



3Q21

Earnings Call

October 22nd, 2021



 **GRUPO FINANCIERO
BANORTE**

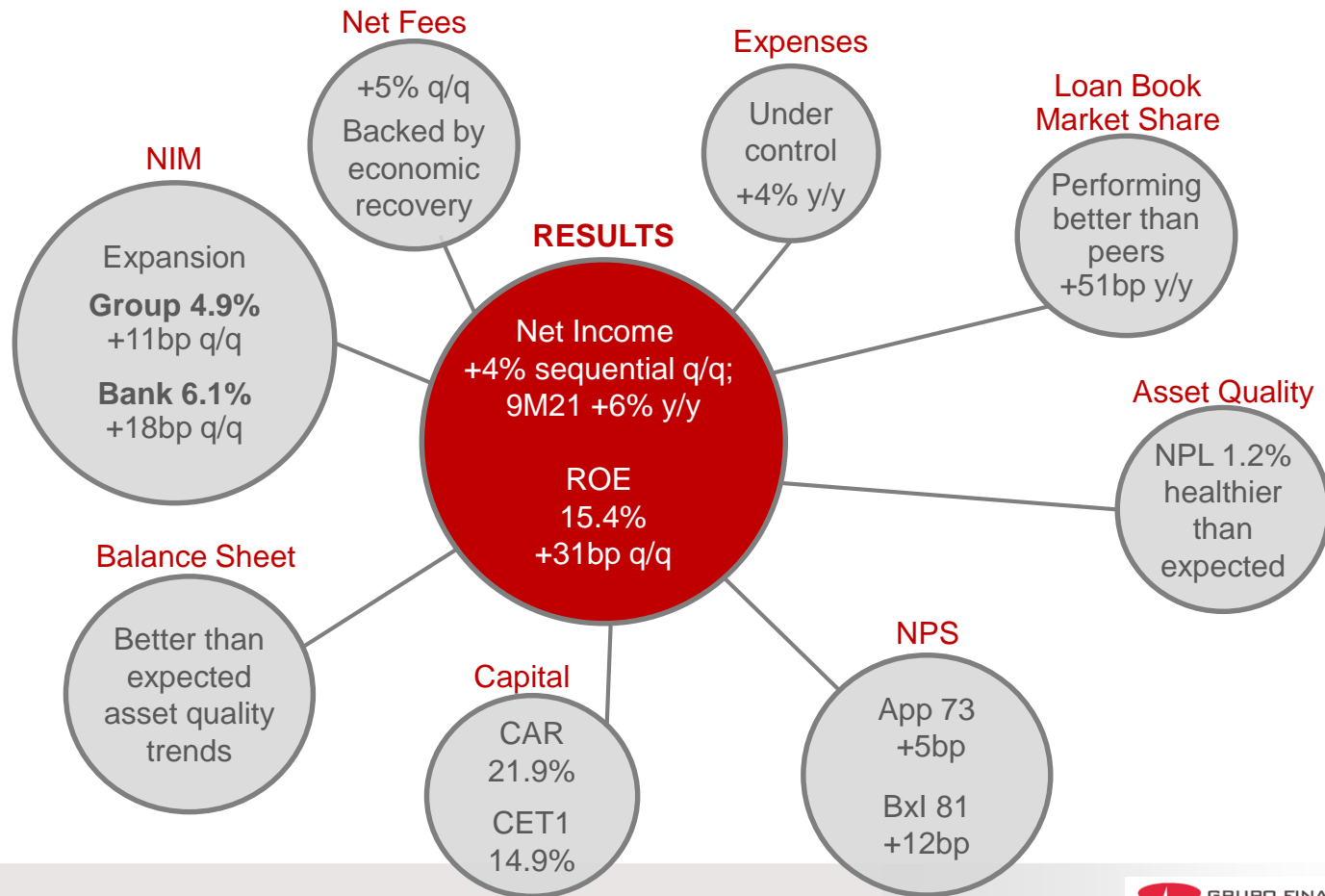
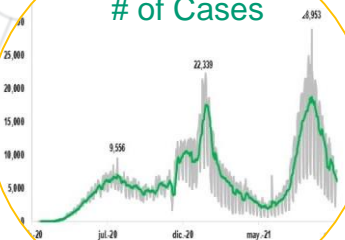
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Sequential improvements, pointing in the right direction

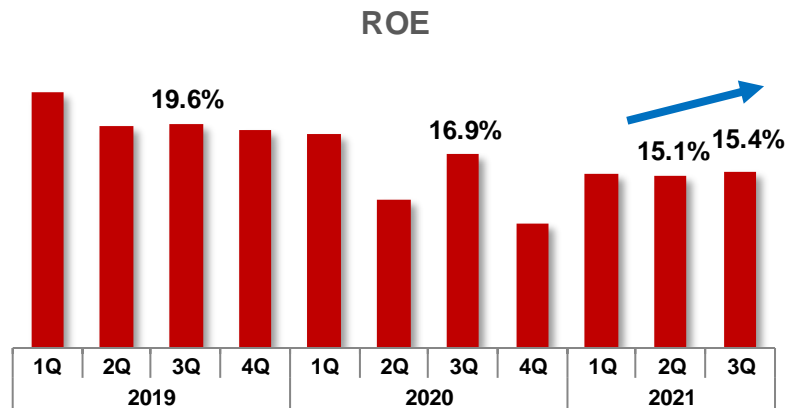
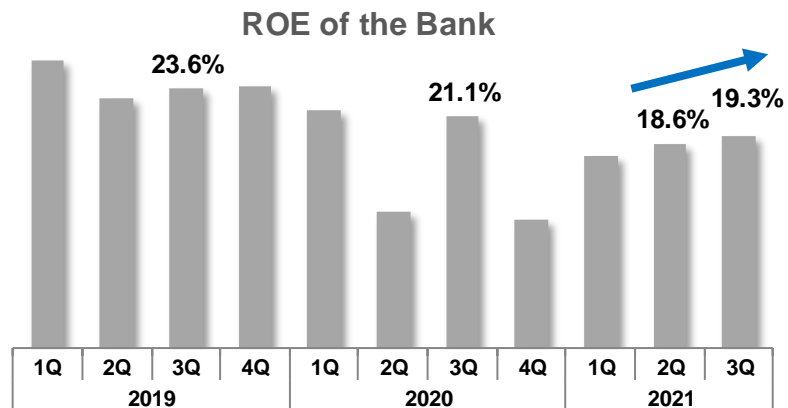
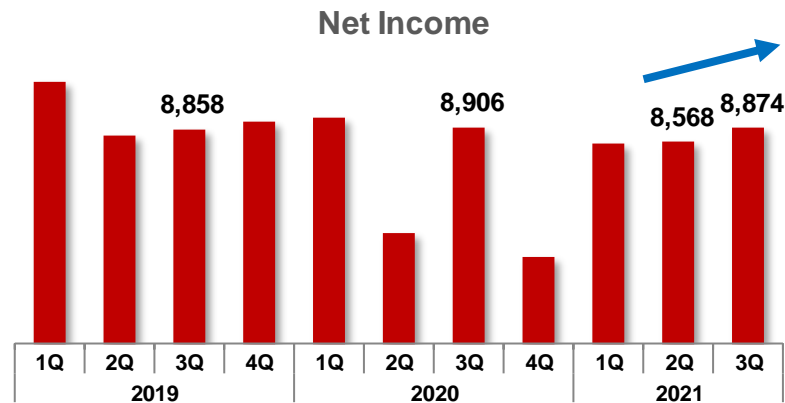
COVID-19
end of
third wave

