



2Q21

Earnings Call

July 23rd, 2021



 **GRUPO FINANCIERO
BANORTE**

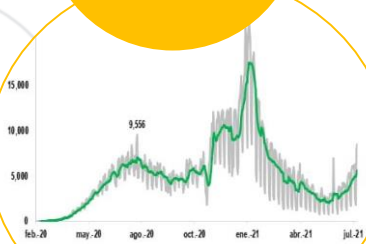
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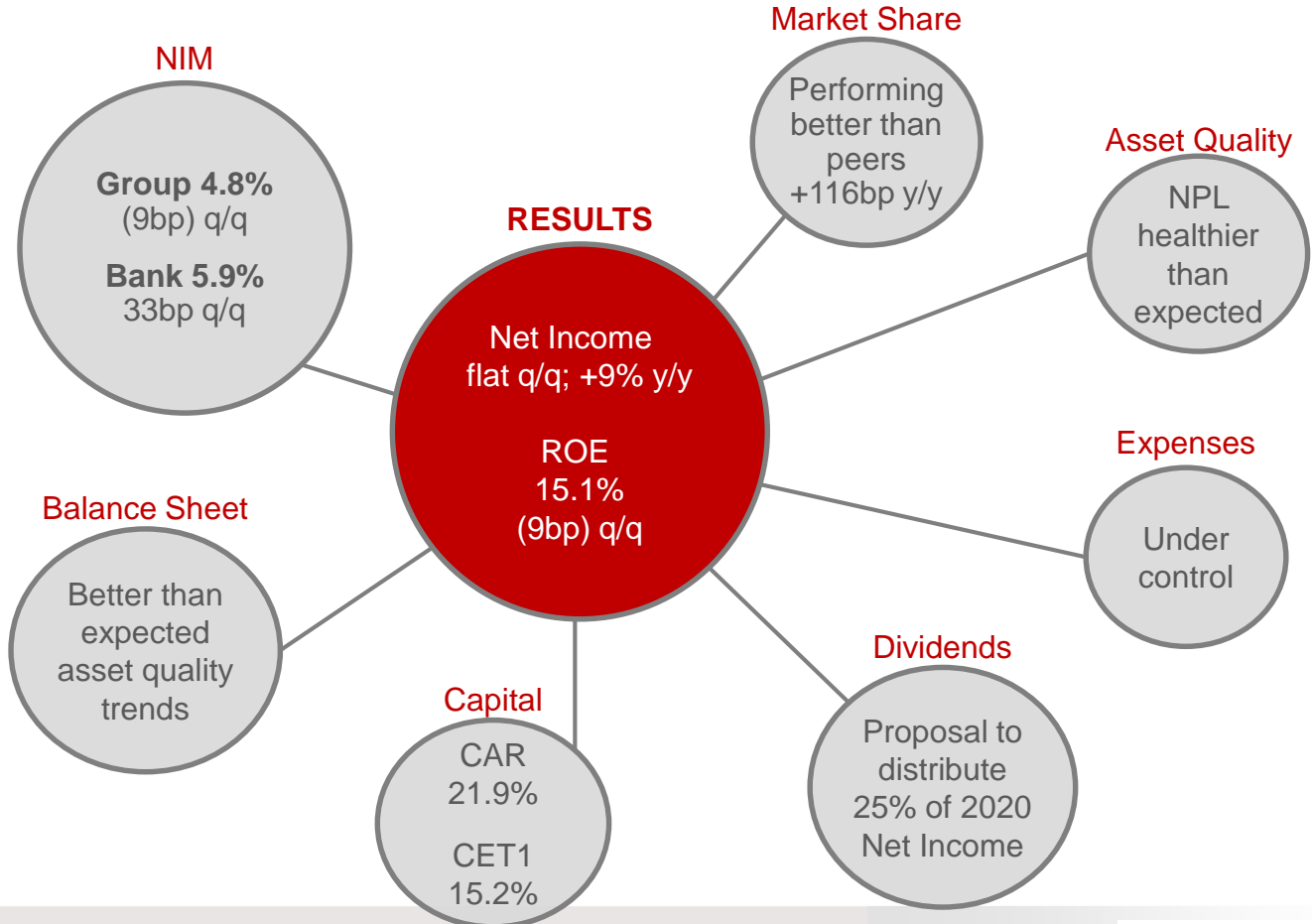
5 quarters of lockdowns, close to key stakeholders

Close to clients, employees and investors

COVID-19 third wave

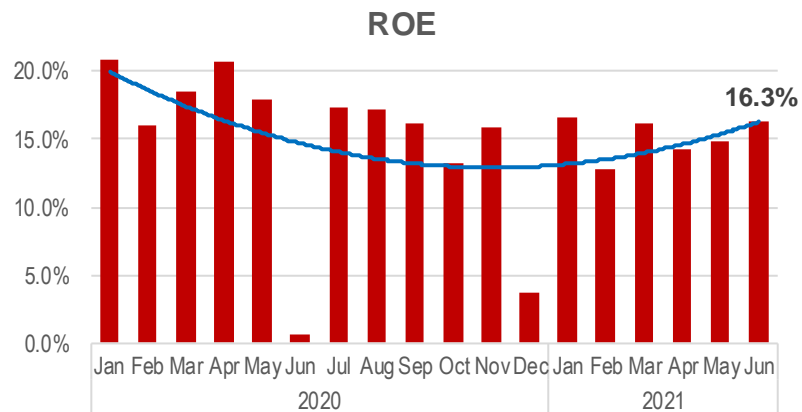
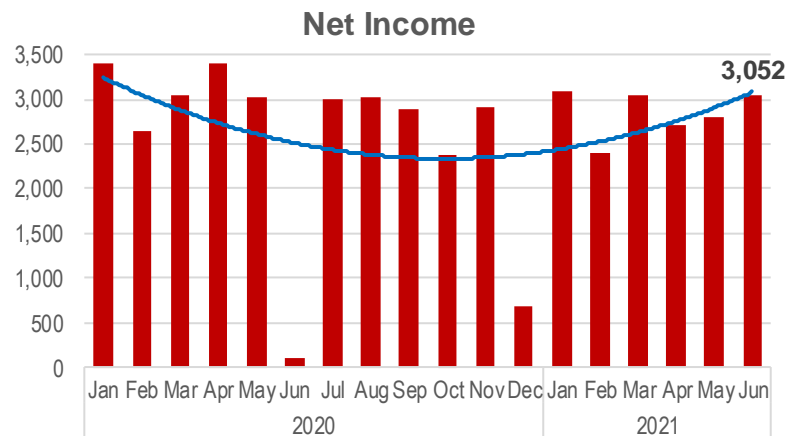
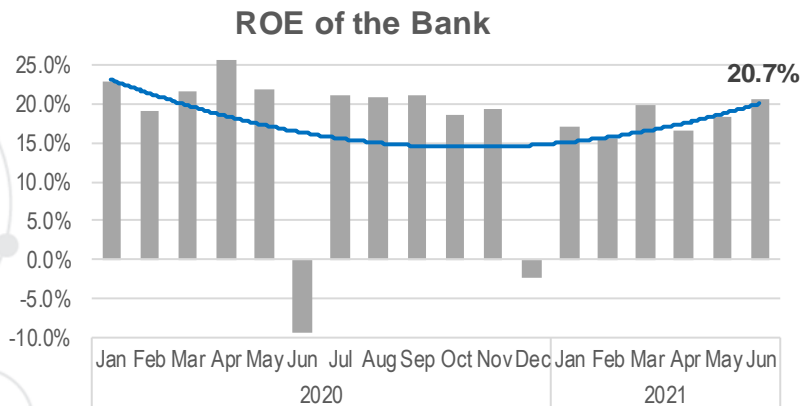


