



**LSEG STREETEVENTS**

# EDITED TRANSCRIPT

**Q3 2025 GRUPO FINANCIERO BANORTE SAB DE CV EARNINGS CALL**

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An LSEG Business



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## PRESENTATION

### **Tomas Lozano Derbez** Grupo Financiero Banorte SAB de CV - Head - Investor Relations, Corporate Development and Sustainability

Good morning, everyone. This is Tomas Lozano, Head of Investor Relations, Corporate Development, Financial Planning and ESG. Welcome to Grupo Financiero Banorte third-quarter earnings call for 2025. Our CEO, Marcos Ramirez, will begin today's call by presenting the main results of the quarter and the first nine months of the year and will comment on the strong results of our core business as well as extraordinary that impacted this quarter's results.

Then Rafael Arana, our COO, will go over the financial highlights of the group, providing details on the margin evolution and sensitivity, asset quality, and expenses and will cover the adjustments in the guidance to reflect Bineo's impairment and the group's operational strength.

Please note that today's presentation may include forward-looking statements that are subject to risks and uncertainties, which may cause actual results to differ materially. On page 2 of our conference call deck, you will find our full disclaimer regarding forward-looking statements.

Thank you, Marcos, please, go ahead.

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## **Jose Ramirez Miguel Grupo Financiero Banorte SAB de CV - Chief Executive Officer, Director**

Thank you, Tomas. Good morning, everyone. Thank you for joining us today. Before starting our call, I'm proud to share with you that yesterday, we concluded our 125th anniversary celebrations, with a special Board meeting in Monterrey.

We thank you for your patience as we had to move our official reporting dates to make this celebration special. We achieved 125 years of sharing with you, our shareholders, a transformational journey that has a lot to become one of the leading financial groups in the country. Your trust and support has been key as you have helped us to execute and embrace digital transformation, expand our business participation and reimagine the way we operate by placing our customers at the center.

Moving on with our results, let me begin by highlighting that this was an overall strong quarter. Our core business continues to demonstrate the structural strength, supported by the solid performance across our business units, expanding margins and disciplined expense management. However, it was overshadowed by two extraordinary items that impacted our results.

The first item has to do with the NIM. As you well know, we announced itself in September. Although this transaction is still awaiting regulatory authorizations, accounting standards require its classification as a discontinued operation with an initial valuation impairment of MXN1.3 billion. Second, we recognized a new nonperforming case for the commercial portfolio with its corresponding impact on higher provisions and cost of risk for the quarter. It is important to highlight that, that is an isolated case and we do not expect any particular industry to be at risk.

These extraordinary events do not reflect a weakening of the structural strength in our core business or operating trends. Additionally, our cost of risk outlook for the full year is not modified since the possibility of occurrence of such case was previously anticipated. We expect the positive trend in our quarterly results to continue during the fourth quarter, together with the usual seasonal dynamics that characterized the end of the year.

Regarding the Mexican economy, our economic analysis team maintains its GDP growth forecast at 0.5% for 2025, driven mainly by Brazil (inaudible) and signs of recovery in domestic consumption. Looking ahead to 2026, we anticipate a rebound in GDP growth to 1.8%, supported by a combination of factors expected to stimulate private construction and tourism, such as Mexico participation in the FIFA World Cup and the renewing momentum in key sectors such as investment in construction.

On the fiscal front, the Mexican government expects to uphold fiscal consolidation efforts to 2025 to 2026, in line with the budget proposal recently submitted to Congress. Additionally, we foresee a continued constructive and collective dialogue between Mexico and the US in the coming months, which could support the process of the USMCA scheduled for next year.

Regarding monetary policy, we forecast two additional 25 basis cuts in the reference rate, bringing it to 7% at year end. For next year, we expect two further reductions, with the rate reaching 6.5% in the first quarter and remaining stable throughout 2026. Finally, we expect a steady Mexican peso for the remainder of 2025 as the broad weakening of the US dollar and the increased appetite for risk assets have favored the currency. As a result, our economic analysis team forecast MXN18.80 per dollar by year end.

Now starting off with the financial results on slide number 3, we highlight the group's sound structural performance. Margin for both the group and the bank expanded in the quarter, supported by the neutralization of our balance sheet sensitivity. Cost of fund optimization has absorbed the impact of decline in rates in the loan portfolio, which also reflects the natural hedge of larger fixed rate loan balances. The overall expansion and composition of our credit portfolio continues to support revenue generation, driven by a resilient internal demand and the implementation of the hyper personalization strategy.

Our capital generation remains strong, driving the capital adequacy ratio to 22.3% and creating opportunities for capital optimization. We will provide greater detail later in the presentation. As for the extraordinary items that I mentioned before, we see Bineo's impact. And regarding the risk metrics and increase in the NPL ratio to 1.4% and cost of risk reached 2.7%, reflecting the isolated case during the quarter.

On slide number 4, net income for the third quarter decreased 11% sequentially and rose 1% with accumulated figures, mainly affected by both extraordinary items already discussed. Nevertheless, results still reflect a strong structural performance in our core businesses. ROE for the first nine months reached 22.3%, in line with the full year guidance.

Results by subsidiary on slide 5, despite a minus 4% sequential decline in the bank's net income to MXN11.3 billion, mainly affected by higher provisions that offset the dynamic consumer activities in core banking products and structural efficiency in margins. Consequently, ROE for the bank stood at 27% for the quarter.

With accumulated figures, net income from the bank grew 2%, reaching MXN34 billion. Despite higher provisions, the bank displayed a sound corporation and higher market-related income from heavier trading activity. The business was positively impacted by the neutralization of our balance sheet sensitivity to rates, supported by larger lending volumes along with the consistent optimization of our funding costs.

Our banking operations still showing resilience on consumer dynamics and the positive impact of higher fees from the insurance company. Altogether, these results yielded an accumulated ROE of 28.4%, in line with the guidance.

Our insurance business grew 20% during the first nine months of the year, driven by higher billing issuance, mainly in the life sector. The overall positive evolution of the business is also capturing higher lending activity of auto loans and mortgages at the bank, which offset greater fees paid for the bancassurance operation.

Annuities expanded 28% quarterly due to the higher business volume despite a greater competitive market. With accumulated figures, it grew 3% driven by a positive technical result on lower inflation adjusted reserves. In the brokerage sector, the quarterly decline was driven by lower evaluation in securities. However, the first nine-month expansion derived from increased fees due to higher trading operation and market-related gains. Lastly, results in the pension funds business were driven by higher yields on financial products in both comparison periods.

On slide number 6, the loan portfolio, excluding the government book, grew 10% year over year, driven mainly by consumer lending. In the year, the commercial and corporate book grew 9% and 7%, respectively, still supported by short-term working capital financing, primarily in the tourism, real estate and industrial sectors.

Deceleration in both portfolios is in line with our expectations for the year since customers in both segments continue to wait for trade clarity before committing to long-term investments. Moreover, these portfolios were further impacted by FX variations in the dollar book, which currently represents 40% of the total loan portfolio.

On the other hand, our government portfolio declined 12% in the year, largely related to lower activity in the federal government and prepayments from states and municipalities. Nevertheless, we reiterate our appetite for the segment, and we anticipate a seasonally active fourth quarter.

Turning to slide number 7. Consumer lending continues to drive overall loan growth. The 12% year-over-year expansion was supported by our ability to capture the disposable market with digital capabilities, process efficiencies and hyper personalized business model. In this sense, auto loans sustained stronger-than-expected annual growth, increasing 31%. This expansion was driven by our ongoing efforts with existing strategic alliances to improve our availability and the competitiveness of our offering within the partnership, and our capacity to gain market share by capturing business from competitors.

