



# **GFNORTE**

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## **Conference Call: 1Q20 Results**

April 24th, 2020

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# Relief Program for Consumer Credit and SMEs

- Capital & interest payments deferred for 4 months.
- Loan maturity extended 4 months to incorporate deferred amortizations
- Accrued unpaid interest will be collected as of month five.
- Estimated participation ~ 30% of consumer credit customer base

Period: 4 months

April 15th, 2020

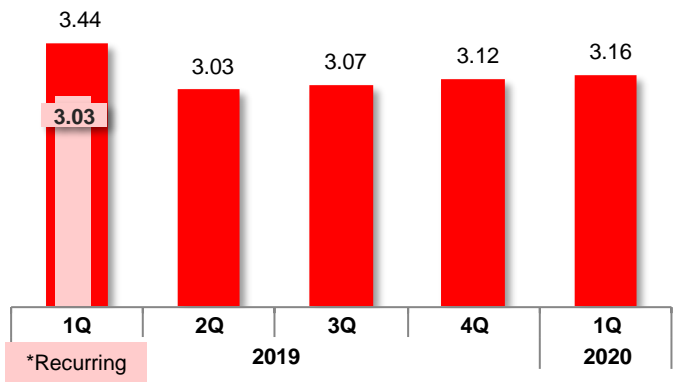
**% Applications**

Auto	23%
Mortgage	37%
Payroll and Personal	18%
Credit Card	16%
SMEs	16%
<b>TOTAL</b>	<b>18%</b>

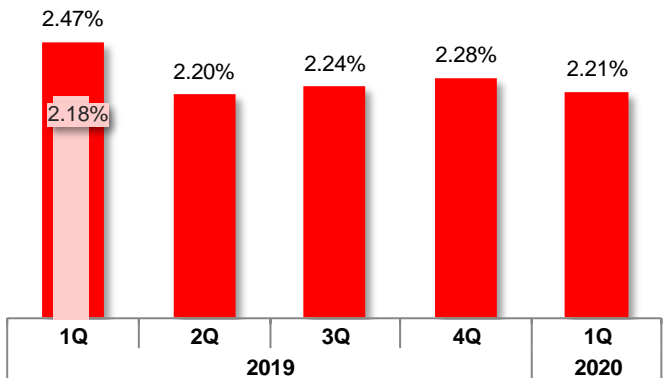
# Profitability Remains Resilient

	1Q20	q/q	y/y
<b>Net Income</b>	9,118	1%	-8%
<i>Recurring</i>			4%
<b>EPS</b>	3.16	1%	-8%
<i>Recurring</i>			4%
<b>ROE</b>	18.8%	(26)bp	(362)bp
<i>Recurring</i>			(100)Bp
<b>ROA</b>	2.21%	(7)bp	(27)bp
<i>Recurring</i>			3bp