of Cases



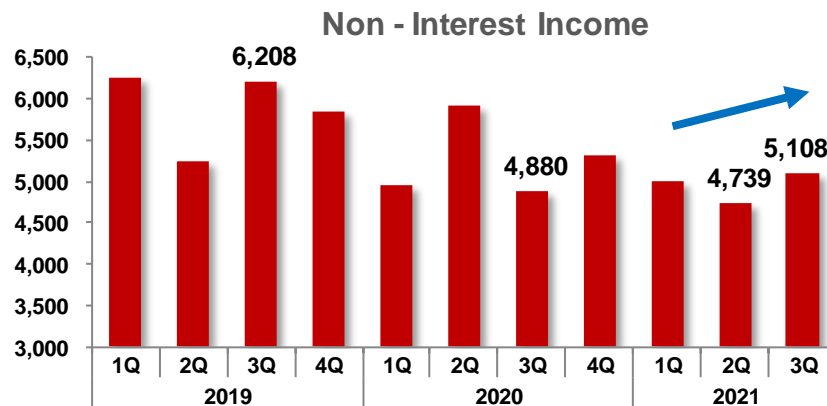
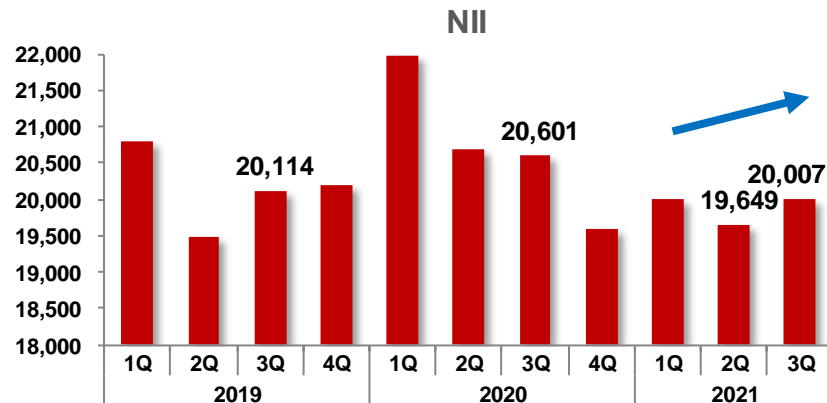
Resilient results, particularly at the bank

- Net Income +4% sequential.
- ROE recovering but still affected by insurance claims and unpaid dividends.
- ROE of the Bank recovering on better NII, quality of portfolio, and fees.



Net Interest and Non-Interest Income

- Robust NII, driven by NII on Loans +3% q/q, but affected by **insurance claims**.
- Net Fees +5% q/q, supported by economic reactivation.
- Trading at the top of its normal range, Ps 1,116 millions.



Million pesos	3Q21	q/q	y/y	9M21	y/y
NII Loans/Deposits	15,932	3%	1%	46,374	(4%)
NII Repos	2,488	14%	(1%)	7,159	4%
NII Valorization Adjust*	-183	(278%)	(307%)	-244	(396%)
NII Insurance & Annuities	1,770	(10%)	(18%)	6,368	(21%)
NII	20,007	2%	(3%)	59,658	(6%)
Net Service Fees	3,457	5%	12%	9,959	4%
Trading Income	1,116	33%	(1%)	2,920	(27%)
Other Income	535	(12%)	(18%)	1,967	(7%)
Non-Interest Income	5,108	8%	5%	14,847	(6%)
Total Revenues	25,115	3%	(1%)	74,505	(6%)

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

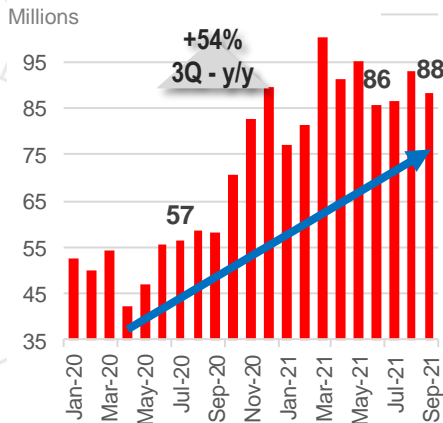
Quarterly Net Fees +5%, +12% y/y, **above 3Q pre-pandemic levels.**

Fees charged +1% q/q, +18% y/y:

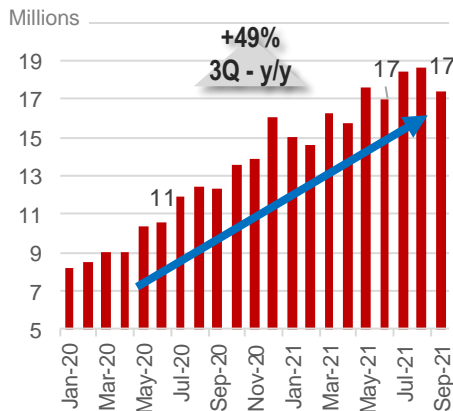
- Consumer Loan Fees +3% q/q, +14% y/y.
- Core banking fees steady q/q, **at record high levels,** and +24% y/y.

Digital transactions leading annual growth, +54% y/y in POS, +49% in mobile monetary transactions.

