

# Earnings Call

October 21st, 2022

# 3Q22

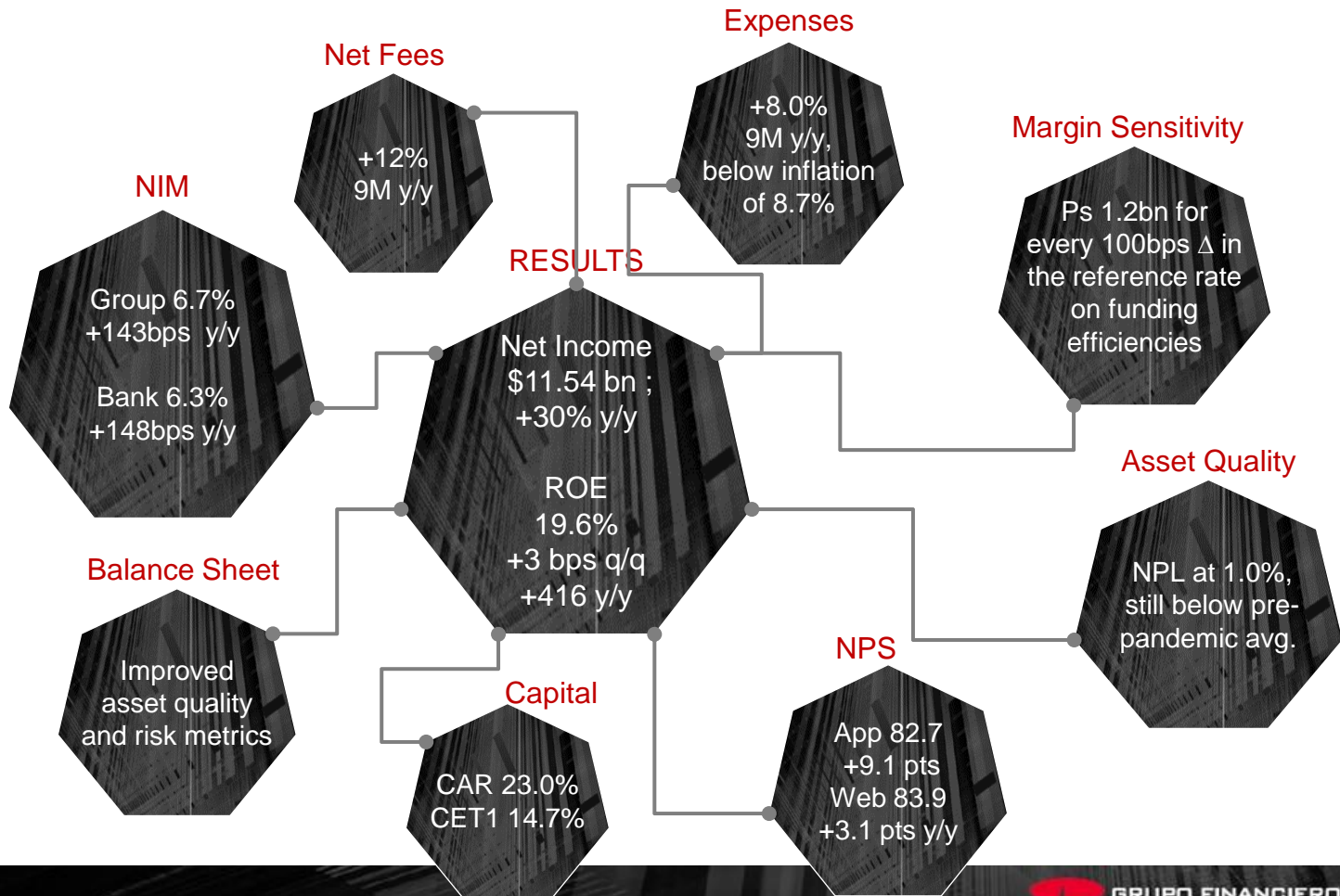
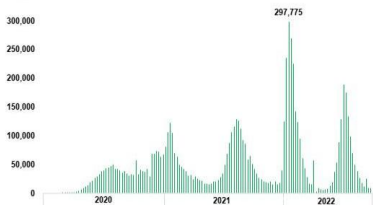
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# Solid performance with sequential improvements

**COVID-19**  
End of fifth wave,  
with low impact in  
hospitalization and fatalities

# of Cases per week

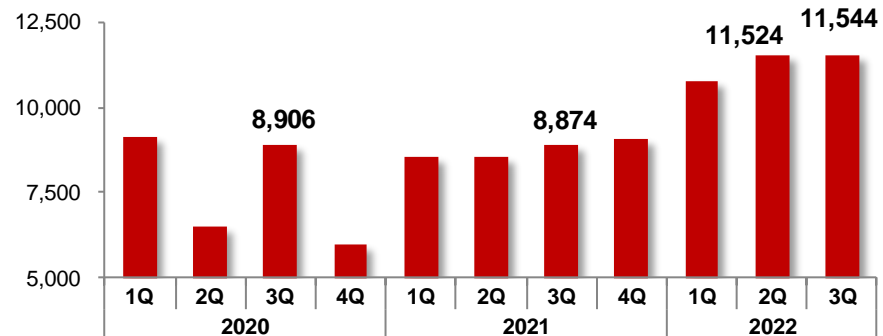


# Resilient results

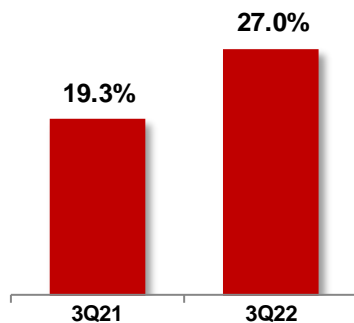
- Net Income +30% 9M y/y and flat sequentially on:
  - Robust NII, +13% q/q, +26% 9M y/y.
  - Non-interest Income decreased (164%) q/q.
- Profitability at good levels:
  - ROE at 19.6%, +3bps q/q, +416bps y/y.
  - ROA at 2.3%, +1bp q/q, +42bps y/y.

