the **GEI MEXICO PROGRAM**, level **GEI1**



Social

- **UN GLOBAL COMPACT** Communication on Progress (COP) **2023 REPORT**



Governance

- **FTSE** rating of **3.7/5**. Adherence to: FTSE4Good Emerging Index, FTSE4FGood Emerging Latin American Index and FTSE4Good BIVA

- **“AA”** Rating by **MSCI** for the 3rd consecutive year

- Updated **SUSTAINABILITY STRATEGY** for **2023 - 2025**

- **BEST RETAIL BANK** (Banorte) for the 4th year, **BEST CORPORATE GOVERNANCE** (Banorte) for the 4th year and **BEST PENSION FUND** (Afore XXI Banorte) for the 7th year, in Mexico, by **WORLD FINANCE**



Sustainable Business

- **GOLD AWARD** in the **STRATEGIC INNOVATION** category for positively impacting the community at the 8th edition of the Financial Innovators in the Americas Award of **FINTECH AMERICAS**

- Publication of **EQUATOR PRINCIPLES ANNUAL REPORT 2022**

- Submission of the **2023 AMAFORE ESG** questionnaire

Financial Highlights

Balance Sheet

**Shielded
Balance Sheet
to benefit from
rates cycle**

ROE

Group 21.4%
Bank 26.6%

Transformation

Continuous transformation
of Banorte to become a digital bank
with branches, and the ongoing
evolution of bineo and JV with
Rappi

NIM

Group at 5.8%
down on annuities
but without effect in Net Income

Bank at 6.5%
Driven by funding costs
& NII sensitivity

Expenses

Efficient expense control

Cost to Income
Record Low
34.1%

Capital

CAR 21.7%
CET1 15.4%

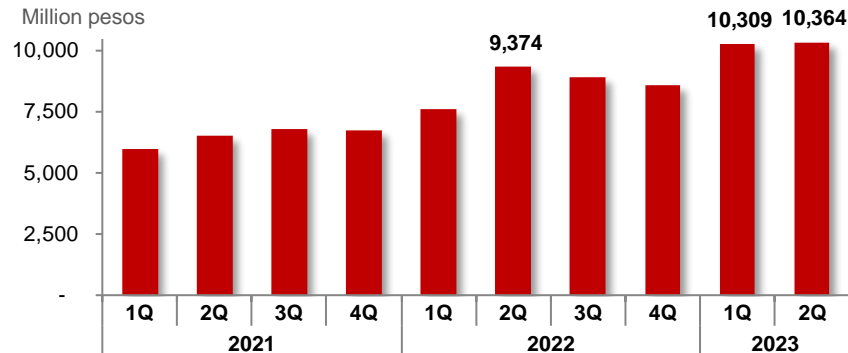
Ongoing profitability at the bank level

Net Income of the Bank +1% q/q, 11% y/y;
1H23 +22% y/y

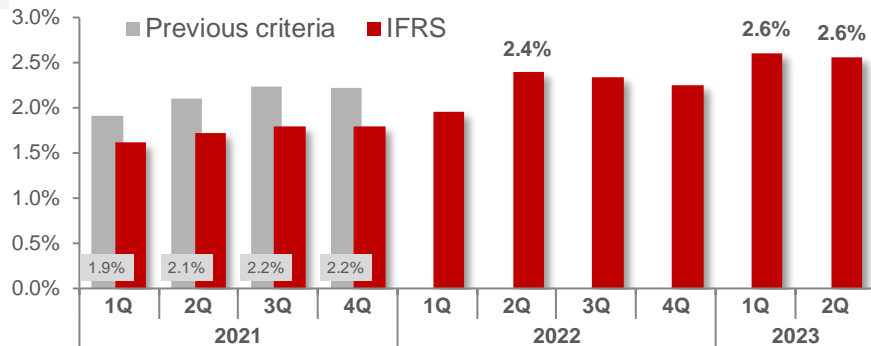
ROE of the Bank at 26.6%;
1H23 27.2%, +294bps annual expansion