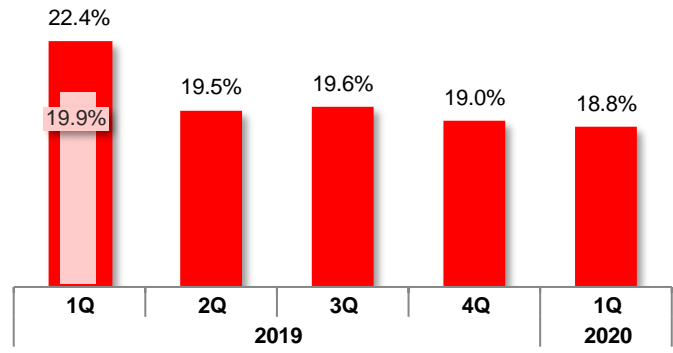
## EPS



## ROA



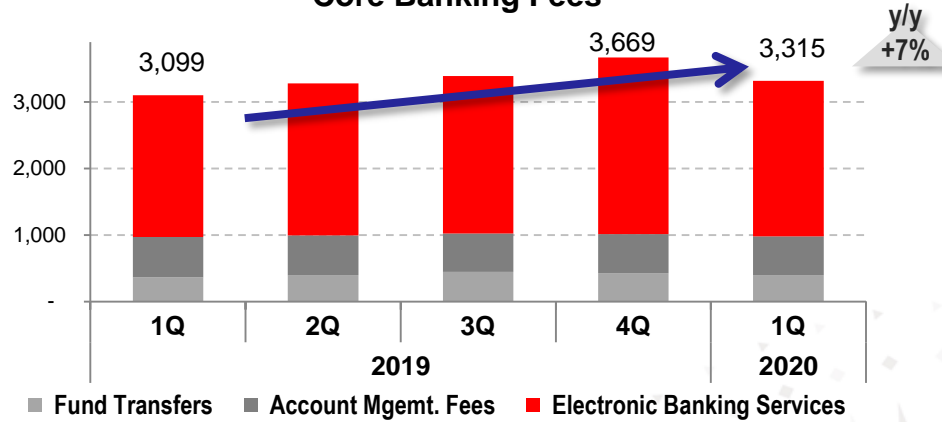
## ROE



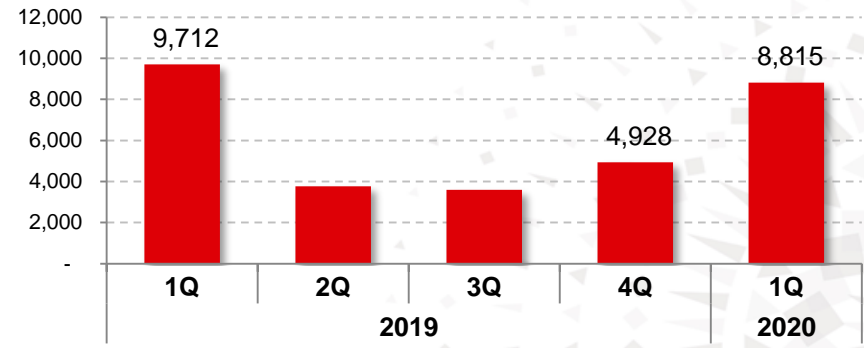
# Revenues

Million pesos	1Q20	q/q	y/y
NII Loans	16,436	0%	8%
NII Repos	2,003	(6%)	(5%)
NII Val. Adjust	-73	(206%)	(311%)
NII Insurance & Annuities	3,601	127%	4%
<b>NII</b>	<b>21,968</b>	<b>9%</b>	<b>6%</b>
Net Service Fees	3,455	(18%)	16%
Trading Income	1,166	34%	1%
Other Income	327	(56%)	(85%)
<i>Recurring</i>			(32%)
<b>Total Revenues</b>	<b>26,916</b>	<b>3%</b>	<b>(0%)</b>
<i>Recurring</i>			6%