The credit card portfolio rose 16% year over year, mainly supported by our resilience on private consumption, improved promotional efforts that derive in larger building balances, targeted marketing campaigns and the continued success of our rewards and loyalty programs with our existing customer base. Payroll loans grew 10% in the year, driven by an observed greater demand, process optimization and increased availability to digital channels. Moreover, we continue to enhance our value proposition with differentiated high liquid products designed to align with evolving customer needs. Finally, mortgages rose 8% in the year, supported by improved origination processes, strategic alliances and our hyper personalization strategy. On slide number 8, the structural asset quality continued to demonstrate solid performance across most of the products.

However, as noted at the beginning of the call, our risk indicators reflect an isolated nonsystemic case with the commercial portfolio. I would like to insist that it does not indicate broader sectorial or geographical concerns nor a deterioration in our quality forecast. While the recovery outlook remains strong, such case resulted in elevated provision. In this sense, both NPL ratio and cost of risk rose in the quarter. However, we are still holding our cost of risk guidance range for the year between 1.8% and 2%.

On slide 9, net fees grew 1% quarter over quarter and remained relatively stable with accumulated figures. Sequential slowdown reflects lower transaction activity compared to a seasonally high second quarter. With accumulated figures, higher transaction volumes in consumer products and investment funds were offset by regular fees paid on credit origination to the external sales force.

Moving on, on sustainability in the slide number 10. I would like to highlight that in line with the high growth rates of auto loans, a growing proportion of this portfolio is related to hybrid and electric vehicles. This supports growth in sustainable products such as Autoestrene Verde (inaudible) auto loan product.

Similarly, on the social front, our book in payroll clients demand stronger support from them through financial education workshops, which help our clients make better informed decisions when hiring the different financial products available to them.

Lastly, the environmental front, we are very close for reaching our 2025 target of 226,000 planted trees across Mexico, in line with our commitment to One Trillion Trees organization.

So as you can see, our core business and structural expense continue to have a sound evolution. In this sense, apart from Bineo consolidation impact of net income, we are maintaining or improving all of the other operational ratios in the guidance for 2025, being confident we will comply with our commitment to the market.

Now before asking Rafa to cover the main financial results of the group and the updated guidance for the year, I would like to address our capital allocation plans. The bank's organic capital generation enabled us the possibility of an extraordinary dividend during the fourth quarter. Accordingly, we are having a shareholders' meeting in the upcoming days to seek approval and proceed with the distribution of around 35% of the net income of 2024, amounting MXN6.99 per share by year end. With this, our total payable ratio will reach 85%.

With this, I conclude my remarks. And please Rafa, please go ahead.

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## **Rafael Arana De La Garza *Grupo Financiero Banorte SAB de CV - Chief Financial and Operating Officer***

Thank you. Thank you, Marcos. Now we move to the financial highlights. And I would like to address and thank you for all the feedback that you give us yesterday concerning the results and some of the questions that allows to really go directly into what's really of concern of what you saw in the numbers.

Firstly, let's remember that when we set up the guidance for the loan growth, we were expecting a country that was supposed to grow at 0 GDP. And we set up a loan growth with the exception of the government book, very close to 10% or double-digit growth. I will go in a minute to show that, that's still very feasible for us, and we're still going to keep that on the guidance.

But if we see a very strong consumer that continues to grow in a very good way for us, it's not the same on the corporate and the commercial. That is much more a wait-and-see mode for the country, even though we continue to provide working capital and some CapEx for the commercial and the corporate. But that -- I would say that's where you see less activity in the group.

The government book is starting to move forward in the way that we always expected that by the end of the year, the government book was going to continue to be trending up based upon many initiatives that were on the making for the -- I would say, for six, seven months on the book. So even though there was some concern about that the commercial and corporate was not growing in the bank and that we are only becoming more a consumer bank, that's not exactly the case, and it's most related to what I mentioned about the economic activity that is very related to what's going to happen with the USMCA in the corporate and the commercial.

If you look on the positive side, concerning the growth in the lending side, we basically captured market in car loans, payables, credit cards, mortgage books, a piece on the commercial and corporate, but we capture market on that part. Governments start to move. This is positive information. So you we'll see that. We have really started to move from 26.4% to 27.4%, and you will reflect that on the on the fourth quarter.

So all on all what we see is that we continue to see very strong demand on the consumer side and very healthy demand on the consumer side and we will see the numbers in a minute. And what Marcos mentioned about this isolated case that was very not expected for us, we're working with that case for many months, but it was really not in our hands to sort it out. And Gerardo will explain that in a moment.

So if we now move because what I don't want for the investors to see is that Banorte is starting to really slow down on that part. I think the third quarter is always the most difficult one, but you will see a very good pickup on the fourth quarter on the loan growth to achieve, but we guide the market to (inaudible).

If you go to the slide that we're showing on NII, I think the key part is looking at the NII, especially on the -- what is loans and deposits. NII concerning loans and deposits is growing at a very healthy 15% on that part. So when you see another part on the NII, when you see the MXN1.5 million that was really not expected to happen because it's related to the strength of the peso, that is causing us to lose on the net income, on the NII, MXN1.5 billion that was not expected in any way when we set up the guidance. If the peso starts to go more in a trend to the 18, 19 something, you will see a recovery on that part. But NII, especially on the loans and deposits continue to be very healthy and growing in a nice way.

So that's what I would like to result on that part. That expansion on the NII will continue also into the fourth quarter.

Based upon all the cost of funds that we have, we will see in a minute how the spread of the book continues to expand based upon all the strategies that we set up on the on the balance sheet. So very reasonable NII in the loans and deposit, 15% year on year on that part, and a negative impact in the valorization from FX of MXN1.5 billion that was really not expected where we set up at the beginning of the year.

So if I move now to the next one, the bank NIM continues to expand in an important way. Now it's reaching 6.9% based upon all the strategy that we set up on the balance sheet. And that also has allowed us to compete in the market because by having the lowest cost of risk and NPLs, we can provide the market with very attractive prices if we like the risk. So we are very, very diligent on the risk. But based upon the spreads that we're getting on the group, we can really go for the clients and we like to have that at the bank.

So I already discussed the NII. Bank net fees, some people are concerned about the bank net fees. Remember that out of this -- the third quarter is really a kind of a slow month on that. You will see a lot of activity in the fees in the coming next three months because of all the promotions and things that accompany the end of the year. We have a very -- I would say, we are very confident that fees will continue to expand.

And remember that when you have to look at fees, since we are selling really cars and mortgages in a very important way, I mean we -- in parallel, we are basically the leader in the market and in the mortgage which we are seconding market but very close to the first one, is that you have to pay the dealers on the commission basis what you have with the dealer to the sellers with the sales force that we have and the same happens on the mortgage front. Then you absorb that through the life of the loans. So this is related to the very fast pace that we are growing the group in the mortgage book and in the car loans.

And another important thing to mention is that we have two very large issuers that was a very important part of the fees that were running to us because of the very large number of transactions. But we decided based upon a very I would say, a profitability metric analysis that we did on those two clients, but it was not on the best for the bank to keep on sharing those because there was basically no money to be made on that. You will see that balancing out in the next quarter.