ROA of the Bank at 2.6%, +18bps y/y;
1H23 2.6%, +39bps

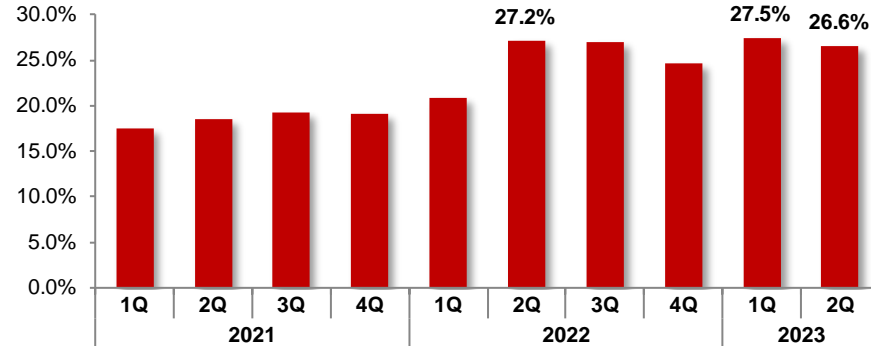
Net Income of the Bank



ROA of the Bank



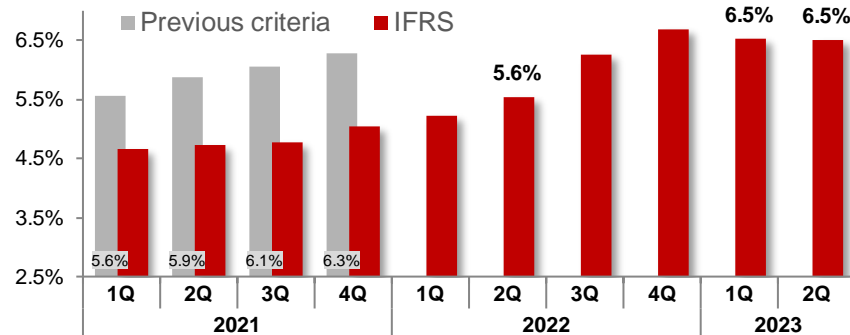
ROE of the Bank



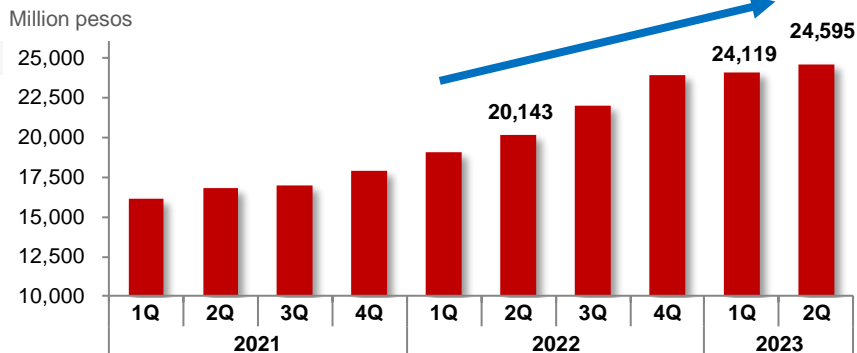
Sound evolution of core banking indicators

- NII of the Bank +2% q/q; 1H23 +24% y/y
- NIM at 6.5%, practically flat sequentially (3bps) on strong loan growth, compensating cost of deposits
- Net fees, slight sequential growth on strong 1Q23, but 1H23 +19% y/y