## Core Banking Fees



## Retained Insurance Premiums

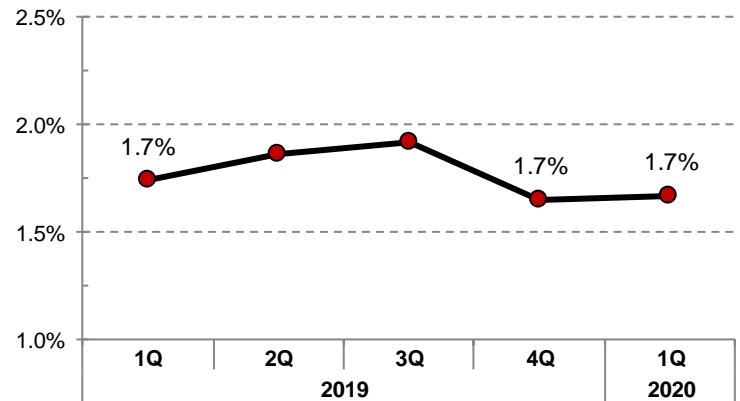


# Loan Growth with Quality

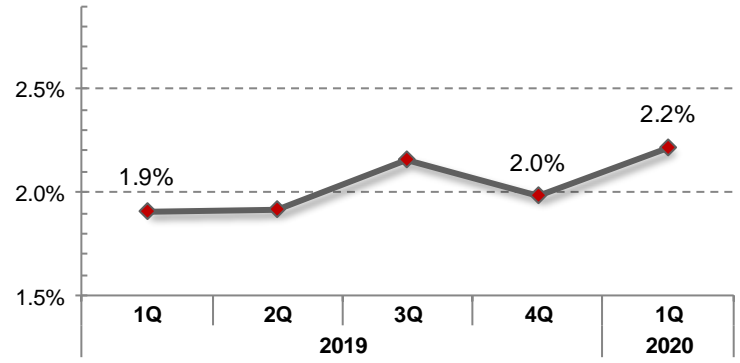
- Good quarter for Commercial & Corporates portfolios.
- Consumer books showed growth momentum.
- Remarkable credit quality.

	1Q20	q/q	y/y
Commercial	182,277	6%	5%
Corporate	145,229	13%	8%
Government	161,549	(7%)	(11%)
Mortgages	173,226	2%	9%
Car Loans	27,188	2%	10%
Credit Card	38,707	(3%)	6%
Payroll	51,643	1%	(2%)
Consumer Loans	290,763	1%	7%
<b>Total</b>	<b>779,818</b>	<b>2%</b>	<b>2%</b>
<b>Total ex-Government</b>	<b>618,269</b>	<b>5%</b>	<b>6%</b>

NPL Ratio



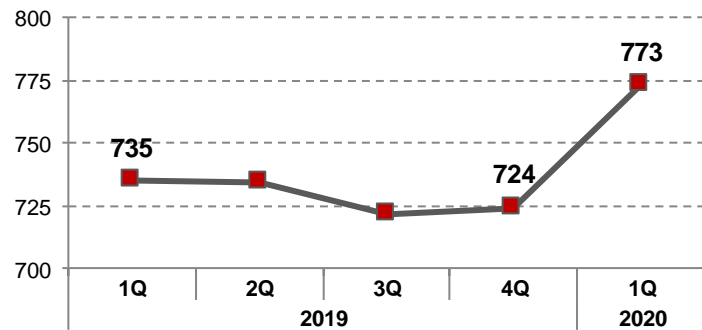
Cost of Risk



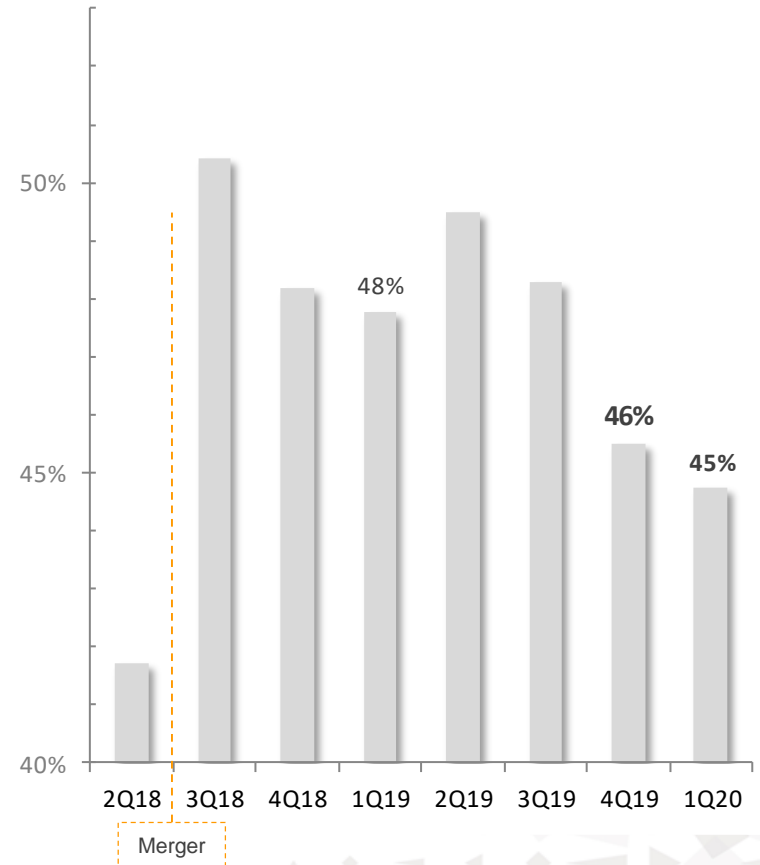
# Lower Funding Cost

- Funding cost down to 45% of reference rate.
- Deposits 7% q/q.