So when I go to the next page and the sensitivity continues in the same way that we have been planned in the group. So the sensitivity on an NII basis is nothing and basically, and on the balance sheet on the peso route, this continues to be very, very, very low. On the dollar book, you see that's much more active balance sheet management, not in the same that was in the peso that you have a long way to really position the balance sheet. And the reason for that is that we don't have fixed rate loans on the dollar group. We have a lot of fixed rate books on the peso book that allow us to hedge the balance sheet in a natural way.

In the next -- what you see, the bank's net income was basically affected by the -- what Marcos was already mentioned, but that's an extraordinary base that we had on the commercial side. The ROA of the bank continues to stay at 2.5%, and the ROE of the bank, including the loan that was mentioned before, stay at 27%. But in accumulative basis by the end of the year will be very, very in line with what we guide the market today.

I will jump to the next one, and it's basically the graph about the managerial NIM, but you see the effect of the annuities and insurance on that part. You see now basically those two trending. So there's no -- the only thing that happened on the pension book was a slight effect on the URBI because of inflation that happened in the quarter.

The most important part also in the next slide to see why we are confident that NIM will continue to expand and continue to deliver pretty good numbers on the margin side. You see that when you look at the graph, you see the active -- the rate that we are really having on balancing the active rate that is present in the market how we are dealing with the reduction of the fees.

But you see, and also a very important part is the reduction that we are having on the funding side that you can see that on the red dotted line on the low part of the graph. And then you move into the next one that is -- no, no, no -- into the next one, that is really the spread. And the spread is 8.9%. And you see that, that spread continues to extend even though the rates continue to drop. And that spread will continue to move up through the remaining of the year and into the next year.



So basically, what you saw -- you see in those graphs is that you see the portfolio continues to post pretty good numbers around 12.9%. You see a deep reduction on the active rate that is basically the lowering of the rates that the Central Bank is doing. But you see that the spread goes in the other way, and that's exactly what we plan the balance sheet to do so we started to position our balance sheet. So that will continue in the coming months.

The next graph really shows the trend that we have on the funding cost and that graph will continue to grow in the coming months. As you know, basically, October, November and December are pretty rich months concerning the noninterest-bearing deposits, and we will continue to see that drop in the funding cost has stayed there for the remainder of the year and into the next year.

There was a concern about -- on the funding side that it was like a drop on the interest-bearing deposits. That was a deliberate move because there was expensive funding that we were holding on the balance sheet and we don't need that anymore. So we got rid of those expensive funds, okay?

And in the next graph, it is really what is creating Banorte being such steady on the NPS and cost of risk, it was kind of a surprise for the market and also for us, the big pickup that we have on the cost of risk is -- I think is mentioning that it's tough to keep the risk numbers the way we have been keeping for many, many months and years. And this is really an extraordinary pace. Gerardo will go in a minute to explain exactly what this case is posing.

But what I would like to address is that we still hope that Marcos mentioned that we will, on our guidance, on the cost of risk from 1.8% to 2% on that part. And the write-off rate that you see continues to be quite steady on that. So this was the big pickup that we have in the third quarter. And another thing that you will see is that an addition MXN400 million provisions were put also on the third quarter that those provisions will be reversed in the coming quarter because it was basically because of a calibration of the models from the credit cards that we are coming into -- before integrating the Tarjetas del Futuro, the Rappi integration with us.

I will pass and then I will continue, but please Gerardo, you would like to address the case?

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### **Gerardo Viezca Grupo Financiero Banorte SAB de CV - Chief Risk Management and Credit Officer**

Yes. Sure. Thank you. Good morning, everyone. I will say that the higher provisions recorded during the period is primarily attributable to a single isolated exposure within the commercial loan portfolio.

The specific case required an additional reserve following a detailed credit review that considered updated financial information and collateral valuations.

Importantly, this adjustment is not indicative of a broader portfolio trend. Comprehensive statistical and credit analytics confirm that the event is idiosyncratic and nonreplicable. The exposure in question has characteristics that differ materially from the rest of the portfolio. That is including sector, geography, obligor structure and collateral profile. And those does not share risk drivers or behavioral patterns with other loans.

Portfolio level analysis support this conclusion. Let me explain three factors. The first factor is correlation test between the affected exposure and the rest of the commercial loan book show provisions statistically indistinguishable from zero, confirming the absence of common risk factors. Second, migration and delinquency rates across all other commercial cohorts remain stable and within historical norms. And third, vintage performance and profitability of default distributions exhibit no significant drift compared to prior quarters.

Consequently, the increase in provision should be interpreted as a one-off technical adjustment, reflecting the institution's conservative provisioning framework rather than a signal of credit deterioration or a change in portfolio quality.

This proactive approach strengthens coverage ratios and demonstrates the bank's commitment to prudent forward-looking risk management practices, ensuring portfolio resilience under diverse economic scenarios.

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### **Rafael Arana De La Garza Grupo Financiero Banorte SAB de CV - Chief Financial and Operating Officer**

Thank you, Gerardo. If you've got more questions, we will address that during that. The other thing that we would like to touch, the next slide please, is -- when we commit to the market at the beginning of the year about the guidance, we said that we were going to push hard to go into single-digit numbers, the expansion on the ratio.

As you can see on that part, we are very, very close to achieve that to reach lower cost expansion for the year and started to go back again to single digits. And from then, a continuous evolution into what we like our 34% cost-income ratio. This was a big step, and you will see that big drop also on the fourth quarter on the expense line. But we are right on target what we promised the market that we will be below two-digit numbers into single-digit numbers. That's -- I think that's another part that we will discuss when I touch about the guidance.

The next one goes with the capital. Marcos already announced and the distribution of the extraordinary dividend. And the reason for that, you can see easily on the quality of the capital and the size of the capital base, 14.8% is what we have and own on the core Tier 1. That number when we pay the dividend, will go for the first quarter close to the 12.5% and evolve here very close to the number that we would like to have, that is the 13% for Tier 1 ratio, fully compliant with TLAC. No issue with TLAC in any way.

So capital continues to be a very strong generation of dividends for our investors, and we continue to hold a very prudent management on the capital base.

Now I will move into the guidance to see what are the adjustments that we will have in the guidance. The first one was loan growth. The new guidance that we are putting in the loan growth, the range is open because there's pipeline, but we have to go to make that pipeline a realistic one. But we think that without the government group, we're going to be very close to the double-digit number, if not above the 10% in double-digit numbers, but we have to see how the pipeline evolves on the remainder of the months.

The pipeline looks strong, and I think we could achieve what we promised the market on that. Net interest margin for the group will be a bit -- a little bit above what we guide the market on the range. The NIM of the bank, for sure, will be very close to the 6.7%, 6.8%. The recurring expense growth that we were putting double-digit numbers is going to range from 9.4% to 9.7%. That put us on an efficiency ratio from 35.5% to 36.9%, trending to the number that we would like to have that is the 34%.

Cost of risk will continue to hold the 1.9% to 2%. We feel confident about that. Tax rate, the same. The net income basically has been affected by Bineo. If you strip the Bineo number, the bank is exactly on guidance.

And you have to consider that we were not taking into account MXN1.5 billion of FX that happened to the bank that really affect the net income in the MXN1.5 billion basis. So on the net income basis, basically, what you see is the effect of Bineo.

And let me tell you this. There's a lot of initiatives trying to minimize this effect. But in order to try to be as close as we can be for the guidance by the end of the year and not promising that we will be on the guidance, but efforts are being made to be very close. We continue to see very good consumer, government is coming alive and also a pipeline on the dollar book is becoming quite effective. At the same time, we don't see any hiccups on the quality of the group on the consumer and no more in extraordinary cases under the commercial and corporate.