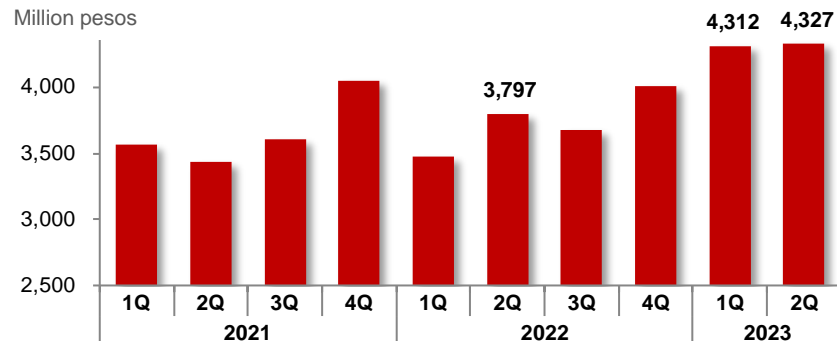
NIM of the Bank



NII of the Bank

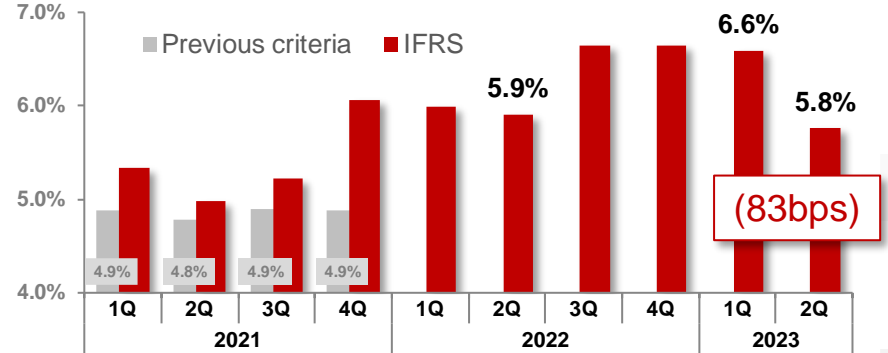


Net Fees of the Bank

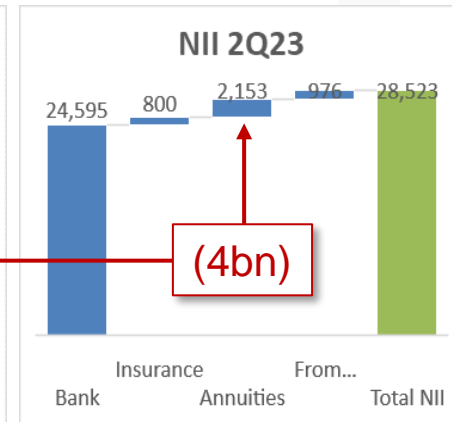
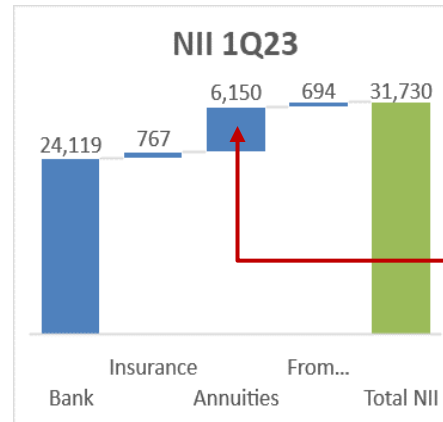
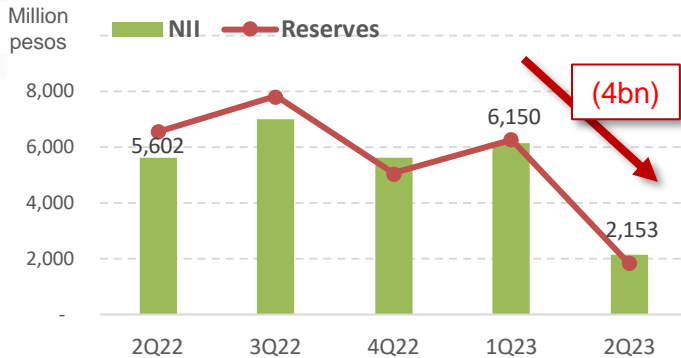


- NIM of the Group at 5.8%, (83bps) lower q/q
- Fully explained by annuities valorization of inflation-indexed securities
- This reduction is offset by lower technical reserves, with **no impact in net income**.