## Net Income

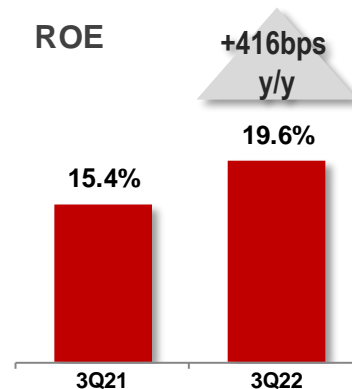
Million pesos



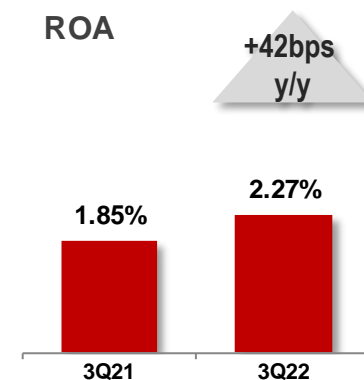
## ROE of the Bank



## ROE



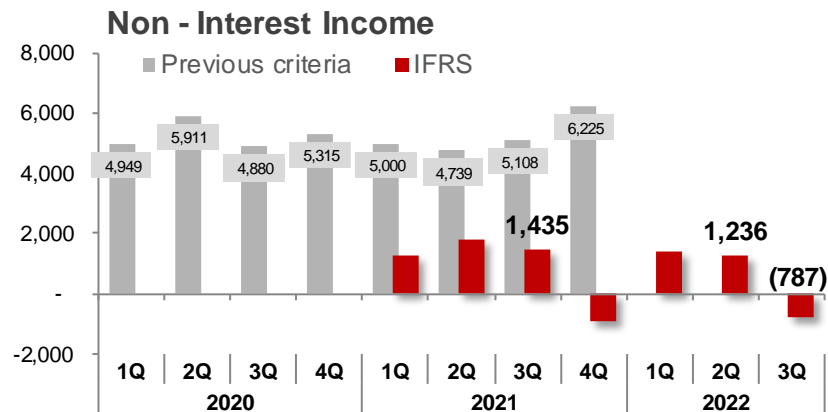
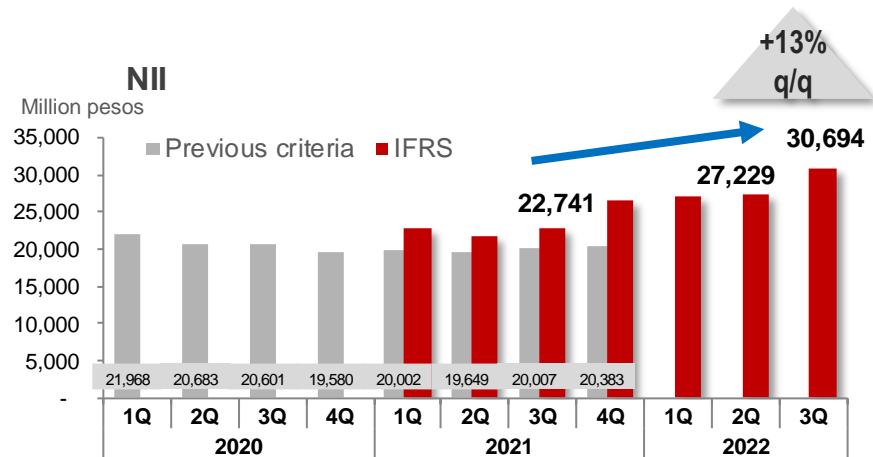
## ROA



## Net Interest and Non-Interest Income

- NII with significant expansion +13% q/q, +35% y/y.
- Non-interest Income decreased (164%) q/q, on:
  - Annuities' technical reserves of +Ps 1.3bn but compensated in NII.
  - Other operating expenses.
- Net Service Fees +12% 9M y/y.
- Trading +13% 9M y/y.

Million pesos	3Q22	q/q	y/y	9M22	y/y
NII Loans/Deposits	19,005	8%	18%	53,534	14%
NII Repos	4,162	15%	84%	11,431	74%
NII Valorization Adjust	(1)	96%	99%	112	146%
NII Insurance	541	16%	126%	1,401	59%
NII Annuities	6,987	25%	62%	18,457	39%
<b>NII</b>	<b>30,694</b>	<b>13%</b>	<b>35%</b>	<b>84,934</b>	<b>26%</b>
Net Service Fees	4,216	(2%)	11%	12,539	12%
Premium Income Ins & Ann	9,361	4%	(9%)	34,084	(1%)
Tech. Reserves Ins. & Ann.	6,983	23%	(1%)	24,367	6%
Cost of Acq. Ins. Op.	300	(3%)	1%	1,076	25%
Claims Ins. & Ann. (Net)	6,516	(1%)	6%	19,905	5%
Trading Income	777	(9%)	(34%)	3,009	13%
Other Income (expenses)	(1,343)	(331%)	(292%)	(2,449)	(275%)
<b>Non-Interest Income</b>	<b>(787)</b>	<b>(164%)</b>	<b>(155%)</b>	<b>1,835</b>	<b>(59%)</b>
<b>Total Revenues</b>	<b>29,907</b>	<b>5%</b>	<b>24%</b>	<b>86,769</b>	<b>21%</b>



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

Net Fees +12% 9M y/y on economic recovery.

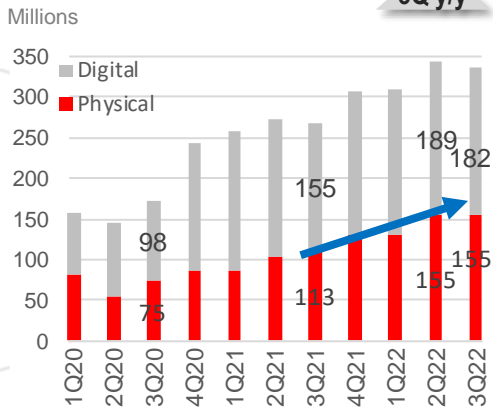
Core banking fees +2% q/q, and +23% 9M y/y;

- Electronic banking services +31% 9M y/y.

- Digital transactions leading annual growth, +34% in POS, +59% in mobile monetary transactions.