Return on equity for the group will continue to go from 22% to 23%, up from 21.5% and the return on equity of the bank will be from 28% to 29%. The ROA will stay at 2.2% to 2.4%. So with this, this is the guidance that we have at this moment. But I would like to address the fact that important efforts are being made basis of the dynamic of the bank that we could really achieve a better number on the -- of the net income guidance by the end of the year that will be close to what we promised the market on that.

With this, I conclude my remarks. Happy to jump on Q&A.

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## QUESTIONS AND ANSWERS

### **Tomas Lozano Derbez Grupo Financiero Banorte SAB de CV - Head - Investor Relations, Corporate Development and Sustainability**

(Operator Instructions) Brian Flores, Citi.

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### **Brian Flores Citibank Cameroon SA (Douala Branch) - Analyst**

I wanted to ask you on the proposed interchange rate caps for credit and debit cards. If you have any color on your conversations from the regulator, any, I don't know, initial gauging of impact that you could have I think it's probably going to become a very relevant discussion. So any color you can have on that would be really appreciated.



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**Jose Ramirez Miguel Grupo Financiero Banorte SAB de CV - Chief Executive Officer, Director**

Thank you. Yes, we are aware of that. It's still moving, nothing is said about that. So we should wait. We have a meeting with the Ministry of Finance and the governor of Banco Mexico, and we are waiting to start working and to move on, and we have some days ahead to maneuver and to see what's going on.

So far, we don't have anything. And as soon as we know, we will let you know. But so far, we are -- it's a work in progress. And they open the doors, that's very important to negotiate and to hear from the Asociacion de Bancos de Mexico, what's going on. So we will see in, let's say, one month around that the conversations.

I cannot tell the word because I don't know anymore.

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**Tomas Lozano Derbez Grupo Financiero Banorte SAB de CV - Head - Investor Relations, Corporate Development and Sustainability**

Jorge Kuri, Morgan Stanley.

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**Jorge Kuri Morgan Stanley - Analyst**

Congrats on the great results. I wanted to ask you about your market-related income. Just trying to figure out what -- what's the number going forward because it's evidently been a really big contributor to the profits this year. You're on track to basically double the amount of market-related income this year versus 2024. And if I just try to benchmark it in any way, the number really looks above trend.

If you look at it as a percentage of revenues, it'll probably be around 6% this year versus a very consistent 3% over the last three, four years. If I look at it as a yield on your marketable securities, that's around 1%, which is also exactly double of a very consistent 0.5% that it's been over the last three years. So can you walk us through what's behind this really big increase? And I guess most importantly, how sustainable that is as we look into 2026 and '27?

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**Jose Ramirez Miguel Grupo Financiero Banorte SAB de CV - Chief Executive Officer, Director**

It's not sustainable, it was what it was because they saw an opportunity. The rates were going down, the effect was somehow it was clear to see what was going in the market. So we'll take the advantage. But I think, for the future, we are not depending on the trading for the bank. So if we see an opportunity, we will take it.

But again, you will see for the next year, the budget is going to be a -- Boeing one, I don't how to say it, but it's going to be the same, but this month. And we do not expect to move the needle there too much. Rafa, do you want to say something?

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**Rafael Arana De La Garza Grupo Financiero Banorte SAB de CV - Chief Financial and Operating Officer**

Thank you, Jorge, for the question. And sorry that we cannot project this graph, but you will see that even though you see a big number on the trading book, if you compare that number to the expansion on the -- basically on the NII and compared to the expansion that we have on the technical results of insurance and annuities and also the impact of the net fees, the trading when you look on a percentage basis, continues to be basically the same trend. As Marcos mentioned, it was a very easy gain based upon the way we position the balance sheet and the acquisitions. But it's not that we are chasing or changing in any way the strategy on the trading book. But we are very, very -- I would say, very carefully looking at this is that the NII continues to expand much faster than this.

The net interest -- NII also for the annuities and insurance continue to expand faster than that and also the fact of the net fees. If we see that this takes another trend compared to this today to what I mentioned about the NII and the fee, then that will make us to put into another strategy on the trading group that we are not really moving anything on the strategy. We will send this graph, I'm happy

to put that on the web page for everybody to see that we take a very delicate balance about trading, NII of the insurance and the fee base. And yes, this was a very good part of the year, but also because the other also were not in an important one.

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**Jorge Kuri Morgan Stanley - Analyst**

Can I just ask a clarification. Rafa, I think you mentioned there's going to be a reversal of loan loss provisions of MXN400 million during the fourth quarter? Did I understand that correctly?

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**Rafael Arana De La Garza Grupo Financiero Banorte SAB de CV - Chief Financial and Operating Officer**

Correctly that.

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**Tomas Lozano Derbez Grupo Financiero Banorte SAB de CV - Head - Investor Relations, Corporate Development and Sustainability**

Yuri Fernandes, JPMorgan.

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**Yuri Fernandes JPMorgan Chase & Co - Analyst**

I would like to explore a little bit the insurance results here. And I know this is volatile and it's hard to predict the dynamic. But this quarter, we saw the premium decreasing a little bit, like 3% quarter over quarter. But technical reserves, they were down 17%. So basically, the insurance reserves, they didn't follow as much premiums. And this helped right in the end, like this help insurance results. So if you can provide a little bit of more color why this happened like any clarification? How do you see the insurance results?

And a second one, and this is very quick, Rafa and Marcos, just on the guidance. So just make it clear. The guidance excludes -- includes bino. So basically, we are doing all the calculations with your accounting earnings, meaning that the 4Q could be stronger, right? Like basically, you are using the MXN13 billion as net income for this quarter to get to our guidance?

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**Jose Ramirez Miguel Grupo Financiero Banorte SAB de CV - Chief Executive Officer, Director**

I start with the second one. Thank you. Yes, the guidance that we are providing to you, if you see there is a better guidance in some items, and this is the guidance included in the Benio. That's the one that everything is in there.

And the first one, taking the insurance, Rafa, please go ahead.

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**Rafael Arana De La Garza Grupo Financiero Banorte SAB de CV - Chief Financial and Operating Officer**

Yes, I think the first thing to notice is that the insurance business is having an extraordinary good year. We expect net income to grow very close to 20% or above that. You know that the return on equity of the company is 68%. What happens is basically that one wealth management product that we are actively selling on our wealth clients had a small reduction on the year.

And that really explains the reduction in the technical reserves because that product basically, you need to reserve 100% when you put on the book. But there was not a lack of growth on the company basically on the property and casualty. And also, we are becoming quite important on the wealth management fees for this product. So nothing really to worry about that something is going on, not in the right trend on the insurance.

On the other hand, I think, the insurance business providing the 20% and the 68% of return on equity, and the activity that the company is having is becoming really a very important part of the net income of the whole group, the insurance company. So no, it's

basically -- and that is explained very well on the group that we provide to you how the technical reserves went down because of the -- we have a reduction on the placement of this product for this quarter that will start again on the fourth quarter. So that's basically this.

And I also want to add another thing on there because somebody would like to ask this, what's going to happen with the insurance provisions in going around the market that some companies didn't provide. Banorte just fully, you can -- fully provide for the issues about the taxes on the insurance part. So there will be no effect for us on the insurance side. So that's for the market to know in that part because that was also another concern for some investors that what's going to happen once the settlement of the insurance business at what's going to happen with Banorte. Banorte is as always fully provided that.

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## Operator

Ricardo Buchpiguel, BTG.