NIM of the Group

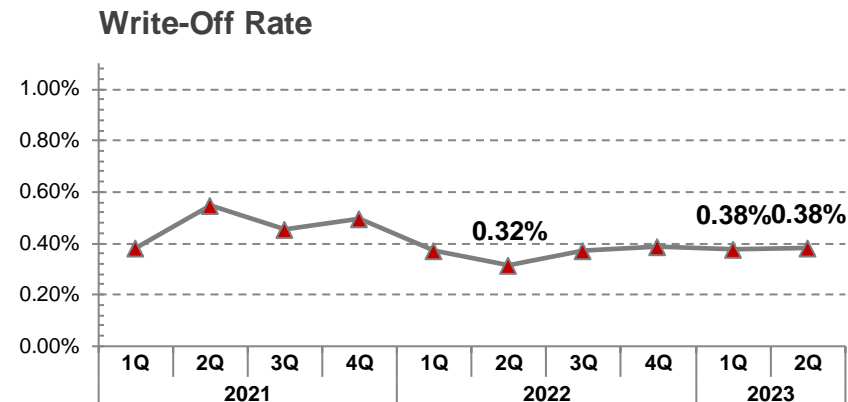
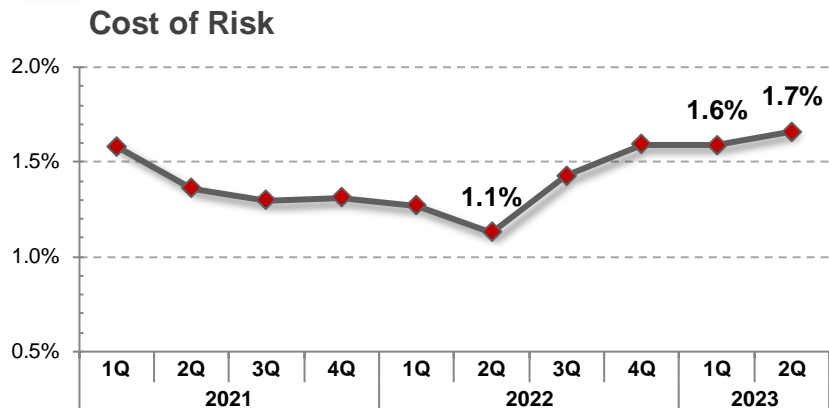
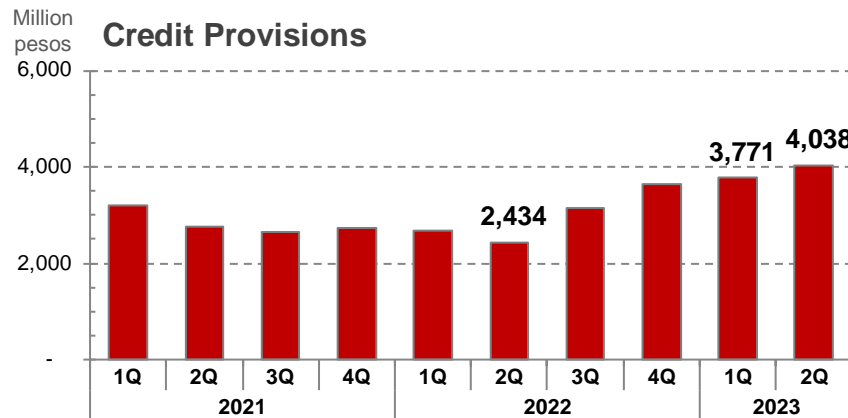


Annuities volatility - NII vs. Tech. Reserves



Better than expected asset quality

- Shielded balance sheet, with remaining Ps 0.54bn in excess provisions
- Credit provisions +7% q/q, 34% on loan portfolio expansion; cost of risk relative stable, +7bps q/q
- Stable write-off rate at 0.38%, below its normal operating level

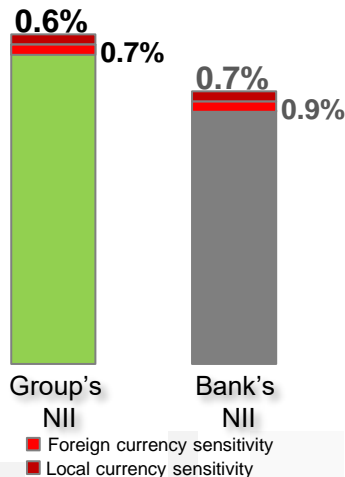


Net Interest Income sensitivity evolution

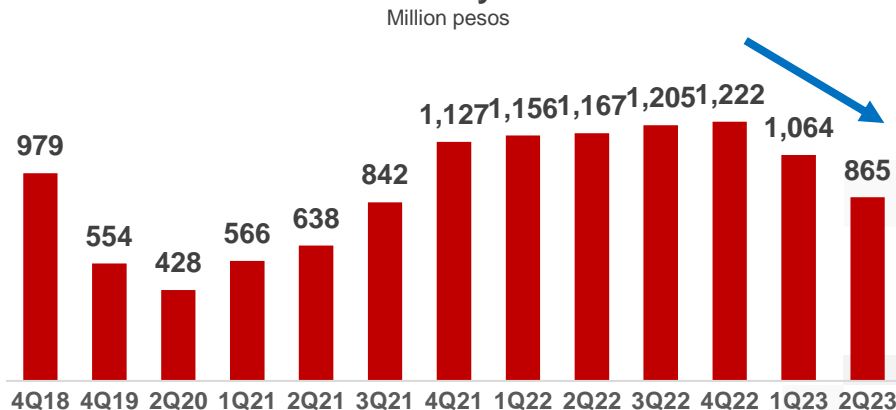
- Dynamic risk management hedges
- Focus on stable low-cost liabilities
- Active ALCO
- Organic growth of floating rate portfolio
- A well-prepared asset & liability management strategy to take advantage of the rate cycle and anticipate the imminent easing cycle

- Expected reduced sensitivity to ~\$700M, an effect of only ~0.6% in NII of the group (currently 0.7%).
- In Foreign currency reduced to ~\$850, implying ~0.7% in NII.