of Cases



Resilient results, particularly at the bank

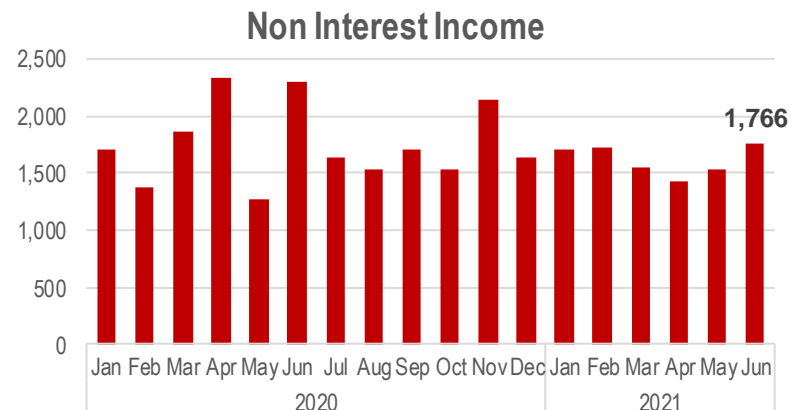
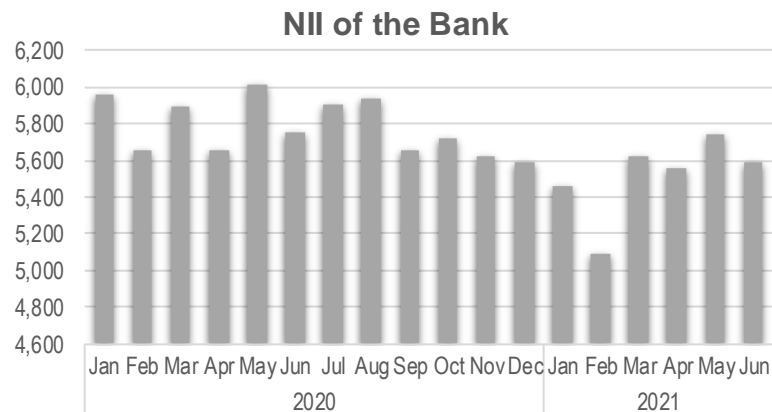
- June's Net Income practically at pre-pandemic levels.
- ROE recovering on economic growth but still affected by insurance claims and unpaid dividends.
- ROE of the Bank recovering: above 20% levels in June on better NII, quality of portfolio, and fees.



○ Net Interest and Non-Interest Income

- Robust NII, driven by Loans +2% q/q but affected by insurance seasonality **and claims**.
- Fees +2% q/q, supported by economic reactivation.
- Trading (13%) q/q on valuations due to recent hike.

Million pesos	2Q21	q/q	y/y	1H21	y/y
NII Loans/Deposits	15,397	2%	(3%)	30,442	(6%)
NII Repos	2,181	(12%)	(9%)	4,672	6%
NII Valorization Adjust*	103	N.A.	52%	-61	(952%)
NII Insurance & Annuities	1,968	(25%)	(13%)	4,598	(22%)
NII	19,649	(2%)	(5%)	39,651	(7%)
Net Service Fees	3,289	2%	7%	6,503	(0%)
Trading Income	840	(13%)	(51%)	1,804	(37%)
Other Income	609	(26%)	(47%)	1,432	(2%)
Non-Interest Income	4,739	(5%)	(20%)	9,739	(10%)
Total Revenues	24,388	(2%)	(8%)	49,390	(8%)