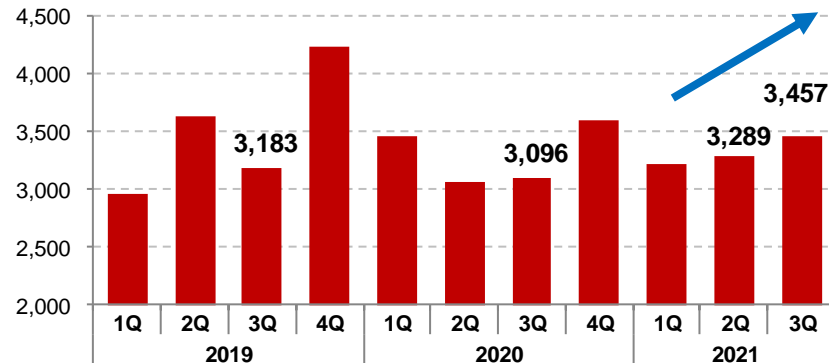
POS Transactions



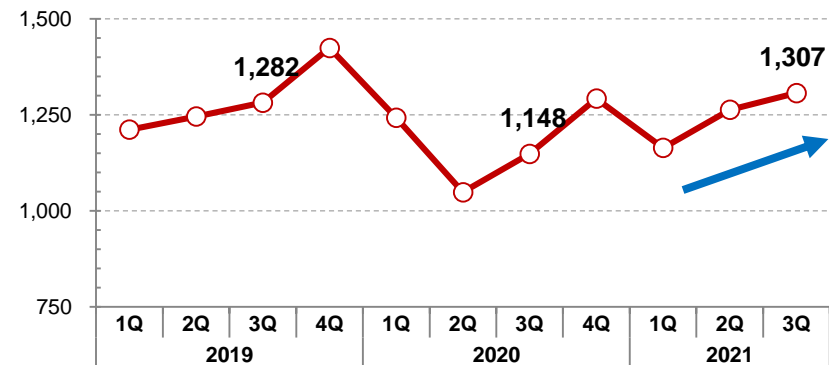
Mobile Monetary Transactions



Net Fees

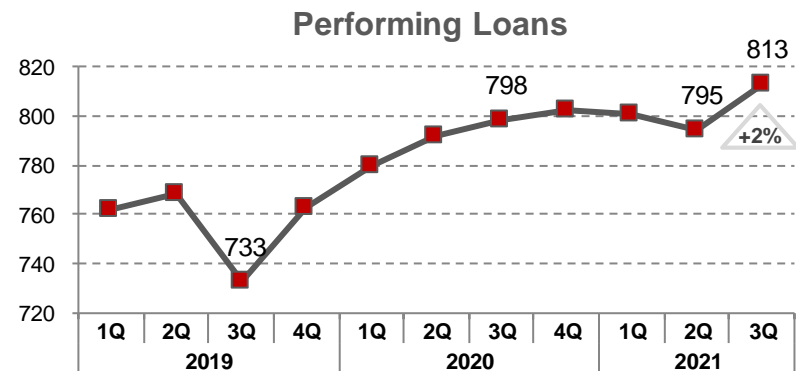


Consumer Loan Fees



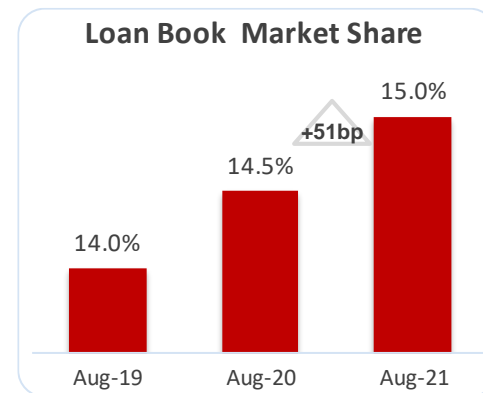
Good loan growth, regaining momentum

- Good expansion in commercial +3%, corporate +3% and government loans +4% q/q.
- Sustained growth in credit cards +2% q/q.
- Total portfolio growth +2% q/q.
- Gaining market share, +51bp y/y.



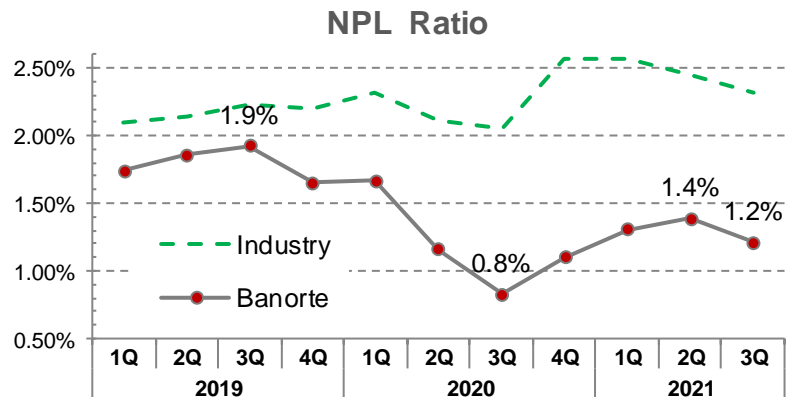
Performing Loans

	3Q21	q/q	y/y
Commercial	198,258	3%	5%
Corporate	136,343	3%	(7%)
Government	161,400	4%	(1%)
Mortgage	197,737	1%	8%
Auto	27,914	(1%)	2%
Credit card	37,065	2%	(4%)
Payroll	54,532	1%	4%
Consumer Loans	317,247	1%	5%
Total	813,247	2%	2%
Total ex-Gov	651,848	2%	3%



Healthy Loan Portfolio

- Asset quality better than estimated.
- NPL ratio well below expectations.



Non-performing Loans Ratio

	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21
Credit Card	6.0%	5.4%	5.8%	5.5%	3.1%	7.8%	7.2%	4.9%	3.9%
Payroll	3.4%	3.3%	2.7%	3.3%	1.7%	2.7%	2.9%	2.5%	2.6%
Auto	1.0%	1.0%	0.9%	1.2%	0.7%	0.6%	1.3%	1.1%	0.9%
Mortgage	1.1%	1.1%	1.2%	1.3%	1.0%	0.9%	1.1%	1.0%	1.1%
Commercial	2.5%	2.4%	2.3%	1.1%	0.9%	1.2%	1.7%	1.9%	1.9%
SME	6.6%	6.6%	7.0%	3.7%	1.9%	2.0%	3.4%	3.4%	2.5%
Commercial ex-SME	1.5%	1.3%	1.2%	0.6%	0.7%	1.0%	1.3%	1.6%	1.8%
Corporate	2.8%	1.8%	1.8%	0.3%	0.3%	0.1%	0.2%	1.3%	0.4%
Government	0.0%	0.0%	0.0%	0.1%	0.2%	0.0%	0.1%	0.1%	0.1%
Total GFNorte	1.9%	1.7%	1.7%	1.2%	0.8%	1.1%	1.3%	1.4%	1.2%

Subsidiaries return to normal but Insurance is still affected

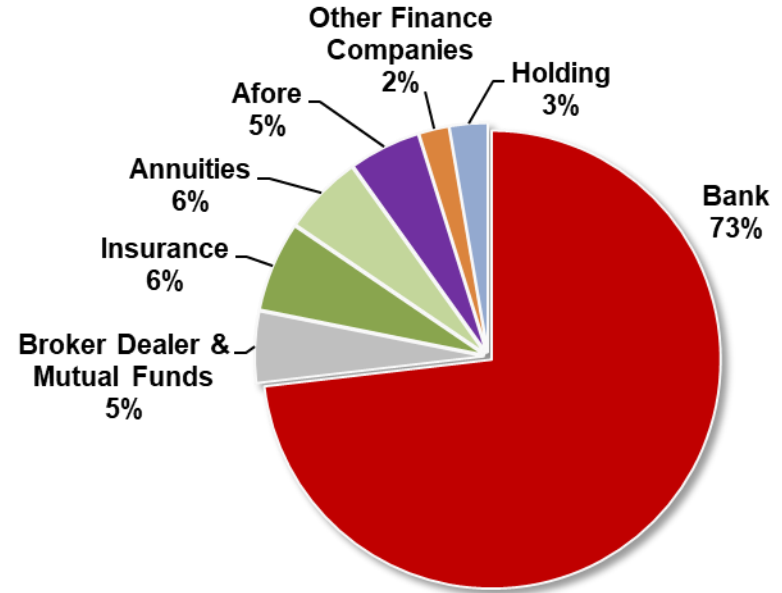
Business diversification pays-off in difficult times:

- Bank +5% q/q on better NII, Fees and credit quality;
- Insurance remains affected (30%) q/q and (57%) y/y, **COVID-19 related reserves and claims**;
- Afore steady quarter;
- Leasing and Factoring back to normal quarter.