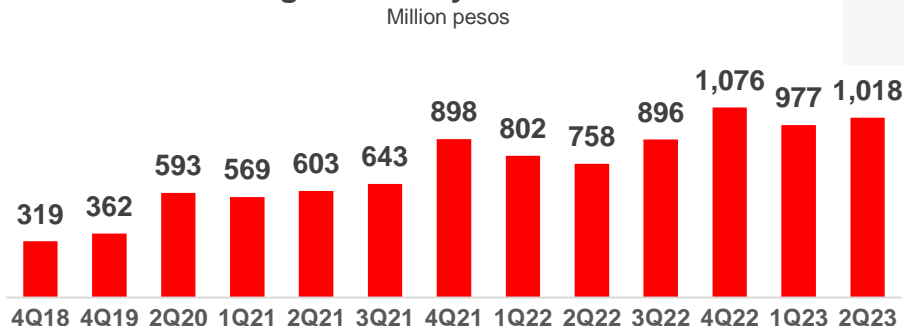
NII Sensitivity / NII %



Bank's NII Sensitivity per 100bps change in rate - Local Currency Balance Sheet



Foreign Currency Balance Sheet



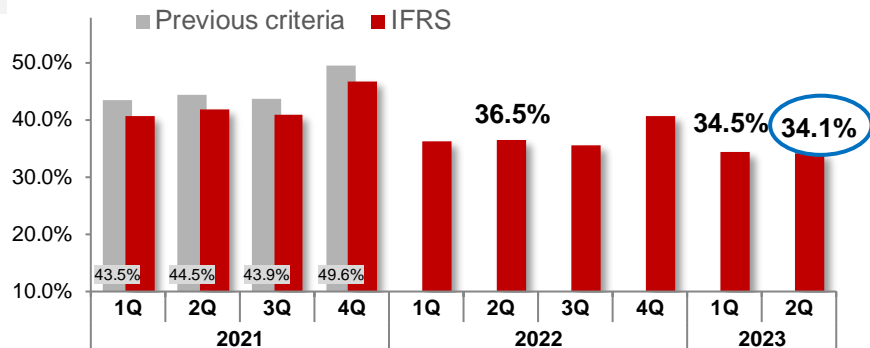
Expenses, paving the road for the future

Expenses +1% q/q

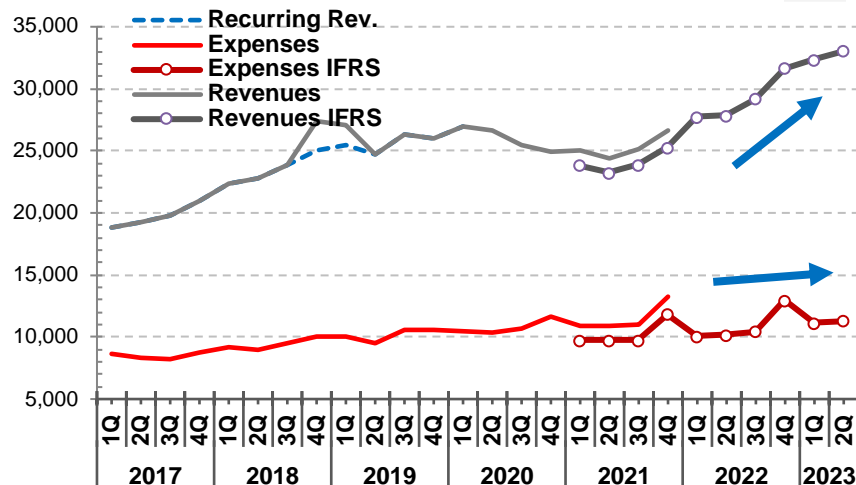
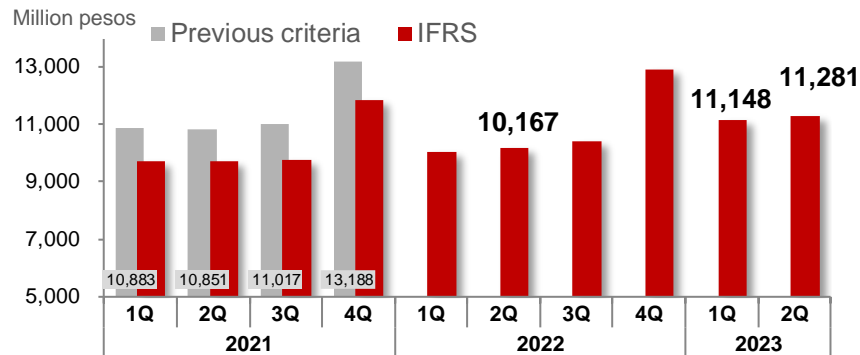
+11% y/y driven by inflation, IT investments, and the strengthening of commercial and SME teams, as we anticipate increased demand in these sectors