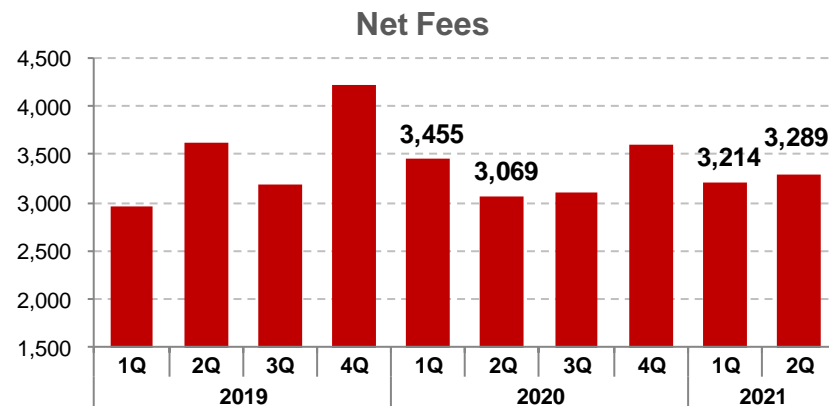


Core Banking Fees quite above pre-pandemic levels and continuously growing

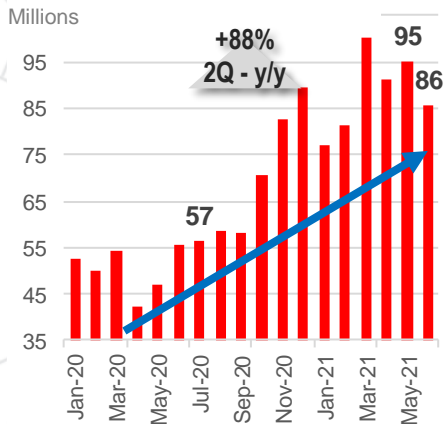
Quarterly Net Fees +2%, good growth but still affected by COVID-19, specially consumer loans fees.

Fees charged +5% q/q, +24% y/y;
Core banking fees +9% q/q, +41% y/y.

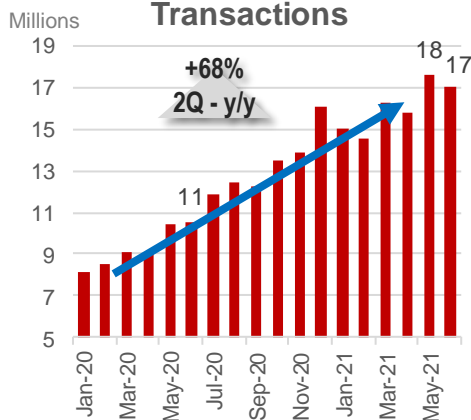
Digital transactions leading growth,
+88% y/y in POS, +68% in mobile monetary transactions.



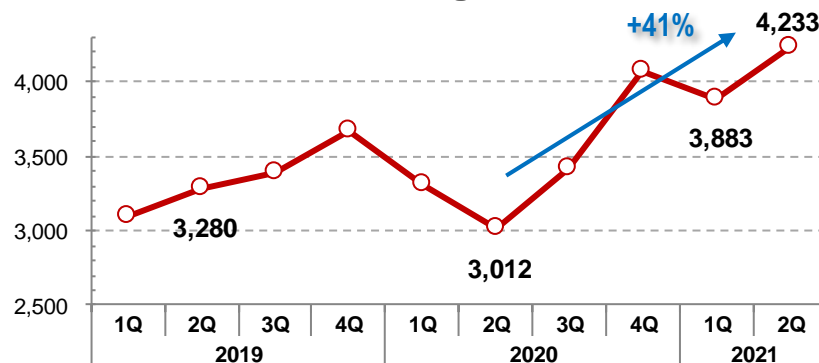
POS Transactions



Mobile Monetary Transactions



Core Banking Fees



Moderate loan growth and gaining market share

Excellent expansion in mortgages and payroll loans +3%, resuming growth in credit cards +2 q/q.

Corporate (6%) and government (3%) q/q on Pre-payments.

Gaining market share, +116bp y/y:

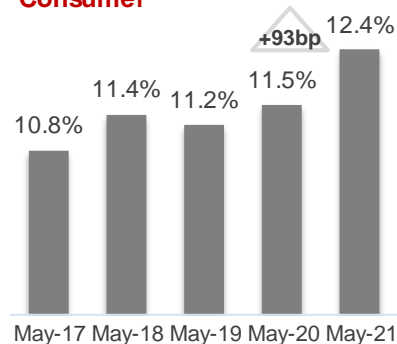
- mortgage +42bp, auto loans +138bp, credit card +12bp, payroll loans +116bp, corporate & commercial +146bp.

Performing Loans

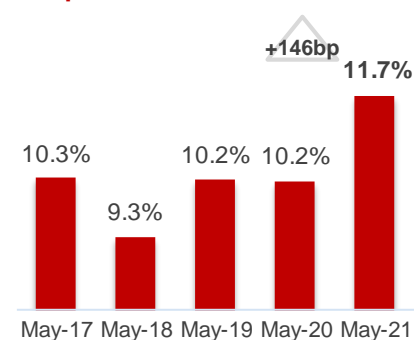
	2Q21	q/q	y/y
Commercial	193,287	0%	4%
Corporate	132,162	(6%)	(12%)
Government	154,649	(3%)	(5%)
Mortgage	196,125	3%	11%
Auto	28,138	(0%)	6%
Credit card	36,334	2%	(3%)
Payroll	53,850	3%	5%
Consumer Loans	314,447	2%	7%
Total	794,544	(1%)	0%
Total ex-Gov	639,895	(0%)	2%

Market Share

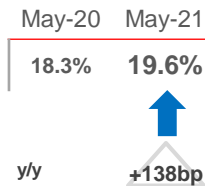
Consumer



Corporate & Commercial



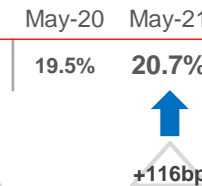
Auto



y/y

Place

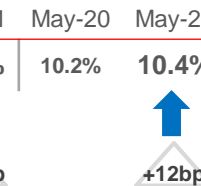
Payroll



y/y

Place

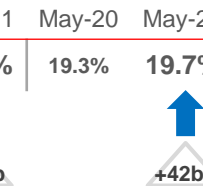
C. Card



y/y

Place

Mortgage



y/y

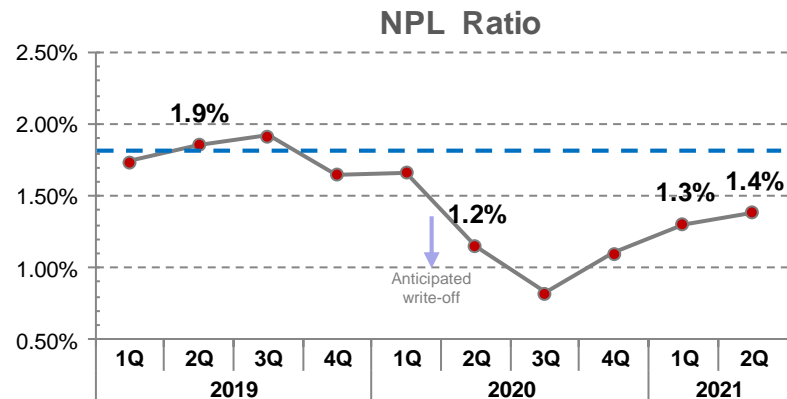
Place

Source: CNBV data

Healthy Loan Portfolio

Regarding the relief programs already finished, currently \$6.4 bn (0.8% of total loans) are non-performing, from the \$8.2bn in March 2021.