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## Ricardo Buchpiguel BTG Pactual - Analyst

As you mentioned in the presentation, we have been seeing that the bank has been growing quite a bit in consumer loans. So could you walk us through what is driving that trading demand that you talked in the presentation, especially given the slowing down macro environment? And are you expanding to new customer profiles or regions here? Or is it mostly growth within the Banorte traditional portfolio base?

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## Rafael Arana De La Garza Grupo Financiero Banorte SAB de CV - Chief Financial and Operating Officer

I think that what's very important, Banorte has been really revamping all the processes that we have for the consumer and not for the companies. But on the consumer, especially on the mortgage process and on the card process and on the credit card process, you really see most of them of the -- most efficient process in the market that allow us to serve that and go back to the client in a very short period of time. So what you see on the numbers of Banorte, and you can compare that to the other bank that is very active on that bank, on this part is that Banorte really is penetrating the market on a month-by-month basis.

And the most important thing, if you look at the NPS of the car loans that stayed really lower 0.6% and also NPLs on the mortgage group that is still very low, just fairly above 1% on NPL is basically all the processes, and we are serving our clients, but also we are attracting a lot of new clients by the products that we sell on the mortgage part and on the car loans and also on the credit cards. If you see the expansion that we have in credit cards and charge, you continue to see that card loans are growing 31%. So many of those clients are clients of Banorte, but a lot also are coming from the market. Credit card was growing 16%. So we are also outpacing the market in that.

And the most -- and in the mortgage group that is around 8% to 9%. The most important thing is that we are really attracting the clients that we like and it's basically -- based upon the pricing policy that we follow based upon the risk of the client and the value of the client, we think that we are offering the best deal in the market for the mortgage part. So it's coming from the already existing client base, but also a new -- a lot of new clients are coming to the bank based upon the offers that we've had on the car loans and on the mortgage and on the credit.

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## Tomas Lozano Derbez Grupo Financiero Banorte SAB de CV - Head - Investor Relations, Corporate Development and Sustainability

We'll continue with Ernesto Gabilondo. Ernesto is having some comments, so he sent me his questions to read them. We believe there are five negative headlines for next year. One, a potential deceleration on the auto portfolio because of higher tariffs to autos and auto parts from Chinese cars? Two, lower US rates in the loan portfolio that you have in dollars. Third, lower tax banking deductions. Other banks have anticipated the basis points impact of the effective tax rate.

Fourth, the value-added tax impact on the insurance sector. Other banks are disclosing the impact for next year. Five, the proposal in the interchange fees, I think Ernesto, that has been already covered. And finally, can you please elaborate on your initial thoughts

on these impacts and the potential tailwinds, especially if Mexico reaches the USMCA renegotiation?

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**Jose Ramirez Miguel Grupo Financiero Banorte SAB de CV - Chief Executive Officer, Director**

Yes, that's the bad things. There is also good things. The GDP is going to be corporate. We still don't know, as we said, the proposal in the interchange fees, so that's out.

And regarding the orders, we can work one by one. And yes -- but the insurance sector, we have covered regarding that is not a fit for us. So I see more plus than minus for the next year. Maybe Alex can walk us how we see things for the next year (inaudible)

Rafa, please go ahead.

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**Rafael Arana De La Garza Grupo Financiero Banorte SAB de CV - Chief Financial and Operating Officer**

Let me -- Ernesto, let me guide you on the impact of the VAT for the insurance. Remember that Banorte prices the insurance based upon the risk of the client. So we don't have just a single price for that. So I think we could accommodate that impact that the VAT will have based upon this volition that we have.

And just before Alex comes and say, look, this year was supposed to be zero GDP, and we continue to grow on that part. Next year is expected to be somewhat a better year on that part. So there will be headwinds that you mentioned that potentially coming for everywhere. But I would say that if the USMCA goes forward, the tailwind was -- is going to be quite strong.

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**Alejandro Padilla Grupo Financiero Banorte SAB de CV - Chief Economist and Managing Director of Research**

And yes, this is Alejandro Padilla, Economist. Well, from the macro side and answering some of your questions, first, in terms of GDP, as Marcos was mentioning before, we are holding our 0.5% GDP for this year. We observed a contraction in the third quarter. However, I think that in the fourth quarter, we should see a recovery, why because of what we mentioned before, there are some seasonal factors that tend to be very positive in terms of consumption by the end of the year.

Moving forward to 2026, our forecast is 1.8%, and this is supported by several factors. The first one is that we're going to have an inertial growth component of slightly above 40 basis points. Then we expect a recovery in private consumption combined with a rebounding tourism during the summer, this is associated, as Marcos mentioned before, with the FIFA World Cup. This could add between 40 to 50 basis points to growth. Then we have a positive effect on primary activities due to better weather conditions in 2025 that will benefit crops in 2026.

The fourth one is that we expect a solid external sector performance as Rafael was mentioning before. Considering that Mexico has an effective tariff rate that is lower than the rest of the world, and this has been supportive of the Mexican exports that have been growing at a two-digit pace throughout 2025. And I think that although not at the similar pace, but they will continue growing throughout 2026. And the big one is that public construction and also infrastructure projects that the government plans to reactivate as part of its priority programs will be equivalent to almost 1.4 percentage points of GDP, and this could be also beneficial for GDP in 2026.

And then if we move into tariffs, well, although Mexico is facing two types of tariffs, the specific country tariffs that the US has imposed to Mexico and Canada and the tariffs that are associated with sectoral goods to the rest of the world, the effective tariff in Mexico is less than 7% in the world, is 17.4%. So we have relative position that is stronger vis-a-vis the China and other competitors. So I think that will support exports for the remaining of 2025, but especially in 2026.

And then regarding the USMCA, we have a very constructive view in that regard. We believe that Mexico will continue playing a key role within the highly integrated value chains with the US. And we think that the review process in 2026 will go in a very positive way taking into account that there is a lot of cooperation and coordination between Mexico and the US and that this will result in a USMCA 2.0 that will allow Mexico to increase its participation in the US market.

**Tomas Lozano Derbez Grupo Financiero Banorte SAB de CV - Head - Investor Relations, Corporate Development and Sustainability**

Tito Labarta, Goldman.

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**Tito Labarta Goldman Sachs Group Inc - Analyst**

A couple of questions. first, just on the bineo. So there should be no more impairment charges from here, I assume. Is that correct? And would there be any potential tax benefits that you can get from this?

And then -- but maybe more importantly, I mean, you sold it to another fintech, I guess, mostly just to get rid of the license and get maybe something in return. But maybe talk a little bit about your own digital operations, how that's evolving, why you feel comfortable selling bineo and how the whole digitizing the bank is going, particularly as fintechs maybe get a little bit more relevant over time? And then I have a follow-up on provisions after.

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**Jose Ramirez Miguel Grupo Financiero Banorte SAB de CV - Chief Executive Officer, Director**

Thank you, Tito, for the question. First, there is no more impairment charges. That's it. We don't see more -- everything. We don't see any tax benefits on the other hand. So that's it. We won't talk about bineo anymore. And we learned a lot. There is a lot of experience that we learn. Remember that four years ago, we took all the roles, possible roles and we learn from them. So it's obvious that we -- now we are prepared, and we are stronger, and we did take our digital banking inside and whatever.

So I don't know if Rafa want to say something else, but yes, there is a lot of learning, obviously.