Net Income by Subsidiary

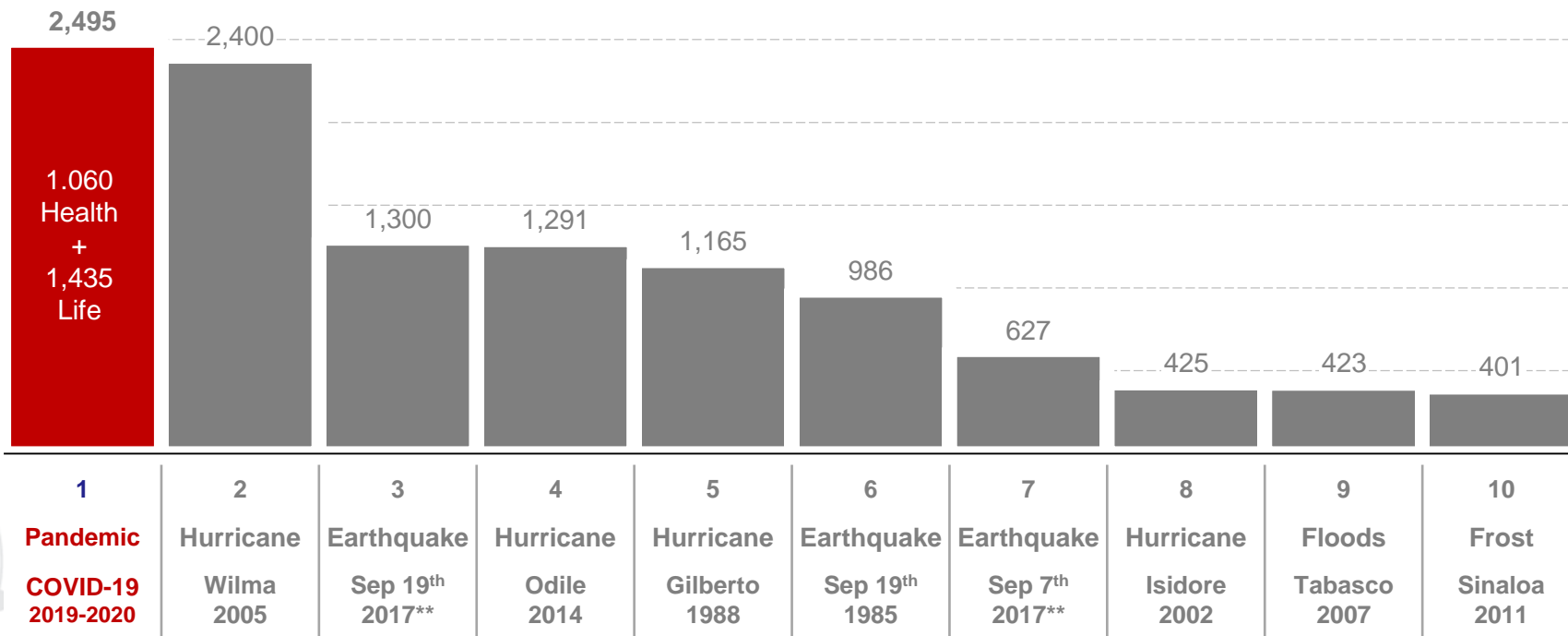
Million pesos	3Q21	q/q	y/y	9M21	y/y	ROE 9M21
Bank	6,706	5%	3%	18,984	17%	18.6%
Broker Dealer & Mutual Funds	402	(17%)	13%	1,306	15%	25.6%
Insurance	324	(30%)	(57%)	1,645	(51%)	21.6%
Annuities	472	(4%)	39%	1,462	39%	27.2%
Pension Funds (Afore)	458	0%	1%	1,310	(6%)	14.7%
Other Finance Comp.	213	140%	(13%)	551	(0%)	
Holding	287	73%	20%	700	(13%)	
GFNorte	8,874	4%	(0%)	25,987	6%	15.2%

Net Income by Subsidiary
9M21



First 18 months, COVID-19 is the most expensive event in the history of México for insurance companies

Million dollars*



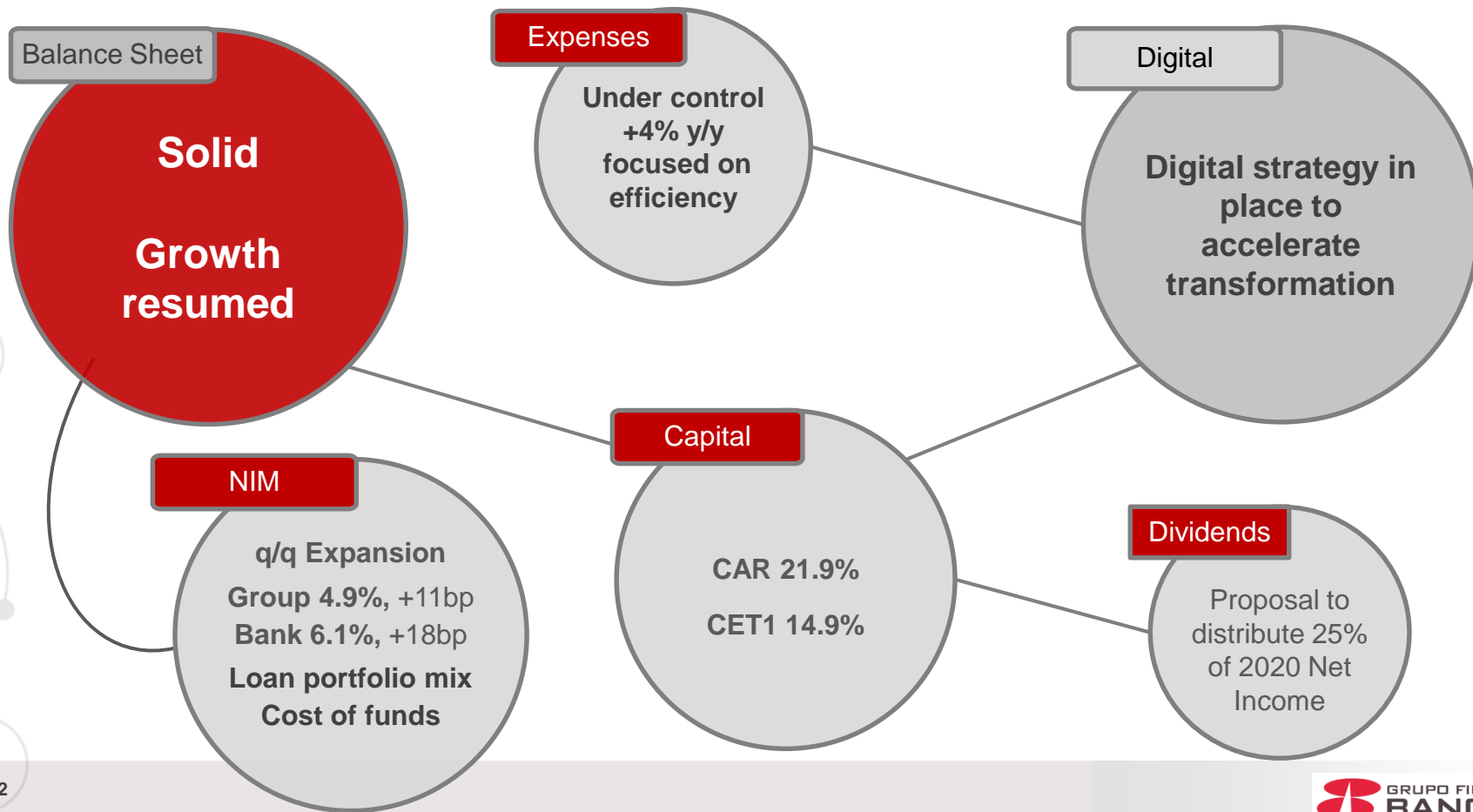
Source: AMIS. Report of COVID 19 cases in the insured population. Figures as of Sept-27-2021

*Figures in millions of constant dollars as of Aug-2021; for Property Risks includes Damages and Automobiles.