RECORD LOW cost to income ratio: 34.1%

Cost to Income Ratio

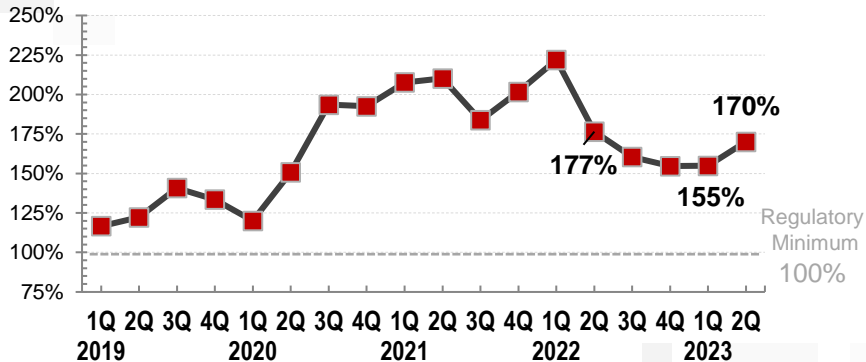


Non-Interest Expenses



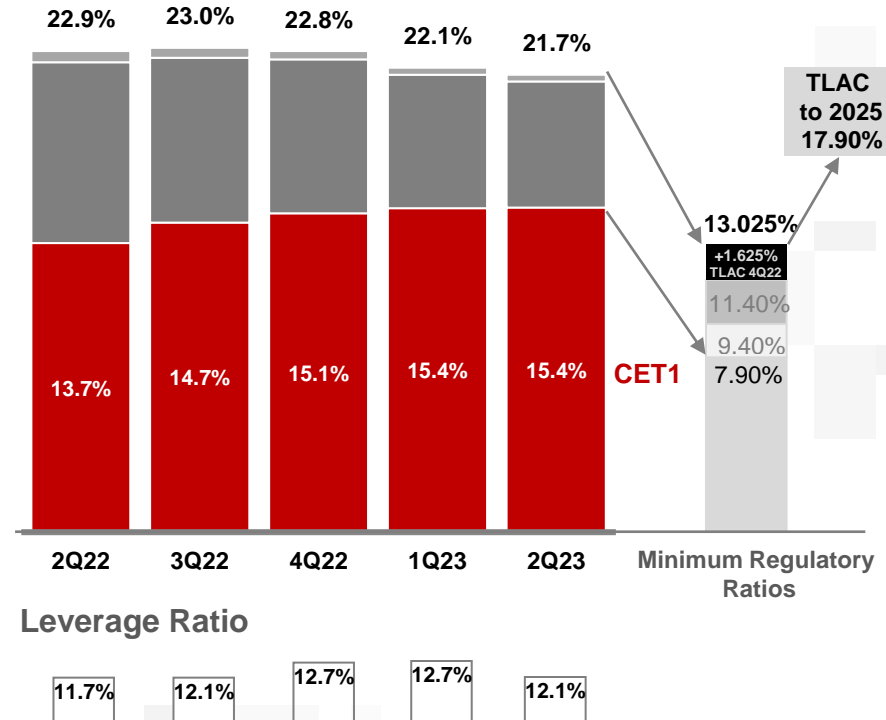
- Strong CAR and CET1, well above regulatory requirements
- CET1 still above management's optimal range, even after full dividends are distributed
- Unlevered Capital
- Liquidity exceeds minimum regulatory requirements,
 - Average LCR at 170%
 - NSFR at 134%

Average Liquidity Coverage Ratio LCR (%)

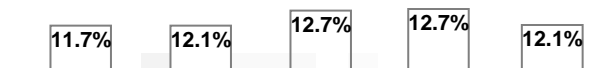


Capital Adequacy Ratio (CAR)