### GFNorte's Total Deposits



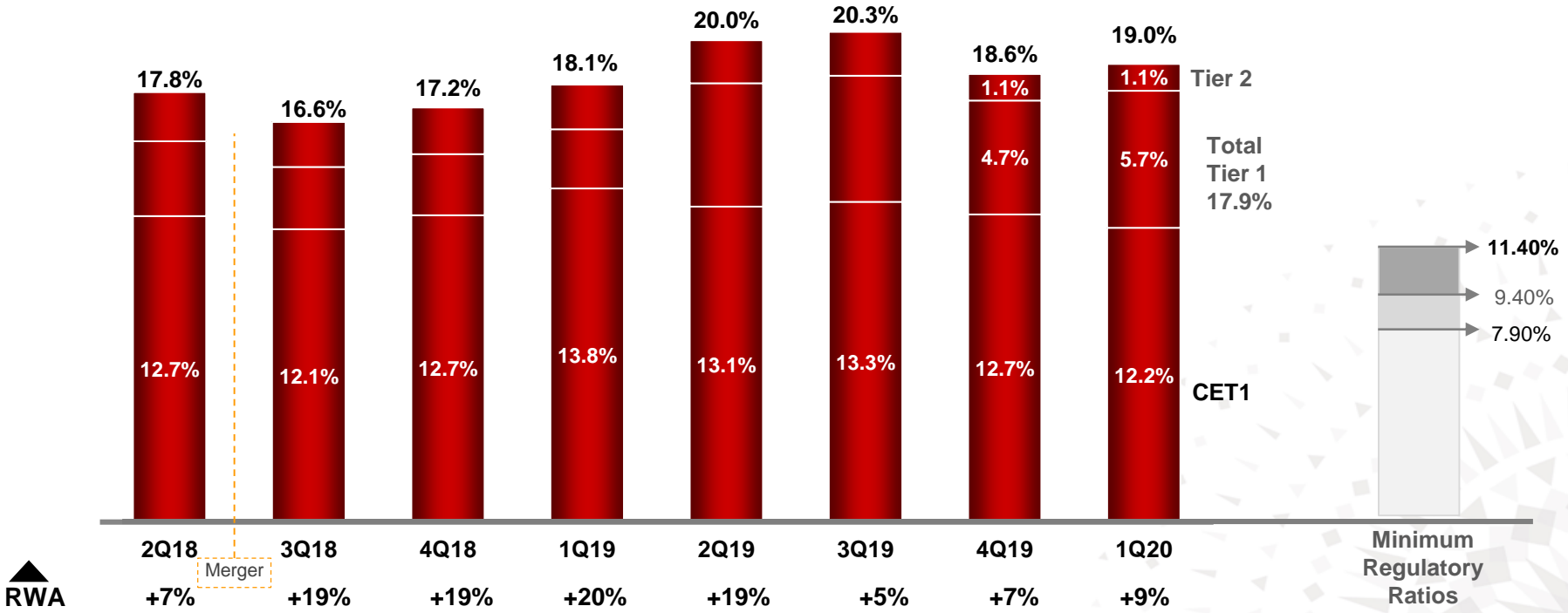
### Cost of Funds / TIIE



# Bank Regulatory Capital Ratio

## Capital Adequacy Ratio (CAR)

Basel III



RWA

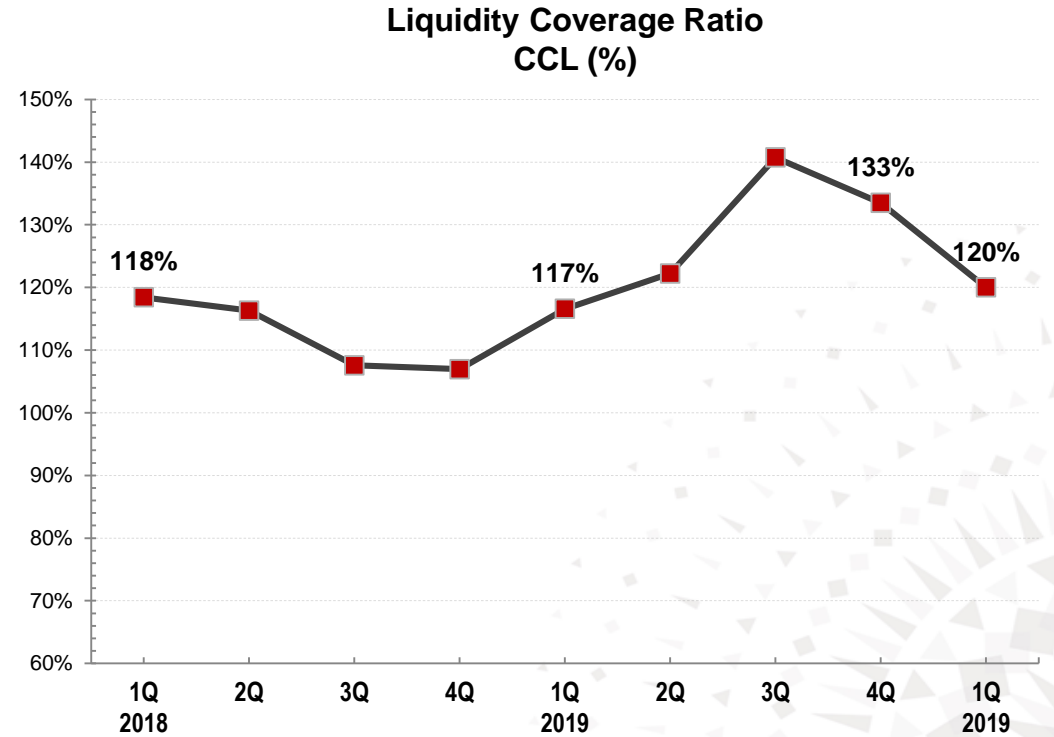
Merger

\*RWA= Risk Weighted Assets annual growth