Asset quality better than estimated, NPL ratio below expectations and trending to normal levels.



Non-performing Loans Ratio

	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21
Credit Card	5.9%	6.0%	5.4%	5.8%	5.5%	3.1%	7.8%	7.2%	4.9%
Payroll	3.8%	3.4%	3.3%	2.7%	3.3%	1.7%	2.7%	2.9%	2.5%
Auto	1.0%	1.0%	1.0%	0.9%	1.2%	0.7%	0.6%	1.3%	1.1%
Mortgage	1.0%	1.1%	1.1%	1.2%	1.3%	1.0%	0.9%	1.1%	1.0%
Commercial	2.4%	2.5%	2.4%	2.3%	1.1%	0.9%	1.2%	1.7%	1.9%
SME	6.4%	6.5%	6.6%	7.0%	3.7%	1.9%	2.0%	3.4%	3.4%
Commercial ex-SME	1.3%	1.6%	1.3%	1.2%	0.6%	0.7%	1.0%	1.3%	1.6%
Corporate	3.0%	2.8%	1.8%	1.8%	0.3%	0.3%	0.1%	0.2%	1.3%
Government	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%	0.0%	0.1%	0.1%
Total GFNorte	1.9%	1.9%	1.7%	1.7%	1.2%	0.8%	1.1%	1.3%	1.4%

Subsidiaries

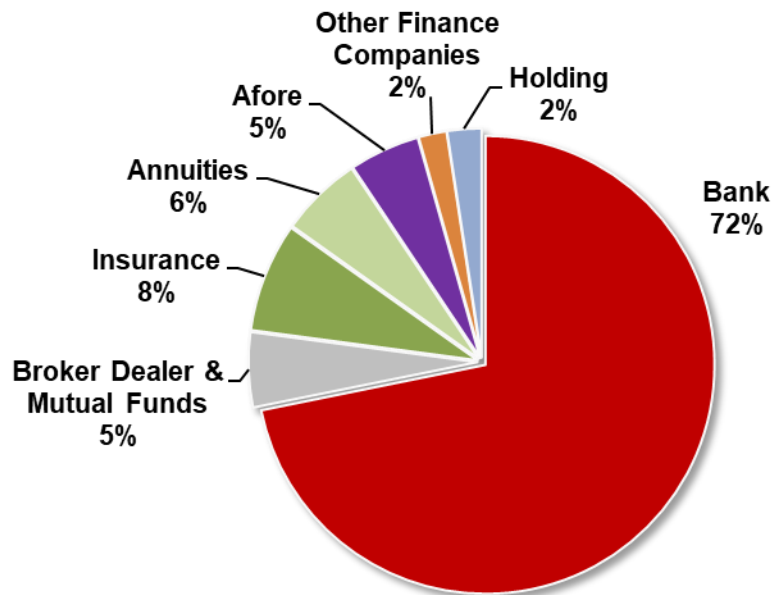
Business diversification pays-off in difficult times:

- Bank +9% q/q on better NII, Fees and credit quality;
- Broker Dealer & Mutual Funds +15% q/q;
- Insurance (46%) q/q on seasonality and claims (COVID-19 related); and
- Afore +15% q/q.

Net Income by Subsidiary

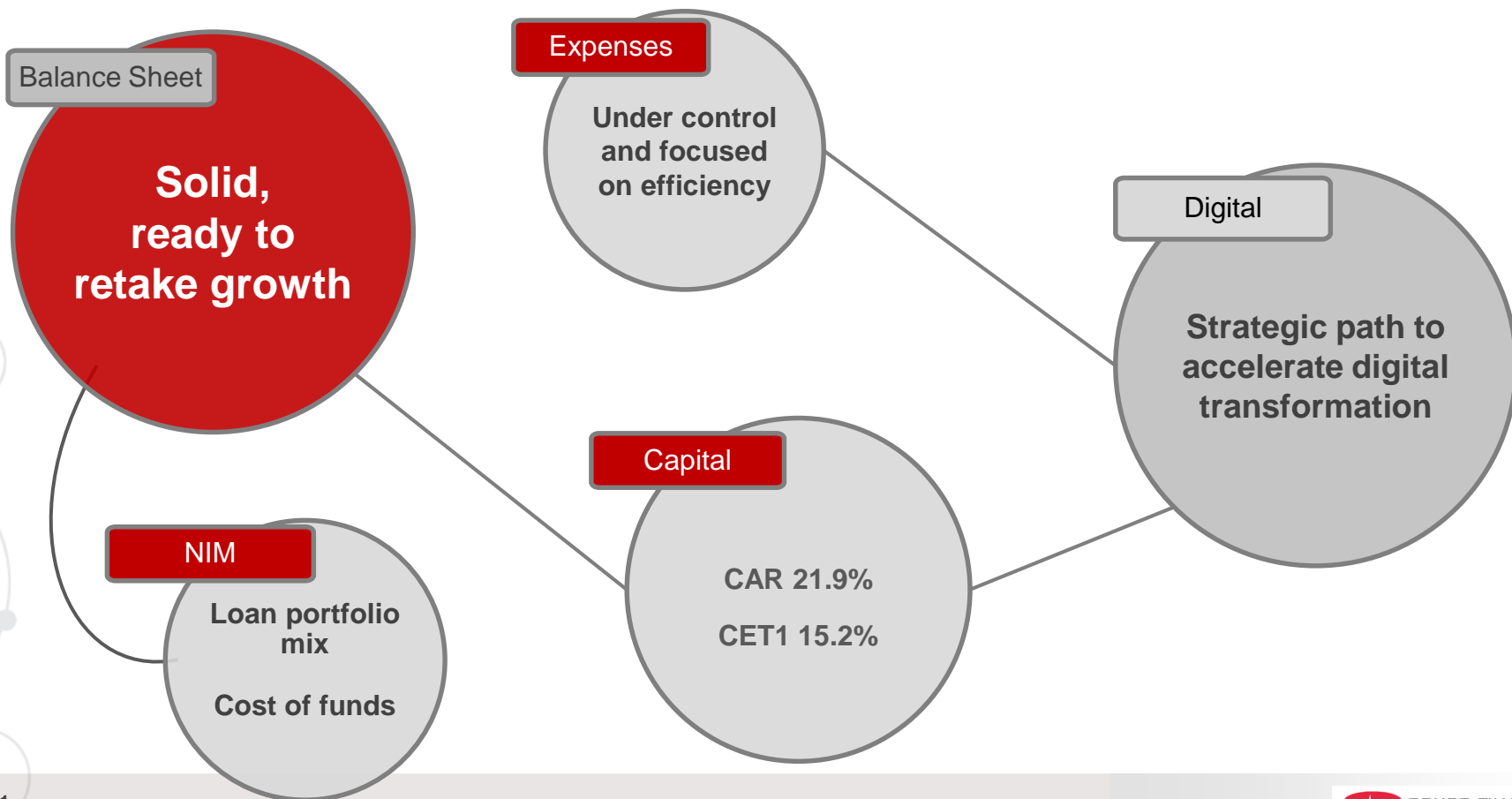
Million pesos	2Q21	q/q	y/y	1H21	y/y	ROE 1H21
Bank	6,408	9%	78%	12,278	27%	18.0%
Broker Dealer & Mutual Funds	484	15%	4%	904	16%	27.3%
Insurance	463	(46%)	(50%)	1,321	(50%)	22.7%
Annuities	494	(0%)	16%	990	40%	28.5%
Afore	456	15%	(26%)	852	(10%)	14.4%
Other Finance Comp.	89	(64%)	(63%)	338	10%	
Holding	166	(33%)	(27%)	413	(27%)	
GFNorte	8,568	0%	31%	17,112	9%	15.2%