Basel III

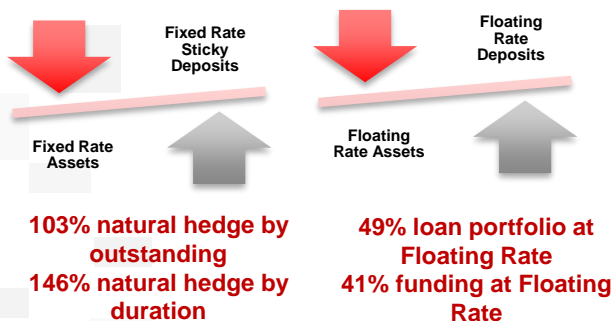


Leverage Ratio



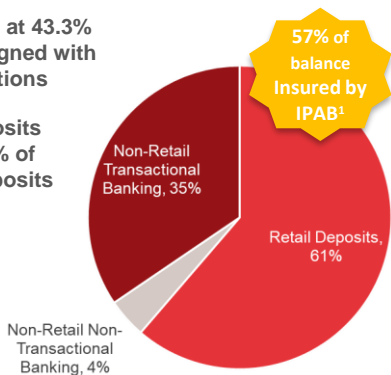
Highlights

a. ALM & Interest Rate Risk Management



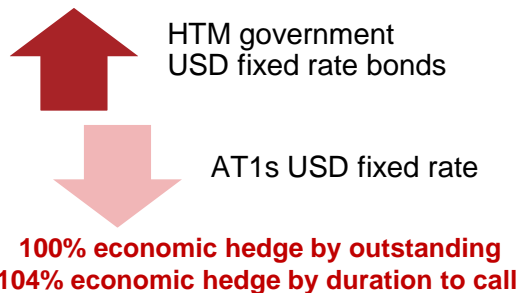
b. Deposit stickiness

- Cost of funds at 43.3% of CETES, aligned with market conditions
- Demand deposits represent 73% of total core deposits

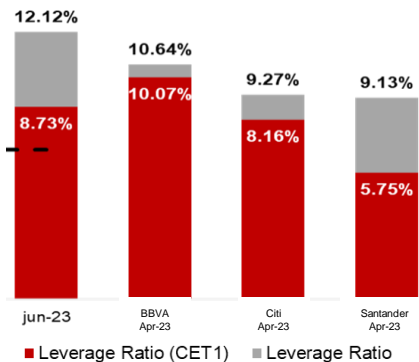


1. 100% of accounts.

c. AT1's hedge to call

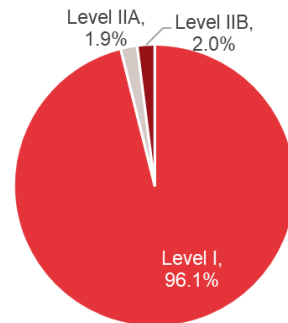


d. Basel III Leverage

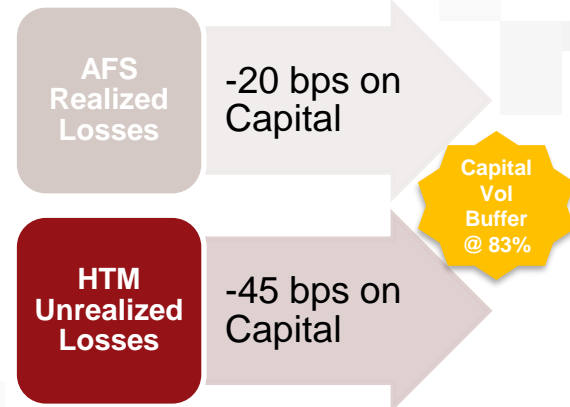


Banorte is the less leveraged Bank among peers

e. ALCO Portfolio & HQLAs



f. ALCO Portfolio valuation



	Previous	Actual
Loan Growth	6% – 8%	10% – 12%
NIM	6.5% – 6.8%	6.2% – 6.4%
NIM of Bank	6.7% – 7.0%	6.5% – 6.7%
Recurring Expense Growth	7.0% - 8.0%	7.0% - 8.0%
Total Expense Growth*	11.0% – 13.0%	11.0% – 13.0%
Efficiency	36.0% – 38.0%	35.0% – 37.0%
Cost of Risk	1.6% – 1.8%	1.6 – 1.8%
Tax Rate	24% – 26%	24% – 26%
Net Income**	50.5 – 52.5 bn	51.5 – 53.0 bn**
ROE 2023	19.5% – 21.0%	20.5% – 21.5%
ROE of the Bank	28.5% – 30.0%	26.5% – 28.5%
ROA 2023	2.4% – 2.6%	2.3% – 2.5%
Macro Estimates for 2023		
GDP	0.5% – 1.5%	2.3% – 2.9%
Inflation Rate	4.5% – 5.5%	4.0% – 5.0%
Banxico's Reference Rate (Avg.)	~10.75%	~11.25%