# Liquidity

- Strong liquidity, supported by growth in deposits in the quarter
- Liquidity coverage ration above minimum regulatory requirements.

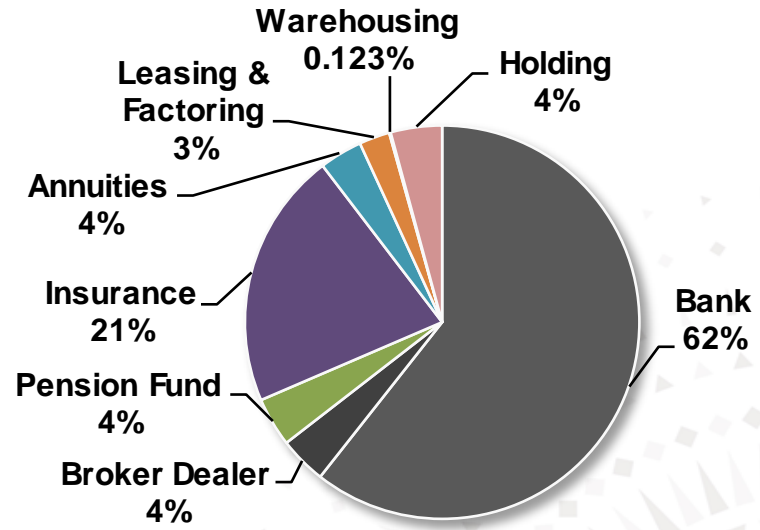


# Subsidiaries

- Business diversification.
- Continuous growth on Insurance profitability and better combined ratio.