** Consolidated amount as of Sept-2020, amount based on the estimate of insured losses.

Financial Highlights

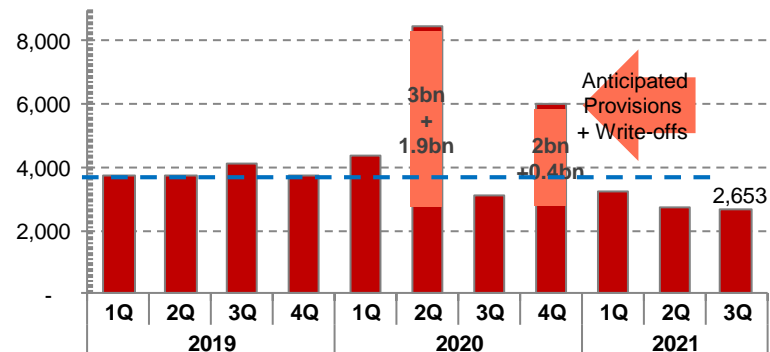
Prepared for the new normal



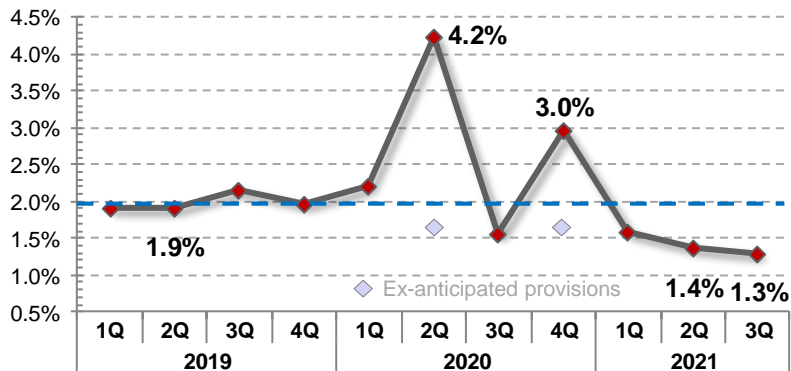
Asset quality better than expected

- Anticipated provisions (\$7.3 bn) in 2020 have proven adequate.
- Write-off rate back to normal after 2020 strategic approach to anticipate deterioration.
- Cost of risk at only 1.3%.

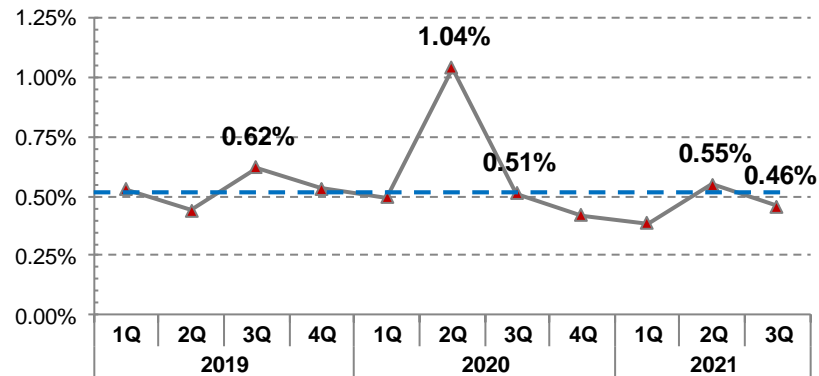
Credit Provisions



Cost of Risk

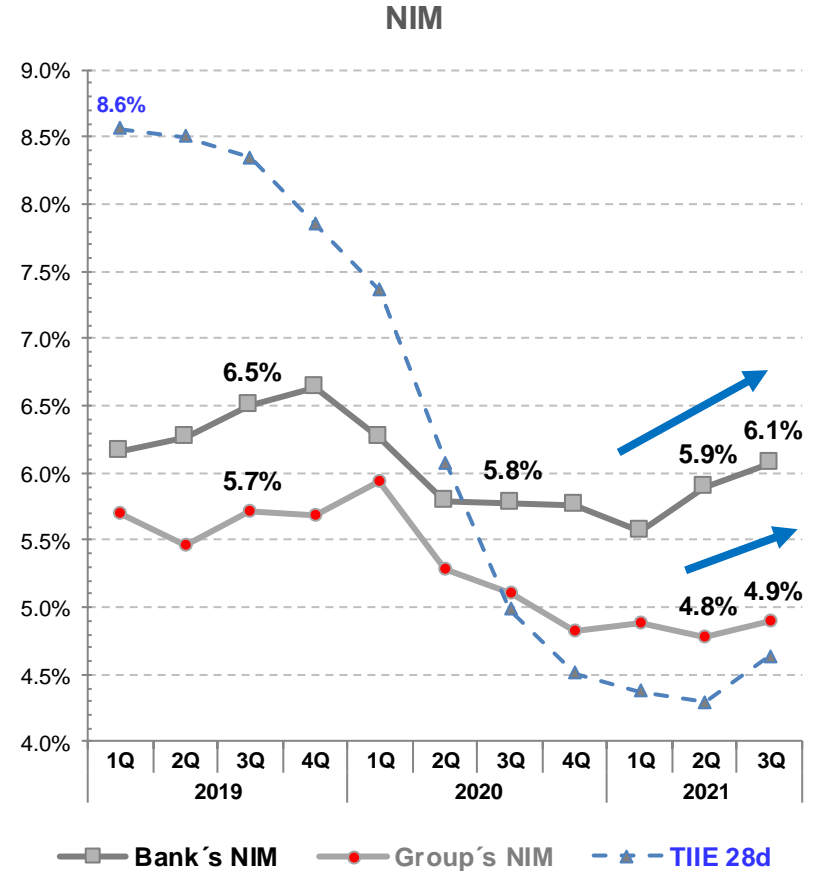
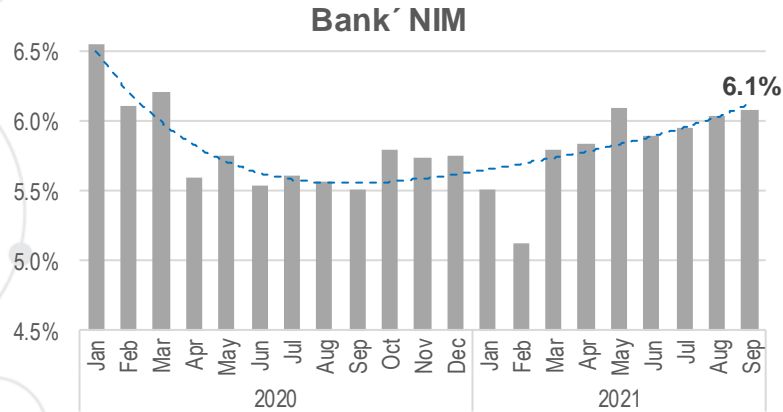