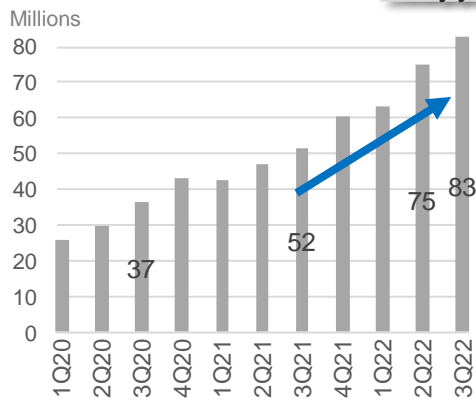
## POS Transactions

+34%  
3Q y/y



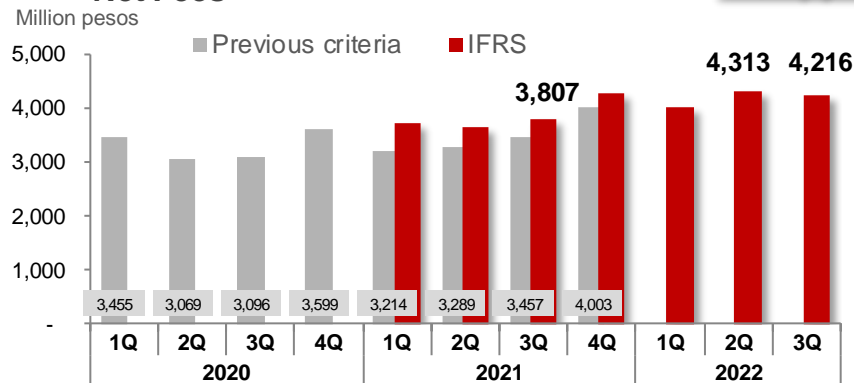
## Mobile Monetary Transaction

+59%  
3Q y/y



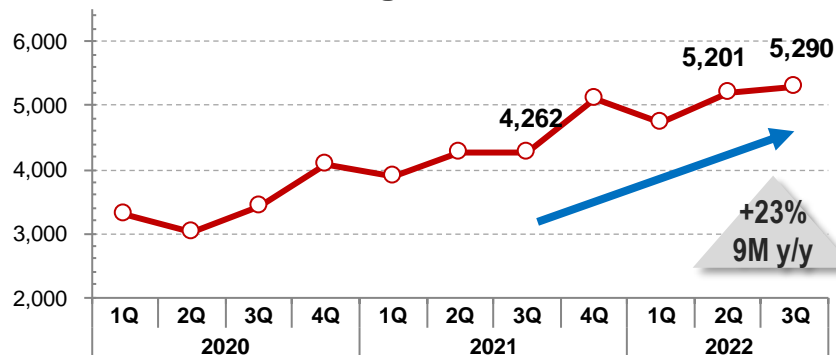
## Net Fees

+12%  
9M y/y



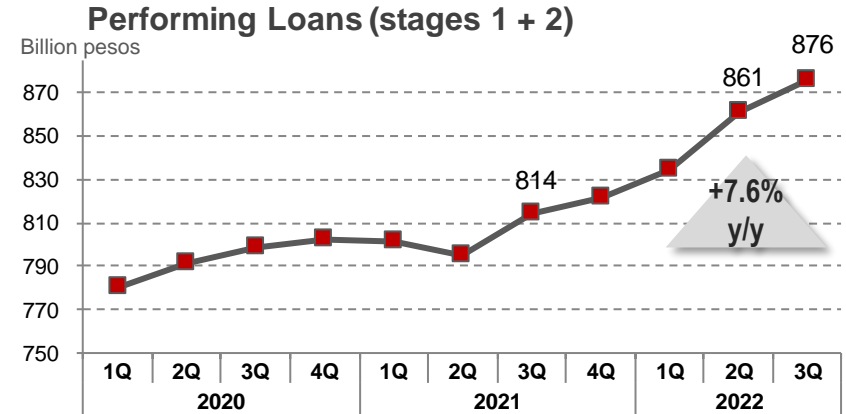
## Total Core Banking

+23%  
9M y/y



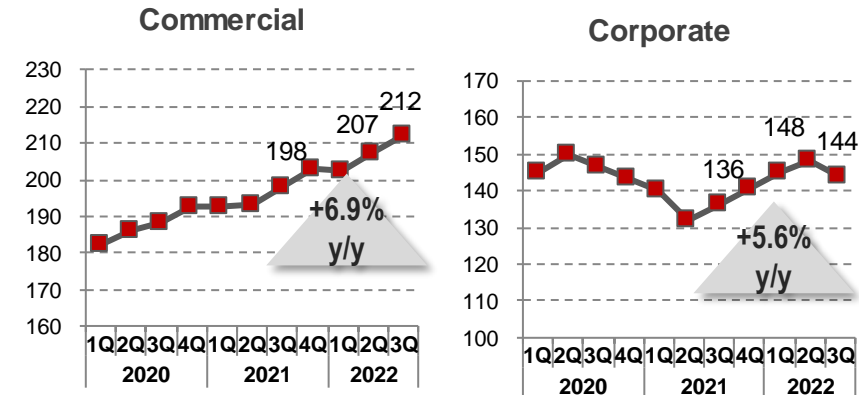
# Growth across the loan portfolio

- Performing portfolio (stages 1 + 2) grew +7.6% y/y.
- Solid quarterly expansion in commercial loans.
- The commercial teams were strengthened.



### Performing Loans (stages 1 + 2)

	3Q22	q/q	y/y
<b>Commercial</b>	<b>212,036</b>	2.3%	6.9%
<b>Corporate</b>	<b>144,045</b>	(2.7%)	5.6%
<b>Government</b>	<b>163,788</b>	(1.6%)	1.5%
Mortgage	218,039	5.1%	10.2%
Auto	30,018	4.0%	7.5%
Credit card	43,145	5.1%	15.0%
Payroll	64,970	5.5%	18.9%
<b>Consumer Loans</b>	<b>356,172</b>	5.1%	12.1%
<b>Stages 1 + 2 Loans</b>	<b>876,040</b>	1.8%	7.6%



Performing loans = IFRS (Stage 1 + Stage 2)

# Growth across the complete consumer portfolio

Record expansion in the consumer portfolio, +12.1% y/y.

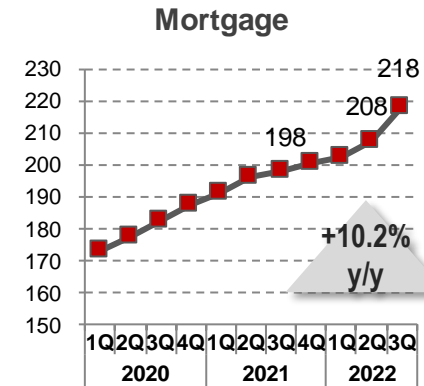
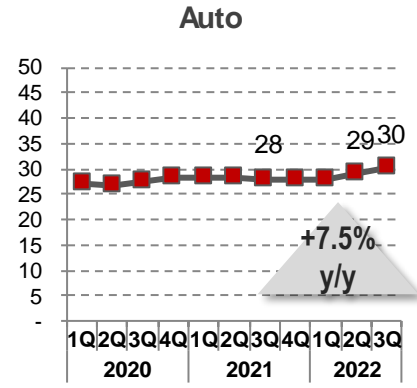
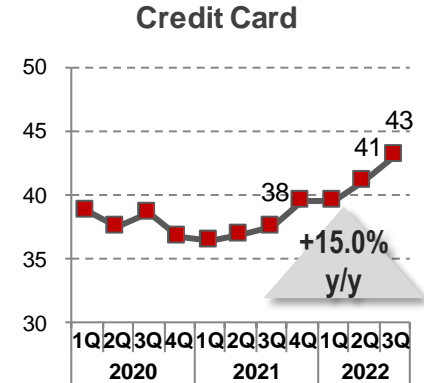
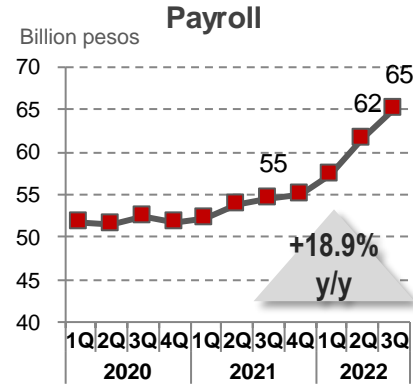
All consumer loans with sustained quarterly expansion.

Annually, only auto loans with high single-digit growth.

Credit card and payroll loans boosting with strong momentum.

## Performing Loans (stages 1 + 2)

	3Q22	q/q	y/y
Commercial	212,036	2.3%	6.9%
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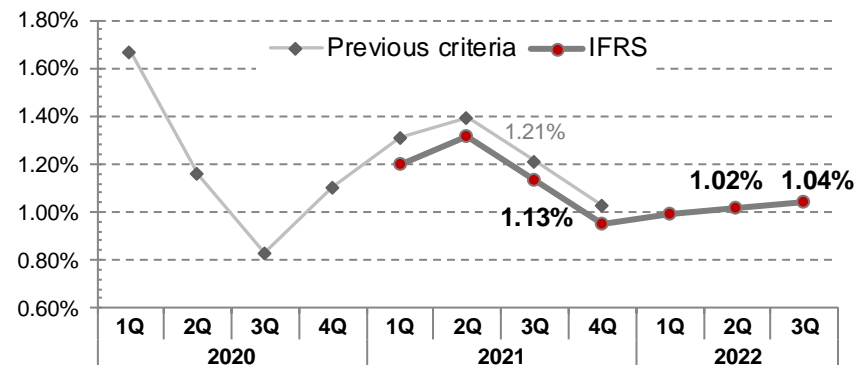




## Healthy Loan Portfolio

- Resilient asset quality, only +2 bps sequentially.
- NPL ratio continues well below expectations.
- No particular signs of sectoral or geographic trends.