Million pesos	1Q20	q/q	y/y
Bank	6,072	(10%)	(16%)
Broker	313	(17%)	2%
Insurance	1,703	129%	6%
Annuities	284	4%	4%
Afore	325	(10%)	(20%)
BAP (Holding)	14	739%	N.A.
Long Term Savings	2,327	69%	2%
Leasing and Factoring	203	(14%)	(10%)
<b>GFNorte</b>	<b>9,118</b>	<b>1%</b>	<b>(8%)</b>

Net Income by Subsidiary



# 1Q20 on Target to 2020 Guidance

	Guidance 2020	Actual 1Q20	
Loan Growth (ex-Gov)	6% – 8%	6%	✓
NIM Expansion	5 – 15bp	5.9% +24bp 4Q	✓
Expense Growth	5% – 5.5%	5%	✓
Efficiency	38.0 – 39.0%	38.9%	✓
Cost of Risk	1.9% – 2.2%	2.2%	✓
Tax Rate	26% – 27%	26%	✓
Net Income	37.5 – 38.8	9.1 bn	→
ROE	19.6% – 20.1%	18.8% ROA 2.2%	→
Macro Estimates	2020	Actual	
GDP	0.8%	-7% to -10%	
Inflation	3.5%	3.2%	
Reference Rate	6.50%	4.75%	



# Selected Industry Exposures

	Total Loans
<b>Oil Industry</b>	
Pemex	3.1%
Pemex Suppliers	1.9%
<b>Electricity Company</b>	
CFE	2.3%
CFE Suppliers	0.0%
<b>Construction &amp; Real State</b>	
Housing	1.0%
Commercial	1.4%
Others	1.8%
<b>Malls</b>	1.9%
<b>Tourism</b>	5.3%
<b>Restaurants</b>	0.2%
<b>Airports</b>	0.1%

<b>SMEs</b>	4.5%
<b>Dollar denominated</b>	11.9%

# COVID-19 Measures by Banxico and CNBV



- ◆ Regulatory Deposit Requirements reduction of Ps 60 billion.
- ◆ Reduction in the repo rate between Banks and Central Bank from 2.2 to 1.1x reference rate.
- ◆ US Dollar swap line between Banks and Central bank for US 60 billion dollars.
- ◆ Support to market makers in the government debt market.
- ◆ Additional liquidity measures for Ps 750 billion (US 30.7 bn dollars).



- ◆ Credit entities are authorized to provide a 4-month grace period to customers impacted by the Covid19 events, provided that borrowers are current on their loans. The grace period can be extended for two additional months.
- ◆ Recommendation to suspend dividend payments and share repurchase programs for fiscal years 2019 and 2020.
- ◆ IFRS 9 implementation postponed until 2022.