Net Income by Subsidiary
1H21



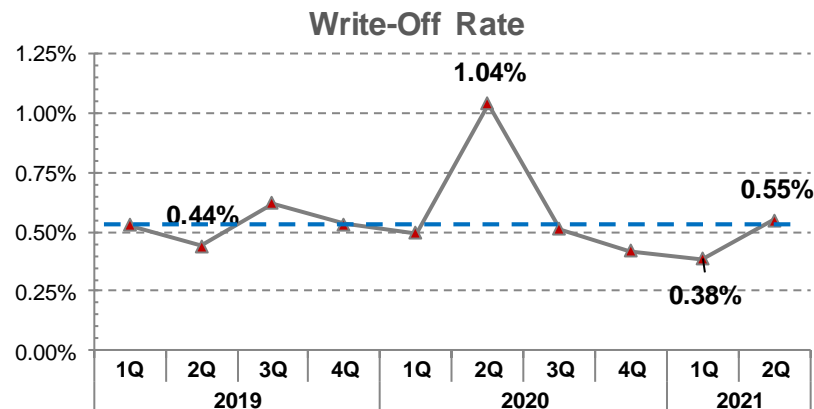
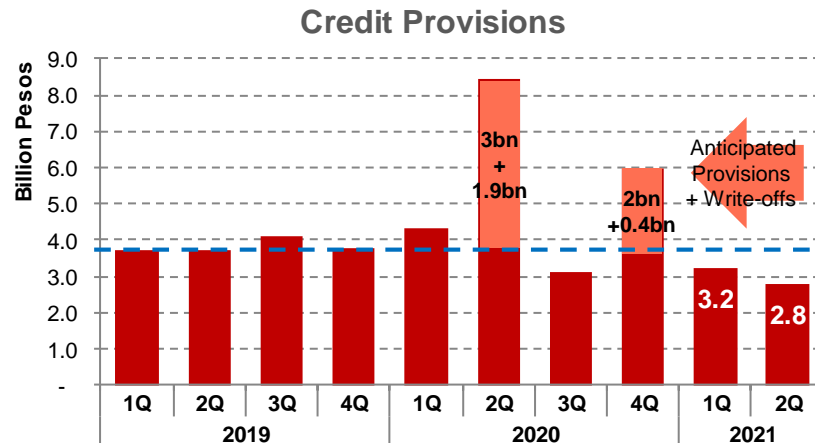
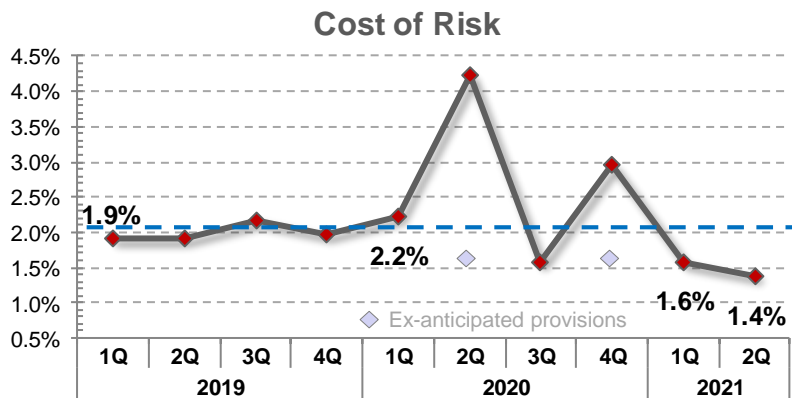
Financial Highlights