* Includes BINEO 2%

** Includes foregone interest due to extraordinary dividend payment

Appendix

	Vs. Total Loans 2Q23
Oil Industry*	4.4%
Electricity Companies*	2.6%
Construction & Real Estate	
Housing	1.4%
Commercial	1.4%
Others	1.6%
Malls	1.7%
Tourism	4.3%
Restaurants	0.2%
Airports	0.0%

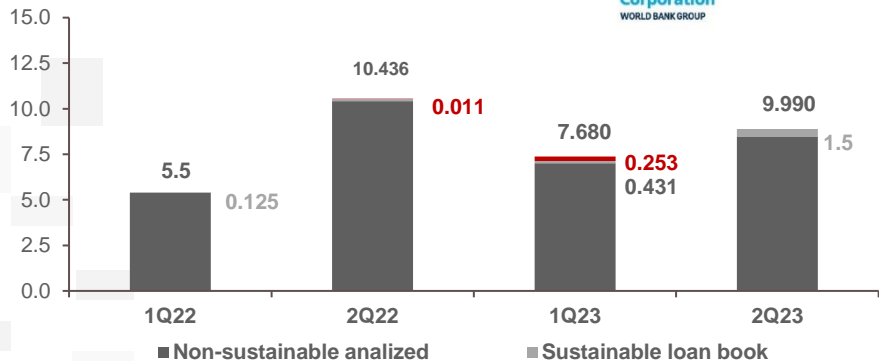
- Including traditional, clean energy and suppliers

SMEs • 70% Nafin / Bancomext guaranteed loans, 45% of SME book	4.8%
Dollar denominated	11.3%

Sustainable Business (2Q23)

Loan book evaluation

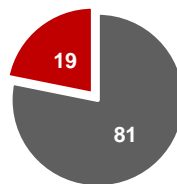
% of wholesale banking loan book



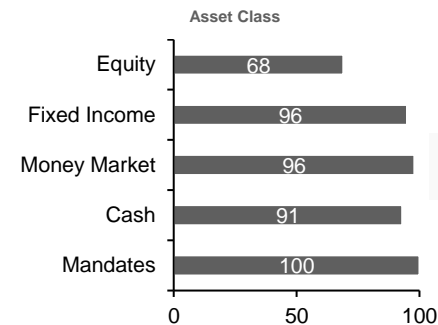
Responsible Investments – Mutual Funds

% of total analyzed AUMs by instrument

Fund's Portfolio

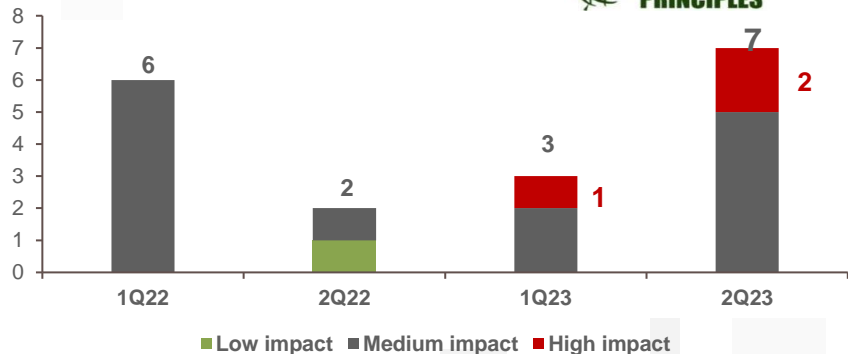


■ Analyzed ■ Not Analyzed



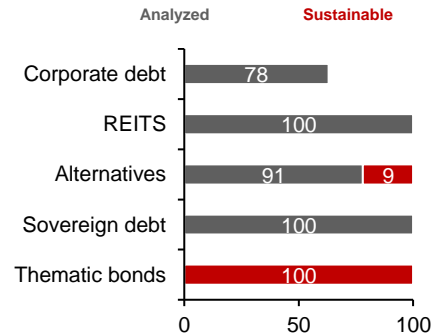
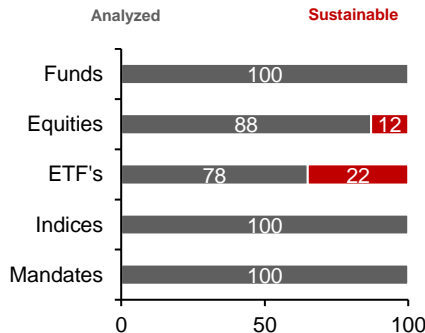
Loan book evaluation under Equator Principles

Number of analyzed projects



Responsible Investments – Pension Funds

% of total analyzed AUMs by instrument





Earnings Call

2Q23

July 21st, 2023