### NPL Ratio



### Non-performing Loans Ratio

	Previous Criteria		IFRS				
	3Q21	4Q21	3Q21	4Q21	1Q22	2Q22	3Q22
Credit Card	3.9%	<b>3.3%</b>	2.7%	2.3%	<b>2.2%</b>	<b>2.2%</b>	<b>2.2%</b>
Payroll	2.6%	<b>2.6%</b>	2.4%	2.5%	<b>2.4%</b>	<b>2.7%</b>	<b>2.8%</b>
Auto	0.9%	<b>0.8%</b>	0.9%	0.8%	<b>0.7%</b>	<b>0.6%</b>	<b>0.7%</b>
Mortgage	1.1%	<b>1.0%</b>	1.0%	1.0%	<b>0.9%</b>	<b>0.9%</b>	<b>0.9%</b>
Commercial	1.9%	<b>1.6%</b>	1.9%	1.6%	<b>1.7%</b>	<b>1.6%</b>	<b>1.7%</b>
SME	2.5%	<b>1.8%</b>	2.5%	1.8%	<b>1.7%</b>	<b>1.6%</b>	<b>1.4%</b>
Commercial ex-SME	1.8%	<b>1.5%</b>	1.8%	1.5%	<b>1.7%</b>	<b>1.6%</b>	<b>1.8%</b>
Corporate	0.4%	<b>0.0%</b>	0.4%	0.0%	<b>0.3%</b>	<b>0.5%</b>	<b>0.4%</b>
Government	0.1%	<b>0.1%</b>	0.1%	0.1%	<b>0.1%</b>	<b>0.1%</b>	<b>0.0%</b>
<b>Total GFNorte</b>	<b>1.2%</b>	<b>1.0%</b>	<b>1.1%</b>	<b>0.9%</b>	<b>1.0%</b>	<b>1.0%</b>	<b>1.0%</b>

# Subsidiaries Net Income and ROE

Business diversification, a lever in challenging times:

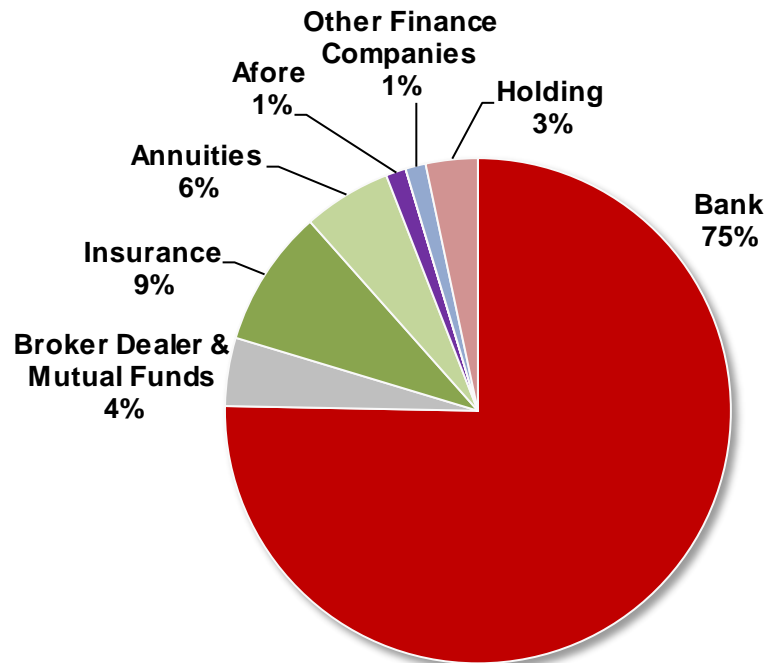
- Bank (5%) q/q, and +34% 9M y/y, solid growth in NII.
- Insurance up +4% q/q, and +81% 9M y/y, gradually reducing impacts from **COVID-19 related claims**.
- Annuities +68% q/q, on +15% growth in premium income.
- Afore +80% sequentially. But impacted by the well-known effects of the regulatory cap in fees and valuation.

Net Income by Subsidiary

Million pesos	3Q22	q/q	y/y	9M22	y/y	ROE 9M22
Bank	8,758	(5%)	31%	25,469	34%	24.8%
Broker Dealer & Mutual F.	262	(15%)	(35%)	1,477	13%	26.0%
Insurance	889	4%	175%	2,973	81%	54.3%
Annuities	876	68%	86%	1,908	31%	27.5%
Pension Funds (Afore)	178	80%	(61%)	432	(67%)	4.9%
Other Finance Comp.	65	(73%)	(69%)	437	(21%)	
Holding	516	78%	80%	1,124	61%	
<b>GFNorte</b>	<b>11,544</b>	<b>0%</b>	<b>30%</b>	<b>33,816</b>	<b>30%</b>	<b>19.0%</b>

\* ROTE 9M22: Bank 30.4%, Afore 16.8%

Net Income by Subsidiary  
9M22



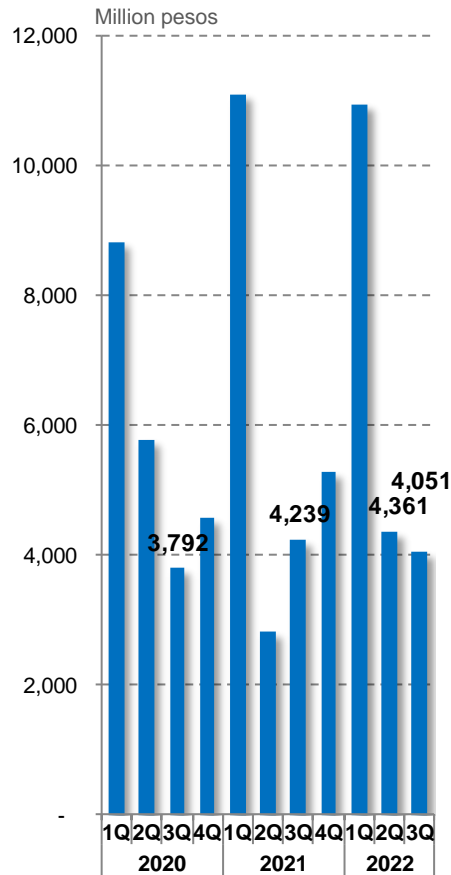
# Insurance business steadily improving

Operating Income increased +5% sequentially and +76% 9M y/y.

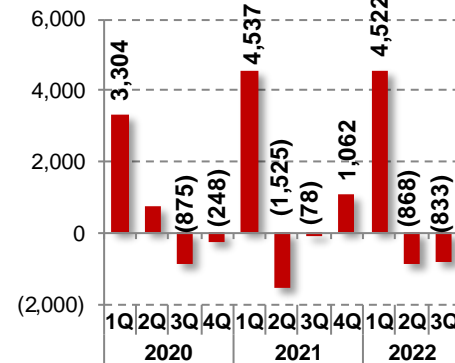
Claims below (5%) q/q. Normalization continues for COVID-related claims (health, life & auto).