Prepared for the new normal



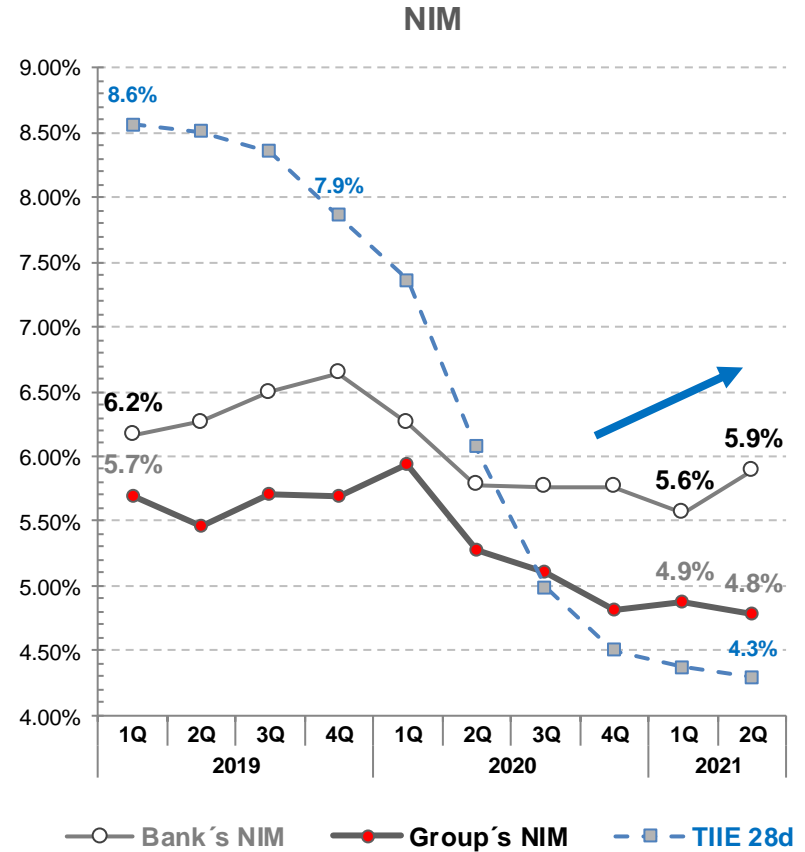
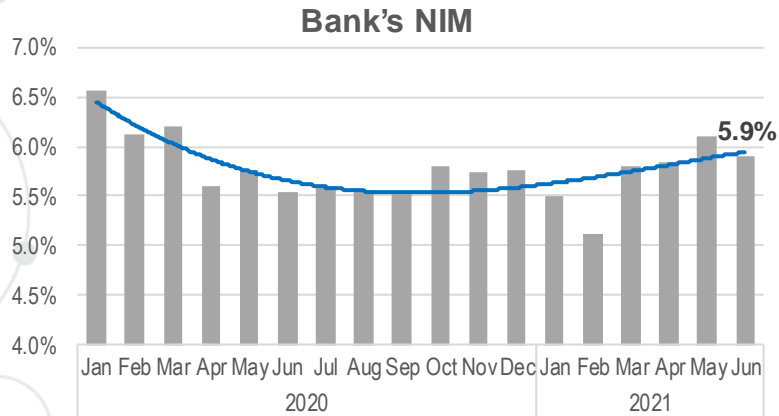
Asset quality better than expected

- Anticipated provisions (\$7.3 bn) registered during 2020 have been more than adequate.
- Write-off rate back to normal after 2020 strategic approach to anticipate deterioration.
- Cost of risk at only 1.4%.



Resilient NIM

- Bank's NIM already close to 6% levels.
- Resilient on good portfolio mix and cost of funds.
- Group's NIM still affected by insurance claims.