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**Rafael Arana De La Garza Grupo Financiero Banorte SAB de CV - Chief Financial and Operating Officer**

Yes. What Marcos mentioned, Tito, is that we learned a lot on that, but what we also discovered that, that it was not just the issuance of having a digital bank from scratch that was supposed to provide that learning process. And I think it did. But the most important thing is that Banorte has a very clear path on how to address the digital evolution that we see on the young people and the newcomers into the banking system with a very good proposition that you will see in the market pretty soon that basically addresses the issues of the newcomers that they really need a lot of financial education and a lot of practical ways to manage the interaction with the client, with the app on that part.

And based upon all, of course, that we have learned and all the learning process that we have also in the artificial intelligence part, we will deploy that in a very short period of time to address the capabilities of Banorte to really reach that part of the population that was not really an important, I would say, goal of Banorte for a time because we basically were very happy delivering a very good mobile application for the mid- to the high end of part of the payer mix. But we were losing a little bit on the part that we learned from bineo and from Rappi, the newcomers into the banking process. But I think we have a very good response to that, and you will see that in a very short period.

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**Tito Labarta Goldman Sachs Group Inc - Analyst**

Great. And then my follow-up on the provisions, right? You mentioned the cost of risk excluding isolated case was 1.87%. So it implies the additional provision was about MXN2.5 billion, if I'm correct when -- is that the right number? And given there could be some guarantees here, do you expect to be able to recover this over time? How quickly? And does the guidance factor in any recovery there? And also, I guess, is this now fully provisioned?

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**Gerardo Viezca Grupo Financiero Banorte SAB de CV - Chief Risk Management and Credit Officer**

Yes. Up to now, Tito, it is 45% provisioned. But let me tell you about -- despite this higher provisioning, the intrinsic economic value of the underlying assets and collateral structure supports a favorable recovery outlook. The exposure retains substantial realizable

value given the quality, liquidity and marketability of the pledge collateral as well as the borrowers receivable repayment capacity.

From a valuation standpoint, internal stress testing and discounted cash flow analysis indicate a higher expected recovery rate, well above typical levels for comparable distress exposures, the assets net present value under conservative recovery assumptions remain significant, limited ultimate loss severity. Accordingly, while the provision reflects a prudent accounting treatment aligned with expected credit loss models, the economic loss expectation is materially lower. This positions the bank to achieve a reasonable recovery ratio as resolution progresses mitigating the impact on capital and profitability metrics.

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### **Tito Labarta *Goldman Sachs Group Inc - Analyst***

Okay. And is that the MXN2.5 billion the right amount? I had a different number initially, but just want to confirm how much that was the provision for the isolated case?

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### **Gerardo Viezca *Grupo Financiero Banorte SAB de CV - Chief Risk Management and Credit Officer***

Yes. The provision is around 2.2%.

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### **Operator**

Marcelo Mizrahi, Banco.

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### **Marcelo Mizrahi *Bradesco BBI - Analyst***

So my question is regarding the cost of earnings. So what we see -- we saw very good results coming from that part. And we -- it's important to hear you about the competition, how you guys are thinking about the competition and the cost of funding, why the cost of funding of Banorte is going lower, and it is already impacting the NIM and probably could be some good upside to the next year. So the question is regarding how is the competition? And how do you believe guys that the cost of funding will be in the next couple of quarters?

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### **Jose Ramirez Miguel *Grupo Financiero Banorte SAB de CV - Chief Executive Officer, Director***

Thank you, Marcelo. I guess the competition -- you're talking about the newcomers, I mean, also, no?

Rafa, please go ahead.

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### **Rafael Arana De La Garza *Grupo Financiero Banorte SAB de CV - Chief Financial and Operating Officer***

Yes, we continue to see -- as you can see on the funding cost that is going down, not just because of the rates because we are getting rid of expensive funding that we needed when the rate of growth of the asset side really happened to Banorte. Now we are a note we are balanced that with our own funding part.

I can give you some numbers on this. So the overall growth of the non-interest bearing demand deposits is around 6%, and it will end the year well above that because of the seasonality of the year. Time deposits also is a pretty good story around 10% with a very reasonable.

I would say, price to offer to the client based upon the quality and profitability of the client. So we don't see really the big effect that happened when the new entrance were offering 15%. And that is also going down, and it's becoming a lot more rational on that part. So we continue to see pretty good activity on the funding side, lowering the cost on a permanent basis.

And I think, as Alejandro mentioned, next year will be a good activity on the funding side with a very, very balanced cost on the different types of offers that we do for the non-interest bearing and interest bearing deposit. And the mix continues to be quite nice,



31% is in time deposits and 69% in demand deposits. So I think we have a well-positioned bank that provides a lot of services and opportunities for the people.

But we see is that we are opening now more new accounts at the branches and on the digital side than any year before. So we continue to see that the clients based upon our model that you can open everything in minutes on digital or in physical, is attracting a lot of good clients, and that is giving us a noninterest-bearing part growth and also the time deposits growth on a very balanced cost.

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### **Marcelo Mizrahi Bradesco BBI - Analyst**

Looking forward, it's possible to maintain you guys believe that if we will see a better environment to growth it's possible to maintain this cost of funding, this percentage compared to the interest rates or not?

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### **Rafael Arana De La Garza Grupo Financiero Banorte SAB de CV - Chief Financial and Operating Officer**

Well, I think so. I think we will continue to keep the funding cost trending down. There's a lot of initiatives all over the place: transactional banking, cash management, SMEs, individuals, all over the place we are looking for funds.

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### **Gerardo Viezca Grupo Financiero Banorte SAB de CV - Chief Risk Management and Credit Officer**

Let me drop. I would like to make a position regarding the last question of Tito Labarta. Tito, if you are still there -- let me be very precise with the provisioning for the quarter, it's 1.7.

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### **Jose Ramirez Miguel Grupo Financiero Banorte SAB de CV - Chief Executive Officer, Director**

Yes. Product specification.

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### **Tomas Lozano Derbez Grupo Financiero Banorte SAB de CV - Head - Investor Relations, Corporate Development and Sustainability**

Renato Meloni, Autonomous.

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### **Renato Meloni Autonomous Research - Analyst**

So first I wanted to focus a bit on this decline on the interest-bearing deposits -- was this -- you mentioned that it was some expensive funding that you've eliminated? Was this concentrated or among separate clients? And then your loan-to-deposit rate went to 105%. So I'm wondering if you can still increase leverage here or keep growing with that level.

And then just a second follow-up. During the presentation, Rafa was mentioning that the provisions for the credit card business. As far as I understand, would be reversed in the upcoming quarters. So just wanted to make sure that this reversal is happening and why are you provisioning now and then reversing it later?

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### **Gerardo Viezca Grupo Financiero Banorte SAB de CV - Chief Risk Management and Credit Officer**

Yes. I will tell you, Renato, that from the overall point of view, we see the increase in provisions for credit card loans during the third quarter primarily reflecting the extraordinary expansion of the portfolio. As you remember, Marcos was mentioning a 16.1% growth year over year. That's very important to keep into context. And this effect is mechanical and volume-driven as provisioning is applied to a larger base of forming assets, particularly those in early stages of seasoning that naturally carry higher model probabilities of default. Importantly, delinquency rates and risk metrics remain stable across cohorts or clusters and that confirms that the high provisions stem from the portfolio growth and composition effect.

Another factor that we must take into consideration for this third quarter should be the extraordinary provisioning with Tarjetas del Futuro credit card portfolio. And this effect is expected to be reversed in the short term due to model calibration. And that's the quantitative effect that Rafa was mentioning is MXN400 million. So we expect a reversion, but this is not just mean reversion, but reversion in absolute value of around MXN400 million in provisions.