Write-Off Rate



NIM expansion

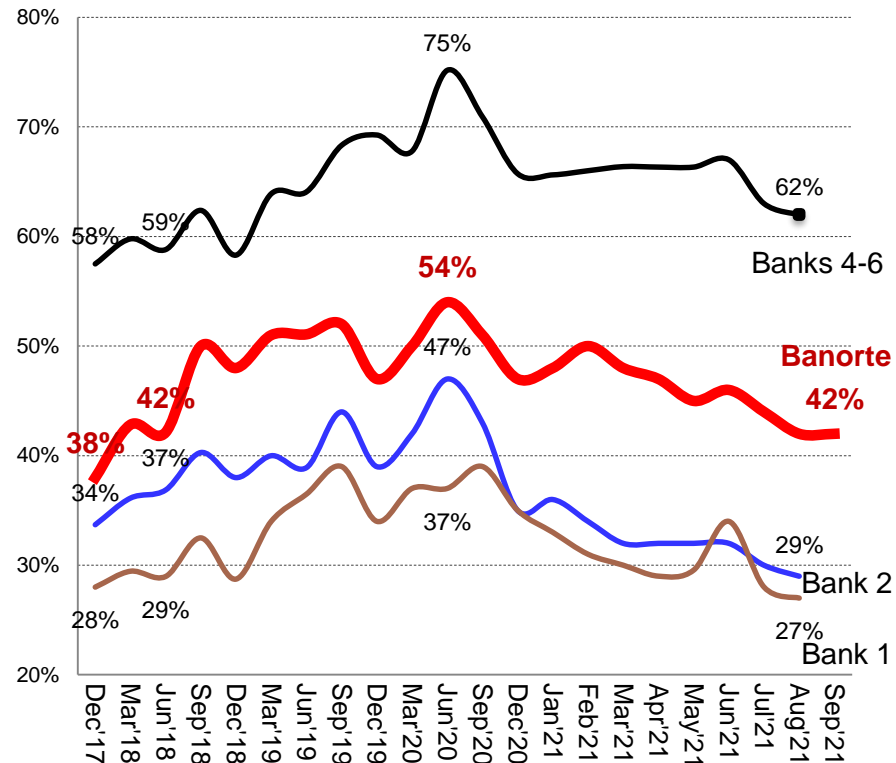
- Bank's NIM solid above 6% levels.
- Resilient with good portfolio mix, cost of funds, and boosted by rate hikes.
- Group's NIM still affected by insurance claims.



Funding Cost trending downward

- Cost of funds in proportion to CETES with significant improvement since the peak in June 2020.
- Strategic focus at branch network to increase deposits.
- Demand deposits represent 71% of total core deposits.
- Reducing high interest-bearing deposits with specific customers.

Cost of Funds vs CETES Reference Rate



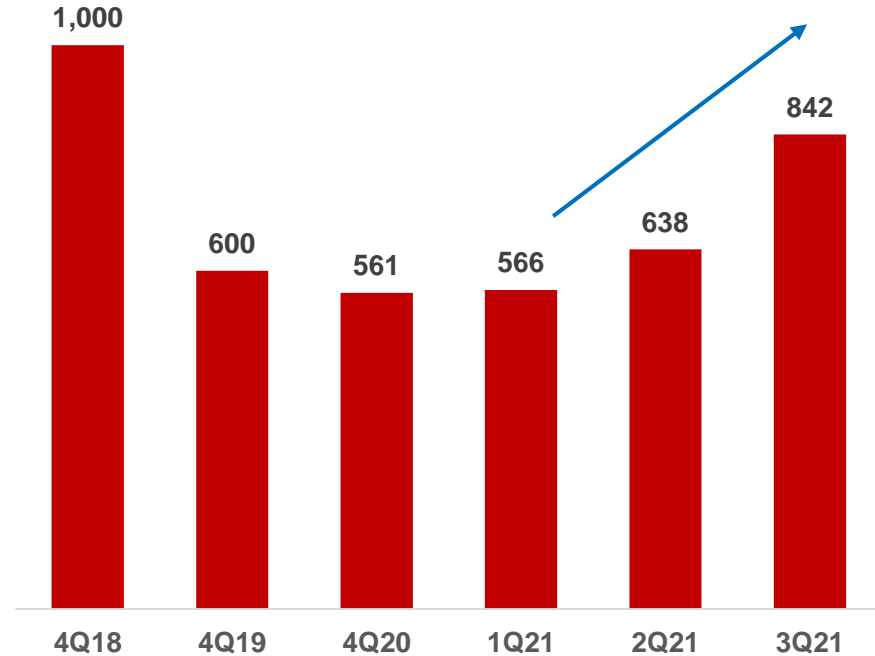
Source: Banxico data as August 2021,

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



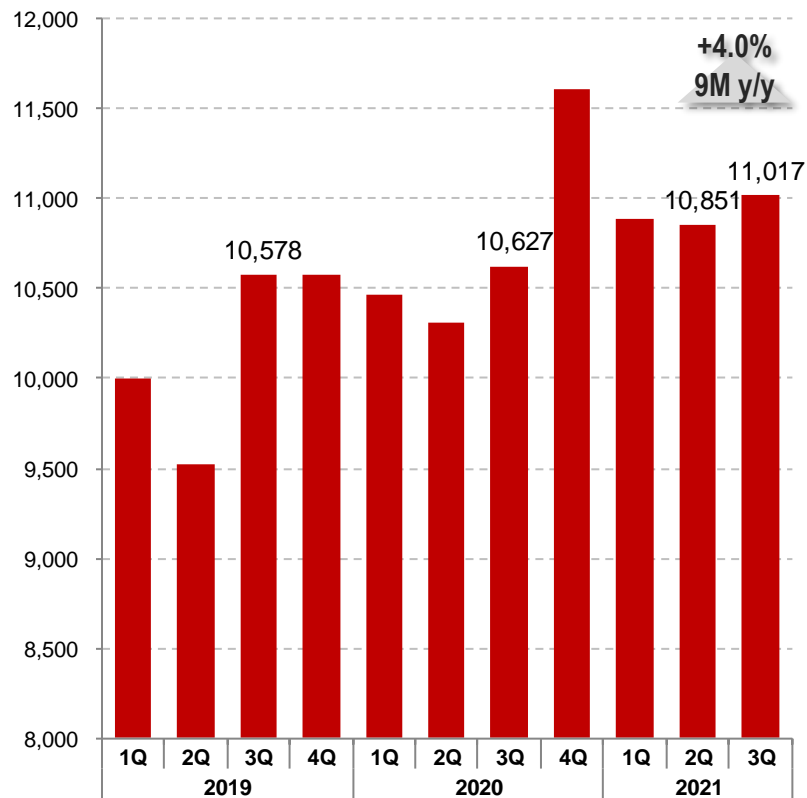
Expenses with strict control

Expenses driven by the efficiency program and structural adjustments strategy for 2021.