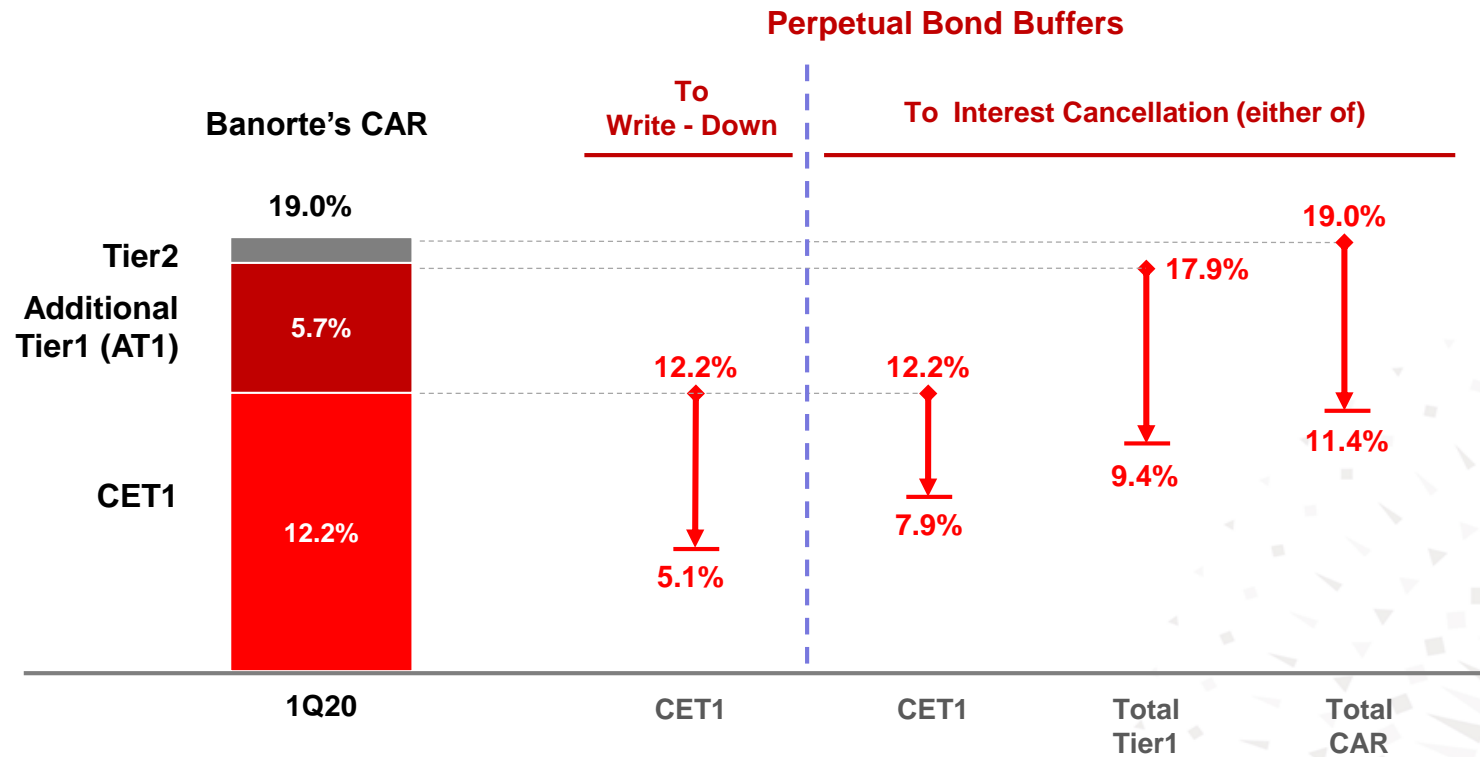
## Liquidity Temporary Wavers



- ◆ The average liquidity coverage ratio range between 100% and 85% without corrective measures. Before: 100% minimum LCR.
- ◆ Basel III NSFR implementation postponed. (Before: Implementation 1Q20).

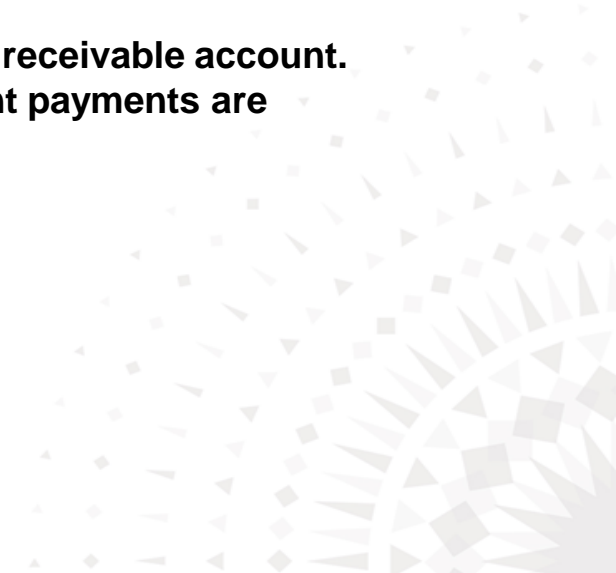
**Capital.** Regulatory Approval to use 50% of capital buffers, with regulatory notification.

# Banorte's Capital Ratios to Remain Above Regulatory Requirements



## Accounting for the consumer payment deferral program

- **Principal & Interest payments will be deferred four months.**
- **The original amortization scheduled is extended for 4 months. After grace period ends, at month five, installments are reactivated.**
- **Accrued but unpaid interest will be recognized against an interest receivable account. Which in turn will be canceled starting month five when installment payments are reactivated.**





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