(Million Pesos)	3Q22	Change		9M22	y/y
		q/q	y/y		
<b>Interest Income (Net)</b>	543	16%	127%	1,404	59%
<b>Premium Income (Net)</b>	4,051	(7%)	(4%)	19,353	7%
<b>Net Increase in Tech. Reserves</b>	(833)	4%	(971%)	2,821	(4%)
Cost of Acq. from Insur. Oper.	597	2%	8%	1,916	15%
<b>Claims</b>	3,469	(5%)	(3%)	11,133	(6%)
Securities-Realized Gains	115	228%	(23%)	(54)	(132%)
Other Operating Income	(21)	(109%)	(110%)	432	(36%)
Non-Interest Expense	239	(46%)	(29%)	1,162	6%
<b>Operating Income</b>	<b>1,216</b>	<b>5%</b>	<b>164%</b>	<b>4,100</b>	<b>76%</b>

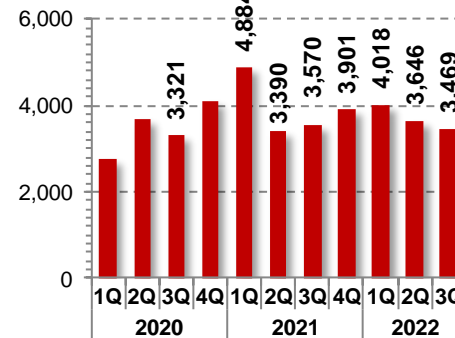
## Retained Insurance Premiums



## Technical Reserves



## Damages & Claims



## Ongoing digital evolution

RappiCard: keeps growing in cards and billing

**703k**

Issued  
cards

**667k**

Cards with at  
least one  
purchase

**61%**

Of cardholders  
with a credit line  
above Ps 5,000

**1,768M<sup>1</sup>**

Average  
monthly billing

**70%**

Monthly active  
users

**78%**

Of users under  
36 years old



Source: JV Banorte Rappi, as of Sept. 30, 2022

1. Average 3Q22



## ENVIRONMENTAL

- Participation in the **CDP** Climate Change **2022** Questionnaire



## SOCIAL

- Grupo Financiero Banorte was recognized as the **most socially responsible bank in the world** by **Newsweek** magazine and global data firm **Statista**
- Banorte joins "**Meta Igualdad de Género Pacto Mundial México**", a program that promotes business success and sustainability in companies



## GOVERNANCE

- Recognized as the **"Most Honored Company"** in **México** in the "Latin America Executive Team" ranking by **Institutional Investor**
- Recognition in the **Google Customer Awards** in the Financial Services 2021 category by **Google Cloud**
- **The Banker** included Banorte as one of the **Top 1000 World Banks 2022**, ranking us as the best capitalized Mexican financial group in the country
- NPS 3Q22: 75\*
  - ▲ 5.90 vs 3Q21
  - ▲ 0.30 vs 2Q22
- Grupo Financiero Banorte receives authorization to constitute a new **Digital Bank**
- Banorte obtained a total score of **64** in the **S&P Global Corporate Sustainability Assessment** (+1 vs 2021)
- First session of the **Sustainability Committee 2022**:
  - ESG goals' approval
  - Initiatives' monitoring



\*For 3Q22, the Banorte Integral NPS also includes digital channels and strategic segments.

# ***Financial Highlights***

# Delivering amidst macroeconomic uncertainty

Balance Sheet

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

NIM

Group NIM: 6.7%  
Bank NIM: 6.3%;  
On cost of funds & NII sensitivity

Expenses

Efficient control at institutional level; below inflation

Capital

CAR 23.0%  
CET1 14.7%

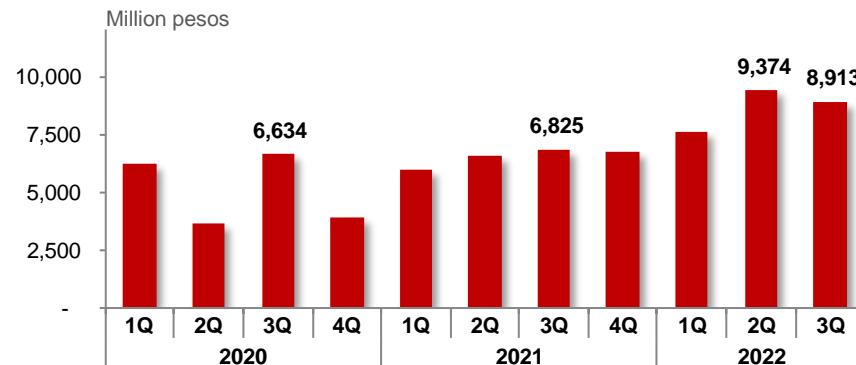
Digital

Digital Transformation, **Digital Bank**, and JV with Rappi, the main pillars of Banorte's strategy

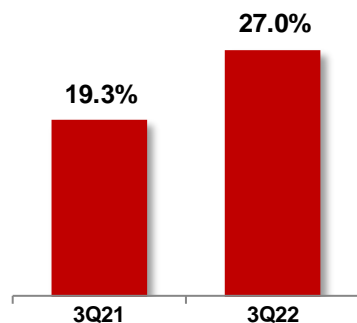
## Resilient results, particularly at the bank level

- NII of the Bank growing +9% sequentially and +30% y/y.
- NIM with quarterly expansion to 6.3%, +71bps sequentially.
- Net Income down (5%) q/q (on lower trading income and other operating income), but significantly higher +34% 9M y/y.
- ROE of the Bank at 27.0%, strong annual expansion fueled by better NII.