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### **Rafael Arana De La Garza Grupo Financiero Banorte SAB de CV - Chief Financial and Operating Officer**

Yes. You mentioned about the interest-bearing deposits, remember that Banorte had a very strong years, two years ago on the loan growth that really, really overshoot concerning our capacity to fund the book. So that created a need to go into the market and go for market funding.

Now that we have been growing the funding side in a very important way, and we are now very balanced assets against liabilities, we have the capacity to get rid of funding that is not necessary anymore. And it was much more expensive against the funding that we can really go into the market today or keeping the growth on the natural funding side on the interest-bearing deposits, retail deposits, commercial and SME deposits. So that's the reason that you will continue to see an expanding size on the -- or the size of the deposit or the deposit growth, but also with a much better price in the coming months based upon the trend that we see in the non-interest-bearing and the trend that we continue to see on the time deposits with a very reasonable rate that really reflects the value and the different values that we provide to our clients.

So I think we are getting again into a very balanced position. And you can see that easily on the LDR. You will see that, by the end of the year, the LDR will also drop again around 98%, 97% with a very good funding costs for the year.

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### **Tomas Lozano Derbez Grupo Financiero Banorte SAB de CV - Head - Investor Relations, Corporate Development and Sustainability**

Daniel Vaz, Safra.

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### **Daniel Vaz Safra - Analyst**

Congrats on the strong NIM performance, I was looking at the sensitivity right now is practically zero. So you have been able to expand margins in this easing rate environment. It's quite impressive. And to face, well, I think, Ernesto mentioned, the negative headwinds. You see the funding benefits that you mentioned, you see better GDP? And I want to focus on the favorable loan mix as your consumer lending has been outpacing the portfolio, right?

So on retail, looking ahead to 2026, you're growing now 12% year over year. So on the consumer portfolio, and well above this in car loans and credit cards. I saw -- I noted some acceleration in payroll and mortgage. I think it's normally much more important and tend to perform better on lower interest rate scenario. So my question is, do you see room for this portfolio -- this consumer portfolio to expand above this current base of 12% for the next year? And maybe if that -- it's a follow-up question, would it be enough to guide the market to NIMs even better than your guidance in 2025?

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### **Jose Ramirez Miguel Grupo Financiero Banorte SAB de CV - Chief Executive Officer, Director**

Thank you, Daniel. You're pushing the bar too high, but it seems that, yes, there is room for improvement. Yes. We think that next year, we will grow double-digit growth in our portfolio. And we will release that in January, I guess, next year. But yes, we're -- let's call it that way.

We are optimistic and documented optimistic. So we expect a good year next year, and we are working on that and that we need to handle a lot of things internally. But it seems that it's going to be a good year, and we are expecting -- and yes, we can grow more than in the consumer portfolio next year, the answer is yes. And the better NIMs, we're happy with the NIM that we have right now, but maybe you can improve them a little bit. That's right.

I don't know, Rafael, you want to say something?

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## **Rafael Arana De La Garza Grupo Financiero Banorte SAB de CV - Chief Financial and Operating Officer**

The only thing that I would add is that we see a big opportunity on the payable portfolio. We are launching a lot of improvements on the value proposition on the payable portfolio, and it linked with the commercial and the corporate and the government and the retail part. So the payroll will be a good story.

Credit cards continue to be, I would say, the most efficient product to be -- to be acquired in the market and also on the benefits. If you walk into one of our offices and you decide to go into the offices and in five minutes, you will get your credit card, the credit card that you like and based upon your profile on that.

But if you want to go into the mobile, it would be exactly the same. You will get your digital credit card in less than minutes, in five minutes. And then if you want to get your card in physical, that we'll send it to you in a very short period of time. So a lot of improvement on the process side allow us to compete in a better way. And being the first in the market by the response to the client, that gives us an edge that we have been using in this.

And also, we are adding more and more value into the propositions for the client to become really a very related client to the bank in cross sell. We expect cross-sell to keep increasing an important way. The hyperpersonalization process that we are using by providing each of the clients base of the risk of the client and the value of the client of what they are outside with us, that is allowing to bring a lot of good clients into the bank. So the processes are in place and improving. I think the analytics are in place and it's very, very relevant the way we do this.

And the pricing also, we price every single client differently based upon the risk and potential value for the bank. So that is what really is driving the growth on the consumer. It's not just pure demand, it's that really the value proposition that we are offering on a client-by-client and basis is being the difference in the market.

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## **Operator**

Andres Soto, Santander.

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## **Andres Soto Santander Osbkinc - Analyst**

My question is regarding some comments that you guys have already made in terms of GDP growth and loan growth for next year. I understand you are expecting rebound to 1.8%, and you expect loan growth to remain at double digit in 2026. I would like -- given that one important consideration there is the USMCA renegotiation, I would like to understand what is your expectation in terms of timing for this?

Do you expect next year to be and even year in terms of growth? Or do you expect most of the growth to be delivered in the second half of the year given this expectation? And also tied with that, how these shape of recovery will translate into your cost of risk performance over the next few quarters?

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## **Alejandro Padilla Grupo Financiero Banorte SAB de CV - Chief Economist and Managing Director of Research**

Thank you, Marcos. Thanks, Andres. Well, we think that's going to be pretty balanced, the growth dynamics for 2026. Regarding your question about the USMCA review, well, according to the agreement, it will officially start on July 2026. However, some issues have already been addressed by Mexico and by the US as well, like, for example, making the consultations with industry leaders and designing the whole negotiating process. So I think that although it's going to be difficult to have the complete agreement by 2026, we can have a very good idea of what's happening on a sectorial basis.

I think it will depend also on midterm elections in the US and how President Trump sees the result for the Republican party because on that, it will depend if he goes and tries to reach a faster agreement or not. Regardless of that, I think that by the third or fourth quarter of 2026, we will have a very clear idea of what's going to happen with the USMCA 2.0.

And I think this is going to be positive in terms of investment, for example, that has been one of the main sectors in Mexico that have been lagging behind, obviously, for the uncertainty coming from tariffs, but I think that the 2026 can be a good turning point in the price relationship between the Mexico and the US. And that's why we are optimistic and our GDP number of 1.8% contemplates that idea.

I don't know, Rafael, if you want to go through the loan question.

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### **Rafael Arana De La Garza** *Grupo Financiero Banorte SAB de CV - Chief Financial and Operating Officer*

On the baseline of a scenario of a 1.8% GDP growth, the cost of risk is expected to remain contained around the same interval between 1.8% and 2%. This is going to be supported by several structural and cyclical factors that are favorable to the bank.

On the structural side, the institution benefits from a very well-diversified loan portfolio. We have to remember that. And also a conservative underwriting framework and enhanced early warning and collection models that include to improve -- that continue to improve risk discrimination and recovery rates. Cyclically, stable employment conditions, moderate inflation and gradual easing of interest rate should sustain borrower affordability and credit performance, and particularly on -- in the payroll and mortgage segments.

Furthermore, the ongoing optimization of provisioning models after calibration adjustments in 2025 will likely normalize credit cost levels, and that's our expectation. Let me tell you that, Andres, overall, these dynamics suggest that despite modest economic expansion, the bank's cost of risk should remain within historic range, reflecting both prudent risk management and resilient asset quality fundamentals.