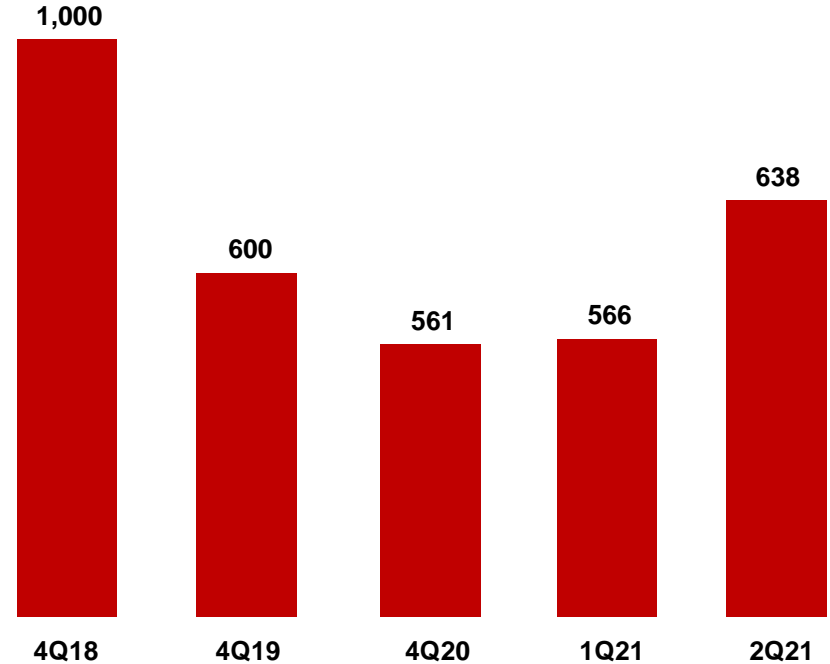


Margin sensitivity evolution

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

Margin Sensitivity – 100 bps on NII

Local Currency Balance Sheet
Million pesos

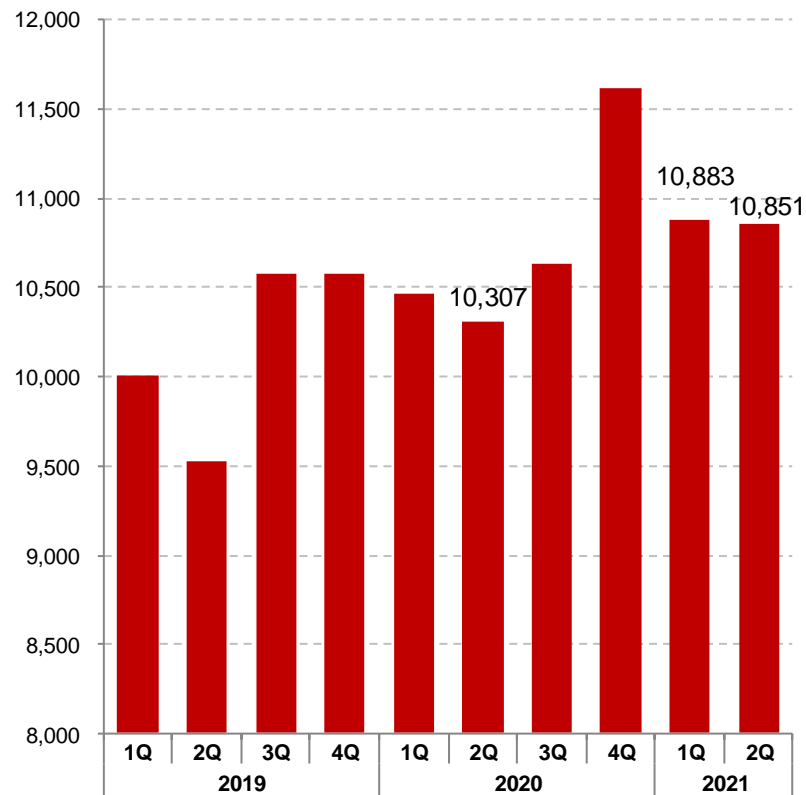


Expenses with strict control

- Expenses reduced driven by the efficiency program.
- Total growth 1H21 +4.6% y/y, in line with guidance.
- Strict expense control and structural adjustments strategy for 2021.

	2Q21	q/q	y/y	1H21	y/y
Personnel Expenses	4,273	7%	10%	8,279	6%
Professional Fees	808	0%	1%	1,614	4%
Administrative & Promotional	1,914	(14%)	(6%)	4,137	(6%)
Rents, Depr. & Amortization	2,240	(0%)	9%	4,483	12%
Taxes other than income tax & non deductible expenses	589	6%	22%	1,142	16%
Contributions to IPAB	889	(3%)	(3%)	1,801	3%
Employee Profit Sharing	139	(1%)	4%	278	5%
Non-Interest Expenses	10,851	(0%)	5%	21,734	5%

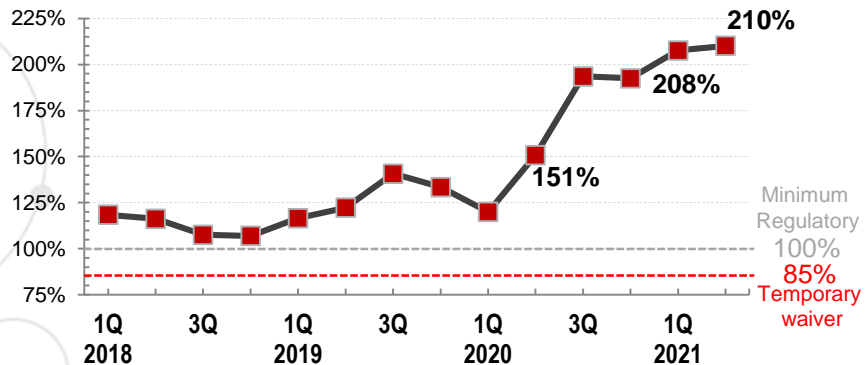
Non-Interest Expenses



Bank regulatory capital ratio & liquidity

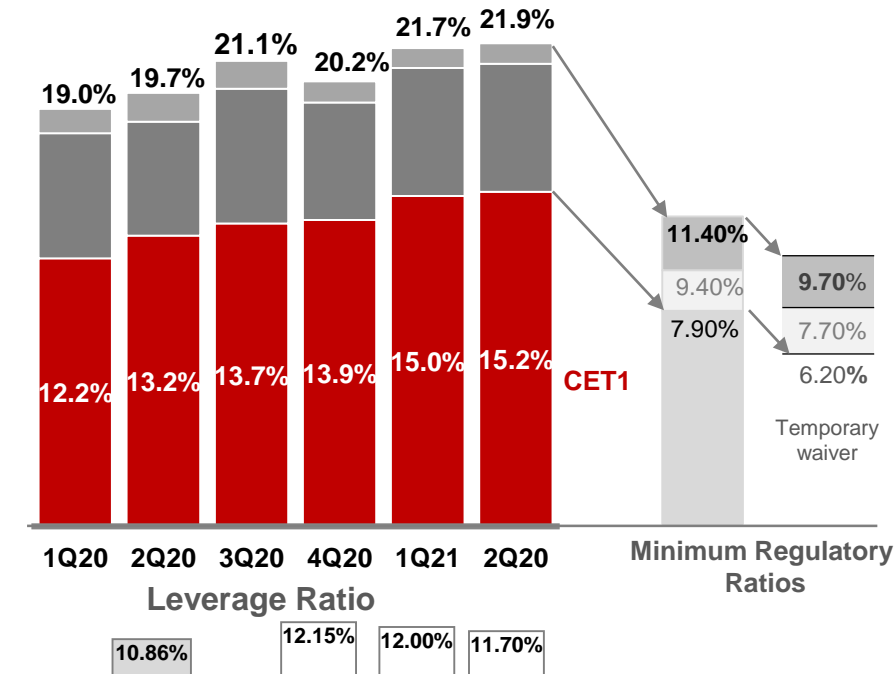
- Strong CAR and CET1, well above regulatory requirements.
- Unlevered Capital.
- Dividends from 2019 paid according to regulator (25% of Net Income).
- Liquidity coverage ratio exceeds minimum regulatory requirements.