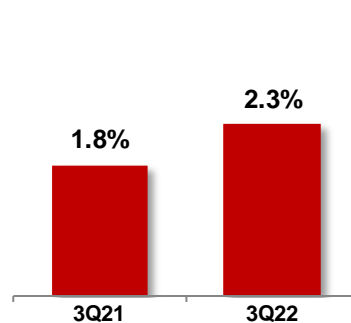
### Net Income of the Bank



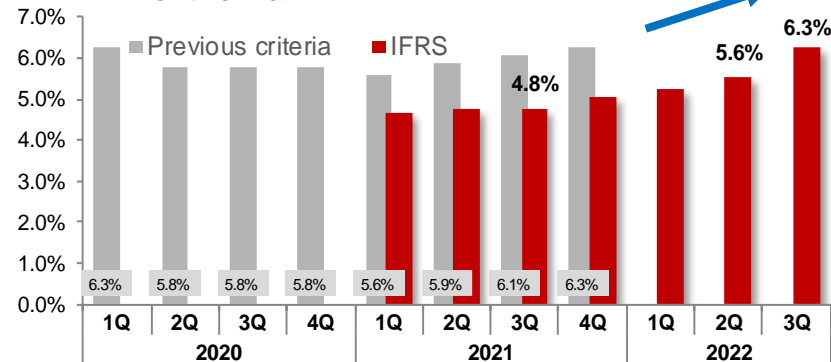
### ROE of the Bank



### ROA of the Bank



### NIM of the Bank

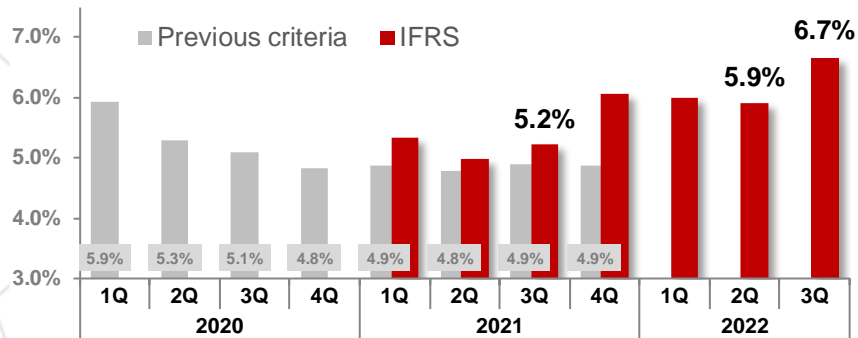




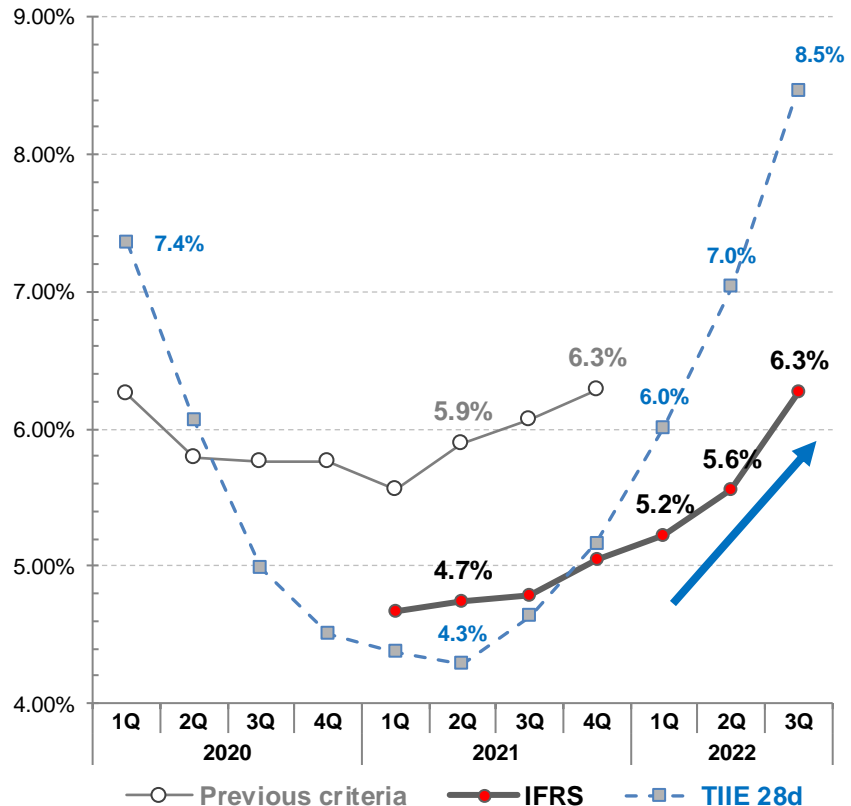
# NIM expansion

- NIM expansion on good portfolio mix and growth, efficient cost of funds and margin sensitivity to rates.
- Effects from the latest hikes are still pending.
- Group's NIM at 6.7%, +74bps sequentially.

### NIM of the Group



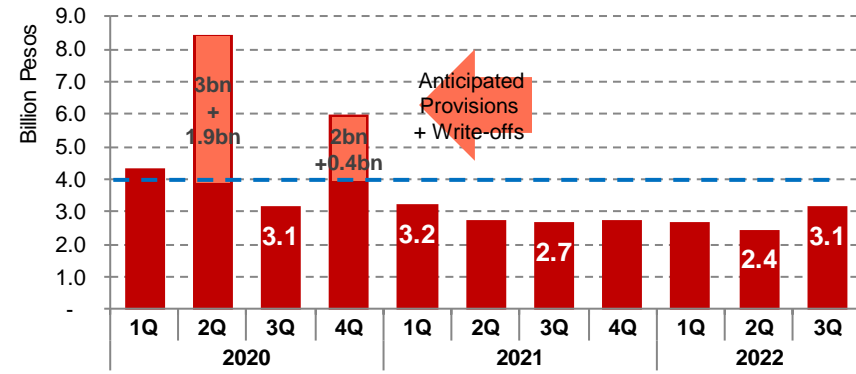
### NIM of the Bank



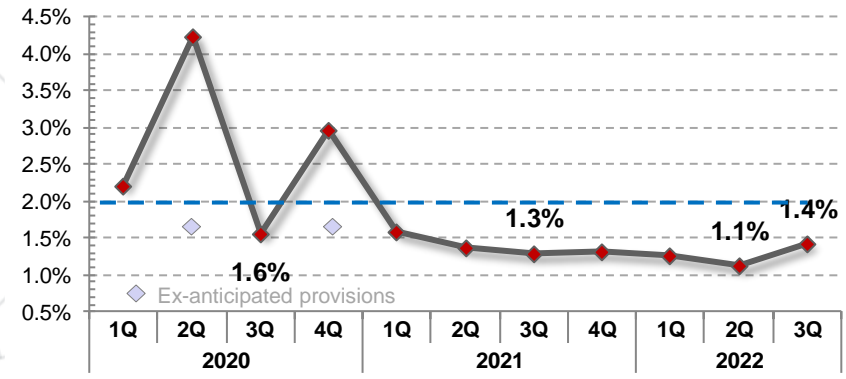
# Better than expected Asset quality

- Shielded balance sheet, with remaining Ps 1.0bn in excess provisions.
- Write-off rate at 0.37%, below its normal operating level.
- Cost of risk uptick on isolated cases.

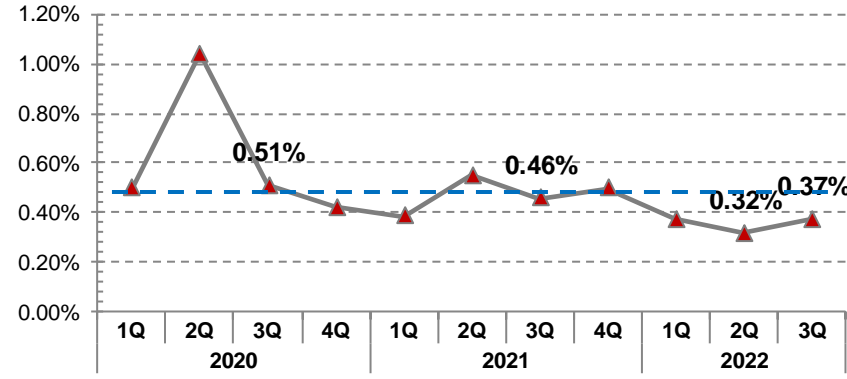
## Credit Provisions



## Cost of Risk



## Write-Off Rate

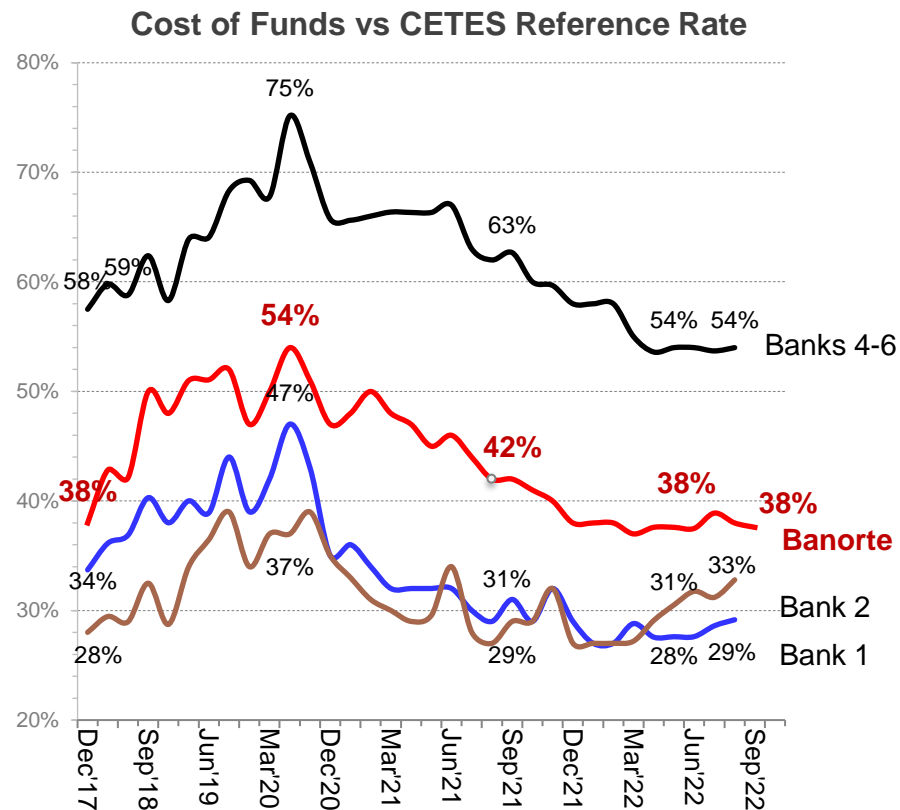


## Funding Cost trending in the right direction

Cost of funds steady at 37.6% of CETES, improving significantly since the peak in June 2020.