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### **Andres Soto Santander Osbkinc - Analyst**

If I may, a follow-up question to Alex. In this 1.8% GDP growth expectation, what are you considering in terms of private investment? And I imagine this is mostly dependent on the USMCA renegotiation? Or is there any other factors that make you optimistic about private investment recovery in 2026?

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### **Alejandro Padilla** *Grupo Financiero Banorte SAB de CV - Chief Economist and Managing Director of Research*

Well, that's a very good question, Andres, and I can tell you that our forecast in terms of private investment will be highly correlated with the investment that the government will deploy throughout 2026. As I was mentioning before, in the budget of 2026, the government is planning to spend close to MXN500 billion, 1.3 percentage points of GDP on infrastructure and -- well, I think that's plan Mexico and other type of mix programs between the private and public sector will be deployed in 2026 as well. So I think that's positive.

And the second one is that, yes, I think that we might see some firms that will start doing some CapEx taking into account more certain scenario in terms of trade between the US and Mexico. So all of these are contemplated into our 1.8% GDP forecast for 2026.

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### **Operator**

Edson Murguia, SummaCap.

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### **Edson Murguia** *SummaCap - Analyst*

Okay. I'm not sure if I'm listening. But I have two questions. One is specifically for Dr. Salazar. Could you give us a little bit more color about this calibration model, specifically in the consumer loan book? Because you mentioned Dr. Salazar, this was related to calibration, but could you elaborate a little bit more?

And my second question is regarding on the brokerage business. Could you give us a little bit more color about why total assets has a reduction this quarter, but the AUM increase stop trying to figure out the rationale between the business, per se.

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**Jose Ramirez Miguel Grupo Financiero Banorte SAB de CV - Chief Executive Officer, Director**

Let's go with the first one.

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**Rafael Arana De La Garza Grupo Financiero Banorte SAB de CV - Chief Financial and Operating Officer**

Yes. The bank is continuing to refine its retail credit risk models. And that is to enhance the accuracy or expected loss estimation across consumer and payroll portfolios. The ongoing calibration process incorporates updated behavioral data, revised macroeconomic assumptions and recent portfolio performance trends that assures that the probability of default and loss given default parameters reflect current risk conditions more precisely.

And that always gets proven by statistics like called Kolmogorov-Smirnov, the KS, receiver operating characteristics, ROCs, also the area under the curve and R-squared. So if data is telling us that we have permission to calibrate our models, we will go ahead and do it because this is always data and model based. Remember, we use in the retail side of our loan portfolio around 120 internal credit risk models. And they go all the way from different segments, different products around also different clusters of the markets that we are attending.

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**Tomas Lozano Derbez Grupo Financiero Banorte SAB de CV - Head - Investor Relations, Corporate Development and Sustainability**

And the second part, Edson, remember that we do see the position between bank and brokerage and we have movements every day or every quarter. So I think it's really not material to see a movement in any of the isolated books.

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**Edson Murguia SummaCap - Analyst**

Okay. And last, just a clarification. Marcos, you mentioned that the dividend that is going to propose to the extraordinary shareholder meeting is going to be MXN60.99, or it's going to be MXN0.90?

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**Jose Ramirez Miguel Grupo Financiero Banorte SAB de CV - Chief Executive Officer, Director**

No, MXN0.99, sorry about that.

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**Tomas Lozano Derbez Grupo Financiero Banorte SAB de CV - Head - Investor Relations, Corporate Development and Sustainability**

You can find the full information, if you want, in the assembly.

Carlos Gomez, HSBC.

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**Carlos Gomez-Lopez HSBC Securities (USA) Inc - Analyst**

First of all, congratulations on your first 125 years of existence many more to come, I hope. Second, in particular, you mentioned the interchange fee, and that is still to be negotiated. However, what is not negotiated, we understand is the non-deductibility of the IPAP contribution. Could you comment on that and would you expect that partially or totally to be passed on to deposit costs?

And if Tomas doesn't kill me, just follow-up on the growth question. We understand that you expect better 2026. But when we look at the numbers right now, we seem to be slowing down, at least that is our perception. Is that what you see? Do you see the economy, which is still getting slower, and you expect it to recover during 2026, or you have already started to see a recovery?

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**Jose Ramirez Miguel Grupo Financiero Banorte SAB de CV - Chief Executive Officer, Director**

Let's start for the -- as you can see it's not only Mexico, a lot of countries, they have these regulations, so, we need to live with that. And maybe part of this is going to be passed on and maybe we will, I don't know how to say the word, swallow it. But it is what it is.

And for the next year, you will see it on the guide and it's going to be included there. But we don't see that affect us too much. That's the correct answer. We don't like specific taxes, but this is -- if you see in other contracts they have it, so we will manage it.

And the second one. First, Rafael --

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**Rafael Arana De La Garza Grupo Financiero Banorte SAB de CV - Chief Financial and Operating Officer**

Carlos, we -- if you look at the consumer book from the October numbers are pretty, pretty strong, even stronger than the September numbers. So we haven't seen any slowdown in the consumer at all.

On the contrary, we continue to see very strong numbers coming from the consumer. And at the same time, very active now is the government book and also dollar book starts to come alive again. So no, we haven't seen as much --

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**Jose Ramirez Miguel Grupo Financiero Banorte SAB de CV - Chief Executive Officer, Director**

Alex?

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**Alejandro Padilla Grupo Financiero Banorte SAB de CV - Chief Economist and Managing Director of Research**

Yes. And well, regarding the GDP question, yes, Carlos, as you notice, the third quarter GDP came in with a mild contraction. However, with some high-frequency indicators. This suggests that we might see a rebound in the fourth quarter. Indeed, we are expecting an increase of 0.3% on a quarterly basis.

And this is mainly by some more positive drivers coming from consumption, which has been lagging throughout 2025, but we are starting to see some recovery. So I think that this trend can extend into 2026, this recovery that we might observe throughout the fourth quarter of this year.

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**Tomas Lozano Derbez Grupo Financiero Banorte SAB de CV - Head - Investor Relations, Corporate Development and Sustainability**

We have a follow-up question from Bradesco. Marcelo, please go ahead.

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**Marcelo Mizrahi Bradesco BBI - Analyst**

So regarding the efficiency, so the efficiency ratio are thinking about expense into the next year. I believe that the sale of bino could bring some upside to the efficiency ratio in the next year or even in the next few years. Could you guys give us some color about that target or something about that?



**Rafael Arana De La Garza** *Grupo Financiero Banorte SAB de CV - Chief Financial and Operating Officer*

Yes. The fact is that by canceling the operation of bineo, you will see that basically, what we put on the group today on the -- what was the impact of the bineo operation, we think that just to give you an idea that based upon the cost savings, we will recover that in seven months. So that gives you an idea of how the evolution of the efficiency ratio comes.

Also, once we get the go from the regulators, the Rappi operation will be included into the scale of Banorte. So that will be also a reduction in cost. And the most important part is that when you will look at the recurring days of cost of Banorte and what was bineo and Rappi adding was close to 5 percentage points. So we started to go down to 3 percentage points less in the coming year. Just based upon on these two operations, plus efficiencies that we can we can achieve.

So you will start to see -- now it's in one single digit, but it's in uppers one single digit. You will see those numbers trend from the 7% to the 8% from the next year and then drop again to very close to inflation plus 150 basis points by the third year. That's the evolution that is on the efficiency ratio.

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**Tomas Lozano Derbez** *Grupo Financiero Banorte SAB de CV - Head - Investor Relations, Corporate Development and Sustainability*

Thank you very much. Thank you for your interest in Banorte. With this, we will conclude our presentation. Thanks.

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