Total growth +4% y/y, in line with guidance and below inflation.

	3Q21	q/q	y/y	9M21	y/y
Personnel Expenses	4,368	2%	8%	12,647	7%
Professional Fees	820	1%	(5%)	2,433	1%
Administrative & Promotional	1,982	4%	(4%)	6,119	(6%)
Rents, Depr. & Amortization	2,237	(0%)	8%	6,720	11%
Taxes other than income tax & non-deductible expenses	581	(1%)	17%	1,723	17%
Contributions to IPAB	889	(0%)	(7%)	2,691	(0%)
Employee Profit Sharing	141	1%	6%	419	5%
Non-Interest Expenses	11,017	2%	4%	32,751	4%

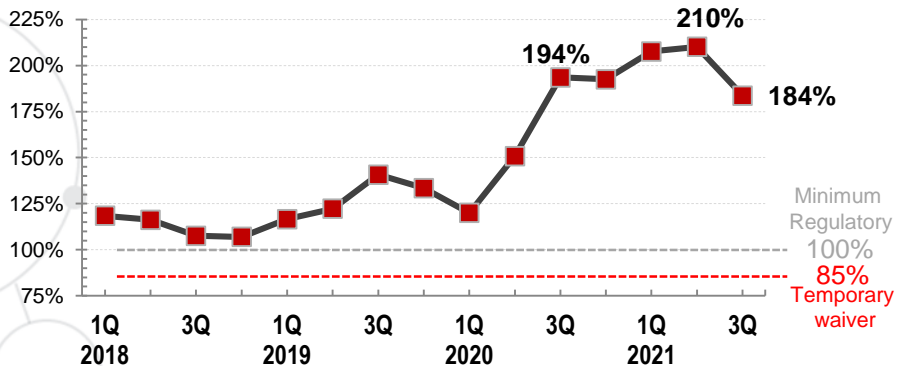
Non-Interest Expenses



Bank regulatory capital ratio & liquidity

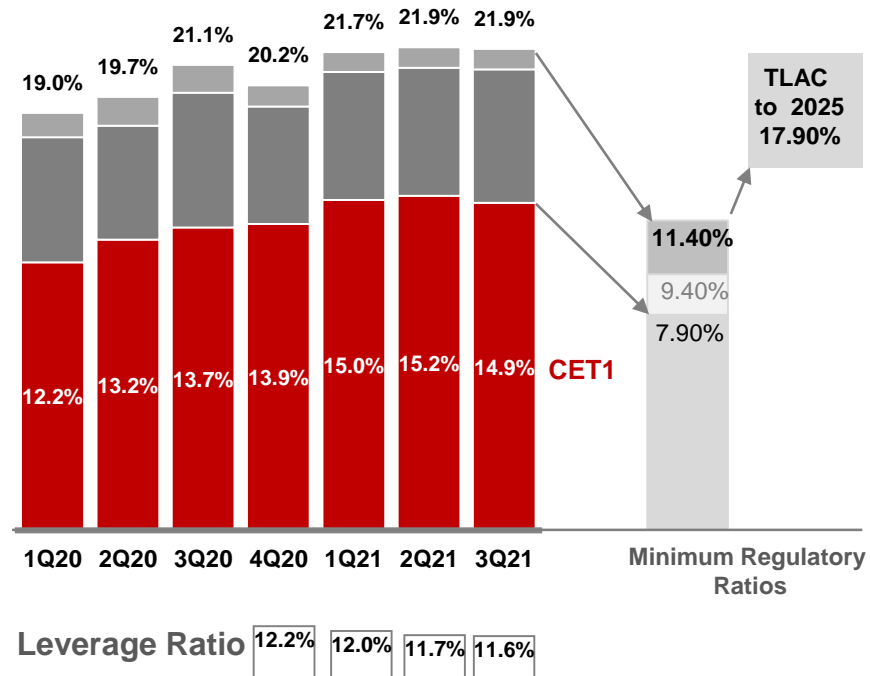
- Strong CAR and CET1, well above regulatory requirements.
- Unlevered Capital.
- Liquidity coverage ratio exceeds minimum regulatory requirements.

Liquidity Coverage Ratio CCL (%)



Capital Adequacy Ratio (CAR)

Basel III



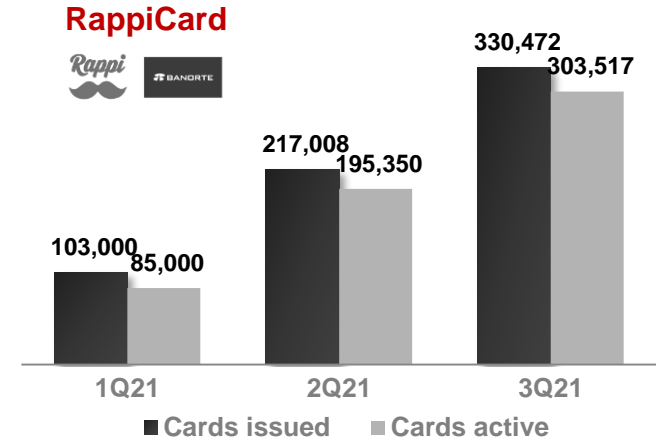
Ongoing digital evolution

Since the launch of the RappiCard on January 25th:

- Cards issued 330,472
- On track to close 2021 above the 400,000-card target

Google agreement advances:

1. **Culture** – Workshops and assessment to improve our collaborative work methodology.
2. **Security** – Progress in the implementation of solutions to improve cybersecurity.
3. **Cloud** – Ready to move some initial services to the cloud.



Google Cloud

Selected industry exposures

	Vs. Total Loans 3Q21
Oil Industry*	5.9%
Electricity Companies*	3.4%
Construction & Real State	
Housing	1.2%
Commercial	1.9%
Others	1.5%
Malls	2.0%
Tourism	4.2%
Restaurants	0.2%
Airports	0.0%

- *Including suppliers*

SMEs • 77% Nafin / Bancomext guaranteed loans, 45% of SME book	4.6%
Dollar denominated	11.2%