Liquidity Coverage Ratio CCL (%)



Capital Adequacy Ratio (CAR)

Basel III



2021 guidance update

	Original	Actual
Loan Growth	6% – 8%	5% – 7%
NIM Contraction	(15) – (30bps)	(10) – (25bps)
Expense Growth	3.5% – 4.2%	<i>(Below inflation rate)</i> 4.2% – 4.6%
Efficiency	39.5% – 41.0%	41.0% – 42.0%
Cost of Risk	2.1% – 2.3%	1.9% – 2.1%
Tax Rate	26% – 27%	26% – 27%
Net Income	33.5 – 35.0	34.0 – 35.5
ROE	15% – 16%	16.5% – 17.5%
ROE of the Bank	18% - 19%	18.5% - 19.5%

Macro Estimates for 2021		
GDP	3% – 4% ↑	5% – 6%
Inflation Rate	4.0% ↑	5% – 6%
Banxico's Reference Rate (Avg.)	4.00% ↑	4.35%

Selected industry exposures

**Vs. Total
Loans 2Q21**

Oil Industry

Pemex	3.6%
Pemex Suppliers	1.5%

Electricity Company

CFE	2.2%
CFE Suppliers	0.4%

Construction & Real State

Housing	1.1%
Commercial	1.6%
Others	1.8%

Malls	2.3%
Tourism	4.1%
Restaurants	0.2%
Airports	0.1%

SMEs

• 77% Nafin / Bancomext guaranteed loans, 45% of SME book

4.7%

Dollar denominated

9.3%

Appendix

Environmental



- Net-Zero Banking Alliance (NZBA) – Founding signatories
- Climate Ambition Program (Global Compact) – Participation

Social



- Institutional Financial Education program (*Sinergia CONDUSEF*) – Participation
- SDG Ambition and SDG Innovators (Global Compact) – Participation
- Creation of an Equity and Gender Committee (Afore XXI)
- Talent attraction and retention strategy with gender perspective – Phase 2
- Corporate volunteering program (1H21) – 50 initiatives, 4,363 beneficiaries, 81 volunteers

Governance



- Sustainability Committee (GFNorte) – ESG goals approval
- Google Cloud – Strategic alliance to accelerate digital transformation
- ALAS20 Awards - Grupo Financiero Banorte and Afore XXI Nomination
- Mobile banking app – Improvement program launch
- Customer satisfaction – NPS: 65.8 pts (+17% vs 1Q21 and +9% vs 2Q20)
- Data privacy – Employee training: 78% progress

Sustainable Finance

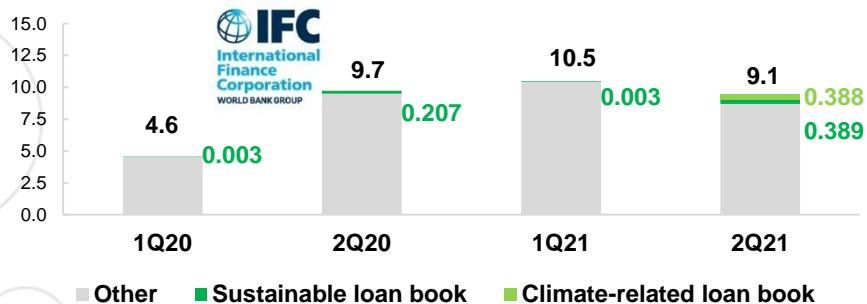


- Taskforce on Nature-related Financial Disclosure (TNFD) – Global launch
- Equator Principles – Report 2020
- Principles of Responsible Investment – 2021 Report Afore XXI and Operadora de Fondos
- Responsible Investment Subcommittee (AMAFORE) – Chair (Afore XXI)
- Climate-related parametric insurance – Annual policy renewal (Quintana Roo) and new product (Yucatan)

Sustainable finance

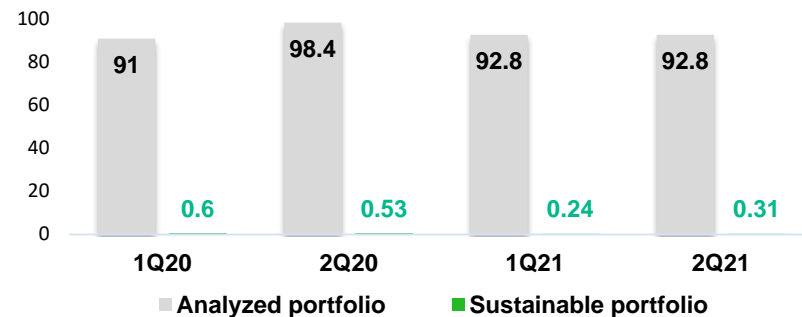
Sustainable finance loan book evaluation

% of wholesale banking loan book



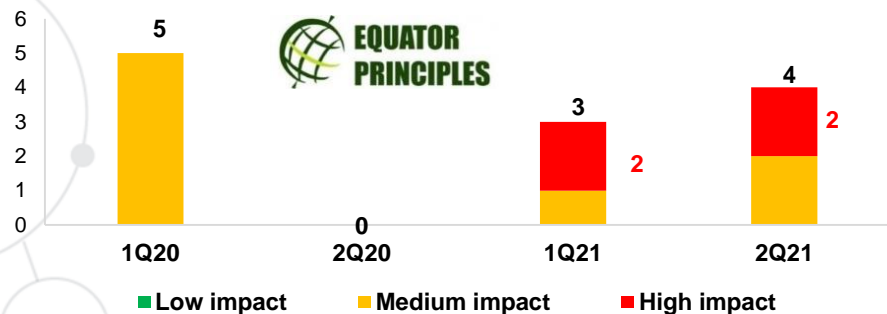
Responsible investments - Mutual funds

%, share of total analyzed AUM



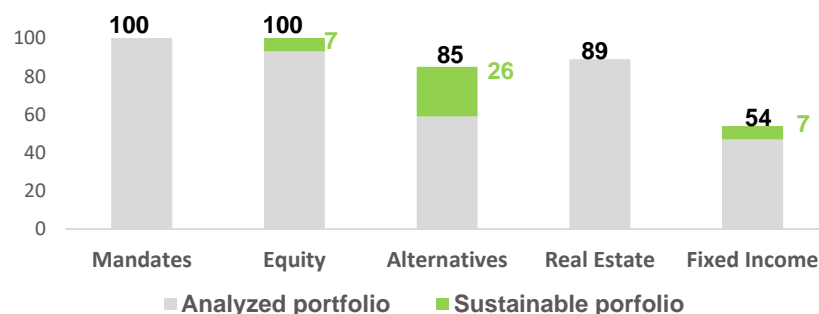
Loan book evaluation under Equator Principles

Number of analyzed projects



Responsible investments – Pension funds (Afore)

%, share of total analyzed AUM by instrument





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