Successful strategy at branch network and digital channels to increase deposits.

Demand deposits represent 73% of total core deposits.



Source: Banxico, data as September 2022.

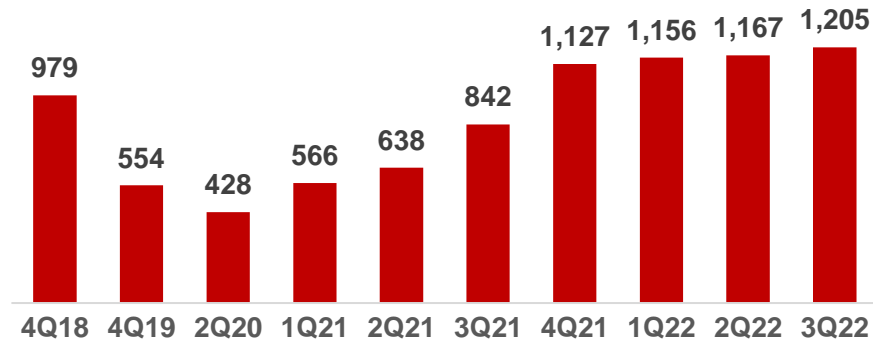
## Margin sensitivity evolution

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

### Margin Sensitivity – 100 bps on NII

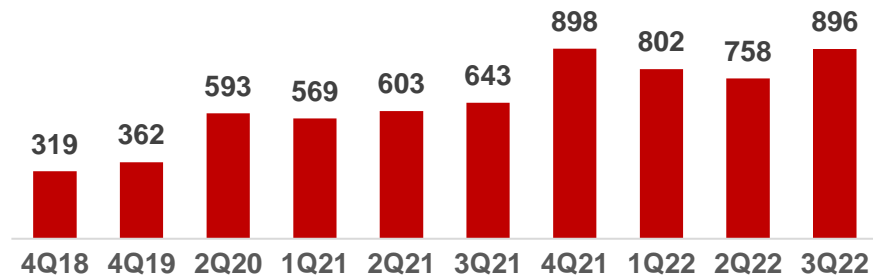
#### Local Currency Balance Sheet

Million pesos



#### Foreign Currency Balance Sheet

Million pesos

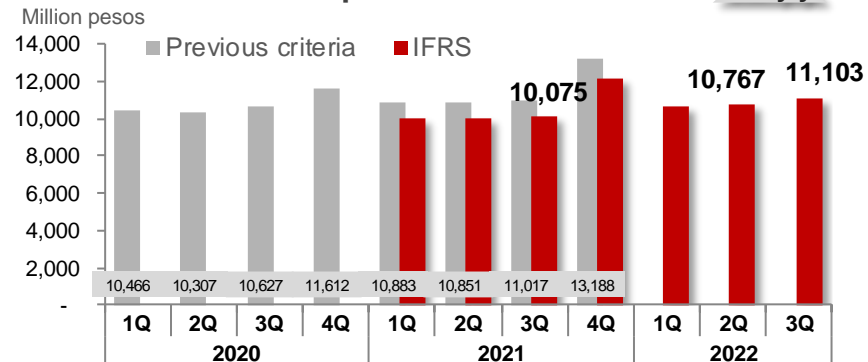


# Expenses

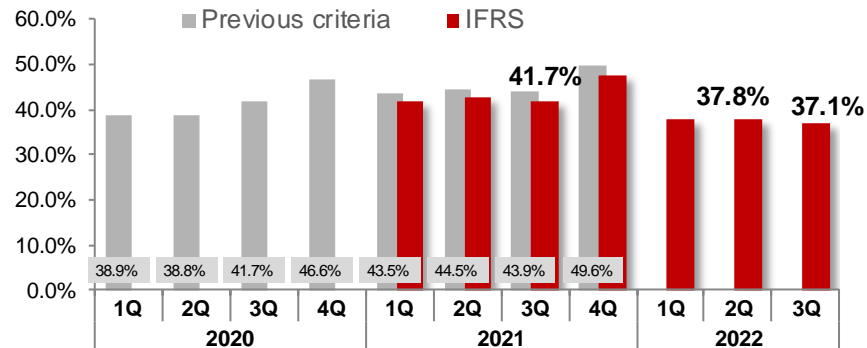
- +8.0% 9M y/y, contained below inflation of 8.7%.
- Cost to income ratio improving (70bps) q/q, and (455bps) y/y.

	3Q22	q/q	y/y	9M22	y/y
Personnel	4,510	6%	2%	13,104	1%
Professional Fees	929	2%	12%	2,641	7%
Administrative and Promotional	2,116	18%	19%	5,768	8%
Rents, Deprec. & Amortization	2,336	(4%)	10%	7,171	12%
Other Taxes	613	22%	15%	1,647	4%
Employee Profit Sharing (PTU)	394	2%	172%	1,165	158%
Other expenses	205	(57%)	(19%)	1,086	12%
<b>Non-Interest Expenses</b>	<b>11,103</b>	<b>3%</b>	<b>10%</b>	<b>32,581</b>	<b>8.0%</b>