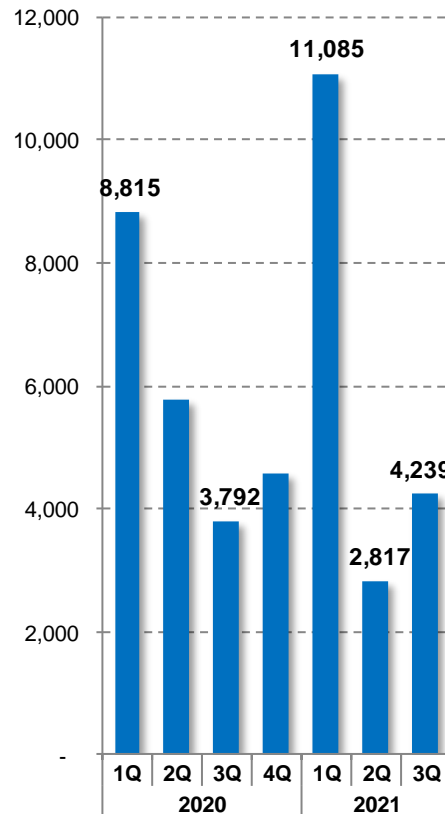
Appendix

Insurance business affected by COVID-19

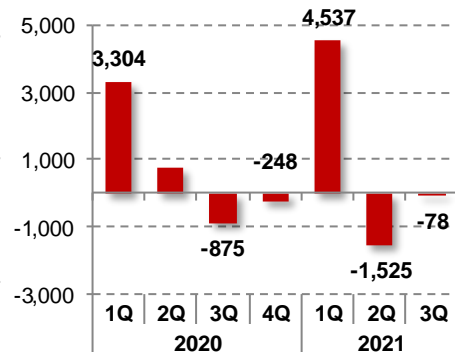
- Damages and claims 5% above 2Q21, and still above normal.
- 3Q21 premiums growth 12%.
- Damages and claims 9M21 affected by \$3.1bn in relation to COVID-19.

(Million Pesos)	3Q21	Change 2Q21	3Q20	9M21	Change 9M20
Interest Income (Net)	381	16%	(4%)	968	(38%)
Premium Income (Net)	4,239	51%	12%	18,141	(1%)
Net Increase in Technical Reserves	(78)	(95%)	(91%)	2,934	(8%)
Damages, Claims and Other Obligations	3,570	5%	8%	11,844	21%
Net Interest Income (NII)	1,129	(12%)	(35%)	4,331	(38%)

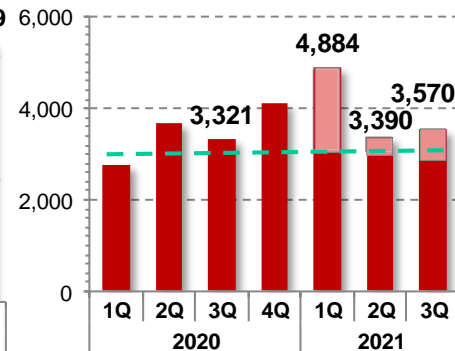
Retained Insurance Premiums



Technical Reserves



Damages & Claims



\$3.1bn related to COVID-19

Environmental



- CDP Climate Change Questionnaire – Response 2021
- Greenhouse Gas Emissions Inventory – Third Party Assurance
- SBTi Mexico´s Practice Community – Participation
- GEI Mexico Program (GEI2) – Participation

Social



- COVID-19 Contribution Report – Launching
- “Banorte Adopts a Community” Reconstruction Program – Closure
- Financial Education Week - Participation
- SDG Young Innovators UN Global Compact- Closure
- External consultant for our diversity and inclusion program

Governance



- ESG training for Board Members
- Mobile banking app – Upgrade
- Apple Pay + Visa payment
- Customer satisfaction – NPS: 67.2pts (+2% vs 2Q21 and +10% vs 3Q20)
- Money Laundering Prevention – 99.9% of employees trained

Sustainable Finance

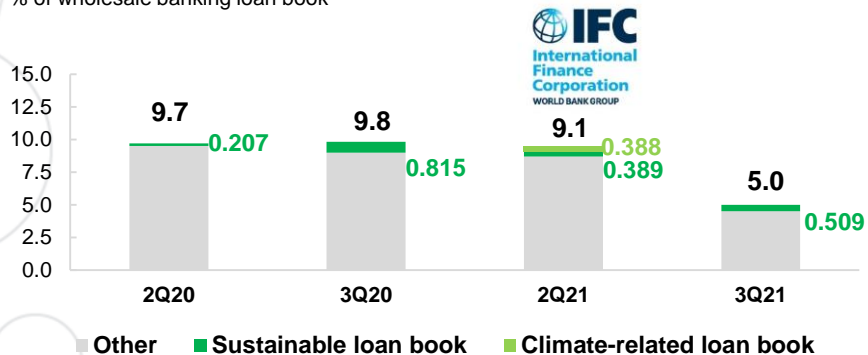


- Net-Zero Banking Alliance (NZBA) – Steering Group Members
- Climate Strategy 2021-2025
- Climate Initiative Investors LatAm (ICIL) – Participation, Operadora de Fondos & Afore XXI Banorte
- Responsible Investment Policy – Update, Operadora de Fondos

Sustainable finance

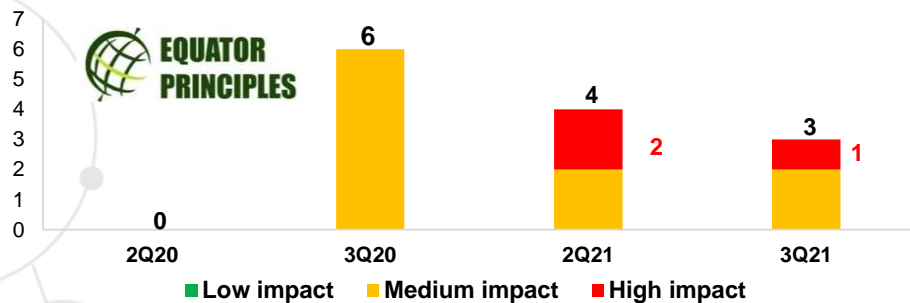
Sustainable finance loan book evaluation

% of wholesale banking loan book



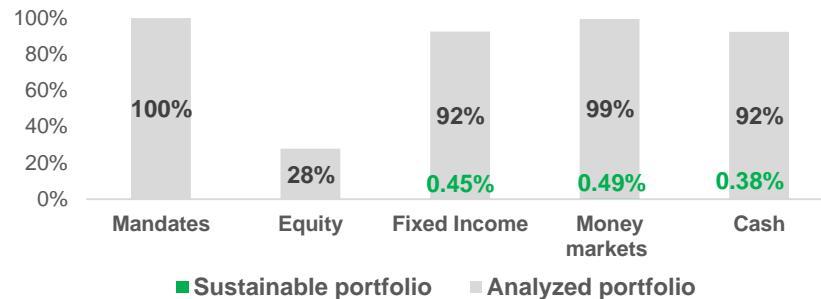
Loan book evaluation under Equator Principles

Number of analyzed projects



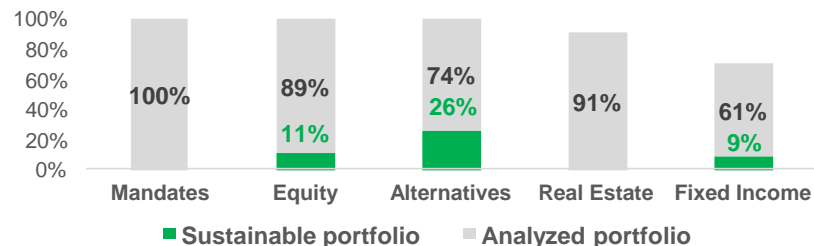
Responsible investments - Mutual funds

%, share of total analyzed AUM



Responsible investments – Pension funds (Afore)

%, share of total analyzed AUM by instrument





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