## Non-Interest Expenses



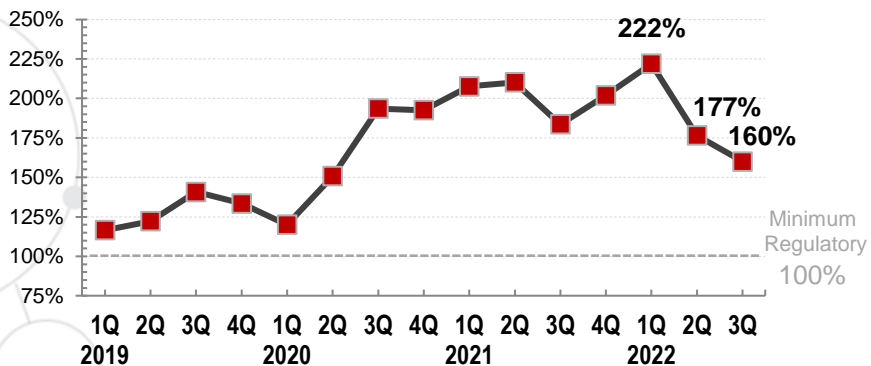
## Cost to Income Ratio



# Bank's regulatory capital ratio & liquidity

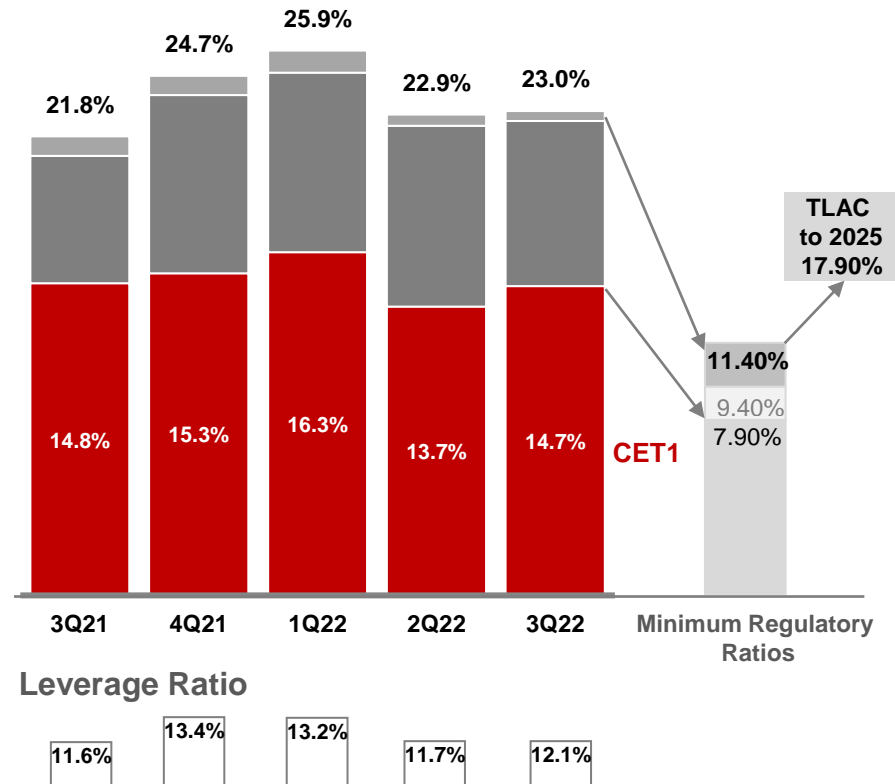
- Strong CAR and CET1, well above regulatory requirements.
- CET1 still above management's optimal range, even after full dividends are distributed.
- Unlevered Capital.
- Liquidity coverage ratio far exceeds minimum regulatory requirements.

### Liquidity Coverage Ratio CCL (%)

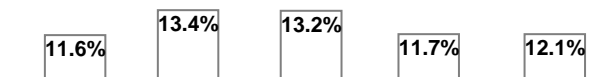


## Capital Adequacy Ratio (CAR)

Basel III



### Leverage Ratio



	Previous	Update
Loan Growth	5% – 7%	7% – 9%
NIM expansion	25 – 35 bps	85 – 100 bps
NIM of Bank expansion	50 – 70 bps	100 – 115 bps
Expense Growth	7.0% – 7.6%	7.9% – 8.4%
Efficiency	38.9% – 39.7%	37.5% – 38.5%
Cost of Risk	1.4% – 1.7%	1.3% – 1.5%
Tax Rate	25% – 26%	25% – 26%
Net Income	40.5 – 42.0 bn	44.0 – 45.4 bn
ROE 2022	17.5% – 18.5%	18.7% – 19.2%
ROA 2022	2.0% – 2.2%	2.2% – 2.3%

# ***Appendix***



## Selected industry exposures

	Vs. Total Loans 3Q22
<b>Oil Industry*</b>	<b>4.6%</b>
<b>Electricity Companies*</b>	<b>3.8%</b>
<b>Construction &amp; Real Estate</b>	
Housing	<b>1.3%</b>
Commercial	<b>1.9%</b>
Others	<b>1.2%</b>
<b>Malls</b>	<b>1.9%</b>
<b>Tourism</b>	<b>4.5%</b>
<b>Restaurants</b>	<b>0.2%</b>
<b>Airports</b>	<b>0.0%</b>

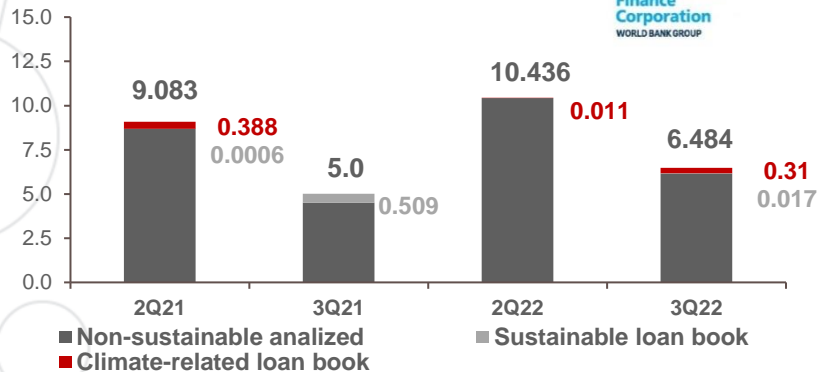
- Including traditional, clean energy and suppliers

<b>SMEs</b>	4.5%
<b>Dollar denominated</b>	12.4%

# Sustainable Finance

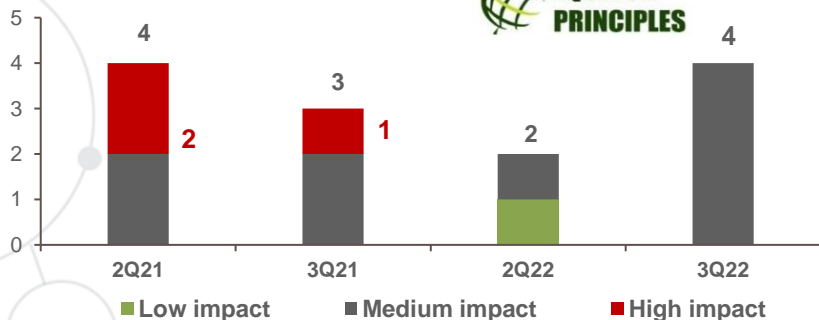
## Loan book evaluation

% of wholesale banking loan book



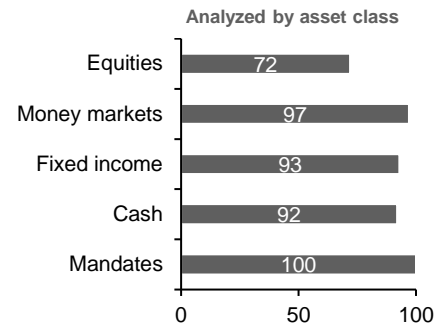
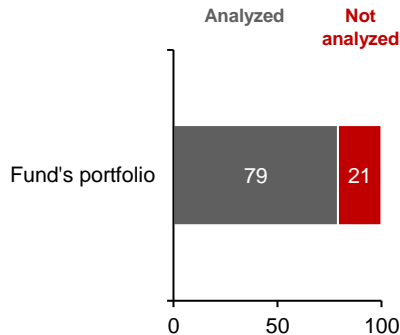
## Loan book evaluation under Equator Principles

Number of analyzed projects



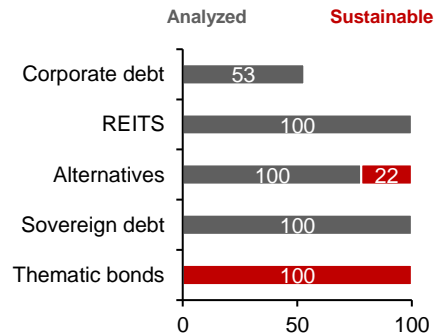
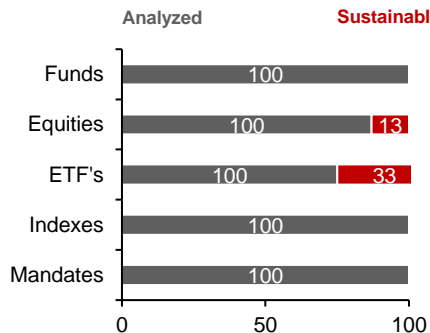
## Responsible Investments – Mutual Funds

% share of total analyzed AUM by instrument



## Responsible Investments – Pension Funds

% share of total analyzed AUM by instrument



# Earnings Call

October 21st, 2022

# 3Q22